

**SUN HEALTH CORPORATION  
PENSION PLAN**

**SUMMARY PLAN DESCRIPTION**

**Effective July 31, 2011**

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## HIGHLIGHTS

<u>Provisions</u>	<u>Highlights</u>	<u>Conditions</u>	<u>Page</u>
<b>Eligibility</b>	<p>Generally, employees hired or rehired by Sun Health Corporation or a participating affiliate of Sun Health Corporation (collectively, “Sun Health”) <i>prior to March 1, 2004</i>, are eligible, other than leased employees, “pool,” “in-house registry,” “per diem,” and “flexible staff” employees.</p> <p>Employees rehired by Sun Health <i>on or after March 1, 2004</i> following a layoff are eligible to participate if they are rehired within 1 year after being laid off and are rehired <i>on or before May 12, 2007</i>.</p> <p>Employees hired or rehired by Sun Health <i>after May 12, 2007</i> are not eligible to participate.</p>	Employed by a Participating Employer, at least age 21, and at least one year of Eligibility Service <i>prior to March 1, 2004</i> .	2
<b>Normal Retirement Benefits</b>	The amount of your Accrued Benefit depends upon your frozen Accrued Benefit as of February 29, 2004, your Credited Service, your Average Compensation from January 1, 2004 to May 12, 2007, and your Covered Compensation.	Age 65 or older with at least five years of Plan participation.	8
<b>Early Retirement Benefits</b>	You can choose reduced benefits starting anytime between ages 55 and 65.	Age 55 with 15 or more years of Vesting Service.	10
<b>Deferred Vested Benefits</b>	<p>Accrued Benefit payable at age 65.</p> <p>Reduced payments can start anytime between ages 55 and 65.</p>	<p>5 years of Vesting Service.</p> <p>15 or more years of Vesting Service.</p>	11
<b>Death Benefits</b>	The Plan provides a benefit for your spouse’s lifetime if you die prior to retirement.	At least one year of marriage and 5 years of Vesting Service.	11
<b>Cost</b>	All costs are paid by Banner Health.		1

## **Part 1. Introduction**

Retirement security is an important long-range goal for you and your family. The Sun Health Corporation Pension Plan (the “Pension Plan”) was originally established in 1970 to help you reach that goal. Effective September 1, 2008, Banner Health (“Banner”) assumed sponsorship of the Pension Plan and became the administrator of the Pension Plan (the “Plan Administrator”) in connection with Banner’s acquisition of various assets of Sun Health Corporation. Banner also pays the cost of the Pension Plan. The cost is based upon an annual actuarial study made by Banner’s actuary.

The Sun Health Savings/401(k) Plan was adopted in 1974, and was subsequently merged into the Banner Health Employees 401(k) Plan (the “401(k) Plan”). The combination of the Pension Plan and the 401(k) Plan makes up the retirement program for eligible employees at Banner. Your benefits under the retirement program are in addition to any Social Security benefits you may become eligible to receive.

This booklet is a summary, written informally, of the main features of the Pension Plan (the Pension Plan is referred to as the “Plan” in the remainder of this booklet.) It applies to you if you are a participant in the Plan. The 401(k) Plan is described in a separate booklet. Please read both booklets carefully and discuss their contents with your family. This will help you take full advantage of the benefits offered by the Plans.

The Plan has been revised several times since 1970. More changes will likely be made in the future to meet new laws or changing conditions. This booklet covers the provisions of the Plan which are in effect on July 31, 2011.

You must meet certain requirements to be eligible for one of the many benefits provided by the Plan. If you are eligible for more than one of the benefits provided by the Plan, you may choose only one benefit.

It is important to remember that:

- Some features of the Plan, particularly those that apply infrequently, are not included in this summary, and
- The official Plan document legally governs the operation of the Plan.

No person has the authority to make any verbal statements of any kind at any time which:

- Are legally binding on Banner; or
- Alter the actual Plan document and contracts maintained in conjunction with the Plan.

Please be sure to read Part 8, “Your Rights as a Participant.”

The Banner Pension Service Center (the “Pension Service Center”) can answer any questions you have about the Plan. Human Resources can also answer your questions about our other employee benefit programs. If you still have questions, ask your Human Resources Department to submit your questions to the Pension Service Center.

## **Part 2. Eligibility**

### ***Participation Frozen***

Participation in the Plan was closed or “frozen” to new participants in two steps. The first step closed the Plan to employees hired or rehired after February 29, 2004, subject to limited exceptions described in the “Participation Transition Rules” below. The second step closed the Plan effective May 12, 2007, to all new participants, including laid-off rehired employees and to transferred employees.

This means that employees hired or rehired after February 29, 2004, are not eligible to participate in the Plan, subject to the limited exceptions for laid-off rehires and transferred employees described in the “Participation Transition Rules” below.

### ***Age and Service Requirements Prior to Plan Freeze***

If you were an “Eligible Employee” as defined below, you became a participant on the first entry date following the later of:

- The date you completed your first year of service
- Your 21st birthday

You must have been an Eligible Employee to enter on your entry date. The entry dates were July 1 and January 1. A special rule applies if you were not an Eligible Employee on your entry date – in that case, you became a participant on the date you became an Eligible Employee.

### ***Eligible Employees***

An “Eligible Employee” is an employee hired by Sun Health prior to March 1, 2004, who works for a Participating Employer as an employee, and who is not working in one of the following ineligible employment groups:

- Leased employees;
- Employees covered by a collective bargaining agreement (under which retirement benefits were bargained in good faith) and which agreement does not provide for coverage under the Plan;
- Employees classified as “pool” (or “flat-rate” by Banner), “per diem,” “registry,” “in-house registry,” or “flexible staff” (or “pay-in-lieu” by Banner) (collectively, “Ineligible Classes”). The Sun Health Ineligible Classes were carried over to Banner, but with different names for the “pool” and “flexible staff” employees due to differences between Sun Health’s and Banner’s employee systems;
- Non-resident aliens; or
- Workers classified by as independent contractors, even if subsequently determined to be, or have been, employees.

