

Pershing Retirement Regulatory Update

An Overview of Additional Fee Disclosures Required on Schedule C of Internal Revenue Service (IRS) Form 5500

Introduction

Over the past several years, the Department of Labor (DOL) has issued a series of regulations governing plan fiduciaries that require additional disclosures of fees and expenses by retirement plan sponsors and service providers. For example, new disclosures under the Employee Retirement Security Act (ERISA) Sections 404(a)(5) and 408(b)(2) are designed to increase the transparency of the fees and expenses paid by plan sponsors and participants.

Effective for plan years beginning in 2009, plan sponsors must disclose more detailed information on the plan-related fees that they pay to service providers on Schedule C of Form 5500.

At Pershing, we are dedicated to ensuring that you are aware of these rules and take the steps needed to comply with them. Because each customer's situation is unique, we strongly encourage you to seek out legal advice from independent counsel regarding the impact of these new requirements on your business.

The Basics of the New Schedule C Form 5500 Disclosure Requirements

Sponsors of qualified retirement plans with 100 or more participants are required to file Schedule C of Form 5500 annually with the DOL and the Internal Revenue Service (IRS).

Schedule C details compensation in excess of \$5,000 that is received from the plan for services rendered in the prior plan year. Under the new regulations in effect since 2009, Schedule C requires a more detailed disclosure of the following types of plan-related fees earned by service providers such as Pershing:

- > **Direct compensation:** Fees paid directly from plan assets to a service provider, itemized according to more than 50 categories
- > **Indirect compensation:** Fees received by a plan service provider from another service provider for services rendered to the plan

What Information Must Be Disclosed?

The additional fee information that must be provided on Schedule C includes the following:

- > The total payments to all plan service providers who received at least \$5,000 during the plan year (including both direct and indirect compensation)
- > The sources of all indirect payments of \$1,000 or more received by certain providers for certain types of services
- > The names of any providers who have failed to provide the plan sponsor with the information needed to complete the Schedule C

When Does the Disclosure Need to Occur?

This annual filing must be completed by the last day of the seventh month following the end of the plan year. For calendar year plans, the due date is July 31.

What is Your Role?

If you are a service provider to retirement plan sponsors and participants, these rules will impact you and you need to be aware of the new disclosure requirements. Because the new reporting rules are complex, Pershing encourages you to obtain expert legal guidance to determine the steps your organization needs to take to comply with the regulations.

Of course, any time you must communicate the fees you charge, you also can reinforce the value that your organization delivers. Remember that, as plan fiduciaries, plan sponsors need to evaluate not only the fees paid but also the overall benefits received by the plan.

What is Pershing's Role?

Certain compensation that Pershing earns is considered to be indirect compensation and must be reported by those plans required to file Form 5500 Schedule C. Pershing has been providing customers with the information they need to help plan sponsors comply with these reporting requirements since their implementation in 2009.

Pershing wants you to be aware of the new regulations and seek out the legal guidance needed to comply.

Additional Resources

In addition to this summary of the requirements of the Form 5500 Schedule C, we offer an overview of recent DOL transparency regulations, including the new 408(b)(2) and new 404(a)(5) fee disclosures. These additional materials can be found under Resources on NetX360® or by contacting your Account Manager or a member of your Service Team.

Detailed information about the regulations, including factsheets and frequently asked questions, can also be found at the DOL's Employee Benefits Security Administration website: dol.gov/ebsa.

Please note that Pershing does not provide tax or legal advice. You should consult with your tax and legal advisor regarding the impact of these new requirements on your business and your plan sponsor clients.

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