

## PROFIT SHARING AND 401(k) PLAN COST DISCLOSURE WORKSHEET

### Using this worksheet

You cannot make an informed cost-benefit decision about your plan without knowing the total cost. Careful cost consideration will ensure that your company and its employees will benefit from an effective cost structure. Further, federal fiduciary requirements require that you consider costs charged to your plan when choosing investments and in selecting a plan service provider. To be prepared for a Department of Labor audit of your plan, you should have documentation demonstrating that you have identified these costs and taken them into account. This worksheet will help you obtain disclosure of plan-related expenses as well as assist you in developing appropriate documentation.

Selecting a service provider requires that you evaluate and differentiate among a number of competing companies. Expenses are one of the criteria, but not the only criterion, for making this evaluation and differentiation. It is also critical to consider the services to be provided and the anticipated performance of the competing providers and their funds. The provider with the lowest expenses is not necessarily the best choice.

Certain information is needed to complete this worksheet. If you are considering a conversion from an existing plan service provider, you will need to know the number of people participating in your plan, the number of employees eligible to participate in the plan, and the amount of plan assets. If you are implementing a new plan you need to know the number of eligible employees and the amount of expected plan assets. Expected plan assets can be determined by service providers; make sure that the same amount of expected plan assets is used for each potential service provider. In order to get the other information required by the worksheet, you might want to consider giving it to potential service providers and asking them to fill in the blanks. Certain information may be obtained from the prospectus or other documents describing plan investment options.

### Costs can be divided into three categories.

- One-time fees: These relate mainly to initiating a new plan or converting an existing plan to a new service provider. They are usually incurred during the first year.
- Ongoing fees: These are recurring expenses related to continuing plan operation.
- Termination fees: These are the expenses incurred when a plan terminates, terminates selected services or terminates its relationship with a provider.

### There are three principal ways fees are calculated.

- Asset-based: These expenses are based on the amount of assets in the plan and are usually expressed as percentages or basis points.
- Person-based: These expenses are based upon the number of eligible employees or participants in the plan.
- Transaction-based: These expenses are based on the execution of specific plan-related activities. You should obtain the estimated number of transactions upon which the estimated total cost is based.

*Fees can be calculated using one or any combination of the above. Plans may also be charged for out of pocket expenses such as travel, postage and printing.*

Expenses are paid from two sources: from plan assets and by the company. This worksheet will assist you and your service provider in identifying which fees will be paid by the plan and which fees will be paid by the company sponsor. Finally, it is important to look at the fees over the entire period of the contract. You need to know the rate guarantee period, if any, to determine future fee increases.

The purpose of this worksheet is to help you determine the total cost of the plan, regardless of how particular service providers structure their fees. Rather than comparing individual fees, you should look at the total cost. It is important that you determine those services that you would like from a plan service provider, and present an identical list of desired services to each service provider.

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**Service Provider Name:** \_\_\_\_\_ **Plan Assets:** \_\_\_\_\_ **Prepared On (Date):** \_\_\_\_\_

**Number of Plan Participants:** \_\_\_\_\_ **Number of Eligible Employees:** \_\_\_\_\_

Expense Type	Typical Method Of Fee Calculation	Total Plan Cost	Total Company Cost	Total Cost
<b>One-Time Fees</b>				
Startup Education Program	Person-based			
Startup Enrollment Expense	Person-based			
Conversion Fee	Flat fee			
Installation Fee	Flat fee and/or person-based			
One-Time Fund Fee	Flat fee per fund			
Plan Document/ IRS Filing Fee	Flat fee			
Consultant	Hourly			
ERISA Attorney	Hourly			
<i>Total One-Time Fees</i>				
<b>Ongoing Fees (Some ongoing fees may be included in the Fund-Related Investment Expenses on page 3. Please note any such instances.)</b>		Total Plan Cost	Total Company Cost	Total Yearly Cost
Fund-Related Investment Expenses	Asset-based (See chart, page 3)			
Annuity Fee	Asset-based			
Commission	Asset-based per transaction			
Front-End Load	Asset-based per transaction			
Management Fee	Asset-based			
Trustee Fee	Asset-based			
Wrap Expense	Asset-based			
Administration/ Recordkeeping Fee	Person-based or asset-based			
Ongoing Education Program	Person-based			
Ongoing Enrollment Expense	Person-based			
Balance Inquiry Expense	Transaction-based			
Distribution Expense	Transaction-based			
Investment Transfer Expense	Transaction-based			
Loan Origination Fee	Transaction-based			
Annual Audit Fee	Flat fee			
Annual Loan Maintenance Fee	Flat fee per loan			
Discrimination Testing Expense	Flat fee and/or person-based			
Fidelity Bond Premium	Flat fee			
Fiduciary Insurance Premium	Flat fee			
Fund Fee	Flat fee			
Signature Ready Form 5500 Fee	Flat fee			
Consultant	Hourly			
ERISA Attorney	Hourly			
Out of Pocket Expenses	Reimbursement for actual costs			
QDRO Charge	Varied methods of calculation			
<i>Total Ongoing Fees</i>				

