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Submitted Electronically

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G. Christopher Cosby
Employee Benefits Security Administration
Room N-5718
U.S. Department of Labor
200 Constitution Avenue N.W.
Washington, D.C. 20210

RE: Information Collection Request on Survey Regarding Pension Benefit Statements

Dear Mr. Cosby:

On behalf of the American Council of Life Insurers ("ACLI")[1], we are writing to comment on the proposed information collection request/survey regarding pension benefit statements, published at 78 Fed. Reg. 4458 (January 22, 2013) (the "ICR"). According to the ICR, the Department plans to conduct focus groups and an online survey of a panel "that will ask respondents to answer questions related to information presented in benefit statements received from their retirement plans." The purpose stated for the ICR is to explore whether information presented in retirement plan benefit statements can be presented in a manner that is understandable for participants and beneficiaries and makes them better prepared for retirement. The study findings are intended to be used to support the Department's rulemaking on benefit statements.

We support the Department's recognition of the importance of ensuring that benefit statements are understandable to participants. We also support the overarching project goal of helping plan participants

[1] ACLI is a national trade organization with more than 300 members that represent more than 90% of the assets and premiums of the U.S. life insurance and annuity industry. ACLI member companies offer insurance contracts and other investment products and services to qualified retirement plans, including defined benefit pension, 401(k) and 403(b) arrangements, and to individuals through individual retirement arrangements (IRAs) or on a non-qualified basis. ACLI member companies also are employer sponsors of retirement plans for their own employees.

to be better prepared for retirement. We understand and acknowledge that the Department is using both this ICR and the related advanced notice of proposed rulemaking ("ANPRM") that is currently under review at OMB to explore how benefit statements might best represent a participant's accrued benefits as a lifetime income stream of payments in addition to presenting the benefits as an account balance.

Lifetime income illustrations are essential in helping participants understand how their account balance can be used to help to meet their retirement income needs. Current regulations and common plan design have, perhaps inadvertently, encouraged participants to consider their account balances as single sums available for payment upon retirement, which can and often does create an exaggerated sense of wealth. Illustrations would help educate participants as to their account values' retirement income potential. This information will assist them in evaluating such factors as their income needs, savings adequacy, and the amount of current income devoted to retirement savings. Illustrations reframe the defined contribution plan as a retirement plan that can generate retirement income and not just a capital accumulation or savings plan. We realize that in order to make this tool effective, the illustration must be shown in a way that allows participants to easily understand what the illustration means.

Our letter is intended to provide constructive feedback to assist the Department in improving the online survey and effectiveness of the focus groups. The ICR has the potential to provide very helpful data. However, we think in order for it to do so, some changes must be made. In conducting the survey, one of the primary goals should be determining what participants actually look at on their statements and what could be done to improve statements so that more individuals review them. For some of the questions, the range of intended or expected responses was not clear.

The documents we will refer to below are: Sample Retirement Statements ("Sample Statements," "Sample 1," "Sample 2," and "Sample 3"); Statement of Benefits Focus Group Discussion Guide ("Discussion Guide"); Statement of Benefits Survey ("Survey"); and Supporting Statement Part B - Collection of Information Employing Statistical Methods ("Methods Document").

Sample Benefit Statements

We understand that the purpose of the Sample Statements is to allow you to test the understandability of certain items, and to serve as a reference point for the questions in the Survey and Discussion Guide. We appreciate that the Sample Statements reflect the Department's desire to ensure that participants' benefit statements provide ample information to assist them in the retirement planning process, and it is clear that there was an attempt to explain each item in a way that participants can understand. The goal was not for the Department to design the ideal benefit statement. We also note that Department staff has stated that these Sample Statements are not to be viewed as models that sponsors or providers should use, and are not intended to reflect what is currently being provided, or what should be provided, as statements. In general, current benefit statements do not look like the Sample Statements. Current statements vary significantly based on each plan's specific investment allocation options and design features. Accordingly, it would be very helpful to make clear to the participants in the survey and focus groups that the statement was designed only to solicit certain information.

Our member companies have been designing and redesigning benefit statements for many years, often reflecting substantial input from plan sponsors and/or participants and have spent considerable effort analyzing ways to make the statements understandable and engaging. We are not providing a line-by-line critique of the Sample Statements; however, we would be happy to offer additional input or to work directly with the Department or Rand Corporation to improve the look and format of the Sample Statements to make them more effective as research tools. We do have general comments regarding the manner in which the Sample Statements approach the content elements.

General Comments

The Sample Statements may provide too much information and could create confusion rather than clarity, ultimately resulting in participants abandoning the survey and resulting in a high percentage of "non-completes". For example, information such as market returns, inflation rate and structure of the annuity could cloud the results. We expect that many participants would not understand the full meaning of the various market return scenarios. Further, participants do not have control of market conditions. We would instead suggest that the Sample Statements highlight information that participants can use to adjust their actions in order to more appropriately meet their retirement savings needs. Statements that focus on time horizon, such as retirement within 10 years vs. retirement in 20 years, would be more valuable for participants. The focus of the Sample Statement shouldn't be on return on investment. It should focus on getting to the end goal of retirement.

