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To: EBSA, E-ORI - EBSA

Subject: Lifetime income illustrations or real lifetime income? Let's get focused on the right things.

Having participated in delivering my first 401(k) plan education meeting in 1985, and continuing to do so today, I think I speak from a fairly deep perspective about this issue. I am an investment advisor practicing mostly in the qualified plan space and count more than 30% of my advised plan assets in traditional pension plans. These are a waning breed. We need to take the DC world from a world of contributions to the world of income benefits. The only meaningful way to do that is to encourage plan sponsors to make income benefits easily attainable for their participants. A participant today has little possibility of getting an institutionally priced income stream out of their employers plan. In addition, that same participant has a small chance of finding a post-employment advisor who can actually guarantee them a lifelong income. There are advisors who can help them but the average participant is not in the typical target market. Therefore, post-retirement, participants have a random walk toward or away from economic security and that is a bad thing for the United States of America.

Issuing regulations for income modeling is a useful idea but in execution they might lead people to unreasonable expectations. That is a huge risk and should not be overlooked. Consider the difference one might expect from an immediate annuity today vs. what was possible in 2006. Let's broadly generalize and say it was 6% in 2006 and is 4% today. The resulting income difference is significant. It is that variability that has to be taken into account in the regulation. What if this regulation had been issued in 2006 with the standards of that day embedded in it?, Seeing 2006 based income numbers on their 2014 statement what would a participant encounter as they endeavor to purchase an annuity in 2014? At the very least they would be disappointed. Having set an unrealistic expectation would they not feel cheated?

Therefore, the regulation needs to allow a formulaic standard that varies little from each issuer of a statement. That formula needs to take into account current interest market conditions and the capacity of the insurance industry to fulfill the need. How to do that? Perhaps the DOL does a semi-annual survey of qualified annuity issuers and then communicates the median rate per \$100 to the recordkeeping community. Qualified issuers would be the same group established by PBGC and DOL to terminating pension plans. You would have to keep the responses confidential so as to preserve some semblance of market confidentiality. The regulation should not require use of a qualified issuer as that would be inappropriate. But is this the ultimate goal? I think it is not but it moves thinking in the right direction.

All of that is well and good, but surveys show by the majority that participants want in-plan guaranteed retirement income products. However, few plans offer them. Why is that? Fiduciary risk is the most common response. The most important and dramatic step the DOL could take would be to issue a fiduciary safe harbor to plans selecting an in-plan retirement income solution. Companies like Prudential, Great West, Mutual of Omaha and others have created products to satisfy the need but plan sponsors worry about the fiduciary

issues surrounding selection of these products. Mandates that the selection standards be based on conditions found on the date of the initial selection not on future conditions would help. Defined selection standards with a fiduciary safe harbor would move this market to wider availability. Then participants will have the greatest freedom of choice. Remain in plan, roll out of the plan, or use a combination of these.

Is the goal of the DOL to turn individual participants loose, post-retirement, to seek annuity benefits with little knowledge or is it to encourage actual monthly distributions that reliably can be spread over the remaining life expectancy of the participant? I think it is the latter. In creating a safe harbor for sponsors to include in-plan income the DOL will do more for retiree economic security than any DOL regulation has ever done on this matter. Isn't that a legacy you want to leave? I truly hope so. It is the legacy I want to leave. It is the goal we've all been trying to achieve for many years. It is the DB-ization of the DC world.

When a majority of plans offer an income solution to their participants, then we will have achieved widely available income benefits. Greater economic security is possible with income benefits. That is the ultimate goal.

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