



COUNSELLORS AT LAW

## EMPLOYEE BENEFITS AND EXECUTIVE COMPENSATION ALERT

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### DOL REVISES FEE DISCLOSURE REGULATIONS, EXTENDS COMPLIANCE DEADLINES

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March 2012

The Department of Labor (“DOL”) recently amended the service provider fee disclosure regulations. For your convenience, a modified version of our September 2011 Client Alert (identifying certain major changes in bold) is attached.

The most important changes to the regulations are as follows:

- **The deadline for a retirement plan service provider to furnish fee information to a plan sponsor has been extended from April 1, 2012, to July 1, 2012.**
- **The deadline for a plan sponsor to furnish participants in a participant-directed individual account plan with the initial plan-level and investment-level information has been extended. The deadline is now August 30, 2012 (or, if later, 60 days after the first day of the first plan year beginning after October 31, 2011).**
- For a participant-directed individual account plan, a quarterly statement must provide a participant with certain additional plan-level information. The amended deadline for the first quarterly statement under the new regulations is now 45 days after the end of the quarter that includes the deadline for the initial plan-level and investment-level disclosures to participants. For example, for plans with calendar plan years, the quarterly statement for the third quarter of 2012 must disclose such information no later than November 14, 2012. For details regarding the information that must be included in the quarterly statement, see the attached Client Alert.
- In order to limit its own potential liability, a plan sponsor discovering a failure of a plan service provider to fulfill adequately its disclosure obligations must request such information, in writing, upon discovery of the failure. If the service provider fails to comply with the written request within 90 days and the sponsor adequately notifies the DOL pursuant to the regulations, the sponsor must, consistent with its fiduciary obligations under ERISA, evaluate whether to terminate or continue its contract or arrangement with the service provider. If the requested information relates to future services and is not disclosed promptly after the 90-day period, however, the plan sponsor must terminate its contract or arrangement with the service provider as soon as possible.
- If a service provider is acting as a plan fiduciary in regard to an investment contract, product or entity that is a designated investment alternative in which a plan holds a direct equity investment, the service provider must now disclose the total annual operating expenses of such designated investment alternative expressed as a percentage calculated in accordance with certain DOL requirements. The service provider must also furnish any other reasonably

available information that a plan sponsor would be obligated to provide its participants in a participant-directed individual account plan.

- For more information regarding required disclosures, see the attached Client Alert.

### What Plan Sponsors Should Do Now

In accordance with the DOL's amended guidance, plan sponsors should:

- identify and contact all current plan service providers to ascertain the status of the fee disclosures from the service providers and whether any service providers anticipate having any difficulties meeting the deadline;
- request that the service providers furnish the fee disclosures by the July 1, 2012 deadline;
- identify the appropriate persons responsible for the review of the disclosures and inform them of the need to provide a comprehensive review of the fee disclosures received from the service providers in order to evaluate the reasonableness of the direct and indirect fees being charged; and
- arrange for the preparation of the initial plan-level, investment-level, and quarterly disclosures.

***If you have any questions concerning the recent DOL changes regarding service provider fee disclosures, or any other questions regarding the DOL's fee disclosure regulations, please contact us.***

Note from the Editor This edition of the Employee Benefits and Executive Compensation Alert highlights recent changes to DOL guidance regarding service provider fee disclosures. The Alert was written by Devin M. Karas, a member of the Employee Benefits and Pension Practice Area at Reid and Riege, P.C., One Financial Plaza, Hartford, CT 06103. The Practice Area works closely with clients to design and draft tax-qualified and nonqualified retirement plans, and counsels on compliance with the complex and changing rules governing such plans. For information or additional copies of this Alert, or to be placed on our mailing list, please contact Devin M. Karas (tel. 860-240-1063)(e-mail [dkaras@rrlawpc.com](mailto:dkaras@rrlawpc.com)) or another member of the Practice Area: John J. Jacobson, Chairman (tel. 860-240-1006) (e-mail [jjacobson@rrlawpc.com](mailto:jjacobson@rrlawpc.com)), John V. Galiette (tel. 860-240-1009) (e-mail [jgaliette@rrlawpc.com](mailto:jgaliette@rrlawpc.com)), Ronald J. Koniuta (tel. 860-240-1034) (e-mail [rkoniuta@rrlawpc.com](mailto:rkoniuta@rrlawpc.com)), or Erek M. Sharp (tel. 860-240-1074) (e-mail [esharp@rrlawpc.com](mailto:esharp@rrlawpc.com)) or the Reid and Riege attorney with whom you regularly work. For other information regarding Reid and Riege, P.C., please visit our web site at [www.rrlawpc.com](http://www.rrlawpc.com).

