PLAN HANDBOOK

Northwest Conservative
Baptist Association

RETIREMENT

Income Account Plan

"For which one of you, when he wants to build a tower, does not first sit down and calculate the cost to see if he has enough to complete it?" Luke 14:28

(Rev. 7-05)

OUR MISSION

To provide an easily utilized vehicle for CB churches to bring a worthwhile resource for their pastors' and staffs' retirement needs.

OUR VISION

To provide a resource through which CB churches can honor their pastors and staff, in their elder years, for their role in the direction of the affairs of the church.

OUR INSPIRATION

"The elders who rule well are to be considered worthy of double honor, especially those who work hard at preaching and teaching."
1 Timothy 5:17

NORTHWEST CONSERVATIVE
BAPTIST ASSOCIATION
RETIREMENT INCOME ACCOUNT PLAN

YOUR RETIREMENT PLAN HANDBOOK

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NORTHWEST CONSERVATIVE
BAPTIST ASSOCIATION
RETIREMENT INCOME ACCOUNT PLAN

YOUR RETIREMENT PLAN HANDBOOK

PART ONE — *WELCOME TO OUR PLAN*

YOUR KEY TO FINANCIAL SECURITY

We are pleased to provide you with this Handbook to our Retirement Income Account Plan. This Plan was designed by members of the Northwest Conservative Baptist Association ("NWCBA") for employees of the NWCBA churches as well as others who share our religious bonds and convictions. You can rest assured knowing that our Plan is run by people who share your goals and heart for ministry. And your retirement funds will be invested by a Board of Trustees that is guided by principles of Christian stewardship.

Our plan is qualified under Internal Revenue Code Section 403(b)(9). This allows you to save for your retirement on a tax-advantaged basis. Our Plan also gives your employer the option of making tax-deferred contributions on your behalf.

The primary purpose of our Retirement Income Account Plan is to help provide you with financial security when you retire. When combined with your personal savings and Social Security, the Plan can help you achieve the financial independence you will need to enjoy your retirement years. The Plan may also be a source of income if you become disabled or terminate employment before you retire. It may also provide survivor benefits to your beneficiaries upon your death.

ABOUT THIS HANDBOOK

This Handbook explains the benefits and features of our Plan. It also explains your rights and obligations under the Plan. In addition, it gives a good overview of the various IRS rules that govern how much can be contributed into the Plan for your benefit, when and how you can receive your benefits and how your benefits are taxed.

While this Handbook contains general information on the various tax rules that affect your benefits, it is not being provided as legal, tax or financial planning advice. We strongly recommend that you seek the advice of a qualified tax professional who can take into account your particular circumstances, such as your personal tax situation, your other investments and retirement plans, as well as your family needs, health considerations and estate planning objectives.

We intend to keep the information in this Handbook current. However, the tax rules change so often that we cannot promise or guarantee the information will be correct, complete or up-to-date at any given time. Again, we urge you to seek the advice of a qualified tax professional to help you with your retirement planning decisions.

THIS IS ONLY A SUMMARY

Please keep in mind that this Handbook is only a summary of our Plan—it is not the official plan document itself. For your convenience, this Handbook highlights some of the most important provisions of the Plan. However, for practical reasons, this Handbook cannot explain how every provision works in every possible situation nor can it cover all of the technical IRS rules. Because of this, if there is any conflict between this Handbook and the official plan documents, the terms of the official documents will be followed. You can obtain a copy of the plan documents by contacting our Plan Administrator at the address shown in Part Two of this Handbook.

ADDITIONAL QUESTIONS?

Please read this Handbook carefully and save it for future reference. It's your first place to look for answers about your benefits and how the Plan works. If you have any questions about the Plan after reading this Handbook, please contact our Plan Administrator who will be happy to help you.

Yours in Christ,

Mark A. Hoeffner
Executive Director

Plan Name:	Northwest Conservative Baptist Association Retirement Income Account Plan
Plan Type:	403(b)(9) retirement income account plan; Defined contribution plan
Plan Sponsor:	Northwest Conservative Baptist Association
Employer Identification Number: (The Plan Sponsor's federal identification number)	93-6067506
Plan Year: (The Plan's fiscal year)	January 1 to December 31
Plan Administrator: (Handles the daily operations of the Plan, keeps the Plan's records and is available to answer your questions about the Plan)	Northwest Conservative Baptist Association c/o Retirement Plan Coordinator 17720 NE Halsey Portland, OR 97230 (503) 669-1515 (877) 958-1528 (toll-free) (Normal business hours; Pacific time) Email: retirement@cbnw.org
Trustee:	Board of Trustees Northwest Conservative Baptist Association 17720 NE Halsey Portland, OR 97230
Agent for Service of Legal Process:	Vincent P. Cacciottoli, Esq. 121 SW Morrison Street, Suite 1010 Portland, OR 97204 Service of legal process can also be made on the Plan Administrator

Q&A 3-1 — WHAT ARE THE ADVANTAGES OF PARTICIPATING IN OUR PLAN?

In a nutshell—

- ❏ Contributing to the Plan will lower your income tax payments.
- ❏ The investment earnings on your funds are tax-deferred.
- ❏ Your funds are invested in a professionally managed trust fund.
- ❏ Your account is always 100% vested.
- ❏ There's a wide choice of payment options (including lump sum and installment payments, IRA rollovers and, for ministers, tax-free housing allowances).

Q&A 3-2 — HOW DOES THE PLAN WORK?

In brief—

- ❏ Participation is voluntary. You decide how much you want to contribute.
- ❏ Your contributions are made through automatic payroll deductions.
- ❏ Your payroll deduction contributions reduce your taxable income.
- ❏ Your employer may also make contributions to the Plan on your behalf.
- ❏ The earnings on your funds grow on a tax-deferred basis.
- ❏ Your funds are generally payable when you retire, separate from employment, become disabled or die.
- ❏ You select the form of payment you want from the choices offered.
- ❏ You pay income tax only when you receive your benefits—or no tax if you receive your benefit as a minister's housing allowance.

Q&A 3-3 — HOW DOES CONTRIBUTING TO THE PLAN CUT MY TAXES?

Contributing to our Plan will save you taxes because neither your own contributions nor any your employer may make for you are included in your taxable income for the year in which they are made. You will see the tax savings immediately because your income tax withholding is calculated on your pay *after* your contributions to the Plan are deducted. Also, earnings on contributions made to the Plan will grow on a tax-deferred basis. In addition, income tax withholding is not taken out of any contributions your employer may pay into the Plan on your behalf.

Q&A 3-4 — ARE CONTRIBUTIONS SUBJECT TO FICA?

The voluntary contributions you make into the Plan are included in calculating the FICA tax taken out of your paycheck. But this means that contributing to the Plan will not lower your Social Security benefits. Any contributions your employer makes for you are not subject to FICA, however. FICA is not taken out of your benefit payments you receive from the Plan.

For Ministers Not in Social Security —

If you are a minister who has elected out of Social Security, FICA will not be taken out of your voluntary contributions to the Plan.

Q&A 3-5 — HOW LONG ARE PLAN BENEFITS TAX-DEFERRED?

As long as your money stays in the Plan, it is not subject to income tax. And because you do not have to pay taxes on the earnings on your contributions while they are in the Plan, you'll be enjoying tax-free compounding on your earnings. This means your savings can grow faster than if your money was in a regular savings account or a taxable investment fund.

Once your benefits are paid out to you, they become taxable except for benefits directly rolled over into an IRA or another retirement plan (see Q&As 12-2 and 12-3) or benefits paid as a minister's tax-free housing allowance (see Q&A 12-12).

Q&A 3-6 —WILL MY CONTRIBUTIONS TO THE PLAN QUALIFY FOR THE SAVER'S TAX CREDIT?

Yes, provided your income doesn't put you over the limit for this credit. If you qualify, you can claim an annual income tax credit of up to $2,000 based on your contributions to the Plan. This will give you real tax savings because, since it's a credit and not a deduction, it reduces, dollar-for-dollar, the amount of income tax you owe.

The amount of the credit you can claim depends on your income and your income tax filing status as shown in the table in Appendix A.

Q&A 4-1 — WHO IS ELIGIBLE TO BE IN THE PLAN?

You are eligible to participate in the Plan if you are employed by a "participating employer" as a "covered employee" (see Q&As 4-2 and 4-3).

Q&A 4-2 — WHAT IS A "PARTICIPATING EMPLOYER?"

A "participating employer" is any one of the following organizations that has adopted the Plan for its covered employees—

- ❑ The Northwest Conservative Baptist Association ("NWCBA");
- ❑ A church that is a member of the NWCBA;
- ❑ Any other organization that is tax-exempt under Internal Revenue Code Section 501(c)(3) and—
  - ■ Is controlled by the NWCBA or a member church; or
  - ■ Shares common religious bonds and convictions with the NWCBA.

If you are unsure whether your organization is eligible to participate in the Plan, please contact our Plan Administrator. (See Part Two for the contact information.)

Q&A 4-3 — WHAT IS A "COVERED EMPLOYEE?"

You are a covered employee if—

- ❑ You are employed as a minister or lay employee by a participating employer;
- ❑ Your wages are reported on IRS Form W-2; and
- ❑ You are in a job position that is eligible for this Plan. (If you are not sure if you are employed in an eligible job position, please check with your employer or our Plan Administrator.)

