

RMS

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ROUTE TO:

BENEFITS, BENCHMARKS & MORE

April, 2010

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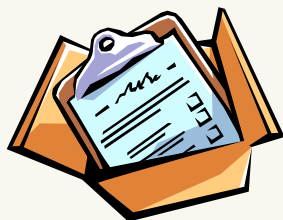
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401(k) Compliance Questionnaires

by: Anne Keehn, QKA



In late 2008, the IRS released its operating priorities for 2009 for Employee Plans. The first priority listed was to “Design and implement a 401(k) Compliance Questionnaire...to gain a better understanding of the compliance behaviors of the 401(k) market segment and recommend strategies to address the identified areas of non-compliance....”

It is believed that the IRS is currently in the process of mailing out those questionnaires. The IRS is expected to mail several thousand of the questionnaires to plans around the country to help make certain it reaches a representative sample of U.S. 401(k) plans. The questionnaire will focus on 401(k) plan operations, including eligibility, employee deferral rates, compensation definitions, and non-discrimination testing.

After collecting the survey responses, the IRS is expected to issue a report on its findings and to develop strategies to deal with any noncompliance trends reflected in the data. You should note that, while a plan with 100 or more participants is subject to an annual financial audit, the goals of this audit differ significantly from what the IRS examines on its 401(k) plan compliance audits.

If your company receives one of these questionnaires, we recommend that you call your Account Executive at RMS to assist you.

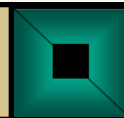
NOTICE

All prototype plan documents must be restated for EGTRRA and signed no later than **APRIL 30, 2010!!**

For information of interest to employers, plan participants, and retirement advisors, visit our website at:

<http://www.consultRMS.com>

If you currently receive our Newsletter by regular mail, but would prefer to receive it by email, please contact cherbig@consultRMS.com or (502) 429-0767.



WHAT YOU SHOULD KNOW ABOUT THE HARDSHIP WITHDRAWAL PROCESS

by Laura Lyvers, CPA, QKA



A participant can only take a hardship withdrawal if it is permitted by the plan and if he (or in some cases his spouse, dependent, or beneficiary) has an immediate and heavy financial need.

In these difficult economic times, more participants are looking into the option of taking a hardship withdrawal. A participant can only take a hardship withdrawal if it is permitted by the plan and if he (or in some cases his spouse, dependent, or beneficiary) has an immediate and heavy financial need. The amount of the hardship is limited to the amount necessary to meet the need.

The following checklist can be used when faced with the task of reviewing and approving hardship requests:

- **Make sure that hardships are allowed** by your plan document and review the plan requirements to determine what procedures the employee must follow as well as any limits on the amounts and types of funds that may be withdrawn.
- **Verify the hardship reason** specified by the participant is an allowable reason for your plan.
- **Ensure the participant has completed the proper plan paperwork** and provided the proper supporting documentation for his request.

□ Before taking a hardship withdrawal, **the participant must first take any loans** or other distributions available under the plan or any other employer plans. Verify that this requirement has been met.

□ **Check the amount requested does not exceed the amount of the need.** The amount of the need may include any taxes or penalties that are due because of the hardship.

□ **Verify the amount of the hardship request does not exceed any limits that the plan may place on hardships.** For example, hardships are often limited to the salary deferral contributions only. Also, some plans impose a minimum request amount to limit very small withdrawals and keep down administrative costs.

□ Finally, most plans specify that after taking a hardship **a participant must be suspended from making salary deferral contributions** to this plan and all other plans that the employer maintains for at least six months. Inform the employee about this rule and stop his salary deferrals.

SHIFTING DAVIS-BACON DOLLARS INTO A QUALIFIED PLAN

by: Chuck Lynch, F.S.A.



All businesses experience competition; and to stay ahead, owners look for ways to keep expenses down and put more dollars on the bottom line. In the construction industry, when a company works on state, local, or federal government projects, employees on those projects can be subject to the federal Davis-Bacon Act (or similar laws at the state and local level), which requires that the company pay non-union employees the “prevailing” wage and benefits.

