

**Comments to the
Committee on Education and Labor
United States House of Representatives**

**Hearing on
Are Hidden 401(k) Fees Undermining Retirement Security?**

March 6, 2007

The American Society of Pension Professionals & Actuaries (ASPPA) appreciates the opportunity to submit our comments for the record to the House Committee on Education and Labor on the very important issue of 401(k) plan fee disclosure.

ASPPA applauds the Committee's leadership in exploring issues related to 401(k) plan fee disclosure. The Committee's consistent focus on retirement issues over the years has advanced improvements in the employer-sponsored pension system and led to an increased concern about the retirement security of our nation's workers. ASPPA looks forward to working with Congress and the Administration on ensuring that both plan fiduciaries and participants receive complete and consistent 401(k) plan fee disclosures from *all* plan service providers.

ASPPA, a national organization of more than 6,500 retirement plan professionals, is dedicated to the preservation and enhancement of the employer-sponsored retirement plan system. ASPPA is the only organization comprised exclusively of pension professionals that actively advocates for legislative and regulatory changes to expand and improve the employer-sponsored pension system. In addition, ASPPA offers an extensive credentialing program with a reputation for high-quality training that is thorough and specialized. ASPPA credentials are bestowed upon administrators, consultants, actuaries and other professionals associated with the retirement plan industry.

Need For Complete and Consistent 401(k) Plan Fee Disclosure

The 401(k) plan is America's retirement plan. The 401(k), and its sister plans, 403(b) and 457, have been the most effective mechanism for getting American workers to save, particularly lower-income workers. In fact, lower-income workers are ten times more likely to save in one of these plans than on their own.

Because of the significant impact these plans have on the retirement security of tens of millions of American workers, Congress and the relevant regulatory agencies have imposed various rules intended to protect the interest of plan participants. These rules include special contribution limits, nondiscrimination tests and disclosure requirements. As Congress

examines these issues, it is important to keep in mind that 401(k) plans are not free, due in part to the costs of complying with congressionally mandated ERISA requirements applicable to these plans.

In addition, ASPPA asks Congress to remember that small businesses sponsoring 401(k) plans often bear higher fees than those of larger businesses due to start-up costs and the fact that fixed administrative costs are shared amongst fewer employees. The good news is that a competitive marketplace has given small businesses access to 401(k) plans at reasonable fees.

Full transparency of all 401(k) plan fees is the most effective way to make sure plan costs are kept reasonable. Any imposed disclosure requirements, however, must be consistently applied to all plan service providers regardless of the way plan services are delivered. For example, if disclosure is required of revenue-sharing payments to plan service providers even though not directly paid from plan assets, such disclosures should be required whether the revenue sharing is paid to an unaffiliated party (“unbundled” arrangement) or an affiliated party (“bundled” arrangement).

While it is important for Congress to balance any new fee disclosure requirements against any additional costs that they may impose, it is imperative that 401(k) plan fee information be presented uniformly, so as to not provide a competitive advantage for one segment of the industry over another. Complete and consistent 401(k) plan fee disclosures will allow plan sponsors and participants to make an “apples to apples” comparison for various plan service costs. Such disclosure allows for more complete information, which will enhance competition in an already crowded 401(k) plan marketplace, thereby helping to reduce fees for both plan sponsors and participants.

ASPPA Recommendation

ASPPA recommends that Congress develop rules that require consistent and complete 401(k) plan fee disclosures from *all* service providers, regardless of the way plan services are delivered. Complete and consistent disclosures to plan fiduciaries and participants will allow for more comparable fee comparisons, thereby enhancing competition in the retirement plan marketplace and leading to reduced plan costs.