MEMORANDUM

January 9, 2014

TO: File No. S7-12-10

FROM: J. Matthew DeLesDernier
Division of Investment Management

RE: Investment Company Advertising: Target Date Retirement Fund Names and Marketing – Release No. IC-29301

On December 12, 2013, Diane Blizzard, Associate Director, Susan Nash, Associate Director, C. Hunter Jones, Assistant Director, Michael Pawluk, Branch Chief, J. Matthew DeLesDernier, Senior Counsel, and Aidan O'Connor, Senior Counsel, of the Division of Investment Management and Christof Stahel, Assistant Director, and Jeremy Ko, Senior Economist, of the Division of Economic and Risk Analysis met with Dorothy Donohue, David Abbey, Anna Driggs, and Brian Reid of the Investment Company Institute.

The purpose of the meeting was to discuss the recommendation of the Investor Advisory Committee concerning target date funds. Materials provided by the participants are attached to this memorandum.

Attachments

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202/326-5800 www.ici.org

TARGET DATE FUND RISK DISCLOSURE

Investor Advisory Committee Recommendation

The SEC's Investor Advisory Committee has recommended that the Commission should: (i) develop a glide path illustration for target date funds that is based on a standardized risk measure; (ii) adopt a standard methodology to be used in the risk based glide path illustration; and (iii) require target date fund prospectuses to clearly explain the policies and assumptions used to design and manage the target date funds to attain the target risk level over the life of the fund. These recommendations seemed to be based on the concern that there was a wide variation among returns of near-date target date funds during the financial crisis that was not explained by an asset allocation glide path. Therefore, it is asserted that investors need a risk-based glide path illustration to assess the fund's risk that should be based on a standardized measure of risk to promote comparability.

Investment Company Institute Response

The glide path illustration proposed by the Commission in 2010, which would depict the percentage allocations of the target date fund among types of investments (*e.g.,* equity securities, fixed income securities and cash and cash equivalents) over the entire life of the fund, at identified periods not longer than five years and the fund's target date and landing point would explain a large portion of the variation in returns for target date funds. For example, the one-year return in 2008 for target date funds with a target of 2010 varied widely, from -41.5 percent to -3.6 percent. However, the great majority of that variation is explained simply by the proportion of funds' assets in either stocks or bonds. Funds with a much higher proportion of bonds had better performance while funds with a higher proportion of stocks had weaker performance. Thus, a fund's glide path would generally be sufficient to give investors the ability to discern likely variation in returns across funds with the same target date.

If the Commission were to mandate a risk measure and specify how to calculate this measure, it would unduly elevate its importance. Such a requirement would be akin to requiring bonds to have credit ratings and the Commission specifying the metrics for these ratings. Such a requirement would be a sharp departure for the Commission, which in the past has provided investors with quantifiable information but has not told investors how to interpret the information and has never suggested that the information provided is predictive. The current requirement that funds include in prospectuses and summary prospectuses a bar chart of year-by-year total returns over a ten year period and narrative about risks of the portfolio as a whole provides the right balance of mandatory information. Funds voluntarily can, and some do, provide additional information about risk subject to antifraud rules that protect against materially misleading information.

We therefore urge the Commission not to pursue mandating a single risk measure for target date funds. If the Commission determines to pursue such a requirement, this would necessitate a new proposal or a reproposal of the Commission's 2010 proposal on target date fund marketing material. As we pointed out in our letter on the 2010 proposal, creating such a risk measure is an enormous undertaking with questionable benefit that is significantly beyond the scope of the proposal.

August 8, 2013

INVESTMENT
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INSTITUTE

1401 H Street, NW, Washington, DC 20005-2148, USA
202/326-5800 www.ici.org

Memorandum

TO: Dorothy Donohue, Deputy General Counsel – Securities Regulation

FROM: Anna Driggs, Associate Counsel – Pension Regulation

DATE: November 25, 2013

RE: Follow-up for SEC regarding data on self-directed brokerage accounts

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At ICI's August 8, 2013 meeting on target date funds with the SEC staff, we were asked if we know how many retirement plans offer self-directed brokerage accounts. While the Institute does not have this data directly, we identified three studies that may be of interest to the SEC staff:

1. *Annual 401(k) Benchmarking Survey* by Deloitte Consulting, International Foundation of Employee Benefit Plans, and the International Society of Certified Employee Benefit Specialists (2012), which found that 22 percent of 401(k) plans offer self-directed brokerage windows. Twelve percent of plans offer mutual fund windows. *See* Exhibit 5.16 of the survey report, at page 45: www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/Consulting/us_cons_hc_401ksbecnchmarkingsurvey2012.pdf. Deloitte conducted the 401(k) Survey online in 2012, receiving data from nearly 400 plan sponsors.

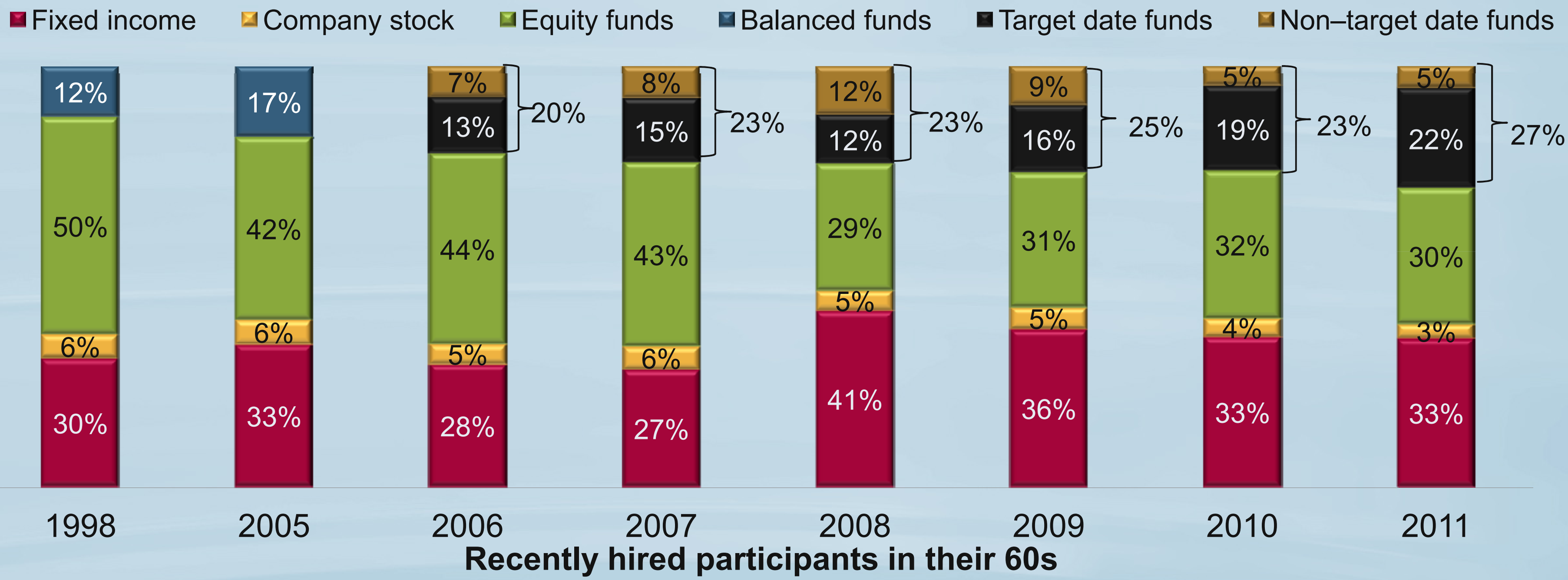
2. *How America Saves 2013*: *A report on Vanguard 2012 defined contribution plan data*, which found that 12 percent of Vanguard's client plans offer a self-directed brokerage window. Vanguard's survey is based on about 2,000 qualified plans that include 401(k) and other types of defined contribution plans. Figure 54 in the Vanguard survey report breaks down the offering of a self-directed brokerage option by plan size (for example, it shows that one-quarter of very large plans –5,000 participants or more – offer the self-directed brokerage window by comparison with 10 percent of plans with fewer than 1,000 participants). *See* Figure 54, at page 49 of the survey report: https://pressroom.vanguard.com/nonindexed/2013.06.03_How_America_Saves_2013.pdf.

3. *PSCA's 56th Annual Survey of Profit Sharing and 401(k) Plans: Reflecting 2012 Plan Experience*, which found that 17.1 percent of plans have self-directed brokerage windows and 5.6 percent have self-directed mutual fund windows (*see* Table 67, page 39 in the report). In addition, the report indicates that 1.1 percent of total plan assets ($769 billion) among survey respondents was invested through self-directed brokerage windows and 0.2 percent was invested through self-directed mutual fund windows (*see* Table 73, page 44).

