

# The **401k** Diagnostic **SYSTEM**<sup>TM</sup>

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Evaluate & Manage Your 401k

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Benchmarking Results for  
ABC Company

Presented By  
XYZ Associates

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A Proprietary System developed by 401(k) Analytics, LLC<sup>TM</sup>

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## EXECUTIVE SUMMARY

The goal of The 401(k) Diagnostic Report is to obtain the maximum benefit from your 401(k) plan, while helping your Human Resource Department administer the plan in a streamlined and efficient manner. Specifically, The 401(k) Diagnostic Report will provide you with an overview of your 401(k)'s:

- Plan Design
- Employee Participation/Utilization
- Fiduciary Issues
- Asset Allocation/Investment Diversity/Investment Monitoring
- Employee Education
- Total Plan Cost

It provides clarity as to the level of understanding that your employees have of your company's 401(k) plan. When the strengths and weaknesses of your plan are identified, the process to improvement becomes clear. This tool provides the insight necessary to develop your company's 401(k) Solution Diagnostic which will help your company's plan run at its optimal level.

## GENERAL OVERVIEW

### Participation

#### Number of Participants Enrolled In Plan

Currently, your plan has **100** participants.

NUMBER OF PARTICIPANTS IN PLAN	
< 100	35.5%
<b>100 – 499</b>	<b>28.5%</b>
500 – 999	9.7%
1,000 – 5,000	15.6%
>5,000	10.8%

Source: 2008 DC Survey, Plansponsor.com

### Plan Assets

Your plan currently has **\$5,000,000** in assets.

TOTAL PLAN ASSETS	
< 5MM	37.0%
<b>5MM – 50MM</b>	<b>34.8%</b>
50MM – 200MM	13.4%
>200MM	14.8%

Source: 2008 DC Survey, Plansponsor.com

### Defined Benefit Plans

ABC Company **does not** offer a Defined Benefit plan.

PERCENTAGE OF COMPANIES THAT OFFER A DEFINED BENEFIT PLAN	
Yes (open to all employees)	14.5%
Yes (“frozen”)	8.2%
Yes (open to some employees)	6.5%
<b>No defined benefit plan</b>	<b>70.8%</b>

Source: DC Survey, Plansponsor.com

*23% of DB plan sponsors are looking to terminate their pension plan, 28% are planning a pension plan freeze and 26% intend to reduce DB plan benefits in 2007.*

Source: 401kWire.com

## Length of Provider Relationship

*Length of time you have been with your recordkeeper/administrator*

You have used your current provider for **four years**.

LENGTH OF TIME WITH CURRENT PROVIDER	
Less than 2 years	12.0%
<b>2 to less than 5 years</b>	<b>21.0%</b>
5 to less than 10 years	36.0%
10 or more years	31.0%

Note: Average was 6.76 years

Source: Deloitte Annual 401(k) Benchmarking Survey

## Evaluation Frequency

*Evaluation of other providers for your plan for recordkeeping/ administration*

You currently evaluate your provider **every three years**.

EVALUATION FREQUENCY	
Less than 2 years	27.0%
<b>2 to less than 5 years</b>	<b>39.0%</b>
5 to less than 10 years	24.0%
10 or more years	10.0%

Note: Average was 4.6 years

Source: Deloitte Annual 401(k) Benchmarking Survey

*Nearly one in five defined contribution plan sponsors are planning to change providers in 2007.*

Source: 401kWire.com

## PLAN DESIGN

### 401(k) Plan Eligibility

#### *401(k) Eligibility Type*

Your current eligibility requirement is **one year** of service. This eligibility requirement is the same as **10.0%** of other companies.

ELIGIBILITY TYPE	
Immediate	51.0%
0 - 3 Months	31.0%
4 - 6 Months	8.0%
1 Year	10.0%

*Source: Deloitte Annual 401(k) Benchmarking Survey*

### Automatic Enrollment

#### *Automatic enrollment/negative election feature*

Your plan **does not** currently use automatic enrollment.

