Y's Way *to a great* Retirement

2006

Mid Year Report

YMCA RETIREMENT FUND

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Inside

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Message from the CEO

John M. Preis, President & CEO

Welcome to the YMCA Retirement Fund's *Mid Year Report* for fiscal year 2006. At a time when 50% of American workers have no retirement program outside of Social Security, YMCA staff can count on the Retirement Fund. Investment returns are solid and assets are at an all-time high.

Pension World in the News

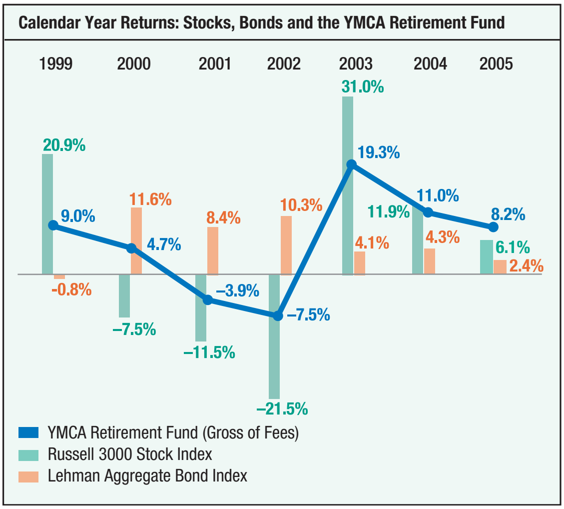
Lately there has been a flood of media reports about pension plans—how they work, why some fail, and what safeguards (if any) are in place to protect employee savings and retiree benefits.

This is because 77 million baby boomers will be approaching retirement age over the next 25 years. At the same time, underfunded pension plans are letting employees down just when they've been looking forward to enjoying a comfortable retirement.

So, it's natural for YMCA staff to ask, "What protects my retirement savings against the dangers mentioned in the media?"

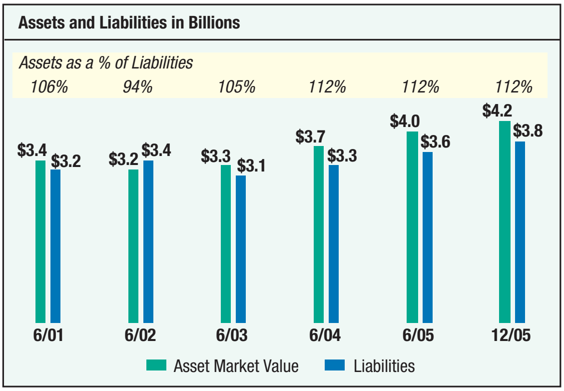
Strong Results

The Fund's 2005 calendar year return of 8.2% (gross of fees) was 70 basis points ahead of the composite benchmark. Although the Fund operates on a fiscal year ending June 30, calendar year results are provided for comparative purposes in the chart below.



We continue to improve the portfolio with high quality alternative market investments and are making further progress in the reduction of overall portfolio risk through additional diversification.

The value of the Fund's assets reached an all-time high as of December 31, 2005. The chart below indicates that the asset/liability relationship remains favorable with assets of $4.2B, which are 112% of liabilities.



Understanding the News

In order to understand the stories in the news about pension plans (and why the YMCA Retirement Plan isn't one of them), you need to understand that there are two major types of plans: defined benefit plans and defined contribution plans.

In a defined benefit plan, the payout to a retiree is based on a formula, often related to years of service and compensation.

It's the traditional defined benefit plans that are in most of the news stories. Companies terminate pension plans to cut costs, or due to bankruptcies, mergers or conversions into another plan. Since this pension money doesn't technically belong to an employee until it's paid out, it is vulnerable to the company's fortunes.

On the other hand, defined contribution plans specify the amount to be contributed to the plan. The benefits that are paid out are based on the actual amount accumulated in the plan during the individual's career.

