

Plan Sponsor Guide to Fee Disclosure

Plan Sponsor and Participant Fee Disclosures

Department of Labor Regulations 408(b)(2) and 404(a)(5)

FOR DEFINED CONTRIBUTION PLANS RECORDKEPT THROUGH
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED (MERRILL LYNCH)

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Investment products:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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Please see last page for important information.

A note from Bank of America Merrill Lynch

At Bank of America Merrill Lynch, we seek to deliver industry-leading retirement and benefit plan solutions for companies of all shapes and sizes. It is our mission to be a trusted resource to help you manage your business — and help your employees achieve financial wellness. We do this through a number of service and support initiatives. It is our hope that you will take advantage of our resources to help you fulfill your obligations as a plan fiduciary.

With this in mind, we designed this document to help you understand and comply with new Department of Labor (DOL) disclosure regulations.

For the past few years, fee disclosure regulations have evolved in order to provide plan participants more transparency. In this booklet, we help you understand what the regulations mean, outline our responsibilities and yours, and map out next steps so that you can feel confident that you are in compliance.

Important: This publication provides general information about fiduciary ideas and strategies for retirement plans. Always consult with your legal, tax, insurance and investment advisors before implementing any changes.

Bank of America Merrill Lynch and its associates do not provide tax, accounting or legal advice. Any tax statements contained herein were not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state or local tax penalties. Please consult your own independent advisor as to any tax, accounting or legal statements made herein.

Overview of regulations

The fee disclosure regulations are part of a three-stage DOL project that has been under way since 2007. The overall intent is to improve fee transparency. The regulations were developed to help ensure that ERISA fiduciaries understand the fees being charged so they may evaluate whether those fees are reasonable. ERISA requires the responsible plan fiduciary (you, as plan sponsor) to determine the reasonableness of the fees that are being charged to the plan and to the underlying participants (your employees).

The first element, which was finalized and effective for plan years beginning on or after January 1, 2009, is an expansion of the Form 5500 Schedule C, and requires plan sponsors to report any fees paid from plan assets over the course of a plan year to service providers.

This guide addresses the other two elements that are effective in 2012:

- Service Provider Fee Disclosure, also known as 408(b)(2) disclosure
- Participant Disclosure, also known as 404(a)(5) disclosure

Actions to take:



Review this guide and familiarize yourself with your requirements and responsibilities.



Review the 404(a)(5) distribution elections if you want Merrill Lynch to create and distribute your 404(a)(5) participant disclosures.

Fee disclosure to plan sponsors — 408(b)(2)

Overview

The final 408(b)(2) disclosure regulations will require covered service providers to provide a description of services being offered and the compensation expected in connection with those services. The regulation became effective July 1, 2012.

This means that Merrill Lynch must provide a disclosure notice to you. This will enable you to determine the reasonableness of fees prior to entering into, extending or renewing service contracts. Changes must also be disclosed as soon as practicable, but not later than 60 days from the date we are notified of the change. However, any changes to investment-related information must be updated on an annual basis.

The following page contains detailed definitions of terms found in disclosure notices.

Our requirements

The 408(b)(2) regulation requires us to include explanations of the following in the disclosure notices you receive:

<p>Description of Services: A description of the services to be provided to the covered plan.</p>
<p>Fiduciary Status: If applicable, a statement that the covered service provider, an affiliate or a subcontractor will provide services either (i) directly to the covered plan (or to a plan assets vehicle in which the covered plan has a direct equity investment) as a fiduciary or (ii) directly to the covered plan as a registered investment advisor.</p>
<p>Compensation: A description of the compensation (direct and indirect) that a covered service provider, an affiliate or a subcontractor reasonably expects to receive in connection with the services:</p> <ul style="list-style-type: none">■ Direct Compensation is all compensation received directly from the covered plan, either in the aggregate or by service.■ Indirect Compensation is all compensation received from any source other than the covered plan, the plan sponsor, the covered service provider or its affiliate(s).
<p>Compensation Among Related Parties: This includes any compensation that will be paid among the covered service provider, an affiliate or a subcontractor, in connection with the services if it is set on a transaction basis (e.g., commissions, soft dollars, finder's fees, etc.) or is charged directly against the covered plan's investment and reflected in the net value of the investment (e.g., Rule 12b-1 fees).</p>
<p>Termination Fees: Describes any compensation in connection with termination of the contract or arrangement, and how any prepaid amounts will be calculated and refunded upon such termination.</p>
<p>Manner of Receipt: Describes the manner in which the compensation will be received, such as whether the covered plan will be billed or the compensation will be deducted directly from the covered plan's account(s) or investments.</p>
<p>Recordkeeping Services: If recordkeeping services will be provided to the covered plan, then the covered service provider must describe all direct and indirect compensation that the covered service provider, an affiliate, or a subcontractor reasonably expects to receive in connection with such recordkeeping services.</p>
<p>Investment Disclosure: Providers of recordkeeping and brokerage services to a participant-directed individual account plan must disclose additional investment-related fee and expense information if they make available one or more designated investment alternatives for the plan. In addition, covered service providers must provide the covered plan administrator with information regarding the designated investment alternatives that is required to comply with the DOL's participant disclosure regulations.</p>






