BENEFITWORKS
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EMPLOYEE BENEFIT CONSULTANTS | RETIREMENT PLAN ADMINISTRATORS | REGISTERED INVESTMENT ADVISORS

EMPLOYEE RETIREMENT PLANS

Current Developments in Plan Administration and Participant Investment Choices

Doing Good and Doing Well

Department of Labor statistics tell us that about 16% of participant directed 401(k) plan contributions are invested in "social" accounts. These are funds designed to meet social as well as investment purposes.

The social good can be fostering good ecological practices, encouraging human resource diversity, or avoiding products or services deemed opposed to good social health. Participants investing in such accounts may be constrained by conscience from ownership in companies whose goods or services are deemed by the participant to be harmful to us human types, or they may be motivated to make a statement to influence public opinion or practice.

Several years ago we were asked by plan sponsors, whose employees shared a conservative religious perspective or values, to design an account for these employees. The result was our popular Ethical Growth Account.

Doing Good

The account does not purchase the stock of companies engaged in tobacco, alcohol, gambling, pornography, abortion, and weapons / military products or services. This listing may be amended by an advisory group of participating plan sponsors.

Doing Well

The account's objective is to match the S&P500 index total return with less volatility than the index. We've found that some plan participants use this account as their only common stock account choice (why be half ethical) so the account is intended to be a conservative growth option. To meet our objective the account has adopted the following strategy:

- The account consists of the stock of twenty-five companies to assure diversification. Companies will only be replaced when a better stock is found.
- The account will be sector neutral to the S&P500 index. That is, 12% of the account value will be healthcare stocks, 17% information technology, 10% energy, 3% utilities, etc.
- To be included, a company's S&P Star rating (a qualitative analysis method) must be 5-Star; projected 12-month appreciation is expected to be significantly above market average, and companies are removed when the S&P Star rating falls below 4-Star.
- The portfolio's PEG ratio (price to earnings ratio divided by earnings per share growth rate) must be at 20% below the S&P500 PEG ratio. This means only stocks whose earnings are growing and can be purchased at a relatively low price are included.

The custodian of the securities is TD Ameritrade where the accounts are insured under both the SIPC (Securities Investor Protection Corporation) and supplemental coverage for $150,000,000.

The account is a mutual fund account; open only to our qualified retirement plan sponsors. Participant contributions purchase shares in the account which is valued daily. Annual audited reports are filed with the Department of Labor under ERISA regulations.

According to the old adage, "The proof of the pudding is in the eating." Is it possible to do good and do well at the same time? Here are the total returns for the past 6 calendar years.

Year	S&P500 Index	Ethical Growth	Margin
2001	-12.63%	1.12%	+13.50%
2002	-17.16%	-19.53%	- 2.37%
2003	22.28%	30.66%	+ 9.09%
2004	10.90%	18.57%	+ 5.40%
2005	4.56%	15.14%	+10.58%
2006	13.60%	18.96%	+ 5.36%
2007	3.53%	5.02%	+ 1.49%

A participant contributing $5,000 to the Ethical Growth account each year for the past six years would have accumulated $49,627, vs. $38,760 in the S&P500 index, a difference of 28.04%!

As Registered Investment Advisors our goal is to provide retirement plan sponsors with investment choices that provide:

- low cost,
- returns that provide a premium to their indices,
- and meet the needs and interests of participants.

For further information about the Ethical Growth Account or other accounts and services, contact us at (717) 273-8441 or email us at info@benefitworks.com.

P.O. BOX 1209, LEBANON, PA 17042 | (717) 273-8441 | (800) 931-3144 | FAX (717) 273-8357 | EMAIL INFO@TREFSGAR.COM