CONTAINS AN AUTOMATIC ENROLLMENT/NEGATIVE ELECTION FEATURE	
No, never had it	32.0%
No, but considering it	26.0%
Yes	42.0%

*Source: Deloitte Annual 401(k) Benchmarking Survey*

**PPA UPDATE:** *The Pension Protection Act preempts state laws that would prohibit or restrict automatic enrollment. Prior to the Pension Protection Act (PPA), there were legal questions that arose as to the application of state laws to automatic enrollment without employees' consent. Now there's a fiduciary framework for client sponsors. An employee can opt out of the automatic enrollment as long as they get a corrective distribution within 90 days after the first payroll period. A participant is not subject to a 10% excess tax. In addition, the payroll contributions distributed are not included in the ADP test.*

## Step Up Contributions

### *Step-up contributions feature*

Your plan **does offer** an automatic deferral increase feature.

CONTAINS AN AUTOMATIC CONTRIBUTION STEP-UP FEATURE	
Yes, as a separate, stand-alone feature	22.0%
Yes, tied to an automatic enrollment feature	12.0%
Yes, tied to both easy enrollment feature and auto-enrollment	1.0%
No, but considering it	18.0%
No, unaware of this feature	2.0%
No	43.0%
Other	2.0%

INCREMENTAL STEP-UP PERCENTAGE	
1 percent	58.0%
2 percent	3.0%
Employee's choice	37.0%
Other	2.0%

*Average step-up was 1.11 percent.*

*Source: Deloitte Annual 401(k) Benchmarking Survey*

*Only 1 in 4 workers are very confident they are preparing well for retirement. Workers say that many automatic enrollment features would help them save for retirement. At least 6 in 10 workers feel favorable toward individual automatic enrollment features.*

*Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., Retirement Confidence Survey*

## Vesting Schedule

### *Vesting Schedules by Plan Type*

Your current vesting schedule is as follows: **6 year graduated**

VESTING SCHEDULE	
Immediate Full Vesting	43.6%
2-Year Cliff Vesting	3.3%
3-Year Cliff Vesting	10.6%
3-Year Graduated Vesting	3.1%
4-Year Graduated Vesting	3.7%
5-Year Graduated Vesting	17.6%
<b>6-Year Graduated Vesting</b>	<b>15.7%</b>
Other	2.5%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

**PPA UPDATE:** *The Pension Protection Act applied a faster matching contribution and faster matching vesting schedule to all employer contributions (100% vesting after three years or six years graded). Prior to PPA, an employer could have a five year cliff or seven year graded vesting schedule on employer contributions (non-matching).*

## Profit Sharing Provision

Your plan **does provide** a profit sharing contribution.

PROFIT SHARING CONTRIBUTION	
Yes	41.0%

## Profit Sharing Allocation

Your plan uses the **Integration with Social Security** method to allocate the Profit Sharing Contribution.

ALLOCATION BREAKDOWN	
Pro Rata to Compensation	71.0%
<b>Other</b>	<b>29.0%</b>

*Source: Deloitte Annual 401(k) Benchmarking Survey*

## Company Contributions

Your plan currently matches participant deferrals at **50% to 4%**.

MATCHING FORMULA USED (ALL PLANS)	
Fixed Match Only (excluding Safe Harbor)	24.8%
Safe Harbor Match Only	13.4%
Discretionary Profit Sharing Match Only	5.9%
Discretionary Profit Sharing Contribution Only	4.8%
Discretionary Profit Sharing Match & Other Contributions	3.9%
Discretionary Profit Sharing Contributions & Other Contributions	3.0%
Fixed Match & Discretionary Profit Sharing Match	11.1%
Fixed Match & Discretionary Profit Sharing Contribution	9.9%
Fixed Match & Other Contributions	11.0%
No Company Contributions	3.6%
Other	2.0%

Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans

**PPA UPDATE:** The Pension Protection Act made the default percentage 3% for the first year of auto enroll arrangement, increasing by 1% a year (4% the second year, 5% the third year, and 6% the fourth year). In addition, there is an Automatic Enrollment Safe Harbor available in the Pension Protection Act. An employer can take advantage of Safe Harbor (no 401(k) testing) by making a non-elective contribution for all eligible employees at 3%, or match the non-highly compensated employees 100% of the deferral, up to 1% of compensation plus 50% of the next 5%. This is a maximum match of 3.5% of pay. The match also must be vested within two years. The 401(k) Safe Harbor continues as an option with the plan sponsor making a 3% qualified non-elective contribution to all employees, or a qualified match of 100% up to 3% and 50% of the next 2% (maximum match of 4%). In addition, these matching contributions are 100% vested.

