

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS



815 SIXTEENTH STREET, N.W.
WASHINGTON, D.C. 20006

JOHN J. SWEENEY
PRESIDENT

RICHARD L. TRUMKA
SECRETARY-TREASURER

ARLENE HOLT BAKER
EXECUTIVE VICE-PRESIDENT

LEGISLATIVE ALERT!

(202) 637-5057



June 15, 2009

Honorable Robert E. Andrews, Chairman
Honorable John P. Kline, Ranking Member
Subcommittee on Health, Employment, Labor and Pensions
House Committee on Education and Labor
2181 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Andrews and Ranking Member Kline:

The AFL-CIO supports "The 401(k) Fair Disclosure for Retirement Security Act of 2009" (H.R. 1984) scheduled for mark-up this week. The uniform and clear disclosure of 401(k) fees and expenses to retirement plan participants is a necessary component to improving their retirement security.

While defined benefit pension plans remain the soundest vehicles for building and safeguarding retirement income security, most employers offer only defined contribution plans such as like 401(k) plans. Indeed, according to this year's "Retirement Confidence Survey" by the Employee Benefits Research Institute, forty-two percent of workers expect an employer-sponsored saving plan to be a major source of income in retirement.

A 2008 AARP survey found that nearly three quarters of plan participants (74%) have no idea how much they pay in plan fees and expenses, although these costs significantly affect their investment returns. For example, a \$100,000 account balance earning 8% per year, with 0.5% in annual fees, would grow to \$875,496 over 30 years. That same investment with 1.5% in fees, by contrast, would reach only \$661,437 -- a \$214,000 difference. Clearly, an understanding of the fees and expenses of investment options is as relevant to plan participants as the historic or expected rate of return.

We ask that you support this bill which takes an important first step toward better transparency in the marketplace and, ultimately, greater retirement security for our country's workers.

Thank you for your consideration of our views.

Sincerely,

William Samuel, Director
GOVERNMENT AFFAIRS DEPARTMENT

c: Members of House Subcommittee on Health, Employment, Labor and Pensions