We think we can do better

The last thing we want is to have our members and clients think we have been asleep at the wheel. It’s our job to be constantly vigilant. This is why we are making two important changes in our investment options.

One of the values of our Pension Plan is that we carefully monitor our investment managers, and we became concerned about one year ago that the firm managing our Domestic Stock Core Fund was underperforming. In May, after watching the underperformance get increasingly worse, we knew it was time to make a change. It is our intent to replace the current manager yet this year. And we are in the process of doing that, which is our first change.

This process caused us to look more carefully at the “space” in the market occupied by that fund. We felt we needed an additional option that occupies the same Large Cap Core space, but in a slightly different way, tied more closely to the overall market, so that it would be improbable for the fund to underperform the market.

The result is the second change — launching the “Domestic Stock Large Cap Core Index Fund.” As with the Domestic Stock Core Fund, this new fund will also be in the “core” of the market, but it will be even more closely tied to that space, because it will hold positions in the S&P 500 companies, and will use the S&P 500 Index as its benchmark.

About 40 of the S&P 500 companies will be filtered out by

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During November — Get on board!

It’s Open Enrollment time again for Brethren insurance plans

If you are an employee of Church of the Brethren, or an affiliated organization, and work 20 hours or more per week, your 2016 Open Enrollment for Dental, Vision, Supplemental Life, Short-Term Disability, and Medicare Supplement insurance through Brethren Insurance Services begins Nov. 1 and runs through Nov. 30.

Go to www.cobbt.org/open-enrollment after Oct. 26 to download this year’s open enrollment kit. Like last year, this year’s open

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*For current Life insurance members who are eligible to add up to $50,000 of additional coverage.
All geese must cross the street

As I was riding my bicycle to work today (Sept. 17), I came upon several cars stopped in the middle of the street, at first for what appeared to be no specific reason. But as I pulled up to the front of the first car that was heading the same direction as I was, I realized the handful of cars going both ways on the street had stopped to allow a gaggle of geese to cross the road.

The majority of these were goslings, even though they were nearly adult in size. Several “adult” geese were watching over the 20 or so young ones from the crossed side of the street, while one authority figure stayed on the still-to-cross side, shepherding the younger geese onto the road one by one, in a single line. When all had crossed, the nurturer at the tail end crossed the street and we all went on our way.

As I continued the trek to the Church of the Brethren General Offices, I reflected on what I had just witnessed. It struck me as a high-level analogy of the work that BBT provides within the denomination. Our charge by the Church of the Brethren Annual Conference is to provide services and information to help people and organizations fulfill their personal or organizational financial mandates. For some, that comes in the form of providing not only a pension plan, but one that provides a payment for life. That is a distinction between our plan and a 401(k) plan offered by many employers today, where the employees in retirement could run out of their retirement savings while they are still alive.

For others it comes in the form of insurance to help people prepare for life’s unexpected turns, with the hope being that serious financial hardship can be avoided even in the wake of a catastrophic medical event.

It also comes in the form of a framework for hearty investments with strong returns that are competitive and reflect Brethren values, and resources for the timely and knowledgeable administration of their congregation’s or institution’s asset management account.

And, for one more group of individuals, it comes from the writing of and managing deferred gift instruments so that people can proactively plan out their end-of-life finances.

To make this happen, we have a robust investment team of staff, board members, consultants, and investment managers who meet frequently to discuss how we can provide the best investments possible for those we serve. When a new need arises, we address it, as we are currently with the launching of a new Domestic Stock Large Cap Core Index Fund, which will track the performance of the S&P 500 (see Page 1). We are also in the process of replacing an underperforming manager, in order to maintain the high caliber performance that our members and clients expect. In July we launched five Target Date Funds for Pension Plan members, to help those who don’t know how to invest their retirement monies. Plan members pick the date closest to when they want to retire, and the fund administrators will take care of the asset allocation. For Brethren Foundation Funds, we launched tactical funds in 2014 so that client organizations can choose a goal for their investments and let us take care of the asset allocation.

We assist others within the denomination through other means as well, such as seminars that we offer upon request, retirement readiness sessions, annuity calculations planning, and other consultations we have at the various conferences, events, and client visits we make. We also have a wealth of print and online resources to help individuals and organizations work toward being strong stewards of their financial resources. All of this is built on top of a state-of-the-art investment and customer service management system. And it was all built for you.

We have a lot of competition. But remember this — we were the only organization that was created by the Church of the Brethren to serve the Church of the Brethren; we exist solely to serve you. That is another important distinction.

We aren’t concerned with profit margins, with shareholder earnings, or with expanding our business just for the sake of growth. We at BBT, much like those leader geese I saw on my way to work, are concerned with everyone within the Church of the Brethren’s scope of influence, be it individual members, employees, or institutions such as congregations, camps, districts, agencies, senior living centers, or related social service organizations. Our goal — our mandate — is to try to help everyone “cross the street” to fulfill their financial goals, together. — N.D.
The student debt crisis — is it really about money?

