
From: Kirk Guthrie [mailto:vgh2@hotmail.com]
Sent: Thursday, February 07, 2008 3:16 PM
To: EBSA, E-ORI - EBSA
Subject: EBSA Proposed Rule - Response to Fee and Expense Disclosures to Participants in Individual Account P

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

Thank you for the opportunity to comment on the Department of Labor's (Department) request for information (RFI) regarding fee and expense disclosures to participants in individual account plans and the contemplated revisions to the regulation to ERISA §404(c).

As the Department itself has noted, plan fees and expenses have a significant impact on a participant's ability to accumulate retirement savings. In general, a plan participant paying lower expenses will accumulate larger retirement savings and achieve a higher level of retirement security than a plan participant paying higher expenses.

Over a 20-25 year period, if you are being charged a total of 1 percent in your retirement account, the ultimate benefits that you will receive when you retire, e.g. age 65, will be reduced by approximately 20 percent. Over a regular working lifetime, about \$80,000, and to make that shortfall up, a person would have to work three or four additional years just to break even, based on an excess 1 percent fee.*

Normal 401(k) participants do not know where to look for the total cost of their plans. The 401(k) fees are excessive, arbitrary, and unnecessary. They are similar to mortgage broker fees that get tacked on when you purchase a house. A simple portfolio of 60 percent equities, i.e. stocks, and 40 percent bonds outperforms 90 percent of the best and brightest portfolio managers in the country over the long term. So any dollars spent in 401(k) fees and costs trying to chase returns when you do not have a guarantee that they will actually yield the results you are seeking are excessive.*

Not requiring full and complete disclosure of the compensation received for various plan services and their potential conflicts of interest diminishes the effectiveness of competitive pricing in the marketplace, ultimately leading to increased costs to participants and consequently reduced retirement benefits.**

Financial services argue that total disclosure of their fees and costs would confuse the average investor. That is not true. Our current crisis in the financial sector is due in part, to the non-disclosure of mortgage fees, commissions, costs and risks of loans. The reason the non-disclosure of mortgage fees, commissions, costs and risks of loans was kept totally out of sight is that banks and investment services do not want the oversight or restraints that federal and state regulators place on their ability to make money. By exploiting regulatory loopholes, investment industry has an interest in keeping us all in the dark.

In addition to a simplified uniform full disclosure of associated fee, costs, and expenses , please require that obligations be permitted to be disclosed electronically, and updated throughout the year.

Thank you for the opportunity to present a 401(k) participant's views on fee and expense disclosure.

KW Guthrie

*pension consultant Matthew Hutcheson

**American Society of Pension Professionals & Actuaries (ASPPA)