401(k) RETIREMENT PLANS

Department of Labor Should Update Guidance on Target Date Funds
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March 2024

Why GAO Did This Study

Millions of Americans depend on TDF investment options offered by their 401(k) plans for financial security in retirement. According to Morningstar, a financial services firm, and the Investment Company Institute, an association that represents regulated investment funds, there was about $2.8 trillion in TDF assets held in defined contribution plans as of June 2023. As the stock market dropped precipitously at the start of COVID-19, retirement experts and members of Congress raised questions about variation in the performance and risk exposure in TDFs, particularly those held by participants close to retirement.

GAO was asked to examine TDFs’ performance and risk. This report examines the extent to which 401(k) plans and participants use TDFs; how asset allocations, risk, performance, and fees vary across TDFs; and how DOL, OCC, and SEC oversee TDFs, among other topics.

GAO analyzed Morningstar Direct data, including all TDFs structured as mutual funds that were active from 2017 to 2021, the most recent available data at the time of the request. GAO also reviewed retirement industry documents; and interviewed industry representatives and officials from DOL, OCC, and SEC.

What GAO Found

Target date funds (TDFs) are widely offered and have become the most popular investment option used by 401(k) plan participants. TDFs allocate assets over time based on participants' targeted retirement dates. The Pension Protection Act of 2006 facilitated plan sponsors’ automatic enrollment of employees into their plans using default investments, including TDFs. Plan sponsors GAO spoke with said they choose TDFs as their default investment because TDFs offer low fees, a well-diversified all-in-one portfolio, and a “set it and forget it” option for participants. A nationwide study showed that the share of participants offered TDFs increased from 42 percent in 2006 to 84 percent in 2020. According to other studies, auto-enrollment contributed to a majority of participants investing solely or primarily in TDFs, which represent more than a quarter of 401(k) assets.

Variation in TDF design affects their performance and risk. Asset managers design TDFs’ investment mixes to shift from higher risk assets (e.g., stocks) to lower risk assets (e.g., fixed income) over time, based on participants’ targeted retirement dates. These mixes varied more within 10 years of the target date, according to GAO’s analysis of Morningstar Direct data.

In addition, as COVID-19 disrupted financial markets in March 2020, TDFs that were further from their target dates lost a larger share of their value than TDFs closer to their target dates because they were more heavily invested in higher risk assets. For instance, an average TDF with a 2060 target date lost 14 percent of its value from February to March 2020, whereas the average TDF with a 2020 target date lost 8 percent of its value. While TDFs closer to their target dates experienced smaller losses in March 2020 than those further from their target dates, their performance varied more. This was due to more variation in their investment mixes. Negative returns are significant for participants close to, or in, retirement because they have less time to recover from them than those who are further from retirement.

The Department of Labor (DOL), the Office of the Comptroller of the Currency (OCC), and the Securities and Exchange Commission (SEC) oversee TDFs through disclosure requirements, enforcement, and examinations. But DOL’s guidance has not been updated and lacks detail. For example, DOL developed guidance in 2010 for participants and in 2013 for plan sponsors to help them select TDFs. However, the guidance does not include recent developments such as the increase of TDFs structured as collective investment trusts. Collective investment trusts are bank-administered pooled funds established exclusively for qualified plans such as 401(k)s. The responsible bank acts as the fiduciary and holds legal title to the assets. Without updated guidance, plan sponsors and participants may experience challenges identifying and understanding disclosures for collective investment trust TDFs.

What GAO Recommends

GAO is recommending that DOL update (1) its 2013 guidance for plan sponsors and (2) its 2010 guidance for plan participants on selecting TDFs. DOL disagreed with both recommendations. GAO continues to believe both are warranted, as discussed in the report.

View GAO-24-105364. For more information, contact Tranchau (Kris) T. Nguyen at (202) 512-7215 or nguyentt@gao.gov.
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Abbreviations

COVID-19  Coronavirus Disease 2019
DOL    Department of Labor
EBRI   Employee Benefit Research Institute
EBSA   Employee Benefits Security Administration
EDGAR Electronic Data Gathering, Analysis, and Retrieval
ERISA  Employee Retirement Income Security Act of 1974
FSA    federal savings association
ICI    Investment Company Institute
OCC    Office of the Comptroller of the Currency
PPA    Pension Protection Act of 2006
PSCA   Plan Sponsor Council of America
QDIA   qualified default investment alternative
SEC    Securities and Exchange Commission
SECURE 2.0 SECURE 2.0 Act of 2022
TDF    target date fund
TSP    Thrift Savings Plan

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March 28, 2024

The Honorable Patty Murray  
Chair  
Committee on Appropriations  
United States Senate  

The Honorable Bernard Sanders  
Chair  
Committee on Health, Education, Labor and Pensions  
United States Senate  

The Honorable Robert C. “Bobby” Scott  
Ranking Member  
Committee on Education and the Workforce  
House of Representatives  

Millions of Americans depend on the savings in their 401(k) plans for financial security in retirement.¹ 401(k) plan benefits are typically based on employer and employee contributions along with investment returns (gains and losses). To help participants manage investment risk, many 401(k) plans offer target date funds (TDFs). TDFs allocate assets over time based on participants’ targeted retirement dates. As participants get closer to retirement, TDFs are generally designed to reduce investment risk by gradually shifting their asset allocation from higher risk assets (e.g., equities) to lower risk assets (e.g., fixed income bonds).

TDFs are commonly used by 401(k) plan participants. As of June 2023, defined contribution plans held approximately $2.8 trillion in TDF assets,  

¹Named after section 401(k) of the Internal Revenue Code, 401(k) plans are private, employer-sponsored defined contribution plans that allow workers to save for retirement by diverting a portion of their pre-tax wages into an investment account that can grow tax free until withdrawn in retirement. 401(k) plans allow employees who participate in the plan to specify the size of their contributions and direct their assets to one or more investments among the options offered within the plan. Employers may also make contributions to employees’ accounts. Our review primarily focuses on 401(k) plans, which are the most prominent type of defined contribution plan. Some sources cited in this report included other types of defined contribution plans—such as 403(b) plans—in addition to 401(k) plans as described in appendix I.
according to the Investment Company Institute (ICI) and Morningstar.\(^2\)
This is a significant amount considering that total assets in defined contribution plans were about $9.5 trillion at the end of 2021.\(^3\) In early 2020, as the stock market dropped precipitously at the beginning of COVID-19, retirement experts and members of Congress raised questions about variation in the performance and risk exposure in TDFs, particularly those held by participants close to retirement.

You asked us to examine TDFs’ performance and risk exposure. This report examines (1) the extent to which 401(k) plans and participants use TDFs; (2) how asset allocations, risk levels, performance, and fees vary across TDFs; (3) how 401(k) plan sponsors select and monitor TDFs; and (4) how the Department of Labor (DOL) and other federal agencies oversee TDFs.

To assess the extent to which 401(k) plans and participants use TDFs, we reviewed reports, including from BrightScope and ICI (2023), the Defined Contribution Institutional Investment Association (DCIIA) (2022), the Plan Sponsor Council of America (PSCA) (2022), and Vanguard (2023).\(^4\) We spoke with representatives from each entity to learn more about their research. We also conducted a search of TDF-related literature published from 2016 through 2021, the most recent available when we began our study. This literature included reports from research and industry groups, as well as academic papers.\(^5\)

\(^2\)This amount includes TDFs held in all types of defined contribution plans but does not include TDFs held in Individual Retirement Accounts (IRAs) or other types of accounts. ICI is an association that represents regulated investment funds. Morningstar is a financial services firm that provides data on mutual funds, collective investment trusts, and other investments.

\(^3\)At the end of 2021, 401(k) plans held approximately $8 trillion in assets, according to the most recent data available. Employee Benefits Security Administration, Department of Labor, Private Pension Plan Bulletin: Abstract of 2021 Form 5500 Annual Reports, Sept. 2023.

\(^4\)BrightScope is a financial information company that helps retirement asset managers identify, target, and retain clients. DCIIA is a non-profit trade association dedicated to enhancing the retirement security of America’s workers. PSCA is a nonprofit trade association that supports plan sponsors who provide employment-based retirement plans, and Vanguard is one of the world’s largest investment companies.

\(^5\)For example, we reviewed, Mitchell, Olivia S. and Stephen P. Utkus, Target-Date Funds and Portfolio Choice in 401(k) Plans, Journal of Pension Economics and Finance (2021), 1–18 and Shoven, John B. and Daniel B. Walton, An Analysis of the Performance of Target Date Funds. The Journal of Retirement (Spring 2021), 43-65.
To assess how asset allocations, risk levels, performance, and fees vary across TDFs, we obtained and analyzed data from Morningstar’s Direct database. Morningstar provided these data for the period from January 2017 to December 2021, the most recent available at the time of our request. The data include TDFs structured as mutual funds and collective investment trusts. We conducted a data reliability assessment of Morningstar Direct data and found it to be reliable for the purposes of our report. Specifically, we interviewed Morningstar representatives, reviewed related documentation, and conducted electronic testing. We also reviewed Morningstar’s Target Date Strategy Landscape reports published from 2021 to 2023 to get an overview of TDFs and to learn about TDF trends.

To learn more about how asset managers design and manage TDFs, as well as how they engage and communicate with their plan sponsors and investment consultants, we interviewed representatives from the seven largest TDF asset managers based on the amount of TDF assets under their management. According to Morningstar, these seven asset managers’ TDFs made up 86 percent of the TDF market as of December 31, 2021, the most recent data available when we selected asset managers to interview. We also reviewed their documentation, including mutual fund prospectuses and mutual fund and collective investment trust fact sheets.

To understand how 401(k) plan sponsors select and monitor TDFs, we interviewed representatives of eight plan sponsors and reviewed their documentation, such as investment policy statements and meeting minutes. We selected the eight plan sponsors from among the 27 that responded to a GAO-designed survey sent by PSCA to its members in August 2022. Although our sample of plan sponsors is non-generalizable,

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6Morningstar Direct is an online research platform that provides performance and holdings data and analysis of investments.

7Morningstar’s mutual fund data includes filings from all publicly-traded companies, and therefore covers the universe of mutual fund TDFs. Morningstar’s collective investment trust data is voluntarily reported by asset managers and is therefore not complete. A mutual fund is an open-end investment company registered with the SEC that pools money from many investors and is generally available to retail investors and 401(k) plan participants, among other kinds of investors. Collective investment trusts are bank-administered pooled funds established exclusively for qualified plans such as 401(k)s. The responsible bank acts as the fiduciary and holds legal title to the collective investment trust assets.

8Morningstar, 2022 Target-Date Strategy Landscape, Mar. 2022.
our selection encompasses a diverse group of plan sponsors offering insights into their TDF selection and monitoring practices. For further detail on our methodology for selecting and interviewing plan sponsors, please see appendix I.

In addition, we selected five investment consultants to interview to learn about how they help plan sponsors select and monitor TDFs. We also reviewed their documentation, such as TDF suitability analysis reports to learn about their methodology for selecting TDFs and their investment reviews to learn about the criteria they consider when monitoring TDFs. We also interviewed representatives from these five investment consultants and reviewed their documentation. Although our sample of investment consultants is non-generalizable, our selection encompasses a diverse group of investment consultants offering insights into their TDF selection and monitoring practices. For further detail on our methodology for selecting and interviewing investment consultants, please see appendix I.

To understand how DOL and other federal agencies oversee TDFs, we interviewed officials from DOL, the Securities and Exchange Commission (SEC), and the Office of the Comptroller of the Currency (OCC) about their related activities and guidance. We also reviewed the agencies’ guidance and documentation on TDFs, as well as relevant federal laws and regulations. Last, we reviewed enforcement procedures and data to gain an understanding of each agency’s enforcement efforts. For further detail on our methodology for reviewing DOL and other federal agencies’ oversight of TDFs, see appendix I.

We conducted this performance audit from August 2021 to March 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### Background

#### Automatic Enrollment and Types of Default Investments

When an employer offers a 401(k) plan to its employees, each employee may have to decide whether to join the plan. If the employee joins the plan, they can specify the amount of their contributions and select one or more investment funds among the options offered. However, an
increasing number of employers automatically enroll employees into their plans using a default investment if they do not choose a fund on their own.

A 401(k) plan sponsor may choose to automatically enroll all employees, new or recently hired employees, or existing employees into the plan’s default investment.9 However, not all plans that designate a default investment have an auto-enrollment feature. Employers may be prompted to use a default investment without auto-enrollment due to incomplete enrollment forms, changes to a plan’s investment options, or asset rollovers.

The Pension Protection Act of 2006 (PPA) included provisions designed to facilitate greater adoption of automatic enrollment. For example, PPA amended the Employee Retirement Income Security Act of 1974 (ERISA) to provide a safe harbor for plan fiduciaries investing participants’ assets in qualified default investment alternatives (QDIAs) in the absence of participant investment direction, as defined by DOL.10 When acting as fiduciaries, plan sponsors must act solely in the interest of plan participants and beneficiaries for the exclusive purpose of providing benefits and paying reasonable expenses of the plan with appropriate care, skill, and prudence. Plan sponsors must also diversify investment options to avoid the risk of large losses.11 Further, plan sponsors must satisfy fiduciary responsibilities under ERISA when selecting and monitoring plan investment options available to plan participants, including the plan’s QDIA.

After the PPA was enacted, DOL designated TDFs (also known as lifecycle funds) as a QDIA, along with one other type of fund and one

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9Starting in 2025, the SECURE 2.0 Act of 2022 (SECURE 2.0) requires new 401(k) and 403(b) plans to automatically enroll eligible workers and automatically increase their deferral rates each year up to at least 10 percent but no more than 15 percent.

10See 29 C.F.R. § 2550.404c-5(a), (b)(2). In 2007, DOL implemented a regulatory “safe harbor” that limits plan sponsor liability for investing contributions on behalf of employees into default investments when employees do not otherwise make an election. In addition, DOL identified three default investments that, if selected by sponsors, would qualify a plan for safe harbor selection.

investment service. A TDF considers the individual’s age or targeted retirement date and selects investments that become more conservative as the participant approaches this date.

**Target Date Fund Design**

TDFs are designed to strike a balance between the level of risk and expected investment return, according to an investor’s anticipated retirement date. For example, TDFs typically allocate a relatively large percentage of assets to higher risk assets (e.g., equities) when investors are younger, and shift to lower risk assets (e.g., fixed income bonds) as investors approach retirement and have a shorter time horizon to save and less ability to recover from market downturns. This shifting investment mix is known as the glide path (see fig.1).

