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Submitted Electronically

Office of Regulations and Interpretations
Employee Benefits Security Administration
Attn: Lifetime Income Joint Hearing
Room N-5655, U.S. Dept. of Labor
200 Constitution Avenue, NW
Washington, DC 20210

Re: Lifetime Income Joint Hearing

Ladies and Gentlemen:

The Investment Company Institute[1] requests the opportunity to testify before the Departments of Labor and Treasury at the joint hearing on lifetime income options on September 14, 2010. The Institute's May 3, 2010 response to the Agencies' Request for Information on lifetime income was based on extensive research and analysis of the complex issues surrounding retirement income. We would testify at the hearing on three of the areas the Agencies would like to examine further:

1. Certain specific participant concerns affecting the choice of lifetime income relative to other options.
2. Information to help participants make choices regarding management and spend down of retirement benefits.
3. Disclosure of account balances as monthly income streams.

We would provide insight into these areas based on our research in the retirement space and knowledge of investor/participant preferences regarding disclosure. Many of our individual member companies will be able to offer valuable testimony based on their own experiences on the issues the Agencies

[1] The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of $11.18 trillion and serve almost 90 million shareholders.

identified, including the fiduciary safe harbor for selection of a lifetime income provider and alternative designs of in-plan and distribution lifetime income options.

Participant concerns affecting choice

The Institute would address participant concerns about inflation risk and lack of, or limits on, death benefits and other withdrawal options in lifetime income products. These participant concerns may stem from the mistaken belief that traditional life annuities and self-managed periodic withdrawals are the only two options that participants have for spending their retirement accounts. We would show that a continuum of financial products exists, distinguished by varying degrees of protection against the wide range of risks that retirees face. The distinction between annuitized and non-annuitized drawdown strategies has already become somewhat blurred.

Many comments in response to the RFI had a singular focus on the problem of longevity risk and assumed that more annuitization should be the goal of public policy. But, as the hearing notice mentioned, participants also worry about inflation, leaving assets for surviving spouses or heirs, and needing access to retirement assets in emergency situations, among other things. Policy should recognize that a wide variety of financial products exist, with varying degrees of protection against longevity and other types of risks, that address the needs and concerns of many retirees. Any new mandates or incentives for lifetime income should take into account the continuum of products and strategies to manage and draw-down retirement assets and that different methods can achieve economically equivalent results. In addition, very few of the RFI comments examined the extent to which Americans are already annuitized. We believe policymakers should not ignore this when assessing what influences participant choices at retirement. Our prepared remarks would allocate approximately four minutes to this topic.

Enhancing participant understanding

Our testimony would focus on what information would help participants make choices regarding management and spend down of retirement benefits and describe how the government and private-sector could work together on financial education to develop and deliver information to better prepare workers for making retirement income decisions both in- and outside of plans. For example, one component of an education campaign could inform individuals nearing retirement of the benefit of delaying receipt of Social Security payments. This is an efficient way to increase annuity income, because Social Security benefit adjustments are approximately actuarially fair (increasing as much as 7 to 8 percent per year). We anticipate allocating approximately three minutes to this topic.

Disclosure translating account balances into income streams

Our testimony would cover many of the questions the Agencies pose on disclosing account balances as monthly income streams. Although we do not support mandating this disclosure or codifying a single approach to providing the information, we believe the information is useful and many providers, including Institute members, make this calculation available or show it on participant statements today. The particular method and specific economic assumptions for calculating an income stream is better left to the discretion of the plan and its provider, in order to allow competition to develop the most useful formulation. For reasons we will explain, it would be inappropriate to require disclosure of only the annuity value of the account balance at the exclusion of other methods when characterizing income streams, especially if those other methods are easier to explain and convey the same basic principles to participants. Whatever calculation method is used, information providers should disclose any assumptions used in the calculation, in light of the obvious uncertainty associated with estimating a future income stream. We plan to devote approximately three minutes to this topic.

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I would greatly appreciate the opportunity to present the views outlined above and engage in an important public dialogue at the hearing. We hope the Agencies agree that our participation will be worthwhile and grant the Institute's request to testify.

Sincerely,

Paul Stevens

Paul Schott Stevens
President and CEO