GLOBAL INDEX ADVISORS, INC.

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April 29, 2009

The Honorable Mary L. Schapiro
Chairman
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

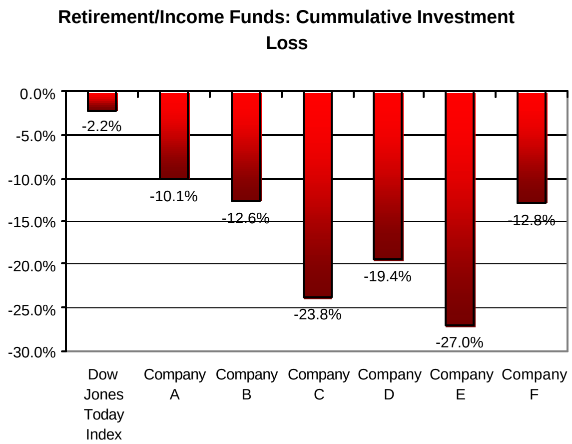
Dear Chairman Schapiro:

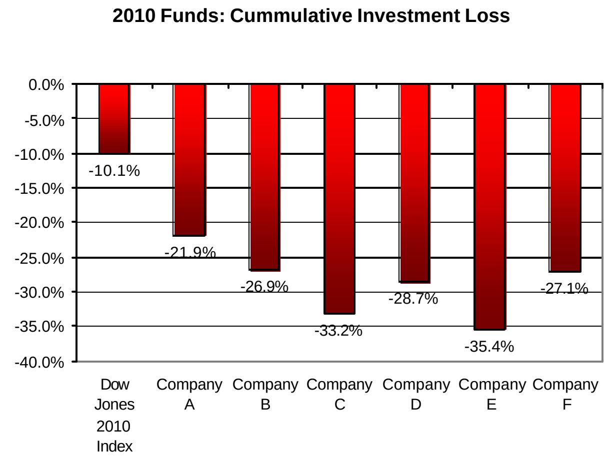
I am writing you today to express my concerns over recent failures in the Target Date Fund market, to emphasize their continued importance as a Qualified Default Investment Alternative, and to provide a potential solution in order to avoid future breakdowns between participant best interests, plan fiduciary decision making, and the management and communication of Target Date solutions by investment managers. My company was an innovator in the benchmarking of Target Date Funds when we designed the **Dow Jones Target Date Indexes** in 2004. We are also a leading manager of Target Date Funds with approximately $3.5 billion in assets managed to our very participant focused Dow Jones Target Date methodology.

We have long been an advocate for the individual participant and have campaigned diligently over the past four years for more fiducially sound practices, in both the management of and communications about Target Date Fund solutions. I am hopeful that you will find the information and ideas below helpful and would allow us the opportunity to work with you and your staff to mitigate future failures in this space in hopes of fully realizing the potential of well designed and communicated Target Date Funds to help Americans reach a state of retirement readiness. I have also reached out to Secretary Solis at the Department of Labor, and Senators Kohl and Martinez on the U.S. Senate Special Committee on Aging.

Target Date Fund Failure

The original implied promise of Target Date Funds was to deliver “set it and forget it” retirement solutions to individual investors with asset allocation methodologies that would move them from "accumulation" of assets to "preservation" of assets in a fiducially sound manner. Recently, many Target Date Fund families, probably most, have left their "near retirement" participants in a challenging financial position from which they are unlikely to recover. The charts below illustrate the magnitude of losses for some of the leading providers of Target Date Funds for the period 10/10/07 though 12/31/08:





A Shared Responsibility

There is shared responsibility for this recent failure. To be sure, some fund families focused too much on generating high returns in a bull market in order to increase the marketability of their funds – at the expense of long term participant well being. Some fund families, though well intentioned, applied sophisticated financial modeling techniques that led to high equity allocations for participants near retirement in hopes that a strong equity market would mitigate a lifetime of insufficient participant savings and buffer the impact of participant longevity and inflation risk. Also adding to this perfect storm was an inability of fund managers and advisors to fully communicate to plan sponsors and their participants the "potential" risk of any particular fund family's methodology and glide path.

