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Insights

The Private Markets Roundtable Series

Part II: Liquidity and Transparency

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Recently, SIFMA hosted the second part of its Private Market Roundtable Series, where it focused on liquidity and transparency considerations in broadening retail access to private market assets. (A transcript and recording of its earlier session on valuation in private markets may be found [here](#).) Key take-aways from Deputy Secretary of Labor Keith Sonderling and panel participants include:

- **ERISA does not need a rewrite, but an update.** The Administration's directive to expand access to alternative assets for 401(k) participants can be accomplished with clarification of long-standing fiduciary principles that take into account the liquidity and transparency differences in private vs. public market assets.
- **Neutrality remains a core principle of governance.** Deputy Secretary Sonderling emphasized that the Administration is neither promoting private markets over public markets nor favoring any specific product, structure or provider. Neutrality must be process-driven, rather than outcome driven. Applying a consistent, analytical framework for use by all fiduciaries will avoid policy-making through enforcement or litigation.
- **Standardizing information remains a challenge, but technology will amplify data speed and comparability.** Data on private assets is plentiful; the challenge is instead standardizing information and disclosures on assets that are highly bespoke. One size does not fit all, particularly given less familiarity with private market assets and structures from defined-contribution plan sponsors and participants. As the frequency of private asset valuations increases, technology should enable more timely performance reporting, improved benchmarking, and more consistent integration of asset-level data across portfolios.

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Liquidity

Key points:

Liquidity is a fiduciary consideration, not a legal impediment. ERISA already provides a workable framework for evaluating liquidity risk. The challenge for defined contribution plans is not whether private assets can be used, but how liquidity is structured and communicated in a way that supports long-standing fiduciary principles, including participant protections and operational considerations.

Effective liquidity management depends on structure, scale, and governance. Private market exposure in DC plans is most viable when implemented through professionally managed vehicles with clear communication of relevant liquidity considerations (such as redemption limits, periodic redemption windows, and valuation conventions) to plan participants.

The panel discussion was framed at the outset by Deputy Secretary Keith Sonderling's emphasis on regulatory neutrality, process discipline, and durability. Sonderling underscored that the Administration's objective is not to rewrite ERISA or to privilege particular asset classes, but to apply long-standing fiduciary principles in a manner that permits innovation without creating uncertainty for plan sponsors. Liquidity was presented not as a novel legal hurdle, but as one of several familiar analytical dimensions (including fees, valuation, and transparency) that fiduciaries already evaluate when selecting investments. Sonderling emphasized that fear of litigation and regulatory second-guessing has discouraged prudent experimentation, and that forthcoming Department of Labor guidance is intended to clarify the analytical framework plan sponsors should use when assessing liquidity risk, rather than to impose prescriptive rules. His remarks positioned liquidity as a matter of documented process, informed judgment, and clear communication, consistent with ERISA's original design.

The first part of the Roundtable focused on liquidity as a key operational and fiduciary consideration in expanding private market access for defined contribution (DC) plans and other retail-oriented vehicles. Panelists emphasized that the question is no longer whether private assets can be included within retirement portfolios, but how liquidity can be managed in a way that preserves participant protections while remaining consistent with long-standing ERISA principles.

A foundational theme was that private markets are not homogeneous, and liquidity should not be treated as a binary attribute. Liquidity profiles vary widely across private credit, private equity, real assets, and infrastructure, and even within a single category depend heavily on portfolio construction, cash-flow generation, diversification, and fund scale. Speakers encouraged fiduciaries to think in terms of traded versus non-traded exposure to familiar asset classes such as equity, credit, and real assets, with liquidity evaluated as one dimension of implementation rather than a defining characteristic.

Illiquidity itself was not framed as a defect. For long-term investors, illiquidity can be a feature that supports return premia, provided it is sized appropriately and managed deliberately. At the same time, panelists stressed that defined contribution plans impose unique constraints that do not exist in defined benefit or purely institutional settings. DC plans must accommodate continuous contributions, participant reallocations, job change–driven withdrawals, and daily valuation conventions, all of which elevate the importance of liquidity design and operational readiness.

The discussion drew a clear distinction between participant-level liquidity and plan-level liquidity. Participant-level liquidity—or the ability of individuals to transact, rebalance, and take distributions without friction—was described as non-negotiable in a DC context. Plan-level liquidity, by contrast, involves episodic but potentially large events such

as plan terminations, manager changes, or significant reallocations. These plan-level events are where liquidity challenges are most concentrated and where fiduciaries are most likely to focus diligence.

Significant attention was devoted to fund structures and implementation vehicles designed to balance access to private assets with liquidity needs. Traditional drawdown private equity funds were widely viewed as incompatible with DC mechanics. By contrast, certain professionally managed vehicles such as target date funds and managed accounts were identified as the most viable channels for private market exposure because they centralize liquidity management and allow private assets to be embedded as modest allocations within diversified portfolios.

Panelists emphasized that structural innovation, including interval funds, tender offer funds, and evergreen vehicles, has meaningfully expanded the feasibility of periodic liquidity. At the same time, they cautioned that fund wrappers do not alter the liquidity of the underlying assets. The fiduciary question is not whether redemption windows exist, but how liquidity is generated under both normal conditions and periods of stress—through portfolio cash flows, asset sales, secondary market activity, liquidity sleeves, or credit facilities.

Redemption limits, gates, and predefined liquidity windows were framed as investor protections rather than shortcomings. By setting clear expectations, funds can reduce first-mover advantages, promote fairness among investors, and preserve portfolio integrity during periods of stress. Liquidity considerations were also tied directly to return expectations. While illiquidity premia remain central to the private markets investment case, panelists noted that these premia may be diluted in DC-compatible structures, reinforcing the importance of realistic expectations and net-of-fee evaluation.

