Investing Clear and Simple

If you don’t have the time or inclination to understand the financial markets, if the whole business of investments is simply beyond you, or if you would like a process for pondering how to handle your assets, think about this. In several steps you can develop an investment allocation for your situation, even if you aren’t an investment expert.

First, you answer four questions to determine your risk tolerance. Second, you determine the number of years until you need retirement income. Third, you put these together to determine your investment style. Fourth, you consult a chart to find how someone with your investment style would allocate assets among the various kinds of investment opportunities available. Fifth, you follow those guidelines and make those allocations. This is a process anyone in Brethren Pension Plan can use to think about how your funds are allocated.

Making thoughtful investment choices means fitting your risk tolerance to your circumstances and diversifying your investments in order to achieve a rate of return that is reasonable based on the type of investments you have chosen and how long your money is invested. In the above process, BBT presents you with a variety of funds (which invest in portfolios of stocks, bonds, and cash) and gives you a formula for considering how to choose those funds that balance risk and return to suit your situation. If you trust this thoughtfully constructed process, you can make better informed investment decisions even if you’re not an expert.

And, of course, as you follow BBT’s guidance, you gradually begin to understand better these financial realities that seem so complicated at first. (See President’s Message, Page 2.)

If you would like to know more about this clear and simple way to think about investing your money, BBT offers the workshop called “Investing Basics.” Contact Loyce Borgmann, client relations manager, at lborgmann@cobbt.org or call 800-746-1505, ext. 364. — J.L.

New funds, Strategic Pathway, other developments

Brethren Pension Plan members and Brethren Foundation clients have a new fund to protect their accounts from inflation. The BBT board, at its April meeting, approved the Global Inflation Protection Fund, which will provide a more diversified strategy to contain inflation.

For Brethren Foundation clients, five new socially responsible tactical funds were approved by the Board. For Pension Plan members, the Board also added a socially responsible Balanced Fund. This will be similar to BBT’s existing Balanced Fund, but it will not include U.S. Treasuries.

Extending the work of its November 2013 meeting on the Strategic Pathway process, the Board approved the following vision statement — “Building financial security. Bettering the world. Together.” The first letters of the phrase are the acronym BBT.

Further, the Board approved a new mission statement — “To inspire responsible stewardship by delivering high-quality, values-
**Give me two minutes, and you’ll understand**

“It’s that simple!

“Yes,” I said, “it is that simple. What can look intimidating and confusing is really easy to understand.”

I had this conversation with an employee of a related Church of the Brethren institution, who was expressing his frustration at not understanding investments or being able to decipher investment performance sheets, like the Brethren Pension Plan investment report shown on this page.

“Two minutes,” I had stated, “and the mystery and frustration will be gone.”

If you read through to the end of this piece the mystery should be gone for you as well!

**Investments 101**
The main components of investment portfolios, including those of Brethren Pension Plan and Brethren Foundation, tend to be stocks, bonds, and short-term investments.

Stocks allow people to buy an ownership position in companies, and then see their investment increase or decrease based on whether the value of the companies increases or decreases. Stock funds also benefit from payments profitable companies can make to their shareholders (dividends), which increase earnings. BBT offers stock funds (also known as equity funds) made up of companies larger than $2 billion in worth to try to replicate the performance of a large cross section of mainstream companies through our Domestic Stock Core Fund. We try to find companies that are undervalued and thus should increase in value (Domestic Stock Mid Cap Fund) or that are seen to have great growth potential (Domestic Stock Growth Fund). We offer a stock fund of small companies (under $2 billion) that tend to be less stable but have huge growth potential (Small Cap Fund) and we offer exposure to international firms through the International Stock Core Fund.

Bonds are a debt instrument in which investors loan money to a company or an entity to finance projects or activities. In return, the investors receive interest and the return of their principal.

Our bond holdings are issued by companies and U.S. Federal agencies. As with all of our investments, we have guidelines as to what types of bonds we can purchase to try to increase our earnings and minimize our investment risk. Most members and clients can invest in bonds with or without U.S. Treasuries.

The short-term fund that we offer is composed of fixed-income securities that have relatively little investment risk but sometimes offer little gain, especially when interest rates are low, as they are now. This fund is used to preserve principal.

**Diversifiers**
Over the past decade, we have added investment options that are meant to add value and stability to our “bread and butter” investment options. These sometimes can offer great earnings to your portfolio, but they can also carry more and/or different risks, and so it is important to know what they are and what they aren’t. A person should conduct research on these investment options, or speak with a certified financial planner (not Uncle Joe) to determine if diversifiers should be part of his or her portfolio. The diversifiers available to Brethren Pension Plan members and Brethren Foundation clients can include real estate, commodity, emerging markets, and high-yield (lower rated) bond funds. And then there is our ministry fund (Community Development Investment Fund), which takes investments and reinvests them in inner-city redevelopment projects to bring about positive social change. All of these investments can make sense at certain times. However, these diversifiers are not expected to be a majority portion of anyone’s portfolio.

