

RMS

Retirement Management Services, LLC

www.consultRMS.com

502-429-0767 phone

301 Townepark Circle

Louisville, KY 40243

ROUTE TO:

BENEFITS, BENCHMARKS & MORE

QDIA Notices

ERISA §404(c)(5) provides fiduciary relief to plan sponsors when they default participants into an investment that is deemed to be a QDIA – *Qualified Default Investment Alternative*. When plans use a QDIA as the investment default, they will not be liable for losses or breaches resulting from investment in the QDIA. However, in order for the protection to apply, the QDIA must meet certain requirements AND participants must be given appropriate and timely notice about the QDIA.

The notice must give a description of the QDIA, including the investment objectives, risk and return characteristics, and any fees and expenses. It must explain that the default only applies if the participant does not select his own investments; he is therefore placed into the default fund. The QDIA regulations require that participants must be given an initial notice and an annual notice thereafter. There is no guidance regarding to whom the annual notice should be given; therefore the safe approach is to provide the notice to all plan participants. The initial notice must be given to an employee 30 days before he becomes eligible for the plan, and then the annual notice must be given at least 30 days before the beginning of each plan year.

Most 401(k) recordkeepers provide a notice, or a template of a notice, that can be completed with the help of the plan’s financial advisor. If your plan utilizes a QDIA, make sure you have an acceptable notice and that it is being distributed to your participants timely each year.

July, 2011

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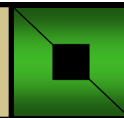
Form 5500 must be filed by August 1, 2011, or October 17, 2011 if extended.

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.



SSA Filings Now Due!

by: Judith Rohr, CRSP, QKA

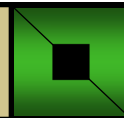
One attachment of the “old” paper version of Form 5500 was the Schedule SSA. The SSA is used to report to the Social Security Administration the terminated participants who still have a vested balance in the plan. However, as you are well aware, the Form 5500 now has to be signed and filed electronically and it is accessible online. Since the SSA lists the participants’ social security numbers and other confidential data, obviously, this information cannot be posted online. Beginning with returns for the 2009 plan year, Schedule SSA has been eliminated as a schedule of the Form 5500 and is replaced with Form 8955-SSA. Plan administrators must file this new Form separately with the IRS and not through the EFAST2 filing system.

The newly designed Form was released on June 22, 2011. Since there was no Form available for 2009 or 2010 filings, plans had to postpone those filings. Normally, the due date for the Form SSA is the last day of the seventh month following the last day of the plan year. However, since the Form was just recently made available, plan administrators have been given additional time to complete and file the new Form 8955-SSA. The deadline for the Form for the 2009 and 2010 plan years is the later of January 17, 2012, or the due date of the plan’s 2010 Form 5500. So, for plan years ending on 12/31/2009 or 12/31/2010, the filing is due January 17, 2012. This deadline cannot be extended.

Can the 2009 and 2010 reportable employees be reported on the same Form 8955-SSA? Yes. Actually, Plan Administrators may use a separate 2009 Form 8955-SSA to report information for the 2010 plan year or combine the information for the 2009 and 2010 plan years on a single 2009 Form 8955-SSA.

How will the Form 8955-SSA be filed? There are two ways to file the Form 8955: 1) Paper, which will require signatures by the plan sponsor and plan administrator. If they are the same person, only the plan administrator must sign and date the Form; or, 2) Electronically, which requires no signatures. A Transmitter Control Code (TCC) will be required; however, no TCC will be needed if third-party software is used to initiate the filing. RMS’s third-party software provider is currently working to have their forms approved by the IRS.

If you would like access to more FAQs regarding the Form 8955-SSA, please click on the following link to the IRS website:
<http://www.irs.gov/retirement/article/0,,id=240820,00.html>
or contact your RMS team.



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Who must be reported? 1) Separated participants with vested benefits in the plan; and 2) Separated participants previously reported under the plan, but whose information is being corrected.

A participant is not required to be reported if: he is paid some or all of his vested benefit, he returns to service covered by the plan, or he forfeits all of the vested benefit. Also, separated participants previously reported with a balance, but who have been paid out or are no longer entitled to those benefits, need to be removed on a future SSA filing.

