

November 8, 2007

To: ARP Participating Employees  
From: Del Johnson

I'm making this memo available to your employer to be forwarded to you. There are a few retirement items we'd like you to be aware of based on actions taken recently.

1. Roth 403(b): Some employees have asked that we consider offering the Roth 403(b) option in addition to the traditional tax-deferred method of contributing to your retirement plan. The Adventist Retirement Plan board has taken action allowing, but not requiring employers to make this option available to employees. We have completed the necessary software and agreement modifications on our side, and have informed the employers and denominational software developers of the option. For some employers this will be easier than others. Shortly you will probably hear from your employer as to whether or not the Roth 403(b) option will be available.

The Roth 403(b) option does not provide tax deductibility of your contributions, or more accurately, it is not tax deferred. If you increase your contributions and make them Roth 403(b) contributions, your taxable income will not be reduced. So why would a person select this option? Because instead of being tax deferred, both the contributions and the Growth on the contributions will be tax exempt (unless congress changes the law!)

If your employer makes this option available, you may wish to have a conversation with the Advice Line or with your VALIC representative to ask if the Roth option might be good for you.

2. Brand Name: Shortly AIG VALIC is going to change its brand name to AIG Retirement. "VALIC" will be dropped. We have not changed companies.

3. Administrative Fees: We are planning to reduce the administrative fees in 2008. I don't have the final figures but am estimating that these fees that show up on your quarterly statement will be reduced as follows:

|          | <u>Annual</u> | <u>Quarterly</u> |
|----------|---------------|------------------|
| 2006     | \$ 25.00      | \$6.25           |
| 2007     | \$ 20.00      | \$5.00           |
| Est 2008 | \$ 15.00      | \$3.75           |

We appear to be on track to eliminate the administrative fee in 2010 or 2011.

4. Target Maturity Funds: You received information from AIG VALIC in April of 2007 regarding the new Target Maturity Funds. These investment options function as auto-pilot investments, moving you incrementally towards a retirement-age appropriate investments around the year of your retirement. You merely select a fund with your retirement year in it, (available in 5-year steps) such as “SDA Retirement 2030.” That particular fund will be aggressively invested using the socially screened index funds, but will move each quarter towards a slightly more conservative model.

There is a cost associated with this fund in addition to the normal costs of operating the underlying funds, and that is .2%, or 2 tenths of one percent. These funds are not for everyone, but the board has authorized that these funds have become our ‘default’ investments. If you have not informed VALIC where you want your money to go, you have been placed in a Target Maturity Fund. You may wish to talk to Advice Line or the AIG VALIC representative to see if TMFs are right for you.

5. In-service Distribution: Prior to this year, you had to wait until termination to be able to access your VALIC account, except under the terms of a Hardship Withdrawal or Loan. The board has authorized post- 59 ½ In-service Distributions. This means that once you turn 59 ½ you can access any or all employer or voluntary accounts for withdrawal. So if you are driving through Tennessee and find that perfect retirement lot, you can access (and pay taxes on) your DC plan account prior to actual termination. You don’t have to contact your employer or our office. Contact VALIC directly.

6. D.C. Contributions: The standard model for contributions has been in place for several years. The North American Division has taken an action to increase both employee and employer contributions over a period of time.

| <b>Contributions</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Base                 | 5.00%       | 5.00%       | 5.00%       | 5.00%       | 5.00%       |
| Voluntary            | 2.50%       | 2.75%       | 3.00%       | 3.00%       | 3.00%       |
| Match                | 1.25%       | 1.65%       | 2.10%       | 2.55%       | 3.00%       |
| Total                | 8.75%       | 9.40%       | 10.10%      | 10.55%      | 11.00%      |
|                      |             |             |             |             |             |
| (Vol % of Base)      | 50.00%      | 55.00%      | 60.00%      | 60.00%      | 60.00%      |
| (Match %)            | 50.00%      | 60.00%      | 70.00%      | 85.00%      | 100.00%     |
| (Match Max %)        | 1.25%       | 1.65%       | 2.10%       | 2.55%       | 3.00%       |

Our analysis shows that of 15,000 employees, approximately 7,000 are walking away from money the employer wants to give because they are not contributing 2.5%. Some aren’t contributing anything. Others are contributing still at the old 2%. Most employees are contributing well over 2.5%.

I urge you to contact your payroll office and ask that your contributions move to at least 3%, if you are not there already. Then you won’t have to worry about keeping up with the changes over the next several years. Most of the literature that I read says that if your total contributions are below 10% you will be disappointed in retirement.

I wish you all a pleasant and blessed Christmas and a remarkably joyful New Year.