



Pension Perspective

FROM BROTHERS PENSION PLAN

JANUARY 2010

Dear Pension Participant —

29.3 percent. 22.2 percent. 11.7 percent. These are the increases that the Brethren Pension Plan's Common Stock, Balanced, and Bond funds saw in 2009, each of which exceeded its benchmark by several percentage points. Brethren Pension Plan has been blessed to have the wisdom of its investment managers and the guidance of our Board of Directors. The recent economic crisis put us through some difficult times, and we still have a long way to go before our Retirement Benefits Fund is fully funded.

But as the market rebounded, so did we. Preliminary reports indicate that the RBF is about \$10 million stronger than it was on Jan. 1, 2009. This is great news, especially considering we have also made about \$12.6 million in payments to annuitants this year from that Fund. This growth brings hope for the future of the Plan, and we await confirmation of the positive impact it has had on the RBF from our actuary's annual report, due in March. This report will re-evaluate the stability of the Plan's funding, based on the long-term effect of investment returns from 2009 and the actuarial statistics of our current members. It will take many years to return the RBF to its fully funded status, but this is a promising first step in that direction.

Because it's the start of a new year, it's a great time to review your allocations in the Pension Plan. We are happy to assist you with transfers and rebalancing to meet your investment goals. Brethren Pension Plan is your partner on a path toward a financially sound retirement. Here's how —

- There's added value in our actively managed funds, which often perform far better than index funds.
- Not only are our fees lower than many of our competitors', but those fees are incorporated into the returns we report — there are no surprise costs added on.
- We earn these great returns on investments that reflect our strong values, thanks to our socially responsible investing strategy.

Whether this is the year you start planning for your retirement, or you are ready to retire, the Brethren Pension Plan offers excellent value and performance. We think you'll agree that our 67 years of experience, our outstanding returns, our low fee structure, and our commitment to socially responsible investing compare favorably with other investment programs.

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Scott Douglas

Director of Pension Plan and Employee Financial Services

COMMON QUESTIONS ABOUT YOUR PENSION PLAN

After serving pastors and employees of our congregations and organizations for almost 70 years, we have been asked many questions and provided many answers. Brethren Pension Plan Director Scott Douglas has been hosting seminars for our member organizations recently, and here are some topics he's been exploring —

Can I access my Pension funds in the event of an emergency?

If a Plan member faces a major expense or financial emergency, that member may request a Hardship Withdrawal. To qualify, the member must show that all other options for obtaining the needed funds have been exhausted. The need must be confirmed by an involved outside source, such as a bank or mortgage company. The distributed funds are subject to taxes and early withdrawal penalties, and are sent directly to the creditor. The following are categories for which Hardship Withdrawals are distributed:

1. For the payment of unreimbursed medical expenses incurred by you, your spouse, or your dependents.
2. Your purchase of a principal residence (excluding mortgage payments).
3. Payment for tuition or educational fees for the next 12 months of post-secondary education for you, your spouse, your children, or other dependents.
4. Prevention of eviction from or foreclosure on a principal residence.
5. Payment of funeral or burial expenses for your spouse, your children, or other dependents.
6. Payment for expenses to repair damage to your home caused by catastrophic events such as floods, hurricanes, tornadoes, or fires, as allowed by the Internal Revenue Code.



Patrice Nightingale

Pension Plan Director Scott Douglas (right) presents a retirement strategy seminar in October at Cross Keys Village in New Oxford, Pa.

How should I choose my investments?

Deciding how to allocate, or assign, money to one or several Pension funds is a difficult decision to make. Broadly speaking, the Common Stock Fund holds the largest potential for growth but at the greatest risk. The Short-Term Fund is on the other end of the risk spectrum — it offers less risk but less potential for gain than other choices. We recommend discussing the allocation of Pension funds with a professional financial adviser.

How much should I invest in my pension each month?

Retirement plans often have an employer contribution component, meaning that your employer will match some or all of your contribution to your account. Because the money your employer contributes is basically free money to you, most advisers recommend contributing at least an amount that will maximize your employer's matching contribution.

Should I pay off loans or put money into my pension?

This is a challenging question requiring thoughtful consideration. Generally speaking, paying down debt on high-interest loans first is desirable, because most investments would not return enough to counterbalance that interest. Ultimately, if your employer offers a matching contribution, then it may make sense to contribute to your Pension account — at least enough to maximize the amount of matching contribution made by your employer. This is like making an instant return on your investment — in some situations up to 100 percent!

How much money will I get from my pension?

