Pension Perspective

FROM THE BRETHREN PENSION PLAN JULY 2008

Dear Pension Plan Participant:

If you are feeling anxious about the economy, you are not alone. It has been a grim second quarter for the U.S. economy. Working families are challenged to meet the ever-rising cost of daily living, while many retirees on fixed incomes are struggling even more.

And what about those retirees whose income is not fixed, how are they faring? By this, I am referring to those who entered into retirement with a lump sum nest egg from which they are systematically withdrawing to supplement their Social Security benefits. They have to carefully calculate how much money they can safely withdraw each month so as not to outlive their accumulations.

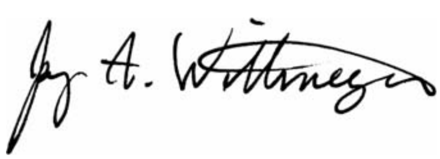
Even if retirees have the financial where-with-all, and discipline, to allocate their retirement savings appropriately, predicting life expectancy is an impossible task. Individuals face a real dilemma. If they underestimate their longevity, they may enjoy a good monthly benefit but outlive their savings. On the other hand, if they are very conservative in their withdrawals, they may scrimp through their retirement in discomfort.

The mutuality of sharing risk allows all plan members to maximize their individual benefit without the anxiety of outliving their retirement.

Average life expectancy tables provide some guidance for determining withdrawals. However, since approximately 50 percent of people will live longer than the average, a safe level of income withdrawal needs to be well below what the average would provide. Those who take income payments based on the average will have a 50-50 chance of running out of money.

It is precisely here that a fixed life annuity of a group pension plan is able to offer tremendous benefit to the retiree. Since Brethren Pension Plan calculates annuity payments based on average life expectancy tables, it is able to provide high monthly payments — something the individual retiree cannot do without the risk of living beyond the mean, so to speak.

While much of the American workforce is moving toward an individual approach to retirement, it is good to be reminded of the benefits of a group plan. The mutuality of sharing risk allows all plan members to maximize their individual benefit without the anxiety of outliving their retirement. Perhaps the only thing harder than living on a fixed income is living on a non-fixed income.



Jay A. Wittmeyer
Director of Pension Plan and
Employee Financial Services

Lori Domich
Member Services Representative

1505 Dundee Ave. Elgin, IL 60120 800-746-1505 FAX 847-742-0135 www.brethrenbenefittrust.org

Frequently Asked Questions

Q: I have read that I should have a portion of my investment portfolio in international stocks. Is there any exposure to international stocks in the Common Stock Fund?

A: The Common Stock Fund is comprised of five separately managed funds, including an international stock fund actively managed by Boston Common Asset Management. It uses the international benchmark, the MSCI EAFE, as a basis for performance. International stocks comprise 15 percent of the Common Stock Fund. The other funds in the Common Stock Fund are Growth (25 percent), Value (25 percent), Core (25 percent), and Small Cap (10 percent).

Because the Balanced Fund is a 60/40 blend of equities and fixed income, it is also exposed to international stocks. The percentages for the Balanced Fund are International, 9 percent; Growth, 15 percent; Value, 15 percent; Core, 15 percent; Small Cap, 6 percent; Duration Neutral Bond, 20 percent; and Duration-Managed Bond, 20 percent.

Q: I prefer to check my account more regularly than just every quarter. Is it possible to see my statement monthly?

A: Currently, pension statements are not available online; however, it is possible to check the performance of the five Pension Plan funds online. The unit prices of the funds are calculated once each month, and then the fund returns are posted at www.brethrenbenefittrust.org, usually by the 15th. At the Pension Services site, click on “Pension Plan Returns” to retrieve the information.

If you have a special circumstance and would like to have a statement mailed to you, or have a question about your statement or your account in general, please contact us at ldomich_bbt@brethren.org or 800-746-1505.

Q: Why does it take Brethren Pension Plan so long to send out checks for lump sum withdrawals?

A: Brethren Pension Plan only calculates fund valuations once a month. Contributions into the Plan purchase units, and the value of these units is only calculated on the last business day of the month.

It takes approximately 10 days after the closing of the previous month for our investment managers and BBT to calculate the unit prices for all of the Pension Plan funds. Once the prices are determined, BBT has to process the request for the withdrawal, cut and mail the check, or process the electronic transfer. This occurs around the 25th of the month.