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12The other type of fund DOL designated as a QDIA is a balanced fund, which considers a group of employees as a whole and invests in a mix of assets with a level of risk appropriate for the group. The investment service DOL designated as a QDIA is a professionally managed account, which typically allocates contributions among existing plan options to provide a mix of assets based on an individual’s age or targeted retirement date and other circumstances. 29 C.F.R. § 2550.404c-5(e). In addition to these three QDIAs, a plan sponsor may also invest a participant’s contributions in a conservative fund—a fund designed to preserve principal and provide a reasonable rate of return—for the first 120 days after a participant’s first elective contribution to the plan.
There are two different types of glide paths—“to” retirement and “through” retirement. The investment mix of “to” retirement glide paths shifts until it reaches the target date and generally does not shift past that date. The investment mix of “through” retirement glide paths shifts up to and past the target date. Whether the TDF uses a “to” or “through” approach, its glide path is made up of multiple underlying funds in different asset classes, primarily equities and fixed income bonds. Asset managers may reallocate these underlying funds actively or passively, or by blending the
two approaches, according to asset managers with whom we spoke.\textsuperscript{13} The rebalancing of funds is an important characteristic of TDFs because prior to the advent of TDFs, no investment fund provided age-related rebalancing in 401(k) plans.\textsuperscript{14}

<table>
<thead>
<tr>
<th>Federal Agencies' Oversight of Target Date Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOL's Employee Benefits Security Administration (EBSA), OCC, and the SEC each have regulatory responsibilities related to TDFs. The oversight role of OCC and SEC depends on whether the TDF is structured as a collective investment trust or mutual fund. Collectively, these agencies seek to protect Americans' retirement savings, including by overseeing employers who sponsor TDF retirement plans and the financial entities that manage the assets within them (see table 1).</td>
</tr>
</tbody>
</table>

\textsuperscript{13}With active management, TDF managers actively buy and sell underlying assets seeking to achieve returns that exceed those of markets and indexes. With passive management, TDF managers invest in index funds, seeking to achieve returns equal to market or index returns. Some TDF managers use a blended approach, which includes both active and passive management.

\textsuperscript{14}One study showed that 401(k) participants with TDFs tended to hold a reduced amount of cash and company stock but increased their equity exposure (outside of company stock) and bond exposure. As a result of the changes to participants' portfolios, the adoption of low-cost TDFs may enhance retirement wealth by as much as 50 percent over a 30-year horizon. See Olivia S. Mitchell and Stephen P. Utkus, \textit{Target-Date Funds and Portfolio Choice in 401(k) Plans}. Journal of Pension Economics and Finance (2021), 3.
Table 1: Federal Agencies’ Oversight of Target Date Funds (TDFs)

<table>
<thead>
<tr>
<th>Federal agency</th>
<th>Role in overseeing TDFs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Department of Labor (DOL)</strong></td>
<td>DOL regulates 401(k) plan sponsors and fiduciaries by enforcing provisions of Title I of the Employee Retirement Income Security Act of 1974 (ERISA), as amended, regarding fiduciary responsibilities, including how plan sponsors select and monitor investment options, and reporting and disclosure requirements. For example, when selecting and monitoring TDFs or other investment options, a plan fiduciary must act with skill and prudence, solely in the interest of plan participants, and diversify the plan’s investments to minimize the risk of large losses, among other things. Plan sponsors or administrators are also required to provide participants with certain disclosures about the plan’s investment options.</td>
</tr>
<tr>
<td><strong>Office of the Comptroller of the Currency (OCC)</strong></td>
<td>OCC regulates TDFs established as collective investment trusts and offered by national banks and federal savings associations (FSAs). OCC seeks to ensure that national banks and FSAs operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations. Among other requirements, OCC regulations require that national banks and FSAs administering collective investment trusts, including collective investment trust TDFs, establish and maintain each collective investment trust in accordance with a written plan and applicable law, including state law.</td>
</tr>
<tr>
<td><strong>Securities and Exchange Commission (SEC)</strong></td>
<td>SEC regulates TDFs established as mutual funds and seeks to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. Mutual funds are required to register as investment companies under the Investment Company Act of 1940 and to register their securities under the Securities Act of 1933. Federal law and regulations require mutual funds to provide standardized disclosures to investors through prospectuses (among other required disclosures), which include information about the fund’s principal investment strategies, risks, fees, and historical performance.a</td>
</tr>
</tbody>
</table>

Source: GAO analysis of DOL, OCC, and SEC information.

Note: TDFs established as collective investment trusts and offered by state-chartered banks or other institutions are regulated by federal banking regulators or state banking regulators, depending on the institution’s charter. In addition, DOL reviews whether asset managers offering TDFs structured as collective investment trusts act as fiduciaries under ERISA, according to DOL officials.

a15 U.S.C. §§ 77j and 80a-8, 17 C.F.R. §§ 270.8b-1 – 270.8b-31, and 274.11A.
Target Date Funds Are Widely Offered by 401(k) Plans and Are the Most Common Investment Option Used by Participants

TDFs are widely offered by 401(k) plans and have emerged as the most popular investment option used by participants, largely because many plan sponsors automatically enroll participants in TDFs. From 2006 to 2020, a nationwide study showed that the use of TDFs by plan sponsors and participants increased considerably (see fig. 2).15

Figure 2: Increase in Target Date Fund (TDF) Use from 2006-2020

Percentage of plans, participants, and assets

<table>
<thead>
<tr>
<th>Year</th>
<th>Plans offering TDFs</th>
<th>Participants offered TDFs</th>
<th>Assets in TDFs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>32</td>
<td>32</td>
<td>3</td>
</tr>
<tr>
<td>2020</td>
<td>87</td>
<td>84</td>
<td>28</td>
</tr>
</tbody>
</table>

Source: GAO analysis of BrightScope/Investment Company Institute data | GAO-24-105364

Note: For 2006, BrightScope’s Defined Contribution Plan Database includes data from 22,592 large plans (generally 100 or more participants). For 2020, BrightScope’s Defined Contribution Plan Database includes data from 59,981 large plans (generally 100 or more participants).

15BrightScope and ICI’s report analyzed large 401(k) plans in the DOL’s 2020 Form 5500 Research File, as well as nearly 60,000 audited 401(k) plans in the BrightScope Defined Contribution Plan Database, which have between four and 100 investment options and typically 100 participants or more. The study included 22,592 401(k) plans with 100 or more participants in 2006 (36 percent of all plans this size based on DOL data) and 59,981 401(k) plans with 100 or more participants in 2020 (82 percent of all plans this size based on DOL data). BrightScope and Investment Company Institute, The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans, 2020 (San Diego, CA and Washington, D.C.: 2023). Department of Labor, Private Pension Plan Bulletin: Abstract of 2006 Form 5500 Annual Reports (Washington, D.C.: 2012). Department of Labor, Private Pension Plan Bulletin: Abstract of 2020 Form 5500 Annual Reports (Washington, D.C.: 2022). Percentages are rounded to the nearest whole number.
As previously noted, the PPA included provisions designed to facilitate plan sponsors’ automatic enrollment of employees into their plans and investment of their contributions in QDIA, including TDFs. Since 2006, many plan sponsors have chosen TDFs as their default investment and automatically enrolled participants in TDFs. This has contributed to a majority of 401(k) participants investing in TDFs as their only investment and more than a quarter of 401(k) plan assets invested in TDFs. In addition, participants that are automatically enrolled into TDFs are often younger and newer employees, which contributes to younger participants holding TDFs at higher percentages than older participants. However, plan participants also choose to invest in TDFs voluntarily.

Industry reports and stakeholders we interviewed described the reasons why TDFs have increased in popularity:

**QDIA.** According to survey data from PSCA, 84 percent of 401(k) plans designated a QDIA in 2021, and of those that did, 87 percent chose a TDF.\(^{16}\) Representatives from all eight plan sponsors we interviewed said they use TDFs as their default investment. According to some of the plan sponsors, one reason is that TDFs are included in DOL’s safe harbor regulations, which limit plan sponsors’ liability for participants’ investment losses if certain standards are met. Other reasons are that TDFs offer low fees, a well-diversified all-in-one portfolio, and a “set it and forget it” investment option. A “set it and forget it” option may simplify investment decision-making by allowing participants to build a well-diversified investment portfolio without actively managing their portfolio, such as by buying or selling stocks.

**Automatic enrollment.** A majority of 401(k) plan participants hold TDFs largely because many employers automatically enroll new employees in

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\(^{16}\)PSCA is a nonprofit trade association that supports plan sponsors who provide employment-based retirement plans. Plan Sponsor Council of America, *65th Annual Survey: PCSA’s Annual Survey of Profit Sharing and 401(k) Plans: Reflecting 2021 Plan Experience* (Arlington, Va.: 2022), 21. This annual survey reports on the 2021 plan-year experience of 557 401(k) and/or Profit Sharing plans. Percentages are rounded to the nearest whole number.
their plans using TDFs as the default investment. Industry data show that most participants invest in TDFs, but the figures vary based on the plans and participants included in the data. For example, according to Employee Benefit Research Institute (EBRI) and ICI’s analysis of national data, 59 percent of 401(k) plan participants invested in TDFs at year-end 2020. However, among plans that used Vanguard—the asset manager with the largest amount of TDF assets—the share of its defined contribution participants invested in a TDF was 83 percent as of year-end 2022.

This high use of TDFs is driven largely by automatic enrollment. For example, Vanguard’s data shows 98 percent of its defined contribution plans that used automatic enrollment in 2022 used a TDF as the default fund. Moreover, both Vanguard and BrightScope/ICI found that larger plans were more likely to offer TDFs and use automatic enrollment compared to smaller plans. This is another factor leading to participation in TDFs, since larger plans represent more participants and more assets. In addition, representatives from seven of the eight plan sponsors we

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17Participants in automatic enrollment plans are generally defaulted into a single TDF, with the target date based on the employee’s current age and assumed retirement date, typically age 65. See Olivia S. Mitchell and Stephen P. Utkus, Target-Date Funds and Portfolio Choice in 401(k) Plans. Journal of Pension Economics and Finance (2021), 1. Mitchell and Utkus explain that the TDF a participant is enrolled in is “based on the employee’s current age and assumed retirement date (usually age 65).”

18EBRI provides research on employee benefits and ICI is an association that represents regulated investment funds. EBRI and ICI draw from the largest available data sample of 401(k) plans. EBRI and ICI, 401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2020, p.2. EBRI and ICI’s 401(k) database contains data on 76,507 401(k) plans with $1 trillion in assets and 11.5 million participants. In comparison to the total universe of 401(k) plans, the database covers 13 percent of all 401(k) plans, 15 percent of $6.8 trillion in total assets, and 19 percent of the active 401(k) plan participants as of year-end 2020.

19Vanguard, How America Saves, 2023. Vanguard’s data comes from the approximately 1,700 qualified plans, 1,400 clients, and nearly five million participants that it provides direct recordkeeping services for. About nine in 10 of these plans have a 401(k) or 403(b) employee-contributory feature; the other one in 10 is an employer-contributory defined contribution plan, such as a profit-sharing or money purchase plan, in which investments are directed by participants.

interviewed said they automatically enroll new employees in their 401(k) plans using TDFs as their default investment.21

**Younger participants.** According to one study, younger 401(k) plan participants—those under age 35—hold TDFs at slightly higher percentages than older participants.22 In addition, at year-end 2018, 62 percent of participants in their 20s held TDFs, compared with 50 percent of participants in their 60s, according to EBRI and ICI.23 TDFs also make up a greater share of younger participants' account balances. EBRI and ICI also found that participants in their 20s who invest in TDFs had 51 percent of their accounts invested in TDFs compared to 23 percent for participants in their 60s.24 Moreover, recently-hired participants were more likely to hold TDFs than those who had worked for longer. One reason for these trends is that younger workers were often newer workers who were automatically enrolled. PSCA found that 59 percent of 401(k) plans automatically enrolled participants in 2021, and 95 percent of these plans automatically enrolled new hires only.25

**Voluntary investment.** Participants also voluntarily invest in TDFs. For example, one study found that younger participants (those under age 35) were more likely to invest in TDFs, either as a sole investment or by investing in a TDF and other options, even after controlling for the effect of automatic enrollment for new hires.26 The authors suggest that this is because younger employees were either less financially sophisticated or more willing to adopt novel strategies, and therefore were more attracted to TDFs. Furthermore, Vanguard found that although automatic

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21A representative from one of the seven plan sponsors said they automatically enroll new employees under age 50 in their 401(k) plan using TDFs as the default investment. New employees over age 50 are automatically enrolled in the plan using its managed account program as the default investment.


24Percentages are rounded to the nearest whole number.


26In *Target-Date Funds and Portfolio Choice in 401(k) Plans* (2021), Olivia S. Mitchell and Stephen P. Utkus explain that a pure target-date investor invests all of one’s savings in a single TDF and a mixed target-date investor combines a TDF with other options.
enrollment heavily influences the use of TDFs, with 48 percent of participants automatically enrolled into one TDF, 22 percent of participants voluntarily invested in one TDF.27

The increase in the popularity of TDFs has also impacted various aspects of how participants are investing in 401(k) plans:

Sole or primary investment. More than half of defined contribution plan participants invest in a single TDF as their only plan investment, according to available data. At year-end 2022, Vanguard reported that 59 percent of its defined contribution plan participants held a single TDF as their sole investment.28 Similarly, EBRI and ICI data show that 53 percent of 401(k) participants held a single TDF at year-end 2018, although they may have invested in other non-TDF funds as well.29 In addition, 401(k) plan participants that hold TDFs tend to have high concentrations of their accounts in TDFs. For example, EBRI and ICI found that 74 percent of plan participants who held TDFs—including those who may have held other funds as well—invested more than 90 percent of their accounts in TDFs at year-end 2018.30


29Holden, Sarah, Jack VanDerhei, and Steven Bass, 401(k) Plan Participants’ Use of Target Date Funds, EBRI Issue Brief, no. 537, and ICI Research Perspective, vol. 27, no. 7 (Sept. 2021). According to EBRI and ICI’s database, in 2018, 56 percent of 401(k) participants held TDFs, and 94 percent of those holding TDFs hold one TDF. Therefore, 53 percent of all 401(k) participants held one TDF. Percentages are rounded to the nearest whole number.

Target Date Funds (TDF) and 401(k) Plan Investment Menus

401(k) plans offered an average of 20 investment options in 2020 when a TDF series was counted as a single investment option, according to BrightScope and ICI. Plans that offer TDFs generally offer one TDF series with multiple target dates in 5-year increments (e.g., TDFs with target dates ranging from 2015 to 2060), alongside other investment options, such as equity funds and bond funds.


Assets. Participants invest more than a quarter of 401(k) assets in TDFs. A nationwide study from BrightScope and ICI showed that participants invested 28 percent of 401(k) assets in TDFs in 2020. At year-end 2020, data from EBRI and ICI showed that 31 percent of 401(k) plan assets were invested in TDFs compared with 42 percent in equity funds and 9 percent in bond funds. One plan sponsor representative we spoke with said they have had success automatically enrolling younger employees in TDFs, which has increased the share of their plan assets invested in TDFs. Similarly, a representative from another plan sponsor that automatically enrolls new employees in TDFs told us they had 77 percent of 401(k) assets invested in TDFs at year-end 2022.

Variation in TDF Design Affects Their Performance and Risk Levels, and Fee Data for Some TDFs Are Not Consistently Available

TDFs’ Investment Mixes Vary More as the Target Date Approaches

The degree to which TDFs shift from higher risk assets (e.g., equities) to lower risk assets (e.g., fixed income) varies depending on how TDF asset managers design them to manage risks and returns. As previously noted, this shifting investment mix is known as the glide path.

According to our analysis of Morningstar Direct data, about two-thirds of TDFs are managed using a “through” retirement glide path, and the remaining one-third are managed using a “to” retirement glide path, regardless of whether they are structured as mutual funds or collective investment trusts (see textbox).32

32Our analysis of Morningstar Direct data includes all mutual fund and collective investment trust TDFs that were active from January 2017 through December 2021. Morningstar’s mutual fund data comes from SEC’s Electronic Data Gathering, Analysis, and Retrieval system (EDGAR), which includes filings from all publicly-traded companies, and therefore covers the universe of mutual fund TDFs. Morningstar’s collective investment trust data is voluntarily reported by asset managers and is therefore not complete. For our analyses, we focused on the lowest cost share class or tier of each fund so as not to include funds with duplicate glide paths or asset allocations. For mutual fund TDFs, 65 percent (284) were managed “through” retirement and 35 percent (151) were managed “to” retirement. The percentages for collective investment trust TDFs were 61 percent (217) and 39 percent (140), respectively. “Through” and “to” glide path distinctions were made by Morningstar. Morningstar Direct data on TDF structured as mutual funds and collective investment trusts do not identify whether the funds are held in 401(k) plans. The funds may also be held in other defined contribution plans or individual retirement accounts (IRAs). For further details about our methodology, see appendix I.

