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U.S. Department of Labor
Employee Benefits Security Administration
Public Disclosure Room
200 Constitution Avenue, NW, Suite N-1513
Washington, DC 20210

Dear Regulators,

I write this comment letter in response to my review of other comment letters submitted by the ICI, its member investment companies and other industry associations who also represent the primary interests of the financial industry powerhouses. I apologize for my late submission of my comments; however, I find that I can often better serve the Department by providing clarity to the motives behind other comments that were submitted.

I conclude the general consensus from the industry is to urge the Department to extend the compliance deadlines and not to adopt a single disclosure document requirement. In addition, I read that as to be expected, the industry does not want the rule to apply to stable value options, indirect service providers and guaranteed interest arrangements. I will say that this consensus put forth by the industry who will be most affected by this regulation is not at all surprising. The simple fact is, despite their public applause of your attention to these matters, they've made unimaginable profits from these arrangements since their creation and this regulation threatens the continued streams of those excessive hidden investment costs.

I urge the Department to review the application of this rule as it relates to indirect service providers. While commenters continue to attempt to persuade the Department that this information is not useful or meaningful to fiduciaries, generally doesn't apply to a specific plan or arrangement and impossible to gather and report accurately; these comments are nothing more than distractions from reality.

In some situations commenters used creative examples to demonstrate how ridiculous applying this rule to indirect providers would be. They sarcastically asked whether the compensation received by a cleaning service that is compensated by the income received by the investments or a copy service that provides services to the investment company is really meaningful information to the fiduciaries. We can all agree this information is entirely unnecessary. In other situations, which in my opinion are the very arrangements these commenters are trying to distract focus from with these sarcastic minimization techniques, this rule is very much so needed.

In a stable value fund for example which holds guaranteed interest contracts "GICs" issued by various insurance companies, many, many layers of fees and compensation exist. The service provider who issued the GIC earns a substantial management spread on the assets of their general account that reduces what is credited to the GIC. There are also significant trading costs/bond spreads that are received by brokers that result from the transactions of the general

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account. The 2008 catastrophes proved that investment vehicles held in insurance company general accounts can be much more complex than a portfolio of traditional fixed income securities. The underwriting, valuations and transactions relating to structured investment vehicles and other derivative securities also produce substantial and meaningful revenue streams to various indirect service providers. These revenue streams are received by these service providers at the direct expense of the participants' investment return.

Because these vehicles are investments in found in stable value funds, this substantial compensation stream greatly reduces the interest received by participants who invest in the fund. I find it impossible to conceive that this is not meaningful information when evaluating these products. If the Department does not require this information be divulged by indirect service providers, what is stopping the stable value fund company from reporting these revenue streams that it is in itself indirectly receiving? For example, when the stable value fund provider also has its own GICs buried in the fund. That would classify, very conveniently for the service provider, as an indirect service relationship. What will stop the fund companies from giving even further preference to their own company's GICs since this is revenue that will not have to be reported? Allowing yourself to be persuaded that this information is not meaningful takes away from the long running sincere efforts you have committed to this important regulation. Not to mention, only creates windows for abuse, the exact problem you are trying to prevent.

The stable value example that I have brought to your attention above is merely an example of one area of particular interest because I see that you have received many persuasive comments that minimize the need for detailed disclosure on stable value funds. While on the flip side, I don't see comments which effectively point out the self serving nature of deterring you away from stable value disclosure. In addition to my concerns about stable value fund disclosure stated above, I have also read comments from industry leaders which state that disclosing the management fee of the fund is unnecessary because many products credit a fixed rate per say. All I can say to this is, "Give me a break!" That is the same old argument these same companies have used for years when it comes to disclosing mutual fund costs. At the end of the day participants get the investment return net of costs so the costs are irrelevant. That argument was self serving and ridiculous then and it is nothing more than that now in the stable value context. The more the industry can get you to leave off of this regulation, the more opportunities for them to make money off the books after this goes into effect.

Appropriate disclosure regarding GICs or GIAs is especially important as well. It is not uncommon for a fund or insurance company in a competitive environment to reduce its fund fees (those that are visible to fiduciaries) down to a very low share class and then go back and reduce what will be credited to the GIC or GIA to make up the lost profits. This shell game is played all of the time during RFP responses and other competitive bidding situations. The fact is that participants are still paying the price for these arrangements and oftentimes a much higher price than they would pay if it was properly negotiated. Fiduciaries must receive this information in order to properly compare service providers and their products. Just like I have already stated above, GICs and other similar vehicles are complex and full of revenue opportunities, a serious dissection of these arrangements is necessary and meaningful.

