



Highlights of [GAO-09-641](#), a report to the Chairman, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

American workers increasingly rely on defined contribution (DC) plans like 401(k) plans and individual retirement accounts (IRA) for retirement income. Together with other DC plans—401(a), 403(b), and 457 plans—these accounts hold about \$7.1 trillion. As workers accrue earnings on their investments, they also pay a number of fees that may significantly decrease retirement savings over the course of a career.

GAO examined: (1) the types of fees charged to participants and investments of various DC plans; (2) how DC plan sponsor actions affect participant fees; (3) how fee disclosure requirements vary; and (4) the effectiveness of DC plan oversight. GAO reviewed laws and regulations and consulted with experts, federal officials, service providers, and six plan sponsors.

What GAO Recommends

Congress should consider (1) amending ERISA to require sponsors to disclose fee information to facilitate comparisons, and (2) giving the Department of Labor (Labor) specific authority over certain plans. Also, GAO recommends that the Internal Revenue Service (IRS) develop guidance on sponsor involvement, collect additional data on 457(b) plans, and share more information with financial regulators. Labor and IRS agreed with our recommendations, although IRS stated that it will continue sharing information with regulators using its current methods.

View [GAO-09-641](#) or [key components](#). For more information, contact Barbara Bovbjerg at (202) 512-7215 or bovjberg@gao.gov.

RETIREMENT SAVINGS

Better Information and Sponsor Guidance Could Improve Oversight and Reduce Fees for Participants

What GAO Found

Participants in DC plans and IRAs generally pay the same types of fees, regardless of the plan in which they are enrolled, such as investment management fees. However, participants in some plans are more likely to invest in products that may have higher fees. For example, we found that participants in 403(b) plans and individual IRAs are more likely to invest in products like individual variable annuities or retail mutual funds, which frequently charge more than other investments. According to experts, one reason for the different investments is that many 403(b) plan sponsors do not make group products available to participants.

DC plan sponsors generally take certain actions that decrease participants' fees. Sponsors can help reduce participants' fees by, for example, offering cheaper investment products in which participants may choose to invest, like low-cost mutual funds. Sponsors may also pool assets to obtain pricing advantages. 401(k) and 401(a) plan sponsors frequently pool participants' assets to realize lower fees in mutual funds, but sponsors of 403(b) plans often do not. Instead, many 403(b) plan sponsors keep sponsor involvement to a minimum, which limits the opportunities to pool assets and decrease fees.

Fee disclosure requirements vary depending on plan regulations and investment regulations. Sponsors of plans subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA)—which was enacted in part to protect the interests of employee benefit plan participants—are required to disclose certain documents to participants, which may or may not describe fees. For plans not subject to these laws, such as state and local government plans, some states impose disclosure requirements, and some do not. Fee disclosure requirements also vary based on the type of investment product in which participants invest. The Securities and Exchange Commission regulates some investment products, like mutual funds, while others are regulated by states' insurance agencies. Because different regulators require different disclosures, participants in DC plans and IRAs can invest in similar products but receive different information on fees.

Labor oversees disclosure for participants of certain DC plans, while IRS oversees tax laws that underlie all DC plans, but both lack information that could strengthen oversight. Labor is responsible for enforcing requirements for disclosure—which may include fees—and the requirement that fiduciaries for some plans must ensure reasonable fees, and has proposed regulations to improve fee disclosure. However, Labor does not have the specific authority to collect information to help ensure that sponsors of certain 403(b) plans continue to protect participants' interests. While IRS does not oversee fees or fee disclosure, IRS oversees DC plans' compliance with the tax code. IRS does not collect information to easily enforce 457(b) plans' contribution limits and detect violations that may reduce federal tax revenue. In addition, IRS and other regulators do not routinely share information with one another to use resources effectively and help enforce a rule requiring reasonable fees.