

# RMS

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ROUTE TO:

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## BENEFITS, BENCHMARKS & MORE

May, 2011

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## Every Day is 401(k) Day

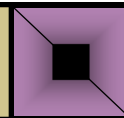
The Profit Sharing Council of America (PSCA) historically sponsors a “401(k) Day” each year in September. However, beginning in 2011, the Council has declared that “every day is 401(k) Day”! PSCA created 401(k) Day as an event to encourage employers to communicate with and educate employees about the importance of saving for retirement. Visit their website at [www.401kday.org](http://www.401kday.org) for free communication tools like postcards, flyers, and posters as well as Spanish materials and educational videos. The 2011 401(k) Day campaign uses brightly colored presentations of food-themed analogies to encourage participants to take action regarding their personal retirement savings. The communications can be customized with your company’s logo and contact information for distribution to your employees. “Make Today Your 401(k) Day”!



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](mailto:cherbig@consultRMS.com) or (502) 429-0767.*



## What To Do If You Have Misplaced Your Form 5500 E Filing Credentials

by: Emily Hartman

It is that time of year again – time to file the Form 5500 for calendar year retirement plans. The tricky part this year won't be registering for your credentials and trying to understand a new filing system; this year, you will need to have the same e filing credentials that you obtained last year in order to electronically sign and file your plan's 2010 Form 5500. You may remember that last year you obtained three distinct codes which are connected to the email address that you use for signing the 5500. The codes are:

- A User ID that started with A and was followed by 7 numbers,
- A PIN consisting of 4 numbers, and
- A password that you determined.

The User ID and PIN are the only credentials that are needed for signing your Form 5500.



**If you have misplaced your PIN only**, you can go to the efast website at <https://www.efast.dol.gov> and click **Login** under the "EFAST2 Filing – Welcome" section. If you know your user ID and your password, you can login and then choose **User Profile** in the list at the left to recover your four digit PIN.

**If you have misplaced more than your PIN**, you can go to the same site and choose **Forgot User ID**. You then enter your email address and hit **Submit**. This will take you to the next page where you will see a challenge question.

After you enter your answer and proceed to the next page, you will be provided with your User ID. Write this number down and go back to the website above. You can go through this same process to retrieve/reset your password. Once you have both your User ID and your password, you can log in. Once you've logged in, click on **User Profile** (in the list on the left). This will bring up your profile information, including your PIN (the User ID and PIN are used to electronically sign the 5500). Print out this page and keep in your files for future reference, as you will use this same information to sign future Form 5500 filings.

## Fiduciary Insurance and Fidelity Bond Coverage

by: Annemarie Keehn, QKA

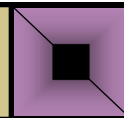
Plan administrators often ask me to explain to them the difference between a *fidelity bond*, which is required, and *fiduciary liability insurance*, which is optional. These coverages are not the same and it is important to understand the difference between them.

**Fiduciary Liability Insurance:** A fiduciary is anyone who has discretionary authority or control over the plan's assets. Plan fiduciaries can be sued by plan participants for failure to properly discharge their duties and the fiduciary can be held personally liable for any expenses related to the lawsuit. The costs must be paid out of personal assets, including their home or business. The plan's fidelity bond does not protect a fiduciary's personal assets and a retirement plan cannot relieve the fiduciary of responsibility with indemnification language. Employee benefits liability insurance normally only applies to claims arising from administrative errors and is usually subject to a single limit. However, fiduciary liability insurance can protect a fiduciary by providing coverage that will pay in the event of a legal liability caused by alleged errors or omissions or a breach of fiduciary duties, including such things as failure to file required reports, errors in computing



eligibility, failure to make timely contributions, failure to keep plan documents up-to-date, and improper advice given to participants about their coverage. Fiduciary liability insurance is not required of any fiduciary. However, it is certainly a prudent purchase! When purchasing this type of protection, it is important to work with a provider that can explain the recourse/nonrecourse policy options, help determine the appropriate amount of coverage and the deductible amount, and counsel the fiduciary as to whether they want a policy that provides that the insurance company will have the right to select defense counsel or one that allows the insured to select their own counsel.

**Fidelity Bond Coverage:** A fidelity bond provides coverage for dishonest and/or fraudulent acts of employees in the course of handling plan money or securities. ERISA requires that every administrator, officer and employee of a plan who handles plan funds must be covered by this type of bond. "Handling" plan assets includes having physical contact with cash or checks, the power to transfer funds from the plan to a third party, and the authority to authorize disbursements and decision making responsibility with respect to the plan assets. The bond may list each person individually (a name schedule bond) or may



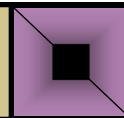
## Fiduciary Insurance and Fidelity Bond Coverage

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provide coverage to all persons who handle the assets (a blanket bond). Each person must be bonded for at least 10% of the amount of the funds he handles, up to a maximum of \$500,000 per plan (or \$1,000,000 per plan if it holds employer stock). The minimum bond amount is \$1,000. It is unlawful for any plan official to permit any other official to receive, handle, or exercise custody over plan funds if that person is not properly bonded. The cost of the bond may be paid from plan assets. The plan may be insured on its own bond or it may be insured through a rider on the employer's crime policy. The bond cannot have a deductible and may not exclude coverage in situations where the employer "knew or should have known" that a theft was likely.

