

INTERNATIONAL BUSINESS MACHINES CORP

Form 11-K

June 19, 2012

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 11-K

(Mark One)

**x ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF
1934**

For the fiscal year ended December 31, 2011

OR

**o TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the transition period from to

Commission file number 1-2360

A. Full title of the plan and address of the plan, if different from that of the issuer named below:

IBM 401(k) Plus Plan

Director of Compensation and Benefits

IBM

North Castle Drive, M/D 147

Armonk, New York 10504

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

INTERNATIONAL BUSINESS MACHINES CORPORATION

New Orchard Road

Armonk, New York 10504

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IBM 401(k) PLUS PLAN

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* Other schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosures under the Employee Retirement Income Security Act of 1974 are omitted because they are not applicable.

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SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

IBM 401(k) Plus Plan

Date: June 19, 2012

By:

/s/ James J. Kavanaugh
James J. Kavanaugh
Vice President and Controller

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Report of Independent Registered Public Accounting Firm

To the Members of the International Business Machines Corporation (IBM) Retirement Plans Committee and the Participants of the IBM 401(k) Plus Plan:

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the IBM 401(k) Plus Plan (the Plan) at December 31, 2011 and 2010, and the changes in net assets available for benefits for the year ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of loans or fixed income obligations in default or classified as uncollectible, of nonexempt transactions, and of assets (held at end of year) are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
New York, NY
June 19, 2012

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IBM 401(k) PLUS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

AT DECEMBER 31,

	2011	2010
	(Dollars in thousands)	
Assets:		
Investments, at fair value (Note 3)	\$ 37,278,696	\$ 36,741,589
Receivables:		
Employer contributions	38,347	40,593
Participant contributions	25,518	25,618
Notes receivable from participants	326,586	315,055
Income, sales proceeds and other receivables	2,480,366	1,984,365
Total receivables	2,870,817	2,365,631
Total assets	40,149,512	39,107,220
Liabilities:		
Payable for collateral deposits	23,353	20,538
Accrued expenses and other liabilities	2,758,432	3,084,734
Total liabilities	2,781,784	3,105,272
Net assets at fair value	37,367,728	36,001,949
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(570,356)	(373,136)
Net assets available for benefits	\$ 36,797,372	\$ 35,628,813

The accompanying notes are an integral part of these financial statements.

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IBM 401(k) PLUS PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31,

	2011 (Dollars in thousands)
Additions to net assets attributed to:	
Investment income:	
Net depreciation in fair value of investments (Note 3)	\$ (139,049)
Interest income from investments	592,577
Dividends	214,992
	668,520
Interest income on notes receivable from participants	15,038
Contributions:	
Participants	1,200,993
Employer	874,983
	2,075,976
Transfers from other benefit plans	228,311
Total additions	2,987,845
Deductions from net assets attributed to:	
Distributions to participants	1,787,756
Administrative expenses, net	31,530
Total deductions	1,819,286
Net increase in net assets during the year	1,168,559
Net assets available for benefits:	
Beginning of year	35,628,813
End of year	\$ 36,797,372

The accompanying notes are an integral part of these financial statements.

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**IBM 401(k) PLUS PLAN
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF THE PLAN

The following description of the IBM 401(k) Plus Plan (the Plan) provides only general information. Participants should refer to the Plan prospectus (Summary Plan Description) for a complete description of the Plan's provisions.

General

The Plan was established by resolution of International Business Machines Corporation's Retirement Plans Committee (the Committee) effective July 1, 1983 and Plan assets are held in trust for the benefit of its participants. The Plan offers all eligible active, full-time and part-time regular and long-term supplemental United States (U.S.) employees of International Business Machines Corporation (IBM) and certain of its domestic related companies and partnerships an opportunity to defer from one to eighty percent of their eligible compensation for before-tax 401(k) and/or Roth 401(k) contributions to any of 32 primary investment funds and over 150 mutual funds in a mutual fund window. The investment objectives of the primary funds are described in Note 6, Description of Investment Funds. In addition, participants are able to contribute up to ten percent of their eligible compensation on an after-tax basis. Roth 401(k) and after-tax contributions are not available for employees working in Puerto Rico. Annual contributions are subject to the legal limits permitted by Internal Revenue Service (IRS) regulations.

Participants are provided the choice to enroll in a disability protection program under which a portion of the participant's account is used to pay premiums to purchase term insurance (underwritten by Metropolitan Life Insurance Company), which will pay the amount of their before-tax 401(k) contributions, matching contributions, automatic contributions and/or Special Savings Awards into their accounts in the event the participant becomes disabled while insured.