The YMCA Retirement Fund sponsors the YMCA Retirement Plan and the Tax-Deferred Savings Plan, each a defined contribution plan. The Fund's structure limits the downside risk to participants, and experts make the investment choices for all participants as a group, managing over $4 billion of our collective savings.

Security, Integrity, Enduring Value

Since the YMCA Retirement Plan began in 1922, account balances have never decreased. Strong and consistent interest credits have been the result of good management through the years and our current discipline as long-term investors.

Interest credited to participant account balances in 2005 averaged 9.5% for the year (12% Jan-June; 7% July-Dec). When you combine this return with the fact that the Plan's structure protects your account balances from market fluctuations, you would be hard-pressed to find a better alternative for your retirement savings.

Market conditions during the second half of 2005 made a 12% annualized interest credit decision possible for the first half of 2006. As a result, the cumulative disparity from 2002-2004 between participants and retirees will be eliminated by June 30, 2006.

Expertise You Can Depend On

The Fund has an independent Board of Trustees that includes many investment professionals who oversee the work of Management.

The Fund's management team is comprised of experts in investment and benefits management, and our expenses fall at the low end for organizations like ours.

We are deeply committed to protecting participant benefits by maintaining our reserve. Unlike the underfunded plans that are in the news, we strive to have between $1.08 and $1.12 for every dollar we have promised to pay out in the future (see *Confidence Levels*, page 5).

Structure and Oversight

The YMCA Retirement Fund is a separately incorporated and governed 501(c)(3) organization, unaffected by the financial condition of any individual YMCA and independent of the YMCA of the USA.

The Fund's operations are reviewed regularly by various independent external experts, including an actuary, auditor and investment consultant, as well as several governmental agencies (such as the New York State Insurance Department and the U.S. Department of Labor). Beginning in July 2006, portions of the plan will also be governed by the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Save More for the Future

Looking ahead, retirement issues will continue to be on the front page of our daily newspapers and on the evening news. I sincerely hope this will compel every participant to take action to maximize Fund benefits by saving more for retirement. Federal limits were increased for tax-advantaged savings effective January 1, 2006. Go to www.yretirement.org and download the form to open a Tax-Deferred Account today!

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

You can sleep soundly at night, knowing that your accounts at the YMCA Retirement Fund are safe. It really is the *Y's Way to a Great Retirement*.

Thanks for your unfailing 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

Board News & Updates

Peter D. Ziegler, Chairman

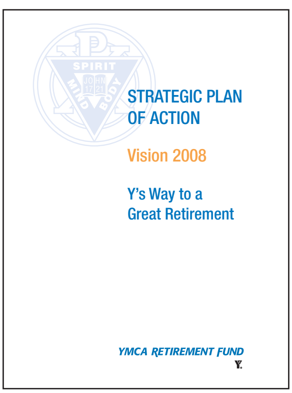
Board Approves 12%

In November 2005, the Fund's Board of Trustees met in New York City. The Trustees reviewed the relationship between the market value of the Fund's assets and liabilities, as we do twice a year, in order to assess the condition of the Fund's reserves. This provided critical background for setting the interest credits for the first six months of 2006. In addition, the following topics were considered:

- Asset allocation and the investment outlook
- The independent actuary's recommendations

As a result, the Board voted in support of a Management recommendation to credit 12% annualized interest to participants during the period January 1 to June 30, 2006. This is composed of 3% regular interest credits plus 9% extra interest credits.

Vision 2008



In order to look to the future and stay relevant to the needs of our participants, the YMCA Retirement Fund's Board and Management engage in strategic planning. In fact, we update our Strategic Plan of Action every year on a rolling 3-year time frame. We know if our plan doesn't help us to improve service to our constituents, then it is just a "shelf" plan. So, every year we take our plan and translate it into key issues and annual objectives which we track in great detail. This discipline is a hallmark of our management style.

A copy of our *Strategic Plan of Action* is available on our website at www.yretirement.org.

