



*Filed Electronically*

September 8, 2008

Office of Regulations and Interpretations  
Employee Benefits Security Administration  
Room N-5655  
U.S. Department of Labor  
200 Constitution Avenue, NW  
Washington, D.C. 20210

Attention: Participant Fee Disclosure Project

To Whom It May Concern:

AARP<sup>1</sup> appreciates the opportunity to comment on the Department of Labor's (DOL or Department) proposed regulation concerning Fiduciary Requirements for Disclosure in Participant-Directed Individual Account Plans.

We commend the Department for its commitment to ensuring that all participants and beneficiaries<sup>2</sup> who direct the investment of their assets in their individual account plans receive and have access to basic plan and investment information.<sup>3</sup> Numerous surveys have shown that plan participants need and want complete disclosures concerning all investment options to provide them

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<sup>1</sup> With 40 million members, AARP is the largest, nonprofit, nonpartisan organization representing the interests of Americans age 50 and older and their families. Nearly half of our members are employed full- or part-time. AARP helps people age 50+ achieve independence, choice and control in ways that are beneficial and affordable to them and society as a whole.

<sup>2</sup> AARP will use the term participants throughout our comments, but this also includes beneficiaries. We note that beneficiaries need not receive a separate notice unless the participant has died or a Qualified Domestic Relations Order has issued.

<sup>3</sup> Recent reports indicate that some plan sponsors may have difficulty obtaining full and complete information on fees from service providers to meet their fiduciary duties and disclosure requirements. GAO, *Private Pensions: Fulfilling Fiduciary Duties Can Present Challenges for 401(k) Plan Sponsors* (GAO-08-774) (July 16, 2008); *Survey Finds Some Sponsors Lack Confidence that 401(k) Fees Have Been Fully Disclosed*, DAILY LABOR REPORT at A-6 (Aug. 13, 2008). As part of its three-pronged fee disclosure project, the Department should state categorically that fiduciaries have an obligation not only to obtain fee and expense information, but also to ensure that such information is complete, understandable and accurate. It should not be enough to rely on the information from the investment manager.

with relevant and understandable information that will help them make informed decisions about their investments.<sup>4</sup> We agree with the Department that a plain language, user-friendly form with key information enabling participants to compare and evaluate their plan investments is the basic information participants need. We also commend the Department for proposing a model form which plans and their sponsors may use to comply with the regulation. Although AARP generally supports the proposed regulation, based on recent survey results concerning the Department of Labor's annual model disclosure form, we urge the Department to significantly revise its proposed form to make it more understandable and accessible to participants.

### **I. AARP's Interest**

AARP has an ongoing interest in enhancing retirement security for current and future generations. A major priority for AARP is to assist Americans in accumulating and effectively managing adequate retirement assets. The shift away from defined pension plans to defined contribution plans places significant responsibility on individuals to make appropriate investment choices so that they have adequate income to fund their retirement years. Fees and expenses directly and substantially reduce the amount of savings individuals accumulate for retirement in their defined contribution accounts and, therefore, are an important factor for participants to consider. Clear information is essential for making informed decisions, understanding how the plan operates and preparing for retirement. As such, AARP has a substantial interest in ensuring that participants receive timely, accurate, and informative disclosures from their 401(k)s and other individual account plans.<sup>5</sup>

Given the rise in 401(k) plan participation, AARP has been considering various approaches to maximize participant returns in these plans. As part of this effort, AARP commissioned a report in 2007 to determine the extent to which 401(k) participants were aware of fees associated with their accounts and whether they knew how much they actually were paying in fees. The report revealed participants' lack of knowledge about fees as well as their desire for a better understanding of fees. In response to these findings, the report suggested that information about plan fees be distributed regularly and in plain English, including a chart or graph that depicts the effect that the total annual fees and expenses can have on a participant's account balance.<sup>6</sup>

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<sup>4</sup> See, e.g., n. 6 & 7, *infra*.

<sup>5</sup> Throughout these comments, AARP will refer to 401(k) plans, but our comments refer to all participant-direct individual account plans.

<sup>6</sup> The report is titled *401(k) Participants' Awareness and Understanding of Fees*, available at [http://www.aarp.org/research/financial/investing/401k\\_fees.html](http://www.aarp.org/research/financial/investing/401k_fees.html).

After DOL included a model disclosure form in its July 28 proposed regulations, AARP commissioned a nationally representative online survey of 2,106 401(k) participants (from August 8-18 2008) to gather feedback on the DOL's proposed form and on an alternative disclosure form that AARP developed.<sup>7</sup> AARP's disclosure form, built on valuable insight and information contained in AARP's 2007 report of 401(k) participants, resulted from consultations with experts and was focus group tested and revised over an extended period of time. The 2008 survey sample was split so that half (1,058) viewed the form developed by DOL and half (1,048) viewed the form developed by AARP. Most of the questions asked of both samples were identical to allow for comparisons between the forms. However, some questions were unique to each sample to allow respondents to provide feedback on elements that were included in only one form. The AARP form differed from the DOL form because the agency's proposed form presents information about fees as well as past performance whereas the AARP form focuses only on fees.

## II. Survey Findings

A significant number of 401(k) participants (almost three quarters of respondents in 2008) did not know how much they pay in fees and expenses for their 401(k) accounts. Despite this information gap, over eight in ten respondents (85%) find the fees charged for investments important when making decisions about their 401(k) plan, and six in ten (66%) respondents feel that knowing the actual dollar amount deducted to cover fees and expenses would be "very" helpful when making decisions about their 401(k) account.

In general, the overall reaction to DOL's form was less favorable than the overall reaction to AARP's form. Roughly a third or fewer respondents agree that DOL's model disclosure form is easy to read (30%), is easy to understand (25%), has a clear purpose (33%), has terms that are clearly defined (24%), and explains how to get additional information (35%). In contrast, at least seven in ten respondents who viewed AARP's form agree that AARP's model disclosure form is easy to read (77%), is easy to understand (72%), has a clear purpose (78%), has terms that are clearly defined (70%), and explains how to get additional information (75%). Indeed, more than double the percentage of respondents agreed that the AARP form was easier to understand than DOL's form.

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<sup>7</sup> The full survey, titled *Comparison of 401(k) Participants' Understanding of Model Fee Disclosure Forms Developed by Department of Labor and AARP* (September 2008), is being provided separately for the Department's review and use.

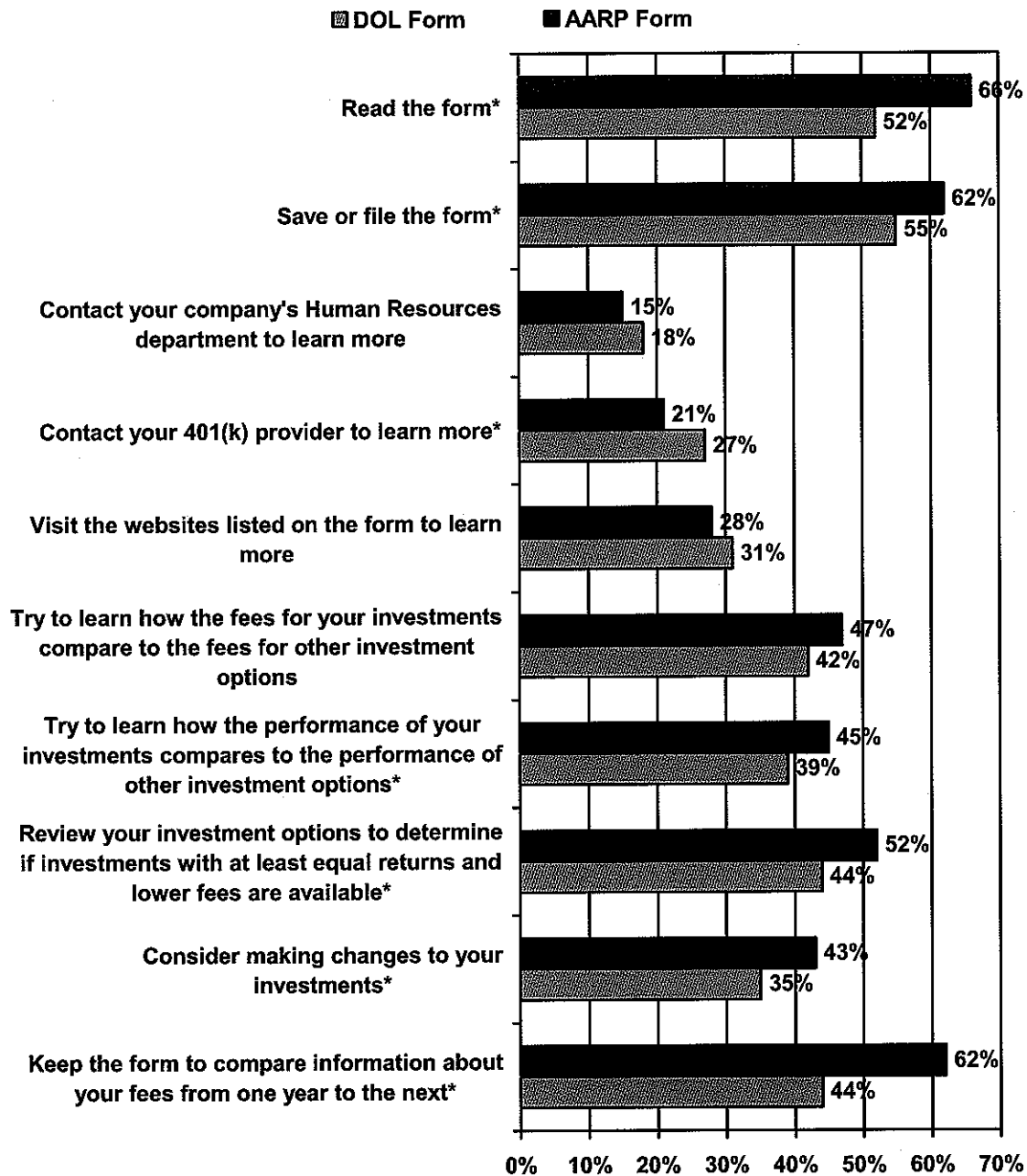
The format of the form as well as the vocabulary can have a significant impact on the understandability and value of the information. While half (49%) of participants who viewed DOL's form think the vocabulary is about right, nearly as many (44%) think it is "somewhat" or "much" too complicated. In contrast, eight in ten (80%) respondents who viewed AARP's form think the vocabulary is "about right."

Since AARP's form already included account balance and allocation information for John Doe, respondents who viewed DOL's form were instructed to assume the same information. In general, respondents would prefer to see fee information displayed in dollar amounts as well as a percentage of their total plan assets. When asked if they would prefer the fees they pay to be displayed in dollars, as a percentage of their total assets, or both, nearly three quarters (73%) of all respondents would prefer both to be displayed. Just over a fifth (22%) would prefer to see dollars only and few (4%) would prefer to see percentages only.

Nearly six in ten (59%) respondents who viewed DOL's form feel it would be helpful to receive the form. Only roughly a third of respondents who viewed DOL's form agree that if they received a form like this, it would help them make more informed decisions about their 401(k) account (35%) and that it would help them understand the impact of fees and expenses on their long-term retirement saving (34%). In contrast, nine in ten respondents (90%) who viewed AARP's form feel it would be helpful to receive, and 72% of respondents who viewed AARP's form agree it would help them make more informed decisions about their 401(k) account as well as help them understand the impact of fees and expenses on their long-term retirement saving (77%).

In addition to making decisions about their 401(k) accounts, participants would take other actions as a result of receiving the form. For example, over half of respondents indicate that if they receive this form from their own 401(k) plan provider they would read the form (52% of DOL respondents and 66% of AARP respondents) and save or file the form (55% of DOL respondents and 62% of AARP respondents). Over half of respondents who viewed AARP's form would keep this form to compare information about their fees and charges from one year to the next (62%) and review their investment options to determine if investments with at least equal returns and lower fees are available (52%) compared with only 44% of those who viewed DOL's form. As Figure 1 shows, respondents who viewed AARP's form are more likely than respondents who viewed DOL's form to indicate that they would take numerous actions.

**Figure 1**  
**Which, if any, of the following actions are you likely to take if you receive this form from your own 401(k) plan provider?**



Base for DOL Form: 1,058 respondents who viewed DOL's form  
 Base for AARP Form: 1,048 respondents who viewed AARP's form  
 \*Statistically significant difference at 0.05 level

Given the importance of these forms and potential actions by participants, the timing and method by which they receive this information is also significant. Respondents were told that 401(k) plan providers may soon be required to notify 401(k) participants on an annual basis of the fees and expenses or charges associated with all investment options in their plan. When asked if this is too often, about right, or not often enough, over six in ten (62%) say it is about right. Nearly all of the remaining respondents (36%) think it is not often enough.

Similarly, respondents were told that 401(k) plan providers may soon be required to notify 401(k) participants on a quarterly basis of the dollar amount actually deducted from their accounts for certain fees and expenses or charges. When asked if this is too often, about right, or not often enough, just over seven in ten (71%) say it is about right, while nearly a quarter (23%) say it is too often. Only 4% say it is not often enough.

### **III. Implications from the Survey**

A disclosure form that contains participant-specific information and actual dollar figures linked to account balances may improve participants' comprehension of the form. If a primary purpose of the form is to provide 401(k) participants with a resource to understand the impact of fees on their individual accounts, then a clear way of doing so is to individualize the form and include dollar figures as well as percentages. This survey suggests that participants will have trouble understanding the impact of expense ratios on their account.

A disclosure form can lead to action, but action is not guaranteed. A form that is perceived as easy to understand and helpful is more likely to be used to weigh the advantages and disadvantages of available investment options and to make informed decisions than one that is more confusing. Providing clear definitions of financial terminology and using vocabulary that is understandable may help to improve participants' understanding of the form.

Layout and design elements can be used to enhance understanding of key information in the form. For example, using bold type, underlining, bullets, and borders to highlight important information may enhance comprehension by drawing participants' attention to it. In addition, while tables are a viable way to convey information, testing to ensure participants think the specific tables contained in the form are helpful would be beneficial.

The disclosure of 401(k) fees to plan participants has the potential to help them make more informed decisions about their 401(k) account and to improve their understanding of the impact of fees on their long-term retirement savings. Most 401(k) participants do not consider themselves very knowledgeable about financial investments. Nevertheless, they make investment selections and

attempt to maximize the amount they save for retirement. Many plan participants recognize the importance of fees when making decisions about the investments in their plan, yet most admit they do not know how much they are paying in fees and expenses for their 401(k) plan. Moreover, half are unable to perform the basic arithmetic necessary to translate basis points into dollars. Therefore, for fee disclosure to be meaningful, fee information needs to be presented in a clear and easily understood manner.

#### **IV. Model Disclosure Form**

##### **A. The Format**

Assistant Secretary Bradford Campbell has stated that "the model comparative chart included in the Department of Labor's proposed fee disclosure regulation for participant-directed individual account plans is the 'core' of the proposal." 35 PENS. & BEN. REP. (BNA) 1745 (July 29, 2008). AARP agrees that "a form that encourages and facilitates a comparative review among investment options" including those options' fees and expenses is essential to provide participants with the information they need to make informed decisions about their retirement investments. Unfortunately, although the DOL made a good first attempt, according to the results of AARP's survey, the DOL's form falls short of the mark. Only a third of the respondents found the DOL's form easy to understand and felt that it provided the information they needed to make informed decisions about their investments.

It is imperative that the model disclosure form provides information to participants in a manner that is clear, useful, understandable and not overwhelming to help them make informed decisions about their investments. This is especially important because the form provides a safe harbor for those fiduciaries which use it.

Accordingly, the Department should significantly revise its model disclosure form. The form should be vetted through focus groups to ensure that the chart is user friendly to a large majority of participants. AARP would be pleased to continue working with the DOL in order to make the model disclosure form as user friendly as possible. After the DOL revises the form, it should be published for notice and comment.

#### B. Expenses Should Be Expressed in Dollar Amounts.

The Department should require that all expenses including investment related expenses should be translated into dollar amounts rather than stated as formulas. As our report showed, half the respondents were unable to perform the basic arithmetic necessary to translate basis points into dollars.

#### C. Benchmarks and Past Performance

A substantial number of respondents stated that benchmarks would be helpful information; accordingly, the benchmarks should be ones that a majority of participants know and understand. AARP submits that the DOL should perform further testing of the understanding of the purpose of benchmarks and which benchmarks participants recognize and understand.

AARP submits that just because an investment option, such as a target or lifestyle fund, does not have a past performance record does not necessarily mean that it cannot be chosen as an investment option for the plan. However, fiduciaries must perform due diligence and make sure that the option is consistent with the investment guidelines of the plan.

### V. Fees and Expense Information Generally

The regulation does not address the types and details of fee disclosure which should be on a website or otherwise available to participants. AARP submits that those participants who want further information and details about the fees and expenses of their 401(k) plans should have access to that information. Fiduciaries should be required to make available to participants fees and expenses other than those specifically disclosed in the annual model disclosure form and fees charged only to the individual's account. However, consistent with our suggestion of "layered" disclosure, see Section VII. Communicating Plan Investments, *infra*, the details of those fees and expenses can be provided on a separate website, through links to a provider's websites or by paper. Accordingly, the types of additional fee and expense information that should be made available includes, but is not limited to:

- Sales charges/front-end loads for each share class of a mutual fund investment option that is offered to participants;
- 12(b)(1) fees;
- Ongoing asset based sales charges;
- Back end loads/deferred sales charges;
- Volume based discounts on share purchase fees;
- Affinity fees including revenue sharing arrangements;
- Account set-up fees;



- Termination fees;
- Special transaction fees, including but not limited to fees concerning loans, distributions, QDRO's, stock purchases, bond purchases and redemptions;
- Annual account maintenance fees;
- Management fees;
- Administrative costs such as recordkeeping, maintenance of shareholder records, and furnishing of shareholder statements and financial reports;
- Auditing, accounting and legal fees; and
- Trustees' fees.

Investment fees may be even more difficult to uncover when a plan sponsor uses a bundled service arrangement. In bundled service arrangements, a provider sells a range of services directly or through subcontractors. This type of fee arrangement highlights the need for adequate and full fee disclosure. DOL should require disclosure of a bundled service arrangement and an explanation of how it affects the participants' accounts.

AARP recommends that information on an investment's fees also demonstrate how they will affect the participant's account balance over time. This information can easily be presented as an example. Participants need to know how fees and expenses of an investment compare with others offered by the plan as well as similar investments in the market.

Finally, the Department should state that all information concerning fees and expenses for 401(k) plans are documents under which the plan is maintained and operated within the meaning of ERISA § 104(b)(2) of ERISA, not unlike usual, customary and reasonable rates under health plans. See, e.g., DOL Advisory Opinion 96-14A.

## **VI. Investment Products Other Than Mutual Funds**

A recent article in the WALL STREET JOURNAL reported that in order to reduce costs, 401(k) plans are replacing mutual fund investment options with "collective investment funds." E. Laise, *Collective Funds' Gain Traction in 401(k)s*, WALL STREET JOURNAL, D-1 (July 24, 2008). The regulation should cover all investment products including insurance products and employer stock. This is particularly important since collective investment funds are not covered by the SEC. *Id.* Accordingly, the regulation should require the same types of disclosure for all investment products. Subjecting all investment products to the regulation's requirements would ensure a more level playing field. Adequate disclosure should not depend on the type of investment.