The Plan Sponsor Council of America (PSCA) surveys their members annually. The 2012 plan experience results are based on the experience of 686 plans with 10.3 million participants and $769 billion in plan assets. More information on the survey report is available at www.psca.org/56th-annual-survey-report. Questions regarding the survey may be directed to Robert A. Benish, Interim President and Executive Director at bob.benish@psca.org or 312-419-1863 x1602.

Recently Hired Participants in Their Sixties Hold More Target Date and Balanced Funds

401(k) plan average asset allocation among 401(k) participants with two or fewer years of tenure, percent of total



*Fixed-income investments include bond funds, guaranteed investment contracts (GICs) and other stable value funds, and money funds.
Note: "Funds" include mutual funds, bank collective trusts, life insurance separate accounts, and any pooled investment product primarily invested in the security indicated. Percentages are dollar-weighted averages. Minor investment options are not shown; therefore, percentages do not add to 100 percent.
Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project; see Holden, VanDerhei, Alonso, and Bass, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2011," *ICI Research Perspective* (December 2012)

Figure 1

Target Date[1] Funds, Portfolio Asset Allocation[2], 2008

Percent of Fund Assets	N	Mean	Std Dev	Minimum	25th Pctl	Median	75th Pctl	Maximum
Target Date 2010 Funds								
Total One Year Return	24	-22.8	8.1	-41.5	-27.2	-24.3	-17.4	-3.6
US Stocks	24	33.8	9.4	17.9	25.3	35.2	41.6	49.8
Non-US Stocks	24	11.4	4.7	0.2	10.4	12.0	13.4	23.7
Bonds	24	44.5	12.3	30.3	33.5	42.8	51.5	80.9
Other	24	2.0	3.1	0.0	0.4	1.0	1.7	13.0
Target Date 2020 Funds								
Total One Year Return	24	-30.8	5.0	-43.6	-33.6	-31.3	-27.0	-21.2
US Stocks	24	47.6	7.0	34.8	40.5	48.8	52.5	62.3
Non-US Stocks	24	17.4	3.7	11.5	14.4	16.7	19.7	28.0
Bonds	24	27.3	6.4	12.0	24.6	27.6	32.6	39.4
Other	24	1.9	3.3	0.1	0.4	0.8	1.3	14.4
Target Date 2030 Funds								
Total One Year Return	24	-35.7	3.8	-44.5	-38.4	-36.3	-32.7	-29.0
US Stocks	24	57.6	6.2	47.3	52.7	56.4	62.5	68.3
Non-US Stocks	24	21.6	4.6	15.4	17.9	21.1	24.4	31.1
Bonds	24	14.7	5.4	4.9	10.7	15.0	18.9	25.6
Other	24	1.6	3.2	0.0	0.3	0.6	1.0	14.6
Target Date 2040 Funds								
Total One Year Return	21	-37.3	2.8	-41.4	-39.7	-37.9	-35.6	-31.2
US Stocks	21	61.1	6.5	48.6	57.8	59.4	65.6	73.9
Non-US Stocks	21	23.6	5.1	15.0	19.5	23.5	27.2	31.6
Bonds	21	9.0	4.5	0.0	6.7	8.8	11.7	20.7
Other	21	1.7	3.4	0.1	0.3	0.5	0.9	14.6

[1]Target date is based on target date stated in fund name.

[2]Data is at the fund level.

Source: Morningstar; ICI tabulations

Figure 2

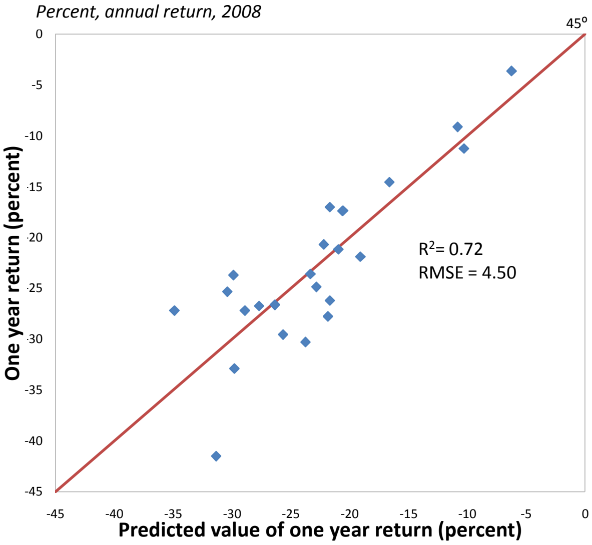
Target Date Funds, One Year Return Regression Results[1], 2008

Target Date[2]	N	R-Square	Root MSE	Parameter Estimates			
				Independent Variable	**Regression Coefficient**	**Standard Error**	**t Value**
2010	24	0.72	4.50	Intercept	-39.64	11.25	-3.52
				Stocks	-0.05	0.13	-0.36
				Bonds	0.45	0.13	3.44
2020	24	0.62	3.19	Intercept	-60.11	16.02	-3.75
				Stocks	0.18	0.17	1.05
				Bonds	0.70	0.19	3.61
2030	24	0.53	2.75	Intercept	-67.89	22.44	-3.02
				Stocks	0.28	0.23	1.19
				Bonds	0.82	0.29	2.83
2040	21	0.17	2.64	Intercept	-49.54	24.77	-2
				Stocks	0.11	0.26	0.42
				Bonds	0.42	0.34	1.23

[1]The current year's total one year return is regressed on the previous year's percent of assets held in stocks and bonds.
[2]Target date is based on target date stated in fund name.
Note: Data is at the fund level.
Source: Morningstar; ICI tabulations

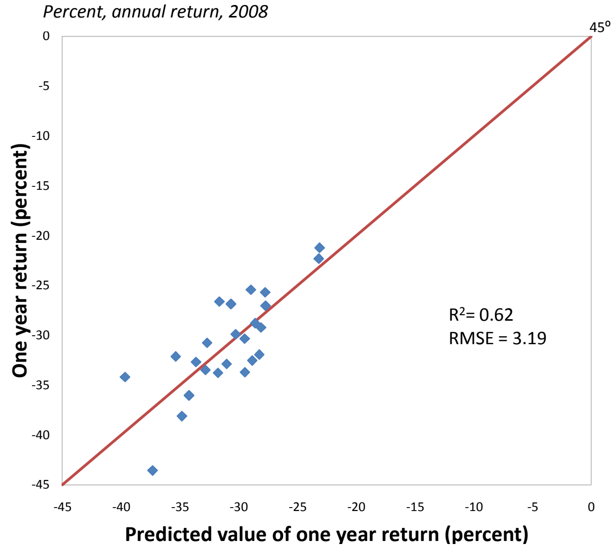
Figure 3
Percent, annual return, 2008

2010 target date funds[1]
Percent, annual return, 2008



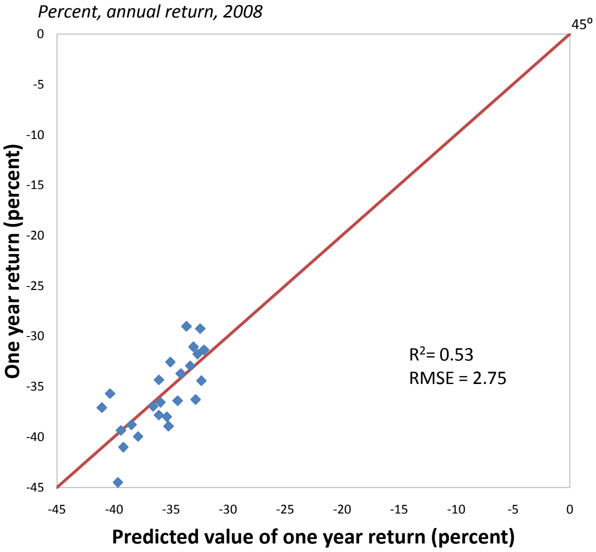
[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2008 one year returns for only 2010 target date funds on the percent of assets held in stocks and bonds in 2007.
Source: Morningstar; ICI tabulations

