

Participant Fee Disclosure



Participant fee disclosure requires that participants receive information regarding the fees charged to the plan

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For many years, the Department of Labor has been concerned over the way that the retirement plan industry discloses fees to participants. New guidance has finally been released and is considered interim final regulations. These means that comments are welcome and although the law may be changed slightly before it is finalized, it is essentially in its final form. The regulations are scheduled to take effect for the plan years beginning on or after November 1, 2011 (January 1, 2012 for calendar year plans).

The plans that are affected are all qualified retirement plans that allow participants to direct their account balance. The responsible party for issuing the fee disclosure information is the Plan Administrator (generally, the plan sponsor) but they may rely on information given by their service providers.

There are different times that disclosures must be given. There is information that must be given to a participant before they are eligible to participate in the plan. Then there are additional requirements that the participant receive an annual "reminder" notice that contains similar information. The participant must also receive a quarterly recap of the expenses that are actually charged to their account.



More about Participant Fee Disclosure

The regulations require that all participants who can direct their investments receive certain information regarding fees that are charged to the plan or paid by plan assets. Prior to being able to direct the investments in their account, and annually thereafter, participants must receive a notice that outlines the following:

- General Plan Information—
 - An explanation about when a participant can give investment instructions
 - An explanation on any limitations or restrictions on transfers
 - A description of any voting, tender or similar rights on any designated investments
 - A list of all of the investments offered in the plan (designated investment alternatives)
 - Identification of designated investment managers
 - A description of any brokerage window
- Plan Expense Information—
 - General administrative fee information including any fees charged to the plan for administrative purposes (legal, accounting, recordkeeping) and an estimate of the amount that will be charged to the participant's account. A statement on how these fees will be allocated (on a pro-rata or per capita basis) must also be included. In addition, directed fee information must be disclosed by identifying the fees that will be charged to a participant's account if they take certain actions such as QDROs, loans, or distributions.
- Investment Information—
 - Investment fee information including the estimated amounts that will be charged to a participant's account for investment related items (12b-1 fees, redemption fees, investment advice, etc.)

A comparative chart showing information regarding each designated investment alternatives must also be provided annually. It must provide information on the investments such as the name of the investment, the objective or goals, the strategies and risks, the portfolio turnover, the investment performance, related fund fees and expenses, the rates of return on the investment and benchmarking of the investment.

At least quarterly, the participant must also receive a notice showing the actual expenses paid from their account and a description of the services related to those fees. These service must be separated into general administrative expenses paid by the plan and those incurred by the participant.