DALBAR
The Measurement of Success

DC Plan Fee Disclosure Model
Amended to Reflect DoL Proposed Regulations

February 8, 2008

Purpose

The attached model disclosure statement is intended as a template to comply with the proposed pre-sale disclosure requirements by providers to ERISA plan sponsors. Under the proposal every provider of certain services are required to enter into a written pre-sale agreement with plan sponsors. This written agreement must detail the services, fees, methods of computation, conflicts of interest and other related facts.

This model disclosure illustrates how various types of providers can comply with the proposed requirements, regardless of whether the plan is bundled or unbundled, proprietary or open architecture.

Using this model provides a degree of consistency across the industry in complying with the regulation. This consistency will reduce the cost of the disclosure for each provider and produce communication that is calculated to be understood by the average plan sponsor. In order to meet the standard of understandability, the model translates the language of the defined contribution market into more common terms instead of requiring the plan sponsor to learn the language and jargon of the DC world.

The model is a single template that represents what consultants and plan advisors with oversight responsibility may present to clients. Providers of specific services select the appropriate sections as needed. Providers that use the template will facilitate the task of consultants, plan advisors and plan sponsors who need to consolidate multiple disclosures.

Services Requiring Pre-Sale Agreement		Who Must Comply
• Fiduciaries ○ under ERISA ○ under 40 act • Providers of: ○ Banking ○ Consulting ○ Custodial ○ Insurance • Investment advisers • Investment managers • Recordkeepers	• Securities brokers and dealers • Other investment brokers • TPAs • Recipients of indirect compensation for: ○ Accounting ○ Actuarial ○ Appraisal ○ Auditing ○ Legal ○ Valuation	Accountants Auditors Banks Broker/Dealers Consultants Fiduciary Advisers Insurance Agents Insurance Companies IO Mutual Funds Law Firms Platforms RIAs & IARs Registered Reps Research Firms TPAs

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FORM OF PAYMENT CATEGORIES

50 Direct payments from the plan	61 Finders fees/placement fees
51 Investment management fees paid directly by plan	62 Float revenue
52 Investment management fees paid indirectly by plan (e.g., mutual fund investment adviser management fees)	63 Distribution (12b–1) fees
53 Insurance brokerage commissions and fees	64 Recordkeeping fees
54 Sales loads (front end and deferred)	65 Account maintenance fees
55 Other commissions	66 Insurance mortality and expense charge
56 Non-monetary compensation	67 Other insurance wrap fees
57 Redemption fees	68 "Soft dollar" commissions
58 Product termination fees (surrender charges, etc.)	70 Consulting fees
59 Shareholder servicing fees	71 Securities brokerage commissions and fees
60 Sub-transfer agency fees	72 Other investment fees and expenses
	73 Other insurance fees and expenses
	99 Other Fees

REQUIRED CONTRACT TERMS

In addition to the disclosures illustrated in this model, certain additional terms must be included in each contract.

- Required terms included in this model:
    - A description of all services being provided
    - Details of all compensation, direct & indirect
    - How compensation is calculated and terminated
    - Forms of payment
- Additional required terms:
    - Whether the provider is acting as a fiduciary
    - Financial or other interests that could be in conflict
    - Other relationships that could be in conflict
    - Ability of provider to affect its own compensation
    - Provider's policies that address conflicts of interest
    - Obligation of provider to report material changes
    - Obligation of provider to provide reportable data (for Form 5500)
    - Obligation to make specified disclosures

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ASSUMPTIONS

The basis for the estimates given in this agreement is:

A 401(k) plan including xxx participants that consists of xx assets in the following investment options

- yyy

The following features are provided to the plan.

- xxx

CONTENTS

- GRAPHIC SUMMARY OF PLAN COSTS: An at-a-glance view of services & costs. This is not a requirement under the proposed regulation but permits consultants, plan advisors and plan sponsors to analyze plan costs.
- DETAILS OF PLAN COSTS: List of services and their respective costs. This summary is not a requirement but provides supporting details for the graphic summary.
- DESCRIPTION OF SERVICES & DELIVERABLES: The services required to operate the plan.
- EXPLANATION OF SOURCES: Terms used to identify funding sources.
- HOW EACH COST IS COMPUTED: How fees and expenses are determined and used to pay for services used by the plan.
- DECLARATIONS:

