# ANNUAL FUNDING NOTICE
# For
# Jennie Edmundson Memorial Hospital Employees' Retirement Plan

### Introduction

You are receiving this Notice and Supplement because you are either earning, receiving or entitled to receive a benefit from the Jennie Edmundson Memorial Hospital Employees' Retirement Plan ("the Plan"). Plan assets used to pay pension benefits are held in a trust. This notice provides information on how well the Plan is funded to meet its payment obligations. Under pension law we are required to provide this information.

Although the Plan is not being terminated, this notice, as required by law for all pension plans, also provides a summary of federal rules governing the termination of single-employer defined benefit pension plans and of benefit payments guaranteed by the Pension Benefit Guaranty Corporation (PBGC), a federal agency. This notice is for the plan year beginning January 1, 2020 and ending December 31, 2020 ("Plan Year").

### How Well Funded Is Your Plan

Under federal law, the plan must report how well it is funded by using a measure called the "funding target attainment percentage." This percentage is obtained by dividing the Plan's Net Plan Assets by Plan Liabilities on the Valuation Date, the date the calculations are made, for the plan year. In general, the higher the percentage, the better funded the plan. The Plan's funding target attainment percentage for the Plan Year and two preceding plan years is shown in the chart below, along with a statement of the value of the Plan's assets and liabilities for the same period.

| **Funding Target Attainment Percentage** | | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| 1. Valuation Date | 1/1/2020 | 1/1/2019 | 1/1/2018 |
| 2. Plan Assets | | | |
| a. Total Plan Assets | 76,047,719 | 61,567,320 | 67,422,673 |
| b. Funding Standard Carryover Balance | 778,775 | 652,295 | 1,475,960 |
| c. Prefunding Balance | 15,584,541 | 10,752,418 | 11,372,203 |
| d. Net Plan Assets (a) - (b) - (c) = (d) | 59,684,403 | 50,162,607 | 54,574,510 |
| 3. Plan Liabilities | 64,476,378 | 61,803,659 | 57,255,612 |
| 4. Funding Target Attainment Percentage (2d) / (3) | 92.56% | 81.16% | 95.31% |
| 5. Funded Percentage (2a) / (3) | 117.94% | 99.61% | 117.75% |

### Plan Assets and Credit Balances

Total Plan Assets is the value of the Plan's assets on the Valuation Date (see line 2 in the chart above). Credit balances were subtracted from Total Plan Assets to determine Net Plan Assets (line 2d) used in the calculation of the funding target attainment percentage in the chart above. While pension plans are permitted to maintain credit balances (also called "funding standard carryover balances" or "prefunding balances" see 2b & c in the chart above) for funding purposes, they may not be taken into account when calculating a plan's funding target attainment percentage. A plan might have a credit balance, for example, if in a prior year an employer made contributions to the plan above the minimum level required by law. Generally, the excess contributions are counted as "credits" and may be applied in future years toward the minimum level of contributions a plan sponsor is required to make by law.

### Plan Liabilities

Plan Liabilities shown in line 3 of the chart above are the liabilities used to determine the Plan's funding target attainment percentage. This figure is an estimate of the amount of assets the Plan needs on the Valuation Date to pay for promised benefits under the Plan.

### Year-End Assets and Liabilities

The asset values in the chart above are measured as of the first day of the plan year. As of December 31, 2020, the fair market value of the Plan's assets was $81,658,692. On this same date, the Plan's liabilities were $95,031,839.

### Participant Information

The total number of participants in the plan as of the Plan's valuation date was 1,452. Of this number, 629 were active participants, 467 were retired or separated from service and receiving benefits and 356 were retired or separated from service and entitled to future benefits.

### Funding & Investment Policies

Every pension plan must have a procedure for establishing a funding policy to carry out plan objectives. A funding policy relates to the level of assets needed to pay for promised benefits. The funding policy of the Plan is to annually review the Plan's minimum funding requirement and budget contributions to meet this commitment. Methodist Health System (MHS) periodically considers the Plan's funded status and makes additional contributions in excess of the minimum required contributions when deemed appropriate.