Not all bond coverage is alike. Plan sponsors should review different options and see how they compare with respect to the scope of the coverage provided. The bond may only be obtained from a provider that is named on the Department of Treasury's listing of Approved Sureties. It is acceptable to issue a bond for a period longer than one-year, so long as the bond insures the plan for the statutorily-required amount. The bond does not have to specifically state the dollar amount of coverage, so long as it provides the required statutory amount of 10% of plan funds handled for each official. The bond may contain an "inflation guard" whereby the amount of the bond coverage automatically increases as the plan assets grow.





## *News and Retirement Tidbits*

Estimates of how much a 65-year-old couple will need to pay for out-of-pocket health care costs throughout retirement range from \$197,000 (Center for Retirement Research at Boston College) to \$250,000 (Fidelity Investments) to \$271,000 (Employee Benefit Research Institute), and could vary significantly based on how much medication or treatment you require.

When Franklin Roosevelt signed Social Security into law, average life expectancy was 64 and the program's earliest retirement age was 65. Today, Americans on average live 14 years longer, retire three years earlier and spend 20 years in retirement.

The IRS has announced it will soon start accepting applications for pre-approval of prototype documents for 403(b) plans. In the past, this was one type of defined contribution plan for which there was no pre-approved prototype.

"According to a report published in 2010 by the U.S. Bureau of Labor Statistics, 20% of private industry workers and 79% of state and local government workers were participating in a defined-benefit (DB) retirement plan." (Source: Financial-Planning.com, 3/1/11)

"... a 2006 survey by the Financial Planning Association (FPA) found that only 11 percent of its members serve clients with a net worth below \$250,000. FPA members are providing financial planning services to about one to two percent of the potential 108 million households in the middle market. A more recent FPA survey confirmed these trends, finding that non-affluent consumers are less likely to seek or receive financial advice." (The Financial Literacy Group; "Barriers to Financial Advice for Non-Affluent Consumers"; <http://www.soa.org/files/pdf/research-2010-barriers-consumers.pdf>; September 2010)

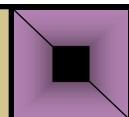
A 2010 Aon Hewitt survey of mid- to large-size firms found that 57% offered automatic enrollment in their 401(k) plans, up from 17% in 2006. "401(k) participation rates jump from an average of about 60% without auto-enrollment to about 90% when it's implemented," according to a spokesperson for Aon. (Karen M. Kroll; Computerworld; "401(k) Auto-Enrolling Jumps in Status"; <http://news.idg.no/cw/art.cfm?id=3F6628D0-1A64-6A71-CED67B3F64B2D54A>; 02/23/2011)

A good article on 401(k) administration points out some of the plan provisions that are often considered bad ideas (and we agree, although there are exceptions): allowing plan loans, loans that are paid back in some method other than payroll withholding, year-end matching true-up provisions, having the plan document commit to a certain matching contribution when it could simply be stated as a discretionary match, self-directed brokerage accounts, and paying benefits in a form other than lump sums. (Ary Rosenbaum, Esq.; "401(k) Plan Provisions That Are Bad Ideas"; <http://documents.jdsupra.com/a1fa6387-acb9-4657-a2a6-800171f44b3f.pdf>)

A USA Today study found that in 41 states "public employees earn higher average pay and benefits than private workers in the same state." (Source: USA Today 3/2/11)

In one recent survey of companies with 5 to 50 employees, 57% offered health insurance while only 39% offered 401(k) plans. (Source: PlanSponsor.com)

Now that the Form 5500 is filed electronically and immediately made available to the public on the DOL website, the Form SSA (identifying separated participants with deferred vested benefits) will no longer be attached to the Form 5500. It will, instead, be filed directly with the federal government as a stand-alone form.



## News and Retirement Tidbits

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Of all U.S. adults over age 55, 29% were still in the workforce in 1993. By 2010 that figure had increased to 40%. (Source: PlanSponsor.com)

The Lifetime Income Disclosure Act, or Senate Bill 267 being proposed in Congress, would require benefit statements sent to plan participants to include the monthly annuity payment that would be made if the employee's total account balance were used to buy a life annuity that commenced payments at the plan's normal retirement age.

When reviewing a domestic relations order to see if it is a "Qualified" Domestic Relations Order, for a plan that has a Roth account, the courts should be specific as to which types of dollars are coming out of the participant's account, since Roth dollars have already been taxed.

"Tbbotson has developed proprietary guidelines to make personalized recommendations on annuity purchases ... A typical 65-year-old should put around 20% of his money in a fixed annuity and about 30% in a variable annuity, according to the guidelines." (Lavonne Kuykendall; "Making the Case to Buy an Annuity", <http://online.wsj.com/article/SB10001424052748703954004576089761660773344.html>; 03/08/2011)

Based on an analysis by Spectrum Group:

- a) "defined benefit (DB) plans account for 84% of the retirement plan assets held for public sector employees while defined contribution (DC) plans account for 62% of the assets held for private sector employees."
- b) They also found that "participants in 403(b) plans hold a considerably higher proportion of their assets in fixed income vehicles than is the case for private sector 401(k) plans".
- c) Total employer-based plan assets are at \$10.2 trillion, while IRAs hold another \$4.8 trillion.

