

RMS

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ROUTE TO:

BENEFITS, BENCHMARKS & MORE

Many Pension Limits Will Change for 2012

The Internal Revenue Service recently announced cost-of-living adjustments that affect dollar limitations for pension plans for 2012. Many of the pension plan limitations will change for 2012 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. However, some limitations will remain unchanged.

- » The 401(k), 457(b) and 403(b) employee contribution limit will increase from \$16,500 to \$17,000.
- » The catch-up contribution limit for participants who are at least age 50 will stay at \$5,500.
- » The total contribution limit for a defined contribution plan (the 415 limit) will increase from \$49,000 to \$50,000.
- » The maximum compensation that can be considered for plan purposes will increase from \$245,000 to \$250,000.
- » The definition of Highly Compensated Employee (HCE) for 2012 will be anyone who earned over \$110,000 in 2011. In 2013, HCEs will be anyone who earned over \$115,000 in 2012.
- » The Social Security Taxable Wage Base will increase from \$106,800 to \$110,100.
- » Key Employees will include officers who earn over \$165,000 (previously \$160,000).
- » The dollar amount used for determining the maximum account balance in an employee stock ownership plan subject to a 5 year distribution period is increased from \$985,000 to \$1,015,000, while the dollar amount used to determine the lengthening of the 5 year distribution period is increased from \$195,000 to \$200,000.
- » The limitation on the annual benefit under a defined benefit plan is increased from \$195,000 to \$200,000.

For more detail on the new limits, including limits related to IRAs, SIMPLEs and SEPs, please visit

<http://consultrms.com/documents/EEBENEFITLIMITS-2012.pdf>.

October, 2011

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Calendar year
Safe Harbor
Notices must be
distributed by
December 1.

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.

2012 EMPLOYEE BENEFIT INDEXED LIMITATIONS

	FOR PLAN YEARS BEGINNING IN					Code Section	Unrounded
	2012	2011	2010	2009	2008		
1) 401(k) Elective Deferrals (calendar year limit)	17,000	16,500	16,500	16,500	15,500	402(g)(1)	17,254
2) 403(b) Elective Deferrals (calendar year limit)	17,000	16,500	16,500	16,500	15,500	403(b)	17,254
3) 401(k) Catch-up Contributions (calendar year limit)	5,500	5,500	5,500	5,500	5,000	414(v)(2)(B)(i)	5,751
4) Compensation Cap	250,000	245,000	245,000	245,000	230,000	401(a)(17)	254,793
5) Defined Contribution Plans - Contribution	*50,000	49,000	49,000	49,000	46,000	415(c)(1)(A)	50,959
6) Highly Compensated Employee Definition						414(g)	
Employees owning over 5% or having Prior year Compensation exceeding	110,000	110,000	110,000	105,000	100,000		115,124
7) Key Employee Definition						416(i)	
Officer making over	165,000	160,000	160,000	160,000	150,000		166,159
More than 1% owner, making over	150,000	150,000	150,000	150,000	150,000		
More than 5% owner, regardless of pay level							
8) Social Security Taxable Wage Base	110,100	106,800	106,800	106,800	102,000		
9) 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%		
10) SECA (Self-employed) Tax rate, total	15.30%	15.30%	15.30%	15.30%	15.30%		
11) SIMPLE Deferrals	11,500	11,500	11,500	11,500	10,500	408(p)(2)(A)	11,984
12) SIMPLE Catch-up Limit	2,500	2,500	2,500	2,500	2,500	414(v)(2)(B)(ii)	2,885
13) SEP Coverage	550	550	550	550	500	408(k)(2)(C)	575
14) IRA Maximum Deductible Amount	5,000	5,000	5,000	5,000	5,000	219(b)(1)(A)	5,000
15) IRA Catch-up Limit	1,000	1,000	1,000	1,000	1,000	219(b)(1)(B)	1,000
16) Social Security Exempt Amounts - ages							
Under Full Retirement Age	14,640	14,160	14,160	14,160	13,560		
After Full Retirement Age	N/A	N/A	N/A	N/A	N/A		
17) Eligible 457(b) Plan Deferral Limit (calendar year limit)	17,000	16,500	16,500	16,500	15,500	457(b)(2)	17,254
18) Maximum ESOP Balance for 5-year installments	1,015,000	985,000	985,000	985,000	935,000	409(o)(1)(C)	1,022,518
Amount for Lengthening of 5-year ESOP distribution	200,000	195,000	195,000	195,000	185,000		203,834
19) Defined Benefit Plans - Annual Benefit	200,000	195,000	195,000	195,000	185,000	415(b)(1)(A)	203,834

