
Plan Disclosure Evaluation

A process designed to answer if disclosures comply with regulations and minimizing negative side-effects.

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Overview

Disclosure Evaluation

DALBAR will evaluate your disclosure templates against your business model and identify:

- Areas of non-compliance and poor compliance
- Potential side-effects such as business disruption and exposure to liability

Disclosure Certification

Certification provides the protection consistency with the industry's best practices and is evidence of "best efforts" to comply in the event a problem does arise. DALBAR's stature as an independent expert gives credibility to your disclosure and to plan sponsors that will have to defend them.

Certification includes:

- The rights to use the DALBAR Fee Disclosure seal on disclosure documents
- A Certificate of Compliance
- An Opinion Letter
- A Report of any exceptional conditions

Overall Requirements

ERISA § 408(b)(2) requires that plan fiduciaries meet three conditions for service provider engagements:

- **Necessary Service:** Establish that the service is necessary for the successful operation of the plan.
- **Reasonable Arrangement:** Establish that services provided and terms of the arrangement are reasonable.
- **Reasonable Compensation:** Establish that fees and expenses are commensurate with the services provided and the quality of these services.

Methodology Deployed

Evaluations are performed from the perspective of the plan sponsor who is required to meet the requirements of ERISA § 408(b)(2) to establish the necessity for services provided, reasonableness of the arrangement with CSPs and the reasonableness of compensation paid.

The disclosure documents are evaluated within five broad regulatory criteria that enable the plan sponsor to comply with specific requirements and exercise prudent judgment concerning necessity and reasonableness. These broad criteria are further detailed in more specific attributes. The broad criteria are:

- **Completeness, Accuracy and Usability:** 2012 Regulations define which service providers must make certain disclosures, what the disclosures contain. Regulations require that Plan Sponsors establish that these disclosures are complete, accurate and usable in meeting the three conditions specified by ERISA § 408(b)(2) above.
- **Success:** It is essential for plan sponsors to determine whether the plan is successfully meeting its intended goals as the basis for establishing the reasonableness required by regulations.
- **Necessity:** Establishing what is necessary for the plan requires that the plan sponsor consider regulatory requirements, success of the plan as well as needs and preferences of plan participants.
- **Comparability:** The external measure of cost is achieved by comparing the current or proposed arrangement to others of similar size, scope and quality that are available.
- **Judgment:** Plan sponsors are required to be prudent in establishing the conditions required by ERISA § 408(b)(2). This is most effectively accomplished if a prudent decision making process is offered by the CSP.

In addition to these requirements documents are evaluated for **effectiveness**.

Effectiveness

Compliant

- **Complete:** All required disclosures are made.
- **Supportive:** Tools are provided to aid plan fiduciary to comply with the regulations

Calculated to be Understood

The information presented is understandable by the plan sponsor who is expected to use it:

- **Language:** Uses language suitable for the typical plan sponsor
- **Un-confusing:** Contains no confusing concepts
- **Unfamiliar:** Limits the use of unfamiliar terms to situations where they cannot be simplified
- **Length:** Is of a length that participants can be expected to read it entirely.
- **Readability:** Is sufficiently easy to read as measured by the Flesch reading test

Presentation Style

The presentation style should be inviting and encourage the plan sponsor to read the material. The elements of presentation style consist of:

- **Flow:** Information is presented in a sequence that attracts and holds the participant's attention and interest.
- **Fonts:** Size and style of font makes the document easy to read.

- **Graphics:** Graphics such as tables, charts, images, lines, bars, geometric shapes, etc. are used to enhance the communication to participants with whom visual cues are more effective.
- **Color:** Color is used to enhance the overall attractiveness and effectiveness of the presentation.

Rating of Findings

The evaluation of each broad criterion yields specific findings that indicate how well each document achieves the goal of that criterion. One of the following ratings is assigned to each broad criterion:

- **Excellent:** All material requirements are met by the document.
- **Very Good:** Some material requirements are in need of improvement.
- **Good:** Only non-critical requirements are in error or are missing.
- **Poor:** Critical requirements are in error or are missing.
- **Omitted:** The requirements of the criterion are absent from the document.
- **N/A:** Not applicable: The criterion does not apply to the document.

Qualifying for DALBAR Certification

In order to earn a DALBAR Certification, the document must achieve an “Excellent” or “Very Good” rating in all categories that are applicable.

Evaluation of Disclosures

Pre-Requisites

In order to complete disclosure evaluations DALBAR will require:

- ✓ An interview questionnaire that describes the goals and parameters
- ✓ Samples of disclosure
- ✓ Any collateral material used to introduce the disclosure

Fees

Fees are determined on the number, scope and complexity of disclosures.

Typical fees range from \$500 for a simple advisor disclosure to \$15,000 for a complex record keeper.