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Contact Name: Gloria Della/Richard Manning
Phone Number: 202.693.8664/202.693.4676

U.S. Department of Labor issues guidance and technical corrections to default investment alternatives regulation

Washington – The U.S. Department of Labor's Employee Benefits Security Administration today announced publication of technical corrections to the final regulation on qualified default investment alternatives along with guidance to clarify the scope and meaning of the final rule.

On October 24, 2007, the department published final rule to implement Pension Protection Act provisions providing a safe harbor from liability for fiduciaries of plans in which the contributions of workers who do not provide investment direction (such as automatically enrolled workers) are invested in "qualified default investment alternatives" or QDIAs. The QDIAs are designed to encourage the investment of employee assets in investment vehicles appropriate for long-term retirement savings.

The technical corrections affect three areas of the final regulation on QDIAs. These include changes clarifying the preamble example on "round-trip restrictions," expanding the scope of who can manage a QDIA to include a committee that is a named fiduciary of the plan, and correcting the "grandfather" relief for stable value funds.

Field Assistance Bulletin 2008-03 provides guidance on a series of frequently asked questions raised by the employee benefit community since publication of the final rule. The questions address issues relating to the scope of the regulation, the notice requirements, the 90-day limitation on fees and restrictions, management and asset allocation of QDIAs, the capital preservation investment option, and the grandfather relief for stable value funds.

An updated fact sheet on the default investment regulation can be found at www.dol.gov/ebsa. The technical corrections are to be published in the April 30 edition of the Federal Register.

U.S. Department of Labor
Frances Perkins Building
200 Constitution Avenue, NW
Washington, DC 20210

Toll-free Hotline: 1.866.444.EBSA
Text Telephone: 1.877.889.5627
Questions/Assistance