
SEC Proposes More Disclosures for TDFs

By Editor Test Tue, Jun 22, 2010

Under one proposed rule, marketing materials that include a date in a target date fund's name must also disclose the fund's asset allocation at the target date.

The Securities & Exchange Commission has issued several proposals to strengthen its rules for the advertising and marketing of target-date retirement funds, *Pensions & Investments* reported.

Under one proposed rule, marketing materials that include a date in a target date fund's name must also disclose the fund's asset allocation at the target date. Another proposal would require marketing materials to include a table, chart or graph that depicts the asset allocations among types of investments over the life of the fund.

"The table, chart, or graph [must] be immediately preceded by a statement explaining that the asset allocation changes over time, noting that the asset allocation eventually becomes final and stops changing, stating the number of years after the target date at which the asset allocation becomes final, and providing the final asset allocation," according to an SEC fact sheet on the proposals.

The SEC also proposed to require target-date fund marketing materials to state that a target date should not be selected based solely on age or expected retirement date. In addition, fund disclosures would have to say that investments in target-date funds aren't guaranteed.

A review by SEC staff had revealed that funds with the same dates had equity exposures of 25% to 65% at their target dates. Even at the fund's "landing point," when it reaches its most conservative point and stops changing, the equity allocations of funds with the same target date ranged from 20% to 65%, said SEC chairman Mary Schapiro said.

"Investors need more information than just the date in a fund's name," Ms. Schapiro said. "They need context in order to evaluate what the date means and what the fund's projected investment glidepath is."

The public will have 60 days to comment on the proposals after publication in the Federal Register, according to John Heine, an SEC spokesman. Publication is expected "as soon as possible," Mr. Heine added.

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