

Benefit PCA RETIREMENT & BENEFITS, INC. BULLETIN

Issue 3, 2005



A Word from the Editor

The 33rd General Assembly (GA) in Chattanooga, Tennessee provided RBI a special opportunity to establish and renew relationships with those we serve. We introduced Life Planning in the RBI display, which highlighted the seasons of life and the distinct characteristics and needs associated with each season of life. From the comments we received at General Assembly and at Presbytery visits, it is clear that there is a groundswell of interest in Life Planning – particularly among pastors. We are delighted in the interest expressed and are looking forward to addressing the various Life Planning needs of those we serve.

A major part of Life Planning is the educational component, where RBI provides useful information in a variety of mediums. For example, at the GA, attendees had the opportunity to attend three different presentations dealing with aspects of Life Planning – Investor Insights, Today's Markets and Principles for Tomorrow, and Retirement Planning: From Now till Then. This issue and recent issues of the *Benefit Bulletin* include articles on Life Planning topics designed to provide practical application of Life Planning principles.

Life Planning is a valuable resource in assisting PCA Retirement Plan participants in the steps toward achieving their objectives. This is accomplished through a process of purposeful planning, prayerful preparation, positive progression and persistent pursuit.

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Life PLANNING

Season of Life Investment Allocations

PCA Retirement & Benefits, Inc. has created some guidelines that should be helpful. These guidelines are based on an individual's season of life.



One of the priorities of Life Planning is to provide assistance with the investment decision-making process. An important piece of the investment process is investment allocation. Investment allocation should change as one goes through the different stages or seasons of life.

When a participant enrolls in any retirement plan, one of the first things to be done is to elect an investment allocation. The PCA Retirement Plan provides 11 different investment options which allow coverage across the different asset classes. The three main asset classes are cash equivalents (money market), equity securities (stocks), and fixed income securities (bonds). The percentage assigned to

each asset class in a participant's account will determine the degree of volatility in the account. A higher percentage of bonds and money markets in an account will lower the volatility. Research has shown that as one approaches retirement age, it is wise to reduce account volatility by increasing exposure to bonds; the question becomes when and by how much. PCA Retirement & Benefits, Inc. (RBI) has created some guidelines that should be helpful. These guidelines are based on an individual's season of life. The seasons of life concept as a part of Life Planning was introduced in the last issue of the *Benefit Bulletin* and represents a central role in Life Planning decisions.

Those in the spring of life (career start) can greatly enhance their retirement income by saving enthusiastically early in life. Let it not be said that youth is wasted on the young; save more as it will directly impact the quality of life one experiences in retirement. These valuable early dollars, if properly nurtured, can

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LIFE PLANNING

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grow significantly through the working years. It makes sense to rely heavily on equity securities in these years because of the potential for growth that equity investments offer.

Summer investors (accumulation) should maximize contributions to their accounts and avoid chasing returns. Focus on multi-class equity diversification. Participants should not be tempted to try to time the market or predict which fund will outperform another. This is akin to trying to guess which raindrop will get to the bottom of the window first. (By the way, there are no five star raindrops.) RBI and its Board have done due diligence on the investment options. The fund managers are hired to make the investment decisions. The participant's responsibility is to pick his allocation based on time to retirement and individual tolerance for variations in account value. Academic research has shown that staying in the market and having proper diversification will, over the long term, outperform those who are in and out of the market or trying to predict performance.

Fall (preparation for retirement) is characterized by the serious job of preparing for and entering retirement. During this time beginning several years before retirement, one should begin to decrease equity investments and increase investment in the fixed income products. There

is much to do during this season of life in terms of estimating income and expenses in retirement. Life Planning addresses this.

Wintertime (retirement) is when distributions begin and one begins to settle into retirement. By this time bond exposure should be much higher and one must be careful to avoid putting income at risk by an overly aggressive investment allocation. Life Planning can aid those in retirement by providing tools to plan and project income and expenses.

RBI suggests a yearly review of one's investment allocation to address market and life changes that would warrant an adjustment in allocation and to rebalance the investment options back to the original percentages selected. This ensures that the asset class percentages will stay true over time.

The chart below is a reasonable range of allocation options for PCA Retirement Plan participants. It is not overly aggressive nor the final word in asset allocation, but it is reliable as a starting point to determine whether one is on the right track.

