

Participant fee disclosure – Are you Ready?

Employers take note. Generally starting in 2012, your employees must receive information regarding the fees and expenses associated with their retirement plans. Below we answer questions about this new requirement from the US Department of Labor.

Which plans do the disclosure rules apply to?

The rules apply to most plans that allow participants to direct the investments of their account assets, such as 401k plans and profit-sharing plans. The rules don't apply to simplified employee pension plans, SEP IRAs, SIMPLE plans, IRAs, or non-ERISA employer sponsored plans.

When do we have to provide disclosure?

Participants and beneficiaries must receive certain general plan and investment related information on or before the date they can first direct their plan investments. You must provide follow-up disclosures annually. In addition to the information that must be furnished up front and annually, participants must receive statements at least quarterly, showing the dollar amount of certain administrative and individual expenses actually charged or deducted from their plan accounts. Statements must describe the services for which the charge was made. You may include the specific disclosures with your planned quarterly benefit statements.

What kinds of general plan related information do we have to provide?

You must give participants information about the structure and mechanics of the plan, such as:

1. A current list of investment options offered.
2. An explanation of how they may give investment instructions.
3. If applicable, a description of any brokerage window, self-directed brokerage account, or similar arrangement that has enabled the participant to select investments beyond those designed by the plan.*

*These lists are not all inclusive.

What administrative and individual expenses do we need to report?

Your disclosures must explain any fees and expenses for general plan administrative services which may be charged to or deducted from all individual accounts; such as the cost of legal, accounting, and record keeping services. You must also explain any individual expenses that may be charged to or deducted from the individual account for a specific participant or beneficiary based upon the actions taken by that person. For example, include fees and expenses for plan loans and processing QDROs.

What about investment related information?

The following investment related information must be disclosed.

1. One-, five-, and 10-year returns for all mutual funds and other plan investment options that do not have a fixed rate of return.
2. Annual rate of return and investment term for fixed rate investments.
3. The name of one-, five-, and 10-year year returns on appropriate broad based security benchmark index. (matching plan investment performance data periods).
4. For mutual funds and other plan investment options that do not have a fixed rate of return, total annual operating expenses expressed both as a percentage of assets and as a dollar amount per \$1,000 invested.
5. For both variable and fixed rate investments, any share holder type fees or restrictions on purchases or withdrawals.
6. An Internet website that provided access to specific additional information about the plan's investment options for individuals who want more, or more current information.
7. A glossary of terms to help the participants and beneficiaries understand the plan's investment options or a web address where they can reach such a glossary.*

*These lists are not all-inclusive.

Your plan's investment related information must be presented in a chart or similar format designed to make it easy for participants to compare each of the investment options available under the plan.



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