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401(k) Savers Need Clearer, More Consistent Information, September 2006

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ICI Calls for Summaries of All Investment Options, Greater Use of the Internet

Washington, DC, September 21, 2006 – The Investment Company Institute today called upon the Department of Labor to improve the information on investment options provided to workers who participate in self-directed retirement plans like 401(k)s. Participants should receive consistent and concise information about all their investment choices, and the Department's rules on electronic delivery should be updated to reflect Americans' greater use of the Internet, [ICI General Counsel Elizabeth Krentzman told the Department's ERISA Advisory Council](#).

Current rules produce "information overload" for some investment choices while leaving "significant gaps in the information participants receive" about other products, Krentzman told the Council. Mutual funds are required to provide detailed disclosures, including prospectuses, while "for other products, participants may not receive certain basic information about the product's fees and performance." According to Institute research, the two items that fund buyers are most likely to consider before investing are a funds' fees and expenses and its historical performance.

To close the gaps and improve disclosure, Krentzman called upon the Department to:

- Require that participants in all self-directed plans receive a concise summary of each investment option available, regardless of the type of product. The summary should cover five key elements for each option: investment objective, principal risks, annual fees and expenses, historical performance, and the identity of the investment adviser.
- Update its 2002 electronic delivery rule to give plan sponsors additional opportunities to deliver disclosures via the Internet, while requiring delivery of paper copies upon request.
- Allow plan sponsors to make more detailed information about investment products available on line or on paper upon request.

"Streamlined disclosure—that covers all investment products and plans and leverages the power of the Internet—is critical to empowering participants in self-directed plans," Krentzman told the Council.

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