

# ADVISER FEE DISCLOSURE KIT

November 2010

## INTRODUCTION

DoL regulations require that advisers to 401(k) plans make fee disclosures to plan fiduciaries by July 16, 2011. These disclosures must meet the ERISA 408(b)(2) regulations and report the adviser's direct and indirect compensation to each plan, the adviser's fiduciary status and the services provided to that plan.

In making the fee disclosure it is important that supporting documents are in order and available. To assist, this kit also includes a sample of the Registered Fiduciary documentation that is independent evidence of adviser's qualifications that is available for the plan sponsor's prudent review, as required by ERISA.

The model of the 408(b)(2) required fee disclosure and the example of a general qualifications document presented here puts the fee disclosure in perspective and permits plan sponsors to meet their obligation to prudently select and monitor their advisers.

## MODEL FEE DISCLOSURE

The model fee disclosure is intended to serve three purposes:

- Comply with the requirements of 408(b)(2)
- Provide the plan sponsor with a sufficiently detailed list of services to explain the adviser's compensation
- Create the opportunity for the adviser to upgrade the plan by providing additional compensated service

Each plan for which the adviser receives more than \$1,000 in compensation requires a separate and distinct disclosure addressing the specific compensation, fiduciary status and services provided to that plan. The adviser may use the checklist of services provided in the model to indicate which services are and which are not provided to each plan.

The checklist of services shown in the model was extracted from *Standards for Retirement Plan Adviser Services*, licensed from the Foundation for Fiduciary Studies.

**The fiduciary status reported on the disclosure must be consistent with the services reported. An inconsistency could result in a prohibited transaction violation under ERISA.**

## QUALIFICATIONS

Under ERISA plan fiduciaries (typically plan sponsors) have the duty to prudently select and monitor advisers. Plan sponsors can meet this requirement by relying on the independently prepared documentation of the adviser's qualifications and background such as the example in the "Adviser Qualifications". It is suggested that qualifications should be presented to plan sponsors as support for the fee disclosure.

An independent qualification document may be obtained in one of the following ways:

- Applying for a Registered Fiduciary™ ("RF™") designation, as shown in Adviser Qualifications section. (see RF.DALBAR.com)
- An opinion from an RF™ Qualified ERISA attorney (see RF.DALBAR.com)
- A Certifying Body authorized by the Foundation for Fiduciary Studies (see RF.DALBAR.com)
- Other qualified independent expert

## MODEL FEE DISCLOSURE DOCUMENT

***Required Disclosure from Your 401(k) Plan Adviser***

Date: January 31, 2011

Mr. John White  
Red White and Blue Retirement Plan  
Red White and Blue Manufacturing, Inc.  
291 Midwest Highway  
Littletown, ST 33333

**Your Representative**

Chris P. Crunch, Registered Fiduciary™

**408(b)(2) Disclosure**

Commencing July 16, 2011 all providers of services to 401(k) plans that earn more than \$1,000 are required to make explicit disclosures of compensation received directly or indirectly (ERISA § 408(b)(2)). This document is in compliance with this requirement.

**Fees**

**Fees:**

- 1) 0.17% (17 basis points) on total plan assets
- 2) Finders fee of \$5,000 paid by record keeper for introducing Red, White and Blue

**Source:**

12b-1 fees deducted from plan investments

**Payer:**

Received from record keeper ABC Investments, paid quarterly

**Total 2010 compensation**

\$17,350

**Fiduciary Status**

Certain services are provided as a fiduciary of the plan based on applicable legal definitions<sup>1</sup>

<sup>1</sup> Applicable definitions are contained in ERISA § 404(a), IRC § 4972, Investment Company Act of 1940 and State Laws.

