

CADARETGRANT

RULE 408(b)(2) QUESTIONS AND ANSWERS

The United States Department of Labor (DOL) Rule 408(b)(2) requires covered service providers of certain retirement plans to disclose information about the services provided to plans and plan sponsors and offer information regarding the fees and expenses paid by the plan.

Q: Who are the covered service providers required to provide disclosures?

A: Covered service providers are those providing services to retirement plans and reasonably expected to receive more than \$1,000 in compensation over the term of the relationship. Service providers effected by 408(b)(2) generally fall into five categories: broker/dealers, record keepers, registered investment advisers, third party administrators and banks and trust companies.

Q: What services are covered?

A: The services provided can generally be divided into two categories: ERISA "fiduciary" services and ERISA "non-fiduciary" services. Advisors are engaged in the latter because they provide general consulting, brokerage, administrative or educational support, but not in a way that confers "fiduciary status" under ERISA.

Q: Which plans are covered?

A: All ERISA-covered defined contribution and defined benefit plans. These include defined benefit, profit sharing, 401(k) and some 403(b) plans, but not IRAs, simple IRAs, SEPs, or 403(b)s that are not covered by ERISA. Plans with no employee participants, where only the business owner participates, are not subject to this disclosure requirement.

Q: What information must be provided to plan sponsors?

A: The service provider must disclose to the plan fiduciary, in writing: the services being provided, a description of those services, and how (in dollars, a percentage or a formula) the provider is compensated for these services. Investment-related information must be included for the investment alternatives in the plan. Also, the service provider must state whether services are offered as a plan fiduciary.

Q: How is "compensation" defined for the purpose of this disclosure?

A: Compensation is defined as direct or indirect compensation the provider will receive as result of providing services to the plan. For purposes of indirect compensation the service provider must describe its arrangement with the source of the compensation. Advisors

generally only receive indirect compensation from product sponsors or retirement plan platforms.

Q: Will plan sponsors receive disclosures from other service providers?

A: Yes, plan sponsors will receive disclosure from TPAs, record-keeper retirement plan platform sponsors that will contain information about the specific fees and expenses being paid by the plan. These disclosures will identify the sources of the indirect compensation being received by advisors.

Q: How is Cadaret, Grant responding to the disclosure requirements?

A: Cadaret, Grant Advisors may satisfy disclosures by providing an overview 408(b)(2) disclosure form for plan sponsors that highlights the services being provided by the advisor and Cadaret, Grant to the plan.

Q: When are service providers required to make the necessary disclosures?

A: Initial disclosure must be made before entering into a new contract or arrangement. Disclosure of updates to investment-related information is required at least annually.