AllianceBernstein launches fiduciary-minded TDFs

By Editorial Staff *Thu, Aug 14, 2014*

"Our question was, what's the next stage in the evolution of target date funds? After talking to advisers and plan sponsors, we decided that '2.0' in TDFs will be a multi-manager concept," said Craig Lombardi, head of DCIO at AllianceBernstein.

AllianceBernstein is launching a new series of target date funds called "AllianceBernstein Multi-Manager Select Retirement Funds," the $480 billion asset manager announced this week.

Craig Lombardi, head of AllianceBernstein's DCIO (defined contribution investment-only) business, told *RIJ* that the new series was designed to fit plan sponsors' demands for funds and fund structures that meet rising fiduciary standards—standards that have been heightened by Department of Labor initiatives and class action lawsuits against plan sponsors.

According to a AllianceBernstein release, the development of the multi-manager series "addresses issues that the U.S. Department of Labor (DoL) has identified in its 'Tips for ERISA Plan Fiduciaries,' noting that non-proprietary target-date funds could offer advantages to plan participants by diversifying their exposure to investment providers."

The all-in costs of each fund will be 65 to 90 basis points and AllianceBernstein will market them mainly to small and mid-sized plans. The funds are expected to be available for purchase by early November 2014.

Co-managed with Morningstar Associates, LLC, the registered investment advisor unit of Morningstar, Inc., the series will invest in funds managed by AQR, Franklin Templeton, MFS, PIMCO and others, in addition to AllianceBernstein.

"Our question was, what's the next stage in the evolution of target date funds? After talking to advisers and plan sponsors, we decided that '2.0' in TDFs will be a multi-manager concept" as opposed to proprietary funds managed by a single firm, Lombardi told *RIJ* in an interview this week.

To help ensure objectivity, AllianceBernstein will serve as general manager of each TDF but rely on Morningstar to choose the sub-managers. "Morningstar will have full discretion over the selection of the managers of the underlying funds," he added. "The funds will have our expertise on glide path design. We'll be able to dynamically de-risk or re-risk, in order to get better outcomes through good or bad markets.”

AllianceBernstein will market its new series mainly to small and mid-sized firms rather than the already crowded large-plan market, which is dominated by the three big proprietary TDF managers, Vanguard, Fidelity and T. Rowe Price.

“We already manage more than $21 billion in custom target-date portfolios for large defined contribution plans and we will continue to design offerings for plans of all sizes that assist sponsors and their advisors with their evolving needs,” said Richard Davies, head of defined contribution and co-head of North America Institutional at AllianceBernstein, in a statement.

To meet plan sponsors’ concerns about fund fees, the new series will include the least expensive fund class, Lombardi said. “We tried to price this product line at a slight premium over the large proprietary active TDF managers—such as Fidelity Freedom funds—but at a slight discount to competing multi-manager funds,” Lombardi told *RIJ*.

He noted that AllianceBernstein hopes to capture up to two percent of the $1.7 trillion TDF market with its new series, which would be $34 billion. The multi-manager series will run parallel to AllianceBernstein’s existing Retirement Strategies series of TDFs, he said.

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