(Fred Schneyer; "Total Employer-Based Plan Assets at \$10T in 2010"; [http://www.plansponsor.com/Total\\_Employer\\_Based\\_Plan\\_Assets\\_at\\_10T\\_in\\_2010.aspx](http://www.plansponsor.com/Total_Employer_Based_Plan_Assets_at_10T_in_2010.aspx); 03/22/2011)

Here is a benchmark that helps put the cost of retirement income into perspective -- the single premium cost (using qualified pre-tax assets, such as from a 401(k) plan or an IRA, rounded to the nearest \$1,000) of a **variable annuity** providing **\$10,000 per year, payable for one person's lifetime**, sharing in market increases when the underlying portfolio yield exceeds 3.5%:

| Age:           | 55             | 60             | 65             | 70             |
|----------------|----------------|----------------|----------------|----------------|
| <b>Male:</b>   | <b>172,000</b> | <b>154,000</b> | <b>136,000</b> | <b>117,000</b> |
| <b>Female:</b> | <b>184,000</b> | <b>167,000</b> | <b>149,000</b> | <b>129,000</b> |

These rates vary from month to month, depending on a portfolio yield, to the extent it exceeds 3.5% per year. Online quotes are available from Vanguard.

(<http://www.aigretirementgold.com/vlip/VLIPController?page=RequestaQuote>)

## *ESOP News*

The National Center for Employee Ownership (NCEO) performed a study of ESOP Repurchase Obligations for closely held companies in the last few months of 2010. Of all the 420 responding companies:

78% have done a repurchase obligation study, most within the previous year.

32% segregate the assets of former employees out of employer stock. Another 29% were considering it.

84% said they intend their ESOPs to be permanent.

(Source: "The 2010 NCEO Survey of ESOP Repurchase Obligation")

Employee Ownership Month is October each year. If you're going to celebrate it this year, start planning now.

The NCEO website provides a list of all the back issues *and even the names of all the articles* in the "Journal of Employee Ownership Law and Finance". NCEO members *and* non-members can purchase individual issues if they are still in stock. The list names about 200 articles. (<http://www.nceo.org/main/pub.php/id/158/>)

Since the federal government has proposed that appraisers of stock sold to ESOPs should be fiduciaries, many questions and comments have arisen. Under new rules, valuation firms would be subject to stringent fiduciary duties and liability. (Law360, New York; "The Danger of Fiduciary Status for Valuation Firms"; <http://www.mwe.com/info/pubs/TheDangerOfFiduciaryStatusForValuationFirms.pdf>; 03/18/2011)

Here is an interesting essay on aligning employees, fairness, long-term goals, and aspirations written by one of the winners in a contest sponsored by the Foundation for Enterprise Development. (Douglas Ashburn; "Alignment: The Key to a Smooth Ride"; <http://www.fed.org/sites/default/files/pdf/Douglas%20Ashburn%20%282%29%20web%20version%20FINAL.pdf>; February 2011)



## ESOPS -- Recycling Stock vs. Retiring it

by: Chuck Lynch, FSA

When a former employee is being paid his stock from an ESOP, and he has the right to “put” the shares back to the company or the plan, the company often has to make a tough decision --- Do we retire (redeem) the shares (buying them back into the corporation’s treasury stock) or recycle the shares (having them bought back by the ESOP).

Here are thoughts to consider on the two approaches.

### *Recycle*

- 1) With ongoing contributions, the ESOP can buy back the shares from former employees and thus have new shares to allocate each year to all participants.
- 2) Without recycling, for many plans the only way shares get into the accounts of new participants would be if there are forfeitures from the accounts of participants who are terminating employment. However, the ones that have short tenure, and thus forfeit part of their accounts, are also the ones with small accounts. So there may not be much in the way of forfeitures to be reallocated.
- 3) If the ESOP is buying back the shares, often it can do so by liquidating the shares and spreading the distribution over several years. The downside is that cash for shares liquidated at a future date must be based on the future price per share. Doing something comparable while redeeming stock requires a reasonable interest rate and the use of some collateral other than the shares themselves.
- 4) If the amount to be bought back can be handled with the amount the company wishes to contribute for the year, then recycling makes a lot of sense.
- 5) Participant taxation
  - a) Another advantage to recycling is that whether the benefit is distributed in a lump sum or through installments, the participant can always choose to have the distributed shares (if the employer is a C corporation) or cash go into an IRA.
  - b) If the put is honored by the corporation through installment payments, then those payments made beyond 60 days after the ESOP distribution are not eligible for rollover into an IRA.
  - c) If the put is honored by the *plan*, as a lump sum distribution, then the participant has the ability to tax Net Unrealized Appreciation (NUA) at capital gains rates. This does not apply to installment distributions since NUA treatment requires a total lump sum distribution.



## ESOPS -- Recycling Stock vs. Retiring it

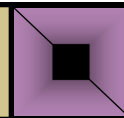
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- 6) If the amount to be bought back exceeds the cash available from the plan and the current year's contribution, then the company might consider:
  - a) A combination of recycling and redeeming;
  - b) Re-leveraging the ESOP to borrow more cash to be paid for with *future* contributions; or
  - c) Using some combination of (a) and (b) in order to "smooth" the cash needs of the plan.



### *Redeem and retire*

- 1) In general
  - a) How do new participants get any stock credited to their accounts?
  - b) Redemption is often part of a long-term strategy to wind down the ESOP.
  - c) If there will be no more contributions, then the plan could be deemed "terminated" requiring full vesting of all participant accounts.
  - d) Oftentimes, a redemption is not expected to decrease the price per share because the cash going out to purchase the shares is offset by a reduction in the number of shares outstanding. The resulting ratio of value to number of shares can remain the same. But not all appraisals reach that same result.
  - e) If the corporation is buying back the shares, doing so through installments requires a reasonable interest rate and collateral other than the shares themselves.
  - f) If the shares are expected to appreciate faster than the cost of borrowing money, then (assuming legitimate collateral is available), retiring the shares with installment payments might lower the ultimate cost to the employer. This needs to be weighed against the loss of deduction, if any, by using the recycling method.
  - g) Will the shares bought by the corporation eventually be contributed to the ESOP at some later date?
- 2) S corporations wholly owned by the ESOP
  - b) If the company is an S corporation then usually former employees are not even allowed to own stock. Consequently, the participant doesn't have a "put" option. In these cases most companies use the recycling approach. A very small percent of companies in this situation get around this by having the company buy shares from the ESOP (requiring a lot of effort to avoid a prohibited transaction), and then have the ESOP pay the former employee.
  - c) For small S corporation ESOPS, constantly retiring the shares means the participants in the plan own an ever-increasing percent of the company. For the people with the largest balances, this could create anti-abuse problems (under Section 409(p) of the Code).
  - d) Retiring shares and later re-contributing those shares to the ESOP does not generate any meaningful deduction if the company is 100% owned by the ESOP.