Some of this “higher cost of employment” must go on the paycheck; the rest can either be put on the paycheck or spent on fringe benefits. Each year, we see more and more employers choosing to shift the “either/or” part from the paycheck to a qualified plan, e.g., a profit sharing or 401(k) plan.

The advantages to the employer are savings that could be tens, or even hundreds, of thousands of dollars, due to:

- Elimination of the employer’s part of the FICA and Medicare taxes on dollars put into a qualified plan (totaling 7.65% of payroll).
- Reduction of payroll-related worker’s comp premiums, typically 4% to 7% of payroll.

- Reduction in general liability payroll-related premiums, sometimes around 1% of payroll.
- The ability to make healthier contributions on behalf of management because higher contributions are being made to the plan for the hourly workers.

An added benefit is that there are also significant advantages to the employees, which makes it easier for the employer to shift the dollars into a qualified plan:

- *Total* elimination of the employee’s FICA tax (7.65%) and occupational tax (typically around 1%) on these dollars. We say *total* elimination, because when these dollars are later taken out of the qualified plan, the FICA tax (and in most cases local occupational taxes) still will not apply.
- Deferral of federal taxes on these dollars:
 - 1) For some individuals, the marginal tax rate in retirement may be lower than the present marginal tax rate.
 - 2) For two-income households, if enough of one earner’s wages are shifted to the qualified plan, it may actually reduce the current marginal tax rate on the couple’s combined earned income.
- Deferral of state income taxes on these dollars:
 - 1) If retiring in a state with no income tax, then this tax is totally eliminated.
 - 2) For some states, certain types of retirement income are exempt from the retiree’s income tax. For example, in Kentucky, a retiree’s first \$41,100 of income, from retirement plans and IRAs, is exempt from state income tax.
- It is not uncommon for every \$1.00 reduction in take-home pay to result in over \$1.40 going into the retirement plan. In other words, it appears to the employee that the savings in taxes are similar to a match exceeding 40%, even when the employer is not putting a match into the plan.

EFAST2 Filing Updates

by: Andrea Bennett

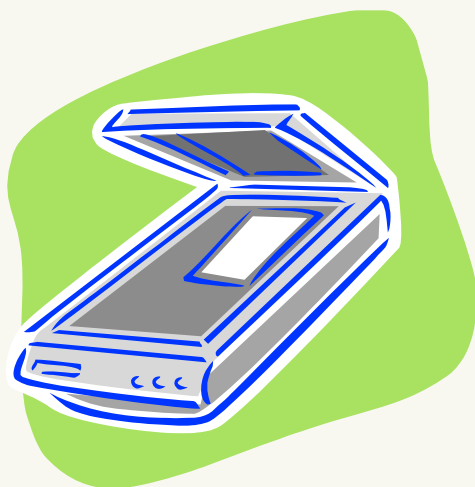
The IRS has continued to update regulations for EFAST2 Form 5500 filings. Below are a few important reminders and clarifications. For a complete listing of regulations and frequently asked questions, visit the EFAST2 website (www.efast.dol.gov).

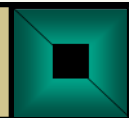
The Form 5500 submission must include all required attachments for it to be considered a timely filing. This includes the independent qualified public accountant report (IQPA report) for plans that are not claiming a waiver, which generally are large plans (those with over 100 participants). A Form 5500 submitted without attaching the required IQPA report will be considered an incomplete filing and will be subject to review and possible penalties. If it is necessary for you to file a Form 5500 without the required IQPA report attached, you must still correctly answer the IQPA questions on Schedule H, line 3. Fill in Line 3(c) with any available IQPA information and leave lines

3(a), 3(b) and 3(d) blank. Be sure to correct this error by filing an amended Form 5500 with the required IQPA report attached as soon as possible.

In order to avoid any penalties associated with late or incomplete filings (which can be as high as \$1,100 per day) we recommend you coordinate with your accounting firm to ensure that the IQPA will be completed on time.

