North Kansas City Hospital

Retirement Plan
AT A GLANCE

Eligibility

Subject to limited exceptions, any employee of North Kansas City Hospital (the "Hospital") who has completed one Year of Service and meets the age criteria (age 21) will be eligible to participate in the North Kansas City Hospital Retirement Plan ("the Plan"). Although certain employees of the Hospital's Meritas Health Corporation affiliate are also eligible to participate, those employees are subject to somewhat different Plan provisions.

Enrollment

Enrollment is automatic. You join the Plan on January 1 after attaining age 21 and completing one Year of Service. One Year of Service is defined as the completion of at least 1000 hours of service for the Hospital during any calendar year.

Cost

The Hospital pays the entire cost of the Plan.

Vesting

You are vested (entitled to a pension benefit) if you have three Years of Service or you reach age 62 while still a Hospital employee. A Year of Service is any calendar year in which you receive pay and are credited with at least 1000 hours of service.

Normal Retirement Date

Your normal retirement date is the first of the month coinciding with or next following your 65th birthday.

Early Retirement Date

The earliest you may receive any benefit from the Plan is the date you reach age 55 and have at least 10 Years of Continuous Service, or age 62 regardless of your Years of Continuous Service. If you receive your pension before your Normal Retirement Date, your monthly benefit will be reduced because payments will be made for a longer period of time. The percentage reduction is based on the number of years you retire early. "Continuous Service" refers to the number of years of service from your first date of employment to your separation date. If you are rehired within 36 months after separation, your previous service will be credited for the purpose of Continuous Service once you have completed another 12 months after your rehire.

Grandfathered Participants

You are a "Grandfathered Participant" if you were hired prior to January 1, 2005, and as of May 1, 2019, were an active participant and either: (1) were at least age 50 with 10 or more Years of Service, or (2) had 15 or more Years of Service (regardless of age) Grandfathered Participants continue to earn benefits under the Traditional Defined Benefit Formula.

Transition Participants

Transition Participants are those who were hired prior to May 1, 2019, and were still active participants on May 1, 2019, but who did *not* meet the eligibility requirements for a Grandfathered Participant. Transition Participants may be eligible to receive additional benefits under the Cash Balance Formula. These additional benefits will be provided through "Transition Credits" (a percentage of your eligible compensation) made to your Cash Balance Account at the end of each year for a period of up to 10 years. Transition Credits are designed to provide retirement accruals that are similar to the Traditional Defined Benefit Formula for the 10 year period. If you are credited with at least 1000 hours of service during calendar-year 2019, your first Transition Credit will be made on December 31, 2019. The percentage of your eligible compensation will be based on your age and years of service as of May 1, 2019, with larger Transition Credits made on behalf of older and longer-service participants.

Rehire

If you are a Grandfathered or Transition Participant and leave employment for more than 90 days, you will no longer be a Grandfathered or Transition Participant upon rehire. You will become a Cash Balance Participant and will earn only the Core Contributions and Interest Credits under the Cash Balance Formula. However, any benefits accrued under the Grandfathered or Transition plan design will remain intact.

Death Benefit

If you die before you retire, a death benefit will be paid to your designated beneficiary. In the absence of a named beneficiary, payment will be made on a hierarchy basis, i.e. spouse first, children second, etc. A spousal beneficiary may elect from all of the forms of payment available to retirees. All other beneficiaries will receive their death benefit in a single lump-sum payment.

Annual Benefit Statement

Every year while employed, you will be provided an annual Pension benefit statement that shows your accrued benefit.

Retirement Procedure

You can begin the pension distribution process 2-3 months prior to the last day worked by calling the Retirement Transition Service counselors at Transamerica Retirement Solutions, LLC ("Transamerica") at (888) 976-8196. You may also initiate the retirement process online at www.trsretire.com.

NKCH Human Resources

You are required to give your department director a minimum of two weeks' notice of your intent to retire. In addition, Human Resources must have 6-8 weeks' notice in order to prepare your final payroll and benefit documents.

