



June 9, 2014

Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File Number S7-12-10.

Ladies and Gentlemen,

Manning & Napier Advisors, LLC appreciates the opportunity to submit comments concerning the SEC Investor Advisory Committee's recommendation to develop a glide path illustration for target date funds that is based on a standardized measure of fund risk. Our approach to target date investing is squarely rooted in the philosophy that managing risk is a critical part of helping investors meet their long-term retirement goals. We support any effort to help participants and retirement plan fiduciaries make more informed decisions, particularly in better understanding potential risk trade-offs. However, we do not support the Committee's recommendation that the Commission can or should identify a standard risk measurement or methodology for a risk-based glide path. In sum, we believe:

- Managers should have the flexibility to communicate and illustrate their risk management approach in a way that is most representative of their unique investment process;
- Risks are dynamic and change over time. No single risk measure can accurately predict or illustrate a manager's ability to deliver the risk protection that matters most to participants: failing to meet spending needs in retirement; and
- Given the complexity of risk measures and the important role that plan fiduciaries play in selecting a plan's QDIA, discussions of risk should be approached differently for plan fiduciary and participant audiences.

More specifically, we address three of the areas raised by the Commission for comment:

I. *Management of Target Date Funds According to Risk: Manager Flexibility is Key to Managing Risks in Changing Environments*

Manning & Napier has managed assets to meet life cycle objectives for nearly 40 years through a variety of market environments, including six bear markets. As of 03/31/2014, we have \$52.2 billion in assets under management, with over \$21 billion in target date and risk-based life cycle objectives across various investment vehicles. With this experience, we have seen firsthand the important role risk management plays in meeting participants' retirement objectives.

Market and economic conditions are constantly changing. As a result, we believe there is no single pre-determined asset allocation or target date glide path that can meet the needs of participants in all environments. Since the real risk to participants is the failure to meet spending needs in retirement, management of our target date funds is focused on the following three factors:

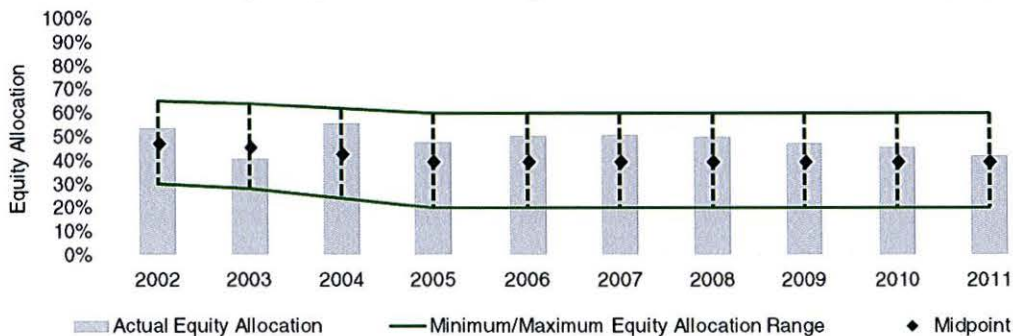
1. The time horizon over which the risk of capital losses should be measured;
2. The level of withdrawals expected from the target date onward; and
3. The market and economic environment.

Manning & Napier actively manages risk with a flexible equity glide range as illustrated below.



We may deviate from the general glide path principle of becoming more conservative over time given the changeability of the financial markets. While the potential for capital loss is a key risk to guard against, regardless of the prevailing market environment when a participant is nearing or in retirement, there are times when the margin of safety provided by certain equities presents an opportunity to pursue a more growth-oriented positioning than otherwise assumed. Likewise, there will be times when the potential for capital losses warrants a more conservative posture than was anticipated when the general glide path was considered. Our environment-based risk management takes into account variables such as equity market valuations, interest rates, inflation, and economic growth and makes equity adjustments as needed. By addressing these environment-based risks on an on-going basis, we seek to reduce the extremes that investors may experience as market conditions change over time.

