

June 16, 2015

Hon. John Kline
Chairman
Committee on Education
and the Workforce
U.S. House of Representatives
Washington, D.C. 20515

Hon. Bobby Scott
Senior Democratic Member
Committee on Education
and the Workforce
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Kline and Ranking Member Scott:

As organizations that want to see protections for retirement savers strengthened, we write to express support for the Department of Labor's proposed rule -- now out for public comment -- that would close loopholes and update the standards for retirement investment advice under the Employee Retirement Income Security Act (ERISA).

Americans who save and invest for a secure and independent retirement should be able to trust that the retirement investment advice they receive is in their best interest. Workers and retirees are more dependent than ever on financial professionals to help them navigate the complex decisions they must make to fund a secure and independent retirement. Unfortunately, because of loopholes in rules specifying who is a "fiduciary" under ERISA, many of the financial professionals whom retirement savers rely on for advice are legally allowed to put their own financial interests ahead of the interests of their customers. While many of these professionals nonetheless seek to do what is best for their customers, others take advantage of gaps in the regulations to steer their clients into high-cost, substandard investments that pay the adviser well but eat away at retirement savers' nest eggs over time. This is a particular problem for small savers who are disproportionately served by nonfiduciary advisers and receive conflicted advice.

After years of thoughtful analysis and consultation with all stakeholders, the Department of Labor has drafted a comprehensive proposal that closes loopholes in the definition of investment advice so that anyone who provides individualized investment recommendations to retirement savers -- whether they are saving through a traditional or defined contribution pension plan, such as a 401(k), or an Individual Retirement Account (IRA) -- would be required to provide best interest advice to their clients. Importantly, the proposed rule would eliminate outdated requirements that advice must be 'regular' or serve as the 'primary basis' for an investor's decision, before the best interest standard applies. In a significant improvement over the 2010 proposal, it covers advice about recommendations to roll money out of a pension or 401(k) plan and into an IRA. This is the most important financial decision many people will ever make, with a potential to seriously affect their standard of living in retirement, and is a special area of concern given extremely troubling practices identified in a GAO report.

By updating these standards and closing these loopholes, retirement savers will undoubtedly experience better investment outcomes. At the same time, the proposed rule would provide sufficient flexibility for financial professionals and their firms so they can continue to charge commissions and other sales-based compensation. This reflects a balanced approach that preserves the broker-dealer business model while ensuring that retirement investors of all incomes and portfolio sizes will receive advice that is in their best interest.

We encourage you to stand with your constituents – who are saving for retirement and deserve to have the best financial advice for their future– and support the Department of Labor’s rulemaking process as it moves forward.

Sincerely,

AARP
AFL-CIO
Alliance for a Just Society
Alliance for Retired Americans
American Association of University Women (AAUW)
American Federation of Government Employees (AFGE)
American Federation of State, County and Municipal Employees (AFSCME)
Americans for Financial Reform
Better Markets
Center for Economic Justice
Center for Responsible Lending
Certified Financial Planner Board of Standards
Consumer Action
Consumer Federation of America
Consumers Union
Demos
Financial Planning Association
Fund Democracy
Garrett Planning Network, Inc.
International Association of Machinists and Aerospace Workers
International Brotherhood of Electrical Workers
International Federation of Professional
& Technical Engineers (IFPTE)
International Union of Bricklayers and Allied Craftworkers
International Union, United Automobile, Aerospace & Agricultural Implement Workers of America
(UAW)
Justice in Aging
Iota Phi Lambda Sorority, Inc.
Latinos for a Secure Retirement
Leadership Conference on Civil and Human Rights
Lynn Turner, Former SEC Chief Accountant
NAACP
National Active and Retired Federal Employees Association (NARFE)
National Consumers League
National Council of La Raza
National Employment Lawyers Association
National LGBTQ Task Force Action Fund
National Women's Law Center
Pension Rights Center
Personal Capital
Public Citizen
Public Investors Arbitration Bar Association
Rebalance IRA
SumOfUs

The Committee for the Fiduciary Standard
U.S. PIRG
Wider Opportunities for Women

Cc: Members, Education and the Workforce Committee