

THE QDIA (R)EVOLUTION

New regulations, economic downturns, and an increase in legal action have motivated many plan sponsors and advisors to seek opportunities to increase their fiduciary protection through Qualified Default Investment Alternatives (QDIAs).

Following is a brief history of the evolution of the Qualified Default Investment Alternative as a protection against fiduciary risk, the growth in regulation promoting their use, and the rise in popularity of target date funds as the primary QDIA choice for employer-sponsored retirement plans.



2005

19 TARGET DATE SERIES AVAILABLE IN MARKETPLACE¹

2006

CODE SECTION 401(k) INTRODUCES **AUTOMATIC ENROLLMENT**

(PPA) CONGRESS PASSES THE **PENSION PROTECTION ACT**

19% OF PARTICIPANTS INVEST IN RETIREMENT PLAN TDFs²

2007

DOL ISSUES QDIA RULES MAY PROTECT SPONSORS AGAINST PARTICIPANT INVESTMENT LOSSES.

PROTECTION AVAILABLE WHEN THESE REQUIREMENTS ARE MET:

- ▶ **PLAN**
 - Default fund is a QDIA
 - Offers a broad range of investments³
- ▶ **PARTICIPANT**
 - Fails to direct investment of account
 - Receives QDIA notice at least 30 days in advance of eligibility and 30 days before following years
 - Receives all required investment information
 - Fund transfers available quarterly (at least)



PLAN PARTICIPANTS WITH SOME ACCOUNT BALANCE IN TDFs



2010

44%² OF PLANS FEATURE **AUTO ENROLLMENT**



2012

TDFs ASSETS UNDER MANAGEMENT INCREASE 20% FROM 2011⁵

2013

TDF ASSETS HIT \$500 BILLION¹

30+ OVER 30 TARGET DATE SERIES AVAILABLE IN THE MARKETPLACE⁶

TO HELP PLANS SELECT TDFs, DOL ISSUES **TIPS FOR ERISA PLAN FIDUCIARIES**

PROCESS REQUIRES:

- Comparisons and evaluations
- Views into underlying investments
- Pre-packaged or custom
- Periodic reviews
- Fees and expenses
- Effective employee communications

COMMUNICATIONS:

- Ongoing monitoring
- Documentation

RETIREMENT PLANS WITH ADVICE INCREASE 20% FROM 2008⁷

2014

70% RETIREMENT PLAN TDF ADOPTION⁵

LESS THAN 15% OF PARTICIPANTS OPTIMIZE MANAGED ACCOUNTS⁸

65% OF RETIREMENT PLAN PARTICIPANTS USE TDFs⁹

2015

57.5% OF ALL RETIREMENT PLANS HAVE **AUTOMATIC ENROLLMENT FEATURES**¹⁰

CITATIONS:

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2. DCIAA Plan Sponsor Survey 2014
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4. Target-Date Fund Use in 401(k) Plans and the Persistence of Their Use, 2007-2009. (2011, August)
5. Hanson, J. (2013, June 20). Target-Date Funds Shrink in Number, but Popularity Is Growing
6. Auto Enrollment and Escalation: Does It Really Work? (n.d.)
7. Trends in 401(k) Plans and Retirement Rewards, WorldatWork and the American Benefits Institute, March 2013
8. Plan Sponsor Guide to Qualified Default Investment Alternatives, American Century Investments, June 2017
9. Blakely, S. (2016, April 28). New Hires Continue to Favor Target-Date Funds for 401(k)s
10. Plan Sponsor Council of America's 59th Annual Survey of Profit Sharing and 401(k) Plans Reflecting 2015 Plan Experience