



## What you Need to Know about the Many Faces of 401(k) Fees

**T**he Employee Retirement Income Security Act (ERISA) imposes the fiduciary duty to know all fees and amounts paid by a plan, directly or indirectly and to determine if they are reasonable.

While some fees are easy to identify, such as those for recordkeeping, administrative and investment advisory services, often there are others imbedded within the mutual fund fee structure itself that are harder to discern. Learn more about these imbedded fees by reading the following information.

**12b-1 Plan of Distribution:** Funds may charge up to 75 basis points for distribution costs and 25 basis points for account service fees against fund assets. If your fund assets are \$5 million, 100 basis points would equal \$50,000 for distribution and account services fees. These service fees were established to reimburse the fund underwriter, transfer agent or others for costs associated with services provided to shareholder accounts, including staffing, printing/postage, telephone expenses and system resources. Ask your 401(k) plan provider or plan advisor who is receiving these fees, whether they are being credited against any disclosed fees charged by the provider or plan advisor.

**Sub-Transfer Agent Fees:** These represent a portion of the fund's transfer agent compensation set aside for shareholder recordkeeping and accounting services. These are the types of services provided by third-party administrators in most defined contribution arrangements. Ask your 401(k) provider or plan adviser what happens to these fees too?!

**Multiple Share Classes:** These are an alternative to front-end-load sales charges that compensate distribution and service firms - and one more palatable to the institutional marketplace. Generally speaking, smaller plans wind up in a different mutual fund "class" of the same type fund, frequently paying a higher investment management fee for what is generally the same investment. Ask what share classes are available for each fund offering and why you cannot receive the lowest cost share class of that fund. Your plan participants should be getting the best deal possible.

**"Wrap" Arrangements / Lifestyle Funds:** While not technically in the same category as the above, these approaches involve taking a predetermined package of existing fund offerings - with all of their imbedded fees - and applying a separate advisory fee on top of the others for the expertise and "convenience" of the packaging. These additional charges can be substantial.

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Today's plan fee environment makes it incumbent upon fiduciaries to request full disclosure of fees and expenses, how fees break down with services provided as well as a full explanation of the fees' recipients.

Your advisor can give you a clear picture of all of the fees associated with your plan while helping you to monitor this important fiduciary responsibility.

If you would like to learn more about all of the fees associated with your plan, please contact BPAS, Senior Consultant, **Joe Boyle**, MSPA. BPAS is a national provider of administration, actuarial and consulting services to a diverse array of clients. Joe can be reached at **267-948-1615** or at: [Jboyle@bpas.com](mailto:Jboyle@bpas.com).

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