Depending on the day a request for withdrawal is made, this can indeed take a very long time. If, for example, an individual submits a withdrawal request on Aug. 5, it will take until Sept. 25 to receive the withdrawn funds. Since the request is made in August, BBT will not be able to price the individual fund units until the end of August. On the other hand, a request made at the end of August will also be processed by Sept. 25.

There are certainly faster ways to process withdrawals — namely by doing fund valuations on a daily basis. However, this would be an added cost to the Plan that is not cost-effective at this time. Most individuals who make withdrawals — whether because of hardship, termination of service, or retirement — are sufficiently aware of the lag time and are able to give us notice in advance of the need for withdrawn funds.

Q: I just received my rebate check from the IRS. Can I put that into my retirement savings?

A: Not directly. In order to be tax-deferred, contributions must come out of your wages before taxes are taken. You could, however, defer an equivalent amount of the rebate check into the Pension Plan from your paycheck and use the rebate check to offset the decrease in take-home pay. This approach can also be applied to other situations such as with an inheritance, the sale of a motorcycle, etc.

Do I Really Want to Lock in my Losses Just Now?

Home prices across the U.S. have dropped a record 15 percent in the past year and are now back to where they were in the summer of 2004, according to a Standard and Poor's report released in June. Four years of gains in housing values wiped out in a few short months — for many, that is very disheartening.

However, this news has very little effect on many homeowners, who are simply focused on slowly building equity by making their mortgage payments and keeping up with regular maintenance. They know that houses do not get any larger when home values increase or lose square footage in a down cycle. Home ownership is a long-term commitment.

Retirement saving is also a long-term investment, not altogether dissimilar to home ownership. When looking over our quarterly pension statements, it is easy to get overly focused on the gain/loss column without realizing the significance of fund units. When contributions are entered into pension account funds, they purchase fund units. While fund units fluctuate in price from month to month, an investor does not lose units when the unit price goes down, any more than a homeowner loses a bathroom when a home's value decreases. The impact of unit values is realized only when the units are bought or sold, and this only occurs once a month.

Similarly, just as there is a buyers' market for houses when home prices are low, and a sellers' market when high, it is helpful to think of fund units in terms of a market condition. A buyers' market for units means that the unit price of a fund is low, and it is a good time to purchase more by contributing to pension accounts.

"Buy low and sell high" may seem like good financial advice, but even the most experienced investors find it impossible to pinpoint the ebbs and flows of the market. Speculators who misjudge the markets find that they are constantly jumping between funds, locking in their losses by selling when values of funds are low and buying into funds when the values are high.

To maximize their investments, some investors dollar-cost average their allocations. Dollar-cost averaging is the practice of contributing regular amounts into the same investment over a period of time. This ensures that more shares or units are purchased when they are at a low price, and fewer are purchased at a high price. Pension savings is an excellent form of dollar-cost averaging, but only so long as the plan member does not seek to "time the market" and jump in and out of funds. It is the homeowner version of trying to flip a house.

Markets and Economy

The S&P 500 fell 2.7 percent in the second quarter. The gains from April and May were more than offset by the loss of 8.4 percent during the month of June. The S&P year-to-date return is a negative 11.9 percent. This was the third straight quarterly decline, and the worst second quarter since 2002. Hopes were shattered in June that the credit crunch was over. During the quarter, food and energy prices continued to increase as a result of ongoing world demand, feeding fears of rising inflation. The decline in the U.S. housing prices steepened, with a 20-city average down 15.3 percent from a year ago. From the beginning of March through the end of June, unemployment rose from 4.8 percent to 5.5 percent, as the economy shed over 200,000 jobs.

The MSCI EAFE Index lost 2.3 percent in the second quarter, with the Pacific region up 2.2 percent and Europe down 4.2 percent. Renewed fears about the financial industry, inflation, and a global economic slowdown caused the downturn. Bonds also had a poor showing in the second quarter with the Lehman Brothers Government/Credit Index down 1.5 percent, which brings the year-to-date return to 1.0 percent.

Do you have questions about your Church of the Brethren Pension Plan account? Contact Lori Domich, Member Services Representative, at 800-746-1505 or at ldomich_bbt@brethren.org.

Quarterly Fund Performance Report

for the period ending June 30, 2008

All Pension investment funds must meet socially responsible investment guidelines.