When must separated participants be reported? In general, the vested interest in the plan must be reported no later than the plan year following the plan year in which the participant terminates employment. For example, a participant terminating in 2009 with a vested balance must be reported on the 2010 Form 8955-SSA. However, participants can be voluntarily reported in the same plan year in which they terminate.

Are there other Employer obligations? Yes, the Employer is required to provide notice to participants reported on the Form 8955-SSA. This notice must be distributed by the due date of the filing. The law and the IRS instructions are vague on the details of this notice. It's possible that by distributing the regular, PPA-mandated benefit statement this requirement would be satisfied, especially if the Employer also sends distribution and consent forms to the separated participants. The statements must be provided to the separated participants no later than the due date for filing the Form 8955-SSA. Question 8 of the Form 8955-SSA asks "Did the plan administrator provide an individual statement to each participant required to receive a statement?"

Are there penalties associated with failure to file the Form 8955-SSA? The penalty for failing to file a Form 8955-SSA is \$1 for each participant not reported and for each day multiplied by the number of days the failure persists, up to \$5,000.

A penalty of \$50 will be imposed on the person required to furnish the statement to each participant reported for each willful failure to furnish a statement.

What do I need to do? Make sure that someone is taking responsibility for your filings for 2009 and 2010. If you have recently switched vendors or TPAs, there may be some confusion as to which provider should assume responsibility for going back and preparing the filing. You don't want this reporting to be overlooked or filed late!

A Review of MEPs - Multiple Employer Plans

by: Chuck Lynch, FSA

In the last two years, there have been many articles spelling out the advantages of MEPs – Multiple Employer Plans. However, we feel some of these articles have not been balanced enough to explain that there are both advantages *and* disadvantages. As an independent consulting firm that administers both MEPs and non-MEP qualified plans, we want to help balance the discussion.

First of all, a MEP is a single plan adopted by a group of two or more “employers”. There are several types of MEPs – “open MEPs”, “association MEPs”, and MEPs that are the result of some common ownership among companies but not enough for them to be considered “one employer.”

An “open MEP” is a plan covering two or more totally unrelated employers.

An “association MEP” is one adopted by an association and its members – e.g., a regional association of physicians. The only commonality in this case is that the employers (except for the association itself) are all in a similar industry and are all dues-paying members of the association.

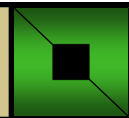
So what advantages are there to MEPs for employers?

The basic advantages most frequently associated with such arrangements include the following:

1) The outsourcing of some of the decision-making and fiduciary obligations.



- 2) The economies of scale of having fewer documents and possibly fewer IRS filings of the plan documents. (However, it should be noted that most employers not using MEPs now adopt pre-approved prototypes not requiring a separate IRS filing.)
- 3) The economies of scale of having a single Form 5500 and a single plan audit.
- 4) The bargaining power of a larger value of assets held in one trust, which allows for lower expense ratios on the underlying investments.



A Review of MEPs

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What about disadvantages?

Despite these advantages, it should be recognized that there are also some disadvantages:

1) Lack of Department of Labor (DOL) guidance

In June of 2011, in a meeting with the Government Affairs Committee (GAC) of the American Society of Pension Professionals and Actuaries (ASPPA), the DOL expressed concern about what types of entities could qualify as “plan sponsors” for MEPs. In other words, there is currently some debate about whether to accept or require a “non-benefits based commonality” in order for an association to be a plan sponsor. We are awaiting further guidance from the federal government. (There are also other areas in which plan advisors would like to have Internal Revenue Service (IRS) and DOL guidance.)

2) Liability insurance

For an association to become a sponsor and fiduciary to the plan it must oversee the plan’s operation, the choice of investments offered to participants, and other matters. It will want to examine its liability insurance coverage for these duties.

3) Cookie cutter design

Some MEP vendors do not allow each adopter to have unique plan provisions – i.e., they use a “cookie cutter” approach to design whereby each adopter’s plan provisions must closely mirror those of the other adopters. However, there are some vendors who do allow that

each adopter can have its own unique choice of eligibility, vesting, matching formula, etc.