A more specific description of the investment including an explanation of the investment objectives, expected risk, volatility, returns and how the investment is structured to meet its objectives should be provided. Each investment product should provide the aggregate expense ratio and total rate of return in the same manner as mutual funds so an apples-to-apples comparison may be made. Moreover, the regulations should provide clear directions and guidelines for plan fiduciaries to follow in presenting information to plan participants about annuity and other insurance products so that all fees and expenses are disclosed, including those related to conversion and withdrawals and redemptions. Non-SEC regulated investment products earn money, and investors should also know what their fees and expenses are.

Plan fiduciaries must inform participants whether the plan must, by its terms, offer employer stock as an investment option. When a plan document contains a provision requiring that employer stock be included in the investment choices, fiduciaries must offer it, regardless of whether a better option is available. Stating that the plan requires employer stock as an investment option, and that investment in employer stock should be consistent with the need to diversify (as required under ERISA §101(m) as amended by the Pension Protection Act of 2006 §507(a)) would clarify why employer stock is among the available choices. And, it may help participants choose investments that reflect their personal goals, rather than reflect a value judgment about return or risk associated with the employer stock.

We note, however, that as the market changes and new investment products are offered, the model disclosure form may need to be revisited and updated to include the types of basic fund and investment information set forth in the regulation.

## **VII. Communicating Plan Investments and Fee Disclosures**

### **A. Format**

AARP believes that participants need to know where they can find the mandated, basic disclosures concerning fees and expenses. Consequently, we agree that the mandated disclosures should be contained in the summary plan description and the quarterly benefit statement.

The quarterly statement should disclose all fees subtracted from the participant's account beyond the administrative and individual charges. If all fees are not disclosed on the quarterly statement, plan providers may move administrative fees into the more general management fees, and the Department may unintentionally be encouraging plans to use bundled service providers.

If participants want additional information, such information may be provided through paper, a website or other electronic disclosures. See Section VII.C. Electronic and Paper Disclosures, *infra*.

#### B. Timing

Assuming that the Department keeps the current structure of the proposed regulation, disclosures for plan related information and administrative expenses must be provided to participants "on or before the date of plan eligibility" and annually thereafter. Because this information is not customized for each individual participant, but instead is general information about the plan, its fees, administrative policies (such as providing investment instructions) and administrative expenses that may be charged directly to a participant's account, AARP submits that plans should readily be able to provide this information on or before the date he or she becomes eligible for participation in the plan. This is important because most participants make their investment choices as soon as they are eligible. To be effective, disclosure must be provided when it actually might be used. AARP submits that the employer or plan can provide this information at the time of a job offer or the first day of employment. However, in order to permit sponsors and service providers to establish processes to meet this timing, AARP suggests moving the effective date of the regulations. See Section XI. Effective Date, *infra*.

Due to the generalized nature of this information, we agree that this information should be provided in the Summary Plan Description (SPD) itself or as an addendum to the SPD.

In addition, AARP strongly agrees that a description of material changes concerning investment options and fees should be provided no later than 30 days after the date of the adoption of such changes. Material changes include those changes which might affect a participant's choice of investment options such as changes in investment managers, investment options or fees. The provision of this information in a relatively short period of time should not be burdensome especially if a plan sponsor uses electronic means to distribute the information, followed by paper. Participants need such information sooner rather than later if they are to be able to make informed decisions concerning their investment options.

AARP agrees with the Department's proposal that plan and investment related disclosures should be provided annually, while the actual dollar amount charged to an individuals' account for administrative and individual services should be disclosed quarterly.

### C. Electronic and Paper Disclosures

Participants want access to fee information on paper. Respondents to questions in AARP's most recent report,<sup>8</sup> were asked how they would like to receive information about the fees and expenses or charges associated with their 401(k) plan. The choices included through the mail, through email, as well as online at their 401(k) plan provider's website and respondents were allowed to indicate more than one preference. Most respondents (75%) expressed a preference for receiving fee information through the mail. Far fewer (31%) expressed a preference for receiving fee information via email. Fewer still (26%) expressed a preference for receiving the information online at their 401(k) plan provider's website.

These results were consistent with AARP's previous reports. When asked how they would like to receive information about fees in AARP's 2007 Report, 77% of the AARP respondents said they would like it on paper.<sup>9</sup> Significantly fewer participants expressed an interest in receiving fee information via the Internet (30%), in person at a group meeting (24%), or at a one-on-one, in-person counseling session (23%). While the report shows some overlap in how people prefer to receive information about their 401(k) plans, the overwhelming majority prefer that the information be in paper form.

These findings are also consistent with similar questions to mutual fund investors. Older investors do not regularly use the internet to review investment-related information or to conduct investment-related research. Research conducted by AARP and others demonstrates a strong preference among older investors to receive investment related information by regular mail rather than by electronic means. For example, when asked about preferences for receiving information on companies they invest in, more than eight in ten (81%) respondents ages 50-69 chose regular mail as did more than nine in ten (92%) respondents ages 70+.<sup>10</sup> Likewise, a survey conducted by Opinion Research Corporation on behalf of the Consumer Federation of America as part of a research project funded by the NASD Investor Education Foundation examining

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<sup>8</sup> *Comparison of 401(k) Participants' Understanding of Model Fee Disclosure Forms Developed by Department of Labor and AARP* (September 2008).

<sup>9</sup> *401(k) Participants' Awareness and Understanding of Fees*, July 2007, available at [http://www.aarp.org/research/financial/investing/401k\\_fees.html](http://www.aarp.org/research/financial/investing/401k_fees.html). The responses add up to more than 100% because the question allowed multiple responses.

<sup>10</sup> *Views of the Individual Investor Toward Internet-Based Delivery of Company Proxy Materials*, AARP (February 2006).

mutual fund purchase practices found that older investors are not inclined to use the Internet to conduct research related to investments. A majority of respondents ages 65 and older said they would not use the Internet at all.<sup>11</sup> Significantly, among current investors of all ages who purchased most of their funds from a financial services professional, fewer than half indicated they would be willing to receive periodic reports or disclosure documents for the funds they own over the Internet.<sup>12</sup>

More generally, although the use of computers and the Internet may seem universal, just 66% of adults have a computer at home and 59% (89% of computerized homes) have access to the Internet. Fifty-six percent of adults use a computer at work, and 42% (75% of those working with computers) have access to the Internet on the job.<sup>13</sup>

As such, while AARP understands the inclination to move more and more disclosure to the Internet, we must move cautiously and continue to make effective disclosure available in hard copy format.<sup>14</sup> Although advances in technology can allow for more tailored and streamlined disclosure, most investors and participants are not proactive about seeking disclosure information on their own. Therefore, DOL should require disclosures to be made by hard copy. If a participant affirmatively chooses electronic delivery, that choice should be followed.

Clearly, the growth of the Internet as an information source has dramatically improved participants' access to investment information. Yet, conventional wisdom suggests that most participants do not, and will not, seek out this information on their own. As such, AARP supports the Department's efforts to harness the potential of this tool for the benefit of participants and to incorporate the concept of "layered" disclosure so that participants are encouraged to seek out additional information available on the Web. However, we agree that a plan's use of websites to provide this additional information should not be mandatory; instead, fiduciaries should also have the option to provide additional information by paper.

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<sup>11</sup> Stephen Brobeck and Barbara Roper, "Mutual Fund Purchase Practices: An Analysis of Survey Results," undated.

<sup>12</sup> Stephen Brobeck and Barbara Roper, "Mutual Fund Purchase Practices: An Analysis of Survey Results," undated.

<sup>13</sup> Census Bureau, *Computer and Internet Use in the United States: 2003*, (October 2005).

<sup>14</sup> Only when the percentage of people who have access to computers increases significantly should DOL revisit its electronic disclosure rules.

## **VIII. Effective Date**

AARP believes that there should be two different effective dates of the regulation. For disclosures to be provided annually, the effective date should be plan years beginning in January 1, 2009. For disclosures which must be provided on an individualized quarterly basis, AARP submits that the effective date should be plan years beginning in January 1, 2010. Because the annual form has general information about the plans, plans should be able to produce and distribute this form within 12 months. However, AARP recognizes that to establish processes including changes to computer programs to produce individualized information may take more time. As a result, we believe that a delayed effective date is appropriate for these disclosures.

## **IX. Fiduciary Duties**

### **A. Applicability of Disclosures to All Participant-Directed Individual Account Plans Regardless of Compliance with Section 404(c)**

AARP applauds the scope of the DOL's proposed regulation. AARP strongly agrees with the DOL's position that the investment and fee disclosures should apply to all participant-directed individual account plans. In particular, the regulation's clarification of the scope of a fiduciary's duty in selecting and monitoring investments under §404 is crucial to ensuring that the requirements of this regulation are enforceable and act as a deterrent to those fiduciaries who do not take the Department's stance seriously. AARP also appreciates the acknowledgement that there may be situations where fiduciaries may have disclosure obligations beyond those explicitly set forth in the regulations. However, such situations may not necessarily be extraordinary if they become a standard business practice. We believe that these proposed changes will generally strengthen enforcement of such plans.

AARP contends that the selection of benchmarks may be a fiduciary act. Such selection and whether it breached a fiduciary duty should be analyzed under traditional ERISA fiduciary case law. Reliance on a service provider, by itself, should never provide a "get out of jail" card for fiduciaries. Moreover, the fee disclosure regulations should not provide pass-through or reliance relief for fiduciaries.

AARP submits that without these changes, ERISA's prudence standards will be seriously undermined. ERISA §§ 404(a)(1)(A) & (B) (providing plan fiduciaries shall prudently carry out their duties for the exclusive benefit of participants and beneficiaries). Recently, some courts have not deferred to the Department's interpretation that a fiduciary's duty includes the selection and monitoring of investment options. See *Langbecker v. EDS*, 476 F.3d 299, 307 (5th Cir. 2007); *Jenkins v. Yaeger*, 444 F.3d 916 (7th Cir. 2006). As a consequence, participants have little protection from a menu of poor investment choices. Without this change, if the current trend of decisions continues, then participants may have no recourse for a challenge to a fiduciary's bad selection of investments.

B. Amendments to Section 404(c) Regulation

AARP recognizes and supports the active role that the Department has taken in advocating for participants' ability to recover their losses when the plan fiduciaries have committed a breach of duty that has caused losses to the plan. AARP commends the Department for restating its long held position in the proposed regulation that when plan fiduciaries have breached their fiduciary duties in the selection and/or monitoring of defined contribution plans, including 401(k) investment choices, participants have not exercised and could not, in fact, exercise effective control over the assets in their accounts. AARP also strongly supports the synchronization between the disclosure requirements under section 404(c) and those under 404(a).

**X. Conclusion**

AARP applauds the steps that DOL has taken to strengthen investment and fee disclosures to 401(k) participants. We believe that the results of AARP's survey of 401(k) participants illustrate the need for investment and fee information that is clear, easy to understand, accessible and not overwhelming. DOL's form currently falls short of the mark, and could be improved. We believe that information in the tested AARP form presents the information in a clearer and better understood format, and should be used to help guide improvements to the DOL form. Finally, we particularly applaud the changes to the 404(c) regulation to clarify the fiduciary's duty in the selection and monitoring of investment options.

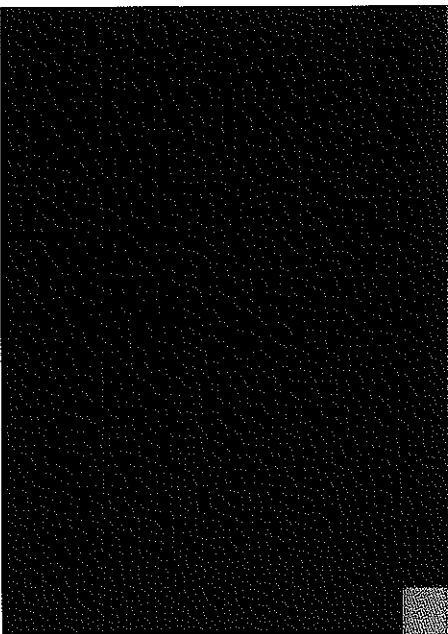
AARP appreciates the opportunity to present its views on a portion of the Department's Participant Fee Disclosure Project. Because we believe that the issues presented by this proposed regulation are extremely important, AARP requests that a hearing should be held; we, of course, would be pleased to testify. Please do not hesitate to contact me at 202/434-3750 or Mary Ellen Signorille at 202/434-2072.

Sincerely,



David Certner  
Legislative Counsel and  
Legislative Policy Director  
Government Relations and Advocacy



A large, solid black rectangular graphic is positioned in the top left corner of the page, partially overlapping the AARP logo.

**Comparison of 401(k)  
Participants' Understanding  
of Model Fee Disclosure  
Forms Developed by the  
Department of Labor and  
AARP**

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September 2008



**Comparison of 401(k) Participants’  
Understanding of Model  
Fee Disclosure Forms Developed by  
the Department of Labor and AARP**

**September 2008**

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AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. We produce AARP The Magazine, published bi-monthly; AARP Bulletin, our monthly newspaper; AARP Segunda Juventud, our bimonthly magazine in Spanish and English; NRTA Live & Learn, our quarterly newsletter for 50+ educators; and our website, [www.aarp.org](http://www.aarp.org). AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

AARP collected data for this study through an online survey administered by Knowledge Networks of Menlo Park, California. Thanks go to the following AARP staff members who provided input for this study: Kim Adler, Darrin Brown, S. Kathi Brown, Tommy Goodwin, Evelyn Morton, Shaun O'Brien, Mary Ellen Signorille, Jay Sushelsky, Frank Toohey, Mary Ellen Signorelli, and Susan Weinstock. Thanks also go to AARP intern Laura Houston who provided assistance with this report. The report was prepared by Colette Thayer, Ph.D., AARP Strategic Issues Research. For additional information, contact Colette Thayer at (202) 434-6294.

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## I. EXECUTIVE SUMMARY AND IMPLICATIONS

Most 401(k) plan participants do not consider themselves very knowledgeable about financial investments. Nevertheless, they make investment selections and attempt to maximize the amount they save for retirement. Many plan participants (85%) recognize the importance of fees when making decisions about the investments in their plan, yet nearly three quarters (74%) admit they do not know how much they are paying in fees and expenses for their 401(k) plan.

The Department of Labor (DOL) recently proposed regulations that would require the disclosure of certain plan and investment-related information, including fee and expense information, to participants and beneficiaries. According to DOL, the purpose of these proposed regulations is to “to ensure that all participants and beneficiaries in participant-directed individual account plans have the information they need to make informed decisions about the management of their individual accounts and the investment of their retirement savings.”<sup>1</sup> The proposed regulations contain a model disclosure form fiduciaries can use to satisfy the disclosure requirement.

AARP commissioned a nationally representative online survey of 2,106 401(k) plan participants who are at least 25 years old to gather feedback on the proposed disclosure form and on an alternative disclosure form developed by AARP. While DOL’s proposed disclosure form presents information about fees as well as past performance, AARP’s form focuses only on fees. The survey sample was split so that half (1,058) viewed the form developed by DOL and half (1,048) viewed the form developed by AARP. Most of the questions asked of both samples were identical to allow for comparisons between the forms. However, some questions were unique to each sample to allow respondents to provide feedback on elements that were included on one form only. The appendix of this report contains both forms.

The following are among the report’s key findings:

### *Investment decisions*

- Over eight in ten respondents (85%) find the fees charged for investments important when making decisions about investments in their 401(k) plan and over nine in ten respondents (92%) find the past performance of investments important.
- Over six in ten (66%) respondents feel that knowing the actual dollar amount deducted to cover fees and expenses would be “very” helpful when making decisions about their 401(k) account.

### *Knowledge of fees*

- Approximately three quarters (74%) of respondents do not know how much they pay in fees and expenses for their 401(k) account.

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<sup>1</sup> 73 Fed. Reg. 43014 (July 23, 2008)

### ***Overall reaction to form***

In general, the overall reaction to DOL's form was less favorable than the overall reaction to AARP's form.

- Half (50%) of respondents disagree that DOL's model disclosure form is easy to understand, with 19% strongly disagreeing.
- Roughly a third or fewer respondents agree that DOL's model disclosure form is easy to read (30%), is easy to understand (25%), has a clear purpose (33%), has terms that are clearly defined (24%), and explains how to get additional information (35%).
- While half (49%) of participants who viewed DOL's form think the vocabulary in the form is about right, nearly as many (44%) think it is "somewhat" or "much" too complicated.
- At least seven in ten respondents who viewed AARP's form agree that AARP's model disclosure form is easy to read (77%), is easy to understand (72%), has a clear purpose (78%), has terms that are clearly defined (70%), and explains how to get additional information (75%).
- Eight in ten (80%) respondents who viewed AARP's form think the vocabulary in the form is about right. Eighteen percent think the words are "somewhat" or "much" too complicated.

### ***Comprehension of form***

Respondents who viewed DOL's form were instructed to assume for the purpose of the survey that the form was sent to a 401(k) participant named John Doe whose account balance is \$14,000 before fees and expenses and whose asset allocation is \$3,500 in A Fund (S&P 500 Index Fund), \$4,200 in B Fund (Large Cap Fund), \$3,200 in E Fund (Bond Index Fund), and \$3,100 in G Fund (Stable Value Fund). AARP's form already included account balance and allocation information for John Doe.

#### **DOL Form**

- Although just over half (57%) of respondents who viewed DOL's form think it clearly shows how much John Doe would pay in annual operating expenses for his A Fund (S&P Index) investments, fewer than two in ten (18%) respondents identify the correct answer.
- When asked how much, according to the form, John Doe would pay in non-investment related fees and expenses, only half (49%) of respondents who viewed DOL's form correctly state that the form does not say.
- Nearly a quarter (23%) of respondents who viewed DOL's form believe the form does not say where John Doe can look for more information about non-investment-related fees and expenses, despite that it does state where to look.

#### **AARP Form**

- Nearly nine in ten (87%) respondents think AARP's form clearly shows the dollar amount that John Doe paid in fees and charges for the year, and over eight in ten (83%) identify the correct answer.

- When asked how much, according to the form, John Doe paid in total fees and charges for all of his 401(k) investments for the year, over eight in ten (83%) respondents who viewed AARP's form give the correct answer.
- Fewer than one in ten respondents (8%) who viewed AARP's form believe the form does not instruct John Doe what to do if he has questions or would like additional information.

***Impact of disclosure form on decisions and on understanding of fees***

Respondents were more likely to think that AARP's form was helpful than to view DOL's form as helpful.

