

ICI Testifies in Support of Effective 401(k) Disclosure, September 2007

ICI Testifies in Support of Effective 401(k) Disclosure Plan Sponsors Need Data on Fees, Revenue Sharing, ICI Tells Advisory Panel

Washington, DC, September 20, 2007 - The Investment Company Institute today told the Department of Labor's ERISA Advisory Council that effective disclosure by service providers is essential to enabling employers to establish and monitor their 401(k) plans.

"The Department of Labor should require plans to obtain information from service providers on the services that will be delivered, the fees that will be charged, and whether and to what extent the service provider receives compensation from other parties in connection with providing services to the plan," Mary Podesta, Senior Counsel for Pension Regulation at ICI, told the Advisory Council.

As fiduciaries to their 401(k) plans, employers must have "a process to collect information, compare and monitor providers, and consider any potential conflicts the arrangements might present," Podesta said.

Podesta cited a recent survey showing that 75 percent of 401(k) plan sponsors use a "bundled" arrangement to buy an array of plan services, including investment services and plan administration, from a single recordkeeper. As the Labor Department's representatives testified earlier, employers who sponsor 401(k)s find that "many of these arrangements may serve to reduce overall plan costs and provide plans with services and benefits not otherwise affordable."

Podesta noted that there is no single "reasonable" fee and service arrangement for 401(k) plans. A plan fiduciary must consider all the services and investment options being provided, the size and characteristics of the plan, and the services and fees available from other providers. Effective disclosure will assure that fiduciaries have the information they need to make informed decisions.

The ICI supports rulemaking underway at the Department of Labor to clarify the information that employers should obtain. To assist employers, ICI, with other trade associations, developed a disclosure tool that plan fiduciaries can use to better understand plan services and fees and any additional compensation a service provider receives from a third party.