**Benchmarks**
Listed below each of our funds in the investment report are benchmarks. These are investment industry tools against which the success of our investment funds can be measured. For example, when you compare one of our stock funds to the S&P 500, you are looking at the investments our managers have in a fund with stocks from 40-60 companies compared with the benchmark of 500 mainstream companies.

Although our reports show a number of time categories, we know that markets ebb and flow; it is unreasonable to believe that our investments can always outperform their benchmarks. Therefore, we expect our managers to outperform their respective benchmarks over a five-year period. Keep that in mind when assessing the performance of our funds.

**Questions?**
Returns. Benchmarks. It’s really that simple. Have questions? Drop me a line at ndulabaum@cobbt.org — N.D.
It ain’t over till it’s over — a word for those who are “retired”

An 85-year-old woman was being interviewed on her birthday. What advice would she have for people her age, the reporter asked.

“Well,” she said, “at our age it is very important to keep using all our potential or it dries up. It is important to be with people and, if it is at all possible, to earn one’s living through service. That’s what keeps us alive and well.”

“May I ask exactly you do for a living at your age?” asked the reporter.

“I look after an old lady in my neighborhood,” was her reply.*

There is a misunderstanding about retirement. Or maybe a better way is to say that people are coming to understand retirement in a different way. Byron Miller, 100-year-old resident of Timbercrest Senior Living Community in North Manchester, Ind., and member of Brethren Pension Plan since 1960, said recently, “I don’t like that word ‘retire.’ Slow up, yes, but don’t quit. I’ve observed that some people — when they talk about retirement — they’ll move to town, sit on the couch, and they don’t last very long. My advice would be, if you’re able, keep doing something.”

For a number of years I led workshops on “vocation” for Brethren Volunteer Service. Nearly all the volunteers were young adults, between the ages of 18 and 30. Most people would agree that that’s the right time of life to be thinking about vocation, to ask “what is God calling me to do.”

But one of the groups was a “Post-30” unit, and everyone in it was over 60. There was as much lively discussion of calling as in the young adult groups. These folks weren’t finished with the purpose of their lives. They were just as interested as their young counterparts. They did not have quite as much energy, but they more than made up for it in wisdom and experience, and they had less anxiety.

What’s going on here? Certainly there are more people living longer, with more time on their hands. The baby boomers are moving into retirement. When boomers moved into their teens and early twenties in the 1960s, there was a cultural revolution. Maybe there will be another one as boomers move into their sixties and soon seventies. People, at least in the western hemisphere, have a different understanding of work and leisure than people have had throughout most of human history. All of these factors are making it possible for those of us who are post-retirement to think of our lives in a different way.

But before we take this analysis too far and start to think that we are smarter and wiser and more advanced, that we are moving into a new and better age, let’s note that the 85-year-old lady wasn’t a baby boomer. And Byron Miller as a young adult was shaped by the Depression.

The lively spirit they have is not new. It’s always been here. It’s in you and me. Maybe it’s just easier to find today. It’s rooted in our zest for life, our energy, our imagination, and our capacity to love. It rises from our faith in God and in the vitality of the creation itself. And it is deeply human. People who regard their “declining” years as a terrific opportunity are not practicing a new way of thinking. They’re just doing what people of spirit have always done. No matter how old you are, there is always an older lady to take care of.

Yogi Berra, the Hall of Fame catcher for the New York Yankees, was known for his inspired off-kilter quotes. When he said, “It ain’t over till it’s over,” he might have been talking about people who are “retired.” — J.L.

Will using products from these companies collide with your values?
Annual list of publicly traded Department of Defense Contractors

Each year as part of its socially responsible investing initiatives, Brethren Benefit Trust commissions two lists of companies that earned significant revenue from U.S. military operations in the government’s most recently completed fiscal year. One list identifies the top 25 publicly traded defense contractors based on the size of contracts awarded by the Department of Defense, and the other list includes all publicly traded companies that generated more than 10 percent of their annual gross revenue from Department of Defense contracts. The lists produced for 2014 were adopted by the BBT Board during its April meeting. The 89 firms on the lists will be screened from BBT’s self-managed investment portfolios in 2014, following BBT’s Investment Guidelines, as will firms that receive more than 10 percent of their revenue from abortion, alcohol, firearms and other weapons, gambling, pornography, or tobacco.

In addition to screening these companies out of its investments, BBT will make every effort not to use any of their services in 2014. This will be challenging because BBT relies heavily on Hewlett-Packard technology. BBT will only purchase HP products that are necessary to support the equipment presently in use at the BBT office and cannot be purchased from another vendor.

Copies of the two Department of Defense lists are available upon request or at brethrenbenefittrust.org/screening.

