Submitted Electronically

August 7, 2013

Office of Regulations and Interpretations
Employee Benefits Security Administration
U.S. Department of Labor
200 Constitution Avenue, NW
Room N-5655
Washington, DC 20210
Attn: Pension Benefit Statements Project

Re: Comments on the Advance Notice of Proposed Rulemaking (ANPRM) for Lifetime Income Disclosure for Defined Contribution Plans [RIN 1210-AB20]

Dear Sir or Madam:

MetLife is pleased to submit comments on the Department of Labor’s Advance Notice of Proposed Rulemaking (ANPRM) for Lifetime Income Disclosure for Defined Contribution Plans. MetLife commends the Department for the thoughtful approach it has taken in the ANPRM, and for the way in which it has considered the many comments it received in the 2010 responses to the Request for Information (RFI) Regarding Lifetime Income Options issued by the Departments of Labor and Treasury and the Internal Revenue Service (the “Agencies”). We support the general approach the Department has outlined in the ANPRM, and appreciate the opportunity to provide feedback on the regulations it intends to propose.

General Comments

At MetLife, we view the promulgation of rules for the pension benefits statements required of defined contribution (DC) plans as a critical component of the Administration’s overall focus on strengthening lifetime income for Americans. In fact, in our company’s RFI response on February 2, 2010, MetLife recommended that DC account balances be required to be communicated as lifetime income in addition to the total account balance on annual benefits statements, and the passage of time has served only to strengthen our view of the importance of this recommendation. We believe that an equivalent lifetime income should be included along with accumulated balances on standard plan communications and, therefore, we support the Department’s proposal of inclusion on quarterly statements.
We support the Department’s conclusion that it has authority to require lifetime income illustrations under Section 105(a)(2) of ERISA which contains the content requirements for benefit statements. As the Department has noted, Section 105(a)(2)(A)(i)(I) requires a benefit statement to indicate the participant's or beneficiary's “total benefits accrued.” The ANPRM proposal is pursuant to this Section of ERISA, as well as ERISA Sections 109(c) and 505. Section 109(c) provides that the Department may prescribe the format and content of any report, statement or document required to be furnished to plan participants and beneficiaries. In addition, Section 505, in relevant part, provides that the Department may prescribe such regulations as the Department finds necessary or appropriate to carry out the provisions of Title I of ERISA. Collectively, these provisions provide the authority for the Department to promulgate a rule that would require a participant's current and projected account balance to be illustrated as an estimated lifetime income stream of payments, in addition to being presented as an account balance.

In our RFI response, we pointed out the following:

- Participants have little understanding of how much to save or how to invest those savings to achieve an adequate retirement income;
- They also have little understanding of how to ensure that their 401(k) savings will last throughout their retirement years; and,
- Educational tools, which seek to shift the paradigm from assets to income, can help individuals begin to understand how to turn that lump sum into an income to last 20, 30 or even 40 years.

Since it is very difficult for most plan participants to conceptualize what their DC plan balance can mean in terms of a stream of income for life, we believe that a standardized lifetime income illustration, presented in simple, easy-to-understand language, and made available from the plan sponsor, can be one of the most instructive educational tools that can be provided to DC plan participants.1 In reviewing the proposed regulations being considered, it is clear that the Department places high value on uniformity and simplicity, as does MetLife.

One of the reasons we agree the illustration should be a requirement for plan sponsors is that retirement income projections are not routinely provided to plan participants today on statements that summarize their total and vested account balances, nor are they automatically shown to participants when they view their account balances online. According to MetLife’s Retirement Income Practices StudySM: Perspectives of Plan Sponsors and Recordkeepers for Qualified Plans, released in June 2012, only one-third of large plan sponsors (33%) and six of the 12 largest record keepers that service primarily Fortune 500® companies report that they include retirement income projections on participant statements. Similarly, only 28% of plan sponsors and the same six recordkeepers say that retirement income projections are automatically shown to participants when they view their account balance online. Absent guidance from the Department, we are not convinced that lifetime income illustrations will be routinely

---

1 We note that this approach is very similar to the projected benefit statements that have been issued by the Social Security Administration.
made available to the over 50 million American workers who are active 401(k) participants.\(^2\)

Instead, according to our study, the majority of plan sponsors have opted for a self-service approach to modeling retirement income projections. Eight in ten plan sponsors (81%) say that their plan participants have the ability to model how much retirement income they could expect based on their current account balances, and nine of the twelve recordkeepers offer this feature. Nearly all of the recordkeepers surveyed allow participants to input different projected retirement ages, future contributions and interest rate returns.

