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Pension Perspective

FROM BRETHREN PENSION PLAN

OCTOBER 2009

Dear Pension Participant —

What a difference a year makes. With the collapse of major financial and insurance institutions, ripples from the mortgage crisis developing into tidal waves, high unemployment rates, and declines in the stock markets, the past year will be remembered as one of the worst economic periods in U.S. history — a period that has greatly affected the Church of the Brethren Benefit Trust's Retirement Benefits Fund, which is used to pay monthly checks to our annuitants.

After this tumultuous year, we're ready to turn a new page. Federal Reserve Chairman Ben Bernanke announced on Sept. 16 that "the recession is very likely over at this point." He continued, "It's still going to feel like a very weak economy for some time ... That's a challenge for us and all policy makers going forward."

How will the Brethren Pension Plan go forward?

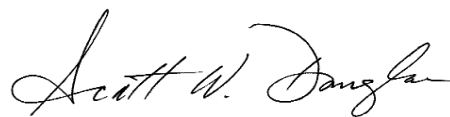
First and foremost, our goal is to protect and sustain the Retirement Benefits Fund. The adjustment made in 2009 that lowered the annuity assumption rate to 5 percent is hopefully the most difficult change we will need to make to fulfill our responsibility to Plan members, which is to run a fiscally solvent Plan that will fulfill its obligations for years to come. This adjustment affects both current and future annuitants.

For active and inactive members — those who have yet to annuitize their accounts — we want you to have greater access to your contributions and to online tools that will help you manage your account. Church of the Brethren Benefit Trust is currently testing software to provide Internet access to Pension account information. Through this Web site, you will be able to securely view and update information about your investments. Although we had hoped to launch access in 2009, an upgrade and conversion of the administrator's reporting software, as well as the protracted process of adjusting the software to match the annuity rate change, will delay the process until early 2010. Our investment and reconciliation service will also begin providing twice-monthly valuations of the Funds to Plan members at that time.

Internet-based expansion of the Brethren Pension Plan's customer service won't stop there, however. Our team is developing Web-based tools to assist Plan members with retirement planning and asset allocation. This personal access to Fund management is the method of choice by the U.S. Department of Labor; we hope it will simplify the financial decision-making process for our members.

As we expand access to Pension account information, we are also taking steps to expand investment options for our members. We are working with our investment managers to develop a procedure to determine which additional funds would be most appropriate for a church retirement savings plan such as ours.

In addition to the steps above, we believe that we should move forward cautiously, transparently, and faithfully. Reflecting on the lessons of the past year can help us all move forward as good stewards of our resources.



Scott Douglas

Director of Pension Plan and Employee Financial Services



INVESTING IN CHANGE, ONE PERCENT AT A TIME

“As the effects of the financial crisis and the resulting economic downturn have spread, there has been increased focus on preserving the gains made in low- and moderate-income communities over recent decades. Accomplishing that objective requires preserving the institutions that helped build these communities.”

When Federal Reserve Chairman Ben Bernanke made this statement at a June summit, he was referring to community development-focused financial institutions, which provide financial services to underserved, low-income markets.

Brethren Pension Plan members are given the option to invest a portion of their portfolios in Community Investment Notes through our Community Development Investment Fund. Brethren Benefit Trust purchases Notes issued by Calvert Foundation, a community development financial institution launched in September 1988. Calvert uses investments in these Notes to invest in institutions ranging from community development banks to affordable housing developers. The principal is invested again and again, while the investor earns a rate of return of up to 3 percent.

As of Dec. 31, 2008, Calvert had loaned \$161 million to 257 institutions worldwide.

One such borrower is SERRV, a fair trade distributor of goods created by artisans and farmers worldwide. Founded in 1949 by the Church of the Brethren, SERRV issues loans to its craftspeople when needed, which are funded by Calvert Foundation's sale of Community Investment Notes to financial organizations like Brethren Pension Plan. Aside from funding fair trade initiatives, Calvert focuses on Gulf Coast recovery, community facilities development, microcredit, and affordable housing.

Despite the risk associated with lending to low-income communities, Calvert Foundation boasts a record of only 0.2 percent in loan losses and a pool of credit-worthy borrowers. However, because Notes purchased through the Community Development Investment Fund often have lower returns and a higher risk associated with them than the Balanced, Common Stock, Bond, and Short-Term funds, BBT encourages individuals to cap investments in the CDIF at 1 percent of their total contribution. Plan members may choose to invest more than that after signing a consent form.