### ***Participation Transition Rules***

Even though the Plan was closed to employees hired or rehired after February 29, 2004, employees in the following categories are eligible for the Plan:

- An employee rehired after February 29, 2004, and on or before May 12, 2007, is eligible to participate in the Plan if the employee was rehired within 12 months of being involuntarily laid off.
- An employee who as of February 29, 2004, was classified as a temporary, “pool,” “per diem,” “in-house registry,” or “flexible staff” employee and who then transferred to employment in a status that was eligible for the Plan is eligible to participate if the transfer occurred on or before May 12, 2007.
- An employee of a non-Participating Employer as of February 29, 2004, who transferred to service with a Participating Employer in a status that was eligible for the Plan is eligible to participate if the transfer occurred on or before May 12, 2007.

### ***Participating Employers***

Effective September 1, 2008, Banner and any affiliates of Banner that adopt the Plan are Participating Employers. Prior to September 1, 2008, Sun Health and any affiliates of Sun Health that adopted the Plan (collectively called “Sun Health” in this booklet) were Participating Employers.

### ***Rehired Employees***

Because participation in the Plan is frozen to new employees and to rehired employees, if you leave employment with Banner or any Participating Employer and are later rehired, you will not be eligible to participate in the Plan and will not be reinstated as a participant in the Plan.

### **Part 3. Definitions**

Some special words are used to describe how your Plan benefits are calculated. These words are defined below.

#### ***Accrued Benefit***

Your Accrued Benefit is an amount payable to you monthly at age 65. The amount of your Accrued Benefit depends upon your frozen Accrued Benefit determined as of February 29, 2004, your Credited Service, your Average Compensation, and your Covered Compensation. See Part 4 of this booklet for details.

#### ***Average Compensation***

Average Compensation is the monthly average of your compensation from each year you worked for a Participating Employer after December 31, 2003. However, if you worked less than 1,000 hours in a year, that year is not included.

#### ***Break in Service***

A Break in Service is a Plan Year in which you are credited with 500 or fewer Hours of Service. Up to 501 Hours of Service will be recognized for authorized maternity and paternity leaves of absence in order to prevent a Break in Service.

#### ***Compensation***

Compensation is your total earnings from a Participating Employer while you are an Eligible Employee, up to the federal law annual maximum limit (\$245,000 in 2011) that are subject to income tax withholding, plus elective contributions not included in your gross income under IRS Code Section 125, 132(f)(4), 402(e)(3), 402(h), or 403(b).

#### ***Covered Compensation***

This is the maximum average monthly wage base under Social Security. Covered Compensation generally changes every year as the Social Security Wage Base changes. Your benefit is calculated using the Covered Compensation that is in effect on your last day worked, and the Covered Compensation that was in effect for 2004. Covered Compensation is based on earnings that at least equal the maximum amount taxed under Social Security.

See Exhibit A at the end of this booklet. Exhibit A shows the tables of Covered Compensation for 2004 and 2011. Covered Compensation for 2004 is used to determine your Accrued Benefit as of February 29, 2004, which is the date the Plan's benefit formula was amended. Covered Compensation for 2011 is used to determine your Accrued Benefit if you terminate from employment during 2011. Each year, the table is adjusted to reflect changes in the maximum Social Security wages.

### ***Credited Service***

Credited Service means your years of service with a Participating Employer for which you earn pension benefits. Credited Service includes: time actually on duty, time for which earned leave is taken, layoffs and authorized leaves of absence of less than six months, where such layoff or leave is followed by a return to work within such six-month period.

Effective January 1, 2004, if you are a Grandfathered Participant, you will generally receive one year of Credited Service for each year in which you complete at least 1,000 Hours of Service. However, if you are a Grandfathered Participant and are also a Highly Compensated Employee during the 2011 Plan Year (meaning that you received Compensation of \$110,000 or more in 2010), your Accrued Benefit was frozen as of April 15, 2011, and you will not receive any additional Credited Service for services you perform after April 15, 2011. If you are a Non-Grandfathered Participant, you will not earn any Credited Service after May 12, 2007.

Effective January 1, 1998 and ending on December 31, 2003, you received one year of Credited Service for each year in which you completed 1,872 or more Hours of Service. Partial years in which you completed 1,000 or more hours but less than 1,872 hours were credited as a fraction of a year. In general, you did not receive credit for any years in which you completed less than 1,000 Hours of Service. However, you may have received credit for a partial year of service during your first year of employment if that year was followed by a calendar year in which you completed 1,000 Hours of Service. You also may have received credit for a partial year of service during the year that you terminated from employment if that year was preceded by a calendar year in which you completed 1,000 Hours of Service.

Prior to January 1, 1998, Credited Service began on your hire date, and you earned Credited Service each month you worked for a Participating Employer. However, you earned no Credited Service for work performed while a temporary employee.

### ***Eligibility Service***

For purposes of determining eligibility to participate in the Plan prior to the date the Plan was closed to new participants, a year of Eligibility Service meant a year in which you worked 1,000 or more Hours of Service in the 12-month period beginning on your hire date, or any Plan Year beginning after your hire date in which you worked 1,000 or more Hours of Service. Prior to December 31, 1997, you earned a month of Eligibility Service for each month you were employed by a Participating Employer, but service as a temporary employee was excluded.

### ***Final Average Compensation***

Your Final Average Compensation is the sum of your compensation for your highest five calendar years in a row prior to March 1, 2004, divided by 60. Only complete calendar years are used.

Special rules that may affect your Final Average Compensation:

- Effective January 1, 1998, if you worked less than 1,872 hours in a calendar year, your Compensation was annualized as if you did work 1,872 hours.

- If you worked less than 1,000 hours in a year, that year is not included.
- Only complete calendar years are used. In particular, Compensation earned during the year in which you terminated from employment with Sun Health, if applicable, is not included.
- For years prior to January 1, 1998, years that included service as a temporary employee are not included.
- If any calendar years are dropped due to the provisions above, those years will be skipped in determining the average.
- If you have less than five years to include in the average, all of those complete calendar years are used in the sum, which is divided by 12 times the number of years used.

### ***Grandfathered Participant***

A Grandfathered Participant is a participant who as of January 1, 2007, had reached age 55 and earned 20 or more years of Vesting Service.

### ***Hour of Service***

Hour of Service is each hour for which you are directly or indirectly paid or entitled to Compensation by a Participating Employer for the performance of duties as an Eligible Employee or for reasons other than the performance of duties as an Eligible Employee, such as vacation, holiday, illness, etc. If actual hours are not tracked, 100 hours per bi-weekly pay period equivalency is used.

### ***Non-Grandfathered Participant***

A Non-Grandfathered Participant is any participant who is not a Grandfathered Participant.

