

# **Summary of Material Modifications to the Salem Health Hospitals & Clinics Retirement Plan**

**Employer Identification Number: 93-0823471  
Plan Identification Number: 002**

**Retirement Committee  
Salem Health  
890 Oak Street SE, Building B  
Salem, OR 97301**

**Telephone: (503) 561-5231**

Dear Participant or Beneficiary:

Since issuance of the May 1, 2019 edition of the Summary Plan Description ("SPD") booklet for the Salem Health Hospitals & Clinics Retirement Plan (the "Plan"), the Plan was amended as follows:

1. Eligibility for Certain Limited Duration Employees. The Plan was amended to allow certain employees hired for a limited duration, who had previously been excluded from the Plan, to participate in the Plan if otherwise eligible.
2. Rollovers by Terminated Participants. The Plan was amended to allow former employees who maintain a balance in the Plan to roll funds into their Plan accounts from other eligible retirement plans.
3. Expansion in Number of Loans Available. Participants and Beneficiaries were previously limited to no more than one Plan loan at any time. That limit has now been increased to two Plan loans at any time.

These changes are included below with references to the corresponding revised sections of the SPD booklet. Please keep this Summary of Material Modifications with your SPD booklet.

**Eligibility and Participation (page 4):** This section of the SPD booklet now reads as follows:

## **Eligibility and Participation**

Newly hired benefit-eligible employees may make pre-tax contributions to the Plan beginning on the first day of employment with Salem Health (formerly Salem Hospital) or Salem Health West Valley (formerly West Valley Hospital). We refer to both employers throughout this document as "Salem Health".

You become eligible to receive Matching Contributions to your account after you have completed at least one (1) Year of Eligibility Service and are making pre-tax contributions.

You will receive a Year of Eligibility Service for each 12-month period of continuous employment by Salem Health. Special rules apply if you have periods of broken service during your Year of Eligibility Service.

You will receive Experience Contributions to your account if you have completed at least one (1) Year of Eligibility Service, are making pre-tax contributions, and have completed at least one year of Benefit Service. You earn Benefit Service by working in a benefit-eligible position. Special rules apply if you have periods of broken service during your Year of Benefit Service.

As a regularly scheduled part- or full-time employee, you will receive Matching and Experience Contributions only if you make pre-tax contributions into your 401(k) account.

However, you are not eligible to participate in the Plan if you –

- are a leased employee
- are classified by the employer as an independent contractor
- work on an on-call basis and either have no regular work schedule or are regularly scheduled to work fewer than eight hours per week (i.e., a “U” status employee)
- are an employee covered by a collective bargaining agreement (CBA), unless the CBA provides otherwise.

#### **“U” Status Employees & Other Ineligible Employees**

If you are an ineligible employee or are not a regularly scheduled employee of Salem Health but work on an on-call basis (i.e., a “U” status employee) then you are not eligible to make or receive contributions to the Plan. You are not considered to have a severance of employment for distribution purposes, but you do have some in-service withdrawal capabilities. See Payments from the Plan While Employed for further details.

**Rollover Contribution (page 12):** This section of the SPD booklet now reads as follows:

#### **Rollover Contribution**

If you are an eligible employee of Salem Health and you have a balance in a qualified plan with a previous employer, you can roll over that money to this Plan after you begin employment with Salem Health, even if you have not met the eligibility requirements of the Plan. You may also roll over money to the Plan from another eligible retirement plan if you are a terminated Participant who maintains a balance in the Plan. The rollover contribution, however, is subject to approval by the Retirement Committee or its delegate.

If you choose to roll over your money, you can immediately take advantage of the loan and withdrawal options described later in this SPD. You may make direct (trustee-to-trustee) pre-tax or after-tax rollovers to this Plan from any eligible qualified retirement plan (e.g., 401(k), 403(b), IRA, etc.). You may also make an indirect pre-tax rollover to this Plan from any eligible retirement plan. After-tax amounts may not be indirectly rolled over into this Plan. Amounts from Roth accounts and 457(b) plans may not be rolled over into this Plan (regardless of whether a proposed rollover would be by direct or indirect means).

Other special rules apply to rollover contributions.

