CHURCH OF THE BRETHREN
PENSION PLAN

Participants' Handbook

A ministry of
Church of the Brethren Benefit Trust

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On the Cover: Church of the Brethren Pension Plan members who joined the 300th anniversary celebration of the Church of the Brethren in Schwarzenau, Germany, in August 2008, gather on the bridge over the Eder River for a commemorative photo. Photo taken by Nevin Dulabaum.

CHURCH OF THE BRETHREN
PENSION PLAN

April 2010

Dear Pension Plan Participant —

This Pension Plan Participants' Handbook serves as your reference to the Church of the Brethren Pension Plan. It is designed to address many of the issues and questions that may arise as you plan for your retirement. It is a summary of the Plan (as amended Jan. 1, 2009), outlining Plan regulations and requirements, tax laws, and benefits.

Where there is a conflict between what is presented in this handbook and the Plan document, the Plan document will prevail. The most current electronic version of this handbook is available online at BBT's Web site, www.brethrenbenefittrust.org.

Inside the back cover is your employer's Plan Supplement Summary. It contains additional rules and guidelines that govern your Pension account, as specified by your employer. You may also use the back pocket to store future revisions to this booklet as you receive them.

Please call the Pension Plan office at 800-746-1505 if you have questions or need clarification.

We look forward to helping you prepare for your retirement!

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Church of the Brethren

Pension Plan

Introduction

In order to assist its employees in ensuring that they have enough funds set aside for their retirement years, the Church of the Brethren established the Church of the Brethren Pension Plan (the "Plan") for all ministers, missionaries, and lay employees of the Church of the Brethren agencies and affiliates who are eligible and elect to participate, as described below. This Plan provides the means for your Church of the Brethren employer to set funds aside for your retirement. In addition, it enables you to set aside a portion of your earnings in a tax-advantaged manner during your working years.

The Plan is a church retirement savings account program described in section 403(b)(9) of the Internal Revenue Code. The Internal Revenue Code permits denominations and churches to set up retirement plans designed to save tax dollars now and in the future. The Plan takes full advantage of these tax savings, while at the same time providing you with investment vehicles through which your money can grow.

The Plan is intended to be adopted by eligible Church of the Brethren or church-affiliated employers. By adopting this Plan, your employer can establish its own 403(b) plan, separate from the 403(b) plan of any other eligible employer.

You are encouraged to read this handbook carefully, along with your employer's supplement summary in the back pocket of this handbook, to understand how your employer's Pension Plan works.

This Handbook is a Summary of the Plan

The term "Plan," as used in this summary, refers to the retirement savings account program administered by the Church of the Brethren Benefit Trust Inc., which your employer has adopted. This handbook is a summary of only that Plan and its investment options. This summary does not describe any other agreements that your employer may have with providers of other 403(b) arrangements.

You should refer to these pages first when you have a question about the Plan. This description highlights the main provisions of the Plan and includes important information. However, because this description is just a summary, it cannot describe how the Plan works under every conceivable set of circumstances. In all cases, your rights under the Plan are governed by the Plan's legal document. In the event that this summary is inconsistent with the Plan document, the legal document will control. In addition, as indicated above, this summary does not describe any other 403(b) arrangements that your employer may offer.

A hard copy of the Plan document describing the retirement savings account program administered by BBT may be obtained from your employer or from the Church of the Brethren Pension Plan office. An electronic version of the Plan document is available to view and download on the BBT Web site.

Special Terms

You will see that there are many terms in this handbook that are either *italicized* or capitalized. These are important terms that have special meanings. These terms are defined in the glossary that is at the end of the handbook.

The Plan is a Defined Contribution Plan

Plan contributions come from employer contributions and contributions you make. All contributions are credited to your account in the Plan. The tax laws limit the amount of contributions that both you and your employer can make to the Plan on your behalf. Brethren Benefit Trust will assist in the calculation of that limit upon request.

The Plan is an Important Part of Your Financial Security

The primary purpose of the Plan is to provide Plan members and their beneficiaries with retirement income. The contributions to your account are an important part of financial security in your retirement. Additionally, Social Security (if you have not elected out of it), personal savings, any other retirement savings, and home ownership also contribute to your financial security at retirement.

At retirement, your total account balance in this Plan — that is, all contributions (employer and employee) plus investment earnings — forms the basis for calculating your retirement benefits, portions of which may be payable to you in the form of a monthly annuity, in installment payments, or as a lump sum.

Remember, it is generally expected that all contributions made to the Plan will stay in the Plan until you retire. You should understand that this Plan is not intended to be a liquid savings account. Rather, it is a long-term retirement account. Therefore, the Plan generally does not permit you to withdraw contributions made to the Plan on your behalf, or to roll over funds from this Plan into another retirement plan until you reach age 60 or have retired.

Joining the Plan

Who May Join the Plan

All clergy and layworkers who are working for an eligible Church of the Brethren employer are permitted to participate in the Pension Plan, subject to any specific eligibility conditions established by their employer. An eligible employer includes any local church, college, district, agency, or organization affiliated with the Church of the Brethren.

Eligibility in the Pension Plan is determined by your employer. To check your eligibility with your employer, refer to your employer's supplement summary (in the back pocket of this handbook).

When Can I Enroll?

Your employer determines when you can enroll in the Pension Plan. Refer to your employer's supplement summary (in the back pocket of this handbook).

How to Enroll

If you are eligible to participate in the Plan, you may enroll by completing the appropriate enrollment forms and returning them to the Pension Plan office. You may request enrollment forms from your employer or by calling the Pension Plan office at 800-746-1505 or visiting the BBT Web site at www.brethrenbenefittrust.org.

When you apply you will need to indicate —

- How much you want to contribute to the Plan, and whether you want to make these contributions on a pre-tax or after-tax basis.
- How to allocate your contributions among the available investment funds. Please refer to the section **Investment Funds** on page 10 for more information on these funds. **Note: If you do not select an investment option for contributions to your account, any contributions made to your account are invested in the Balanced Fund, which is the Plan's default investment option.**
- Who will be your beneficiary if you die before you annuitize your account. For more information on choosing a beneficiary, please see the section titled **Selecting a Beneficiary** on page 25.

Contributions

There are two basic types of contributions that may be made to the Plan — *employee contributions* and *employer contributions*. These contributions are made to the Plan on a regular basis. Your employer will automatically send all contributions (both yours and the employer's) to the Plan for investment. There are limits on the total amount of contributions that may be made to the Pension Plan. See the section titled **How Much to Contribute** on page 5 for more information on these limits.

Employee Contributions

There are two primary types of employee contributions that you can make to the Plan — *Tax-Sheltered Contributions* and *Tax-Paid Contributions*. Both types of contributions are voluntary contributions.

> *Tax-Sheltered Contributions*. All eligible employees can make Tax-Sheltered Contributions to the Plan. This type of contribution allows you to contribute a certain portion or percent of your compensation to the Pension Plan on a pre-tax basis. You may choose how much you want to contribute, subject to an annual Internal Revenue Code limit on voluntary contributions, and your taxable salary is reduced by the amount you contribute to the Plan, saving you current tax dollars. You pay taxes on these Tax-Sheltered Contributions only when you withdraw them from the Plan.
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> To make Tax-Sheltered Contributions to the Pension Plan, you must complete a salary reduction agreement form with your employer. This form authorizes your employer to reduce your salary by the amount of your Tax-Sheltered Contributions. You must sign and date this form and return it to your employer, who will forward it to the Pension Plan office.
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> *Tax-Paid Contributions*. The second type of contribution is a Tax-Paid Contribution. These are additional contributions that you choose to make to the Pension Plan on an after-tax basis. You may choose how much you want to contribute. This type of contribution is also taken out of your salary but does not reduce your taxable income. To make Tax-Paid Contributions to the Pension Plan, you should request a form from your employer or contact the Pension Plan office at 800-746-1505.

You can amend your Tax-Sheltered or Tax-Paid Contributions at any time by notifying your employer and completing the appropriate form.

Employer Contributions

In addition to the voluntary contributions that you personally make to the Plan, your employer may also make contributions on your behalf. There are two types of *employer contributions* that may be made to the Pension Plan— *Basic Contributions* and *Matching Contributions*. Your employer's supplement to this handbook (in the back pocket of this handbook) describes the type and amount of contributions that your employer will make on your behalf.

Employer contributions are always tax-deferred. You pay taxes on these accumulations only when you start to receive distributions from the Pension Plan.

