Silver Thatch Pensions
BUILDING WEALTH ON YOUR TERMS

An educational bulletin for members of the Silver Thatch Pension Plan

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Deutsche Bank takes the helm

New investment manager takes over from Coutts & Co

Silver Thatch Pensions has a new investment manager. Deutsche Bank was appointed investment manager effective November 16, 2012.

The plan's assets have already been transferred to Deutsche Bank and will continue to be invested based on existing investment policies and administrative rules. Deutsche Bank's broad investment expertise is expected to have a positive influence on the plan's investment returns over the long term.

Deutsche Bank replaces Coutts & Co Ltd., which had filled the role of investment manager since the plan's launch in 1997. In the spring of 2012, Coutts & Co sold its Caribbean investment management and private banking business to RBC Wealth Management. Because the sale to RBC represented a significant change, and because RBC brought a different investment philosophy to the table, Silver Thatch's Board of Trustees decided to hold an open competition to ensure it had the best investment manager available.

After a detailed review of all qualified local investment managers, the Board concluded Deutsche Bank was the best fit for Silver Thatch. Deutsche Bank stood out with its high Standard & Poor's credit rating, global investment expertise, strategic and tactical strength, and local focus on service. They also provided an easy "fit" with Silver Thatch's technology platform.

The Trustees are confident that Deutsche Bank will fill the role of investment manager with skill and expertise, helping Silver Thatch achieve its core goals of asset protection and strong growth.

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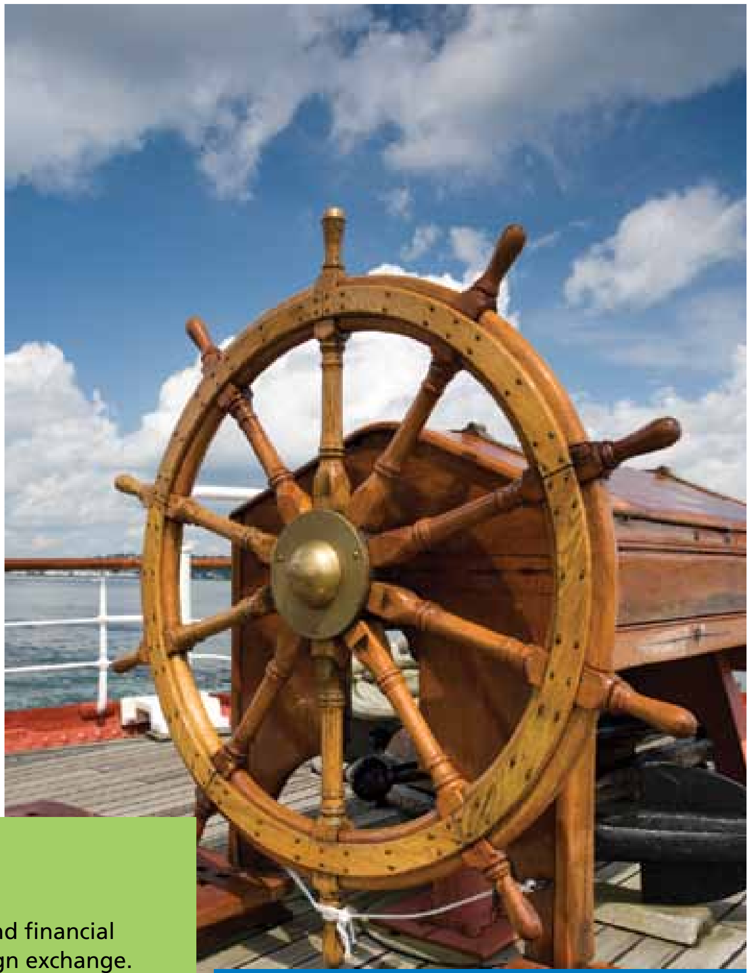

Who is Deutsche Bank?

