J.P.Morgan
Asset Management

George C.W. Gatch
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August 20, 2010

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: Investment Company Advertising: Target Date Retirement Fund Names and Marketing (File No. S7-12-10)

Dear Ms. Murphy:

J.P. Morgan Asset Management appreciates the opportunity to comment on the Securities and Exchange Commission's proposed amendments to Rule 482 under the Securities Act of 1933 and Rule 34b-1 under the Investment Company Act of 1940 to address target date retirement fund names and marketing materials. J.P. Morgan Investment Management Inc. serves as investment advisor to the JPMorgan SmartRetirement Funds, a suite of ten registered investment companies, 9 of which are target date funds. We support the Commission's efforts to enhance disclosure for target date funds with the goal of providing concise and useful information to individuals in order to help them make appropriate investment choices to further their retirement goals.

The JPMorgan SmartRetirement Funds are "funds of funds" that invest in other J.P. Morgan Funds and are designed to provide exposure to a variety of asset classes, including U.S. large cap, mid cap, and small cap equities, REITs, international and emerging markets equities, U.S. fixed income securities, emerging markets debt securities, high yield securities, market neutral strategies, and money market instruments. All of the JPMorgan SmartRetirement Funds (except the JPMorgan SmartRetirement Income Fund®) are target date funds and are designed for investors who expect to retire near the applicable target retirement date (for example, 2015 for the JPMorgan SmartRetirement 2015 Fund). The JPMorgan SmartRetirement Funds are "to" funds that are intended to reach their most conservative asset allocation during the target date year.

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J.P. Morgan Investment Management Inc.

We believe that target date funds have been a very positive development for investors, providing unique benefits unlike other retirement products. Target date funds are designed to give investors an asset allocation product designed to benefit from market appreciation while, through diversification, offering protection from the risks associated with being too concentrated in any one asset class. Further, they adjust risk exposure over time, as the investor moves closer to retirement. Target date funds offer a level of diversification and risk management that most investors are not able to replicate on their own due to a lack of investment knowledge, financial training and discipline. Although we think that it is critical for investors to understand that target date funds are only part of a retirement solution, and that target date funds differ in their management and risk profiles, we hope that any new disclosure requirements will be narrowly tailored to provide simple, meaningful information and not confuse investors or otherwise complicate their investment decisions.

We considered the two types of investors in target date funds in reviewing the Commission's proposal: (1) plan participants who are picking a target date year within a family of funds chosen by the plan sponsor, and (2) individual investors who are selecting target date funds among various fund families outside of a retirement plan. Most investors in target date funds are plan participants who are not choosing among fund families. In addition to considering the two types of investors, we also considered the role of plan sponsors and the types of information that would be useful to them in evaluating target date fund families. [1]

To this end, we would recommend that the Commission adopt standard narrative disclosures. The purpose of this disclosure would be to advise investors that target date funds, like all investment options, are not a complete retirement solution. In addition, we are in favor of the proposal to include a presentation of the glide path in printed advertisements, subject to certain changes specified below. We believe that disclosure of the glide path will help plan sponsors and investors evaluate the differences between fund families and will help plan participants understand the risk profiles of target date funds within a single fund family. We also believe that disclosure of the glide path will help investors understand how a target date fund works and what it is intended to do. However, while we support the spirit of the proposal to provide greater transparency, we have serious concerns about certain aspects of the proposed amendments. Specifically, we believe that the "more than insubstantial focus" standard is vague and overly broad in scope. In addition, we are concerned about the requirement to place a fund's asset allocation next to its name (the "Final Allocation Requirements"). We do not believe the Final Allocation Requirements provide meaningful information to plan sponsors, plan participants, or potential shareholders who are investing outside of a plan.

Our specific comments are outlined in more detail below. In considering specific comments, we believe it is important to first express our view that disclosure should define the role of target date funds, what they are intended to do and what they are not intended to do, and how they fit into an overall plan for retirement.

