

# ERISA Fee & Expense Disclosures

## -Broker/Dealer Edition: Part I

Requirements, business issues and  
recommendations for complying with fee  
and expense disclosure regulations



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# Introducing “New” Regulators

## Current Regulation

Today’s regulatory framework consists of FINRA, SEC and States for small RIAs. ERISA business is overseen by these regulators.

Starting Jan 1, 2012 the Department of Labor (“DoL”) and IRS will assume oversight for fee disclosures in ERISA business

## Acquiring Jurisdiction

DoL gained jurisdiction by using the power of the IRS to impose excise taxes and to disqualify service providers to ERISA plans.

In the new framework plan sponsors address complaints to DoL which are investigated and referred to the IRS for enforcement.

## Compliance Requirements

The DoL/IRS regulation increases compliance burden:

- Existing FINRA/SEC/State regulations remain in effect for ERISA business
- New DoL/IRS regulations are layered on top of these
- Complaints bypass arbitration and are acted on by IRS

# Overview of Requirements

# Summary of Fee and Expense Disclosure Requirements

72,000,000  
Participants

## Schedule C -Government Reporting

Actual payments in excess of \$5,000 made by large plans are reported annually to the Federal Government.

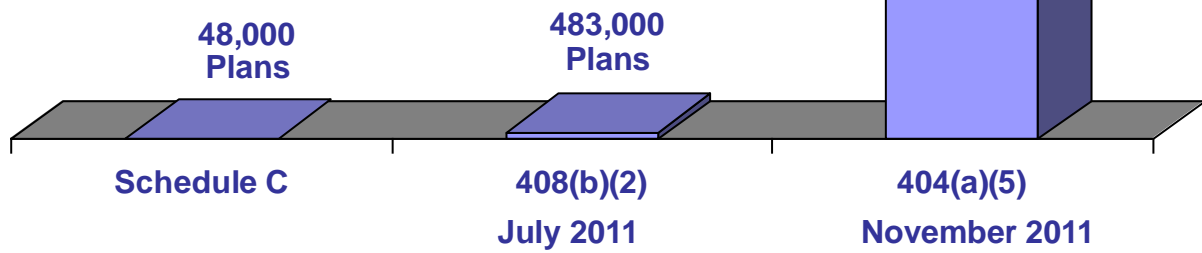
## 408(b)(2) -Plan Fiduciary Reporting

Annual estimated expenses in excess of \$1,000 are reported to all plan fiduciaries (sponsor).

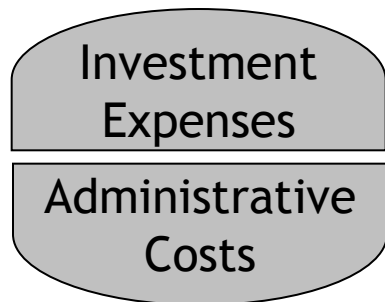
## 404(a)(5) -Plan Participant Reporting

Personal actual administrative cost is reported quarterly to every participant.