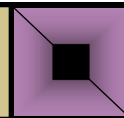
ESOPS -- Recycling Stock vs. Retiring it

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- 3) Situations other than S corporations wholly owned by the ESOP
  - a) If this is not an S corporation wholly owned by the ESOP, then buying back shares at one price in Year X, but contributing them in a later Year Y at a higher price, not only gives a Year Y deduction higher than the cash spent on the buy-back, but allows a Year Y deduction without contributing any cash at all.
  - b) Redeeming shares does not offer a deduction for the transaction, while contributing to the ESOP and having the ESOP purchase the same shares, can be deductible.
- 4) Participant taxation
  - a) If the participant rolls the shares into an IRA and the IRA is “putting” the shares back to the corporation, there may be difficulty in finding an IRA trustee willing to hold a note if the corporation wishes to honor the put through installment options.
  - b) If the participant personally “puts” the shares back to the corporation and then receives installment payments, the only way to defer taxes on the entire distributed value is to come up with cash equal to the whole value, even though the corporation can take several years to honor the put by way of distributions. (To avoid taxation, the entire taxable value must be rolled over within 60 days of the ESOP distribution.)

**Recap** --- Which approach is best boils down to weighing all the factors:

- 1) Whether the corporation is an S or a C corporation; and, if an S corporation, the percent of the company owned by the ESOP.
- 2) Whether the long-term plans for the ESOP include winding it down.
- 3) Cash required, as a percent of payroll, to service debt this year and also buy back shares.
- 4) The desired ESOP allocation of new shares as a percent of participant payroll.
- 5) The availability of and the value of a deduction for any contribution.
- 6) Whether the plan is getting close to any S corporation anti-abuse thresholds.
- 7) The importance of getting shares in the accounts of new ESOP participants.
- 8) The cost of borrowing if any new debt will be incurred in order to buy back shares.
- 9) Expected future appreciation in the value of the stock.
- 10) The availability of collateral if redeeming shares with installment payments from the corporation.
- 11) The likelihood of re-contributing shares to the ESOP after they've been bought back by the corporation.
- 12) The desire to buy back shares through installments instead of lump sums.



## New DOL Participant Fee Disclosure Rules

by: Annemarie Keehn, QKA

The DOL has recently undertaken a 3-part initiative to ensure that retirement plan participants and plan sponsors are informed of the fees they are paying for plan investments and other plan services. This initiative culminated with the release in October 2010 of regulations regarding information that must be disclosed to participants. The purpose of the new requirements is to make sure that participants have regular and periodic access to information that can help them make informed decisions about the management of their accounts and the investment of their retirement savings. The



new rules are effective for plan years that begin after November 1, 2011. So for calendar year plans, they will be effective as of January 1, 2012. There is some transition relief, however, in that the initial disclosures will not be due until February 29, 2012.

The disclosure requirements apply to all ERISA covered plans with participant directed accounts. This means any plan in which a participant has the right to direct all, or even a portion, of the assets in the account, without regard to the size of the plan. The rules are NOT applicable to IRAs, SEPs, Simples, nonERISA 403(b) plans, 457 plans, defined benefit and governmental plans. They are also not applicable to church plans, unless the plan elects to be subject to ERISA. *The DOL has estimated that the regulations will affect 483,000 plans with 72 million participants.*

The required disclosures must be given to all ELIGIBLE participants, even if they don't have a balance in the plan. They must also be given to any beneficiaries who have the right to direct the plan's investments - for example, the beneficiary of an account for a participant who is deceased or an account that has been set up under a QDRO (Qualified Domestic Relations Order).

The disclosures that must be provided fall into two categories – Plan Related Information and Investment Related Information.

## New DOL Participant Fee Disclosure Rules

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**Plan Related Information** – the plan must give the participants a notice as soon as they are eligible to direct their investments, and then annually thereafter, that explains:

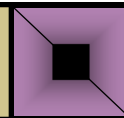
- general information about the plan: transfer restrictions; information on voting, tender and similar rights; identification of investment alternatives and investment managers; and a description of any brokerage windows or self-direct brokerage accounts that can be used; and
- administrative expenses: fees that will be charged for legal, accounting, and recordkeeping services and the basis on which they are charged (pro rata, per capita, etc.); and, if applicable, an explanation that some expenses are underwritten by the investments (through revenue sharing, 12b-1 fees, etc.).

The disclosures  
that must be  
provided fall into  
two categories –  
Plan Related  
Information and  
Investment  
Related  
Information.

The DOL has not mandated a specific format for the notice covering these two bullet points. It is possible to incorporate this information into the plan's Summary Plan Description (SPD), but that would then require that the SPD would need to be distributed every year. It is our expectation that plans will distribute this notice at the beginning of each plan year as a stand-alone notice, much like a safe harbor notice or a Qualified Default Investment Alternative (QDIA) notice.

