

**ANNUAL FUNDING NOTICE**  
for  
**Massachusetts Institute of Technology Basic Retirement Plan**

*If you need a disability-related accommodation to access these materials, please email [benefits@mit.edu](mailto:benefits@mit.edu).*

**Introduction**

This notice includes important information about the funding status of your pension plan (“the Plan”) and general information about the benefit payments guaranteed by the Pension Benefit Guaranty Corporation (“PBGC”), a federal insurance agency. All traditional pension plans (called “defined benefit pension plans”) must provide this notice every year regardless of their funding status. This notice does not mean that the Plan is terminating. It is provided for informational purposes and you are not required to respond in any way. This notice is for the Plan Year beginning January 1, 2023, and ending December 31, 2023 (“Plan Year”).

**How Well Funded Is Your Plan**

Under federal law, the plan must report how well it is funded by using a measure called the funding target attainment percentage. This percentage is obtained by dividing the Plan’s Net Plan Assets by Plan Liabilities on the Valuation Date for the Plan Year. In general, the higher the percentage, the better funded the plan. Your Plan’s funding target attainment percentage for the Plan Year and each of the two preceding Plan Years is shown in the chart below, along with a statement of the value of the Plan’s assets and liabilities for the same period.

<b>Funding Target Attainment Percentage</b>			
(\$ Millions)			
	<b>Plan Year 2023</b>	<b>Plan Year 2022</b>	<b>Plan Year 2021</b>
1. Valuation Date	January 1, 2023	January 1, 2022	January 1, 2021
2. Plan Assets			
a. Total Plan Assets	\$5,746.9	\$5,801.5	\$5,010.1
b. Funding Standard Carryover Balance	\$280.2	\$334.4	\$280.4
c. Prefunding Balance	\$312.3	\$372.6	\$312.4
d. Net Plan Assets (a) – (b) – (c) = (d)	\$5,154.4	\$5,094.5	\$4,417.3
3. Plan Liabilities	\$4,376.2	\$3,935.5	\$3,614.2
<b>4. Funding Target Attainment Percentage (2d)/(3)</b>	118%	129%	122%

## **Plan Assets and Credit Balances**

Total Plan Assets is the value of the Plan's assets on the Valuation Date (see line 2 in the chart above). Credit balances were subtracted from Total Plan Assets to determine Net Plan Assets (line 2 d) used in the calculation of the funding target attainment percentage shown in the chart above. While pension plans are permitted to maintain credit balances (also called "funding standard carryover balances" or "prefunding balances"; see 2 b and c in the chart above) for funding purposes, they may not be taken into account when calculating a plan's funding target attainment percentage. A plan might have a credit balance, for example, if in a prior year an employer made contributions to the plan above the minimum level required by law. Generally, the excess contributions are counted as "credits" and may be applied in future years toward the minimum level of contributions a plan sponsor is required to make by law.

## **Plan Liabilities**

Plan Liabilities shown in line 3 of the chart above are the liabilities used to determine the Plan's Funding Target Attainment Percentage. This figure is an estimate of the amount of assets the Plan needs on the Valuation Date to pay for promised benefits under the plan.

## **Year-End Assets and Liabilities**

The asset values in the chart above are measured as of the first day of the Plan Year and are actuarial values. Because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values that are designed to smooth out those fluctuations for funding purposes. The asset values below are market values and are measured as of the last day of the plan year. Market values tend to show a clearer picture of a plan's funded status as of a given point in time. As of December 31, 2023, the fair market value of the Plan's assets was \$5,269.4 million<sup>1</sup>. On this same date, the Plan's liabilities, determined using market rates, were \$4,680.0 million.

## **Participant Information**

The total number of participants in the Plan as of the Plan's valuation date was 28,573. Of this number, 11,888 were active participants, 6,046 were retired or separated from service and receiving benefits, and 10,639 were retired or separated from service and entitled to future benefits.

## **Funding and Investment Policies**

Every pension plan must have a procedure for establishing a funding policy to carry out plan objectives. A funding policy relates to the level of assets needed to pay for promised benefits. Under the funding policy of the Plan, contributions to the Plan are designed to fund the Plan's current normal costs on a current basis and to fund, over a period of years, the Plan's estimated past service liabilities. The return (interest, dividends, and net realized and unrealized gains) on investments serves to reduce future contributions that would otherwise be required to provide for the defined level of benefits under the Plan. Contributions for the Plan are based on actuarial calculations and are made to the Benefits Fund.

