



## IMPORTANT NOTICE

**Employee Name**  
Address Line 1  
Address Line 2  
Town, State, Zip Code

# Changes to the Central Maine Healthcare Retirement Program Effective March 31, 2011

February 11, 2011

*Central Maine Healthcare is making some important changes to its retirement plans. This letter recaps those changes. It also includes important information about your pension benefits.*

At Central Maine Healthcare Corporation (CMH), we hold ourselves to the highest standards when it comes to delivering high-quality care to the residents of our community. We also recognize that the key to our success is our people and we are committed to creating a positive work environment for our employees. To continue to provide exceptional care for over 400,000 individuals in our area, we must also maintain our own financial health. In order to ensure our continued success in a changing environment, CMH, like so many organizations, has been examining every aspect of its operations — including retirement benefits.

To that end, effective March 31, 2011, we are making some important changes to our retirement program. These changes more closely align the program with our business objectives and trends in the healthcare industry, while continuing to provide you with a foundation of financial resources you need to plan and build for your future.

### ***What's Changing?***

Effective March 31, 2011, we are permanently “freezing” benefits for active employees in the Retirement Plan for Employees of Central Maine Healthcare Corporation (“Retirement Plan”) and excluding from participation any employees who are not currently eligible. This means that you will not earn any additional benefits after March 31. Instead, current participants will move to a new, enhanced set of defined contribution plan options beginning July 3, 2011. The details of these new plan options will be discussed between now and July during employee meetings and sessions with investment advisors.

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*Going forward, CMH will continue to help you build retirement income through new defined contribution retirement plan options, along with providing the tools and resources you need to plan your future. However, you will need to actively participate to receive these benefits. If you don't, you will be missing out on an important part of your total retirement benefits with CMH.*

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**You will not lose any vested benefit earned under the Retirement Plan through March 31, 2011.** That benefit will be protected and maintained for you in the Retirement Plan until you retire. If you are not yet vested, you will continue to earn service under the Retirement Plan after March 31, 2011 for purposes of meeting the five-year vesting requirement and eligibility for early retirement, as long as you remain actively employed and do not withdraw your employee contributions prior to becoming vested. You will receive information about your final accrued benefit in the Retirement Plan in your pension statement later this summer.

## Why Change?

The changes to our retirement plan will better align our benefit offerings with current industry trends and provide a higher level of predictability with regards to our future funding requirements. CMH is not alone in making this type of change. More and more companies and healthcare organizations are offering account-based plans — with many choosing not to continue defined benefit pension plans. In fact, less than half of all Fortune 1000 companies now offer this type of retirement plan.

**We encourage you to read the rest of this letter. It includes important information about your current benefits under the Retirement Plan.** We have also included answers to what we anticipate will be frequently asked questions.

## How Your Retirement Plan Benefits Are Changing

After March 31, 2011, you will no longer earn benefits under the Retirement Plan. However, you will not lose any vested benefit earned under the Retirement Plan through March 31, 2011. In fact, if you are not vested, you will continue to earn service under the Retirement Plan after March 31, 2011 for purposes of meeting the five-year vesting requirement and eligibility for early retirement, as long as you remain employed with CMH and do not withdraw your employee contributions prior to becoming vested.

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*REMEMBER: You will not lose any vested benefit earned under the Retirement Plan through March 31, 2011.*

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Your vested Retirement Plan benefit will be determined based on your final average earnings and your years of continuous service as of March 31, 2011, and you will be eligible to receive that benefit when you retire. Again, you will receive information about your final accrued benefit later this summer.

## Your Retirement Plan Formula

The following formula determines your benefit under the Retirement Plan:

1.2% of your *final average earnings* **times** your *years of Continuous Service* or *years of participation in the Retirement Plan* **equals** your annual benefit payable at age 65\*

*\* If you were a participant prior to 1990, in no event will your annual Retirement Plan benefit under this formula be less than your annual Retirement Plan benefit earned as of December 31, 1989 under the prior plan formula, with a minimum of \$600 each year payable at normal retirement (age 65).*

**Note to former Rumford Plan participants.** The formula above will apply to your service and pay earned after January 1, 2002. For service and pay prior to January 1, 2002, your Retirement Plan benefit is determined under this formula:

1.1% of your *final average earnings* **plus** 0.5% of your *final average earnings* above the *Social Security Limit* **multiplied** by your *credited service* as of December 31, 2001 (up to 20 years **plus** one-half of your credited service as of December 31, 2001 in excess of 20 years but less than 30 years)

## What Do These Terms Mean?

- **Final average earnings:** The average of your five highest annual earnings certified for the 10-year period ending March 31, 2011, or the date your employment ends, if earlier. *Average earnings* means your total compensation during the calendar year as reported on your W-2, including any amounts contributed under CMH's section 125 cafeteria plan,

403(b) plan, and 401(k) plan, and 457 plans. A different definition of earnings applied prior to 1993.