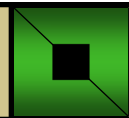
4) Disqualification matters

According to IRS Regulation 1.413-2: “... the failure by one employer maintaining the plan (or by the plan itself) to satisfy an applicable qualification requirement will result in the disqualification of the section 413(c) plan for all employers maintaining the plan.” In other words, one adopter’s error can disqualify the plan for all adopters. (Some commentators assume a special compliance filing with the IRS could fix most such problems.)

5) Service aggregation requirements

Service for any adopter must be recognized by all adopters – for eligibility and vesting purposes. Consequently someone leaving Company A (an adopter of the MEP) could immediately be eligible for participation at Company B (another adopter of the MEP) and already partially or fully vested in the first dollars contributed by Company B. Also, service at Company B is counted toward vesting in the benefit earned at Company A. These provisions will generally decrease the amount of forfeited dollars that could have otherwise been used to reduce company contributions.

6) **Audit expenses for small employers** When several small employers (under 100 participants each) merge into a MEP, creating a plan that has over 100 participants, then it becomes subject to audit requirements; even though separately no one small employer plan would have been subject to an audit. Small



A Review of MEPs

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employers adopting into the plan will have to share in the audit expenses that would otherwise only have been borne by the large adopters.

7) Aggregation for contribution limits

For a given employee who works for two or more adopters in a single plan year, all contributions made on his behalf must be aggregated for purposes of overall contribution limits. In other words, all adopters are treated as a single employer for limit purposes; and the employers, through the plan administrators, must work together to determine that employees enter the plan timely and that individual contribution limits have not been exceeded.

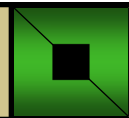
8) Document Limitations

Regular standardized and non-standardized prototypes cannot be used for MEP purposes. So the documents are subject to special rules for determination letters. However, volume submitter plan documents can be used for MEPs, if properly worded.

9) Prohibited Transactions

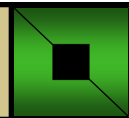
As the MEP plan sponsor, an association can be reimbursed for reasonable expenses in sponsoring the plan, but cannot make a “profit” off of the plan. Making a profit would be a prohibited transaction. So, unlike what happens with other group benefit arrangements, the association would not be permitted to treat this as a money-making arrangement.

If you would like further information on MEPs, please contact our office and we will be happy to discuss your specifics.



News and Retirement Tidbits

- 1) Higher deferral rates made more of a difference to 401(k) plans' ending wealth than investment performance and even asset allocation, according to research conducted by The Principal.
- 2) “A 65-year-old couple today faces an 8 in 10 chance that one of them will live to 85; the chance that one will reach 97 is 1 in 4.” (Carla Fried; “Fix your money mistakes: Long-term planning”; 05/19/2011; <http://money.cnn.com/2011/05/19/retirement/mistake-market-timing.moneymag/index.htm>)
- 3) For calendar year retirement plans, if an employer is adding 401(k) provisions *and* safe harbor commitments for the first time (or installing a *new* plan with 401(k) safe harbor provisions), the deadline for installing the safe harbor provision is October 1, because the provision must be effective no later than 3 months prior to the end of the year. An employer may establish a SIMPLE IRA Plan effective on any date between January 1 and October 1 of the year.
- 4) Expense ratios of stock funds averaged slightly lower in 2010, compared with 2009. The asset-weighted average expense ratio paid by 401(k) investors on their stock funds dropped 3 basis points to 0.71% in 2010, after having declined in three of the previous five years. The asset-weighted average expense ratio paid by 401(k) investors on their bond funds remained unchanged at 0.56% after having declined in four of the previous five years. (ICI Research Perspective; “The Economics of Providing 401(k) Plans: Services, Fees and Expenses, 2010”; Vol. 17, No.4; June, 2011; <http://ici.org/pdf/per17-04.pdf>)
- 5) Inflation update – For the 12-month period ending June 30, 2011, the CPI increased 3.6%. (U.S. Department Of Labor, Bureau of Labor Statistics, Washington, D.C.; 07/15/2011; <ftp://ftp.bls.gov/pub/special.requests/cpi/cpi.txt>)
- 6) “Forty-two percent of all participants use target-date funds.” (Source: “How America Saves 2011” by Vanguard)
- 7) “In 2010, median (\$26,926) and average (\$79,077) account balances reached their highest level since we began tracking this data in 1999 in How America Saves.” Note that the average is three times the median. When people speak of the average 401(k) balance, they may be dramatically overstating national savings. (Source: “How America Saves 2011” by Vanguard)
- 8) “The age workers expect to retire has increased from an average of 60 in 1995 to 66 today, according to a new Gallup poll” (Emily Brandon; “The New Ideal Retirement Age”; 4/26/2011; <http://money.usnews.com/money/blogs/planning-to-retire/2011/04/26/the-new-ideal-retirement-age>)
- 9) According to a survey by the Society of HR Managers, “Organizations spent on average 19% of an employee’s annual salary on mandatory benefits, 19% on voluntary benefits and 11% on pay for time not worked benefits.” (“Executive Summary: Examining Employee Benefits Amidst Uncertainty; http://www.shrm.org/Research/SurveyFindings/Articles/Documents/Emp_Benefits_Exec_Summary.pdf)
- 10) When people set a goal for their retirement savings, they tend to be more engaged in actively planning for their retirement, according to a survey of more than 2,400 plan participants conducted by Diversified’s Retirement Research Council. (“Setting Retirement Savings Goals Leads to Increased Engagement”; 05/04/2011; http://www.plansponsor.com/Setting_Retirement_Savings_Goals_Leads_to_Increased_Engagement.aspx)