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Reid and Riege, P.C.  
March 2012



REID AND RIEGE, P.C.

COUNSELLORS AT LAW

# EMPLOYEE BENEFITS AND EXECUTIVE COMPENSATION ALERT

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## DOL ISSUES NEW DISCLOSURE RULES

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September 2011

The Department of Labor (“DOL”) has issued new regulations governing retirement plan disclosures. Certain rules that become effective **July 1, 2012**, require service providers to furnish information to all retirement plan sponsors (*i.e.*, the employers or joint board of trustees that maintain the plans) regarding particular fees being paid to the service providers. By **August 30, 2012** (or, if later, 60 days after the first day of the first plan year beginning after October 31, 2011), other rules require plan sponsors to furnish information to individuals who are eligible to direct investments in defined contribution plans regarding certain fees that affect their account balances.

### **I. Service Provider Fees Paid From Plan Assets**

No later than **July 1, 2012**, each service provider that reasonably expects to receive at least \$1,000 in direct or indirect compensation<sup>1</sup> for services to a retirement plan must provide certain fee disclosures to a plan sponsor if the compensation is received in connection with: (a) serving as a fiduciary directly to the plan; (b) serving as a fiduciary in regard to an investment contract, product or entity that holds plan assets and in which the plan has a direct equity interest; (c) serving as a registered investment advisor directly to the plan; (d) serving as a recordkeeper or broker to a participant-directed individual account plan in connection with certain investment options being made available to participants; or (e) receiving indirect compensation for certain consulting services provided to the plan, such as accounting, auditing, actuarial, or third party administrative services.

Each fee disclosure from a service provider must: (a) describe the services provided to the plan; (b) state whether the services are being provided directly to the plan as a fiduciary, as a registered investment advisor, or as a plan fiduciary with respect to an investment contract, product or entity in which the plan invests directly; (c) describe any direct or indirect compensation that the service provider (including any affiliate or subcontractor) reasonably expects to receive under its service arrangement with the plan; (d) describe any compensation that is divided among the service provider, an affiliate or a subcontractor that either is determined on a transaction basis (such as commissions, finder’s fees, or other incentive-based remuneration) or is charged directly against the net value of a plan investment (such as Rule 12b-1 fees), including identification of the services for which compensation will be paid and identification of the payers and recipients of the compensation; (e) describe any compensation that is reasonably expected to be paid as a result of the termination of a contract or arrangement and how any prepaid amounts will be calculated and refunded upon termination; and (f) describe the manner in which the service provider will be compensated (*e.g.*, whether the plan will be billed or payments will be deducted directly from the plan’s accounts or investments).

If a service provider is acting as a plan fiduciary in regard to an investment contract, product or entity in which a plan holds a direct equity investment, such service provider must furnish the plan sponsor with a description of any compensation that will be charged directly against the amount invested in connection with the acquisition, sale, transfer of or withdrawal from the investment, the annual operating expenses (*i.e.*, the expense ratio) if the investment return is not fixed, and any ongoing operating expenses in addition to the annual operating expenses. **For an investment contract, product**

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<sup>1</sup> Direct compensation means compensation received directly from the plan. Indirect compensation means compensation received from any source *other than* the plan or the plan sponsor.

