

February: Tax seminar for pastors. Don Fecher, BBT Pension Plan and Employee Financial Services director, will present a seminar on planning and preparing pastoral taxes to students and area pastors and church treasurers at Bethany Theological Seminary in Richmond, Ind. For information, or to inquire about dates of the seminar (to be determined), contact Brenda Reish at 800-287-8822 or 765-983-1800.



Active and retired pastors and their spouses from the Akron, Ohio, area were invited guests at BBT's November Board meeting. Guests heard reports about BBT's Pension and Medical plans, and enjoyed a lunch presentation outlining BBT's investment strategy.

March 31: Attention Brethren FlexCare participants who participate in flexible spending accounts for either medical reimbursement or dependent care: The deadline for submitting claims and receipts for 2001 expenditures is March 31.

This issue of Benefit News marks the final edition for editor Karla Hignite. Karla joined the BBT staff in January as Interim Senior Writer. In addition to many other writing assignments for BBT, Karla has been instrumental in the development of the newsletters Benefit News, Insurance Update, and Pension Planner. BBT staff will miss Karla greatly and wish her and her husband, Greg, well as they relocate in late December. — N.D.



**In This Issue**

- **Financial assistance**  
Church workers in financial need continue to benefit from a variety of grants made available through BBT's Church Workers Assistance Plan.
- **Access to Pension funds**  
Board members approved changes that will allow Pension Plan members with severe financial needs to access the employee portion of their accounts
- **BBT investment news**  
Even in a down economy, BBT investments continue beating their benchmarks.

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# Benefit News

NEWS ABOUT THE MINISTRIES OF BRETHREN BENEFIT TRUST

JANUARY 2002

**Long-Term Care**

## BBT Board considers a long-term care insurance benefit

A basic plan for providing long-term care coverage for pastors and church workers was presented to the Brethren Benefit Trust Board at its fall meeting, Nov. 16-17, in Akron, Ohio.

As presented by staff, the plan calls for a long-term care benefit that would provide \$1,000 a month in coverage for up to three years to all active BBT Pension Plan participants. BBT would act as the overarching employer, which would keep the benefit non-taxable. In turn, a small fee would be assessed against plan member accounts to cover administrative costs.

"Providing retirement benefits for church employees is not only about providing income through pension accounts, but is also about protecting those assets from erosion," said Don Fecher, BBT Pension Plan and Employee Financial Services director. "There is solid evidence that many of us don't look far enough down the road at what our needs will be in the future; an individual's pension assets can be quickly

depleted by excessive or unexpected medical costs, especially during retirement years."

"This benefit responds in part to a real need of our members but does not respond to the full need," said BBT President Wil Nolen, citing that the current average cost at the 24 Brethren retirement homes is roughly \$3,000 per month.

"This proposed benefit is a significant step to get us going, and would provide guaranteed coverage for many who would not be able to get something like this on their own," Nolen noted. "However, employees should consider upgrading on their own according to their specific projected needs."

Options available to individuals could include the purchase of additional coverage. The plan could also be fully portable with the same cost and coverage.

BBT staff are expected to present a formal long-term benefit proposal to the Board in April.



BBT's proposed long-term care benefit would provide guaranteed coverage for many members who would not be able to purchase something like this on their own, explained BBT President Wil Nolen.



BBT Pension Plan director Don Fecher informed Cheryl Ingold and other Board members that BBT would act as the overarching employer for a long-term care insurance benefit, keeping the benefit non-taxable. In turn, a small fee would be assessed against plan member accounts to cover administrative costs.

Inside BBT Board authorizes a long-term care insurance benefit

**Employee Financial Services**

## Record number of grant recipients in 2001

Through BBT's Church Workers Assistance Plan, 83 active and retired church workers received financial grants during 2001, up from 54 in 2000. The plan provides three categories of assistance —

1. **Retired Church Workers Grants** are provided to retired church workers and spouses of retired church workers whose retirement income is below the stated guidelines established by the BBT Board and whose expenses exceed 80 percent of income.
2. **Active Church Workers Grants** are provided to active church workers who can substantiate extraordinary long-term financial needs related to an illness or unforeseen adversity where no other financial assistance is available. During 2001, four individuals received grants ranging from \$1,250 to \$5,100.
3. **Retired Church Workers Insurance Premium Grants** are provided to retired church workers whose out-of-pocket medical expenses are in excess of the national average, as determined by the most recent studies performed by AARP, the Agency for Health Care and Quality, or other relevant studies.

