BrightScope™

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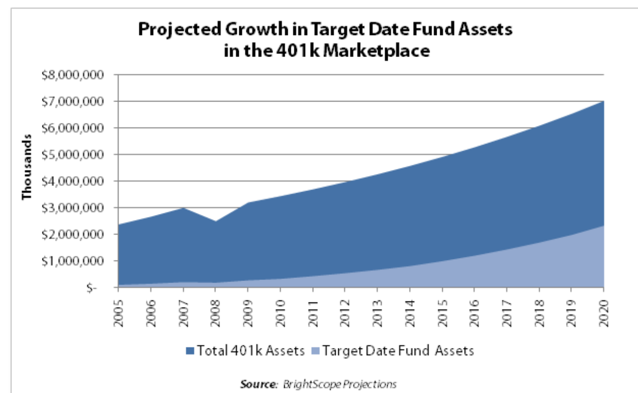
Real Facts about Target Date Funds

In Response to the ICI's Myths and Facts about Target Date Funds[1]

Target date funds (TDFs) have risen to prominence in the Defined Contribution marketplace fueled by the rise of auto-enrollment and a Labor Department regulation that made TDFs the primary default investment for millions of American workers. However, after their sharp declines in 2008 many called their design and structure into question. In January, the Investment Company Institute (ICI) — the lobbying arm of the mutual fund industry—released a set of 6 "Myths" about Target Date Funds. The ICI list misrepresented many of the basic facts about target date funds and painted an overly rosy picture of the target date fund marketplace. This paper intends to set the facts straight. In so doing we received comments and thoughts from Joe Nagengast and Craig Isrealsen of Target Date Analytics and from Independent Fiduciary Matthew Hutcheson. This paper will look at how target date funds fit into America's retirement picture and address the 6 "Myths" identified by the ICI.

The Target Date Fund Marketplace

Target date funds are a particular type of mutual fund whose distinguishing feature is a glide path designed to slowly reduce risk in the portfolio as the investor approaches retirement. The goal of a target date fund is to replace a complex portfolio construction process with a simple requirement to choose an expected retirement date. Defined contribution retirement plans are the primary marketplace for target date funds due to the fact that they are well-suited to serve as default options for automatically enrolled plan participants. This role was cemented in 2007 when the Department of Labor (DOL) issued a new regulation naming target date funds one of three qualified default investment alternatives (QDIAs)[2]. Since 2007, growth of target date fund adoption has increased significantly. Based on BrightScope projections, target date funds may make up one third of all 401k assets by 2020, totaling over $2 trillion (see graph above), and making the target date fund "the number one savings vehicle in America."[3]



Myths and Facts About Target Date Funds

The ICI paper specifically discussed 6 different elements of target date funds. The following pages will tackle these elements in the following order:

1. **The Fiduciary Standard**: Is the ICA fiduciary standard sufficient?
2. **Disclosure**: Is the standard mutual fund disclosure regime sufficient for target date funds?
3. **Conflicts of Interest**: Do target date funds have unresolved conflicts?
4. **Proprietary Funds**: Do target date funds use underperforming proprietary funds?
5. **Fees**: Are target date funds fees high?
6. **Diversification**: Should target date funds hold alternative investments?

Send questions and comments to research@brightscope.com.

The Fiduciary Standard

ICI Myth: Target Date funds need new or different fiduciary standards.
ICI Fact: For target date funds that are mutual funds, there are strict fiduciary standards and duties imposed on managers and the directors of the funds, as there are for all mutual funds. Target retirement date mutual funds are subject to the same comprehensive regulation under the 1940 Investment Company Act that applies to all mutual funds. In addition, mutual fund boards of directors also have a fiduciary duty to ensure that funds operate in the interests of their investors. Most fund boards have a majority or more of independent directors.

The ICI is right. It is a myth that target date funds need new or different fiduciary standards. What they need is the same standard that applies to all ERISA fiduciaries: the ERISA fiduciary standard. Under ERISA, fiduciaries are determined by a functional test. To be an ERISA fiduciary a person must render advice or make recommendations about the purchase or sale of securities for a fee. A target date fund manager would satisfy this functional test; however they avoid ERISA fiduciary duty due to an exemption given the registered investment companies. The thinking was that mutual funds are already subject to regulation under the 1940 Investment Company Act (ICA) and therefore would not need dual regulation. Unfortunately, while the ICA does require substantial disclosure to investors, its prohibited transaction and conflict rules are not nearly as protective of investors as the prohibited transaction and conflict rules in ERISA. If the two standards were substantially equal there would be no reason for the fund companies to resist holding themselves to the ERISA standard.

