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AARP and AARP Foundation Submit Amicus Brief in Court Challenge to Tougher Retirement Plan Conflict Of Interest Rule

Drive to Protect Retirement Savers Continues with Filing in Federal Court in D.C.

WASHINGTON, DC — Continuing the drive to protect retirement plan savers, AARP and AARP Foundation have filed an amicus brief with the U.S. District Court for the District of Columbia supporting the Department of Labor’s new investment conflict of interest rule that is under challenge in the court.

The National Association for Fixed Annuities has filed a lawsuit in the federal court challenging several elements of a rule released in April by the U.S. Department of Labor that strengthened consumer protections for all retirement plan investors. A hearing is scheduled for Aug. 25.

“Close to 75 million households are counting on employer-sponsored plans, Individual Retirement Accounts (IRAs), or both, to supplement Social Security for their retirement security,” states the AARP friend-of-the-court brief. “However, the shift from defined benefit plans to defined contribution plans has transferred significant responsibility to individuals for investment decisions that will directly impact the adequacy of the assets available to fund their future retirement needs.

“This shift has made the goal of achieving and maintaining an adequate income in retirement more challenging. It is hard enough to save for retirement. Conflicted investment advice should not be one of the barriers millions of Americans face as they work to save for their retirement.”

The new regulation – commonly called the “fiduciary rule” – requires investment advisors working on retirement plan accounts to operate in the “best interest” of customers. That contrasts with the less stringent standard previously in effect for many advisers, whose advice merely needed to be “suitable” for the customer. The Obama Administration has estimated that investors currently lose approximately \$17 billion a year in hidden fees, undisclosed commissions and investment product sales that are not in their best interest.

The fiduciary rule – scheduled to go into effect next April -- affects financial advice in tax-advantaged retirement accounts, including IRAs and 401(k)s. Rollovers, mutual funds and variable annuities, for example, will be included.

Retirement savers may seek to hold financial advisers legally accountable if they do not meet the new stricter standards.

AARP and AARP Foundation have pushed for decades for better protections for investors. For example, since 2010, when the fiduciary rule was first proposed, AARP has testified on behalf of the reforms at administrative hearings and urged the Department to move ahead positively while opposing Congressional legislation to block the issuance of the rule.

In 2014 AARP hosted an event at its headquarters, where President Obama announced the Department of Labor would re-propose a fiduciary standard for retirement advice.

AARP also has been an active member of the Save Our Retirement Coalition, a strong advocate for the new standard.

In May, AARP Executive Vice President Nancy LeaMond released an AARP survey that showed that an overwhelming 9 in 10 Americans agree with the new rule.

“Americans have been losing billions of dollars every year receiving retirement savings advice from financial advisers not committed to giving recommendations in their clients’ own best interest,” LeaMond said in making the survey announcement. “It is telling that while all seem to publicly agree with this standard, many still want to stop this rule from going into effect next year.”

The District of Columbia lawsuit is one of several that have been filed by opponents of the reform regulation.

About AARP

AARP is a nonprofit, nonpartisan organization, with a membership of nearly 38 million that helps people turn their goals and dreams into 'Real Possibilities' by changing the way America defines aging. With staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, AARP works to strengthen communities and promote the issues that matter most to families such as healthcare security, financial security and personal fulfillment. AARP also advocates for individuals in the marketplace by selecting products and services of high quality and value to carry the AARP name. As a trusted source for news and information, AARP produces the world's largest circulation magazine, AARP The Magazine and AARP Bulletin. AARP does not endorse candidates for public office or make contributions to political campaigns or candidates. To learn more, visit www.aarp.org or follow @aarp and our CEO @JoAnn_Jenkins on Twitter.

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