

GAO@100 Highlights

Highlights of [GAO-21-357](#), a report to congressional requesters

Why GAO Did This Study

DOL regulations require 401(k) plans to provide the more than 87 million plan participants with a comprehensive disclosure of the fees they pay. GAO was asked to examine how well participants can understand and use the fee disclosures.

This report (1) assesses the extent to which 401(k) plan participants can understand and use fee information in disclosures; (2) describes disclosure practices used by selected countries to help retirement plan participants; and (3) examines any additional steps that DOL could take to advance participant understanding and use of fee information. GAO conducted a nationally representative survey of 401(k) plan participants to assess their understanding of fee disclosure samples from among 10 large plans and of other fee information. To identify and describe disclosure practices used abroad, GAO interviewed stakeholders and reviewed fee disclosure documents from Australia, Italy, New Zealand, and the European Union, chosen because of their documented practices to improve participants' understanding of fee disclosures. To identify any additional steps DOL could take, GAO also reviewed disclosures from 10 large plans, as well as relevant federal laws and regulations, and interviewed stakeholders in the U.S.

What GAO Recommends

GAO is making five recommendations to DOL, including to require, in a manner deemed effective, that participants have investment options' fee benchmarks and available ticker information. DOL neither agreed nor disagreed with our recommendations.

View [GAO-21-357](#). For more information, contact Tranchau (Kris) T. Nguyen at (202) 512-7215 or nguyentt@gao.gov.

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401(K) RETIREMENT PLANS

Many Participants Do Not Understand Fee Information, but DOL Could Take Additional Steps to Help Them

What GAO Found

Almost 40 percent of 401(k) plan participants do not fully understand and have difficulty using the fee information that the Department of Labor (DOL) requires plans to provide to participants in fee disclosures, according to GAO's analysis of its generalizable survey (see figure). GAO assessed participants' understanding of samples from several large plans' fee disclosures and other information about fees, and asked general knowledge questions about fees. For example, GAO found that 45 percent of participants are not able to use the information given in disclosures to determine the cost of their investment fee. Additionally, 41 percent of participants incorrectly believe that they do not pay any 401(k) plan fees. Prior GAO work has shown that even seemingly small fees can significantly reduce participants' retirement savings over time.

GAO Estimates of 401(k) Plan Participants' Score Distribution on Survey's Fee-Related Assessment Questions



Source: GAO survey of 401(k) participants. | GAO-21-357

GAO's review of selected countries and the European Union (EU) found they have implemented practices to help retirement plan participants understand and use fee information from plan disclosures. For example, stakeholders in those locations said layering data, a technique where information is presented hierarchically, can help participants understand disclosures by providing them key plan information first. Stakeholders also said other tools can help participants understand fee information. In Italy, for example, the government provides a supplemental online tool so participants can compare and calculate fees across plans and investment options, according to stakeholders. This tool also includes a fee benchmark—which is generally an average fee among comparable funds—that helps participants judge the value of an individual investment option.

DOL could take additional steps to help 401(k) plan participants improve their understanding and use of fee information, based on GAO survey responses and analysis. DOL regulations require that disclosures present fee information in a format that helps participants compare investment options. However, disclosures are not required to include certain information, such as fee benchmarks and ticker information (unique identifying symbols used for many popular types of investments), that could be helpful for participants. Fee benchmarks can help participants to assess an investment option's value, not only relative to other in-plan options but to options outside the plan. Ticker information can help participants identify many plan investments online to evaluate and compare them to options outside the plan. By requiring such information in disclosures, DOL could help participants better understand and compare their 401(k) plan fees when making investment choices that affect their retirement security.