Life Planning will enable RBI to better assist participants with the financial, investment, and retirement issues faced as one moves through the seasons of life. Participants are encouraged to contact RBI with questions about their current investment allocation.

LifePLANNING [Investment Allocations]

12 Life Planning Options
for Asset Class Allocation

	SPRING		SUMMER		FALL		WINTER	
	Equities	Bonds	Equities	Bonds	Equities	Bonds	Equities	Bonds
Conservative	60%	40%	50%	50%	40%	60%	20%	80%
Moderate	70%	30%	60%	40%	50%	50%	35%	65%
Aggressive	80%	20%	70%	30%	60%	40%	50%	50%



PCA Retirement & Benefits, Inc.

Life



PLANNING

LIFE PLANNING INTRODUCED

In keeping with its new initiative of Life Planning, PCA Retirement & Benefits, Inc. (RBI) unveiled its new display at the 33rd annual General Assembly in Chattanooga, TN.

The new display highlights the concept of planning for the various seasons of life – spring, summer, autumn and winter. The idea is that at the various stages of life, you may have to adjust your long term planning in order to achieve your financial goals.

RBI is in the process of developing processes and programs, as well as products, to meet these changing dynamics associated with the different stages of life. Our goal is to be able to continue to assist ministers, missionaries and lay church employees in addressing the contingencies of long term life planning

We are attempting to address as many areas as possible that pertain to your life stage and life plan. These include, but are not limited to: insurance, Social Security, Medicare, retirement planning, estate planning, legal documentation, taxes, and investing.

Please watch future issues of the Benefit Bulletin for more Life Planning announcements.

RETIREMENT PLAN RECORDKEEPER CHANGE



Keeping Group, LLC purchased all defined contribution administration business of Gabriel, Roeder, Smith & Company (GRS) and assumed the recordkeeping responsibility for this business. Omega continued to process all work using the GRS computers until July 29 at which time it converted over to the new Omega computer system. All plan participants received notification of this recordkeeper change in their second quarter statement.



NEW VOICE RESPONSE NUMBER:
(VRU) 1-800-991-9196

NEW WEB ADDRESS:
www.onlineretirement.org

Omega Recordkeeping Group, LLC
4360 Northlake Blvd, Suite 203
Palm Beach Gardens, FL 33410

NEW LIFE INSURANCE SUMMARY PLAN DESCRIPTIONS



PCA Insurance Plan participants recently began receiving new summary plan descriptions (SPDs). The SPDs replace those developed when John Hancock was life insurance carrier.

In October of 2003, MetLife purchased the John Hancock group life book of business, which included all PCA life insurance products. The purchase was completed and contracts were reviewed in 2004. Soon afterward, PCA Retirement & Benefits, Inc. (RBI) and MetLife began work on a new summary description for all certificate holders that would incorporate the MetLife version of the PCA contract. While the revisions were delayed due to a number of factors, RBI is pleased to begin sending the new Summary Plan Description.

To inquire about group life insurance or to obtain additional copies of the SPD, please contact the RBI office.

METLIFE AND MYBENEFITS



MetLife, the life insurance carrier for PCA insurance plans, recently opened access to its MyBenefits website for PCA plan participants as part of the Life Planning process. The site contains a large amount of planning advice, tools and calculators and is available at no charge. To use the site, located at www.metlife.com/mybenefits, one must enter the company name "Presbyterian Church in America" and register. Once registered, participants will have access to information from MetLife experts on topics ranging from insurance to retirement to major purchase decisions. PCA Retirement & Benefits, Inc. encourages participants to use such information and will continue to seek additional ways to enhance Life Planning tools.



