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Office of Regulations and Interpretations
Employee Benefits Security Administration
Suite N-5669
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210

Re: Fee and Expense Disclosures to Participants in Individual Account Plans

Ladies and Gentlemen:

This response to the request for information (the "RFI") issued by the Department of Labor (the "Department") on *Fee and Expense Disclosures to Participants in Individual Account Plans* is submitted on behalf of the group of financial service companies for which FMR Corp. is the parent corporation (collectively, "Fidelity"). Fidelity companies provide investment management, recordkeeping and directed trustee and custodial services to thousands of individual account plans covering millions of participants.

With the increasingly important role that 401(k) and other individual account plans play in securing retirement income for millions of Americans, it is critical that participants have access to the information they need to inform both the decision to participate in a plan and the investment choices made under the plan. The challenge in the area of disclosure is to provide the information necessary to make an informed decision in a format and context that is understandable by the average participant. The complexity of the choices presented to participants when deciding to participate in a 401(k) plan already represents a barrier to enrollment. Overwhelming participants with even more information could discourage participation further.

It is also important to understand that fees and expenses are only one component of the information that participants need to consider when deciding to invest their assets in a workplace retirement savings plan. Participants must be provided information that enables them to evaluate the overall investment program offered through the plan. This encompasses the investment objectives of the program, the risks and potential returns, past investment performance and tax consequences of participating in the plan and fees. It also requires consideration of the tools and services that the program offers to help participants achieve their retirement savings goals.

Current disclosure practices vary widely among plans and among providers. Even within a single plan, disclosure may vary considerably among the investment options

offered. We believe that certain modifications to current disclosure requirements could help bring consistency in disclosure practices that would present information to participants in a more accessible format. Our views on these disclosure practices and possible reforms are provided below in response to the nineteen specific questions asked in the RFI. As the Department considers this information in developing specific reform proposals, we would like to stress the following points:

- Investment return is a critical factor for participants making decisions about investing through a workplace savings plan. To the extent fees and expenses are relevant in assessing potential investment return, a fund's expense ratio provides all of the information that participants need. How those fees are spread among the plan's service providers does not affect the investment option's total expense or its return, and thus is not relevant to most participants. More importantly, focusing on fees in isolation will lead many participants to the erroneous conclusion that the investment fees are associated with participating in the plan itself, further discouraging participation in the plan, or that fees are the most important factor in selecting investment options.
- The plan sponsor or other designated plan fiduciary has responsibility under ERISA for determining the reasonableness of fees and expenses, and the allocation of those fees and expenses among participants. This provides an important measure of protection that benefits participants investing through workplace savings plans. In addition, the market for investment management and recordkeeping services offered to individual account plans is highly competitive. Most plan sponsors aggressively negotiate both fee and service arrangements with providers. As a result, the fees and expenses that most participants pay in connection with a workplace savings plan compare favorably to the costs of obtaining similar services and investment products outside the plan. Notably, as a service provider, we receive far more questions about plan fees from plan sponsors than from participants suggesting that ERISA's allocation of responsibility to plan sponsors with respect to the reasonableness of fees is both appropriate and functioning as intended.
- Mutual funds are the largest single category of investment products offered in individual account plans, and represent for many plans a cost effective way to deliver investment services. However, mutual funds are usually structured in a way that allocates both investment management and administrative expenses among shareholders in proportion to their investment in the fund. In contrast, fees for stand-alone plan recordkeeping services are often evaluated on a per participant basis. If rules are developed mandating that all administrative charges be evaluated independent of investment management fees, the likely result will be a shifting of fees and expenses from high balance participants to low balance participants. This will discourage retirement savings by lower paid employees and by those employees who are just beginning to save for retirement.

- There is currently a great deal of information that is either provided or made available to participants in most plans about fees and expenses, particularly where the plan's investment options are mutual funds. Contrary to common public perception, few such plans involve "hidden" fees charged to participant accounts. The principal shortcomings on fee disclosure relate to a lack of consistent formatting and presentation which make it difficult for participants to use the information for comparison purposes.

