

Co-op 401k Plan



UPDATE

EMPLOYEE BENEFIT NEWS FOR
THE COOPERATIVE INDUSTRY

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

JANUARY 2009

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401(k) plans remain feasible in rough economy

Amidst a struggling world economy, criticisms of the American financial systems have been levied at Wall Street banks, corporations, government officials, consumers, and the defined contribution system of retirement planning.

Since the inception of 401(k) Plans in 1981, defined contribution plans that allow employees to defer portions of their salary into retirement savings accounts have grown in popularity to the point that company sponsored 401(k) Plans are the most widely used form of retirement planning. With a struggling economy and employees across the country worried about their ability to retire, defined contribution plans have been a popular target for critics.

Criticism

In an October 2008 testimony before Congress, Teresa Ghilarducci, director of the Schwartz Center for Economic Policy Analysis at the New School for Social Research and University of Notre Dame economics professor, proposed substantial cut-backs of tax-breaks associated with 401(k) accounts. In the place of 401(k)'s, Ghilarducci promoted a plan for employees to pay into a government-managed fund that would offer a guaranteed monthly pension at retirement.

She went on say, "The sooner we admit that our 30-year experiment with 401(k) accounts has failed, the sooner we can use these precious government subsidies efficiently and equitably."¹

www.coop401kplan.com

800.652.6675

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Is the system really the problem?

The decline 401(k) account balances in 2008 was not caused by a fundamental defect in the defined contribution retirement plan approach, but by a failure in the operation of capital markets, according to Profit

Sharing/401k Council of America (PSCA), a nonprofit association of retirement plan sponsors.

"It is hardly surprising that 401(k) plans did not escape a collapse that has stricken almost every financial system or arrangement in the world," David Wray, the PSCA president, told Society for Human Resource Management (SHRM)¹.

"Many who invested in equity mutual funds saw a similar reduction in value, yet there is no clamoring for a wholesale revision of the mutual fund system," he added. "Everyone gets soaked in a cloudburst, regardless of the kind of shirt they wear. Policymakers should direct their efforts to ensuring that a similar market

"401(k) participants will be able to move confidently forward knowing that investing for the long term continues to be the right thing to do."

-David Wray

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collapse never happens again.”

To restore confidence in financial markets for retirement savings, PSCA recommends penalizing poor decision-making by financial services professionals and prosecuting those who have acted improperly to the full extent of the law. Then Wray believes, “401(k) participants, as well as all other investors, will be able to move confidently forward knowing that saving and investing for the long term continues to be the right thing to do.”

The PSCA admonished Ghilarducci's claims for, “distracting the public from the real reasons and the real culprits for the current market collapse by attacking the 401(k) system is harmful misdirection and must stop.”

Evidence supports 401(k)s

A new paper published by The Pension Research Council at The Wharton School/University of Pennsylvania, “Can 401(k) Plans Provide Adequate Retirement Resources?”² provides empirical evidence that supports the defined contribution system. The Wharton researchers conclude that yes, 401(k) plans can adequately provide for retirement as long as participants don't make reckless choices.

The paper shows that:

- Moderate 401(k) contribution rates can lead to adequate income replacement rates in retirement for many workers.
- Adequate asset accumulation can be achieved using only a 401(k) plan.
- Results do not rely on earning an investment premium on risky assets.

Researchers used “Monte Carlo” simulation techniques that have become a mainstay of long-term personal financial planning.

1: http://www.shrm.org/rewards/news_published/CMS_027560.asp

2: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1317904

Milliman to debut new recordkeeping system

Plan Sponsors, watch your mail for important information regarding new technology! Milliman is upgrading our defined contribution recordkeeping platform, and we're happy to report that the transition project plan is on track.

In mid-February, Milliman will begin providing Human Resources Information System (HRIS) reports to you via e-mail. These reports will show contribution rate changes, new loans, loan payoffs, hardship suspension periods, and other payroll updates related to the Co-op 401(k) Plan.

After your migration, millimanonline.com will become MillimanBenefits.com.

As a Plan Sponsor, you will receive a new user ID and password for www.MillimanBenefits.com, but participant passwords will remain the same.

Participants who go to millimanonline.com will be automatically directed to the new MillimanBenefits.com.

All web documents will be updated with the new website information, and all enrollment materials for newly eligible employees will be updated with the new website.

Confirmations and communications to employees will be issued electronically if an e-mail address is on file with Milliman. The employee will have the option to receive paper if desired.