Unfortunately, however, this “do-it-yourself” model is not taking hold among participants. The majority of recordkeepers we surveyed estimated that only 25% or fewer of plan participants have made the effort to project their retirement income. The complexity of such modeling may contribute to its low utilization, given the great deal of flexibility inherent in the current retirement income tools. This suggests that parameter flexibility may be far less important than providing a simplified experience that would yield an immediate and meaningful result for participants. Furthermore, we believe that consistently expressing DC plan results in both accumulated balance and lifetime income terms will encourage many more plan participants to see the relevance of existing modeling tools, and thereby much more likely to use them in retirement income planning. For these two reasons, we believe the ANPRM’s Lifetime Income Disclosure rules are timely, necessary and appropriate.

Focusing on simplicity as a key guiding principle, we respectfully offer the following specific comments and recommendations in response to the ANPRM.

**Section II.A. Current and Projected Account Balances**

We have three comments regarding this section, as follows:

**Lifetime Income Illustrations and Balances:** MetLife supports requiring pension statements for all DC plans to include total balances (current and projected), as well as the monthly payments generated by each. We believe it makes sense to show the current account balance and future monthly income that current savings will generate. We also believe it makes sense to show both the projected account balance and the resulting monthly income equivalent for the projected balance. We view consistently expressing DC plan results in both accumulated balance and lifetime income terms, as outlined in the ANPRM, as necessary in enabling plan participants to think about – and use – their plan as a retirement income plan, rather than a savings plan.

**Retirement Age:** MetLife recommends that – in the spirit of simplicity – the safe harbor provide for plan sponsors to base projections and lifetime income illustrations on a retirement age of 65 for all plan participants. The one exception should be for plan sponsors that have a formal normal retirement age that differs from age 65. In that instance, the employer should be able to use the age included in the plan as an alternative.

---

\(^2\) Investment Company Institute.
to the general age 65 rule without losing the safe harbor’s benefits. Our reasons for recommending that age 65 be used in the safe harbor, with the exception noted in the prior sentence, are the following:

- Age 65 has become ingrained in our society as the “traditional” retirement age;
- Using age 65 will work for both active and former plan participants;
- While we recognize that many individuals are seeking to work longer, due in large part to financial necessity, the average retirement age may trend younger in the coming years as the economy improves. This suggests that a standard age that can be kept constant over time is preferable; and,
- When planning for retirement early in one’s career, using a projected retirement age older than 65 could inadvertently have an adverse effect on an individual’s retirement planning efforts. For instance, participants who have their retirement projected to age 70, as an example, will have a longer time horizon in which to save; in turn, they may not feel a need to save very much early on in their careers. Additionally, by basing retirement on an older age, the income benefit could be overstated vis-à-vis what would be needed at age 65 or earlier.

Section II.B. Methodology for Projecting an Account Balance

With regard to the five variables on which the Department is seeking comment for the calculation of a participant’s projected account balance, MetLife has two specific comments:

Salary Increases: MetLife believes that the Department should consider additional language that would make it clear that future contributions to the account (both employer and employee) are based on current contributions. MetLife does not believe that, for the purpose of simple illustrations on regular statements, contributions should be tied to salary increases. We do believe, however, that this is an appropriate element in a modeling tool, such as a personalized online calculator, where the individual can vary the rate of salary increase along with other variables. Our concern about including this variable on the simple illustration is that doing so may give the impression that either (a) increases should be expected when, given many participants’ experience, salary increases and corresponding increases in employer contributions are up to the discretion of the employer, and/or (b) a perception that such increases are necessary in order for the plan to work as intended.

