RMS

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ROUTE TO:

To: Friends of RMS

BENEFITS, BENCHMARKS & MORE

October, 2009

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

http://www.consultRMS.com

UPGRADING FROM A SIMPLE TO A 401(k) PLAN

If you currently sponsor a SIMPLE (Savings Incentive Match Plan for Employees), be aware that if you want to upgrade to a 401(k) plan, then the SIMPLE must be terminated by 12/31 to put the 401(k) plan in effect for 2010. Here are some of the differences.

	SIMPLE	401(k)
Maximum contribution	Up to $23,000	Up to $54,500
Vesting in company contribution	Must always be 100% fully vested.	A vesting schedule can be applied to some or all of the company contributions.
Is Roth permitted?	No	Yes
Administration complexity	Easy	A little more involved; but can use prototype documents.
Administrative costs	Low	Medium
Design flexibility	Very little flexibility	More flexibility; can give different contribution percents to different groups.
Testing	None	Some testing, but safe-harbor provisions can minimize testing

If you would like to discuss an upgrade to a 401(k) plan for 1/1/10, please contact us right away.

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.

2010 EMPLOYEE BENEFIT INDEXED LIMITATIONS

		FOR PLAN YEARS BEGINNING IN					
		2010	**2009**	**2008**	**2007**	**2006**	**Code Section**
1)	401(k) Elective Deferrals (calendar year limit)	**16,500**	16,500	15,500	15,500	15,000	402(g)(1)
2)	403(b) Elective Deferrals (calendar year limit)	**16,500**	16,500	15,500	15,500	15,000	403(b)
3)	401(k) Catch-up Contributions (calendar year limit)	**5,500**	5,500	5,000	5,000	5,000	414(v)(2)(B)(i)
	Compensation Cap	**245,000**	245,000	230,000	225,000	220,000	401(a)(17)
4)	Defined Contribution Plans - Contribution	***49,000**	49,000	46,000	45,000	44,000	415(c)(1)(A)
5)	Highly Compensated Employee Definition						414(g)
	Employees owning over 5% or having						
	Prior year Compensation exceeding	**110,000**	105,000	100,000	100,000	95,000	
6)	Key Employee Definition						416(i)
	Officer making over	**160,000**	160,000	150,000	145,000	140,000	
	More than 1% owner, making over	**150,000**	150,000	150,000	150,000	150,000	
	More than 5% owner, regardless of pay level						
7)	Social Security Taxable Wage Base	**106,800**	106,800	102,000	97,500	94,200	
8)	FICA (Employee) Tax Rate:						
	Social Security (OASDI)	**6.20%**	6.20%	6.20%	6.20%	6.20%	
	Medicare (HI)	**1.45%**	1.45%	1.45%	1.45%	1.45%	
	Total	**7.65%**	7.65%	7.65%	7.65%	7.65%	
9)	SECA (Self-employed) Tax rate, total	**15.30%**	15.30%	15.30%	15.30%	15.30%	
10)	SIMPLE Deferrals	**11,500**	11,500	10,500	10,500	10,000	408(p)(2)(A)
11)	SIMPLE Catch-up Limit	**2,500**	2,500	2,500	2,500	2,500	414(v)(2)(B)(ii)
12)	SEP Coverage	**550**	550	500	500	450	408(k)(2)(C)
13)	IRA Maximum Deductible Amount	**5,000**	5,000	5,000	4,000	4,000	219(b)(1)(A)
14)	IRA Catch-up Limit	**1,000**	1,000	1,000	1,000	1,000	219(b)(1)(B)
15)	Social Security Exempt Amounts - ages						
	Under 65	**14,160**	14,160	13,560	12,960	12,480	
	65-69	**N/A**	N/A	N/A	N/A	N/A	
16)	Eligible 457(b) Plan Deferral Limit (calendar year limit)	**16,500**	16,500	15,500	15,500	15,000	457(b)(2)
17)	Maximum ESOP Balance for 5-year installments	**985,000**	985,000	935,000	915,000	885,000	409(o)(1)(C)
	Amount for Lengthening of 5-year ESOP distribution	**195,000**	195,000	185,000	180,000	175,000	
18)	Defined Benefit Plans - Annual Benefit	**195,000**	195,000	185,000	180,000	175,000	415(b)(1)(A)

**The limitation is effective for plan years ending in the designated calendar year.*

CONTRIBUTING UNUSED VACATION AND SICK PAY TO A 401(k) PLAN

In his weekly radio address on September 5, 2009, President Obama proposed a number of "new" initiatives designed to help families save for retirement. One initiative he discussed is to allow employees to contribute the cash equivalent of unused paid time off to their employer's retirement plan. The purpose of the initiative, of course, is to encourage Americans to save more. For many years employers have actually had the option of allowing employees to convert unused paid time off into contributions to the retirement plan, but few employers have ever chosen to put that option into effect. After the President's speech, the IRS released two Revenue Rulings which address the contribution of the dollar equivalent of unused paid time off to a qualified retirement plan. The Revenue Rulings serve to clarify the steps that employers can take to convert the value of unused leave into additional contributions to tax-qualified Section 401(k), profit sharing or stock bonus plans.