- Overall, nearly six in ten (59%) respondents who viewed DOL's form feel it would be helpful to receive the form. However, roughly a third of respondents who viewed DOL's form agree that if they received a form like this, it would help them make more informed decisions about their 401(k) account (35%) and that it would help them understand the impact of fees and expenses on their long-term retirement saving (34%).
- Nearly three quarters (72%) of those who viewed AARP's form think "Part I. Performance Information" would be helpful when making decisions about their 401(k) account and 65% think "Part II. Fees and Expense Information" would be helpful.
- Overall, nine in ten respondents (90%) who viewed AARP's form feel it would be helpful to receive it. Over seven in ten respondents who viewed AARP's form agree it would help them make more informed decisions about their 401(k) account (72%) as well as help them understand the impact of fees and expenses on their long-term retirement saving (77%).
- Over nine in ten (92%) respondents who viewed AARP's form feel the "Summary of All 401(k) Fees" would be helpful when making decisions about their 401(k) account, 86% feel the section titled "I. Investment Choice Fees" would be helpful, 87% think the section titled "II. Administrative Fees" would be helpful, and 87% think the section titled "III. Transaction Fees" would be helpful.

***Desired type and amount of information***

Respondents would prefer to see fee information displayed in dollar amounts as well as a percentage of their total plan assets.

- When asked if they would prefer the fees they pay to be displayed in dollars, as a percentage of their total assets, or both, nearly three quarters (73%) of all respondents would prefer both to be displayed. Just over a fifth (22%) would prefer to see dollars only, and few (4%) would prefer to see percentages only.
- Respondents who viewed DOL's form are split among those who think the type of information in the form is about right (40%), those who think it is too general (33%), and those who think it is too detailed (23%).
- Most (78%) respondents who viewed AARP's form think the type of information it contains is about right while far fewer (13%) think it is too detailed and fewer still (8%) think it is too general.

### ***Likely actions***

- Over half of respondents indicate that if they receive a disclosure form from their own 401(k) plan provider similar to the one they viewed, they would read the form (52% of respondents who viewed DOL's form and 66% of those who viewed AARP's form) and save or file the form (55% of respondents who viewed DOL's form and 62% of those who viewed AARP's form).
- Respondents who viewed AARP's form are more likely than those who viewed DOL's form to say they would review their investment options to determine if investments with at least equal returns and lower fees are available (52% versus 44%) and to say that they would consider making changes to their investments (43% versus 35%) as well as take various other actions.

### **Implications**

Several suggestions for ways to enhance DOL's model disclosure form emerge from 401(k) participants' feedback.

A disclosure form that contains participant-specific information and actual dollar figures linked to account balances may improve participants' comprehension of the form. If a primary purpose of the form is to provide 401(k) plan participants with a resource to understand the impact of fees on their individual accounts, then a clear way of doing so is to individualize the form and include dollar figures as well as percentages. In fact, many respondents (73%) express an interest in receiving fee information displayed in both dollars and as a percentage of total assets. This is not surprising given that half (49%) of respondents are unable to correctly calculate 0.20% of \$100,000. This survey suggests that participants will have trouble understanding the impact of expense ratios on their account.

A disclosure form can lead to action, but action is not guaranteed. A form that is perceived as easy to understand and helpful is more likely to be used to weigh the advantages and disadvantages of available investment options and to make informed decisions than one that is confusing and obscure. Providing clear definitions of financial terminology and using vocabulary that is not perceived as complicated may help to improve participants' understanding of the form.

Layout and design elements can be used to enhance understanding of key information in the form. For example, using bold type, underlining, bullets, and borders to highlight important information may enhance comprehension by drawing participants' attention to it. In addition, while tables are a viable way to convey information, testing to ensure participants think the specific tables contained in the form are helpful would be beneficial.



## II. BACKGROUND AND METHODOLOGY

On July 23, 2008, the Department of Labor (DOL) released proposed regulations addressing the disclosure of 401(k) plan fees and issued a model disclosure form. Fiduciaries can use the form to satisfy the requirement to disclose performance information as well as fees and expense information on an annual basis. To determine the extent to which 401(k) plan participants comprehend the model form and to gather their feedback on it, AARP commissioned a nationally representative survey of 2,106 401(k) plan participants ages 25 and older. AARP also developed an alternative disclosure form to test a different way of presenting information about fees and charges. The survey sample was split so that half (1,058) viewed the form developed by DOL and half (1,048) viewed the form developed by AARP. Most of the questions asked of both samples were identical to allow for comparisons between the forms. However, some questions were unique to each sample to allow respondents to provide feedback on elements that were included in only one form. The appendix of this report contains both forms.

AARP's form was developed through consultations with experts and was tested and revised over an extended period of time. In addition, the form built on valuable insight and information contained in AARP's 2007 survey of 401(k) participants' awareness and understanding of fees. AARP's report titled "401(k) Participants' Awareness and Understanding of Fees" recognized participants' lack of knowledge about fees as well as their desire for a better understanding of fees and suggested that information about plan fees be distributed regularly and in plain English, including a chart or graph that depicts the effect that the total annual fees and expenses can have on a participant's account balance.

The survey was fielded from August 8-18, 2008 by Knowledge Networks of Menlo Park, California, to members of its nationally representative online panel. In order to achieve this representation of individuals ages 25+ who participate in a 401(k) plan through their current and/or former employer, three types of weights were applied: a base weight to offset known selection deviations for a pure equal probability sample design, a panel demographic post-stratification weight to correct for sampling and non-sampling error, and a set of study-specific post-stratification weights to adjust for sample design and survey non-response. The panel demographic post-stratification weight was constructed from the most recent data from the Current Population Survey (CPS) and included variables for age, race, gender, Hispanic ethnicity and education. The study-specific post-stratification weights were constructed using demographic and geographic distributions for the population ages 25+ from the most recent Current Population Survey (CPS) and using the distributions for Internet Access from Knowledge Network's KnowledgePanel recruitment data since this measurement is not collected as part of the CPS. Survey data were weighted by gender, age, race/ethnicity, education, Census region, metropolitan area, and internet access. Due to the lack of suitable demographic benchmarks for individuals at least 25 years old who participate in a 401(k) plan through their current and/or former employer, screening data were used to obtain these benchmarks.

Knowledge Networks has recruited the first online research panel - KnowledgePanel<sup>SM</sup> - that is representative of the U.S. population. Panel Members are randomly recruited by telephone and households are provided with access to the Internet and hardware if needed. Unlike other Internet research panels sampling only individuals with Internet access and volunteering for

research, Knowledge Networks panel surveys are based on a sampling frame which includes both listed and unlisted numbers, is not limited to current Internet users or computer owners, and does not accept self-selected volunteers.

Findings are presented for all respondents when appropriate. Otherwise, findings are presented separately for respondents who viewed DOL's form and those who viewed AARP's form. When statistically significant differences exist in responses among standard demographic groups (i.e., by gender, age, education, income, and race/ethnicity), they are noted. If no differences are noted, then none exist.

### **III. DETAILED FINDINGS**

#### **How Do 401(k) Plan Participants Make Investment Decisions?**

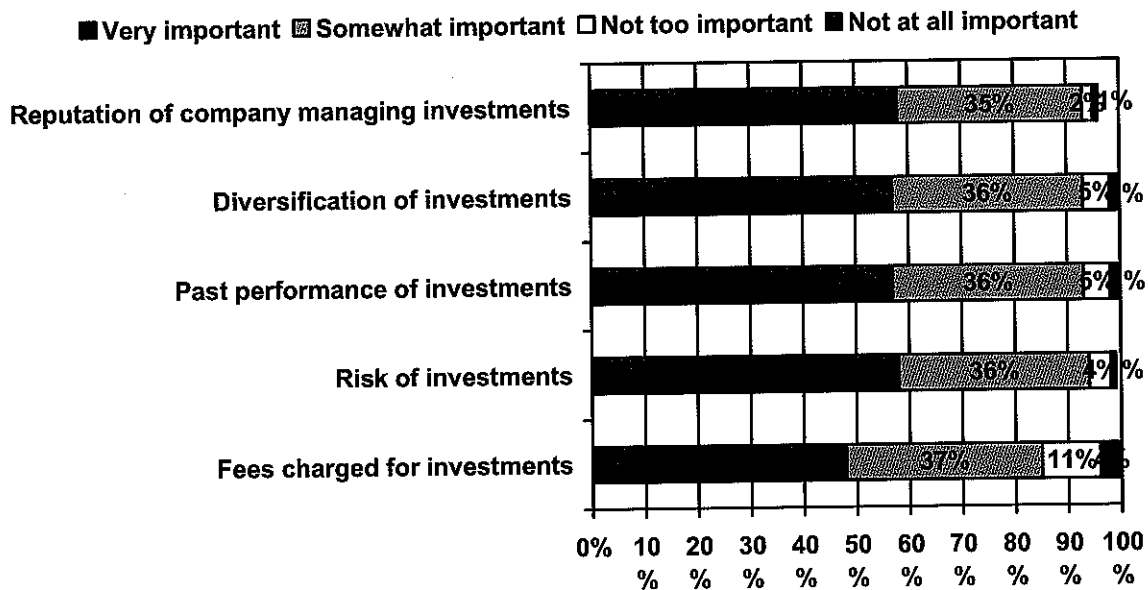
The majority (84%) of respondents are involved in making decisions about the investments in their 401(k) plan, including roughly a third (32%) who make all investment decisions entirely on their own without seeking advice from other people. Fewer than two in ten people (16%) indicate that they are not at all involved in making investment decisions related to their plan.

Respondents are evenly split between those who feel they are knowledgeable about financial investments and those who do not. While half (50%) of respondents feel they are knowledgeable about financial investments, few (7%) of them feel they are "very" knowledgeable. Almost four in ten (38%) feel they are "not too" knowledgeable and just over one in ten (12%) feel "not at all" knowledgeable.

#### **Important Factors**

Over nine in ten respondents find the following factors important when making decisions about the investments in their 401(k) plan: the risk of the investments (94%), the reputation of the financial services company that manages the investments (93%), the past performance of the investments (92%), and diversification of the investments (92%). Over eight in ten (85%) find fees charged for the investments important. As Figure 1 shows, nearly half (48%) of respondents indicate fees are "very important" in their decision making process, and over half of respondents find the remaining factors "very important" as well.

**Figure 1**  
**How important is each of the following factors to you when making decisions about investments in your 401(k) plan?**



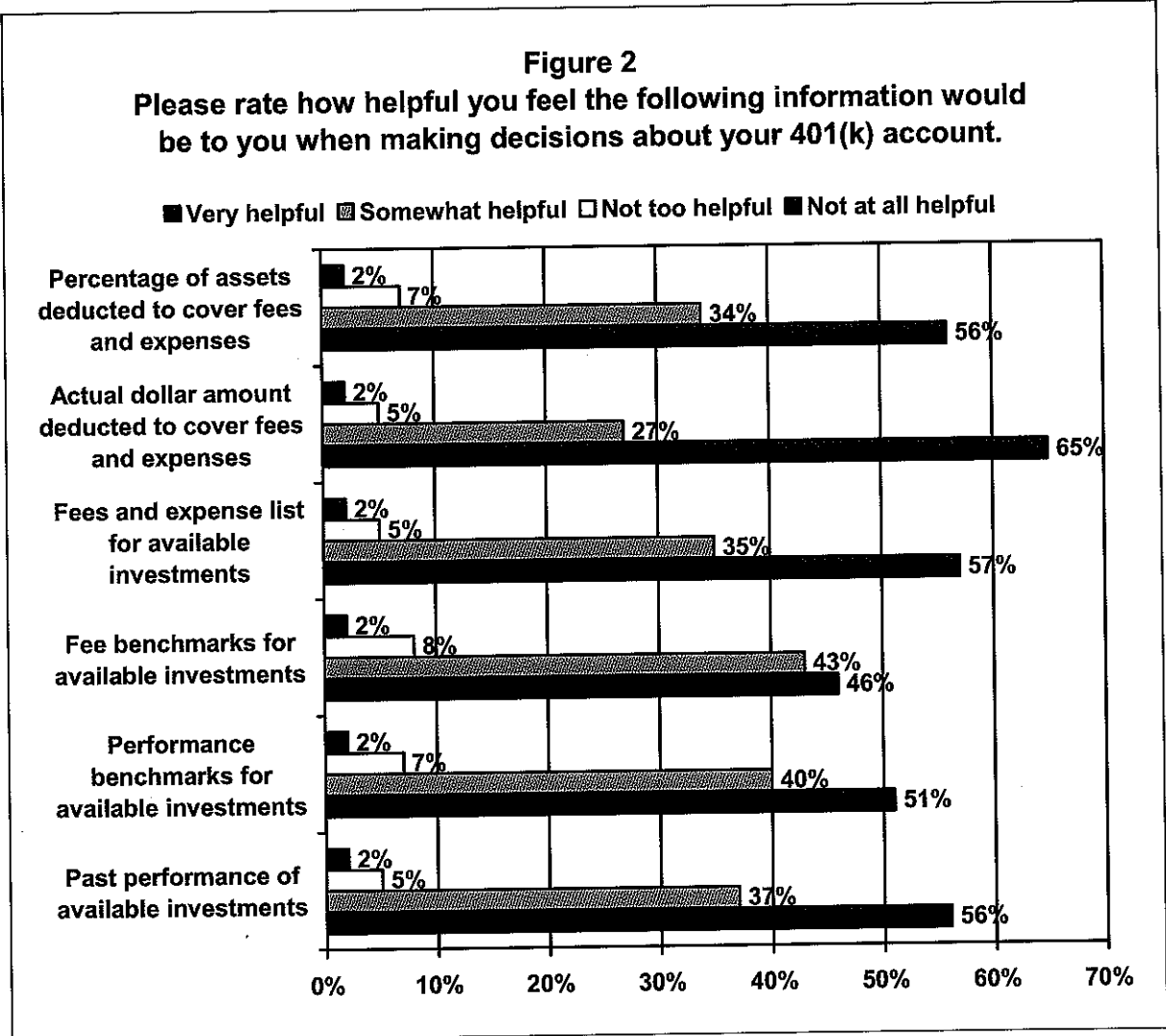
Base: All 2,106 respondents

Note: Total may not equal 100% due to respondents who refused to answer this question.

Respondents who indicate that fees are important (either “somewhat” or “very”) most often get information about fees from summary information about the mutual funds or other investment choices (43%), prospectuses for the mutual funds or other investment choices (36%), and/or a financial advisor provided through their employer (25%). Fewer respondents get information about fees from a personal financial advisor not provided through their employer (15%), the Internet (19%), financial magazine articles (6%), books about investing (2%), financial shows on TV (4%), or a financial research analyst (3%).

**Types of Information That Would Be Helpful**

When asked to rate how helpful various types of information would be when making decisions about their 401(k) account, most respondents indicate all types listed would be at least “somewhat” helpful. As shown in Figure 2, the types of information rated “very” helpful most frequently are the actual dollar amount deducted from their 401(k) account to cover fees and expenses (66%), a list of the fees and expenses for each investment option available through their 401(k) plan (57%), information about the past performance of each investment option available through their 401(k) plan (56%), the percentage of their assets deducted from their 401(k) account to cover fees and expenses (56%), performance benchmarks that compare the performance of each investment option available through their 401(k) plan to the performance of similar investments outside of their plan (51%), and fee benchmarks that compare the fees and expenses of each investment option available through their 401(k) plan to the fees and expenses charged for similar investments outside of their plan (46%).



Base: All 2,106 respondents.  
Note: Total may not equal 100% due to respondents who refused to answer this question.

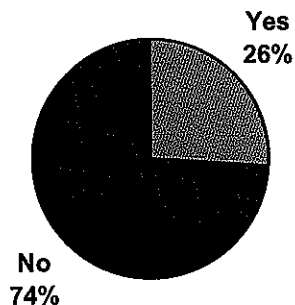
**How Knowledgeable Are 401(k) Plan Participants About Fees?**

When asked whether they pay any fees for their 401(k) plan, over three in five respondents (62%) report that they pay no fees and fewer than one in six (17%) state that they do pay fees. Another 22% admit that they do not know whether they pay any fees.<sup>2</sup>

*After being told that 401(k) plan providers often charge fees for administering their plans and that these fees may be paid by the employer that sponsors the plan or the employees that participate in the plan, approximately three quarters (74%) of respondents acknowledge that they do not know how much they pay in fees, as shown in Figure 3.*

<sup>2</sup> Total exceeds 100% due to rounding.

**Figure 3**  
**Do you know how much in fees and expenses you are paying for your 401(k) plan?**

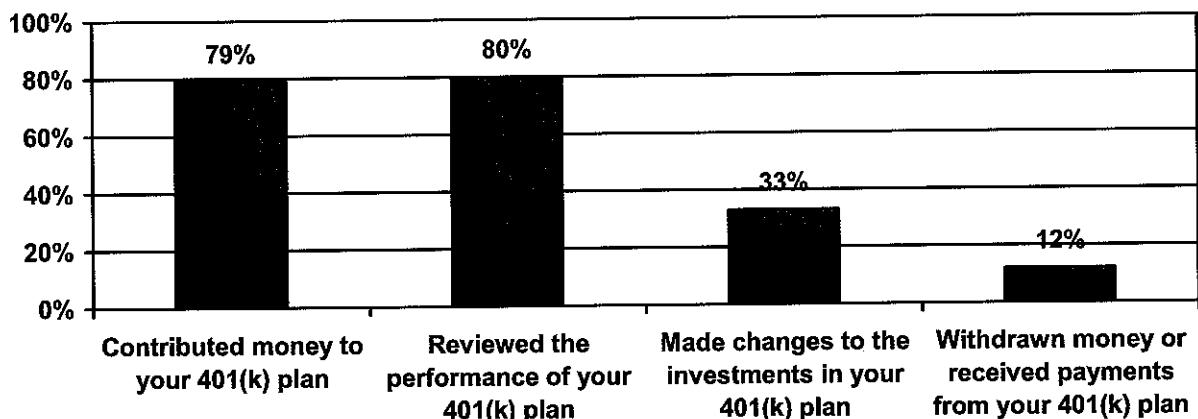


Base: All 2,106 respondents

**What Actions Have 401(k) Plan Participants Taken in the Past 12 Months?**

When asked whether they have taken certain actions related to their 401(k) plan in the past 12 months, most respondents (80%) report they reviewed the performance of their plan and contributed money (79%). However, only a third (33%) report they made changes to the investments in their plan during that time period. As seen in Figure 4, considerably fewer people (12%) report withdrawing money or receiving payments from their plan.

**Figure 4**  
**Within the past 12 months, have you...**



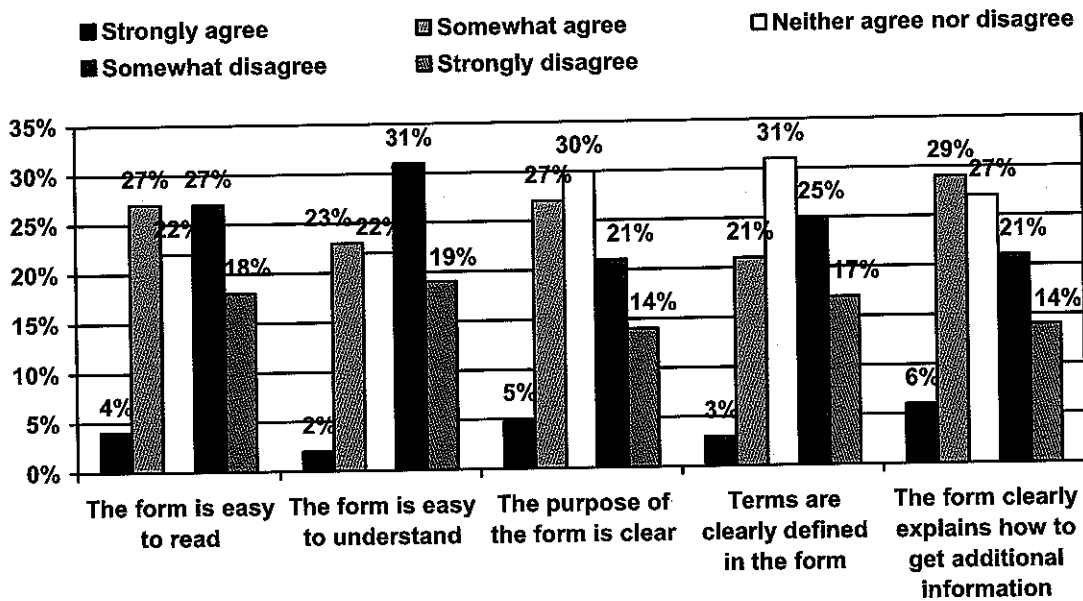
Base: All 2,106 respondents.

