Pension Perspective

FROM BRETHREN PENSION PLAN — JULY 2011

Dear Pension Plan Participant,

Almost two and a half years have passed since the markets hit bottom, creating a financial crisis that shook the foundation of the international economy. Even today, there is significant uncertainty and anxiety among Americans about their individual and collective futures.

In April, the research firm Gallup Inc. released the results of a survey that indicated that the No. 1 concern for Americans with regard to finances is that they are worried about not having enough money for retirement. This ranked higher than several other major financial matters, such as not being able to pay for medical costs or maintain one's standard of living. According to the poll, 66 percent of Americans are "very/moderately worried" that they will "not have enough money for retirement."

That's huge. And with more recent signals that the economic recovery is slowing, more folks are likely to feel that anxiety — including our Plan members. That's why it is important for you to know what BBT is doing to address this important issue.

You may recall that a Pension Plan Task Force was formed in November 2010 to follow through on the insights and recommendations of the Plan study conducted earlier in the year. One of our primary goals is to make sure that we have the right Pension Plan for our members. We are now moving forward with important changes to the design and administration of the Plan. A request for proposal was recently sent out to a number of retirement benefits administrators across the country, and we expect to find a record keeper that offers enhanced technology, security, and compliance monitoring oversight that is in keeping with our operating standards, so that our members have the right set of tools needed to secure their retirement income needs.

Patrice Nightingale

The Pension Plan Task Force gathered last February in Mechanicsburg, Pa., to discuss possible enhancements to Brethren Pension Plan.

One of our primary goals is to make sure that we have the right Pension Plan for our members.

In addition to the many benefits and features currently offered in the Plan, we look forward to helping you do a better job of projecting your retirement income needs and developing a plan aimed at fulfilling your goals. That means more online resources, a continuing commitment to on-site educational offerings and individual consultations, as well as enhanced print and electronic communications. And we will continue to offer superior investment options and competitive fees.

The best way to deal with any worry you may have about retirement income is to become more involved in planning for your future (and to increase your savings rate!). Brethren Pension Plan is an excellent program to help you do this. Stay tuned for more news as we position the Plan to better serve you.

Scott W. Douglas

Scott Douglas
Director of Brethren Pension Plan and Employee Financial Services

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Cash-out? Hardship withdrawal? Just say "no"

There it is, every quarter — a paper report mailed to your house (with this publication!) that itemizes the money you have saved through Brethren Pension Plan. Ideally, the total contribution number should be getting bigger and bigger with each statement. What impact would a hardship withdrawal or cash-out have on that number — today and in terms of the funds you'll have to live on in retirement?

Aon Hewitt, the human resources consultant BBT has been working with to safeguard the Plan for the long term, recently released a report that shows the severe impact that hardship withdrawals and cash-outs of retirement funds have at the time of employment termination.

> *"Participants who cash out benefits can expect to have a reduction of anywhere from a significant 11 percent to a startling 67 percent of retirement income."*
> — Aon Hewitt study

According to the study, 6.9 percent of survey participants took a hardship withdrawal in 2010; comparatively, about 5 percent of participants were taking withdrawals before the 2008 financial crisis.

As you might expect, participants with salaries between $20,000 and $40,000 took more hardship withdrawals (3.6 percent) than those who earn more than $100,000 a year (0.5 percent).

The big impact of draining your retirement savings

The best thing about investing money over a longer period of time is the earnings potential due to the increasing value of investment fund unit prices. Reducing your account balance through a hardship withdrawal has a long-term impact. Such a withdrawal results in owning fewer units in the Pension Plan, and fewer units means lower earnings potential over time.

The study's authors write, "Participants who cash out benefits can expect to have a reduction of anywhere from a significant 11 percent to a startling 67 percent of retirement income."

What can you do to protect your retirement savings from the "leakage" caused by hardship withdrawals and cash-outs? The best way to keep your savings intact is to treat it like it doesn't exist. Perhaps you could borrow the necessary money from a family member or friend, or if that option is not available, take out a loan at your local bank or credit union to cover hardship expenses. It's likely that the cost of your loan will be less than the money you'd lose if you withdrew it from your retirement account. Hardship withdrawals are only available in extreme cases.

If you decide to change jobs, do yourself a favor by not withdrawing the hard-earned savings you have in your retirement savings account. Not only will that withdrawal be taxed as regular income, but you'll likely experience a permanent reduction of your retirement savings.

Visit brethrenbenefittrust.org/aon-hewitt-study to read the entire Aon Hewitt study.