Q&A 4-4 — WHEN CAN I START PARTICIPATING?

To accommodate the different needs of our participating employers, our Plan allows each participating employer to decide whether its covered employees have to complete a waiting period before they may start participating in the Plan. Check with your employer or our Plan Administrator to see which one of the following participation rules apply to you—

- ❏ *Immediate Eligibility*
- ❏ *Three-Month Waiting Period*
- ❏ *Six-Month Waiting Period*
- ❏ *One-Year Waiting Period*

Q&A 4-5 — WHEN DO I PARTICIPATE IF MY EMPLOYER PROVIDES IMMEDIATE ELIGIBILITY?

If your employer provides for immediate eligibility, you can enter the Plan as of your date of hire. If your employer was not a participating employer when you were hired, you can enter the Plan as of the date your employer becomes a participating employer.

Q&A 4-6 — WHEN DO I PARTICIPATE IF MY EMPLOYER REQUIRES A WAITING PERIOD?

If your employer requires you to complete a waiting period before you can enter the Plan, you will meet this requirement if you are still employed by your employer at the end of the waiting period that applies to you (three-month, six-month or one-year waiting period). In addition, your employer may also require you to complete a minimum number of Hours of Service during the waiting period. ("Hours of Service" are explained in Q&A 4-7 below.)

The following table shows the maximum number of Hours of Service your employer may require during a waiting period. Note: This table does ***not*** apply if your employer does ***not*** require you to complete a minimum number of Hours of Service. Check with your employer or our Plan Administrator to see if you have to complete a minimum number of hours to participate in the Plan.

Maximum Number of Hours That Can Be Required

	Waiting Period	***Hours Required***
✔	Three-Month Waiting Period	333 Hours of Service
✔	Six-Month Waiting Period	500 Hours of Service
✔	One-Year Waiting Period	1,000 Hours of Service

If your employer requires you to complete a certain number of Hours of Service, you must complete them during the applicable waiting period. The following examples illustrate how Hours of Service are credited during a waiting period. These examples show a six-month waiting period when the employer also requires the completion of 500 Hours of Service (the maximum number of Hours that can be required under a six-month waiting period). But the same principles apply to a three-month waiting period when the employer also requires the maximum 333 Hours of Service and to a one-year waiting period when the employer also requires the maximum 1,000 Hours of Service.

Example 1: You are hired on September 5, 2006. Your first six-month waiting period is, therefore, September 5, 2006, to March 4, 2007. To satisfy your six-month waiting period requirement, you must: (1) complete these six months; (2) have 500 Hours of Service during these six months; and (3) still be employed by your employer on March 4, 2007.

Example 2: You have the same September 5, 2006, hire date as under Example 1, but you do not have 500 Hours of Service by March 4, 2007. This means you did not satisfy your six-month waiting period requirement. However, you can later come on to the Plan if you complete 500 Hours of Service during your next six-month waiting period. This is the six-month period that starts March 5, 2007, and ends September 4, 2007. If you: (1) complete these six months; (2) have 500 hours during this period; and (3) are still employed by your employer on September 4, 2007, you will satisfy your six-month waiting period requirement.

Example 3: You have the same September 5, 2006, hire date as under Example 1, but you missed getting 500 hours in your first six-month waiting period (the one that started when you were hired on September 5, 2006). And you also missed getting 500 hours in your next six-month waiting period (the six months starting on March 5, 2007). However, you can still enter the Plan after you complete 500 hours in any six-month period that begins on either September 5 or March 5. That is, your third waiting period would begin on September 5, your fourth on the following March 5, your fifth on the following September 5 and so forth.

Three-Month and One-Year Waiting Periods

As noted earlier, the same principles illustrated in the three examples given above also apply if you have to meet either a three-month or a one-year waiting period.

In the case of a three-month waiting period, the measuring period for determining whether you have enough Hours of Service to enter the Plan is the three-month period that begins on your date of hire and on the same day of the month in every fourth month afterwards. (For example, if your hire date is January 2, your first three-month period ends on April 3. If you didn't satisfy the waiting period requirements during this time, you can try to meet the requirements during the next three-month period that begins on April 2 and ends on July 3.)

Similarly, with the one-year waiting period, the measuring period is the 12-month period that begins on your date of hire and on every anniversary of that date.

Q&A 4-7 — WHAT IS AN HOUR OF SERVICE?

An Hour of Service is any hour you are actively at work for your employer. In addition, you will receive credit for certain hours that you are away from work if you are entitled to be paid for that time off, such as vacation, holiday and sick days, jury duty, military duty or paid leaves of absence.

Q&A 4-8 — DO I NEED A MINIMUM NUMBER OF HOURS EACH YEAR TO STAY IN THE PLAN?

No. Once you enter the Plan, you do not need to have a minimum numbers of Hours of Service each year to stay in the Plan. However, you may need a minimum number of hours to qualify for a contribution your employer makes to the Plan (see Q&A 5-4).

Q&A 4-9 — CAN I EVER BE DROPPED FROM THE PLAN?

Only under extraordinary circumstances. For example, if you are a minister, you could not participate in our Plan if you are permanently barred from the ministry. In addition, you could be dropped for failing to provide the Plan with required information.

Q&A 5-1 — CAN I CONTRIBUTE TO THE PLAN?

Yes. Our Plan allows you to make contributions through convenient, automatic payroll deductions. This makes it easy to put away money for your retirement or your other savings goals. And, best of all, these payroll deductions are made on a "pre-tax" basis which rewards you with immediate tax savings (as explained in the next Q&A).

Q&A 5-2 — HOW DOES CONTRIBUTING TO THE PLAN SAVE ME ON TAXES?

Contributing to our Plan is a great way to save for the future while you save on taxes today. When you contribute to the Plan, the amount of your contribution is deducted from your paycheck. And it is not included as part of your taxable income on your W-2. Likewise, if income tax withholding is being taken out of your pay, you will see immediate tax savings with every paycheck because income tax withholding is figured on your pay after your contributions are taken out.

The pre-tax contributions you make under our Plan are a powerful savings tool, because money that would have gone to pay income tax will be going to pay for your retirement instead. This important tax break is a good reason by itself to contribute to our Plan.

> ***Example:*** Let's say your annual salary is $24,000 and you elect to contribute 6% of your pay for the year ($1,440) into the Plan. Your W-2 for the year will show your taxable salary is only $22,560 ($24,000 minus your $1,440 contribution). And your income tax withholding will be figured on your $22,560 net pay rather than your $24,000 gross pay.
>
> Assuming you are in the 15% tax bracket, contributing to our Plan will cut your tax bill from $3,600 to $3,384, a savings of $216. Or, in other words, $216 that would have gone off to the IRS is deposited into your retirement account instead.

Q&A 5-3 — HOW DO I MAKE CONTRIBUTIONS?

Enrollment Required. Once you have completed your waiting period requirement (see Q&As 4-6 and 4-7), you will need to fill out an Enrollment Form in order to make contributions to the Plan. This form authorizes your employer to withhold your contributions from your pay and contribute them to the Plan on your behalf. If your employer does not have an Enrollment Form handy, one is available from our Plan Administrator.

When Does Your Enrollment Become Effective?

To accommodate your employer's payroll practices, our Plan lets your employer choose the date on which your contributions will start coming out of your pay. Depending on your employer's choice (and when you file your Enrollment Form), your contributions will start on one of the following dates—

❏ Any day after the day you complete your waiting period;

or

❏ The beginning of any payroll period that starts on or after the day you complete your waiting period;

or

❏ The first day of any month that starts on or after the day you complete your waiting period.

Check with your employer or our Plan Administrator to find out what your employer's enrollment dates are.

If you don't enroll on the first enrollment date possible, you can always enroll later on any future enrollment date.

Elect Your Contribution Amount/Percentage. When you fill out your Enrollment Form, you get to select either the dollar amount or the percentage of your pay that you want to have deducted from your paycheck and contributed into your account in the Plan.

Enrollment Deadline. You will need to return your completed Enrollment Form to your employer's payroll department or payroll person. Your payroll department/person will also set the deadline by which you have to turn in your Enrollment Form. Typically, this will be several days before the day your employer determines its payroll for the upcoming payday. If you miss the enrollment deadline, your contributions will not begin until the next enrollment date.

> ***Example:*** Let's say your employer has monthly enrollment dates and you want your contributions to start coming out of your paycheck on September 1. If you miss your employer's cutoff for the September 1 enrollment date, your contributions would not begin until October 1.

Changing or Stopping Contributions. The contribution election you make in your Enrollment Form will remain in effect from year to year, regardless of changes in your pay, until you change your election. You can change the amount of your contributions or stop making contributions altogether at any time. You will need to fill out a new Enrollment Form to do this. Check the "Change or Stop Contributions" box at the top of the form and complete only the parts of the form as instructed. Turn your completed form into your employer's payroll department/person. Your change will be effective with the next payroll date after your form is processed. Check with your payroll department/person to see how many days you have before the payroll date to turn in your Enrollment Form with your change.

Q&A 5-4 — WILL MY EMPLOYER ALSO MAKE CONTRIBUTIONS FOR ME?