There are countless other arrangements that are equally as important, all of which the industry does not want you to spend time reviewing, hence the continued collective effort to deter you away from applying this rule to indirect service providers. Another example of this is the valuation costs of the complex structured investment vehicles and other derivative securities which are held by investment funds. It is not uncommon for some of the biggest of investment houses to value their own securities, which requires paying an in-house team to do so and inflicts serious conflicts of interest which the SEC is already examining. In other instances, they pay substantial fees to "3rd party valuation companies" many of which are arguably bought and paid for by the industry to produce the valuations the fund managers' desire. This is yet another practice that is quickly coming to light through SEC and plaintiff investigation. The industry leaders have collectively funded "independent service companies" that perform a variety of indirect services to the

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investment vehicles and companies which manufacture them. For example, the securities lending intermediary that is entirely funded by the investment companies who use it. This particular arrangement is being questioned in securities lending related litigation all across the country right now. Failing to require indirect service provider disclosure is a disservice to this regulation and the plans the regulation is designed to inform. Allowing a single provider to disclose this information for the remaining indirect providers is acceptable as long as you explicitly require them to gather it from the indirect providers.

There are so many expenses deducted from these funds that in no way benefit the plan participants and in some cases are nothing more than costs to protect the fund company from the participants. Substantial membership contributions are made to the ICI which are deducted from the funds' assets for purposes of funding a lobbying organization to protect the fund companies from further regulation and scrutiny – while oftentimes ICI's key focus is minimizing the rights of participants. In the instances of litigation, where a fund manager or fund company has been found of wrongdoing, they defend this litigation using the assets of the fund. While a plan fiduciary theoretically cannot negotiate these fees, so arguably explicitly disclosing them as well as their purpose could be deemed unnecessary disclosure, making fiduciaries aware of these fees does create meaningful thought and dialogue. Knowledge of the fees and their purposes could affect a fiduciary decision to use a particular fund family or even the use of a mutual fund instead of a separately managed account, ETF vehicle, or collective investment fund. In my opinion, this level of disclosure is necessary to accomplish the Department's goal of helping fiduciaries properly evaluate investment vehicles available to retirement plans and make informed decisions about their selection. Would these fees also be deemed to be received by indirect service providers and therefore they would not have to be disclosed?

In regards to the concerns over a single document rule and the commenters suggestion that this is unfeasible, I think the Department should go back and review why we are going down this path. The service providers already deliver volumes of disclosure buried in multiple lengthy documents. Adding up all of the fees and figuring out the complicated sources and uses of such fees is already impossible for fiduciaries. Providing substantial additional disclosure buried in existing and additional documents only further contributes to the very problem this regulation is trying to rectify. Specific guidance as to a single document rule, which will undoubtedly be fairly lengthy, is imperative for this rule to accomplish what the Department has spent so much time and effort working towards. It does add initial administrative burden to the service providers, but that burden will be short lived as once systems are in place for gathering and reporting the data. The costs will eventually become minimal. The fact is this rule in itself is going to change the way service providers do business and report to do business, as it should.

This is going to cost them some money. They are more than willing to spend this money when they are creating a new product and then lobbying extensively to the Department for some sort of safe harbor and/or automatic inclusion into plans so they can selfishly get the product to market and gather substantial assets faster. Now, they are going to have to spend a little money to stay in the retirement plan business, it's the price they pay to get access to these assets. I don't believe the Department should concern itself with the burdens imposed on the service providers as they have reaped the rewards of insufficient complicated disclosure rules for a long time. I urge you to not allow yourself to be convinced this is in any way impossible or unreasonable. It can be done, as our firm consolidates this information into single reports all of the time.

I do not believe the time extension for compliance as has been repeatedly requested by other commenters should be your concern either. The fact remains, that this is nothing new we've been discussing this regulation for a couple years now. The industry has been preparing for its finalization and should have prepared better. If you were all of a sudden blessing that Lifetime Income options be a mandatory inclusion with mandatory usage in these plans, they could comply with that within a week. Why? Because it makes them money, that's why they are lobbying so hard to convince you that is the right thing to do. Now that something isn't making them money, compliance becomes impossible. The service providers need to stop whining and

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“Suck it up – it’s a cost of doing business!” What you are requiring is not impossible. If they do not have the staff to make the system changes necessary to meet the deadlines, then they could hire more. This initiative could create new jobs which would also be good for our current economy and unemployment situation.

I wish you all well as you continue down this path as scheduled and look forward to seeing this much needed regulation finalized and enforced.

Respectfully submitted by,

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Managing Partner
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