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AMERICAN ACADEMY *of* ACTUARIES

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July 20, 2015

Office of Regulations and Interpretations  
Employee Benefits Security Administration  
Attn: Conflict of Interest Rule  
Room N-5655  
U.S. Department of Labor  
200 Constitution Avenue, NW  
Washington, DC 20210

RE: RIN 1210-AB32, Conflict of Interest Rule

The American Academy of Actuaries<sup>1</sup> Lifetime Income Risk Joint Task Force respectfully requests your consideration of its comments regarding the Notice of Proposed Rulemaking on *Definition of Fiduciary; Conflict of Interest Rule-Retirement Investment Advice and Related Proposed Prohibited Transaction Exemptions*. The notice poses many questions about the application of the rule, and we leave that discussion to other commenters, as our area of focus is on lifetime income needs and how they are addressed in the proposed rule. However, we would like to address another issue—advising on lifetime income needs—that could become part of the rule if it is adopted.

Financial preparation for retirement has two phases—accumulation and decumulation. The focus of discussions in the financial press concerning retirement preparedness in recent years has been on accumulation; however, decumulation is equally important for retirement security and merits greater attention, particularly as larger numbers of Americans in the baby boomer generation are moving into retirement.

The proposed rule is heavily focused on when advice creates a fiduciary responsibility and on the appropriateness of compensation. The stated intent of the guidance is to protect consumers and help them to better manage retirement savings. While this guidance is not specified as to applying to accumulation or decumulation, it provides an opportunity to give prominent recognition to the need to advise on lifetime income needs during the decumulation phase after the individual has retired and in the transition from accumulation to decumulation.

The Proposed Best Interest Contract Exemption would create a requirement that the totality of retirement investing be considered when particular investment advice is provided. Investment advice must be provided not just in relation to a single investment but rather within the context of the entire investment portfolio and the totality of retirement income needs. This requires

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<sup>1</sup> The American Academy of Actuaries is an 18,500+ member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

recognition of appropriate vehicles to create lifetime income when providing investment advice. This recognition of lifetime income needs should apply at all times, particularly when the individual is approaching or in retirement.

Specifically, an adviser should be required to advise on a broad range of decumulation strategies and products when providing any advice to individuals as may be relevant to the individuals' goals, requirements, and current circumstances. This requirement to discuss a broad range of options should exist regardless of the adviser's ability or inability (through licensing or other limitations) to provide any specific strategy or sell any specific product. This requirement is necessary in light of the intertwining of the accumulation and decumulation phases needed to secure lifetime income.

It also would be useful for the Department of Labor (DOL) to have robust educational material and possibly an interactive tool available on its website to reinforce whatever information the adviser would provide on the complex topic of managing lifetime income. The site material should include information on lifetime income risks, which is essential for individuals to gain a better appreciation of their retirement income planning and management needs. Advisers should be required to direct their clients to such a site as part of the investment advisory process.

Through steps such as these, pre-retirees and retirees can be prepared to begin to address lifetime income needs both before they begin retirement and throughout their retirement.

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We appreciate the DOL giving consideration to these comments. We welcome the opportunity to discuss our comments with you in further detail and offer to meet at your convenience.

Please contact Matthew Mulling, the Academy's pension policy analyst (202-785-7868 or [mulling@actuary.org](mailto:mulling@actuary.org)) if you have any questions or would like to arrange a convenient time to discuss these items further.

Respectfully submitted,

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American Academy of Actuaries