

DISCLOSURE Is Key to Retirement Saving Success



DISCLOSURE

For retirement savers to succeed, it is important to have clear disclosure of plan rules and investment options.

In the United States, jurisdiction over employer-sponsored defined contribution retirement plans is divided between the Department of Labor (DOL) and the Internal Revenue Service (IRS). The DOL enforces the legal provisions that govern the conduct of private-sector retirement plan fiduciaries, the investment and protection of plan assets, and plan participants' benefit rights and responsibilities. The IRS is responsible for the rules that allow tax benefits for both employees and employers related to retirement plans, including vesting and distribution requirements. Disclosure requirements are divided between IRS and DOL jurisdiction, depending on the topic.

For example, the DOL requires the plan to provide an annual notice that describes information regarding fees and investments under the plan.

As another example, the IRS has oversight of a notice that must be provided before a participant receives a distribution from the plan, explaining the ability to roll over the distributed amount to another plan or to an individual retirement account (IRA).

Mutual funds, which are often held through retirement accounts, are regulated by the Securities and Exchange Commission (SEC) and provide extensive disclosure.



LAWS

The DOL and the IRS govern regulations regarding disclosures and educational materials to be provided to private-sector employer-sponsored retirement plans.

Several disclosures are sent on a scheduled basis to all plan participants, while other notices are required as applicable.

Reporting and Disclosure Guide for Employee Benefit Plans
www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/publications/reporting-and-disclosure-guide-for-employee-benefit-plans.pdf

IRS Description of Required Disclosures
www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-notice

Final Rule to Improve Transparency of Fees and Expenses to Workers in 401(k)-Type Retirement Plans
www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/fact-sheets/final-rule-improve-transparency-of-fees-and-expenses.pdf

In 2020, the DOL adopted regulations allowing plans to make e-delivery the default disclosure method for most documents.

Default Electronic Disclosure by Employee Pension Benefit Plans Under ERISA
www.federalregister.gov/documents/2020/05/27/2020-10951/default-electronic-disclosure-by-employee-pension-benefit-plans-under-erisa

The IRS governs regulations regarding disclosures for IRA investors.

www.irs.gov/retirement-plans/individual-retirement-arrangements-iras

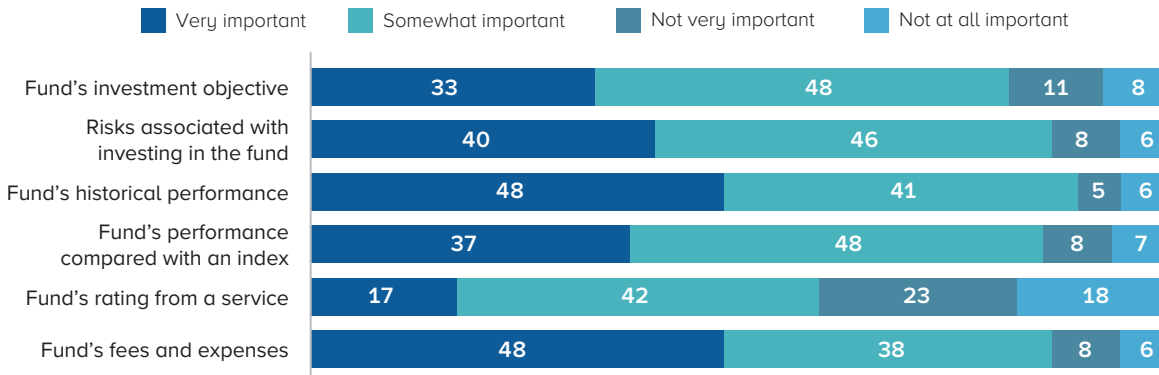
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RESULTS

The vast majority of retirement account investors in mutual funds review key fund information when selecting their mutual funds.

Percentage of mutual fund–owning households that own mutual funds in DC plans, 2023

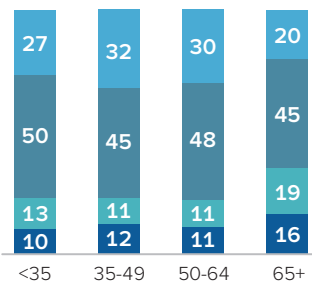


The majority of households with retirement accounts express willingness to take financial risk.

Percentage of US households with DC accounts by age of respondent, 2023

Level of risk willing to take with financial investments

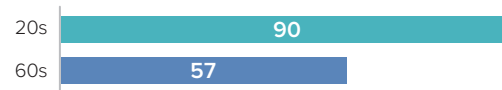
- Above-average or substantial risk
- Average risk for average gain
- Below-average risk for below-average gain
- Unwilling to take any risk



Retirement account investors' asset allocations vary with age.

Younger 401(k) plan participants tend to have higher allocations to equity investments: on average, 90 percent of 401(k) account assets of participants in their 20s were in equities (in 2022), compared with 57 percent among participants in their 60s.

Percentage of 401(k) account invested in equities*



* Equities include equity funds; the equity portion of balanced and target date funds; and company stock.

RESOURCES

Delivering ERISA Disclosure for Defined Contribution Plans: Why the Time Has Come to Prefer Electronic Delivery
<https://peterswire.net/wp-content/uploads/2018-Update-toDelivering-ERISA-Disclosure-for-DC-Plans-002.pdf>

Frequently Asked Questions About Service Provider Disclosure
www.ici.org/401k/faqs/faqs_401k_service_disc

Frequently Asked Questions About 401(k) Participant Disclosure
www.ici.org/401k/faqs/faqs_401k_participant_disc

ICI 401(k) Resource Center
www.ici.org/401k

"401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2022,"
ICI Research Perspective
www.ici.org/files/2024/per30-03.pdf

ICI Individual Retirement Account Resource Center
www.ici.org/ira

"The Role of IRAs in US Households' Saving for Retirement, 2023,"
ICI Research Perspective
www.ici.org/research/retirement/role-of-iras