

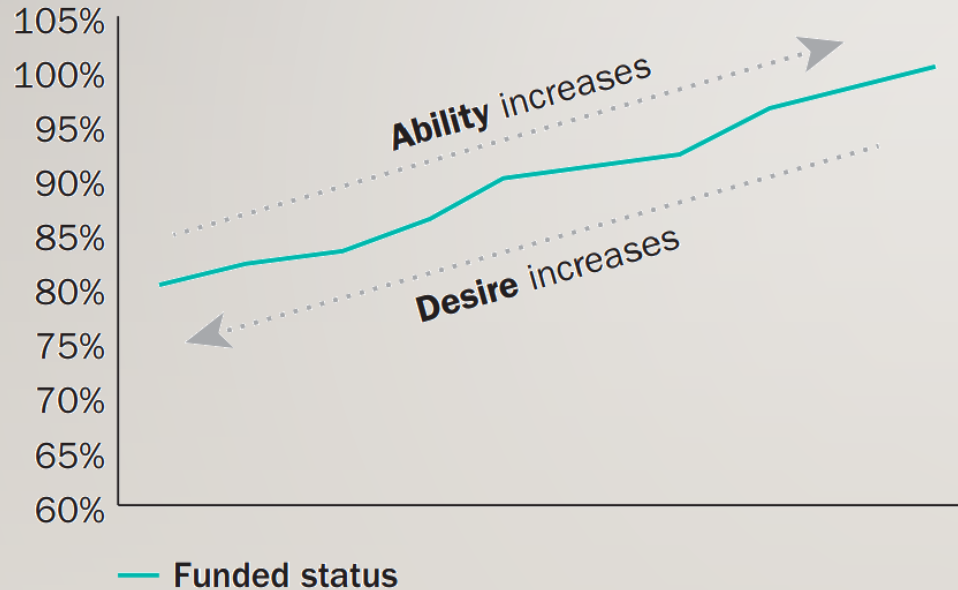
PENSION PLAN EXIT STRATEGIES

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TOWERS WATSON

MANY FACTORS LIMITING ACTION STILL EXIST TODAY

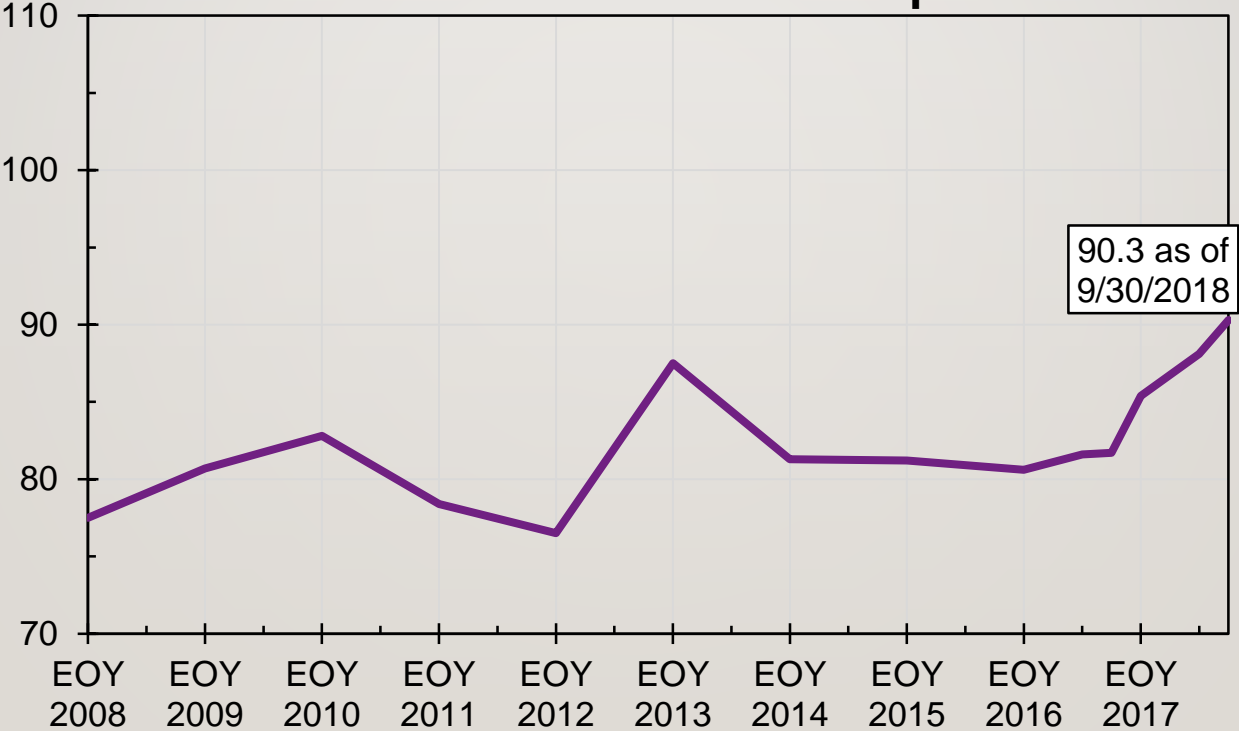
