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Sent: Wednesday, May 16, 2007 3:33 PM
To: EBSA, E-ORI - EBSA
Subject: Comment on Fees and expense disclosure in 401k plans

I have been working with 401k plans since 1982 so I have seen the **total** expenses that a Plan pays (whether employee or sponsor paid) decrease overall due mostly to automation, Internet, competition, the leaders building market share, as well as revenue sharing of expenses. On top of that, the services have greatly improved as well as the value that the service providers offer overall to the Plan sponsor and participants. These are all very good things, so in my mind the system (end product) is not broke.

401k plans involve a great deal of **service** and the government needs qualified providers performing services to comply with the regulations and educating plan participants as well as other services. In order to accomplish the service level, there needs to be a reasonable profit, and the lowest fee providers routinely perform the worst service. I think it is a big mistake to highlight fees and not the value of the service offering. The funds and providers with the lowest expense do not typically perform the best or are even suitable for many sponsors and/or participants.

The key is getting plan sponsors and participants the most value for what they pay and it is always difficult to assess value until you experience it. It is impossible to predict what a fund or service provider will do, but you can identify their process, their history, their commitment, etc. If participants are getting ripped off, then they will not have a comfortable retirement. On the other hand, the least expensive offering does not get them either, while giving the sponsor and eventually the DOL and IRS more headaches to deal with.

In any event, the plan sponsor needs to know what they are buying, which includes value and services, just like buying a car. I do not believe that they need to know every expense in **detail**, but they **MUST** know the **overall** cost to their company and the plan participants. The participants then in turn, need to know the **overall** cost to them and the value they are receiving. An analogy of detail vs. overall cost is when you buy a car: I, like most people, do not really care what the salesman makes, the car manufacturer, the dealership, cost of a steering wheel, tires, etc - instead we just want to know what I am paying for the car and expectations of the resulting service that we will receive. Competition in the market place takes care of the rest; same as in the 401k world.

As in any industry, a few bad apples spoil the bunch and that is no different for 401k plans. The facts are that most anyone can sell a 401k plan, which is a very complicated sale. As a result, many plan sponsors and participants are misinformed. On top of that, mutual funds disclose in a prospectus that very few ever read, banks have their own rules and insurance companies have another set of rules. There needs to be a uniform disclosure by all providers under one set of 401k governance. That include advisors, record keeper, investment institutions, consultants, Tap's and plan auditors. The least informed marketers of retirement plans tend to sell the only thing that they really know, which is fees. This creates a lot of problems in the way of value and services and government headaches.

Maybe those who market and service 401k plans need to be certified, maybe even by the government or government assigned institutions. Any governance should not be so cumbersome that it adds more cost, but it should be painful enough to deter institutions and service providers from just jumping into the business because there is money to be made. These plans are

becoming more and more critical to people's retirement and need to be taken very seriously by all providers.

Please feel free to respond if you like.

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