That is up to your employer. Your employer is not required to contribute to the Plan on your behalf, but it may do so if it wishes. There are two ways your employer can make contributions for you—

- ❑ ***Matching Contributions.*** As the name indicates, these contributions match a percentage of the voluntary contributions you make to the Plan. Your employer sets the amount of the match. Your employer may also put an upper limit on the amount of the match.

  > ***Example:*** Suppose your employer agrees to match 50 cents for every dollar you contribute, up to 6% of your pay. Let's say your pay is $24,000 and you contribute 3% of your pay. In this case, you will receive a matching contribution of $360 ($24,000 × 3% × $ .50).
  >
  > ***Example:*** Now let's say you contribute 7% of your pay instead of 3%. In this case, you would receive the match only on the first 6% of your pay. So, you would receive a matching contribution of $720 ($24,000 × 6% × $ .50).

- ❑ ***Nonelective Contributions.*** Unlike matching contributions, which are tied to your contributions, nonelective contributions are based on either a stated percentage of your pay (e.g., 5% of pay) or a flat dollar amount (e.g., $100 per month). In other words, if your employer has chosen to make nonelective contributions, you will receive those contributions regardless of how much you are contributing to the Plan and even if you are not contributing at all. Your employer has the right to change the amount of its nonelective contributions from year to year and even skip making a contribution altogether in any year.

  By the way, these contributions are called "nonelective" because you cannot elect to have your employer pay you the contribution in cash instead of paying it into the Plan.

Check with your employer or our Plan Administrator to find out whether your employer will be making contributions for you and, if so, whether these will be matching or nonelective contributions or both.

Q&A 5-5 — HOW MUCH SHOULD I CONTRIBUTE TO THE PLAN?

As much as you comfortably can, which, of course, depends on your particular circumstances. If your employer is paying a matching contribution, you should try to contribute at least enough to get you the maximum match possible (see Q&A 5-4). You should consider getting some advice from a qualified professional who can take into account your specific retirement goals and your overall personal and financial situation. If you have Internet access, you may access an online service sponsored by the Securities and Exchange Commission to help you estimate your retirement savings needs. The SEC's *Financial Facts Tool Kit* is found at:

http://www.sec.gov/investor/tools.shtml

Q&A 5-6 — ARE THERE LIMITS ON HOW MUCH CAN BE CONTRIBUTED TO THE PLAN?

Yes. As you would probably expect, because of the big tax savings our Plan can provide, the tax laws limit the amount that you and your employer can contribute. There are two limits on how much can be contributed into your account in any year.

- ❑ ***Voluntary Contributions Limit.*** This limit, explained in Q&A 5-7, applies only to your own payroll deduction contributions.
- ❑ ***The "415 Limit."*** This limit, explained in Q&A 5-8, is the higher, overall limit that applies to the total of your own payroll deduction contributions plus any contributions your employer makes for you.

Neither limit applies to any rollover contributions you make into this Plan from other plans or IRAs.

Q&A 5-7 — WHAT IS THE MOST I CAN CONTRIBUTE?

Normal Limit. Unless one of the "Catch-Up Limits" explained below applies, your payroll deduction contributions cannot be more than the maximum annual dollar limit shown below or 100% of your includible pay, whichever is less. (Read Q&A 5-8 to see what your "includible pay" does and does not include.)

The maximum annual dollar limits on voluntary contributions for the next few years will be:

2005	$14,000
2006	$15,000
2007 and afterwards	$15,000 indexed for cost-of-living

Any contributions your employer may make for you do not count against this limit. However, employer-paid contributions are combined with your own contributions for purposes of determining whether you've gone over your "415 Limit." (See Q&A 5-8.)

Age 50+ Catch-Up Limit. If you are age 50 or older, you may be able to make additional payroll deduction contributions over and above the normal limit. The maximum Age 50+ Catch-Up Contribution allowed for the next few years will be:

2005	$4,000
2006	$5,000
2007 and afterwards	$5,000 indexed for cost-of-living

This means that, for example, in 2006 you could make payroll deduction contributions of up to $20,000 if you are at least 50 years old—the $15,000 normal dollar limit plus the $5,000 Age 50+ Catch-Up limit—even if that would take you over your 415 Limit (as explained in Q&A 5-8).

When You're Considered to Turn Age 50

As long as you turn age 50 during the year, you may make an "Age 50+ Catch-Up Contribution" at any time during that year. For example, if your 50th birthday is on December 31, you can make Age 50+ Catch-Up Contributions for the entire year.

Pre-Retirement Catch-Up Limit. In addition, you are entitled to use the Pre-Retirement Catch-Up Limit once you have 15 years of employment with one or more of the participating employers in the Plan regardless of whether they were participating employers in the Plan when you worked for them. Also, you can count any time that you were a self-employed minister.

Under this catch-up limit, the dollar amount of your normal voluntary payroll deduction contribution limit is increased by whichever of the following is the *lowest*—

- ❑ $3,000;
- ❑ $15,000 less any amounts you contributed in prior years under the pre-retirement catch-up; or
- ❑ The excess of $5,000 times your years of employment over the total amount of your voluntary contributions into the Plan for all prior years.

There is a $15,000 lifetime maximum on the Pre-Retirement Catch-Up Limit. That is, once the total of all of the additional voluntary contributions you make over and above the normal voluntary contribution limit reaches $15,000, your Pre-Retirement Catch-Up Limit is all used up. The limit on your voluntary contributions for all future years then goes back to the normal voluntary contribution limit.

Generally, the Pre-Retirement Catch-Up Limit lets you contribute an extra $3,000 in voluntary contributions for the five years before you retire. To illustrate: If you could use the Pre-Retirement Catch-Up Limit in 2006 and you also qualify for the Age 50+ Catch-Up, this means you could contribute up to a total of $23,000 in voluntary contributions for that year ($15,000 + $5,000 + $3,000). However, you can only contribute that much if it does not take you over your 415 Limit for the year (as explained in Q&A 5-8).

Do You Have a Second Job? If you are making voluntary contributions into another retirement plan, keep in mind that these limits apply to the ***total*** of your voluntary contributions into our Plan ***plus*** the voluntary contributions you make into any other 401(k) plan, 403(b) plan or SIMPLE plan. If you are contributing into such a plan in addition to making voluntary contributions into our Plan, you need to watch the total voluntary contributions you are making. If you contribute more than the allowable dollar limit, you will be taxed twice on the excess amount—once in the year in which you made the excess contribution and again in the year it is paid out to you.

To avoid this double tax, you can ask either our Plan or the other plan to return the excess to you. The refund has to be made no later than April 15 of the year following the year for which it was contributed. If the excess contribution is refunded by the April 15 deadline, it will be taxed only in the year you contributed it.

Our Plan will refund an excess contribution to you ***only if your request is in writing and is received by our Plan Administrator no later than March 1 of the year following the year in which you contributed the excess amount.*** (For example, if you over contributed in 2006 and you want our Plan to refund the excess, our Plan Administrator must actually receive your written request by March 1, 2007.)

Q&A 5-8 — WHAT IS THE REGULAR "415 LIMIT?"

Overall Limit. Under Section 415 of the Internal Revenue Code, the total amount of your voluntary contributions (except for Age 50+ Catch-Up Contributions) and any matching or nonelective contributions made for you by your employer for a year cannot be more than the 415 Dollar Limit for that year or 100% of your includible pay, whichever is less. The "415 Dollar Limit" is $42,000 for 2005. This dollar amount is subject to annual cost-of-living increases as announced by the IRS.

Age 50+ Catch-Ups Let You Go Over the Top

Since Age 50+ Catch-Up Contributions are not counted towards the 415 Limit, they can let you go over the 415 Limit if you contribute the maximum amount of voluntary payroll deduction contributions allowed for the year **and** your employer also contributes enough on your behalf to take you up to the 415 Limit.

To illustrate: The 415 Dollar Limit for 2005 is $42,000. Let's say you're 50 or older and you elect to make the maximum amount of voluntary payroll deduction contributions allowed for 2005 ($14,000). This leaves another $28,000 that your employer can contribute on your behalf as either matching or supplemental contributions (or both) to take you up to the $42,000 limit. However, because you made the maximum amount of voluntary payroll deduction contributions allowed for that year, you are allowed to also make Age 50+ Catch-Up Contributions for that year. You can contribute up to $4,000 in Age 50+ Catch-Up Contributions for 2005. And since Age 50+ Catch-Ups do not count against your 415 Limit, this means your total contribution for 2005 could be as high as $46,000 ($14,000 + $28,000 + $4,000), instead of the normal $42,000 415 Dollar Limit for that year.

Special Limit for Church Employees. There is a special 415 Limit for employees of churches. This is covered in Q&A 5-9.

"Includible Pay." Your "includible pay" is your taxable pay (Box 1 from your W-2) adjusted as follows:

Add Back—

- ❑ Any voluntary contributions you made into this Plan or any other retirement plan
- ❑ Any voluntary contributions you made into a Section 125 Cafeteria Plan, a Section 132(f) Qualified Transportation Fringe Benefit Plan or a Section 457(b) Eligible Deferred Compensation Plan maintained by your employer

Do Not Add Back—

- ❑ Any contributions your employer made for you into this Plan or any other 403(b) plan
- ❑ For ministers, any amounts you received as a housing allowance

Housing Allowance Payments Lower Your 415 Limit

Your 415 Limit for any year is the ***lesser*** of the dollar limit for that year or 100% of what is basically your taxable pay. If you are receiving some or all of your compensation as a tax-free housing allowance, 100% of your taxable pay may be significantly lower than the 415 Dollar Limit amount for that year. In fact, if you are receiving all of your pay as a housing allowance, you cannot make any contributions for the year unless you can use the Special 415 Limit for church employees discussed in Q&A 5-9.

