



*"Advancing Your Investments"*  
NEW ENGLAND PENSION CONSULTANTS

July 24, 2007

**Via E-mail: e-ORI@dol.gov**

Office of Regulations and Interpretations  
Employee Benefits Security Administration  
Room N-5669  
U.S. Department of Labor  
200 Constitution Avenue, N.W.  
Washington, DC 20210

Attention: Fee Disclosure RFI

Dear Ladies and Gentlemen:

New England Pension Consultants, Inc. ("NEPC") is pleased to submit the following comments pertaining to the disclosure of plan administrative and investment related fee and expense information to participants and beneficiaries in participant directed plans. The RFI was published in the Federal Register on April 25, 2007 and requests that comments be received by July 24, 2007. NEPC is one of the largest independent investment consulting firms with over 250 retainer clients, responsible for over \$250 billion in assets, including both defined benefit and defined contribution plans subject to ERISA, as well as foundations, endowments and other institutional investors.

Appropriate disclosure of fees in defined contribution plans has always been a major topic of conversation amongst plan sponsors. In practice, participants and sponsors can only determine if fees are reasonable for the level of service provided if they can identify the fees being assessed to them. As indicated in the RFI, 404(c) clearly articulates that participants must have the opportunity to obtain sufficient information to make informed decisions with regard to



investments including a description of any fee that can affect a participant's balance. NEPC respectfully submits that while the regulations are clear, mutual fund companies and defined contribution record keepers are often not forthcoming regarding the plan fees assessed to participants.

Beginning in the early 1990s, defined contribution record keepers began to significantly expand the number of investment options available to participants. This expansion has been facilitated by the availability of "revenue sharing" in the form of 12b-1 fees, shareholder service fees, and sub transfer agency fees. Record keepers will make investments from multiple fund families available to participants if the fund companies, in turn, will help cover the costs of administering the plan. Importantly, fee payments that cover the cost of administering a plan are not limited to payment from outside parties. Fund companies that are also defined contribution record keepers will make internal "administrative" transfers to cover the costs of recordkeeping when their own product offerings are available.

We believe that all plan expenses, including all forms "revenue sharing" and internal transfers should be disclosed to sponsors and participants. This should be the case even if aggregate fund expenses that imbed such fees are already available. These embedded fees reveal administrative costs born by plan participants and they can vary widely from product to product. In practice, participants with larger balances or that invest in more expensive investment offerings that have higher levels of revenue sharing will subsidize other participants in the plan. We believe record keepers should detail all fees that can reduce participant accounts and a description of the services provided for such fees. The detailing of fees should include all transfers from both external sources and internal affiliates. NEPC believes that such a practice



will meet the standard set forth by the regulation as written and will force the disclosure of any/all conflicts of interest that might impact participants.

While an investment's level of "revenue sharing" would never be listed as a primary reason for a product's inclusion in a retirement plan's investment menu, it has become part of the selection equation for many plan sponsors. NEPC appreciates that greater levels of fee disclosure may make sponsors more uncomfortable with a revenue sharing practice that already makes them uneasy. The U.S. Securities and Exchange Commission is currently reviewing the appropriateness of 12b-1 payments. Similarly, sponsors should consider the appropriateness of "revenue sharing" versus alternative means of covering administrative record keeping fees such as asset-based or flat per-head charges.

NEPC appreciates the opportunity to make this submission. Please feel free to contact us if you have any questions.

Sincerely,

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