

THE RABBINICAL COUNCIL OF AMERICA **RETIREMENT PLAN**

1. INTRODUCTION

The Pension Plan of the Rabbinical Council of America (RCA) was inaugurated in 1947 with the cooperation of Yeshiva University, Hebrew Theological College and the Union of Orthodox Jewish Congregations. Since that date, many hundreds of congregations have enrolled their Rabbis, Cantors and religious functionaries.

Initially, as was required by law, the pension fund was invested in fixed-dollar annuity contracts offered by insurance companies. After the law was changed to allow other investment vehicles, variable annuities and several mutual funds were added to the Plan's investment choices. Recently, investment choices were expanded once again, under the guidance of a Registered Investment Advisor retained by the Pension Board, so that the Plan now offers a wide menu of mutual funds in various investment categories while continuing to offer fixed-income options through insurance contracts. These additions were motivated by a desire to give the participants greater flexibility in decisions regarding the investment of their retirement funds, thereby providing participants with the opportunity to achieve an adequate level of retirement income similar to the opportunities provided under corporate 401(k) plans. With the addition of these mutual funds, participants are now able to diversify, balance and individually tailor their account portfolios to meet their particular retirement objectives.

2. WHY IS A PENSION PLAN IMPORTANT?

For the Synagogue - A synagogue subsidized pension for the Rabbi is a great protection and a vital necessity for the synagogue. After an extended period of service to the community, a synagogue has an inescapable moral obligation to provide for the Rabbi upon his retirement or for his family in case of death or disability. Such a financial burden can be a most difficult problem for a synagogue. Yet, it would be morally indefensible for a synagogue to find itself unable to perform its responsibility. Participation in a pension plan enables a synagogue to meet its obligation. Today, synagogues are more receptive than ever before to the idea, because there is hardly any area of professional work where pensions are not provided.

For the Rabbi - Without a pension, a retired Rabbi and his spouse would live insecurely and austere. Further, not knowing how long one may live, the Rabbi and his spouse will always be anxious that they will outlive their entire life's savings. The pension payments received from Social Security are insufficient to provide an adequate retirement. With a pension, however, the Rabbi is assured of additional income which should enable him and his family to enjoy a meaningful and comfortable retirement. This income will be paid to the Rabbi through his choice of pension payment options. Among these choices is a fixed annuity which assures the Rabbi, and optionally his spouse, of a guaranteed lifetime income. This will provide a larger income than they could otherwise receive from interest earnings alone.

Another important advantage for the Rabbi is that contributions to the pension fund by his

congregation are nontaxable during his period of employment when he is in a higher income bracket, and earnings of the fund are tax-free until final distribution. At retirement, his tax bracket is usually lower and his pension payments might hardly be affected. Also, some, or perhaps all, of his retirement payments may be classified as tax-free parsonage allowance. He, thus, defers taxable income until after retirement when it would be either taxable at a lower rate or exempt from taxation. The combination of synagogue participation and tax-favored benefits makes it possible for a Rabbi with a moderate income to provide for a proper standard of living when he is no longer working.

3. WHAT IS THE PENSION PLAN?

The Plan sponsored by the RCA is a form of pension plan for religious organizations known as a 403(b) Plan. It is so-called because it contains special tax-deferred features as authorized under Section 403(b) of the Internal Revenue Code of 1986 (as amended). The Plan is designed to provide tax deferred retirement, disability and death benefits. The retirement parsonage feature is unique to 403(b) plans sponsored by rabbinic and church organizations.

4. WHO MAY PARTICIPATE IN THE PLAN?

Participation is open to all Rabbis who are members of the Rabbinical Council of America. In addition, employees of the RCA and religious functionaries (except clerical and maintenance) of institutions which employ a member Rabbi are eligible to participate with the approval of the Board. Upon joining, a participant immediately becomes vested. A participant is eligible to continue even if he changes congregations, so long as he or the Rabbi of the congregation is a member of the RCA. If the affiliation with the RCA ends, the participant may continue to participate in this Plan for the next 5 years.

