What a year it has been already. When we turned the page to 2020 we could have never seen what was in store: an economic hard stop, the cessation of corporate worship for over two months for our PCA churches, and the social unrest stemming from racism and unjust killings. Through all of this, PCA Retirement & Benefits (RBI) has remained committed to serving our ministries and your staff, and we remain focused on our mission to serve you so you can focus on ministry.

At RBI we believe the gospel advances and the church thrives when our PCA ministries and ministry staff are growing spiritually, emotionally, physically, and financially healthy. In this Retirement Plan Review we have three articles that highlight how this passion leads us to work for you. The first is an update on our guaranteed lifetime income project. In this article, titled “Toward a More Certain Retirement Future,” Gary Campbell discusses our efforts to avoid the problem of participants outliving their retirement assets. The second article highlights how the design of our Target Date Funds can ease anxiety in seasons of financial uncertainty. Our final article highlights some important legislative changes that impact our 403(b) retirement plan.

2020 has already provided us an opportunity to serve the church in unique ways. As we look to the future, we are asking the Lord to give us the clarity of vision we need to help our ministry partners grow healthier spiritually, emotionally, physically, and financially. We look forward to serving you in the months and years to come.
If there is a weakness in the vast majority of retirement plans offered by most organizations in the U.S., it is captured in the above illustration. Plan sponsors of 401k and 403b plans have given great attention to the savings component of a retirement plan but have provided few solutions enabling retirement plan participants to convert account balances into secure lifetime income.

Thankfully, this is not new information. Retirement experts and researchers have long been at work attempting to solve this problem. At RBI, we believe the most compelling solution is the Qualified Longevity Annuity Contract (QLAC). Think of a QLAC as a reverse life insurance policy. Normal life insurance pays your estate a benefit in the event of your death. A QLAC is designed to pay you a regular benefit in the event you live too long. This may sound odd, but it is a simple and compelling strategy that can secure a lifetime income benefit in a participant's retirement account.

We believe the QLAC addresses the retirement concerns of ministry families. First, because of our (RBI) institutional status, a meaningful reduction in cost can be achieved. Second, a QLAC is typically purchased at or near retirement and pays a benefit when the purchaser reaches 80-85 years of age. This means the typical cost of the annuity is a fraction of the value of a plan participant's retirement assets and grows to a secure benefit which continues for the beneficiary's lifetime.

The RBI Board of Directors recently approved a strategy to provide PCA Retirement Plan participants with the option to purchase a QLAC. The QLAC will provide secure lifetime income in retirement. This new capability will be offered in partnership with MetLife, a highly regarded insurance company. This recommendation was the culmination of almost 5 years of continual research by the RBI staff, RBI's Investment Consultant, and the Investment Committee.

As we continue the planning process with our insurance partner, we ask that you pray for us. This planning carries with it a great deal of responsibility which goes well beyond the walls of PCA Retirement & Benefits. We are so encouraged to be a part of a fundamental breakthrough in retirement plan design which may significantly reduce one of the greatest concerns of retirees in plans like the PCA Retirement Plan.

INVESTING IN THE TIME OF COVID-19

by MARK MELENDEZ

For a couple of months now, our state leaders have been forced to make some difficult decisions. To slow the progress of the coronavirus, elected officials effectively closed most businesses through their shelter in place orders. This action, while beneficial to the healthcare system, brought the U.S. economic engine to a halt with notable consequences. Economic data for the end of the first quarter recorded a 4.8% contraction in U.S. gross domestic product. This was the largest drop since 2008. In March, at the height of the shutdown, retail sales plunged 8.7%, and in April, unemployment rose to 14.7%.

Not surprisingly, the financial markets responded negatively. Investors saw a significant drop in stock prices in March. By March 23, the Dow Jones Industrial Average and S&P 500, both barometers of the broader stock market, had fallen by 37% and 34% respectively. However, markets partially rebounded before the end of March, and investors had reasons to be encouraged the following month. News of favorable coronavirus clinical drug trials and expectations for a ‘flattening of the curve’ effect helped equity markets regain more ground in the second quarter.

Large swings in market valuation are a good reminder that financial markets can be volatile. One month your account balance can be up 10% and then it may fall 10% the next. So, how should PCA Retirement Plan investors respond? Since creation of the PCA Target Retirement Funds (‘Target Funds’) 17 years ago, this question is now much easier to answer. Target Funds were created to address one of the most persistent problems affecting our ministry partners – a lack of expertise in designing and managing a diversified retirement portfolio within the PCA Retirement Plan. By investing in an age-appropriate Target Fund, investors outsource their asset allocation decisions (e.g. selecting among different types of stock and bond funds, real estate funds, and other cash-like securities) to qualified investment professionals.

