

Co-op 401k Plan



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

UPDATE EMPLOYEE BENEFIT NEWS FOR
THE COOPERATIVE INDUSTRY

NOVEMBER 2009

• SSA COLA
Information
page 2

• Go Green!
page 3

• Fund returns as
of 10/31/09
page 4

Low inflation leaves Plan limits unchanged for 2010

The IRS recently announced that there will be no cost-of-living adjustments that determine the dollar limitations for pension plans for 2010. An annual review of these figures is required by law, and adjustments are tied to the release of the Consumer Price Index by the Bureau of Labor Statistics.

Most pension plan limits will remain the same as their 2009 limit. Significant 2010 limits are included in the table below.

Why are the limits unchanged?

The annual 401(k) contribution limit is set by comparing the Consumer Price Index (CPI) for the third quarter of the preceding year to a base level. While low levels of inflation have meant more affordable food and gas for consumers, the CPI-based formula led to the IRS maintaining the limits for contributions in 2010.

In August 2009, there was speculation within the industry that contribution limits would actually decrease in 2010¹. While this speculation did not prove true, the same logic has some prognosticators believing that a reduction could still occur next year (barring Congress changing the law). Those savers in the 401(k) Plan who plan to approach the contribution limits next year, may

want to consider the possibility of a reduced limit in 2011 and contribute the maximum possible in 2010. Affected employees could also include highly compensated employees (HCE's) who may have their contributions capped below the IRS limits by discrimination testing. If you are concerned about contribution caps for HCE's at your cooperative, you may want to call your Client Service Manager to discuss your options.

What do the limits mean?

The defined contribution plan limit is the maximum contributions (whether employee contributions, employer contributions, or both) that can be deposited in an employee's 401(k) account during the year.

The 401(k) elective deferral limit is the maximum contributions an under-50 employee can make to his or her own 401(k) account during the year.

	2009	2010
Maximum annual defined contribution	\$49,000	\$49,000
Maximum annual 401(k) deferral	\$16,500	\$16,500
Over 50 "Catch up" limit	\$5,500	\$5,500
Maximum annual compensation limit	\$245,000	\$245,000
Highly compensated employee limit	\$110,000	\$110,000

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The catch-up limit is the maximum additional contributions employees can make to their 401(k) plan during the year. This limit only applies to employees who are age 50 or will turn 50 during the calendar year.

Limits apply to employee contributions to any 401(k) plan, not merely to contributions to the Co-op 401(k) Plan. For example, if an employee has a 401(k) plan from a previous job that he or she has contributed to in the past year, that amount would be counted toward their yearly maximum in the Co-op 401(k) Plan.

The annual compensation limit is the maximum compensation a tax-qualified plan can take into consideration to determine benefits.

The highly compensated employee limit identifies the salary which classifies an employee as highly compensated for purposes of nondiscrimination testing.

Older employees can “catch up”

After hearing from our politicians that Americans are behind on their retirement saving, maintaining contribution limit levels may seem like a mixed message. Employees who are nearing retirement could be concerned that they will not be able to put aside as much as they had hoped. For these employees, catch-up contributions were introduced in 2001 specifically to fight the concerns that Americans are not saving enough for retirement.

Designed for employees age 50 or older, catch-up contributions allow qualified individuals to contribute an additional \$5,500 to a 401(k) account (both pre-tax and Roth accounts are eligible) in 2010. To qualify, you must:

- Be age 50 or older before the end of the year;
- Have already deferred the maximum allowable amount for the year based on Plan limits or statutory limits.

With catch-up contributions, the maximum allowable yearly contributions is \$22,000.

An additional limit for Co-op 401(k) Plan sponsors

An additional limit applies to participants in the Co-op 401(k) Plan specifically. A participant can contribute a maximum of 50% of compensation to the Plan. Thus, under the Co-op 401(k) Plan, an employee earning \$30,000 per year may not contribute more than \$15,000 regardless of IRS limits.

¹ <http://moneyfeatures.blogs.money.cnn.com/2009/08/27/rule-may-mandate-lower-401k-contributions-in-2010/>

No COLA for Social Security

Because of low inflation, Social Security beneficiaries will not receive a cost-of-living increase for the first time since 1975. For 2010, the Social Security taxable wage base remains at \$106,800. By law, Social Security Benefits cannot decrease.

The Normal Retirement Age is the age where Social Security Benefits are neither reduced for early retirement nor increased for delayed retirement.