5. HOW DO YOU BECOME A PARTICIPANT?

Enrollment application forms are available from the RCA. They must be completed by the prospective participant and his sponsoring congregation (Employer). The application must be returned to the Board. Applications will be accepted at any time and will generally be effective on the first day of the month following receipt.

6. WHAT IS THE ANNUAL CONTRIBUTION AMOUNT?

The recommended minimum contribution amount is 15% of a participant's annual compensation. The Board must be notified of any compensation change so that the contribution amount can be adjusted.

7. WHO MAKES THE CONTRIBUTION?

The contribution should be made by the sponsoring congregation (Employer) as part of the participant's compensation package. If the employer cannot make the entire contribution, the participant can contribute the balance through a salary reduction agreement under which the reduction amount is contributed to the Plan. There is a tax advantage for the participant to use a salary reduction agreement since amounts contributed by the employer through a salary reduction

agreement are not included in the participant's taxable income. (See question 8 for a detailed explanation.)

8. WHAT ARE THE REQUIREMENTS FOR A SALARY REDUCTION AGREEMENT?

In order to have the amount of salary reduction which is to be contributed to the Plan excluded from the participant's taxable income, the agreement must be in writing, irrevocable for the period in which it is in effect, and legally binding. It also must be entered into before the salary is earned. The amount of such reduction generally cannot be more than the following amounts:

For 2002:	\$11,000
For 2003:	\$12,000
For 2004:	\$13,000
For 2005:.....	\$14,000
For 2006 and thereafter:	\$15,000

However, there are special limited exceptions that permit a salary reduction in an amount greater than the annual limitations. (See question 10 for a detailed explanation.) An employee cannot make more than one agreement with the same employer during any one year; however, at the start of each year he can decide whether to take future compensation in cash or in a tax deferred pension contribution. The amount of reduction/contribution can also be a percentage of future salary, which will cause the amount to change with any salary changes, rather than a fixed amount, so long as the amount contributed is no more than the annual limitation.

9. WHEN ARE CONTRIBUTIONS MADE?

Contributions will be billed and payable annually. The Employer (or participant) will be sent an invoice from the Board showing the amount due. Arrangements can be made for semi-annual or quarterly payments at an additional administrative charge.

10. CAN LARGER CONTRIBUTIONS BE MADE?

Yes! The Board strongly encourages larger Employer contributions than the minimum recommended 15% of salary to provide a more meaningful retirement income. If the Employer is unable to make additional contributions, the Board encourages the participant to make contributions on his own behalf through salary reduction. The calculation has been simplified from prior years. Generally, the total combined contribution by Employer and participant in any calendar year can now be up to the lesser of \$40,000 (subject to cost of living increases) or 100% of the participant's current salary (the "Applicable Limit"). However, of that total amount, the employee's contributions through salary reduction may not exceed the limitations described in question 8. For purposes of calculating the maximum allowable contribution, "compensation" means a participant's total taxable salary paid by a religious affiliated organization, but it does not include rental or parsonage allowance, 50% of self employment tax if paid by the participant, any amounts of Employer contributions, or salary reduction contributions to the Plan.

The following examples illustrate how these rules work:

Example 1

A Plan participant who is subject to the self-employment tax earns \$50,000, which includes a parsonage allowance of \$10,000. The participant pays \$7,064.78 in self-employment taxes (under current rates). For purposes of calculating the maximum allowable contribution to the Plan by his employer, the parsonage allowance and one-half of the participant's self-employment tax are excluded from his compensation: $\$50,000 - \$10,000 - \$3,532.39 = \$36,467.61$. Since this is less than \$40,000, the Applicable Limit which can be contributed to the Plan for that year by the participant's employer is \$36,467.61.

Example 2

A Plan participant (for whom his employer pays FICA taxes) earns \$50,000. No parsonage allowance is included. In this case, there are no subtractions from his compensation, so the Applicable Limit, which is the maximum which can be contributed for that year by the participant's employer, is \$40,000 even though his compensation is higher.

