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What to Expect in 2012

The year of the fee.

By David Wray

Uncertainty about the economy, the markets, and our future political leadership abounds. What about 401(k) in 2012?

Here there is some certainty. This spring, plan sponsors will receive from providers a far more detailed disclosure of plan-paid fees than most have received in the past. Two months later, participants will be told the fees they are paying from their plan assets with an accompanying detailed, and likely lengthy, explanation. Plan sponsors need to prepare for both events.

While most attention has been paid to the disclosure of fees to participants, I believe that provider disclosure of plan-paid fees to sponsors will require the most plan sponsor effort. First, this disclosure will likely require sponsors to conduct a full fiduciary review of their plans. Except for very large companies, this disclosure will include information not previously considered in the plan's fiduciary review process. Many fiduciaries will be required to do a special one-time review to document that this new information has been properly evaluated and if required necessary actions have been taken. This process will be complicated for many people because the information may not be provided in a nicely organized, easy-to-follow format. Plan sponsors may have


to dig out the fee information from what they receive and organize it so that it can be properly considered by plan fiduciaries.

Disclosure of plan paid fees to participants is very different. Recordkeepers will do the heavy lifting, and they are well on their way to being prepared to help sponsors meet their disclosure obligations. At the time, same plan sponsors should not passively assume their providers will totally take care of this for them. First, to limit the confusion and concerns of

time to discuss such a communication program with the plan's recordkeeper.

There are also logistical considerations. For example, while the recordkeeper will prepare the individual reports in electronic form, should the recordkeeper also print and distribute them, or would it be more economical or even more efficient for the plan sponsor to do so? A large employer with participants at different locations around the country might want to have the recordkeeper handle the entire process, even if that entails

additional expense. A small company with a single site might find it easier and certainly less expensive to print the reports and have someone from the company pass them out face-to-face to participants or distribute them at a company meeting. Also, it may be possible to distribute some or all of the disclosures electronically. Now is the time to talk to your provider about the distribution logistics.

Managing these first-time fee disclosure requirements will require additional plan sponsor time and effort as this process transitions from the new to the routine. Taking action now will ease this process and reduce the shock accompanying something unexpected. 



participants receiving this information for the first time, it will be important to accompany the fee disclosure with a communications campaign explaining why there are plan-paid fees and reinforcing with participants that the payment of fees from the plan should in no way diminish participant appreciation for the plan as a benefit. Now is the

David Wray is PSCA's president.