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[1] It is our understanding that the Department of Labor ("DOL") is considering issuing regulations regarding disclosures when a target date fund is selected as a qualified default investment alternative, as well as informal guidance to plan sponsors on selecting and monitoring target date funds. We hope that the rules from both agencies would apply a consistent uniform approach to target date fund disclosure, recognizing the differing needs of plan sponsors designing an investment menu, participants selecting from that menu, and the retail investor. We encourage the SEC and the DOL to coordinate regulatory efforts.

Disclosure Should Include Both the Risks of Target Date Funds and the Other Risks Associated with Retirement Planning

We agree with the concerns raised by the Commission that target date funds could be viewed by certain investors in an overly simplistic manner and lead investors to believe that investing in a target date fund is a "silver bullet" to a successful retirement.

While we firmly believe that a target date fund can be an important component of an individual's retirement plan, the most critical element to meeting retirement goals is the individual's behavior based on his or her circumstances. For example, how much one saves and when someone invests in a target date fund, and how much and when he or she withdraws the investment, is much more important than the shape of the glide path in determining whether a participant generally will meet his or her retirement goals. Participants who save 25% of their salary in a money market account will be much more likely to meet their retirement goals than participants who save only 3% of their salary in a target date fund, even if the target date fund performs better than the money market account.

Specifically, we believe that the proposed rule should differentiate between "fund-specific" information which is applicable to a particular target date fund (i.e., information relating to expected risk and performance of funds in different market environments) and "outcome-oriented" risks, including most notably, the savings patterns of individual investors. We believe "inflation and longevity risk," which are cited as concerns by the Commission, relate more to the latter.

Consistent with the goal of providing meaningful disclosure to investors, we support standard disclosure of outcome oriented risks in a way that avoids confusing those risks that are based on individual participant behavior with the risks of investing in a specific target date fund. We believe that fund-specific information is best presented by the glide path presentation whereas outcome oriented risk should be addressed by narrative disclosure.

The disclosure should highlight the impact that savings has on meeting an investor's retirement goals. In addition, the narrative disclosure should highlight the issues that an investor should consider when investing in a target date fund. To this end, we recommend that the Commission adopt a standard narrative disclosure template which includes some, but not all, of the disclosures specified in the Release. Such disclosures should be presented in a prominent box titled "Key Points about Target Date Funds and Retirement Goals" and include the following key points:

1. Meeting your retirement goals is dependent upon many factors including the amount you save and the period over which you do so.

2. You should consider your expected retirement date, individual retirement needs (i.e., how much money you expect to need), other expected income after retirement, inflation, other assets, and risk tolerance when choosing a target date fund.

3. Target date funds are not a complete retirement program and there is no guarantee that any of the funds will provide sufficient retirement income, and you may lose money before or after retirement.

4. Target date funds differ substantially in terms of portfolio holdings, strategy and risk even if they have the same year in their name. The "glide path" presentation below shows you the fund's allocation over different points in time. This may give you some indication of the risks of investing in a particular target date fund.

5. Your risk tolerance may change over time. It is important that you reevaluate your investment in a target date fund periodically.

6. If you need help making an investment decision, you should consult a financial advisor.

We do not believe that the Commission should require a target date fund to disclose an income replacement objective or predict whether it will produce a certain outcome if the participant saves a certain amount. In addition, we do not believe that the Commission should require target date funds to discuss how outcome oriented behavior is utilized by the target date fund in formulating glide paths. We are concerned that requiring such information is confusing and may lead to a greater possibility of advertising that misleads investors into thinking that if they allocate a certain percentage of their salary into a target date fund, the fund will be an appropriate investment for them or implicitly meet their retirement goals.

Additional Disclosures Should be Required for Plan Participants

The vast majority of investors in target date funds are not choosing among fund families. The majority of target date shareholders invest through qualified plans, where the plan sponsor is acting as fiduciary for the plan participants. For such investors, the target date suite is chosen by the plan sponsor. Unlike an individual considering which fund family's target date funds would be most appropriate for his or her individual circumstances, the plan sponsor should consider the characteristics of all the participants in the plan when selecting a target date fund family. The individual participant's decision is limited to (1) whether to invest in a target date fund offered by the plan at all or (2) determining if another target date fund within the selected fund family is more appropriate than the default option.