Q&A 5-9 — WHAT IS THE SPECIAL 415 LIMIT FOR CHURCH EMPLOYEES?

Special 10/40 Limit. You or your church may contribute up to $10,000 to our Plan even if the contribution would exceed your regular 415 Limit because it is more than 100% of your includible pay for the year. This special rule lets you make a contribution (or lets your church make a contribution for you) even if you have little or no taxable pay. This would be the case, for example, if you receive most of your compensation as a tax-free housing allowance.

Lifetime Limit

The total contributions that can be made ***during your lifetime*** using the Special 10/40 Limit cannot be more than $40,000.

Foreign Missionary Special Limit. There's another special limit that applies only to foreign missionaries. Under this special limit, you (or your church) can contribute up to the *greater* of 100% of your includible pay or $3,000. So, even if your pay is under $3,000, you can still make or receive up to $3,000 in contributions per year. You can also take advantage of the Special 10/40 Limit if that would give you a higher limit.

> ***Example:*** Let's say you're a foreign missionary making less than $3,000 per year. Under the Special 10/40 Limit, you can make or receive up to $10,000 per year in contributions until the total contributions using this special limit reach $40,000. Once you hit that $40,000 cap, you can switch over to the foreign missionary special limit and make or receive up to $3,000 per year in the following years. (And if your includible pay ever goes over $3,000, the foreign missionary special limit will let you make or receive contributions of up to 100% of your pay each year.)

Q&A 5-10 — WILL THE PLAN ADMINISTRATOR CALCULATE THESE LIMITS FOR ME?

The Plan Administrator will assist you in calculating your contribution limits based on information you provide regarding the amount of your includible pay for the year. However, since the limits take into account contributions you may be making to other plans, you have the final responsibility to make sure you stay within the contributions limits.

Q&A 5-11 — WHERE CAN I GO TO FIND OUT MORE ABOUT THESE LIMITS?

A full explanation of the complicated rules limiting 403(b) plan contributions is beyond the scope of this Handbook. For more detailed information, refer to Internal Revenue Service Publication 571, "Tax-Sheltered Annuity Programs for Employees of Public Schools and Certain Tax-Exempt Organizations." This publication is available online at www.irs.gov or through your local IRS office or by calling the IRS "Forms Hotline" at 1-800-TAX-FORM (1-800-829-3676). If you need additional help, you should consult your tax advisor. We cannot give you tax or legal advice.

Q&A 5-12 — CAN I ALSO CONTRIBUTE TO AN IRA WHILE I'M IN THIS PLAN?

Yes, but your ability to deduct your IRA contributions (and any made by your spouse) depends on your income tax filing status and your modified adjusted gross income ("MAGI"). The table in Appendix B to this Handbook shows how the IRA deduction is phased out as your MAGI increases.

Q&A 5-13 — CAN I CONTINUE TO MAKE CONTRIBUTIONS AFTER I RETIRE?

Yes. You and your employer have the option to continue to make contributions for up to five years after you retire. This includes voluntary contributions, Age 50+ Catch-Up Contributions, Pre-Retirement Catch-Up Contributions and employer-paid contributions. For purposes of your post-retirement contributions, your contribution limits (see Q&A 5-6) are based on your includible pay during your last year of employment.

Q&A 5-14 — CAN I MAKE UP MISSED CONTRIBUTIONS WHEN I RETURN FROM MILITARY SERVICE?

Yes. The Uniformed Services Employment and Re-Employment Rights Act of 1994 ("USERRA") gives you the right to make up the contributions you didn't make while you were away in military service. In order for this rule to apply, you needed to have been in "qualified military service" (as defined in USERRA) and you must return from military leave within the time required under USERRA. Your employer may also be required to make up the contributions, if any, that it would have made for you if you had not been on military leave. While contributions can be made up, no investment earnings will be credited on those make-up contributions for the time you were on military leave.

Q&A 6-1 — WHAT HAPPENS TO THE CONTRIBUTIONS MADE TO THE PLAN?

All contributions to our Plan are deposited into a trust fund. This trust fund is legally separate from the financial affairs of the NWCBA and the participating employers. Neither the NWCBA nor any of the participating employers can use any of the Plan's funds. The trust fund can be used only to pay benefits to you and the other participants in the Plan and to pay the Plan's operational expenses.

Q&A 6-2 — WHO INVESTS THE PLAN'S ASSETS?

The NWCBA's Board of Trustees is responsible for overseeing the Plan's investments. The Trustees have retained an outside financial advisor to assist in putting together the Plan's investment portfolio and handling the day-to-day fund administration. The Retirement Committee, a standing committee of the NWCBA's Board of Trustees, also assists the Board by reviewing information received from the Plan's outside financial consultant and making recommendations for the Board's consideration and approval.

Q&A 6-3 — HOW ARE THE PLAN'S ASSETS INVESTED?

Your account is combined with those of the other Plan participants and invested on a pooled basis. The combined accounts are invested in a balanced, diversified portfolio of stocks, bonds, cash, cash equivalents and other appropriate investments that are recommended by the Plan's outside financial consultant. The Plan's portfolio mix is periodically reviewed by the Trustees. The particular mix of investments in the portfolio varies from time to time to adjust to changing market conditions and also to keep it in line with the investment strategy set by the Trustees.

In keeping with the Plan's primary objective of providing retirement benefits, the Plan attempts to achieve a reasonable rate of return given prevailing market conditions, while still trying to protect your account from investment losses. To do this, the Trustees have adopted an investment strategy of buying quality investments and holding them to provide both long-term appreciation and current income. The Trustees are not attempting to outperform the market on a short-term basis. Instead, they are committed to being prudent stewards of the funds you have entrusted to them.

Q&A 6-4 — IS THE VALUE OF MY ACCOUNT GUARANTEED?

No. The value of your account is not guaranteed. Instead, it will rise or fall according to the Plan's investment performance. There is no guarantee that your account will receive a fixed rate of return or that it will be protected against investment losses or depreciation in asset value. To provide such a guarantee, the Plan would be limited to investments that pay a low rate of return. Such low returns would make it very difficult to build an adequate retirement nest egg. Instead, as explained above, your account is invested in a mix of investments which is intended to provide you with a good long-term rate of return at an acceptable level of investment risk.

Q&A 7-1 — DO I HAVE A SEPARATE ACCOUNT IN THE PLAN?

Yes. When you first enter the Plan, a separate bookkeeping account is set up in your name in the Plan's trust fund. Your account is credited with the payroll or rollover contributions you make, the contributions, if any, that your employer makes for you and the investment earnings on those contributions. Your account is charged for any distributions made to you, for any investment losses, for your pro rata share of any administrative expenses and for any special expenses charged directly to you, such as the costs to process a qualified domestic relations order relating to your account.

Q&A 7-2 — WHEN IS MY ACCOUNT BALANCE DETERMINED FOR BENEFIT PAYMENTS?

The amount of your account balance is determined as of the Plan's "valuation date" that occurs on or before the date your payment is to be made. Note: your account balance is ***not*** determined on the actual date of the event that makes your benefit payable. That is, your account value is not fixed on the date of your retirement, termination of employment, death or disability. Instead, it is determined as of the applicable valuation date.

Q&A 7-3 — WHEN ARE THE PLAN'S VALUATION DATES?

The Plan determines everyone's account balance as of the end of every calendar quarter. Our Plan Administrator may also set additional valuation dates if it feels they are needed to avoid a distortion in the trust fund's earnings or to prevent some participants from profit-taking at the expense of the others. The obvious example would be if there was a stock market crash following a regular valuation date.

Q&A 7-4 — HOW IS MY ACCOUNT BALANCE DETERMINED?

The Plan uses an accounting method—known as "balance forward accounting"—that has traditionally been used for retirement plans. Under this method, each participant's account is credited with its pro rata share of the trust fund's earnings, gains and losses and the Plan's administrative expenses. The pro rata split is based on each participant's account balance as of the previous valuation date, less any distributions made since that date. After this is done, any contributions you or your employer made since the last valuation date are credited to your account.

Q&A 7-5 — HOW DO I KEEP TRACK OF MY ACCOUNT?

You will receive periodic statements, at least annually, showing how much was contributed into your account since the last statement, any distributions made, the investment earnings, gains or losses credited to your account and the total amount in your account net of investment and administrative fees and expenses.

Q&A 8-1 — WHEN ARE MY BENEFITS PAYABLE?

Pastoral Staff.

Account Under $3,500—If your account balance is under $3,500, your benefits will be payable to you after you turn age 59½, die, become disabled or separate from service, whichever occurs first.

Account Balance $3,500 Or Over—If your account balance is $3,500 or over, you can receive your benefits only after you turn age 59½ or, if earlier, upon your death or disability. In other words, you cannot receive a benefit payment when you terminate your ministry services with your employer unless you have reached age 59½.

