
EDUCATION & LABOR COMMITTEE

Congressman George Miller, Chairman

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Chairman Miller Statement at Committee Hearing On “H.R. 3185, the 401(k) Fair Disclosure for Retirement Security Act.”

WASHINGTON, D.C. – *Below are the prepared remarks of U.S. Rep. George Miller (D-CA), chairman of the House Education and Labor Committee, for a committee hearing on “H.R. 3185, the 401(k) Fair Disclosure for Retirement Security Act.”*

Today the committee will hear testimony on H.R. 3185, the “401(k) Fair Disclosure for Retirement Security Act.”

Over the last three decades, the number of Americans with 401(k)-style retirement savings plans has skyrocketed, while the number of Americans with traditional pension plans has plummeted. Today, 50 million workers have 401(k)-style plans.

These plans were originally intended to help supplement workers’ retirement income, not to become the main source of their retirement income. Yet nearly two-thirds of private sector workers <<http://www.ebri.org/pdf/publications/facts/0607fact.pdf>> who have a pension have a 401(k) – and only a 401(k).

The median 401(k) account balance is now \$19,000. For many retirees, that’s not even enough to finance a single year of retirement. It’s no surprise that many Americans worry about how they will ever have enough savings to last them throughout retirement.

Given the increasingly prominent role of 401(k) plans, it is critical that the plans provide the best possible deals for their participants.

Unfortunately, far too many 401(k) plan participants are not getting the best deals possible. Many 401(k)-style plans charge hidden fees that can cut deeply into workers’ retirement savings. And many plan participants do not have access to low-cost investment options – index funds – that can help them boost their retirement savings.

At a Committee hearing earlier this year, the Government Accountability Office testified about the problems posed by hidden 401(k) fees. Under current law, weak disclosure requirements mean that workers lack critical information about fees they are paying.

According to the GAO’s testimony, 80 percent of workers did not know that fees were being taken out of their accounts. Without this information, workers simply cannot shop around for the best deals for their retirement.

Some of these fees may be reasonable and necessary. But earlier this year, we heard testimony about a dizzying array of fees: “Revenue sharing fees.” “Wrap fees.” “Finders’ fees.” “Shelf space fees.” “Surrender charges.” “12(b)(1) fees.”

I’m sure that many workers, if they knew about these fees, would not be willing to pay them.

The negative consequences of these hidden fees can be significant. According to GAO, a 1 percentage point increase in fees would cut retirement income by almost 20 percent after 20 years and 30 percent over 30 years.

The 401(k) Fair Disclosure for Retirement Security Act would require 401(k) plans to disclose in clear and simple terms all the fees that they are charging to plan participants.

The legislation would require that 401(k) plans provide workers with key information on investment options and their risk, returns, and fees.

The legislation would also require employers to offer at least one low-cost index fund as an investment option for employees participating in 401(k) plans.

Studies have shown that index funds outperform an overwhelming majority of actively managed, often higher-cost funds. Plan participants don’t have to choose to invest in the index fund if they don’t want to, but they should be able to make that choice for themselves.

Finally, the legislation will assist employers by requiring that plan officials know the fees that will be charged before they contract for investment services and disclose any potential conflicts of interest they may have.

After a lifetime of hard work, retirees ought to have financial security that allows them to focus on family and friends without sacrificing their standard of living.

Helping workers to make better-informed decisions about their retirement options is a critical step towards increasing retirement security for America’s workers.

I would like to thank all of our witnesses for joining us today. I look forward to their testimony and to hearing their thoughts on how to move forward with this important legislation.

Thank you.

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