TRANSAMERICA RETIREMENT SERVICES — SPONSOR E-NEWS

IN THIS ISSUE

COMPLIANCE CALENDAR

Sponsor Task

6/25 - For plans with an Eligible Automatic Contribution Agreement (EACA), deadline to instruct Transamerica to refund excess contributions to avoid the 10% penalty.

FEEDBACK

We hope the information you receive in this issue of Sponsor E-News leaves you feeling better informed and better prepared. Please send your feedback and suggestions to sponsorconnect@transamerica.com.

Welcome to the May edition of the Sponsor E-news. In the last few issues we have spent a great deal of time discussing the challenges of these past few months and offering tools to assist you. Transamerica remains committed to providing you relevant information, timely perspectives and pertinent education materials so that you and your plan participants are well positioned.

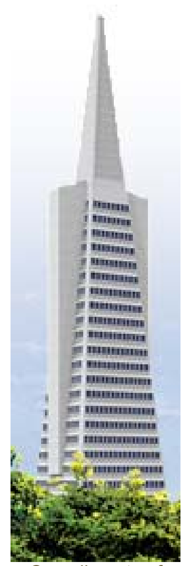
Transamerica not only offers you a breadth of valuable communications and education materials, but also very specific tools, such as the Transamerica Investment Monitor. In this issue, find out how this process can help you more efficiently fulfill your fiduciary responsibilities as a plan sponsor in "The Transamerica Investment Monitor: Our Due Diligence Process."

And if you'd like to know how to improve your plan's participation potential and ease of administration, take a moment to learn more about the innovative automatic enrollment solutions Transamerica has to offer. Our automatic enrollment solutions could be just the sort of information to make a big difference in your plan and your participants' retirement future.

Be sure to take a look at this month's Market Insight as it reports on some signs of economic recovery, and explores the idea of investing in today's stock market.

The decision to end a company's additional contributions is a weighty one for any plan sponsor. Let this important article help you view this issue from all angles before making any changes to your company match program.

Finally, we'd like to share some important facts about filing a Form 5500 and understanding the difference between small plans and large plans.



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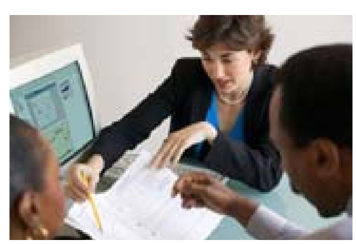
Sponsor Connect
(866) 498-4557

INFORMATION

The Transamerica Investment Monitor: Our Due Diligence Process



Your plan is supported by the power of the Transamerica Investment Monitor[1] — our proprietary, comprehensive due diligence process for selecting and monitoring the investment choices offered for our retirement product. The Transamerica Investment Monitor offers you:

- Analysis that is based on in-depth investment choice search and screening procedures

- Performance criteria that are reviewed quarterly
- Results that are presented in a simple and easy-to-understand scorecard format[1]

The Transamerica Investment Monitor is just one of the ways in which Transamerica provides plan fiduciaries with quality investment choices and information to fulfill their duties.

Over the past six months, Transamerica's menu of investment choices, as well as the Transamerica Investment Monitor, have undergone a comprehensive review by independent, third-party analysts. The experts at Lipper, Inc. — a leading provider of investment analysis to the financial industry — have independently evaluated Transamerica's investment choices, in addition to Transamerica's processes and procedures for selecting and monitoring our investment choices.[2] The result: Transamerica's investment choice line-up and the Transamerica Investment Monitor pass Lipper's rigorous standards, and can help you build an investment line-up to meet your participants' varied investment needs.

You can be assured that we will continue to routinely monitor your investment choices, and provide you with both qualitative and quantitative results on our quarterly Investment Scorecard. We understand that choosing and maintaining the investments for your company's retirement plan is a significant fiduciary responsibility, and we want to ensure we are doing everything possible to support your efforts.

Based on feedback from our clients, we are improving our Investment Scorecard and our Performance Overview. The June 30 editions of the quarterly Scorecard and Performance Overview will be customized to show your plan's current investment line-up, as well as all of the additional investment choices currently available to your plan. The new format will help you review your plan's investment line-up more easily.

