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ROUTE TO:

To: Friends of RMS

BENCHMARKS, BENEFITS & MORE

APRIL, 2007

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The Top 10 Reasons Employers use RMS as their Consultant / Advisor / Administrator

10. Others know us well; we are frequently asked to make presentations and provide articles and outlines used in continuing education seminars.
9. We are 100% independent of all financial institutions. (We sell no investment or insurance products; and if we receive any “revenue sharing” we apply it toward the fees we would otherwise bill our clients.)
8. We have clients in 16 states.
7. We are an approved regional Third Party Administrator (TPA) for over 20 national financial institutions.
6. We are compensated strictly on a fee basis.
5. Our staff has earned 10 different professional certifications.
4. In addition to handling the “plain vanilla” qualified plans, we also tackle the difficult plans -- those involving cross-testing, age-weighting, Davis-Bacon (prevailing wage) provisions, 403(b) rules, control groups, partnerships, and leveraged ESOPs.
3. We obtain all of our clients by referrals from other professionals such as attorneys, CPAs, and financial advisors.
2. We have a combined professional staff with over 100 years of experience in the retirement field.

And the Number 1 reason Employers retain RMS is . . .

1. We have a solid and proven REPUTATION for providing excellent consulting and administrative services to our clients.



For more information of interest to employers, plan participants, and other retirement advisors, visit our website at:
www.consultRMS.com

**MUTUAL FUND PERFORMANCE FIGURES**Periods Ending: **March 31, 2007**

Taken from the New York Times, Sunday 4/8/2007

Data source: Morningstar

Fund Type	Quarterly Returns			12-Month Returns			5-Year Returns		
	Bottom Quarter	Median	Top Quarter	Bottom Quarter	Median	Top Quarter	Bottom Quarter	Median	Top Quarter
Domestic General Stock Funds									
Large Growth	0.3 %	1.2 %	2.2 %	2.1 %	4.8 %	7.0 %	2.2 %	3.8 %	5.7 %
Mid-Cap Growth	2.9	4.2	5.2	2.0	4.8	7.7	6.4	8.1	10.2
Small Growth	1.9	3.4	4.3	-0.9	1.3	4.8	6.1	8.3	10.6
Large Blend	0.4	0.9	1.8	9.0	10.5	11.7	5.1	6.0	7.5
Mid-Cap Blend	2.9	4.2	5.4	7.7	10.4	13.0	8.7	10.2	11.8
Small Blend	2.0	2.9	3.8	3.6	5.3	7.7	9.9	11.1	13.5
Large Value	0.5	1.0	1.9	12.2	14.2	15.8	7.0	8.2	9.4
Mid-Cap Value	3.1	4.2	4.9	11.4	13.3	15.3	9.7	11.8	13.4
Small Value	1.6	2.7	3.5	5.8	8.0	10.3	11.4	12.5	13.8
Moderate Allocation	1.0	1.6	2.0	8.1	9.1	10.5	5.7	6.7	7.7
Conservative Allocation	1.2	1.5	1.9	6.5	7.8	8.8	4.9	5.8	6.6
Target-Date 2000-2014	1.5	1.6	1.7	6.5	8.0	8.9	4.5	5.7	7.6
Target-Date 2015-2029	1.7	1.9	2.1	8.8	9.6	10.5	5.8	7.7	8.9
Target-Date 2030+	1.7	1.9	2.2	9.5	11.1	11.6	7.4	8.2	9.0
Total	0.8	1.8	3.0	5.5	8.9	11.7	5.5	7.3	9.7
Domestic Specialized Stock Funds									
Communication	2.6 %	3.8 %	4.7 %	2.8 %	17.9 %	24.3 %	9.4 %	12.0 %	13.8 %
Financial	-3.1	-2.1	-1.4	7.8	9.1	11.0	7.6	8.6	11.6
Health	1.0	1.9	3.2	0.5	4.7	5.7	4.0	5.9	9.2
Natural Res	4.5	5.5	6.4	5.4	8.6	12.6	17.5	19.9	22.3
Precious Metals	-0.2	0.9	2.7	7.0	10.3	14.5	23.3	26.5	28.7
Real Estate	2.5	3.3	4.2	19.7	21.4	23.3	20.2	22.6	23.9
Technology	0.0	1.2	2.3	-2.4	0.1	4.9	0.2	3.9	7.1
Utilities	6.7	8.0	9.1	28.4	31.5	34.0	12.7	13.4	16.8
Bear Market	-0.3	1.1	1.4	-11.2	-2.3	1.2	-19.0	-6.5	-5.5
Long-Short	1.0	1.8	2.5	5.3	7.7	9.3	3.4	4.6	5.5
Total	1.0	2.7	4.5	3.9	9.4	20.9	5.4	12.4	21.2
International Stock Funds									
Foreign Large Value	2.2 %	3.6 %	4.3 %	17.5 %	19.1 %	20.8 %	14.5 %	16.3 %	18.5 %
Foreign Large Blend	2.8	3.4	4.1	16.2	17.7	19.9	12.9	14.3	15.4
Foreign Large Growth	2.6	3.6	4.2	13.7	16.6	19.3	11.5	13.5	15.7
Foreign Small/Mid Value	4.2	6.3	7.1	16.5	20.8	23.3	18.7	21.2	22.2
Foreign Small/Mid Growth	4.9	6.2	7.0	15.8	20.2	22.6	20.5	21.5	24.5
World Stock	1.7	2.4	4.3	12.1	15.0	17.1	9.4	11.8	14.3
Europe Stock	3.4	4.3	5.9	21.0	23.7	28.4	14.4	16.9	22.9
Divers. Pacific Asia	2.7	4.5	5.9	9.7	11.8	15.4	13.8	15.0	16.9
Pacific Asia ex-Japan	-0.7	1.8	6.0	21.6	28.8	36.5	18.8	20.3	22.8
Japan Stock	-0.5	1.1	2.7	-9.9	-4.1	-1.0	10.5	12.8	15.6
Divers. Emerg. Mkt	1.6	2.4	3.1	18.3	20.7	23.2	22.8	24.4	26.0
Latin America Stock	2.7	4.4	6.4	26.0	27.6	32.5	28.5	31.4	32.9
World Allocation	1.3	2.2	2.6	9.7	11.0	17.6	10.8	11.7	13.1
Total	2.2	3.2	4.4	14.8	17.9	20.7	12.5	15.2	19.8

