BLACKROCK

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Submitted via electronic filing: http://www.sec.gov/rules/proposed.shtml

Mr. Kevin M. O'Neill
Deputy Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Investment Company Advertising: Target Date Retirement Fund Names and Marketing; File Number S7-12-10

Dear Mr. O'Neill:

BlackRock, Inc. ("BlackRock")[1] is pleased to have the opportunity to respond to the request of the Securities and Exchange Commission (the "Commission") for comments on the recommendation by the Commission's Investor Advisory Committee (the "Committee") that the Commission develop a glide path illustration for target date funds ("TDFs") that is based on a standardized measure of fund risk as a replacement for, or supplement to, the proposed asset allocation glide path illustration.[2] The Commission is requesting comments on this recommendation in the context of the Commission's reopening the comment period on its June 2010 proposed rule amendments under the Securities Act of 1933 and the Investment Company Act of 1940 that are intended to provide enhanced disclosure concerning investments in TDFs in marketing materials.[3]

Also in 2010, the Department of Labor (the "Department") proposed rules focused on enhancing participant disclosures related to target date products, including TDFs (collectively, "TDPs")[4], and we note that the Department has indicated its intention to finalize its rules by the end of 2014, in conjunction with the Commission's adoption of its final TDF disclosure rules. BlackRock commented on both the Commission's and the Department's 2010 rule proposals, and our views expressed in those letters remain the same today based on our continuing experience with investors in TDFs.[5]

BlackRock supports the goal of providing investors saving for retirement with information that will enhance their understanding of TDFs and help guide their investment decisions. As

[1] BlackRock is one of the world's leading asset management firms. We manage $4.40 trillion (as of March 31, 2014) on behalf of institutional and individual clients worldwide through a variety of equity, fixed income, cash management, alternative investment, real estate and advisory products. Our client base includes corporate, public, and multi-employer pension plans, insurance companies, third-party mutual funds, endowments, foundations, charities, corporations, official institutions, banks and individuals around the world. Among the financial innovations we have pioneered is the lifecycle/target date investment strategy, first launched in 1993.

[2] *See* Investment Company Advertising: Target Date Retirement Fund Names and Marketing, SEC Release Nos. 33-9570; 34-71861; IC-31004 (April 3, 2014), 79 FR 19564 (April 9, 2014) (the "Release").

[3] *See* Investment Company Advertising: Target Date Retirement Fund Names and Marketing, SEC Release Nos. 33-9126; 34-62300; IC-29301 (June 16, 2010), 75 FR 35920 (June 23, 2010) (the "2010 Proposal").

[4] *See* 75 FR 73987(Nov. 30, 2010).

[5] Letter from Chip Castille to Elizabeth M. Murphy, "Investment Company Advertising: Target Date Retirement Fund Names and Marketing: File Number S7-12-10," on Aug. 23, 2010 (available at http://www.sec.gov/comments/s7-12-10/s71210-33.pdf); and Letter from Chip Castille to Office of Regulations and Interpretations, Employee Benefits Security Administration, "Target Date Amendments," on Jan. 14, 2011 (available at http://www.dol.gov/ebsa/pdf/1210-AB38-016.pdf) .

discussed more fully below, we believe that a quantitative glide path illustration based on a single risk measure would likely confuse and potentially mislead TDF investors. As an alternative solution, we believe that an asset allocation-based glide path illustration with accompanying summary descriptions of the principal portfolio risks is an effective means to achieve these goals.

Given that the bulk of TDF assets are held in 401(k) and similar participant directed defined contribution plans (collectively, "DC plans")[6] and target date strategies are also offered in funds and accounts that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") [7], we think it critically important that the Commission work closely with the Department in fashioning any additional disclosure requirements for TDFs to avoid multiple (and potentially conflicting) rules across product types and to ensure consistency and comparability, regardless of legal vehicle. As discussed more fully below, we believe the goals of consistency and comparability across TDPs could be achieved by the Commission's amending the requirements of Form N-1A to include an asset allocation-based glide path illustration in the summary section of the prospectus and in the summary prospectus, if available, because the Department's Rule 404a-5 disclosure requirements relating to the investment objective, principal strategies and principal risks of investment options offered on the DC plan menu are based on the summary prospectus requirements of the Commission's Form N-1A. If the Department were to adopt conforming amendments to Rule 404a-5, all end investors in TDPs would receive the same disclosures – those choosing TDFs outside a DC plan (e.g., in an IRA Rollover account) would receive a summary prospectus or a summary section of the prospectus, and those choosing a TDP inside a DC plan would be provided access to Rule 404a-5 disclosures regarding the TDP's investment objective, principal investment strategies and principal risks (together the "Rule 404a-5 Disclosures"). Rule 404a-5 Disclosures are generally identical (if the TDP is a mutual fund) or substantially similar (if the TDP is an ERISA-regulated fund or account) to the summary section of the prospectus.