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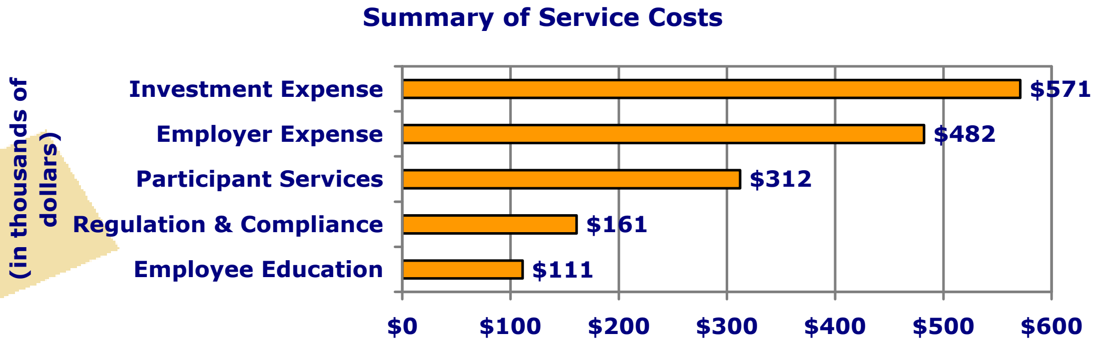
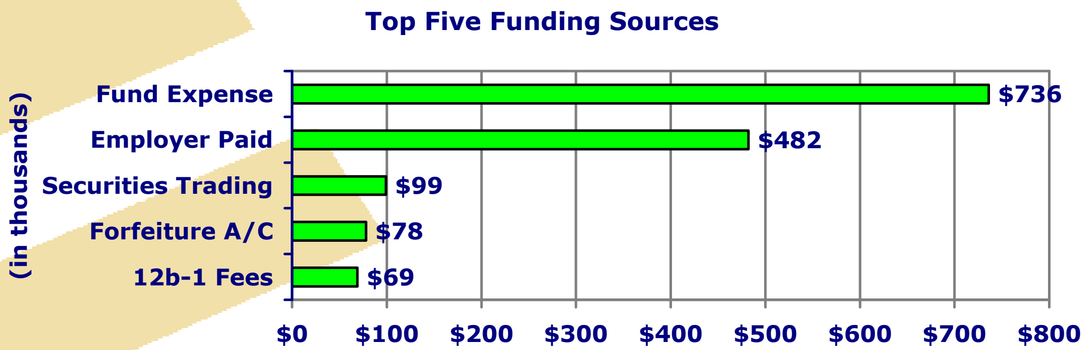
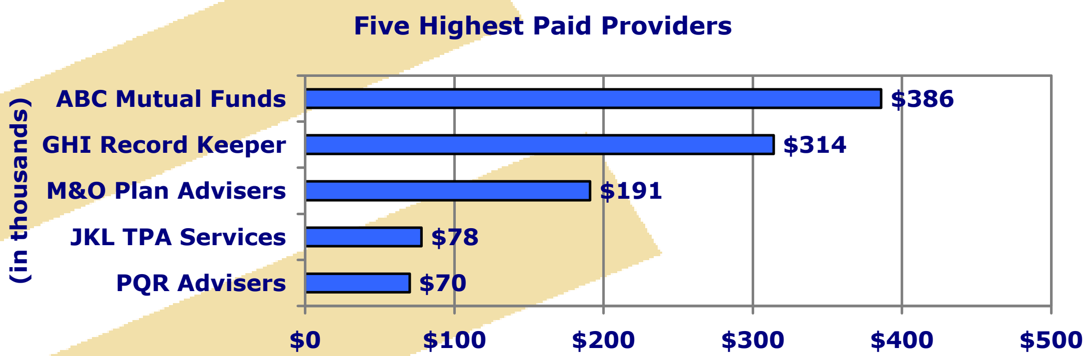
MODEL STATEMENT OF 401(K) TOTAL COST DISCLOSURE

☒ Pre-Contract Estimate ☐ Actual for _____(year)