Global Index Advisors and our Position on Target Date Fund Management and Sales Tactics

In 2004 we created the first, and now the most widely used benchmarks for Target Date Funds – the Dow Jones Target Date Indexes. These indexes are readily available in Morningstar, the Wall Street Journal, and other institutional investment databases. We are also one of the largest managers of Target Date assets in the country. In our sub-advisory capacity with Wells Fargo Funds Management and State Street Global Advisors, we have been entrusted with approximately $3.5 billion in participant assets. Our philosophy on Target Date Funds has always been unique in the industry in that it echoes the Hippocratic Oath to "Above all, do no harm". Since launching our first funds in 1995, we have always put the individual investor first.

The results illustrated above did not have to be an unpleasant surprise to participants, plan sponsors, or their advisors. The potential magnitude of these losses was obvious in advance by simply reviewing glide paths published by the investment managers. Since inception, Global Index Advisors and our partners have been educating plan sponsors and their advisors on not just short-term performance of Target Date Funds but also their potential downside risks based on published glide paths and historical returns in the equity, fixed-income and cash markets. Utilizing twenty-five years of history for the Dow Jones Target Date Indexes and their underlying equity, fixed-income, and cash indexes, we have armed plan sponsors and advisors with the predictive knowledge they need to make informed decisions that are in the best interests of their participants. Instead of focusing on returns of our Target Date Funds versus competitors or Lipper rankings, we communicate “maximum drawdowns”, “worst rolling twelve month periods”, and “recovery times”. Our unorthodox approach to “selling” the benefits of our Funds has benefited our plan sponsor clients, and most importantly the individual investors that have entrusted us with their retirement savings.

All Target Date Fund families could and should have made this type of downside risk disclosure readily available to consultants, plan sponsors, and participants. Better disclosure and communication materials for Target Date Funds, including the potential downside risk of the funds, would help all constituents make more informed decisions and recognize the potential ramifications of those decisions in advance.

Proposal for Better Communication of Target Date Fund Characteristics

While we are dedicated to our conservative philosophy of limiting losses for participants as they approach retirement, we acknowledge that participant pools vary and that there is a market for target date solutions with varying risk profiles. We therefore believe that a solution lies in required, clear, standardized communication materials for fiduciaries and participants that highlight potential risks. Plan sponsors need the right information upon which to judge the potential downside risk of different fund families in order to make an educated decision as to which Target Date Fund family might be appropriate for their unique participant bases.

We believe that standardized communications, such as a new Standardized Target Date Fact Sheet, should encompass the following:

1. A universal Target Date benchmark used for illustrating and gauging potential risk characteristics. It is not for the purpose of measuring ongoing investment performance.
2. A clear illustration of the fund manager’s published <u>glide path</u> versus the universal benchmark. This illustration should also reflect the actual difference in equity allocations along the entire timeline and be accompanied by a “plain language” description of the fund manager’s level of discretion to allocate above or below the published glide path.
3. Clear illustrations of potential downside volatility (participant losses) versus the universal benchmarks for each Target Date Fund in the family, e.g., 2010, 2020, etc. This should include both worst rolling twelve month periods and maximum

drawdowns, as drawdowns and portfolio recovery times are more reflective of potential participant experiences. Volatility should be portrayed in terms of both percentage losses and dollar losses in an example portfolio.

Ideally, these Fact Sheets would be an integral part of the plan sponsor's fiduciary review process for selecting a Qualified Default Investment Alternative as defined by the Department of Labor. A copy of the Fact Sheets for the selected fund family, signed by the Trustee, would become a part of the plan's due diligence documentation, signaling that the trustees are aware of the risk characteristics of the chosen fund family and that they believe the solution to be appropriate for their participant base.

The appendix to this letter includes examples of the type of communications and illustrations that could help plan fiduciaries make better decisions on behalf of their constituents. The illustrations are for the 2010 Fund of a very popular Target Date family, referred to in the initial performance comparison above as "Company D". It is important to note that this template for standardized communication can be applied to other QDIAs including Balanced Funds and Relative Risk Funds.