> *Basic Contributions*. Your employer may elect to make Basic Contributions. This is a contribution your employer makes whether or not you make voluntary contributions to the Pension Plan. Normally, Basic Contributions are based on a percentage of your compensation. Check your employer's supplement to this handbook (in the back pocket of this handbook) to see if your employer makes employer Basic Contributions and, if so, how much those contributions will be.

Matching Contributions. Your employer may also elect to make Matching Contributions on your behalf. This type of contribution is made only if you make Tax-Sheltered Contributions to the Plan. Check your employer's supplement summary (in the back pocket of this handbook) to see if your employer makes Matching Contributions and, if so, how much those contributions will be.

Rollover and Transfer Contributions

If you are a participant in another retirement plan, you may also be able to make a *Rollover Contribution* or a *Transfer Contribution* to this Plan.

Rollover Contributions. If you have worked for another employer and have made contributions to that employer's retirement plan, you may be able to roll your account in that retirement plan over to the Plan. There are two ways to make a Rollover Contribution to the Plan. The easiest and most cost-effective method is to arrange with the administrator of the other retirement plan to transfer your account balance directly to this Plan. That means that you do not receive the distribution, and income tax is not withheld at the time of the rollover. You can also make a Rollover Contribution to the Plan even if you did not arrange for the previous plan administrator to make a direct transfer to the Pension Plan. To do so, you must deposit the amount in the Plan within 60 days of receiving the distribution. For more information, see the Plan document.

Transfer Contributions. A Transfer Contribution is a transfer directly from another 403(b) annuity provider to the Plan. The Plan accepts Transfer Contributions from any other 403(b) account. You may use Transfer Contributions to consolidate your funds into one account; however, in-service transfers between two Plan accounts are allowed only if the retirement provisions associated with each Plan account are the same. For example, you may not make an in-service transfer if your previous Church of the Brethren employer's Plan set the retirement age at 60 and your current Church of the Brethren employer's Plan sets the retirement age at 55. You should also check with the administrator of the other retirement plan to see if transfers out of that plan are allowed.

There are a number of special rules and limitations on Rollover Contributions and Transfer Contributions. Therefore, if you are a participant in another retirement plan, have made retirement contributions to another 403(b) provider, or have made contributions to the Brethren Pension Plan through another Church of the Brethren employer, you should contact the Pension Plan office at 800-746-1505 to determine if you can make a Rollover Contribution or Transfer Contribution to the Pension Plan.

How Much To Contribute

The tax laws limit the amount of contributions (not including Rollover or Transfer Contributions) that may be contributed on your behalf. Because these limits are determined by your own financial circumstance, BBT cannot be responsible for ensuring that you are compliant with contribution rules and regulations; that must be your responsibility. You should consult with your tax adviser about the legal contribution limits.

Basic Limits: There are essentially two limits on the amount of contributions that can be made to your Account. The first limit only applies to your voluntary *Tax-Sheltered Contributions*. The other limit applies to all contributions made to the Plan on your behalf — both your own voluntary contributions and employer contributions. **You cannot exceed either of these limits.**

- Limit on Tax-Sheltered Contributions. The first contribution limit is that the total amount of your voluntary Tax-Sheltered Contributions cannot exceed a specified dollar amount. For

2010, the IRS limit is $16,500. The Internal Revenue Service may increase this dollar limit from time to time to account for cost-of-living increases. This limit does not include any Tax-Paid Contributions or employer contributions.

- Limit on Total Contributions. The second limitation on how much you can contribute is the total amount of your Tax-Sheltered, Tax-Paid, and employer contributions made in a calendar year. This amount cannot exceed 100 percent of your taxable compensation or the statutory dollar amount, whichever is less. For 2010, the IRS statutory amount is $49,000. The IRS may increase the $49,000 limit from time to time to account for cost-of-living increases. Please note that, for this purpose, "compensation" cannot include any tax-exempt housing allowance (if you are a minister).

Catch-Up Contribution Limits. There are also two special "catch-up" contribution limits that apply in limited cases.

- 15 Years of Service Catch-Up Contributions. The first special "catch-up" limit is available to individuals who have been employed within the Church of the Brethren for 15 years and who have not made maximum voluntary contributions during past years. For example, the $16,500 limit on your voluntary Tax-Sheltered Contributions can be increased by up to $3,000 if you have 15 years of service with the Church of the Brethren and have not contributed up to the maximum voluntary contribution limit in prior years. **Note:** The maximum lifetime amount that can be contributed under this special "catch-up" contribution limit is $15,000; this limit is set by the IRS. The IRS does not adjust this amount to account for cost-of-living increases.

- Age 50 Catch-Up Contributions. Under the Age 50 Catch-Up Contribution limit, beginning in the year you turn 50, you can make additional voluntary Tax-Sheltered Contributions. For 2010, the catch-up limit is $5,500. This limit is set by the IRS. These additional voluntary Tax-Sheltered Contributions do not count for purposes of either of the two main contribution limits discussed above. That means that if you turn 50 in 2010, you can make Tax-Sheltered Contributions up to $16,500, plus an additional $5,500 in Age 50 Catch-Up Contributions (so that your total Tax-Sheltered Contributions in 2010 could be as much as $22,000.) The IRS may increase this Age 50 Catch-Up limit from time to time to account for cost-of-living increases.

The IRS has adopted a rule for coordinating the two types of catch-up contributions where employees are eligible to make both types of contributions. All Tax-Sheltered Contributions in excess of the basic limit on Tax-Sheltered Contributions described above will first be treated as contributions under the 15 Years of Service Catch-Up limit. Once the 15 Years of Service Catch-Up Contribution is made in full for a year, the Age 50 Catch-Up Contribution limit will come into play, up to the annual limit allowed.

To check the current contribution limits, you can call the Pension Plan office at 800-746-1501 or view the Pension section of the BBT Web site, www.brethrenbenefittrust.org.

Examples of Application of Contribution Limits

Example One: In 2010, Mary Smith receives a $30,000 salary. Mary's employer makes annual contributions in the amount of $3,000 (which is 10 percent of Mary's compensation). Mary also contributes $5,000 in Tax-Sheltered Contributions.

Plan Contributions in 2010:

Employer Contributions:	$3,000
Tax-Sheltered Contributions:	$5,000
Total Contributions:	$8,000

Annual Limit on Tax-Sheltered Contributions for 2010: $16,500

Annual Limit on Total Contributions for 2010:

Lesser of: $49,000 or 100 percent of taxable compensation.
Mary's taxable compensation is $30,000.
That means that the maximum annual limit on total contributions is $30,000.

Conclusion:

Mary's Tax-Sheltered Contributions are $5,000, which is less than the annual limit on Tax-Sheltered Contributions, and the total contributions made to her account (Tax-Sheltered Contributions and employer contributions) are $8,000, which is less than the annual limit on total contributions. So Mary and her employer are within the IRS-imposed contribution limits.

Example Two: Pastor Miller is 45 years old and receives a salary of $30,000, of which $20,000 is eligible as tax-excludible housing allowance. Pastor Miller's employer contributes $3,000 (which is 10 percent of Pastor Miller's compensation). In addition, Pastor Miller contributes $8,000 in Tax-Sheltered Contributions.

Plan Contributions:

Employer Contributions:	$3,000
Tax-Sheltered Contributions:	$8,000
Total Contributions:	$11,000

Annual Limit on Tax-Sheltered Contributions for 2010: $16,500

Annual Limit on Total Contributions for 2010:

Lesser of: $49,000 or 100 percent of taxable compensation.
Pastor Miller's taxable compensation is $10,000 ($30,000 in salary minus $20,000 housing allowance = $10,000).
That means that the maximum annual limit on total contributions is $10,000.

Conclusion:

Although Pastor Miller's total contributions do not exceed the $16,500 annual limit on Tax-Sheltered Contributions, his total contributions ($11,000) are more than the annual limit on total contributions. Pastor Miller must reduce his Tax-Sheltered Contributions. Even though he has not exceeded the annual limit for these contributions, he has exceeded the annual limit for total contributions. Pastor Miller must reduce his Tax-Sheltered Contributions to $7,000 so that the total contributions made to the Plan on his behalf will be $10,000 ($7,000 in Tax-Sheltered Contributions plus $3,000 in employer contributions = $10,000).

Example Three: The facts are the same as for Example Two, except that now Pastor Miller is 62 years old. He still wants to make Tax-Sheltered Contributions in the amount of $8,000, in addition to the 10 percent employer contributions that his employer makes.

