OPPOSE ISAKSON AMENDMENT 571: THREAT TO RETIREMENT SAVINGS

This amendment would prohibit the Department of Labor from modernizing ERISA fiduciary protections to safeguard worker savings in retirement accounts. AARP, the AFL-CIO, Americans for Financial Reform, Consumer Federation of America and the Pension Rights Center urge you to oppose this amendment.

- This amendment inappropriately uses the budget process to attack and prohibit a non-existent regulation and bars an Executive Branch Agency from attempting to protect American consumers. The Department of Labor has a rulemaking process that allows for open and extensive debate among all interested parties. It is workers and retirees who will be harmed if Congress now attempts to shut off that process prematurely.

- ERISA fiduciary protections are the basic rules that protect workers' retirement savings from being lost through fraudulent or deceptive financial management by trustees or advisors. Millions of Americans should be able to trust that investment advice they receive is based on sound investment principles and protected from conflicts of interest.

- Key parts of the ERISA fiduciary protections have not been updated since 1975. We are living with a defined set of rules that are a relic from a different time when very few workers had self-directed defined contribution accounts like 401-Ks or IRAs. For example, fewer than 8 percent of workers had such retirement savings accounts in 1970, compared to 41 percent today.

- The growth of self-directed retirement accounts such as 401-Ks and IRAs since the 1970s has opened up many avenues for potentially deceptive or abusive practices that threaten worker retirement savings.

- It is crucial that the Department of Labor update these protections to take account of the many changes that have occurred in the financial system and retirement savings over the past 38 years.

- The Government Accountability Office has issued multiple reports warning of the problem of conflicts of interest in 401-K and other self-directed retirement accounts, stating that some regulatory action is needed to prevent abuses (see e.g. GAO-11-119, Jan 28, 2011).

- This amendment is particularly inappropriate as it calls for a blanket prohibition on <u>any</u> updating or improvements in safeguards for workers' retirement savings and pensions.

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