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

Notification of Deferred Benefits



by: Annemarie Keehn, QKA

Each year, plan sponsors are required to report to the Social Security Administration those employees who have terminated employment but still have benefits in the plan. Historically, this reporting was done on Schedule SSA which was filed as an attachment to the Form 5500. Beginning with the 2009 plan year, this reporting is now done via Form 8955-SSA, which is filed separately from the Form 5500.

The Social Security Administration collects this information, so that in the future, when the participant applies for social security benefits, the Administration can remind him that he still has available retirement benefits sitting in the plan.

Employees do not have to be reported on the SSA until the year *following* the year of termination, although it is permissible to report them in the year of termination. This generally means that if a participant takes a distribution within a relatively short period of time after he terminates, he will never be reported on the 8955-SSA. However, if the participant does not take a distribution by the end of the year following termination, he will be reported on the 8955-SSA. If he later takes a distribution from the plan after the Form 8955-SSA has been filed, but before he is eligible for social security benefits, the plan reports the participant again on the Form 8955-SSA filed for the year of the distribution, and

codes the participant in such a way that the Administration knows to “purge” their records and remove the participant from the future notification process.

Terminated participants who leave their money in the plan must be notified of the benefits in the plan that are payable to them.

The IRS requires that the plan must provide a notice to each participant who is reported on the Form 8955-SSA with a pending benefit. This notice is often referred to as the *Notification of Deferred Benefits*. The notice is required to describe the benefit to which the participant is entitled and must include on it the information that is being reported to the Social Security Administration, such as the type of payment to which the participant is entitled as well as the total value of the participant’s vested account. **This notice must be provided to the participant no later than the due date for filing the Form 8955-SSA** (which is two months after the Form 5500 deadline, including extensions). No notice is required to be provided if the participant is reported on the 8955-SSA because he is being removed from the notification process, due to the fact that he has taken his distribution.

RMS will provide the necessary Notification for Deferred Benefits to plan sponsors as part of our annual government forms reporting package. The plan sponsor will be responsible for mailing (or otherwise distributing) the notifications to the affected participants. If you have any questions about this notice, please contact your Account Executive.

Adding 401(k) to Traditional Defined Benefit Plans



by: Chuck Lynch, FSA

If a company already sponsors a traditional defined benefit pension plan, why add a 401(k) plan? We run into this question with a number of firms that have successfully managed and funded traditional pension plans without ever adding a 401(k) plan. Obviously, if the employer intends to put all *company* dollars in the pension plan and doesn't feel employees would use the 401(k) plan without a match, then the administrative costs should be weighed against the benefits of offering a second plan. However, here are some of the reasons to consider adding a 401(k) plan:



Replacement Ratios: By looking at Social Security tables and the pension plan's formula, we can project an employee's replacement ratio – what he is expected to receive in retirement as a percent of final average pay. We find more and more people are discovering that even with a healthy employer-sponsored pension and Social Security benefits, they still need to save something on their own.

Easy Saving: The simplest form of saving is payroll withholding. Once employees start, many don't notice the reduction in take-home pay and future increases can be encouraged in conjunction with raises or bonuses.

Paternalistic Employers: If the employer is paternalistic and feels most employees would not save for retirement without an incentive, then consider doing auto enrollment – telling employees that unless they elect otherwise, there will be 3% withholding, with an annual

increase of 1% until deferrals reach a level of 6% to 10% of pay. Surveys show that many employees don't oppose these "negative elections".

Competition: Having a 401(k) plan is helpful in attracting and keeping good employees who see a value in saving through payroll withholding, especially those who were already doing so with a previous employer.

Simplifying Investments: If the company is worried about letting employees make investment decisions, plans can be set up with default investments or the company can hire an investment advisor who can make all investment decisions. Company liability can also be reduced by following rules established by the Department of Labor.

Economies of Scale: Even if employees try to save on their own, oftentimes they get more economies of scale by participating in a single 401(k) plan instead of many small IRAs.