**or entity that is a designated investment alternative (“investment fund”), the service provider must furnish the plan sponsor with a description of the total annual operating expenses expressed as a percentage calculated in accordance with certain DOL requirements.**

If a service provider is providing recordkeeping services to the plan, the service provider must also furnish the plan sponsor with a description of all direct and indirect compensation that it expects to receive in connection with such recordkeeping services. However, if the recordkeeping services will be provided without being specifically itemized, or if the compensation for the recordkeeping services is offset or rebated based on other compensation, then the service provider must furnish the plan sponsor with a reasonable, good-faith estimate of the cost of such recordkeeping services, along with an explanation of the methodology and assumptions used to calculate such estimate.

For each investment fund offered under a participant-directed individual account plan for which recordkeeping or brokerage services are provided, the provider of such services must furnish the plan sponsor with a description of: (a) the amounts chargeable for recordkeeping or brokerage services against the investment fund in regard to transfers into, sales or withdrawals from the investment fund; (b) the annual operating expenses of the investment fund; and (c) any ongoing expenses in addition to the annual operating expenses of the investment fund.

**A plan sponsor may avoid potential liability for a service provider’s failure to fulfill its disclosure obligations if: (i) the plan sponsor, upon discovery of the service provider’s failure to disclose the required information, makes a written request for such information; and (ii) the service provider fails to comply with such request within 90 days and the plan sponsor properly notifies the DOL of such failure. If the service provider fails to comply with the written request within 90 days of such request, the plan sponsor must determine whether to terminate or continue the contract or arrangement. If the requested information relates to future services and is not provided promptly after the end of the 90-day period, the plan sponsor must terminate its contract or arrangement with the service provider as soon as possible.**

### **What Plan Sponsors Should Do Now**

Although the responsibility for complying with this new fee disclosure requirement rests with the service providers, plan sponsors should:

- identify all current service providers for their plans;
- ensure receipt of the appropriate information from the service providers; and
- take action to evaluate the reasonableness of the fees disclosed by the service providers.

## **II. Participant-Directed Individual Account Plan Disclosures**

By **August 30, 2012** (or, if later, 60 days after the first day of the first plan year beginning after October 31, 2011), the plan sponsor of a participant-directed individual account plan will be required to provide information regarding certain costs and expenses. This information must be provided to each participant, including an employee who is eligible to participate in the plan (whether or not he or she has an account balance), and any other individual, including a terminated participant, alternate payee or beneficiary of a deceased participant (if he or she has an account balance).

The required information must be furnished annually after it has initially been provided. This required information is listed in (a), (b) and (c) below. In (a), there is also an explanation of certain

information that is required to be furnished quarterly. In (d) there is a description of information that must be provided automatically after certain investments are made. In (e) there is a description of certain information that must be provided upon request.

*a. Plan-Level Information*

No later than the applicable effective date, the plan sponsor must provide, in writing to each participant and any other individual who is eligible to direct investments:

- i. an explanation of the circumstances under which an individual may direct investments under the plan, including an explanation of any limitations on such directions or investment transfers;
- ii. an identification of any investment funds and investment managers;
- iii. a description of, or reference to, plan language concerning voting, tender and other rights associated with each investment fund, as well as any restrictions relating to such voting, tender or other rights;
- iv. a description of any brokerage windows, self-directed brokerage accounts or similar arrangements that may be available under the plan;
- v. an explanation of any fees and expenses attributable to plan-wide administrative services (*e.g.*, legal, accounting, recordkeeping) chargeable against an individual's accounts under the plan which are not reflected in the total annual operating expenses of any investment fund, as well as the basis on which such charges will be allocated (*e.g.*, *pro rata* or *per capita*); and
- vi. an explanation of any fees or expenses chargeable against an individual's accounts on an individual basis (*e.g.*, fees that may be charged for plan loans, investment advice, qualified domestic relations orders, front or back-end loads, sales charges or similar expenses) that were not taken into account in the total annual operating expenses of the investment fund.

All of this information must also be provided annually to each participant or other individual who is eligible to direct investments after it has been initially provided. In addition, each participant or other individual who is eligible to direct investments must be provided a quarterly statement of the dollar amount of any fees and expenses, as described in Items II.a.v and vi above, that were actually charged against his or her accounts during the previous quarter, along with a description of the services to which the charges relate. If applicable, the quarterly statement must also include a statement that, in addition to the fees and expenses described, some of the plan's administrative fees for the preceding quarter were paid from the total annual operating expenses of one or more of the plan's investment funds (such as where expenses were paid from revenue sharing).

