

**MEMO# 21626**

September 21, 2007

# **Institute Advocates Effective Disclosure to Plan Fiduciaries in Testimony Before ERISA Advisory Council**

[21626]

September 21, 2007

TO: PENSION MEMBERS No. 54-07  
BANK, TRUST AND RECORDKEEPER ADVISORY COMMITTEE No. 33-07  
BROKER/DEALER ADVISORY COMMITTEE No. 56-07  
OPERATIONS COMMITTEE No. 23-07 RE: INSTITUTE ADVOCATES EFFECTIVE DISCLOSURE TO PLAN FIDUCIARIES IN TESTIMONY BEFORE ERISA ADVISORY COUNCIL

The Institute testified yesterday before the ERISA Advisory Council's Working Group on Fiduciary Responsibilities and Revenue Sharing Practices. Attached is a copy of the Institute's written statement.

The Institute's testimony, which was delivered by Mary Podesta, ICI's Senior Counsel – Pension Regulation, focused on why plans may choose to obtain both investment and administrative services through a single provider, using asset-based fees to defray the cost of recordkeeping and other administrative services. The testimony stated that full-service arrangements eliminate the need to deal with and monitor multiple providers, and that asset-based fees help spread the cost of services over the participant base and help pay for start-up and transition costs.

The Institute reiterated its support for rulemaking by the Department of Labor to clarify the information plan fiduciaries should consider in entering into plan service arrangements. The regulation should require plan fiduciaries to obtain, and service providers to provide, information on the services offered, the charges to be paid, and payments from other parties in connection with providing services to the plan. DOL should not require plan fiduciaries to assess service provider profitability, require a break out of fees when services are provided in a package, or require artificial disclosure of allocation of revenue within an integrated firm.

The testimony highlighted ICI's latest research on fees and expenses of mutual funds held in 401(k) plans [\[1\]](#) and discussed the disclosure tool that the ICI developed with other trade organization and submitted to DOL in July 2006. [\[2\]](#)

Michael L. Hadley  
Assistant Counsel

[Attachment](#)

**endnotes**

[\[1\]](#) See <http://www.ici.org/pdf/fm-v16n4.pdf>.

[\[2\]](#) See [Memorandum](#) to Pension Members No. 47-06 [20230], dated August 1, 2006.

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