

## Fringe Benefit Group Government Marketing Monthly Update

Be sure to read to the end of the bulletin to see sales results through November..

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**Just a reminder - we're sponsoring a contest for all of our producers. The contest will run through December 31, 2009. When determining the winner, we will take into account these factors: number of cases sold, retirement contributions, and health care premiums. The winner receives 4 days and 3 nights in Las Vegas!**

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### Client Communication

There are two items we need you to communicate to your clients this month. Staying in regular contact with your clients gives you the opportunity to be seen as a trusted, proactive partner – and it can help you address issues before they become problems.

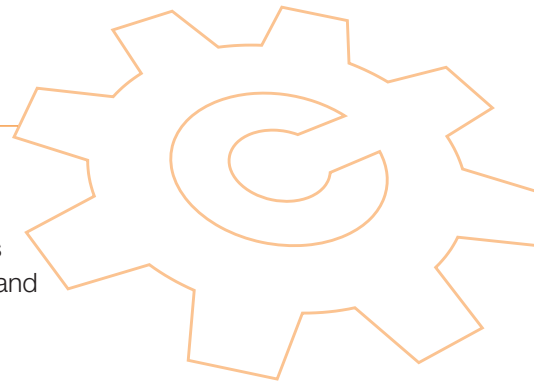
### DEPOSIT OF 401(K) FUNDS WITHHELD

Please get in communication with your clients to let them know 401(k) deferrals should be deposited within seven working days from when they were withheld from pay. When performing plan audits, this is the timeframe the DOL is using.

### NONDISCRIMINATION TESTING FEES

Plan sponsors who cover Highly Compensated Employees in their plans are required to have their plans tested to make sure they meet nondiscrimination requirements. The base fee for this testing is \$500. Clients who have not made contributions for HCEs in previous years may be caught off-guard by this fee, even though it is outlined in the retainer agreement. If you have clients who make contributions for HCEs, please make them aware of this testing fee. Here is the paragraph from the retainer agreement that addresses nondiscrimination testing and fees:

**Nondiscrimination Testing Fee:** If the Employer covers highly compensated employees in the Plan, there is an annual fee payable to Plan Benefit Services for performing the nondiscrimination tests required for the Plan. This expense is paid directly by the company. The base fee for this testing is \$500 per year. If the Plan fails to pass the standard nondiscrimination tests, the fee could be higher, and the additional amount is billed at the hourly rate of \$75 for each hour over 4 hours of testing. The fee for verification of contributions to a 401(k) safe harbor plan is the same.



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## Industry Updates

A recent article on msnbc.com provided a link to [stimulus tracker](#), which enables you to track funds allocated to infrastructure projects by the American Recovery and Reinvestment Act down to the county level.

### ONVIA – GOVERNMENT PROCUREMENT DATABASE

Want leads on government contractors? Your RVPs have access to the comprehensive government procurement database [Onvia](#). National Public Radio recently used Onvia as a subject matter expert for a story on tracking stimulus spending and projects. Onvia provides information on government projects such as:

- Projects up for bid
- Bidder's lists on government jobs
- Bid winners
- Companies which bid but did not win the job

Contact your RVP for more information.

### WHICH STATES WILL LEAD THE CONSTRUCTION RECOVERY?

A recent article from Reed Construction Data projects that Virginia and Maryland are likely to lead the anticipated recovery in the construction market early next year, due to new federal construction projects initiated by President Obama. The article goes on to name California and Washington as other potential leaders in the projected upswing in the construction industry. And the article states that the strongest regional economies and the construction markets that have held up best are in the smallest states, such as Wyoming and the Dakotas.

### RECOVERY.GOV

The first quarterly reports for recipients of ARRA funds were due in October. The website [recovery.gov](#) is being updated with this information, and is a terrific resource for checking where stimulus funds are being spent, and how the monies are being used.

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## What's New at Fringe Benefit Group

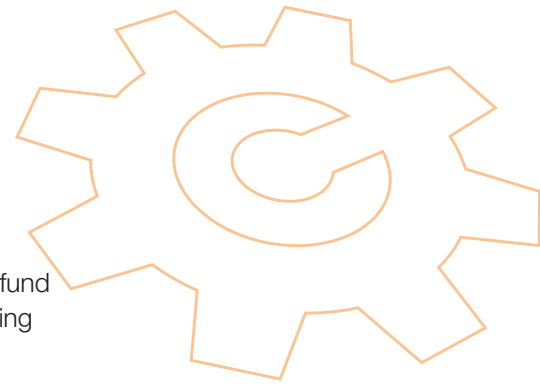
### UPDATE ON TRANSAMERICA FUND CHANGES

We had previously told you about some upcoming fund changes in the Transamerica lineup that we expected to take place this quarter. These changes will still occur, but the date has been delayed until the first quarter of 2010. Here's the information on the changes:

We are pleased to introduce four new funds for the Contractors & Employees Retirement Plan. This change will occur in the first quarter of 2010. What are the reasons for the changes?