Once money is contributed to the Plan, the money is invested by plan officials, called fiduciaries, who make specific investments in accordance with the Plan's investment policy. Generally

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<sup>1</sup> The fair market value figure for December 31, 2023, is based on preliminary estimates for certain assets which could be revised in connection with the completion of the Plan's December 31, 2023 audit and issuance of its audited financial statements.

speaking, an investment policy is a written statement that provides the fiduciaries who are responsible for plan investments with guidelines or general instructions concerning investment management decisions. The investment objectives for the assets of the plan are to meet or exceed the rate of return assumed for plan funding purposes over the long term. The nature and duration of benefit obligations, along with assumptions concerning asset class returns and return correlations, are considered when determining an appropriate asset allocation to achieve the investment objectives. The investment policies and strategies governing the assets of the plan are designed to achieve investment objectives within prudent risk parameters.

Under the Plan's investment policy, the Plan's assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

<b>Asset Allocations</b>	<b>Percentage</b>
1. Cash (interest bearing and non-interest bearing)	2.9
2. U.S. Government securities	9.5
3. Corporate debt instruments (other than employer securities):	
Preferred	0.0
All other	0.0
4. Corporate stocks (other than employer securities):	
Preferred	0.0
Common	10.6
5. Partnership/joint venture interests	77.0
6. Real estate (other than employer real property)	0.0
7. Loans (other than to participants)	0.0
8. Participant loans	0.0
9. Value of interest in common/collective trusts	0.0
10. Value of interest in pooled separate accounts	0.0
11. Value of interest in master trust investment accounts	0.0
12. Value of interest in 103-12 investment entities	0.0
13. Value of interest in registered investment companies (e.g., mutual funds)	0.0
14. Value of funds held in insurance co. general account (unallocated contracts)	0.0
15. Employer-related investments:	
Employer Securities	0.0
Employer real property	0.0
16. Buildings and other property used in plan operation	0.0
17. Other	0.0

## **Right to Request a Copy of the Annual Report**

A pension plan is required to file with the U.S. Department of Labor an annual report called the Form 5500 that contains financial and other information about the plan. Copies of the annual report are available from the U.S. Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202-693-8673. For 2009 and subsequent plan years, you may obtain an electronic copy of the plan's annual report by going to [www.efast.dol.gov](http://www.efast.dol.gov) and using the Form 5500 search function. You may also obtain a copy of the Plan's annual report by making a written request to the plan administrator. Individual information, such as the amount of your accrued benefit under the plan, is not contained in the annual report. If you are seeking information regarding your benefits under the plan, contact the plan administrator identified below under "Where to Get More Information".

## **Summary of Rules Governing Termination of Single-Employer Plans**

If a plan terminates, there are specific termination rules that must be followed under federal law. A summary of these rules follows.

There are two ways an employer can terminate its pension plan. First, the employer can end a plan in a "standard termination" but only after showing the PBGC that such plan has enough money to pay all benefits owed to participants. Under a standard termination, the plan must either purchase an annuity from an insurance company (which will provide you with periodic retirement benefits, such as monthly, for life or for a set period of time when you retire) or, if your plan allows, issue one lump-sum payment that covers your entire benefit. Your plan administrator must give you advance notice that identifies the insurance company (or companies) that your employer may select to provide the annuity. The PBGC's guarantee ends when your employer purchases your annuity or gives you the lump-sum payment.

Second, if the plan is not fully-funded, the employer may apply for a distress termination. To do so, however, the employer must be in financial distress and prove to a bankruptcy court or to the PBGC that the employer cannot remain in business unless the plan is terminated. If the application is granted, the PBGC will take over the plan as trustee and pay plan benefits, up to the legal limits, using plan assets and PBGC guarantee funds.

Under certain circumstances, the PBGC may take action on its own to end a pension plan. Most terminations initiated by the PBGC occur when the PBGC determines that plan termination is needed to protect the interests of plan participants or of the PBGC insurance program. The PBGC can do so if, for example, a plan does not have enough money to pay benefits currently due.

## Benefit Payments Guaranteed by the PBGC

When the PBGC takes over a plan, it pays pension benefits through its insurance program. Only benefits that you have earned a right to receive and that cannot be forfeited (called vested benefits) are guaranteed. Most participants and beneficiaries receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits that are not guaranteed.

The amount of benefits that PBGC guarantees is determined as of the plan termination date. However, if a plan terminates during a plan sponsor's bankruptcy, then the amount guaranteed is determined as of the date the sponsor entered bankruptcy.

The PBGC maximum benefit guarantee is set by law and is updated each calendar year. For a plan with a termination date or sponsor bankruptcy date, as applicable, in 2024 the maximum guarantee is \$7,107.95 per month, or \$85,295.40 per year, for a benefit paid to a 65-year-old retiree with no survivor benefit. If a plan terminates during a plan sponsor's bankruptcy, the maximum guarantee is fixed as of the calendar year in which the sponsor entered bankruptcy. The maximum guarantee is lower for an individual who begins receiving benefits from PBGC before age 65; the maximum guarantee by age can be found on PBGC's website, [www.pbqc.gov](http://www.pbqc.gov). The guaranteed amount is also reduced if a benefit will be provided to a survivor of the plan participant.

