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Re: TMI? DOL Issues Final Rules for Participant Fee Disclosures

Dear Clients and Other Friends:

Closing the loop on fee disclosure initiatives, the Department of Labor published final participant fee disclosure rules on October 20, 2010. These new rules complete the DOL's three-pronged initiative to regulate qualified plan fee disclosures. The interim final rules for plan sponsor fee disclosures were issued in July 2010 and the Form 5500, Schedule C, rules were updated for 2009 plan year reporting. See our firm website for past Client Letters discussing those rules. These new participant fee disclosure rules will apply to plan years beginning on or after November 1, 2011. For calendar year plans, therefore, these new rules are applicable in 2012.^{*}

Just like reading about the latest celebrity escapade in the tabloids, some participants may wonder if the new participant fee disclosures contain "too much information" to reasonably digest. Perhaps, but there is no choice about whether to comply; an ERISA fiduciary breach may result from non-compliance. The net result from these new rules is a "more is better" approach that seeks thorough and meaningful disclosure of plan fee arrangements to participants.[†]

To help navigate these new participant fee disclosure rules, this Client Letter provides questions and answers about the final rules and includes two sample disclosure charts. One chart is the Model Comparative Chart issued by the DOL with the final rules that demonstrates how to disclose investment-related fees. The other is a sample chart we have drafted to provide a template that might be used to comply with the plan-related fee disclosure.[‡]

Questions and Answers

Which plans do these participant fee disclosure rules apply to?

The rules apply to participant-directed individual account plans. Generally, this means any employer-sponsored retirement plan that permits participants to direct investments among a menu of investment options. Such plans include: participant-directed 401(k) plans, profit sharing

^{*} See the following DOL web link for a copy of the new participant fee disclosure rules:
<http://webapps.dol.gov/FederalRegister/PdfDisplay.aspx?DocId=24323>

[†] Though we refer to participants receiving these disclosures in this letter, note that participant fee disclosures are required to be made to participants, beneficiaries of deceased participants and alternate payees under QDROs with authority to direct investments under individual account plans.

[‡] Both charts should be customized and reviewed by counsel before using for a particular plan.

plans, money purchase pension plans and 403(b)-ERISA plans. These new rules do not apply to individual retirement accounts (IRAs), simplified employee pension plans (SEPs), SIMPLE plans or non-ERISA employer-sponsored plans.

Who is responsible for providing these participant fee disclosures?

The plan administrator (usually the employer or a person or committee appointed by the employer) is responsible for complying with the disclosure requirements. The new rules make the disclosure responsibility part of the plan administrator's fiduciary duties to the plan. Although fiduciary penalties target plan administrators, the DOL anticipates that plan service providers will need to incorporate systems and process changes to accommodate the new disclosure requirements. The final rules permit plan administrators to reasonably rely on information supplied by service providers or investment funds to avoid liability for noncompliance with the new rules. This means that plan administrators should assure that plan service arrangements require complying participant fee disclosures and should make a good faith determination that such disclosures meet DOL requirements.

What must plan administrators disclose to participants? And when?

Plan administrators must distribute fee disclosures to participants at several key times during the plan year:

- Initial and annual fee disclosures: Plan-related information and investment-related information must be disclosed to participants up front (on or before the first investment) and annually (at least once during any 12-month period). For purposes of the investment-level disclosure, the DOL has issued a Model Comparative Chart to list fees and general features of plan investment options. Annual disclosures must be provided at least once during any 12-month period.
- At least quarterly statements: Certain fee disclosures are required to be provided at least quarterly to participants. These fee disclosures may be included in quarterly benefit statements provided to participants.
- Prior to changes to disclosures: Any changes to plan-related information or fees must be communicated to participants at least 30 days, but not more than 90 days, prior to the effective date of the change. In the event that circumstances do not allow for advance notice, plan administrators must inform participants as soon as reasonably practical. Changes to investment-related information must be updated on the websites required for designated investment options as soon as reasonably possible.