Thank you for the opportunity to present Fidelity's views on participant fee and expense disclosure. If you have any questions or would like us to provide additional information, please let me know.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Ralph C. Derbyshire". The signature is fluid and cursive, with a long horizontal stroke at the end.

Ralph C. Derbyshire
Senior Vice President and Deputy General Counsel



Response to DOL Request for Information on Fee and Expense Disclosures to Participants in Individual Account Plans

Fidelity Investments submits the following response to the Department of Labor's request for information on *Fee and Expense Disclosures to Participants in Individual Account Plans* (the "RFI"). The responses are organized based on the matters identified by the Department in its request for information but include additional information that Fidelity believes is germane to the Department's consideration of these issues.

Disclosure of Information Related to Plan Investment Options

1. What basic information do participants need to evaluate investment options under their plans? If that information varies depending on the nature or type of investment option (options offered by a registered investment company, options offered under a group annuity contract, life cycle fund, stable value product, etc.) please include an explanation.

In order to evaluate a plan's investment options, participants need the following information:

- identification of the investment manager (or guarantor, in the case of guaranteed products);
- a general description of the option's investment objectives, risk and return characteristics and the type of assets comprising the option;
- information about historical performance of the option;
- information about transaction-based fees associated with the option, including sales charges and commissions, brokerage fees, redemption fees or surrender charges; and
- the operating expenses related to the option, commonly referred to as the "expense ratio" in the case of registered investment companies.

Participants should also have available to them any information that would either be furnished or made available to individual investors that purchase the investment product on a direct basis.

This information is needed for all investment options with the possible exception of investment products that guarantee both the rate of return and principal. For those types of investment options, information about historical performance and operating expenses may not be relevant. This is essentially the same information that the Advisory Council on Employee Welfare and Pension Benefit Plans recommended be provided to participants in its *Report of the Working Group on Prudent Investment Process* issued in November 2006.

2. What specific information do participants need to evaluate the fees and expenses (such as investment management and 12b-1 fees, surrender charges, market value adjustments, etc.) attendant to the investment options under their plans? If that information varies depending on the nature or type of the option, or the particular fee arrangement related to options (e.g., bundled service arrangements), please include an explanation.

In general, the only information participants need about fees associated with investment options are a description of transaction-based fees and the expense ratio, as outlined in the response to question one. This is true regardless of the nature of the option or the particular fee arrangement for the plan as a whole. Information that enables the participant to break down the expense ratio into its components is not critical to the investment decision since it does not affect the amount of expenses that the participant pays in connection with the investment option.

Information that should be provided to participants needs to be clearly distinguished from information that should be provided to plan fiduciaries. Since plan fiduciaries are responsible for decisions about how expenses are paid under the plan, they need to be aware of the components of compensation received by unaffiliated service providers to the plan. However, most participants are not in a position to influence the way in which expenses are paid under a plan so the information is not relevant to participants. Moreover, providing such information is likely to confuse the disclosure of fees and expenses since participants will have difficulty distinguishing between fees that actually affect investment return and those that are simply part of the arrangements for compensation of service providers.

For participants who want a breakdown of the expense ratio, an investment option's prospectus or other disclosure document would provide detail and should be available to the participant upon request.

3. To what extent is the information participants need to evaluate investment options and the attendant fees and expenses not currently being furnished or made available to them? Should such information be required to be furnished or made available by regulation or otherwise? Who should be responsible for furnishing or making available such information? What, if any, additional burdens and/or costs would be imposed on plan sponsors or plans (plan participants) for such disclosures?

Although many plans make the information outlined in response to question one available to participants, there are significant gaps depending on whether the plan is intended to meet the requirements of ERISA 404(c) and whether the plan includes investment options not subject to the disclosure requirements of the Securities Act of 1933. The GAO report referenced in the RFI includes an accurate description of current disclosure requirements and practices.