Revenue Ruling 2009-31 addresses unpaid time off at the end of each year for active employees. Revenue Ruling 2009-32 addresses unpaid time off that has accumulated for employees who have terminated employment.

Under the Rulings, a plan can be amended to provide that the dollar equivalent of unused paid time off that has accumulated as of the end of the year can be contributed to the plan. The dollar equivalent is determined by taking the number of hours of unused paid time off and multiplying it by the participant's hourly rate of pay as of the end of the year. The hourly rate for a salaried participant is determined by assuming the employee works 8 hours per day. The amount contributed to the plan is included when performing the 415 annual additions test.

Two examples of the conversion of unused paid time off into plan contributions are provided in Revenue Ruling 2009-31and are explained below.

Use-it-or-lose-it Policy: For this example, the company has a policy whereby no unused paid time off may be carried over to the next year and the employee cannot elect to take the equivalent in cash. The plan is amended to provide that unused paid time off will be contributed to the plan. The Ruling indicates that because the participant is not given the option of electing to be paid the dollar equivalent in cash in lieu of having it contributed to the plan, then the contribution is deemed to be a nonelective contribution (i.e. treated like an employer profit sharing contribution). Because the amounts contributed for each participant will vary based on the amount of each participant's available unused paid time off, the contributions will be subject to special nondiscrimination testing under §401(a)(4). The amount contributed to the plan is not includible in income to the participant until such time as he takes a distribution from the plan. However, if any part of the contribution of the dollar equivalent exceeds the participant's 415 limit, the excess is paid to the participant in cash rather than being contributed to the plan and is treated as taxable income to the participant in the year paid.

Carryover of Unused Time: For this example, the company has a policy whereby employees can carryover unused paid time off, up to a certain amount. The dollar equivalent of the unused paid time off that exceeds the carryover limit is paid in cash to the employee. The plan is amended to provide that a participant can elect to either be paid in cash for the excess over the carryover limit or have all or a part of the dollar equivalent contributed to his account in the plan. The Ruling indicates that under this scenario, the contribution is deemed to be an elective contribution (i.e. treated like a 401(k) contribution and subject to the same distribution restrictions). It is subject to the §402(g) limit in effect for 401(k) contributions ($16,500 for calendar year 2009) and will also be included in the nondiscrimination test. The contribution is treated as allocated to the plan for the year in which it is actually contributed to the plan. So, for example, unused time off for 2009 that is contributed in 2010 will be treated as a 2010 contribution and subject to 2010 tests and limits. As in the first example, the amount contributed to the plan is not includible in income to the participant until such time as he takes a distribution from the plan. Any part of the unpaid time off that the employee elects to take in cash, rather than as a contribution to the plan, is includible in the gross income of the employee in the year in which it is paid.

One important consideration to make when deciding whether to implement a provision to allow employees to contribute unused paid time off to the retirement plan is that the plan document must permit the contribution. If the document does not permit the contribution, the plan will need to be amended. If you are interested in exploring this subject further, you should consult with your ERISA attorney or contact your Account Executive at RMS.

ALERT! ELECTRONIC FILING REQUIREMENT FOR FORM 5500

Paper filings of Form 5500 will soon be a thing of the past. Starting with plan years commencing on or after January 1, 2009, all pension plans, welfare plans and direct filing entities (DFEs) subject to ERISA must file Form 5500 electronically. The electronic filing system that will be utilized to submit the form is referred to as EFAST2.

For plans with plan years that begin in 2008 for which the Form 5500 is due after December 31, 2009 (for example, a plan year that begins July 1, 2008 and ends June 30, 2009 with a 5500 due date of January 31, 2010), the Form 5500 may be filed using the EFAST2 system or using a paper form, as long as the paper form is filed **no later than October 15, 2010.**

The DOL has been issuing ongoing guidance on the details of the new EFAST2 system. RMS has been keeping up with the available information and we are currently working with an outside software vendor to make sure that we will be able to comply with the new electronic filing requirement for all of our clients. We will be sending additional information to our clients as we prepare to switch to the new filing method. We expect there will be some additional one-time fees related to the set-up time at RMS for the new mandatory electronic filings.

