

Fact Sheet



U.S. Department of Labor
Employee Benefits Security Administration
November 29, 2010

Target Date Retirement Fund Disclosures

The Employee Benefits Security Administration (EBSA) today released a proposed rule that will help America's workers better understand target date retirement funds and other similar investments (TDFs) offered in 401(k)-type pension plans.

Background

- EBSA is responsible for administering and enforcing the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act of 1974 (ERISA). The agency oversees approximately 708,000 private pension plans, including 483,000 participant-directed individual account plans such as 401(k)-type plans.
- A "participant-directed plan" is a plan that provides for the allocation of investment responsibilities to participants or beneficiaries. An estimated 72 million participants are covered by these participant-directed plans, which contain nearly \$3 trillion in assets. Many of these plans include TDFs.
- TDFs are designed to make it more convenient for individuals saving for retirement - they allocate investments among different asset classes, and change that allocation to become more conservative over time.
- However, TDFs are not managed according to uniform strategies. TDFs with the same target date can have very different investment strategies and asset allocations. Participants and investors may not understand these differences, which can lead to very different levels of risk and investment results over time.
- In June 2009, EBSA and the Securities and Exchange Commission held a joint public hearing to explore issues related to TDFs, including how they are managed at the investment level, how they are selected by plan fiduciaries and by investors, and how information about them is disclosed to plan participants and investors.

Overview of Proposed Rule

The proposed rule would amend the "qualified default investment alternative regulation" (29 CFR 2550.404c-5) and the "participant-level disclosure regulation" (29 CFR 2550.404a-5) to enhance and provide more specificity as to the information that must be disclosed to participants and beneficiaries concerning investments in TDFs.

Qualified Default Investment Alternative Regulation

- The qualified default investment alternative regulation (72 FR 60452) provides relief from certain fiduciary responsibilities for fiduciaries of participant-directed individual account plans who, in the absence of directions from a participant, invest the participant's account in a qualified default investment alternative, including TDFs. Among the regulatory requirements necessary to obtain this relief, fiduciaries must furnish defaulted participants with a notice that, among other things, describes the qualified default investment alternative (QDIA notice).

Participant-level Disclosure Regulation

- The participant-level disclosure regulation (75 FR 64910) requires plan administrators of participant-directed individual account plans to furnish participants and beneficiaries with certain investment-related information about each designated investment alternative under the plan, including any TDFs.

The Proposed Amendments

The proposed rule would amend these two regulations to ensure that all participants and beneficiaries (whether or not defaulted into a TDF) in participant-directed individual account plans receive comprehensive information needed to evaluate TDFs and how specific TDFs meet their investment objectives, including:

- A narrative explanation of how the TDF's asset allocation will change over time, and the point in time when it will reach its most conservative position;
- A graphical illustration of how the TDF's asset allocation will change over time, and
- For a TDF that refers to a particular date (e.g., "Retirement 2050 Fund"), an explanation of the relevance of the date.

Public Notice and Comment

The proposed rule will be published in the Federal Register on November 30. The proposal invites public comments from interested persons. Comments are due no later than January 14, 2011. Public comments can be submitted electronically or by paper to the addresses listed in the proposed rule.

For questions about the regulation, contact EBSA's Office of Regulations and Interpretations at 202-693-8500.