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FILED ELECTRONICALLY

U.S. Department of Labor
Employee Benefits Security Administration
Office of Regulations and Interpretations
200 Constitution Avenue, NW, Room N-5669
Washington, DC 20210
Attention: Fee Disclosure RFI

Re: Fee and Expense Disclosures to Participants in Individual Account Plans

Dear Sir or Madam:

We thank the Department for the opportunity to comment on the subject of administrative and investment-related fee and expense disclosure to participants. We believe it critical that the defined contribution plan system be operated on a fully transparent basis. We also heartily endorse meaningful disclosure to plan participants that provides them the information they need to make informed savings and investment decisions, in a form that a typical participant will find useful.

Our overarching goal is to preserve the participants' confidence in the defined contribution system. The first priority is to have employees understand that it is essential that they save and participate at meaningful levels, and that time in the market and appropriate diversification matter more than particular investment selections. The most critical messaging therefore relates to contribution rates, appropriate investment diversification, and realistic views of retirement dates. Any initiatives that inadvertently cause worker confusion or distrust of the system are likely to discourage savings and have a long-term negative effect on the retirement security of future generations. We believe that a combination of new fiduciary standards, plan sponsor education, and understandable participant education and disclosure materials would best accomplish the goals of transparency for the critical decision making required of both plan sponsors and participants.

Many participants have difficulty understanding the basics of plan investments. In the modern "sound bite" society, people are easily distracted and do not read anything more complex than the "crawl" across the bottom of the screen of the morning news program. While we hope those participants utilize the various education and advice tools now in the market, it is important that we provide information in digestible form.

It is critical that plan fiduciaries understand the revenue being received by the plan's service providers so the fiduciaries are alerted to any biases their service providers might bring to conversations. From an individual participant's perspective, however, what matters are the costs paid per dollar saved and invested in the plan versus a dollar saved and invested in other available alternatives, and ultimately the net return on each dollar saved. That a particular service provider receives a specified amount from an investment is not relevant to the participants' savings and investment decisions.

There is, however, a serious issue to consider regarding disclosure of asset-based revenue as it relates to participants in the aggregate. None of the disclosure proposals of which we are aware address the issue, perhaps because it is very difficult to address. Specifically, while asset-based revenue sharing should not influence asset allocation choices for a particular participant, it is a relevant point of discussion between employers and their employee populations.

We submit that the traditional view of plan expenses born in the days of defined benefit plans and balance forward defined contribution plans does not translate well to modern defined contribution arrangements where share accounting for daily valued investments (*e.g.*, mutual funds, collective trust funds and unitized separately managed accounts) is used. The old concept of making determinations about the reasonableness of fees in the aggregate should not be the end of the inquiry. The judgments made by fiduciaries relating to the choices made regarding investment for the plan and the resulting allocation of administrative costs should in our view be more explicitly stated to plan participants.

In the infancy of defined contribution programs, mutual funds with their daily valuations and other infrastructure were the ideal plan investment. Much of the work needed to be done by a plan's record keeper was already undertaken by the mutual fund and paid for out of the fund's expenses. This was also before the Securities and Exchange Commission issued exemptive relief permitting multiple classes of the same mutual fund. Since the mutual fund complex provided much of the requisite infrastructure and the remaining necessary services could be provided without any additional cost to the plan, it was entirely reasonable to have some investments that did not bear any administrative burden for the plan, *e.g.*, qualifying employer securities and stable value products.

Now with multiple share classes, alternative institutional investments and improvements in technology, mutual funds do not provide such an inherent advantage. Many providers in the market are often making variable priced investments available to a plan with the differences in pricing not affecting the underlying investments in the vehicle but affecting the amount of revenue available to defray the reasonable expenses of plan administration. Any analysis that looks solely at reasonableness of fees in the aggregate fails to take into consideration that a fiduciary who makes a determination to invest in a more expensive investment than is otherwise available to the plan is inherently making a determination to allocate additional administrative expenses to participants who invest in that more expensive vehicle, and to participants who have higher balance accounts, without a clear disclosure of such practices to those participants.

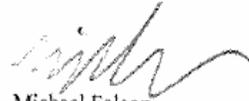
This is a complex situation that has developed over many years and is not easy to resolve. The economic realities we are facing are well embedded in the existing regulatory environment. We note, for example, that the Comptroller of the Currency guidance on collective trusts explicitly allows a bank to price participation interests in the trust with regard to the services provided to a plan other than investment services. [See the Collective Investment Funds Comptrollers Handbook (October 2005)]

At the end of the day, we believe the situation is best dealt with through a clear articulation of a fiduciary standard that takes the modern reality into account. In our experience, many fiduciaries are cognizant of the need to consider the equities among individual participants' accounts rather than merely focusing on the reasonableness of the expenses incurred by the plan as a whole. However, we believe all the good work the Department is doing around disclosures of fees will be diminished if participants learn of

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expense allocation practices in a litigation or similar context after fiduciaries have made implicit expense allocation decisions without appropriate supporting disclosure and documentation. We strongly encourage the Department to work with the various interested groups to develop a strong education outreach program for fiduciaries to understand their obligations. We further encourage the development of participant education materials and appropriate participant disclosure that outlines the choices the sponsor and other plan fiduciaries have made regarding general investment approaches and expense approaches for the plan. We would welcome the opportunity to assist in those endeavors.

Sincerely yours,



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