Background on TDFs

TDFs are designed to provide investors with a diversified portfolio of investments allocated across various asset classes, with such asset allocation shifting over time to become more conservative as the target date approaches. TDFs are generally offered in series, typically with 5- or 10-year vintages that span 40 years or more. In constructing TDFs, managers seek to address a variety of risks faced by individuals investing for retirement, such as market risk (i.e., return volatility risk), inflation risk (i.e., the risk that purchasing power will erode over time), savings risk (i.e., the risk of investors' not saving enough for their desired retirement spending), and longevity risk (i.e., the risk of outliving one's assets), with each TDF manager taking different approaches to balancing those risks. The popularity of TDFs reflects the fact that these products provide a simple solution for individuals that lack the knowledge, interest and/or time needed to select and monitor a diversified investment portfolio.[8] Indeed, as the Commission notes in the Release, TDFs have become more prevalent in 401(k) plans as a result of the designation of these products as a qualified default investment alternative by the Department pursuant to the Pension Protection Act of

[6] *See* The U.S. Retirement Market, Fourth Quarter 2013 (March 2014), Investment Company Institute; Cerulli Edge – Retirement Edition Q1 2014, Cerulli Associates.

[7] *See* Cerulli Edge – Retirement Edition Q1 2014, Cerulli Associates.

[8] *See* James J. Choi, David Laibson, and Brigitte C. Madrian, 2009, "Mental Accounting in Portfolio Choice: Evidence from a Flypaper Effect"; American Economic Review 99 (5): 2085-2095.

2006.[9] Given feedback from plan sponsors and participants, we expect this trend to continue.

DC plan participant investment selections involve two different levels of investment decision - first, the decision by the plan sponsor or other plan fiduciary, such as a consultant or registered investment advisor (collectively, "plan fiduciary"), regarding the limited investment choices to make available to plan participants from among a wide array of potential investments, and second, the decision by plan participants regarding how to direct their contributions among the limited investment options made available by the plan fiduciary. Accordingly, detailed quantitative disclosures regarding investment options in general are made directly to the plan fiduciary who undertakes the important fiduciary obligation of selecting investment options to be made available to plan participants. The plan fiduciary making that selection is subject to extensive regulation and, prior to making a TDF series selection, is likely to have closely reviewed and thoughtfully evaluated the TDF series glide path, asset classes, equity landing point, and other features of the TDF series in light of the plan participant demographics and the availability of other employer-provided retirement programs, among other things.[10] In contrast to materials prepared for end investors, it is in the context of a full and interactive discussion between the TDF manager and the plan sponsor that the TDF manager's risk and return analysis (using those metrics that are relevant to the manager's TDF strategy) and underlying capital market assumptions are best presented. A TDF series may be on the plan's investment menu with other investment options across the investment spectrum[11], but it is rare for a DC plan to offer TDF options from multiple providers. Thus, a DC plan participant is unlikely to face the choice of TDF series with differing glide paths and investment strategies.

As discussed throughout this letter, any potential benefits of a risk-based glide path illustration in materials meant for end investors would be of marginal use given the necessary subjectivity and/or limitations of the potential measures of risk and may indeed be far outweighed by the cost of investor confusion. Indeed, a 2012 TDF disclosure study sponsored by the Commission[12] showed that end investors struggle to understand lengthy and complex narratives and have limited investment expertise on which to draw when reviewing even the simplest TDF disclosures. The effects of information overload and its influence on hampering investment choices is well documented.[13] In its efforts to protect investors who may be making investment decisions outside of a typical, fiduciary protected DC plan, we caution the Commission against requiring so much information that TDF investors are overwhelmed and thereby distracted from making sound decisions about their retirement assets.

BlackRock believes that the most important factor for TDF investors to understand is how their TDF portfolio's asset allocation changes over time, and that a TDF series' asset allocation along a glide path as shown in a chart or graph accompanied by the already required summary descriptions of the portfolio risks would best enable investors to visualize

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[9] *See* Default Investment Alternatives Under Participant Directed Individual Account Plans, 72 FR 60452 (Oct. 24, 2007), amended 73 FR 84 (April 30, 2008); 29 CFR 2550.404c-5.

