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New 401(k) Plan Disclosure Rules



Background

As 401(k) plans have become more popular, plan participants have become increasingly responsible for making their own retirement savings decisions. The Department of Labor (DOL) has become concerned that participants in self-directed 401(k) plans (those that allow participants to direct the investment of their own accounts) might not have access to, or might not be considering, information critical to making informed decisions about the management of their accounts--particularly information on investment choices, fees, and expenses.

As a result, in October 2010, the DOL issued new regulations that require self-directed 401(k) plans to provide detailed information to participants about the plan and its investments, on a regular and periodic basis, so that participants can make informed investment decisions. Some information must be provided on an annual basis, and some information must be provided quarterly. For most plans, the initial annual disclosure must be furnished no later than August 30, 2012. The first quarterly statement must be furnished no later than November 14, 2012 (for July through September).

What's changing?

If you're currently participating in a 401(k) plan, chances are you're already receiving similar information as a result of an earlier set of DOL regulations. However, employer compliance with the older regulations was voluntary, whereas the new disclosure rules are mandatory for all self-directed 401(k) plans. Even participants in plans that previously complied with the earlier disclosure rules will see some changes when the new regulations take effect. For one, you'll receive more detailed information about investment fees and expenses. Another change is that plan investment information must be provided in a chart, so that you'll be better able to compare investment alternatives. And plans will no longer be required to automatically provide a prospectus, although one must be provided if you request it.

Which plans do the new rules apply to?

These new disclosure rules apply to 401(k) plans and other plans that allow participants to direct their own investments, but they do not apply to IRAs, SEPs, or SIMPLE IRA plans. They also do not apply to plans that are not covered by the Employee Retirement Income Security Act of 1974 (ERISA), including governmental plans, owner-only plans, certain 403(b) plans, and certain church plans.

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