First Step Toward Conversion: If the company thinks it may ever consider *replacing* its pension plan with company contributions to a 401(k) plan, then having already put a 401(k) plan in place will make it easier to later transfer company funding from one plan to the other.

Year-End Reminders for Retirement Plans



by Margaret Weeks, QKA

It's Fall again and time for – soccer...volleyball...cross country...
tailgating...football...Halloween...Thanksgiving...Christmas...vacation...

and retirement plan deadlines. Yes! As you are working on year-end planning, don't forget to check over your retirement plan requirements:

Deadlines for notices in calendar year plans (note - some of these may not apply to your plan):

11/1/2011	2012 SIMPLE Plan Notice	60 days prior to start of Plan year
12/1/2011	2012 Safe Harbor Notice	30-90 days prior to start of Plan year
12/1/2011	2012 Contingent Notice of 3% Safe Harbor	30-90 days prior to start of Plan year
12/1/2011	2011 Supplemental Notice for Safe Harbor	At least 30 days prior to <u>end</u> of year
12/1/2011	2012 Qualified Default Investment Notice	At least 30 days prior to start of Plan year
12/1/2011	2012 Auto Enrollment Notice	At least 30 days prior to start of Plan year
12/15/2011	2010 Summary Annual Report	2 months after due date of Form 5500

If you are unsure which, if any, of the above notices apply to your plan, please contact your Account Executive at RMS.

In addition to distributing the notices listed above, give enrollment packets to newly eligible employees who qualify to enter the plan on January 1, 2012. The enrollment materials may include:

- Summary Plan Description
- Investment Information
- Investment Election Form
- Salary Deferral Election Form
- Beneficiary Designation Form

Remind all employees to review their Beneficiary Designation Form and make changes as necessary.

Give yourself plenty of time to meet the December 31 deadline to:

- Pay out any remaining Required Minimum Distributions for participants age 70 ½ and older who are either terminated or are greater than 5% owners of the business
- Complete Bonus Deferral Elections, if your plan allows them
- Have employees complete any 401(k) withholding rate changes
- Pay out former employees to avoid audit if approaching 100 participants
- Finalize any prospective amendments, including those to remove Safe Harbor Status or add Automatic Enrollment
- Make any other Plan design changes you want to make by consulting your TPA
- Update your payroll limits for 2012 (see the RMS limits chart on A-1 for the new 2012 limits)

News and Retirement Tidbits

- 1) "A centuries-old trend of retiring at an earlier and earlier age has completely reversed, concluded a July report by the TIAA-CREF Institute." (Source: "Why Baby Boomers Can't Retire"; <http://fsp.bc.edu/why-baby-boomers-can%E2%80%99t-retire/>; Financial Security Project at Boston College; August 25, 2011)
- 2) "The median balance for a household headed by a baby boomer age 60 to 62 with a 401(k) plan was just \$149,400 – not even twice their median annual income of \$87,700, according to Boston College's Center for Retirement Research." (Source: "Why Baby Boomers Can't Retire"; <http://fsp.bc.edu/why-baby-boomers-can%E2%80%99t-retire/>; Financial Security Project at Boston College; August 25, 2011)
- 3) A study by Aon found that those participants using employer-provided investment help outperformed others by 2.92% per year for the period 2006 to 2010. (Source: "Study: 401(k) Participants Using Professional Investment Help Do Better"; http://www.401khelpcenter.com/press_2011/pr_aon_092611.html; September 26, 2011)
- 4) A common rule of thumb today is the "4% Rule" -- A person retiring at age 65 should determine 4% of his or her personal savings, spend no more than that amount in the first year, then increase the amount for inflation each year thereafter. Spending more than this will likely result in that individual outliving the retirement savings. So, can you live on Social Security plus 4% of your projected age 65 savings (plus your pension if you're going to get one)? If not, you should be saving more.
- 5) A very interesting paper has studied the impact of people retiring in their 60's, starting to get out of equities, compared to people in their 40's, investing in equities as they start to save heavily for retirement. Over a 50-year period the researchers found a strong correlation between the ratio of these numbers and the ups and downs of the stock market. It even predicts the near term difficulties the market will have while Baby Boomers begin to retire. The graph on page two of the paper is quite interesting. (Source: Zheng Liu and Mark M. Spiegel; "Boomer Retirement: Headwinds for U.S. Equity Markets?"; Federal Reserve Bank of San Francisco Economic Newsletter; <http://www.frbf.org/publications/economics/letter/2011/el2011-26.pdf>; August 22, 2011)
- 6) Don't forget that if you have worked for more than one employer in this calendar year, the \$16,500 limit on 401(k) deferrals is a "global" limit. Your second employer may not know what you saved with the first one. If you go over the limit, you have to notify one of the plans prior to next April 15.
- 7) In a September, 2011 webinar sponsored by the IRS, they argued that a "reasonable" interest rate for plan loans is now prime plus two percent. Previously, many plans had used prime plus one percent.
- 8) "It has become more likely for stock prices to make large swings — on the order of 3 percent or 4 percent — than it has been in any other time in recent stock market history, according to an analysis by The New York Times of price changes in the Standard & Poor's 500-stock market index since 1962." (Source: NY Times, 9/12/11)