Follow these simple steps in order to access an online copy of the current Investment Scorecard on www.TA-Retirement.com:

1. Login using your Plan Sponsor user ID and password
2. Select "Plan Funds" in the left-hand navigation
3. Select "Investment Scorecard"
4. Select the Scorecard for the time period that you wish to view

INFORMATION

Automatic Enrollment: Transamerica Makes It Simple

In last month's Sponsor E-news, we provided an update on the final regulations relating to automatic contribution arrangements, and we clarified some of the outstanding questions many sponsors had about the regulations. What became apparent is that many of the provisions in the final regulations are designed to provide plan sponsors with relief from administrative burdens previously associated with automatic contribution arrangements and as a consequence may make automatic enrollment a good fit for your plan.

The compelling advantage of automatic enrollment is increased plan participation, which can potentially lead to better ADP test results. So, we were pleased to see that the U.S. Department of Labor (DOL) addressed the concerns of plan sponsors by providing administrative relief in the final regulations. If you haven't assessed whether or not automatic enrollment is a right choice for your plan, we hope that the final regulations will prompt you to make that assessment now. In making that assessment, please take the time to read the following highlights of Transamerica's simple and innovative automatic enrollment solution.

Transamerica PlanXpress℠
PlanXpress, Transamerica's suite of automatic enrollment services, is designed to benefit both you and your participants. It not only supports your administrative needs, but also encourages greater participation and dedication toward saving for the future. PlanXpress includes two important components:

EnrollXpress℠

- Automatically enrolls employees when they become eligible.

- Enrolls participants at a predefined minimum contribution percentage.
- Invests contributions in a predefined default investment.
- Allows participants to change contribution percentages or opt out at any time.

SaveXpress℠

- Automatically increases participants' minimum contribution percentage annually.
- Stops automatic increases when participants reach the SaveXpress maximum contribution rate.
- Allows participants to change their annual contribution percentage increase or stop automatic increases at any time.

To access last month's Sponsor E-News article on automatic contribution arrangements, log into your account at www.TA-Retirement.com, click the Resources tab on the left hand side of the screen, click Newsletters, then Sponsor E-News. If you would like to discuss how we can help you incorporate these services into your plan, contact us at (866) 498-4557. We're here to help.

INFORMATION

Monthly Market Insight

In our effort to continually keep you and your participants up-to-date on the economy, we again share some helpful commentary from our investment management companies. This month's Market Update from First American Funds describes some signs of recovery despite continued pressure on the economy.

Franklin Templeton Investments provides a valuable perspective for those who are asking, "Why Should I Invest in the Stock Market *Now*?" This article takes a closer look at the historical performance of the S&P 500 stock index over a 50-year period, including the recessions and recoveries that have occurred during those years. Understanding these types of market cycles can be helpful to investors trying to determine their own tolerance for risk.

LEGISLATIVE/COMPLIANCE

Think Twice, Cut Once: Is Suspending Your Employer Match the Answer?

In today's economic climate, some companies have considered cutting their 401(k) matching contributions to reduce costs. In fact, a November 2008 survey by Mercer, a global investment consulting and management company, reports that 17% of survey respondents were "likely" or "very likely" to take such action.[3] Before taking such a critical action, two important questions should immediately be addressed by the plan sponsors:

1. Will the benefits of this apparent fix outweigh its potentially long-term repercussions?
2. Do I have all the information I need to make this kind of decision alone?

Suspending Matches Can Cut Both Ways

The old adage, "measure twice, cut once" can be as valuable to retirement plan sponsors as it is to woodworkers. While cutting matching employer contributions may make sense for some plans, *all plan sponsors* must first consider the possible risks and effects of doing so *before* deciding to make that cut.

Regulatory Risks

IRS Requirements - All plans must adhere to regulatory guidelines. In particular plans using a Safe Harbor design are subject to specific rules and restrictions on suspending matching contributions.

Plan Amendment - Discontinuing mandatory matching contributions requires that you make an amendment to your plan; discontinuing discretionary matches may or may not require an amendment to your plan.

Previous Commitments - The suspension of matching contributions must not violate any previous promises, statements that may be perceived as promises, or employee agreements.

Non-discrimination Testing - Eliminating or reducing matching contributions could affect the plan's ability to pass nondiscrimination testing by discouraging non-highly compensated employees form continuing contributions.