Rollover and Transfers Included

In determining whether your account balance is over or under $3,500, any rollover contributions and transfers you made into our Plan from other plans are included.

Non-Pastoral Staff. To comply with the tax laws, your benefits are payable only when you reach age 59½, separate from service, die or become disabled, whichever occurs first. In other words, you cannot receive a benefit payment while you are still employed by your employer unless you have reached age 59½.

Q&A 8-2 — WHAT IS A "SEPARATION FROM SERVICE?"

A "separation from service" is the voluntary or involuntary termination of your employment or ministry services (see Part Nine).

Q&A 8-3 — HOW MUCH WILL MY BENEFIT BE?

You will receive the full amount of your account—your own voluntary contributions, your employer's contributions, if any, and the net investment earnings on these contributions. Our Plan does not guarantee that you will receive a fixed amount when your benefit becomes payable. Instead, your benefit will depend on the contributions that have gone into your account, the results of the Plan's investments and the Plan's administrative expenses.

Q&A 8-4 — WHEN DO I RECEIVE MY BENEFIT PAYMENT?

Once you are eligible to receive your benefits, you will need to file a Benefit Payment Election Form to receive your benefit payment. Your benefit payment will generally be made no later than 90 days after the date our Plan Administrator receives your Benefit Payment Election Form. In some cases, additional time may be required to process your payment. In those cases, payment will be made as soon as administratively feasible after your benefit amount can be calculated.

Q&A 8-5 — CAN I POSTPONE RECEIVING MY BENEFIT PAYMENT?

Yes. You are not required to begin receiving benefit payments as soon as your benefits become payable (such as when you turn age 59½). In fact, your benefit payments will not begin until you request a payment by completing a Benefit Payment Election Form telling us how you want your benefits paid.

Q&A 8-6 — WHAT IS THE LATEST DATE I CAN POSTPONE PAYMENTS TO?

To comply with IRS rules, you must begin receiving your benefit payments no later than April 1 of the year following the year in which you turn age 70½ or, if later, the year in which you retire (if you continue working beyond age 70½). By this date, you must start taking out at least the minimum amount required by the IRS (see Q&As 12-5 through 12-9).

Failure to meet this deadline will subject you to a penalty tax equal to 50% of the required minimum amount that should have been distributed.

WARNING!

If you elect to postpone your payments, it is up to you to keep an eye on when your payments have to begin. You cannot rely on our Plan Administrator to send you a reminder notice. You will need to notify our Plan Administrator of the date you want payment of your postponed benefits to begin.

Q&A 8-7 — WHAT PAYMENT OPTIONS ARE AVAILABLE FOR RETIREMENT BENEFITS?

Normal Form of Payment. The Plan will automatically pay your benefit in a lump-sum payment, unless you elect one of the optional forms of payment.

Optional Forms of Payment. The following payment options are available:

- ❑ Direct Rollover Option
- ❑ Installment Payment Option
- ❑ Required Minimum Distribution Option
- ❑ Single Withdrawals Option
- ❑ Split-Payment Option

Detailed Information. For your convenience, the following Q&As provide a very brief summary of the available forms of payment. Please refer to ***Your Benefit Payment Options*** for a full explanation of your benefit payment options. This booklet is available from our Plan Administrator.

Q&A 8-8 — WHAT IS A LUMP-SUM PAYMENT?

In a lump-sum payment, your entire account balance is paid directly to you in a single check. You also have the option of having the Plan wire your payment directly to your bank account. The wire transfer fee will be deducted from your account or you can pay this fee separately in advance. Note that payments will be made only by check or wire transfer. The Plan will not distribute to you the actual stocks, bonds, etc. in which your account was invested.

Q&A 8-9 — WHAT IS A DIRECT ROLLOVER?

The Direct Rollover Option lets you make a tax-free transfer of your account balance to your IRA or to your new employer's retirement plan. See Q&As 12-3 and 12-4 for more information.

Q&A 8-10 — HOW ARE INSTALLMENT PAYMENTS MADE?

Payment Frequency. You can elect to have your account balance paid out to you in monthly, quarterly, semi-annual or annual payments.

Payment Methods. You can elect to have your installments paid out under either of two different payment methods—

- ❑ ***Specified Dollar Amount.*** Under this method, the payment term is not specified. Instead, you specify the dollar amount of the installment payments you want to receive. The Plan will pay out that amount until your account is exhausted.

- ❑ ***Specified Payment Period.*** Under this method, the payment amount is not specified. Instead, you specify the period of time over which you would like to receive installment payments. You will receive installments in the dollar amount the Plan estimates will exhaust your account over the payment period you selected.

Effect of Investment Results. While your account is being paid out in installment payments, it will continue to be invested in our Plan's trust fund. Your account will continue to be adjusted for investment gains, losses and expenses. Depending on the trust fund's investment results and expenses, the amount of your installment payments or the installment payment period may vary from the amount or the period you specified. Let's say you selected a ten-year payment period with annual payments under the Specified Payment Period method. And let's say the Plan determined that annual payments of $10,000 would exhaust your account in ten years. If the Plan's investments turn out to be better than expected, your final installment payment will be a balloon payment to close out your account.

Maximum Payout Period. To comply with the IRS, your installment payout period generally cannot be longer than your life expectancy as determined under an IRS table.

Death Benefits. If you should die before your account is fully paid out, the remaining balance will be paid to your beneficiary. Your beneficiary can continue receiving installment payments or your beneficiary can cash out the unpaid balance. If your beneficiary is your surviving spouse, your beneficiary also has the option of rolling the balance, less any required minimum distribution for that year (if you died after age 70½), into an IRA or another employer's retirement plan.

Q&A 8-11 — WHAT IS THE MINIMUM DISTRIBUTION OPTION?

This option gives you a convenient way to stretch out your payments over the maximum amount of time allowed by the IRS. Under this option, the Plan calculates the amount of the payment you have to receive every year to satisfy the IRS's required minimum distribution rules. The payment amount will be based on your life expectancy (or in some cases, the joint life expectancy of you and your beneficiary).

Payments will be made once a year in the month of December. Payments will begin in the year you turn age 70½ or, if later, the year in which you retire.

Q&A 8-12 — HOW ARE SINGLE WITHDRAWALS MADE?

Once you reach age 59½, you can keep your account in our Plan and take withdrawals from it from time to time as you elect. These single withdrawals do not have to be taken out under any kind of a fixed schedule, and they can be in any dollar amount you choose, as long as they are at least $1,000 each.

You will need to fill out a Benefit Payment Election Form each time you want to make a single withdrawal. You are limited to one single withdrawal per calendar quarter. Single withdrawals ***cannot*** be paid back to the Plan.

You can take one or more single withdrawals and later elect one of the other available payment options for the balance of your account.

Once you reach age 70½ (or retire, if later), the single withdrawals you take each year must be large enough to satisfy the IRS-required minimum distribution rules (see Part Twelve of this Handbook).

Q&A 8-13 — WHAT IS THE SPLIT PAYMENT OPTION?

This option lets you have part of your account balance paid as a tax-free rollover into an IRA (or your new employer's retirement plan) and have the rest of your account paid out under one of the other available payment options.

Q&A 8-14 — HOW DO I ELECT MY PAYMENT OPTION?

When you are ready to begin receiving payments, simply ask our Plan Administrator for a Benefit Payment Election Form, fill out the form and return it to our Plan Administrator. To make sure your payment meets the IRS requirements, you must use this form to select your payment option. We cannot accept telephone or other written instructions from you.

Q&A 8-15 — DOES MY SPOUSE HAVE TO CONSENT TO MY BENEFIT ELECTION?

No. Our Plan does not require your spouse to consent to either the payment option or the payment starting date that you select.

Q&A 8-16 — CAN I CHANGE MY PAYMENT FORM AFTER PAYMENTS BEGIN?

Yes. If you are receiving payments under the Installment Payment or the Required Minimum Distribution Option, you can later elect to receive your remaining account balance under the Lump-Sum Payment, Direct Rollover or Split Payment Option.

If you have taken one or more Single Withdrawals, you can later elect to receive your account balance under one of the other available payment options. If you switch to one of the other available payment options, that choice will apply to your entire account balance. (For example, you can't elect installments for half of your account and continue to take Single Withdrawals for the remaining half.)

Q&A 8-17 — CAN I BORROW OR TAKE HARDSHIP WITHDRAWALS FROM MY ACCOUNT?

No. In keeping with the Plan's primary purpose of providing you with ***retirement*** benefits, the Plan does not allow for either loans or hardship withdrawals.

Q&A 9-1 — ARE MY BENEFITS REDUCED IF MY EMPLOYMENT TERMINATES BEFORE I RETIRE?

No. If your employment terminates before you retire, you are still entitled to receive your entire account balance regardless of the reason for the termination. In other words, you are always 100% vested in your account balance. It cannot be forfeited for any reason.

Q&A 9-2 — WHAT HAPPENS IF I LEAVE TO GO TO WORK FOR ANOTHER PARTICIPATING EMPLOYER?

If you leave your employer to go to work for another employer participating in this Plan, you will not be considered to have terminated for purposes of this Plan. Your benefits will continue to be held in the Plan until the occurrence of an event that makes them payable (age 59½, separation from service, death or disability).

