

CASH
BALANCE
DESIGN ✓

RETIREMENT PLANS THAT
SAVE TODAY AND BUILD TOMORROW

KRAVITZ

National CASH BALANCE Research Report 2010

*For more information regarding Cash Balance Plans,
please contact Kravitz.*

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Design, Administration and Management of Retirement Plans

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Cash Balance Plans Surge in Popularity: **359% Increase in 6 years**

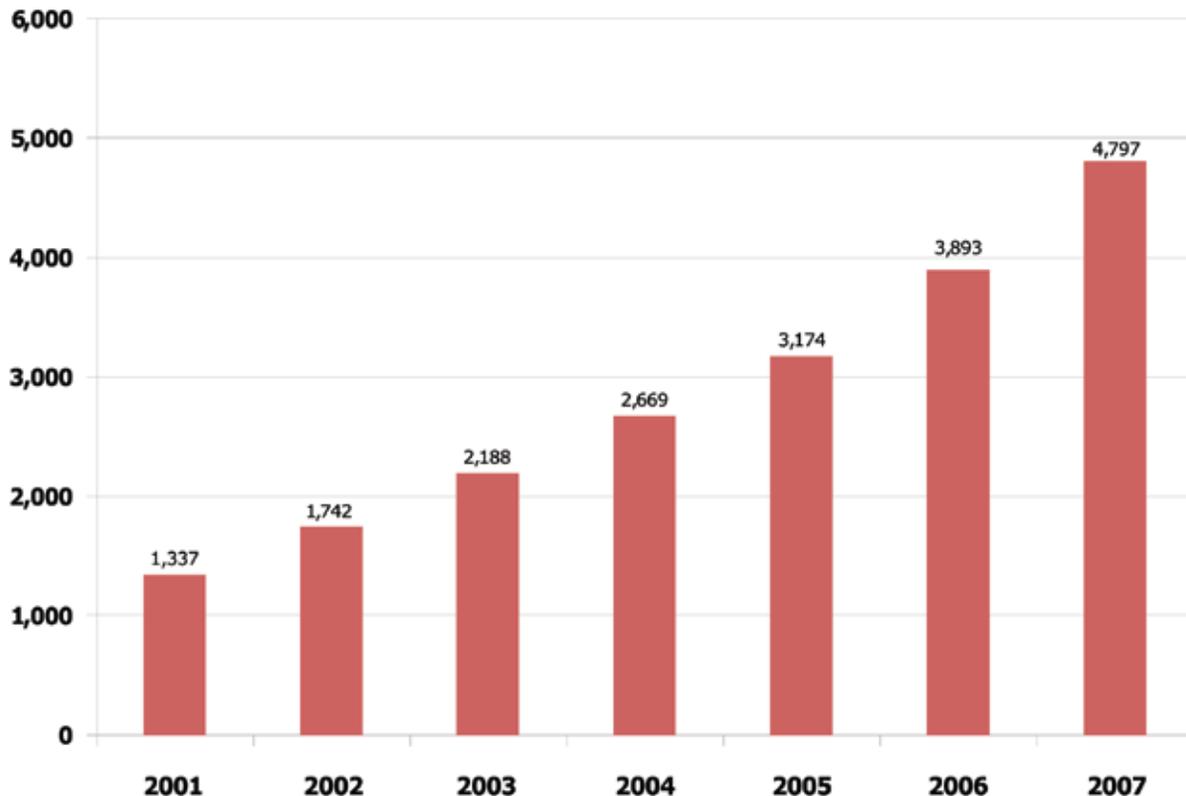
Kravitz has compiled research on all Cash Balance Plans nationwide as of December 31, 2007, using data from the most recently available IRS Form 5500 filings.* The following statistical highlights, charts and graphs are provided as a reference for retirement plan professionals and others interested in learning more about Cash Balance Plans.