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<th>Top 25 Defense Contractors — FiscalYear 2013</th>
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<tr>
<td>1. Lockheed Martin Corporation</td>
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<td>2. The Boeing Company</td>
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<td>3. Raytheon Company</td>
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<td>4. General Dynamics Corporation</td>
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<td>5. Northrop Grumman Corporation</td>
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<td>6. United Technologies Corporation</td>
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<td>7. Huntington Ingalls Industries Inc.</td>
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<td>8. BAE Systems PLC</td>
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<td>9. L-3 Communications Holdings Inc.</td>
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<td>10. Science Applications International Corporation</td>
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<td>11. Textron Inc.</td>
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<td>12. Humana Inc.</td>
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<td>13. Health Net Inc.</td>
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<td>14. General Electric Company</td>
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<td>15. Exelis Inc.</td>
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<td>16. Fluor Corporation</td>
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<td>17. Booz Allen Hamilton Holding Corporation</td>
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<td>18. Computer Sciences Corporation</td>
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<td>19. Oshkosh Corporation</td>
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<td>20. Hewlett-Packard Company</td>
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<td>21. CACI International Inc.</td>
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<td>22. AmerisourceBergen Corporation</td>
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<td>23. Harris Corporation</td>
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<td>24. Alliant Techsystems Inc.</td>
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<td>25. URS Corporation</td>
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Sources:
Corporate Revenues: Factset, Bloomberg, Company filings and presentations. Cornerstone Investment Partners Research.

New funds ...” continued from Page 1

drive employee benefits, financial services, and educational resources.”

These were added to the core values approved at the November 2013 meeting. Finally the Board approved four new priorities, and in early June the staff held a two-day workshop using these priorities to begin to create goals and objectives.

In another development, the Board voted to discontinue participation in securities lending. Begun in 2003, this relatively standard program was used to improve returns for members and clients. The Board was no long willing to accept even the very low risk of this program.

One of the highlights of the meeting was the approval of lists of Department of Defense contractors. See above. This annual list continues to be a useful tool to ensure that BBT’s investments are socially responsible.

For a full description of the business of the April 2014 meeting, please go to cobbt.org/news/Press Releases.
In good hands

If you call BBT with a question about insurance, chances are you will hear the voice of Connie Sandman. And if Connie isn’t available, you will probably talk to Tammy Chudy.

Connie is a member services representative and has worked for BBT for 32 years, the longest tenure of any staff member. She finds the people who call her wonderful to talk to, and her positive attitude invariably draws a positive response. No question is ever a “dumb question.” She goes out of her way to find answers. She likes to help people understand. She makes it a point to follow up. When asked about her work, her face lights up and she says, “I love my job!”

Tammy Chudy, as assistant director of employee benefits, oversees both insurance and pension services. When Connie can’t take a call, Tammy’s the voice you’ll hear. She has worked at BBT for 12½ years, but she took an 11-year break in the middle to care for her children. “Customer service is second nature. We treat our members like family,” she said. “We want our product to be in the best interest of our members.” Sometimes Tammy will receive the calls that have escalated in intensity, and she tries to see the matter from the caller’s perspective, put herself in that person’s shoes, and find a helpful solution, not just give a by-the-book response. “It is almost like counselling,” she commented.

When Connie’s not working she does ceramics, makes beaded jewelry, and works out on the treadmill. Tammy loves party planning, especially choosing and working with a theme. She also enjoys shopping and good coffee. She has a son in high school and a daughter in college.

The next time you call BBT Insurance Services, say hello to Connie or Tammy, and know that your questions, concerns, and problems are in very good hands.

Ten-time champions

Every year for 16 years, BBT has sponsored the Fitness Challenge, a 5k race at Annual Conference. More than a 100 people rise in the early morning light and gather at a course that is carefully plotted anew each year in the host city. It’s really two races — one for runners and one for walkers. Each year each race has a female and male winner.

There have often been repeat winners, but two stand out. From 2000 to 2008, Bev Anspaugh won the women’s walk and then again in 2010 for 10 victories. Last year, Don Shankster tied her as all-time champion by winning his 10th straight men’s walk. Both Don and Bev will be walking in this year’s race. Will they remain tied? We wish both of these champions the best.

BBT staff changes

In March, Brian Solem resigned as manager of publications and joint director of Communications to take a position with the AIDS Foundation of Chicago. Jim Lehman has been serving as interim director of Communications since mid-March.

The office of Human Resources is currently receiving applications for director of Communications. Two additional positions are open for application: assistant director of Financial operations and member services representative in the Employee Benefits department.
In This Issue

- Insurance Services
  Put faces to the voices of customer service.

- Your Money
  You may want to stay away from these companies.

- Heart, Soul, and Mind
  What does it mean to be “retired”?

- President’s Message
  You really can understand investments!

- What’s new with BBT?
  New funds, Strategic Pathway, and more.

Reprinting of articles is encouraged with this credit — “Reprinted from the Second Quarter 2014 Benefit News.”

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

Two articles for the “investment challenged” and reflections on being “retired.”

our reports. your way.

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OR

Request a paper copy to be mailed to you after July 1.

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