

MEMO# 21384

July 23, 2007

Institute Response to DOL Request for Information on Disclosure of Fees in Participant Directed Plans

[21384]

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TO: BANK, TRUST AND RECORDKEEPER ADVISORY COMMITTEE No. 23-07
BROKER/DEALER ADVISORY COMMITTEE No. 39-07
OPERATIONS COMMITTEE No. 17-07 RE: INSTITUTE RESPONSE TO DOL REQUEST FOR INFORMATION ON DISCLOSURE OF FEES IN PARTICIPANT DIRECTED PLANS

Attached is ICI's response to the Department of Labor's request for information on plan administrative and investment-related fee and expense information to participants in participant-directed individual account retirement plans. [\[1\]](#)

The letter begins by highlighting key principles and then addresses each of DOL's questions in turn. We recommend that all participants in self-directed plans receive simple straightforward explanations about each investment option, regardless of type of product. This should include the investment objective and types of securities held, principal risks, fees, historical performance, and the investment adviser. We point out that having a participant focus solely on fees could lead to inappropriate asset allocation.

The letter emphasizes that the informational needs of plan participants and plan sponsors differ. Detailed information about plan administrative costs and how fees and expenses are allocated among service providers will not help a participant make decisions as to how much to contribute to the plan and how to allocate his or her account.

The letter points out the gaps in the Department's current 404(c) regulation, in particular that participants investing in mutual funds receive key information, including regarding fees, that similar products that are not registered under the Securities Act of 1933 are required to provide only upon request.

The letter notes that the Internet is a particularly cost-effective means to deliver disclosure. Finally the letter makes extensive use of the Institute's research on mutual fund fees and expenses in 401(k) plans and industry-wide, use of the Internet, investor preferences for information, and costs related to individualizing fee information.

Attached to the letter is the policy statement adopted by the Institute's Board regarding retirement plan disclosure, which affirms the Institute's long-standing commitment to effective disclosure.

Michael L. Hadley
Assistant Counsel

[Attachment](#)

endnotes

[\[1\]](#) See [Memorandum](#) to Pension Members No. 24-07 [21079], dated April 25, 2007.

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