GRAPHIC SUMMARY OF PLAN COSTS







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DETAILS OF PLAN COSTS

Service or Deliverable[1]	Provided By (F = Fiduciary)	Cost[3]	Funding Source[2]
Investment Expenses			
Manage Investments	ABC Mutual Funds (F)	320,900	Fund expense
	DEF Mutual Funds (F)	34,712	Fund expense
Securities Trading	Various brokers	98,732	Bid-ask after discount
Research reports	Various brokers	25,971	Discount on trading
IPS preparation	M&O Plan Advisers (F)	67,126	Front load
Investment selection & monitoring	M&O Plan Advisers (F)	23,781	12b-1 fees
Participant Services			
Record keeping	GHI Record Keeper	124,987	Fund expense
Phone center service	GHI Record Keeper	187,321	Fund expense
Fiduciary adviser services to participants	PQR Advisers (F)	70,000	Participant accounts
Regulatory & Compliance Costs			
Plan administration	JKL TPA Services	78,000	Forfeiture account
Provider search	M&O Plan Advisers (F)	55,000	Employer paid
Adviser due diligence, monitoring and audit	DALBAR	3,495	Employer paid
Legal counsel	Jones, Jones and Jones	25,000	Employer paid
Employee Education Costs			
Enrollment kit and other participant materials	ABC Mutual Funds (F)	65,347	Fund expense
Enrollment meetings and associated travel	M&O Plan Advisers (F)	45,390	12b-1 fees
All other services	Various	2,700	Fund expense
Subtotal -External		**9,999,999**	
Employer match	N/A	390,046	Employer paid
HR Admin Cost	N/A	65,098	Employer paid
Lost employee time	N/A	27,000	Employer paid
Total Plan Cost		**9,999,999**	

(1), (2), (3) Explanations of Services and costs are provided in the following pages.

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(1)DESCRIPTION OF SERVICES & DELIVERABLES

SERVICE OR DELIVERABLE	WHAT IS INCLUDED	EXPLANATION
Manage Investments	Research, investment selection and disposition in accordance with funds prospectuses, custody of assets and other activities required by law.	This service is used to produce the funds' investment returns.
Securities Trading	Buying and selling of securities for the funds' portfolios.	External brokers are used to execute trades required by the funds' managers.
Research reports	Independent ratings of securities being considered for purchase or sale.	Reports are among the factors considered in deciding what securities to buy or sell.
Record keeping	Creating and maintaining records of all participant accounts and the transactions and changes affecting them and issuing periodic reports.	Necessary to keep track of the value for each participant.
Phone center service	Provide answers to participants with respect to the plan, participant accounts and investment options available in the plan.	For the convenience of participants to have questions answered and needs met.
Plan administration	Performing the duties necessary for the plan to comply with legal, regulatory and the plan's own requirements.	
Provider search	Evaluating qualified providers on the basis of the investments available, services provided, the quality of those services, value to participants and costs; and making appropriate recommendations.	This process resulted in the selection of GHI Record Keeper
Investment Policy Statement preparation	Preparation of the investment policies and restrictions that investment managers must meet in order to qualify as an option in the plan.	
Investment selection & monitoring	Quarterly review of the performance and material changes in the investment options available in the plan; and making appropriate recommendations.	Investment options that no longer meet the requirements of the investment policy statement are replaced.
Enrollment kit and other participant materials	All plan related materials provided to participants and prospective participants.	These include documents mandated by law or regulation as well as materials thought to be useful.

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SERVICE OR DELIVERABLE	WHAT IS INCLUDED	EXPLANATION
Enrollment meetings and associated travel	All meetings attended by participants and prospective participants for purposes of explaining the plan, enrolling employees and providing additional information.	
Fiduciary adviser services	Provides personalized advice regarding the participants own account to those who elect to use the adviser's services.	
Adviser due diligence, monitoring and audit	Required examination of the qualifications and past performance of advisers engaged to advise the plan and participants.	Required to establish that advisers engaged by the plan are qualified experts.
Legal counsel	Advises the plan on matters of law.	
All other services	Services whose annual cost is less than $1,000 each.	

