TRANSAMERICA RETIREMENT SERVICES

SPONSOR E-NEWS

IN THIS ISSUE

FEEDBACK

Our main goal is to provide you with the information you need. Please send your feedback and suggestions to: **sponsorconnect@transamerica.com**

Each quarter, Sponsor E-News takes a look at trends in the pension industry and provides you with an update about the changes affecting plan sponsors. This quarter, we are focusing on the proposed fee disclosure efforts on Capitol Hill. We hope you find this informative, and we'll continue to update you as the legislation develops.

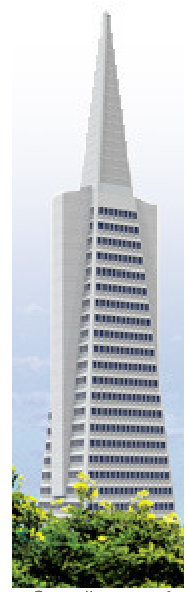
An enhancement we are excited to announce is our eye-catching new participant statement. Please read about the exciting changes that will help your participants better understand their 401(k) plan. New features have been added as well as a new look and feel.

We have recently posted our first quarter 2008 Investment Scorecards. Please read below on how to easily access this information.

We are including an article this month on plan participation and employee retention and the benefits of sponsoring a retirement plan. We hope you find this useful.

Recent technical corrections to Qualified Default Investment Alternative final regulations were published by the U.S. Department of Labor. Read below for the Field Assistance Bulletin, as well as opportunities to understand more about Qualified Deferred Investment Alternatives.

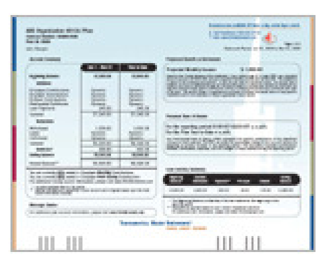
With the stock market continuing to fluctuate, we offer you a brochure to share with your participants about staying fully invested.



Compliments of Sponsor*Connect*
(866) 498-4557

INFORMATION

New Participant Statements Begin Mailing Soon!



We are pleased to introduce the new enhanced participant statements. Beginning this month, the quarterly statement sent to your plan participants will have a new look and feel as well as additional retirement planning information.

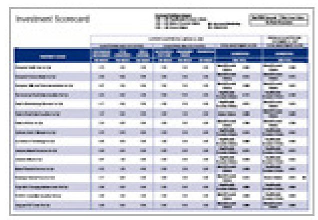
We believe your participants will appreciate the new "at a glance" Account Summary section and the new Projected Monthly Income estimate, which helps them plan for their future retirement income needs. In addition, the new Message Center will deliver updates, news, and tips to help your participants make the most of their retirement savings plan.

To help your participants learn about their new account statement, we placed a welcome message on their new statement outlining some of the new enhancements and inviting them to login to their account at www.TA-Retirement.com and access the online *How to Read Your Statement* guide. For a preview of the statement's new look and feel, click here.

We anticipate this change will provide your participants more information about their retirement account and help them to better plan for their retirement.

INFORMATION

Investment Scorecards Available www.TA-Retirement.com


Investment Scorecard

Transamerica Retirement Services offers an award-winning Web site designed to support you as you manage your plan and execute your fiduciary responsibilities. Your plan's investment choices are supported by the Transamerica Investment Monitor – our proprietary, comprehensive due diligence process for selecting and monitoring all of our investment choices.

To help you monitor your plan's investment lineup, we have created Investment Scorecards – the result of the Transamerica Investment Monitor's intensive, quarterly review of each of our investment choices.* Our Investment Scorecard methodology employs in-depth qualitative and quantitative analysis to help you evaluate each investment choice on an ongoing basis, in order to determine if it's still appropriate for your plan and your participants.

Follow these simple steps in order to access an online copy of the Investment Scorecard:

1. Login to the Plan Sponsor site using your user ID and password
2. Select "Plan Funds"
3. Select "Investment Scorecard" and the time period you wish to view

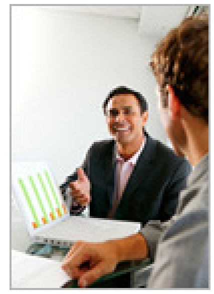
*The Transamerica Investment Monitor Methodology is Transamerica Retirement Services' ("Transamerica") proprietary rating methodology. Transamerica reserves the right to modify, eliminate, or add criteria at any time. The Investment Scorecard is the result of the Transamerica Investment Monitor's quarterly review of each of Transamerica's investment choices and all ratings are based on Transamerica's proprietary rating methodology.

INFORMATION

Plan Participation and Employee Retention

Sponsoring a retirement plan can help retain qualified employees. The conventional wisdom holds that offering employees the opportunity to participate in an employer-sponsored retirement plan helps keep employees on the job. Keeping good employees on the job can help control your recruitment and training costs.

