



Christian Brothers Services

A Catholic Church Organization Serving the Church

Risk Pooling Trust to Celebrate *25th Anniversary*

by Diane Engstrom, Director of Operations, Risk Management Services Division

No fooling, April 1, 2004 is a day to celebrate! That day will mark the 25th Anniversary of the founding of the Christian Brothers Risk Pooling Trust. The Trust credits its origin to Brother Joel Damian, FSC who conceived and nurtured the vision of collaboration among the Catholic religious community for protection against financial loss due to property damages or the imposition of legal liability.

In the mid-1950's Br. Damien undertook the coordination and consolidation of all insurance coverages of the schools administered or owned by the St. Louis District of the Brothers of the Christian Schools (Christian Brothers). The first coverage to be consolidated was Student Accident Insurance. While the initial objective was to secure volume discounts, it was quickly discovered that group purchasing made it possible to specify exactly what coverages were wanted as opposed to the previous method of picking from the various plans offered in the insurance market, none of which completely satisfied the total need of the schools.

Following the consolidation of Student Accident Insurance, the Christian Brothers implemented a self-insured

property and casualty program for 13 of their schools and properties in the St. Louis District. At that time they had \$13 million in property values and 42 vehicles. In 1963 other Districts joined the plan followed by requests from other not-for-profit Catholic organizations. This group purchasing arrangement allowed each entity to secure more complete coverages and benefits for fewer dollars than that which they would have been able to do as an individual entity.

In addition, they gained administrative advantages knowing each organization had a uniform program of coverages.

On April 1, 1979, after enabling legislation was enacted by the Illinois General Assembly in response to problems experienced by religious and charitable organizations in obtaining affordable insurance coverage for their ministries, the Trust was organized under the official title, "The Religious and Charitable Risk Pooling Trust of the Brothers of the Christian Schools and Affiliates." In May of 1991, the Internal Revenue Service issued a determination letter confirming that the Trust itself was tax exempt under Section 501 (c) 3 of the Internal Revenue Code. This

determination was made because the pooling arrangement is made available only to organizations officially recognized as part of the Catholic Church. The Trust was not, therefore, engaged in the business of insurance, but was recognized as an alternative mechanism with the sole purpose of promotion and enhancement of the religious, charitable and educational activities of its members.

The growth of the Trust has been blessed since the beginning. In 1979, nearly 100 Catholic organizations

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Welcome Aboard!

Farewell to Marty and Mary Anne
~Br. William Walz, FSC

From the President

“The New Healthcare Landscape...”

As the cost of providing health care coverage for employees is becoming an increasingly difficult budgetary expense for employers, there has been growing interest in the potential value of consumer-directed health plans (CDHPs). The theory behind CDHPs is that if employees get a flat annual infusion of funds from their employers, make all their own health care decisions paying for them with their own funds, and the employer provides a high-deductible plan as a safety net in case of serious illness, people will be free to make their own decisions and will become more cost-conscious healthcare consumers.

While FSAs, HRAs, and MSAs moved in this direction, until now there has not been an ideal way to structure such an approach. However, a first little-noticed provision of the Medicare Prescription Drug, Improvement and Modernization Act might finally allow employers to more easily adopt this radical new vision of employer-provided health care coverage. The law provided for the establishment of Health Savings Accounts (HSAs). HSAs, which are somewhat like retirement accounts except set up for health care expenses, allow employers to make contributions to the account, employees to add money along the way, and employees to manage the money in the account. While the final HSA regulations have not yet been published, it appears contributions to HSAs are tax-free, any unspent money at the end of the year rolls-over into the next year, and the individually-owned accounts are portable if the employee retires or leaves his or her present employer.

Employer-funded HSAs coupled with an employer-provided high-deductible health care safety net plan might not only become very popular with both employers and employees, but also save the entire employer-provided health care coverage system we have created in the United States.

Our goal, once we know the details in the final regulations, is to be able to provide this option for employers who participate in the Employee Benefit Trust, and do so in a secure, seamless, and easy-to-use way.




William L. Walz, FSC
President

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participated in the Trust with property values of \$350 million and 958 vehicles. The Trust self-insured the first \$100,000 of each and every loss sustained by its beneficiary members. These losses were paid from an established Loss Fund of \$700,000. The Trust purchased excess insurance from traditional carriers for losses resulting above the Self-Insured Retention (SIR). Total property limits of \$25.5 million and liability limits of \$11 million were secured.