The rapid growth of target date fund assets, which is driven in no small part by their privileged status under the DOL QDIA regulations, means that a growing percentage of asset allocation decisions within our retirement system will be "outside of ERISA" and subject to large and unresolved conflicts that allow advisers to shift billions of dollars of assets for their own benefit rather than for the benefit of investors. Vanguard Chairman and mutual fund industry insider John Bogle highlights the risks of relying upon the ICA for regulation of our retirement system[4]:

> "The mutual fund industry is the paradigm of what's gone wrong with capitalism. Here are just a few examples of how far so many fund managers have departed from the basic fiduciary principle that 'no man can serve two masters,' despite the fact that the 1940 Act demands that the principal master must be the mutual fund shareholder:"

A Selection of John Bogle's List of Non-Fiduciary Practices in the Mutual Fund Industry		
1	Lack of Board Independence	The domination of fund boards by chairmen and chief executives who also serve as senior executives of the management companies that control the funds, an obvious conflict of interest and an abrogation of the fiduciary standard.
2	High Expenses	Soaring fund expenses. As fund assets soared during the 1980s and 1990s, fund fees grew even faster, reflecting higher fee rates, as well as the failure of managers to adequately share the enormous economies of scale in managing money with fund shareholders. Example: the average expense ratio of the ten largest funds of 1960 rose from 0.51 percent to 0.96 percent in 2008, an increase of 88 percent.
3	High Expenses	Charging fees to the mutual funds that managers control that are far higher than the fees charged in the competitive field of pension fund management. Three of the largest advisers, for example, charge an average fee rate of 0.08 percent of assets to their pension clients and 0.61 percent to their funds, resulting in annual fees of just $600,000 for the pension fund and $56 *million* for the comparable mutual fund (and presumably holding the same stocks in both portfolios).
4	Mutual Fund Scandals	Diluting the value of fund shares held by long-term investors, by allowing hedge fund managers to engage in "time zone" trading. This vast near-industry-wide scandal came to light in 2003. It involved some 23 fund managers, including many of the largest firms in the field—in effect, a conspiracy between mutual fund managers and hedge fund managers to defraud regular fund shareholders.
5	Conflicts of Interest	"Pay-to-play" distribution agreements with brokers, in which fund advisers use *fund* brokerage commissions ("soft dollars") to finance share distribution that benefits primarily the *adviser*.
6	Conflicts of Interest	Spending enormous amounts on advertising—almost a half-billion dollars in the last two years alone—to bring in new fund investors, using money obtained from existing fund shareholders.

With all the abuses that have been uncovered in the mutual fund industry, does the ICI really expect us to stick our collective heads in the sand when a loophole in ERISA protections exposes millions of investors and billions of dollars to conflicts? If these practices and more exist within the mutual fund industry already, is that regulatory model the one we want to use to protect America's retirement savings? We argue that it is not.

Disclosure

ICI Myth: A target date fund's underlying funds and their portfolios are hidden.
ICI Fact: Target date funds that are mutual funds disclose the design of the target date fund, including its asset allocation and glide path, in the prospectus. We agree that there ought to be transparency about the underlying funds in target date funds. Target date funds organized as mutual funds provide full transparency with respect to the underlying funds and their portfolios, as required by securities regulations, whereas other types of target date funds may not.

It is a fact that investments registered with the SEC have higher disclosure requirements than do non-registered investments. However, it is very difficult to argue that target date fund disclosures are not without substantial defects. On this issue it appears that the ICI is speaking out of both sides of its mouth. Within the last year the ICI has released a set of proposals for how to improve target date fund disclosure[5]. The ICI proposed several new disclosures, including disclosing what happens at the target date, the fund's assumptions about the investors' withdrawal intentions at the target date, the age group for which the fund is designed, more information about the glide path including whether or not the fund manager has discretion to change the glide path over time, and a clear statement that the fund is not "guaranteed." This list of improvements to current disclosure is proposed by the industry itself, and should be evidence enough that the current disclosure regime is not sufficient.