When are these new rules effective?

In an effort to balance the importance of providing meaningful disclosure to participants with the practical challenges and cost implications of compliance with new rules, the DOL set both an "effective date" and an "applicability date." Accordingly, the new rules are effective on December 20, 2010. The new rules will be applied (i.e., actually enforced) to participant-

directed individual account plans for plan years beginning on or after November 1, 2011. For calendar year plans, this means the rules are applicable beginning January 1, 2012.

A transitional rule allows for initial disclosures to participants who had the right to direct investments under a plan on the applicability date to be issued no later than 60 days the such applicability date. Generally, for calendar year plans, this means that initial disclosures can be provided to existing participants at any time during the first 60 days of 2012.

Hopefully, the DOL will clarify when exactly these new rules first apply to quarterly statement disclosure requirements. Pending that clarification, it is not clear if the new disclosures for quarterly statements are required for the 4th quarter 2011 statements (generally issued in 2012) or for the 1st quarter 2012 statements. Based on the rules' applicability date, it seems likely that the DOL meant for the new rules to first apply to the 1st quarter 2012 statements.

Who must receive the new fee disclosures?

All eligible participants, whether or not they actually become enrolled in the plan, beneficiaries of deceased participants and alternate payees under QDROs who have the right to direct the investment of accounts under the plan must receive these disclosures.

What information must be included in the initial and annual disclosures?

Initial and Annual Disclosures	
Plan-Related Information: This includes information about the participant's direction of investments under the plan and plan administrative expenses.	
General Plan Information	<ul style="list-style-type: none"> • Identify <u>designated investment options</u> and/or, as applicable, any designated investment managers. • Explain how participants may give <u>investment directions</u>. • Explain any <u>limitations or restrictions</u> on the ability to direct investments. • Describe the participants' <u>voting or tender rights</u> and applicable restrictions. • Describe any <u>brokerage window</u>, self-directed brokerage account or similar plan arrangement.
Administrative Expenses Information	Explain general plan administrative fees and expense and how such charges will be allocated on a plan-wide basis (pro-rata, pro capita). Fees and expenses may include legal, accounting and recordkeeping fees.
Individual Expenses Information	Explain any individual fees and expenses that may be charged to an individual's account, rather than on a plan-wide basis. Such fees and expenses may include: loan fees, QDRO fees, investment sales commissions/loads, redemption fees, investment management or brokerage fees charged directly to a participant's account (for example under a brokerage window).

Initial and Annual Disclosures (cont'd)	
Investment-related information: Fees and features of plan investment options must be furnished in a chart or similar format, designed to facilitate a comparison of each designated investment option under the plan (e.g., the DOL Model Comparative Chart).	
Identity And Investment Category	Describe the identity and investment category of each of the plan's designated investment options.
Performance Data For Variable And Fixed Return Investment Options [§]	<p>1-, 5- and 10-year returns (or life of an investment option, if shorter) are provided for variable return options, such as mutual funds.</p> <ul style="list-style-type: none"> • <u>Transition rule for non-mutual funds.</u> For non-SEC registered entities, the plan administrator (likely leaning heavily on the investment provider) may provide a reasonable good faith estimate of performance data relying on available expense information or estimates. Participants must be informed of the basis on which the returns were determined. This transition rule applies for plan years beginning before October 1, 2021. • <u>Fixed rate of return investment options.</u> The fixed rate of return and investment terms must be provided for these investment options. Disclose when rates may be adjusted, the current rate of return, the minimum guaranteed rate, if any, a statement that the issuer may adjust the rate prospectively and how to obtain (e.g., telephone or web site) the most recent rate of return.
Benchmarks	For variable return options that do not have a fixed rate of return, the name and returns of an appropriate broad-based securities market index over 1-, 5- and 10-year periods must be provided.
Fee And Expense Information For Variable And Fixed Return Investments	<ul style="list-style-type: none"> • For variable return options, the total annual operating expenses expressed as both a % of assets and as a dollar amount for each \$1,000 invested, and any shareholder-type fees or restrictions on the participant's ability to purchase/withdraw from the option. • For investment options that have a fixed rate of return, include any shareholder-type fees or restrictions on the participant's ability to purchase or withdraw from the investment. • Statement that fees and expenses are only one of several factors to consider when investing, and the cumulative effect of fees and expenses may substantially reduce retirement account growth.
Internet Website Address	An Internet website address must be provided that is sufficiently specific to provide participants access to specific additional information about a plan's investment options.
Glossary	A general glossary of financial terms must be provided directly or via an Internet website address to assist participants' understanding.
Annuity options	Special rules apply for annuity options. See the Q&A below and the DOL Model Comparative Chart.
Target Date Funds ("TDFs")	The DOL noted in the preamble to the final rules that it intends to issue special rules for TDFs in the future.