HIGHLIGHTS

- **Exponential growth nationwide:** In 2001 there were only 1,337 Cash Balance Plans nationwide, and by 2007 there were 4,797. Over a 6-year period, there were 3,460 new plans created, representing a 359% increase.
- **Small and mid-size businesses drive Cash Balance growth:** 80% of Cash Balance Plans are in place at firms with less than 100 employees. The majority of Cash Balance Plans (63%) have fewer than 25 participants.
- **Plan combinations are a key strategy:** 79% of Cash Balance Plans are combined with a Profit Sharing or 401(k) plan, and more than half of those plans use New Comparability.
- **Medical groups adopt Cash Balance Plans at higher rates:** Medical and dental groups account for 34% of Cash Balance Plans, followed closely by other professional, scientific and technical companies at 12%. Legal and financial service firms account for 8% each.
- **Regional concentration:** California and New York account for 26% of all Cash Balance Plans, with Ohio, New Jersey and Illinois close behind.

*Source: analysis performed by Kravitz, Inc., using data from Judy Diamond Associates, Inc. drawn from 2006 and 2007 plan year Form 5500 filings.
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Cash Balance Plans: Growth 2001 to 2007



Analysis & Conclusions

We expect that the 2006 Pension Protection Act's clarification of the legality of Cash Balance Plans will further accelerate the growth curve. Other factors affecting the popularity of these plans include proposed income tax increases (local, state and federal) and fallout from the 2007-2008 bear market. Business owners recovering from losses in their defined contribution plans are turning to Cash Balance Plans for security, since plan investments are typically tied to a conservative benchmark and shielded from market volatility. Cash Balance Plans also allow owners and partners to accelerate retirement savings by offering significantly higher contribution levels, balanced by meaningful benefits for participating employees.

With growing awareness of Cash Balance Plans in the financial advisory, wealth management and accounting professions, we expect to see significantly high numbers of small to mid-size firms of all types adopting these plans over the next five years.



