

**Sharp\$aver**  
Retirement Plan



**Summary Plan Description**

Effective January 1, 2024



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# Sharp\$aver RETIREMENT PLAN

## — Summary Plan Description —

### Introduction

This summary presents the highlights and an explanation of the Sharp\$aver Retirement Plan. It will help you understand your benefits and your rights under the Plan.

If you have questions about the Plan, *Your Benefits Resources™* will be able to help you via the Plan Web site at

[www.yourbenefitsresources.com/sharp](http://www.yourbenefitsresources.com/sharp)

or by phone at

**1-877-742-7705.**

*Your Benefits Resources™* has copies of the official Plan documents and the trust agreements, which govern the operation of the Plan and state all of its provisions in detail.

A copy of the official plan documents and/or of the trust agreements for the Plan will be furnished to you upon request at a nominal charge. Such a request should be made in writing and addressed to the Plan Administrator, at the Plan Sponsor's address found at the end of this booklet.

Please note that this is only a summary of the more significant provisions of the Plan. To make the summary as clear and concise as possible, some rules are only described in abbreviated form, and others are not mentioned at all. For this reason, you should read the official Plan text if you need a complete statement of all provisions.

If there is any ambiguity in this summary, or if there is any conflict between this summary and the official Plan documents, then the official Plan documents will control.

## Highlights

Providing for a financially secure retirement is, for most individuals, their most important financial priority. Sharp HealthCare is committed to assisting you in this effort. This booklet has been prepared to help you understand how you can benefit by using the Sharp\$aver Retirement Plan and to help you begin now to plan for your retirement years.

Sharp HealthCare helps you build your personal future security through the Sharp\$aver Retirement Plan. The Plan offers you a unique opportunity to save with these features:

- *You may save from 1% to 100% of your eligible Earnings after deductions for taxes, wage garnishments, employee benefits and other committed deductions not to exceed statutory limits, through convenient payroll deductions made on an after-tax basis.*
- *Sharp HealthCare matches a percentage of your After-Tax Contributions.*
- *You may direct the investment of most Plan contributions among several investment funds.*
- *Withdrawals are permitted, while employed, from your After-Tax Contributions, employee contributions under the Former Plan, Rollover Contributions (if any), and their earnings.*

The Plan consists of two plans:

- **SHARP\$AVER DEFINED BENEFIT PLAN (“DB PLAN”)**, which is a cash balance plan, a type of defined benefit plan. Each pay period your DB Plan account is credited with your After-Tax Contribution of 1% of Earnings and Employer Matching Contributions equal to 2% of Earnings, and defined interest rates. DB Plan benefits are based on your cash balance account. Effective January 1, 2023, the Grossmont Hospital Retirement Plan merged into and became part of the Sharp\$aver DB Plan.
- **SHARP\$AVER DEFINED CONTRIBUTION PLAN (“DC PLAN”)**, which is a defined contribution plan where your retirement benefit equals the value of your plan account at distribution.

## Definitions

**ACCOUNTS** means all accounts held under this Plan in your name.

**ACTIVE PARTICIPANT** in the Sharp\$aver DB Plan means a Participant who is contributing 1% of Earnings as After Tax Contributions to the Sharp\$aver DB Plan and is receiving Matching Contributions. An Active Participant in the Sharp\$aver DC Plan means a Participant who is also contributing at least 1% of Earnings as After Tax Contributions to the Sharp\$aver DC Plan and is receiving Matching Contributions.

**ACCRUED BENEFIT** under the defined benefit plan means the following:

- a. *If your hire date is on or after January 1, 2010, the Accrued Benefit is the age 65 life annuity that is the actuarial equivalent of your cash balance determined as of a specified date.*
- b. *If your hire date is before January 1, 2010, the Accrued Benefit means the amount of the annual retirement benefit you have earned as a single life annuity commencing on your normal retirement date (age 65).*
- c. *If your hire date is before January 1, 2010 and your rehire date is on or after January 1, 2010, the Accrued Benefit earned before your rehire date is determined as defined in b. above. Your Accrued Benefit earned after your rehire date is determined as defined in a. above.*

Your accrued benefit will never be less than the accumulated contributions as of the applicable determination date.

**AFTER-TAX CONTRIBUTIONS** means contributions made by you on an after-tax basis in a whole percentage up to 100% of your Earnings. The first 1% contribution is directed to the DB Plan and the remaining contributions are directed to your DC Plan Account. After-tax contributions are calculated as a percentage of Earnings, after all applicable deductions for taxes, employee benefits, wage garnishments, and any other committed deductions have been made, not to exceed statutory limits.

**EARNINGS** means your regular base pay, overtime pay, double time pay, lump sum merit increases, incentive pay (for transcriptionists only), premium pay, call-back pay, retro pay, in-house registry, visits, education pay (orientation), education overtime pay, education double time pay, Extended Sick Insurance (ESI) and Paid Time Off (PTO) while you are a Plan Participant. However, Earnings does not include bonuses, shift differential

pay, on-call pay, flex dollars, automobile allowances, commissions, severance pay, annual voluntary PTO lump sum payouts, jury duty and bereavement pay or compensation in excess of \$345,000 (or other dollar limit set by federal law in a year). This annual pay limit will be indexed for inflation in future years, when applicable, in accordance with IRS guidelines.

**ELIGIBLE EMPLOYEE** means those employees of Sharp HealthCare who satisfy the requirements described on page 6.

**YOUR BENEFITS RESOURCES™** means the Sharp HealthCare Customer Service Center and Internet Web site servicing the SharpSaver Retirement Plan.

**EMPLOYER** means Sharp HealthCare.

**FORMER PLAN** means the Sharp Account Retirement Plan and the Sharp Rees-Stealy Cash Accumulation Pension Plan for purposes of the DB Plan. For purposes of the DC Plan, "Former Plan" means the Community Hospital of Chula Vista Money Purchase Pension Plan, Mission Park Clinic Employees Savings Plan, Sharp Cabrillo Hospital Employees' Savings-Incentive Plan, and the Southern California Healthcare Services 401(k) Plan.

**INACTIVE PARTICIPANT** means a Participant who is not contributing to the Plan and who is not receiving Matching Contributions.

**MATCHING CONTRIBUTIONS** means contributions made by Sharp HealthCare as described on pages 9 and 10.

**NORMAL RETIREMENT DATE** under the defined benefit plan is the date you attain age 65.

**PARTICIPANT** means an Eligible Employee who elects to participate in accordance with the provisions in the section called "Eligibility and Participation" on pages 6 and 7 and includes, where required, a former Participant entitled to benefits from this Plan.

**PLAN ADMINISTRATOR** means Sharp HealthCare.

**PLAN YEAR** means the calendar year (January 1 through December 31).

**PLAN** means the Sharp\$aver Retirement Plan, which is comprised of the Sharp\$aver Defined Benefit Plan and the Sharp\$aver Defined Contribution Plan, as amended from time to time. Effective January 1, 2023, the Grossmont Hospital Retirement Plan was merged into and became a part of the SharpSaver Retirement Plan. All benefits previously accrued under the Grossmont Hospital Retirement Plan are now payable from the SharpSaver Retirement Plan. Effective January 1, 2023, otherwise eligible Sharp HealthCare employees assigned to work at Grossmont Hospital became eligible to participate and accrue benefits in the SharpSaver Retirement Plan.

**REHIRE DATE** means the first day you are credited with an hour of service after incurring a break in service, or the first day you are credited with an hour of service after not having been credited with an hour of service on any of the preceding 365 days.

**ROLLOVER CONTRIBUTIONS** means your contributions made to the Plan in accordance with the provisions in the “Rollover Contributions” section on page 8.

**SOCIAL SECURITY RETIREMENT DATE** means the date that unreduced Social Security benefits can begin based on the year you were born as follows:

YEAR OF BIRTH	SOCIAL SECURITY RETIREMENT DATE
Before 1938	Age 65
1938-1954	Age 66
1955 or after	Age 67

**VESTING SERVICE** means the service as described in the section called “Vesting” on pages 16 and 17 which determines when you have a non-forfeitable right to your Accounts.

**YOUR BENEFITS RESOURCES™** is the Sharp HealthCare Customer Service Center and Internet Web site servicing the Sharp\$aver Retirement Plan. You can reach *Your Benefits Resources™* two ways:

Via the Internet at: [www.yourbenefitsresources.com/sharp](http://www.yourbenefitsresources.com/sharp) (available anytime); or by calling **1-877-SHARP05** (1-877-742-7705) from 5 a.m. to 5 p.m. Pacific Time, Monday through Friday.

## Eligibility and Participation

### WHO IS AN ELIGIBLE EMPLOYEE?

In order to be considered an “Eligible Employee” for purposes of the Plan, you must meet the following requirements:

- *Be employed by Sharp HealthCare; and*
- *Be a full-time, part-time or per diem employee.*

The following employees are not eligible to participate in the Plan:

- *Members of a collective-bargaining unit that does not provide for Plan participation,*
- *Non-resident aliens,*
- *Employees that the Employer has classified as temporary employees,*
- *Traveling nurses. A “traveling nurse” is a nurse who is employed through a nurse registry or similar organization to whom the Employer pays a fee, and*
- *Employees at a management level of Senior Vice President or higher.*

### HOW SOON CAN I ENROLL?

You may become a Plan Participant on your Sharp HealthCare hire date, provided you are an Eligible Employee and complete the enrollment process. If you do not enroll immediately, you can enroll in the Plan as of any later pay period as long as you are then an Eligible Employee.

### ENROLLMENT

Once you are eligible to participate, you will automatically receive an enrollment booklet. When you enroll, you will be asked to:

- *Indicate the percentage from 1% to 100% (in a whole percentage) after deductions for taxes, wage garnishments, employee benefits and other committed deductions not to exceed statutory limits, of your eligible Earnings you want to save on an after-tax basis;*
- *Authorize payroll deductions;*
- *Name a beneficiary; and*
- *Choose between the different investment options available under the Plan for certain contributions.*
- *You will enroll in the Plan through Your Benefits Resources™.*

## BECOMING AN INACTIVE PARTICIPANT

Under the circumstances listed below, your After-Tax Contributions will stop. In addition, Sharp HealthCare's Matching Contributions will not be made on your behalf while you are an Inactive Participant. However, your Accounts will remain in the Plan, and you will continue to direct the investment of your DC Plan Account in the same manner as when you were an Active Participant. Also, your Accounts will continue to share in the DB Plan's stated interest rates, and the DC Plan investment gains, losses, and expenses of the Plan.

