

## PLAN DISCLOSURE TRANSPARENCY ANALYSIS

### ACME RETIREMENT SERVICES, INC.

August 14, 2012 Ref# 12-001

#### Summary of Transparency Evaluation

ERISA requires covered service providers to disclose information to responsible plan fiduciaries (plan sponsors) that will permit the plan sponsors to determine if services being provided to the plan are necessary, reasonable and cost effective for the plan. The disclosures are in four broad categories, estimates of cost, description of services, fiduciary responsibility and conflicts of interest.

DALBAR has examined the disclosure referenced above to assess whether the information is provided and its usefulness to plan sponsors in meeting the requirement to determine if services being provided to the plan are necessary, reasonable and cost effective for the plan.

#### Assessment of Attached Disclosure

##### *Disclosure Under Review:*

Acme Retirement Services, Inc.  
Disclosure of Record Keeping Services to  
Midsize 401(k) Plans

	<b>Assessment of Transparency*</b>	<b>Usefulness Score</b>
<b>Estimates of Cost</b>	<b>Clearly Presented</b>	<b>86.1 of 100</b>
<b>Description of Services</b>	<b>Clearly Presented</b>	<b>89.6 of 100</b>
<b>Fiduciary Responsibility</b>	<b>Clearly Presented</b>	<b>83.3 of 100</b>
<b>Conflicts of Interest</b>	<b>Clearly Presented</b>	<b>100.0 of 100</b>
	<b>Overall Usefulness</b>	----- <b>89.8 of 100</b>

\***Assessment of Transparency** may be:

**Clearly Presented** –Information is explicit and in simple language within the disclosure

**Obscure** –Disclosure content requires legal or mathematical analysis

**Only Generic** –Information is not specific to the plan... generic ranges or lists are used

**Only by Reference** –Disclosure refers reader to another document for essential information

**Omitted** –There is no reference to the information within the disclosure



## About DALBAR

DALBAR, Inc. is the financial community's leading independent expert for evaluating, auditing and rating business practices, customer performance, product quality and service. Launched in 1976, DALBAR has earned the recognition for consistent and unbiased evaluations of investment companies, registered investment advisers, insurance companies, broker/dealers, retirement plan providers and financial professionals. DALBAR awards are recognized as marks of excellence in the financial community.

For more information about this report contact DALBAR at [ERISAFeeDisclosure@DALBAR.com](mailto:ERISAFeeDisclosure@DALBAR.com). Please specify the Ref# provided.

Reports on other fee disclosures are also available by contacting DALBAR at:

[ERISAFeeDisclosure@DALBAR.com](mailto:ERISAFeeDisclosure@DALBAR.com)

## Additional Services

DALBAR provides various services on interest to those interested in retirement plan fees and the required disclosures and use of this information:

- **[Transparency Analysis](#)** (this report) is available for disclosures of all service providers. Those interested may submit disclosures and have an analysis performed (\$99).
- **[Request for Information](#)** is a template that can be used to obtain information necessary for plan sponsors to comply with federal regulations (downloadable at no charge).
- **[CSP Determinator](#)** identifies if a specific arrangement is subject to plan fee disclosure by the service provider (no charge).
- **[Risk/Exposure Calculator](#)** estimates the likelihood of a regulatory audit and the probable financial exposure if such an audit were to take place (\$25 per hour to use).
- **[Certification of Reasonableness](#)** documents the prudent process required to comply with federal regulations (\$375 minimum and varies based on plan size).
- **[Burdens of Knowledge](#)** is a comprehensive paper detailing plan sponsor requirements under federal regulations (no charge).

Visit [www.ERISAFeeDisclosure.com](http://www.ERISAFeeDisclosure.com) for more information on these and other services.