In contrast, 25 years later, the Trust provides coverage for more than 1,200 members with property values of \$11.6 billion and 20,204 vehicles. The Trust self-insures the first \$1 million of each and every liability claim sustained by its members, and \$1.5 million of each and every property loss. These losses are paid from an established Loss Fund of \$32 million. The Trust purchases excess insurance from traditional carriers for losses resulting above its SIR. The Trust has total property limits of \$450 million and liability limits of \$50 million. While some Catholic organizations have merged, consolidated or closed operations in the past 25 years, there are currently eighty-one original entities in the Trust whose participation dates back to 1979.

Christian Brothers Services salutes the Trust and its membership for its successful mission of providing a valuable service to the Catholic Church. May this occasion of its Silver Anniversary turn into Gold for its membership during the next 25 years. 

CB Travel

Maps International Trips

by Dave Pipitone, Communication Services Manager, Christian Brothers Services

For many of us, international destinations are no longer unusual either for personal or work-related travel. Yet, have you ever considered the skill it takes to plan that trip and do it economically? International travel is often much more complex than traveling in the United States and Canada. Fares are often higher, schedules are more complex and unfamiliar destinations are not as convenient to reach. Add to that problems sometimes resulting from strange currency, language, customs and legal documentation like passports and visas.

CB Travel Services, Inc., a wholly owned subsidiary of Christian Brothers Services, is a full service travel agency whose mission is to assist the Catholic religious community with its travel needs. CB Travel began as Come Aboard Travel in 1982 to make and coordinate economical arrangements for both domestic and international travel, especially for Church-related travelers. (continued on page 5)



Questions and Answers about Defined Benefit Plans: *An Interview with Jim Ceplecha*

The following is an interview between Dave Pipitone, Communication Services Manager for Christian Brothers Services, and Jim Ceplecha, Managing Director of Retirement Plan Services for Christian Brothers Services.

Dave: Welcome Jim.

Jim: Glad to be here Dave.

Dave: There has been a lot of talk in the news about the future of pension plans. Some analysts say that the demise of defined benefit pension plans is imminent. Why are these pension plans being singled out?

Jim: Defined benefit plans are by far the most efficient type of plan in meeting the objective of providing a safe and secure retirement benefit. Unfortunately, government legislation has become extremely onerous to defined benefit plans offered by corporations.

Dave: Without getting too technical, how does this legislation affect corporate plans?

Jim: Well this is a very broad and complex subject, but for the most part "Church Plans" are not subject to the Employee Retirement Income Securities Act (ERISA), which is the main retirement plan legislation. Defined benefit plans, including most "Church Plans", usually receive their tax-exempt status through section 401(A) of the Internal Revenue Code. A problem arises because government regulations preclude a corporation from contributing to the plan when the plan is significantly overfunded. The regulations also mandate that a minimum contribution must be made by the corporation when the plan is underfunded.

Dave: Tell me more about this problem of funding.

Jim: The problem faced by many corporations is that they were precluded from contributing to their retirement plan during the robust investment years experienced during the 1990's, because many plans were significantly overfunded.

Then the investment environment changed, and many of these overfunded plans became underfunded. Regulations then mandate that the corporation make a minimum contribution to the plan. Because for many corporations, this minimum contribution was in the millions of dollars, many corporations are contemplating freezing or terminating their defined benefit plan, rather than face the volatility inherent in these types of plans.

Dave: How does the funding issue differ for "Church Plans"?

Jim: "Church Plans" are not subject to these contribution rules, so a plan like The Christian Brothers Employee Retirement Plan can maintain a fixed contribution level. Our stated contribution rate for the most part has remained constant since 1964, while during that time some benefits have increased. This enables employers to budget their pension cost and still provide their employees with the protection of a defined benefit plan.

Dave: How is the defined benefit pension plan offered by Christian Brothers Services affected by these issues?

Jim: We do administer the Employee Retirement Plan, a defined benefit pension plan. This plan is very viable to the Catholic groups we serve and will remain viable into the future. In fact, other Catholic employers have merged their plans into the Christian Brothers Plan. These groups were able to save money and/or increase benefits, because of the merger. As a "Church Plan", we are not subject to many of the onerous regulations facing corporations; however, we tend to apply many of these rules when they are

in the best interest of the employers and the participants.

Dave: In your opinion, do you think that defined benefit plans will be around 10 years from now?

