



Empowering YMCA Employees to Achieve Financial Security



2004 Mid Year Report

YMCA RETIREMENT FUND



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New York, NY 10005 1197

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Welcome to the YMCA Retirement Fund's Mid-Year Report for fiscal 2004.

In the investment markets, the past six months have extended the theme of recovery, and calendar 2003 goes in the books with strong results and improving hopes for the future. As promised, your Retirement Fund has weathered the storm and has re-established a favorable asset/required actuarial reserve relationship.

I am pleased to report strong progress on two important Fund initiatives:

Protect Excellent Benefits

We continue to make progress pursuing Congressional affirmation of the Fund's church plan status. The letter-writing campaign to senators has been helpful, but we need a final push for senate co-sponsors. Please take action today to protect your pension.

21st-Century Technology

The Fund's comprehensive technology overhaul is on track and nearing completion. Over 600 of our 913 YMCAs now benefit from the electronic business capabilities of the highly successful Web-based system. This will be complemented by a powerful document imaging system that will be in place by June.

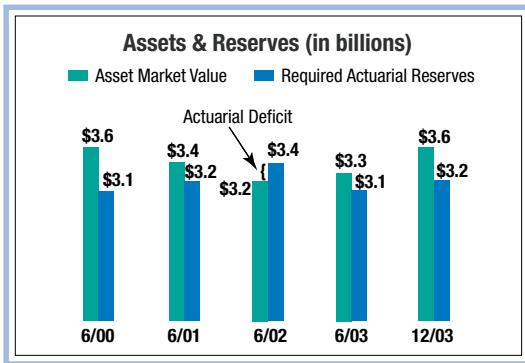
The move to encourage workers to save more for retirement continues. Federal limits were increased for tax-advantaged savings effective January 1, 2004. I strongly urge every participant to make the most of these savings opportunities.

As we enter the second half of the fiscal year, the Fund will continue to represent the security, integrity and enduring value that you have come to expect as the reward for a career with the YMCA.

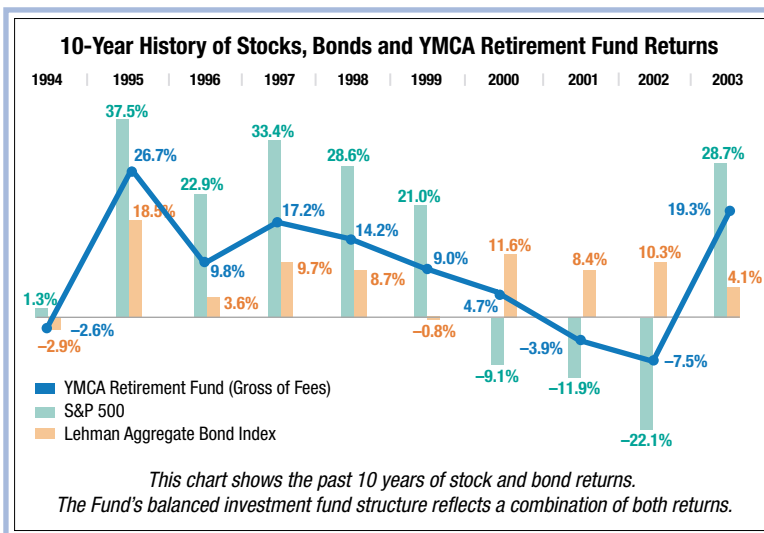
Thanks for your continuing confidence in the YMCA Retirement Fund.

John M. Preis
President and CEO

The Fund's mission is to empower YMCA employees to achieve economic security resulting in loyalty to the YMCA Movement



Favorable market returns improve the asset/reserve relationship and permit higher account balance interest credits.



This chart shows the past 10 years of stock and bond returns. The Fund's balanced investment fund structure reflects a combination of both returns.