## Matching Contributions

Your company currently matches **\$0.50 per \$1.00**.

MATCHING FORMULA USED IN PLANS WITH FIXED MATCHES	
< \$.25 per \$1.00	1.5%
\$.25 per \$1.00	11.1%
> \$.25 & < \$.50 per \$1.00	1.9%
<b>\$.50 per \$1.00</b>	<b>43.8%</b>
> \$.50 & < \$1.00 per \$1.00	5.5%
\$1.00 per \$1.00	34.9%
> \$1.00 per \$1.00	1.3%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

## Average Match by Industry Type

Average matching contribution and percentage of pay matched by industry type.

INDUSTRY MATCHING INFORMATION		
Industry	Cents Per Matched \$1.00	Max % of Pay Matched
Durable Goods Manufacturing	\$0.60	5.1%
Non-Durable Goods Manufacturing	\$0.68	5.8%
Wholesale Distribution & Retail Trade	\$0.60	5.3%
Financial	\$0.72	5.1%
Insurance & Real Estate	\$0.73	5.4%
Services	\$0.62	5.3%
All Plans*	\$0.66	5.3%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

\*Data in the "All Plans" row includes respondents outside of the six listed industries.

## Miscellaneous – Loans

### *401(k) Plans Permitting Participant Loans*

Your plan **does allow** loans.

401(K)	
Loans Permitted	86.3%
Loans Not Permitted but Under Consideration	1.2%
Loans Not Permitted and Not Under Consideration	12.5%

LOAN USAGE COMPARISON 2003-2007					
Loan Demographics	2003	2004	2005	2006	2007
Percentage of Participants Who Have Loans	27.6%	24.0%	24.5%	23.7%	23.6%
Average Loan Amount Per Borrower	\$6,260	\$6,368	\$7,407	\$7,776	\$7,655
Percentage of Plan Assets Loaned	1.4%	2.0%	2.4%	2.1%	1.6%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

## EMPLOYEE PARTICIPATION / UTILIZATION

### Testing & Participation

#### Rate of Employee Participation by Plan Size for 401(k) Plans

Your current participation rate is **68.0%**.

PLAN SIZE BY NUMBER OF PARTICIPANTS			
1-49		87.6%	
50-199	68.0%<	83.6%	(% below average)
200-999		85.2%	
1,000-4,999		77.5%	
5,000+		76.8%	

Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans

Nearly one in five eligible employees have not enrolled in their organization's retirement plan.

Source: EBRI Retirement Confidence Survey

### Average Percentage of Salary Deferral for ADP-ACP Test Results

At ABC Company, the current average deferral rate for Non Highly Compensated Employees is **2.9%** while the average deferral rate for the Highly Compensated Employees is **4.5%**.

CONTRIBUTION TYPE (NATIONAL AVERAGES) - PLAN SIZE BY # OF PARTICIPANTS						
	Pre-Tax [401(k)] - Higher Paid			Pre-Tax [401(k)] - Lower Paid		
1-49		7.8%			6.5%	
50-199	4.5%<	6.8%	(% below average)	2.9%<	5.5%	(% below average)
200-999		7.1%			5.8%	
1,000-4,999		6.9%			5.3%	
5,000+		6.5%			4.8%	

Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans

## Historical Average Deferral Rates

AVERAGE PERCENTAGE OF PRE-TAX SALARY DEFERRAL AMONG NON-HIGHLY COMPENSATED PARTICIPANTS, 1999-2007									
	1999	2000	2001	2002	2003	2004	2005	2006	2007
Pre-Tax Deferral (Percentage of Pay)	5.4%	5.3%	5.3%	5.2%	5.2%	5.4%	5.4%	5.4%	5.6%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

## Catch-up Contributions

Your plan **does allow** for catch-up contributions for participants age 50 and over.

