**PUTNAM** INVESTMENTS

February 6, 2007

Office of Exemption Determinations
Employee Benefits Security Administration
Room N-5700
U.S. Department of Labor
200 Constitution Avenue, NW.
Washington, DC 20210

Attention: IRA Investment Advice RFI

Dear Sir or Madam:

I am responding to your letter to Charles Haldeman, Jr., dated December 13, 2006, seeking information regarding the experience of financial institutions that use a computer model to provide investment advice to participants and beneficiaries of IRAs. We appreciate the opportunity to respond to your letter and commend the Department on its efforts to determine whether there is a computer model investment advice program which may be utilized by an IRA to provide investment advice to the account beneficiary.

Putnam Fiduciary Trust Company ("PFTC") serves as trustee of the Putnam Traditional IRA, the Putnam Roth IRA, the Putnam Coverdell Education Savings Account, the Putnam SIMPLE IRA, the Putnam SEP and the Putnam SARSEP (together, "Putnam IRAs"). PFTC currently serves as trustee for approximately one million Putnam IRAs which hold combined assets of approximately $15 billion.

Neither PFTC nor its affiliates (together, "Putnam") offers or makes available a computer model investment advice program for use by Putnam IRAs to provide investment advice to the account beneficiary. Accordingly, we have limited information to provide in response to the Department's questions. Nevertheless, below are the Department's questions and our responses.

1. *Are there computer model investment advice programs for the current year and preceding year that are, or may be, utilized to provide investment advice to beneficiaries of plans described in section 4975(e)(1)(B)-(F) (and so much of subparagraph (G) as relates to such subparagraphs) (hereinafter "IRA") of the Code which :*

   a. *Apply generally accepted investment theories that take into account the historic returns of different asset classes over defined periods of time;*

b. *Utilize relevant information about the beneficiary, which may include age, life expectancy, retirement age, risk tolerance, other assets or sources of income, and preferences as to certain types of investments;*

c. *Operate in a manner that is not biased in favor of investments offered by the fiduciary adviser or a person with a material affiliation or contractual relationship with the fiduciary adviser;*

d. *Take into account the full range of investments, including equities and bonds, in determining the options for the investment portfolios of the beneficiary; and*

e. *Allow the beneficiary, in directing the investment, sufficient flexibility in obtaining advice to evaluate and select investment options.*

As stated above, Putnam does not offer or make available a computer model investment advice program for use by Putnam IRAs to provide investment advice to the account beneficiary.

We are aware that Financial Engines, a computer model investment advice provider based in San Francisco, California, offers a computer model investment advice program to individual account plans. We do not believe that Financial Engines currently offers a computer program to IRAs at this time, however. We are also aware that LT Save, Inc., an internet-based company, offers a computer model investment advice program with respect to both individual account plans and IRAs. Our understanding, however, is that LT Save provides advice with respect to mutual funds and exchange-traded funds, but not with respect to other types of investment options.

2. *If currently available computer models do not satisfy all of the criteria described above, which criteria are presently not considered by such computer models. Would it be possible to develop a model that satisfies all of the specified criteria? Which criteria would pose difficulties to developers and why?*

As stated above, Putnam does not offer or make available a computer model investment advice program for use by Putnam IRAs to provide investment advice to the account beneficiary. We do not have sufficient familiarity with specific third-party computer model investment advice programs to provide information on which criteria in Question 1 such programs may not meet.

In our view, however, the criteria specified in 1.d. above would pose development difficulties, to the extent that 1.d. requires the model to take into account all permissible investments with respect to IRAs under the Internal Revenue Code. Our assumption is that a computer model investment advice program must include and maintain data to serve as the basis for advice with respect to each investment option (such as data pertaining to an investment option's asset class, past performance, and other qualitative and quantitative factors). The Internal Revenue Code permits IRA assets to be invested in an extremely wide variety of investment options, from mutual

funds to individual equities and bonds to real estate and even certain gold coins. It seems highly impractical, if not impossible, for a computer program to include and maintain necessary data with respect to this "full range of investments".

However, we also note that many IRAs do not by their terms permit investment in every permissible investment option. Instead, many IRAs provide for a subset of investment options, such as certain mutual funds or perhaps publicly traded securities that may be purchased and sold through a brokerage account. For example, the Putnam IRAs provide for investment in Putnam managed mutual funds. To the extent that the "full range of investments" constitutes the investment options that are available for investment in a particular IRA (e.g., Putnam mutual funds in the case of the Putnam IRAs), our view is that criteria 1.d. could be more easily met.

Even then, however, a computer model investment advice program could face challenges. For example, if the computer model took into account only the mutual funds offered by a particular mutual fund complex, the mutual funds might be offered in multiple share classes, each of which is subject to a different front or back end sales charge and rate of distribution fees (so-called "12b-1" fees). Such funds might also offer pricing discounts based upon a statement of intention to purchase a certain dollar amount of funds within a certain time period or based upon rights of accumulation (which would take into account not only the funds held in the IRA but funds held in any other accounts with the mutual fund complex as well). A significant amount of data could be required from the IRA account beneficiary in order for the computer model advice program to recommend the appropriate share class for a mutual fund and to take advantage of any available pricing discounts.