**Technical Quality Scores**

The technical quality score is provided for each of criteria that reflects the aggregate of all variables considered:

	<u>Rating</u>	<u>Score</u>
<b>Accessibility</b> of Critical Information	Excellent	93.8 of 100
<b>Consistency</b> of Information	Excellent	95.5 of 100
<b>Required</b> Information Present	Excellent	95.8 of 100
<b>Overall Technical Quality</b>	Excellent	95.0 of 100

Technical quality criteria are:

- Accessibility** Plan sponsors can reasonably be expected to comply with the requirements of 408(b)(2) and 404(a) using the information as presented without reference to other materials or performing additional calculations.
- Consistency** Information presented appears to support other information available and raises the confidence in the reliability of information presented.
- Required** All information required by regulation is provided.

Scoring of technical quality consists of one of four ratings:

- E = Excellent** The criterion is satisfied as stated
- G = Good** The criterion is satisfied but requires minor interpretation
- F = Fair** The criterion can be satisfied with difficulty (Explanation is recommended)
- P = Poor** The criterion cannot be satisfied by the disclosure (Explanation is required)

**Details of Technical Scoring**

ID	Variables Considered	Scoring			Foot-notes
		Accessibility	Consistency	Required	
<b>A</b>	<b>All Covered Services</b>				
A.1	Recap of services and total estimated amount to be paid by the plan	Excellent	Good	Excellent	
A.3	<i>Short form list</i> of services provided to this plan with separate description in a reference section for usability.	Excellent	Excellent	Excellent	
A.4	An affirmative statement as to whether CSP acts as a fiduciary for this plan under the service arrangement.	Good	Excellent	Good	
A.5	A <i>short form list</i> of services and the estimated amount of direct compensation expected from participants of this plan by CSP or affiliates with a total.	Fair	Good	Good	



**Plan Disclosure Transparency Analysis**

Ref# 12-001

ID	Variables Considered	Scoring			Foot-notes
		Accessibility	Consistency	Required	
A.6.1	Each entity expecting indirect compensation (CSP, affiliate or subcontractor) and the estimated total amount of indirect compensation expected from participants of this plan.	Excellent	Excellent	Excellent	
A.6.2	<i>Short form list</i> of services provided by each entity named in A.6.1.	Excellent	Excellent	Excellent	
A.6.3	Each entity expecting to make payments to each entity named in A.6.1.	Excellent	Excellent	Excellent	
A.6.4	Description of the applicable arrangement between each entity named in A.6.1 and each entity named in A.6.3.	Good	Excellent	Excellent	
A.7	Description and estimated total amount of any other payment arrangements among CSP, affiliates and subcontractors that was not included in A.6.1 but are expected from participants of this plan.	N/A	N/A	N/A	(1)
A.8	Description of terms of termination and the amount of any penalties for the CSP and each entity named in A.6.1, A.6.3 and A.7.	Excellent	Excellent	Excellent	
A.9	Method of payment (deduction from plan assets, deduction from participant accounts, invoice, etc.) for each entity named in A.6.1, A.6.3 and A.7.	Excellent	Excellent	Excellent	
<b>B</b>	<b>Recordkeeping Services</b>				
B.1	A total and a list of all estimated direct and indirect sources and amounts of compensation for recordkeeping, including internal allocation for bundled services expected from participants of this plan.	Excellent	Excellent	Excellent	
<b>C</b>	<b>Investment Disclosure—Fiduciary Services</b>				
C.1	For each investment controlled by a fiduciary show estimated amount of all compensation required by 404(a)(5) unless this is being disclosed by a record keeper (below).	N/A	N/A	N/A	(2)



**Plan Disclosure Transparency Analysis**

**Ref# 12-001**

ID	Variables Considered	Scoring			Foot- notes
		Accessibility	Consistency	Required	
<b>D</b>	<b>Investment Disclosure – Recordkeeping and Brokerage Services</b>				
D.1	For each investment on an investment platform show estimated amount of all compensation required by 404(a)(5)	Excellent	N/A	Excellent	
<b>Footnotes</b>					
(1)	No other payments apply				
(2)	Investments are all in mutual funds				



## SAMPLE OF DISCLOSURE

# Acme Retirement Services, Inc.

## Report of Fees and Expenses

For Sample Plan

July 1, 2012

## Introduction

This report is designed to help you better understand the costs you and your employees incur as integral part of your retirement plan structure. In order to achieve this goal we have summarized the most relevant cost components in a straightforward presentation, provided an explanation of the services provided for those costs and the supporting details to explain how these estimates were derived.