Ability vs Desire to Take Action



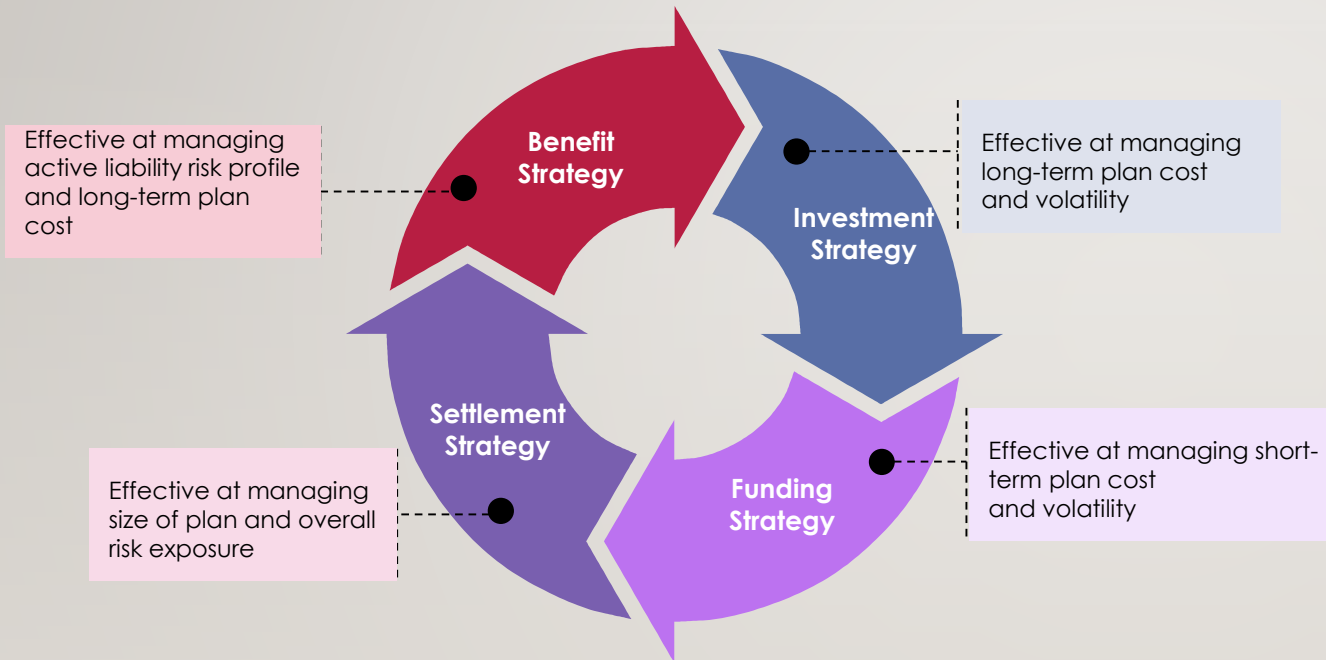
Factors Limiting Action Today

- Ability vs desire
- Settlement charges
- Increase in ongoing PnL
- Perceived premium
- Data readiness
- Market conditions
- Actions taken by peers

