Target Date Funds (TDFs) and similar investments were the subject of a joint public hearing held by the Department of Labor (DOL) and the Securities and Exchange Commission (SEC) on June 18. The goal was to learn more about TDFs, how they are managed, how they operate and whether additional guidance is needed.

The key concerns raised during the hearing include the following:

**Varying Performance** - During 2008 there was a significant variation in performance results for different TDFs. Not all TDFs are operated or managed in the same manner. For example, different glidepaths are used by different TDFs. The glidepath is the change in investment mix over time, reducing the equity percentage and increasing the fixed funds as the target date approaches. Hence, the risk for each TDF may be low, moderate or high depending on the asset mix. There was discussion of whether guidance is needed regarding the glidepath or asset mix based on the target date of the fund.

**Fund Name Misleading** - Some felt that consideration should be given to changing the name of the fund itself (Target Date Fund), as it may be deceptive or misleading to participants.

**TDF as QDIA** - TDFs are named under the Qualified Default Investment Arrangement (QDIA) regulations as a type of fund that meets the QDIA safe harbor default fund requirements (see Qualified Plan News 2007-16 and 2008-6). One witness questioned whether guidance is needed regarding the type of TDF that should be permitted under the QDIA safe harbor (e.g., low risk versus moderate or high risk).

**Participant Disclosure** – Many participants have misconceptions about TDFs, thinking that TDFs are an investment that would fully fund their retirement, or that they are a guaranteed investment, which is not the case. Participants need sufficient information to understand the asset mix of each TDF and how it will change in relation to the target date, as well as the overall risk level of the fund. There was a call for more detailed participant disclosure to be provided by the plan fiduciary.

**Additional Comments Requested** - The hearing record will remain open for 30 days after the hearing so that additional comments may be filed. The DOL has indicated that a webcast of the hearing will be made available on the DOL’s website at http://www.dol.gov/ebsa/.

ING is monitoring this matter closely and will provide more information as future developments occur.
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