The 401(k) Fair Disclosure for Retirement Security Act of 2007

Ensuring that Americans who are planning for their retirement come first

Increasing numbers of Americans are relying on 401(k)-style plans to finance their retirements. Today, nearly 50 million active American workers have 401(k) plans. It's critical that these workers have clear and complete information about their investment options to help them get the best deal for themselves. And both employers and service providers have an obligation to manage 401(k) plans in the best interests of the plan beneficiaries.

The 401(k) Fair Disclosure for Retirement Security Act of 2007 would address two key areas of concern: hidden fees and conflicts of interest. Specifically, the legislation would:

Clearly Disclose All Fees Paid by a Participant

- ✓ Require plan administrators to individually list every service fee assessed against the participant's account

Help Workers Understand All Investment Options

- ✓ Require plan administrators to clearly identify the name, risk level, and investment objective of each available investment option
- ✓ Require plan administrators to identify historical returns and fees assessed on each investment option
- ✓ Require 401(k)-style plans to include at least one lower-cost, balanced index fund in its investment line-up
- ✓ Require plan administrators to specify where plan participants can obtain additional plan and investment information

Disclose Fees and Conflicts of Interest to Sponsors of 401(k) Plans Annually

- ✓ Requires service providers to disclose to the plan sponsor all fees that workers will pay, including: sales commissions and estimated trading costs; start-up costs; investment advice and management fees; administration, legal compliance, trusteeship and recordkeeping fees; termination or surrender charges; and other costs
- ✓ Requires service providers to outline any financial or other conflicts of interest to plan sponsors that service providers may have

Enhance Department of Labor Oversight and Protection

- ✓ Require the Labor Department to review compliance with these disclosure requirements every year and refer violations of the law to the Securities and Exchange Commission and other enforcement agencies

Prepared by the House Education and Labor Committee, July 2007 • http://edlabor.house.gov/

Chairman Miller Introduces Legislation to Require Full Disclosure of 401(k) Fees & Consultant Conflicts of Interest

WASHINGTON, D.C. – U.S. Rep. George Miller (D-CA) introduced legislation today to ensure that American workers have clear and complete information about fees that could be cutting deeply into their 401(k)-style retirement savings.

The legislation, the 401(k) Fair Disclosure for Retirement Security Act of 2007, also requires 401(k) plan service providers to clearly disclose all potential conflicts of interest, so that workers and employers can determine for themselves whether service providers are acting in the best interests of plan beneficiaries.

"Hidden fees are eating into the retirement savings of millions of American workers without them knowing it," said Miller, the chairman of the House Education and Labor Committee. "Workers and employers need better information about fees in order to make well-informed decisions about basic things like which plans and investment options will give them the best deal."

Miller said the issue is particularly important given that increasing numbers of American workers are relying on 401(k)s to help them pay for a decent retirement. Nearly 50 million Americans now have a 401(k)-style plan. Past surveys have shown that 80 percent of workers don't know how much they are paying in fees on their retirement savings accounts.

According to the Government Accountability Office, even a seemingly small difference in the fees that workers pay can make an enormous difference in the overall size of their 401(k) account balance. A 1 percentage point difference in fees can reduce retirement benefits by nearly 20 percent.

Miller's legislation would:

- Require plan administrators to disclose, in clear and simple terms, all fees charged to plan participants each year;
- Help workers better understand their investment options by providing more detailed information on investment strategies, risks, and returns when they sign up for their company's 401(k);
- Require 401(k)-style plans to include at least one lower-cost, balanced index fund in its investment line-up;
- Ensure that all fees and conflicts of interest are disclosed annually to employers who sponsor 401(k) plans; and
- Enhance the Department of Labor's oversight of 401(k) plans.

In March, the Education and Labor Committee held a hearing on the subject of hidden fees. For more information on the hearing, please click here.

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