Once money is contributed to the Plan, the money is invested by plan officials, called fiduciaries, who make specific investments in accordance with the Plan’s investment policy. Generally speaking, an investment policy is a written statement that provides the fiduciaries who are responsible for plan investments with guidelines or general instructions concerning investment management decisions. Oversight of the investment policy is the responsibility of the MHS Investment Committee of the Board.

The objective of the System's defined benefit plan is to provide assets to fund the plans' liabilities over time; specifically to fund the benefits payable to plan participants and beneficiaries at the time they become payable. In meeting this objective, the Committee seeks to achieve a high level of investment return consistent with a prudent level of portfolio risk, taking into account cash flows and liquidity needs.

The investment goal is to achieve a total rate of return that at a minimum meets the plans' actuarial assumed rate of return, net of fees and costs. Achievement of this goal will be measured over a market cycle, generally assumed to be 3-5 years.

The current target asset allocation is to invest Plan's assets in equities, fixed income, real estate/other investments and cash equivalents in the ratio 40% / 49% / 10% / 1% respectively. The Plan's Committee periodically reviews the Plan's allocation to confirm or adjust the targets.

Under the Plan’s investment policy, the Plan’s assets were allocated among the following categories of investments, as of the end of the Plan Year. These allocations are percentages of total assets:

| Asset Allocations | | Percentage |
|---|---|---|
| 1. | Cash (interest-bearing and non-interest-bearing) | 3% |
| 2. | U.S. Government securities | 22% |
| 3. | Corporate debt instruments (other than employer securities): | |
| | Preferred | 0% |
| | All other | 25% |
| 4. | Corporate common stocks (other than employer securities): | 10% |
| 5. | Partnership/joint venture interests | 10% |
| 6. | Value of interest in registered investment companies (e.g., mutual funds) | 30% |

## Right to Request a Copy of the Annual Report

A pension plan is required to file with the US Department of Labor an annual report called the Form 5500 that contains financial and other information about the plan. Copies of the annual report are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. For 2009 and subsequent plan years, you may obtain an electronic copy of the Plan's annual report by going to www.efast.dol.gov and using the Form 5500 search function. Or you may obtain a copy of the Plan's annual report by making a written request to the plan administrator. Individual information, such as the amount of your accrued benefit under the Plan, is not contained in the annual report. If you are seeking information regarding your benefits under the Plan, contact the plan administrator identified below under "Where To Get More Information."

## Summary of Rules Governing Termination of Single-Employer Plans

The following information is also required by law to be provided to plan participants.

Employers can end a pension plan through a process called "plan termination." There are two ways an employer can terminate its pension plan. First, the employer can end the plan in a "standard termination" but only after showing the PBGC that the plan has enough money to pay all benefits owed to participants. Under a standard termination, the plan must either purchase an annuity from an insurance company (which will provide you with periodic retirement benefits, such as monthly, for life or for a set period of time when you retire) or, if your plan allows, issue one lump-sum payment that covers your entire benefit. Before purchasing your annuity, your plan administrator must give you advance notice that identifies the insurance company (or companies) that your employer may select to provide the annuity. The PBGC's guarantee ends when your employer purchases your annuity or gives you the lump-sum payment.

Second, if the plan is not fully-funded, the employer may apply for a distress termination. To do so, however, the employer must be in financial distress and prove to a bankruptcy court or to the PBGC that the employer cannot remain in business unless the plan is terminated. If the application is granted, the PBGC will take over the plan as trustee and pay plan benefits, up to the legal limits, using plan assets and PBGC guarantee funds.

Under certain circumstances, the PBGC may take action on its own to end a pension plan. Most terminations initiated by the PBGC occur when the PBGC determines that plan termination is needed to protect the interests of plan participants or of the PBGC insurance program. The PBGC can do so if, for example, a plan does not have enough money to pay benefits currently due.

## Benefit Payments Guaranteed by the PBGC

If a single-employer pension plan terminates without enough money to pay all benefits, the PBGC will take over the plan and pay pension benefits through its insurance program. Most participants and beneficiaries receive all of the pension benefits they would have received under their plan, but some people may lose certain benefits that are not guaranteed.