Did you know that student debt in the U.S. is larger than credit card debt, and is also greater than auto loan debt? According to collegedebt.com, it has passed the $1.3 trillion mark. A report from the “Project on Student Debt” at the Institute for College Access and Success states that 69 percent of graduating seniors at public and private nonprofit institutions in 2013 had student loans, and the average debt per graduate was $28,400. In six states the average was more than $30,000. Only one state was below $20,000. It is not uncommon for students to graduate with debt load greater than $50,000.

In 2012, The New York Times ran a long, in-depth series on the many aspects of student debt. The most poignant sections were the profiles of students whose debt have made it difficult and nearly impossible to start their professional and personal lives.

The situation is made worse by the fact that it has become increasingly difficult to find jobs just out of college. Howard Axelrod wrote in an article in The Boston Globe in Nov. 9, 2014, “According to the Economic Policy Institute, 8.5 percent of recent college graduates are unemployed. Perhaps more disturbing, the Federal Reserve Bank of New York stated in a recent report that roughly 44 percent of recent graduates — meaning those aged 22 to 27 — hold jobs that don’t require a bachelor’s degree. To make matters worse, those types of jobs — for example, bartender, bike messenger, barista — are paying less than they did in the past. What this means is that the lag-time between graduation and employment commensurate with a college degree is getting longer and harder to afford.”

Adding to the problem is the fact that some schools encourage students to take advantage of the readily available government loans, without helping them think through the long-term consequences.

The amount of debt at graduation is only part of the picture. Loan balances can rise rapidly after graduation if graduates cannot keep up with monthly payments. If loans are deferred, interest keeps accruing and can be added to the principal so that the debt begins to grow exponentially. Andrew Rossi, in an article in The Boston Globe last year, wrote “Amid a post-recession economy, over half of student loans have been deferred and defaults are on the rise as more than half of recent graduates are unemployed or underemployed.”

Further, unlike with other kinds of debt burden, it is difficult to discharge student debt through bankruptcy. A 2013 study by the One Wisconsin Institute reported an average repayment period of 21.1 years, often longer for those with advanced degrees. This same study indicated that people with student debt were more likely to rent than to buy a home and more likely to drive a used car than a new one. Some analysts point to this as evidence that student debt is a drag on the economy.

There are larger realities that are driving this problem. Money for education has shrunk across the U.S. Rossi writes, “The cost of college has risen by 1,120 percent since 1978, while state funding to public universities has declined by 40 percent in the same period.” All across the nation, the cost of education is rising faster than other costs.

So student debt has become an alarming reality, and pundits have begun to call it a crisis. The Obama administration has made some efforts to address the problem, and three of the presidential primary candidates have offered ideas. But the truth is that no one really knows what to do.

Of course, this is a matter of economic concern, and our political leaders need to step up and offer solutions; however, student debt is also a spiritual concern. It forces us to view education primarily through a money lens. How much will I make when I’ve got my degree and will it justify going into debt? What sort of life will my education buy for me? Will I ever get to that life and at what cost?

It also puts a heavy financial burden on young adults far too early. In simpler times, like the first half of the 20th century, when there

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How does “inflation” affect your retirement planning? We hear that word so often that we assume we know what it means, but what is inflation?

Inflation is the increase in the price level of goods and services over time. This is measured by the Consumer Price Index, which is established by the prices paid by consumers for a typical market basket of goods and services. When the CPI rises, each dollar buys less. So inflation is a decline in the real value of money. It represents a loss in purchasing power.

We know that low levels of inflation are desirable — between 2 and 3 percent per year. According to inflationdata.com, the long-term inflation rate for the U.S. for the years from 1913 to 2015 has been 3.18 percent. This is low compared with some other parts of the world, and represents an average that saw U.S. inflation as high as 7.25 percent for the 1970s and 5.82 percent for the 1980s. The decade of 2000-2009 saw inflation at 2.54 percent, and has been even lower, 1.86 percent, for the years 2010-2015. USinflationcalculator.com indicates the rate for the 12 months ending July 2015 is lower still at 0.2 percent.

So why discuss the effects of inflation on retirement when levels are at historic lows? Because inflation is almost as inevitable as death and taxes, and because even low levels of inflation have a large impact over time.

For example, over a span of 30 years, purchasing power declines by 45 percent if inflation averages 2 percent per year, 53 percent if it averages 2.5 percent per year, and 60 percent if it averages 3 percent. Obviously this matters for many reasons, but one of the most important is the impact on retirement planning.

Let us say you plan to retire in 2020 at the age of 65, and you have designed your pensions and investments so that they will begin producing $60,000 a year in 2020, which is the amount you have determined you will need. With average life expectancy continuing to increase, you might live into your mid-nineties. Even with a modest inflation of 2 percent, you will need almost $90,000 per year to meet the same level of needs when you are 95.

