



Pension Perspective

FROM BROTHERS PENSION PLAN

APRIL 2010

Dear Pension Plan Participant —

It's only the end of the first quarter of 2010, but we already have so much news to share! First, our actuary reports that the Retirement Benefits Fund, the pool from which annuity benefits are paid, has made substantial progress in its funding status. As of Dec. 31, 2009, the RBF was 77.6 percent funded, in comparison to being 68.5 percent funded at the end of 2008. Clearly, the combination of exceptional market performance and the return to a uniform 5 percent annuity assumption rate has contributed to making the RBF healthier.

This is good news, and some may wonder if it means that benefits will soon return to former levels. The short answer is “no.” While we are heartened by the RBF's trajectory toward recovery, it is not yet fully funded. The most important priority at this time is assuring lifetime benefits for each of our annuitants, and that is accomplished by returning the RBF to fully funded status.

Meanwhile, we continue to serve our active, inactive, and annuitized Pension Plan members as they consider the impact of retirement at various life stages. To more effectively accomplish this, Brethren Pension Plan has returned to a staffing level used for seven of the past 10 years. On Jan. 25, John Carroll joined the Pension Plan team as manager of Pension operations, bringing with him 14 years of experience in the field of employee benefits, with a focus on defined benefit and defined contribution plans. John has already demonstrated his expertise by improving important administrative processes and working with me in selecting a consultant to help BBT evaluate the Plan's design and perform a compliance audit. He is a welcome addition to the Pension team, which also includes Lori Domich, member services representative, who celebrates her 20th anniversary with BBT this year.

Together, we are working on several important projects that have launched or will launch soon. For example, the revised *Participants' Handbook*, reflecting important changes in the Plan document, will be mailed shortly to every member. The Church of the Brethren Benefit Trust Board of Directors has approved the addition of several new investment choices, and we are working diligently to make these funds available this year. The Pension Plan's Web portal, an online interface where participants can manage their account, will be ready for members to use in May. A secure e-mail system has been installed to better protect confidential information, and new educational seminars are routinely being presented at Brethren-affiliated organizations to help Plan participants prepare for retirement.

There is much to tell, indeed! Be sure to read the rest of this newsletter to learn about the exciting developments within the Brethren Pension Plan.



Scott Douglas

Director of Brethren Pension Plan and Employee Financial Services

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ACTIVELY MANAGED FUNDS: STILL A WISE CHOICE

Recent reports in *The Wall Street Journal*, *The New York Times*, and other news sources have put actively managed funds under scrutiny. These are portfolios controlled by managers who choose investments in an attempt to outperform a particular benchmark. Index funds, conversely, try to mirror the proportions and exact holdings in an index portfolio. These are also called “passive funds” because the manager makes few decisions about the portfolio’s assets.

WHAT IS A BENCHMARK?

A benchmark is a standard against which the performance of a stock or bond fund can be measured. A familiar example is the S&P 500 — the index that tracks the performance of 500 leading companies in the U.S. economy. Let’s say an investor purchased a portfolio of stocks that reflect the S&P 500 and maintained that portfolio for a period of time — a year, five years, 10 years. However well or poorly that portfolio performed over time (its rate of return), that performance is the benchmark. It simply reflects market performance. We compare our Common Stock Fund against this index to see how well it is performing in relation to the market.

Despite *Morningstar’s* report that actively managed stock funds were up more than 1 percent on average over their indexes last year, index funds have captured the interest of those industry analysts who might be wary of making any bold moves in this fragile economy.

Brethren Pension Plan’s five allocation options are actively managed funds carefully overseen by trustworthy investment management firms with proven track records. Our choice is a clear one: We want to make the most of your investments, while staying true to our Brethren values. Here’s how actively managed funds achieve that goal —

Active management brings results. The most obvious advantage of choosing an actively managed fund over an index fund is the opportunity to perform better than a benchmark. This is what keeps our funds competitive — the fact that they consistently outperform their benchmarks. In 2009, Brethren Pension Plan’s Bond Fund had an 11.7 percent increase, compared with its benchmark, the Barclays Capital U.S. Government/Credit Bond Index, which only saw a 4.5 percent increase in that same period. Index funds can only perform as well as the baseline of the overall market.

Managers invest our funds responsibly. Brethren Pension Plan is committed to upholding Brethren ideals through its investments, when possible; thus, it is essential that we have managers to monitor our portfolio holdings and attempt to ensure that each company we invest in represents those beliefs. We not only expect our managers to perform better than the status quo, but we also rely on that outperformance to come from investments that reflect our values. Index funds cannot be customized in this way.

