

What you need to know

Plan sponsors of participant-directed individual account plans are required to disclose certain specific plan and investment-related information to all their “eligible employees”, which includes (i) all employees who are eligible to participate under the terms of the plan, regardless whether the employee has actually become enrolled in the plan, and (ii) beneficiaries with the right to direct investments in the plan.

The DOL introduced §2550.404a-5 to ensure that all **eligible employees** and **beneficiaries** receive sufficient information to help them make informed and meaningful decisions. Plan sponsors are required to provide the following disclosures before eligible employees and beneficiaries can first direct their investments under their plan, and annually thereafter:

Plan-related information



- Explanation of the circumstances under which investment instructions may be given and any specified limitations on such instructions; identification of the investment options available under your plan
- Explanation of administrative fees/expenses for general plan administration services, such as legal, accounting and recordkeeping services, and how these fees will be allocated to the participants and beneficiaries, and
- Explanation of individual fees and expenses that will be charged to the participants and beneficiaries (e.g. loan fees and transaction fees).

Investment-related information about each investment option available under your plan



- Identifying information about each investment option - Performance and benchmark data
- Fees and expense information
- Glossary of terms
- Website address for each investment option to access additional information for that option

Other requirements

You are also required to communicate any changes made to the plan-related information already provided 30 to 90 days prior to those changes coming into effect. Finally, on a quarterly basis, you are required to disclose the dollar amount of the administrative and individual expenses that are actually charged to the participants' (and beneficiaries') accounts during the preceding calendar quarter.

Key Takeaways

1. Ensure you have a document that captures the required plan and investment-related information.
2. Be sure to share that information with all eligible employees before they can first direct their investments under your plan, and annually thereafter.
3. Don't forget to communicate any changes you make to the plan information already provided 30 to 90 days before the change comes into effect.
4. Work with your Recordkeeping Vendor that can help you understand your new responsibilities and help you meet the requirements outlined under ERISA §404a-5.