
31 - FCMM INVESTMENT OPTION DESCRIPTIONS

(Page 1 of 2)

The FCMM Retirement Plan (the “Plan”) was established in 1971 to enable pastors, missionaries, and lay workers to serve Christ throughout their lives by creating a reliable source of retirement income from money contributed on their behalf by their employer. We are a 403(b)(9) church retirement income account plan. FCMM is the best plan provider for EFCA churches. We can help you work through the 403(b) Treasury regulations and provide your pastors and lay staff with the best available retirement options. Fee & Performance information for each of the investment options is available at www.efca.org/fcmm.

Credentialed participants are eligible for the “housing allowance” tax benefit on retirement benefits paid from any of the below investment fund selections.

Multiple Investment Options

I. EMPLOYER CONTRIBUTIONS – Employer contributions are considered “tax deferred” by the IRS and thus do not appear on an employee’s Form W-2. Such contributions become subject to taxes when an individual begins to draw on his or her Plan account at retirement, unless eligible for exclusion as “housing allowance.” Having such an arrangement with the employing ministry is advantageous as a “transferable benefit” when one might move to another church or new ministry position. A participant can choose to have these funds deposited into any of the following options and in whichever percentage breakdown he or she chooses.

C 1. **Conservative Growth with Annuity Benefit Fund (Option C)** – This fund is managed by investment advisors selected and overseen by the Trustees of FCMM with an investment strategy designed to build consistent long-term growth through a professionally designed asset allocation plan. The rate will be 4% in 2011. This rate may be modified in the future, but it does allow one to anticipate what an eventual retirement benefit might look like at some future point of time. The interest rate is applied by the Trustees of FCMM and may be positive or negative in any Plan Year. At retirement time one may apply the full value of this fund towards an annuity benefit. However, if one chooses to withdraw this fund as a “lump sum,” a Fair Market Value adjustment may be applied to determine the actual amount that can be withdrawn.

B 2. **Moderate Growth Stock Fund (Option B)** – This fund is a “collective fund” stock portfolio managed by investment advisors selected and overseen by the Trustees of FCMM. It is generally more aggressive in approach than the Conservative Growth with Annuity Benefit Fund (Option C). It offers the potential of a greater average return over the years than Option C while also carrying a greater risk factor for the participant. The value of this account is more volatile in moving with market trends and more difficult to estimate long term.

E 3. **Diversified Bond Fund (Option E)** – This fund invests in a broadly diversified bond portfolio consisting of short, intermediate and long-term municipal, federal, foreign and high-quality corporate bonds. It is managed by registered investment advisors selected and monitored by the Trustees of FCMM. Option E can gain or lose value depending on the economic climate. Bond funds are subject to interest-rate risk, which means that bond rates move in the opposite direction of interest rates. When interest rates rise, the price of existing bonds and bond fund shares generally will decline. Conversely, when interest rates fall, the price of bonds and bond fund shares generally will rise.

F 4. **Self-Directed Mutual Funds** – This option allows a participant to “self direct” employer contributions to mutual fund choices managed by American Funds (Option F) and/or Vanguard Funds (Option G). Those who choose American Funds will not have any upfront load fees through FCMM, and objective financial counsel is available through the Alliance Benefit Group. Vanguard is designed for the advanced investor who makes his/her own investment decisions.

H 5. **Adjustable Rate Investment (Option H)** – This option allows participants to invest in an adjustable interest rate Investment Certificate with Christian Investors Financial (“CIF”). The rate can be adjusted by CIF the first of any month. CIF provides real estate loans to EFCA affiliated churches and ministries, so in addition to earning a competitive rate of interest and providing for capital preservation, your investment dollars in this option will also help expand EFCA ministries. CIF pays the administrative fees to FCMM, so there are no fees paid by the participants on the dollars invested in this option. Prospective Investors should refer to CIF’s current Offering Circular for risk factors and other information needed to make an informed investment decision. Current interest rate information is available at www.ChristianInvestors.org.

