
DC fee disclosure has little impact: LIMRA

By Editor Test Thu, Mar 14, 2013

"The disclosure notices — or the discussion of them — did seem to improve the knowledge of those who believed they didn't pay any fees or expenses," said Alison Salka, corporate vice president and director of LIMRA Retirement Research.

Half of defined contribution (DC) participants still do not know how much they pay in plan annual fees and expenses, a proportion that appears unchanged by the implementation of fee disclosure regulations in 2012, according to LIMRA, the Life Insurance Marketing Research Association.

LIMRA surveyed DC plan participants before and after plan participants received information about their plans' fees and expenses to determine how effective the disclosure statements were and how participants would react.

Prior to receiving disclosure notices, 50% of participants said they did not know how much they paid in fees and expenses; the same portion did not know subsequent to receiving the notices.

"The disclosure notices — or the discussion of them — did seem to improve the knowledge of those who believed they didn't pay any fees or expenses," said Alison Salka, corporate vice president and director of LIMRA Retirement Research.

"There are nearly 75 million workers who participate in defined contribution plans in the United States. Our study found that 22% of participants believed they didn't pay fees and expenses after receiving disclosure notices, compared with the 38% in our first survey, prior to disclosures going out."

The study found that many participants overestimated the amount of fees and expenses they pay in their DC plans. Forty-two percent of participants believe they pay 10% or more — with over a quarter of participants believing they paid 25% or more in fees and expenses.

On average, DC plan fees and expenses range between 1-2 percent, depending on the size of the plan and the participants' allocation choices. LIMRA's study found that less than one in three participants who thought they knew how much they paid estimated their fees and expenses to be under two percent.

The survey found that 7 in 10 participants who said they knew they paid fees and expenses believed those fees and expenses to be reasonable, similar to what LIMRA found in its survey prior to the disclosure notices being sent

"There was much speculation on how consumers would respond to the disclosure notices, yet our consumer surveys and discussions with plan service providers indicate that there has been limited reaction to learning about their fees and expenses," noted Salka.