

# 11th Annual West Coast Defined Contribution Conference

Best Practices in Fee Disclosure

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**Toni Brown, CFA**  
Executive Vice President  
Callan Associates

**Sara Hart**  
Director, Corporate Benefits  
Con-Way, Inc.

**Ron Eisen**  
President  
Fiduciary Benchmarks

**Marla Kreindler**  
Partner  
Winston & Strawn LLP

# Best Practices in Fee Disclosure

- **DOL Future Requirements**
- **Best Practices**
- **Results of Conference Plan Sponsor Fee Survey**
- **Sample of per participant charge on statements**
- **Case Study**

## Appendix to §2550.404a-5 – Model Comparative Chart

ABC Corporation 401k Savings Plan

Investment Options – January 1, 200X

Whether you will have adequate savings at retirement will depend in large part on how much you choose to save and how you invest your savings. The following information will assist you in comparing the designated investment options available to you under the **ABC Corporation 401k Savings Plan**.

While the information furnished below is important to making informed investment decisions, you should carefully review all available information about an investment option prior to directing your retirement savings into an investment option. Internet Web site addresses are provided to help you access additional information (such as investment strategies and risks, portfolio holdings and turnover) about each of the plan's investment options. You may also contact your plan representative, [insert name of fiduciary or designee] at [insert telephone number and address] for additional information or visit the Department of Labor's Web site for general information on investing for retirement. See [www.dol.gov/ebsa/investing.html](http://www.dol.gov/ebsa/investing.html)

### Part I. Performance Information

**This chart shows each option's performance over several time periods and compares the performance with a recognized benchmark. For options with returns that vary over time, past performance does not guarantee how your investment in the option will perform in the future; your investment in these options could lose money.**

Name/Type of Option	Mgmt.	Fixed Return/ Term	Average Annual Total Return as of 12/31/0X			Benchmark/Index as of 12/31/0X		
			1yr.	5yr.	10yr.	1yr.	5yr.	10yr.
<b>Stock Funds</b>								
A Fund/S&P 500 Index www.website.com	Passive	NA	15.6%	6.1%	8.3%	15.8%	6.2%	8.4%
						S&P 500		
B Fund/Large Cap www.website.com	Active	NA	8.9%	.22%	NA	-8.9%	5.9%	12.2%
						Russell 1000		
C Fund/Int'l Stock www.website.com	Active	NA	4.3%	5.2%	11.2%	26.9%	15.4%	8.1%
						MSCI EAFE		
D Fund/Mid Cap ETF www.website.com	Passive	NA	15%	12.7%	1.4%	15%	13%	12%
						Russell Midcap		
<b>Bond Funds</b>								
E Fund/Bond Index www.website.com	Passive	NA	4.3%	5.2%	6.2%	4.3%	5.1%	6.2%
						LBA US Aggr. Bd.		
<b>Other</b>								
F Fund/GICs www.website.com	Active	NA	4.7%	4.4%	5%	5%	3%	3.8%
						US 91 Day T Bill		
G Fund/Stable Value www.website.com	Active	NA	4.3%	4.0%	4.9%	4.7%	3.4%	4.3%
						Treasury CM		
H 200X GIC www.website.com	NA	4% 2 yr.	NA	NA	NA	NA		

## Part II. Fees and Expense Information

This chart shows only investment-related fees and expenses for investment options offered in your plan. 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.

Name/Type of Option	Total Annual Operating Expenses*	Shareholder/Shareholder-Type Fees**
<b>Stock Funds</b>		
A Fund/ S&P 500 Index	0.18%	\$20 annual service fee assessed for accounts holding less than \$10,000. May be waived in certain circumstances.
B Fund /Large Cap	2.45%	4.25% deferred sales charge against amounts redeemed within 12 months of purchase.
C Fund/ International Stock	0.79%	5.75% sales charge against amounts invested.
D Fund/Mid Cap ETF	0.20%	4.25% sales charge against amounts invested or redeemed.
<b>Bond Funds</b>		
E Fund/Bond Index	0.50%	N/A
<b>Other</b>		
F Fund/GICs	0.46%	10% charge against amounts withdrawn within 18 months. of initial investment.
G Fund/Stable Value	0.65%	Dollars withdrawn may not be transferred to a competing fund for 90 days after withdrawal.
H 200X GIC	NA	12% charge against amounts withdrawn before maturity.

For an explanation of non investment-related fees and expenses, such as record keeping or loan processing fees that may be charged against your account, you may consult your [SPD], [insert name of annual disclosure used to satisfy § 2550.404a-5(c)], [and] [quarterly benefit statement]. The dollar amount actually charged to your account during the preceding quarter for such administrative or individual expenses will be reported to you on a quarterly basis.