News and Retirement Tidbits

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- 9) According to a recent report by the U.S. Bureau of Labor Statistics, in June of this year, "... benefits costs account for about 30% of employees' total wages ... average costs in private industry for retirement and savings benefits were ... 3.7% of total compensation." (Source: Bureau of Labor Statistics U.S. Department of Labor; "Employer Costs for Employee Compensation"; http://www.bls.gov/news.release/archives/ecec_09082011.pdf; September 8, 2011)
- 10) As with a single-employer defined benefit pension plan, getting out of a multi-employer defined benefit plan can be tricky when interest rates are low (making liabilities high). In one case we saw recently, one employer, negotiating with its union employees to leave the union, found that its multi-employer withdrawal liability was going to run about \$100,000 per union employee.
- 11) Don't forget that if you sponsor a calendar year 401(k) or 403(b) plan, the deadline for giving a safe harbor notice for 2012 is 30 days prior to January 1. Also, if you gave employees a "contingent" safe-harbor notice regarding 2011, then you must finalize your decision in a notice dated on or before December 1, 2011.
- 12) For a well-written article on Fiduciary Education, see the Pension Resource Institute's Resource Guide at <http://pension-resources.com/wp-content/uploads/2011/09/PRI-Fiduciary-Education-Resources-Guide.pdf>.
- 13) For an eye-opening article on how many state legislators play games to inflate their own public service pensions, see this USA Today article. (Source: Thomas Frank; "How State Lawmakers Pump Up Pensions in Ways You Can't"; <http://www.usatoday.com/news/nation/story/2011-10-11/1A-state-lawmakers-pump-pensions/50522036/1>; September 23, 2011)
- 14) One study looked at the performance of 2,076 actively managed funds over a 31 year period. The highly credentialed authors of this independent study concluded that only 0.6 percent of the fund managers studied had genuine stock picking ability -- a number which is statistically indistinguishable from zero. (Source: Laurent Barras, O. Scaillet and Russ Wermers; "False Discoveries in Mutual Fund Performance: Measuring Luck in Estimated Alphas"; http://papers.ssrn.com/sol3/papers.cfm?abstract_id=869748; Social Science Research Network)
- 15) Benefits Quarterly published an excellent article on understanding 401(k) fees and how to manage costs and reduce fiduciary liability. (Source: Pamela Hess and Valerie M. Kupferschmidt; "Understanding 401(k) Fees and Making Every Basis Point Count"; http://www.aon.com/attachments/thought-leadership/ben_quarterly_Q4_2010_401k.pdf; Benefits Quarterly, Fourth Quarter 2010.
- 16) According to a Consumer Reports survey of 24,270 online subscribers, lifestyle trumps savings as the main focus in retirement. 75% of those with \$1 million or more in retirement said they were highly satisfied in retirement, yet 50% of those with a net worth of less than \$250,000 said they, too, were highly satisfied in their golden years. "Retirees who were most satisfied with their situation credited living modestly as among the best steps they'd made earlier in life," the magazine reports. (Source: Lee Barney; "Is a \$1 Million Retirement Nest Egg Attainable?"; <http://ebn.benefitnews.com/news/report-million-dollar-nest-egg-2684883-1.html>; EBN Benefit News; December 27, 2010).

