

## Insurance forms are available on the Web

Brethren Insurance Plans has added new and updated forms to its website for those enrolled in the Brethren Medical Plan and other interested visitors. Please visit

[www.brethrenbenefittrust.org](http://www.brethrenbenefittrust.org) to access the following forms —

- Updated Medicare Supplement Plan
- Dental and Vision Plan schedule of benefits
- Eligible Expenses for the Medical Reimbursement Accounts



The arrival of summer this year brought with it the latest *Benefit News* team member — Lauryn Estes. Lauryn joined the BBT staff on June 1 as Office, Production, and Information Services Coordinator for Communications and Information Services. Lauryn has many tasks in this role, including serving as managing editor of *Benefit News*. Prior to joining BBT, Lauryn served for several months with the Annual Conference office. From 1998 to 2003, Lauryn served on the General Board staff in the Brethren Witness, Communications, and Funding offices. We are excited to have Lauryn on our team and have great expectations for the leadership she already is bringing to this newsletter and other BBT publications. — N.D.



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Highlights of BBT's activities at the 2004 Annual Conference in Charleston, W.Va.

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# Benefit News

NEWS ABOUT THE MINISTRIES OF BRETHERN BENEFIT TRUST

THIRD QUARTER 2004

## Investment News

### How Should Investors Respond to Rising Interest Rates?

Brethren Pension Plan members and Brethren Foundation clients have seen reports for months about rising interest rates, but some may not have a clear idea how — if at all — they should respond to the increases. Since interest rates and bond prices tend to move in opposite directions, should investors move out of bonds? Or should the investor who needs income maintain bond holdings since their yield is up? It depends.

Each investor must evaluate his or her own long-term investment objectives on a regular basis. In general, the goals that lead to holding bonds include appreciation and income. Bonds and bond funds appear to offer little promise of significant price appreciation in the near future because of the likelihood of future interest rate increases. However, as interest rates continue to rise, investors will realize a higher rate of return in the form of income. This is true both for newly issued bonds and for outstanding bonds because the market price of an outstanding bond will fall to create a higher rate of return.

An individual investor may turn to sources such as Morningstar ([www.morningstar.com](http://www.morningstar.com)) to compare bond mutual funds. Morningstar clas-

sifies funds on the dimensions of investment duration and credit quality. Duration measures how sensitive a bond's price is to interest rate changes; shorter duration means less sensitivity. Credit quality is simply an indication of the borrower's ability to repay the debt. Short duration/high quality bonds are the safest. Longer duration/lower-quality bonds are more speculative and therefore riskier.

For the investor more in need of specific assistance, this is a good time to consult with a financial adviser. These professionals can evaluate the investor's goals and existing asset allocation. They can also review potential investments and assist with the many choices required to establish an investment program. Interest rate changes are one factor among many that affect the financial markets. Well-informed investors are in a better position to make good long-term decisions. — W.T.



## Responsible Investing insert Inside: Special Annual Conference/Socially

## Investment Returns

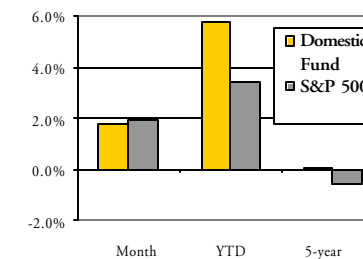
### BBT equity funds outperform industry benchmarks

For the first half of 2004, equity (stock) funds managed by Brethren Benefit Trust significantly outperformed their comparable industry benchmarks. During a challenging period for investment managers, BBT achieved this performance relative to broad market indexes while pursuing its socially responsible investment goals.

In the Brethren Pension Plan, the Common Stock Fund gained 6 percent while the Standard and Poor's 500 Index advanced 3.4 percent. The Balanced Fund returned 3.5 percent while a comparable blended index returned 2 percent. The Bond Fund matched the performance of the Lehman Brothers Government/Credit Index, with both falling 0.2 percent.