Should there be a change in any of the information described above in II.a.i through vi, each participant or other individual who is eligible to direct investments must be provided with a description of such change at least 30 but not more than 90 days in advance of such change.

*b. Investment-Level Information*

By the effective date noted above and annually thereafter, and before the date an individual can first direct his or her investments, the plan sponsor must provide, in writing, the following information for each investment fund to each individual who may direct investments:

- i. the name of each investment fund and the type or category of the investment fund (*e.g.*, money market, balanced or large cap fund);
- ii. if the return is not fixed:
  - A. a statement of the average annual return of each investment fund for 1-, 5-, and 10- calendar year periods (or the life of the fund, if shorter) ending on the last day of the prior calendar year, a statement that an investment's past performance is not necessarily indicative of how it will perform in the future, and a comparison to performance data of a similar broad-based securities market index benchmark which is not administered by the investment issuer or its affiliate;
  - B. the amount and a description of any shareholder-type fees charged against the investment fund which are not included in the total annual operating expenses of the investment fund;
  - C. a description of any restrictions or limitations that may be applicable to the purchase, transfer or withdrawal of the investment fund in whole or in part;
  - D. the total annual operating expenses of the investment fund expressed as a percentage (*i.e.*, the expense ratio);
  - E. the total annual operating expenses of the investment fund for a one-year period expressed as a dollar amount for a \$1,000 investment (assuming no investment returns);
  - F. a statement that fees and expenses are only one of several factors that an individual should consider when making investment decisions; and
  - G. a statement that the cumulative effect of fees and expenses can substantially reduce the growth of an individual's account, and that an individual can visit the website of the DOL's Employee Benefits Security Administration for an example of the long-term effects of fees and expenses on investments;
- iii. if the return on an investment fund is fixed or stated for a term:
  - A. a statement of the annual rate of return and the term of the investment fund;
  - B. if the issuer has the right to adjust the rate of return, the current rate of return, the minimum guaranteed rate of return (if any), a statement that the issuer can adjust the rate of return prospectively, and how to obtain the most recent rate of return (*e.g.*, a telephone number or website);
  - C. the amount and a description of any shareholder-type fees charged against the investment fund (such as commissions, sales loads, sales charges, redemption fees or surrender fees); and

- D. a description of any restrictions or limitations that may be applicable to the purchase, transfer or withdrawal of the investment in whole or in part;
- iv. a web address at which an individual may review more detailed investment information for each investment fund, other than a fund with a fixed return, consisting of the name of the issuer, goals and objectives (stated in a manner consistent with guidelines issued by the Securities and Exchange Commission (“SEC”) in Form N-1A or N-3), principal strategies and risks, including the types of assets held under the fund (stated in a manner consistent with SEC Form N-1A or N-3), the portfolio turnover rate (stated in a manner consistent with SEC Form N-1A or N-3), performance data, as described in II.b.ii.A that has been updated quarterly, and fee and expense information as described above, as of a specified date;
- v. a web address that provides with respect to an investment fund with a fixed return, the name of the issuer, goals and objectives, performance data that has been updated quarterly, and any shareholder type fees; and
- vi. a general glossary of terms (or a web address that contains a general glossary of terms) that is designed to assist an individual in understanding each investment fund. If a glossary is provided at a web site, an individual must also be advised of the purpose of the web site when he or she is informed of it.

