STATE STREET GLOBAL ADVISORS

State Street Global Advisors

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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: RIN 1210-AB38 – Target Date Disclosure

Ladies and Gentlemen:

State Street Global Advisors ("SSgA"), a division of State Street Bank and Trust Company, appreciates the opportunity to provide additional commentary on the Department of Labor's proposed regulation regarding the provision of enhanced disclosure for defined contribution (DC) plan participants about target date funds.

SSgA is one of the largest asset managers working with US defined contribution plans today. With more than 30 years of experience in the DC market, we manage nearly $320 billion in DC assets worldwide (as of 3/31/14), including $259 billion in the United States. Drawing upon our research into the needs of retirement plan participants and deep experience working with retirement plan sponsors, we are pleased to bring the voices of participants and plan sponsors to the conversation.

In letters dated January 14, 2011 and July 9, 2012, SSgA has previously commented on the original target date fund proposal from the Department of Labor ("the Department"). We support the Department's decision to re-open the comment period for receiving specific input on the more recent proposal by the Securities and Exchange Commission ("the Commission") introduced in April 2013 by the Commission's Investor Advisory Committee to require the inclusion of a "risk-based" glidepath illustration as part of target date fund disclosures.

Since we have already commented on the Department's original 2010 proposal, we are limiting our comments here to the Commission's 2013 proposal with specific emphasis on the suggested requirement for a risk-based glidepath illustration. As we noted in our comments dated June 9, 2014 to the Commission, we oppose a new requirement for a risk-based glidepath illustration, for the reasons we describe below.

For clarity, our point of view about target date fund disclosures refers exclusively to the needs of retirement plan participants and other investors saving for retirement. While the use of target date funds could potentially grow in other areas, such as college savings accounts, our comments here are specifically geared toward retirement investors.

Coordinated efforts among policy makers improve communications for DC plan participants
At SSgA we strongly encourage coordinated efforts among regulatory agencies and other policy makers to provide unified guidance on target date fund disclosures. We agree that a single set of coordinated guidelines supported by both the Department and the Commission will best serve the needs of participants. In our view, if the Department and the Commission were to issue separate and different guidelines, the resulting sets of differing disclosures would be confusing to participants and costly to plan sponsors.

The Commission has proposed the creation of risk-based glidepath illustrations for DC plan participants. While we oppose the creation and use of risk-based glidepath illustrations, we welcome the conversation about how to more effectively communicate risks to DC plan participants. In our view, discussions about target date fund disclosures offer a prime opportunity to consider the bigger picture for retirement investors today. Before we can have a conversation about how to communicate risks, we believe that policy makers, plan sponsors and plan service providers first need to first identify, "Which risks are we talking about?"

SSgA Analysis
Risk is multi-dimensional for retirement investors.
We believe it is useful to view retirement readiness and the overall financial health of retirement savers through a multi-dimensional lens. Just as an investor saving for the down payment on a new house or other near-term goal may be concerned primarily with market volatility risk—the risk that their account could lose value in the near term—there are other risks that homeownership entails.

Similarly, an investor saving for retirement has to consider volatility risk, as well as other key risks. These additional risks include:
1. Accumulation risk: The risk of not generating sufficient portfolio growth to fund retirement;
2. Longevity risk: The risk of outliving one's savings;
3. Volatility risk: The risk of substantial wealth degradation due to a negative market event; and,
4. Inflation risk: The risk of significant erosion in purchasing power due to elevated inflation levels.

Target date funds are designed to help participants manage these key risks. While the glidepath itself is the primary tool that the manager of a target date fund uses to address the four risks above on behalf of participants, we believe it is impractical to measure and communicate these risks to participants through a glidepath illustration. Rather than using glidepath illustrations as a proxy "risk meter" for investors, we believe that a glidepath illustration should only be used for its original purpose—to show the basic asset allocation and illustrate that the portfolio will automatically change over time based on an investor's time horizon. This simplicity enables the investor to focus on other aspects that help drive retirement readiness, notably establishing a sufficient savings rate.

Participants are generally unaware of the subtle, but important retirement risks they face.

SSgA's research indicates that accumulation, longevity and inflation risks will likely seem abstract at best to many participants. Many participants we surveyed have not considered how much money they may need to save or how long they may live or how inflation may impact their purchasing power. Our 2012 Biannual DC Investor Survey shows the following responses.

