TIAA-CREF institutional services

WHAT IS A QUALIFIED DEFAULT INVESTMENT ALTERNATIVE (QDIA)?

The Department of Labor's (DOL) regulation regarding Qualified Default Investment Alternatives (QDIAs), effective December 24, 2007, provides relief to plan sponsors under Section 404(c) of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

The QDIA regulation states that plan participants have exercised their control over the assets in their retirement accounts if, in the absence of a participant's investment instructions, the plan sponsor invests those assets in a QDIA.

The DOL defines a QDIA as an investment fund or model portfolio that seeks both long-term appreciation and capital preservation through a mix of equity and fixed income investments. Management of the fund's or portfolio's investments must be based on an employee's age or target retirement date or on the overall age of the plan's employees. Investments that qualify as QDIA include lifecycle or target date retirement funds, balanced funds or managed accounts.

While you are not required to offer a QDIA under your ERISA-governed plan, TIAA-CREF encourages you to review the QDIA regulation and consider choosing a QDIA as your plan's default investment.

WHAT IS A DEFAULT INVESTMENT?

When participants fail to provide investment instructions and a decision must be made to invest the plan contributions, the plan sponsor must step into the decision-making role and invest the contributions in a default investment. As the plan sponsor, you select the default investment choice for the plan. You may want to consider using TIAA-CREF Lifecycle Funds as your plan's default investment choice.

TIAA-CREF Lifecycle Funds are an appropriate QDIA for your plan's default investment. The Lifecycle Funds offer a convenient and effective solution for investors who prefer to have their retirement savings professionally managed using a strategically developed, disciplined investment approach. Within the Lifecycle Fund series, we offer nine target date funds that range from 2010 to 2050 (in 5 year increments), where participants select the target date fund closest to their retirement date. Each Lifecycle Fund provides a diversified portfolio by investing in a selection of TIAA-CREF funds. Each Lifecycle Fund's investments are adjusted over time, becoming more conservative as the target retirement year approaches, and will continue to adjust for an additional 7 to 10 years before reaching its final allocation.

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For investors who may not have the time or the inclination to review their portfolios regularly, TIAA-CREF Lifecycle Funds offer an effective way to create a well-diversified portfolio for the long term with:

- age-appropriate asset allocations that change over time
- broadly diversified, well-disciplined portfolios to ride out market cycles
- managed risk that adapts to the time horizon
- periodic rebalancing
- low costs
- TIAA-CREF Asset Management's experienced investment team

As with all mutual funds, principal value isn't guaranteed. The target date of a Lifecycle Fund is an approximate date when investors may begin withdrawing from the fund.

WHAT ARE THE BENEFITS OF ESTABLISHING A QDIA AS YOUR RETIREMENT PLAN'S DEFAULT INVESTMENT?

Offering a QDIA as your plan's default investment option provides the following benefits:

For You

- Reduces your fiduciary exposure when contributions are made on behalf of employees who do not provide affirmative investment instructions
- Reduces the concern that participants may not have the level of understanding to make good investment decisions.
- Enhances ability of the plan to provide a secure retirement for participants.

For Your Employees

- Simplified investment decision for employees who often feel overwhelmed when it comes to making investment decisions
- Provides employees with a suitable long-term investment that can assist them in meeting their retirement goals
- Allows participants to "opt out" of the investment decision process

HOW DOES IT WORK?

To take advantage of the reduced fiduciary exposure afforded under the QDIA regulation, Plan Sponsors must satisfy QDIA requirements which generally include:

- Selecting an appropriate QDIA investment as your plan's default investment and allocating contributions made on an employee's behalf to the plan's default investment. The QDIA regulation provides protection from a fiduciary liability for plan sponsors that choose lifecycle funds, a balanced fund or managed accounts as the investment that contributions are defaulted to when employees do not provide an affirmative investment election. Note: Money Market funds are not approved as QDIAs except on a temporary basis for certain automatic enrollment plans.

- Notifying new employees at least 30 days before retirement plan eligibility, and annual notification to all eligible employees at least 30 days before the beginning of the plan year. For retirement plans with immediate eligibility, the Initial Notice must be provided to employees immediately, at least 30 days before a contribution into the plan. You must provide the following information in the Initial and Annual Notices:

- A description of the QDIA, including investment objectives, risk and return characteristics (if applicable), fees and expenses

- A description of the circumstances under which retirement plan contributions will be defaulted into the QDIA, the deferral percentage and the employee's right to change that percentage

- A statement of the employee's right to affirmatively direct QDIA assets to another investment alternative under the plan, including a description of applicable restrictions, fees or expenses associated with a transfer

- Referral to sources of additional information about QDIAs offer under the plan

WHERE CAN I GET MORE INFORMATION?

Please contact your TIAA-CREF Managing Consultant for more information. Your Managing Consultant will help you establish a QDIA as your plan's default investment and provide you with sample notices and resource materials you can distribute to your employees. If you are served exclusively by the Administrator Telephone Center, please call **888 842-7782**, 8 a.m. to 8 p.m. (ET), Monday through Friday. Our consultants will be happy to help you.

To find out more about TIAA-CREF,
visit our website at tiaa-cref.org/administrators

Investment products are not FDIC insured, may lose value and are not bank guaranteed. You should consider the investment objectives, risks, charges and expenses carefully before investing. Call 877 518-9161 or visit tiaa-cref.org for a prospectus that contains this and other information. Please read the prospectus carefully before investing.

TIAA-CREF Lifecycle Funds share the risks associated with the types of securities held by each of the underlying funds in which they invest. In addition to the fees and expenses associated with the Lifecycle Funds, there is exposure to the fees and expenses associated with the underlying mutual funds. TIAA-CREF Lifecycle Funds are actively managed, so their asset allocations are subject to change and may vary from those shown or discussed. Approximately seven to ten years after a Lifecycle Fund's target date, the fund may merge into the Lifecycle Retirement Income Fund or a similar fund.

TIAA-CREF Individual & Institutional Services, LLC and Teachers Personal Investors Services, Inc., members FINRA, distribute securities products.

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