Remember! A participant must be paid the full compensation which is used to determine the Plan contribution amount. If the contribution is subtracted from a participant's compensation, then the limitations explained in question 8 apply.

There are two limited exceptions that permit contributions in excess of the Applicable Limit. The first exception permits up to \$10,000 to be contributed above a year's Applicable Limit. This additional payment may be made by salary deferral, Employer contribution, or a combination of both. This exception, available to all participants, is subject to a lifetime maximum of \$40,000. The second exception permits participants who are at least 50 years old to contribute additional amounts as follows:

In 2002	\$1,000
In 2003	\$2,000
In 2004	\$3,000
In 2005	\$4,000
In 2006 and thereafter	\$5,000

These additional contributions may be made only by employee salary deferral, and cannot be contributed by the Employer.

If a participant or congregation is interested in making these special contributions above the Applicable Limit, please write to the Board for a detailed explanation. The congregation should bear in mind that supplementary contributions are a tangible way to recognize years of past service by a

Rabbi who may otherwise be unable to accumulate a meaningful level of retirement benefits.

11. CAN AMOUNTS BE TRANSFERRED FROM OTHER RETIREMENT PLANS?

Many of the previous restrictions on transfers from other retirement plans into the Plan have been removed. If a participant or prospective participant has accumulated pension benefits under another 403(b) plan, he can rollover that amount into the RCA Plan. In addition, the Plan can now accept rollovers from Keogh plans, corporate plans, or IRAs. Any such rollovers will be accounted for separately under the Plan, as later distributions from these rollover accounts will not qualify for parsonage allowance unless the rollover came from a plan sponsored by a religious organization (see question 20). If the participant does not wish to rollover the balance from his prior plan, he can have future contributions made to the RCA Plan, while maintaining his prior plan. See question 21 with respect to participation in more than one plan.

12. WHAT IS THE PARTICIPANT CHARGED FOR ADMINISTRATION?

All administrative and investment advisory charges are included in a reasonable annual fee which is automatically deducted from each participant's account. The amount of the fee will be periodically reviewed by the Board and adjusted as necessary to cover the Plan's expenses.

13. HOW ARE THE FUNDS INVESTED?

The Board has established an investment policy and has retained a Registered Investment Advisor to help formulate and implement the Plan's investment goals, objectives and guidelines. A copy of the Plan's Investment Policy Statement is available upon request to the Board. With the assistance and recommendation of its Investment Advisor, the Board has made available to the participants a selection of mutual funds and fixed-return contracts with an insurance company. Each participant may select the combination of investment choices which best fits his individual retirement goals. Each participant receives detailed investment explanations, a toll-free telephone number to call, and an Internet site he can access, so that investment selections and changes may be easily arranged. The Registered Investment Advisor is available to explain investment options to the participants. The Board, with the assistance of the Registered Investment Advisor, periodically reviews the performance of the offered investment vehicles and reserves the right to change the investment options being offered from time to time in accordance with its policy of providing for diversity through appropriate investment vehicles for retirement purposes.

14. HOW ARE PENSION BENEFITS DETERMINED?

Each participant has his own individual account under the Plan, which is always fully vested and cannot be forfeited for any reason. This account is credited with contributions made for or by the participant and his share of the earnings. Not less than once a year, each participant is sent a statement showing the current total value of his individual investment accounts. Participants can check on the value of their individual accounts at any time by calling the toll-free number or accessing the Internet site. At the time for payment of benefits, the participant will be entitled to the amount accumulated for him in his own accounts. The benefit can be paid out in various ways. (See question 17.) The amount of the final pension benefit cannot be definitively determined in advance,

since it depends upon the total of all contributions made and the actual earnings of the participant's investments.