PARTICIPANTS AGE 50+ THAT MADE CATCH UP CONTRIBUTIONS	
1-49	38.0%
50-199	29.0%
200-999	16.5%
1,000-4,999	14.8%
5,000+	11.6%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

*More than half of 55-year-olds have less than \$50,000 in their defined contribution plan; 75% have less than \$100,000. Many experts estimate individuals will need about 90% of their final working salary per year in retirement to maintain their standard of living.*

*Source: The Retirement Journey; McKinsey & Company, Inc*

## Plans Permitting Roth 401(k) Deferrals

Your plan **does not** include a provision for Roth 401(k) contributions.

PLAN SIZE BY NUMBER OF PARTICIPANTS	
1-49	43.5%
50-199	36.6%
200-999	22.2%
1,000-4,999	18.5%
5,000+	21.3%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

## Participants Making Roth 401(k) Contributions

PLAN SIZE BY NUMBER OF PARTICIPANTS	
1-49	19.6%
50-199	10.2%
200-999	8.6%
1,000-4,999	9.9%
5,000+	8.6%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

*The Roth 401(k), in the first three months of existence, has had an average participant adoption rate of 8% according to a study released by Hewitt Associates in June 2006. The Roth option has a higher participation rate of workers in their 20's (14%) vs. those ages 50-59 (4%). The study also found that there are no notable differences in participation and contribution rates between employees opting for the Roth 401(k) vs. the traditional 401(k).*

*Source: 401kWire.com*

## Non-Qualified Deferred Compensation Plan

Your company **does provide** a non-qualified deferred compensation plan.

PERCENTAGE OF COMPANIES PROVIDING NON-QUALIFIED SUPPLEMENTS	
1-49	3.3%
<b>50-199</b>	<b>3.0%</b>
200-999	24.8%
1,000-4,999	37.1%
5,000+	52.1%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

## FIDUCIARY RESPONSIBILITIES

### Understanding Fiduciary Responsibilities

You have **somewhat** of an understanding of your fiduciary responsibilities.

RATING FIDUCIARY UNDERSTANDING	
Fully understand	46.6%
<b>Understand somewhat</b>	<b>51.7%</b>
Do not understand	1.7%

*Source: Plansponsor Magazine*

### Fiduciary Issues

A **plan committee or pension board** answers most questions on fiduciary issues regarding the plan.

ANSWERING FIDUCIARY QUESTIONS	
Outside ERISA attorney, CPA, or actuary	35.1%
Retirement provider or recordkeeper	15.8%
In-house counsel	10.5%
CEO or president	8.8%
Retirement plan advisor	7.0%
<b>Plan committee or pension board</b>	<b>5.3%</b>
Head of benefits or HR	3.5%
Head of operations or administration	3.5%
CFO or VP finance	1.8%
Other	8.8%

*Source: Plansponsor Magazine*

## Challenges in Fulfilling Fiduciary Responsibilities

FIDUCIARY CHALLENGES			
	Not a priority	Somewhat of a priority	Top priority
ERISA 404(c) compliance	10.3%	43.1%	44.8%
Understanding fees/expenses	5.2%	43.1%	51.7%
Fiduciary training	5.2%	53.4%	37.9%
Documentation of procedures	1.7%	37.9%	60.3%
Investment policy review	1.7%	34.5%	62.1%
Plan provider benchmarking	12.1%	58.6%	29.3%
Plan document review	10.3%	50.0%	37.9%
Fiduciary investment review	1.8%	38.6%	59.6%
Participant education	3.5%	24.6%	71.9%

Source: Plansponsor Magazine

## Resources for Updates on Legislative and Regulatory Changes that Affect the Plan and Plan Participants

RESOURCES FOR LEGISLATIVE AND REGULATORY CHANGES			
	Not a resource	Somewhat valuable	Most valuable
Retirement plan advisor	35.1%	40.4%	24.6%
Retirement plan provider	17.5%	43.9%	38.6%
Online websites	10.7%	57.1%	32.1%
Trade publications	8.8%	59.6%	31.6%
Attorney (in-house)	60.0%	29.1%	10.9%
Attorney (outside counsel)	27.8%	42.6%	29.6%
Accountant	64.7%	27.5%	7.8%
Other	65.4%	23.1%	11.5%

Source: Plansponsor Magazine

## Retirement Plan/Investment Committee

You **do have** a formal retirement plan committee.

