PARKLAND HEALTH

OVERVIEW AND FAQs REGARDING CURRENT RETIREMENT AND SAVINGS PLANS AND CHANGES COMING IN 2024

Overview: Current Retirement and Savings Plans

- Parkland currently provides full-time employees with a required contribution defined benefit pension plan. Parkland also has a defined contribution savings plan called the “Supplemental Retirement Plan,” which is also known as the “Supplemental Plan.”
- The defined benefit pension plan is called the “Retirement Income Plan” and is known by many Parkland employees as the “Pension Plan.” It is designed to pay a monthly pension for life to retirees. Both Parkland and full-time employees contribute to the Retirement Income Plan, with the employee contribution set at 6.2% of base pay.
- Part-time employees make mandatory unmatched contributions of 7.5% of base pay to Parkland’s Supplemental Plan.
- All employees have the option of putting money into the voluntary part of the Supplemental Plan. Parkland matches these contributions, up to 6% of the base salary of full-time and part-time with benefits employees after they have been employed for one year.
- Parkland opted out of Social Security in 1982 and will remain outside of Social Security as permitted by Federal law.

Overview: 2024 Changes

- Parkland will adopt a new defined contribution plan in 2024 called the Mandatory Savings Plan (“MSP”).
- The MSP is for (1) *new* full-time employees who are hired after December 12, 2023, and any employee who takes a full-time job after December 12, 2023; and (2) part-time employees who will make their 7.5% contribution to the MSP after December 12, 2023.
- Parkland knows that many existing full-time employees have planned for their futures including the monthly pension from the Pension Plan (Retirement Income Plan). Current full-time employees who are already vested or who work full time until they are vested under the Pension Plan will earn and receive a monthly pension at retirement under the existing Pension Plan. The MSP does *not* replace the Pension Plan for current full-time employees.
- Parkland is making this change for several reasons. The new MSP is more understandable to prospective employees because it is very similar to the defined contribution plans that other Texas County hospital districts and health systems offer. The benefit from the MSP is an account balance that grows from Parkland and employee contributions as well as any investment gains. This account takes the place of a monthly pension payable at retirement. This account balance can be “rolled over” to another retirement account when an employee leaves Parkland. Investments in this account are managed directly by the employee. OTM determined that these direct management and “roll over” features of the MSP were attractive to new recruits. In addition, the MSP will give Parkland greater financial certainty through knowing exactly what it will contribute—

This Overview and the attached FAQs summarize information found in the legal documents that govern the Retirement Income Plan, the Supplemental Retirement Plan, and the new Mandatory Savings Plan. If there are any differences between the information in this Overview and the attached FAQs and the official plan documents, the terms of the plan documents will control. *Version prepared May 16, 2023.*

a fixed percentage of each employee's base pay—rather than funding a defined monthly retirement benefit.
- No other changes will be made to the voluntary Supplemental Plan that provides a Parkland match up to 6% of each eligible employee's voluntary contributions.
- While this Overview includes a high-level summary of the changes and who will/will not be affected, more detailed FAQs are attached that address the most common individual questions.
- If this Overview and the FAQs do not answer all questions, employees may submit questions to the OTM portal or call Milliman at (800) 995-2608 if they have questions about their individual circumstances.

Overview: High-Level Summary of What Changes/What Stays the Same

1. **What is the new Mandatory Savings Plan ("MSP")?** The MSP is a new plan for employees hired on a full-time basis *after December 12, 2023.* These new full-time employees will participate in the MSP instead of the Pension Plan. Part-time employees will also participate in the Mandatory Savings Plan ("MSP") (see Question 3 for details).

2. **Does this affect me if I am a full-time employee now?** *The Pension Plan is not changing for current participants (full-time employees).* Current full-time employees working as of December 12, 2023 (end of last pay period in 2023) will continue to participate in the current Pension Plan. If an employee changes to part-time or leaves Parkland for any reason and then returns, they will be enrolled in the MSP.

3. **Does this affect me if I am a part-time employee now?** If you remain a part-time employee after December 12, 2023, you will continue to make the same required contributions at the current 7.5% rate, but to the MSP instead of to the Supplemental Plan.

4. **What happens if I leave my job at Parkland and then I am rehired after December 12, 2023?** If you are re-hired after December 12, 2023, you will participate in the new MSP.

