DISCLOSURE REQUIREMENTS FOR FINANCIAL ADVISORS

Financial advisors who give advice to their clients about "rolling over" plan assets from a qualified institutional pension plan (such as the Local No. 8 IBEW Retirement Plan and Trust) into an IRA account are subject to requirements set forth by the U.S. Department of Labor. If the financial advisor will be receiving compensation (such as a commission, revenue-sharing or advisory fee) in connection with the rollover transaction, then they must satisfy six (6) conditions or else the rollover will be considered a Prohibited Transaction and the advisor will be subject to federal penalties and/or sanctions. Note that these six (6) conditions also apply to financial advisors giving advice on how to invest assets within an institutional plan or IRA.

These six (6) conditions are:

1. Acknowledge in writing that they are "fiduciaries" to their clients under the Employee Retirement Income Security Act of 1974 ("ERISA"). As a fiduciary, the financial advisor owes a strict duty to their clients to only act in their clients' best interest at all times;
2. Disclose, in writing, to the client the scope of the relationship and any material conflicts of interest;
3. Comply with the U.S. Dept. of Labor's Impartial Conduct Standards requiring advisors to provide prudent investment advice, exercise sound judgement, charge only reasonable fees and commissions and avoid any misleading statements;
4. Provide, in writing, disclosures to clients stating why their recommendation to roll over plan assets is in the client's best interests;
5. Adopt policies and procedures designed to ensure compliance with the DOL's Impartial Conduct Standards and mitigate conflicts of interest; and
6. Conduct an annual retrospective review aimed at assuring compliance with Prohibited Transaction Exemption 2020-22 (governing fiduciary advice in connection with employee benefit plans and Individual Retirement Accounts).

The decision to roll over assets from a plan to an IRA is often the single most important financial decision a plan participant makes, involving a lifetime of retirement savings. If you are considering a rollover from this Plan to an IRA, make sure your financial advisor is complying with ALL of the required conditions outlined above.

The Pew Charitable Trusts, a highly respected independent non-profit, non-governmental organization, recently released a report highlighting the differences in average fees charged to investors under both institutional retirement plans and IRA accounts. What they found was that the additional cost of "retail shares" in IRA accounts amounted to around 37% higher fees being charged when compared to institutional class shares for those funds primarily investing in equities (stocks). For combination or hybrid funds, the fees for retail shares were 41% higher and they were 56% higher for bond funds. In 2018, there were $516.7 billion in assets rolled over from institutional funds to IRA's. This resulted in $980 million in direct fees for that one year alone. All this without any appreciable difference in investment return between the accounts.