[10] *See also* ERISA Sections 404 and 406 and generally Title 1.

[11] If the Commission determines that enhanced TDF disclosure is needed for those who are saving for retirement and choosing among potential investments to meet their goals, the Commission should consider whether disclosure for other types of funds that those investors may choose (for example, other types of asset allocation funds) should be similarly enhanced.

[12] *See* Siegel & Gale LLC, "Investor Testing of Target Date Retirement Fund (TDF) Comprehension and Communications," February 15, 2012 (available at http://www.sec.gov/comments/s7-12-10/s71210-58.pdf).

[13] *See* James J. Choi & David Laibson & Brigitte C. Madrian & Andrew Metrick, 2001. "Defined Contribution Pensions: Plan Rules, Participant Decisions, and the Path of Least Resistance," NBER Working Papers 8655, National Bureau of Economic Research, Inc.

changing risk levels over time and understand those risks in relation to their own time horizon.

Management of TDFs: Risk Considerations and Weighting

Since the TDF strategy was pioneered in 1993, markets, glide path design and TDF product development have evolved, with steady focus on liquidity, changing correlations among asset classes, asset class availability and liquidity, and acceptance of asset classes among plan fiduciaries, all to the benefit of investors. Naturally, TDF managers take different views regarding asset classes. These views change over time as investments and markets evolve, and each TDF manager takes a different approach to balancing a variety of risks faced by individuals investing for retirement. When designing a TDF series, TDF managers consider risks presented along the continuum of retirement savings, beginning with accumulation (i.e., pre-retirement) and ending with decumulation, and, as the Commission has itself acknowledged, investors have a wide range of ideas of what "risk" means. While younger investors may be more focused on the risk of not accumulating enough savings, investors preparing for retirement may be more concerned with market risk or the risk associated with generating retirement income and thus seeking to minimize or manage the variability of their savings and/or the volatility of their savings vis-à-vis their ability to generate an income stream in retirement. In short, there is an inherent subjective dimension to risk, which results in investors' as well as TDF managers' defining risk differently, which in turn results in the variations we see today across TDF strategies.

For example, in designing and managing our TDFs, BlackRock considers a wide array of factors including risk, return, and participant behaviors and preferences. Importantly, we evaluate risk vis-à-vis the opportunity for return, where we seek to take investment risk when it is expected to be appropriately rewarded. BlackRock considers a range of risks and risk measures, and the manner in which we specify risk is informed by our extensive investment experience. Market risk is only one of the risks we consider in our TDFs. BlackRock also takes into account other risks faced by investors saving for retirement such as inflation risk, longevity risk and income replacement risk (i.e., the risk that income provided for in retirement (such as Social Security) will not be sufficient to cover expenses). Moreover, we utilize various tools and metrics to quantify risk. We leverage our risk management platform to stress test our TDF portfolios to gain deeper insights into the behavior of each portfolio under both backward-looking and forward-looking hypothetical economic scenarios.

Nature and Challenges of Various Risk Metrics

Potential measures of risk include standard deviation (a measure of the variance in investment returns), beta (a measure of the relationship of investment returns to those of the applicable market), and "risk ratings" (based on calculation methodologies that leverage qualitative or quantitative, backward-looking or forward-looking, data).

Standard deviation is used to calculate probabilities and is likely too technical a measure to provide a basis for meaningful disclosure for investors saving for retirement. Specifically, (i) standard deviation is calculated using historical (backward-looking) data, which is of limited use in predicting or foreseeing future events; (ii) because standard deviation measures variance in investment returns, a retirement investor could mistakenly choose to invest in a TDF that seemed less volatile as compared to others, but precluded an opportunity for potentially higher returns over his or her investing horizon; and (iii) standard deviation can result in very different results depending on the historic time period chosen. For instance the standard deviation of a single asset class, as depicted by the Russell 1000 Index or the Barclays U.S. Aggregate Bond Index, may fluctuate meaningfully over different time periods:

	Russell 1000 Index	Barclays U.S. Aggregate Bond Index
1-Year Standard Deviation	8.59%	3.19%
5-Year Standard Deviation	16.01%	2.88%
10-Year Standard Deviation	14.93%	3.37%

Beta is another measure of return volatility, but with reference to a chosen benchmark that represents the applicable market. Thus, the subjective choice of benchmark defines the resulting comparison, for better or worse. For example, a more conservative TDF could look very risky if the benchmark is defined as the S&P 500 Index but significantly less risky if the benchmark is defined as the Barclays U.S. Aggregate Bond Index, and the reverse would also be true. If beta were chosen as the risk metric for TDFs, the defined benchmark could become the major driver of TDF managers' respective calculations of portfolio risk, narrowing variation among TDF strategies and consequently limiting plan fiduciary and investor choice. BlackRock does not believe that the Commission's proposals were intended to homogenize and therefor limit the TDF universe.