You will be considered an Inactive Participant in the Plan for any period during which:

- *You are on an authorized leave of absence without pay, or*
- *You receive no regular Earnings for any other reason, or*
- *You no longer qualify as an Eligible Employee, or*
- *You voluntarily elect to discontinue all of your After-Tax Contributions, or*
- *Your After-Tax Contributions are stopped as a consequence of you making a withdrawal under the Plan (see pages 14-16), or*

## WHEN DOES MY PARTICIPATION END?

Your participation ends when you are no longer a Sharp HealthCare employee and your entire vested Account balances have been distributed.

# Employee Contributions

## WHO MAY CONTRIBUTE?

Once you have enrolled, you may make After-Tax Contributions to the Plan as long as you remain an Eligible Employee and are not considered an Inactive Participant.

## HOW MUCH MAY BE CONTRIBUTED?

You may contribute any whole percentage, from 1% to 100% of your eligible Earnings. To receive Matching Contributions under both the DB Plan and the DC Plan, you must contribute 1% to the DB Plan, and at least 1% to the DC Plan. In order to receive the maximum available employer match, you must contribute 1% to the DB Plan and 5% to the DC Plan, for a total

contribution rate of 6%. In the case of certain highly compensated employees, contributions to the Plan may be limited as described on page 10.

If you elect to contribute a high contribution percentage (e.g. 50%-100%) to the Plan early in the calendar year, you may reach the annual dollar contribution limit set by federal law in a year, as described on page 10. When this occurs, your contributions to the Plan will automatically stop and you will forgo any Matching Contributions that you would have received by continuing regular contributions to the Plan for the remainder of the calendar year.

### HOW ARE CONTRIBUTIONS MADE?

When you first enroll in the Plan, you will specify what percentage of your Earnings you wish to contribute. The percentage you have elected will be deducted from each of your paychecks until you change or cancel your election. Please note that the dollar amount of your contribution will adjust automatically if your pay changes.

### MAY I CHANGE MY ELECTION?

Yes, the percentage you have elected to contribute can be changed at any time. When you make a change it will be reflected in your paycheck in one or two pay periods.

### MAY I STOP CONTRIBUTING?

Yes, you may completely discontinue your After-Tax Contributions to the Plan whenever you wish. Generally, the cancellation will take effect in one to two pay periods after the date that you notify *Your Benefits Resources™* via the internet at [www.yourbenefitsresources.com/sharp](http://www.yourbenefitsresources.com/sharp) or by calling the Customer Service Center at **1-877-742-7705**. To resume contributions, you will process a contribution rate change via the internet Web site or by calling the Customer Service Center.

### ROLLOVER CONTRIBUTIONS

If you are an Eligible Employee, you may make Rollover Contributions to the DC Plan portion of the Plan. Rollover Contributions are certain distributions from qualified retirement plans or qualified rollover IRAs that are rolled over to the DC Plan within 60 days of when you receive the distribution or which are directly rolled-over to the DC Plan from another qualified plan. You may invest Rollover Contributions in the same investment funds that are available for investment of your DC Plan Account. Rollover Contributions are not eligible for Sharp HealthCare Matching Contributions. (See "Employer Contributions" on the next page.)

## Employer Contributions

### HOW MUCH DOES SHARP HEALTHCARE CONTRIBUTE?

Matching Contributions are generally made each pay period based on your After-Tax Contributions made during that pay period. If you contribute 1% to the DB Plan, Sharp HealthCare contributes a Matching Contribution to the DB Plan equal to 2% of your Earnings. The DC Plan Matching Contributions equal 50% of your After-Tax Contributions to the DC Plan. Participants with 20 or more years of service and contributing 6% to the Plan receive a 6% matching contribution. The following schedule illustrates the contributions for both the DB Plan and the DC Plan:

EMPLOYEE CONTRIBUTION*	EMPLOYER MATCHING CONTRIBUTION	TOTAL CONTRIBUTION
1%	2.0%	3.0%
2%	2.5%	4.5%
3%	3.0%	6.0%
4%	3.5%	7.5%
5%	4.0%	9.0%
<b>IF LESS THAN 20 YEARS OF ELIGIBLE SERVICE:</b>		
6%	4.5%	10.5%
<b>IF 20 OR MORE YEARS OF ELIGIBLE SERVICE:</b>		
6%	6.0%	12%
Beyond 6%	No employer match beyond 6% employee contribution	No employer match beyond 6% employee contribution

\*The first 1% is always contributed to the DB Plan.

**Example:** Assume you have less than 20 years of service and elect to contribute 6% of Earnings to the Plan (1% to the DB Plan and 5% to the DC Plan) on an after-tax basis. The first 2% of Matching Contributions is credited to your DB Plan Account. The remaining 2.5% of Matching Contributions (5% times 50%) is credited to your DC Plan Account, for a total 4.5% Matching Contribution to the Plan.

### DC PLAN CONTRIBUTION LIMITATIONS

To ensure that the Plan complies with various contribution restrictions of the Internal Revenue Code, Sharp HealthCare may require any Participant

to reduce or discontinue After-Tax Contributions, or may return excess After-Tax Contributions and related vested Matching Contributions, and their earnings to any Participant. Excess unvested Matching Contributions and their earnings may be forfeited to comply with the annual contribution ceiling imposed by the Internal Revenue Code or an annual nondiscrimination test. This nondiscrimination test compares the After Tax Contributions made by highly compensated Participants (Participants whose gross pay for the prior Plan Year is more than \$155,000, an indexed amount) to all other Participants in order to assure that the DC Plan's tax benefits are shared equitably by all Participants. Moreover, if Matching Contributions are made by mistake, Matching Contributions may be returned to Sharp HealthCare.

The Internal Revenue Code also includes certain limitations on the total amount that may be allocated each year to an individual Participant. As of January 1, 2024, the limit is the lesser of \$69,000 (an indexed amount) or 100% of the Participant's gross compensation. The After-Tax Contributions and Matching Contributions made on your behalf each year count under these limits but Rollover Contributions are disregarded.

## *DB Plan Interest Rates*

Each month the DB Plan credits your 1% After-Tax Contributions and Sharp's 2% Matching Contributions with interest at an annual rate equal to the greater of 6% or 120% of the federal mid-term rate in effect as of each January.

## *Service After Normal Retirement Age*

If you continue employment after age 65, and continue contributing to the Plan(s), you will continue receiving the Matching Contributions. When you retire, your DC Plan benefit will equal the value of your DC Plan account at the time of distribution. **If your hire date is prior to January 1, 2010**, your DB Plan benefit will be a single life annuity actuarially equivalent to the greater of either (i) your DB Plan account credited with the After Tax Contributions, Matching Contributions and interest through your retirement date, or (ii) the single life annuity based on your DB Plan account as of age 65 actuarially increased to your post-age 65 retirement date. **If your hire date is on or after January 1, 2010**, your DB plan benefit will be your cash balance account as of your post-age 65 retirement (or if you take your benefit in the form of an annuity, an annuity that is the actuarial equivalent of your then current cash balance account). If you terminate service before age 65 when

your vested balance is greater than \$7,000, and you provide your written consent to postpone your retirement to a date after age 65 but before age 72, your DB Plan benefit will be the single life annuity based on your DB Plan account as of age 65 actuarially increased to your post-age 65 retirement date. With spousal consent, you can elect to receive your DB Plan benefit in the form of a lump sum.

## How DC Account Balances Could Grow

You direct the investments of your DC Plan Account among the various investment fund options offered by the Plan. Each business day, your DC Plan Account is credited with the investment gains and losses. A description of each investment fund is provided in the enrollment materials. You should select an investment fund—or a combination of investment funds—that meets your requirements and that involves a level of risk that you find acceptable.

Some of the funds available for your investment choice may involve a greater risk of short-term losses to your Account accompanied by the chance to earn a greater return on your money over the long term. Other funds may offer a steady and more predictable investment return, with less risk of loss in any year, but with less of a chance to earn much more than the rate of inflation. Information regarding the investment funds can be obtained through the *Your Benefits Resources™* Web site at [www.yourbenefitsresources.com/sharp](http://www.yourbenefitsresources.com/sharp) or by accessing the Plan's internet site and linking to the Russell Web site or by calling the Customer Service Center at **1-877-742-7705**.

### INVESTMENT RISKS

You should be aware that each of the investment funds is subject to a degree of investment risk and that the different funds are exposed to different kinds and levels of risk.

In general, fixed income investments such as bonds are subject to a risk of principal loss when interest rates rise and to possible defaults in the payment of interest or the repayment of principal. Equity investments (stocks) depend on market perceptions of the expected profitability of the enterprises. Both types of investments are also affected by general economic and market conditions. The Investment Contract Fund offers the least risk of loss of principal, but because there is typically less investment risk, it may provide lower long term investment returns. This presents the risk that your money may not grow enough to meet your retirement needs.

None of the investment funds offered under the Plan is insured by any government agency. In addition, Sharp HealthCare does not make any guarantee with respect to the performance of funds directed by the employee. You should recognize that any investment fund could incur losses.

Please refer to your enrollment materials for information on selecting investments.

### **ADMINISTRATIVE EXPENSES**

A small portion of administration fees for the DC Plan are paid from Plan assets.

### **PLAN VALUATIONS**

The value of your Accounts will be adjusted daily to reflect the current market value of the investment fund(s) in which those Accounts are invested.

### **ACCOUNT STATEMENTS**

Four times each year, as of each March 31, June 30, September 30 and December 31, you will receive a statement regarding the value of your Accounts. This statement tells you how much each of your Accounts were worth at the last statement date, how much money you contributed, how much money Sharp HealthCare has contributed, and the amount of investment earnings (or losses) that were allocated to your Accounts.

### ***YOUR BENEFITS RESOURCES™***

In addition to receiving account statements, you also have access to information about your Accounts through *Your Benefits Resources™*, via the internet Web site at

**[www.yourbenefitsresources.com/sharp](http://www.yourbenefitsresources.com/sharp)**

(available anytime) or the

Customer Service Center by calling

**1-877-742-7705**

from 5 a.m. to 5 p.m. Pacific time,

Monday through Friday.

The *Your Benefits Resources™* Web site is your online resource for detailed personalized information about your Sharp\$aver Accounts. Through the Web site, you can:

- *enroll in the Plan*
- *change After-Tax Contribution rates*
- *obtain daily price information for investments*
- *make account balance inquiries*
- *transfer funds between investment options*
- *make investment direction changes*
- *make withdrawal availability inquiries*
- *obtain investment types and information*
- *elect automatic rebalancing of the employee-directed portion of your Accounts. Once selected, your Accounts can be automatically rebalanced to your preselected investment allocation as often as every 90 days.*

*Your Benefits Resources™* uses intuitive technology to ensure that only you have access to your personalized account information. When you visit the Web site or call the Customer Service Center for the first time, you will be asked to provide certain information for identification purposes. On the Web site, you will then be prompted to create a User ID and choose a password. Your password can contain letters, numbers, or both. If you set up your password over the phone you will need to choose a numeric password.