Plan Contributions:

Employer Contributions:	$3,000
Tax-Sheltered Contributions:	$8,000
Total Contributions:	$11,000

Annual Limit on Tax-Sheltered Contributions for 2010:

Basic Limit:	$16,500
Age 50 Catch-Up Contribution Limit:	$5,500
Total Tax-Sheltered Contribution Limit:	$22,000

Annual Limit on Total Contributions for 2010:

Lesser of: $49,000 or 100 percent of taxable compensation.
Pastor Miller's taxable compensation is still $10,000 ($30,000 in salary minus $20,000 housing allowance = $10,000).
That means that the maximum annual limit on total contributions is $10,000.

Annual Total:	$10,000
Age 50 Catch-Up Contribution Limit:	$5,500
Total Tax-Deferred Contribution Allowance:	$15,500

Conclusion:

Although the total contributions to the Plan are $1,000 more than Pastor Miller's taxable compensation, Pastor Miller is entitled to make additional Tax-Sheltered Contributions because he is over age 50. These catch-up contributions are in addition to the annual limit on total contributions. Thus, Pastor Miller can treat $1,000 of his Tax-Sheltered Contributions as special Age 50 Catch-Up Contributions. As such, the remaining contributions equal $10,000, which is equal to 100 percent of Pastor Miller's taxable compensation. Therefore, Pastor Miller's total contributions to the Plan are within the legal limits.

Vesting

Vesting is another word for "ownership," or your irrevocable right to obtain contributions made to the Plan on your behalf. All amounts in your *employee subaccount* are 100 percent vested and nonforfeitable. This includes any Tax-Sheltered Contributions, Tax-Paid Contributions, Rollover Contributions, and Transfer Contributions.

Vesting of the employer contributions in your *employer subaccount* is determined by your employer. Refer to your employer's supplement summary in the back pocket of this handbook to find out when your employer contributions are vested.

Federal and State Income Tax Information

You do not pay federal income taxes on the contributions at the time you make Tax-Sheltered Contributions. You also do not pay federal income taxes at the time employer contributions are made. All taxes on these contributions are deferred until benefits are paid to you or your beneficiary. Tax-Paid Contributions are taken from salary on which you must pay federal income taxes at the time the salary is paid. These contributions are therefore not taxed when they are later distributed (though the earnings on these contributions are subject to tax at the time of distribution).

The way in which your Plan benefits will be taxed under most state and local income tax laws will be the way in which they are taxed for federal tax purposes. BBT is required to withhold taxes on payments made from the Plan according to Federal and State withholding rules in effect at the time of distribution. Please see the **Withdrawals** section on page 19 of this handbook for additional information on income taxes. However, you should consult a tax adviser about taxation of your benefits under state and local tax laws, if you are subject to such taxes.

Plan Accounts

All contributions made on your behalf, along with earnings on those contributions, will be credited to an *account* under the Plan in your name. BBT will determine the fair market value of your account, allocating investment earnings and losses to that account. You will receive a quarterly statement of your account balance that reflects all contributions to your account made since the preceding statement, including Rollover and Transfer Contributions; all amounts paid to you from your account during that period, if any; and all earnings and losses to your account. To find out your account balance, refer to your quarterly statement or you can call the Pension Plan office at 800-746-1505.

Employee and Employer Subaccounts

Your account is divided into two different subaccounts: an *employee subaccount* for your personal contributions and an *employer subaccount* for employer contributions. There are some important differences in pay-out options between the two subaccounts, which are discussed in the section titled "Receiving Your Annuity Benefits."

Employee subaccount. This subaccount includes:

- All of your employee contributions to the Plan, including any Tax-Sheltered Contributions, Tax-Paid Contributions, Rollover Contributions, and Transfer Contributions.

- Investment returns on all employee contributions.

Employer subaccount. This subaccount includes:

- All employer contributions made on your behalf, including any employer Basic, Matching, or Additional Contributions.

- Investment returns on all employer contributions.

Investment Funds

The Plan is intended to give you an opportunity to exercise control over the investment of the assets in your account. All amounts credited to your account under the Pension Plan will be invested at your direction in one or more *investment funds* provided by the Plan.

Each investment fund is different and has its own specific investment objective. It is up to you to decide in which of the investment funds you want to invest and how much of your Plan contributions and assets you want to invest in each one. The choice of how to invest is entirely up to you. You should review the available investment information carefully before you choose the investment fund or funds in which to invest the contributions made to the Plan on your behalf. **However, if you do not select an investment option for contributions to your account, any contributions made to your account are invested in the Balanced Fund, which is the Plan's default investment option.**

Remember: BBT may add, eliminate, or otherwise change the investment funds offered under this Plan at any time. However, if it does so, it will notify participants of any change, and these fund options will be listed in your quarterly statements and in your online account.

Before investing in any investment fund, you should carefully consider the investment objectives and risks for that investment fund. In addition, you should from time to time review the earnings performance of the investment fund or funds you have selected. You will periodically be provided with information on the earnings performance of all of the available investment funds.

Fund Choices

The Plan currently has five investment funds that are intended to help participants meet their financial goals for retirement. On a monthly basis, you may choose a different fund or combination of funds for both accumulations and new contributions. The performance of the fund or funds in which your accumulations/new contributions are allocated will directly affect the value of your account.

The following is a brief description of the funds. A more detailed description is included in the glossary at the back of this handbook.

Common Stock Fund. Investments in this fund are primarily in common stock and securities convertible to common stock, preferred stock, and cash equivalents. BBT's Investment Committee seeks intermediate to long-term appreciation and growth in this fund. This fund typically holds the largest potential for growth but at the greatest risk.

Bond Fund. Investments in this fund are primarily in corporate bonds, U.S. government and agency securities, asset- and mortgage-backed securities, Certificates of Deposit, commercial paper, and high-yield corporate bonds. This fund is considered to be a moderate fund, both in risk and in potential growth.

Balanced Fund. Investments in this fund are a blend of the Common Stock Fund and the Bond Fund. This fund is a hybrid between the higher risk and potentially high gains of the Common Stock Fund and the relatively lower risk and potential gains of the Bond Fund.

Short-Term Fund. Investments in this fund are primarily in commercial paper, Treasury notes, demand notes, and other similar instruments that mature in 24 months or less. With this fund the Plan seeks to preserve capital. This fund is considered to have the least amount of risk with the least amount of potential gains.

Community Development Investment Fund. This investment fund is designed to support community development lending in local communities. This fund represents a mission-based component of an asset allocation plan and is premised on a long-term commitment of funds. Investments are in community development instruments issued by organizations funding community development projects. This investment fund, by its very nature, earns a modest return. Pension Plan members are advised to allocate no more than 1 percent to this fund. If you wish to allocate more than 1 percent of your total account to this fund, you must sign a disclaimer stating that you understand the risk. The fund's *prospectus*, available to interested Plan participants, describes the risks.

(Check the online version of this Handbook for the most up-to-date listing of fund offerings.)

Your Investment Strategy

Each of the BBT *investment funds* has advantages and disadvantages for you, depending on many personal factors, such as your age, the number of years until retirement, other investments or assets you possess beyond the Plan, and your ability to assume risk. You need to examine each investment fund in light of your individual concerns and investment goals.

Fund selection is the responsibility of each participant. Questions about investment choices should be directed to a professional financial planner.

Fund Management

BBT is responsible for the management of the investment funds. All funds are managed in accordance with BBT's Investment Guidelines. If you are unsure which fund or funds are most appropriate for you, consult a professional financial planner.

While BBT supervises the management of the Plan's investment funds, investments are chosen and purchased by professional fund managers who have extensive experience managing retirement plan assets. The funds are comprised of separate *accounts*, with each *account* seeking a different investment objective, which allows for diversification. Overall performance objectives and socially responsible investment guidelines established by BBT direct the management of Plan assets. These guidelines also restrict holdings in any one company to no more than 5 percent of that company's outstanding stock or debt, and no more than 10 percent of an account.

Units

The value of each fund is based on units. Units are similar to mutual fund shares and show the overall performance of each fund, including the effects of market fluctuations, earnings from interest and dividends, and expenses.

A change in the unit value changes the value of your Pension Plan account. These unit value changes are calculated on a monthly basis.

Investment Choice Procedures

This section describes the procedures for making an election to invest contributions made on your behalf to the Plan. **Note:** You may allocate the investment of new incoming contributions differently from the way you allocate the investment of your accumulated contributions already in your Plan Account.

Investment of Incoming Contributions

All incoming contributions are invested in one or more of the investment funds, which you may designate in any combination of whole percentages. There is no minimum dollar amount that must be contributed to any fund, as long as you invest at least 1 percent of your contributions in each fund you select.

To select investment funds for incoming contributions, you must complete an election form that is available from your employer, the BBT Web site, or the Pension Plan office. You may contact the Pension Plan office at 800-746-1505, and we will send this form to you.

