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Office of Regulations and Interpretations
Employee Benefits Security Administration
Room N-5655
US Department of Labor
200 Constitution Avenue, NW
Washington DC 20210
Attention: Pension Benefit Statements Project

May 20, 2013

Subject: RIN 1210-AB20

Dear Sir or Madam:

The Depository Trust & Clearing Corporation ("DTCC") sponsors defined contribution plans covering our US employees. DTCC and our employees make contributions to the plans, and plan participants are responsible for choosing how to invest their account balances.

As announced in the Department of Labor's (the "DOL") Advance Notice of Proposed Rulemaking, 78 Fed. Reg. 26727 ("ANPRM"), DTCC supports the DOL's objective to provide employees with tools and information to help them understand, appreciate and manage their plan accounts. However, DTCC believes that static annuity projections provided in quarterly benefit statements as required by the ANPRM will not only result in additional administrative burdens and costs of sponsoring a retirement plan, but will create confusion and may cause some employees to make decisions that are not in their best interest. The better approach would be to direct employees to modeling tools, such as the "Lifetime Income Calculator" now available on the DOL's website, to enable employees to better understand how their account balances might translate into lifetime income.

Our specific concerns about the approach contemplated in the ANPRM include the following:

1. The benefit statements may cause some employees to incorrectly infer either that lifetime annuity options are available payment options under the plan, or that they will be able to purchase annuities from insurance companies in the amounts shown in the statements. Even with appropriate disclaimers and use of the safe harbor assumptions contained in the ANPRM, there is no guarantee that unmet participant expectations will not lead to unwarranted legal action against the administrator or sponsor of the plan.

2. While projections based on a single set of assumptions might be useful for the “average” employee, they are not appropriate for all employees. A conservative investor may want to see annuity values based on assumed returns that are lower than 7% per year, while an aggressive investor might feel otherwise. A modeling tool that enables the user to input his or her own assumptions, along with information on all other retirement benefit sources, would accommodate the needs of different employees. Importantly, such a tool would enable an employee to understand and appreciate the impact of changes in assumptions on his or her lifetime income.

3. The safe harbor assumptions in the ANPRM include an interest rate equal to the 10-year constant maturity Treasury securities rate and Internal Revenue Code section 417(e) mortality table. We understand that these assumptions are intended to serve as a proxy for insurance company annuity rates. However, there are several problems with this approach:

   - Because insurance companies do not use unisex mortality tables, the annuity amounts shown in the statements will be overstated for females and understated for males.

   - As the 10-year Treasury rate increases or decreases, the amounts shown on an employee’s statements will bounce up and down.

4. The additional costs to plan sponsors to provide participant specific annuity information required by the ANPRM (or the costs to participants if they are charged for this information) far exceed the benefits expected by the DOL.

5. Section 105(a)(2)(A)(i)(I) of the Employee Retirement Income Security Act of 1974 (“ERISA”) requires that a plan include a statement of a participant’s total accrued benefit. The proposals contemplated by the ANPRM requiring the statement to include a projected balance at retirement and estimated monthly lifetime payments associated with the current and projected account balance far exceed the requirements of the statute.

Rather than requiring plans to provide annuity projections on quarterly statements, the DOL should provide an enhanced Lifetime Income Calculator that would enable employees to project life annuity benefits reflecting various assumptions. In addition to letting the user input various investment returns, the tool should allow the user to model scenarios such as living well beyond his or her life expectancy. It is likely that plan recordkeepers will follow the DOL’s lead, and create similar, and eventually better, modeling tools.

We very much appreciate the DOL’s consideration.

Sincerely,

Larry E. Thompson

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