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(Page 2 of 2)

***IRS Code sections 402(g) and 415(c) - CONTRIBUTION limits:** No more than \$49,000 or 100% of your reported compensation (amount reported on your W-2) can be invested in the Plan for 2011. Within this amount you can elect to defer \$16,500 of your annual compensation as salary deferral contributions and invest such amounts in Options D, E, F, G and H. Higher limits are available if you have been in the EFCA for over 15 years and/or are over age 50. If you are close to these limits, please call us for forms and help in figuring out your limit. These limits apply to all of the 403(b) plans in which you participate and are adjusted annually by the IRS.

II. EMPLOYEE CONTRIBUTIONS - All participants in the Plan are allowed to defer a percentage of their salaries in addition to what an employer is contributing. This is done through a Salary Deferral Arrangement whereby a certain amount is withheld from one's salary and sent on by the employer to FCMM. This money is also considered "tax deferred" by the IRS. Thus clergy do not have to pay either income or social security taxes (SECA) on that contribution amount and can receive distributions from the Plan designated as "housing allowances" in retirement. Lay staff does not have to pay income taxes on salary deferrals now. Such amounts will be taxed when distributed from the Plan. Lay staff does pay FICA.

Employees may designate a percentage of their salary deferral contributions as Roth contributions. Roth contributions are taxed when deferred to the Plan but such amounts and earnings thereon are distributed tax-free at retirement (or upon an earlier distribution event) if the contributions have remained in the Plan for at least five years.

D 1. **Moderate Growth Stock Fund** (Option D) – This stock portfolio managed by investment advisors selected and overseen by the Trustees of FCMM is very close to Option B in terms of overall investment strategy and corresponding risk factors.

E 2. **Diversified Bond Fund** (Option E) – This fund invests in a broadly diversified bond portfolio consisting of short, intermediate and long-term municipal, federal, foreign and high-quality corporate bonds. It is managed by registered investment advisors selected and monitored by the Trustees of FCMM. Option E can gain or lose value depending on the economic climate. Bond funds are subject to interest-rate risk, which means that bond rates move in the opposite direction of interest rates. When interest rates rise, the price of existing bonds and bond fund shares generally will decline. Conversely, when interest rates fall, the price of bonds and bond fund shares generally will rise.

F 3. **Self-Directed Mutual Funds** – This option allows a participant to "self direct" employee contributions to mutual fund choices managed by American Funds (Option F) and/or Vanguard Funds (Option G). Those who use American Funds through FCMM will not have any upfront load fees. Financial advice is available to help in choosing FCMM and/or American Fund options. Vanguard is designed for the advanced investor who makes his/her own investment decisions.

G 4. **Adjustable Rate Investment** (Option H) – This option allows participants to invest in an adjustable interest rate Investment Certificate with Christian Investors Financial ("CIF"). The rate can be adjusted by CIF the first of any month. CIF provides real estate loans to EFCA affiliated churches and ministries, so in addition to earning a competitive rate of interest and providing for capital preservation, your investment dollars in this option will also help expand EFCA ministries. CIF pays the administrative fees to FCMM, so there are no fees paid by the participants on the dollars invested in this option. Prospective Investors should refer to CIF's current Offering Circular for risk factors and other information needed to make an informed investment decision. Current interest rate information is available at www.ChristianInvestors.org.

Multiple Retirement Benefit Options

There are a number of different opportunities from which one can choose. Remember credentialed participants can receive distributions designated as "housing allowance" through FCMM.

1. **A lifetime income annuity** – An annuity can provide a steady income stream throughout one's retirement years and for one's spouse as well. This can allow an individual to plan for the long-term by anticipating a consistent amount of monthly income throughout his or her lifetime. A more detailed explanation of how an annuity works can be found on our web site: www.efca.org/fcmm.

2. **Continued self management** of one's retirement funds – A participant can direct up to 100% of employer contributions into Options B, D, E, F, G or H which are not required to be annuitized. This would allow one to continue to manage his/her retirement resources within FCMM. Any remaining amounts in these options would be inheritable.

3. **A little of both** – One might choose an annuity option of a certain portion of his/her account for regular monthly income while continuing to manage the remainder of the cash value account through the various FCMM investment options.