

ICI President Calls for Effective 401(k) Disclosure, October 2007

ICI President Calls for Effective 401(k) Disclosure Reforms Should Foster Clear Information, Competition Among Providers, Stevens Testifies

Washington, DC, October 30, 2007 - ICI President and CEO Paul Schott Stevens, in testimony before the House Ways and Means Committee, said that the employer-based 401(k) system has been a success, but can be strengthened with appropriate disclosure reform.

Stevens discussed how to further improve the 401(k) system by addressing gaps in current disclosure. To be effective, he said, disclosure must be uniform, applying equally to all investment products in 401(k) plans.

“Extensive research on investor behavior indicates that workers should receive a clear, concise summary of five items for each of the investment options available under a 401(k) plan,” Stevens said. “These items include: the investment’s objectives; its historical performance; its risks; information about the investment manager; and fees.”

Stevens warned against making 401(k) fees the centerpiece of disclosure reform. “Focusing on fees alone could lead workers to make decisions that will hurt their retirement prospects,” he said, leading them to take too little or too much risk.

Employers who sponsor plans should be informed of all payments that a service provider receives, whether directly from plan assets or indirectly from third parties, Stevens testified. However, he said that ICI opposed efforts by some 401(k) record-keepers to legislate a single business model for all 401(k) service providers. ICI believes that the market for 401(k) services is highly competitive, and that the ability of providers to offer a range of services has fostered innovation and improved services for both employers and workers.

ICI is the national association for investment companies, including mutual funds, exchange-traded funds, closed-end funds, and unit investment trusts. Mutual funds manage more than half of the \$4.1 trillion in assets in defined contribution retirement plans, including 401(k), 403(b), and 457 plans.