- individual expenses: fees that are **actually paid** from a participant's account must be disclosed on a **quarterly statement** to the participant. The statement must have a description of the fees that were taken as well as the amount. Fees that are paid from the forfeiture account do not have to be disclosed. Any plans that are paying fees directly from the participant accounts must provide this quarterly statement for any quarter in which fees are taken. Fees that must be disclosed include loan fees, fees to process a QDRO, fees for investment advice, sales loads or charges, redemption fees and investment management fees. The fee information must be reported on a separate column on the statement.





## New DOL Participant Fee Disclosure Rules

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**Investment Related Information** – the plan must give a notice to participants as soon as they are eligible to direct their investments, and then annually thereafter, that is prepared in the format of a comparative chart. The chart must list all investments and must include the following for each investment:

- name, website and category of the investment;
- performance data for 1 year, 5 years and 10 years (or life of the fund, if less);
- for fixed investments – contractual interest rate, current rate and term for which it is guaranteed;
- broad based index benchmarks for 1 year, 5 years and 10 years;
- fee and expense information;
- commissions, sales loads, sales charges, etc.;
- trading restrictions and limitations;
- expense ratio of the investment, expressed as a percentage and a dollar amount for a \$1,000 investment;
- web site address where participant can get more information.

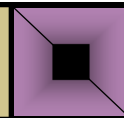
The regulations make note that brokerage options are not considered to be the type of investment for which information would have to be included in the chart.

The web site requirement was questioned by many people who reviewed the proposed regulations. There was concern that not all investment vehicles currently have their own web site. However, the DOL reiterated in the final regulations that they expect every investment vehicle in the plan to set up and maintain a web site. There is an exception for employer stock and some fixed return investments and annuities. The required web site information includes such items as principal strategies and risks of the investment, frequency of portfolio turnover, and quarterly performance data.

The Department has issued a model comparative chart for investment providers to follow. The regulations also require that participants be given a glossary of terms. This information may be included in the comparative chart or may be made available via the web.

The regulations did provide some relief to plan sponsors in that they amended the requirement to automatically provide prospectuses to participants. Under the new regulations, a prospectus need only be given to a participant if he requests it. The DOL is currently drafting disclosures for target-date type funds. Those disclosure requirements were issued in the form of proposed regulations in November 2010 and the Department is currently reviewing comments on them.

It is important to note that the ultimate responsibility for compliance with the new disclosures lies with the plan administrator. However, the text of the regulations do state that the plan administrator is not liable for the completeness and accuracy of information used to satisfy the requirements if the plan administrator uses reasonable good faith to rely on information received from a service provider or investment provider. Plan sponsors should begin communicating with all plan providers now to ensure commitments from them that they will be able to provide the necessary information in a timely manner, once the new regulations become effective.