RETIREMENT PLAN COMMITTEE	
Yes	72.4%
No	27.6%

*Source: Plansponsor Magazine*

Your retirement plan committee meets **annually**.

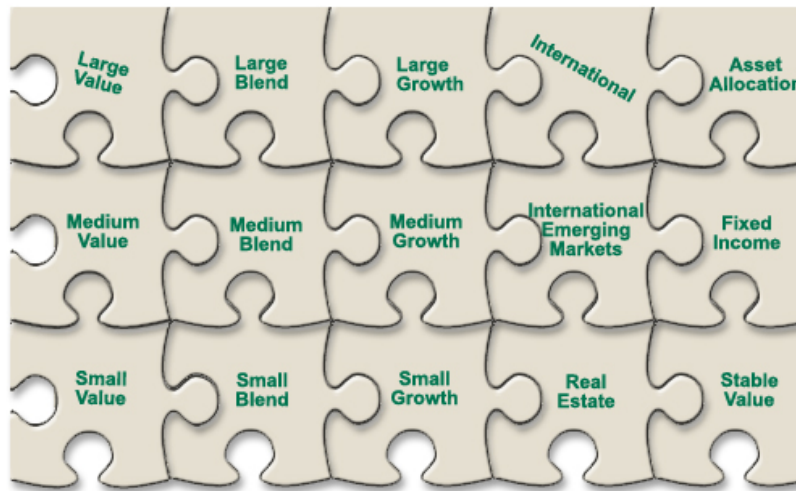
COMMITTEE MEETINGS	
Monthly	7.5%
Quarterly	75.0%
Annually	17.5%

*Source: Plansponsor Magazine*

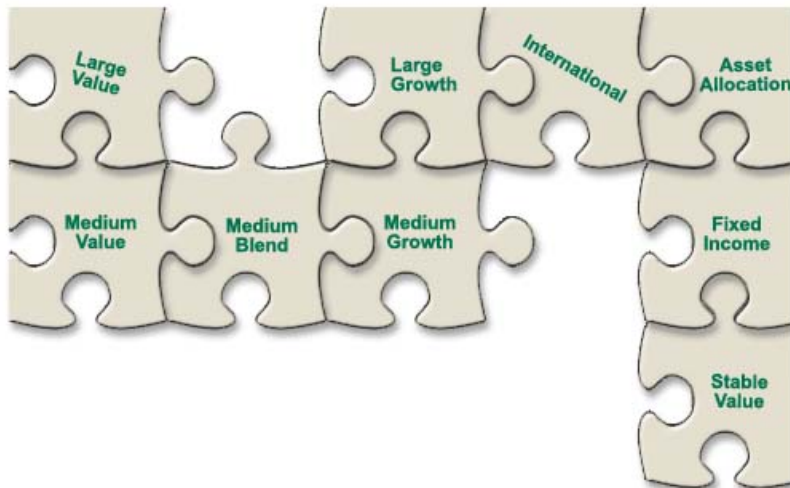
## INVESTMENT DIVERSITY

### Pieces to a Successful Investment Platform

Most Investment Policy Statements call for a diverse set of investment options. Diversity starts with a broad range of asset class alternatives. By offering the various asset class “puzzle pieces” not only does the employer fiduciary reduce liability, they help to ensure the employee’s ability to construct an asset allocation strategy which can withstand the various ups and downs of specific asset classes in any given year.



*ABC Company offers the following asset class puzzle pieces*



*\*\*Diversification does not assure an investment gain and does not protect against loss in a declining market.*

## ASSET ALLOCATION

### Actual Asset Allocation Based Upon the Universe of Current Investment Options

ASSET ALLOCATION BREAKDOWN					
Large Value	29%	Large Blend	7%	Large Growth	13%
Large Value Fund I Large Value Fund II		Large Blend Fund I Large Blend Fund II Large Blend Fund III		Large Growth Fund I Large Growth Fund II	
Medium Value		Medium Blend		Medium Growth	
Small Value		Small Blend		Small Growth	
Foreign/World Stock	18%	Balanced/Asset Allocation	9%	Stable Value	9%
International Fund I		Lifestyle Fund I Lifestyle Fund II		Stable Value Fund*	
Income	10%	Other	5%		
Intermediate Term Bond Fund		Technology Fund			

*\*fund represents the default election*

## Asset Allocation by Investment Type

Total amount invested in funds as a percentage of total year-end fund balance by fund type and plan size.

