



Pension Perspective

FROM THE BROTHERS PENSION PLAN

OCTOBER 2008

Dear Pension Plan Participant:

Enclosed with this issue of *Pension Perspective*, you will find your third quarter statement covering July through September. On the back of this publication, you will see the returns for the quarter, the year, and five years. Based on everything that is happening in our country's economy, it should be no surprise that there is little good news to report.

In such times, there are a few reminders that should be reiterated so that we maintain a proper perspective. Let's start with volatility. The Brethren Pension Plan offers five different investment options that are fundamentally distinct. Each Plan member should have a general sense of how each of these funds reacts to market volatility. While the financial markets have been down significantly this year, domestically and internationally, the Short-Term Fund is up for the third quarter and year-to-date. The fund's primary purpose is capital preservation, and, even in such bleak times as these, it has achieved its primary objective — avoiding the roller coaster of volatility.

The returns of the Short-Term Fund are not dramatically high, but they are positive, nonetheless. The Short-Term Fund has been a safe harbor against the current market turmoil. For individuals approaching retirement with insufficient time to ride out a prolonged, negative market cycle, the Short-Term Fund has been the place to be. The Bond Fund also intends to preserve capital, but its time horizon is longer than the Short-Term Fund's, and it is more susceptible to market fluctuations. This was a particularly poor quarter for bonds.

The flip side of volatility is price. While it may seem counterintuitive, one of the major positives of having the markets go down is that fund shares decrease in price. Contributions into the Common Stock Fund can purchase units in that fund at a significantly cheaper price than was previously available. Brethren Pension Plan units that cost \$94.40 at the beginning of the year are currently priced at \$78.40. This is a significant sale price, so to speak. It is fully expected that the markets will bottom out at some point and begin their steady climb upward, as they have in the past. After the painfully bleak period from 2000 to 2002, the Common Stock Fund finished 2007 with a five-year annualized return of 14.6 percent.

It is crucial for Pension Plan members to understand their own investment objectives, as well as the Plan's investment options that best meet their objectives. If you have any questions, please feel free to call or e-mail the Pension office.

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

Lori Domich
Member Services Representative



FREQUENTLY ASKED QUESTIONS

Q: What would happen to my Pension account if I died before I began collecting my monthly benefit? Would my spouse receive anything, or would all the monies revert to the Pension Plan?

A: This is a very common concern that Plan members have. Be assured, that if such a tragedy should occur, all the vested monies in all your accounts would become your spouse's. This also includes the account balance that your employer contributed.

Your spouse would have the option of immediately receiving an annuity from the Brethren Pension Plan or waiting until a later time to receive an annuity. Regulations do require that a minimum distribution begin the calendar year in which you would have attained the age of 70½, not based on your spouse's age.

Monies in your personal subaccount, called employee contribution, would not have to be annuitized, but could be rolled over to another eligible plan or IRA, or withdrawn as a lump-sum payment.

Q: What happens if I die after I begin receiving my annuity benefit? Will my spouse continue to receive a benefit?

A: This depends entirely on what decisions you make when you annuitize your account. If you elect a 100 percent spouse option, your surviving spouse will continue to receive annuity payments equal to the amount you received. If you opt for a 50 percent option, the payments will be half of your annuity payment.

However, if you opt for a single-life annuity, then your spouse will not receive an annuity payment when you die. Your spouse would receive the assured return of the remaining balance of your personal subaccount, if you elected to annuitize your personal monies.

Your monthly benefit will be highest if you select the single-life annuity and lowest if you select the 100 percent spouse option. Since this is such an important decision, the Brethren Pension Plan requires such an election be made in the presence of a notary public and signed by your spouse.

Q: What happens to my Pension account if both my spouse and I die? Will my beneficiaries get the remaining balance of my account?

A: If you have monies remaining in your personal subaccount, then that amount would be returned to your beneficiaries. If you annuitize personal contributions, along with your employer's contributions, then the assured return of your personal contributions will be calculated and returned. This is calculated by subtracting the total amount of the monthly payments you received from the amount of personal funds you annuitized. If there is no assured return remaining, then no payment will be made to your beneficiaries. Once you annuitize, no employer funds will be paid out to your beneficiaries.

Q: If my spouse and I divorce before my annuity starts, what will happen to my account?

A: If you are involved in divorce proceedings before you start your annuity, the Plan advises that you satisfy any property settlement out of assets other than from your Plan account, if possible. If not, you will need a Qualified Domestic Relations Order, and all portions of your account will be divided accordingly. A new account will be opened for your former spouse and all the rights, benefits, and restrictions that are applicable to you according to your employer supplement will be applicable to your former spouse as a Plan participant.

Q: What happens to my Pension account if my spouse and I divorce after I begin receiving my annuity payment?

A: If you predecease your former spouse, your former spouse will receive monthly benefits at the time of your death, if you elected the surviving spouse option when you were still married and annuitized your account.

