



MARCH 2009

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Stable Value funds offer relief and returns

Because of the economy, participants may be considering turning away from equity funds, instead choosing to invest in a Stable Asset Fund. Stable (or cash) funds can help your participants maintain their 401(k) balance.

An important piece to the investing puzzle

Stable value or cash funds are among the most popular investment options in defined contribution plans. 29% of the assets in the Co-op 401(k) Plan are invested in the Galliard Stable Asset Fund (see the chart). Almost as much money is invested in that fund as the entire large-cap asset class, which has many fund options. Because there is only one cash fund in many plans, its management is crucial to participants.

As a Plan Sponsor, having a plan that offers participants an investment option whose primary goal is capital preservation is extremely important today. The struggling global economy has caused losses in many other asset classes during 2008. Participants, especially those near to retirement, may be looking to avoid volatile equity markets and limit losses.

Stable value funds are about more than just stopping losses. The best stable value funds manage risk but also provide investors with a strong return. By adding

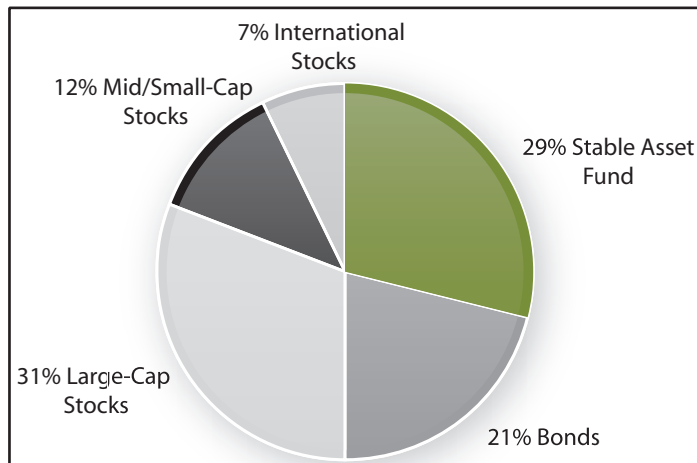
returns to capital preservation, the Galliard Stable Value Fund both protects against losses in the portfolio and supports the Participant's overall retirement goals. The Galliard Stable Asset fund has provided investors with a 4.91% return over the past 12 months and 4.89% return over the past 5 years.

Over long periods of time, well managed Stable Value Funds can even provide returns equal to stocks.

Equities tend to fluctuate

offering bigger potential gains but also bigger potential losses. Stable Funds have consistent returns over time. Over certain periods, the slow, steady approach can come out ahead of a riskier investing strategy. A well-

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Participants invest more money in the Stable Asset Fund (29%) than any of the other 13 funds offered.

www.coop401kplan.com

800.652.6675



DOL seven day rule could impact your cooperative

Under existing Department of Labor (DOL) regulations, the general deposit rule for participant contributions is that they become plan assets on the “earliest date” amount withheld from the participant’s pay can be reasonably segregated from the employer’s general assets. In addition, the “earliest date” must be no later than the 15th business day of the month following the month in which participant contribution are withheld from the employee’s paycheck. Because existing regulations did not provide a safe harbor period, many small employers were uncertain about how soon they must forward participant contributions to the plan trust to be in compliance.

Proposed Safe Harbor Deposit Deadline

The DOL released proposed guidance that would create a safe harbor to the above general deposit rule. Under the safe harbor, participant 401(k) deferral contributions and loan repayments will be considered timely deposited if made within seven business days. The DOL has determined, from its investigative data, that employers of small plans are able to consistently deposit participant contributions in the seven-day time period.

Other highlights of the proposed safe harbor guidance:

- To satisfy the seven-day rule, the amount must be placed in an account of the plan. A plan checking account or investment funding account will suffice for satisfying the safe harbor rule. Thus, the contributions do not have to be allocated to specific participants or their investments within the seven-day period.
- The seven-day period would start on the day following the date the participant contributions would otherwise have been paid to the participant (payday).
- The deposit must be made to the trust by the seventh business day, not merely be postmarked or in the mail.

Recommended Action

The retirement plan industry widely believes that the DOL will finalize the proposed guidance in the coming year with very little revision. We recommend that you, as the Plan Sponsor, seriously consider applying the safe harbor deposit rule to prevent DOL scrutiny of your plan’s deposits. Prepare now for the final regulations by taking the following steps:

- Create a 2009 payroll calendar, noting each payday and counting seven business days thereafter.
- Sample 2-3 of your plan’s 401(k) deferral contributions/loan repayments remittances. Perform a detailed review of each remittance to determine if deposits are made to the plan trust within seven business days from the respective pay date.
- Consider electronic transfer of 401(k) deferral contributions and loan repayments to the plan trust (See PlanBits on page 3 for more information about ACH pull).
- If submitting 401(k) deferral contributions and loan repayments on a monthly or semi-monthly basis, determine and document in writing your business reasons as to why remittances cannot be made more frequently (i.e. following each payday). Review this document on a periodic basis to ensure that your business reasons continue to be valid.

Contact Milliman at 866.652.6675, Option 2 should you have any questions or wish to discuss your concerns.

