



## Key Issues for President-elect Obama's Department of Labor Agenda

- Background on the Investment Company Institute
  - ICI's members (mutual funds, ETFs, and other registered investment companies) are the investment of choice for 401(k) and similar defined contribution plans and IRAs—about half of the assets in these plans are invested in mutual funds.
  - ICI maintains a robust research program on retirement policy issues, which informs our policy views. With the Employee Benefit Research Institute, we maintain the largest repository of detailed data on individual 401(k) accounts (21.8 million participants, or 45% of all 401(k) accounts).
- Pension Protection Act reforms
  - Bipartisan legislation since 2001 (EGTRRA and PPA) made significant improvements that allow DC plans to carry the load they now bear as the primary private sector retirement savings vehicle for millions of Americans.
  - ICI looks forward to working with President Obama's team and the new Congress to find ways to strengthen the 401(k) system.
- Completing DOL's three-part disclosure project is crucial
  - There is widespread agreement DOL's disclosure regulations need to be updated. EBSA staff has worked hard for more than two years on a three-part project to update these rules. The first piece (update of the Form 5500) is complete.
  - There are two gaps in existing rules.
    1. There is no specific requirement on service providers to disclose to a plan sponsor information on services and fees that allows the sponsor to determine the arrangement is reasonable. EBSA's pending 408(b)(2) regulation will address this.
    2. DOL's current disclosure rules for participants produce uneven disclosure—full information about registered investment products (like mutual funds) is required but key information like fees and performance is not required for other products. EBSA's pending 404(a) regulation will address this.
- Research demonstrates the strength and resilience of the 401(k) system
  - EBRI/ICI projections show that a full career with a 401(k), even accounting for imperfect behavior, can produce adequate replacement rates in conjunction with Social Security.
  - Participants stay committed to long-term savings even during market downturns. Our data show, for example, that recent 401(k) loan activity is in line with previous years.
- Social Security has historically and will continue to be the primary source of retirement income for lower-income workers. The first priority to protect these workers is to ensure the solvency of Social Security.