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	Bottom		Top	Bottom		Top	Bottom		Top
	Quarter	Median	Quarter	Quarter	Median	Quarter	Quarter	Median	Quarter
General Bond Funds									
Long-Term Bond	1.0 %	1.2 %	1.4 %	6.3 %	7.3 %	8.2 %	5.7 %	6.7 %	7.6 %
Interm-Term Bond	1.3	1.5	1.6	5.8	6.3	6.7	4.7	5.1	5.6
Short-Term Bond	1.3	1.4	1.5	4.9	5.2	5.6	3.1	3.4	4.0
Total	1.3	1.4	1.6	5.5	6.1	6.5	4.1	4.9	5.5
Government Bond Funds									
Long Government	0.9 %	1.1 %	1.4 %	5.6 %	6.3 %	6.5 %	6.3 %	7.3 %	8.2 %
Interm. Government	1.2	1.4	1.5	5.2	5.6	6.0	3.9	4.2	4.7
Short Government	1.3	1.4	1.4	4.7	5.0	5.3	2.8	3.2	3.6
Inflation-Protected Bond	2.1	2.3	2.4	4.3	4.6	4.9	6.6	7.1	7.3
Total	1.2	1.4	1.6	4.8	5.3	5.8	3.5	4.1	4.7
Specialized Bond Funds									
Convertibles	2.1 %	2.6 %	3.1 %	5.4 %	8.0 %	11.0 %	6.7 %	7.5 %	9.5 %
Ultrashort Bond	1.2	1.3	1.4	4.8	5.1	5.4	2.6	2.8	2.9
High Yield Bond	2.4	2.6	2.9	9.3	10.3	11.2	8.1	9.1	10.3
Multisector Bond	1.4	1.7	1.9	7.2	8.1	8.7	8.0	8.8	9.5
World Bond	0.8	1.1	1.6	5.8	7.4	8.8	6.0	9.0	10.5
Emerging Market Bond	1.8	2.1	2.5	10.0	10.5	11.8	13.3	14.1	15.2
Bank Loan	1.8	1.9	2.1	6.0	6.4	7.1	4.6	5.4	6.6
Total	1.4	2.1	2.7	6.5	8.8	10.5	6.8	8.7	10.2
Municipal Bond Funds									
Muni National Long	0.5 %	0.6 %	0.7 %	4.6 %	5.1 %	5.5 %	4.7 %	5.1 %	5.5 %
Muni National Int.	0.6	0.7	0.8	4.2	4.6	4.9	4.0	4.4	4.7
Muni Single St. Long	0.6	0.7	0.7	4.5	4.9	5.2	4.8	5.1	5.4
Muni Single St. Int.	0.6	0.7	0.7	4.3	4.6	4.9	4.1	4.5	4.8
Muni Single St. Shrt.	0.6	0.7	0.7	3.4	3.4	3.4	2.2	2.7	2.9
Muni National Shrt.	0.7	0.8	0.9	3.3	3.6	3.9	2.3	2.7	3.2
Muni New York Long	0.5	0.6	0.8	4.6	4.9	5.6	4.6	5.2	5.5
Muni California Long	0.6	0.7	0.8	4.6	5.1	5.5	4.8	5.2	5.5
Muni New York Int/Sh	0.6	0.7	0.7	4.1	4.3	4.9	3.9	4.3	4.5
Muni California Int/Sh	0.6	0.7	0.8	3.8	4.3	4.8	3.3	3.9	4.4
Muni Florida	0.6	0.7	0.7	4.5	5.0	5.2	4.5	4.9	5.5
Muni Pennsylvania	0.6	0.7	0.8	4.5	4.9	5.2	4.5	4.9	5.4
Muni Massachusetts	0.5	0.6	0.7	4.4	4.8	5.0	4.4	5.0	5.3
Muni New Jersey	0.6	0.7	0.8	4.6	4.8	5.8	4.2	4.9	5.4
Muni Ohio	0.5	0.6	0.7	4.3	4.5	5.1	4.2	4.6	5.2
Muni Minnesota	0.6	0.7	0.8	4.7	4.8	5.0	4.7	5.1	5.2
High Yield Muni	0.8	0.9	1.0	6.1	6.6	7.1	5.8	6.3	7.1
Total	0.6	0.7	0.8	4.4	4.8	5.3	4.3	4.8	5.4

