

On January 13, 2009, the Securities and Exchange Commission published new form and rule amendments to provide for enhanced disclosure in mutual fund prospectuses and a new prospectus delivery option through the use of a Summary Prospectus and online posting of the full prospectus.

The new rules can be accessed on the SEC Web site at <http://www.sec.gov/rules/final/2009/33-8998.pdf>.

The amendments to Form N-1A, the form used by mutual funds to register under the Investment Company Act of 1940, will require mutual fund prospectuses to include a summary section at the front of the prospectus, consisting of key information about the fund. The summary section will be required to provide information on (1) investment objectives; (2) costs; (3) principal investment strategies, risks, and performance; (4) investment advisers and portfolio managers; (5) brief purchase and sale and tax information; and (6) financial intermediary compensation. These items must appear in this order.

Funds that are used as investment options for variable insurance contracts and retirement plans will be permitted to modify or omit the information regarding the purchase and sale of fund shares.

In regard to prospectus delivery, the SEC adopted rules to permit funds to satisfy their delivery obligations by sending or giving investors a Summary Prospectus containing the same information as in the new summary section, and providing the statutory prospectus, Statement of Additional Information (SAI), and most recent annual and semi-annual reports to shareholders online. Funds would be required to send the statutory prospectus in paper or by e-mail upon request. This option is intended to create a disclosure regime that is tailored to the unique needs of investors by providing a layered approach to disclosure which allows investors to choose the amount and type of information to review.

To utilize the Summary Prospectus and new delivery option, online linking between and within the Summary Prospectus, the statutory prospectus and the SAI must be provided.

This new delivery option is not mandatory and may not be implemented by all funds, particularly those that do not presently maintain a Web site. Under such circumstances, the Release notes that it would be permissible for a life insurance company to satisfy prospectus delivery obligations with respect to a variable insurance contract by providing a Summary Prospectus for some underlying funds and a statutory prospectus for other funds.

The rules generally do not permit the Summary Prospectus to be bound together with any materials. However, an exception is made for funds used as underlying investments in variable insurance contracts and permits the Summary Prospectuses and statutory prospectuses of multiple underlying funds to be bound with each other and with the statutory prospectus for the contract.

The effective date of the amendments to Form N-1A is March 31, 2009 but a transition period is being provided to give funds time to update their prospectuses or prepare new registration statements.

The NAVA Regulatory Affairs Committee began work last summer on comparable form and rule amendments for a Summary Prospectus for variable annuities. We will be reviewing our work to see what changes, if any, are needed in light of the modifications adopted by the SEC for the mutual fund release.