

Script for 408(b)(2) Disclosure Focus Groups

Introduction

Thank you for coming and agreeing to participate in this discussion. What we are doing here today is called a focus group. My name is Jon Hecht and I will be moderating the discussion. I am a consultant with the firm ICF International; we have been supporting the U.S. Department of Labor for several years in a variety of projects. I want you to understand that I have nothing to sell to you; I am only interested in hearing what you have to say. In this discussion, we will talk about your experience receiving disclosures from your retirement plan's service providers. We mentioned when we invited you to participate that new Department of Labor rules require pension plan service providers to be transparent about the fees they are receiving for their services. For example, service providers may receive revenue sharing, which some people refer to as "hidden fees," from third parties. We reminded you that you should have received these disclosures and that it might be a good idea to review them [and bring them along with you] for today's discussion.

As mentioned in the form that you just signed, our discussion today is being audio-taped. This helps me so that I can talk to you and listen to responses without having to frantically write down what is being said. We are conducting this focus group for the U.S. Department of Labor to gather information for its rulemaking functions. However, the information we share with the Department of Labor will not include your name or your employer's name. No information shared with this group today will be used by the Department of Labor for enforcement purposes. One of my team members, [insert name of staff], is in the back of the room. [He or she] will be observing our discussion and taking notes.

Now, there is something important I want you to know about focus groups. There are only right answers. There is no definite answer I am looking for in anything we discuss today. You all have had different experiences and have different opinions, and all opinions are truly important. We are looking for different opinions, so please do not be influenced by others in the group if you might feel differently about something we are discussing. I want you to understand that nothing you have to say is going to get you or me in trouble, so please speak what is on your mind.

I ask that you please talk one at a time so that everyone gets a chance to share their opinions and that we do not miss anything. Also, please speak up so that we can all hear what you have to say and get it on tape. Feel free to address others at the table; you do not need to address all of your comments to me, but please avoid side conversations while others are talking.

I may interrupt the discussion from time to time. Please forgive me if I do this. I'm not being rude, it's just that I have a lot that I'm trying to cover with you and I want to get you out of here on time. Lastly, I really encourage everyone to participate equally; I'm very interested to hear what each of you has to say. If you tend to be a very talkative person, you might want to think about talking a little less, and if you tend to be a quiet person, you might want to talk a little more.

We'll be here for about 90 minutes. Please help yourself to some food and drinks. Restrooms are located [insert location]. I would like to have no more than one person away from the table at a time, so if you want to get up for any reason, please make sure that no one else is up from the table.

So, let's begin our discussion. First, I'd like everyone to introduce themselves to the group. Why don't you tell us your first name (please, only first name), your position at your employer, and how long you've been employed there?

Issue Area #1: About your role

1. First, I've told you in general what we are going to be talking about. Can you please describe your role with respect to your employer's plan?

Possible probes:

Are you the person who selects service providers on behalf of the plan?

If you are not the person who selects service providers, what is your responsibility with respect to the plan?

Are there multiple individuals contributing to this decision, for example, a benefits committee?

Do you work with an adviser, broker, consultant or anyone else to help you select service providers or investments for your plan?

2. How many service providers does your plan have? Service providers might include, for example, a recordkeeper or third party administrator that keeps track of participants' investments and account information, a consultant that you use to help with plan administration, an investment manager that you hire to help you manage the plan's assets, or a mutual fund or insurance company that provides your plan with investment options for participants. Brand names you might have heard of include:

- Charles Schwab
- Fidelity

- ING Financial
- Invesco
- JPMorgan
- Lincoln Financial
- Merrill Lynch
- Morgan Stanley
- New York Life
- Oppenheimer and Co.
- Pacific Life
- Safeco
- T. Rowe Price
- TD Ameritrade
- The Hartford
- Vanguard

3. How many investment options does your plan offer?

4. What kinds of investments do you offer? (Examples: mutual funds, insurance products.)

Issue Area #2: Your experience with receiving 408(b)(2) disclosures

5. Now I want you to tell me about your personal experiences with the new disclosure requirements. You should have received disclosure materials from some or all of your existing service providers because of the new rules. The materials describe services being provided and the compensation received by the service provider. Under the new law, you probably received something like I have described around July 2012, or perhaps a little earlier. Or, if you hired a new service provider after July 2012, you probably received the new disclosures as part of the bidding or hiring process. Could you please tell me what materials you received?