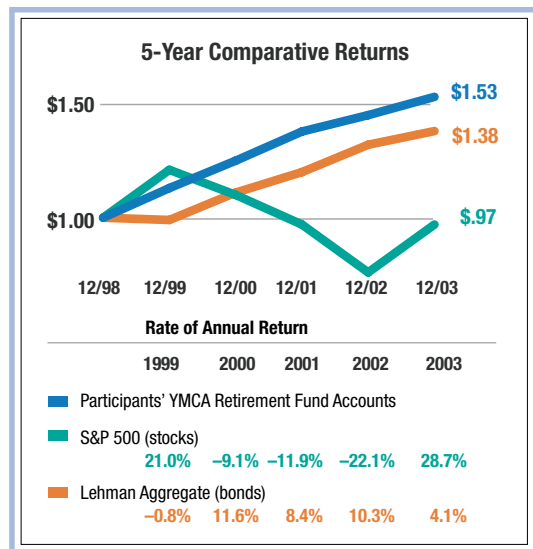
Long-Term Value

Your Retirement Fund differs from a typical 401(k) plan as Fund management makes all investment decisions. Based on market returns and the asset/reserve relationship, participants receive interest credits on their total account balances. This format provides steady, reliable growth and shelters participant balances from adverse market fluctuations. The recent history of annualized interest is as follows:

	Regular Interest	Extra Interest	Total Interest
1999	5%	7%	12%
2000	5%	5%	10%
2001	5%	5%	10%
2002	5%	0%	5%
2003	5%	0%	5%
Jan-June 2004*	3%	3%	6%
July-Dec 2004*	3%	TBD	TBD

*Interest credit decisions are now made twice each year.

The chart below shows the current value of \$1 invested in stocks, bonds, and participants' YMCA Retirement Fund accounts over the last five years.



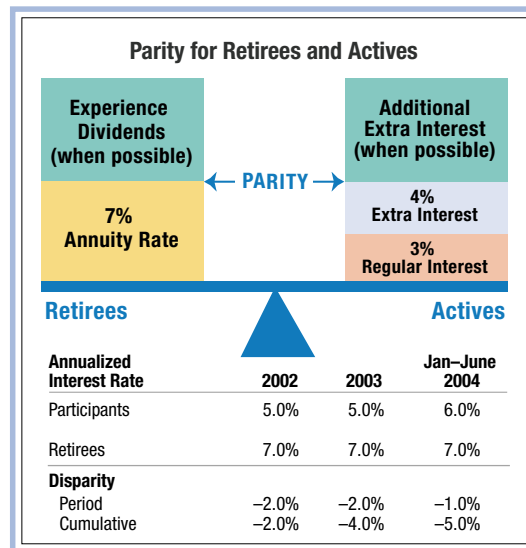
Parity for Retirees and Actives

Upon retirement, participants' account balances are converted into guaranteed life annuities using a very favorable interest rate, and **retirees always receive 100% of the guaranteed amount.**

Based on market returns and the asset/reserve relationship, retirees may receive amounts above their monthly annuity in the form of experience dividends.

The 7% interest rate built into annuities, which is higher than commercial rates, will continue to be used this year by the Fund.

Throughout 2002 and 2003, active participants were credited with 5% interest, causing a disparity with retirees of 2% per year. The 6% interest that will be credited to active participants during the first half of 2004 is still below the 7% annuity rate enjoyed by retirees.



After the active participants' cumulative disparity is corrected, an allocation of experience dividends (extra checks) may once again be made to retirees in addition to their guaranteed monthly annuity payments.

Six-Month Review

by Victor J. Raskin, Chief Investment Officer



The six-month period ending December 2003 extended the sharp rally for stocks that began in the spring. Throughout last summer and fall, the economic environment continued to gain strength as the stimulus from both low interest rates and reduced taxes drove consumer spending. At the same time, corporate earnings recovered sharply, led by significant gains in productivity. Another important factor was the strong growth in China, which sparked exceptional demand for commodities at ever-rising prices. While all equity classes showed sizeable gains, small cap and international led the way. After a significant run-up, bonds were virtually flat for the six-month period, as concerns that an improving economy and reduced fears of deflation would eventually force the Federal Reserve to raise rates.

During the first half of our fiscal year, the Fund's portfolio return was 11.0% net of fees, slightly below the increase of 11.4% for its composite benchmark. Asset allocation was once again a positive for performance, as we overweighted both small cap and international stocks, especially emerging markets, to the maximum allowed by the Fund's investment policy guidelines. At the same time, we underweighted

fixed income to the bottom of its guideline range. However, this was offset by underperformance from stock selection in all equity classes, most notably in small cap stocks.

The strength in the equity markets took on a speculative nature as low quality stocks led the move. As we have mentioned in previous writings, these are not the stocks in which the Fund generally chooses to invest. For example, low-priced stocks (under \$5) outperformed higher priced stocks. Stocks without earnings significantly outperformed those companies with earnings. Finally, non-dividend-paying stocks bested dividend-paying stocks. In our opinion, these trends could be coming to an end, as we saw in December.

