

Sutter Health Retirement Plan

Cash Balance Design

A resource for participants in the Cash Balance Design of the Sutter Health Retirement Plan who are nearing retirement age or those who are looking for information on retirement eligibility, timing and options.¹

What's Inside

- 01...What You Need to Know
- 02...How Your Retirement Benefit Is Calculated
- 03...Factors That Impact Your Benefit
- 07...Benefit Payment Options
- 10...First Steps to Start Your Retirement

What You Need to Know

Who is Eligible to Participate in the Cash Balance Design?

Employees of Sutter Health and some of its entities are eligible to participate in the Cash Balance Design of the Plan beginning on their date of hire. To see a list of participating entities, please reference the Plan's Summary Plan Description.

Growing Your Balance in the Cash Balance Design Plan

Under the Cash Balance Design, your account balance increases each year in two ways:

- **First**, you receive a percentage of your eligible pay (called a pay credit) if you work at least 1,000 hours in an eligible position during the calendar year. The pay credit percentage is based on your years of benefit service (reference the Plan's Summary Plan Description).

Common Terms

Cash balance plan – A defined benefit pension plan that provides a 100% employer-paid retirement benefit. It's a retirement account balance that grows over time through annual pay and interest credits.

Annuity – A monthly payment of your retirement account for your lifetime

Lump sum – A payment of the total value of your retirement account

Years of service – A total number of 12-month periods in a calendar year during which you complete 1,000 hours of work

Normal retirement date – The first of the month following your 65th birthday

¹ Please read this notice carefully. If you need specific additional information, you must request the information before the date you want your retirement payments to commence.

- **Second**, your account balance automatically earns an interest credit on the existing account balance, compounded annually.
 - The interest crediting rate is based on the 30-year Treasury rate.
 - There is a minimum rate of 3.5% to protect you from interest rate fluctuations.
 - The interest credit is made every year you have a balance in the Plan, regardless of how many hours you work or if you leave the Sutter Health system.

Eligibility to Receive a Benefit

You are eligible to receive your benefits:

- ➔ When you have terminated employment in the Sutter Health system, with at least three years of vesting service, regardless of your age
- ➔ The first of the month following your 65th birthday (i.e., your normal retirement date)

Note: You are not required to retire at age 65. If you are an active employee, you may delay your retirement benefit until you are ready to receive it.

When Your Benefits Start

Your retirement benefit is effective after you have given at least a 90-day advance notice of your retirement and completed your pension benefit elections and required documentation.

Deferring Your Benefit

If you are an active employee, you can defer receipt of your retirement benefit until you stop working in the Sutter Health system. If you are no longer an active employee, you can defer payments until April 1 following the year during which you attain:

- Age 73 (if you attained age 72 on or after January 1, 2023)
- Age 72 (if you attained age 70 ½ between January 1, 2020, through December 31, 2022)
- Age 70 ½ (if you attained age 70 ½ in calendar years 2019 and prior)

If you do not begin receiving benefit payments by the required April 1 date, you may be liable for payment of an excise tax penalty to the IRS. Please contact the Sutter Health Pension Service Center for additional information.

How Your Retirement Benefit is Calculated

In a cash balance design plan, your lump sum is based on the value of your cash balance account. Similarly, the monthly annuity available to you is calculated by converting the value of your cash balance account to the equivalent monthly annuity value payable over your lifetime.

If you are between ages 50 and 65 and have worked in the Sutter Health system for at least five years, your monthly annuity benefit **will be equal to the greater** of the benefits determined by these formulas:

- ➔ $\text{Account Balance} \div 12 \div \text{Factor based on age and interest rates in effect on date of commencement} = \text{Monthly benefit payable as a Single Life Annuity}$

- ➔ Account Balance, increased with interest to age 65 ÷ 12 ÷ Factor based on age 65 and interest rates in effect on date of commencement * A plan-specified early-commencement reduction factor = Monthly benefit payable as a Single Life Annuity

Factors That Can Impact Your Benefit

Changes to the required mortality table, your account balance, your age at the date of distribution, interest rates and your eligibility for early retirement can affect your benefit. It is important to read any notices you receive about your Sutter Health Retirement Plan for additional information on your payment options and the effect of deferring payment. Here are overviews of some factors and examples to help illustrate how they could impact your benefit.