News and Retirement Tidbits

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- 11) “As part of a larger compliance initiative, the IRS is now zeroing in on the 403(b) plans that colleges and universities sponsor. Over 300 large, small, public, and private higher education institutions will receive a 21-item questionnaire from the IRS. Failing to complete the questionnaire will almost guarantee follow-up by way of a formal IRS audit.” (Jewell Lim Esposito; “Next IRS Target: College and University Retirement Plans”; 05/04/2011;
<http://www.employeebenefitsunplugged.com/irs/next-irs-target-college-and-university-retirement-plans/>)
- 12) “Many fiduciaries do not know that by not following the basic standards of conduct, they are likely to be personally liable to restore any losses to the plan. And "personally" actually means the individual, not the company-a crucial point of fact.” (Daniel Romero; “Five Things You Must Be Aware of as a Plan Fiduciary”;
http://www.401khelpcenter.com/401k/romero_five_things.html)
- 13) The share of participants that stopped making contributions in 2010 was significantly lower than the share that stopped contributing in 2009 - Only 2.4% of DC plan participants stopped contributing in 2010, compared with 3.4% during 2009. (Sarah Holden; “Defined Contribution Plan Participants’ Activities, 2010; May, 2011; http://www.ici.org/pdf/ppr_10_rec_survey-q4.pdf)
- 14) An IRS official recently stated that long-awaited regulations under Section 457 of the Internal Revenue Code, first announced in 2007, are in clearance and may be issued as soon as September 2011. These regulations will require that all exempt organizations, including colleges and universities, review and potentially revise their employment, severance and deferred compensation agreements to avoid tax penalties.
- 15) The U.S. Department of Labor is considering updating its existing standards regarding electronic delivery of information related to ERISA-covered benefit plans.
- 16) Companies and executives are looking to nonqualified deferred compensation plans (NQDCPs) as a tool for restoring retirement savings eroded during the financial crisis. (5/17/2011;
http://www.plansponsor.com/Firms_Use_NonQualified_Exec_Benefits_to_Restore_Lost_Savings.aspx)



ESOP News

- 1) Don’t forget that “Employee Ownership Month” is October each year. If you plan to celebrate the occasion, check out http://www.esopassociation.org/resources/resources_month.asp.
- 2) A proposed bill in Congress would promote ESOPs by allowing some sellers to S corporation ESOPs to have the same tax deferred treatment as sellers to C corporations ESOPs; permitting lenders to some S corporation ESOPs to exclude half the interest from taxable income; and offering other ways of promoting ESOPs. (Corey Rosen; “House Members Introduce Pro-ESOP Legislation”; 4/18/2011; <http://www.nceo.org/main/column.php/id/390>)

ESOP Valuations -- The Repurchase Obligation Conundrum

by: Chuck Lynch, FSA

If your company is an ESOP company (or you are considering an ESOP), you may wish to discuss these topics with various appraisers prior to hiring a valuation firm.