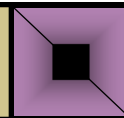
**MUTUAL FUND PERFORMANCE FIGURES**

Periods Ending: **March 31, 2011**

Taken from the New York Times, Sunday 4/10/2011

Data source: Morningstar

| Fund Type                               | Quarterly Returns |            |                | 12-Month Returns  |             |                | 5-Year Returns    |            |                |
|---|-------------------|------------|----------------|-------------------|-------------|----------------|-------------------|------------|----------------|
|   | Bottom<br>Quarter | Median     | Top<br>Quarter | Bottom<br>Quarter | Median      | Top<br>Quarter | Bottom<br>Quarter | Median     | Top<br>Quarter |
| <b>Domestic General Stock Funds</b>     |                   |            |                |                   |             |                |                   |            |                |
| Large Growth                            | 4.7 %             | 5.5 %      | 6.4 %          | 13.8 %            | 16.9 %      | 19.5 %         | 2.1 %             | 3.3 %      | 4.6 %          |
| Mid-Cap Growth                          | 6.1               | 7.7        | 8.9            | 22.1              | 25.5        | 29.3           | 3.5               | 5.1        | 6.7            |
| Small Growth                            | 8.0               | 9.4        | 10.6           | 25.8              | 28.9        | 33.7           | 2.7               | 4.2        | 5.8            |
| Large Blend                             | 4.7               | 5.7        | 6.3            | 13.0              | 15.0        | 16.2           | 1.7               | 2.4        | 3.4            |
| Mid-Cap Blend                           | 6.4               | 7.9        | 9.2            | 20.0              | 23.8        | 26.4           | 3.2               | 4.8        | 5.7            |
| Small Blend                             | 6.8               | 7.9        | 8.9            | 22.4              | 25.5        | 27.8           | 2.2               | 4.0        | 5.6            |
| Large Value                             | 5.3               | 5.9        | 6.6            | 12.7              | 14.2        | 15.8           | 0.9               | 2.0        | 3.2            |
| Mid-Cap Value                           | 5.9               | 7.0        | 7.9            | 17.9              | 20.7        | 22.3           | 3.2               | 4.4        | 5.7            |
| Small Value                             | 5.9               | 7.0        | 8.4            | 20.8              | 23.5        | 25.6           | 3.2               | 4.5        | 6.3            |
| Moderate Allocation                     | 3.5               | 3.9        | 4.5            | 11.1              | 12.4        | 13.6           | 3.0               | 3.8        | 4.7            |
| Conservative Allocation                 | 2.3               | 2.7        | 3.4            | 8.5               | 10.1        | 11.8           | 3.8               | 4.5        | 5.3            |
| Retirement Income                       | 1.9               | 2.4        | 2.9            | 7.4               | 9.1         | 10.2           | 4.2               | 4.5        | 4.9            |
| Target-Date 2000-2010                   | 2.8               | 3.1        | 3.5            | 10.0              | 10.9        | 12.3           | 2.9               | 3.9        | 4.3            |
| Target-Date 2011-2015                   | 3.2               | 3.3        | 3.6            | 10.9              | 11.5        | 12.7           | 2.7               | 3.7        | 4.3            |
| Target-Date 2016-2020                   | 3.2               | 3.8        | 4.4            | 12.0              | 13.0        | 13.8           | 2.5               | 3.1        | 3.5            |
| Target-Date 2021-2025                   | 4.0               | 4.2        | 4.6            | 13.2              | 14.1        | 14.7           | 2.2               | 3.3        | 4.1            |
| Target-Date 2026-2030                   | 3.9               | 4.5        | 4.9            | 13.8              | 14.7        | 15.2           | 2.2               | 2.4        | 3.0            |
| Target-Date 2031-2035                   | 4.3               | 4.7        | 5.1            | 14.0              | 15.4        | 15.8           | 2.3               | 2.8        | 3.8            |
| Target-Date 2036-2040                   | 4.4               | 4.8        | 5.1            | 14.3              | 15.6        | 16.1           | 2.0               | 2.3        | 3.3            |
| Target-Date 2041-2045                   | 4.6               | 4.8        | 5.2            | 15.4              | 16.0        | 16.4           | 1.6               | 3.7        | 4.1            |
| Target-Date 2050+                       | 4.9               | 5.2        | 5.3            | 15.3              | 16.2        | 16.5           | 1.9               | 2.0        | 2.3            |
| Aggressive Allocation                   | 4.2               | 4.5        | 5.1            | 13.2              | 14.1        | 15.7           | 2.4               | 3.0        | 4.1            |
| <b>Total</b>                            | <b>4.4</b>        | <b>5.7</b> | <b>7.1</b>     | <b>13.1</b>       | <b>15.6</b> | <b>21.4</b>    | <b>2.1</b>        | <b>3.4</b> | <b>4.8</b>     |
| <b>Domestic Specialized Stock Funds</b> |                   |            |                |                   |             |                |                   |            |                |
| Communication                           | 5.5 %             | 7.1 %      | 8.5 %          | 21.2 %            | 23.5 %      | 28.4 %         | 3.2 %             | 4.7 %      | 5.8 %          |
| Financial                               | 1.2               | 3.9        | 4.2            | 2.0               | 5.4         | 11.2           | -8.2              | -3.8       | 0.0            |
| Health                                  | 6.9               | 7.6        | 9.7            | 7.7               | 8.9         | 14.5           | 3.4               | 4.5        | 6.0            |
| Natural Resources                       | 6.7               | 8.4        | 11.5           | 27.5              | 32.1        | 34.1           | 7.5               | 8.5        | 10.9           |
| Equity Precious Metals                  | -4.2              | -2.7       | -1.4           | 35.1              | 37.5        | 43.7           | 12.4              | 15.5       | 18.2           |
| Real Estate                             | 5.8               | 6.4        | 6.7            | 21.2              | 24.2        | 25.1           | 0.8               | 1.6        | 2.2            |
| Technology                              | 5.3               | 6.1        | 7.8            | 20.2              | 22.8        | 29.9           | 5.3               | 7.0        | 8.5            |
| Utilities                               | 4.4               | 5.7        | 6.9            | 14.0              | 17.8        | 21.8           | 4.0               | 5.5        | 8.6            |
| Bear Market                             | -6.8              | -6.3       | 0.0            | -19.1             | -13.3       | -10.7          | -7.7              | -6.6       | -5.0           |
| Long-Short                              | -0.3              | 1.5        | 2.4            | 3.3               | 5.3         | 7.2            | 1.8               | 2.8        | 5.2            |
| Consumer Discretionary                  | 1.9               | 2.3        | 3.0            | 15.3              | 15.7        | 20.3           | 2.0               | 3.7        | 6.2            |
| Consumer Staples                        | 1.0               | 1.0        | 1.1            | 10.6              | 10.8        | 10.9           | 7.4               | 7.4        | 8.8            |
| Industrials                             | 8.1               | 8.3        | 8.5            | 21.4              | 26.9        | 28.3           | 4.5               | 6.4        | 7.3            |
| Equity Energy                           | 11.7              | 14.7       | 17.8           | 31.5              | 35.0        | 38.7           | 6.8               | 8.1        | 9.3            |
| Commodities Broad Basket                | 5.6               | 6.9        | 8.0            | 27.6              | 30.6        | 37.2           | -5.5              | 3.1        | 5.5            |
| Market Neutral                          | -1.0              | 1.1        | 1.4            | -3.2              | -2.5        | 2.1            | 1.0               | 1.7        | 4.3            |
| <b>Total</b>                            | <b>1.8</b>        | <b>5.8</b> | <b>7.3</b>     | <b>8.9</b>        | <b>21.8</b> | <b>29.0</b>    | <b>1.9</b>        | <b>4.7</b> | <b>8.0</b>     |
| <b>International Stock Funds</b>        |                   |            |                |                   |             |                |                   |            |                |
| Foreign Large Value                     | 2.6 %             | 3.9 %      | 4.7 %          | 9.3 %             | 11.4 %      | 13.3 %         | 0.3 %             | 1.6 %      | 2.8 %          |
| Foreign Large Blend                     | 2.5               | 3.2        | 3.6            | 10.3              | 12.1        | 14.3           | 0.9               | 1.9        | 3.7            |
| Foreign Large Growth                    | 1.2               | 2.3        | 3.4            | 12.3              | 14.0        | 15.6           | 1.4               | 3.1        | 4.7            |
| Foreign Small/Mid Value                 | 2.1               | 3.1        | 3.9            | 16.3              | 18.0        | 21.2           | 3.0               | 4.5        | 5.2            |
| Foreign Small/Mid Growth                | 1.5               | 2.3        | 3.0            | 19.0              | 21.3        | 23.7           | 2.7               | 4.8        | 6.0            |
| World Stock                             | 3.4               | 4.1        | 5.1            | 11.6              | 14.1        | 17.6           | 1.8               | 3.5        | 4.9            |
| Europe Stock                            | 3.8               | 5.4        | 6.5            | 12.9              | 14.8        | 19.6           | 1.3               | 3.2        | 4.5            |
| Divers. Pacific Asia                    | -2.2              | -2.0       | -0.6           | 6.5               | 8.3         | 12.4           | 0.0               | 3.0        | 4.5            |
| Pacific Asia ex-Japan                   | -1.6              | 0.1        | 2.2            | 14.7              | 18.9        | 23.6           | 10.1              | 11.0       | 13.6           |