Interest Rates

A change to interest rates will not cause a change to your lump sum unless you had an accrued benefit that was converted to an opening account balance in the cash balance design. The converted annuity is subject to a comparison that includes a minimum calculation at the time of benefit commencement. In general:

- **Higher** interest rates will result in a **smaller** lump sum amount comparison
- **Lower** interest rates will result in a **larger** lump sum amount comparison

If you elect a monthly annuity, the value may be affected by different interest rates because this amount is calculated by converting your cash balance account to the equivalent annuity value. In general:

- **Lower** interest rates result in a **smaller** monthly annuity
- **Higher** interest rates result in a **larger** monthly annuity

Meet Victor: Annuity Changes Based on Interest Rates²

Victor earned a cash balance benefit of \$200,000. Victor's monthly annuity at age 65 based on different interest rates is shown below. Note that the amount of the lump sum is not affected by the different rates.

Interest Rate	4%	5%
Monthly Annuity	\$1,400	\$1,680
Lump Sum	\$200,000	\$200,000

² The Pension Protection Act of 2006 (PPA) imposed a regulation on defined benefit pension plans effective 1/1/2008 to include a minimum calculation if a participant had a prior accrued benefit converted to an opening cash balance account. The PPA amount and converted monthly annuity are subject to change. The actual lump sum amount payable to you will be calculated based on the interest rates and mortality factors in effect for the calendar year in which you commence your pension benefit.

Receiving Your Benefit Before Age 65

- The amount of your **single lump-sum benefit** is equal to the total value of your cash balance account and **is not reduced** if you start your benefit early.
- If you choose a **monthly payment**, the benefit **is reduced** for beginning early. The age you choose to receive your monthly benefit is one of the factors that determines your monthly benefit amount. The reduction in your monthly payment is greater the earlier you begin your benefit because you will be receiving it over a longer period of time.

Meet Daniel, Cindy and Marcus: Age and Interest Rate Factors

Daniel is 45 years old, Cindy is 55 years old and Marcus is 62 years old. They each have at least five years of service with Sutter Health and have an account balance of \$200,000. Here's how their accounts would grow factoring in various ages at commencement and interest rates.

If **Daniel decided to terminate at age 45**, his account balance would grow with interest only, assuming he left his account balance in the Plan until the indicated age(s):

These scenarios are to help illustrate what your benefit may look like in the future at various termination or retirement ages. Keep in mind the benefit amount you will receive depends on your personal circumstances and is based on factors including your account balance, your age, and interest rates at the time you begin your benefit.

Age When Benefits Begin	Account balance	Monthly Annuity	Account balance	Monthly Annuity	Account balance	Monthly Annuity
	Interest 3.50%		Interest 4.50%		Interest 5.50%	
Age 45	\$200,000	\$1,029.39	\$200,000	\$1,029.39	\$200,000	\$1,029.39
Age 55	\$282,120	\$1,642.07	\$310,594	\$1,990.26	\$341,629	\$2,407.87
Age 62	\$358,935	\$2,048.37	\$422,675	\$2,919.05	\$496,960	\$3,531.55
Age 65	\$397,958	\$2,736.78	\$482,343	\$3,317.10	\$583,551	\$4,013.12

If **Cindy decided to terminate at age 55**, her account balance would grow with interest only, assuming she left her account balance in the Plan until the indicated age(s):

Age When Benefits Begin	Account balance	Monthly Annuity	Account balance	Monthly Annuity	Account balance	Monthly Annuity
	Interest 3.50%		Interest 4.50%		Interest 5.50%	
Age 55	\$200,000	\$1,164.09	\$200,000	\$1,281.58	\$200,000	\$1,409.64
Age 62	\$254,456	\$1,707.34	\$272,172	\$1,879.66	\$290,936	\$2,067.48
Age 65	\$282,120	\$1,940.16	\$310,594	\$2,135.97	\$341,629	\$2,349.40