15. WHEN WILL THE BENEFITS BECOME PAYABLE?

Pension benefits are payable only upon one of the following events:

- (a) The participant's retirement at any age after reaching age 55,
- (b) The participant's election to receive benefits after attainment of age 70, even if not retired;
- (c) Five years after the earlier of:
 - (1) the date the last contribution was made to the Plan by or on behalf of the participant, or
 - (2) the date the participant last terminated his affiliation with the RCA
- (d) The participant's disability (see question 18):
- (e) The participant's death (see question 17);
- (f) Financial hardship (see question 19.)

A participant who qualifies for benefit payments (except for death benefits) may choose to retain his investment with the RCA Fund (no further contributions will be permitted) and defer the start of payments to a later date. In any event, if a participant has retired and has reached age 70½, he must be paid sufficient amounts to satisfy the annual minimum distribution requirements beginning on the April 1 of the year following the year in which he reached age 70½. Payments are generally taxable (see question 20) and may also be subject to tax penalties if paid before retirement. Retirement for a Rabbi means when the Rabbi no longer serves his employer in his capacity as a Rabbi for compensation or no longer provides any type of religious, administrative and/or educational services for a religious or religiously affiliated organization for compensation. For participants other than a Rabbi, retirement means when such participant no longer provides paid services for a religiously affiliated institution which employs a Rabbi who is a member of the RCA.

A participant should request an application for benefits and file it with the Board at least three months before he wants payments to begin, to allow proper time for processing. After receipt of the application by the Board, payments, based on the value of the participant's retirement account, will be made as soon as practicable.

16. HOW WILL THE BENEFITS BE PAID?

The Plan offers a number of options for benefit payments. The participant may choose from among lump sum payments, fixed or variable annuities, installment payments and other variable type payments. While the amount of the payments will be different under each option, the actuarial value is always the same. A participant must elect the form of payments desired on his application for benefits at least three months prior to the date he wishes benefits to begin. Retirement payments through mutual funds are available whether or not the participant previously had invested in mutual funds, and a participant who previously had invested in mutual funds can purchase a fixed annuity at retirement if he so chooses. While mutual funds or other variable retirement payments may be considered as protection against inflation, there is no guarantee the amount paid from mutual funds

or other variable type payments will not decrease. The options for benefit payments include the following:

(a) Ten Year Certain Annuity. Under this benefit form, the participant receives monthly payments for his life with the guarantee that if he dies before receiving 120 payments, the remaining balance of those 120 payments will be made to his beneficiaries.

(b) Life Only Annuity. This pays a monthly income as long as the participant lives, with all payments ceasing upon his death. This method provides a larger monthly payment than the other options and may be appropriate if the participant has no dependents.

(c) Joint and Survivor Annuity. This option pays a monthly income as long as the participant lives, but also continues payments to the participant's spouse for her lifetime. The participant may elect 100%, 75% or 50% coverage for his spouse and may also elect a ten year certain feature to ensure at least 120 payments even if both should die. This option usually provides smaller monthly payments than (a) or (b) but it has the advantage of guaranteeing a lifetime income for both husband and wife. The amount of the payments will depend on the ages of the husband and wife, the survivor percentage chosen (100%, 75% or 50%) and the election of the 10 year certain feature.

(d) Mutual Funds or Other Variable Type Payments. This option allows a participant to retain or place his retirement funds in mutual funds from which payments may be made by (i) periodic installments, or (ii) specific dollar amounts as directed by the participant from time to time. In any event, payments must be made in accordance with the minimum distribution rules as explained in question 15. Installment payments for periods of less than 10 years will qualify for rollover to an IRA or another eligible retirement plan under the same rules as a lump sum payment described in (e). The participant can also select a variable annuity, which is similar to the annuity described in (a), (b) or (c), but the payments will vary depending on the value of the underlying investment.