Morningstar also has spoken about the lack of transparency and disclosure of the details of target date fund construction and operations. In their annual report they claim that they were unable to get information they needed to complete a thorough analysis[6]:

> There are several major areas where significant philosophical and pragmatic differences exist among the target-date series. These areas . . . are critical in fully comprehending the potential risks and performance behavior of a given target-date series and how that series compares with others in the target-date universe. ***Yet the disclosure and transparency on these subjects is in most instances inadequate***. Even for Morningstar, it can be a struggle to get consistent information on basic glide path allocations, never mind more sophisticated data.

If it is hard for Morningstar to get the information it needs to analyze target date funds, imagine the burden placed upon plan sponsor fiduciaries and individual investors to determine the objectives and holdings of individual target date funds.

In addition to increased disclosures, some of the current target date fund disclosures are misleading or incomplete. A reasonable first step for a target date fund investor might be to identify the objective of the fund, and ensure the objective is in line with the investor's goals. A careful review of target date mutual fund prospectuses reveals that exactly half of target date fund families claim that their objectives "derive from their asset allocation."[7] If this is the case, then how is the asset allocation determined? Does the asset allocation derive from the objective? While the industry may think this circular argument is clever, investors in 2010 funds in 2008 likely found little comfort trying to explain why they lost a third or more of their retirement money when they were just a year away from retirement.

Disclosure and transparency within target date funds must improve. Some of the guidelines laid out by the ICI are steps in the right direction. To that list we might add specific disclosures about allocations to alternative asset classes that some sponsors and participants may deem too risky. But, together let's not pretend that investors currently have all the information they need to make sound decisions. The fact is, disclosure should and must improve.

Conflicts of Interest

ICI Myth: Funds of funds composed of proprietary products involve conflicts of interest.
ICI Fact: Mutual fund of fund structures, including target date mutual funds, operate under strict requirements designed to address any conflicts of interest. These requirements are established by the 1940 Investment Company Act and Securities and Exchange Commission rules. The SEC found that asset allocation funds for the retirement market that are made up of proprietary funds meet these standards and are consistent with the protection of investors. Congress codified the SEC's exemption for proprietary funds of funds in 1996. In fact, using proprietary funds is a good way to assure that a fund of funds does not involve duplicative fees.

Fund of funds investing in proprietary underlying funds do involve conflicts of interest. That is not a myth; it is a fact. If I am an investment adviser to a fund of funds and I have a choice between selecting proprietary or non-proprietary funds, but my employer and I make more money when proprietary funds are selected, that is a conflict. I have multiple interests. On the one hand I have a fiduciary duty to the investors in my fund to select the best investments, but on the other hand I owe a duty to my employer to maximize profits. Because my investors' interests and my employer's interest are in conflict, I cannot serve both at the same time. This is the fundamental definition of a conflict of interest. The real question is not if a conflict exists, but rather how the ICA addresses conflicts versus how ERISA addresses conflicts.

> *How does the ICA address this conflict?* The Investment Company Act (ICA section 12(d)(1)(G)) expressly allows a registered fund to acquire an unlimited number of shares in an affiliated fund, and does not impose any specific disclosure, fee leveling or other substantive conditions. The only disclosure-based protection that investors receive is the prospectus, and the prospectus does not address the unique set of conflicts for a fund of funds investing in proprietary underlying funds.

> *How does an ERISA fiduciary address this conflict?* For an investment manager subject to ERISA, investing a plan's assets in proprietary products would be a prohibited transaction unless the manager obtained an ERISA exemption that directly eliminated or mitigated the conflict. Examples of mitigation/elimination include fee leveling or approval by another fiduciary. Proceeding with the investment in proprietary funds would expose the manager to the enforcement provisions of ERISA, a personal liability statute.

Under ERISA, conflicts must be avoided, removed, or managed solely in the interest of participants and beneficiaries. Under the ICA they do not always need to be disclosed. This example clearly highlights why ERISA does a superior job of protecting investors.