Jim: I have worked for Christian Brothers Services for 22 years and have heard the death knell of defined benefits plans in the late 1980's and early 1990's. Defined benefit plans will still be around 10 years from now and beyond. With that said, there will be less defined benefit plans than there are now, particularly in the corporate world. This is unfortunate, because terminating a defined benefit plan and offering only a defined contribution plan (401(k) or 403(b)) is simply transferring the investment and mortality risk to the employee. Many employees are not equipped to understand or handle these risks.

Dave: So you feel confident that the Christian Brothers Employee Retirement Plan will be around 10 years from now.

Jim: Christian Brothers Employee Retirement Plan will be vibrant 10 years from now, as will many other "Church Plans". In my opinion, 10 years from now this country will be facing a retirement crisis. The secure benefit afforded the current generation will not be there due to the termination of many corporate pension plans. A defined benefit plan may become even more attractive 10 years from now, because of the concerns with Social Security. In fact, Catholic employers offering a defined benefit plan may have an advantage in attracting and retaining employees.

Dave: Thank you for your time.

Jim: It was my pleasure. 



On average, total prescription drug spending in the U.S. grew by 13% per year between 1993 and 2000. It is expected to grow on average by about 12% per year through 2011. About one-fourth of the increase in total prescription drug spending between 1997 and 2000 was due to price increases, and another 28% was due to shifting from older, lower cost drugs to newer, higher cost drugs. The remainder was due to greater use of prescription drugs or utilization.

Between 1998 and 2000, prices for all prescription drugs rose at more than triple the rate of inflation. Brand-name drug prices rose nearly four times as fast as the rate of inflation.

A New Way to Control Costs

Medco Health, the largest prescription benefit manager in the U.S., has recently begun offering new programs to help control these spiraling costs. Many drugs approved by the FDA for therapy have different dosage strengths. If your employees and their families could take one dose of their prescribed medication every day, instead of twice a day, they probably would. It's simpler and more convenient. It is very possible that your benefit plan could save money when covered patients take one daily dose instead of two or more.

For example, a high blood pressure drug may be available in 50 mg and 100 mg tablets. Different people may require different amounts or may space when they take medicine to treat their conditions. One person may take one 100

mg tablet once a day, while another may take one 50 mg tablet twice a day. If the drug is a long acting drug that can be taken in a higher dosage once a day, eliminating the second dose can be more convenient to the patient and less expensive to an employer. This practice is called dose optimization and is now being activated for all members of the Employee Benefit Trust.

What Qualifies for Dose Optimization

Dose optimization works best for high-use/high cost medications, including the most commonly used drugs for depression, heart disease, arthritis and heartburn. These types of drugs are routinely in the top 10 of all drugs prescribed for all members of the Employee Benefit Trust.

There are two criteria for dose optimization: the drug must be long-acting (therapeutic effects last 24 hours or more) and higher strength dosages must be cheaper than lower strength dosages.

Medco Health's proprietary rule-based computer system automatically identifies individuals who are candidates for dose optimization. Medco Health then alerts the treating physician of the option to change the dosage regimen to a single dose rather than multiple doses.


Dose Optimization and the Employee Benefit Trust

The CBEBT chose to implement the Notification Option which makes Dose Optimization voluntary and involves the physician's review.

Here's how it works: A physician is notified by Medco Health about the possibility of prescribing a single daily dosage rather than a multiple dosage. If a prescription change is authorized, the prescription is filled and the employee receives a letter

about the change. If the physician does not authorize the change, the original prescription is filled and covered.

Physician Buy-In and Hard Savings

Medco Health's Dose Optimization program began in July 2001. Since then, under the Notification Option, more than half of the physicians revised the prescribed therapy to a single dosage. During a nine-month study period in 2002, the average savings following dose optimization at home delivery was \$150 per fill. More than nine million members and employees have been enrolled in this program. Helping Catholic employers control plan costs while delivering convenient, safe service to employees and their families is what the prescription drug benefit of the Employee Benefit Trust is all about. Should you have any questions regarding this program, please visit Medco's website at www.medcohealth.com, or contact a Medco Health representative at 800.718.6601. 

24 HOURS A DAY ACCESS

You can send or obtain information 24 hours a day 7 days a week by using the following methods:

WEB
www.cbseervices.org

E-MAIL
fname_lname@cbseervices.org
(i.e. john_doe@cbseervices.org)

FAX Information System
888-470-INFO
888-470-4636



Welcome Aboard!