In the coming months it will be necessary to provide cost information to each employee that participated in your retirement plan. This report is designed to prepare you to address questions that will inevitably come from your employees.

### What Should You Do With This Report

- Determine if your current plan is the best for your organization
- Prepare for participant disclosure
- Engage participants in advance of disclosure

### Regulatory Requirements

In response to the need for improved clarity about fees and expenses the United States Department of Labor (“DoL”) has introduced the requirement<sup>1</sup> for certain service providers that expect to receive more than \$1,000 from any source to make explicit disclosures to certain retirement plans that they service. These disclosure requirements begin on July 1, 2012.

The DoL requires that the disclosure contain four essential elements:

- ✓ Who the service provider is
- ✓ A description of the services provided
- ✓ A declaration of the fiduciary status of the provider
- ✓ The fee or expense charged by the provider

### What This Report Contains

- Summary of Fee and Expense Estimate
- Explanation of Services Rendered
- Cash Flows: Shows funds flows – Taken in, paid out and earned
- Disclosures: Important facts to understand about business relationships among service providers
- Appendix: Fact Sheet from the DoL that outlines the regulatory requirements.

---

<sup>1</sup> See DoL 408(b)(2) fee disclosure requirements



- Itemized Services and Costs available on request or at [www.AcmeRetirement.com/SamplePlan](http://www.AcmeRetirement.com/SamplePlan) : This site shows detail cross-referenced to the terminology and service codes with estimates extended by plan assets and average activity as applicable for each plan designated investment.

## Summary of Fee and Expense Estimates

Estimates presented are based on expenditures and activity in 2011 and on the following:

- o Plan Assets at 12/31/2011 \$22,387,205
- o Number of participants 483

Annual Estimate reflects total fees and expenses that flow through Acme Retirement Services, Inc., net of any sub-contractor payments.

Services listed here are described in greater detail in the next section, *Explanation of Services*.

Description	Service Provided By	Nature of Relationship	Annual Estimate
<b>Estimate of Employer Contributions</b>			
Employer matching contributions			\$865,932
Plan expenses paid by employer			\$25,000
<b>Total Estimate of Employer Contributions</b>			<b>\$890,932</b>
<b>Estimate of Participant Fees &amp; Expenses</b>			
<u>Cost of Selection &amp; Monitoring of Service Providers:</u>			
1.1 Investment selection and monitoring	ABC Advisors	Fiduciary	\$20,148
1.3 Selection and monitoring of record keeper	ABC Advisors	Fiduciary	\$11,194
<u>Cost of Plan Sponsors Services:</u>			
2.2 Plan sponsor communications	Acme	Service	\$8,955
2.4 Plan administration	Acme	Service	\$15,671
2.9 Other plan sponsor services	Various Firms	Mixed	\$6,716
<u>Cost of Services to Participants:</u>			
3.1 Manage participant accounts	ABC Advisors	Fiduciary	\$13,432
3.2 Participant communications	Acme	Service	\$14,973
3.3 Record keeping	Acme	Service	\$38,058
3.4 Participant administration	Acme	Service	\$17,910
<u>Cost of Management of Plan Investments:</u>			
4.1 Management of plan investments	Various Managers	Mixed	\$145,517
<b>Total Estimate of Participant Fees &amp; Expenses (as a percent of plan assets)</b>			<b>\$292,574 1.31%</b>
<b>Employer Contributions less Participant Fees &amp; Expenses</b>			<b>\$598,358</b>
<b>Estimated Net Annual Benefit per Participant</b>			<b>\$1,239</b>