5. **Is the voluntary Supplemental Plan changing?** No.

6. **Will more information be provided to me?** Yes, Parkland will continue to provide information about these changes. There will be updated FAQs available on the OTM portal and the chance to submit any questions you have through the OTM portal as well.

7. **May I ask questions about my individual circumstances**? Yes, our administrator Milliman will also answer individual questions at (800) 995-2608.

8. **Can Parkland change these plans?** Just as has always been the case, Parkland reserves the right to amend the plans as permitted by the plan documents and applicable law.

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FAQs REGARDING CURRENT AND 2024 CHANGES TO PARKLAND RETIREMENT AND SAVINGS PLANS

1. What changes are being made to Parkland's retirement & savings program effective January 1, 2024? Parkland is creating a new Mandatory Savings Plan ("MSP") for employees hired on a full-time basis *after December 12, 2023.* All part-time employees will contribute their required 7.5% of base pay to the MSP after December 12, 2023.

2. How will the new Mandatory Savings Plan affect current employees?

a. <u>Full-Time Employees</u>. Current full-time employees will continue to participate in the Pension Plan—its formal name is the Retirement Income Plan—unless they move to part-time status or leave Parkland. Full-time employees who are not yet "vested" in the Pension Plan will remain in that plan and will continue to earn vesting and benefit service credit unless they move to a part-time job or leave Parkland. The required employee contribution rates to the Pension Plan remain the same. Parkland has no plans to change the required employee contribution rates. You will continue to participate in the Retirement Income Plan as a full-time employee as of December 12, 2023, even if your job title or role changes so long as you remain a full-time employee.

b. <u>Part-Time Employees</u>. Part-time employees will continue to make the exact same required contribution of 7.5% of salary, as in the past, but will make the contribution to the new Mandatory Savings Plan instead of the Supplemental Plan.

c. <u>Voluntary Supplemental Plan</u>. The voluntary Supplemental Plan will remain in place so all employees can save over-and-above the required plan contributions, with dollar-for-dollar matching by Parkland up to 6% of base pay for full-time and part-time with benefits employees.

3. What is the relevance of the "December 12, 2023" date? December 12, 2023, is the last day of the last pay period for 2023; December 13, 2023, is the first day of the first 2024 pay period. Because employee contributions to Parkland's retirement and savings programs are funded through payroll deductions, to make these changes for all of 2024, the employee contributions for 2024 will come out of the payroll period starting December 13, 2023.

4. What happens if an employee is currently part-time but has been a full-time employee in the past who used to participate in the Pension Plan?

a. If an employee's benefit in the Pension Plan is already vested, the employee will keep the employee's vested Pension Plan benefit earned while a full-time employee (payable at retirement), and the employee will start contributing to the new Mandatory Savings Plan ("MSP") in 2024 as a part-time employee.

These FAQs summarize information found in the legal documents that govern the Retirement Income Plan, the Supplemental Retirement Plan, and the new Mandatory Savings Plan. If there are any differences between the information in these FAQs and the official plan documents, the terms of the plan documents will control. Revision date June 20, 2023.

b. If the employee’s benefit in the Pension Plan is not vested and the employee is a part-time employee as of December 12, 2023, the employee will start contributing to the new MSP in 2024 as a part-time employee. The employee’s required contributions to the Pension Plan will be transferred from the Pension Plan to their account in the MSP. They will not receive vesting and service credit in the MSP for their full-time employment at Parkland.

5. What happens if an employee is currently participating in the Pension Plan as a full-time employee but moves to part-time after December 12, 2023?

a. If an employee’s benefit in the Pension Plan is already vested and the employee moves to part-time after December 12, 2023, the employee will keep the employee’s vested Pension Plan benefit earned while a full-time employee (payable at retirement), and the employee will start contributing to the new Mandatory Savings Plan (“MSP”) after becoming a part-time employee.

b. If the employee’s benefit in the Pension Plan is not vested and the employee moves from full-time to part-time after December 12, 2023, the employee will start contributing to the new MSP after becoming a part-time employee. The employee’s required contributions to the Pension Plan will be transferred from the Pension Plan to their account in the MSP. They will not receive vesting and service credit in the MSP for their full-time employment at Parkland.

