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Submitted Electronically – e-ORI@dol.gov and e-OED@dol.gov

Office of Regulations and Interpretations
Office of Exemption Determinations
Employee Benefits Security Administration
U.S. Department of Labor
200 Constitution Ave., NW
Washington, DC 20210

Re: Ensuring peace of mind and a secure retirement for all Americans

RIN 1210-AB32—Definition of the Term “Fiduciary;” Conflict of Interest Rule—Retirement Investment Advice

Ladies and Gentlemen:

AIG appreciates the opportunity to comment on the Department of Labor’s (DOL) Proposed Rule on Fiduciary Duty (the Proposal) and the efforts to modernize the Employee Retirement Income Security Act regulation, published on April 14, 2015. We have been supportive of many of the DOL’s initiatives in the past, and we applaud the DOL for the steps it has taken to encourage and advance retirement savings. It is essential that all Americans prepare for their retirement years.

AIG is a member and active participant in a number of industry trade associations and has helped prepare several comment letters by those organizations. Those comment letters, which we support, provide comprehensive and detailed analyses and critique of the Proposal. This letter focuses on the equally important policy considerations that we believe the DOL must consider to ensure that consumers have all the knowledge and tools necessary to actively plan for, save and ultimately enjoy their retirement.

AIG’s retirement businesses collectively serve millions of Americans. Through our products and advisory services, we help individuals plan and save for their retirement. We also work with a variety of organizations, such as school districts, hospitals and universities, to help their employees invest for their future. Because we provide support to our clients at every stage of retirement planning, **we offer a unique, relevant, and practical perspective** on the impact of the DOL’s Proposal.

Every American should have access to an income stream that will last throughout his or her lifetime. However, saving for retirement is especially difficult today. We are living longer than ever before and previously reliable sources of retirement income for life – such as defined benefit pensions – are becoming increasingly scarce. In the 60 years we have been serving American savers, the average number of years spent in retirement for someone exiting the work force at age 65 has increased by more than 55%. It is not surprising that **our nation’s retirement savings simply cannot keep up.** Americans deserve access to education, planning, advice and product solutions as they prepare for retirement.



To address this challenge, consumers need help. **One of the most important steps in planning for a secure retirement is holistic asset allocation, something the DOL itself recognizes as a fiduciary activity on the part of an advisor.** The needs of a 25-year-old just beginning to save are very different from the needs of a 58-year-old who is close to retirement but still supporting children through college or caring for an ill parent. The closer one is to retirement, the more relevant an individual's entire investment portfolio becomes to supporting retirement planning, including both qualified and non-qualified assets. But the Proposal applies only to qualified assets, establishing a standard of care for an advisor-client relationship based on the nature of the assets being invested. Yet when working with an advisor, planning for retirement, the nature of the assets is not relevant. Such a distinction could lead to incongruous results and greater investor confusion from multiple standards of care. The goal of the advisor-client relationship is to plan for a secure retirement, regardless of the type of account where the assets are held.

Retirement planning is not one-size-fits-all and requires access to a range of products and services. Based on industry research and our experience helping millions of Americans plan for their retirement, it is abundantly clear that retirement savers want the **peace of mind** that comes from knowing their financial advisor understands their individual needs and will provide advice that takes their unique circumstances into account.

AIG endeavors to provide that peace of mind to American retirees. Products such as annuities with lifetime income guarantees can be an important part of a retirement saver's portfolio, providing the security that comes with a steady stream of income. For example, consider Bob, a 62-year old who wishes to grow his retirement nest egg but also wants the security of knowing he will have a minimum guaranteed income in retirement, regardless of the performance of the equity markets. With a variable annuity as one part of his retirement plan, he has access to equity investments and a guaranteed minimum lifetime income without relinquishing control of his underlying assets. Because of the security offered through his annuity, he can stay the course during market fluctuations, as many did during the economic disruptions in 2008 and 2009, knowing that he will have retirement income no matter how his original investment performs or his life span.

The ability to offer ready access to products to retirees for whom guaranteed income is appropriate allows us to provide peace of mind to retirees. However, products offering lifetime income guarantees are also more complex, and as a result, require additional advisor training, education, and time to ensure clients have a full understanding of the benefits provided.

We share the DOL's goal of ensuring that financial advisors work in their clients' best interest, and we endeavor to put that goal into practice every day. But the Proposal creates a more complex and ambiguous environment for advisors, which we believe will lead to unintended consequences that are inconsistent with the DOL's goals. We are concerned that under the Proposal, Americans will only have access to a limited menu of products and services to meet their retirement needs. This is because the DOL Proposal will discourage advisors from recommending investments that may be more complex, whether due to the Proposal's emphasis on low-cost and level fees, or to the difficulty managing through the complexity and ambiguity of the proposed exemptions. We are concerned that the advisor community will by default gravitate instead to simple, low-cost products focusing only on accumulating assets for retirement, at the expense of the essential work with clients to plan for and address long-term retirement income needs. Products offering both accumulation and income features can be more complex but, as recognized by the Obama Administration, lifetime income options



provide certainty and can protect retirees against the risk of outliving their savings, offering greater peace of mind in retirement.

The Proposal's reliance on litigation as the 'regulatory' enforcement mechanism for individual retirement account holders, necessitated by the DOL's own lack of enforcement authority, is also challenging. Enforcement through litigation is rarely productive for consumers and will likely lead to inconsistent and contradictory results. It will also add to the cost of doing business, which may be passed along to the consumer, further eroding investment returns. These consequences are at odds with the DOL's and AIG's shared goals. Regulatory enforcement could be better accomplished through a coordinated and well-considered approach involving relevant state and federal regulators under the auspices of a lead regulator. Through such coordination, consumers will be better served and positioned to retire with dignity after decades of hard work.

We request that the DOL consider our comments in the spirit intended and move to an open and expanded study phase in which the regulatory framework can be thoroughly evaluated by an interdisciplinary panel of regulators. This type of collective approach will minimize costs, create a clear objective framework for product providers, advisors and consumers and ensure holistic, objective retirement planning and advice is available to as many American savers as possible.

We would appreciate the opportunity to discuss these issues in more detail and look forward to working with the DOL to achieve our common goal of helping hard working Americans maximize their savings, obtain personalized financial advice, and ensure a secure retirement that provides the peace of mind they deserve.

We thank you for the opportunity to comment on this very significant rulemaking and look forward to participating in the creation of a holistic solution that will most effectively serve the best interests of retirement savers.

Sincerely,

A handwritten signature in black ink, appearing to read "K Hogan", written in a cursive, stylized script.

Kevin Hogan
CEO, AIG Consumer