In the meantime, please be aware of the following in regards to the new filing requirements:

- In order to file electronically, an individual (*e.g.*, officer of an employer) will need to register for electronic credentials. Registration will become available on January 1, 2010. It is important to note that RMS cannot obtain credentials for you even if you have no access to computers. (The DOL recommends that if you do not have a computer, you can use the public library to access the internet and obtain the necessary credentials.) To receive the necessary credentials, you must go to the DOL website and enter certain personal information. You will then receive an email with a link to a website where you will receive the credentials (signer ID and PIN code). You cannot disclose or share your PIN with anyone, including RMS. The DOL reconfirms the restriction on sharing credentials in its recently issued FAQs on EFAST2. In the FAQs, the DOL indicated that a third party administrator may not obtain plan signer credentials on behalf of the employer. In addition, the FAQ states: "The EFAST2 process for obtaining Filing Signer credentials is designed so that the person signing electronically must be the person registering for the credentials." If more than one official may sign a Form 5500, each official will need to obtain his/her own credentials. We will provide more information on how to apply for the credentials in the near future.
- For plans that require an independent audit, the signed audit report must be saved as a PDF file on the accountant's letterhead and attached to the electronic Form 5500.
- In the past, employers who requested an extension of their 5500 filing deadline did so by completing a Form 5558. They then had to attach a copy of the Form 5558 to the 5500. With electronic filing, the Form 5558 will no longer be attached to the filing. However, the employer must continue to use the Form 5558 to obtain an extension to file.
- Schedule SSA is no longer part of the 5500 filing. Commencing with the 2009 plan year, Schedule SSA becomes Form SSA and an employer will file the form on paper directly with the IRS.
- An important consequence of electronic filing is that the DOL and IRS will have immediate information as to whether a Form 5500 is timely filed.
- The DOL will provide a Form 5500-SF (short form) under EFAST2. The new form is two pages long. A plan will be eligible to file the 5500-SF if the plan covers fewer than 100 participants, is eligible for the audit waiver, has no employer securities, and is invested in assets with a readily ascertainable market value.

NEWS AND RETIREMENT TIDBITS

1) If there is any chance you'd consider moving into another state when retiring, check out the excellent information comparing different retiree tax rules for all states at http://kiplinger.com/tools/retiree_map/.

2) "In the first six months of fiscal year 2009, the Pension Benefit Guaranty Corporation took over nearly as many plans as it did in the entire previous fiscal year." (Source: Kiplinger's Retirement Report, July 2009)

3) "The Social Security wage base is expected to remain at $106,800 for 2010, due to the recession. That's the first time the index has stayed steady since 1971." (Source: Kiplinger's Retirement Report, July 2009)

4) "… data from the Investment Company Institute (ICI) indicates that 65% of total U.S. retirement assets during 2008 were held in employer-sponsored retirement plans." (Source: Plan Sponsor magazine 6-10-09)

5) "… roughly 90% of the $1.5 trillion in 401(k) and other defined-contribution assets in mutual funds are in *actively managed* offerings … despite clear evidence from studies that index funds tend to outperform their actively managed rivals." (Source: Wall Street Journal, 7/18/09)

6) "In 2009, the average monthly Social Security benefit is $1,153, or about $13,836 per year. For comparison, as of this July, the minimum wage will be $7.25 per hour, or about $14,500 per year if you're working full time. As a result, by the end of this year, Social Security's average payout will be below the minimum wage." (Source: http://www.fool.com/retirement/general/2009/06/24/a-retirement-plan-thats-guaranteed-to-fail.aspx 6/24/09)

7) "In just over 30 years, the number of people ages 65 and older will more than double, to 1.3 billion, according to the U.S. Census Bureau." (Source: Kiplinger Retirement Report, Oct, 2009)

8) Pensions reduce the risk of poverty among older Americans, especially for women and minorities, according to a study by the National Institute on Retirement Security (www.nirsonline.org).

9) Rates of poverty among older households lacking pension income were about six times greater than those with pension income. (Source: Kiplinger Retirement Report, Sep, 2009)

10) “The administration proposes that broker-dealers who offer investment advice be held to a *fiduciary* standard, requiring them to act in the best interest of their clients. Investment advisers already operate under a fiduciary standard. But broker-dealers today must meet a more-lenient “suitability” standard, which means they cannot sell inappropriate products to investors.” (Source: Kiplinger Retirement Report, Oct, 2009)

11) If you are involved with employee benefits in the Louisville area, be aware that the Louisville Employee Benefits Council (LEBC) is always accepting new members. Check out their website at http://www.lebcouncil.org .

NEWS AND RETIREMENT TIDBITS

12) Benchmark --- Here is the single premium cost of a guaranteed, immediate annuity providing $10,000 per year, payable for one person's lifetime, with a 3% annual increase to offset inflation, and no risk (or reward) of stock market gains or losses (on 10/3/09):

Age:	55	60	65	70
Male:	$226,406	$197,042	$167,980	$145,686
Female:	$247,299	$217,311	$187,043	$162,890

These rates vary from month to month, depending on long-term bond rates.
(You can get online quotes from Vanguard at
http://www.aigretirementgold.com/vlip/VLIPController?page=RequestaQuote)

13) Compensation costs for private industry workers increased 1.5 percent for the 12-month period ending June 2009. This is the smallest percent change published for this series since it began in 1980. The cost increases -- evident in both wages and salaries as well as benefits -- were the smallest increases published in the history of these data series. (Source: Bureau of Labor Statistics, 8/3/09 - http://www.bls.gov/opub/ted/2009/ted_20090803.htm)

