

LAW OFFICES OF
DAVIS & HARMAN LLP
THE WILLARD
1455 PENNSYLVANIA AVENUE, N.W.
SUITE 1200
WASHINGTON, D.C. 20004

TEL (202) 347-2230
FAX (202) 393-3310

January 10, 2007

VIA ELECTRONIC AND FIRST CLASS MAIL

Mr. W. Thomas Reeder
Benefits Tax Counsel
Department of the Treasury
1500 Pennsylvania Ave., NW
Room 3050 MT
Washington, DC 20220

Mr. Joseph H. Grant
Director, Employee Plans (SE:T:EP)
Internal Revenue Service
1111 Constitution Ave., NW
Room 483 Penn. Bldg.
Washington, DC 20224

Mr. Alan N. Tawshunsky
Assistant Chief Counsel,
Employee Benefits (CC:TEGE)
Internal Revenue Service
1111 Constitution Ave., NW
Room 4300 IR
Washington, DC 20224

Re: Issuance and Effective Date of Final 403(b) Regulations

Dear Gentlemen:

We are writing on behalf of the Committee of Annuity Insurers (the "Committee") with respect to the issuance and effective date of final regulations under section 403(b).¹ As an initial matter, the Committee would like to thank the Treasury Department and the IRS for announcing in late August, 2006 that the general effective date of the final regulations will be extended to at least January 1, 2008. This announcement was very responsive to the concerns reflected in the Committee's June 5, 2006, comment letter regarding the effective date and appropriate transition rules for the final regulations. However, given that the final regulations are still pending, the Committee continues to have the concerns that we expressed in our prior letter regarding the need for sufficient time for plan sponsors and providers to digest and conform to the new rules.

As we described in our prior letter, the final regulations are expected to make far-reaching and fundamental changes to the rules governing section 403(b) arrangements, including the imposition of a new written plan requirement and new limitations on transfers. Because many 403(b) sponsors have never adopted or maintained a written plan document, they will need time to consider the design and operation of their arrangements as well as the most effective means of memorializing the operative terms thereof. Similarly, in light of the expected new limitations on

¹ The Committee is a coalition of 29 of the nation's largest and most prominent issuers of annuities, and was formed in 1982 to participate in the development of federal tax and securities policy with respect to annuities. A list of the Committee's member companies is attached.

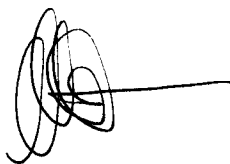
Letter from the Committee of Annuity Insurers to
W. Thomas Reeder, Joseph H. Grant, and Alan N. Tawshunsky
January 10, 2007
Page 2 of 2

transfers, employers will need sufficient time to review and evaluate the annuity contracts and custodial accounts that they will make available under their plans. These endeavors will be time consuming, and they will be necessary in addition to significant actions by sponsors and providers to conform their operational and administrative practices to the new rules.

In addition, the new rules will directly affect nonprofit employers and state and local schools that sponsor 403(b) plans, which often have a very limited capacity to quickly conform their practices and documents to comply with extensive changes in the tax law. This issue is particularly acute for state and local governments that will need to make legislative changes to their plans in order to comply with the final regulations. All of the foregoing efforts will require an enormous commitment of resources – the type and scope of which can reasonably be expected only *after* final regulations are published.

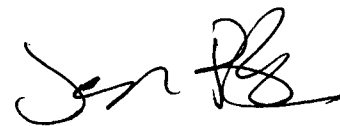
As is evident from the foregoing discussion, it is critical that sponsors and providers have sufficient time after the issuance of final regulations to conform their documents and practices to the new rules. Thus, if the January 1, 2008, effective date referenced in the August news release described above is a goal that the Treasury Department and the IRS are seriously considering, then we urge you to issue final regulations soon in order to provide adequate transition time. If for some reason the issuance of final regulations is delayed any further, then we urge you to give serious consideration to factors such as those summarized above that will affect the length of time that sponsors and providers can reasonably be expected to need. In light of those factors, any further delay in the issuance of final regulations should be accompanied by a further extension of the general effective date of those regulations.

Thank you for your time and for your consideration of this matter. If you have any questions or if the Committee can be of any assistance to the government with regard to the final regulations, please do not hesitate to contact either of the undersigned.



Sincerely,

Barbara N. Seymon-Hirsch



Jason K. Bortz

Attachment

cc: Robert Architect (Internal Revenue Service)
William Bortz (Treasury Department)
R. Lisa Mojiri-Azad (Internal Revenue Service)
Cheryl E. Press (Internal Revenue Service)
Donald T. Rocen (Internal Revenue Service)
John Tolleris (Internal Revenue Service)

The Committee of Annuity Insurers

The Willard Office Building
Suite 1200
1455 Pennsylvania Ave., NW
Washington, D.C. 20004

AEGON USA, Inc., Cedar Rapids, IA
AIG American General, Wilmington, DE
Allstate Financial, Northbrook, IL
AmerUs Annuity Group Co., Topeka, KS
AXA Equitable Life Insurance Company, New York, NY
Conseco, Inc., Carmel, IN
F & G Life Insurance, Baltimore, MD
Fidelity Investments Life Insurance Company, Boston, MA
Genworth Financial, Richmond, VA
Great American Life Insurance Co., Cincinnati, OH
Guardian Insurance & Annuity Co., Inc, New York, NY
Hartford Life Insurance Company, Hartford, CT
ING North America Insurance Corporation, Atlanta, GA
Jackson National Life Insurance Company, Lansing, MI
John Hancock Life Insurance Company, Boston, MA
Life Insurance Company of the Southwest, Dallas, TX
Lincoln Financial Group, Fort Wayne, IN
Merrill Lynch Life Insurance Company, Princeton, NJ
Metropolitan Life Insurance Company, New York, NY
Nationwide Life Insurance Companies, Columbus, OH
New York Life Insurance Company, New York, NY
Northwestern Mutual Life Insurance Company, Milwaukee, WI
Ohio National Financial Services, Cincinnati, OH
Pacific Life Insurance Company, Newport Beach, CA
The Phoenix Life Insurance Company, Hartford, CT
Protective Life Insurance Company, Birmingham, AL
Prudential Insurance Company of America, Newark, NJ
Sun Life of Canada, Wellesley Hills, MA
USAA Life Insurance Company, San Antonio, TX

The Committee of Annuity Insurers was formed in 1982 to participate in the development of federal tax and securities law policies with respect to annuities. The member companies of the Committee represent over half of the annuity business in the United States.