6. Which plan is better? Whether one plan is better than the other depends on a number of different factors that vary based on each employee’s individual situation and what they value.

7. Why is Parkland starting a new Mandatory Savings Plan? In carrying out its management and oversight responsibilities, Parkland’s Board of Managers (“Board”) met with Parkland executives and industry experts over a period of several months to evaluate the Pension Plan and other retirement options. The Board also considered the retirement and savings plans offered by the other County Hospital Districts and other health care competitors, along with feedback from recently hired employees about what they valued for retirement/savings options. The Board also considered whether Parkland should continue having its own retirement/savings plan rather than joining Social Security. There are many options for retirement and savings plans, with pros and cons to each option.

After careful consideration of these options and in consultation with industry experts, Parkland’s Board approved: (1) a new Mandatory Savings Plan (“MSP”) for new full-time employees hired after December 12, 2023, and all part-time employees; and (2) keeping the current Pension Plan for ongoing full-time employees hired on or before December 12, 2023. Full-time employees as of December 12, 2023, on a Parkland-approved leave of absence will be treated as ongoing full-time employees.

The MSP provides Parkland with more financial certainty in the future because Parkland will be funding contributions for new full-time employees, while it will continue to fund a specific benefit for those covered under the Pension Plan. New employees may find the new MSP attractive because it uses easily understood account balances rather than a monthly pension amount; provides an opportunity for participant-directed investments; and permits the employee to take distributions or roll over into another account at termination of employment.

8. What are the similarities and differences between the Pension Plan and the new Mandatory Savings Plan?

a. Pension Plan. The Pension Plan is a defined benefit plan. It is designed to allow employees who have vested—worked a full five years at Parkland—to earn a monthly income starting at retirement. This monthly income is sometimes called a "pension." The amount of each employee's pension is based on the employee's annual earnings and length of employment and is not increased by investment gains.

b. Mandatory Savings Plan. The new Mandatory Savings Plan ("MSP") is a defined contribution plan. Contributions by Parkland and employees will be deposited to an individual account in the new MSP for each employee. The funds in each employee's account are invested by each employee, like the Supplemental Plan. There is no set monthly pension payment in the new MSP. The retirement savings amount in the MSP is an account balance that is based on the accumulated amount of each employee's mandatory contributions and each employee's share of Parkland contributions, plus investment earnings from your investment direction.

c. Other Comparisons.

i. Distributions. The normal retirement age for both the Pension Plan and the MSP is age 65. Unlike the Pension Plan, however, participants in the MSP will be able to receive a distribution of their vested account balance upon termination of employment before age 65.

ii. Enrollment. Parkland OTM will work with Milliman so that enrollment for new employees in the MSP will be handled automatically each payroll period, similar to how enrollment in the Pension Plan is currently handled.

9. What is the current match provided by Parkland and will that change?

a. Full-time.

i. Pension Plan. Parkland's contributions to the Pension Plan vary based on the market and other factors and are determined each year by the actuary for the Pension Plan. The amount of Parkland's contribution to the Pension Plan must be—and is—sufficient to satisfy the funding requirements that are enforced by the Texas Pension Review Board. In addition, employee contributions of 6.2% of base pay to the Pension Plan are not changing.

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ii. Mandatory Savings Plan. The full-time employee contribution to the new Mandatory Savings Plan ("MSP") will also be 6.2% of base pay as in the Retirement Income Plan. This 6.2% employee contribution by full-time employees is mandatory since Parkland does not participate in Social Security. In addition, this is the same employee mandatory contribution that is required for employees who continue to participate in the Pension Plan. Parkland is not planning to increase the 6.2% employee mandatory contribution rate.

Parkland's contribution for full-time employees is determined according to the employee's number of years of full-time employment earned under the MSP as shown in this chart:

Length of Full-time Employment Under The MSP	Parkland Contribution
Up to 5 years	2%
>5 and <10 years	4%
10 or more years	6.2%

Parkland's contributions have been set by the Board. The amount of Parkland's contribution, together with the mandatory employee contributions, complies with Internal Revenue Service requirements for Social Security replacement plans. The MSP is a Social Security replacement plan.

