

The **401k** Diagnostic **SYSTEM**TM

Evaluate & Manage Your 401k

Benchmarking Results for
ABC Company

Presented By
401(k) Squared



A Proprietary System developed by 401(k) Analytics, LLCTM

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EXECUTIVE SUMMARY

The goal of The 401(k) Diagnostic Report is to obtain the maximum benefit from your 401(k) plan, while helping your Human Resource Department administer the plan in a streamlined and efficient manner. Specifically, The 401(k) Diagnostic Report will provide you with an overview of your 401(k) s:

- Plan Design
- Employee Participation
- Asset Allocation/Investment Diversity/Investment Monitoring
- Employee Education
- Total Plan Cost

It provides clarity as to the level of understanding that your employees have of your company s 401(k) plan. When the strengths and weaknesses of your plan are identified, the process to improvement becomes clear. This tool provides the insight necessary to develop your company s 401(k) Solution Diagnostic which will help your company s plan run at its optimal level.

GENERAL OVERVIEW

Participation

Number of Participants Enrolled In Plan

Currently, your plan has **100** participants.

NUMBER OF PARTICIPANTS IN PLAN	
< 100	26.6%
100 - 499	29.3%
500 - 999	11.9%
1000 - 4,999	20.1%
5,000 or More	12.2%

Source: 2004 DC Survey, Plansponsor.com

Plan Assets

Your plan currently has **\$4,000,000** in assets.

TOTAL PLAN ASSETS	
< 5MM	32.1%
5MM - 49MM	37.1%
50MM - 199MM	16.4%
200MM - 499MM	14.4%

Source: 2004 DC Survey, Plansponsor.com

Defined Benefit Plans

ABC Company **does not** offer a Defined Benefit plan.

PERCENTAGE OF COMPANIES THAT OFFER A DEFINED BENEFIT PLAN	
< 5MM	19.7%
5MM - 49MM	24.2%
50MM - 199MM	42.5%
200MM - 499MM	62.0%

Source: 2004 DC Survey, Plansponsor.com

Length of Provider Relationship

How long you have used your current provider?

You have used your current provider for a total of **three years**.

LENGTH OF TIME WITH CURRENT PROVIDER	
< 1 Year	9.0%
1 - 3 Years	32.5%
3 - 5 Years	19.3%
5+ Years	38.8%

Evaluation Frequency

How often do you formally evaluate your current provider?

You currently evaluate your provider **as necessary**.

EVALUATION FREQUENCY	
Every Year	20.2%
Every 1 - 2 Years	13.3%
Every 2 - 3 Years	11.1%
As Necessary	54.6%

PLAN DESIGN

401(k) Plan Eligibility

401(k) Eligibility Type

Your current eligibility requirement is **one year** of service. This eligibility requirement is the same as **11.0%** of other companies.

ELIGIBILITY TYPE	
Immediate *	45.0%
0 - 3 Months	31.0%
4 - 6 Months	13.0%
1 Year	11.0%
Total	100.0%

**(Immediate is defined as 1 month or less.)*

Source: Deloitte 2004 Annual 401(k) Benchmarking Survey

Automatic Enrollment

Do you use automatic enrollment?

You **do not** currently use automatic enrollment.

PERCENTAGE OF COMPANIES THAT USE AUTOMATIC ENROLLMENT	
< 5MM	17.2%
5MM - 49MM	19.0%
50MM - 199MM	19.4%
200MM - 499MM	23.4%

Source: 2004 DC Survey, Plansponsor.com

Vesting Schedule

Vesting Schedules by Plan Type

Your current vesting schedule is as follows: **5 year cliff (100.0% after 5 years)**

VESTING SCHEDULE	
Immediate Full Vesting	39.4%
3-Year Cliff Vesting	13.1%
5-Year Cliff Vesting*	8.5%
3, 4, 5 or 6-Year Graduated Vesting	46.2 %
7-Year Graduated Vesting*	4.5%
Other	4.2%

* For plan years beginning in 2002, 5-year cliff and 7-year graduated vesting are no longer permitted in 401(k) plans.

