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When "Set It and Forget It" Becomes a Fiduciary Liability

Your QDIA Isn't a "Set It and Forget It" Decision

For many 401(k) participants, the most important investment decision they make is one they never make at all.

Automatic enrollment directs contributions into a plan's Qualified Default Investment Alternative (QDIA) when participants do not select their own investments. As automatic enrollment becomes more common, more retirement assets are ending up in these default options.

But here's what many plan committees overlook:

A QDIA is not a one-time decision. It's an ongoing fiduciary responsibility.

The Department of Labor's QDIA safe harbor can shield fiduciaries from liability for investment outcomes participants did not choose themselves. What it does not protect against is an imprudent selection process or a failure to monitor the QDIA over time.

In other words, the protection comes from a prudent process, not simply from checking a regulatory box years ago.

Choosing a QDIA Is Only the Beginning

The DOL permits several types of investments to serve as QDIAs, including:

- **Target date funds,** which adjust risk as participants age
- **Managed accounts,** which can incorporate participant-specific data
- **Balanced or risk-based funds,** which use a single asset allocation for all participants
- **Capital preservation options,** which may qualify only during a participant's first 120 days in the plan

No single approach is right for every workforce. The best choice depends on your participants, plan design, and objectives.

What Should Fiduciaries Be Evaluating?

A prudent review should consider factors such as:

- Participant demographics and engagement
- Savings and distribution behavior
- Available participant data
- Fees and expenses

- Potential conflicts of interest, including proprietary solutions

The question is simple: **Does this QDIA still make sense for our participants today?**

Monitoring Means More Than Performance Reviews

Many committees focus on quarterly investment performance. That's important, but it's only half the job.

A strong fiduciary process includes:

Ongoing Monitoring
Regular reviews of performance, risk, fees, and benchmark comparisons.

Periodic Reevaluation
A broader assessment of whether the QDIA itself remains the best fit as participants, providers, and market offerings evolve.

A committee that would choose the same QDIA today should be able to demonstrate why.

If It's Not Documented, It's Hard to Defend

Meeting minutes and supporting materials should show what was reviewed, what factors were considered, and why the committee decided to keep or replace the QDIA.

Even when nothing changes, documenting the review matters.

The Bottom Line

Selecting a QDIA is not the end of the fiduciary process. It's the beginning.

The DOL's safe harbor may provide protection from claims tied to investment outcomes, but it does not eliminate the duty to prudently select, monitor, and periodically reevaluate the default investment.

The best defense is not a decision made years ago. It's a well-documented process that continues today.

At OpenArc Corporate Advisory, we help plan committees build and document a prudent QDIA oversight process that aligns with fiduciary obligations and keeps participant interests at the center of every review.

For additional information, contact Matthew Pesci at 404-913-8344.

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Sources

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Disclosure

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