You can see how it will not be enough to ensure you arrive at your retirement date with sufficient resources. You will need to think about whether those resources will be sufficient 10, 20, or 30 years into retirement.

Now, let’s say you are still in the early or middle years of your work life. You will want to think about how inflation affects your investments. The salient figure is the “real” rate of return. Let’s say you have an investment that is returning 9 percent, while inflation is at 2.5 percent. Your real rate of return is then actually 6.5 percent. If you are a conservative investor, sticking with safe investments with low returns, you could be losing money if inflation is running ahead of the rate of return on your investments.

Generally speaking, the higher the risk, the greater the return, so riskier investments are a better hedge against inflation, but they are, well, riskier! As always, you want to balance risk against return, and find the asset mix that best fits your risk-tolerance, your time of life, and your retirement planning.

(See sidebar for how BBT’s new Target Date Funds can help you adjust risk and return related to age and retirement goals.)

But you always want to be sure that your returns are outpacing inflation.

Since BBT is not a certified financial planning organization, our purpose is not to give you advice, but to ask you to think about crucial financial matters.
What's new at BBT

Huma Rana joined the staff in July as assistant director of Financial Operations for Church of the Brethren Benefit Trust. She has more than 20 years of experience in public accounting, auditing, professional services, and working with a nonprofit organization. She spent 10 years as the Budget and Accounting Analyst for Evangelical Lutheran Church in America, and prior to that, worked for Ernst & Young. She is a CPA with a B.S. in Accounting from Northeastern Illinois University, Chicago, and is a member of the Illinois CPA Society and the American Institute of Certified Public Accountants. Huma, her husband, and their three children reside in Elgin.

BBT Board News

At the 2015 Annual Conference, delegates elected Harry Rhodes, Board chair, for a four-year term on the BBT Board. At the July BBT Board meeting, the Board voted to appoint Eunice Culp to fulfill the unexpired term of Tim McElwee, who resigned in April 2015. Craig Smith completed his second term, having served on the board for seven years, and bid everyone farewell. Additionally, Donna McKee Rhodes was elected to the Board by the Pension Plan members, representing local churches and districts.

“We think we can do better” continued from Page 1

BBTI/BFFI’s socially responsible investing guidelines, which will make this fund different from other index funds in its ability to match the performance of the benchmark, but adjustments will be made to keep its characteristics as close to that of the benchmark as possible.

Index funds reduce volatility because they follow an index, which is a broader swath of the market (in this case the S&P 500), not the movement of individual stocks or sectors of the market. Since they are not actively managed, fees are often significantly lower.

So, not only are we eliminating an underperforming investment manager, we are launching a new fund. It will give members of the Pension Plan and clients of the Foundation the option of investing in the same part of the market, yet with slightly less risk. This new fund is now available to BFFI clients. Look for the announcement when it becomes available to BBTI’s Pension Plan members.

Part of BBTI’s mission is to “be accountable, individually and corporately, with each other and with those we exist to serve.” This means that when we observe something that might cause our customers to be unhappy, we are committed to fixing it. The market has been volatile this past quarter, but we firmly believe that we are on a steady course of action that will keep your investments not only safe, but growing. We hope you understand that when we saw what you saw, we knew we could do better, which is what you deserve. — J.L.

“During November — Get on board!” continued from Page 1

Coverage will be effective Jan. 1, 2016. Current members do not need to reapply unless they wish to change their coverage level. If you have questions about open enrollment or Brethren Insurance Services, contact Connie Sandman, member services representative, at 800-746-1505, ext. 366.

“The student debt crisis ...” continued from Page 3

were fewer college graduates and very little student debt, young adults did have to earn their way much earlier. However, their financial efforts were smaller and more manageable and they were able to make satisfying progress. Today a college graduate often begins his or her adult life with the equivalent of a large mortgage, and there seem to be no small steps to financial solvency. We have all heard jokes about adult children who had to move back home with parents. We aren’t laughing anymore.

But maybe the greatest effect of this debt crisis is this: In a time of life when young adults should be excited about living and exploring their world and relationships, they are dragged down. Are we producing a generation of people who are too serious too early about money, not free to enjoy and explore? We need an informed and intelligent citizenry, who do not reduce all aspects of life to a cost analysis, responsible adults who have had a chance to consider their lives before shouldering large financial burdens. What can we do to ensure that the young adults we love and support can start their adult lives with a lighter heart and a freer spirit? — J.L.
BBT continues to offer more investment options — read more in this issue.

Get on board!

A one-time Medicare Supplement
Open Enrollment
(coverage effective Jan. 1, 2016)

Nov. 1-30, 2015

Questions?
Call or email
Connie Sandman
800-746-1505
insurance@cobbt.org

QUALIFICATIONS:
• Active or retired Church
  of the Brethren employee
• Age 65 and up
• Enrolled in Medicare
  Parts A and B

Let us know if you want to be on our mailing list
for a full packet of information on this one-time offer.

In This Issue

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