

OVERVIEW: DEFINED BENEFIT PLAN AND DEFINED CONTRIBUTION PLAN

Pension Plan is a *defined benefit plan*. To best appreciate its benefits, it's important to understand a defined benefit plan's key features and the difference they make to retirement planning when compared to a defined contribution plan.

A defined benefit (DB) plan is:

- Valuable in your retirement portfolio because it provides a monthly retirement benefit for your lifetime – and your surviving spouse's lifetime
- Not a retirement savings account like an IRA, 401(k) or 403(b) account
- A diversified investment fund managed by professionals
- A pre-tax retirement program

Of all these benefits, the most important one is that a defined benefit plan **provides a lifetime monthly benefit**.

A formula involving several variables is used to determine the amount of the benefit. The number of years of employment/service and employee salary are the most common variables found in benefit formulas. Contributions to a defined benefit plan can come from the employer or from both the employer and the employee.

Funds in the plan's investment portfolio are used to pay retirement as well as death, disability and survivor benefits if offered by that particular plan.

Investment professionals evaluate the risk and reward of investment opportunities of the portfolio. The most successful defined benefit plans are funded at

or above 100% of the level recommended by actuarial professionals. (**Pension Plan is currently a fully funded retirement program.***) As a result, a fully funded defined benefit plan adds a level of security for employees since they do not bear the risk of low returns on investments.

A typical defined contribution (DC) plan is:

- A retirement savings account for each participating employee
- Based on contributions plus investment earnings or losses (*see below for information on Pension Fund's investment strategy*)
- A pre-tax retirement program

With a typical *defined contribution plan*, **the benefits are based on the performance of the invested funds**. Pension Fund's unique investment strategy, however, offers continual, long-term growth in your retirement savings – rather than potential losses – through a base return rate and, when applicable, Good Experience Credits (additional interest earnings awarded when reserve funds exceed the reserve policy).

Contributions to a defined contribution plan may come from the employer, the employee or both as defined by the plan. In a defined contribution plan, contributions are specified.

Each employee (or his or her heirs) will ultimately receive the balance in the account. The value of that account may fluctuate due to the changes in value of the investments. These fluctuations may be present throughout the life of the account unless the account offers a fixed investment rate.

*As of December 31, 2012, based on actuarial study by HayGroup.

ABOUT PENSION FUND

Participation in Pension Fund programs provides peace of mind that you are investing in an organization with more than 115 years of experience in managing financial assets. Our track record and financial strength are testimony that Pension Fund is *Strong. Smart. Secure.*

strong.

It is our objective and practice to maintain excess reserves for all Pension Fund programs. Pension Fund is fully funded, which means we have more assets than benefit obligations and, from an actuarial standpoint, can pay all current and future retirement obligations. This strong reserve position allows us to weather market downturns, as well as provide financial underpinning to develop new programs to benefit our participants and participant organizations.

smart.

Pension Fund has prudently managed assets for more than 115 years and has responded to changing needs of our members. We continue to introduce programs to supplement members' existing retirement and pension savings.

secure.

We measure our success by protecting and adding value for your retirement. In good times and bad, Pension Fund serves its members faithfully. In the history of Pension Fund, no participant has experienced a reduction in pension or pension credits, nor suffered any loss in value of his or her retirement account.

To learn more about Pension Fund's full range of programs, visit www.pensionfund.org.

Before making decisions about financial matters, please consult your attorney, tax preparer or other financial advisor to find out how these programs will impact your individual situation.

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