FREQUENT TRADING DISCOURAGED



The boards of trustees of the Vanguard® mutual funds recently approved new policies to discourage frequent trading in Vanguard mutual funds. The new policy will take effect by March 31, 2006 for those organizations, such as PCA Retirement & Benefits, Inc., offering Vanguard institutional funds as an investment option within its retirement plan. The Stock Index Fund and the Money Market fund in the PCA Retirement Plan are both Vanguard funds; however, the Money Market fund will be exempt from this policy. Vanguard's new frequent trading policy will prohibit shareholders who redeem or exchange out of a fund from purchasing or exchanging shares into the same fund within 60 calendar

Because of newly proposed securities laws and increased scrutiny of mutual fund companies, many other mutual fund companies are including new language within policy guidelines that restrict frequent trading.

days. For example, suppose a participant has money invested in the stock index fund. In June, the participant moves money from that fund to the Large Cap fund. In July, after reading news about growth in stock index, the participant then elects to move money from Large Cap back into the Small Cap – such a transaction is now discouraged and will soon be prohibited by Vanguard. The new policy will not apply to Vanguard's money market fund, nor will it apply to contributions or withdrawals from the Plan.

Because of newly proposed securities laws and increased scrutiny of mutual fund companies, many other mutual fund companies are including new language within policy guidelines that restrict frequent trading.

PCA Retirement & Benefits,

PCA RETIREMENT FUND UPDATE

INVESTMENT PERFORMANCE

	2nd Quarter	Average Annual Return Through 6/30/05		
		1 Yr.	3 Yr.	5 Yr.
PCA Equity	0.6%	6.5%	7.7%	1.3%
PCA Balanced	2.0%	4.0%	5.5%	0.6%
PCA Income	2.3%	3.7%	4.1%	5.5%
Small Cap	1.9%	3.3%	14.0%	8.9%*
Mid Cap Growth	2.7%	6.3%	9.4%	-6.2%
Large Cap Growth	5.9%	7.2%	3.9%	-5.5%
Value	2.2%	12.4%	10.4%	9.1%
Stock Index	1.2%	5.8%	7.7%	-2.8%
Foreign Stock	-0.7%	13.6%	9.7%	5.2%
Bond	-0.5%	0.2%	2.5%	6.3%
Money Market	0.5%	1.4%	0.8%	2.0%
Benchmark Indices				
S&P 500	1.4%	6.3%	8.3%	-2.4%
NASDAQ Composite	2.9%	0.5%	12.0%	-12.3%
Lehman Aggregate	3.0%	6.8%	5.8%	7.4%

*Source - Morningstar

Note: Investment returns shown are net of investment manager, custodial and administrative fees. All 2005 figures are unaudited.

AVAILABLE MUTUAL FUNDS

SMALL CAP

Fidelity Advisor Value Strategies-T Fund (FASPX)

MID CAP GROWTH

Artisan Mid Cap Fund (ARTMX)

LARGE CAP GROWTH

Waddell & Reed Advisor Vanguard (WAVYX)

VALUE

Mutual Shares-Z Fund (MUTHX)

STOCK INDEX

Vanguard Institutional Index Fund (VINIX)

FOREIGN STOCK

Templeton Foreign-A Fund (TEMFY)

BOND

FPA New Income Fund (FPNIX)

MONEY MARKET

Vanguard Prime Money Market Fund (VMMXX)



Inc. has consistently discouraged participants from making frequent trades within their accounts since such activity likely reduces investment returns over time. However, with implementation of these new policies beginning the second quarter of 2006, such trading among many investment options within the PCA Retirement Plan will likely be prohibited.

ROTH 401(K) AND 403(B)

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) authorized the creation of Roth 403(b) plans effective January 1, 2006. The PCA Retirement Plan is a 403(b) plan. If adopted by the RBI Board of Directors, Roth 403(b) accounts would allow participants to elect pretax salary deferral or after-tax Roth contributions. However, the annual contribution limit will apply collectively to both pre-tax and after-tax deferrals (for 2006 \$15,000, plus \$5,000 catch-up for those 50 and older). No increase in these limits is allowed with the introduction of Roth 403(b) accounts.

Plan sponsors may choose to adopt the Roth plans on January 1, 2006, at a later date, or not at all. PCA Retirement & Benefits, Inc. (RBI) is currently investigating the implementation of such an option. Generally, Roth plans benefit those anticipating higher taxes (more

income) in retirement than while working, while non-Roth plans (such as the current PCA Retirement Plan) benefit those anticipating lower taxes (less income) in retirement than while working. Most retirees anticipate less income in retirement than when working. Others who could potentially benefit include foreign missionaries, maximum savers (those who annually contribute to their Plan the maximum amount allowed by law), and high-income / high net worth participants. RBI will keep participants updated on the progress of such changes later in the year.