## Explanation of Services

SERVICE OR DELIVERABLE	WHAT IS INCLUDED	EXPLANATION	SERVICE PROVIDER
<b>Selection and Monitoring of Service Providers</b>			
1.1 Investment selection and monitoring	Investment advice concerning which investment options should be added, retained or removed from those designated for the plan.	Regulations require that plan sponsors who are not investment experts should prudently select and monitor such and expert.	ABC Advisors
1.3 Selection and monitoring of record keeper	Record keeper evaluation that determines if obligations in agreements and the regulatory requirements are being met.	Regulations require that all service providers are prudently selected and monitored.	ABC Advisors
<b>Services to Plan Sponsors</b>			
2.2 Plan sponsor communication	Plan sponsor communication includes reports, Websites, 800-Number Services.	Required for plan sponsor to perform fiduciary duties.	Acme
2.4 Plan sponsor Administration	Processing, testing, calculation and preparation of regulatory and participant documents  Plan design changes and plan amendments	Performing the duties necessary for the plan to comply with legal, regulatory and the plan's own requirements.	Acme
2.9 Other plan sponsor services	Trustee/Custody  Plan trustee Services Plan custody Services  Audit  Annual Plan Audit  Legal	Functions required by regulations.	Big Bank & Trust  LMBP Auditors  Smith & Jones

<b>Services to Participants &amp; Beneficiaries</b>			
3.1 Management of participant investments	Investment advice to help manage investments or management of the investments for the participant or beneficiary	Regulations permit qualified advisors to assist participants with investment decisions.	ABC Advisors
3.2 Participant communication	Electronic or paper statements, Website, 800-Number services, newsletters, enrollment kits, enrollment meetings, group meetings, One-on-One meetings	Tools provided to assist participants and beneficiary with investment decision making.	Acme
3.3 Record keeping	Creating and maintaining records of all participant and beneficiary accounts and the transactions and changes affecting them.		Acme
3.4 Participant administration	Monitors, approves and processes participant activity and eligibility.	Handles requests from participants and beneficiaries.	Acme
<b>Management of Plan Investments</b>			
4.1 Management of plan investments	Research, investment selection and disposition in accordance with funds prospectuses, custody of assets and other activities required by law.	Applies to designated investments of the plan	Various Investment Managers

## Cash Flow Summary

This section lists each investment manager and service provider that collects fees directly or indirectly from the retirement plan, from participants or from the employer and all remittances paid out on behalf of the plan.

### Green Investments (Service Relationship)

Service	Paid By	How Computed	Gross Receipts	Paid to Provider	Net Receipts
4.1 Investment Management	Deduction from plan Assets	1.39% of Green assets	\$192,796	\$96,905	\$95,890
	Deduction from redemption proceeds	5% of redemption fee for dollars invested for less than 90 days.	\$3,697	\$1,858	\$1,839
Total estimate for Green					\$97,729

### Thomas Paine (TP) (Service Relationship)

Service	Paid By	How Computed	Gross Receipts	Paid to Provider	Net Receipts
4.1 Investment Management	Deduction from plan Assets	1.21% of TP assets	\$67,892	\$34,125	\$33,767
Total estimate for Thomas Paine					\$33,767

### Acme Investment Management (AIM) (Service Relationship)

Service	Paid By	How Computed	Gross Receipts	Paid to Provider	Net Receipts
4.1 Investment Management	Deduction from plan Assets	0.97% of AIM assets	\$28,189	\$14,169	\$14,020
Total estimate for Acme Investment Management					\$14,020

Acme Retirement Services (Service Relationship)

<b>Service</b>	<b>Paid By</b>	<b>How Computed</b>	<b>Gross Receipts</b>	<b>Paid Out*</b>	<b>Net Receipts</b>
3.3 Record Keeping	Green Investments	.70% of Green assets	\$98,763	\$31,901	\$66,862
	Thomas Paine (TP)	.61% of TP assets	\$34,125	\$13,905	\$20,862
	Acme Invest. Mgt.	.49% of Acme fund assets	\$14,169	\$6,684	\$7,336
Total estimate for Acme					\$95,601
* Paid to various service providers by instruction from plan fiduciary					

ABC Advisors (Fiduciary Relationship)

<b>Service</b>	<b>Paid By</b>	<b>How Computed</b>	<b>Gross Receipts</b>	<b>Paid Out</b>	<b>Net Receipts</b>
1.1 Selection and monitoring of plan investments	Acme	.20% of Total plan assets	\$44,774	\$0	\$44,774
1.3 Selection and Monitoring of record keeper					
3.1 Manage participant accounts					
Total estimate for ABC Advisors					\$44,774