14) National Save for Retirement Week is 10/18-10/24. For information, see http://www.retirementweek.org/

15) Research by Fidelity finds that plans without automatic enrollment experience participation at about 60%, compared to about 90% when the plan has automatic enrollment features for both new and existing employees. "An analysis of plans with the most common default deferral rate of 3% showed that 57% of employees keep that contribution rate and an additional 37% elect to increase the rate. In plans with a higher 6% default deferral rate, 60% of employees opt to keep the rate and another 24% elect to increase the amount."
(Source: http://hr.cch.com/news/pension/080509a.asp)

16) "The average turnover rate of all equity funds was 92.7 percent." (Source: "The Float", March 24, 2009) "… on average, a fund with 100% annual turnover gives up nearly 1% in transaction costs. A fund with 25% turnover would give up only a quarter as much. A fund with 300% turnover – three times as much. Transaction costs are not incorporated in a fund's total expense ratio." (Source: http://www.personalfund.com/learnmore.html)

17) The IRS has launched a new site (www.retirementplans.irs.gov) to encourage small-business owners to establish retirement plans for their employees. The site will help employers choose the right plan for their business and has information and resources on maintaining plans and correcting plan errors.

ESOP NEWS

1) "Results from the Employee Ownership Foundation’s 18th Annual ESOP Economic Performance Survey show that 88.5% of ESOP companies outperformed the stock market in 2008." (Source: http://www.plansponsor.com/pi_type10/?RECORD_ID=50044)

2) "Employee-owned companies have been listed in the top 100 companies to work for by Fortune magazine, have been named the Best Small Business of the Year by the U.S. Chamber of Commerce, and have been listed among the Top Small Workplaces." (Source: ESOP Report, from the ESOP Association, July/August 2009)

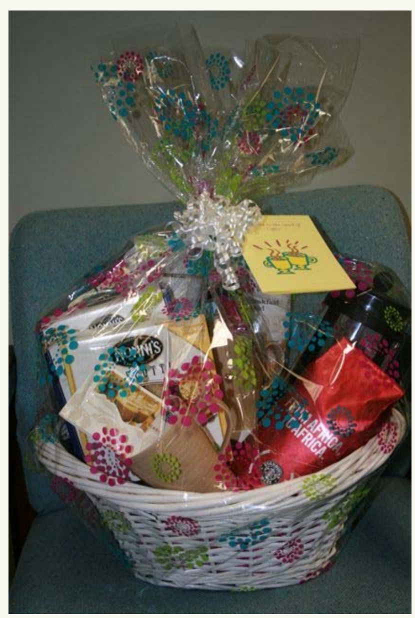
3) Some companies adopting ESOPs will appoint individual members of management as Trustees and have the corporation indemnify those individuals against any lawsuits. But in two recent cases, the courts concluded that if the indemnification comes out of corporate cash instead of liability insurance, to pay claims by participants in the ESOP which owns the corporation, then such an arrangement would lower the corporation's stock price and hurt the very people who initiated the claim. Consequently, the courts decided the indemnification was not allowed. (Source: http://www.nceo.org/main/column.php/id/340)

4) For details on a bill proposed to enhance ESOPs see http://www.morganlewis.com/pubs/EB-ESOP_2009Promo+ImprovementAct_LF_03sept09.pdf as well as http://www.nceo.org/main/column.php/id/337.

5) While trying to reduce the deficit, the Congressional Budget Office is considering proposed changes in the law that could hurt ESOPs --- see http://www.wnj.com/will_congress_pull_the_plug_on_esops_9-8-2009/

6) For a good comparison of ESOP participation and home ownership, see the chart on the next page.

RMS continues to support, inform, and educate our clients, business associates, and others in the benefits community. To show our continued support to learning, RMS has proudly donated this Coffee Basket to the KyCPA Educational Foundation to be auctioned off at a silent auction on Friday, October 30th as part of the KyCPA’s 85th Anniversary Masquerade ball and Annual Fall Awards Banquet. At RMS we recognize the importance that accountants and CPAs make to Kentucky!



THE SIMILARITIES OF OWNING A HOME AND OWNING THE COMPANY WHERE YOU WORK THROUGH AN E.S.O.P.

