Prudential

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Office of Regulations and Interpretations
Employee Benefits Security Administration
Room N-5655
U.S. Department of Labor
Washington, DC 20210

Attention: **Pension Benefit Statement Project** (RIN 1210-AB20)

Ladies and Gentlemen:

Prudential Financial, Inc. ("Prudential") commends the Department's efforts to encourage plan participants to think about their retirement savings as a lifetime income stream and appreciates the opportunity to share its insights and views on the subject Advanced Notice of Proposed Rulemaking (78 FR 26727, May 8, 2013).

Prudential has been an insurance leader for 135 years. Our Retirement segment, which offers retirement plan solutions for public, private and non-profit organizations, manages $299 billion in retirement account values, as of March 31, 2013, for more than 3.6 million plan participants and annuitants. We believe our experience in designing and delivering guaranteed lifetime-income products – both within and outside of qualified retirement programs – provides a perspective that is relevant to the issues you are seeking to address.

While we believe lifetime income illustrations represent an important tool in assisting participants in assessing their retirement readiness, we are concerned that far too few of today's participants have access to guaranteed lifetime income options in their retirement plan to achieve what will be illustrated. Few of today's workers are able to manage investment and longevity risks in retirement on their own. With an estimated 10,000 Americans reaching retirement age every day, we encourage the Department of Labor to take steps to remove impediments to plan sponsors offering both guaranteed lifetime income solutions as part of their plan design and programs and materials designed to prepare plan participants for retirement. In this regard, we believe modifying the safe harbor applicable to the selection of annuity issuers (29 CFR § 2550.404a-4) to provide clarity and certainty for plan fiduciaries and expanding Interpretive Bulletin 96-1 (29 CFR § 2509.96-1) to encompass retirement-related programs and materials are a necessary complement to your lifetime income illustration initiative.

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We welcome the opportunity to work with the Department on these initiatives and hope the attached comments are of assistance to you.

Sincerely,

Christine C. Marcks

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cc: Phyllis C. Borzi, Assistant Secretary, Employee Benefit Security Administration
Alan D. Lebowitz, Deputy Assistant Secretary, EBSA
John J. Canary, Director of Regulations & Interpretations, EBSA
Jeffrey J. Turner, Deputy Director of Regulations & Interpretations, EBSA
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COMMENTS OF PRUDENTIAL FINANCIAL, INC
PENSION BENEFIT STATEMENT PROJECT / RIN 1210-AB20
(78 FR 26727, MAY 8, 2013)

Introduction and Summary

In general, Prudential strongly believes that all participants in defined contribution plans can benefit from an illustration of their individual account balance in the form of a guaranteed lifetime stream of income. Such information, in our view, is critical to a participant's understanding of his or her retirement needs and readiness. Accordingly, we encourage the Department to exercise its authority to encourage and promote the disclosure of lifetime income illustrations to plan participants, taking into account the systems and best practices developed to date with regard to such lifetime income calculations and the need for regulatory flexibility to ensure future improvement and innovation.[1]

As discussed more fully below, Prudential is recommending:

- Any requirement for a benefit statement illustration should be limited to a single illustration. Requiring up to four different income illustrations plus projected account balances greatly increases the likelihood of confusion and misunderstanding among participants without advancing the Department's objective of helping "change the perception of retirement savings from simply a savings account to a vehicle for income replacement during retirement."

- The single lifetime income illustration should be based on the current account balance. In the interest of avoiding overly complex disclosures and increased costs, benefit statements should not be required to include projections of account balances or calculations of joint and survivor benefits, both of which involve speculation of future events.

- If the Department believes the use of projections should be encouraged by regulation, the Department should consider encouraging placement of a website link on the statement to the plan provider's online calculator or, in the absence of such, to the Department of Labor's online lifetime income calculator. The Department also might consider encouraging placement of the Social Security online estimator on the statement in an effort to afford participants the opportunity to assess their retirement picture more fully.