Detailed Comments

Reference to an annuity: We applaud the Department's use of an annuity as the form of lifetime income illustrated in Sample Statements 2 and 3. While not the only option for producing a series of payments, annuities are the only option that ensures that the income will last a lifetime.

Retirement Age: We like the fact that the statement assumptions focus on retirement age rather than years to retirement. However, we note that all three statements use a retirement age of 67, which will likely not be consistent with the prevailing norms at many firms. We suggest that if this age is retained, then a footnote or explanation be provided that ties this age to full eligibility for social security payments and indicates that the normal retirement age at their company may be different.

Life Expectancy: Information regarding life expectancy may not be appropriate when providing lifetime income illustrations as annuity calculations already take into account life expectancy. Further, the projections note that they are using an average life expectancy for individual men. It would be more appropriate to use unisex tables.

Administrative Fees & Individual Fees and Expenses: Section B.2 in all three Sample Statements includes these items. It is not clear what these are to represent. These items do not appear to be consistent with new 404(a)(5) participant disclosures. At best, they represent only a portion of plan expenses. For example, if the Department is interested in assessing whether participants understand what an expense ratio is, we would recommend including this and asking a question about it. It is not clear what role the items included might play in the research or in understanding a benefit statement and we recommend that these either be removed or amended to conform to some more standard element such as expense ratio.

List of Assumptions: It is not necessary, and potentially very confusing, to provide up front a list of all the assumptions used to calculate the projections. We feel strongly that the first page of a benefit statement adopt a simple approach while directing participants to a place where they can obtain more detailed information.

Background Information for Sample Statement

In both the Discussion Guide (page 4) and the Survey (page 4), before giving the Sample Statements, the participants are told the age and current account balance of the fictional person whose statement they will see. We recommend that they should also be told the salary. When most people consider the income they will need in retirement, it is usually in reference to their current income, and/or how much they think they will be making when they retire. This information would enable a more meaningful answer to questions about whether the fictional person is "on track."

Focus Group Discussion Guide and the Benefits Survey

Selection of Participants

The Methods Document describes how participants are gathered. Detail is not provided on the specific qualification or screening questions to be used for participation in the survey or focus groups. We suggest certain qualifications, both to determine who will be invited to participate, and as qualifier questions to ensure that those invited to take the survey represent the characteristics most important to the research study. For both the survey and the focus groups, participation should be limited to employees who are currently working full time **and** who are currently contributing to their current employer's defined contribution plan. This would eliminate those who have an account balance only with a former employer, or those who may have previously contributed but are no longer making contributions. Individuals who are currently active participants may be more engaged in their own plan and therefore may provide a better gauge of the knowledge of plan participants. We would be happy to provide input on the screening questions that will be used for the focus group recruiting and the online survey, if that would be helpful to Department staff. Second, it is not clear whether the focus groups will be conducted in multiple locations. We note that in general, focus group research is most often done in at least three parts of the country to capture regional differences in attitude and aptitude.

In addition to "screener" or "qualifier" questions, we also recommend that a series of "behavior" or "preference" questions be added to the end of the survey. Such questions do not affect the respondents' qualifications to take the survey, but would be helpful in interpreting the survey results. Examples of "preference" questions could include "Do you use a cellphone, smartphone, or a computer?" and "Do you use the internet daily, weekly, monthly, rarely?" This information would be helpful in analyzing the survey results, for example, to enable calculation of what percentage of participants who have a smartphone or a computer access their accounts online, or whether participants who use the internet more frequently also check their statements or their account balance more often.

Interaction of Discussion Guide/Focus Groups and Online Survey

The ICR notes that focus groups are not meant to be statistically significant but rather will (1) provide researchers qualitative information about how well the concepts and sample benefits statements in relation to employee sponsored benefit plans are understood, (2) allow the Department to probe why concepts may be misunderstood and (3) determine whether or not the terminology used as well as the structure of the questions are appropriate for the audience (Methods, page 3). Based on focus group feedback, the Department will create two or three different sample statements of benefits (Survey, page 3). This places a special burden on the Discussion Guide, and care should be taken to ensure that it is free from bias on both content and delivery if the focus group input is intended to be used to frame or shape the online survey questions. We have two areas of concern in this regard which are outlined below.