Deutsche Bank is one of the world's largest global investment banking and financial services companies, and is a leader in investment management and foreign exchange.

The bank is headquartered in Frankfurt, Germany, but runs its international operations out of the Channel Islands.

Since opening its Cayman office in 1983, the bank has built a strong local presence. The Cayman office now has more than 30 professionals, backed by more than 100,000 employees world-wide. The Cayman office is led by Janet Hislop.

Euromoney, a leading financial industry news agency that conducts annual service rankings, rated Deutsche Bank as the Best Private Bank in the Cayman Islands in 2007 and 2008. The International Financing Review (IFR) recognized Deutsche Bank as its Equity House of the Year and Bond House of the Year 2012.

For more information on Deutsche Bank, go to www.dboffshore.com/

what's inside

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What they do

As the investment manager, Deutsche Bank invests our pension fund ($350.1 million as of December 31, 2012) in stocks, bonds and other assets based on the plan's investment policy and applicable regulations. It also provides the plan's Board of Trustees with investment analysis and advice, buys and sells securities on a day-to-day basis, monitors and measures portfolio performance, and prepares regulatory and client reports. In exchange for services, the investment manager receives an investment management fee (IMF) based on a percentage of assets under management.

The Board of Trustees closely monitors the investment manager's investment performance and compliance with legislation and investment guidelines.

Deutsche Bank stood out with its high Standard & Poor's credit rating, global investment expertise, strategic and tactical strength, and local focus on service.

Get the jump on inflation

Minimize inflation's impact on your retirement savings

Inflation in the Cayman Islands is currently running around 1.2%. In other words, the cost of living is gradually edging higher.

While an inflation rate 1.2% is low by most standards, any amount of inflation will, over the long term, have a negative effect on your pension savings and pension income. Here's why:

- If your pension savings earn an average annual return of 6%, and inflation averages 2% during the same period, your "real return" after inflation is 4%.
- More importantly, a dollar saved today is expected to lose half its buying power over the next 25 years due to inflation. The impact could be even more dramatic in the future.

If you are currently age 35, retire at age 65 and live to at least age 85, the time span between the first dollar you save and the last dollar of income you receive will be 50 years or more. The impact of inflation over that 50-year period could be dramatic. For example, a $100 basket of consumer goods from 50 years ago, costs $750 today.

While you may be able to retire quite comfortably on $25,000 a year today, you'll need an income of $50,000 to maintain the same lifestyle 25 years from now and, if trends continue, $185,000 a year by the time you're 90. Before you start to panic, however, keep in mind that you need an average investment return of just under 3% to double your money in 25 years (and that doesn't include your regular contributions).

The key message here is that you need to take inflation into account when figuring out how much you need to save for retirement. Historically, there have been extended periods of high inflation (5% to 10%), as well as extended periods of little or no inflation. The rule of thumb for retirement planning purposes is to assume an annual inflation rate of between 2% and 4%.

Fighting inflation

If you are a younger member of the Silver Thatch pension plan, the plan design helps address the issue of inflation. That's because when you are younger, more of your money will be invested in equities (stocks). While equities tend to carry a higher level of investment risk than bonds, they also offer the prospect of higher investment returns – so it's more likely your returns will outpace inflation, over the long term.

Of course, over time, the asset mix of your portfolio will slowly shift. As you get closer to retirement, there will be more emphasis on bonds and less emphasis on equities. This means your investment risk will be lower, but so too will your prospects for higher returns. The chance of inflation outpacing investment returns will be increased, particularly if inflation threatens to go up (that's because higher inflation often results in higher interest rates, which leads to lower bond prices).

That said, there is a way to increase the prospects for higher returns and to protect yourself against inflation – make additional voluntary contributions (AVCs) and invest the money in a portfolio that has a higher level of equities (aggressive, growth or balanced).

Building a base of AVCs will take time; so, if you haven't started yet, the sooner you start the better. It will not only help protect you from inflation, it could well lead to a bigger pension.