Net Investment Rate of Return: MetLife supports the notion of having a uniform “rate of investment return” for all participants as one of the variables, and further supports the safe harbor rate’s being determined by the Department. However, we are concerned that the 7% investment return proposed in the ANPRM – even when factoring in other assumptions – may paint too rosy a picture for plan participants. MetLife recommends that the Department adopt a simplified alternative approach that implicitly reflects the impact of inflation. Specifically, we suggest that the Department consider using a 4% investment return (without a 3% discount rate for inflation), and indicate that this represents a real rate of return that has been reduced to reflect the potential effects of estimated annual inflation.
As you can see from the illustration that follows, Scenario #1 outlines hypothetical examples incorporating the Department’s assumptions outlined in the ANPRM. Scenario #2 incorporates a highly simplified approach using the assumptions that MetLife is proposing (i.e., a 0% annual salary increase, a 4% investment return and a 0% discount for inflation). We believe that what may be of particular interest to the Department is the very close similarity in the projected account balances and the projected monthly income rates at age 65, as is noted in the highlighted numbers in the chart. Given this similarity, we strongly advocate for the Department to consider adopting the simplified approach using fewer assumptions and a lower interest rate, with an appropriate explanatory note.

<table>
<thead>
<tr>
<th>Assumptions:</th>
<th>Scenario 1</th>
<th>Scenario 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Salary Increase:</strong></td>
<td>3.50%</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Annual Inflation Rate:</strong></td>
<td>3.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Annual Rate of Return:</strong></td>
<td>7.00%</td>
<td>4.00%</td>
</tr>
<tr>
<td><strong>Contribution Rate:</strong></td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current Account Balance:</th>
</tr>
</thead>
<tbody>
<tr>
<td>at Age 30:</td>
</tr>
<tr>
<td>$15,000</td>
</tr>
<tr>
<td>at Age 45:</td>
</tr>
<tr>
<td>$50,000</td>
</tr>
<tr>
<td>at Age 60:</td>
</tr>
<tr>
<td>$100,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>at Age 30:</td>
</tr>
<tr>
<td>$40,000</td>
</tr>
<tr>
<td>at Age 45:</td>
</tr>
<tr>
<td>$75,000</td>
</tr>
<tr>
<td>at Age 60:</td>
</tr>
<tr>
<td>$100,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ann. Purchase Rate:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$190.00</td>
</tr>
</tbody>
</table>

### Results -- Projected Account Balance

<table>
<thead>
<tr>
<th>Current Age</th>
<th>Amount in:</th>
<th>Acct Bal at 65</th>
<th>Acct Bal at 65</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>Nominal $s</td>
<td>$322,913</td>
<td>$115,524</td>
</tr>
<tr>
<td></td>
<td>Inflation Adjusted $s</td>
<td>$114,758</td>
<td>NA</td>
</tr>
<tr>
<td>45</td>
<td>Nominal $s</td>
<td>$401,832</td>
<td>$223,435</td>
</tr>
<tr>
<td></td>
<td>Inflation Adjusted $’s</td>
<td>$222,485</td>
<td>NA</td>
</tr>
<tr>
<td>60</td>
<td>Nominal $’s</td>
<td>$172,006</td>
<td>$149,283</td>
</tr>
<tr>
<td></td>
<td>Inflation Adjusted $’s</td>
<td>$148,374</td>
<td>NA</td>
</tr>
</tbody>
</table>

