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

Attention: RIN 1210-AB38; Target Date Disclosure

Ladies and Gentlemen:

Great-West Financial ("Great-West") appreciates this opportunity to comment on the Department of Labor's ("Department's") proposed rule on required disclosures for target date funds ("Proposal"). Great-West provides services to more than 30,000 retirement plans and almost 5 million participants in defined contribution plans. We support the Department's efforts to ensure that participants making the decision to invest in these types of investment products are able to make fully informed investment decisions.

We agree with the Department that there is a need to improve disclosure. Choosing a target date fund is a unique investment decision as the decision is intended to be, and in practical terms often is, a "set it and forget it" investment choice. We urge the Department to ensure that all participants investing in these types of products, regardless of whether they are unitized funds, model portfolios, or other types of asset allocation vehicles, receive the same degree of disclosure and the same opportunity to make an informed investment decision. Participants who are offered a generic asset allocation solution (as opposed to a solution designed for their individual investment needs, such as a managed account solution) need to understand how the investment works as a whole so they can determine whether it meets their investment needs.

It is essential that all participants investing in a "set it and forget it" type investment receive all of the information required to be disclosed with respect to designated investment alternatives under ERISA §. 404a-5, as well as the supplementary information contained in the Department's Proposal. Participants investing in these funds typically do so with the expectation that, as long as they pick a targeted date that is closest to their retirement age, no further investment decision making will be required and they will be appropriately invested until that date is reached. Participants who do not understand the level of risk they will be taking, what happens when the targeted date is reached, how the fund's performance compares with other similar funds, what fees they will be paying, etc., may "set and forget" an investment decision that is inconsistent with their investment philosophy and/or retirement funding goals without having any idea that they have done so.

Under the Department's current disclosure rules¹ participants who are offered a "set it and forget it" investment product that is a unitized investment receive full disclosure under ERISA Sect. 404a-5 of fee and performance information while those invested in model portfolios are only required to receive very general information about how that investment choice may differ from selecting an individual fund. Participants receive detailed information about the underlying funds in a model portfolio but, unless the underlying funds are not otherwise designated investment alternatives or the model portfolio is a Qualified Default Investment Alternative (QDIA), they receive no detailed fee and performance information about the model portfolio itself. Please see the attached chart for a detailed explanation of the discrepancy in information participants receive. Somewhat ironically, participants who are defaulted in to a model portfolio, who arguably are much less likely to review fee and performance information than those who actively choose it, receive more robust disclosure than those choosing a model portfolio that is not a QDIA..

Certainly there is no argument to be made that participants who are offered model portfolios have less need to be fully informed or are less deserving of it. The only possible argument for denying them the opportunity to make fully informed investment choices is a cost vs. benefit argument. We are concerned that the Department may have reached its conclusion on that argument based on assumptions that do not reflect the realities of the marketplace and/or underestimate how critical an investment decision this is for all participants.

Great-West serves over 15,000 small 401(k) plans and, in that market, asset allocation models are often offered at the financial advisor level, not the plan level. In other words, an advisor or other financial services provider will design asset allocation models and the same model with the same underlying funds may be used in multiple plans they serve that are seeking this type of investment product. Truly customized models that are designed for a specific plan are typically seen in large plans with thousands or tens of thousands of participants due to the cost of operating these types of investments. In many instances, therefore, the cost of providing disclosure can be spread among many plans and/or participants. When you compare that cost to the benefit of giving all participants the information they need to make what for many, will be the most important investment decision they will ever make, it is difficult to argue that there should be an unlevel playing field regarding disclosure.

Since 2012 when the Department's 404a-5 disclosure rule went into effect participants who are offered generic "set it and forget it" asset allocation investments that are model portfolios per the Department's definition have been disadvantaged in their ability to make informed investment decisions. As the Department contemplates adding new disclosure requirements that will further enhance a participant's ability to make this critical investment decision a well informed one, that inequity should be addressed. It is completely irrelevant from the participant's perspective whether the asset allocation investment option they are offered is a model portfolio or a unitized fund. All that matters is whether it is the right investment for them taking into account their individual circumstances and investment philosophy. We commend the Department for providing critically needed help to participants selecting these investments and strongly encourage it not to leave hundreds of thousands of participants without the benefit of these disclosures simply because their plan offers a model portfolio instead of a unitized fund.



Bright tomorrows begin today.

Thank you again for the opportunity to comment. If you have any questions regarding this letter, please do not hesitate to contact me at 303-737-3086 or via e-mail at Charlie.nelson@greatwest.com.

Regards,

A handwritten signature in blue ink, appearing to read "CP Nelson", is written over the "Regards," text.

Charles P. Nelson
President, Retirement Services
Great-West Financial

ⁱ FAB 2012-02R, Q 28