### ***Plan Year***

Effective January 1, 2003, the Plan Year (or fiscal year of the Plan) is the calendar year. The records of the Plan are kept on this basis.

### ***Vesting Service***

Vesting Service is used to determine eligibility for certain benefits.

For periods prior to December 31, 1997, Vesting Service is all service with Sun Health since your date of hire. Service includes approved leaves-of-absence of less than one year if you return to work. You earn Vesting Service for your period of employment as a temporary employee. You also earn Vesting Service for your period of employment with a Non-Participating Employer while that employer was owned or affiliated with Sun Health. You will also earn Vesting Service for a period of absence from work after 1975 for any reason if the absence is less than one year.

For periods after January 1, 1998, you earn a Year of Vesting Service for each calendar year that you are credited with 1,000 or more Hours of Service with Sun Health prior to September 1, 2008, or with Banner on and after September 1, 2008. If you were employed by Sun Health and eligible to participate in the Plan as of December 31, 1997, your Vesting Service will be (i) your Vesting Service as of December 31, 1997, plus (ii) your Years of Vesting Service earned after January 1, 1998, plus (iii) one additional Year of Vesting Service. The additional Year of Vesting Service in the preceding sentence only applies if you were hired by Sun Health prior to January 1, 1998, and you remained an employee of Sun Health on January 1, 1998.

## **Part 4. Plan Benefits**

The Plan provides several types of pension benefits. You must meet certain requirements to qualify for a benefit. Remember that these Plan benefits are in addition to any Social Security benefits you may receive.

### ***Accrued Benefit***

The amount of your pension benefit is based on your Accrued Benefit. Certain changes may be made to your Accrued Benefit depending on the type of pension you receive.

Your Accrued Benefit is a monthly amount payable for your life starting at your Normal Retirement Age, generally age 65, and is calculated under one of two formulas. One formula applies to Non-Grandfathered Participants. The other formula applies to Grandfathered Participants.

Please remember that your “Final Average Compensation” the sum of your compensation for your highest five calendar years in a row *prior to* March 1, 2004, divided by 60. Your “Average Compensation” is the monthly average of your compensation from each year you worked for a Participating Employer *after* December 31, 2003. Please see the definitions in Part 3 of this booklet for more details.

### **Formula for Non-Grandfathered Participants**

If you are a Non-Grandfathered Participant, your Accrued Benefit is a monthly amount payable for your life starting at your Normal Retirement Age that is equal to the sum of (a) and (b) below:

- (a) (1) .7% of your Final Average Compensation multiplied by your years of Credited Service as of February 29, 2004 (up to a maximum of 40 years), ***plus***
- (2) .65% of your Final Average Compensation in excess of your Covered Compensation as of February 29, 2004, multiplied by your years of Credited Service as of February 29, 2004 (up to a maximum of 35 years).

### ***PLUS***

- (b) (1) .7% of your Average Compensation to May 12, 2007, multiplied by your years of Credited Service as of May 12, 2007 minus your years of Credited Service taken into account under section (a)(1) above (up to a maximum of 40 years, which includes your Credited Service taken into account under section (a)(1)), ***plus***
- (2) .65% of your Average Compensation to May 12, 2007 in excess of your Covered Compensation, multiplied by your years of Credited Service as of May 12, 2007 minus your years of Credited Service already taken into account under section (a)(2) above (up to a maximum of 35 years, which includes your Credited Service taken into account under section (a)(2)).

### **Formula for Grandfathered Participants**

If you are a Grandfathered Participant, your Accrued Benefit is a monthly amount payable for your life starting at your Normal Retirement Age that is equal to the sum of (a) and (b) below:

- (a) (1) .7% of your Final Average Compensation multiplied by your years of Credited Service as of February 29, 2004 (up to a maximum of 40 years), **plus**
- (2) .65% of your Final Average Compensation in excess of your Covered Compensation as of February 29, 2004, multiplied by your years of Credited Service as of February 29, 2004 (up to a maximum of 35 years).

#### ***PLUS***

- (b) (1) .7% of your Average Compensation through the date of your termination of employment, multiplied by your years of Credited Service minus your years of Credited Service taken into account under section (a)(1) above (up to a maximum of 40 years, which includes your Credited Service taken into account under section (a)(1)), **plus**
- (2) .65% of your Average Compensation through the date of your termination of employment in excess of your Covered Compensation, multiplied by your years of Credited Service minus your years of Credited Service taken into account under section (a)(2) above (up to a maximum of 35 years, which includes your Credited Service taken into account under section (a)(2)).

Please remember that your “Final Average Compensation” the sum of your compensation for your highest five calendar years in a row **prior to** March 1, 2004, divided by 60, and your “Average Compensation” is the monthly average of your compensation from each year you worked for a Participating Employer **after** December 31, 2003.

Also, please remember that if you are a Grandfathered Participant and are also a Highly Compensated Employee during the 2011 Plan Year (meaning that you received Compensation of \$110,000 or more in 2010), your Accrued Benefit was frozen as of April 15, 2011, and therefore, your Average Compensation will be determined excluding any Compensation you earn after April 15, 2011, and you will not receive any additional Credited Service for services you perform after April 15, 2011. Please see the definitions in Part 3 of this booklet for more details.

Here is an example of how the Accrued Benefit is calculated for a Grandfathered Participant (who is not a Highly Compensated Employee in 2011) who terminates from employment in 2011. Let’s assume the following:

- The benefit earned as of February 29, 2004, under the formula in section (a)(1) and (a)(2) above is equal to \$550 a month,
- The participant’s Average Compensation after 2003 is \$5,500,
- The participant completed 20 years of Credited Service as of February 29, 2004,

and six years of Credited Service after December 31, 2004, and

- The participant retires at age 65 during 2011 (i.e., the participant's year of birth is 1946). The participant's Covered Compensation is \$5,372 based on Table II in the Appendix at the end of this booklet. The participant's excess Compensation is then \$128 (\$5,500 less \$5,372).

The Grandfathered Participant's monthly Accrued Benefit would be calculated as follows:

$$\begin{array}{rcl}
 \text{Benefit as of 2/29/04} & = & \$550.00 \\
 .0070 \times \$5,500 \times 6 & = & \$231.00 \\
 .0065 \times \$128 \times 6 & = & \underline{+ \$4.99} \\
 & & \$785.99
 \end{array}$$

The monthly Accrued Benefit at age 65 would be \$785.99. This amount is in addition to any Social Security benefits the Grandfathered Participant would be eligible to receive and any benefits under the 401(k) Plan.