Behavioral and demographic factors add additional complexity to liquidity management in the defined contribution context. Younger workers may have long time horizons but high job mobility, while older participants may be more reactive during periods of market stress. Panelists highlighted existing Department of Labor guidance directing fiduciaries to consider workforce demographics, contribution patterns, and turnover when evaluating investments, underscoring that liquidity solutions appropriate for one plan may be unsuitable for another.

The panel concluded that liquidity risk must be managed through governance discipline rather than rigid rules. Experience from prior market dislocations has shown that inflexible rebalancing requirements can force value-destructive decisions. Sponsors and managers increasingly favor frameworks that combine clear policies with measured discretion, supported by stress testing, scenario analysis, and documentation.

Taken together, the discussion pointed toward an incremental and disciplined adoption of private market exposure in DC plans. Liquidity design, fund structure, scale, governance, and communication must align with the operational realities of retirement plans and fiduciary obligations to participants. The responsible incorporation of private market assets in DC plans requires robust, transparent, and consistent liquidity management consistent with ERISA's long-standing principles.

Transparency

Key points:

The transparency challenge is about standardization, not more information. The panel emphasized that private markets already generate substantial data through manager reporting, fund disclosures, valuation processes, and ratings. Potential challenges to broader DC adoption are often rooted in a lack of consistent taxonomy, standardized formats, and comparable benchmarks across bespoke strategies rather than the absence of underlying information.

Effective transparency depends on audience-appropriate, layered disclosure and disciplined governance. Panelists stressed that transparency must be calibrated to fiduciary roles, product structures, and distribution channels. Plan sponsors require thorough information to evaluate investments in line with ERISA obligations, while participants are best served by simplified disclosures. Progress hinges on education, service-provider support, and process discipline to enable prudent inclusion of private assets within professionally managed 401(k) solutions.

The second part of the Roundtable focused on what private markets data are currently available to investors and plan sponsors and considered how the information landscape is likely to evolve in light of the disclosure challenges that stem from complex, bespoke investments. The panel's central message was that expanding private market exposure for retail investors, particularly through DC plans, is less constrained by a lack of data than by the practical challenge of organizing and presenting information across assets with unique structures and performance attributes. Transparency must be calibrated to the audience, the product wrapper, and the fiduciary obligations involved.

A recurring theme was the importance of audience segmentation and "layered" disclosure. The speakers drew a distinction between what plan sponsors and fiduciaries need versus what plan participants should receive. In a 401(k) plan, fiduciaries decide what goes on the plan "menu" and have a duty to gather and understand enough information to evaluate suitability for their workforce; participants then select investment options within that menu relying on simplified, standardized disclosures designed for comprehension and comparability.

Within this framework, speakers emphasized that sponsor readiness varies considerably. Sponsors with defined benefit (DB) experience may be comfortable evaluating private assets and already know what questions to ask and where to obtain information, whereas others may be starting from "square one," asking basic questions about how liquidity is handled in a daily-valued environment and how fees and valuation mechanics translate into the DC context. Heightened demand among plan sponsors for the incorporation of private assets in DC plans depends in part on enhanced education and a more established evaluation ecosystem. Part of this process will involve consultants, recordkeepers, and other service providers, who will be essential in creating the transparency needed by plan sponsors.

Importantly, the panel stressed that this challenge does not reflect a lack of underlying data. Amid significant information that already exists through manager reporting, fund disclosures, schedules of investments, third-party valuation processes, and ratings work, one of the main challenges for inclusion of private assets in DC plans is the sector's inconsistent taxonomy and disclosure formats that vary across managers and strategies. Even defining "private credit" can yield multiple answers; two funds that may both call themselves "direct lending" may use different structures, covenants, leverage, or liquidity management approaches, which can make it difficult to build consistent templates, benchmarks, and peer comparisons.

Fund structure was also identified as a key determinant of transparency expectations. Registered fund structures that hold private assets remain subject to existing securities law disclosure requirements; the changes are found in the content and emphasis of those disclosures to reflect different liquidity, valuation, and redemption mechanics.

Interval funds and tender offer funds, for example, disclose liquidity windows, redemption limits (often expressed as a percentage of NAV), and valuation approaches. While panelists generally viewed these disclosures as robust, they raised questions about whether retail investors meaningfully engage with their volume and complexity—highlighting the importance of distribution practices and investor communications, including the role of standards such as [Regulation Best Interest](#).

The discussion also highlighted inherent limits to transparency in private markets. Private investments often involve contractual limits, material non-public information, board-level participation, and side-by-side investing structures that constrain what can be disclosed broadly. Information is therefore frequently tiered: professional allocators may receive deeper information through controlled channels such as private ratings distributed to subscribers, while broader disclosures focus on what can be shared consistently and lawfully.

From a governance perspective, the panel emphasized process over prescription. The panel's governance takeaway for sponsors was to prioritize process discipline over prescriptive "best practices." The discussion emphasized adopting and maintaining an investment policy statement as a fiduciary blueprint, integrating regulatory guidance, and anchoring decisions in workforce demographics, plan objectives, and risk tolerance.

The Roundtable concluded that transparency in private markets is an evolving landscape. The focus is shifting away from simply increasing disclosure volume toward improving organization, comparability, and usability. While private markets are unlikely to fully replicate public-market transparency, panelists agreed that thoughtful disclosure, education, and fiduciary oversight can support prudent adoption and improve retirement outcomes.

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