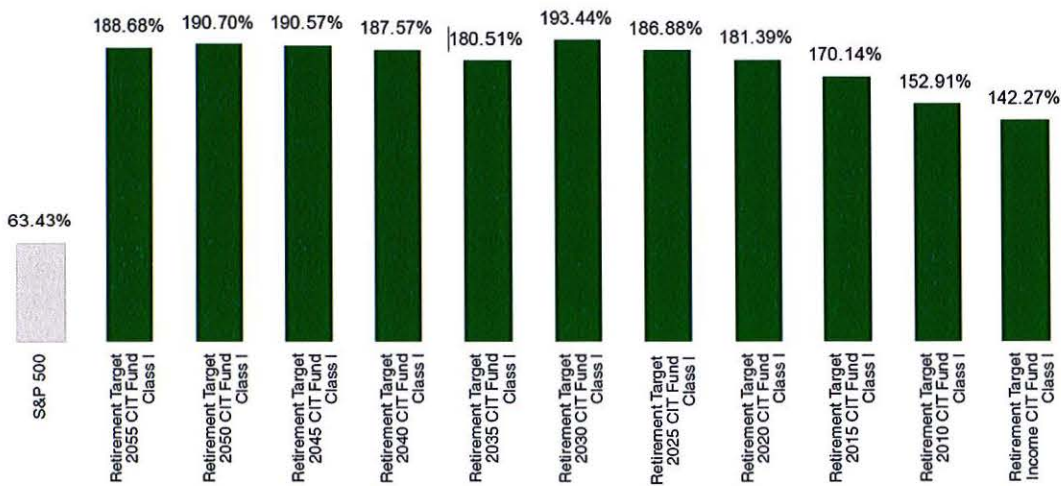
Historical Perspective on the Active Asset Allocation Decisions of the Manning & Napier Retirement Target 2010 Collective Investment Trust Fund



Manning & Napier actively manages asset allocation decisions and builds its life cycle portfolios from the bottom-up with individual securities we believe are priced for a favorable risk/return trade off in the market environment. As the following chart illustrates, Manning & Napier’s unique approach to life cycle investing has helped our clients navigate these tough markets, achieve positive absolute returns and manage the real-world risk of failing to meet retirement income needs during what has been one of the most difficult long-term market environments for investors.

Retirement Target Collective Investment Trust (CIT) Funds Class I¹
Cumulative Performance (04/01/2000 - 03/31/2014)

This information was prepared to reflect the estimated historical performance of the Manning & Napier Retirement Target CIT Class I units. Performance shown was created using historical performance data of the underlying Manning & Napier Pro-Mix® CIT Fund(s) that would have been held according to the Retirement Target CIT Funds’ glide path. This information is for illustrative purposes only. Your investment may fluctuate in value and there is a potential for loss as well as profit.



II. Usefulness and Understandability of Risk Measures: Understanding Risk Means Understanding Tradeoffs

There are a variety of risks that investors face that can impact retirement outcomes. Above all else, the greatest risk for most target date fund investors is failing to achieve overall retirement-related goals, such as generating enough retirement income to last their lifetimes. To reach these real-world goals, investors need to consider tradeoffs – the upside and downside potential – target date options offer throughout the glide path. As such, our concerns with standardized risk measures include:

1. Common risk measures based upon past performance, such as standard deviation, are not always a good predictor of a target date fund’s ability to manage downside protection; and
2. Focusing on capital loss measures provides an incomplete risk-reward perspective and needs to be understood in the context of an investor’s time horizon.

Standard deviation is one of the most common measures of risk used today. Relative ranking by standard deviation is usually associated with a corresponding ranking of the risk of capital loss. However, it’s important to recognize that standard deviation statistically reflects the absolute fluctuations of an investment manager’s returns – giving equal weight to observations both below and above the average. As such, large deviations on the upside, while increasing standard deviation, may not be meaningful to a participant concerned with capital loss.

Furthermore, historical standard deviation statistics may be driven as much by the market environment as the portfolio allocations. As an example, historical data illustrates that the relationship between high standard deviation investments and bear market performance isn't always evident. Specifically, our research, as evidenced below, shows that past volatility (as represented by standard deviation) has not been an accurate predictor of excessive losses during adverse market environments.

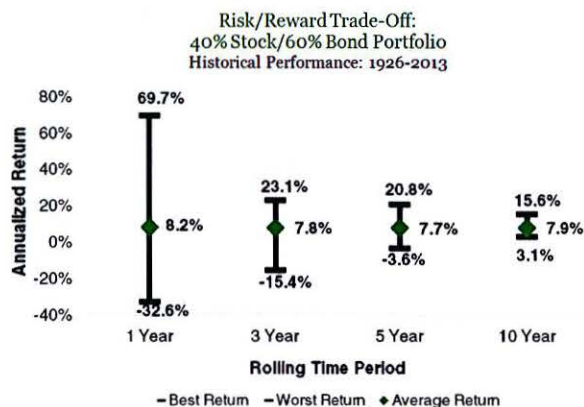
Does Standard Deviation Predict Relative Bear Market Protection?

