Pre-tax insurance savings are available for some pastors

At Annual Conference in Grand Rapids, BBT President Nevin Dulabaum announced during the live report that it is now possible for employers of small organizations like churches to help their employees with health insurance premiums on a pre-tax basis.

IRS rules can be confusing, and in an August 2016 Benefit News article, BBT outlined three scenarios in which churches with one employee, or churches with more than one employee could potentially qualify for pre-tax reimbursement of medical premiums, depending on hours worked or whether the employee was in the top percentage of staff pay. Those situations still left many churches ineligible to reimburse medical premiums on a pre-tax basis for their employees, which is the reason the new option that became available in 2017 is so significant. The tool that can be used for this is a Qualified Small Employer Health Reimbursement Arrangement. A QSEHRA can be used by employers with more than one but less than 50 full-time equivalent employees. Some of the basic qualifications for a QSEHRA also include that the employees are not getting their health coverage from any type of employer-sponsored group plan. An important factor to consider when setting up a QSEHRA is the notification period. The employer must give a 90-day notice to employees that are eligible to participate in the QSEHRA. This notification allows the employees to decide if they would like to participate or not. The BBT website has several documents that can walk you through setting up a QSEHRA and answer some questions about whether a QSEHRA is right for your church. The site contains a checklist of things to be completed in order to set up a QSEHRA, a news release from BBT’s benefits legal team that talks about a QSEHRA and some of the items that need to be considered, a basic QSEHRA plan document, and a QSEHRA application that can be used by employees. While these documents have been reviewed by BBT’s legal counsel, it is important that you consult with your own counsel in the event that you have specific questions that are not addressed in the documents provided.

New Pension option gives members more control

Amidst changes in demographics of Brethren Pension Plan membership and a call by a segment of that membership to have more control over all of the 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 back in retirement.

Up until that decision, Plan members’ pension contributions made by their employer could only be annuitized 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. However, with changing demographics within the Brethren Pension Plan, there has been a growing request to allow Plan members to receive all of their employer contributions, even if they die prior to their life expectancy.

Thus, the Board approved a provision that already is available for employee contributions — a Periodic Payment Plan. With that option, members can decide to withdraw their employer contributions over a period of 10 or more years. If they pass away before the minimum 10-year
Do you know the challenges behind benchmarks?

What is the role of an investment benchmark?

If you look at a Brethren Pension Plan or Brethren Foundation Funds statement, you will see categories of funds, such as Large Cap Growth. You will also see a corresponding benchmark to each fund; for Large Cap Growth it is the Russell 100 Growth Index. Many people look at the recent performance numbers of a fund to see how it compares with its benchmark. If it is outperforming the benchmark, then all is good. If a fund is underperforming the benchmark, there may be a concern that the manager of that fund is not up to the task and should be replaced.

Well, as you might imagine, investing is not that cut and dried.

A benchmark is a barometer of performance. But as with any metric, its use can cause poor decisions if there is a lack of understanding on how to best use it. For example, a baseball player might hit an anemic .083, which is a lousy batting average. But if that player has a great eye and draws a walk one out of three times at the plate, then that player has an on-base percentage above .400, which is a great number. Just like this analogy, which begs the question of whether batting average or on-base percentage is more important, the question with regard to investing is, what is trying to be achieved with investments — great short-term results or a robust portfolio for when you are ready to retire?

One must understand that there are market cycles that go up and down. What this means is that time horizon must be considered. If you are nearing retirement, you probably want to ensure that your accumulations don’t decrease. You need to be invested in funds that will protect your principal. If you are decades from retirement, however, you can better weather the ebb and flow of the markets by holding your investments long term because none of the gains or losses are “realized” until you begin drawing a retirement check.

An investment manager is not going to outperform the markets all the time. One reason is that their investment style will go out of favor. For example, managers that invest in quality companies go out of favor during long up-cycles, because people become euphoric over the market’s increase and are willing to take on more risk to seek more gain. In doing so, they sell quality companies and the laws of supply and demand then kick in; demand for quality companies goes down and the relative value of quality companies against the overall benchmark declines. However, when the market begins to decline, the quality companies gain compared with the benchmark, because there is a flight back to quality. That flight increases the demand for quality companies, which increases the price of those firms in relation to all of the firms in the benchmark.

