



July 21th, 2017

Mailed Electronically: EBSA.FiduciaryRuleExaminations@dol.gov

Office of Exemption Determinations, EBSA
Attn: D-11933
US Department of Labor
200 Constitution Avenue NW, Suite 400
Washington, DC 20210

RE: Request for Information Regarding the Fiduciary Rule and Prohibited Transaction Exemptions (RIN 1210-AB-82)

Greetings:

Standard Retirement Services, Inc. appreciates the opportunity to provide additional information regarding the Department of Labor's proposal to extend the January 1, 2018 delay of the applicability date for the BIC Exemption and the amendments to PTE 84-24.

Standard Retirement Services, Inc. ("The Standard") is an Oregon-based retirement plan services provider with a national presence. Along with our affiliates, we provide a full service level-fee platform for employer-sponsored retirement plans that includes financial recordkeeping, plan administration, investment advice and management, and participant services and educational materials.

We write separately from our affiliate, Standard Insurance Company, whose letter addresses the Department's questions with respect to individual annuity products. We join in their comments, and offer the following additional comments regarding the Department's questions with respect to employer-sponsored retirement plans, their service providers, and ultimately their plan participants.

Specifically, the Department asked "Would a delay in the January 1, 2018, applicability date of the provisions in the BIC Exemption, Principal Transactions Exemption and amendments to PTE 84-24 reduce burdens on financial services providers and benefit retirement investors by allowing for more efficient implementation responsive to recent market developments?"

Yes, a delay in the January 1, 2018 applicability date of the provisions in the BIC Exemption, Principal Transactions Exemption and amendments to PTE 84-24 would reduce burdens on retirement plan services providers and benefit retirement plan investors by allowing for a more efficient implementation of the changes necessary and more time to respond to recent market developments.

The following are several issues we have experienced with respect to retirement plans which would be alleviated by a delay in the implementation date in order to allow the Department more time to craft a more workable version of the Regs:

1100 SW Sixth Avenue
Portland OR 97204
tel 503.248.2717 800.262.7111
fax 971.321.7998

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Clean Shares and T-Shares: As the Department noted, mutual fund companies are developing new share classes to help advisers comply with the Regs. T-Shares have a uniform price across all funds and Clean Shares have a uniform price without sales loads or 12b-1 fees. These additional share classes are likely to prove beneficial to retirement investors, but have created significant disruptions and burdens for recordkeepers, Plan Sponsors and retirement investors. Recordkeepers have already started the process to incorporate a substantial number of changes to their systems and disclosures for the new share class information. For example, so far this year Standard has been asked to update our systems for approximately 4,000 different mutual fund changes. Ultimately, recordkeepers need more time to update their systems, prepare participant disclosures and to make sure that retirement investors are properly notified of these changes. An additional delay of the applicability date would ease these burdens.

Service Disruptions: The Regs have created some unintended consequences that could negatively impact retirement investors. The Best Interest Contract (BIC) exemption requires that, if different compensation is paid to investment advisors, it must be based on neutral factors. The BIC requirement to standardize compensation by investment category has led many firms to implement "compensation bands". For example, on our group retirement plan platform, we have already been asked to implement compensation banding for several financial services firms, and we anticipate more compensation band requests between now and January 1, 2018.

The compensation banding is complex and difficult to administer, as each firm has a different set of bands and requirements. Additionally, often plan sponsor contracts must be amended to account for the pricing changes required by the banding, new fee disclosures must be mailed, and systems must be created to monitor and track the new compensation bands. An extension of the applicability date is needed to allow sufficient time for these changes to be implemented properly with as little disruption as possible to the services provided to retirement investors.

Limitation of Access to Retirement Plan Design Experts: Our affiliate, Standard Insurance Company, offers a group annuity platform product to retirement investors. Under the current PTE 84-24 exemption, licensed insurance agents often select this product as the investment vehicle for group retirement plans such as 401(k) plans. The Standard offers recordkeeping services to these plans, as well as investment advisory and management services through our affiliate StanCorp Investment Advisers, Inc., a registered investment adviser. We and our affiliates operate on a strictly level fee basis, meaning that no matter the investments selected and whether or not Standard Investment Advisers, Inc. provides investment advisory services, advisers as well as Standard and our affiliates only charge either a set asset-based charge or a flat fee.

When recommending our bundled group annuity platform, these insurance agents act, not as investment advisers, but rather as retirement plan services and design experts, helping the Plan Sponsor select the plan provisions, develop educational programs for plan participants and choose service providers that best meet the plan sponsor's needs. Prior to the Regs, these agents were not, nor did they hold themselves out to be, investment advisers.

However, under the new Regs, these insurance agents became investment advice fiduciaries simply by virtue of their recommendation of Standard's bundled retirement plan platform, which includes advisory services by our registered investment advisory affiliate. Currently those independent insurance agents utilize PTE 84-24 to disclose their set asset-based or flat fee commissions to plan sponsors. Indeed, even under new Regs, because their compensation is level they should be able to continue to service their plan sponsor clients under the long-standing level fee exemption, which is not changed by the Regs.

However, there is significant uncertainty surrounding independent plan design specialists due to the requirement in the BIC for a supervising financial institution, and the removal of group variable

annuities from PTE 84-24. We do not believe it was the Department's intention to prevent these plan design experts from providing services to their clients, or to create confusion regarding the long-standing level fee exemption. Yet that has been the result. We are aware of several agents who currently provide such services to plans who are strongly considering exiting the industry, leaving their plan sponsor clients without assistance with plan design and other related issues. Therefore, we strongly urge the Department to delay the Regs until a clear, concise and workable solution is provided for independent agents that will allow them to continue to service their clients without uncertainty. We believe that a modification of PTE 84-24 to include all group annuity platform products as well as a workable independent marketing organization exemption would be very beneficial to these advisers and to their plan sponsor and participant clients.

Conclusion:

In order to reduce the burdens on the financial services providers and benefit retirement investors, we request a delay of the applicability date for the BIC Exemption and PTE 84-24 to January 1, 2020, if not longer.

Thank you for the opportunity to provide additional information. Please feel free to contact us with any questions.

Sincerely,



Miriam Lohmann
Assistant Counsel
Phone: 971.321.8915
miriam.lohmann@standard.com



Kristen Solo
Senior Attorney
Phone: 971.321.8382
kristen.solo@standard.com