BECOME AN EARLY-AGE RETIREMENT PLANNING PRODIGY

By the time composer Wolfgang Amadeus Mozart, actress Shirley Temple, and author H.P. Lovecraft were five years old, they had already made significant marks on their respective fields and entered their golden ages of development.

Entering your golden age of retirement planning early can help secure your finances for the future. According to a 2008 Retirement Confidence Survey, 33 percent of respondents between 35 and 44 had saved less than \$10,000 for their retirement.

If you are an active Pension member, congratulations. You are already making strides in ensuring financial security later in life by participating in a tax-deferred retirement savings program during a time when company pension plans are dwindling. But is your annual contribution to the Plan enough?

Some financial advisers recommend a three-pronged approach to early retirement planning. First, keep some of your earnings in cash — penalty fees for CD withdrawals and stock market fluctuations could get in the way of planned short-term purchases.

Second, consider investing funds for planned long-term purchases in safer, interest-bearing funds, such as CDs and money markets.

If you have any remaining earnings beyond those designated for daily and future purchases, consider increasing your contribution to the Plan. Additionally, the further away you are from retirement, the more time you have to recover from any negative volatility of the stock market. This is a good time to consider how stocks might impact your portfolio. Investing in the Common Stock Fund now, for example, could provide greater long-term gains than safer fund choices.

Remember — even small investments today can make a big difference in your quality of life after retirement. Consult with a financial adviser who can provide you guidance based on your unique needs.

MARKETS AND THE ECONOMY

The market psychology changed in the third quarter. News that was “not as bad” as expected earlier in the year became news that was “not as good” as what was more recently hoped for. Both domestic and foreign equity markets saw prices trending to the upside for the quarter; however, momentum seemed to slow as the quarter progressed. Although new highs were being reached, the increases from previous highs grew progressively smaller as the quarter ended. The Common Stock Fund gained 14.4 percent for the quarter, compared with the benchmark of 15.6 percent for the S&P 500; however, for the year to date, the Common Stock Fund has outperformed its benchmark by nearly 3 percent.

The bond markets again showed modest gains for the quarter, as aversion to risk continued to wane. Investors continued to bid up the value of most asset-backed securities and narrow the spread between corporate-issued debt securities and U.S. Treasury obligations. The Bond Fund gained 6 percent for the quarter, outpacing the benchmark of 4.2 percent for the Barclays Capital Gov/Credit Index.

GRANT APPLICATIONS PROCESSED BY PENSION STAFF

Following the Brethren Benefit Trust Board’s action in April to reduce monthly payments to all Church of the Brethren annuitants, October marks the first month of the reduced payments.

In deciding to reduce benefit payments to a uniform 5 percent, the Brethren Benefit Trust Board established the Annuity Benefit Reduction Assistance Program, a grant program designed to counteract the impact that such a decrease might have on Plan members. To date, the Pension department has received over 200 grant applications.

For a person to automatically qualify for a grant, Pension Plan benefit payments must equal 20 percent or more of the applicant’s gross income, and an applicant’s gross income can be no more than \$50,000 if married or \$40,000 if single.

“We are making every effort to allow annuitants access to these funds,” said Scott Douglas, director of Brethren Pension Plan and Employee Financial Services. “We encourage those annuitants who are experiencing this reduction as an unbearable hardship to apply.”

To ensure that the needs of each annuitant are recognized regardless of income, the application encourages those who do not meet eligibility criteria but would be adversely impacted by the annuity reduction to write a brief explanation of their circumstances, including the need for special consideration.

The Board approved the use of resources from the Retirement Benefit Fund Contingency Fund and, if necessary, the BBT Capital Development Fund for this program. The funds used for this program are not RBF funds. Grant checks follow the same schedule as annuity payments and should be received at the same time as annuity checks each month.

The grant money will be taxed as regular income for its recipients. However, because the Minister’s Housing Allowance is based on income earned while serving as a pastor, the IRS stipulates that this grant money is not eligible for this tax-free housing benefit.

Applications for the grant program will be accepted through the end of August 2010. The monthly grant payments will begin approximately 30 days after the grant is approved, but will not apply to benefits paid prior to that time. The Board approved this program for one year and will evaluate the program at the end of that period. Plan annuitants will be contacted if the Board decides to renew this program for 2010-2011.

