

**NOTE V. RETIREMENT-RELATED BENEFITS**

**Description of Plans**

IBM sponsors the following retirement-related plans/benefits:

| Plan  |  | Eligibility  | Funding   | Benefit Calculation  | Other   |
|---|--|--|---|--|---|
| <b>U.S. Defined Benefit (DB) Pension Plans</b>            | Qualified Personal Pension Plan (PPP)                  | U.S. regular, full-time and part-time employees hired prior to January 1, 2005   | Company contributes to irrevocable trust fund, held for sole benefit of participants and beneficiaries  | Vary based on the participant:<br><br>Five-year, final pay formula based on salary, years of service, mortality and other participant-specific factors   | Benefit accruals ceased December 31, 2007   |
|   | Excess Personal Pension Plan (PPP)                     |  | Unfunded, provides benefits in excess of IRS limitations for qualified plans  | Cash balance formula based on percentage of employees' annual salary, as well as an interest crediting rate  |   |
|   | Supplemental Executive Retention Plan (Retention Plan) | Eligible U.S. executives   | Unfunded  | Based on average earnings, years of service and age at termination of employment   |   |
| <b>U.S. Defined Contribution (DC) Plans<sup>(1)</sup></b> | 401(k) Plus  | U.S. regular, full-time and part-time employees  | All contributions are made in cash and invested in accordance with participants' investment elections   | Dollar-for-dollar match, generally 5 or 6 percent of eligible compensation and automatic matching of 1, 2 or 4 percent of eligible compensation, depending on date of hire   | Employees generally receive contributions after one year of service   |
|   | Excess 401(k) Plus                                     | U.S. employees whose eligible compensation is expected to exceed IRS compensation limit for qualified plans  | Unfunded, non-qualified amounts deferred are record-keeping (notional) accounts and are not held in trust for the participants, but may be invested in accordance with participants' investment elections (under the 401 (k) Plus Plan options) | Company match and automatic contributions (at the same rate under 401(k) Plus Plan) on eligible compensation deferred and on compensation earned in excess of the IRC pay limit. The percentage varies depending on eligibility and years of service | Employees generally receive contributions after one year of service. Amounts deferred into the Plan, including company contributions, are recorded as liabilities |
| <b>U.S. Nonpension Postretirement Benefit Plan</b>        | Nonpension Postretirement Plan                         | Medical and dental benefits for eligible U.S. retirees and eligible dependents, as well as life insurance for eligible U.S. retirees                 | Company contributes to irrevocable trust fund, held for the sole benefit of participants and beneficiaries  | Varies based on plan design formulas and eligibility requirements  | Since January 1, 2004, new hires are not eligible for these benefits  |
| <b>Non-U.S. Plans</b>                                     | DB or DC   | Eligible regular employees in certain non-U.S. subsidiaries or branches  | Company deposits funds under various fiduciary-type arrangements, purchases annuities under group contracts or provides reserves for these plans  | Based either on years of service and the employee's compensation (generally during a fixed number of years immediately before retirement) or on annual credits   | In certain countries, benefit accruals have ceased and/or have been closed to new hires as of various dates   |
|   | Nonpension Postretirement Plan                         | Medical and dental benefits for eligible non-U.S. retirees and eligible dependents, as well as life insurance for certain eligible non-U.S. retirees | Primarily unfunded except for a few select countries where the company contributes to irrevocable trust funds, held for the sole benefit of participants and beneficiaries  | Varies based on plan design formulas and eligibility requirements by country   | Most non-U.S. retirees are covered by local government sponsored and administered programs  |

<sup>(1)</sup> Matching and automatic contributions are made once at the end of the year for employees that are employed as of December 15 of the plan year. Contributions may be made for certain types of separations that occur prior to December 15.