### ***Normal Retirement***

Your Normal Retirement Age is generally age 65. However, if the fifth anniversary of the date you first became a participant in the Plan is after your 65th birthday, your Normal Retirement Date is the date which is the fifth anniversary of the date you became a participant in the Plan.

If you retire on or after your Normal Retirement Age, you will be entitled to receive a monthly normal retirement benefit equal to your Accrued Benefit.

If you work past age 65, your Accrued Benefit will be calculated when you terminate, and will be paid at that time.

In some cases, if you work past age 70 1/2, you will receive your monthly pension while you are still working. The benefit will start April 1 following the year you turn age 70 1/2. You will be contacted by the Pension Service Center if this applies to you.

### ***Early Retirement***

The Plan permits early retirement on the first day of any month after age 55 if you have at least 15 years of Vesting Service. Your Accrued Benefit will be reduced if you choose to start payment before age 65. The reduction is done by multiplying your Accrued Benefit by the percentage shown below.

<b>Age When Benefit Commences</b>	<b>Percentage Payable</b>	<b>Age when Benefit Commences</b>	<b>Percentage Payable</b>
65	100.00%	59	63.33%
64	93.33%	58	60.00%

63	86.67%	57	56.67%
62	80.00%	57	53.33%
61	73.33%	55	50.00%
60	66.67%		

For example, if your Accrued Benefit was \$400 a month and you retired at age 62, your benefit would be reduced to \$320.00 (\$400 times 80%).

The above table shows the percentage payable only by full years. Actually, your age is calculated in years and months when you choose early payment. For example, if you are age 60 years and six months when you start payments, the factor used will be 70%, half way between the factors for ages 60 and 61.

***Deferred Vested Benefit***

The purpose of the Plan is to provide income at your retirement. To get any benefit at all, you must complete at least five years of Vesting Service. If you quit before you complete five years, you will not get any part of your Accrued Benefit. Once you have five years of Vesting Service, your Accrued Benefit is 100% vested (owned by you).

Benefits which are 100% vested are “non-forfeitable.” Your non-forfeitable Accrued Benefit can never be taken away from you. Although you may not receive actual payment of your benefit until your Normal Retirement Age, you are absolutely entitled to it at that date. You must be living to receive your vested benefit. You should apply 120 days before the time you wish to receive your benefit.

You can choose early payment if you have 15 or more years of Vesting Service when you leave. You can start your vested pension on or after age 55 on a reduced basis. In that case, your Accrued Benefit will be reduced by an early retirement factor based upon your age. The reduction is the same as that for early retirement. Please see the above section for more details.

***In-Service Benefit***

If you are age 62 or older, you can begin receiving payment of your Accrued Benefit even if you continue working for Banner (“In-Service Benefits”). The amount of your benefit, and the optional forms of payment that are available to you (as described in the next section of this booklet) are determined as if you had terminated employment with Banner. If you are a Grandfathered Participant, are not a Highly Compensated Employee in 2011, and elect to take In-Service Benefit payments, your Accrued Benefit will continue to grow, but will be offset by the amount of such payments you receive while still working for Banner. If you are a Non-Grandfathered Participant, or a Grandfathered Participant who is a Highly Compensated Employee in 2011, and elect to take In-Service Benefit payments, the amount of the benefit payments you receive after retiring will remain the same as those you receive while still working, since your Accrued Benefit under the Plan is frozen.

### ***Death Benefit after Termination of Employment***

If you die before payment of your vested benefit begins, benefits will be paid only if a spouse option is in effect. The spouse option protects your spouse if you die before payment of your vested benefit begins. The spouse option is payable only if you and your spouse have been married at least one year on the date of your death.

If you die before your monthly benefit starts, your spouse will receive a monthly benefit for life equal to 50% of the benefit you would have received if you had (1) lived, (2) started benefits on the first date you would have become eligible to receive benefits, and (3) elected a Joint and 50% Surviving Spouse Annuity. Payment to your spouse will begin on the date you would have first become eligible to receive benefits. If your spouse dies before that date, no other death benefit is payable. See Part 5 for a description of the Joint and 50% Surviving Spouse Annuity.

If you and your spouse are the same age, your spouse, upon your death, will receive a monthly benefit for life starting when you would have reached age 65, equal to about 45% of your vested Accrued Benefit.

### ***Death In-Service Benefit***

If you should die prior to your termination of employment and prior to the date your benefits begin, a death benefit is payable to your spouse if you have been married for a full year preceding your death and you have five years of Vesting Service. The benefit is normally payable when you would have reached age 65. However, your spouse may choose to start receiving reduced benefit payments at any time after the date you would have reached age 55, if you had at least 15 years of Vesting Service as of your death.

If the death benefit is payable, your spouse will receive a monthly benefit for life equal to 50% of the benefit you would have received if you had (1) lived to the date your spouse has chosen to start payments, (2) started benefits on the date chosen by your spouse, and (3) elected a Joint and 50% Surviving Spouse Annuity. Payment to your spouse will begin on your Normal Retirement Date (or, if you had 15 years of Vesting Service, any earlier date chosen by your spouse which is after your 55th birthday.) If your spouse dies before that date, no other death benefit is payable. See Part 5 for a description of the Joint and 50% Surviving Spouse Annuity.

The monthly payments to your spouse, if the benefit begins at your Normal Retirement Age, will be equal to about 45% of your Accrued Benefit.

If you die before you have five years of Vesting Service or if you have not been married one year, no benefits will be paid from the Plan.

## Part 5. Optional Forms of Payment

The benefits described under the Plan are payable monthly for your lifetime only. This form of payment is called a Life Only Option.

If you are married on the date payments start, your benefit is automatically paid in the form of a Joint and 50% Surviving Spouse Option. This form of payment provides a death benefit for your spouse if you die first. The monthly death benefit is equal to 50% of your reduced payment. However, you and your spouse can waive this form of payment and choose another form of payment under the Plan. Your spouse must agree in writing to the payment option you choose.

You can also choose a reduced benefit that provides a minimum number of monthly payments even if you die. This form is called a Life with 120 Months Certain Option.

