



January 14, 2011

Submitted Electronically

Office of Regulations and Interpretations
Employee Benefits Security Administration, Room N-5655
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210
Attention: Target Date Amendments

Re: Proposed Regulation for Target Date Retirement Funds

Ladies and Gentlemen:

Wells Fargo & Company (“Wells Fargo”)¹ appreciates the opportunity to comment on the Department of Labor’s (the “Department”) proposal (the “Proposal”) published in the Federal Register of November 30, 2010.² The proposal would, among other things, require plan fiduciaries of defined contribution plans with participant-directed investments to provide additional disclosures to participants regarding retirement funds that are designated qualified default investment alternatives (“QDIAs”), including target date funds or similar investments. In particular, the rule seeks to specify information that must be furnished in the required notice to participants (“QDIA Notice”). The Proposal also would require disclosures be furnished in an appendix to the participant-level disclosures required by the Department’s regulation adopted on October 20, 2010 (“Participant-Level Disclosures”).

Wells Fargo Institutional Trust and Retirement is a leading provider of recordkeeping, trustee, and investment services to retirement plans. In addition, Wells Fargo has been a pioneer in the target date fund area and was one of the first sponsors to offer target date funds more than 15 years ago in 1994. Wells Fargo Funds Management, LLC currently serves as the investment adviser to ten Wells Fargo Advantage Dow Jones Target Date FundsSM. Each Wells Fargo Advantage Dow Jones Target Date Fund uses an asset allocation strategy designed to replicate, before fees and expenses, the total return of a Dow Jones Target Date Index that has the same target year as the Fund. As a significant player in the retirement and target date fund industry, we take great interest in the Proposal and its potential impact on retirement plan participants and fund sponsors. As such, we are pleased to share with the Department our thoughts on certain aspects of the Proposal.

¹ Wells Fargo is a financial services company employing almost 280,000 team members. Its businesses include Wells Fargo Funds Management, which serves as the investment adviser to the *Wells Fargo Advantage Funds*, with over \$250 billion in assets under management, and Wells Fargo Institutional Trust and Retirement, a national leader in retirement plan, investment management, trust and custody, and benefits consulting services for institutional clients.

² 75 Fed. Reg. 73987 (Nov. 30, 2010) (the “Release”).

I. The Proposed Age Group Disclosures Are Unnecessary and Should Be Included Within the Date Relevance Disclosures

We generally support the Department's Proposal to mandate the disclosure of essential information regarding target date funds to participants, including a fund's asset allocation over time and key risk disclosures. Clear and concise explanations of the most significant features of these investment vehicles will provide a basis for participants to make informed investment decisions. As discussed in more detail below, we believe, however, that a particular disclosure item set forth in the Proposal is unwarranted and should not be mandated by the Department's final regulation.

The Department's Proposal would require that if the target date fund is named or described in reference to a particular date (such as the target date), participants must receive a number of disclosures including: an explanation of the age group for whom the investment is designed (the "Age Group Disclosure"); the relevance of the target date ("Date Relevance Disclosure"); and any assumptions about a participant's contribution and withdrawal intentions on or after the date ("Contribution/Withdrawal Assumptions Disclosure"). In our view, the proposed requirement to provide an Age Group Disclosure is not appropriate for the reasons discussed below. We believe the concerns raised by this language would be addressed within the Date Relevance Disclosure, which we believe is more tailored to meaningfully inform participants of the features of the Fund's design that are relevant to their individual goals.

The glide paths of certain target date funds are not necessarily designed for any particular age group. While age may be a significant factor in assessing an investment in a target date fund, the members comprising an age group may be diverse--sometimes significantly--in their preferences and characteristics that are germane to selecting an appropriate target date fund and its asset allocation. The relevance of the Age Group Disclosure appears to be predicated on the assumption that participants within a certain age range tend to share sufficiently similar financial situations, risk tolerance profiles and wealth accumulation goals that favor a single asset allocation structure for that group. We believe the accuracy of this premise can be called into question in a number of respects.

For example, we would expect that members within a single age group may employ broadly varied saving rates, possess highly diverse risk tolerance/aversion profiles and wealth levels (both within and outside of the retirement plans in which they are participants), plan to retire at different ages and seek a range of total values of retirement savings. In addition, some participants within the same age bracket may manage investments outside of their retirement plan with risk characteristics that would lead them to favor a target date fund with a more conservative or aggressive glide path than one that would typically be linked to their age group. Conversely, members of different age groups may have similar investment profiles and goals independent of their age that would lead them to conclude that the same asset allocation glide path would be appropriate. In contrast to the Age Group Disclosure, an explanation of the Date Relevance Disclosure should inform plan participants of the aspects of the target date fund's investment characteristics, including its asset allocation, in the target year that are relevant to investors diverse in age but who are similarly situated in their investment objectives which may be only partially based on withdrawal and contribution plans for and after the target year.