2020 target date funds[1]
Percent, annual return, 2008



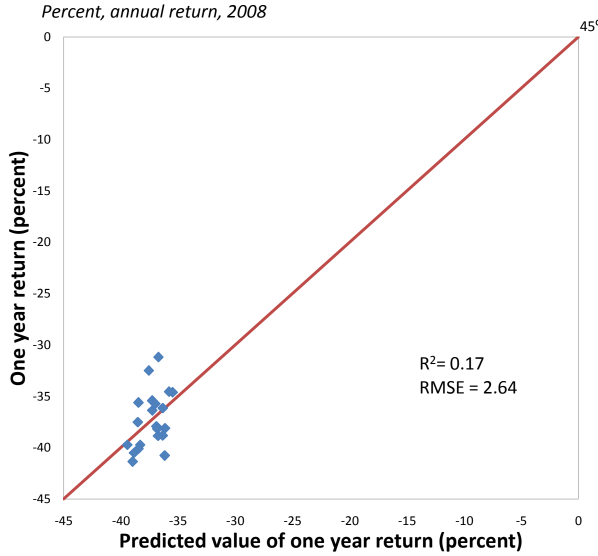
[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2008 one year returns for only 2020 target date funds on the percent of assets held in stocks and bonds in 2007.
Source: Morningstar; ICI tabulations

2030 target date funds[1]
Percent, annual return, 2008



[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2008 one year returns for only 2030 target date funds on the percent of assets held in stocks and bonds in 2007.
Source: Morningstar; ICI tabulations

2040 target date funds[1]
Percent, annual return, 2008



[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2008 one year returns for only 2040 target date funds on the percent of assets held in stocks and bonds in 2007.
Source: Morningstar; ICI tabulations

Figure 4

Target Date Funds, One Year Return Regression Results[1], 2008

Target Date[2]	N	R-Square	Root MSE	Independent Variable	Regression Coefficient	Standard Error	t Value
				Parameter Estimates			
2010	24	0.73	4.70	Intercept	-44.33	15.08	-2.94
				US Stocks	0.02	0.19	0.09
				Non-US Stocks	-0.05	0.20	-0.26
				Bonds	0.51	0.17	2.9
				Other	0.19	0.41	0.46
2020	24	0.62	3.36	Intercept	-61.41	21.92	-2.8
				US Stocks	0.20	0.24	0.83
				Non-US Stocks	0.18	0.25	0.72
				Bonds	0.72	0.26	2.77
				Other	0.03	0.40	0.08
2030	24	0.58	2.72	Intercept	-43.72	27.11	-1.61
				US Stocks	0.02	0.29	0.08
				Non-US Stocks	0.05	0.28	0.18
				Bonds	0.56	0.33	1.68
				Other	-0.75	0.48	-1.56
2040	21	0.52	2.14	Intercept	4.01	26.77	0.15
				US Stocks	-0.48	0.28	-1.73
				Non-US Stocks	-0.35	0.29	-1.24
				Bonds	0.02	0.31	0.06
				Other	-1.84	0.58	-3.2

[1]The current year's total one year return is regressed on the previous year's percent of assets held in US stocks, non-US stocks, bonds, and other investments.

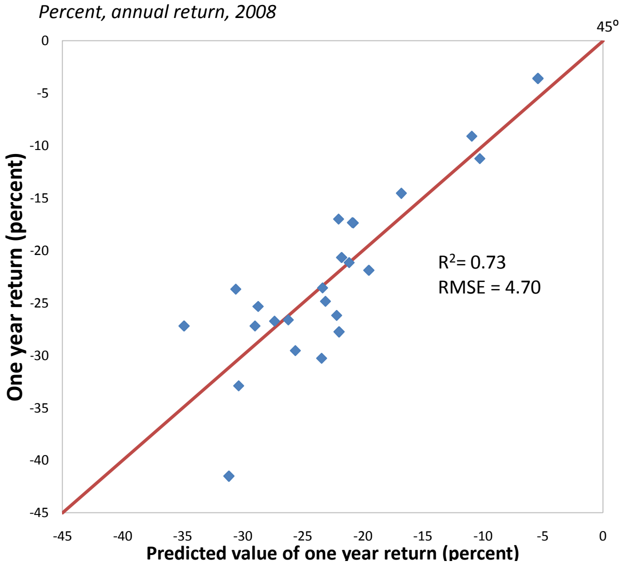
[2]Target date is based on target date stated in fund name.

Note: Data is at the fund level.

Source: Morningstar; ICI tabulations

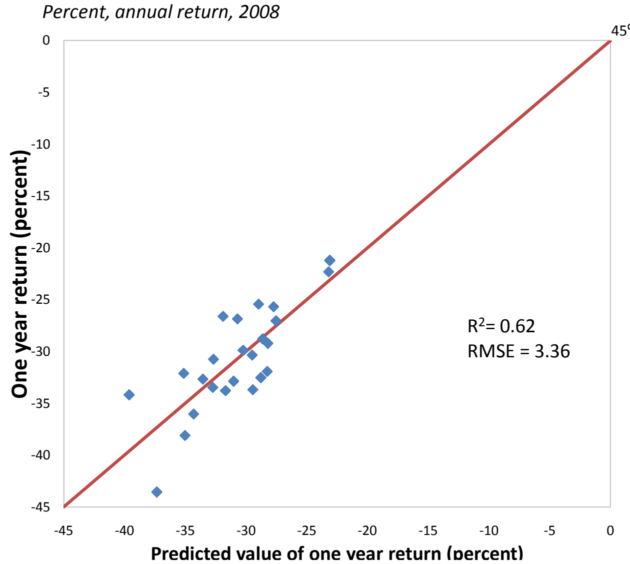
Figure 5
Percent, annual return, 2008

2010 target date funds[1]
Percent, annual return, 2008



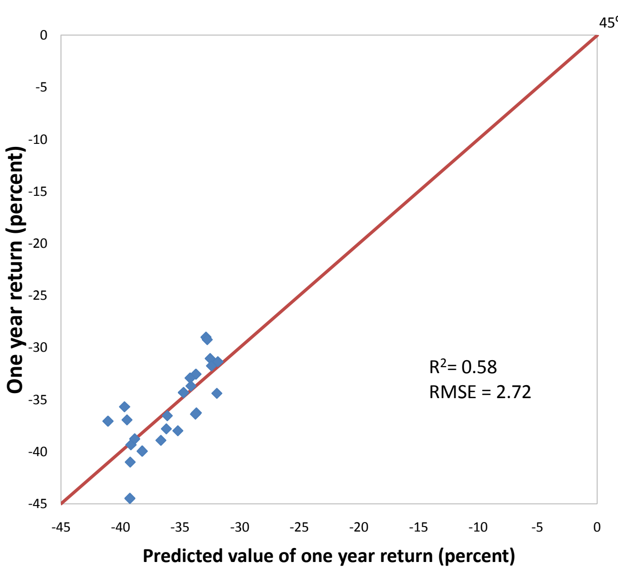
[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2008 one year returns for only 2010 target date funds on the percent of assets held in US stocks, non-US stocks, bonds, and other investments in 2007.
Source: Morningstar; ICI tabulations

2020 target date funds[1]
Percent, annual return, 2008



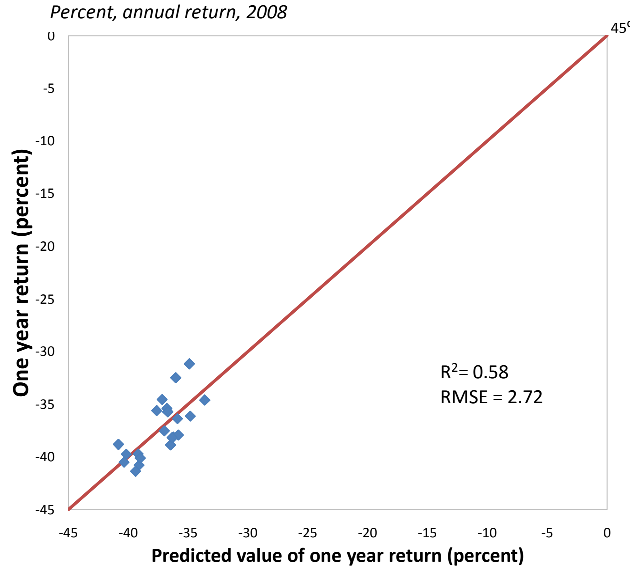
[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2008 one year returns for only 2020 target date funds on the percent of assets held in US stocks, non-US stocks, bonds, and other investments in 2007.
Source: Morningstar; ICI tabulations

2030 target date funds[1]



[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2008 one year returns for only 2030 target date funds on the percent of assets held in US stocks, non-US stocks, bonds, and other investments in 2007.
Source: Morningstar; ICI tabulations

2040 target date funds[1]
Percent, annual return, 2008



[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2008 one year returns for only 2040 target date funds on the percent of assets held in US stocks, non-US stocks, bonds, and other investments in 2007.
Source: Morningstar; ICI tabulations

