



# Pension Perspective

FROM BROTHERS PENSION PLAN

SECOND QUARTER 2015

Recently, this short quiz appeared in an issue of *The Atlantic*.<sup>1</sup> It referenced an international study on financial literacy, in which the following questions were asked —

1. Suppose you had \$100 in a savings account and the interest rate was 2 percent per year. After five years, how much do you think you would have in the account if you left the money to grow?  
A) more than \$102; B) exactly \$102; C) less than \$102
2. Imagine that the annual interest rate on your savings account is 1 percent, and inflation is 2 percent annually. After one year, what is the buying power of the money in this account?  
A) more than it is today; B) exactly the same as it is today; C) less than it is today
3. True or False? Buying a single company stock usually provides a safer return than a stock mutual fund.

*(answers are 1 - A; 2 - C; and 3 - False)*

The results of the research, conducted by two economists, revealed “startling levels of financial illiteracy across the world.” In the United States, nearly three-quarters of respondents could not correctly answer the questions about money/investing.

Additional results indicated that people are also likely to overestimate how much they know about money. In the U.S., 70 percent ranked themselves as “above average” on a financial knowledge scale, yet only 30 percent of them correctly answered all three questions.

This is significant because the world is trending toward self-service when it comes to how much to save, where to invest, and planning for retirement. However, Brethren Pension Plan is moving in a direction that will help those who aren’t sure where to start when it comes to choosing their pension investments.

We are now offering Target Date Funds to take the guess work out of investing. The five new funds (2015, 2025, 2035, 2045, and 2055) are available to members as of July 2015, and will be the default fund for new members who don’t request specific choices for their investment allocation.

The advantage of Target Date Funds, for those folks who might be overestimating their ability to manage their own investment choices, or for others who just don’t want to think about it, is that they are specifically designed to make those choices for you. The funds balance automatically, based on the timing of your projected retirement, to optimize both investment return and risk management. We still encourage members to check in on their statements and portfolios, but there won’t necessarily be any decisions to make. For many people, that is a big relief.

Existing Plan members are free to transfer investments to the new Target Date Funds at any time by going online, or by giving us a call — we can help you as well.

For a new Pension Plan member (after July 6, 2015) who does not specify how to allocate Pension funds, contributions will go into the Target Date Fund most appropriate according to birthdate. For example, a person born in 1968 who is retiring at age 65, would have a projected retirement year of 2033. For this person, the 2035 Target Date Fund would be appropriate.

Brethren Pension Plan offers 26 funds in total, and diversified investment options. The Target Date Funds are devised to help the people who don’t want to decide. You can take as much — or as little — control of your investment allocation as you wish. It is our hope that wherever you fall on the financial knowledge scale, you find our plan design beneficial.

*Nevin Dulabaum*

<sup>1</sup>Naim, Moises. “Most People in the World Have No Idea How to Manage Their Money.” *The Atlantic* magazine. 7 May, 2014.

The five TDFs  
Brethren Pension  
Plan will be  
offering have the  
target dates of  
2015, 2025, 2035,  
2045, and 2055.



## PENSION PLAN CHECK-UP

There are people who, over the years that they work and pay into a pension plan, are always aware of their earnings and balance, make a habit of checking the returns often, read over the monthly statements when they arrive, follow the economic market, and always have a sense of how their investments are doing.

And then there those whose eyes glaze over when they look at a monthly statement and would rather be at the dentist's office than a financial adviser's office. But just as we are reminded to visit our dentist twice a year, it's a good idea to at least check up on your investments a couple of times per year as well. With a pension check-up, no one will be probing your gums.

### 1. Check the timeliness of contributions

The first (painless) thing to do is to look over your statement, just to insure that regular contributions are being made as expected. This may mean reading the paper statement that arrives in your mailbox, or logging on to your account through an online portal. If you do nothing else, check this at least annually to ensure a healthy pension.

### 2. Assess your contributions

On the Brethren Pension Plan portal, there is something called the Retirement Income Control Panel, which allows you to fill in a few statistics and options, and it will compute how close you are to achieving your optimum retirement income. This is a helpful tool, and will help you determine if you need to increase your contributions.

### 3. Recalibrate

Brethren Pension Plan accounts can be balanced according to

your preferences. If you are young and willing to take on riskier investments you may want a higher percentage of equities in your portfolio. If you are getting close to retirement age, you may want a stable portfolio with a higher percentage of bonds and low-risk funds. Whatever your preferred balance is, a mid-year recalibration is a good way to make sure things are on track.



