

# Co-op 401k Plan

AMERICA'S LEADING 401(K) PROGRAM FOR COOPERATIVES  
Administered by Milliman



UPDATE

EMPLOYEE BENEFIT NEWS FOR  
THE COOPERATIVE INDUSTRY

DECEMBER 2009

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## 401 (k) investors react to recovering markets

After a period of unrest as share prices tumbled in 2008, investors' confidence has been growing thanks to a market that has surged about 60% since March 2009. Looking ahead to 2010, experts see trends developing based on lessons learned from last year's declining account balances and decision making that can't ignore lingering anxiety that it might happen again.

### Just how bad was it?

Before looking ahead to 2010, investors can put their performance into a historical perspective by looking at the 12-month and 10-year trailing returns of the market. According to research by Agri-Invest using the S&P 500 index, the period ending in February 2009 was the worst 12-month period since 1932. The 10-year trailing returns ending in February of 2009 actually had a negative return, the first negative return since 1941.

Investors can take solace in that with a long-term plan geared for retirement, the S&P 500 has still never shown a negative return over a 20-year period.

### What lessons can cooperative employees take from the downturn?

In the last nine months the market has shifted and investors have seen steady positive returns on their statements. Across the country, businesses are seeing 401(k) plan participants who may have altered their savings plan during the downturn look to jump start their retirement savings. So what lessons should your employees remember as they move forward?

**Ten years is not long-term:** For the majority of Americans, retirement is not just around the corner. The abil-

ity to retire comfortably requires a long-term, dynamic plan. Though the downturn may have your employees concerned about their accounts, most still have time on their side. The market fluctuates, and periods of prosperity have historically outlasted recessions.

Participants should be vigilant about adjusting their strategy to personal and market conditions. Your younger employees know they have plenty of time to recover from any losses. Employees closer to their desired retirement date may need to adjust their investment strategy or timeline to meet their goals. Employees in-between may need to incorporate different life events like college tuition or a mortgage into their financial goals. As a Co-op 401(k) Plan Sponsor, all your employees (even those not yet participating in the Plan) have access to the education tools and calculators on MillimanBenefits.com to help properly set up and modify plans to your employees' individual needs.

**Do not base future expectations on recent past:** In the midst of the recession, no reasonable person would say that the period of negative returns foretold the downfall of the American economy. By the same token, believing that strong returns will continue forever does not make for sound investing. The market will fluctuate.

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[www.coop401kplan.com](http://www.coop401kplan.com)

800.652.6675



MARKETS con't from page 1  
 tuate; the best that your employees can do is to take time to educate themselves and create a plan that suits their needs and tolerance for risk.

Consider hosting an employee education meeting at your cooperative. A Milliman Regional Client Service Manager will come to your business and host a group education seminar. Service Managers will walk employees through accessing their accounts and education tools on the web, investment options, and answer your employees' questions about retirement.

**Diversify, diversify, diversify:** The simplest method to mitigate risk within a portfolio is to diversify investment selections. During a bear market period when equity markets underperform, a diverse portfolio that includes Cash and Bond investments undercuts losses with a foundation of low-risk investments. During a bull market, riskier equity investments can carry a portfolio to larger returns and bring employees' nest-eggs closer to their goals.

The Co-op 401(k) Plan makes diversification easy for Plan participants. Participants can choose from 15 different mutual funds covering all major asset classes. For cooperative employees who do not feel comfortable choosing their own custom investment, the professional investment advisors at Agri-Invest have designed five model portfolios based on risk tolerance. These portfolios take an individual employee's comfort with risk—from conservative (low-risk, lower potential returns) to aggressive (higher-risk, higher potential returns)—and automatically allocate their investments into a diversified fund group that meets their investment style.

Participants in those Plans that offer Roth 401(k) contributions may want to consider tax diversification of their contributions. Because future tax rates are uncertain, tax diversification through contribution types is a

valuable strategy for participants who do not know for certain whether their tax bracket will be higher or lower in retirement. By combining traditional tax-deferred 401(k) deferrals with Roth after-tax contributions, your employees can limit the taxation on each paycheck as well as higher taxes on withdrawals at retirement.

**2010 market trends**

This month, PLANSponsor Magazine interviewed Avi Nachmany, the Director of Research for Strategic Insight, an intelligence provider to the fund industry. Nachmany observed that “fund investors’ appetite for risk remains low. Search for income and low risk tolerance are likely to continue to dominate the fund landscape in early 2010, and maybe beyond.”

In accordance with that statement, some experts are calling 2010, “The Year of the Bond” as bonds are a good fit for investors coming off a poor year with a low-risk tolerance. Strategic Insight estimates that 2009 inflows to bond funds will come in at nearly \$400 billion, an all-time record.

Strategic Insight also estimates increases in inflows to “increasingly popular” global asset allocation funds and emerging markets. Recent strong returns have caused investors to resume the global diversification of their investments, a continuation a long-term trend that paused in 2008 due to the financial crisis.

The Co-op 401(k) Plan’s fund lineup includes several bond and international investing options for participants to choose as part of their diversified portfolio.

Source: [www.plansponsor.com](http://www.plansponsor.com)

Model	Diversified Funds
Conservative	30% stable asset 20% bond 40% TIPS 4% index stock 2% small-cap index 4% international blend
Moderately Conservative	20% stable asset 20% bond 30% TIPS 11% index stock 7% small-cap index 12% international blend
Moderate	10% stable asset 20% bond 20% TIPS 18% index stock 12% small-cap index 20% international blend
Moderately Aggressive	20% bond 10% TIPS 25% index stock 17% small-cap index 28% international blend
Aggressive	5% stable asset 34% index stock 23% small-cap index 38% international blend

*Model portfolios available to Co-op 401(k) Plan Participants provide a simple path to a diversified investment portfolio.*

# Go Green!

Thank you to those cooperatives that have joined Milliman in reducing paper usage by electing to have *Update* sent to their cooperatives electronically. Electronic delivery will be rolled out in the near future.