Figure 6

Target Date[1] Funds, Portfolio Asset Allocation[2], 2012

Percent of Fund Assets	N	Mean	Std Dev	Minimum	25th Pctl	Median	75th Pctl	Maximum
Target Date 2010 Funds								
Total One Year Return	24	10.1	1.9	4.9	9.6	10.3	11.5	12.8
US Stocks	24	26.4	7.6	6.1	22.0	28.7	31.6	35.3
Non-US Stocks	24	12.4	4.1	1.5	10.9	12.3	13.9	21.7
Bonds	24	50.8	13.0	37.1	41.9	45.3	53.5	88.9
Other	24	1.7	1.9	0.0	0.4	0.9	3.4	6.3
Target Date 2020 Funds								
Total One Year Return	35	12.0	1.6	8.4	11.2	12.1	13.1	15.0
US Stocks	35	33.0	10.8	3.3	26.7	33.3	42.7	46.8
Non-US Stocks	35	17.6	5.2	4.3	15.2	17.0	20.7	29.2
Bonds	35	40.5	14.3	24.5	30.4	37.0	44.9	83.0
Other	35	3.3	5.1	0.0	0.6	1.6	4.2	28.6
Target Date 2030 Funds								
Total One Year Return	35	14.0	1.5	11.4	13.1	13.8	14.8	17.2
US Stocks	35	43.1	12.7	5.6	40.1	43.5	53.3	56.6
Non-US Stocks	35	23.5	5.8	9.3	20.2	23.7	26.6	37.7
Bonds	35	25.5	13.9	10.0	17.5	24.5	27.4	73.7
Other	35	3.4	6.4	0.0	0.5	1.3	3.4	37.7
Target Date 2040 Funds								
Total One Year Return	35	15.1	1.3	12.9	14.2	15.0	15.9	18.3
US Stocks	35	50.2	13.6	6.5	47.2	53.6	59.9	66.7
Non-US Stocks	35	27.6	6.7	13.3	23.5	27.6	30.7	50.6
Bonds	35	14.9	12.4	5.0	8.4	11.6	16.0	71.4
Other	35	3.1	7.5	0.0	0.4	1.2	2.8	44.8

[1]Target date is based on target date stated in fund name.

[2]Data is at the fund level.

Source: Morningstar; ICI tabulations

Figure 7

Target Date Funds, One Year Return Regression Results[1], 2012

Target Date[2]	N	R-Square	Root MSE	Parameter Estimates			
				Independent Variable	**Regression Coefficient**	**Standard Error**	**t Value**
2010	24	0.68	1.14	Intercept	10.41	3.34	3.12
				Stocks	0.08	0.04	2.08
				Bonds	-0.07	0.04	-1.88
2020	35	0.52	1.14	Intercept	11.33	1.91	5.95
				Stocks	0.05	0.02	2.44
				Bonds	-0.06	0.03	-2.25
2030	35	0.34	1.21	Intercept	11.89	2.38	4.99
				Stocks	0.04	0.02	1.71
				Bonds	-0.04	0.04	-1
2040	35	0.16	1.23	Intercept	12.44	2.97	4.2
				Stocks	0.04	0.03	1.17
				Bonds	-0.01	0.05	-0.21

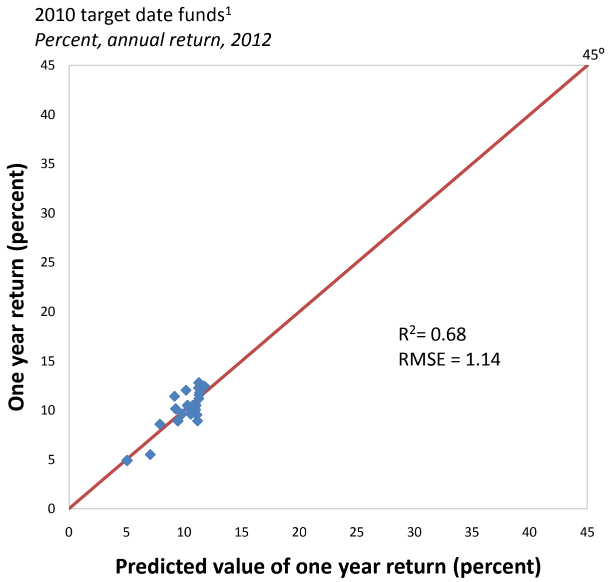
[1]The current year's total one year return is regressed on the previous year's percent of assets held in stocks and bonds.

[2]Target date is based on target date stated in fund name.

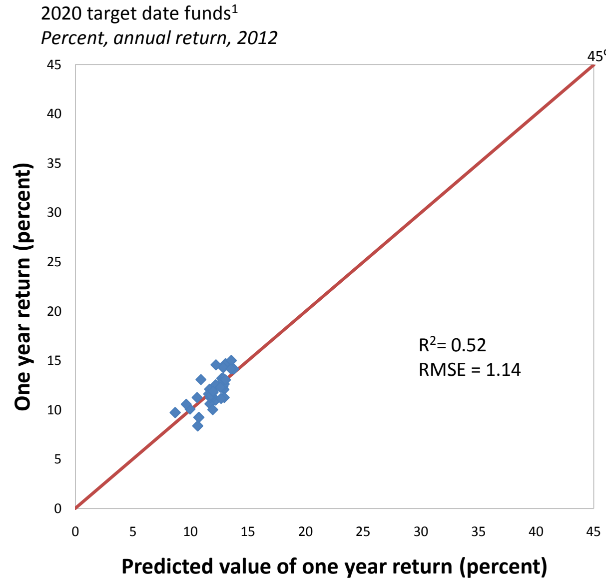
Note: Data is at the fund level.

Source: Morningstar; ICI tabulations

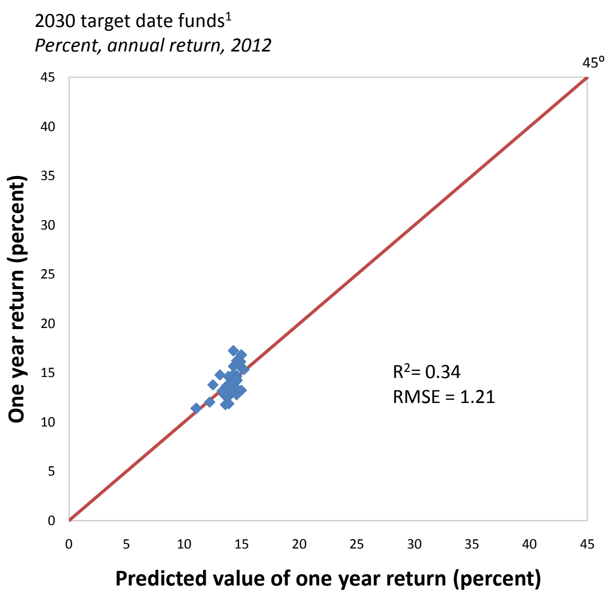
Figure 8
Percent, annual return, 2012



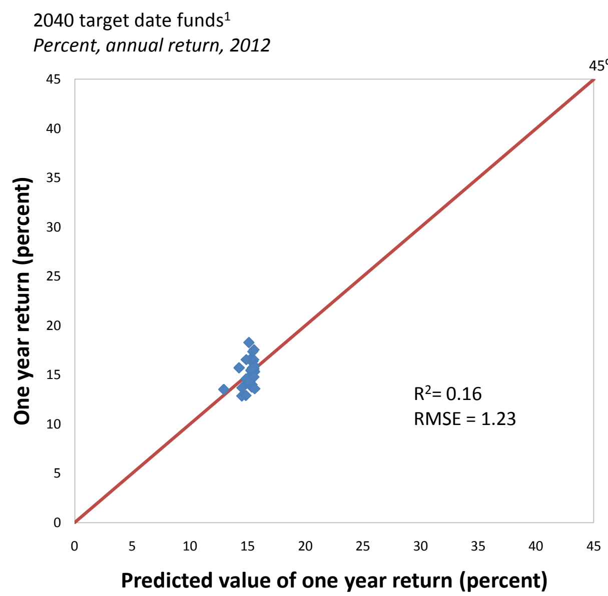
[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2012 one year returns for only 2010 target date funds on the percent of assets held in stocks and bonds in 2011.
Source: Morningstar; ICI tabulations



[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2012 one year returns for only 2020 target date funds on the percent of assets held in stocks and bonds in 2011.
Source: Morningstar; ICI tabulations



[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2012 one year returns for only 2030 target date funds on the percent of assets held in stocks and bonds in 2011.
Source: Morningstar; ICI tabulations



