STATE STREET.

Via e-mail: rule-comments@sec.gov

August 23, 2010

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549–1090

Re: Investment Company Advertising: Target Date Retirement Fund Names and Marketing; Release Nos. 33-9126, 34-62300, 75; File Number S7-12-10

Dear Ms. Murphy:

State Street Global Advisors ("SSgA"), a division of State Street Bank and Trust Company, appreciates the opportunity to comment on the Securities and Exchange Commission ("SEC")'s proposed amendments regarding Investment Company advertising as it relates to target date fund names and marketing.

SSgA is a global leader in asset management, managing more than $1.8 trillion in assets from corporations, endowments and foundations, third-party asset gatherers, pension funds and sovereign wealth funds as of June 30, 2010. SSgA has been providing such asset management services for over 30 years and began offering services to 401(k) clients in 1983. As of June 30, 2010, SSgA assets under management for US defined contribution ("DC") and deferred compensation plans totaled $144 billion.

Overall, we are supportive of the Commission's proposed amendments regarding advertising and marketing of target date funds and are in favor of those changes which we believe will assist investors in understanding and selecting funds that are appropriate long-term savings vehicles.

In particular, we would highlight that, as discussed in the Commission's release regarding the proposed amendments, investors in target date funds are often defaulted into these funds or choose them because such investors do not have either the level of interest or the knowledge required to construct their own investment portfolios. Such investors are generally passive, and their investment strategy is often governed by inertia. 401(k) plan participants generally—and target date fund investors in particular—need communication and marketing that is both easy to understand and actionable. To this end, SSgA is pleased to submit the following considerations and recommendations:

- ***Disclosure of Target Date Allocation.*** SSgA generally supports the proposed requirement to include an asset allocation table (or glide path) within the marketing materials for each target date fund. However, we believe that requiring the disclosure of the allocation at retirement immediately adjacent to the first use of the fund's name in marketing materials may cause confusion. For younger investors with long investment horizons, the allocation at retirement is substantially different (and more conservative) than the current allocation in the fund. Historically, the most important determinant of performance and volatility in the near-term is the present asset allocation of the fund. We therefore recommend that marketing materials for far-dated funds (*e.g.,* 15 years from retirement and greater) focus on current risk by providing the current allocation when initially referencing the fund's name. For far-dated funds, the retirement date allocation could be highlighted in the table or graphic that describes the complete glide path. For near-dated funds, we believe it is more appropriate to reference the allocation at retirement, but note that this reference should be relative to the current allocation (*i.e.,* current allocation first, followed by disclosure of allocation at retirement). For funds that have passed the retirement date, we believe that it would be suitable to provide the current allocation and the ultimate landing point.

- ***Nature of Glide Path Disclosure.*** SSgA supports the proposed requirement that the glide path be provided and, at a minimum, include a breakdown between equity, fixed-income and cash investments. However, we do not believe that additional guidance is required, as the range of asset classes included will differ by provider. Moreover, the asset classes utilized in target date funds may change over time, and we believe that being overly prescriptive on this point may hinder industry innovation. We also recommend that the Commission consider allowing asset allocation information to be presented on the basis of fund-level investments, as it may be difficult for a target date fund manager (particularly with a multi-manager vehicle) to produce allocations at the security-level. Furthermore, expanding beyond fund-level investments may unnecessarily complicate and dilute the value of the disclosure.

- ***Reliance on Age and Usage of Target Date in the Fund Name.*** SSgA recognizes and agrees with the Commission that an *exclusive* focus on age or retirement date without a description of the risks inherent in target date funds is not appropriate. However, we also believe that utilizing age and/or retirement date as a general guide for selection, in addition to consideration of other factors, is appropriate. Including the target date in the fund name and focusing investors on the date that they want to retire communicates valuable information about fund construction and appropriate usage. The primary differences between a well-diversified balanced fund and a target date suite are that target date allocations change over time as a function of investment horizon and the availability of multiple funds. By using the target date in the fund name, the manager is communicating that the only piece of investor-specific information being used to drive asset allocation is the date at which the investor plans to retire or needs the money invested in the target date fund. Additionally, by focusing the investor on the date that he or she wants to retire, the manager is also communicating that the appropriate way to use the fund is to invest in only one fund (rather than putting a little money in each target date fund offered). We therefore request that the final rule state that using age as a guideline for investment is appropriate as long as the investor is also directed to consider other factors, such as risk tolerance.