The definition of an appropriate number of years within an "age group" for purposes of the Age Group Disclosure may also present difficulties. For example, target date funds offered as investment

options within a plan will typically be part of a suite of target date funds. These funds are often provided with 5-year or 10-year intervals between the years within target date fund names (*e.g.*, ABC Target 2020 Fund, ABC Target 2025 Fund, ABC Target 2030 Fund, etc.), all based on a single model underlying the glide path. Sometimes a plan fiduciary may elect to make only funds with 10-year intervals available, even though the full suite of target date funds sponsored by the fund company includes those with 5-year intervals. Any Age Group Disclosure furnished by the sponsoring fund company may be tailored to an age group band with a smaller span of years than those available to plan participants. This disparity, in turn, could lead to inapplicable or confusing explanations about any age group for whom that Fund is designed.

Finally, target date funds are not used exclusively as retirement savings vehicles. For instance, an investor could use a target date fund to invest for college tuition savings and withdraw the investment in the year on or several years following the year stated in the target date fund's name. In those circumstances, the Age Group Disclosure would not be relevant and would be potentially confusing to such an investor. The Date Relevance Disclosure would inform both plan participants saving for retirement as well as other types of investors of the significance of the year in the target date fund's name relative to their goals.

II. The Department Should Clarify that Disclosure of Contribution/Withdrawal Assumptions Can Take the Form of a Generalized Explanation

We understand that the Investment Company Institute ("ICI") intends to submit a comment letter on the Department's Proposal that requests, among other things, that the Department clarify certain aspects of the Contribution/Withdrawal Assumptions Disclosure requirement. In particular, the ICI suggests that the disclosure could be satisfied with a high-level, generalized explanation rather than a quantitative description of such assumptions. We agree with and support the ICI's comments on this aspect of the Proposal and will defer to the more detailed explanations provided in their comment letter.

III. Plan Fiduciaries Should Have the Option to Furnish Required Target Date Fund Disclosure to Participants by Delivering or Making Electronically Available a Prospectus, Summary Prospectus or a Similar Disclosure Document That Meets All of the Department's Disclosure Requirements for Target Date Funds

The Proposal would require plan fiduciaries to provide participants certain information about target date funds in the QDIA Notice and as an appendix to the Participant-Level Disclosures. Target date fund prospectuses forming part of their registration statements under the Securities Act of 1933 and the Investment Company Act of 1940 are not required by applicable SEC regulations to meet the disclosure requirements of the Department's Proposal. However, we believe that in many cases, this disclosure document does already address all of the Department's disclosure requirements applicable to target date funds in their prospectuses. Although the Proposal would mandate that the required disclosures be furnished to participants, it does not appear to expressly prohibit the inclusion of additional information not otherwise required.

We believe that the Department should clarify in the final rule that plan fiduciaries are permitted to deliver or make electronically available to plan participants a target date fund prospectus, summary

prospectus or similar disclosure document, depending on the structure of the fund (*e.g.*, a mutual fund or a Bank collective investment fund), that meets all applicable disclosure requirements of the Department, while also satisfying the fiduciary's obligation to furnish participants with the required disclosures about target date funds. A fiduciary could alternatively elect to prepare a separate document that contains only the information required by the Department.

In this regard, we note that in evaluating the costs of the Proposal, the Release characterizes the impact on plans of the required Participant-Level Disclosures in the appendix as "de minimis" because "investment issuers and service providers already have the TDF information readily available to provide to plans."³ From the perspective of the plan fiduciary, this assessment may not necessarily be accurate if the required information from the service provider or investment issuer is not already packaged into a presentation corresponding solely to the disclosure requirements of the Department. For example, if furnishing the additional information contained in a target date fund prospectus, summary prospectus or fund disclosure document to participants would not satisfy the fiduciary's obligations, the fiduciary may need to expend time and resources "repackaging" the required disclosures into a custom format. This process could prove particularly onerous, especially as it pertains to preparing the graphical representations or depictions of the glide path. If the Department believes that fiduciaries must furnish participants exclusively with those target date fund disclosures mandated by the Department, further assessment of the cost impact of the Proposal would be warranted.

IV. The Department Should Clarify that QDIA Notice Disclosure Requirements May Be Satisfied by Including Required Target Date Fund Disclosures with Disclosures Complying with New Participant-Level Disclosure Regulations

The Proposal would require plan fiduciaries to furnish participants certain information about target date funds in the QDIA Notice and as an appendix to the Participant-Level Disclosures. Coincident with the Proposal, the Department has also finalized the participant disclosure regulations that require plan fiduciaries to furnish all participants (including eligible non-participating employees) with a significant amount of information regarding all investment alternatives made available in the plan. We are concerned that the combined effect of the both regulations would work to overwhelm and confuse participants unless the two proposals are coordinated so that plan fiduciaries can satisfy the disclosure requirements utilizing only a single disclosure document.

We understand that that SPARK Institute ("SPARK") intends to submit a comment letter on the Department's Proposal that requests, among other things, that the Department coordinate and combine the two regulations to permit plan fiduciaries to satisfy the QDIA disclosure requirements by satisfying the participant disclosure regulations. The SPARK letter contains a more detailed discussion of this issue and we urge the Department to carefully consider and respond to the SPARK's comments on this aspect of the Proposal.

