

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS



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LEGISLATIVE ALERT!

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April 15, 2008

The Honorable George Miller, Chairman
The Honorable Howard McKeon, Ranking Member
Committee on Education and Labor
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Miller and Ranking Member McKeon:

The AFL-CIO supports the "401(k) Fair Disclosure for Retirement Security Act of 2008" (H.R.3185) scheduled for mark-up this week. The uniform and clear disclosure of 401(k) fees and expenses to plan participants is a key piece to improving the retirement security of American workers.

While defined benefit pension plans remain the soundest vehicles for building and safeguarding retirement income security, fewer employers offer them, favoring instead riskier defined contribution plans, like 401(k) plans. Indeed, the Department of Labor estimates that as of 2005, the number of 401(k) plans reached 436,000 covering 54.6 million active participants and holding combined assets of \$2.4 trillion.

A 2007 AARP survey found that 83% of plan participants have no idea how much they pay in plan fees and expenses although these costs significantly affect their investment returns. For example, an \$100,000 account balance earning 8% per year, with 0.5% in annual fees, would grow to \$875,496 over 30 years. That same investment with 1.5% in fees, by contrast, would reach only \$661,437 -- a \$214,000 difference. Clearly, an understanding of the fees and expenses of investment options is as relevant to plan participants as the historic or expected rate of return.

We ask that you support this bill which takes an important first step toward better transparency in the marketplace and, ultimately, greater retirement security for our country's workers.

Thank you for your consideration of our views.

Sincerely,

William Samuel, Director
DEPARTMENT OF LEGISLATION

c: Members of Committee on Education and Labor