

# QDIA

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Letters That Every  
Fiduciary Should Know

## WHY DO I NEED A QDIA?

### ? What is a QDIA?

A **Qualified Default Investment Alternative** is designed to provide an appropriate default investment for participants who fail to select investments on their own. QDIA's are typically designed to provide both long-term appreciation and capital preservation through a mix of stocks and bonds.

### ? Why use a QDIA?

Designating a QDIA can help participants save for retirement and potentially reduce fiduciary liability for plan sponsors. Plan sponsors may have to invest participant or beneficiary plan assets without the individual's direction when:

- the plan has an auto-enrollment feature
- there are administrative-type mistakes on enrollment forms or programs
- changes to investment line-up occur
- there are rollover balances
- beneficiary balances transpire due to death, or qualified domestic relations order

### ? What qualifies as a QDIA?

#### 1. Target Date Funds

Target date funds are expected to capture almost 90% of 401(k) contributions by 2019

#### 2. A Balanced Fund or Risk-Based Fund

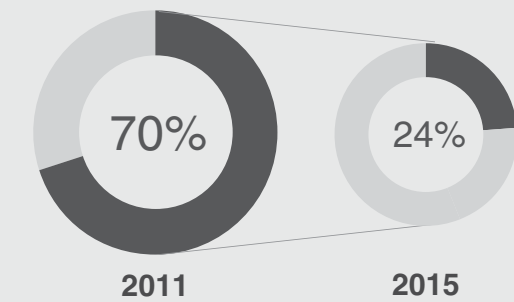
May be a suitable QDIA, particularly for plans with high participant turnover or less age dispersion

#### 3. A Managed Account

Less commonly used QDIA due in part to fees and general lack of publicly available information

### ? Does my plan have a QDIA?

Many plans offer the target date fund managed by their recordkeeper, although the number is declining rapidly.



Plans offering the recordkeeper's target date funds are expected to decrease from 70% in 2011 to just 24% in 2015

## HOW DO I PICK A QDIA?



Pick a Type



Evaluate Custom



Select a Manager



Constantly Monitor



### Target Date QDIA

This may be appropriate for plans with:

- Greater age dispersion
- Lower employee turnover
- Significant participant assets inside the plan

or



### Balanced or Risk-Based QDIA

This may be appropriate for plans with:

- Less age dispersion
- Higher employee turnover
- Significant participant assets outside the plan



While there may be special circumstances when a custom approach is appropriate, the prospective benefits come with additional costs and responsibilities for plan sponsors.

Most plans should be able to find an existing QDIA solution that meets their objectives.

### When Selecting a Manager Look for the Following:

- Proven asset allocation expertise
- Experienced research team
- Proven QDIA track record
- Transparency of the portfolio structure
- Portfolio management coordination

### ? Now we have a QDIA, are we covered?

In 2013, the DOL published additional guidance encouraging plan fiduciaries to "engage in an objective process to obtain information that will enable them to evaluate the prudence of any investment option made under the plan."

Given the growth of retirement assets in QDIAs, QDIA due diligence and ongoing monitoring is one of the most important responsibilities of a plan fiduciary.

# ProActive Retirement



Learn more about our ProActive QDIA solutions on our website

[www.manning-napier.com/DCAdvisor](http://www.manning-napier.com/DCAdvisor)

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