- Lifetime income illustrations should inform participants of their financial readiness for the entirety of their retired lives and as such should reflect a methodology that guarantees a stream of income for the lifetime of the participant. The proposed single life annuity is one way to achieve this objective.

- Plans with guaranteed lifetime income products should be permitted, not required, to use the assumptions underlying those products and, in the case of in-plan solutions, permitted to apply those assumptions to all plan participants, not merely those having elected such form of benefit.

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[1] Prudential expresses no view as to whether the Department of Labor has the authority under section 105 or any other section to impose such a disclosure requirement on defined contribution plans. We do acknowledge, and have supported, legislative efforts to amend section 105 to vest the Department with such authority. *See* H.R. 2171, introduced on May 23, 2013 by Congressman Holt, Petri, Kind and Reichert, titled the "Lifetime Income Disclosure Act "and its companion bill introduced on June 12, 2013 in the Senate (S.1145) by Senators Isakson, Murphy, Warren, Scott, and Nelson.

- If participants using an online calculator define their own assumptions for purposes of calculating a lifetime income stream, plans should be permitted to use the online calculator information in lieu of the plan's otherwise standard assumptions for purposes of setting forth a lifetime income stream for those participants.

- Any regulatory safe harbor should be based on general principles, similar to Interpretive Bulletin 96-1, and should not require use of specific assumptions or methodologies that, in all likelihood, will limit flexibility, stifle innovation, and discourage use of better tools.

- Any requirement to include an illustration on a benefit statement should be framed as required "at least annually," and not quarterly; thereby providing plans with the flexibility to determine, taking into account participant interests and costs, the timing of the disclosures most appropriate for their plan.

- The Department should affirmatively encourage the use of electronic disclosure for purposes of providing pension benefit statement information, including lifetime income illustrations, consistent with Field Assistance Bulletin 2006-03, which has successfully accommodated both plan sponsors and plan participants for over six years.

A. Current and Projected Account Balances

Limit illustration to current account balance

In brief, the ANPRM would require each benefit statement to set forth, at a minimum (and assuming the participant has not reached normal retirement age), four items of information: 1) the participant's current account balance; 2) the current account balance as a monthly lifetime income stream beginning at normal retirement age, in the form of a single life annuity; 3) a projected account balance, taking into account additional contributions and investment returns to normal retirement age; and 4) the projected account balance as a monthly lifetime income stream. If the participant is married, the ANPRM would further require calculations assuming a joint and survivor benefit, reflecting both the participant's and the spouse's monthly benefits under both the current and the projected account balance, an additional four disclosure items.[2] These items would be further supplemented by the disclosures required to accompany the illustrations by relating to underlying assumptions on which the required illustrations are based.[3]

Prudential believes that the framing of any new required disclosure regime must be guided by the need for clarity and simplicity. Today's retirement plan participants already face significant challenges in assimilating the large volume of complex information – including the pension benefit statement – currently required to be furnished to them by statute and regulation.[4] However well intentioned such disclosures may be, their value is determined solely by their likelihood of being read and understood. We are concerned that the well intended purpose of the disclosure framework contained in the ANPRM,

[2] Paragraphs (c)(2), (d) and (e) of § 2520.105-1.
[3] Paragraph (c)(6) of § 2520.105-1.
[4] See 2009 ERISA Advisory Council Report entitled *Promoting Retirement Literacy and Security by Streamlining Disclosures to Participants and Beneficiaries.* http://www.dol.gov/ebsa/publications/2009ACreport2.html

as well as the value of the pension benefit statement generally, may be undermined by the complexity of the required illustrations and explanations. For this and other reasons, discussed below, Prudential recommends that any required disclosures be limited to a single illustration.

Specifically, we are concerned that the four illustrations and accompanying explanations contemplated by the ANPRM will overwhelm far too many participants. Even understanding a single illustration, with accompanying explanations and caveats, may be challenging for some participants. Any regulatory framework designed to encourage participants to think about their account balances as a lifetime income stream must, in our view, not discourage participants from reading the benefit statement or any illustration included as a part thereof. Our experience has shown that the larger the document and the more complex the information, however useful or important such information might be perceived to be to participants, the greater the likelihood the document will not be reviewed at all or acted upon.[5] We believe a single illustration can more effectively accomplish the Department's and Prudential's mutual goal of assisting participants to think differently about their individual account balances.