Cash Balance Plans: Regional Concentration

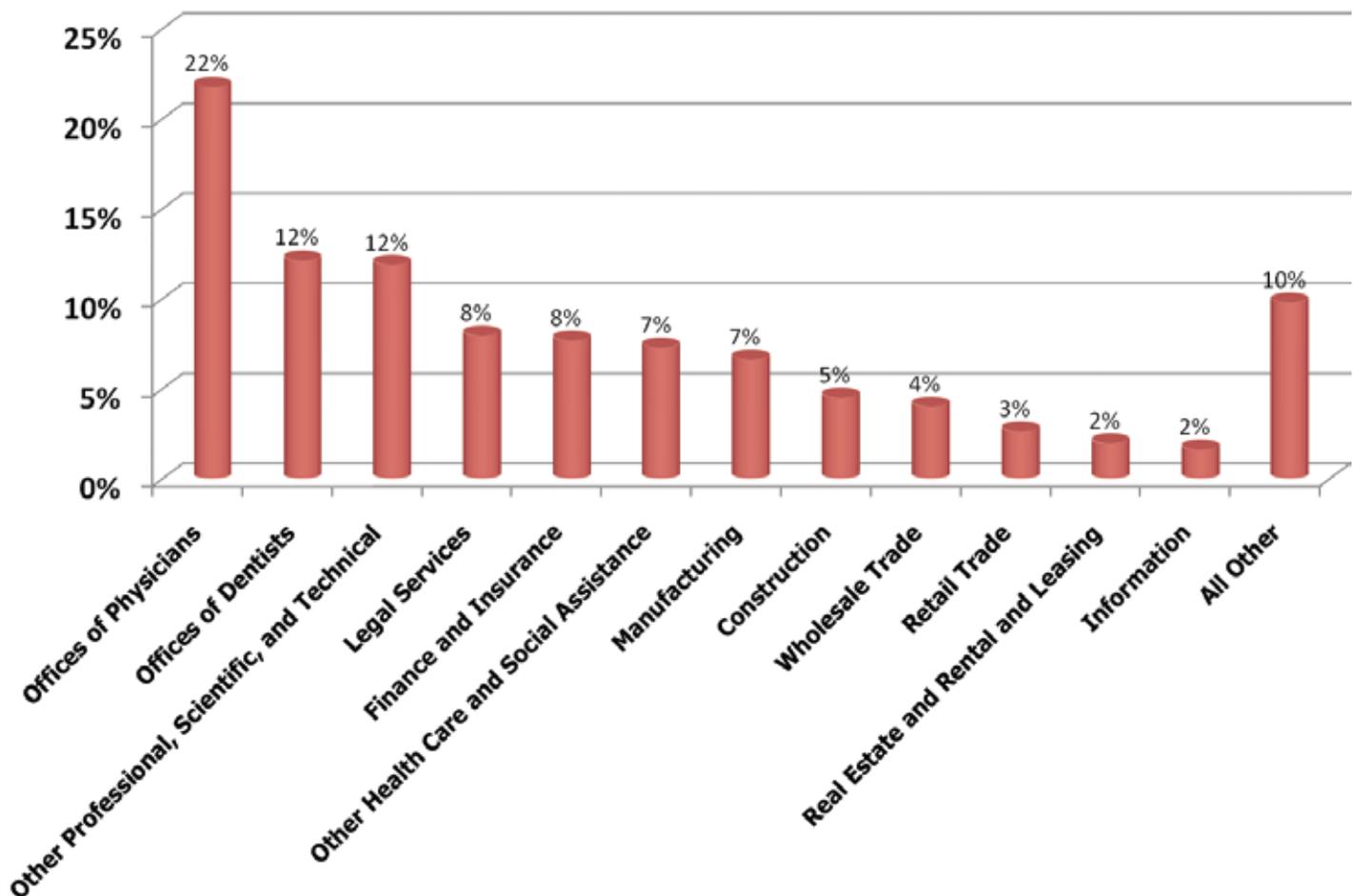
| Rank | State | Number of Plans | Percent of Nation's Total |
|-----------------------|-------|-----------------|---------------------------|
| 1 | CA | 664 | 14% |
| 2 | NY | 556 | 12% |
| 3 | OH | 384 | 8% |
| 4 | NJ | 319 | 7% |
| 5 | IL | 316 | 7% |
| 6 | PA | 259 | 5% |
| 7 | FL | 216 | 5% |
| 8 | TX | 200 | 4% |
| 9 | MI | 173 | 4% |
| 10 | MN | 165 | 3% |
| National Total | | 4,797 | |

Cash Balance Plans by Size: Employees & Participants

| Participants | Number of Plans | Percent of Nation's Total |
|-----------------|-----------------|---------------------------|
| Over 10,000 | 207 | 4.3% |
| 1,000 to 10,000 | 445 | 9.3% |
| 100 to 999 | 397 | 8.3% |
| 25 to 99 | 732 | 15.3% |
| 10 to 24 | 1,194 | 24.9% |
| 1 to 9 | 1,822 | 38.0% |