Portfolio Adjustments

Throughout the first half of this fiscal year, management was working to further diversify the Fund and, at the same time, improve the mix of money managers. These efforts included:

1. Replacing one diversified international manager with a pure emerging markets manager, while redistributing the remaining assets to our other three international managers.
2. Moving our entire fixed income portfolio from internal to external management, hiring two of the most experienced firms in this asset class. As a part of this strategy, we split the money evenly between core and core-plus; the latter includes exposure to high yield, international and emerging market bonds. This should give us the opportunity to add to our return while further diversifying the portfolio.
3. Continuing to strengthen the internal large cap equity team following reorganization and new leadership at the beginning of the fiscal year.
4. Adding a very experienced real estate professional to lead our move into that asset class, further implementing our strategy of increasing alternative investments.

Performance Results (Net of Fees) as of 12/31/03

Asset Class	6-Month Return		12-Month Return		Name
	Fund	Benchmark	Fund	Benchmark	
Large Cap Equity	14.3%	15.6%	25.9%	29.8%	Russell 1000 Index
Small Cap Equity	19.7%	24.9%	35.3%	47.1%	Russell 2000 Index
International Equity	26.0%	27.2%	35.8%	41.2%	MSCI ACWI Free ex US
Hedge Funds	4.8%	3.0%	11.1%	6.2%	90-Day T-Bill + 5%
Venture Cap/Priv Equity	1.1%	2.3%	(9.1%)	(2.6%)	CA Vintage Year Index
Fixed Income	0.0%	0.1%	3.5%	4.0%	Lehman Bros Aggregate
Cash	0.4%	0.5%	1.0%	1.1%	90-Day T-Bill
Total Fund	11.0%	11.4%	18.9%	21.3%	Composite Benchmark

The Fund's fiscal year ends June 30. Twelve-month results are shown for comparative purposes.

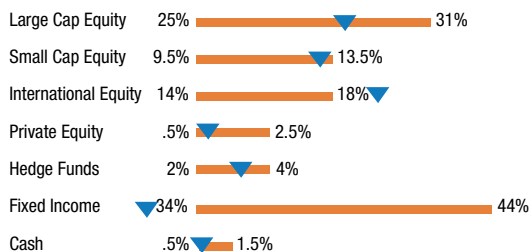
Investment Outlook

Looking forward, the underlying momentum of the economy should continue, with expectations of GDP growth of 4% in 2004. However, the stimulus that drove the recovery in 2003 should have less impact in the second half of the calendar year. The lower dollar should help exports, boosting corporate profits and allowing capital spending to carry more of the economic load, although consumers should benefit from a modestly improving employment outlook. Global economic improvement appears synchronized, led by China, with strong growth especially in Asia.

In this environment, it is our opinion that the Federal Reserve will raise rates by mid-year. While this all points to further gains in equities, we believe a "quality trade" will occur. By this we mean that better quality stocks, which have lagged the current market, should become the new leadership, especially in a market that appears to be pricing-in most of the good news.

Given this outlook, we expect to keep bonds at the low end of their policy range, while overweighting equities, especially international and emerging markets. As the year progresses, we anticipate reducing our small cap overweighting by moving the money into both large cap stocks and alternative investments, including hedge funds, real estate and private equity.

Asset Class Ranges as of 12/31/03



■ Asset Class Range ▼ Current Position in Range

Our policy is to rebalance assets in each range after every quarter.

See the Fund's total portfolio at www.yretirement.org

Board of Trustees

Peter D. Ziegler is Chairman of the Fund's Board of Trustees, a group of fifteen talented men and women who collaborate with management in guiding the YMCA Retirement Fund.

On November 19, 2003, the following five candidates were elected Trustees at the Fund's Annual Meeting of Participants:



Carlos Gonzalez, CFA, Director of Client Asset Management, Oriental Group, Red Hook, NY

was re-elected to the Fund's Board of Trustees. At the Oriental Group, a \$3 billion bank holding company in Puerto Rico, he manages the investments of the bank's mutual funds and retirement accounts. He also participates in the bank's Asset and Liability Committee. Mr. Gonzalez brings over 25 years of experience in investment management. He has a BA from Harvard College and an MBA from Harvard Business School, and he is a Chartered Financial Analyst.