As recognized by the Department, there is a divergence of views, based on the Lifetime Income RFI comments, as to whether projections should be required as part of a benefit statement disclosure. As also recognized by the Department, a growing number of plans currently provide access to lifetime income planning tools or retirement calculators, in the absence of any statutory or regulatory mandate. Given these recognitions, as well as the acknowledgement that "[r]esearch suggests that a small change in information presented on a benefit statement can have a significant impact on savings behavior,"[6] and the likelihood of increased participant confusion and plan costs resulting from the ANPRM's mandated projections and disclosures, we strongly support limiting any required illustration to those based on the current account balance.

We believe use of the current account balance for illustration purposes represents both an effective and practical first step to reframing how participants view their retirement savings. Such principles may have guided the decisions of the Federal Thrift Savings Plan (TSP), the largest defined contribution plan in the United States, in opting to limit its illustrations to participants' current account balances. We believe this approach has worked to encourage savings in the TSP and, accordingly, is an appropriate starting place for any mandate on private-sector plans.

Prudential believes that tools for projecting individual account balances and monthly income streams can and do result in meaningful increases in retirement savings.[7] However, we also believe that affording participants access to and encouraging utilization of such tools is very different from mandating the inclusion of such information on a pension benefit statement. First, online tools afford participants the flexibility to input assumptions and information relevant to their particular financial situation, including wage increases, investment profile and other pension plan benefits.

Second, while we recognize that not all participants will access online tools, we are concerned that an overly long and overly complex pension benefit statement may further discourage participants from reviewing this important information. In particular, we are concerned that any required projections will necessarily be accompanied by lengthy, detailed explanations of the underlying assumptions;

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[5] See Plan Sponsor Council of America *Fee Disclosure Snapshot Survey Results*, http:/www.psca.org/uploads/Research/fees/Fee_Disclosure_Snapshot_Results_FINAL.pdf.5

[6] See footnote 5 of the ANPRM, at 78 FR 26729.

[7] Prudential's research has shown that, when a participant utilizes our Retirement Income Calculator and an income shortfall is projected, twenty percent of the participants on average save an additional five percent of their pay.

explanations that are designed both to ensure compliance and reduce litigation risk, without regard to any model language that the Department might develop. The resulting lack of simplicity and clarity will be further exacerbated by the additional explanations and assumptions attendant to any required joint and survivor calculations.

Lastly, we are concerned that, without regard to the basis for the Department's assumptions and methodologies, many participants may be lulled into a false sense of security by virtue of receiving projection illustrations based on such assumptions. For example, many participants may not experience a three percent wage increase over their working lives. Employer sponsors may, for any number of reasons, determine to freeze or discontinue their savings plans. Online calculators, as noted, enable participants to factor in their personal and working situation, including the likelihood of wage increases, investment gains and other variables.

Encourage Access to Projection Tools

As noted, Prudential fully supports participant access to and utilization of online and other tools that enable the projection of account balances, assuming additional contributions and earnings, as well as other information pertinent to the participant's personal financial situation. If the Department, following consideration of the behavioral research, empirical cost data, and comments of the ANPRM, is persuaded that projected account balance information should be available on pension benefit statements, we strongly encourage that, rather than requiring actual projections and explanations of underlying assumptions on the pension benefit statement itself, the Department consider encouraging the addition of a website link on the statement that will afford participants ready access to an online retirement calculator, accompanied by a brief statement encouraging participants to further supplement the provided current account balance illustration with a projection reflecting additional contributions and earnings.