Each investment-related disclosure must include a chart, or similar display, that, as a specified date, allows an individual to compare all of the investment and expense information, identified above that must be furnished. Attached is a copy of a model investment and fee disclosure chart issued by the DOL that may be used.

c. *Other Information That Must Be Provided*

There is also a requirement that each plan sponsor of a participant-directed individual account plan provide:

- i. the name, address and telephone number of the plan administrator or plan administrator’s representative who may be contacted to provide, upon request, copies of an investment fund’s prospectus, short-form summary prospectus or other similar document, financial statements or reports, a statement of share or unit value as of a specified date, and a list of the assets held in the portfolio and the relative values of the assets;
- ii. a statement that additional investment-related information may be available online at a listed web site; and
- iii. a statement explaining how to request and obtain, free of charge, paper copies of the information identified in II.b.iv, v, or vi that is available online.

d. *Information Provided After Certain Investments Are Made*

Subsequent to each individual’s investment in an investment fund, any materials provided to the plan relating to the exercise of voting, tender and other rights associated with such investment fund that are passed through to the individual must be provided by the plan sponsor to such individual.

e. *Information Provided Upon Request*

Upon request, an individual must be provided by the plan sponsor with copies of an investment fund's prospectus, short term summary prospectus, or other similar document, financial statements or reports that are provided to the plan, share or unit values in the investment fund as of a specified date, and a list of the assets in the investment fund's portfolio.

In addition to the disclosures described above, in order for a fiduciary of a participant-directed individual account plan to be protected from fiduciary liability under ERISA for losses resulting from an individual's investment elections, the plan sponsor must also provide to individuals who are permitted to direct investments, a statement: that (a) the plan is intended to satisfy ERISA Section 404(c); and (b) that the fiduciaries of the plan may be relieved of liability for any losses that are the direct and necessary result of the investment instructions given by an individual.

### **What Plan Sponsors Should Do Now**

In light of the newly required disclosures applicable to participant-directed individual account plans, we recommend that plan sponsors contact their service providers in order to make arrangements to obtain the necessary information from them and ensure that the required information be provided within the prescribed deadlines.

***If you have any questions concerning the DOL regulations regarding service provider fee disclosures or participant-directed individual account plan disclosures, please contact us.***

*Note from the Editor* This edition of the *Employee Benefits and Executive Compensation Alert* highlights DOL guidance on service provider fee disclosures and participant-directed individual account plan disclosures. The Alert was written by Devin M. Karas, a member of the Employee Benefits and Pension Practice Area at Reid and Riege, P.C., One Financial Plaza, Hartford, CT 06103. The Practice Area works closely with clients to design and draft tax-qualified and nonqualified retirement plans, and counsels on compliance with the complex and changing rules governing such plans. For information or additional copies of this Alert, or to be placed on our mailing list, please contact Devin M. Karas (tel. 860-240-1063)(e-mail [dkaras@rrlawpc.com](mailto:dkaras@rrlawpc.com)), or another member of the Practice Area: John J. Jacobson, Chairman (tel. 860-240-1006) (e-mail [jjacobson@rrlawpc.com](mailto:jjacobson@rrlawpc.com)), John V. Galiette (tel. 860-240-1009) (e-mail [jgaliette@rrlawpc.com](mailto:jgaliette@rrlawpc.com)), Ronald J. Koniuta (tel. 860-240-1034) (e-mail [rkoniuta@rrlawpc.com](mailto:rkoniuta@rrlawpc.com)) or the Reid and Riege attorney with whom you regularly work. For other information regarding Reid and Riege, P.C., please visit our web site at [www.rrlawpc.com](http://www.rrlawpc.com).

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Reid and Riege, P.C.  
September 2011



**ABC Corporation 401k Retirement Plan**  
Investment Options – January 1, 20XX

This document includes important information to help you compare the investment options under your retirement plan. If you want additional information about your investment options, you can go to the specific Internet Web site address shown below or you can contact [insert name of plan administrator or designee] at [insert telephone number and address]. A free paper copy of the information available on the Web site[s] can be obtained by contacting [insert name of plan administrator or designee] at [insert telephone number].

**Document Summary**

This document has 3 parts. Part I consists of performance information for plan investment options. This part shows you how well the investments have performed in the past. Part II shows you the fees and expenses you will pay if you invest in an option. Part III contains information about the annuity options under your retirement plan.

**Part I. Performance Information**

**Table 1** focuses on the performance of investment options that do not have a fixed or stated rate of return. Table 1 shows how these options have performed over time and allows you to compare them with an appropriate benchmark for the same time periods. Past performance does not guarantee how the investment option will perform in the future. Your investment in these options could lose money. Information about an option's principal risks is available on the Web site[s].