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## Pension funds made available in cases of severe financial need

BBT Board members in November approved changes to Brethren Pension Plan guidelines that will now allow plan members with severe financial needs to access the employee portion of their pension accounts.

“One challenge some of our active members face is struggling to save for retirement while meeting current needs,” said Don Fecher, BBT Pension Plan director. Federal legislation allows for pension plans to make provisions for freeing up plan member retirement assets to help individuals cover immediate financial needs. One way this can be accomplished is by “hardship withdrawals.” “A hardship withdrawal is reserved for a last-ditch effort,” explained Fecher. IRS



During Board discussion about Pension fund withdrawals, Will Nolen reiterated that only the employee portion of a plan member's account would be accessible to individuals in need.

“safe harbor” rules for hardship withdrawals require participants to have “an immediate and heavy financial need” arising from uninsured medical expenses, costs relating directly to the purchase of a principal residence, payment of tuition and related educational fees, or payments necessary to prevent eviction from one's residence.

Hardship withdrawals ultimately have a negative impact on an individual's retirement income but can provide a source — sometimes the only source — of current income, explained Fecher.

“This issue has been discussed among staff for some time,” Fecher said. “BBT staff have been charged to responsibly manage church worker retirement accounts, but at the same time we believe we must be sensitive to the fact that current needs for some members can sometimes outweigh long-term ones.”

Prior to granting a hardship withdrawal, all attempts to uncover other sources of income would be made. This would include assessing whether an individual would be eligible for assistance under Church Workers Assistance Plan provisions (see Page 1). Important to note is that access to funds would be allowed from the employee portion of an individual's retirement account only, not from the employer-contributed portion.

## Board business roundup

Along with the news reported throughout this issue about BBT's fall Board meeting in Akron, Ohio, the following are additional highlights –

- Board members congratulated Pension Plan and Employee Financial Services director Don Fecher and director of Foundation Operations Will Thomas on obtaining their Series 7 securities licenses that will allow them to provide general financial planning and investment information and education to individuals and Foundation clients.
- BBT's three committees reorganized. The Investment Committee elected Gail Habecker as chair and re-elected Melvin Wampler as secretary. The Budget and Audit Review Committee re-elected Gregory Geisert as chair and Cheryl Ingold as secretary. The Nominating Committee re-elected Raymond Donadio as chair and Fred Bernhard as secretary.



Board members pondered a range of substantive issues during BBT's November Board meeting — from a proposed long-term care benefit to approval of pension fund withdrawals to Medical Plan alternatives currently being explored.

The Investment Committee elected Gail Habecker as chair and re-elected Melvin Wampler as secretary. The Budget and Audit Review Committee re-elected Gregory Geisert as chair and Cheryl Ingold as secretary. The Nominating Committee re-elected Raymond Donadio as chair and Fred Bernhard as secretary.

### Brethren Foundation

- Staff reported that an increased emphasis will be made of BBT's Charitable Gift Fund, which enables individuals to establish a fund to which they can donate regularly and receive annual tax benefits. The fund increases over time, allowing a larger contribution to then be made to the gift's recipient.
- The Board approved allowing Bond fund managers to invest up to 15 percent of holdings in high-yield securities. Such investments might include relatively new companies or ones that have been around for a while but which are currently undervalued.

### Pension Plan and Employee Financial Services

- The Board approved raising the annual contribution limits to the Pension Plan and allowing the transfer of funds from other employer retirement accounts into Brethren Pension Plan accounts. This is now possible due to last summer's passing of the Economic Growth and Tax Relief Reconciliation Act, which allows for the co-mingling of 401k, 403b, and 457 retirement accounts.
- The Board approved a housing allowance exclusion of up to 100 percent of total retirement compensation for retired ministers.