If you do not select an investment option for contributions to your account, any contributions made to your account are invested in the Balanced Fund, which is the Plan's default investment option.

When employer and employee contributions are sent to the Pension Plan office —

- These contributions are deposited into the investment funds you selected and in the designated proportion. The deposit becomes effective on the first business day of the month following receipt of the payment.

- A deposit is converted to units at the unit value established on the first business day of the month following receipt of the payment.

You may change your investment funds once a month by filing a new election form with the Pension Plan office. Any change in investment of incoming contributions will be effective as soon as is administratively feasible after the end of the month, or earlier if so determined by BBT. No commissions or sales costs are charged on the different funds.

Investment of Accumulated Contributions

Accumulated contributions (*accumulations*) are contributions made to the Plan along with any earnings and/or losses on those contributions. All participants have two choices about how to manage their accumulated contributions —

- Leave the accumulations as originally allocated.

- Reallocate the accumulations to one or more funds in any proportion.

Changing Funds/Allocations

There are no fees to change funds or allocations, and changes can be made monthly. To select different funds or change investment proportions or percentages for future contributions or accumulations, request the Fund Selection/Fund Transfer form from the Pension Plan office or your employer, or download it from the **Downloads** tab at BBT's Web site. Complete the proper section(s) of the form and send it to the Pension Plan office. You can also request the changes by calling the

Pension Plan office at 800-746-1505. Your conversation will be recorded for accuracy, and you will receive a confirmation notice of the request.

Transfers and changes in fund selection for future contributions are effective the first business day of the month after the Pension Plan office receives your form or telephone call.

Although you are permitted to transfer all or a portion of your account among the investment funds offered by BBT, you cannot transfer any amounts out of a BBT investment fund to another investment fund not offered by BBT.

How to Choose Among Investment Funds

Which of the investment funds you choose may depend on how you answer three questions:

1. *How long will the money be invested? (What is your investment time horizon?)*

2. *How tolerant are you in seeing your account value decline in times when the markets have their inevitable pullbacks? (How tolerant are you of risk?)*

3. *How much money do you think you will need for retirement? (What is your investment goal?)*

The answers to these questions can vary widely. The right investment choice for one person may not be the right choice for you. For example, if your investment time horizon is short (meaning that you will retire soon), or you are feeling a great deal of stress as a result of market value fluctuations, you may want to consider more conservative investment funds. However, if your investment goals (in terms of income needed in retirement) are high, and you are not planning to retire for a long time, you may want to invest more aggressively. The choice of fund allocation is important, and you may want to consult a financial adviser to determine an appropriate asset allocation for your Plan investments.

Receiving Your Annuity Benefits

Annuity Benefits — A Monthly Payment for Life

You are entitled to an annuity benefit from the Plan when you retire or separate from service after attaining age 55. If you have not terminated employment, you may start your annuity any time after the age indicated on your employer's supplement summary (in back pocket) — in most cases that will be when you reach age 60.

An annuity benefit is a monthly payment for the rest of your life. The annuity benefit payment amount can change. If you are married at the time your annuity benefit begins to be paid, this annuity benefit will also be extended to your spouse for the rest of his or her life, unless you and your spouse specifically choose an alternate form of benefit.

As discussed earlier, your employer and employee contributions are accounted for separately in different subaccounts. This is because upon retirement the employer and employee subaccounts are subject to different distribution rules.

Employer Subaccount

The money in your *employer subaccount* must be used to fund an annuity. It <u>cannot</u> be taken in a lump sum distribution (which is permitted with your employee subaccount).

- You will receive your entire employer subaccount (and possibly more) if your life expectancy meets or exceeds actuarial projections.

- You will receive less than the entire amount in the employer subaccount if you do not live as long as projected and have not chosen a surviving spouse option. The balance will remain in the Pension Plan to help fund the annuities for participants who live longer than projected. In this way, the Pension Plan works for the mutual benefit of all participants.

Employee Subaccount

Your *employee subaccount* is different from your employer subaccount, because you are not required to annuitize the funds in this subaccount. In addition, you are guaranteed to receive the entire amount in this subaccount. This is your assured return. You will have three options for your employee subaccount when you are eligible to receive benefits:

- <u>Annuitize your entire employee subaccount</u>. If you choose this option, the funds in your employee subaccount will be combined with your employer subaccount to create a larger monthly check. When your annuity begins, the assured return is paid first. Your employer subaccount must be annuitized in order for you to annuitize any portion of your employee subaccount.

- <u>Annuitize a portion of your employee subaccount</u>. You may annuitize a portion of your employee subaccount and it will be combined with the employer subaccount to create a combined monthly annuity amount. Any remaining balance in your employee subaccount, following annuitization, may be distributed to you as a lump sum, rolled into an IRA or left invested in your subaccount for later action.

- <u>Receive a lump sum distribution of your entire employee subaccount</u>. This includes rolling the account into an IRA.

If you decide to annuitize a portion of your employee subaccount, this annuitized amount is no longer available for a lump-sum withdrawal.

What Happens When Your Annuity Starts

At the time your annuity starts, your employer subaccount will be transferred from the Pension Plan's *Active Lives Account* to the *Retirement Benefits Fund* to fund your monthly annuity. If you decide to annuitize any portion of your employee subaccount, as described above, that portion of your employee subaccount will also be transferred to the *Retirement Benefits Fund* to increase your monthly annuity. The monthly annuity to which you are entitled will be based on the amount transferred to the *Retirement Benefits Fund* at the time your monthly pension commences. Your age and your spouse's age at the time of retirement and actuarial assumptions currently in effect will also affect the amount of the annuity you will receive.

Important: It is possible for the payment amount to change (increase or decrease), depending on market performance.

Once you begin to receive an annuity, managing these funds is no longer your responsibility. BBT is responsible for managing the *Retirement Benefits Fund*. You will continue to be responsible for managing any remaining balance in your employee subaccount — including investment allocations.

When You May Start Your Annuity

If you terminate employment, you may start your annuity when you reach age 55 or later. If you have not terminated employment, you may start your annuity any time after the age indicated on your employer's supplement summary to this handbook (see back pocket) — in most cases, that will be when you reach age 60. If you are between the ages of 55 and 60 when you start your annuity, you may annuitize only your employer subaccount. Employee contributions and earnings will become available for annuitization when you turn 60. You must begin to receive your annuity no later than April 1 following either the year in which you turn 70½ or the year you retire from service with your employer, whichever is later.

Selecting Your Annuity

*If you are married** when you start to receive annuity benefits, you may select one of three surviving spouse options described below. However, if your spouse consents, you may elect a single life annuity. Each of these forms of benefit will have a different payment amount. The amount of your monthly payment will be highest if you select a single life annuity and lowest if you select a 100-percent spouse option. Remember to select the annuity option carefully. You cannot change the form of annuity once your annuity payments begin.

If you are not married when your annuity starts, your Plan benefit will be paid in a single life annuity, which means —

- Payments will be made to you in equal monthly amounts.
- Payments to you will stop upon your death and any remaining *assured return* will be paid to your beneficiary in a lump sum.

* To establish marital status, you will be required to provide legal documentation proving that status — i.e., a marriage license.

Surviving spouse options

If you select a surviving spouse option, the monthly annuity payment you receive under each of these options will be somewhat lower than for a single life annuity. The annuity benefit applies only to the spouse to whom you are married when your annuity begins; there is no provision for transferring or changing the surviving spouse option once your account has been converted to annuity benefit payments.

The following surviving spouse options are available —

- 50-percent spouse option. If you are married, your Plan benefit will automatically be calculated using this surviving spouse option, unless you select a different option with your spouse's consent. Under this option, if you die before your spouse, your spouse will begin receiving a monthly payment equal to 50 percent of the amount you were receiving. If your spouse dies first, you continue to receive a payment for the same amount you were receiving prior to the death of your spouse.

- 75-percent spouse option. Under this option, if you die before your spouse, your spouse will begin receiving a monthly payment equal to 75 percent of the amount you were receiving. If your spouse dies first, you continue to receive a payment for the same amount you were receiving prior to the death of your spouse.

- 100-percent spouse option. Under this option, if you die before your spouse, your spouse will begin receiving a monthly payment equal to the amount you were receiving. If your spouse dies first, you continue to receive a payment for the same amount you were receiving prior to the death of your spouse.

The amount of your annuity

When you are ready to receive your benefit, the amount of your annuity is determined by the annuity option you have selected. It is calculated by adding the amount of money in your employer subaccount to that portion of your employee subaccount that you have decided to annuitize. This sum is then multiplied by an *assumed earnings* factor and then divided by your life expectancy. Life expectancies are determined by the Pension Plan's *actuaries*.

