

DOL PARTICIPANT DISCLOSURE REGULATIONS COMPLIANCE REQUIREMENTS

Learn how to best prepare for the new retirement plan disclosure rules.

BACKGROUND

The Department of Labor (DOL) issued regulations that took effect for retirement plan years beginning on or after November 1, 2011. The regulations outline specific disclosures that must be provided to both new and existing plan participants. Learn how to best prepare for the new retirement plan disclosure rules, what has changed, what plans are affected, and what information has to be disclosed.

Who is responsible for compliance with the regulations?

While the required disclosure information may come from various service providers to the plan, the ultimate responsibility for compliance with the new regulations rests on the shoulders of you as the plan administrator.

What plans are covered by these regulations?

The regulations pertain to any participant directed, ERISA individual account plan (e.g., 401(k), 403(b), Profit Sharing, Money Purchase).

What participants are required to receive the disclosures?

The disclosures are required to be provided to all eligible participants, whether or not they are deferring into the plan, that have a right to direct their investments, as well as any plan beneficiaries that have a right to direct investments.

What disclosures are required to be provided annually?

The initial and annual disclosures must include general information about the plan and eligibility, the amount of any administrative expenses that will be charged to the plan, the amount and types of expenses that might be charged to a participants' account, a statement clarifying any revenue sharing arrangements, a listing of the investments available under the plan, and any limitations on transfers among the plan investment options.

What disclosures are required to be provided quarterly?

The quarterly disclosures must include the dollar amount of any plan administrative fees actually charged to the participant's account during the preceding quarter, the dollar amount of any individual fees and expenses charged to the participant's account during the preceding quarter, a description of the services to which the charged fees and expenses relate, and the amount of any commissions charged on investment purchases or as a trailing commission.

What investment information needs to be disclosed?

The DOL has provided a model comparative chart of investment disclosures that must be provided to plan participants (see page 3). While the DOL is not requiring that plan sponsors use this same format, all of the information required in the regulations is contained in the chart. Note that in addition to



investment performance, investment fees must be expressed as both a percentage and as a dollar amount based upon a hypothetical \$1,000 investment.

Are there any other required disclosures?

Yes, there must be a glossary of financial terms included with the disclosures. Also, upon a participant's request, copies of prospectuses, financial statements, and other detailed information on the plan's investment must be provided. Any performance information provided on a website must be updated quarterly.

How can a plan administrator know if any of the disclosure information provided by service providers is accurate?

If any required disclosure information is provided through a website by the issuer of investment or a service provider, the plan administrator will not be liable for completeness and accuracy if they reasonably and in good faith relied upon the information.

CONCLUSION

As you can see, the new participant disclosure rules are tedious and complex. Therefore, it is critical that you work with your current service providers to ensure necessary reporting disclosures will be provided to plan participants accurately and in a timely manner. If you have concerns with your service providers being able to offer assistance, then we encourage you to seek a new provider for your plan as soon as possible. We would be happy to help you find a suitable service provider for your plan.

ABC CORPORATION 401K RETIREMENT PLAN

Investment options - January 1, 20xx

This document includes important information to help you compare the investment options under your retirement plan. If you want additional information about your investment options, you can go to the specific website address shown below or you can contact [insert name of plan administrator or designee] at [insert telephone number and address]. A free paper copy of the information available on the website[s] can be obtained by contacting [insert name of plan administrator or designee] at [insert telephone number].

Document summary

This document has three parts. Part I consists of performance information for plan investment options. This part shows you how well the investments have performed in the past. Part II shows you the fees and expenses you will pay if you invest in an option. Part III contains information about the annuity options under your retirement plan.

Part I. Performance information

Table 1 focuses on the performance of investment options that do not have a fixed or stated rate of return. Table 1 shows how these options have performed over time and allows you to compare them with an appropriate benchmark for the same time periods. Past performance does not guarantee how the investment option will perform in the future. Your investment in these options could lose money. Information about an option's principal risks is available on the website[s].

Table 1 — Variable Return Investments								
Name/Type of Option	Average Annual Total Return as of 12/31/XX				Benchmark			
	1 yr.	5 yr.	10 yr.	Since inception	1 yr.	5 yr.	10 yr.	Since inception
Equity Funds								
A Index Fund / S&P 500 www. website address	26.5%	.34%	-1.03%	9.25%	26.46%	.42%	-.95%	9.30%
					S&P 500			
B Fund / Large Cap www. website address	27.6%	.99%	N/A	2.26%	27.80%	1.02%	N/A	2.77%
					US Prime Market 750 Index			
C Fund / Intl Stock www. website address	36.73%	5.26%	2.29%	9.37%	40.40%	5.40%	2.40%	12.09%
					MSCI SAFE			
D Fund / Mid Cap www. website address	40.22%	2.28%	6.13%	3.29%	46.29%	2.40%	-.52%	4.16%
					Russell Midcap			
Bond Funds								
E Fund / Bond Index www. website address	6.45%	4.43%	6.08%	7.08%	5.93%	4.97%	6.33%	7.01%
					Barclays Cap. Aggr. Bd.			
Other								
F Fund / GICs www. website address	.72%	3.36%	3.11%	5.56%	1.8%	3.1%	3.3%	5.75%
					3-month US T-Bill Index			
G Fund / Stable Value www. website address	4.36%	4.64%	5.07%	3.75%	1.8%	3.1%	3.3%	4.99%
					3-month US T-Bill Index			
Generations 2020 / Lifecycle Fund www. website address	27.94%	N/A	N/A	2.45%	26.46%	N/A	N/A	3.09%
					S&P 500			
					23.95%	N/A	N/A	3.74%
					Generations 2020 Composite Index*			

* Generations 2020 composite index is a combination of a total market index and a US aggregate bond index proportional to the equity / bond allocation in the Generations 2020 Fund.

