



Pension Perspective

FROM THE BROTHERS PENSION PLAN

JULY 2007

Dear Pension Plan Member —

BBT's primary responsibility regarding the Church of the Brethren Pension Plan is to perform the fiduciary responsibilities of safeguarding the plan, expanding the assets, and administering it according to the Plan Description. Thousands of people rely on BBT to faithfully perform these duties and have, quite literally, entrusted their livelihoods to us. We are pleased to report that this has been a very good quarter for the plan and total assets are at an all-time high. BBT now pays out over one million dollars every month in annuity benefits. The plan is sound and stable.

Besides these primary responsibilities, BBT also has some secondary responsibilities that are of special significance to us that you, as an active member not yet retired, are perhaps unaware. We would like to highlight two of these.

The first is a special newsletter for plan member retirees. Each year BBT requests retired plan members to send in an update on their lives, including a photo, contact information and a few words of wisdom to share with others. BBT compiles and publishes these in a 50-page *Retiree News* for the benefit of our retired plan members.



Many comment on how much they appreciate receiving this annual newsletter and hearing about God's blessing in the lives of other retirees and their families, their travels and service activities, as well as the changes and challenges they face.

BBT also produces a memorial tribute that is presented each summer at Annual Conference as shown below. The tribute honors pension plan members or their



spouses that passed away in the previous year; it also includes some significant Church of the Brethren leaders, even though they were not in the plan. This year 68 individuals were remembered. Both the *Memorial Tribute 2007* and the *Retiree News 2007* are available upon request.

BBT counts it a great privilege to be entrusted with the responsibility of administering the pension plan and providing special services for plan members. These tasks remind us that we are more than a financial institution. We are a fiduciary, entrusted to serve those who serve the church.

Sincerely,

Wilfred E. Nolen
President

Lori Domich
Member Services Representative



“BBT counts it a great privilege to be entrusted with the responsibility of administering the pension plan and providing special services for plan members.”

FREQUENTLY ASKED QUESTIONS

Q: If am concerned about diversification, should I allocate an equal part of my contributions into each of the Church of the Brethren Pension Plan's five funds to ensure I am diversified?

A: Diversification is an important investment strategy to reduce risk by putting assets in many different types of investments, and certainly a primary concern of BBT. Equally dividing your contributions among the plan's five funds, however, would not be a wise investment strategy as neither the Short-Term Fund, which seeks to preserve capital, nor the Community Development Investment Fund, which is mission oriented, are actually intended for investment purposes.

The best means of achieving diversification is to allocate your funds in the Balanced Fund, which is a 60/40 blend of the Common Stock Fund and the Bond Fund. These two funds are independently diversified in their own right and blending the funds ensures a diversification in asset type.

The Common Stock Fund is a blend of five different investment styles — value, core, growth, small cap, and international — that are actively managed by four separate investment firms. The Bond Fund is a blended fund managed by two investment firms with different investment styles.

Individuals uncomfortable with the 60/40 stock-to-bond blend that the Balanced Fund offers can achieve a different level of diversification by allocating contributions to the Common Stock Fund and the Bond Fund according to their preference. Some prefer a more moderate risk approach, for example, and allocate half of their contributions to each fund to achieve a 50/50 diversified blend.

Q: How will inflation affect my annuity benefit? Should inflation be a concern for me and how do I prepare for it?

A: Inflation will affect your annuity benefit. When you begin receiving your monthly benefit, that payment will be the same amount each month. It will not increase with the cost of living or inflation. This

means that over the course of time, the buying power of your monthly payment will decrease as living expenses rise.

To cope with inflation, it is recommended that you make a concerted effort to save enough for retirement so that when your annuity starts, you will be able to set aside part of your monthly benefit in an investment plan to use in the later years of your retirement as a hedge against inflation.

Some members adjust to the effect of inflation by decreasing their spending over the course of their retirement, such as by traveling in the early years of their retirement and less so later on.

Q: I am concerned that I have not saved enough for retirement. Will I outlive my retirement savings?

A: You will not outlive your Pension Plan annuity, nor will your spouse if you select the surviving spousal option when you annuitize. BBT calculates a monthly payment, based upon the amount of retirement savings you have accumulated, and then pays that amount for the rest of your life. Your pension plan account is not like a savings account that gets spent down every time money is withdrawn from it.

