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MetLife

February 5, 2007

Ivan L. Strasfeld
Director
Office of Exemption Determinations
Employee Benefits Security Administration
U. S. Department of Labor
200 Constitution Avenue N.W.
Washington, DC 20210

Re: Response to Department of Labor Request for Information Regarding Utilization of Computer Models to Provide Investment Advice to IRAs

Dear Mr. Strasfeld:

I am responding to the letter dated December 13, 2006, that you sent to Robert Henrikson, President and Chief Executive Officer of MetLife Inc., ("MetLife"). Pursuant to the Pension Protection Act, which directs the Secretary of Labor to solicit information as to the feasibility of the application of computer model investment advice programs for IRAs from the top 50 trustees of IRAs, MetLife has been identified as one of the top 50 trustees of IRAs. MetLife, through its affiliates, provides insurance and other financial services in the United States and internationally. MetLife is a leading provider of retirement solutions and Individual Retirement Annuities and currently, MetLife has almost 800,000 IRA customers, with approximately $41.6 billion in assets under management.

MetLife appreciates this opportunity to respond to the Department of Labor ("DOL") Request for Information regarding the experience of financial institutions that use a computer model to provide investment advice to participants and beneficiaries of IRAs. The following are MetLife's responses to the specifically enumerated questions set forth in your Request.

<u>DOL Questions & Answers</u>

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 IRA's 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.

Answer (1):
Yes. Through its affiliates, MetLife offers various investment products, which may be used to fund IRAs, including variable annuities and retail brokerage accounts. In connection with these investment products, MetLife offers investment advice programs to its customers, including IRA customers that are based upon computer models developed by unaffiliated third party vendors. These programs are described in more detail in our response to questions 3 and 6 below. Generally, they are intended to assist the investor in allocating his or her investment assets to meet their investment objectives, based upon such factors as risk tolerance and time horizon for when the funds are likely to be needed. Typically, the customer completes a questionnaire developed by the third party vendor, which solicits data designed to determine the customer's risk tolerance, time horizon, and investment objectives. Based upon that data, the model makes recommendations as to asset class (fixed vs. equity), investment style (diversification among various investment options within an asset class, e.g., small-cap equities, mid-cap equities, etc.), and, in some cases, the actual investment options the customer should use to implement the recommended allocation.

(a) Yes. The computer models MetLife offers, which are developed by unaffiliated third parties, generally utilize risk, return, and correlation assumptions based on generally accepted investment theories that take into account the historical returns of different asset classes.

(b) Yes. Although the data collected varies, the unaffiliated third party computer models utilize relevant risk and demographic information about the customer. Typically, the computer model risk tolerance questionnaire asks the customer to provide information that the third party vendor has determined is relevant to the investor's investment time horizon and outlook regarding inflation, market volatility, personal debt level, and general financial outlook in order to determine an appropriate risk tolerance. That risk tolerance is then used by the computer model to recommend an appropriate asset allocation and, in some cases, an appropriate investment option to implement that allocation. While the information obtained may not include all of the items specified in item (b), the ultimate objective is the same-to assist the customer in developing an appropriate investment strategy based upon his or her investment objectives and financial circumstances, including retirement. These programs have been developed by companies with expertise in providing this type of advice, based upon years of research and analysis. The fact that different vendors use somewhat different data demonstrates that there is no one formulation that is better suited to this purpose than another. Accordingly, MetLife does not believe that its customers' interests would be better served by mandating the factors that the vendors must include in a computer model made available to IRA customers.

(c) Neither the third party vendors that MetLife uses to offer the computer model investment advice programs, nor their affiliates, offer the underlying investments or receive any differential compensation based upon the recommended investment option selected by the customer. Moreover, while an affiliate of MetLife advises certain mutual funds offered in the sub-accounts in the variable annuities issued by its insurance company affiliates, as is set forth in more detail in response to question 3 below, the investment options recommended, based upon the computer model, are selected in consultation with the third party advisor to provide an appropriate mix of investments to match the customer's risk tolerance based upon the questionnaire. Additionally, the customer generally is free to reject the computer model investment advice and invest in any of the mutual fund investment options available in the annuity. Finally, MetLife affiliates do not advise any of the retail mutual funds available in the brokerage accounts offered by its affiliated broker dealers for which computer model investment advice is offered.