If **Marcus decided to terminate at age 62**, his account balance would grow with interest only, assuming he left his account balance in the Plan until the indicated age(s):

Age When Benefits Begin	Account balance	Monthly Annuity	Account balance	Monthly Annuity	Account balance	Monthly Annuity
	Interest 3.50%		Interest 4.50%		Interest 5.50%	
Age 62	\$200,000	\$1,341.95	\$200,000	\$1,381.23	\$200,000	\$1,421.26
Age 65	\$221,744	\$1,524.94	\$228,233	\$1,569.57	\$234,848	\$1,615.07

Working After Age 65

If you are 65 or older, you can continue working your regular schedule and choose to begin your benefit or you may defer receiving benefits until you stop working in the Sutter Health system.

If you choose to begin your benefit while you are still working:

- Your benefit will reflect Annual Pay Credits each year that you work at least 1,000 hours
- Your benefit will be updated each year to reflect the additional Pay Credit
- You will not be eligible for a Term Certain Annuity

If you choose to delay your benefit while you are still working:

- Your benefit will reflect Annual Pay Credits each year that you work at least 1,000 hours

- Your benefit will also reflect additional interest credits, even if you do not work 1,000 hours in a calendar year

Meet Ellen: Working Until Age 67

Ellen is 65 years old and has 25 years of service with Sutter Health. Her annual salary is \$90,000 and her retirement account balance is \$200,000.

If Ellen works for two additional years after she turns 65 with at least 1,000 hours of service each year, she will continue to grow her account with Annual Pay Credits³ (a percentage of your pay based on your years of benefit service) and interest:

Age When Benefits Begin	Interest Credit	Annual Pay Credit (Enhanced Design)	Account Balance	Monthly Annuity
	Interest 3.50%			
Age 65			\$200,000	\$1,375.41
Age 66	\$7,000	\$9,000	\$216,000	\$1,519.89
Age 67	\$7,560	\$9,900	\$233,460	\$1,682.65

If Ellen works for two additional years after she turns 65, but has a schedule that is fewer than 1,000 hours of service each year, her account would grow with interest only:

Age When Benefits Begin	Interest Credit	Annual Pay Credit (Enhanced Design)	Account Balance	Monthly Annuity
	Interest 3.50%			
Age 65			\$200,000	\$1,375.41
Age 66	\$7,000	\$0	\$207,000	\$1,456.56
Age 67	\$7,245	\$0	\$214,245	\$1,544.16

³ Pay Credits shown are representative of the Enhanced Cash Balance Design Retirement Plan ONLY. If you are a participant in the Original Cash Balance Design Retirement Plan, your Annual Pay Credit follows a different schedule. Please refer to your Summary Plan Description for more details.

Leaving the Sutter Health system as an employee then returning at a later date

If you terminate employment from the Sutter Health system, elect to take a single sum distribution, or if your break in service was five (5) years or longer, and you later return to work for a participating employer, you will be eligible to earn additional benefits if you complete 1,000 hours of service each year. Your prior years of vesting service will be restored, but your years of service for calculating your pay credit percentage will be set to zero and you will earn future benefits at the beginning level of the pay credit schedule.

Benefit Payment Options

When you retire, you can take your benefit as a single lump sum or as a monthly annuity based on the value of your account balance. Monthly annuities are calculated using a formula that includes your account balance, your age and interest rates at the time you begin your benefit.

If you provide notice to the Sutter Health Pension Service Center, you will receive a notice of your benefit payment options between 30 and 180 days before your first payment is scheduled. If you make your choice fewer than 30 days from the time your benefit begins, payment may be delayed. You have the option to sign a waiver for this notice requirement.

Keep in mind, if you would like to change or revoke your pension election, you must do so **before the date your benefits begin**. Once payments have begun, you can no longer make changes to your elections.

Benefit Payment Options ⁴			
Distribution Option	Marital status	Payment information	Key details
Single Sum Distribution	Married or Unmarried	A single sum payment of the total value of your benefit either paid directly to you or rolled over to your 403(b), IRA or other qualified plan.	Required if the total value of your benefit does not exceed \$5,000; if the total value exceeds \$5,000, you may also choose an annuity option.
Single Life Annuity	Married or Unmarried	A monthly benefit paid for your lifetime only. <div><i>This is the default form of payment if you are not married and do not select another benefit option</i></div>	Payments do not continue to a beneficiary after your death.

