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PENSION ACTUARIES & CONSULTANTS

To: Advisors

From: Michael E. Callahan, FSPA, EA, CPC, MAAA

Re: Qualified Default Investment Alternative (QDIA)

The Department of Labor issued Final Rules on QDIA's on Wednesday, October 24, 2007. This is a very important regulation that your clients should know. All plans should have a default investment if the plan allows for participant direction in case the participant does not fill out adequate forms. Traditionally, the defaults were either the money market account or a fixed asset security.

Congress felt that these programs, in the long term, would not provide adequate account growth or adequate retirement benefits. The Pension Protection Act of 2006 provided fiduciary protection if the plan sponsor provided default investments that met certain criteria. This fiduciary protection is so good, that a plan sponsor might be better off if all the employees were defaulted.

We will be sending out a client/advisor newsletter shortly with all the details of this important law change. In the e-mail, we will be explaining that they should add these acceptable default investments and notify the participants of its existence.

We will be recommending several items:

1. An Investment Policy Statement (IPS) be drawn up if one is not already.
2. The fund line-up be discussed with you to determine the best Qualified Default Investment Alternative (QDIA).
3. Procedures and employee announcements will need to be modified to add QDIA.
4. The vendor contracts be modified to incorporate the many changes.

This is very important and will be used in the market place to take over plans. My suggestion is that we work as a team to protect our clients. Please call me with your questions.