



Children's
of Alabama®

Thinking of *Retiring?*

As you consider retirement, you probably have many questions. This document is intended to answer some of your questions and serve as a guide to benefits which you may be able to continue or access at retirement.

We have included basic answers to common Social Security and Medicare questions; however, these programs and other retirement benefits can be complex, so we urge you to seek additional information from appropriate sources.



Am I eligible for a retirement bonus and retirement party?

Children's of Alabama (COA) honors employees who have dedicated their careers to serving our mission by providing a retirement bonus and hosting a retirement party for those who meet the requirements below:

ELIGIBILITY

- Be at least 55 years of age on your retirement date and have completed 15 or more years of consecutive employment, or
- Be 62 years of age and have completed 10 or more years of consecutive employment

BONUS GUIDELINES

COA will provide a retiree bonus in the amount equal to the greater of 5% of the base annual salary in effect on the date of retirement or \$100 per year of eligible service. In the event of approved phased retirement, you may elect to take your retirement bonus at the time you reduce your work schedule, however, you will not be eligible for another bonus when you separate employment.

RETIREMENT PARTY GUIDELINES

The party must be held on-site. The employee's department manager or staff are responsible for planning the event, with input from the retiree, to ensure it will be a comfortable and enjoyable occasion whether it be a hospital-wide reception or a small department gathering. The event may be catered by hospital staff or an outside caterer, up to a maximum cost of \$750. Cost in excess of the allowed amount, if any, will be charged back to the department.

The Department Director or employee should notify the Benefits staff of upcoming retirements so that we may verify eligibility, process the retirement bonus request, provide direction regarding party plans and process reimbursement of expenses.

When am I eligible for a distribution from my 401k?

Although you are not required to take a distribution upon termination or retirement, you are eligible for a penalty free distribution from your vested account balance upon attainment of age 59½. You may receive this distribution while still working – this is referred to as an In-Service Withdrawal.

If you are 55 years of age or older in the year you retire and need to take a distribution of your retirement plan funds immediately, you should leave the money in the 401k plan and take your withdrawals from there. The reason is because distributions from your 401k, when you terminate in the year you turn 55 or older, are not subject to the 10% early distribution penalty. **Remember that the distribution would still be subject to federal income taxes.**

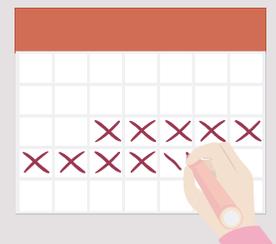
It's the year someone separates from service that matters, not the distribution date. To qualify for the penalty exceptions, separation from service must occur in the year the person turns 55 or older.

Also, if you roll over company retirement plan money into an IRA, withdrawals before age 59½ are subject to the 10% early withdrawal penalty unless one of the other exceptions apply (such as disability.)

The age 55 exception does not apply to IRA distributions.

If you meet the age 55 rule and need to spend some of your retirement money, don't roll over the amount you need to an IRA. If you do, and then take a distribution from your IRA, you will be hit with the 10% penalty. Once you roll over your COA 401k plan money to an IRA, the IRA rules kick in and you can't go back and use the age 55 rule.

Refer to the Summary Plan Description (found on the Red Wagon) or contact Fidelity at 800.343.0860 for more information on distribution options. Consult your tax advisor for additional information specific to your retirement plans.





What is the normal retirement age for our 401k plan?

The later of age 65 or the 5th anniversary of your hire date. You will automatically become 100% vested in your account balance upon meeting retirement requirements. You will also automatically become 100% vested in your account balance if you become disabled or die while employed with COA. The full value of your vested account balance may be distributed to you when you separate employment (see plan document for details on tax consequences and penalties).

If I continue to work past age 65, am I required to take a distribution?

No. Minimum required distributions occur no later than April 1 of the calendar year following the calendar year you turn 72 or separate employment, whichever is later.

Am I eligible to continue my medical insurance after retirement?

Employees who retire between the ages of 62 and 65 and have completed 15 years of consecutive service may continue their current medical plan under the COA Early Retiree Medical Policy.

COVERAGE RULES

You must have been covered under one of the medical coverage options offered by COA during the 24-month period ending on your retirement date.

You may cover your spouse if you are married at the time of retirement. No coverage is available for dependent children; however, they will be eligible for COBRA continuation.

Early retiree health premiums are determined on an annual basis. For 2025, the rate is the same as active employee rates.

Dental and vision coverage may be continued through COBRA (see Benefit Termination Checklist for continuation of other benefits).

Contact Human Resources within 31 days of retirement to enroll in Early Retiree Health Coverage. You must complete the Retiree Election Form (found on the Blue River).

Children's reserves the right to terminate or modify this coverage at any time with 30 days' notice to participants.

What happens to my other employer sponsored benefits when I retire?

When you terminate employment, you are eligible for COBRA continuation of coverage of your medical, dental, vision and FSA plans for 18 months. Other benefits, such as life insurance, have a 30-day window to convert to individual policies. Refer to the Benefits Termination Checklist for details on other benefits.

When am I eligible for Medicare?

At age 65 or earlier, if disabled. It is recommended that you apply for Medicare 3 months before you turn 65.

Coverage includes:

Medicare Part A – Hospital Insurance, no premium cost to the participant. Enrollment is automatic.

Medicare Part B – Medical Insurance, participant must enroll and pay a premium.

Medicare Part C – Supplemental (Medigap), participant may enroll and pay a premium

Medicare Part D – Rx Coverage, participant may enroll and pay a premium

Medicare supplements are subject to change. This brief summary is intended to give you an overview, but you should contact Medicare for more information.



Medicare.gov

Should I keep my employer sponsored medical benefits after age 65?