- Increase investment diversification and enhance the investment structure of the Plan.
- Select quality fund alternatives.





As part of their ongoing responsibilities to actively monitor the investments in The Contractors Plan, the Trustee, Pentegra (formerly RSGroup) Trust Company, periodically makes changes they deem to be prudent and advantageous to participants. After careful analysis, Pentegra Trust Company determined that the fund elections in the Plan could be enhanced. Their analysis concluded that the following options will be removed from the plan:

SSgA Bond Index Ret Opt FB, Thornburg Value Ret Opt FB, Oppenheimer Main Street Small Cap Ret Opt FB, and Templeton Foreign Ret Option FB.

In their respective places, Pentegra Trust Company has chosen the following offerings:

***PIMCO Total Return Bond Ret Opt FB, American Funds Growth Fund of America Ret Opt FB, Neuberger Berman Genesis Ret Opt FB, and American Funds EuroPacific Growth Ret Opt FB.***

Together with the other funds, we believe that your investment menu is more diversified and stronger.

### **NATIONWIDE RETIREMENT RESOURCE<sup>SM</sup> EXPLAINS UNITIZATION**

Nationwide's Retirement Resource uses unitization to ensure that asset-based fees are deducted most equitably from the plan. This process is different than the NAV valuation with which most individual mutual fund investors are familiar.

The reason for the difference is that Retirement Resource is a trust program which is created in conjunction with a qualified retirement plan to own and manage plan assets. Each plan participant does not own individual mutual fund shares. They own units as a proportionate interest of the plan's assets.

Nationwide uses daily unit accounting to calculate a plan's asset value in the recordkeeping of the Retirement Resource program, which uses units and unit values as a basis. While units and the unit values are not the same as shares and share NAVs as reported by mutual fund companies, the recordkeeping result of the underlying fund performance is the same.

Nationwide uses unit value accounting because

- It has the flexibility needed to recordkeep the various features and alternative investments in the program
- It's more efficient to account for the treatment of dividend and capital gain distributions at the fund level, as the unit accounting method does, than to do so at the participant level with share additions.

Custodial and trust reports are produced using share accounting. This means that to obtain the plan's market value, we multiply the number of shares the trust owns by the NAV (less the asset management charge) to obtain the plan's market value.

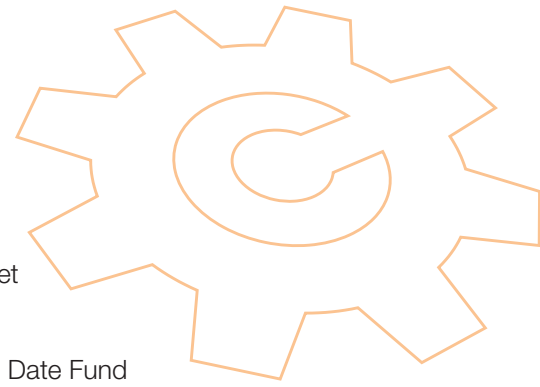
If you or one of your clients is interested in seeing the formula used to calculate Net Asset Value to Unit Value, Nationwide has a publication which further explains unitization and gives a step-by-step formula for this calculation. To receive a pdf copy, [email mrogers@fibi.com](mailto:mrogers@fibi.com).

### **MANNING & NAPIER TEAM NOMINATED FOR MORNINGSTAR'S MANAGER OF THE DECADE AWARD**

Morningstar recently unveiled its list of nominees for its first-ever Fund Manager of the Decade award. Winners in three broad asset classes will be announced in January. Among those nominated in the international fund realm is the team which manages Manning & Napier's World Opportunities Fund.



## Manning & Napier's Investment Philosophy Leads Their Target Date Funds to Outperform Peers



Manning & Napier recently released a paper comparing the performance of its target date life cycle retirement funds to its peer universe over the current market cycle.

- A plan participant who had \$100,000 in Manning & Napier's 2030 Target Date Fund in October of 2002 (defined as the start of the current market cycle) would have had an ending balance of \$201,758 at the end of September, 2009.
- By comparison, \$100,000 invested in the Target Date 2026 – 2035 Universe Median would have had an ending balance of \$151,006.

These results make it clear that all Target Date Funds, even those managed toward the same target retirement date, are not created equal. The paper lists six factors plan sponsors should analyze before choosing a target date retirement fund:

### 1. Experience in Life Cycle Investing through a Complete Market Cycle

The reason it's important to consider performance over a complete market cycle (currently defined as the period from 10/1/02 through 9/30/09) is that more conservative managers may have an advantage during a down market, while aggressive managers may have an advantage during strong markets. Tracking performance over a complete market cycle gives insight as to management's ability to preserve capital in down markets and participate in up markets.