Better save than sorry

Are you saving enough to retire comfortably?

If you check your quarterly statements from Silver Thatch, you should have a pretty good idea of how much money you have in your pension account. But do you have any idea how much your savings might grow and what the balance of your account might be at age 60 or 65? Or whether you'll have enough to retire comfortably?

There's an easy way to find out using the *Retirement Calculator* on the Silver Thatch website (at **www.silverthatch.org.ky**). All you need to do is key in a few basic inputs and… presto! The calculator will estimate how much money you could have at retirement – and tell you whether you'll have enough to meet your retirement income goal.

Converting savings to income

When you get to retirement, there are three options for converting the money in your Silver Thatch account to a pension income. You can:

1. use the balance to buy an annuity from an insurance company;
2. transfer the balance to a retirement savings arrangement (RSA); or
3. transfer your investments to a retirement income fund (RIF).

For more information on these options, we encourage you to refer to the Member Handbook on the Silver Thatch website (**www.silverthatch.org.ky**).

Estimating annuity income

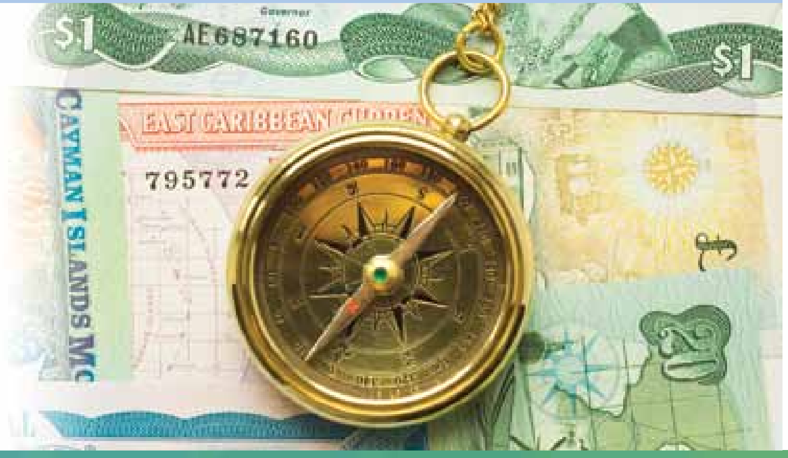
To give you a rough idea of how much income might be generated if you used your savings to buy an annuity, we've created a simple table. (An annuity is a contract with an insurance company; in return for a set amount of money, the insurance company agrees to pay you an income stream for a set term.) The annuity amounts shown below are estimates for illustrative purposes only. They are based on standard annuity rates as of March 2013 and assume payments will begin in April 2013. As the table shows, the annual annuity income provided will vary based on a number of factors, including the amount annuitized, age at retirement, gender, marital status, and guaranteed term.

Remember, the table below is provided for illustrative purposes only, so you'll have a better idea of how much money you'll need to retire comfortably.

So how much money is enough? Most retirement planning experts suggest that you'll need to replace between 50% and 70% of your employment income at retirement. This rule of thumb is based on the thinking that by the time you retire you'll be pretty much debt free and won't have work-related costs for clothes, tools, and transportation.

In reality, however, you may need more or less money, depending on your retirement lifestyle. So don't take your eye off the ball. Monitor your savings regularly and plan for a financially secure retirement.