If you wish to apply for the Annuity Benefit Reduction Assistance Program, please visit www.brethrenbenefittrust.org for an application, or contact the Brethren Pension Plan office for more information.

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.

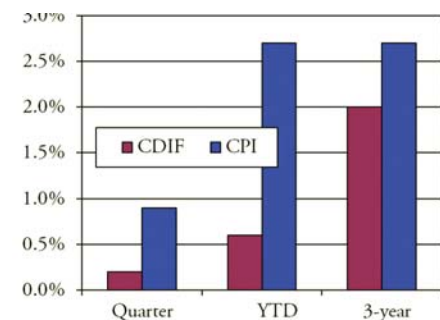
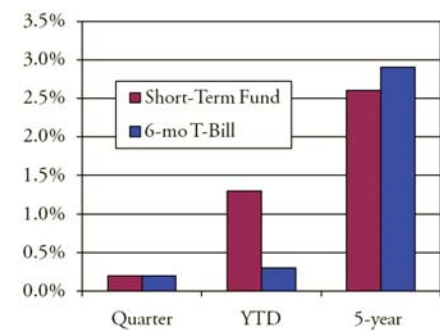
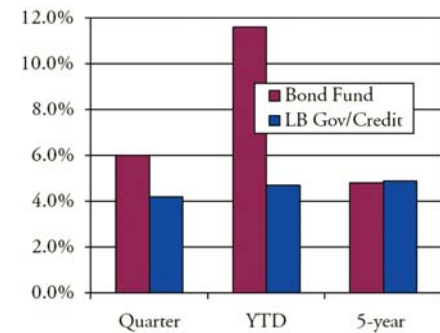
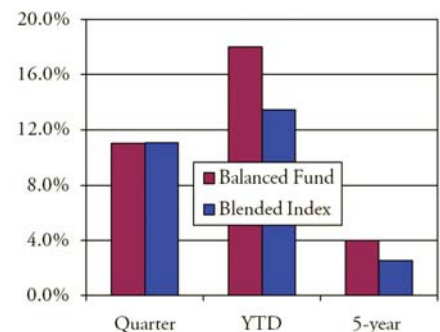
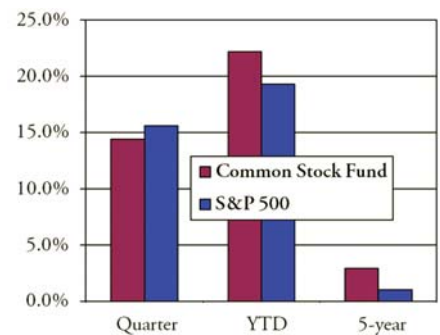
Quarterly Fund Performance Report

for the period ending September 30, 2009

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 14.4%</p> <p>Year to date 22.2%</p> <p>Five years 2.9%</p>	<p>S&P 500:</p> <p>Rate of Return</p> <p>Current quarter 15.6%</p> <p>Year to date 19.3%</p> <p>Five years 1.0%</p>
<p>Balanced Fund:</p> <p>Rate of Return</p> <p>Current quarter 11.0%</p> <p>Year to date 18.0%</p> <p>Five years 4.0%</p>	<p>Blended Balanced Index:</p> <p>Rate of Return</p> <p>Current quarter 11.0%</p> <p>Year to date 13.5%</p> <p>Five years 2.6%</p>
<p>Bond Fund:</p> <p>Rate of Return</p> <p>Current quarter 6.0%</p> <p>Year to date 11.6%</p> <p>Five years 4.8%</p>	<p>Barclays Capital Gov/Credit:</p> <p>Rate of Return</p> <p>Current quarter 4.2%</p> <p>Year to date 4.7%</p> <p>Five years 4.9%</p>
<p>Short-Term Fund:</p> <p>Rate of Return</p> <p>Current quarter 0.2%</p> <p>Year to date 1.3%</p> <p>Five years 2.6%</p>	<p>6-Month T-Bill:</p> <p>Rate of Return</p> <p>Current quarter 0.2%</p> <p>Year to date 0.3%</p> <p>Five years 2.9%</p>
<p>Community Development Investment Fund:</p> <p>Rate of Return</p> <p>Current quarter 0.2%*</p> <p>Year to date 0.6%*</p> <p>Five years 2.0%*</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 0.9%</p> <p>Year to date 2.7%</p> <p>Five years 2.7%</p>



Five-year returns are annualized.