

# 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 MARKETPLACE<sup>1</sup>

## 2006

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

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

**19%** OF PARTICIPANTS INVEST IN RETIREMENT PLAN TDFs<sup>2</sup>

## 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 investments<sup>3</sup>
- ▶ **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%**<sup>2</sup> OF PLANS FEATURE AUTO ENROLLMENT



## 2012

TDFs ASSETS UNDER MANAGEMENT INCREASE 20% FROM 2011<sup>5</sup>

## 2013

**TDF ASSETS HIT \$500 BILLION**<sup>1</sup>

**30+** OVER 30 TARGET DATE SERIES AVAILABLE IN THE MARKETPLACE<sup>6</sup>

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 2008<sup>7</sup>

## 2014

**70%** RETIREMENT PLAN TDF ADOPTION<sup>5</sup>

**LESS THAN 15%** OF PARTICIPANTS OPTIMIZE MANAGED ACCOUNTS<sup>8</sup>

**65%** OF RETIREMENT PLAN PARTICIPANTS USE TDFs<sup>9</sup>

## 2015

**57.5%** OF ALL RETIREMENT PLANS HAVE AUTOMATIC ENROLLMENT FEATURES<sup>10</sup>

### CITATIONS:

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