Using this Guide

This guide will help users identify the items they need to research and record in the system before they can produce a 408(b)(2) disclosure report. The steps below help to identify the path that should be taken from research to final report production. The fi360 408(b)(2) Disclosure Solution is intended to be a single service provider (or group of related service providers) report to help users satisfy their disclosure requirements under section 408(b)(2) of ERISA.

Use this guide to identify the details for each of the required items. Please read the entire guide before taking action as many sections are interrelated.
<table>
<thead>
<tr>
<th>Required Information</th>
<th>Related Steps</th>
</tr>
</thead>
</table>
| Description of the services that you, an affiliate, or subcontractor will provide    | Define the covered service providers and their applicable types  
- Settings > Expense Settings > Service Providers  
- Create Service Provider Profile  
- Add/Review Service Provider Types  
Created/Edit the services you, an affiliate, or subcontractor performs  
- Settings > Expense Settings > Services  
- Review default Services provided by fi360  
- Edit/create Services if needed  
Assign service providers to a Client  
- My Clients > Client Cabinet > Basic Information > Edit Third Party Details  
- Add Service Provider Type(s)  
- Select Service Provider for each; Save & Exit after completion |
| to a Plan.                                                                            | For RIA’s only, within Service Provider Type, you will have to select Investment Advisors Act of 1940 or State Code for the Legal Registration dropdown menu.  
- Settings > Expense Settings > Service Provider Type  
- Click on RIA code  
- Ensure Legal Registration selection is correct |
| A statement concerning the services that you, an affiliate, or subcontractor will provide as [an ERISA fiduciary][a registered investment adviser]. | Create Compensation Profile for each direct fee you, an affiliate, or subcontractor receives  
- Settings > Expense Settings > Compensation  
- Assign the Services performed for each fee  
- Select the applicable Service Provide Type (e.g. Custodian, Investment Manager) for Payer & Payee  
Assign Compensation Profile to client  
- My Clients > Client Cabinet > Click client name > Click “Edit” within an available data period row > Enter gold “Expenses” tab > View/Edit Compensation Profiles >  
- Click green “Add” button > Select compensation profile(s) to add |
| Compensation you, an affiliate, or subcontractor will receive from the Plan ("direct compensation"). | Repeat above process for direct compensation step. The only difference will be to select the appropriate payer. |
| Compensation you, an affiliate, or subcontractor will receive from other parties (“indirect compensation”). | Repeat above process for direct compensation step. The only difference will be to select an fi360 compensation code of “Termination” and a frequency of “One-time”. |
| Compensation you, an affiliate, or subcontractor will receive if the plan terminates the service agreement. | Ensure a proper Service Provider Type exists  
If one does not exist, create a new Service Provider Type  
Create Compensation Profile (e.g. Bundled Recordkeeping & Reporting)  
- Assign Services (e.g. Plan Level Recordkeeping)  
- Select Payer & Payee  
Assign Compensation Profile to client  
- My Clients > Client Cabinet > Click client name > Click “Edit” within an available data period row > Enter gold “Expenses” tab > View/Edit Compensation Profiles >  
- Click green “Add” button > Select compensation profile(s) to add |
| The cost to a Plan for recordkeeping services you, an affiliate, or subcontractor performs. | Complete Operational & Shareholder fee sections  
- My Clients > Client Cabinet > Click client name > Click “Edit” within an available data period row > Enter gold “Expenses” tab > View/Edit Operational & Shareholder fee sections  
- Input values, select payee & payment arrangement  
- Utilize the custom universe area to pre-populate these values |
| Fees and Expenses relating to the Plan’s investment options                            |                                                                                                                                                                      |
408(b)(2) Disclosure Reporting

The following items need to be identified for each of the Covered Plans you’ve entered into an arrangement with as a Service Provider (“SP”).

1. **Service Provider**

Who is the Advisor for the plan? What about the TPA? Creating an SP profile allows you to document your arrangement, affiliate relationships, or subcontracting relationships with a plan. The list of required/preferred information for an SP profile is located on the [Service Providers] tab within the Fee & Expense Reporting Worksheet (available post-login after June 29th).

You can find the SP area by accessing Settings > Expense Settings > Service Providers. You can create an SP profile by clicking on the “Create” button on the right-hand side of this page – this will lead you to the creation pop-up window.