Pension Benefit Calculation

As you work for the Hospital, you earn your pension benefit. The Plan provides two different benefit formulas. But under either formula, your benefit will grow with your length of service and pay.

Traditional Defined Benefit Formula

For any benefit earned on or before April 30, 2019 (and even after that date, for the "Grandfathered Participants" described below), the Traditional Defined Benefit Formula that will be used to calculate your benefit is as follows (and will differ depending on whether you were hired before or after January 1, 2005):

Employee hired prior to 1/1/2005

1.35% of your Average Monthly Compensation up to one-twelfth of your Covered Compensation[1]; Average Monthly Compensation is determined over the **three** consecutive calendar years that produce the highest average	Plus	**2.00%** of your Average Monthly Compensation in excess of one-twelfth of your Covered Compensation	Multiplied By	Your years of credited benefit service	Equals	Your benefit offered as a monthly annuity for life, commencing at your Normal Retirement Date

Employees hired on or after 1/1/2005

.90% of your Average Monthly Compensation up to one-twelfth of your Covered Compensation[1]; Average Monthly Compensation is determined over the **five** consecutive calendar years that produce the highest average	Plus	**1.40%** of your Average Monthly Compensation in excess of one-twelfth of your Covered Compensation	Multiplied By	Your years of credited benefit service	Equals	Your benefit offered as a monthly annuity for life, commencing at your Normal Retirement Date

[1]Your Covered Compensation is the average of the Social Security taxable wage base for the 35 years preceding your full Social Security Normal Retirement Age. For this purpose, the Social Security taxable wage base in effect at your termination of employment is assumed to remain unchanged in future years.

If you retire after age 65, you will receive the greater of (1) your benefit calculated using the above formula and all your pay and service or (2) the benefit you had earned at age 65 increased by a percentage based on the length of time you worked after that age.

Cash Balance Formula

Effective May 1, 2019, benefits accrue under the Cash Balance Formula (see exception for Grandfathered Participants below). The Cash Balance Formula provides you with a Cash Balance account which grows over the course of your career. The Cash Balance account will be a combination of each year's Core Contribution and Interest Credit. The Hospital credits your account with a Core Contribution for each calendar year you work at least 1000 hours. A Core Contribution is a percentage of your eligible compensation (which generally includes regular pay, overtime, bonuses, etc.). The percentage is based on your completed Years of Service as of December 31 of each year (or termination of employment, if earlier), based on the following chart:

Less than 5 years	3%
5 but less than 10 years	4%
10 but less than 15 years	5%
15 but less than 20 years	6%
20 but less than 25 years	7%
25 or more years	8%

In addition, your account will earn a guaranteed Interest Credit of 4 percent each year. The Interest Credit is based on your account balance as of the first day of the year for which the Interest Credit is received. Interest Credits will be received through the last day of the month prior to the date you commence benefits.

Here are two examples of how a Cash Balance account accumulates over time:

Example 1

Year	**Age**	**Years of Service** (end of year)	**Cash Balance at beginning of year**	**Interest Credit Percentage**	**Interest Credit**	**Core Contribution Percentage**	**Compensation**	**Core Contribution**	**Cash Balance at end of year**
2019	28	3	$0	4.00%	$0	3%	$40,000	$1,200	$1,200
2020	29	4	$1,200	4.00%	$48	3%	$42,000	$1,260	$2,508
2021	30	5	$2,508	4.00%	$100	4%	$45,000	$1,800	$4,408

Example 2

Year	**Age**	**Years of Service** (end of year)	**Cash Balance at beginning of year**	**Interest Credit Percentage**	**Interest Credit**	**Core Contribution Percentage**	**Compensation**	**Core Contribution**	**Cash Balance at end of year**
2019	50	14	$0	4.00%	$0	5%	$65,000	$3,250	$3,250
2020	51	15	$3,250	4.00%	$130	6%	$70,000	$4,200	$7,580
2021	52	16	$7,580	4.00%	$303	6%	$72,000	$4,320	$12,203

Frequently Asked Questions

This is intended as an outline of Plan provisions and does not alter the intent or meanings of the provisions contained in the Plan document.

