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June 9, 2014

FILED ELECTRONICALLY

Mr. Kevin M. O'Neill
Deputy Secretary
U.S. 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; IC-29301; File No. S7-12-10

Dear Mr. O'Neill:

Vanguard appreciates the opportunity to supplement its comments on the Securities and Exchange Commission's ("Commission") proposals relating to target date retirement funds ("TDFs") in light of recent recommendations from the Investor Advisory Committee.[1] As discussed in our previous comment letters, Vanguard strongly supports enhanced disclosures to help investors better understand (i) a TDF's current target asset allocation, (ii) a TDF's projected asset allocation upon reaching the target date, and (iii) a TDF's projected final asset allocation.[2] Such enhanced disclosures provide investors with clear and objective measures against which they can evaluate TDF investments.[3] Vanguard does not support, however, mandatory disclosures that may confuse or mislead investors due to standardized and potentially arbitrary measures of risk in charts, graphs, or other materials.

Vanguard is a leading provider of low-cost TDFs to investors and a leading provider of recordkeeping services to defined contribution retirement plans. Our target retirement fund line-up includes a retirement income fund and a range of 11 funds with target dates in five-year increments from

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[1] *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) (proposing rule amendments); *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) (reopening the public comment period); Recommendation of the Investor Advisory Committee, Target Date Mutual Funds (Adopted April 11, 2013), *available at*: http://www.sec.gov/spotlight/investor-advisory-committee-2012/iac-recommendation-target-date-fund.pdf.

[2] *See* "Investment Company Advertising: Target Date Retirement Fund Names and Marketing," Vanguard Comment Letter dated August 13, 2010, *available at*: http://www.sec.gov/comments/s7-12-10/s71210-20.pdf; "Investment Company Advertising: Target Date Retirement Fund Names and Marketing," Vanguard Comment Letter dated May 22, 2012, *available at*: http://www.sec.gov/comments/s7-12-10/s71210-78.pdf.

[3] Vanguard currently illustrates TDF asset allocation glide paths through static graphs in marketing materials and interactive graphs on its Web site, which we believe to be extremely effective in enhancing investor understanding. The static graphs clearly depict TDF asset allocation among different types of underlying investments along the glide path. The interactive graphs allow investors to evaluate each TDF's target asset allocation at particular points along the glide path and may be found at https://investor.vanguard.com/mutual-funds/target-retirement/#/mini/overview/0696.

2010 to 2060. These funds, with more than $260 billion in assets under management, hold more than one-quarter of the total assets invested in the TDF market and are an important tool to help investors save for retirement in a diversified, cost-efficient manner. As a recordkeeper, we serve more than 3.5 million participants and 3,400 plan sponsors in over 3,800 defined contribution plans.

Diversification is a key means to manage investment risk within an investment portfolio. Over the long term, a TDF's broad asset allocation to stocks, bonds, and cash investments will likely be the most significant driver of its performance.[4] As such, TDFs by design offer a diversified portfolio within a single fund that adjusts the underlying asset mix over time, incrementally decreasing exposure to equities and increasing exposure to bonds as each TDF approaches its target retirement date. Our research and survey results confirm that investors have a basic understanding of the nature of TDFs, recognize that TDFs involve risk, and understand that TDFs' asset allocation becomes more conservative as the target year approaches.[5]

However, our data highlights two areas where TDF investors need more clarity and education. These areas relate to what changes, if any, TDFs make at their target dates and how glide paths change after the target date.[6] Based on this data, Vanguard supports the goal of improving investors' understanding of asset allocations by enhancing disclosures related to asset allocations at key points along the glide path. These key points are TDFs' current target asset allocation, projected asset allocation upon reaching the target date, and projected final asset allocation.

Vanguard does not support, however, mandatory disclosures that may confuse or mislead investors due to the inclusion of standardized and potentially arbitrary measures of risk. Such measures of risk – whether used in isolation or alongside other types of disclosure (e.g., asset allocation glide paths) – may mislead investors about the concept of risk, the importance of any one particular measure or dimension of risk, or the true risks associated with any investment. All investments are subject to risk and there is no clear industry standard to assess and communicate risk. By mandating a particular measure of risk, the Commission could inappropriately suggest to investors that such measure adequately captures all risks associated with an investment, including TDFs. We are also concerned that any such measure would inappropriately highlight one type of risk over another.

Furthermore, mandatory disclosure relating to standardized measures of risk may confuse or mislead investors by inappropriately suggesting that TDFs are managed using one or more particular measures of risk. Vanguard TDFs, like many TDFs, are managed according to an asset allocation model rather than a risk-based allocation model. Consequently, the mandatory inclusion of standardized measures of risk, which are applicable only to funds managed pursuant to a risk-based model, would be arbitrary, unhelpful, and potentially misleading to our TDF investors. For example, we believe that disclosure of a risk-based glide path in absolute terms (such as standard deviation or value at risk) would be meaningless to the average investor. We believe also that it is unclear whether individual investors perceive risk as probability of loss over a particular horizon (unspecified and potentially variable) or volatility.

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[4] *See, e.g.*, Gary P. Brinson, L. Randolph Hood, & Gilbert L. Beebower, *Determinants of Portfolio Performance*, FINANCIAL ANALYSTS JOURNAL, July-Aug. 1986, at 39.

[5] Ameriks, Hamilton, and Ren, *Investor comprehension and usage of target-date funds: 2010 survey* (Jan. 2011) ("2010 Survey").

[6] 2010 Survey.

The inclusion of mandatory disclosures containing standardized and potentially arbitrary measures of risk may negatively affect the mutual fund disclosure regime. First, it may undermine the Commission's successful efforts to create a streamlined summary prospectus by necessitating complicated disclosures describing the inherent limitations with any particular standardized measure of risk. Second, the required use of a standardized measure of risk by TDFs would create a bifurcated disclosure regime where TDFs would be subject to different disclosure than other mutual funds. This could mislead investors into thinking that TDFs pose more risk than other mutual funds. Finally, standardized and potentially arbitrary measures of risk may confuse TDF investors that are accustomed to assessing particular risks by reference to asset allocation glide paths, performance, and key disclosures in the summary prospectus and statutory prospectus (relating to investment objectives, investment strategies, and investment risks).

Consequently, Vanguard does not support mandatory disclosures containing standardized and potentially arbitrary measures of risk that, contrary to the Commission's goal, may confuse or mislead investors.[7] We believe that existing risk disclosures in the summary and statutory prospectus – when coupled with the enhanced asset allocation glide path disclosures mentioned above – give investors a meaningful understanding of how TDFs are managed and their corresponding investment risks.

We appreciate the opportunity to supplement our comments on the Commission's proposals relating to TDFs in light of recent recommendations from the Investor Advisory Committee. If you have any questions or require any additional information, please contact Brian P. Murphy, Senior Counsel, Legal and Compliance Division, at 610-669-1605.

Sincerely,

Chris D. McIsaac

[7] *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).