(e) Lump Sum Payment. A participant can elect to have his entire benefit paid in one lump sum directly to him, into another plan sponsored by a religious organization, into an IRA, or into certain other eligible retirement plans. A lump sum payment direct to the participant will be a taxable distribution subject to withholding tax. If a rollover is selected, it will be made directly by the Plan to the other retirement account. However, if a lump sum payment is rolled into an IRA or a plan other than another plan sponsored by a religious organization, no portion of the rolled-over Plan funds can be distributed as a tax-free parsonage allowance.

The selection of the proper benefit payment option is very important. Each option has the same actuarial value, but the amount of the payments will be different. Once payments have begun under any option, they cannot be changed. See question 20 for an explanation of the tax consequences. Please note! If you request calculations or projections of your benefits under any annuity option, there will be an additional charge against your total benefit at such reasonable amount as is determined by the Board from time to time.

17. WHAT HAPPENS IF A PARTICIPANT DIES?

If a participant dies before benefit payments have begun, the value of his individual account will be paid to his beneficiary. Payments can be made in a lump sum (which can be rolled-over by a spouse into an IRA or eligible retirement plan of her choosing), installments over 5 years (with the unpaid balance remaining invested in the RCA Fund), or as an annuity for the life of the participant's spouse with or without 120 payments guaranteed. The participant's spouse has the option to defer the start of payments until the date the participant would have reached age 70 ½. The participant, in consultation with his spouse, should select the form of death benefit payment. If no form has been selected before the participant's death, the beneficiary will be allowed to do so.

If a participant has started to receive benefits, the death benefit will depend upon the option elected by the participant. (See question 16.)

One or more beneficiaries should be named on the participant's original application form. If a participant wishes to change beneficiaries, he should request a form from the Board. If no beneficiary is named, payment will be made to the participant's estate.

18. WHAT HAPPENS IF A PARTICIPANT BECOMES DISABLED?

In the event of total and permanent disability during the participant's employment, the participant should apply to the Board for "Disability" certification. The Board may request and examine medical reports before issuing its certification. Upon certification, the disabled participant may apply for the immediate payment of benefits regardless of his age, or defer payments as provided in question 16.

19. WHAT IF A PARTICIPANT HAS A HARDSHIP?

A participant who is not otherwise entitled to a benefit distribution may request a hardship distribution in an amount not to exceed 25% of his account balance in any year. The Board, in its sole discretion, exercised in a uniform and nondiscriminatory manner, shall determine whether hardship exists. Hardship shall include serious financial need, affecting the participant or his dependents, for medical care, prevention of loss of home, and other financial emergencies threatening the welfare of the participant or his dependents. A hardship distribution will be taxable income to the participant and may also be subject to tax penalties.

20. HOW ARE CONTRIBUTIONS AND BENEFIT PAYMENTS TAXED?

Contributions from an employer or through a salary reduction agreement (see question 8) are not included in a participant's taxable income unless they exceed the maximum allowed (see question 10). Also, such contributions for clergymen only (but not other employees) are exempt from Social Security/Self Employment Taxes. There is no tax on any earnings of the funds under the Plan until benefits are distributed.

A lump sum payment from the Plan to a rollover retirement plan (see question 16(e)) is not subject to federal taxes until the participant begins withdrawals from that account. All other

distributions from the Plan (including hardship distributions) are taxed as ordinary income as received with one exception. Any payments which qualify and are used for parsonage or rental allowance are tax-free. If a participant wishes to claim part or all of his pension payments as parsonage or rental allowance, he should contact the Board for further information and have his congregation submit the appropriate form to the Board. This should be done well in advance of retirement, as a last minute designation may not qualify for tax-free treatment. Caution! Under current law, payments from an IRA, a retirement plan other than a plan sponsored by a religious organization (like the RCA Plan), or a rollover account under the Plan which did not originate from a plan sponsored by a religious organization, will not qualify as tax-free parsonage allowance.

Taxable payments are subject to withholding tax; however, in general, a participant may elect in writing not to have withholding apply. If the distribution will qualify for rollover into an IRA or another retirement plan, such as a direct lump sum payment or installments over less than 10 years, then withholding must be taken unless the funds are rolled over directly by the Plan into the IRA or new retirement plan.