[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2012 one year returns for only 2040 target date funds on the percent of assets held in stocks and bonds in 2011.
Source: Morningstar; ICI tabulations

Figure 9

Target Date Funds, One Year Return Regression Results[1], 2012

				Parameter Estimates			
Target Date[2]	**N**	**R-Square**	**Root MSE**	**Independent Variable**	**Regression Coefficient**	**Standard Error**	**t Value**
2010	24	0.71	1.13	Intercept	12.00	4.25	2.82
				US Stocks	0.07	0.04	1.63
				Non-US Stocks	0.09	0.15	0.58
				Bonds	-0.09	0.05	-1.94
				Other	-0.13	0.08	-1.5
2020	35	0.52	1.17	Intercept	11.73	3.99	2.94
				US Stocks	0.04	0.04	0.99
				Non-US Stocks	0.07	0.06	1.13
				Bonds	-0.06	0.05	-1.33
				Other	-0.01	0.04	-0.18
2030	35	0.37	1.23	Intercept	16.86	5.16	3.27
				US Stocks	-0.01	0.05	-0.15
				Non-US Stocks	-0.01	0.07	-0.11
				Bonds	-0.10	0.07	-1.47
				Other	-0.06	0.06	-1.11
2040	35	0.16	1.27	Intercept	14.06	4.70	2.99
				US Stocks	0.02	0.05	0.43
				Non-US Stocks	0.01	0.06	0.18
				Bonds	-0.02	0.06	-0.37
				Other	-0.02	0.05	-0.43

[1]The current year's total one year return is regressed on the previous year's percent of assets held in US stocks, non-US stocks, bonds, and other investments.

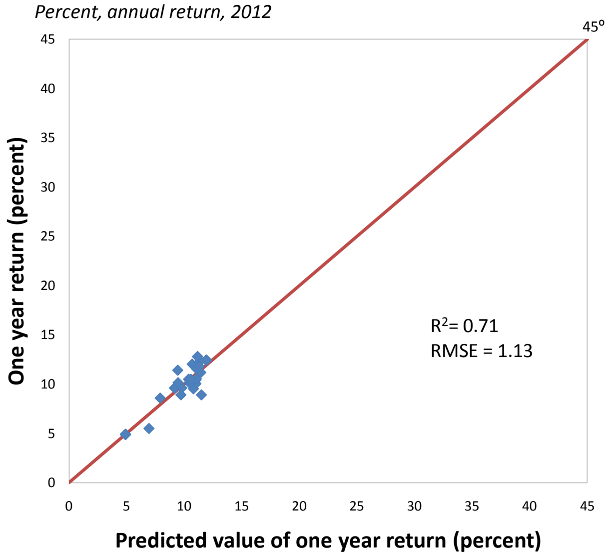
[2]Target date is based on target date stated in fund name.

Note: Data is at the fund level.

Source: Morningstar; ICI tabulations

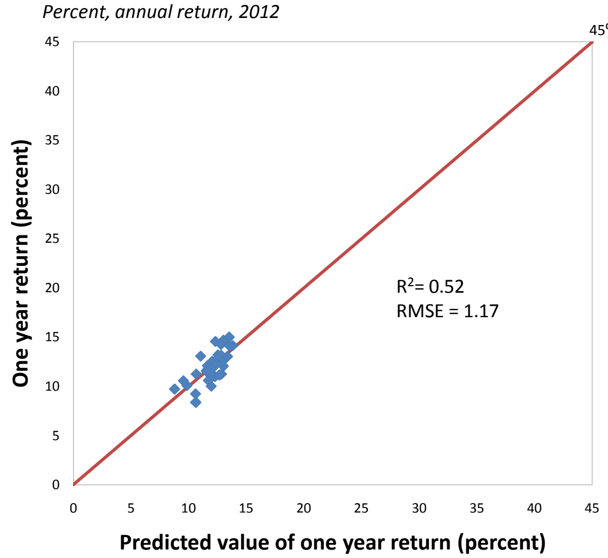
Figure 10
Percent, annual return, 2012

2010 target date funds[1]
Percent, annual return, 2012



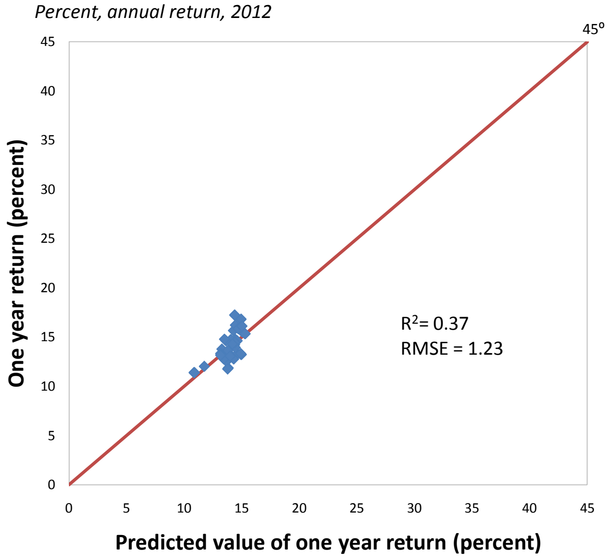
[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2012 one year returns for only 2010 target date funds on the percent of assets held in US stocks, non-US stocks, bonds, and other investments in 2011.
Source: Morningstar; ICI tabulations

2020 target date funds[1]
Percent, annual return, 2012



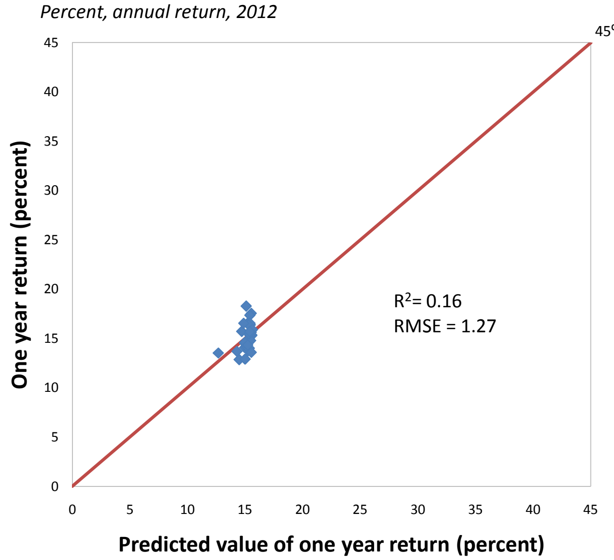
[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2012 one year returns for only 2020 target date funds on the percent of assets held in US stocks, non-US stocks, bonds, and other investments in 2011.
Source: Morningstar; ICI tabulations

2030 target date funds[1]
Percent, annual return, 2012



[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2012 one year returns for only 2030 target date funds on the percent of assets held in US stocks, non-US stocks, bonds, and other investments in 2011.
Source: Morningstar; ICI tabulations

2040 target date funds[1]
Percent, annual return, 2012



[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2012 one year returns for only 2040 target date funds on the percent of assets held in US stocks, non-US stocks, bonds, and other investments in 2011.
Source: Morningstar; ICI tabulations

Figure 1

Target Date[1] Funds, Portfolio Asset Allocation[2], 2008

Percent of Fund Assets	N	Mean	Std Dev	Minimum	25th Pctl	Median	75th Pctl	Maximum
Target Date 2010 Funds								
Total One Year Return	24	-22.8	8.1	-41.5	-27.2	-24.3	-17.4	-3.6
US Stocks	24	33.8	9.4	17.9	25.3	35.2	41.6	49.8
Non-US Stocks	24	11.4	4.7	0.2	10.4	12.0	13.4	23.7
Bonds	24	44.5	12.3	30.3	33.5	42.8	51.5	80.9
Other	24	2.0	3.1	0.0	0.4	1.0	1.7	13.0
Target Date 2020 Funds								
Total One Year Return	24	-30.8	5.0	-43.6	-33.6	-31.3	-27.0	-21.2
US Stocks	24	47.6	7.0	34.8	40.5	48.8	52.5	62.3
Non-US Stocks	24	17.4	3.7	11.5	14.4	16.7	19.7	28.0
Bonds	24	27.3	6.4	12.0	24.6	27.6	32.6	39.4
Other	24	1.9	3.3	0.1	0.4	0.8	1.3	14.4
Target Date 2030 Funds								
Total One Year Return	24	-35.7	3.8	-44.5	-38.4	-36.3	-32.7	-29.0
US Stocks	24	57.6	6.2	47.3	52.7	56.4	62.5	68.3
Non-US Stocks	24	21.6	4.6	15.4	17.9	21.1	24.4	31.1
Bonds	24	14.7	5.4	4.9	10.7	15.0	18.9	25.6
Other	24	1.6	3.2	0.0	0.3	0.6	1.0	14.6
Target Date 2040 Funds								
Total One Year Return	21	-37.3	2.8	-41.4	-39.7	-37.9	-35.6	-31.2
US Stocks	21	61.1	6.5	48.6	57.8	59.4	65.6	73.9
Non-US Stocks	21	23.6	5.1	15.0	19.5	23.5	27.2	31.6
Bonds	21	9.0	4.5	0.0	6.7	8.8	11.7	20.7
Other	21	1.7	3.4	0.1	0.3	0.5	0.9	14.6

[1]Target date is based on target date stated in fund name.

