March 8, 2021

To the Diocese of Owensboro Full-Time Staff:

The Pension Board of the Christian Brothers Employee Retirement Plan (CBERP) made changes to the defined benefit pension plan in October 2019 which will be going into effect July 1, 2021. The Board believes that defined benefit plans are an essential element in retirement planning, particularly for those working for Catholic Church employers. These changes will help preserve the benefits for past and current employees, as well as the next generation of employees who will serve the Church.

One of the functions of the Pension Board for the Christian Brothers Employee Retirement Plan is to monitor the financial health of the Plan. In pursuit of this function, the Pension Board has made various Plan design changes in past years. The Pension Board is announcing three additional changes to be effective July 1, 2021.

1. New Contribution/Benefit Levels
2. Full Adoption of Social Security Retirement Age
3. Lump Sum Distribution Option

1. New Contribution/Benefit Level:

The CBERP is changing the contribution and benefit levels effective July 1, 2021. As a result, we, have decided to change as follows:

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<th>011-100 DIOCESE OF OWENSBORO</th>
<th>THROUGH JUNE 30, 2021</th>
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<tbody>
<tr>
<td>CONTRIBUTION RATE</td>
<td>BENEFIT FORMULA</td>
</tr>
<tr>
<td>6.50%</td>
<td>2.04%</td>
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</tbody>
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<table>
<thead>
<tr>
<th>ON OR AFTER JULY 1, 2021</th>
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</thead>
<tbody>
<tr>
<td>CONTRIBUTION RATE</td>
<td>BENEFIT FORMULA</td>
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<tr>
<td>7.80%</td>
<td>2.04%</td>
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2. Full Adoption of Social Security Retirement Age

Effective July 1, 2021, there will be a change in Normal Retirement Age. The Normal Retirement Age for all participants will coincide with that of the Social Security Normal Retirement Age. However, participants who joined the plan on or before June 30, 2012 and have attained age 65 on or before June 30, 2021 will retain age 65 as their Normal Retirement Age. Note: the Normal Retirement Date for participants who joined the Plan on or after July 1, 2012, was already based on the Social Security Normal Retirement Date so there is no change in Normal Retirement Age for these participants.

3. Lump Sum Distribution Option

Effective July 1, 2021, the Plan will offer all vested terminating participants (including those with a present value over $10,000) the option to elect a lump-sum distribution instead of receiving monthly pension payments. The present value calculation will be based on the funded status of the Plan and as such will vary from year to year. More detailed information regarding this option will be provided upon termination of employment.

Our decision

As a participating employer, we reviewed the Plan changes and possible alternatives. Our decision is that continuing the defined benefit plan provides the most protection to our eligible employees. Many corporate employers have simply abandoned their defined benefit plans. They began offering defined contribution plans, such as 401(k) plans, that simply transfer the investment and mortality risk to the employee. Our decision to continue the defined benefit plan protects you from these risks. The Pension Board and the service providers they use are much better equipped to handle these risks. We need to be good stewards by using our resources appropriately, while not forgetting our social justice responsibility to protect our eligible employees if at all possible. Our decision accomplishes both of these objectives.

Important dates:
As mentioned above, these changes become effective July 1, 2021. Any benefits earned as of June 30, 2021 are not impacted by the benefit formula changes.

How will I know what my benefit will be with these changes?
In early April, the Christian Brothers website will be updated to reflect the changes noted above. However, the website will not include projections of the lump sum option as this amount is subject to several variables which will change over time. You can go to the Christian Brothers Website (www.cbservices.org) to register as a participant or click on this link: https://cbsnet.cbservices.org/participants.nsf/profile?openForm.
Once registered, you will find a link to your pension benefits under My Account. Clicking on that link will take you to other options, including a tab labeled Benefit Estimates. By clicking on this tab, you can input various dates and run different retirement estimates of future benefits. Note, the website will not provide a before-and-after comparison but rather an estimate of benefits with the plan changes taken into account.

The Value of a Defined Benefit
The Plan remains a tremendous value to participants and it would be difficult to replicate the benefits at the same cost using a defined contribution plan. Using the Participant Website, you can run benefit estimates that include a projection of income replaced by the Plan including Social Security. In many cases, the combination of the pension plan benefits and Social Security will replace at least 50% of income in retirement. For a “career” employee this may be closer to 70% income replacement. Adding in other employee savings can result in the necessary income for a secure retirement. We believe the Pension Board is working to ensure a financially sound retirement for employees working for Catholic employers by providing a dependable income that begins at retirement and continues for the rest of your life.

Sincerely,

Raymond T. Purk
Chief Financial Officer
Diocese of Owensboro