BLACKROCK

January 14, 2011

Via e-mail to *e-ORI@dol.gov*

Office of Regulations and Interpretations
Employee Benefits Security Administration
Room N-5655,
U.S. Department of Labor
200 Constitution Avenue, NW
Washington DC 20210

Re: Target Date Amendments

BlackRock[1] is pleased to offer its comments regarding rules proposed by the Department of Labor (the "Department") on additional disclosure requirements for participants concerning target date funds ("TDFs"). The proposal seeks to amend both the regulation covering qualified default investment alternatives[2] (the "QDIA Rule") and the participant-level disclosure regulation[3] (the "Participant Disclosure Rule"). We share the Department's goal of providing plan participants with information that will enhance the understanding of TDFs and help guide the investment decision.

We support the Department's approach in the proposed amendments and believe they will foster greater transparency and ultimately better participant outcomes. As discussed below, we largely agree with the proposal. However, we remain concerned about inconsistent disclosure requirements being imposed on TDF investments.[4] As the bulk of TDF assets are held, according to recent surveys[5] in 401(k) and similar participant directed plans, we strongly support the Department taking the lead on setting disclosure standards for these strategies, whether organized as mutual funds or

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[1] BlackRock is one of the world's leading asset management firms. We manage over $3.45 trillion on behalf of institutional and individual clients worldwide through a variety of equity, fixed income, cash management, alternative investment, real estate and advisory products. Our client base includes corporate, public, multi-employer pension plans, insurance companies, third-party mutual funds, endowments, foundations, charities, corporations, official institutions, banks, and individuals around the world. Among the financial innovations BlackRock has pioneered is the lifecycle/target date investment strategy, first launched in 1993.

[2] 29 CFR Part 2550 (Sec. 2550.404c-5, Fiduciary Relief for Investments in Qualified Default Investment Alternatives), 72 FR 60452 (October 24, 2007), amended 73 FR 84 (April 30, 2008).

[3] 29 CFR Part 2550 (Sec. 2550.404a-5, Fiduciary Requirements for Disclosure in Participant-Directed Individual Account Plans), 75 FR 64910 (October 20,2010).

[4] See, SEC File # S7-12-10, "Investment Company Advertising- Target Date Retirement Fund Names and Marketing", 75 FR 35920 (June 23, 2010) and BlackRock's comment letter available at http://www.sec.gov/comments/s7-12-10/s71210-33.pdf.

[5] Retirement Snapshot, 2Q2010, Investment Company Institute.

other investment products (collective funds, separate accounts and insurance products). Because of the Department's experience with defined contribution ("DC") plans and the fiduciary role of plan sponsors in the selection of investment options, we believe the Department is best positioned to determine the efficacy of TDF disclosures to plan participants.

Discussion

TDFs are an important tool for those saving for retirement because these products transfer the burden of adjusting risk levels over time from the individual participant to professional investment managers. The popularity of TDFs reflects the fact that these products provide a simple solution for individuals who lack the knowledge, interest or time to select and monitor a mix of investments.

The proposed amendments to the Department's QDIA Rule and Participant Disclosure Rule would require participants to receive an explanation of the asset allocation over time and certain information on the significance of the target date and on the risk of loss by investing in the TDF.

Asset Allocation. BlackRock believes the most important factor for retirement investors to understand is how a TDF's risk level changes over time (the "glidepath"). We support the requirement that the disclosure include a glidepath illustration and agree with the Department's identification of the relevant elements that must be described or conveyed in the illustration. Presented in a graph or chart, this illustration would permit participants to visualize the evolving level of risk in relation to their own time horizon. Additionally, we would also encourage that language accompany the glidepath illustration to describe the extent to which the manger may deviate from the shown glidepath for example through the use of tactical asset allocation shifts. This disclosure emphasizes the function of a TDF and would also help investors understand how asset allocation, and therefore risk, changes over time.

The proposed amendment to the QDIA Rule requires that this illustration plus the additional information on TDFs (discussed below) be provided in the required notice to participants and beneficiaries (the "QDIA Notice"). In discussing the Paperwork Reduction Act implications for the proposal, the Department suggests that this disclosure would add two pages to the QDIA Notice. We question this assumption, as each TDF in a time series has a unique glidepath, requiring the plan sponsor to append glidepath disclosures for as many as ten TDFs (the entire time series). Alternatively, the plan sponsor presumably could meet these requirements by customizing the QDIA Notice on a participant-by-participant basis which would of course change the regulatory burden calculation made by the Department as to the hours needed to comply with the proposed changes to the QDIA Notice. We encourage the Department to clarify its intent on these TDF disclosures that they are to be multiple pages appended to the QDIA Notice and not customized on a participant-by-participant basis..

Significance of the Target Date. The proposed amendments require an explanation of the age group for whom the target date investment is designed, the relevance of the date, and any assumptions about a participant's contribution and withdrawal intentions on or after the target date.[6] We support this disclosure, and believe it provides additional relevant information to plan participants. We note that the SEC proposal in this regard is substantially different (requiring the first time the target date is mentioned that there be a disclosure as to the asset allocation at the "ending point" or "landing point"). We believe the Department's approach provides more useful information to plan participants, and when eliminating inconsistencies between the proposals, we would urge that the Department's approach prevail.