Such an approach will keep the illustration portion of the pension benefit statement clear and simple, while avoiding any significant cost increases. Such an approach also ensures participants benefit from continuing developments and innovations with respect to online retirement calculators and other tools. With regard to any such provision, we strongly recommend that the Department encourage use of the plan provider's online calculator or, in the absence of such, the Department's own online lifetime income calculator. The Department also might consider encouraging placement of the Social Security online retirement estimator on the statement in an effort to afford participants the opportunity to assess their retirement picture more fully (http://www.ssa.gov/estimator/).

B. Calculating Lifetime Income Streams

Plans with guaranteed lifetime income products (§ 2520.105-1(e)(3)) – Plans with guaranteed lifetime income products should be permitted, not required, to use the assumptions related to those products. In the case of in-plan solutions, plan should be permitted to apply those assumptions to all plan participants, not merely those having elected such form of benefit. Since plans with in-plan solutions likely already provide their participants information and illustrations relevant to those solutions, requiring further illustrations based upon a completely different set of assumptions is likely to greatly increase the chances of participant confusion and misunderstanding.

Projecting to "normal retirement age" (§ 2520.105-1(e)(4)) – Pursuant to the projections required by the ANPRM, participants shall be assumed to have reached "normal retirement age" (within the meaning of section 3(24) of ERISA); unless the participant is older, in which case actual age is to be used. In general, Prudential supports using a plan's normal retirement age for purposes of such calculations. However, in the absence of a specified normal retirement age in the plan, we believe plans should be permitted to use a fixed age – age 65. This approach, in our view, encompasses what most participants view as retirement age, while affording simple, less costly calculations and explanations of lifetime income streams.

Permit plans with online calculators to include participant-influenced data into benefit statement illustration – When a participant accesses Prudential's Retirement Income Calculator (RIC), the information and assumptions entered by the participant, in terms of wage increases, expected returns, etc., is carried over and serves as the basis for calculating the participant's lifetime income stream disclosed on the pension benefit statement. We encourage the Department to permit plans to use information and assumptions entered by an individual participant to be used as the basis for calculating that individual participant's lifetime income illustration on a pension benefit statement.[8]

ANPRM Safe Harbors (§ 2520.105-1(d)(2) and (§ 2520.105-1(e)(2)(ii))

While, as a general matter, regulatory safe harbors can be useful in providing a degree of compliance certainty to regulatory requirements, we have a number of concerns with respect to the safe harbors provided in the ANPRM.

First, while the Department emphasizes the voluntary nature of the proposed safe harbors, the significant financial risk to plan sponsors presented by possible non-compliance with the Department's requirements – personal liability of up to $100 a day for each participant[9] – will, we believe, drive many plan sponsors to ensure any provided illustrations comport with the very specific safe harbor requirements of the ANPRM and, thereby, undermine the Department's intended preservation of current best practices and continuing development and innovation in the marketplace.[10]

Second, we are concerned, given the challenges inherent in adopting regulatory changes generally, that adoption of specific assumptions, however reasonable they might have appeared on the date of adoption, will hinder the ability of both regulators and the regulated community to provide more meaningful disclosure using assumptions that reflect new and better data.

Third, while the proposed safe harbors address the use of specific assumptions, they do not cover the disclosure of the assumptions. This gap leaves plan sponsors vulnerable to regulatory enforcement and legal actions that challenge the disclosures as unclear and inadequate. If the Department further proposes a safe harbor along the lines set forth in the ANRPM, we encourage the Department to include

[8] The concept is very similar to the principle encompassed in the Department's investment advice regulation, at 29 CFR § 2550.408g-1(b)(3)(i)(B) and (b)(4)(i)(D), in which investment advice under the statutory exemption, whether provided on a fee-leveling basis or using a computer model, is required to take into account – to the extent provided – information pertinent to the individual participant, such as retirement age, risk tolerance, investment preferences, etc. If investment advice should be taking into account such participant information, so should, in our view, the lifetime income stream illustration generated by such investments.
[9] ERISA section 502(c)(1)(A).
[10] Footnote 8, 78 FR 26731.

model language that would be deemed to satisfy the requirement for an explanation of the assumptions in a manner to be understood by the average plan participant.