## SELECTION OF INVESTMENTS

### Investment Elections

You direct how your DC Plan Accounts are invested. You may choose to have contributions invested all in one fund, or allocated in 1% multiples up to 100% among one or more of the funds. Any earnings that accrue in an investment fund are automatically reinvested in the same fund. Please refer to your enrollment materials for a description of the Plan's investment options.

### May I Change My Investment Instructions?

You can change your investment directions for future contributions through *Your Benefits Resources™*, via the internet Web site or the Customer Service Center each business day. The change will apply to all new DC Plan Contributions made after the new investment directions are received.

### May I Transfer My Funds?

In addition to new investment direction for future contributions, you can change the investment “mix” of the amounts contributed in the past, as long as you specify the percentage value you want in each of your investment funds in 1% multiples. You can do this through *Your Benefits Resources™* via the internet Web site or the Customer Service Center each business day.

## Withdrawals While Employed

### GENERAL PURPOSE WITHDRAWALS

You may withdraw for any reason all or any part of your After-Tax DB or DC Contributions and their earnings, and any other after-tax employee contributions you made under the Former Plans. However, the after-tax employee contributions to the Community Hospital of Chula Vista Money Purchase Pension Plan and the Sharp Cabrillo Hospital Employees' Savings-Incentive Plan, and their earnings are not available for withdrawal while you are employed. In addition, you may also withdraw Rollover Contributions (if any) and their earnings. If you are married, your spouse must consent to a withdrawal from your DB Account. You can request one withdrawal from each plan in any twelve-month period.

If you make a general purpose withdrawal, you are suspended from making After-Tax contributions for a period of 6 months after the withdrawal date. Your contributions will automatically resume following the suspension period at your prior election rate.

Withdrawals are taken proportionately from your After-Tax Contributions and earnings, then from your Rollover Contributions and earnings (if any). Matching Contributions cannot be withdrawn for any reason while you are employed by Sharp unless you are age 62 or older and elect a phased retirement distribution. Withdrawals are made in cash and, except for principal employee contributions, are subject to the tax consequences discussed on pages 27-30. Contact *Your Benefits Resources™* if you are interested in making a withdrawal.

### PHASED RETIREMENT DISTRIBUTIONS

If you reach age 62 on or after January 1, 2007, and you are 100% vested in your Plan Accounts, you can request an in-service withdrawal of your entire vested DC and DB Plan Accounts. Your participation is not suspended

following this distribution and your After-Tax Contributions and Employer Matching Contributions will continue uninterrupted. You can request one withdrawal from each plan in any 12 month period. At termination, your DC Plan Account will be based on the contributions made following the withdrawal and its value determined as of the business day immediately following the processing of your distribution request. Your DB Plan Account will be based on the contributions and interest credited after the withdrawal and will be valued as of the first of the month including your distribution date.

### **FINANCIAL HARDSHIP WITHDRAWALS – Mission Park Clinic Employees Savings Plan and Southern California Healthcare Services 401(k) Plan Accounts**

You may request a withdrawal while you are employed from your vested Mission Park Clinic Employees Savings Plan and Southern California Healthcare Services 401(k) Plan accounts if you have a “financial hardship,” provided you have first received all other withdrawals and distributions you may be entitled to under all plans maintained by Sharp HealthCare. Under IRS rules, earnings on your before-tax contributions generally may not be withdrawn due to a financial hardship.

A “financial hardship” is defined as an immediate and heavy financial need where you lack other available resources. Only the following financial needs are considered immediate and heavy:

- *The payment of expenses incurred or necessary for your medical care or the medical care of your spouse, children or dependents;*
- *The construction or purchase (excluding mortgage payments) of your principal residence;*
- *The payment of tuition and related educational fees for the next 12 months of post-secondary education for you or your spouse, children or dependents;*
- *The prevention of your eviction from, or foreclosure on the mortgage on your principal residence;*
- *Payment of funeral or burial expenses for your parent, spouse, children or dependents;*
- *The expenses for the repair of damage to your principal residence that would qualify as a deduction on your income tax return (without regard to whether the loss is more than 10% of your adjusted gross income); and*
- *Any other financial need that has been deemed an immediate and heavy financial need by the Commissioner of Internal Revenue.*

A financial hardship withdrawal is also subject to the following rules:

- *You must obtain all distributions available to you from any plan sponsored by Sharp HealthCare before a hardship withdrawal will be granted.*
- *You cannot have other hardship withdrawals within the last 12 months.*
- *If you are married, spousal consent is required.*
- *You may not withdraw more than is necessary to meet your financial need plus an amount needed to pay income taxes and penalties resulting from the distribution.*

A financial hardship withdrawal is not a loan; you do not have to pay back the DC Plan. But a hardship withdrawal is taxable to you, and may result in a 10% federal penalty tax for early distribution if you are younger than age 59½.

### HOW DO I MAKE A WITHDRAWAL?

If you would like to make a withdrawal from your DC Plan Account you can do so via the Web site at [www.mybenefitsresources.com/sharp](http://www.mybenefitsresources.com/sharp). If you would like to make a withdrawal from your DB Plan account, contact the Customer Service Center at **1-877-742-7705** to obtain the withdrawal form. It will take approximately one week to process a withdrawal from your DC Plan account and up to 2 months to process a withdrawal from your DB Plan account.

### WILL A WITHDRAWAL BE TAXABLE?

After-Tax Contributions which are returned to you are not taxable. Under IRS rules, however, some portion of the withdrawal is considered a return of earnings, and those amounts are taxable. Taxable amounts are usually taxed at ordinary income rates. An additional 10% tax may apply to the taxable amount of withdrawals made before you attain age 59½ and withdrawals, to the extent taxable, are also subject to 20% federal withholding. (See pages 27-30 for additional information.)

## Vesting

### AFTER-TAX CONTRIBUTIONS AND ROLLOVER CONTRIBUTIONS

All After-Tax Contributions, employee contributions you made under a Former Plan, Rollover Contributions, and their earnings, are always 100% vested. *This means that no part of these contributions or earnings will ever be*

forfeited. Keep in mind, the value of the DC Plan holding these contributions may decline as a result of unfavorable investment experience.

## MATCHING CONTRIBUTIONS

You are 100% vested in your Plan Accounts if you are employed when you reach age 55, or you terminate your employment with Sharp HealthCare because of total disability or death. You are totally disabled if you are eligible either for Social Security disability benefits or benefits from the Sharp HealthCare long term disability plan. Once you are 100% vested, the entire value of your Plan accounts will be available to you (or your beneficiary) when you become eligible for a distribution.

If you terminate employment for any reason other than retirement on or after age 55, total disability or death, you will be entitled to only the vested amount in your Matching Contributions Account in accordance with the vesting schedules below

EMPLOYER MATCHING CONTRIBUTIONS	
VESTING SERVICE	VESTED PERCENTAGE
After 1 year	25%
After 2 years	50%
After 3 years	100%

If you have a Former Plan account, different vesting schedules apply to your Former Plan account. But if you have been continuously earning Vesting Service since January 1, 2002, you will be fully vested in your Former Plan account. If you have questions about these other vesting schedules, contact *Your Benefits Resources™*.

## VESTING SERVICE

For vesting purposes, Vesting Service includes all Plan Years while you are employed with Sharp HealthCare or any Sharp-related facility in which you are credited with at least 1,000 hours of service. An “hour of service” means each hour you work for Sharp HealthCare or any related Sharp HealthCare entity. You may also earn hours of service for hours you are paid while away from work for such things as:

- Paid Time Off (PTO)
- Extended Sick Insurance (ESI)

- *Jury Duty*
- *Paid Leaves of Absence*

You will also earn hours of service for hours you would have been paid, but were on an unpaid leave of absence. You will be credited with no more than 501 hours of service for any single continuous period during which you have performed no duties.

## FORFEITURES

If you leave before becoming fully vested, the non-vested portion of your Matching Contributions Account (or other applicable non-vested Account) will be forfeited on the earlier of:

- *the date you receive a complete distribution of your vested Accounts or*
- *the date you incur five one-year breaks in service (that is, you are credited with less than 501 hours of service in five consecutive calendar years)*

However, if you terminate service, take a distribution of your vested Accounts, and are later reemployed before incurring five consecutive one-year breaks in service, the forfeited portion of your Matching Accounts shall be restored. Your DC Account shall be restored to its value at the time of distribution, unadjusted for gains or losses. Your DB Plan Account shall be restored, adjusted for the interest credits from the time of the prior distribution. If you are reemployed after incurring five consecutive one-year breaks in service, your forfeited Accounts will not be restored. Forfeitures for any Plan Year will be used to reduce Sharp HealthCare's future Matching Contributions and in the DC Plan to pay reasonable plan expenses.

## ***Distribution of Your Plan Benefits***

### TERMINATION OF EMPLOYMENT ALLOWS DISTRIBUTION

If your employment terminates for any reason, your vested Accounts are eligible for distribution. Benefits can be paid (or commence) as soon as administratively possible following your termination date. If the value of your vested account under the DC Plan or the DB Plan is more than \$7,000, your consent is required.

## AMOUNT OF RETIREMENT BENEFIT

Your DC Plan benefit will equal the value of your vested Account as of the time of distribution. Your DB Plan benefit will be based on the value of your DB Plan Account as of your retirement date.

- a. *If your hire date is on or after January 1, 2010, and you elect a lump sum payment, the amount of the payment is equal to your cash balance as of the applicable determination date. If you take your DB Plan benefit in the form of an annuity, you will receive an annuity that is the actuarial equivalent of your then current cash balance account.*
- b. *If your hire date is before January 1, 2010, the single life annuity is determined by (i) projecting your cash balance account as of the determination date projected to your normal retirement date (age 65) at an annual interest rate of six percent (6%), and (ii) multiplying the result by a life expectancy factor of 1/13. If you elect to take your DB Plan benefit in the form of a lump sum, you will receive a lump sum that is the actuarial equivalent of your age 65 life annuity (provided that such lump sum will never be less than your then current cash balance account).*
- c. *If your hire date is before January 1, 2010 and you terminate your employment and then are rehired on or after January 1, 2010, your Accrued Benefit earned before your initial termination date is determined as provided in b. above. Your Accrued Benefit earned after your Rehire Date is determined as provided in a. above.*

If you were a participant in the Sharp Account Retirement Plan or the Sharp Rees-Stealy Cash Accumulation Pension Plan ("Prior Plan"), your DB Plan benefit will not be less than the present value of your Prior Plan accrued benefit plus your After Tax Contributions, Matching Contributions and interest.

