UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 101234 / October 2, 2024

INVESTMENT ADVISERS ACT OF 1940
Release No. 6741 / October 2, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22226

In the Matter of **THRIVENT INVESTMENT MANAGEMENT, INC.** **Respondent.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, AND SECTION 203(e) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 ("Exchange Act') and Section 203(e) of the Investment Advisers Act of 1940 ("Advisers Act") against Thrivent Investment Management, Inc. ("Thrivent" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings

herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, and Section 203(e) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Summary

1. These proceedings concern Thrivent's failure to comply with Regulation Best Interest ("Regulation BI") between June 30, 2020 and July 2022 (the "relevant period"), in connection with Thrivent's recommendation that certain of its retail brokerage customers invest in Class A mutual fund shares instead of Class C mutual fund shares offered by the Nebraska NEST Advisor College Savings Plan ("Nebraska 529 Savings Plan") and the Illinois Bright Directions Advisor-Guided 529 College Savings Program ("Illinois 529 Savings Plan"). The Class A shares of the Nebraska and Illinois 529 Savings Plans imposed upfront sales charges as well as annual fees. The Class C mutual fund shares did not impose upfront sales charges but charged higher annual fees than Class A shares for the first 10 years of the investment, after which they converted to Class A shares. During the relevant period, Thrivent and its registered representatives utilized a 529 College Savings Plans share class calculator to determine which mutual fund share class to recommend to retail customers. While historically, it may have been in the best interest of many of Thrivent's customers to invest in Class A shares of the Nebraska and Illinois 529 Savings Plans, the Illinois 529 Savings Plan and the Nebraska 529 Savings Plan made changes to their expense structures in March 2020 and December 2020, respectively, that significantly reduced the annual fees charged on the Class C shares. Until July 2022, Thrivent failed to update its calculator to account for these expense structure changes implemented in 2020, and as a result, recommended Class A shares of the Nebraska and Illinois 529 Savings Plans to its customers.

2. As a result of this failure to understand the difference in costs of the Class A and Class C shares, during the relevant period, Thrivent and its registered representatives failed to exercise reasonable diligence, care, and skill when recommending investments in the Nebraska 529 Savings Plan and the Illinois 529 Savings Plan to retail customers. Thrivent also failed to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation BI. For these reasons, Thrivent failed to comply with Regulation BI's Care Obligation and Compliance Obligation. By failing to comply with Regulation BI's component obligations, Thrivent willfully violated Regulation BI's General Obligation found in Rule 15*l*-1(a)(1) under the Exchange Act.

[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Respondent

3. Thrivent Investment Management, Inc. is a Delaware corporation, with its principal place of business in Minneapolis, Minnesota. Thrivent has been registered with the Commission as a broker-dealer pursuant to Section 15(b) of the Exchange Act since October 1986, and as an investment adviser since May 1987. Thrivent has branch offices throughout the United States and has approximately 2775 registered representatives and investment adviser representatives.

Facts

Background

4. Section 529 of the Internal Revenue Code ("Code") exempts certain qualified tuition programs ("529 Plans") from taxation and permits each state (or an agency or instrumentality thereof) to establish and maintain such programs. 26 U.S.C. §529. 529 Plans are established in compliance with Section 529(b) of the Code, with states generally organizing their 529 Plans as trusts or funds through legislative action. Individual investors purchase interests in the trust or fund on behalf of a designated beneficiary. In turn, these trusts or funds generally invest their assets in pooled investment vehicles, most commonly mutual funds with different share classes, including Class A shares and Class C shares. Because these interests are being offered by a state (or an agency or instrumentality thereof), 529 Plans are considered municipal securities under Section 3(a)(29) of the Exchange Act.

5. During the relevant period, Thrivent, through its registered representatives, failed to exercise reasonable diligence, care, and skill to understand the potential risks, rewards, and costs associated with recommending the Illinois 529 Savings Plan and the Nebraska 529 Savings Plan to certain retail customers because they did not consider the current and accurate costs of the Class A and Class C mutual fund shares that were offered through the Illinois 529 Savings Plan and the Nebraska 529 Savings Plan when recommending that certain retail customers purchase Class A shares, instead of Class C shares that were also offered by these 529 Plans.