Theodore H. Ashford Steps Down

After serving three 4-year terms, Ted Ashford retired from the Fund's Board in December 2005. He served on the Investment, Governance and Compensation Committees. Mr. Ashford is Chairman and CEO of Ashford Capital Management, Inc. Ted's quiet wisdom and deft collegial touch made his contributions invaluable to the Fund. We are grateful that he has agreed to continue as an ex-officio member of the Investment Committee.

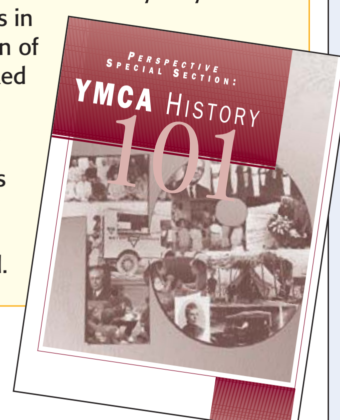
Georganne F. Perkins Elected

Georganne Perkins joined the Fund's Board in January 2006. She serves on the Investment and Governance Committees. Ms. Perkins is Director of Private Equity, Stanford Management Company, which is the endowment management arm of Stanford University. As Director, Ms. Perkins is responsible for strategic planning and allocation, manager selection, due diligence, and performance measurement of Stanford's venture capital and buyout investments.

Fund Voted #1 Event in YMCA History

In August 2005, *Perspective* magazine, the journal of the Association of YMCA Professionals (AYP), published an issue on the results of a survey they did to identify the top ten events in YMCA history. The creation of the Retirement Fund ranked #1 in the survey.

Thanks to the foresight of our founders, the YMCA is the only major non-profit in the USA with its own single-focus pension fund.



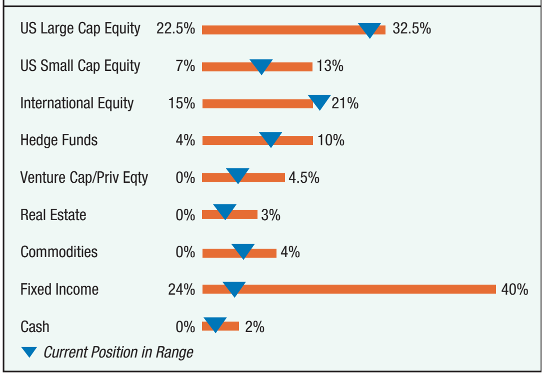
Six-Month Investment Review

Victor J. Raskin, Chief Investment Officer

Stocks turned in solid results for the six months ended December 2005, aided by a strong November. This occurred in the face of a steady rise in interest rates and a sharp jump in energy costs, caused in part by two devastating hurricanes. Bonds were flat for the period.

Throughout the six months, economic growth continued along its previous 4% path despite the obstacles of rising energy costs and interest rates. Credit goes to resilient consumers who continued to spend, albeit at a moderating rate. As forecasted, rising capital spending aided in the growth. Corporate earnings continued to rise at 10%+, as productivity remained strong. All signs point to the economy continuing along a path of modest but sustainable growth.

Asset Class Ranges (as of 12/31/05)



All equity classes showed gains, although, once again, international stocks (including emerging markets) achieved the best results. The international gains were even more surprising, given the strength in the dollar. Alternative investments experienced returns similar to domestic stocks. Bonds, as mentioned earlier, were basically flat, having a difficult time in a rising interest rate environment.

The Retirement Fund's portfolio benefited from the macro environment and also from our diversification, ending December at a record level. The gain on the portfolio was 6.62% net of fees for an outperformance of 61 basis points when compared to the 6.01% increase net of fees for the composite benchmark. The Fund achieved these results, while continuing to have a lower risk profile than the composite, which stems from our diversification. Asset allocation once again played a positive role as the maximum overweight in international and emerging markets helped significantly. The Fund's large underweight in bonds was also a positive factor.

Manager outperformance also helped as our managers in small cap, bonds and public real estate (REITs) outperformed their respective benchmarks. Our international managers trailed their benchmark slightly while our domestic large cap money, which is indexed, matched the benchmark. In November 2005, we began a pilot program of portable alpha and enhanced indexing to try to add value in the large cap arena.