Index turnover results in reduced returns. Indexes are not inactive; the S&P 500 rotates out between 1 and 9 percent of its stocks each year. Because the stocks being rotated out are announced before the moves occur, the prices of those stocks often decrease before they can be removed from an index fund portfolio. These market impact costs, though relatively small each time a sale is made to mirror an index, add up in the long term. Actively managed funds tend to change out holdings less often in conjunction with publicized market activities.



John Carroll (left), manager of Pension operations; Lori Domich, member services representative; and Scott Douglas, director of Brethren Pension Plan and Employee Financial Services.

Patrice Nighingale

MARKETS AND THE ECONOMY

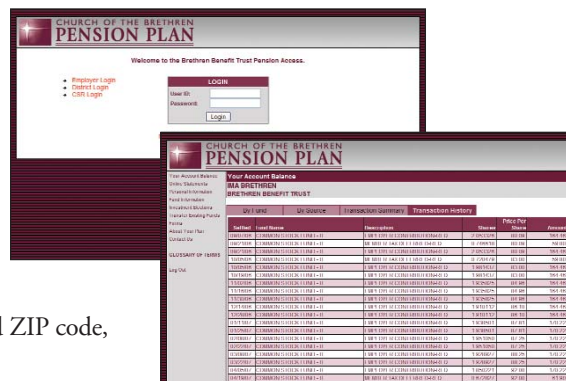
Economic data continues to show improvement in the U.S. economy. As discussed in previous editions of *Pension Perspective*, the primary drivers of our economy are consumer spending and the housing market. Recent reports show consumer spending increasing. This important piece has been missing in the prior months since the recession ended. Should consumer spending continue to grow in the coming months, we can feel more confident in the overall positive direction of the economy and particularly our domestic equity market. International equities moved higher during March and the first quarter, in tandem with U.S. markets.

Bond values showed the negative effects of an oversupply of government bond issuances and the improving economy. Oil price increases from the expectation of increased demand and the implied inflation due to this increase raised bond rates. Because values for debt instruments like bonds move inversely to their rates, bond values declined during the last part of the quarter.

TECHNOLOGY IMPROVEMENTS FOR BROTHERS PENSION PLAN

We recently improved the online connections you have to your account and the Pension department in three significant ways —

Brethren Pension Plan Web portal. Starting May 1, you can register to access your Pension account online through our Web portal. This service allows you to view your account balance and a history of all Pension transactions and deposits, read information about Pension funds, view and change investment elections, transfer units from one fund to another, print forms, and more. To set up access to the Web portal, please go to <https://pension.brethrenbenefittrust.org/customersite/bbt/index.jsp> and click on **New Users**. After you enter your Social Security number, date of birth, and ZIP code, you may set up a user name and password.

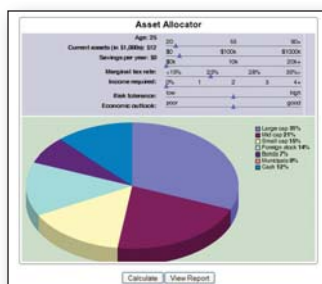


Secure E-mail service. To maintain compliance and protect sensitive information that may need to be included in e-mail correspondence, BBT has invested in Cisco's Registered Envelope Service, which automatically secures messages containing a Social Security number, credit card number, bank routing number, or spreadsheet; additionally, staff can manually secure any message.

If you receive a secure e-mail from a member of the Pension staff, open the file that is attached to the e-mail. A Cisco registered envelope will appear on your screen, prompting you to create a password that can be used to access future secure e-mails. Once your identity is verified, you may access the message. Further instructions are available at www.brethrenbenefittrust.org under **Downloads**.

If your e-mail server already offers encryption, BBT's e-mail server will detect it and send the message as normal. This e-mail will be secure, even though it will appear to be a regular e-mail.

Asset allocator calculator. We have installed a calculator on our Web site that can help you decide how to balance your Pension account among our five funds, based on your risk tolerance, tax rate, age, and other factors. Visit BBT's Web site, click on **Pension**, and then select **Pension Calculators** on the left side of the screen to access this tool. This calculator, though helpful when thinking about your allocations, is not a substitute for the advice of your financial planner.



STAY IN TOUCH WITH THE PENSION DEPARTMENT

Have you recently changed your primary address, telephone number, or other important personal information? Contact **Lori Domich**, member services representative, at 800-746-1505, ext. 365 or ldomich_bbt@brethren.org. For updates via e-mail, go to www.brethrenbenefittrust.org and click on **Join Our E-mail List**.

