Pension Perspective

FROM BRETHREN PENSION PLAN OCTOBER 2017

New option for the Periodic Payment Plan gives members more control

In response to members of the Brethren Pension Plan membership who have been asking for more control over all of their retirement contributions, the Church of the Brethren Benefit Trust Board in July approved a change that will allow Plan members to receive all of their employer contributions in retirement. Up until then, Pension contributions made by a Plan member's employer could be taken only in an annuity at retirement — converted into a monthly payment for the rest of their lives. If they outlived their life expectancy, they would receive more than their original employer contributions. If they died prior to their life expectancy, that money would stay in the Plan to help offset others who live longer. The growing number of requests to allow Plan members to receive all of their employer contributions triggered the Board's action.

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How will this action change the way members use the Periodic Payment Plan?

TIME FRAME

- For ***employee*** money, you can choose any length of time over which you want to receive your payment; for example — taking a lump sum, or spreading it out over 30 years.
- For ***employer*** money, you have to set a time of 10 years or more. You cannot set up a plan that takes all the money in less than 10 years.

HOW OFTEN?

- For ***employee*** money, you can receive your payments on a monthly, quarterly, semi-annual, or annual basis.
- For ***employer*** money, you must take your payments in monthly installments.

SIZE OF PAYMENT

- For ***employee*** money, you can specify a set amount, and those payments will continue as long as there is money. Or you can spread the payments over a specific number of years.
- For ***employer*** money, you can specify all or a portion of your employer money balance to be paid over 10 years or more.

CAN I STOP PAYMENTS OR CHANGE THEM?

- For ***employee*** money — yes, you can stop payments, increase them, or decrease them.
- For ***employer*** money — you can stop payments, but when you resume them, you must begin a new interval of 10 years or more over which you spread your new payments.

WHAT ABOUT ROLLOVER MONEY?

- Rollover money has never been part of ***employer*** money. It is handled as ***employee*** money.

WHAT HAPPENS TO THE MONEY IF I DIE?

- Both ***employee*** and ***employer*** money will pass to your beneficiaries or your estate.

WHO IS ELIGIBLE?

- Any Plan member who is eligible to receive distributions from the Plan and has a balance in his/her account. This is the same for both ***employee*** money and ***employer*** money.

POINTS TO CONSIDER

- If you choose the Periodic Payment Plan, you will have to manage your money through your retirement to be sure you don't run out.
- If you annuitize, you will receive a payment for life.

HOW LONG WILL IT TAKE TO SET UP A PERIODIC PAYMENT PLAN AND HOW DO I SIGN UP?

- Initial set-up takes 7-10 days.
- Call Brethren Pension Plan at **800-746-1505** and **press #1** for Pension.

Mortality, the complexities of the annuity, and change

Do you know what an annuity is? If you are already an annuitant or are planning to annuitize, you may not be aware that there is a complex process behind that monthly payment you are receiving or will receive.

When you decide to annuitize, a representative of BBT looks at your age, the age of your surviving spouse and the surviving spouse benefit you've chosen, the mortality table (which shows life expectancy), your account balance, and a conversion factor. This is done to establish a monthly payment, which is intended to be paid for the rest of your life. That payment is the great value of Brethren Pension Plan's lifetime annuity.

Every year an actuary looks at all the members of the Pension Plan and what has happened to them, so that the mortality table can be adjusted to accurately reflect the actual lifespans of the members. Then the actuary looks at how much money is in the Plan and, using the mortality table, estimates how much money will be needed to meet the requirements of the members in the future.

Through this process, it is estimated how much the money in the Plan will grow each year; this percentage of growth is called the conversion factor. When calculating the amount of money available for paying the annuities, it is estimated that money will grow by the conversion factor.

Thus you can see that it is not a simple matter for the actuary to calculate — according to estimates — how much money is needed to support all the current and future annuitants. There are many fluid factors, including number of people coming and going from the Plan, how the market performs, and how long Plan members and their beneficiaries will live.

Therefore, you can see how important those calculations are and how the amount of the annuity is affected by changes in the mortality table.

This year, life expectancy declined slightly in the general population, but interestingly, it increased among people in the

Brethren Pension Plan. This means that for future annuitants, projected annuities in the Plan will be adjusted downward just slightly in order to ensure that the Plan will have the money to meet its obligation to its longer-living annuitants.

Again, this change will not affect people who have already annuitized and are receiving their monthly payments. It will affect only those who will annuitize in the future.

As a member of the Brethren Pension Plan, you don't have to annuitize your account, you have a second option — the Periodic Payment Plan. If you want more information about these options, please contact us at 800-746-1505. Press #1 for Pension.