Pension savings used to buy an annuity	**Single life, 10-year guarantee:** Income is paid to you for your lifetime. If you die before 10 years of payments have been made, payments will continue to your beneficiary or estate for the balance of the guarantee period.				**Joint life, no guarantee:** Income is paid to you for your lifetime, with 100% continuing to your surviving spouse for his/her lifetime.			
	Male, age 60	Male, age 65	Female, age 60	Female, age 65	Male, age 60; *(Female spouse, age 58)*	Male, age 65; *(Female spouse, age 63)*	Female, age 60; *(Male spouse, age 62)*	Female, age 65; *(Male spouse, age 67)*
$100,000	$5,786	$6,507	$5,368	$5,987	$4,696	$5,190	$4,874	$5,423
$200,000	$11,936	$13,382	$11,097	$12,338	$9,751	$10,738	$10,107	$11,206
$300,000	$17,981	$20,132	$16,738	$18,602	$14,749	$16,191	$15,275	$16,891
$400,000	$23,983	$26,822	$22,351	$24,816	$19,738	$21,630	$20,429	$22,545
$500,000	$29,972	$33,509	$27,952	$31,027	$24,689	$27,067	$25,545	$28,197



Investment Review For the quarter ended December 30, 2012

The combined value of savings held in the Silver Thatch Pension Plan stood at US$350.1 million as of December 31, 2012.

The table below shows the rates of return as of December 31, 2012, for each of the investment portfolio options offered under the Plan. Also shown (in blue) are the corresponding benchmarks. (A benchmark is the standard against which a fund's performance is judged).

For the period ended December 31, 2012 [1, 2, 3]	Quarter (three months)	Long term strategic asset allocation	
Conservative Portfolio Conservative Portolio Benchmark	1.00% 0.88%	• Cash: 3% • Bonds: 65%	• Equities: 19% • Alternative Investments: 13%
Balanced Portfolio Balanced Portfolio Benchmark	0.54% 1.48%	• Cash: 3% • Bonds: 41%	• Equities: 45% • Alternative Investments: 11%
Growth Portfolio Growth Portfolio Benchmark	0.63% 2.01%	• Cash: 3% • Bonds: 18%	• Equities: 70% • Alternative Investments: 9%
Aggressive Portfolio Aggressive Portfolio Benchmark	0.65% 2.41%	• Cash: 3% • Equities: 90%	• Alternative Investments: 7%

1. Returns are expressed net of all investment management fees.
2. While the income portfolio is made available to members through additional voluntary contributions, sufficient contributions have not accumulated to date in order to implement the portfolio.
3. Each of the portfolios is managed against its own composite benchmark. These benchmarks are: cash: US$ 1-month LIBOR; bonds: Barclays Capital U.S. Treasury Index and Barclays Capital Eurodollar Index; equities: MSCI All Country World Index; alternative investments: HFRI Fund of Funds Composite Index.

Investment market highlights

In review

- Global equity markets rallied in the fourth quarter of 2012 despite investor concerns about weak global growth and the U.S. "fiscal cliff".
- U.S. equities lost ground during the fourth quarter, while the S&P 500 index slipped 0.4%.
- Japanese equity markets were the top performer among developed nations, climbing 5.3% (in US$) during the quarter. European equity markets posted positive returns even though the Euro zone remained mired in recession.
- Emerging market equities rose 5.6% (in US$) on the quarter as superior growth prospects fueled increased demand.
- Fixed income markets turned in mixed results for the quarter. U.S. bond markets rose 1.1%, led by investment-grade credit, while emerging market debt rose 3.3%. U.S. Treasuries slipped 0.1% and global sovereign bonds were down 4.1%.
- Precious metals were down 7.3% quarter over quarter.

Outlook

- The Euro zone region remains in recession and is not expected to see positive growth until the second half of 2013.
- Emerging markets are expected to lead growth for many years to come. However, growth in more advanced economies like Brazil, India and China will be weighed down by issues such as income inequality, infrastructure bottlenecks, and inefficient investments. That said, growth in Asia is expected to pick up steam and support global growth.
- Persistent fiscal and growth uncertainty in the U.S. is expected to pose a challenge for global markets.
- Within fixed income, emerging market debt will continue to offer attractive yields.
- Gold will continue to provide portfolio diversification benefits and may strengthen in 2013.

A more detailed investment market commentary prepared by Deutsche Bank is available on the Silver Thatch website at **www.silverthatch.org.ky**.