

401K Fee Disclosure Worksheet Overview

Using this worksheet

You cannot make an informed cost-benefit decision about your plan without knowing the total cost. Careful cost consideration will ensure that your company and its employees will benefit from an effective cost structure. Further, federal fiduciary requirements require that you consider costs charged to your plan when choosing investments and in selecting a plan service provider. To be prepared for a Department of Labor audit of your plan, you should have documentation demonstrating that you have identified these costs and taken them into account. This worksheet will help you obtain disclosure of plan-related expenses as well as assist you in developing appropriate documentation.

Selecting a service provider requires that you evaluate and differentiate among a number of competing companies. Expenses are one of the criteria, but not the only criterion, for making this evaluation and differentiation. It is also critical to consider the services to be provided and the anticipated performance of the competing providers and their funds. The provider with the lowest expenses is not necessarily the best choice.

Certain information is needed to complete this worksheet. If you are considering a conversion from an existing plan service provider, you will need to know the number of people participating in your plan, the number of employees eligible to participate in the plan, and the amount of plan assets. If you are implementing a new plan you need to know the number of eligible employees and the amount of expected plan assets.

Expected plan assets can be determined by service providers; make sure that the same amount of expected plan assets is used for each potential service provider. In order to get the other information required by the worksheet. Certain information may be obtained from the prospectus or other documents describing plan investment options.

Costs can be divided into three categories.

- ▶ One-time fees: These relate mainly to initiating a new plan or converting an existing plan to a new service provider. They are usually incurred during the first year.
- ▶ Ongoing Administration fees: These are recurring expenses related to continuing plan operation.
- ▶ Investment expense: These are the expenses incurred when a plan terminates, terminates selected services or terminates its relationship with a provider.

There are three principal ways fees are calculated.

- ▶ Asset-based: These expenses are based on the amount of assets in the plan and are usually expressed as percentages or basis points.
- ▶ Person-based: These expenses are based upon the number of eligible employees or participants in the plan.
- ▶ Transaction-based: These expenses are based on the execution of specific plan-related activities. You should obtain the estimated number of transactions upon which the estimated total cost is based.

Fees can be calculated using one or any combination of the above. Plans may also be charged for out of pocket expenses such as travel, postage and printing.

Expenses are paid from two sources: from plan assets and by the company. This worksheet will assist you in identifying which fees will be paid by the plan and which fees will be paid by the company sponsor. Finally, it is important to look at the fees over the entire period of the contract. You need to know the rate guarantee period, if any, to determine future fee increases. The purpose of this worksheet is to help you determine the total cost of the plan, regardless of how particular service providers structure their fees. Rather than comparing individual fees, you should look at the total cost.

401k Fee Disclosure Worksheet

Company Name: _____ Prepared On: _____ (Date)

Plan Assets: _____

of Participants: _____

of Eligible Employees: _____

Expense Type	Method of Fee Calculation	
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One Time Plan Set Up & Conversion Fees

Plan Design Consulting Services	Hourly	\$ _____
Plan Documents	Flat fee	\$ _____
Plan Installation Fee	Flat fee and/or person-based	\$ _____
Plan Conversion Fee (for take over plans only)	Flat fee	\$ _____
Fund Set Up Fee	Flat fee per fund	\$ _____
Enrollment Materials	Flat fee and/or person-based	\$ _____
Enrollment Meetings	Flat fee and/or person-based	\$ _____
TOTAL SET UP COSTS :		\$ _____

Ongoing Recordkeeping & Administration

Administration/ Recordkeeping Fee	Person-based or asset-based	\$ _____
Annual Plan Fee	Flat fee or asset-based	\$ _____
Compliance Testing	Flat fee	\$ _____
Signature Ready IRS Form 5500	Flat fee	\$ _____
Loan Origination	Transaction-based	\$ _____
Annual Loan Maintenance	Flat fee per loan	\$ _____
Distribution Processing	Transaction-based	\$ _____
Annual Plan Audit Fee	Flat fee	\$ _____
TOTAL ONGOING COSTS :		\$ _____

Investment Related Expenses

Fund Investment Expense	Asset based	\$ _____
Commissions	Asset based per transaction	\$ _____
Management Fee	Asset based	\$ _____
Wrap Expense	Asset based	\$ _____
Trustee/Custodial Fee	Asset based/Flat fee	\$ _____
TOTAL INVESTMENT COSTS :		\$ _____

