



Pension Perspective

FROM BROTHERS PENSION PLAN

WINTER 2014

Dear Brethren Pension Plan participant,

Retirement planning is important for everyone, sure, but recent studies suggest that while women in full-time jobs have an advantage in the savings game, other groups of women need to step it up to maintain their standard of living in retirement.

Why is this? First, consider the workplace dynamics in place for women. Historically, women have worked part-time jobs more often than males; a 2010 report from the Department of Labor reported that women are nearly twice as likely (26.6 percent) to work in part-time jobs than men (13.4 percent). The reduced hours provide less opportunity for women to maximize their salaries and, in turn, their retirement contributions (which are often matched by employers). This historical trend for women to pursue part-time work (or unpaid work) is suspected to contribute to the fact that, overall, female participation in retirement plans is lower than male participation.

And yet, when women are in full-time positions, they tend to be more interested in saving than their male counterparts — according to a report by the Employee Benefits Research Institute in November 2013, women ages 21-64 had a higher rate of participation in retirement plans than men (55.0 percent for women compared with 52.3 percent for men).

But that's not good enough.

At the end of the day, women of all employment statuses need more retirement income over the long-term than men, based on their natural likelihood to live longer than men (the Social Security Administration reports that women reaching age 65 in 2011 are expected to live, on average, an additional 20.7 years, compared with 18.7 years for men). And while saving for retirement is great, making sound investment decisions is key. According to a Department of Labor report, women tend to invest more conservatively than men, meaning they would either need to save more to keep pace with a more aggressively invested portfolio or increase their risk and invest in more volatile investments (a financial adviser would be able to help with this decision).

What about Social Security?

While this federal retirement program is an important resource for women, who accounted for a remarkable 68 percent of beneficiaries age 85 and older, their dependence on this service could have serious impacts on their ability to make ends meet, especially as some question that program's long-term viability. In 2011, unmarried women (including widows) depended on Social Security for 50 percent of their total income, compared with 36 percent of unmarried men and 31 percent of couples. Supplementing Social Security income with a healthy annuity payment through Brethren Pension Plan is a more advisable way to help maintain women's standard of living (and the standard of living for all Plan members) than a typical 401(k) or 403(b) program. With its guarantee that Plan members receive an annuity payment *for life*, the Plan is uniquely equipped to provide for members no matter how long they live.

We want all of our members, male or female, to successfully plan for the years after they retire, and we're here to help you through the process of saving for that time. Blessings to you as you continue your financial journey.

Scott Douglas

Director of Employee Benefits

Women of all employment statuses need more retirement income over the long-term than men ...



BBT HIRES NEW MANAGER FOR DOMESTIC STOCK CORE FUND

Cornerstone Investment Partners LLC has been selected to serve as Brethren Benefit Trust's domestic large-cap core investment manager. The Atlanta-based registered investment adviser began managing large-cap core assets for BBT in mid-December, which includes Brethren Pension Plan's Domestic Stock Core Fund (and the Common Stock Fund and Balanced Fund, which are both partly invested in BBT's domestic large-cap core equity portfolio).

Like the managers for BBT's other separately managed investment options, Cornerstone oversees a custom portfolio for BBT that complies with the BBT's *Investment Guidelines*, including the socially responsible investing screens that are based on positions established by the Church of the Brethren Annual Conference.

Cornerstone replaces Boston Common Asset Management, which was unable to meet BBT's performance expectations.

OVER AGE 50? CATCH UP ON YOUR RETIREMENT CONTRIBUTIONS

Who Plan members who are age 50 or older at the end of the year.

What The IRS allows older retirement savers to make catch-up contributions of up to **\$5,500** each year beyond the normal contribution limit (\$17,500 in 2014).

How Contact your HR representative or Brethren Pension Plan to increase your employee contribution.

Why In those crucial years before retirement, it's important to bump up your savings so you can be sure to meet your goal.