The large cap growth fund I mentioned earlier is challenged in BBT’s portfolio right now for this very reason. The markets are on an eight-year growth spurt, and quality companies in the growth sector are out of favor, which means the fund manager has been underperforming against the benchmark of all growth companies. Should we replace the manager? The question we must discern is whether the quality issue is the only factor or has the manager knowingly or unknowingly changed their methodology? We meet with our managers quarterly and seek the answer to this question during each meeting to ensure their approach to selecting investments is fundamentally sound.

Because the markets have cycles, we believe we must judge investment firms on a five-year rolling timespan. Anything less might mean removal of an excellent firm, as well as prompt people to commit the cardinal sin of investing — chasing return. Exasperated at low performance, people abandon one investment that has declined greatly, thereby locking in their losses. They then choose an investment that has done well, hence, “chasing return.” They are switching to a fund with no certainty it will do well in the future. Perhaps that fund is due for a decline, which means the person sold their position when the fund was at a low and bought the new fund when it was at a high, thus, stagnating the portfolio’s chance for growth.

The challenge behind benchmarks is this: Just because a fund does not meet a benchmark does not mean that the manager is doing a poor job. Benchmarks are based on hundreds (usually) of companies’ stocks or bonds that give an idea of how that segment of the market is doing. However, investment managers typically only invest in 40-70 firms. The question then is, what is the real return? For example, our Domestic Large Cap Core fund currently is underperforming its benchmark. However, year-to-date it has generated more than 10 percent in earnings, which is great — doubling expectations of how this type of investment was going to perform for the year. Could we do better? Perhaps, but then one has to compare specialization, fees, performance, and where managers are on their performance cycle to ensure the person is making an apples-to-apples comparison, which probably should be the subject for another column.

Investing is more of an art than a science. Determine how long you are able to invest. Choose an asset allocation that meets your needs. Use benchmarks as a guide to good performance but not as an absolute marker. I think you will be pleased with the results. — N.D.
How can a superhero movie with all the Hollywood trappings — a beautiful female lead; a handsome male star; gorgeous settings; an evil scientist; an arch villain; a mythic origin story; magical weapons; gritty war scenes; a ragtag band of sidekicks, stunning special effects; and lots of violent, explosive action — how can a movie with all this have at its heart a certain winning innocence and compassion? The movie is “Wonder Woman,” which was released in early June, and the answer lies in the directorial brilliance of Patty Jenkins and the incandescent acting of Gal Gadot as Wonder Woman.

The story begins with Diana Prince, daughter of Hippolyta, the Queen of the Amazons, who grows up on a mystical, hidden island surrounded only by women warriors. An energetic and feisty child, she is longing to train with the women, something her mother initially forbids, but eventually agrees to. Her training is undertaken by her aunt, the great warrior Antiope. She tells Diana the story of Ares, the god of war, who tried to destroy mankind, how Zeus forced Ares to retreat after Ares had killed the rest of the gods, and how Zeus left behind a weapon — a “god killer” — should Ares return. But Antiope does not reveal to Diana that Zeus was her father.

One day a World War I plane flown by Colonel Steve Trevor, an American soldier posing as a German spy, breaks through the veil hiding the mystical island of women warriors and crashes into the sea. Diana saves the soldier, but the pursuing German forces also break through, and there is a remarkable battle on the beach in which the Amazon women, on horseback with only spears and arrows, in beautifully choreographed scenes, defeat the Germans and their machine guns.

The American soldier tells Diana and the Amazons of the horrific world war. Diana is convinced that Ares has arisen and that it is her destiny to go with the Colonel to destroy Ares and expunge the war spirit. Some of the best scenes take place when Diana gradually discovers what humans are. Despite her warlike training, she is innocent and trusting and is shocked at the barbarism, dishonesty, and corruption she sees all around her. When she meets a sniper, she is troubled that he can kill at a distance someone whose face he has never seen.

In several minor clashes, Colonel Trevor begins to realize that Diana has extraordinary powers, and so he agrees to take her to the front, where she sees with horror and compassion the plight of injured and maimed soldiers, the mud and misery in the trenches, and especially the suffering of women and children forced from their homes in a nearby Belgian village.