ESOP News

- 1) The Department of Labor has announced it will re-propose its regulations on fiduciaries, including those that would label appraisers as fiduciaries. There is no indication as to whether final regulations will be more lenient than the proposed ones. However, the delay is seen as good news to those who opposed the proposed regulations.
- 2) The National Center for Employee Ownership just came out with a new publication "Selling a Company Directly to Employees" including doing so with an ESOP. 64 pages, \$25 cost to non-members and \$15 cost to members. <http://www.nceo.org/Selling-Company-Directly-Employees/pub.php/id/394/>
- 3) Senators Cardin, Roberts, and Snowe introduced a bill on Sep 6 to encourage ESOPs. One provision would allow owners of S corporations to sell to ESOPs and defer capital gains. (Source: "Pro-ESOP bill Introduced in Senate"; <http://benefitslink.com/pr/detail.php?id=46207>; ESOP Association; September 9, 2011)
- 4) The 20th Annual Economic Performance Survey conducted in 2011 by the Employee Ownership Foundation found ...
 - 92.2% of survey respondents reported that creating employee ownership through an ESOP was a good business decision that has helped the company.
 - 72.9% of respondents indicated the ESOP positively affected the overall productivity of the employees.(Source: "Employee Ownership Community to Celebrate Throughout October"; <http://benefitslink.com/pr/detail.php?id=46325>; ESOP Association; October 6, 2011)



Employee Stock Ownership Plans: Early Payment of an Exempt Loan May Not be Wise



by Chuck Lynch, FSA

Many leveraged ESOPs are actually handled with two loans. When the corporation / employer borrows from an outside lender, we call it the “**outside loan**”. When the corporation lends to the ESOP, we call it the “**inside loan**”. The inside loan is also called an “**exempt loan**” because only ESOPs are exempt from the rules that normally preclude qualified retirement plans from borrowing money in order to purchase other assets.

There may be plenty of good reasons to pay off an outside loan as quickly as possible – reducing the interest expense from borrowing, improving company financial statements, etc. Thinking debt should always be kept to a minimum, many employers, ESOP committees, and Trustees may also want to pay off the *inside* loan as quickly as possible. The purpose of this article is to explain why that might not always be in the best interest of the corporation’s long-term cash flow. Consider these disadvantages:

Early payment of an exempt loan may not always be in the best interest of the corporation’s long-term cash flow.

- 1) If payments to the ESOP are simply returned to the corporation as loan payments, then making larger contributions, in order to make early payments, is still a wash and does not improve the *corporation’s* cash flow. (Of course, if the corporation is not wholly owned by the tax exempt ESOP then larger contributions *do* provide larger deductions.)
- 2) Assume a company lends to its own ESOP with a note scheduled to be paid over a 10-year period. By paying the loan off early, the repurchase obligation is impacted in two ways:
 - a) Those people who terminate when loan payments are being accelerated end up having more shares credited to their accounts than originally expected. This increases the cash needed in order to buy back shares from those participants. This could be particularly costly in a high-turnover industry.
 - b) A plan is allowed to have wording so that former employees’ distributions (with certain exceptions) can be deferred until the exempt loan is paid off. Paying off the loan in six years instead of 10 accelerates the point in time when more cash is needed to buy back shares.
- 3) In order to pay down the debt faster, the company is, in essence, agreeing to increase its retirement expense above what was originally planned. To anyone viewing the company’s financials (like lenders and potential buyers) this affects the bottom line and makes the company appear to be less profitable.



ESOPs - Early Loan Payment

...continued from page F-1

- 4) If an ESOP receives cash from dividends on employer stock, it is *permitted* to spend that cash to make early payments on the exempt loan. However, this means less cash is available later when participants terminate employment and want to sell their shares for cash.
- 5) Making larger contributions in order to pay down the debt quickly tends to build up employee expectation of larger contributions *every* year, even after the loan is paid off. Many companies prefer to budget an annual payment so that the contribution, or the value of the shares released from encumbrance, is in line with retirement expenses for their industry.
- 6) Finally, spreading the loan payments over more years, thus releasing shares from encumbrance over a longer period of time, postpones that point in time when there might not be many shares to be allocated to future hires. This avoids creating what many call the “haves and the have-nots.”



