

June 2, 2009

Securities and Exchange Commission  
Attn: Elizabeth M. Murphy, Secretary  
100 F Street, NE  
Washington, DC 20549-1090



Re: File Number 4-582 Target Date Fund Joint Hearing

Ladies and Gentlemen:

We hereby request to present testimony at the Hearing on Target Date Funds and Similar Investment Options to be held on June 18, 2009.

Founded in 1970, Manning & Napier Advisors, Inc. is a Rochester, New York-based registered investment advisor with a particular expertise in life cycle asset management. We are a 100% employee-owned firm with approximately \$18 billion in assets under management. As one of the pioneers of life cycle asset management, life cycle assets now comprise roughly 60% of our total assets under management. We manage life cycle portfolios for our clients via mutual funds, collective trust funds and separately managed accounts.

Proposed Testimony Outline

Based on our unique experience as a long-standing life cycle asset manager, following is the outline of topics we would like to discuss:

**1. Target date fund asset allocation & adjustments: (5 minutes)**

Our testimony will cover three aspects of determining and adjusting target date fund asset allocation:

- The *time horizon* over which the risk of capital loss is measured;
- The *shareholder withdrawal levels* expected from the target date onward; and
- The *market and economic environment*.

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As part of the testimony, we will address Manning & Napier's approach to target date funds and glide path construction. We do not believe that any *pre-determined, static* glide path can best meet participants' retirement objectives. Throughout the life of our glide path, we identify appropriate lifestyle portfolios and actively adjust asset allocation within each portfolio providing flexibility in changing markets and economic environments. We refer to this as an "active" approach to asset allocation and our glide path can best be described as a "glide range." This approach differs from many target date fund offerings.

**2. Underlying investment selection & monitoring: (1 minute)**

Our testimony will contrast the typical fund-of-funds approach of combining underlying fund investments to achieve diversification by demonstrating Manning & Napier's integrated portfolio approach with individual securities selected as part of the total portfolio.

**3. Investment approach & risk disclosure: (2 minutes)**

The testimony will discuss certain benefits of Manning & Napier's target date funds such as transparency of the underlying portfolio holdings, as well as discuss certain target date fund disclosures that we believe could enhance participant education focusing on (a) various assumptions made by the target date fund advisor, (b) glide path details on and after the target date, and (c) the risk tolerance of the fund shareholder.

**4. Comparing & evaluating target date funds: (1 minute)**

Our testimony will briefly address the importance of evaluating *total portfolio performance* of target date funds, including the asset allocation experience and track record of the target date fund manager. We will also stress the importance of peer group comparisons over full market cycles (i.e., including both bull and bear market environments) to better understand differences in target date fund approaches.

*Additional Manning & Napier Advisors Background*

We recognize that recent market events have raised legitimate questions and concerns about target date funds. Virtually every asset class has come under pressure since late 2007, leaving few safe havens, even for diversified life cycle investors. During this time, we have continued to do what we have done for over three decades—combine diversification with active risk management tools to achieve long-term investment objectives and dampen market volatility for our life cycle investors. In what is shaping up to be a “lost decade” for many investors, Manning & Napier’s unique approach to life cycle investing has helped our clients navigate these tough markets and achieve positive absolute returns:

Lifestyle Fund	Underlying Holding of:	Current Equity Allocation (Allowable Equity Range)	Cumulative Return 1/1/00-3/31/09
Manning & Napier Pro-Mix Conservative Term Fund	Retirement Target Income Fund	27.6% (5%-35%)	58.90%
Manning & Napier Pro-Mix Moderate Term Fund	Retirement Target 2010 Fund	50.3% (20%-60%)	45.63%
Manning & Napier Pro-Mix Extended Term Fund	Retirement Target 2020 Fund	64.7% (40%-70%)	43.59%
Manning & Napier Pro-Mix Maximum Term Fund	Retirement Target 2050 Fund and Retirement Target 2040 Fund	91.1% (70%-95%)	23.33%
S&P 500 Index		100%	-35.98%

NOTE: The above funds are Collective Investment Trust Funds.

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Likewise, our active risk management approach helped dampen market volatility for our target date fund investors during one of the worst bear markets of a lifetime:

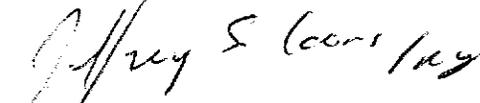
Target Date Fund	Rank vs. Morningstar Mutual Fund Peer Group	Annualized Fund Return (11/1/07-3/31/09)
Retirement Target Income Fund	2 out of 22	-5.4%
Retirement Target 2010 Fund	7 out of 31	-17.1%
Retirement Target 2020 Fund	3 out of 32	-22.5%
Retirement Target 2030 Fund	1 out of 32	-27.9%
Retirement Target 2040 Fund	1 out of 29	-31.1%
Retirement Target 2050 Fund	1 out of 16	-31.2%

NOTE: The above funds are Collective Investment Trust Funds.

