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Retirement Program Changes

GENERAL

1 How is the Liberty Mutual Insurance retirement program changing?

Liberty Mutual has reviewed the retirement program and is making some changes and enhancements over the next four years.

RETIREMENT BENEFIT PLAN

As of Jan. 1, 2018
Liberty Mutual’s contributions (“pay credits”) to the Cash Balance benefit will increase from 4.5% to 5.0% of eligible compensation received after Jan. 1, 2018.

As of Dec. 31, 2020
For employees who joined the Retirement Benefit Plan before 2014 and who have a Final Average Pay benefit, the value of that benefit will be fixed, with no further increase, as of Dec. 31, 2020.

Note - Your Cash Balance benefit will not be affected by this change and you will continue to receive pay credits and interest credits.

401(k) PLAN

As of Jan. 1, 2018
The 401(k) 50% guaranteed match on your contributions will increase from 6% to 8%, while the discretionary match will be discontinued. This change will provide employees an additional savings opportunity.

2 Why is Liberty Mutual making these changes?

These changes will provide a more consistent retirement program structure for all employees, better meet the needs of our current and future workforce and help us maintain a highly competitive retirement program over the long term. In short, they will help us engage, retain and attract the talent we need to succeed into the future, manage expenses and ensure a competitive, market-aligned, best-in-class retirement program over the long term.
Retirement Program Changes

Do I need to do anything as a result of the changes?

While you don’t need to take any action right now, you may want to consider the following:

• If you’re contributing less than 8% in the 401(k) Plan, you may want to increase your 401(k) Plan contributions next year to at least 8% so that you get the full benefit of the increased company match on January 1, 2018.

• Consider the additional Cash Balance company-paid pay credit — increasing from 4.5% to 5.0% on Jan. 1, 2018. You can start factoring this additional Cash Balance benefit in any long-term financial planning or modeling you may do.

Note: Later next year, the benefit projection tool on the Your Total Rewards website will reflect the enhanced Cash Balance benefit pay credit, as well as the impact on the Dec. 31, 2020 Final Average Pay benefit freeze.

Why is Liberty Mutual announcing these changes so far in advance?

We are introducing the upcoming changes now so that you can look ahead and consider the changes as part of your financial planning. Liberty Mutual also took a long-term view when considering these changes — where is our business going, how are our customers’ needs and expectations changing and what will our workforce look like in the future.

Are there plans for more retirement program changes in the future?

Liberty Mutual continually reviews all of its benefits plans to ensure they continue to be competitive, market-aligned, best-in-class and keep pace with our fast changing industry and workforce. The retirement program changes planned for the next four years were designed for the long-term and there are no plans now for significant change in the near term.

Is Liberty Mutual still committed to providing a competitive retirement program?

Yes. The company is committed to offering a retirement program that provides a strong foundation for retirement readiness through the Cash Balance benefit. Because financial well-being is a shared responsibility, employees have the opportunity to build on that foundation by saving and receiving company matching contributions through the 401(k) Plan. Together, these two plans offer flexibility, portability and opportunity to build value over time.
Why is Liberty Mutual fixing the value of the Final Average Pay benefit as of Dec. 31, 2020?

Liberty Mutual reviewed the retirement program to ensure that, over the long-term, the program:

• Provides a consistent plan structure for all participants
• Supports shared responsibility for successful retirement planning
• Aligns with market trends and the changing workforce
• Is simple and easy for participants to understand and optimize

We believe that focusing on the 401(k) Plan and the Cash Balance benefit will help us accomplish these goals.

I’m earning a benefit under the Final Average Pay formula. How will the benefit freeze on Dec. 31, 2020 affect my overall Liberty Mutual retirement benefits?

The retirement benefits you are earning at Liberty Mutual are made up of your Final Average Pay benefit, your Cash Balance benefit and your 401(k) Plan savings. Your Final Average Pay benefit will continue to reflect changes in your pay through Dec. 31, 2020. The specific impact of fixing the value of your Final Average Pay benefit on Dec. 31, 2020 will primarily depend on your compensation during your service through that date. In addition, beginning Jan. 1, 2018, you will receive the increased Cash Balance pay credit and have the opportunity to take advantage of the additional 401(k) Plan company match.
When will the increased 401(k) Plan company match begin?

The increased match will begin for contributions made to the 401(k) Plan starting Jan. 1, 2018. For 2017, you will continue to receive the current guaranteed company match and any discretionary company match on your contributions.

Do I need to take any action now to take advantage of the increased company match?

No action is required right now. However, if you are contributing less than 8% of pay in the 401(k) Plan now, you can use 2017 to gradually increase your 401(k) Plan contributions to maximize the 8% company match starting Jan. 1, 2018.

When can I change my 401(k) Plan contribution?

You can change your 401(k) Plan contribution any time on the Your Total Rewards website.

Will my post-retirement health and life insurance benefits be eliminated in the future?

Eligibility rules have not changed for current employees. However, employees hired on or after Jan. 1, 2018, will not be eligible for coverage under the Liberty Mutual retiree medical, dental and life insurance plans.

How do I determine my eligibility for post-retirement benefits?

Current employees are eligible to receive coverage under the Liberty Mutual retiree medical, dental and life insurance plans if they are at least age 55 with 10 or more years of consecutive service. For more information, refer to the Health, Dental and Life Insurance Summary Plan Descriptions on myLiberty in the Employee Center under Compensation & Benefits.