But this may not be enough for your retirement. Your monthly annuity is determined by the amount you accumulate in the plan and not by the amount of money you require in retirement.

BBT can readily calculate your annuity payment to give you a sense of your retirement saving at this point. Please contact us if this would help in your retirement planning.

Q: How much can I contribute to the Pension Plan this year?

A: Current tax laws allow for individuals to contribute up to \$15,500 to their retirement plan. Workers 50 and older can contribute an extra \$5,000 for a total of \$20,500 in 2007. In addition, you can contribute up to \$4,000 to a Roth or traditional IRA, plus an extra \$1,000 if you're 50 or older.

FUND ALLOCATION — TAKE A MINUTE

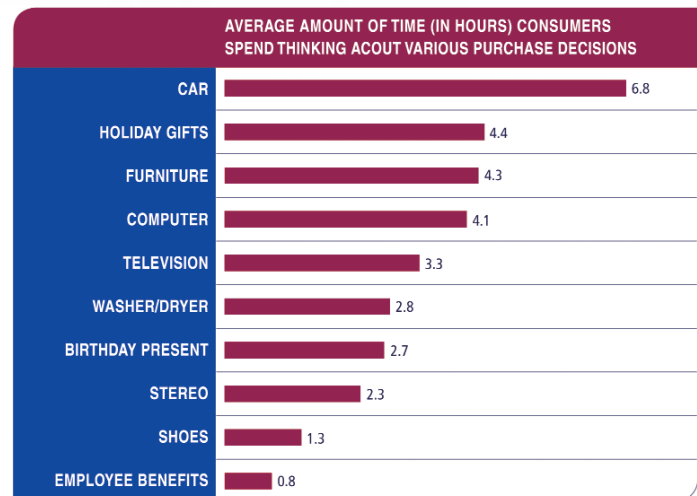
Every five years Metlife does an in-depth study of employee benefit trends. The following chart from its most recent study has some disturbing information regarding benefit selection: Employees spend little time on it. Choosing the funds in which to invest your retirement savings can be as important a decision as purchasing your home, and yet, on average, individuals spend little time on their benefit selection. The difference between fund choices can be the difference of tens of thousands of dollars over the course of one's career.

The past 12 months has been a very good period for financial markets. Over the past year, the Common Stock Fund has increased a healthy 21.2 percent, while the Balanced Fund has increased 14.7 percent. This means that at this rate for every \$10,000 in these funds, members' assets grow \$2,100 and \$1,470, respectively. In other words, 50k in the Common Stock Fund has just become 60k. (Of course, past performance is no guarantee of future results.)

Plan members who have a majority of their contributions in the Bond Fund or the Short-Term Fund have missed the significant growth of this market cycle. Over the past 12 months these funds have returned 5.4 and 4.5 percent, respectively.

While there are definite reasons why individuals choose to have the majority of their retirement savings in these funds, BBT is concerned that some members, particularly younger members who have a long-term investment horizon, may be overly invested in these funds without fully appreciating the significance of their selection. The Bond Fund is intended to offer moderate growth, while the Short-Term Fund is intended to preserve capital and has little potential to grow.

BBT by law is not allowed to — nor are we qualified to — advise plan members on how to invest their accumulations. We do, however, want to provide information to help members make informed choices regarding fund selection and to encourage members to seek financial guidance to make the wisest choice for their individual circumstances. Not taking the time to know the difference between the plan's five funds can be very costly.



Metlife®

MARKETS AND ECONOMY

The Standard and Poor's 500 Index returned 6.3 percent for the second quarter, as the strong returns of April and May overcame June's 1.7 percent decline. The index is up 7.0 percent for its year-to-date return. Economic data supported the growth that had picked up noticeably from the weak first quarter. Employment reports showed strong job creation, orders for durable goods rose, and corporate earnings remained strong. All of which contributed to the robust results in the second quarter.

International equities continued to rally in the second quarter with the MSCI EAFE Index posting a 6.4 percent gain and a year-to-date return of 10.7 percent. Bonds fell during the second quarter with the Lehman Brothers Government/Credit Index down 0.5 percent for the quarter, but still up 1.0 percent year to date. The downturn in bonds for the second quarter was due to rising interest rates.

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

Quarterly Fund Performance Report

for the period ending June 30, 2007

All Pension investment funds must meet socially responsible investment guidelines.