Q. Why aren't some of Brethren Pension Plan's funds beating their benchmarks?

A. In the world of investing, outperformance isn't always a guarantee — especially when the markets favor an investment strategy other than your own. Brethren Benefit Trust's investment approach takes the long-term view on the economy; rather than chasing trendier, riskier stocks and bonds, BBT's investment managers have been instructed to favor higher-quality investments. Thus, our funds tend to outperform their respective benchmarks in down markets (during the financial turmoil of 2008-2009, for instance) and lag behind their benchmarks in up markets (in 2013, for instance, when many sectors of the market were earning significant returns).

Questions on BBT's investment philosophy? Contact BBT President **Nevin Dulabaum** at **847-622-3388**.

Note: Page 4 reflects month-end returns for January 2014, so one-year data only includes January's returns.



“DEBT SAVERS” BORROW AS MUCH AS THEY SAVE, IMPACTING RETIREMENT READINESS

Are you saving as much as you're borrowing? An October 2013 study by HelloWallet shows that money is too often being spent on debt repayment in households that have a defined contribution plan (similar to Brethren Pension Plan in the accumulation phase). In fact, over 60 percent of households with a defined contribution plan added more debt to their household than retirement savings between 2010-2011. What are you doing to minimize your personal debt, mortgage, and other forms of borrowing? Talk to a financial adviser to find out whether your savings-to-borrowing ratio is imbalanced. Read the study — info.hellowallet.com/rs/hellowallet/images/debtsavers.pdf

MARKETS AND THE ECONOMY

Even though the Federal Reserve announced it is scaling back its stimulus efforts, the S&P 500 Index increased 2.5 percent in December, and its yearly gain in 2013 of 32.4 percent was its best performance since 1997. The U.S. economy, as measured by the gross domestic product, grew at an annualized rate of 4.1 percent in the third quarter, revised up from its previous estimate of 3.6 percent. The jobless rate fell from 7.3 percent to 7 percent as hiring strengthened in November. November housing starts rose 22.7 percent over the prior month. Personal consumption rose 0.5 percent in November from a month earlier, and personal income increased only 0.2 percent in November over the previous month, meaning consumers spent more than they earned. The bond market, as measured by the Barclays Capital Government/Credit Index, declined 0.6 percent in December and 2.4 percent for the entire year.

Despite historically low interest rates and unprecedented monetary stimulus, annualized inflation in the eurozone was 0.9 percent in November, while inflation in the U.K. weakened to its slowest pace in four years, only rising at an annualized rate of 2.1 percent during the month from a year earlier — only slightly above the Bank of England's target of 2 percent (See Page 2 for U.S. Consumer Price Index data, which serves as a general indicator of U.S. inflation). The U.K. unemployment rate dropped to 7.4 percent, its lowest level since 2009. Japan revised downward its third quarter annualized GDP to 1.1 percent from an initial estimate of 1.9 percent. China's manufacturing sector showed signs of softening in December. Brazil's economy, Latin America's largest, contracted at an annualized rate of 1.9 percent in the third quarter. International equities, as measured by the MSCI EAFE Index, increased 1.5 percent during December, up 23.3 percent for 2013.

GET A GLIMPSE AT THE UPS AND DOWNS OF YOUR PENSION PLAN ACCOUNT

It's easy to look at your statement each quarter and see whether your investments increased or decreased in value in previous periods — but what if you want to compare the performance of several investment options over a period of time in a simple way?

Just log on to your Pension Plan Web portal, and after a few simple clicks, you can have a visual representation of the long-term performance of up to 10 Pension Plan funds.

1. Click on the INVESTMENTS tile after logging in to your Pension Plan Web portal at pension.brethrenbenefittrust.org.
2. Click on INVESTMENT TRENDS.
3. In Step 1, you have some options: You can display all of the investment options that you may access, or you can choose to only show the investment options you are currently invested in or contribute to.
4. Select the funds you wish to compare from the list you generated.
5. In Step 2, scroll down and choose a time period during which



- you would like to see those funds' performance — either enter your own period or choose from one of the default periods.
6. Click SUBMIT and the system will generate a graph that shows how those funds moved during your chosen period.

