

# **Mooresville Savings Bank**

Appendix to BMO U.S. Pension Plan  
Summary Plan Description (SPD)

# **BMO U.S. Pension Plan – Mooresville Savings Bank Summary Plan Description Appendix**

**For Participants Who Are Former Employees of Mooresville  
Savings Bank and Who Participated in the  
Pentegra Defined Benefit Plan for Financial Institutions**

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While this Appendix and the summary plan description summarize the major provisions of this plan as it applies to benefits merged into the plan from the Pentegra Defined Benefit Plan for Financial Institutions with respect to affected participants who are former employees of Mooresville Savings Bank, it does not provide you with every plan detail. The plan document, which governs this plan, provides full details. If there are any discrepancies between this Appendix and the summary plan description and the legal plan document, the plan document will govern.

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## **Introduction**

This Appendix to the summary plan description for the BMO U.S. Pension Plan (the “plan”) applies to participants who earned a benefit under the Pentegra Defined Benefit Plan for Financial Institutions (the “Pentegra Plan”) as an employee of Mooresville Savings Bank. Your Pentegra Plan benefit was merged into the plan as of January 1, 2019. This means that if, immediately prior to January 1, 2019, you still had a benefit in the Pentegra Plan as a former employee of Mooresville Savings Bank and you were not already a plan participant, you became a participant on January 1, 2019 and the plan now has the obligation to pay your Pentegra Plan benefit.

This Appendix provides information regarding your Pentegra Plan benefit, such as how your Pentegra Plan benefit is calculated, how it may be paid to you and preretirement death benefits.

**IMPORTANT:**

Your Pentegra Plan benefit was frozen effective January 1, 2008. You will not earn any additional accruals with respect to your Pentegra Plan benefit under the plan.

## **Pentegra Plan Eligibility**

Employees of Mooresville Savings Bank hired on or after January 1, 2008 were not eligible to participate in the Pentegra Plan. Prior to January 1, 2008, employees were eligible to participate in the Pentegra Plan on the first day of the month following satisfaction of one year of service and attainment of age 21.

## **Service and Salary**

Your Pentegra Plan benefit is based on your benefit service and salary. Your benefit service is the number of years and months of employment with Mooresville Savings Bank and any successor employer upon which Pentegra Plan benefits are determined.

**Benefit Service** includes your period of employment as an active participant at Mooresville Savings Bank to the earliest of your retirement, death, or termination of employment or January 1, 2008. You receive credit for each calendar month in which you were credited with at least one hour of service. An “hour of service” is generally each hour for which you are paid, or entitled to payment, for the performance of duties. Hours for which you were paid, or entitled to payment for a period of time during which no duties were performed, such as vacation, illness, or holiday are also counted.

You also receive credit for a non-military leave of absence up to one year. If you leave to perform “qualified military service” and are later rehired within a certain period following completion of your service, your military service may be counted as benefit service.

**Salary** is, with respect to a calendar year, your taxable compensation reported on Form W-2 for the calendar year, excluding any compensation deferred from a prior year. Salary also includes any pre-tax contributions to a Section 401(k) plan, to a Section 125 cafeteria plan as well as Qualified Transportation Fringe benefits as defined under Section 132(f) of the Internal Revenue Code.

For a benefit determined in any plan year up to December 31, 2007, only salary earned up to the IRS limitation on compensation for that year (for example, \$225,000 for 2007) can be considered in determining your Pentegra Plan benefit.

**NOTE: Salary earned on or after January 1, 2008 will not be taken into account for benefit computation purposes. In addition, your service on or after January 1, 2008 will not be counted as benefit service.**

## Vesting

“Vested” means that you have a nonforfeitable right to a retirement benefit which you will not lose if you terminate employment. All participants with a Pentegra Plan benefit are 100% vested in their Pentegra Plan benefit.

## Retirement Benefits

### Normal Retirement

Upon termination of employment at or after age 65, you will be entitled to your Pentegra Plan normal retirement benefit calculated under the following formula:

$$\begin{array}{r} 1.75\% \\ \times \end{array} \begin{array}{r} \text{Years of} \\ \text{Benefit} \\ \text{Service} \end{array} \begin{array}{r} \times \\ \text{High-5} \\ \text{Average} \\ \text{Salary} \end{array} = \begin{array}{r} \text{Regular} \\ \text{Allowance} \end{array}$$

**Example:** Assume that you terminate employment at age 65 and had 10 years of benefit service. Also, your average annual salary for the 5 consecutive years of highest salary during benefit service (“high-5 average salary”) is \$90,000. Your annual normal retirement benefit would be as follows:

$$\begin{array}{r} 1.75\% \\ \times \end{array} \begin{array}{r} \text{Years of} \\ \text{Benefit} \\ \text{Service} \\ 10 \text{ years} \\ (=17.5\%) \end{array} \begin{array}{r} \times \\ \text{High-5} \\ \text{Average} \\ \text{Salary} \\ \$90,000 \end{array} = \begin{array}{r} \text{Regular} \\ \text{Allowance} \\ \$15,750 \end{array}$$

If you do not continue employment after age 65, you may defer commencement of your Pentegra Plan benefit until the April 1st of the calendar year following the later of (i) the calendar year in which you reach age 73 (72 if you were born on or after July 1, 1949, but before January 1, 1951; 70½ if you were born before July 1, 1949) or (ii) the calendar year in which you retire (“Required Beginning Date”).

