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Under the Employee Retirement Security Act of 1974 (“ERISA”) Section 408(b)(2), the United States Department of Labor (“DOL”) Employee Benefits Security Administration issued final regulations to enhance disclosures of compensation, both direct and indirect, paid to plan service providers with the intent of assisting fiduciaries of 401(K) and other retirement plans in assessing the reasonableness of such compensation.

The rules apply to covered service providers, particularly registered investment companies, record keepers and brokerage services that can reasonably expect to receive \$1,000 or more in compensation. The Initial disclosure requirements must be satisfied in order to qualify for the statutory exemption from ERISA’s prohibited transaction rules under Section 408(b)(2) and include, but are not limited to, a description of the services to be provided, a statement (if applicable) that the service provider will be providing services, the amount of compensation reasonably expected to be received and the manner in which the compensation is expected to be received. Furthermore, the disclosures must be in writing.

The DOL has also implemented changes to the information that must be reported on Form 5500 Schedule C. The changes to Form 5500 Schedule C will facilitate this final rule by providing plan fiduciaries the information they need to monitor their service providers.

Additionally, under ERISA Sections 404(a)(1)(A) and (B), plan fiduciaries must discharge their duties with respect to the plan judiciously and in the sole interest of the plan participants and beneficiaries. In the context of participant directed plans, the plan administrator must implement a reasonable system of ensuring that participants are aware of their rights and responsibilities related to the investment of assets. This condition dictates that participants are provided sufficient information related to the plan and designated investment alternatives, including fees and expenses thereto.

Certain plan related disclosures under ERISA Section 404(a)(1)(A) and (B) are required quarterly, including the dollar amount of administrative fees that were actually charged during the quarter against the participant’s account, a description of the related services provided and an explanation of any expenses paid from

an investment alternative operating expenses. Other plan related disclosure are required prior to the first direct investments and annually thereafter.

We recommend contacting your service providers as soon as possible in order to ensure that they are in compliance with these new regulations and to mitigate the potential for prohibited transactions.

We hope you find this information to be helpful. As always, we are here to help. If there's any way our team can assist you, please don't hesitate to contact us.

Sincerely,

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