The proposed disclosures appear to be better designed to help investors choose between different target date fund families rather than helping investors choose a target date fund within a fund family. For example, should an investor, who wants to retire in 2030, select the ABC Family 2030 Fund, the DEF Family 2030 Fund or the XYZ Family 2030 Fund, recognizing that each of those fund families may manage their 2030 funds (and their entire target date fund suite) very differently in terms of portfolio structure, risk variability and landing date. We believe that any disclosure requirements should recognize the two questions the participant should be asking: (1) do I want a target date fund at all; and (2) is the default target date fund the right target date option for me? While we believe that the narrative disclosures and glide path presentations outlined elsewhere in this letter will help answer these questions, we also recommend that the Commission adopt the following disclosure for target date funds within a plan:

> "The target date fund that corresponds to your projected retirement year may not include the most appropriate allocation for you based on your personal situation and risk tolerance. You should compare the target date funds offered to determine if another alternative is better for you."

Alternatively, the Commission may want to consider incorporating this disclosure into the standard disclosures outlined above.

The "More than Insubstantial Focus" Standard is Vague and Overly Broad

The Release would require funds to comply with the proposed amendments if the advertisement or supplemental sales literature "places a more than insubstantial focus on one or more target date funds." We believe this standard is vague and covers a broad range of materials that are not designed to promote target date funds and that are not used by investors in the decision making process. As a starting point, it is not clear what is meant by "more than insubstantial." We believe this standard could be construed as covering pieces that have only a coincidental reference to a target date fund or its glide path. For example, JPMorgan Retirement Plan Services publishes educational pieces about target date funds that may include a reference to one or more JPMorgan SmartRetirement Funds or their glide path. The primary audience of these pieces are plan sponsors and fiduciaries rather than individual investors. The primary purpose of these pieces is educational rather than promotional. We are concerned that the "more than insubstantial" standard would cover broad educational pieces that include only illustrative references to a target date fund.

Given these concerns, we believe that the Commission should refine the standard so that it covers only marketing or advertising materials that have a ***substantial*** focus on a target date fund or family of target date funds and that are primarily intended to promote the target date fund or help an investor choose among target date funds within a fund family. We also believe that it would be helpful for the Commission to provide examples of materials that would be included and excluded from the scope of the amended rule. For example, we believe that the amended rule should apply to fund fact sheets that are posted on a fund's website, quarterly commentaries that discuss a target date fund's performance, and marketing materials that are prepared to help an investor pick the target date year that is appropriate for them. We believe that the amended rule should not apply to account statements or educational materials where the reference to a glide path or specific target date fund is illustrative.

We also believe the amended rule should provide that a fund is not responsible for materials prepared by a third party based on information provided by the fund. For example, a target date fund may be requested to provide materials to a third party, such as a plan sponsor who, in turn, incorporates such materials into plan documents and other materials which discuss all of the plan's investment options. Once the fund provides the information, it does not have control over how it is used. We are concerned that a fund may be found to have violated the amended rule if a third party does not provide the required disclosures.

The Final Allocation Requirements do not Provide Helpful Information about a Target Date Fund's Investment Strategy or Risk Profile

In the Release, the Commission indicates that a "fund's intended asset allocation at the target date (or, for periods on and after the target date, a fund's actual asset allocation as of the most recent calendar quarter) would, in essence serve to alert investors to the existence of investment risk associated with the fund at and after the target date." We strongly disagree with this proposition for several reasons.

Showing the fund's asset allocation at the target date, even with prominent disclosure, does not provide investors with an understanding of the role of the glide path or the way in which a fund's asset composition and risk profile change over time. For example, for a shareholder who invests in a 2040 target date fund, showing the target date allocation does not provide any information about the risks that the investor may face in earlier years. Shareholders may be confused that the allocation represents the current fund allocation, rather than the target date allocation, even if there were substantial disclosures to the contrary. Even as an investor reaches and passes the target date, the Final Allocation Requirements do not provide relevant information about the fund's investment strategy and risks. Showing the allocation as of the most recent calendar quarter will not indicate the extent to which an asset allocation may continue to change in the future or identify whether a fund is a "to" fund (a fund that intends to reach its most conservative allocation during the target year) or a "through" fund (a fund that has a longer glide path and intends to reach its most conservative allocation a period of years after the target year).