Bear Market	Yes	No
11/01/2007 - 02/28/2009	56%	44%
04/01/2000 - 09/30/2002	65%	35%
10/01/1987 - 12/31/1987	65%	35%
01/01/1981 - 06/30/1982	47%	53%
01/01/1977 - 03/31/1978	31%	69%
01/01/1973 - 09/30/1974	68%	32%
Average	55%	45%

This analysis examines the bear market performance of current U.S. large cap equity funds in the Morningstar database relative to the performance of the S&P 500 Index (the benchmark). "No" implies that either a fund achieved (1) above benchmark bear market returns and above benchmark standard deviation or (2) below benchmark bear market returns and below benchmark standard deviation. "Yes" implies that either a fund achieved (1) above benchmark bear market returns and below benchmark standard deviation or (2) below benchmark bear market returns and above benchmark standard deviation. Standard deviation is defined as the five year annualized standard deviation computed using monthly returns for the period prior to the start of the bear market. A bear market is defined as a period of negative returns in the S&P 500 Index for which it takes at least four quarters to recover the loss. Analysis: Manning & Napier. Data source: Morningstar.

In addition, excessive focus on capital loss may cause investors to lose sight of their investment time horizon and overlook reinvestment rate risk – the risk that the investors' assets will not experience the growth necessary to achieve long-term retirement goals. Inadequate savings rates, extended life expectancies, and long-term inflation are very real factors that warrant most investors maintaining at least a modest equity allocation through retirement and should be part of investors' decision making processes.

In its guidance regarding allowable types of QDIAs, the DOL recognized that in order to effectively help participants meet long-term retirement goals a QDIA must include a mix of fixed income and equity securities as a way to address both capital preservation and long-term capital growth needs. We think this is an important point to keep in mind as the SEC weighs the potential benefits and costs of risk disclosure requirements that may be focused squarely on the potential for capital loss. As such, we believe that any type of supplemental glide path disclosure should help investors understand the general trade-off between capital growth and capital preservation at key points along the glide path (e.g., 5 year prior to the target date, the target date, and/or the landing point). As an example consider that a target date fund with a 40% stock/ 60% bond asset allocation at the target date has historically suffered annualized capital losses of approximately -33% over rolling one-year periods, but only -4% over rolling five year periods while it has provided potential annualized gains of approximately 8% on average.



Source: Ibbotson. Analysis: Manning & Napier.
Stocks are represented by the S&P 500, bonds are represented by the U.S. Intermediate Government Total Return Index.

We fear the Committee's focus on volatility and a maximum loss measure may lead investors to conclude that target date funds are too risky and cause the investor to select an overly conservative option or potentially shy away from target date funds altogether.

Since future market environment changes and the resulting risk implications are unknowable, there is no single risk metric that captures all types of risk participants will face over their lifetimes. Instead, we believe it is important for investors and retirement plan fiduciaries to concentrate their risk assessment efforts on better understanding what mechanism, if any, their target date manager uses to manage the risks that are most prevalent as market conditions inevitably change.

III. Illustration of Risk Measures: Illustrate Risk with a Plan Sponsor Dialogue

Unfortunately, many target date fund investors are not engaged in discussions about risk. According to the 2013 edition of *How America Saves*, 31% of target date investors have been automatically enrolled as participants in their employer's retirement plan and have been automatically defaulted into the target date fund selected by the plan fiduciary. Furthermore, plan fiduciaries have a legal responsibility to evaluate investment managers and prudently select the plan's investment options, including any target date fund offering. In light of investor inertia, the growth of target date funds as retirement plan default investments, and plan fiduciary responsibilities, discussions of investment risks and rewards will have a greater impact when directed to plan fiduciaries rather than individual investors.

This information was prepared to reflect the estimated historical performance of the Manning & Napier Retirement Target CIT Class I units. Performance shown was created using historical performance data of the underlying Manning & Napier Pro-Mix[®] CIT Fund(s) that would have been held according to the Retirement Target CIT Funds' glide path. This information is for illustrative purposes only. Your investment may fluctuate in value and there is a potential for loss as well as profit.