## DB PLAN EARLY RETIREMENT BENEFIT IF HIRED BEFORE JANUARY 1, 2010

If your hire date is before January 1, 2010, you terminate service before age 65, and your vested percentage is greater than 0%, your vested DB Plan Account is available for distribution. If you elect to commence benefits before age 65, your vested DB Plan Account will be actuarially converted to a single life annuity payable at age 65. This annuity amount will then be actuarially reduced according to the schedule below in order to reflect that you will be receiving annuity payments over a longer period of time. This reduced amount will then be actuarially converted to the form of payment you select.

EXACT AGE AT RETIREMENT	PERCENTAGE OF VESTED AGE 65 ANNUITY PAYABLE
65	100.00%
64	93.33%
63	86.67%
62	80.00%
61	73.33%
60	66.67%
59	63.33%
58	60.00%
57	56.67%
56	53.33%
55	50.00%

If your retirement date is before age 55, your vested age 65 annuity will be actuarially reduced to reflect your age at retirement. If paid in a lump sum your benefit will never be less than your account balance.

### DB PLAN EARLY RETIREMENT BENEFIT IF HIRED ON OR AFTER JANUARY 1, 2010

If you are hired on or after January 1, 2010, your early retirement benefit will be your then current cash balance account (or if you take your benefit in the form of an annuity, an annuity that is the actuarial equivalent of your current cash balance account).

### HOW ARE ACCOUNTS PAID?

#### DC Plan Account

The DC Plan Account shall be paid in the form of a lump sum, or if you elect, fixed or calculated monthly installments payable over a period that you select provided the payout period is no longer than 20 years. If you elect either a lump sum or installments paid over a period of 10 years or less, you may elect to have the amount paid to an Individual Retirement Account (IRA) or another employer’s qualified plan. If you were a participant in the Community Hospital of Chula Vista Money Purchase Pension Plan or the Sharp Cabrillo Hospital Employees’ Savings-Incentive Plan and those accounts were transferred to the DC Plan, see Appendix A for a description of how those accounts can be distributed.

## DB Plan Account

When you retire, you will have the choice of receiving your benefit in the form of a cash lump sum or an annuity. Unless you elect otherwise, your DB Plan Account is payable as an annuity. If you are unmarried when benefits begin, a single life annuity will be payable for your lifetime; no death benefit will be paid following your death. If you are married when benefits begin, your DB Plan Account will be paid as a 50% Joint and Survivor Annuity. Under this form of payment you will receive a monthly annuity for your lifetime. Following your death, your surviving spouse will receive 50% of the amount payable during your lifetime. This monthly annuity is payable for your surviving spouse's lifetime.

## DB Plan Optional Payment Forms

With your spouse's written, notarized consent, you can elect one of the following optional forms of payment:

- 1. Lump Sum Payment:** *The value of your account paid in a single lump sum.*
- 2. Single Life Annuity:** *A monthly benefit payable for your lifetime with no benefits following your death.*
- 3. Joint and Survivor Annuity:** *A monthly benefit payable for your lifetime. Following your death, your surviving spouse will receive a monthly benefit equal to 50%, 75% or 100% of your monthly benefit (provided you were married at the time of your annuity start date and at the time of your death).*
- 4. Installments:** *A monthly benefit payable in equal installments for a guaranteed period of 5, 10 or 15 years. If you die during the guaranteed period, the remaining installments will be paid to your designated beneficiaries.*
- 5. Life Annuity with Guaranteed Period:** *A monthly benefit payable for life in equal installments with a guaranteed period of 5, 10 or 15 years. If you die during the guaranteed period, the remaining installments will be paid to your designated beneficiaries.*
- 6. Life Annuity with a Percentage Guaranteed Option:** *A monthly benefit payable in equal installments with 50%, 75% or 100% of your monthly benefit payable to your beneficiary following your death.*
- 7. Level Income Option:** *If you retire before your Social Security Retirement Date (as determined under Social Security Act rules) you can have higher payments made to you from this Plan before that retirement date. When you reach your Social Security Retirement*

*Date, your Plan payments decrease to take into account those Social Security payments. The goal is to provide, as nearly as possible, a level lifetime income from the combination of Social Security and Plan benefits. No death benefit is payable after your death to any beneficiary under this option.*

### **DB Plan – Spousal Consent**

If you are married, the value of your DB Plan Account is more than \$7,000, and you wish to receive your benefit in a manner other than the 50% Joint and Survivor Annuity with your spouse as your beneficiary, then your spouse's consent is required. Your spouse's consent must be in writing and witnessed by a notary public.

### **When Are My Accounts Valued?**

Your DC Plan Account is valued daily. When you terminate employment and take a distribution, the value of your DC Plan Account is the value of your account as of the next close of the New York Stock Exchange. Your DB Plan Account is valued as of the first of the month including the distribution date.

### **When Will I Receive My Benefit?**

If you cease to be employed by Sharp HealthCare for any reason (including retirement, total disability, or termination) and your vested DC Plan Account is valued at more than \$7,000, you may leave the DC Plan balance in the Plan until you attain age 72.

If your DB Plan Account is valued at more than \$7,000 and you do not consent to a distribution, the value of your Accounts will be determined as of the last day of the calendar month that follows your 65th birthday, and your Accounts will be distributed as soon as possible thereafter. However, you may elect in writing to delay payment up to age 72.

If you are younger than age 65, you do not have to elect a distribution at termination. The following options with respect to your Plan Accounts are available to you.

**If your total vested account benefit is greater than \$7,000** in either the DC or DB Plans, you may:

- *Leave your benefit in the Plan until a future date. You will be subject to the same rules and rights as all other participants. You may request payment at anytime in the future by contacting Your Benefits Resources™ at 1-877-742-7705.*

- *For the DC Plan, you may leave your account balance in the plan until you reach age 72.*
  - *For the DB Plan, you will automatically be contacted when you reach age 65 to either (a) receive your Plan benefit or, (b) make an election to defer payment until age 72.*
- *Rollover your eligible account benefit to an Individual Retirement Account at any time.*
  - *Rollover your eligible account benefit to another employer's qualified retirement plan at any time.*
  - *Take your account benefit as a taxable distribution at any time.*

## DISTRIBUTION PROCESS

### **If your total vested account benefit is less than or equal to \$7,000**

in either the DC or DB Plans, you will automatically receive the applicable notification(s) from the Plan record keeper at your home address. For the DC Plan, the notification will indicate that if you do not request a distribution or rollover of your account within 60 days, your benefit will automatically roll over to an Individual Retirement Account (IRA) in your name (outside of the plan). For the DB Plan, the notification will indicate that if you do not elect a distribution or rollover within 90 days, your account benefit will automatically roll over as a lump sum cash distribution to an Individual Retirement Account (IRA) in your name (outside of the plan). You will automatically receive a Welcome Kit from the IRA provider once the rollover of your account is completed.

## Death Benefits from the Plan

### WHAT WILL MY BENEFICIARY RECEIVE?

If you die before you begin receiving payments from the Plan, and your vested balance is greater than \$0, your beneficiary will receive the balance of your vested DC Plan Account and your vested accrued benefit under the DB Plan.

Your DC Plan Account will be paid in a lump sum to your beneficiary, or your beneficiary can elect to receive installments. If you have a transferred Chula Vista or Cabrillo Plan account, please see Appendix A for information about death benefits payable from these accounts.

Your beneficiary can elect any of the payment forms offered by the DB Plan. If your DB Plan beneficiary is your surviving spouse and he or she does not elect an optional form, the death benefit will be paid as an annuity based on the value of your vested DB Plan account as of the date the death benefit commences. Your spouse can elect to defer distribution until the date you would have reached age 72.

### **WHEN ARE DEATH BENEFITS PAID?**

If your beneficiary is not your surviving spouse, the DC Plan death benefit must be paid before the December 31st of the year that includes the 5th anniversary of the date of your death. If your spouse is your beneficiary, payment can be delayed until the date you would have reached age 72.

If your non-spouse beneficiary elects to receive the DB Plan death benefit in the form of an annuity, benefits must begin within one-year of your death. Otherwise, benefits to your non-spouse beneficiary must be fully distributed by the December 31st of the year that includes the 5th anniversary of your death. If your beneficiary is your surviving spouse, your spouse can elect to begin benefits at any time following your death and postpone benefits until the date you would have reached age 72.

### **DEATH AFTER BENEFITS COMMENCE**

If you die after you begin receiving payments from the Plan, your beneficiary will receive whatever amounts are due to him or her under the payment option you elected when payments began.

### **WHO IS MY BENEFICIARY?**

You can designate one or more persons to be your beneficiary under the Plan via the Web site or Customer Service Center. An authorization form is sent to you for spousal signature if you are married and your spouse is not the primary beneficiary. You can change your beneficiary (or beneficiaries) at any time via the Web site or Customer Service Center.

If you are married and wish to designate someone other than your spouse as beneficiary, even if it is a trust where your spouse is the sole beneficiary, your spouse must consent to your designation by signing and filing the proper form. Spousal consent must be witnessed by a notary public.

If you designate no beneficiary, or if all of your beneficiaries die before you do, then your vested Accounts will be automatically paid to your surviving spouse. If you have no spouse or your spouse dies before you do, your Accounts will be paid to your estate.

## How to Apply for Your Benefits

### WHERE AND WHEN SHOULD I APPLY?

*Your Benefits Resources™* is available to assist you in applying for your benefits and exercising your other rights under the Plan. To ensure timely payment, you (or your beneficiary) should file the appropriate forms as soon as possible. The forms must be completely filled out, signed and notarized, if applicable.

### WHAT IF MY APPLICATION IS DENIED?

Should your application for benefits be denied for any reason, the Plan Administrator will give you a written notice and an explanation of the denial. The Plan Administrator will also let you know if additional information is necessary to complete your application. Written notice of a claim denial is provided by the Plan Administrator within 90 days of receipt of the Participant's or beneficiary's claim, unless special circumstances require an extension of time. In that case, the Plan Administrator will notify you in writing of the extension within the initial 90-day period, and will give its decision within 90 days after the end of the initial 90-day period.

### CAN I APPEAL A DENIAL?

If your claim for benefits is denied or reduced, or if the Plan Administrator does not provide you with a written denial within the applicable 90-day period (or 180 days in the case of an extension for special circumstances) described above, you may appeal by submitting to the Plan Administrator a request for a review of the application within 60 days after receiving written notice of such denial by the Plan Administrator. You must file an appeal in writing within 60 days after the Plan Administrator notifies you of a denial. If you do not request a review of the determination within such 60-day period, you will not be able to challenge the determination. Your appeal should be sent to the Plan Administrator at the address at the end of this booklet. It should be in writing and should specify the reasons why you think your application should have been granted including all of the grounds on which it is based, all facts and documents in support of the request and any other matters which you determine to be pertinent. You may submit written comments, documents, records and other information related to the benefit claim on appeal.