For those that have not yet replied, please join the *Update* e-mailing list to receive a monthly e-mail with a link to your issue of *Update* online at [www.coop401kplan.com](http://www.coop401kplan.com).

To sign up for electronic delivery of *Update*, please send an e-mail to [coop401kplaninfo@milliman.com](mailto:coop401kplaninfo@milliman.com)

Subject Line: *Update* Mailing List

Be sure to include your name, e-mail address, and the name of your business.

You can always visit [www.coop401kplan.com](http://www.coop401kplan.com) to revisit prior issues of *Update* or for more information regarding the Plan. Thank you to those cooperatives who have signed up for helping us Go Green!

## Plan BITS

### Milliman Holiday Schedule

Milliman's Minneapolis office will be closed for business on December 24-25, 2009 and January 1, 2010.

### Restatement Process Underway

Remember to return your written authorization for Milliman to restate your Plan document and file with the IRS on your cooperatives behalf. Under IRS rules, plans using a prototype document such as the Co-op 401(k) Plan must restate their document every six years. Milliman's deadline to restate is April 30, 2010, so please return your authorization as soon as possible. If you need another copy of the form, please call 800.652.6675, option 2.

### Schedule Participant Meetings

December and January are often slower months for cooperatives, providing a good chance for General Managers to schedule participant meetings on the Co-op 401(k) Plan. To bring a Milliman Regional Client Service Manager to your cooperative for educational meetings, call 800.652.6675, option 2.

INVESTMENT FUND UPDATE AS OF 11/30/2009

Asset Category	Investment Fund	NAV	3-month	1-year	5-year annualized	10-year annualized	Ticker symbol
Stable Asset	Galliard Stable Asset	\$22.63	1.04%	4.44%	4.85%	5.26%	N/A
Bond	PIMCO Total Return Institutional	\$11.04	3.67%	19.23%	7.18%	7.69%	PTRX
Inflation Protected Bond	Vanguard Inflation-Protected Secs. Fund	\$25.65	6.21%	19.41%	5.30%	N/A	VAIPX
Balanced	Vanguard Wellington Admiral	\$50.07	6.71%	26.57%	5.40%	6.31% <sup>1</sup>	VWENX
Large-Cap Value	Vanguard Windsor II Admiral	\$41.83	8.23%	28.35%	1.24%	3.85% <sup>1</sup>	VWNAX
Index Stock	Vanguard Institutional Index	\$100.72	7.90%	25.53%	0.74%	-0.53%	VINIX
Large-Cap Growth	American Funds Growth Fund R5	\$26.85	7.66%	33.55%	3.25% <sup>1</sup>	3.51% <sup>1</sup>	RGAFX
Mid-Cap Value	JP Morgan Mid-Cap Value Select	\$18.33	5.47%	27.48%	1.75%	9.82%	JMVSSX
Mid-Cap Growth	T. Rowe Price Mid-Cap Growth	\$45.17	6.43%	46.34%	4.48%	6.25%	RPMGX
Small-Cap Value	Alliance NFJ Small-Cap Value Fund	\$23.69	6.47%	23.60%	4.59%	11.48%	PSVIX
Small-Cap Index	Vanguard Small-Cap Index Signal	\$23.22	2.65%	33.41%	1.05%	4.73% <sup>1</sup>	VSISX
Small-Cap Growth	Vanguard Explorer Admiral	\$49.85	3.66%	32.55%	0.06% <sup>1</sup>	4.36% <sup>1</sup>	VEXRX
Internal Large-Cap Value	Dodge & Cox Internal Stock	\$31.57	5.69%	53.31%	6.09%	N/A	DODFX
Internal Large-Cap Blend	Vanguard Internal Growth Admiral	\$54.13	8.09%	50.67%	6.35% <sup>1</sup>	3.52% <sup>1</sup>	VWTLX
Internal Large-Cap Growth	Artisan International Fund	\$20.57	7.98%	48.44%	5.86%	3.70%	ARTIX
Model Portfolios: <sup>2</sup>	Conservative	N/A	4.22%	16.66%	5.32%	N/A	N/A
	Moderately Conservative	N/A	4.83%	21.78%	4.91%	N/A	N/A
	Moderate	N/A	5.44%	26.91%	4.51%	N/A	N/A
	Moderately Aggressive	N/A	6.05%	32.04%	4.11%	N/A	N/A
	Aggressive	N/A	6.42%	35.84%	3.15%	N/A	N/A

<sup>1</sup>Fund performance figures were provided by Callard Capital Management and Morningstar. Past performance is not a guarantee of future results. Because five- and ten-year returns are not yet available for this share class of this fund, these returns are for the most similar share class available.

<sup>2</sup>Returns for model portfolios are a blended return calculated by using the returns for the underlying funds in the portfolio.

Looking for more information about the Co-op 401(k) Plan?

Complete this form and mail or fax today!

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Update is a monthly publication for cooperatives exploring retirement plan and employee benefit issues with special focus on the Co-op 401(k) Plan, a 401(k) program administered by Milliman's Minneapolis office. This publication is for informational purposes only and is not intended to render legal advice on the topics discussed.

Update Employee Benefit News for the Cooperative Industry



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