- **Continuous Service:** Total period of continuous service with CMH (including authorized leave of absence) through March 31, 2011, during which you were a contributing member under the Retirement Plan.
- **Social Security Average Earnings:** The average of the maximum amount of wages subject to Social Security taxes for the 35-year period before you attained Social Security retirement age. If you have not attained Social Security retirement age by March 31, 2011, the wage base during 2010 will be assumed to continue through your Social Security retirement age.

### Other Key Features

- **Vesting:** You are always fully vested in any contributions you make to the Retirement Plan. With regard to your employer-provided benefit, you are fully vested after completing five years of Continuous Service. Keep in mind that any Continuous Service with CMH after March 31, 2011 will continue to count toward vesting in your current Retirement Plan benefit.
- **Early retirement:** You can retire and begin receiving your Retirement Plan benefit as early as age 55, if you have 10 or more years of Continuous Service (Rumford Plan participants can receive the portion of their benefit earned before 2002 as early as age 50 with 10 or more years of service). However, if you retire before age 65, your Retirement Plan benefit is reduced to reflect payment over a longer period. The early retirement rules are **not** changing effective March 31, 2011. Any continuous service you complete with CMH after March 31, 2011, will continue to count toward your early retirement eligibility.

### Example: Retirement Plan Freeze

Here is an example of how CMH will calculate your “frozen” Retirement Plan benefit as of March 31, 2011. Let’s assume you are 50 years old with 20 years of Continuous Service and your final average earnings are \$50,000.

<b>1.2% of \$50,000 (final average earnings) =</b>	<b>\$600</b>
	<b>x</b>
<b>Years of Continuous Service =</b>	<b>20 years</b>
	<b>=</b>
<b>Annual Frozen Retirement Benefit Beginning at Age 65</b>	<b>\$12,000</b>

As of March 31, 2011, your annual frozen Retirement Plan benefit would be \$12,000, or \$1,000 a month. This amount is payable to you beginning at age 65. See your Summary Plan Description for more details about when and how your Retirement Plan benefit may begin. This would be in addition to any benefits you earn after March 31, 2011 under the new defined contribution retirement plan.

**Note about QDROs:** If your Retirement Plan benefits are subject to a Qualified Domestic Relations Order (QDRO), your alternate payee may also be affected by these Retirement Plan changes.

For more information about the Retirement Plan freeze, please see the FAQs beginning on page 5 of this notice.

## **Retirement Plan's Annual Funding Notice – Now Available!**

Federal law requires sponsors of defined benefit pension plans like our Retirement Plan to provide an Annual Funding Notice to all plan participants and their beneficiaries. This notice includes information about the funding of benefits under the Retirement Plan, the Retirement Plan's investment policy, as well as other administrative Retirement Plan facts. The Annual Funding Notice for the calendar year 2010 is now available by visiting [www.cmmfhealthydecisions.com](http://www.cmmfhealthydecisions.com).

### ***What to Do Next***

While you don't need to do anything with your pension benefits as a result of the Retirement Plan freeze, now is a good time to start thinking about how to put your new defined contribution plan options to work for you, if you are eligible to do so. Here are some things to keep in mind as you plan for your future.

- **Learn more about your new retirement benefits and attend an employee meeting.** Carefully read all the information about the new program. And be sure to attend one of the employee meetings at the various CMH locations during the end of February and early March. At the meetings, you will hear more details about the program changes and have a chance to ask questions. We will post a schedule of meeting dates and times on the [www.cmmfhealthydecisions.com](http://www.cmmfhealthydecisions.com) site shortly.
- **Save regularly and take advantage of the CMH match.** Years of steady saving can help you reach long-term financial goals. Beginning July 3, 2011, CMH will match 100% of your contributions up to the first 2.5% of your gross pay (or 100% of your contributions up to 5.5% of your gross pay over the next five years if you were born before April 1, 1961 and have been employed continuously with CMH since April 1, 1991).
- **Make a preliminary investment plan between now and July 2011.** Balance risk and reward by investing in a proper mix of stocks, bonds, and fixed-income funds, and by reviewing and reallocating your portfolio as necessary. Sagemark Consulting will be available to assist you with your investment decisions. Also, take advantage of Nationwide's financial planning tools to help you map out your own strategy. Remember, if you are hesitant about developing an investment mix on your own, your new 403(b) plan provides an investment option called a "target date fund," which, if selected, would automatically select a mix of stocks, bonds and fixed-income funds based on your particular circumstances.

