



# Silver Thatch Pensions

## BUILDING WEALTH ON YOUR TERMS

An educational bulletin for members of the Silver Thatch Pension Plan

Volume 8 | Number 3 | December 2013

# More means more

## Contribution level has greatest impact on your retirement income

A lot of factors can affect the amount of your retirement savings – asset mix and market performance to name just two. But according to new research none will have as much impact as your contribution level.

In the past, the general rule of thumb was that you had to save 10% of your pay throughout your career to have enough for an adequate retirement income. However given historical market returns, an increase in life expectancy, and low interest rates, the research now suggests that you need to save at least 12% of your pay. If you start saving later in your career, that number jumps to 18% to 20%.

Under the Silver Thatch pension plan, you are required to contribute at least 5% of earnings each pay period. Your employer has to kick in at least another 5% – bringing the total of base contributions to a minimum of 10% of earnings. You need to consider whether that's enough to meet your retirement income goals. If not, you may want to think about making **additional voluntary contributions** (AVCs). These are contributions over and above your base contributions.

## The AVCs of saving for retirement

AVCs provide an easy and effective way to boost your retirement savings in the Silver Thatch plan. Here's why:

- You can make AVCs via payroll deduction or lump sum payment.
- You can start, stop or change the level of your AVCs at any time.
- You decide where to invest your AVCs, picking from any of the plan's managed investment portfolios.
- The plan's investment portfolios are professionally managed funds of a quality typically not available to investors with modest amounts of money.
- AVCs give you some control over the risk-reward balance of your overall savings in Silver Thatch. This is because you can choose to invest your AVCs in more aggressive or more conservative investments.

If you'd like to start making AVCs, simply complete an *Additional Voluntary Contribution Form*. You can get a copy from your employer or the Silver Thatch website at [www.silverthatch.org.ky](http://www.silverthatch.org.ky). If you make AVCs through payroll deduction, deductions will typically start in the next full pay period.

***Estimate your retirement income with the Silver Thatch Retirement Calculator at [www.silverthatch.org.ky/resources/retirement-calculator](http://www.silverthatch.org.ky/resources/retirement-calculator).***



# Investment Review

For the quarter ended September 30, 2013

The combined value of savings held in the Silver Thatch Pension Plan's four investment portfolios stood at US\$381.4 million as of September 30, 2013.

The table below shows the rates of return as of September 30, 2013, 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 September 30, 2013 <sup>1, 2, 3</sup>	Quarter (three months)	Long term strategic asset allocation	
Conservative Portfolio Conservative Portfolio Benchmark	3.07% 2.03%	<ul style="list-style-type: none"> <li>• Cash: 3%</li> <li>• Bonds: 65%</li> </ul>	<ul style="list-style-type: none"> <li>• Equities: 19%</li> <li>• Alternative Investments: 13%</li> </ul>
Balanced Portfolio Balanced Portfolio Benchmark	4.71% 3.99%	<ul style="list-style-type: none"> <li>• Cash: 3%</li> <li>• Bonds: 41%</li> </ul>	<ul style="list-style-type: none"> <li>• Equities: 45%</li> <li>• Alternative Investments: 11%</li> </ul>
Growth Portfolio Growth Portfolio Benchmark	6.14% 5.87%	<ul style="list-style-type: none"> <li>• Cash: 3%</li> <li>• Bonds: 18%</li> </ul>	<ul style="list-style-type: none"> <li>• Equities: 70%</li> <li>• Alternative Investments: 9%</li> </ul>
Aggressive Portfolio Aggressive Portfolio Benchmark	7.13% 7.34%	<ul style="list-style-type: none"> <li>• Cash: 3%</li> <li>• Equities: 90%</li> </ul>	<ul style="list-style-type: none"> <li>• Alternative Investments: 7%</li> </ul>

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. Within these benchmarks, bonds, U.S. equities and international equities are represented by the following indices, respectively: US\$ 1-month LIBOR, Barclays Capital Eurodollar Index, Barclays Capital US Treasury Bond Index, MSCI All Country World Index and HFRI Fund of Funds Composite Index.

## Investment market highlights

### In review

- U.S. equities continued to gain strength during the quarter, and most of the actively managed U.S. equity funds within our overall portfolio beat the S&P 500.
- International equity markets grew at the fastest pace in the last 12 quarters and outperformed U.S. stocks for the first time in three quarters.
- Most of our European equity funds were boosted by early signs of an economic recovery.
- Emerging market equities rose at the fastest pace in six quarters.
- Fixed income markets recovered slightly during the quarter with the U.S. Federal Reserve's decision to delay "tapering" (scaling back) of its quantitative easing program (bond purchasing program).

### Outlook

- We expect the U.S. economy to continue its gradual improvement, expanding at 3.0% in 2014. We remain positive on U.S. equities based on positive economic growth and a low risk of recession. An improving global economy is expected to spur earnings growth of between 5 and 7% in 2014, and higher equity prices.

- Within fixed income, the U.S. Treasury yields declined on the announced delay of the Federal Reserve's "tapering" of bond purchases. We expect that the "taper" will still occur before year end 2014, and that economic growth will accelerate, putting pressure on bond yields to rise over the year ahead.
- European economic momentum looks on track for further modest expansion. Investor opinion and economic surveys forecast ongoing growth, however, the data suggest some continued volatility quarter by quarter. The Euro zone's recovery will remain gradual, patchy and exposed to a range of negative risks. Within European fixed income, we believe a gradual improvement in economic growth and investor appetite for risk should result in higher rates over the next 12 months.
- Prospects remain encouraging for Japan's equity market, despite a sales tax increase expected in April 2014.
- Emerging markets growth outlook is set to benefit from the upswing in U.S., Japan and European growth, and a further boost in exports fuelled by falling currency exchange rates. Economic activity in China is gradually improving, helped by mini stimulus measures.

A more detailed investment market commentary prepared by Deutsche Bank is available on the Silver Thatch website at [www.silverthatch.org.ky](http://www.silverthatch.org.ky).

This bulletin provides a summary of certain provisions of your Silver Thatch Pension Plan. Complete descriptions are contained in the official Plan documents and contracts. Every effort has been made to provide an accurate summary. If there are any differences between the information contained in this document and the legal documents, the legal documents will apply. The Board of Trustees reserves the right to change, amend or terminate the Plan subject to regulatory approvals, and may be required to do so in response to regulatory or legislative updates.