**NOTE: Benefit service and salary on or after January 1, 2008 do not count for purposes of your Pentegra Plan benefit.**

### Late Retirement

If you continue in employment beyond age 65, your Pentegra Plan late retirement benefit will be the greater of (1) your Pentegra Plan benefit determined as of your actual retirement date under the benefit formula described above or (2) your Pentegra Plan benefit as of the first day of the month on or after you attain age 65, increased as shown in the following chart:

Age	Adjustments
65-70	0.8% per month
70-75	1.0% per month
75-80	1.2% per month
80-85	1.5% per month
85-90	1.9% per month
90-95	2.5% per month
95 and older	3.4% per month

## Early Retirement

If you terminate employment prior to age 65, you will be entitled to an early retirement benefit. Payment may commence following your termination of employment in which case the Pentegra Plan benefit otherwise payable at age 65 is reduced by applying an early retirement factor based on your age when payments begin (see below). Payment may also be deferred to any time up to your Required Beginning Date.

**NOTE:** The reduction to the Pentegra Plan normal retirement benefit takes into account that the benefit paid to a younger person will likely be payable for a longer period of time. The reduction factor is calculated by subtracting 6% for each year between age 60 and 65, 4% for each year between 55 and 60 3% for each year between age 45 and 55, and 1% for each year between age 45 and 26. (Interpolation shall be made to the nearest month.) The reduction factors for ages 65 through 45 are shown in the chart below.

Age When Payment Begins	Percentage of Benefit Payable	Age When Payment Begins	Percentage of Benefit Payable	Age When Payment Begins	Percentage of Benefit Payable
65	100%	58	62%	51	38%
64	94%	57	58%	50	35%
63	88%	56	54%	49	32%
62	82%	55	50%	48	29%
61	76%	54	47%	47	26%
60	70%	53	44%	46	23%
59	66%	52	41%	45	20%

**Example:** Assume that your Pentegra Plan benefit payable at age 65 is \$850 per month. If you elect to commence your Pentegra Plan benefit at age 55, your monthly benefit is \$425 (\$850 x 50% from the table above). Your monthly benefit may be further reduced depending on your elected form of payment.

## Disability Benefit

The Pentegra Plan did not provide for any enhanced disability benefits. If you become disabled and terminate employment, you will be entitled to your vested accrued Pentegra Plan benefit based on the early retirement formula or normal retirement formula described above.

## Payment Options

### Automatic Forms of Payment

If your plan benefit value is more than \$7,000 when you leave the Company, you may choose one of the payment options described here or defer payment until your Required Beginning Date. If you have a Pentegra Plan benefit and another type of benefit under the plan, the \$7,000 limit applies to your entire benefit under the plan. If your benefit is valued at \$1,000 or less, it will automatically be paid as a lump sum. If your benefit is greater than \$1,000 but less than \$7,000, it will automatically be paid as a direct rollover to an IRA, unless you elect to receive it in a lump sum.

**If you are married when your Pentegra Plan benefit commences**, you will normally receive your Pentegra Plan benefit in the form of either a 100% joint and survivor annuity with a 10 year period certain, or a 50% joint and survivor annuity, with your spouse as your named beneficiary (each as described under *Optional Forms of Payment* below). However, you may select any one of the optional forms of payment described below or a lump sum with your spouse's written consent, witnessed by a notary public.

**If you are not married when your Pentegra Plan benefit commences**, you will automatically receive a 10-year certain and life annuity, as described under *Optional Forms of Payment* below, unless you elect one of the other optional forms of monthly payment described below or a lump sum.

### **Optional Forms of Payment**

Instead of the automatic payment method described above, you may choose one of the forms of payment described below with respect to your Pentegra Plan benefit provided that you are at least age 55. If you are younger than age 55 when your Pentegra Plan benefit commences, your forms of payment are limited to the single lump sum payment and, if you are married, either a 100% joint and survivor annuity with a 10 year period certain, or a 50% joint and survivor annuity, with your spouse as your named beneficiary, or if you are not married, a 10-year certain and life annuity.

Each optional form of benefit is determined by converting the immediate benefit amount to the optional form using the interest and mortality factors specified for the Pentegra Plan benefit in the plan document.