In order for a Form 5500 to be considered timely filed, it must be received by the EFAST2 system on or before midnight of the due date in the **plan administrator's time zone**. That is the time zone corresponding with the plan administrator's address listed on Line 3a of the Form 5500. For calendar year plans the due date for filing the Form 5500 is July 31st (7 months after the end of the plan year) but can be extended to October 15th by completing the appropriate extension request form.





News and Retirement Tidbits

"Record numbers . . . began collecting Social Security benefits in 2009. New awards surged last year partly because the age-62 population grew rapidly. More importantly, older Americans were much more likely to claim Social Security in 2009 than recent previous years, probably because many seniors were unable to find work." (Source: Urban Institute, "Social Security Retirement Benefit Awards Hit All-Time High in 2009", January 2010)

"...many investors in certificates of deposits, savings accounts and money market accounts are losing money once taxes and inflation are subtracted from today's extremely low yields." (Source: The New York Times, "How Retirees Saved the Banks", January 17, 2010)

Health Care Reform --- Starting in 2013, for single persons with incomes over \$200,000 and couples with incomes over \$250,000, there are two new taxes. First is an additional 3.8% tax on passive income --- interest, dividends, royalties, rents, annuities, passive business income, and capital gains. Second, there will be an additional 0.9% Medicare Health Insurance tax (only the employee part of the tax, not that of the employer) with respect to earned income above these same thresholds. (These taxes make it more attractive to have money invested in qualified retirement plans as opposed to receiving it in taxable income or investing it in taxable accounts.) Unlike income tax brackets and the wage cap for Social Security taxes, these thresholds are not indexed to inflation. Distributions from qualified plans would be exempt from these new taxes.

"A DALBAR study showed that while the S&P 500 earned an average return of 8.41% from 1988 to 2008, the average equity investor earned a mere 1.87%." (Source: <http://ebn.benefitnews.com/news/the-shape-of-things-to-come-for-401k-plans-2682719-1.html>)

A survey by Prudential found "that 84% would embrace a fresh approach to their workplace retirement plans, particularly more "autopilot" features." (Source: <http://www.financial-planning.com/news/Prudential-Marcks-401k-2665630-1.html>)

Collective Investment Trusts (CITs) are catching on for larger defined contribution plans. The advantages are that these CITs are like mutual funds, but are specifically made only for retirement plans, and do not have the marketing costs and SEC compliance costs that go with publicly traded mutual funds. Also, over 1,000 of them are now tracked by Morningstar. While mutual funds average 1.25% to 1.50% in fees, CITs average only about .63%. These funds can only be offered by trust companies. Smaller plan sponsors may still come out ahead using mutual funds, due to the small employer's lack of leveraging power to negotiate the lower fees for CITs. (Sources: http://www.nytimes.com/aponline/2010/03/16/business/AP-US-401K-Insight-Cheaper-Option.html?_r=3 and <http://fiduciarynews.com/2010/03/cits-in-401ks-the-good-the-bad-and-the-ugly/>)

For a state-by-state comparison of each state's unfunded pension liabilities, relative to the state's gross domestic product, see <http://blog.american.com/?p=11636>. Thirteen states (including Kentucky) are labeled as being in worse shape than California.

ESOP News

A study by Georgetown University / McDonough School of Business found that S corporations owned by their employees through ESOPs outperformed other companies in 2008. “Surveyed S-ESOP companies increased contributions to retirement benefits for employees by 18.6%, while other U.S. companies increased their contributions to employee retirement accounts by only 2.8%, or one-sixth that amount. The study’s authors also reported that, while overall U.S. private employment in 2008 fell by 2.8%, employment in surveyed S-ESOP companies rose by nearly 2 percent.” (Source: <http://benefitslink.com/pr/detail.php?id=44091>)

