

**MEMO# 24474**

August 6, 2010

## **Draft ICI Letter on SEC Proposal for Target Date Fund Marketing Materials; Comments Requested by August 13th**

[24474]

August 6, 2010

TO: PENSION COMMITTEE No. 21-10  
PENSION OPERATIONS ADVISORY COMMITTEE No. 20-10  
SEC RULES COMMITTEE No. 34-10  
SMALL FUNDS COMMITTEE No. 12-10  
ADVERTISING COMPLIANCE ADVISORY COMMITTEE No. 4-10  
529 PLAN ADVISORY COMMITTEE No. 3-10 RE: DRAFT ICI LETTER ON SEC PROPOSAL FOR  
TARGET DATE FUND MARKETING MATERIALS; COMMENTS REQUESTED BY AUGUST 13TH

As you know, the Securities and Exchange Commission has proposed amendments to its advertising rules to clarify the meaning of a date in a target date fund's name and enhance the information provided to investors to address potential misunderstanding of these funds. [\[1\]](#) Attached is a draft of the Institute's comment letter on the proposal. We appreciate your feedback on the draft letter. Please provide your comments no later than Friday, August 13th.

The Institute letter strongly supports the spirit and core of the Commission's proposal that focuses on communicating key pieces of information about target date funds to investors and uses a graphic glide path illustration to convey the information and allow comparisons among funds. In the proposal, the Commission asked a number of questions about whether the rule should be more detailed than proposed and proposed to require that a prescribed tag line follow the first use of the fund's name. Our letter urges the Commission not to adopt measures that would overly prescribe the content of fund marketing materials. Rather, we urge the Commission to continue its long-standing practice of not dictating the specific content of funds' marketing materials.

We also recommend that any new rules for target date mutual funds apply equally to target date funds that are not mutual funds. Because the Commission does not have jurisdiction

over non-mutual funds, we strongly urge the Commission to encourage the Department of Labor to impose similar rules on collective funds and other non-mutual fund target date funds.

Our comments on the proposal include the following.

- The Commission should clarify the marketing material to which the proposed new requirements apply.
- The glide path illustration presents at a glance all the information about a target date fund's changing asset allocation. It is the most effective way to communicate the features of a target date fund to investors and is the most important element of the Commission's proposal.
- The glide path should highlight asset allocation at the fund's target date and landing point. The Commission should eliminate the proposed tag line asset allocation disclosure requirement. The proposed tag line is not necessary, and because it focuses on only one key feature, likely will confuse, rather than enlighten, target date fund investors.
- We agree that the Commission should permit funds flexibility in illustrating asset allocations and should not prescribe the asset classes or the methodology for calculating the asset classes.
- The Commission should re-examine the proposed approach of requiring target date funds to disclose the percentage of assets allocated to types of securities as opposed to types of funds.
- The Commission should not require quarterly updating of actual asset allocations in single fund illustrations.
- We agree the Commission should require a narrative summarizing the key features of the target date fund, but we would modify the narrative in several respects.
- We agree that the Commission should not apply the proposed illustration requirement to radio, television, or other similar modes of communication. We recommend that the Commission also consider permitting marketing materials with space limitations (such as Twitter) to convey the required information by means of a "one-click away" approach.
- The Commission should eliminate or revise the proposed amendments to Rule 156 with respect to emphasizing a single factor about a fund in order to address the potentially broad and unintended consequences of the provision on investment companies.
- The compliance date for any final rules should be refined and should apply to all of the proposed amendments.
- We agree that the Commission should not amend prospectus disclosure requirements for target date funds. We recommend, however, that the Commission consider providing target date funds the flexibility to use an integrated format for both the summary section of the statutory prospectus and the summary prospectus.

Please submit your comments no later than Friday, August 13th, to Anna Driggs by phone (202) 218-3573 or email at [adriggs@ici.org](mailto:adriggs@ici.org) or to Dorothy Donohue at (202) 218-3563 or [ddonohue@ici.org](mailto:ddonohue@ici.org).

Anna Driggs  
Associate Counsel

Dorothy M. Donohue  
Senior Associate Counsel

[Attachment](#)

**endnotes**

[1] See [Memorandum](#) to Pension Committee No. 16-10, Pension Operations Advisory Committee No. 14-10, SEC Rules Committee No. 27-10, Small Funds Committee No. 8-10, Advertising Compliance Advisory Committee No. 2-10, 529 Plan Advisory Committee No. 1-10 [24389], dated June 25, 2010.

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