Aggregate Funded Ratio for Willis Towers Watson 300 Companies



PENSION RISK MANAGEMENT – KEY LEVERS



Motivations For De-risking

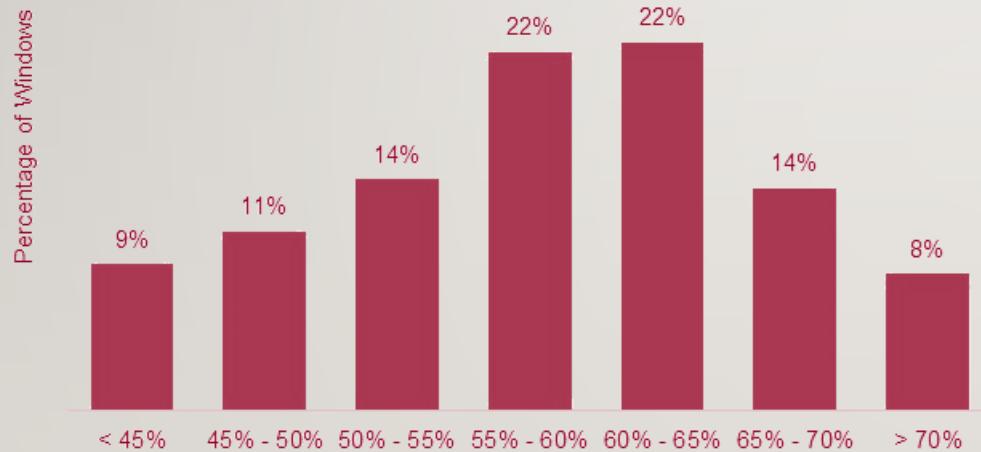
- Increased longevity risk
- Increased regulatory requirements
- Long-term operational risk
- Long-term cost of managing a closed pension plan
- Ongoing investment risk

Motivations For Not De-risking

- Belief that ultimate cost of delivering benefits will be lower by investing in growth assets
- Ability to withstand financial statement volatility (including potential funding to avoid benefit restrictions)
- Changes in statute have reduced interest rate risk from a funding perspective
- Interest rates are at historical lows
- Negative public perception of liability transfer actions

LUMP SUM ELECTION WINDOW EXPERIENCE 2011-2016

Distribution of Acceptance Rates for Voluntary² TV Windows



Willis Towers Watson's Experience ¹	2011 - 2016
Windows Executed	465
Participants Solicited	1,573,000
Average Voluntary ² Acceptance Rate	58%
Lump Sums Paid	\$25+ Billion
Participant Calls	1,376,000
Average First Call Resolution	96%

Measure	Acceptance Rate ²
25 th Percentile	52%
50 th Percentile	59%
75 th Percentile	64%

¹ Other than acceptance rates, figures shown include all lump sum windows where Willis Towers Watson provided administrative support; participant calls and cashout figures for windows where Willis Towers Watson provided fulfillment and call center support. Figures exclude windows implemented as part of plan terminations.
² Based on voluntary terminated vested acceptance rates for participants who received an election kit, and excludes retiree cashouts, "reminder", mandatory, "front-end" windows, and windows where acceptance rate data was not available. Represents election rates for windows without repeat offers.

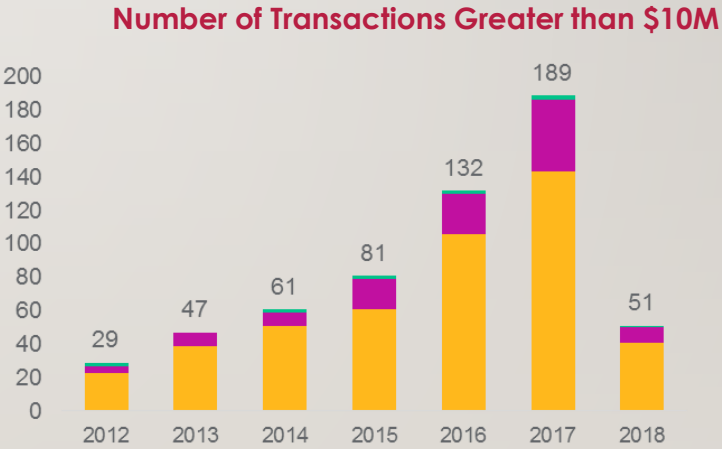
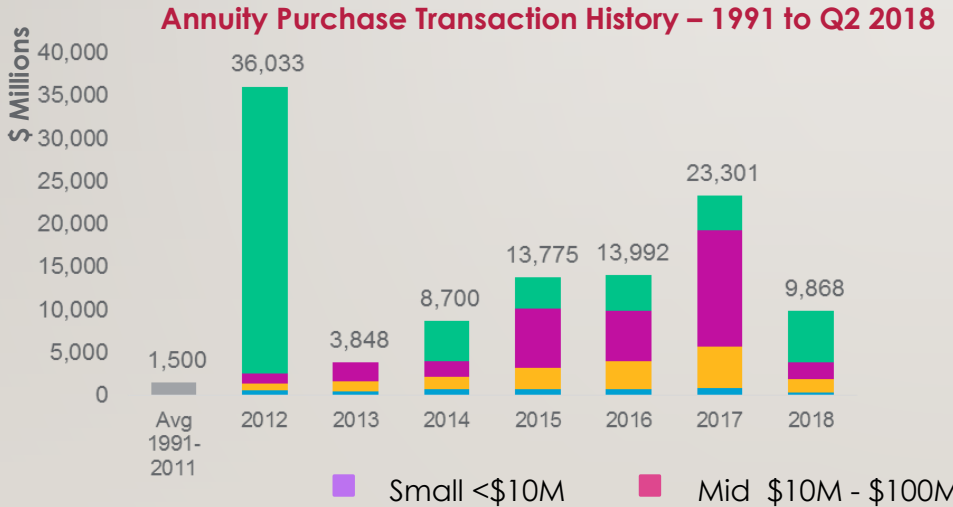
ANNUITY PURCHASE MARKETPLACE – 2018 Q2