**Note: More current information about your plan's investment options, including fees and expenses and performance updates, may be available at the listed Internet Web site addresses.**

\*Total Annual Operating Expenses are ongoing expenses paid indirectly from your investment in this option each year, expressed as a percentage of the value of your investment in the option (e.g., expense ratio).

\*\*Shareholder/Shareholder-type Fees are fees paid directly from your investment in this option (e.g., sales loads, sales charges, deferred sales charges, redemption fees, exchange fees, account fees, purchase fees, transfer or withdrawal fees, surrender charges, contract maintenance fees, and mortality and expense charges).

From the Department of Labor's May 2004 Publication  
 "Understanding Retirement Plan Fees and Expenses"

ABC PLAN

401(k) PLAN FEE DISCLOSURE FORM  
 For Services Provided by XYZ Company

Schedule A

Investment Product Fees/Estimates

Collective Investment Fund	Assets (X/X/XX)	Management Fee	Other* (Specify)	Total Cost
Fund 1				
Fund 2				
Fund 3				
Fund 4				
<b>TOTAL</b>				

Insurance/Annuity Product	Assets (X/X/XX)	Management Fee	Mortality Risk and Administrative Expense (M&E Fee)	Other* (Specify)	Total Cost
Fund 1					
Fund 2					
Separate Account 1					
Separate Account 2					
<b>TOTAL</b>					

Mutual Fund	Assets (X/X/XX)	Expense Ratio <sup>1</sup>	Front-End Load	Other* (Specify)	Total Cost
Fund 1					
Fund 2					
Fund 3					
Fund 4					
<b>TOTAL</b>					

Individually-Managed Account	Assets (X/X/XX)	Management Fee	Other* (Specify)	Total Cost
Fund 1				
Fund 2				
Fund 3				
Fund 4				
<b>TOTAL</b>				

\* Fees represent product-related charges paid by the plan. Fees associated with participants' transfer of account balances between investment options, including investment transfer expenses and any contingent back-end loads, redemption fees and surrender charges should be included in "other" expenses. In addition, any wrap fees or pricing charges for non-publicly traded assets should be included in the "other" expenses column. For investment product termination fees associated with plan termination or conversion, see Schedule D. Insurance companies incur marketing and distribution costs, which are recouped through charges assessed against the plan.

<sup>1</sup> Includes 12b-1 fee and management fee. (See the fee table in the fund prospectus).

**ABC PLAN**  
**401(k) PLAN FEE DISCLOSURE FORM**  
**For Services Provided by XYZ Company**  
**Schedule A, continued**  
**Investment Product Fees/Estimates**

Brokerage Window <sup>2</sup>	Assets (X/X/XX)	Commission (Range)	Transaction Fee (Range)	Other* (Specify)	Total Cost
Fund 1					
Fund 2					
Fund 3					
Fund 4					
<b>TOTAL</b>					

Other Product <sup>3</sup>	Assets (X/X/XX)	Management Fee	Other (Specify)	Total Cost
Fund 1				
Fund 2				
Fund 3				
Fund 4				
<b>TOTAL</b>				

**Total Investment Product Fees \$ \_\_\_\_\_**

<sup>2</sup> When providing potential service providers with information/assumptions regarding the brokerage window plan feature, it is critical that you provide identical information to all of the competing companies in order to ensure equivalent comparisons.

\* Fees associated with participants' transfer of account balances between investment options, including investment transfer expenses and any contingent back-end loads, redemption fees and surrender charges should be included in "other" expenses. In addition, any wrap fees or pricing charges for non-publicly traded assets should be included in the "other" expenses column. For investment product termination fees associated with plan termination or conversion, see Schedule D. Insurance companies incur marketing and distribution costs, which are recouped through charges assessed against the plan.

<sup>3</sup> Other products could include investment vehicles such as REITs and limited partnerships.

