

Associate Reformed Presbyterian Retirement Plan

**Funding Report as of January 1, 2006
For the Plan Year Ending December 31, 2006 and
For The Fiscal Year Ending December 31, 2006**

Actuarial Valuation

March 23, 2006

Mr. Ed Hogan
Associate Reformed Presbyterian Center
One Cleveland Street
Greenville, South Carolina 29601

Re: Associate Reformed Presbyterian Retirement Plan

Dear Ed:

Stanley, Hunt, DuPree & Rhine, Inc. has prepared the actuarial valuation of the Associate Reformed Presbyterian Retirement Plan. The liabilities and recommended minimum contribution determined in this valuation are applicable to the plan year beginning January 1, 2006. The purpose of the valuation is to:

- determine the minimum annual contribution necessary to fund present and future benefits.
- compare actual plan experience with that expected on the basis of the actuarial assumptions used for valuation purposes so that adjustments can be made in a timely and orderly fashion.

The monthly benefit for Eligible Retirees and Survivors was increased by 6.4% on January 1, 2004.

The Table of Contents following this letter outlines the text and tables included in this report.

Sincerely,
Stanley, Hunt, DuPree & Rhine, Inc.

Traci B. Pennell, QPA, QKA
Vice President and Consultant
(864) 527-0651

TBP/sml
attachments

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Actuarial Certification

The information and valuation results shown in the report are, to the best of my knowledge, complete and accurate and are based upon:

1. My interpretation of the plan provisions, as summarized in this report.
2. The actuarial cost method as stated in this report.
3. Actuarial assumptions which are reasonably related to the experience of the plan and to reasonable expectations, and which represent my best estimate of anticipated experience under the plan.
4. Employee census data as of January 1, 2006, submitted by the ARP Center. This data was not audited by us, but appears to be sufficient and reliable for purposes of the report.
5. Financial data as of December 31, 2005, submitted by Sun Trust Bank, Atlanta. This data was not audited by us, but appears to be sufficient and reliable for purposes of this report.

Certified By:

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The information contained herein is not intended or written to be used, and cannot be used, for the purpose of avoiding tax-related penalties.

1. Statement of Assets

	<u>12-31-03</u> <u>Market Value</u>	<u>12-31-04</u> <u>Market Value</u>	<u>12-31-05</u> <u>Market Value</u>
<u>Assets</u>			
Cash Equivalents:			
Money Market Funds	\$ 912,836	\$ 476,892	\$ 512,719
Accounts Receivable:			
Accrued Income	18,830	21,185	22,125
General Investments:			
Bond Fund	11,571,092	12,383,804	12,119,148
Stock Funds	<u>19,834,041</u>	<u>22,429,388</u>	<u>24,043,197</u>
Total Assets	\$ 32,336,799	\$ 35,311,269	\$ 36,697,189
<u>Liabilities</u>			
Accounts Payable:	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	0	0	0
Net Assets	\$ 32,336,799	\$ 35,311,269	\$ 36,697,189

2. Determination of Actuarial Value of Assets as of January 1, 2006

a.	Actuarial Value as of 1-1-04		
	(1) Actuarial Value 1-1-03	\$ 30,169,465	
	(2) Contribution for 2003	828,900	
	(3) 2003 Benefit payments	1,019,506	
	(4) Expected Interest on (1), (2) and (3) at 8%	2,406,079	
	(5) Preliminary asset value (1)+(2)-(3)+(4)		\$ 32,384,938
	(6) Actual market value 1-1-04		32,336,799
	(7) Actuarial Value as of 1-1-04		
	(5), not to be less than (6) x .85		
	or to exceed (6) x 1.15		32,384,938
b.	Actuarial Value as of 1-1-05		
	(1) Actuarial Value 1-1-04	\$ 32,384,938	
	(2) Contribution for 2004	890,216	
	(3) 2004 Benefit payments	1,213,016	
	(4) Expected Interest on (1), (2) and (3) at 8%	2,578,132	
	(5) Preliminary asset value (1)+(2)-(3)+(4)		\$ 34,640,270
	(6) Actual market value 1-1-05		35,311,269
	(7) Actuarial Value as of 1-1-05		
	(5), not to be less than (6) x .85		
	or to exceed (6) x 1.15		34,640,270
c.	Actuarial Value as of 1-1-06		
	(1) Actuarial Value 1-1-05	\$ 34,640,270	
	(2) Contribution for 2005	918,583	
	(3) 2005 Benefit payments	1,312,869	
	(4) Expected Interest on (1), (2) and (3) at 8%	2,755,754	
	(5) Preliminary asset value (1)+(2)-(3)+(4)		\$ 37,001,738
	(6) Actual market value 1-1-06		36,697,189
	(7) Actuarial Value as of 1-1-06		
	(5), not to be less than (6) x .85		
	or to exceed (6) x 1.15		37,001,738

