THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY
BASIC RETIREMENT PLAN

Notice of Retirement Plan Change

TO: Former MIT employees who have terminated employment with a vested benefit in the MIT Basic Retirement Plan

DATE: July 24, 2017

SUBJECT: Change in How the Plan’s Interest Crediting Rate Is Determined

This Summary of Material Modifications (SMM) is being sent to you to explain an amendment to the Massachusetts Institute of Technology Basic Retirement Plan (the "Plan"). To comply with recently issued IRS regulations, the basis for determining the Plan’s interest crediting rate must change effective January 1, 2017. The interest crediting rate, set every calendar year and applied on a monthly basis, is the rate of growth credited to active and terminated participants’ cash balance accounts.

This SMM describes:

- The Plan’s Benefit Formulas,
- The Plan's Current Interest Crediting Basis,
- The Plan’s New Interest Crediting Basis, and
- How the Current and New Interest Crediting Rates Compare.

The Plan’s Benefit Formulas

The benefit you have earned under the Plan is not changing.

If you were hired after July 1, 2012, the benefit payable to you is based on your cash balance account when you terminated employment. This amount is increased with interest credits until your benefit commencement date and then it is converted to a monthly lifetime pension benefit based on actuarial conversion factors specified in the Plan.

If you were hired on or before July 1, 2012, you will receive the greater of your cash balance benefit or your career pay benefit.

The change described in this SMM applies only to the interest crediting rate used to determine the interest credit allocated to your cash balance account each month after December 31, 2016. Any career pay benefits you may have earned are not affected.

A description of the career pay and cash balance formulas can be found in the Plan’s Summary Plan Description which you can request from MIT Benefit by emailing benefits@mit.edu or calling 855-253-6151. You can also download a copy of the Summary Plan Description at http://hrweb.mit.edu/sites/default/files/retirement_basic_spd.pdf.
The Plan’s Current Interest Crediting Basis

Under current plan provisions, the annual interest crediting rate for a calendar year equals the return on a hypothetical portfolio, 75% invested in the Barclay’s Aggregate Bond Index and 25% invested in the Russell 3000 Stock Index, for the 12-month period ending June 30 of the preceding calendar year. The annual rate can be no less than 0% and no more than 15%.

This basis for determining interest crediting rates will no longer be allowed after 2016 under IRS rules governing the Plan.

The Plan’s New Interest Crediting Basis

Effective January 1, 2017, the cash balance interest crediting rate for a calendar year will be the average annual yield on U.S. long-term corporate bonds, reported monthly by the IRS as the “Third Segment Rate,” for the 24-month period ending August 31 of the preceding calendar year. The annual rate will be no less than 4% (an increase from the current 0% minimum) and no more than 15%.

This change in the interest crediting basis will not affect the value of your cash balance account as of December 31, 2016. The change only applies to future interest credits applicable to your account after December 31, 2016.

How the Current and New Interest Crediting Rates Compare

A comparison of the average, annual interest crediting rates produced by the current and new methodologies over the last 10 and 15 years is shown below:

<table>
<thead>
<tr>
<th>Period</th>
<th>Current Interest Crediting Basis</th>
<th>New Interest Crediting Basis</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-2016 (10 years)</td>
<td>5.92%</td>
<td>5.83%</td>
<td>-0.09%</td>
</tr>
<tr>
<td>2002-2016 (15 years)</td>
<td>5.78%</td>
<td>6.18%</td>
<td>+0.40%</td>
</tr>
</tbody>
</table>

As shown, the new basis would have produced a lower average interest crediting rate over the last 10-year period, but a higher rate over the last 15-year period. It is worth noting that, in contrast to the current (75% bond/25% stock) blended approach, the new interest crediting basis relies on bond yields only. In addition, the new basis includes an increase in the minimum annual interest credit from 0% to 4%. As a result, the new interest crediting basis can be expected to produce less year-to-year volatility.

If you were hired before July 1, 2012 and your benefit calculated under the career pay formula is larger than your cash balance benefit at your commencement date, this change will have no impact on your pension benefit. If your cash balance benefit is larger than your career pay benefit at your commencement date or you were hired on or after July 1, 2012, this change could have a positive or negative impact depending on future market performance.

This is a summary of certain provisions of the Massachusetts Institute of Technology Basic Retirement Plan (as amended). The Institute reserves the right to amend, modify or terminate the Plan at any time and for any reason. No Plan amendment will reduce any legally protected, vested accrued pension benefit.