William A. Holby, Partner, King & Spaulding, Atlanta, GA

heads the firm's practice in financing projects through issuance of tax-exempt bonds. He is active in the National Association of Bond

Lawyers and is a fellow in the American College of Bond Counsel. He is currently serving as Chairman of the Board of Directors for the YMCA of Metropolitan Atlanta Inc. In addition, he is a member of the Salvation Army Advisory Board and recently completed his term as President of the Buckhead Baseball Little League program. Mr. Holby has a BA cum laude from Vanderbilt University and a JD from the Vanderbilt School of Law.



Albert W. Hsu, CFA, U.S. Investment Officer, Atlantic Philanthropies, New York, NY selects and manages U.S. based investment managers of this \$4 billion foundation, which has programs for disadvantaged children, public health, human rights and aging. He previously was Director of Investments at the Ludwig Institute for Cancer Research and a Director of the Commonfund. Mr. Hsu serves as the Vice President of Pension Group East. He also serves on the Board of the Vanderbilt YMCA. Mr. Hsu has a BS from the State University of New York at Albany and is a Chartered Financial Analyst.



Susan Rittscher, President/CEO, Providence Metropolitan YMCA, RI serves on the YMCA of the USA Board Nominating Committee, and is the immediate past Chairman of the YMCA Metro 30 Group. Susan is also Vice President of Y-Mutual Insurance, Ltd. Previously, she served as CEO of the YMCA of Broward County, Executive Director for North Broward and Extension Branch, Fort Lauderdale, Senior Program Director for San Francisco and Youth Director, Fort Myers. Ms. Rittscher studied social work at Mesa College, San Diego and California State University and is currently pursuing her master's degree at Springfield College.



Sheila R. Tiemens, Senior Vice President for Human Resources, YMCA of Greater Seattle, WA is a member of the Advisory Board, University of Washington Human Resources Certificate Program, the Society for Human Resource Management, the American Society for Training and Development and APD. Previously, she served as HR Director for Bogle & Gates, Seattle and SVP/Personnel Director, Alaska National Bank. Ms. Tiemens has a BA from Washington State University and a Human Resources Certificate from the Society for Human Resource Management.

Recognition of Retiring Trustees



William B. Marsh was Chairman of the Board of Trustees for nine years, and a Trustee for a total of thirteen years. He is a private investment manager and currently serves as a Director of the YMCA of Greater Boston. Bill led the Fund through several major benefit improvements, a change in investment philosophy, a reorganization of the Board structure and approach, and the succession of the chief executive officer. In recognition of his service to the Fund, he was elected Trustee Emeritus in November 2003.



Dale A. Vonderau was a Trustee for twelve years, most recently serving as Chairman of the Audit Committee and as a member of the Benefits and Executive Committees. In 2003, he was honored with the Harold C. Smith Award for distinguished service to the YMCA. Dale's YMCA activities include Member Emeritus of the YMCA of the USA National Board, having formerly been Chairman. He has also served as Chairman of the Board of Trustees of the YMCA of Greater Cleveland. Mr. Vonderau is Chairman of Alloy Engineering Company.



Marta L. Bolsinger served as a Trustee for five years, was Chairman of the Benefits Committee and a member of the Board's Executive Committee. She began her YMCA career over 30 years ago in Washington, D.C. Today, she is the President and CEO of the YMCA of San Francisco.



Zera Mackie served as a Trustee for three years, was a member of the Board's Strategic Planning Task Force, and the Benefits, Operations and Compensation Committees. She began her YMCA career 26 years ago and recently retired as Senior Vice President of Human Resources at the YMCA of Metropolitan Dallas.

Save More in 2004

The limits on tax-deferred savings continue to increase as part of the 2001 Pension Reform. New savings opportunities for people age 50 and over were introduced in 2002 and continue to grow as well. These limits are as follows:

	2003	2004
Tax-deferred Contributions	\$12,000	\$13,000
Catch-Up Contributions (15+ Yrs of Service)	\$3,000	\$3,000
Age 50 & Over	\$2,000	\$3,000

Easy Way to Build the Funds You Need

Given these increased savings options, the Fund's tax-deferred account continues to be a safe, easy way to build up the funds you need to have the retirement you want.