	Services <sup>2</sup>	Provided
0.00	Review plan's success in meeting participants needs and retirement goals and make recommendations for changes	✓
<b>1.00</b>	<b>Investments</b>	
1.01	Define the client's investment-related goals and objectives	✓
1.02	Prepare and maintain the client's Investment Policy Statement ("IPS")	✓
1.03	Identify asset classes appropriate for client's portfolios	✓
1.04	Search for investment managers for investment options	✓
1.05	Conduct due diligence for investment options	✓
1.06	Choose investments and create portfolios according to the terms of the IPS	✓
1.07	Develop and maintain model portfolios	✗
1.08	Control and account for investment expenses	✓
1.09	Monitor investment options and prepare periodic investment reports	✓
1.10	Design rules for assigning participants to QDIAs	✓
1.11	Construct QDIA investment alternatives	✓
1.12	Place participants in appropriate investments	✗
1.13	Assist participants in selecting investments	✗
1.14	Periodically report investment decisions made to plan sponsor and Named Fiduciary	✓
<b>2.00</b>	<b>Plan Support Services</b>	
2.01	Conduct a fiduciary assessment	✓
2.02	Oversee plan administration activities	✗
2.03	Support DOL and IRS audits	✓
2.04	Select, hire and monitor certain service providers	✓
<b>3.00</b>	<b>Recordkeeper Selection and Monitoring</b>	
3.01	Collect data about the plan to develop a Request For Proposal that is used in a recordkeeping provider search	✗
3.02	Conduct search for recordkeeping provider	✗
3.03	Evaluate the capabilities of recordkeeping providers, based on industry norms and Request For Proposal	✗
3.04	Interview finalists in the provider search and select recordkeeper	✗
3.05	Evaluate the recordkeeper on a regular basis to measure compliance with plan documents and standards and assist with necessary corrective action	✓

<sup>2</sup> Services listed in this sample are derived from the *Standards for Retirement Plan Adviser Services* licensed from the Foundation for Fiduciary Studies. [www.FoundationforFiduciaryStudies.org](http://www.FoundationforFiduciaryStudies.org).

	<b>Services<sup>2</sup></b>	<b>Provided</b>
<b>4.00</b>	<b>Trustee/Custodian Selection and Monitoring</b>	
4.01	Collect data about the plan to develop a Request For Proposal that is used in a trustee/custodian search	✗
4.02	Conduct search for trustee/custodian	✗
4.03	Evaluate the capabilities of trustee/custodians, based on industry norms and Request For Proposal	✗
4.04	Interview finalists in the trustee/custodian search and select trustee/custodian	✗
4.05	Evaluate the trustee/custodian on a regular basis to measure compliance with plan documents and standards and assist with necessary corrective action	✓
4.06	Evaluate and measure the trustee/custodians' proxy voting procedure	✗
<b>5.00</b>	<b>Participant Services</b>	
5.01	Evaluate and determine the educational needs of the plan sponsors and plan participants, and establish educational objectives	✓
5.02	Formulate a plan and system to measure progress in achieving educational objectives	✗
5.03	Develop participant educational materials, enrollment materials and enrollment meetings	✗
5.04	Conduct investment education and enrollment and other education meetings	✓
5.05	Monitor the participant demographics for asset allocation to identify additional needs for specific groups of participants	✓
5.06	Evaluate the quality of services provided to participants to ensure that industry norms are achieved	✗
<b>6.00</b>	<b>Plan Conversion</b>	
6.01	Assist in the process of converting the plan to the newly selected providers and act as the liaison between former and newly appointed provider	✗
6.02	Review, advise and assist with the negotiation of the service and/or trust agreement with the new provider	✗
<b>7.00</b>	<b>Other Services</b>	
7.01	None	✗