Recognizing the Full Potential of Target Date Funds

Target Date Funds, in concept, have the potential to do great good in an era where the responsibility for one's financial future and security is being shifted away from employers to the individual. Target Date Funds that provide more risk disclosure, more understandable communications and relevant benchmarks have the potential to be the cornerstone of a fiducially sound, very successful, individual focused retirement savings system.

To fully reach this potential, we must be willing to heed the lesson of recent events and collectively make an effort to construct and communicate Target Date solutions for the sole benefit of the individual investor. We must remove the temptation for portfolio managers to engage in another "equity allocation arms race" for the sole purpose of boosting short-term returns and the associated asset gathering benefits of higher peer group rankings. We must encourage more transparency and repeatability of process in target date fund management. We have to make sure that, in selecting a QDIA, plan sponsors are free to make decisions on appropriate Target Date solutions based solely on the interest of their participants' well being, and not be unduly influenced by their record keepers' economic incentives to install proprietary Target Date Funds. Lastly, we need open, honest, standardized communication to both plan sponsors and participants on the potential downside risk of any Target Date Fund series in order for them to make truly informed decisions as to which Target Date solution is most appropriate for their constituents and to avoid the kinds of harmful performance surprises we have seen over the past year and a half.

My firm stands willing and able to assist the Chairman and the staff of the Securities and Exchange Commission, the Department of Labor, and the Senate's Special Committee on Aging in any way possible to help mitigate the risk of further preventable failures in the Target Date space. The positive potential of Target Date Funds in today's retirement landscape is too great to be lost because of the errors of a few. We would welcome the opportunity to work with you to ensure positive and appropriate change occurs in this space for the benefit of all American savers. I would appreciate the opportunity to meet with appropriate staff members in Washington to further discuss the ideas contained in this letter, the state of the Target Date Fund industry, and what might be done to reduce the likelihood of future participant harm from ill communicated QDIA solutions. Thank you for your time and your consideration.