Executing the Game Plan

Throughout the first half of this fiscal year, Management continued to execute on its plan to drive down risk through further diversification into alternative assets. These non-correlated assets moved from 11.4% in June to 12.4% in December, as we continue to build both our private equity and real estate programs. In addition, we hired two managers to initiate active currency programs as well. Our long-term goal for alternative assets remains 23%.

The other management focus has been to evaluate our existing manager line-up and make appropriate changes when need be. During the past six months, the

Performance Results (Net of Fees, 6 Months Ended 12/31/05)

Asset Class	Fund	Benchmark	Name	Performance Out (Under)
US Large Cap Equity	6.15%	6.15%	Russell 1000 Growth/Value	0.00%
Small Cap	7.02%	5.81%	Russell 2000	1.21%
International Equity	16.01%	16.64%	MSCI ACWI Free ex US	(0.63%)
Hedge Funds	6.63%	4.14%	90-Day T. Bill + 5%	2.49%
Venture Cap/Priv Eqty	8.23%	12.03%	CA Vintage Year	(3.80%)
Real Estate	7.34%	6.43%	NAREIT/NCREIF	0.91%
Commodity Fund	13.96%	13.85%	Dow/AIG Commodities Index	0.11%
Currencies*	(1.22%)	—	—	(1.22%)
Fixed Income	0.02%	(0.14%)	Lehman Brothers Aggregate	0.16%
Cash	1.87%	1.74%	90-Day T. Bill	0.13%
Total Fund	**6.62%**	**6.01%**	**Composite Benchmark**	**0.61%**

**Inception Date 7/05*

Fund replaced a small cap value manager as well as an international value manager with other managers in those asset classes. With a full-time staff member working exclusively on this task, this process remains a high priority and one that we are optimistic will add value over time.

Investment Outlook

Looking forward, we continue to believe that the economy will remain resilient despite what could be a mid-cycle slowdown. We do not believe the flattening yield curve is signaling a recession. Consumer spending should most likely moderate as refinancing will not be able to add fuel to spending as it has in the past. However, with corporations brimming with cash, capital spending should continue to accelerate. The dollar's strength surprised us in 2005, but we believe the dollar will decline in 2006 aiding exports and being a positive to corporate earnings growth. China, once again, is a key to creating worldwide growth, and we forecast another strong year there, which should strengthen all of Asia as well. The Federal Reserve, which has raised short-term rates over the past 18 months from 1.0% to 4.25% should be ready to at least pause once we reach 4.50%-4.75% in the next few months.

In this environment, stocks, led by international and emerging market stocks, should have the best relative returns as the dollar becomes a tailwind and price/earnings multiples actually expand modestly. Large stocks and growth should outperform small cap and value. Bonds should do slightly better than 2005's returns, but are expected to underperform stocks.

Given these assumptions, we expect to continue to keep bonds toward the low end of the policy range while maintaining our overweight in equities, especially international and emerging. We have tilted our U.S. equities modestly toward growth from value as well. Over the year, however, we expect to reduce public equities to continue to fund the growth in our alternative assets.

Get all the information you need on our website

www.yretirement.org

- Look up your account balances and get retirement estimates
- Download forms and publications
- View timely news with *Y's Ways to Fiscal Fitness*

Parity: A Challenge for the Future

All existing retiree annuities were calculated on an interest rate of at least 7%, and the annuity conversion rate used for new retirees continues to be 7%. This is higher than the commercial rate currently available in the marketplace.

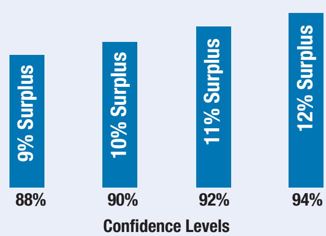
During the calendar years 2002, 2003 and 2004, participants' accounts were credited with less than 7% interest. As a result, during these three years there was a disparity between the interest credited to participants' accounts and the very favorable interest rate used to convert retirees' account balances into guaranteed annuities.