**MUTUAL FUND PERFORMANCE FIGURES**

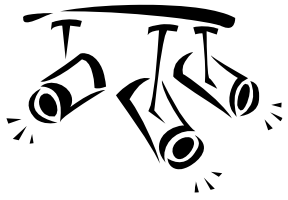
Taken from the New York Times, Sunday 4/10/2011

Data source: Morningstar

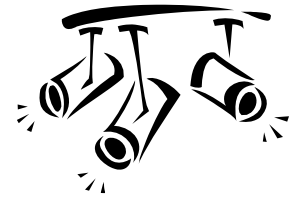
Periods Ending: **March 31, 2011**

| Fund Type                                    | Quarterly Returns |            |                | 12-Month Returns  |             |                | 5-Year Returns    |            |                |
|--|-------------------|------------|----------------|-------------------|-------------|----------------|-------------------|------------|----------------|
|  | Bottom<br>Quarter | Median     | Top<br>Quarter | Bottom<br>Quarter | Median      | Top<br>Quarter | Bottom<br>Quarter | Median     | Top<br>Quarter |
| <b>International Stock Funds (continued)</b> |                   |            |                |                   |             |                |                   |            |                |
| Japan Stock                                  | -4.8              | -3.3       | -2.6           | 0.8               | 3.7         | 8.6            | -7.7              | -6.8       | -5.1           |
| Divers. Emerg. Mkt                           | -0.3              | 0.8        | 1.6            | 14.5              | 16.5        | 19.7           | 7.6               | 8.9        | 10.4           |
| Latin America Stock                          | -2.2              | -1.9       | -1.2           | 14.2              | 16.1        | 16.4           | 12.2              | 15.0       | 16.2           |
| World Allocation                             | 2.5               | 3.2        | 3.8            | 10.1              | 11.6        | 13.6           | 2.5               | 4.3        | 7.0            |
| Global Real Estate                           | 1.9               | 2.4        | 2.7            | 15.4              | 16.6        | 17.7           | -1.5              | 0.0        | 0.9            |
| Currency                                     | 0.6               | 2.7        | 3.2            | 1.7               | 2.7         | 10.3           | 6.3               | 6.6        | 8.0            |
| China Region                                 | -1.6              | 0.7        | 2.0            | 11.4              | 12.5        | 17.5           | 13.5              | 15.7       | 17.7           |
| Miscellaneous Sector                         | 6.5               | 8.0        | 9.0            | 25.4              | 26.7        | 34.1           | 1.6               | 6.3        | 10.1           |
| <b>Total</b>                                 | <b>1.8</b>        | <b>3.1</b> | <b>4.1</b>     | <b>11.0</b>       | <b>13.6</b> | <b>16.7</b>    | <b>1.5</b>        | <b>3.5</b> | <b>6.0</b>     |
| <b>General Bond Funds</b>                    |                   |            |                |                   |             |                |                   |            |                |
| Long-Term Bond                               | 0.2 %             | 1.0 %      | 2.5 %          | 8.2 %             | 9.2 %       | 11.4 %         | 6.0 %             | 6.6 %      | 8.6 %          |
| Interm-Term Bond                             | 0.5               | 1.0        | 1.4            | 5.2               | 6.2         | 7.5            | 5.2               | 6.0        | 6.8            |
| Short-Term Bond                              | 0.3               | 0.6        | 1.0            | 2.5               | 3.3         | 4.0            | 3.6               | 4.3        | 5.0            |
| <b>Total</b>                                 | <b>0.4</b>        | <b>0.8</b> | <b>1.3</b>     | <b>3.9</b>        | <b>5.6</b>  | <b>7.3</b>     | <b>4.4</b>        | <b>5.6</b> | <b>6.5</b>     |
| <b>Government Bond Funds</b>                 |                   |            |                |                   |             |                |                   |            |                |
| Long Government                              | -1.2 %            | -1.1 %     | -0.6 %         | 6.8 %             | 7.6 %       | 9.0 %          | 6.0 %             | 6.1 %      | 7.0 %          |
| Interm. Government                           | -0.1              | 0.3        | 0.5            | 3.5               | 4.3         | 5.2            | 5.0               | 5.5        | 6.1            |
| Short Government                             | 0.0               | 0.1        | 0.3            | 1.6               | 2.3         | 2.9            | 3.9               | 4.5        | 4.8            |
| Inflation-Protected Bond                     | 1.8               | 1.9        | 2.0            | 7.1               | 7.4         | 7.9            | 5.5               | 5.9        | 6.3            |
| <b>Total</b>                                 | <b>0.0</b>        | <b>0.3</b> | <b>1.2</b>     | <b>3.2</b>        | <b>4.6</b>  | <b>6.8</b>     | <b>4.7</b>        | <b>5.5</b> | <b>6.0</b>     |
| <b>Specialized Bond Funds</b>                |                   |            |                |                   |             |                |                   |            |                |
| Convertibles                                 | 5.0               | 5.5 %      | 6.1 %          | 16.5 %            | 18.8 %      | 20.4 %         | 5.0 %             | 6.2 %      | 6.7 %          |
| Ultrashort Bond                              | 0.2               | 0.4        | 0.5            | 1.0               | 1.5         | 2.3            | 2.5               | 2.9        | 3.4            |
