



FOUNDED BY BRIGHAM AND WOMEN'S HOSPITAL  
AND MASSACHUSETTS GENERAL HOSPITAL

July 1, 2019

Dear Participant:

Enclosed with this letter is a legally-required notice about changes to the Consolidated Cash Balance Retirement Program that were recently negotiated. These changes apply only to employees of Brigham and Women's Hospital who are members of the bargaining unit represented by the Massachusetts Nurses Association.

As you know, your Cash Balance Retirement Plan is 100% employer-funded and grows through the addition of annual pay credits and a guaranteed annual interest credit of at least 5%. When you retire, your account balance may be paid as a lump sum or through monthly annuity payments over your lifetime.

The Internal Revenue Service issued new regulations impacting how Cash Balance retirement plans calculate annuities. To comply, the interest rate used to convert your account balance will change from 7.5% to 5% and the mortality assumptions used to estimate life expectancy will be updated for *the portion of your benefit earned after August 14, 2019*.

To offset the impact of these changes, effective August 15, 2019, we have added a supplemental pay credit of 1.5% to 2.0%, depending on your age and years of service. The enclosed notice provides more detail about this change, should you wish to learn more.

**No action is required on your part, but we encourage you to visit the Partners Retirement Portal, accessible via single sign on from Ask myHR, to see the value of your benefit.** From the home page of the Partners Retirement Portal, click on the tile labeled "Will You Have Enough to Retire" where you can enter in different assumptions to see how the plan changes impact your benefit.

If you need help accessing the Partners Retirement Portal, or if you have questions regarding the attached notice, please call the Partners HealthCare Retirement Support Center at **1-833-885-5656** between 8:00 a.m. and 5:00 p.m. ET, Monday through Friday.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew W. Badger".

Matthew W. Badger  
Senior Vice President, Total Rewards & HR Customer Experience

## CONSOLIDATED CASH BALANCE PROGRAM OF PARTNERS HEALTHCARE AND MEMBER ORGANIZATIONS (THE PLAN)

**Notice to: Participants in the Plan who are: (i) current employees of Brigham and Women's Hospital; and (ii) in the bargaining unit represented by the Massachusetts Nurses Association**

Part A of this notice is being provided to you in accordance with Federal law. The purpose of Part A of this notice is to inform you of important changes being made to the Plan, effective August 15, 2019. Part B of this notice describes a technical change that took effect January 1, 2017,

### Part A

#### Background

If you are a participant in the Plan, you are entitled to an *account*. Generally, each year you participate in the Plan, your account will grow through the addition of:

*Annual Pay Credits:* If you work at least 1,000 hours in a calendar year, you are eligible to receive a pay credit to your account (please note that in the year that you cease to be an active member in the Plan, the 1,000-hour requirement does not apply; in other words, you will receive a pay credit in that year regardless of the number of hours you work). The pay credit currently ranges from 3.5% to 11% of your eligible Plan earnings (generally compensation shown on the Form W-2 plus certain deferrals such as those made to the 403(b) plan) for the year, and generally depends upon your age and service with Brigham and Women's Hospital. See Appendix A- Participating Employer Information of the Summary Plan Description for more details.

*Annual Interest Credits:* Your account grows with an interest credit each calendar year, whether or not you work 1,000 hours during the year. Currently, the interest credited to your account is based on the one-year Treasury rate determined for the month of September preceding each calendar year plus 1%, subject to a minimum rate of 5.0% and a maximum rate of 12.0%. In recent years, accounts have earned an annual 5.0% interest credit.

*Annuity Conversion Basis:* Currently, your account is converted to a monthly annuity payable for life based on actuarial factors which are based on a fixed interest rate (7.5%) and a life expectancy table first published in 1951.

#### What is changing?

Effective August 15, 2019, the Plan will change in the following ways:

- *Supplemental Annual Cash Balance Credits.* We are pleased to announce that your cash balance account will include a **new** supplemental pay credit, in addition to the annual pay credit. The new supplemental pay credit is only available to BWH MNA participants and will be in an amount equal to your eligible Plan earnings on or after August 15, 2019 multiplied by a percentage factor determined by the schedule set below:

Age plus Years of Service	Percentage of Earnings Effective August 15, 2019
Less than 55	1.50%
55 - 69	1.75%
70 or more	2.00%

For this purpose, earnings, age, and service are as defined above for Annual Pay Credits. In addition, you must work 1,000 hours in a calendar year to be eligible for this supplemental credit, except as noted above with respect to the year in which you cease active membership in the Plan.

- *Annuity Conversion Basis.* To comply with IRS regulations, the interest rate assumption used to convert the portion of your cash balance account that you earned after August 14, 2019 to a monthly annuity will change from 7.5% to 5%, to better represent current expectations for long-term interest rates. The life expectancy table used for such conversion will be updated to use the table published for 2019 by the Internal Revenue Service.