RETIREMENT PLAN ASSET GROWTH

PCA Retirement Plan total assets increased from \$233,413,299 to \$240,133,212 during the second quarter of 2005. These changes are due primarily to the increase in the market value of

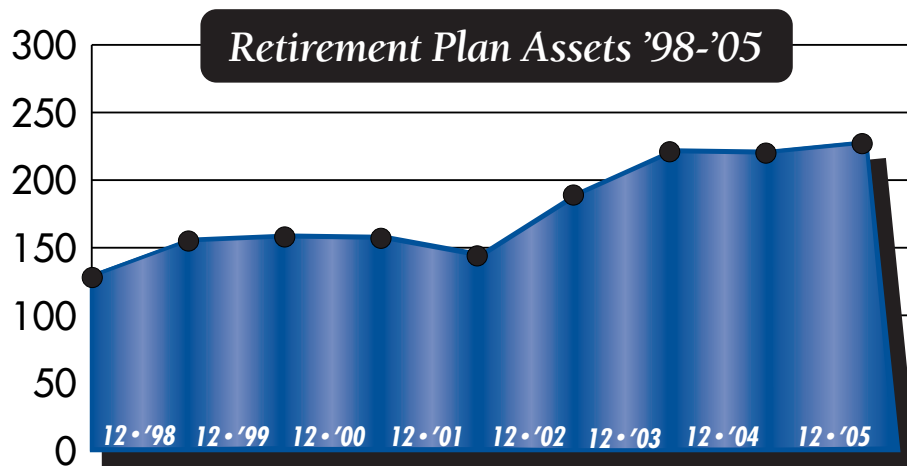
securities held by the Plan. As evidenced by the chart, plan assets have continued to grow through sometimes uncertain market conditions. The Market's recovery in 2003 and 2004 has significantly contributed to the plan's growth.

UPDATE ON MEDICARE PART D

Medicare will offer prescription drug plans starting January 1, 2006.

What do I need to know?

- To get Medicare prescription drug coverage, you must choose and enroll in a Medicare prescription drug plan.
- You can first enroll in a Medicare prescription drug plan from November 15, 2005 through May 15, 2006.
- If you join by December 31, 2005, your coverage will begin January 1, 2006.
- If you join, your costs will vary depending on which plan you choose. In general, you pay a



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MEDICARE PART D *(continued from p. 5)*

monthly premium (generally around \$37 in 2006) and a yearly deductible (up to the first \$250 in 2006). You will also pay a share of your prescription drug costs, and your plan pays a share. Medicare helps pay for drugs up to a limit (\$2,250 in total) and once your total out-of-pocket costs for drugs reach \$3,600, you pay 5% of the costs and Medicare pays 95% of the costs for the rest of the year.

- Many people with limited income and resources will get extra help paying for their prescription

drug coverage. People with the lowest incomes and resources will get the most help. If you are in this group, you will get information in the mail this summer from the Social Security Administration (SSA) or from Medicare telling you what to do.

How can I get more *information*?

Visit www.medicare.gov on the web, or call 1-800-633-4227.

**Excerpted from the Medicare website.*

affairs will be handled in the manner you desire.

8. Set Aside Emergency Funds.

You must set aside sufficient funds for unexpected expenses. You will avoid unnecessary stress with the unexpected if you have emergency funds set aside. Your emergency fund should be in a liquid, interest-bearing account; you want to be able to access the funds without penalty at a moment's notice.

** Excerpted from Fidelity.com*

EIGHT THINGS TO DO BEFORE YOU RETIRE

1. Determine Your Retirement Expenses.

Consider how your lifestyle might change over the next 25 to 30 years. Healthcare costs may be significantly higher in the later years. If you move, a change in the cost of living could have an effect.

2. Review Your Insurance

Coverage. Make sure to review your life, health, homeowner's, automobile and long-term care to determine if you have adequate coverage.

3. Note Medicare Milestones on Your Calendar.

Medicare now has two parts, and soon will have three parts. Part A is hospital insurance (most people do not pay for this). Part B is Physician coverage (most people do pay for this). Part D will be prescription drug coverage (most people will pay for this). Be sure to sign up at the appropriate time.