(d) It is unclear what is meant by "the full range of investments." The computer models available through MetLife affiliates do consider both fixed income and equity securities investments in providing advice to the customer. For example, the variable annuity sub-accounts, which are generally selected for long term investment objectives, such as retirement, generally include a diverse selection of fixed income and equity securities mutual fund investment options. Therefore, we believe that, in this sense, the computer models consider a "full range of investments." However, by definition, the computer model investment advice is intended to assist the customer in choosing a more select portfolio of investment options designed to meet his or her investment objectives, based upon risk tolerance and investment objective. The concept is that different types of securities have lesser or greater risk associated with them. The objective of a computer model is to assist the customer in determining an appropriate mix of the available investment options most suited to his or her risk tolerance. For example, it would not be appropriate for a person classified with a "moderate" risk tolerance to be as heavily invested in equity growth stocks as a person who is classified as "high risk." Because the purpose of the computer investment advice programs is to help the customer narrow the universe of investment options, it would appear to be counterproductive to require that the program base its advice to a particular customer on "the full range of investments."

(e) As is set forth in more detail in the responses to questions 3 and 6 below, the computer models available through MetLife Affiliates vary with respect to the customer's ability to select his or her own preferred investments to implement the advice. For example, certain programs available with MetLife's variable annuities recommend an asset allocation fund, but allow the investor to choose from any available investment options in the annuity contract. On the other hand, some programs actually specify the mutual fund or funds to be invested in, based upon the customer's risk tolerance. It should be borne in mind that these computer models generally are designed for customers who are looking for advice and assistance in developing their investment strategy. Therefore, to the extent that a customer is sufficiently knowledgeable about investments, or otherwise wishes to retain maximum flexibility in selecting his or her own investments, a computer model may not be appropriate.

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? Would it be possible to develop a model that satisfies all of the specified criteria? Which criteria would pose difficulties to developers and why?

Answer (2):

As described in the answers to 1 (a)-(e) above, it is MetLife's view that the investment advice programs offered by MetLife generally do meet the five criteria described in question #1.

Thus, although the computer models do not necessarily include the precise information specified in 1(b), they do utilize relevant risk and demographic information about the IRA customer. More specifically, computer model risk tolerance questionnaires ask the IRA customer about his or her investment time horizon and outlook regarding inflation, market volatility, personal debt level, and general financial outlook to suggest a risk appropriate asset class or specific fund investment. This relevant risk and demographic information has been determined by the third party vendors, based upon extensive research, analysis and experience, to be best suited to determining the customer's risk tolerance consistent with the computer model.

The developer of a computer model should not be required to obtain a specific list of information from IRA customers, but rather should utilize its financial expertise to make its own determination as to what information is required from the IRA customer. Requiring the developer of a computer model to utilize certain IRA customer information, such as other assets or sources of income, would essentially substitute DOL's judgment for that of the developer. We appreciate the DOL's attempt to ascertain whether existing computer models meet certain specified criteria. However, current National Association of Securities Dealers (NASD) rules already protect the financial interests of IRA customers by imposing suitability standards on companies such as MetLife which require it to inform an IRA customer if his or her fund selection and asset allocations are not appropriate given the risk tolerance and other financial information available. Furthermore, the Securities and Exchange Commission (SEC) and NASD already maintain significant regulatory oversight of these financial programs.

As well, the computer models offered by MetLife affiliates consider a diverse selection of investment options, including fixed income and equity securities, in developing the recommended investment mix for a particular individual. To that extent, these models offer "the full range of investments." Moreover, as noted in response to 1(c), because the purpose of the model is to assist the customer in developing an investment strategy that is consistent with his or her investment objective and risk tolerance, it would not make sense to require that the recommendation to a particular customer encompass the entire universe of potential investments.

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.

