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**From:** "Gail Johnson" <gjohnson@jfactuarial.com>  
**To:** PWBA\_NO.PWBA-NPO(E-ORI)  
**Date:** Thu, Jan 16, 2003 10:44 AM  
**Subject:** Automatic Rollovers RFI

I am a Fellow in the Society of Actuaries. My company provides actuarial services for about 3 dozen defined benefit plans, and administration services for about 100 defined contribution plans, including 90 daily valued 401(k) plans.

Establishing guidelines for these automatic rollovers is critically important, but I believe a better way to solve the problem would be to establish some sort of application system so that investment providers could establish a "safe harbor rollover" product that would be pre-approved. For example, an account established at Vanguard with the Wellington fund would be an automatically approved rollover source. Once the account was established, the participant would have the entire range of Vanguard funds at his disposal, but the initial investment would be a simple, one-fund, diversified account. Neither the plan sponsor, the third party administrator, the plan trustees, the investment counselor, or anyone else would need to worry about this being proper. For accounts that weren't automatically approved, the guidelines could be applied.

The thing that kills these plans is the uncertainty. By letting investment providers get pre-approval of a default rollover vehicle (perhaps with biennial re-licensing). The requirement for the default license would be (1) Broad array of investments available (2) mutual funds, common collective trusts, or insurance company separate accounts only (3) low fees (4) general investment advice readily available. This would take care of the vast majority of situations, and leave the "marginal" situations for the lawyers, etc.

I feel very strongly about this, or I wouldn't have bothered to write this email.

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