

CIEBA

Committee on Investment of Employee Benefit Assets

October 30, 1991

The Honorable David G. Ball
Assistant Secretary
Pension & Welfare Benefits Administration
U.S. Department of Labor
Washington, D.C.

Dear Assistant Secretary Ball:

RE: Participant Directed Individual Account Plans "Investment Information"

CIEBA believes that it is important for individual plan participants to assume responsibility for their retirement planning: setting realistic financial goals, organizing their resources (i.e. Social Security, defined benefit plan, defined contribution plan, personal savings, etc.), and making appropriate investment decisions. Plan sponsors can help educate individuals in making informed decisions through expanded communications programs. Efforts by the Department of Labor to support education in this regard are helpful.

The Department of Labor proposed 404(c) regulations (3/13/91) include a paragraph entitled "Investment Information" [Sect. 2550.404c - 1(b) (3) (iii)] that refers, in part, to investment alternatives for "...which sufficient information is available to the participant or beneficiary to permit informed investment decisions."

It is our understanding that you would like CIEBA's specific recommendation as to what constitutes "sufficient information."

In this context CIEBA would define "sufficient information," with respect to each available investment alternative, to include (but not limited to) written communications that:

- o Identify the investment manager.



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- o Describe the investment objective.

For example, an alternative may emphasize stability of principal with modest return (e.g. a money market fund). Another alternative may emphasize higher long-term return while expecting significant and unpredictable fluctuation in interim market values (e.g., a diversified common stock portfolio).

- o Summarize the strategy used in pursuit of the investment objective.

For example, an S&P 500 equity index fund alternative might be described as a portfolio replicating the S&P 500, a representative sample of common stocks accounting for about 75% of the total U.S. equity market capitalization.

- o Provide historical rates of return.
- o Describe the investment risk relative to alternative investments.

CIEBA believes plan sponsors must be allowed flexibility as to how to present the information identified above. The enclosed article from the September/October 1991 issue of Financial Executive makes the point that communication should be plan specific.

Enclosed are examples of information currently provided by four large plan sponsors to their respective participants. These examples are not intended to be specific models for disclosure, since the extent and form of communication is dependent on many considerations, including cost. Large plan sponsors may have greater capability than smaller plan sponsors to provide more comprehensive forms of communication.

By positioning the definition of "sufficient information" in Sect. 2550.404c - 1(b) (3) (iii), only those plans that intend to avail themselves of the safe harbor provision would be required

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to comply with this section thereby avoiding undo burden on those sponsors who are unable to meet these requirements. Yet, the definition could become a standard to guide all plan sponsors.

Thank you for the opportunity to share our views. We would welcome further discussion.

Very truly yours,



J. Grills
Chairman

Enclosures:

Richard J. Knapp, "Win-Win: Educating Employees About Investments," Financial Executive (September/October 1991), pp. 47-50

Communications of:

American Airlines
International Business Machines
J.P. Morgan
U.S. West