Transition to Retirement

A new approach for U.S. IBMers looking to ease into retirement

Learn more about this new program and take full advantage of the resources IBM has available to help you consider and plan for this important decision.

This may be just the opportunity you've been looking for …
Transition to Retirement: At a glance

If you’re one of the IBMers in the U.S. who has expressed an interest in easing into retirement, you’ll want to know about IBM’s new approach – Transition to Retirement – which offers a gradual way to retire, with advantages to both you and the company. Transition to Retirement is a one-time opportunity to explore your options for life after IBM while you’re still working.

Why is IBM offering this program?
IBMers have been asking for ways they can ease into retirement. Many of those who are retirement eligible want time to explore their options, whether that involves a second career, volunteer work or other meaningful ways to fill leisure time. This program meets the need:
- Reduced work schedules provide the time,
- Continued income and benefits provide the means,
- Resources provide the assistance.

If you participate:
- You’ll receive 70 percent of your base pay, while working 60 percent of your current schedule.
- The benefits you receive will continue, most at a full-time level, including your 401(k) Plus Plan and health benefits.
- Access to financial planning resources, including IBM’s MoneySmart one-on-one coaches and seminars
- You’ll be exempt from any resource actions that may occur during the program.

There are benefits for IBM too. The program provides more time to plan for departures by knowing well in advance when participating employees will retire. This allows managers sufficient time to work with their teams to retain key skills and knowledge, while maintaining commitments to clients and the business. It enables workforce planning in a way not available to IBM now.

<table>
<thead>
<tr>
<th>IBM Transition to Retirement Program</th>
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<tr>
<td><strong>What</strong></td>
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IBM’s U.S. Transition to Retirement Program: What It Is and How It Works

This brochure describes the Transition to Retirement program and when and how you can apply. It’s an opportunity to reduce your workload, maintain a certain level of income and benefits and explore how you want to spend your post-IBM years.

If you decide to participate in this program, you have the opportunity to adjust your workload and commitments to 60 percent of your work schedule while receiving many of the same benefits you do today.

You should also know that your time off will be respected, which you can use in any way you wish, including:

- Entrepreneurial, franchising and free-lance opportunities
- Working for IBM Business Partners
- Other paid work, as long as it’s not for competitors
- Transition to Teaching and other Transition2 programs
- Volunteer projects
- Spending time with family and friends or just relaxing

You and your manager can develop flexible work options, such as three days a week or four days, as long as applicable labor laws are observed.

The program is completely voluntary. It’s a one-time offer for those U.S. IBMers close to retirement (specific eligibility requirements are outlined on the Transition to Retirement for Eligible IBMers page on w3: [http://w3.ibm.com/news/w3news/top_stories/2012/05/cl_t2r_eligible.html](http://w3.ibm.com/news/w3news/top_stories/2012/05/cl_t2r_eligible.html)). When you sign up, you agree to retire on or before December 31, 2013. During the transition period, you’ll be exempt from any resource actions that may occur. You’ll need to keep in mind that once the Transition to Retirement application period ends at 11:59 p.m. ET on June 5, 2012, the decision you make is final and cannot be changed by you.
Your Benefit Plans – It’s Business as Usual

During the transition period, you will continue to receive the benefits you do today, most at a full-time level, including health benefits and IBM 401(k) Plus Plan automatic company contributions. The chart below illustrates how some of the benefits you have now will continue in the Transition to Retirement program.

Benefits At-a-Glance

<table>
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<th>What you receive….</th>
<th>While you’re working full-time …</th>
<th>And during the transition period …</th>
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<tr>
<td>Medical/Dental/Vision</td>
<td>Coverage you choose at annual open enrollment paid for by you and IBM.</td>
<td>No change</td>
</tr>
<tr>
<td>Life insurance</td>
<td>Group Life and Travel Accident</td>
<td>Benefits are calculated using your full-time base salary + GDP (AIP for executives) or using on-target earnings for employees on sales/services incentive plans.</td>
</tr>
<tr>
<td></td>
<td>Group Universal Life</td>
<td>Benefits are calculated using your full-time base salary.</td>
</tr>
<tr>
<td>Vacation/Holidays</td>
<td>Three to five weeks of vacation, depending on date of hire and years of service. Twelve holidays a year.</td>
<td>Vacation and personal choice holidays are prorated. Site holidays – no change.</td>
</tr>
<tr>
<td>IBM Personal Pension Plan</td>
<td>Participants stopped earning benefits under the plan in 2007.</td>
<td>No change</td>
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| IBM 401(k) Plus Plan and Excess 401(k) Plus Plan | Contributions to the plan include:  
- Your contributions  
- IBM match up to 5% or 6% (depending on hire date)  
- 1%, 2% or 4% automatic company contributions  
- 5% Special Savings Award for eligible non-exempt employees | No change to automatic company contributions and Special Savings Award (for those eligible) – based on full-time base salary.  
No change to IBM match formula – based on the actual amount deferred, up to the maximums of 5% or 6% (depending upon date of hire). |
Be MoneySmart – Assess Whether This Offer Can Work for You

