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Sent: Thursday, April 26, 2007 8:42 AM

To: EBSA, E-ORI - EBSA

Subject: 401(k) Fee Disclosures

I am writing in response to the request for comments regarding fee disclosures to participants in 401(k) plans. I consult on many 401(k) plans and have personally dealt with over 15,000 participants in my 15+ year career. I feel that enhanced fee disclosure is *long* overdue and a benefit to participants. However, I also feel that it should be done properly so as not to confuse the average participant.

The most important factor is that participants know what their overall costs are. Expense Ratios are important and often the largest expense. But equally important – or maybe even more – are insurance fees, trustee fees and investment advisory fees. I say this because quoted performance (what the participants really care about) includes the expense ratio, but usually does *not* include these other costs. Please allow me to address each below.

Expense Ratios

The expense ratio reflects the overall cost charged to the fund, including management, operations, and 12b-1 fees. It may be nice an informative to break this out, but it would also cause confusion. If it is to be broken out, it should be done so to ensure that participants see these costs as a subset of the whole. For example:

FUND ABC

Expense Ratio: 1.00%

Includes: manangement: 0.60%

Operations: 0.15%

12b-1: 0.25%

(in case your email cannot see, the “includes...” part is smaller font, italicized, and indented below the Expense Ratio). It should also be noted that performance is net of this expense ratio.

Insurance Costs

In addition, what is HIGHLY important is that ALL additional fees to the participants be more fully disclosed. The biggest abuse that I see in the industry is with insurance products that have asset-based wrap fees (often labeled as mortality & expense charges). These fees are charged by the insurance companies and are assessed above and beyond the expense ratios of the funds. They are very poorly and seldom disclosed to participants. THESE FEES SPECIFICALLY ARE WHAT HAS CAUSED OUTRAGE BY PARTICIPANT ADVOCATES because participants are led to believe that their performance is that of the underlying mutual funds when, in fact, it is not.

Trustee & Investment Advisory Fees

Lastly, we must be sure to show participants any trustee or additional investment advisory fees if they are charged to the Trust. Trustee fees in unbundled, open architecture plans can often times run as high as 0.10%. These are not frequently disclosed to participants. My experience has been that investment advisory fees do tend to be disclosed.

Administration Charges

Many plans with large numbers of participants charge those participants with the Plans' administrative costs either as a per head charge or a small charge on assets. This is normally reflected on statements, but we should ensure that it is clear.

I mention all of the above because, with the exception of the expense ratios, they affect the performance participants will receive and they should know about it. Always remember – performance of mutual funds is quoted net of the expense ratio, but not necessarily net of these other fees. However, expense ratios are important so participants can compare and contrast investment options.

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