



Welcome to the first edition of Cornerstone Capital Advisors' monthly "Retirement Plan INSIDER, News You Can Use"! This newsletter is written specifically for and distributed to Plan Sponsors and fiduciaries of retirement plans. Our goal is to provide you with relevant, timely and educational information as it relates to your role in providing and managing retirement benefits. Your feedback is welcomed and suggestions for future topics encouraged.

Company Match Makes a Comeback

Data from a recent Profit Sharing/401k Council of America's (PSCA) survey, titled "Response to Current Conditions" indicates that the economy just may be strengthening; companies that suspended or reduced contributions to 401(k) and profit sharing plans due to economic conditions are restoring or planning to restore them. "Companies continue to make their 401(k) plans a top priority," said David Wray, PSCA President. "Those that have suspended their matches are in the process of restoring them, and companies are aggressively restructuring their investment lineups."

More than 70 percent of companies made no changes to matching contributions and nearly 10 percent increased them in the last three years. Of the 14.8 percent of companies that suspended matching contributions in the last three years, 39.3 percent have restored them and 37.8 percent are planning to restore them within the next six months.

Employees are also continuing to contribute to their plans, with many increasing their contributions. While nearly 40 percent of companies reported no change to the number of employees making contributions, 31.6 percent indicated an increase. However, 78.1 percent of companies that suspended matching contributions (which remain suspended) reported a decrease in participation.

The survey was conducted in October 2010 and reflects the responses from 531 401(k) and profit sharing plan sponsors from across the country. PSCA conducted a similar survey of 403(b) plans. Both reports are available at www.psc.org.

Crystal Ball Predictions for 2011

With 2010 behind us, what are your predictions for 2011? The Rasmussen Reports national telephone survey consisting of responses from 1,000 Americans at the end of December shows that just 35% expect 2011 to be a good year or better than the one just past – and that's the lowest level of optimism found since the end of 2003. Nineteen percent (19%) say 2011 will be a poor year.

Other findings include:

- 22% of respondents rated 2010 as a good year or better
- 4% said 2010 was an excellent year
- 31% classify 2010 as a poor year overall
- 46% of adults believe the U.S. economy will still be in a recession at the end of 2011

Complying With ERISA 404(c)

According to ERISA, plans intending to comply with 404(c) must provide that participants: Have the opportunity to choose from a broad range of investment alternatives (which are adequately diversified); may direct the investment of their accounts with a frequency which is appropriate; and can obtain sufficient information to make informed investment decisions. The plan sponsor must provide annual written notification to participants with its intent to comply with 404(c), and be able to provide the following:

- Information about investment instructions (including contact information of the fiduciary responsible for carrying out participant investment instructions);
- Notification of voting and tender rights;
- Information about each investment alternative; and
- A description of transaction fees and investment expenses.

Compliance with section 404(c) of ERISA protects plan fiduciaries from liability for losses that result from the investment decisions made by participants.

Conversely, failure to comply with 404(c) could result in liability for losses due to poor investment decisions made by plan participants. To comply with some of the important requirements of 404(c), Cornerstone Capital Advisors encourages its clients to review and execute a formal 404(c) Policy Statement and Employee Notice and send the Notice at least annually to all employees. If you have questions regarding these documents please contact Sherri Attili at sattili@ccadvisors.com.

Communication Corner: Extra Retirement Savings in 2011

What a great time to increase your deferral rate! This month's sample participant communication memo addresses the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, reducing workers' 2011 Social Security tax withholding rate from 6.2 to 4.2 percent of wages paid. Email sattili@ccadvisors.com for a copy that you can print and distribute to employees.