If you are married, the amount of the payment will also reflect the life expectancy of your spouse, unless you choose the single life annuity option.

Each of these forms of benefit has a different payment amount. You should consider each annuity option carefully.

Remember: You cannot change your form of benefit once your annuity payments begin.

If you choose a partial lump-sum payment from your employee subaccount, any or all of your remaining employee subaccount may be added to your employer subaccount to increase the amount of your monthly payment.

The annuity benefit is intended to provide level payments for the entire life of the participant. Any decision to recalculate benefits is made within the context of the long-term viability of the Pension Plan for all current and future annuitants. The Plan will notify participants in advance when circumstances warrant the recalculation of annuity payments. Ultimately, it is possible for the payment amount to change (increase or decrease) depending upon market conditions.

Lump-Sum Payments

As described above in the section titled **Employee Subaccount**, you may choose a lump-sum payment from your employee subaccount. If you do so, you have two choices. You can —

- Roll over the money into another eligible retirement plan. See the section titled **Direct Rollovers and Mandatory Withholding** for a more detailed discussion of rollovers.

- Receive a lump-sum distribution from the Pension Plan.

If you receive a lump-sum distribution and do not arrange to roll this distribution over directly to another eligible plan, the Pension Plan is required to withhold 20 percent of the taxable portion of this distribution and submit the withholding to the IRS. This will be reported to you and the IRS on *Form 1099-R*. This amount is reimbursable to you if you show the IRS that you deposited these funds in another eligible plan within 60 days of receiving the distribution. If your age is less than 59½, your distribution may also be subject to a 10 percent penalty tax.

Returning to Work After Your Annuity Starts

If you begin to receive annuity benefits following termination of employment, no further contributions will be made to the Plan unless you return to work with a Church of the Brethren employer that participates in the Plan. If that happens, you may continue to receive your annuity payments and make contributions to the Pension Plan at the same time. The new contributions will go into a supplemental subaccount in your name, which you can annuitize at a later date. When you choose to annuitize contributions in your supplemental subaccount, the benefit will be calculated based on your current age and the Plan's current *assumed earnings factor* and added to your existing annuity.

Receiving Your Annuity While Continuing to Work

Some plans allow employees to start receiving their annuity at age 55 — while they are actively employed. At age 60 you may start receiving your annuity regardless of your employment status. (Please refer to your employer's supplement summary at the back of this handbook to see when your employer will allow you to receive your annuity while continuing to work.) If you are between age 55 and 60, and your Plan allows it, you may annuitize <u>only</u> your employer account. You may annuitize your employee account at age 60. Contributions may continue to be made to the Pension Plan at the same time. The new contributions will go into a supplemental subaccount in your name. When you choose to annuitize contributions in your supplemental subaccount, the benefit will be calculated based on your current age and the Pension Plan's current *assumed earnings factor* and added to your existing annuity. Remember that your employer contributions must be annuitized; only amounts in your employee contributions are available for an alternative distribution.

Members may add to their annuities only once per year. The exception to this is if a member separates from service in the same year that they initially annuitized — in this case, they may annuitize a second time (add-on). Members are allowed a total of three annuities (their first annuity plus two add-ons).

Annuity Payment of Less Than $20

If your monthly annuity is less than $20, you may receive quarterly payments or, in some cases, one lump-sum payment.

Cash Out of Small Accounts

If the vested amount in your employer subaccount is less than $5,000 when you terminate employment, your entire account may be cashed out and returned to you at the discretion of the Plan administrator.

Withdrawals and Transfers of Interest

Withdrawals

If you cease working for your employer, you may have the option of withdrawing all or a portion of your employee subaccount. Withdrawal forms are provided by your employer or the Pension Plan office. You may withdraw an amount one time each calendar year as long as you are not employed by an employer who is offering a Church of the Brethren Pension Plan.

Your withdrawal will be processed and the money sent to you on the basis of the new unit values established on the last business day of the month in which your withdrawal request was received.

The Plan is required to withhold 20 percent of the taxable portion of any lump-sum distribution amount and submit to the IRS for federal income taxes unless you directly roll this amount over to an eligible plan. See the section entitled **Direct Rollovers and Mandatory Withholding** on page 20 for more information on this withholding requirement.

Taxes will be due on —

- All contributions except Tax-Paid Contributions.
- The investment return on <u>all</u> contributions, including Tax-Paid Contributions.

A 10 percent penalty is assessed by the IRS on taxable withdrawals after separation from service unless you are age 59½ or older. This will be reported to you and the IRS on *Form 1099-R*. You may avoid the 10 percent penalty by directly transferring or rolling over your employee accumulations to an eligible retirement plan. You should talk to your financial or tax adviser before making a withdrawal prior to age 59½.

Note: Pastors whose names are on the Church of the Brethren pastoral placement list may <u>not</u> make withdrawals while on this list.

Hardship Withdrawals

You may apply for a hardship distribution of all or a portion of your employee contributions, not including any earnings.

A hardship distribution will be made only if your employer verifies that you have an immediate and heavy financial need. You must have exhausted all other means of obtaining the needed funds before a hardship withdrawal will be available for consideration. Verification of need must also be submitted from an outside source (bank, mortgage company, educational institution). If proof of need is satisfied, the distribution will be processed as soon as possible and sent directly to the creditor.

In addition, a hardship distribution must be for the exact amount needed to satisfy the obligation, plus any applicable taxes and penalties. Hardship withdrawals are considered to be distributions and therefore taxed as income; they are subject to early withdrawal penalties if the participant is under 59½ years old.

A hardship distribution is available for the following immediate and heavy financial needs:

- Unreimbursed medical expenses incurred by you, your spouse, or your dependents.
- The purchase (excluding mortgage payments) of a principal residence.

- Tuition payments for the next 12 months of post-secondary education for you, your spouse, or your children or dependents.

- To prevent your eviction from your principal residence or foreclosure on your principal residence's mortgage.

- Payment of funeral or burial expenses for your spouse, your children, or other dependents.

- Payment for expenses for the repair of damage to your home caused by catastrophic events — such as floods, hurricanes, tornados, or fires — as allowed by the IRS.

A distribution necessary to satisfy an immediate and heavy financial need must meet the following requirements:

- It cannot be in excess of the amount of the immediate and heavy financial need.

- You must have obtained all distributions, other than hardship distributions and all nontaxable loans available under this Plan and all other plans maintained by your employer, if any.

- You will not be allowed to make employee Tax-Sheltered Contributions or Tax-Paid Contributions to this or any other Plan offered by your employer (excluding health or welfare benefit plans or the mandatory employee contribution portion of any defined benefit plan, if any) for at least 6 months after receiving a hardship distribution.

Pre-Retirement Termination Withdrawals

If you leave your job and do not take a position with another Plan employer, you may elect to receive all or a portion of your employee subaccount in the form of a lump sum. This amount can be paid to you directly or rolled over to another *eligible plan*. You should review the next section on **Direct Rollovers and Mandatory Withholding** before electing to take a lump-sum distribution.

If you do not want to make a lump-sum withdrawal at that time, you can keep this amount in the Plan and annuitize or withdraw it at a later date. See the section starting on page 14 entitled **Receiving Your Annuity Benefits** for more information on annuitizing your benefits.

If you terminate employment, cash out or make a withdrawal, and later return to employment with your current employer, you cannot contribute to the Plan for six months after the date of cash out or withdrawal.

If you are under age 60, your employment with a Church of the Brethren Pension Plan employer must be terminated in order to make a withdrawal of your employee subaccount from the Plan. If you are age 60 or older, your employment status does not matter.

Direct Rollovers and Mandatory Withholding

If you are entitled to receive a distribution under the Plan that is an "eligible rollover distribution," you may roll over all or a portion of it, either directly or within 60 days after receipt, into another eligible retirement plan or into an IRA. An eligible rollover distribution, in general, is any taxable cash distribution in excess of $200 other than an annuity distribution or any other series of substantially equal payments payable over a period of not less than 10 years, or for the life or life expectancy of the employee (or the joint lives or life expectancies of the employee and the employee's designated beneficiary). Most lump-sum distributions are eligible rollover distributions. The distribution will be subject to a 20 percent federal withholding tax unless it's rolled over directly into another eligible retirement plan or IRA.

In addition to IRAs, the following plans are "eligible retirement plans" that can accept a rollover from this Plan:

- Another 403(b) plan.
- A qualified 401(a) plan (including a 401(k) plan).
- A governmental 457(b) plan.

Call the Plan office at 800-746-1505 for more information on making rollovers to another plan.

