

June 2, 2009

Employee Benefits Security Administration  
Office of Regulations and Interpretations  
Room N-5655  
U.S. Department of Labor  
200 Constitution Ave, NW  
Washington, DC 20010

**Attn: Target Date Fund Joint Hearing – Request to Testify**

Dear Mr. Wong:

As one of the leading providers of target-date investment strategies, Vanguard appreciates the Department of Labor (DOL) and the Securities and Exchange Commission's (SEC) interest in the issue of target-date funds (TDFs). Because of our experience in this market, we would like to formally request to testify at your joint hearing on this subject on June 18.

Vanguard manages more than \$1 trillion in assets on behalf of millions of investors with the majority of these assets devoted in some fashion to retirement, including more than 1.6 million accounts managed through our Target Retirement Funds mostly for defined contribution plans and individual retirement accounts (IRAs).

Recent market volatility has reinforced the importance of combining transparency and diversification with straightforward portfolio construction. In the end, it is broad-based and low-cost exposure to capital markets with risk levels calculated to an investor's age that offers the greatest opportunity to grow retirement savings, both in the investor's accumulation and retirement years. It is precisely for this reason why TDFs, when properly structured and implemented, are a sensible and effective approach for investors seeking retirement security.

Because of his deep knowledge on this issue, we request that John Ameriks PhD, a principal in Vanguard Investment Counseling & Research, testify on June 18. Mr. Ameriks has written extensively on TDFs and is one of the industry's leading experts on their portfolio construction. He is responsible for the design of Vanguard's target-date funds, including development of their glide path and asset allocation, and meets frequently with plan sponsors who are selecting such funds for their retirement programs. We would expect Mr. Ameriks 10-minute statement to be divided evenly among the following topics concerning TDFs:

- *The nature of risks underlying the funds.* Target date funds, like all other mutual funds, are designed to provide investors professional management of an investment portfolio that assumes a level of risk commensurate with its potential returns. The aim of TDFs is not to avoid market risk, but to take on a measured exposure to it.

- *Structuring target date funds.* Target date funds are structured according to a variety of different investment philosophies. There is no consensus around a single or optimal lifecycle or target-date strategy in the asset management, investment consulting or academic community. Vanguard's own philosophy emphasizes strategic asset allocation, broad diversification among asset classes, and the benefits of transparent, low-cost indexed investing.
- *Fiduciary duty to select and monitor target date funds.* Including TDFs in employer-sponsored plans is a very effective strategy for reducing participant inertia and improving portfolio diversification. Fiduciaries should consider several factors when evaluating TDFs as investment options. Monitoring the effectiveness of TDFs poses some unique challenges and more work needs to be done in this area.
- *Effective disclosure to investors, including plan participants.* Target date funds are used by investors and participants principally in two ways. Many individuals lack the financial knowledge, skills or literacy needed to construct a retirement portfolio. TDFs, whether offered on a voluntary basis or as a default, are designed to offer a professionally managed retirement investment portfolio that includes regular rebalancing for such individuals. In other instances, TDFs may be used by more engaged investors as a core investment combined with other fund holdings. Disclosure about the funds should be useful and useable to all investors. More detailed information about the investment characteristics of the funds should be made available to those who wish to avail themselves of it.

Again, we appreciate your interest in TDFs and look forward to sharing our experiences and views on this important matter. Please do not hesitate to contact me at (610) 503-6305 if you have any questions about our interest in testifying or would like to discuss this matter further.

Sincerely,

Ann L. Combs  
Principal  
The Vanguard Group