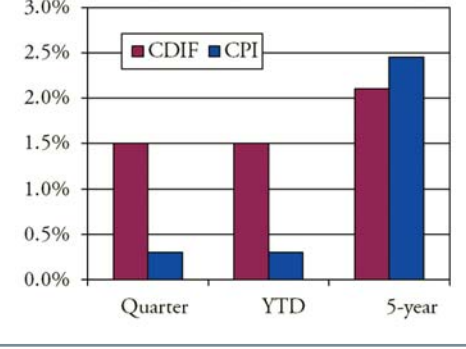
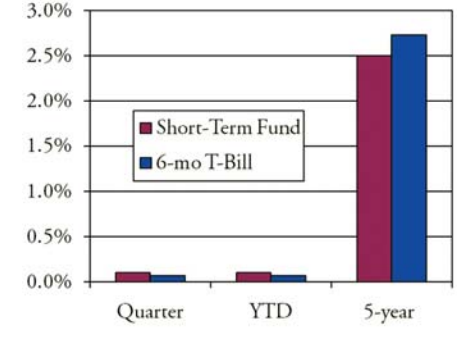
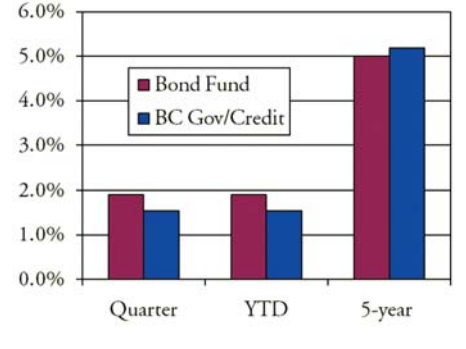
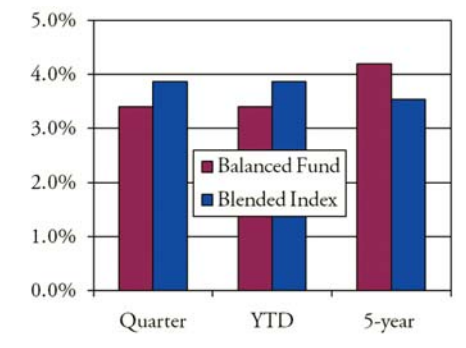
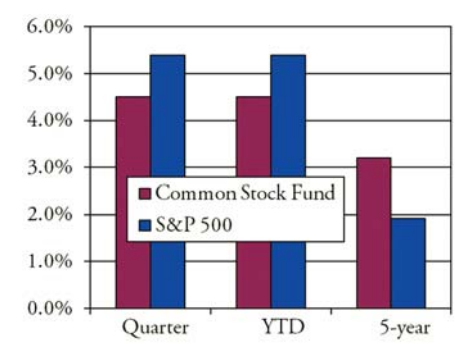
Quarterly Fund Performance Report

for the period ending March 31, 2010

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 4.5%</p> <p>Year to date 4.5%</p> <p>Five years 3.2%</p>	<p>S&P 500:</p> <p>Rate of Return</p> <p>Current quarter 5.4%</p> <p>Year to date 5.4%</p> <p>Five years 1.9%</p>
<p>Balanced Fund:</p> <p>Rate of Return</p> <p>Current quarter 3.4%</p> <p>Year to date 3.4%</p> <p>Five years 4.2%</p>	<p>Blended Balanced Index:</p> <p>Rate of Return</p> <p>Current quarter 3.9%</p> <p>Year to date 3.9%</p> <p>Five years 3.5%</p>
<p>Bond Fund:</p> <p>Rate of Return</p> <p>Current quarter 1.9%</p> <p>Year to date 1.9%</p> <p>Five years 5.0%</p>	<p>Barclays Capital Gov/Credit:</p> <p>Rate of Return</p> <p>Current quarter 1.5%</p> <p>Year to date 1.5%</p> <p>Five years 5.2%</p>
<p>Short-Term Fund:</p> <p>Rate of Return</p> <p>Current quarter 0.1%</p> <p>Year to date 0.1%</p> <p>Five years 2.5%</p>	<p>6-Month T-Bill:</p> <p>Rate of Return</p> <p>Current quarter 0.1%</p> <p>Year to date 0.1%</p> <p>Five years 2.7%</p>
<p>Community Development Investment Fund:</p> <p>Rate of Return</p> <p>Current quarter 1.5%*</p> <p>Year to date 1.5%*</p> <p>Five 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 0.3%</p> <p>Year to date 0.3%</p> <p>Five years 2.5%</p>



Five-year returns are annualized.