Before your retirement you can request, in writing, to receive benefit calculations for all payment options at specific retirement dates. After reviewing this information, you can choose how you want your monthly retirement benefit paid. You may elect, waive or revoke an option for payment, or change any previous election, waiver or revocation any time within 180 days of the start of your benefit. However, once payments begin you may not change your election.

The options are the actuarial equivalents of your regular lifetime benefit. This means that the various forms of benefit have equivalent lifetime values. Any options other than the Life Only Option will be a lower monthly pension because you are buying death benefit protection.

Short descriptions of the payment options are listed below:

- **Life Only Option** - This option provides a monthly pension for your lifetime. The Life Only Option is the automatic form of payment for unmarried participants.
- **Life With 120 Months Certain Option** - This option provides a reduced monthly pension for your lifetime. If you die before receiving 120 payments, payments will be made to your beneficiary until a total of 120 payments have been made. The payments will be made to a beneficiary of your choice. If you are married on the date payment to you begins, your spouse must agree to the beneficiary you name if you name someone other than your spouse.
- **Surviving Spouse Annuity Option** - This option provides an actuarially reduced monthly benefit for your lifetime. If you die first, your spouse will receive 50%, 66-2/3%, 75% or 100% (whichever you choose) of your reduced benefit for the remainder of your spouse's lifetime. The Joint and 50% Surviving Spouse Annuity option is the automatic form of payment if you are married on the date payment begins.
- **Lump Sum Payment of Small Benefits** - If the value of your benefit (or your beneficiary's) is less than \$1,000, your benefit will be paid in a lump sum. In addition, if the value of your benefit is over \$1,000, but your monthly retirement benefit is less than \$50 a month, you may be able to elect a lump sum payment.

For more details and extensive examples, see Appendix I.

## **Part 6. Loss of Service**

### ***Loss of Service***

If you leave Banner before your Accrued Benefit is 100% vested, you lose all service under the Plan.

### ***Transfers To or From Eligible Employment***

If you are transferred to other employment with Banner, you will continue to earn Vesting Service for determining eligibility for benefits to which you may be entitled upon termination of employment from Banner. Your benefit, if any, under the Plan will be determined when you leave employment with Banner.

## **Part 7. Other Important Information**

### ***Applying for Pension Benefits***

You (or your beneficiary if you are deceased) must submit an application for benefits to receive a benefit under the Plan. The Pension Service Center will provide you with the necessary forms and answer any questions you may have. You should file your application for pension benefits 180 days in advance of the date you want your payments to begin. It takes time to process applications.

### ***Filing a Claim***

If you have any questions or problems concerning any of your benefits or about making an application for benefits, please contact the Pension Service Center. In most cases, this is all you will have to do to get your question answered or problem solved.

When you or your beneficiary submits a request for Plan benefits, it will be considered a claim, and will be subject to a review. If a claim is wholly or partially denied, the Banner Health Retirement Plans Advisory Committee (the "Committee") will furnish you with a written notice of this denial within 90-days after the receipt of the claim. In certain circumstances the Committee may take an additional 90 days to make its decision if it notifies you in advance.

A written notice of benefit claim denial will include:

- the specific reason or reasons for the denial;
- specific reference to those Plan provisions on which the denial is based;
- a description of any additional information or material necessary to correct the claim by the claimant and an explanation of why such material or information is necessary; and
- appropriate information as to the steps to be taken if the claimant wishes to submit the claim for review.

If notice of the denial of your claim is not furnished to you within the 90-day period or 90-day extension period, your claim will be deemed denied as of the last day of the applicable 90 or 180 day period. You will then be permitted to proceed to the review stage described below.

Upon the denial of your claim for benefits, you may file a claim for review with the Committee. You must file a claim for review within 60 days after the actual or deemed denial of your benefit claim. You may review all pertinent documents relating to the denial of the claimant's claim and submit any issues and comments in writing to the Committee.

If a request for a review of the claim denial is timely made, and the claim is denied on review, the Committee must provide you with written notice of this denial within 60 days after the Committee's receipt of your written claim for review. There may be special circumstances when this 60-day period may be extended by the Committee to up to 120 days after receipt by the Committee of your claim for review. You will receive advance written notice of an extension of

the 60-day review period. The Committee's decision on your claim for review will be communicated to you in writing and will include specific references to the pertinent Plan provisions on which the decision was based.

### ***Assignment of Benefits***

For the protection of your interests and those of your dependents, your benefits under this Plan cannot be assigned and, except in the case of a qualified domestic relations order, are not subject to garnishment or attachment.

### ***Factors Influencing Your Benefits***

There may be certain situations in which benefits under the Plan can be terminated or denied.

- Your service will be lost if your employment is terminated before you become eligible for benefits under the Plan.
- Effective January 1, 2009, if you terminate from employment, are receiving benefits and are re-employed by Banner as a regular employee, your benefit payments will continue to be paid to you during your re-employment. Prior to January 1, 2009, if you terminated from employment, began receiving benefits and were re-employed by Banner as a regular employee, your benefit payments would be suspended during your re-employment and would resume when you subsequently ended your employment with Banner.
- If you supply fraudulent information which affects your benefit, the Committee has the authority to redetermine the valuation of your benefit, including any payments already received.
- You must apply for benefits so that eligibility may be determined by the Committee. If you do not apply, you cannot expect to receive benefits.
- The Plan limits the amount of annual retirement benefits that can be paid to certain highly-paid employees. The Plan also limits the amount of Compensation included for certain highly-paid employees. Employees affected by these limits will receive specific details on an individual basis.
- If you change positions and stop working in Eligible Employment, you will not receive credit for your future Compensation and Credited Service. For details, see "Loss of Service" in Part 6.
- If you receive a lump sum payment and are rehired at a later date, your future benefits will be reduced to reflect the payment you have received.

### ***Qualified Domestic Relations Order***

The money in the trust maintained under the Plan is used exclusively to provide benefits to you while the Plan continues. It cannot be used for any other purpose. This applies to both your employer and to you, because you cannot assign, transfer or attach your benefits nor use them as

collateral for a loan.

However, federal laws affecting employee benefits require plans such as this one to obey court orders (such as divorce decrees) that require a percentage of your benefits to be paid to your spouse, former spouse, child or dependent. If such an order is a qualified domestic relations order from a court, any such payments will not violate this rule. In order to be “qualified,” the court order has to meet certain standards as validated by the Committee. You and your beneficiaries can obtain, without charge, a copy of the Qualified Domestic Relations Order Procedures from the Pension Service Center.