Table 1—Variable Return Investments								
Name/ Type of Option	Average Annual Total Return as of 12/31/XX				Benchmark			
	1yr.	5yr.	10yr.	Since Inception	1yr.	5yr.	10yr.	Since Inception
<b>Equity Funds</b>								
A Index Fund/ S&P 500 www. website address	26.5%	.34%	-1.03%	9.25%	26.46%	.42%	-.95%	9.30%
S&P 500								
B Fund/ Large Cap www. website address	27.6%	.99%	N/A	2.26%	27.80%	1.02%	N/A	2.77%
US Prime Market 750 Index								
C Fund/ Int'l Stock www. website address	36.73%	5.26%	2.29%	9.37%	40.40%	5.40%	2.40%	12.09%
MSCI EAFE								
D Fund/ Mid Cap www. website address	40.22%	2.28%	6.13%	3.29%	46.29%	2.40%	-.52%	4.16%
Russell Midcap								
<b>Bond Funds</b>								
E Fund/ Bond Index www. website address	6.45%	4.43%	6.08%	7.08%	5.93%	4.97%	6.33%	7.01%
Barclays Cap. Aggr. Bd.								
<b>Other</b>								
F Fund/ GICs	.72%	3.36%	3.11%	5.56%	1.8%	3.1%	3.3%	5.75%

www. website address					3-month US T-Bill Index			
G Fund/ Stable Value www. website address	4.36%	4.64%	5.07%	3.75%	1.8%	3.1%	3.3%	4.99%
					3-month US T-Bill Index			
Generations 2020/ Lifecycle Fund www. website address	27.94%	N/A	N/A	2.45%	26.46%	N/A	N/A	3.09%
					S&P 500			
					23.95%	N/A	N/A	3.74%
					Generations 2020 Composite Index*			

\*Generations 2020 composite index is a combination of a total market index and a US aggregate bond index proportional to the equity/bond allocation in the Generations 2020 Fund.

Table 2 focuses on the performance of investment options that have a fixed or stated rate of return. Table 2 shows the annual rate of return of each such option, the term or length of time that you will earn this rate of return, and other information relevant to performance.

Name/ Type of Option	Return	Term	Other
H 200X/ GIC www. website address	4%	2 Yr.	The rate of return does not change during the stated term.
I LIBOR Plus/ Fixed- Type Investment Account www. website address	LIBOR +2%	Quarterly	The rate of return on 12/31/xx was 2.45%. This rate is fixed quarterly, but will never fall below a guaranteed minimum rate of 2%. Current rate of return information is available on the option's Web site or at 1-800-yyy-zzzz.
J Financial Services Co./ Fixed Account Investment www. website address	3.75%	6 Mos.	The rate of return on 12/31/xx was 3.75%. This rate of return is fixed for six months. Current rate of return information is available on the option's Web site or at 1-800-yyy-zzzz.

## Part II. Fee and Expense Information

Table 3 shows fee and expense information for the investment options listed in Table 1 and Table 2. Table 3 shows the Total Annual Operating Expenses of the options in Table 1. Total Annual Operating Expenses are expenses that reduce the rate of return of the investment option. Table 3 also shows Shareholder-type Fees. These fees are in addition to Total Annual Operating Expenses.

Name / Type of Option	Total Annual Operating Expenses		Shareholder-Type Fees
	As a %	Per \$1000	
<b>Equity Funds</b>			
A Index Fund/ S&P 500	0.18%	\$1.80	\$20 annual service charge subtracted from investments held in this option if valued at less than \$10,000.
B Fund/ Large Cap	2.45%	\$24.50	2.25% deferred sales charge subtracted from amounts withdrawn within 12 months of purchase.
C Fund/ International	0.79%	\$7.90	5.75% sales charge subtracted from amounts invested.