## What are 401(k) Plan Participants' Overall Reactions to the Model Disclosure Forms?

A third or fewer respondents who viewed DOL's form agree that the form is easy to read (30%), is easy to understand (25%), has a clear purpose (33%), has terms that are clearly defined (24%), and explains how to get additional information (35%). In fact, half (50%) disagree that the form is easy to understand, with 19% strongly disagreeing. In contrast, at least seven in ten plan participants who viewed AARP's form agree that AARP's form is easy to read (77%), is easy to understand (72%), makes the form's purpose clear (78%), has terms that are clearly defined (70%), and explains how to get additional information (75%). As shown in Figure 5 and Figure 6, respondents reviewing AARP's form are more likely than participants reviewing DOL's form to strongly agree with each statement.

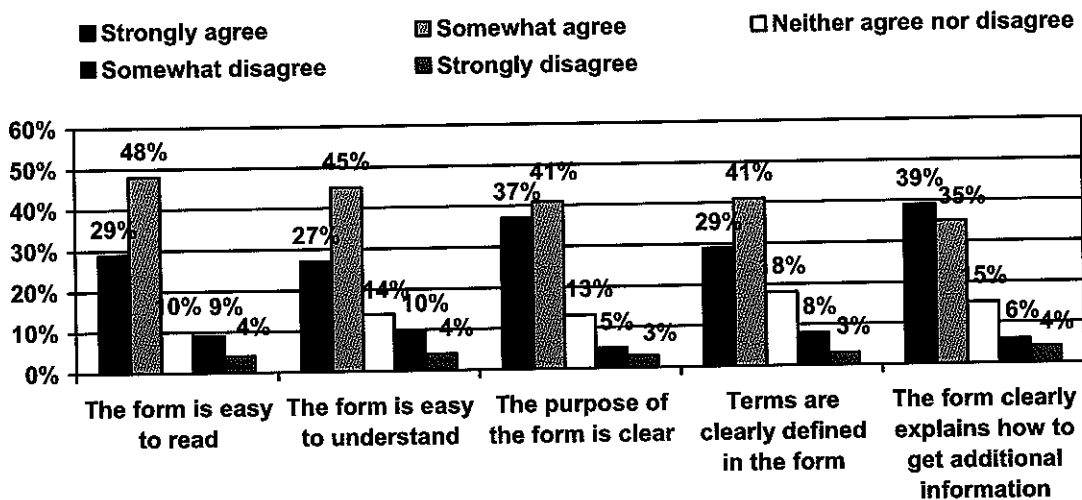
- Overall reaction to DOL's form varies by gender and education. Men are more likely than women to agree that DOL's form is easy to read (29% versus 20%). They are also more likely than women to agree that the purpose of the form is clear (36% versus 28%). Respondents with at least a bachelor's degree are more likely than those with some college education as well as those with a high school degree or less to agree (39% versus 28% and 27%).
- Overall reaction to AARP's form varies by education, income, and age; however the proportion who view it favorably in all subgroups remains high.
  - Easy to read: Respondents with at least a bachelor's degree are more likely than those with a high school degree or less to agree that AARP's form is easy to read (83% vs. 71%). Those with an annual household income of at least \$75,000 are also more likely to agree than those whose annual household income is less than \$25,000 (82% vs. 66%).
  - Easy to understand: Respondents whose annual household income is at least \$25,000 are more likely than those earning less to agree the form is easy to understand (71% of respondents earning \$25,000 up to \$50,000, 70% of respondents earning \$50,000 up to \$75,000, and 77% of respondents earning at least \$75,000 versus 52% of those earning under \$25,000.)
  - Purpose of the form is clear: Respondents whose annual household income is at least \$50,000 are more likely than those earning less to agree that the purpose of the form is clear (81% versus 73%).
  - Terms are clearly defined: Respondents with at least a bachelor's degree are more likely than those with a high school degree or less to agree the terms are clearly defined in the form (74% versus 65%), as are respondents whose annual household income is at least \$75,000 compared with those earning under \$25,000 (74% versus 54%).
  - How to get additional information: Respondents who are at least 35 years old are more likely than those ages 25-34 to agree that AARP's form clearly explains how to get additional information (77% of respondents age 50+ and 79% of respondents age 35-49 versus 63% of respondents ages 25-34).

**Figure 5**  
**To what extent do you agree or disagree with the following statements? (Reaction to DOL's Form)**



Base: 1,058 respondents who viewed DOL's form.

**Figure 6**  
**To what extent do you agree or disagree with the following statements? (Reaction to AARP's Form)**



Base: 1,048 respondents who viewed AARP's form.

## How Well Do 401(k) Plan Participants Understand the Model Disclosure Forms?

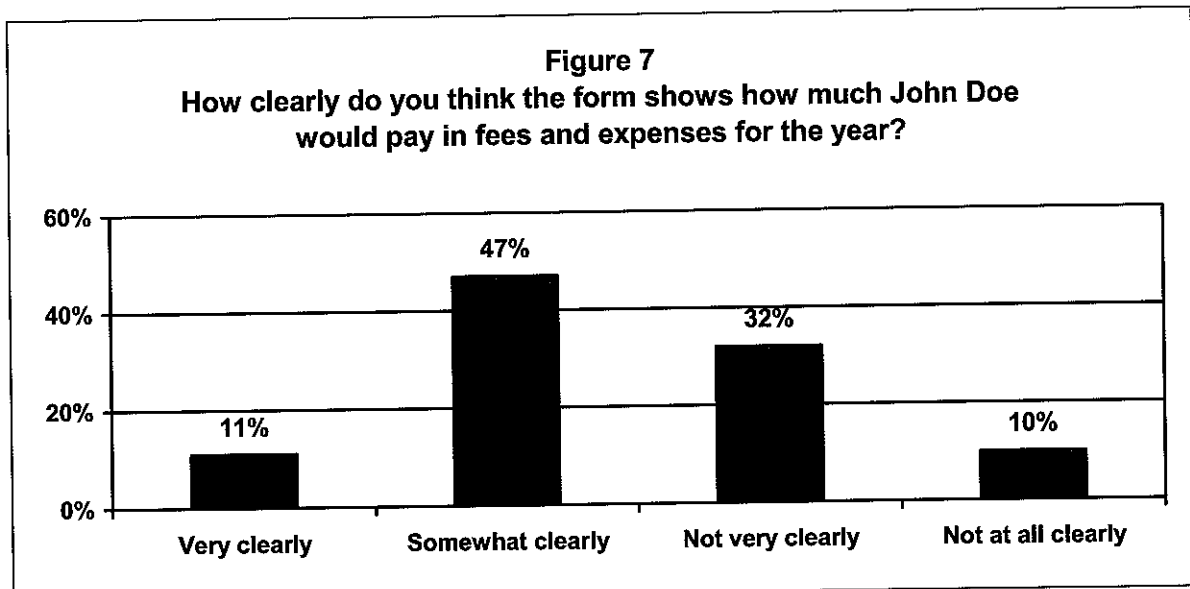
Respondents who viewed DOL's model disclosure form were instructed to assume for the purpose of the survey that the form was sent to a 401(k) participant named John Doe who works for a company called ABC Corporation. They were also instructed to assume that John Doe's 401(k) account balance is \$14,000 before fees and expenses, and his asset allocation is the following:

- A Fund (S&P 500 Index Fund): \$3,500
- B Fund (Large Cap Fund): \$4,200
- E Fund (Bond Index Fund): \$3,200
- G Fund (Stable Value Fund): \$3,100

AARP's form already contained account balance and allocation information for John Doe.

### Comprehension of Fee Information

Just over half (57%) of respondents think DOL's form clearly shows how much John Doe would pay in fees and expenses for the year. As shown in Figure 7, considerably more think it shows this information "somewhat" clearly (47%) rather than "very" clearly (11%). Nearly a third think the information is shown "not very" clearly (32%) and the remaining 10% think the information is shown "not at all" clearly. Respondents ages 50+ are more likely than those under 50 years old to think the form does not show the information clearly (47% versus 39%).



Base: 1,058 respondents who viewed DOL's form

When asked how much John Doe would pay in annual operating expenses for his A Fund (S&P Index) investments, fewer than two in ten (18%) respondents who viewed DOL's form give the correct answer. To calculate this number, participants would have to locate the Fund's total



annual operating expense (0.18%) on the form, know to multiply it by \$3,500, and perform the multiplication correctly.

When asked how much, according to the form, John Doe would pay in non-investment related fees and expenses for his 401(k) account, only half (49%) of respondents who viewed DOL's form correctly state that the form does not say. In addition, over four in ten respondents (44%) say they do not know whether the form lists all of the fees and expenses that John Doe could pay for his 401(k) account, while just over a third (38%) correctly indicate that the form does not do so.

Although not as important as the comprehension of fees, it is worth noting that many respondents (59%) who viewed DOL's form were unable to identify how often they would receive a statement of the dollar amount actually charged to their account for administrative or individual expenses. This is despite the fact that the form states that "The dollar amount actually charged to your account during the preceding quarter for such administrative or individual expenses will be reported to you on a quarterly basis." This suggests that 401(k) plan participants are not understanding what is written and/or not retaining the information even for a short time period.

Nearly nine in ten respondents (87%) think AARP's form clearly shows the dollar amount that John Doe paid in fees and charges for the year. In fact, over four in ten (44%) think the form shows this "very" clearly, while a similar amount (43%) think the form shows this "somewhat" clearly. Just over one in ten (13%) thinks the form shows this information "not very" or "not at all" clearly.

When asked, according to the form, how much John Doe paid in fees and charges for his S&P 500 Index Fund investments for the year, over eight in ten respondents (83%) who viewed AARP's form give the correct answer. No math is required for participants to identify the correct answer because the form multiplies the expense ratio by the pre-fee balance for participants. Likelihood of giving the correct answer varies by income: Respondents whose annual household income is less than \$50,000 are less likely than those earning more to give the correct answer (77% versus 86%). Despite this, however, over three quarters did identify the correct answer.

Nearly seven in ten (69%) respondents who viewed AARP's form correctly identify how much, according to the form, John Doe paid in administrative fees and transaction fees for all of his 401(k) investments for the year. Twenty-nine percent give an incorrect answer, including 16% who indicate that the form does not say. Women are less likely than men to give the correct answer (65% versus 73%).

When asked, according to the form, how much John Doe paid in total fees and charges for all of his 401(k) investments for the year, over eight in ten respondents (83%) who viewed AARP's form give the correct answer. While a high proportion of all subgroups give the correct answer, the likelihood of providing the right answer varies by gender, race/ethnicity, income, and education: Women are less likely than men to give the correct answer (80% versus 86%). Non-White respondents are also less likely than White respondents to give the correct answer (78% versus 85%). Respondents whose annual household income is less than \$50,000 are less likely than those earning more to give the correct answer (75% versus 88%). Respondents with a high

school degree or less and those with some college education are less likely than those with at least a bachelor's degree to give the correct answer (78% and 79% versus 89%).

Over three quarters of respondents (78%) think AARP's form clearly shows the percentage of John Doe's assets that he paid in fees and charges for the year. Almost four in ten (39%) think the form "very" clearly shows it, while the same amount (39%) think the form "somewhat" clearly shows it. A fifth (21%) think the form shows it "not very" or "not at all" clearly.

When asked, according to the form, what percentage of John Doe's assets he paid in total fees and charges for the year, over eight in ten respondents (83%) who viewed AARP's form give the correct answer. Again, while the percentages for all subgroups are high, the likelihood of providing the correct answer varies by gender, income and education: Women are less likely than men to give the correct answer (80% versus 86%), as are respondents whose annual household income is less than \$50,000 compared with those earning more (79% versus 86%). Respondents with a high school degree or less as well as those with some college education are less likely than respondents with at least a bachelor's degree to give the correct answer (80% and 78% versus 88%).

### **Comprehension of Additional Sources of Information**

Nearly a quarter (23%) of respondents who viewed DOL's form believe the form does not say where John Doe can look for more information about non-investment-related fees and expenses. Only a third (34%) correctly indicate that the form instructs John Doe to look in his summary plan description. And even fewer (28%) correctly indicate that the form instructs him to look at his quarterly statement.

- Responses vary by education and income. Respondents with a high school degree or less (23%) are less likely than respondents with some college education (34%) and at least a bachelor's degree (41%) to correctly identify the summary plan description as an additional source of fee information. Two in ten (20%) respondents with a high school degree correctly identify the quarterly statement as another source of information, compared with 35% of those with at least a bachelor's degree. Respondents whose annual household income is under \$50,000 are less likely than those earning more to identify either source: 26% of those earning under \$50,000 identified the summary plan description compared with 37% of those earning more. Similarly, 22% of those earning under \$50,000 identified the quarterly statement compared with 31% of those earning more.

Many respondents who viewed AARP's form correctly indicate that the form instructs John Doe whom to contact if he has questions or would like additional information. In fact, fewer than one in ten (8%) respondents believe the form does not instruct John Doe whom to contact. Over three quarters (77%) correctly indicate that the form instructs John Doe to contact ABC Company's Human Resources office. Slightly less than half (46%) correctly indicate that the form instructs him to contact XYZ Investments.

- Responses vary by education, age, gender, and income. Respondents with a high school degree or less as well as those with some college education are less likely than those with at least a bachelor's degree to indicate the form instructs participants to contact ABC Company's Human Resources department (73% and 73% versus 82%). When it comes to correctly identifying XYZ Investments as another potential contact, respondents age 50+ are less likely than those under 50 years old to do so (34% versus 53%), women are less likely than men (40% versus 50%), respondents whose annual household income is less than \$50,000 are less likely than those earning more (39% versus 50%), and respondents with a high school degree or less as well as those with some college education are less likely than those with at least a bachelor's degree (34% and 42% versus 56%) to do so.

### **Vocabulary**

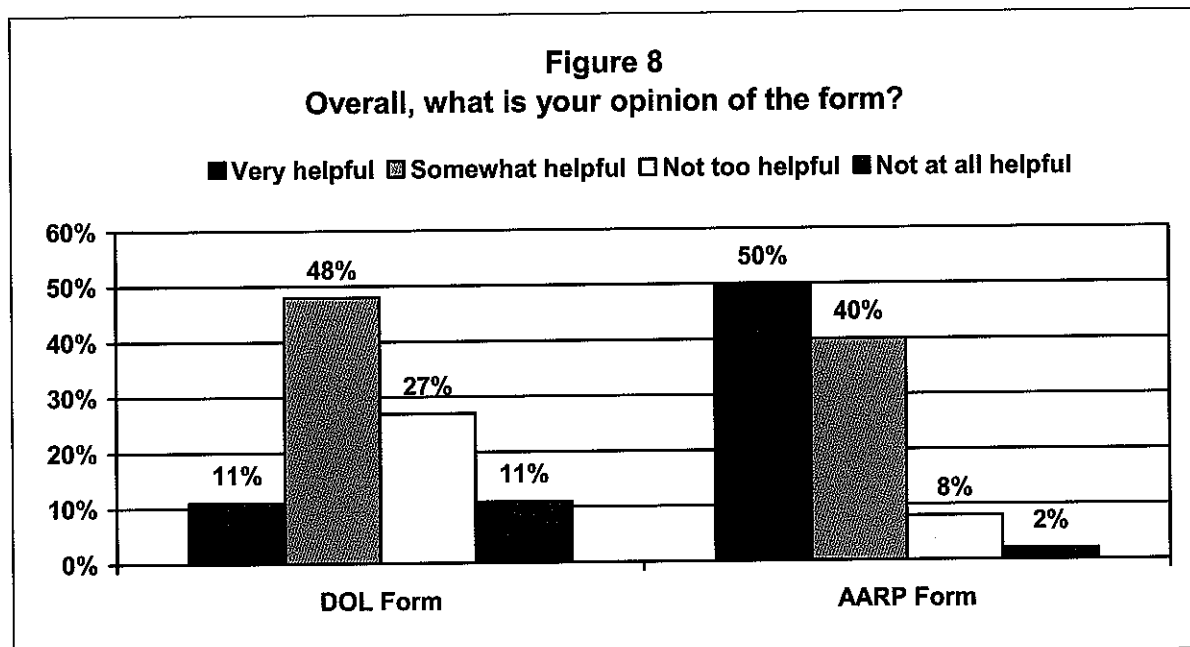
While half of respondents (49%) who viewed DOL's form think the vocabulary in the form is about right, nearly as many (44%) think it is "somewhat" or "much" too complicated. In contrast, eight in ten respondents (80%) who viewed AARP's form think the vocabulary in the form is about right, while only 18% think the words are "somewhat" or "much" too complicated.

- Responses to DOL's form vary by education, income, and race/ethnicity. Respondents with a high school degree or less are more likely than those with some college education or at least a bachelor's degree to think the words in DOL's form are "somewhat" or "much" too complicated (51% and 46% versus 38%). While the proportions are small, respondents whose annual household income is less than \$50,000 are more likely than those earning more to think the words are "much" too complicated (12% versus 7%) as are non-Whites compared with Whites (12% versus 7%).
- Responses to AARP's form vary by education and race/ethnicity. Respondents with a high school degree or less are more likely than those with at least a bachelor's degree to think the words in AARP's form are "somewhat too" or "much too" complicated (25% versus 13%), as are White respondents compared with non-White respondents (20% versus 12%).

## How Helpful Do 401(k) Plan Participants Think the Model Disclosure Forms Will Be?

When asked whether it would be helpful to receive the disclosure form, nearly six in ten respondents (59%) who viewed DOL's form feel it would be, compared with nine in ten (90%) who feel it would be helpful to receive AARP's form. As shown in Figure 8, while few (11%) feel it would be "very" helpful to receive DOL's form, half (50%) feel it would be "very" helpful to receive AARP's form. Moreover, over a third (38%) feel it would not be helpful to receive DOL's form, compared with just one in ten (10%) who feel it would not be helpful to receive AARP's form. Respondents who viewed AARP's form are more likely than those who viewed DOL's form to say it would be "very" and "somewhat" helpful to receive the form.

- Responses to DOL's form vary by gender. Men are more likely than women to say it would be helpful to receive DOL's form (64% versus 53%).
- Responses to AARP's form did not vary by standard demographic characteristics.