Effect on Plan Participation and Level of Deferrals - When matching is removed, some employees suspend deferrals. That could hurt plan participation and could have adverse effects on nondiscrimination testing; and could make the plan top-heavy.

The Effect on Employee Morale

The decision to end employer match contributions could have a detrimental impact on employees and their perception of the company. Ending employer contributions may damage their perception of their benefits, their value to their company, and could even cause them to stop plan participation altogether.

The plan sponsor needs to consider whether the cost-savings from eliminating matching contributions are worth potentially reducing plan participation. Eliminating the plan's matching contributions might also alienate the very employees (and potential employees) you most value and upon whom you will need to depend as the economy becomes more stable.

Tapping Into Resources to Inform Your Decision

Deciding the future of your company match is not an easy task, but Transamerica is ready to provide resources to help you navigate through this difficult decision in a number of ways, including:

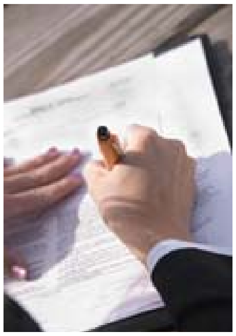
- Exploring the viability of other alternatives such as reducing your company match. Employees may be more accepting of a reduced match and, consequently, may not be as likely to reduce or suspend deferrals. If deferrals aren't reduced or suspended, then the plan's nondiscrimination test may not be affected.
- Helping you craft a notification of changes to your match that meets the appropriate regulatory requirements.
- Updating communications such as the Summary Plan Description, online material and other items to reflect any changes made to your company match policy.

Today's economic uncertainty is challenging and is forcing some sponsors to face some hard decisions. Suspending or reducing your company's 401(k) matching contributions can be a difficult choice, which can be made less daunting and more successful with the information and support that we can provide.

If you would like to discuss this topic further, please contact us at (866) 498-4557 so we can find a solution that best suits your plan's needs.

LEGISLATIVE/COMPLIANCE

The Right Fit — Filing The Correct Form 5500 for Your Plan's Size



When it comes time to file Form 5500 for your plan, you may find yourself asking "Well, how do they define 'small'?" Or "Exactly how large is 'large'?" Generally, a return filed for a pension benefit plan that covered fewer than 100 participants[4] as of the beginning of the plan year should be completed following the requirements for a small pension plan. And a return filed for a plan that covered 100 or more participants as of the beginning of the plan year should be completed following the requirements for a large pension plan.

Transamerica or your Third Party Administrator (TPA) helps determines which type of 5500 your plan should file based on census data you provide each year which assists with determining the covered employee count. A primary difference between the "large" and "small" plan 5500 filing is the financial schedules – Schedule H is used for large plans and Schedule I is used for small plans. In essence, the number of participants entered in line 6 of the Form 5500 determines whether the plan is a small plan or large plan. However, there are some exceptions to these guidelines so be sure to click here for more detail on these exceptions.

Another key difference between the large and small plan 5500 form filing is that large plan filers are required to include a report of an independent qualified public accountant, also known as a "limited scope audit." The audit required is "limited" in scope due to ERISA (The Employee Retirement Income Security Act) allowing plan sponsors to instruct an auditor not to perform any auditing procedures with respect to investment information prepared and certified an insurance carrier, such as Transamerica, that is regulated, supervised, and subject to periodic examination by a state or federal agency. This action is available only if a trustee or custodian certifies to both the accuracy and the completeness of the plan asset information needed for the audit engagement; this certification is included in Transamerica's annual audit package.

Footnotes

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. 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.

[1]The Investment Scorecard is the result of the Transamerica Investment Monitor's due diligence process for each of Transamerica Retirement Services' investment choices. All ratings are based on Transamerica Retirement Services' ("Transamerica") proprietary rating methodology. Transamerica reserves the right to modify, eliminate, or add criteria at any time.

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[3] The April 2009 Mercer Update, Suspending the 401(k) Match: Look before you leap.http://select.mercer.com/blurb/148279/article/20096402/

[4] Generally, participants are defined as eligible participating and non-participating employees at the beginning of the plan year. Retirees, beneficiaries, suspended participants and terminated employees with a vested benefit in the plan at the beginning of the plan year are also treated as participants.