Other Plan Provisions

Housing Allowance

If you are a Church of the Brethren minister of the gospel, all or a portion of your monthly annuity may be excluded from federal income tax as housing allowance. However, the amount actually excludable as housing allowance cannot exceed:

- The fair rental value of the furnished home plus the cost of utilities.
- The actual expenses of operating a home.
- The amount designated by BBT as a housing allowance.

Minimum Distribution

If you are not working and have not yet annuitized, you have to take a required minimum distribution of Employee Tax-Deferred accumulations each year — starting no later than April 1 of the year after you turn 70½ years of age. For example, a member who turns 70½ in February 2009 has to take the first required minimum distribution by April 1 of 2010. If you are working, you do not need to take a required minimum distribution until April 1 of the year following when you terminate employment with your current employer.

What Happens if You Leave Your Job

When you leave your job, there are different Plan rules that apply depending on whether you move from one Pension Plan employer to another.

If you move from one Pension Plan employer to another —

- The contributions that you have already made to the Plan will stay in your account.
- A new account will be opened for you unless you are a member of the Ministers Group and move within that group.
- You must enter into another salary reduction agreement with your new employer if you want to make Tax-Sheltered Contributions into the Pension Plan.

If you have been employed by more than one Pension Plan employer, you may have a separate Account for each. In that case, your eligibility for benefits under this Plan will be determined by the Plan provisions for each respective employer.

If you leave your job and do not take a position with another Pension Plan employer —

- All or a portion of your employee subaccount may be rolled over to another qualified plan, paid to you in a lump sum, or kept in the Plan until you decide to annuitize or withdraw it at a later date. See the section entitled **Pre-Retirement Termination Withdrawals** for more information on this withdrawal right.
- If the vested amount in your employer subaccount is $5,000 or more when you leave your job, it will remain in the Pension.
- Any non-vested portion of your employer account balance will be forfeited back to your employer.

You will be eligible to start your annuity any time after the annuity age specified by your employer's supplement to this handbook.

What Happens When You or Your Spouse Dies

Depending on the circumstances, benefits may be paid to your spouse, a trust in your spouse's name, your children, or another designated person, trust, charitable organization, or estate.

If you die before your annuity starts

If you are not married and you die before your annuity starts, the payment will be made to your beneficiary in a lump sum or, at the direction of your beneficiary, in five equal annual installments. See the section entitled **Selecting a Beneficiary** for more information about beneficiaries. Your beneficiary will receive the total vested amount in your account at the time of your death and may elect to receive the distribution into an Inheritance IRA.

If you have not designated a beneficiary, or if your beneficiary predeceases you, the payment will be made —

- To your surviving children in equal shares.
- To your estate (if you have no surviving children).

If you are married and you die before your annuity starts, your surviving spouse has several options. These options are different depending on whether the distribution is from the employer subaccount or from the employee subaccount.

- Employer subaccount. The amount you have in this subaccount can be —
  - ➤ Paid immediately to your surviving spouse in the form of a single life annuity for his or her life. Payments will begin as soon as administratively feasible after the Pension Plan office receives a copy of the death certificate and application for annuity benefits.
  - ➤ Kept within the Plan and annuitized at a later date. Distributions must begin no later than the year in which you (the Participant) would have attained age 70½ and must be paid as a single life annuity for your spouse's life.
- Employee subaccount. The amount you have in this subaccount is your surviving spouse's *assured return*. That means that the payment from the Plan to your spouse will total at least this amount. Your spouse will have three options for this subaccount —
  - ➤ Combine all or a portion of the funds in the employee subaccount with the funds in the employer subaccount to be paid in the form of a single life annuity for his or her life.
  - ➤ Keep the money in the Plan and annuitize or withdraw it at a later date. Distributions must begin no later than the year at which you (the Participant) would have attained age 70½ and may be combined with the funds in the employer subaccount to be paid as a single life annuity over your spouse's life.
  - ➤ Take a lump-sum distribution of all or a portion of the funds in the employee subaccount. This lump-sum payment can be paid to your spouse directly or rolled over to another eligible plan or an IRA. See the section entitled **Direct Rollovers and Mandatory Withholding** on page 20 for more information on rollover rights.

If you die after your annuity starts

If you are receiving payments under a single life annuity and you die, payments will stop and any of the assured return remaining from your employee subaccount will be paid in a lump sum to your beneficiary. If payments that have been made to you under a single life annuity exceed the assured return at the time of your death, no further payments will be made.

If you are receiving annuity payments with a surviving spouse option and you die, a monthly payment based on the surviving spouse option you selected will be paid to your spouse. See the section titled **Surviving spouse options**. If your spouse is no longer living, monthly payments will stop and the assured return remaining, if any, will be paid in a lump sum to your beneficiary. See the section entitled **Selecting a Beneficiary** for more information about beneficiaries.

What happens if your spouse dies and you remarry

If your spouse dies and you remarry before your annuity starts, your new spouse will assume all of the rights under the Plan held by your former spouse unless you and your new spouse agree in writing to segregate your account. If you segregate your account, it will be considered as that of a single person's, and your new spouse will have no rights to your account. A new account will be established for any new contributions, to which the new spouse will have all rights and benefits.

If you remarry after your annuity starts, your new spouse will not be eligible to receive a surviving spouse annuity when you die.

What Happens if You Divorce

You should notify the Pension Plan office in writing if you are involved in divorce proceedings. No information about your account will be released without your written permission, unless the Pension Plan office is ordered to do so by a court of law. The following sections describe what happens to your Plan benefits if you and your spouse divorce.

If you divorce before your annuity starts

<u>Property Settlement</u>: If you are involved in divorce proceedings and your annuity has not started, the Pension Plan office recommends that you satisfy any property settlement out of assets other than from your Plan account, if possible.

<u>Qualified Domestic Relations Order</u>: If the above option is not possible, your Plan benefit can be divided in a divorce. To do so, however, you must obtain a Qualified Domestic Relations Order. A QDRO is an order that is made pursuant to a state domestic relations law (including a community property law). A domestic relations order must meet certain specific requirements to be considered a QDRO. Contact the Pension Plan office if you need more information on QDROs.

If the Plan receives a QDRO, your account will be divided as of the date set by the court and in the proportions set forth in the QDRO.

<u>Benefits to Former Spouse</u>: Once your account has been divided through the QDRO process, you and your former spouse will have separate accounts. Your former spouse's participation in the Plan is subject to the same rules and restrictions stipulated in the Plan document. For example, his or her employer subaccount must be distributed as an annuity (in this case, a single-life annuity). Only employee subaccount money may be withdrawn as a lump sum or rollover.

If your former spouse dies before his or her annuity starts, his or her beneficiary will receive the total amount in your former spouse's account.

In the event your former spouse has not designated a beneficiary or the beneficiary predeceases him or her, the payment will be made to the former spouse's surviving children in equal shares or, if there are no surviving children, to the former spouse's estate.

If you divorce after your annuity starts

If you divorce after your annuity starts and you predecease your former spouse, he or she will receive the surviving spouse annuity, if you selected one of the spouse options.

If your former spouse dies after beginning to receive an annuity, payments will stop. Any remaining assured return will be paid in a lump sum to his or her beneficiary. If there is no beneficiary on record or if the beneficiary dies before the former spouse, the payment will be made to the spouse's surviving children. If there are no surviving children, the payment will be made to the spouse's estate.

Benefits to new spouse

If you remarry before you begin to receive annuity benefits, your new spouse will be eligible for spousal benefits upon annuitization and/or your death, but only with respect to your Account established through the QDRO proceedings, if applicable.

If you remarry after annuitization, your new spouse is not eligible to receive benefits from your annuity, whether or not there is a QDRO.

What Happens if You Become Disabled

You can receive a disability annuity from the Plan if you become totally disabled before the annuity age specified by your employer's supplement to this handbook (see back pocket). For the first two years you receive this annuity, total disability will mean you are unable to perform the duties of your usual occupation because of physical or mental incapacity. In subsequent years, total disability will mean you are unable to perform the duties of any employment because of physical or mental capacity.

A disability ruling will be based on Social Security Disability medical reports you submit or on reports from doctors appointed at the discretion of BBT.

The disability benefits are the same annuity benefits to which you are entitled when you retire. That means that if you are married, the amount of the disability payment will be based on an annuity with one of the surviving spouse options (see the section entitled **Surviving Spouse Options**), unless you elect to receive a single life annuity with the written consent of your spouse. If you are single, the amount of the disability payment will be based on a single life annuity.

A disability annuity will be paid monthly. It begins on the fifteenth of the month following the month your disability claim is approved. It stops when your disability ends or when you die (unless you chose a payment option that included a surviving spouse annuity).