Answer (3):

MetLife currently offers four computer model based investment advice programs to purchasers of its variable annuity products, including IRA customers. These four programs are described as follows:

(a) Program 1 - The IRA customer completes a risk tolerance questionnaire designed by an unaffiliated third party and is then provided with a recommendation as to one of five computer allocation models ranging from conservative to aggressive where each maintain a different mix of assets at the asset class level. Based upon the risk category, the program will recommend one of five asset allocation funds (each an "Asset Allocation Fund"). Each Asset Allocation Fund is a fund of funds advised by a MetLife affiliated investment advisor. The underlying mutual funds are selected by the MetLife affiliated advisor in consultation with the third party investment advisor. The principal criteria for selecting the underlying funds are to provide a diverse portfolio of investment options consistent with the indicated risk category. The five Asset Allocation Funds are labeled conservative, conservative to moderate, moderate, moderate to aggressive and aggressive, and the unaffiliated third party questionnaire results in a recommended allocation to one of the five registered funds. The IRA customer can then proceed in three ways, as follows:

(1) Select the Asset Allocation Fund specified for his/her risk profile;
(2) Disregard the Asset Allocation Fund recommendation and invest in any investment options available in the annuity, based upon the asset class recommendations provided by the computer model; or
(3) Disregard the computer model altogether and select their own investment options from among those available in the annuity.

(b) Program 2 - This program operates essentially the same as Program 1 described above. The principal differences are that the third party vendor is different, there is no separate asset class recommendation, and the Asset Allocation Funds made available to the customer are different.

(c) Program 3 - Program 3 is also very similar to Program 1. The only material difference is that the model recommends an investment allocation in a series of index funds, based upon the applicable risk category, as opposed to an Asset Allocation Fund. The customer still has the ability to disregard the recommendation and select any investment option available in the annuity.

(d) Program 4 - In Program 4, the customer is given the option of whether to add the investment advisory service to his or her contract. If the customer elects the service, the customer completes a risk tolerance questionnaire and is then provided with a computer based recommendation for allocation of assets among four portfolios advised by a MetLife affiliated advisor, based on the results of the questionnaire. The four funds, i.e., a fixed income fund, a small cap domestic equity fund, a large cap domestic equity fund, and an international equity fund, each represents a different asset class. The customer can terminate this service at any time. The computer allocation program questionnaire and recommendations are developed by an unaffiliated third party. It is anticipated that this particular program will be phased out by year's end and be replaced with another computer asset allocation program being developed by an unaffiliated third party.

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?

Answer (4):

The computer programs described in response to question 3 above are available to customers who purchase variable annuity products from MetLife affiliated insurance companies. Pursuant to applicable federal securities and tax laws, as well as state insurance laws, those annuities can only offer investment options approved by the SEC and state insurance regulators. As noted previously, these products generally are designed to offer a diverse portfolio of investment options for investors interested in long term investments, including saving for retirement. They do not, however, permit the customer to invest in "virtually any investment." Moreover, because the purpose of the computer model is to help the customer identify appropriate investment options based upon his or her risk tolerance and investment objectives, it is designed to recommend a mix of investment options that will meet those objectives. Therefore, the purpose of the model is inconsistent with permitting the customer to invest in "virtually any investment."

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? If so, who is responsible for the development of such investment limitations and how are the limitations developed? Is there any flexibility on the part of an IRA beneficiary to modify the computer model to take into account his or her preferences? Are such computer model investment advice programs available to the beneficiaries of IRAs that are not maintained by the persons offering such programs?

Answer (5):
As described in response to questions 3 and 4 above, the investment advice programs available with MetLife's variable annuity products limit the IRA customer to a subset of the universe of available funds. Subject to regulatory approval, MetLife affiliated insurance companies determine what funds will be available within each variable annuity contract, and a MetLife affiliated investment advisor determines what mutual fund investment options will be utilized by the computer allocation program. Although MetLife determines which funds will be offered in the variable annuity contract, the IRA customer has the freedom to select the variable annuity as the IRA funding vehicle, or to choose other IRA funding vehicles. There is no option for an IRA customer to modify a computer model to produce investment advice different from that provided by the program. However, the IRA customer can choose not to use the offered computer model or choose to ignore the computer model recommendations.

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?

Answer (6):
The MetLife broker dealer affiliates do not offer one specific computer model solution, but rather a variety of different products and platforms each designed and supported by unaffiliated third parties. None of the outside products and platforms contain proprietary investment products, i.e., the retail mutual funds offered are not advised by a MetLife affiliate. Further, investment selection is outside the control of the MetLife broker dealer affiliates.

MetLife broker dealers offer through their Registered Investment Advisers a variety of proprietary and non-proprietary solutions for its IRA customers. A registered representative! investment advisor representative ("RR/IARs") of one of MetLife's broker dealers will ordinarily recommend an IRA third party advisory program, (also called a platform if they offer multiple advisory programs), that best meets the customer's long term investment needs, available investment funds and overall level of sophistication.