As discussed in the GAO report, the principal problem is that this information is not either furnished or made available in a format that facilitates comparison of the investment options. Much of the required information, including historical performance and fees, is included in the prospectus. In the case of registered investment companies, information on fees is provided through a mandatory expense table where disclosure is both detailed and comparable from fund-to-fund. However, other than the expense table, information presented in prospectuses for different funds may vary widely in terms of content and format making it difficult to extract the information for comparison purposes. In addition, for investment options that are not subject to the disclosure requirements of the Securities Act of 1933, much of the information that is needed by participants may not be available. This includes investment options such as separate accounts, collective investment funds and certain bank and insurance products.

Information about investment options should be made available to participants on the internet or in writing upon request, coupled with a requirement that participants receive notice of the availability of such information at the time of enrollment and at least annually thereafter. See the response to question six for further discussion. The notice of availability of information about investment options could include a specific reference to fees and expenses associated with these options, for example:

When choosing to invest through a workplace savings plan, you should carefully consider the investment options available to you. Investment options have different investment objectives, risk and return characteristics, types of assets in which they invest and historical performance. They may also have different fees which reduce your overall investment return. This means that your investment decisions determine the amount of fees that you pay. However, fees are just one consideration in choosing investment options and should be balanced with other factors including investment objectives, risk and return, types of assets held and performance.

There may be additional charges for administration and servicing of your workplace savings plan. These fees are either paid by the plan sponsor or charged directly against your account. In addition, there may be fees deducted from your account for specific plan transactions that you engage in such as loans or withdrawals, and certain investment options may assess redemption fees or short-term trading fees.

To receive a description of your plan's investment options and fees, please visit <website> or call your plan's toll free number to receive a free copy in writing. To learn more about investing through a workplace savings plan, visit the Department of Labor at www.dol.gov.

Disclosure of the information about investment options described in response to question one should be required by statute or regulation as a responsibility of the plan sponsor or other designated plan fiduciary. However, in practice, most plan sponsors will look to

their recordkeepers and other service providers for assistance with meeting disclosure requirements. It should be expected that any costs for either mailing disclosures or enhancing electronic delivery systems, including the internet, will ultimately be passed back to the plan sponsor who may choose to have the expenses paid from the plan as appropriate. In addition, there could be substantial costs associated with investment options that are not subject to the Securities Act of 1933 and therefore have not already prepared disclosure documents that include the necessary information.

4. Should there be a requirement that information related to investment options under a plan (including the attendant fees and expenses) be provided to participants in a summary and/or uniform fashion? Such a requirement might provide that: A) All investment options available under a participant-directed individual account plan must disclose information to participants in a form similar to the profile prospectus utilized by registered investment companies; or B) plan fiduciaries must prepare a summary of all fees paid out of plan assets directly or indirectly by participants and/or prepare annually a single document setting forth the expense ratios of all investment options under the plan. Who should be responsible for preparing such documents? Who should bear the cost of preparing such documents? Who should bear the burden/cost implications for plans of making any recommended changes?

All of the information outlined in the response to question one, including a description of the plan's investment options, historical performance and fees, should be available to participants in a manner that allows the participants to compare the options for purposes of making investment decisions. To compare options effectively, we believe this means the information must be set forth in a summary fashion and presented in a consistent manner for each investment option available under the plan. However, plans should be provided considerable flexibility in determining the precise format and content of the summary disclosure so that it can be tailored to the needs of the plan participants and the capabilities of the plan and its service providers to produce the summary disclosure. This would include using multiple documents to provide disclosure so long as the information is presented in a manner that permits comparison.

We do not believe that using profile prospectuses would accomplish the objective of allowing participants to compare investment options more easily. First, the profile prospectus has not been broadly adopted by the mutual fund industry. This means that requiring use of profile prospectuses would involve preparation of entirely new disclosure documents for many funds. Second, although profile prospectuses are much simpler and more accessible than standard prospectuses, participants would still need to extract information from each profile prospectus and assemble it for comparison purposes. It is unlikely that many participants will undertake this task.