Board makes changes to grant program and diversification in the Retirement Benefits Fund

Brethren Pension Plan was the center of attention at April's Brethren Benefit Trust Board of Directors meeting, which took place on April 30 and May 1 at the Church of the Brethren General Offices in Elgin, Ill.

Grant program to end in 2014. The Annuity Benefit Reduction Assistance Program, a grant program that was established in 2009 to assist those left most vulnerable from the annuity benefit reduction that was put into effect that year, will gradually end over the next three years.

Grants will continue unchanged through the end of 2011. In 2012, members who qualify for grants will receive no more than 75 percent of the amount they would have qualified for in 2011. They will receive up to 50 percent of their eligible grant amount in 2013, and 25 percent in 2014, through Sept. 30, at which point the grant program will end — a full five years after its inception.

"We are thankful that BBT has had the resources to provide these supplemental grants to those most affected by the reduction of annuity benefits," said Scott Douglas, director of

Continued on page 3 ...

Markets and the economy

The second quarter of 2011 ended in mostly positive territory, thanks to a robust end-of-month rally in June. Despite this late-month boost, the domestic equity market declined in both May and June. The markets often reflected the swings in the month's economic news, leading some investors to pull out of the equities market and purchase bonds.

Financial woes in Europe and political woes in Libya had negative impacts on the markets in the last quarter. Domestically, the anticipated end of the Federal Reserve's bond-buying program, the domestic debt limit crisis, and less-than-stellar housing and employment figures weighed on the markets.

Thanks to encouraging news about Greece's navigation through its financial crisis, strong manufacturing data, and the announcement that some countries were going to tap into oil reserves, the S&P 500 Index gained 5.6 percent in the final four days of June.

Domestic equities in the S&P 500 lost 1.7 percent in June but gained 0.1 percent in the second quarter and 6 percent during the first half of 2011. International equities in the MSCI EAFE declined 1.2 percent in June but gained 1.8 percent in the second quarter and 5.4 percent in the first six months of the year. The bond market, as measured by the Barclays Capital Government/Credit Index, lost 0.5 percent in June but gained 2.3 percent in the second quarter and 2.6 percent year-to-date.

New member services representative joins the Pension team

Jill Olson is the newest member of the Brethren Pension Plan staff! After serving for almost three years as the loan officer/office specialist for Church of the Brethren Credit Union, she was recruited to serve Pension Plan members as a member services representative based on her excellent customer service skills.

She previously worked on the senior management team as senior account manager for Wesleyan Investment Foundation in Indiana. Jill comes with a great deal of experience in managing accounts and delivering top-notch customer service. She and her husband live in Carpentersville, Ill. Welcome, Jill!

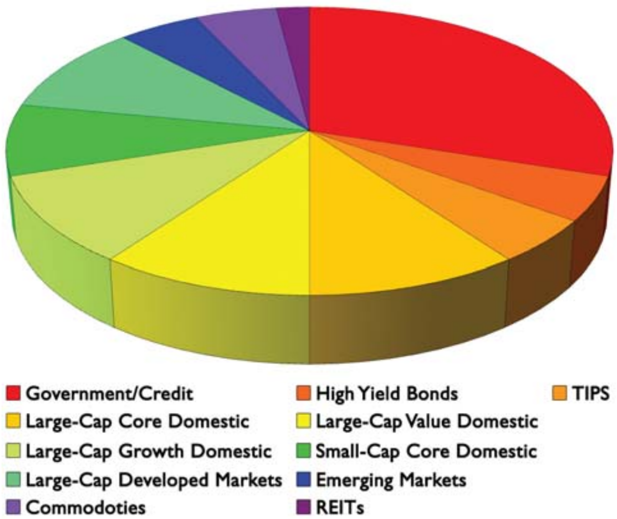
... Continued from page 2

Brethren Pension Plan and Employee Financial Services, "One of the real advantages to participating in the Brethren Pension Plan is that our Brethren values call for us to offer services like this — something not found in secular plans."

The ending of the grant program will not impact regular annuity payments in any way, nor does it affect active (non-retired) Brethren Pension Plan members.

RBF is further diversified. In 2010, BBT commissioned one of its investment consultants to examine the asset allocation mix of the RBF to determine whether a different mix could increase the return on investments while decreasing risk. The consultant was asked to look at historic market data to propose several new diversification options using some or all of the investment options available to BBT — including the newer investment options introduced in 2010 — with each allocation mix offering different risk-adjusted return projections.