### 2. Asset Allocation and Glide Path Decisions

Plan sponsors should look for a fund with an active approach to asset allocation and a dynamic glide path. An active approach to asset allocation means the fund manager seeks to maximize risk-adjusted returns through proactive portfolio adjustments based on changing market conditions, rather than a fixed equity/bond mix and generally static exposure to various sub-asset classes regardless of the economic or market environment.

Glide path refers to the feature of target date funds that adjusts the mix of stocks and bonds to become more conservative as the target retirement date approaches. A dynamic glide path gives the fund manager the flexibility to adjust the portfolio's equity/bond mix to fundamental changes in the market environment, as well as systematically shifting to a generally more conservative range as the time until the target date shortens.

### 3. Portfolio Diversification and Coordination

For inexperienced investors, it's easy to make the assumption that diversification is achieved by having a large number of funds and securities inside the fund. However, the fact is that having an extremely large number of funds and resulting securities can lead to significant overlap of securities, higher levels of aggregate cash as a result of multiple managers, and uncoordinated sector/industry weightings.

Manning & Napier's Retirement Target Institutional Collectives hold one or two Manning & Napier risk-based collectives, which enables the management team to make coordinated buy and sell decisions. The active approach to asset allocation allows the management team to find opportunities that are attractively valued regardless of capitalization, sector or country. The investment approach allows flexibility to include exposure to non-traditional asset classes if these types of securities are attractively priced, but does not require maintaining a minimum exposure to speculative asset classes/securities regardless of market conditions.

### 4. Security Selection

Manning & Napier uses a bottom-up approach to stock selection, analyzing securities on an individual basis for their relative strengths, attractive valuations and adherence to one of three proven investment strategies. The active approach to security selection provides the flexibility to protect capital in negative market environments, as well as to participate in positive markets.

Some companies use an index-based approach to life cycle investing which often results in limited risk management during difficult market environments.



#### 5. Reasonable Expenses

According to the September 30, 2009 release of the Morningstar Direct database, the average expense ratio for the life cycle mutual fund universe was 1.17%. The expense ratio for the six Manning & Napier Retirement Target Institutional Collectives is .69%.

When evaluating expenses, plan sponsors should analyze them relative to the value obtained. The Manning & Napier Target Date Funds have a proven track record of adding value over a complete market cycle.

#### 6. Portfolio Statistics and Performance

A comparison of Manning & Napier's annualized performance as compared to its peer group shows that its target date funds have outperformed the others for all five retirement target dates, as well as for the retirement income fund into which participants are placed once they have reached their retirement date.

The bottom line is, you have the best target date retirement funds in the business in your arsenal. The numbers tell the story – a story you can tell your clients and prospects.

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## Fringe Benefit Group in the News

### ABC WEBINAR

Adam Bonsky, Executive VP of Government Markets, and Karen deMontigny, Northeast RVP, are presenting a national webinar for members of the Associated Builders and Contractors (ABC) Tuesday, December 9th at 11 a.m. Eastern Time. The ABC is the largest association of merit shop contractors, with nearly 25,000 members and 78 chapters nationwide. The webinar, "How to Bid More Effectively on Government Contracts, is free to ABC members and covers:

- Understanding compliance issues and regulations to bid more competitively on prevailing wage projects
- Reducing payroll taxes and insurance costs on public work
- Creating significant tax savings for company owners and the business as a whole
- Easing bonding challenges
- Better managing business risk and cash flow volatility
- Compliance with increased enforcement on public work

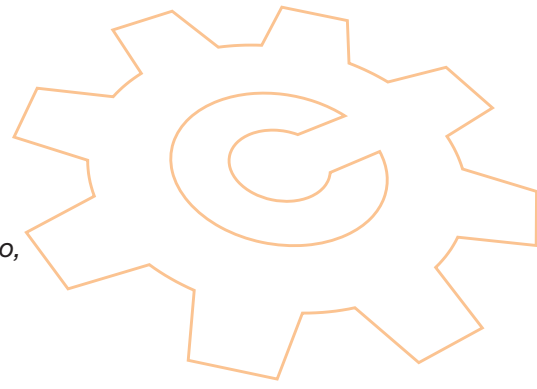
If you have clients who are ABC members, they can register for this free webinar [here](#). Remember, we are ABC business partners, and ABC members get a discount on our plans. You can direct your clients who are ABC members to [this page](#) to receive the discount.