Fourth, and most importantly, the safe harbors do not address and provide no relief to plan sponsors from participant litigation that asserts the illustration to be the promise of a specific benefit payable at normal retirement age. While the Department proposes to require a disclosure of a statement indicating that the required illustrations are "illustrations only and that actual monthly benefits … may vary from the illustrations in the benefit statement," the Department nowhere states its view that the inclusion of such language is sufficient to inform plan participants that the illustration does not itself establish any claim or right to a benefit under the plan. We urge the Department to include such (or similar) definitive language in the text of the regulation. At a minimum, such language could provide the plan sponsor with an affirmative defense to a lawsuit brought by a participant (or other party) seeking to enforce the benefit "right" perceived to have been created by the required lifetime income illustration.

Alternative Proposal for a Fiduciary Safe Harbor

We agree with the Department that a safe harbor, properly framed, can be a valuable tool for plan sponsors. In this regard, we believe that, building on concepts already adopted by the Department, most of the challenges and complexities identified above, and by the Department itself in the development of its safe harbors, can be avoided, while at the same time offering plan sponsors the compliance certainty necessary to encouraging the use of illustrations. In this regard, Prudential proposes that the Department adopt a safe harbor/interpretive position modeled after Interpretive Bulletin 96-1,[11] which has served both participants and plan sponsors well for over 17 years in encouraging and promoting the furnishing of investment education to plan participants.

Specifically, Prudential recommends that the Department provide, by regulation, that the furnishing of a lifetime income illustration constitutes the provision of educational information and is not a fiduciary act that, in and of itself, gives rise to personal or fiduciary liability, or any claim or right to benefits under the plan, when the illustration: 1) takes into account "generally accepted investment theories" and "generally accepted actuarial principles;" 2) includes, or provides access to,[12] any assumptions on which the illustration is based; and 3) is accompanied by a statement that the lifetime income illustration is merely an illustration and that actual monthly payments that may be received will depend on numerous factors and may vary from the illustrations.[13] The foregoing is premised on standards that the Department has recognized as protective in other contexts, as well as in the ANPRM itself for illustration purposes.[14]

Prudential believes that, similar to the fiduciary issues that surrounded the furnishing of investment education, the foregoing approach will address most fiduciary concerns attendant to the furnishing of lifetime income illustrations. We also believe such an approach avoids issues and concerns that might arise in the context of continued use of currently available online and other retirement readiness tools if

[11] 29 CFR § 2509.96-1, June 11, 1996.

[12] This clause is intended to avoid the need to place assumptions in close proximity or on the same document as the illustration. Explanations of underlying assumptions can be lengthy and complex (despite best efforts to simplify) and, therefore, may be a distraction for some participants. We believe making assumptions available via a separate document or online should be sufficient to ensure interested participants have the ability to review, without overwhelming all participants to whom illustrations are furnished.

[13] See paragraph (c)(6)(iii) of the subject ANPRM.

[14] See 29 CFR § 2509.96-1(d)(3)(i) and (4)(i), 29 CFR § 255.408g-2(b)(3)(i) and (4)(i)(A), and paragraph (d)(1) of the subject ANPRM.

specific government standards for illustrations are established by regulation, whether framed as a safe harbor or otherwise. Lastly, we believe this approach preserves and encourages continued flexibility and innovation in the marketplace, consistent with the Department's stated intention.

C. Methodology for Converting Account Balances into Lifetime Income Streams

Joint and survivor calculations – It is important to note that very few defined contribution plans offer distributions in the form of joint and survivor benefits and, when such options are available, very few participants are electing benefits in an annuitized form. While we are very supportive of efforts to change participant attitudes in this regard, we believe it is more appropriate to do so by expanding the availability of annuity options in plans and encouraging educational programs, not by adding additional information and complexity to the pension benefit statement.

