

Publications

DOL Issues Default Investment Rules

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SERVICES

The Department of Labor (DOL) has issued proposed regulations implementing the default investment provisions of the Pension Protection Act of 2006, Public Law 109-280 (PPA). 71 Fed. Reg. 56806 (Sept. 27, 2006). The regulations, when finalized, would provide fiduciary relief to plan sponsors and other fiduciaries who invest participant account balances in certain “qualified default investment alternatives” including most lifecycle and balanced funds and meet other conditions described in the regulations. Importantly, the fiduciary relief available under the regulation applies to individual account plans whether or not they meet the requirements of ERISA section 404(c) regulations.

The regulations should encourage plans to offer so-called “automatic enrollment features” that automatically effect 401(k) payroll deductions for employees, unless they affirmatively opt out of participation. The regulations would also pave the way for fiduciaries to use default investment options and obtain relief in plan transitions, such as a change in the plan’s administrative services provider. Comments are due by November 13. The regulations will be final 60 days following the publication of the final regulation.

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