The reason mutual fund assets are not considered plan assets and therefore fund advisers are not considered ERISA fiduciaries rests upon Congress deciding that dual-regulation under ICA and ERISA by fund companies would be expensive and redundant[8]. But, target date funds represent a new twist in this story. The introduction of a glide path means that the composition of the investment changes over time. Unlike managers of other fund of funds, most target date fund managers can not only change the underlying funds, they can also change the underlying glide path at any time and for any reason. For example, the largest target date fund family has roughly $100 billion in target date assets. If they decide to make the glide path in their target date fund series slightly more aggressive they could increase revenue by $10 million *for every basis point of increased cost*. If the target date marketplace grows according to our projections, in 5 years a single basis point could increase their revenue by $60 million. With such a large carrot even a well-meaning manager might find plenty of ways to justify a tweak to a glide path to save a bad quarter or a bad year. While this same carrot exists with other funds, it is compounded in a marketplace where oftentimes the plan sponsor does not have the option to replace the target date fund (see section on proprietary funds). Without the stronger conflicts-related rules of ERISA, the continued growth of target date funds will result in a slow erosion of the "comprehensive and reticulated" protections afforded to investors under ERISA[9].

The final sentence of the ICI defense about "duplicative fees" is in direct opposition to the data. By our count, 26 of the 38 target date mutual fund families charged an overlay fee and used proprietary funds as of 12/31/07[10]. How this is helping avoid duplicative fees is beyond us. The fact is that target date funds have large unresolved conflicts and oftentimes investors pay an additional fee for the funds with conflicts.

Proprietary Funds

ICI Myth: Target date funds use underperforming proprietary funds.
ICI Fact: This contention defies common sense. Plan sponsors and participants demand funds with good performance. Thus, if a mutual fund manager loads up a target date fund with poorly performing funds, the manager would be putting itself at a competitive disadvantage.

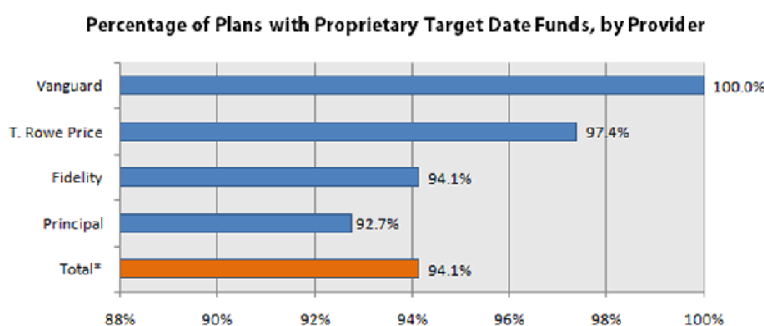
Do all fund families who offer proprietary target date funds have top performing funds in every major asset class? The answer to that question is no. In their annual report on target date funds Morningstar agrees[6]:

> Because target-date funds invest across a range of asset classes (some fairly specialized, such as commodities, global real estate, high-yield bonds or preferred securities) it is questionable whether any fund family truly possesses the expertise, experience, and resources necessary to invest each of those asset classes effectively over the long haul.

In fact Morningstar takes this stance a step further in its Senate testimony about target date funds[11]:

> No reputable institutional investor would hand over his or her entire portfolio to a single asset-management firm. Instead, the institutional investor sifts among the many investment managers that make up the industry, seeking to purchase the best and lowest-cost options for various slices of the portfolio . . . The institutional investor would not expect a single firm to excel at all types of investing. Yet that is implicitly the position taken by most fund families in running their target-date funds. ***It is difficult to square such a practice as being the best outcome for an investor***.

So why would someone do this if it might put them at a "competitive disadvantage"? The answer is not obvious, but makes good business sense. The real key to running a successful target date fund is distribution, which is why the vast majority of target date assets are held by mutual fund complexes that offer their own bundled recordkeeping. If you don't control recordkeeping, in order to get distribution you have to be willing to pay to appear on other platforms. Even if you are willing to pay, in many cases bundled providers do not allow non-proprietary target date funds on their platform. Recent BrightScope research revealed that among the top 4 recordkeepers that also offer proprietary target date funds – Vanguard, T.Rowe Price, Fidelity, Principal – 94% of 401k plans with target date funds held a proprietary fund, and in one case, Vanguard, there are no non-proprietary funds[12]:



For the Vanguard's, T. Rowe's, Fidelity's and Principal's of the world with a full roster of captive bundled clients, and the strong QDIA nudge from the DOL, they can build whatever kind of target date fund they want because they have already solved the distribution problem. Combine the distribution power with the fact that benchmarking target date funds is not yet standard industry practice and the picture becomes clear: in the retirement marketplace distribution is a competitive advantage that far outweighs the competitive disadvantage of poor-performing proprietary funds.

