TRANSAMERICA RETIREMENT SERVICES

SPONSOR E-NEWS

IN THIS ISSUE

INFORMATION

LEGISLATIVE/COMPLIANCE

FEEDBACK

Our main goal is providing you with the information you need. Please send your feedback and suggestions to:

sponsorconnect@transamerica.com

Welcome to the new look of Sponsor E-News for 2008

In this month's edition, we are pleased to share the results from the recent Client Satisfaction Survey conducted by Chatham Partners, an independent research firm.

This month's *Fiduciary Focus* concludes its examination of prohibited transactions by briefly covering several prohibited transactions.

We are also providing further updates on the Qualified Default Investment Alternative regulations that were issued in late 2007. Read below for additional regulatory information.

Additionally, we are putting a spotlight on one of our plan sponsors and their success story.

Finally, you may want to share two articles on recent market activity with your participants. The first article addresses recent volatility in the markets. The second article provides market commentary for fourth quarter 2007.

Compliments of
Sponsor Connect
(866) 498-4557

INFORMATION

Chatham Results:

CHATHAM PARTNERS

Capping a year highlighted by industry recognition of its outstanding customer service, Transamerica Retirement Services has received a total of 17 "Best in Class" ratings from the Chatham Partners' ("Chatham") December 2007 Client Satisfaction Analysis.

Transamerica received a total of 17 "Best in Class" ratings, including:

- Accuracy of processing employee contributions, distributions, and loans
- Overall satisfaction with employee transaction processing
- Timeliness of processing employee contributions, distributions, and loans
- Courteous and professional manner of Sponsor*Connect*sm personnel
- Timeliness of participant statements
- Accuracy of participant statements
- Overall satisfaction with participant statements
- Accessibility of account specialist team
- Courteous and professional manner of account specialist team

- Problem resolution skills of account specialist team
- Proactive approach of account specialist team
- Overall satisfaction with account specialist team
- Overall satisfaction with plan recordkeeper
- Courteous and professional manner of participant contact center representatives
- Timeliness of plan level reports
- Knowledge of Client Relationship Manager of the retirement industry
- Range of investment choices offered

In addition, Transamerica was rated as the best performer among all providers when compared to the benchmark for the following attributes: Good Value for the Money, Treats Me as Important, Investment Choices/Performance, Automated Voice Response System, Plan Sponsor Web site, Participant Web site, Fees, Participant Services, Participant Statements, Client Relationship Manager, and Processing Employee Transactions.

"Each year Transamerica renews its commitment to improving client relationships by ensuring that we offer our clients the best products and services available in the retirement plan market today," said Kent Callahan, president and CEO of Transamerica Retirement Services. "Through our tireless efforts, Transamerica has established itself as a service leader for the industry. Chatham's analysis validates that claim."

INFORMATION

Sponsor Exchange

No one understands the challenges facing plan sponsors today more than *other plan sponsors*. Nevertheless, finding the time to meet and discuss these issues can be difficult. Transamerica Retirement Services created the **Sponsor Exchange** to give plan sponsors that very opportunity.

The Sponsor Exchange is a virtual library of your retirement plan success stories, ideas and tips provided by your fellow plan sponsors and Transamerica Retirement Services. For example, take a look at how LogicaCMG increased their plan participation by 10% and deferrals 17%. The Sponsor Exchange can be a helpful resource for finding innovative solutions to every-day retirement plan management issues.

Don't miss your opportunity to participate in the Sponsor Exchange! If you have a Transamerica Retirement Services success story or any important information you'd like to share with other plan sponsors, please contact us at (866) 498-4557.

INFORMATION

Understanding Market Volatility

Putting recent market events into perspective may help many participants whose savings are closely tied to the stock market. We have provided this Update on market volatility to help your participants look beyond short-term volatility and make rational decisions about their retirement investments. You may want to download this analysis from Standard & Poor's and share it with your participants to help them better understand recent market swings.