### Results -- Projected Monthly Income at Age 65

<table>
<thead>
<tr>
<th>Current Age</th>
<th>Amount in:</th>
<th>Monthly Income at 65</th>
<th>Monthly Income at 65</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>Nominal $s</td>
<td>$1,700</td>
<td>$608</td>
</tr>
<tr>
<td></td>
<td>Inflation Adjusted $s</td>
<td>$604</td>
<td>NA</td>
</tr>
<tr>
<td>45</td>
<td>Nominal $s</td>
<td>$2,115</td>
<td>$1,176</td>
</tr>
<tr>
<td></td>
<td>Inflation Adjusted $s</td>
<td>$1,171</td>
<td>NA</td>
</tr>
<tr>
<td>60</td>
<td>Nominal $s</td>
<td>$905</td>
<td>$786</td>
</tr>
<tr>
<td></td>
<td>Inflation Adjusted $s</td>
<td>$781</td>
<td>NA</td>
</tr>
</tbody>
</table>

**Note:** Nominal $s are not adjusted for inflation.
Whatever rate is ultimately adopted for the safe harbor, MetLife recommends that the Department periodically revisit the investment rate of return to determine if an adjustment is needed. However, we believe that a 4% after-inflation rate of return is reasonably conservative but still high enough to incent participants to save in their DC plan, and may be a more stable investment assumption that will require less vigilance in revisiting and updating by the Department.

**Related Discussion:** In our experience, many plan participants do not properly understand the concept of inflation. If the Department decides to simply express all results in nominal (i.e., not adjusted for inflation) dollars, it may be prudent to include an explanatory note with language such as the following: “Your projected savings and their income equivalent are not adjusted for the effects of future inflation. Your expenses in the future are likely to be higher than they are today due to the impact of inflation over time. Inflation is the rate at which the general level of prices for goods and services is rising, and, subsequently, purchasing power is falling. As inflation rises, every dollar will buy a smaller percentage of goods or services.”

We would also note that adjusting for inflation on projected balances only until retirement – without a corresponding inflation adjustment to the income amount – creates an inconsistency in the illustration. This inconsistency could be eliminated by providing an inflation-adjusted income illustration (with a resulting lower starting income amount), but this adds complexity, potential participant confusion, and the lower benefit amount might discourage participants from saving.

**Section II.C. Methodology for Converting an Account Balance into Lifetime Income**

MetLife believes that the Department took a very thoughtful approach when considering the two possible methods for converting an account balance to a stream of income in retirement, and we strongly support the Department using an annuitization approach rather than using a “draw down” or “systematic withdrawal” program (SWiP) approach. While we recognize that some commenters may advocate for a SWiP approach, we have consistently believed that such an approach is problematic for a number of reasons, including the following:

- If participants were to rely on a SWiP as the sole method for trying to make their money last throughout their lifetimes, there still is significant risk that many participants will run out of money. As MetLife pointed out to the Department, as well as the Treasury Department and Internal Revenue Service, when it testified in September 2010: “One of the greatest risks facing retirees is longevity risk – the very real risk of outliving retirement savings. Individuals who spend down their retirement assets based on their life expectancy will run out of savings if they live

---

3 It should be noted that MetLife does support a Systematic Withdrawal Program approach if and only if it is used in combination with longevity insurance. Longevity insurance is a deferred income annuity that could be purchased at the point of retirement, but would not begin payments until the individual reaches an advanced age (e.g., age 80 or 85). This product is specifically designed to allow individuals to address their longevity risk. They set aside a portion of their retirement savings now in order to generate a steady stream of guaranteed income in the later years when it may be needed most. It also allows them to manage their other retirement assets to a limited time horizon.
longer than expected, which half the population will do. On the other hand, many
individuals who spend as if they will live well beyond their life expectancy will run
the risk of under spending, forcing significant changes in lifestyle for fear of running
out of money. The only product capable of avoiding both of these adverse results is
an annuity."

- Second, while financial planning professionals have long suggested that individuals
limit their annual withdrawals to no more than 4%, over the course of the past year,
recent research papers have called into question this 4% "rule of thumb" for drawing
down retirement savings. For example, a whitepaper entitled "The 4 Percent Rule is
Not Safe in a Low-Yield World"\(^4\) concluded that "financial advisors relying on the
classic '4% rule' for their clients' retirement income have a better than even chance of
failure," particularly since these assumptions were based on returns seen in the 20th
century and do not take into account today's historically - and sustained - low interest
rate environment.\(^5\)

MetLife commends the Department for opting to base the conversion of the account
balance on an annuitization approach (i.e., lifetime income) for the entirety of
participants’ retired lives, rather than a portion of it. We believe that one of the primary
goals of the proposed regulation is to enable reframing of participants’ account balances
in income terms. In doing so, participants may be less likely to deplete their savings
prematurely and/or unnecessarily adjust their lifestyles and standards of living for fear of
running out of money in retirement.