This letter highlights some of the key features of your retirement benefits offered by Central Maine Healthcare Corporation, effective March 31, 2011. It is also intended to satisfy legal requirements under section 204(h) of the Employee Retirement Income Security Act of 1974 (ERISA), as amended, to notify you that you will no longer accrue any benefits under the Retirement Plan for Employees of Central Maine Healthcare Corporation after March 31, 2011. Actual plan provisions are contained in the plan documents. In the event of any conflict between this letter and the actual terms of the plan, the specific terms of the plan will govern. We reserve the right to amend or terminate any of the employee benefit plans at any time and without prior notice. Nothing in these materials shall be deemed to create the right to continued employment with CMH.

## Frequently Asked Questions

*The following are answers to questions that you may have about the Retirement Plan for Employees of Central Maine Healthcare Corporation (i.e. the defined benefit, or pension plan).*

### **What is changing with the Retirement Plan for Employees of Central Maine Healthcare Corporation (CMH)?**

Effective March 31, 2011, we are permanently “freezing” the Retirement Plan for Employees of Central Maine Healthcare Corporation (“Retirement Plan”) and excluding from participation any employees who aren’t currently enrolled. This means that after March 31, 2011, you will no longer earn any additional benefits under the Retirement Plan and no new participants will join the plan. **You will not lose any vested benefit earned under the Retirement Plan through March 31, 2011.** In fact, if you are not yet vested, you will continue to earn service under the Retirement Plan after March 31, 2011 for purposes of meeting the five-year vesting requirement and eligibility for early retirement, as long as you remain employed with CMH and do not withdraw your employee contributions prior to becoming vested.

### **What does “freezing the Retirement Plan” mean?**

It means you will no longer earn service or pay accruals under the Retirement Plan after March 31, 2011. The service and pay you have earned as of March 31, 2011 will be the service and pay used to calculate your retirement benefit when you retire or leave CMH.

### **Is CMH going to offer anything in place of the defined benefit Retirement Plan?**

All eligible employees, including current defined benefit Retirement Plan participants, will move to a new, enhanced 403(b)\* plan provided by Nationwide effective July 3, 2011. There will be a series of meetings available for employees and their dependents to learn more about this new defined contribution retirement investment plan during the end of February and beginning of March 2011.

*\*Employees of our for-profit organizations will participate in a 401(k) plan provided by Nationwide beginning July 3, 2011.*

### **Why is CMH “freezing” the Retirement Plan?**

These changes will better align our retirement benefit offerings with current industry trends and provide a higher level of predictability with regards to our future funding requirements.

### **Why is there no partial credit towards years of service under the Retirement Plan for 2011?**

The cost of providing partial credit for hours worked in 2011 in the Retirement Plan, funding the current shortfall in the Retirement Plan and providing an employer match in the defined contribution plan is not affordable in our current financial situation.

### **I was hired four years ago and have been in the Retirement Plan for three years. I realize the plan had five-year cliff vesting. Can I withdraw my employee contributions now?**

Any employee has the ability to request a withdrawal of employee contributions plus interest at any time. However, even though you are not vested now, that doesn’t mean you never will be. If this happens to be the fourth anniversary of your hire at CMH, you will be vested as of the end

of 2011. If you withdraw your contributions now, you will never become vested in the Retirement Plan and would not receive a pension payment in your retirement (meaning that you will not be able to take advantage of the employer-provided benefit earned prior to the freeze of the plan).

**I was hired 10 years ago and have been in the Retirement Plan for nine years. I know I am vested in the Plan. Can I withdraw my employee contributions now?**

Any employee has the ability to request a withdrawal of employee contributions plus interest at any time. Please realize the annual statements you have received in the past have indicated your “earned” pension. This calculation included the value of your employee contributions. If you withdraw your contributions, the pension you would receive after retirement would be reduced to reflect that withdrawal. Additionally, the majority of your withdrawal would become taxable and possibly penalized (or would need to be rolled to an IRA). Finally, if rolled to an IRA, please be aware that future market conditions might jeopardize part of that investment.

**I was hired 25 years ago, am over age 65, and am continuing to work at CMH. Can I begin my monthly pension or must I wait until I leave employment?**

The Retirement Plan was amended to allow those over age 65 with at least 5 years of service to both continue to work here (even full-time) and start to collect their monthly pension check simultaneously. If you have interest or questions on this option, please contact Jerry Marstaller in Human Resources.

**My spouse and I have many questions. Is there someone we can sit down with to discuss our questions?**

Yes, you are welcome to schedule an appointment with Jerry Marstaller in Human Resources by phone at 795-2391 or by email to [marstall@cmhc.org](mailto:marstall@cmhc.org).