[§] Examples of fixed return investments include certificates of deposit, guaranteed insurance contracts, variable annuity fixed accounts and similar interest-bearing contracts from banks or insurance companies. Money market mutual funds and stable value funds are variable return options under the participant fee disclosure rules.

What information must be included in the quarterly disclosures?

Quarterly Disclosures	
Administrative Expenses Information	<p>Provide the dollar amount for administrative services actually charged to the participant's account during the quarter:</p> <ul style="list-style-type: none"> • Describe the administrative services (i.e., "plan administration, including recordkeeping, legal, accounting services") to which the charges relate. • Explain how the fees were charged (i.e., either by liquidating shares or deducting dollars). • Plans with revenue sharing arrangements must explain that some of the plan's administrative expenses were paid from the total annual operating expenses of one or more of the plan's designated investment alternatives (i.e., through revenue sharing agreements, 12b-1 fees, sub-transfer agent fees).
Individual Expenses Information	<p>Provide the dollar amount for individual expenses actually charged to the participant's account during the quarter:</p> <ul style="list-style-type: none"> • Describe the services (i.e., "loan processing fee") to which the individual charges relate. • Explain how the fees were charged (i.e., either by liquidating shares or deducting dollars).

What is a "designated investment option" for purposes of these disclosures?

Investment-related disclosures must be provided for all designated investment options under a plan. The term "designated investment option" means an investment option available for participants to invest their accounts into under the plan. This term does *not* include "brokerage windows" or other "self-directed brokerage accounts" available under the plan.

Therefore, a menu of mutual funds available under a plan will be designated investment options but mutual funds available to participants through a brokerage window under a plan will not be designated investment options. Information about each fund under the menu of funds will need to be disclosed as required for a designated investment option. For funds available only through brokerage windows, participants will need to know how to obtain prospectuses and what fees apply for trading activities and account maintenance when utilizing a plan's brokerage window.

Designated investment options may be mutual funds, exchange traded funds or unregistered investment funds included on a plan's funds menu. Unregistered investment funds include bank-sponsored collective investment funds, separately managed accounts/portfolios and insurance company-sponsored separate accounts.

How do these new rules relate to ERISA § 404(c) requirements?

These new rules apply to all participant-directed individual account plans, regardless of whether such plans are 404(c) plans.

Plan sponsors that have not decided to designate their plans as 404(c) plans may wish to revisit that decision. Since, as mentioned, these new rules apply whether or not the plan is a 404(c) plan and since these rules eliminate the requirement for 404(c) plans to automatically distribute mutual fund prospectuses, plan sponsors may find it in their interest to obtain the available fiduciary protections of ERISA § 404(c) by now designating their plans as 404(c) plans.

What changes require a new disclosure to be made?

Applicable plan-related information must be provided at least 30 but not more than 90 days before the effective date of any change to the general plan information, administrative expense information or individual expense information in the initial/annual notice. There is no “materiality” requirement under the new rules. Therefore, this timing rule applies to any change to required disclosure information.