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diversified portfolio, such as the Co-op 401(k) Plan Models can help participants find a balance of cash, bonds, and equity to help them achieve their retirement dreams.

How stable funds work

Stable Value Funds, including the Co-op Plan's Galliard Stable Asset fund, typically invest in three types of assets:

- **Guaranteed investment contracts** Notes issued and backed by the general accounts of insurance companies
- **Buy-and-hold bonds** Individual bonds purchased and held until maturity
- **Constant-duration bond portfolios** Bond portfolios managed to traditional fixed-income benchmarks

When a Stable Value Fund purchases a bond, it is "wrapped" by a financial institution for contract or book value accounting. This process stabilizes the bond's performance and gives liquidity for participants. This allows investors to get returns without fluctuations.

As a plan sponsor, it's important to be aware of the performance of your Plan's Stable Value fund, especially as the fund is likely to become more popular as an investment choice in the current economy. You can learn more about the Galliard Stable Value Fund at the Plan Sponsor website at MillimanBenefits.com.

Plan BITS

Submit payroll via ACH

Milliman is encouraging Plan Sponsors to adopt ACH for transactions.

ACH (Automated Clearing House) is similar to an electronic check and is commonly used for direct deposit and online bill-pay transactions. Milliman uses ACH to streamline the contribution process. Instead of writing a check to Schwab, filling out a coupon, and mailing every month, your participants' contributions are processed automatically. That means less time, less paper, less postage for your cooperative.

To start using ACH, call Milliman at 800.652.6675 to request the paperwork. After enrolling in the program, just continue sending your reports and contributions will be handled automatically! Contributions made by ACH take only 2-3 days for processing.

All ACH transactions are secure, and Milliman provides this service without additional cost to the cooperative.

Look for Milliman at upcoming QCS meeting

Milliman representatives will attend the QCS Purchasing & Leadership Conference April 20-21, in Kansas City, Missouri. Stop by with questions or to obtain information about the Co-op 401(k) Plan.

Annual reports coming soon

Look for Milliman's Annual Report on the Co-op 401(k) Plan to be mailed soon. The report provides plan sponsors with detailed information about the growth of the plan in 2008 and provides a statistical snapshot of the Plan.

INVESTMENT FUND UPDATE AS OF 2/28/2009

Asset Category	Investment Fund	NAV	3-month	1-year	5-year annualized	10-year annualized	Ticker symbol
Stable Asset	Galliard Stable Asset	\$21.924	1.17%	4.91%	4.89%	5.01%	N/A
Bond	PIMCO Total Return Institutional	\$10.01	3.61%	1.05%	4.73%	6.35%	PTRX
Balanced	Vanguard Wellington Admiral	\$37.34	-8.08%	-28.61%	-0.09%	3.57%	VWENX
Large-Cap Value	Vanguard Windsor II Admiral	\$27.17	-17.86%	-44.68%	-5.81%	-0.99%	VWNAX
Index Stock	Vanguard Institutional Index	\$67.56	-17.27%	-43.26%	-6.62%	-3.40%	VINIX
Large-Cap Growth	American Funds Growth Fund R5	\$18.09	-10.03	-42.09%	-3.83%	1.76%	RGAFX
Mid-Cap Value	JF Morgan Mid-Cap Value Select	\$12.62	-14.05%	-40.90%	-3.78%	7.22%	JMV SX
Mid-Cap Growth	T. Rowe Price Mid-Cap Growth	\$29.31	-5.04	-40.09%	-2.32%	3.38%	RPMGX
Small-Cap Value	Heartland Value Fund	\$20.67	-12.67%	-46.04%	-8.89%	6.01%	HRTVX
Small-Cap Index	Vanguard Small-Cap Index Signal	\$14.54	-16.51%	-44.59%	-6.25%	1.67%	VSISX
Small-Cap Growth	Vanguard Explorer Admiral	\$33.49	-10.95%	-42.51%	-6.83%	2.82%	VEXRX
Internal Large-Cap Value	Dodge & Cox Internat'l Stock	\$17.19	-16.52%	-53.86%	-2.87%	N/A	DODFX
Internal Large-Cap Blend	Vanguard Internat'l Growth Admiral	\$31.99	-10.96%	-50.46%	-2.66%	-0.23%	VWTLX
Internal Large-Cap Growth	Artisan International Fund	\$12.34	-10.95%	-50.89%	-3.25%	1.88%	ARTIX
Model Portfolios:²							
Conservative	N/A	0.30%	-1.45%	3.68%	4.71%	N/A	
Moderately Conservative	N/A	-3.03%	-11.51%	1.59%	3.44%	N/A	
Moderate	N/A	-6.49%	-21.38%	-0.49%	2.10%	N/A	
Moderately Aggressive	N/A	-10.07%	-31.05%	-2.56%	0.69%	N/A	
Aggressive	N/A	-14.54%	-43.05%	-4.94%	-0.67%	N/A	

²Fund performance figures were provided by Calliard 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. 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!

Milliman, Inc.
8500 Normandale Lake Blvd

Suite 1850

Minneapolis, MN 55437

phone: 800 652.6675

Fax: 952 820.3100

Name			
Title			
Company			
Address			
City	State	Zip Code	
Telephone Number			
Fax Number			

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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