When a closely held company sponsors an Employee Stock Ownership Plan (ESOP), the trustee must retain, at least annually, an independent appraiser to value the company's stock. The company sponsoring an ESOP also has what is called a "repurchase obligation" since the employees, generally after terminating employment, have the right to convert their shares to cash at the stock's most recent fair market value.

One of the problems faced by appraisers is how to recognize the repurchase obligation. The appraiser's job is to determine the fair market value of a company --- what a willing buyer would pay to a willing seller. *However, the following illustrates the "conundrum".*

Assume a company sponsors an ESOP and neither the company nor the ESOP has any debt. Let's further assume that in this company's industry the average retirement plan expense is 4% of payroll. However, because this company has to buy back shares from ESOP participants who terminate employment, it has been projected that the corporation will budget, on average, 9% of pay each year to its ESOP.

Appraiser A assumes an outside buyer could purchase all of the company's stock, terminate the ESOP, and replace the retirement expense with the industry standard 4% company contribution. He also assumes that any acquiring company has no ESOP and is a profitable, tax-paying C corporation; so when he values the corporation, his discounted cash flow assumes a corporate tax expense, but ignores the repurchase obligation. This appraiser gets a value of \$X for the company.

Appraiser B assumes the company intends to always be 100% owned by its ESOP; he further assumes the company intends to recycle the stock -- i.e., contribute enough cash to the plan every year so that the ESOP can buy back the stock of terminated participants. Then the appraiser will have to recognize that the company's ongoing retirement expense is higher than the industry average. Assuming the company will always be owned by the ESOP, this appraiser assumes no future corporate tax expense. Putting a present value on the excess 5% company contribution to the ESOP, above and beyond the industry standard of 4%, Appraiser B gets a value of \$Y for the company.

Apparently a number of commentators and appraisers feel there is no meaningful guidance or industry standard to say which approach is correct. The Department of Labor (DOL) has verbally indicated they think the repurchase obligation should be accounted for; but the DOL feels it is not their job to tell appraisers how it is to be done.



S Corporation ESOPs – What is Code Section 409(p)?

by: Chuck Lynch, FSA

Both C corporations and S corporations are permitted to sponsor Employee Stock Ownership Plans (ESOPs). However, there are special “anti-abuse” rules, found under §409(p) of the Internal Revenue Code, that apply only to S corporations. Since, with S corporations, the taxes are paid by the shareholders instead of the corporation itself, the Internal Revenue Service felt there was a need to preclude certain abuses – e.g., one-man S corporations wholly owned by a tax-exempt ESOP. The rules are very complex, and the following definitions are helpful in understanding them:

The main focus of Code Section 409(p) is to prohibit certain allocations, in order to keep from having too much of the company value and the ESOP’s tax advantages concentrated for the benefit of just a few individuals.

Deemed-owned shares are ESOP shares which are

- a) shares allocated to an individual in the ESOP, plus
- b) that individual’s pro rata share of any unallocated ESOP shares. (This pro-rata portion is assumed to be allocated in the same way as the most recent stock allocation under the plan.)

Note this sum does NOT include stock directly owned by the individual or family *outside* of the ESOP.

Synthetic Equity

Synthetic equity is defined as stock options, warrants, restricted stock, deferred issuance stock rights, stock appreciation, phantom stock units, a right to a future cash payment based on the value of such stock or appreciation in such value, split dollar and other deferred compensation arrangements, rights to acquire interests in certain related entities, rights of first refusal, etc.

Synthetic equity is treated as outstanding and as *deemed-owned stock*, if such treatment of such synthetic equity of one or more persons, results in either:

- a) anyone being treated as a disqualified person (defined below), or
- b) the plan year being treated as a nonallocation year (defined below).

A **Disqualified Person** is any person who

- owns at least 10% of all deemed-owned shares and synthetic equity, *or*
- when combined with the shares owned by his family members, owns at least 20% of all deemed-owned shares plus synthetic equity, *or*
- is both:
 - a) a member of a family of any person who is a disqualified person; *and*
 - b) a participant with deemed-owned ESOP shares.

S Corporation ESOPs

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A **Nonallocation Year** is any plan year where, on any date during such year, the S corporation ownership is so concentrated among disqualified persons that all disqualified persons combined own either:

- At least 50% of the outstanding shares in the S corporation, or
- At least 50% of the outstanding shares and synthetic equity in the S corporation.

