STATE STREET GLOBAL ADVISORS.

State Street Global Advisors

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

June 9, 2014

Mr. Kevin M. O'Neill
Deputy 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. 33-9570; 34-71861; IC-31004; File No. S7-12-10

Dear Mr. O'Neill:

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's (the "Commission") proposed amendments regarding investment company advertising as it relates to target date fund names and marketing, and, in particular to address the Investor's Advisory Committee recommendation that the Commission develop glide path illustrations for target date funds that is based on a standardized measure of risk as either a replacement for, or supplement to the Commission's proposed asset allocation glide path.

SSgA is one of the largest asset managers working with US defined contribution plans today. With more than 30 years of experience in the DC market, we manage over $305 billion in DC assets around the world (as of 12/31/13). Drawing upon our research into the needs of retirement plan participants and deep experience working with retirement plan sponsors, we appreciate the opportunity to provide our viewpoint on several of the specific questions asked by the Commission.

For clarity, our point of view about target date fund disclosures refers exclusively to the needs of retirement plan participants and other investors saving for retirement. While the use of target date funds could potentially grow in other areas, such as college savings accounts, our comments here are specifically geared toward retirement investors.

Topic #1: Potential changes to glide path illustrations

SEC Question	**SSgA Response**
Should the rules require a glide path illustration for target date funds that is based on a standardized measure of fund risk as either a replacement for, or supplement to, the proposed asset allocation glide path illustration?	No. Please see SSgA's analysis below.
Would the inclusion of two glide path illustrations in the same document tend to confuse investors, and, if so, how could the information be presented in a way that would minimize any confusion?	Yes, the majority of investors will be confused if shown two glide path illustrations in the same document. In our view, showing a single glide path illustration as it typically appears today (showing asset allocation breakdowns and time horizon only) is most useful for participants.

SSgA Analysis

Risk is multi-dimensional for retirement investors.

We believe it's useful to view retirement readiness and the overall financial health of retirement savers through a multi-dimensional lens. Just as an investor saving for the down payment on a new house or other near-term goal may be concerned primarily with market volatility risk—the risk that their account could lose value in the near term—there are other risks that homeownership entails.

Similarly, an investor saving for retirement has to consider volatility risk, as well as other key risks. These include:

1. Accumulation risk: The risk of not generating sufficient portfolio growth to fund retirement;
2. Longevity risk: The risk of outliving one's savings;
3. Volatility risk: The risk of substantial wealth degradation due to a negative market event; and,
4. Inflation risk: The risk of significant erosion in purchasing power due to elevated inflation levels

Target date funds are designed to help participants manage each of these key risks. While the glidepath itself is the primary tool that the manager of a target date fund uses to address the four risks above on behalf of participants, we believe it's impractical to measure and communicate these risks to participants through a glidepath illustration. Rather than using glidepath illustrations as a proxy "risk meter" for investors, we believe that a glidepath illustration should only be used for its original purpose—to show the basic asset allocation and illustrate that the portfolio will automatically change over time based on an investor's time horizon. This simplicity enables the investor to focus on other aspects that help drive retirement readiness, notably establishing a sufficient savings rate.

Participants are generally unaware of the subtle, but important retirement risks they face.

SSgA's research indicates that accumulation, longevity and inflation risks will likely seem abstract at best to many participants. Many participants we've surveyed haven't considered how much money they may need to save or how long they may live or how inflation may impact their purchasing power. Our 2012 Biannual DC Investor Survey shows the following responses.

Which of the steps have you performed in the last 2 years?

	Yes	No
Determining how much to save	64%	36%
Determining how much monthly income I will need in retirement	47%	53%
Determining how many years I have until I retire	70%	30%
Determining how many years I will live in retirement	43%	58%
Determining what investments to invest in	61%	39%
Determining how to monitor my progress	53%	39%
Total exceeds 100% due to rounding		

Have you considered inflation when making investment decisions?

	Responses
I haven't even considered the effects of inflation	15%
I did consider it: I just didn't know how to address inflation	43%
I have considered inflation and I invest in inflation protection investments	25%
I don't think inflation is going to be a problem for me in retirement	16%
I don't understand how inflation may affect me in retirement	1%

Because many retirement plan investors have only a cursory awareness of the risks they face, we suggest focusing educational efforts on simply defining—rather than measuring—key retirement risks in participant communications. In the context of target date funds, we believe it is the investment manager's job to measure and mitigate these risks on behalf of participants. In contrast, the job of target date fund investors, in our view, is simply to focus on things they can control. Target date fund investors can control their individual savings rate, trying to realistically forecast when they may retire and choosing an appropriate target date fund accordingly, and looking for opportunities to save more if they need to.