Q&A 9-3 — WHAT HAPPENS IF I AM REHIRED FOLLOWING A TERMINATION?

If you terminate employment with your employer and are later rehired by any employer participating in this Plan, you will be eligible to rejoin the Plan.

If you were a participant in this Plan when you left, you are eligible to participate immediately upon your rehire. You will need to re-enroll, however. If you were not a participant when you left, you will be treated as a new employee and must satisfy the Plan's eligibility requirements before you may participate (see Part Four of this Handbook).

Q&A 9-4 — WHAT HAPPENS IF I AM BARRED FROM THE MINISTRY?

If you are permanently barred from any future involvement with the ministry, your account balance will become immediately payable even if you have not yet reached age 59½.

Q&A 9-5 — WHEN WILL MY TERMINATION BENEFIT BE PAID?

Your termination benefit will not be paid out until you complete a Benefit Payment Election Form and send it in to our Plan Administrator. Payment will generally be made within 90 days of the date your form is received.

Q&A 9-6 — HOW WILL MY TERMINATION BENEFIT BE PAID?

Your termination benefit can be paid out to you under any one of the payment options available under the Plan (see Q&A 8-7).

Q&A 10-1 — DOES THE PLAN PROVIDE A DEATH BENEFIT?

Yes. Upon your death, the remaining balance of your account will be paid to your beneficiary.

Q&A 10-2 — WHAT PAYMENT OPTIONS WILL MY BENEFICIARY HAVE?

Your beneficiary will be able to select any one of the payment options available under the Plan. However, as required by IRS rules, the Direct Rollover Option is available only if your beneficiary is your surviving spouse.

If you die after you started receiving benefit payments, the death benefit will be paid to your beneficiary under the same form of payment you had selected, unless your beneficiary chooses a different payment option. For example, if you had elected installment payments, your beneficiary could elect to receive a lump-sum payment instead and cash out your remaining account balance.

Q&A 10-3 — HOW DO I NAME A BENEFICIARY?

You name your beneficiary by completing the beneficiary designation section the first time you fill out your Enrollment Form.

Q&A 10-4 — CAN I NAME SOMEONE OTHER THAN MY SPOUSE AS MY BENEFICIARY?

If your spouse will not be your only primary beneficiary, your spouse must consent to your choice of beneficiary. To do this, your spouse must sign the "Spouse's Consent to Beneficiary Designation" section in the Enrollment Form. In order to be valid, your spouse must sign before a notary public. Your spouse's written, notarized consent is required even if you are no longer living with your spouse and even if you are just naming your children or a family trust as your beneficiary.

If your spouse does not consent to your beneficiary designation or if your spouse's signature is not notarized, your spouse will receive your account balance on your death instead of the beneficiary you named.

If you are single, your death benefit can be paid to any beneficiary you choose without anyone's consent.

Q&A 10-5 — CAN I CHANGE MY BENEFICIARY?

You may change your beneficiary at any time by filling out a new Enrollment Form. (This form is available from our Plan Administrator.) Check the "Change of Beneficiary" box at the top of the form and complete only the applicable parts of the form as instructed. Again, if you are married, your spouse must sign the "Spouse's Consent to Beneficiary Designation" section if your spouse will not be your only primary beneficiary. Return the completed form to our Plan Administrator right away. YOUR NEW BENEFICIARY DESIGNATION WILL NOT BE EFFECTIVE UNLESS THE COMPLETED FORM IS RECEIVED BY OUR PLAN ADMINISTRATOR BEFORE YOUR DATE OF DEATH.

Remember, it is up to you—not your employer or our Plan Administrator—to update your beneficiary designation if your circumstances change. It is your responsibility to make sure your beneficiary designation names the person you really want as your beneficiary.

Q&A 10-6 — WHAT HAPPENS IF I GET MARRIED OR DIVORCED?

If you get married, your spouse automatically becomes your sole primary beneficiary and any prior designation of a primary beneficiary that you may have made is automatically revoked (except to the extent a Qualified Domestic Relations Order makes your former spouse or your children a primary beneficiary). If you do not want your new spouse to be your only primary beneficiary, your new spouse must consent to the other primary beneficiary you want to name.

If you get divorced, the divorce automatically revokes any designation of your former spouse as either your primary or your contingent beneficiary (except to the extent a Qualified Domestic Relations Order makes your former spouse your beneficiary). If you remarry, your new spouse will automatically become your primary beneficiary (again, except to the extent a Qualified Domestic Relations Order makes your former spouse or your children your beneficiary). If you want to name someone else as a primary beneficiary, your new spouse has to consent to your choice of beneficiary as explained above.

Q&A 10-7 — WHAT IF I FAIL TO NAME A BENEFICIARY?

If you do not name a beneficiary, or if your named beneficiary is no longer alive at the time of your death, any benefit payable upon your death will be paid in the following order of priority—

(1) To your spouse, if living;

(2) If you have no surviving spouse, then to your surviving children in equal shares; or

(3) If neither a spouse nor any children survive you, then to your estate.

Q&A 10-8 — WHAT HAPPENS IF MY NAMED BENEFICIARY DIES?

It depends on whether your beneficiary dies before or after you do—

Dies Before You. If your beneficiary dies before you do, you can always name a new beneficiary to take his or her place. Again, if you are married, your spouse will have to give his or her consent if your spouse will not be your only primary beneficiary.

If you do not name a new beneficiary to replace the deceased beneficiary, the death benefit the deceased beneficiary would have received will go to your other named beneficiaries in accordance with the instructions in the beneficiary designation section of your Enrollment Form. It will not be paid to the deceased beneficiary's heirs or estate.

If your beneficiary dies and you do not have any other named beneficiaries alive at the time of your death, the death benefit will be paid under the Plan's default provisions (see Q&A 10-7).

Dies After You. If your beneficiary dies after you do, but before the death benefit has been fully paid out, the balance of the payments that were to go to that beneficiary will be paid to that beneficiary's estate.

Q&A 10-9 — CAN MY BENEFICIARY DISCLAIM THE DEATH BENEFIT?

Yes. Your beneficiary can disclaim the death benefit. (This is sometimes done for estate planning reasons). In that case, the death benefit will be paid as if the disclaiming beneficiary died before you did. This means the benefit that would have gone to that beneficiary will be split among the other beneficiaries you have named in accordance with the instructions in the beneficiary designation section of your Enrollment Form. If you did not name any other beneficiaries, or if the other beneficiaries you named are no longer alive at the time of your death or have all disclaimed the death benefit, the benefit will be paid to your default beneficiary under Q&A 10-7.

Q&A 10-10 — HOW QUICKLY MUST THE DEATH BENEFIT BE PAID OUT TO MY BENEFICIARY?

It depends on whether you died before or after you were required to start taking the IRS-required minimum distributions from your account. This would be April 1 of the year following the year in which you turn age 70½ or, if later, April 1 of the year following the year in which you retire. This date is known as your "Required Beginning Date."

Death After Required Beginning Date—The Continuing Payments Rule. Your remaining account balance must be paid out to your beneficiary at least as rapidly as under the payment schedule you had selected. Your beneficiary can elect a different payment option as long as it provides for a more rapid payout. For example, your beneficiary can cash out the unpaid balance (or roll it over to an IRA or another employer's plan if your spouse is your beneficiary).

Death Before Required Beginning Date—The Five-Year Rule and the Exceptions. Generally, your entire account balance must be completely distributed to your beneficiary within five years after your death. (To be exact, the deadline is December 31 of the year in which the fifth anniversary of your death occurs.) There are two exceptions to the five-year payout rule:

General Exception. The five-year rule does not apply if all of the following conditions are met:

(1) The benefit is payable to your designated beneficiary;

(2) The benefit is paid out over a period that is not longer than your beneficiary's life expectancy; and

(3) Payments begin no later than December 31 of the year following the year of your death.

Spousal Exception. If your designated beneficiary is your spouse, the five-year rule does not apply if both of the following conditions are met:

(1) The benefit is paid out over a period of time that is not longer than your spouse's life expectancy (with your spouse's life expectancy recalculated annually); and

(2) Payments begin no later than whichever of the following dates is the latest:

(a) December 31 of the year following the year of your death; or

(b) December 31 of the year following the year in which ***you*** would have reached age 70½.

Q&A 11-1 — WHAT HAPPENS IF I BECOME DISABLED?

If you become disabled, you will be entitled to receive your Plan benefits even if you have not yet reached age 59½.

Q&A 11-2 — HOW IS DISABILITY DETERMINED?

You are eligible for disability benefits if you are determined to be disabled by the Social Security Administration.

Q&A 11-3 — WHEN WILL DISABILITY BENEFITS BE PAID?

Your benefits will generally be payable within 90 days after you are determined to be disabled. If, for some reason, your benefit cannot be calculated within that time (for example, if our Plan Administrator does not get timely notice of your disability determination), your benefit will be payable as soon as administratively feasible afterwards.

However, your benefits will not be paid until you or your authorized representative files a Benefit Payment Election Form with our Plan Administrator. This lets you postpone payment if that is what you would like to do. (See Q&A 8-5 about postponing benefit payments.)