## Requirements for Disclosure of Services and Compensation

- Information required to be disclosed by plan service providers must be furnished in writing to the plan fiduciary. The rule does not require a formal written contract delineating the disclosure obligations.
- Information that must be disclosed includes a description of the services to be provided and all direct and indirect compensation to be received by the service provider, its affiliates or subcontractors. Direct compensation is compensation received directly from the plan. Indirect compensation generally is compensation received from any source other than the plan sponsor, the covered service provider, an affiliate, or subcontractor.
- Because certain services and costs are so significant or present the potential for conflicts of interest, information concerning those services and costs must be disclosed without regard to whether services are furnished as part of a bundle or package. For example, service providers must disclose whether they are providing recordkeeping services and the compensation attributable to such services, even when no explicit charge for recordkeeping is identified as part of the service contract.
- Service providers must disclose whether they are providing any services as a fiduciary to the plan.
- Information also must be disclosed about plan investments and investment options. These disclosure obligations are placed on the fiduciaries to investment vehicles that hold plan assets and on recordkeepers and brokers who, through a platform or other mechanism, facilitate the investment in various options by participants in individual account plans, such as 401(k) plans.

## Ongoing Disclosure Obligations

- Changes: A service provider generally must disclose a change to the initial information required to be disclosed as soon as practicable, but no later than 60 days from the date on which the covered service provider is informed of such change.
- Reporting and Disclosure Requirements: Service providers also must, upon request, disclose compensation or other information related to their service arrangements that is requested by the responsible plan fiduciary or plan administrator in order to comply with ERISA's reporting and disclosure requirements.

**NOTE:** This document is a sample disclosure form which has been provided for general informational purposes only. It should not be relied upon as legal advice, and any service provider subject to the disclosure requirements under the Employee Retirement Income Security Act (ERISA) should consult legal counsel for advice based on their particular facts and circumstances.

**The Wagner Law Group, RF™ Qualified Attorneys, is a law firm specializing in ERISA/employee benefits matters that is not affiliated with DALBAR, Inc.  
For legal assistance, contact  
Marcia S. Wagner at 617 357 5200.**

## SAMPLE ADVISER QUALIFICATION DOCUMENT

C  
R  
E  
D  
E  
N  
T  
I  
A  
L  
S

---

Chris P. Crunch, RF™  
Acme Advisers, Inc.

---

Registered Fiduciary™  
Authorization, Profile,  
and Disclosure

---

July 14, 2010

---



Federal Reserve Plaza  
600 Atlantic Ave, FL 30  
Boston, MA 02210  
617.723.6400  
[www.dalbar.com](http://www.dalbar.com)

## Authorization

Congratulations, you are now a  
Registered Fiduciary™

Chris P. Crunch is authorized to use the designation RF™ and Registered Fiduciary™ beginning August 1, 2010 and ending December 31, 2011.

As an authorized user of the RF™ and Registered Fiduciary™ designation Chris P. Crunch has agreed to comply with the required standards of practice:

- Disclose all compensation expected or received, directly or indirectly, to my client(s) on a regular basis but no less frequently than annually.
- By receiving compensation for my advice that I am acting as a fiduciary with the duty to act in the best interest of my client(s).
- Provide DALBAR with the disclosures required for prudent selection and periodic review of my practice as required by federal laws and regulations.

## RF™ Profile

C  
R  
E  
D  
E  
N  
T  
I  
A  
L  
S

This Adviser	Adviser's Team	Affiliations
<b>Academics, Credentials &amp; License(s):</b> <b>RF™, CFP, CEPS, CSA, 7, 63, 24, 27, Life &amp; Health</b>	<b>Number of Advisers on Team:</b> <b>2</b>	<b>Affiliated Firm:</b> <b>Acme Advisers, Inc.</b>
<b>Experience as Adviser:</b> <b>18 Years</b>	<b>Number of Support Staff:</b> <b>4</b>	<b>Number of Advisers in Affiliated Firm:</b> <b>2</b>
<b>Background Check</b> <b>Clear</b>	<b>Primary Source of Team Revenue:</b> <b>Fees</b>	<b>Broker/Dealer Name:</b> <b>Broker Service Corporation</b>
<b>Specialty:</b> <b>Wealth Management</b>	<b>Retail Clients Served:</b> <b>Number: 200</b> <b>Assets: \$20M</b>	<b>RIA Name:</b> <b>Acme Advisers, Inc</b>
<b>Adviser Age/Gender:</b> <b>44 Years/Female</b>	<b>Institutional Clients:</b> <b>Number: 0</b> <b>Assets: 0</b>	<b>Provider Affiliations:</b> <b>None</b>
<b>Other Disclosures:</b> <b>None</b>	<b>Total Assets Managed/Supervised by Team:</b> <b>\$20M</b>	<b>Other Affiliations:</b> <b>None</b>
<b>Web Site</b> <b>www.acmeadvisers.com</b>	<b>E-Mail/Phone</b> <b>CPCrunch@aol.com</b> <b>631-665-6475</b>	<b>Geographic Coverage</b>
<b>Liability Insurance:</b> <b>\$100,000,000</b>	<b>Surety Bond:</b> <b>\$10,000,000</b>	<b>CA, FL, NC, NY, PA</b>

