

## **Making a pitch for 401(k) clarity**

### **De Pere expert tells senators of retirement horrors**

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**Washington** - Michael Kiley of De Pere said his life changed as his father's nest egg crumbled.

His father, a Marine who earned a Purple Heart in World War II, was a truck driver with a pension plan that contained so many loopholes that it never amounted to much.

Kiley highlighted his father's fate Wednesday as he called for more transparency for 401(k) plan fees.

His father's misfortune had twin results, Kiley said. Today, Raymond J. Kiley, 82, drives a school bus in De Pere to make ends meet. And Michael Kiley, 43, aims to simplify retirement plans so that no one suffers his father's misfortune.

Kiley addressed a hearing called by Democratic Sen. Herb Kohl of Wisconsin, chairman of the Senate Special Committee on Aging. The hearing was titled, "Hidden 401(k) Fees: How Disclosure Can Increase Retirement Security."

Kohl called Kiley and other witnesses because the senator plans to introduce legislation this week aimed at giving 401(k) participants information about the fees they are paying, allowing them to compare fees against returns. The information would be available when participants choose among investment options, as well as in quarterly 401(k) statements.

The measure, not yet finalized, also would "dramatically" increase the fee information given to fiduciaries responsible for selecting the handful of 401(k) plans typically offered to employees, Kohl said.

More than 50 million Americans have 401(k) plans with cumulative assets exceeding \$2.5 trillion, he said. Two-thirds of private-sector workers with a retirement benefit have only a 401(k) to secure their financial well-being, he said.

Kohl said Sen. Tom Harkin (D-Iowa) will join him in sponsoring the bill.

Kohl cited a Government Accountability Office calculation to make his point. It involves a 45-year-old, with 20 years until retirement, who changes employers and leaves \$20,000 in a 401(k) account.

If the average annual net return is 6.5% - a 7% investment return with a 0.5% charge for fees

taken out - the investment would grow to about \$70,500 at retirement.

But if the fees were 1.5%, the balance would dip to about \$58,400 - or 17% less.

Back in 1983, Michael Kiley founded Plan Administrators Inc. He said the firm does not sell investments, but provides record-keeping and other administrative services to more than 10,000 small- and medium-sized 401(k) plans in the United States.

Kiley spoke on behalf of two groups: the American Society of Pension Professionals & Actuaries and the Council of Independent 401(k) Recordkeepers.

He said there is no free lunch - and no free 401(k) plan - but Kiley added that his organizations support complete and consistent disclosure requirements.

"Clear, meaningful disclosure is needed," said attorney Robert G. Chambers, speaking for the American Benefits Council and other groups. "Overly complicated and burdensome disclosures would only push employers and service providers away from the 401(k) plan system."

Other highlights:

- A national survey conducted for the AARP in June found that 65% of 401(k) plan participants questioned reported that they pay no fees; 17% said they pay fees, and 18% did not know.

After being told that 401(k) plan providers often charge fees for administering plans, and fees may be paid either by the employer sponsoring the plan or participating employees, 83% said they did not know how much they pay in fees; 17% said they did know.

- There are several types of 401(k) and investment-specific fees, and they should be presented clearly and briefly with graphics that allow recipients to make options easy to compare in a single document, said Barbara D. Bovbjerg, the Government Accountability Office's director of education, work-force and income security issues.

Recipients should be offered a choice of receiving the data on paper or electronically, she said.