



News and Updates for Plan Sponsors and Fiduciaries of Defined Contribution Plans

Q2'09 Market Review: The Bull Forges On

The 2nd quarter ended with one of the largest percentage gains (for U.S. equity markets) over the past 10 years (the previous largest percentage increase was in 2003, early in the last bull market following the bursting of the "dot-com" bubble). The U.S. equity market was up 16.8% (Russell 3000) for the 2nd quarter, bringing year-to-date returns for 2009 positive, up 5% as of 6/30. International equity markets continued on their upward tear, up 25.9% (MSCI EAFE) for developed markets and 34.8% (MSCI EmF) for emerging markets. Government bonds, which had been the darlings of the market as of late, were the only asset class to post negative returns as investors left the safety of lower-yielding government backed debt for riskier, higher yielding securities (stocks and bonds). Risk was back in vogue, as investors drove up asset prices across the board. The rally, however, was more of an indication that things "weren't as bad as previously thought", and that the worst case scenario had been averted rather than a return to growth. The Fed alluded to these points in their June meeting statement, stating that "the pace of economic contraction is slowing (and that) conditions in financial markets have generally improved in recent months."

The recent market run-up brought market valuations back in-line and closer to their historical averages at the end of the 2nd quarter (many measures suggested that markets were undervalued by a good margin at the end of the 1st quarter). Now that we are closer to historical norms, the question that looms is: "How far will the markets continue to run?" The current rebound has been almost as fast and strong as it was on the downside (just ending March 9th of this year). The Fed's low interest rate policy, coupled with the massive buying of Treasuries has helped fuel the rally. This has not only benefited the credit markets, but has also benefited other markets as well, as some of this liquidity has worked its way into stocks, bonds and other assets (bidding all their prices higher). At some point, the Fed will remove this support to stem inflationary fears. To move forward, improvement needs to be seen on the economic front to further extend this new "bull" market (the market is now well over 20% higher from its bear market lows). Housing, corporate earnings and consumer spending will play a big part in getting the markets to move forward. Only with renewed consumer spending, corporate earnings growth and a more stable (and hopefully growing) housing market, will we see this new bull market continue to be sustained.

401(k) Plan Fee Basics: Understanding Total Plan Cost

When assessing fees relevant to the 401(k) plan, there are three areas to consider: **Administrative fees**, **Investment fees** and **Plan Consulting fees**. Combined, these represent Total Plan Cost.

Administrative fees include any fees paid for services to operate the plan including recordkeeping, trustee, compliance, and communications. These fees can be paid for by the plan sponsor or participant.

Investment fees include all costs associated with managing the investments. These fees are always paid for by the plan participant. Another component of the investment expense is the redemption fee, which is charged to plan

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participants who sell fund shares if they haven't satisfied a minimum holding period – a common fund requirement designed to discourage short-term trading.

Plan consulting fees include advisory fees paid to a registered investment advisor or commission paid to a broker. Plan consulting fees can be paid for by the plan sponsor or participant.

When benchmarking your retirement plan it is critical to examine all types of plan expenses and how these equate to total plan cost. For more information on this topic, please contact us at 401khelp@hubinternational.com.

Record Retention: What Should I Keep and How Should I Organize It?

As retirement plan consultants we hear time and time again, "what records should I keep", "how long should I keep them", and "how should I organize my files?" Remember several rules of thumb when it comes to **record retention** (and whenever possible, use your plan vendor to maintain these items):

- Plan Documents should never be discarded. This includes Basic Plan Documents, Adoption Agreements, Amendments and Summary Plan Descriptions.
- Annual Filing Reports should be maintained for at least six years. This includes 5500's, supporting materials for contributions, testing results, plan audits, Summary Annual Reports, and distribution records.
- Participant Records should be retained during the participant's employment and at least six years after the participant's termination. This includes enrollment forms, beneficiary forms and distribution forms. Loan records should be maintained at least six years after the loan is paid off.

As for organizing your **Fiduciary File**, we suggest a format that includes the following sections:

1. Documents Section – for all plan documents, amendments, tax filings, etc.
2. Administrative Section – for all audit results, contribution records, Plan Review Executive Summaries, participant complaints.
3. Participant Communication Section – copies of enrollment materials, communication memos, meeting sign-in sheets.
4. Investments Section – listing of fund menu with expenses, Investment Review Executive Summaries.

The key is twofold: keep the things you need and store them so you can find it easily. If a participant, auditor or DOL agent requested plan information, could you find it quickly? For questions, contact us at 401khelp@hubinternational.com.

Communication Corner: Leaving the Company

What happens to your 401(k) when you leave your employer? This month's sample participant communication memo outlines the options available to participants. Please continue to distribute these participant memos to your plan participants every month.