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**From:** Mike Tian [mailto:[mikotian@yahoo.com](mailto:mikotian@yahoo.com)]  
**Sent:** Monday, February 01, 2010 11:22 PM  
**To:** EBSA, E-ORI - EBSA  
**Subject:** Feedback: RIN 1210-AB33

Re: RIN 1210-AB33  
Attn: Secretary of Labor

Having read your proposal, I have to say, I am not impressed.

The gist of your proposal is to sweep all/part of a person's IRA or 401(K) balance into a government sponsored annuity. While your intention is noble, the idea is terrible and should be scrapped immediately.

The most obvious question is: why is the government even involved? The private sector has offered annuities for many years, and the regulators closely monitor the capital levels of the insurers to make sure policy holders don't get screwed. This system works well, but people aren't really cashing out their 401(K)s and rolling them into annuities.

Why is this? Perhaps the market is telling you that people don't actually want annuities. Or, even if this is a behavior flaw, I don't see why the government has to get into the annuity business itself. Why doesn't it just offer a further tax deferment for people to roll their balances into qualified annuities managed by the private sector? Why create another huge bureaucracy and let the government take on investment risks?

The second big concern is:

Let's assume the government got into the annuity business and received some umpteen trillions of dollars in 401(K) funds in return for an obligation to provide income for the rest of the retiree's life.

What will the government do with this money? Do you seriously want the government to take on this level of investment risk and potentially create yet another unfunded tail liability when we have so many already?

Of course, for a "risk free" return, the money could simply be deposited in long dated treasury securities. I believe we already have a government program like this: citizens pay small amounts over a long period of time into a fund, the fund is largely invested in treasuries, and the government implicitly guarantees the citizen a certain amount of income for the rest of his/her life. Yes. You guessed it. This program is called Social Security. Why do we want a second social security program?

The problems don't end there. Under this program, the Treasury would be competing explicitly with a number of private sector enterprises that already offer annuities. The Treasury is obviously a very powerful organization and can strongarm people into this

program through the carrot or stick (it doesn't matter). But, assuming the Treasury competes "fairly", one of three things will happen:

- 1) The government would not be able to offer as high of a retirement income than the private sector, because the government would be invested in much lower yielding "risk free" treasury instruments. This would cause the treasury's program to fail because they would be unattractive to investors.
- 2) The government would have to take a major role in capital markets and make investment decisions with trillions of dollars. This opens a huge cans of worms about the government's role in capital markets and possibly opens the door to all sorts of corruption and abuses, or just plain old incompetency involving a substantial portion of our GDP.
- 3) The government creates yet another huge unfunded open ended liability -- if the treasury offers high annuity payments that are not supported by the income generated by its escrowed funds.

I would add to this list a fourth very real possibility:

This program would be a short-term way of paying for our giant fiscal deficit. Just like Social Security, the DOL's proposal would generate an immediate flow of money which would be available to fund immediate spending and thereby kick the can of our profligacy many years down the road. This is not healthy, both for the government and for the nation.

Anyhow, I highly doubt you would take my advise. I see the political expediency to this program: protect retirees, fund the deficit. It's a win-win situation, right? Well, that's just smoke and mirrors. I hope someone reads this missive and pays attention to it, but my hopes are not so high.