*Note: Any SP profile you create will appear within My Clients > Client Cabinet > Basic Information – the profile appears in a dropdown menu after selecting an available service provider type from the options on the page. There must be at least one service provider type available in order for this to succeed – fi360 provides default service provider types within the system and you may choose to create custom service provider types by accessing the Service Provider Type tab. This is explained in the next section.*
2. **Service Provider Type**

As stated before, a minimum of one service provider type is required to complete the 408(b)(2) reporting process, and you may create multiple custom types for SPs. Default service provider types established by fi360 may include Broker, Custodian, Investment Manager, TPA, RIA, etc. The list of required/preferred information for service provider types is located on the Service Provider Type tab within the Fee & Expense Reporting Worksheet (available post-login after June 29th).

A service provider type will have two required data points: fi360 Service Provider Type Code and Service Provider Name. If you select RIA as the fi360 Service Provider Type Code, you have the ability to use the same name or use another name, e.g. Investment Advisor or Plan Advisor. You may elect to use fi360’s default description or input your own description for each service provider type you create.

You can find the Service Provider Type area by accessing Settings > Expense Settings > Service Provider Types. You can create a new service provider type by clicking on the “Create” button on the right-hand side of this page – this will lead you to the creation pop-up window.

![Create new Service Provider Type](#)

*Remember* your SP profile will include a company name while the service provider type is going to include a description for the type of services that it provides, e.g. MDC Advisors, Inc. for *Service Provider with a Service Provider Type of Investment Advisor*.

*Note for RIAs*: if RIA is selected as the fi360 service provider type code, you will be asked to identify the applicable legal registration you are operating under. The choices are the Investment Advisors Act of 1940 or State Code.
3. **Services**

Services may include 404(c) compliance, participant education, plan level investment advice, recordkeeping and many other options. You’ll have the ability to assign one or multiple services when you create a Compensation Profile within the Compensation tab. The list of required/preferred information for Services is located on the **Services** tab within the Fee & Expense Reporting Worksheet (available post-login after June 29th).

An example compensation profile may be named “Advisory Fee” covering compliance, plan level investment advice and participant education services, while a “Custodian Fee” may cover custody services.

One key element in defining a service is the indication of fiduciary status. Every service must be labeled as a fiduciary or non-fiduciary service.

You can find the Services area by accessing **Settings > Expense Settings > Services**. You can create a service by clicking on the “Create” button on the right-hand side of this page – this will lead you to the creation pop-up window.
4. **Fee Schedules**

A fee schedule is an optional component that can be added to simplify your compensation identification process. You may create a fee schedule under Settings > Expense Settings > Fee Schedules. The list of required/preferred information for Fee Schedules is located on the Fee Schedules tab within the Fee & Expense Reporting Worksheet (available post-login after June 29th). Fee schedules include the following:

- **Client variable** – # of participants, amount of assets
- **Fee frequency** – yearly, semi-annually, quarterly, monthly, one-time
- **Fee calculation** – flat fee, % of assets, $/part
- **Fee schedule** – flat, tiered

**Example:** You have a plan with $750,000 in assets and have selected the following fee schedule

- **Client variable** – amount of assets
- **Fee frequency** – yearly
- **Fee calculation** – % of assets (bps)
- **Fee schedule** – flat schedule

This would lead to an annual fee of \( 8 \text{bps} \times 750,000 = 600 \).  

<table>
<thead>
<tr>
<th>Minimum Assets</th>
<th>Maximum Assets</th>
<th>Amount Charged (bps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1</td>
<td>$500,000</td>
<td>10</td>
</tr>
<tr>
<td>$500,001</td>
<td>$1,000,000</td>
<td>8</td>
</tr>
<tr>
<td>$1,000,001</td>
<td>$1,500,000</td>
<td>6</td>
</tr>
</tbody>
</table>

**Example:** All of the same details as above, except you are now using a tiered schedule.

This would lead to an annual fee of \( 10 \text{bps} \times 500,000 + 8 \text{bps} \times 250,000 = 700 \).  

