

Employee Benefits Briefing

PLAN FIDUCIARIES AND FINAL GUIDANCE ON DISCLOSURE OF FEE INFORMATION

Fee disclosure action time has arrived. On February 3, 2012, the Department of Labor (DOL) issued final regulations under ERISA Section 408(b)(2) setting new disclosure dates and finalizing its previously published disclosure rules.

These disclosure regulations were originally published by the DOL in two pieces during 2010, with the first piece focusing on obligations of covered service providers (e.g., investment advisors and mutual fund providers) to disclose service details and fee information to the responsible plan fiduciary (e.g., employers),¹ and with the second piece focusing on how fiduciaries of participant-directed (mostly 401(k) and many 403(b)) plans would, in turn, provide that information to plan participants.

For employers, the final regulations do not contain any substantive changes (other than a delayed effective date for disclosing information to plan participants). For service providers, the new rules contain some changes relating to covered plans (e.g., excluding certain frozen 403(b) annuity contracts) and the presentation of disclosures.

This bulletin focuses on how the final rules affect employers and suggests a proposed plan of action for obtaining the relevant information from service providers and, in turn, providing that information to plan participants.²

New Effective Dates

The important dates are **July 1, 2012**, **August 30, 2012** and **November 14, 2012**.

Service providers must give employers service descriptions and fee information by **July 1, 2012**. By that date, service providers must transmit that information both for defined benefit and defined contribution plans. (Any obligation to provide similar information regarding welfare plans has been deferred.)

Then, employers who sponsor participant-directed 401(k), 403(b) and other defined contribution plans must provide information relating to investment, fee and expense information to participants by **August 30, 2012**. (Certain additional quarterly individual expense information needs to be provided by **November 14, 2012**.)

Given these dates, employers need to develop a timeline for reviewing the information they receive and distributing investment, fee and expense information to plan participants in participant-directed defined contribution plans. The following is a general summary of key considerations.

¹ See, "Service Provider Fee Disclosure: Another Step Towards Fee Transparency," *Employee Benefits Briefing* (July 29, 2010).

² See, "Participant Fee Disclosure Fee Transparency—The Final Piece of the Puzzle," *Employee Benefits Briefing* (Oct. 29, 2010).

Fiduciaries' Action Plan

Pre-July 1, 2012 Steps

- Prepare a list of current covered service providers for all defined benefit and defined contribution plans. The service providers on this list would include those who perform services as a fiduciary, registered investment advisor, recordkeeper or broker, as well as those who perform other services to the plan for indirect compensation.
- To the extent service providers on the list have not already been in contact, the employer should contact those covered service providers to ensure their awareness of and intent to comply with these new disclosure requirements.
- For 401(k) and other participant-directed defined contribution plans, the DOL has issued a model form ("Model Comparative Chart") for participant disclosures. In most cases, one of the plan service providers (often the recordkeeper) has already accepted responsibility for completing the DOL Model Comparative Chart. If not, the responsibility of assembling the data from the various providers rests with the employer.

Post-July 1, 2012 Steps

- Review all service provider information for completeness and accuracy.
- For all plans, follow-up on any missing or inaccurate information or on any fees that appear to be excessive.
- For all plans, create a record that the information has been reviewed and any appropriate follow-up actions completed.
- For 401(k) plans and other participant-directed defined contribution plans, carefully review the Model Comparative Chart for accuracy and completeness.
- Determine whether any cover letter or additional explanatory materials should accompany the Model Comparative Chart.

Pre-August 30, 2012 Steps

- Distribute Model Comparative Chart and any accompanying materials.
- Consider use of electronic disclosure for the Model Comparative Chart.³

³ See, "Department of Labor Interim Guidance on Electronic Disclosure of Fee Information," *Employee Benefits Briefing* (Sept. 29, 2011).

Post-August 30, 2012 Steps

- Anticipate and coordinate responses to participant questions and reactions to the disclosures. For example, some commentators have stated that many participants are unaware of the fees applicable to their plans.
- By November 14 provide disclosures of individual participant expenses that are charged to participant accounts.

Conclusion

Absent any unexpected changes, employers should prepare to fully implement an action plan for these responsibilities. The above represents a proposed plan of action, but it needs to be adjusted for each particular situation.

If you have any questions regarding the DOL's final guidance on disclosure of fee information, please contact **John J. Jacobsen, Jr.** (+1 (312) 609 7680), **Philip L. Mowery** (+1 (312) 609 7642) or **Paul F. Russell** (+1 (312) 609 7740).

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Employee Benefits Group Members**Chicago**

Mark I. Bogart+1 (312) 609 7878
 Michael G. Cleveland+1 (312) 609 7860
 Christopher T. Collins+1 (312) 609 7706
 Megan J. Crowhurst+1 (312) 609 7622
 Thomas P. Desmond+1 (312) 609 7647
 Thomas G. Hancuch.....+1 (312) 609 7824

Benjamin A. Hartsock+1 (312) 609 7922
 Jonathan E. Hyun.....+1 (312) 609 7791
 John J. Jacobsen, Jr.....+1 (312) 609 7680
 Michael C. Joyce+1 (312) 609 7627
 Philip L. Mowery, *Chair*+1 (312) 609 7642
 Paul F. Russell.....+1 (312) 609 7740
 Robert F. Simon.....+1 (312) 609 7550
 Patrick W. Spangler+1 (312) 609 7797

Kelly A. Starr+1 (312) 609 7768
 Jessica L. Winski+1 (312) 609 7678
 Charles B. Wolf.....+1 (312) 609 7888

New York

Sara Stewart Champion+1 (212) 407 7785
 John H. Eickemeyer+1 (212) 407 7760
 Neal I. Korval.....+1 (212) 407 7780
 Stewart Reifler+1 (212) 407 7742

VEDDER PRICE[®]

222 NORTH LASALLE STREET
 CHICAGO, ILLINOIS 60601
 T: +1 (312) 609 7500 | F: +1 (312) 609 5005

1633 BROADWAY, 47TH FLOOR
 NEW YORK, NEW YORK 10019
 T: +1 (212) 407 7700 | F: +1 (212) 407 7799

1401 I STREET NW, SUITE 1100
 WASHINGTON, DC 20005
 T: +1 (202) 312 3320 | F: +1 (202) 312 3322

200 ALDERSGATE
 LONDON EC1A 4HD
 T: + 44 (0)20 3440 4680 | F: + 44 (0)20 3440 4681

www.vedderprice.com

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