She throws off her cloak, climbs out of the trenches, and charges toward the German lines, carrying only her sword and shield, with which she deflects the bullets pouring toward her. She uses her sword only if someone gets in her way. The Allied soldiers are inspired to rise from the trenches and charge after her. She fights her way through the German lines and into the Belgian village where she and Colonel Trevor and a motley band of soldiers battle spectacularly to free the town. Even in these violent moments when she fights off every attacker and in one huge leap takes out a German sniper from the church tower, the story maintains a quietly intense quality. Diana does not exult in her power. It serves and expresses something deeper than anger and aggression.

That night the Belgian villagers celebrate, and the movie pauses for quiet scenes where Diana and Steve dance together, showing the love every audience member knows is developing. But the love story is presented with restraint and a kind of artless goodness.

As the film moves forward toward the great climactic battle with Ares, there are some surprises and also a tragic sacrifice. Even in the most violent and graphically explosive moments, Diana seems to be driven not by her own great power but by something deeper.

Can “love” and “superhero” really be in the same sentence? Superman, for instance, does his great work because he cares about humanity, but not quite like this Wonder Woman. The director and actress have given us something unique. Gadot is certainly one of the most beautiful women to grace the big screen, but her beauty is never exploited in the movie, and in some of the most powerful scenes she is wearing dark clothes and you see only her face and eyes, luminous with intelligence and compassion. This inwardness is never missing, even when she is using all of her superpowers.

Much has been made of the fact that Wonder Woman was and is the first great female superhero and a fitting role model for girls and women. But more than that, this movie shows how force can be disciplined by a caring and compassionate spirit. Perhaps only a woman could show us that. — J.L.
New fund for Pension Plan members

Brethren Benefit Trust is always seeking to balance great performance with lower fees, as well as to help members who may not have the time, inclination, or ability to study and decide the funds in which to invest. With these concerns in mind, BBT is in the process of rolling out for members of the Pension Plan a new fund called the BVI Index Balanced Fund.

First some background. For many years the Balanced Fund has been the default fund for members of the Pension Plan. Combining many different kinds of equities and bonds, it gives the investor great diversification. It has been the best choice for those who want a good combination of aggressive and conservative investments and don't believe they have the knowledge or expertise to make this decision on their own.

Then in 2015 Target Date Funds were introduced, which also offer an excellent balance of aggressive and conservative investments, but the mix is changed over time according to your expected retirement date. When you are still many years away from retirement, you can afford to be more aggressive and take more risk, thus seeking a higher return. As you near retirement, you want to reduce risk and protect your money. The Target Date Funds automatically adjust this balance as you move toward that retirement date. These popular TDFs are becoming the default funds for Pension Plan members.

This new BVI Index Balanced Fund offers another option, and one of its features is that its fees are lower. It balances 60 percent in equities (stocks) and 40 percent in bonds. Instead of combining many separate self-managed funds on the equities side, each of which has significant management fees, it takes the S&P 500 as its “index,” meaning — there is a much lower management fee because the management firm is investing only in companies in the S&P 500 rather than researching and selecting equities on its own. However, 40 of the 500 companies do not meet the Brethren Values Investing criteria, so the fund invests only in those 460 of the S&P 500 companies that pass the BVI screens.

On the bond side, the fund places money in two Treasury-Free Bond Funds that are BVI-compliant. Thus the fund can be called the BVI Index Balanced Fund.

The performance of this new fund will be close to that of the Balanced Fund. Its risk and volatility may be slightly higher. Its best feature is its lower fees. It is expected to give good value for reduced fees. To learn more about this fund, contact John McGough at 847-622-3379 or jmcgough@cobbt.org.

Your Money

Protect yourself and your family from financial disaster with SHORT-TERM DISABILITY INSURANCE

● You begin receiving money 15 days after the injury or the onset of the illness
● Financial benefits continue for 11 weeks
● Benefits cover 60 percent of your weekly earnings

Short-term disability insurance protects you until your long-term disability kicks in.

If you don’t have long-term disability insurance, we can help with that too.

Contact: Jeremiah Thompson, Brethren Insurance Services
1505 Dundee Ave., Elgin, IL 60120 • 800-746-1505, ext. 3368

What would you do if illness or injury kept you from working?
BBT Staff

Everett Teetor joined the BBT staff this June as an intern, to help with various accounting functions and project work in the Finance department. Everett recently graduated from Beloit College with a B.A. in business economics. He is currently deciding between continuing his education in an MBA program, or preparing for the CFA (Chartered Financial Analyst) Exam. He would like to become a Certified Financial Planner and help low-income families plan their finances. Everett enjoys biking, running, and reading, and he is a member of Highland Avenue Church of the Brethren in Elgin.