The PBGC guarantees "basic benefits" earned before a plan is terminated, which includes:

- pension benefits at normal retirement age;
- most early retirement benefits;
- annuity benefits for survivors of plan participants; and
- disability benefits for a disability that occurred before the date the plan terminated or the date the sponsor entered bankruptcy, as applicable.

The PBGC does not guarantee certain types of benefits:

- The PBGC does not guarantee benefits for which you do not have a vested right, usually because you have not worked enough years for the company.
- The PBGC does not guarantee benefits for which you have not met all age, service, or other requirements.
- Benefit increases and new benefits that have been in place for less than one year are not guaranteed. Those that have been in place for less than five years are only partly guaranteed.
- Early retirement payments that are greater than payments at normal retirement age may not be guaranteed. For example, a supplemental benefit that stops when you become eligible for Social Security may not be guaranteed.
- Benefits other than pension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay, are not guaranteed.
- The PBGC generally does not pay lump sums exceeding \$5,000.

In some circumstances, participants and beneficiaries still may receive some benefits that are not guaranteed. This depends on how much money the terminated plan has and how much the PBGC recovers from employers for plan underfunding.

## **Where to Get More Information**

For more information about this notice, you may contact the MIT pension service center at 855-464-8736. For identification purposes, the official plan number is 002 and the plan sponsor's name and employer identification number or "EIN" are Massachusetts Institute of Technology 04-2103594. For more information about the PBGC, go to PBGC's website, [www.pbgc.gov](http://www.pbgc.gov).

## Supplement to Annual Funding Notice of MIT Basic Retirement Plan (“Plan”) for Plan Year beginning January 1, 2023 and ending December 31, 2023 (“Plan Year”)

This is a temporary supplement to your annual funding notice. It is required by the Moving Ahead for Progress in the 21st Century Act (MAP-21), the Highway and Transportation Funding Act of 2014 (HATFA), the Bipartisan Budget Act of 2015 (BBA15) and the American Rescue Plan Act of 2021 (ARPA). These federal laws changed how pension plans calculate their liabilities. The purpose of this supplement is to show you the effect of these changes. Prior to 2012, pension plans determined their liabilities using a two-year average of interest rates. Now pension plans also must take into account a 25-year average of interest rates. This means that interest rates likely will be higher and plan liabilities lower than they were under prior law. As a result, your employer may contribute less money to the plan at a time when market interest rates are at or near historical lows.

The “Information Table” compares the effect of using interest rates based on the 25-year average (the “adjusted interest rates”) and interest rates based on a two-year average on the Plan’s: (1) Funding Target Attainment Percentage, (2) Funding Shortfall, and (3) Minimum Required Contribution. The funding target attainment percentage of a plan is a measure of how well the plan is funded on a particular date. The funding shortfall is the amount by which liabilities exceed net plan assets. The minimum required contribution is the amount of money an employer is required by law to contribute to a plan for a given year. The following table shows this information determined with and without the adjusted interest rates. The information is provided for the Plan Year and for each of the two preceding plan years, if applicable.

Information Table (\$ Millions)	2023		2022		2021	
	With Adjusted Interest Rates	Without Adjusted Interest Rates	With Adjusted Interest Rates	Without Adjusted Interest Rates	With Adjusted Interest Rates	Without Adjusted Interest Rates
1. Plan Assets	\$5,746.9	\$5,746.9	\$5,801.5	\$5,801.5	\$5,010.1	\$5,010.1
2. Plan Liabilities	\$4,376.2	\$5,857.3	\$3,935.5	\$5,588.9	\$3,614.2	\$4,783.8
3. Credit Balance <sup>1</sup>	\$592.5	\$592.5	\$707.1	\$707.1	\$592.8	\$592.8
4. FTAP <sup>2</sup>	118%	88%	129%	91%	122%	92%
5. Funding Shortfall	\$0	\$714.8	\$0	\$494.5	\$0	\$366.5
6. Minimum Required Contribution						
• Before Credit Balance	\$0	\$241.0	\$0	\$170.6	\$0	\$150.3
• After Credit Balance	\$0	\$0	\$0	\$0	\$0	\$0

### Notes:

1. The credit balance equals cumulative contributions (with interest) MIT has made in excess of minimum contributions required by law. The credit balance can be applied toward future minimum required contributions.
2. Funding Target Attainment Percentage (FTAP) equals the ratio of assets (subtracting credit balance) to plan liabilities.
3. The Funding Shortfall equals plan liabilities minus plan assets (subtracting credit balance), but not less than zero.