If you are eligible for early retirement, these federal laws also authorize the payment of such court-ordered benefits to begin while you’re still working. The amount of any such payments will be based on the benefit you have already earned on the date they are to begin. These payments can use up your entire interest in the Plan, including future benefits.

Payment will be made at the time and in the manner specified in the order. Payments under the order may use up your entire Accrued Benefit. A spouse or former spouse who receives a lump sum payment under the order has the same rights as the participant for direct payment or direct rollover to an individual retirement account or to another employer Plan. See the paragraph called “Direct Payment/Direct Rollover for Lump Sum Payment to a Participant” in Appendix I for details.

You should understand that the Plan has no discretion in these matters. The Plan must obey the order of the court if it meets the legal requirements for a qualified order. The Plan will make every effort to notify you of any court order it receives which applies to your Accrued Benefit. If you need more information on this subject, please contact the Pension Service Center.

### ***Social Security***

Both you and Banner contribute equally to the cost of your future Social Security benefits. Your share of the cost is deducted from your pay. Banner pays an equal amount and sends the money to the federal government. Any benefits you receive from the Plan are in addition to any Social Security benefits you receive. If you have any questions with respect to the Social Security benefit which is payable, you should contact your local Social Security Office.

### ***Contributions and Funding Agent***

All benefits under the Plan are provided by Banner contributions. The contributions are paid by Banner to the trustee of the Plan, Northern Trust. The money is not mixed with the assets of Banner. Except to the extent investment responsibility has been assumed by the Finance Committee of the Board of Directors of Banner or delegated to one or more investment managers, the trustee is responsible for investing the assets of the Plan. The trustee is also responsible for preparing necessary financial reports, and for distributing benefit and pension payments.

### ***Participant Contributions, Rollovers and Loans***

Banner pays the entire cost of the Plan. You are not permitted or required to contribute to the cost of the Plan. The Plan does not accept rollover contributions from other plans.

Loans to participants are not permitted under the Plan.

### ***Administration of the Plan***

The Plan is a defined benefit plan. The administrator of the Plan is:

Banner Pension Service Center  
2901 North Central Avenue  
Suite 1100  
Phoenix, Arizona 85012  
(602) 651-0350 or (866) 272-1229

The Banner Health Retirement Plans Advisory Committee is responsible for the day-to-day administration of the Plan, with certain day-to-day functions being handled by the Pension Service Center. The Committee makes all the rules and regulations necessary for efficient plan administration. Although they cannot change the terms, conditions or benefits of the Plan, they make all decisions regarding any questions, interpretation, or application of any Plan provisions. The Committee also reviews all applications for withdrawals, distributions and benefits to make sure that all Plan provisions are put into practice uniformly and without discrimination. Please contact the Human Resources Department for a list of the current Committee members.

### ***Maximum Benefits***

Federal regulations limit the maximum amount payable from this Plan to certain employees with relatively high earnings. Further information regarding this limitation may be requested from the Pension Service Center.

### ***Continuance of the Plan***

Banner intends to continue the Plan indefinitely and to meet any foreseeable situations that may occur. However, the Board of Directors of Banner reserves the right to amend the Plan and, if necessary, to discontinue it. You will be notified of any changes that have been made and the reason behind the decision. However, no amendment will be made to the Plan that would deprive you, any retiree or any survivor of any rights or benefits you had already earned before such amendment or change was made. Under the law, no amendment or change can be made that would divert any part of the Plan's trust fund to a purpose other than for the exclusive benefit of you or your survivors until provision for payment of all benefits has been made.

Your pension benefits under this plan are insured by the Pension Benefit Guaranty Corporation (PBGC), a federal insurance agency. If the plan terminates (ends) without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits.

The PBGC guarantee generally covers: (1) normal and early retirement benefits; (2) disability benefits if you become disabled before the plan terminates; and (3) certain benefits for your survivors.

The PBGC guarantee generally does not cover: (1) benefits greater than the maximum

guaranteed amount set by law for the year in which the plan terminates; (2) some or all of benefit increases and new benefits based on plan provisions that have been in place for fewer than five years at the time the plan terminates; (3) benefits that are not vested because you have not worked long enough for the company; (4) benefits for which you have not met all of the requirements at the time the plan terminates; (5) certain early retirement payments (such as supplemental benefits that stop when you become eligible for Social Security) that result in an early retirement monthly benefit greater than your monthly benefit at the plan's normal retirement age; and (6) non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay, and severance pay.

Even if certain of your benefits are not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money your plan has and on how much the PBGC collects from employers.

For more information about the PBGC and the benefits it guarantees, ask your plan administrator or contact the PBGC's Technical Assistance Division, 1200 K Street N.W., Suite 930, Washington, D.C., 20005-4026 or call 202-326-4000 (not a toll-free number). TTY/TDD users may call the federal relay service toll free at 1-800-877-8339 and ask to be connected to 202-326-4000. Additional information about the PBGC's pension insurance program is available through the PBGC's website on the Internet at <http://www.pbgc.gov>.

Upon termination, if all the Accrued Benefits have been provided, any surplus in the Plan will be returned to Banner.

### ***Special Rules for "Top-Heavy" Plans***

The Internal Revenue Code states that a Plan may not favor "key employees," that is, corporate officers and certain owner employees. Generally, the Plan would become "top-heavy" if the value of the benefits earned by certain highly paid employees is more than 60% of the value of benefits earned by all participating employees. If this happens the benefits of "non-key" employees will be subject to a minimum accrual and a more rapid vesting schedule.

It is unlikely that the Plan will ever become top-heavy. However, if this should occur you will receive complete information on any required vesting and benefit formula adjustments.

## **Part 8. Your Rights as a Participant**

You have certain rights and protections under ERISA. ERISA (the Employee Retirement Income Security Act of 1974) gives Plan participants these rights. This Part 8 tells you about these rights.

As a participant in the Sun Health Pension Plan you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to:

### ***Receive Information about Your Plan and Benefits***

Examine, without charge, at the plan administrator's office and at other specified locations, such as worksites and union halls, all documents governing the plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the plan administrator, copies of documents governing the operation of the plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The administrator may make a reasonable charge for the copies.

Receive a summary of the plan's annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary annual report.

Obtain a statement telling you whether you have a right to receive a pension at normal retirement age (age 65) and if so, what your benefits would be at normal retirement age if you stop working under the plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once every twelve (12) months. The plan must provide the statement free of charge.