Note that the focus should be on disclosure of information about investment options – this should not be viewed as a “fee disclosure” or “fee summary”. Fees and expenses are only one factor that participants should take into account in making an investment choice.

In fact, the lowest cost investment options in terms of fees in a plan are likely a money market fund or even an employer stock fund. If fees were the sole criteria on which a participant makes his or her investment decision, the account would be invested entirely in the single lowest cost fund which would most likely mean inappropriate lack of diversification across different asset classes

As part of any required disclosure with respect to investment options, the Department will need to clarify which investment options are subject to the disclosure requirement. For example, plans that include a mutual fund window providing access to a broad universe of mutual fund investments should not be required to provide summary information with respect to all available funds. Today, the only required disclosures with respect to investment options exist under ERISA section 404(c) where the regulations distinguish between “designated investment options” subject to increased disclosure requirements and all other options. However, the regulations provide no definition of what constitutes a “designated investment option”. We suggest that any new information disclosure requirements be limited to the plan’s core options based on specific, identifiable criteria.

5. How is information concerning investment options, including information related to investment fees and expenses, communicated to plan participants, and how often? Does the information or the frequency with which the information is furnished depend on whether the plan is intended to be a section 404(c) plan?

As discussed in the response to question three, most plans include information related to investment options in enrollment materials which are either provided in written form or delivered electronically. This includes general information about the investment objectives and risk and return characteristics of designated investment options, as well as any account or transaction-based fees that may be imposed under the plan. In addition, complete information about investment options that are mutual funds, including information about fees and expenses, is provided through confirming prospectuses that are provided when a participant invests in a fund for the first time. Participants who make investment changes on-line are also provided access to information about investment funds any time they request a transaction. With respect to redemption fees imposed in connection with short-term trading, participants are advised of the fees both at the point they choose to invest in the fund and at the point they request a transaction that would result in imposition of the short-term trading fees. At Fidelity, the investment information provided to participants generally does not differ either in content or frequency between those plans that are intended to be ERISA section 404(c) plans and those that are not.

In addition to providing investment option information as described above, Fidelity’s participant account statements have historically included information about mutual fund performance. As a result of recently effective NASD rules, information about fund expense ratios must be included in any materials that include mutual fund performance information.

6. How does the availability of information on the internet pertaining to specific plan investment options, including information relating to investment fees and expenses, affect the need to furnish information to participants in paper form or electronically?

The increased availability and utilization of the internet by participants and beneficiaries greatly reduces the need to furnish written disclosures to participants in the absence of a specific request for the information. The vast majority of participant transactions in Fidelity-administered plans already take place on-line so participants will have the information readily available to them on a continuing basis. In addition, many participants who enroll or engage in transactions through a paper-based process or through a phone representative have access to the internet so can easily access the information so long as it is made available on-line. For the small minority of participants who do not have internet access, they can request that the information be sent to them in writing.

Given the ease with which participants can access information, we do not believe that the substantial costs of requiring that participants be furnished written information in the absence of a request are justified. The additional costs of affirmative disclosure are incurred largely because the inclusion of performance information in written materials will require frequent updating. For paper-based procedures used primarily by smaller employers, this would be extremely burdensome. In addition, our experience shows that most participants already feel overwhelmed by the volume of information they receive in connection with enrollment. Any increased disclosure should be provided only to those participants who are likely to make use of the information.

Instead, we believe that participants should receive notice of the availability of the information coupled with access through the internet or upon specific request. We strongly encourage the Department to adopt some form of the “notice and access” model recently adopted by the Securities and Exchange Commission as an optional method for delivery of proxy materials to shareholders.

7. What changes, if any, should be made to the section 404(c) regulation, to improve the information required to be furnished or made available to plan participants and beneficiaries, and/or to improve likelihood of compliance with the disclosure or other requirements of the section 404(c) regulation? What are the burden/cost implications for plans of making any recommended changes?