Base for DOL form: 1,058 respondents who viewed DOL's form  
Base for AARP form: 1,048 respondents who viewed AARP's form

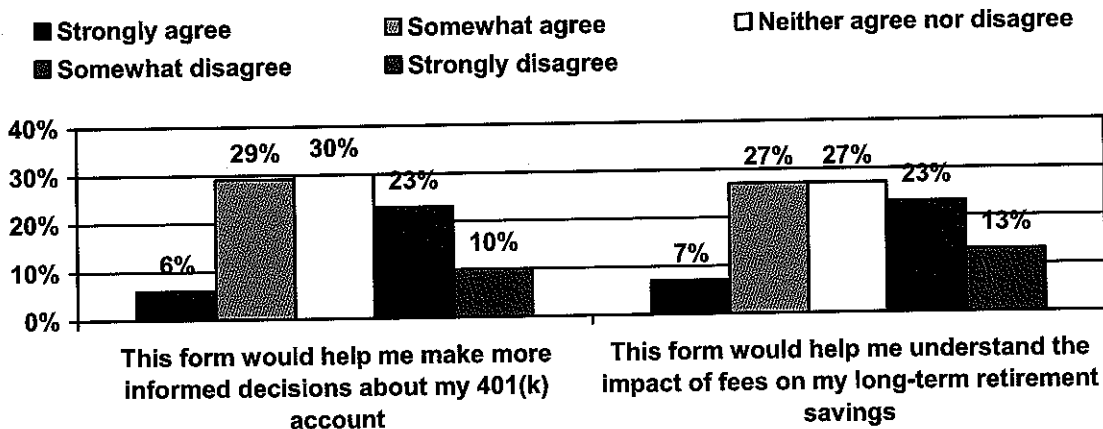
## Impact of Disclosure Form on Decisions and on Understanding of Fees

As shown in Figure 9, only a third (35%) of respondents who viewed DOL's form agree that if they received a form like this, it would help them make more informed decisions about their 401(k) account. Similarly, only a third (34%) agree that it would help them understand the impact of fees and expenses on their long-term retirement savings. In contrast, as shown in Figure 10, over seven in ten (72%) respondents who viewed AARP's form agree that it would help them make more informed decisions about their 401(k) account, and even more (77%) agree

that it would help them understand the impact of fees and charges on their long-term retirement savings. The differences in responses between respondents who viewed DOL's form and those who viewed AARP's form are statistically significant.

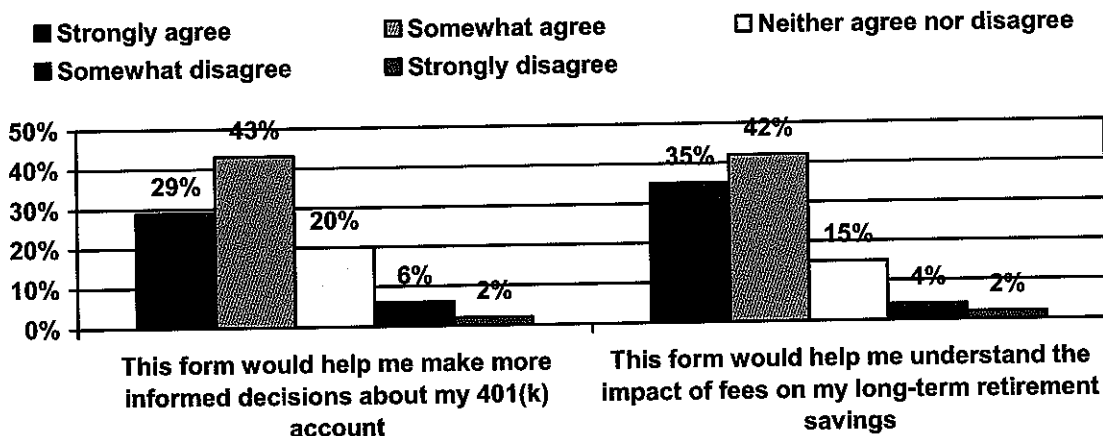
- Responses to DOL's form vary by gender and education. Men are more likely than women to agree that DOL's form would help them make more informed decisions about their 401(k) account (40% versus 29%), as are respondents with at least a bachelor's degree compared with those who have some college education or a high school degree or less (42% versus 32% and 28%). Again, those with at least a college degree are more likely than respondents with some college education or a high school degree or less to agree that the form would help them understand the impact of fees on their long-term retirement savings (42% versus 29% and 28%).
- Responses to AARP's form vary by income and education. Respondents whose annual household income is at least \$50,000 are more likely than those earning less to agree that AARP's form would help them make more informed decisions about their 401(k) account (75% versus 67%) and that it would help them understand the impact of fees and charges on their long-term retirement saving (80% versus 72%). Similarly, respondents with at least a bachelor's degree are more likely than those with a high school degree or less to agree that AARP's form would help them make more informed decisions about their 401(k) account (77% versus 64%) and that it would help them understand the impact of fees and charges on their long-term retirement saving (82% versus 72%).

**Figure 9**  
**To what extent do you agree with the following statements?**  
**(DOL Form)**



Base: 1,058 respondents who viewed DOL's form

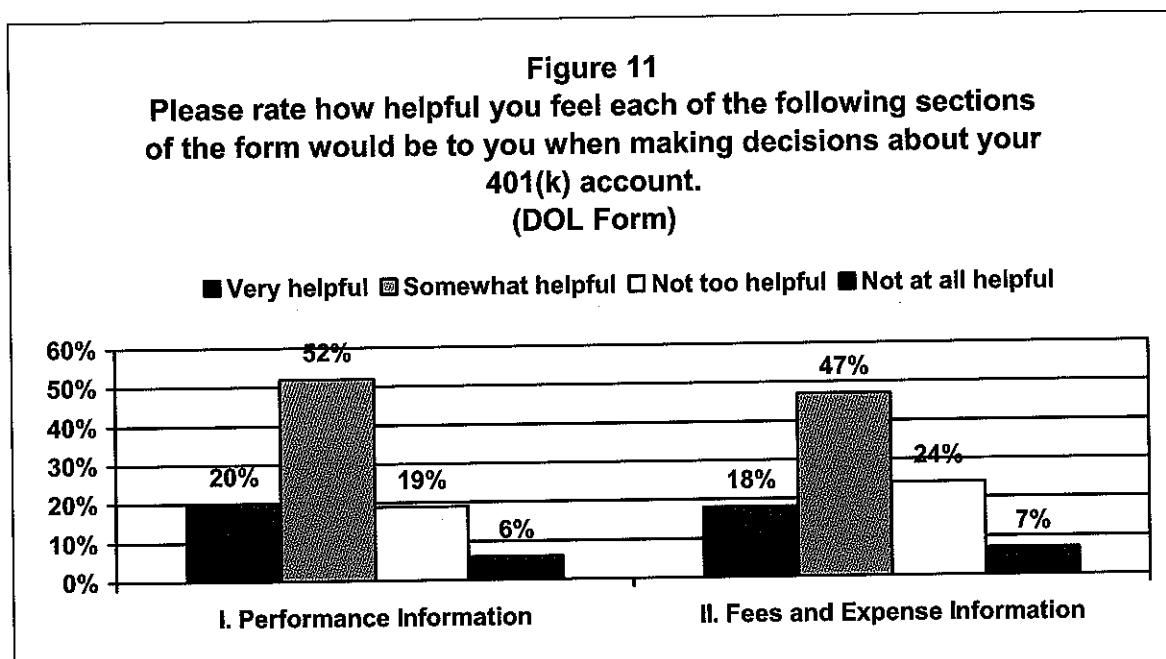
**Figure 10**  
**To what extent do you agree with the following statements?**  
**(AARP Form)**



Base: 1,048 respondents who viewed AARP's form

## Helpfulness of Specific Sections of the Form

When asked to rate how helpful each section of DOL's form would be when making decisions about their 401(k) account, over seven in ten respondents who viewed DOL's form feel the section titled "Part I. Performance Information" would be helpful. Specifically, a fifth (20%) feel it would be "very" helpful while about half (52%) feel it would be "somewhat" helpful. A quarter (25%) of respondents feel it would not be helpful. Over half (65%) of respondents feel the section titled "Part II. Fees and Expense Information" would be helpful. Just under a fifth (18%) feel it would be "very" helpful and 47% feel it would be "somewhat" helpful while nearly a third (32%) feel it would not be helpful, as shown in Figure 11 below. Men are more likely than women to think the section titled "Part I. Performance Information" would be helpful (77% versus 65%) as are respondents whose annual household income is at least \$50,000 compared with those who earn less (75% versus 66%).

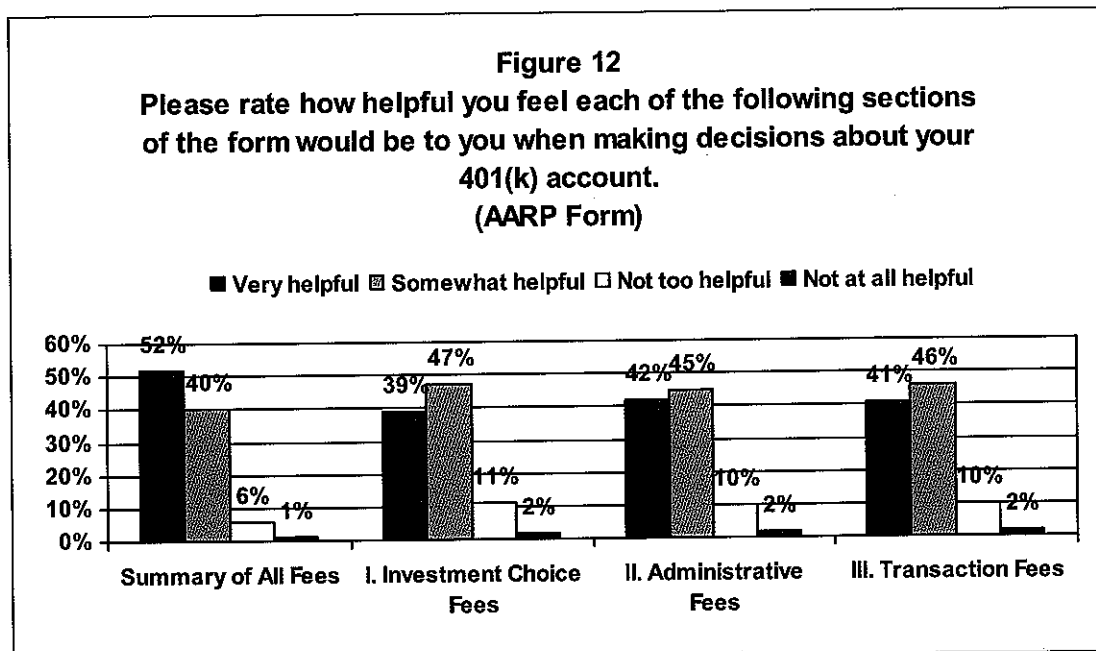


Base: 1,058 respondents who viewed DOL's form

When asked to rate how helpful each section of AARP's form would be when making decisions about their 401(k) account, over nine in ten respondents (92%) who viewed AARP's form feel the section titled "Summary of All 401(k) Fees" would be helpful, as shown in Figure 12. In fact, just over half (52%) feel it would be "very" helpful. Over eight in ten respondents feel the section titled "II. Administrative Fees" would be helpful (87%), as would the sections titled "III. Transaction Fees" (87%), and "I. Investment Choice Fees" (86%).

- Responses vary by income and education, although it is important to note that the proportions agreeing in all subgroups are high. Respondents whose annual household income is at least \$50,000 are more likely than those earning less to feel the section titled

“Summary of all 401(k) Fees” would be helpful (93% versus 88%), as would those with at least a bachelor’s degree compared with respondents who have a high school degree or less (94% versus 88%).



Base: 1,048 respondents who viewed AARP’s form

### **Tables**

While a third (33%) of respondents who viewed DOL’s form find the tables in the form helpful, 44% find them confusing. A fifth (20%) find them neither helpful nor confusing. Among respondents who viewed AARP’s form, seven in ten (70%) find the tables in the form helpful while 17% find them confusing. Thirteen percent find the tables neither helpful nor confusing.

- Responses to DOL’s form vary by gender, income, and education. Men are more likely than women to find the tables in DOL’s form helpful (37% versus 28%). Respondents whose annual household income is at least \$50,000 are also more likely than those earning less to find the tables in DOL’s form helpful (36% versus 26%), as are those with at least a bachelor’s degree compared with respondents that have some college education as well as those with a high school degree or less (41% versus 29% and 25%).
- Responses to AARP’s form vary by income and education. Respondents whose annual household income is at least \$50,000 are more likely than those earning less to find the tables in AARP’s form helpful (73% versus 63%). In addition, respondents with at least a bachelor’s degree are more likely than those with a high school degree or less to feel this way (74% versus 62%).



### **Desired Amount and Type of Information**

When asked what they think of the amount of information in the form, respondents who viewed DOL's form are split fairly evenly. About a third each think the form contains too much information (35%), too little information (30%), and the right amount of information (30%). In contrast, most (72%) of the respondents who viewed AARP's form think the form contains the right amount of information. Considerably fewer participants (22%) think the form contains too much information while only 6% think it contains too little information.

- Responses to DOL's form vary by gender. Men are more likely than women to think DOL's form contains too little information (33% versus 27%) while women were more likely than men to think it contains too much information (40% versus 31%).
- Responses to AARP's form did not vary by standard demographic characteristics.

Again, respondents who viewed DOL's form are somewhat split regarding the type of information provided in the form. While four in ten (40%) think the type of information in the form is about right, a third (33%) think it is too general. Nevertheless, nearly a quarter (23%) of participants think the type of information in the form is too detailed. Most (78%) respondents who viewed AARP's form think the type of information in the form is about right. Just over one in ten (13%) think it is too detailed while fewer (8%) think it is too general.

### **Fees Presented in Dollars, Percentages, or Both**

When asked if they would prefer the fees they pay to be displayed in dollars, as a percentage of their total assets, or both, nearly three quarters (73%) of respondents would prefer the fees to be displayed both in dollars and as a percentage. Just over a fifth (22%) would prefer to see dollars only.

When asked to calculate 0.20% of \$100,000, only half (49%) of respondents give the correct answer. This suggests that many 401(k) plan participants will be unable to translate their investment options' expense ratios into dollars on their own.

### **What Actions Are 401(k) Plan Participants Likely to Take After Receiving the Forms?**

Over half of respondents indicate that if they receive this form from their own 401(k) plan provider, they would read the form (52% of DOL respondents and 66% of AARP respondents) and save or file the form (55% of DOL respondents and 62% of AARP respondents). Over half of respondents who viewed AARP's form would keep this form to compare information about their fees and charges from one year to the next (62%) and review their investment options to determine if investments with at least equal returns and lower fees are available (52%). As Figure 13 shows, respondents who viewed AARP's form are more likely than respondents who viewed DOL's form to indicate that they would take many actions.

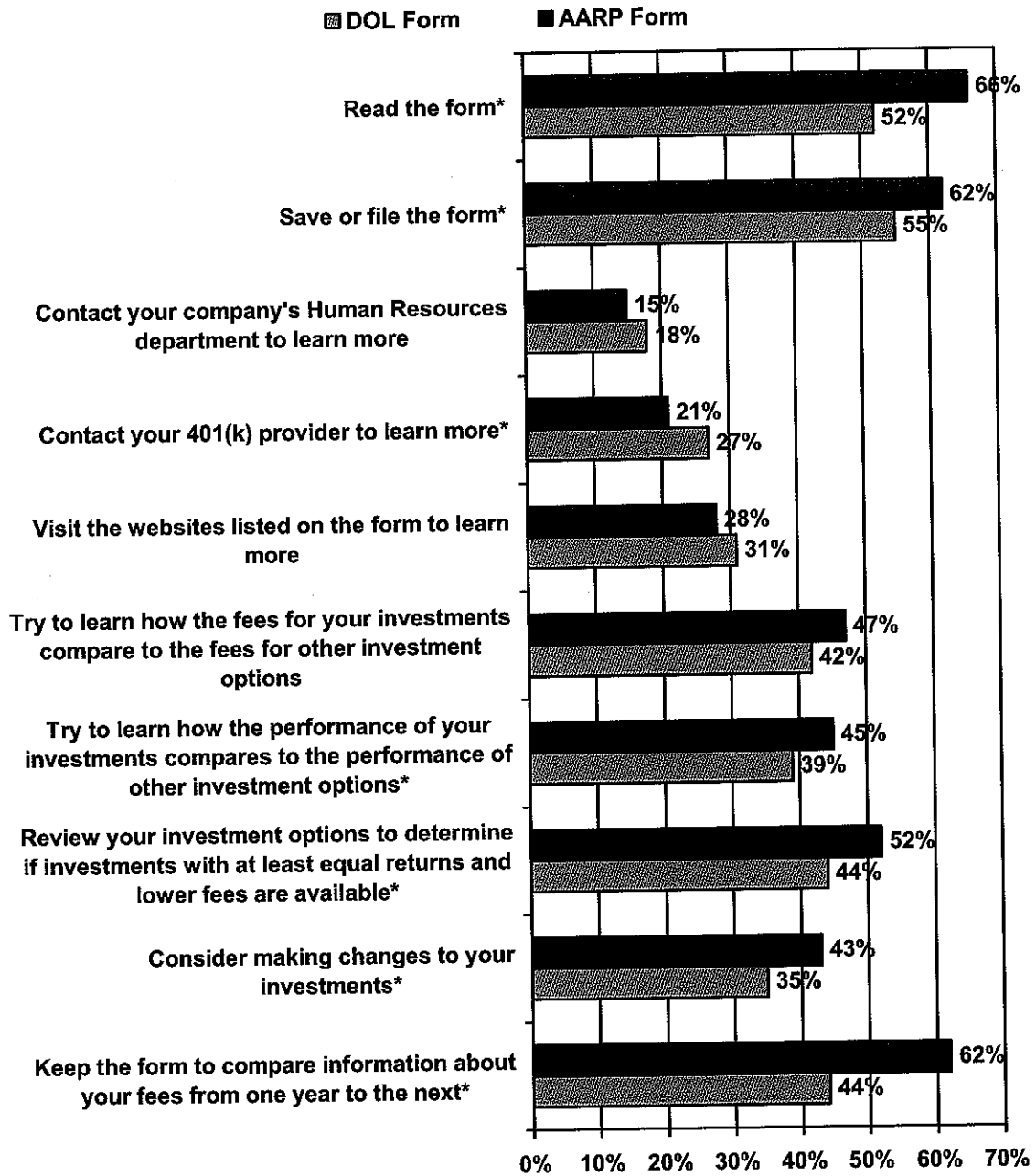
- Responses to DOL's form vary by age, gender, education, and income.
  - Age: Respondents viewing DOL's form that are ages 35-49 and ages 50+ are more likely than those 24-35 years old to say they would contact their 401(k) provider to learn more if they received DOL's form (28% and 33% versus 15%). Respondents age 50+ are more likely than those under age 50 to say they would keep DOL's form to compare information about their fees from one year to the next.
  - Gender: Men are more likely than women to say they would read DOL's form (57% versus 46%) and to say they would try to learn how the performance of their investments compares to the performance of other investment options (43% versus 34%). However, women are more likely than men to say they would contact their 401(k) provider to learn more (32% versus 22%).
  - Education: Respondents with a high school degree or less and those with some college education who viewed DOL's form are more likely than respondents with at least a bachelor's degree to say they would contact their company's human resources department to learn more (21% and 22% versus 15%), and that they would contact their 401(k) provider to learn more (32% and 32% versus 20%). They would be less likely, however, to say they would consider making changes to their investments (29% and 31% versus 41%) and to say they would review their investment options to determine if investment options with at least equal returns and lower fees are available (37% and 37% versus 52%).
  - Income: Respondents whose annual household income is less than \$50,000 are more likely than those who earn more to say they would keep DOL's form to compare information about their fees from one year to the next (50% versus 42%).
  