Fund Type	1-49	50-199	200-999	1,000-4,999
Balanced stock/bond fund	5.7%	10.1%	6.0%	6.2%
Bond-actively managed domestic	6.1%	5.2%	3.9%	3.6%
Bond-indexed, domestic	1.8%	0.5%	2.1%	1.0%
Cash equivalents (CD/money mkt)	5.2%	4.8%	3.3%	4.8%
Company stock	1.0%	0.4%	1.0%	6.4%
Equity-actively managed, domestic	31.8%	31.4%	29.2%	26.9%
Equity-actively managed, int'l	13.1%	13.1%	9.2%	11.7%
Equity-indexed, domestic	10.4%	7.9%	11.6%	10.2%
Equity-indexed, int'l	1.9%	0.8%	1.8%	1.3%
Real estate fund	1.7%	0.9%	0.4%	0.4%
Other sector fund	0.9%	0.5%	0.2%	1.2%
Self-directed (brokerage window)	3.6%	1.2%	1.9%	1.7%
Self-directed (mutual fund window)	0.01%	6.3%	0.7%	0.6%
Stable value	2.7%	5.8%	11.4%	8.2%
Target retirement date	2.8%	4.0%	5.5%	6.1%
Other lifestyle/fund(s)	7.3%	4.6%	2.8%	1.6%
Other	4.0%	2.7%	9.0%	8.0%
	100.0%	100.2%	100.0%	99.9%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

*Lifecycle and lifestyle investment options continue to grow in popularity according to 2005 EBRI-ICI Database. Plans including the lifecycle or lifestyle investment options in their lineups went from 27.6% in 2000 to 48.5% in 2005. Employees in their twenties have a higher percentage of their retirement funds in lifestyle, lifecycle and other balanced investment options. The largest portion of 401(k) retirement plan funds is invested in equity investment options and the percentage of retirement funds invested in company stock continues to fall.*

*Source: Plansponsor.com*

## INVESTMENT MONITORING

### Investment Policy Statement

An investment policy statement (IPS) sets forth the goals of the Plan's investment program. It establishes policies for selecting appropriate investment management and suitable investment options. It establishes guidelines for monitoring and evaluating the performance of the Plan's investment management and investment options. Finally, an IPS assists the Plan Fiduciary in ensuring that the Plan's assets are prudently invested and adequately diversified.

### Percentage of Plans Reporting Having an Investment Policy Statement

401(K)	
Has an Investment Policy Statement	83.5%
Does Not Have an Investment Policy Statement	9.1%
Respondent Uncertain	7.4%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

### Investment Policy Monitoring Frequency

MONITORING FREQUENCY	
Annually	21.6%
Semi-Annually	12.6%
Quarterly	60.3%
Monthly	4.1%
Other	1.4%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

## Company Stock

### *Company Stock Available for Participant Contributions*

Your plan **does currently** offer company stock.

PLAN SIZE BY NUMBER OF PARTICIPANTS	
1-49	4.0%
50-199	0.0%
200-999	6.5%
1,000-4,999	24.7%
5,000+	45.6%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

## Self Directed Brokerage Options

### *Self Directed Brokerage Option Available for Participant Contributions*

Your plan **does not currently** offer a self-directed brokerage option.

PLAN SIZE BY NUMBER OF PARTICIPANTS	
1-49	19.8%
50-199	8.3%
200-999	13.1%
1,000-4,999	19.0%
5,000+	16.9%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

## Number of Investment Options

ABC Company offers participants **13 investment options.**

AVERAGE NUMBER OF INVESTMENT OPTIONS		
	2007	2008
Investment options OFFERED	21.1	18.8
Investment options HELD by participants	5.2	5.2