[2]Data is at the fund level.

Source: Morningstar; ICI tabulations

Figure 2

Target Date Funds, One Year Return Regression Results[1], 2008

				Parameter Estimates			
Target Date[2]	**N**	**R-Square**	**Root MSE**	**Independent Variable**	**Regression Coefficient**	**Standard Error**	**t Value**
2010	24	0.72	4.50	Intercept	-39.64	11.25	-3.52
				Stocks	-0.05	0.13	-0.36
				Bonds	0.45	0.13	3.44
2020	24	0.62	3.19	Intercept	-60.11	16.02	-3.75
				Stocks	0.18	0.17	1.05
				Bonds	0.70	0.19	3.61
2030	24	0.53	2.75	Intercept	-67.89	22.44	-3.02
				Stocks	0.28	0.23	1.19
				Bonds	0.82	0.29	2.83
2040	21	0.17	2.64	Intercept	-49.54	24.77	-2
				Stocks	0.11	0.26	0.42
				Bonds	0.42	0.34	1.23

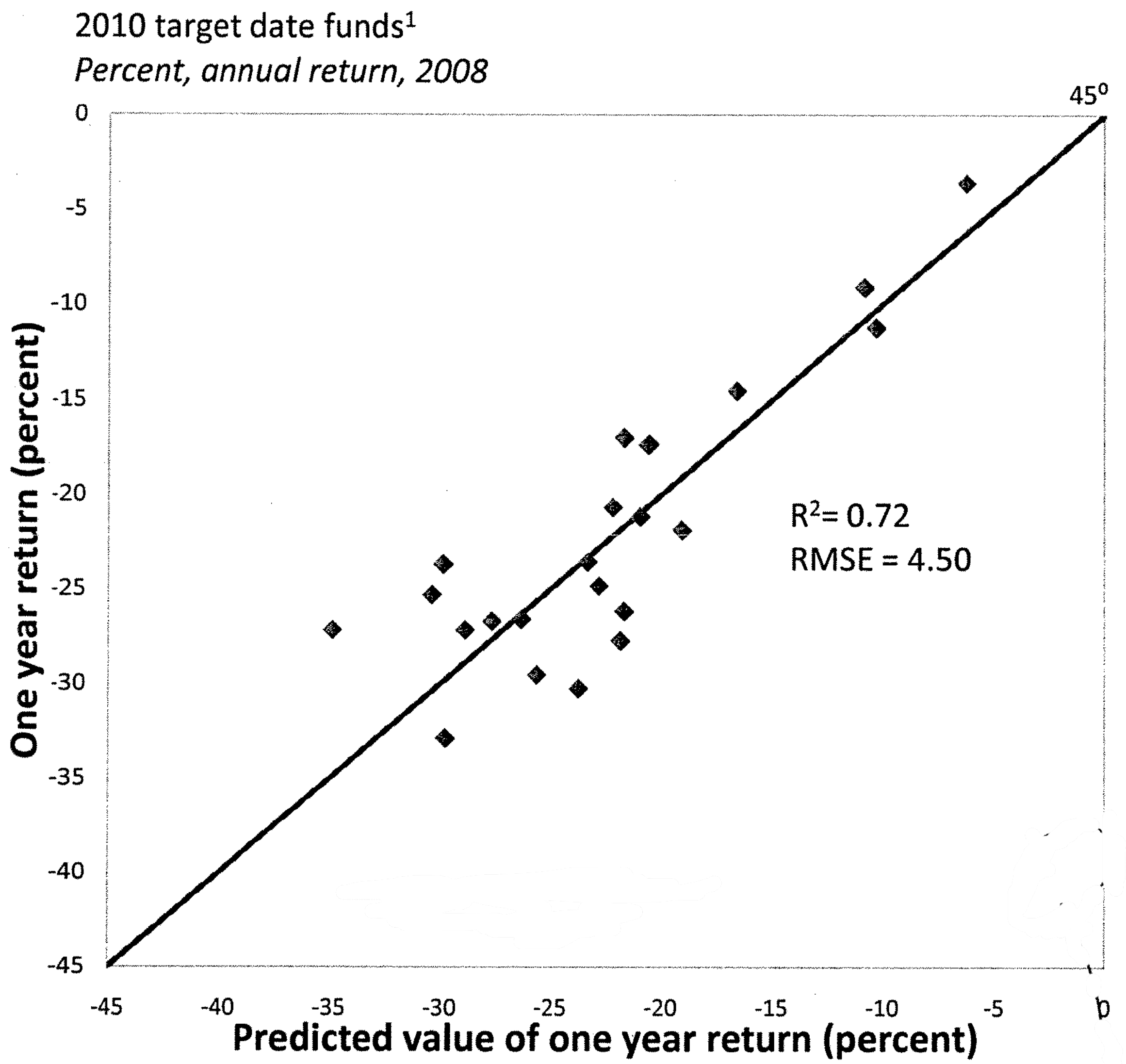
[1]The current year's total one year return is regressed on the previous year's percent of assets held in stocks and bonds.

[2]Target date is based on target date stated in fund name.

Note: Data is at the fund level.

Source: Morningstar; ICI tabulations

Figure 3
Percent, annual return, 2008



[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2008 one year returns for only 2010 target date funds on the percent of assets held in stocks and bonds in 2007.
Source: Morningstar; ICI tabulations

Figure 4

Target Date Funds, One Year Return Regression Results[1], 2008

				Parameter Estimates			
Target Date[2]	**N**	**R-Square**	**Root MSE**	**Independent Variable**	**Regression Coefficient**	**Standard Error**	**t Value**
2010	24	0.73	4.70	Intercept	-44.33	15.08	-2.94
				US Stocks	0.02	0.19	0.09
				Non-US Stocks	-0.05	0.20	-0.26
				Bonds	0.51	0.17	2.9
				Other	0.19	0.41	0.46
2020	24	0.62	3.36	Intercept	-61.41	21.92	-2.8
				US Stocks	0.20	0.24	0.83
				Non-US Stocks	0.18	0.25	0.72
				Bonds	0.72	0.26	2.77
				Other	0.03	0.40	0.08
2030	24	0.58	2.72	Intercept	-43.72	27.11	-1.61
				US Stocks	0.02	0.29	0.08
				Non-US Stocks	0.05	0.28	0.18
				Bonds	0.56	0.33	1.68
				Other	-0.75	0.48	-1.56
2040	21	0.52	2.14	Intercept	4.01	26.77	0.15
				US Stocks	-0.48	0.28	-1.73
				Non-US Stocks	-0.35	0.29	-1.24
				Bonds	0.02	0.31	0.06
				Other	-1.84	0.58	-3.2

[1]The current year's total one year return is regressed on the previous year's percent of assets held in US stocks, non-US stocks, bonds, and other investments.