You can tax-defer up to \$13,000 this year and up to \$16,000 if you are age 50 and over. If you've been in the plan for more than 15 years, you may also be eligible to use the catch-up rule. This increases the amount you can tax-defer by another \$3,000, for a total of \$19,000. If you are in the 15% tax bracket, for every \$100 you contribute to a Tax-deferred account, you save \$15 on taxes—allowing you to put away even more for your future!

You don't have to pay federal income taxes on your contributions, or on the account's earnings, until you withdraw them from the Fund. In most cases, you can defer state and local taxes as well.

Remember, the sooner you start or increase your contributions to a tax-deferred account, the closer you'll be to the retirement of your dreams.

Open a Tax-deferred Account Today!

Try the new interactive worksheet to calculate your maximum tax-deferred contributions at www.yretirement.org

Progress on the Hill

In 2003, we made very good progress in our effort to have Congress clarify the Fund's tax status. Much of the credit goes to the large number of YMCA employees who wrote to their Senators and Representatives. Bills were introduced in both the House and Senate. The House bill was approved by the Ways & Means Committee. Congress recessed in December before any action could be taken by the Senate.



YMCA Retirement Fund CEO John Preis and Senator Jim Bunning (R-KY)

Clarifying language is in the process of being agreed upon by the appropriate Senate groups, and we anticipate that it will be attached to one of the tax bills expected to be passed by the Senate early in the 2004 Session.

Clarifying Our Church Plan Status

Clarifying our church plan status allows the Fund to:

- Pay retirement annuities from participant's accounts at favorable rates
- Commingle pension, tax-deferred, disability, and death benefit assets for investment purposes, which keeps management cost low
- Operate as it has for over 82 years.

FAX Your Senator

Please go to www.yretirement.org and download a letter to send to your Senator urging him or her to co-sponsor S.698

New to the Fund's Management Team



James G. Kirschner, Vice President—Strategic Planning, Research & Development oversees the Fund's communications and education programs and directs strategic planning. James is a

YMCA Senior Director and a 17-year YMCA professional. Prior to joining the Fund he was the principal in his own consulting practice, and he has been an adjunct professor at Columbia University. James earned a BA in Economics at Trinity College and an MBA from Columbia Business School.



Richard H. Rubinstein, Senior Vice President/Equity is responsible for managing core U.S. equities with his analytical team. Prior to joining the fund, Dick spent 13 years at OppenheimerFunds, where he

managed the Multiple Strategies Funds. Previously Dick was a portfolio manager and research analyst at Oppenheimer Capital, M.D. Sass Investors, Alex Brown & Sons Investment Advisory and U.S. Trust Company. He earned a BS from Lehigh University and attended graduate school at Bernard Baruch CCNY. He is both a CFA and CFP.



Everett B. ("Skip") Miller, III, Vice President—Alternative Investments

was previously COO at Commonfund Realty, Inc. and prior to that, he was the Principal Investment Officer for Real

Estate and for Alternative Investments at the State of Connecticut Retirement and Trust Funds. He spent 18 years with the Travelers Realty Investment Company in the Corporate Office, serving as fiduciary for pension funds entrusted to the Travelers. Skip holds a BA from Yale University.



Al Grossi, Vice President—Equity Analyst

was previously a Portfolio Manager, Research Analyst, and member of the Policy Committee with Avatar Associates, the Bank of New York, Invesco Funds

Group of Denver, Colorado and the Westinghouse Pension Investments Corp. Al has an undergraduate degree from Rutgers University and an MBA in Finance from the Rutgers School of Business.



John Moore, Assistant to the Chief Investment Officer

recently retired as the Worldwide Director of pension investments for Marsh & McLennan Companies, Inc.

Prior positions included Director of Fixed Income for Westinghouse Pension Investments Corporation as well as Director of Fixed Income for Calvin Bullock Ltd. John is a graduate of Pace University.

Tribute to Richard "Dick" Kautz, Trustee Emeritus

Richard "Dick" Kautz, Trustee Emeritus, passed away on July 21, 2003 at the age of 86.

Mr. Kautz served as a Trustee of the Retirement Fund from 1980–1993. He was a lifetime volunteer in the YMCA, leading his local YMCA in Muscatine, Iowa, the International Committee of the YMCA of the USA and the National Board of the YMCA of the USA. He served as Chair of the National Board. He also served on the Board of the World Alliance of YMCAs. He and his wife Mary Elda made a significant impact towards the preservation of YMCA records by creating the Kautz Family YMCA Archives at the University of Minnesota.