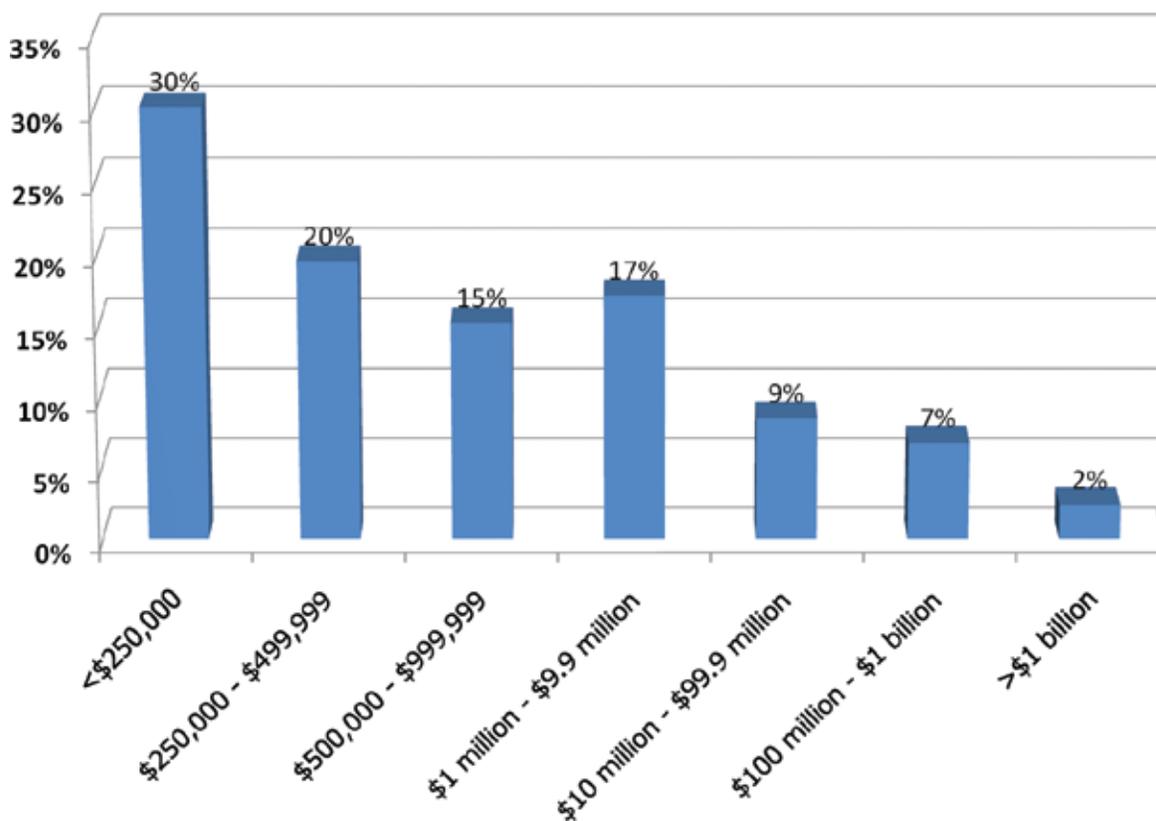
| Employees | Number of Plans | Percent of Nation's Total |
|-------------------|-----------------|---------------------------|
| Over 100,000 | 10 | 0.2% |
| 10,000 to 100,000 | 108 | 2.3% |
| 1,000 to 9,999 | 427 | 8.9% |
| 100 to 999 | 430 | 9.0% |
| 50 to 99 | 252 | 5.3% |
| 10 to 49 | 1,592 | 33.2% |
| 1 to 9 | 1,978 | 41.2% |