A new annual study seems to support this wisdom.* Surveys conducted in 2006 and 2007 looked at the relationship between employee turnover and voluntary retirement plan participation. They found that employees were far less likely to leave an employer if they had chosen to participate in the company's retirement plan.



The Numbers

The 2007 study found that, among those surveyed, 20% of employees who did not participate in their employers' plans had left their employers in the previous year, versus 9% of employees who participated in the plan. The 2006 study similarly found that 25% of non-participants had left their employers compared to 10% of employees who participated in the retirement plan. In addition, among the employers who were surveyed in both the 2006 and the 2007 studies, the overall plan participation rate increased by 1.74% and employee turnover decreased by 4.24%.

What Does This Mean for Your Plan?

These findings may indicate a relationship between employee participation in the retirement plan and a reduction in turnover. These findings suggest that employers may benefit by increasing their employees' awareness of the retirement plan as an important part of a benefits package and total compensation.

You cannot assume, though, that increasing plan participation among your employees will automatically reduce employee turnover. You should view your retirement plan as just one component of your overall employee retention program.

**Turnover and Participation,* 2006 and 2007, Cammack LaRhette Consulting.

INFORMATION

Why Smart Investors Don't Play the Timing Game

During times of economic uncertainty, your participants may wonder about the wisdom of remaining invested in the stock market. This brochure from one of our investment management companies, AIM Investments, explains reasons for staying focused on long-term goals. You can download "Why Smart Money Remains Fully Invested" and share it with your participants, to help them understand that trying to time the market can be an inexact and costly exercise.

LEGISLATIVE/COMPLIANCE

Industry Update: Proposed Plan Fee Disclosure Efforts

Fees charged to 401(k) plans recently have occupied a prominent place in the national press, with high profile lawsuits and proposed Congressional legislation garnering significant attention. Given this activity, you may be asking yourself why there is such a focus on 401(k) plan fees. The reason for this focus is directly related to how important 401(k) plans have become to Americans' retirement security.

Over the past 20 years Defined Contribution plans, especially 401(k) plans, have supplanted traditional Defined Benefit pension plans to become the dominant retirement savings vehicle in the United States. Unlike Defined Benefit plans, where the amount the participant will receive at retirement is "known" (i.e., defined), with a 401(k) plan it is the contributions made to the plan on a recurring basis that are defined. While the amount of the contributions is known up front in a 401(k) plan, the amount of the participant's account balance at the time of retirement is unknown prior to distribution. The final balance at the time of retirement is subject to investment experience, fees, participant withdrawals, etc., that occur over a potentially long period of time. As a result of these variables, the impact of fees on participants' future savings balances is not always readily apparent.

Because 401(k) plans are so dominant now, and perhaps because many consider the future viability of the Social Security system to be fragile, the U.S. Department of Labor, as well as many attorneys and legislators, have recently focused significant scrutiny on 401(k) plans, with particular focus being placed on fiduciary responsibility, government reporting, asset allocation, and fees.

Department of Labor Proposed Regulations:
The U.S. Department of Labor currently is working on fee disclosure regulations that would regulate how plan providers disclose fees to plan fiduciaries (Section 408(b)(2) regulations). At this time, the Department of Labor's 408(b)(2) regulations are proposed and are not final. The Department of Labor also has issued final regulations on new reporting requirements for the Form 5500 and Schedule C, which must be filed for plans with 100 participants or more. These regulations are effective for the 2009 plan year. At this time, there are significant questions and interpretive issues about both the proposed 408(b)(2) regulations and the final 5500/Schedule C reporting regulations, and it may be late 2008 or early 2009 before the Department of Labor issues any guidance to help resolve the many questions.

Public Policy and Proposed Legislation:
In the absence of explicit regulation or clear law on plan fees, for over a year there have been extensive public policy discussions regarding fees charged to Defined Contribution plans, and over the past year Congress has introduced three bills to address this topic:

- H.R. 3185 (the "Miller bill") was introduced by Congressman George Miller (D-CA), Chairman of the House Education and Labor Committee. HR 3185, as amended, has passed the House of Representatives' Education and Labor Committee.

- H.R. 3765 was introduced by Congressman Richard Neal (D-MA), Chairman of the Select Revenue Measures Subcommittee of the Ways and Means Committee.

- S. 2473 was introduced by Senator Tom Harkin (D-IA), a Member of the Health Education, Labor and Pensions Committee, and Senator Herb Kohl (D-WI), Chairman of the Senate Special Committee on Aging.

Generally, these Congressional bills have focused on three issues:

1. **Advance disclosure of fees to plan administrators**: Plan service providers would have to provide plan sponsors advance disclosure of provided services and fees charged for those services.
2. **Participant fee disclosure**: Plan sponsors would have to provide plan participants with disclosure of the fees chargeable to their plan accounts.
3. **Availability of an index fund under the plan**: Under certain circumstances, a plan would have to offer a certain type of index fund as an available investment (Miller bill only).

