

## **INITIAL ANNUAL DISCLOSURE TO PARTICIPANTS**

**IF YOUR PLAN PERMITS YOUR PARTICIPANTS TO DIRECT THEIR INVESTMENTS**, as the Plan Sponsor your disclosure to your Plan's participants is generally required by August 30 under ERISA Section 404(a)-5. However, if your plan year end is July 31, August 31 or September 30, your initial deadline is September 30, October 31 or November 30, respectively. This is technically the "first annual disclosure" and required subsequent annual disclosures must be made within 60 days after the end of each plan year so your next annual disclosure will be for your current plan year or less than 12 months from the initial annual disclosure.

What do I need to tell my eligible employees, plan participants, death beneficiaries and alternate payees (QDROs)? Combine the following items into a package to deliver electronically if access to a computer is part of their workplace or by mail if it is not.

- Your investment provider is responsible for providing you with most of the required information, probably in the format of the DOL's model disclosure. This disclosure must be updated at least annually and focuses on fund expense ratios and each fund's performance over several specified periods compared to applicable benchmarks.
- You must disclose all plan expenses that may be paid by the participants directly by check or from their account balances. These expenses might include fees for individual transactions requested by or required for a participant, TPA fee proration, plan audit fees, allowable legal expenses, mandatory plan documents and amendments, etc. However, you must be very careful when paying plan expenses from plan assets. Basically, the IRS/DOL divide plan expenses into two categories: (1) those legally required to maintain the plan which may be paid from plan assets and (2) those voluntary or corrective which must be paid by the Plan Sponsor. Your administrator can help you if necessary. You are not required to disclose the plan expenses paid from forfeitures, from fund expense ratios or by the Plan Sponsor but it might be positive employee PR if you choose to tell your participants what you are paying for their retirement plan.
- **Provide plan-related information:**
  - Basic plan information like contributions types, vesting, types of distributions, loans, etc.
  - Explanation of the circumstances under which investment instructions may be given and any specified limitations on such instructions; identification of the investment options available under your plan.
  - Explanation of administrative fees/expenses for general plan administration services, such as legal, accounting and recordkeeping services, and how these fees might be allocated to the participants and beneficiaries, generally pro-rata or per capita.
  - Explanation of individual fees and expenses that may be charged to your participants individually or allocated to plan assets (e.g. loan fees and transaction fees) by your TPA or investment vendor.
  - Provide website addresses and/or toll-free phone numbers for fund information and transactions.
  - Provide a glossary of investment terms (attached).

You may provide the initial annual disclosure and subsequent annual disclosures electronically to anyone having regular computer access at the workstation. Otherwise, you need to distribute it in paper form.

**IF YOUR PARTICIPANTS DO NOT PAY ANY PLAN EXPENSES, QUARTERLY DISCLOSURES ARE NOT REQUIRED.**

The first quarterly reporting of all fees and plan expenses paid directly by a participant or from participant accounts is due according to the schedule below: Subsequent quarterly disclosures are due within 45 days after each plan quarter end. This participant expense reporting may be combined with the quarterly participant benefit notice that became effective in 2007. If your plan is daily valued, this information is likely to be included on your participants' quarterly statements from the investment provider. Otherwise, providing the detail is your responsibility. If your plan is not daily valued, you need to work with your investment consultant or broker. Directed brokerage accounts required special disclosures not yet fully finalized by the DOL.

The quarterly disclosure must include the dollar amount of each expense with an understandable description of the service provided.

PYE 3/31, 6/30 and 12/31  
PYE 1/31, 4/30, 7/31 and 10/31  
PYE 8/31  
PYE 9/30

November 14, 2012 for quarter ending September 30, 2012  
December 15, 2012 for quarter ending October 31, 2012  
January 14, 2013 for quarter ending November 30, 2012  
February 14, 2013 for quarter ending December 31, 2012

If Healey Associates is your Broker of Record or your Registered Investment Advisor, we will be offering a service to help you comply with the various deadlines for disclosure to your participants. There will be an additional fee for this service. Please contact your Healey pension administrator for more information.