After considering these scenarios, the Board selected a new asset allocation mix for the RBF that increases the diversification of the portfolio, and is aimed at increasing returns while minimizing risk.



*Do you have questions about your Church of the Brethren Pension Plan account? Contact Member Services Representatives Lori Domich or Jill Olson at **800-746-1505** or at **pension@brethren.org**.*

Fund Performance Report

for the period ending June 30, 2011

All periods longer than one year are annualized.

Performance Report

Funds (Net of Investment Fees) *Benchmarks (Gross)*	Current Month	Last Three Months	Year-to-Date	Five Years
SHORT-TERM				
Short-Term Fund	(0.1)%	0.0%	0.1%	1.9%
Merrill Lynch 6-Month Treasury Bill Index [1]	*0.0%*	*0.1%*	*0.2%*	*1.8%*
COMMUNITY DEVELOPMENT				
Community Development Investment Fund [2]	0.2%	0.8%	0.4%	1.6%
No Benchmark	*N/A*	*N/A*	*N/A*	*N/A*
FIXED INCOME				
Treasury-Free Bond Fund	(0.8)%	1.4%	2.0%	N/A
Barclays Capital U.S. Government/Credit Bond Index	*(0.5)%*	*2.3%*	*2.6%*	*N/A*
Bond Fund	(0.5)%	2.1%	2.6%	6.2%
Barclays Capital U.S. Government/Credit Bond Index	*(0.5)%*	*2.3%*	*2.6%*	*6.4%*
Treasury Inflation-Protected Securities Fund [3]	0.9%	3.0%	5.1%	N/A
Barclays Capital U.S. TIPS Index	*0.8%*	*3.7%*	*5.8%*	*N/A*
High Yield Bond Fund [3]	(1.8)%	(0.4)%	2.9%	N/A
Barclays Capital U.S. Corporate High Yield Bond Index	*(1.0)%*	*1.1%*	*5.0%*	*N/A*
EQUITY AND FIXED INCOME				
Balanced Fund	(1.4)%	1.1%	5.9%	6.0%
Blended Balanced Index [4]	*(1.2)%*	*1.0%*	*4.7%*	*4.7%*
EQUITIES				
Domestic Stock Value Fund	(2.3)%	2.0%	10.3%	N/A
Russell 1000 Value Index	*(2.1)%*	*(0.5)%*	*5.9%*	*N/A*
Domestic Stock Core Fund	(1.3)%	(0.9)%	3.9%	N/A
S&P 500 Index	*(1.7)%*	*0.1%*	*6.0%*	*N/A*
Domestic Stock Growth Fund	(0.8)%	1.6%	7.3%	N/A
Russell 1000 Growth Index	*(1.4)%*	*0.8%*	*6.8%*	*N/A*
Common Stock Fund	(2.0)%	0.6%	7.8%	5.1%
S&P 500 Index	*(1.7)%*	*0.1%*	*6.0%*	*2.9%*
Small Cap Fund	(1.2)%	2.8%	9.7%	N/A
Russell 2000 Index	*(2.3)%*	*(1.6)%*	*6.2%*	*N/A*
INTERNATIONAL EQUITIES				
International Stock Core Fund	(1.8)%	1.2%	4.1%	N/A
MSCI EAFE Index	*(1.2)%*	*1.8%*	*5.4%*	*N/A*
Emerging Markets Stock Fund [3]	(1.3)%	(1.2)%	0.5%	N/A
MSCI Emerging Markets Index	*(1.5)%*	*(1.0)%*	*1.0%*	*N/A*
REAL ESTATE				
Public Real Estate Fund [3, 5]	(1.4)%	3.7%	3.8%	N/A
S&P Developed Property Index	*(2.4)%*	*2.9%*	*6.0%*	*N/A*
ALTERNATIVES				
Commodities-Based Fund [3]	(3.7)%	2.1%	7.8%	N/A
Dow Jones UBS Commodity Index	*(5.0)%*	*(6.7)%*	*(2.6)%*	*N/A*
U.S. INFLATION				
Consumer Price Index (May 2011) [6]	0.5%	2.1%	3.1%	2.2%

[1] Changed May 1, 2009. 5-year blended with 90-day Treasury Bill. [2] CDIF interest accrues on a quarterly basis. [3] These investment funds may not meet socially responsible investing guidelines because they are invested in mutual funds. All other investment funds must meet socially responsible investing guidelines. [4] Weighted average of the S&P 500 Index (60 percent) and the Barclays U.S. Capital Government/Credit Bond Index (40 percent). [5] Net of mutual fund expenses only. [6] Most recent data available.