Total 2017 activity exceeded \$23B. Early indications are that 2018 will have continued growth in the annuity purchase market.

- Eight new insurance companies entered the market since 2014, for a total of 16 insurance companies
- Small Benefit Retiree Annuity Purchase (SB RAP) deals are prevalent
- Note that historically 75% of the year's transactions are completed after July 1

Notable Large Public 2018 Transactions

- FedEx (\$6.0B, 41,000 retirees)
- Raytheon (\$900M, 13,000 retirees)
- ConocoPhillips (\$700M, 6,700 retirees)
- BWX Technologies (\$354M, 3,600 retirees over two transactions 2017-2018)
- Alcoa (\$300M, 10,500 retirees)



1991 – 2011 Source: Estimated LIMRA
 2012 – 2018 Source: Willis Towers Watson Pension Risk Transfer Survey; includes history for 16 insurance companies through June 30, 2018

INTEGRIS



Largest health system in
Oklahoma

10,400 employees

8 hospitals

1 cancer center

2 inpatient behavioral health
facilities

1 inpatient substance abuse
treatment center (opening in
2019)

INTEGRIS RETIREMENT PROGRAMS

- DB Pension plan
- 401 (k) plan (for profit entities)
- 403(b) plan (not for profit entities)
- 457(b) plan (Physicians, directors & officers of not for profit entities)
- NQDC plan (physicians, directors & officers of for profit entities)

INTEGRIS PENSION PLAN HISTORY

- **1970** Plan established; FAP formula
- **1995** Mergers and acquisition, including pension plan assets (frozen benefit with different provisions)
- **2000** Employees of 6 leased regional facilities and future employees added under a CB formula only
 - Benefit accrual = 3% eligible comp if less than 10 years of service
 - Benefit accrual = 4% eligible comp if more than 10 years of service

INTEGRIS PENSION PLAN HISTORY

- **2009** Soft freeze. No new entrants to DB plan. As alternative, received annual non-elective contribution to DC plan equal to 3%-4% of eligible comp if they worked 1000 hours and were employed on last day of plan year
- **2011** Funding status dropped between 60 and 80%--Benefit restrictions applied

INTEGRIS PENSION PLAN HISTORY CONTINUED

- **2012** Plan freeze
 - Accelerated by passage of ACA and its financial impact of the healthcare industry
 - Replaced DB accrual with non-elective contribution to DC plan:
 - 0-4 years = 3% of annual earnings
 - 5-14 years = 4% of annual earnings
 - 15-20 years = 5% of annual earnings
 - 20+ years = 6% of annual earnings
 - Five year transition contribution for EES who had FAP formula
 - Could create testing issues; 415 excess contributions

INTEGRIS PENSION PLAN HISTORY CONTINUED

- **2015** Lump sum window—only TV who were eligible for LS under current plan rules (Accrued CB <10K)
 - Historically did not automatically prepare packet upon termination unless requested so may not have been aware they were eligible
 - Participants who had previously been notified but did not take action
 - *1120 contacted, 370 took LS (33% take rate)*
 - *Additional LS window considered in 2017 where the LS threshold would have been raised.*