The real beauty of the Target Funds is in their design. They were not designed to ‘outperform’ within specific types of market environments. No one can predict when the next crisis or pandemic will hit. We can, however, predict that there will be periods of market volatility. The Target Funds were created to address this concern. These funds are designed to minimize the effects of market volatility and to optimize performance over the long run. This is the goal of retirement investing.
Since the last economic crisis, RBI has enhanced the composition of the Target Funds. Listed below are just a few of the notable changes.

- **Added a private real estate investment fund.** Real estate has a lower correlation to stocks and bond fluctuations than many other asset classes and further diversifies the fund. It also plays a ‘defensive’ role during times of economic downturn.

- **Reduced expenses by investing a significant portion of our Large Cap Growth and Value funds in morally screened index funds.** When available, we have also reduced expenses by utilizing lower cost investment vehicles like Collective Investment Trusts.

- **Added a Stable Value Fund which invests in both short and intermediate term securities.** This fund has an ‘insurance wrapper’ that protects the underlying assets in the event of a decrease in value.

- **Added TIPS, a type of Treasury bond that is indexed to inflation and protects investors from a decline in the purchasing power of their money.**

After years of fine-tuning the design, we have been encouraged by the fruit of our labors. Those who are younger in age are placed in longer dated funds like the 2050, 2055, and 2060 funds. These higher risk, higher return funds, which hold significant stock and growth-oriented allocations, yielded an impressive one-year return of 25.5% in 2019. These funds have experienced more volatility over the short run. But this is manageable since younger investors have time on their side. Because of the recent downturn, dollars flowing into the plan today are purchasing shares of stock funds ‘on sale,’ which will position them well when markets return to normal.

Our more senior investors have perhaps seen the biggest benefit from their Target Fund asset allocation during the downturn. Those invested in the 2020, 2015, and Harvester Fund have experienced much less volatility because these funds are invested much more conservatively. These funds were designed to provide capital preservation, income generation, and protection from inflation. And they have worked well.

If you have questions or concerns about your investment strategy within the PCA Retirement Plan, please contact us. We have seasoned financial advisors who can evaluate your investment strategy and offer guidance. We look forward to hearing from you.
CARES ACT MODIFICATIONS

The Coronavirus Aid, Relief, and Economic Security (‘CARES’) Act was signed into law on March 27, 2020. Part of this bill allows employers to change certain rules that govern employee benefit plans, including employer retirement plans. After deliberation and consulting with our outside counsel, PCA Retirement & Benefits (RBI) has modified the retirement plan to assist individuals who are adversely affected by the coronavirus.

Highlighted below are two provisional changes to our PCA Retirement Plan rules.

• **Loan Repayments** – Participants may be eligible to suspend their new or existing 2020 loan payments if they have been adversely impacted by the coronavirus. To suspend your loan payments, you will be required to complete a form certifying that you have been personally impacted by the coronavirus. You can obtain this form by contacting RBI at retirement@pcarbi.org or 800-789-8765.

• **Required Minimum Distributions** – The CARES Act has suspended RMDs for the 2020 calendar year. This change applies to all participants, not just those impacted by coronavirus. Contact RBI, retirement@pcarbi.org or 800-789-8765, to determine what options are available to you if you have already received an RMD during 2020. Please note, scheduled periodic payments from your retirement plan will continue in 2020 unless we are notified otherwise.

INVESTMENT PERFORMANCE | JUNE 2020

<table>
<thead>
<tr>
<th>CORE FUNDS</th>
<th>6/30/2020</th>
<th>3 Mos.</th>
<th>1 Year</th>
<th>2 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
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<tr>
<td>S&amp;P 500 Stock Index</td>
<td>20.44%</td>
<td>7.02%</td>
<td>8.44%</td>
<td>10.20%</td>
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<td>PCA Large Cap Value (inception 12/28/09)</td>
<td>13.39%</td>
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<td>-1.53%</td>
<td>1.44%</td>
<td>3.74%</td>
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<td>PCA Large Cap Growth</td>
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<td>International Stock</td>
<td>15.63%</td>
<td>-6.38%</td>
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<td>1.38%</td>
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<td>PCA Mid Cap Growth</td>
<td>27.99%</td>
<td>11.90%</td>
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<td>PCA Mid Cap Value</td>
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<td>PCA Small Cap (inception 12/15/11)</td>
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<td>Conservative Bond</td>
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<td>Wells Fargo Stable Value Fnd Q (inception 05/01/17)</td>
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<th>TARGET FUNDS</th>
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<th>2 Year</th>
<th>3 Year</th>
<th>5 Year</th>
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<td>PCA TR 2065</td>
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