Sincerely,

James P. Lauder, CEO

Appendix

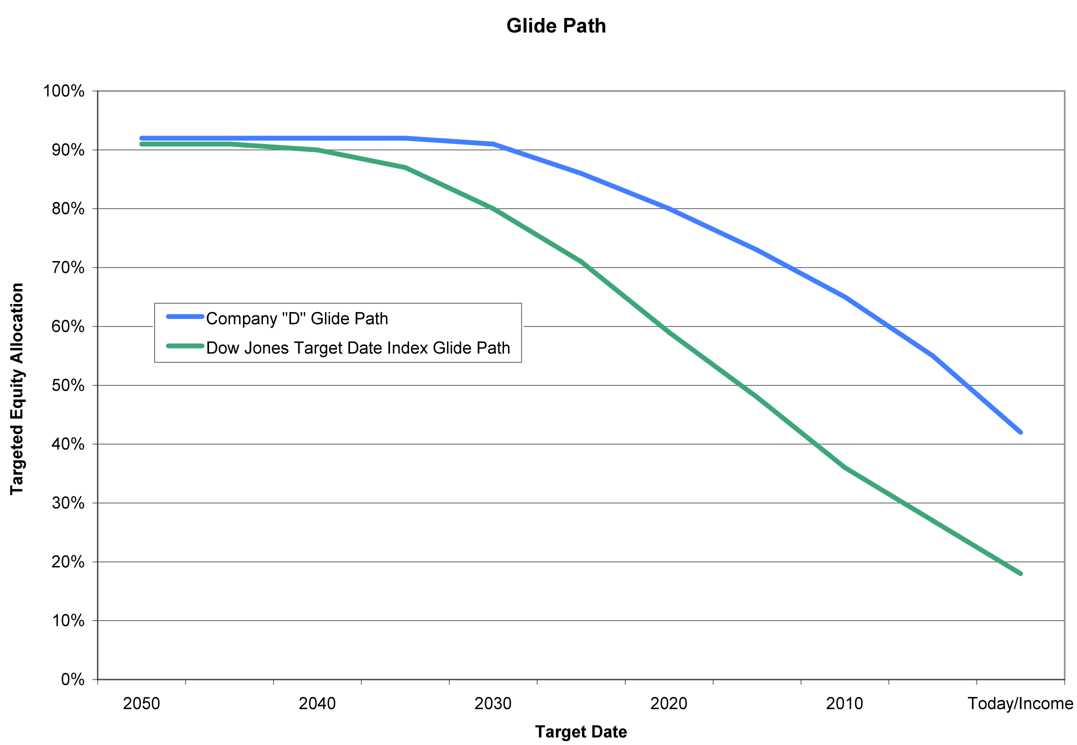
Due Diligence Target Date Fact Sheet

Risk Profile for Investment Company "D" 2010 Target Date Fund

This Fact Sheet is designed to help you understand the potential risk your participants may experience in various market conditions. As a fiduciary for your plan, you should consider and be comfortable with the potential downside risks at all stages of the retirement savings timeline and their implications for your participants of all ages.

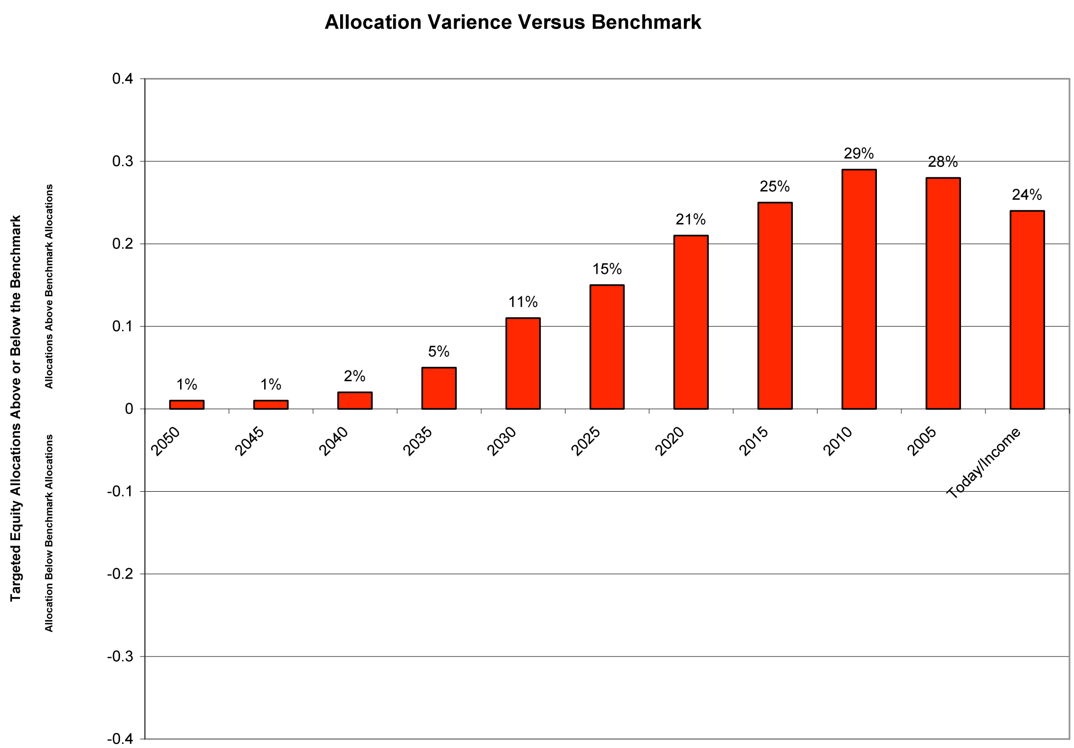
Glide Path

Below is the glide path for Investment Company D's Target Date Fund series versus the glide path for the Dow Jones Target Date Indexes, a well recognized Target Date Index provider. The glide path reflects the manager's targeted equity allocations for investors as they move towards retirement, or the "target date". It is the single largest contributor to the risk characteristics of any Target Date fund family.