Source: Profit Sharing/401(k) Council of America (PSCA) 46th and 47th Annual Survey of Profit Sharing and 401(k) Plans

Matching Formula

Your plan currently matches participant s deferrals @ **50% to 4%**.

MATCHING FORMULA USED (ALL PLANS)	
Fixed Match	85.3%
Graded Match	12.7%
Based on Years of Service	2.0%

Source: Profit Sharing/401(k) Council of America (PSCA) 47th Annual Survey of Profit Sharing and 401(k) Plans

Matching Contributions

Your company currently matches **\$0.50 per \$1.00**.

MATCHING FORMULA USED IN PLANS WITH FIXED MATCHES	
< \$.25 per \$1.00	2.4%
\$.25 per \$1.00	15.1%
> \$.25 & < \$.50 per \$1.00	3.7%
\$.50 per \$1.00	47.3%
> \$.50 & < \$1.00 per \$1.00	6.1%
\$1.00 per \$1.00	24.5%
> \$1.00 per \$1.00	0.9%

Source: Profit Sharing / 401(k) Council of America 47th Annual Survey of Profit Sharing & 401(k) Plans

Average Match by Industry Type

Average matching contribution and percentage of pay matched by industry.

INDUSTRY MATCHING INFORMATION		
Industry	Cents Per Matched \$1.00	Max % of Pay Matched
Durable Goods Manufacturing	\$0.58	5.3%
Non-Durable Goods Manufacturing	\$0.54	6.1%
Wholesale & Retail Trade	\$0.48	5.6%
Financial, Insurance, & Real Estate	\$0.64	5.3%
Services	\$0.59	5.1%
All Plans*	\$0.59	5.4%

Source: Profit Sharing / 401(k) Council of America 47th Annual Survey of Profit Sharing & 401(k) Plans

*Data in the "All Plans" row includes respondents outside of the five listed industries.

Profit Sharing Allocation

Your plan uses the **Integration with Social Security** Method to Allocate the Profit Sharing Contribution.

ALLOCATION BREAKDOWN	
Pro Rata to Compensation	69.0%
Other	31.0%

Source: Deloitte 2004 Annual 401(k) Benchmarking Survey

Miscellaneous – Loans

401(k) Plans Permitting Participant Loans

Your plan **does allow** loans.

401(K)	
Loans Permitted	87.6%
Loans Not Permitted but Under Consideration	1.3%
Loans Not Permitted and Not Under Consideration	11.0%

LOAN USAGE COMPARISON 1999-2003					
Loan Demographics	1999	2000	2001	2002	2003
Percentage of Participants Who Have Loans	25.0%	19.4%	24.5%	23.1%	27.6%
Average Loan Amount Per Borrower	\$5,936	\$6,309	\$6,995	\$6765	\$6260
Percentage of Plan Assets Loaned	1.4%	2.0%	2.2%	2.2%	1.4%

Source: Profit Sharing/401(k) Council of America (PSCA) 47th Annual Survey of Profit Sharing and 401(k) Plans

EMPLOYEE PARTICIPATION / UTILIZATION

Testing & Participation

Rate of Employee Participation by Plan Size for 401(k) Plans

Your current participation rate is **68.0%**.

PLAN SIZE BY NUMBER OF PARTICIPANTS			
1-49		79.1%	
50-199	68.0%<	79.7%	(11.7% below average)
200-999		76.1%	
1,000-4,999		71.8%	
5,000+		73.0%	

Source: Profit Sharing/401(k) Council of America (PSCA) 47th Annual Survey of Profit Sharing and 401(k) Plans

Average Percentage of Salary Deferral for ADP Test Results

At ABC Company, the current average deferral rate for Non Highly Compensated Employees is **2.9%** while the average deferral rate for the Highly Compensated

CONTRIBUTION TYPE (NATIONAL AVERAGES)						
Plan Size by # of Participants - Higher Paid				Pre-Tax [401(k)] - Lower Paid		
1-49		7.0%			6.0%	
50-199	4.5%<	6.4%	(1.9% below average)	2.9%<	5.3%	(2.4% below average)
200-999		6.3%			5.0%	
1,000-4,999		6.1%			4.5%	
5,000+		6.1%			4.9%	
All Plans		6.4%			5.2%	

Employees is **4.5%**.