Target Date Fund (TDF) Glide Path Design Differences

According to TDF asset managers we spoke with, “to” retirement glide paths tend to have lower investment risks and are designed to preserve 401(k) participants’ savings for retirement. The “through” retirement glide paths tend to have higher investment risks and are designed to grow participants’ savings during retirement in an effort to maximize long-term returns.

Within these two glide path types, the share of equities and fixed income held by TDFs varies depending on the investment strategy.

Source: GAO analysis of asset manager interviews and documentation. | GAO-24-105364
The Rise of Collective Investment Trusts

Target Date Funds (TDFs) have historically been structured as mutual funds, but are increasingly structured as collective investment trusts, which are bank-administered pooled funds established exclusively for qualified plans such as 401(k)s and are only available to participants in those plans. According to Morningstar, in 2022, TDFs structured as collective investment trusts accounted for 79 percent of all net inflows. As of year-end 2022, collective investment trusts accounted for 47 percent of the TDF market by assets, a 10 percentage point increase since 2018. Given this growth, Morningstar projects that collective investment trusts will soon overtake mutual funds as the larger share of the TDF market.

Source: Morningstar, Target-Date Strategy Landscape: 2023. | GAO-24-105364

Our analysis also found that, on average, the target investment mix of these two glide path types is similar from 50 to 10 years before the target date, with both investing heavily in equities. However, the mix becomes increasingly different beginning about 10 years before the target date. This pattern held for TDFs structured as mutual funds and collective investment trusts (see fig. 3). By their target dates, “through” retirement glide path mutual funds had a median equities percentage that was 8 percentage points higher (46 percent) than the median equities percentage for “to” retirement glide path mutual funds (38 percent).33 By 10 years after the target date, “through” and “to” glide paths were similar again, on average, with “through” retirement glide paths having a median equities percentage just 3 percentage points higher than “to” retirement glide paths.34

33At the target date, collective investment trust TDFs with a “through” retirement glide path had a median equities percentage of 47 percent and those with a “to” retirement glide path had a median equities percentage of 37 percent.

34For collective investment trust TDFs, the percentage difference between “through” and “to” glide paths 10 years after the target date was 1 percentage point.
Figure 3: Median Percentage of Equities in “Through” and “To” Retirement Glide Paths for Target Date Funds (TDFs) Structured as Mutual Funds, 2017-2021

Note: Our analysis of Morningstar Direct data includes 284 mutual fund TDFs with a “through” retirement glide path and 151 mutual fund TDFs with a “to” retirement glide path. TDFs that use a “through” retirement glide path have an investment mix that shifts up to and past the target date (e.g., 2055). TDFs that use a “to” retirement glide path have an investment mix that shifts until it reaches the target date and does not shift past that date. These funds were active from January 2017 through December 2021. Median equity percentages were similar for TDFs structured as collective investment trusts. Collective investment trusts are bank-administered pool funds established exclusively for qualified plans such as 401(k) plans. Our analysis of Morningstar Direct data includes 217 collective investment trust TDFs with a “through” retirement glide path and 140 collective investment trust TDFs with a “to” retirement glide path. At the target date, collective investment trust TDFs with a “through” retirement glide path had a median equities percentage of 47 percent and those with a “to” retirement glide path had a median equities percentage of 37 percent.

The target investment mix can vary considerably for both “through” and “to” TDFs with the same target date (see fig. 4). As shown in figure 4, the percentage of equities varies more widely for “to” TDFs than for “through” TDFs, with some “to” TDFs reducing investment risk by having a relatively low allocation to equities. These differences in equity percentages reflect asset managers’ preferences for managing risks and returns and have a direct impact on participants. Because of these differences, exposure to investment risk will vary among participants, even those that invest in TDFs with the same target date and glide path type.
Figure 4: Variation in Median Percentage of Equities in “Through” and “To” Retirement Glide Paths for Target Date Funds (TDFs) Structured as Mutual Funds, 2017-2021

Note: Our analysis of Morningstar Direct data includes 284 mutual fund TDFs with a “through” retirement glide path and 151 mutual fund TDFs with a “to” retirement glide path. TDFs that use a “through” retirement glide path have an investment mix that shifts up to and past the target date (e.g., 2055). TDFs that use a “to” retirement glide path have an investment mix that shifts until it reaches the target date and does not shift past that date. These funds were active from January 2017 through December 2021. Median equity percentages were similar for TDFs structured as collective investment trusts. Collective investment trusts are bank-administered pool funds established exclusively for qualified plans such as 401(k) plans. Our analysis of Morningstar Direct data includes 217 collective investment trust TDFs with a “through” retirement glide path and 140 collective investment trust TDFs with a “to” retirement glide path. At the target date, collective investment trust
TDFs with a “through” retirement glide path had a median equities percentage of 47 percent and those with a “to” retirement glide path had a median equities percentage of 37 percent.

Recent industry research found that a majority of defined contribution plan participants do not understand how TDFs are invested at the target date. According to a 2021 study by AllianceBernstein, 57 percent of defined contribution plan survey respondents who held TDFs believed they would be wholly invested in cash at that point.35 Similarly, a study by MFS Investment Management found that in 2022, 63 percent of defined contribution plan survey respondents—including those who held TDFs and those who did not—believed TDFs are invested solely in cash or other low-risk investments in retirement.36

As with glide paths, our analysis of Morningstar data found that the underlying asset allocations of equities and fixed income in “through” and “to” TDFs varied more the closer they were to their target dates. Glide paths represent TDF asset managers’ asset allocation targets, whereas actual asset allocations may differ from the targets due to fluctuations in the value of the assets and other factors.37 Unlike for the glide path data, the asset allocations data from Morningstar allowed us to break out U.S. and non-U.S. investments for equities and fixed income.38

We found asset allocations were similar for TDFs that were further from the target date, when TDFs of both glide path types are heavily invested in equities (see fig. 5). For example, for 2060 TDFs, the averages as of


37Other factors include asset managers’ choices about how often to rebalance the funds and strategic choices by asset managers to deviate slightly from the glide path targets in order to achieve returns. We compared equity and fixed income percentages in Morningstar’s glide path and asset allocation data during March 2020, a very volatile month for investments, and found the largest median differences for mutual funds with target dates of 2025-2060 with a “through retirement” glide path were 5 percentage points for equities and 4 percentage points for fixed income. The largest median differences during the same month for mutual funds with target dates of 2025-2060 with a “to retirement” glide path were 4 percentage points for equities and 3 percentage points for fixed income.

38TDFs may invest their equity and fixed income allocations among many different sub-categories of assets. For example, the equity component of a TDF may consist of funds focused on large and small U.S. corporations, as well as international corporations, each of which can carry different risks. We analyzed aggregate allocations of U.S. and non-U.S. equities and fixed income rather than the individual asset holdings that make up these aggregates.
December 2021 for U.S. and non-U.S. equities combined added to 92 percent for mutual funds with a “through” glide path, and 89 percent for mutual funds with a “to” glide path—a 3 percentage point difference.39 However, for 2020 TDFs, which were just past the target date in December 2021, the combined allocation of U.S. and non-U.S. equities for TDFs of these two glide path types showed a bigger difference of 11 percentage points, with “through” funds holding relatively more equities and less fixed income than “to” funds.40

![Figure 5: Average Asset Allocation Percentages for “Through” and “To” Retirement Glide Paths for Target Date Funds (TDFs) Structured as Mutual Funds, December 2021](image)

Note: Our analysis of Morningstar Direct data includes 284 mutual fund TDFs with a “through” retirement glide path and 151 mutual fund TDFs with a “to” retirement glide path. TDFs that use a “through” retirement glide path have an investment mix that shifts up to and past the target date (e.g., 2055). TDFs that use a “to” retirement glide path have an investment mix that shifts until it reaches the target date and does not shift past that date. These funds were active from January 2017 through December 2021. Average percentages were similar for TDFs structured as collective investment trusts. Collective investment trusts are bank-administered pool funds established exclusively for qualified plans such as 401(k) plans. Our analysis of Morningstar Direct data includes 217 collective investment trust TDFs with a “through” retirement glide path and 140 collective investment trust TDFs with a “to” retirement glide path. “Other” investments include real estate investment trusts, Treasury Inflation-Protected Securities, commodities, and cash.

39For 2060 TDFs structured as collective investment trusts, the percentages were 88 percent and 93 percent, respectively, a difference of 5 percentage points.

40For 2020 TDFs structured as collective investment trusts, the difference in the combined allocations of U.S. and non-U.S. equities of these two glide path types was 10 percentage points, with “through” funds holding relatively more equities and less fixed income than “to” funds.
In addition, as shown in figure 5, within asset classes, the shares of U.S. equities and fixed income drive changes in asset allocation throughout the TDF cycle. Meanwhile, the shares of non-U.S. equities and fixed income were similar for “to” and “through” funds throughout the TDF cycle.

In addition to equities and fixed income, TDFs can include other investments, including real estate investment trusts, Treasury Inflation-Protected Securities, commodities, private equity/hedge funds, and cash.\(^{41}\) Our analysis of Morningstar’s glide path data found that mutual fund TDFs with a “through” glide path included at most 3 percent cash and 5 percent other investments from 40 to 10 years to the target date, 5 percent cash and 8 percent other investments at the target date, and 11 percent cash and 12 percent other investments 30 years past the target date.\(^{42}\) Although TDFs allocate relatively small shares to these other assets, asset manager representatives told us they invest in real estate investment trusts, Treasury Inflation-Protected Securities, and commodities to manage inflation and interest rate risk. Asset manager representatives also told us they rarely invest in private equity or hedge funds due to concerns about liquidity and higher fees. In addition, according to a 2021 Morningstar report, none of the ten largest TDF asset managers, which made up 90 percent of the TDF market at year-end

\(^{41}\)As we previously reported, although there is no universally accepted definition of hedge funds, they are typically structured and operated as limited partnerships or limited liability companies exempt from certain SEC regulations that apply to other investment pools, such as mutual funds. For example, to allow them to qualify for various exemptions under such laws, hedge funds usually limit the number of investors, refrain from advertising to the general public, and solicit fund participation from large institutions and wealthy individuals. GAO, Hedge Funds: Regulators and Market Participants Are Taking Steps to Strengthen Market Discipline, but Continued Attention is Needed, GAO-08-200 (Washington, D.C.: Jan. 24, 2008). In addition, we previously reported that private equity funds operate as privately managed investment pools and have generally not been subject to SEC examinations (although the advisers to hedge funds and private equity funds are subject to such examinations). GAO, Private Equity: Recent Growth in Leveraged Buyouts Exposed Risks That Warrant Continued Attention, GAO-08-885 (Washington, D.C.: Sep. 9, 2008). For more information on SEC’s definitions of hedge funds and private equity funds, see Form PF, Reporting Form for Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisors, at https://www.sec.gov/files/formpf.pdf.

\(^{42}\)Morningstar’s glide path data breaks out equities, fixed income, cash, and other assets. Because there is no further detail on the “other” category, we are not able to report on how much TDFs allocate to alternative investments. In addition, Morningstar’s asset allocation data we received do not allow us to report on the share of TDF assets in cash and other investments.
2020, used private equity in their mutual fund or collective investment trust TDFs.\textsuperscript{43} Similarly, ICI found that mutual fund TDFs’ exposure to private funds, including private equity and hedge funds, was very small. Specifically, ICI found that mutual fund TDFs’ direct exposure to private funds was almost entirely in cash management funds, while their indirect exposure to private funds as of March 2023 was less than 0.1 percent, about one-third of which was invested in private real estate property funds.

### TDFs Closer to Their Target Dates Show More Variation in Performance and Risk than TDFs Further from Their Target Dates

TDFs that were closer to their target dates in 2020 showed more variation in performance and risk than TDFs further from their target dates, according to our analysis of Morningstar data. As COVID-19 disrupted financial markets in early 2020, TDFs that were more heavily invested in equities (further from the target date) lost more value on average than funds with lower equity allocations (closer to the target date).\textsuperscript{44} For example, the average 2060 “through” TDF mutual fund lost 14 percent of its value from February to March 2020, while the average 2020 “through” TDF mutual fund lost 8 percent of its value over that period (see fig. 6).\textsuperscript{45} In the following month, from March to April 2020, returns were positive, with the average 2060 “through” TDF mutual fund gaining 10 percent and the average 2020 “through” TDF mutual fund gaining 6 percent. These results can be expected given that a 2060 TDF is more heavily invested in equities than 2020 funds, and therefore more susceptible to stock market fluctuations.

\textsuperscript{43}Morningstar, \textit{Private Equity and Target Date Funds: An Unrequited Love Story}, July 2021. According to Morningstar’s interviews with TDF asset managers, the top 10 TDF asset managers did not include private equity in their TDFs due to high fees, quarterly instead of daily valuations, and because private equity funds are not readily available. In addition, asset manager representatives we spoke with in 2022 told us that lack of transparency, lack of liquidity, and fear of litigation are other reasons they do not include private equity or hedge funds in their TDF series.

\textsuperscript{44}In March 2020, Congress authorized temporary changes to certain retirement plan rules in response to the market downturn. Specifically, the CARES Act waived required minimum distributions from 401(k) and other retirement plans during 2020. In December 2022, SECURE 2.0 increased the age for required minimum distributions for 401(k) and other retirement plans. The age to start taking required minimum distributions increased from age 72 to age 73 in 2023 and will increase to age 75 in 2033.

\textsuperscript{45}As noted earlier, “through” funds make up about two-thirds of TDFs. For “through” TDF collective investment trusts, the losses were also 14 percent and 8 percent, respectively. For “to” TDF mutual funds, the losses were 14 percent and 9 percent, respectively, and for “to” TDF collective investment trusts, the losses were 14 percent and 7 percent, respectively.
Figure 6: Average Monthly Returns of “Through” Target Date Funds (TDFs) Structured as Mutual Funds, Selected Target Dates, 2019-2021

Average percent change in returns

Note: Our analysis of Morningstar Direct data includes 284 mutual fund TDFs with a “through” retirement glide path. TDFs that use a “through” retirement glide path have an investment mix that shifts up to and past the target date (e.g., 2055). These funds were active from January 2017 through December 2021.
While TDFs closer to their target dates experienced smaller investment losses than TDFs further from their target dates in March 2020, there was more variation in the performance of closer-dated TDFs (see fig. 7).46

Figure 7: Variation Around Average Losses of “Through” Target Date Funds (TDFs) Structured as Mutual Funds, Selected Target Dates, March 2020

<table>
<thead>
<tr>
<th>Target date</th>
<th>Average percent change in returns with 10th/90th percentile bounds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2060</td>
<td>-14, -8</td>
</tr>
<tr>
<td>2020</td>
<td>-16, -8</td>
</tr>
</tbody>
</table>

Source: GAO analysis of Morningstar Direct data on mutual funds.46

Note: The lines to the left and right of each average are the 10th and 90th percentiles of the distribution. Our analysis of Morningstar Direct data includes 284 mutual fund TDFs with a “through” retirement glide path. TDFs that use a “through” retirement glide path have an investment mix that shifts up to and past the target date (e.g., 2055). These funds were active from January 2017 through December 2021. Average percentages were similar for TDFs with a “through” glide path structured as collective investment trusts. Collective investment trusts are bank-administered pool funds established exclusively for qualified plans such as 401(k) plans. Our analysis of Morningstar Direct data includes 217 collective investment trust TDFs with a “through” retirement glide path.

