



Cash Balance Plan for Shareholders

Effective January 1, 2021 an additional retirement plan, called a Cash Balance Plan, was added to the retirement savings program for our shareholders. The Cash Balance plan is in addition to the ARS 401(k) Profit Sharing Plan all shareholders currently participate in.

A Cash Balance plan allows shareholders of professional service firms and similar organizations to accelerate retirement savings through significantly larger tax deductions during their career. For ARS shareholders, this means benefits earned in their retirement program above and beyond what is already available in the ARS 401(k) Profit Sharing Plan.

All physician shareholders are participants in the Cash Balance plan. Once you have read this material, please contact Human Resources regarding the annual benefit level that applies to you.

What is a Cash Balance Plan?

A Cash Balance plan is a qualified plan and is technically a defined benefit (pension) plan, but looks and feels much like a defined contribution (e.g. 401(k) plan). Each participant has an account that grows each year with both a benefit credit and an interest credit. The interest credit is guaranteed and is not dependent on the performance of the plan's investment fund. There is no investment choice for the individual, rather the plan has one pooled investment fund. This fund is professionally managed by an investment firm.

Why a Cash Balance Plan for ARS?

A Cash Balance plan allows shareholders to defer income well above the limits of just offering a 401(k) profit sharing plan. The Cash Balance plan allows for the high benefit limits offered by defined benefit plans, but also the portability feature of a 401(k) plan (a lump sum distribution rather than a monthly pension at retirement). This presents a great opportunity for larger tax deferrals and increased retirement savings for our shareholders.

When is a Shareholder Eligible for the Cash Balance Plan?

All shareholders are eligible to enter the plan on the 1st of the month following becoming a shareholder.

Can a Shareholder opt out?"

All shareholders are required to participate in the Cash Balance plan.

How are Annual Benefit Levels Determined?

Benefit levels for all participants are approved by the retirement plan committee. Each shareholder either participates at the Standard Benefit level based on their age and employment status as indicated in the table below, at the Shareholder Minimum level as shown in the first row, or at the Shareholder Mid-Level as shown in the second row. Note that age is defined as the participant's age as of January 1st of a given year. For the Standard Benefit level, annual benefits will automatically increase over time as the individual moves into the next age group. Benefit levels are constant during any calendar year, even if the employment status changes. Any adjustment for aging into the next grouping or an employment status change is made on the next January 1st.

Advanced Radiology Services, P.C. Cash Balance Plan Effective January 1, 2021

Summary of Benefit Levels

	1/2 Time	3/4 Time	Full Time
Shareholder Minimum Level	\$5,000	\$7,500	\$10,000
Shareholder Mid-Level	\$20,000	\$30,000	\$40,000
Standard Benefit Level: (increases automatically over time)			
Shareholders Under Age 35	\$5,000	\$7,500	\$10,000
Shareholders Age 35-39	\$10,000	\$15,000	\$20,000
Shareholders Age 40-49	\$30,000	\$45,000	\$60,000
Shareholders Age 50-59	\$40,000	\$60,000	\$80,000
Shareholders Over Age 59	\$50,000	\$75,000	\$100,000

How Often are Benefit Levels Changed?

Unlike a 401(k) plan, Cash Balance plans do not allow for frequent changes to benefit levels, and the plan must be officially amended to do so. Once the benefit level is determined, there is a restriction on how often an amendment can be made. While the law is somewhat vague on the frequency, every three to five years has been deemed to be acceptable. Note under the Standard Benefit level, annual benefits will automatically increase over time as the participant moves into the next age group.

How is the Plan Funded?

The plan is funded uniformly throughout the year by the shareholders, each sharing in the cost of the plan proportionally based on their benefit level.

Interest Credits, Account Balance and Account Statements

Participants will receive an account statement annually showing the benefit credits and the interest credited to the account.

How is the Benefit Distributed upon Termination of Employment?

The account balance is available immediately upon termination of employment, and all accounts are 100% vested at all times. While the optional forms of payment also include monthly payment options as typically seen in a pension plan, the usual form of payment is a lump sum. Note there are no distributions or loans available while employed.

What are the Tax Advantages?

There can be substantial tax benefits to shareholders funding a Cash Balance plan. The annual amount reduces taxable income dollar-for-dollar. The investment earnings grow tax-deferred just like in a 401(k) plan. A Cash Balance plan is a "qualified plan" under IRS rules, just like a 401(k) or profit sharing plan. The general rule of thumb is that qualified retirement plans should be funded to the maximum level first, before other investment strategies are used.

Questions?

To implement and administer the Cash Balance plan, ARS has partnered with Conrad Siegel, an actuarial and employee benefits consulting firm. If you have questions, please reach out to Conrad Siegel via email or phone:

Email address: ARS@conradsiegel.com

1-888-216-8258

conradsiegel.com