

Sample Disclosure Letter

Dear _____,

Disclosure requirements were recently added to the California Education Code to reveal all fees associated with the third-party administration of retirement investments by a third-party administrator (TPA). The district has hired _____ TPA, and we are requesting that you submit to us data that meets the following section of the education code:

SEC. 7. Section 44041.5 (d) is added to the Education Code, to read:

A third-party administrator shall disclose to any employer seeking his or her services any fees, commissions, cost offsets, reimbursements, or marketing or promotional items received by the administrator, a related entity, or a representative or agent of the administrator or related entity from any plan provider selected as a vendor of a annuity contract, custodial account, or deferred compensation plan by the employer. A third-party administrator that is affiliated with or has a contractual relationship with a provider of annuity contracts, custodial accounts, or deferred compensation plans shall disclose the existence of the relationship to each employer and each individual participant in the annuity contract, custodial account or deferred compensation plan.

Additionally, please confirm in writing how the district has met compliance with California Education Code SEC. 7. Section 44041.5 (c)(1) in regards to safeguarding the contributions, changes, transfers and investment data of the assets, and maintaining timely transactions.

SEC. 7. Section 44041.5 (c)(1) of the Education Code reads:

(c) (1) If an employer elects to contract with a third-party administrator for the administrative or compliance services to employers described in subdivision (b), the employer shall do all of the following:

(A) Require the third-party administrator to provide proof of liability insurance and a fidelity bond in an amount determined by the employer to be sufficient to protect the assets of participants and beneficiaries in the annuity contract and custodial account or deferred compensation plan.

(B) Require the third-party administrator to provide evidence of a safe chain-of-custody of assets process for ensuring fulfillment of fiduciary responsibilities and timely placement of participant investments.

(C) Require evidence, if the third-party administrator is related to or affiliated with a provider of investment products pursuant to Section 403(b) or 457 of the Internal Revenue Code, that data generated from the services provided by the third-party administrator are maintained in a manner that prevents the provider of investment products from accessing that data unless access to the data is required to provide the services in accordance with the contract entered into with the employer pursuant to subdivision (b).

Thank you,