

ERISA SECTION 404 (a) (5) FEE DISCLOSURE TO PLAN PARTICIPANTS

Effective Dates

- Applies to plan years beginning on or after November 1, 2011
- Initial annual disclosure to existing participants and disclosure to new participants no later than the later of:
 - 60 days after the first day of plan years beginning on or after November 1, 2011, or
 - May 31, 2012 (for calendar year plans)
- Initial quarterly disclosure is due no later than 45 days after the end of the quarter in which the initial disclosures are required to be furnished to participants (August 14, 2012 for calendar year plans)

Summary of the Regulation

Disclosure of plan investment-related information, including fees and expenses, to participants in participant-directed accounts

Purpose of the Regulation

To ensure that all participants and beneficiaries have the information they need to make informed decisions about the management of their individual accounts

Consequences of Failure to Comply

Plan fiduciaries who fail to meet their ERISA fiduciary responsibilities can be personally liable. Responsible fiduciaries potentially include:

- Plan Sponsor
- Investment Committee members
- Administration Committee members
- Board of Directors, individually
- Officers

Affect on ERISA 404(c)

New ERISA Section 404(a)(5) almost completely replaces 404(c). However, 404(c) is the applicable law, until ERISA Section 404(a)(5) becomes effective.

Plan Sponsor Responsibility

- Provide all of the 404(a)(5) required information to plan participants
- May reasonably rely upon information provided by service providers

The DOL suggests that the bulk of the information be provided using a "Model Chart," which is attached at the end of this memo.

RECOMMENDED ACTIONS FOR PLAN SPONSORS/FIDUCIARIES

In 2011

- Determine whether it is appropriate to perform a final 404(c) compliance review and communication to participants for the 2011 plan year
- Review the reasonableness of plan fees and of the fee payment methodology
- Consider alternative methodologies, if appropriate, and document decision
- Establish policy for HR responses to participant inquiries
- Educate participants about the disclosure information they will be receiving

In 2012

- Review drafts of disclosure materials prepared by the record keeper for completeness and accuracy
- Prepare supplemental participant materials to fill disclosure gaps, if any
- Continue to educate participants about the disclosure information

REQUIRED NOTICES AND CONTENTS

Initial Notice

- General plan information
- List of all designated investment options
- Description of brokerage window, if offered
- Designated investment managers
- Investment related information:
 - Must be provided in a comparative chart format– see DOL suggested chart below
 - Required data includes:
 - Name of investment alternative
 - Type or category of the investment
 - Performance data – extensive rules apply to what information must be provided by type of investment and for each type of investment vehicle
 - Benchmarks
 - Fee and expense information
 - Website address for each investment alternative
- For Target Date funds, information must also include:
 - An explanation of the alternative’s asset allocation
 - How the asset allocation will change over time
 - The point in time when the alternative will reach its most conservative asset allocation
 - A chart, table, or other graphical representation that illustrates such change in asset allocation over time and that does not obscure or impede a participant’s or beneficiary’s understanding of the information
 - An explanation of the age group for whom the alternative is designed
 - The relevance of the date
 - Any assumptions about a participant’s or beneficiary’s contribution and withdrawal intentions on or after such date
 - A statement that the participant or beneficiary may lose money by investing in the alternative, including losses near and following retirement, and that there is no guarantee that the alternative will provide adequate retirement income
- Procedure for designating participant investment elections
- Restrictions on investment changes
- Voting or tender rights participants may exercise and cite to document provision on this
- Explanation of fees deducted directly from participant accounts for administrative services, such as recordkeeping

REQUIRED NOTICES AND CONTENTS (continued)

- Individual expenses that may be charged to a participant's account, such as:
 - Loan fees
 - Fees for Qualified Domestic Relation Orders
 - Certain investment expenses

Quarterly Notice

- Fees and expenses that are deducted from participant accounts, such as:
 - Loan initiation fees
 - Withdrawal processing fees
 - Plan-wide administrative and recordkeeping fees
- A description of services provided for these fees
- If revenue sharing from the investment funds is used to pay these types of fees, this fact must be disclosed.

Annual Notice

- Same information provided in the Initial Notice must be provided at least annually to plan participants and beneficiaries.

Information Changes

- Any changes in information already provided on the Initial Notice, Quarterly Notice, or Annual Notice must be provided to participants at least 30 days, but not earlier than 90 days, prior to the effective date of the change.

Additional Information That Must be Provided upon Request

- Prospectuses or summary prospectuses for registered funds or similar information for unregistered funds
- Copies of any financial statements or reports, to the extent such materials are provided to the plan
- A statement of the value of a share or unit of each designated investment alternative as well as the date of the valuation
- A list of the assets comprising the portfolio of each designated investment alternative and the value of each such asset (or the proportion of the investment which it comprises)

Model Comparative Chart

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
Equity Funds								
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			

Bond Funds										
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.	
Other										
F Fund/ GICs www. website address	.72%	3.36%	3.11%	5.56%	1.8%	3.1%	3.3%	5.75%	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.

Table 2—Fixed Return Investments			
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.

Table 3—Fees and Expenses		
Name / Type of Option	Total Annual Operating Expenses As a Per % \$1000	Shareholder-Type Fees
Equity Funds		
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 Stock	0.79% \$7.90	5.75% sales charge subtracted from amounts invested.
D Fund/ Mid Cap ETF	0.20% \$2.00	4.25% sales charge subtracted from amounts withdrawn.
Bond Funds		
E Fund/ Bond Index	0.50% \$5.00	N/A
Other		
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.
Fixed Return Investments		
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. 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.

Table 4—Annuity Options			
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 you own 30 shares at age 65, you will receive \$300 per month over your life.	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. 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.	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% surrender charge for any amount you withdraw before annuity payments begin. 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>Generations 2020 Variable Annuity Option</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>
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Please visit 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.