

A Participant's Guide to Understanding Plan Fees

Frequently Asked Questions for Retirement Plan Participants

We know that saving for retirement is important to you. Accumulating the savings you'll need is a big goal. Your retirement plan is a convenient way to build up your savings, and it also offers tax benefits that can help your account grow. We are committed to providing you with information that can help you make the most of your retirement plan. That's why we want to call attention to a new disclosure regarding retirement plan information, fees, and investments.

Q. What are the new disclosures that my retirement plan sponsor is providing?

A. As of August 30, 2012, the U.S. Department of Labor (DOL) requires retirement plan sponsors to provide information about the fees and expenses associated with their plan in a comparative format. The purpose of the DOL regulation is to provide uniform guidelines for presenting information to participants and beneficiaries regarding the investments and fees associated with their plan accounts.

You will receive this disclosure from your employer before the effective date of August 30, 2012. The DOL requires that you receive:

1. An annual disclosure providing both general plan information and a comparative chart for all investment choices available through the plan;
2. Quarterly information in your plan statement regarding the actual fees deducted from your account, and the services provided for those fees; and
3. Website access to additional plan and investment information.

Q. Why am I receiving this disclosure?

A. You will receive the disclosure if you are:

- An active participant in the plan
- An employee who is eligible to join the plan
- A retiree or former employee with a plan account
- A beneficiary of a former employee's account
- An alternate payee under a Qualified Domestic Relations Order

Frequently Asked Questions for Retirement Plan Participants (Continued)

Q. When should I expect to receive this disclosure?

A. By August 30, 2012, your plan sponsor will have provided you with a disclosure & comparative chart, showing the new format for fees assessed to your plan and the plan's investments. The fees are not new; however, the new standardized format is intended to make it easier to compare fees. You will also have access to the additional plan and investment information that your sponsor will make available to you on your plan's website.

Q. Why is this important?

A. The new, standardized format for investment information is designed to help you manage your retirement account. Fees affect the returns on your investments and reduce the amount of your account balance. Over time, the impact of fees can be cumulative, so you'll want to take this information into consideration when making investment and other decisions about your retirement plan account.

Q. I didn't know there were plan fees. Are they new?

A. No, these fees are not new. There have always been costs associated with your retirement plan — and retirement plans like yours.

Q. Why are fees charged to my retirement plan account?

A. All retirement plans have fees associated with them to cover the costs of operating your plan as a whole. Even Individual Retirement Accounts (IRAs) have fees associated with them. And when you invest generally — whether inside or outside of your retirement plan — there are usually costs involved.

Fees associated with a retirement plan cover many costs involved to manage the investments and administer the retirement plan, including investment advisory services, educational materials, call centers, websites, recordkeeping, administration, quarterly statements, compliance consulting, legal and audit assistance, mailings, and many other administrative functions.

Q. What fees may I be expected to pay?

A. Your disclosure document describes the fees that are specific to your retirement plan. You may be paying different types of fees, such as:

- **plan fees** for administration, compliance, document services, and recordkeeping
- **investment fees** for the investment's operating and shareholder-type expenses
- **individual transaction fees** for loans, withdrawals, and distributions.

Q. How do I know the plan's fees and expenses aren't too high?

A. Your retirement plan sponsor has an obligation to review fees and expenses to make sure they are reasonable and competitive.

Frequently Asked Questions for Retirement Plan Participants (Continued)

Q. How will this information help me?

- A.** The new, standardized format is designed to help you compare information and fees when deciding how to invest your account.

Q. Where can I find more information about my plan's investment choices?

- A.** The new disclosure contains a standardized chart to help you compare all of the investment choices offered in your retirement plan. For example, the historical performance information for the investment choices is presented in a way that will allow you to compare them with each other and with the performance of an appropriate benchmark index (for example, the S&P 500 is an index that is often used as a performance benchmark for large company stock investments). It's important to note that past performance does not guarantee future results.

Your quarterly statements will show the fees charged to your account. In addition, your plan's website contains additional information about the investments offered in your plan, including performance, and a glossary of investment terms.

Q. Are investment fees the most important factor in choosing investments?

- A.** Investment fees should be considered, along with many other attributes, when selecting investments to help you achieve your financial goals. An investment's fees (mostly reflected in the expense ratio of the investment choice) are just one of the many factors you should weigh when choosing investments for your retirement account. Your risk tolerance, investing time frame, and personal goals are also important factors, among others, to consider. Note that somewhat higher fees for specific investments or types of investments may be typical. For example, stock investment choices generally have higher investment fees than bond investment choices; however, historically, stocks' long-term returns have been higher than that of bonds. International stock investment choices typically cost more to manage than U.S. stock investment choices. Because diversification (spreading investments among different asset class types) is an important investment principle that may help mitigate investment risk, you can consider and determine whether it is appropriate for you to choose varying types of investment choices with different expense ratios. Keep in mind that asset allocation and diversification do not assure or guarantee better performance, cannot eliminate the risk of investment losses, and do not protect against an overall declining market.

You should be aware of an investment's objectives and strategy, as well as its performance history and how that history compares to an appropriate benchmark. Remember, past performance does not guarantee future results, and higher investment management fees do not necessarily mean better investment performance.

Q. Why are there differences among the investment expense ratios that are charged for different investment choices?

- A.** The investment's expense ratio includes investment management and operating expenses, which are determined by the organizations that provide investment advisory and administrative services for each investment choice. Investment expenses also vary based on the investment type or asset class (for example, bond investment choices generally have lower investment expenses than stock investment choices), and can vary based on management style (for example, actively managed investment choices are typically more expensive to manage than passive, or indexed, investment choices).

Q. Why should workers save for retirement in their employer's 401(k) plan?

A. The employer's retirement plan is an important benefit that helps workers save for retirement.

- Tax-deferral on savings today provides an incentive to save.
- Automatic payroll deduction is a convenient way to save.

Remember, all retirement plans have fees in one form or another to cover the costs of operating the plan as a whole. When you invest — whether inside or outside of your retirement plan — there are usually costs involved.

Q. Where can I find more information on the DOL's fee disclosure requirements?

A. You can find more information about the DOL's participant fee disclosure requirements at:

- http://www.dol.gov/ebsa/publications/401k_employee.html

Q. What do I need to do next?

A. The disclosure you are receiving provides standardized fee information to help you understand how the plan works and compare your investment choices. You can review and use this information along with other resources to make informed decisions about how to best save for your future retirement.

We hope you find the new fee and investment information useful. Although your retirement plan does have costs, it also has many valuable features. Your plan offers an opportunity to save and invest for your future.

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