



New 401(k) Fee Disclosure Requirements on the Horizon

It seems like every month a new lawsuit is filed claiming excessive fees have been charged to a 401(k) plan participant's account. Because of the increase in press coverage, plan participants and plan sponsors are scrutinizing retirement plan fees more closely. Unfortunately, the 401(k) market place has evolved where only an expert can decipher actual fees charged and whether those are reasonable.

In an attempt to bring clarity, on July 22, 2008 the Department of Labor formally proposed new regulations requiring disclosures be provided to qualified retirement plan participants. The new disclosure will be required when participants first become eligible for the plan, on a quarterly basis and an annual basis. In connection with the new disclosure requirements, the DOL has also proposed changes to the disclosure requirements for plans currently in compliance with ERISA section 404(c). It should be noted that these proposed regulations do not relieve the fiduciary of any duty to the plan and its participants.

Let's breakdown these proposed regulations **two** ways:

What information needs to be provided?

When does the information need to be provided?

What? - Plan Information and Investment Information

Plan Information must be provided prior to an employee becoming an eligible plan participant and at least annually to all participants. Any material changes are required to be disclosed at least 30 days prior to the changes taking effect. On a quarterly basis participants must receive a statement detailing the fees deducted from their accounts. The following must be provided:

General Plan Information

- Investment alternatives available
- Administrative procedures for selecting investments
- Rights and limitations regarding the investments
- Named Investment Managers, if any

Administrative Expense Information

- Fees associated with plan administration not included in the investment fees
- Method that the fees will be charged to the participants

Individual Expense Information (fees associated with an individual's account activity)

- Loan fees
- Distribution fees
- QDRO fees
- Fees related to investment advice

We've Moved...

Alliance Pension Consultants has a new location!

Alliance Pension Consultants, LLC
1751 Lake Cook Road, Suite 400
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(The ArborLake Centre at Lake Cook Road and Interstate 294)

Our phone and fax number remain the same.

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2009 Benefit and Contribution Limits

The Internal Revenue Service has announced the 2009 cost-of-living adjusted limits that affect the operation of tax-qualified retirement plans, including 401(k) plans, and certain other types of employee benefit plans.

New 401(k) Fee Disclosure Requirements on the Horizon—Continued

Investment Information must be provided to plan participants specifically related to the investment alternatives. This detail should include type of investment, management style, and investment strategy and associated risk. Investment information should be provided in a chart format so that participants can compare investment alternatives. The Department of Labor has provided a [safe harbor model disclosure chart](#) for plan sponsors to use. The proposed regulations also require participants be provided the following:

Performance Data

- 1 year, 5 year and 10 year data
- Performance must be benchmarked against suitable index

Fees

- Sales, Redemption, Surrender Charges
- Operating Expense Ratio
- Any additional Purchase, Transfer or Withdrawal

Rights

- Voting
- Tender offers

When? - Some Quarterly and Some Annually

Quarterly Fee Disclosures of the actual dollar amount charged to each participant's account in the preceding quarter for specified administrative expenses must be disclosed. Here's the list of fees:

- Recordkeeping
- Legal
- Audit
- Investment advice
- Loan processing
- Distribution processing
- Qualified domestic relations order processing

Annual Fee Disclosures must be provided by a plan fiduciary and are as follows:

- Each fund's past investment performance
- Performance benchmark for each type of fund
- Total annual operating expense ratio
- Schedule of fees a participant may be charged for specific services

Many critics complain this fee disclosure is too burdensome to plan fiduciaries while others claim it doesn't go far enough. The question being raised is whether a typical employee, not knowledgeable about investments and retirement plans, can understand the data presented. If not, the new disclosures run the risk of leading participants to pick the investments with the lowest fees, possibly resulting in the lowest return, which doesn't consider the increased expense associated with equity investments.

The new disclosure requirements represent another hurdle for plan sponsors when providing qualified retirement plan benefits. When the DOL finalizes the regulations late this year, there won't be much time to prepare. The proposed regulations are scheduled to go into effect January 1, 2009.

We are monitoring the new regulation's progress and will be preparing disclosures in both hardcopy and electronic format. If you have any concerns or wish to discuss this important topic further, please call.

2009 Benefit and Contribution Limits

Some of the changes that may affect you are:

- The total contribution limitation for defined contribution plans is increased from \$46,000 to \$49,000.
- The annual compensation limit used for testing and calculating contributions is increased from \$230,000 to \$245,000.
- The maximum annual benefit that may be provided by a defined benefit plan is increased from \$185,000 to \$195,000.

For a printable list of the 2009 IRS Limits which the staff at Alliance believes may most impact your plan and business, please click the link below.

[2009 IRS LIMITS](#)

News and Views Around the Corner

403(b) Plans—Good Changes and Great Opportunities

To suggest a topic of interest, please email:
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