If your former spouse predeceases you, then payments will cease once you also die. The remaining assured return will be paid to the beneficiary.



MARKETS AND ECONOMY

The S&P 500 fell 8.4 percent in the third quarter of 2008, with September's staggering losses erasing the quarter's small gains. Equity markets everywhere reflected the dramatic developments in the credit markets. The growing difficulties in housing-related credit escalated into a nasty liquidity crisis, leading to the bankruptcy of Lehman Brothers and a historic restructuring of the banking and brokerage businesses. As the quarter drew to a close, all eyes were on the House and the Senate as they struggled to approve a Treasury plan to buy assets from troubled financial institutions in a bid to shore up bank balance sheets.

Commodities prices continued to decline as it became apparent that the U.S. financial crisis was spreading abroad, further weakening an already slowing global growth. The MSCI EAFE Index declined 20.7 percent in the third quarter, bringing its year-to-date total to a negative 29.3 percent. Bonds also performed poorly, with the Lehman Brothers Government/Credit Index losing 1.6 percent in the third quarter, bringing the year-to-date total to a negative 0.7 percent.

IS THE BRETHREN PENSION PLAN SAFE?

Active and inactive Plan members are concerned about asset allocation and the returns on their investments. Retired Plan members have a fundamentally different question — Will I get my monthly check? And then the follow-up — Is the Pension Plan safe? Needless to say, Brethren Benefit Trust has been receiving many calls from our retirees seeking some reassurance that things are OK. The first question is easily answered. Yes, you will get your monthly benefit. On the 15th of each month, the Brethren Pension Plan sends out annuity checks totaling nearly \$1.2 million dollars (most are actually electronically transferred). This is a significant achievement and a testimony to the hard work and dedication of a denomination concerned about its people. The second question is more difficult to answer.

The best way to answer this question is to first explain how BBT arrives at an answer to that question. Every year, BBT engages a third-party firm to conduct an actuarial valuation of the Retirement Benefits Fund, from which annuity payments are made. Hewitt Associates LLC conducted the valuation for 2007 and will do so again for the current year in early 2009. The valuation is conducted in accordance with generally acceptable actuarial principles and practices and takes into consideration numerous factors to provide a long-term assessment of the viability of the Retirement Benefits Fund. These factors include mortality rates, interest rates, assets, liabilities, and demographic information of our Plan members. There were 1,451 retirees and beneficiaries as of Dec. 31, 2007, with an average age of 73.8 years.

The Actuarial Report has two possible results. It either reports that the Retirement Benefits Fund is considered to be in a "funded" or an "unfunded" status, given a certain set of criteria. BBT was able to report a "funded" status for 2007. The actuarial valuations are ultimately based on several key assumptions that can vary significantly over the course of several years, and that is why it is essential to have the review done annually. For example, Brethren have a tendency to outlive their average American counterparts. The rate of return on investments is also a significant factor in the valuations.

What if the Plan is considered to be unfunded in its current status, will that mean the Plan is at risk? If all the assumptions in the actuarial report hold to be true over the next number of years, and BBT does nothing to address the concerns, then yes, the RBF would be at risk. But BBT does have a number of steps to address the problem, including a contingency fund to infuse more capital into the RBF. Does that mean that we can rest assured that the assets of the Plan are, therefore, secure? Given the current meltdown of the financial markets, we are in unprecedented times, and there is no blueprint for knowing how this worldwide crisis will be resolved. However, BBT's assets under management are diversified among eight managers with investments diversified among many investment types to protect the funds to the best of our ability during times such as these. In the meantime, BBT staff will continue to work to safeguard the Retirement Benefits Fund while minimizing, to the best of our ability, the impact it will have on our Plan members.

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 Sept. 30, 2008

All Pension investment funds must meet socially responsible investment guidelines.

Performance Report

FUNDS (Net of Investment Fees)	BENCHMARKS (Gross)	
Common Stock Fund: Rate of Return Current quarter (10.7%) Year to date (17.0%) Five years 14.6%	S&P 500: Rate of Return Current quarter (8.4%) Year to date (19.3%) Five years 12.8%	
Balanced Fund: Rate of Return Current quarter (8.4%) Year to date (12.1%) Five years 10.4%	Blended Balanced Index: Rate of Return Current quarter (5.7%) Year to date (11.9%) Five years 9.4%	
Bond Fund: Rate of Return Current quarter (5.1%) Year to date (4.5%) Five years 4.2%	Lehman Bros Gov/Credit: Rate of Return Current quarter (1.6%) Year to date (0.7%) Five years 4.4%	
Short-Term Fund: Rate of Return Current quarter 0.2% Year to date 0.7% Five years 2.4%	3-Month T-Bill: Rate of Return Current quarter 0.36% Year to date 1.8% Five years 3.1%	
Community Development Investment Fund: Rate of Return Current quarter 0.4%* Year to date 1.3%* 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 1.1% Year to date 5.7% Three years 4.9%	

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