WE WOULD LOVE TO KNOW YOUR OPINION

Coming soon — Empower Retirement will be sending a survey to all active Brethren Pension Plan members on our email list. Please watch for this and fill it out when it comes. You can also find the survey at **https://www.surveymonkey.com/r/Brethren2017**.

We want to know what you think! It will take less than two minutes. Surveys are anonymous.

Markets and the Economy

The S&P 500 demonstrated continued resilience in the face of geopolitical risks, rising 2.1 percent in September, up 4.5 percent during the third quarter, and advancing 14.2 percent since the beginning of the year. The Federal Reserve announced plans to start gradually reducing its balance sheet in October; it held the benchmark rate steady but penciled in one more rate increase before year's end. The Fed also outlined a slower path of interest rate increases going forward. The consumer price index grew 0.3 percent in August over the prior month; with a sharp rise in gasoline prices caused by Hurricane Harvey and increasing housing costs, the CPI is up 1.9 percent from a year ago. Existing home sales declined 1.7 percent in August, due to a decline in sales of single-family homes. The bond market, as measured by the Bloomberg Barclays U.S. Government/Credit Bond Index, declined 0.6 percent in September. It rose 0.8 percent during the third quarter and is up 3.5 percent since the beginning of the year.

S&P Global Ratings downgraded China's credit rating from AA-minus to A-plus, citing, "prolonged period of strong credit growth increasing economic and financial risks." The Bank of Japan left its benchmark interest rate at around zero and the short-term deposit rate at minus 0.1 percent. Inflation in Japan rose to 0.5 percent in July, below the Bank of Japan's target of 2 percent. Annual inflation in the U.K. hit 2.9 percent in August. The Bank of England held its benchmark interest rate steady at 0.25 percent, signaling its plan to raise rates if inflation continues to accelerate. The European Central Bank discussed options for reducing stimulus. Brazil's Central Bank cut its benchmark interest rate from 9.25 percent to 8.25 percent, the eighth cut since October 2016. International equities, as measured by the MSCI EAFE Index, rose 2.5 percent in September — up 5.4 percent during the third quarter — and have surged 20 percent since the beginning of the year.

New toll-free number for Pension Plan members

Effective Nov. 1, the new number for all your Brethren Pension Plan questions will be

866-723-0001

Your calls will be fielded by Empower Retirement service representatives, who are able to conduct any transactions necessary on your account.

You can always ask to be transferred directly to a BBT representative if you need additional help.

Please continue to call the general BBT number for information regarding other BBT benefits. That number is **800-746-1505**.

If you are planning to start making Roth contributions

Brethren Pension Plan now accepts Roth contributions, giving you the flexibility to designate all or a portion of your elective deferrals as Roth contributions. For participants who use a remittance form, watch for this in your mail during the month of November. Otherwise, check with your HR representative for details on how or when you can begin to make Roth contributions.

Fund Performance Report

for the period ending Sept. 30, 2017

All periods longer than one year are annualized.

