**Questions & Answers**

**On**

**Lump Sum Offering Under the Bert Fish Medical Center Pension Plan**

1. **Why is Southeast Volusia Hospital District (SEVHD) and Bert Fish Medical Center Pension Plan (the “Pension Plan”), making this offer to me?**

The Pension Plan is currently projected to have more than enough assets to pay all future pension benefits. SEVHD is considering options available to fully funded pension plans, including pension risk transfer to an insurer and providing individuals with the option to receive a lump sum payment instead of future monthly pension payments. Participants in the Pension Plan have never had this option for a lump sum payment in the past. At this time SEVD has more flexibility due to the fully funded status of the Pension Plan. As such, they are extending this flexibility to the Plan participants by providing this option.

Please note that this Offering relates only to the Bert Fish Medical Center Pension Plan. If you happen to also have a vested benefit under the Florida Retirement System, this Offering has nothing to do with that other plan (see further details below).

1. **Who is eligible for this lump sum offering?**

All participants in the Pension Plan are being offered this lump sum option.

1. **What if I do not want a lump sum?**

The lump sum is an option, not a requirement. If you do not want the lump sum payment that is being offered, you simply would elect on the enclosed “Lump Sum Election Form” to decline the lump sum and you will continue to receive monthly pension payments (or be eligible to receive monthly pension payments in the future if you have not yet commenced). These monthly pension payments will continue in the form of annuity you elected at retirement (life annuity or joint & survivor annuity) and with the 3% annual “COLA” increase.

1. **Do I need to get my spouse’s consent if I want the lump sum?**

Generally, yes[[1]](#footnote-2). If you are married and elect the lump sum, you will need to get your spouse’s consent to your election to take the lump sum payment in return for giving up the monthly cash payments for life ordinarily payable under the Pension Plan. Once you receive a lump sum following this consent process, neither you nor your spouse will have any further entitlement to any Pension Plan benefits. The enclosed “Spousal Consent to the Optional Lump Sum Form” explains how to accomplish the spousal consent, by having your spouse sign in front of a notary or Plan representative who would then also sign.

You will need to get your spouse’s consent to a lump sum even if your spouse is not currently your Plan beneficiary, unless the exception described in footnote 1 applies.

If you are the former spouse of a Pension Plan participant who is (or will be) receiving benefits pursuant to a qualified domestic relations order (QDRO) that was filed with the Plan and that has been determined by the Plan Administrator to be a “separate interest” QDRO, you are also being offered a lump sum option. If you have remarried and elect the lump sum on the enclosed “Lump Sum Election Form”, you will need to get your spouse’s consent to your election to take the lump sum payment in return for giving up the Pension Plan benefits otherwise payable under the QDRO.

If you are a retiree who is currently in pay status (i.e., receiving distributions), your “spouse” for this purpose means the person to whom you were married at the time distributions began. If you and your spouse are still married, you must generally obtain his or her consent to the lump sum. If you have since divorced, you may be able to avoid the need to obtain consent from your former spouse. If you are a retiree who is currently in pay status, and you are now divorced from the person to whom you were married at the time distributions began, please contact BPAS at (xxx) xxx – xxxx for additional information regarding the spousal consent requirements.

1. **How is the lump sum calculated? Can I see how this has been calculated for me?**

A calculation has been performed to determine the “exchange value” of the monthly cash payments that you would have been entitled to receive, or to continue to receive, if you are already in pay status. This is an actuarial calculation, meaning that certain assumptions are factored into the determination of the lump sum amount to account for the fact that the benefit is being paid at this time as a single payment rather than monthly for life. These include assumptions about your life expectancy and about the interest rate used to reflect the early payout. The enclosed “Pension Benefit and Lump Sum Statement” shows the “exchange value” lump sum amount to which you are entitled if you make the lump sum election, calculated by applying these assumptions. It also shows the monthly amount that you would receive (or continue to receive) if you do not make the election, so that you can compare the alternatives.

1. **What if I am receiving an annuity now with a person other than my spouse as a beneficiary?**

Occasionally, a participant elects a guaranteed annuity form and designates a non-spouse beneficiary to receive payments after the participant’s death. If you don’t elect to receive a lump sum payment under the Offering, your annuity with the non-spouse beneficiary will continue unchanged. If you instead elect the lump sum payment on the enclosed Lump Sum Election Form, you will receive the lump sum payment currently, and thereafter neither you nor your non-spouse beneficiary will have any further interest in the Pension Plan or in any Pension Plan benefits. Although your non-spouse beneficiary will not be required to consent to your lump sum election, as described in Q&A 4, if you are married you will generally need to get your spouse’s consent.

1. **What if I validly elect the lump sum and then die before I receive the lump sum?**

If this occurs, your surviving spouse will be paid the lump sum if you are married, and your estate will be paid the lump sum if you are not married. (This assumes that neither you nor your personal representative has revoked the Waiver and Release of Claims that you submitted with your Lump Sum Election Form, discussed in Q&A 14.)

1. **How does the monthly benefits from the Pension Plan compare to the lump sum option when it comes to my life expectancy (e.g., if I die earlier than my life expectancy or if I live longer than my life expectancy)?**

Payments under the Pension Plan generally cease upon your death. As discussed in Q&A 5, the lump sum amount is calculated by factoring in a number of assumptions and discounts, including your assumed life expectancy. If you live beyond your life expectancy, then, as a general matter, you will come out ahead by having not elected the lump sum payment and continued to receive your benefit in the form of an annuity. If you die earlier than your life expectancy, then, as a general matter, your heirs will come out ahead if you had elected the lump sum payment. Of course, whether or not you expect to outlive your life expectancy is just one of many factors in deciding whether to elect the lump sum.