As a firm that has specialized in life cycle management since the early 1970's, we have seen first hand the important role that life cycle funds can play in achieving retirement goals when managed appropriately. As early as 1993, the media has recognized Manning & Napier's innovative approach to helping participants meet their retirement goals (see the attached December 27, 1993 Pensions & Investment article).

We look forward to the opportunity to share our thoughts on these critical target date fund issues with both the Securities and Exchange Commission and the Department of Labor.

Sincerely,

  
Dr. Jeffrey S. Coons, Ph.D, CFA\*

Enclosure

\*Dr. Coons has broad responsibility for the management of Manning & Napier's Research Department. An employee owner, Dr. Coons is a member of the Senior Research Group and Executive Group of Manning & Napier Advisors. Dr. Coons received his B.A. in Economics from the University of Rochester and his Ph.D. in Economics from Temple University, and holds the distinction of Chartered Financial Analyst.

December 27, 1993

# Pensions & Investments

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 THE INTERNATIONAL NEWSPAPER OF MONEY MANAGEMENT
 

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## Manning & Napier ahead of life cycle pack

By Christine Philip

ROCHESTER, N.Y. — Manning & Napier Advisors Inc., Rochester, N.Y., was well ahead of the asset allocation, or "life cycle," fund trend now being pursued by larger mutual fund families.

The large providers only recently began marketing the funds, which use a multi-asset class investment approach to construct mutual fund portfolios designed to meet a participant's risk tolerance and age. And so far, not many have attracted significant business from plan sponsors.

But in 1987, Manning & Napier introduced the Participant Choice program, a series of six asset allocation funds, using varying combinations of stocks, bonds and cash. The funds range across the risk spectrum from aggressive growth all-equity funds to conservative short-term Treasury funds.

Since then, Manning & Napier has attracted more than \$300 million in assets from 80 small and midsized 401(k) plans that use the balanced funds as part of a bundled or a la carte service package. Clients include FLIGHTLINE Electronics Inc., Fishers, N.Y., and Sibley Group, Rochester.

The integrated 401(k) program appears to be successful in encouraging higher participation and average deferral rates and in persuading employees to move out of conservative investment options.

More than 40% of the sponsors that use Participant Choice have participation rates of more than 90% in their 401(k) plans, compared to a broad national average of 21% reporting participation levels that high, based on a 1991 study by Buck Consultants, New

York. More than 50% of Participant Choice clients had an average deferral percentage of more than 4% for non-highly compensated employees, compared to 35% for a broad average, based on a 1991 study by Hewitt Associates, Lincolnshire, Ill.

Employees covered by the program also tend to invest less conservatively than those in traditional 401(k) plans; 68% of Participant Choice employees invest in funds with higher return potential (which excludes straight fixed-income, GIC and money market funds), compared with 28% for a broad average, as determined by another Hewitt study. Manning & Napier's preliminary data for 1993 on the same questions shows improvement on these figures, said Gary Henderson, director of Participant Choice services.

Manning & Napier's investment and education approach emphasizes a participant's long-term investment objectives. The Objectives-Based Options, as the family of balanced funds is called, lets employees select one and sometimes two of the balanced funds. Some sponsors offer employees a two-tiered investment menu—participants can allocate assets to the Objectives-Based Funds or make their own asset allocations to a series of equity-only, bond-only and cash-only funds, also provided by Manning & Napier. Some sponsors also offer a separate company stock fund.

Richard Barrington, managing director of client services, said as many as seven out of 10 participants aren't interested in asset allocation.

Manning & Napier intends to offer several enhancements early in 1994 to help clients with participant planning and investment education. A program is being developed to help employers illustrate to participants the

gap between current salary deferral rates and required retirement income. Using a proprietary model, Manning & Napier will assess each participant's savings status and, in pre-retirement meetings held with each client, will educate participants on the need to maximize salary deferral rates.

Mr. Henderson said employers have been clamoring for help in addressing the savings gap, but added many savings projection models used now assume unrealistic rates of return.

"Many of the models used now for retirement planning have two flaws: One, they use the high rates of return enjoyed in the 1980s, and two, they also tend to use Ibbotson Associates' long-term, 60-year average rates of returns," Mr. Henderson said. "We looked closely at these return assumptions and found that historically, stocks often significantly underperformed the assumptions for some 10- and 20-year periods within the 60-year horizon. The magical diskettes so many participants are now plugging into PCs and basing their retirement savings plans on are probably using faulty, unrealistic return assumptions. We are developing a projection model which uses more realistic expectations to provide a truer picture, albeit perhaps a less optimistic one, of what an employee needs to save in order to retire comfortably. It's a way for employers and employees to lay all the cards on the table in order to realistically plan for retirement. If anything, the results of the gap analysis are likely to show that employees need to save far more in their 401(k) plans than traditional models suggest."

Manning & Napier expects to test the model and employee pre-retirement planning meetings in the next month at client sites.

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