At December 31, 2011 and 2010, the number of participants with an account balance in the Plan was 200,205 and 202,638, respectively.

The Plan is dual qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended, and Section 1081.01 of the Internal Revenue Code for a New Puerto Rico (2011). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Administration

The Plan is administered by the Committee, which appointed certain officials of IBM to assist in administering the Plan. The Committee appointed State Street Bank and Trust Company (SSBT), as Trustee, to safeguard the assets of the funds and State Street Global Advisors

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(SSGA), the institutional investment management affiliate of SSBT, The Vanguard Group and other investment managers to direct investments in the various funds.

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Fidelity Investments Institutional Operations Company, Inc. (Fidelity) is the provider of record keeping and participant services, operator of the IBM Employee Services Center for the Plan in Raleigh, North Carolina as well as the provider of administrative services related to the mutual fund window. Communications services were provided by Fidelity as well as The Vanguard Group.

Contributions

Under the Plan, IBM provides employer contributions for eligible participants as shown in the table below:

IBM Pension Plan Eligibility at 12/31/2007	IBM Automatic Contribution	IBM Matching Contribution
Pension Credit Formula	4%	100% on 6% of eligible compensation
Personal Pension Account	2%	100% on 6% of eligible compensation
New Hires on or after 1/1/2005	1%	100% on 5% of eligible compensation

IBM employer contributions are based upon the IBM pension formula for which the employee was eligible on December 31, 2007, or on hire date on or after January 1, 2005. Any employees who terminate employment and are rehired on or after January 1, 2005 will be eligible to participate in the New Hires on or after 1/1/2005 contribution rates.

A contribution equal to five percent of eligible compensation (referred to as a Special Savings Award) will be added to the accounts of participants who are non-exempt employees at each year-end and who participated in the Pension Credit Formula as of December 31, 2007 and have been continuously employed by IBM since that date.

Newly hired employees are automatically enrolled at 5 percent of eligible salary and performance pay after approximately thirty days of employment with IBM, unless they elect otherwise. After completing one year of service with IBM, they are eligible for the IBM automatic contribution and the IBM matching contribution. Contributions will be invested in the default Target Date fund that most closely corresponds to the year in which they will reach age 60 unless they elect otherwise. The match maximizer is an automatic feature that ensures they will receive the full IBM match for their savings level (based on eligible 401(k) deferrals and eligible pay) no matter what their savings patterns are during the year. Any match maximizer amount for which they are eligible will be calculated and added to their account each pay period.

Eligible compensation under the Plan includes regular salary, commissions, overtime, shift premium and similar additional compensation payments for nonscheduled workdays, recurring payments under an employee variable compensation plan, regular IBM Short-Term Disability Income Plan payments, holiday pay and vacation pay, and payments made under any executive incentive compensation plan. Non-recurring compensation, such as awards, deal team payments and significant signing bonuses are not eligible compensation and cannot be deferred under the Plan.

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Participants are able to choose to have their contributions invested entirely in one of, or in any combination of, the following funds or in the mutual fund window funds, in multiples of one percent. These funds and their investment objectives are more fully described in Note 6, Description of Investment Funds.

Life Cycle Funds (14)

Target Date 2005 Fund

Target Date 2010 Fund

Target Date 2015 Fund

Target Date 2020 Fund

Target Date 2025 Fund

Target Date 2030 Fund

Target Date 2035 Fund

Target Date 2040 Fund

Target Date 2045 Fund

Target Date 2050 Fund

Income Plus Life Strategy Fund

Conservative Life Strategy Fund

Moderate Life Strategy Fund

Aggressive Life Strategy Fund

Core Funds (7)

Stable Value Fund (Effective February 29, 2012, renamed Interest Income Fund)

Inflation Protected Bond Fund

Total Bond Market Fund

Total Stock Market Index Fund

Total International Stock Market Index Fund

Real Estate Investment Trust (REIT) Index Fund

International Real Estate Index Fund

Expanded Choice Funds (11)

Long-Term Corporate Bond Fund

High Yield and Emerging Markets Bond Fund

Large Company Index Fund

Large-Cap Value Index Fund

Large-Cap Growth Index Fund

Small/Mid-Cap Stock Index Fund

Small-Cap Value Index Fund

Small-Cap Growth Index Fund

European Stock Index Fund

Pacific Stock Index Fund

IBM Stock Fund

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The Plan participants also have access to the mutual fund window investment options.