- ***Simplicity vs. "Set It and Forget It" Messaging.*** SSgA strongly supports the notion that target date options should not be marketed as "set it and forget it" strategies. We strongly support approaches that emphasize the importance of regularly evaluating savings levels, fund investments and risk tolerance. We believe, however, that the channelizing ways in which target date funds have been communicated (*i.e.,* build and monitor a portfolio yourself, or get help through a pre-built fund) are important to maintain. Most participants are overwhelmed by the idea of trying to plan and save for retirement. An investment in a target date fund provides these investors with an automated source for much needed diversification, rebalancing and age-based risk reduction. In our view, the simplicity of target date funds in terms of ease of use is a key feature that should be emphasized, provided, however, it is accompanied by disclosure that highlights for participants the importance of conducting a regular review of their risk tolerance, retirement objectives and progress made against these goals. We therefore suggest the Commission permit descriptions of target date funds as simple means of achieving a diversified portfolio allocation, provided these messages are paired with statements that encourage participants to regularly review retirement readiness.

- ***Explanatory Statement of Allocations and Discussion of Board Approval.*** SSgA believes it is important to highlight that most target date funds are constructed utilizing optimizations that consider the current correlations between asset classes and changes in volatility within asset classes. Further, rebalancing rules may be employed that allow for a small amount of allocation drift to minimize transaction cost activity. Consequently, allocations may change as part of an effort to achieve desired risk and return levels across the glide path or as a result of the rebalancing strategy employed. While these changes are likely to be small, they will occur with relative frequency. Therefore, we believe that the explanatory statement should indicate that asset allocations are intended to provide investors with an understanding of potential risks. Further, in our view, statements on board involvement should focus on whether or not board approval would be required in the event that there is a significant deviation from the current process (rather than an allocation change).

- ***Utilization of Leverage within Target Date Funds.*** SSgA does not view target date funds as the appropriate vehicle for the provision of levered returns, nor do we currently see leverage being employed in such funds in any material way. Further, where derivatives are utilized, it is principally for cash equitization or "bondization", a central requirement of the daily cash flow environment in which most DC plan options operate. We therefore do not believe that additional disclosures related to leverage are required.

- ***Comparison across Target Date Funds.*** Because participants generally only have access to one target date suite, SSgA believes it would be most helpful to provide a comparison between the target date fund and other options in a participant's plan. While we do not believe this comparison needs to be addressed in the amendments currently under consideration (which address target date fund communications specifically), we do believe that from a best-practice perspective, plan communications that describe the options available should utilize a risk ribbon (upon which target date funds could be placed) to illustrate the risk of each option relative to equity and all-cash portfolios.

- ***Target Date Risk Metrics.*** In response to the question of whether or not the creation of a risk metric should be applied to target date funds, SSgA submits that the creation of such an index would be very difficult to accomplish and run the risk of stifling innovation. As noted in the proposed rule, traditional financial risk measures do not capture longevity and inflation risk. Any index constructed would therefore need to weight the importance of these risks relative to market volatility. We believe the creation of an index would likely force a convergence of the available options toward the index, thereby limiting the choices of plan sponsors and inhibiting the creation of potentially superior retirement products. We do not believe that consensus currently exists on an appropriate weighting scheme between these disparate risks for the creation of a neutral index. Further, assumptions on inputs such as total drawdowns, volatility of drawdowns, life expectancy targets, and future inflation rates would need to be set. Currently there is no clear, objective way in which to set these assumptions for the entire 401(k) population, as they are a function of individual preference and circumstances. Thus, we believe that the creation of such an index will, by necessity, advantage some populations over others. Lastly, notwithstanding the difficulty of creating, maintaining and applying standardized target date risk metrics, we believe that such an index would be very difficult to explain to investors. Investors are most likely to consider risk as the level of market volatility and might be surprised to suffer substantial losses in what is deemed a "conservative" target date fund.

- ***Target Date Fund Guarantees.*** With regard to the reference related to lack of guarantees on target date funds, SSgA believes that the proposed language is appropriate and helpful. However, in the future, target date funds may actually include specific guarantees. We suggest the Commission clarify that the proposed requirement is only applicable to target date funds that do not incorporate sources of guaranteed income for participants.

Thank you again for the opportunity to comment on the proposed amendments regarding advertising and marketing of target date funds. We believe that, with the incorporation of the recommended changes outlined in this letter, the amendments will assist investors in better understanding and selecting funds that are appropriate long-term savings vehicles for their retirement needs.

Should you have any questions regarding these comments, please feel free to contact me directly.

Sincerely,

Kristi Mitchem

Kristi Mitchem
Senior Managing Director, Defined Contribution