

July 24th, 2007

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

Re: Fee and Expense Disclosures to Participants in Individual Account Plans
(RIN 1210-AB07)

Dear DOL Staff,

The Retirement Security Project (RSP) appreciates the opportunity to provide comments to the Department of Labor's request for information regarding fee and expense disclosures provided to participants in individual account plans (the "RFI").

Individual account plans will continue to grow in size and in importance as a retirement saving vehicle for many workers. Fees paid in individual accounts will affect investment returns and, ultimately, retirement account balances. Understanding what these fees are will help participants make more informed investment decisions. The RSP supports the efforts of the Department of Labor to solicit information to determine the extent to which fee and expense disclosures in individual account plans should be clarified.

The RSP's suggestions for fee and expense disclosures are outlined in the attached document.

Sincerely,

William Gale
Director
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Comments from the Retirement Security Project on
Fee and Expense Disclosures to Participants in Individual Account Plans
July 24, 2007

Individual account plans will continue to grow in size and in importance as a retirement saving vehicle for many workers. Fees paid in individual accounts will affect investment returns and, ultimately, retirement account balances. Understanding what these fees are will help participants make more informed investment decisions. The Retirement Security Project (RSP) supports the efforts of the Department of Labor to solicit information to determine the extent to which fee and expense disclosures in individual account plans should be clarified. The RSP's suggestions for fee and expense disclosures are outlined below.

- The fee disclosure form should be simple to understand so the information is useful to participants with varying degrees of financial knowledge, including those with only basic financial skills. The disclosure form should be standardized so consistent information is provided by all plan sponsors. A standardized form will facilitate comparisons across different individual account plans if an employee changes jobs and may simplify investment choices. Currently, disclosure requirements are not adequate – not all plan sponsors are required to disclose fees to participants and when they do, the information is not always comprehensive, standardized, easily comparable, or user-friendly.
- Plan sponsors should be required to provide two different types of disclosure statements, one for new employees and one for existing participants.
 - Fee disclosure information for new employees should be included in the packet of plan investment options. The information should be highlighted and located in an obvious place.
 - Fee disclosure for existing participants should also be highlighted and obvious. This information should be disclosed at least annually. The disclosure form could be included with participants' account statements.
- Plan sponsors should be required to list on the disclosure form to new employees the fees and expenses charged by the plan sponsor and each investment option.
 - Plan fees should be presented as an expense ratio and as dollars per \$1,000 in assets. Any additional administrative fees and expenses should also be listed.
 - Investment option fees should be presented as an expense ratio and also as dollars associated with an investment of \$1,000 based on the fund's actual expenses for the period and an assumed return of 5 percent per year. The latter information will increase investors' understanding of the fees they pay and will facilitate comparison among investment options. Registered

investment companies are already required by the Securities and Exchange Commission to provide this information in shareholder reports. This information is currently not provided to plan participants.

- Template A (below) provides an example of how a new employee fee and expense disclosure form could be structured.
- Plan sponsors should be required to list on the disclosure form to existing employees the total fees charged for the year.
 - In addition to the dollar amount charged, the fee disclosure form should present fees paid as a percentage of the participant's account balance and the effect of fees on net returns.
 - Plan sponsors should also be required to provide information on fees charged by other plan sponsors of comparable size on the fee and expense disclosure form. For instance, the disclosure form should show the average plan fee charged by other plan sponsors of comparable size. This information could be reported as \$ per \$1,000 of assets. This information will provide an incentive for plan administrators to monitor their fees to ensure they are reasonable and in-line with industry averages, thereby fulfilling one of their fiduciary responsibilities. Industry-average fees and expenses by plan size should be collected and made available by the Department of Labor.
 - Template B (below) provides an example of how an existing employee fee and expense disclosure form could be structured.
- A highly detailed breakdown of fees is unnecessary on the annual disclosure statement and may even be confusing. Participants, however, should have access to detailed fee information. Plan sponsors should be required to provide detailed information on actual fees charged on the plan sponsor's website. The information should include detailed plan sponsor charges as well as detailed charges of each investment option. The plan sponsor should also allow participants to request detailed fee information by phone or mail.
 - The plan sponsor should highlight or publicize on the participant's annual statement that detailed fee information is available from the plan sponsor. If detailed information is provided through the website, it should be easily located on the participant's online account. The detailed disclosure should list the breakdown of fees that are charged based on asset size, such as investment management fees, record-keeping, expense reimbursements, and any per participant fees charged. It should also list the breakdown of fees charged by the participant's investment funds, such as redemption fees, loan fees, or any participant initiated fees.

Template A: Standardized Fee and Expense Disclosure Form for New Employees*

The example below is designed to help you understand the fees and expenses that will be charged to your account balance as a participant in the ABC COMPANY 401(k) plan. These charges are listed as a percentage of your assets (expense ratio) and in dollar terms.

The total fees and expenses you will incur are the sum of fees and expenses for administering the plan and fees and expenses associated with your plan investments. The fees and expenses for each investment option may vary.

For a detailed breakdown of administrative and investment fees and expenses, see www.abccompany.com/link

Fees and Expenses Expressed as Expense Ratio			
Administrative fees and expenses you will incur ¹ :			
Expense Ratio (% of assets)	0.20%		
Additional administrative fees and expenses :	\$12		
Investment fees and expenses you will incur	Investment Option 1	Investment Option 2	Investment Option 3
Expense Ratio (% of assets)	.50	.80	.60
Fees and Expenses Expressed in Dollars			
Administrative fees and expenses you will incur ¹ :			
Estimated annual plan sponsor fee (\$ per \$1,000 in assets)	\$2.00		
Additional administrative fees and expenses	\$12		
Investment fees & expenses you will incur ²	Investment Option 1	Investment Option 2	Investment Option 3
Fees charged by the investment fund for a \$1,000 investment that earned a rate of return of 5 percent	\$5.00	\$8.00	\$6.00

* The fees are provided as an example.

¹. This could include record-keeping, custody or other types of fees.

². Each investment option may charge additional fees, such as redemption fees, loan fees, back-end loads. For more information about the additional fees and expenses charged by each investment option, see www.abccompany.com/link

Template B: Standardized Fee Disclosure Form for Existing Participants*

The example below is designed to help you understand your costs as a participant with ABC COMPANY 401(k) plan. Your account has incurred both administrative and investment fees and expenses. The statement below shows your total annual fees and expenses.

A detailed breakdown of administrative and investment fees and expenses can be obtained from ABC COMPANY's website at: www.abccompany.com/link

Your opening balance on Jan 1, 2007	\$20,000		
Your year-end balance before fees	\$20,800		
Total fees you paid in 2007 ¹	\$40		
Your year-end balance after fees	\$20,760		
Your investment return before fees	4.0 %		
Your net return after fees	3.8 %		
Total fees you paid as percentage of your year-end balance	0.193		
Total fees you paid per \$1,000 in assets	\$1.93		
Average fees charged by comparable plans (\$ per \$1,000 in assets)	\$2.05		
Fees charged by your investment funds ²			
	Your Investment Option 1	Your Investment Option 2	Your Investment Option 3
Your year-end fund balance after fees	\$5,300	\$8,200	\$7,260
Investment fees and expenses you paid in 2007	\$5.10	\$6.72	\$4.20

* The fees are provided as an example.

¹ This includes administrative fees and any investment fees you paid.

² These fees are included in total fees listed above.