A recent academic paper\(^6\) described a field experiment to test the effect of retirement
income projections on saving decisions. The experiment, conducted among nearly
17,000 employees of the University of Minnesota, was designed to assess three main
effects of the treatments used in the survey design: 1) whether, and by how much,
workers changed their saving; 2) whether the treatments increased workers knowledge
and confidence; and, 3) whether workers' personal characteristics affected their response
to the treatments in terms of saving decisions. Key findings of the research included the
following: individuals who received income projections and general retirement plan
materials increased their level of saving, and they were also significantly more likely to

---

\(^4\) Blanchett, David, Finke, Michael S., and Pfau, Wade, The 4 Percent Rule is Not Safe in a Low-Yield

\(^5\) We note further that the authors elaborated on this research in a Morningstar whitepaper entitled “Low
Bond Yields and Safe Portfolio Withdrawal Rates.” Using a new model it developed, which "takes into
account current bond yields when determining the success of different initial withdrawal rates,"
Morningstar has concluded that "safe initial withdrawal rates" (i.e., the initial percentage withdrawn from
the portfolio) are actually lower than previous research has indicated, in which a 4% initial withdrawal rate
was considered "safe." According to Morningstar, the 4% initial withdrawal rate may not be viable in a
low interest rate environment.

\(^6\) Flaherty, Colleen, Goda, Gopi Shah and Sojourner, Aaron, Do Income Projections Affect Retirement
should be noted that, compared to the national population, the workers included in the experiment are more
highly educated and they have more retirement savings because they are covered by Social Security and
one of two employer plans. They can also contribute to a tax-deferred Voluntary Retirement Plan (VRP).
The experiment tested the effect of providing employees with age-specific projections of the additional
retirement income they could get if they were to make additional contributions to a VRP.
engage in retirement planning. It also enabled them to have greater retirement income
certainty and report greater satisfaction with their financial situations. Also, other
academic research has shown that “life annuities are more attractive when presented in a
consumption frame than in an investment frame.”

MetLife believes that the Department has identified the relevant five factors for
converting an account balance (whether current or projected) to a lifetime income stream.
We agree that the payment calculation should estimate a level monthly payment that can
be guaranteed for life (not a systematic withdrawal). We think it is appropriate to assume
that the payment commences when the participant has reached age 65 (or a plan’s normal
retirement age).

We do have several comments on the way in which certain of the five basic factors would
operate, and have respectfully provided some suggestions for making them either less
complex or easier to implement, as outlined below:

**Contingent Benefit Illustration:** In the interest of simplicity, MetLife recommends that
the Department consider the merits of providing both single life and 100% joint and
survivor illustrations for all participants, whether the person is presently married or not.
This type of approach would eliminate the implementation barrier that would be
presented by having to track actual marital status each quarter and feed such detail to the
illustration system. It also addresses the reality that those participants that are not
currently married may be in the future, and those that are married, may not be in the
future.

MetLife further supports that the joint and survivor illustration be based on the
assumption that the spouse is the same age as the participant. However, a plan sponsor
should not be precluded from using the actual age of the spouse, if they prefer, within the
safe harbor.

As for illustrating a 100% joint and survivor benefit instead of one that reduces upon the
death of one of the annuitants (e.g., as under a 50% J&S benefit), this simplifies the
illustration (e.g., there is no need to explain whose death triggers the benefit reduction)
while also adding an element of conservatism to the illustrated benefit amount. Finally,
we note that few, if any, defined contribution plans are subject to Qualified Joint and
Survivor Annuity (QJSA) requirements and, as such, may have no context for the J&S
concept. Simply illustrating how long income will last for one and for two individuals on
a simplified basis avoids any presumption about QJSAs.