Employee Benefit Trust

Andre Garin Residence, MA
 Brothers of Sacred Heart, NY
 Holy Trinity, NC
 Jesuit Volunteer Corps, MI
 Marymount Congregational, OH
 Mercy Siena Springs, OH
 Newman Catholic Student, NC
 Newman Center / NCC, NC
 Oblate Residence/Arleta, CA
 Oblate Service Corp/Baja, CA
 Prince of Peace School, SC
 St. Francis Retreat, CA
 St. Marys Riverview, TN
 St. Martin de Porres HS, IL
 San Miguel Catholic HS, AZ
 Srs of Incarnate Word, TX
 Ursuline Sisters/Dallas, TX
 Xaverian Missionaries, NJ

Religious Community Deductible Trust

Augustinian Recollects, NJ
 Benedictine Sisters, TX
 Carmelite Nuns of Ancient Observance, WI

Discalced Carmelite Nuns, CA
 Divine Providence Missionary Catechists, TX
 Franciscan Sisters TOR, OH
 Missionary Catechists of St. Therese, MD

Religious Comprehensive Trust

Sisters of the Good Shepherd, MO
 Sisters of Notre Dame de Namur, DE

Retirement Savings Plan (403b)

Billings Area Catholic Schools, MT
 Nazareth Literary, KY
 St. James Catholic Church, MS
 St. Joseph Church, MT
 San Miguel High School, AZ

Risk Pooling Trust

American Province Servants of Mary and Marian High School Inc, NE
 Aquinas Literacy Center, IL
 Cristo Rey Network, IL
 Congregation of the Sisters of the Incarnate Word & Blessed Sacrament, TX
 Damien Memorial High School, HI

Essex Catholic High School, Inc, NJ
 Franciscans International, NY
 Jesuit Volunteer Corps Midwest Inc, MI
 LaSallian Education Fund, CA
 Lourdes Catholic High School, AZ
 Mount St. Scholastica Inc., KS
 Mount St. Ursula Speech Center, NY
 Province of Our Lady of Guadalupe of the Order of Friars Minor, NM
 The Province of St. John the Baptist of the Order of Friars Minor, OH
 St. Martin De Porres High School, IL
 St. Scholastica Monastery, Southern Dominican Province USA, TX
 San Miguel of Tucson Corp, AZ
 Sisters of Charity of Nazareth Inc, KY
 Society Devoted to the Sacred Heart and Sacred Heart Retreat Apostolate, CA
 Subiaco Abbey, Inc, AR

Website Hosting & Design

Christian Brothers NOSF District, Lafayette LA
 Musica Pacis, Skokie IL

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CB Travel Services is an officially appointed World Inservice agent. As a result, CB Travel offers reduced travel costs through subsidized international airfares to Europe, Africa, the Middle East, the Orient, India, and Central or South America. Depending on the time of booking, savings for one-way air fares can be as much as 60%, for round-trip fares and up to 30% below regular ticket prices.

It takes an experienced travel consultant to plan complicated itineraries for one-way fares, extensive world-wide trips, and international group trips. As Manager of CB Travel Services, Gary Broyles has 27 years of experience in travel and related fields. Fifteen of those years involved serving missionary organizations. On a regular basis, Gary arranges visits to foreign missions, Rome or international headquarters, international communities, shrines, churches, and

other holy places. Service goes beyond booking a specific flight. Often, serving other customer travel and related needs includes obtaining the appropriate travel documents and related information.

Recently, Gary arranged a trip for the Joliet Franciscans to celebrate the 40th Anniversary of their Brazilian mission. The community was very pleased:

"During December our Congregation celebrated the 40th Anniversary of our Mission in Brazil. We asked Gary Broyles of CBS Travel Services to arrange round trip tickets for seven of our Sisters who would be traveling to Brazil for that celebration. It was a feat to coordinate a group of seven Sisters' varied traveling itineraries. We were a little short on time, but Gary came through with everything that was needed and all arrangements made through him came off without problems. Over half of the group needed visas and that was handled very well, as Gary must know his business with acquiring visas! The packets came to us well organized

and complete. We certainly appreciate his skills in organizing our travel arrangements."

~ Mary Ann Schnelker, OSF
 General Secretary of the Joliet Franciscans

For more information, or to make travel arrangements, contact CB Travel Services at 800.807.0600 or info@cbtravel.com.





