

## CHS Retirement Plans FAQs

**1. How much does CHS match after 1/1/2018?**

CHS matches 75% on your first 4% and then 50% on the next 2%. Therefore, if you contribute 6% you receive the maximum amount of match at 4%.

**2. What is the Basic contribution made to my 401(k) plan?**

Each year CHS will contribute 2% of your eligible pay to your 401(k) account, regardless of whether you save through the plan.

**3. What is the Performance-based contribution made to my 401(k) plan?**

This contribution is based on System performance, similar to the CHS Performance Plus Incentive program and is awarded regardless whether you save through the plan. This contribution percentage is based on your years of service.

If you have:	Based on system Performance your account receives:
Less than 10 years	1% of eligible pay contribution
10 - 19 years	1.5% of eligible pay contribution
20 or more years	2% of eligible pay contribution

**4. What is the eligibility to receive both the Basic and Performance-Based contribution?**

Teammate must complete 1,000 hours of service, have 12 months of service, and be employed on the last day of the year to receive the contribution.

**5. Are there any vesting rules for any CHS employer contributions?**

Yes, the Basic contribution has a three year vesting schedule. However, the match and Performance-based contributions are 100% vested immediately.

**6. How much can I contribute to the 401(k) plan?**

Teammates may contribute up to 75% of your eligible compensation (\$18,000 IRS limit in 2017). Teammates age 50 and older may contribute up to \$6,000 in catch-up contributions in addition to the \$18,000 IRS limit.



**7. What is the ADVANTAGE Plan?**

The ADVANTAGE Plan, works similarly to the 401(k) plan in that savings and earnings grow tax-free until dollars are withdrawn at retirement. The ADVANTAGE plan should be utilized as an additional pretax retirement plan to supplement the 401(k) plan.

**8. How can I change my contribution elections and/or investment elections?**

You can change your contribution elections and/or investment election online 24/7 at [www.carolinashealthcare.org/retirement](http://www.carolinashealthcare.org/retirement). You may also call Empower Retirement at 866-CHS-0970 (866-247-0970).

**9. What changes are being made to the CHS Pension Plan?**

Effective December 31, 2017, teammates' CHS Pension Plan benefits will be frozen and preserved.

**10. What does "frozen" mean?**

- A. Cash balance account – For the cash balance account, it means teammates will not receive pay credits after December 31, 2017. Interest credits under the cash balance account formula will NOT freeze. Cash balance accounts will continue to receive quarterly interest credits. The interest rate assumption is the 10-year Treasury constant maturity rate as published by the Federal Reserve Board, plus two percent (2%).
- B. Traditional account – For the traditional account, it means compensation earned and service completed after December 31, 2017 will not be used when calculating the benefit payable. The benefit that will be frozen as of December 31, 2017 is the monthly benefit amount payable at age 65.

**11. How does the CHS Pension Plan freeze impact converting the traditional account to a lump sum?**

Converting a monthly benefit to its lump sum equivalent is a complex calculation involving interest and mortality assumptions. In simple terms, as you get closer to retirement age, the lump sum equivalent amount changes based on these factors.

**12. Can you give me an example of how the Plan freeze will affect my monthly benefit under the traditional account formula once the plan freezes on December 31, 2017?**

Assume Kim is age 52 and on December 31, 2017, her monthly accrued benefit under the traditional formula is \$600. Kim will receive \$600 per month if she begins receiving



her benefit at age 65. This monthly benefit amount of \$600 is the “frozen” benefit and will not increase after December 31, 2017.

**13. In the example in the question above, can Kim receive her benefit earlier than age 65?**

Yes. In this example, Kim can begin receiving a monthly payment from the plan when she leaves CHS provided she is at least age 55.

However, if she begins to receive her benefit prior to age 65, the monthly benefit amount will be reduced. The monthly benefit amount is reduced because she will be receiving more payments over her lifetime.

If Kim begins receiving her monthly benefit at age 55, her monthly payment would be \$300. If she begins receiving her benefit at age 60, her monthly benefit would be \$400. Her monthly benefit would be \$600 if she begins her benefit at age 65.

In other words, while your accrued monthly benefit at age 65 is frozen, the actual monthly benefit amount you receive depends on your age when you begin receiving payments from the plan. The older you are, the greater the monthly payment.

**14. How do interest rate changes impact my CHS Pension Plan benefit?**

The interest rates used to calculate the lump sum value of the traditional account are updated each year to reflect changes in national interest rates. However, the frozen accrued monthly benefit earned as of December 31, 2017 does not change if interest rates change.

For cash balance accounts, the interest credit rate assumption is the 10-year Treasury constant maturity rate as published by the Federal Reserve Board, plus two percent (2%). Every year, the interest credit rate assumption likely changes for cash balance accounts because of the change in the 10-year Treasury rate.

**15. How is my benefit determined at retirement?**

Under the CHS Pension Plan, you may have a benefit under a traditional account and/or the cash balance account. Together, these benefits make up your total pension benefit.