3. Summary of Actuarial Valuation

a. Present Value of Benefits as of 1-1-2006		
(1) Active participants	\$ 29,442,446	
(2) Terminated participants	1,914,007	
(3) Retirees and survivors	10,758,327	
(4) Total present value of benefits		\$ 42,114,780
b. Actuarial Value of Assets as of 1-1-2006		37,001,738
c. Present Value of Future Normal Cost		5,113,042
d. Present Value of Future Compensation		125,293,716
e. Normal Cost Ratio (c) / (d)		.040808
f. Current Payroll of Actives Below Assumed Retirement Age		12,063,397
g. Normal Cost as of 1-1-2006 (e)x(f)		492,283
h. Recommended minimum contribution as of end of year (g)x(1.08)		531,666

4. Present Value of Accrued Benefits

	<u>Valuation Assumptions</u>	<u>Plan Termination Rate</u>
<u>Interest Rate</u>	8%	2.75% ¹
<u>Mortality</u>	94 GAM	UP 84 Set Forward One Year
a. Present value of vested accrued benefits		
(1) Active participants	\$ 11,965,012	\$ 22,830,423
(2) Terminated participants	1,914,007	3,573,110
(3) Retirees/survivors	<u>10,758,327</u>	<u>12,859,235</u>
(4) Total: (1)+(2)+(3)	\$ 24,637,346	\$ 39,262,768
b. Present value of nonvested accrued benefits	\$ 3,217,412	\$ 967,975
c. Total present value of accrued benefits (a)(4)+(b)	\$ 27,854,758	\$ 40,230,743
d. Market Value of Assets	\$ 36,697,189	\$ 36,697,189
e. Funding Status	131.7%	91.2%

¹ Immediate: 2.75%
Deferred: 4.00% (7 years), 4.00% (8 years),
4.00% (thereafter until retirement)

A. Summary of Statistical Information

	<u>01-01-2006</u>	<u>01-01-2003</u>
Active Plan Participants		
· Fully vested	160	146
· Partially vested	68	67
· Nonvested	<u>41</u>	<u>41</u>
Total Active	269	254
Inactive Plan Participants		
Vested Terminations	77	67
Retirees and Survivors		
Eligible for benefit improvements		
· Retirees	65	58
· Survivors	<u>29</u>	<u>28</u>
Subtotal	94	86
Not eligible for benefit improvements		
· Retirees	27	23
· Survivors	<u>6</u>	<u>5</u>
Subtotal	33	28
Total Retirees and Survivors	<u>127</u>	<u>114</u>
GRAND TOTAL	473	435

B. Summary of Plan Provisions

1. Name of Plan

Associate Reformed Presbyterian Retirement Plan

2. Definition of Earnings

The Base Salary payable to an Employee and specifically including the following, except that for Plan years beginning after December 31, 1998, Earnings in excess of \$80,000 per year (\$95,000 for 2005), as adjusted under Internal Revenue Service Code Section 414(q)(1)(B)(i), shall be disregarded:

- (a) For periods of service on or after January 1, 1979, any amounts paid to a missionary as a child allowance or a vacation allowance.
- (b) For periods of service on or after January 1, 1982, any housing or utility allowance paid to an Employee, and for an Employee who is provided with housing at no extra charge as part of the employment agreement, a sum equal to 40% of the Employee's Base Salary as being representative of the value of housing.
- (c) Effective July 1, 1984, for all active Participants as of July 1, 1984, and retired employees who retired from active service prior to July 1, 1984, an additional allowance equal to 40% of such annual Earnings paid prior to January 1, 1982.
- (d) For periods of service on or after January 1, 1987, all other allowances paid to an Employee.