*Source: 2008 DC Survey, Plansponsor.com*

## INVESTMENT MENU DASHBOARD

### Dashboard Breakdown

DASHBOARD BREAKDOWN				
	3 Year Track Record	>\$100m Invested	Ranked better than 50th Percentile 3 Years	Ranked better than 50th Percentile 5 Years
Lifestyle Fund I	Y	Y	✓	N
Lifestyle Fund II	Y	N	✓	N
Large Growth Fund I	Y	Y	N	✓
Large Growth Fund II	Y	Y	✓	N
Technology	Y	Y	N	✓
Intermediate Bond	Y	Y	✓	N
Large Blend Fund I	Y	N	N	N
Large Blend Fund II	Y	Y	✓	N
Large Value Fund I	Y	Y	✓	✓
International Fund I	Y	Y	✓	✓
Large Value Fund II	Y	Y	✓	N
Large Blend III	Y	Y	✓	✓

*This summary represents past performance, which is not a guarantee of nor should be considered indicative of future performance.*

### Legend

Y = Yes

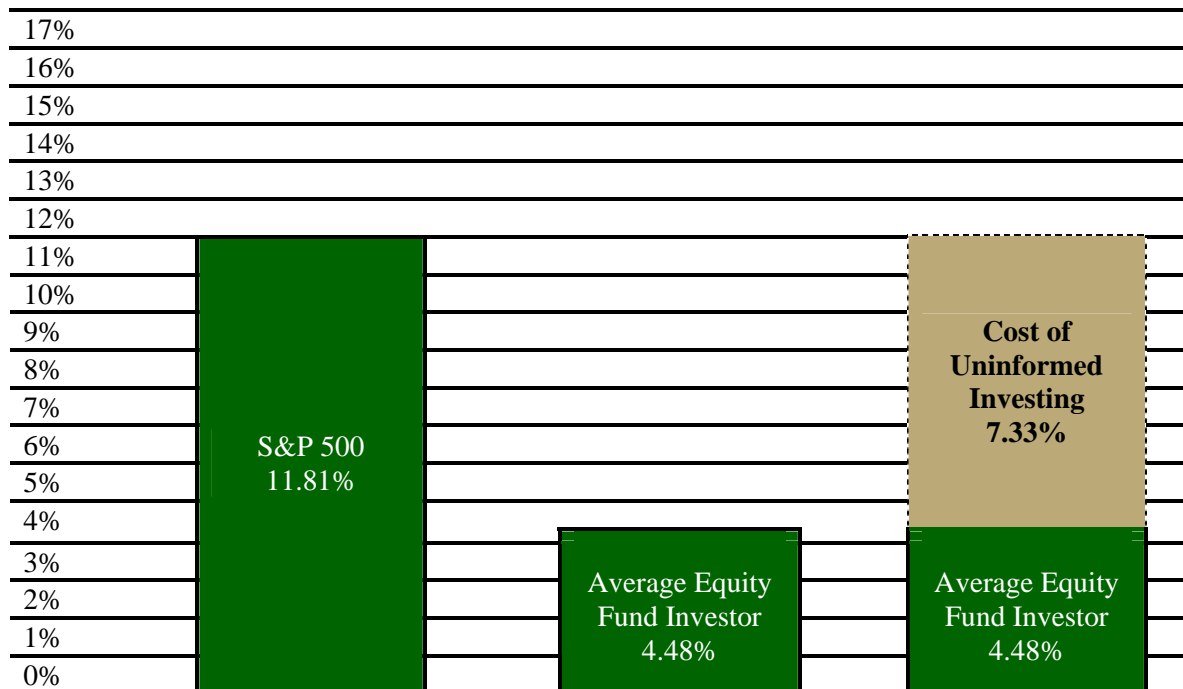
N = No

✓ = Meets Requirement

## EMPLOYEE EDUCATION

### Fund Return vs. Investor Return

Fund return does not equal investor return. Below find the average for stock funds versus that of an individual investor in the same asset class. This is the cost of “uninformed” investing, the cost of lack of discipline.



From 1988 through 2007 the S&P 500 Index posted an average annual return of 11.81%.

***The cost of uninformed investing***  
From 1988 through 2007 the average investor in a stock fund earned 4.48 %.

*These averages represent past performance, which is not a guarantee of nor should be considered indicative of future performance.*

*Source: Dalbar Quantitative Analysis of Investor Behavior (QAIB) study – 2008.*

## Financial/Investment Advice

### *Financial/Investment Advice Available to DC plan Participants*

You **do currently** offer investment advice to DC plan participants.