Source: Profit Sharing/401(k) Council of America (PSCA) 47th Annual Survey of Profit Sharing and 401(k) Plans

Historical Average Deferral Rates

AVERAGE PERCENTAGE OF PRE-TAX SALARY DEFERRAL AMONG NON-HIGHLY COMPENSATED PARTICIPANTS, 1995-2003									
	1995	1996	1997	1998	1999	2000	2001	2002	2003
Pre-Tax Deferral (Percentage of Pay)	4.8%	5.0%	5.2%	5.1%	5.4%	5.3%	5.3%	5.2%	5.2%

Source: Profit Sharing/401(k) Council of America (PSCA) 47th Annual Survey of Profit Sharing and 401(k) Plans

Offer a Non-Qualified Deferred Compensation Plan

Your plan **does not offer** a Non-Qualified Deferred Compensation Plan

BUSINESSES WITH 5-1000 EMPLOYEES	
Offers Executive Benefits	27.0%
Does Not Offer Executive Benefits	73.0%

Source: Executive Topics, Compensation Review Group

FIDUCIARY RESPONSIBILITIES

Understanding Fiduciary Responsibilities

You have **somewhat** of an understanding of your fiduciary responsibilities.

RATING FIDUCIARY UNDERSTANDING	
Fully understand	46.6%
Understand somewhat	51.7%
Do not understand	1.7%

Source: Plansponsor Magazine, February 2005

Fiduciary Issues

A **plan committee or pension board** answers most questions on fiduciary issues regarding the plan.

ANSWERING FIDUCIARY QUESTIONS	
Outside ERISA attorney, CPA, or actuary	35.1%
Retirement provider or recordkeeper	15.8%
In-house counsel	10.5%
CEO or president	8.8%
Retirement plan advisor	7.0%
Plan committee or pension board	5.3%
Head of benefits or HR	3.5%
Head of operations or administration	3.5%
CFO or VP finance	1.8%
Other	8.8%

Source: Plansponsor Magazine, February 2005

Challenges in Fulfilling Fiduciary Responsibilities

FIDUCIARY CHALLENGES			
	Not a priority	Somewhat of a priority	Top priority
ERISA 404(c) compliance	10.3%	43.1%	44.8%
Understanding fees/expenses	5.2%	43.1%	51.7%
Fiduciary training	5.2%	53.4%	37.9%
Documentation of procedures	1.7%	37.9%	60.3%
Investment policy review	1.7%	34.5%	62.1%
Plan provider benchmarking	12.1%	58.6%	29.3%
Plan document review	10.3%	50.0%	37.9%
Fiduciary investment review	1.8%	38.6%	59.6%
Participant education	3.5%	24.6%	71.9%

Source: Plansponsor Magazine, February 2005

Resources for Updates on Legislative and Regulatory Changes that Affect the Plan and Plan Participants

RESOURCES FOR LEGISLATIVE AND REGULATORY CHANGES			
	Not a resource	Somewhat valuable	Most valuable
Retirement plan advisor	35.1%	40.4%	24.6%
Retirement plan provider	17.5%	43.9%	38.6%
Online websites	10.7%	57.1%	32.1%
Trade publications	8.8%	59.6%	31.6%
Attorney (in-house)	60.0%	29.1%	10.9%
Attorney (outside counsel)	27.8%	42.6%	29.6%
Accountant	64.7%	27.5%	7.8%
Other	65.4%	23.1%	11.5%

Source: Plansponsor Magazine, February 2005

Retirement Plan Committee

You **do have** a formal retirement plan committee.

RETIREMENT PLAN COMMITTEE	
Yes	72.4%
No	27.6%

Source: Plansponsor Magazine, February 2005

Your retirement plan committee meets **annually**.