V. Required Risk of Loss and Longevity Risk Statements Should Generally Be Imposed on All Plan Investment Alternatives and Not Exclusively on Target Date Funds

³ Release at 73993. A similar assessment and rationale was made with respect to the expected cost impact of the required target date fund disclosures in the QDIA notices.

The Proposal requires the plan administrator to include with the target fund disclosure a statement that the participant “may lose money by investing in the alternative, including losses near and following retirement and that there is no guarantee that the alternative will provide adequate retirement income.” While we support the Department’s goals in requiring this type of disclosure for participants, we believe that this requirement, if imposed exclusively on target date funds, will place target date funds in a negative light relative to other investment options that bear similar risks for participants. General “risk of loss” and longevity risk statements should be required for all investment alternatives and not applied specifically to target date funds relative to other investment alternatives. Accordingly we urge the Department to require the same risk statements with respect to all investment options available in a retirement plan.

VI. The Department Should Clarify That Service Providers Building Custom Target Date Portfolios Rather Than Non-Management Service Providers Would Be Responsible for Producing the Required Disclosures

Custom designed and constructed target date portfolios and funds (“Custom Target Date Portfolios”) create special challenges for plan administrators and other plan service providers who are not responsible for investment management or investment selection for plan options (“Non-Management Service Providers”) seeking to comply with the Proposal because of the heightened complexity surrounding these offerings. Custom Target Date Portfolios typically employ a structure in which a fiduciary designs a tailored glide path for a plan that in turn utilizes different investment managers to handle underlying asset class investment strategies. In light of the unique design and flexibility in the asset allocation design and varied investment manager choices of a Custom Target Date Portfolios and the associated difficulties of customizing a QDIA Notice and Participant-Level Disclosures, the Proposal could impose a significant burden on Non-Management Service Providers if the responsibility for producing the required disclosures is not more clearly assigned to those service provider(s) that have the requisite information necessary to create the disclosures.⁴ Plan service providers that build and manage Custom Target Date Portfolios, such as consultants, advisers, plan sponsors and asset managers, are better positioned than Non-Management Service Providers to provide the required disclosures for investment options having this degree of complexity. Accordingly, the Department should clarify that the obligation to produce required disclosures for Custom Target Date Portfolios should belong to such service provider(s) and not to Non-Management Service Providers.

VII. With Respect to New Custom Target Date Portfolios That Have No Historical Performance History, the Department Should Provide Plan Fiduciaries with the Option to Furnish Participants with Performance Information for Underlying Funds within Such Portfolios

In many cases, a Custom Target Date Portfolio reflects a unique asset allocation strategy designed for a single participant based on his or her individual circumstances. When such portfolios are first offered to a participant, the Custom Target Date Portfolio itself has no actual historical performance history, even though the underlying funds to which portfolio assets would be allocated according to the

⁴ In this regard, we reiterate our comments regarding the cost benefit assumptions of the Release that are described in the last paragraph of Comment III above.

custom glide path typically would have performance track records. In these circumstances, it may not be appropriate to provide hypothetical performance information of the Custom Target Date Portfolio based on the application of the custom strategy to the historical performance of the underlying funds. We believe that plan fiduciaries should have the option to provide historical performance information of the underlying funds within the new Custom Target Date Portfolios accompanied by appropriate disclosures. Those disclosures would explain to participants that the performance histories of the underlying funds are not those of the Custom Target Date Portfolio, which does not yet have any historical performance. In the alternative, Plan Sponsors could elect to not provide any historical performance information for a new Custom Target Date Portfolio.

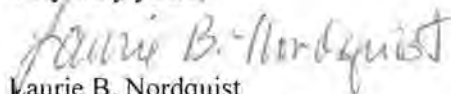
VIII. Additional Disclosures Contained in SEC Proposed Rules for Target Date Fund Advertising Are Not Necessary to Include in the Final Rule

The Department requested comment as to whether the final rule should include disclosure elements or concepts contained in the rule proposal made by the U.S. Securities and Exchange Commission ("SEC") that would apply to target date fund advertising and sales literature that place a more than insubstantial focus on such funds ("SEC TDF Proposal"). Considering the significant overlap of disclosure elements between the Department's and the SEC's proposals, we believe the information proposed to be furnished to plan participants in the Department's Proposal generally represents an adequate mix of core information that will be most useful to plan participants. Accordingly the Department should not, in our view, incorporate the SEC TDF Proposal into the final rule. To the extent that plan participants are provided target date fund marketing materials subject to the final SEC rule, the additional information required by such rule not otherwise reflected in the Department's final rule would be disclosed to participants.

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We appreciate the opportunity to provide comments on the Proposal and the Department's consideration of our comments. Should you have any questions, please contact the undersigned at 612-667-0523.

Very truly yours,



Laurie B. Nordquist
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