

MEMO# 7269

September 19, 1995

MINUTES OF THE RESEARCH COMMITTEE MEETING, JUNE 9, 1995

September 19, 1995 TO: ACCOUNTING/TREASURERS COMMITTEE No. 36-95 MARKETING POLICY COMMITTEE No. 45-95 RESEARCH COMMITTEE No. 34-95 RE: Minutes of the Research Committee Meeting, June 9, 1995

_____ The Research Committee met in Washington, D.C. on June 9, 1995. These minutes identify major discussion items and highlight any conclusions reached or actions proposed. I. Opening Remarks Hal Cogger of Colonial, Chairman of the Research Committee, called the Research Committee meeting to order. He reminded all present of the importance of adhering to antitrust laws in discussions. II. Review of Current Research Sandy West and Kathy Rabon-Summers reviewed research in progress and the expected completion date for projects. Sandy informed members that, in response to the SEC's concept release on mutual fund risk disclosure, ICI's marketing research staff is surveying shareholders to assess their preferences for various risk measurements, such as beta and standard deviation. She also reviewed the progress of research on shareholders' assessment of the profile prospectus, information and advice for shareholders, and bank marketing. Ms. Rabon-Summers apprised members of the status of the 401(k) and directors' fees studies. III. Report from the Planning Subcommittee The Committee received a report from Russ Haskell, Chairman of the Planning Subcommittee. He indicated that the Subcommittee's objective was to develop project ideas that fall into Categories 2 and 3 of the Institute's research framework. (Category 1 projects are policy research initiated by ICI's legal and legislative staff.) Categories 2 and 3 are defined as follows: Category 2: Basic industry research projects with a policy application. These long-term projects must support ICI policy initiatives, but not necessarily a specific policy issue. ICI staff and Research Committee members will work together to identify Category 2 topics. Category 3: Participant-funded research projects that have a business/marketing application and little policy application. ICI staff and Research Committee members will work together to identify Category 3 topics. Toward that goal, from the 56 ideas submitted by members, the Planning Subcommittee developed four Category 2 projects: Planning and Preparing for Retirement: This study would examine how households allocate saving among different assets to achieve retirement goals, with particular attention given to the use of mutual funds. The study would also identify the saving attitudes and objectives across age groups, and gather information on tax-related issues, such as the role of the features of defined contribution plans in affecting participation and participant level of contributions. Understanding Shareholder Redemption Decisions: This study would examine the redemption behavior of shareholders in stock and bond funds since January 1994. Several 1994 macro-economic developments make it an opportune time to conduct this study: rising interest rates caused many investors to

redeem bond fund shares, and the devaluation of the Mexican peso caused many to sell shares of international and Latin American funds. Understanding Shareholder Perceptions of Mutual Fund Fees and Expenses: This project would analyze shareholders' awareness and understanding of various types of mutual fund fees, including management fees, 12b(1) fees, exchange fees, redemption fees, and service fees. Technology and the Mutual Fund Industry: This project would catalog technological changes in investor services and communications introduced over the last several years. This information would be used as a starting point for addressing economic and marketing issues involving services, products, and industry structure. After this research is completed, shareholder receptivity to new services, products, and distribution methods would be measured to identify the speed within which technological change may be able to move through the industry. In addition to the four Category 2 projects, which were also candidates for participant- funded research, the Planning Subcommittee developed four other projects for Category 3: Women Financial Decisionmakers: The key objective of this study would be to develop benchmark research on the attitudes and needs of women investors. Developing Institutional Markets for Mutual Funds: This study would survey the financial officers of a sample of corporations, universities, and hospitals. The study would determine their current allocation of investment assets, particularly the share held in mutual funds, identify their investment selection process, the types of investment advice sought, and whether outside money managers are ever used. Use of Investment Professionals in Buying Mutual Funds: This project would review past ICI research for any information from shareholders who use advisers about their use of, perceptions of, and attitudes toward financial advisers. Consumer Perceptions of the Mutual Fund Industry: This study would identify how mutual fund owners and nonowners view the mutual fund industry relative to other industries, determine the qualities that consumers associate with the mutual fund industry, and identify the range of attitudes that consumers have about mutual funds. Russ Haskell led ICI members in a discussion of each project idea, after which Sandy West reviewed the voting procedures. Committee members were reminded that their priorities served as a guide to ICI staff in setting the research agenda, and that the proposals submitted would be evaluated in the context of FY96 resources. Members then took a few minutes to indicate their project preferences by ballot. IV. Review of Other Research Anne Shafer apprised members that all data collection surveys were undergoing a comprehensive review to identify their usefulness, cost, and number of staff members needed to complete the survey. As a result, the annual source of sales collection, the annual tabulation of equity fund portfolios, and the monthly survey of closed-end fund underwritings have been eliminated. Kathy Rabon-Summers presented status reports for the pension statistics survey and the international database. V. Panel Discussions and Presentations Members heard several panel discussions and presentations. Beth Segers of Fidelity, Ken Rutherford of T. Rowe Price, and John Schniedwind of Benham each gave presentations related to mutual fund risk measurement. Sandy West and John Rea described ICI's current research on shareholder perceptions of various risk measurements. Dick Marcis presented the key highlights of a forthcoming ICI publication on shareholder responses to the 1994 market volatility. Paul Stevens provided members with an update on ICI's legal and legislative activities.

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