Target 2040 Comparison: Growth of \$100,000 (01/01/2000 - 12/31/2013)



Target Income Comparison: Drawdown % (01/01/2000 - 12/31/2013)



*Source: Morningstar, Inc. Analysis: Manning & Napier Advisors, LLC. The performance results represent median returns for all mutual funds within the current Morningstar mutual fund universe for the respective categories and time periods shown. Asset allocations should become progressively more conservative over time. ©2014 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied, adapted or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information, except where such damages or losses cannot be limited or excluded by law in your jurisdiction. Past financial performance is no guarantee of future results.

While illustrations such as drawdown percentage can be a useful tool for plan fiduciaries, it may be confusing or overwhelming to plan participants.

The Department of Labor (DOL) has made significant strides to improve plan fiduciary understanding of target date funds. For example, the guidance issued in February 2013 by the DOL to assist plan fiduciaries in selecting and monitoring target date funds made it clear that fiduciaries should be considering a variety of factors, including participant demographics and behaviors, when determining which suite of target date funds may best meet the needs of their plan. We applaud the DOL for their efforts on this important issue and would urge continued coordination between the SEC and DOL to improve understanding of the tradeoffs between investment risks and rewards.



Conclusion

While we support any effort to help investors and retirement plan fiduciaries make more informed decisions, it is important to recognize that the real risk faced by participants is failure to achieve their retirement goals. With that in mind, presenting potential risk/reward tradeoffs can help investors decide whether the risks associated with an investment strategy are worth taking. Target date fund managers need the flexibility to use various methods and metrics to communicate these tradeoffs and discussions of risk should be approached differently for plan fiduciaries and participants, given the potential for confusion and lack of engagement by many participants. Finally, we fear that required risk metrics, particularly a single risk measure such as standard deviation, could adversely affect both participants and plan fiduciaries.

Sincerely,

Jeffrey S. Coons, Ph.D., CFA®
President, Co-Director of Research
Manning & Napier

¹PERFORMANCE FOR THE RETIREMENT TARGET 2050, 2040, 2030, 2020, 2010, AND INCOME CIT CLASS I UNITS PRIOR TO 06/04/2012 REFLECTS THE PERFORMANCE OF EACH RESPECTIVE MANNING & NAPIER RETIREMENT TARGET INSTITUTIONAL CIT FUND, WHICH WERE MERGED INTO THE RESPECTIVE MANNING & NAPIER RETIREMENT TARGET CIT FUND ON 06/04/2012 TO ESTABLISH THE CLASS I UNITS. PERFORMANCE PRIOR TO AND INCLUDING THE INCEPTION DATE OF THE RETIREMENT TARGET 2055, 2045, 2035, 2025, AND 2015 CIT CLASS I UNITS (10/11/2012 FOR 2055; and 08/03/2012 FOR 2045, 2035, 2025, and 2015) IS NOT THE PAST PERFORMANCE OF THE RETIREMENT TARGET CIT CLASS I UNITS. PERFORMANCE FROM 08/18/2012 THROUGH 10/11/2012 FOR THE 2055 CIT CLASS I UNITS IS BASED ON THE HISTORICAL PERFORMANCE OF THE 2055 CLASS S UNITS. PERFORMANCE PRIOR TO AND INCLUDING 08/17/2012 FOR 2055; 08/03/2012 FOR 2045, 2035, 2025, and 2015; AND 05/31/2007 FOR RETIREMENT TARGET 2050, 2040, 2030, 2020, 2010, AND INCOME is based on the Manning & Napier Pro-Mix® CIT Fund(s) that would have been held in each Retirement Target CIT Fund based on its increasingly conservative asset allocation. Returns are net of the Retirement Target CIT Class I expenses. The performance data does not reflect custodial or other administrative costs associated with the plan, if any. The Retirement Target CIT Funds will gradually become more conservative over time. Performance data quoted represents past performance and does not guarantee future results.

Manning & Napier Advisors, LLC (Manning & Napier) provides investment advisory services to Exeter Trust Company, Trustee of the Manning & Napier Collective Investment Trust funds. The Collectives are available only for use within certain qualified employee benefit plans.