The graph below highlights the difference between the target equity exposure for Investment Company D's Target Date Fund Series and the Dow Jones Target Date Index Series at each target date. A positive difference indicates higher equity and potential risk, while a negative variance indicates lower equity and potential risk.

Appendix



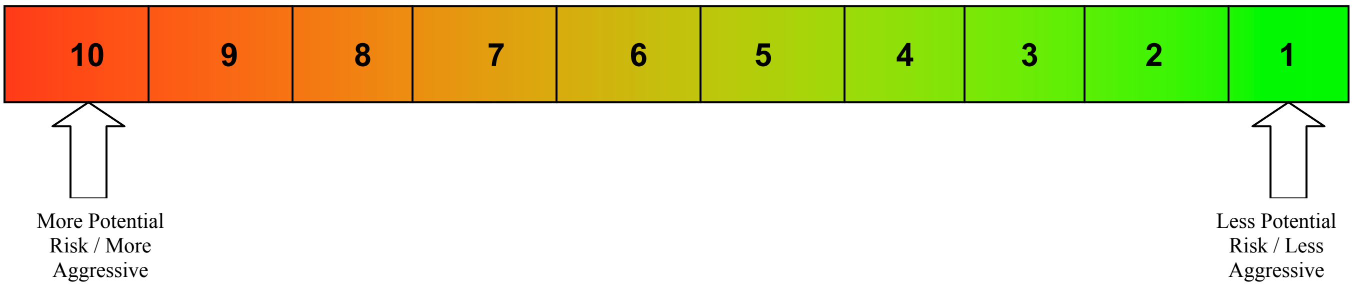
Individual Target Date Fund Comparisons

Fiduciaries should understand the potential risk characteristics of each Fund in a providers Target Date Fund lineup, judging each on its suitability for participants at various ages. The below evaluations compare Investment Company D's 2010 offering to the characteristics of a standard benchmark series. The comparisons are for the purpose of evaluating potential risk that your participants may incur, not for evaluating Company D's return versus the benchmark.

Risk categories have been established along a continuum from 1 to 10 based on targeted equity exposure (as defined by the provider's glide path) and potential risk. A risk score of 1 indicates most conservative, or risk averse, while a 10 indicates most aggressive, or highest potential risk. In general, the risk category classifications reflect how much risk an offering takes relative to the risk of a globally diversified all equity portfolio, with the all equity portfolio having a score of 10. A score of 9 would represent a portfolio that exposes a participant to approximately 90% of the downside volatility of the globally diversified equity portfolio. A score of 8 would represent 80% of the downside volatility/risk, and so on.

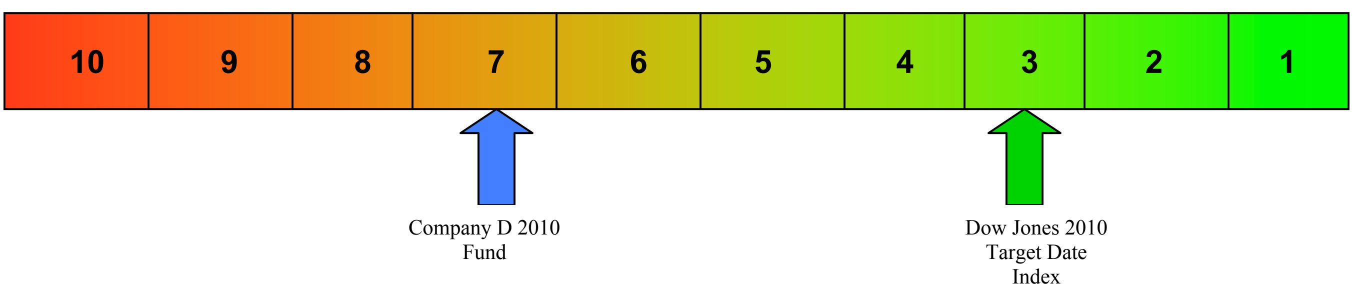
Appendix

Like the Universal Benchmark series, each individual Target Date Fund in the series will have a score from 1 to 10. Again, the risk categories and comparisons are not intended to judge Company D's Target Date offering "better or worse" than the benchmark, but instead to provide you a clear indication of the potential behavior of the offering versus a standard benchmark.