Again, we believe it is important to keep the pension statement as clear, simple and understandable as possible, being sensitive to the fact that overloading the statement with information, potentially relevant to few participants, will discourage many participants from reviewing their statement even briefly. It also is important to remain cognizant of the fact that pension benefit statements are not the only source for illustrations of joint and survivor, or other benefit, calculations and illustrations. Prudential recommends that the inclusion of joint and survivor illustrations be permitted, not required, on the pension benefit statement.

Disclosure of assumptions (2520.105-1(c)(6)(i) and (ii) – Prudential agrees that all material assumptions relating to an illustration should be disclosed – or available to – plan participants. While reviewing and understanding the assumptions on which illustrations are based should be important to all participants, we believe, based on our own participant communication efforts and assessments to date, that few participants read all the plan-related information they should. For this reason, we are concerned that the required disclosure of the assumptions on the pension benefit statement may result in an information overload and discourage, rather than encourage, comprehensive reviews by participants of the benefit statement information. In an effort to encourage both clarity and simplicity in the presentation of benefit statement information, Prudential recommends that the Department permit explanations of assumptions to be furnished separately or made available on a website, if a link to such explanations is provided as part of the statement.

"Illustration" statement (2520.105-1(c)(6)(iii)) – In general, Prudential believes the statement in paragraph (c)(6)(iii) serves to put participants on notice as to the nature of the illustration. However, as noted above, we believe that the Department should further set forth in the regulation that the furnishing of an illustration as part of a benefit statement or otherwise, when accompanied by such a statement, is the furnishing of educational material and not a fiduciary act giving rise to liability of plan fiduciaries, personal or otherwise, or any right or claim to benefits under the plan based solely on the illustration.

Frequency of disclosure – The ANPRM would require the furnishing of an illustration on each quarterly pension benefit statement. It is unclear whether the costs or benefits attendant to a quarterly disclosure outweigh in any significant way the costs or benefits of an annual illustration disclosure. Given this uncertainty, Prudential recommends that plans be afforded the flexibility to determine the frequency of disclosure most beneficial to their participants, taking into account the actual cost and potential benefits. We believe this recommendation is best accomplished through a requirement that provides for the disclosure of illustrations "at least annually."

FINRA guidance - As previously noted, the ANPRM would require benefit statements to show 1) the current account balance as a monthly lifetime income stream beginning at normal retirement age, in the form of a single life annuity; 2) a projected account balance, taking into account additional contributions and investment returns to normal retirement age; and 3) the projected account balance as a monthly lifetime income stream. If such a benefit statement is viewed as a communication with the public under Financial Industry Regulatory Authority ("FINRA") rules, it is possible that provision of the lifetime income projections could cause the benefit statement to run afoul of the general prohibition on predictions and performance projections in FINRA Rule 2210(d)(1)(F). We urge the Department to obtain FINRA guidance that will ensure that compliance with the Department's benefit statement requirements will not result in a FINRA violation. While we recognize that the Department has jurisdiction over only ERISA plans, we urge the Department to seek FINRA guidance also with respect to non-ERISA plans that elect to follow the Department's disclosure framework for lifetime income illustrations. Also, we would encourage FINRA to coordinate with the SEC, to the extent that relief may be needed from SEC rules, such as Rule 482 under the Securities Act of 1933. In support of our request, we note that both the SEC staff and FINRA have permitted pay-in/pay-out annuity illustrations that project future values, and thus have some similarity to the Department's current proposal.[15]

In-plan annuities – In the ANPRM, the Department solicits comments on how to factor in-plan annuity arrangements, sometimes called "incremental" or "accumulating" annuities, into lifetime income illustrations for participants in plans that offer such arrangements. The Department offers three options for incorporating in-plan annuity values in illustrations but also welcomes others. The three options include: 1) including the market value of in-plan annuity units previously purchased by a participant in the current account balance; 2) including the monthly payment amount derived from annuity units previously purchased by the participant in the current account balance expressed as a lifetime income stream; and 3) converting the entire current account balance (irrespective of whether the participant has purchased annuity units) into a lifetime income stream. All values, presumably, will be expressed based upon the terms of the arrangement then offered under the plan.

