



Highlights of [GAO-07-21](#), a report to Ranking Member, Committee on Education and the Workforce, House of Representatives

Why GAO Did This Study

American workers are increasingly relying on 401(k) plans, which allow pre-tax contributions to individual accounts, for their retirement income. As workers accrue earnings on their investments, they also pay a number of fees that may significantly decrease their retirement savings.

Because of concerns about the effects of fees on participants' retirement savings, GAO examined (1) the types of fees associated with 401(k) plans and who pays these fees, (2) how information on fees is disclosed to plan participants, and (3) how the Department of Labor (Labor) oversees plan fees and certain business arrangements. GAO reviewed industry surveys on fees and interviewed Labor officials and pension professionals about disclosure and reporting practices.

What GAO Recommends

Congress should consider amending ERISA to require sponsors to disclose fee information on each 401(k) investment option in the plan to participants and to require that 401(k) service providers disclose to plan sponsors the compensation providers receive from other service providers. In addition, GAO recommends that Labor require plan sponsors to report a summary of all fees paid out of plan assets or by participants. Labor generally agreed with the findings and conclusions of our report.

www.gao.gov/cgi-bin/getrpt?GAO-07-21.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barbara Bovbjerg at (202) 512-7215 or bovbjergb@gao.gov.

PRIVATE PENSIONS

Changes Needed To Provide 401(k) Plan Participants and the Department of Labor Better Information on Fees

What GAO Found

Investment fees, which are charged by companies managing mutual funds and other investment products for all services related to operating the fund, comprise the majority of fees in 401(k) plans and are typically borne by participants. Plan record-keeping fees generally account for the next largest portion of plan fees. These fees cover the cost of various administrative activities carried out to maintain participant accounts. Although plan sponsors often pay for record-keeping fees, participants bear them in a growing number of plans.

The information on fees that 401(k) plan sponsors are required by law to disclose is limited and does not provide for an easy comparison among investment options. The Employee Retirement Income Security Act of 1974 (ERISA) requires that plan sponsors provide participants with certain disclosure documents, but these documents are not required to contain information on fees borne by individual participants. Additional fee disclosures are required for certain—but not all—plans in which participants direct their investments. These disclosures are provided to participants in a piecemeal fashion and do not provide a simple way for participants to compare plan investment options and their fees.

Labor has authority under ERISA to oversee 401(k) plan fees and certain types of business arrangements that could affect fees, but lacks the information it needs to provide effective oversight. Labor collects information on fees from plan sponsors, investigates participants' complaints or referrals from other agencies on questionable 401(k) plan practices, and conducts outreach to educate plan sponsors about their responsibilities. However, the information reported to Labor does not include all fees charged to 401(k) plans and therefore has limited use for effective oversight and for identifying undisclosed business arrangements among service providers. Without disclosing these arrangements, service providers may steer plan sponsors toward investment products or services that may not be in the best interest of participants and may cause them to pay higher fees. Labor has several initiatives underway to improve the information it has on fees and the various business arrangements among service providers.

Effect of a 1-Percentage Point in Higher Annual Fees on a \$20,000 401(k) Balance Invested over 20 Years