With respect to investment-related information, because a website address is required for designated investment options, any change impacting this information is expected to be posted to the website as soon as reasonably possible.

What must plan administrators provide to participants upon request?

Prospectuses of mutual funds, financial reports and statements of valuation and of assets held by an investment option must be provided upon request. As noted in another Q&A (see above), this changes the rule for 404(c) plans that formerly required prospectuses to be delivered to participants upon initial investment in a mutual fund.

Do the new rules require websites for all designated investment options?

Yes. This requirement could prove burdensome and expensive for unregistered investment options, such as bank-sponsored collective investment funds and separately managed accounts.

Importantly, the final rules place the burden to “furnish” websites for all designated investment options on the plan administrator. Plan administrators could look to service providers to provide such websites. In doing so, plan administrators should ensure that service arrangements call for these websites to be established and maintained in compliance with the new rules.

What is required to be disclosed on websites of designated investment options?

- The name of the designated investment options’ issuer;
- The investment objectives or goals of the designated investment option;
- The principal strategies (including a general description of the types of assets held by the investment) and principal risks;
- The designated investment option’s portfolio turnover rate;
- The designated investment options’ performance data (see Initial and Annual Disclosures chart above), updated on at least a quarterly basis; and
- The designated investment options’ fee and expense information as required under the new rules.

What must be disclosed for employer securities investments?

The DOL decided to require special disclosure for employer stock investment options. Required disclosures are similar to those required for variable return investments (see above and in the DOL Model Comparative Chart). Special rules for employer securities disclosure include:

Initial and Annual Disclosures - Employer Securities Investments	
Investment-related information:	
Performance Data	For unitized employer stock funds, the variable investment disclosure rules apply. Special rules apply for employer securities not held in a unitized fund when determining performance (generally, reflecting applicable reinvested dividends).
Fee And Expense Information	Fee and expense disclosures including total operating expense disclosures do not apply unless employer securities are offered through a unitized employer stock fund. For unitized funds, the variable investment disclosures are required.
Additional Disclosures	<ul style="list-style-type: none"> • Provide an explanation of the importance of a well-balanced portfolio (in lieu of explaining principal strategies and risks of the investment option). • The portfolio turnover rate disclosures do not apply. • Unitized funds of employer securities <i>must</i> provide a website address for current disclosure information. • Employer securities investment options that are not unitized funds do <i>not</i> require a website address since (as noted above) the comparative fee and expense information is not required for these investment options.

What information must be disclosed for annuities?

Special disclosure rules apply to investment options that permit participants to allocate contributions toward the current purchase of a stream of retirement income payments guaranteed by an insurance company. These are referred to as “annuity options.” Instead of the comparative format required for variable or fixed return investments, annuity options are subject to the following special disclosure requirements:

Initial and Annual Disclosures - Annuities	
General Annuity Information	<ul style="list-style-type: none"> • Name of the contract, fund or product. • The option’s objectives or goals (e.g., to provide a stream of fixed retirement income payments for life). • The benefits and factors that determine the price (e.g., age, interest rates, form of distribution) of guaranteed income payments. • Any limitations on the ability to withdraw or transfer amounts allocated to the option (e.g., lock ups) and any resulting fees or charges.

Initial and Annual Disclosures - Annuities (cont'd)	
Annuity Fees	Any fees that will reduce the value of amounts allocated to the option, such as surrender charges, market value adjustments and administrative fees
Guarantees	A statement that guarantees of an insurance company are subject to its long-term financial strength and claims paying ability.
Website Address Information	<p>A website address that provides the following information:</p> <ul style="list-style-type: none"> • Name of the issuer and name of the contract, fund or product. • Description of the objectives and goals of the annuity option. • Description of the distribution alternatives/guaranteed income payments (e.g., payments for life, payments for a specified term, joint and survivor payments, optional rider payments), including any limitations on the right of the participant or beneficiary to receive such payments. • Description of costs and/or factors taken into account to determine the price of benefits under an annuity option's distribution alternatives/guaranteed income payments (e.g., age, interest rates, other annuitization assumptions). • Description of any limitations on the right to withdraw or transfer amounts allocated to the annuity option and any applicable fees or charges for such withdrawals or transfers. • Description of any fees that will reduce the value of amounts allocated to the annuity option (e.g., surrender charges, market value adjustments and administrative fees).