Proprietary Funds cont.

Most target date funds use proprietary funds, and most fund families do not have high performing funds in every asset class. By this logic some underlying funds in the target date marketplace will underperform. In a perfectly competitive marketplace this would place the provider at a competitive disadvantage, but the 401k marketplace is not a marketplace of perfect competition. The marketplace for target date funds is dominated by a lack of plan sponsor choice of target date fund selection, high exit barriers, imperfect buy-side information and heterogeneous products:

Characteristic	Description
Lack of Choice	Recent BrightScope research revealed that 94% of plan sponsors with the largest bundled recordkeepers are in proprietary target date mutual funds.
High Entry/Exit Barriers	Some providers like Vanguard don't even recordkeep non-proprietary funds. In many other cases there are large pricing differences when proprietary target date funds are not selected. In these cases the only way to change target date funds is to change recordkeepers. Moving a plan to a new platform is time-consuming and costly and represents an incredibly high exit barrier compared to other funds on the menu.
Imperfect Buy-Side Information	The ICI has come up with at least 5 major areas where target date fund disclosure needs to improve. To this list we would add at least 1 more. Until sponsors and advisors get the information they need to effectively select and monitor funds the market won't work efficiently.
Heterogeneous Products	In 2008 one 2010 several target date fund lost roughly 10% of their value whereas other target date funds lost 40% or more. These funds are all labeled '2010' funds but they track their own indexes and have major differences in asset allocation. Some 2010 funds behaved more like 2030 or 2040 funds from other providers.

Even though target date funds have proven to be very heterogeneous products requiring diligence in their selection and monitoring, frequently plan sponsors do not have a choice over which target date fund to use. Even if the provider does recordkeep non-proprietary target date funds, one large provider admits that if a plan sponsor tried to remove a proprietary target date fund they are likely to face serious "economic consequences."[13] Oftentimes if a sponsor truly wanted to change it would require a wholesale change of the recordkeeper. This lack of choice means that the target date fund marketplace does not exhibit perfect competition and will not punish underperforming funds as quickly as it will for non-target date mutual funds.

In light of these factors, including higher cost internal funds actually makes good common sense from a business perspective. It is also clear that plan sponsors in charge of selecting and monitoring plan investments are hardly in the position to "demand" anything, especially if there is no alternative offered. If the above conditions exist, a profit-maximizing firm with a large RK distribution should load up their target date funds with higher cost internal funds rather than use lower-cost better performing external funds. This is not a blame game, but rather reflects profit-maximizing behavior for these firms, many of which are public and have earnings targets to hit every single quarter. Such low-hanging fruit is an easy boost to earnings.

The fact is, underperformance in the target date marketplace exists and will go unpunished by investors until the marketplace begins to operate more efficiently.

Fees

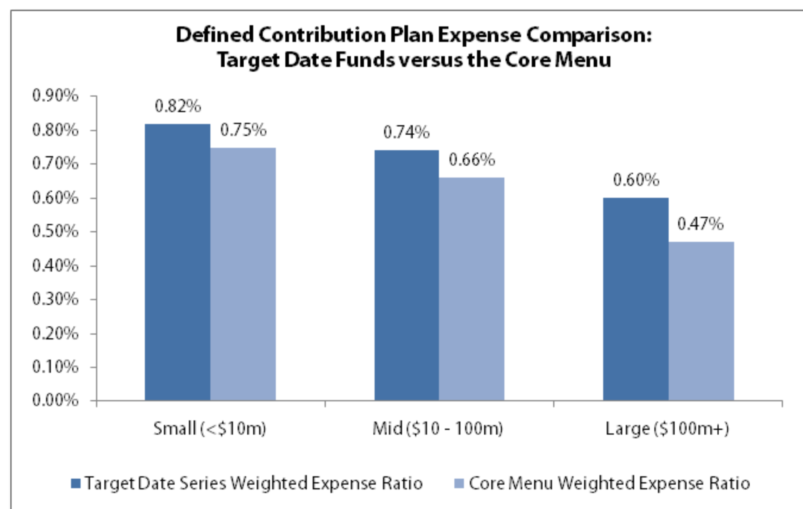
ICI Myth: Target date funds often use high fee funds.
ICI Fact: Target date funds blend equity and bond funds, and their fees fall in the low end of the range for those types of funds. As of May 2009, the asset-weighted average expense ratio for target date retirement mutual funds was 0.66 percent of assets. ICI research finds that the comparable average for equity funds was 0.84 percent at year-end 2008; for bond funds, 0.63 percent.