- Responses to AARP's form vary by age, education, income, race/ethnicity, and gender.
  - Age: Respondents age 50+ who viewed AARP's form are more likely than younger respondents to say they would try to learn how the performance of their investments compares to the performance of other investment options (50% versus 42%), and to keep this form to compare information about their fees from one year to the next (70% versus 58%). Respondents age 35+ are more likely than younger respondents to say they would contact their 401(k) provider to learn more (24% of respondents ages 35-49 and 25% of respondents age 50+ versus 11% of respondents age 25-34).
  - Education: Respondents with at least a bachelor's degree are more likely than those with some college education and those with a high school degree or less to say they would read AARP's form (74% versus 56% and 60%) and try to learn how the fees for their investments compare to the fees for other investment options (54% versus 43% and 41%). Those with less education are more likely to say they would contact their company's human resources department (18% of respondents with a high school degree or less and 19% of those with some college education versus 10% of respondents with at least a bachelor's degree). Those with a high school degree or less are also more likely than those with at least a bachelor's degree to contact their 401(k) provider to learn more (30% versus 16%). Those with at least a bachelor's degree are more likely than those with

some college education and those with a high school degree or less to say they would consider making changes to their investments (52% versus 40% and 32%, respectively).

- **Income:** Respondents whose annual household income is at least \$25,000 are more likely than those earning less to say they would try to learn how the fees for their investments compare to the fees for other investment options (47% of those earning \$25,000 but less than \$50,000, 47% of those earning \$50,000 but less than \$75,000, and 52% of those earning at least \$75,000 versus 26% of those earning less than \$25,000). Respondents whose annual household income is less than \$50,000 are more likely than those earning more to say they would contact their company's human resources department to learn more (21% versus 12%), and to contact their 401(k) provider to learn more (30% versus 17%) but less likely to say they would review their investment options to determine if investments with at least equal returns and lower fees are available (46% versus 55%) and less likely to say they would consider making changes to their investments (36% versus 46%).
- **Race/Ethnicity:** Non-Whites are more likely than Whites to say they would contact their company's human resources department to learn more (27% versus 10%), to contact their 401(k) provider to learn more (29% versus 18%), and to visit the web sites listed on the form to learn more (39% versus 24%). Men are more likely than women to say they would be likely to consider making changes to their investments (47% versus 37%).

**Figure 13**

**Which, if any, of the following actions are you likely to take if you receive this form from your own 401(k) plan provider?**



Base for DOL Form: 1,058 respondents who viewed DOL's form  
 Base for AARP Form: 1,048 respondents who viewed AARP's form  
 \*Statistically significant difference at 0.05 level

## **With What Frequency and in What Format Would 401(k) Plan Participants Prefer the Forms?**

### **Timing**

Respondents were told that 401(k) plan providers may soon be required to notify 401(k) participants on an annual basis (once per year) of the fees and expenses or charges associated with all investment options in their plan. When asked if this is too often, about right, or not often enough, over six in ten (62%) say it is about right. Nearly all of the remaining respondents (36%) think it is not often enough.

Similarly, respondents were told that 401(k) plan providers may soon be required to notify 401(k) participants on a quarterly basis (four times per year) of the dollar amount actually deducted from their accounts for certain fees and expenses or charges. When asked if this is too often, about right, or not often enough, just over seven in ten (71%) say it is about right, while nearly a quarter (23%) say it is too often. Only 4% say it is not often enough.

### **Format**

Respondents were asked how they would like to receive information about the fees and expenses or charges associated with their 401(k) plan. The choices included through the mail, through email, as well as online at their 401(k) plan provider's website and respondents were allowed to indicate more than one preference. Most respondents (75%) expressed a preference for receiving fee information through the mail. Far fewer (31%) expressed a preference for receiving fee information via email. Fewer still (26%) expressed a preference for receiving the information online at their 401(k) provider's website.

- Responses vary by age, gender, and income.
  - Those more likely to prefer to receive information about fees through the mail include respondents ages 50+ more than younger respondents (85% versus 69%), women more than men (77% versus 72%), respondents with a high school degree or less and those with some college education more than those with at least a bachelor's degree (81% and 79% versus 68%), and respondents whose annual household income is under \$50,000 more than those who earn more (83% versus 70%). It is important to note that despite differences in subgroups, the proportion who express a preference for mail in each subgroup is at least nearly seven in ten.
  - Those more likely to prefer to receive information through email include respondents ages 25-49 are more than those age 50+ (38% versus 17%), men more than women (36% versus 24%), those with some college education or at least a bachelor's degree more than those with a high school education or less (28% and 39% versus 20%), and those whose annual household income is at least \$50,000 more than those who earn less (34% versus 23%).
  - Those more likely to prefer to receive information online through their 401(k) plan provider's website include respondents ages 25-49 are more than those age 50+ (30% versus 17%), men more than women (31% versus 19%), those with some college education or at least a bachelor's degree more than those with a high

school education or less (27% and 30% versus 17%), and those whose annual household income is at least \$50,000 more than those who earn less (29% versus 18%).

### III. CONCLUSION

Several ways to enhance DOL's model disclosure form emerge from 401(k) participants' feedback.

A disclosure form that contains participant-specific information and actual dollar figures linked to account balances may improve participants' comprehension of the form. If a primary purpose of the form is to provide 401(k) plan participants with a resource to understand the impact of fees on their individual accounts, then a clear way of doing so is to individualize the form and include dollar figures as well as percentages. In fact, many respondents (73%) express an interest in receiving fee information displayed in both dollars and as a percentage of total assets. This is not surprising given that half (49%) of respondents are unable to correctly calculate 0.20% of \$100,000. This survey suggests that participants will have trouble understanding the impact of expense ratios on their account.

A disclosure form can lead to action, but action is not guaranteed. A form that is perceived as easy to understand and helpful is more likely to be used to weigh the advantages and disadvantages of available investment options and to make informed decisions than one that is confusing and obscure. Providing clear definitions of financial terminology and using vocabulary that is not perceived as complicated may help to improve participants' understanding of the form.

Layout and design elements can be used to enhance understanding of key information in the form. For example, using bold type, underlining, bullets, and borders to highlight important information may enhance comprehension by drawing participants' attention to it. In addition, while tables are a viable way to convey information, testing to ensure participants think the specific tables contained in the form are helpful would be beneficial.

The disclosure of 401(k) fees to plan participants has the potential to help them make more informed decisions about their 401(k) account and to improve their understanding of the impact of fees on their long-term retirement savings. Most 401(k) plan participants do not consider themselves very knowledgeable about financial investments. Nevertheless, they make investment selections and attempt to maximize the amount they save for retirement. Many plan participants recognize the importance of fees when making decisions about the investments in their plan, yet most admit they do not know how much they are paying in fees and expenses for their 401(k) plan. Moreover, half are unable to perform the basic arithmetic necessary to translate basis points into dollars. Therefore, for fee disclosure to be meaningful, fee information needs to be presented in a clear and easily understood manner.

## APPENDIX A: DEPARTMENT OF LABOR'S MODEL DISCLOSURE FORM

### ABC Corporation 401k Savings Plan Investment Options – January 1, 2008

Whether you will have adequate savings at retirement will depend in large part on how much you choose to save and how you invest your savings. The following information will assist you in comparing the designated investment options available to you under the **ABC Corporation 401k Savings Plan**.

While the information furnished below is important to making informed investment decisions, you should carefully review all available information about an investment option prior to directing your retirement savings into an investment option. Internet Web site addresses are provided to help you access additional information (such as investment strategies and risks, portfolio holdings and turnover) about each of the plan's investment options. You may also contact your plan representative at XYZ Investments at 800-928-0604 for additional information or visit the Department of Labor's Web site for general information on investing for retirement. See [www.dol.gov/ebsa/investing.html](http://www.dol.gov/ebsa/investing.html)

#### Part I. Performance Information

This chart shows each option's performance over several time periods and compares the performance with a recognized benchmark. For options with returns that vary over time, past performance does not guarantee how your investment in the option will perform in the future; your investment in these options could lose money.

Name/ Type of Option	Mgmt.	Fixed Return/ Term	Average Annual Total Return as of 12/31/0X			Benchmark/Index as of 12/31/0X		
			1yr.	5yr.	10yr.	1yr.	5yr.	10yr.
<b>Stock Funds</b>								
A Fund/S&P 500 Index www.Web site.com	Passive	NA	15.6%	6.1%	8.3%	15.8%	6.2%	8.4%
						S&P 500		
B Fund/Large Cap www.Web site.com	Active	NA	8.9%	.22%	NA	-8.9%	5.9%	12.2%
						Russell 1000		
C Fund/Int'l Stock www.Web site.com	Active	NA	4.3%	5.2%	11.2%	26.9%	15.4%	8.1%
						MSCI EAFE		
D Fund/Mid Cap ETF www.Web site.com	Passive	NA	15%	12.7%	11.4%	15%	13%	12%
						Russell Midcap		
<b>Bond Funds</b>								
E Fund/Bond Index www.Web site.com	Passive	NA	4.3%	5.2%	6.2%	4.3%	5.1%	6.2%
						LBA U.S. Aggr. Bd.		
<b>Other</b>								
F Fund/ GICs www.Web site.com	Active	NA	4.7%	4.4%	5%	5%	3%	3.8%
						US 91 Day T Bill		
G Fund/Stable Value www.Web site.com	Active	NA	4.3%	4.0%	4.9%	4.7%	3.4%	4.3%
						Treasury CM		
H 200X GIC www.Web site.com	NA	4% 2 yr.	NA	NA	NA	NA		

**Part II. Fees and Expense Information**

This chart shows only investment-related fees and expenses for investment options offered in your plan. Fees and expenses are only one of many factors to consider when you decide to invest in an option. You may also want to think about whether an investment in a particular option, along with your other investments, will help you achieve your financial goals.

Name/ Type of Option	Total Annual Operating Expenses *	Shareholder/Shareholder-type Fees **
<b>Stock Funds</b>		
A Fund / S&P 500 Index	0.18%	\$20 annual service fee assessed for accounts holding less than \$10,000. May be waived in certain circumstances.
B Fund / Large Cap	2.45%	4.25% deferred sales charge against amounts redeemed within 12 months of purchase.
C Fund/International Stock	0.79%	5.75% sales charge against amounts invested.
D Fund/ Mid Cap ETF	0.20%	4.25% sales charge against amounts invested or redeemed.
<b>Bond Funds</b>		
E Fund/ Bond Index	0.50%	N/A
<b>Other</b>		
F Fund/ GICs	0.46%	10% charge against amounts withdrawn within 18 mos. of initial investment.
G Fund/ Stable Value	0.65%	Dollars withdrawn may not be transferred to a competing fund for 90 days after withdrawal.
H 200X GIC	NA	12% charge against amounts withdrawn before maturity.

For an explanation of non investment-related fees and expenses, such as recordkeeping or loan processing fees that may be charged against your account, you may consult your summary plan description, annual account statement, and your quarterly statement. The dollar amount actually charged to your account during the preceding quarter for such administrative or individual expenses will be reported to you on a quarterly basis.

**NOTE: More current information about your plan's investment options, including fees and expenses and performance updates, may be available at the listed Internet Web site addresses.**

\*Total Annual Operating Expenses are ongoing expenses paid indirectly from your investment in this option each year, expressed as a percentage of the value of your investment in the option (e.g., expense ratio).

\*\*Shareholder/Shareholder-type Fees are fees paid directly from your investment in this option (e.g., sales loads, sales charges, deferred sales charges, redemption fees, exchange fees, account fees, purchase fees, transfer or withdrawal fees, surrender charges, contract maintenance fees, and mortality and expense charges).



APPENDIX B: AARP'S MODEL DISCLOSURE FORM

AARP retains the copyright to this form. However, the copyright was not included on the form that was tested because it could have influenced responses. Anyone interested in using the form should contact AARP.

## Annual 401(k) Fee Disclosure

Participant Name: John Doe  
 Plan Name: ABC Company 401(k) Plan  
 Plan Year: January 1, 2007 through December 31, 2007  
 Service Provider: XYZ Investments

Each year, the U.S. Department of Labor requires your employer to disclose all of the fees associated with your 401(k) retirement account. This information does not replace your regular 401(k) report. It is provided to help you understand the costs associated with your voluntary 401(k) plan and make informed decisions about your retirement savings.

This form includes the actual expenses for your investments in the ABC Company 401(k) Plan from January 1, 2007 through December 31, 2007, as administered by XYZ Investments.

The purpose of this form is to help you learn more about the fees and charges assessed to your 401(k) account. As a participant in your company's 401(k) plan, it is very important to make informed choices, which includes being aware of all the investment fees and plan-administration charges associated with your account. You can find information in this form as follows:

- On page one, you will find a "one-stop" view of your 401(k) fees and charges. These fees and charges are linked to your account balance, investment choices, and any investment gains and losses for the year.
- On page two, you will find detailed information about the three categories of fees shown in the "one-stop" view: Investment-Choice Fees, Administrative Fees, and Transactions Fees.

After reading this form, if you have any questions or would like additional information, please contact:

ABC Company (Human Resources Office): 800-928-0604  
 XYZ Investments: 800-386-0608 or <http://www.xyzinvestments.com>

When you consider your 401(k) fees, remember two things: 1) All services have costs. 2) The amount of investment fees does not necessarily correspond with performance. Also, fees are one consideration when you participate in your 401(k) plan. While fees can affect your return, they are one part of a bigger picture that includes investment risk and returns, along with the quality of the services provided.

### SUMMARY OF ALL 401(k) FEES

The following table summarizes your 401(k) account as of December 31, 2007. Information on your investment selections, investment gains or losses, all relevant fees — including investment fees and plan-administration costs — are included below:

	Percent Allocated	Starting Balance	Individual/ Company Contributions	Investment Gains (+) and Losses (-)	Balance Before Fees and Charges	Total Fees and Charges	Balance After Fees and Charges
<b>I. Investment-Choice Fees (details on p. 2)</b>							
S&P 500 Index Fund	25%	\$2,500	\$500	\$500	\$3,500	\$6	\$3,494
Large Cap Fund	25%	\$2,500	\$500	\$1,200	\$4,200	\$103	\$4,097
Bond Fund Index	25%	\$2,500	\$500	\$200	\$3,200	\$16	\$3,184
Stable Value Fund	25%	\$2,500	\$500	\$100	\$3,100	\$20	\$3,080
Subtotal	100%	\$10,000	\$2,000	\$2,000	\$14,000	\$145	\$13,855
<b>II. Administrative Fees (details on p. 2)</b>							
	—	—	—	—	—	\$35	-\$35
<b>III. Transaction Fees (details on p. 2)</b>							
	—	—	—	—	—	\$0	\$0
<b>Total</b>	<b>100%</b>	<b>\$10,000</b>	<b>\$2,000</b>	<b>+\$2,000</b>	<b>\$14,000</b>	<b>\$180</b>	<b>\$13,820</b>

The total amount of fees and charges withdrawn from your ABC Company 401(k) Plan account in 2007 was \$180 (or 1.28% of your total assets).

## I. INVESTMENT-CHOICE FEES

The table below describes the fees and charges for each of your investment choices. An annual percentage fee is withdrawn from your account for each one of your investment choices. You may also be charged an additional amount if your investments changed during the past year. If you see \$0 under Total Charges (\$), your investments did not change.

	Balance Before Fees and Charges	Expense Ratios	Total Expense-Ratio Fees	Redemption Charges	Surrender Charges	Total Charges (\$)	Total Fees and Charges
S&P 500 Index Fund	\$3,500	0.18%	\$6	0.00%	0.25%	\$0	\$6
Large Cap Fund	\$4,200	2.45%	\$103	5.75%	0.25%	\$0	\$103
Bond Index Fund	\$3,200	0.50%	\$16	0.00%	0.25%	\$0	\$16
Stable Value Fund	\$3,100	0.65%	\$20	0.00%	0.25%	\$0	\$20
<b>Total</b>	<b>\$14,000</b>	<b>—</b>	<b>\$145</b>	<b>—</b>	<b>—</b>	<b>\$0</b>	<b>\$145</b>

Expense Ratios are a percentage of your assets withdrawn by XYZ Investments for each investment choice. Different investment choices may charge different fees. These fees are used for a fund's administration, management, advertising and promotion, as well as other expenses that directly affect returns.

Redemption Charges are withdrawn by XYZ Investments when you sell shares of certain funds or move money from one fund to another. The charges offset any costs to the fund for selling your shares.

Surrender Charges are only withdrawn by XYZ Investments (a) if ABC Company switches investment providers for its 401(k) plan or (b) as one of your choices, you terminate an annuity contract before it matures.

## II. ADMINISTRATIVE FEES

Administrative fees are charged to all ABC Company 401(k) Plan participants. These fees are based on the total assets in your account and do not depend on your investment choices or your individual actions.

	Fee Percentage	Balance Before Fees	Total Fees
Wrap Fees	0.40%	\$14,000	\$56
Registered Investment Advisory Fees	0.20%	\$14,000	\$42
Employer Fee Reimbursement	-0.45%	\$14,000	-\$63
<b>Total</b>	<b>—</b>	<b>—</b>	<b>\$35</b>

Wrap Fees are withdrawn by XYZ Investments for various expenses including sales commissions, administrative costs, and recordkeeping fees.

Registered Investment Advisory Fees are withdrawn by XYZ Investments to cover the cost of making information and advice available to participants in ABC Company 401(k) plan.

Employer Fee Reimbursement is money provided by ABC Company to reduce the Wrap Fees and Registered Investment Advisory Fee charged to your 401(k) account.

## III. TRANSACTION FEES

All participants incur fees for certain services and transactions requested from the ABC Company 401(k) Plan. These charges are based on your actions, and the fees for each are detailed below.

	Amount of Fee	Total Fees
Participant Loan Origination Fees	\$100 per loan	\$0
Annual Loan Charges	\$50 per loan	\$0
Distribution Expenses	\$50 per distribution (including rollovers)	\$0
<b>Total</b>	<b>—</b>	<b>\$0</b>

Participant Loan Origination Fees are charged when you initially take out a loan from your 401(k) account.

Annual Loan Charges are taken from your account each year you have an outstanding 401(k) loan balance.

Distribution Expenses occur when you request funds to be withdrawn from your account. These expenses include processing paperwork, issuing a check, and generation of IRS Form 1099R.

