

A Sponsor's Guide to Participant Fee Disclosure

Preparing for Participant Fee Disclosure Questions

Starting in 2012, the U.S. Department of Labor (DOL) is requiring retirement plan sponsors to provide information about the fees associated with their plans in a comparative format. The purpose of the DOL regulation is to provide uniform guidelines and make sure that all employees have information to make informed decisions about the investment of their plan accounts. (For purposes of this communication, the term “employees” includes everyone who may direct investments in your retirement plan: active participants, employees eligible to join the plan, retirees and former employees with a balance in the plan, active beneficiaries who have taken control of a plan account, and alternate payees under a Qualified Domestic Relations Order.)

As of August 30, 2012, the DOL requires that employees 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 the participant’s plan statement regarding the actual fees deducted from a participant’s account and the services provided for those fees; and
3. Website access to additional plan and investment information.

As a plan sponsor, you may want to consider how your employees may react to the new disclosures. Some employees may believe that you, as their employer, currently pay all plan-related costs. When employees receive the disclosures, they may think they are being assessed new fees they didn’t pay in the past. Employees who realize they are responsible for some plan fees may be concerned about how those fees can reduce their plan accounts.

Here are questions and answers about fee disclosure that you can use to help your employees understand the new disclosure.

Q. Do the new disclosure rules apply to my company’s retirement plan?

- A.** Yes, your company’s retirement plan must comply with the new disclosure rules. The rules apply to most plans that allow participants to direct their investments in the plan.

Preparing for Participant Fee Disclosure Questions (Continued)

Q. What does the plan sponsor need to do?

A. Transamerica will provide plan sponsors with the annual disclosure for employees in the online Document Center at www.TA-Retirement.com (login > Plan Information > Document Center > “Notices & Communications” tab). Sponsors will receive an email notifying you when your plan’s annual disclosure is available online. If required by your plan, you will receive your disclosure from Transamerica via U.S. mail. The plan sponsor must ensure that employees receive this disclosure by August 30, 2012.

Q. Who must receive the required disclosures?

A. You will need to provide the required annual disclosure to everyone who has the right to direct investments in your plan. That includes active participants, eligible employees, retirees and former employees with a balance in the plan, active beneficiaries who have taken control of a plan account, and alternate payees under a Qualified Domestic Relations Order.

Q. Are there any ongoing communications that I must send to my employees?

A. The DOL requires your plan to ensure this disclosure is provided to employees on an ongoing basis, annually. Transamerica will provide the required disclosure to your plan each year by August 30, so that you can ensure that everyone who may direct investments in your plan receives this disclosure.

Throughout the year, you will need to ensure that the new disclosure is distributed to new employees as they become eligible and to new beneficiaries as they take control of a plan account, on or before the date they can first direct their plan investments.

Your participants’ quarterly statements and website will already include the required information, so no action is required from the plan sponsor regarding the statements and website.

Q. Are there penalties or other consequences for failure to comply?

A. A plan sponsor’s failure to provide the required disclosures could result in a breach of fiduciary duty. In addition to allowing participants to sue for breach of fiduciary duty, pension law authorizes the DOL to collect a civil penalty from plan sponsors for fiduciary breaches.

Q. What information is required by the DOL?

A. The DOL requires disclosure of both plan-related information about the structure and mechanics of the plan, and investment-related information, so that employees can compare all investment choices in the plan.

A participant’s quarterly statement will show the dollar amount of fees deducted from the participant’s account during the quarter. The quarterly participant statements must include the required disclosures by August 30, 2012, or on the first participant statement issued after August 30.

The DOL also requires that the employees have web access to plan and investment information, including a glossary of investment terms by August 30, 2012.

Preparing for Participant Fee Disclosure Questions (Continued)

Q. Why is the investment information presented in this particular format?

A. Your plan's investment information is presented in a format designed to make it easy for employees to compare the investment choices available through your plan. The DOL provided a model format for the comparative chart as a guide.

Q. What information must be included in the quarterly participant statements?

A. Quarterly participant statements must contain the dollar amount of plan-related fees (administrative or transactional) actually charged to or deducted from the participant's individual account, along with descriptions of the services for which any charges or deductions were made. The quarterly participant statements must include the required disclosures by August 30, 2012, or on the first participant statement issued after August 30.