Cash Balance Plans by Business Type



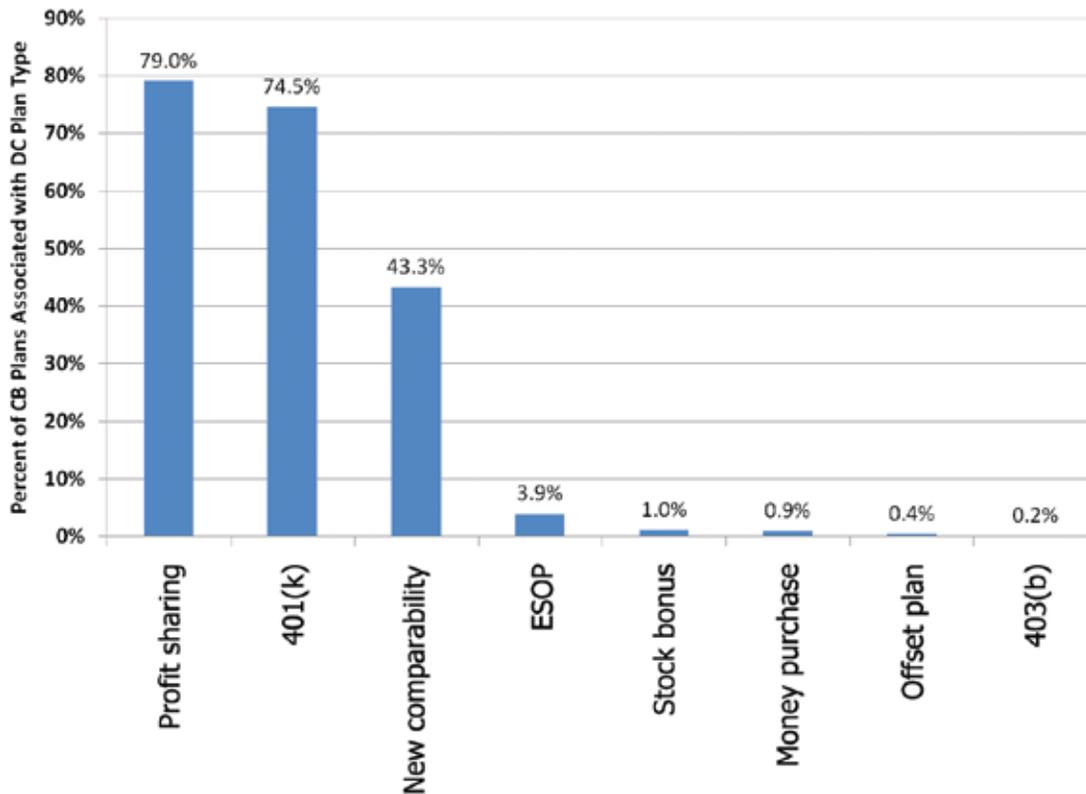
Cash Balance Plans are particularly well-suited for the retirement planning needs of professional services firms. As of 2007, medical and dental groups together accounted for 34% of all Cash Balance Plans nationally. However, as awareness of the many advantages of Cash Balance Plans grows throughout the wider business community, we are seeing increasing diversity among companies adopting these tax-favored plans. Law, financial services, technology and manufacturing are fast-growing categories. Cash Balance Plans are also increasingly popular with small businesses of all types, family-owned firms, and closely held businesses.

Cash Balance Plans by Asset Size



Since the majority of Cash Balance Plans were created within the past five years, about half have plan assets totalling less than \$500,000. We anticipate that this statistical profile will change significantly over the next decade, as plan assets grow exponentially through large annual contributions and guaranteed interest credits. Furthermore, 79% of Cash Balance Plans are coupled with a defined contribution plan, typically a 401(k) Profit Sharing plan (see chart on page 6 for a full profile of defined contribution plans in combination with Cash Balance Plans). Many companies have established 401(k) plans with significant assets and add a Cash Balance Plan to allow for higher contribution limits, enhanced employee benefits and accelerated retirement savings.

Defined Contribution Plans Associated with Cash Balance Plans



ABOUT KRAVITZ

Since 1977, Kravitz has brought its clients the latest in design, administration, and management of corporate retirement plans. Kravitz is the largest independent firm of its kind headquartered in California with over 75 employees, including eight actuaries and 25 other highly trained and credentialed professionals. Kravitz designed its first Cash Balance Plan in 1989 and has since become nationally known and recognized as a pioneer and leader in Cash Balance Plan design. For more information, visit www.CashBalanceDesign.com.

Kravitz is the marketing name for the businesses of Kravitz, Inc. and Kravitz Investment Services, Inc. Kravitz, Inc. provides actuarial and consulting advice on the design and administration of retirement plans. Kravitz Investment Services, Inc. is a registered investment advisory firm that provides investment advice and asset management.

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