3. Credited Service

- (a) As to Participants who retired prior to January 1, 1968: Credited Service shall be defined in the Prior Plan.
- (b) As to Participants who retire on or after January 1, 1968: Credited Service shall be the number of Years of Service (number of full years and completed months for service prior to January 1, 1993, rounded to the completed years for all active Participants as of January 1, 1993) of:
 - (i) Service as an Employee, including paid furlough time of missionaries.
 - (ii) Service as an Employee of Erskine College or Erskine Theological Seminary or service as a Military Chaplain, provided that:
 - (a) Such person maintains membership in a Presbytery of the Synod during such period of service;
 - (b) such person accrues at least one full year's Credited Service as an Employee prior to such service; and
 - (c) such person retires on or after January 1, 1970.

Summary of Plan Provisions (continued)

- (iii) Employment as an employee of another Christian denomination prior to July 1, 1987, provided that:
 - (a) For a Participant transferring his ministerial or lay employee relationship to the Synod:
 - (i) The Synod has approved such denomination as one from which service credits will be accepted;
 - (ii) the denomination from which the Participant transferred has credited such service under their own retirement plan (if any such plan exists);
 - (iii) such Participant accrues at least one full year's Credited Service as an Employee;
 - (iv) such Participant retires after January 1, 1970.
 - (b) For Participants transferring their ministerial or lay employee relationship from the Synod:
 - (i) The Synod has approved the denomination for such purpose;
 - (ii) the Participant has enrolled in the retirement plan of the denomination to which he transferred as soon as eligible to be enrolled;
 - (iii) the Participant has accrued at least one full year's Credited Service as an Employee subsequent to January 1, 1970 (July 1, 1978 for lay employees) and prior to July 1, 1983, or five years' Credited Service as an Employee subsequent to July 1, 1983.
- (iv) Any period of disability commencing on or after June 12, 1991, and the waiting period applicable thereto, for which the employee is eligible to receive disability benefit payments under a Synod or Synod Agency Group Long Term Disability Plan.
- (v) Prior Credited Service of an Employee whose continuous employment has been terminated in accordance with Section (3) of this Article, provided such re-employed Employee satisfies any one of the following three conditions:
 - (a) The Employee had become eligible for a deferred vested or immediate pension prior to his termination of continuous employment;
 - (b) the Employee's number of years of Credited Service completed prior to his break in continuous employment exceeds his period of consecutive one year periods of severance from service prior to his re-employment; or
 - (c) the Employee accrues at least five years of Credited Service preceding his approved retirement date.

Summary of Plan Provisions (continued)

Nothing in the foregoing shall be construed as requiring this Plan to provide additional benefit accrual attributable to service other than as an Employee under this Plan.

A year of service on or after January 1, 1993 is defined by a Plan year during which an Employee completes at least 1,000 hours of Credited Service.

4. Eligibility

EMPLOYEE: A salaried, ordained minister of the Church serving in a pastoral ministry of the Church, or a career missionary appointed by World Witness, or a salaried employee of the Synod or Synod Agency serving in a supervisory capacity, but excluding employees of Erskine College or Erskine Theological Seminary; provided, however, that the term "Employee" shall include only those Employees whose customary employment is for more than an aggregate of 1,000 hours in a calendar year or who became disabled while engaged in such employment.

5. Normal Form

The normal form of retirement benefit to a retired participant is a straight life annuity. If the participant is married, the pension is paid as an actuarial equivalent Joint and 50% Survivor benefit unless the participant and his spouse elect otherwise.

6. Normal Retirement Benefit

At the later of age 65 and three years of Credited Service, a participant is entitled to receive an annual benefit, payable monthly, equal to 3.1% of total career earnings. There is a minimum benefit applicable to participants retiring before July 1, 1992.

This same formula, including increases, is applied to current service retirees.

7. Death Benefit Prior to Normal Retirement Age

- a. Qualified Preretirement Survivor Annuity on a Joint and 50% basis, payable at age 65. Benefits for terminated participants may be reduced to reflect the cost of providing this benefit.
- b. Survivor Income Benefits are payable in addition to QPSA. In general, an eligible spouse would receive a monthly benefit of 20% of the participant's earnings (maximum \$800 monthly) until age 65 or eligibility for a larger benefit. If no eligible spouse but an eligible child or children, the benefit is potentially payable until no child is younger than age 23. If both eligible spouse and child, the benefit is increased to 30% and a maximum of \$1,200 monthly.
- c. If active participant at time of death, beneficiary gets additional 1 times salary.