<table>
<thead>
<tr>
<th>Minimum Assets</th>
<th>Maximum Assets</th>
<th>Amount Charged (bps)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1</td>
<td>$500,000</td>
<td>10</td>
</tr>
<tr>
<td>$500,001</td>
<td>$1,000,000</td>
<td>8</td>
</tr>
<tr>
<td>$1,000,001</td>
<td>$1,500,000</td>
<td>6</td>
</tr>
</tbody>
</table>
5. **Compensation Profiles**

The Compensation section is where you can create advisory, brokerage, custodial, and other fees. Each compensation profile links to a compensation code, expense name, method (% of assets, fee schedule, etc.), frequency (if applicable), value, services and the payer & payee options. The payer and payee options may include the advisor, company assets, client assets, ERISA budget account (recapture), recordkeeper, TPA, and many more. The list of required/preferred information for Compensation Profiles is located on the **Compensation** tab within the Fee & Expense Reporting Worksheet (available post-login after June 29th).

You may have multiple services assigned to a single Compensation Profile; these services are created prior to accessing this page and will allow you to show that a compensation profile (e.g. Advisory Fee) is covering participant education & investment advice services.

![Create a new Compensation Profile](image)

Once you’ve created Compensation Profiles, you will have the ability to apply them to a client by going to *My Clients > Client Cabinet > Edit > Expenses > Add compensation on the right-hand side of the page.*

*Note for existing fi360 Toolkit users:* Your old client level expenses were imported into this section; any duplicate expenses that were assigned to clients were collapsed into a single *compensation* identifier.
6. **Assigning Service Providers and Services**

Once you’ve developed all of the necessary components for the 408(b)(2) disclosure, you will need to assign these to a client, and then proceed to the last round of fee identification.

Service Providers and Service Provider Types are assigned through *My Clients > Client Cabinet > Basic Information > Third Party Details* > *Apply any available service provider type(s) > Select a Service Provider from the dropdown menu > Save & Exit.*

---

### Available Service Provider Type(s)

<table>
<thead>
<tr>
<th>Service Provider Type</th>
<th>Service Provider</th>
<th>Delete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountant</td>
<td>f360</td>
<td><img src="delete.png" alt="Delete" /></td>
</tr>
<tr>
<td>Actuary</td>
<td><img src="select.png" alt="Select" /></td>
<td></td>
</tr>
<tr>
<td>Attorney</td>
<td><img src="select.png" alt="Select" /></td>
<td></td>
</tr>
<tr>
<td>Broker Dealer</td>
<td><img src="select.png" alt="Select" /></td>
<td></td>
</tr>
</tbody>
</table>

---

7. **Assigning Compensation Profiles**

Compensation Profiles are assigned through *My Clients > Client Cabinet > Click on “Edit” next to a time period > Click on the gold “Expenses” tab > Click on the Client (Plan) Level Expenses link > Click the “Add” button on the right-hand side of the page > Select Compensation Profiles from the list > Click the green “Add Selected” button.*

---

Add compensation profile to your client portfolio

Select from any of your created compensation profile(s) below. If you want to create a new compensation profile, please use the option in the Edit/Tab panel.

- [ ] 401k Compliance
- [ ] Adviser Fee
- [ ] Bundled Recordkeeping & Reporting
- [ ] Communication

![Add Selected](add_selected.png)  
![Cancel](cancel.png)
You may elect to organize your Compensation Profiles within the **Client Level Expenses** tab within the Fee & Expense Worksheet (available post-login after June 29th).

8. **Operational Fees**

Operational fees include 12b-1 sales and service, sub-TA, shareholder servicing and wrap fees. You have the ability to determine the values, if available, for these fee components. You may also determine the payee, payment arrangement, and services covered by each of these fees.

Operational fees are assigned through **My Clients** > **Client Cabinet** > **Click on “Edit” next to a time period** > **Click on the gold “Expenses” tab** > **Click on “View/Edit” under Operational Fees** > **Input values for available fees** > **Select who is being paid on the right-hand side via dropdown menu** > **Save your changes.**

<table>
<thead>
<tr>
<th>Investment Expenses: Operational Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Paid (deducted) from investment assets</td>
</tr>
<tr>
<td>* Typically paid through each Investment’s Expense Ratio</td>
</tr>
<tr>
<td>* Can be related back to the Client in some circumstances</td>
</tr>
<tr>
<td>* Includes fees such as:</td>
</tr>
<tr>
<td>&gt; Management Fees</td>
</tr>
<tr>
<td>&gt; 12b-1 Fees</td>
</tr>
<tr>
<td>&gt; Sub-transfer Agency Fees</td>
</tr>
<tr>
<td>&gt; Shareholder Service Fees</td>
</tr>
<tr>
<td>&gt; Wrap Fees</td>
</tr>
</tbody>
</table>

