

ICI Commends Labor Department's 401(k) Disclosures, April 2008

ICI Commends Labor Department's 401(k) Disclosures Proposed Rules 'Fill a Gap' for Employers Who Sponsor Plans, Stevens Says

Washington, DC, April 1, 2008 - The Investment Company Institute commends the Department of Labor for its comprehensive approach to disclosure for 401(k) plans, including proposed rules that will help employers who sponsor plans "make the decisions entrusted to them under ERISA," [ICI President & CEO Paul Schott Stevens said today](#).

Testifying before a Labor Department hearing, Stevens said that the Department's [proposal for disclosure to plan sponsors](#) "fills a gap in existing regulations" and will help employers understand how fees of investment products are used to compensate service providers to plans.

A 2005 survey of 401(k) plans by Deloitte Consulting LLP found that in 38 percent of plans, participating employees pay plan expenses through the fees on the investment products, including mutual funds, offered by the plan. The Labor Department's proposed regulations under Section 408(b)(2) of the Employee Retirement Income Security Act (ERISA) are designed to ensure that plan fiduciaries understand the economic relationships between service providers and investment providers.

Stevens urged the Department to ensure that disclosures required by its proposed rules are workable for service providers and that they do not create information overload for plans, especially smaller plans.

To that end, Stevens urged the Department to clarify that businesses that serve mutual funds—such as brokers and fund accountants—are not treated as service providers to 401(k) plans. That step would require "dozens—sometimes hundreds—of [fund] service providers" to detail their expenses to the plans. Instead, Stevens said, plan sponsors can rely upon the mutual fund fees and expenses disclosed under Securities and Exchange Commission rules "to fulfill their duties under ERISA to select and monitor prudently plan investments."

Stevens also praised the Department for avoiding a requirement that a service provider "unbundle" investment management and administrative expenses when it offers both services. "The key for plan fiduciaries is to compare the total cost of recordkeeping and investments of one provider with the total costs of recordkeeping and investments of another provider or group of providers," Stevens said. "The Department is correct to focus on disclosure of real payments and not require the disclosure of artificial allocations."