

MEMO# 11207

August 25, 1999

401(K) FEE DISCLOSURE BILL INTRODUCED

[11207] August 25, 1999 TO: PENSION COMMITTEE No. 55-99 RE: 401(K) FEE DISCLOSURE BILL INTRODUCED

Senator Johnson (D-SD) recently introduced S. 1541, the "401(k) Full Disclosure Act." The bill would amend ERISA to require 401(k) administrators to provide the following disclosure items on an annual basis: (1) the individual's account balance as of the beginning and ending of the statement period; (2) the investment performance of each investment option for the statement period; (3) total assets of the plan; (4) the administrative fees of the plan for the statement period as a percentage of the total assets of the plan; and (5) the name of the plan administrator. However, it is significant to note that in his remarks accompanying introduction of the bill, Senator Johnson referenced the importance of the uniform 401(k) plan fee disclosure form created by the Investment Company Institute ("ICI"), American Bankers Association ("ABA") and the American Council of Life Insurance ("ACLI"). Senator Johnson noted his concern regarding the current lack of disclosure of 401(k) fees, his support of the uniform disclosure form and his willingness to take a "wait and see" approach regarding mandatory fee disclosure for 401(k) plans until the disclosure form has been given fair opportunity for implementation. In particular, Senator Johnson said, "I applaud this responsible and important effort [which]... should be given fair consideration and an opportunity to be implemented. It is my sincere hope that these efforts will be supported by all 401(k) plan providers and that consumers will utilize and benefit from fee disclosure...I will be monitoring the progress closely and remain hopeful that legislative action will not be necessary to achieve the disclosure of 401(k) fees." It appears that the issuance of the ICI/ABA/ACLI uniform 401(k) plan fee disclosure form has delayed Congressional interest in mandating fee disclosure for 401(k) plans. Copies of S. 1541 and Senator Johnson's floor statement are attached. Kathryn A. Ricard Assistant Counsel

Attachments