

Plan Sponsor Fee Disclosure FAQs



The following information will provide you with a brief overview of what these new fee disclosure regulations entail, some questions you may have, as well as how to handle questions you may receive from your employees.

How do these new regulations impact me or my plan?

There are two major components to the new disclosure regulations. One is 408(b)(2) which requires Service Providers to disclose fees and services to the Plan Fiduciary. The other is 404(a)(5) which requires the Plan Sponsor to disclose additional fee and investment information to plan participants.

What plans are affected by these new rules?

The 408(b)(2) rules apply to most plans covered by ERISA. The 404(a)(5) rules apply to plans that allow participants to direct the investment of their account assets, such as 401(k) plans, profit sharing plans, money purchase pension plans, and ERISA 403(b) tax-deferred annuities.

Is the Plan Administrator responsible for making the disclosures?

Yes, however, BCG as your recordkeeper will help ensure that the required disclosures are provided to you.

Who is required to receive these disclosures?

Each plan participant and beneficiary who has the right to direct investments under the plan (whether or not they are actually contributing to the plan) is required to receive these disclosures.

For participants who may be surprised by the various fees, what should we say?

Education is the key to prevent any confusion. Explain that these are not new fees, just a more detailed version of reporting them. The requirements are intended to help retirement plan investors make more informed decisions when choosing investments in your plan and when using services that have additional fees (such as for taking loans and withdrawals).

Another item to share is how plan fees and expenses are regularly reviewed by plan officials to ensure they are competitive. If you offer employer matching contributions, show them how the money helps to offset the plan fees they pay.

When do employees need to be notified?

If you have a calendar-year plan the date for the first annual disclosures is August 30, 2012. For fiscal-year plans, it is the later of (1) 60 days after the first day of the first plan year beginning on or after November 1, 2011, or (2) August 30, 2012. Quarterly disclosures are required beginning with the third quarter of 2012 for calendar -year plans. These disclosures must be made no later than November 14, 2012.

What do we say to employees who think they are being charged new fees?

These fees are not new. They are, however, being formatted in a new way. Fees have always been a part of retirement plans and other savings vehicles. In October 2010, the DOL put regulations into place that require your employer to show more fee detail. The requirements are intended to help plan participants make more informed decisions when choosing investments in your plan and when using services that have additional fees (such as for taking loans and withdrawals).

BCG has always been committed to fee transparency and remains dedicated to this practice. Prior to the recent changes, fees were displayed in either the gain/loss column or deductions and credits column in the performance section on your quarterly account statement. While this continues to be the case, additional information will be disclosed. There is an additional section strictly for fees charged on your plan, such as fees for administrative and investment services.

Is there any other information to share regarding fee disclosure?

Another item to share might be that funds with the lowest fees are not necessarily the best choice in every case. Depending upon their needs and circumstances, a fund with a higher fee might benefit their strategy better. Let them know that your plan offers a variety of investment choices from which they can choose.

What changes will be included in the quarterly disclosure statements?

The quarterly disclosure statements must contain the dollar amount of the plan-related fees and expenses, such as administrative and individual charged to or deducted from the participant's individual account. This would include a description of services for any charges or deductions which were made.

These disclosures will be included with your plan's quarterly benefit statements. Calendar year plans must provide the first quarterly disclosure by November 14, 2012. Other plans must provide the first quarterly disclosure within 45 days after the close of the quarter in which the initial disclosure was required to be provided.

Is there a particular format we must follow? As the plan's recordkeeper, BCG will provide a compliant investment chart for distribution to your participants. Disclosures may be written so that the average plan participant will understand the content. Your plan's investment information needs to be presented in a chart or similar format designed to make it easy for participants/beneficiaries to compare investment options in your plan.

Are there penalties for non-compliance? Should the plan administrator fail to provide the required disclosures, it could result in a breach of fiduciary duty. Participants can sue for this breach of fiduciary duty, and the pension law authorizes the DOL to collect a civil penalty for any fiduciary breaches.

What else do we need to do to prepare for ongoing fee disclosure?

Understand the expectations that are required of you as a plan administrator. Make sure you document any decisions your organization makes concerning the plan's investment options. Be sure to review your disclosure statement annually.

Who should I contact if I have questions?

For questions, please contact your plan account manager at 1-800-524-4015, option 5.

We're Here to Help!

To help navigate and comply with these new participant fee disclosure rules, BCG will be providing you with the following:

408(b)(2)

- A Service and Fee Disclosure Packet
- A wealth of Educational Materials
- An enhanced Plan Sponsor and Plan Participant Website with a section on Fee Disclosures

404(a)(5)

- Provide participant disclosures for plan and investment-related fees
- Include necessary fee disclosure on quarterly participant statements
- Offer website access for non-participating, eligible employees to disclose required information
- Provide a web page containing the information plan sponsors need to disclose to participants

We will be working closely with you over the next few months to ensure you have the support you need concerning these new fee disclosure regulations. We will also be providing additional educational pieces to review and share with your employees.



Available Now!

BCG has created valuable educational materials for you and your employees to utilize regarding these new fee disclosure regulations. Simply go to www.bcgbenefits.com and click on the **Fee Disclosure Important Information** button.