Table 2 focuses on the performance of investment options that have a fixed or stated rate of return. Table 2 shows the annual rate of return of each such option, the term or length of time that you will earn this rate of return, and other information relevant to performance.

Name/Type of Option	Return	Term	Other
H 200X / GIC www. website address	4%	2 yrs.	The rate of return does not change during the stated term.
I LIBOR Plus / Fixed- Type Investment Account www. website address	LIBOR +2%	Quarterly	The rate of return on 12/31/xx was 2.45%. This rate is fixed quarterly, but will never fall below a guaranteed minimum rate of 2%. Current rate of return information is available on the option's website or at 1-800-yyy-zzzz.
J Financial Services Co. / Fixed Account Investment www. website address	3.75%	6 mos.	The rate of return on 12/31/xx was 3.75%. This rate of return is fixed for six months. Current rate of return information is available on the option's website or at 1-800-yyy-zzzz.

Part II. Fee and expense information

Table 3 shows fee and expense information for the investment options listed in table 1 and table 2. Table 3 shows the total annual operating expenses of the options in table 1. Total annual operating expenses are expenses that reduce the rate of return of the investment option. Table 3 also shows shareholder-type fees. These fees are in addition to total annual operating expenses.

Name/Type of Option	Total Annual Operating Expenses		Shareholder-Type Fees
	As a %	Per \$1000	
Equity Funds			
A Index Fund / S&P 500	0.18%	\$1.80	\$20 annual service charge subtracted from investments held in this option if valued at less than \$10,000.
B Fund / Large Cap	2.45%	\$24.50	2.25% deferred sales charge subtracted from amounts withdrawn within 12 months of purchase.
C Fund / International Stock	0.79%	\$7.90	5.75% sales charge subtracted from amounts invested.
D Fund / Mid Cap ETF	0.20%	\$2.00	4.25% sales charge subtracted from amounts withdrawn.
Bond Funds			
E Fund / Bond Index	0.50%	\$5.00	N/A
Other			
F Fund / GICs	0.46%	\$4.60	10% charge subtracted from amounts withdrawn within 18 months of initial investment.
G Fund / Stable Value	0.65%	\$6.50	Amounts withdrawn may not be transferred to a competing option for 90 days after withdrawal.
Generations 2020 / Lifecycle Fund	1.50%	\$15.00	Excessive trading restricts additional purchases (other than Lifecycle Fund contributions and loan repayments) for 85 days.
Fixed Return Investments			
H 200X / GIC	N/A	N/A	12% charge subtracted from amounts withdrawn before maturity.
I LIBOR Plus / Fixed- Type Invest Account	N/A	N/A	5% contingent deferred sales charge subtracted from amounts withdrawn; charge reduced by 1% on 12-month anniversary of each investment.

The cumulative effect of fees and expenses can substantially reduce the growth of your retirement savings. Visit the DOL's website for an example showing the long-term effect of fees and expenses at http://www.dol.gov/ebsa/publications/401k_employee.html. Fees and expenses are only one of many factors to consider when you decide to invest in an option. You may also want to think about whether an investment in a particular option, along with your other investments, will help you achieve your financial goals.

Part III. Annuity information

Table 4 focuses on the annuity options under the plan. Annuities are insurance contracts that allow you to receive a guaranteed stream of payments at regular intervals, usually beginning when you retire and lasting for your entire life. Annuities are issued by insurance companies. Guarantees of an insurance company are subject to its long-term financial strength and claims-paying ability.

Table 4 — Annuity Options			
Name	Objectives/Goals	Pricing Factors	Restrictions/Fees
Lifetime Income Option www. website address	To provide a guaranteed stream of income for your life, based on shares you acquire while you work. At age 65, you will receive monthly payments of \$10 for each share you own, for your life. For example, if you own 30 shares at age 65, you will receive \$300 per month over your life.	<p>The cost of each share depends on your age and interest rates when you buy it. Ordinarily, the closer you are to retirement, the more it will cost you to buy a share.</p> <p>The cost includes a guaranteed death benefit payable to a spouse or beneficiary if you die before payments begin. The death benefit is the total amount of your contributions, less any withdrawals.</p>	<p>Payment amounts are based on your life expectancy only and would be reduced if you choose a spousal joint and survivor benefit.</p> <p>You will pay a 25% surrender charge for any amount you withdraw before annuity payments begin.</p> <p>If your income payments are less than \$50 per month, the option's issuer may combine payments and pay you less frequently, or return to you the larger of your net contributions or the cash-out value of your income shares.</p>
Generations 2020 Variable Annuity Option www. website address	<p>To provide a guaranteed stream of income for your life, or some other period of time, based on your account balance in the Generations 2020 Lifecycle Fund.</p> <p>This option is available through a variable annuity contract that your plan has with ABC Insurance Company.</p>	<p>You have the right to elect fixed annuity payments in the form of a life annuity, a joint and survivor annuity, or a life annuity with a term certain, but the payment amounts will vary based on the benefit you choose. The cost of this right is included in the total annual operating expenses of the Generations 2020 Lifecycle Fund, listed in table 3 above.</p> <p>The cost also includes a guaranteed death benefit payable to a spouse or beneficiary if you die before payments begin. The death benefit is the greater of your account balance or contributions, less any withdrawals.</p>	<p>Maximum surrender charge of 8% of account balance.</p> <p>Maximum transfer fee of \$30 for each transfer over 12 in a year.</p> <p>Annual service charge of \$50 for account balances below \$100,000.</p>

Please visit www.ABCPlanglossary.com for a glossary of investment terms relevant to the investment options under this plan. This glossary is intended to help you better understand your options.

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