IBM has many resources available to help you assess your situation and determine if this program is workable for you.

MoneySmart is IBM’s financial education and planning program that provides personalized financial counseling and retirement planning at no cost to you. It offers several types of assistance, including:

**MoneySmart Coach:**
- A confidential, one-on-one telephone counseling service: Call 877-543-7678 (TTY: 866-217-8694), Monday through Friday, from 9 a.m. to 8 p.m. ET; Saturdays by appointment.

**MoneySmart seminars:**
- Visit: [http://w3.ibm.com/hr/us/moneysmart/](http://w3.ibm.com/hr/us/moneysmart/) for a schedule of informative webinars and on-site seminars at selected IBM locations.

**Financial Engines:**
- IBM 401(k) Plus Plan fund recommendations based on your own financial goals
- Information and analysis of most IBM 401(k) Plus Plan options

**Tools for Estimating Your Financial Resources:**
Explore the Opportunities . . .

Transition to Retirement can give you a combination of regular income, the protection afforded by your benefit plans, and the opportunity to explore how you might spend your time when you’re no longer working at IBM. There are several programs in place to help you identify opportunities for a second career in the public or non-profit sectors and to find ways to give back to your community. For example:

- **IBM Transition2 programs** support IBMers and retirees seeking second careers in education, nonprofit and public sectors. More information and eligibility details about Transition to Teaching can be found at: [http://w3.ibm.com/hr/us/benefits/transition2/](http://w3.ibm.com/hr/us/benefits/transition2/)

- **On Demand Community** offers volunteer solutions that equip you to share business skills in schools and communities across a range of opportunities. [https://w3.ibm.com/ibm/ondemandcommunity/](https://w3.ibm.com/ibm/ondemandcommunity/)

- **Executive Service Corps Affiliate Network** is a nationwide network of nonprofit consulting organizations dedicated to improving the quality of life in the communities they serve. Volunteer opportunities are available for those committed to strengthening nonprofit agencies’ ability to effectively serve their clients. [http://www.escus.org/index.html](http://www.escus.org/index.html)

- **ReServe** is a nonprofit that matches continuing professionals with nonprofit and public agencies in the New York City, Baltimore and Westchester County, NY areas. ReServists provide direct services and capacity building expertise in schools, social service agencies, cultural institutions, and public agencies. ReServists can put their professional expertise to work in their community. [http://www.reserveinc.org/about](http://www.reserveinc.org/about)

- **National Executive Service Corps** offers opportunities for professionals to deliver services to nonprofit organizations in the New York region. [http://nesc.org/index.html](http://nesc.org/index.html)

Saying “Yes” to the Offer

If you decide to apply, you can submit your application between May 1 and June 5, 2012 by visiting [Transition to Retirement for Eligible IBMers](Transition to Retirement for Eligible IBMers) and selecting “Apply Now”. Read the terms, and if you agree, select “submit” (you can cancel and resubmit your application at any time up to 11:59 p.m. ET on June 5, 2012). You and your manager will receive confirmation once your application has been successfully submitted or cancelled. You can check the status of your application at any time.