The Plan Administrator on appeal will undertake a full and fair review of the claim and consider all comments, documents, records and other information you provide without regard to whether such information was

submitted or considered in the initial benefit determination. The Plan Administrator will consider your application and make a decision. If the decision is favorable, you will receive your benefit. If the determination is upheld and your application is denied, the Plan Administrator will give you a written explanation of the decision within 60 days of receiving the appeal, unless special circumstances require an extension of time. In that case, the Plan Administrator will advise you in writing of the extension within the initial 60-day period and will give its decision within 60 days after the end of the initial 60-day period.

### EXHAUSTION OF REMEDIES

If you are not satisfied with the determination or action taken in response to your written appeal, no legal action for benefits under the Plan shall be brought unless and until you have submitted a written claim for benefits, you have been notified by the Plan Administrator that the application is denied, you have filed a written request for a review of the application, and you have been notified in writing that the Plan Administrator has affirmed the denial of the application. However, you may not bring legal action under section 502(a) of ERISA if you have failed to bring such claim within the period prescribed by law.

## How Your Benefits Can Be Reduced

Your Plan benefit may be lost or substantially reduced in the following situations:

- *The value of your DC Plan Account may decline due to your investment selections and general market conditions (see pages 11-13).*
- *If you leave Sharp HealthCare before you have become fully vested in your Matching Contributions Account (or other Accounts of prior plans as applicable), you may forfeit the portion which is not vested.*

## Assignments Prohibited

The Plan as well as federal law provides that your interest in your Accounts, or your rights to any distribution from the Plan, cannot be assigned to anyone else. This means that you cannot voluntarily or involuntarily assign your Accounts for the benefit of creditors, or to satisfy garnishments, attachments and similar procedures. However, if you and your spouse

separate or divorce, a court can direct through a qualified domestic relations order that up to 100% of your Account be transferred to another person (usually your ex-spouse or your children). The Plan has a procedure for processing domestic relations orders, which you can obtain from the Plan Administrator.

You also cannot use your Accounts as collateral for a loan. However, the creation, assignment or recognition of a right to all or part of your Plan benefit pursuant to a qualified domestic relations order is not prohibited and is specifically provided for by the Internal Revenue Code.

## ***Federal Income Tax Consequences of Plan Participation***

The Plan is intended to meet the qualification requirements of sections 401(a) and related provisions of the Internal Revenue Code. As long as the Plan remains qualified, Participants will not have to recognize current taxable income for federal or state income tax purposes due to Sharp HealthCare Matching Contributions and investment returns on all contributions made to the Plan.

### **FEDERAL INCOME TAX CONSEQUENCES of Lump Sum Distributions and Installments Payable for a Period of Less Than 10 Years**

Under the Plan, when a Participant receives his or her Plan benefit after retirement or termination of employment in either a lump sum or in installment payments over a period less than 10 years, he or she will be taxed on the amount of the distribution received during the tax year, except to the extent the distribution consists of principal amounts of After-Tax Contributions or other after-tax employee contributions.

When the Plan benefit is distributed to the Participant, 20% of the taxable amount of the distribution must be withheld for federal income tax purposes. special “transitional” rules in the Internal Revenue Code, a Participant who reached age 50 before January 1, 1986 may be entitled to use 10-year forward averaging.

### **INSTALLMENT PAYMENTS OVER 10 YEARS AND ANNUITY PAYMENTS**

The 20% withholding rules do not apply to amounts received in the form of installments for a period of ten years or more or to annuity payments made

over the lifetime of the Participant and/or beneficiary. Voluntary withholding on these amounts applies instead.

## **ROLLOVERS AND TRANSFERS TO OTHER QUALIFIED PLANS**

A Participant whose employment has terminated may elect to have all or any portion of his or her Plan benefit transferred directly to an individual retirement account (IRA) or to another employer's qualified plan that accepts rollovers (known as a "direct rollover"). This means that rather than receiving a check made payable to you, you authorize the Trustee to transfer your entire Plan benefit directly to an IRA set up in your name or to your account established under another employer's qualified plan. When the Plan benefit is directly transferred to an IRA or employer plan, no 20% federal withholding applies.

Alternatively, you may elect to receive a check made payable to you (with 20% of the taxable Plan benefit withheld), and then deposit this amount into an IRA within 60 days after receipt of the distribution (known as a "regular rollover"). However, unless you also contribute to the IRA from your own funds an amount equal to the 20% withheld, you will have to pay tax on the 20% that was not rolled over. The 10% penalty (discussed in the section on the next page) may also apply to the amount withheld unless you are over age 59½.

If you die and your beneficiary under the Plan is your surviving spouse, your spouse may elect either a direct rollover or a regular rollover as described above, may elect to receive the Plan benefit or may elect to leave it in the Plan until retirement. Any beneficiary other than a surviving spouse may receive the Plan benefit or directly roll it over to an IRA.

A former spouse who is an "alternate payee" under a qualified domestic relations order has the same choices as an employee or spouse. Thus, that person may elect to receive the distribution or roll it over to an IRA or another employer's plan that accepts rollovers.

A surviving spouse, an alternate payee, or another beneficiary is not subject to the 10% penalty tax (discussed in the section below), even if that person is younger than age 59½.

## **PENALTY TAX ON EARLY DISTRIBUTIONS OR WITHDRAWALS**

A 10% additional income tax will apply to the taxable amount of withdrawals (including hardship withdrawals and earnings on After-Tax Contributions) or distributions made before the Participant attains age 59½.

The following withdrawals or distributions, however, are exempt from this additional tax:

- *Distributions rolled over into an IRA or another employer's qualified plan;*
- *Distributions made after the Participant's death;*
- *Distributions or withdrawals attributable to the Participant's disability;*
- *Distributions made to a Participant who was at least age 55 when employment with Sharp HealthCare ends;*
- *Withdrawals or distributions used for payment of medical expenses, to the extent they are deductible;*
- *Payments to an alternate payee pursuant to a qualified domestic relations order; and*
- *Payments made over a Participant's life expectancy, or the joint life expectancies of the Participant and the beneficiary.*

## Changes in Tax Laws

Congress may amend the Internal Revenue Code at any time. In addition, the Internal Revenue Service may at any time issue new regulations or rulings. Such developments could render all or any part of the tax discussion in this summary obsolete, and Sharp HealthCare assumes no responsibility for the information provided above. Also, the discussion does not include a discussion of state taxes. It is essential, therefore, that Participants and beneficiaries consult a qualified tax advisor to obtain current information as well as advice which is tailored to their particular circumstances.

## Change or Termination of the Plan

This summary describes the Plan as in effect on January 1, 2024. The Plan Administrator has reserved the right to amend the Plan at any time and for any reason. (In some cases, an amendment may be retroactive.) In addition, the Plan Administrator has the right to terminate the Plan at any time and for any reason.

If the Plan is terminated, no additional contributions will be made but you will be entitled to the entire balance credited to your DC Plan Account and your accrued benefit under the DB Plan at the time of the termination.

Your benefits under the DB Plan are insured by the Pension Benefit Guaranty Corporation (PBGC), a federal insurance agency. If the DB Plan terminates (ends) without enough money to pay all benefits, the PBGC will step in to pay the benefits. Most people receive all of the benefit 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 the benefit increases and new benefits based on plan provisions that have been in place for fewer than 5 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 web site on the Internet at <http://www.pbgc.gov>. The DC Plan is not covered by the PBGC because it is a defined contribution plan and the PBGC only guarantees the benefits of defined benefit plans.

## No Employment Rights

The Plan is not an employment contract. Nothing in the Plan or in this summary is to be interpreted as giving any person a right to remain an employee of Sharp HealthCare, and nothing in the Plan or this summary affects the right of Sharp HealthCare to terminate anyone's employment at any time, with or without cause.

## Rights and Protections

As a Participant of the 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:

- 1. Examine**, *without charge, at the Plan Administrator's office, all Plan documents, including insurance contracts and copies of all documents filed by the Plan with the U.S. Department of Labor, or the U.S. Internal Revenue Service, such as detailed annual reports and Plan descriptions.*
- 2. Obtain** *copies of all Plan documents and other Plan information upon written request to the Plan Administrator. The Administrator may make a reasonable charge for the copies.*
- 3. Receive** *a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each member with a copy of this summary annual report.*
- 4. Obtain** *a statement telling you whether you have a right to receive a benefit, and if so, what your benefits will be. If you do not have a right to a benefit, the statement will tell you. This statement must be requested in writing and is not required to be given more than once a year. The Plan must provide the statement free of charge.*

In addition to creating rights for Plan Participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and the other Plan Participants and beneficiaries.

No one, including your employer or any other person, may fire you or other-wise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

Under ERISA, there are steps you can take to enforce the rights on page 31. For instance, if you request materials 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 (not to exceed \$1,100) 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 that is denied or ignored, in whole or in part, you may file suit in a state or federal court, subject first to the arbitration requirement where permitted by law. 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 claim is frivolous. If you have any questions about the Plan, you should contact the Plan Administrator.

If you have any questions about this statement or about your rights under ERISA, you should contact either the nearest office of the U.S. Department of Labor, Employee Benefits Security Administration listed in your telephone directory or at [www.dol.gov/EBSA](http://www.dol.gov/EBSA), or the Office of Participant Assistance, U.S. Department of Labor, Employee Benefits Security Administration, 200 Constitution Avenue N.W., Suite N-5623, Washington, DC 20210, **1-866-444-3272** (EBSA).

## Other Information

### Address of the Plan Sponsor

Sharp HealthCare is the Plan Sponsor and is located at 8695 Spectrum Center Boulevard, San Diego, CA 92123. Sharp's telephone number is (858) 499-4336.

### Identification Number

The Plan Sponsor's Identification Number (EIN) is 95-6077327.

### Plan Names and Numbers

The Sharp\$aver Retirement Plan consists of two plans as follows:

- *DB Plan (Plan Number 003)*
- *DC Plan (Plan Number 002)*

### Type of Plan

The DB Plan is a qualified defined benefit plan that is a cash balance plan. It also continues to hold any employee and accrued benefits and contributions made under the prior Sharp Account Retirement Plan and the Sharp Rees-Stealy Cash Accumulation Pension Plan.

The DC Plan is a qualified defined contribution plan that is a profit sharing plan. It also continues to hold any employee and employer contributions made under prior defined contribution plans sponsored by Sharp HealthCare.

### Normal Retirement Age

The normal retirement age for both the DB Plan and the DC Plan is age 65.