Information about available investment options should be provided to all participants in individual account plans, regardless of whether the plan is intended to meet the requirements of ERISA section 404(c). Although fiduciaries of non-404(c) plans may retain responsibility for investments, participants can hold those fiduciaries responsible only if there is a breach of fiduciary duty. However, participants in all participant-directed plans should have the opportunity to maximize returns through their investment choices. Without adequate investment information, participants may achieve less than

optimal investment results but still not have a cause of action for breach of fiduciary duty. More broadly, the decision to participate in a 401(k) or other individual account plan that allows voluntary contributions is itself a type of investment decision even if the plan does not allow for participant direction. Accordingly, Fidelity recommends that the summary disclosure of investment information be required for all individual account plans.

If the summary disclosure of investment information is provided, Fidelity recommends that the Department's ERISA 404(c) regulations that require delivery of a prospectus with respect to an investment alternative subject to the Securities Act of 1933 be eliminated so long as participants are advised where they can obtain a prospectus either through the internet or in writing upon request. Prospectuses are not read by most participants, and forcing them to be delivered to participants increases costs with little gain. The Advisory Council on Employee Welfare and Pension Benefit Plans reached a similar conclusion in its *Report of the Working Group on Prudent Investment Process* issued in November 2006, stating that it "questions the utility of the prospectus as a source of investment information." If participants want to read the prospectus, they can easily obtain one. In addition, provisions of current ERISA 404(c) regulations requiring delivery of written information should be reconciled with the "notice and access" model.

8. To what extent should participant-directed individual account plans be required to provide or promote investment education for participants? For example, should plans be required or encouraged to provide a primer or glossary of investment-related terms relevant to a plan's investment options (e.g., basis point, expense ratio, benchmark, redemption fee, deferred sales charge); a copy of the Department's booklet entitled "A Look at 401(k) Fees" (http://www.dol.gov/ebsa/publications/401k_employee.html) or similar publication; or investment research services? Should such a publication include an explanation of other investment concepts such as risk and return characteristics of available investment options? Please explain views, addressing costs and other issues relevant to adopting such a requirement.

Most participants have access to a wide range of investment information and educational materials, both through the plan and its service providers as well as outside of the plan. Requiring plans to provide this information would unnecessarily burden plans with costs without providing significant additional benefits to participants. However, we recommend that participants be informed of the importance of understanding investment principles and be advised where they can obtain more information. The recently enacted requirement in ERISA § 105(a)(2)(B)(ii)(II) that participant statements in participant-directed plans include a notice of the importance of diversification is an example of the type of disclosure that accomplishes this objective.

Disclosure of Information Relating to Plan and Individual Account Administrative Fees and Expenses

Note: For purposes of questions 9 through 14, we assume that the plan and individual account administrative fees and expenses relate only to fees and expenses that are

charged to the participant's account over and above any investment-related fees that are disclosed through the investment option's expense ratio.

9. What information is currently furnished to participants about the plan and/or individual administrative expenses charged to their individual account? Such expenses may include, for example: audit fees, legal fees, trustee fees, recordkeeping expenses, individual participant transaction fees, participant loan fees or expenses.

Among Fidelity's clients, there is no uniform method for furnishing information about plan and/or individual administrative expenses charged to participant accounts. The information that is provided varies from plan-to-plan and often depends on the type of fee charged to the account. Fee information related to participant-initiated transactions, such as loan or distribution fees, is furnished to participants in a variety of ways, including the summary plan description, enrollment materials, administrative forms, by phone representatives or through the internet. Where a participant is requesting a transaction for which a fee will be assessed, Fidelity's systems are designed to advise participants of the fee prior to confirming the transaction

The communication of other administrative expenses that may be deducted from participant accounts varies considerably from plan-to-plan. Where the amount of such deductions varies from year-to-year, the disclosures are usually general in nature because the specific amount to be deducted from the participants' accounts is not known in advance. In other instances, if a known amount will be deducted, such as a per participant recordkeeping fee, that amount may be described in enrollment materials, in the summary plan description or in a separate fee sheet.