Ovi Catanescu was promoted in September 2017 to the position of assistant director of Financial Operations. Ovi joined the BBT staff in February 2011 to serve as accounting manager, with 26 years of accounting and finance experience. He holds a Bachelor’s degree in finance and accounting from the Academy of Economic Studies in Bucharest, Romania.

BBT Board

BBT welcomes Ron Gebhartsbauer, of State College, Pa., as he was elected by the Brethren Benefit Trust Board to serve a four-year term beginning in July 2017. As a professor of Actuarial Science at Penn State, Ron’s expertise in the field of investments and pension plans is greatly appreciated. Ron has testified before Congress many times on the topics of retirement, social security, and pension plans, and moderated the White House Conference on Social Security, a role he took over from the U.S. President.

Elected to the BBT Board by the Pension Plan members, Kevin Kessler, of Canton, Ill., also joined the Board in July. Kevin is currently serving as the Illinois/Wisconsin District Executive and as pastor of the Canton Church of the Brethren. Kevin has served in various church board positions, as moderator, and as treasurer. In the wider denomination, Kevin sat on an Annual Conference study committee, was vice-chair of the Council of District Executives, and is a member of the Ministry Advisory Committee. Kevin is ordained and has gone through Education for Shared Ministry training and other various Brethren Academy courses.

Farewell

Sandy Schild, Finance Project manager and Operations Support for BBT, retired in June 2017. Sandy joined the staff as director of Financial Operations in December 2009, and clocked many long hours as she oversaw BBT’s budget, computer programming changes, staff changes, and annual audits, to name a few of her many tasks. The entire staff wishes her well in her retirement.

The BBT Board also bid farewell to Beth Sollenberger and Carol Hess at the July meeting. Beth, who is currently the District Executive of the Northern Indiana District, served on the BBT Board from 2013 to 2017, and was also chair of the Governance Committee. Carol has been a BBT Board member since 2009 and brought to the Board her experience in the field of Human Resources. Board president Harry Rhodes publicly thanked them both for their commitment and leadership during BBT’s Live Report at Annual Conference in Grand Rapids, Mich., in July.

New Pension option gives members more control …” continued from Page 1

period, their estate will receive the balance of the payments. The difference with this, however, is that they will not receive a lifetime annuity by choosing the Periodic Payment Plan, and, much like having a 401K, Plan members will have to manage their financial resources throughout retirement to ensure they don’t run out of money.

“As a result of the Board’s action, Plan members who want a payment for life in the form of an annuity may still select that option, while those who want to ensure that they receive all of their employer contributions can select the Periodic Payment Plan,” said Nevin Dulabaum, BBT president.

Nothing is changing with regard to employee-contributed funds in the Pension Plan. With their own contributions they can either annuitize them, choose the Periodic Payment Plan, or roll them out to another financial retirement instrument. The only catch for clergy rolling their funds out of the Plan is that those funds will no longer qualify for pastors’ housing allowance.

In related news, the Board approved a change to the mortality table used to calculate annuities, a reflection of the fact that members of the Brethren Pension Plan, on average, are living longer, while the life expectancy among the general American population in 2016 decreased.

The next meeting of the Brethren Benefit Trust Board will be held Nov. 16 – 18 in Wichita and McPherson, Kansas.
New option for withdrawing employer contributions during retirement

It’s time to start thinking about your 2018 insurance needs

It’s easy to enroll.
Visit our website cobbt.org/open-enrollment after Oct. 30, 2017, or call toll-free 800-746-1505, ext. 3366

- Medicare Supplement
- Dental
- Vision
- Short-term Disability*
- Long-Term Disability*
- Life Insurance*
- Accident insurance*
- Pet insurance*
- *(Not available to retirees.)

In This Issue

- Front page
  Pre-tax savings for pastors

- Your Money
  New fund for Pension Plan members

- Heart, Soul, and Mind
  A superhero role model

- President’s Message
  Investing — more of an art than a science

- What’s new with BBT?
  Staff and Board hellos and goodbyes

Reprinting of articles is encouraged with this credit — “Reprinted from the Fall 2017 Benefit News.”

To access article text electronically, go to: cobbt.org/newsletters