

Q. Who is responsible for providing disclosures to participants?

A. You, as plan sponsor and plan fiduciary, are responsible for providing the required disclosures to plan participants. However, July Business Services (JULY) will assist you by preparing the required disclosures.

Q. Who is required to receive the disclosures?

A. Plan sponsors are required to deliver the required disclosures to the following participants:

1. Active plan participants
2. Terminated participants with assets in the plan
3. Employees who are eligible for the plan but not participating
4. Beneficiaries who retain a directed account in the plan
5. Individuals who retain a directed account in the plan under a Qualified Domestic Relations Order (“QDRO”)

Q. Which disclosures are required to be made quarterly?

A. At least quarterly, the plan sponsor must disclose the dollar amount of fees and expenses that are actually charged during the preceding quarter to the participant’s account and must describe the service to which the charges relate (e.g., plan administrative services, loan processing fees, QDRO processing fees, etc.).

Q. Can the plan sponsor rely on information received from a service provider for these disclosures?

A. Generally yes. Plan sponsors are not liable for the completeness and accuracy of the disclosure information if they reasonably and in good faith rely on information received from a plan service provider.

Q. Which disclosures are required to be made annually?

A. Plan-related and investment-related disclosures must be provided to participants

before they begin participating in the plan and thereafter on an annual basis. Plan-related disclosures include describing or identifying the following:

- how participants can make investment elections,
- the available investment alternatives, including brokerage windows (if applicable),
- designated investment managers,
- voting rights,
- fees and expenses charged to the plan as a whole (e.g., legal and accounting expenses), including a description of how such fees and expenses are allocated among accounts, and
- fees and expenses charged to individual accounts (e.g., loan, QDRO and investment advice expenses).

Investment-related disclosures include describing or identifying the following:

- the types of investments available under the plan (e.g., stock and/or bond funds, balanced funds and employer securities),
- historical performance data for one, five and 10-year periods,
- market benchmarks,
- fees and expenses imposed by the investment alternatives,
- all shareholder-type fees (e.g., commissions, sales loads, exchange fees), and
- annual operating expenses (as an expense ratio and a dollar amount).

Q. What happens if a plan sponsor fails to comply with the participant fee disclosure rules?

A. This could result in a breach of fiduciary duty. In addition to allowing participants to sue for breach of fiduciary duty, the pension law authorizes the DOL to collect a civil penalty for fiduciary breaches.

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Q. What is the date that plan sponsors must comply with the participant disclosure requirements?

A. Participants and beneficiaries must receive the disclosures on or before the date they can first direct investments under the plan (often the first day of participation) and once per year thereafter.

Quarterly statements of expenses actually charged to participants' accounts must be provided no later than 45 days after the end of each quarter.

As long as the timing requirements are satisfied, the plan-related information and investment-related information that a plan sponsor is required to provide to the participants can be included in the SPD or quarterly participant statements.

Q. What are plan sponsors required to do if any changes are made to the information in the disclosures?

A. The plan sponsor must provide a description of the changes at least 60 days prior to the effective date of the change, unless the plan administrator is unable to provide advance notice due to circumstances beyond the plan administrator's control, in which case the notice must be provided as soon as practicable.

Q. What should I do if participants ask questions about fees charged to their account?

A. We recommend that you point out that retirement plans are one of the most cost effective ways to save for retirement and to achieve investment returns. You might want to provide them a statement showing how much you pay as the plan sponsor for all of the benefits (retirement, health insurance, etc.) they receive as employees.

Q. How do I explain to a participant what costs they pay?

A. A participant may be paying three different types of costs:

1. Investment-related costs such as fund operating expenses and shareholder-type fees.
2. Plan administration costs, such as recordkeeping and accounting fees, required to operate the plan.
3. Fees for any plan services provided to the participant individually, such as a loan or distribution processing fee.

All retirement plans have fees in one form or another. And when you invest, whether inside or outside of a retirement plan, there are usually costs involved.

Q. Is there anything we should do to reduce the surprise once fee disclosures begin?

A. We recommend that you prepare your participants by educating them about plan fees in advance and stress that the fees are not new fees, it is just the disclosures that are new. You are simply providing them more detailed information that you did previously. You might want to explain how plan fees and regular reviewed to ensure they are reasonable and competitive. If employer matching or profit sharing contributions are made, show how the money helps to offset the plan fees they pay.

Additional Questions or Comments?

Please contact your Client Service Manager at 888.333.5859 or visit our website at www.julyservices.com.