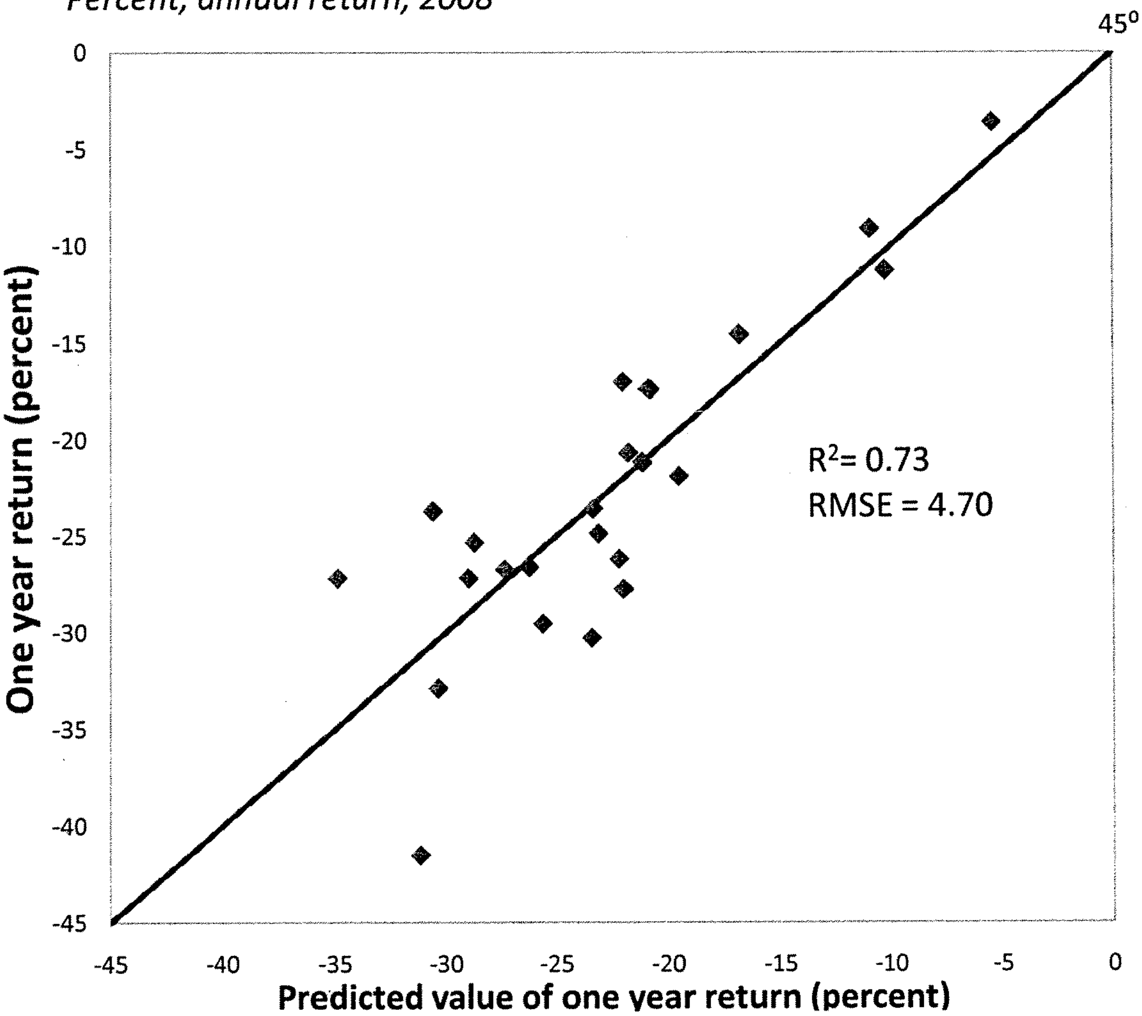
[2]Target date is based on target date stated in fund name.

Note: Data is at the fund level.

Source: Morningstar; ICI tabulations

Figure 5
Percent, annual return, 2008

2010 target date funds[1]
Percent, annual return, 2008



[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2008 one year returns for only 2010 target date funds on the percent of assets held in US stocks, non-US stocks, bonds, and other investments in 2007.
Source: Morningstar; ICI tabulations

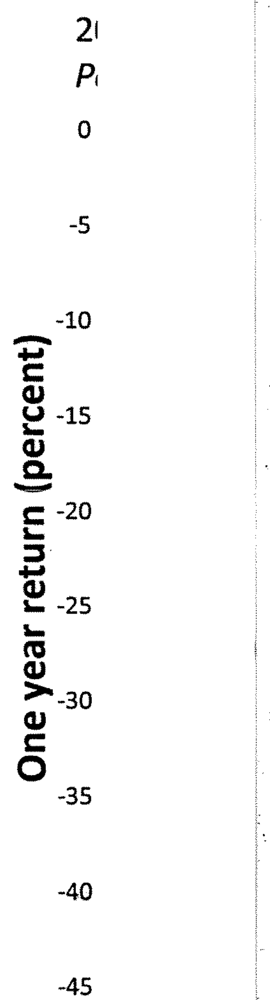


Figure 6

Target Date[1] Funds, Portfolio Asset Allocation[2], 2012

Percent of Fund Assets	N	Mean	Std Dev	Minimum	25th Pctl	Median	75th Pctl	Maximum
Target Date 2010 Funds								
Total One Year Return	24	10.1	1.9	4.9	9.6	10.3	11.5	12.8
US Stocks	24	26.4	7.6	6.1	22.0	28.7	31.6	35.3
Non-US Stocks	24	12.4	4.1	1.5	10.9	12.3	13.9	21.7
Bonds	24	50.8	13.0	37.1	41.9	45.3	53.5	88.9
Other	24	1.7	1.9	0.0	0.4	0.9	3.4	6.3
Target Date 2020 Funds								
Total One Year Return	35	12.0	1.6	8.4	11.2	12.1	13.1	15.0
US Stocks	35	33.0	10.8	3.3	26.7	33.3	42.7	46.8
Non-US Stocks	35	17.6	5.2	4.3	15.2	17.0	20.7	29.2
Bonds	35	40.5	14.3	24.5	30.4	37.0	44.9	83.0
Other	35	3.3	5.1	0.0	0.6	1.6	4.2	28.6
Target Date 2030 Funds								
Total One Year Return	35	14.0	1.5	11.4	13.1	13.8	14.8	17.2
US Stocks	35	43.1	12.7	5.6	40.1	43.5	53.3	56.6
Non-US Stocks	35	23.5	5.8	9.3	20.2	23.7	26.6	37.7
Bonds	35	25.5	13.9	10.0	17.5	24.5	27.4	73.7
Other	35	3.4	6.4	0.0	0.5	1.3	3.4	37.7
Target Date 2040 Funds								
Total One Year Return	35	15.1	1.3	12.9	14.2	15.0	15.9	18.3
US Stocks	35	50.2	13.6	6.5	47.2	53.6	59.9	66.7
Non-US Stocks	35	27.6	6.7	13.3	23.5	27.6	30.7	50.6
Bonds	35	14.9	12.4	5.0	8.4	11.6	16.0	71.4
Other	35	3.1	7.5	0.0	0.4	1.2	2.8	44.8

[1]Target date is based on target date stated in fund name.

[2]Data is at the fund level.

Source: Morningstar; ICI tabulations

Figure 7

Target Date Funds, One Year Return Regression Results[1], 2012

Target Date[2]	N	R-Square	Root MSE	Parameter Estimates			
				Independent Variable	**Regression Coefficient**	**Standard Error**	**t Value**
2010	24	0.68	1.14	Intercept	10.41	3.34	3.12
				Stocks	0.08	0.04	2.08
				Bonds	-0.07	0.04	-1.88
2020	35	0.52	1.14	Intercept	11.33	1.91	5.95
				Stocks	0.05	0.02	2.44
				Bonds	-0.06	0.03	-2.25
2030	35	0.34	1.21	Intercept	11.89	2.38	4.99
				Stocks	0.04	0.02	1.71
				Bonds	-0.04	0.04	-1
2040	35	0.16	1.23	Intercept	12.44	2.97	4.2
				Stocks	0.04	0.03	1.17
				Bonds	-0.01	0.05	-0.21