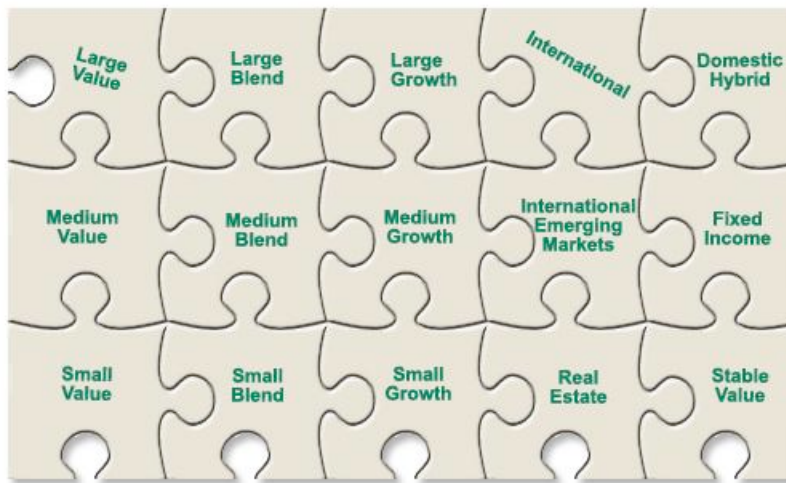
COMMITTEE MEETINGS	
Monthly	7.5%
Quarterly	75.0%
Annually	17.5%

Source: Plansponsor Magazine, February 2005

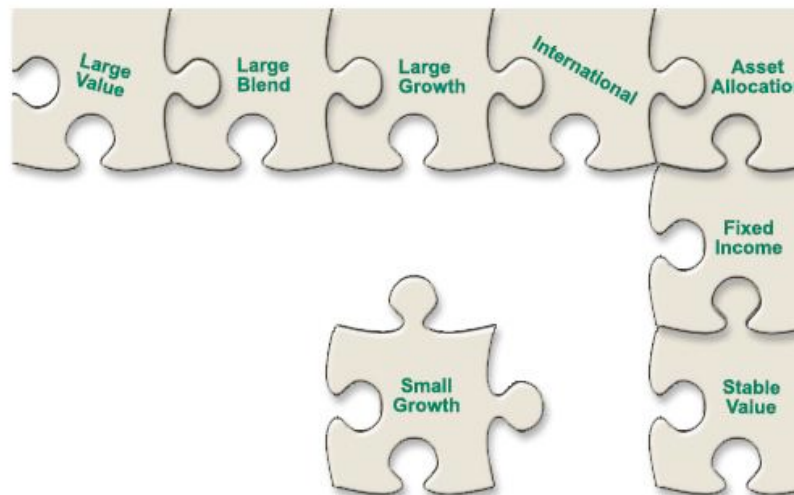
INVESTMENT DIVERSITY

Pieces to a Successful Investment Platform

Most Investment Policy Statements call for a diverse set of investment options. Diversity starts with a broad range of asset class alternatives. By offering the various asset class puzzle pieces not only does the employer fiduciary reduce liability, they help to ensure the employee's ability to construct an asset allocation strategy which can withstand the various ups and downs of specific asset classes in any given year.



ABC Company offers the following asset class puzzle pieces



***Diversification does not assure an investment gain and does not protect against loss in a declining market.*

ASSET ALLOCATION

Actual Asset Allocation Based Upon the Universe of Current Investment Options

ASSET ALLOCATION BREAKDOWN					
Large Value	12%	Large Blend	16%	Large Growth	8%
Large Value Fund Large Value Fund		S&P 500 Fund Large Blend Fund Large Blend Fund		Large Growth Fund Large Growth Fund	
Medium Value		Medium Blend		Medium Growth	
Small Value		Small Blend		Small Growth	2%
				Small Growth Fund	
Foreign/World Stock	7%	Asset Allocation	5%	Stable Value	43%
International Stock Fund		Lifestyle Fund I Lifestyle Fund II		Money Market Fund	
Income	7%	Other			
Intermediate Term Bond Fund					

Asset Allocation by Investment Type

Total amount invested in funds as a percentage of total year-end fund balance by fund type and plan size.