New ESOP guidance was announced in March. The IRS and the courts have given their blessing to allow ESOPs to adopt a rule whereby a former employee, not choosing to take a distribution when he’s eligible, could have his balance segregated into the plan’s “other assets”, thus not sharing in dividends and/or appreciation of the company stock after the year in which he terminates employment. However, in order to do this, you’d have to have some “other assets” in the plan. The plan document must also spell out these rules. (Source: <http://www.nceo.org/main/column.php/id/358>)

The National Center for Employee Ownership says the number of ESOPs at the end of 2007 was 10,800 – covering 13 million participants, with over \$900 billion in assets. (Source: <http://www.nceo.org/main/column.php/id/360>)

In a recent Technical Advice Memorandum (TAM), the IRS has helped the benefits community to define a couple of terms. "Rebalancing" in an ESOP pertains to the practice of adjusting the ESOP balances of participants so that each participant has the same percent of his account in employer stock and the same percent in other assets. "Reshuffling" now pertains to the policy of putting all of a former employee's account in assets other than employer stock.



Rollover from Non-Roth Retirement Plan Account to Roth IRA

by Anne Keehn, QKA

Prior to enactment of the Pension Protection Act of 2006 (PPA), in order to make a taxable distribution from a non-Roth retirement plan account to a Roth IRA, the distribution had to first be rolled over to a non-Roth IRA and then converted to a Roth IRA. However, PPA amended the Internal Revenue Code to allow for distributions on or after January 1, 2008 to be rolled directly into a Roth IRA *without* the intervening step of rolling first to a traditional IRA, thus shortening the amount of time and paperwork it takes to convert the taxable balance to a Roth. For 2008 and 2009, such a rollover was only allowed if the taxpayer had modified adjusted gross income for the year that did not exceed \$100,000 (whether filing singly or jointly) and, if married, filed a joint tax return. For taxable years beginning in 2010, the income limit and joint filing requirement have both been eliminated.

Tax Consequences

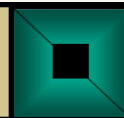
Under §401(a)(31), plans are required to allow for distributions to be rolled to a Roth IRA, if the distributee so elects. A distribution that is rolled to a Roth IRA is not subject to the usual mandatory 20% withholding requirement and the 10% early withdrawal tax for distributions to individuals under the age of 59 ½ does not apply. However, the distributee may elect for an up-front voluntary withholding with respect to the rollover amount. At any rate, when the taxable rollover distribution is rolled to a Roth IRA the amount of the rollover is included in the distributee's gross income for the year of conversion. *For conversions that are accomplished in 2010, there is a one-time special rule in place that will allow the option to claim 50% of the conversion amount as income on the 2011 tax return and the remaining 50% as income on the 2012 tax return.* However, if the tax is paid over the two year period, the tax rate is determined according to the applicable rate for each year. If there is a concern that the tax rates might rise, the taxpayer can instead choose to pay all of the tax for the 2010 tax year. The plan will issue a Form 1099-R to report the distribution from the retirement account. The 1099-R will use



a code "G" in box 7 to indicate the direct rollover and will report the total amount rolled in box 1 and in box 2a for the taxable amount. Also the IRA custodian will report the IRA deposit (to the taxpayer and to the IRS) on IRS Form 5498.

Roth Rules

Once the conversion Roth IRA is established it is important to note that there is a 10% penalty on any funds that are withdrawn from the Roth IRA if they are withdrawn before the earlier of 5 years from the date of the conversion or age 59 ½.



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Recharacterization

If an individual rolls his retirement plan account to a Roth IRA and then determines that he can't or doesn't want to pay the tax bill, there is a remedy available. Likewise, if the conversion is done and then the market drops and the value of the account decreases so that the tax consequence would have been less had the conversion been done at a different time, there is an option to "unconvert" the Roth IRA. This option is referred to as recharacterization. For example, assume that the converted assets are valued at \$80,000 at the time they are rolled to a Roth IRA in March 2010 and then later in the year decline in value to \$50,000. In this case, the individual must pay tax on \$80,000 even though the assets are now worth less than that. The individual may choose to recharacterize (or basically "undo") the conversion. Recharacterization allows the taxpayer to convert from a Roth IRA to a traditional IRA. The deadline for doing so is the tax due date (including extensions) of the return for the year of conversion. The taxpayer may then later decide to convert the traditional IRA back to a Roth IRA. However, there must be at least 30 days between the time a Roth IRA is converted to a traditional IRA and then back to a Roth IRA *and* it is not permissible to perform a