### **What is NOT changing?**

Many of the key features of your Plan benefit are NOT changing:

- Your cash balance account will continue to grow with annual pay credits (if eligible) and interest credits each calendar year, just as it has in recent years, as well as the new supplemental pay credits (if eligible).
- You will continue to be eligible for a lump sum payment of your full vested account balance – regardless of the amount – when you terminate employment from Partners HealthCare and all affiliated employers with at least three years of vesting service. The amount of the lump sum provided by the cash balance account will be higher by the inclusion of any supplemental pay credits and will not be impacted by the change in annuity conversion basis.
- The pre-2001 grandfathered benefit formula for eligible participants will not be impacted by either of these changes.

To guarantee that the new annuity conversion basis does not reduce the monthly annuity attributable to your current cash balance account, your monthly annuity earned after August 14, 2019 will be added to the monthly annuity you have earned as of August 14, 2019. The annuity you have earned as of August 14, 2019 is determined as follows:

- Your cash balance account as of August 14, 2019; plus
- Interest Credits on your August 14, 2019 account balance from August 15, 2019 to your payment date; and divided by
- The annuity conversion factor at payment date using the annuity conversion basis in effect as of August 14, 2019.

The monthly annuity earned after August 14, 2019 is determined as follows:

- Your Annual Pay Credits and Supplemental Annual Cash Balance Credits earned after August 14, 2019; plus
- Interest Credits on your post-August 14, 2019 Annual Pay Credits and Supplemental Annual Cash Balance Credits earned through your payment date; and divided by
- The annuity conversion factor at payment date using the annuity conversion basis as of the payment date.

## Sample Illustrations

To help you understand how these Plan changes could affect you, the table below shows how your cash balance monthly annuity payable at retirement may be impacted by the changes summarized above. You will note in column 6 that in all cases, your projected age 65 cash balance lump sum benefit increases under this amendment. However, the table shows that your monthly annuity will decrease if you continue to work until age 65 and you choose to receive your account balance in the form of a monthly annuity.

1 Sample Age Today	2 Sample Years of Service Today	3 Sample 1/1/2019 Account Balance	4 Sample 8/15/2019 Salary	5 Projected Age 65 Annual Annuity		6 Projected Age 65 Lump Sum	
				Current	Amended	Current	Amended
64	30	\$454,000	\$157,000	\$56,250	\$56,120	\$633,260	\$633,260*
	15	\$203,000	\$153,000	\$26,188	\$26,062	\$229,980	\$231,128
60	25	\$293,000	\$183,000	\$60,723	\$60,723*	\$824,180	\$824,180*
	10	\$122,000	\$145,000	\$27,576	\$26,144	\$242,169	\$256,932
50	20	\$187,000	\$155,000	\$93,484	\$85,335	\$975,682	\$975,682*
	10	\$90,000	\$150,000	\$65,441	\$58,293	\$574,688	\$646,698
40	10	\$53,000	\$117,000	\$100,455	\$87,602	\$882,174	\$1,020,129
	5	\$18,000	\$90,000	\$64,514	\$55,580	\$566,544	\$669,483
30	10	\$25,000	\$91,000	\$137,304	\$118,273	\$1,205,770	\$1,424,471
	5	\$10,000	\$87,000	\$115,853	\$99,323	\$1,017,396	\$1,221,936

\*No change because grandfathered final average pay benefit is larger than cash balance benefit

Note: The illustrations shown above have been developed based on the following assumptions:

- Annual compensation increases are 3.0%
- Interest credits are provided based on the 5.0% minimum for the current program and the 5.0% minimum for the amended program
- Participants work at least 1,000 hours per calendar year and therefore receive pay credits annually
- Lump sum benefit for participants eligible for grandfathered final average pay benefit based on greater of cash balance account and estimated lump sum value of grandfathered final average pay benefit using interest rates in effect for 2018 plan year and 2019 IRS mortality

## **Part B**

The methodology used to determine the interest credit formula has also been modified slightly in accordance with IRS regulations. The floor of 5% and the ceiling of 12% have not been changed. The change has to do with the calculation of the preliminary crediting rate that is subject to those limitations. Previously, the rate was set based on an interest rate as of the last day of September of the year for which interest was being credited. IRS regulations require that the rate be the average rate for a “lookback” month prior to the beginning of the year. The plan has been amended to use the average rate for the September prior to the beginning of the year.

### **Information about this Notice**

In accordance with Section 204(h) of the Employee Retirement Income Security Act (ERISA) and Section 4980F Notice of the Internal Revenue Code, notice of the Plan changes described in Part A is being provided to all BWH MNA Plan participants who are actively participating in the Plan and employed at Brigham and Women’s Hospital as of August 15, 2019. This notice also serves as a Summary of Material Modifications (SMM) to the Plan.

Although every effort has been made to accurately describe the Plan changes, the information in this notice will always be superseded by the terms of the actual Plan documents. Receipt of this notice is not a guarantee of continued employment. If you have any questions regarding this notice, please contact the Partners HealthCare Retirement Support Center at 1-833-885-5656.