You will be notified the week of June 18, 2012 if your participation in the program has been approved or declined. If your application is accepted, your new work schedule will begin July 2, 2012, while certain client-facing roles may start August 6, 2012. Remember, once the application period closes, your decision is final and cannot be changed by you.
If after reviewing the Q&A you still need assistance, contact your manager or:

<table>
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<th>For questions about</th>
<th>Visit online / send email</th>
<th>Or, contact</th>
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| Payroll             | Payroll ID at: [IBMpayro@us.ibm.com](mailto:IBMpayro@us.ibm.com)  
Put “Transition to Retirement” in subject line | IBM Employee Services Center  
1- 800-796-9876  
Option 3 then press 1 in the main menu |
To view current coverage:  
Select Health & Insurance tab  
Select 2012 Benefits tab | IBM Employee Services Center  
1- 800-796-9876  
Option 1 |
Select Health & Insurance tab  
Page down to More Benefit Resources  
Select Future Health Account Details | IBM Employee Services Center  
1- 800-796-9876  
Option 1 |
| Retirement Health Plan Options and Cost | If eligible to retire in 2012:  
Select the Health & Insurance tab  
Select Preview Retirement in Preview Changes  
Also see: step-by-step instructions | If not eligible to retire in 2012:  
IBM Employee Services Center  
1- 800-796-9876  
Option 1 |
Select Savings & Retirement tab  
Select Your Pension  
Select Estimate Your Pension in Act section  
Also see: step-by-step instructions | IBM Employee Services Center  
1- 800-796-9876  
Option 2 |
Select Savings & Retirement tab  
Select Retirement Account | IBM Employee Services Center  
1- 800-796-9876  
Option 2 |
1-877-543-7678  
TTY: 1-866-217-8694 |
Or, email Financial Engines at: Support@FinancialEngines.com | Financial Engines  
1-888-624-9055 |
| IBM Transition2 Programs | [http://w3.ibm.com/hr/us/benefits/transition2/](http://w3.ibm.com/hr/us/benefits/transition2/) | IBM Employee Services Center  
1- 800-796-9876  
Option 6 then press 1 in the main menu |
| Volunteer Opportunities | [http://w3.ibm.com/ibm/ondemandcommunity](http://w3.ibm.com/ibm/ondemandcommunity) | IBM Employee Services Center  
1- 800-796-9876  
Option 6 then press 1 in the main menu |
| Transition to Retirement Application | Visit w3 and select “Apply Now” on the Transition to Retirement for Eligible IBMers page | IBM Employee Services Center  
1- 800-796-9876  
Option 6 then press 1 in the main menu |
| For general HR-related inquiries about Transition to Retirement | HR Programs ID at: [IBMHRpro@us.ibm.com](mailto:IBMHRpro@us.ibm.com)  
Put “Transition to Retirement” in subject line | IBM Employee Services Center  
1- 800-796-9876  
Option 6 then press 1 in the main menu |

Note:
- The IBM Employee Services Center is open Monday through Friday between 8:30 a.m. and 8:30 p.m. ET, and on Saturdays (for Transition to Retirement only) between 10:00 a.m. and 2:00 p.m. ET.
- MoneySmart Coaches are available Monday through Friday between 9:00 a.m. and 8:00 p.m. ET, and on Saturdays (for Transition to Retirement only) by appointment.
Legal Notices & Disclaimers

These materials are intended to provide an overview of certain plans and programs in which you may be eligible to participate. These materials are not an official Summary Plan Description and do not provide full details. Complete details can be found in the formal plan documents, which are the complete and exclusive statement of the company’s obligations under the plan. The official plan documents shall govern in the event of a conflict between information contained in these or other documents and statements. The plan administrator retains exclusive authority and discretion to interpret the terms of the benefit plans and programs described herein.

The company reserves the right, in its sole discretion, to amend, change, suspend, or terminate any benefit or other plan, program, practice or policy of the company, at any time. The company does not have any obligation to — and nothing contained in these materials shall be construed as creating an express or implied obligation or promise on the part of the company to — maintain, continue to offer, or make available such plans, programs, practices or policies.

Eligibility to participate in a plan or program or the receipt of benefits does not constitute a promise or right of continued employment or render any person an employee of IBM or constitute any commitment by IBM to continue any plan or benefit.

The IBM 401(k) Plus Plan is an IRS tax-qualified retirement plan. As such, it is possible that some of the contributions to the plan described in these materials for participants in the Transition to Retirement program will not be permitted under a tax-qualified plan. If that applies to you, then IBM will provide the affected portion of your contribution to another plan, or in cash. There may be different tax implications of the alternative contribution.

You understand that if requested, information provided to you about the amount of your retirement benefits may be an estimate, and may not equal the actual amount of these benefits. You understand your application for this program and retirement by December 31, 2013 is irrevocable even if the actual amount of these benefits differs from the estimate provided to you.

The decision to apply for the Transition to Retirement program is the participant’s responsibility.