For Fidelity-recordkept plans, fees that are deducted directly from participant accounts are disclosed on participant statements as a separate line item for administrative expense deductions. This means that participants will be aware that a fee has been deducted from their account. However, this line item generally does not identify the specific expense for which the deduction is made.

10. What information about administrative expenses would help plan participants, but is not currently disclosed? Please explain the nature and usefulness of such information.

Participants should receive information about any explicit administrative expenses that will be charged against their accounts. Although explicit administrative expenses are typically a small portion of the overall expenses associated with investing through the plan, these expenses will obviously reduce the overall rate of return for the participant's account and should be considered by participants when deciding to participate in the plan. However, information about expenses paid by the plan sponsor or other third parties, including expenses paid through revenue sharing arrangements, is not currently disclosed to participants in most plans because the information is not relevant to the participant. Even though revenue sharing payments are often an important source of revenue to cover

plan administrative expenses, the fees that generate such revenue are imposed on participants as a result of investing in the fund and would be fully disclosed through disclosure of the fund's expense ratio.

Note that plan sponsors have considerable discretion in deciding how administrative expenses are allocated within a plan. Accordingly, disclosure of administrative expenses should focus on the amount of explicit administrative expenses that will be charged against the participant's account and not the overall administrative costs of the plan.

11. How are charges against an individual account for administrative expenses typically communicated to participants? Is such information included as part of a participant's individual account statement or furnished separately? If separately, is the information communicated via paper statements, electronically, or via website access?

See response to question nine.

12. How frequently is information concerning administrative expenses charged to a participant's account communicated?

The frequency with which information concerning administrative expenses charged to a participant's account is communicated varies considerably among plans, and is largely dependent on the method the plan uses for communicating the fees. For example, if expenses are disclosed in the summary plan description, communication would occur when the summary plan description is provided at enrollment and at any time the summary plan description is updated. Since explicit administrative fees charged to participant accounts appear on participant statements, the vast majority of participants would receive information on a quarterly basis about the fees actually charged to their accounts.

13. What, if any, requirements should the Department impose to improve the disclosure of administrative expenses to plan participants? Please be specific as to any recommendation and include estimates of any new compliance costs that may be imposed on plans or plan sponsors.

Plan sponsors should be required to disclose to participants those explicit administrative expenses that will be deducted from participant accounts. There would be little value disclosing information regarding fees paid by the plan sponsor or paid by third parties, including fees paid through so-called "revenue sharing" arrangements, because neither of these payments affect a participant's account or alter the expense ratio of the investment option held in a participant's account.

To the extent that there are fees associated with specific transactions or services (for example, plan loans, investment advice or use of a self-directed brokerage account), participants should be informed that these transactions may involve additional charges that will be disclosed when the participant accesses the particular transaction or service,

or upon request. There would be little point in providing a list of all possible transaction-based charges as part of a general fee disclosure provided to each participant because many of the charges may never apply to the participant.

Assuming this information is provided on request in connection with the investment information as described in response to question three, there should be minimal additional cost providing this information.

14. Should charges for administrative expenses be disclosed as part of the periodic benefit statement required under ERISA section 105?

Any charges for explicit administrative expenses deducted from a participant's account should be disclosed on the periodic benefit statement required under ERISA section 105. A single line item for these expenses should be sufficient without a requirement that expenses be itemized.

General information about administrative expenses would be provided upon request as described in the response to question 13.

General Questions

15. What, if any, distinctions should be considered in assessing the informational needs of participants in plans that intend to meet the requirements of section 404(c) as contrasted with those of participants in plans that do not intend to meet the requirements of section 404(c)?

