AFL-CIO

LEGISLATIVE ALERT

July 18, 2017

The Honorable Virginia Foxx, Chair
The Honorable Bobby Scott, Ranking Member
Education and the Workforce Committee
U.S. House of Representatives
Washington D.C. 20515

Dear Chair Foxx and Ranking Member Scott:

The AFL-CIO strongly opposes the "Affordable Retirement Advice for Savers Act" (H.R. 2823) scheduled for mark-up tomorrow in your Committee.

While portrayed as a valid alternative to the Department of Labor's Fiduciary Rule, this bill, in practice, would do nothing to rein in retirement financial advisers' conflicts of interest. Rather, it would codify and amplify the anti-consumer loopholes the Fiduciary Rule rightfully closes.

The bill resurrects the pre-Fiduciary Rule requirement that the best interest standard is triggered only when the adviser and retirement saver *mutually* agree that a particular investment recommendation is personalized and intended to serve as a basis for the retirement saver's investment decision. Despite a retirement saver's common sense expectation that the professional advice she is receiving is in her best interest, this loophole enables the adviser to use a simple boilerplate disclaimer to circumvent that standard.

The bill does little, if anything, to moderate financial industry compensation practices that reward advisers whose advice is not in the customer's best interest. At the heart of the Fiduciary Rule is a recognition that many financial industry compensation structures incentivize advisers to provide investment advice that fattens the firm's profits and the advisers' pay while disregarding the best interest of retirement savers, and that these compensation practices must be managed in a meaningful way. This legislation, however, would allow such compensation models to continue unabated, so long as boilerplate disclosure about the conflicts were provided. The bill relies on a disclosure regime, despite the fact that study after study shows that disclosure is an inadequate protection against conflicts of interest that damage investors' investment returns.

In sum, H.R. 2823 pays only lip service to the principle that that retirement savers deserve investment advice that is in their best interest and not distorted by their professional adviser's conflicts of interest. Your constituents deserve better. We urge you to vote against this bill moving forward.

Sincerely,

William Samuel, Director
Government Affairs Department

cc: all members, House Education and the Workforce Committee

American Federation of Labor and Congress of Industrial Organizations
815 16th St., N.W. • Washington, D.C. 20006 • 202-637-5000 • www.aflcio.org