Summary of Plan Provisions (continued)

8. Vesting

A participant who terminates employment before he has become eligible for the benefits described above may be eligible to receive a deferred benefit equal to a vested portion of his accrued benefit derived from employer contributions, according to the following:

<u>Years of Continuous Employment</u>	<u>Vested Percentage</u>
Less than 3	0%
3	20%
4	40%
5	60%
6	80%
7 or more	100%

Termination of employment does not occur except in specific circumstances as defined in the Plan.

9. Actuarial Equivalence

Equivalence between optional annuity forms is achieved by applying the 1984 Unisex Pension Mortality Table set forward one year at 8% interest. A lump sum cannot be less than that determined by applicable PBGC interest rates to value immediate and deferred annuities for plans terminating as of the first of the month coinciding with the plan anniversary.

10. Optional Forms of Payment

The following optional forms of payment are available under the Plan:

- a. Life Annuity
- b. Joint & 50% Survivor Annuity
- c. Joint & 66.67% Survivor Annuity
- d. Joint & 75% Survivor Annuity
- e. Joint & 100% Survivor Annuity
- f. Life Annuity guaranteed for a certain period

11. General Information

- a. Original Effective Date: September 1, 1961
- b. Effective Date of Last Amendment: December 31, 2001
- c. Plan Year: January 1 through December 31
- d. Employer Fiscal Year: January 1 through December 31
- e. Employer ID Number: 57-6030380
- f. Non-electing Church Plan

C. Statement of Actuarial Assumptions

Mortality Rate: Before Retirement: 94 GAM
 After Retirement: 94 GAM for healthy participants,
 Sarason’s Disabled Annuitants Mortality Table for disabled
 participants

Disability Rate: Sarason (UAW ’55) Disability Incidence Table

Withdrawal Rate: The following are examples of the probability that a participant will terminate within one year for reasons other than death or disability.

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	4.89%	4.89%
40	1.13%	1.13%
55	0.00%	0.00%

Salary Scale: Assumes salaries increase at 3.5% per year.

Section 414(q)(1)(B)(i) Compensation: Assumed to increase at 3% per year.

Rates of Retirement:

<u>Age</u>	<u>Less Than 25 Years of Service</u>	<u>25 Or More Years of Service</u>
60	5%	5%
61	5%	5%
62	5%	5%
63	5%	5%
64	5%	50%
65	50%	50%
66	50%	50%
67	50%	50%
68	50%	50%
69	50%	50%
70	100%	100%

Death Benefit: · Spouse's birth dates of actives and inactives
 · Blended survivor benefit of 25% of pay not to exceed \$1,000 monthly

Interest Rate: Pre-Retirement: 8.00%
 Post-Retirement: 8.00%

Expenses: Interest rate assumption is net of investment expenses, and administrative expenses paid from fund are assumed to be zero.

D. Actuarial Funding Method

The valuation method used is known as the Aggregate Method. Normal cost is the present value of the projected normal retirement benefit less the actuarial value of assets divided by the present value of all future compensation multiplied by current compensation. This method does not explicitly develop a past service liability. Gains and losses are treated as part of the Normal Cost component rather than amortized separately.

Because liabilities under a pension plan are based on actuarial assumptions (mortality, investment return, etc.) which will never precisely coincide with actual experience, variations known as actuarial gains and losses will occur. Gains and losses under the aggregate method are absorbed into the normal cost and spread into the future.

Actuarial Method for Valuation of Assets

Prior actuarial value plus contributions, minus benefit payments plus interest at the valuation rate. The actuarial value is further adjusted so that it is not less than 85% or more than 115% of market value.

E. Outline of Legal Framework Applicable to Church-Sponsored Plans

Key Internal Revenue Code Provisions which are applicable:

Code Section 72 Taxation of Certain Distributions. Rules with respect to taxation of distributions, including taxation of in-service withdrawals, loans and penalty tax for early withdrawals are generally applicable to nonelecting church plans.

