My Plan Connection

I just received my statement, and I can't believe the fees I'm being charged! My last 401(k) plan was free. What's going on?

We're glad you asked. If you've been watching the news, you'll know that the fees in retirement plans are a hot topic. And as a consumer, you should question the fees that you are being charged because the higher your fees, the harder it is for you to prepare for retirement.

One of the reasons that fees in retirement plans have become such a hot topic is that traditionally fees have been "hidden" or, at

> Your plan is now serviced by a Full Disclosure Provider. That's great news!

least, really hard for the average consumer to understand. If you are seeing fees for the first time, that's because your retirement plan is now serviced by a "full disclosure" provider. The fees in your plan are now explicit and will appear on your account statements each quarter and can be seen online as a fee transaction against your account. Although you may be seeing fees for the first time, this does not mean that the new platform is more expensive. It is very likely that the fees are not higher, they are just easier to understand.

Obviously, no one works for free, so every company that provides services to your plan is getting compensated in some fashion. The key is to understand how they are being paid. With your current plan providers, fees are assessed each quarter as an explicit asset or account fee.

In contrast, many traditional providers do not assess an explicit asset fee. Instead, these plan providers are paid through revenue sharing payments from the mutual fund families and/or

through a "wrap fee" on plan investments. If plan providers are paid in this fashion, then the providers' fees are assessed before your net investment return is declared. This means that while you won't see a fee on your statement, your investment return is lower than it otherwise would be.

AGC Georgia : RETIREMENT SAVINGS PLAN

Traditional Versus Full Disclosure Pricing Model

	"Traditional"	"Full Disclosure"
Fund's Gross Investment Returns	10.0%	10.0%
Mutual Fund Management Expense	-0.50%	-0.50%
Revenue Sharing (12B-1s, Sub Tas, Shareholder Service Fees)	-0.60%	-0.00%
Sub Account Management Fee	-1.15%	-0.00%
Declared Net Return to Participant	7.75%	9.50%
Explicit Asset Fee (shows on statements)	0.00%	-1.00%
Actual Net Return to Participant	7.75%	8.50%

Traditional and Full Disclosure Pricing

Examples always help. The table above presents a hypothetical example, which compares a "traditional" pricing model with a "full disclosure" pricing model. The example is provided merely to demonstrate different ways participants may be assessed fees and may or may not reflect the actual fees in your current or prior plans. In this example, the cost to the participant of the "Traditional" plan is actually higher than the cost to the participant of the "Full Disclosure" plan, because the participant's final return on their investment is only 7.75% compared to the 8.50% in the 'Full Disclosure' plan. However, a participant may think that the "Full Disclosure" plan is more expensive because her statement shows the 1.00% asset fee on her statement, whereas in the "Traditional" plan, she did not see any explicit fee charges.

The full disclosure model is a significant improvement on the traditional pricing model for two reasons. First, when fees are "hidden", providers are able to charge much higher prices than when their fees are obvious for all to see. Full disclosure typically means lower prices. Second, when providers are paid revenue sharing payments by mutual fund companies, then the plan's ability to choose investment options can be constrained to those funds and share classes that pay sufficient revenue to the providers. In contrast, in a full disclosure model, your plan is free to choose whatever investment options they believe best serve the needs of plan participants without any restrictions. This will often enable the plan to offer a better investment menu than they otherwise could.