Due to the 9.5% average interest credited to participants in 2005, together with strong interest credits planned for the first half of 2006, the cumulative disparity will be eliminated by June 30, 2006.

Confidence Levels

Management and the Board believe that perpetuating the safety and longevity of the Plan is their greatest responsibility.

Extra interest credits for participants and special dividends for retirees (formerly known as "extra checks") are only possible when the reserve (or actuarial surplus) is large enough. This surplus is the difference between the market value of the Fund's assets and the present value of its promises to pay benefits in the future (its liabilities).



The surplus (reserve) can be displayed as a % of liabilities, as in the chart to the left. The larger the surplus, the higher the confidence level that the Fund can withstand a downturn in the performance of its investments which would eliminate the surplus over 12 months.

For example, if the surplus is maintained at 12% of liabilities, we can have a 94% level of confidence that the surplus will not be eliminated over the next 12 months.

L. Stanton Williams 1919-2005

The Trustees and Management of the YMCA Retirement Fund mourned the passing of L. Stanton (Stan) Williams in November 2005. He was 86 years old.

Known as a "a quiet community leader," Williams chaired and served on numerous civic boards and was a very active YMCA volunteer. In addition to his tenure as a Trustee of the YMCA Retirement Fund, he was also a Trustee of the YMCA of the USA Endowment Fund, an Emeritus member of the National Board, and Chairman of the Pittsburgh YMCA.

Mr. Williams was the son of a YMCA Executive, and a Trustee of the Fund from 1988 to 1994. He dedicated 44 years to a career with PPG Industries, and was the Chairman and CEO as the company took its first steps toward global expansion.

Harold C. Smith Award Dinner

Leaders who have provided distinguished service to the YMCA are honored annually with the Harold C. Smith Award, named for the retired President of the YMCA Retirement Fund. In 2005, the two award recipients were Jerry Prado Shaw, Director, International Group, YMCA of the USA, and Theodore H. Ashford, Chairman and CEO, Ashford Capital Management, Inc., and former Trustee of the YMCA Retirement Fund.

Generous support from the Fund's business partners and staff resulted in $130,000 being raised for the following YMCA programs: The AYP Emergency Assistance Fund, the Armed Services YMCA, International YMCA Programs and the YMCA Hall of Fame.

L-R: Harold Smith, Bill Marsh, Jack Lund, John Preis, Jerry Prado Shaw and Ted Ashford.

Pay Yourself First

Financial planners suggest that a person needs to have 75%–85% of their final salary as income during retirement. This "Replacement Ratio Target" consists of three sources of income: pension, personal savings and Social Security.

For the personal savings portion of this equation, more and more YMCA staff are taking the experts' advice to heart and setting aside money from every paycheck into a Tax-Deferred Account.

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. 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 more for your future! In most cases, you can defer state and local taxes as well.

Watch Your Savings Grow

Even a small monthly contribution to a voluntary tax-deferred account will improve the annuity benefit you receive in retirement. 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.

FEDERAL CONTRIBUTION LIMITS	2005	2006
Tax-Deferred Contributions	$14,000	**$15,000**
Age 50 & Over	$4,000	**$5,000**
Catch-Up Contributions (15+ Years of Service)	$3,000	**$3,000**

New Staff May Contribute

New YMCA employees need not wait to begin reaping the benefits of the YMCA Retirement Fund. If employees are scheduled to work 20 hours or more per week, they may open and make contributions to a Tax-Deferred Account right away, and they may also roll in money from other qualified pension plans.

Health Savings Accounts

In March 2005, the Fund applied to the IRS for approval to serve as a Custodian for Health Savings Accounts (HSAs). In November, the IRS requested more information to support the Fund's application. As a result, the Fund's plan to offer HSAs beginning January 1, 2006 has been delayed.