Roth conversion, recharacterize it and then reconvert the money back to Roth in the same year. The recharacterization can usually be accomplished by notifying the financial institution to change the IRA from one type to another. Also, the recharacterization can be done "in-kind", which means it can be done with securities that are in the account, not just cash. A Form 1099-R will be issued by the financial institution with a code "R" or "N" in box 7 of the Form to indicate that the transaction is a recharacterization and therefore not taxable. The financial institution will also report the recharacterization on IRS Form 5498. So, the taxpayer will receive two Form 5498s, one for the initial contribution and a second for the amount that is credited to the other IRA as a recharacterization. The taxpayer will need to amend his tax return to show the recharacterization.

Consult Your Tax Advisor

You should consult your accountant or tax advisor before converting a tax-deferred account to a Roth or before attempting to recharacterize a conversion. Every situation is different and you will want to be sure that your specific tax situation is carefully analyzed by a professional.



MUTUAL FUND PERFORMANCE FIGURES

Periods Ending: **March 31, 2010**

Taken from the New York Times, Sunday 4/11/2010

Data source: Morningstar

Fund Type	Quarterly Returns			12-Month Returns			5-Year Returns		
	Bottom Quarter	Median	Top Quarter	Bottom Quarter	Median	Top Quarter	Bottom Quarter	Median	Top Quarter
Domestic General Stock Funds									
Large Growth	3.7 %	4.5 %	5.4 %	44.9 %	48.5 %	53.2 %	1.9 %	3.1 %	4.7 %
Mid-Cap Growth	6.0	6.7	8.1	50.4	56.1	62.8	3.1	4.7	6.5
Small Growth	6.4	7.5	8.9	52.7	59.5	65.3	2.2	3.8	5.6
Large Blend	4.4	5.1	5.6	45.9	49.2	53.1	1.4	1.9	3.0
Mid-Cap Blend	6.5	8.0	9.0	54.8	60.7	66.0	2.6	4.1	4.9
Small Blend	6.6	8.2	9.0	56.5	62.7	69.1	1.8	3.7	5.7
Large Value	4.4	5.6	6.4	43.2	49.0	54.7	0.5	1.6	2.7
Mid-Cap Value	6.5	7.9	8.8	56.9	62.4	68.4	2.3	3.5	5.3
Small Value	8.2	9.0	10.5	60.0	67.2	74.8	3.2	4.1	6.0
Moderate Allocation	3.4	3.8	4.3	32.9	37.7	41.4	2.4	3.4	4.3
Conservative Allocation	2.6	3.1	3.4	24.2	28.8	32.6	3.3	4.0	4.6
Retirement Income	2.3	2.7	2.9	21.1	26.1	28.2	3.7	4.0	4.5
Target-Date 2000-2010	2.5	3.1	3.8	31.7	34.4	39.5	3.3	3.8	4.2
