CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 9, 2001

H.R. 2269

Retirement Security Advice Act of 2001

As ordered reported by the House Committee on Ways and Means
on November 7, 2001

H.R. 2269 would amend the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code so that employer-sponsored retirement plans may provide plan participants with direct access to fiduciary advisers. Under current law, employers may not provide participants in their retirement plans with direct access to financial advisers for the purpose of providing individual investment advice.

The Congressional Budget Office and the Joint Committee on Taxation estimate that H.R. 2269 would have a negligible effect on federal spending and revenues. This version of the bill is similar to the version approved by the House Committee on Education and the Workforce on October 3, 2001, and our estimate is unchanged. Because H.R. 2269 would affect receipts, pay-as-you-go procedures would apply to the bill.

In modifying provisions of ERISA and the Internal Revenue Code, the legislation also would establish certain requirements that must be followed by advisers who are provided by plan sponsors. H.R. 2269 would require that fiduciary advisers must disclose to employees all fees, as well as any financial holdings or potential conflicts that could affect their investment advice. Fees collected though such advice would not be subject to the excise taxes imposed by section 4975 of the Internal Revenue Code. The bill would also require advisers to act in the best financial interest of the employee and to maintain records related to such advice for at least six years.

H.R. 2269 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Geoffrey Gerhardt. The estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.