**Use of Actual Annuity Rates:** MetLife generally supports the safe harbor approach the
Department is considering, which would include a requirement that illustrations be based
on “reasonable” mortality and interest rate assumptions that take into account “generally
accepted actuarial principles.” In our 2010 RFI response, we suggested that “this income
amount should be based on conversion factors published by the DOL unless the plan

---

7 Brown, Jeffrey R., Kling, Jeffrey R., Mullainathan, Sendhil and Wrobel, Marian V., Framing Lifetime
includes an annuity, in which case the annuity factors in the plan may be used to convert
the account balance.”

If the DC plan offers an annuity as a distribution option, we believe that the plan should be permitted to use the annuity rates provided by its insurer, but that use of these factors should not be required in order to meet the safe harbor requirements. The plan should be permitted to use the safe harbor assumptions or actual rates. This is an evolving area, and relatively few sponsors have adopted this type of feature in their plans. Among the models that may reasonably be expected are multi-carrier arrangements and situations in which a plan retains successive annuity providers over time, so that different products may be available for different participant cohorts. Introducing multiple rates into a simple illustration process is inconsistent with the overall goal of simplicity. Further, the simple illustration is clearly not intended to be about any particular product, and ought not to be confused with actual product pricing as might be implied by using actual contractual rates.

Additionally, it is our belief that basing the illustration on actual annuity purchase rates should itself be a safe harbor since, by their very nature, the assumptions that go into actual current annuity purchase rates are already reasonable.

**Interest Rate Assumption:** We recognize and agree that using an interest rate equal to the 10-year constant maturity Treasury rate is an appropriate assumption. This is a standardized, generally-understood and publicly-accessible rate. Also, it is sufficiently conservative that it will implicitly take into account the approximate level of risk and expense charges incorporated in the pricing of a commercial annuity.

**Mortality Assumption:** We support the use of the mortality table in Code section 417(e) as a reasonable assumption since this is the mortality assumption used by DB plans when converting an annuity into a lump sum equivalent. We do not support including information on plan statements about gender-based mortality tables with respect to products purchased outside their plans. It is our view that this goes beyond the purpose of the plan statements, and could imply that the illustration(s) are representative of a particular product. Also, an annuity product may or may not be made available through the plan.

**Section II.D. Disclosure of Assumptions**

MetLife has provided some sample language below intended to plainly explain to plan participants the assumptions used in the lifetime income projections provided to them. We believe this or similar language will help to increase the readability and understandability of the projections.

Sample: The calculations for your projected lifetime income assume the following:

- All amounts are calculated on a pre-tax basis and do not take into account the impact of income taxes on distributions;
• [If illustration does not include inflation] Future account balance and income amounts represent a real rate of return that has been reduced to reflect the potential effects of estimated annual inflation; and,
• These income amounts are displayed in nominal (i.e., no adjustment for inflation) dollars. All projections are hypothetical, do not reflect actual investment outcomes, and are not guarantees of future results.

Section II.E. In-Plan Annuities

Similar to our comment regarding annuities offered as a distribution option by the plan, we believe that the plan should be permitted to use the annuity rates provided by its insurer, but that use of these factors should not be required in order to meet the safe harbor requirements. The plan should be permitted to use the safe harbor assumptions or actual rates.

We note that, if an in-plan annuity is present, the type of annuity may determine the most appropriate methodology. However, we believe that in general, if an in-plan product with incremental guaranteed income amounts exists, the second approach outlined in the ANPRM would be the most prudent for participants who have purchased in-plan annuities. Adding the total guaranteed monthly payment amount from all of the participant’s in-plan annuity units accrued to the current date to the estimated monthly payment amount of the non-annuity portion of the participant’s account would give participants a clear picture of how much income their retirement savings, including the portion already allocated to guaranteed income, would generate.