While you are disabled, neither you nor your employer will be able to contribute to the Pension Plan. However, if you return to work for your employer and meet the eligibility requirements, contributions will again be made to the Plan. If your disability ceases prior to the retirement age specified by your employer's supplement to this handbook, the disability annuity shall cease and be reconverted to the appropriate account balances on an actuarially equivalent basis.

Selecting a Beneficiary

It is important that you complete the Plan beneficiary designation form so the Pension Plan office will know who is to receive the money in your account if you should die. You can change your beneficiary designation at any time by filing a new beneficiary designation form with the Pension Plan office.

If you are married and you want to select someone other than your spouse as your beneficiary, your spouse must consent to your beneficiary designation. This means you will have to provide the Pension Plan office with your spouse's consent to your choice of beneficiary. If you remarry, you will need to get the consent of your new spouse to any choice of beneficiary other than the new spouse. This is true even if your first spouse consented to your initial beneficiary designation.

If you wish, you can select more than one beneficiary to receive your benefits when you die. If you choose multiple beneficiaries, your account will be divided in equal shares for each beneficiary, unless you specifically notify the Pension Plan office otherwise.

Your designated beneficiary does not have to be a person. In fact, you can designate a trust, a charitable organization, or any other entity to be your beneficiary. There are special rules that you can use for estate planning purposes if you designate a trust as your beneficiary. If you designate a trust as your beneficiary under the Plan, you should call the Pension Plan office at 800-746-1505 to get additional information on this type of an election.

Applying for Benefits Under the Plan

Applying for Benefits

You need to apply for benefits when —

- You wish to begin receiving a monthly annuity.
- You are no longer employed and wish to withdraw all or a portion of the amount in your employee subaccount.
- You become disabled.
- You have reached age 70½ and you are not working for a Church of the Brethren employer.

The following steps are necessary before any distributions can be made to you —

- Notify us of your intention to take a distribution from the Plan.
- The Pension Plan office will send you the appropriate forms with information about annuity benefits and a comparison of the amount you would receive each month under the different kinds of payment options.
- In order to process an annuity benefit, the Pension Plan office needs a completed *Application for Annuity Benefits* form, proof of age (for both you and your spouse), and proof of marriage (if applicable).
- Your annuity will start by the end of the month following the month in which BBT receives the completed forms and supporting documentation.

SPECIAL NOTE: If you have started your annuity and have elected a survivor benefit, and you die, your surviving spouse does not need to apply for the survivor benefit. However, he or she must submit a death certificate for the annuity to continue.

If you die before starting your annuity, your spouse or other beneficiary must apply for any benefits due.

Appeal of claims

If you believe a claim for benefits has been inappropriately handled, you can appeal by writing to the Plan at the address listed under **Pension Plan Facts** within 90 days after receipt of the written notification of denial. A BBT response to the appeal will be made within 30 days after receiving written notification.

Pension Plan Facts

Plan Name

The official name is Church of the Brethren Pension Plan.

Plan Administration

The Plan is administered by —

Church of the Brethren Benefit Trust Inc.
1505 Dundee Avenue, Elgin, IL 60120
800-746-1505 • 847-695-0200
fax 847-742-6336 • Web site: www.brethrenbenefittrust.org

The boards of Church of the Brethren Benefit Trust, Church of the Brethren Benefit Trust Inc., and Brethren Foundation Inc., are composed of the same 12 directors. These people are elected by participants (4), Annual Conference (4), and the Board itself with the approval of Annual Conference (4).

Plan Year

Plan records are kept on a calendar-year basis, Jan. 1 to Dec. 31.

Plan Funds

The Plan funds are managed by BBT solely for the benefit of Plan participants, including payments of the administrative costs of the Plan.

Limitation of Liability

When you decide to receive your Plan benefits in the form of an annuity, BBT will invest the money you use in the purchase of that annuity benefit (i.e., 100 percent of your employer subaccount balance and any of your employee subaccount you elect to use toward the annuity benefit purchase). These invested funds ensure that there will be sufficient funds to pay for your monthly annuity. These life-long annuity payments are backed by BBT's claims-paying ability, but can only be made to the extent there are assets sufficient to provide for payment. In addition, BBT is not liable for the failure of any congregation or other Church of the Brethren employer to permit you to participate or to enroll you in this Plan.

Agent for Legal Process

Any legal process related to the Pension Plan should be directed to the BBT office at the address listed under **Plan Administration** above.

Administrative Costs

Plan administrative expenses are deducted each month proportionately from the funds in the Active Lives Account(s). Expenses related to the Retirement Benefits Fund are deducted from that account.

Assignment of Benefits

Contributions to this Plan are intended to grow and provide you with retirement income. Under no circumstances may you or your beneficiary assign expected benefits.

Exclusive Benefit of the Plan

No part of the trust assets shall be used for, or diverted to, purposes other than for the exclusive benefit of participants and beneficiaries, provided this requirement shall not prevent the payment to Brethren Benefit Trust Inc. of the reasonable costs of administering the Plan.

Confidentiality

No information about your account will be released without your written permission unless the Pension Plan office is ordered to do so by a court of law.

Plan Amendment or Termination

The present Plan is a continuation of a Plan begun in 1943. Over the years, many modifications and improvements have been made. Brethren Benefit Trust expects to continue the Plan indefinitely. However, it retains the right to terminate (with Annual Conference ratification) or amend the Plan. In addition, your employer has the right to terminate its participation in the Plan. If the Plan is terminated, or if your employer ceases to participate in the Plan, BBT has the right to decide to pay all benefits to which you are entitled under this Plan in the form of a lump sum.

Notification of Mailing Address

It is very important for you to keep the Pension Plan office informed of your current address and the current address of any beneficiaries you may designate under the Plan. The Pension Plan office is not under any obligation to search for you or your beneficiaries. Therefore, you should be sure to provide the Pension Plan office, in writing, with any change of the post office address for you or any beneficiary. Any check representing any payment due under this Plan, and any communication forwarded to you at the last known address as indicated by the records of the Pension Plan office, shall constitute adequate payment to you and shall be binding on you for all purposes of the Plan. This notification requirement applies in all respects to any of your beneficiaries who may be entitled to benefits under this Plan.

Pension Plan Information Updates

As a participant in the Church of the Brethren Pension Plan —

- You may obtain copies of Plan documents and other Plan information upon written request to the Pension Plan office. You may also be able to obtain many of these documents and Plan information from the BBT Web site.
- You will receive a quarterly financial statement of your Pension Plan account(s).
- You will be informed of major Plan changes through a letter from the Pension Plan director.
- You will receive a BBT Annual Report and financial statement.
- You may receive a listing of all Pension Plan investments upon request.
- You will receive Pension Plan news and information from BBT newsletter(s) and/or press releases.

NOTICE TO PARTICIPANTS

The National Securities Markets Improvement Act (the "Act") signed into law on Oct. 11, 1996, exempts church plans from federal and state securities laws, except for anti-fraud provisions. In order to qualify for the exemption, church plans must satisfy eligibility requirements under section 414(e) of the Internal Revenue Code, and the assets of church plans must be used exclusively for the benefit of plan participants and beneficiaries. Church plans continue to be subject to the Internal Revenue Code and its regulations regarding eligibility, governance, and operations of such plans. The following notice is provided in accordance with the Act:

> **The Plan or any company or account maintained to manage or hold assets of the Plan and interests in such Plan, companies, or accounts (including any funds maintained by BBT) are not subject to registration, regulation, or reporting under the Investment Company Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934, Title 15 of the United States Code, or State securities laws. Therefore, Plan participants and beneficiaries will not be afforded the protections of those provisions.**

GLOSSARY

Some of the following definitions are specific to Church of the Brethren Pension Plan.

Account — All contributions made by a participant or on the participant's behalf, along with earnings on those contributions, is credited to an account under the Plan in your name.

Accumulations — The combination of employee and employer contributions and their earnings until annuitization.

Active Lives Account — The portion of Pension Plan assets that includes active and inactive participants' accumulations that have not yet been annuitized. The Active Lives Account is invested in the investment funds in accordance with each participant's directives.

Active participant — A Plan participant whose account currently receives employer and employee contributions as specified in the employer's supplement summary.

Actuary — A specialist in the mathematics of risk, which, for the Plan, relates to calculating annuity payouts. Variables include life expectancy, return on investments, interest rates, and accumulations. By calculating the possible payout of benefits, the actuary can determine what amount BBT should set aside as readily available cash and reserves.

Allocation — The transaction that takes place on the first business day of the month and during which a participant's contributions and accumulations are distributed to one or more of the investment funds in accordance with participant instructions. Allocations reflect units at the value established on the last business day of the previous month.