Funds (Net of Investment Fees) / *Benchmarks* (Gross)	Current Month	Year-to-Date	Three Year	Five Years
SHORT-TERM				
Short-Term Fund	0.0%	(0.2)%	(0.6)%	(0.6)%
Merrill Lynch 6-Month Treasury Bill Index	*0.4%*	*0.7%*	*0.5%*	*0.4%*
COMMUNITY DEVELOPMENT				
Community Development Investment Fund [1]	0.1%	0.5%	0.7%	0.5%
No Benchmark	*N/A*	*N/A*	*N/A*	*N/A*
FIXED INCOME				
Bond Fund	(0.7)%	2.7%	1.9%	1.3%
Bloomberg Barclays U.S. Government/Credit Bond Index	*(0.6)%*	*3.5%*	*2.8%*	*2.1%*
Treasury-Free Bond Fund	(0.8)%	3.0%	2.2%	1.4%
Bloomberg Barclays U.S. Government/Credit Bond Index	*(0.6)%*	*3.5%*	*2.8%*	*2.1%*
Treasury Inflation-Protected Securities Fund [2]	(0.3)%	1.4%	0.4%	(1.0)%
Bloomberg Barclays U.S. Treasury Inflation-Linked Bond Index	*(0.6)%*	*1.7%*	*1.6%*	*0.0%*
Bank Loans [2]	0.2%	2.5%	N/A	N/A
S&P/LSTA U.S. Leveraged Loan 100 Index	*0.3%*	*2.3%*	*N/A*	*N/A*
High Yield Bond Fund [2]	1.1%	6.1%	4.7%	4.9%
Bloomberg Barclays U.S. Corporate High Yield Bond Index	*0.9%*	*7.0%*	*5.8%*	*6.4%*
Global Aggregate Fixed Income Fund [2]	1.0%	3.5%	N/A	N/A
Bloomberg Barclays Global Aggregate Index	*(1.0)%*	*6.3%*	*N/A*	*N/A*
EQUITY AND FIXED INCOME				
Balanced Fund [3]	1.1%	10.5%	4.6%	6.8%
Blended Balanced Index	1.0%	9.8%	7.7%	9.4%
BVI Balanced Fund [3]	1.1%	10.6%	N/A	N/A
Blended Balanced Index	1.0%	9.8%	*N/A*	*N/A*
EQUITIES				
Domestic Stock Large Cap Core Index Fund[6]	2.0%	12.9%	N/A	N/A
S&P 500 Index	*2.1%*	*14.2%*	*N/A*	*N/A*
Domestic Stock Mid Cap Fund	3.5%	19.0%	5.6%	13.2%
Russell Midcap Index	*2.8%*	*11.7%*	*9.5%*	*14.3%*
Domestic Stock Large Cap Core Fund	2.1%	12.1	1.3%	6.8%
S&P 500 Index	*2.1%*	*14.2%*	*10.8%*	*14.2%*
Domestic Stock Growth Fund	0.7%	10.6%	7.8%	10.7%
Russell 1000 Growth Index	*1.3%*	*20.7%*	*12.7%*	*15.3%*
Common Stock Fund	2.3%	15.9%	6.2%	10.4%
S&P 500 Index	*2.1%*	*14.2%*	*10.8%*	*14.2%*
Small Cap Fund	4.1%	21.7%	15.9%	14.6%
Russell 2000 Index	*6.2%*	*10.9%*	*12.2%*	*13.8*
TARGET DATE FUNDS				
Target Date 2015 [5]	0.4%	6.4%	N/A	N/A
Blended Index	*(0.2)%*	*5.7%*	*N/A*	*N/A*
Target Date 2025 [5]	0.6%	7.9%	N/A	N/A
Blended Index	*0.1%*	*7.0%*	*N/A*	*N/A*
Target Date 2035 [5]	0.8%	9.7%	N/A	N/A
Blended Index	*0.4%*	*8.8%*	*N/A*	*N/A*
Target Date 2045 [5]	1.0%	11.5%	N/A	N/A
Blended Index	*0.7%*	*10.5%*	*N/A*	*N/A*
Target Date 2055 [5]	1.2%	13.4%	N/A	N/A
Blended Index	*1.0%*	*12.2%*	*N/A*	*N/A*
INTERNATIONAL EQUITIES				
International Stock Core Fund	2.0%	22.0%	4.4%	6.6%
MSCI EAFE Index	*2.5%*	*20.0%*	*5.0%*	*8.4%*
Emerging Markets Stock Fund [2]	(2.9)%	21.4%	2.4%	1.8%
MSCI Emerging Markets Index	*(0.4)%*	27.8%	4.9%	4.0%
ALTERNATIVES				
Commodities-Based Fund [2]	2.1%	(3.1)%	(12.3)%	(12.5)%
Bloomberg Commodity Total Return Index	*(0.1)%*	*(2.9)%*	*(10.5)%*	*(10.5)%*
Public Real Estate Fund [2]	(0.6)%	5.2%	2.2%	3.8%
S&P Developed Property Index	*(0.2)%*	*8.9%*	*7.5%*	*8.4%*
Multi-Strategy Hedge Fund	(0.3)%	11.3%	N/A	N/A
60% S&P 500 Index/40% Barclays Capital U.S. Aggregate Bond Index	*1.0%*	*9.7%*	*N/A*	*N/A*
Global Inflation Protection Fund [4]	0.0%	11.8%	N/A	N/A
Bloomberg Barclays U.S. TIPS 1-10 Year Index + 2%	*(0.3)%*	*2.9%*	*N/A*	*N/A*
U.S. INFLATION				
Consumer Price Index [4] (August 2017)	0.3%	1.7%	1.1%	1.3%

[1]CDIF interest accrues on a quarterly basis. [2]These investment funds may not meet socially responsible investing guidelines because they are invested in mutual funds. All other investment funds must meet socially responsible investing guidelines. [3]Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). [4]Most recent data available. CPI data are from the Consumer Price Index for all Urban Consumers: All items are not seasonally weighted. [5]Weighting of the following indexes that match the target asset allocation of the annual glide path to the Fund (Barclays Capital U.S. Government/Credit Bond Index, MSCI All Country World Index [net], and the CPI + 5 percent). [6]No assets invested in this fund.

Performance Report