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Asst. Vice President
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Office of Exemption Determinations

Room N-5700

Security U.S Department of Labor

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Re: Request for Information - IRA Investment Advice

Dear Sir orMadam.

This letter is in response to n!vanSuanyf`cld of your office to Ramani Aycr. , Chairman and CEO, Hartford Financial Services Group, Inc. (hereinafter, The Hartford). In his letter dated December !3. 2006, Mr. StansfiAd described the Department of Labor's statutory mandate to solicit information regarding the WANli4 of computer model investment advice programs hom at least the top 50 trustees of certain Individual Retirement Accounts and similar plans (collectively, IRAs).

'Be Hartford is pleased to respond to the Request for Information (the AFDissued by the Department (if Labor (the Department) regarding the provision of investment advice (o beneficiaries of IRAs, 71 Fed. Reg, 70427(Dcvembcr4,2(06.)

The Hartford

Founded in 1810, The Hartford Financial Services Group, Inc. (NYSE: f JIG) is one of the largest investment and insurance companies based in the United States, with offices in Japan. Brazil, Ireland, England, and the United States. With newly JC\U00cmployocs and $2.3 billion in income in 2005, The Hartford was ranked 78th oo,hc2006 Fort tine 1 00 list. I he Hartford is a leading provider of investment products -- annuities, mutual Funds. college savings plans --as wdl as life insurance, group and employee benefits, automobile and homeowners' insurance, and business insurance. The Hartford smes, millions of customers worldwide including individuals. institutions, ajid businesses -through independent agents and brokers, financial iflstitUtiOfls, and online. About 11,000 independent agencies and more than 100,000 registeredhnoker/dea/exn 96 The Hurtibmd'moosted products. After nearly 200 years in business, The Hartford is Icnow'ri, for its financial strength and stability, superior customer service. and continued operational excellence.

"l bie lVenion Protection Act of 200 --Inv merit Advice

Section 601 of the Pension Protection Act of 2006 (the PPA) amends the Employee Retirement Income Security Act of \974(GR!SA)and the Internal Revenue Codeof 1986 (the Code) adding a new category of

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prohibited transaction exemption under ERISA and the Code for the provision of investment advice to participants and beneficiaries of covered employce benefit plans, and certain related transactions. as well as to beneficiaries of lRAs. Among other requirements. the availability of exemptive relief is conditioned upon the advice being provided under an ¯'eligible investment advice arrangement.'* An ¯eligible investment advice arrangement" includes a computer model investment advice program. meeting the requirementsofthe statute, and used ioconnection, -with xhcprovision *[advice by a fiduciary adviser to a plan participant or beneficiary.

The PPA also requires that, with respect tolRAs, the Secretary of Labor, in consultation with the Secretary of the Treasury. must determine whether a computer model investment advice program is feasible for IRAs, In particular, the Secretary must determine whether there is any computer model investment advice prograrn that (1) utilizes relevant information about the beneficiaD. which may include age, life expectancy. retirement age, risk tolerance, other assets or sources of income, and preferences as to certain types of investments, (2) takes into account the full range ofinvestments. including equities and bonds, in determining the options for the investment portlolios of the beneficiary: and (3) allows the beneficiary, in directing the investment, sufficient flexibility in obtaining ad% ice to evaluate and select investment options.

We have reviewed the opecific items for which the mis soliciting information. The I lartfbrd not have any experience with, nor are we aware of, any computer model investment advice program tfic, would satisl\r the statutory criteria outlined in the NF!. z

In the event that the Secretary determines that no computer modcl investment advice program is le under the parameters established by the for the provision of investment advice to bencl'iciaricsof IRAs. our understanding is that the Secretary will develop a group class exemption from prohibited transaction treatment for investment advice, investment transactions pursuant to such advice, and related fees to bviieficiaries of such arrangements. In that case, we believe that the class exemption fashioned by the Secretary should be constructed broadly so as to maximize the opportunity for beneficiaries of IRAs to receive investment advice that is both extensive and of high qualiq.

Thank you for the opportunity to provide our comments on this important issue- We remain committed to xv(,)rkiog with our trade associations in order to provide input to the Department as it develops the guidance that will allow IRA investors access to new options for receiving investment advice.