### ***Prudent Actions by Plan Fiduciaries***

In addition to creating rights for plan participants ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

### ***Enforce Your Rights***

If your claim for a pension benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you

request a copy of plan documents or the latest annual report from the plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claims is frivolous.

### *Assistance with Your Questions*

If you have any questions about your plan, you should contact the plan administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the plan administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

**REMEMBER: This is only a summary of the Plan. The Plan is operated and governed by legal documents. In the event of any conflict between this summary or the explanation of any company officials and the terms of the official Plan documents, the terms of the Plan documents will have final authority. For more extensive information regarding the Plan, it is suggested that you refer to the Plan document.**

## Part 9. Plan Information

1. Name of Plan: Sun Health Corporation Pension Plan
2. Employer (Plan Sponsor): Banner Health  
1441 North 12<sup>th</sup> Street  
Phoenix, Arizona 85006
3. Employer Identification Number (EIN): 45-0233470
4. Plan Number (PN): 001
5. Type of Plan: Defined Benefit Pension Plan
6. Plan Administrator:  
(Agent for service of legal process) Banner Pension Service Center  
2901 North Central Avenue  
Suite 1100  
Phoenix, Arizona 85012  
(602) 651-0350 or (866) 272-1229
7. Plan Year: January 1 to December 31
8. Trustee:  
(Service of legal process may also  
made upon the Trustee) Northern Trust  
50 South LaSalle Street, 7<sup>th</sup> Floor  
Chicago, Illinois 60675
9. Type of Administration: Self-administered
10. Where to Apply for Benefits: Banner Pension Service Center  
2901 North Central Avenue  
Suite 1100  
Phoenix, Arizona 85012  
(602) 651-0350 or (866) 272-1229

**EXHIBIT A**

**Table I - 2004 Covered Compensation  
COVERED COMPENSATION BASED ON  
MAXIMUM AVERAGE WAGE BASE OF \$87,900 (2004)**

Year of Birth	Monthly Covered Compensation	Annual Covered Compensation	Year of Birth	Monthly Covered Compensation	Annual Covered Compensation
1923	\$1,309	\$15,708	1948	\$5,438	\$65,256
1924	1,414	16,968	1949	5,585	67,020
1925	1,526	18,312	1950	5,724	68,688
1926	1,644	19,728	1951	5,856	70,272
1927	1,766	21,192	1952	5,980	71,760
1928	1,893	22,716	1953	6,100	73,200
1929	2,026	24,312	1954	6,215	74,580
1930	2,160	25,920	1955	6,429	77,148
1931	2,298	27,576	1956	6,531	78,372
1932	2,442	29,304	1957	6,626	79,512
1933	2,594	31,128	1958	6,713	80,556
1934	2,755	33,060	1959	6,795	81,540
1935	2,925	35,100	1960	6,872	82,464
1936	3,101	37,212	1961	6,945	83,340
1937	3,287	39,444	1962	7,010	84,120
1938	3,666	43,992	1963	7,073	84,876
1939	3,857	46,284	1964	7,133	85,596
1940	4,048	48,576	1965	7,187	86,244
1941	4,236	50,832	1966	7,233	86,796
1942	4,419	53,028	1967	7,270	87,240
1943	4,597	55,164	1968	7,297	87,564
1944	4,773	57,276	1969	7,315	87,780
1945	4,946	59,352	1970	7,322	87,864
1946	5,116	61,392	1971	7,325	87,900
1947	5,283	63,396	after 1971	7,325	87,900

**EXHIBIT A Continued**

**Table II - 2011 Covered Compensation  
COVERED COMPENSATION BASED ON  
MAXIMUM AVERAGE WAGE BASE OF \$106,800 (2011)  
(For Terminations in 2011 Only)**

Year of Birth	Monthly Covered Compensation	Annual Covered Compensation	Year of Birth	Monthly Covered Compensation	Annual Covered Compensation
1923	\$1,309	\$15,708	1951	\$6,337	\$76,044
1924	1,414	16,968	1952	6,507	78,084
1925	1,526	18,312	1953	6,671	80,052
1926	1,644	19,728	1954	6,831	81,972
1927	1,766	21,192	1955	7,135	85,620
1928	1,893	22,716	1956	7,282	87,384
1929	2,026	24,312	1957	7,422	89,064
1930	2,160	25,920	1958	7,555	90,660
1931	2,298	27,576	1959	7,682	92,184
1932	2,442	29,304	1960	7,804	93,648
1933	2,594	31,128	1961	7,921	95,052
1934	2,755	33,060	1962	8,031	96,372
1935	2,925	35,100	1963	8,140	97,680
1936	3,101	37,212	1964	8,245	98,940
1937	3,287	39,444	1965	8,343	100,116
1938	3,666	43,992	1966	8,435	101,220
1939	3,862	46,344	1967	8,516	102,192
1940	4,068	48,816	1968	8,589	103,068
1941	4,279	51,348	1969	8,652	103,824
1942	4,496	53,952	1970	8,704	104,448
1943	4,719	56,628	1971	8,751	105,012
1944	4,939	59,268	1972	8,796	105,552
1945	5,157	61,884	1973	8,836	106,032
1946	5,372	64,464	1974	8,866	106,392
1947	5,584	67,008	1975	8,888	106,656
1948	5,784	69,408	1976	8,900	106,800
1949	5,977	71,724	after 1976	8,900	106,800
1950	6,160	73,920			

## Appendix I. Forms of Payment and Examples

### Forms of Payment

For flexibility, the Plan offers several payment options. Your monthly payments under the different forms will be less than your vested Accrued Benefit if payment is not made as a Life Only Annuity. The amount of reduction depends on the amount of protection provided for your beneficiary.

All payments are made on the first day of the month. You must apply in advance to start payment before age 65. No payments are payable before the date you file a written request for payment. For details about filing a claim for benefits, see “Filing a Claim and Review of Denied Claim” in Part 7.

Before making your election, you will receive detailed information to help you decide on the form of payment. You can change your election any time before payments begin. Once your payments start, you cannot change your election.