Topic #2: Helping investors understand risk

SEC Question	**SSgA Response**
Would investors in target date funds be likely to understand risk measures, or any related illustrations based on those measures?	Target date funds are designed to help investors manage a *combination* of risks—accumulation, longevity, volatility and inflation risks. Some retirement plan participants may understand risk measurements associated with a *single dimension* of risk. However, focusing investor communications on any single dimension of risk, such as volatility, without discussing the overall risks facing investors could present investors with an incomplete picture.
What means could be used to present risk measures for target date funds in a way that would be understandable to investors?	Plan sponsors need to tailor communications to the specific employee needs and demographics. When it comes to participant education, one size does NOT fit all. We believe it would be nearly impossible to standardize the four dimensions of risk facing retirement plan participants—accumulation, longevity, volatility and inflation risk—through a universal illustration of risk appropriate for participants of all ages.
Could investors interpret risk-based illustrations as predicting the future returns of the fund?	Possibly. We recommend avoiding risk-based illustrations altogether.
Can future risk levels of a target date fund be projected in a manner that is likely to be accurate?	From a participant's perspective, no. From an asset manager's perspective, yes. At SSgA, we continuously seek to forecast current and future risks based on information that's currently available. Accordingly, we make small adjustments and refinements in our glidepath design over time to help manage risks in the portfolio on behalf of participants.

Could the use of projected or target risk measures be misleading and, if so, under what circumstances?	Yes. If volatility risk alone is being measured, some participants might be tempted to take less volatility risk now while unintentionally adding to their longevity risk in the future. In addition, we believe a single risk such as volatility risk needs to be discussed at different points in time. For example, a 2055 target date fund may have higher volatility risk in 2015, but will have lower volatility risk in 2055. Participants need to consider all risks—accumulation, longevity, volatility and inflation risks—together as a set, and across different periods of time.

SSgA Analysis

Communicating risks to retirement investors requires a multi-faceted approach.
Target date funds are increasingly being used as default options for retirement plan participants because they automatically manage a broad range of key risks on behalf of participants. These risks will be different for different groups of participants and will change over time. For example, accumulation risk is particularly important for participants who are 20 or more years away from retirement, whereas inflation and longevity risks are particularly important for participants near or in retirement, to make sure these older participants meet their inflation adjusted retirement spending needs and do not outlive their nest-eggs.

We believe the most practical way to make risks understandable to investors is through multi-touch, segmented communications strategies that are tailored to specific age groups and offer participants actionable next steps to help them improve their individual retirement readiness. Sustaining and improving this education will require a coordinated effort among the SEC, the DOL and plan sponsors to continue improving retirement plan participant communication during points of personal change (such as starting a new job or approaching retirement) as well as during enrollment or auto-enrollment periods.

Participants want help choosing investments and managing risks.
Our research shows that many participants feel they lack adequate knowledge to make investment decisions on their own and appreciate default options designed with their target retirement dates in mind. Our 2012 Biannual DC Investor Survey shows the following responses.

Which 401k plan features does your company offer? Which features do you use?

	Company offers, and I use it	Company offers, but I don’t use it
Automatic enrollment in the plan	55%	8%
Automatic annual increase in the your pay deferral rate	17%	19%
Professionally managed, diversified fund (e.g. target date funds)	44%	25%
Computer advice programs	44%	25%
Includes respondents who identified that their company offers some form of advice		

What sources of information do you use to make investment decisions?

	Company offers, and I use it	Company offers, but I don’t use it
Retirement goal calculators	44%	29%
One-on-one professional advice	24%	36%
Call center advice	19%	44%
Educational workshops	24%	35%

Because many retirement plan participants have only limited financial knowledge, we believe plan sponsors need to take a hands-on approach to helping participants save enough and invest appropriately for retirement through using the following features:

- Plan design (streamlined investment menus and automaticity, e.g. automatic enrollment and automatic escalation),
- Qualified default investment alternatives (QDIA) selection, and
- Participant education.

These three pillars—plan design, QDIA selection and participant education—are much more effective levers for managing risks on behalf of participants than fund disclosures. That said, we believe fund disclosures are also very important resources for many participants making investment decisions and we want to give participants every opportunity to choose investments aligned with their goals and objectives.

Making Retirement Work

We appreciate the efforts of this initiative and the focus being placed on risk factors that impact retirement readiness and positively influence retirement security. At SSgA, we are committed to making retirement work for all Americans. Thanks again for the opportunity to comment on the proposed amendment. If you have questions regarding SSgA's comments or viewpoints, I invite you to contact me directly and welcome the opportunity to continue this important discussion.

Sincerely,

Fredrik Axsater
Senior Managing Director
Global Head of Defined Contribution