Possible probes:

Did you bring any of these materials with you today (feel free to answer about any materials you brought with you, or materials you received from other service providers)? A letter, a service contract, a summary of plan charges, or something else?

How did you receive these materials? For example, by paper in the mail, by email, a website, or a combination (e.g., a letter in the mail with a link to a website)?

Did different service providers use different methods to send you disclosures?

Which method(s) did you prefer, and why?

Did you receive one document or several documents?

Did the disclosures refer you to materials your service provider already gave you or to online materials?

6. What do you think is the purpose of the disclosure materials that you receive from service providers?

Possible probes:

Why do you think that?

How familiar were you with the 408(b)(2) disclosure requirements before you received the disclosure materials?

7. Do you remember when you received these disclosure materials from your service providers? Did you have to ask any service providers to provide you with disclosures?

Possible probes:

If you had to request disclosures, how did you go about requesting these materials?

If so, how long did it take for you to receive the disclosures?

8. What was the process that was followed at your company to review the disclosure materials that were received?

Possible probes:

Were the materials reviewed individually or by a committee?

Were there any actions or new processes that were established due to the receiving of the disclosure materials?

Issue Area #3: Your understanding of the disclosures

9. Was the information contained in the disclosure materials clear and understandable?

Possible probes:

If not, why not? For example, was the language unclear? Were there particular sections or components of the disclosure materials that were difficult to understand?

Did any service providers furnish clarifying or explanatory materials?

10. Within the disclosure information, were you able to find information about the services that would be provided and the cost of those services?

Possible probes:

Did you have to look for help in understanding the information?

If so, where did you look for assistance or whom did you contact?

Was the cost of the services presented clearly?

11. Did the disclosures clearly differentiate between money that was paid directly from the plan, as opposed to money that the service provider received from third parties, for example from other service providers that they work with, or from the companies that provide investment options for your plan (such as a mutual fund company, an insurance company, or a bank)? The Department's rule distinguishes between "direct" compensation (from the plan) and "indirect compensation" that service providers receive from other parties – you may have heard indirect compensation sometimes referred to as "revenue sharing."

Possible probes:

Did the disclosures make clear who was receiving the compensation?

Was the purpose of the compensation clear from the disclosure forms? That is, was it clearly stated what service was provided or performed in order to justify the compensation?

If you received disclosures from different service providers (for the same services), were you able to compare information across the documents?

12. How long did you spend reviewing the disclosure materials?

Possible probes:

If you received disclosures from several providers, did the materials of certain service providers require significantly more effort than others?

Was the effort spent reviewing disclosure materials related to the complexity of your plans, for example, the number and types of plan features and investment options that your plan offers?

What characteristics made disclosures easier to review and understand?

Issue Area #4: Decision-making based on disclosures

13. Did you consult with anybody else (either within your organization or, perhaps, someone outside your organization, such as an adviser, broker, or consultant that you hired) to assist you in reviewing the disclosures or, once you reviewed the disclosures, to help you decide what action, if any, should be taken in response to the information that you received, for example whether to keep using the same service provider or consider hiring a different service provider?

Possible probes:

If yes, how did you identify or select the individual(s) you consulted?

Can you describe more specifically how this person or company helped you?

14. Did you follow up with your service providers after receiving the disclosures – for example, to ask how to locate specific information or for additional information?

Possible probes:

Please describe your follow up and the service providers' answers to your questions.

Did the disclosure documents include a way for you to contact your service providers with questions?

15. Based on your review of the information you received, did you make any changes to the service providers for your plan or the investment options made available in your plan? Do you anticipate making any changes in the future based on the new information?

Possible probes:

If yes, please describe the changes you made or plan to make.