Big Bank Trust (Fiduciary Relationship)

<b>Service</b>	<b>Paid By</b>	<b>How Computed</b>	<b>Gross Receipts</b>	<b>Paid Out</b>	<b>Net Receipts</b>
2.9 Trustee and custody services	Acme	Flat dollar fee	\$6,716	\$0	\$6,716
Total estimate for Big Bank Trust					\$6,716

<b>-Total Annual Net Cost Estimate</b>	<b>\$292,574</b>
--	------------------

## Disclosures

### Termination

The service arrangement with Acme Retirement Services, Inc, its subcontractors and affiliates may be terminated by the responsible plan fiduciary at any time provided notice is given six months before termination.

Service may be discontinued at any time before the end of the notice period, however fees continue at the rate incurred during the last full month of service until the end of the notice period.

### Sub-contractor/Affiliate Arrangements

Acme Retirement Services, Inc. collects payments from investment managers designated by the responsible plan fiduciary. These funds are used to pay the Acme's fees as well as the fees of sub-contractors and affiliates for services to the plan. Payments that exceed the aggregate fees are returned to the plan and allocated annually to plan participants on a pro rata basis.

The sub-contractors compensated in this way are:

- ABC Advisors
- Big Bank & Trust

Affiliates of Acme Retirement Services, Inc. that provide services to the plan are:

- Acme Investment Management, Inc. is a wholly owned subsidiary of Acme Industries. Acme Retirement Services is also a wholly owned subsidiary of Acme Industries.

## Appendix

# Fact Sheet

U.S. Department of Labor  
Employee Benefits Security Administration  
July 15, 2010

## Interim Final Regulation Relating to Improved Fee Disclosure for Pension Plans

*The Employee Retirement Income Security Act (ERISA) requires plan fiduciaries, when selecting and monitoring service providers and plan investments, to act prudently and solely in the interest of the plan's participants and beneficiaries.*

*Responsible plan fiduciaries also must ensure that arrangements with their service providers are "reasonable" and that only "reasonable" compensation is paid for services. Fundamental to the ability of fiduciaries to discharge these obligations is obtaining information sufficient to enable them to make informed decisions about the services, the costs, and the service providers.*

*This interim final rule represents a significant step toward ensuring that pension plan fiduciaries are provided the information they need to assess both the reasonableness of the compensation to be paid for plan services and potential conflicts of interest that may affect the performance of those services.*

### Background

- The Employee Benefits Security Administration (EBSA) is responsible for administering and enforcing the fiduciary, reporting, and disclosure provisions of Title I of the ERISA.
- The agency oversees approximately 708,000 private pension plans, including 483,000 participant directed individual account plans such as 401(k)-type plans.
- In recent years, the way services are provided to employee benefit plans and the way service providers are compensated (e.g., through revenue sharing and other arrangements) have become increasingly complex.
- Many of these changes may have improved efficiency and reduced the costs of administrative services and benefits for plans and their participants. However, the complexity resulting from these changes also has made it more difficult for many plan sponsors and fiduciaries to understand how and how much service providers are compensated.
- Although the Department has issued considerable guidance relating to the obligations of plan fiduciaries in selecting and monitoring service providers, this interim final rule establishes, for the first time, a specific disclosure obligation for plan service providers – a disclosure obligation designed to ensure that ERISA plan fiduciaries are provided the information they need to make better decisions when selecting and monitoring service providers for their plans.
- The Department published a notice of proposed rulemaking and related class exemption in December 2007 and held a public hearing on March 31 and April 1, 2008.

### Overview of Interim Final Service Provider Disclosure Regulation

- The interim final regulation applies only to defined contribution and defined benefit pension plans and focuses on the disclosure of the direct and indirect compensation certain service providers



receive. The interim final regulation applies to plan service providers that expect to receive at least \$1,000 in compensation in connection with their services and that provide:

- certain fiduciary or registered investment advisory services;
  - recordkeeping or brokerage services to a participant-directed individual account plan in connection with the investment options made available under the plan; or
  - certain other services for which indirect compensation is received.
- The rule focuses on service providers and compensation arrangements that are most likely to raise questions for plan fiduciaries with respect to the amount of compensation being received by a service provider for plan-related services and potential conflicts of interests that might compromise the quality of those services.
  - The interim final regulation also includes a class exemption from the prohibited transaction provisions of ERISA for a plan fiduciary who enters into a contract without knowing that the service provider has failed to comply with its disclosure obligations.

