



Automatic Contribution Arrangement and QDIA Notice Requirements

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The new proposed Treasury regulations governing automatic contribution arrangements under Internal Revenue Code Sections 414(k)(13) and 414(w) require that plan sponsors comply with certain notice requirements. If your 401(k) Plan has an automatic enrollment feature, you should have already provided an automatic enrollment notice to plan participants satisfy these notice requirements.

In addition to the providing the automatic enrollment notice, the plan must comply with the other notice requirements imposed by the U.S. Department of Labor ("DOL"). The DOL has issued final regulations that permit a fiduciary of a participant-directed individual account plan, such as a 401(k) plan, to avoid liability for a loss that occurs as a result of a participant's investment in a Qualified Default Investment Alternative ("QDIA"). A QDIA is a default fund that is used when a participant fails to select an investment option. If the plan sponsor wants to take advantage of this fiduciary safe-harbor, the plan administrator must provide participants with information about the QDIA. This information includes a description of the investment objectives, risk and return characteristics of the QDIA, a description of the fees and expenses attendant to the QDIA, and a description of any applicable restrictions, fees or expenses in connection a participant's direction of the investment of assets to any other investment option under the plan. Your third party administrator should be able to provide you with this information.