Participants may change their deferral percentage and investment selection for future contributions at any time. The changes will take effect for the next eligible pay cycle if the request is completed before the applicable cutoff date. Also, participants may transfer part or all of existing account balances among funds in the Plan once daily, subject to the Plan restrictions on trading.

The Committee is committed to preserving the integrity of the Plan as a long-term savings vehicle for its employees. Frequent, short-term trading that is intended to take advantage of pricing lags in funds can harm long-term investors, or increase trading expenses in general. Therefore, the Plan has implemented frequent trading transaction restrictions and reserves the right to take other appropriate action to curb short-term transactions (buying/selling).

Participant Accounts

The Plan record keeper maintains an account in the name of each participant to which each participant's contributions and share of the net earnings, losses and expenses, if any, of the various investment funds are recorded. The earnings on the assets held in each of the funds and all proceeds from the sale of such assets are held and reinvested in the respective funds.

Participants may transfer rollover contributions of before-tax and Roth 401(k) amounts from other qualified savings plans or Individual Retirement Accounts into their Plan account. Rollovers must be made in cash within the time limits specified by the IRS; stock or in-kind rollovers are not accepted. These rollovers are limited to active employees on the payroll of IBM (or affiliated companies) who have existing accounts in the Plan. Retirees are not eligible for such rollovers, except that a retiree or separated employee who has an existing account in the Plan may rollover a lump-sum distribution from an IBM-sponsored qualified retirement plan, including the IBM Personal Pension Plan. After-tax amounts may also be directly rolled over into the Plan from another qualified savings plan.

On each valuation date, the unit/share value of each fund is determined by dividing the current investment value of the assets in that fund on that date by the number of units/shares in the fund. The participant's investment value of assets equals the market value of assets for all funds except the Stable Value Fund for which the participant's investment value of assets equals the contract value of assets. In determining the unit/share value, new contributions that are to be allocated as of the valuation date are excluded from the calculation. On the next day, the cash related to new contributions is transferred into the fund and the number of additional units to be credited to a participant's account for each fund, due to new contributions, is equal to the amount of the participant's new contributions to the fund divided by the prior night's unit value.

Contributions (with the exception of after-tax contributions and Roth 401(k) contributions) made to the Plan, as well as interest, dividends, or other earnings of the

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Plan are generally not included in the taxable income of the participant until withdrawal, at which time all earnings and contributions withdrawn generally are taxed as ordinary income to the participant. Additionally, withdrawals by the participant before attaining age 59 1/2 generally are subject to a penalty tax of 10 percent. After-tax contributions made to the Plan are not tax deferred, but are taxable income prior to the participant making the contribution. Any interest, dividends or other earnings on the after-tax contributions are generally not included in the taxable income of the participant until withdrawal, at which time all earnings withdrawn are generally taxed as ordinary income to the participant. Any distribution of earnings on after-tax contributions that are withdrawn by the participant before attaining age 59 1/2 generally are subject to a penalty tax of 10 percent. Roth 401(k) contributions are not deferred, but are taxable income prior to the participant making the contribution. Interest, dividends or other earnings on Roth 401(k) contributions may not be taxable at withdrawal provided the participant has met the applicable rules.

Consistent with provisions established by the IRS, the Plan's 2011 limit on employee salary and performance pay deferrals was \$16,500. (The limit for 2012 is \$17,000.) Participants who were age 50 or older during 2011 could take advantage of a higher 401(k) contribution limit of \$22,000 (\$22,500 for 2012). The 2011 maximum annual deferral amount for employees residing in Puerto Rico was limited by local government regulations to \$10,000. (The Puerto Rico limit for 2012 is \$13,000.) Puerto Rico participants who were age 50 or older in 2011 could take advantage of a higher contribution limit of \$11,000 (\$14,500 for 2012).

Vesting

Participants in the Plan are at all times fully vested in their account balance, including employee contributions, employer contributions and earnings thereon, if any.

Distributions

Participants who have attained age 59 1/2 may request a distribution of all or part of the value in their account. A maximum of four distributions are allowed each year and the minimum amount of any such distribution shall be the lesser of the participant's account balance or \$500.

In addition, participants who (1) retire under the prior IBM Retirement Plan provisions of the IBM Personal Pension Plan, or (2) become eligible for benefits under the IBM Long-Term Disability Plan or the IBM Medical Disability Income Plan, or (3) separate from IBM and have attained age 55, may also elect to receive the balance of their account in annual installments over a period not to exceed twenty years.