The following information pertains to the North Kansas City Hospital Retirement Plan as presently stated. The Hospital reserves the right to restate the Plan and make amendments as necessary.

THERE ARE MANY DIFFERENT TYPES OF RETIREMENT PLANS. WHAT KIND OF RETIREMENT PLAN DOES NORTH KANSAS CITY HOSPITAL HAVE?

North Kansas City Hospital has a **defined benefit plan**. This type of plan contains two different formulas that "define" the benefit you can expect to receive at retirement. One is a traditional formula, while the other is a cash balance formula. Under both formulas, North Kansas City Hospital funds the entire benefit.

WHAT DETERMINES THE AMOUNT OF RETIREMENT I WILL RECEIVE?

Transamerica, the plan actuary, calculates the amount you will receive by using the formula that applies to you. Both formulas take into consideration your age, Years of Service and pay.

WHAT IS A YEAR OF SERVICE?

A Year of Service is any calendar year (January 1 through December 31) in which you receive pay for at least 1000 hours.

DO I HAVE MY OWN RETIREMENT ACCOUNT?

Not under the traditional formula. Although you do have a Cash Balance Account under the cash balance formula that is not the same type of account that you might have under the Hospital's Section 403(b) Plan. Instead, the Hospital makes regular contributions to a trust. The amount of your retirement benefit is determined when you retire and is then paid from the trust. The amounts held in the trust cannot be used for any other purposes.

CAN MY RETIREMENT BENEFIT BE ATTACHED BY CREDITORS?

No. Because the fund actually belongs to the trustee of the trust, no lien can be placed on your retirement benefit. Also, your retirement benefit is not considered one of your assets and therefore cannot be used as collateral when applying for a loan.

DO I HAVE TO ENROLL?

No. You are automatically enrolled in the Plan on the first day of the year coinciding with or next following your completion of one Year of Service (i.e., a calendar year in which you receive pay for at least 1000 hours), provided you are age 21 or older.

WHAT DOES "VESTED" MEAN?

"Vested" means that you will be entitled to a pension benefit. Under the Plan, you will be vested after completing Three Years of Service (or five Years of Service, if you left the Hospital's employ before May 1, 2019) or if you remain a Hospital employee on your 62nd birthday. Remember, a Year of Service is 1000 hours in a calendar year.

WHAT WILL HAPPEN TO MY PENSION BENEFIT IF I AM VESTED BUT LEAVE THE HOSPITAL PRIOR TO BECOMING ELIGIBLE FOR RETIREMENT?

Your benefit will be held in the Plan's trust fund until you become eligible to receive it. If you have 10 or more Years of Continuous Service with the Hospital, you are eligible to receive your benefit at age 55. Otherwise, the earliest you may commence your benefit is age 62. Under the traditional formula, your benefit will be reduced if it begins before age 65. Under the cash balance formula, your benefit will be based on your Cash Balance Account, regardless of when the benefit commences.

WILL MY PENSION BENEFIT EARN INTEREST?

Under the traditional formula, no. However, the delay in your benefit's commencement will likely produce a larger lump- sum payment (assuming no change in the applicable interest rates). Moreover, the trust fund itself will earn interest, which will help to keep the fund solvent. Under the cash balance formula, your account will continue to receive Interest Credits until you begin to receive your benefit.

EVEN THOUGH I NO LONGER WORK FOR THE HOSPITAL, WILL I CONTINUE TO RECEIVE BENEFIT STATEMENTS?

You will receive one final statement. Keep this final statement with your important documents.

IF THE HOSPITAL CLOSES, WILL I LOSE MY PENSION BENEFIT?

Federal law requires that all qualified pension plan assets be held in trust. The fund is separate from other Hospital assets and can be used ONLY for the benefit of Plan participants and their beneficiaries.

WHEN WILL I BE ELIGIBLE TO RETIRE?