Discussion of Assumptions

On page 7 of the Discussion Guide and question 25 of the Survey, participants are asked about whether the assumptions for projections are accurate and realistic. It is important that the questions focus on whether respondents understand why assumptions are needed, whether they understand the impact of the assumptions based on the explanatory information provided, and if not, what explanatory information would be more helpful to them, rather than any specific assumption per se. For example, instead of asking about adequate returns, the explanatory information should indicate that 7%is the average rate of return in the plan as a whole, and that they should compare it to the actual return on their statement to understand how it is affected by asset allocation. Both documents should explain that in order to predict the size of an account in the future, various assumptions must be made. The Survey should then try to determine whether the participants understand the need for and the meaning of the

assumptions. Participants can then be asked what age they think they will retire, whether they think they will contribute the same amount (or more or less) until retirement. If the Department feels that it is critical to include a 50% survivor benefit element in the Sample Statements, then it will be necessary to provide some foundational reference for this. One approach would be to select some focus group participants who have both a DB and a DC plan, and another with DC plan only. This might provide the Department with some insight into whether the 50% survivor item requires more explanation to participants in DC plans that do not offer annuity benefits.

Treatment of Form of Delivery – Paper vs Website

In both the Discussion Guide and the Survey, the questions are written in a way that appears to assume that everyone gets and uses benefit statements in paper (see page 3 of the Discussion Guide and question 12 of the Survey; both ask about the Statement of Benefits received "in the mail"). In both documents, there is then a section at the end that asks about website use.[2] Instead, questions regarding the form of delivery should be integrated. This section in both documents should refer to "the quarterly statement of benefits that your 401(k) or 403(b) plan provides," and ask whether the person receives the quarterly benefit statement in paper form by US mail or electronically (by email and/or on the website). In addition to integrating questions regarding form of delivery, this change may help people better understand what document is being referenced. "Skip logic[3]" should be added to the survey so that relevant questions about paper or electronic (web) forms of information are asked of those that actually access information in that way. For those who receive paper statements, they should be asked whether they know they could get the statement electronically, and whether they would like to get it electronically. They should also be asked whether they use both, as these two forms of communication are often complementary.

Comments Specific to the Survey

While we are not intending to offer specific edits to the questionnaire, we do have concerns about questions 16, 17 and 18 in particular .As drafted, they are both difficult and impractical to answer without a financial calculator even for professionals, and may result in respondents simply skipping them. On a related methodology note, the ICR does not indicate whether answers to all questions will be required in order to proceed to the next question. If this design is adopted, there is a very high likelihood of abandoned surveys.

Comments Specific to the Discussion Guide

We have two comments associated with how the study is positioned to the focus group participants. First, in the Introduction section, the Discussion Guide says "We are holding these discussions so that we will have a better understanding of how people make retirement savings decisions." The ICR states that the purpose of the information collection is "to explore whether information presented in retirement plan benefit statements can be presented in a manner that is understandable for participants and beneficiaries and makes them better prepared for retirement." We suggest that this sentence should instead read "…so that we will have a better understanding of how people understand their quarterly benefit statements" to bring it more into alignment with the purpose as stated in the ICR. If the current

[2] We note that Question 33 of the Survey and page 4 of the Discussion Guide ask whether "there is information that you see online that you wish you could also get in the mailed statement of benefits." Naturally, an online format affords the ability to make much more information available to the participant, without compromising the clarity or readability of the basic information. It would be impossible to provide everything made available online also in paper, at least not without stifling the content online.

[3] "Skip logic", also known as conditional branching, allows a survey designer to change the course that respondents take through a survey based on answers they give to certain questions, and is often used to ensure that respondents are asked only questions that apply to them based on the answers they provide.

language is retained, we would recommend changing "savings decisions" to "retirement plan decisions," so that the focus is broad enough to include retirement income rather than only savings. This is important since one of the things the Survey is measuring is the extent to which participants are able to connect asset and income concepts, and what type of information elements might help them do so.

Second, and on a related note, the Discussion Guide states (Retirement Goals, p. 2), "For the purpose of tonight's discussion, we want to focus only on saving for retirement." The phrase "saving for retirement" may not be specific enough to convey the focus of the questions – the phrase does not exclude saving outside of a qualified plan and could also include IRAs, which do not require benefit statements. We suggest that this should instead read "…we want to focus only on your 401(k) or 403(b) plan."

We have two comments on questions we do not understand. First, in the Sample Statement of Benefits section (p 4), the Discussion Guide asks "What do you like about the format of this statement?" We suggest that this question should be changed to ask whether particular aspects or items on the Sample Statement (explanations, footnotes) are helpful and why. As the Sample Statement as a whole is not representative of an actual current statement, but instead is an artificial document developed for use in this research and designed to focus on a few particular items and how they are understood separately and in conjunction with each other, this approach would be more consistent with participants' actual experience and avoid any inference that the Sample Statements were intended to be compared to actual statements. Second, we don't understand the question on page 5 regarding whether the participant thinks that the Projected Account Value at retirement is guaranteed. As drafted, this question may produce confusion and leave some participants with the idea that projected values are supposed to be guaranteed.

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On behalf of the ACLI member companies, thank you for consideration of these comments. We welcome the opportunity to discuss these comments and engage in a productive dialogue with the Department on these important issues. Many of our Member companies have marketing departments that are quite experienced in this type of survey work. We would be happy to work with the Department or Rand Corporation in providing more detailed feedback on the materials, particularly the Sample Statements.

Sincerely,

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