

December 21, 2020

Notice To Interested Persons Regarding a Request for an IRS Ruling on the Baylor Scott & White Health Consolidated Frozen Benefit Plan's Status as a Church Plan

WHY ARE YOU RECEIVING THIS NOTICE?

You are receiving this notice because a letter ruling request will be submitted by Baylor Scott & White Holdings (“BSW Holdings”) (EIN: 46-3130985) to the Internal Revenue Service (IRS) regarding the Baylor Scott & White Health Consolidated Frozen Benefit Plan (the “Plan”) (Plan No. 001). The Plan encompasses the former THA Retirement Plan for King’s Daughters Hospital (the “King’s Daughters Plan”), the THA Retirement Plan for Scott & White Hospital—Brenham (the “Brenham Plan”), and the All Saints Health System Pension Plan (the “All Saints Plan”). BSW Holdings is proposing to “spin-off” or transfer the portion of the Plan that corresponds to the King’s Daughters Plan into a separate retirement plan. The Plan would cease covering King’s Daughters Plan participants but would continue to cover All Saints Plan participants and Brenham Plan participants. We are requesting the IRS to determine that the Plan is a church plan under Section 414(e) of the Internal Revenue Code (the “Code”) as of March 31, 2017, and that the portion of the Plan that corresponds to the former All Saints Health System Pension Plan is a church plan as of December 31, 2001.

We have represented that a special election (described below, relating to Section 410(d) of the Code) has not been made. Therefore, the IRS requires that this notice be provided to you.

This notice informs you that a church plan under Section 414(e) of the Code is generally not required to comply with many rules that apply to other retirement plans. Thus, those protections and rights under federal law are not required to be provided to participants and other interested persons. This notice also informs you that you may give the IRS comments.

WHY DOES CHURCH PLAN STATUS MATTER?

In general, a church plan is a plan established and at all times maintained for its employees by a church or by a convention or association of churches which is exempt from tax under Code Section 501(a) or that is maintained by a tax exempt organization that is associated with a church. A church plan is generally not subject to various requirements that generally apply to retirement plans under federal law. Instead, the plan is primarily subject to certain qualification requirements that pre-date the enactment of the Employee Retirement Income Security Act of 1974 (“ERISA”).

We are representing that the Plan is a church plan that is exempt from ERISA. This means that the Plan is not required to provide certain protections and rights to Plan participants. The protections applicable to ERISA-covered retirement plans that a church plan is not required to provide include the following:

- A participant's eligibility to join the plan cannot be delayed past a stated period of time

- A participant's entitlement to fully vested benefits must be set forth in schedules depending on years of service, and cannot be delayed past a stated period of time
- The plan may not generally be amended to reduce previously earned benefits
- Specific minimum funding requirements apply for pension plans
- A participant has the right to bring suit under federal law for payment of benefits, fiduciary violations (such as inappropriate management of plan assets or impermissible self-dealing), and failure to receive a statement of benefits and other plan information
- A participant has the right to be notified about certain changes in the plan, and to obtain a copy of plan documents and certain reports filed with the government
- The insurance protection provided by the Pension Benefit Guaranty Corporation (PBGC) that applies in the event of termination of an underfunded defined benefit pension plan.

If a church plan is excluded from ERISA coverage, state laws could independently provide protections and rights to participants, beneficiaries, and alternate payees. However, this would depend on the applicable state law.

Further, if a church plan is excluded from ERISA coverage, a sponsor of the plan may choose to provide similar protections to those provided under ERISA and the Code (though PBGC insurance protection would not be available). However, the plan might be able to cease providing those protections (for future benefits or previously earned benefits) at any time, to the extent applicable state law does not prohibit such action. Also, the plan administrator is not precluded from making an election under Section 410(d) (as discussed below) at a later time, in which case the plan would then become subject to ERISA and to the provisions of the Code that generally apply to tax-qualified retirement plans (and any applicable state law protection would then cease to apply).

WHAT IS THE EFFECT OF AN ELECTION TO BE SUBJECT TO ERISA?

The plan administrator of a church plan is permitted to make an irrevocable election under Section 410(d) of the Code under which the plan will be subject to all of the Code requirements that generally apply to tax-qualified retirement plans including the protections and rights listed in the preceding section. If the plan administrator of a church plan makes that election, the plan must comply with applicable provisions of the Code relating to retirement plans and with ERISA. We have represented that no such election has been made with respect to this Plan.

WHAT IS THE SCOPE OF A LETTER RULING?

Please be aware that if the IRS issues a ruling stating that the Baylor Scott & White Health Consolidated Frozen Benefit Plan is a church plan under Code Section 414(e), that ruling is based on the information provided and is limited to the Plan's status as a church plan under Section 414(e). The ruling will not make any determination regarding other events or actions, for

example, regarding whether the plan administrator actually has or has not made an election under Section 410(d) for this Plan in the past. Also note that while a letter ruling from the IRS would confirm a plan's status as a church plan under Section 414(e), a plan is not required to have a letter ruling from the IRS in order to be a church plan under Section 414(e). However, other agencies may require the plan sponsor to have an IRS letter ruling in order for the plan to be treated as a church plan.

YOU HAVE AN OPPORTUNITY TO COMMENT

The IRS will consider any written information submitted by Plan participants or other interested persons that is relevant to the ruling request. Comments not relevant to this issue will be disregarded, but relevant information, such as whether the employer is or is not controlled by or associated with a church and whether an election has or has not been made under Section 410(d), will be taken into account. The relevant information must be submitted within 60 calendar days from the date this notice is provided to interested persons and must include all identifying information relating to the Plan and plan sponsor listed in the first paragraph of this notice (which includes the name and identifying number of the plan sponsor, the Plan name, and the Plan number). Information may be sent to the following address:

Internal Revenue Service
Attention: EP Letter Rulings
P.O. Box 27063
McPherson Station
Washington, DC 20038

In addition to considering relevant written information from interested persons, the IRS may permit interested persons to participate in the decision-making procedure by making oral presentations at meetings to which interested persons are invited. However, it is solely within the discretion of the IRS as to whether or not there will be meetings to which interested persons are invited.

Due to the tax disclosure restrictions of Section 6103 of the Code, the IRS is prohibited from providing any information with respect to the letter ruling request.

WHERE TO OBTAIN FURTHER INFORMATION

For further information on rules that apply to plans that are subject to ERISA (such as to a church plan that has made an election under Section 410(d) of the Code), see the information on retirement plans provided by the Department of Labor at www.dol.gov/ebsa and the Pension Benefit Guaranty Corporation at www.pbgc.gov. You may receive a copy of this Notice by submitting a request to the following address: Baylor Scott & White Health, Attn: Mrs. Stacye Furmanek, 301 N. Washington Ave., Dallas, TX 75246.

Baylor Scott & White Holdings
Stacye Furmanek, Director of Benefits