**16. What is the difference between traditional and cash balance accounts in the CHS Pension Plan?**

Under the traditional account, a teammate’s annuity benefit payable as of the normal retirement date is based on a defined formula that includes average pay multiplied by years of service with CHS or affiliates.



Under the cash balance account, teammates earn pay credits which are based on points. Points are determined by adding age and vesting service. A certain percentage of each year's pay is added to teammate account balances. In addition, account balances receive interest credits on a quarterly basis. Pay credits will stop after December 31, 2017; however, interest credits will continue.

**17. How do I determine if I am eligible for the traditional and/or cash balance account formula under the CHS Pension Plan?**

Grandfathered teammates are not eligible for the cash balance account and will continue to earn benefits under the traditional account through 12/31/2017.

The traditional account under the CHS Pension Plan was frozen effective 12/31/2008 for non-grandfathered teammates. Beginning 01/01/2009, these teammates began earning benefits under the cash balance account formula. If you were not a participant under the CHS Pension Plan prior to 12/31/2008, you will only have a cash balance account.

There are special provisions for Lincoln, Northeast, and Union teammates. Please access your account information for further explanation.

You can access your account information on the Empower Retirement website ([www.carolinashealthcare.org/retirement](http://www.carolinashealthcare.org/retirement)) to view your benefit under the traditional and/or cash balance account formula.

**18. Who is a Grandfathered teammate?**

Teammates hired prior to June 30, 2007 can be classified as grandfathered or non-grandfathered. To be considered grandfathered, on January 1, 2009 one of the following thresholds had to be met:

- age 50 (or older) with at least 10 years of vesting service in the CHS Pension Plan; **OR**
- age 45 (or older) with at least 20 years of vesting service in the CHS Pension Plan

**19. When my pension benefit is frozen on December 31, 2017, can I begin receiving my pension benefit while I'm actively employed with CHS?**

No. While you are actively employed with CHS, you cannot receive your benefit from the CHS Pension Plan.



## 20. When I leave employment with CHS what are my distribution options?

When you leave employment with CHS, the following pension distribution options may be available to you:

- A. Lump-sum Payment
  - 1. Single payment directly to a teammate
  - 2. Single payment that a teammate can rollover into an Individual Retirement Account (IRA) or another Qualified Plan
  - 3. Combination of 1) and 2)
  
- B. Monthly annuity payments
  - 1. Single Life Annuity — Monthly pension benefit payable for a teammate's lifetime. This benefit is called the "Normal Form of Benefit" from which all other annuity and lump sum options are calculated.
  - 2. 10 or 15 Year Certain and Life Annuity — The Normal Form of Benefit is converted based on CHS Pension Plan factors to calculate a monthly pension benefit payable for a teammate's lifetime with a guaranteed 10 or 15 years based on teammate's election.

In the event the teammate dies prior to receiving the guaranteed payments, the designated beneficiary will continue to receive the monthly benefit until the remainder of such payments have been made.

- 3. 50% or 100% Joint and Survivor Annuity — The Normal Form of Benefit is converted based on CHS Pension Plan factors to calculate a monthly pension benefit payable for a teammate's lifetime, with 50% or 100% of this monthly payment, as elected by the teammate, payable for a spouse/beneficiary's lifetime upon the teammate's death.

Contact Empower Retirement for more information regarding your specific distribution options.

## 21. Can someone other than my spouse receive the joint and survivor pension benefit?

Yes. However, this should be carefully evaluated and discussed with a financial advisor as your benefits may be reduced based on the age of the named individual.

## 22. Do I need to retire before January 1, 2018 in order to ensure I receive my pension benefit?

No. Your pension benefit earned as of December 31, 2017 will be preserved. When you leave CHS, you may elect to receive your benefit. Once you are vested in your benefit, you will not lose the right to the benefit.



**23. What happens if I am not 100% vested in the CHS Pension Plan before December 31, 2017?**

All teammates hired on or before December 31, 2013 who continue to meet eligibility requirements will be 100% vested on December 31, 2017. Once vested, you may elect to receive your benefit either as a lump sum or as a monthly benefit when you leave CHS.

**24. Do I have the ability to determine where the money in my pension account is invested?**

No. The CHS Pension Plan, also known as a "defined benefit" plan, is a type of employee benefit plan in which an employer/sponsor such as CHS pays a retirement benefit that is predetermined by the plan's formula. The formula takes into account a variety of factors such as the teammate's earnings history, years of service, and age. An individual's benefit under the CHS Pension Plan is not based on individual investment returns tied to the teammate's account. Unlike 401(k) and other "defined contribution" plans, which, in contrast, do provide teammates with the ability to determine where funds are invested.

**25. Can I view my pension benefit on the Empower Retirement website?**

Yes, you can view your benefit online at [www.carolinashealthcare.org/retirement](http://www.carolinashealthcare.org/retirement). You may also call Empower Retirement at 866-CHS-0970 (866-247-0970).