As has been previously communicated to the Department, in responses and hearings related to the RFI regarding lifetime income, Prudential urges the Department to recognize a new generation of guaranteed lifetime income solutions is available to defined contribution plan participants that are not annuities, including but not limited to, guaranteed minimum withdrawal benefit products. These solutions provide benefits not offered through more traditional annuity products, including leaving participants in control of their assets at all times and allowing participants to remain invested in equity markets.[16] Because these solutions offer explicit guarantees of lifetime income, and they provide the longevity risk protections of annuities, participants in plans that offer such solutions would be disserved if the Department did not allow them to be shown in lifetime income illustrations in a manner similar to in-plan annuities. Prudential urges the Department to encourage product innovation by including other guaranteed lifetime income solutions for participants in plans that offer such products, in addition to in-plan annuities, in lifetime income illustrations. The calculation of the income amount should follow the same guiding principles outlined by the Department earlier in the ANPRM – translating the account

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[15] See T. Rowe Price Investment Services, Inc. (September 8, 1995)

[16] See Prudential Financial, Inc.'s submission to the 2010 Request for Information on Lifetime Income - http://www.dol.gov/ebsa/pdf/1210-AB33-663.pdf, and written testimony submitted for purposes of the related public hearing - http://www.dol.gov/ebsa/pdf/Prudential091510.pdf

balance into the amount of income the solution would provide at the plan's normal retirement age, or other age as specified by the final regulation.

In factoring the variety of market available lifetime income solutions into the lifetime income illustrations of plans that offer them, Prudential suggests that the Department follow the third option mentioned in the ANPRM by converting the entire current account balance (irrespective of whether the participant has invested in the product) into a lifetime income stream using the terms of the specific product. This will provide participants with a graphic view of the retirement security that they actually could achieve by learning about and investing in group investment products actually available to them under the plan. If a plan offers more than one lifetime income solution, the Department should, for purposes of simplicity and costs, allow the plan to include a single lifetime income solution in the illustration.

D. Manner of furnishing

While the Department does not specifically invite comments on the manner of furnishing lifetime income illustrations or the pension benefit statements themselves, the Department does recognize that there are many useful online, electronic-based disclosure tools for assisting participants in analyzing their financial situation and retirement readiness. We believe the Department recognizes that it would be virtually impossible to provide every participant and beneficiary the information they need to prepare for retirement in paper form; and, even if possible, the resulting flood of paper would not and could not be managed by most participants.

The use of electronic media is not only an efficient and effective means by which to furnish participants and beneficiaries the information they need, but it also enables participants and beneficiaries to easily screen and manage the vast amount of information they are required to be provided. For that reason, we feel obliged to take this opportunity to encourage the Department to incorporate the electronic disclosure standards of Field Assistance Bulletin (FAB) 2006-03 into the benefit statement regulation. While we understand that some participants prefer paper to electronic disclosures, the fact is that FAB 2006-03 has successfully accommodated both the needs of plan participants and plan sponsors for over six years, without any indication that the standards are not adequately protective of participants or beneficiaries who prefer disclosures in paper form. We are also unaware of any identified problems with the earlier, and more flexible, electronic disclosure standards adopted by the Department of the Treasury and Internal Revenue Service (29 CFR § 1.401(a)-21). With the Federal government becoming increasingly reliant on electronic disclosure for its employees and retirees, we encourage the Department to similarly move forward by amending the current electronic safe harbor rules (29 CFR § 2520.104b-1(c)) to comport with FAB 2006-03.

Conclusion

In closing, Prudential commends the Department for publishing the subject Advance Notice of Proposed Rulemaking. By encouraging and promoting the furnishing of lifetime income disclosures to pension plan participants, this notice is a first step toward helping Americans reframe defined contribution plan balances as retirement income sources rather than solely as accumulation vehicles. We look forward to working with the Department on these and other issues critical to today's workers. Please do not hesitate to contact us regarding any questions you may have concerning the issues addressed herein.