Like standard deviation, beta relies on backward-looking data, which, as noted above, is unreliable as an indication of future performance. Furthermore, the very nature of TDFs renders beta a less than useful tool in measuring TDF risk because there is no single benchmark that would address multiple asset classes and changing allocations among them over time.

While other jurisdictions have used "risk ratings" to characterize funds along a continuum, we note that the multiplicity of approaches to "risk ratings" tells the story – there is no one way to effectively or meaningfully characterize TDF series in relation to one another. The risk ratings or measures that use backward-looking data present the issues already discussed with respect to the limitations of backward-looking data; while those that use forward-looking data present the twin challenges of subjectivity and complexity, as those forward-looking data are derived based on capital market assumptions across multiple asset classes and extrapolations over time. There is no single standard for capital market assumptions; indeed they are subjective by their very nature. Although forward-looking risk metrics may be more relevant than backward-looking risk metrics to a TDF investor, if a risk-based glide path illustration were based on forward-looking metrics, given heterogeneous forecasts, comparability is likely to be illusory.

Elevation of one risk measure over others may cause TDF managers to manage to that single risk measure, forgoing the benefits of flexibility and innovation and thereby reducing variations among TDF strategies (consequently narrowing investor choice) and curtailing product innovation. Furthermore, if the Commission were to adopt a single measure of risk in an effort to simplify and enhance investor understanding of TDFs, we fear that the elevation of one risk over others may result in TDF investors' overestimating the importance of that one type of risk over other types of risk in the TDF portfolio. This could lead investors, for example, to perceive TDFs that focus on capital preservation as superior, thereby losing the opportunity to benefit from the higher returns that they may need to counter inflation risk and the increased longevity risk that typically are associated with such a strategy.

In summary, there is no single measure that would accurately or completely articulate the risks TDF managers seek to manage. The potential variability and weighting of risk-related metrics among TDF managers suggests that a standardized risk measure would obfuscate

significant variations among TDF strategies, likely confusing and potentially misleading investors. As stated previously, because of the complexity and multi-faceted nature of retirement savings risks that TDFs have been designed specifically to address, any single measure would be inherently limited. We believe that end investors would struggle to understand and interpret a quantitative risk-based illustration (i.e., what it shows and what it does not show); and thus, a quantitative risk-based illustration would fail to enhance, and may well negatively affect, their understanding of TDFs. We believe an asset allocation-based glide path illustration would provide investors with a balanced understanding of their TDF investment.

Asset Allocation-Based Glide Path Illustration

While we do not think that a quantitative risk-based glide path illustration is practical given the multiple risks considered by various TDF managers, the subjective nature of risk, and resulting lack of comparability, as discussed above, we believe that an asset allocation-based glide path illustration is a useful and easily understood depiction of changing portfolio asset allocations over time. Indeed, many TDF managers added an asset allocation-based glide path illustration to their investment disclosures following the Commission's and the Department's 2010 proposals, and recent studies have shown that asset allocation has been a reliable predictor of portfolio volatility.[14]

We agree with the Committee's observation that much of the difference in risk among TDF series can be explained by differences in asset allocation models and glide paths and that choice of investments within various asset classes and other risk management practices can also have a significant impact on risk levels. Accordingly, to address the goal of accurately conveying the risks associated with a given TDF series based on its glide path, the Commission could amend Form N-1A to require an asset allocation-based glide path illustration but permit more narrowly defined asset classes than stocks, bonds and cash. Thus, a TDF manager would be able to define asset classes in a way that is relevant to the applicable investment strategy. For example, a TDF manager that featured developed and emerging market investments and "real assets" in the TDF portfolios might choose to depict U.S. large cap equity, U.S. mid/small cap equity, non-U.S. developed market equity, emerging market equity, U.S. fixed income, non-U.S. fixed income and real asset investments (such as inflation-linked, real estate-related, and commodity-related investments). The glide path illustration would be placed in the context of the currently required prospectus disclosure identifying and describing the principal risks to which the TDF portfolios are subject, including, but not limited to, risks associated with the various asset classes in the portfolios. To address the variation and continued evolution in TDF strategies and ensure that the asset allocation-based glide path illustration remained relevant and helpful to TDF investors as markets and investment types change, we would encourage the Commission to adopt requirements that are flexible as to content and format. In the attached Appendix, we have included two examples of an asset allocation-based glide path illustration, each of which effectively depicts how TDF portfolios change over time.