There may be expenses not included on this worksheet. Be sure to ask potential plan providers to list any additional expenses. In addition, not all of the services listed on this worksheet can be delivered by one provider. For example, the fidelity bond will not be provided by the company that invests your plan assets.

# PROFIT SHARING AND 401(k) PLAN COST DISCLOSURE WORKSHEET

## Ongoing Fund-Related Investment Expenses

	Expense Ratio	12(b)1 Fees %	Sub-account Transfer Credits	Assets in Fund	Total Plan Cost	Total Company Cost	Total Yearly Cost
Fund 1	( +	+	)x				
Fund 2	( +	+	)x				
Fund 3	( +	+	)x				
Fund 4	( +	+	)x				
Fund 5	( +	+	)x				
Fund 6	( +	+	)x				
Fund 7	( +	+	)x				

Enter costs in *Fund-Related Investment Expenses* on page 2. Include additional pages for additional funds, if necessary.

Expense Type	Typical Method Of Fee Calculation
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**Termination Fees and Surrender Charges (Note: It is important to know these fees and their methods of calculation when evaluating a plan service provider. However, it is difficult to calculate the actual cost of such fees in advance. Use this portion of the worksheet to identify the specific asset-based percentages, person-based fees and flat fees that are used in termination and surrender charge cost calculations.)**

Annuity or Stable Value/GIC Contract Termination Surrender Charges	Asset-based
Annuity or Stable Value/ GIC Participant Transfer or Termination Surrender Charges	Asset-based
Back-End Load	Asset-based per transaction
Individual Fund Termination Fee	Asset-based
Full Plan Termination Charge	Asset-based and/or person-based
One-Time Plan Termination Fee	Flat fee

**Explanation of terms as used in this worksheet (some additional terms not referenced in this worksheet are also described):**

**Administration/ Recordkeeping Expense:** Fee for administering the plan. This typically includes recordkeeping expenses.

**Annual Annuity Fee:** Fee charged to provide for the distribution of plan proceeds as annuitized payments.

**Annual Audit:** Federal law requires that all plans with more than 100 participants be audited by an independent auditor. It is also common to refer to a DOL or IRS examination of a plan as a plan audit.

**Annuitized Payments:** Arrangement involving a series of payments made regularly over a specified time period.

**Annuity and Stable Value/GIC Surrender Charges:** Vendors may require that surrender charges be paid if the plan terminates its contract with a provider of annuities or stable value/ GIC funds prior to the completion of the contract date. Vendors may also require surrender charges for an individual participant transfer or termination.

**Back-End Load:** Sales charges due upon the sale or transfer of stock, mutual funds, or other investments.

**Balance Inquiry Expense:** Fee that may be charged each time a participant inquires about his or her balance.

**Commission:** A fee paid to a broker or other intermediary for executing a trade.

**Conversion:** The process of changing from one service provider to another.

**Determination Letter:** Document issued by the IRS stating whether the plan meets the qualifications for tax-advantaged treatment. Costs for this are generally included in the Plan Document Charge.

**Discrimination Testing Expense:** Tax qualified retirement plans must be administered in compliance with several regulations requiring numerical measurements. Typically, the process of determining whether the plan is in compliance is collectively called discrimination testing.