		A HOME OWNERSHIP	B COMPANY OWNERSHIP
(1)	The meaning of "renting"	Renters get short-term housing, but the *owner* gets annual profits and all of the future appreciation.	You put in your service, getting short-term pay and benefits, but the *owner* gets most of the annual profits and all of the future appreciation.
(2)	Borrowing	The owner can borrow money to purchase his own home.	The ESOP can borrow money to purchase the company.
(3)	Annual payments	Future payments come from future personal income. Some families tighten the belt on other things in order to afford this.	Future payments come from future company profits. Some companies tighten the belt on other things in order to afford this.
(4)	Typical mortgages	15 to 30 years	15 to 30 years
(5)	Logic	Owning is better than renting.	Owning is better than renting.
(6)	Risks	The house could drop in value, or even be lost to a natural disaster. The neighborhood could go bad. Some people borrow more than they can afford.	The company could drop in value or even go bankrupt. Our industry could go bad. Some ESOPs borrow more than they can afford.
(7)	Care provided by the owner	Maintenance, making it a good place to live, keeping the property attractive for future sale, etc.	Maintenance, making it a good place to work, keeping the company attractive for future sale, etc.
(8)	Rewards	A good place to live and freedom from a landlord.	A good place to work and freedom from outside, distant owners.
(9)	Return on investment	Allows you to share more in long-term real estate appreciation.	Allows you to share more in annual company profits and long-term stock appreciation.
(10)	Participation in profits	Typically delayed and taxed when you sell your home.	Typically delayed and taxed when you sell your ESOP shares at retirement; but a rollover into an IRA permits a further delay in taxes.
(11)	Use of a second mortgage	Sometimes the owner takes out a second mortgage in order to put a roof on the house, etc.	Sometimes the ESOP takes out a second loan (re-leveraging the ESOP) in order to buy-out retiring participants.

ESOPs --- ESTABLISHING A DISTRIBUTION POLICY

September, 2009

One of the difficult decisions in establishing a new Employee Stock Ownership Plan is to decide when and how former employees will be paid.

Basic Rules - Let's start with the requirements. An ESOP is a retirement plan. An employer can adopt a rule that says the benefits won't be paid out until after retirement age. However, if the participant terminates employment at some earlier age, then benefit payments (whether in lump sum or installments) *must* commence no later than five years after the participant terminates employment or, if later, the final payoff of the exempt loan (if the participant's shares were purchased by the ESOP with an exempt loan).

If paid in installments, then generally the benefit can be paid out over a five-year period (with as many as five additional years for very large balances). Most employers also accelerate payments in the event termination of employment is due to a total and permanent disability or death.

Disadvantages to Delays in Distributions - By delaying the distribution until the latest possible date, then the ESOP may have to pay out a larger benefit, due to potential appreciation in the stock; in addition, former employees also continue to share in any cash dividends. The ESOP is no longer benefiting *only* active employees, but also former employees. Participants may feel it is unfair to make them wait; and if a delay is to be used, then it should be well-communicated to employees when the rule is established and not simply when a former employee starts asking about his benefits. Delaying distributions means there could be more difficulty in locating the former employee years down the road.

Advantages to Delays in Distributions - Delaying the distribution gives the ESOP and the company more time to come up with the cash to buy back the shares. This may be particularly important in the early years of a highly leveraged ESOP when most or all of the contributions are being used to service the ESOP's debt incurred when it made a major purchase of company stock. Some employers feel that postponing distributions might discourage turnover among those few employees who would quit their jobs simply to get their hands on the money. Delays increase the likelihood that the benefits will truly be used as originally intended – for retirement – and rolled over into an IRA or another plan.

Other Considerations – Most ESOPs initially communicate the latest possible payout timing, and then reserve the right to be more liberal if the trustees decide it is appropriate to do so. For small account balances, it may make sense to have a rule that allows a distribution simply to get the accounts off the books. If the employer feels the plan can afford to immediately pay only a portion of the former employees' benefits, it might establish some priority classification rules – basing decisions on such factors as the size of the vested account balance, whether the participant has attained some early retirement age, years of service, how long ago the participant terminated employment, etc. Some plans have adopted a provision that takes former employees out of company stock and invests their accounts in other assets; however, the IRS has announced a moratorium on giving approval letters for ESOPs taking this approach. We have found that many ESOPs wish to change their distribution policy over time; and we caution about setting precedents, creating what appears to be a "take-away", and making it difficult to communicate a consistent message to participants.

