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Delta Data Software, Inc.
700 Brookstone Centre Parkway
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Office of Regulations and Interpretations
Employee Benefits Security Administration
U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210
Attention: RIN 1210-AB08; 408 (b)(2) Guide

Dear Sir/Madam

Delta Data Software, Inc. appreciates the opportunity to comment on your proposed amendment to Section 408(b)(2) requiring covered service providers to furnish a guide to assist plan fiduciaries in reviewing the disclosures required by the final rule if the disclosures are contained in multiple or lengthy documents.

Delta Data has a long history in servicing retirement plan service providers with software applications. From the late 1980’s through the mid1990’s we provided retirement plan recordkeeping software to the large corporate plan sponsors for the administration of their profit sharing, 401(k) and ESOP plans. With the widespread move to daily valued plans and investments in mutual funds in the mid to late 90’s, we started providing mutual fund trading, reconciliation and revenue management software applications to retirement plan service providers. We currently service many of the largest retirement plan service providers with trading, reconciliation, revenue and data management applications.

We agree that a guide to direct plan fiduciaries to specific sections of a document would save fiduciaries time. Most individuals, fiduciaries and service providers now rely heavily on electronic documents rather than printed material. Most investment management companies make their prospectus documents available on their website as well as being easily accessible via the SEC’s EDGAR site. The problem with these sites however is that they generally do not provide the deep link or tag to the section of the document containing the specific fee disclosure information. It is critical that any link to an electronic document contain additional tags that direct the plan fiduciary to the appropriate section in the electronic document. If not, then it would be better to reference a page number or section in the document.
In your sample guide included in the final regulations published in the Federal Register dated February 3, 2012, the section that discloses fees and expenses of the plan’s various investment options (required by paragraph B(2)(viii) of the proposed regs) lists the investment option names but no further identifying information. We believe it would be helpful to also list the share class of the investment option if applicable. When looking at the total annual operating expense (TAOE) for a mutual fund (the most common investment vehicle in a retirement plan) in the prospectus, the reader will most likely be looking at a grid showing all the various share classes in the fund along with the various components that make up the TAOE. In most cases, the TAOE will be different for each share class. The reason for this is that the distribution/service fee component (12b-1) can vary by share class. It is important for the plan fiduciary to know the appropriate share class the plan has included in their plan lineup to know the correct TAOE for the plan’s investment option. Most larger plan fiduciaries will know this, but the smaller plan fiduciaries may not know without further reference to another document as to which share class is included in their plan lineup.

One final comment in regards to your calculation of the estimated costs to implement the guide. Your calculation takes the number of investment products and services (medium range number of 65,520 products and services) and assumes it will take 3 hours to create a guide for each product using an hourly rate of $67.76. This results in a medium range cost of $13,318,905.00. (65,520 x 3 x 67.76 = $13,318,905.00). We have a hard time following the logic behind this approach. Guides will include multiple products and services so calculating the guide costs by product does not seem to be the correct approach as it assumes one guide will be produced for each product. The same investment product can and will be utilized across many plans and many service providers. A guide will be produced for each plan, not each product. So in essence, 12,000 service providers will create 684,000 guides. If you allocate the 684,000 plans across 12,000 service providers, you get 57 plans and thus 57 guides that will be created per service provider. A single service provider can use many of their links and document references across multiple guides, so there will not be 684,000 unique guides created, it will be something less. If we make a fairly aggressive assumption that 75% of the document links or references can be used across all the plans for any given service provider, then that leaves approximately 14 (75% x 57) unique guides, on average, each service provider would need to create. Using your estimated costs of $203.28 per guide (3 hours x 67.76 = $203.28) then the estimated cost to complete 168,000 unique guides (12,000 service providers x 14 guides= 168,000) would be $34,151,040. This equates to $2,845 per service provider which seems to be a more realistic number than your medium range costs of $13,318,905 or $1,109 per service provider. The $34,151,040 is still less than the expected medium range benefit of $40,300,000 so it may be a moot point, but we believe it better represents the true cost to the service providers to create the guides.

We appreciate the opportunity to comment on this proposed regulation. Please address any questions or comments to the undersigned.
Thank you,

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