

**MEMO# 4586**

March 11, 1993

## **SPEECH BY SEC COMMISSIONER BEESE REGARDING THE NEED TO EDUCATE MUTUAL FUND INVESTORS**

- 1 - March 11, 1993 TO: PENSION COMMITTEE NO. 8-93 RE: SPEECH BY SEC  
COMMISSIONER BEESE REGARDING THE NEED TO EDUCATE MUTUAL FUND INVESTORS

Attached is a recent speech by SEC Commissioner Beese regarding the need to educate mutual fund investors, particularly those investing through retirement plans. The speech notes the significant growth of the defined contribution plan market and the concern that assets in defined contribution plans are not being invested wisely. According to Commissioner Beese, individual employees, unlike professional pension fund managers, tend to invest a significant portion of their retirement plan assets in relatively low risk investments, such as GICs and BICs. He states that this trend demonstrates the need to educate employees about the fundamentals of investing. Commissioner Beese suggests that the current securities law disclosure requirements applicable to mutual funds and other pooled investments sold to retirement plans do not insure that sufficient information is provided to employees. He states that "no one--including those entities regulated by the SEC-- is required to provide any information directly to plan participants". [Emphasis in original]. Commissioner Beese also addresses the 1933 Act registration and prospectus delivery proposals regarding pooled funds sold to retirement plans which are included in the recent SEC staff report on the 1940 Act. He describes these proposals as "steps in the right direction." He further recognizes the need to resolve "logistical problems--such as identifying individual employees and obtaining employer permission to contact them" before the Commission can require that prospectuses be delivered directly to plan participants and advocates the use of "more user-friendly, understandable disclosures," such as short form prospectuses. Commissioner Beese concludes by urging the fund industry to respond to the need to educate retirement plan participants and other investors about their investments. - 2 - We will keep you informed of developments. Catherine L. Heron Vice President - Tax & Pension Attachment

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