

MEMO# 12315

July 20, 2000

HOUSE SUBCOMMITTEE APPROVES INVESTMENT ADVICE BILL

[12315] July 20, 2000 TO: PENSION COMMITTEE No. 51-00 AD HOC COMMITTEE ON INVESTMENT ADVICE RE: HOUSE SUBCOMMITTEE APPROVES INVESTMENT ADVICE BILL On July 19, 2000, the House Subcommittee on Employer-Employee Relations considered and approved by voice vote H.R. 4747, the "Retirement Security Advice Act of 2000," which was introduced by Representative John Boehner (R-OH), chair of the subcommittee. This bill would establish a statutory exemption from ERISA's prohibited transaction rules for the provision of investment advice. The bill adopts the disclosure-based approach proposed by the Institute and recommended in its testimony before the subcommittee, and is little changed from the bill draft previously provided to you and described in a June 27 Institute memorandum. 1 We refer you to that memo for a full description of the bill, which is attached. (Also attached is a Department of Labor letter stating its opposition to this bill and to H.R. 4749, which would more broadly reform ERISA's prohibited transaction rules.)2 One of the changes in the bill reflects some concern regarding the disclosure requirements, and clarifies that disclosure should be "clear and conspicuous." Representative Andrews (D-NJ), the ranking Democrat on the subcommittee, offered an amendment in the form of a substitute that merely would have codified the Department of Labor's Interpretive Bulletin 96-1 and clarified the extent of an employer's liability for advice provided by an advice provider; this amendment was defeated on a party line vote. The legislation now moves to the full House Committee on Education and the Workforce for consideration. It is also possible for the legislation to be attached to separate legislation moving through Congress during the final weeks of the session, bypassing full committee consideration. Russell G. Galer Senior Counsel Attachments Attachment no. 1 (in .pdf format) 1 See Institute Memorandum to Pension Committee No. 43-00 and Ad Hoc Committee on Investment Advice, dated June 27, 2000. 2 H.R. 4749 was not taken up by the subcommittee.