Asset-weighting allows Vanguard's rock bottom fees to provide protective cover for the rest of the industry. In fact only two target date fund series have fees at or below 0.66% (Vanguard 0.19% and USAA 0.64%). The rest of the funds have fees above 0.66%, with over 50% of series having fees that are 1% or higher.

In Morningstar's annual report on Target-Date Funds they had the following to say about Target-Date fees[6]:

> Although target-date funds are moderately priced by the overall standards of the U.S. fund industry, ***they are not necessarily cheap given their large amount of assets, their status as an investment that has been semiofficially approved by the federal government, and their extremely long time horizon***. On an asset-weighted basis, more than half the industry's fund series have annual expense ratios exceeding 1%. Over the years, those funds will have great difficulty keeping pace with the funds from industry price leader Vanguard.

BrightScope analyzed the investment menus of 15,000 plans with target date funds as of 12/31/2007 and found that in general the asset-weighted expense ratio of the target date fund was 10-25% higher than the asset-weighted expense ratio for the rest of the core investment menu[14]. We found that this gap was not fully explained by overlay fees or inclusion of alternative asset classes with higher fees. While large plan sponsor fiduciaries are doing a good job of selecting lower cost target date funds they haven't quite caught up to the costs they have negotiated on the remaining funds in their core investment menu:



The gap between the fees for the core menu and the fees for the target date funds suggest that the ERISA fiduciaries in charge of the core menu are doing a better job of managing fees than are the ICA fiduciaries setting their target date fund fees. This should come as no surprise. While many plan sponsors might like to find lower fee funds, there are large barriers to doing that successfully (see section on Proprietary Funds).

The fact is the fee picture is not nearly as rosy as the ICI paints it and if the broader mutual fund marketplace is any indication, as economies of scale grow in the target date fund marketplace it is unlikely fees will drop to reflect the scale.

Diversification

ICI Myth: It is both troubling and surprising that target date funds hold high-yield bonds.
ICI Fact: This should not be surprising to anyone who understands portfolio diversification. Target date mutual funds are carefully engineered diversified portfolios. Diversified portfolios, by definition, hold a wide range of asset classes. High-yield bonds represent an estimated 4.6 percent of all 2010 target date mutual fund assets, with a median allocation among 2010 target date mutual funds of 3.5 percent. Specific decisions about the composition of a target date fund should be left to investment professionals, not government.

The authors of this paper believe that the most troubling development related to asset class diversification in target date funds was the fact that many plan sponsors and investors in target date funds were unaware that the funds contained non-core investments. This is likely the result of complicated disclosures about the content of the funds as well as lack of a clear standard of prudence for plan sponsors engaged in selecting and monitoring target date funds.

Some plan sponsors with less sophisticated plan participants and a generally conservative workforce might be inclined to avoid alternative investments on their core menu due to the risks of individual investors making large undiversified investments in those asset classes. However, that same sponsor should be less concerned when alternatives appear in a target date fund, due to the fact that it is impossible for the investor to over-allocate to the alternative beyond the exposure they get through the fund. In essence a target date fund portfolio can and should be designed more like a pension portfolio than a core menu designed for participant directed.

Ultimately decisions relating to exposure to alternative investments are the purview of the ERISA fiduciary. If they do not want exposure to high-yield bonds or commodities, they should select a target date fund that has little or no exposure to those asset classes. This problem is compounded by the lack of choice that most sponsors have. If the provider offers only one proprietary target date fund series and it contains commodities, the plan sponsor fiduciary has no recourse other than changing providers. A provider change can be costly and time-consuming when the end goal is merely a change in the target date fund series.