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(2)EXPLANATION OF SOURCES

SOURCE	EXPLANATION
Fund expense	Expenses are deducted from plan assets in the mutual fund that results in a lower price per share. The lower price per share reduces that value for all shareholders of the fund in proportion to their holdings. These funds collected are used to operate various aspects of each fund. All funds deducted from fund assets are included in the fund's expense ratio.
Bid-ask after discount	These costs apply when the stocks, bonds and other securities that make up the mutual fund's investments are purchased and sold. Increase in purchase price and reduction in selling price of these investments compensates brokers for executing the buy and sell orders. "Discount on trading" (see below) is deducted to reflect the true cost.
Discount on trading "Soft dollars"	Brokers that execute buy and sell orders for the mutual fund provide certain services in recognition of the high volume of transactions executed. The value of these services represents a volume discount from the cost of executing the transactions. These discounts are known as "soft dollars".
Participant accounts	Certain expenses can be deducted from individual participants for services provided to that individual participant. These include the cost or processing a loan or the use of a personal adviser.
Forfeiture account	Certain plan expenses are paid from balances forfeited by employees that terminate before being fully vested. This reduces the costs for the remaining participants.
Employer paid	Expenses paid directly by employer. They include employer contributions and any other expenses that the employer chooses to pay.
Front load	Deduction made from each investment made in the fund.
12b-1 fees	Expense deducted from assets of the fund to pay for costs associated with distribution of fund shares. These expenses are included in the fund's expense ratio.
Sub-TA fees	The sub-TA fee compensates a record keeper for the record keeping and administration of investment options when the record keeper is not compensated by their own proprietary funds. The sub-TA fee is paid by investment managers whose funds are available to participants but are outside of the record keeper's organization.

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[3]How Each Cost Is Computed and Paid

➔ *Manage Investments: ABC Mutual Funds*

The cost of managing investments is the sum of fees charged to each fund that is computed as a percentage of assets in that fund reduced by fees paid for record keeping, phone center service and enrollment kit and other materials.

The following are the funds and respective fees charged:

Fund Name	**Assets**	**Percentage**	**Annual Cost**
ABC Treasury Securities	321,750	.35%	99,999,999
ABC Long Term Bond	597,091	.87%	99,999,999
ABC Large Cap	12,479,300	.95%	99,999,999
ABC Growth	31,710,895	.95%	99,999,999
ABC Emerging Markets	4,729,823	1.15%	99,999,999
Total Fund Expense			99,999,999

The Total Fund Expense is deducted from the total assets of each fund and passed on to the plan in the form of lower prices for fund shares. These fees are indirectly paid by the plan.

Costs of other activities are a part of the Total Fund Expense:

Record keeping (Sub TA Fees)	99,999,999
Phone center service	99,999,999
Enrollment kit and other materials	99,999,999
Cost of Managing ABC Mutual Funds	**99,999,999**

➔ *Manage Investments: DEF Mutual Funds*

The cost of managing investments is the sum of fees charged to each fund that is computed as a percentage of assets in that fund.

The following are the funds and respective fees charged:

Fund Name	**Assets**	**Percentage**	**Annual Cost**
DEF Group High Yield	1,597,091	.65%	99,999,999
DEF Group Value	3,479,300	.80%	99,999,999
Total Fund Expense			99,999,999

The Total Fund Expense is deducted from the total assets of each fund and passed on to the plan in the form of lower prices for fund shares. These fees are indirectly paid by the plan.

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Costs of other activities are deducted from fund fees:

Sub TA Fees		99,999,999
	Cost of Managing DEF Investments	**99,999,999**

➔ *Securities Trading: Various brokers*

The commissions to purchase and sell securities excluding the value of additional services provided is:

DEF Group Value	99,999,999
DEF Group Value	99,999,999
Total	**99,999,999**

These commissions are added to the purchase price for acquisition of securities and deducted from the proceeds of sales for dispositions. These costs have the effect of lowering the investment returns of the funds. . These fees are indirectly paid by the plan.

➔ *Research reports: Various brokers*

The value of research reports provided in recognition of the large volume of securities transactions performed is estimated, based on the expected costs if these securities transactions were not performed (soft dollar services).

Value of Research Reports	**99,999,999**

The costs of these services are paid by "soft dollars" which have the effect of increasing commissions paid for securities transactions. . These fees are indirectly paid by the plan.

➔ *Record keeping: GHI Record Keeper*

Record keeping services are paid by an arrangement between ABC Mutual Funds and GHI Record Keeper, in which ABC pay GHI 25% of fund fees for performing record keeping. . These fees are indirectly paid by the plan.

Record keeping costs	**99,999,999**

➔ *Loan processing: GHI Record Keeper*

GHI Record Keeper charges participants fees for applying for and servicing loans.

Loan applications @ $25 each	99,999,999
Loan servicing @ $100 per year	99,999,999
Total	**99,999,999**

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➔ *Phone center service: GHI Record Keeper*

Phone center services are paid by an arrangement between ABC Mutual Funds and GHI Record Keeper, in which ABC pay GHI 15% of fund fees for providing a phone center. . These fees are indirectly paid by the plan.