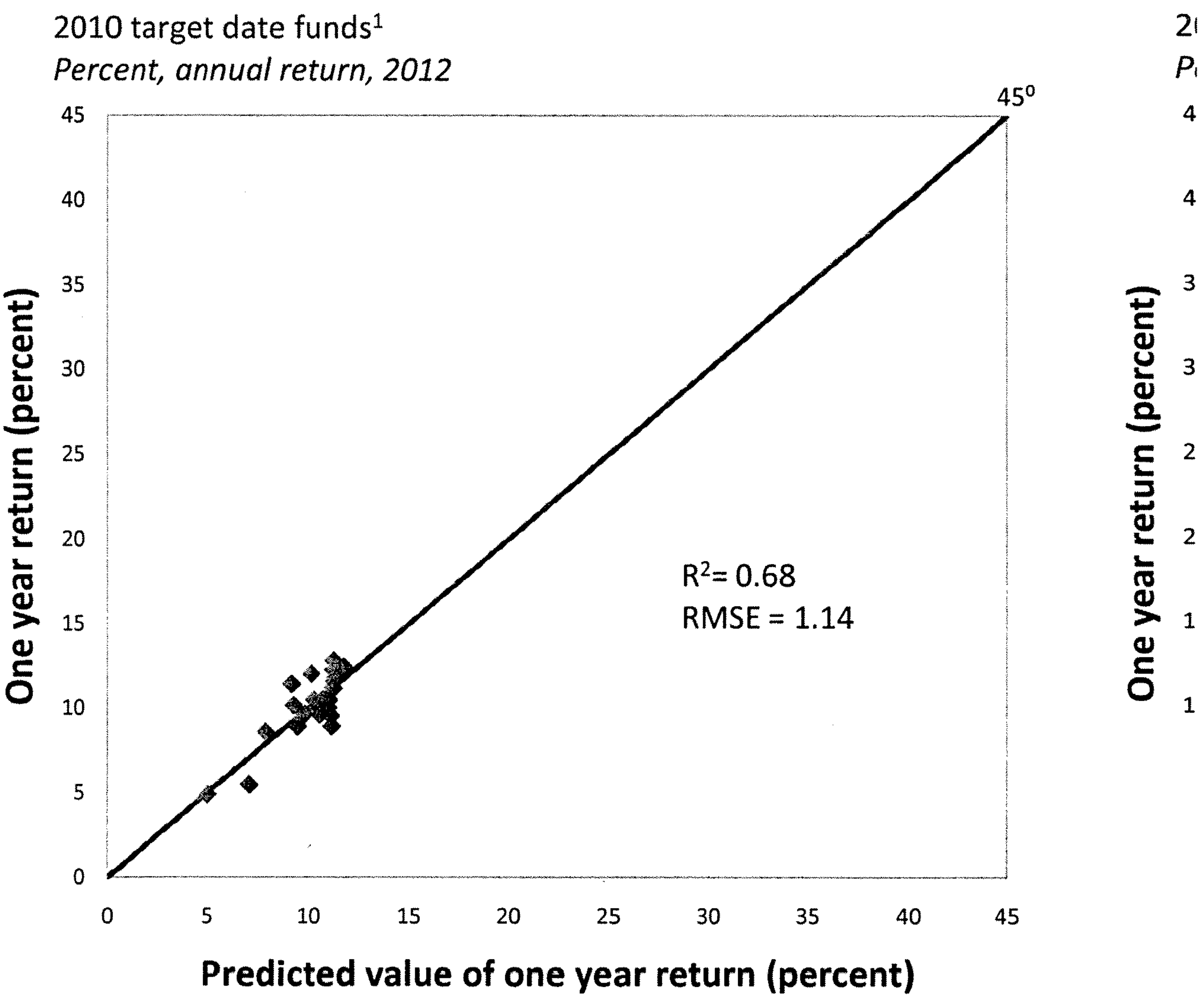
[1]The current year's total one year return is regressed on the previous year's percent of assets held in stocks and bonds.

[2]Target date is based on target date stated in fund name.

Note: Data is at the fund level.

Source: Morningstar; ICI tabulations

Figure 8
Percent, annual return, 2012



[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2012 one year returns for only 2010 target date funds on the percent of assets held in stocks and bonds in 2011.
Source: Morningstar; ICI tabulations

Figure 9

Target Date Funds, One Year Return Regression Results[1], 2012

Target Date[2]	N	R-Square	Root MSE	Independent Variable	Parameter Estimates: Regression Coefficient	Standard Error	t Value
2010	24	0.71	1.13	Intercept	12.00	4.25	2.82
				US Stocks	0.07	0.04	1.63
				Non-US Stocks	0.09	0.15	0.58
				Bonds	-0.09	0.05	-1.94
				Other	-0.13	0.08	-1.5
2020	35	0.52	1.17	Intercept	11.73	3.99	2.94
				US Stocks	0.04	0.04	0.99
				Non-US Stocks	0.07	0.06	1.13
				Bonds	-0.06	0.05	-1.33
				Other	-0.01	0.04	-0.18
2030	35	0.37	1.23	Intercept	16.86	5.16	3.27
				US Stocks	-0.01	0.05	-0.15
				Non-US Stocks	-0.01	0.07	-0.11
				Bonds	-0.10	0.07	-1.47
				Other	-0.06	0.06	-1.11
2040	35	0.16	1.27	Intercept	14.06	4.70	2.99
				US Stocks	0.02	0.05	0.43
				Non-US Stocks	0.01	0.06	0.18
				Bonds	-0.02	0.06	-0.37
				Other	-0.02	0.05	-0.43

[1]The current year's total one year return is regressed on the previous year's percent of assets held in US stocks, non-US stocks, bonds, and other investments.

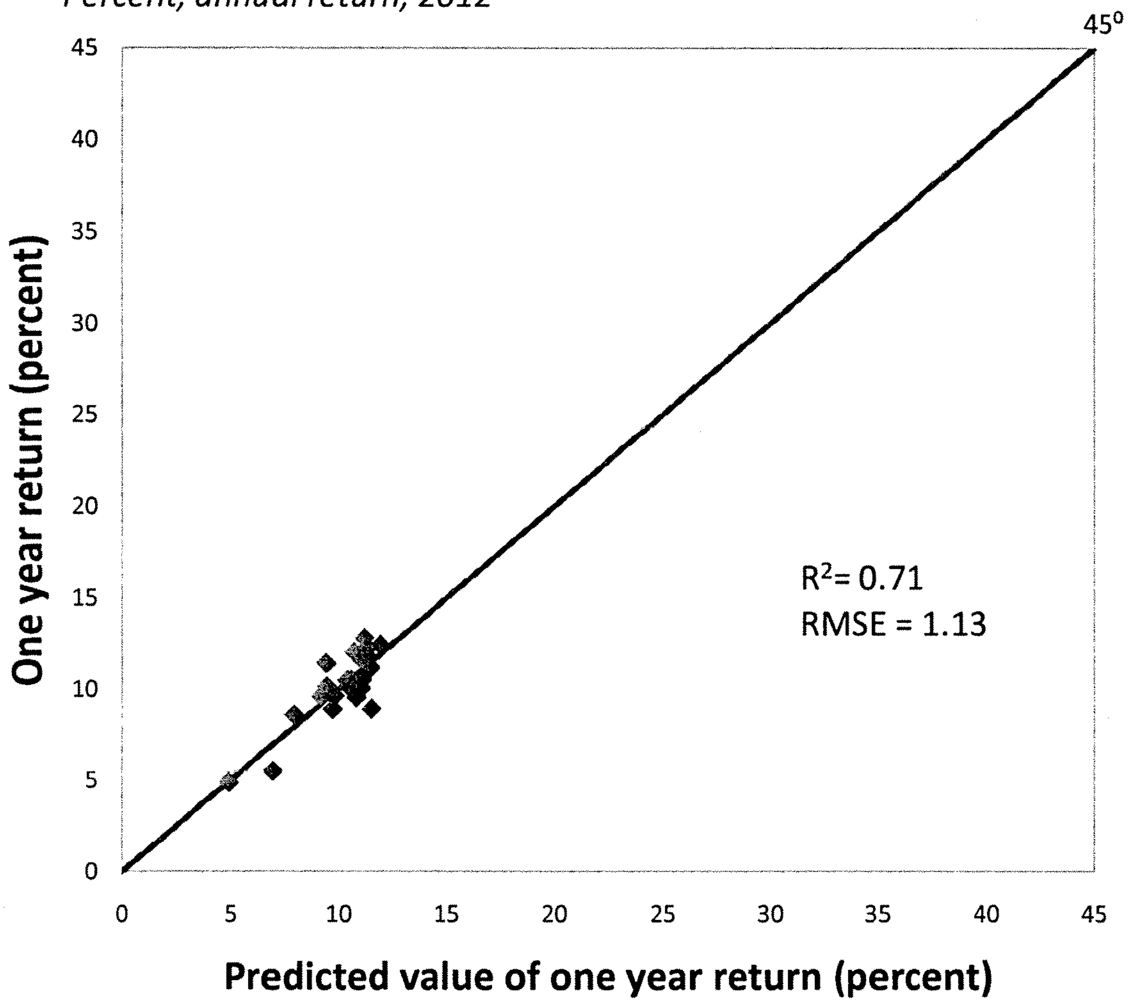
[2]Target date is based on target date stated in fund name.

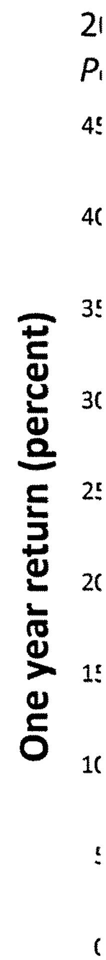
Note: Data is at the fund level.

Source: Morningstar; ICI tabulations

Figure 10
Percent, annual return, 2012

2010 target date funds[1]
Percent, annual return, 2012





[1]Target date is based on target date stated in fund name.
Note: Data is at the fund level; A single regression was used, regressing 2012 one year returns for only 2010 target date funds on the percent of assets held in US stocks, non-US stocks, bonds, and other investments in 2011.
Source: Morningstar; ICI tabulations