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% of similar funds. The median figures show the return needed to rank in the top half, and the bottom quarter figures show the return needed to rank in the top 75% of similar funds. By comparing a given fund's returns, a reader can determine how that fund performed relative to similar funds.



NEW QUARTERLY NOTICE REQUIREMENTS
FOR DEFINED CONTRIBUTION PLANS
(Cost and Confusion!)

April, 2007

The Pension Protection Act of 2006 (PPA) created new rules that apply to any qualified defined contribution plans which allow participants to direct the investment of part or all of the plan's assets. In addition to giving participants regular statements of their account balances, the participants must be given additional information, if they have *any* investment options in the plan. This includes a summary of the specific investments in their account, explanations of diversification concepts, information on vesting, an explanation of "permitted disparity" (if the plan uses it), restrictions on investment direction, and the address of the Department of Labor website that offers more investment education.

This information must be provided within 45 days after the end of each plan quarter. So, the first deadline, for calendar year plans, is May 15, 2007 --- 45 days after the March 31 quarter end.

The rules were designed with good intentions; however, the new rules will create additional administrative costs to employers and confusion among participants for a number of reasons:

- 1) If the required information will be coming from more than one source (such as a financial institution for part of the information and a Third Party Administrator (like RMS) for the rest), then a "multiple sources" notice must be distributed one-time to all current participants by May 15, 2007, and each future new entrant as they join the plan. This notice will explain to the participant the various sources of the different pieces of information required to be provided every quarter.
- 2) Even if participant statements had only been provided *once* per year, any plan affected by the new rules must give out *quarterly* statements.
- 3) If the required information is not available quarterly, or by the 45-day deadline, then the most recent information already provided to the participant must be distributed again!
- 4) There are plans in which the participants are invested in a balanced pool of funds; and the participant receives annual statements of his balance, annual activity, vested interest, etc. However, if the plan allows the participant to self-direct his account by being placed in a separate brokerage account, then the new rules apply to that plan as well. Consequently, even if 99% of the participants allow the trustee to direct their investments, just having the *right* to do something different triggers all the special treatment. All such participants must get quarterly statements, along with all of the information described above.

