



# Client Bulletin

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July 2008

## **U.S. Department of Labor Proposed 401(k) Participant Fee Disclosure Rules**

### **Overview of July 2008 Proposed Regulation**

- 1) Plan fiduciaries must provide uniform and basic disclosures to all participants and beneficiaries when a participant becomes eligible to participate in the plan and annually thereafter.
- 2) Information concerning the plan's investment options including fees and expenses, past performance data and comparable benchmark returns must be provided in a clear and comparable format.
- 3) Plan fiduciaries must disclose on a quarterly basis, the actual dollar amount charged to a participants account during the preceding quarter for specified administrative expenses.

The U.S. Department of Labor announced these proposals in an effort to promote fee transparency and fair disclosure by providing employees useful fund summary information, including the necessary fee and expense information for investment options available under their plans.

In an effort to disclose any conflicts of interests by plan fiduciaries, the proposal requires that contracts between certain service providers and plans provide for specific and detailed information. The proposal requires that all services furnished to a plan and all compensation, direct and indirect, to be received by the service provider be disclosed in writing.

The centerpiece of the proposed regulation is a requirement to provide investment-related information in a comparative chart or similar format. As part of the proposal, the Department of Labor has developed a "model chart" for complying with this requirement, while giving plan fiduciaries the flexibility to design their own charts or comparative formats.

"One of the department's top priorities is improved disclosure in order to ensure that participants and fiduciaries have the information they need to make informed decisions," said U.S. Secretary of Labor Elaine L. Chao. "We are working quickly to implement regulations that foster fair, competitive and transparent prices for services as well as combat excessive or hidden plan fees."

The Department proposed that the regulations, when finalized would be effective for plan years beginning on or after January 1, 2009.