CHANGES TO THE CHRISTIAN BROTHERS EMPLOYEE RETIREMENT PLAN

Effective 7/1/2021

Executive Summary

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. Additional Lump-Sum Distribution Option

These changes will affect eligible employees prospectively. There are no reductions being made to benefits already earned by participants under the Plan. The Board believes these changes are necessary so that the Plan will continue to provide meaningful and important future retirement benefits to participants. These Plan changes were developed prior to the recent COVID-19 outbreak. The long-term effect on the economy due to the virus is not known. The Board will continue to monitor this situation.

Why are there changes?

The retirement plan landscape has experienced peaks and valleys over the last few decades. The Board has consistently monitored the funded status of the Plan. In the past when the Plan was over-funded, the Pension Board approved benefit enhancements. The Board has not made any benefit enhancements since 2008.

The Board has given careful consideration to the current funded status of the Plan including the future investment return projections in light of historically low interest rates, and participant life expectancies, which continue to rise. To continue to be good stewards, the Pension Board is taking action to help preserve the core benefits to participating employees, both now and in the future.

Over the past few years, the Pension Board has approved a number of changes to make the Plan more secure. These changes are necessary to maintain the future stability of the plan. In the short run, these changes do not significantly increase the funded status of the Plan, but will provide more security in the long run. The most recent change, which took effect July 1, 2019, resulted in the adoption of more conservative actuarial assumptions. This change reduced the funded status of the Plan but established a more prudent measure of the Plan's ongoing liabilities.

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.

New Contribution/Benefit Level:
The Board has approved changes to the current benefit and corresponding contribution levels for the Plan. The Board realizes many Catholic employers are unable to commit more financial resources to retirement benefits; others may not be able to reduce retirement benefits. The changes made by the Board offer flexibility and choice, enabling the employer to make a decision based on its situation. In most cases, employers have the option to either:

1. Maintain the current contribution with a reduced benefit level for employees going forward. This will not affect any benefits accrued as of June 30, 2021.

or

2. Maintain the current benefit level. This choice requires an increase in the employer contribution.

Those employers currently contributing at 3.50% and 5.0% of pay would have a slight increase in the contribution rate required.

Below is a table illustrating the benefit and corresponding contribution levels effective July 1, 2021:

Contribution Rate	Benefit Accrual
3.82%	1.00%
4.20%	1.10%
5.04%	1.32%
6.00%	1.57%
6.50%	1.70%
7.20%	1.89%
7.80%	2.04%
8.40%	2.20%
10.08%	2.64%

Change in Normal Retirement Age
The Normal Retirement Age for all participants will coincide with that of the Social Security Normal Retirement Age in place at that date. Participants who attain age 65 on or before June 30, 2021 will retain age 65 as their Normal Retirement Age unless they became a participant on or after July 1, 2012, at which time new participants retirement dates had already become concurrent with that of Social Security.

Additional Lump-Sum Distribution Option
Currently the Plan allows for a lump-sum distribution at termination if the present value is below $10,000. Effective July 1, 2021, the Plan will offer all participants (including those with a present value over $10,000) the option to elect a lump-sum distribution instead of receiving monthly pension payments. This optional form of payment is intended to provide participants with additional flexibility. Each November the Board will provide the Administrator (CBS) with the basis for calculating the present value of lump sums to be paid during the upcoming plan year. This information will be included with the audit and valuation reports provided to participating employers each year.

When do changes become effective?
The changes noted above become effective July 1, 2021. No benefits earned as of June 30, 2021 will be affected. Benefit changes only affect accruals earned after June 30, 2021. However, the monthly benefit payable will be impacted if a participant retires prior to the Social Security Normal Retirement Age.

Our commitment to excellence:
As noted above, the Board is committed to the long-term success of the Plan. The changes over the last few years, as well as the upcoming changes, are an indication of this commitment. The Board believes that (even at the lowest benefit level) providing a monthly benefit creates financial stability throughout a participant's retirement life. [The enclosed flyer provides information about the benefit adequacy at these new levels.] The Board recognizes the need to balance the social justice issues of providing employees who serve the Church the protection of a defined benefit plan with the cost constraints faced by Catholic Church employers. These changes are not a panacea that immediately fully funds the Plan, but over time they will improve the Plan's funded status.

What do I need to do?
A new employer adoption agreement will be sent to employers in October 2020. <u>This agreement must be completed and returned to Christian Brothers Services by **March 31, 2021**</u>. In the event that an employer does not complete a new adoption agreement, the default election is noted in the table below with the corresponding benefit formula

Contribution Level Before July 1, 2021	Contribution Level After July 1, 2021	Benefit Accrual after July 1, 2021
8.40%	8.40%	2.20%
6.50%	6.50%	1.70%
6.00%	6.00%	1.57%
5.00%	5.04%	1.32%
4.20%	4.20%	1.10%
3.50%	3.82%	1.00%

Is there flexibility for employers to make incremental changes?
Yes! An employer can change its Plan contribution level at the start of any Plan year (July 1). Board approval is only required if an employer requests changing its benefit/contribution level more than once during a three-year period.

How will employees be informed?
A letter informing employees about the changes will be sent to employers in the Spring of 2021. The letter will be tailored based on the benefit formula elected in the adoption agreement completed by the employer.

We are here to help!
Count on Christian Brothers Services to assist you with any questions. We will also help with any employee communication you may require.

Thank you again for the opportunity to serve your organization.