### 4. Think about rollover

Often at tax time, we are reminded, as we desperately try to round up all the various tax statements, that we have pension or IRA money in a few different accounts. Before tax time comes again, you may want to consider rolling some of your other investments into Brethren Pension Plan. Learn the benefits of doing this in the article on Page 3.

### 5. Consider Target Date Funds

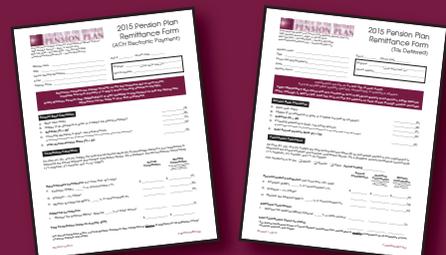
Perhaps most beneficial, to those who don't want to have to think about investments, are the new Target Date Funds that BBT is offering in July. These funds are specifically designed, according to your retirement decade, to provide optimum investment combinations to help you on your path to retirement.

Brethren Pension Plan wants to be sure you are equipped for a fulfilling retirement. An annual pension check-up will help. Please review your statements regularly and ask questions if you have them. We are available to answer; just call us at 800-746-1505.

**IF YOU HAVE QUESTIONS ABOUT MAKING  
REMITTANCES, PLEASE CONTACT —**

Lori Domich, Member Services Representative, at  
800-746-1505, ext. 365, or at [ldomich@cobbt.org](mailto:ldomich@cobbt.org)

Do you need forms? Call or e-mail and the Benefits office will provide them.



## MARKETS AND THE ECONOMY

Despite crosscurrents of economic data and uncertainty over the timetable for an expected Federal Reserve interest rate increase, the S&P Index set four record highs in May, but only crept up 1.3 percent in a volatile month of trading. The second reading of the U.S. GDP revealed the economy contracted at a 0.7 percent annual rate during the first quarter, revised from an initial estimate of 0.2 percent growth. While the jobless rate ticked down to 5.4 percent in April from March, the average hourly wage is up only 2.2 percent over the previous year. Despite existing home sales slowing 3.3 percent in April when compared with a strong March, steady job growth, historically low interest rates, and rising rental costs pushed buyers into the market, causing overall home sales to remain strong; new home sales climbed 6.8 percent over the same period. The bond market, as measured by the Barclays Capital Government/Credit Index, declined 0.3 percent.

The annual inflation rate in the eurozone rose 0.3 percent in May, up from 0.0 percent in April, creating hope that the European Central Bank's bond-buying program is stimulating the eurozone economy and fending off deflation. Expansion in France and Italy overcame slowing growth in Germany and led the eurozone GDP to advance 0.4 percent in the first quarter over the prior quarter. Household spending and business investment contributed to Japan's GDP growing at an annual rate of 2.4 percent in the first quarter. Upward pressure from higher food costs caused an uptick in China's annual inflation rate to 1.5 percent in April from a year earlier. Citing concerns about low inflation, the People's Bank of China reduced its benchmark lending rates by a quarter of a percent. International equities, as measured by the MSCI EAFE Index, decreased 0.4 percent in May.

## THE BENEFITS OF ROLLOVER

**Q:** Why should I move my other retirement accounts to my Brethren Pension Plan account?

**A:** Consider that when you consolidate funds this way,

- Everything will be in one place
- You will need to go to only one website
- You will reduce clutter with only one statement
- You will still have a diversified portfolio, but all in one place
- You will have all of your retirement funds invested in a socially responsible manner
- All your retirement funds will earn the Pension Plan's excellent returns

**Q:** What sort of accounts can I roll over?

**A:** 401(k), 401(a), 403(b), and IRA.

**Q:** What is involved in rolling over funds?

**A:** You need to fill out a form. You also need to contact the firm holding the funds you want to roll over.

**Q:** Is rolling over retirement money a difficult process?

**A:** It doesn't have to be. The staff of Brethren Benefit Trust is there to guide you through every step, from filling out forms to finding out where the check needs to be sent.

**Q:** Are there tax consequences if you roll investments over into the Brethren Pension Plan?

**A:** The answer is "no" when the money is rolled directly from one plan to another.





# Fund Performance Report

for the period ending May 29, 2015

All periods longer than one year are annualized.