## APPENDIX C: ANNOTATED QUESTIONNAIRE

Field period: 8/8/2008 to 8/18/2008

Total N interviews: 2,106

DOL Form N Interviews: 1,058

AARP Form N Interviews: 1,048

All results include qualified respondents and are weighted. "Refused" responses are counted towards the bases. Some tables may not sum to 100% due to rounding or multiple answers being allowed.

### KEY Demographics FOR ENTIRE SAMPLE

#### GENDER

	Total
Male	56.4%
Female	43.6%

#### AGE

	Total
25-34	23.0%
35-44	27.1%
45-54	27.2%
55-64	15.7%
65-74	5.1%
75+	2.0%

#### EDUCATION

	Total
Less than high school	6.1%
High school	23.8%
Some college	25.4%
Bachelors degree or higher	44.7%

**RACE / ETHNICITY**

	<b>Total</b>
<b>White, Non-Hispanic</b>	73.0%
<b>Black, Non-Hispanic</b>	10.2%
<b>Other, Non-Hispanic</b>	4.7%
<b>Hispanic</b>	11.4%
<b>2+ Races, Non-Hispanic</b>	0.7%

**MARITAL STATUS**

	<b>Total</b>
<b>Married</b>	60.8%
<b>Widowed</b>	2.2%
<b>Divorced</b>	11.6%
<b>Separated</b>	1.0%
<b>Never Married</b>	18.2%
<b>Living with Partner</b>	6.2%

**HOUSEHOLD WITH INTERNET ACCESS**

	<b>Total</b>
<b>No</b>	27.1%
<b>Yes</b>	72.9%

**REGION**

	<b>Total</b>
<b>1 Northeast</b>	20.5%
<b>2 Midwest</b>	21.6%
<b>3 South</b>	35.4%
<b>4 West</b>	22.5%

## WORK STATUS

**SCR3. Which of the following best describes your current employment status?**

	Total
Employed full-time (not yet retired)	78.5%
Employed part-time (not yet retired)	4.7%
Unemployed and looking for work (not yet retired)	2.3%
Retired and not working	7.0%
Retired, but still employed full-time	1.1%
Retired, but still employed part-time	1.5%
Full-time student (not employed and not yet retired)	0.9%
Homemaker (not employed and not looking for work)	1.6%
Disabled (not employed and not looking for work)	1.3%
Other (specify)	1.0%
Refused	0.1%

**SHOW SCR3A IF SCR3= EMPLOYED OR OTHER (SCR3=1,2,5, 6, OR 10)**

**SCR3a. Are you currently self-employed? (If you have more than one job, please indicate if you are self-employed in your main job.)**

	Total
Yes	3.6%
No	96.2%

**Q1. Do you currently have money saved for retirement in a 401(k) plan?**

	<b>Total</b>
<b>Yes</b>	100.0%
<b>No</b>	0.0%
<b>Don't know</b>	0.0%
<b>Refused</b>	0.0%

**[TERMINATE IF Q1=2, 3 OR SKIP]**

**Q2. In how many different 401(k) plans do you currently have money saved for retirement?**

	<b>Total</b>
<b>One</b>	72.9%
<b>More than one</b>	26.8%
<b>Refused</b>	0.2%

**[IF Q2=1 OR SKIP]**

**Q3. Thinking about the 401(k) plan in which you currently have money saved, is this 401(k) plan provided by...**

	<b>Total</b>
<b>Your current employer?</b>	79.1%
<b>Your former employer?</b>	20.9%
<b>Your spouse's current or former employer?</b>	0.0%
<b>Other</b>	0.0%
<b>Refused</b>	0.0%

**TERMINATE IF Q3=3, 4, OR SKIP]**

**Q4. Thinking about the 401(k) plans in which you currently have money saved, are any of these 401(k) plans provided by...**

	<b>Total</b>
<b>Your current employer?</b>	80.1%
<b>Your former employer?</b>	62.1%
<b>Your spouse's current or former employer?</b>	28.6%
<b>Other</b>	9.9%
<b>Refused</b>	0.0%

[TERMINATE IF Q4 NE 1 OR 2]

[IF Q2=2]

[DISPLAY]

For the rest of this survey, the term "your 401(k)" refers to the 401(k) plan provided by your current or former employer that you yourself joined most recently. Please do not refer to other 401(k) plans, such as any 401(k) plans provided by your spouse's employer.

[IF Q2=2]

**Q5. In your 401(k) account, do you have investments in...?**

**Q5\_1. Mutual funds or other funds that pool investments**

	<b>Total</b>
<b>Yes</b>	74.4%
<b>No</b>	6.4%
<b>Don't Know</b>	17.5%
<b>Refused</b>	1.8%

**Q5\_2. Individual investments held outside of a fund (individual stocks, bonds, or other investments that are NOT part of a mutual fund or other fund)**

	<b>Total</b>
<b>Yes</b>	27.3%
<b>No</b>	37.3%
<b>Don't Know</b>	25.0%
<b>Refused</b>	10.4%

[IF Q5\_2=1 AND (Q3=1 OR Q4=1)]

Q6. In your 401(k) account, do you have shares of your current employer's stock (shares that are NOT part of a fund)?

	Total
Yes	41.6%
No	52.4%
Don't Know	5.6%
Refused	0.4%

[IF Q5\_2=1 AND (Q3=2 OR (Q4=2 AND Q4 NE 1))]

Q7. In your 401(k) account, do you have shares of your former employer's stock (shares that are NOT part of a fund)?

	Total
Yes	34.4%
No	61.4%
Don't Know	2.6%
Refused	1.6%

[IF Q5\_1=1]

Q8. In your 401(k) account, do you have investments in any of the following types of funds? [Rotate; but keep 3-5 together and make sure that 5 is always immediately after 3 and 4.]

Q8\_1. **Balanced Funds (Funds that invest in a balanced mix of both stocks and bonds)**

	Total
Yes	60.4%
No	22.6%
Don't Know	14.9%
Refused	2.1%



**Q8 2. Stock Funds (Funds that invest primarily in stocks)**

	<b>Total</b>
<b>Yes</b>	64.1%
<b>No</b>	18.7%
<b>Don't Know</b>	15.5%
<b>Refused</b>	1.8%

**Q8 3. Bond Funds (Funds that invest primarily in bonds)**

	<b>Total</b>
<b>Yes</b>	42.7%
<b>No</b>	35.1%
<b>Don't Know</b>	19.0%
<b>Refused</b>	3.2%

**Q8 4. Money Market funds**

	<b>Total</b>
<b>Yes</b>	48.7%
<b>No</b>	31.9%
<b>Don't Know</b>	16.2%
<b>Refused</b>	3.2%

**Q8 5. Other Fixed Income funds (Funds such as Guaranteed Investment Contracts, stable value funds, or other funds that provide low but steady returns and are often used for income)**

	<b>Total</b>
<b>Yes</b>	31.1%
<b>No</b>	43.7%
<b>Don't Know</b>	21.9%
<b>Refused</b>	3.3%

**Q8\_6. Annuities (Funds that, after receiving your contributions and after reaching a certain date, guarantee to make regular payments to you for a certain period of time or for the rest of your life.)**

	<b>Total</b>
<b>Yes</b>	16.5%
<b>No</b>	60.1%
<b>Don't Know</b>	20.2%
<b>Refused</b>	3.2%

**Q8\_7. Real Estate funds, sometimes called Real Estate Investment Trusts (REITs)**

	<b>Total</b>
<b>Yes</b>	11.1%
<b>No</b>	67.3%
<b>Don't Know</b>	17.8%
<b>Refused</b>	3.7%

**Q8\_8. Other**

	<b>Total</b>
<b>Yes</b>	9.8%
<b>No</b>	41.3%
<b>Don't Know</b>	36.4%
<b>Refused</b>	12.4%

**Q9. Within the past 12 months, have you...**

**Q9\_1. Contributed money to your 401 (k) plan?**

	<b>Total</b>
<b>Yes</b>	78.6%
<b>No</b>	20.4%
<b>Don't Know</b>	0.6%
<b>Refused</b>	0.4%

**Q9\_2. Reviewed the performance of your 401(k) plan?**

	<b>Total</b>
<b>Yes</b>	79.5%
<b>No</b>	18.1%
<b>Don't Know</b>	1.5%
<b>Refused</b>	0.9%

**Q9\_3. Made changes to the investments in your 401(k) plan?**

	<b>Total</b>
<b>Yes</b>	33.2%
<b>No</b>	64.3%
<b>Don't Know</b>	1.4%
<b>Refused</b>	1.1%

**Q9\_4. Withdrawn money, or received payments, from your 401(k) plan?**

	<b>Total</b>
<b>Yes</b>	12.0%
<b>No</b>	86.2%
<b>Don't Know</b>	0.8%
<b>Refused</b>	1.1%

**Q10. Do you pay any fees for your 401(k) Plan?**

	<b>Total</b>
<b>Yes</b>	22.4%
<b>No</b>	61.7%
<b>Don't Know</b>	15.8%
<b>Refused</b>	0.1%

**Q11. Which of the following best describes how you make decisions about the investments for your 401(k) plan?**

	<b>Total</b>
<b>I make all investment decisions entirely on my own without seeking advice from other people</b>	32.2%
<b>I make my own investment decisions, but I seek advice from other people before I make decisions</b>	30.6%
<b>I am involved in making the investment decisions, but I rely on other people to help me make the decisions</b>	21.1%
<b>I am <u>not at all involved</u> in making the investment decisions; I <u>rely entirely on other people</u> to make the decisions for me</b>	15.7%
<b>Refused</b>	0.3%

**Q12. How important is each of the following factors to you when making decisions about the investments in your 401(k) plan?**

**Q12\_1. Fees charged for the investments (administrative fees, transaction fees, or other fees)**

	<b>Total</b>
<b>Top 2 Box (Net)</b>	84.8%
<b>Very important</b>	48.1%
<b>Somewhat important</b>	36.7%
<b>Bottom 2 Box (Net)</b>	14.5%
<b>Not too important</b>	10.9%
<b>Not at all important</b>	3.7%
<b>Refused</b>	0.7%

**Q12\_2. Risk of the investments**

	<b>Total</b>
<b>Top 2 Box (Net)</b>	93.6%
<b>Very important</b>	57.7%
<b>Somewhat important</b>	35.9%
<b>Bottom 2 Box (Net)</b>	5.7%
<b>Not too important</b>	4.4%
<b>Not at all important</b>	1.4%
<b>Refused</b>	0.7%

**Q12\_3. Past performance of the investments (how much the investments have changed in value over the past several years, compared to other investments)**

	<b>Total</b>
<b>Top 2 Box (Net)</b>	92.4%
<b>Very important</b>	56.8%
<b>Somewhat important</b>	35.6%
<b>Bottom 2 Box (Net)</b>	6.8%
<b>Not too important</b>	5.1%
<b>Not at all important</b>	1.7%
<b>Refused</b>	0.7%

**Q12\_4. Diversification of the investments (whether your investments include a mix of different types of investments)**

	<b>Total</b>
<b>Top 2 Box (Net)</b>	92.1%
<b>Very important</b>	56.6%
<b>Somewhat important</b>	35.5%
<b>Bottom 2 Box (Net)</b>	7.5%
<b>Not too important</b>	5.3%
<b>Not at all important</b>	2.2%
<b>Refused</b>	0.4%

**Q12\_5. Reputation of the financial services company that manages the investments**

	<b>Total</b>
<b>Top 2 Box (Net)</b>	92.9%
<b>Very important</b>	58.2%
<b>Somewhat important</b>	34.7%
<b>Bottom 2 Box (Net)</b>	6.5%
<b>Not too important</b>	4.6%
<b>Not at all important</b>	1.9%
<b>Refused</b>	0.5%

[IF Q12\_1=1 OR 2]

**Q13. You indicated that fees are important to you when making decisions about the investments for your 401(k) plan. Where do you get information about fees?**

	<b>Total</b>
<b>Prospectuses for the mutual funds or other investment choices</b>	35.5%
<b>Summary information about the mutual funds or other investment choices</b>	43.0%
<b>Internet</b>	18.6%
<b>Financial magazine articles</b>	6.3%
<b>Books about investing</b>	2.2%
<b>Financial shows on TV</b>	3.7%
<b>Financial research analyst</b>	3.4%
<b>Personal financial advisor (not through your employer)</b>	14.8%
<b>Financial advisor provided through your employer</b>	24.7%
<b>Other</b>	10.9%
<b>Refused</b>	0.8%

**Q14. How knowledgeable do you feel you are about financial investments?**

	<b>Total</b>
<b>Top 2 Box (Net)</b>	49.8%
<b>Very knowledgeable</b>	6.7%
<b>Somewhat knowledgeable</b>	43.1%
<b>Bottom 2 Box (Net)</b>	50.0%
<b>Not too knowledgeable</b>	38.3%
<b>Not at all knowledgeable</b>	11.7%
<b>Refused</b>	0.1%

**Q15. Financial services companies that manage 401(k) plans charge fees for administering and managing those plans. The fees are paid by the employer that provides the plan and/or the employees that participate in the plan. Often, the 401(k) plan management company simply deducts the fees from each participant's 401(k) plan balance so you rarely receive a bill for the fees.**

**Do you know how much in fees and expenses you are paying for your 401(k) plan?**

	<b>Total</b>
<b>Yes</b>	26.0%
<b>No</b>	73.9%
<b>Refused</b>	0.1%

**Q16. Please rate how helpful you feel the following information would be to you when making decisions about your 401(k) account: [Keep 1 and 2 together but rotate order, keep 5 and 6 together but rotate order. Randomize: 3, 4, 1/2 rotated set, and 5/6 rotated set]**

**Q16\_1. Information about the past performance of each investment option available through your 401(k) plan**

	<b>Total</b>
<b>Top 2 Box (Net)</b>	92.4%
<b>Very helpful</b>	55.9%
<b>Somewhat helpful</b>	36.5%
<b>Bottom 2 Box (Net)</b>	6.8%
<b>Not too helpful</b>	5.1%
<b>Not at all helpful</b>	1.6%
<b>Refused</b>	0.9%

**Q16\_2. Performance benchmarks that compare the performance of each investment option available through your 401(k) plan to the performance of similar investments outside of your plan**

	<b>Total</b>
<b>Top 2 Box (Net)</b>	90.5%
<b>Very helpful</b>	50.8%
<b>Somewhat helpful</b>	39.7%
<b>Bottom 2 Box (Net)</b>	8.4%
<b>Not too helpful</b>	6.7%
<b>Not at all helpful</b>	1.7%
<b>Refused</b>	1.1%

**Q16\_3. Fee benchmarks that compare the fees and expenses of each investment option available through your 401(k) plan to the fees and expenses charged for similar investments outside of your plan.**

	<b>Total</b>
<b>Top 2 Box (Net)</b>	88.8%
<b>Very helpful</b>	46.1%
<b>Somewhat helpful</b>	42.7%
<b>Bottom 2 Box (Net)</b>	10.4%
<b>Not too helpful</b>	8.0%
<b>Not at all helpful</b>	2.4%
<b>Refused</b>	0.8%

**Q16\_4. List of the fees and expenses for each investment option available through your 401(k) plan**

	<b>Total</b>
<b>Top 2 Box (Net)</b>	92.1%
<b>Very helpful</b>	57.1%
<b>Somewhat helpful</b>	34.9%
<b>Bottom 2 Box (Net)</b>	7.4%
<b>Not too helpful</b>	5.3%
<b>Not at all helpful</b>	2.1%
<b>Refused</b>	0.5%



**Q16\_5. The actual dollar amount deducted from your 401(k) account to cover fees and expenses**

	Total
<b>Top 2 Box (Net)</b>	92.0%
<b>Very helpful</b>	65.6%
<b>Somewhat helpful</b>	26.5%
<b>Bottom 2 Box (Net)</b>	7.2%
<b>Not too helpful</b>	5.3%
<b>Not at all helpful</b>	1.9%
<b>Refused</b>	0.8%

**Q16\_6. The percentage of your assets deducted from your 401(k) account to cover fees and expenses.**

	Total
<b>Top 2 Box (Net)</b>	89.9%
<b>Very helpful</b>	55.6%
<b>Somewhat helpful</b>	34.3%
<b>Bottom 2 Box (Net)</b>	9.3%
<b>Not too helpful</b>	7.0%
<b>Not at all helpful</b>	2.3%
<b>Refused</b>	0.8%

The information in the form shown below is meant to help participants in 401(k) plans better understand [if **XAARP=1**: their 401(k) plans, including the fees and expenses that could be charged to their accounts. / if **XAARP=2**: the fees and charges that are charged to their 401(k) accounts.] Participants would receive this information once a year in addition to the account statements they currently receive from their 401(k) provider.

For the purpose of this survey, assume this form was sent to a 401(k) participant named John Doe who works for a company called [if **XAARP=1**: ABC Corporation / if **XAARP=2**: ABC Company]. [if **XAARP=1**: Assume that his 401(k) account balance is \$14,000 before fees and expenses, and his asset allocation is the following: ]

[if **XAARP=1**:  
 A Fund (S&P 500 Index Fund): \$3,500  
 B Fund (Large Cap Fund): \$4,200  
 E Fund (Bond Index Fund): \$3,200  
 G Fund (Stable Value Fund): \$3,100 ]

[ALL]

Please take some time to review the form below.

[SHOW DOL FORM 1 if **XAARP=1**]

[SHOW AARP FORM 2 if **XAARP=2**]

**[Display in Different Font than form itself:]**

Again, for the purpose of this survey, assume this document was sent to a 401(k) participant named John Doe who works for a company called [if **XAARP=1**: ABC Corporation / if **XAARP=2**: ABC Company]. [if **XAARP=1**: Assume that his 401(k) account balance is \$14,000 before fees and expenses, and his asset allocation is the following: ]

**[if XAARP=1:**

- A Fund (S&P 500 Index Fund): \$3,500
- B Fund (Large Cap Fund): \$4,200
- E Fund (Bond Index Fund): \$3,200
- G Fund (Stable Value Fund): \$3,100 ]

**[INSTRUCTIONS on this SECTION Q17-Q39: display link to form "click here to see the form"**

**SHOW DOL FORM 1 if XAARP=1, SHOW AARP FORM 2 if XAARP=2]**

**[IF XAARP=1]**

**Q17. How clearly do you think the form shows how much John Doe would pay in fees and expenses for the year? (Again, please assume that John Doe's investments are allocated among the four funds as shown on the top and bottom of the form.)**

	<b>DOL</b>
<b>Top 2 Box (Net)</b>	57.2%
<b>Very clearly</b>	10.5%
<b>Somewhat clearly</b>	46.7%
<b>Bottom 2 Box (Net)</b>	41.9%
<b>Not very clearly</b>	31.6%
<b>Not at all clearly</b>	10.3%
<b>Refused</b>	0.9%

[IF XAARP=1]

Q18. You may want to use a calculator for the next couple questions.  
According to the form, how much would John Doe pay in annual operating expenses for his A Fund (S&P 500 Index) investments?  
[randomize]

	DOL
\$6.30 (correct)	18.1%
\$26.30	29.7%
\$63	19.0%
\$630	15.0%
\$650	8.9%
Refused	9.2%

[IF XAARP=1]

Q19. According to the form, how much would John Doe pay in non-investment-related fees and expenses for his 401(k) account?  
[randomize]

	DOL
\$0	4.5%
\$20	19.6%
\$40	6.1%
0.18%	12.2%
The form does not say (correct)	49.1%
Refused	8.6%

[IF XAARP=1]

Q20. Does the form list all of the fees and expenses that John Doe could pay for his 401(k) account?