Estimated investment related expenses are reported annually to every participant



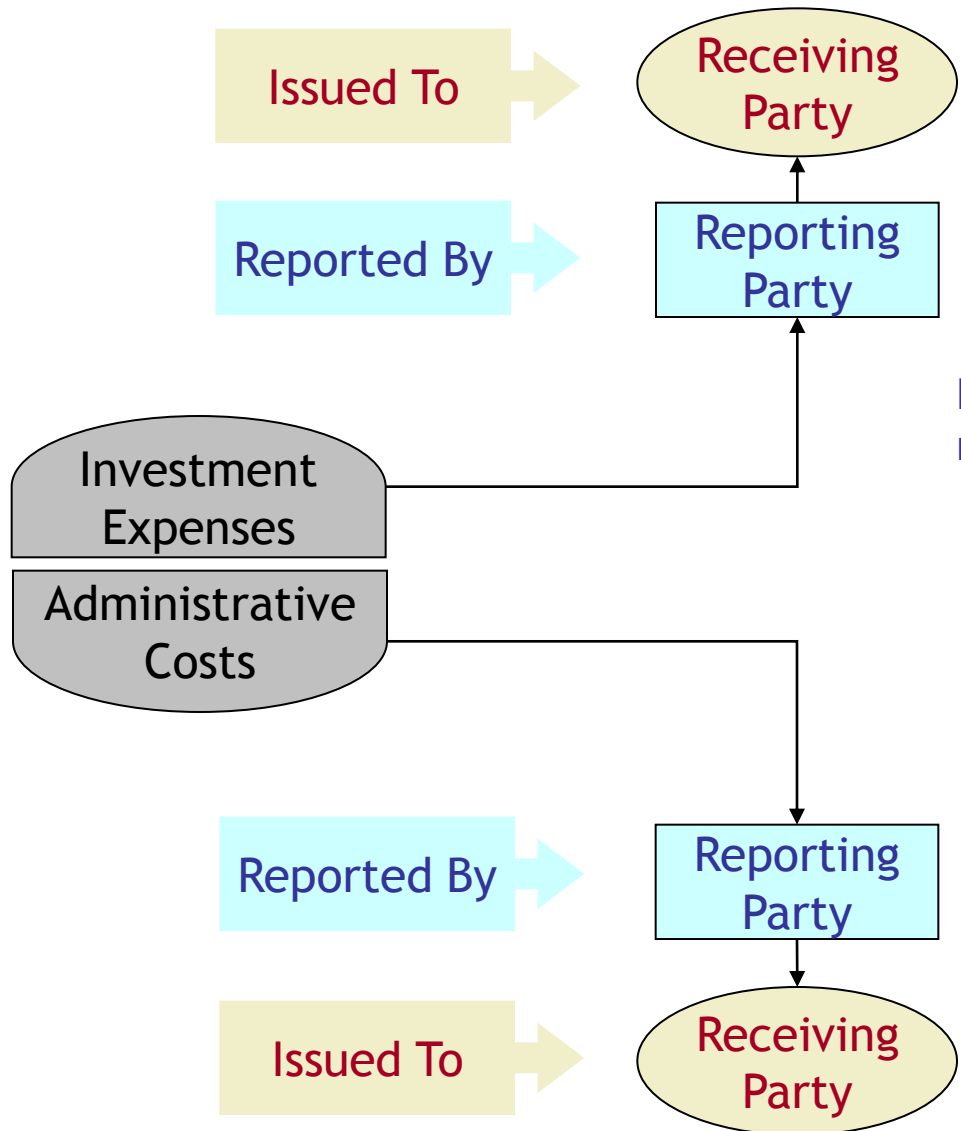
# Categories Used in Regulations



**Disclosure requirements separate costs into two categories:**

- Investment Expenses that are used to pay for investment management and related services. These expenses are proportionate to the benefits received from investment returns... higher balances yield higher profits.
- Administrative Costs of providing services and operating the retirement plan. These costs are proportionate to services provided and are unrelated to the benefits received.