A common measure of a fund’s volatility—and therefore its investment risk—is its standard deviation, which shows how widely a set of values vary around an average. During March 2020, the performance of 2020 “through” retirement mutual fund TDFs had a standard deviation of 1.46, while the performance of 2060 “through” retirement mutual fund TDFs had a standard deviation of 1.31 (see fig. 8).47 This means that during that month, the performance of 2020 TDFs varied more than the performance of 2060 TDFs. In fact, at multiple points from 2019 to 2021, we found that 2020 TDFs had a considerably higher standard deviation than 2060 funds.

46We reviewed other measures of performance, such as the 3-year Sharpe ratio (a measure of risk-adjusted returns) for the period April 2017 through March 2020. We found the same pattern of TDFs closer to the target date showing more variation in performance than those further from the target date. For more information on our methodology, see appendix I.

47For “to” mutual fund TDFs, the standard deviations were 1.00 percent and 1.36 percent, respectively. For TDFs structured as collective investment trusts, the standard deviations were 1.12 and 0.86, respectively, for “through” funds, and 1.84 and 0.78, respectively, for “to” funds.
Figure 8: Standard Deviation of “Through” Target Date Funds (TDFs) Structured as Mutual Funds, Selected Target Dates, 2019-2021

Note: Our analysis of Morningstar Direct data includes 284 mutual fund TDFs with a “through” retirement glide path. TDFs that use a “through” retirement glide path have an investment mix that shifts up to and past the target date (e.g., 2055). These funds were active from January 2017 through December 2021.
Another way to measure the volatility of TDFs is to compare the variation of their performance to the variation of the performance of the global equities market. We did this using a measure called equity beta over rolling 3-year periods. The higher the equity beta value, the greater the investment’s volatility relative to the equities market over the period.

According to our analysis of Morningstar’s data, “through” mutual fund TDFs further from their target date had higher values of equity beta for the 3-year period spanning April 2017 through March 2020—which includes the COVID-19 pandemic recession—than did TDFs closer to their target dates; however, TDFs closer to the target date showed more variation in their equity beta (see fig. 9). This means that the group of participants holding 2020 TDFs saw a greater range of investment risk over this period than the group of participants holding TDFs with target dates further out, despite the former group seeing smaller investment losses.

In addition, our analysis of Morningstar’s data found that about 13 percent of collective investment trust TDFs signaled their risk levels in the fund’s name—for example, “conservative,” “moderate,” or “aggressive.” However, for the vast majority of collective investment trust TDFs, and for all mutual fund TDFs, such descriptors are not

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48Equity beta is a measure of a portfolio’s sensitivity to market movements. The beta of the market is 1.00 by definition. Morningstar calculates equity beta by comparing a portfolio’s excess return over Treasury bills to the benchmark’s (in this case, the Morgan Stanley Capital International All Country World Index) excess return over Treasury bills. A beta of 1.10 shows that the portfolio has a range of returns 10 percent wider than its benchmark, assuming all other factors remain constant. Conversely, a beta of 0.85 indicates that the portfolio’s range of returns is expected be 15 percent narrower than the Morgan Stanley Capital International All Country World Index’s returns.

49For “to” mutual fund TDFs, the minimum, mean, and maximum equity beta values for 2020 TDFs were 0.38, 0.48, and 0.56, respectively, while the values for 2060 TDFs were 0.82, 0.94, and 1.03, respectively. We saw the same pattern for TDFs structured as collective investment trusts (both “through” and “to” funds).

50We reviewed other measures of risk, including 3-year R² (the percentage of a TDF’s movement that can be explained by the movement of its primary benchmark over a 3-year period) and the 3-year max drawdown (the percentage decrease in a TDF’s value from peak to trough over a 3-year period) for the period April 2017 through March 2020. We found the same pattern of TDFs closer to the target date showing more variation in risk than those further from the target date. For more information on our methodology, see appendix I.

51Of the 357 collective investment trust TDFs in our analysis population, 21 included “conservative” in the fund name, 15 included “moderate” in the fund name, and 10 included “aggressive” in the fund name.
included in the fund’s name, and it is up to participants to read TDF disclosure documents to determine their level of risk.

**Figure 9: Distribution of Equity Beta Values Measured Over 3 Years (April 2017-March 2020) for “Through” Target Date Funds (TDFs) Structured as Mutual Funds, by Target Date**

3-Year Equity Beta value

0.0 0.2 0.4 0.6 0.8 1.0 1.2

Target date

Note: Equity beta is a measure of a portfolio’s sensitivity to market movements. The beta of the market is 1.00 by definition. Morningstar calculates equity beta by comparing a portfolio’s excess return over Treasury bills to the benchmark’s (in this case, the Morgan Stanley Capital International All Country World Index) excess return over Treasury bills. A beta of 1.10 shows that the portfolio has a range of returns 10 percent wider than its benchmark, assuming all other factors remain constant. Conversely, a beta of 0.85 indicates that the portfolio’s range of returns is expected to be 15 percent narrower than the Morgan Stanley Capital International All Country World Index’s returns. Our analysis of Morningstar Direct data includes 284 mutual fund TDFs with a “through” retirement glide path. TDFs that use a “through” retirement glide path have an investment mix that shifts up to and past the target date (e.g., 2055). These funds were active from January 2017 through December 2021.

We found more variation in the performance and risk of 2020 funds before and during COVID-19 compared to 2060 funds because, as noted earlier, TDFs’ investment strategies and investment mixes become more varied as they near the target date.\(^{52}\) This higher degree of variation means that the group of participants holding 2020 funds saw a wider

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\(^{52}\) Because TDFs’ investment strategies and investment mixes become more varied as they near the target date, we would expect to find more variation in the performance and risk of funds closer to the target date than funds with target dates further away at any point in time.
range of investment performance in March 2020 and throughout most of the 2019-2021 period compared to those with target dates further out. As noted earlier, in March 2020, investment returns for 2020 mutual fund TDFs with a “through” retirement glide path ranged from -11 percent to -4 percent. Negative returns like these can be particularly important for 401(k) participants close to, or in, retirement because they have less time to recover from market downturns than those who are further from retirement. Due to this shorter time horizon, older participants and retirees generally invest less aggressively than younger investors and, thus, have a lower long-term expected investment return. In addition, those in retirement, especially low- and middle-income retirees, typically start drawing down income from their plan which makes it harder to recover from a market loss as their account balance declines due to these withdrawals.

To illustrate these risks, we analyzed a scenario with three hypothetical 401(k) participants at different stages of their lives, all planning to retire at age 65 and invested solely in TDFs associated with their planned retirement years: Participant A, aged 65 in 2022 and retired; Participant B, aged 50 in 2022 and planning to retire in 2037; and Participant C, aged 35 in 2022 and planning to retire in 2052 (see fig. 10). For this scenario, we assumed all three participants experienced investment losses in 2022, a period of extended market volatility, followed by a series of returns calibrated to their respective TDFs. We also factored in hypothetical 401(k) account balances, plan contributions (Participants B and C), and plan withdrawals (Participant A). We found that Participants B and C would recover from the loss in 2022 within 9 years, while Participant A

53 We calculated participants’ investment losses for 2022 using the S&P Target Date Index that was closest to their targeted retirement year—Retirement Income for Participant A, 2035 for Participant B, and 2050 for Participant C. The following 9 years of returns were based on historical annual returns from S&P Target Date Indexes selected for their proximity to each participant’s targeted retirement year. For further details about our methodology, see appendix I.

54 We based initial 401(k) account balances for all three participants and incomes for Participants B and C on median data from the 2022 Survey of Consumer Finances for their respective ages. We assumed that income for Participants B and C increased by 2.5 percent annually based on the Congressional Budget Office’s inflation rate (CPI-U) projections for 2023-2032, and that they received annual contributions of 10 percent of their incomes to their 401(k) accounts. We assumed that Participant A withdrew 4 percent of their initial 401(k) account balance in 2022 based on the “4 Percent Rule” developed by William Bengen and that they increased the amount withdrawn by 2.5 percent in each subsequent year based on the previously-mentioned Congressional Budget Office inflation rate projections. For further details about our methodology, see appendix I.
would not recover over the 10 years of the projection.\textsuperscript{55} Although Participant A, who was in retirement, lost a smaller share of their savings, it would take them longer to recover because they are no longer making contributions to their account and are instead taking withdrawals to provide retirement income.

Figure 10: Illustration of Risk of Losses for Three Hypothetical 401(k) Participants of Different Ages Who Are Solely Invested in Target Date Funds (TDFs)

Table:

<table>
<thead>
<tr>
<th>Participant A (in retirement)</th>
<th>Participant B (15 years from retirement)</th>
<th>Participant C (30 years from retirement)</th>
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</thead>
<tbody>
<tr>
<td>Age 65</td>
<td>Age 50</td>
<td>Age 35</td>
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<tr>
<td>401(k) account balance at time of market loss in 2022</td>
<td>401(k) account balance at time of market loss in 2022</td>
<td>401(k) account balance at time of market loss in 2022</td>
</tr>
<tr>
<td>$200,000</td>
<td>$115,000</td>
<td>$45,000</td>
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<td>Market loss in 2022</td>
<td>Market loss in 2022</td>
<td>Market loss in 2022</td>
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<td>Does not recover within 10 years</td>
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<td>16%</td>
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<td>8.3 years</td>
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</tbody>
</table>

Note: We assumed that Participant A retired in 2022, is no longer making plan contributions, and withdraws from their account balance each year; Participant B retires in 2037, is currently making contributions and not withdrawing; and Participant C retires in 2052, is currently making contributions and not withdrawing. We assumed initial 401(k) account balances for all three participants using median retirement plan balances from the 2022 Survey of Consumer Finances based on their ages. We calculated participants’ investment losses for 2022 using the S&P Target Date Index that was closest to their targeted retirement year—Retirement Income for Participant A, 2035 for Participant B, and 2050 for Participant C. The following 9 years of returns were based on historical annual returns from S&P Target Date Indexes selected for their proximity to each participant’s targeted retirement year. We assumed incomes for Participants B and C using median household income data from the 2022 Survey of Consumer Finances based on their ages and an annual plan contribution rate of 10 percent. We adjusted annual contributions for Participants B and C using an annual 2.5 percent increase in income based on the Congressional Budget Office’s inflation rate (CPI-U) projections for 2023-2032. We assumed that Participant A withdrew 4 percent of their initial 401(k) account balance in 2022 based on the “4 Percent Rule” developed by William Bengen and that they increased the amount withdrawn by 2.5 percent in each subsequent year based on the previously-mentioned Congressional Budget Office inflation rate projections.

\textsuperscript{55}We assumed that participants “recovered” when their account balances equaled or exceeded the account balances they would have had absent market volatility. For further details about our methodology, see appendix I.
<table>
<thead>
<tr>
<th>Collective Investment Trust TDFs Generally Have Lower Reported Fees than Mutual Fund TDFs, but Fee Data Are Not Consistently Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>TDFs structured as collective investment trusts generally have lower reported fees than TDFs structured as mutual funds, according to our analysis of fact sheets from selected asset managers and industry reports. We reviewed mutual fund and collective investment trust fact sheets from six of the seven asset managers we interviewed, which collectively made up 79 percent of the TDF market as of year-end 2022, according to Morningstar. In these fact sheets, asset management firms voluntarily disclosed information about their mutual fund and collective investment trust TDFs. The fact sheets included the TDFs’ expense ratios—the total annual operating expenses of a fund as a percentage of assets—which are a measure of fees. According to DOL officials, certain administrative fees may be structured differently for collective investment trusts than for mutual funds. As a result, they noted that the calculation of the expense ratios may vary in some cases.</td>
</tr>
<tr>
<td>We found that reported expense ratios for our selected asset managers’ collective investment trust TDFs were consistently lower than for mutual fund TDFs. For one asset manager, the reported net expense ratio for the mutual fund version of its 2025 TDF was 0.45 percent as of 2022, compared to 0.23 percent reported for the collective investment trust version for the same year—about half the cost.</td>
</tr>
<tr>
<td>Similar to our findings, industry reports from Morningstar and an asset manager note that fees for collective investment trust TDFs are generally</td>
</tr>
</tbody>
</table>

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56TDFs structured as mutual funds are required to disclose information, including about fees, to investors in prospectuses and other required disclosures. Asset managers may also voluntarily provide information about their mutual fund or collective investment trust TDFs, including fees, in fact sheets they make available to participants through plan sponsors. The fact sheets we analyzed were published by the six asset managers from March 2022 to March 2023. The “as of” dates of the fee information contained in these fact sheets ranged from March 2021 to January 2023. The remaining asset manager provided us with fact sheets for its mutual fund TDFs that included the amount of fees investors are charged, and other documentation for its collective investment trust TDFs that did not include this information. In addition, representatives from this asset manager told us that they do not make collective investment trust fee data available publicly because fees are privately negotiated for the vast majority of its collective investment trusts. |

57Our prior work has shown that even seemingly small fees can significantly reduce 401(k) plan participants’ retirement savings, even as investment returns may grow their savings overall. GAO, Private Pensions: Changes Needed to Provide 401(k) Plan Participants and the Department of Labor Better Information on Fees, GAO-07-21 (Washington, D.C.: Nov. 16, 2006).
lower than for mutual fund TDFs. According to these reports, TDFs structured as collective investment trusts can offer lower fees than TDFs structured as mutual funds due, in part, to differences in the regulations that apply to each. According to Morningstar, because asset managers are not required to register their collective investment trust TDFs with the SEC under the Investment Company Act of 1940, as they are required to do for their mutual fund TDFs, they do not incur expenses for complying with SEC’s reporting requirements. According to Morningstar, differences in federal regulation allow asset managers to offer collective investment trust TDFs with lower fees than mutual fund TDFs. In addition, a report from an asset manager on the differences between collective investment trusts and mutual funds likewise noted that collective investment trusts typically cost less than mutual funds because managers do not have to register them with the SEC. The report further noted that collective investment trusts can have lower expenses than mutual funds because in many cases they have lower marketing costs, no board of directors, and generally lower overhead.

Among mutual fund TDFs, fees declined considerably from 2013 to 2022 but ranged widely. According to Morningstar, the average asset-weighted net expense ratio for mutual fund TDFs declined from 0.60 percent to 0.32 percent from 2013 to 2022. Representatives from Morningstar told us their mutual fund data is populated from SEC’s Electronic Data Gathering, Analysis, and Retrieval system (EDGAR), which, according to SEC, includes the prospectuses of all currently offered mutual fund TDFs. Although mutual fund fees declined considerably during this time, there is wide variation in the amount of fees charged by mutual fund TDFs. Our analysis of Morningstar’s data found that, for the period from 2020 to 2022, the net expense ratio for mutual fund TDFs ranged from 0.08

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59For this analysis, Morningstar analyzed all mutual fund TDF share classes over this period, including funds that became obsolete. See Morningstar, Target-Date Strategy Landscape: 2023. According to Morningstar’s report, plan sponsors that choose TDFs for defined-contribution plans have continued to move assets into lower-cost TDF mutual funds and out of costlier offerings. The report notes that excessive-fee lawsuits against plans has helped drive the trend.
percent to 0.78 percent. According to Morningstar, as of the end of 2022, mutual fund TDFs that were composed mostly of index funds (passive funds) had lower fees than those composed mostly of other assets (active and blend funds). In addition, academic researchers found that from 2015 through 2019, lower-fee mutual fund TDFs had higher risk-adjusted returns than funds with higher fees. These researchers also found that lower-fee mutual fund TDFs had less variation in returns than funds with higher fees from February 19 to March 23, 2020, a volatile period for the stock market.

