

January 12, 2011

By electronic mail to e-ORI@dol.gov

Office of Regulations and Interpretations
Employee Benefits Security Administration
Attn: Target Date Disclosure
Room 5655-N
U.S. Department of Labor
200 Constitution Ave., NW
Washington, DC 20210

Re: Comments on Proposed Target Date Disclosure

Ladies and Gentlemen:

AFS Financial Group appreciates the opportunity to comment on the proposed regulation to require additional disclosure for Target Date investment vehicles used in defined contribution qualified retirements plans.

As a retirement plan advisory firm, AFS Financial Group provides independent and objective advice and services to plan committees, fiduciaries and participants in a fully transparent manner. Our core values are 1) implementing processes and procedures to lead and advise retirement committees and fiduciaries through a consistent program of diligence according to their ERISA responsibilities. Simultaneously, 2) we aim to provide plan participants with education and advice in order to help them best utilize their employer's retirement plan and get on track towards saving an adequate amount for their retirement. Most of our client relationships are with companies and organizations in the small and mid market (loosely defined as 50 – 5000 employees) where Target Date investment vehicles (TDFs) play a critical role in helping these organizations achieve their goals.

We are supportive of the DOL's goals to provide more information and resources to help both plan sponsors and their participants better understand and evaluate their investment options. The following comments offer our opinion on how this regulation should be shaped to provide retirement plan participants and beneficiaries with sufficient information and resources to make informed decisions, while also affording plan fiduciaries, sponsors and service providers with a practical and efficient approach to delivering these additional disclosures.

TDFs allow investors, and more specifically, retirement plan participants to invest utilizing a single fund into a diversified portfolio in a more appropriate and suitable manner than many would select on their own. However, most TDF fund names are strikingly similar giving participants a misconception that they are managed with the same or similar investment strategy. There is simply too much disparity between investment objectives and strategies within funds that have the same core name (ex. XXXX 2010 Fund). Nonetheless, when properly monitored, TDFs can provide a worthwhile vehicle and simplistic approach to help achieve the common goal of most retirement plans: financially preparing participants for retirement.

Our expectation would be that prudent plan sponsors could select, monitor and offer a TDF series for their participants and satisfy both QDIA safe harbor and the general investment requirements under section 404(a) of ERISA. As detailed in previous TDF guidance under a DOL bulletin this past summer, committees and fiduciaries should be required to follow a consistent investment review process for the initial selection and on-going monitoring of TDFs just as required under 404(a). In order to satisfy QDIA safe harbor status, the TDF series shall be analyzed considering the plan participants' demographics, investment habits and distribution history (when applicable).

In order for plan fiduciaries to fulfill this responsibility, TDF manufacturers should be able to provide simple and straightforward disclosures on a one-page fact sheet that explain for each TDF (as part of a series) the following:

- historical performance and fee information
- investment objectives & strategy and holdings
- adjustment of investment allocation overtime (glide path)
- investment strategy timeline (period when the glide path reaches final allocation. [Ex. "to" or "through" retirement.] This has also been explained as the "significance of the target date". Is the TDF's glide path strategy created to last up until the target date, or through the investor's retirement?)

In addition to these disclosures, we recommend that each TDF name shall include a standard reference to risk compared to a benchmark of TDFs within the specific vintage. For example, if the 2030 TDFs across all manufacturers had an equity allocation range from 60 – 90%, a general benchmark shall be created. If, based on the data, the median benchmark allocation was 75/25 – a 2030 TDF with an allocation of 90% equities would be named, "Manufacturer Name" 2030 – *Aggressive*. By including a risk component to the title, it shall provide an additional resource for users to gain a better understanding of the underlying risk exposure. In theory, each vintage in one manufacturer's TDF series would have the same risk name based on their higher (or conversely, lower) equity allocation (and potential other factors like asset class usage) when compared to a benchmark allocation.

This type of investment information shall be provided and then reviewed by plan fiduciaries (and their consultants) utilizing consistent and objective criteria, and procedural prudence, to determine suitability for the plan as either a stand-alone investment menu option or, in combination, as the QDIA.

For plan participant's, the same disclosures should be made readily available. TDF manufacturers should supply investors with one-page fact sheets (commonly made available and used within the industry already) that incorporate the information above in a simple manner. In addition to their disclosure in general sales material and investment prospectuses, the required one-page fact sheet disclosures should be provided to investors (retirement plan participants and their beneficiaries) directly from plan sponsors, or by proxy, through the plan's investment manufacturers, platform vendor, consultant or other service providers.

As detailed in the final regulation, section (c) (3), participants should be furnished with an initial notice prior to their eligibility into the plan (or upon their automatic enrollment into a QDIA). They should also receive an annual notice for each subsequent plan year, specifically, for those investors utilizing or being automatically invested into the TDF.

We are confident that the disclosure of TDF information as explained above (similar to the final regulation), is helpful to plan fiduciaries in determining suitability, without creating additional administrative or cost burdens. Further, the disclosure and delivery of such information to plan participants shall better clarify the investment objective and strategies of TDFs without the need for extensive or onerous research by plan participants and beneficiaries.

Finally, although the DOL has indicated that they will soon release a "notice for comments" on disclosure delivery methods in the very near future, we would be remiss not to provide our thoughts since this aspect of the disclosure is critical to its benefit for retirement plans. The delivery and dissemination of these disclosures shall be provided to plan participants via a method that has been determined to be acceptable to reach participants and eligible employees for that organization. For instance, if the organization both provides and often utilizes e-mail as a standard method of communication, it shall be considered acceptable for plan participants to receive these disclosures electronically.

In closing, we have carefully discussed and debated this topic in an effort to provide both our clients and all plan participants with the most efficient method to utilize these investment vehicles for the benefit of their retirement planning purposes. We approve the efforts that the DOL and many practitioners in the industry have made to promote prudent activities within the retirement plan industry. We are steadfast in our recommendations to require additional disclosures for TDFs in a manner that helps plan fiduciaries fulfill their legal role and promotes effective investment decision making by plan participants.

Let me once again thank the Department for the opportunity to provide our comments on final regulation 29 CFR Part 2550. If I can provide further clarification or additional examples of how these disclosures may be applied in practice, please contact me at (301) 961-2642.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Assaley III". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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