In the Brethren Foundation, the Domestic Stock Fund picked up

5.8 percent compared with the 3.4 percent gain by the Standard and Poor's 500 Index. The Small Cap Fund gained 10.9 percent while the Russell 2000 Index managed a 6.8 percent return. The International Stock Fund beat the Morgan Stanley Europe/Australia/Far East Index, 4.8 percent compared to 4.6. The Balanced Fund gained 3.5 percent. The Bond Fund, with a 0.2 percent gain, outperformed the Lehman Brothers Government/Credit Index, which lost 0.2 percent.



Both the Pension Plan's Common Stock Fund and the  
*Continued on Page 7*

*The BFI Domestic Stock Fund is well ahead of its benchmark in 2004. Performance for the last five years is also better than the benchmark.*

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## Communication can lead to better gift giving

Church members have many different ways to financially support their congregation or Brethren agency, including the weekly collection plate, bequests, trusts, major gifts, and deferred gifts. Even when the giver acts from a desire to support a congregation's or agency's mission, it is possible to complicate, rather than to enhance, the respective organization's work.

A hypothetical example — A congregation member wrote into his will a donation of \$500,000 to "construct a youth center on property adjacent to the church." Before the individual died, though, the church solved the need for youth space without building and the property was sold. The congregation accepted the bequest and the resulting dilemma — how could the intent of the gift be fulfilled when the property was no longer available and the purpose was not part of the congregation's plans?

Although gifts of this size are rare, there are some steps donors can take to maximize the benefit to the congregation. Here are some questions you might ask yourself or discuss with your congregation before deciding on a gift —

**Should I inform the beneficiary of the gift in advance?** For planning purposes, the beneficiary organization would probably benefit from some advance notice. Although uncertainty with respect to the timing of the gift or its final amount might reduce your will-

ingness to make a major announcement, the congregation would at least be able to make preliminary plans.

### How narrowly should I define the purpose of the gift?

Holding a detailed conversation with the agency may allow you to be extremely specific. If there has been less discussion, the agency might prefer language in the gift that provides some degree of flexibility in how the funds are ultimately used.

**Should the gift have a term?** A perpetual gift sounds good, but in 50 years it may limit the ability to respond to more recent developments. — W.T.



*Leroy and Juanita Lapp created a charitable trust to benefit Brethren Hillcrest Homes. Initial funding for the trust came from the donation of this home in La Verne, Calif.*

Nevin Dufabaum

## Credit Union

### Zero percent or cash back?

We've all seen television commercials and print ads that advertise the option of choosing between a low (sometimes zero percent) finance rate and cash back on the purchase of a new vehicle. Members often contact the Church of the Brethren Credit Union to ask which option is better for the buyer. Our answer is that cash back is generally better — zero percent financing is never really zero percent. Dealers willing to give buyers thousands of dollars back at the time of purchase are simply building the interest charges into the purchase price of the vehicle. By paying the full price, the buyer is essentially pre-paying the interest charges.



*Newlyweds and others considering the purchase of a new car benefit from careful comparison of terms and conditions. Cash back may actually be a better deal than a "no-interest" loan.*

Take the following scenario — The dealer offers zero percent financing or \$2,500 cash back on a vehicle selling for \$15,000. The buyer who takes zero percent financing will pay \$15,000 in total over the life of the loan. That computes to a monthly payment of \$250 for a five year loan. If the buyer opts to take the cash back and finance the balance at today's going interest rate, they would pay approximately \$14,228 over the term of the loan, or \$237 per month.

Choosing to take the cash back in this case saves the buyer \$772. That kind of savings makes the decision an easy one.

Another way some financing companies make money is by charging the buyer pre-paid finance charges or other service fees on a new loan. Neither of these items is included in their low advertised interest rate, so it can be more than a little deceiving. Lenders are required to disclose the actual finance rate — including prepaid finance charges — in their Truth in Lending disclosures, so knowledgeable borrowers ask for that information to gain an understanding of the total cost.