MetLife broker dealers act as "solicitor" on a variety of third party advisory programs or platforms that contain computer based assets allocation models. These programs generally allow an RR/IAR to work in collaboration with the customer in completing the questionnaire designed to elicit client risk tolerance and investment objective. That questionnaire is then "scored" and customer funds are placed into an asset allocation program that is consistent with the outcome of the questionnaire.

While each program varies with the exact level of input, the computer programs primarily utilize IRA beneficiary information regarding risk tolerance and investment objective. Because each program offering is unique, the customers generally have access to a wide range of investments covering a particular asset class. Depending upon the structure of the program, these may include mutual funds, ETFs, stocks, and bonds.

MetLife offers a MetLife-branded version of such a third party platform. MetLife has contracted with an unaffiliated third party investment advisor to use its questionnaire as part of MetLife's investment advisory product. The scoring logic and subsequent output is determined exclusively by this unaffiliated third party. Within this platform the RR/IAR may choose from one of two different computer based programs designed for representatives and clients based on their level of investment expertise and sophistication. Both programs are, however, based on the same fundamental investor questionnaire, scoring logic, and asset allocation recommendation. The first program provides an asset allocation model and recommends the mutual fund investments designed to implement the model. The customer does not have the ability to select alternative funds. The second program also provides an asset allocation model, but recommends a limited menu of mutual funds for each investment style, from which the customer may select his or her investments. Again, no proprietary funds or products are a result of the recommendations from this platform. In both product iterations, a questionnaire and subsequent computer model are used to determine the initial customer allocation, and the customer's account will automatically be rebalanced to that allocation as the need arises based on changing market conditions.

7. **What are the investment options considered by computer investment advice programs? What information on such options is needed? How is the information obtained and made part of the programs? Is the information publicly available or available to IRA beneficiaries?**

Answer (7):

The investment options considered by the computer investment advice programs are the major asset classes available in the marketplace, such as large cap domestic equities, small cap domestic equities, international equities, fixed income securities, etc. The information needed by the computer models is information about the returns, risks and correlations of the various asset classes. The information is obtained and made part of the programs by the third party investment advisors through their research and analysis. For the most part, the information used by these computer models is publicly available information. For example, the computer models often use historical risk, return and correlation information from common investment indices like the S&P 500, Russell 2000, etc. These can be obtained on the Internet or through service providers like Bloomberg.

8. How should the Department or a third party evaluate a computer model investment advice program to determine whether a program satisfies the criteria described in Question 1 or any other similar criteria established to evaluate such programs?

Answer (8):
It would not be practical for the DOL or a third party auditor to evaluate and to certify whether a computer allocation investment advice program satisfies the criteria described in question 1. No doubt, "investment experts" will disagree over whether some of the criteria are satisfied, such as whether the computer model program applies "generally accepted investment theories". Clearly, from a practical standpoint, the developer of the computer model should be the only entity responsible to ensure compliance with any criteria that the DOL may establish.

It should also be noted that the NASD and SEC maintain significant regulatory oversight over the computer model investment process, including the requirement that MetLife perform a suitability analysis in connection with the IRA customer's ultimate fund selections and allocations. Furthermore, variable annuities and their sub-accounts are limited to investments approved and regulated by the SEC. The variable annuity product and its sub-accounts are designed to provide diverse investment options for individuals investing for retirement and thus, the computer model offerings which utilize these sub-accounts provide a diverse range of investments designed to meet the retirement needs of the IRA customer.

9. How do computer model investment advice programs present advice to IRA beneficiaries? How do such programs allow beneficiaries to refine, amend or override provided advice?

Answer (9):
The computer model investment advice programs described above, present the advice to the IRA customer as asset class or specific fund recommendations. In some programs, the IRA customer is free to ignore the recommendations altogether. However, it should be noted that the applicable securities laws impose suitability standards on MetLife and other advisors, which may require them to inform an IRA customer if his or her fund selections and asset allocations are not appropriate given the risk tolerance and investment objective profile determined by the computer program.

We thank you again for this opportunity to provide input with respect to this important issue and hope that the foregoing information is helpful to your consideration. If you have any questions or require additional information, please contact me at 617-578-2289.

Sincerely yours,

Alan C. Leland Jr.

Alan C. Leland, Jr.
Vice President