<b>Stock</b>			
D Fund/ Mid Cap ETF	0.20%	\$2.00	4.25% sales charge subtracted from amounts withdrawn.
<b>Bond Funds</b>			
E Fund/ Bond Index	0.50%	\$5.00	N/A
<b>Other</b>			
F Fund/ GICs	0.46%	\$4.60	10% charge subtracted from amounts withdrawn within 18 months of initial investment.
G Fund/ Stable Value	0.65%	\$6.50	Amounts withdrawn may not be transferred to a competing option for 90 days after withdrawal.
Generations 2020/ Lifecycle Fund	1.50%	\$15.00	Excessive trading restricts additional purchases (other than contributions and loan repayments) for 85 days.
<b>Fixed Return Investments</b>			
H 200X / GIC	N/A		12% charge subtracted from amounts withdrawn before maturity.
I LIBOR Plus/ Fixed-Type Invest Account	N/A		5% contingent deferred sales charge subtracted from amounts withdrawn; charge reduced by 1% on 12-month anniversary of each investment.
J Financial Serv Co. / Fixed Account Investment	N/A		90 days of interest subtracted from amounts withdrawn before maturity.

The cumulative effect of fees and expenses can substantially reduce the growth of your retirement savings. Visit the Department of Labor's Web site for an example showing the long-term effect of fees and expenses at [http://www.dol.gov/ebsa/publications/401k\\_employee.html](http://www.dol.gov/ebsa/publications/401k_employee.html). Fees and expenses are only one of many factors to consider when you decide to invest in an option. You may also want to think about whether an investment in a particular option, along with your other investments, will help you achieve your financial goals.

### Part III. Annuity Information

Table 4 focuses on the annuity options under the plan. Annuities are insurance contracts that allow you to receive a guaranteed stream of payments at regular intervals, usually beginning when you retire and lasting for your entire life. Annuities are issued by insurance companies. Guarantees of an insurance company are subject to its long-term financial strength and claims-paying ability.

Name	Objectives / Goals	Pricing Factors	Restrictions / Fees
Lifetime Income Option  www. website address	To provide a guaranteed stream of income for your life, based on shares you acquire while you work. At age 65, you will receive monthly payments of \$10 for each share you own, for your life. For example, if	The cost of each share depends on your age and interest rates when you buy it. Ordinarily the closer you are to retirement, the more it will cost you to buy a share.	Payment amounts are based on your life expectancy only and would be reduced if you choose a spousal joint and survivor benefit.  You will pay a 25%

	<p>you own 30 shares at age 65, you will receive \$300 per month over your life.</p>	<p>The cost includes a guaranteed death benefit payable to a spouse or beneficiary if you die before payments begin. The death benefit is the total amount of your contributions, less any withdrawals.</p>	<p>surrender charge for any amount you withdraw before annuity payments begin.</p> <p>If your income payments are less than \$50 per month, the option's issuer may combine payments and pay you less frequently, or return to you the larger of your net contributions or the cash-out value of your income shares.</p>
<p><b>Generations 2020 Variable Annuity Option</b></p> <p>www. website address</p>	<p>To provide a guaranteed stream of income for your life, or some other period of time, based on your account balance in the Generations 2020 Lifecycle Fund.</p> <p>This option is available through a variable annuity contract that your plan has with ABC Insurance Company.</p>	<p>You have the right to elect fixed annuity payments in the form of a life annuity, a joint and survivor annuity, or a life annuity with a term certain, but the payment amounts will vary based on the benefit you choose. The cost of this right is included in the Total Annual Operating Expenses of the Generations 2020 Lifecycle Fund, listed in Table 3 above.</p> <p>The cost also includes a guaranteed death benefit payable to a spouse or beneficiary if you die before payments begin. The death benefit is the greater of your account balance or contributions, less any withdrawals.</p>	<p>Maximum surrender charge of 8% of account balance.</p> <p>Maximum transfer fee of \$30 for each transfer over 12 in a year.</p> <p>Annual service charge of \$50 for account balances below \$100,000.</p>

**Please visit [www.ABCPlanglossary.com](http://www.ABCPlanglossary.com) for a glossary of investment terms relevant to the investment options under this plan. This glossary is intended to help you better understand your options.**