The Credit Union's purpose is to serve its members. Contact us if you have questions about how to compare different finance companies' terms. — Dennis Kingery

## News and Reminders about your Insurance Plans

### Don't let your 2004 flexible spending account dollars get away from you

As the end of the year quickly approaches, you may find yourself with unspent dollars in your medical flexible spending account. Because those dollars are not refundable and cannot be carried over into the next year, it is wise for you to ensure that the money is used before the end of the year.

Out-of-pocket medical expenses for you, your spouse, and your eligible dependents are eligible for reimbursement. These expenses include, but are not limited to, office visit copays, deductibles and coinsurance, reasonable and customary overcharges, prescription drug copays, medical equipment, and dental and vision expenses not covered by insurance.

If you have expenses for 2004 that you have not yet submitted for reimbursement, you should do so now. Once you have submitted

all your receipts, if you still have funds in your account and do not anticipate further medical expenses this year, you may want to find ways to use the money.

There are a number of ways you may not have thought of to use your flexible spending dollars. Buy an extra pair of glasses or prescription sunglasses. Stock up on disposable contact lenses. Make an extra payment to the orthodontist. Schedule that dental or vision appointment that you've been putting off.

Your flexible spending account is designed to save you money. Don't let those dollars get away from you. Call the Insurance Plan office at **800-746-1505** or visit **www.brethrenbenefittrust.org** for a full listing of eligible expenses.



### Open enrollment

An open enrollment period for active employees wishing to enroll in the Brethren Insurance Plans will take place beginning in November, for coverage effective Jan. 1, 2005. Insurance products being offered for open enrollment are medical, dental, vision, and flexible spending accounts.

Congregations and other employer groups wishing to enroll in the Medical Plan need to obtain a rate quote. Those congregations and other employers not currently participating in the Medical Plan may request a quote in October. Quote request forms are available by calling the insurance office at **800-746-1505** or by visiting the BBT Web site at **www.brethrenbenefittrust.org**. Click on "Insurance Services" and then scroll down and click on "Request for Insurance Quote."

## Socially Responsible Investing

### BBT resolution voted on at YUM! annual meeting

At the YUM! Brands annual meeting in May, shareholders voted on several resolutions. Although those proposed by the board of directors were treated favorably, shareholder resolutions received mixed results. BBT's resolution, for example, asked the company to eliminate smoking from its company-owned restaurants. Only 7.6 percent of proxy votes cast supported the resolution. Since the resolution was before shareholders for the third straight year, it needed at least 10 percent of the votes to qualify for resubmission at the next annual meeting.

"Since the dangers of environmental tobacco smoke are widely accepted, the vote is not only disappointing but also difficult to understand," said Will Thomas, BBT's director of Socially Responsible Investing.

The voting result requires BBT to shift strategies for working with this company. One possibility is simply to focus on other issues for the next three years, then return to YUM! with a similar resolution. A second possibility is to approach the company with another issue. In the current environment, a corporate governance resolution — perhaps asking to separate the positions of President and Board Chair — would receive more support and move the company in an appropriate direction.

Four other shareholder resolutions on the proxy ballot received varying levels of support. A request for a business sustainability report, for example, received 32.9 percent support from owners, while a proposal to adopt the MacBride principles respecting operations in Ireland received 13.4 percent of the vote. — W.T.

## Investment Returns

*Continued from Page 1*

Foundation's Domestic Stock Fund benefitted from strong performance in the "value sector" — stocks that investors believe are trading for less than their true market value. The value portion of each fund gained almost 14 percent over the six-month period, resulting in the overall strong performance for each fund.

BBT investments exclude securities of companies generating more than 10 percent of their revenues from gambling, alcohol, tobacco, or prime defense contracts. Pension Plan members and Foundation investors can direct a portion of their accounts into the Community Development Investment Fund, which supports loans to community organizations.

"These results for Brethren Benefit Trust investments continue to prove that investors need not give up market returns to invest in a manner consistent with their social values," said Wil Nolen, BBT president. — W.T.