“Outstanding shares” include all “deemed owned” ESOP shares and directly owned shares.

Code Section 409(p) prohibits an S Corp ESOP from accruing or allocating shares (or other assets in lieu of shares) to a disqualified person during a nonallocation year.

Penalties and Other Side Effects

There are severe penalties for having a nonallocation year. The penalties are worse if there is a prohibited allocation during such a year.

- The disqualified person pays income tax on, and the corporation pays a 50% excise tax on, the following deemed distributions:
 - » The prohibited allocation of employer securities,
 - » The fair market value of any synthetic equity held by a disqualified person during a nonallocation year (including shares and investment gains on shares allocated in prior years), and
 - » By this regulation’s reference to Code Sec. 4979A(e)(2)(C) --- for the occurrence of the *first* nonallocation year of the ESOP --- all deemed-owned shares of all disqualified persons.
- A deemed distribution is not eligible for rollover into another plan or an IRA.
- The corporation can lose its S corporation status due to ownership by an ineligible entity.
- The disqualified person can owe an excise tax on distributions occurring prior to age 59 ½.
- The plan can lose its status as qualified under Code Section 401.
- A leveraged ESOP can lose its exemption from the excise tax on prohibited transactions for loans to a leveraged ESOP.

As noted above in the definition of Nonallocation Year, since the tests have to be passed *each* day of the plan year, it is imperative to consult with your advisors *prior* to making any stock or synthetic equity transactions.