### Plan Administrator

Sharp HealthCare is the administrator of the Plan. Sharp HealthCare interprets the Plan, and it may adopt rules and procedures to implement any Plan provisions. Sharp HealthCare also has the authority to take such other actions as it deems appropriate in administering the Plan. Subject to the review procedure described on pages 23 and 24, the decisions of Sharp HealthCare with regard to the Plan are final, conclusive and binding on all persons. Sharp HealthCare may delegate any of its functions under the Plan to other persons.

### Who Pays for the Plan

Contributions are made both by employees through After-Tax Contributions and by Sharp HealthCare.

### Service of Process

The Plan's agent for service of legal process is the Sharp HealthCare General Counsel at the Plan Sponsor's address on page 32. Legal process may also be served on the trustee.

### Trustee

The trustee of the DB Plan and the DC Plan is the Frank Russell Trust Company located at 1301 2nd Avenue, Seattle, WA 98101. The trustee holds the assets of the Plans in trust funds and makes distributions at Sharp HealthCare's direction.

### Collective Bargaining Agreements

Because some participants are covered by the terms of a collective bargaining agreement, the Retirement Plan is maintained pursuant to one or more collective bargaining agreements. Copies of the agreements are available to participants and beneficiaries upon written request to the plan administrator, and are available for examination at the offices of the Plan Sponsor during regular business hours.

## Appendix A

### COMMUNITY HOSPITAL OF CHULA VISTA MONEY PURCHASE PENSION PLAN OR SHARP CABRILLO HOSPITAL EMPLOYEES' SAVINGS-INCENTIVE PLAN

If you have a transferred account from the Community Hospital of Chula Vista Money Purchase Pension Plan or the Sharp Cabrillo Hospital Employees' Savings-Incentive Plan, this Appendix A explains how benefits are payable from these transferred accounts.

#### When Are Distributions Paid?

Your Chula Vista or Cabrillo account is available for distributions when your employment terminates for any reason.

#### How Is This Account Paid?

Your Chula Vista or Cabrillo Plan account is payable in the form of an annuity. If you are unmarried when benefits begin, a single life annuity will be payable for your lifetime; no death benefits will be paid following your death. If you are married when benefits are paid, your account will be paid as a 50% Joint and Survivor Annuity. Under this form of payment you will receive a monthly annuity for your lifetime. Following your death, your surviving spouse will receive 50% of the amount payable during your lifetime. This monthly annuity is payable for your surviving spouse's lifetime.

#### Optional Payment Forms

With your spouse's written, notarized consent, you can elect one of the following optional forms of payment:

- 1. Lump Sum Payment:** *The value of your Chula Vista or Cabrillo Plan account paid in a single lump sum.*
- 2. Single Life Annuity:** *A monthly benefit payable for your lifetime with no benefits following your death.*
- 3. Joint and Survivor Annuity:** *A monthly benefit payable for your lifetime. Following your death, your surviving spouse will receive a monthly benefit equal to 50%, 75% or 100% of your monthly benefit (provided you were married at the time of your annuity start date and at the time of your death).*
- 4. Installments:** *A monthly benefit payable in equal installments for a guaran-teeed period of 5, 10 or 15 years. If you die during the guaran-teeed period, the remaining installments will be paid to your designat-ed beneficiaries.*

5. **Life Annuity with Guaranteed Period:** *A monthly benefit payable for life in equal installments with a guaranteed period of 5, 10 or 15 years. If you die during the guaranteed period, the remaining payments will be paid to your designated beneficiaries.*
6. **Life Annuity with a Percentage Guaranteed Option:** *A monthly benefit payable in equal installments with 50%, 75% or 100% of your monthly benefit payable to your beneficiary following your death.*
7. **Level Income Option:** *If you retire before your Social Security Retirement Date (as determined under Social Security Act rules) you can have higher payments made to you from this Plan before that retirement date. When you reach your Social Security Retirement Date, your Plan payments decrease to take into account those Social Security payments. The goal is to provide, as nearly as possible, a level lifetime income from the combination of Social Security and Plan benefits. No death benefit is payable after your death to any beneficiary under this option.*

If you want to name someone other than your spouse as your beneficiary, you must first obtain your spouse's written notarized consent to the designation.

### **Spousal Consent**

If you are married, the value of your Chula Vista or Cabrillo Plan account is more than \$7,000 and you wish to receive your benefit in a manner other than the 50% Joint and Survivor Annuity with your spouse as your beneficiary, then your spouse's consent is required. Your spouse's consent must be in writing and witnessed by a notary public.

**When Is My Account Valued?** Chula Vista or Cabrillo Plan account is determined as of next close of the New York Stock Exchange.

### **When Will I Receive My Account?**

If you terminate employment for any reason (including retirement, total disability, or termination), your vested Chula Vista or Cabrillo Plan accounts are valued at more than \$7,000 and if you do not consent to a distribution, the value of your accounts will be distributed when you reach age 72 or you request a distribution, whichever is earlier.

If you are younger than age 65, you do not have to elect a distribution at termination. The following options with respect to your Chula Vista or Cabrillo Plan account are available to you:

**If your total vested account benefit is greater than \$7,000,** you may:

- *Leave your benefit in the Plan until a future date. You will be subject to the same rules and rights as all other participants. You may request payment at any time in the future by contacting Your Benefits Resources™ at 1-877-742-7705. You will automatically be contacted when you reach age 65 to either (a) receive your Plan benefit or, (b) make an election to defer payment until age 72.*
- *Rollover your eligible account benefit to an Individual Retirement Account at any time.*
- *Rollover your eligible account benefit to another employer's qualified retirement plan at any time.*
- *Take your account benefit as a taxable distribution at any time. If you elect to receive your benefit in the form of either an annuity or installments, then the value of your vested Account will be used to purchase an annuity from a licensed insurance company which will be responsible for paying you your benefit. If you elect one of these payment forms, you will be notified of the name and contact information for the insurance company.*

**If your total vested account benefit is less than or equal to \$7,000,** you will automatically receive the applicable notification(s) from the Plan record keeper at your home address. The notification will indicate that if you wish to take a distribution or rollover of your benefit, you should contact *Your Benefits Resources™* at 1-877-742-7705. If you do not elect a distribution or rollover within 60 days, your account benefit will automatically roll over as a lump sum cash distribution to an Individual Retirement Account (IRA) in your name (outside of the plan). You will automatically receive a Welcome Kit from the IRA provider once the rollover of your account is completed.

## **DEATH BENEFITS FROM THE CHULA VISTA OR CABRILLO PLAN ACCOUNT**

### **What Will My Beneficiary Receive?**

Your beneficiary can elect any of the Chula Vista or Cabrillo optional payment forms, as described on pages 34 and 35. If your beneficiary is your surviving spouse and he or she does not elect an optional form, the death benefit will be paid as an annuity based on the value of your vested account as of the date the death benefit commences. Your spouse can elect to defer distribution until the date you would have reached age 72.

**When Are Death Benefits Paid?**

If your spouse is your beneficiary, payment can be delayed until the date you would have reached age 72. If your beneficiary is not your surviving spouse, the Chula Vista or Cabrillo Plan death benefit must be paid before the December 31st of the year that includes the 5th anniversary of the date of your death.

**Death After Benefits Commence**

If you die after you begin receiving payments from the Plan, your beneficiary will receive whatever amounts are due to him or her under the payment option you elected when payments began.

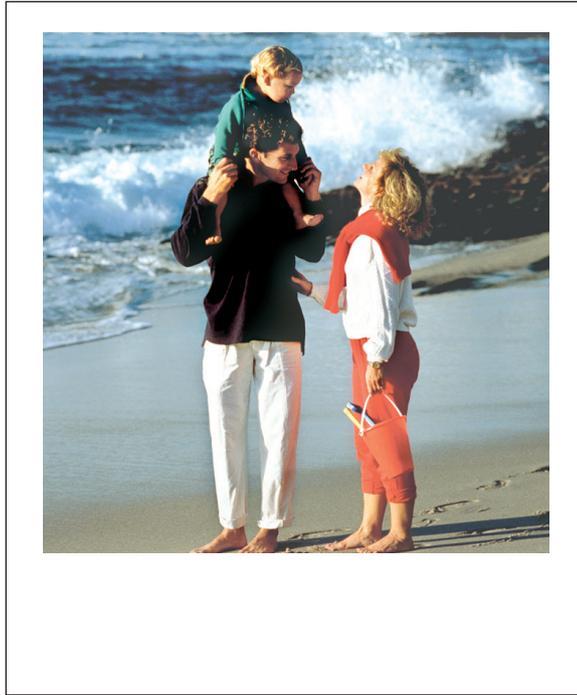
**Who Is My Beneficiary?**

Your beneficiary for your Chula Vista or Cabrillo Plan account is the beneficiary you designated under the DC Plan.





**SHARP**



## Picture Your Future





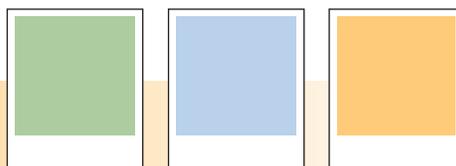
## Join the Sharp\$aver Retirement Plan today!

You've received this booklet because you are eligible to join the Sharp\$aver Retirement Plan. The plan can be an important part of your financial security. It gives you an easy and convenient way to save, as well as the choice and flexibility that you need to achieve your savings goals.

Joining the plan is easy. Inside, you'll find an overview of the plan and its many benefits, as well as information about how to enroll. You'll also find examples of how the plan can help you to build a more secure future. So, take a few minutes to review the pages that follow to see how to get started. Remember—starting now, even if you save just a little, can make a big difference in the long run.

**For more detailed information or to enroll right now,** just visit the Your Benefits Resources™ Web site at **[www.yourbenefitsresources.com/sharp](http://www.yourbenefitsresources.com/sharp)** from any computer with Internet access.

The site is available 24 hours a day, seven days a week. It makes enrolling simple, and you can use it anytime to access and manage your account after you enroll.



## What's Inside

Accessing the Plan

How the Plan Works

Your Investment Choices

The Basics of Investing

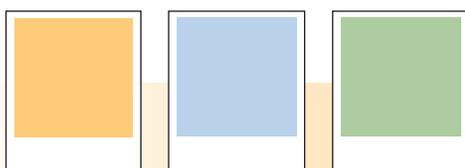
### Accessing the Plan

#### ■ **Online:** [www.yourbenefitsresources.com/sharp](http://www.yourbenefitsresources.com/sharp)

The Your Benefits Resources Web site is your best source for detailed, personalized information about the plan and your account, and it is the easiest and fastest way to make plan transactions. Beneficiary designations should also be made on the site. You can access the site 24 hours a day, seven days a week, from any computer with Internet access — log on at work, home, or anywhere.