In calendar years prior to attaining normal retirement age, the SSA can withhold benefits based on earnings for people who retire prior to their Normal Retirement Age (shown below).

Year of Birth	Normal Retirement Age
1937 & prior	65
1938	65 & 2 months
1939	65 & 4 months
1940	65 & 6 months
1941	65 & 8 months
1942	65 & 10 months
1943-1954	66
1955	66 & 2 months
1956	66 & 4 months
1957	66 & 6 months
1958	66 & 8 months
1959	66 & 10 months
1960 & later	67

Go Green!

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To join the *Update* e-mailing list, please send an e-mail to 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 to revisit prior issues of *Update* or for more information regarding the Plan. Thank you for helping us Go Green!

Plan BITS

Milliman Holiday Schedule

Milliman's Minneapolis office will be closed for business on November 26-27, 2009 and on December 24-25, 2009.

New Board Member

Bruce Clark, General Manager of Mountain View Co-op in Black Eagle, Montana, was recently elected to serve on the Co-op 401(k) Plan Fiduciary Board as the District 6 (Western US) representative. Bruce will attend the December Board Meeting along with the current Board members. If you have comments, concerns, or questions for the Board please contact your representative prior to the December 10-11 meeting.

Schedule Participant Meetings

December is often a slower month 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 10/31/2009

Asset Category	Investment Fund	NAV	3-month	1-year	5-year annualized	10-year annualized	Ticker symbol
Stable Asset	Galliard Stable Asset	\$22.56	1.06%	4.48%	4.86%	5.29%	N/A
Bond	PIMCO Total Return Institutional	\$10.94	4.34%	20.11%	6.84%	7.58%	PTRX
Inflation Protected Bond	Vanguard Inflation-Protected Secs. Fund	\$24.97	4.48%	16.41%	4.67%	N/A	VAIPX
Balanced	Vanguard Wellington Admiral	\$47.90	4.86%	18.63%	5.02%	5.81%	VWENX
Large-Cap Value	Vanguard Windsor II Admiral	\$39.46	6.79%	12.09%	1.14%	3.05%	VWNAX
Index Stock	Vanguard Institutional Index	\$95.02	5.47%	9.95%	0.36%	-0.91%	VINIX
Large-Cap Growth	American Funds Growth Fund R5	\$25.43	4.09%	16.09%	2.99%	3.39%	RGAFX
Mid-Cap Value	JP Morgan Mid-Cap Value Select	\$17.49	5.94%	13.92%	1.78%	9.26%	JMVSSX
Mid-Cap Growth	T. Rowe Price Mid-Cap Growth	\$43.24	5.31%	27.10%	4.64%	6.20%	RPMGX
Small-Cap Value	Alliance NFJ Small-Cap Value Fund	\$22.75	5.67%	10.18%	5.46%	10.95%	PSVIX
Small-Cap Index	Vanguard Small-Cap Index Signal	\$22.47	3.74%	14.27%	1.86%	5.00%	VSISX
Small-Cap Growth	Vanguard Explorer Admiral	\$48.21	2.42%	14.66%	0.71%	4.86%	VEXRX
Internal Large-Cap Value	Dodge & Cox Internal Stock	\$30.61	7.74%	36.90%	6.98%	N/A	DODFX
Internal Large-Cap Blend	Vanguard Internal Growth Admiral	\$51.89	6.12%	33.15%	6.81%	3.77%	VWTLX
Internal Large-Cap Growth	Artisan International Fund	\$19.49	5.58%	32.10%	6.14%	4.59%	ARTIX
Model Portfolios ²	Conservative	N/A	3.52%	13.94%	5.02%	N/A	N/A
	Moderately Conservative	N/A	4.02%	15.91%	4.73%	N/A	N/A
	Moderate	N/A	4.53%	17.89%	4.44%	N/A	N/A
	Moderately Aggressive	N/A	5.03%	19.86%	4.15%	N/A	N/A
	Aggressive	N/A	5.10%	19.49%	3.38%	N/A	N/A

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

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

Complete this form and mail
 or fax today!

Milliman, Inc.
 8500 Normandale Lake Blvd

Suite 1850

Minneapolis, MN 55437

phone: 800 652.6675

fax: 952 820.3100

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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



Milliman, Inc.
 8500 Normandale Lake Boulevard, Suite 1850
 Minneapolis, Minnesota 55437-3830

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