In contrast to mutual fund TDFs, limited information is available about fees for collective investment trust TDFs. Morningstar representatives told us that because managers of collective investment trust TDFs are not required to publicly disclose fees for their funds through a prospectus or similar document, Morningstar requests that they provide fee data voluntarily. However, many asset managers do not provide this information. Among the collective investment trust TDFs included in their database, fee data were available for about one-third of them.

DOL requires 401(k) plans to report on plan assets annually, but it does not include information on fees for specific investment options, such as collective investment trust TDFs. Specifically, DOL requires 401(k) and other retirement plans with at least 100 participants to use Form 5500 to report annually on the total amount of mutual fund and collective investment trust assets (not specific to TDFs). They must also report on

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Collective Investment Trust TDF Fee Information

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60We analyzed 435 TDF mutual funds that were active from January 2017 to December 2021. We selected the lowest cost TDF for each TDF vintage using the prospectus net expense ratio. These data were the most recent available in Morningstar’s database at the time of our request and were published in prospectuses by mutual fund companies from August 2020 to April 2022.

61Morningstar categorized mutual fund TDFs with more than 75 percent exposure to index funds as “passive” funds, funds with 25-75 percent exposure to index funds as “blend” funds, and funds with less than 25 percent exposure to index funds as “active” funds. The average prospectus net expense ratios for passive, blend, and active funds, as adjusted by Morningstar according to its own methodology, were 0.27 percent, 0.61 percent, and 0.82 percent, respectively. Morningstar, Target-Date Strategy Landscape: 2023, 14-15.


63Of the 1,372 collective investment trust share classes (tiers) we analyzed, 479 reported an expense ratio to Morningstar (35 percent), while 893 did not (65 percent), making these data insufficient for our analysis. In addition, 315 collective investment trust tiers reported a maximum management fee to Morningstar (23 percent), while 1,057 (77 percent) did not.
each plan asset individually, including the name, issuer, and value at the end of the year. However, plans are not required to report the fees each investment option charges plan participants.

In September 2021, DOL issued a notice of proposed rulemaking to make changes to its Form 5500 reporting requirements, including adding a requirement for plans to report fees for their individual investment options, such as mutual fund and collective investment trust TDFs. In the proposal, the agency stated that plan sponsors are already required to provide this information to participants in annual disclosures and that making fee information available publicly would make it more transparent to plan sponsors, external stakeholders, and DOL itself.

After receiving extensive public comments on its proposal, DOL stated in February 2023 that it decided not to move forward with it. Instead, officials said they may include the fee reporting requirement as part of another notice of proposed rulemaking to modernize the Form 5500 reporting requirements, which is planned for 2024. This modernization effort could provide plan sponsors, external stakeholders, and DOL with consistent and comprehensive information to analyze and monitor investment fees, including for collective investment trust TDFs.

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64Form 5500’s Schedule H line 4i directs plans to attach a schedule (or list) of assets the plan held for investment during the year, including mutual funds and collective investment trusts.
Navigating the TDF selection process can be challenging, and some plan sponsors may use investment consultants for advice or to assist with the associated steps, according to some stakeholders we interviewed. Seven of eight plan sponsors we interviewed said that they use investment consultants for selecting their TDFs.\textsuperscript{65} For example, a plan sponsor said investment consultants can provide an independent point of view as third parties when reviewing agreements between plan sponsors and TDF providers. Also, an investment consultant said that they could negotiate lower fees and pass on the savings to plan sponsors and their participants.

When plan sponsors express interest in adding TDFs to their 401(k) investment lineup, their investment consultants may hold roundtable discussions or administer questionnaires to understand the plan sponsors' participant demographics and investment committees' philosophies. This information helps investment consultants identify appropriate TDFs to recommend to plan sponsors for selection or to select on their behalf if the plan sponsor delegates this authority (see fig. 11).

\textsuperscript{65}There are two types of investment consultants that a plan sponsor can consider—either an investment advisor or investment manager. An investment advisor provides advice to the plan sponsor but does not make the final decision regarding the plan’s investment lineup. An investment manager is delegated the authority to make changes to the plan sponsor client’s investment lineup as it deems appropriate. Since seven of the eight plan sponsors we spoke to said they use investment consultants and one of them could not speak to the selection process, our report reflects only the perspectives of plan sponsors who use investment consultants. We previously reported that plan sponsors experienced challenges with selecting TDFs. Further, some plan sponsors may not understand the steps necessary to select TDFs. See GAO, Defined Contribution Plans: Key Information on Target Date Funds as Default Investments Should be Provided to Plan Sponsors and Participants, GAO-11-118 (Washington, D.C.: Jan. 31, 2011).
The investment consultants we spoke to described some of the participant demographics and other factors they consider when recommending or selecting TDFs. For example, a representative of one investment consultant said that they assess the extent to which certain demographic factors align with assumptions used in the glide path of the TDF. They also cited other examples, and different viewpoints in some cases, of how the following factors may influence their recommendation or selection.66

Note: We interviewed the top three investment consulting firms in terms of the amount of U.S. institutional, tax-exempt advisory assets under advisement (i.e., under their consultation) to capture the perspectives of the most prevalent investment consulting firms with diverse plan sponsor clients that range in size and assets. We also interviewed other investment consulting firms by reference from other subject matter experts. U.S. institutional, tax-exempt advisory assets include U.S.-domiciled pension assets, endowment and foundation assets, and assets for profit-sharing plans subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), managed on behalf of institutional investors. ERISA sets a framework for most employment-based retirement plans in private industry and provides protection for individuals and beneficiaries participating in these plans.

The factors cited by investment consultants and plan sponsors are illustrative examples of the factors investment consultants and plan sponsors may consider when selecting a TDF. We are not endorsing or recommending any particular approach or combination of approaches for selecting a TDF.

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66The factors cited by investment consultants and plan sponsors are illustrative examples of the factors investment consultants and plan sponsors may consider when selecting a TDF. We are not endorsing or recommending any particular approach or combination of approaches for selecting a TDF.
- **Defined benefit plan.** A participant population with access to a defined benefit plan may be suitable for a conservative (i.e., lower risk) TDF glide path since the pension benefit could provide retirement income and reduce the amount of additional retirement income needed. However, a participant population with access to a defined benefit plan also may be suitable for a growth-oriented TDF glide path since the pension benefit provides a guaranteed income which could allow participants to take on more risk.

- **Salary.** A participant population with a generally high income may be suitable for a growth-oriented TDF glide path in some cases. For example, they may be able to tolerate greater investment risk to maximize their long-term rate of return.

- **Tenure.** A participant population that tends to have longer tenure may be suitable for a growth-oriented TDF glide path because they may have more predictable income compared to participants who work in higher turnover industries, such as retail.

- **Withdrawal rate.** A participant population that generally withdraws their 401(k) plan balances in retirement may be suitable for a “to” glide path that reaches its most conservative asset allocation at the targeted retirement date and minimizes the potential for significant market fluctuations or losses.

In addition to considering participant demographics and other factors, plan sponsors and investment consultants told us that they consider the plan sponsor investment committees’ philosophies when selecting TDFs. The plan sponsors and investment consultants we spoke to

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67 A defined benefit plan is an employer-sponsored retirement plan that typically provides a lifelong stream of payments beginning at retirement, based on a formula specified in the plan that takes into account factors such as the employee's salary, years of service, and age at retirement. See GAO, *Defined Contribution Plans: 403(b) Investment Options, Fees, and Other Characteristics Varied*, GAO-22-104439 (Washington, D.C.: Mar. 4, 2022). A conservative TDF glide path seeks to preserve the invested capital and minimize the potential for loss by allocating a smaller portion of the portfolio to assets such as equities. These types of investments tend to have lower potential for growth but are considered stable and aim to preserve the capital.

68 A growth-oriented TDF glide path seeks to maximize long-term growth potential and capital appreciation by allocating a large portion of the portfolio to assets such as equities, especially in retirement.

69 An investment committee’s philosophy is a set of beliefs and principles that guides the decision-making process and enables the development of an appropriate strategic asset allocation.
described the following fund characteristics that may be considered as part of an investment committee’s philosophy for selecting TDFs.

- **Alternative asset classes.** TDFs that provide exposure to alternative asset classes such as commodities, real estate investment trusts, or Treasury Inflation-Protected Securities may reduce overall portfolio risk and protect against inflation.70

- **Architecture.** TDFs with open architecture may allow fund managers to select the best-performing underlying funds regardless of the provider.71 Conversely, TDFs with closed architecture may lower fees due to the TDF providers controlling the proprietary underlying funds.

- **Custom vs off-the-shelf.** Custom TDFs may allow plan sponsors to design investment strategies that are specifically aligned with their participant demographics and provide the flexibility to customize the asset allocation, underlying investments, and glide path that are unique to their participants’ needs. Custom TDFs may incur additional fees associated with customization and ongoing management. Conversely, off-the-shelf TDFs may have lower fees.

- **Glide path.** TDFs with growth-oriented glide paths may maximize long-term returns and provide more investment income. Conversely, TDFs with conservative glide paths may mitigate volatility and losses near or after the target date.

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70For purposes of this report, we define alternative assets as investments other than those intended to achieve exposure to equities, fixed income investments, or cash. Commodities are goods and articles such as agricultural products, metals, oil, and financial products, including stock indexes and foreign currency. A real estate investment trust is generally a company that owns income-producing real estate or real estate-related assets. Real estate investment trusts allow individual investors to earn a share of the income produced by commercial real estate without having to buy commercial real estate. Many real estate investment trusts are registered with the SEC and are publicly traded. See GAO, *Investment Management: Key Practices Could Provide More Options for Federal Entities and Opportunities for Minority- and Women-Owned Asset Managers*, GAO-17-726 (Washington, D.C.: Sept. 13, 2017). Treasury Inflation-Protected Securities are securities whose principal is adjusted by changes in the Consumer Price Index. With inflation, the principal increases, and with deflation, the principal decreases. Treasury Inflation-Protected Securities pay interest at a fixed rate, which is applied to the adjusted principal. See GAO, *Defined Contribution Plans: Key Information on Target Date Funds as Default Investments Should be Provided to Plan Sponsors and Participants*, GAO-11-118 (Washington, D.C.: Jan. 31, 2011).

71TDFs with an open architecture can select non-proprietary funds for investment or third-party managers to act as sub-advisers to the fund. Since open architecture TDFs are not wedded to a single firm’s underlying strategies, they can include a mix of different investing styles with the goal of delivering increased levels of diversification.
• **Guaranteed lifetime income annuities.** TDFs with guaranteed lifetime income annuities allow participants to convert a portion of their retirement savings into a predictable stream of income that will last their lifetime and provide income certainty regardless of how financial markets perform. However, TDFs with guaranteed lifetime income annuities may incur additional fees and expenses associated with insurance costs and administrative and compliance responsibilities.

• **Investment vehicle.** TDFs structured as collective investment trusts may have lower fees in comparison to TDFs structured as mutual funds. However, TDFs structured as mutual funds may have greater availability of information (e.g., a participant may use a mutual fund’s ticker symbol to access publicly available information about the fund’s characteristics and performance) beyond that provided by the plan’s service provider, which may be limited in the case of TDFs structured as collective investment trusts.

• **Management strategy.** TDFs that are passively managed attempt to track the performance of a market index and can offer lower fees than other funds. Conversely, TDFs that are actively managed seek to outperform market indexes. However, active management may result in higher fees and increased exposure to riskier assets, such as alternative assets.

The next step investment consultants undertake is to evaluate their plan sponsors’ participant demographics and investment committee’s philosophies with various TDFs. Specifically, all five investment consultants we interviewed said they use a proprietary database tool that contains information on all TDFs for which data are publicly available. The database tool identifies several TDF series that are potentially suitable for a plan sponsor client. Investment consultants said they then evaluate the identified TDF finalists—which may be comprised of both mutual funds and collective investment trusts—based on various fund features. Questions investment consultants may ask about these fund features include:

• **Composition of underlying funds.** How do the underlying funds include or exclude asset classes such as commodities, real estate investment trusts, and Treasury Inflation-Protected Securities? How
do the allocations to growth assets and conservative assets compare with the industry average?\textsuperscript{72}

- **Fees.** Would the plan sponsor be eligible to invest in cheaper share classes of the TDF series based on current assets?\textsuperscript{73}
- **Performance.** How have the TDF finalists historically performed? Were there periods of outperformance and underperformance?

Based on the above fund features, investment consultants will also project participant outcomes for each TDF finalist. For example, projections may include the probability of outliving assets by age 85 and the probability of reaching retirement income replacement targets based on glide path design, long-term market expectations, and participant savings patterns. The comparisons and projections help investment consultants decide which TDF to recommend or select for the plan sponsor.

**Plan Monitoring of TDFs May Be Based on Performance, Fees, Consistency, and Other Factors, and Some Underperforming TDFs May Be Replaced**

All eight of the plan sponsors we interviewed said they also use investment consultants to help monitor existing TDFs. For example, investment consultants may conduct reviews ranging from quarterly to every few years to monitor whether TDFs are meeting expectations and to determine whether any changes should be considered.

Investment consultants said they monitor existing TDFs based on key factors including performance, fees, consistency, and other quantitative factors, and compare them to similar TDF peers in the market (see fig. 12).

\textsuperscript{72}Growth assets include equities and other asset classes such as high-yield fixed income and real estate investment trusts that have historically exhibited risk and return characteristics more like equity than downside-protection assets such as core fixed income.

\textsuperscript{73}Mutual funds are commonly available in various share classes to cater to the preferences and requirements of investors. Retail shares, designed for individual investors, typically have lower minimum investment requirements than institutional shares, which target institutional investors such as large corporations. However, retail shares may entail higher expenses and fees compared to institutional shares. Collective investment trusts also offer various share classes with fees that can be scaled lower depending on the share class minimum. As a result, larger plans can benefit from lower collective investment trust fees.
Figure 12: Target Date Fund (TDF) Monitoring Process Used by Selected Investment Consultants

<table>
<thead>
<tr>
<th>Quantitative factors</th>
<th>Qualitative factors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Performance</strong></td>
<td><strong>Change in firm ownership and/or loss of key personnel</strong></td>
</tr>
<tr>
<td>Compare returns to the benchmark</td>
<td>Monitor qualitative factors through oral and written information exchanges</td>
</tr>
<tr>
<td><strong>Fees</strong></td>
<td><strong>Shift in the firm’s philosophy or process</strong></td>
</tr>
<tr>
<td>Compare fees to those of similar TDFs</td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td><strong>Other</strong></td>
</tr>
<tr>
<td>e.g., whether fund consistently tracks the benchmark over time</td>
<td>e.g., litigation</td>
</tr>
</tbody>
</table>

Source: GAO analysis of interviews with investment consulting firm representatives; GAO (images). | GAO-24-105364

Note: We interviewed the top three investment consulting firms in terms of the amount of U.S. institutional, tax-exempt advisory assets under advisement (i.e., under their consultation) to capture the perspectives of the most prevalent investment consulting firms with diverse plan sponsor clients that range in size and assets. We also interviewed other investment consulting firms by reference from other subject matter experts. U.S. institutional, tax-exempt advisory assets include U.S.-domiciled pension assets, endowment and foundation assets, and assets for profit-sharing plans subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), managed on behalf of institutional investors. ERISA sets a framework for most employment-based retirement plans in private industry and provides protection for individuals and beneficiaries participating in these plans.