MUTUAL FUND PERFORMANCE FIGURES

Taken from the New York Times, Sunday 10/9/2011
 Data source: Morningstar

Periods Ending: **September 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	-16.9 %	-15.4 %	-14.1 %	-2.9 %	0.2 %	2.5 %	-1.0 %	0.3 %	1.7 %
Mid-Cap Growth	-21.9	-19.7	-17.5	-5.0	-1.0	1.7	2.0	1.9	3.7
Small Growth	-23.7	-22.2	-20.8	-3.7	-1.4	3.2	-0.8	1.1	2.7
Large Blend	-17.1	-15.2	-14.0	-3.6	-0.9	0.8	-2.2	-1.4	-0.6
Mid-Cap Blend	-22.1	-20.4	-18.7	-5.9	-2.2	-1.1	-1.2	0.5	1.8
Small Blend	-22.4	-21.4	-19.8	-5.0	-3.1	-0.7	-1.8	0.0	1.6
Large Value	-18.0	-15.8	-13.9	-4.6	-2.1	0.7	-3.8	-2.4	-0.9
Mid-Cap Value	-21.2	-19.5	-17.4	-6.0	-3.4	-1.4	-1.4	-0.3	1.0
Small Value	-22.4	-20.5	-18.9	-6.4	-4.9	-2.1	-1.6	-0.3	1.4
Moderate Allocation	-11.6	-10.4	-8.8	-1.5	-0.2	1.4	0.4	1.2	2.1
Conservative Allocation	-7.4	-5.8	-4.7	-0.1	0.9	1.9	1.9	2.9	3.6
Retirement Income	-6.6	-4.8	-3.2	0.5	1.7	2.0	2.9	3.0	3.3
Target-Date 2000-2010	-8.3	-7.0	-6.0	0.5	0.9	1.5	0.9	2.2	2.9
Target-Date 2011-2015	-10.2	-8.7	-7.9	-0.9	-0.1	0.9	0.5	1.7	2.4
Target-Date 2016-2020	-12.6	-10.4	-8.7	-1.7	-0.5	0.4	-0.4	0.7	1.3
Target-Date 2021-2025	-13.6	-12.5	-12.0	-2.3	-1.6	-0.7	-0.9	0.3	1.1
Target-Date 2026-2030	-14.9	-13.7	-12.2	-2.9	-2.2	-1.2	-1.1	-0.8	0.2
Target-Date 2031-2035	-16.1	-14.8	-14.1	-3.4	-2.7	-2.0	-1.6	-0.7	0.1
Target-Date 2036-2040	-16.2	-15.3	-14.7	-3.4	-3.0	-2.4	-1.7	-1.2	0.1
Target-Date 2041-2045	-16.5	-15.5	-14.3	-3.5	-3.0	-2.5	-2.2	-1.0	0.7
Target-Date 2050+	-16.4	-16.1	-14.9	-3.5	-3.2	-2.9	-2.0	-1.7	-1.5
Aggressive Allocation	-15.2	-14.0	-13.3	-3.7	-2.6	-1.4	-1.2	-0.4	0.7
Total	-19.3	-15.6	-12.8	-3.5	-1.2	1.0	-1.7	0.0	1.7
Domestic Specialized Stock Funds									
Communication	-20.4 %	-17.0 %	-12.5 %	-8.3 %	-2.5 %	-0.0 %	-0.5 %	0.5 %	3.3 %
Financial	-23.0	-22.0	-17.3	-17.3	-14.5	-8.6	-13.6	-8.7	-5.8
Health	-14.7	-14.1	-12.1	3.3	5.8	9.1	2.2	3.0	5.2
Natural Resources	-27.5	-25.5	-24.4	-14.1	-7.8	-4.9	0.9	2.7	4.2
Equity Precious Metals	-10.8	-5.8	-2.1	-8.5	-3.9	-2.6	11.2	14.3	15.3
Real Estate	-15.8	-14.9	-14.4	-0.6	0.6	1.7	-3.1	-2.5	-1.9
Technology	-16.9	-16.2	-15.0	-3.2	-2.1	1.2	2.7	4.2	5.3
Utilities	-11.0	-8.4	-3.2	5.2	6.5	10.6	2.4	3.7	5.3
Bear Market	10.1	12.5	19.6	-15.7	-5.8	-3.4	-13.4	-4.3	0.8
Long-Short	-7.2	-4.8	-4.0	-1.8	-0.1	1.9	-1.2	0.7	3.3
Consumer Discretionary	-16.5	-14.6	-14.1	-0.2	1.2	3.7	-1.7	0.3	5.4
Consumer Staples	-6.1	-6.1	-5.5	6.9	7.2	10.5	5.8	6.3	6.7
Industrials	-22.6	-22.5	-21.7	-6.9	-5.3	-4.6	0.8	1.8	2.4
Equity Energy	-28.2	-26.2	-6.2	-8.2	-3.8	1.7	0.6	2.0	2.8
Commodities Broad Basket	-11.6	-11.3	-11.0	1.0	3.1	4.3	-1.1	1.0	1.9
Market Neutral	-3.8	-2.9	-0.4	-3.6	-0.7	1.8	-0.2	2.0	2.7
Total	-16.5	-12.9	-5.9	-4.2	-0.4	2.8	-1.8	1.9	4.4
International Stock Funds									
Foreign Large Value	-22.1 %	-20.9 %	-19.2 %	-13.0 %	-10.9 %	-8.8 %	-4.6 %	-3.6 %	-2.2 %
Foreign Large Blend	-21.7	-20.7	-19.6	-12.7	-10.9	-9.5	-4.0	-2.9	-1.4
Foreign Large Growth	-21.3	-20.5	-18.3	-12.9	-10.1	-6.9	-3.2	-0.9	0.4
Foreign Small/Mid Value	-22.4	-21.0	-19.1	-11.4	-7.3	-4.0	-1.7	-1.2	0.2
Foreign Small/Mid Growth	-20.9	-18.2	-17.1	-9.6	-6.2	-4.7	-0.6	1.1	2.5
World Stock	-20.1	-17.9	-15.6	-9.0	-6.1	-4.1	-2.9	-0.8	0.6
Europe Stock	-27.9	-23.6	-19.1	-15.1	-12.4	-10.0	-4.9	-3.4	-0.6
Divers. Pacific Asia	-20.3	-14.5	-13.5	-13.1	-8.1	-5.8	-2.2	-1.5	0.2
Pacific Asia ex-Japan	-22.5	-20.5	-17.4	-22.4	-15.1	-12.8	3.0	6.3	8.2