MUTUAL FUND PERFORMANCE FIGURES

Periods Ending: September 30, 2009

Taken from the New York Times, Sunday 10/11/2009
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	13.5 %	14.8 %	16.4 %	-5.4 %	-2.5 %	1.0 %	0.7 %	2.0 %	3.5 %
Mid-Cap Growth	15.6	17.3	19.2	-6.1	-2.2	2.0	2.3	4.0	5.7
Small Growth	14.3	16.2	17.8	-9.5	-5.4	0.0	1.3	3.2	4.9
Large Blend	14.4	15.5	16.5	-7.3	-5.9	-2.7	0.6	1.2	2.5
Mid-Cap Blend	16.1	18.8	19.9	-5.2	-3.6	-0.4	2.3	3.8	4.5
Small Blend	17.0	18.9	20.2	-10.3	-7.0	-2.0	1.0	3.2	5.1
Large Value	14.0	16.0	17.8	-9.9	-7.1	-4.5	0.0	1.3	2.3
Mid-Cap Value	17.9	19.6	22.2	-5.9	-4.0	-0.1	2.0	3.1	4.2
Small Value	17.6	21.0	23.0	-8.2	-6.8	0.6	2.0	3.2	5.2
Moderate Allocation	11.1	12.6	14.1	-1.1	1.5	4.1	1.7	2.9	3.9
Conservative Allocation	9.0	9.9	11.2	4.3	6.3	7.8	2.8	3.3	4.0
Retirement Income	7.4	9.3	9.8	2.2	5.2	6.4	3.2	3.7	4.3
Target-Date 2000-2010	10.0	11.7	12.5	1.7	3.6	4.9	2.7	3.3	4.2
Target-Date 2011-2015	11.9	12.5	13.9	1.2	2.3	3.0	3.0	3.5	3.8
Target-Date 2016-2020	12.7	14.4	15.0	0.1	1.5	2.2	2.0	2.6	3.5
Target-Date 2021-2025	13.8	14.2	15.6	-0.2	0.3	0.8	2.9	3.4	4.0
Target-Date 2026-2030	14.6	15.9	16.5	-1.5	-1.0	0.3	1.9	2.3	3.0
Target-Date 2031-2035	15.0	16.3	17.0	-1.9	-1.6	-0.3	2.2	2.8	3.7
Target-Date 2036-2040	16.2	16.4	17.0	-2.9	-2.0	0.6	2.0	2.3	3.0
Target-Date 2041-2045	15.7	16.9	16.9	-2.4	-1.8	0.5	3.3	3.3	3.7
Target-Date 2050+	15.0	17.0	17.1	-3.0	-0.4	0.5	2.2	2.2	2.4
Total	**13.6**	**15.6**	**17.7**	**-7.1**	**-3.4**	**1.1**	**0.9**	**2.3**	**3.8**
Domestic Specialized Stock Funds									
Communication	9.0 %	15.4 %	19.0 %	10.1 %	12.8 %	15.9 %	3.6 %	4.8 %	7.2 %
Financial	19.6	21.3	24.6	-18.4	-7.4	2.4	-7.5	-2.9	0.0
Health	10.2	11.3	12.9	-3.2	-0.3	1.4	3.4	4.4	6.5
Natural Res	9.3	17.1	18.7	-19.8	-5.4	-2.5	5.1	10.1	12.9
Precious Metals	16.0	20.5	23.0	30.7	34.7	40.3	15.2	17.0	19.0
Real Estate	31.7	32.6	34.5	-28.3	-26.3	-23.1	0.2	1.8	3.1
Technology	15.0	16.7	18.9	7.9	11.1	16.1	3.4	5.5	8.0
Utilities	6.7	9.7	11.3	-6.6	-5.2	0.1	6.2	6.9	7.6
Bear Market	-14.6	-9.5	-7.2	-17.5	-11.5	-0.6	-6.1	-5.1	-1.1
Long-Short	0.2	2.8	6.9	-4.1	0.8	5.3	2.1	3.5	5.1
Consumer Discretionary	17.0	17.0	18.1	-5.6	-0.1	7.0	-0.1	0.4	4.1
Consumer Staples	13.0	13.2	13.3	0.3	1.0	1.3	9.8	9.8	9.8
Industrials	19.0	22.3	22.6	-10.4	-6.4	-3.3	3.0	4.1	5.1
Equity Energy	16.6	20.3	20.9	-10.8	-8.0	-5.7	10.3	12.6	13.7
Total	**10.0**	**16.6**	**22.6**	**-12.8**	**-2.4**	**7.4**	**1.9**	**5.0**	**9.4**
International Stock Funds									
Foreign Large Value	18.0 %	19.9 %	22.3 %	-0.9 %	2.6 %	5.6 %	4.8 %	5.9 %	7.3 %
Foreign Large Blend	17.5	18.7	19.6	-2.1	1.3	4.3	5.0	6.1	8.1
Foreign Large Growth	16.2	17.8	19.7	-1.3	1.1	6.8	5.8	6.8	7.9
Foreign Small/Mid Value	19.7	20.9	24.4	9.0	11.5	15.0	6.8	9.2	9.9
Foreign Small/Mid Growth	18.5	19.4	20.9	2.3	10.2	13.8	7.1	8.7	11.2
World Stock	15.8	18.2	18.8	-1.5	2.4	4.7	4.0	6.1	7.1
Europe Stock	19.6	22.8	26.1	0.4	1.3	4.8	6.7	7.7	10.0
Divers. Pacific Asia	13.0	14.3	15.4	3.7	10.7	14.3	5.5	8.3	8.7
Pacific Asia ex-Japan	13.1	14.4	18.5	23.7	28.1	34.3	14.2	16.1	18.9

