



401(k) Plan Regulatory Update

There are 2 new rules from the U.S. Department of Labor that all 401(k) plan administrators should be aware of. The first rule has been finalized and creates a requirement for fee disclosure to plan fiduciaries and participants. The second is a proposed rule to update the definition of *fiduciary* to more broadly define the term as a person who provides investment advice to plans for a fee or other compensation.

The fee disclosure rules, which are under section 408(b)(2) of ERISA, go into effect January 1, 2012. They require certain service providers to employee benefit plans to disclose information to assist plan fiduciaries in understanding the reasonableness of the fees being charged for plan services and assess potential conflicts of interest that might affect the quality of those services. The rule applies to plan service providers that expect to receive \$1,000 or more in compensation and that provide certain fiduciary or registered investment advisory services, make available plan investment options in connection with brokerage or recordkeeping services, or otherwise receive indirect compensation for providing certain services to the plan.

The proposed rule to update the definition of a fiduciary would amend a 1975 regulation that defines when a person providing investment advice becomes a fiduciary under ERISA. The proposed amendment would update that definition to take into account changes in the expectation of plan officials and participants who receive advice, as well as the practices of investment advice providers.

More information about these rules can be found at www.dol.gov/ebsa. If you would like more information about K Financial's employee benefit plan audit practice or a fee quote for your 401(k) plan audit, please email Jamie@kfinancial.com. We will likely be able to reduce your audit fee and improve the level of service you receive at the same time.