The combination of improved disclosure about alternative investments in a target date fund portfolio and the ability to select target date funds that have only core investments would help a plan sponsor fiduciary or advisor select a fund in-line with the plan's characteristics. For their part, plan sponsor fiduciaries and advisors need to do a better job in screening available target date funds, appropriately monitoring existing target date funds and putting pressure on providers when appropriate to open up their platforms to non-proprietary funds that will enable them to fulfill their fiduciary duties to participants.

References

1. Investment Company Institute, December 2009. "Dispelling Target Retirement Date Fund Myths with the Facts." This article has subsequently been removed from the ICI website, however each myth and fact can be found within this paper.

2. Default Investment Alternatives Under Participant Directed Individual Account Plans; Final Rule. 72 FR 60452 (Oct. 24, 2007): http://bit.ly/bJlNVs.

3. Opening statement by Senator Kohl, October 28, 2009 Senate Aging Committee hearing on target date funds entitled 'Default Nation: Are 401(k) Target Date Funds Missing The Mark?'

4. John C. Bogle, Founder and former chief executive The Vanguard Group at the Seventh Annual John M. Templeton, Jr., Lecture on Economic Liberties and the Constitution National Constitution Center. Philadelphia, PA. May 13, 2009: http://www.vanguard.com/bogle_site/sp20090513.html.

5. ICI Proposes Disclosure Principles for Target Date Funds: Information Is Designed to Enhance Investor Understanding of Key Retirement Tool. Washington, DC, June 18, 2009: http://www.ici.org/policy/retirement/retirement/09_news_target_fund.

6. Morningstar. Target-Date Series Research Paper: 2009 Industry Survey. September 9, 2009.

7. Joe Nagengast, Craig Israelson and Ron Surz. "Popping the Hood III: An Analysis of Target Date Fund Families." 2008.

8. Section 3(21) of ERISA provides that a plan's investment in a mutual fund "shall not by itself cause such investment company [i.e., mutual fund] or such investment company's investment adviser or principal underwriter to be deemed to be a fiduciary or a party in interest" for purposes of ERISA. In addition, Section 401(b)(1) of ERISA provides that if a plan invests in a mutual fund, the plan's assets shall not "solely by reason of such investment, be deemed to include any assets of such investment company."

9. See Shaw v. Delta Air Lines Inc., 463 U.S. 85, 90 (1983) (referring to ERISA as a "comprehensive statute" with respect to employee benefit plans); Nachman Corp. v. Pension Benefit Guar. Corp., 446 U.S. 359, 361 (1980) (noting that ERISA is a "comprehensive and reticulated statute").

10. List of the 26 out of 38 fund families with overlay fees and proprietary funds as of 12/31/2007: AIM, Alliance Bernstein, American Funds, Banc of America, Barclays Global Investors, DWS Scudder, Franklin Templeton, Goldman Sachs, Guidestone, Hartford, ING, John Hancock, JPMorgan, Mainstay, MassMutual, MFS, Nationwide, Oppenheimer, Payden/Wilshire, Principal, Putnam, RiverSource, Schwab, STI, TIAA-CREF, and Vantagepoint.

11. Morningstar testimony for the October 28, 2009 Senate Aging Committee hearing on target date funds entitled 'Default Nation: Are 401(k) Target Date Funds Missing The Mark?' http://aging.senate.gov/events/hr217jr.pdf.

12. Jessica Toonkel Marquez, InvestmentNews November 8, 2009. "Smaller Players foundering in target date fund market."

13. Fidelity, Ralph Derbyshire Senior Vice President and Deputy General Counsel for FMR LLC, the parent company of Fidelity Investments, Marlborough, MA. Quote from October 28, 2009 Senate hearing on target date funds entitled 'Default Nation: Are 401(k) Target Date Funds Missing The Mark?' at 86:02 - 86:26: "I would say that we are an open architecture shop. We will allow people to put whatever investments we can administratively operate on our platform, on our platform. There may be economic consequences to that because of course we rely on the revenue from our funds to run our business. But we are an open shop and if people want to put different assets on our platform we will do that if we can accommodate them." The entire hearing can be viewed here: http://aging.senate.gov/hearing_detail.cfm?id=319426.

14. Summary of Committee Research prepared by the Majority Staff of the Special Committee on Aging, United States Senate. Target-Date Retirement Funds: Lack of Clarity Among Structures and Fees Raises Concerns, October 2009. (16, 17) http://aging.senate.gov/events/hr217cr.pdf.