

RE: DEPARTMENT OF LABOR
Employee Benefits Security Administration
29 CFR Part 2550
RIN 1210-AB07

July 23, 2007

This is a response specifically to Part 8. In brief, I make the point that more information is less. Current disclosure is too voluminous and obscures the message that could be clearly expressed in two numerical rankings. DO NOT increase the quantity of numbers published comparing investment plans.

To what extent should participant-directed individual account plans be required to provide or promote investment education for participants? For example, should plans be required or encouraged to provide a primer or glossary of investment-related terms relevant to a plan's investment options (e.g., basis point, expense ratio, benchmark, redemption fee, deferred sales charge).

No glossary should be included. Likewise, do not include a list of small fees. The typical investor ignores such lists. Such lists primarily relieve the retirement plan vendor liability and obscures the important message. In introductory material, large fees such as front end, back end, and annual loads must be explicitly disclosed. The impact of all other fees should be presented as part of a risk/return discussion. Fees reduce return thereby increasing the risk/return ratio, which is bad. Under current regulations, many fees are never disclosed. Such costs, however, measurably impact the risk/return ratio.

Should such a publication include an explanation of other investment concepts such as risk and return characteristics of available investment options?

YES! Each investment option should be compared to a relevant, true total-return market benchmark. Discussion should center on the risk/return of the index compared to the risk return of the investment option. While risk/return ratio can be used to compare to similar investment options. A second measure is required to compare disparate options. Typically, these are measures of volatility, specifically, Standard Deviation and Ulcer Index.

The risk/return approach is inherently simpler, and more direct, than current disclosures. It provides a single numeric ranking to evaluate similar investment options, and a second single ranking to compare disparate options (Ulcer Index).

For a good discussion of Ulcer Index see

http://en.wikipedia.org/wiki/Ulcer_Index

Calculation and work sheet for true total return can be found at

<http://www.fasttrack.net/newhelp/DistributionWorkSheet.asp>

Best returns,

Paul G Charbonnet
Founding Partner.