

Plan Sponsor Fee Disclosure - What is 408(b)(2) and What Actions Should a Plan Sponsor Take?

What is 408(b)(2)?

The purpose of the 408(b)(2) disclosure for retirement plan sponsors is to provide transparency and clarity regarding the fees and compensation that service providers (in this case Sentinel Group) charge for their services within a retirement plan. This disclosure is mandated by the Employee Retirement Income Security Act (ERISA) and is intended to help plan sponsors make informed decisions when selecting and monitoring service providers. It ensures that sponsors have a comprehensive understanding of all fees, potential conflicts of interest, and the services being provided, enabling them to assess the reasonableness of costs and fulfill their fiduciary responsibilities to plan participants. Ultimately, the 408(b)(2) disclosure promotes accountability and protects the interests of retirement plan participants. **You do not need to distribute this notice to plan participants. It is for your reference as a plan fiduciary only.**

What must be disclosed?

All covered service providers (CSPs) need to share the following details:

1. **Service Description:** The fees charged should be easy to understand. This helps you, the person in charge of the plan (fiduciary), make informed decisions and spot any possible conflicts of interest.
2. **Fiduciary Status:** It should be clearly stated if they'll be acting as a fiduciary or as registered investment advisor.
3. **Compensation Disclosure:** It must disclose any fees the provider gets directly or indirectly for their services. It must explain how it's received — whether it's through billing or deducted from the plan's accounts.
 - *Direct compensation:* Money the provider gets directly from the plan or participant accounts.
 - *Indirect compensation:* Money from sources other than the plan or sponsor. Explain what services they are providing for this money, who's paying them, and how. This helps spot any potential conflicts of interest.
4. **Related Party Compensation:** If a service provider is charging fees based on transactions or directly from the plan's investments.
5. **Termination Compensation:** If there are fees when ending the service, explain how they're calculated and if any prepaid amounts will be refunded.

What actions should I take as plan sponsor?

As plan fiduciary, it is your responsibility to ensure fees charged to the plan are reasonable in relation to services provided. The following are actions you may wish to take when you receive a 408(b)(2) disclosure:

1. **Review the Disclosure:** Examine the 408(b)(2) disclosure document. Pay attention to all the information related to fees, compensation, services, and potential conflicts of interest.
2. **Compare with the Service Agreement/Invoices:** Compare the information in the disclosure with the terms outlined in the service agreement and/or invoices. Ensure that the disclosure aligns with the agreed-upon terms.
3. **Assess Reasonableness:** Evaluate whether the fees and compensation disclosed are reasonable for the services being provided.
4. **Document the Review:** Maintain a record of the review process, including any notes or documentation related to the assessment of the 408(b)(2) disclosure. This documentation can serve as evidence of due diligence and compliance with fiduciary responsibilities.
5. **Take Appropriate Action:** If any issues or concerns arise from the review, the plan sponsor should address them with the service provider.
6. **Ensure Participant Interests:** Throughout the process, the plan sponsor must prioritize the best interests of the retirement plan participants and act as a fiduciary in making decisions related to service providers and fees.
7. **Ongoing Monitoring:** The plan sponsor should continue to monitor the service provider's performance and fees on at least an annual basis, ensuring that the terms remain reasonable and that the provider continues to meet the needs of the plan and its participants.

