DIALOGUE 1: Participants on the Right Path

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DIALOGUE 1: Participants on the Right Path

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Participants on the Right Path

Jeanne Denz, Director of Global Benefits
General Mills, Inc
About General Mills

Our mission at General Mills (GMI) is nourishing lives—making lives healthier, easier and richer.

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>2013 Sales</strong></td>
<td><strong>$17.8B</strong></td>
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<tr>
<td><strong>Global Employees</strong></td>
<td><strong>41,000</strong></td>
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<td><strong>U.S. Employees</strong></td>
<td><strong>16,600</strong></td>
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<tr>
<td><strong>Union Employees</strong></td>
<td><strong>3,300</strong></td>
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<tr>
<td><strong>Male</strong></td>
<td><strong>60%</strong></td>
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<tr>
<td><strong>Average Age (years)</strong></td>
<td><strong>45.3</strong></td>
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<tr>
<td><strong>May, 2014 Estimated Total Pension Assets</strong></td>
<td><strong>$5.5B</strong></td>
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<tr>
<td><strong>May, 2014 Estimated Pension Plans’ Funded Status¹</strong></td>
<td><strong>110%</strong></td>
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¹ Funded Status is based on the qualified plans’ market assets compared to projected benefit obligations.
There are two retirement programs for salaried employees:

1. **401(k) + Pension Program**
   - **Employee Contribution**: Contribute 6% for full base match.
   - **Company Match**: Base match $0.50 per $1.00 first 6%, variable match up to $0.50 per $1.00 first 6%.
   - **Pension Plan**: Designed to give full-career employees 50% of pay through a combination of pension plus social security.

2. **401(k) + Savings Program**
   - **Employee Contribution**: Contribute 8% for full match.
   - **Company Match**: $1.00 per $1.00 first 4%, $0.50 per $1.00 next 4%.

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1 Effective June 1, 2013 for salaried employees (does not apply to production employees).
Market Tools: General Mills Approach

- Employee Meetings
- Postcard
- Microsite
- Email
- Video

Thanks for attending!

Retirement Resources

Take a break

Make a wellness commitment
1. Choose your health plans and family members to cover
2. Learn about new 401(k) funds and investment help

Consider this your sticky note!

Your time to choose is here! Don’t miss out.

The choice is yours.

<table>
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<tr>
<th>Target Retirement Date Funds</th>
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<tr>
<td>2026</td>
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Funds

One Fund...Over Time

Wellness

Investment Innovation & the Global Future of Retirement
New Responsibility…Participants

Save
Plan
Invest
Alcatel-Lucent Retirement Plans

John Hickey, Global Benefits and Mobility & HR M&A Vice President, Alcatel-Lucent
Company Background

- Provides products and innovations in IP, cloud networking and ultra-broadband access
  - Bell Labs is an integral part of Alcatel-Lucent and one of the world’s foremost technology research institutions
- Created from the merger of Alcatel and Lucent in 2006
- Headquartered in Paris, France with operations throughout the world
- Some relevant US history
  - Lucent originally spun-off from AT&T in 1996
  - Very successful during late 1990s with stock price increasing more than 1,000%
  - By March 2000, Lucent was 9th most valuable company in the world
  - Internet bubble burst in 2000 and stock price crashes down by 97%
  - Legacy Lucent benefit plans very large relative to market cap
US Pension Funded Status

As of Jan 1, 2014 in $ billion

Management Plan
- Assets: $19.7
- Liabilities: $16.3
- 121% funded on MAP-21 funding basis

Union Plan
- Assets: $11.0
- Liabilities: $7.2
- 152% funded on full yield curve funding basis

- Closed Management Plan to all new employees
- Saved $100M annually in accounting expense
- Increased Savings Plan match from 3% to 6% adding annual cash cost of $40M
- Approximately 40% accepted offer
- Provide new 6% annual cash balance credit
- Eliminated Savings Plan match to save cash
- Received Private Letter Ruling
- Potential one-time offer to about 45,000 Management Retirees
### Pension Strategy – Manage Risk of Overfunding

