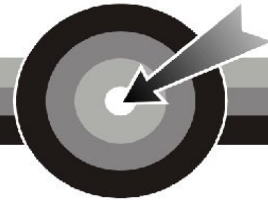


The Pension Specialists, Ltd.

Retirement Plan Third Party Administrator



Spring, 2004

Plan Trustee News

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The Pension Specialists, Ltd.

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Employee Investment Education

The **Retirement Financial Educators**, a division of **The Pension Specialists, Ltd.**, offers a new education program enabling plan participants to voluntarily attend classes outside of work hours. This aids fiduciaries by fulfilling their responsibilities in accordance with 404(c) safe harbor regulations. Providing voluntary after-work classes benefits both fiduciaries and plan participants by reducing liability, and creating a more satisfactory learning experience.

Background Information

Under ERISA, a fiduciary must be sure that "The participant or beneficiary is provided or has the opportunity to obtain sufficient information to make informed decisions with regard to investment alternatives available under the plan..." (DOL). Although ERISA (Employee Retirement Income Security Act) does not dictate to fiduciaries how to ensure a participant's sufficient knowledge, it does give guidance as to how one would be deemed uninformed.

What does 404(c) require?

Participants will not be considered to have sufficient investment information unless the participant is provided with (among other things):

- An explanation that the plan intends to be a plan described in section 404(c) of ERISA and the fiduciaries may be relieved of liability.
- A description of the investment alternatives available and a general description of investment

objectives and risk/return characteristics of each.

- An explanation of the circumstances under which participants may give investment instructions and explanation of any limitations.

Because the regulations are unclear, education can be a very difficult subject for plan sponsors to tackle on their own.

How Retirement Financial Educators can help

Our employee education program can satisfy educational fiduciary obligations by providing advanced education to all attendees. The logical approach toward voluntary education increases the amount of interested attendees actually attending thereby resulting in a class more focused on learning. Also, voluntary classes allow participants to when they would like to attend instead of being mandated to a specific time during the day. When participants are ill or have scheduling conflicts, they will find it easy to reschedule a voluntary class with **Retirement Financial Educators**, which are scheduled frequently.

Few employers want to shut down production for any length of time, making a mandatory on-the-job class of **two hours** unheard of. Providing classes outside of work hours allows for a **longer time period** in which to be taught. More importantly, a larger amount of information can be presented and processed more efficiently during this time.

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Betty Meredith, CFA, CFP, CRC, and President of **Discover Learning, Inc.**, states "...More in-depth education is needed since balances are at much higher levels than in the earlier years...But in general, I've found that longer education programs are not supported by employers due to increased work loads, decreased profits, fewer employees to do the work, etc."

Meredith also says "It is time for us to move beyond the enrollment meeting and into providing financial and retirement planning education...We need to provide a menu of financial education products and services to allow employees of varying levels of financial literacy and wealth to choose among the topics and types of learning media that works best for them ...Until we do so, most of our employees will never be able to realize the full benefit of their retirement plan, and will most likely have less than what they will need to maintain their quality of life in retirement."

Education Can Be Costly

Many employers don't realize how expensive it can be to offer standard 401(k) education. The act of having a 401(k) vendor stage a one-hour presentation at the workplace during work hours in itself is not expensive, however, the ramifications can be costly. Costs needing consideration

include: employee wages (and benefits), non-employee overhead, and lost production costs. Together, these costs can accumulate considerably. Currently, there are two levels of classes offered:

- Beginning level for new enrollees
- Advanced level for ongoing participants

Additional class offerings will be added in the future.

This approach manages those costs more efficiently through increased time and quality of education. If participants don't comprehend some of the material, they may attend another class, since over 30 are offered annually. A participant may also seek the investment advice from the professional available to them through the class.

Today's participants are in dire need of financial education. A survey commissioned by Nationwide Financial in 2004 found that "Among workers who are participating in a 401(k) plan, many don't understand some common investing terms, such as "asset allocation." Almost half (48 percent) believe it has to do with taking advantage of a company match, while others think it's about choosing a percentage of salary to invest or having money taken out of their paycheck to go

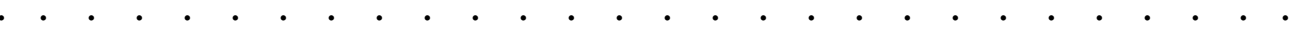
into a 401(k) plan."(Accountants Media Group).

The Bottom Line

These classes are very important, if not necessary for a participant's retirement financial security. Without education, financial decisions are based on the emotions of fear and greed. This holds true when an uneducated participant becomes too fearful of losing money by not putting enough away to ensure financial security for retirement. Or, they get too greedy and risk more than they can afford to lose.

The Retirement Financial Educators provides quality education for plan participants, helping ensure their financial future. We provide an innovative program allowing participants the opportunity to obtain sufficient and outstanding education, coupled with a convenience unrivaled by anything else on the market.

For more information about subscribing to these classes, contact us at 815.394.5500 or 800.963-5501 or by email at info@pensioninsider.com.



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Communication Services

- Group Orientation Meetings
- One-on-One Enrollments
- DOL 404(c) Compliance
- Employee Booklets

About The PensionSpecialists,Ltd.

The Pension Specialists, Ltd. is an independent retirement plan administrator. Our mission is to provide the highest quality services to assist clients in reaching their objectives.

Formed in 1987, we have grown to service over 800 employer retirement plans, with services covering over 25,000 plan participants with over \$350 million of retirement plan assets. We consult with clients to implement plans.

We proactively service our clients to maintain interactive communication, maximize benefits and solve problems. Our in-house staff performs all plan administration.

The Pension Specialists, Ltd. provides services to many well known companies, which include Broker Dealers, Investment Firms, CPA Firms, Law Firms, Medical Groups, Hospitals, Engineers and Retail Businesses.

For more information about The Pension Specialists, Ltd., contact us at 815.394.5500 or 800.963-5501 or by email at info@pensioninsider.com.

