

American Century Investments  
Response to Department of Labor RFI

From: rita [abernethy@americancentury.com](mailto:abernethy@americancentury.com)  
Sent: Monday, February 12, 2007 1:50 PM  
To: e-OED  
Subject: Response to Department of Labor RFI

Attachments: Questions to Top 50 IRA trustees FINAL doc

Attached please find the American Century Investments response to the Department's RFI. Our responses can be found after each question and are in blue.

(See attached file: Questions to Top 50 IRA trustees FINAL doc)

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Thank you.  
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Request for Information

1. Are there computer model investment advice programs for the current year and preceding year that are, or may be, utilized to provide investment advice to beneficiaries of plans described in section 4975(e)(1)(B)-(F) (and so much of subparagraph (G) as relates to such subparagraphs) (hereinafter "IRA") of the Code which:

(a) Apply generally accepted investment theories that take into account the historic returns of different asset classes over defined periods of time;

(b) Utilize relevant information about the beneficiary, which may include age, life expectancy, retirement age, risk tolerance, other assets or sources of income, and preferences as to certain types of investments;

(c) Operate in a manner that is not biased in favor of investments offered by the fiduciary adviser or a person with a material affiliation or contractual relationship with the fiduciary adviser;

(d) Take into account the full range of investments, including equities and bonds, in determining the options for the investment portfolios of the beneficiary; and

(e) Allow the beneficiary, in directing the investment, sufficient flexibility in obtaining advice to evaluate and select investment options.

No, we do not have a computer model investment advice program that meets these criteria and we are not aware of any current models that do meet these criteria.

2. If currently available computer models do not satisfy all of the criteria described above, which criteria are presently not considered by such computer models?

While we don't maintain a model, we feel that(c) and (d) above are the most difficult criteria to meet.

Would it be possible to develop a model that satisfies all of the specified criteria?

We can't fully respond to this question because development of computer models is outside the scope of our business. See our answer to the following question for more information on the potential difficulties we would anticipate for anyone developing such a model.

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Which criteria would pose difficulties to developers and why?

The requirement to offer a "full range of investments" would be an onerous, if not impossible, task. What constitutes a "full range of investments"? The Department's Question #5 indicates that this would mean "virtually any investment" and the tax code itself permits IRAs to invest in virtually any investment (other than collectibles and life insurance), as well. So would a computer model need to include precious metals, real estate, limited partnerships? Would it include publicly and privately traded securities, bonds, etc.? We believe these issues would present great difficulty for any developer.

3. If there are any currently available computer model investment advice programs meeting the criteria described in Question 1 that may be utilized for providing investment advice to IRA beneficiaries, please provide a complete description of such programs and the extent to which they are available to IRA beneficiaries.

Not applicable.

4. With respect to any programs described in response to Question 3, do any of such programs permit the IRA beneficiary to invest IRA assets in virtually any investment? If not, what are the difficulties, if any, in creating such a model?

Not applicable.

5. If computer model investment advice programs are not currently available to IRA beneficiaries that permit the investment of IRA assets in virtually any investment, are there computer model investment advice programs currently available to IRA beneficiaries that, by design or operation, limit the investments modeled by the computer program to a subset of the investment universe?

Yes

If so, who is responsible for the development of such investment limitations and how are the limitations developed?

Limitations are subject to the discretion of both the developer and the IRA provider and can be further limited by the IRA beneficiary.

Is there any flexibility on the part of an IRA beneficiary to modify the computer model to take into account his or her preferences?

Yes, some programs do offer this flexibility, but we can't verify that all do.

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Are such computer model investment advice programs available to the beneficiaries of IRAs that are not maintained by the persons offering such programs?

We don't know of any.

6. If you offer a computer model investment advice program based on nonproprietary investment products, do you make the program available to investment accounts maintained by you on behalf of IRA beneficiaries?

We do not offer a computer model investment advice program which meets the criteria set forth in Question #1. We do, however, offer an automated advice program that was developed by an independent developer and takes into account nonproprietary investment products that are already held by the investor. This program is available to beneficiaries of IRA accounts.

7. What are the investment options considered by computer investment advice programs?

We can't respond to this question because the development of computer investment advice programs is outside the scope of our business. Our understanding, however, is that most computer investment advice programs are designed, maintained and supported by an entity whose business model centers on developing and supporting such product(s). The developing entity would determine the options available under its model, and the options might be further limited to those available through a particular IRA provider utilizing the product.

What information on such options is needed?

We can't respond to this question because the development of computer investment advice programs is outside the scope of our business. However, we would anticipate that the information needed would vary depending on the type of investment option.

How is the information obtained and made part of the programs?

We can't respond to this question because the development of computer investment advice programs is outside the scope of our business. However, we would anticipate that the information needed would vary depending on the type of investment option.

Is the information publicly available or available to IRA beneficiaries?

As noted above, we would anticipate that it would vary with the different investment options.

8. How should the Department or a third party evaluate a computer model investment advice program to determine whether a program

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satisfies the criteria described in Question 1 or any other similar criteria established to evaluate such programs?

The Department would need to take into consideration the needs of the investor but balance it with the practical limitations of the provider and the entity designing and developing the model investment advice program.

9. How do computer model investment advice programs present advice to IRA beneficiaries?

We assume it varies depending on the provider. Advice can be delivered by telephone, mail, facsimile, online or in person.

How do such programs allow beneficiaries to refine, amend or override provided advice?

We can't respond to this question because the development of computer investment advice programs is outside the scope of our business. However, we would anticipate that the ability to manipulate the advice criteria varies with each investment advice program. Some programs may allow manipulation while others may not.