



May 18, 2018

To: Active Participants in the Christian Brothers Employee Retirement Plan

Your employer provides the Christian Brothers Employee Retirement Plan (CBERP) as an employee benefit to you. The CBERP is a defined benefit plan that is totally funded by your employer. The plan does not cost you anything to participate. As a participant in the defined benefit plan, you are not subject to investment or mortality risks. In other words the ups and downs of the market do not cause your benefit to change. Also when you retire, you will receive a monthly benefit for life. Your benefit will not stop because you reach a certain age. This ensures that you will continue to receive income throughout your lifetime after retirement. Most retirement experts agree that a defined benefit plan is an essential source for a secure retirement. Unfortunately corporate employers have been moving away from these essential benefits. The reason they give is that defined benefit plans are too costly and too regulated. That is not the case with the CBERP. As a multiple-employer church plan, we cover over 37,000 participants with assets exceeding \$1.4 billion. We can administer this plan more efficiently and as a church organization are not burdened with many of the government-imposed regulations faced by corporate plans.

The CBERP is administered by a seven-member pension board. The majority of Board members are either participants in the Plan or are members of a Religious Order affiliated with a participating employer. Their duty is to oversee the plan so that the benefits you earn will be there for you when you retire. The board consistently monitors the plan and reviews the plan provisions. Over the years, the plan has been enhanced to provide benefits that weren't necessarily pension related. The Board reviewed all of the Plan provisions and decided to eliminate those provisions that are being subsidized by the Plan. (Subsidies are extra benefits for which the plan has never charged the employer or participants.) The mission of the Plan is to provide employees with a secure retirement for life. Any subsidies or provisions that are not related to the mission can have a negative impact on the funded status of the Plan. The Pension Board of the Christian Brothers Employee Retirement Plan (CBERP) recently approved several changes to the CBERP. The result of these changes is that the CBERP will more closely resemble most other defined benefit plans. **None of these changes will affect any benefits you have already earned. The changes do not impact the benefit formula on which your benefit is calculated.** The initial changes will be effective July 1, 2018.

## **Summary**

These changes **do not**:

- have any effect on the current rate your employer is contributing toward your pension.
- affect the benefit formula your employer is providing.
- change the amount of your accrued benefits
- change the amount a retiree is currently receiving.

The following changes to the Plan are being made to strengthen the long-term financial positioning of the Plan:

Effective July 1, 2018, the disability provision, active pre-retirement death provision and joint/survivor retirement factors will be modified.

Effective July 1, 2019, the early retirement factors will be modified. See Attachment #2.

Further details are provided below:

### **Why are there changes?**

The Pension Board, as fiduciaries and representatives of participating employers, has an obligation to protect the participants in the Plan. With over \$1.4 billion in assets, the Christian Brothers Employee Retirement Plan is financially sound. These changes will help preserve benefits for current participants, as well as the next generation of employees serving the Church. The purpose of the Plan is to provide a secure monthly retirement benefit for those that have served Catholic Church employers. Ancillary provisions such as disability and subsidized death benefits, while beneficial, divert from the basic purpose of the Plan.

Although the market returns have been very favorable as of late, the Board understands that the market is volatile. There are other factors, besides investments, that impact the Plan, such as changing demographics and the closing of some Catholic institutions. The Board decided to enact these minor changes now to improve the long-term funded status of the Plan so that major changes in the future may not be warranted. To continue to be good stewards, the Board is acting now to help preserve the core benefits promised to you, both now and in the future. Some of these changes will take effect at the start of the next plan year – July 1, 2018. Some changes will become effective July 1, 2019. Although these changes do not reduce the accrued normal retirement benefit that you have earned, they may affect decisions you may be contemplating. Below is a description of the changes and effective dates.

**The following changes will occur in the Plan effective as of July 1, 2018, which is the start of the next Plan Year.**

- **Disability Provision**

Most employers have a separate disability plan for their employees. The purpose of the CBERP is to provide a secure retirement, not to provide disability benefits. Effective July 1, 2018, the disability provision in the Plan will be amended to **eliminate future accruals** for active employees who become disabled and qualify for Social Security Disability. A disabled participant can still elect to commence a reduced benefit under the Plan when they qualify for Social Security disability. This change will not affect any employee currently disabled under the Plan.

- **Active Death Benefits**

Currently the Plan provides a subsidized pre-retirement death benefit for married participants. Effective July 1, 2018, the pre-retirement active death benefit provision in the Plan will be amended to provide a non-subsidized actuarially reduced joint and survivor benefit beginning no earlier than age 55 provided the employee was vested at the time of death and married for at least one year. The death benefit for non-married active participants is non-subsidized and therefore is not changing.