Fund Type	1-49	50-199	200-999	1,000-4,999
Balanced stock/bond fund	16.9%	12.5%	8.5%	8.9%
Bond-actively managed domestic	5.6%	6.5%	6.3%	5.8%
Bond-indexed, domestic	1.6%	1.6%	1.5%	1.6%
Cash equivalents (CD/money market)	7.5%	7.9%	5.9%	6.5%
Company stock	1.7%	2.5%	2.4%	8.3%
Equity-actively managed, domestic	30.8%	34.9%	34.8%	28.8%
Equity-actively managed, int l	6.1%	7.2%	5.6%	6.3%
Equity-indexed, domestic	8.1%	7.7%	9.2%	11.9%
Equity-indexed, int l	1.00%	1.0%	1.2%	1.0%
Lifestyle/life stage, etc.	2.6%	3.4%	5.0%	3.6%
Real Estate Fund	0.4%	0.3%	0.5%	0.2%
Self-directed (brokerage window)	7.0%	4.3%	2.9%	1.0%
Self-directed (mutual fund window)	5.2%	0.2%	1.5%	0.0%
Stable value	3.8%	6.8%	12.5%	12.8%
Other	1.6%	3.3%	2.3%	1.5%
	99.9%	100.1%	100.1%	100.1%

Source: Profit Sharing/401(k) Council of America (PSCA) 47th Annual Survey of Profit Sharing and 401(k) Plans

INVESTMENT MONITORING

Investment Policy Statement

An investment policy statement (IPS) sets forth the goals of the Plan's investment program. It establishes policies for selecting appropriate investment management and suitable investment options. It establishes guidelines for monitoring and evaluating the performance of the Plan's investment management and investment options. Finally, an IPS assists the Plan Fiduciary in ensuring that the Plan's assets are prudently invested and adequately diversified.

Percentage of Plans Reporting Having an Investment Policy Statement

401(K)	
Has an Investment Policy Statement	69.7%
Does Not Have an Investment Policy Statement	17.8%
Respondent Uncertain	12.5%

Source: Profit Sharing/401(k) Council of America (PSCA) 47th Annual Survey of Profit Sharing and 401(k) Plans

Investment Policy Monitoring Frequency

MONITORING FREQUENCY	
Annually	21.8%
Semi-Annually	14.1%
Quarterly	52.5%
Monthly	10.0%
Other	1.6%

Source: Profit Sharing/401(k) Council of America (PSCA) 47th Annual Survey of Profit Sharing and 401(k) Plans

Company Stock

Companies that offer employer stock

ABC Company **does not** currently offer company stock.

PERCENTAGE OF COMPANIES THAT OFFER COMPANY STOCK	
< 5MM	1.8%
5MM - 49MM	7.1%
50MM - 200MM	21.4%

Source: 2004 DC Survey, Plansponsor.com

Self Directed Brokerage Options

Self Directed Brokerage option offered in plan

Your company **does** currently offer a Self Directed Brokerage option.

PERCENTAGE OF COMPANIES OFFERING SELF DIRECTED BROKERAGE	
< 5MM	10.8%
5MM - 49MM	19.7%
50MM - 200MM	27.7%

Source: 2004 DC Survey, Plansponsor.com

Number of Investment Options

ABC Company offers participants **13 investment options.**

NUMBER OF INVESTMENT OPTIONS OFFERED WITHIN YOUR PLAN		
	2004	2003
< 5MM	16.9%	16.7%
5MM - 49MM	15.7%	15.5%
50MM - 200MM	19.4%	16.1%

Source: 2004 DC Survey, Plansponsor.com

INVESTMENT MENU DASHBOARD

Dashboard Breakdown

DASHBOARD BREAKDOWN				
	3 Year Track Record	>\$100m Invested	Ranked better than 50th Percentile 3 Years	Ranked better than 50th Percentile 5 Years
Fund A	Y	Y	✓	
Fund B	Y	Y	✓	
Fund C	Y	Y		✓
Fund D	Y	Y	✓	
Fund E	Y	Y		✓
Fund F	Y	Y	✓	
Fund G	Y	Y		
Fund H	Y	Y	✓	
Fund I	Y	Y		✓
Fund J	Y	Y		✓
Fund K	Y	Y		
Fund L	Y	Y	✓	✓
Fund M	Y	Y		✓

This summary represents past performance, which is not a guarantee of nor should be considered indicative of future performance.

