



Pension Perspective

FROM BRETHERN PENSION PLAN

JANUARY 2009

Dear Pension Plan Participant:

It is my pleasure to introduce Scott Douglas as the new director of Church of the Brethren Pension Plan. Scott began his work on Jan. 2, succeeding Jay Wittmeyer, who left to serve Church of the Brethren Inc. as executive director of Global Mission Partnerships.

Scott brings experience in the employee benefits field, where he served as a licensed agent interpreting and selling health and life insurances, as well as defined benefit and defined contribution pension plans. He is also a long-time member of Brethren Pension Plan, so his knowledge and skills are well-suited for the challenges we will be facing in the future. The announcement of Scott joining BBT can be found in the Newsroom at www.brethrenbenefittrust.org.



Scott Douglas

2008 was a horrible year for investors of the markets, and Brethren Pension Plan was no exception. Assets in the Plan dropped \$68.5 million from January through November, before rebounding a bit in December to give us our first positive news in months.

We believe we have a sound investment system to protect our members' assets during difficult financial times, which is detailed in this quarter's *Benefit News*. However, considering the decline in assets and the desire for investors to find a safe haven investment option, the BBT Board's Investment Committee in November approved changes to the Short-Term Fund with the goal of this investment option producing positive returns over three-month periods (see page three).

In light of the downturn of assets, staff is also expanding the annual actuarial assessment of the Plan's Retirement Benefits Fund, which is conducted by Hewitt Associates. This study will project the fund's long-term ability to meet its obligations. This is a standard exercise that will receive greater scrutiny this year in response to 2008's investment performance as staff determines whether changes are needed to the RBF in order to meet its future commitments.

After Scott takes several months to become grounded in the Plan, he will begin visiting employer groups to meet with new and old members to discuss Plan specifics and asset allocation options. In the meantime, if you have questions or concerns, please contact Scott or me. We are here to serve you and to help you have financial stability in your retirement.

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Nevin Dulabaum
President

PENSION PLAN FORMS AVAILABLE ONLINE

Recently the Pension Department has received a number of inquiries regarding forms used to transact contributions, transfer funds, project annuities, and take advantage of other Plan services. While we are happy to mail you hard copies of any form, did you know that they are available on the Brethren Benefit Trust Web site?

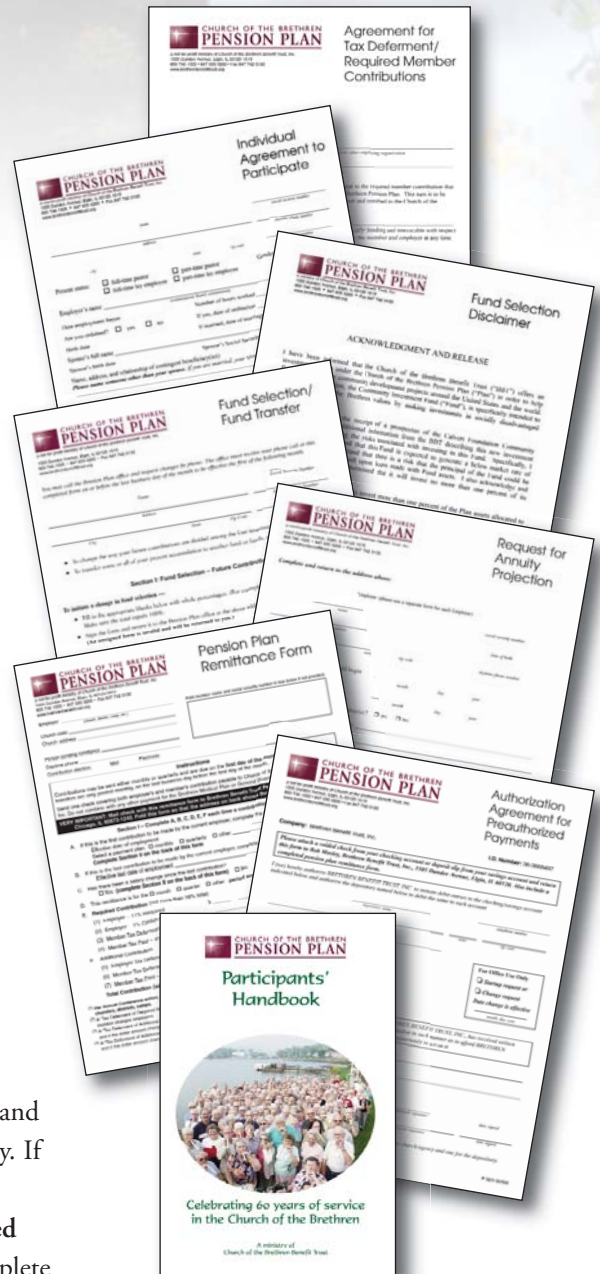
- **Agreement for Tax Deferment/Required Member Contributions and Individual Agreement to Participate** —

These forms are used to enroll new Plan participants. Please be sure to carefully read the disclaimer notice printed under the Initial Fund Selection section of the Individual Agreement to Participate. If you are planning to contribute more than 1 percent to the Community Investment Fund, you need to sign the Fund Selection Disclaimer that follows.