4. Know When to Apply for Social Security Benefits.

You need to apply three months before your 65th birthday, or three months before you wish to start collecting. You should speak to a Social Security representative directly because rules are complex.



5. Develop a Retirement Income Plan.

Factors that may influence your plan: lifespan, distribution rate, inflation, taxes, market volatility, rate of return, health care costs, and your estate goals. Make sure that lifetime income is equal to or greater than expenses.

6. Select Distribution Options.

Determine the best options for your retirement plan and realize that some decisions may be final. Be aware of what the process, timelines and options are for your assets.

7. Review Wills, Trusts, Powers of Attorney and Beneficiaries.

Everyone should have the above mentioned documents. Remember that these documents should be updated as life stages change. For example, if you move to another state you will must conform to the laws of your new state of domicile. Make sure that, should you or your spouse become incapacitated, your

IDENTITY THEFT

A number of articles have been in the press recently regarding identity theft. Such theft includes the stealing of account numbers, Social Security numbers, names, and other private information to the financial gain of the thief and possible financial ruin of the victim. RBI has taken a number of steps recently to mitigate such concern, including "x-ing" out Social Security numbers on account statements and requiring automated or written instructions to change investment elections or options.

The increase in identity theft has caused some people to question whether access to online banking and other e-commerce activities is safe for retail purposes. However, studies have demonstrated that most identity theft and fraud does not occur through "high tech" means, but rather through traditional "low-tech" methods, including:

- Family, friend or acquaintance access to your data
- Stolen mail

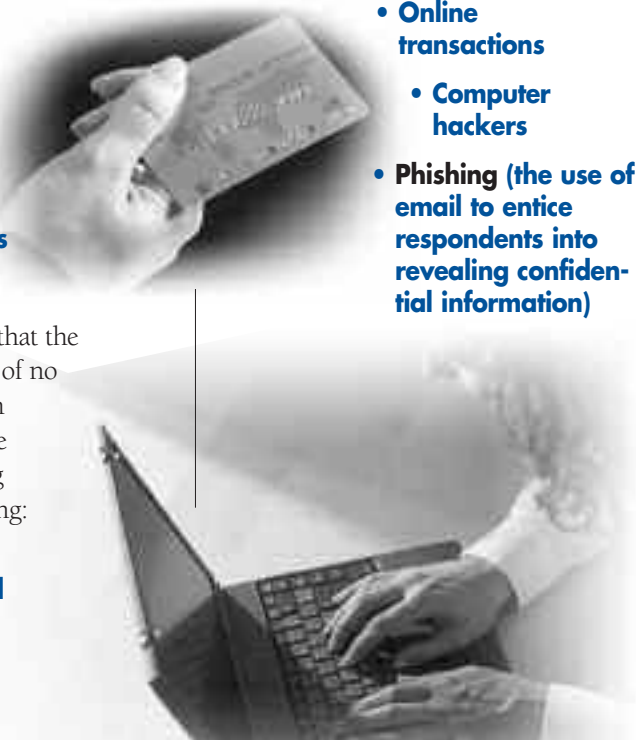




- **Various non-computer related, retail transactions**
- **Lost or stolen credit cards**
- **Corrupt employees**
- **Dumpster diving**

This does not mean that the high-tech methods are of no concern – indeed, such methods are among the most rapidly increasing means of theft, including:

- **Spyware (illicit software designed to steal account information)**



- **Online transactions**
- **Computer hackers**
- **Phishing (the use of email to entice respondents into revealing confidential information)**

RBI recommends the following steps to reduce the likelihood of such theft*:

- **Purge wallets of unnecessary cards and personal information**
- **Do not keep Social Security cards (or number) in wallets**
- **Decline when asked if personal information may be sold to other businesses**
- **Obtain and review a free credit report each year (more information can be found at www.annualcreditreport.com)**
- **Check account statements each month when received. Recovering from fraud is more easily done when the fraud is caught closer to its occurrence.**

* Excerpted from *Money* (June 2005)

MARKETING REPORT

The PCA Retirement & Benefits, Inc. (RBI) mission is to glorify God by offering financial products that provide for the insurance, retirement and relief needs of the denomination's ministers, missionaries, lay church workers and their families. In fulfilling that mission, the RBI Marketing Department develops educational and informational materials about plan offerings. Many readers may already be aware of the low cost and feature rich offerings like the PCA Retirement Plan, the PCA Long Term Disability Insurance Plan, the PCA Standard, Optional and Dependent Term Life Insurance Plans, and Long Term Care Insurance (CNA); however some are not aware. Furthermore, many are not aware of why they need such plans or what levels of protection they need through the plans to protect themselves and their families in the event of death, long-term illness or retirement.