**ABC PLAN**  
**401(k) PLAN FEE DISCLOSURE FORM**  
**For Services Provided by XYZ Company**  
**Schedule A, continued**  
**Investment Product Fees/Estimates**

- Expenses incurred to administer the plan, recordkeep participant accounts, and investment-related expenses are generally paid from plan assets. These expenses fall into 3 categories: General Expenses, Investment Management Expenses, and Participant Transaction Expenses.
- "General Expenses" include [trustee fees,] [participant recordkeeping,] [audit,] [legal,] and [financial advice services]. These fees are shared on a prorata basis by all participants, and are accrued and collected monthly from participant accounts. Amounts collected equal \_\_\_ basis points of month-end account balances.
- "Investment Fund Expenses" are attributable to a specific plan investment fund and are charged only to participants who chose to invest in that investment fund. [The fees are automatically deducted from the daily Net Asset Value for each investment fund, and] reduce the daily investment rate of return earned by the investment fund.
- "Participant Transaction Expenses" are incurred only when a participant initiates a transaction listed below. The cost of these transactions is only charged to a participant who initiates the transaction.
  - Loan Establishment - \$XX one-time establishment fee for each new loan.
  - [Etc.]

XYZ Plan Fund Fees Versus Benchmark/Comparables  
In Basis Points

<u>XYZ Plan Fund</u>	<u>XYZ Plan</u>		<u>Total<sup>1</sup></u> <u>Investment</u> <u>Management</u> <u>and General</u> <u>Expenses</u>	<u>Benchmark/</u> <u>Comparables<sup>2</sup></u>
	<u>Investment</u> <u>Fund</u> <u>Expenses</u>	<u>General</u> <u>Expenses</u>		
Stable Value				
US Large Cap Equity Index				
US Mid/Small Cap Equity Index				
International Equity				
Balanced				
[Etc.]				

<sup>1</sup> Does not include Participant Transaction Expenses.

<sup>2</sup> Comparability based on information provided by \_\_\_\_\_, an [independent consulting firm].

# Survey of Conference Attendees

- **50 Plan Sponsors Responded**
- **The use of collective trusts and separate accounts is widespread at 30% each (not mutually exclusive)**
- **Most participants pay the majority of Investment Fees.**
- **Most Plan Sponsors pay the majority of consulting, legal, etc.**
- **Administrative Fees (recordkeeping/custody) vary and are shared.**
- **82% of Plans explicitly disclose fees**
- **53% of Plans charge participants fees that are not wrapped into NAVs**
- **52% of the additional fees are on a per participant (per head) basis**

# Which Investment Vehicles are Used?

<b>Mutual Funds</b>	68%
<b>Collective Trusts</b>	28%
<b>Separate Accounts</b>	28%

Callan Associates Survey of 11th Annual West Coast Defined Contribution Conference Plan Sponsor Attendees.

# Who Pays the Plan Fees?

	<b>Plan Sponsor</b>	<b>Participant</b>	<b>Combination</b>
<b>Investment Fees</b>	12%	76%	12%
<b>Recordkeeping/Custody Fees</b>	37%	43%	20%
<b>Legal/Consultant Fees</b>	70%	13%	17%

Callan Associates Survey of 11th Annual West Coast Defined Contribution Conference Plan Sponsor Attendees.

# How are Fees Disclosed?

<b>Fees are not explicitly disclosed</b>	18%
<b>Plan Documents</b>	8%
<b>Fund Fact Sheets</b>	54%
<b>Participant Statements</b>	52%
<b>Other*</b>	24%

**\* includes:**

- **SPD**
- **Education Meetings/Workshops**
- **Detailed Itemized Annual Report**
- **Fee Communication Summary**
- **Fee Matrix**
- **Separate Disclosure Statement**

Callan Associates Survey of 11th Annual West Coast Defined Contribution Conference Plan Sponsor Attendees.

# Are Fees Wrapped into NAV?

<b>Yes</b>	47%
<b>No</b>	53%

Callan Associates Survey of 11th Annual West Coast Defined Contribution Conference Plan Sponsor Attendees.

# How are Additional Fees Charged?

<b>Per Participant Fee</b>	52%
<b>Asset Based Fee</b>	26%
<b>Other*</b>	26%

\*Other was primarily loan or QDRO fees.

Callan Associates Survey of 11th Annual West Coast Defined Contribution Conference Plan Sponsor Attendees.

## Sample Statement with Participant Fee

	Current Period	Year-to-Date
<b>Beginning Balance</b>	\$ 98,000.00	\$ 130,000.00
<b>Employee Contributions</b>	\$ 800.00	\$ 7,200.00
<b>Employer Contributions</b>	\$ 250.00	\$ 2,250.00
<b>Fees</b>	\$ 7.00	\$ 63.00
<b>Market Gain/Loss</b>	\$ 15,000.00	\$ 55,344.00
<b>Ending Balance</b>	\$ 84,043.00	\$ 84,043.00

# Case Study - Con-Way, Inc.

- **401(k) Plan Assets**
- **Review of Fees**
- **Disclosure of Fees**
- **Key Decision Factors**
- **Challenges in Implementation**

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