Sutter Health Retirement Plan Traditional Pension Design

A resource for participants in the Traditional Pension 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

What You Need to Know

Who is Eligible to Participate in the Traditional Pension Design?

Employees of Sutter Health and some of its entities are eligible to participate in the Traditional Pension 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.

Benefit Accrual

When you work at least 1,000 hours in a calendar year, you will be credited with a year of service and a year of *covered* service. Your accrued benefit is based on your years of *covered* service.

Because years of service may include service prior to the date your employer joined Sutter Health, years of *covered* service can be different from years of service if you became a participant under this design on a date other than your date of hire.

Common Terms

Traditional Pension plan – A defined benefit pension plan that provides a 100% employer-paid retirement benefit

Vesting – Refers to your ownership of your accrued benefit in this Plan

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

Lump sum – A payment of the total present value of your accrued benefit

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

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

Social Security Wage Base Average (SSWBA) – The average pay amount, based on your birth year, that may be considered to calculate the Social Security offset amount

[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.

Vesting

Vesting refers to your permanent right to your Plan benefits. Vesting is based on your years of service. Your Plan benefits will be 100% vested when you have completed five years of service.

All your prior service with all Sutter Health entities, regardless of whether the entity sponsors this Plan and regardless of whether your prior position was eligible for accruing benefits (e.g., in a union plan), is counted toward vesting unless you leave the Sutter Health system and incur a break in service.

You will also become 100% vested when you attain Normal Retirement Age (age 65) or if you become totally and permanently disabled as determined by the Social Security Administration while employed in the Sutter Health system, or if you die while employed in the Sutter Health system.

Eligibility to Receive a Benefit

You are eligible to receive your benefits:

- ➔ 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 you have terminated employment in the Sutter Health system, as long as you are age 50 or older and are fully vested in the Plan
- ➔ If you terminate because you have become totally and permanently disabled as determined by the Social Security Administration rules, regardless of your age

When Your Benefits Start

Your retirement benefit is generally effective the first day of the month following your last day worked, as long as you have given at least a 90-day advance notice of your retirement and completed your pension benefit elections.

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 exise tax to the IRS. Please contact the Sutter Health Pensions Service Center for additional information.

How Your Retirement Benefit is Calculated

The amount of your retirement benefit is based on:

- When you entered the Plan
- Your years of covered service
- Your compensation
- Your date of separation of employment
- Your age when you begin to receive benefits
- Whether you choose to have payments continue to someone else after your death

Sutter Health calculates the amount of your benefit according to a fixed mathematical formula. The formula begins by looking at your average monthly pay during the five (5) consecutive plan years in which you earned your highest pay while covered under this design. The formula then calculates a small Social Security offset, or reduction, based on the Social Security Wage Base Average for the year in which you were born.

Factors That Can Impact Your Benefit

Changes to the required mortality table, 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.

Lump Sum Value

The maximum lump sum benefit available under a traditional design is $75,000. If the lump sum value is more than $75,000, you will receive your benefit as a monthly annuity.

Interest Rates

The lump sum calculation of your retirement benefit may be significantly affected by the required interest rates, which change annually. In general, all other things being equal:

- **Lower** interest rates result in a **larger** lump sum present value
- **Higher** interest rates result in a **smaller** lump sum present value

Meet Josanne: Lump Sum Changes Based on Interest Rates

Josanne earned a monthly annuity benefit under the Traditional Pension Design of $550 per month beginning at age 65. The lump sum amounts are based on different interest rates are shown below. Note that the amount of the monthly annuity is not affected by the different rates because this benefit is defined as an annuity as determined by the plan's formula.

Interest Rate	4%	5%
Monthly Annuity	$550	$550
Lump Sum	$79,000	$66,000

Receiving Your Benefit Before Age 65

If you choose a **monthly payment**, the benefit **is reduced** for beginning early according to the factors listed below. 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.

Age Benefits Commence	Early Retirement Factor	Age Benefits Commence	Early Retirement Factor
65	100%	**57**	68%
64	96%	**56**	64%
63	92%	**55**	60%
62	88%	**54**	56%
61	84%	**53**	52%
60	80%	**52**	48%
59	76%	**51**	44%
58	72%	**50**	41%

Meet Roger: Retirement Age Factor

Roger’s normal retirement benefit (i.e, the benefits he can expect if he retires at the normal retirement age of 65) equals $1,500 per month under the Traditional Pension Design. Here’s what his benefit would look like if he were to retire early:

Age	Early Retirement Factor	Annuity
55	60% of normal retirement benefit	$900 per month
62	88% of normal retirement benefit	$1,320 per month
65	100% of normal retirement benefit	$1,500 per month

If you earned a benefit under a prior plan design[2], the amount of your monthly normal retirement benefit will be reduced for early retirement according to the factors listed in the table below.