You can also share Standard & Poor's Market Commentary for fourth quarter 2007 with your participants. We will continue to provide you with regular market updates throughout the coming year on our Web site, www.TA-Retirement.com.

LEGISLATIVE/COMPLIANCE

Fiduciary Focus: Part IX

This is the final *Fiduciary Focus* on prohibited transactions. Our series will continue as a quarterly feature to help ensure that you are informed about the duties and responsibilities of being a fiduciary in your plan.

Asset Transfers: ERISA Section 406(a)(1)(D) does not allow a plan fiduciary to transfer plan assets to a party in interest, or otherwise use plan assets for the benefit of a party in interest to the plan. Examples of disallowed asset transfers between a plan fiduciary and a party in interest are:

- Plan fiduciaries not transmitting employee contributions in a timely manner to the plan violate the asset transfer prohibited transaction. By failing to transfer the contributions (plan assets) into the plan in a timely manner, the fiduciary in effect allowed those assets to benefit the company, a party in interest to the plan.
- Plan fiduciaries transferring assets from the plan to a general account but were unable to provide any documentation supporting their claim that the transfer was intended to reimburse the company for administrative services it provided to the plan.
- The fiduciary of a plan wants to purchase a retroactive retirement benefit for a long-term employee who had never participated in the plan.
- A plan fiduciary transfers assets from the plan to an entity in which he was the sole shareholder.

Employer Securities and Real Property: ERISA Section 406(a)(1)(E) and ERISA Section 407(a) prohibit the sale, on behalf of a plan, of employer securities or employer real property, unless these meet the definition and requirements of Qualifying Employer Securities (QES) and Qualifying Employer Real Estate (QERP). Qualifying Employer Securities (QES) and Qualifying Employer Real Estate (QERP) usually are utilized in Employer Stock Ownership Plans and will not be discussed in detail in this article.

Self Dealing: ERISA Section 406(b)(1) expressly prohibits a plan fiduciary from dealing with the assets of the plan in his or her own interest, or for his or her own account. Basically, Section 406(b)(1) makes illegal any plan transaction from which a plan fiduciary receives any kind of benefit. Examples of fiduciary self dealing specifically have been disallowed are:

- Plan trustees authorize monthly payments to themselves as compensation for services they rendered to the plan in addition to receiving full time compensation from the sponsors of the plan.
- A plan's fund trustee and his wife receive cash and loans from the founder of an bank while having the fund purchase certificates of deposit from that bank.
- An insurance agent providing investment advice to the plan, advised plan trustees to invest plan assets in products from which he receives undisclosed commission.
- A plan fiduciary delays transmitting employee contributions to a plan so that he could pay company expenses instead.

Parties With Adverse Interests: ERISA Section 406(b)(2) states that in no capacity whatsoever shall a plan fiduciary be involved in any transaction involving the plan where one of the parties involved has interests that are adverse to the interests of the plan, its participants or its beneficiaries. Examples of parties with adverse interests are:

- Plan trustees, who are officers of the company sponsoring the plan, authorize plan loans to the sponsoring company.
- An individual who is a trustee of two separate retirement plans whose participants and beneficiaries are not the same, authorize loans between the two plans without obtaining a prohibited transaction exemption.
- A plan's investment manager invests the plan's assets in a speculative investment in which he holds a substantial equity interest. As a result the plan suffers substantial losses.

Kickbacks: The prohibited transaction regarding kickbacks is a somewhat ambiguous transaction, and there are not many examples provided in case law. Essentially, ERISA Section 408(b)(2) provides a prohibited transaction exemption allowing a plan to pay a party in interest for goods or services rendered if the services were necessary to the plan, were the result of a reasonable agreement, and the compensation paid was reasonable. Please refer to the December 2007 issue of Sponsor E-News for a more detailed examination of this exemption. ERISA Section 406(b)(3) basically states that if a party in interest receives compensation from a plan for any reason other than those defined in Section 408(b)(2), or if the compensation paid to the party in interest influenced his or her decisions with respect to plan expenditures, then the compensation could be considered to be a "kickback." Examples of transactions determined to be kickbacks are:

- A plan fiduciary gives investment advice to a plan, and the plan invests plan assets in companies that the plan fiduciary either owns an interest or receives fees or other consideration.
- A plan trustee receives gratuities from a plan service provider.