⁴ See the Summary Plan Description if you were an employee of Alta Bates, Marin, Eden or Roseville. You may be eligible to name a non-spouse beneficiary for a portion of your monthly benefit. Prior Roseville participants may have different annuity reduction factors. If you were an employee of Tracy, Delta, or Seaside, you may have the option of a 15-Year Term Certain Annuity. Request additional information from the Sutter Health Pension Service Center.

Distribution Option	Marital status	Payment information	Key details
Five and Ten-Year Term Certain Annuities	Married or Unmarried	A reduced monthly benefit that will be paid to you in your lifetime along with a guaranteed period of five or ten years. If you die before the guaranteed period has expired, monthly checks will continue to your beneficiary for the remaining annuity period.	Your monthly payment is reduced so that the total benefit expected to be paid to you and your beneficiary is equal in value to the total benefits which would have been made to you under the Single Life Annuity payment option.
Social Security Adjustment Annuity	Married or Unmarried	A single life annuity that provides an increased benefit amount prior to age 65 followed by a reduced benefit for the duration of your lifetime based on the amount of your estimated Social Security benefits.	Available only if you begin your benefit before age 65.
Qualified Joint and 50% Survivor Annuity	Married only	<p>A reduced monthly benefit for your lifetime and 50% of this reduced benefit to your surviving spouse.</p> <div> <i>This is the default form of payment if you are married and do not select another benefit option</i> </div>	<ul style="list-style-type: none"> A reduced monthly benefit is payable to you for life. It is reduced because the benefits are paid over two lifetimes: yours and your spouse's. A percentage of your monthly benefit will be paid to your eligible spouse starting the month after your death. If your spouse predeceases you, then no Survivor Annuity will be payable.
Qualified Joint and 75% Survivor Annuity	Married only	A reduced monthly benefit for your lifetime and 75% of this reduced benefit to your surviving spouse.	<ul style="list-style-type: none"> Your eligible spouse is the person to whom you were legally married at the time your retirement started, even if they are no longer married to you at the time of your death. Once monthly payments begin, your beneficiary designation under the Joint and Survivor Annuity is irrevocable.
Qualified Joint and 100% Survivor Annuity	Married only	A reduced monthly benefit for your lifetime and 100% of this reduced benefit to your surviving spouse.	

What Happens if You Die Prior to Starting Your Benefit

- If you are married at the time of your death, your spouse will receive the full value of your account balance. If your account balance exceeds \$5,000, your spouse may elect to receive an annuity in lieu of a single sum distribution.
- If you are not married, the full value of your account balance will be paid to your designated beneficiary as a single sum payment. If you have not designated a beneficiary, the full value of your account balance will be paid to your estate.

Important Considerations When Choosing Your Benefit Option

- What will your cash needs be during your lifetime as well as the cash needs of your surviving spouse or other designated beneficiary after your death?
- What funds will be available to you from other sources (such as Social Security, life insurance, other retirement benefits and personal savings)? Are they available after your death for the continuing support of your dependents?
- What are the tax consequences of receiving a single lump sum distribution as a direct payment or as a direct rollover to your 403(b), an IRA or another qualified plan? We recommend consulting with a qualified financial advisor because tax laws are complex and change frequently.

Ready to retire? Here's how to get started.

- Your first step is to contact the Sutter Health Pension Service Center online at digital.alight.com/sutterhealth or by calling **1-833-407-2687**.
- You should begin the process at least 90 days prior to your planned retirement date; notice later than 90 days could delay your benefit.
- By 30 days in advance of your retirement date, you are required to complete your pension benefit elections online (or submit paper forms, if preferred). You will be asked to verify personal details such as your name, date of birth and marital status. You may need to provide a copy of your birth certificate and your spouse's birth certificate, if applicable.

Sutter Health Pension Service Center

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digital.alight.com/sutterhealth

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