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To: EBSA, E-ORI - EBSA
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Subject: submission

I feel strongly that active management should be an *option* within 401(k) plans, in Target Funds and even as a QDIA. Limiting options to passive investments simply would not be a good idea as many companies and participants will not feel well taken care of. Whether active or passive investments exist within a plan, the key is education by the retirement advisor, consultant, etc. How the participants use the funds is 80% of the battle. The other 20% comes down to the investment due diligence of the investment committee, fiduciaries, and advisors. Some may prefer active funds and others passive funds but it would be a true shame to limit the options. At our firm we use a combination of both active and passive funds for our wealth management clients at any given time. Why should a participant in a retirement plan not have the same access to funds if they are deemed appropriate by the fiduciaries of the company? That does not make any sense.

“Investment Models” is also a tricky concept. It sounds good in theory but unfortunately will not work in the real world. This may sound simple but our retirement plans will not be as effective as they can be until Advisors and Consultants are given access to as many funds as possible, they have a certain level of skill in fund selection (with the fiduciary duty to select the best, not something suitable), and then a live person communicates the funds in the plan as well as risks and rewards to the participants. There should be someone to take questions from the participants going forward as well. Until a plan follows those rules, the retirement outcomes of the participants have been compromised in my personal opinion.

Historical data is also an important concept. It is absolutely necessary in understanding the risks and rewards of an investment. It does not give you all of the information but it does give you a decent start. But I think that this information is best used and analyzed by a professional advisor to take into consideration the “practical considerations” of the day. Black box models using historical data are not the answer. An advisor using the data as a starting point is.

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