### Automatic Form of Payment

You have several payment options described below. If you do not choose a form, the automatic form of payment for your benefit depends on whether you are unmarried (single) or married when payments start, as shown below:

- Life Only Annuity for unmarried (single) participants
- Joint and 50% Surviving Spouse Annuity for married participants

### Optional Forms of Payment (Spousal Consent Required)

Generally, you may choose from the following options:

- Life Only Annuity
- Life Only Annuity With 10 Years Certain
- Joint and 50%, 66-2/3%, 75% or 100% Surviving Spouse Annuity

If you are married, your spouse must consent if you choose payment in any form other than a Joint and Surviving Spouse Annuity with your spouse as the beneficiary. Before the monthly benefit under an optional form is calculated, your vested Accrued Benefit is adjusted for any necessary adjustments, such as payment beginning before Normal Retirement Age or due to any Qualified Domestic Relations Order or prior benefit distributions.

**Life Only Option:** This is the automatic form for an unmarried participant. Married participants may elect this as an optional annuity form only with your spouse’s consent. Under a Life Only Option, you receive a benefit for your lifetime. The monthly benefit will be equal to your

Accrued Benefit (as adjusted for early commencement of your pension, if applicable). On your death, all payments stop.

**Life With 120 Months Certain Option:** This form of payment provides a benefit payable for your lifetime. A minimum of 120 monthly payments is guaranteed. If you die before a total of 120 payments have been made, the balance remaining will be paid to your beneficiary. If you choose the Life with 120 Months Certain Option, your spouse on the day payment commences must be your only primary beneficiary or contingent annuitant, unless your spouse consents to another person being named as a primary beneficiary in place of, or in addition to, your spouse. If you and your primary beneficiary die before the guaranteed total of 120 payments have been made, the remaining payments will be made to your contingent beneficiary. If you do not have a contingent beneficiary, payment will be made to your surviving spouse, or if there is no surviving spouse, to your children or to your estate.

The monthly benefit will be less than your adjusted Accrued Benefit because the payments are guaranteed for a set period of time even if you die. The reduction depends on your age when payment begins. The reduction ranges from about 1% at age 55 to about 4% at age 65.

### **An Example**

Assume your Accrued Benefit is \$500 at age 65 and you choose the Life with 120 Months Certain Option. Your monthly benefit will be \$481.75 [(\$500 times .9635 (100% minus 3.65%)].

**Joint and Surviving Spouse Annuity Option:** The Joint and 50% Surviving Spouse Annuity is the automatic form of payment for a married participant. Under a Joint and Surviving Spouse Annuity, you will receive a reduced monthly benefit for your lifetime. After your death, your spouse, if still living, will receive 50% of the monthly benefit paid to you for the rest of your beneficiary's lifetime. If your spouse dies before you, your benefit does not change.

You can choose a Joint and Surviving Spouse Annuity under which your spouse's benefit is equal to 66-2/3%, 75% or 100% of your reduced benefit instead of 50%. Your benefit will be reduced more under one of these options than under the 50% option because your beneficiary's potential survivor benefit is larger.

You and your spouse may waive the Joint and Surviving Spouse Annuity form of payment with your spouse as beneficiary. You may then choose the Life with 120 Months Certain or a Joint and 66-2/3%, 75% or 100% Surviving Spouse Annuity with either your spouse as beneficiary or someone other than your spouse as beneficiary, with your spouse's consent. The spouse to whom you are married on the date payments start must consent to any beneficiary you name and to any later changes you make in the beneficiary.

Your monthly benefit under the Joint and 50% (or other percentage you choose) Surviving Spouse Annuity will be less than your adjusted Accrued Benefit because it costs more to give your beneficiary a survivor benefit. Only the beneficiary you name on the date payments begin can be a beneficiary under this form of payment. If that person is your spouse and you later divorce that spouse, that spouse will still receive the survivor benefit if you die first. If you later remarry, your new spouse will not be eligible for the survivor benefit. If you choose a

beneficiary other than your spouse who is younger than you, you may be eligible to choose only the Joint and 50% Surviving Spouse Annuity option.

### **Calculation of Joint and Surviving Spouse Annuity**

The reduction in your Accrued Benefit for the Joint and Surviving Spouse Annuity option depends on your age when payment begins, your spouse's (or other beneficiary's) age on that date, and the amount of survivor benefit you choose (50%, 66-2/3%, 75% or 100%).

### **An Example**

Assume your Accrued Benefit is \$500 and you choose a Joint and 50% Surviving Spouse Annuity. Payment begins at your age 65 and your spouse is age 63 which is two years younger than you are.

In this example, the formula becomes:

$$\text{Reduced benefit} = \$500 \text{ times } .9184 \text{ (50\% factor)} = \$459.20$$

You would receive \$459.20 for life. If you die first, your spouse will receive a monthly benefit for life equal to \$229.60 (\$459.20 times 50%).

**Lump Sum Payment of Small Benefits:** If the value of your adjusted Accrued Benefit is \$1,000 or less when you terminate employment, you will automatically be paid the value of your Accrued Benefit in cash in a lump sum payment. If the value of your adjusted Accrued Benefit is greater than \$1,000 but does not exceed \$5,000, you can elect to receive your benefit in a lump sum payment, but your benefit will not be paid until you consent to receive it or you reach the age of 65, whichever occurs earlier. In addition, if the value of your benefit is over \$5,000, but your monthly retirement benefit is less than \$50 a month, you may elect a lump sum payment, except during periods when the Plan is less than 80% funded. Payment will be made within a reasonable time after you stop working. This form of payment is a single payment equal to the value of your Accrued Benefit payable at age 65. No monthly benefits are paid under this option. See the paragraph below, "Direct Payment/Direct Rollover for Lump Sum Payment to a Participant" for more details on how lump sum payments are made.

### **Direct Payment/Direct Rollover for Lump Sum Payment to a Participant**

You can choose to have a lump sum payment paid directly to you or to roll the payment to a traditional or a Roth individual retirement account ("IRA") or another employer plan that is qualified to receive rollover contributions. If a lump sum payment is paid directly to you or to a Roth IRA, 20% of the amount will be automatically withheld for federal income taxes. If the distribution exceeds \$500, you can choose to have a minimum of \$500 rolled to an IRA or to an employer plan and to have the remaining portion paid directly to you.

Any portion which is paid to you in cash may be rolled by you to an IRA or to an employer plan if you roll the amount within 60 days after you receive the payment. You can also roll cash from other sources to make up all or part of the 20% that was withheld for income tax. You will receive more details about your payment options when you become eligible to receive a lump sum payment.