INTEGRIS PENSION PLAN HISTORY CONTINUED

- **2015** Data Remediation project
 - Group 1: TV with prior calculation in the system
 - Group 2: TV with no calculation in the system
 - Group 3: Active employee remediation and certification
- **2017** Annuity purchase
 - 473 pensioners with monthly benefit less than \$200
 - Reduced PBGC premiums and administrative costs

INTEGRIS PENSION PLAN HISTORY CONTINUED

- **2017** Discussion to amend Plan to expand LS baseline but financial situation caused us to table the option
- **2018** Discussed Spin and Term option. Elected not to pursue

STRATEGY CONSIDERATIONS

- **Data Clean up**
- **Plan amendments**
- **Communication**
 - Required notifications
 - Internal communication—separate message for different groups of participants
 - Provided final statements at Plan Freeze

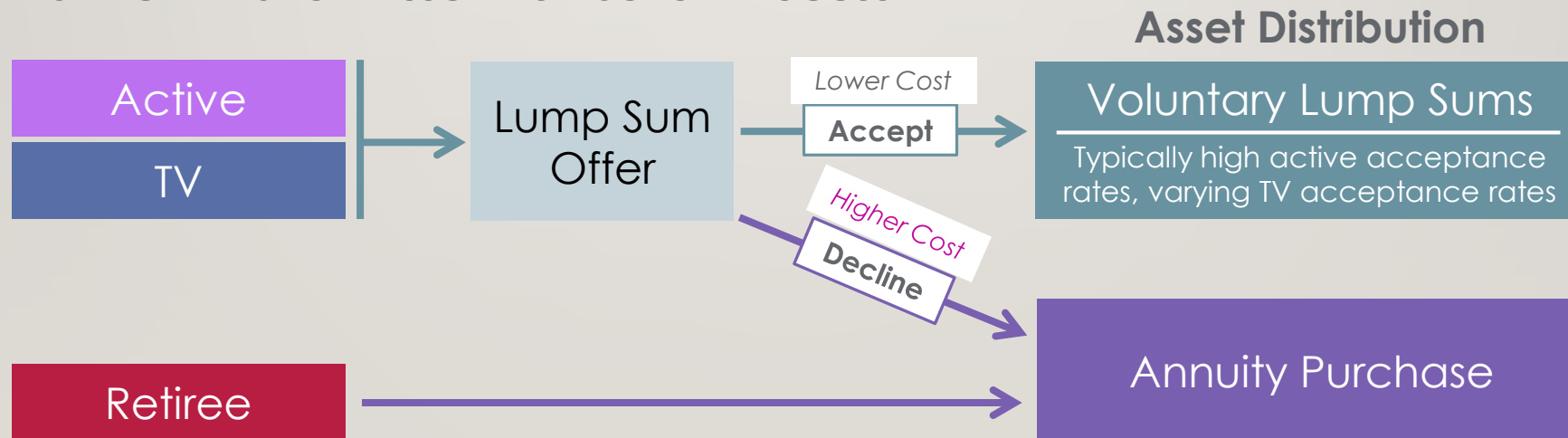
STRATEGY CONSIDERATIONS

- **Financial requirements**
 - Don't want to trigger settlement accounting
 - Need for cash contributions
 - Long term strategy but keep in mind situations will change

PLAN TERMINATION SETTLEMENT OVERVIEW

- Actives and Terminated Vested (TV) participants have the opportunity to elect a voluntary lump sum
- Retirees and residual actives / TVs are annuitized through annuities purchased from a highly rated insurance company
- Material cost difference between lump sum and annuity purchase costs for actives and TVs, resulting in a wide range of possible costs for plan termination
- Lump sums and annuity purchase occur at end of plan termination process

Plan Termination Asset Distribution Process



PLAN TERMINATION CONSIDERATIONS

- Timing
 - Many plan terminations take from 18 – 24 months beginning to end
 - Need for Determination Letter greatly impacts timing
 - Several Deadlines along the way
 - Notice to Interested Parties
 - Notice of Plan benefits
 - Notice of Annuity
 - Distribution Date

PLAN TERMINATION CONSIDERATIONS

- Data
 - All benefits must be determined
 - Notice of Plan Benefit requires disclosure of all data impacting benefit calculation (retirees in payment for more than a year have relaxed requirements)
 - Death and address searches
- Terminal Contribution and Hedging
 - Final contribution impacted by interest rate movements, asset

	Interest Rate Sensitivity
Lump Sums	Through interest rate lookback effective date
Annuity Purchase	Through annuity selection date