Pleasc do not hes tate to Contact (is ifyou would like to discuss any (if our comments in more detail,

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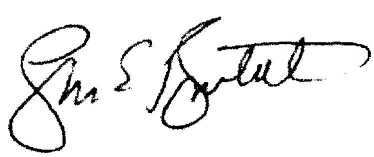

The provisions applying to IRAs also cover HSAs, Parhcr MSAs and Coverde!)education savings accounts.
¯ The)!artford is I'ami}iar with investment firms that oMer asset allocation programs to variable annuity holders, which would include certain IRA hrneficia,k-,)pnd their financial advisors. This type of service generally provides a recommendation as to which one ofa number of model diversified portfolios (derived frow the specific investment options offered tinder an annuity) would be appropriate based on responses to a series of questions regarding, the beneficiary's risk tolerance and investment horioiv

citigroup
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February 7, 2007

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RETURN RECEIPT REOUESTED
Office of Exemption Determinations
Employee Benefits Security Administration
Room N-5700
U.S. Department of Labor
200 Constitution Ave. N.W.
Washington, D.C. 20210
Attention: IRA Investment Advice RFI

Re: Response to Request for Information Regarding Computer Models for the Provision of Investment Advice to Individual Retirement Accounts

To Whom it May Concern:

On behalf of Citigroup Inc. and its subsidiaries ("Citigroup"), I am writing to respond to the Department's letter of December 12, 2006, indicating that Citigroup may be among the top 50 trustees of certain Individual Retirement Accounts and similar plans' and soliciting Citigroup's response to the Request for Information ("RFI") that the Department published in the Federal Register on December 4, 2006, which seeks information regarding the experience of financial institutions that use a computer model to provide investment advice to participants and beneficiaries of IRAs.

We appreciate the opportunity to respond to the RFI and look forward to continuing to work with the Department as it completes its required review of computer models for investment advice to IRA beneficiaries under section 601 of the Pension Protection Act of 2006. For your convenience, we have reproduced each of your questions below immediately preceding the applicable response.

1. *Are there computer model investment advice programs for the current year and preceding year that are, or maybe, utilized to provide investment advice to beneficiaries*

'Such plans are defined under section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), to include: (A) an individual retirement account described in section 408(a) of the Code: (B) an individual retirement annuity described in section 408(b) of the Code; (C) an Archer MSA described in section 220(d) of the Code; (D) a health savings account described in section 223(d) of the Code; (E) a Coverdell education savings account described in section 530 of the Code; or (F) a trust, plan, account, or annuity which, at any time, has been determined by the Secretary of Treasury to be described in any preceding subparagraph of this paragraph (i.e., (A) through (E) above).

of plans described in section 4975(e)(1)(B)-(F) (and so much of subparagraph (G) as relates to such subparagraphs) (hereinafter -1R9') 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.

We are aware of computer models that generally satisfy the criteria set forth above in part, including models that take into account a contained universe of investment options (i.e., a limited universe of mutual funds or ETFs, which include as portfolio investments a robust range of investment types, such as equities and bonds). In our experience. however, there are no existing computer models that take into account the entire universe of investments that may be available to an IRA in determining the options for the investment portfolios of the beneficiary, as more fully discussed below.

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?*

As suggested above, item (d) in Question 1 is the most difficult condition to satisfy, and to our knowledge no such model exists today. We believe that it may not be possible to develop a model that satisfies (d) in its entirety. It might be possible - theoretically - to generate a model that covers all investments with respect to which there is adequate publicly available information and accurate pricing. For privately held securities where information is not publicly available in a data feed, then a proxy (based on certain assumptions, such as the behavior of the price of the security, if priced regularly) would have to be used to represent the security. We note, however, that the cost of creating a model with the data span necessary to cover all potential investments may be prohibitive and there may be labor-related confines as well. Further, it could be very difficult - if not impossible - to model on certain of the more esoteric types of investments as a result of informational constraints, including, perhaps, structured products, currency instruments or currencies, futures, options, limited partnerships, LLCs, group or collective trusts, real estate, etc.