If you continue to work in a benefits eligible position past age 65 you may opt out of Medicare without penalty and continue your COA medical plan. Most COA employees find it advantageous to remain on their COA medical plan.

You may also opt to keep your COA medical plan AND enroll in Medicare Part A which is free and will pay secondary for hospitalization expenses. This option is recommended IF you are on the BCBS PPO Plan. If you are on the BCBS CDHP High Deductible Plan with an HSA, we recommend that you defer enrolling in Medicare Part A due to the impact on your ability to contribute to your Health Savings Account (see question below).

Am I REQUIRED to take Medicare at age 65?

You are not required to take Medicare Part A (Hospitalization) unless you are receiving Social Security. If you are planning to apply for Social Security retirement, spousal or survivor benefits, just know that you will be automatically enrolled in Medicare Part A – retroactive 6 months if you are 65½ or older – and there can be no HSA contributions for the period you have Part A.

Will I be penalized for deferring Medicare?

No, if you remain covered under our employer sponsored medical plan you will not be penalized when you eventually enroll in Medicare. You will be given a special enrollment opportunity when you stop working.

Effect of Enrollment in Medicare on your Health Savings Account

The regulations are clear that once you enroll in Medicare at 65, you (or your employer) may no longer contribute to your HSA. **The important question you must answer is whether you plan to continue working past 65, and if so, does it benefit you to sign up for Medicare or simply stay on COA's medical plan?**

- If you are on the COA High Deductible Plan with a Health Savings Account, it may be beneficial to defer Medicare (including Part A) and keep those HSA contributions flowing in so you can build up a nice pot of tax-free money to use for future medical expenses.
- If you are on our BCBS PPO plan that does not have a health savings plan, it is generally more beneficial to sign up for Medicare Part A that will pay secondary to your COA plan for hospitalizations.

Can I stay on the BCBS CDHP Plan with HSA when I turn 65?

Yes, you may stay on the plan if you are in a benefits eligible position, however, once you enroll in Medicare you will not have the benefit of employee or employer contributions to your HSA.

If my spouse enrolls in Medicare, can I continue to contribute to my HSA?

Yes, your spouse's enrollment in Medicare does not impact the amount you can contribute to your HSA. If you have a family member covered on your medical plan you will continue to be subject to the family limit for contributions regardless of their enrollment in Medicare.

Can I continue to use the funds in the HSA after I retire or after enrolling in Medicare?

Yes, you can continue to use your HSA balance to pay for qualifying medical expenses, including Part B premiums, for you and other qualifying family members. At age 65, you may also be eligible for penalty free withdrawals from your HSA. Withdrawals not used for qualifying medical expenses are taxable.

Who can help me understand Medicare?

SHIP (State Health Insurance Assistance Program) is a wonderful resource dedicated to assisting Medicare beneficiaries make informed choices regarding health benefits. SHIP Phone: 1.800.AGELINE

If you prefer to contact Medicare directly you can call 1.800.MEDICARE or visit their website at www.medicare.gov.

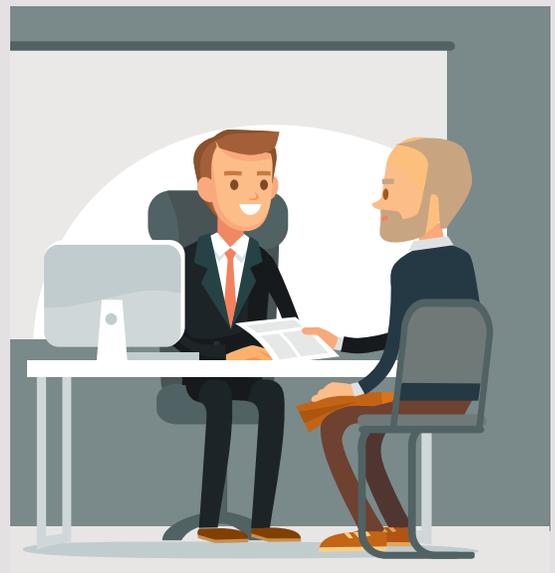


How do I apply for Social Security Benefits?

- Apply online at www.socialsecurity.gov
- Call 800.772.1213 to schedule an appointment with your local field office **OR**
- Walk in and apply at your local Social Security office

Is my Social Security benefit reduced if I retire before my normal retirement age (NRA)?

- At age 62, you get a lower monthly payment
- At your full retirement age, you get your full benefit
- You get an even higher monthly payment if you work past your full retirement age



Note: As of 2022 if you were born in 1937 or earlier, your NRA is 65. The NRA increases gradually to age 67 for those born in 1960 or later.

Can I continue to work and receive Social Security benefits?

| IF YOU | IN 2025, YOU CAN MAKE UP TO | IF YOU MAKE MORE, SOME BENEFITS WILL BE WITHHELD |
|-----------------------------------------------------------|------------------------------------------|--------------------------------------------------|
| Are under full retirement age | \$23,400 per year (\$1,950 per month) | \$1 for every \$2 |
| Have reached the year of full retirement age | \$62,160 per year (\$5,180 per month) | \$1 for every \$3 |
| Have reached or exceeded the month of full retirement age | No limit | No limit |

EXAMPLE If you reach full retirement age on May 1, 2025, you are eligible to earn \$62,160 for the months of January through April. There is no limit on the amount of additional income you can earn after May 1, 2025.

Does COA offer phased retirement?

While COA does not have an official phased retirement program, we will try to accommodate an employee who is ready to retire from the pressures of their full-time career but is interested in continuing to work on a much-reduced schedule. This can be mutually beneficial to the organization as well as the employee in situations where training a replacement or mentoring is needed. Because of the potential impact this may have on the retiree's benefits and your department's budget, it requires careful consideration and approval by both the manager and Human Resources.