The optional forms of payment for a Pentegra Plan benefit are (with spousal consent, as necessary – see *Automatic Forms of Payment* above):

- **10-year certain and life annuity** – With this form of payment, you receive monthly benefits for life. If you die before receiving 120 monthly payments, the present value of the balance of the unpaid monthly payments will be paid to your named beneficiary. If you have no named beneficiary on file, the present value of the unpaid payments will be paid to your estate. (For this purpose, present value is determined using 7% per annum). If you die after receiving at least 120 month payments, after your death, no further benefits are payable. This annuity is also available as an option to married participants who waive the joint and survivor annuity by providing a written, notarized waiver as described above.
- **Single life annuity** – With this form of payment, you receive monthly benefits for life. After your death, no further benefits are payable.
- **Joint and survivor annuity** – Under this optional form of payment, you receive reduced monthly payments for life. Your monthly payments are reduced in order to provide your spouse or other named beneficiary with continuing monthly payments after you die. You may choose to continue 50% or 75% of your monthly benefit to your survivor after your death. The higher the percentage, the more your benefit is reduced to cover the amount your survivor will receive. If your survivor dies before you do, your elected benefit will continue to be paid to you and will end when you die. If you elect a joint and survivor annuity with a non-spouse beneficiary who is more than 10 years younger than you, you may not be eligible to elect the 75% joint and survivor annuity.
- **100% joint and survivor annuity with 10-year period certain** – Under this payment option, you receive reduced monthly payments for life. Your monthly payments are reduced in order to provide your spouse or other named beneficiary with continuing monthly payments after you die. If you and your named beneficiary die before 120 monthly payments are made, the present value of the balance of the unpaid monthly payments will be paid to your contingent beneficiary. If you have no contingent beneficiary on file, the present value of the unpaid payments will be paid to your estate or your survivor's estate. (For this purpose, present value is determined using 7% per annum). After

both you and your named beneficiary die and at least 120 month payments, no further benefits are payable.

- **Single lump sum payment** – Instead of monthly benefit payments, you may elect to receive your benefit in a single, lump sum payment. The lump sum option has no beneficiary since the entire value is paid to you upon election.
- **Lump sum and annuity** – This option is available only if you are at least age 55. You may elect to receive 25%, 50% or 75% of your benefit in a single, lump sum payment and the remainder of your benefit in one of the annuity options described above. The annuity must commence as of the same date that your lump sum is payable. Any survivor benefit payable following your death depends on your selected annuity option. The lump sum portion has no beneficiary since the entire value is paid to you upon election.

## **Survivor Benefits**

### **Preretirement Death Benefit**

If you die before commencement of your Pentegra Plan benefit, your beneficiary will receive a survivor benefit based on the 120 monthly payments which would have been payable had your Pentegra Plan benefit commenced in a 10-year certain and life annuity on the first day of the month in which your death occurred.

If you are married and your spouse is your beneficiary, your spouse will receive payments for life. Your spouse may elect to receive the survivor benefit in a lump sum or installments over up to 10 years instead of the single life annuity. Your spouse is entitled to a minimum survivor benefit equal in value to the survivor benefit payable under a 50% joint and survivor annuity (as described in *Payment Options* above).

If you are married, you may designate a person other than your spouse as beneficiary for the Pentegra Plan preretirement survivor benefit provided that your spouse gives written, notarized consent allowing a different beneficiary. Your non-spouse beneficiary will receive a lump sum equal to the present value of the 120 monthly payments which would have been payable had your Pentegra Plan benefit commenced in a 10-year certain and life annuity on the first day of the month in which your death occurred. Your non-spouse beneficiary may elect to receive this survivor benefit in installments payable over up to 5 years instead of the lump sum.

If you are not married when you die, the Pentegra Plan preretirement survivor benefit will be paid to your named beneficiary in a lump sum or, if your beneficiary elects, in monthly installments over up to 5 years. In the event there is no valid beneficiary designation on file when you die, any survivor benefits will be paid to your estate.

If your beneficiary is receiving installments and dies before all installment payments are made, the present value of the remaining installments will be paid to your beneficiary's estate in a lump sum.

If the survivor benefit is valued at \$1,000 or less, it will automatically be paid as a lump sum. If the survivor benefit is greater than \$1,000 but less than \$7,000, it will automatically be paid as a direct rollover to an IRA, unless the beneficiary elects to receive it in a lump sum.

See the summary plan description about how to review or update your beneficiary designation.

### **If You Die After Payment Commences**

If you die after payment of your Pentegra Plan benefit has begun, any survivor benefit payable following your death depends on how you elected to have your benefit paid. For example, if you elected payment of

your Pentegra Plan benefit as a single life annuity, no survivor benefit with respect to your Pentegra Plan benefit is payable following your death. See *Payment Options* above for more information.