Q&A 11-4 — HOW WILL MY DISABILITY BENEFITS BE PAID?

It can be paid out to you in any one of the payment options available under the Plan (see Q&A 8-7).

Q&A 11-5 — HOW WILL MY DISABILITY BENEFIT BE TAXED?

Your disability benefit payment will be taxed the same way a regular benefit payment is taxed. That is, it will be subject to federal and state income tax unless you roll it over into an IRA or another retirement plan or, if you are a minister, you take it as a tax-free housing allowance. If you do not roll it over or take it as a housing allowance, your disability benefit payment is subject to federal and state income tax withholding. In addition, if you are under age 59½, you may be subject to the 10% early withdrawal penalty tax as well. See Part Twelve of this Handbook for more information on the tax rules.

Q&A 12-1 — WHEN ARE MY PLAN BENEFITS TAXABLE?

Our Plan provides you with tax-deferred benefits. This is the Plan's most important feature. This means that when contributions are made into your Plan account—whether they are made by you or by your employer—they are not treated as taxable income to you for that year. In addition, the investment earnings on those contributions are not taxed to you in the year they are credited to your account. You are taxed only in the year you receive a benefit payment. Typically, this will be after you retire (when you may be in a lower tax bracket).

Q&A 12-2 — HOW ARE MY BENEFITS TAXED?

Income Tax. As a general rule, your benefit payments are taxable as ordinary income for federal and state income tax purposes in the year in which you receive them, regardless of the form of payment you selected. (See Q&A 12-10 for the withholding rules on taxable distributions.) However, if you elect to make a direct rollover instead of receiving benefit payments, the amount you roll over is not taxed until it is distributed to you from the IRA or the other retirement plan into which you made the rollover (see Q&A 12-3).

10% Penalty Tax. If you are under age 59½, your benefit payments may also be subject to the 10% early withdrawal penalty tax (see Q&A 12-11).

Tax-Free Housing Allowance. For ministers, your benefits will not be taxed if you take them as a tax-free housing allowance (see Q&A 12-12). If so, they will also not be subject to income tax withholding or the 10% early withdrawal penalty tax.

Foreign Missionaries. If you are a foreign missionary or a former foreign missionary, your benefits may be tax-free to the extent they can be treated as the payment of after-tax employee contributions. To qualify for this treatment, your benefit payments must be attributable to amounts that were contributed into the Plan on your behalf and these amounts must have been the type of payment that would have been excluded from your income under Internal Revenue Code § 911 if they had been paid to you as salary instead of being contributed into the Plan.

In order to qualify for this tax-free treatment, you or your employer will need to provide our Plan Administrator with documentation of the amount of the excludable contributions that were made for you. This is the only way we will be able to provide the IRS with the proper tax reporting on your benefit payments.

Q&A 12-3 — HOW DO I MAKE A ROLLOVER?

The easiest way to make a rollover is to elect the Direct Rollover Option on your Benefit Payment Election Form. You will need to fill in the information about the IRA or the other employer's plan into which you want your rollover deposited. The Plan will then mail your benefit payment check directly to the IRA custodian/trustee or the trustee of your new employer's plan for deposit into your account. You also have the option of having the Plan wire the funds directly into your IRA or your new employer's plan. The wire transfer fee will be charged to your account or you can pay the Plan this fee separately in advance.

> ***Check the Other Plan First!***
>
> If you want your direct rollover to go into your new employer's plan, first check to make sure that it accepts rollovers. Plans are not required to accept direct rollovers and not all of them do.

If you take a lump-sum payment (in which case the payment check is made payable to you), and then change your mind and want to make a rollover, you can still do so if you deposit the check in your IRA or your new employer's plan within 60 days. See the ***Special Tax Notice on Plan Distributions*** booklet for more details on how to make one of these "Do-It-Yourself Rollovers." This booklet is available from our Plan Administrator and you will be given a copy when your benefits become payable.

Q&A 12-4 — WHAT PAYMENTS CAN I ROLL OVER?

Not all payments can be rolled over. Those that can and cannot be rolled over are listed below:

Rollover Allowed

- ✔ Lump-Sum Payments
- ✔ Single Withdrawals
- ✔ Installments (when the payout period is under 10 years)

Rollover *Not* Allowed

- ✗ Installments (when the payout period is 10 years or more)
- ✗ Any amount required to be paid out as an IRS required minimum distribution

Q&A 12-5 — WHAT ARE THE IRS MINIMUM DISTRIBUTION RULES?

Once you reach age 70½, the so-called required minimum distribution rules kick in. The idea is to force you to start withdrawing at least the required minimum amount from your account balance every year. This way, the government starts getting its taxes during your lifetime rather than waiting until your death to collect.

Q&A 12-6 — WHEN DO I HAVE TO START TAKING OUT DISTRIBUTIONS?

You have to start no later than the year you reach age 70½ or the year in which you retire if you retire after reaching age 70½. The payment for the first year does not have to be made until April 1 of the following year, however. But if you wait until April 1 of the following year, you will have to take two withdrawals in that year—one by April 1 to cover your minimum distribution for the previous year, and the other by December 31 to cover the current year's required minimum distribution. Then by December 31 of each subsequent year, you must continue to take at least the required minimum amount for that year.

Q&A 12-7 — WHAT HAPPENS IF I DON'T TAKE OUT THE REQUIRED MINIMUM?

If you take out less than the required minimum, there's a 50% penalty tax on the difference between the minimum you were required to take and the amount (if any) you actually took out that year. In addition, when you finally withdraw the money you were supposed to, you also have to pay the regular income tax on that withdrawal. You cannot get an offset for the 50% penalty tax you paid.

Q&A 12-8 — HOW IS THE MINIMUM DISTRIBUTION AMOUNT DETERMINED?

Generally, the minimum required distribution you have to take each year is the amount that is estimated will completely draw down your account over your life expectancy (using an IRS life expectancy table).

Q&A 12-9 — HOW DO I TAKE MINIMUM DISTRIBUTIONS FROM THIS PLAN?

It depends on the payment option you select. Some automatically satisfy the minimum distribution requirements; others require some calculations to be made.

> ***Lump-Sum Payment.*** A lump-sum payment by April 1 of the year following the year in which you turn age 70½ (or retire, if later) will, of course, automatically take care of your minimum distribution requirements since you are taking a fully taxable distribution of your entire account balance.
>
> ***Direct Rollover.*** Similarly, a direct rollover to an IRA or your new employer's plan takes care of your required minimum distribution from this Plan, but you have to start taking required minimum distributions from your IRA or the other plan. Note that unless you elect to make a rollover election ***before*** the year you turn age 70½ (or retire, if later), the full amount of your account balance cannot be rolled over. The portion of your account that represents your required minimum distribution for your age 70½ year (or retirement year, if later) must be paid to you as a taxable distribution. The balance of your account can be rolled over, however.
>
> ***Installments.*** You will need to follow IRS rules to determine the minimum payment amount that is required each year.

Single Withdrawals. Careful planning is important here as well. Once you reach age 70½ (or retire, if later), you must make sure that the amount of single withdrawals you take each year are enough to cover your required minimum amount. Alternatively, you could elect another form of payment that will satisfy your minimum distribution requirement each year.

Minimum Distribution Option. This is the easiest way to comply with the required minimum distribution rules. If you elect the Minimum Distribution Option on your Benefit Payment Election Form, the Plan will calculate the amount that must be paid out to you each year and will automatically issue you a check for that amount. (See Q&A 8-11 for more information on this option.)

Q&A 12-10 — ARE MY BENEFIT PAYMENTS SUBJECT TO WITHHOLDING?

Generally yes. Unless you are a minister who is receiving benefit payments as a tax-free housing allowance, your benefit payments are subject to income tax withholding. You may be able to waive withholding in some cases. Benefit payments are not subject to FICA or SECA, however.

The income tax withholding rules are covered in ***Your Benefit Payment Options***, a booklet available from our Plan Administrator.

Q&A 12-11 — ARE DISTRIBUTIONS FROM THIS PLAN SUBJECT TO THE EARLY WITHDRAWAL PENALTY TAX?

Yes. If you receive a distribution from the Plan before you reach age 59½, you may have to pay the federal 10% early withdrawal penalty tax. This penalty tax is in addition to the regular federal and state income tax you will have to pay on the distribution. However, this tax does not apply in a number of cases. These exceptions are covered in the ***Special Tax Notice***, a booklet available from our Plan Administrator, and you will be given a copy when your benefits become payable.

Q&A 12-12 — HOW DO I RECEIVE A MINISTER'S HOUSING ALLOWANCE DISTRIBUTION?

If you are a minister, you may request to have the Plan pay up to 100% of your benefit payment as a tax-free housing allowance. However, the portion of the benefit payment that you can actually declare as a tax-free housing allowance on your income tax return cannot be more than whichever of the following amounts is the ***lowest***:

- ❑ The fair rental value of your furnished home plus the cost of utilities;
- ❑ The actual expenses of operating your home (down payment, mortgage payments, utilities, property tax, insurance, furnishings, maintenance, etc.); or
- ❑ The amount the Plan paid you as a housing allowance.

It is up to you to keep adequate records in case you ever have to prove to the IRS that your benefit payment qualified as a tax-exempt housing allowance.

