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To: EBSA, E-ORI - EBSA
Subject: Comments on RIN 1210-AB33

Assistant Labor Secretary Phyllis C. Borzi
Deputy Assistant Treasury Mark Iwry

I have read the subject Request for Information (RIN) in its entirety and would like to provide some comments on the topic of annuitizing distributions from employer sponsored retirement plans or individual retirement arrangements (IRAs).

First I must honestly state up front that I disagree with the premise that federal regulation should dictate the manner in which individuals structure distributions from their employer sponsored retirement plans or IRAs. It is both the right and the responsibility of each individual to manage these proceeds in coordination with his or her other resources to ensure adequate lifetime income. Through a combination of tools currently available, to include stage-of-life appropriate portfolio rebalancing, systematic withdrawal programs, and appropriate insurance (life, health, disability, long-term care, etc.) most individuals should be able to provide themselves with a standard of living that exceeds that which would be available from an annuity payout, with a high probability of retaining part of their hard-earned asset base to pass on to their heirs or chosen charity, as they see fit.

Having stated my core position, I will address the one question from subject RIN that is most offensive:

13. Should some form of lifetime income distribution option be required for defined contribution plans (in addition to money purchase pension plans)? If so, should that option be the default distribution option, and should it apply to the entire account balance? To what extent would such a requirement encourage or discourage plan sponsorship?

There should be NO requirement for a lifetime distribution option within a specific defined contribution plan. One of the strengths of the defined contribution plan such as the 401(k) is it gets the corporation out of the business of managing the retirement of former employees while freeing the former employee from dependence on a company he or she may have had no association with for decades. The current proposal would return us to an outdated business model whereby the corporation would need to either incur the cost of administering the lifetime distribution itself or pay its third party plan provider to offer this option. The only entity to benefit from this arrangement would be the third party plan provider. Whereas a plan provider may now offer a lifetime distribution option as a plan enhancement, requiring it by regulation would give the plan provider leverage to charge additional fees for this service. This is completely unnecessary since any employee desiring a lifetime income distribution can easily roll his plan proceeds into a low-cost, no-load annuity (immediate or deferred) with one of several companies (of his choice) that provides that service. This gives the individual complete control to coordinate his 401(k) benefits with other resources, enabling him to determine what percentage (if any) and at what time his 401(k) payout should be converted to a lifetime income stream.

Since a lifetime income distribution option should not be required, it should obviously not be the default option, nor apply to the entire balance.

I can not assess to what extent such a requirement would affect plan sponsorship, but I suspect it would discourage to some extent plan participation. Since the current discussion is widely perceived as the first step toward making annuitization of 401(k) and other deferred retirement plan benefits mandatory, thereby significantly reducing their value, many employees / investors (like myself) would seriously consider terminating our current contributions and, as we traveled further down this incorrect regulatory path, removing our existing assets from these plans despite the short term tax consequences.

In the interest of full disclosure, let me give you the point of reference for my comments. I am a retired military officer (20 years) currently in my second career (6 years). My wife is a registered nurse, having worked over the past 30 years. We have both maximized our IRAs since early in our careers. I fully funded my military TSP when it was made available late in my career. I fully fund a 401(k) with my current employer and my wife has fully funded 401(k)/403(b) accounts with her employers when they were offered. When we have changed employers (me upon military retirement and she as we moved about the country) we have always rolled our accounts into self-directed IRAs (as opposed to subsequent employer programs). Our family has made nearly 30 years of specific lifestyle choices (lived modestly and responsibly) in order to accumulate resources for our eventual retirement and consider the implication that we might need "help" deciding how to structure our retirement income stream quite insulting.

As a closing comment I would like to say that the key to ensuring that each American has an adequate income stream throughout his or her lifetime is not to force everyone into a "one-size-fits-all" model. It is to educate workers on the full scope of savings and investment options available to them and how best to apply their individual resources against those options to maximize their wealth and ensure their financial security.

Thank you for the opportunity to comment.

Regards

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