Understand the DOL tips on target date retirement funds

Find out how these tips might help you!

This assessment is meant to assist ERISA plan fiduciaries in evaluating the target date fund (TDF) tips[1] released by the U.S. Department of Labor (DOL) on February 28, 2013.

Key Points	DOL Guidance	What It Means
"To retirement" vs. "through retirement" glide paths	The DOL notes that considerable variations exist among TDFs offered by different investment providers. A key difference is type of glide path. The DOL states: "It is important to know whether a target date fund's glide path uses a "to retirement" or a "through retirement" approach."	Look at equity exposure at retirement date because some "to retirement" paths have higher equity exposure at retirement date than a "through" glide path.
Proprietary vs. non-proprietary TDFs	The DOL encourages plan fiduciaries to consider custom or non-proprietary TDFs over TDFs using a vendor's proprietary underlying funds. The guidance states that non-proprietary TDFs could "… offer advantages by including component funds that are managed by fund managers other than the TDF provider itself, thus diversifying participants' exposure to one investment provider."	Look for diversification of underlying investment managers.
Fees and expenses	"TDF costs can vary significantly, both in amount and types of fees. Small differences can have a serious impact on long-term retirement savings."	Just keep in mind that the lowest fees do not equal fiduciary protection. Look at plan needs to determine your target date fund, not fees.
Selecting and monitoring TDFs	The DOL recommends that plan fiduciaries establish and follow an objective process for selecting TDFs, and also reminds them that they "… are required to periodically review the plan's investment options to ensure they should continue to be offered."	Consider developing and implementing a rigorous process for identifying, selecting and monitoring investment managers, and then document that process. Tools such as the target date analyzer make this easy to do.
Keeping participants informed	The DOL stresses the importance of providing effective employee communications: "Just as it is important for the plan fiduciary to understand TDF basics when choosing a TDF investment option for the plan, employees who are responsible for investing their individual accounts need information too."	Consider delivering high-quality communications and education to participants so they understand what a target date fund is and what it is not. Also, look at working with a service provider that offers a user-friendly website, which includes educational materials on this topic.

What to do

As you review these tips, be sure to document your records related to decisions made as part of fulfilling your fiduciary obligations. Work with your financial professional if you have any questions.

[1] Target Date Retirement Funds - Tips for ERISA Plan Fiduciaries, February 2013, http://www.dol.gov/ebsa/pdf/fsTDF.pdf

Asset allocation/diversification does not guarantee a profit or protect against a loss in declining markets.

About Target Date investment options:

Target date portfolios are managed toward a particular target date, or the approximate date the investor is expected to start withdrawing money from the portfolio. As each target date portfolio approaches its target date, the investment mix becomes more conservative by increasing exposure to generally more conservative investments and reducing exposure to typically more aggressive investments. Neither the principal nor the underlying assets of target date portfolios are guaranteed at any time, including the target date. Investment risk remains at all times. Asset allocation and diversification do not ensure a profit or protect against a loss. Be sure to see the relevant prospectus or offering document for full discussion of a target date investment option including determination of when the portfolio achieves its most conservative allocation.

Carefully consider the Fund's objectives, risks, charges, and expenses. Contact your financial professional or visit principal.com for a prospectus, or summary prospectus if available, containing this and other information. Please read it carefully before investing.

Before directing retirement funds to a separate account, investors should carefully consider the investment objectives, risks, charges and expenses of the separate account as well as their individual risk tolerance, time horizon and goals. For additional information contact us at 800.547.7754 or by visiting principal.com.

Investing involves risk, including possible loss of principal.

The CITs are not mutual funds and are not registered with the Securities and Exchange Commission, the State of Oregon, or any other regulatory body. Units of the CITs are not deposits or obligations of, guaranteed by, or insured by the Trust Company or any affiliate, and are not insured by the FDIC or any other federal or state government agency. The value of the CITs will fluctuate so that when redeemed, units may be worth more or less than the original cost. The declaration of trust, participation agreement, and disclosure documents contain important information about investment objectives, risks, fees and expenses associated with investment in the CITs and should be read carefully before investing. The declaration of trust is available at principal.com. A copy of the participation agreement can be obtained from your plan administrator.

Asset allocation and diversification does not ensure a profit or protect against a loss. **Equity** investment options involve greater risk, including heightened volatility, than fixed-income investment options. **Fixed-income** investments are subject to interest rate risk; as interest rates rise their value will decline. International and global investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards. *These risks are magnified in **emerging markets***. Fixed-income and asset allocation investment options that invest in **mortgage securities** are subject to increased risk due to real estate exposure.

There is no guarantee that a target date investment will provide adequate income at or through retirement.

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The CITs are operated by Principal Global Investors Trust Company, which has claimed an exclusion from the definition of the term "commodity pool operator" under the Commodity Exchange Act (the "Act") and, therefore, is not subject to registration or regulation as a pool operator under the Act.

Equity investment options involve greater risk, including heightened volatility, than fixed-income investment options. Fixed-income investments are subject to interest rate risk; as interest rates rise their value will decline.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

International and global investing involves greater risks such as currency fluctuations, political/social instability and differing accounting standards.

Asset allocation and diversification do not ensure a profit or protect against a loss. Additionally there is no guarantee this investment option will provide adequate income at or through retirement.

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