TOTAL ANNUAL FEES :	\$ _____

401k Investment Expenses Worksheet

Fund Name/Symbol	Expense Ratio %	12(b)1 Fees %	Sub-account Transfer Credits %	Assets in Fund	TOTAL EXPENSE
_____	(_____ + _____ + _____) X			\$ _____	= \$ _____
_____	(_____ + _____ + _____) X			\$ _____	= \$ _____
_____	(_____ + _____ + _____) X			\$ _____	= \$ _____
_____	(_____ + _____ + _____) X			\$ _____	= \$ _____
_____	(_____ + _____ + _____) X			\$ _____	= \$ _____
_____	(_____ + _____ + _____) X			\$ _____	= \$ _____
_____	(_____ + _____ + _____) X			\$ _____	= \$ _____
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_____	(_____ + _____ + _____) X			\$ _____	= \$ _____
_____	(_____ + _____ + _____) X			\$ _____	= \$ _____
_____	(_____ + _____ + _____) X			\$ _____	= \$ _____
_____	(_____ + _____ + _____) X			\$ _____	= \$ _____
_____	(_____ + _____ + _____) X			\$ _____	= \$ _____
_____	(_____ + _____ + _____) X			\$ _____	= \$ _____
_____	(_____ + _____ + _____) X			\$ _____	= \$ _____

Summary of Total Investment Expenses \$ _____

Explanation of terms as used in this worksheet (some additional terms not referenced in this worksheet are also described):

Administration/ Recordkeeping Expense: Fee for administering the plan. This typically includes recordkeeping expenses.

Annual Audit: Federal law requires that all plans with more than 100 participants be audited by an independent auditor. It is also common to refer to a DOL or IRS examination of a plan as a plan audit.

Back-End Load: Sales charges due upon the sale or transfer of stock, mutual funds, or other investments.

Commission: A fee paid to a broker or other intermediary for executing a trade.

Plan Conversion: The process of changing from one service provider to another.

Discrimination Testing Expense: Tax qualified retirement plans must be administered in compliance with several regulations requiring numerical measurements. Typically, the process of determining whether the plan is in compliance is collectively called discrimination testing.

Distribution Expense: The costs typically associated with processing paperwork and issuing a check for a distribution of plan assets to a participant. May include the generation of a Form 1099R. This transaction-based fee may apply to hardship and other in-service withdrawals as well as to separation or retirement distributions.

Education Program Expenses: Costs associated with providing print, video, software and live instruction to educate employees about how the plan works, the plan investment funds, and asset allocation strategies. There may be a one-time cost associated with implementing a new plan, as well as ongoing costs for an existing program.

Eligible Employee: Any employee who is eligible to participate in and receive benefits from a plan.

Enrollment Expenses: Costs associated with providing materials to educate employees about the plan, and to enroll employees in the plan. This may be part of, or included in, the education programs. There may be a one-time cost associated with implementing a new plan, as well as ongoing enrollment costs.

Expense Ratio: The cost of investing and administering assets in a mutual fund or other collective fund expressed as a percentage of total assets.

Form 5500: A form which all qualified retirement plans (excluding SEPs and SIMPLE IRAs) must file annually with the IRS.

Front-End Load: Sales charges incurred when an investment such as a stock or mutual fund is purchased.

Fund Fee: Fee charged by some vendors for each fund provided in the plan. There may be a one-time fund fee at plan inception and an ongoing charge per fund.

Hardship or In-Service Distribution: A participant's withdrawal of their plan contributions prior to retirement. Eligibility may be conditioned on the presence of financial hardship. These distributions are taxable as early distributions and are subject to a 10% penalty tax if the participant is under age 59 ½.

Installation Fee: One-time fee charged by some vendors for initiating a new plan.

Investment Transfer Expense: Charge associated with a participant changing his or her investment allocation.

Loan Fees: Vendors may charge a fee when a plan loan is originally taken, as well as an ongoing fee for each outstanding loan.

Management Fee: Fee charged to pay for the management of a mutual fund's or other collective fund's portfolio by an investment manager.

Out of Pocket Expenses: Expenses such as travel, postage and printing.

Participant: Person who has an account in the plan.

Plan Document/ IRS Filing Fee: Costs associated with preparing and filing IRS required documentation, including the request for a determination letter.

Plan Loan: Loan from a participant's accumulated plan assets, not to exceed 50% of the balance or \$50,000, whichever is less. This is an optional plan feature.

Sponsor: The employer who establishes and maintains a plan.

Sub-account Transfer Credit: An expense charged against the fund that is used to offset the administrative expenses of a third party administrator.

Transaction Expenses: Fees charged on a per-incident basis for activities such as investment transfers, in-service withdrawals and distributions.

Trustee: The individual, bank or trust company having fiduciary responsibility for holding plan assets.

Wrap Expense: A fee based on all the assets in the plan and in addition to individual fund-related fees. Typically pays for the bundling of services related to investing plan assets, possibly including administrative services such as recordkeeping or the preparation of signature-ready Form 5500's.

12(b)1 Fee: A charge to shareholders to cover a mutual fund's distribution and marketing costs.