MUTUAL FUND PERFORMANCE FIGURES

Taken from the New York Times, Sunday 7/10/2011
 Data source: Morningstar

Periods Ending: **June 30, 2011**

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	-0.6 %	0.3 %	1.1 %	29.9 %	33.1 %	35.9 %	3.1 %	4.4 %	5.6 %
Mid-Cap Growth	-0.9	0.2	1.3	35.1	39.6	43.4	4.7	6.3	8.0
Small Growth	-0.8	0.5	1.4	38.5	42.4	46.4	4.2	5.8	7.4
Large Blend	-0.8	0.0	0.5	27.8	30.2	31.7	2.1	2.8	3.8
Mid-Cap Blend	-1.3	-0.6	0.4	33.9	37.1	38.8	3.6	5.2	6.2
Small Blend	-2.2	-1.2	-0.2	33.9	36.8	40.0	2.9	4.5	6.4
Large Value	-1.0	-0.3	0.9	26.9	28.7	31.1	0.8	1.9	3.1
Mid-Cap Value	-1.3	-0.6	0.1	30.4	33.0	36.4	3.5	4.5	5.8
Small Value	-3.1	-2.0	-1.2	28.8	32.6	35.1	3.4	4.6	6.1
Moderate Allocation	0.2	0.5	0.9	19.3	21.3	22.7	3.4	4.2	5.0
Conservative Allocation	0.8	1.0	1.3	12.6	15.0	16.8	4.2	4.8	5.5
Retirement Income	0.9	1.1	1.5	10.3	13.7	15.3	4.5	4.9	5.2
Target-Date 2000-2010	0.5	0.8	1.3	15.6	17.4	18.8	3.4	4.6	5.1
Target-Date 2011-2015	0.5	0.9	1.2	18.0	19.0	20.7	3.3	4.4	5.1
Target-Date 2016-2020	0.4	0.8	1.2	20.2	22.0	23.8	3.0	3.6	4.2
Target-Date 2021-2025	0.2	0.7	0.9	23.7	24.7	25.6	2.8	3.7	4.5
Target-Date 2026-2030	0.1	0.5	0.8	24.5	26.5	27.2	2.7	3.0	4.1
Target-Date 2031-2035	-0.1	0.4	0.8	26.8	27.9	29.0	2.7	3.2	4.3
Target-Date 2036-2040	0.0	0.3	0.7	27.7	28.6	29.2	2.4	2.9	4.1
Target-Date 2041-2045	-0.2	0.1	0.6	27.4	28.9	30.2	2.3	3.0	4.4
Target-Date 2050+	-0.3	0.3	0.4	29.1	30.0	30.3	2.4	2.8	2.8
Aggressive Allocation	-0.1	0.4	0.8	24.5	25.6	27.0	2.8	3.4	4.3
Total	-0.8	0.1	0.9	25.4	30.3	35.5	2.6	3.9	5.4
Domestic Specialized Stock Funds									
Communication	-0.8 %	1.2 %	2.3 %	30.0 %	36.6 %	42.0 %	5.2 %	6.5 %	6.9 %
Financial	-5.2	-4.8	-2.2	8.2	15.6	20.2	-8.2	-3.5	-0.9
Health	5.2	6.4	8.4	28.8	33.4	39.5	6.1	7.1	8.6
Natural Resources	-7.7	-6.8	-5.1	39.2	42.0	48.1	5.6	6.9	9.3
Equity Precious Metals	-8.6	-7.3	-6.3	11.5	15.9	20.3	9.2	13.4	16.2
Real Estate	3.1	3.6	4.1	32.2	34.0	35.2	1.7	2.4	3.1
Technology	-2.7	-1.5	-0.9	31.2	36.8	40.7	7.5	9.0	10.1
Utilities	2.8	3.2	4.6	25.9	28.2	34.3	4.2	5.7	9.2
Bear Market	-4.1	-1.9	-0.8	-25.9	-21.3	-0.5	-9.7	-8.5	-5.8
Long-Short	-0.6	-0.3	0.2	5.8	11.8	14.1	0.8	2.4	5.0
Consumer Discretionary	3.6	3.6	4.7	37.1	37.7	38.7	2.6	4.6	8.2
Consumer Staples	5.4	5.5	5.7	28.4	29.4	29.7	8.1	8.5	9.5
Industrials	-1.5	-1.4	0.1	37.3	39.8	41.2	4.8	6.5	7.5
Equity Energy	-6.8	-6.2	-4.6	35.8	49.2	54.1	4.6	5.2	6.9
Commodities Broad Basket	-6.3	-5.9	-5.0	25.4	29.2	34.6	0.1	1.1	3.4
Market Neutral	-0.3	0.1	1.2	-1.0	2.2	4.8	0.7	2.5	3.6
Total	-4.8	-0.7	3.3	14.9	31.0	37.2	2.2	5.0	8.4
International Stock Funds									
Foreign Large Value	0.2 %	1.4 %	2.3 %	27.9 %	31.0 %	33.6 %	0.6 %	1.7 %	3.1 %
Foreign Large Blend	0.7	1.5	2.1	29.3	31.5	33.2	1.2	2.4	3.9
Foreign Large Growth	0.9	2.1	3.0	29.0	31.7	33.6	2.9	4.1	5.8
Foreign Small/Mid Value	-0.5	0.8	2.1	31.7	35.4	37.1	3.6	4.5	6.2
Foreign Small/Mid Growth	0.6	1.5	2.7	33.9	35.9	39.9	4.2	6.0	6.8
World Stock	-0.5	0.6	1.7	27.5	29.7	33.0	1.8	4.2	5.4
Europe Stock	-0.2	2.3	2.9	36.1	37.8	39.4	2.0	3.4	5.0
Divers. Pacific Asia	0.3	1.0	1.6	23.0	23.8	25.0	0.7	3.3	5.5
Pacific Asia ex-Japan	-0.6	0.2	1.5	21.3	28.5	30.2	10.6	13.0	15.3