### TRADE SHOW SCHEDULE

Here's a list of upcoming trade shows where we'll be exhibiting and/or presenting:

***World of Concrete***  
*Las Vegas, Nevada*  
*February 1-5, 2010*





**Associated Builders and Contractors, Inc. National Convention 2010**

Hilton San Diego and San Diego Convention Center, San Diego, CA

February 3-7, 2010

***PACE Painting & Coatings Expo 2010 (Presenting)***

Phoenix, Arizona

February 7 - 10, 2010

***ASA American Subcontractors Association Business Forum 2010 (Presenting)***

San Diego Marriott La Jolla, San Diego, CA

March 4 - 6, 2010

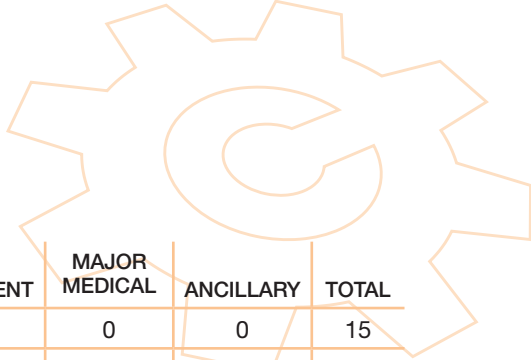
**ARTICLE IN BENEFITS SELLING MAGAZINE**

The article "Getting Your Piece of the Economic Stimulus Pie", written by VP of SCA Markets Bill Henson, appeared in the November issue of Benefits Selling Magazine and was featured in their [online newsletter](#) as well.

We sincerely thank you for partnering with us and we appreciate your business. If you have ideas or suggestions for how we can help you be more successful, please [let us know](#).



## 2009 Sales Results through November 30



BROKER(S)	AGENCY	RETIREMENT	MAJOR MEDICAL	ANCILLARY	TOTAL
Tony Gorman	Contractors Benefit Services, LLC	15	0	0	15
Bryce Curtis, Memory Woodard	Williams Lloyd, Inc.	12	0	0	12
Mark Arnold	Arnold Insurance Agency	7	1	0	8
Phil Piel, Philip Piel & Corey Klinke	West Coast Group Benefits	8	0	0	8
Chris Shear	Benefits One Consulting	0	7	0	7
Bob Hope, Zach Hope & Pam Latimer	Northpointe Insurance	4	1	1	6
Kimberley Tobin and John Sedberry	CPWIS	5	0	0	5
John Higgins	Patterson, Smith and Associates	5	0	0	5
Kevin Saltzman	Saltzman Financial	5	0	0	5
Monte TenEyck	TenEyck Financial	5	0	0	5
Sam Melamed, Robert Pratt, Joseph Rossman	Associated Builders & Contractors Insurance Services, Inc.	5	0	0	5
Al Bentley and Chris Spurlin	C1 Govcon, LLC	4	0	0	4
Joe Weber and John Weber	John O. Bronson Co.	4	0	0	4
Eugene Bain	White & Bain Financial Services	1	1	1	3
Matt Pfeiffenberger, Joe Ritchey	Murray Insurance Associates, Inc.	3	0	0	3
Bob Harling	Benefit Source, Inc.	2	0	0	2
Craig Brueckner	Brueckner Ins. And Fin. Svcs	2	0	0	2
Todd Nelson	Carl Nelson Insurance Agency	2	0	0	2
Hal Dueck	HJ Dueck Financial Services	2	0	0	2
Bruce Harris	BH Benefits	1	0	1	2
George Lehmann	Insured Benefit Plans, Inc.	2	0	0	2
Allen Long	Seubert & Associates	2	0	0	2
Patrick Casinelli	Cavnac & Associates	2	0	0	2
Brian Bean	Alliant Insurance Services Inc.	1	0	0	1
Pedro Reyes	Barney & Barney, LLC	0	1	0	1
Jan Heimbaugh	Business Planning Services	1	0	0	1
Jeanette Zakar	Contractors Benefit Solutions Inc.	0	0	1	1
Beau Reid	Holmes Murphy	0	1	0	1
Trey Mauck	Integrated Insurance Solutions, LLC	1	0	0	1
John Hall	JF Hall & Associates, Inc.	1	0	0	1
Brian Vieselmeyer	Mass Mutual	1	0	0	1
David Fuller	Neace and Associates of Ohio	1	0	0	1
Bob Bond	Shawan-Marquis Agency	1	0	0	1
Chris Taylor	Taylor and Associates Benefits	1	0	0	1
Tom Moylan	Thomas D. Moylan	1	0	0	1
Gary Pevey	Wealth Design Group	1	0	0	1
Michelle Droz	Woodruff Sawyer & Company	1	0	0	1
Mike Kelly	Thomas McGee	1	0	0	1
<b>Total</b>		<b>110</b>	<b>12</b>	<b>4</b>	<b>126</b>