July 9, 2012

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

Submitted to: e-ORI@dol.gov

Re: Target Date Disclosure
RIN1210-AB38

Ladies and Gentlemen:

AARP appreciates the opportunity to comment in response to the Department of Labor's (Department) request for comments on the proposed regulatory amendments relating to enhanced disclosure concerning target date or similar investments (TDFs).[1] AARP recognizes that the use of TDFs by investors has grown significantly, even since the Department's 2010 request for comments on the topic, and that TDFs may in the future comprise a substantial repository for retirement investments.

The primary purpose of this letter is to assert a continued adherence to the positions stated in AARP's January, 2011 letter pertaining to Qualified Default Investment Alternatives (QDIAs). AARP views this as an opportunity to also express views on more recent developments on the subject. In particular, AARP notes the Securities and Exchange Commission initiative as to the Siegel & Gale study, *Investor Testing of Target Date Retirement Fund (TDF) Comprehension and Communications*.[2] We have also reviewed many of the comments of other interested parties who believe the Siegel & Gale Study should influence the Department's current thinking about TDF required disclosures.

[1] AARP represents persons age 50 or older, and helps them gain independence, choice and control in ways that are beneficial and affordable to them and to society. Almost one-third of AARP's members are working. AARP fosters the economic security of individuals as they age by seeking to increase the availability, security, equity, and adequacy of retirement, health, disability, and other employee benefits. AARP also devotes a considerable amount of work to protecting consumers and investors from exploitation in the marketplace, including by advocating for strong and effective state consumer protections and federal investor protections.

[2] *http://www.sec.gov/comments/s7-12-10/s71210-58.pdf.*

AARP's review of the Siegel & Gale study determined that the study's basic conclusions may be simply stated: there is considerable lack of understanding of the fundamental properties (and hence riskiness) of a TDF, not only among non-TDF holders, but among TDF investors themselves. This conclusion is not weakened by the findings that the provision of information increases investors' understanding to some degree; and that older investors are savvier than younger ones.

The survey results are essentially unremarkable and reinforce the view that there is a real lack of understanding about the significance of the target date specified by a TDF fund. Investors tend to assume that asset allocation is frozen at that point, even if they were less likely to do so after being given additional information on the glide path. In addition, half of TDF holders believe that the TDF provides guaranteed income in retirement -- a serious misconception. Investors also failed to appreciate the ways in which TDFs with the same target date could differ, and more than half could not infer the percentage decline that would take place in equity holdings by the target date (that is, they could either not read a graph or perform such a calculation).

The lack of understanding of the way TDFs work and their riskiness is of significant concern to AARP. These instruments represent a growing share of retirement investments, and AARP believes that trend may continue in the future, given the number of plans with TDFs as an option and the number of plans for which a TDF is the default. Therefore AARP is committed to the proposition that remedies must be found for investors' lack of understanding of the risks they incur when they invest in a TDF. AARP urges the Department to stand by its proposed regulatory amendments and to continue to devote efforts to expand investor understanding and literacy to include the economic, financial and regulatory aspects of TDFs.

AARP appreciates the opportunity to provide its views on the proposed amendment of rules relating to Target Date Funds. If you have any questions, please do not hesitate to contact Tom Nicholls at 202.434.3765 or Jay Sushelsky at 202.434.2151.

Sincerely,

David Certner
Legislative Counsel & Legislative Policy Director

cc: Joe Canary
Director, Office of Regulations and Interpretations
Jeffrey Turner
Deputy Director, Office of Regulations and Interpretations