401(a)(1) Formal Plan Required. A plan that allows contributions to a trust for the sole purpose of distributing accumulated contributions and income to employees and beneficiaries must be written.

401(a)(2) Exclusive Benefit to Employees. All plan assets must be used exclusively for the benefit of employees or their beneficiaries.

401(a)(3) Minimum Participation and Coverage Requirements. Pre-ERISA minimum participation standards and coverage tests must be met.

401(a)(4) Nondiscrimination Rules. Contributions, benefits, optional forms of benefit and other plan features must not discriminate in favor of highly compensated employees.

401(a)(5) Special Nondiscrimination Rules. Provides exceptions to nondiscrimination rules for uniform percentage of pay benefits, plans limited to salaried or clerical workers, integrated benefits that meet Section 401(l) and plan benefits offset by employer-provided Social Security benefits. Also contains plan aggregation rules for satisfying Section 401(a)(4).

401(a)(6) Quarterly Participation Test. Pre-ERISA minimum participation and coverage standards must be met at least one day in each quarter of a plan's taxable year to be considered qualified for the entire taxable year.

401(a)(7) Vesting Requirements. Pre-ERISA minimum vesting standards, requiring 100% vesting upon plan termination or discontinuance of employer contributions, must be met.

401(a)(8) Forfeitures. Forfeitures may not be used to increase plan benefits in a defined benefit plan.

401(a)(9) Required Distributions. Certain church plans must make distributions to an employee no later than April 1 of the calendar year following the calendar year in which he or she attains age 70½ or in which he or she retires, if later.

401(a)(10) and 416 Top-Heavy Rules. Requires top-heavy plans to meet requirements of Section 416.

401(a)(16) Maximum Benefits. Benefits or contributions may not exceed Section 415 limits.

401(a)(17) Maximum Compensation. Annual compensation under a plan must be limited to \$150,000 (as indexed).

Outline of Legal Framework (continued)

Key Internal Revenue Code Provisions which are applicable (continued):

401(a)(25) Stated Actuarial Assumptions. A defined benefit plan must specify actuarial assumptions in a manner that precludes employer discretion in order to provide definitely determinable benefits.

401(a)(26) Additional Participation Requirements. Each plan must cover the lesser of 50 employees or 40% of all employees.

401(b) Retroactive Changes in Plan. Remedial plan amendments may be adopted up to the employer's tax filing due date including extensions, or later as prescribed by the Secretary. Special rules apply for church plans.

401(f) Custodial Accounts and Annuity Contracts. Either may be used in lieu of a trust if the Section 401 requirements are otherwise satisfied.

401(g) Nontransferable Annuities. Contracts or certificates issued after December 31, 1962, must be nontransferable if the owner is other than the plan trustee.

401(h) Retiree Medical Benefits. Pension or annuity plan may provide sickness, accident, hospitalization and medical benefits for retirees, their spouses and their dependents.

401(l) Integration with Social Security. Integrated defined benefit and defined contribution plans must comply with specific rules in order to maintain qualified status. These rules are also contained in Section 401(a)(5).

402 Taxability of Distribution from Plans. Distribution and rollover rules.

413 Collectively Bargained Plans. Discusses application of qualification requirements to collectively bargained and multiple-employer plans.

414 Definitions and Special Rules. Key definitions include definitions of church plans, QDROs, affiliated service group, leased employees and separate line of business.

414(q) Uniform Definition of Highly Compensated Employees. Applicable for purposes of nondiscrimination testing of Sections 401(a), 401(k) and certain Section 403(b) plans.

415 Limitations on Contributions and Benefits. Dollar and percentage of pay limits are specified. Church plans are subject to pre-TRA 86 rules regarding early and late benefit commencement limits.

416 Top-Heavy Rules. Top-heavy plans must provide minimum benefits or contributions and satisfy minimum vesting requirements.

Outline of Legal Framework (continued)

Key Internal Revenue Code Provisions which are applicable (continued):

503 Prohibited Transactions. Details investment and loan rules.

3405 Withholding from Pension Distributions. Trusts must require employees to make an election regarding withholding for all distributions.

4974 Tax on Failure to Make Minimum Distributions. Payee is responsible for any excise tax resulting from underpayment of benefits.