Age Benefits Commence	Early Retirement Factor	Age Benefits Commence	Early Retirement Factor
65	100%	**57**	56.7%
64	93.3%	**56**	53.3%
63	86.7%	**55**	50%
62	80%	**54**	48%
61	73.3%	**53**	46%
60	66.7%	**52**	44%
59	63.3%	**51**	42%
58	60%	**50**	40%

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 additional accruals each year that you work at least 1,000 hours
- Your benefit will be updated each year to reflect the additional benefit accrual
- 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 additional accruals each year that you work at least 1,000 hours or an actuarial increase to reflect the period from age 65 to the date of the first payment, whichever provides the greater benefit

Meet Sharon: Accrued Benefit When Working Until Age 67

Sharon works two additional years with at least 1,000 hours of service each year. She earns $100,000 the first year and $105,000 in the second year. She has 10 years of service at age 65. Her benefit earned under the plan formula provides a larger benefit than the actuarial increase due to delayed commencement of her benefit.

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[2] Prior plan designs include the prior Alta Bates, Marin General and the original final pay design under the Plan. Participants in the Sutter Coast and Delta Memorial Plans prior to 1/1/1991, the Sutter Auburn Faith Plan prior to 1/1/1992, the Mills-Peninsula Health Services Retirement Plan prior to 12/31/2002, and the Eden Medical Center Retirement Income Plan may also have different early retirement factors.

Age	Accrued Benefit: Formula Only	Accrued Benefit: Actuarial Increase Calculation	Year-end Accrued Benefit
65			**$1,134.08**
66	$1,303.62	$1,270.40	**$1,303.62**
67	$1,487.67	$1,464.63	**$1,487.67**

Meet Jacob: Accrued Benefit When Working Until Age 67
Like Sharon, Jacob also works two additional years with at least 1,000 hours of service each year. He earns $90,000 each year and has 25 years of service at age 65. Under this scenario, the actuarial increase due to delayed commencement of Jacob's benefit provides a larger benefit than under the benefit formula.

Age	Accrued Benefit: Formula Only	Accrued Benefit: Actuarial Increase Calculation	Year-end Accrued Benefit
65			**$2,551.67**
66	$2,773.16	$2,858.38	**$2,858.38**
67	$2,981.17	$3,211.43	**$3,211.43**

Benefit Payment Options

When you retire, you can take your benefit as a monthly annuity or as a single lump sum based on the total present value of your accrued benefit, provided the value is not more than $75,000. Monthly annuities are calculated using a formula that includes your accrued benefit and any reductions for early retirement previously described.

If you provide notice to the Sutter Health Pension Service Center, you will receive a notice of your benefit payment options between 30-180 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[3]			
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	If the total lump sum of your benefit does not exceed $5,000, you will receive a single sum payment from the Plan. If the lump sum present value is between $5,000 and $75,000, you may select either a single lump sum payment or one of the monthly annuity options.
Single Life Annuity	Married or Unmarried	A monthly benefit paid for your lifetime only *This is the default form of payment if you are **not married** and do not select another benefit option*	Payments do not continue to a beneficiary after your death.
Five and Ten-Year Term Certain Annuities[4]	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.

[3] See 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. If you were an employee of Tracy, Delta, Seaside, Lakeside or Roseville you may have other options. Request additional information from the Sutter Health Pension Service Center.

[4] The 5 and 10 Year Term Certain Annuities are not available to Mills-Peninsula Health Services Retirement Plan participants prior to 12/31/2002.

<table>
<tr><th>Distribution Option</th><th>Marital Status</th><th>Payment Information</th><th>Key Details</th></tr>
<tr><td>Qualified Joint and 50% Survivor Annuity</td><td>Married only</td><td>A reduced monthly benefit for your lifetime and 50% of this reduced benefit to your surviving spouse

This is the default form of payment if you are married and do not select another benefit option</td><td rowspan="3">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.
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.</td></tr>
<tr><td>Qualified Joint and 75% Survivor Annuity</td><td>Married only</td><td>A reduced monthly benefit for your lifetime and 75% of this reduced benefit to your surviving spouse</td></tr>
<tr><td>Qualified Joint and 100% Survivor Annuity</td><td>Married only</td><td>A reduced monthly benefit for your lifetime and 100% of this reduced benefit to your surviving spouse</td></tr>
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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.

If You Have a Cash Balance Design Account in Addition to Your Traditional Pension

How Your Cash Balance Retirement Benefit is Calculated

If you have a cash balance account, you may elect to receive your account balance as a single lump sum payment or a monthly annuity option. 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:

- ➔ Account Balance ÷ 12 ÷ Factor based on age and interest rates in effect on date of commencement = 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

How Interest Rates Impact Your Cash Balance Benefit

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[5]

[5] 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.

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 Daniel, Cindy and Marcus: Age and Interest Rate Factors for Cash Balance Accounts

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 Cash Balance 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 Interest 3.50%	Monthly Annuity	Account balance Interest 4.50%	Monthly Annuity	Account balance Interest 5.50%	Monthly Annuity
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 Interest 3.50%	Monthly Annuity	Account balance Interest 4.50%	Monthly Annuity	Account balance Interest 5.50%	Monthly Annuity
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

What Happens If You Die Prior to Starting Your Benefit

Traditional Pension Design

- If you are married at the time of your death, your spouse will receive reduced monthly payments for their life, starting no sooner than the date you would have reached age 50. This is called a Qualified Preretirement Survivor Annuity. The benefit will be calculated as if you had retired on your date of death or age 50 if later, and had elected the 50% Qualified Joint and Survivor annuity option.
- If you are *not* married, no death benefit will be payable under the Traditional Pension Design.

Cash Balance Design

- 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.

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 either 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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