continued…

MUTUAL FUND PERFORMANCE FIGURES

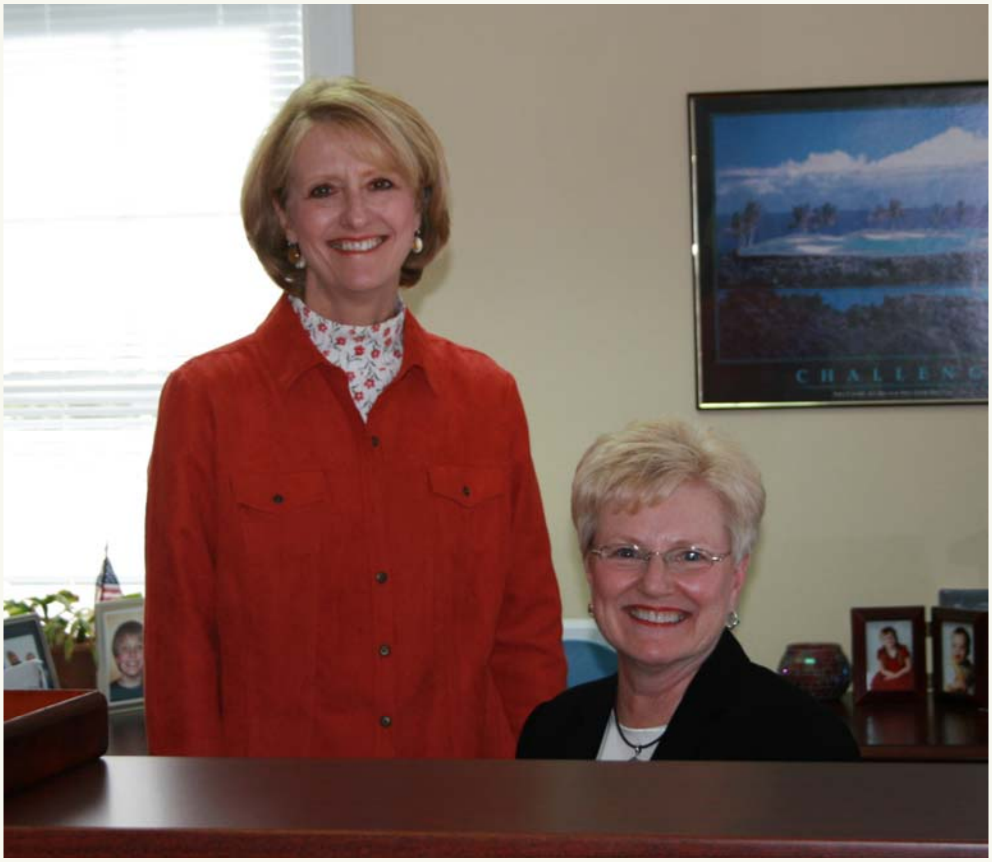
Periods Ending: September 30, 2009

Taken from the New York Times, Sunday 10/11/2009
Data source: Morningstar

Fund Type	Quarterly Returns Bottom Quarter	Quarterly Returns Median	Quarterly Returns Top Quarter	12-Month Returns Bottom Quarter	12-Month Returns Median	12-Month Returns Top Quarter	5-Year Returns Bottom Quarter	5-Year Returns Median	5-Year Returns Top Quarter
International Stock Funds (continued)									
Japan Stock	6.3	6.4	8.9	-2.7	-2.7	8.9	-2.8	-0.9	1.7
Divers. Emerg. Mkt	20.3	21.6	22.5	8.8	12.8	19.2	14.4	15.9	16.9
Latin America Stock	26.2	27.7	28.8	7.8	9.3	22.3	23.2	24.7	29.0
World Allocation	11.3	12.3	14.1	-0.3	5.3	9.2	4.0	6.0	8.5
Global Real Estate	22.1	23.8	24.9	-9.3	-8.8	-1.7	3.1	3.3	5.2
Currency	6.4	6.5	7.8	4.0	6.1	6.4	5.5	5.5	5.8
Miscellaneous Sector	20.0	23.6	25.3	-3.2	5.4	9.1	-0.5	0.2	7.9
Total	**16.6**	**18.7**	**20.8**	**-0.2**	**3.8**	**9.7**	**5.3**	**7.0**	**9.8**
General Bond Funds									
Long-Term Bond	8.3 %	9.7 %	12.1 %	17.6 %	19.4 %	23.6 %	1.5 %	5.2 %	6.7 %
Interm-Term Bond	4.7	6.0	7.6	10.0	12.2	15.1	3.4	4.5	5.2
Short-Term Bond	2.4	3.4	4.3	5.2	7.2	10.2	2.7	3.7	4.2
Total	**3.8**	**5.3**	**7.1**	**7.9**	**11.2**	**14.2**	**3.3**	**4.2**	**5.0**
Government Bond Funds									
Long Government	4.5 %	5.8 %	6.5 %	8.7 %	9.3 %	12.5 %	6.0 %	6.2 %	6.6 %
Interm. Government	2.2	2.5	2.9	7.2	8.2	9.1	4.1	4.6	5.2
Short Government	0.9	1.3	1.9	4.2	5.5	7.1	3.7	4.1	4.4
Inflation-Protected Bond	3.0	3.2	3.8	4.7	5.6	7.1	3.9	4.3	4.7
Total	**2.1**	**2.5**	**3.2**	**5.5**	**7.3**	**8.8**	**3.9**	**4.5**	**5.1**
Specialized Bond Funds									
Convertibles	13.9 %	14.7 %	16.1 %	9.2 %	11.4 %	13.4 %	3.0 %	4.0 %	4.7 %
Ultrashort Bond	0.7	1.0	2.8	1.8	2.9	5.0	2.2	3.2	3.6
High Yield Bond	11.1	13.0	15.2	11.2	14.4	16.9	4.0	4.7	5.3
Multisector Bond	8.4	10.1	11.5	11.5	14.5	17.7	4.7	5.5	6.2
World Bond	6.7	7.6	8.9	13.0	14.4	17.4	5.4	6.0	6.5
Emerging Market Bond	10.9	12.4	13.3	15.1	18.6	21.3	8.1	9.1	10.0
Bank Loan	6.4	8.3	9.2	4.4	6.4	8.3	1.8	2.3	2.8
Total	**7.7**	**10.9**	**13.6**	**7.9**	**13.2**	**16.8**	**3.6**	**4.8**	**5.8**
Municipal Bond Funds									
Muni National Long	7.4 %	8.2 %	10.0 %	13.4 %	14.3 %	15.7 %	3.5 %	4.0 %	4.3 %
Muni National Int.	4.9	6.2	7.1	10.9	12.2	13.1	3.6	4.0	4.3
Muni Single St. Long	6.6	7.1	8.0	13.3	14.2	15.2	3.7	4.0	4.3
Muni Single St. Int.	4.7	5.6	6.5	11.4	12.2	13.2	3.6	3.8	4.1
Muni Single St. Shrt.	0.9	3.5	3.6	4.4	9.4	9.6	2.9	3.3	3.5
Muni National Shrt.	1.2	2.2	2.8	4.8	6.0	7.2	3.0	3.2	3.4