Unreduced benefits are payable beginning on your Normal Retirement Date (age 65). However, you may retire as early as age 55 with 10 Years of Continuous Service. If you do not have 10 Years of Continuous Service, the earliest you may retire is at age 62.

If you take an early retirement, your traditional formula benefit will be paid over a longer period of time. For that reason, any monthly benefit will be reduced from the amount you could receive at age 65. The following table shows the factors used to calculate an early retirement benefit:

Age at Retirement	Percentage of Your Traditional Defined Benefit You Will Receive
65	100%
64	93.33%
63	86.67%
62	80.00%
61	73.33%
60	66.67%
59	63.33%
58	60.00%
57	56.67%
56	53.33%
55	50.00%

Although your cash balance formula benefit will be based on your entire Cash Balance account balance, even if you retire early, your account will provide for a lower monthly income if your benefit commences before your Normal Retirement Date.

WILL I HAVE ANY CHOICE AS TO HOW I MAY RECEIVE MY BENEFIT?

Yes. Here are the available forms of payment:

Single Life Annuity – If you elect this form of annuity, you will receive monthly payments for your life only.

This will be a higher amount than any Joint and Survivor Option, but payments will cease upon your death. There will be NO CONTINUING BENEFITS to any beneficiary including your spouse.

Joint and 50% to Survivor Annuity – If you elect this form of annuity, you will receive an actuarially reduced monthly amount for life and, after your death, your survivor will receive a monthly income for life equal to 50% of the amount that you had been receiving.

Joint and 66 2/3% to Survivor Annuity – If you elect this form of annuity, you will receive an actuarially reduced monthly amount for life and, after your death, your survivor will receive a monthly income for life equal to 66 2/3% of the amount that you had been receiving.

Joint and 100% to Survivor Annuity – If you elect this form of annuity, you will receive an actuarially reduced monthly amount for life and, after your death, your survivor will receive a monthly income for life equal to 100% of the amount that you had been receiving.

Life and 5 Year Certain Annuity – If you elect this form of annuity, you will receive payments for your life. If you die within five years, the remaining payments will be paid to the beneficiary you have designated and that beneficiary will receive the same monthly benefit for the remainder of the 5-year period.

Life and 10 Year Certain Annuity – If you elect this form of annuity, you will receive payments for your life. If you die within 10 years, the remaining payments will be paid to the beneficiary you have designated and that beneficiary will receive the same monthly benefit for the remainder of the 10-year period.

Life and 15 Year Certain Annuity – If you elect this form of annuity, you will receive payments for your life. If you die within 15 years, the remaining payments will be paid to the beneficiary you have designated and that beneficiary will receive the same monthly benefit for the remainder of the 15-year period.

Lump Sum – If you elect this optional form, you will receive a single payment that is the total actuarial equivalent present value of your pension benefit.

CAN I CHANGE MY BENEFIT ELECTION AFTER I HAVE RETIRED?

Once benefits begin, your decision may not be revoked under any circumstances. If your annuity beneficiary should predecease you, no other beneficiary may be named.

CAN I TAKE MY PENSION IN A LUMP SUM?

Yes. However, unless you roll it over into a qualified retirement account, your distribution will be subject to 20% income tax withholding. You will be provided tax information at the time you receive your benefit application. It is highly recommended that you consult with a financial planner or tax expert when making your benefit decision.

IS THERE AN ADVANTAGE TO RETIREMENT AT THE END OF THE YEAR VERSUS MID YEAR?

Because all personal and financial situations are different, it is highly recommended that you consult with a financial planner to determine what is best for you.

I'M MANY YEARS AWAY FROM RETIRING BUT I WANT TO MAKE SURE I WILL BE ABLE TO AFFORD IT WHEN THE TIME COMES. HOW SHOULD I PLAN FOR THIS?

It is best to consult with a financial planner early in your career.

WHAT IF I WERE TO DIE BEFORE I AM ABLE TO RETIRE?