As discussed in the response to question seven, information about available investment options should be available to all participants in individual account plans, regardless of whether the plan is intended to meet the requirements of ERISA section 404(c). The same is true with respect to information about explicit administrative expenses. The Department should note that even if additional required disclosures are limited to ERISA section 404(c) plans, it is likely that the need for uniformity in servicing of plans by service providers will result in extension of the required disclosures and related costs to all plans, including plans not intended to meet the requirements of ERISA section 404(c) and plans not subject to ERISA.

16. What (and what portion of) plan administrative and investment-related fees and expenses typically are paid by sponsors of participant-directed individual account plans? How and when is such information typically communicated to participants?

The allocation of fees and expenses between sponsors and participants varies among plans. However, in the vast majority of plans, participants pay investment-related fees because those fees are assessed at the investment fund level and netted against the return of the fund. Other administrative fees may be paid by the plan sponsor or charged to participant accounts, or may be shared by plan sponsors and participants.

As discussed above, participants in most plans are provided, or have available, information about the expense ratio of an investment fund, at least for those funds subject to the disclosure requirements of the Securities Act of 1933, and should understand that the investment-related costs are netted against the fund's overall performance. Information about explicit administrative expenses that will be charged to their accounts is also provided to participants. Participants are generally not provided information about expenses paid by the plan sponsor since that information is not relevant to the participant.

17. How would providing additional fee and expense information to participants affect the choices or conduct of plan sponsors and administrators, and/or that of vendors of plan products and services? Please explain any such effects.

The purpose of participant disclosure is to provide information that participants need to make decisions about participating in the plan and to make investment choices under the plan. Accordingly, participants need to know what fees are actually charged to their accounts. For asset-based fees or other investment-related charges, that information is provided through the investment option expense ratio and a description of any transaction-based fees associated with the investment option. For additional, explicit administrative fees, participants would be notified of the availability of such information at the time of enrollment and annually thereafter.

Providing additional information about fee arrangements (including information about arrangements between service providers, vendors and plan sponsors) that does not directly affect what is charged to participant accounts will likely lead to confusion.

18. How would providing additional fee and expense information to participants affect their plan investment choices, plan savings conduct or other plan related behavior? Please explain any such effects and provide specific examples, if available.

We believe that focusing solely on fees and expenses could discourage participation in 401(k) and other contributory individual account plans. The problem is that the current focus on fees in 401(k) plans portrays the fees as an expense unique to participating in a 401(k) plan. In fact, most of the fees paid in connection with a plan are investment-related fees that would be incurred regardless of whether the investment was made inside or outside the plan. If these fees are portrayed as a cost of the plan rather than a general cost of investing, it could discourage participants from contributing to individual account plans when, in fact, for many participants the 401(k) plan is the most cost effective investment vehicle available – particularly when tax considerations are taken into account.

We understand that there has been some discussion about requiring that each participant be provided a single, aggregated dollar amount representing the total investment-related and administrative fees charged to the participant's account. We believe that this type of disclosure would be of limited use to participants, and could in fact mislead participants in understanding the costs of plan participation. As discussed above, fees and expenses

are just one component that should be used by a participant in making investment choices under a plan, or in deciding whether to participate in the plan at all. Providing a single, all-in expense calculation would not assist participants with those decisions. Ultimately, it is not fees that are important but the performance of the plan's investment options net of fees. Accordingly, it is important that fees be disclosed along with other information that participants need to make decisions regarding investment in a plan.

19. Please identify any particularly cost-efficient (high-value but inexpensive) fee and expense disclosures to participants, and to the contrary any particularly cost-inefficient ones. Please provide any available estimates of the dollar costs or benefits of such disclosures.

As described in the response to questions 3 and 6, a cost-efficient way to provide disclosures regarding investment options, including expense ratios, as well as other administrative expenses is through an internet site that can be accessed by participants, coupled with a notice that such information is available in writing upon request. It would be highly cost-inefficient to provide such information in writing for all participants in the absence of a request for the information.