Target-Date 2011-2015	3.0	3.3	3.7	34.6	36.6	39.2	3.2	4.0	4.1
Target-Date 2016-2020	3.2	3.8	4.4	36.8	42.2	45.6	2.5	3.0	3.7
Target-Date 2021-2025	3.5	3.8	4.3	41.9	44.4	47.3	2.9	3.5	4.1
Target-Date 2026-2030	3.7	4.3	4.7	44.3	48.2	52.2	2.1	2.6	3.2
Target-Date 2031-2035	3.9	4.0	4.6	45.8	48.8	51.8	2.5	3.3	4.1
Target-Date 2036-2040	4.0	4.6	4.8	49.5	50.1	54.1	2.1	2.4	3.4
Target-Date 2041-2045	3.9	4.3	4.7	46.2	50.9	53.8	3.6	3.6	4.0
Target-Date 2050+	4.1	4.5	4.9	48.9	51.9	55.8	2.4	2.4	2.7
Total	4.0	5.1	6.7	42.8	49.4	57.3	1.7	3.0	4.4
Domestic Specialized Stock Funds									
Communication	0.4 %	5.3 %	7.9 %	42.0 %	61.3 %	83.3 %	3.4 %	4.4 %	6.4 %
Financial	5.5	9.9	13.1	54.7	68.4	82.4	-5.7	-2.0	0.0
Health	5.1	6.1	8.6	36.3	40.1	44.2	5.2	6.6	8.8
Natural Resources	0.4	1.2	3.7	53.1	60.0	66.4	8.5	10.1	14.3
Equity Precious Metals	-2.2	-1.3	1.9	28.2	34.1	52.4	17.4	19.7	22.5
Real Estate	8.9	9.7	10.3	97.9	106.5	110.6	2.2	3.8	4.8
Technology	1.9	2.8	3.8	51.8	58.1	67.2	4.9	6.8	8.9
Utilities	-2.5	-0.5	0.5	24.0	27.1	40.7	4.2	4.9	6.4
Bear Market	-8.3	-5.9	-1.7	-38.9	-27.8	8.8	-7.0	-4.0	-2.7
Long-Short	-0.2	0.8	1.7	2.6	9.5	21.3	2.7	4.1	5.2
Consumer Discretionary	8.7	11.2	13.2	55.8	55.9	59.4	0.5	1.8	6.3
Consumer Staples	4.8	5.0	5.0	40.2	41.3	41.6	5.1	5.1	8.7
Industrials	10.6	11.0	13.1	80.7	82.3	85.8	6.0	6.3	6.8
Equity Energy	-0.5	0.4	1.4	46.8	54.8	65.5	7.7	10.0	10.4
Commodities Broad Basket	-3.6	-3.3	-0.9	24.2	34.1	36.0	-9.9	-0.5	0.0
Total	0.0	2.5	8.6	30.4	49.5	74.6	3.1	5.5	9.2
International Stock Funds									
Foreign Large Value	0.3 %	1.2 %	1.9 %	46.4 %	54.1 %	60.0 %	2.7 %	3.4 %	5.0 %
Foreign Large Blend	0.5	0.9	1.8	49.6	52.5	56.1	3.0	4.2	6.0
Foreign Large Growth	1.3	1.7	3.6	51.1	54.1	60.1	4.5	5.3	6.4
Foreign Small/Mid Value	4.2	4.8	5.2	58.7	67.5	78.7	4.7	5.9	7.2
Foreign Small/Mid Growth	2.2	3.5	4.3	62.1	68.2	71.8	5.0	7.3	8.4
World Stock	2.0	3.3	5.4	47.2	52.7	61.5	3.6	5.2	6.5
Europe Stock	-1.3	0.4	1.5	51.2	55.1	61.1	3.5	4.7	7.6
Divers. Pacific Asia	4.6	4.9	6.5	49.9	54.1	71.6	4.5	6.7	8.3
Pacific Asia ex-Japan	-0.8	0.8	2.9	60.2	74.7	89.5	13.3	15.4	17.7

MUTUAL FUND PERFORMANCE FIGURES

Periods Ending: **March 31, 2010**

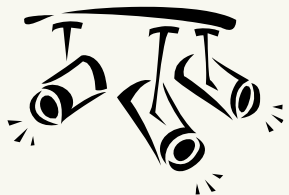
Taken from the New York Times, Sunday 4/11/2010