2010 Fund Risk Category

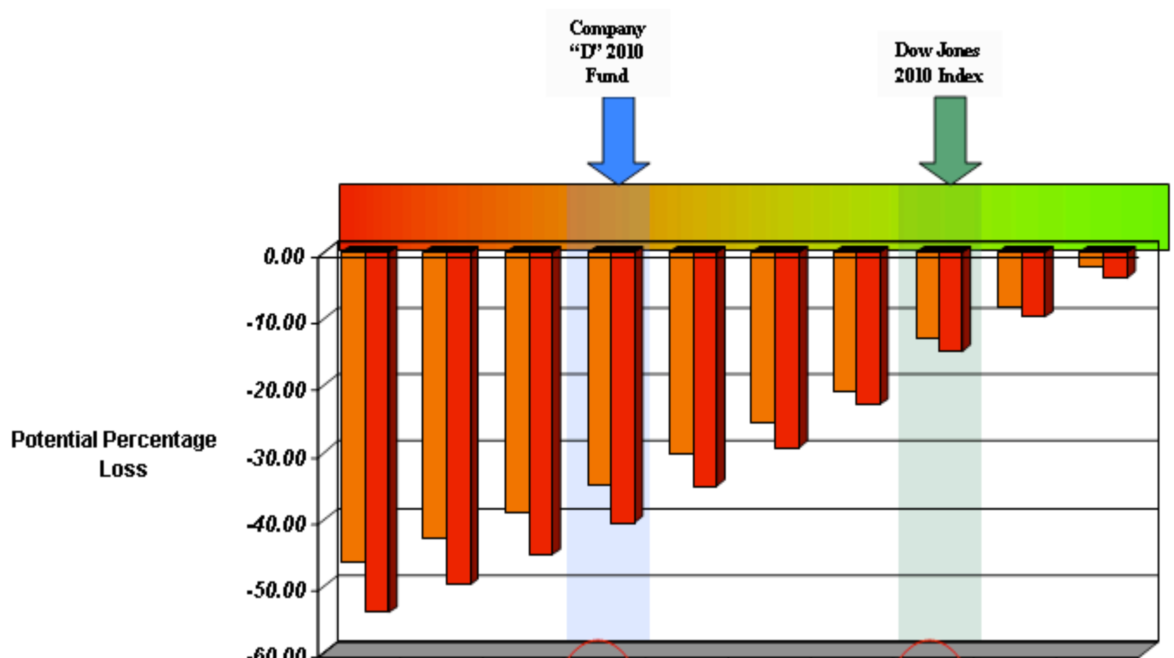
A 2010 Fund is intended for participants planning to retire or begin withdrawing assets from their retirement accounts in or around the year 2010. This Fund will likely be on the more conservative end of the risk spectrum within a given investment company's Target Date Series. 2010 Funds are designed for participants that are older, who may have accumulated larger balances, who are starting to focus on their retirement needs, and who may be more sensitive to portfolio losses. The Risk Ranking of Investment Company D's 2010 Fund and that of the Dow Jones 2010 Target Date Index are shown below:



Based on Investment Company D's glide path and targeted equity allocations, the Investment Company D 2010 Fund falls into Risk Category 7. A comparable diversified benchmark portfolio with approximately a 65% allocation to equities would have exposed an investor to approximately 70% of the downside volatility of a globally diversified equity benchmark. The Dow Jones 2010 Target Date Index exhibits characteristics of a benchmark portfolio exposing investors to approximately 30% of the downside volatility of the same global benchmark and thus falls into Risk Category 3.