6. The Class A shares of the Illinois 529 Savings Plan and the Nebraska 529 Savings Plans imposed upfront sales charges as well as annual fees. The Class C mutual fund shares did not impose upfront sales charges or any other sales charges, but charged higher annual fees than the Class A shares for the first 10 years of the investment, after which they converted to Class A shares. Prior to 2020, the difference in annual expense ratios between Class A shares and Class C shares of mutual funds offered through the Illinois 529 Savings Plan and the Nebraska 529 Savings Plan was 75 basis points until the Class C shares converted to Class A shares after 10 years. In March 2020 and December 2020, respectively, however, the Illinois 529 Savings Plan and the Nebraska 529 Savings Plan reduced the difference in annual expense ratios between the two share classes to 25 basis points. The Class A shares continued to charge an upfront fee in addition to the annual expenses. After this change, investments in Class C shares became less expensive than Class A shares for many of Thrivent's customers, regardless of the amount and expected duration of the investments.

7. During the relevant period, Thrivent provided its registered representatives and their supervisors with a 529 College Savings Plan share class calculator to help them identify and recommend the appropriate share class to retail investors. Thrivent's written policies and procedures required supervisors to use the calculator and document the recommended share class for each retail customer.

8. However, during the relevant period, Thrivent did not review or update the information in its 529 College Savings Plan share class calculator related to the reduction in expense ratios for Class C shares in the Illinois 529 Savings Plan and the Nebraska 529 Savings Plan. As a result, the calculator continued to indicate that Class A mutual fund shares were less expensive than Class C mutual fund shares for certain of Thrivent's retail customers.

9. In July 2022, shortly before the commencement of an examination by staff in the Commission's Division of Examinations, Thrivent's Suitability Department discovered that its 529 College Savings share class calculator incorrectly added upfront sales charges to Class C shares when those shares automatically converted to Class A shares after 10 years. This error artificially inflated the cost of Class C shares in the calculator and impacted certain of Thrivent's recommendations of investments in the Illinois 529 Savings Plan and the Nebraska 529 Savings Plan because, unlike Class A shares, the Class C shares did not impose an upfront sales charge. In correcting this error, Thrivent subsequently discovered that its 529 College Savings Plan share class calculator had not been timely reviewed and updated to account for the reduction in annual expense ratios between Class C shares and Class A shares that had occurred in 2020. After identifying these issues, Thrivent took steps to correct the share class calculator and determined that Class C shares would have been less expensive than Class A shares for many of Thrivent's retail customers.

10. Thrivent reported the issues discussed in paragraph 9 above to staff in the Commission's Division of Examinations in December 2022.

11. Thrivent promptly updated its written policies and procedures to require its staff to review and update its 529 College Savings Plan share class calculator on a quarterly basis. Thrivent also paid approximately $220,000 to 846 retail customers, representing upfront sales charges, plus interest.

Failure to Comply with the Reasonable Basis Prong of Regulation BI's Care Obligation

12. Regulation BI's Care Obligation requires a broker-dealer or its associated persons (including registered representatives), in making a recommendation of any securities transaction or investment strategy involving securities to a retail customer to exercise reasonable care, diligence, and skill to understand the potential risks, rewards, and costs associated with the recommendation and have a reasonable basis to believe that the recommendation could be in the best interest of at least some retail customers. ("Reasonable Basis Prong"). Exchange Act Rule 15*l*-1(a)(2)(ii)(A).

13. As discussed above, Thrivent failed to consider the current and accurate costs of the mutual fund shares it recommended for investment through the Illinois 529 Savings Plan and Nebraska 529 Savings Plan between June 30, 2020 and July 2022. By failing to exercise reasonable

diligence, care, and skill to understand the potential costs associated with its recommendation of Class A shares when compared to Class C shares of the Illinois 529 Savings Plan and the Nebraska 529 Savings Plan, as discussed above, Thrivent failed to comply with the Reasonable Basis Prong of Regulation BI's Care Obligation.