- **Fund Selection/Fund Transfer** — You may elect to transfer your account money between any of the five pension investment funds. Use this form to reallocate your investment elections. Like in the form mentioned above, if you are planning to contribute more than 1 percent to the Community Investment Fund, you will need to sign the Fund Selection Disclaimer provided.

- **Request for Annuity Projection** — If at any time you would like to know what your annuity payment amount would be upon retirement, use this form to make your request.

- **Pension Plan Remittance Form and Authorization Agreement for Preauthorized Payments** — For pastors participating in the Pension Plan, these forms are used to make contributions. The Pension Plan Remittance Form provides important information regarding your contribution and how it is to be transmitted — either by check or electronically. If the contribution is transmitted electronically from a bank account, then the **Authorization Agreement for Preauthorized Payments** provides us with the necessary information to complete this type of transaction.



If you would like to read about Pension services in more detail, there is even a copy of the **Pension Plan Handbook** available on the Brethren Benefit Trust Web site. To access the Handbook or any of these forms electronically, go to www.brethrenbenefittrust.org and click on “Forms,” then “Brethren Pension Plan.”



MARKETS AND ECONOMY

Challenging. Probably the best word to describe the fourth quarter and 2008 investment climate for all categories of investments. The S&P 500 index decline marks the third worst annual drop in history for equities, and by far the worst decline since the Great Depression. Along with that bad news, it was the credit market that led stocks and the U.S. economy down in 2008. There was virtually no place to hide, and nothing was safe in the investment world. The fourth quarter saw the Federal Reserve Board finally making a policy decision to support the U.S. economy by any means necessary, as opposed to an earlier stance of fighting inflation. The Federal Reserve took actions that effectively lowered interest rates 0.75 to 1.0 percent. The results are preliminary at this time, but the intraday lows in equity markets on Nov. 21 have held and have since rebounded 20 to 25 percent through December. It is normal to see a 50 percent rebound from a significant market move over a period of time following the low, and there is cautious optimism that this will be the case. It could be a couple of years before the entire decline is fully recovered. (The graphs on page four show the changes in market benchmarks and BFI fund performance.)

With so much attention to our falling markets, and stimulus packages being considered and passed in Congress, our economy should stabilize. The content of this stimulus comes in the form of subsidies, bailouts, and tax breaks. Putting money in the hands of consumers would provide the most immediate impact if that money is spent (velocity), followed by direct intervention by the Fed, and finally, guarantees such as the Troubled Asset Relief Program — the federal government \$700 billion bailout plan.

SEEKING A SAFER INVESTMENT OPTION

The decline in value of most Church of the Brethren Pension Plan options in the past 15 months has given investors more reasons to look for safe investment options. All of BBT's investment options carry some degree of risk, with the Short-Term Fund being the least risky of the options; however, after recently tightening some investment guidelines, the Short-Term Fund should be a safer option than before.

At its November meeting, Church of the Brethren Benefit Trust Board of Directors made a couple of changes in the investment guidelines for the Short-Term Fund manager to further reduce the possibility of negative performance.

First, the invested assets shall “have a *final stated* (emphasis added) maturity of 24 months or less.” Before the words “*final stated*” were added, the investment manager was allowed to invest in securities that had a final stated maturity of longer than 24 months, as long as the actual maturity of all investments assets was two years or less. Adding the phrase “final stated” tightens the investment guidelines, which will reduce the risk of negative returns. Second, a new statement was added to BBT's investment guidelines, explaining that the assets invested in the Short-Term Fund are “to achieve positive returns for all rolling three-month periods.”

The Short-Term Fund manager's agreement with the investment guidelines, including these two changes, will reduce the risk of negative returns.

The BBT Board also decided to employ the services of a new Short-Term Fund manager that has expertise and proven results with shorter-term or cash management strategies. The new manager, Sterling Capital Management of Charlotte, N.C., will begin management of the Short-Term Fund in the first quarter of 2009.