In any event, since numerous combinations of investments may be appropriate given a beneficiary's single set of information (e.g., age, life expectancy, retirement age, risk tolerance, other assets or sources of income, and preferences as to certain types of investments), to be effective any such model would necessarily be based upon a set of rules or guidelines established for the purpose of "steering" the advice. For example. it might be possible to devise a computer model that utilizes a rule that limits investments for IRAs with less than $100,000 to a limited universe of mutual funds and/or ETFs, but prohibit investments in alternatives, or individual equities or bonds. The same model might *offer* an expanded array of investments to an IRA with a larger account value, though there would still need to be rules defining (or establishing preferences among) a limited universe of investments. In all cases, the model would likely require screens in order to exclude certain types of investments that may not be appropriate for IRAs, including, for example, investments generating unrelated business taxable income (UBTI), municipal bonds, collectibles, and certain annuities.

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.*

As discussed above, while we are aware of computer models that generally satisfy the criteria set forth in Question I in part with respect to a limited universe of mutual funds and/or ETFs, we do not believe there are existing computer models that take into account the entire universe of potential investments that may be available to a given IRA in determining the options for the investment portfolios of the beneficiary.

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?*

We do not believe any such programs currently exist. We believe the buy-side recommendation for any current model would have to be limited to a contained investment universe for the reasons discussed in Question 2 above (e.g., as a result of limits on available information and the need to establish rules to guide/steer the advice).

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. At Smith Barney, for example, we have investment advisory programs that utilize computer models, the output of which consists of asset allocation recommendations, to assist our representatives in providing advice with respect to investments in mutual funds, ETFs and separate accounts.

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

The investment limitations are predetermined by the advisor (or, if the advisor utilizes a third-party model, the owner of such model) and are usually caused by access to information, the investment's fit into the model (based on the model's rules), cost and client suitability. The decision to limit the models may also take into account the advisor's selling agreements with selected mutual funds and its overall experience with each company selected.

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

While the underlying model cannot be changed by the IRA beneficiary, all models require the client to input data (and permit changes in data inputs), which obviously changes the output of the model. Flexibility also exists to allow an IRA to adjust the output based on client preferences. That is, a client can override the output by requesting revised/targeted advice based on a preferred asset allocation or by limiting the investment universe further (e.g., to include only mutual funds).

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

Yes, we are aware of advice programs offered by the persons that maintain the model, and advice programs offered by persons that utilize a third-party model.

6. *Ifyou 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?*

As discussed above, we offer investment advisory programs that utilize computer models to assist our representatives in providing advice to our clients, including programs that offer only nonproprietary investment products.

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?*

Investment options generally include mutual funds and/or ETFs. At a minimum, any such program would need close-of-day pricing to run a returns-based style analysis. Increased information around security classification (ideally, underlying holdings in the case of a mutual fund) would help to remove anomalies from the data. Information is typically obtained through market data feeds. This information is publicly available on any internet financial web site; however, financial providers of this service typically receive the information directly from the supplier (e.g., Lipper or Morningstar).

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 I or any other similar criteria established to evaluate such programs?*

The computer model investment advice program would typically be evaluated by experts by running various scenarios against the engine, testing inputs and output to ensure the engine is behaving as expected by giving reasonable and impartial advice to the individual investor based on the professional's experience. The evaluator would need to assure itself that the model is able to consider current fee and performance data, taking into account sufficient information regarding the investment for an IRA beneficiary to evaluate the risk of each option, the short term historic performance and the long term historic performance of the asset, and to consider the asset against its peers in the same asset class.

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?

Most programs represent the output on a web page or in a written recommendation. Additionally, clients may receive periodic performance reviews of their accounts, which will typically reiterate the initial advice/recommendations and compare actual holdings against such advice. Output might consist of asset class recommendations, recommendations at the security level (typically ETFs or mutual funds), or investment education (rather than advice), where a few examples of investments from an asset class might be suggested and no single investment is recommended. Providers allow the individual to refine inputs such as risk, goal, time to goal, duration of goal, etc. Some also allow the individual to overwrite the recommendation and change the asset class percentages or the security level recommendation, as discussed above.

We appreciate the opportunity to respond to the RFI and hope that the Department will feel free to call upon Citigroup to answer any additional questions. Future inquiries regarding this application can be directed to the undersigned at (212) 783-4102.

Sincerely,

Jesse Taran

Jesse Taran