

## Oral Testimony of Tommy Thomasson, DailyAccess Corporation, before the House Ways and Means Committee on the Appropriateness of Retirement Plan Fees on October 30, 2007.

Good morning. My name is Tommy Thomasson and I am the CEO of DailyAccess Corporation in Mobile, AL. My firm is a leading provider of retirement plan services to small businesses throughout the country.

I currently serve as Chair of the Council of Independent 401(k) Record keepers (CIKR). The members of CIKR provide services for more than 70,000 retirement plans covering three million participants with approximately \$130 billion in retirement assets. CIKR is a subsidiary of the American Society of Pension Professionals & Actuaries (ASPPA), which has thousands of members nationwide. As independent service providers, we support and actively practice full fee disclosure.

ASPPA and CIKR strongly support the Committee's interest in "shining the light" on 401(k) fees. We are encouraged by the two currently pending fee disclosure bills in the House of Representatives - including a bill introduced earlier this month by Congressman Neal and cosponsored by Congressman Larson of this Committee. We support both bills' uniform application of new disclosure rules to all plan service providers, and we encourage you to stay on this path.

The 401(k) plan industry delivers investments and services to plan sponsors and their participants using two primary business models - commonly known as "bundled" and "unbundled." Generally, bundled providers are large financial services companies whose primary business is selling investments. They "bundle" their proprietary investment products with affiliate-provided plan services into a package that is sold to plan sponsors. By contrast, "unbundled," or independent, providers are primarily in the business of offering retirement plan services. They will couple such services with a "universe" of unaffiliated, non-proprietary, investment alternatives.

Bundled and unbundled providers have different business models, but for any company choosing a plan, the selection process is exactly the same. The company deals with just one vendor, and one model is just as simple as the other.

Plan sponsors must follow prudent practices and procedures when they are evaluating service providers and investment options. This prudent evaluation should include an "apples to apples" comparison of services provided and the costs associated with those services. The only way to determine whether a fee for a service is reasonable is to compare it to a competitor's fee for that service.

The retirement security of employees is completely dependent upon the business owner's choice of retirement plan service providers. If the fees are unnecessarily high, the workers' retirement income will be severely impacted. It is imperative that the business owner has the best information to make the best choice.

The DOL has proposed rules that would require enhanced disclosures on unbundled or independent service providers while exempting the bundled providers from doing so. While we appreciate the DOL's interest in addressing fee disclosure, we do not believe that any exemption for a specific business model is in the best interests of plan sponsors and participants.

Without uniform disclosure, plan sponsors will have to choose between a single price business model and a fully disclosed business model that will not permit them to appropriately evaluate competing providers' services and fees. Knowing only the total cost will not allow plan sponsors to evaluate whether certain plan services are sensible and reasonably priced.

In addition, if a breakdown of fees is not disclosed, plan sponsors will not be able to evaluate the reasonableness of fees as participant account balances grow. Take a \$1 million plan serviced by a bundled provider that is only required to disclose a total fee of 125 basis points, or \$12,500. If that plan grows to \$2 million, the fee doubles to \$25,000, although the level of plan services and the costs of providing such services have generally remained the same.

The bundled providers want an exemption while demanding that unbundled providers be forced to adhere to disclosure rules and regulations. Simply put, they want to be able to tell plan sponsors that they can offer retirement plan services for free while independents are required to disclose the fees for the same services. Of course there is no "free lunch," and there is no such thing as a free 401(k) plan. In reality, the costs of these "free" plan services are being shifted to participants, in many cases without their knowledge.

The uniform disclosure of fees is the only way that plan sponsors can effectively evaluate the retirement plan they will offer to their workers. To show it can be done, attached to my written testimony is a sample of how a uniform plan sponsor disclosure would look. By breaking down plan fees into only three simple categories - investment management, recordkeeping and administration, and selling costs and advisory fees - we believe plan sponsors will have the information they need to satisfy their ERISA duties.

The retirement system in our country is the best in the world, and competition has fostered innovations in investments and service delivery. However, important changes are still needed to ensure that the retirement system in America remains robust and effective into the future. By enabling competition, and supporting plan sponsors through uniform disclosure of fees and services, American workers will have a better chance at building retirement assets and living the American dream.

Thank you again and I welcome your questions.