Withdrawals for financial hardship are permitted provided they are for an immediate and significant financial need, and the distribution is necessary to satisfy that need. Employees are required to fully use the Plan loan program, described below, before requesting a hardship withdrawal. Only an employee's contributions are eligible for hardship withdrawal; earnings on before-tax 401 (k) and Roth 401(k), and IBM contributions (match, automatic, transition credits and Special Savings Award) are not

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eligible for withdrawal. Employees must submit evidence of hardship to the record keeper who will determine whether the situation qualifies for a hardship withdrawal based on guidance from the Plan administrator. A hardship withdrawal is taxed as ordinary income to the employee and may be subject to the 10 percent additional tax on early distributions.

If the participant dies and is married at the time of death, the participant's spouse must be the beneficiary of the participant's Plan account, unless the participant's spouse has previously given written, notarized consent to designate another person as beneficiary. If the participant marries or remarries, any prior beneficiary designation is canceled and the spouse automatically becomes the beneficiary. If the participant is single, the beneficiary may be anyone previously designated by the participant under the Plan. In the absence of an effective designation under the Plan at the time of death, the proceeds normally will be paid in the following order: the participant's spouse, the participant's children in equal shares, or to surviving parents equally. If no spouse, child, or parent is living, payments will be made to the executors or administrators of the participant's estate.

After the death of a participant, an account will be established for the participant's beneficiary. If the beneficiary is a spouse or domestic partner, the beneficiary's account may be maintained in the Plan, subject to IRS Minimum Required Distribution rules. If the beneficiary is neither a spouse nor a domestic partner, the account will be paid to the beneficiary in a lump sum. Beneficiaries may rollover distributions from the Plan.

Participant Loans

Participants may borrow up to one-half of the value of their account balance, not to exceed \$50,000, within a twelve month period. Loans will be granted in \$1 increments subject to a minimum loan amount of \$500. Participants are limited to two simultaneous outstanding Plan loans. Repayment of a loan is made through semi-monthly payroll deductions. Loans originated under the Plan have a repayment term of one to four years for a general purpose loan or one to ten years for a primary residence loan. There are a limited number of outstanding loans originated under acquired company plans that were merged into the Plan having repayment terms greater than 10 years and up to a maximum term of 28 years. The loans originated under the Plan bear a fixed rate of interest, set quarterly, for the term of the loan, determined by the plan administrator to be 1.25 points above the prime rate. The interest is credited to the participant's account as the semi-monthly repayments of principal and interest are made. Interest rates on outstanding loans at December 31, 2011 and 2010 ranged from 3.25 percent to 11.00 percent.

Participants may prepay the entire remaining loan principal at any time. Employees on an approved leave of absence may elect to make scheduled loan payments directly to the Plan. Participants may continue to contribute to the Plan while having an outstanding loan. A loan default is a taxable event to the participant and will be reported as such in the year of the loan default.

Participants who retire or separate from IBM and have outstanding Plan loans may make loan repayments via coupon payments or ACH deductions to continue monthly loan repayments according to their original amortization schedule.

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Termination of Service

If the value of a participant's account is \$1,000 or less, it will be distributed to the participant in a lump-sum payment following the termination of the participant's employment with IBM. If the account balance is greater than \$1,000 at the time of separation, the participant may defer distribution of the account until age 70 ½.

Termination of the Plan

IBM reserves the right to terminate this Plan at any time by action of the Board of Directors of IBM. In that event, each participant or beneficiary receiving or entitled to receive payments under the Plan would receive the balance of the account at such time and in accordance with applicable law and regulations. In the event of a full or partial termination of the Plan, or upon complete discontinuance of contributions under the Plan, the rights of all affected participants in the value of their accounts would be non-forfeitable.

Risks and Uncertainties

The Plan provides for various investment options in the form of mutual funds, commingled funds or separately-managed funds. These funds invest in equities, fixed income securities, synthetic guaranteed investment contracts (synthetic GICs) and derivative contracts. Investment securities are exposed to various risks, such as interest rates, credit and overall market volatility. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is reasonably possible that changes in risks in the near term could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits. The Plan is potentially exposed to credit loss in the event of non-performance by the companies with whom the synthetic GICs are placed. However, the Committee does not anticipate non-performance by these companies at this time.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared under the accrual basis of accounting, except distributions, which are recorded when paid. Within the financial tables presented, certain columns and rows may not add due to the use of rounded numbers for disclosure purposes.