Data source: Morningstar

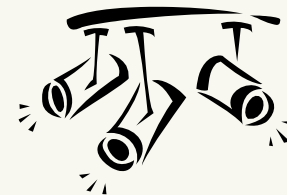
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Fund Type	Quarterly Returns			12-Month Returns			5-Year Returns		
	Bottom Quarter	Median	Top Quarter	Bottom Quarter	Median	Top Quarter	Bottom Quarter	Median	Top Quarter
International Stock Funds (continued)									
Japan Stock	4.8	7.2	8.5	37.0	39.2	41.3	-4.6	-1.6	0.2
Divers. Emerg. Mkt	1.9	2.7	3.4	76.2	80.5	86.3	12.6	14.0	15.4
Latin America Stock	-0.3	-0.2	0.5	92.1	112.5	116.2	21.6	22.2	26.3
World Allocation	1.1	1.8	3.4	27.1	32.8	42.7	2.8	4.1	7.6
Glo Real Estate	0.4	2.9	3.2	69.6	74.9	82.7	1.3	2.3	4.0
Currency	0.3	1.2	3.5	-7.9	1.5	10.9	0.2	4.2	4.5
Miscellaneous Sector	2.0	6.3	7.6	55.0	59.7	66.6	0.2	2.0	8.0
Total	0.9	1.9	3.6	48.7	54.7	68.2	3.4	5.4	8.1
General Bond Funds									
Long-Term Bond	1.6 %	2.7 %	5.2 %	14.9 %	25.4 %	38.7 %	4.5 %	5.0 %	7.1 %
Interm-Term Bond	2.0	2.4	3.0	11.0	16.1	21.2	4.2	5.2	5.8
Short-Term Bond	1.1	1.4	1.9	6.6	9.8	13.9	3.4	4.2	4.8
Total	1.7	2.2	2.7	9.4	14.2	19.2	4.0	4.9	5.6
Government Bond Funds									
Long Government	0.9 %	0.9 %	1.9 %	-9.3 %	-6.8 %	-3.8 %	4.9 %	5.2 %	5.4 %
Interm. Government	1.3	1.5	1.9	2.2	4.0	6.1	4.4	4.9	5.5
Short Government	0.7	0.9	1.1	1.8	2.8	4.4	3.9	4.3	4.7
Inflation-Protected Bond	0.4	0.5	1.0	5.7	6.2	8.6	4.1	4.5	4.9
Total	0.8	1.2	1.7	2.2	4.4	6.2	4.1	4.7	5.2
Specialized Bond Funds									
Convertibles	3.3 %	4.5 %	5.5 %	34.2 %	43.7 %	53.4 %	4.1 %	4.9 %	5.6 %
Ultrashort Bond	0.4	0.6	1.0	3.1	4.1	8.3	2.7	3.3	3.7
High Yield Bond	N/A	N/A	3.6	40.8	48.3	55.5	5.5	6.1	6.7
Multisector Bond	2.8	3.5	4.3	26.5	32.2	37.1	5.3	6.1	6.9
World Bond	0.3	1.1	2.3	13.7	16.2	23.0	4.0	4.8	5.6
Emerging Market Bond	4.2	4.7	5.6	32.2	36.7	42.4	8.6	9.4	10.3
Bank Loan	3.4	4.3	5.0	28.1	36.3	41.8	2.0	2.8	3.7
Total	2.7	3.8	4.6	24.6	36.3	47.5	4.0	5.6	6.7
Municipal Bond Funds									
Muni National Long	1.2 %	1.5 %	1.8 %	10.4 %	12.2 %	17.2 %	3.3 %	3.7 %	4.1 %
Muni National Int.	0.8	1.0	1.3	7.3	8.3	10.7	3.6	4.0	4.3
Muni Single St. Long	1.1	1.2	1.4	10.1	10.9	13.0	3.4	3.8	4.1
Muni Single St. Int.	0.6	0.8	1.0	6.2	7.3	9.7	3.6	3.8	4.0
Muni Single St. Shrt.	0.0	0.3	0.3	2.0	3.9	4.0	3.1	3.4	3.6
Muni National Shrt.	0.2	0.5	0.7	2.9	4.2	5.4	3.0	3.4	3.7
Muni New York Long	1.2	1.4	1.7	9.6	11.1	14.7	3.4	3.9	4.1
Muni California Long	1.4	1.7	2.0	10.9	12.1	14.6	3.2	3.5	3.9
Muni New York Int/Sh	0.8	1.0	1.2	6.1	7.1	10.7	3.2	3.8	4.0
Muni California Int/Sh	0.8	1.3	1.6	6.1	7.2	8.7	3.3	3.7	3.8
Muni Pennsylvania	1.0	1.3	1.7	9.3	11.2	13.9	3.3	3.8	4.1
Muni Massachusetts	0.8	1.1	1.5	8.8	10.2	12.5	3.8	4.1	4.3
Muni New Jersey	0.9	1.2	1.7	8.8	11.0	13.3	3.7	4.1	4.2
Muni Ohio	0.6	0.7	0.9	6.5	8.1	9.9	3.6	4.0	4.1
Muni Minnesota	1.0	1.1	1.3	6.5	8.7	12.0	3.9	4.1	4.2
High Yield Muni	N/A	N/A	2.4	21.5	24.2	28.4	0.1	2.2	3.4
Total	0.8	1.2	1.7	7.5	10.4	13.7	3.3	3.8	4.1

