



June 16, 2009

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The Honorable Robert E. Andrews, Chairman
Subcommittee on Health, Employment, Labor and Pensions
Committee on Education and Labor
U.S. House of Representatives
2181 Rayburn House Office Building
Washington, DC 20515

Re: H.R. 1984, 401(k) Fair Disclosure for Retirement Security Act of 2009

Dear Chairman Andrews:

In advance of the June 17, 2009, Health, Employment, Labor and Pensions Subcommittee business meeting, AARP would like to reiterate our support for the 401(k) Fair Disclosure for Retirement Security Act and to once again commend you and the other members of the Subcommittee for your commitment to comprehensive, informative and timely disclosure of fee and expense information to 401(k) plan participants. As we stated in our letter to you dated April 22, 2009, AARP strongly supports the enactment of H.R. 1984, the 401(k) Fair Disclosure for Retirement Security Act, and urges the Subcommittee to approve this measure.

With nearly 40 million members nationwide, AARP is the largest organization representing the interests of Americans age 50 and older and their families. About half of AARP members are working either full-time or part-time. All workers need access to a retirement plan that supplements Social Security's solid foundation. For those who participate in a defined contribution plan, such as a 401(k) plan, better and easy to understand information is essential to help them make prudent investment decisions.

There were approximately 50 million active participants in 401(k) plans in 2007, and overall, 401(k) plans held more than \$3.0 trillion dollars in assets. These plans have become the dominant employer-based pension vehicle. The participants in these plans have a need and a right to receive timely, accurate, and informative disclosures from their 401(k) plans to help them prepare for a financially secure retirement.

The fee information participants currently receive about their plan and investment options is often scattered among several sources, difficult to access, or nonexistent. Even if fee information is accessible, plan investment and fee information is not always presented in a way that is meaningful to participants. This must change because fees reduce the level of assets available for retirement.

The Government Accountability Office (GAO) estimated that \$20,000 left in a 401(k) account that had a 1 percentage point higher fee for 20 years would result in an over 17 percent reduction -- over \$10,000 -- in the account balance. We estimate that over a 30-year period, the account would be about 25 percent less. Even a difference of only half a percentage point -- 50 basis points -- would reduce the value of the account by 13 percent over 30 years. In short, fees and expenses can have a huge impact on retirement income security levels. Never has this issue been more important than in these difficult economic times, when retirement savings have been greatly diminished, and every dollar counts.

AARP supports the enactment of the 401(k) Fair Disclosure for Retirement Security Act. The bill would establish a solid framework for providing timely information about fees and expenses to plan participants in a format that is easy for them to understand. The bill would require plan sponsors to provide a complete picture of investment options to participants -- including risk, fees, and historic returns, as well as certain basic information to help investors better understand their investment options and to what extent those investments will provide for long term retirement security. The comprehensive annual benefit statement required by the 401(k) Fair Disclosure for Retirement Security Act would provide a more complete picture of a participant's 401(k) status than available under current law. All of the information that a participant needs would be available in a single disclosure form, rather than requiring a participant to piece together information from several different documents.

AARP commends you and the Subcommittee for your continued commitment to preserve and enhance the retirement security of millions of Americans. We look forward to working with you and the other members of your Subcommittee to enact legislation as soon as possible that would require defined contribution plans to disclose comprehensive, informative and timely information about fees and expenses to plan participants.

If you have any questions or need additional information, please feel free to call me, or please have your staff contact Cristina Martin-Firvida of our Government Relations staff at 202-434-6194.

Sincerely,



David Sloane
Senior Vice President
Government Relations and Advocacy