
So far, fee disclosure hasn't moved the fee-awareness dial

By Kerry Pechter Thu, Dec 12, 2013

Fee disclosure regulations that were established in 2012 brought greater transparency to the retirement industry. But LIMRA finds they've had little effect.

The LIMRA Secure Retirement Institute (SRI) reported the results this week of a series of consumer surveys asking DC plan participants about their retirement plan fees, as an assessment of the effectiveness of the Department of Labor's 2012 regulations requiring greater fee disclosure.

A 2012 LIMRA survey, conducted prior to the initial participant disclosure, showed that 50% of retirement plan participants do not know how much they pay in fees and expenses. LIMRA's 2013 follow-up survey, as reported by Tom Dennis and Cecilia Shiner of the SRI, has shown:

- The disclosures have had little impact; there is no noticeable difference in participant knowledge of the fees they pay.
- Half of participants do not currently know how much they pay in fees and expenses.
- Nearly 4 in 10 still believe that they do not pay any fees or expenses.
- 64% of plan participants feel that the fees and expenses they pay are reasonable.

"When asked about how much they pay in fees, only 12% of DC plan participants were able to estimate a percentage," the LIMRA report said. "One third of these participants believe they pay over 10% in total plan fees."

Previous SRI research found that one in five consumers contributing to DC plans or IRAs say they rarely or never read retirement plan disclosures. Only one in three spends more than five minutes reading disclosures.

Most participants apparently use fee information only when making investment changes or examining statements beyond a quick account balance check.

"It will take time for the long-term impacts of fee disclosure regulations to emerge. Retirement plan service providers are making the effort, but participant inertia and industry complexities are making it difficult to initially see positive results," the LIMRA release said.

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