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September 24, 2019

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Re: Concept Release on Harmonization of Securities Offering Exemptions (S7-08-19)

Dear Commissioners,

Alight Solutions ("Alight") appreciates the opportunity to comment on the Security and Exchange Commission's ("SEC") concept release regarding the Harmonization of Securities Offering Exemptions. We support the SEC for thoughtfully considering possible ways to simplify, harmonize, and improve the exempt offering framework to expand investment opportunities while also maintaining appropriate investor protections.

About Alight

Alight is a leading provider of human capital solutions. We help our clients and their people navigate the complexity of health, wealth and HR by combining data-driven, consumer-centered technology with personalized care and service to deliver a superior customer experience. Our dedicated colleagues across 19 global centers help 23 million people and their 11 million family members simplify work and life, both now and in the future.

As one of the largest recordkeepers for defined contribution ("DC") plans, Alight is particularly interested in question #122 from the SEC's Comment Release:

If a target date retirement fund were to seek a limited amount of exposure to exempt offerings in its portfolio, what measures, if any, should we consider taking to enable this?

Alight believes that if exposure to exempt offerings is allowed in target date funds ("TDFs"), then they should also be allowed in other portfolios that could act as Qualified Default Investment Alternatives ("QDIA").

While the use of exempt offerings within DC plans is not common, we have multiple recordkeeping clients who include them as part of their plan's investment lineup. Through our experience administering these plans, we have identified a number of unique challenges of having exempt offerings within plans:

- Some exempt offerings are not priced daily and therefore some transactions (such as fund transfers/reallocations) cannot occur on a daily basis.
- Investment education and communication needs to be more robust and also easy for participants to understand in order to help participants in evaluating the risks and benefits of investing in exempt offerings.

Despite these challenges, we believe that exempt offerings can be appropriate for DC participants because of two primary facts:

1. Most DC participants are infrequent traders. According to Alight's *2019 Universe Benchmarks* report, 21% of DC plan participants made a fund transfer in 2018. This means that most investors are invested for the long term, consistent with the profile of typical exempt offerings.
2. Asset allocation portfolios (including TDFs) have become the dominant investment choice for DC participants. More than three-quarters of DC participants have some money invested in TDFs. Across Alight's book of business, TDFs represent the single largest asset class with almost 27% of all assets. Including exempt offerings within asset allocation portfolios helps to ensure that exempt offerings are used as intended.

Alight recommends that if exempt offerings are permitted in TDFs, then all asset allocation portfolios that could serve as a plan's QDIA (including model portfolios and managed accounts) should also be permitted to include exempt offerings. ERISA section 408(b)(2) currently requires that each sleeve in a model portfolio be generally available to participants and this restriction would preclude some QDIAs from being able to include exempt offerings.

Background on QDIAs
The Pension Protection Act of 2006 ("PPA") provides a safe harbor for plan fiduciaries that elect to establish a default investment option for their DC plans. ERISA Section 404(c)(5)(e)(4) states that the following may receive designation as a QDIA: TDFs, target risk funds, balanced funds, and managed account services.

Capital preservation funds, such as stable value or money market, may also receive designation as a QDIA, but only for the first 120 days.

Since the passing of PPA, TDFs have become the dominant form of QDIA. Alight *2019 Trends & Experience in Defined Contribution Plans* report shows the following QDIA prevalence:

- Target date funds: 86%
- Target risk funds: 6%
- Managed accounts: 3%
- Balanced fund: 2%
- Capital preservation: 2%

This data shows that more than one out of every seven plans with a QDIA uses an option other than a TDF. However, model portfolios and managed accounts would be unable to include exempt offerings, unless the exempt offering is provided as a stand-alone option.

Alight's data shows that 66% of plans offer a managed account investment option to their participants and 99% of them say that managed accounts are a valuable feature of the plan. Because the individual investment portfolios built through managed accounts rely on the investment options provided by the plan, they would likely be unable to include exempt offerings in their allocation if the exempt offering was not generally available in the plan, limiting appropriate participant utilization.

Conclusion

Alight supports the potential changes outlined by the SEC that would allow exempt offerings to be more widely used by DC plan participants. However, we believe it is important that any potential changes apply to all investments that could serve as QDIAs or that provide well diversified portfolios (e.g., model portfolios, managed accounts). Alight appreciates the opportunity to provide our comments and thanks the SEC for considering possible ways to provide exempt offerings to investors in DC plans.

Sincerely,

Alison Borland, FSA
Executive Vice President, Wealth and Wellbeing Solutions and Strategy

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