3.   *If there are any currently available computer model investment advice programs meeting the criteria described in Question 1 that may be utilized for providing investment advice to IRA beneficiaries, please provide a complete description of such programs and the extent to which they are available to IRA beneficiaries.*

As stated above, Putnam does not offer or make available a computer model investment advice program for use by Putnam IRAs to provide investment advice to the account beneficiary. Moreover, we are not aware of any third-party computer model investment advice programs which meet the requirements described in Question 1 above.

4.   *With respect to any programs described in response to Question 3, do any of such programs permit the IRA beneficiary to invest IRA assets in virtually any investment? If not, what are the difficulties, if any, in creating such a model?*

Not applicable. However, please see the response to Question 2.

5.   *If computer model investment advice programs are not currently available to IRA beneficiaries that permit the investment of IRA assets in virtually any*

*investment, are there computer model investment advice programs currently available to IRA beneficiaries that, by design or operation, limit the investments modeled by the computer program to a subset of the investment universe? If so, who is responsible for the development of such investment limitations and how are the limitations developed? Is there any flexibility on the part of an IRA beneficiary to modify the computer model to take into account his or her preferences? Are such computer model investment advice programs available to the beneficiaries of IRAs that are not maintained by the persons offering such programs?*

As stated above, Putnam does not offer or make available a computer model investment advice program for use by Putnam IRAs to provide investment advice to the account beneficiary. Our understanding is that a computer model investment advice program offered by LT Save, Inc., provides advice to IRA beneficiaries with respect to mutual funds and exchange-traded funds. However, we do not have specific information responsive to this Question with respect to the LT Save computer program or any other computer program.

Assuming such a computer model investment advice program were available, however, our view is that the investment limitations under the program could be imposed by two parties. First, the computer program sponsor or designer could limit the universe of investment options to which the program could apply. For example, the program could be designed to take into account all open-end mutual funds available for sale in the United States but not other types of investment options. Second, the program user could limit the investment options to which the requested advice would apply. For example, a user of a program limited to all open-end mutual funds available for sale in the United States could stipulate that the advice provided be limited to only those funds that did not impose a sales charge, or only those funds of a particular mutual fund complex or complexes.

6.      *If you offer a computer model investment advice program based on nonproprietary investment products, do you make the program available to investment accounts maintained by you on behalf of IRA beneficiaries?*

As stated above, Putnam does not offer or make available a computer model investment advice program for use by Putnam IRAs to provide investment advice to the account beneficiary.

7.      *What are the investment options considered by computer investment advice programs? What information on such options is needed? How is the information obtained and made part of the programs? Is the information publicly available or available to IRA beneficiaries?*

As stated above, Putnam does not offer or make available a computer model investment advice program for use by Putnam IRAs to provide investment advice to the account beneficiary. As indicated above, our understanding is that the computer

model investment advice program offered by LT Save, Inc. considers mutual funds and exchange-traded funds. Our understanding is that the computer model investment advice program offered by Financial Engines considers mutual funds and certain individual equity securities. We do not have information responsive to the remainder of this Question 7.

8.      *How should the Department or a third party evaluate a computer model investment advice program to determine whether a program satisfies the criteria described in Question 1 or any other similar criteria established to evaluate such programs?*
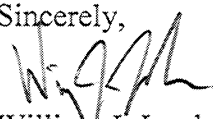
A computer model investment advice program for use by IRAs should be evaluated in the same manner as computer programs for individual account plans. In particular, computer model investment advice programs should be evaluated by an "eligible investment expert" meeting requirements established by the Department and not bearing any material affiliation or contractual relationship with any investment advisor or related person. The required criteria for computer programs applicable to individual account plans overlap in many respects with the criteria for computer programs applicable to IRAs. Therefore, an eligible investment expert should be qualified to evaluate both models. Moreover, to the extent that computer programs are developed for use by both individual account plans and IRAs, it might be desirable and efficient to enable the program to be evaluated for both purposes by the same eligible investment expert.

9.      *How do computer model investment advice programs present advice to IRA beneficiaries? How do such programs allow beneficiaries to refine, amend or override provided advice?*

As stated above, Putnam does not offer or make available a computer model investment advice program for use by Putnam IRAs to provide investment advice to the account beneficiary. Moreover, we do not have information as to how third-party computer model investment advice programs present advice to IRA beneficiaries, or how they might allow beneficiaries to refine, amend or override provided advice.

We hope that our responses are helpful to the Department in its analysis of computer model investment advice programs for use by IRAs. We look forward to the Department's guidance in this important area. If the Department determines that there are no feasible computer models for IRAs at this time, we urge the Department to issue a broad prohibited transaction class exemption providing new opportunities for IRA owners and beneficiaries to obtain investment advice.

Sincerely,

William J. Jacobs
Senior Vice President