The amount of benefits that the PBGC guarantees is determined as of the plan termination date. However, if a plan terminates during a plan sponsor's bankruptcy and the bankruptcy proceeding began on or after September 16, 2006, then the amount guaranteed is determined as of the date the sponsor entered bankruptcy.

The PBGC maximum benefit guarantee is set by law and is updated each calendar year. For a plan with a termination date or sponsor bankruptcy date, as applicable in 2021, the maximum guarantee is $6,034.09 per month, or $72,409.08 per year, for a benefit paid to a 65-year-old retiree with no survivor benefit. If a plan terminates during a plan sponsor's bankruptcy, and the bankruptcy proceeding began on or after September 16, 2006, the maximum guarantee is fixed as of the calendar year in which the sponsor entered bankruptcy. The maximum guarantee is lower for an individual who begins receiving benefits from the PBGC before age 65. The maximum guarantee by age can be found on the PBGC website, www.pbgc.gov The guaranteed amount is also reduced if a benefit will be provided to a survivor of the plan participant.

The PBGC guarantees “basic benefits” earned before a plan is terminated, which includes:

- Pension benefits at normal retirement age.
- Most early retirement benefits.
- Annuity benefits for survivors of plan participants.

The PBGC does not guarantee certain types of benefits:

- The PBGC does not guarantee benefits for which you do not have a vested right, usually because you have not worked enough years for the company.
- The PBGC does not guarantee benefits for which you have not met all age, service, or other requirements.

In some circumstances, participants and beneficiaries still may receive some benefits that are not guaranteed. This depends on how much money the terminated plan has and how much the PBGC recovers from employers for plan underfunding.

**Where to Get More Information**

For more information about this notice, you may contact Human Resources, at 402.354.2200 or by mail at Methodist Health System, Human Resources, 825 S 169th Street, Omaha, NE 68118. For identification purposes, the official plan number is 001 and the plan sponsor's employer identification number or "EIN" is 42-0680355. For more information about the PBGC, go to PBGC's website, www.pbgc.gov.

## Supplement to Annual Funding Notice of Jennie Edmundson Memorial Hospital Employees' Retirement Plan for plan year beginning January 1, 2020 and ending December 31, 2020 ("Plan Year")

This is a temporary supplement to your annual funding notice. It is required by the Moving Ahead for Progress in the 21st Century Act (MAP-21) and the American Rescue Plan Act of 2021 (ARPA). These federal laws changed how pension plans calculate their liabilities. The purpose of this supplement is to show you the effect of these changes. Prior to 2012, pension plans determined their liabilities using a two-year average of interest rates. Now pension plans also must take into account a 25-year average of interest rates. This means that interest rates likely will be higher and plan liabilities lower than they were under prior law. As a result, your employer may contribute less money to the Plan at a time when market interest rates are at or near historical lows.

The "Information Table" compares the impact of using interest rates based on the 25-year average (the "adjusted interest rates") and interest rates based on a two-year average on the Plan's: (1) Funding Target Attainment Percentage, (2) Funding Shortfall, and (3) Minimum Required Contribution. The funding target attainment percentage is a measure of how well the plan is funded on a particular date. The funding shortfall is the amount by which liabilities exceed net plan assets. The minimum required contribution is the amount of money an employer is required by law to contribute to a plan in a given year. The following table shows this information determined with and without the adjusted interest rates. The information is provided for the Plan Year and for each of the two preceding plan years, if applicable.

| Information Table | | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2018 | |
| | **With Adjusted Interest Rates** | **Without Adjusted Interest Rates** | **With Adjusted Interest Rates** | **Without Adjusted Interest Rates** | **With Adjusted Interest Rates** | **Without Adjusted Interest Rates** |
| Funding Target Attainment Percentage | 92.56% | 77.16% | 81.16% | 67.66% | 95.31% | 76.74% |
| Funding Shortfall | 4,791,975 | 17,665,505 | 11,641,052 | 23,965,897 | 2,681,102 | 16,536,580 |
| Minimum Required Contribution | 3,998,245 | 6,699,043 | 4,321,954 | 6,839,983 | 2,821,441 | 5,630,492 |