Dear Pension Plan Participant,

Are all retirement plans built the same? As it turns out, they are not — and Brethren Pension Plan is the sort of solution that investment experts and economists have been writing about with increased frequency as an alternative to a traditional 401(k) path.

As a reminder, a 401(k) is the for-profit world’s standard-issue retirement plan. Contributions to this retirement savings account are taken out of paychecks before being taxed; the taxation comes when distributions are made. 401(k)s are defined contribution plans, meaning that predetermined contributions are paid into the 401(k) account by the employer and the employee, which are then invested in one or more investment funds.

Brethren Pension Plan’s 403(b) plan is quite similar, but with one important distinction: At the time of retirement, the Plan transforms from a defined contribution plan into something resembling a defined benefit plan. This means that all or a portion of the retirement savings the employee has accrued over his or her lifetime is converted into a monthly benefit.

This in-plan annuity is a monthly benefit paid out to each member over his or her lifetime. This monthly distribution of retirement benefits is one alternative that financial research house Morningstar has reported on repeatedly. Even President Obama’s Middle Class Task Force suggested in a January 2010 report that annuities reduce “the risks that retirees will outlive their savings or that the retirees’ living standards will be eroded by investment losses or inflation.” (Read the full report here: goo.gl/76ct)

Some members may worry about giving up control of their hard-earned retirement savings. Some employees may think that they can invest that money more effectively on their own. But in reality, how does this plan stack up against what you might be able to do as an individual investor?

According to a study by benefits consulting firm Aon Hewitt, Brethren Pension Plan’s annuity program would provide a higher monthly payment amount than other distribution methods — including a 4 percent installment spend-down plan, which could run out too soon.

Beginning at age 65 with an initial balance of $100,000, the Aon Hewitt study compares the income streams generated by BBT’s Retirement Benefits Fund and a simple installment benefit distribution scheme. As indicated earlier, the BBT annuity benefit is paid over the lifetime of the participant — whether the participant lives to be 66, 88, 100, or older. The installment distribution approach either pays out less of a benefit over the same period of time or runs out of money before the recipient runs out of retirement! Go to goo.gl/o76ct to view the Aon Hewitt comparison.

Although the Brethren Pension Plan annuity interest rate can fluctuate up or down, the benefit is paid for the lifetime of each recipient.

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Although the Brethren Pension Plan annuity interest rate can fluctuate up or down, the benefit is paid for the lifetime of each recipient. That allows our members to focus on the finer parts of retirement while enjoying income security.

Scott Douglas
Director of Employee Benefits

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During September, the S&P 500 rose 2.6 percent, up 16.4 percent for September year-to-date. In an attempt to boost the economic recovery and improve the U.S. job market, the Federal Reserve announced a new round of quantitative easing, extended Operation Twist through the end of the year, and expressed its commitment to keep interest rates low for an extended period of time. As a result, the Barclays Capital Government/Credit Index, was up 0.1 percent in September and 4.4 percent since the beginning of 2012.

Central Banks in Europe, Japan, Brazil, and Turkey took steps to bolster their economies by easing monetary policy. Europe's recession, weak U.S. growth, and a slowing Chinese economy are curbing exports worldwide. Internationalequities, as measured by the MSCI EAFE, increased 3 percent in September and are up 10.6 percent September year-to-date.

GROW COMMUNITY PROJECTS WHILE INVESTING IN YOUR RETIREMENT

A MORALITY ASSUMPTION CHANGE CELEBRATES MUTUALITY

One Calvert borrower is Habitat for Humanity International, which helps families around the world obtain safe, affordable housing. Courtesy of Calvert Foundation

REVISED CONTRIBUTION LIMITS FOR 2013

Elective-deferral contributions: $17,500 ($500 increase from 2012)
These are pre-tax contributions an employee makes to an employer-sponsored retirement plan such as a 401(k) or 403(b).

Catch-up contributions: $5,500 (unchanged from 2012)
If you are 50 years old or older by the end of 2012, you may be able to contribute additional funds to your Pension account beyond the elective-deferral contribution limit.

Defined contribution plan contributions: $51,000 ($1,000 increase from 2012)
The total annual contribution, including tax-deferred and tax-paid deposits, from both an employer and an employee.

Annual compensation limit: $255,000 ($5,000 increase from 2012)
The maximum dollar amount that can be taken into consideration when calculating retirement benefit contributions.

The Internal Revenue Service creates annual limitations on contributions made to qualified retirement plans like Brethren Pension Plan. These limits are subject to cost-of-living adjustments each year. Here are the four main types of contributions and their limits for 2013 —

Changes to Traditional and Roth IRA contribution limits and deductions for 2013 have also been released by the IRS. To read more, please visit Brethren Pension Plan's contribution limit overview page at brethrenbenefittrust.org/contribution-limits.

If you were to save $1,200 per year for 40 years and earn a 5 percent rate of return each year, your savings would total $125,870. But if you increased that savings to $1,400 per year, you would earn $146,849 in the same period of time. Try it!

Source: dinkytown.net