ADVICE PROVIDED	
No	28.9%
Yes, through a financial planner/adviser	26.7%
Yes, through a third party	9.5%
Yes, through DC provider	31.6%
Yes, through another source	3.3%

Source: 2008 DC Survey, Plansponsor.com

**PPA UPDATE:** *The Pension Protection Act provides a prohibited transaction exemption for advice from a fiduciary advisor to DC plan participants. The fiduciary advisor may be a registered investment advisor, bank, insurance company or broker/dealer. An eligible investment arrangement must provide financial compensation that does not vary in accordance with the investment option chosen; or use a computer modeling program. Prior to the Pension Protection Act, plan sponsors could be held liable for the fiduciary breaches of their advisors .*

*According to The Scarborough Group, 73% of plan participants surveyed said they are not overly confident in their investing abilities. In a press release, The Scarborough Group said the survey also found that 72% of participants would prefer to use personal management for their 401(k) account balance, meaning a financial advisor provides investment advice and also manages their account assets. On the other hand, 20% said they would prefer an internet-based form of advice.*

Source: Plansponsor.com

## Investment Education

### *Type of Investment Education Material Used to Accomplish Primary Education Goal*

COMMUNICATION TECHNIQUE	
Enrollment Kits	60.9%
Paycheck Stuffers	16.0%
Fund Performance Sheets	44.3%
CDs/MP3s/Audio	2.0%
Videos/DVDs	6.3%
Slides/PowerPoint	40.5%
Retirement Gap Calculators	27.1%
Other Modeling Software (not retirement gap)	16.0%
401(k) Day	12.2%
Newsletters	43.2%
Posters	21.4%
Books	1.7%
Seminars/Workshops	53.5%
Webinars	11.9%
Email	38.1%
Internet/Intranet Sites	43.2%
Individually Targeted Communication	41.9%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

## Automated Systems

### *Percentage of Companies Providing Services via Telephone Response System*

SERVICE PROVIDED	
Enrollments	47.0%
Plan Inquiries	72.0%
Contribution Changes	55.8%
Balance Inquiries	80.4%
Investment Changes	75.9%
Loans	50.8%
Hardship Distributions	35.8%
Final Distributions	44.8%
None	11.7%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

**Technological Capabilities / Use of Internet**  
*Percentage of Companies Providing Services via the Web*

SERVICE PROVIDED	
Enrollments	59.0%
Plan Inquiries	82.8%
Contribution Changes	69.5%
Balance Inquiries	93.1%
Investment Changes	92.1%
Loans	62.6%
Hardship Distributions	40.8%
Final Distributions	50.3%
None	6.1%

*Source: Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans*

## TOTAL PLAN COST

### Provider Averages

401(K) AVERAGES BOOK EXPENSE AVERAGES	
No. of Participants	100
Assets	5,000,000
Avg. Management Fees	1.27%
Record Keeping & Administration	0.06%
Trustee	0.01%
<b>Total Bundled</b>	<b>1.34%</b>

Source: 401(k) Averages Book (9th Edition)

### Actual Plan Expenses

ABC COMPANY EXPENSES	
Investment Expenses (weighted average)	1.51%
Asset Charge	0.00%
Record Keeping & Administration	0.20%
<b>Total Plan Expenses</b>	<b>1.71%</b>

ABC COMPANY EXPENSE RATIOS			
Fund	Expense Ratio	Fund	Expense Ratio
Lifestyle Fund I	1.7%	Stable Value	0.6%
Lifestyle Fund II	1.9%		
Large Growth Fund I	1.5%		
Large Growth Fund II	1.8%		
Technology	2.3%		
Intermediate Bond	1.4%		
Large Blend Fund I	1.8%		
Large Blend Fund II	1.6%		
Large Value Fund I	1.7%		
International Fund I	2.1%		
Large Value Fund II	1.5%		
Large Blend III	0.6%	<b>Average Expense Ratio</b>	<b>1.58%</b>

Source: ABC Company's investment information

## SOURCES

1. All ABC Company information has been provided by the company.
2. Profit Sharing/401(k) Council of America (PSCA) 51<sup>st</sup> Annual Survey of Profit Sharing and 401(k) Plans
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