

Frequently Asked Questions

1. How many products were used?

The *401k Averages Book* is derived from our database of 187 product offerings from 68 providers. Each plan scenario's universe is made up of a subset of the 187 products. The number of products in each universe is indicated in the Comments box at the beginning of each section.

2. How is data collected?

The data is collected and drawn from a combination of provider fee schedules, request for proposal responses, and fee disclosure forms. We do not collect data from 5500 forms.

3. What is the date of the data?

Data has been updated through September 30, 2011.

4. Who are the providers included in the database?

We do not release the names of the providers or products in the *401k Averages Book* database. The database is comprised of a wide range of providers and products including many of the largest and most recognized providers and products in the marketplace.

5. Can you define the term "participant"?

The term "participant", for the purposes of the book, represents anyone with an account balance in the plan.

6. Does the fee data include plan audit fees and legal fees?

No.

7. Does the cost data in the book include broker/advisor compensation?

Yes. The database includes direct and broker/advisor distributed products.

8. Can you define the term, "investment expense"? Does investment expense include investment management fees, fund expense ratios, 12b-1 fees, sub-transfer agent fees, contract charges, wrap and advisor fees?

The term "investment expense", for the purposes of the book, represents any asset based charges applied to plan assets. To the extent that investment management fees, fund expense ratios, 12b-1 fees, sub-transfer agent fees, contract charges, wrap and advisor fees or any other asset based charges are a part of a particular product in the database they are included in the "investment expense" of that product. Thus by extension the average "investment expense" calculation includes all of the above charges.

9. Can you define the term, “recordkeeping and administration”? Does recordkeeping and administration include testing, 5500 form preparation, communications and document preparation?

The term “recordkeeping and administration”, for the purposes of the book, represents any hard dollar charges for recordkeeping and administration services. To the extent that testing, 5500 form preparation, communications and document preparation or any other recordkeeping and administrative services a part of a particular product in the database they are included in the “recordkeeping and administration” of that product. Thus by extension the average “recordkeeping and administration” calculation includes all of the above charges. Participant initiated transactions such as loans, distributions and QDRO’s are not included in “recordkeeping and administration”.

10. Does “investment expense” include the cost of the broker/advisor? Does the “investment expense” include additional participant fees/wrap fees?

Yes, see questions 7 and 8.

11. Does “total plan cost per participant” or “total bundled expense” include all costs of the plan including the plan sponsor’s portion or just the expenses passed onto the participant?

Yes, “total” includes the sponsor’s portion and the expenses passed on to the participant. “Total” includes all of the investment, recordkeeping & administration, testing, 5500 preparation and trustee costs associated with a particular product. It does not include participant initiated transactions such as loans, withdrawals or other forms of distributions.

12. Do you breakdown the “investment expense” to illustrate what goes towards revenue sharing?

Yes. Charts x.9–x.11 illustrate the average per participant costs while splitting the investment cost into net investment and revenue sharing. “Net Investment” is the portion of the “Investment Expense” retained by the investment manager. “Revenue Sharing” is the portion of the “Investment Expense” received by other service providers to the plan. These other service providers could include but are not limited to recordkeepers, advisors and platform providers.

13. What asset allocation is used for the benchmarks?

The asset allocation for each scenario is; 40% Large Equity, 20% Stable Value, 9% International Equity, 8% Fixed Income, 23% Balanced.

14. How is the Quartile Chart developed?

Each product universe is sorted based on expenses, from the lowest to highest. The universe is then divided into four equal parts, termed quartiles. Each quartile contains 25% of the total products in the universe and is designated by a different color.

15. What is the difference between Average and Median?

All data in the book represents the “Average” costs for the universe, except for the Investment and Total Bundled Cost Quartile Chart which illustrates the “Median” costs for the universe.

The definition for both terms is as follows:

Average: Also known as Mean, is the sum of the values in the universe divided by the number of values in the universe.

Median: The median is the middle number of the distribution: half the numbers are above the median and half are below the median.

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If you have any other questions, please submit them via e-mail to: support@401ksource.com.