To conduct this evaluation, three of the five investment consultants we interviewed said they use a proprietary scoring system. The scoring system considers each relevant factor and calculates a total score that the plan sponsor and investment consultant can compare to similar TDFs. An investment consultant also said its evaluation differs based on whether the TDFs are passively or actively managed (see fig. 13).
According to three of the investment consultants we spoke with, if the total score of an existing TDF series falls below a certain threshold set by the consultant after considering each criterion, it may be placed on a watchlist. An investment consultant also said that if an existing TDF series continues to underperform in subsequent monitoring reviews, it may be replaced.

In addition to quantitative factors, the investment consultants said they consider qualitative factors that may affect the future performance of
existing TDFs and could result in a series being placed on a watchlist. For example, questions investment consultants may ask include:

- **Decision-making process changes.** Has the decision-making process and philosophy of the TDF’s portfolio manager changed enough that the investment strategy deviates from its original investment strategy?

- **Departure of key investment professionals.** Does the departure of the TDF’s key portfolio manager or other key individuals warrant a better understanding of the team’s operations and expected effect on the strategy?

- **Litigation or fraud.** Does a TDF involved in significant litigation or alleged fraud warrant a better understanding of any potential effects on its organization, investment personnel, and strategies?

- **Ownership changes.** Has the TDF’s portfolio team experienced a significant change in ownership structure that results in differences in investment personnel, strategy, or other key areas?

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**Federal Agencies Oversee TDFs through Disclosure Requirements, Enforcement, and Examinations, and Some DOL Guidance Has Not Been Updated and Lacks Detail**

As part of their oversight efforts, federal agencies require that plan sponsors, asset managers, or both, provide information to 401(k) plan participants about their investments, including TDFs, in certain circumstances. These requirements ensure that plan participants have access to relevant information about investments to make informed decisions. The oversight of disclosures for investments, including TDFs, varies among federal agencies, with each agency having differing levels of responsibility and scope.
DOL requires plan sponsors or administrators to provide participants with adequate information regarding their plans, including plan investment options such as TDFs. DOL’s regulations require plan administrators to share investment-related information, such as fees, returns, and performance benchmarks, in a comparable format. Under the regulations, a benchmark must be an appropriate broad-based securities market index. The recently enacted SECURE 2.0 requires DOL to issue regulations. These regulations would allow plan administrators to use a benchmark comprising a blend of different broad-based securities market indices as the sole or primary benchmark, provided certain conditions are met.

The OCC mandates that national banks and federal savings associations (FSAs), including those that offer collective investment trust TDFs, establish and maintain each collective investment trust TDF in accordance with a written plan. This plan covers investment policies, fees and expenses, income allocation, valuations, admissions, withdrawals, and more. The written plan guides the operations and administration of the collective investment trust by the national bank or FSA and must be made available to fund participants upon request. Collective investment trusts may also publish quarterly fact sheets regarding the fund’s performance, fees, and holdings, though they are not required to do so.

The Securities Act of 1933 effectively mandates that mutual fund investors (e.g., plan participants who invest in these funds) have access to public information about these funds through prospectuses, which include information about the fund’s investment objectives, principal investment strategies, risks, fees, and historical performance. Mutual fund prospectuses also include graphics depicting return variability. Funds (or their financial intermediaries) are required to deliver a fund prospectus to plan participants who invest in these funds in connection

7529 C.F.R. § 2550.404a-5.
7712 C.F.R. § 9.18(b)(1).
7815 U.S.C. §§ 77j and 80a-8, 17 C.F.R. §§ 270.8b-1 – 270.8b-31 and 274.11A.
79See Item 4 of Form N-1A under the Securities Act of 1933 and the Investment Company Act of 1940, 17 C.F.R. §§ 239.15A and 274.11A.
with their purchase of the fund’s securities, and this requirement helps to ensure they have access to relevant information to make informed decisions. SEC regulations also require that fund prospectuses use plain English writing principles, which include everyday language, active voice, and an instruction not to include legal or business jargon.

Federal agencies do not have disclosure requirements specific to TDFs, but DOL and the SEC collaborated between 2010 and 2014 to enhance disclosures in marketing materials. For example, the agencies proposed rules that would introduce standardized information and illustrative measures to improve transparency and enhance investors’ (i.e., plan participants who invest in these funds) understanding of these funds. The proposed rules included mandates for TDF marketing materials to incorporate (1) a glide path illustration, (2) a description of the glide path’s asset allocation, (3) an explanation of the point where the TDF’s asset allocation is the most conservative, (4) an explanation regarding the date used in the fund’s name, and (5) a statement clarifying that the investment is not guaranteed.

Regarding the proposed rule for a glide path illustration, the SEC’s Investor Advisory Committee recommended in 2013 that the agency develop a glide path illustration for TDFs based on a standardized measure of fund risk to replace or supplement the proposed illustration. The committee’s rationale was that a glide path illustration based solely on asset allocation was unlikely to reliably capture potentially significant differences in fund risk levels. However, the SEC and DOL received public comments that advised against using a standardized measure of fund risk for reasons including that explaining risks is complex and no standard industry measure exists. The SEC did not adopt this recommendation or any of the other related proposed rules.

According to SEC officials, rulemaking projects often do not make it to completion, and agency priorities change. An SEC official told us SEC staff who reviewed prospectuses for TDFs in 2010 observed that most of them, along with certain marketing materials, already included disclosures related to glide paths. Of the prospectuses that we independently

81 17 C.F.R. § 230.421.
reviewed from the ten largest mutual fund TDF providers in 2023, all ten included a glide path illustration, description of the glide path’s asset allocation, explanation of the point where the TDF’s asset allocation is the most conservative, and a statement clarifying that the investment is not guaranteed. Also, five of the prospectuses included an explanation regarding the date used in the fund’s name.83

<table>
<thead>
<tr>
<th>Federal Agencies</th>
<th>DOL, OCC, and SEC collectively oversee TDFs as part of their enforcement, supervisory, and examination efforts; however, oversight of TDFs varies based on the scope of each agency.</th>
</tr>
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</table>

DOL incorporates TDFs into its routine enforcement activities, which focus, in part, on plan sponsors’ fiduciary responsibilities under ERISA, according to agency officials. To do so, DOL examines how plan sponsors exercise prudence when selecting and monitoring investment products, including TDFs, and conducts investigations of plan sponsors if it receives allegations of fiduciary violations. For example, officials told us the agency investigates whether plan sponsors engage in self-dealing by favoring their proprietary funds. DOL also considers participant inquiries, reviews private litigation cases, and uses subscription data services to identify potential irregularities, such as underperforming TDFs, that may warrant investigation.

Once DOL identifies a plan sponsor for investigation, officials said the agency may request relevant documents related to the investment product selection and monitoring to determine if deviations from the selection process occurred. In addition, DOL reviews whether 401(k) plan fiduciaries and administrators, including collective investment trust managers, adhere to their participant disclosure requirements by accurately communicating information to participants about the risks associated with TDFs.

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83DOL outlined in a proposed rule concerning the explanation of the date used in the fund’s name as follows: “If the alternative is named, or otherwise described, with reference to a particular date (e.g., a target date), [the plan administrator shall furnish participants and beneficiaries] an explanation of the age group for whom the alternative is designed, the relevance of the date, and any assumptions about a participant’s or beneficiary’s contribution and withdrawal intentions on or after such date.” See 75 Fed. Reg. 73,987 (Nov. 30, 2010).
According to DOL officials, they have not identified TDF-specific issues in their investigations of plan sponsors and service providers. For example, DOL officials said they did not find concerns related to plans providing incorrect information in participant disclosures about the risks of TDFs, inaccurate glide path illustrations, or significant deviations from disclosed glide paths. Based on our review of DOL-provided data, from 2016 to 2021, less than 1 percent of 401(k) plan participant inquiries to DOL focused on their TDFs. The majority of the participants’ TDF-related inquiries regarded plan sponsors changing participants’ qualified default investment alternatives to TDFs, with some participants expressing concerns about the TDFs being more aggressive than their prior investments, according to officials.

Because of limitations with the Form 5500, DOL is unable to consistently identify information about plans’ investment options, including TDFs, from required annual filings. Form 5500 is the primary means of collecting information on retirement plan assets for use by DOL and other federal agencies, as well as the private sector. Each year, plan sponsors are required to use Form 5500 to file detailed information about the operation, funding, expenses, and investments of their plan’s investment options. Large 401(k) plans with 100 or more participants are required to file a Form 5500 Schedule H to disclose information on plan investments. Schedule H also directs large plans to attach a schedule or list of assets the plan held for investment during the year.

In 2014, we highlighted challenges faced by DOL in collecting and extracting information from the Form 5500’s Schedule H attachments. The primary challenge is the absence of a requirement for plans to use a standard, data-searchable format. As a result, some attachments may include up to 400 pages. The length of the attachments makes it difficult

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84From 2016 to 2021, DOL received 262,510 inquiries from participants in 401(k) plans, with eight of these inquiries specifically related to TDFs, according to DOL officials.

85The Form 5500 includes nine schedules and attachments that collect information on plan aspects and fulfill specific filing requirements including: (1) plan investment and service provider fee information, (2) plan financial condition; (3) annual participant contributions; (4) certain investment income; (5) plan type (e.g., defined benefit or defined contribution); (6) funding methods; and (7) number of participants, among others. GAO, Private Pensions: Targeted Revisions Could Improve Usefulness of Form 5500 Information, GAO-14-441 (Washington, D.C.: June 5, 2014).


for Form 5500 users, including DOL and industry stakeholders, to find necessary information. As we previously reported, the Office of Management and Budget’s guidance to agencies on testing and simplifying federal forms that collect information from the public suggests that poorly designed and unduly complicated forms can prove difficult and confusing to complete.

We recommended that DOL revise the Schedule of Assets attachments to create a standard searchable format. This would provide DOL with an efficient method to identify all ERISA plans that invest in a specific investment, such as a mutual fund or collective investment trust. Better data about plan investments would also help DOL provide more effective and efficient oversight, assist with compliance, and enforce the provisions of ERISA. Standardizing an electronic format for a plan’s investment schedules would also allow data to be aggregated and reviewed, which DOL could use in its enforcement and oversight efforts for TDFs and other investment options.

While DOL has initiated efforts to modernize the Form 5500, the agency has not yet implemented changes to the Schedule H attachments. In September 2021, DOL published a proposal to modernize the annual reporting requirements of Form 5500, aiming at enhancing the availability of investment data, including for TDFs. However, according to agency officials, changes to the Schedule H have been deferred and will be reintroduced as part of the broader Form 5500 Improvement Project in 2024. We continue to believe that requiring plans to use a standard, data-searchable format for filing the Form 5500 Schedule H attachments would help DOL conduct its oversight of plan investment options, including TDFs.

OCC’s process for overseeing collective investment trusts involves both ongoing supervision activities and examinations to ensure national banks and FSAs are administering collective investment trusts in accordance with the master trust agreement and applicable law. OCC’s ongoing supervision activities generally consist of assessing risks and reviewing

Office of the Comptroller of the Currency

88According to DOL, the Schedule of Assets is attached to Form 5500 Schedule H line 4i and identifies all assets held for investment purposes at the end of the plan year, aggregated and identified by issue, maturity date, rate of interest, collateral, par or maturity value, cost and current value, and, in the case of a loan, the payment schedule.

8912 C.F.R. § 9.18.
Risks that may be assessed include credit, liquidity, price, operational, compliance, strategic, and reputational risk. The scope of supervision activities also includes the use of third parties and associated risk management, and board and fiduciary committee structure and oversight.

Matters requiring attention describe practices that an institution must implement or correct, ideally before those deficient practices affect the bank’s condition. See GAO, Bank Supervision: Regulators Improved Supervision of Management Activities but Additional Steps Needed, GAO-19-352 (Washington, D.C.: May 14, 2019).

While none of the matters requiring attention focused on TDFS, four of the 29 matters requiring attention involved a fund that was included in the portfolio of a TDF.
Compliance Inspections and Examinations (now the Division of Examinations) staff has stated that it is critically important that mutual fund companies provide investors with proper disclosures of the fees and expenses they pay for products and services and that financial professionals accurately calculate and charge fees in accordance with these disclosures. The SEC staff selects mutual funds to review from firms with practices or business models that may create increased risks of inadequately disclosed fees, expenses, or other charges, according to agency reporting. For example, an SEC official explained that during reviews of disclosures, including prospectuses and marketing materials, examiners may evaluate whether mutual fund companies have omitted any information regarding permitted deviations in TDF glide paths.

In addition to the SEC staff’s risk-based examinations of mutual funds, the agency’s staff also conducted an examination initiative focused on TDFs and observed instances of incomplete and potentially misleading disclosures. During fiscal years 2017 and 2018, SEC staff conducted a targeted review of over 30 mutual fund TDFs to determine whether fund assets were invested according to the asset allocations stated in the funds’ prospectuses. The review also determined whether the associated investment risks were consistent with fund disclosures. While the initiative revealed that most TDFs generally appeared to be complying with the Investment Company Act of 1940 in the areas reviewed, the SEC staff observed instances of deficiencies or weaknesses in some of these funds’ disclosures and compliance programs, including incomplete and potentially misleading disclosures. For example, the SEC staff observed a TDF series with marketing materials displaying asset allocation disclosures that differed from those in the prospectus. Further, the SEC staff observed that many TDFs had incomplete or missing policies and procedures, including those for monitoring asset allocations, and for monitoring whether disclosures regarding glide path deviations were accurate, among others. The findings and results of the initiative were summarized in a Risk Alert published in 2019 to encourage fund managers to review their practices, policies, and procedures in these

93See Securities and Exchange Commission, 2024 Examination Priorities, Division of Examinations (2024).
areas and to consider improvements in funds’ compliance programs, as appropriate.94

DOL Provides Information to Help Plan Sponsors and Participants Select and Monitor TDFs, but Some of Its Guidance Has Not Been Updated and Lacks Detail

2013 Guidance to Plan Sponsors

Plan sponsors and investment consultants use DOL’s TDF 2013 guidance to select and monitor TDFs, but this guidance has not been updated to address recent developments in TDFs.95 This guidance describes steps plan sponsors should take, such as establishing a process for comparing and selecting TDFs, as well as monitoring selected TDFs. Further, the guidance includes elements for plan sponsors to consider, such as understanding the TDFs’ investments and how they change over time by reviewing available sources of information on the glide path. Five of the eight plan sponsors we spoke to said that they find the guidance to be helpful, while the other three were unaware of it. In addition, all five of the investment consultants we interviewed said they advise plan sponsors based on the framework in this guidance. DOL has not updated the 2013 guidance, which does not sufficiently address the increasing popularity of collective investment trust TDFs nor include details on certain other key factors relevant to the selection of TDFs, such as:

• **Collective investment trust TDF disclosures.** The guidance recommends reviewing certain disclosures such as prospectuses and offering materials. However, it lacks specific references to collective investment trust TDF disclosures. Unlike prospectuses, which are required to be written in plain language using a consistent format, asset management firms can provide collective investment trust disclosures in different formats. DOL officials said these different

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95See Department of Labor, Employee Benefits Security Administration, *Target Date Retirement Funds - Tips for ERISA Plan Fiduciaries* (Feb. 2013.)
formats can be difficult to understand. DOL’s guidance includes links to resources on SEC’s website relevant to mutual funds and prospectuses, but it does not include links to similar resources from OCC. Without guidance on reviewing collective investment trust TDF disclosures, including written plans and collective investment trust fact sheets, plan sponsors may not understand the applicable collective investment trust disclosures they should use as part of their TDF selection and monitoring process.

