PRI
PENSION RESOURCE INSTITUTE

QDIA POLICY: TARGET DATE FUNDS

This QDIA Policy is a sample designed to illustrate criteria that may be relevant to support fiduciary decisions relating to the selection, monitoring and/or replacement of an appropriate QDIA. Should the plan committee decide to adopt this sample QDIA Policy, it may do so by having a Responsible Plan Fiduciary sign below:

Adopted by:

____
Plan Fiduciary

____
Plan Name

X ______________________
Signature

____
Date

QDIA TYPE: The plan committee evaluated the following types of QDIAs: 1) Group-Based Investment Products; 2) Individually-Based Investment Services; and 3) Individually-Based Investment Products. The committee determined that an **individually-based investment product (i.e., a Target Date Fund (TDF)) is an appropriate QDIA for the plan based on the following considerations:**

- ☐ Employee ages and incomes are widely dispersed;
- ☐ Defaulted participants may not be capable of determining when to allocate funds to more conservative investments over time;
- ☐ Changes to employee demographics may be difficult to monitor;
- ☐ Investment managers are not cost-effective for the plan; and/or
- ☐ Fiduciaries are not equipped to prudently select and monitor an investment manager.

WITHDRAWAL PATTERNS: The plan committee evaluated TDFs that are both managed to and through retirement with varying degrees of equity exposure along the TDF's glide paths. The plan committee evaluated the withdrawal patterns of participants upon retirement (e.g., whether they remain invested in the plan or liquidate their accounts and reinvest the proceeds) and determined:

- ☐ The majority of participants remain invested in the plan after retirement—warranting a managed "through retirement" glide path; or
- ☐ The majority of participants liquidate their accounts at or prior to retirement—warranting a managed "to retirement" glide path.

RISK TOLERANCE: The plan committee evaluated TDFs with varying degrees of equity exposure along their respective glide paths and the availability and adequacy of supplemental retirement income (e.g., pension plan) for employees that are likely to be defaulted to a TDF and determined:

- ☐ The majority of participants have alternative sources of supplemental retirement income—warranting a more moderate or aggressive allocation along the TDF's glide path; or
- ☐ The majority of participants do not have alternative sources of supplemental retirement income—warranting a more conservative allocation along the TDF's glide path.

CUSTOM OR NON-PROPRIETARY ALTERNATIVES: The plan committee evaluated the availability, feasibility and costs of custom and non-proprietary TDFs and determined:

- ☐ Suitable TDF alternatives are limited or unavailable;
- ☐ Information relating to TDF alternatives is limited, making them difficult to monitor; and/or
- ☐ Alternative TDF fees exceed the anticipated value to plan participants.

INVESTMENT STYLE & PERFORMANCE: The plan committee evaluated TDFs with varying investment strategies and performance and determined:

- The principal strategies and risks of the TDF and its underlying asset classes are appropriate for the plan and capable of being monitored on an ongoing basis; and
- The performance of the TDF over a (circle one: three-year, five-year or ____________) period meets the criteria of the plan's investment policies.

FEES AND EXPENSES: The plan committee evaluated the fees and expenses of the TDF and the TDF's underlying funds and determined:

- The expense ratio of the TDF is reasonable based upon industry averages, long-term performance and the value of services provided; and
- The expense ratios of the TDF's underlying funds are reasonable based upon industry averages in their respective asset classes.

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Franklin Templeton Distributors, Inc.
One Franklin Parkway
San Mateo, CA 94403-1906
(800) 530-2432
franklintempleton.com