Our responsibility

Merrill Lynch is responsible for ensuring its own compliance with the 408(b)(2) notice requirements for service providers. Beginning mid-2012, the notices we provide to you include all of the requirements listed earlier. The notice is updated on a regular basis and available on the Benefits OnLine® administrative site.

Your responsibility

You are responsible for reviewing the information provided by us, and should follow these general guidelines:

Actions to take:

-  Familiarize yourself with the fee disclosure regulations if you haven't already.
-  Identify any additional covered service providers that are required to provide you with a 408(b)(2) notice.
-  Evaluate the reasonableness of fees charged to the plan under the services agreement.
-  Consider all of the factors to determine if fees are reasonable:
 - Cost is only one of the criteria. Keep in mind that the service provider with the lowest fees may not be the best choice for your plan.
 - Consider the quality and type of services provided.
 - Weigh service provider qualifications.
 - Evaluate investment products and anticipated performance.
 - Review other factors specific to your plan's needs, such as plan complexity.
 - Assess participant success.
-  Include the review within the governance process and maintain adequate documentation of the review process.

Fee disclosure to participants — 404(a)(5)

Overview

The final participant disclosure regulations (404(a)(5)) require plan administrators to provide certain plan-related and investment-related information to participants and beneficiaries in participant-directed individual account plans for the purpose of helping participants make informed decisions.

All existing participants and beneficiaries in a plan must have received their initial disclosure no later than (a) 60 days after the first day of the first plan year beginning on or after November 1, 2011, or (b) 60 days after the effective date of the fiduciary-level fee disclosure rule (currently July 1, 2012), whichever is later. Newly eligible participants and beneficiaries must receive their initial 404(a)(5) participant disclosure before they can direct their investments in the plan.

This means that the initial disclosures for calendar-year plans must have been provided to participants by August 30, 2012, and annually thereafter. You must provide the first quarterly statement containing fees deducted from each participant's account **no later than November 14, 2012** (i.e., 45 days after the end of the quarter that the initial disclosure is required).

Effective dates for disclosure notices

Initial disclosure for calendar-year plans

August
30
2012

Quarterly disclosures

November
14
2012

Any changes to plan-related information must be communicated to your participants at least 30 days but no more than 90 days in advance of the change.

Your requirements

The regulation requires that you provide an initial fee disclosure notice to participants, beneficiaries, and eligible employees on or before employees can first direct their investments in the plan and annually thereafter. Your notice must provide:

Plan-Related Information

- **General Plan Information:** Regarding the structure and mechanics of the plan, including investment direction instructions, limitations and restrictions, voting rights, identification of designated investment alternatives, and description of brokerage windows.
- **Administrative Expenses Information:** An explanation of any fees and expenses for general plan administrative services such as legal, accounting and recordkeeping services.
- **Individual Expenses Information:** An explanation of any fees and expenses that may be charged against individual accounts on an individual basis, such as loan fees, Qualified Domestic Relations Order (QDRO) fees, investment sales commissions/loads, redemption fees, and investment management or brokerage fees charged directly to a participant's account.

Investment-Related Information

- **Identifying Information Regarding Investment Alternatives:** The name of the investment alternative and the type or category of the investment for each designated investment alternative offered under the plan.
- **Performance Data:** This varies depending on whether or not the investment has a fixed rate of return. For alternatives that do not have a fixed rate of return, the annual total return for 1, 5 and 10 calendar year periods must be disclosed. For alternatives with a fixed rate of return, both the fixed rate of return and the terms of the investment must be disclosed.

- **Benchmarks:** For designated investment alternatives where the return is not fixed, disclosure must include the name and returns of an appropriate broad-based index for the same one-, five- and 10-calendar-year periods in which performance data is provided.