To obtain information about rollover contribution rules or to make a rollover contribution, log into NetBenefits® or call 800-343-0860.

**Loans (page 17):** This section of the SPD booklet now reads as follows:

## **Loans**

Using NetBenefits® or the telephone hotline, you can elect to borrow from your investment funds in the Plan. You can set the amount of your loan and the repayment schedule that's best for you through a process called loan modeling. After you enter various loan amounts and repayment frequencies, the loan modeling process calculates your loan payments.

You may request a:

- **General purpose loan for any reason.** You have up to five years to repay this loan. General purpose loans are paperless, which means that the loan is initiated based on the information you enter into the hotline or [netbenefits.com/SalemHealth](https://netbenefits.com/SalemHealth) website. Signing the loan check signifies your acceptance of the loan terms.
- **Primary residence loan to purchase your primary residence.** You have up to 15 years to repay this loan. The Retirement Committee may request proof of purchase for your primary residence. When you apply for a loan, you will receive (be able to print if online) the requested documentation including the promissory note and the "Truth in Lending" disclosure. If you use the telephone hotline, the paperwork will be mailed to your home. You must complete the paperwork and return it to Fidelity in order to initiate a home loan.

## **Loan Amount**

The minimum amount you may borrow is \$1,000.

The maximum amount of your loan, when added to the balance of any other Plan loan, is 50% of your vested account balance, excluding your Matching, Experience and Performance Contributions and QNEC and VCH Match accounts, or \$50,000, whichever is less. If you had a previous loan or loans, the \$50,000 will be reduced by any principal payments you made on Plan loans during the last 12 months.

Plan loans may be funded from your account balances, excluding your Matching, Experience, and Performance Contributions and QNEC and VCH Match accounts.

You may have no more than 2 outstanding loans at any time: either two general purpose loans or one general purpose loan and one primary residence loan.

### **Interest Rate**

The interest rate you pay on a loan is the prime rate, plus 1%. The interest is paid back to your account(s) as you make repayments.

The interest rate is updated once per quarter.

### **Loan Funding and Repayments**

Your loan is funded proportionally from your existing accounts (excluding the Matching, Experience and Performance Contributions Accounts and QNEC and VCH Match Accounts).

You repay your loan through mandatory payroll deductions. Your loan payments are reinvested according to your investment elections for future contributions. You may prepay your outstanding loans at any time with a single lump-sum payment.

Upon leaving Salem Health, you may repay your outstanding loan(s) within 90 days with a single lump-sum payment. If you are not able to repay the outstanding loan balance, your loan may be declared in default and offset by this Plan. Under IRS rules, however, you may still be able to roll over to another eligible retirement plan any unpaid loans that have been offset by this Plan, if you do so by the tax filing deadline (with extensions) for the year in which your employment terminated. Please consult your tax advisor for additional information about this option. Additionally, due to the COVID-19 pandemic, a special rule was put in place for new loans taken between April 1, 2020 and December 31, 2020, which allows such loans to be repaid after termination of employment, if necessary, through ACH transfer.

If you are performing services in the uniformed services, whether or not it qualifies as Military Leave, no loan repayments are required during the period of military service, but interest continues to accrue on the outstanding balance. If you provide proper notice, interest on the loan will not exceed 6 percent per year. Your period of military service shall not be taken into account in determining the maximum loan term and repayments will resume as scheduled when your military service ends.

### **Defaulting on a Loan**

Your loan may be declared delinquent if you fail to make a regularly scheduled payroll deduction for 30 days or in default if payments are not made in full by the end of the quarter following the quarter a payment is missed, or if your

employment terminates for any reason and you do not repay the outstanding balance of your loan as required in the Plan's loan procedures. In general, if you are in danger of defaulting on your loan, the recordkeeper will send warning letters to your last known address 30 days and 60 days before declaring a default. If you still do not remit payment, the recordkeeper will default your loan.

**Tax Upon Default**

A loan is not considered taxable income. However, if you default on your loan, the outstanding loan balance will become a taxable distribution to you. In addition, if you are not yet age 59½, a 10% additional income tax may apply.

If you have questions about the information presented here, please feel free to contact your Human Resources Department at 503-561-5231.

Sincerely,

RETIREMENT COMMITTEE