

# ERISA Advisory Council

## 2024 Advisory Council on Employee Welfare and Pension Benefit Plans

### Qualified Default Investment Alternatives (QDIAs) - Start to Finish, Default to Payout

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The 2024 Advisory Council will study the effectiveness of Qualified Default Investment Alternatives (QDIAs) in both accumulation and decumulation phases of retirement—starting with the Department’s issuance of final rules in 2007 through changes prompted by SECURE (lifetime income fiduciary relief) and SECURE 2.0 (automatic enrollment mandate for new plans).

Plan sponsors adopt a QDIA for participant-directed, individual account retirement savings plans (401(k), 403(b), etc.) to provide a default investment for participants who do not affirmatively select investments, often pairing it with automatic enrollment. Department regulations may provide relief for plan fiduciaries with respect to assets invested in QDIAs, including target date investments, managed accounts and balanced funds.<sup>i</sup> The regulations were primarily focused on the initial investment decision and on the accumulation phase – not on the longer-term benefits a QDIA might provide participants.

The Council may examine the following issues related to QDIAs:

- How QDIAs are being used, deployed and selected by plan fiduciaries.
- QDIAs and decumulation:
  - Impact of new laws, identification of any residual issues when incorporating insured/pooled lifetime income components.
  - Update on current market QDIA offerings, including those that incorporate insured/pooled lifetime income components, and QDIA offerings in development.
  - Participant behavioral finance concepts and automatic defined contribution plan features as they pertain to QDIAs with insured/pooled lifetime income features.
- Evaluating QDIA performance:
  - Potential metrics for evaluating results (e.g., performance, transparency, risk).
  - How transparency is assessed at the securities level within asset classes of Target Date Funds (TDFs) in collective investment trusts (CITs) for exposures including private equity and annuities, state banking regulator registration shopping, and fees.
  - Differences between participant disclosures for mutual funds and CITs

The Council has examined income replacement from defined contribution (DC) retirement plans six times since the Department issued QDIA guidance in 2007. In 2020, the Council discussed cognitive decline among participants, including those in payout status. In 2018, the topic was QDIAs that incorporate lifetime income solutions. In 2012, the Council studied income replacement from DC plans. In 2016, 2015 and 2014, the Council analyzed various facets of lifetime plan participation. The Council will specifically review the recommendations from each report, post-SECURE and SECURE 2.0, to identify those applicable to our current issue.<sup>ii</sup>

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<sup>i</sup> 72 FR 60452 (Oct. 24, 2007). See also: 73 FR23349, 23350. See also: Field Assistance Bulletin No. 2008-03, April 29, 2008, Accessed 5/22/24 at: <https://www.dol.gov/agencies/ebsa/employers-and-advisers/guidance/field-assistance-bulletins/2008-03#Footnotes> See also: Target Date Retirement Funds - Tips for ERISA Plan Fiduciaries U.S. Department of Labor Employee Benefits Security Administration February 2013, <https://www.dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/fact-sheets/target-date-retirement-funds.pdf>

<sup>ii</sup> 2018: Lifetime Income Solutions as a Qualified Default Investment Alternative (QDIA) – Focus on Decumulation and Rollovers: <https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/about-us/erisa-advisory-council/2018-lifetime-income-solutions-as-a-qdia.pdf> 2016: Participant Plan Transfers and Account Consolidation for the Advancement of Lifetime Plan Participation: <https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/about-us/erisa-advisory-council/2016-participant-plan-transfers-and-account-consolidation-for-the-advancement-of-lifetime-plan-participation.pdf> 2015: Model Notices and Plan Sponsor Education on Lifetime Plan Participation: <https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/about->

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[us/erisa-advisory-council/2015-model-notice-and-plan-sponsor-education-on-lifetime-plan-participation.pdf](https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/about-us/erisa-advisory-council/2015-model-notice-and-plan-sponsor-education-on-lifetime-plan-participation.pdf) 2014: Issues and Considerations Surrounding Facilitating Lifetime Plan Participation: <https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/about-us/erisa-advisory-council/2014-facilitating-lifetime-plan-participation.pdf> 2012: Examining Income Replacement During Retirement Years In a Defined Contribution Plan System: <https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/about-us/erisa-advisory-council/2012-examining-income-replacement-during-retirement-years-in-a-defined-contribution-plan-system.pdf>