4980A Tax on Excess Distributions. Recipient of excess distributions is responsible for payment of tax.

6652(i) Penalty for Failure to Give Rollover Notice. Plan administrator must provide a written explanation to each employee who receives a distribution eligible for rollover treatment.

Outline of Legal Framework (continued)

Key Internal Revenue Code Provisions from which church plans are exempt:

401(a)(11) and 417 Joint and Survivor Annuities. Requires qualified joint and survivor annuity benefits payable at retirement. Preretirement survivor annuity benefits must become payable upon death prior to retirement.

401(a)(12) and 414(l) Plan Merger. Accrued benefits must be preserved in instances of plan merger, consolidation or transfer of assets.

401(a)(13) Anti-alienation. Prohibits an assignment or alienation of benefits.

401(a)(14) Benefit Commencement. Benefit payments must commence no later than 60 days after the close of the plan year in which the later of normal retirement (or age 65, if earlier), 10th anniversary of participation or termination occurs.

401(a)(15) No Retirement Benefit Reductions. Retiree or beneficiary terminated vested benefits may not decrease due to increases in Social Security benefits after retirement.

401(a)(19) Withdrawal of Employee Contributions. Accrued benefits derived from employer contributions may not be forfeited as a result of withdrawal of employee contribution when an employee is at least 50% vested.

401(a)(20) Qualified Total Distributions. Qualified total distributions may be made from a terminating plan with appropriate notice to PBGC.

410 Minimum Participation Standards. Nonelecting church plans must meet pre-ERISA requirements of Section 401(a)(3).

411 Minimum Vesting. Pre-ERISA requirements of Section 401(a)(4), which stipulate that plan may not discriminate in favor of officers, shareholders, supervisors or highly compensated, and Section 401(a)(7), which requires 100% vesting upon plan termination or discontinuance of employer contributions, must be met.

412 Minimum Funding Standards. Plan must meet pre-ERISA requirements of Section 401(a)(7), which requires 100% vesting upon plan termination or discontinuance of employer contributions. Pre-ERISA funding rules may also apply to church plans.

414(p) Qualified Domestic Relations Orders (QDROs). Although the general QDRO rules do not apply to nonelecting church plans, distributions from these plans may be treated, for tax purposes, as made pursuant to a QDRO.

4972 Excise Tax on Nondeductible Contributions. Requires a 10% tax on nondeductible contributions to the plan.

Outline of Legal Framework (continued)

Key Internal Revenue Code Provisions from which church plans are exempt (continued):

4975 Excise Tax on Prohibited Transactions. A tax on each prohibited transaction must be paid by the disqualified person who participates in the prohibited transaction.

4980 Excise Tax on Reversion of Plan Assets. Imposes a tax of 15% of the amount of any employer reversion from a qualified plan.

6057 Annual Registration Statement. Schedule SSA, reporting separated participants with deferred benefits, is not required.

6058 Annual Return. Nonelecting church plans are not required to file annual reporting Form series 5500.

6059 Actuarial Report (relates to Section 412). Schedule B of Form 5500 series is not required for plans not subject to minimum funding standards.

Summary and Analysis:

When the function of the organization is not primarily religious in nature (e.g., church-controlled hospitals and universities), the rules applicable to private plans are generally applicable. Otherwise, Congress has exempted church-controlled pension plans from most recent regulations. Even though some participants are employees of a college, the IRS has not chosen to establish objective criteria which would enable the plan to be tested for compliance with the exemption.

As listed above, Code Sections 401(a)(4) and (5), 401(l) and 414(s) currently apply, but the plan is not required to comply strictly with Treasury Regulations until the plan year beginning in 2003. In the interim, the plan is expected to be maintained in accordance with a reasonable good faith interpretation of these regulations.

ERISA exempts nonelecting church plans from the reporting, disclosure, participation, vesting, funding and fiduciary requirements. With some exceptions, these plans are subject to the pre-ERISA rules. In the event that the plan administrator desires to be protected by the PBGC insurance program, IRC Section 410(d) allows the plan to waive its exemption from ERISA.

It will be necessary to critically review the plan for compliance. This is especially important as to the coverage requirements, since pre-ERISA rules apply to some aspects of the tests while the "private plan" rules apply to others.