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Christine A. Nixon
Senior Vice President and General Counsel

February 8, 2007

via Federal Express (202) 693-8540

Employee Benefits Security Administration
Room N-5700
United States Department of Labor
200 Constitution Avenue NW
Washington, D.C. 20210
Attn: IRA Investment Advice RFI

Dear Sir or Madam:

This letter is sent on behalf of Mr. Martin Sullivan, President and Chief Executive Officer of American International Group, Inc., in response to the invitation set forth in the December 12 letter to Mr. Sullivan from Mr. Ivan L. Strasfeld, Director, Office of Exemption Determinations. Enclosed is our response to the IRA Investment Advice RFI published in the Federal Register on December 4, 2007. Copies of the RFI and Mr. Strasfeld's letter to Mr. Sullivan are also enclosed.

The importance of investment advice to defined contribution plan participants and IRA owners continues to grow and gain broader public recognition. Against that background, we are pleased to respond to the IRA Investment Advice RFI. If you have any questions about the response, please do not hesitate to contact me. Alternatively you may also direct questions to Richard Turner, Vice President and Deputy General Counsel for AIG VALIC.

Thank you again for the invitation to respond to the RFI.

Sincerely,

Christine A. Nixon / K.N.

Christine A. Nixon

cc: Mr. Martin Sullivan
Ms. Anastasia Kelly
Mr. Richard Turner
Mr. Ivan Strasfeld (via Federal Express)

AIG SunAmerica Response to IRA Investment Advice RFI February 8, 2007

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.*

There are computer model investment advice programs which are or may be utilized to provide investment advice to IRA owners and beneficiaries. However, we are not aware of any such programs which can satisfy all of the criteria listed in this question. Specifically, there are such programs which can satisfy criteria (a), (b), (c) and (e) above, where such IRAs by their terms offer a specified and finite list of investment options consisting of mutual funds, fixed annuity contracts or options, and certain other collective investment products. Such programs apply generally accepted investment theories and utilize relevant information about the beneficiary (criteria (a) and (b)). In addition, the investment advice provided under such programs is provided with respect to all of the specified investment options available under the IRA without bias in favor of investment options offered by the fiduciary adviser (or an affiliated person) and those offered by wholly unrelated persons (criterion (c)); that is, the specified menu of investment options may consist in whole or in part of proprietary investment options, but many of the programs with which we are familiar have been developed without distinction between proprietary and nonproprietary investment options. Further, such programs typically allow the beneficiary broad flexibility to decide whether to follow the advice or choose a different asset allocation among the specified investment options available under the IRA product (criterion (e)). Although such IRA products and the computer model investment advice programs generally provide investment advice for the full range of investment options available under the IRA product, and those investment options (including equity and bond funds) typically encompass a broad range of asset classes, the programs do not encompass unlimited investment choices (criterion (d)).

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 discussed in response to Question 1, we are not aware of any computer model investment advice program that provides advice with respect to an unlimited universe of investment options excepting programs that provide advice solely with respect to asset classes and not specific investments. As further discussed in response to Question 4, we do not see how it would be possible for a computer model investment advice program to consider an unlimited universe of investment options.

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 noted in our response to Question 1, we are unaware of any computer model investment advice programs that may be utilized for providing investment advice to IRA beneficiaries which can satisfy all of the criteria in Question 1.

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?

As explained above, the only computer model investment advice programs available for IRAs of which we are aware necessarily consider a finite, and not an infinite, set of investment options. While it is of course true that a program could consider any available

IRA investment option for which the data provided matched the expected program inputs, we do not believe any such program could consider an infinite universe. It would be impossible, we believe, for any computer program to evaluate in any meaningful way every single investment that could be offered under an IRA and to be timely updated to take account of newly available investments and changes affecting the advisability of specific investments. As a threshold issue, we are unaware of any single database that could capture all relevant information. Moreover, in the event that such a database did exist, and if a computer model investment advice program took into account all possible investments, the resulting exponential increase in mathematical permutations would be difficult to conceive and extremely difficult if not impossible to apply. In addition, while a logic set within such a program to winnow the investment universe to a manageable set might be theoretically possible, we are unaware of any commonly accepted logic to provide such winnowing, much less any computer program that performs that function. Instead, such programs are more likely to focus on one or more particular types of investments, such as mutual funds. Finally, if such winnowing logic were to be available and adhere to commonly accepted standards, the constant flux of the resulting investment lineup itself could present practical challenges that we believe would be insurmountable.

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 discussed in response to Question 1, there are computer model investment advice programs that provide recommended allocations among a specified and finite menu of investment options. Typically, the menu of available investment options is defined by the provider of the IRA product and may consist solely of proprietary investment options, a mix of proprietary and nonproprietary investment options, or in some cases solely nonproprietary investment options. It is, of course, the IRA beneficiary who chooses the investment options for his or her IRA since the beneficiary is free to choose any IRA available in the market, to maintain multiple IRAs with one or more IRA providers, and to transfer all or part of the assets held in one IRA to any other IRA at any time. Thus, in contrast with the menu of investment options available under an employer-sponsored plan, an IRA beneficiary maintains complete and ongoing control over all IRA investments. If an IRA beneficiary wants the benefit of computer model investment advice, he may choose to obtain that advice through an IRA provider or product that offers only proprietary investment options, one that provides a mix of proprietary and nonproprietary investments options, or one that offers only nonproprietary investment options. It would not serve the interests of IRA beneficiaries if they were forced to choose between their preferred investment options and the benefits of computer model investment advice. Thus, if an IRA beneficiary wants his or her assets allocated solely among the proprietary investment options of a particular provider, or among a particular mix of proprietary and nonproprietary investment options, ERISA should not preclude him or her from obtaining computer model investment advice with respect to those investment options.

Where such computer model investment advice is provided, the IRA beneficiary has flexibility to modify the output of the computer model to take into account his or her investment preferences among all of the investment options available under the IRA product or to choose investment options that are available under any other IRA product of the same or a different IRA provider. It is our understanding that there are some computer model investment advice programs made available to IRA beneficiaries by persons who are not affiliated with the IRA trustee, custodian, or provider.

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?

Yes.

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?*

See response to Question 5 above. In general, computer model investment advice programs are developed by financial experts who evaluate publicly available information relating to the investment options and apply such information to investment theories followed by such experts.

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?*

As noted above, we are unaware of any advice program that can fully satisfy the criteria described in Question 1, and therefore cannot offer suggestions for how the Department of Labor or a third party should evaluate whether a program satisfies such criteria.

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?*

Computer model investment programs can present advice to IRA beneficiaries in a number of different ways, and the beneficiary is usually free to refine, amend, override or simply ignore the advice. The programs commonly provide advice in the form of recommended asset allocation portfolios, specifying the dollar amount or percentage allocation to one or more investment options within each asset class reflected in the proposed allocation. With many of these types of programs, a beneficiary is able to modify certain basic assumptions, including, for example, risk tolerance, and to modify one or more items of data provided, and review the impact of such changes upon the resulting advice. Finally, since with traditional investment advice (as contrasted with investment advice consisting of discretionary asset management) the IRA beneficiary is responsible for implementing the advice, that beneficiary is free to accept and implement some, all, or none of the advice.