**Transferred to Retiree Welfare Plan using Section 420**
- Transfer excess pension assets from Union Pension Plan to Union Postretirement Welfare Plan to cover annual claims
  - 1999: started transfers for health care
  - 2012: started transfers for retiree life insurance

**Targeted Pension Asset and Liability Transfers**
- Transfer participants from Union Pension Plan to Management Pension Plan opportunistically
  - 2010: non-represented retirees
  - 2011: surviving spouses
  - 2012: terminated vested participants

**Shifted Asset Allocation**
- In 2006, all pension plans allocated 75/25 equity/fixed
- Today, assets allocated conservatively and different by plan
  - Management plan: 30/70 equity/fixed
  - Union plan: 20/80 equity/fixed
Participants on the Right Path

Lori Lucas, CFA
DC Practice Leader
Callan Associates
The Challenges of Changing Participant Behavior Globally

- Available DC plans may differ:
  - Voluntary versus mandatory plans
  - Available savings incentives
  - Regulatory differences

- Required savings rates may differ:
  - Availability of national healthcare
  - Availability of state or employer pensions
  - Lifestyle expectations in retirement
The Challenges of Changing Participant Behavior Globally

- Cultural differences may influence saving and investing behavior. Research shows:
  - Workers in Saudi Arabia may require Islamic savings products.
  - Workers in India are 4 times more likely to trust a co-worker to help them make financial decisions than workers in the U.S.
  - Workers in the Netherlands spend far more of their monthly income on housing than workers in Poland.

- Successful approaches to financial literacy and behavioral finance may vary. Research shows:
  - Euro-American children are shown to value personal choice much more than Asian children.
  - Individualistic cultures (such as Euro-America) value consistency of choices more than collectivist cultures (such as Poland).
  - Conversely, peer pressure is more powerful in collectivist cultures than in individualistic cultures.

Sources: OECD Working Papers on Finance, Insurance and Private Pensions No. 18; Cultural Differences in Self, Sheena Iyegar and Joel Brockner. Overview of results concerning savings attitude, ING.
Participants on the Right Path

Todd Hassler Retirement Plans Manager, Reading Health System
Reading Health System Retirement Plans
Company Background-

Reading Health System

- 7,000 employees, 1,000 physicians, and 63 clinical locations committed to **Advancing Health. Transforming Lives**.
- Reading Health System is a 647-bed acute care hospital offering extensive outpatient services that has been recognized with HealthGrades Distinguished Hospital Award for Clinical Excellence 2014 & 100 Best Hospitals in 5 Specialty Fields
- Was founded in 1867, in Reading Pennsylvania
  - Reading was primarily a manufacturing community with a strong value towards defined benefit oriented programs
  - Reading Health System offered a defined benefit plan for over 50 years
- 2013 Reading Health System has announced a pension plan freeze beginning July 1, 2016
- Beginning July 2016 Reading Health System will offer an enhanced Defined Contribution Plan that includes a Matching Contribution and an escalating Non-Elective Contribution based on years of service
Reading Health System

Strategy for Implementing Change

Risk

Create Ease of Administration

Simplify Plan Design

Strategic Partners

- Leverage technology to replace manual workflows
- What can your vendors do for you?
- Can the process be outsourced?
- Manage to the masses
- Question why plan features exist
- Chose partners that can support you now and in the future.
- Ask if they can support services before they are introduced
Reading Health System

Results

Strategic Partners
Service Demand Reductions
• Vendors can support the plan design
• Appropriate engagement channels are available
• Improved education

Simplify Plan Design
Plan Performance
• Participation rates increased from 11% to 38% in first year
• Assets under management increased by 30%

Create Ease of Admin
Eliminated Non-Value Added Functions
• Enhanced participant services support
• Outsourced workflows

Risk Controls
Eliminated Manual Workflows
• Automate data interface
• Created continuity of service level