As noted above, investors in a TDF are today provided a summary of the fund's principal risks in the summary section of its prospectus and, if available, in the stand alone summary prospectus, "including the risks to which the [TDF's] portfolio as a whole is subject and the circumstances reasonably likely to affect adversely the [TDF's] net asset value, yield, and total return."[15] DC plan participants who are invested in a TDP are provided with identical (if a mutual fund) or substantially similar (if an ERISA-regulated fund or account) risk

[14] *See* Morningstar, Target Date Series Research Paper 2013 Survey, Morningstar Fund Research (Exhibits 21, 23, 25, 27).
[15] *See* Form N-1A Item 4(b)(1)(i).

disclosures, under the investment option-related requirements of the Department's Rule 404a-5.

Accordingly, an asset allocation-based glide path illustration could leverage the already required risk disclosures in a prospectus and Rule 404a-5 Disclosures if the Commission were to adopt such an illustration requirement under Form N-1A and work with the Department to amend the Rule 404a-5 investment option-related requirements as necessary.

Summary

TDFs provide fundamental advantages in helping DC plan participants and others investing for retirement maintain a diversified asset allocation strategy that changes over time. BlackRock supports efforts to better educate investors regarding how TDFs are designed to provide a professionally-managed portfolio whose asset class composition and related risk profile changes in relation to their own time horizon.

We believe that an asset allocation-based glide path illustration would help investors understand how asset allocation and portfolio risk changes over time in relation to their individual time horizons, and we strongly recommend against requiring a quantitative risk-based glide path illustration as a replacement for, or supplement to, an asset allocation-based glide path illustration for the reasons discussed above.

If the Commission decides to adopt rules that require additional TDF disclosures, we recommend that those rules permit a flexible approach, so as to ensure that those disclosures are appropriate for the broad and continually evolving range of TDF strategies, the different risks they seek to manage, and for the intended audience.

We appreciate the opportunity to share our views in response to the Release, and would welcome further discussion on this important topic.

Barbara Novick
Vice Chairman
Head of Government Relations and Public Policy

Chip Castille
Managing Director
Head of U.S. Retirement Group

Attachment

cc:
The Honorable Mary Jo White
Chair
U.S. Securities and Exchange Commission

The Honorable Luis A. Aguilar
Commissioner
U.S. Securities and Exchange Commission

The Honorable Daniel M. Gallagher
Commissioner
U.S. Securities and Exchange Commission

The Honorable Michael Piwowar
Commissioner
U.S. Securities and Exchange Commission