## PROFIT SHARING AND 401(k) PLAN COST DISCLOSURE WORKSHEET

**Distribution Expense:** The costs typically associated with processing paperwork and issuing a check for a distribution of plan assets to a participant. May include the generation of a Form 1099R. This transaction-based fee may apply to hardship and other in-service withdrawals as well as to separation or retirement distributions.

**Education Program Expenses:** Costs associated with providing print, video, software and live instruction to educate employees about how the plan works, the plan investment funds, and asset allocation strategies. There may be a one-time cost associated with implementing a new plan, as well as ongoing costs for an existing program.

**Eligible Employee:** Any employee who is eligible to participate in and receive benefits from a plan.

**Enrollment Expenses:** Costs associated with providing materials to educate employees about the plan, and to enroll employees in the plan. This may be part of, or included in, the education programs. There may be a one-time cost associated with implementing a new plan, as well as ongoing enrollment costs.

**ERISA (Employee Retirement Income Security Act):** Refers to the collective laws and their attendant regulations governing tax-qualified retirement plans.

**Expense Ratio:** The cost of investing and administering assets in a mutual fund or other collective fund expressed as a percentage of total assets.

**Fidelity Bond:** Protects participants in the event a fiduciary or other responsible person steals or mishandles plan assets.

**Fiduciary Insurance:** Insurance that protects plan fiduciaries in the event that they are found liable for a breach of fiduciary responsibility.

**Form 1099R:** A form sent to the recipient of a plan distribution and filed with the IRS listing the amount of the distribution.

**Form 5500:** A form which all qualified retirement plans (excluding SEPs and SIMPLE IRAs) must file annually with the IRS.

**Front-End Load:** Sales charges incurred when an investment such as a stock or mutual fund is purchased.

**Fund Fee:** Fee charged by some vendors for each fund provided in the plan. There may be a one-time fund fee at plan inception and an ongoing charge per fund.

**Hardship or In-Service Distribution:** A participant's withdrawal of their plan contributions prior to retirement. Eligibility may be conditioned on the presence of financial hardship. These distributions are taxable as early distributions and are subject to a 10% penalty tax if the participant is under age 59 ½.

**Installation Fee:** One-time fee charged by some vendors for initiating a new plan.

**Investment Transfer Expense:** Charge associated with a participant changing his or her investment allocation.

**Loan Fees:** Vendors may charge a fee when a plan loan is originally taken, as well as an ongoing fee for each outstanding loan.

**Management Fee:** Fee charged to pay for the management of a mutual fund's or other collective fund's portfolio by an investment manager.

**Out of Pocket Expenses:** Expenses such as travel, postage and printing.

**Participant:** Person who has an account in the plan.

**Plan Document/ IRS Filing Fee:** Costs associated with preparing and filing IRS required documentation, including the request for a determination letter.

**Plan Loan:** Loan from a participant's accumulated plan assets, not to exceed 50% of the balance or \$50,000, whichever is less. This is an optional plan feature.

**QDRO (Qualified Domestic Relations Order):** A judgment, decree or order that creates or recognizes an alternate payee's (such as former spouse, child, etc.) right to receive all or a portion of a participant's retirement plan benefits.

**Sponsor:** The employer who establishes and maintains a plan.

**Stable Value/ GIC (Guaranteed Investment Contract):** Investment in which the returns are set by contract. The principal does not fluctuate, due to the application of book value accounting.

**Sub-account Transfer Credit:** An expense charged against the fund that is used to offset the administrative expenses of a third party administrator.

**Termination Fee:** Costs associated with terminating a relationship with a service provider, with the permanent termination of a plan, or with the termination of specific plan services. These may be termed "surrender" or "transfer" charges.

**Transaction Expenses:** Fees charged on a per-incident basis for activities such as investment transfers, in-service withdrawals and distributions.

**Trustee:** The individual, bank or trust company having fiduciary responsibility for holding plan assets.

**Wrap Expense:** A fee based on all the assets in the plan and in addition to individual fund-related fees. Typically pays for the bundling of services related to investing plan assets, possibly including administrative services such as recordkeeping or the preparation of signature-ready Form 5500's.

**12(b)1 Fee:** A charge to shareholders to cover a mutual fund's distribution and marketing costs.

*Prepared by the Profit Sharing/ 401(k) Council of America (PSCA)*

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