Legend

Y = Yes

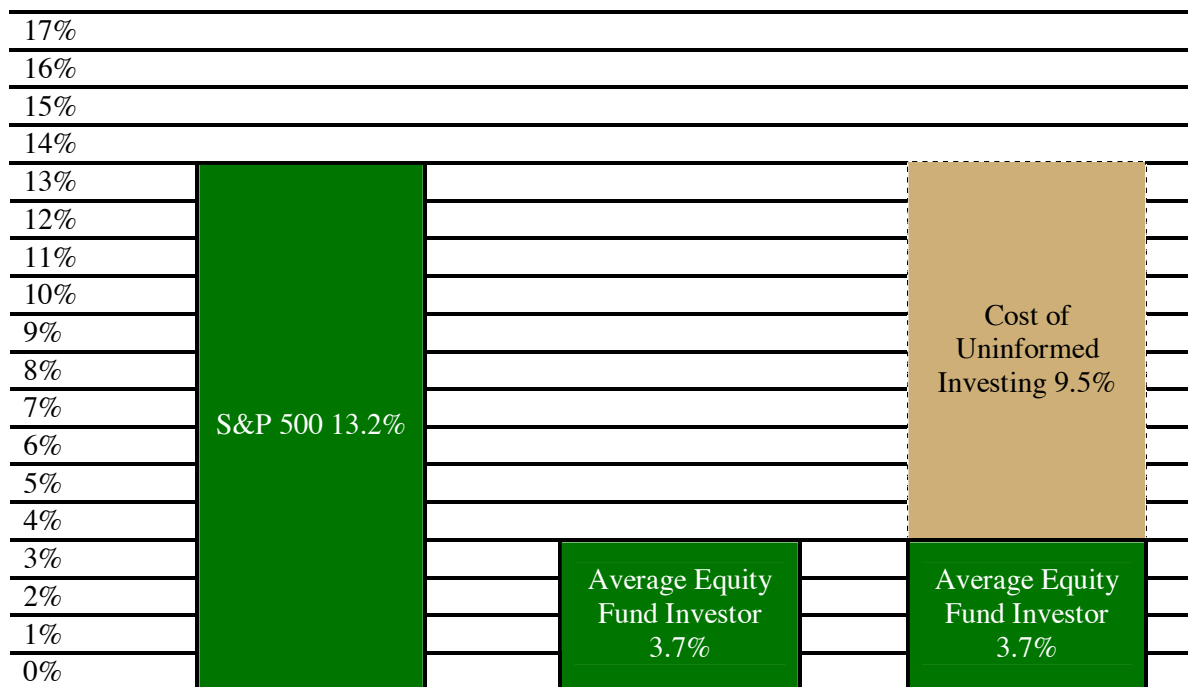
N = No

✓ = Meets Requirement

EMPLOYEE EDUCATION

Fund Return vs. Investor Return

Fund return does not equal investor return. Below find the average for stock funds versus that of an individual investor in the same asset class. This is the cost – uninformed investing, the cost of lack of discipline.



From 1985 through 2004 the S&P 500 Index posted an average annual return of 13.2%.

The cost of uninformed investing
From 1985 through 2004 the average investor in a stock fund earned 3.7%.

These averages represent past performance, which is not a guarantee of nor should be considered indicative of future performance.

Source: Dalbar Quantitative Analysis of Investor Behavior (QAIB) study – 2005.

Financial / Investment Advice

Financial Advice Available to DC plan Participants

You **do currently** offer investment advice to DC plan participants.