Performance Report

FUNDS	BENCHMARKS													
<p>Common Stock Fund:</p> <p>Rate of Return</p> <p>Current quarter 6.6%</p> <p>Year to date 9.3%</p> <p>Five years 6.9%</p>	<p>S&P 500:</p> <p>Rate of Return</p> <p>Current quarter 6.3%</p> <p>Year to date 7.0%</p> <p>Five years 6.2%</p>	<table border="1"> <caption>Common Stock Fund vs S&P 500</caption> <thead> <tr> <th>Period</th> <th>Common Stock Fund</th> <th>S&P 500</th> </tr> </thead> <tbody> <tr> <td>Quarter</td> <td>6.6%</td> <td>6.3%</td> </tr> <tr> <td>YTD</td> <td>9.3%</td> <td>7.0%</td> </tr> <tr> <td>5-year</td> <td>6.9%</td> <td>6.2%</td> </tr> </tbody> </table>	Period	Common Stock Fund	S&P 500	Quarter	6.6%	6.3%	YTD	9.3%	7.0%	5-year	6.9%	6.2%
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<p>Balanced Fund:</p> <p>Rate of Return</p> <p>Current quarter 3.7%</p> <p>Year to date 5.8%</p> <p>Five years 6.1%</p>	<p>Blended Balanced Index:</p> <p>Rate of Return</p> <p>Current quarter 3.6%</p> <p>Year to date 4.6%</p> <p>Five years 5.8%</p>	<table border="1"> <caption>Balanced Fund vs Blended Index</caption> <thead> <tr> <th>Period</th> <th>Balanced Fund</th> <th>Blended Index</th> </tr> </thead> <tbody> <tr> <td>Quarter</td> <td>3.7%</td> <td>3.6%</td> </tr> <tr> <td>YTD</td> <td>5.8%</td> <td>4.6%</td> </tr> <tr> <td>5-year</td> <td>6.1%</td> <td>5.8%</td> </tr> </tbody> </table>	Period	Balanced Fund	Blended Index	Quarter	3.7%	3.6%	YTD	5.8%	4.6%	5-year	6.1%	5.8%
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<p>Short-Term Fund:</p> <p>Rate of Return</p> <p>Current quarter 1.0%</p> <p>Year to date 2.1%</p> <p>Five years 2.0%</p>	<p>3-Month T-Bill:</p> <p>Rate of Return</p> <p>Current quarter 1.3%</p> <p>Year to date 2.5%</p> <p>Five years 2.4%</p>	<table border="1"> <caption>Short Term Fund vs 3-mo T-Bill</caption> <thead> <tr> <th>Period</th> <th>Short Term Fund</th> <th>3-mo T-Bill</th> </tr> </thead> <tbody> <tr> <td>Quarter</td> <td>1.0%</td> <td>1.3%</td> </tr> <tr> <td>YTD</td> <td>2.1%</td> <td>2.5%</td> </tr> <tr> <td>5-year</td> <td>2.0%</td> <td>2.4%</td> </tr> </tbody> </table>	Period	Short Term Fund	3-mo T-Bill	Quarter	1.0%	1.3%	YTD	2.1%	2.5%	5-year	2.0%	2.4%
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<p>Community Development Investment Fund:</p> <p>Rate of Return</p> <p>Current quarter 0.4%*</p> <p>Year to date 0.9%*</p> <p>Three years 2.3%*</p> <p>*Interest accrues on a quarterly basis.</p> <p>This ministry-focused fund does not have a benchmark.</p>	<p>Consumer Price Index:</p> <p>The CPI is an indicator of inflation. It is not a benchmark for the CDIF.</p> <p>Current quarter 2.2%</p> <p>Year to date 3.2%</p> <p>Three years 3.0%</p>	<table border="1"> <caption>CDIF vs CPI</caption> <thead> <tr> <th>Period</th> <th>CDIF</th> <th>CPI</th> </tr> </thead> <tbody> <tr> <td>Quarter</td> <td>0.4%</td> <td>2.2%</td> </tr> <tr> <td>YTD</td> <td>0.9%</td> <td>3.2%</td> </tr> <tr> <td>3-year</td> <td>2.3%</td> <td>3.0%</td> </tr> </tbody> </table>	Period	CDIF	CPI	Quarter	0.4%	2.2%	YTD	0.9%	3.2%	3-year	2.3%	3.0%
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Returns for periods longer than one year are annualized.