Failure to Comply with the Customer-Specific Prong of the Care Obligation of Regulation BI

14. Regulation BI's Care Obligation requires a broker-dealer or its associated persons, in making a recommendation of any securities transaction or investment strategy involving securities to a retail customer, to exercise reasonable diligence, care, and skill to have a reasonable basis to believe that the recommendation is in the best interest of a particular retail customer based on the customer's investment profile and the potential risks, rewards, and costs associated with the recommendation and does not place the financial or other interest of the broker-dealer or its persons ahead of the interest of the retail customer ("Customer-Specific Prong"). Exchange Act Rule 15*l*-1(a)(2)(ii)(B). Regulation BI defines "retail customer investment profile" to include, among other things, "financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, [and] liquidity needs." Exchange Act Rule 15*l*-1(b)(2).

15. During the relevant period, Thrivent and its registered representatives did not have a reasonable basis to believe that their recommendations of investments in Class A shares of mutual funds in the Illinois 529 Savings Plan and Nebraska 529 Savings Plan were in their retail customers' best interest in light of each retail customer's investment profile and the potential risks, rewards, and costs of these 529 Plans. In particular, Thrivent, through its registered representatives, did not properly consider the potential costs associated with their recommendation of Class A shares of the Illinois 529 Savings Plan and the Nebraska 529 Savings Plan when recommending the Class A shares to retail customers for whom, in light of their investment profile, including their investment objectives and investment time horizons, Class C shares would have been less expensive.

16. Consequently, during the relevant period, Thrivent, through its registered representatives, recommended that 846 retail customers purchase Class A mutual fund shares in the Illinois 529 Savings Plan and Nebraska 529 Savings Plan with upfront sales charges instead of less-costly Class C mutual fund shares that would have been more beneficial for the customers. As a result, Thrivent, through its registered representatives, recommended and sold Class A mutual fund shares to 846 retail customers for whom it did not have a reasonable basis to believe the investments were in the customers' best interest.

17. Because these recommendations were not in the best interest of these customers, Thrivent failed to comply with the customer-specific prong of Regulation BI's Care Obligation.

Failure to Comply with the Compliance Obligation of Regulation BI

18. Regulation BI's Compliance Obligation requires a broker-dealers to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation BI. Exchange Act Rule 15*l*-1(a)(2)(iv).

19. During the relevant period, Thrivent failed to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation BI because it did not have any procedures reasonably designed to ensure that it timely reviewed and updated the costs of different mutual fund shares classes in its 529 College Savings Plan share class calculator despite Thrivent's procedures that required supervisors to use the calculator and document the recommended share class for each retail customer.

20. By failing to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation BI, Thrivent failed to comply with Regulation BI's Compliance Obligation.

Violations

21. As a result of the conduct described above, Thrivent willfully[2] violated Rule15*l*-1(a) under the Exchange Act.

Thrivent's Remedial Efforts

22. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent Thrivent and cooperation afforded the Commission staff. Among other things, Thrivent promptly identified and reported the facts concerning the violations described above to the Commission's Examinations staff during an ongoing examination, conducted an internal investigation and analysis, revised its relevant policies and procedures, and paid approximately $220,000 to 846 retail customers, representing upfront sales charges, plus interest.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, and Section 203(e) of the Advisers Act, it is hereby ORDERED that:

A. Respondent Thrivent cease and desist from committing or causing any violations and any future violations of Rule 15*l*-1(a) under the Exchange Act.

B. Respondent Thrivent is censured.

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[2] "Willfully," for purposes of imposing relief under Section 15(b) of the Exchange Act, "'means no more than that the person charged with the duty knows what he is doing.'" *See Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term "willfully" for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has "willfully omit[ted]" material information from a required disclosure in violation of Section 207 of the Investment Advisers Act of 1940).

C. Respondent Thrivent shall, within 21 days of the entry of this Order, pay a civil money penalty in the amount of $25,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Thrivent as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Anne C. McKinley, Assistant Director, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Boulevard, Suite 1450, Chicago, IL 60604.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private

damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary