

SPONSOR E-NEWS



Welcome to the July 2007 edition of Sponsor E-News!

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This month we examine fidelity bonds and their importance to your plan. We will briefly explain who needs to be bonded, the different types of fidelity bonds, and the amount for which your plan should be bonded.

Our *Fiduciary Focus* series continues with an examination of the limitations on plan fiduciary status.

One of the best ways you can ensure that participant distribution events are processed timely is to verify your Authorized Signers list with Transamerica. We are providing you ways to verify that your Authorized Signers are up to date and how you can adjust them as needed.

Transamerica Retirement Services¹ Education Consultants offer quality education strategies. We have included a description of the support they can offer to you and your participants.

Finally, we focus on your participants by providing you with tools to help your participants understand their Personal Rate of Return.

To help convey important information to you quickly, our newsletter messages are color-coded:



Action Required: Noted in red, these messages require action, such as a signature, by the Trustee or Fiduciary of the plan



Legislative / Compliance Update: Noted in blue, these messages discuss legislative or compliance-related topics.



For Your Information: Noted in green, these messages provide you with general information covering subjects such as participant education, product and service features, and helpful tips for using the Web site.

Fidelity Bonds: What are the Requirements?



In our ongoing *Fiduciary Focus* articles, we have discussed the fact that a person is a plan fiduciary to the extent they exercise discretionary authority over the management or administration of an employee benefit plan. We would like to take this opportunity to remind you that plan fiduciaries and any other person who handles plan assets, must be bonded since their duties are such that there is a risk that plan assets could be lost in the event of fraud or dishonesty.

Fidelity Bonds are issued by an approved surety company either as an individual bond, a schedule bond or a blanket bond. An individual bond covers a specifically named person, while a schedule bond covers a name group of individuals or positions. A blanket bond covers all the insured's officers and employees.

The amount of the fidelity bond must be fixed at the start of each plan year in an amount that is not less than 10% of the amount of the funds being handled. The minimum amount for a fidelity bond is \$1,000, while the maximum amount required is no more than \$500,000. A fidelity bond may be purchased by the plan with plan assets, because it is for the benefit of the plan.

Fidelity bonds are designed to protect the plan and provide safety for anyone who handles, receives, safe keeps or disburses the funds on behalf of the plan and are required under Section 412 of ERISA and Department of Labor regulation 29 CFR 2580. The code sections provide the bonding requirements, define the "handling" of plan assets and required amounts of the fidelity bond.

For more information about fidelity bonds, contact your Financial Advisor or Transamerica at (866) 498-4557.

Fiduciary Focus: Part III

To date *Fiduciary Focus* has established who a plan fiduciary is and how ERISA's² functional definition of a plan fiduciary is applied to determine fiduciary status. At this point, you may be wondering if everyone who performs any function related to your retirement plan is considered a plan fiduciary. The answer to that question is "not necessarily".

Limitations on fiduciary status established in ERISA's functional definition

ERISA's functional definition of plan fiduciary sets the limitations on fiduciary status within 4 boundaries:

- *Having* discretionary authority over plan management or administration
- *Exercising* discretionary authority over plan management or administration
- Bearing a *duty to perform* functions requiring discretionary authority over the management or administration of a plan



- The *extent* to which an individual performs activities that require discretionary authority over plan management or administration

An individual is a plan fiduciary to the extent that he or she meets any of the four criteria above; conversely, a person is not a plan fiduciary to the extent that he or she does not meet any of the four criteria above.

Extent a key concept in limiting fiduciary status

Fiduciary status is limited to "*the extent to which an individual performs activities that require discretionary authority over plan management or administration.*" Based on the extent of an individual's plan authority, it is possible that the person may be a fiduciary to only certain aspects of an employee benefit plan. Thus, "limitation by extent" has the following result:

- Some individuals may be fiduciaries with respect to every aspect of a plan;
- Other individuals may be fiduciaries with respect to certain discretionary authority functions they hold with respect to the plan, but will not be plan fiduciaries with respect to their plan function that do not involve discretionary authority;
- Many individuals may be extensively involved in the day-to-day activities of an employee benefit plan, but because none of their plan functions include discretionary authority over the management or administration of the plan, they are not plan fiduciaries at all.

Transamerica Retirement Services is a clear example of the last bullet. While we are very involved in many of your plan activities, we have no discretionary authority over the management or administration of the plan. As such, Transamerica Retirement Services is not a fiduciary to your plan.

Next month in *Fiduciary Focus*, we will examine plan transactions that are prohibited under ERISA.



Authorized Signers: Keeping Up to Date

You can help ensure that participant distribution events are properly authorized for timely processing by verifying your Authorized Signers list with Transamerica. If you have added, removed, or replaced a plan trustee, now is the perfect time to review the list to ensure that it is up to date, complete and accurate.



Here's How:

- Login to www.TA-Retirement.com using your Sponsor ID and password
- Select "Plan Information"
- Select "Plan Contacts"
- Review the plan contacts to verify if any changes are necessary
- If changes are necessary, please click "Update" at the bottom of the page
- Indicate what your role is to the plan and which item of information you would like to update

- Complete the form that appears on screen. A PDF document will be generated and must be signed and dated by a current Trustee in order for Transamerica to process your request
- Please fax the form to our secure fax line at (213) 763-9523

Please note that a change to plan contact information requires Trustee authorization.

If you need any additional assistance, please contact us. We're more than happy to help you.

FOR YOUR INFORMATION

Quality Education Support



Transamerica is committed to providing outstanding education support to you and your plan participants. In 2006, Plan Sponsor Magazine awarded Transamerica Retirement Services with two Best in Class cups for communication materials and the overall education program. Also in a 2006 Boston Research Group client study, Plan Sponsors gave "very satisfied" ratings to the quality of employee education materials Transamerica provides.

To assess the quality of our educational support, Transamerica conducts surveys of Plan Sponsors following our enrollment workshops and educational seminars. Our Plan Sponsors are surveyed on their experience with the Education Consultant, their plan knowledge and their ability to relate to the audience and discuss investment decisions. For meetings conducted

so far in 2007, 97% of survey respondents rate Transamerica's Education Consultants a 6 or 7 (on a 7 point scale, 7 being best).

We're proud of these outstanding results, and hope the education program we provide and the quality of our Education Consultants continue to meet your needs.

If you'd like to discuss our education materials or program, please give us a call and we will help you build a successful strategy for your plan.



FOR YOUR INFORMATION

Participant Focus: Understanding Your Personal Rate of Return

Each quarter, Transamerica includes the Personal Rate of Return on participants' account statements. The Personal Rate of Return helps participants monitor their personal investment strategy.

The Personal Rate of Return illustrates the specific performance of a participant's investment strategy -- the investment choices he/she has selected, and the allocation of assets among

these investment choices -- as well as any account activity such as deposits, withdrawals and loans.

The calculation used for the Personal Rate of Return is a "dollar-weighted" approach. Any transactions in a participants' accounts (such as deposits and withdrawals) are weighted (meaning the transactions are given a value based on how long the money was invested in the account). This is the method typically used by financial professionals to determine the performance of an investment portfolio.



In the short term, a participants should expect the return to reflect the normal ups and downs of the stock and bond markets. For long term investment planning, your participants may wish to compare their asset allocation to the investment mix examples shown on the pie charts on the participant statements.

Did you know that your participants can create a customized Personal Rate of Return?

You can provide them with these simple steps to create their own customized Personal Rate of Return.

- Login to www.TA-Retirement.com with your participant login id and password
- Select "Account Information"
- Select "Account Details"
- Scroll to the bottom of the page
- Select the specific date range for your Personal Rate of Return and select "Calculate"

This tool can be helpful to your participants any time of year and may be most beneficial for meetings with their tax or financial advisor.

If your participants prefer handout materials, we've included a simple [document](#) that you can distribute to your employees to help them better understand their Personal Rate of Return.

If you have any questions, please call us at (866) 498-4557.

At your request, we will send Sponsor E-News to anyone at your organization who you believe would benefit. Just e-mail us at sponsorconnect@transamerica.com, and we will add them to our mailing list.

We would also like to hear your suggestions and ideas for future topics for E-News. Please let us know how we can be of service to you by replying to this e-mail, or by calling (866) 498-4557. We look forward to hearing from you.

¹Transamerica Retirement Services ("Transamerica"), a marketing unit of Transamerica Financial Life Insurance Company ("TFLIC"), Purchase, New York, and Transamerica Life Insurance Company ("TLIC"), Cedar Rapids, Iowa, and other TFLIC and TLIC affiliates, specializes in the promotion of retirement plan products and services. TLIC is not authorized in New York and does not do business in New York.

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