- **Fee and Expense Information:** For each designated investment alternative, the amount and description of each shareholder-type fee that is not included in the total annual operating expenses of the investment alternative must be disclosed. In addition, for each investment alternative that does not have a fixed rate of return, the total annual operating expenses must be expressed as both a percentage and as a dollar amount, for each \$1,000 invested.
- The 404(a)(5) participant disclosure must include statements indicating that (i) fees and expenses are only one of several factors to consider when making investment decisions, (ii) the cumulative effect of fees and expenses can substantially reduce the growth of the participant's or beneficiary's retirement account, and (iii) participants and beneficiaries can visit the Employee Benefits Security Administration's website for an example demonstrating the long-term effect of fees and expenses.

Supplemental Website Information

- An internet website address to provide participants and beneficiaries access to specific additional information about a plan's investment options.
- Any required information that is not included within the initial and annual disclosures, but instead is found on the website (prospectuses, financial statements, etc.), must be delivered to participants and beneficiaries via hard copy upon request.

The website requirements for designated investment options are:

- The name of the designated investment options' issuer
 - The investment objectives or goals of the designated investment options
 - The principal strategies (including a general description of the types of assets held by the investment) and principal risks
 - The designated investment options' portfolio turnover ratio
 - The designated investment options' performance data, updated at least quarterly
 - The designated investment options' fee and expense information as required under the new rules.
- A general *Glossary of Financial Terms* must be provided directly or via an internet website address to assist participants' understanding.

The Merrill Lynch solution includes providing certain investment information via Benefits OnLine and Morningstar® profile pages. The Morningstar profile pages already include the investment objectives, principal strategies and risks, will be enhanced to include the name of issuer and portfolio turnover ratio as required by the regulations and are available for all broadly distributed investments.

However, if your plan includes an investment that is custom to your plan, there will be a charge to create a custom fact sheet for that investment. In the event that you are using non-Morningstar profile pages, please work with your Investment Manager and/or profile page provider to ensure 404(a)(5) compliance for that investment's required information.

Benefits OnLine provides investment performance data as well as fee and expense information for the designated investment options.

Quarterly notices

In addition to the annual disclosures, at least quarterly (i.e., once in any three-month period without regard to the actual plan year), each of your participants must receive a statement that includes:

- The actual dollar amount charged to his or her account during the preceding quarter for plan-level administrative services (administrative, recordkeeping, legal, and accounting)
- The actual dollar amount charged for individual services (loan processing, distributions, etc).
- A general description of the services to which the charges relate

Change notices

If there is a change in the plan-related information, you must furnish each participant and beneficiary a description of that change at least 30 days, but not more than 90 days, in advance of the effective date of the change unless the inability to provide in such time frame is due to unforeseeable circumstances beyond your control.

Please note: A change in investment-related information would not trigger the need to provide an updated notice to participants who have already received an initial disclosure. Participants who have already received an initial disclosure would be made aware of the new investment-related information when they receive the next annual disclosure or by checking the Benefits OnLine website. However, the investment-related information used in any initial and annual disclosure must be the latest information available to the plan.




You should follow your current process for communicating changes to participants.

Your responsibility

You are required to provide both an initial and an annual fee disclosure notice to plan participants; however, we are fully prepared to assist you in complying with the regulations by creating the fee disclosure notice and distributing to your plan participants on your behalf. You may choose to manage the distribution of the notice yourself, or both create and distribute the notice. (We address these options in more detail in a following section.)

Preparing your participants

You should prepare your participants by providing education in connection with the participant fee disclosure notice. We can help you satisfy this responsibility by developing educational materials to:

-  Help participants interpret the 404(a)(5) participant disclosure detail
-  Help put the fees into context with the plan benefits
-  Reinforce that although the disclosure is new, the fees are not

Participant fee disclosure distribution options

We are automatically providing quarterly disclosure information, website,¹ and glossary information.

You have a choice in how the Annual and Newly Eligible Employee disclosures are managed and distributed. Please review the options on the following pages. Your Merrill Lynch representative can work with you to review your choices and help you choose the fee disclosure solution that will best meet your needs.



Annual 404(a)(5) Participant Disclosure



Newly Eligible Employees 404(a)(5) Participant Disclosure

¹ If your plan has unregistered investments, you may need to assist us with website requirements.

404(a)(5) Participant Disclosure

For Existing Participants, Eligible Employees, and Beneficiaries

Must be sent to all participants, eligible employees, and beneficiaries in the plan annually, effective **August 30, 2012**.

For New Eligible Employees, Participants and Beneficiaries

Must be sent to new eligible employees, participants and beneficiaries on or before the date they can first direct their investment, and annually thereafter.