The tables include Nasdaq funds with at least \$30 million in assets. Return figures assume the reinvestment of all dividends. Figures for five-year returns are annualized. The top-quarter figures show the return needed for a fund to rank in the top 25%.



RMS Spotlight



ESOP Practice Group

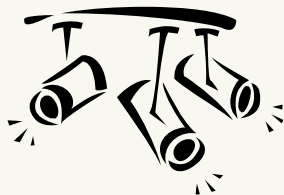
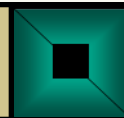


*Pictured from left, front row: Laura Stallard, Amber Lloyd, Chuck Lynch, Elizabeth Potts
Back row: Margaret Weeks, Kim Reid, Laura Lyvers, Hannah Slodki, Jeannette Schweitzer, Lauren Klueber*

The RMS ESOP Practice Group, chaired by RMS Vice President Amber Lloyd, consists of the individuals at RMS who devote at least part of their time to Employee Stock Ownership Plans. The experience of these individuals ranges from brand new practice group members to consultants who have been working with ESOPs since the regulations were first enacted.

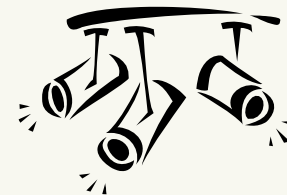
Practice group members meet regularly to discuss recent pronouncements from the federal government; client issues and problem solving; information learned from seminars, webinars, and national publications; interaction with other plans a company may sponsor; and other topics.

The ESOP services we provide to C and S corporations include feasibility studies; assistance with repurchase obligation studies; coordination with the company's ERISA attorney on the design of a new ESOP or re-design of the plan to respond to changing circumstances or changes in the law; coordination with the appraiser, trustee, and CPA on routine administration; assistance with plan distributions and tax reporting; compliance testing and participant statements; corporate communication with participants; and assistance with ESOP terminations.



RMS Spotlight

Thomas Walker



RMS participated in the *KyCPA Shadow Day Program* on February 16th by hosting Thomas Walker, an Accounting Major at Sullivan University. Thomas met with the CPAs, team leaders and owners of RMS to gain insight on the operation of our firm.

Thomas' feedback from his Shadow Day experience was very positive. He appreciated being able to meet with many of our employees to discuss their backgrounds and experiences. As Thomas said, *"The consulting services that RMS provides are not something I would have come across in my accounting studies. With the number of CPAs and accountants that work at RMS, it must be a good career choice. I'll definitely keep this in mind as I complete my accounting degree."*

We wish Thomas much success in his studies at Sullivan University where he currently maintains a 4.0 GPA. After graduation, he plans on obtaining his CPA license and masters degree. It wouldn't surprise us if one day we are designing a qualified retirement plan for a company owned by Thomas Walker!