In what form must these new disclosures be provided?

Required disclosures may be provided in one form or in several pieces. The new initial/annual disclosures may be included as part of a plan's Summary Plan Description ("SPD") as long as these materials are provided consistent with the timing rules specified under the final rules. Quarterly disclosures may be part of quarterly benefit statements that meet the timing rules.

How may the new disclosures be furnished?

The DOL reserved issuing rules on how the new disclosures must be furnished pending further review of options for electronic delivery of disclosures. The DOL states that it will finalize these rules before the applicability date of the final rules.

In the meantime, plan administrators should distribute the new disclosures to participants in the same way as SPDs and other required disclosures -- consistent with the disclosure requirements under DOL regulations § 2520.104b-1, including the safe harbor rules for electronic disclosures.

Must revenue sharing be disclosed to participants?

On the fee statement to be provided at least quarterly, plans with revenue sharing arrangements must explain that some of the plan's administrative expenses were paid from the total annual

operating expenses of one or more of the plan's designated investment alternatives (i.e., through revenue sharing agreements, 12b-1 fees, sub-transfer agent fees).

How do these rules impact the fiduciary responsibility for selecting and monitoring investment options?

They do not change this responsibility. The DOL emphasizes that plan administrators continue to have fiduciary responsibility for the selection and monitoring of plan investments.

What is required for the glossary that must be provided through the investment-related disclosure?

The new rules require a glossary of investment and financial terms relevant to the designated investment options. The glossary may be provided as part of the investment-related comparative chart or available through a website address provided in such comparative chart. Alternatively, each designated investment option may make its own glossary of terms available through the website required for such designated investment option.

Action Items!

<u>Plan Sponsors</u>	<u>Service Providers</u>
1. Learn the new participant fee disclosure rules.	1. Learn the new participant fee disclosure rules.
2. Review plan fees and service arrangements to determine applicable participant disclosure requirements for the plan.	2. Review plan fees and service arrangements to determine applicable participant disclosure requirements for serviced plan.
3. Confirm whether some or all participant fee disclosures will be provided by service providers.	3. Determine whether to provide some or all participant fee disclosures for serviced plans and the form to be used for such disclosures (e.g., the DOL Model Comparative Chart).
4. Assure service provider agreements are amended to specify responsibilities for required participant disclosures. As part of this task, review and confirm that websites will be available (as of 1/1/2012 for calendar year plans) for all designated investment funds. Confirm service providers' responsibility to maintain complying websites.	4. Determine whether and to what extent service provider fee agreements need to be amended to address participant fee disclosure responsibilities.
5. Review plan documents and trust agreements to determine and make applicable amendments.	5. Determine applicable software or design changes needed to address participant fee disclosure requirements. Review systems requirements to address participant fee disclosures to be provided by the service provider consistent with its service arrangements with plan sponsors.
6. Review procedures for monitoring and selecting designated funds; and review/select funds at least annually.	6. Review requirements for websites required for designated funds and determine if the service provider or other party (i.e., another service provider or perhaps a plan sponsor) will establish/maintain complying websites for funds available through the service provider.

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7. Monitor DOL fee disclosure guidance for Target Date Funds used as designated investment funds (future DOL guidance will be issued in this area).

7. Monitor DOL fee disclosure guidance for Target Date Funds used as designated investment funds (future DOL guidance will be issued in this area).