## **Disclosure Requirements**

### ***Disclosure of Services and Compensation***

- Information required to be disclosed by plan service providers must be furnished in writing to the plan fiduciary. The rule does not require a formal written contract delineating the disclosure obligations.
- Information that must be disclosed includes a description of the services to be provided and all direct and indirect compensation to be received by the service provider, its affiliates or subcontractors. Direct compensation is compensation received directly from the plan. Indirect compensation generally is compensation received from any source other than the plan sponsor, the covered service provider, an affiliate, or subcontractor.
- Because certain services and costs are so significant or present the potential for conflicts of interest, information concerning those services and costs must be disclosed without regard to whether services are furnished as part of a bundle or package. For example, service providers must disclose whether they are providing recordkeeping services and the compensation attributable to such services, even when no explicit charge for recordkeeping is identified as part of the service contract.
- Service providers must disclose whether they are providing any services as a fiduciary to the plan.
- Information also must be disclosed about plan investments and investment options. These disclosure obligations are placed on the fiduciaries to investment vehicles that hold plan assets and on recordkeepers and brokers who, through a platform or other mechanism, facilitate the investment in various options by participants in individual account plans, such as 401(k) plans.

### ***Ongoing Disclosure Obligations***

- Changes: A service provider generally must disclose a change to the initial information required to be disclosed as soon as practicable, but no later than 60 days from the date on which the covered service provider is informed of such change.
- Reporting and Disclosure Requirements: Service providers also must, upon request, disclose compensation or other information related to their service arrangements that is requested by the responsible plan fiduciary or plan administrator in order to comply with ERISA's reporting and disclosure requirements.

### ***Benefits of Interim Final Regulation***

- The Department estimates that the rule will be economically significant. The non-discounted costs for the first year are estimated to be approximately \$153 million.
- The first year costs are attributable to reviewing and analyzing the regulation, conducting a compliance review to ensure that service providers comply with the regulation, and preparing any new disclosures required by the regulation. Costs in the second and subsequent years are expected to fall to an estimated \$37 million.
- The Department estimates that benefits would result from reduced time and cost for fiduciaries to obtain compensation information needed to fulfill their fiduciary duties, the discouragement of harmful conflicts of interest, reduced information gaps, improved decision-making by fiduciaries about plan services, enhanced value for plan participants, and increased ability to redress abuses committed by service providers.

### **Public Notice and Comment on the Interim Final Regulation**

The interim final regulation will be published in the Federal Register on July 16, 2010. The Department invites public comments from interested persons on the regulation by August 30, 2010, and specifically requests input on the feasibility and cost effectiveness of requiring plan service providers furnish to plan fiduciaries a summary disclosure statement as part of the regulation.

Public comments can be submitted electronically by email to [e-ORI@dol.gov](mailto:e-ORI@dol.gov) or by using the Federal eRulemaking portal at [www.regulations.gov](http://www.regulations.gov). Persons interested in submitting comments on paper should send or deliver their comments to: Office of Regulations and Interpretations, Employee Benefits Security Administration, Room N-5655, U.S. Department of Labor, 200 Constitution Ave., N.W., Washington, DC 20210, Attention: 408(b)(2) Interim Final Rule. All comments will be available to the public, without charge, online at [www.regulations.gov](http://www.regulations.gov) and [www.dol.gov/ebsa](http://www.dol.gov/ebsa), and at the EBSA Public Disclosure Room.

### **Effective Date**

The final regulation is effective for contracts or arrangements between plans and service providers as of July 16, 2011.

### **Contact Information**

For questions about the regulation, contact EBSA's Office of Regulations and Interpretations at

(202) 693-8500.