MUTUAL FUND PERFORMANCE FIGURES

Periods Ending: **September 30, 2011**

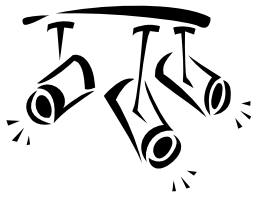
Taken from the New York Times, Sunday 10/9/2011

Data source: Morningstar

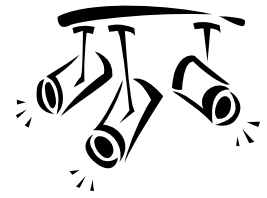
...continued from page G-1

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	-8.1	-7.1	-6.2	2.0	2.5	5.4	-6.7	-6.3	-4.4
Divers. Emerg. Mkt	-24.4	-22.8	-19.6	-19.1	-16.9	-14.2	2.5	3.3	5.0
Latin America Stock	-26.4	-26.0	-23.1	-24.5	-24.2	-17.8	6.0	7.5	8.3
World Allocation	-13.1	-10.1	-6.8	-4.1	-1.3	0.3	0.3	2.5	4.6
Global Real Estate	-20.6	-19.1	-17.7	-12.1	-9.7	-7.8	-7.0	-5.1	-3.9
Currency	-9.6	-6.8	-3.9	-4.4	-4.0	-1.4	2.2	3.9	4.7
China Region	-33.8	-24.4	-22.7	-36.3	-24.4	-14.6	6.0	6.3	8.7
Miscellaneous Sector	-25.9	-24.1	-19.4	-12.8	-5.1	2.1	-2.2	-1.0	7.7
Total	-22.0	-20.0	-16.8	-13.3	-10.0	-5.6	-3.3	-0.9	1.8
General Bond Funds									
Long-Term Bond	-2.2 %	3.8 %	11.0 %	1.9 %	5.0 %	10.0 %	7.0 %	8.4 %	9.6 %
Interm-Term Bond	0.8	2.1	2.9	3.0	4.1	4.9	5.2	6.2	6.9
Short-Term Bond	-0.9	-0.2	0.2	0.5	1.1	1.6	3.2	3.9	4.6
Total	-0.3	1.2	2.5	1.4	3.4	4.6	4.2	5.7	6.7
Government Bond Funds									
Long Government	22.6 %	24.4 %	25.0 %	15.4 %	16.6 %	17.4 %	10.1 %	10.6 %	11.5 %
Interm. Government	2.2	3.1	4.6	4.4	5.2	5.8	5.5	6.1	6.6
Short Government	0.3	0.6	1.1	0.9	1.5	2.1	3.5	4.2	4.8
Inflation-Protected Bond	3.1	4.2	4.7	7.2	8.3	9.2	6.2	6.7	7.0
Total	1.4	3.1	4.6	3.5	5.3	7.4	5.0	6.1	6.7
Specialized Bond Funds									
Convertibles	-16.1	-14.3 %	-12.6 %	-3.6 %	-2.6 %	-1.9 %	1.5 %	2.4 %	3.4 %
Ultrashort Bond	-0.6	-0.3	0.0	-0.0	0.5	1.0	1.9	2.4	2.8
High Yield Bond	-7.6	-6.5	-5.4	-0.2	1.0	2.0	4.8	5.6	6.3
Multisector Bond	-5.6	-3.2	-2.0	-0.6	1.2	2.2	4.9	5.7	6.4
World Bond	-2.8	-1.4	1.0	0.4	1.6	3.2	5.5	6.4	8.0
Emerging Market Bond	-8.2	-4.8	-3.0	-3.1	-0.9	0.1	6.8	7.5	8.0
Bank Loan	-4.2	-3.9	-3.6	0.9	1.5	2.4	1.6	2.2	3.0
Total	-6.7	-4.3	-2.2	-0.4	0.9	2.0	3.5	5.4	6.4
Municipal Bond Funds									
Muni National Long	3.6 %	4.0 %	4.4 %	2.4 %	3.0 %	3.8 %	3.5 %	4.1 %	4.6 %