What components of the disclosures influenced your decision the most?

Issue Area #5: Usefulness of disclosures

16. Do you feel like you received new or more detailed information about your plan's service providers and the way that they are paid for services than you did before the Department of Labor required these disclosures from service providers? As mentioned earlier, you should have started receiving disclosures to comply with this rule in summer 2012.

Possible probe:

If yes, please describe the information that you found to be new or more detailed.

17. Did the information that you received enable you to better understand the services to be provided as well as how, and how much, your service providers are paid compared to the information that you had before?

Possible probes:

In what ways was the information more helpful than the information you had before the required disclosures?

18. Were there particular aspects of the information that most influenced your understanding of the services provided and how much your service providers are paid? Based on the information provided, do you have a clear picture of what service providers are charging and what services they are providing?

Possible probes:

For example, if your service provider relies on other entities for services and provides them with compensation (e.g., record-keeping or administrative services, or for your plan's investment options), do you have a sense about how reasonable that compensation is?

Did service providers disclose ranges of possible compensation (for example, that they expect to receive between 0.025% and 0.05% of total plan assets)? If so, did these ranges sufficiently convey to you how much the service provider was likely to be paid? Did you

understand the factors that would contribute to where the service provider's compensation was likely to fall within such a range?

19. What, if any, information do you feel you need to fulfill your role as a plan fiduciary that you did not receive or that you would like to receive from your service provider?

Issue Area #6: Need for a guide, summary, or other tool

20. Think about your own disclosure experience and whether the presentation or delivery method of the information was helpful to you. Is there anything you would change about the way the information was disclosed to you?

Possible probes:

What specific information would you like to receive to help you understand the disclosures?

What would be your preferred format for receiving this information?

21. Do you remember if your service providers included a guide or other organization tool to help you find specific information within the disclosures, or whether they included a summary of the information for you?

Possible probes:

If so, were these tools helpful?

If you did not receive any type of summary or guide/index that directed you to where you could find information on compensation received within the disclosure documents, do you think it would have been easier to review the disclosures if you had? Which do you think would be more helpful – a guide/index, a summary, or both?

If you received summaries of the disclosures, did you also read the other, more detailed documents?

22. Now I would like to show you an organizational tool called a disclosure guide. It compares in some ways to a table of contents. Given your specific disclosure experiences, would this kind of tool have been helpful

to you? Do you have any suggestions for improving this tool?

Possible probes:

What information would be most useful to include in a guide?

Would you prefer, instead or in addition, that your service providers summarized the required information for you?

23. Service providers incur expenses preparing a guide or similar tool. Imagine you did not receive a guide or similar tool from your service provider; assume you had the option to purchase one from them.

On the cards that I'm passing out to you now, you will see a dollar amount. [*Pass out cards to participants, each one showing one of five randomly assigned dollar values ranging from roughly \$10 to \$200, with exact values to be determined*]. Imagine that this is the price your service provider would charge for a disclosure guide. At this price, please write "yes" or "no" in the first blank below the dollar amount on your card to indicate whether or not you would buy the disclosure guide at the price shown on your card.

Now, I want you to think about what would be the most you would be willing to pay your service provider to receive the disclosure guide. So, if you answered "yes" in the first blank, look at the price on your card and think about how much more you would be willing to pay before buying the disclosure guide did not feel worth it to you. Alternately, if you answered "no" in the first blank, think about how much less expensive the disclosure guide would have to be than the price given to you before you would buy it. In the second blank write the amount you would be willing to pay to receive the disclosure. Once you are done, please turn your cards over and pass them up to me.

Possible probes (after cards have been handed in):

What were the most important factors you considered when deciding whether or not to purchase the disclosure guide?

Is there anyone who would not be willing to pay anything to receive a disclosure guide?

If not, why not?

Are there any ways in which you think the disclosure guide could be modified to be of more value to you?

24. Does anyone have other comments about what we have been discussing or questions about this group?

Well, we are out of time. Thanks so much for coming to this group and sharing your thoughts with me. It has truly been a pleasure to get to talk with all of you.