In addition, we do not believe that showing a fund's equity allocation or fixed income allocation at a given point of time is a comprehensive proxy for risk. Certain types of fixed income investments, such as high yield securities or emerging markets debt securities, may be riskier than U.S. equities. Consequently, a target date fund with a higher allocation to these types of fixed income investments may be riskier than a target date fund that has a higher allocation to equity securities. In addition, two fund families may have the same percentage allocated to equity securities at the target date, but have dramatically different risk profiles. Equity securities may include international and emerging equities, long/short strategies, and REITs and consequently, present very different risk profiles than U.S. large cap or mid cap equities.

We do not believe that this issue can be simply resolved by mandating specific asset allocation categories or a subset of asset categories. Given the wide variety of asset classes and asset allocation/risk management techniques currently used by target date funds, as well as emerging asset classes such as commodities, we do not believe there is a uniform standard that can be incorporated into the Final Allocation Requirements.

For all of the foregoing reasons, we do not believe that the proposed Final Allocation Requirements will promote an understanding of investment risk, help plan participants choose the target date year that's right for their risk tolerance, or assist plan sponsors in choosing among target date fund families.

The Glide Path Provides Helpful Information to Investors

The Release requests comment on whether a proposed table, chart, or graph depicting a glide path is helpful to investors. In contrast to the Final Allocation Requirements, we believe this aspect of the proposal has the potential to provide useful information to target date fund investors. To this end, we believe that the Commission should require a single form of presentation in advertisements in order to promote transparency, consistency, and comparability between funds in the same target date fund family as well as different target date fund families. We believe that the presentation of the glide paths both labeled as Example 2 in Section II.A(3) "Asset Allocation Table, Chart, or Graph and Landing Point Allocation" is a much better alternative to fulfill these goals than the presentation of the charts both labeled as Example 1 in that the former presents a more meaningful visual presentation which will help investors understand the evolution of the target date fund's asset allocation and risk profile over time.

Consistent with the goal of uniformity, we recommend that the Commission require that at least four major investment categories be used in the glide path presentations: Equity, Fixed Income, Cash, and Other with the "Other" category being used for "newer" asset classes such as commodities. Although we recommend that the Commission require four main categories, we also recommend that the Commission adopt a flexible approach to permit target date funds to show subcategories of the major asset classes such as high yield, international, and emerging markets. We believe that this flexibility is important so that a fund can appropriately show the types and risk profile of the assets in which it invests. We believe that the glide path should be accompanied by an introductory paragraph that includes the following disclosure: (1) a definition of the term "glide path"; (2) whether the fund intends to meet its most conservative allocation during the target year or at some later point; (3) whether the advisor to the target date funds may change the asset allocations, the ranges it may invest in each asset class, and the glide path without shareholder approval; (4) whether additional asset classes may be added in the future; and (5) where the investor can obtain updated information concerning a fund's glide path (e.g., the fund's website). In addition, we recommend that the Commission require a target date fund to post its glide path on its web site on a quarterly basis and include a glide path presentation in its statutory prospectus. This will allow investors to receive updated information concerning changes that may be made by the advisor to a fund's allocation or glide path to address market conditions or incorporate new asset classes.

In the Release, the Commission indicates that ranges should be reflected in the glide path presentation. We strongly disagree and are concerned that disclosing ranges in a pictorial presentation will confuse investors and obscure understanding of the glide path. Rather than attempting to display ranges, we propose that the funds be permitted to include narrative disclosure adjacent to the glide path that indicates whether the fund may utilize ranges in its asset allocation.

J.P. Morgan Asset Management appreciates the opportunity to comment on the Commission's proposed regulations. We would be pleased to provide any further information or respond to any questions that the Commission or the Staff may have.

Very truly yours,

George C.W. Gatch

cc: The Honorable Mary L. Schapiro, Chairman
The Honorable Kathleen L. Casey, Commissioner
The Honorable Elisse B. Walter, Commissioner
The Honorable Luis A. Aguilar, Commissioner
The Honorable Troy A. Paredes, Commissioner

Andrew J. Donohue, Director, Division of Investment Management
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