	DOL
Yes	14.9%
No (correct)	37.7%
Don't Know	44.1%
Refused	3.3%

[IF XAARP=1]

Q21. According to the form, how often will John Doe receive statements of the dollar amount actually charged to his account for administrative or individual expenses?

	DOL
Annually	22.7%
Semi-annually	4.9%
Quarterly (correct)	41.1%
Monthly	3.0%
The form does not say	22.4%
Refused	5.9%

[IF XAARP=1]

Q22. According to the form, how often will John Doe receive statements of the dollar amount actually charged to his account for operating expenses and shareholder/shareholder-type fees?

	DOL
Annually	23.6%
Semi-annually	5.0%
Quarterly	33.4%
Monthly	2.5%
The form does not say (correct)	29.3%
Refused	6.3%

[IF XAARP=1]

Q23. Where does the form instruct John Doe to look for more information about non-investment-related fees and expenses? (check all that apply)

[randomize]

	DOL
The summary plan description (correct)	33.8%
The quarterly statement (correct)	28.1%
The Department of Labor's web site	19.8%
ABC Corporation's Human Resources department	9.5%
The form does not say where to look	22.8%
Refused	6.0%

[IF XAARP=2]

Q17B. How clearly do you think the form shows the dollar amount that John Doe paid in fees and charges for the year?

	AARP
Top 2 Box (Net)	86.9%
Very clearly	44.3%
Somewhat clearly	42.5%
Bottom 2 Box (Net)	12.9%
Not very clearly	10.1%
Not at all clearly	2.8%
Refused	0.3%

[IF XAARP=2]

Q18B. According to the form, how much did John Doe pay in fees and charges for his S&P 500 Index Fund investments for the year? (Select one.)

[randomize order]

	AARP
\$6 (correct)	83.1%
\$16	1.9%
\$20	2.2%
\$35	7.7%
\$500	3.9%
Refused	1.2%

[IF XAARP=2]

Q19B. According to the form, how much did John Doe pay in administrative fees and transaction fees for all of his 401(k) investments for the year? (Select one.)

[Randomize]

	AARP
\$0	6.2%
\$35 (correct)	69.4%
\$42	2.2%
\$56	3.9%
The form does not say	16.3%
Refused	2.0%

[IF XAARP=2]

**Q20B. According to the form, how much did John Doe pay in total fees and charges for all of his 401(k) investments for the year?**

[randomize order]

	<b>AARP</b>
\$145	7.0%
<b>\$180 (correct)</b>	83.2%
\$100	1.4%
\$35	5.1%
\$2,000	1.9%
Refused	1.5%

[IF XAARP=2]

**Q21B. How clearly do you think the form shows the percentage of John Doe's assets that he paid in fees and charges for the year?**

	<b>AARP</b>
<b>Top 2 Box (Net)</b>	77.7%
<b>Very clearly</b>	39.1%
<b>Somewhat clearly</b>	38.7%
<b>Bottom 2 Box (Net)</b>	21.0%
<b>Not very clearly</b>	14.6%
<b>Not at all clearly</b>	6.3%
Refused	1.3%

[IF XAARP=2]

**Q22B. According to the form, what percent of John Doe's assets did he pay in TOTAL fees and charges for the year?**

[randomize order]

	<b>AARP</b>
0.65%	3.1%
<b>1.28% (correct)</b>	83.2%
2.45%	4.5%
0.50%	3.5%
5.75%	2.9%
Refused	2.9%

[IF XAARP=2]

**Q23B. What does the form instruct John Doe to do if he has questions or would like additional information? (check all that apply)**

[randomize]

	<b>AARP</b>
<b>Contact ABC Company's Human Resources Office (correct)</b>	77.2%
<b>Contact XYZ Investments (correct)</b>	46.0%
<b>Contact his supervisor</b>	1.5%
<b>Contact the Department of Labor</b>	1.7%
<b>The form does not say</b>	8.2%
<b>Refused</b>	1.4%

**Q24. To what extent do you agree or disagree with the following statements?**

**Q24\_1. The form is easy to read**

	<b>DOL</b>	<b>AARP</b>
<b>Top 2 Box (Net)</b>	30.2%	77.0%
<b>Strongly agree</b>	3.6%	29.2%
<b>Somewhat agree</b>	26.6%	47.9%
<b>Neither agree nor disagree</b>	22.1%	10.0%
<b>Bottom 2 Box (Net)</b>	45.0%	12.4%
<b>Somewhat disagree</b>	27.4%	8.9%
<b>Strongly disagree</b>	17.5%	3.5%
<b>Refused</b>	2.8%	0.6%

**Q24\_2. The form is easy to understand**

	<b>DOL</b>	<b>AARP</b>
<b>Top 2 Box (Net)</b>	25.4%	72.0%
<b>Strongly agree</b>	2.3%	26.9%
<b>Somewhat agree</b>	23.1%	45.1%
<b>Neither agree nor disagree</b>	21.8%	13.6%
<b>Bottom 2 Box (Net)</b>	49.7%	13.6%
<b>Somewhat disagree</b>	30.6%	9.6%
<b>Strongly disagree</b>	19.1%	4.0%
<b>Refused</b>	3.1%	0.7%

**Q24\_3. The purpose of the form is clear**

	<b>DOL</b>	<b>AARP</b>
<b>Top 2 Box (Net)</b>	32.5%	78.1%
<b>Strongly agree</b>	5.3%	37.3%
<b>Somewhat agree</b>	27.2%	40.8%
<b>Neither agree nor disagree</b>	29.7%	13.3%
<b>Bottom 2 Box (Net)</b>	34.7%	7.7%
<b>Somewhat disagree</b>	21.2%	4.9%
<b>Strongly disagree</b>	13.5%	2.8%
<b>Refused</b>	3.0%	0.9%

**Q24\_4. Terms are clearly defined in the form**

	<b>DOL</b>	<b>AARP</b>
<b>Top 2 Box (Net)</b>	24.2%	70.2%
<b>Strongly agree</b>	2.9%	29.0%
<b>Somewhat agree</b>	21.3%	41.2%
<b>Neither agree nor disagree</b>	30.7%	18.1%
<b>Bottom 2 Box (Net)</b>	41.8%	10.8%
<b>Somewhat disagree</b>	25.0%	8.2%
<b>Strongly disagree</b>	16.7%	2.6%
<b>Refused</b>	3.3%	0.9%

**Q24\_5. The form clearly explains how to get additional information**

	<b>DOL</b>	<b>AARP</b>
<b>Top 2 Box (Net)</b>	34.9%	74.5%
<b>Strongly agree</b>	6.3%	39.3%
<b>Somewhat agree</b>	28.6%	35.2%
<b>Neither agree nor disagree</b>	27.4%	14.8%
<b>Bottom 2 Box (Net)</b>	34.6%	9.1%
<b>Somewhat disagree</b>	21.0%	5.5%
<b>Strongly disagree</b>	13.7%	3.6%
<b>Refused</b>	3.0%	1.5%



**Q25. What do you think of the amount of information in the form?**

	<b>DOL</b>	<b>AARP</b>
<b>The form contains too little information</b>	30.2%	5.7%
<b>The form contains the right amount of information</b>	31.5%	72.0%
<b>The form contains too much information</b>	34.6%	21.6%
<b>Refused</b>	3.7%	0.7%

**Q26. What do you think of the type of information provided in the form?**

	<b>DOL</b>	<b>AARP</b>
<b>The type of information in the form is too detailed</b>	22.6%	13.2%
<b>The type of information in the form is about right</b>	40.4%	77.9%
<b>The type of information in the form is too general</b>	32.6%	7.7%
<b>Refused</b>	4.4%	1.2%

**Q28. What do you think of the vocabulary used in the form?**

	<b>DOL</b>	<b>AARP</b>
<b>Top 2 Box (Net)</b>	3.8%	2.2%
<b>The words are much too simple</b>	0.9%	0.1%
<b>The words are somewhat too simple</b>	3.0%	2.1%
<b>The words are about right</b>	49.1%	79.5%
<b>Bottom 2 Box (Net)</b>	43.5%	17.6%
<b>The words are somewhat too complicated</b>	35.1%	16.0%
<b>The words are much too complicated</b>	8.4%	1.6%
<b>Refused</b>	3.5%	0.8%

**Q30. What do you think of the tables in the form?**

	<b>DOL</b>	<b>AARP</b>
<b>Top 2 Box (Net)</b>	44.0%	16.6%
<b>The tables are very confusing</b>	14.4%	3.0%
<b>The tables are somewhat confusing</b>	29.6%	13.6%
<b>The tables are neither confusing nor helpful</b>	20.0%	12.9%
<b>Bottom 2 Box (Net)</b>	33.1%	69.6%
<b>The tables are somewhat helpful</b>	27.3%	41.3%
<b>The tables are very helpful</b>	5.8%	28.3%
<b>Refused</b>	2.9%	0.9%

**Q31. To what extent do you agree or disagree with the following statements?**

**Q31\_1. If I received a form like this, it would help me make more informed decisions about my 401(k) account**

	<b>DOL</b>	<b>AARP</b>
<b>Top 2 Box (Net)</b>	35.0%	71.9%
<b>Strongly agree</b>	6.3%	28.6%
<b>Somewhat agree</b>	28.7%	43.3%
<b>Neither agree nor disagree</b>	29.7%	19.8%
<b>Bottom 2 Box (Net)</b>	32.7%	7.5%
<b>Somewhat disagree</b>	23.1%	5.8%
<b>Strongly disagree</b>	9.6%	1.7%
<b>Refused</b>	2.6%	0.8%

**Q31\_2. If I received a form like this, it would help me understand the impact of fees and [if XAARP=1: expenses / if XAARP=2: charges] on my long-term retirement savings**

	<b>DOL</b>	<b>AARP</b>
<b>Top 2 Box (Net)</b>	34.3%	77.4%
<b>Strongly agree</b>	7.3%	35.2%
<b>Somewhat agree</b>	27.1%	42.2%
<b>Neither agree nor disagree</b>	26.8%	15.2%
<b>Bottom 2 Box (Net)</b>	36.1%	6.4%
<b>Somewhat disagree</b>	23.2%	4.1%
<b>Strongly disagree</b>	12.9%	2.2%
<b>Refused</b>	2.8%	1.0%

[IF XAARP=1]

Q32. Please rate how helpful you feel each of the following aspects of the form would be to you when making decisions about your 401(k) account.

Q32\_1. Average annual total returns (past performance) of each investment option available through the 401(k) plan

	DOL
Top 2 Box (Net)	77.3%
Very helpful	23.2%
Somewhat helpful	54.2%
Bottom 2 Box (Net)	19.3%
Not too helpful	15.2%
Not at all helpful	4.1%
Refused	3.4%

Q32\_2. Average annual total returns (past performance) of benchmark investments

	DOL
Top 2 Box (Net)	71.5%
Very helpful	19.3%
Somewhat helpful	52.2%
Bottom 2 Box (Net)	25.2%
Not too helpful	20.5%
Not at all helpful	4.7%
Refused	3.3%

Q32\_3. Total annual operating expenses for each investment option, shown as a percentage of assets

	DOL
Top 2 Box (Net)	65.9%
Very helpful	18.4%
Somewhat helpful	47.5%
Bottom 2 Box (Net)	30.8%
Not too helpful	24.2%
Not at all helpful	6.6%
Refused	3.3%

**Q32\_4. Description of shareholder/shareholder-type fees**

	<b>DOL</b>
<b>Top 2 Box (Net)</b>	65.5%
<b>Very helpful</b>	21.0%
<b>Somewhat helpful</b>	44.5%
<b>Bottom 2 Box (Net)</b>	30.5%
<b>Not too helpful</b>	24.1%
<b>Not at all helpful</b>	6.4%
<b>Refused</b>	4.0%

[IF XAARP=1]

**Q33. Please rate how helpful you feel each of the following sections of the form would be to you when making decisions about your 401(k) account.**

**Q33\_1. Section titled "Part I. Performance Information"**

	<b>DOL</b>
<b>Top 2 Box (Net)</b>	72.0%
<b>Very helpful</b>	20.2%
<b>Somewhat helpful</b>	51.9%
<b>Bottom 2 Box (Net)</b>	24.5%
<b>Not too helpful</b>	18.7%
<b>Not at all helpful</b>	5.8%
<b>Refused</b>	3.5%

**Q33\_2. Section titled "Part II. Fees and Expense Information"**

	<b>DOL</b>
<b>Top 2 Box (Net)</b>	65.1%
<b>Very helpful</b>	18.3%
<b>Somewhat helpful</b>	46.7%
<b>Bottom 2 Box (Net)</b>	31.7%
<b>Not too helpful</b>	24.4%
<b>Not at all helpful</b>	7.3%
<b>Refused</b>	3.2%

[IF XAARP=2]

**Q32B. Please rate how helpful you feel each of the following aspects of the form would be to you when making decisions about your 401(k) account.**

**Q32B\_1. Definitions of the different types of fees and charges**

	<b>AARP</b>
<b>Top 2 Box (Net)</b>	89.3%
<b>Very helpful</b>	42.3%
<b>Somewhat helpful</b>	47.0%
<b>Bottom 2 Box (Net)</b>	9.9%
<b>Not too helpful</b>	8.5%
<b>Not at all helpful</b>	1.4%
<b>Refused</b>	0.8%

**Q32B\_2. The fees and charges shown as an actual DOLLAR amount**

	<b>AARP</b>
<b>Top 2 Box (Net)</b>	94.0%
<b>Very helpful</b>	56.8%
<b>Somewhat helpful</b>	37.3%
<b>Bottom 2 Box (Net)</b>	5.2%
<b>Not too helpful</b>	4.4%
<b>Not at all helpful</b>	0.9%
<b>Refused</b>	0.7%

**Q32B\_3. The fees and charges shown as a PERCENT of your total assets**

	<b>AARP</b>
<b>Top 2 Box (Net)</b>	86.1%
<b>Very helpful</b>	41.5%
<b>Somewhat helpful</b>	44.7%
<b>Bottom 2 Box (Net)</b>	12.6%
<b>Not too helpful</b>	10.5%
<b>Not at all helpful</b>	2.1%
<b>Refused</b>	1.3%

[IF XAARP=2]

Q33B. Please rate how helpful you feel each of the following sections of the form would be to you when making decisions about your 401(k) account.

Q33B\_1. Section titled "SUMMARY OF ALL 401(k) FEES"

	AARP
Top 2 Box (Net)	91.5%
Very helpful	51.8%
Somewhat helpful	39.6%
Bottom 2 Box (Net)	7.5%
Not too helpful	6.3%
Not at all helpful	1.2%
Refused	1.0%

Q33B\_2. Section titled "I. INVESTMENT CHOICE FEES"

	AARP
Top 2 Box (Net)	85.8%
Very helpful	39.3%
Somewhat helpful	46.6%
Bottom 2 Box (Net)	12.8%
Not too helpful	11.1%
Not at all helpful	1.7%
Refused	1.4%

Q33B\_3. Section titled "II. ADMINISTRATIVE FEES"

	AARP
Top 2 Box (Net)	87.0%
Very helpful	42.0%
Somewhat helpful	45.1%
Bottom 2 Box (Net)	11.8%
Not too helpful	9.9%
Not at all helpful	2.0%
Refused	1.1%

**Q33B\_4. Section titled "III. TRANSACTION FEES"**

	<b>AARP</b>
<b>Top 2 Box (Net)</b>	87.3%
<b>Very helpful</b>	41.3%
<b>Somewhat helpful</b>	46.0%
<b>Bottom 2 Box (Net)</b>	11.6%
<b>Not too helpful</b>	9.6%
<b>Not at all helpful</b>	1.9%
<b>Refused</b>	1.2%

**Q34. Overall, what is your opinion of the form?**

	<b>DOL</b>	<b>AARP</b>
<b>Top 2 Box (Net)</b>	59.4%	89.8%
<b>It would be very helpful to receive this form</b>	11.0%	49.8%
<b>It would be somewhat helpful to receive this form</b>	48.4%	40.1%
<b>Bottom 2 Box (Net)</b>	37.9%	9.7%
<b>It would not be too helpful to receive this form</b>	27.0%	7.6%
<b>It would not be helpful at all to receive this form</b>	10.9%	2.0%
<b>Refused</b>	2.7%	0.5%

**Q35. If you received this form from your own 401(k) plan provider, would you prefer the fees you pay to be displayed in dollars, as a percentage of your total assets, or both?**

	<b>Total</b>
<b>Dollars only</b>	21.8%
<b>Percentage only</b>	3.5%
<b>Both</b>	73.3%
<b>Refused</b>	1.4%

**Q36. Which, if any, of the following actions are you likely to take if you receive this form from your own 401(k) plan provider? (check all that apply)  
[randomize]**

	<b>DOL</b>	<b>AARP</b>
<b>Read the form</b>	52.1%	65.5%
<b>Save or file the form</b>	54.5%	62.0%
<b>Contact your company's Human Resources department to learn more</b>	17.9%	14.8%
<b>Contact your 401(k) provider to learn more</b>	26.7%	21.1%
<b>Visit the web sites listed on the form to learn more</b>	30.7%	28.3%
<b>Try to learn how the <u>fees</u> for your investments compare to the <u>fees</u> for other investment options</b>	42.3%	47.4%
<b>Try to learn how the <u>performance</u> of your investments compares to the <u>performance</u> of other investment options</b>	38.7%	45.0%
<b>Review your investment options to determine if investments with at least equal returns and lower fees are available</b>	43.5%	51.6%
<b>Consider making changes to your investments</b>	34.7%	42.7%
<b>Keep this form to compare information about your fees and (expenses/charges) from one year to the next</b>	44.2%	62.0%
<b>Refused</b>	3.1%	0.6%



**Q40. 401(k) plan providers may soon be required to notify 401(k) participants on an annual basis (once per year) of the fees and [if XAARP=1: expenses / if XAARP=2: charges] associated with all investment options in their plan. Do you think this is too often, about right, or not often enough?**

	Total
Too often	1.0%
About right	61.9%
Not often enough	36.0%
Refused	1.0%

**Q41. 401(k) plan providers may soon be required to notify 401(k) participants on a quarterly basis (4 times per year) of the dollar amount actually deducted from their accounts for certain fees and [if XAARP=1: expenses / if XAARP=2: charges]. Do you think this is too often, about right, or not often enough?**

	Total
Too often	22.9%
About right	71.2%
Not often enough	4.4%
Refused	1.5%

**Q42. How would you like to receive information about the fees and [if XAARP=1: expenses / [if XAARP=2: charges] associated with your 401(k) plan? (check all that apply)**

	Total
Through the mail	74.5%
Through email	30.7%
Online at your 401 (k) plan provider's web site	25.5%
Refused	1.1%

**Q43. What is 0.20% of \$100,000?**

	Total
\$20,000	28.6%
\$2,000	11.8%
\$200 (correct)	49.3%
\$20	8.7%
Refused	1.5%