For RMS clients, we will be coordinating directly with their other advisors to make sure the proper notice is distributed timely to comply with all the new rules.

If you have any questions about these new requirements, please contact us.



ESOP BALANCES FOR FORMER EMPLOYEES

April, 2007

Employee Stock Ownership Plans (ESOPs) must be invested primarily in employer stock. Also, many ESOPs delay distributions attributed to shares of stock purchased with an exempt loan, as long as the ESOP is still making payments on that loan. At the same time, some employers don't like the idea of former employees (especially those now working for a competitor) continuing to share in the appreciation in, and dividends on, company stock after leaving the company. What should the employer do? Here are several thoughts and issues:

- 1) We have heard that the IRS is issuing determination letters approving plan amendments that call for putting the former employee's account in something other than employer stock. We would not recommend pursuing such an amendment without getting an IRS letter of determination.
- 2) The only ESOPs that can preclude a distribution in company stock are those sponsored by S corporations and those sponsored by companies whose by-laws require that non-ESOP shares can only be held by employees. For other ESOPs, the participant must have the right to a distribution in employer securities. Consequently, even if the funds are taken out of company stock at a participant's termination of employment, the former employee who later requests a distribution could request that it be in the form of company stock.
- 3) If normally delaying distributions until the exempt loan is paid off, then is it counter productive to try to come up with the cash for an alternative investment as soon as the participant terminates employment?
- 4) If the expected growth in the company's stock is greater than the after-tax cost of borrowing money, then the ultimate cost of buying back shares may be less by doing so when the participant terminates employment, instead of waiting until he asks for the distribution.
- 5) If investing in something other than employer stock, then the Trustees need to think about alternative investments.
 - a. In order to minimize the liability to the ESOP trustees and the employer, should the plan give investment options to these former employees? If already doing so in a separate 401(k) plan, why would you *not* do so here?
 - b. Of course, giving investment options to the former employee means more administrative costs for the ESOP.
 - c. Would you simply give the former employee a collection of mutual funds from which to choose his own asset allocation? To keep it simple, you might choose to make those the same funds offered in a separate 401(k) plan.
 - d. The Department of Labor has indicated in some recently proposed regulations that when a participant is not choosing his own asset allocation, then stable value funds and money market funds might not be considered an appropriate alternative to force on the participant. The DOL apparently feels that in the absence of a participant choosing how he wants his account invested, he should be in some balanced portfolio, a lifecycle fund, or a professionally managed account.
 - e. Will the plan's trustees be exposed to more liability if the situation is handled one way when cash is available, but in some other fashion down the road if cash is *not* available?
- 6) We have not heard that the IRS or DOL will permit the transfer of a *former* employee's ESOP balance into a 401(k) plan sponsored by the employer, even if the 401(k) plan offers investment options.
- 7) Will active participants resent that former employees, still in the plan, can have more diversification than the active employees?



INVESTMENT FUND TERMINOLOGY

April, 2007

The Pension Protection Act of 2006 (PPA) created a new term --- the Qualified Default Investment Alternative (QDIA) --- in order to address how retirement programs such as 401(k) plans might invest a participant's account if he does not choose his own asset allocation. According to the Department of Labor's proposed regulations, a QDIA may be (a) a life-cycle or targeted-retirement-date fund; (b) a balanced fund; or (c) a professionally managed account.

We also hear investment professionals talk about terms like asset allocation funds, lifestyle funds, target maturity funds, target-risk funds, and risk-based lifestyle funds, among others. There is no regulatory definition of these terms; and the media uses some of them interchangeably. Consequently, among the general public, there is confusion over what these terms really mean. To help the reader understand the distinction between these terms, we have listed the most common definitions below.

