



## Paychex Retirement Services

### Understanding Participant Fee Disclosure

Dear Plan Administrator:

Regulations require employers who sponsor certain qualified retirement plans to provide participants and beneficiaries with a Participant Fee Disclosure Statement. The fee disclosure must be provided on or before the date the participant can first direct their investments and annually thereafter.

The fee disclosure is intended to make the participant/beneficiary aware of his or her rights and responsibilities associated with the investment options made available under the plan. The disclosure will allow him or her to make informed decisions regarding the management of their account. If information in the fee disclosure changes, you must distribute an updated fee disclosure statement to eligible employees 30 days in advance of the change. In addition, regulations require that additional information be provided on the quarterly participant benefit statement, including each fee paid with plan assets and an explanation of the services provided for that fee.

To assist you with this requirement, Paychex Retirement Services has prepared a Fee Disclosure Statement for Participants that you can copy and distribute to eligible employees. All eligible employees must receive a copy of the document regardless of whether they have elected to make a salary deferral to the 401(k) plan; this includes terminated employees who still have an account balance.

Participants can opt to receive electronic notification when the Participant Fee Disclosure Statement has been updated by visiting the Paychex Retirement Services website at [www.paychexflex.com](http://www.paychexflex.com). You must provide a paper copy of the disclosure to any participant who does not elect to receive it electronically. Please note that providing this disclosure is required by ERISA and failing to do so would be considered a breach of your fiduciary duty.

Paychex has made an online report available that specifies the participants who have elected to receive the fee disclosure electronically and those you must provide a paper copy to. To access the report, please follow these steps:

1. Log in to the Paychex Retirement Services for Employers website\* at [www.paychexflex.com](http://www.paychexflex.com) and select **Retirement Services**.
2. From the **Administration** menu, select **Compliance Information**, then choose **Distribute Fee Disclosures** under the **Participant Fee Disclosure** section. Participants who must receive a paper copy of the Participant Fee Disclosure are listed in the table.
3. To access the Participant Fee Disclosure, click on the **Participant Fee Disclosure** link in the **Action Required** box.
4. Print and distribute a copy of the Participant Fee Disclosure to each employee listed.

\***Note:** MyPaychex clients must use <https://www.mypaychex.com> to access the website.

For more information, please review the *Participant Fee Disclosure Fact Sheet for Employers* on the next page.

If you have questions, please call us at 800-472-0072, Monday through Friday between 8:00 a.m. and 8:00 p.m. ET. We appreciate the opportunity to work as an essential partner with your business.

Sincerely,

Paychex Retirement Services



## Paychex Retirement Services

### Participant Fee Disclosure Fact Sheet for Employers

#### **What is the Participant Fee Disclosure Rule?**

Under the U.S. Department of Labor's (DOL) final regulation on fee disclosure to participants and beneficiaries in participant-directed account plans, plan fiduciaries must make participants and beneficiaries aware of their rights and responsibilities with respect to the investment of assets in the plan, and provide sufficient information regarding the plan and its investments.

In accordance with the rule, a Fee Disclosure Statement for Participants must be provided to aid participants' understanding of the plan fees they pay and enable them to make a good comparison of the investment alternatives. A participant is any employee or former employer who has met the plan's eligibility requirements to participate in the plan and who is or may become eligible to receive a benefit of any type from the Plan. This includes employees who are eligible but not currently participating in the plan as well as former employees with an account balance.

#### **Which types of plans does the Participant Fee Disclosure Rule apply to?**

The rule covers "participant directed individual account plans," which generally include 401(k), profit sharing, money purchase, SIMPLE 401(k), and ERISA 403(b) plans that allow participants to make investment decisions for their own accounts. The regulation does not cover Individual Retirement Accounts (IRAs), governmental plans, simplified employee pensions (SEPs), or SIMPLE IRAs.

#### **Who provides participants with the fee disclosure?**

It is the plan administrator's responsibility to distribute the Fee Disclosure Statement for Participants.

#### **What will happen if I don't supply a participant fee disclosure?**

Failure to comply with the disclosure requirement would be considered a fiduciary breach. Participants can file a lawsuit if they feel losses were incurred due to the fact they were not provided the proper information to make an informed investment decision.

#### **How often do I need to provide the fee disclosure to participants?**

You must provide a Fee Disclosure Statement for Participants to each participant or beneficiary on or before the date they can first direct their investments in the plan (once eligible), and at least annually thereafter.

#### **How can I distribute the Participant Fee Disclosure Statement?**

The disclosure can be a separate document or incorporated within other documents such as the plan's Summary Plan Description or the participant's quarterly benefit statement, if the disclosure is given to the participant or beneficiary within the required timeframe. Electronic delivery is permitted for participants if DOL rules are satisfied, which means the participant must agree to receive the disclosure in an electronic manner.

#### **What is Paychex doing to help me with participant fee disclosure?**

Paychex will:

- prepare a Fee Disclosure Statement for Participants for your company-sponsored plan, and make it available on the Paychex Retirement Services employer and employee websites.
- update the online Fee Disclosure Statement for Participants when a change to a fee occurs and notify you of its availability.
- make an electronic delivery option available online for participants. You must provide a paper version of the disclosure to participants who do not opt for electronic delivery.
- email an updated Participant Fee Disclosure Statement to employees who opted for electronic delivery of the document, any time there are changes to the plan fees.

- notify you monthly of newly eligible employees who are qualified to enroll in the plan, and employees who are eligible but not participating in the plan, who must receive the disclosure. We will provide you an updated disclosure at that time, to copy and provide to employees.

**What information must be disclosed?**

The final regulation calls for two types of disclosures: (1) plan-related information and (2) investment-related information.

**Plan-Related Disclosures include:**

- General plan information - information about the structure and mechanics of the plan, such as how the participant may provide investment instructions
- Administrative expense information - fees and expenses for general administrative services that may be charged such as legal, accounting, and recordkeeping service fees
- Individual expense information - fees and expenses based on actions taken by a participant or beneficiary, such as processing a loan or qualified domestic relations order

Participants must also be provided statements at least quarterly, showing the dollar amount of the administrative and individual fees and expenses charged to or deducted from their accounts, along with a description of the services for which the charge or deduction was made.

**Investment-Related Disclosures include:**

- Specific information about historical investment performance
- Investment benchmark information (available on the fund fact sheets on the website and will be printed on the actual disclosure statement prior to the August 30, 2012, deadline)
- Total annual operating expenses for each \$1,000 invested
- Investment information illustrated in a chart or format that allows a comparison of each investment option available under the plan

**What if my participants have questions?**

If plan participants have questions about performance and fund data, they can refer to the Investment Chart in the Fee Disclosure Statement for Participants. The chart includes website addresses for all fund managers. These websites include additional information.

**Where can I find more information about participant fee disclosure rules?** Visit the DOL website at <https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/faqs/disclosures-to-help-employees-understand-their-retirement-plan-fees>