In concluding our examination of prohibited transactions, it is important for you to be familiar with the types of transactions prohibited by ERISA and to understand the reasons why they are prohibited. As a plan fiduciary, you must fulfill the standard of care required by ERISA and you must assess carefully every transaction in which the plan engages to ensure that the transaction does not violate any of the prohibitions discussed over the past few months. Otherwise, you fail to fulfill one or all of the four primary obligations you owe the plan, and you face the possibility of causing harm to the plan participants and beneficiaries.

Look for the next edition of *Fiduciary Focus* in April when we will begin to examine fiduciary responsibilities related to plan investments.

√ LEGISLATIVE/COMPLIANCE

Regulations Regarding Qualified Default Investment Alternatives

The U.S. Department of Labor issued new final regulations relating to Qualified Default Investment Alternatives.

Transamerica Retirement Services[1] ("Transamerica") is providing you with an update on these regulations and the tools to make any changes to your plan you deem appropriate.

The Department of Labor regulations provide fiduciary relief to plan fiduciaries of participant-directed plans that invest participant assets in certain types of default investment alternatives when there is no investment direction from the participant. Under the Department of Labor's final regulations, a plan fiduciary will be afforded relief from liability provided the following six conditions are met:

1. The plan's Qualified Default Investment Alternatives fit the investment types permitted under the Department of Labor's final regulations.
2. Each participant is given an opportunity to direct contributions on his/her behalf but failed to do so.
3. The participant must be provided with a written notice 30 days in advance of the first investment in a Qualified Default Investment Alternative and an annual notice thereafter.
4. Participants are automatically provided investment information relating to the Qualified Default Investment Alternatives, such as a fund profile.
5. Participants who are defaulted into the Qualified Default Investment Alternative are permitted to transfer out of the Qualified Default Investment Alternative at least quarterly without financial penalty.
6. The plan offers a broad range of investment alternatives that satisfy ERISA Regulation section 404 (c)-1(b)(3) requirements.

These six conditions are described broadly above; you can read highlights of the Department of Labor's regulations here. If these six conditions are met, a plan fiduciary will not be liable under the ERISA fiduciary standards for any loss resulting from the investment in a Qualified Default Investment Alternative or for any investment decisions of the Qualified Default Investment Alternative manager.

We are committed to providing you with regulatory and compliance updates to help you manage your retirement plan. If you have any questions about the new regulations, please contact us at (866) 498-4557. for assistance.

[1] Transamerica Retirement Services ("Transamerica"), a marketing unit of Transamerica Financial Life Insurance Company ("TFLIC"), 4 Manhattanville Road, Purchase, New York 10577, and Transamerica Life Insurance Company ("TLIC"), 4333 Edgewood Road NE, Cedar Rapids, Iowa 52499, and other TFLIC and TLIC affiliates, specializes in the promotion of retirement plan products and services. Investment choices are available from Transamerica Retirement Services under contract form number TA-AP-2001-CONT, a group variable annuity contract underwritten by TFLIC, or under contract form numbers TGP-439-194, TGP-416-192/194, TGP-430-192/194, CNT-TALIAC 05-02 or CNT-TLIC 10-05, group variable annuity contracts underwritten by TLIC. TFLIC is not authorized and does not do business in the following jurisdictions: Guam, Puerto Rico, and the U.S. Virgin Islands. TLIC is not authorized in New York and does not do business in New York. Contract form and number may vary, and these investment choices may not be available in all jurisdictions. Fees and charges may apply. For complete information, contact your Transamerica representative.

[2] Employee Retirement Income Security Act of 1974 (ERISA).