

MEMO# 26184

May 23, 2012

ICI Submits Comment Letter on the SEC TDF Study; DOL Reopens Comment Period on its TDF Proposal

[26184]

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TO: PENSION COMMITTEE No. 17-12
PENSION OPERATIONS ADVISORY COMMITTEE No. 17-12
SEC RULES COMMITTEE No. 33-12
SMALL FUNDS COMMITTEE No. 16-12
ADVERTISING COMPLIANCE ADVISORY COMMITTEE No. 13-12
529 PLAN ADVISORY COMMITTEE No. 3-12
BANK, TRUST AND RETIREMENT ADVISORY COMMITTEE No. 22-12 RE: ICI SUBMITS
COMMENT LETTER ON THE SEC TDF STUDY; DOL REOPENS COMMENT PERIOD ON ITS TDF
PROPOSAL

Attached is a comment letter submitted by the Institute on the results of the investor testing ("Survey") [\[1\]](#) sponsored by the Securities and Exchange Commission ("SEC") in connection with its target date fund ("TDF") marketing materials proposal ("Proposal"). [\[2\]](#)

In its letter, the Institute reiterated its support (originally expressed in its August 2010 comment letter [\[3\]](#) on the Proposal) for the spirit and the core of the SEC Proposal that focuses on communicating key pieces of information about TDFs to investors and requires a prominent table, chart, or graph ("glide path illustration") to convey the idea of a TDF's changing asset allocation over the life of the TDF. The Institute also reconfirmed its opposition to a proposed requirement that a TDF disclose, immediately adjacent to the first use of the fund's name, the fund's asset allocation at the target date ("tagline disclosure").

Our letter notes that the Survey did not alter the Institute's views on the Proposal. In particular, the letter explains our position that the Survey results show that: (i) investors who viewed a glide path illustration demonstrated a statistically significantly greater incidence of comprehension of a TDF's changing asset allocation; and (ii) the addition of a tagline to a document with a glide path illustration does not increase investor comprehension of all key features of a TDF.

The Department of Labor (“DOL”) has just announced that it is reopening the comment period on its proposal [\[4\]](#) to enhance disclosure concerning TDFs offered in participant-directed retirement plans. [\[5\]](#) In the announcement, DOL noted the relationship between the two regulatory proposals and that the results of the Survey also may be relevant to the DOL proposal. Comments are due to DOL 45 days after publication in the Federal Register. [\[6\]](#) We anticipate filing a comment letter on the Survey with DOL.

Anna Driggs
Associate Counsel

[Attachment](#)

endnotes

[\[1\]](#) See [Memorandum](#) to Pension Committee No. 10-12, Pension Operations Advisory Committee No. 10-12, SEC Rules Committee No. 21-12, Small Funds Committee No. 10-12, Advertising Compliance Advisory Committee No. 11-12, 529 Plan Advisory Committee No. 2-12 [26021], dated April 5, 2012.

[\[2\]](#) See [Memorandum](#) to Pension Members No. 26-10, SEC Rules Members No. 57-10, Small Funds Members No. 37-10, Investment Company Directors No. 13-10 [24390], dated June 25, 2010.

[\[3\]](#) See [Memorandum](#) to Pension Members No. 35-10, SEC Rules Members No. 86-10, Small Funds Members No. 48-10, Advertising Compliance Advisory Committee No. 5-10, 529 Plan Advisory Committee No. 4-10 [24508], dated August 23, 2010.

[\[4\]](#) See [Memorandum](#) to Pension Members No. 57-10, SEC Rules Members No. 131-10, Small Funds Members No. 79-10, Advertising Compliance Advisory Committee No. 6-10, Transfer Agent Advisory Committee No. 79-10, Bank, Trust and Recordkeeper Advisory Committee No. 51-10, Operations Committee No. 38-10 [24754], dated December 2, 2010. For the Institute’s comment letter on the DOL proposal, see [Memorandum](#) to Pension Members No. 5-11, SEC Rules Members No. 8-11, Advertising Compliance Advisory Committee No. 2-11, Transfer Agent Advisory Committee No. 6-11, Bank, Trust and Recordkeeper Advisory Committee No. 6-11, Operations Committee No. 3-11 [24878], dated January 14, 2011.

[\[5\]](#) See http://www.ofr.gov/OFRUpload/OFRData/2012-12386_Pi.pdf.

[\[6\]](#) The announcement is scheduled to be published in the Federal Register on May 24, 2012.