From: TobeCB@aol.com

**Sent:** Sunday, May 24, 2009 9:49 PM

To: EBSA, E-ORI - EBSA

**Subject:** Testify Target Date Funds

I feel I can provide a unique viewpoint on Target Date Funds as a consultant, plan trustee and former regulator. Much of this viewpoint is found in my 2006 letter to the DOL during the QDIA comment period, and updated in my 2009 piece, that have been submitted via the SEC website for this hearing.

My testimony will talk on how the target date fund concept is flawed compared to lifestyle or lifecycle funds by making many flawed assumptions on employee turnover and behavior.

I also believe many target date fund asset allocation decisions are based on flawed assumptions on equity vs. bond like returns. I think Manager selection is biased toward higher fee asset classes. The bundled concept that is prevalent in the market also does not select best in class options.

An April 2009 report from Hewitt says 36% of 401k assets are in stable value, however the 2003 SEC decision to not allow stable value mutual funds kept them out of most target date funds. While the SEC is now allowing hedge fund mutual funds maybe now is the time to reintroduce stable value mutual funds. While they are not immune from the recent market issues they would have in my opinion held up as well or better than money market mutual funds over the period. They would provide great stability to target date funds.

Full fee disclosure is by far the most important issue for this entire market including even the smallest plans. However, I think requiring independent investment advice in the selection of options can be cost effective for the vast majority of the assets in the 401k market.

Of the approximate \$4trillion DC market, \$2 trillion is in the largest 1500 plans, while \$2 trillion is in other 650,000 plans. I think very different rules could be set for plans with over 200 participants to efficiently cover 75% to 80% of DC assets. Requiring an independent investment consultant with no ties to a money management firm or other administrator or vendor of the plan can work well for mid to larger size plans.

CHRIS TOBE, CFA, CAIA has 23 years of investment experience mostly in the private sector as an investment consultant & portfolio manager. He recently left NEPC as a Sr. Consultant to work for BCAP in Louisville KY in a similar role. In the Public Sector he interned for Lee Hamilton and the Joint Economic Committee of Congress in the 80's and worked 2 years as the Chief Investment Specialist for the Kentucky State Auditor in the late 90's. In 2008 he was named by Gov. Steve Beshear to be a Trustee for the \$17 billion Kentucky Retirement Systems and continues to serve in this capacity. He has published over 30 articles on a number of investment topics, and has given over 20 presentations at national conferences. His expertise includes Defined Contribution, stable value, investment fees, investment products, &"hedge funds. He recently wrote 2 comment letters to the Department of Labor on the Pension Protection Act of 2007. He has the taught the MBA investment course at the University of Louisville, and was a 9-time grader for the CFA exam.

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