- A) **Asset Allocation Funds** --- We generally put them into two categories:
- 1) **Life Style Funds** --- Think of choosing a fund based on your lifestyle – i.e., your approach to investments, etc.
 - a) Some financial institutions offer a range of life style funds --- from a **conservative fund**, to a **moderate fund**, to an **aggressive fund**. Some offer five or seven such funds, instead of just these three.
 - b) Somewhere between moderate and aggressive might be what some advisors label a **balanced fund**.
 - c) If invested in this type of fund, the user should re-evaluate his risk-tolerance periodically to see if he should move into another fund either as he ages or as his financial situation changes.
 - d) An advantage to these funds, for the participant that takes the time to answer a questionnaire and get into the correct fund, is that the questionnaire can take into account *many* factors --- such as age, income level, desired retirement age, marital status, expectations for the Social Security system, savings already accumulated for retirement, etc.
 - 2) **Life Cycle Funds** (also called **target risk funds**, **target maturity funds**, **targeted-retirement-date funds**, and **target date funds**)--- Think of “cycling” through life, and slowing down as you get closer to the end.
 - a) A good example of these funds are the **targeted maturity funds** --- typically a fund of funds, which is intended to be the only fund a participant might need, and for which the investments are a function of the participant's retirement horizon – i.e., when he expects to retire. A 401(k) plan might offer one for each of the next four or five decades, with the idea that a participant should get into the 2035 Fund if he will reach retirement age during that decade.
 - b) The disadvantage to these funds is that they take into account only one factor --- the age of the participant.
 - c) Typically, a targeted maturity fund will become more conservative as the participant ages, without the participant needing to take any action. In other words, the fund manager gradually changes the underlying investments to be more conservative as the participants in this fund get closer to retirement age.
- B) **Professionally managed Accounts** (or just **managed accounts**) --- Think of appointing a professional to do the work for you.
- 1) This means the individual pays a fee (typically 1% of assets) for the advisor to make investment decisions on his behalf.
 - 2) The advisor would typically interview the individual to determine his risk tolerance, time horizon, etc.

**DEFINED BENEFIT VS. DEFINED CONTRIBUTION PLANS FOR SMALL BUSINESSES**

April, 2007

Is a Defined Benefit (DB) plan worthwhile for a small business trying to increase the deduction for owners, compared to the operation of a Defined Contribution (DC) plan? DB plans can, in some cases, generate higher deductions than defined contribution plans. But there are also some disadvantages.

- A) **Administrative Costs** --- DB plans usually require higher administrative costs than DC plans.
- B) **Flexibility** --- There is far less flexibility in annual contributions for DB plans. In return for what may be higher deductions, the employer must be willing and able to contribute what the actuary (and federal regulations) say is the required minimum funding level for each plan year. On the other hand, most DC plans can be drafted with little or no *required* contributions by the employer.
- C) **Potential under-funding** --- There is always the potential for under-funding in DB plans. If a partner leaves at an age other than the assumed retirement age or just after a drop in the stock market, the remaining partners could be left with the under-funding liability. (They might remedy this with some side agreement to make up the difference out of the buy-out for the partner who is leaving. However, once the plan has been in operation five or ten years, this shortfall could easily exceed such a buy-out. In that case the former partner personally owes money to the ongoing partners.)
- D) **Tax hedging** --- Many people take the attitude that to the extent they can't achieve their goal with a DC plan, they'll just pay their taxes and invest with after-tax dollars. This constitutes sort of a *tax hedge*, which may make a lot of sense if you believe income taxes will be higher in the future.
- E) **Capital gains taxes** --- Related to this last point is the fact that if additional funds (above and beyond what can be put in a DC plan) are invested in a taxable account, then the owner of that account will get capital gains treatment on the appreciation in equities. That tax is, for many people, a lower rate than the ordinary income tax rates that apply to retirement plan distributions. Putting all available funds into qualified plans means that all of the taxable withdrawals down the road will generate taxes paid at the ordinary income tax rates.
- F) **Cash balance DB plans** --- If considering a cash-balance DB plan, the service credit is usually the same percent of pay for all participants. However, if using a cross-tested DC plan, we can sometimes have the result that the contribution *percent* for owners may be three to four times that of the non-owners. In other words, you may get a high *dollar* deduction for a DB plan, but it may be a lower *percent* of the total deduction going to the owners.
- G) **Investing cash balance plan assets** --- Also, with a cash-balance DB plan, some people are advising that the employer can avoid the volatility in costs by simply investing the entire plan in fixed income assets that have guaranteed yields close to the plan's interest credit rate --- e.g., using 30-year Treasuries. However, few people really want their long-term savings to be 100% invested in fixed income investments.
- H) **PBGC premiums** --- With a DB plan, there will be additional costs to being covered by the Pension Benefit Guaranty Corporation (unless the plan is covered by a professional group of less than 25 employees). In 2006, Congress dramatically increased the annual premiums paid by DB plan sponsors to the PBGC. However, the PBGC is still considered under-funded; and additional premiums may be required of all sponsors of DB plans in the future.
- I) **Budgeting** --- With a DB plan, under-funding must now be amortized over no more than seven years. For years in which the under-funding comes about due to actuarial experience or investment returns that are worse than expected, this may create added funding requirements for which the employer has not budgeted. Stock market drops like we experienced early in this decade (a nearly 50% drop in equity indices for the three-year period ending 12/31/02) can wreak havoc on DB plans, especially under the new rules.
- J) **Maintaining two plans** --- Due to combined plan limits, it is possible to have years when high contributions for DB plans can mean that the company is permitted little or no contribution to a DC plan. And yet, it would normally be advisable to keep a 401(k) plan on the side, in order to take advantage of the separate limits on what *employees* can contribute through payroll withholding (which do *not* affect the *employer's* deduction limit).
- K) **Discount rates** --- There is a subtle and little-known (but significant) difference between DB plans and cross-tested DC plans. When discounting future liabilities to the present, for purposes of determining current contributions (and DB lump sum settlements for participants terminating employment) a DB plan must use rates that are currently in the neighborhood of 5.0% to 5.5%. However, a cross-tested DC plan can use discount rates of as much as 8.5%. This means the true cost attributed to younger non-owners often makes up a smaller part of the overall cost of a cross-tested plan than it does for a DB plan.