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Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Investment Contracts

Investment contracts held by a defined contribution plan are reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. Contract value represents the cost plus contributions made under the contracts plus interest at the contract rates less withdrawals and administrative expenses. The statements of net assets available for benefits present the fair value of the investment in the Stable Value Fund as well as the adjustment from fair value to contract value for the fully benefit responsive investment contracts within the Stable Value Fund. The statement of changes in net assets available for benefits presents these investments on a contract value basis.

Valuation of Investments

The Plan's investments are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Under fair value measurement guidance, the Plan is required to classify certain assets and liabilities based on the fair value hierarchy. The framework establishes a three-level fair value hierarchy based on the nature of the information used to measure fair value. These levels are accounting terms that refer to different methods of valuing assets and do not represent relative risk or credit quality of an investment. The levels of assets are as follows:

- Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable, including the Plan's own assumptions in determining fair value.

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Assets are classified within the fair value hierarchy according to the lowest level input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments in mutual funds and commingled funds are valued at the net asset values per share using available inputs to measure fair value by such companies or funds as of the valuation date. Generally, mutual funds have a quoted market price in an active market and are classified as Level 1 and commingled funds are classified as Level 2 based upon observable data.

Common stocks and financial derivative instruments, such as futures contracts or options contracts that are traded on a national securities exchange are stated at the last reported sale or settlement price on the day of valuation. Valuation adjustments may be applied to certain securities that are solely traded on a foreign exchange to account for the market movement between the close of the foreign market and the close of the New York Stock Exchange. These securities are valued using pricing service providers that consider the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments.

Fixed income investments are valued on the basis of valuations furnished by Trustee-approved independent pricing services. These services determine valuations for normal institutional-size trading units of such securities using models or matrix pricing, which incorporates yield and/or price with respect to bonds that are considered comparable in characteristics such as rating, interest rate and maturity date and quotations from bond dealers to determine current value. If these valuations are deemed to be either not reliable or not readily available, the fair value will be determined in good faith by the Trustee.

Over-the-counter derivatives are typically valued using proprietary pricing models that use as their basis readily observable market parameters that is, parameters that are actively quoted and can be validated to external sources, including industry pricing services. Depending on the types and contractual terms of derivatives, fair value can be modeled using a series of techniques, such as the Black-Scholes option pricing model, simulation models or a combination of various models, which are consistently applied. Where derivative products have been established for some time, the Plan uses models that are widely accepted in the financial services industry. These models reflect the contractual terms of the derivatives, including the period to maturity, and market-based parameters such as interest rates, volatility, and the credit quality of the counterparty. Further, many of these models do not contain a high level of subjectivity, as the methodologies used in the models do not require significant judgment, and inputs to the model are readily observable from actively quoted markets, as is the case for plain vanilla interest rate swaps, option contracts and credit default swaps.

Interest bearing cash securities are valued at amortized cost, which includes cost and accrued interest and approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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Security Transactions and Related Investment Income

Security transactions are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis.

The Plan presents in the Statement of Changes in Net Assets Available for Benefits the net change in the fair value of its investments, which consists of realized gains and losses and the unrealized appreciation and depreciation on those investments.

Administrative Expenses and Investment Management Fees

Administrative costs of the Plan are deducted from participants' account balances. These costs include (a) brokerage fees, benefit responsive investment contract fees and commissions, which are included in the cost of investments and in determining net proceeds on sales of investments, and (b) operational expenses required for administration of the Plan including trustee, recordkeeping, custody, and investment management which are charged against the fund's assets on a pro rata basis throughout the year and are included as part of administrative expenses. Custodian and investment management fees for commingled trusts are charged based on a percentage of net asset value and are paid from the assets of the respective funds.

Standards to be Implemented

In December 2011, the Financial Accounting Standards Board (FASB) issued additional disclosure requirements for offsetting and related arrangements. These additional requirements will become effective for the year ended December 31, 2013 and are not expected to have an impact on the Plan's Financial Statements.

In May 2011, the FASB issued amended guidance and disclosure requirements for fair value measurements. These amendments are not expected to have a material impact on the Plan's Financial Statements. These changes will become effective January 1, 2012 on a prospective basis.

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NOTE 3 INVESTMENTS

The following schedules summarize the fair value of investments within the fair value hierarchy, level 3 gains and losses, investments that represent 5 percent or more of the Plan's net assets and the related net change in the fair value of investments by type of investment.

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value at December 31, 2011 and 2010.

Investments at Fair Value as of December 31, 2011

(Dollars in Thousands)	Level 1	Level 2	Level 3	Total
Equity:				