1. **How does the monthly benefits from the Pension Plan compare to the lump sum option when it comes to my spouse's life expectancy?**

If you have elected a form of distribution under the Pension Plan that provides for your spouse to continue to receive benefits after your death, then, similarly to what is noted in Q&A 8, if you and your spouse live beyond your joint life expectancy, as a general matter you will come out ahead by having not elected the lump sum payment and continued to receive your benefit in the form of an annuity If you and your spouse die earlier than your joint life expectancy, then, as a general matter, your heirs will come out ahead if you had elected the lump sum payment. Again, however, whether or not you expect you and your spouse to outlive your joint life expectancy is just one of many factors in deciding whether to elect the lump sum.

1. **How does the monthly benefits from the Pension Plan compare to the lump sum option when it comes to investment performance of my retirement assets?**

If you elect the lump sum, then you will bear the investment performance on the lump sum amount, regardless of whether you receive the lump sum amount in cash or have it rolled into an IRA. If investments on that amount do well, you will enjoy that positive investment performance. If investment losses are incurred, you will suffer those losses. By contrast, if you choose to continue to receive monthly pension payments, as has always been the case, you will not directly bear the investment performance of the underlying assets.

1. **If I do not elect the lump sum, are my future pension benefit payments guaranteed?**

No, there is no third-party guarantee of the pension benefit being fully paid through retirement. The goal of the Board has always been to set aside sufficient assets to meet the Pension Plan obligations. The Pension Plan is currently very well-funded.

Would you like us to add anything about the future annuity purchase with insurer here?

1. **Who should I talk to if I want advice on what to do?**

You should speak with a personal financial planning advisor, and perhaps also a tax advisor, about the retirement planning and tax impact of making a lump sum election versus receipt of monthly pension payments. If you are considering the lump sum election, you should also speak with an attorney, because, as explained in Q&A 14, you are being asked to sign a Waiver and Release of Claims as a condition to receiving the lump sum and signing that document involves waiving certain legal rights. In addition, to assist you in understanding the Offering and the enclosed materials, we urge you to contact ? to arrange an in-person meeting to discuss the Offering and your circumstances. You may bring an advisor to that meeting.

1. **What are my options for payment, if I elect a lump sum?**

You may roll it into a personal IRA (available at most banks or financial institutions) or into another employer’s plan. Or you may simply receive the payment in cash. Or you may take a portion in cash and roll over the remainder. If you are considering a cash payment, you should discuss that with a personal tax advisor or financial planner familiar with the tax rules in this area, because a direct cash payment will be immediately taxable to you and could give rise to an early distribution penalty as well.

**SEVHD URGES PARTICIPANTS NOT TO USE THIS OPPORTUNITY AS A CHANCE TO ACCESS AND SPEND THE LUMP SUM AMOUNTS ON PERSONAL, NON-RETIREMENT, PURCHASES OR EXPENSES, AS THIS COULD LEAD TO YOUR FINANCIAL DESTITUTION IN RETIREMENT.**

1. **Why am I being asked to sign a release if I want a lump sum?**

To ensure that those who elect the lump sum understand that there will be no further benefits available under the Pension Plan once the lump sum is paid, and to protect SEVHD and the Pension Plan from parties who would later attempt to claim a further entitlement, you are being asked to sign the enclosed Waiver and Release of Claims against SEVHD and the Plan as a condition to your receipt of the lump sum.

1. **If I am entitled to receive other benefits during my retirement besides payments under the Pension Plan, will those other benefits be affected by whether I elect a lump sum under the Offering or not?**

If you are receiving a Health Insurance Subsidy from SEVHD (or entitled to receive at retirement), your election of a lump sum under this Offering will not affect your health insurance subsidy OR will result in a lump sum payment of your future health insurance subsidy benefits?

Other than that, no benefit, other than your future benefit payments under the Pension Plan, will be impacted by your decision to take or not to take a lump sum distribution under the Offering.

1. **I also participate in the Florida Retirement System, in addition to my participation in the Bert Fish Medical Center Pension Plan.  Is this Offering in any way related to my Florida Retirement System benefits?**

No. This Offering (and all communications related thereto, including this one) applies only to the Bert Fish Medical Center Pension Plan.  The Bert Fish Medical Center Pension Plan is separate from the Florida Retirement System.  An election under the Bert Fish Medical Center Pension Plan, including an election to receive the lump sum described herein, has no impact on your benefits under the Florida Retirement System.

1. **Is there anything else I should know if I decide to participate in the Offering?**

The Administrator of the Plan has the full authority and discretion to interpret the terms of the Plan and to make any and all determinations necessary or appropriate related to the Plan, including this Offering. You may review the Plan document and any amendments by following the procedures established by the Administrator. You also have the right to file a claim under, and to fully exhaust, the Plan’s claims procedures if you feel that any decision was made in error.

1. An exception may apply if you previously obtained your spouse’s written consent to a form of distribution other than a joint and survivor spouse annuity, and such previous consent explicitly permits you to make subsequent changes to your chosen form of distribution without your spouse’s further consent. [↑](#footnote-ref-2)