

# Lincoln

**Financial Group**

February 8, 2007

**Dennis L. Schoff**  
*Senior Vice President &  
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Ivan L. Strasfeld  
Director  
Office of Exemption Determinations  
U.S. Department of Labor  
Employee Benefits Security Administration  
Washington, DC 20210

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Re: Response to IRA Inquiry under the Pension Protection Act

Dear Mr. Strasfeld:

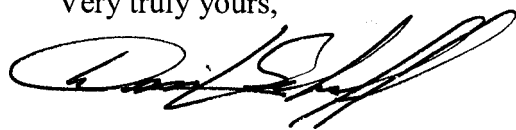
This is in reply to your letter to Jon Boscia, the CEO of Lincoln National Corporation, dated December 13, 2006.

Lincoln National Corporation, with headquarters in Philadelphia, operates under the name of Lincoln Financial Group. The companies of Lincoln Financial Group have assets under management in excess of \$220 billion. Through its affiliated companies, Lincoln Financial Group offers annuities; life; group life and disability insurance; 401(k) and 403(b) plans; savings plans; mutual funds; managed accounts; institutional investments; and comprehensive financial planning and advisory services. We are also one of the country's leading issuers of Individual Retirement Annuities.

With the same honesty, integrity, and responsibility that you'd expect from our namesake, we are committed to assisting individuals achieve retirement income security.

Our response to your letter is provided as a separate attachment. Should you have any questions regarding our answers, please feel free to call me at (215) 448-1409.

Very truly yours,



Dennis L. Schoff

Enclosure

Department of Labor  
Request for Information December 13, 2006

Question 1

Are there computer model investment advice programs for the current year and preceding year that are, or may be utilized to provide investment advice to beneficiaries of plans described in section 4975(e)(1)(B)-(F) (and so much of subparagraph (G) as relates to such subparagraphs) (hereinafter "IRA") 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.

*Answer:*

*An IRA can be an annuity or an investment account and, under the latter, can offer any type of investment (with limited exceptions such as collectables and life insurance). So, for an Individual Retirement Account (as opposed to an Individual Retirement Annuity) we are not aware of any existing computer model investment programs which meet the above-outlined criteria, principally because no program could take into account all types and investments available. We believe an advice program could be developed for an Individual Retirement Annuity because of its identifiable and finite set of subaccounts, but the selective nature of such a program may cause it to fail to meet the criteria outlined above.*

Question 2

If currently available computer models do not satisfy all 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?

*Answer:*

- *are not aware of any computer model now in existence which will take into account the full range of investment options that are available to be included in an IRA's portfolio, nor of any model which will assist in the evaluation and selection of that full range of options, as required by 1(d). It is well beyond LNC's expertise to determine whether such a model can be designed, or to determine the developmental difficulties that might be encountered in trying to meet all of the above criteria.*

### Question 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.

*Answer:*

- *are not aware of any existing computer model investment programs which meet the above-outlined criteria.*

### Question 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?

*Answer:*

- *are not aware of any existing computer model investment programs which meet the above-outlined criteria. The development of any such model would be challenging and cumbersome, if even possible, because of the sheer magnitude of the investment universe available to IRAs.*

### Question 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? If so, who is responsible for the development of such investment limitations and how are the limitations developed? Is there any flexibility on the part of an IRA beneficiary to modify the computer model to

take into account his or her preferences? Are such computer model investment advice programs available to the beneficiaries of IRAs that are not maintained by the person offering such programs?

*Answer:*

*We are aware of a number of computer model investment advice programs that may be used to provide advice using a specified subset of the investment universe. The investment choices in such programs are often determined by the entity developing the investment platform to be used by the IRA. So, for example, the subset of investments available under an Individual Retirement Annuity would be determined by the insurance company issuing the annuity contract. The computer models of which we are aware give the participant some measure of flexibility in identifying his or her preferences, within the selective subset of investments offered under the investment platform. There are computer models which are made available to participants which are not developed or maintained by the person offering or maintaining the investment platform under which the IRA is offered, but which utilize the limited investment choices under that platform.*

#### Question 6

If you 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?

*Answer:*

*Some business units within our organization use a "technology aided" approach to financial planning, where independently developed computer based investment programs are used as a basis for the purchase of both proprietary and non-proprietary products. Each such program, however, also requires qualitative input and review by an investment professional. Such models are only used by investment professionals, and are not made available for independent use by IRA beneficiaries.*

#### Question 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?

*Answer:*

*Such programs as described in Question 6 require the investment professional to further select investments from the limited investment universe permitted by the computer model,*

*which may be derived by the developers from the needs of the market to be served. The information needed to determine the suitability of the options made available is as varied as the investment options themselves. Depending on the option, this could include diverse elements such as performance; beneficiary's risk profile; market conditions; the regional political environment; effect of diversification; tactical and strategic goals; and expense ratios, just to name a very few. The sources of the information are just as varied, and will often include proprietary data not publicly available.*

#### Question 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 1 or any other similar criteria established to evaluate such programs?

*Answer:*

*We do not have an opinion as to the process the Department should use to evaluate the efficacy of any sort of computer model investment advice program which would purport to meet all of the criteria in Question 1. There is a significant number of computer investment models from a wide variety of sources which cover a similarly wide variety of investments, investment vehicles and investment types—all of which are available to be purchased by and included in IRAs. In our view, an evaluation of such a program could be successful only if an element of the evaluation process required testing in an environment using a well defined and representative subset of investments.*

#### Question 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?

*Answer:*

*We do not offer to beneficiaries of IRAs the use of computer model investment programs which present investment specific advice to that beneficiary. We, therefore, have no knowledge on how such programs operate.*