Please review the following distribution options, then make your selection on the 404(a)(5) Participant Fee Disclosure Distribution Election form, which will be provided to you:

No Merrill Lynch Assistance

- Plan Sponsor will create, print and distribute its own 404(a)(5) participant disclosure to all participants, beneficiaries and eligible employees.
- Merrill Lynch shall have no responsibility for creating, printing and distributing any 404(a)(5) participant disclosure for the Plan Sponsor.
- We will, however, continue to post our updated draft participant disclosures on the Benefits OnLine® administrative website. The drafts will be updated as needed.

Online Services Only

- Plan Sponsor will print and distribute the Merrill Lynch-created disclosure to all participants, beneficiaries, and eligible employees.
- Merrill Lynch will have no responsibility for printing and distributing any 404(a)(5) participant disclosure for the Plan Sponsor.
- Merrill Lynch will post the latest Merrill Lynch-created disclosure on the Benefits OnLine® participant website.
- Please note, posting the 404(a)(5) participant disclosure online generally does not satisfy the distribution requirement.

Partial Services

Merrill Lynch will:

- Create, print and distribute the 404(a)(5) participant disclosure annually to all existing participants, beneficiaries and eligible employees. Any 404(a)(5) participant disclosure distribution by Merrill Lynch to eligible employees is contingent upon Merrill Lynch possessing such eligible employee information in its recordkeeping system, and it is the responsibility of the Plan Sponsor to provide Merrill Lynch with correct and updated eligible employee information.
- Post the latest 404(a)(5) participant disclosure to the Benefits OnLine® participant website. We will periodically provide disclosure drafts to plan administrators for review and approval prior to posting.
- The Plan Sponsor will be solely responsible for the distribution of the Merrill Lynch-created 404(a)(5) participant disclosure to all newly eligible employees on or before the date they can first direct their investments.
- **The Plan Sponsor will be charged \$0.75 for each disclosure printed and mailed by Merrill Lynch.***

* Note that this expense is estimated based on the disclosure template with no more than 10 pages, printed in black and white. (For disclosure documents that exceed 10 pages, additional print costs may apply.)

404(a)(5) Participant Disclosure (continued)

Full Services

Merrill Lynch will:

- Create, print and distribute the 404(a)(5) participant disclosure annually to all participants, beneficiaries and eligible employees.
- Post the latest 404(a)(5) participant disclosure to the Benefits OnLine® participant website. We will periodically provide disclosure drafts to plan administrators for review and approval prior to posting.
- Create, print and distribute a 404(a)(5) participant disclosure to all newly eligible employees on or before the date they can first direct their investments.
- **The Plan Sponsor will be charged \$0.75 for each disclosure printed and mailed by Merrill Lynch.***
- **Important:** This Full Services option is available only if we track employee eligibility. In addition, Merrill Lynch will not be responsible for the failure to deliver the initial ERISA Section 404(a)(5) Participant Disclosure to any immediately eligible employee of the Plan on or before the date on which the participant or beneficiary can first direct his or her investments.

* Note that this expense is estimated based on the disclosure template with no more than 10 pages, printed in black and white. (For disclosure documents that exceed 10 pages, additional print costs may apply.)

Additional considerations



If you have an outside Investment Manager, contact them to ensure they are able to provide the following 404(a)(5) investment data to Merrill Lynch and the agents listed below:

Morningstar: Investment-related information required to be disclosed on the Plan website, including Issuer Name, Objectives or Goals, Principal Strategies and Risks, and Portfolio Turnover Ratio.

Lipper: Investment-related information pertaining to benchmarks, including Fund Inception Date and Rates of Return.

Manage investment changes to your plan menu to make sure the changes are complete in advance of the 404(a)(5) participant disclosures being produced.

If you elect to have Merrill Lynch print and mail the 404(a)(5) participant disclosures on your behalf.



You will have the responsibility of reviewing the plan-related information, and any information that you provide to us, for accuracy. You should notify your Merrill Lynch contact if corrections are required prior to distribution. Only incorrect or inaccurate information specific to your Plan can be modified in the 404(a)(5) participant disclosures.



Review the eReport (“Demographic Detail Report”) on the Benefits OnLine administrative site to confirm the population (participants, beneficiaries, and newly eligibles) we will mail to.



You must ensure that the correct participant addresses are in our files by reviewing the “Undeliverable Mail Report” in eReporting that lists all the employees that have had mail returned due to a bad address on file. We cannot take responsibility for undeliverable mailings due to our not having correct addresses.

If you have any questions or concerns, please contact your Bank of America Merrill Lynch representative.

We recognize that you may have additional questions about the fee disclosure regulations. In fact, we have a task force that is working very closely with the DOL through industry associations on our clients' behalf. Meanwhile, we are happy to provide guidance and support during this transition. Please don't hesitate to contact us if we can be of any help.

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