- **Differences between “to” and “through” TDF glide paths.** DOL’s guidance does not provide comparable information on the differences between using either a “to” or “through” TDF glide path. The guidance states that “through” glide paths may carry increased investment risk due to continued exposure to higher levels of stocks after the target retirement date. However, it does not similarly highlight the difference with “to” funds, which may also have risks due to their concentration in less volatile investments at the target date. In particular, the more conservative investment allocation of many “to” funds could yield a lower long-term rate of return which can affect the fund’s ability to keep pace with inflation and result in less investment income.

The absence of guidance addressing the differences of “to” funds may unintentionally create an impression of favoring these funds over “through” funds. As a result, some plan sponsors may select “to” glide path TDFs without understanding the potential for inflation risk or other differences. In addition, a representative of an asset management firm we interviewed said that due to the current wording, some plan sponsors may interpret “through” TDFs as being more aggressive than “to” TDFs when that varies across individual TDFs.96

In 2010, SEC and DOL jointly published an Investor Bulletin that outlines items to consider before investing in a TDF. Considerations include (1) considering the investor’s own investment style (e.g., preference for an active role or a hands-off approach to managing the investor’s own investments); (2) reviewing the fund’s prospectus to see where the fund will invest; (3) understanding how the investments will change over time; (4) taking into account when the investor will access the money in the

96In general, “through” TDFs are more aggressive—meaning they have a higher equity allocation—than “to” TDFs, but there are cases when the opposite is also true. For example, as shown in figure 4, “Variation in Median Percentage of Equities in ‘Through’ and ‘To’ Retirement Glide Paths for Target Date Funds (TDFs) Structured as Mutual Funds, 2017-2021”, the 90th percentile of “to” TDFs have a higher equity allocation than the 10th percentile of “through” TDFs.
fund; and (5) examining the fund’s fees.\footnote{DOL and SEC, “Investor Bulletin: Target Date Retirement Funds,” May 6, 2010.} The Investor Bulletin notes that TDFs with the same target date may have very different investment strategies and risks. However, the Investor Bulletin has not been updated since 2010 and does not include details on recent developments in TDFs, such as:

- **Collective investment trust TDF disclosures.** The Investor Bulletin advises investors to examine disclosures related to mutual fund TDFs, such as the prospectus. However, the Investor Bulletin does not refer to similar collective investment trust disclosures. As previously mentioned, collective investment trust TDFs are not required to provide a prospectus and must instead provide a written plan document upon request from participants who invest in the fund.\footnote{\textit{12} C.F.R. § 9.18(b)(1).} Additionally, participants who invest in these funds can review fact sheets, which are documents provided by fund managers to summarize the key features of the investment, including an overview of the investment objective, performance, fees, and holdings. However, these collective investment trust disclosures do not use a consistent format, and DOL officials said they can be difficult to understand. Although the Investor Bulletin specifically mentions prospectuses, it does not refer to these collective investment trust-specific disclosures. Without updated guidance, participants who invest in these funds may not be able to identify and understand disclosures for collective investment trust TDFs compared to mutual fund TDFs. As a result, these participants may have difficulty identifying the relevant collective investment trust disclosures they should use to understand their TDFs.

The mission of DOL’s Employee Benefits Security Administration is, among other things, to ensure the security of the retirement benefits of America’s workers and their families. The agency states it accomplishes this mission, in part, by assisting and educating workers, plan sponsors, fiduciaries, and service providers. Additionally, federal standards for internal control state that organizations should provide quality information to external stakeholders, and that effective information and
DOL officials said the agency currently has no plans to update the 2013 guidance to plan sponsors or the 2010 guidance to plan participants, and the officials cited several reasons. First, the officials said the agency has had to prioritize initiatives that are linked to SECURE 2.0, and these initiatives use already constrained staffing resources. The officials also said the purpose of the guidance documents is to offer general direction and should not serve as a substitute for the advice of investment professionals. In addition, officials said that both guidance documents are balanced, accurate, and appropriately highlight the general issues and processes that plan sponsors and participants should consider. However, as described earlier, the 2010 and 2013 guidance documents do not provide information about certain details related to TDFs that have evolved since the guidance was issued. Without such information, plan sponsors and plan participants may have difficulty making informed decisions.

TDFs have emerged as the preferred investment option in 401(k) plans due to their wide availability and the convenience of automatic enrollment by plan sponsors. As a result, millions of plan participants depend on TDFs for their financial security in retirement, with more than half of them investing solely in TDFs.

Given the variation in TDF design and risk levels, careful selection and continuous monitoring of TDFs are imperative for both plan sponsors and participants. However, recent industry surveys show that many participants do not understand basic features of TDFs. DOL provides some information about TDFs and selection factors to consider, but its two guidance documents have not been updated.

The 2013 guidance to plan sponsors does not include information on collective investment trust TDF disclosures and lacks details about the differences between “to” and “through” TDF glide paths. Without this information, plan sponsors may not understand the collective investment trust disclosures they should use as part of their TDF selection and

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monitoring process, as well as the different risks that “to” and “through” funds carry.

Similarly, the 2010 guidance to plan participants does not include information to help them understand collective investment trust disclosures. Without this information, participants may have difficulty identifying and understanding collective investment trust disclosures. Incomplete guidance hinders plan sponsors and plan participants from making informed decisions, which can affect participants’ retirement security. It also hinders DOL from fulfilling its mission of ensuring Americans’ retirement security.

We are making the following two recommendations to DOL:

The Secretary of Labor should ensure that the Assistant Secretary of the Employee Benefits Security Administration updates the 2013 guidance for plan sponsors, “Target Date Retirement Funds—Tips for ERISA Plan Fiduciaries,” to provide information that reflects recent TDF developments. This should include the use of collective investment trusts and differences between “to” and “through” TDF glide paths. (Recommendation 1)

The Secretary of Labor should ensure that the Assistant Secretary of the Employee Benefits Security Administration, in consultation with the SEC and OCC as appropriate, updates the 2010 guidance for plan participants, “Investor Bulletin: Target Date Retirement Funds,” to provide information that reflects recent TDF developments. This should include the use of collective investment trusts. (Recommendation 2)

We provided a draft of this report to the Department of Labor (DOL); the Office of the Comptroller of the Currency (OCC); and the Securities and Exchange Commission (SEC) for review and comment. We received technical comments from DOL, OCC, and SEC, which we have incorporated, where appropriate. DOL provided written comments on the draft report, which are reproduced in appendix II.

In its written response, DOL officials disagreed in large part with our recommendations to update its 2013 guidance for plan sponsors and its 2010 guidance for plan participants to provide information that reflects recent TDF developments. DOL officials stated that they believe the guidance documents are balanced and provide basic information that plan fiduciaries and plan participants can use to improve retirement outcomes, regardless of whether the TDF is structured as a mutual fund
or collective investment trust. DOL officials also noted that the agency plans to update the 2013 guidance for plan sponsors to remove the reference to an uncompleted rulemaking project undertaken in coordination with the SEC.

Our recommendations are also aimed at improving retirement outcomes, and we continue to believe that implementing them would help DOL meet this goal by providing updated information on fundamental features of TDFs, which are the most widely used investment option in 401(k) plans. We believe DOL could, for example, add targeted references to collective investment trust disclosures and include links to OCC resources that would complement the specific references to mutual funds and mutual fund disclosures in both guidance documents. Given our findings that TDFs are increasingly structured as collective investment trusts, and that limited information is available about fees for these investments, updating the guidance to include collective investment trusts can help ensure that plan fiduciaries understand the applicable disclosure to inform their TDF selection and monitoring process. Updated guidance can also help ensure that participants are able to identify and understand disclosures for collective investment trust TDFs in which their retirement savings are invested. This is particularly important in light of our prior work that has shown that even seemingly small fees can significantly reduce 401(k) plan participants’ retirement savings.

Regarding the 2013 guidance to plan fiduciaries specifically, DOL officials stated that this guidance notes the issue of investment risk when discussing the significance of differences between “to” and “through” TDF glide paths based on substantial evidence that many plan sponsors and participants had not understood the extent to which TDFs were exposed to this risk, including during market turbulence in 2008. These officials added that they are unaware of widespread confusion about “longevity risk,” a phrase that we did not include in our draft report.

While we understand DOL’s focus on investment risk at the time it published this guidance document, we believe that clearer guidance, such as a targeted update to add inflation risk to the discussion of the differences of “to” and “through” TDF glide paths, would give plan sponsors information that could further help them improve retirement outcomes for their participants. As we explain in our report, the fundamental difference between “to” and “through” glide paths is that the former carries more inflation risk (the risk that a lower long-term rate of return does not keep pace with inflation, resulting in less investment income) while the latter carries more investment risk. Our analysis of TDF
performance and risk data before and during COVID-19 in this report shows that the level of investment risk is still an important consideration for TDFs. However, in recent years we have seen the highest levels of inflation in decades, pointing to a need for DOL’s guidance to include key factors that differentiate “to” and “through” TDFs, such as inflation risk.

In addition, DOL officials noted in their comments that the agency will continue to monitor the TDF marketplace and questions or concerns raised by plan participants and plan sponsors. DOL officials also noted that they are currently reviewing the effectiveness of all required disclosures to participants pursuant to the SECURE 2.0 Act, and that in carrying out this review, the agency will give special attention to any ERISA disclosure requirements that are specific to TDFs in light of our recommendations. While we commend this effort, we encourage DOL to revise its guidance documents to make them more useful to plan participants and plan sponsors.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Secretary of Labor, the Comptroller of the Currency, the Chair of the Securities and Exchange Commission, and other interested parties. In addition, the report will be available at no charge on the GAO website at https://www.gao.gov.

If you or your staff have any questions about this report, please contact us at (202) 512-7215 or nguyentt@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

Tranchau (Kris) Nguyen, Director
Education, Workforce, and Income Security Issues
Appendix I: Objectives, Scope, and Methodology

This report examines (1) the extent to which 401(k) plans and participants use target date funds (TDFs); (2) how asset allocations, risk levels, performance, and fees vary across TDFs; (3) how 401(k) plan sponsors select and monitor TDFs; and (4) how the Department of Labor (DOL) and other federal agencies oversee TDFs.

To assess the extent to which 401(k) plans and participants use TDFs, we identified the most recent reports available at the time of our request from online searches, including from BrightScope and the Investment Company Institute (ICI) (2023), the Defined Contribution Institutional Investment Association (2020), the Plan Sponsor Council of America (PSCA) (2022), and Vanguard (2023).¹ We spoke with representatives from each entity to learn more about their research. We also conducted a search of TDF-related literature published from 2016 through 2021, the most recent available when we began our study. This literature included reports from research and industry groups, including the Employee Benefit Research Institute (EBRI) and ICI, as well as academic papers. In total, we reviewed 52 reports and papers and focused on those that were most relevant to our objectives and met our reporting standards.²

To assess how asset allocations, risk levels, performance, and fees vary across TDFs, we obtained and analyzed data from Morningstar’s Direct database. Morningstar Direct is an online research platform that provides performance and holdings data and analysis of investments. The Morningstar Direct data we received includes data on TDFs structured as mutual funds and collective investment trusts. The mutual fund data comes from the Securities and Exchange Commission’s (SEC) Electronic Data Gathering, Analysis, and Retrieval system (EDGAR), which includes filings from all publicly traded companies, and therefore covers the universe of mutual fund TDFs. Morningstar’s collective investment trust data is voluntarily reported by asset managers and is therefore not

¹While these reports mostly focus on 401(k) plans, PSCA’s annual survey reports reflect the experience of 401(k) plans, profit-sharing plans, and combination 401(k)/profit sharing plans. In addition, Vanguard’s annual How America Saves reports include data from other types of defined contribution plans, such as 403(b) plans.

²For example, we reviewed, Mitchell, Olivia S. and Stephen P. Utkus, Target-Date Funds and Portfolio Choice in 401(k) Plans. Journal of Pension Economics and Finance (2021), 1–18 and Shoven, John B. and Daniel B. Walton, An Analysis of the Performance of Target Date Funds. The Journal of Retirement (Spring 2021), 43-65.
Morningstar provided data on TDF glide paths, asset allocations, risk levels, performance, and fees for the period from January 2017 to December 2021, the most recent data available at the time of our request. We merged these data sets using fund names and unique identifiers for the share class of each investment. Data on glide paths, asset allocations, risk levels, and performance are measured monthly over this period, while the data on fees provide snapshots as of the date of the TDFs’ most recent disclosures at the time of our request. Additionally, the risk variables are rolling 3-year averages, with the first observation of each risk measure being the average from January 2017 through December 2019, and the last observation being the average from January 2019 through December 2021. We identified the risk metrics based on our interviews with Morningstar and our review of TDF literature. Specifically, we analyzed:

- **Glide paths.** The percentages each TDF allocates to stocks, bonds, cash, and other investments over a period spanning from 50 years until the target date to 30 years beyond the target date, in 5-year increments.

- **Asset allocations.** The percentages each TDF allocated to U.S. stocks, U.S. bonds, non-U.S. stocks, and non-U.S. bonds monthly, from January 2017 through December 2021. We did not obtain or analyze data on the individual asset holdings that make up these aggregate percentages.

- **Performance.** To analyze TDF performance, we examined:
  - Total returns measure the percentage change in the TDF’s net asset value from the beginning to the end of the month, from January 2017 through December 2021.
  - 3-year Alpha. A measure of the difference between a portfolio’s actual returns and its expected performance, given its level of risk as measured by beta. A positive Alpha indicates the portfolio has performed better than its beta would predict. In contrast, a negative Alpha indicates the portfolio has underperformed, given the expectations established by beta.

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3Morningstar Direct data on TDFs structured as mutual funds and collective investment trusts do not identify whether the funds are held in 401(k) plans. The funds may also be held in other defined contribution plans or individual retirement accounts (IRAs).

4Beta is a measure of a portfolio’s sensitivity to market movements.
Appendix I: Objectives, Scope, and Methodology

• 3-year Sharpe ratio. A risk-adjusted returns measure developed by William Sharpe. It is calculated over each 3-year period by dividing a fund’s annualized excess returns by the standard deviation of a fund’s annualized excess returns to determine reward per unit of risk. The Sharpe Ratio can be used to compare two funds directly on how much risk each had to bear to earn excess return over the risk-free rate.

• 3-year Sortino ratio. Similar to the Sharpe ratio, the Sortino Ratio (developed by Frank Sortino) uses only the downside risk portion of the standard deviation in the denominator.

• 3-year Treynor ratio. Similar to Sharpe Ratio, this metric is a measurement of efficiency utilizing the relationship between annualized risk-adjusted return and risk. Unlike Sharpe Ratio, Treynor Ratio utilizes market risk (beta) instead of total risk (standard deviation). The higher the ratio, the better the performance efficiency.