Phone center costs	**99,999,999**

➔ *Plan administration: JKL TPA Services*

The fees for administration are based on contracted services from JKL TPA Services. These fees are deducted from the plan's forfeiture account to the extent that there are sufficient balances. . These fees are directly paid by the plan.

TPA service costs	**99,999,999**

➔ *Provider search: M&O Plan Advisers*

M&O Plan Advisers was engaged to evaluate available providers to provide services to the plan. M&O Plan Advisers are paid a fee for performing this service.

Provider search costs	**99,999,999**

➔ *IPS preparation: M&O Plan Advisers*

M&O Plan Advisers was engaged to develop the investment policies for the plan trustees to adopt. M&O Plan Advisers was paid a fee by the plan for performing this service. . These fees are directly paid by the plan.

IPS preparation costs	**99,999,999**

➔ *Investment selection & monitoring: M&O Plan Advisers*

M&O Plan Advisers was engaged to select and monitor investment options available in the plan in accordance with the investment policy statement adopted by the plan trustees. M&O Plan Advisers is paid an annual 12b-1 fee by ABC Mutual Funds for performing this service. This amount of the fee is varies with the value of assets in specific funds. . These fees are indirectly paid by the plan.

Fund Name	Assets	Percentage	Annual Cost
ABC Treasury Securities	321,750	.05%	99,999,999
ABC Long Term Bond	597,091	.08%	99,999,999
ABC Large Cap	12,479,300	.10%	99,999,999
ABC Growth	31,710,895	.10%	99,999,999
ABC Emerging Markets	4,729,823	.10%	99,999,999
Investment monitoring costs			**99,999,999**

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➔ *Enrollment kit and other participant materials: ABC Mutual Funds*

ABC Mutual Funds is paid a fee of 10% of fund fees to prepare and update materials. . These fees are indirectly paid by the plan.

Enrollment kit and materials costs	**99,999,999**

➔ *Enrollment meetings and associated travel: M&O Plan Advisers*

M&O Plan Advisers was engaged to host quarterly meetings of employees in five locations for the purpose of encouraging participation in the plan and to assist in decisions to select investments. M&O Plan Advisers is paid an annual 12b-1 fee by ABC Mutual Funds for performing this service. This amount of the fee is varies with the value of assets in specific funds. . These fees are indirectly paid by the plan.

Fund Name	Assets	Percentage	Annual Cost
ABC Treasury Securities	321,750	.05%	99,999,999
ABC Long Term Bond	597,091	.08%	99,999,999
ABC Large Cap	12,479,300	.10%	99,999,999
ABC Growth	31,710,895	.10%	99,999,999
ABC Emerging Markets	4,729,823	.10%	99,999,999
Enrollment meeting costs			**99,999,999**

➔ *Fiduciary adviser services: PQR Advisers*

ABC Advisers was engaged to provide personal advice to participants who elect to use this service. The cost of the service is deducted from the accounts of participants who use the service.

140 participants @ $500 each for a total of	70,000	
Fiduciary adviser costs		**99,999,999**

➔ *Adviser due diligence, monitoring and audit: DALBAR*

DALBAR was engaged to conduct the objective process required by the Department of Labor in selecting and monitoring advisers. . These fees are directly paid by the plan. The fees for these services are:

Plan Adviser process for M&O Plan Advisers @ $1500	99,999,999
Fiduciary Adviser process for ABC Advisers @ $1,995	99.999.999
Adviser due diligence costs	**99,999,999**

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➔ *Legal counsel: Jones, Jones and Jones*

Jones, Jones and Jones were retained to advise the plan trustees and administrators. . These fees are directly paid by the plan.

Legal counsel costs	**99,999,999**

➔ *Employer match*

The employer contributes an amount equal to 100% each plan participant's contributions up to 5% of compensation for the participant.

Employer match costs	**99,999,999**

➔ *HR Admin Cost*

Two staff positions in the HR department are dedicated to supporting employees with their use of the plan. Support includes answering questions, assistance in completing forms, organizing and scheduling employee meetings and interfacing with various firms used by the plan.

HR Admin costs	**99,999,999**

➔ *Lost employee time*

Employee estimate is based on attendance of 25 employees at 12 meetings requiring approximately two hours for preparation, travel and follow-up.

600 hours @ an average cost of $45 per hour	99.999.999
Lost employee time costs	**99,999,999**

Please contact DALBAR for more details.

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