The Honorable Kara M. Stein
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Norman B. Champ, III
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Phyllis C. Borzi
Assistant Secretary
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Judy Mares
Deputy Assistant Secretary
Employee Benefits Security Administration
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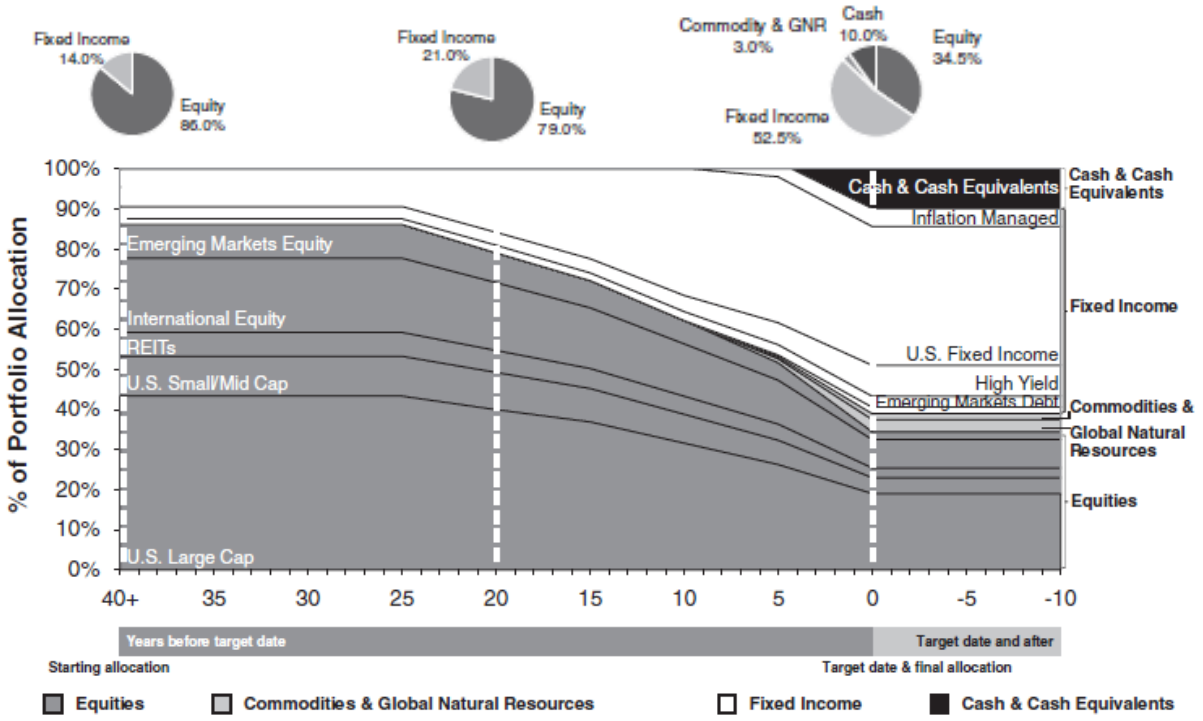
Appendix

Below are two examples of asset allocation-based glide paths that are currently being used by TDF providers in their mutual fund prospectuses. Each depicts how the asset allocation of the TDF series changes over time.

	50 Years Before Retirement	25 Years Before Retirement	At Retirement	25 Years After Retirement
Stocks	90%	90%	50%	30%
Fixed Income	10%	10%	50%	70%

The actual asset allocations may differ from this chart.



Strategic Target Allocations

Years to Target Date	40+	35	30	25	20	15	10	5	0	-5	-10
Equity	**86.0%**	**86.0%**	**86.0%**	**86.0%**	**79.0%**	**72.0%**	**62.0%**	**51.5%**	**34.5%**	**34.5%**	**34.5%**
U.S. Large Cap Equity	43.3%	43.3%	43.3%	43.3%	40.0%	36.8%	31.5%	26.3%	19.0%	19.0%	19.0%
U.S. Small/Mid Cap Equity	10.0%	10.0%	10.0%	10.0%	9.3%	8.5%	7.3%	6.0%	4.0%	4.0%	4.0%
REIT	6.0%	6.0%	6.0%	6.0%	5.5%	5.0%	4.5%	4.0%	2.5%	2.5%	2.5%
International Equity	18.5%	18.5%	18.5%	18.5%	16.8%	15.0%	13.0%	11.0%	7.0%	7.0%	7.0%
Emerging Markets Equity	8.3%	8.3%	8.3%	8.3%	7.5%	6.8%	5.8%	4.3%	2.0%	2.0%	2.0%
Commodities & Global Natural Resources	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**1.0%**	**3.0%**	**3.0%**	**3.0%**
Commodities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	1.5%	1.5%	1.5%
Global Natural Resources	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	1.5%	1.5%	1.5%
Fixed Income	**14.0%**	**14.0%**	**14.0%**	**14.0%**	**21.0%**	**28.0%**	**38.0%**	**47.5%**	**52.5%**	**52.5%**	**52.5%**
U.S. Fixed Income	9.5%	9.5%	9.5%	9.5%	16.0%	22.5%	31.8%	36.5%	34.5%	34.5%	34.5%
Inflation Managed	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	7.5%	7.5%	7.5%
High Yield	3.0%	3.0%	3.0%	3.0%	3.3%	3.5%	4.0%	5.5%	7.8%	7.8%	7.8%
Emerging Markets Debt	1.5%	1.5%	1.5%	1.5%	1.8%	2.0%	2.3%	2.5%	2.8%	2.8%	2.8%
Money Market/Cash and Cash Equivalents	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**10.0%**	**10.0%**	**10.0%**
Money Market/Cash and Cash Equivalents	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	10.0%	10.0%