

FREQUENTLY ASKED QUESTIONS

Fee Disclosures for Plan Sponsors



There's been a lot of talk about the new fee disclosure regulations, and you've probably received communication from several service providers.

Find answers to some of the most commonly asked questions, as well as how you can respond to participant questions that come your way.



What do I need to know and what am I supposed to do with the information?



How do I handle participant questions and minimize concern over plan fees?



Where can I go to get more information? What if I need additional assistance?

GETTING ANSWERS YOU NEED

You'll soon be receiving new information about your retirement plan fees, expenses and investments. The Department of Labor (DOL) has finalized a complex set of rules designed to help you make informed plan decisions.



ABOUT THE 408(B)(2) DISCLOSURE TO PLAN FIDUCIARIES

Q. When will I receive this information?

A. For existing contracts and service arrangements, the deadline is July 1, 2012. In the future, plan sponsors must receive full disclosure information prior to contracting with (or renewing a contract with) a service provider.

Q. Who is responsible for providing the disclosure?

A. Covered service providers (CSPs) are required to provide the disclosures. Although the rules are complex, generally a CSP includes investment brokers and advisors, third-party administrators, trustees, accountants, and recordkeepers who expect to receive \$1,000 or more in compensation over the life of the contract. Service providers paid exclusively by the employer are not required to provide the disclosure. However, some (like Randall & Hurley) may volunteer to disclose this information for your benefit.

Q. How should I use this information?

A. In order to fulfill your fiduciary duties, you should evaluate the necessity of the services and the reasonableness of the associated fees. If you feel that you do not have enough information, you should also request in writing additional information from the CSP. If you need assistance in reviewing the disclosures you receive, contact your plan consultant.

ABOUT THE 404(A)(5) DISCLOSURES TO PARTICIPANTS

Q. How often must participants receive the disclosures?

A. An annual disclosure must be provided by August 30, 2012 and annually thereafter. Newly eligible participants must receive it on or before their entry date. The expense disclosure detailing actual fees (if any) is provided on the quarterly participant statement, with an initial deadline of November 14, 2012 for most plans.

Q. Who is responsible for making the disclosures?

A. The Plan Administrator is ultimately responsible for the participant disclosures. Typically, the employer is the plan administrator.

Q. Who will send the disclosures?

A. If Randall & Hurley provides quarterly participant statements, then we will be mailing the disclosures to each participant in our system and providing you with a copy for distribution to newly eligible

participants. If we do not prepare quarterly participant statements, you should check with your service provider or your plan consultant for more information.

Q. Which plans are required to send participant disclosures?

A. All participant-directed plans subject to ERISA, including 401(k) and 403(b) plans, but **not** defined benefit or governmental plans.

Q. Must eligible participants without balances receive the disclosure?

A. The annual disclosure must be given to all eligible participants and beneficiaries. The quarterly expense disclosure, however, is only required if the participant had expenses deducted from his/her account during the quarter, thereby excluding participants without balances.

ANSWERING PARTICIPANT QUESTIONS

Because of the breadth of the new regulations, there's a chance many of your plan participants have already heard about the upcoming fee disclosures. If not, you can be sure they will want to know more once they receive their first disclosure document. (The first deadline is August 30, 2012 for calendar year plans.) Taking a few minutes to prepare for these questions ahead of time will do much to alleviate participant concern and confusion later. In the near future, we will also be providing you with communication material incorporating many of these concepts that can be distributed to your participants.

COMMON PARTICIPANT QUESTIONS

Q. Why does the plan pay fees?

A. There have always been costs associated with retirement plans. Generally, there are three types of fees that apply:

- Investment-related costs, such as fund operating expenses, investment management and shareholder-type fees (such as sales charges, redemption fees and surrender charges).
- Plan administration expenses, such as fees for recordkeeping, accounting and legal services required to operate the plan in compliance with IRS and DOL regulations.
- Fees for any services provided to you individually, such as processing a plan loan or distribution. If you don't use the services, these fees won't apply.

These fees and expenses are not unique to your plan. Most retirement plans have them in one form or another. And when you invest—whether inside or outside of your retirement plan—there are usually costs involved.

Q. Why am I being charged fees?

A. Depending on your plan provisions, you may pay your portion of these plan expenses. You may also pay for individual fees incurred

solely for your benefit, like a loan processing fee or a withdrawal fee. It's important to remember that these are not new fees. The only thing that's new is the way this information is communicated.

Q. What are “administrative expenses?”

A. On the expense disclosure included in your quarterly statement, you may see charges for “administrative expenses.” These are fees charged for the ongoing operation and administration of the plan as a whole. Your portion of these fees may be deducted pro rata (based on your percentage of plan assets) or per capita (divided equally among all participants). Alternatively, your employer may be paying these costs for you.

Q. What are “individual expenses?”

A. “Individual expenses” shown on your expense disclosure included in your statement are fees charged for any plan services provided to you individually, such as processing a plan loan or distribution. If you don't use the services, these fees won't apply.

Q. How do I know if the plan fees are reasonable?

A. Plan officials regularly review fees and expenses to make sure they are reasonable and competitive.

PREPARING FOR QUESTIONS

Give some thought as to how participants may react to the new fee disclosures. Some may be surprised to learn there are any fees at all; others may think the fees are new. Some may be concerned by how fees reduce their plan accounts. **A few additional tips** that may help during the transition:

- 1 Depending on the size of your organization, you may wish to designate and train specific individuals to answer questions about the fee disclosures.
- 2 Inform employees well in advance of the new disclosures so that they are prepared and informed. We will be releasing a participant communication piece in the near future that can assist you with this.
- 3 You may wish to explain that most employee benefit programs have associated costs, like healthcare. And just like health care benefits, employees often share in those costs. The good news is these costs are usually much lower than if they were purchased individually.

NEED HELP?

We're here to help you!
Contact your consultant
for more information.

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