*Note: These values can be pre-populated by utilizing the custom universe import functionality. You will need to ensure the custom universe is then added to your client within their Basic Information tab.*

You may elect to organize your Operational Fees within the **Investment Ex. - Operational** tab within the Fee & Expense Worksheet (available post-login after June 29th).

9. **Shareholder Fees**

Shareholder fees include front and deferred loads, finder’s fees, redemption fees, exchange fees, and other fees. You have the ability to determine the values, if available, for these fee components. You may also determine the payee, payment arrangement, and services covered by each of these fees.

Shareholders fees are assigned through **My Clients** > **Client Cabinet** > **Click on “Edit” next to a time period** > **Click on the gold “Expenses” tab** > **Click on “View/Edit” under Shareholder Fees** > **Input values for available fees** > **Select who is being paid on the right-hand side via dropdown menu** > **Save your changes.**

<table>
<thead>
<tr>
<th>Investment Expenses: Shareholder Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Paid directly upon investment or withdrawal</td>
</tr>
<tr>
<td>* Includes fees such as:</td>
</tr>
<tr>
<td>&gt; Loads</td>
</tr>
<tr>
<td>&gt; Redemption Fees</td>
</tr>
<tr>
<td>&gt; Exchange Fees</td>
</tr>
<tr>
<td>&gt; Finder’s Fees</td>
</tr>
</tbody>
</table>

*View/Edit*
*Note: These values can be pre-populated by utilizing the custom universe import functionality. You will need to ensure the custom universe is then added to your client within their Basic Information tab.

You may elect to organize your Operational Fees within the **Investment Ex. - Shareholder** tab within the Fee & Expense Worksheet (available post-login after June 29th).

**10. ERISA Budget Account Details (if applicable)**

Beginning balance for the ERISA budget account is established by you; inflows and outflows for the ERISA budget are determined by the operational and compensation profiles sections within your Client. Fees may be paid directly from this account to any other service provider using the compensation profile payer option of ERISA Budget Account. Any remaining balance will be paid from plan assets if the budget account is depleted. Small adjustments may be made on the ERISA Budget page.

You will have the option to deposit the ending balance of the ERISA budget account into the plan or keep the balance rolling into the next period within the ERISA budget account.

ERISA budget account details are viewed through **My Clients > Client Cabinet > Click on “Edit” next to a time period > Click on the gold “Expenses” tab > Click on “View/Edit” under ERISA Budget Account > Select whether the ending balance is deposited into the plan or rolled over into next period > Make any minor adjustments > Save the changes.**

<table>
<thead>
<tr>
<th>ERISA Budget</th>
<th>View/Edit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Includes ERISA Budget Expenses such as:</td>
<td></td>
</tr>
<tr>
<td>&gt; Beginning Balance Date</td>
<td></td>
</tr>
<tr>
<td>&gt; Beginning Balance, Ending Balance</td>
<td></td>
</tr>
<tr>
<td>&gt; Inflows</td>
<td></td>
</tr>
<tr>
<td>&gt; Outflows</td>
<td></td>
</tr>
<tr>
<td>&gt; Adjustments</td>
<td></td>
</tr>
</tbody>
</table>

You may elect to organize your ERISA Budget Account within the **Expense Recapture Account** tab within the Fee & Expense Worksheet (available post-login after June 29th).
11. Generate 408(b)(2) Report

The report can be produced from your Client’s Reports Tab. This is viewed through My Clients > Client Cabinet > Click on “Edit” next to a time period > Click on the gold “Reports” tab

You can generate the fi360 default report template named “408(b)(2) Fee Disclosure” or create a custom report template that includes the necessary sections.

If building a custom template, we recommend these sections at a minimum:

- Cover Page
- 408(b)(2) Fee Disclosure
- Operational Fee Summary
- Shareholder Fee Detail
- Peer Group Definitions
- Glossary
- Investment Company Contact Information