The RBI Marketing Department regularly schedules visits to inform eligible participants about plan offerings; the Ministerial Relief program (housed within RBI) instructs participants how best to utilize offerings or assistance and consults with participants in evaluating offerings compared with competitive plans. Throughout the year, marketing representatives visit General Assembly, Presbyteries, churches and schools in an effort to "spread the word" about what the denomination is

doing to safeguard the ordained and lay church workers. However, participants need not wait for a visit to discuss plans with RBI. You may call RBI Marketing Representatives Monday through Friday at (800) 789-8765.

We want the opportunity to find solutions to your financial problems. We are here to serve you. Schedules permitting, we plan to have representatives at the following venues through the remainder of 2005:

AUGUST

- **Whitefield School**

SEPTEMBER


- **North Florida Presbytery**
- **Philadelphia Presbytery**
- **Nashville Presbytery**
- **Chesapeake Presbytery**
- **South Coast Presbytery**
- **Potomac Presbytery**
- **Rocky Mountain Presbytery**
- **Siouxland Presbytery**
- **South West Presbytery**

OCTOBER

- **Ohio Valley Presbytery**
- **Illiana Presbytery**
- **Missouri Presbytery**
- **Warrior Presbytery**
- **Northern Illinois Presbytery**
- **N. New England Presbytery**
- **Central Carolina Presbytery**
- **Central Florida Presbytery**
- **Southeast Alabama Presbytery**
- **Palmetto Presbytery**
- **MNA Church Planters**



TOP 10 INVESTIGATING SCAMS

 According to Bankrate.com, the top ten investing scams of 2004 were:

- 1. Ponzi schemes.** The promise of high returns to investors using new investor money to pay previous investor returns. In using a Ponzi scheme, a con artist may encourage an investor to contribute funds in expectation of a high return. The thief will then use that money to pay previous investors their return, while attempting to recruit new money to pay the most recent investor.
- 2. Senior investment fraud.** Any fraud that targets seniors or retirees.
- 3. Promissory notes.** Products often sold by independent insurance agents and issued by little-known or nonexistent companies, offering high returns with little or no risk.
- 4. Unscrupulous stockbrokers.** Financial advisers who produce account statements with unexplained fees, unauthorized trades or other irregularities.

5. Affinity fraud. Taking advantage of the tendency of people to trust others with whom they share similarities, scammers use their victim's religious or ethnic identity to gain their trust and then steal their life savings.

6. Unlicensed individuals, such as independent insurance agents, selling securities. Scam artists use high commissions to entice independent insurance agents into selling investments they may know little about. The person running the scam instructs the unlicensed sales force to promise high returns with little or no risk.

7. "Prime bank" schemes. The promise of triple-digit returns through access to the investment portfolios of the world's elite banks. Purveyors of these schemes often target conspiracy theorists, promising access to the

"secret" investments used by the Rothschilds or Saudi royalty.

8. Internet fraud. While the Internet is replete with scams, the most numerous include Spyware, Phishing and Hacking (please see Identity Theft article).

9. Mutual fund business practices. Unfair or unethical business practices by certain mutual fund companies. Such practices have included priority trading (or after-hours trading) privileges to large clients, undisclosed fees, or permitting transactions that are prohibited within the firm's own guidelines.

10. Variable annuities. While some products may be valid, complaints have risen regarding the omission of disclosure about costly surrender charges and steep sales commissions.

RBI OFFICE HOURS SCHEDULE

The business hours of PCA Retirement & Benefits, Inc. (RBI) are Monday through Friday 8AM to 5PM ET. The RBI office will be closed the following holidays:

Labor Day: Monday, September 5

Thanksgiving: Thursday and Friday, November 24 – 25

Christmas: Friday – Monday, December 23 – 26

RBI reminds participants that the following resources are available 24/7:

Website: www.pcarbi.org • E-mail: rbi@pcanet.org

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