RETIREMENT PLANS --- TIDBITS FOR EMPLOYERS

April, 2007

- 1) "A survey of 429 profit-sharing / 401(k) plan sponsors reveals that 22% of plan sponsors currently are offering the Roth 401(k) option, and 61% of the remaining plan sponsors either are planning to add or are considering adding the Roth 401(k) option to their plans." (CCH quoting from a survey by the Profit Sharing / 401(k) Council of America, 2007)
- 2) "Out-of-pocket health care expenses will cost \$295,000 for a 65-year-old couple retiring without employer-provided health benefits and living to an average life expectancy." (Source: Employee Benefit Research Institute)
- 3) "The typical American household is likely to face a 42% pay cut in retirement" due to poor planning for retirement. (Source: Fidelity Research Institute's Retirement Index study for 2007)
- 4) Forty-eight percent of 401(k) plans now allow employees to make elective deferrals starting at date of hire. Eighteen percent require a year of service. However, most plans allowing deferrals at date of hire do not permit the employee to share in the match immediately. Fifty-two percent of companies making non-matching profit sharing contributions require at least a year of service before the participant is eligible to share in those contributions. (Source: <http://www.pasca.org/pdfs/elig2006.pdf>)
- 5) If retiring after age 55 but prior to 59 1/2, there may be advantages to leaving money in a 401(k) plan. The reason is that the participant can withdraw from the 401(k) in any amount he wants, and without the 10% pre 59 1/2 penalty, whereas withdrawals from an IRA prior to 59 1/2 are either subject to the penalty or subject to very rigid rules on the amount of annual withdrawals. (Source: Internal Revenue Code Section 72(t)(2)(A)(v).)
- 6) Nearly 10% of employees making over \$100,000 per year don't participate in the 401(k) plans sponsored by their employers. (Source: Watson Wyatt survey)
- 7) "If the new law (the Pension Protection Act) is successful in increasing levels of participation, rates of deferral, and quality of investing, the results can only be good: increased retirement benefits for participants. I believe the law has the right focus, and I believe it will work." --- (Fred Reish, prominent ERISA lawyer, late 2006)
- 8) T. Rowe Price recommends the following formula to determine the portion of a person's retirement savings that should be in equities: Subtract the person's age from 110, and multiply that number by 1.25. So a 40-year old should have 87.5% in equities and the rest in fixed income and cash. (Source: Wall Street Journal 3/6/07)
- 9) The average 401(k) plan charged fees of .76% of assets in 2005. (Source: Investment Company Institute)
- 10) Total participant contributions to defined contribution plans are expected to double over the next four years, TowerGroup senior analyst Peter Delano said in a press release. (Source: <http://hr.cch.com/news/pension/031507a.asp>)