Your pension benefit will be calculated as of the date of your death. It will be payable to the beneficiary you have designated. In the absence of a designated beneficiary, payment will be made on a hierarchy basis, i.e. spouse first, children second. Certain tax implications may apply.

WHAT HAPPENS TO MY BENEFIT IF I GET A DIVORCE?

Your pension benefit is considered part of your marital assets and must be reported as such. Your ex-spouse may be awarded a portion of your accrued pension benefit under a Qualified Domestic Relations Order (QDRO). During divorce proceedings, you may be asked to supply information regarding your pension. Contact Transamerica for the present value of your retirement benefit to produce for the court.

I KNOW THAT I WILL BE PAID MY UNUSED SHORT TERM DISABILITY (STD) HOURS IN ADDITION TO MY PTO HOURS WHEN I RETIRE. WHAT IF I LEAVE THE HOSPITAL AND THEN TAKE MY RETIREMENT BENEFIT AT A LATER DATE. WILL I STILL BE ELIGIBLE TO RECEIVE MY UNUSED STD?

If you leave the Hospital without actually retiring, you are considered an employee who has resigned, rather than retired, and you will not receive payment for your unused STD hours.

Call NKCH Human Resources at 816.691.2062 if you have questions.

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Effect of Interest Rates
On Your Retirement Benefit

The NKCH Retirement Plan is designed to provide you with a monthly benefit at retirement, payable for your lifetime. Each year, you earn credit towards your ultimate benefit and after three Years of Service, you are "vested" in your benefit. At retirement, you may elect to receive your benefit in one of a number of optional forms of payment:

- A monthly annuity
  - for life;
  - for life and with a benefit continuing to a survivor for their life in the event of your death;
  - for life with an amount guaranteed to a designated beneficiary should you die within a specific period of time, or
- A single lump sum

Each of these "optional forms" of payment is determined based upon what is called "actuarial equivalence." This means that each optional form of payment is worth approximately the same even though each form varies in amount and duration.

Depending on your age and length of service with the Hospital as of May 1, 2019, your benefit may be comprised of one or both of the following benefit components:

- Traditional Defined Benefit
- Cash Balance

Traditional Defined Benefit Component

When a lump-sum payment is selected, the lump-sum "value" of your Traditional Defined Benefit is based on prevailing interest rates and your life expectancy. When interest rates are low, your lump sum is larger. This is because, with a lower investment return, it takes a "larger pot" of money now to generate the same amount of annuity income. Conversely, when interest rates are high, your lump sum is smaller. So while your Traditional Defined Benefit remains the same or grows with each passing year, the lump-sum value will vary depending on prevailing interest rates.

The interest rates used to determine the lump-sum value of your Traditional Defined Benefit are published by the IRS and change once a year each January 1. The rates used are based on average high-quality corporate bond yields for the month of August of the prior year. These rates are typically published by the IRS during the second half of September of the prior year.

For lump-sum payments made in 2019, these rates were 3.10%, 4.15% and 4.46%. For lump-sum payments made in 2020, these rates are 2.09%, 3.00% and 3.61%.

Cash Balance Component

The lump-sum value of your Cash Balance benefit is equal to your Cash Balance Account. Your Cash Balance Account will continue to be credited with interest at 4% per annum until you decide to commence benefits. The lump-sum value of your Cash Balance Account is not affected by the annual change in IRS interest rates noted above.

Once you commence benefits, if you decide to receive your Cash Balance Account in the form of an annuity for life, the amount of this lifetime income is based on the prevailing IRS interest rates noted earlier and your life expectancy. When interest rates are low, your lifetime income is smaller. This is because, with a lower investment return, your Cash Balance Account will grow at a slower rate and produce a lower lifetime income over your life expectancy period. Conversely, when interest rates are high, your lifetime income will be larger. So, while your Cash Balance Account, or lump sum, will grow at 4% per annum until you decide to commence benefits, the lifetime income produced by your Account will vary depending on prevailing interest rates.

Note that you cannot elect different forms of payment for the Traditional Defined Benefit and Cash Balance components of your benefit.