FUNDS (Net of Investment Fees)

BENCHMARKS (Gross)

Common Stock Fund:

Rate of Return

Current quarter 1.1%

Year to date . . . . (7.1)%

Five years 14.6%

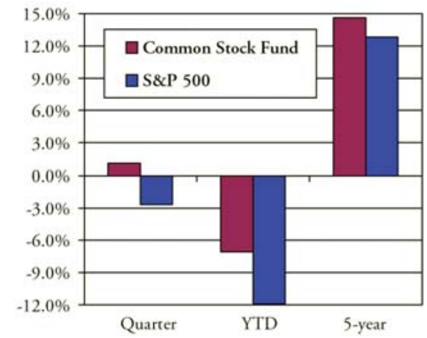
S&P 500:

Rate of Return

Current quarter . . . . (2.7)%

Year to date . . . . (11.9)%

Five years 12.8%



Balanced Fund:

Rate of Return

Current quarter 0.2%

Year to date . . . . (4.0)%

Five years 10.4%

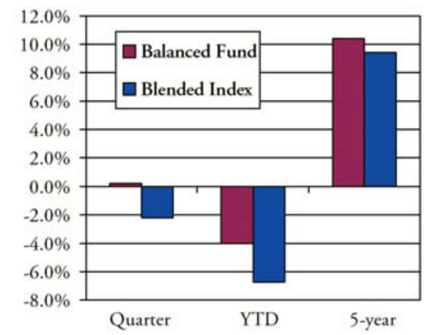
Blended Balanced Index:

Rate of Return

Current quarter . . . . (2.2)%

Year to date . . . . (6.7)%

Five years 9.4%



Bond Fund:

Rate of Return

Current quarter . . . . (1.2)%

Year to date. 0.6%

Five years 4.2%

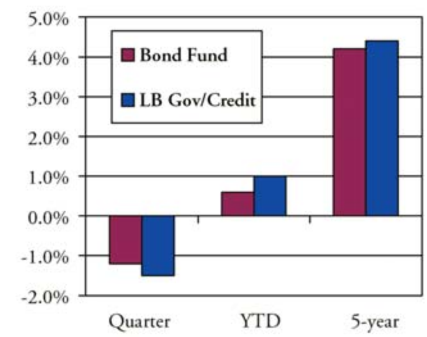
Lehman Bros Gov/Credit:

Rate of Return

Current quarter . . . . (1.5)%

Year to date. 1.0%

Five years 4.4%



Short-Term Fund:

Rate of Return

Current quarter 0.4%

Year to date. 0.5%

Five years 2.4%

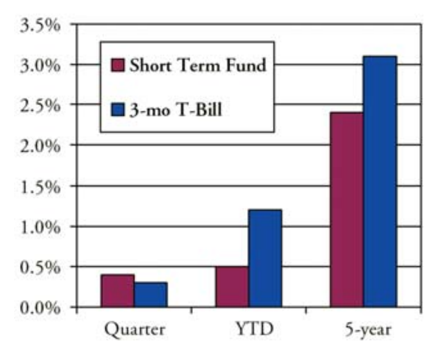
3-Month T-Bill:

Rate of Return

Current quarter 0.3%

Year to date. 1.2%

Five years 3.1%



Community Development Investment Fund:

Rate of Return

Current quarter. 0.4%*

Year to date 0.9%*

Three years 2.3%*

*Interest accrues on a quarterly basis.

This ministry-focused fund does not have a benchmark.

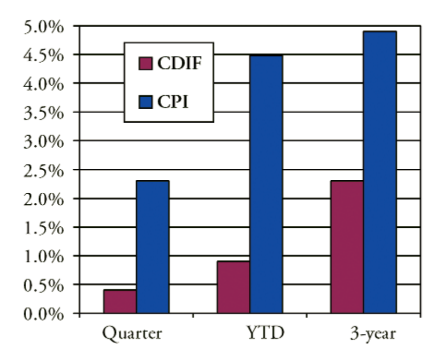
Consumer Price Index:

The CPI is an indicator of inflation. It is not a benchmark for the CDIF.

Current quarter 2.3%

Year to date. 4.5%

Three years 4.9%



Five-year returns are annualized for the period ending Dec. 31, 2007.

Performance Report