

Ongoing Department of Labor Disclosure Initiatives

The existing 401(k) system provides for disclosure to plan sponsors, plan participants, and the U.S. government. The Department of Labor has three projects underway that would enhance the disclosure regime. The Institute has advocated clear, effective retirement plan disclosure for 30 years, and our Board recently adopted a *Policy Statement* reaffirming this commitment.

Disclosure to Plan Sponsors

Labor will propose an amendment to its regulations that require reasonable compensation in service provider contracts entered into by plan sponsors. The changes will make clear that plan sponsors must collect—and service providers must disclose—information on direct and indirect compensation so that sponsors can understand services and costs and understand any conflicts of interest that may arise. The regulation will codify best practices in the industry.

ICI's position. The Institute fully supports this initiative. The Institute, working with other industry groups, has developed and provided Labor with forms and tools to help employers identify the services provided for the fees charged and to show all direct and indirect compensation. These tools help plan fiduciaries meet their obligations to enter into reasonable arrangements.

Disclosure to Participants

The very competitive 401(k) market offers plans and participants an array of products (mutual funds, insurance products, bank collective funds). Labor also expects to revise its rules on participant disclosure across investment products to improve the type and presentation of information that participants receive to help them make informed investment choices.

ICI's position. The Institute fully supports this initiative. The Institute has consistently urged that Labor require that participants in *all* self-directed 401(k) plans receive simple, straightforward explanations about *each* of the investment options available to them, including information on fees and expenses. Participants should receive information on a product's investment objectives, principal risks, annual fees (expressed in a ratio or fee table), historical performance, and investment adviser.

Public Reporting in Plan Annual Reports

Labor has released a proposal to improve the fee disclosure the government and the public receives in the annual report each plan files on Form 5500. Plans will report, for each service provider, the total direct and indirect compensation received by the service provider. Indirect compensation received by service providers from third parties will identify the payor, amount, and type of payment.

ICI's position. The Institute supports disclosure of service provider direct and indirect compensation, and has provided suggestions to Labor to improve the clarity and precision of its proposal.



The Investment Company Institute (ICI) is the national association of the U.S. mutual fund industry, which manages about half of 401(k) assets and advocates policies to make retirement savings more effective and secure.