Parkland's contributions to the MSP will vest based on the same number of years of full-time employment that are used in determining Parkland's contribution. Full-time employees become vested in Parkland's contributions to the MSP once they have five years of full-time employment in the MSP; if they leave Parkland before the five years, their own employee contributions (adjusted with investment earnings) are returned to them, but the Parkland contributions are forfeited.

b. Part-time. Under the current required Supplemental Plan for part-time employees, employees contribute 7.5% of base salary. This 7.5% employee contribution by part-time employees is mandatory since Parkland does not participate in Social Security. Under the new MSP, the contribution for part-time employees will remain at 7.5% of base salary. Parkland does not match these required contributions for part-time employees.

c. Voluntary contributions for full-time and part-time. In addition to the mandatory employee contributions to either the Pension Plan or the new MSP described above, all employees may contribute to Parkland's existing voluntary Supplemental Plan up to certain limits set by the IRS. Parkland matches—dollar-for-dollar—the first 6% of employee contributions for full-time and part-time-with-benefits employees. This allows those employees to contribute over-and-above the required amount and enjoy the benefit of Parkland's voluntary savings match.

10. How do investments differ between the Pension Plan and the new Mandatory Savings Plan? Participants in the new Mandatory Savings Plan ("MSP") will direct the investment of their account balances, including both their own contributions and Parkland's contributions, among a menu of different investment options. These investment options will be the same as the options available in the Supplemental Plan. Participants in the MSP will make their own investment decisions and be guided by their own acceptable levels of investment risk and potential investment return. On the other hand, participants in the Retirement Income Plan do not make their own investment decisions—the Pension Plan's investments are handled by several independent third-party professional investment managers.

11. Why is Parkland not moving all employees to the new Mandatory Savings Plan? Parkland did not want to affect employees currently participating in the Pension Plan who have been working for Parkland and earning a monthly pension at retirement.

12. Can current employees move from the Pension Plan to the new Mandatory Savings Plan? Not at this time, although the Board may consider that option in the future. All full-time employees will make mandatory employee contributions to either the Pension Plan or the new Mandatory Savings Plan according to the rules that are described in these FAQs but will not make contributions to both at the same time.

13. Is the financial condition of the existing Pension Plan good? Yes. The financial condition of the Pension Plan is solid and is improving. Parkland uses a trust to hold and invest contributions and to pay future Pension Plan benefits. A trust is like a savings account, which means that each year Parkland sets aside money to use to pay benefits from the Pension Plan in the future. Parkland can only use the assets in the Pension Plan trust to pay benefits to Pension Plan participants. Parkland has funded the trust for the Pension Plan at higher amounts than required for several years.

The funded status of the trust for the Pension Plan was 81% as of Dec. 31, 2021, and 74% as of Dec. 31, 2020, which are both above the funding requirements set by the Texas Pension Review Board.

Here are a few key facts about the Pension Plan. As of the end of 2022, the Pension Plan had $1.4 billion in invested assets. Investments of the Pension Plan are held in trust by Bank of New York Mellon and are invested by SEC-registered investment managers. No assets of the Pension Plan are invested by Parkland or by any Parkland employee. Parkland's Board oversees Parkland's benefit programs, including the Pension Plan and the new Mandatory Savings Plan. Parkland's Board appoints an Investment Committee consisting of seven experienced independent investment professionals to oversee the Pension Plan's investments. Parkland has also hired an independent professional investment consultant to monitor investments. Parkland has an annual external financial audit to validate the assets and governance procedures for the Pension Plan.

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14. Will Parkland have a pension plan AND Social Security? Will Parkland start contributing to Social Security with the new Mandatory Savings Plan? Will those employees who participate in the new Mandatory Savings Plan pay Social Security taxes? No. Parkland does not participate in the federal Social Security program. This will not change with the new Mandatory Savings Plan ("MSP"). Employment at Parkland does not count toward federal Social Security and wages paid by Parkland are not subject to Social Security taxes. The Pension Plan and the new MSP are both considered Social Security replacement plans. If you have any questions regarding Social Security benefits from employment outside of Parkland, you should contact the Social Security Administration.

15. Where can I go for more information? These FAQs will be updated on the OTM portal as needed. Employees may submit questions to the OTM portal or call Milliman at (800) 995-2608 if they have questions about their individual circumstances.

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