Fund Performance Report

for the period ending Jan. 31, 2014

All periods longer than one year are annualized.



Performance Report

Funds (Net of Investment Fees)	Current Month	Last Three Months	Year-to-Date	Five Years
Benchmarks (Gross)				
SHORT-TERM				
Short-Term Fund	(0.1)%	(0.2)%	(0.1)%	0.0%
<i>Merrill Lynch 6-Month Treasury Bill Index</i> ¹	0.0%	0.1%	0.0%	0.3%
COMMUNITY DEVELOPMENT				
Community Development Investment Fund ²	0.0%	0.1%	0.0%	1.0%
<i>No Benchmark</i>	N/A	N/A	N/A	N/A
FIXED INCOME				
Treasury-Free Bond Fund	1.7%	0.7%	1.7%	N/A
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.5%	0.6%	1.5%	N/A
Bond Fund	1.6%	0.7%	1.6%	5.7%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	1.5%	0.6%	1.5%	5.0%
Treasury Inflation-Protected Securities Fund ³	1.6%	(1.0)%	1.6%	N/A
<i>Barclays Capital U.S. TIPS Index</i>	2.0%	(0.6)%	2.0%	N/A
High Yield Bond Fund ³	0.7%	1.3%	0.7%	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	0.7%	1.8%	0.7%	N/A
EQUITY AND FIXED INCOME				
Balanced Fund	(1.9)%	1.1%	(1.9)%	13.3%
<i>Blended Balanced Index</i> ⁴	(1.5)%	1.5%	(1.5)%	13.7%
EQUITIES				
Domestic Stock Mid Cap Fund	(1.3)%	7.4%	(1.3)%	N/A
<i>Russell Midcap Index</i>	(2.0)%	2.7%	(2.0)%	N/A
Domestic Stock Core Fund	(6.6)%	(1.0)%	(6.6)%	N/A
<i>S&P 500 Index</i>	(3.5)%	2.0%	(3.5)%	N/A
Domestic Stock Growth Fund	(3.7)%	0.8%	(3.7)%	N/A
<i>Russell 1000 Growth Index</i>	(2.9)%	2.7%	(2.9)%	N/A
Common Stock Fund	(4.2)%	1.4%	(4.2)%	18.0%
<i>S&P 500 Index</i>	(3.5)%	2.0%	(3.5)%	19.2%
Small Cap Fund	(5.0)%	(0.6)%	(5.0)%	N/A
<i>Russell 2000 Index</i>	(2.8)%	3.1%	(2.8)%	N/A
INTERNATIONAL EQUITIES				
International Stock Core Fund	(5.1)%	(2.3)%	(5.1)%	N/A
<i>MSCI EAFE Index</i>	(4.0)%	(1.8)%	(4.0)%	N/A
Emerging Markets Stock Fund ³	(6.5)%	(10.5)%	(6.5)%	N/A
<i>MSCI Emerging Markets Index</i>	(6.5)%	(9.2)%	(6.5)%	N/A
REAL ESTATE				
Public Real Estate Fund ^{3,5}	(1.0)%	(4.0)%	(1.0)%	N/A
<i>S&P Developed Property Index</i>	(0.5)%	(3.4)%	(0.5)%	N/A
ALTERNATIVES				
Commodities-Based Fund ³	(0.5)%	(2.1)%	(0.5)%	N/A
<i>Dow Jones UBS Commodity Index</i>	0.3%	0.7%	0.3%	N/A
U.S. INFLATION				
Consumer Price Index (December 2013) ⁶	0.0%	(0.5)%	1.4%	2.1%

¹ Changed May 1, 2009. 5-year blended with 90-day Treasury Bill. ² CDIF interest accrues on a quarterly basis. ³ 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. ⁴ Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). ⁵ Net of mutual fund expenses only. ⁶ Most recent data available.