Potential 2010 Fund Losses Based On Historical Portfolio Characteristics

The exhibits below utilize twenty-five years of historical data on the Dow Jones Target Date Indexes and related Dow Jones Relative Risk Indexes to illustrate potential investor losses in a variety of market conditions. The "Worst Cumulative 12 Month Loss" represents the largest portfolio loss over any consecutive 12-month period from January 1983 through December of 2008. "Worst Cumulative Loss Over Any Time Span" represents the largest cumulative portfolio loss, or drawdown, over any length of time from January 1983 through December of 2008. Also known as "Maximum Drawdown", this would be reflective of an investor's experience, or potential loss, over the course of an entire bear market.



	10	9	8	7	6	5	4	3	2	1
Worst Cumulative 12 Month Loss	-46.67	-42.91	-38.97	-34.82	-30.38	-25.62	-20.79	-12.81	-8.35	-2.15
Worst Cumulative Loss Over Any Time Span	-53.97	-49.81	-45.30	-40.40	-35.06	-29.13	-22.81	-14.85	-9.67	-3.71

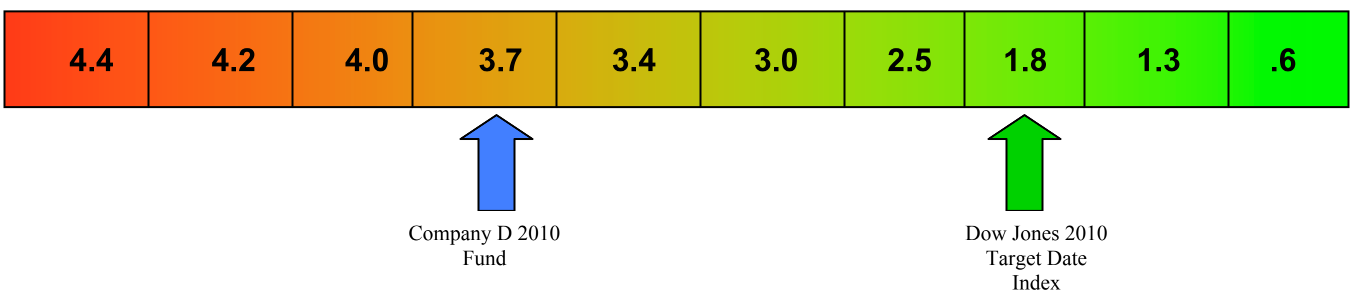
Based on historical data, an investor in a fund allocated in a way similar to the allocation in Company D's 2010 Fund could lose up to 34.82% of their portfolio value over a single 12-month period. An investor in a portfolio allocated in a way similar to the allocation in the benchmark Dow Jones 2010 Index could experience a potential loss of 12.81% over a single 12-month period.

"Worst Cumulative Loss Over Any Period", or "Maximum Drawdown", represents the most significant portfolio loss over any consecutive time span since 1983.

Comparing "Worst Cumulative Loss Over Any Period", an investor in a fund similarly allocated to Company D's 2010 Fund could potentially lose up to 40.4% of their portfolios value over an uninterrupted time period immediately prior to the target date. An investor in a portfolio similarly allocated to the benchmark Dow Jones 2010 Index could experience a potential loss of 14.85% of their portfolio value in a consecutive time span immediately prior to the target date.

Potential Investor Recovery Times

Potential Investor Recovery Time illustrates how long it might take an investor to recover from the Maximum Drawdowns illustrated above. It is the number of years a portfolio would take to reach its original balance assuming the portfolio earns the historical average return of a Dow Jones Index at that risk level. While a portfolio in a higher Risk Category may have experienced a more significant loss in a bear market compared to a more conservative portfolio in a lower Risk Category, the more aggressive portfolio might also be expected to generate higher average returns than the more conservative portfolios during a market recovery.



Based on the above illustration, an investor holding Investment Company D's 2010 Fund during the Maximum Drawdown period might expect their portfolio to recoup its losses in approximately 3.7 years assuming average historical returns for a benchmark portfolio with similar risk characteristics. An investor holding a 2010 Fund similar to the Dow Jones 2010 Index could expect their portfolio to recoup its losses in approximately 1.8 years.

Looking at the issue in another way, to recover from a 14.85% loss a portfolio must gain 17.44% to break even. To recover from a 40.40% loss a portfolio must gain 67.79% to break even.