Muni New York Long	6.6	7.2	9.5	13.7	14.6	15.8	3.8	4.0	4.3
Muni California Long	9.1	10.1	11.2	12.1	13.1	14.3	3.6	4.0	4.2
Muni New York Int/Sh	5.1	5.4	7.8	10.3	11.2	12.0	3.4	3.7	3.9
Muni California Int/Sh	4.7	6.6	7.7	8.7	10.2	12.1	3.4	3.6	3.9
Muni Pennsylvania	6.5	7.0	8.8	12.1	13.6	15.1	3.5	3.9	4.3
Muni Massachusetts	6.6	7.5	8.4	13.0	13.8	15.5	4.1	4.3	4.5
Muni New Jersey	7.0	7.6	8.9	13.1	13.4	14.8	3.8	4.3	4.6
Muni Ohio	4.7	5.5	7.1	11.8	13.6	14.3	3.9	4.1	4.4
Muni Minnesota	4.9	5.8	7.6	11.3	12.6	14.3	4.0	4.2	4.4
High Yield Muni	12.1	13.6	15.7	3.7	7.3	10.2	0.9	2.5	3.8
Total	**5.6**	**7.1**	**9.2**	**10.7**	**12.8**	**14.3**	**3.4**	**3.9**	**4.2**

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 Team Spotlight



Pictured from left: Terry Haare and Colletta Herbig

Colletta Herbig has been an Administrative Assistant with RMS since March 2002. Prior to joining RMS, she was employed at a private elementary school where she did administrative work in the school office for 18 years. Colletta is known for always having a positive and cheerful attitude as she performs her various administrative duties. She excels at customer service and knows the importance of promoting a good first impression, so anyone calling the front office will certainly hear the "Voice of RMS." She is currently the Chair of the RMS Team Relations Committee, which coordinates activities designed to promote a workplace environment where all employees enjoy being members of the RMS family. Colletta is very active in volunteering her time at Down Syndrome of Louisville and was awarded the Volunteer of the Year award in 2007. In her spare time, Colletta enjoys spending time with her husband, her three children and their spouses, and seven grandchildren. She enjoys sharing time with friends and family through traveling, playing cards, going to sporting events, and relaxing over dinner in a nice restaurant.

Terry Haare has been with RMS as a part-time Administrative Assistant since September, 2006. She previously worked at a private elementary school as an aide in the 2nd grade, as well as in the child care area for fifteen years. Although it was a challenge to switch from child care to a professional environment, Terry has found RMS to be a friendly and comfortable place to work and grow. When she is not cleaning up letters and reports, filing, or working with the Team Relations Committee, she enjoys reading, gardening, and spending time with her husband, her daughters and their spouses, and her two grandchildren. She also volunteers at her church.