Which of the steps have you performed in the last 2 years?

	Yes	No
Determining how much to save	64%	36%
Determining how much monthly income I will need in retirement	47%	53%
Determining how many years I have until I retire	70%	30%
Determining how many years I will live in retirement	43%	58%
Determining what investments to invest in	61%	39%
Determining how to monitor my progress	53%	39%
Total exceeds 100% due to rounding		

Have you considered inflation when making investment decisions?

	Responses
I haven't even considered the effects of inflation	15%
I did consider it: I just didn't know how to address inflation	43%
I have considered inflation and I invest in inflation protection investments	25%
I don't think inflation is going to be a problem for me in retirement	16%
I don't understand how inflation may affect me in retirement	1%

Because many retirement plan investors may have only a cursory awareness of the risks they face, we suggest focusing educational efforts on defining—rather than measuring—key retirement risks in participant communications. Target date fund investors, in our view, should simply focus on things they can control. Target date fund investors can control their individual savings rate, attempt to realistically forecast when they may retire, choose an appropriate target date fund accordingly, and look for opportunities to save more if they need to.

Educating retirement investors requires a multi-faceted approach.
Target date funds are increasingly being used as default options for retirement plan participants because they automatically manage a broad range of key risks on behalf of participants as they progress toward and beyond retirement. These risks will be different for different groups of participants and will change over time. For example, accumulation risk is particularly important for participants who are 20 or more years away from retirement. Inflation and longevity risks are particularly important for participants near or in retirement, to make sure these older participants maintain the purchasing power of their savings over time and do not outlive their nest-eggs.

We believe the most practical way to convey these risks to investors is through multi-touch, segmented communication strategies that are tailored to specific age groups and offer participants actionable next steps to help them improve their individual retirement readiness. Sustaining and improving this education will require a coordinated effort among the Department, the Commission and plan sponsors to continue improving retirement plan participant communication during points of personal change (such as starting a new job or approaching retirement) as well as during enrollment or auto-enrollment periods.

Participants want help choosing investments and managing risks.
Our research shows that many participants feel they lack adequate knowledge to make investment decisions on their own and appreciate default options specifically designed around their target retirement dates. Our 2012 Biannual DC Investor Survey shows the following responses.

Which 401k plan features does your company offer? Which features do you use?

	Company offers, and I use it	Company offers, but I don't use it
Automatic enrollment in the plan	55%	8%
Automatic annual increase in the your pay deferral rate	17%	19%
Professionally managed, diversified fund (e.g. target date funds)	44%	25%
Computer advice programs	44%	25%
Includes respondents who identified that their company offers some form of advice		

What sources of information do you use to make investment decisions?

	Company offers, and I use it	Company offers, but I don't use it
Retirement goal calculators	44%	29%
One-on-one professional advice	24%	36%
Call center advice	19%	44%
Educational workshops	24%	35%

Because many retirement plan participants may have only limited financial knowledge, we believe plan sponsors should help participants save and invest for retirement through using the following features:

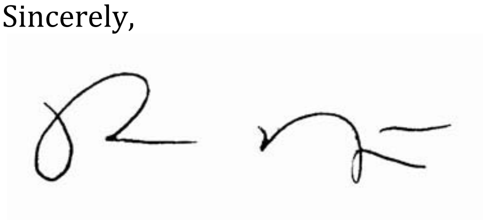
- Plan design (streamlined investment menus and automaticity, e.g. automatic enrollment and automatic escalation);
- Qualified default investment alternatives (QDIA) selection; and
- Participant education.

In our view, these three pillars—plan design, QDIA selection and participant education—are effective levers for managing risks on behalf of participants.

Making Retirement Work

We appreciate the efforts of this initiative and the focus being placed on risk factors that impact retirement readiness and positively influence retirement security. At SSgA, we are committed to making retirement work for all Americans. Thank you again for the opportunity to comment on the Department's proposed amendment and the Department's ongoing exploration of how to best communicate the risks of target date funds to DC plan participants. If you have questions regarding SSgA's comments, viewpoints or research, I invite you to contact me directly and welcome the opportunity to continue this important discussion.

Sincerely,



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