## Services Rendered

C  
R  
E  
D  
E  
N  
T  
I  
A  
L  
S

Investment Management Services		ERISA Related Activities	
Define the client's investment-related goals and objectives	✓	Conduct an initial fiduciary assessment	✓
Prepare and maintain the client's Investment Policy Statement ("IPS")	✓	Oversee plan administration activities	✗
Identify asset classes appropriate for client's portfolios	✓	Support for DOL and IRS audits	✓
Conduct due diligence for investment options	✓	Design rules for assigning participants to QDIAs	✓
Choose investments and create portfolios according to the terms of the IPS	✓	Construct QDIA investment alternatives	✗
Develop and maintain model portfolios	✗	Place participants in appropriate investments	✗
Control and account for investment expenses	✓	Assist participants in selecting investments	✓
Monitor investment options and prepare periodic investment reports	✓	Periodically report fiduciary decisions made to plan sponsor and Named Fiduciary	✓
Other: None		Periodically report investment decisions made to plan sponsor and Named Fiduciary	✗
		Select, hire and monitor other service providers	✗
		Review plan's success in meeting participants needs and retirement goals and make recommendations for changes	✓

## Due Diligence Performed

DALBAR has independently verified disclosures made by Chris P. Crunch have been and investigated her background. Information contained in this report is updated continuously on the Website:

[www.FiduciaryRegister.com](http://www.FiduciaryRegister.com)

This due diligence demonstrates a prudent inspection as required by law of fiduciaries to select and monitor an adviser.

### Noteworthy Findings

All disclosures made were confirmed and are reported in the *Adviser Disclosures* in the next section of this report.

No complaints or other incidents were found.

## Adviser Disclosures

The following important disclosures follow:

- Acceptance of Fiduciary Responsibility
- Adviser Affiliations
- Plan Provider Affiliation
- Other Disclosures

### Acceptance of Fiduciary Responsibility

I, Chris P. Crunch, understand and agree to act as a fiduciary and accept the personal responsibility for the advice I provide to my clients. As a fiduciary, I will act in the best interest of these clients.

The advice I provide as a fiduciary will be based on my best judgment of what a prudent person would do under the same circumstances. As a fiduciary I am not responsible for the financial results that are achieved or not achieved, provided that I can document the prudent process used to arrive at advice I give.

As a fiduciary, my advice will be consistent with the principles of diversification so as to minimize the risk of large losses, unless under the circumstances it is shown to be imprudent to diversify.

The advice I provide as a fiduciary will be in accordance with any documents or other instruments governing the client and consistent with existing laws and regulations.

### Adviser Affiliations

Chris P. Crunch has disclosed that she:

- Is employed by Brokerage Service Corporation
- Has been employed by Brokerage Service Corporation for seven and a half years.
- Provides Adviser Services under the name "Acme Advisers, Inc." which is an independent financial planning firm that has been in business since 1997 and is controlled by Chris P. Crunch, who owns a 50% interest.

### Provider Affiliation

Chris P. Crunch has reported that she has no affiliations with product providers.

### Other Disclosures

None