Pension distributions are included in a participant's estate for Federal estate tax purposes. State income and inheritance taxes may also be applicable to the distributions from the Plan, depending upon the participant's state of residence.

The tax laws and treatments of pension contributions and benefit payments are constantly changing. The above explanation is merely a guide based on current tax law, and the Board recommends you contact and rely upon your own tax advisor for advice about your particular situation.

21. CAN A PARTICIPANT ALSO HAVE AN IRA OR PARTICIPATE IN ANOTHER RETIREMENT PLAN?

Yes, but there are income limitations and restrictions with respect to each of the different forms of IRAs, and other retirement plans and these are subject to change. We suggest you consult with your tax advisor before making any type of IRA or other retirement plan contribution. A participant who has an additional source of income may also actively participate in another 403(b) plan, a Keogh plan or a tax qualified retirement plan of the organization providing that income, but there are complex rules concerning maximum allowable contributions to more than one plan, and a tax advisor should be consulted.

22. WHO ADMINISTERS THE PLAN?

A Board, known as the RCA Pension Board, composed of RCA members elected at annual conventions and serving without compensation, has been authorized by the RCA to establish rules, determine the investments and administer the Plan. A lawyer, a pension consultant and an investment advisor are retained by the Board for guidance and advice. The Board receives all contributions, and purchases and holds title to all assets of the Plan, including investments and annuity contracts for the benefit of the participants. The Board receives from the participants all designations, applications, and other documents relating to the Plan and, in general, is the custodian and the administrator of all aspects of the Plan.

23. WHAT CAN A DISSATISFIED PENSION CLAIMANT DO?

If the Board denies your claim for benefits in any way, you will receive a written notice describing:

- (a) the Board's reasons for denying your claim,
- (b) the provisions of the Plan which apply to your case, and
- (c) any additional information or material you should submit to support your claim.

If you want to appeal a denial of benefits, you must submit a written notice of appeal to the Board not more than 60 days after you receive the Board's notice of denial. Your written notice of appeal should describe exactly why you believe your claim should be approved rather than denied. In connection with your appeal, you may be represented by a lawyer if you wish, and you or your lawyer may inspect or purchase copies of any relevant materials from the files and records of the Pension Fund and the Board. You will be notified of the Board's final decision within 60 days after the Board receives your notice of appeal and any other material you want to submit.

24. CAN THE PLAN BE AMENDED OR TERMINATED?

The Board may amend the provisions of the Plan at any time and in any manner, or terminate the Plan entirely, if it determines that is in the best interest of the participants; but no amendment or termination may ever reduce a participant's vested interest in his retirement account under the Plan. If the Plan should be terminated, appropriate arrangements will be made for the payment of accumulated benefits. The Plan will also be amended from time to time as necessary to comply with changes in the applicable law.

25. CAN A PARTICIPANT'S INTEREST IN THE PLAN BE ASSIGNED?

In order to protect the Plan's primary purpose, the interest of each participant is generally inalienable. It may not be assigned, transferred, sold, pledged or hypothecated in any manner, except pursuant to a qualified domestic relations order (QDRO) issued by a court with respect to a divorce, separation or child support. The participant will incur a reasonable fee for QDRO implementation.

26. IMPORTANT INFORMATION

Name of Plan: Rabbinical Council of America Retirement Plan

Plan Sponsor: Rabbinical Council of America
305 Seventh Avenue
New York, New York 10001

Plan Administrator: Rabbinical Council of America Pension Board
305 Seventh Avenue
New York, New York 10001
Telephone Number: 212 807-7888

Chairman: Rabbi William K. Herskowitz

Plan Consultant: Northeast Consulting Group
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Telephone Number: 908 709-1600 ext 102
Attention: Marvin Scherb

Plan Investment Advisor: CFS Investment Advisory Services, L.L.C.
695 Route 46 West; Suite 104
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