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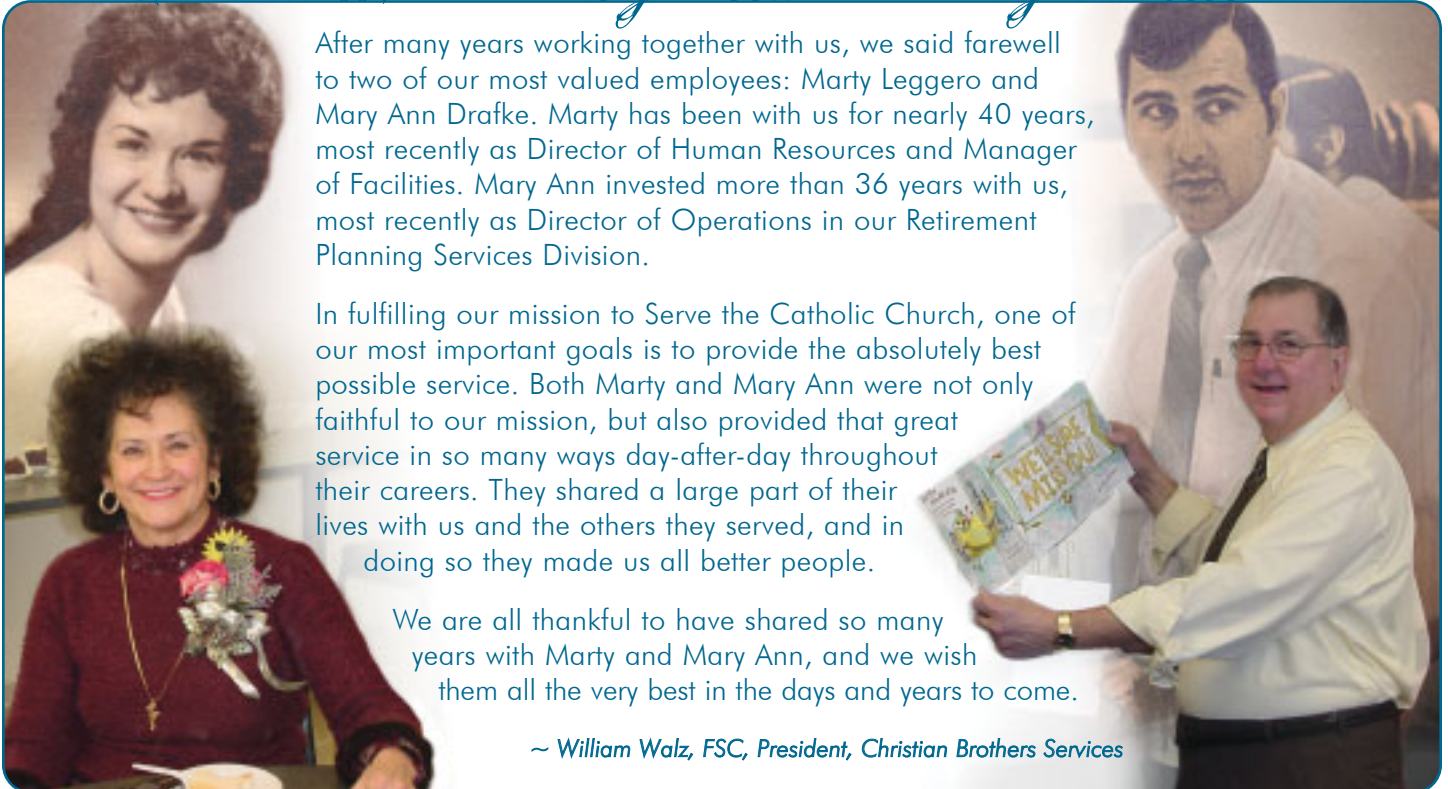
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Farewell, Marty and Mary Ann!



After many years working together with us, we said farewell to two of our most valued employees: Marty Leggero and Mary Ann Draffe. Marty has been with us for nearly 40 years, most recently as Director of Human Resources and Manager of Facilities. Mary Ann invested more than 36 years with us, most recently as Director of Operations in our Retirement Planning Services Division.

In fulfilling our mission to Serve the Catholic Church, one of our most important goals is to provide the absolutely best possible service. Both Marty and Mary Ann were not only faithful to our mission, but also provided that great service in so many ways day-after-day throughout their careers. They shared a large part of their lives with us and the others they served, and in doing so they made us all better people.

We are all thankful to have shared so many years with Marty and Mary Ann, and we wish them all the very best in the days and years to come.

~ William Walz, FSC, President, Christian Brothers Services