MUTUAL FUND PERFORMANCE FIGURES

Taken from the New York Times, Sunday 7/10/2011
 Data source: Morningstar

Periods Ending: **June 30, 2011**

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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	1.9	2.7	3.6	12.9	16.5	19.7	-5.6	-5.2	-2.8
Divers. Emerg. Mkt	-1.6	-0.8	0.1	24.5	27.4	29.0	8.9	9.8	11.6
Latin America Stock	-4.4	-2.5	-2.2	25.8	27.6	32.1	10.4	15.4	16.3
World Allocation	0.3	1.3	2.0	18.2	21.2	24.3	3.2	5.4	7.2
Global Real Estate	2.3	3.0	3.7	31.4	32.1	33.2	-1.0	0.8	1.9
Currency	-0.1	1.8	2.3	5.3	15.3	18.5	5.8	5.9	6.2
China Region	-5.2	-2.0	0.1	18.6	22.2	24.9	12.3	14.9	16.0
Miscellaneous Sector	-0.5	0.1	0.8	33.7	40.4	54.3	3.0	7.3	10.6
Total	-0.3	1.0	2.0	25.6	29.7	33.3	1.9	4.2	6.6
General Bond Funds									
Long-Term Bond	1.7 %	2.6 %	3.1 %	5.3 %	8.7 %	12.9 %	6.7 %	7.8 %	9.5 %
Interm-Term Bond	1.7	1.9	2.2	4.2	5.2	6.6	5.6	6.5	7.3
Short-Term Bond	0.6	0.9	1.1	2.3	3.0	3.8	3.7	4.3	5.1
Total	1.2	1.8	2.1	3.4	4.7	6.2	4.6	5.9	7.0
Government Bond Funds									
Long Government	3.3 %	3.5 %	3.9 %	-5.2 %	-1.5 %	0.5 %	6.9 %	7.3 %	8.0 %
Interm. Government	1.9	2.1	2.6	2.3	3.1	3.9	5.5	6.0	6.7
Short Government	0.6	0.9	1.3	1.1	1.6	2.2	3.8	4.6	5.0
Inflation-Protected Bond	3.0	3.3	3.4	6.7	7.0	7.6	6.0	6.5	6.8
Total	1.7	2.2	3.1	1.9	3.2	5.9	5.0	6.0	6.7
Specialized Bond Funds									
Convertibles	-1.7	-1.3 %	-0.2 %	23.7 %	25.0 %	27.1 %	5.0 %	6.1 %	6.8 %
Ultrashort Bond	0.1	0.2	0.4	1.0	1.7	2.2	2.2	2.7	3.2
High Yield Bond	0.4	0.7	0.9	14.1	15.1	16.1	6.9	7.7	8.4
Multisector Bond	0.4	1.4	1.8	6.7	10.6	13.8	6.5	7.4	8.2
World Bond	1.7	2.6	3.4	5.2	12.1	14.1	6.1	7.0	8.6
Emerging Market Bond	2.8	3.4	3.7	11.0	13.8	17.0	8.5	9.6	10.1
Bank Loan	0.1	0.3	0.5	8.2	9.6	10.7	2.8	3.3	4.1
Total	0.3	0.7	1.7	9.3	13.2	15.5	5.3	7.3	8.3
Municipal Bond Funds									
Muni National Long	4.0 %	4.3 %	4.9 %	2.3 %	3.0 %	3.3 %	3.4 %	4.0 %	4.4 %
Muni National Int.	3.0	3.3	3.6	3.0	3.5	4.0	4.1	4.5	4.8
Muni Single St. Long	3.8	4.2	4.4	1.9	2.5	3.0	3.6	4.0	4.3
Muni Single St. Int.	2.8	3.1	3.4	2.8	3.2	3.6	4.0	4.3	4.5
Muni Short	0.8	1.4	2.0	1.5	2.2	2.9	3.0	3.5	4.1
Muni New York Long	3.9	4.3	5.0	1.9	2.7	3.0	3.6	4.2	4.4
Muni California Long	4.7	5.3	5.7	2.2	2.9	3.3	3.0	3.6	4.1
Muni New York Inter	3.0	3.2	3.5	2.6	2.9	3.1	3.6	3.9	4.5
Muni California Inter	3.1	3.4	3.6	2.9	3.4	3.9	3.6	4.1	4.4
Muni Pennsylvania	3.7	3.9	4.4	2.2	2.7	3.2	3.6	4.1	4.3
Muni Massachusetts	3.3	4.2	4.5	1.7	2.3	2.9	3.8	4.2	4.6
Muni New Jersey	3.9	4.4	5.0	2.0	2.3	2.6	3.6	4.1	4.4
Muni Ohio	3.4	3.7	4.1	2.5	2.7	3.2	3.5	4.2	4.5
Muni Minnesota	3.2	3.7	4.4	3.0	3.2	3.7	4.2	4.3	4.5
High Yield Muni	4.4	5.1	5.8	2.5	3.1	3.8	-0.1	2.2	3.1
Total	3.1	3.9	4.6	2.3	2.9	3.4	3.4	4.0	4.4

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%.