It appears that the Congressional bills have stalled, at least for 2008. As of Friday, June 13, 2008, the *Congress Daily* ran an article stating that despite some earlier momentum, these fee disclosure bills are dead for the year. Congressman Miller was quoted as saying that the House Ways and Means Committee has jurisdictional claim on the legislation and he has been unable to work out differences with the Committee. Miller also cited further reasons for the bills' being shelved for 2008: the difficulty of getting anything through the Senate with the remaining time left in Congress this year, and the likelihood that President Bush would not sign the legislation.

Unless these bills are reintroduced by Congress in 2009, this will leave regulation of fee disclosure to the U.S. Department of Labor, whom many consider to be the proper jurisdictional authority.

Key Issues Being Addressed:
No matter where any eventual fee regulation originates, three key factors need to be considered and addressed.

- **Effective transparency and understanding of plan fees**: The need for effective transparency and understanding of plan fees is widely acknowledged. Plan fiduciaries need fee information to make sound choices regarding service providers and investment options; and participants need fee information to make informed decisions regarding their retirement savings.

- **The "cost" versus the "benefit" of new fee disclosure requirements**: Each new fee disclosure requirement will involve a cost, and typically participants share in bearing these costs through higher fees, lower benefits, or the decision by their employer not to have a plan at all. Given that reality, the benefits of every new fee disclosure rule must be justified against two things: (1) the costs of implementing that rule and (2) whether or not the "benefits" of any new regulation could be achieved by a rule that is substantially less expensive to comply with.

- **Fee disclosure should not take undue precedence over issues of equal importance**: Any proposed regulation or legislation should not elevate fee issues over other equally important issues. As an example, exceptional service quality, including higher net returns from plan investments, may justify higher plan costs. Balancing appropriate fee disclosure against other key plan factors should be considered with respect to the content and structure of any new fee disclosure rules.

We hope that this update provides you with some degree of clarity on fee disclosure efforts at this point in time. Transamerica Retirement Services is committed to providing you with expert analysis and guidance as it relates to fee disclosure and other legislative concerns. We will ensure your plan has all the tools necessary to comply with these new rules. Sponsor E-News will continue to provide updates as this important discussion plays out in Washington D.C.

LEGISLATIVE/COMPLIANCE

Compliance Quarterly: Qualified Deferred Investment Alternative Update

The U.S. Department of Labor issued final regulations regarding a Qualified Deferred Investment Alternative on October 24, 2007, as required by the Pension Protection Act of 2006. On April 30, 2008, the Department of Labor published technical corrections to the final Qualified Deferred Investment Alternative regulations. At Transamerica's Center for Retirement Studies, we have posted the Field Assistance Bulletin for your review. Click on the Field Assistance Bulletin to read more details.

Why is a Qualified Default Investment Alternative important?

For participant-directed plans, there may be an occasion for a contribution to be made on behalf of a participant who has not previously submitted an enrollment form or made investment elections via the Web. Typical examples of contributions made on behalf of a participant where the participant may not have previously made investment elections include:

- A required contribution to comply with top-heavy requirements;
- Aprofit-sharing contribution for a participant who has never made any salary deferral contributions;

- Or a Qualified Non-Elective Contribution to pass a nondiscrimination test, such as the Actual Deferral Percentage test.

In the absence of a participant's investment election, the contribution will be invested in an investment selected by the plan's fiduciary. This is commonly known as the plan's "default investment fund."

A major benefit to complying with the Qualified Deferred Investment Alternative regulations is that if all of the requirements of the regulations are met, the plan's fiduciary automatically will be protected from liability for any investment losses that result from investments made by the fiduciary into the Qualified Deferred Investment Alternative without investment direction from the participant. It is important to note that this protection applies only to amounts invested in the Qualified Deferred Investment Alternative and only if all of the Qualified Deferred Investment Alternative regulatory requirements are met.

The Qualified Deferred Investment Alternative regulations impact not only contributions, but also situations where the fiduciary deletes or replaces an investment choice. If affected participants are provided the proper notices and information complying with the Qualified Deferred Investment Alternative regulations, the fiduciary is protected from liability for mapping/moving accounts originally invested in the deleted/replaced investment choice to the Qualified Deferred Investment Alternative, when participants otherwise do not take timely action to designate how the accounts should be invested.

For plans with certain automatic enrollment provisions (e.g., a Qualified Automatic Contribution Arrangement), the use of a Qualified Deferred Investment Alternative is mandatory.

Your plan's Qualified Deferred Investment Alternative choices are displayed on www.TA-Retirement.com. Selecting a Qualified Default Investment Alternative for your plan may be done on the Web site, by going to the Add/Delete Funds section found in Plan Funds.