



CORNERSTONE GROUP

Your business partner

Retirement Advisory Compliance



New Retirement Plan Fee Disclosure Rules Effective Soon

The Department of Labor's (DOL) regulations requiring disclosures of fees and expenses to retirement plan participants – coupled with new rules for information service providers give plan sponsors – are effective in just a few months.

Disclose plan-related information

Plan administrators must disclose basic plan information, including a list of investment options and when and how participants may give investment instructions. Administrative expenses for plan services that may be deducted from all individual accounts must be described, as well as actual charges that may be deducted from certain participants' accounts, such as loan origination fees.

Investment-related data must be provided

For each investment option, performance data, such as the average annual total return for 1-, 5- and 10-year periods, and a comparison of returns to a benchmark must be disclosed. Further, a website address where participants can get additional specific investment information and a glossary of investment terms are also required.

Different notices are required

An annual disclosure of plan and investment information must be sent to current participants, those eligible but not contributing, beneficiaries and those with rights under a QDRO.

Full disclosures must be furnished to new participants on or before the date they first contribute to a particular investment option.

Quarterly statements identifying actual dollar amounts of administrative and individual expenses actually charged to the participant's account during the preceding quarter are required.

Also, if there are changes in any plan-related information contained in the annual and/or new participant disclosures, updated information has to be provided at least 30 days, and not more than 90 days, before any changes are implemented.

Plan ahead for effective date

While the regulations for participant disclosures were in effect on the first day of the first plan year beginning on or after January 1, 2010, the DOL announced a transition rule that postpones the required initial issuance of the annual and new participant disclosures to May 31, 2012 for calendar year plans.

The initial quarterly statement disclosure is required by August 14, 2012 (45 days after the end of the second calendar quarter) for calendar year plans.

For plans that do not use a calendar year as the plan year, the new rules apply beginning on the later of (a) 60 days after the beginning of the first plan year after November 1, 2011, and (b) 60 days after the effective date of the service provider disclosure rules (April 1, 2012). For example, if the plan year begins July 1, 2012, the disclosure rules apply on August 29, 2012.