RETIREMENT BENEFITS AS A PERCENT OF PAYROLL

STATISTICS FROM THE U.S. CHAMBER OF COMMERCE EMPLOYEE BENEFITS STUDIES

Retirement Benefits
As a Percent of Payroll

Line	Calendar Year the Study Was Issued Calendar / Fiscal Year of Data	2006	2005	2004	2003	2002	Line
		2005	2004	2003	2002	2001	
1	Manufacturing						1
2	Total, All Manufacturing	7.6%	8.2%	6.8%	3.5%	4.5%	2
3	Chemicals (including pharmaceuticals)	9.1%	7.2%	6.7%			3
4	Computer, Electronic, and Electrical Products / Components	5.9%	5.8%	3.2%	2.4%	4.2%	4
5	Fabricated Metal Products	3.0%	3.2%	4.4%	4.6%	3.4%	5
6	Food, Beverage, and Tobacco	8.2%	18.0%	8.9%	3.6%	5.3%	6
7	Industrial Machinery & Equipment	3.7%	3.7%	7.6%	3.2%	3.1%	7
8	Instruments & related products	18.6%	4.1%				8
9	Non-metallic products (rubber, leather, plastic, glass, clay)	11.1%	3.6%	2.6%	2.4%	2.3%	9
10	Primary Metal Products (steel, smelting & wire drawing)	4.7%	7.9%	6.7%			10
11	Printing & Related Support Activities	0.9%	3.0%	4.8%			11
12	Pulp, Paper, Lumber, and Furniture	2.8%	6.8%	4.2%	5.0%	5.1%	12
13	Textile & Apparel	15.5%	7.6%				13
14	Transportation Equipment	6.3%	9.0%	4.1%			14
15	Other Manufacturing Industries	4.6%	11.9%	8.7%	4.4%	4.6%	15
16	Non-Manufacturing						16
17	Total, All Non-Manufacturing	8.9%	8.0%	6.7%	6.6%	9.6%	17
18	Construction	3.7%	6.3%	6.2%	2.9%	3.6%	18
19	Educational Services	8.3%	3.7%	6.2%			19
20	Finance and Insurance	9.7%	9.0%	5.0%	5.4%	6.0%	20
21	Health Care & Social Assistance	2.9%	8.7%	5.9%	4.8%	6.7%	21
22	Hospitality (lodging, restaurants, recreation & entertainment)	2.1%	1.4%	18.4%			22
23	Information (data processing, information services & publishing)	6.3%	5.6%	7.0%			23
24	Professional, Scientific, and Technical Services (consulting, legal, accounting, and network services)	6.7%	5.6%	7.0%	6.6%	5.1%	24
25	Public Utilities	10.0%	13.7%	10.0%	11.0%	8.9%	25
26	Rental, Leasing, and Real Estate	0.7%	20.6%	1.1%	1.5%		26
27	Retail Trade	3.1%	1.2%	1.1%	2.5%	11.3%	27
28	Support and Management Services (management companies & administrative support)	2.6%	9.7%	4.7%			28
29	Trade Associations, Business Federations & Chambers of Commerce	7.2%	5.8%	5.2%			29
30	Transportation, Distribution and Warehousing	6.1%	4.3%	8.3%	4.4%	15.5%	30
31	Wholesale Trade	11.0%	6.4%	9.2%	5.0%	7.4%	31
32	Other Non-Manufacturing Industries	13.0%	9.0%	8.3%	6.8%	13.4%	32
33	By Company Size						33
34	Total, All Companies	8.6%	8.0%	6.7%	6.2%	8.0%	34
35	< 100 Employees	4.6%	4.5%	4.2%	3.8%	4.4%	35
36	100 - 499 Employees	5.4%	6.1%	5.9%	5.8%	5.7%	36
37	500 - 999 Employees	7.2%	7.3%	6.0%	6.4%	7.5%	37
38	1,000 - 2,499 Employees	8.3%	7.1%	7.7%	6.9%	6.5%	38
39	2,500 - 4,999 Employees	5.4%	9.9%	6.3%	3.3%	8.5%	39
40	5,000 + Employees	9.6%	8.3%	6.8%	6.6%		40

Notes: The study for a given calendar year was based on data for the preceding year.