Risk. The Department has also proposed that TDF disclosures include a statement that the participant or beneficiary may lose money by investing in the option, including losses near and following the target date and that there is no guarantee that the TDF will provide adequate retirement income. While we share the Department's concern that some participants may not fully understand the limitations of a TDF investment option, the statement as proposed applies to nearly all DC plan investment options.[7] We question whether TDFs should be singled out for such disclosure and recommend a similar statement be made for all investment options in the QDIA Notice and other participant disclosure documents.

Consistency of the QDIA Notice and Participant Disclosure. The Department asks for comment on the extent to which the new requirements for the QDIA Notice and the Participant Disclosure Rule should conform. We believe that defaulted participants and active participants (those that provide investment instructions) should receive the same information about the investment alternatives, including TDFs.

However, we are concerned that not all the proposed changes to the QDIA Notice conform to the way information is currently required to be disclosed in the Participant Disclosure Rule. As we read the proposal, the revised QDIA Notice would be required to provide a description of the investment issuer, objectives or goals, principal strategies and principal risks, performance data and fees and expenses. Under the Participant Disclosure Rule, participants receive performance, fee and expense information in the comparative chart, and a reference ("click-through") to a web site to obtain additional investment-related information, including the issuer, objectives or goals, principal strategies and principal risks. Moreover, under the proposal, if TDFs are an investment option, the chart will be accompanied by an appendix of TDF-specific disclosures including the illustrative glidepath and the statement about risk of loss.

We are concerned about these differences for two reasons. First, the proposal to add information to the chart or in an appendix to the chart undercuts the benefit provided to plan participants of having an easy to understand comparative chart among investment options regardless of investment strategy or type of investment product (i.e., mutual fund, collective fund, separate account or insurance product). Second, a

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[6] We assume this latter requirement is referencing the "to or through" retirement aspect of TDFs, rather than requiring the plan fiduciary to make assumptions and provide quantitative disclosures about contribution or withdrawal levels. We believe it would be most helpful to plan participants to state the assumption more generally—the TDF assumption is that a participant would cease contributions on or around the target date and/or the fund is designed for an investor who expects to withdraw amounts gradually in retirement -- and read the proposal to permit that more helpful approach.

[7] While money market funds, certificates of deposit and stable value investments present limited risk to principal, the ability for any DC plan investment to provide adequate income at retirement is dependent on many factors, including the years and rate of contributions.

different set of disclosures or disclosures presented differently for TDFs may simply be confusing to participants. We believe that the QDIA Rule and the Participant Disclosure Rule should require key information on all investments be made available to participants through a click-through process.[8] The effects of information overload and its influence on participants' understanding and investment choices is well documented.[9]

Inconsistency with SEC Proposal. In June 2010 the SEC proposed changes to advertising and marketing rules for TDFs offered in mutual fund form. While grounded in the same principles that plan participants and retirement investors be given information about how TDFs work, in many ways, the SEC proposal differs from the requirements proposed by the Department. We are concerned that TDF providers and plan sponsors will be put in the position where potentially all the SEC requirements and the Department requirements will need to be complied with—if not an impossible task, one that will certainly result in confusion for the plan participant who is the intended beneficiary of these rule-makings. While we support providing information which will increase plan participants and retirement investors understanding of TDFs, we believe the Department's unique position in overseeing the majority of retirement monies argues that its rules should take precedence over those of the SEC with regards to TDF disclosure.

Conclusion

As fiduciaries for our clients, we share the Department's resolve to assure a secure retirement for all Americans. TDFs provide fundamental advantages in helping DC plan participants and others investing for retirement to maintain a diversified asset allocation strategy that changes over time. We believe that the Department's proposed changes to the QDIA Rule and the Participant Disclosure Rule are generally consistent with the goal of enhancing understanding of TDFs. With the clarifications and recommendations outlined above, we support the adoption of these amendments.

BlackRock welcomes the opportunity to further discuss its views on this important topic with Employee Benefits Security Administration staff and others in the Department.

Sincerely,

Chip Castille
Managing Director
Head of US Defined Contribution

cc: Mark T Uyeda, Assistant Director, Office of Disclosure Regulation, Division of Investment Management, US Securities and Exchange Commission

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[8] This could also solve the issue of providing defaulted participants and beneficiaries with the specific information for the TDF into which their or their employers' contributions are placed—information on the specific time series TDF is more easily accessed through the click-through than multiple physical pages of illustrative glidepaths or the cumbersome development of customized QDIA Notices.

[9] James J. Choi & David Laibson & Bridgette C. Madrian & Andrew Metrick, 2001. "Defined Contribution Pensions: Plan Rules, Participant Decisions, and the Path of Least Resistance", NBER Working Papers 8655, National Bureau of Economic Research, Inc.