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ASPPA AND CIKR SUPPORT UNIFORM FEE DISCLOSURE REQUIREMENTS

WASHINGTON—Tommy Thomasson, President and CEO of DailyAccess Corporation, appeared today before the House of Representatives Ways and Means Committee on behalf of the American Society of Pension Professionals & Actuaries (ASPPA) and its affiliated subsidiary, the Council of Independent 401(k) Recordkeepers (CIKR). He testified on the need for uniform fee disclosure to plan fiduciaries of 401(k) plans, regardless of the business model of the service provider. The focus of today’s hearing was on the disclosure of 401(k) and other self-directed account pension plan fee and expense information. ASPPA and CIKR commended Chairman Rangel, Ranking Member McCrery, and the rest of the members of the Ways and Means Committee for their leadership to improve the transparency of fee and expense information to retirement plan fiduciaries and participants, which is critical to securing a secure retirement for American workers.

The 401(k) industry delivers investments and services to plan sponsors and their participants using two primary business models commonly known as “bundled” and “unbundled.” Generally, bundled providers are large financial services companies whose primary business is selling investments, who “bundle” proprietary investment products with affiliate-provided plan services into a package that is sold to plan sponsors. In contrast, “unbundled” or independent providers are primarily in the business of offering retirement plan services and will couple such services with a universe of unaffiliated, non-proprietary investment alternatives, a practice commonly referred to as “open architecture.”

“Any inconsistent disclosure requirements based on the service provider’s business model will not allow an ‘apples to apples’ comparison of each service provided to a plan,” said Tommy Thomasson, Chair of CIKR. “Regardless of whether a service provider is ‘bundled’ or ‘unbundled,’ prudent fiduciaries cannot evaluate the appropriateness of either the services offered by competing providers or the available investments without the ability to uniformly compare and contrast the services offered and associated costs.”

The Department of Labor (DOL) has proposed rules that would require enhanced disclosure on unbundled or independent service providers while exempting the bundled providers from doing so. Thomasson, on behalf of ASPPA and CIKR, argued that choosing between a bundled provider’s “all-in” (single) price model (which is often represented as “free” or “no cost”) and a fully disclosed business model will not allow plan fiduciaries to evaluate

whether certain plan services are sensible and reasonably priced. Further, less sophisticated small businesses without access to this information will not appreciate the conflicts of interest and will be steered toward “*prix fixe*” packages that include services that they may not need to pay for.

“Simply put, the bundled providers want to tell plan sponsors they can offer retirement services for free while the unbundled providers should be required to disclose their fees for the same services.” Thomasson said. “This is contrary to common sense, which tells us that all retirement services have associated costs. In reality, the costs of these ‘free’ plan services are shifted to plan participants, in most cases without their knowledge, in the form of investment fees assessed against their accounts.”

Thomasson offered the support of ASPPA and CIKR for the equitable application of the plan fiduciary disclosure rules set forth in legislation proposed by Ways and Means Committee Member Rep. Richard Neal (D-MA) in H.R. 3765 and House Education and Labor Committee Chairman George Miller (D-CA) in H.R. 3185. ASPPA and CIKR also provided the Ways and Means Committee with a sample disclosure form for use by plan service providers to plan sponsors, and a sample fee menu form for plan participants.

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ASPPA is a national organization of more than 6,000 retirement plan professionals who provide consulting and administrative services for qualified retirement plans covering millions of American workers. ASPPA members are retirement professionals of all disciplines, including consultants, administrators, actuaries, accountants and attorneys. ASPPA’s large and broad-based membership gives ASPPA unusual insight into current practical problems with ERISA and qualified retirement plans, with a particular focus on the issues faced by small to medium-sized employers. ASPPA’s membership is diverse, but united by a common dedication to the private retirement plan system.

CIKR is a national organization of 401(k) plan service providers. CIKR members are unique in that they are primarily in the business of providing retirement plan services as compared to larger financial services companies that are primarily in the business of selling investments and investment products. As a consequence, the independent members of CIKR, many of whom are small businesses, make available to plan sponsors and participants a wide variety of investment alternatives from various financial services companies without bias or inherent conflicts of interest. By focusing their businesses on efficient retirement plan operations and innovative plan sponsor and participant services, CIKR members are a significant and important segment of the retirement plan service provider marketplace. Collectively, the members of CIKR provide services to approximately 70,000 plans covering three million participants holding in excess of \$130 billion in assets.

Editors Note: For the entire text of Mr. Thomasson’s remarks, go to www.asppa.org.