

## Prepare Your Employees For Fee Disclosure

The U.S. Department of Labor has given plan sponsors a short reprieve from requirements to furnish plan participants and beneficiaries with more information about the fees and expenses associated with their plans. Below, we answer questions about this time extension and how you can put the additional time to good use preparing your employees for the disclosures.

**How much more time do we have?** If your plan operates on a calendar-year basis, the latest date for furnishing participants with their first set of initial participant disclosures (all disclosures other than disclosures required at least quarterly) has been moved to May 31, 2012.\*

**Why do we do we need to prepare plan participants for fee disclosures?** Many plan participants believe their retirement plan is a free benefit. When AARP surveyed a group of 401(k) participants, it found that 71% of the respondents said they pay no fees in association with their plan. Rather, many think their employers cover all the costs. When these employees begin receiving the DOL-required information about their plan's fees and expenses, they may falsely believe their employers are making them pay charges they didn't previously have to pay.

**What can we do to prevent our employees from thinking they're being charged new fees?** Point out that fees are standard in both the retirement plan and investment industries, and make sure they realize they're currently paying certain plan costs. You might provide them with individual benefit statements showing how much you pay for all of the benefits they receive as an employee, including plan administration fees if you pay some (or all) of them, and how much they pay in plan fees, health insurance premiums, etc.

**Do participants need any other information about fees ahead of the required disclosure?** You may want to tell participants fees are only one factor consider when investing their plan accounts and their investments should be based on their particular needs and circumstances. In some cases, a fund with a higher fee might better meet a participant's needs and goals. Your plan offers a variety of choices that allow them to select an investment mix that is best for them.

**Can we do anything else to reduce participant fee "shock" when disclosures begin?** Even if you prepare your plan participants by educating them about plan fees in advance, when you begin furnishing required disclosures, stress that the fees you're reporting are not new fees. It's the disclosure rules that are new. You are simply giving them added value by providing them with more detailed information than you previously did. Also, explain how plan fees and expenses are reviewed by the company to ensure they are reasonable and competitive. If you provide matching contributions, show how the money helps to offset the plan fees they pay.

### **Are there any other reasons for starting a fee communications program now?**

Beginning your fee communications program now will help you put a system in place for the ongoing disclosures plan sponsors are required to provide. After the initial disclosure, the DOL requires plans to provide follow-up disclosures annually. And new participants and beneficiaries must receive disclosures on or before the date they can first direct their plan investments. In addition, participants must receive statements, at least quarterly, showing certain administrative and individual expenses charged to or deducted from their plan accounts. Calendar-year plans must furnish the first quarterly disclosure by August 14, 2012.