Annuitant — A participant or surviving spouse who is receiving a monthly payment for life from the Pension Plan.

Annuitize — To transfer all or a portion of a participant's monies held in the Active Lives Account into the Retirement Benefits Fund to fund that participant's annuity.

Annuity — A monthly payment for life. It is possible for the payment amount to change. Each participating employer determines annuitization eligibility requirements. These requirements are described in your employer's supplement summary.

Assumed earnings factor — The earnings that BBT expects to generate from the monies transferred from the Active Lives Account into the Retirement Benefits Fund to fund your annuity, usually expressed as an interest rate.

Assured return — An amount based upon a participant's employee subaccount. The participant and/or the participant's beneficiary/beneficiaries will receive all of these monies.

Balanced Fund — This fund is invested in a mix of several asset categories that may include common stock traded on the major U.S. stock exchanges or the National Market System (including American Depository Receipts in the stock of non-U.S. corporations), preferred stock, convertible issues, international common stocks, international preferred stocks, international securities convertible into common stock, currency futures, forwards or options, securities issued by the U.S. Treasury or an agency or instrumentality of the U.S. government, corporate bonds, guaranteed investment contracts, Yankee bonds, bonds denominated in foreign currencies, asset-backed securities, mortgage-backed securities, collateralized mortgage obligations, commercial paper issued by U.S. corporations, certificates of deposit, or banker's acceptances of U.S. banks and short-term money-market instruments.

Basic contributions — Contributions that your employer elects to make to the Pension Plan on your behalf. Your employer's supplement summary (in back pocket) indicates whether your employer makes basic contributions and, if so, how much those contributions will be.

Beneficiary — The person or people, trust, charitable organization, or estate you designated to receive your benefit from the Plan when you die. See the section entitled **Selecting a Beneficiary** on page 25 for more information.

Bond Fund — This fund is invested in securities issued by the U.S. Treasury or an agency or instrumentality of the U.S. government, corporate bonds, guaranteed investment contracts, Yankee bonds, bonds denominated in foreign currencies, asset-backed securities, mortgage-backed securities, collateralized mortgage obligations, commercial paper issued by U.S. corporations, certificates of deposit, or banker's acceptances of U.S. banks and short-term money-market instruments.

Common Stock Fund — This fund's investments are primarily in common stock and securities convertible to common stock, preferred stock, and cash equivalents with a view toward intermediate to long-term appreciation and growth, in accordance with the guidelines established by the BBT Investment Committee.

Community Development Investment Fund — This investment fund is designed to support community development lending in local communities. Investments are in community development instruments issued by organizations funding community development projects. It is expected that this fund will generate a modest return, and a participant must sign a waiver acknowledging the risks associated with this fund in order for that participant to invest more than 1 percent of his or her entire portfolio in this fund.

Defined contribution plan — A retirement plan under which the participant's benefits are based on the contributions and the investment return on these contributions.

Direct transfer — The movement of retirement assets from one eligible plan directly to another. A direct transfer does not incur taxes or penalties.

Eligible plan — An eligible plan includes a retirement plan that meets the requirements of section 401(a) or 403(b) of the Internal Revenue Code, a governmental plan that meets the requirements of section 457(b) of the Internal Revenue Code, or an IRA.

Employee contributions — Employee contributions include Tax-Sheltered Contributions, Tax-Paid Contributions, Rollover Contributions, and Transfer Contributions. All employee contributions are deposited in the participant's employee subaccount.

Employee subaccount — The portion of the Plan account that includes all employee contributions that the participant has personally contributed to the Plan, plus the investment returns on this amount.

Employer contributions — Employer basic contributions and/or matching contributions that are contributed to the Plan by your employer on your behalf and deposited in an employer subaccount in your name.

Employer subaccount — The portion of your Plan account that includes all employer contributions made on your behalf by your employer and the investment return on these contributions.

Employer's supplement summary — The Adoption Agreement your employer executes with BBT that stipulates certain Plan features and becomes part of the Legal Plan Document, which describes and defines the Plan's rules and guidelines. Each Pension Plan employer can establish its own additional conditions to the Plan that apply to all of its employees in addition to all the Plan provisions. A summary of your employer's supplement is included in the back of this handbook.

Hardship withdrawals — A special type of withdrawal from contributions in a participant's employee subaccount (not including any earnings thereon). See the section entitled **Hardship Withdrawals** for more detailed information.

IRS Form 1099-R — The form used to report Plan distributions from the Plan to its participants. Copies are sent to the participant and the IRS.

Inactive participant — A former employee of a Church of the Brethren congregation, agency, or affiliated organization whose Active Lives account no longer receives a routine contribution from either the employer or the employee.

Information Statement — A formal legal document describing details of an investment offering — similar to a prospectus. (See "Prospectus").

Investment funds — The stock, bond, cash, and alternative funds managed and made available by BBT in which participants invest their contributions.

Investment returns — The earnings or losses on investments.

Matching contributions — Contributions that an employer elects to make on a participant's behalf. This type of contribution is made only if the participant makes Tax-Sheltered Contributions to the Plan. The employer's supplement summary (in the back pocket of this handbook) provides information on whether an employer will make matching contributions and, if so, how much those contributions will be.

Non-vested — Having not yet attained the right to receive retirement benefits as outlined in each employer's supplement summary (in the back pocket of this handbook).

Pension Plan or **Plan** — Church of the Brethren Pension Plan, a ministry of Church of the Brethren Benefit Trust Inc., which was established by the Church of the Brethren Annual Conference in 1943.

Plan account or **account** — The total of a participant's employee contributions and employer contributions, plus investment returns on all contributions.

Plan document — The legal document that governs the administration of Brethren Pension Plan.

Plan employer — An agency, organization, or congregation that provides Brethren Pension Plan retirement benefits to its employees.

Portfolio — A group of assets, such as stocks, bonds, and mutual funds, that is held by an investor.

Prospectus — A formal legal document describing details of an investment offering. The prospectus includes facts that are vitally important to potential investors, and makes them aware of the risks of an investment.

Retirement Benefits Fund — The portion of Plan assets maintained by BBT for participants who are receiving annuities from the Plan. A participant's accumulations that are to be annuitized are transferred to this fund.

Rollover — A distribution from one eligible plan that is transferred to another eligible plan, either through a direct plan-to-plan transfer or by a plan participant within 60 days after receiving the distribution. Only the participant's employee subaccount is eligible to be rolled over from the Plan. See the section titled **Direct Rollovers and Mandatory Withholding** for more information.

Rollover Contributions — Contributions made by a participant to this Plan after receiving a distribution from another eligible retirement plan. See the section titled **Rollover and Transfer Contributions** for more information.

Segregate — When a Plan participant divides his or her Plan Account into two separate accounts. This can occur when the Plan participant and his or her spouse divorce.

Short-Term Fund — Investments in this fund have a maturity of 24 months or less and may include securities issued by the U.S. Treasury or an agency or instrumentality of the U.S. government, corporate bonds, guaranteed investment contracts, Yankee bonds, asset-backed securities, mortgage-backed securities, collateralized mortgage obligations, commercial paper issued by U.S. corporations, certificates of deposit, or banker's acceptances of U.S. banks and short-term money market instruments.

Surviving spouse — The widow or widower of a deceased Plan participant. The surviving spouse is automatically the deceased Plan participant's primary beneficiary. Proof of marriage is required.

Surviving spouse option — A choice from among several annuity options that allows a specific amount of the annuity to continue to be paid to the surviving spouse. See the section titled **Surviving Spouse Options** for more information.

Tax-Paid Contributions — Contributions that the participant elects to make to the Plan on an after-tax basis. See the section titled **Employee Contributions** for more information.

Tax-Sheltered Contributions — Contributions that the participant elects to make to the Plan on a pre-tax basis. In order to make Tax-Sheltered Contributions, a salary reduction agreement must first be completed with the participant's employer. See the section titled **Employee Contributions** for more information.

Total disability — For the first two years of receiving an annuity, total disability means the participant is unable to perform the duties of his or her usual occupation because of physical or mental incapacity. In subsequent years, total disability means the participant is unable to perform the duties of any employment because of physical or mental incapacity.

Transfer Contributions — A contribution made to this Plan by way of a transfer directly from another 403(b) provider, without the transferred amount having been first distributed to the participant. See the section entitled **Rollover and Transfer Contributions** for more information.

Unit — A measure of ownership and performance in the Plan's various investment funds.

Vested — Having attained the right to receive benefits as outlined in the participant's employer's supplement summary.

Index

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