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401K COST-SHARING PROGRAM

Should employees who participate in the company's 401k administration pay a nominal fee towards the plan's annual administration costs?

Today most 401k plans of all sizes require participants to pay a portion of their 401k administration costs, in the same way that employees are required to pay towards their employer-provided health insurance. Nominal 401k administration fees, deducted quarterly from each participant's 401k account, can reduce the net cost of the company's 401k administration costs by 15% to 35% or more annually.

Example:

A 401k with 15 participants costs "X". If the employer instructs that a modest \$3 fee be deducted from each participant's account every quarter, this will result in total fees of \$180 annually (\$3 per quarter X 4 quarters X 15 participants). When these participant-generated fees are applied to offset the company's 401k cost of "X", the net cost drops to X-\$180 a 15% to 35% savings. Please note that savings are based upon company size and the nominal fee charged.

Deciding whether or not to assess 401k participant fees is a decision that requires careful consideration of the impact such fees would have on the popularity of the company's 401k. But it is important to realize that today the majority of 401k plans, like the majority of employer-provided health insurance plans, require participants to pay some modest fees; and this is especially true in cases where the company is providing employer matching contributions.

Companies that use a 401k cost-sharing program will receive the participant-generated fees on a quarterly basis. Depending upon the configuration and design of your company's 401k plan, the participant-generated fees may be transferred into the company's master 401k holding account, issued in a check, or withheld from participants' monthly contributions. The type of 401k plan used by your company is the determining factor.

If you would like to initiate a 40k cost-sharing program beginning in January 2013, or would like to learn more, please provide the following information and return it with your 2013 401k Easy Online renewal payment.

Company _____

Number of Eligible Employees _____ Phone _____ E-Mail _____

Fixed Dollar Amount to be Deducted Quarterly from 401k participant accounts (please select one)

\$3 \$6 \$9 \$12

Company Representative's Signature _____

Please select one: I want to begin a cost-sharing program, beginning January 2013.

I would like more information before making a decision.