



Committee on Investment of
Employee Benefit Assets Inc.

DOL Guidance Encourages Thoughtful Use of Alternative Investments in DC Plans

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June 3, 2020. The US Department of Labor today issued an Information Letter¹ confirming that defined contribution plan fiduciaries can include private equity as a component of a target date fund or other diversified investment fund and discussing the factors fiduciaries should consider to comply with their duties under ERISA.

Dennis Simmons, Executive Director of CIEBA, today stated: “the DOL has taken a very helpful step to encourage DC plan fiduciaries to consider alternative investments as part of a prudent, diversified participant portfolio. Our Members, who are stewards of both DC and Defined Benefit plans, have for years been effectively utilizing alternatives in their DB portfolios, and the DOL’s guidance today is a very positive step toward further encouraging prudent fiduciaries to actively consider the merits of alternatives for their DC plans.”

The DOL Information Letter gives a roadmap for DC plan fiduciaries to follow when considering alternatives. The issuance of the Letter also helps diminish the perception, brought on by decades of often-opportunistic lawsuits narrowly focused on investment expenses incurred by DC plans, that investing in alternatives could, in itself, lead to increased litigation risk for fiduciaries. “The DOL’s Letter will further encourage DC Plan Investment Committees to have thoughtful conversations about the diversification and enhanced potential return merits of using alternatives, and not be unduly distracted by the perception of increased litigation risk.”

While the DOL Information Letter helpfully addresses private equity in a DC plan, the Letter will also be a positive step toward encouraging DC plan fiduciaries to consider the merits of all types of alternative investments for their plans. Mr. Simmons stated: “We’re encouraged by the step the DOL has taken today with regard to private equity, and we look forward to continued conversations to help DC plan fiduciaries carefully consider the merits of all types of alternative investments. More active consideration of the merits of all alternative investments, such as real estate, hedge funds and other funds-of-funds, will go a long way toward providing a runway for innovation for DC plan fiduciaries, who now more than ever need all available tools to address the liquidity and diversification needs of DC plan participants .”

Mr. Simmons further stated that “as the voice of 110 of the retirement savings industry’s most experienced investment fiduciaries, CIEBA has been very active in the past with discussing our views with the Department on how prudent fiduciaries can and should consider alternative investments for their DC plans, and we explained those views in a letter to DOL dated July 19, 2019.² We thank the Department for giving thoughtful consideration to CIEBA’s views, as they indicated in Footnote 1 of their Information Letter.”

For more information on CIEBA and on our views on helping to enhance the security of the retirement benefits of America’s workers and their families, please contact Dennis Simmons at dennis_simmons@cieba.org or visit our website at CIEBA.org.

¹ DOL Information Letter dated June 3, 2020, to Pantheon Ventures (US) L.P. and Partners Group (USA), Inc. (<https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/information-letters/06-03-2020>)

² <https://www.cieba.org/assets/CIEBA%20Alts%20in%20DC%20Plans%2007-19-19fnl.pdf>