Please note, you cannot roll a housing allowance distribution into an IRA or another retirement plan. Also, death benefit payments to your spouse or beneficiaries cannot be paid to them as a housing allowance.

Q&A 12-13 — WHERE CAN I GO TO FIND OUT MORE ABOUT THESE TAX RULES?

The tax rules on benefit payments from retirement plans are much too complicated to cover in this Handbook. However, there are a number of good sources for additional information—

- ❑ A good summary of the rules can be found in ***Your Benefit Payment Options***. (This booklet is available from our Plan Administrator, and you will be given a copy when your benefits become payable.)

- ❑ For more detailed information, you should refer to IRS Publication 575, "Pension and Annuity Income." This is available online at www.irs.gov or through your local IRS office or by calling the IRS "Forms Hotline" at 1-800-TAX FORM (1-800-829-3676).

- ❑ You should also consult with your own tax advisor to find out what you can do to defer or reduce the taxes on your benefit payment. We recommend that you also consult your own tax advisor on the correct way to report your distribution on your tax return. Our Plan Administrator cannot give you tax, legal or financial planning advice.

Q&A 13-1 — DO I NEED TO FILE A CLAIM FOR BENEFITS?

Generally, benefits will be paid by the Plan without you or your beneficiary having to file a formal claim for benefits. You will have to fill out certain administrative forms, such as a Benefit Payment Election Form. However, you or your beneficiary may file a formal claim for benefits if, for example, you believe your benefit was determined incorrectly.

Q&A 13-2 — HOW DO I FILE A CLAIM IF I NEED TO?

Claims for benefits should be submitted in writing to our Plan Administrator. Within 90 days after you file your claim, our Plan Administrator will either grant the claim, deny it or extend the time for processing the claim. If an extension is made, you will receive an explanation of why the extension is needed and the date you may expect a decision. If you do not hear anything within 90 days, you may consider your claim to be denied.

If your claim is denied, you will receive a notice explaining the reasons why the claim was denied, including the specific provisions of the Plan on which the denial was based. The notice will also describe any additional information that may be needed and explain why it is necessary. Finally, the notice will explain the Plan's claims appeal procedure. This notice will be written in plain, nontechnical language, so it should be easy for you to understand.

You may ask our Trustee to reconsider a denial by taking the following steps:

(1) You must appeal the decision within 60 days after receiving notice that your claim was denied.

(2) Your request for the appeal must be in writing.

(3) If you wish, you or your representative may review the Plan documents and submit written comments to support your claim.

(4) **YOU MUST REQUEST AND COMPLETE THIS APPEAL BEFORE YOU CAN BRING ANY LEGAL ACTION AGAINST THE PLAN OR ANYONE RESPONSIBLE FOR MAINTAINING OR OPERATING THE PLAN.**

You will receive a written decision on your appeal within 60 days after your request is received. However, if there are special circumstances, such as the need for a hearing, it may take up to an additional 60 days to decide your appeal. Again, the decision will be written in plain language and will explain the reasons for the decision and the applicable plan provisions. The decision on your appeal will be the final determination under the Plan.

Q&A 13-3 — WHAT IS OUR PLAN ADMINISTRATOR'S AND TRUSTEE'S AUTHORITY IN DECIDING CLAIMS?

Our Plan Administrator and Trustee have broad discretion to interpret the Plan's provisions, determine all questions concerning eligibility and benefits and make findings of fact, including deciding the sufficiency of any evidence submitted. A court of law or an arbitrator can reverse a decision of our Plan Administrator or Trustee only if the decision was arbitrary and capricious. That is, the decision stands unless it was made in bad faith, was not supported by substantial evidence or was erroneous as to a question of law. In reviewing the decision, the court of law or the arbitrator will be limited to considering only the testimony and other materials that were presented to our Plan Administrator or Trustee at the time it made its decision.

Q&A 13-4 — WHAT RIGHTS DO CREDITORS (INCLUDING FORMER SPOUSES) HAVE AGAINST MY PLAN BENEFITS?

Our Plan is written to be a "spendthrift trust" under Oregon law. This means you cannot transfer or assign your Plan account. That is, you cannot sell it, use it as collateral, pledge it or give it away. As a result, your creditors (even bankruptcy creditors) are prohibited from attaching or garnishing your Plan account until your benefits are actually being paid out to you.

The exception to this rule is for a "Qualified Domestic Relations Order." This is a court order requiring the Plan to pay some or all of your account to your spouse, former spouse or child for spousal or child support or as a property settlement. A court order must meet certain legal requirements to be a Qualified Domestic Relations Order. Our Plan Administrator has the sole authority to determine whether those legal requirements have been met. If those requirements have been met, the Plan must make the payments as required by the order. The Plan may be required to make payments even though, at the time, you are still working for your employer and could not receive benefit payments yourself. Our Plan Administrator will notify you if the Plan receives a Qualified Domestic Relations Order relating to your account.

Q&A 13-5 — DOES THE PLAN AFFECT MY EMPLOYMENT/MINISTRY RIGHTS?

The terms of your employment or ministry with your employer are not affected in any way by the Plan or this Handbook. Neither the Plan nor this Handbook is to be construed in any way as being an employment contract.

Q&A 13-6 — IS THIS PLAN SUBJECT TO ERISA?

No. Our Plan is considered to be a "church plan" which is not subject to federal regulation under the Employee Retirement Income Security Act of 1974 ("ERISA").

Q&A 13-7 — CAN THE PLAN BE AMENDED OR TERMINATED?

Although we intend for this Plan to be a permanent program, the NWCBA reserves the right to amend or terminate the Plan at any time. In addition, a participating employer may withdraw from participation at any time by notifying its employees and our Plan Administrator. Any amendment or termination of the Plan by the NWCBA will be made pursuant to a resolution of its Board of Trustees. This action can be taken without prior notice to the participating employers or the participants. However, amending or terminating the Plan cannot reduce any benefits you earned up to that time. If the Plan is terminated, your account will either (1) continue to be held in the Plan's trust fund and distributed in accordance with the provisions of the Plan; or (2) if the Plan's trust fund is also terminated, it will be paid out to you.

APPENDIX A

YOUR SAVER'S CREDIT RATE

The amount of the Saver's Credit you can claim is:

Your voluntary contributions to the Plan for the year (or $2,000 if less)
x
Your Saver's Credit Rate

The credit cannot be more than the tax you owe. That is, if your credit is more than your tax amount, you cannot claim a refund.

IF YOUR ADJUSTED GROSS INCOME IS—			***YOUR SAVER'S CREDIT RATE IS—***
Married Filing Jointly	***Head of Household***	***Single or Married Filing Single***	
$0-$30,000	$0-$22,500	$0-$15,000	50%
$30,001-$32,500	$22,501-$24,375	$15,001-$16,250	20%
$32,501-$50,000	$24,376-$37,500	$16,251-$25,000	10%
Over $50,000	Over $37,500	Over $25,000	No Credit Allowed

Example: Susan is married and files a joint return with her husband. Their adjusted gross income ("AGI") is $40,000, but Susan contributes $4,000 to the Plan. Her Plan contributions give her and her husband a double tax savings. First, the contributions reduce their AGI to $36,000. Then, after they figure the taxes they owe on their $36,000 of AGI, they can claim the saver's credit. Assuming a 15% tax rate, their $4,000 contribution first saves them $600 in taxes. Then, in addition, they can claim a saver's credit on 10% of her contributions up to $2,000, which gives them a $200 tax credit. As a result, Susan's $4,000 Plan contribution reduces their taxes by a total of $800.

APPENDIX B

IRA DEDUCTION TABLE

This is the table referred to in Q&A 5-12 for calculating your IRA deduction if you are also contributing to this Plan.

To use this table, find your tax filing status in Column (1). Use the *Non-Active Participant with Active-Participant Spouse* status at the end of Column (1) if you are no longer contributing into the Plan but your spouse is actively participating in a retirement plan at his or her job.

If your modified adjusted gross income ("MAGI") is less than the amount shown in Column (3), you can deduct the full amount of your IRA contribution. If your MAGI is more than the amount shown in Column (4), you cannot take an IRA deduction at all. If your MAGI falls between those two amounts, you can take a partial deduction. As a rule-of-thumb, your IRA deduction is reduced by $1 for every $5 in MAGI you have over the phase-out limit. (Beginning in 2007, for joint filers, the IRA deduction will be reduced $1 for every $10 of MAGI over the limit.)

Your MAGI is your AGI shown on your tax return without taking into account any IRA deduction or certain other deductions.

(1) Filing Status	(2) Tax Year	(3) Deduction Phase-Out Begins When Your MAGI Reaches:	(4) IRA Deduction Completely Eliminated When Your MAGI Reaches:
Married Filing Jointly; Spouse Contributing to this Plan also Contributes to IRA	2005 2006 2007 and after	$70,000 $75,000 $80,000	$80,000 $85,000 $100,000
Married Filing Jointly; Spouse Participating in this Plan Does Not Contribute to IRA, but Other Spouse Does	Any tax year	$150,000	$160,000
Married Filing Separately	Any tax year	$0	$10,000
Single or Head of Household	2005 and after	$50,000	$60,000
Non-Active Participant with Active-Participant Spouse	Any tax year	$150,000	$160,000