In the interest of simplicity, MetLife does not believe that future anticipated contributions to in-plan products should be included in the projections; but rather that all projected contributions should be handled using the basic safe harbor methodology and assumptions. As we are advocating that new future contributions to the plan use the standard safe harbor projected account balance methodology, assumptions regarding future annuity purchases would not be necessary.

To illustrate this complexity, in the event that future allocations to an in-plan annuity were to be included in an illustration, assumptions that might be taken into account when calculating the amount of guaranteed income purchased could be based on:

• the current accrued amount of guaranteed income;
• the participant’s current contribution level allocated to this product;
• the participant’s age when each future contribution is assumed to be made;
• the participant’s expected retirement age; and/or,
• current annuity purchase rates.

To the extent that the current accrued in-plan annuity amount may increase due to future fund growth, then a net investment rate of return that is consistent with that used to project participant account balances should be assumed, and should be adjusted, if applicable, for the actual fund expense charge attributable to an income guarantee.
Section II.F. Miscellaneous

We applaud the Department for including a clear, unambiguous safe harbor in the ANPRM, while explicitly providing for a “reasonableness” standard on which practices outside the safe harbor can rely. With regard to the language in the ANPRM as to the “reasonableness” standard combined with a regulatory “safe harbor,” MetLife recommends that the Department structure its safe harbor so that it will include a specific, narrow rule that sponsors may follow to satisfy their disclosure requirement, and also protect additional communications directing plan participants to additional tools such as calculators, as well as the calculators and tools themselves, provided that they are prudent from a fiduciary perspective and follow generally-accepted investment theories.

As an alternative, we believe that there may be an opportunity for additional regulatory clarity regarding how plan sponsors can effectively provide active plan participants with education and advice regarding retirement income from their defined contribution plans to ensure that the “reasonableness” provision, as proposed, works as intended. We believe this is also an effective way to support continued innovation in the qualified plan retirement income area.

The Department has done excellent work in that regard with respect to investment education with Interpretive Bulletin 96-1 (“IB 96-1”), which sets forth guidelines regarding how employers can provide participant education with respect to the allocation of retirement savings among classes of investments. IB 96-1 and subsequent guidance have been used extensively by employers that want to help their employees without taking on fiduciary liability for the provision of investment advice. We believe that the DOL has an opportunity to build on the important success that it has achieved with respect to education and advice about the retirement savings period by applying the same framework to income planning, either by clarifying under the proposed lifetime income regulations that the illustration tools that enable personalized modeling do not constitute advice, or by expanding IB-96-1 to do the same.

MetLife testified in 2008 and 2012 before the ERISA Advisory Council and has consistently advocated for the expansion of IB 96-1 to clarify what information and education may be provided to participants about the distribution phase without that guidance being treated as fiduciary advice. For example, the guidance could clarify that computer models that generate generic distribution approaches should be treated as education, not advice.

In addition, a thoughtful expansion of IB 96-1 could clarify that education regarding allocations to in-plan annuities during the working years is within the reach of IB 96-1’s existing framework and would not be treated as fiduciary advice. As we have indicated in the past, the DOL can help achieve this by providing that acceptable computer models would take into account any in-plan income accumulation annuity and/or guaranteed insurance product available under the plan. This would be entirely aligned with the emergence of a balanced focus between setting aside funds today in order to provide income tomorrow in DC plans, and would be supportive of the objectives of the rules proposed for comment in the ANPRM.
MetLife stands ready to assist the Department as you finalize the proposed regulation and consider additional regulatory action. Please feel free to contact me at (212) 578-9480 if you have any questions or need any additional information.

Sincerely,

John F. Lemen
Executive Vice President
Corporate Benefit Funding

cc: The Honorable Thomas E. Perez, Secretary, U.S. Department of Labor
The Honorable Phyllis C. Borzi, Assistant Secretary, Employee Benefits Security Administration, U.S. Department of Labor
The Honorable J. Mark Iwry, Senior Advisor to the Secretary and Deputy Assistant Secretary for Retirement and Health Policy, U.S. Department of the Treasury

Paul G. Cellupica, Chief Counsel, Americas, MetLife