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 Dec. 31, 2008

All Pension investment funds must meet socially responsible investment guidelines.

Performance Report

FUNDS (Net of Investment Fees)	BENCHMARKS (Gross)													
<p>Common Stock Fund:</p> <p>Rate of Return</p> <p>Current quarter (21.8%)</p> <p>Year to date (35.1%)</p> <p>Five years (0.4%)</p>	<p>S&P 500:</p> <p>Rate of Return</p> <p>Current quarter (21.9%)</p> <p>Year to date (37.0%)</p> <p>Five years (2.2%)</p>	<table border="1"> <caption>Common Stock Fund vs S&P 500 Performance</caption> <thead> <tr> <th>Period</th> <th>Common Stock Fund</th> <th>S&P 500</th> </tr> </thead> <tbody> <tr> <td>Quarter</td> <td>-21.8%</td> <td>-21.9%</td> </tr> <tr> <td>YTD</td> <td>35.1%</td> <td>37.0%</td> </tr> <tr> <td>5-year</td> <td>0.4%</td> <td>2.2%</td> </tr> </tbody> </table>	Period	Common Stock Fund	S&P 500	Quarter	-21.8%	-21.9%	YTD	35.1%	37.0%	5-year	0.4%	2.2%
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<p>Balanced Fund:</p> <p>Rate of Return</p> <p>Current quarter (11.3%)</p> <p>Year to date (22.0%)</p> <p>Five years 1.3%</p>	<p>Blended Balanced Index:</p> <p>Rate of Return</p> <p>Current quarter (10.6%)</p> <p>Year to date (19.9%)</p> <p>Five years 0.5%</p>	<table border="1"> <caption>Balanced Fund vs Blended Index Performance</caption> <thead> <tr> <th>Period</th> <th>Balanced Fund</th> <th>Blended Index</th> </tr> </thead> <tbody> <tr> <td>Quarter</td> <td>11.3%</td> <td>10.6%</td> </tr> <tr> <td>YTD</td> <td>22.0%</td> <td>19.9%</td> </tr> <tr> <td>5-year</td> <td>1.3%</td> <td>0.5%</td> </tr> </tbody> </table>	Period	Balanced Fund	Blended Index	Quarter	11.3%	10.6%	YTD	22.0%	19.9%	5-year	1.3%	0.5%
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<p>Short-Term Fund:</p> <p>Rate of Return</p> <p>Current quarter 0.3%</p> <p>Year to date 1.0%</p> <p>Five years 2.4%</p>	<p>3-Month T-Bill:</p> <p>Rate of Return</p> <p>Current quarter 0.2%</p> <p>Year to date 2.0%</p> <p>Five years 3.3%</p>	<table border="1"> <caption>Short Term Fund vs 3-mo T-Bill Performance</caption> <thead> <tr> <th>Period</th> <th>Short Term Fund</th> <th>3-mo T-Bill</th> </tr> </thead> <tbody> <tr> <td>Quarter</td> <td>0.3%</td> <td>0.2%</td> </tr> <tr> <td>YTD</td> <td>1.0%</td> <td>2.0%</td> </tr> <tr> <td>5-year</td> <td>2.4%</td> <td>3.3%</td> </tr> </tbody> </table>	Period	Short Term Fund	3-mo T-Bill	Quarter	0.3%	0.2%	YTD	1.0%	2.0%	5-year	2.4%	3.3%
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<p>Community Development Investment Fund:</p> <p>Rate of Return</p> <p>Current quarter 0.4%*</p> <p>Year to date 1.7%*</p> <p>Three years 2.1%*</p> <p>*Interest accrues on a quarterly basis.</p> <p>This ministry-focused fund does not have a benchmark.</p>	<p>Consumer Price Index:</p> <p>The CPI is an indicator of inflation. It is not a benchmark for the CDIF.</p> <p>Current quarter (3.0%)</p> <p>Year to date 2.5%</p> <p>Three years 2.4%</p>	<table border="1"> <caption>CDIF vs CPI Performance</caption> <thead> <tr> <th>Period</th> <th>CDIF</th> <th>CPI</th> </tr> </thead> <tbody> <tr> <td>Quarter</td> <td>0.4%</td> <td>(3.0%)</td> </tr> <tr> <td>YTD</td> <td>1.7%</td> <td>2.5%</td> </tr> <tr> <td>3-year</td> <td>2.1%</td> <td>2.4%</td> </tr> </tbody> </table>	Period	CDIF	CPI	Quarter	0.4%	(3.0%)	YTD	1.7%	2.5%	3-year	2.1%	2.4%
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Five-year returns are annualized.