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FOR IMMEDIATE RELEASE **CONTACT: Blaine Kelley, 423-778-9802**

Erlanger Board Votes to Strengthen the Pension Fund to a Healthier and More Financially Sustainable Condition

(Chattanooga, TN) – Today, the Erlanger Board of Trustees voted to take actions to help improve the long-term financial health and sustainability of its pension fund. The actions go into effect immediately and will affect approximately 1,300 active participants and 1,400 participants who are no longer employed but vested in the pension fund. All these participants were hired on or before June 30, 2009.

"Before this vote the future of the pension plan was uncertain," said Jim Coleman Jr., Chairman of the Board's Budget & Finance Committee. "After this vote, the Board has done what is reasonable, necessary, and responsible to continue to help make the pension fund financially healthier for the benefit of all participants and beneficiaries."

This decision was the culmination of approximately six months of comprehensive research, analyses, and consultation with hospital management, the actuarial team, the financial advisors, and legal advisors. The Board voted to change three aspects of the pension, which go into effect immediately:

- While not provided for under the Fund document, the Fund has historically allowed participants who continue to work past age 65 to receive an actuarially adjusted benefit upon retirement. Eliminating this practice and otherwise bringing Fund administration into compliance with the Fund document, **will reduce the unfunded liability by approximately $8.6 million**. Any benefits accrued by participants working beyond age 65 prior to this change will remain in effect. In the future a participant must weigh the benefits of continuing to work beyond age 65, receiving salary and benefits, including the defined contribution benefits offered by Erlanger or retiring at age 65.

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- The second change will align the Pension Fund with most similarly situated defined benefit plans by changing the death benefit payable to the beneficiary of an active participant to 50% of the participant's accrued benefit. This change is consistent with the current benefit payable to the beneficiary of a retiree receiving monthly payments. **This will reduce the unfunded liability by approximately $1.1 million.**

- This change will **suspend the optional lump sum and periodic payment** (other than monthly annuity payments) forms of benefit until the funded status of the Pension Fund reaches 80%.

"These solutions are fiscally responsible, legally sound, and immediately necessary to help restore the health and sustainability of the plan for participating associates," said Ken Conner, board member.

The pension fund is $83.7 million underfunded as of June 30, 2020. As of June 30, 2020, the pension fund balance is $46.7 million. To continue the process of restoring the pension fund to a funded status of at least 80%, multiple options were considered but it became clear the pension fund could not be sustained in the short term by increasing contributions from the Erlanger or relying on investments, due to market conditions.

"These actions, under the circumstances, are timely, reasonable, and necessary," said Coleman. "The actions were developed in accordance with the administrative processes of the plan and within the scope of the Board of Trustees' fiduciary responsibilities to manage the pension fund for the benefit of all of the participants."

The other defined contribution plans administered by Erlanger (403(b), 401(a) and 457, will not be changed in any way because of these changes, and the Board reaffirmed its commitment to the funding of the defined contribution plans in a competitive manner.

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