



June 2012

Department of Labor Fee Disclosure Requirements

The Department of Labor has issued two new regulations regarding fees and expenses paid by retirement plans. Kravitz has always had a policy of full fee disclosure and we applaud the Department's efforts to help plan sponsors and participants understand what they are paying for their retirement plans. The purpose of this Client Release is to explain how these regulations may impact your relationship with Kravitz as your service provider.

Two Separate Regulations

The first regulation, known as 408(b)(2), governs the disclosure of service provider fees and expenses to retirement plan sponsors and is effective July 1, 2012. The second regulation, called 404a-5, is effective August 30, 2012 and covers fees and expenses paid by participants in retirement plans that allow participant direction of investments, such as 401(k) and Profit Sharing plans.

Service Provider Fee Disclosure for Plan Sponsors under 408(b)(2):

Kravitz must provide a fee disclosure to our clients when we are considered a "Covered Service Provider." Unlike 401(k) recordkeepers, Kravitz is a covered service provider only if we receive "indirect compensation," which means compensation from a source other than the plan or the plan sponsor. For example, sometimes the 401(k) recordkeeper may provide Kravitz with indirect compensation.

At Kravitz, our policy is to credit all indirect compensation to as an offset against our normal fees. Kravitz has notified all clients for whom we are a covered service provider. We indicated the source of any indirect compensation we may receive, and confirmed that it is credited to the plan sponsor as an offset against our fees. No further action is required for 408(b)(2) compliance. You can learn more about 408(b)(2) in our recent newsletter:

<http://www.kravitzinc.com/pubsarticles/documents/KravitzRetirementPlanNews-May-June2012.pdf>

Participant Fee Disclosure for Participants under 404a-5:

Daily recordkeeping providers are all working on their processes to provide the required fee and expense disclosures to plan sponsors. It is the plan sponsor's responsibility to distribute this information to their plan participants by the August 30th deadline. Plan sponsors may be asked to complete missing information and/or review these disclosures for accuracy. We recognize that these issues are complex and we are available to assist you.

In addition, Kravitz fees charged directly to participants may also need to be disclosed for services such as loans, withdrawals, QDRO processing, etc. If the Kravitz fee cannot be included in the recordkeeper's disclosure then a separate disclosure will be necessary.

Finally, some of our clients pay Kravitz invoices from plan assets and as a result a charge is assessed directly against each participant's account. We are available to help our clients with these issues as needed. You will find more information about Participant Fee Disclosure in our recent newsletter: <http://www.kravitzinc.com/pubsarticles/documents/KravitzRetirementPlanNews-March-April2012.pdf>

If you have any questions regarding the new fee and expense disclosure regulations please contact your Kravitz consultant.

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