| High Yield Bond                              | 3.3               | 3.7        | 4.0            | 12.7              | 13.8        | 14.8           | 6.8               | 7.5        | 8.2            |
| Multisector Bond                             | 1.7               | 2.3        | 2.8            | 7.6               | 10.0        | 12.2           | 6.2               | 7.1        | 7.8            |
| World Bond                                   | 0.3               | 1.5        | 1.8            | 5.3               | 6.8         | 8.6            | 5.8               | 6.6        | 7.8            |
| Emerging Market Bond                         | 1.1               | 1.6        | 2.4            | 8.1               | 9.3         | 11.0           | 7.3               | 8.1        | 8.8            |
| Bank Loan                                    | 1.8               | 2.2        | 2.5            | 6.7               | 7.3         | 8.6            | 2.7               | 3.4        | 4.1            |
| <b>Total</b>                                 | <b>1.5</b>        | <b>2.5</b> | <b>3.7</b>     | <b>7.2</b>        | <b>10.7</b> | <b>13.7</b>    | <b>5.2</b>        | <b>6.9</b> | <b>7.9</b>     |
| <b>Municipal Bond Funds</b>                  |                   |            |                |                   |             |                |                   |            |                |
| Muni National Long                           | -0.3 %            | 0.0 %      | 0.3 %          | -0.2 %            | 0.3 %       | 1.1 %          | 2.5 %             | 3.1 %      | 3.5 %          |
| Muni National Int.                           | 0.3               | 0.5        | 0.7            | 1.3               | 2.0         | 2.4            | 3.3               | 3.8        | 4.1            |
| Muni Single St. Long                         | -0.2              | 0.1        | 0.4            | -0.8              | 0.0         | 0.7            | 2.7               | 3.2        | 3.5            |
| Muni Single St. Int.                         | 0.3               | 0.6        | 0.8            | 1.2               | 1.9         | 2.3            | 3.4               | 3.7        | 3.8            |
| Muni Short                                   | 0.3               | 0.4        | 0.5            | 1.1               | 1.7         | 2.2            | 2.9               | 3.3        | 3.7            |
| Muni New York Long                           | -0.6              | -0.1       | 0.2            | -1.3              | 0.0         | 0.9            | 2.7               | 3.4        | 3.6            |
| Muni California Long                         | -1.4              | -0.7       | -0.4           | -1.4              | -0.5        | 0.3            | 1.9               | 2.5        | 3.0            |
| Muni New York Inter                          | 0.2               | 0.3        | 0.5            | 0.9               | 1.5         | 1.9            | 3.0               | 3.2        | 3.8            |
| Muni California Inter                        | -0.1              | 0.4        | 0.7            | 0.8               | 1.6         | 2.1            | 2.7               | 3.3        | 3.7            |
| Muni Pennsylvania                            | -0.4              | -0.1       | 0.3            | -0.4              | 0.3         | 1.2            | 2.6               | 3.3        | 3.5            |
| Muni Massachusetts                           | -0.1              | 0.3        | 0.6            | -1.1              | 0.5         | 1.3            | 3.0               | 3.3        | 3.8            |
| Muni New Jersey                              | -0.7              | -0.4       | -0.1           | -1.2              | -0.4        | 0.2            | 2.8               | 3.3        | 3.5            |
| Muni Ohio                                    | 0.1               | 0.2        | 0.3            | 0.1               | 0.7         | 1.5            | 2.6               | 3.4        | 3.7            |
| Muni Minnesota                               | 0.5               | 0.7        | 0.9            | 0.9               | 1.4         | 1.7            | 3.4               | 3.5        | 3.7            |
| High Yield Muni                              | -1.2              | -0.8       | -0.6           | -0.8              | 0.2         | 1.1            | -1.3              | 1.3        | 2.3            |
| <b>Total</b>                                 | <b>-0.3</b>       | <b>0.2</b> | <b>0.5</b>     | <b>-0.1</b>       | <b>0.9</b>  | <b>1.8</b>     | <b>2.7</b>        | <b>3.3</b> | <b>3.7</b>     |

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



### New Professional Certifications



*Pictured from left: Sharon Howay, Susan Macy, and Kim Reid*

RMS is excited to introduce our newest associate, Sharon Howay. Sharon joined RMS in January as a Plan Specialist working with Elizabeth Rankin. She has a finance degree from the University of Louisville.

Also, congratulations to Kim Reid and Susan Macy who each recently received their QKA designations from the American Society of Pension Professionals & Actuaries! The QKA certification (Qualified 401(k) Administrator) is awarded to retirement plan professionals who work primarily with 401(k) plans. Earning the credential involves passing a series of exams, demonstrating a minimum of two years of experience in retirement plan related matters, and submitting a letter of recommendation to ASPPA.