8. For an employer stock fund, confirm applicable rules and responsibility for disclosures/website.

8. Confirm applicable disclosures required for employer stock funds serviced by the provider.

These are extremely detailed new rules, with varying disclosure requirements for different retirement account investment options. We welcome your inquiries about the application of these rules to your company's real life situations.

Sincerely,

Theodore K. Rice

Holly A. Fistler

SAMPLE PLAN-RELATED DISLCLOSURE FOR PARTICIPANTS

*This is a sample template drafted by Kelly, Hannaford & Battles., P.A.
This is not a DOL model – review with counsel to edit for application to a particular plan.*

ABC Corporation 401k Retirement Plan
General Plan Information and Fee Disclosure – January 1, 20XX

Plan Information

General Plan Information:

Funds (or investment managers) available under the Plan:	[Include a list here or include language similar to this: <i>Designated investment options (or investment mangers) under the Plan are listed in the Comparative Chart Disclosure of investment options that is provided together with this Plan Information Disclosure.</i>]
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Participants may provide investment instructions as follows:	[Sample language: <i>Participants may access the Plan website _____ or call _____ to direct investments. Generally, investment directions under the Plan will be transacted if received by the end of trading on any “trading day.” Generally, a trading day is any day the New York Stock Exchange is open, typically non-Holiday weekdays. Trade instructions must be provided by _____ of each trading day. Trade instructions received after this time will be transacted on the next trading day.</i> [Additional disclosure: _____ _____ _____]
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Applicable limitations and restrictions on ability to direct investments:	Applicable limitations and restrictions include: _____ _____ _____
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Proxy and tender rights:	[Sample language: <i>Participants will/will not receive from the Plan’s service provider proxy voting and tender materials for designated investment options held under the Participant’s Plan account.</i> [Additional disclosure: _____ _____]
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Brokerage arrangement: [if offered under Plan]	[Describe the brokerage window, self-directed brokerage account or similar plan arrangement here.] _____ _____
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Other disclosures:	_____ _____ _____
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Plan Information (continued)

Administrative Expenses:	
Description of administrative expenses:	Administrative expenses (such as legal fees, accounting fees and Plan recordkeeping charges) that may be charged to Participant accounts are (<i>explain below</i>): _____ _____ _____ _____
Allocation of administrative expenses:	These expenses may be charged as follows (<i>explain below – e.g., pro rata, per capita</i>): _____ _____ _____

Individual Fees and Expenses:	
Description of individual fees and expenses:	Fees and expenses that may be charged to Participant accounts that are not disclosed as administrative expenses, above, or as investment-related charges in the accompanying Comparative Chart Disclosure include (<i>explain below</i>): [Note: Include any sales loads, redemption fees, fees for loans, fees for Qualified Domestic Relations Orders.] _____ _____ _____
Individual fees and expenses related to the Plan’s brokerage arrangement:	[If a brokerage window is offered under the Plan, include a disclosure of commissions and other fees for this service.] _____ _____ _____

*This is a sample template drafted by Kelly, Hannaford & Battles., P.A.
This is not a DOL model – review with counsel to edit for application to a particular plan.*

**DEPARTMENT OF LABOR'S MODEL COMPARATIVE CHART DISCLOSURE
FOR DESIGNATED INVESTMENT OPTIONS**

This is the DOL model chart that was published as part of the participant fee disclosure regulations; see <http://webapps.dol.gov/FederalRegister/PdfDisplay.aspx?DocId=24323>.

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		Shareholder-Type Fees
	As a %	Per \$1000	
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,	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	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

	you will receive \$300 per month over your life.	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.	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.
Generations 2020 Variable Annuity Option www.website address	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. This option is available through a variable annuity contract that your plan has with ABC Insurance Company.	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. 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.	Maximum surrender charge of 8% of account balance. Maximum transfer fee of \$30 for each transfer over 12 in a year. Annual service charge of \$50 for account balances below \$100,000.

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.