Q. What do retirement plan fees pay for?

A. Like all employee benefits, there have always been costs associated with running a retirement plan. Retirement plan fees 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 types of fees may be charged to employees?

A. Employees may pay these types of fees:

- **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

The disclosure document describes the specific fees that apply to an individual's retirement plan.

Q. What can we do if our employees think they're being charged new fees?

A. These fees are not new, but the new disclosure format will present the fees in a new, standardized format designed to make comparisons easier. Some employees may think that you, as their employer, currently pay all the plan costs. They may think they are being charged new fees they didn't have to pay before. Point out that fees are standard in retirement plans and investments, and, like all employee benefits, there have always been costs associated with running your retirement plan. Administrative and investment fees are typically shared by everyone participating in the plan. Your company most likely incurs costs for sponsoring the retirement plan. Sponsor-paid fees are not included in this disclosure, which illustrates participant fees.

Q. How will the new fee disclosure affect my plan?

A. While the formatting required to present fees has changed, our pricing has not changed due to the new fee disclosure requirements. Transamerica's pricing remains competitive within the marketplace.

Preparing for Participant Fee Disclosure Questions (Continued)

The new fee disclosure regulations are designed to bring a greater level of consistency for fee reporting among retirement plan providers, which should help employees and plan sponsors make more informed decisions. Transamerica recognizes that clarity for employees and plan sponsors regarding plan fees is critical in helping employees plan successfully for retirement, and the new standardized fee format is designed to make comparisons easier.

Q. What can we do to prepare participants for the new disclosures?

- A.** You can distribute Transamerica's Frequently Asked Questions for Retirement Plan Participants to everyone who may direct investments in your plan (including active participants, eligible employees, retirees and former employees with a balance in the plan, active beneficiaries who have taken control of a plan account, and alternate payees under a Qualified Domestic Relations Order). You can find the FAQs by logging on to www.TA-Retirement.com > Participant Fee Disclosure.

You may want to explain to employees that all retirement plans have fees in one form or another to cover the costs of operating the plan as a whole. Generally, when you invest — whether inside or outside of your retirement plan, even in an IRA — there are usually costs involved.

You can remind participants that your company's retirement plan is an important benefit that helps them save for retirement. For non-Roth plans, employees may elect to have contributions deducted from their paychecks before taxes are taken out. Employees can benefit from tax deferral on their savings that allows them to reduce their current taxable income and pay taxes later when they begin to make withdrawals from their retirement accounts.

You may want to let participants know fees are only one factor to consider when investing their plan accounts, and their investment choices should be based on their particular needs and circumstances. Quality of the investment, appropriateness to the participant's risk tolerance, time to retirement, and other factors should all be taken into consideration when making investment decisions. In some cases, choosing an investment based on fees alone might not best meet a participant's needs and goals. Let them know your plan offers a variety of investment choices that allow them to select an investment mix that's best for them.

Also, explain that plan fees are reviewed by the plan sponsor to ensure the fees are reasonable and competitive. You may want to explain your plan's review process in more detail to your participants.

If employer matching contributions are made, show how matching contributions help to boost the participant's savings and that by not contributing at least up to the amount that the company matches, participants are leaving free money on the table. Tell them about any employer-paid fees, and be ready to answer questions concerning the disclosures.

Q. Is there anything else we should do to prepare for ongoing fee disclosure?

- A.** Make sure you understand what's required of you under the new fee disclosure regulations. Your role is to ensure that everyone who may direct investments in your retirement plan receives the required disclosure by August 30, 2012. Be prepared to answer questions that employees may have concerning the fee disclosures. You will also want to document all decisions your organization makes concerning the plan's investment choices, review your disclosure each year, and continuously monitor plan fees.

Q. Where can we find additional information?

A. Transamerica's Frequently Asked Questions for Retirement Plan Participants should help answer most questions. FAQs are available at www.TA-Retirement.com (login > Participant Fee Disclosure). If you have any questions, please call your Transamerica representative or Transamerica SponsorConnect at (866) 498-4557, 9 a.m. to 8 p.m. Eastern Time, Monday through Friday.

You can find additional information on the DOL's website at:

- <http://www.dol.gov/ebsa/newsroom/fsparticipantfeerule.html>
- <http://www.dol.gov/ebsa/regs/fab2012-2.html>
- http://www.dol.gov/ebsa/publications/401k_employee.html

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