ASPPA
WORKING FOR AMERICA'S RETIREMENT

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ASPPA[1] Retirement Plan Priorities for the Obama Administration

Meeting held: 12/08/08
ASPPA participants: Brian Graff, Executive Director/CEO, and Judy Miller, Chief of Actuarial Issues

- **Fee disclosure**: Proposed regulations and/or final regulations under ERISA section 404(a) (participant disclosures); section 408(b)(2) (service provider disclosures); and Form 5500 Schedule C (annual report of fees paid) are woefully inadequate. Defects in these rules include:
  - **Participant Fee Disclosures**: No disclosure would be required of investment-based fees actually charged against a participant's account, which typically amounts to at least 90% of total retirement plan fees.
  - **Service Provider Disclosures**: Retirement plan administrative costs would not have to be separately disclosed when they are embedded in investment costs. The fact that these costs are hidden and have been allowed to increase unchecked has been the subject of dozens of class-action lawsuits.
  - **Annual Report of Fees Paid**: So-called "bundled providers," where all fees are embedded in the cost of plan investments, would not have to disclose any actual fees charged at all. All they would have to do is check a box on the Schedule C and they would be exempt from disclosure.

  Action Needed: It is critical that an immediate, clear statement be made by the Obama Administration that these deficient regulations will not be implemented. If the retirement plan industry begins to spend millions of dollars to implement them, it will be increasingly difficult to "turn back the clock," and plan sponsors and participants will be left with insufficient disclosures.

- **Investment advice:** DOL has issued a proposed class exemption that would allow employees of a financial institution to give participants advice on the institution's proprietary funds notwithstanding the obvious conflict of interest.
  Action Needed: The proposed exemption goes well beyond the intent of the law, exposes retirement plan participants to inappropriate conflicts of interest, and should be withdrawn.

- **Defined benefit plan funding relief**: The recent economic turmoil has resulted in substantially increased contribution requirements for defined benefit pension plans at a time when credit markets are so tight that a loan to make unexpected contributions is either unavailable or very expensive.
  Action Needed: Targeted relief must be provided to allow plan sponsors and participants to weather the current market decline with pension plans intact.

- **Payroll Deduction IRAs**: Moderate income workers need employer-sponsored retirement plans.[2] A properly designed payroll-deduction IRA program would make savings readily available to workers,

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[1] ASPPA is a national organization of more than 6,500 retirement plan professionals who provide consulting and administrative services for qualified retirement plans covering millions of American workers. Our large and broad-based membership gives ASPPA unique insight into current practical applications of 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 employer-sponsored retirement plan system.

and encourage small employers to "move up" to a retirement plan that provides employer contributions to these workers.

Action Needed: Employers without a qualified plan should be required to offer a payroll-based IRA.

[2] Only 4.7% of moderate income workers ($30,000-$50,000) save for retirement if only an individual IRA is available. 75.3% of these workers participate if their employer sponsors a plan. (EBRI 2008)