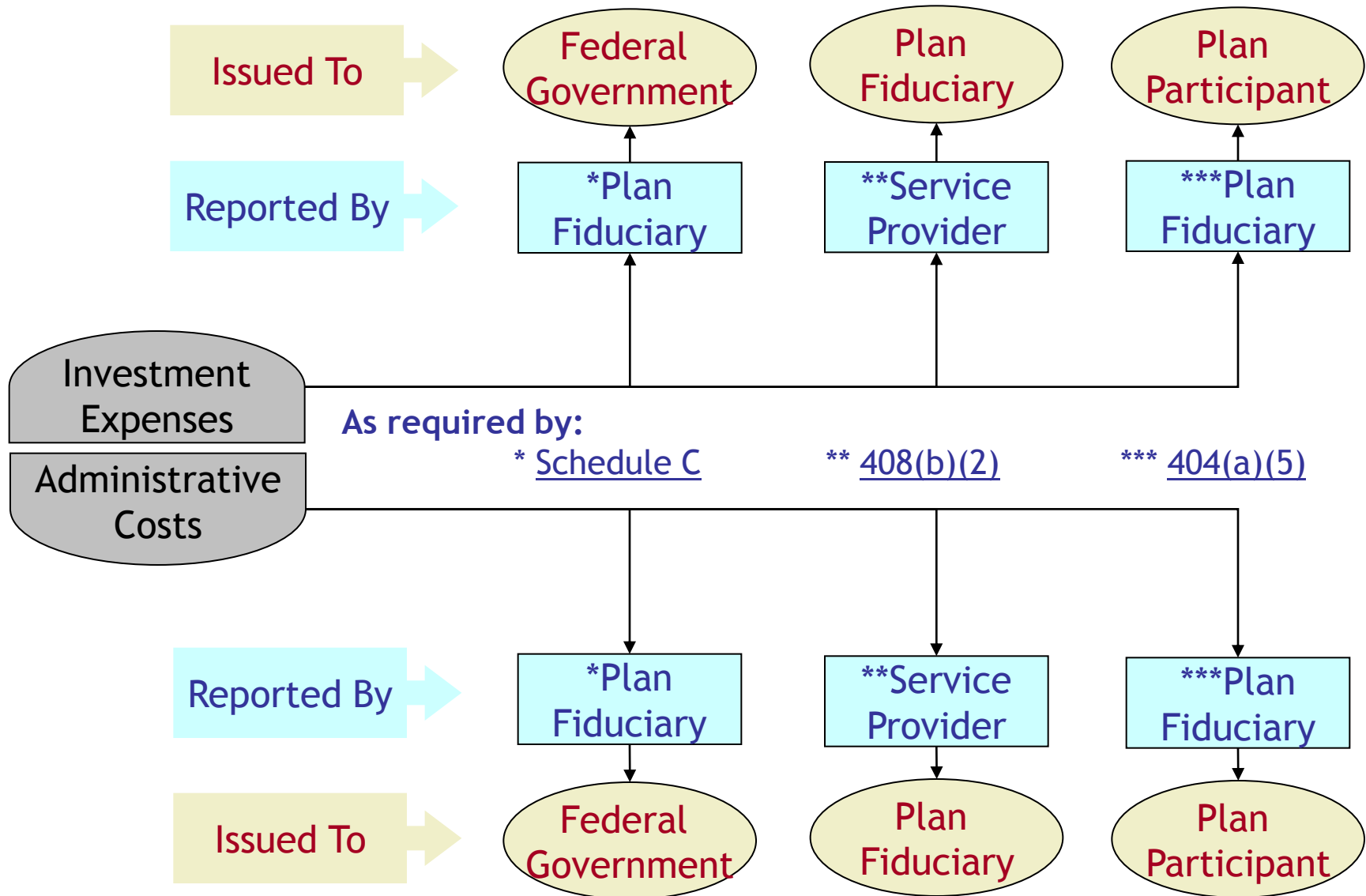
# Reporting Responsibilities



Disclosure requirements define responsibilities as:

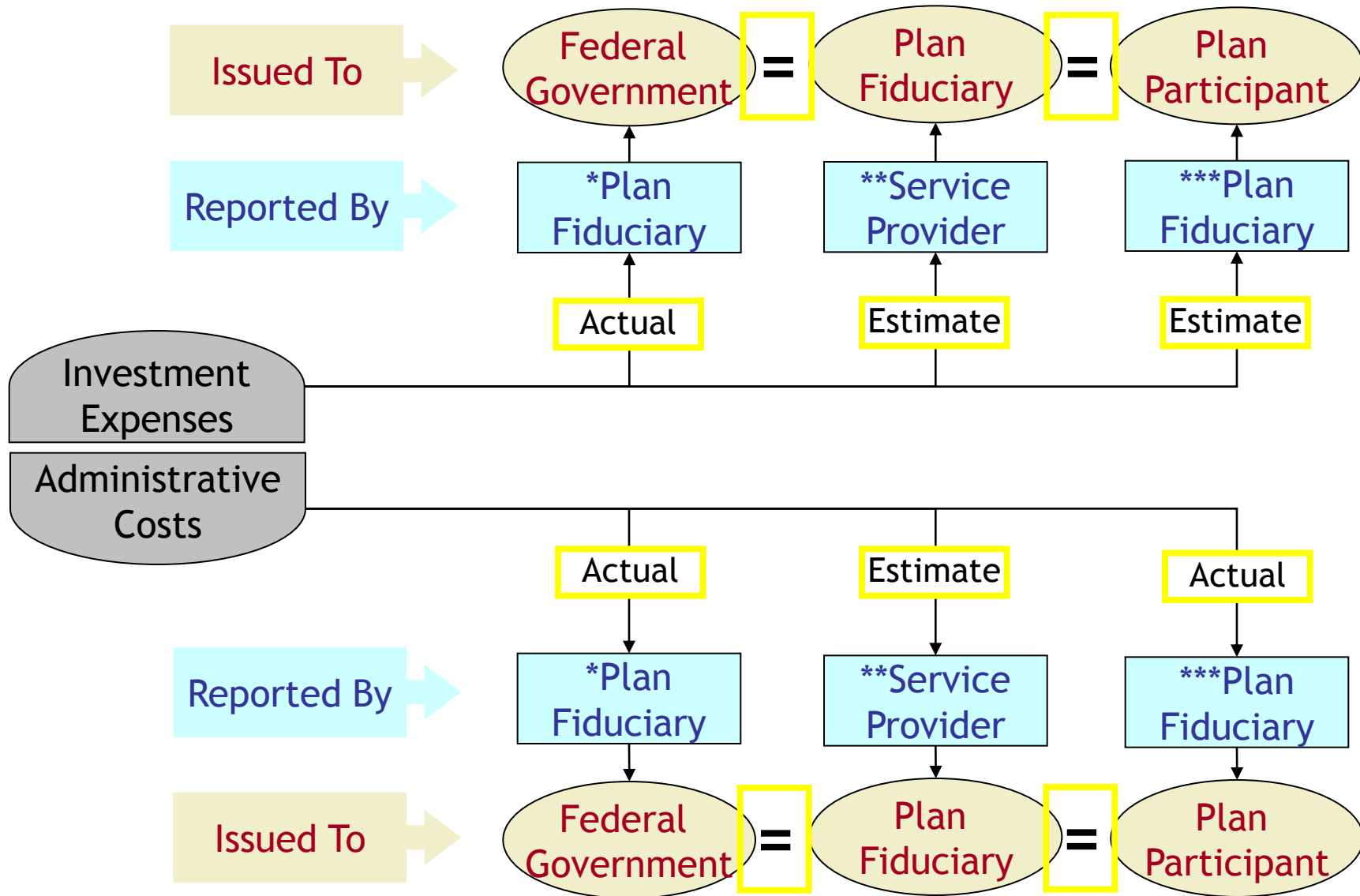
- Reported By is the party obligated to make the disclosure. Note that a third party may be used to prepare and deliver disclosure.
- Issued To is the party that must receive the disclosure.

# Interconnection of Requirements





# Reconciliation of Requirements



**This Concludes Part I**

**Proceed to Part II for**

**Compliance &**

**Model Disclosures**