Summary of Material Modifications

Certain changes have been made to the YMCA Retirement Fund Retirement Plan ("Retirement Plan") and the YMCA Retirement Fund Tax-Deferred Savings Plan ("Savings Plan"), formerly known as the Tax-Deferred Contribution Plan. Effective dates are in italics. The following is a summary of the material changes through January 1, 2006. In the case of any discrepancy between the Plan document and this summary, the official language of the Plan document prevails.

1) 2-2 Vesting The Retirement Plan eligibility and vesting schedule for all YMCAs will be based on the completion of 2 years of service with a YMCA. This is known as the "2-2 schedule." This means an employee must complete 2 years of service to be enrolled in the Retirement Plan, and will be 100% vested upon enrollment. Previously, some YMCAs had a 1-3 schedule; employees had a one year wait for enrollment and a 3-year wait before becoming vested.

Under the 2-2 schedule, an employee is eligible to be enrolled in the Retirement Plan on the first of the month following the later of attainment of age 21 or completion of 2 years of service. If either event occurs on the first of a month, enrollment will start on that day.

The service requirement is fulfilled if the employee has worked 1,000 or more hours in each of two 12-month periods beginning on his or her hire (or rehire) date or anniversary of such date.

The 2-2 schedule applies to employees hired after July 1, 2005 and employees who have not satisfied the Retirement Plan eligibility requirements by June 30, 2006.

In addition, individuals who are participants on June 30, 2006 and who continue in service after such date will be immediately 100% vested if they have satisfied the 2-year service requirement. *7/1/06*

2) Age 55 Retirement The Retirement Plan adopted a rule to permit retirement benefits to commence on or after January 1, 2006 at age 55 regardless of the number of years of service. Previously, the Plan required 5 years of service in order to commence the benefit at age 55. *1/1/06*

3) Period of Severance Rule for Eligibility This rule provides that if an employee who is not yet eligible for the Retirement Plan terminates employment, and does not resume employment with any YMCA for a period of 6 or more years, his or her prior service will be disregarded in determining eligibility for the plan upon re-employment. *1/1/06*

4) Election for Pre-2000 Retirees Pre-2000 retirees who commenced benefit payments before January 1, 2000 and did not elect to take a lump sum or increase their annuity by the death benefit available under the Retirement Plan will have a one-time opportunity to apply up to 90% of their death benefit to increase their annuity under the plan effective April 1, 2006. The election period for eligible pre-2000 retirees is the 60-day period commencing January 1, 2006. *1/1/06*

5) Service Credit for Acquisitions The Retirement Plan is adopting a rule to give eligibility and vesting service credit for employment periods with certain entities acquired by a YMCA. Previously, the plan only gave eligibility service credit for such employees. Acquired entities that qualify for the service crediting rule include YMCAs, YWCAs, and Boy Scout and Girl Scout Councils. *7/1/06*

6) Hurricane Katrina The Savings Plan adopted the more liberal hardship withdrawal rules enacted into law for Hurricane Katrina victims. Participants in affected areas are permitted, during the period beginning October 1, 2005 and ending December 31, 2006, to receive hardship withdrawals (up to $100,000 in total), have a 3-year window to pay the amounts back into the plan and to treat the withdrawal amount as if it were a tax-free rollover. *10/1/05*

Liberalized hardship distributions will also become available to people affected by Hurricanes Rita and Wilma. Go to www.yretirement.org for more information.

Protection of Benefits

In 2004, the Fund was successful in having federal legislation enacted which protects important aspects of our YMCA Retirement Plan:

- Recognition of our Plan as a defined contribution, church pension plan,
- The right to continue commingling the assets of the Retirement Plan with those of our Tax-Deferred Savings Plan for investment efficiency purposes and,
- Permission to continue to convert participant account balances into life annuities for retiring employees (known as self-annuitization, which only church plans can do).

These protections ensure that the Fund will continue to provide great benefits for our participants, with the efficiency and focus that have distinguished the Fund's service to the YMCA Movement for nearly 85 years.

As a result of the legislation's enactment, beginning July 1, 2006, the Fund will elect into certain provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). For more information, go to www.yretirement.org.