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April 15, 2008

The Honorable George Miller
Chairman
Committee on Education and Labor
U. S. House of Representatives
2181 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Miller:

AARP commends you and the other members of the Committee on Education and Labor for holding this timely markup of H.R. 3185, the 401(k) Fair Disclosure for Retirement Security Act of 2008. AARP supports the improved disclosure provided by this legislation.

With more than 39 million members, AARP is the largest organization representing the interests of Americans age 50 and older and their families. About half of AARP members are working either full-time or part-time. All workers need access to a retirement plan that supplements Social Security's solid foundation. For those who participate in a defined contribution plan, such as a 401(k) plan – and bear greater risk for their retirement nest egg -- better and easy to understand information is essential to help them make prudent investment decisions.

There were approximately 50 million active participants in 401(k) plans in 2006, and overall 401(k) plans held more than \$2.7 trillion dollars in assets. These plans have become the dominant employer-based pension vehicle. The participants have a need and a right to receive timely, accurate, and informative disclosures from their 401(k) plans to help them prepare for a financially secure retirement. The fee information participants currently receive about their plan and investment options is often scattered among several sources, difficult to access, or nonexistent. Even if fee information is accessible, plan investment and fee information is not always presented in a way that is meaningful to participants. This must change because fees reduce the level of assets available for retirement, and reductions compound dramatically over time.

The Government Accountability Office (GAO) recently estimated that \$20,000 left in a 401(k) account that had a 1 percentage point higher fee for 20 years would result in an over 17 percent reduction -- over \$10,000 -- in the account balance. We estimate that over a 30-year period, the account would be about 25 percent

less. Even a difference of only half a percent -- 50 basis points -- would reduce the value of the account by 13 percent over 30 years. In short, fees and expenses can have a huge impact on retirement income security levels.

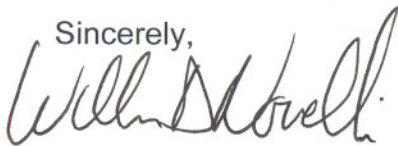
As we testified before the Committee last year, a survey conducted by AARP among 401(k) plan participants indicates that participants do not have a clear understanding of their investment choices and lack basic knowledge of plan fees. These survey results clearly show that better information must be provided to plan participants in a timely manner.

H.R. 3185 would establish a solid framework for providing the needed information about fees and expenses to plan participants. The bill would require plan sponsors to provide notice to participants of plan investment choices, including their risk and fees. The comprehensive annual benefit statement required by H.R. 3185 would provide a more complete picture of a participant's 401(k) status than available under current rules and regulations.

AARP commends you, Chairman Miller, for introducing H.R. 3185 and fully supports the modifications to the bill included in the amendment in the nature of a substitute that will be offered at the markup. The proposed substitute will strengthen an already strong bill. The greater disclosure required under this legislation will help drive down fees, will enable plan sponsors to be better fiduciaries and plan participants to be better investors, and will ultimately lead to greater retirement income security.

AARP applauds your leadership on legislative initiatives to preserve and enhance retirement income security. We look forward to working with you as this bill moves through the legislative process. If you or your staff have any questions or need additional information, please contact Frank Toohey of our Government Relations and Advocacy staff at 202-434-3760.

Sincerely,

A handwritten signature in black ink, appearing to read "William D. Novelli". The signature is fluid and cursive, with a prominent initial "W".

William D. Novelli
Chief Executive Officer