

New Fee Disclosure Rules

The Department of Labor has imposed new requirements regarding fee disclosure and retirement benefit plans effective July 1, 2012. Fee disclosure focuses on the DOL's initiatives to increase transparency surrounding plan and investment expenses as they impact plan sponsors and participants. Fee disclosure is good news for plan sponsors and plan fiduciaries as it is intended to assist fiduciaries in their role of doing what's in the best interest of participants, and helping to clarify the value of the products and services the plan and the participants receive.

Fee disclosure focuses on two major regulations: 1) Service Provider Fee Disclosure Rules and 2) Participant Fee Disclosure Rules.

Service Provider Fee Disclosure Rules - ERISA Section 408(b)(2)

Your Service Provider Custodian is responsible to comply with these rules with respect to their fees and KB Pension Services is responsible to comply with these rules with respect to our fees. You will be provided with fee disclosures from both by the July 1, 2012 deadline.

Initial Disclosure Requirements

Disclosure of services and compensation must be provided reasonably in advance of the service to be provided, must be put in writing to the plan fiduciary and must include a description of the services to be provided, including all direct and indirect compensation to be received by the covered service provider, its affiliates or subcontracts.

Service providers must disclose whether they, their affiliates or their sub-contractors, are, or reasonably expect to be providing any services as a fiduciary to the plan.

Ongoing Disclosure Obligations

A covered service provider generally must disclose a change in the information disclosed as soon as practicable, but no later than 60 days from the date on which the covered service provider is informed of such change. Additionally, covered service providers must disclose fee or compensation information to the plan fiduciary upon request.

A covered service provider who provides record-keeping services without explicit compensation or offsets for those services must provide an estimate of the cost of those services to the plan.

Service providers must disclose compensation they, their affiliates or their sub-contractors reasonably expect to receive upon termination of the contract.

Participant Fee Disclosure Rules - ERISA Section 404(a)(5)

The Plan Sponsor is responsible to comply with these rules.

The Annual (& Initial) Disclosure must provide the participant with certain General Information and Administrative Expense Information.

General Information

Investment Instructions. Participants must receive an explanation of how to give investment instructions, including any restrictions on transfers to or from investment options.

Investment Options. Participants must receive a current list of the plan's investment options.

Brokerage Windows. Participants must receive a description of any brokerage windows, which permit plan participants to buy and sell investments through a designated brokerage account.

Investment Managers. Participants must receive the names of any managers of designated investment alternatives.

Investment-Related Disclosures to participants must include a comparison chart in the annual statement that discloses all the investment options including some of the following information:

- The name and type of each investment option.
- Performance data, including each investment option's return over one-, five-, and 10-year periods.
- Benchmark data for each investment option over one-, five-, and 10-year periods.
- Fee and expense information for each investment option.
- Required statements about the impact of fees.
- A glossary of investment terms (or a web address for one).
- Information about any plan annuity options.
- Information about self-directed brokerage account, if applicable.
- Additionally, a website address must be made available for each investment option that provides certain SEC disclosures and other information.

Administrative Expense Information

An explanation of any fees and expenses for general plan administrative services (e.g. legal, accounting, record-keeping) that may be charged against the participants' individual accounts on a plan-wide basis and which are not reflected in the total annual operating expenses of the plan's investment options must be disclosed annually, and the disclosure must explain the basis on which such fees are allocated to each account.

The Annual (& Initial) Disclosure of individual expenses must include an explanation of any fees that may be charged to a participant's account resulting from actions taken by the participant, such as loan fees, fees for brokerage windows, QDROs, etc.

At least quarterly, each participant must receive a statement showing actual Administrative and Individual Expenses that were charged to his or her account during the preceding quarter.

The Administrative Expenses statement must also explain that the plan administration expenses were paid from the operating expenses of one or more of the plan's designated investment alternatives.

Plan sponsors must provide a general description of the services to which expenses relate.