#### ■ **By Telephone:** 1-877-742-7705 (SHARP05)

If you need help, you can talk with a customer service representative. Representatives are available between 5:00 a.m. and 5:00 p.m. Pacific Time, Monday through Friday.



## How the Plan Works

### WHY SAVE?

*You may spend up to a third of your life in retirement. Experts say that you'll need at least 80% of your preretirement income to maintain your lifestyle in retirement. Social Security generally replaces less than half of what most retirees think they need. So your personal savings, including your SharpSaver Retirement Plan account, may have to make up a significant portion of that 80%.*

### MORE GOOD REASONS TO JOIN

#### ■ Company contributions

The company will make a matching contribution to your eligible after-tax savings. When you contribute 1% of your earnings, Sharp HealthCare will contribute another 2% of your earnings to the plan. This money will automatically be invested in the "defined benefit" (or guaranteed) portion of the plan. For each additional one percent you save, the company will match another one-half percent, up to 2.5%, into the "defined contribution" (or participant-directed) portion of the plan for a total company contribution of 4.5%. See the matching contributions schedule on page 2. You choose how this money will be invested in the plan's ten funds. To receive the maximum company match, contribute 6% of your earnings and Sharp will contribute 4.5%. Participants with 20 or more years of vested service and contributing 6% to the plan receive a 6% matching contribution.

#### ■ Control

You decide when to start saving and how much to save.

You may save up to 100% of eligible compensation after reduction for taxes, wage garnishments, employee insurance premiums, and other committed deductions, not to exceed statutory limits.

You can change your contribution rate at any time.

If you had a tax-qualified retirement savings account with a former employer, or a qualified rollover IRA, you may roll it over into this plan.

#### ■ Choice

After the first 1% you contribute (invested in the defined benefit portion of the plan), you choose how to invest your savings in the plan's investment funds. You can change your choices and move your savings to different investment funds at any time.

#### ■ Automatic saving

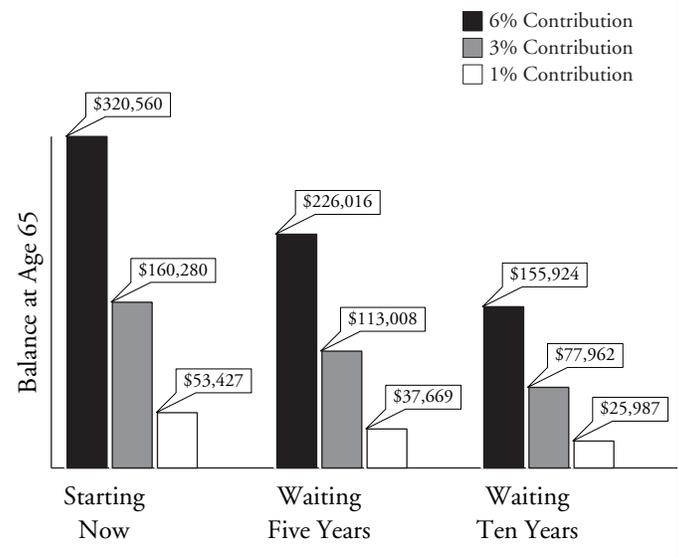
Your contributions are automatically deducted from your pay, deposited into your account.

#### ■ Growth

You don't pay taxes on company contributions or investment earnings until you take them out of your account. This means that all your investment earnings are reinvested in the plan so that they'll continue to grow tax deferred. These earnings on your earnings are called "compounding," and it is what makes the plan such a powerful savings tool.

### The Picture

Time really is money! Here's an example showing how a participant's investment could grow at different contribution levels and how waiting can dramatically impact possibilities. This assumes a \$45,000 salary and an average return of 6%. These numbers also assume that you are 30 years old, your pay remains the same as it is now, and that you contribute the indicated percentages of pay and receive matching contributions each year. Your actual results may vary depending on your pay, contribution level, and investment strategy.



**■ Sharp's Matching Contributions**

Sharp will make matching contributions to your after-tax savings as shown in the schedule below:

If You Contribute...	Sharp Will Contribute...	For a Total Contribution of...
1%	2%	3%
2%	2.5%	4.5%
3%	3%	6%
4%	3.5%	7.5%
5%	4%	9%
Less Than 20 Yrs Vesting Service		
6%	4.5%	10.5%
20 Yrs or More Vesting Service		
6%	6.0%	12.0%
Beyond 6%	No employer match beyond 6% employee contribution	No employee match beyond 6% employee contribution

**Ownership**



Your years of service determine when you vest in — or earn ownership of — company contributions and their earnings. You are always 100% vested in your own contributions and their earnings. Vesting service includes any calendar year you are credited with at least 1,000 hours of service.

**Sharp Match on Voluntary After-tax Contributions**

<u>Years of Service</u>	<u>Vesting Percentage</u>
1	25%
2	50%
3	100%

**■ Access**

You are able to withdraw your after-tax employee contributions as an in-service withdrawal once per 12-month period. However, if you take an in-service withdrawal, you are required to stop contributions to the plan for a period of six months. If you leave the company, you can take your vested balance with you and keep it growing by rolling it over into an individual retirement account (IRA).

**■ Education and guidance**

Visit the Your Benefits Resources Web site to get information about how the plan works, learn about the basics of saving and investing, and research the plan's investment funds. Use the site at any time, at your own pace. Plus, use the site to access tools that can help you plan your savings and investment strategy.

## Your Investment Choices

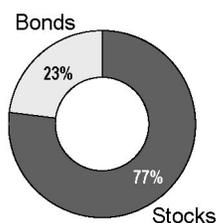
The following is an overview of the plan's investment funds. If you need more information to help you decide how to invest your savings, see "The Basics of Investing" section. It covers concepts such as fund types, asset classes, risk and return, diversification, and time horizon.

### Funds

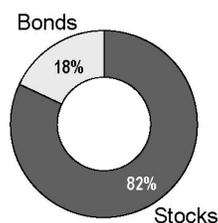
The funds let you create your own investment mix. It is important to balance the funds' risk-and-return profiles with the amount of time that your money will be invested between now and retirement. You should review your investment choices and asset allocation at least once a year and rebalance as appropriate to maintain your asset allocation strategy.

#### The Picture

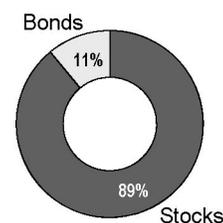
Here are sample allocations for someone between the ages of 40 and 49, with either a Conservative, Moderate, or Aggressive portfolio:



**Conservative**



**Moderate**

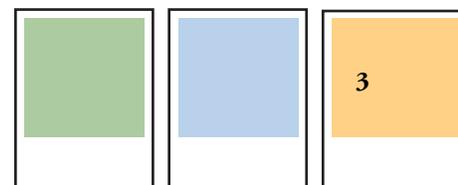


**Aggressive**

Note: Depending on your personal situation, other asset allocations may be better suited for you. You should consider your other assets, income and investments (e.g. equity in a home, IRA investments, and savings accounts) in addition to your interests in the plan.

This chart lists the available funds, from most conservative to most aggressive. More conservative funds generally have lower risk of investment loss, and returns are likely to be lower in the long term. More aggressive funds generally have higher risk of investment loss in the short term, but returns are more likely to outpace inflation in the long run.

Fund Name	Strategy	Asset Class
<b>Vanguard Balanced Index Fund</b>	The fund seeks to track, with respect to 60% of its assets, investment performance of the CRSP US Total Market Index, and with respect to 40% of its assets, investment performance of the Barclays U.S. Aggregate Float Adjusted Index.	Balanced
<b>Russell Investment Contract Fund</b>	The fund seeks to provide a high-quality, diversified portfolio of stable value instruments.	Cash/Stable
<b>Russell Fixed Income I Fund</b>	The fund seeks favorable returns comparable to the broad fixed income market by investing in bonds representing a diversity of sectors and maturities.	Bond
<b>Russell U.S. Equity Index</b>	Seeks large cap U.S. equity returns that mirror the Russell 1000® Index by investing in the 1,000 largest U.S. stocks.	Large Cap

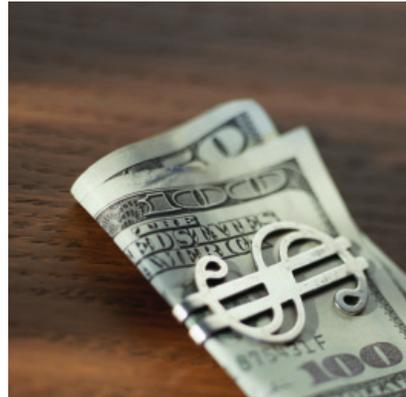


<b>Fund Name</b>	<b>Strategy</b>	<b>Asset Class</b>
<b>JP Morgan Value Advantage</b>	The fund seeks to provide a consistently high total return from a broadly diversified portfolio of equity securities with risk characteristics similar to the Standard and Poor's 500 Composite Stock Price Index (S&P 500 Index).	Large Cap Value
<b>T Rowe Price Growth Fund</b>	The investment seeks to provide long-term capital appreciation. The fund normally invests at least 80% of assets in the common stocks of large companies. A large company is defined as one whose market cap is larger than the median market cap of companies in the Russell 1000 Growth Index. While the fund invests most assets in U.S. common stocks, it may also purchase other securities including foreign stocks, futures, and options. The fund is non-diversified.	Large Cap Growth
<b>Russell Large Cap U.S. Equity Fund</b>	The fund seeks to generate excess return over its benchmark, the Russell 1000 Index, on an annualized basis over a full market cycle.	Large Cap
<b>Vanguard MidCap Index Fund</b>	The fund seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization stocks. The fund employs a "passive management" approach designed to track the performance of the CRSP US Mid Cap Index, a broadly diversified index of stocks of medium-size U.S. companies.	Mid Cap
<b>Russell Equity II Fund</b>	The fund seeks high, long-term returns that exceed the Russell 2500 Index by investing in the smaller capitalization stocks of the U.S. stock market.	Small Cap
<b>Russell All International Markets Fund</b>	The fund seeks high, long-term returns comparable to the broad international stock market by investing in companies from developed and emerging countries around the world.	International
<b>T. Rowe Price International Discovery Fund</b>	The fund seeks long-term growth of capital by investing primarily in the common stocks of rapidly growing small and medium-sized foreign companies.	International
<b>Prudential Global Real Estate Fund</b>	The fund seeks capital appreciation and income. The fund normally invests at least 80% of assets in equity related securities of real estate companies, principally real estate investment trusts. It invests at least 40% of total assets in foreign securities.	Other

## NEED MORE INFORMATION?

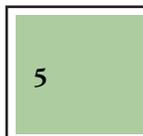
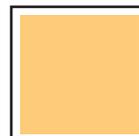
The Your Benefits Resources Web site is your best source for detailed plan information and tools that will help you make the saving and investing decisions that are right for you. Make sure you are taking advantage of everything that the site and the plan have to offer.

