

MEMORANDUM

To: File Nos. S7-07-18, S7-08-18, S7-09-18

From: Eric Diamond, Senior Advisor to Chairman Jay Clayton

Re: Standards of Conduct for Investment Professionals

Date: October 18, 2018

On September 14, 2018, Eric Diamond (Senior Advisor to Chairman Clayton) participated in a conference call with Shaun O'Brien (American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)), Lauren Rothfarb (AFL-CIO) and Barbara Roper (Consumer Federation of America).

The meeting participants discussed, among other things, the SEC's proposed rules and interpretation relating to standards of conduct for investment professionals. Following the conference call, representatives of AFL-CIO provided the attached information.

- **Approximately 9.7 million private industry workers participate in defined benefit plans that offer lump sums as a distribution option at normal retirement age.** They represent more than half (56%) of private-sector defined benefit plan active participants. SOURCE: *Calculated from* U.S. Bureau of Labor Statistics, National Compensation Survey-March 2017.
 - This number does not include deferred vested participants (i.e., those who have left employment but have not yet claimed their benefits) and therefore does not represent the total number of defined benefit plan participants who have lump sum options. Also, in recent years, some large employers have been offering limited-time lump sum option windows for deferred vested participants and sometimes even to retirees already receiving pension distributions, such as GM did in 2012. Last, this number does not include public-sector defined benefit plan participants who might have a lump sum option.

- **As many as 9.8 million private-sector workers are active participants in defined contribution plans in which they direct the investment of none or only a portion of the assets in their accounts.** Approximately 5.8 million private-sector workers participate in defined contribution plans in which the participants do not direct the investment of any of the assets (i.e., the trustee(s) or some other fiduciary is responsible for directing the investment of plan assets). Another 4 million private-sector workers participate in defined contribution plans in which the participants direct the investment of only part of the assets. SOURCE: U.S. Dept. of Labor, *Private Pension Plan Bulletin: Abstract of 2015 Form 5500 Annual Reports* (Feb. 2018) t. D5, available at <https://www.dol.gov/sites/default/files/ebsa/researchers/statistics/retirement-bulletins/private-pension-plan-bulletins-abstract-2015.pdf>.
 - As with the defined benefit plan statistics cited above, these defined contribution numbers do not include the deferred vested participants in plans that are not entirely self directed. Also, these do not include non-self-directed public sector plans.