PERCENTAGE OF COMPANIES THAT OFFER INVESTMENT ADVICE	
< 5MM	53.9%
5MM - 49MM	51.5%
50MM - 200MM	41.3%

Source: 2004 DC Survey, Plansponsor.com

ADVICE IS PROVIDED THROUGH	
Third Party (i.e., Financial Engines)	7.3%
Provided through planner outside the plan	16.0%
Advice provided by our DC provider	23.8%
Other advice provider	1.9%

Source: 2004 DC Survey, Plansponsor.com

Investment Education

Type of Investment Education Material Provided

COMMUNICATION TECHNIQUE	
Enrollment Kits	68.2%
Fund Performance Sheets	57.2%
Newsletters	45.8%
Seminars	36.9%
Internet	34.7%
Slides/PowerPoint	34.0%
Paycheck Stuffers	21.0%
Workshops	20.4%
Intranet	19.6%
Posters	18.0%
Retirement Gap Calculators	17.4%
Modeling Software	9.3%
Videos	6.2%

Source: Profit Sharing/401(k) Council of America (PSCA) 47th Annual Survey of Profit Sharing and 401(k) Plans

Automated Systems

Percentage of Companies Using Telephone Accessed Automated Response Systems

SERVICE PROVIDED	
Enrollments	58.1%
Contribution Changes	53.8%
Balance Inquiries	44.2%
Investment Changes	41.9%
Loan Modeling	36.2%
Loan Distributions	44.5%
In-Service Distributions	48.4%
Final Distributions	57.1%
None	26.3%

Source: Profit Sharing/401(k) Council of America (PSCA) 47th Annual Survey of Profit Sharing and 401(k) Plans

Technological Capabilities / Use of Internet

Percentage of Companies Using and Service Provided

SERVICE PROVIDED	
Enrollments	43.0%
Contribution Changes	60.7%
Balance Inquiries	91.7%
Investment Changes	90.4%
Loan Modeling	68.7%
Loan Distributions	55.4%
In-Service Distributions	34.5%
Final Distributions	37.6%
None	7.4%

Source: Profit Sharing/401(k) Council of America (PSCA) 46th Annual Survey of Profit Sharing and 401(k) Plans

TOTAL PLAN COST

Provider Averages

401(K) PROVIDER DIRECTORY EXPENSE AVERAGES	
No. of Participants	100
Assets	\$4,000,000
Avg. Management Fees	1.20%
Record Keeping & Administration	0.09%
Trustee	0.02%
Total Bundled	1.31%

Source: 401(k) Provider Directory Averages Book (7th Edition)

Actual Plan Expenses

ABC COMPANY EXPENSES	
Investment Expenses	1.58%
Asset Charge	0.00%
Record Keeping & Administration	0.20%
Total Plan Expenses	1.78%

ABC COMPANY EXPENSE RATIOS			
Fund	Expense Ratio	Fund	Expense Ratio
Lifestyle Fund I	1.7%	Stable Value	0.6%
Lifestyle Fund II	1.9%		
Large Growth Fund I	1.5%		
Large Growth Fund II	1.8%		
Technology	2.3%		
Intermediate Bond	1.4%		
Large Blend Fund I	1.8%		
Large Blend Fund II	1.6%		
Large Value Fund I	1.7%		
International Fund I	2.1%		
Large Value Fund II	1.5%		
Large Blend III	0.6%	Average Expense Ratio	1.58%

Source: ABC Company's investment information

SOURCES

1. All ABC Company information has been provided by the company.
2. Profit Sharing/401(k) Council of America (PSCA) 46th and 47th Annual Survey of Profit Sharing and 401(k) Plans.
3. Deloitte 2004 Annual 401(k) Benchmarking Survey
4. 2004 DC Survey, Plansponsor.com
5. 401(k) Provider Directory Averages Book (7th Edition)
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6. Dalbar Quantitative Analysis of Investor Behavior (QAIB) study - 2005
7. Newsletter: Executive Topics, Compensation Resource Group (CRG)
8. February 2005, Plansponsor Magazine

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