This booklet provides a brief overview of the Plan's features. Please refer to your Summary Plan Description for more details.



## **The Basics of Investing**

How do you decide which funds are right for you?  
By doing a little homework!  
After you review this section, you'll be better equipped to make investment decisions that support your long-term savings goals.





## FUND TYPES

There are many different types of investment funds, and each one has a different investment objective and risk-and-return profile. Compare the following overview with your savings plan's fund options to help you understand which funds might be right for you. "Asset Class" indicates a fund's investment type, and "Strategy" indicates the fund's desired performance.

	Asset Class	Strategy
<p><b>More conservative funds.</b></p> <p>Generally have lower risk of investment loss, but returns are likely to be lower over the long term.</p>	Stable Value/ Cash	Seeks to maintain value and provide consistent returns by investing in high-quality, short-term securities. Examples include money market funds, U.S. Treasury bills, and insurance contracts.
	Short-Term Bond	Seeks income by investing in shorter-maturity (typically up to three years) bonds.
	Long-Term Bond	Seeks long-term growth by investing in longer-maturity (seven or more years) bonds.
	Balanced	Invests in a mix of stocks and bonds to achieve higher returns than those of all-bond funds, but with less risk of loss than all-stock funds.
	Large Cap Stock	Seeks long-term capital growth by investing primarily in the common stocks of companies that have large total market values and that are typically more well-established in their businesses.
<p><b>More aggressive funds.</b></p> <p>Generally have higher risk for investment loss in the short term, but returns are more likely to outpace inflation over the long term.</p>	Mid Cap Stock	Seeks long-term capital growth by investing in stocks of companies that have mid-sized total market values.
	Small Cap Stock	Seeks long-term growth by investing in stocks of smaller and/or up-and-coming companies.
	International Stock	Seeks capital appreciation by investing primarily in the common stock of non-U.S. companies. Currency fluctuations and political developments could add risk.
	Emerging Markets	Seeks long-term growth by investing in companies of developing countries. Currency fluctuations and political developments could add risk.



## *Understanding Style*

When you research investment funds, you'll see the term "style." This refers to how funds are managed and invested. Here's some background on what this means:

### *MANAGEMENT STYLE*

**Passive.** Passively managed funds—which are also called "index funds"—attempt to mirror the performance of a particular investment index, such as the S&P 500. They typically have lower fees than actively managed funds.

**Active.** Actively managed funds seek to perform better than competing funds and benchmarks.

### *INVESTMENT STYLE*

**Value.** Value funds invest in underpriced companies that show signs of improvement. The stocks of these companies usually have low price/earnings ratios.

**Growth.** Growth funds invest in companies that have strong earnings growth prospects. The stocks of these companies usually have high price/earnings ratios.

### *GEOGRAPHIC STYLE*

**Domestic.** Domestic funds hold U.S. investments.

**International.** International funds hold non-U.S. investments.

**Global.** Global funds hold both U.S. and non-U.S. investments.

## *What's in Your Funds*

Savings plan funds are made up of different mixes of stocks, bonds, and stable value investments. Here's a look at what these types of investments are.

**Stocks.** Companies sell stock to raise money. The stock buyer actually buys a part of the company that issued the stock.

Stocks, which are also called "equities," provide value in two ways. First, some companies pay out a portion of their annual earnings to shareholders as dividends. Second, when shareholders sell stock, they can get a "capital gain" if the price at which they sold the stock is higher than the price they paid for it. If a stock is sold for less than its purchase price, that's a "capital loss." Stocks have a higher risk of investment loss than bonds and stable value investments, but are more likely to significantly outpace inflation over time.

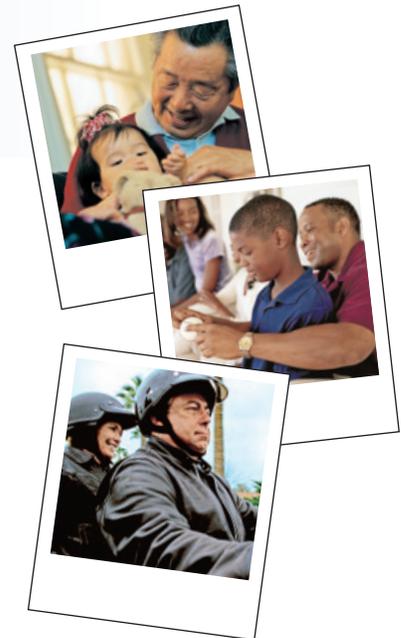
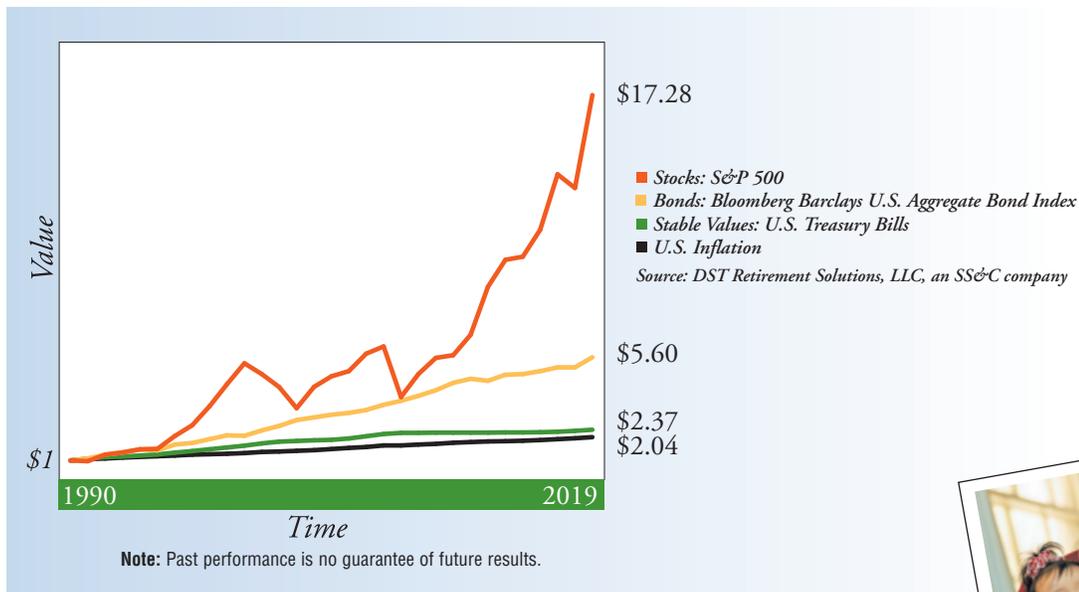
**Bonds.** Buying a bond is like giving a loan to a company, bank, or government. The bond issuer promises to pay the buyer back at a specific time with interest. Bonds have a higher risk of investment loss than stable value investments, but are more likely to outpace inflation over time.

**Stable Value Investments.** Stable value investments are designed to maintain their value and provide a consistent rate of return. Money market funds and U.S. Treasury bills are examples of stable values. So are agreements between insurance companies or banks and other organizations that guarantee a specific rate of return over a specific period of time.

Stable value investments typically have less risk of investment loss, and returns are likely to be in line with inflation.

### *How Investments Grow Over Time*

This chart shows how a \$1 investment in stocks, bonds, and stable value investments would have grown over a specific period of time. As you can see, despite the stock market's ups and downs, stocks would have returned the most money in the long run, followed by bonds, and then stable value investments. When you're deciding how to invest your money in the plan's funds, make sure that you understand the funds' underlying investment types and what this might mean over the long term.



## RISK, RETURN, AND TIME HORIZON

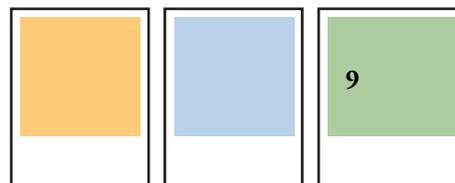
Part of figuring out which investments are right for you depends on your risk tolerance. If you can sleep easily at night knowing that most of your money is invested in the stock market—which has a higher risk of investment loss corresponding to its greater potential for long-term investment growth—you have a high risk tolerance. If you can't tolerate the potential for any short-term investment loss, you have a low risk tolerance.

To determine whether lower-risk or higher-risk investments best meet your needs, you have to consider your investment goals, how long you plan to invest, and your willingness to watch your account balance go up or down over time.

- If you have a high risk tolerance, you might be comfortable with investments that have a higher risk of investment loss in the short term corresponding to their greater potential for long-term investment growth. These investments are more likely to significantly outpace inflation—the rate at which the cost of goods and services increases—over time. They may include large cap stock, small cap stock, and international stock funds.
- If your tolerance level is somewhere in the middle, you may want investments that have a more moderate risk of investment loss in the short term, and a corresponding moderate potential for long-term investment growth. Investments in this category may include balanced funds.
- If you have a low risk tolerance and don't want to risk investment loss, you might be more comfortable with stable value and money market funds, knowing that you're likely to see investment returns that are in line with inflation.

That said, it's very important to balance your risk tolerance with your time horizon, or the number of years that your money will be invested. If you don't, chances are that you won't have enough money to retire. Consider this:

- If you have a low risk tolerance and a long time horizon, you may need to stretch a little and consider higher-risk investments. If you invest too conservatively, your money will be less likely to grow enough to provide you with an adequate retirement income—especially if your returns don't outpace inflation. For example, if inflation holds steady at 4% a year, the prices of everything you need to live will double in about 18 years. At 5% inflation, prices will double in about 14 years.
- If you have a high risk tolerance but only a short time until you retire, you may need to invest more conservatively to guard against investment losses that could hurt your financial security in retirement.





## DIVERSIFICATION AND ASSET ALLOCATION

■ **Diversifying** means putting your money in several different investments to spread out your risk.

■ **Asset allocation** is how you divide your money between types of investments or asset classes.

If your investments are diversified, your account is less likely to be hurt by the poor performance of a single investment.

Studies have shown that asset allocation is a key factor in determining risk and return. It not only helps you to spread risk, but also may help you to meet your long-term savings goals.

## Ready to Get Started?

When you join a savings plan, you're not just a saver—you're an investor. A savings plan is a natural place for you to begin investing. And by joining the plan, you can avoid the biggest investment mistake of all—doing nothing.

After you get started, keep going. No one has a magic formula that can guarantee success. But one thing is certain: *Nothing happens if nothing begins!*

This booklet is educational, and its content should not be interpreted as investment advice. The booklet uses examples to illustrate concepts; these examples are based on historical information and are not intended to predict future results. The assumed rates of return do not represent the performance of any particular investment.

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