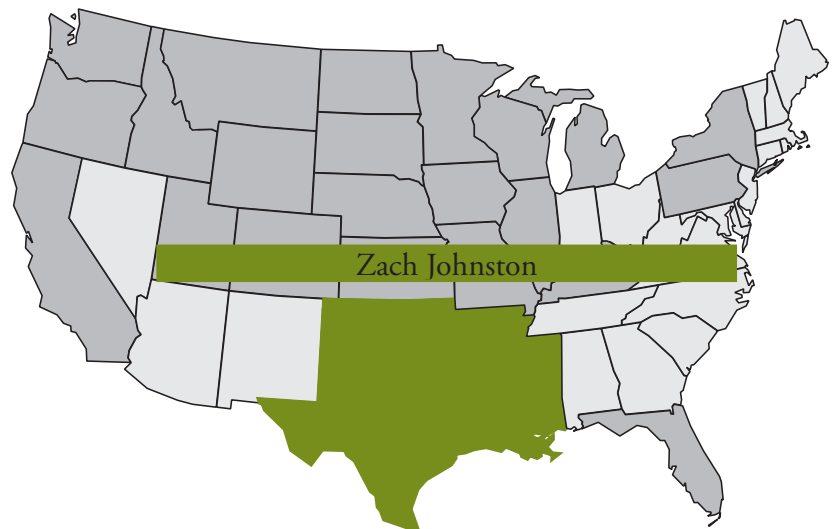
The mailing includes a copy of the Participant Guide, which will be mailed to your employees, and the Plan Sponsor Guide. Each provides an overview of the websites, Participant and Sponsor sites.

We are excited and pleased about the new system and the features and advantages we all – you, your participants and Milliman – will enjoy under the new environment. If you have any questions, we are here to assist you; please don't hesitate to call 800.652.6675.

Next issue of *Update* will contain a more detailed overview of the new website!

Introducing Your Client Service Manager

Zach Johnston
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 918.408.2435
 zachary.johnston@milliman.com



Milliman is happy to welcome Zach Johnston to our service team. Zach is a former CENEX employee based in Tulsa, Oklahoma who will be making on-site visits to cooperatives in Arkansas, Louisiana, Mississippi, Oklahoma and Texas. Be sure to call Zach to schedule employee educational meetings to help your employees get the most from your Plan.

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.

Is your e-mail on file with Milliman?

Electronic communications will become more prominent with Milliman's migration to a new recordkeeping system. We are encouraging Plan Sponsors to keep their e-mail addresses on file with us.

Please call 800.652.6675 to add your contact information to our database.

INVESTMENT FUND UPDATE AS OF 12/31/2008

Asset Category	Investment Fund	NAV	3-month	1-year	5-year annualized	10-year annualized	Ticker symbol
Stable Asset	Galliard Stable Asset	\$21.76	1.23%	5.00%	4.89%	5.42%	N/A
Bond	PIMCO Total Return Institutional	\$10.14	4.97%	4.82%	5.17%	6.24%	PTRX
Balanced	Vanguard Wellington Admiral	\$42.18	-10.66%	-22.23%	2.95%	4.58%	VWENX
Large-Cap Value	Vanguard Windsor II Admiral	\$33.92	-21.58%	-36.63%	-0.52%	1.17%	VWNAX
Index Stock	Vanguard Institutional Index	\$82.54	-21.91%	-36.95%	-2.18%	-1.35%	VINIX
Large-Cap Growth	American Funds Growth Fund R5	\$20.44	-23.04%	-38.88%	-0.56%	3.36%	RGAFX
Mid-Cap Value	J.P. Morgan Mid-Cap Value Select	\$15.46	-21.62%	-33.06%	1.15%	N/A	JMVXX
Mid-Cap Growth	T. Rowe Price Mid-Cap Growth	\$32.67	-25.28%	-39.69%	0.59%	3.98%	RPMGX
Small-Cap Value	Heartland Value Fund	\$25.04	-26.76%	-39.53%	-4.04%	7.30%	HRTVX
Small-Cap Index	Vanguard Small-Cap Index Signal	\$18.39	-26.64%	-36.00%	-0.72%	3.34%	VSISX
Small-Cap Growth	Vanguard Explorer Admiral	\$39.19	-26.11%	-40.29%	-2.94%	3.54%	VEXRX
Internal Large-Cap Value	Dodge & Cox Internat'l Stock	\$21.9	-26.06%	-46.69%	3.35%	N/A	DODFX
Internal Large-Cap Blend	Vanguard Internat'l Growth Admiral	\$38.79	-23.16%	-44.83%	2.13%	1.44%	VWTLX
Internal Large-Cap Growth	Artisan International Fund	\$14.96	-22.08%	-46.96%	1.77%	4.54%	ARTIX
Model Portfolios:²							
Conservative		N/A	0.41%	0.73%	4.30%	5.07%	N/A
Moderately Conservative		N/A	-4.52%	-8.00%	3.17%	4.09%	N/A
Moderate		N/A	-9.63%	-16.73%	2.03%	3.07%	N/A
Moderately Aggressive		N/A	-14.93%	-25.45%	0.88%	2.01%	N/A
Aggressive		N/A	-22.48%	-36.54%	-0.31%	1.09%	N/A

Fund performance figures were provided by Calliard Capital Management and Morningstar. Past performance is not a guarantee of future results. Returns for model portfolios are a blended return calculated by using the returns for the underlying funds in the portfolio.
² 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!

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Title			
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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



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