• Risk. To analyze TDF risk, we examined:

  • 3-year Standard deviation. This metric shows how widely a set of values vary around its average.

  • 3-year Equity beta. This measures a TDF’s sensitivity to market movements, with the beta of the market being 1.00 by definition. Morningstar calculated equity beta for us by comparing a TDF’s excess return over Treasury bills to the benchmark’s (in this case, Morgan Stanley Capital International’s All Country World Index) excess return over Treasury bills for successive 3-year periods.\(^5\) We focused on this metric to describe the investment risk of TDFs because Morningstar staff recommended it as a good way to measure the fluctuation of TDFs relative to a broad-based equities index.

  • 3-year R\(^2\). Reflects the percentage of a portfolio’s movement that can be explained by the movement of its primary benchmark (in this case the Morgan Stanley Capital International All Country World Index) over the past 3 years. An R-squared of 100 indicates that all movement of a fund can be explained by the movement of the index.

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\(^5\)The All Country World Index tracks market capitalization of large- and mid-size companies in 23 developed markets and 24 emerging markets, covering approximately 85 percent of investable global equities, according to Morgan Stanley Capital International.
Appendix I: Objectives, Scope, and Methodology

- **3-year Max drawdown.** The peak to trough decline in an investment’s value over 3 years measured as the percentage decrease from peak to trough.

- **Fees.** We examined the prospectus net expense ratio, which is the percentage of fund assets, net of reimbursements, used to pay for operating expenses, including management fees, distribution (12b-1) fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs.\(^6\)

We limited our analysis population to mutual funds and collective investment trusts that were active from January 2017 through December 2021. We omitted funds that became active after January 1, 2017, as well as funds that became obsolete during our time period, to guard against survivorship bias. Ultimately, we had 1,696 unique mutual fund share classes and 1,372 unique collective investment trust tiers in our analysis.

For all of our analyses, we focused on the lowest cost mutual fund share class or collective investment trust tier so as not to include mutual funds or collective investment trusts with duplicate glide paths or asset allocations.\(^7\) We identified the lowest cost share class of each mutual fund as the share class with the lowest prospectus net expense ratio.\(^8\) Prospectus net expense ratio data were the most recent available in Morningstar’s database at the time of our request and were published by mutual fund companies from August 2020 to April 2022. Because Morningstar’s fee data for collective investment trusts are limited, we used total net assets data from the fourth quarter of 2021 as a proxy to identify the lowest cost tier of each collective investment trust. Specifically, we identified the tier with the largest amount of total net assets as the lowest cost share class. Stakeholders suggested that we use this approach because the collective investment trust asset data was

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\(^6\)12b-1 fees compensate sales professionals and others for selling a mutual fund’s shares, as well as for advertising and promoting them. These fees are named after the SEC rule under the Investment Company Act of 1940 authorizing mutual funds to pay for marketing and distribution expenses directly from fund assets under certain conditions.

\(^7\)This resulted in 435 mutual fund TDFs and 357 collective investment trust TDFs in our analysis.

\(^8\)The prospectus net expense ratio is the percentage of fund assets, net of reimbursements, used to pay for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs and any sales charges. The expense ratio for funds of funds, such as TDFs, is the aggregate expense ratio as defined as the sum of the wrap or sponsor fees plus the estimated weighted average of the underlying fund fees.
Appendix I: Objectives, Scope, and Methodology

reliable and because more assets are likely to flow to collective investment trust share classes with lower fees.

We conducted a data reliability assessment of Morningstar Direct data and found it to be reliable for the purposes of our report. Specifically, we interviewed Morningstar representatives, reviewed related documentation, and conducted electronic testing.

To illustrate the risks facing 401(k) participants at retirement, including negative returns and negative cash flow from their accounts, we developed a scenario with three hypothetical 401(k) participants at different stages of their lives, all planning to retire at age 65 and invested solely in TDFs associated with their planned retirement years: Participant A, aged 65 in 2022 and retired; Participant B, aged 50 in 2022 and planning to retire in 2037; and Participant C, aged 35 in 2022 and planning to retire in 2052. We chose 2022 because it was a period of extended market volatility.

We assumed all three participants experienced investment losses throughout 2022, followed by 9 years of historical returns calibrated to their respective TDFs, for a total projection of 10 years. We calculated participants’ investment losses for 2022 using the S&P Target Date Index that was closest to their targeted retirement year—Retirement Income for Participant A, 2035 for Participant B, and 2050 for Participant C. The following 9 years of returns were based on historical annual returns from S&P Target Date Indexes (October 31, 2013 to October 31, 2023, excluding 2022), selected for their proximity to each participant’s targeted retirement year.

We also assumed hypothetical 401(k) account balances for all three participants, plan contributions for Participants B and C, and plan withdrawals for Participant A. We based initial 401(k) account balances for all three participants and incomes for Participants B and C ($91,880 and $86,470, respectively) on median data from the 2022 Survey of Consumer Finances for their respective ages. We assumed that income for Participants B and C increased by 2.5 percent annually based on 10-year inflation projections from the Congressional Budget Office (2023 to 2032), and that they received annual contributions of 10 percent of their incomes to their 401(k) accounts based on Vanguard’s defined contribution plan recordkeeping data on the median employer-promised matching contribution (4.0 percent) and the median employee-elective contribution required to maximize the employer match (6.0 percent) in
2022. Annual contributions began at $9,188 and $8,647 for Participants B and C, respectively. We assumed that Participant A withdrew 4 percent of their initial 401(k) account balance in 2022 ($8,000) based on the “4 Percent Rule” developed by William Bengen, and that they increased their withdrawal amount by 2.5 percent in each subsequent year based on the previously-mentioned 10-year inflation projections from the Congressional Budget Office.

Finally, we assumed that participants “recovered” when their account balances equaled or exceeded the account balances they would have had absent market volatility, calculated as the geometric mean of the 10 years of historical annual returns we used to project returns for each participant.

In addition, we reviewed Morningstar’s Target Date Strategy Landscape reports published in 2021-2023 to get an overview of TDFs and to learn about TDF trends. To learn more about how asset managers design and manage TDFs, as well as how they engage and communicate with their plan sponsor clients and investment consultants, we conducted semi-structured interviews with representatives from the seven largest TDF asset managers based on the amount of TDF assets under management. We also reviewed and analyzed their documentation, including mutual fund prospectuses and mutual fund and collective investment trust fact sheets.

We also interviewed representatives of eight 401(k) plan sponsors and reviewed their documentation, such as their investment policy statements and meeting minutes, to help us assess how 401(k) plan sponsors select and monitor TDFs. We selected the eight plan sponsors from among the 27 that responded to a GAO-designed survey sent by PSCA to its members in August 2022. To qualify for selection, plan sponsors had to offer a 401(k) plan and have a TDF series in its investment lineup. We wanted to have a mix of plan sponsors of different sizes, asset management firms, and TDF investment vehicles, so we selected the

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10According to Morningstar, the top seven TDF providers by assets as of December 31, 2021, the most recent data available when we selected asset managers to interview, made up 86 percent of the TDF market. Morningstar, 2022 Target-Date Strategy Landscape, Mar. 2022.
eight plan sponsors according to three criteria: (1) total plan assets, (2) TDF asset management firm, and (3) TDF investment vehicle.\textsuperscript{11}

Our final selection included two small, three medium, and three large plan sponsors.\textsuperscript{12} These plan sponsors used a variety of TDF asset management firms, including some that we did not select to interview for this study. Of the eight, four used TDFs structured as mutual funds and four used TDFs structured as collective investment trusts. Although our sample of plan sponsors is non-generalizable, our selection encompasses a diverse group of plan sponsors offering insights into their TDF selection and monitoring practices.

In addition, we selected five investment consultants to interview to learn about how they help 401(k) plan sponsors select and monitor TDFs.\textsuperscript{13} We reviewed their documentation, such as TDF suitability analysis reports to learn about their methodology for selecting TDFs and their investment reviews to learn about the criteria they consider when monitoring TDFs. We selected three of the five investment consultants based on their responses to a survey conducted by the publication, Pensions & Investments, which was published in their 2022 Consultants Report. Specifically, we selected the top three consultants from the ranked list of largest consultants by U.S. institutional tax-exempt advisory assets as of June 30, 2022. We selected a fourth investment consultant through a referral from the American Retirement Association and a fifth investment consultant through work with one of the eight selected plan sponsors. We also interviewed representatives from these five investment consultants and reviewed their documentation. Although our sample of investment consultants is non-generalizable, our selection encompasses a diverse

\textsuperscript{11}For the total plan assets criterion, we defined small plans as having $25 million or less in assets; medium plans as having more than $25 million up to $100 million in assets; large plans as having more than $100 million up to $500 million in assets; and mega plans as having more than $500 million in assets. For the TDF asset management firm criterion, we aimed to select plan sponsors that use one of the seven asset management firms we selected to interview for our study. For the TDF investment vehicle criterion, we aimed to select a mix of plan sponsors that used mutual funds and collective investment trusts.

\textsuperscript{12}All mega plan sponsors we contacted declined to participate in our study.

\textsuperscript{13}According to PSCA’s 2022 Annual Survey, 77 percent of PSCA plan sponsor members reported that they use investment consultants. In the 2016 Annual Survey, 67 percent of plan sponsors reported that they are using investment consultants. Note: Plan sponsor members that are surveyed may differ every year and as such, the PSCA annual survey results are not representative of all PSCA plan sponsor members.
group of investment consultants offering insights into their TDF selection and monitoring practices.

To evaluate how DOL and other federal agencies oversee TDFs, we interviewed officials from the DOL, the SEC, and the Office of the Comptroller of the Currency about their oversight of TDFs and their related activities and guidance. We also reviewed the agencies’ guidance and documentation on TDFs, as well as relevant federal laws and regulations. Further, we reviewed enforcement procedures and data to gain an understanding of each agency’s enforcement efforts.

We conducted this performance audit from August 2021 to March 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

14TDFs established as collective investment trusts and offered by national banks or federal savings associations are regulated by the Office of the Comptroller of the Currency. TDFs established as collective investment trusts and offered by state-chartered banks or other institutions are regulated by federal banking regulators or state banking regulators, depending on the institution’s charter.
Appendix II: Comments from the Department of Labor

U.S. Department of Labor
Assistant Secretary for Employee Benefits Security Administration
Washington, D.C. 20210

February 23, 2024

Tran Chau (Kris) Nguyen
Director
Education, Workforce, and Income Security Issues
United States Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Nguyen:

Thank you for the opportunity to review the Government Accountability Office (GAO) draft report entitled “401(k) Retirement Plans: Department of Labor Should Update Guidance on Target Date Funds” (GAO-24-105364). The draft report contains two recommendations to the Secretary of Labor:

- The Secretary of Labor should ensure that the Assistant Secretary of the Employee Benefits Security Administration updates the 2013 guidance for plan sponsors, “Target Date Retirement Funds – Tips for ERISA Plan Fiduciaries,” to provide information that reflects recent TDF developments. This should include the use of collective investment trusts and differences between “to” and “through” TDF glide paths. (Recommendation 1)

- The Secretary of Labor should ensure that the Assistant Secretary of the Employee Benefits Security Administration, in consultation with the [Securities and Exchange Commission], updates the 2010 guidance for plan participants, “Investor Bulletin: Target Date Retirement Funds,” to provide information that reflects recent TDF developments. This should include use of collective investment trusts. (Recommendation 2)

The Department disagrees, in large part, with these recommendations. We believe that the current guidance documents are balanced, accurate, and appropriately highlight the general issues and processes that plan fiduciaries and plan participants should consider. The preparation and publication of documents like these necessarily require judgments as to the appropriate length, complexity, and detail appropriate to the task of providing basic information that the intended audience will read, understand, and use to improve retirement outcomes.

Neither guidance document was intended to provide detailed guidance on every issue that is relevant to the plan participants’ and fiduciaries’ selection of target date funds, or to the plan fiduciaries’ selection and oversight of related service providers, such as record keepers. Instead, the documents were intended to provide general guidance on the basic features of these funds, and of the sorts of issues that plan participants and fiduciaries should consider, regardless of whether the target date fund is a registered mutual fund, collective investment fund offered by a bank, or other some other strategy.
Appendix II: Comments from the Department of Labor

The Tips document specifically noted the issue of investment risk based on substantial evidence that many plan fiduciaries and participants had not understood the extent to which target date funds remained exposed to such risks (e.g., when the markets dropped in 2008). Its text accurately focuses on the difference between “to” and “through” funds, flags the need for fiduciaries to understand these differences, and rightly reminds them of their responsibility to understand and consider the significance of these differences, as the funds follow their particular glide paths over time. The document is very careful not to unduly favor either “to” or “through” funds, and it is not intended to offer detailed guidance on the many issues and differences of opinion on how best to manage assets in the decumulation phase to ensure that participants do not outlive their assets.

We are similarly unaware of widespread confusion about “longevity risk.” We do not think that an additional express reference in either document to “longevity risk,” without more, would appreciably change readers’ understanding of the relevant issues or have a significant impact on fiduciaries’ decisions as to the nature and attributes of the funds that make the most sense for their particular plans and participant populations.

Although we continue to believe that the current guidance documents are a suitable overview of the fundamental concepts relevant to target date funds and their investment strategies, given their intended audiences, we will continue to monitor the target date marketplace, and incoming questions or concerns raised by plan participants and fiduciaries. In addition, we also are currently reviewing the effectiveness of all required disclosures to participants, pursuant to section 319 of the SECURE 2.0 Act. In carrying out this review, we will give special attention to any of ERISA’s disclosure requirements specific to target date funds, in light of your recommendations.

Finally, the Tips document makes reference to a historic rulemaking project being undertaken in coordination with the Securities and Exchange Commission at the time of issuance of the Tips. However, as noted in your report, the agencies concluded this rulemaking project without implementing any changes as a result of this project. We will therefore remove the Tips’ reference to this concluded project.

I thank you again for the opportunity to review your draft report and recommendations. Please do not hesitate to contact us if you have questions concerning this response or if we can be of further assistance.

Sincerely,

Lisa M. Gomez
Assistant Secretary

1 Section 319 of the SECURE 2.0 Act (Division T of the Consolidated Appropriations Act, 2023, Public Law 117-328, 116 Stat. 4459 (2022) (SECURE 2.0)) requires the Department, jointly with the Department of the Treasury and the Pension Benefit Guaranty Corporation, to review existing ERISA and Internal Revenue Code reporting and disclosure requirements for retirement plans. The agencies must report to Congress, no later than December 29, 2025, concerning this review and providing recommendations to enhance the effectiveness of such requirements.
Appendix III: GAO Contact and Staff
Acknowledgments

GAO Contact
Trachau (Kris) Nguyen, at (202) 512-7215 or nguyentt@gao.gov.

Staff
Acknowledgments
In addition to the individual named above, Sharon Hermes (Assistant Director), Jeffrey G. Miller (Analyst in Charge), Ted Burik, Peter Choi, Tyler Dennis, and Alyssa Skarbek made key contributions to this report. Additional assistance was provided by Aubrey Anderson, Conrad Belknap, Andrew Bellis, Risto Laboski, Kathleen McQueeney, Mimi Nguyen, Sara Pelton, Kelly Rubin, Monica Savoy, Joseph Silvestri, Kathleen van Gelder, Adam Wendel, and Brennan Williams.
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