- **Joint and Survivor Factors**

The current joint and survivor table uses factors which are not full actuarial equivalents. Again, this means that employees electing a joint and survivor annuity receive a slight subsidy while those electing a single life annuity do not. Effective July 1, 2018, the table for the joint and survivor factors will be modified to correspond to a more equivalent reduction factor. The next benefit statement you receive this year will reflect this change. Typically you receive your benefit statement in October. If you are contemplating retiring before that date and are thinking of electing a joint/survivor benefit, we suggest that you contact Christian Brothers Services and request a benefit estimate. Attached are the joint/survivor table currently in use and the new table effective July 1, 2018. See Attachment #1.

**The following change will occur in the Plan effective as of July 1, 2019**

- **Early Retirement Factors**

The current early retirement reduction table includes a slight subsidy to retire early when compared to retirement at Normal Retirement Age. Effective July 1, 2019, the table for the early retirement factors will be modified to correspond to a more equivalent reduction factor. Even though this provision is not effective until July 1, 2019, the next benefit statement you receive this year will reflect this change. Typically you receive your benefit statement in October. Attached are the early retirement reduction table currently in use and the new table that will become effective July 1, 2019. See Attachment #2.

### **Our commitment to excellence**

The Board is committed to continuing the Christian Brothers Employee Retirement Plan. The Board consistently monitors the Plan, regardless if there is global economic calamity such as we endured 2008/09 or the latest market climb. As you recall, the Board has made changes in the past few years and some of these changes were dramatic, but necessary. The changes cited above are relatively minor and are simply eliminating subsidies that have been added to the Plan over the years. None of these changes will impact any retirees' benefits nor will they impact any benefits already earned by you in the Plan.

Over the years the Board has asked outside consultants to compare the Plan to other Catholic church plans. Even with these new changes, the CBERP compares extremely favorably to other church plans and even corporate plans. It remains a tremendous benefit to employees. As such, the Board is committed to the defined benefit approach, which helps ensure a financially sound retirement for employees working for Catholic employers.

Many employers, and also Social Security, have decided not to enact the necessary changes to protect the long term viability of their plans. Others have simply abandoned the protection provided by a defined benefit plan by transferring all of the risks to the employees. The Board balances the social justice issue of protecting you as a participant without a substantial increase in costs to the employer when considering changes to the Plan. The above changes achieve this balance.

### **We are here to help!**

Count on Christian Brothers Services to assist you with any questions.

The Board is committed to protecting the benefits promised to you and preserving benefits for current and future employees.

Sincerely,



Daniel M. Stremel, Chairperson  
Pension Board of the  
Christian Brothers Employee Retirement Plan



Brother Michael Quirk, FSC Ed.D  
President / CEO  
Christian Brothers Services

**Attachment #1**

<b>New Factors Effective July 1, 2018</b>		
<b>50% JOINT AND SURVIVOR ANNUITY</b>		
<b>ACTUARIAL REDUCTION FACTORS</b>		
<b>CONTINGENT ANNUITANT'S AGE AS RELATED TO PARTICIPANT'S AGE</b>	<b>BEFORE 7/1/2018</b>	<b>ON OR AFTER 7/1/18</b>
	5 or more years older	0.96
Difference less than 5 years	0.94	0.92
5, but less than 10, younger	0.92	0.9
10, but less than 15, younger	0.9	0.88
15, but less than 20, younger	0.89	0.87
20, but less than 30, younger	0.87	0.85
30, but less than 40, younger	0.84	0.82
40, but less than 50, younger	0.79	0.77
50 or more years younger	0.73	0.71

<b>New Factors Effective July 1, 2018</b>		
<b>100% JOINT AND SURVIVOR ANNUITY</b>		
<b>ACTUARIAL REDUCTION FACTORS</b>		
<b>CONTINGENT ANNUITANT'S AGE AS RELATED TO PARTICIPANT'S AGE</b>	<b>BEFORE 7/1/2018</b>	<b>ON OR AFTER 7/1/18</b>
	5 or more years older	0.91
Difference less than 5 years	0.88	0.86
5, but less than 10, younger	0.85	0.83
10, but less than 15, younger	0.83	0.81
15, but less than 20, younger	0.81	0.79
20, but less than 30, younger	0.78	0.76
30, but less than 40, younger	0.74	0.72
40, but less than 50, younger	0.69	0.67
50 or more years younger	0.63	0.61

**Attachment #2**

<b>EARLY RETIREMENT FACTORS</b>			
<b>Prior to July 1, 2019</b>			
<b>Months prior to Normal</b>	<b>Reduction</b>	<b>Months prior to Normal</b>	<b>Reduction</b>
144	0.433	60	0.667
132	0.467	48	0.733
120	0.500	36	0.800
108	0.533	24	0.867
96	0.567	12	0.933
84	0.600	0	1.000
72	0.633		

<b>EARLY RETIREMENT FACTORS</b>			
<b>On or After July 1, 2019</b>			
<b>Months prior to Normal Retirement</b>	<b>Reduction Factor</b>	<b>Months prior to Normal Retirement</b>	<b>Reduction Factor</b>
144	0.330	60	0.630
132	0.360	48	0.690
120	0.400	36	0.750
108	0.440	24	0.830
96	0.480	12	0.910
84	0.530	0	1.000
72	0.580		