To get a projected payment estimate for your retirement based on the amount of money you save, your employer's contribution, and your investment returns, please contact Lori Domich at 800-746-1505, ext. 365, or ldomich_bbt@brethren.org.

MARKETS AND THE ECONOMY

Looking back over the previous year, the best word to use to sum up the stock and bond market comes from basketball — rebound! Brethren Pension Plan's monthly objective is to obtain a fair return for its clients and exceed its benchmarks, and both goals were accomplished in the past year in U.S. stocks. The Common Stock Fund gained 29.3 percent. This great return in stocks beat the target S&P 500 Index by 2.8 percent for the year.

The movement in the bond market was even more dramatic. With an 11.7 percent total return for the past year, it is likely that the Bond Fund's returns will exceed those reported by many secular and most faith-based bond investment choices. The Barclays Capital Gov/Credit Index we use for comparison had an annual return of 4.5 percent. This impressive performance illustrates the success of the Plan's long-term approach to investing using modern portfolio theory, while selecting top investment managers to oversee your investments. We appreciate your business, and hope this warrants your continued confidence in Brethren Pension Plan.

WHAT TO CONSIDER WHEN MEASURING YOUR RISK TOLERANCE

Asset allocation — placing your investment money in one or several funds — is a process that is largely based on risk. This includes the risk you can handle emotionally, the risk your portfolio can endure, and the risk you must take to reach your targeted level of retirement income.

Risk tolerance, as defined by the U.S. Securities and Exchange Commission, is “your ability and willingness to lose some or all of your original investment in exchange for greater returns.”

What is your risk tolerance? There are several factors to consider, including —

Time frame. The more time you have until you reach retirement age, the more risk you can afford to take with your investments. Time will smooth the ups and downs of economic shifts. If you have fewer years before retirement or are already retired, decreasing your level of risk helps ensure short-term stability.

Investment goal. How much do you need for retirement, based on the age you retire and your life expectancy? If you hope to retire early and live 40 years after that, for example, you'll need to consider how much risk you need to take to reach your target.

Assets. Risk tolerance can increase proportionately to the amount of money you have to invest. If your resources are limited, you may not be able to incorporate as many higher-risk investments into your portfolio.

Personality. Some people are less inclined to be risk takers than others. For example, if you are likely to lose sleep over the idea of losing 20 percent of your portfolio's value, your portfolio ought to be more conservatively allocated.

There are myriad questionnaires available on the Internet to help you assess your risk tolerance, such as this one provided by Kiplinger: www.kiplinger.com/tools/riskfind.html. A financial planner can also help you determine how much risk you should take when allocating your assets.

2010 RETIREMENT CONTRIBUTION LIMITS

The Internal Revenue Service creates annual limitations on contributions made to qualified retirement plans like Brethren Pension Plan. Here are the main types of contributions, and the limits for 2010 —

| Contribution Type | 2010 Limit |
|--|------------|
| Elective-deferral contributions. These are pre-tax contributions an employee makes to an employer-sponsored retirement plan such as a 401(k) or 403(b). | \$16,500 |
| Catch-up contributions. If you are 50 years or older by the end of 2010, you may contribute additional funds to your Pension account beyond the elective-deferral contribution limit. | \$5,500 |
| Defined contribution plan contributions. The total annual contribution, including tax-deferred and tax-paid deposits, from both an employer and an employee. | \$49,000 |

Do you have questions about your Church of the Brethren Pension Plan account? Contact Lori Domich, Member Services Representative, at 800-746-1505, ext. 365, or at ldomich_bbt@brethren.org.

Quarterly Fund Performance Report

for the period ending December 31, 2009

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 5.8% Year to date 29.3% Five years 2.0% | S&P 500: Rate of Return Current quarter 6.0% Year to date 26.5% Five years 0.4% | |
| Balanced Fund: Rate of Return Current quarter 3.5% Year to date 22.2% Five years 3.3% | Blended Balanced Index: Rate of Return Current quarter 3.5% Year to date 17.7% Five years 2.1% | |
| Bond Fund: Rate of Return Current quarter 0.1% Year to date 11.7% Five years 4.6% | Barclays Capital Gov/Credit: Rate of Return Current quarter (0.2)% Year to date 4.5% Five years 4.7% | |
| Short-Term Fund: Rate of Return Current quarter 0.0% Year to date 1.3% Five years 2.5% | 6-Month T-Bill: Rate of Return Current quarter 0.0% Year to date 0.4% Five years 2.9% | |
| Community Development Investment Fund: Rate of Return Current quarter 0.1%* Year to date 0.7%* Five years 1.9%* *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 0.2% Year to date 3.7% Five years 2.8% | |

Five-year returns are annualized.