Muni National Int.	2.5	2.8	3.2	2.8	3.3	3.6	4.1	4.4	4.8
Muni Single St. Long	3.7	3.9	4.2	2.7	3.1	3.6	3.8	4.2	4.4
Muni Single St. Int.	2.5	2.9	3.5	2.9	3.2	3.6	4.1	4.3	4.5
Muni Short	0.6	1.0	1.6	1.3	2.1	2.6	2.9	3.4	4.0
Muni New York Long	3.5	3.9	4.4	1.9	2.9	3.3	3.6	4.2	4.5
Muni California Long	4.1	4.6	5.1	2.7	3.2	3.7	3.3	3.8	4.2
Muni New York Inter	2.6	2.8	3.7	2.6	2.8	3.2	3.5	4.1	4.5
Muni California Inter	2.5	3.0	3.4	2.5	2.9	3.3	3.8	4.1	4.4
Muni Pennsylvania	3.5	3.8	4.3	2.8	3.1	3.6	4.0	4.2	4.3
Muni Massachusetts	3.9	4.1	4.7	2.6	3.2	3.5	4.2	4.4	4.7
Muni New Jersey	3.8	4.0	4.1	2.6	2.8	3.1	3.9	4.2	4.5
Muni Ohio	3.1	3.3	3.7	2.7	2.9	3.7	3.7	4.3	4.5
Muni Minnesota	3.2	3.6	3.9	3.4	3.6	4.1	4.2	4.4	4.6
High Yield Muni	3.6	4.1	4.4	1.8	2.9	3.4	0.0	2.3	3.2
Total	2.7	3.6	4.1	2.4	3.0	3.5	3.4	4.1	4.5

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



Partners from left: Chuck Lynch, Laura Stallard, Elizabeth Rankin, Amber Lloyd



Lots of great things have been happening at RMS during the past few months!

We celebrated our 14th anniversary on September 1, 2011. And, thanks to our many referral sources and clients, RMS is expanding and we have outgrown our current building. Members of our staff recently participated in a groundbreaking ceremony at the site on Blankenbaker Parkway where we recently started construction on a new, larger office building. We intend to move in June 2012. We greatly appreciate the confidence that so many people have had in our firm over the past 14 years. Our growth would not have been possible without your generous support!

We are also very excited that RMS was nominated this year for the Greater Louisville Inc. - Metro Chamber of Commerce "Small Business of the Year" award for businesses with 10-100 employees that exemplify both business and civic leadership.



Also, for anyone who might be interested...our current 2-story, 6,000 square foot office building just off Shelbyville Road, near Gene Snyder, is for sale! Contact Chuck Lynch or Amber Lloyd at 502-429-0767 for more information.