



American Society of Pension Actuaries

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Proposed Redemption Fee Rules Could Increase 401(k) Participant Cost

April 21, 2004 - (Arlington, Va.)- The American Society of Pension Actuaries (ASPA) filed extensive comments with the Securities Exchange Commission (SEC) on proposed rules imposing mandatory fees on redemptions of mutual fund investments and reporting requirements.

According to ASPA Executive Director, Brian H. Graff, Esq., "ASPA believes that, unless modified, these rules would impose substantial administrative burdens and costs on 401(k) plans, which will ultimately be borne by plan participants. We are working with the SEC to mitigate increased plan administration costs, while maintaining the effectiveness of SEC measures that address abusive short-term trading."

ASPA is urging the SEC to consider limiting the application of redemption fees to participant-directed "exchanges" and "transfers," which are the only transactions in plans susceptible to late-day trading. According to Bruce L. Ashton, Esq., ASPA President, "This approach would protect mutual fund investors against abusive trading by plan participants, while substantially reducing the adverse impact and administrative costs of the proposed rule."

In addition, ASPA is recommending the establishment of uniform standards for redemption fees applicable to participant-directed plans, including a standardized redemption fee percentage and holding period. "The imposition of non-uniform

redemption fees under the current version of the SEC's proposed rule will create substantial confusion for plan participants," said ASPA Executive Director, Brian H. Graff, Esq.

Finally, ASPA is recommending that the SEC limit the information that mutual funds receive in the case of participant directed plans to information about participant-directed exchanges and transfers that exceed the dollar threshold for imposing redemption fees in order to ease administrative systems costs. Although this would substantially reduce the total amount of information that mutual fund companies receive, ASPA believes that mutual fund companies would still receive the transaction information they would need to determine whether the fund's market timing protection policies are successful.

ASPA is a national organization of retirement plan professionals dedicated to the preservation and enhancement of the private pension system in the United States. ASPA offers education and professional credentials for 401(k) administrators (QKA), actuaries (MSPA, FSPA), pension consultants (CPC), pension administrators (QPA), and other benefits professionals (APM). ASPA's more than 5,400 members provide consulting and administrative support to over half of the private retirement plans in the country.

For more information about ASPA's comment letter to the SEC, visit www.aspa.org.

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