

January 10, 2019

*Via Electronic Mail*

Senator Mark Warner  
703 Hart Senate Office Building  
Washington, DC 20510

Representative Jim Himes  
1227 Longworth House Office Building  
Washington, DC 20515

**Re: Portable Retirement and Investment Accounts (PRIAs)**

Dear Senator Warner and Representative Himes:

The Investment Adviser Association<sup>1</sup> (IAA) appreciates the opportunity to comment on the white paper entitled “PRIA – A Universal and Portable Retirement Account” (**Proposal**). Our members are investment advisers registered with the SEC, and are all subject to a fiduciary duty that requires them to act in the best interests of their clients. Our members provide critically important investment advice to individuals saving for and managing their retirement and also manage mutual funds, ETFs, and other investment vehicles to which savers entrust their retirement funds. We share your commitment to efforts that would increase retirement savings, particularly for those investors who are not able to set money aside for their retirement through an employer plan. We commend you for tackling this extremely complex issue and for seeking public input.

We appreciate that the Proposal attempts to fill a gap in the retirement system by assisting individuals who do not have access to an employer plan. As the Proposal moves forward, we hope you retain this focus, recognizing the strength and value of the current employer-based retirement system. While not perfect, this system has helped millions of Americans save for their later years and plays an important role in the U.S. capital markets and should not be replaced.

As you consider PRIA, it is imperative to be sensitive to unintended negative consequences of any policy decisions that may limit retirement investment options. In this regard, we hope you will focus not only on the cost of potential investments, but on other important factors as well, including risk management, investor objectives, potential investor preference for investments that reflect their values, and other aspects that add value. We are encouraged that the Proposal recognizes the importance of sound management, investment choices, and services financial institutions can provide to retirement savers. We urge you,

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<sup>1</sup> The IAA is a not-for-profit association dedicated to advancing the interests of investment adviser firms registered with the Securities and Exchange Commission (SEC). The IAA’s more than 650 member firms manage more than \$25 trillion in assets for a wide variety of individual and institutional clients, including pension plans, trusts, mutual funds, private funds, endowments, foundations, and corporations. For more information please visit our website: [www.investmentadviser.org](http://www.investmentadviser.org).

however, to consider other crucial pieces of the puzzle as well, such as the consequences to investors, the markets, and competition of favoring one type of management over another – in this case passive index funds over actively managed investments.<sup>2</sup> Retirement investors benefit from both active and passive investment strategies.

As described in the Proposal, the PRIA would offer a number of benefits to retirement savers, including options for individuals without access to an employer-sponsored retirement plan and requirements that savings be portable. The Proposal contemplates two types of PRIA accounts, the PRIA Basic default account and the PRIA Choice account. The PRIA Basic account – the default choice – would use target date funds and possibly a Treasury bond fund. The PRIA Choice account would include a broader set of investment choices.

Although the Proposal provides that financial institutions would compete with one another not only on the basis of their fees, but also on “the desirability of their investment choices, and the service they provide a saver,” we would be concerned if only passively managed investment strategies were considered for either the PRIA Basic or PRIA Choice option.<sup>3</sup> Government policies should not explicitly or implicitly favor one type of investment management over another, or make other policy choices that bring with them negative unintended consequences. Policy makers also should not assume that passive investment strategies are inherently less risky than active investment strategies. Indeed, risk management is a key component of many active strategies, especially those designed for investors saving for retirement. For these reasons, we believe that retirement policies should recognize the importance of preserving investor choice and access to a range of investments and investment strategies, and that value is not fairly measurable by a single metric of cost. Retirement savers should have access to a sufficient variety of investment products and strategies to meet their goals.

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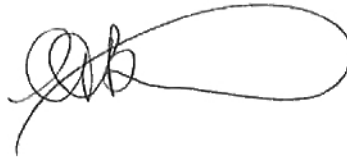
<sup>2</sup> The IAA formed the Active Managers Council to support education, advocacy, and research regarding the value of active management. Council members can provide you with valuable input on some of the implications of different policy choices, and discuss how active management is critical to healthy markets and the economy, providing price discovery and liquidity and supporting capital formation.

<sup>3</sup> H.R. 6990, the PRIA Act of 2018, limited investments in PRIAs to a lifecycle fund, which was defined as a fund that “is comprised of an appropriate mix of index funds.” We recognize and appreciate that the Proposal does not incorporate that definition, and we would oppose limiting the definition of lifecycle funds to include only index funds. We encourage you to define permissible investments in PRIAs in a manner that does not limit investors’ choices to index funds but recognizes the value of active investment management to investors and the markets. We note that the definition of “qualified default investment alternative,” or QDIA, in regulations adopted in connection with the Pension Protection Act of 2006 is not limited to and does not include the term “index funds.”

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We appreciate your consideration of our comments. We would be pleased to meet with you to discuss the Proposal in more detail and provide input from our members that have significant experience in helping their clients achieve their retirement savings goals. Please contact the undersigned at (202) 293-4222 if we may provide any additional information or assistance in this regard.

Respectfully Submitted,

A handwritten signature in black ink, appearing to be 'GCB', followed by a large, horizontal oval flourish.

Gail C. Bernstein  
General Counsel

cc: Karen L. Barr, President and CEO, IAA  
Neil Simon, Vice President for Government Relations, IAA