Workers with 401(k) retirement accounts are due to receive improved disclosures about the fees they're paying. The Department of Labor has mandated such disclosure beginning next year and on Tuesday said the information may be delivered electronically by email or through a secure website.

Electronic delivery has been a big issue for many of the companies that provide 401(k) plans, especially the large providers including Charles Schwab, T. Rowe Price, and Fidelity. That's because the cost of sending paper documents to some 72 million workers enrolled in workplace retirement accounts prompted active lobbying on the part of the industry.

Mailing out newly required annual booklets and quarterly fee statements on paper would have been expensive, a cost that would likely have been passed on to workers through higher fees, said Marcia Wagner, a Boston-based attorney specializing in retirement issues.

"You've got to give the DOL credit that they are permitting electronic delivery. That's good," she said

She questioned, however, the additional step of requiring employees to opt in, saying it adds an unnecessary level of complexity and expense.

The rules allowing electronic disclosure will stand until Labor Department officials have time to review the issue more thoroughly. They could be changed later after further review.

The new rules apply to additional fee details that the department is requiring beginning next year.

By the end of May workers will get a booklet that will detail the funds they have in their 401(k) accounts, the investment returns, expense ratios and other details. These booklets must include charts that compare the performance of the workers' chosen funds with benchmarks. The information must be sent out once a year.

In addition to these annual booklets, quarterly disclosure statements will accompany regular account balance statements. These new disclosures will explain all the fees paid in detail including administrative and record keeping costs of the retirement plan and the fees charged by various funds in the account. These new fee disclosures must be distributed no later than mid-August next year.
Workers will be able to choose paper notification.

Companies offering 401(k) plans are also due to receive greater details about the fees they're being charged by plan providers.

The fees that employers pay are charged in many different ways. They can be charged directly to the plan as a whole, charged to each participant in the plan or assessed as a percentage of the total assets held in the account.

Although workers pay most of these fees, many don't know it.

A survey by AARP last December revealed that 71 percent of 401(k) accountholders did not believe they paid any fees. About 23 percent knew they paid fees and the remaining 6 percent didn't know whether they did or not.