- Don Fecher reported that Camp Inspiration Hills, Burbank, Ohio, joined the Brethren Pension Plan.
- For the period ending Sept. 30, staff reported the total number of Pension Plan members was 3,870, of which 1,079 were retired. The average age of new retirees is 63.42, up from 62 one year ago.
- The Board approved a lump-sum Supplemental Income for Equitable Annuitants grant of \$162,927 to be distributed among eligible, retired lay employees of the General Board.

### eMountain Communications

- Staff reported that they began providing Web hosting service to CoB-Net.net, an unofficial denominational Web site that is host to more than 50 congregations and districts.
- The Board received an update on a partnership with Brethren Business Network to develop an online directory of Brethren business providers.
- The Board learned that an interactive Brethren Heritage CD-ROM developed with Brethren Press was to be ready for Christmas.

### Insurance Plans

- The Board formally approved a practice regarding unspent funds from FlexCare flexible spending accounts. This practice calls for forfeitures to be used to offset administrative costs of the insurance plans, since the IRS does not allow reimbursement of unspent funds.
- Staff reported that from Jan. 1 through Sept. 30, 18 individuals contacted the Clergy Consultation Service primarily to discuss personal issues and family matters. CCS is a telephone-based counseling service for Medical Plan members in the Brethren ministers group.
- Staff explained they continue to explore possibilities for assisting Brethren retirement communities with finding a viable group long-term care plan for their independent living residents.
- The Board approved a housing allowance exclusion of up to 100 percent of gross income for ministers receiving a long-term disability benefit.

The next meeting of the BBT Board will be Apr. 20-21, 2002 in Elgin, Ill.



BBT Insurance Plans director Jeff Garber reported that Insurance staff engaged in negotiations with current carriers to hold down premium increases for Medical Plan members for the 2002 plan year.

## BBT Investment News

### Investments outperform benchmarks

In its report to the Board, the Investment Committee noted that the world's financial markets were dramatically impacted by the events of Sept. 11. BBT staff were in contact with fund managers right away to assess if a change in investment strategy was warranted. While a few securities were found to be exposed more than others, no change was made to BBT's diversified investment strategy. Even during a difficult investment year, BBT investments continued to meet or exceed their industry benchmarks. The domestic stock fund, for example, is ahead of the Standard and Poor's 500 Index by 0.9 percent for the year.

In further testament to the soundness of BBT's investment diversification strategy, the Bond fund performed as intended, picking up the slack for equities and thus stabilizing investments overall with a January-to-November gain of 11.4 percent. Likewise, BBT's Short-Term fund continued adding value to cash balances, outpacing the return on its benchmark, the 3-month Treasury bill, by almost 2 percentage points (5.2 percent versus 3.3 percent for the index).



BBT Investment Committee chair Gail Habecker reports to the Board that BBT's Bond and Short-Term funds were shining stars in 2001.

## SRI News

### Shareholder advocacy focus increased

As a member of the Interfaith Center on Corporate Responsibility, BBT plans to increase its advocacy role in 2002. Will Thomas, BBT director of Foundation Operations, is scheduled to present a shareholder resolution in Louisville, Ky., this spring at the annual meeting of Tricon — owner of Pizza Hut, Taco Bell, and Kentucky Fried Chicken restaurants — to seek a no-smoking policy in all Tricon restaurants.

Other shareholder initiatives in which BBT is currently involved include resolutions with Sears on vendor standards, Chevron/Texaco on global warming emissions, and BP Amoco on drilling in the Arctic National Wildlife Refuge.

In addition to shareholder activism, BBT also practices divestment as a socially responsible investor investment strategy. BBT's fund managers abstain from investing in companies that don't uphold Brethren values of peace, social justice, and respect for the environment, such as those representing the alcohol, tobacco, gaming, and defense industries.



Akron-area pastors and retirees who attended BBT's November Board meeting heard a presentation by Will Thomas about BBT's investment strategy.