Montana Senator Nixes 401(k) Fee Disclosure

By Editor Test *Wed, Jun 16, 2010*

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Last week, Sen. Max Baucus proposed changes to the American Jobs and Closing Tax Loopholes Act (H.R. 4213), which the House approved May 28, that would eliminate the requirement that 401(k)-type plans disclose all fees that participants pay.

U.S. Rep. George Miller (D-CA), the chair of the House Education and Labor Committee, said that the proposed elimination of fee disclosure requirements was "unacceptable."

Federal law does not require the disclosure of fees taken out of workers' 401(k)-style accounts. The Government Accountability Office found that a one-percentage point difference in fees could cut retirement assets by nearly 20 percent.

Provisions regarding fee-disclosure were based on the 401(k) Fair Disclosure and Pension Security Act, authored by Miller and approved by the Education and Labor Committee last year. Miller's original bill, which he said would save participants $2 billion, would:

- Help workers understand investment options by providing basic investment disclosures, including information on risk, return, and investment objectives.
- Require workers' quarterly statements to list total contributions, earnings, closing account balance, net return, and all fees subtracted from the account.
- Give workers the name, risk level, and investment objective of each available investment option before enrolling in a 401(k) plan.
- Require disclosure of fees for each investment option the employee invests, expressed in dollars or as a percentage.
- Require 401(k) service providers to disclose to employers all fees assessed against the participant's account, broken down into three categories: plan administration and recordkeeping fees, investment management fees, and all other fees.
- Require the U.S. Department of Labor to review compliance with new disclosure requirements and impose penalties for violations.
- Adjust funding requirements so plan sponsors will not have to choose between making forced cash contributions, freezing plans or cutting jobs.
- Adjust the amount of time a plan can make up losses over time and relief on funding-level restrictions, among other provisions.