<b>Funds</b> (Net of Investment Fees)	<b>Current Month</b>	<b>Year-to-Date</b>	<b>Three Year</b>	<b>Five Years</b>
<b>Benchmarks</b> (Gross)				
<b>SHORT-TERM</b>				
<b>Short-Term Fund</b>	(0.1)%	(0.3)%	(0.5)%	(0.4)%
<i>Merrill Lynch 6-Month Treasury Bill Index</i>	0.0%	0.1%	0.2%	0.2%
<b>COMMUNITY DEVELOPMENT</b>				
<b>Community Development Investment Fund</b> <sup>1</sup>	0.0%	0.2%	0.5%	0.6%
<i>No Benchmark</i>	N/A	N/A	N/A	N/A
<b>FIXED INCOME</b>				
<b>Treasury-Free Bond Fund</b>	(0.4)%	0.4%	1.7%	N/A
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(0.3)%	1.0%	2.2%	N/A
<b>Bond Fund</b>	(0.5)%	0.5%	1.9%	3.5%
<i>Barclays Capital U.S. Government/Credit Bond Index</i>	(0.3)%	1.0%	2.2%	4.1%
<b>Treasury Inflation-Protected Securities Fund</b> <sup>2</sup>	(1.2)%	0.6%	(1.7)%	N/A
<i>Barclays Capital U.S. TIPS Index</i>	(0.8)%	1.3%	(0.6)%	N/A
<b>High Yield Bond Fund</b> <sup>2</sup>	0.5%	4.6%	6.7%	N/A
<i>Barclays Capital U.S. Corporate High Yield Bond Index</i>	0.3%	4.1%	8.1%	N/A
<b>EQUITY AND FIXED INCOME</b>				
<b>Balanced Fund</b>	0.3%	2.2%	10.8%	10.2%
<i>Blended Balanced Index</i> <sup>3</sup>	0.6%	2.4%	12.5%	11.7%
<b>EQUITIES</b>				
<b>Domestic Stock Mid Cap Fund</b>	2.4%	5.3%	24.5%	N/A
<i>Russell Midcap Index</i>	1.5%	4.5%	21.2%	N/A
<b>Domestic Stock Core Fund</b>	(0.7)%	(4.9)%	13.3%	N/A
<i>S&amp;P 500 Index</i>	1.3%	3.2%	19.7%	N/A
<b>Domestic Stock Growth Fund</b>	2.4%	7.9%	16.7%	N/A
<i>Russell 1000 Growth Index</i>	1.4%	5.8%	19.8%	N/A
<b>Common Stock Fund</b>	0.9%	3.3%	17.0%	14.2%
<i>S&amp;P 500 Index</i>	1.3%	3.2%	19.7%	16.5%
<b>Small Cap Fund</b>	(0.9)%	0.8%	12.7%	N/A
<i>Russell 2000 Index</i>	2.3%	4.0%	19.4%	N/A
<b>INTERNATIONAL EQUITIES</b>				
<b>International Stock Core Fund</b>	(0.6)%	8.3%	12.1%	N/A
<i>MSCI EAFE Index</i>	(0.4)%	8.9%	16.1%	N/A
<b>Emerging Markets Stock Fund</b> <sup>2</sup>	(4.3)%	5.4%	3.8%	N/A
<i>MSCI Emerging Markets Index</i>	(4.0)%	5.8%	6.3%	N/A
<b>REAL ESTATE</b>				
<b>Public Real Estate Fund</b> <sup>2</sup>	(1.3)%	0.2%	10.8%	N/A
<i>S&amp;P Developed Property Index</i>	(1.2)%	2.6%	14.3%	N/A
<b>ALTERNATIVES</b>				
<b>Commodities-Based Fund</b> <sup>2</sup>	(3.4)%	(5.0)%	(10.9)%	N/A
<i>Bloomberg Commodity Total Return Index</i>	(2.7)%	(3.2)%	(7.7)%	N/A
<b>U.S. INFLATION</b>				
<b>Consumer Price Index</b> (April 2015) <sup>4</sup>	0.1%	0.0%	0.7%	1.5%

<sup>1</sup> CDIF interest accrues on a quarterly basis. <sup>2</sup> 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. <sup>3</sup> Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). <sup>4</sup> Most recent data available.