



Due Diligence: Trust, but Verify

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## TARGET DATE FUND JOINT HEARING TESTIMONY

June 18, 2009

### SUMMARY

#### BACKGROUND

This testimony is based on over 30 years of concurrent experience with the investment industry and employer sponsored retirement plans. DALBAR has established standards and recognized excellence in serving a variety of customers. DALBAR is well recognized for our measurement of actual investor returns and the quantitative impact of investor behavior on investment returns.

Most recently and applicable to this hearing is our research, analysis and auditing of investments and investment models seeking to act as qualified default investment alternatives. This work began with the introduction of QDIAs in the Pension Protection Act of 2006.

DALBAR'S 401(K) was also among the nation's first plans to fully adopt the Qualified Automatic Contribution Arrangement, including QDIAs on January 1, 2008.

#### RECAP OF FINDINGS

We have two major findings to report:

- First is the widespread non-compliance of both ERISA and investment company regulation. These violations are so prolific that they have prevented us from conducting the due diligence required under ERISA.
- Second is that ineffective investment theories are being used by target date funds and other QDIAs. The problem is the underlying theory, not the asset allocation.

The lack of any threat of enforcement has permitted these conditions to be treated as acceptable practice and go unreported.

I will show that the recent problems with target date funds are a direct effect of these findings and would have been prevented, had regulations been enforced and common sense standards used for investment theories.

New regulations will be pointless and have no effect unless these findings are addressed.



## ISSUES NOT ADDRESSED IN CURRENT REGULATIONS

Current QDIA regulations are missing several components that have been essential parts of successful investment offerings. Some of these have already become evident and others will undoubtedly emerge over time. Following are the key missing components:

- There is no regular process of oversight. The absence of a requirement of either private sector audits or public sector regulatory review of QDIAs has permitted widespread and undetected non-compliance. There is no system of verification that funds or models offered as QDIAs do in fact meet the requirements so an investment provider could offer a 2030 bond fund as an age based fund. Plan sponsors who have the duty to select and monitor QDIAs are generally unaware of this duty and have neither the skills nor tools to carry out the duty.

**The SEC should use its oversight authority to challenge false or misleading representations about QDIA investments.**

- Securities regulation is out of step with ERISA requirements. Securities regulations have no provisions to review the investment objectives defined in the QDIA requirements as well as a number of other QDIA prerequisites. As DALBAR has been reviewing QDIAs for validation, we have found prospectus language that differs from the ERISA language applicable to QDIAs. There are some specific examples included with the written materials. As a result, investments registered with SEC violate QDIA requirements for which they may appear to comply, even as simple as their name might represent. For example, age based QDIAs are required to change their asset allocations and associated risk levels over time, but there is no prospectus requirement for this. DALBAR QDIA Validations require companies to make representations required by regulations.

**The SEC should apply standards written into QDIA regulations for fund registrations intended for use as QDIAs, including the naming of funds.**

- Regulations rely on flawed, undefined and unproved “generally accepted investment theories.” The theories that assume that each individual has a single risk tolerance have been proven inadequate. Theories that fail to distinguish between participants with \$100,000 for retirement and those with \$100 million are fundamentally flawed. Theories that use a single variable (age) to determine a lifetime investment strategy cannot be in the best interest of the participant. To simply base a lifetime investment strategy on age makes little sense. This ignores variables such as retiring early or later, personal obligations, accumulated wealth, and health. In short, age cannot be the only defining criteria.

**The DoL should require vendors to request and use a minimum set of variables in addition to age to determine investment choices in QDIAs.**

- Vendor incentives are in conflict with the interest of the investor/participant/beneficiary. Unlike other investments where vendors compete on the basis of how much investments pay, the QDIA by its very nature removes this incentive to perform in the short term. If a provider is unable to attract assets into one of its poor performing funds, that provider’s problem is easily solved by directing QDIA assets into it. In the absence of a short term performance incentive, vendors are driven to maximize current profit margins and not to perform for the investor. The long-term effect is a decline in quality, in effect a “race to the bottom.”

**The DoL should require plan sponsors to obtain a bond from each QDIA vendor that is used to reimburse participants and beneficiaries in the event of the use of underperforming funds.**

## **FREQUENT NON-COMPLIANCE AND MISUSE OF EXISTING REGULATIONS**

DALBAR has evaluated a number of investment alternatives that are available as QDIAs. In view of the earlier discussion on missing components in the regulatory structure, it is not surprising that a number of common failures were uncovered. The major non-compliant issues were:

- Uncontrolled self dealing. Self dealing is inherent in any “fund of funds” (typical of target date and lifecycle funds) in which the underlying funds are managed by the same manager.

**Without independently monitored practices, the potential exists for this self dealing to result in substantial losses to plans.**

- Asset allocations that are outside the norms. DALBAR has developed norms for asset allocation in target date funds based on current industry practices. Funds were compared to these norms and showed a strong bias to equities. In other words, funds erred on the side of having too much equity. While this test shows a bias to equities, it does not explain the magnitude of the failure of short-term target date funds experienced in 2008. For example, it would make little difference if a fund invested in GM bonds or GM stock. The core problem was the underlying investment theory, not the asset allocation.

**We found that the 2008 failure is primarily attributable to the flawed investment theories much more so than failure of asset allocation.**

- Quality of defaulted participant disclosure. While regulations are clear that communications to defaulted investors/participants/beneficiaries must be calculated to be understood, the material reviewed by DALBAR was found to be severely lacking. Disclosures and notices that are suitable for the average investor is incomprehensible to a new employee with no investing experience or training. A new employee is often confused by basic investment terms like “appreciation” or “return” and have absolutely no idea what terms like “cusip” or “beta” mean.

**There was very little accommodation made for the fact that this audience has virtually no knowledge of securities or ERISA.**

- Violation of fee restrictions. Most fund prospectuses examined contained restrictions that are strictly prohibited under QDIA regulations. An example of a restriction is charging a 1% fee for withdrawals within 6 months of an investment.

**In contrast with the written prospectus the fees are waived at the discretion of the management of the QDIA vendor.**



## **SUGGESTED CHANGES IN REGULATIONS**

Suggested regulations are divided into investment company and ERISA sections for clarity. These designations do not affect the suggestions themselves.

### **Investment Company Regulations**

- Provide specific registration for funds seeking to be QDIAs. Expand the securities registration to incorporate QDIA requirements for any funds that are permitted to advertise themselves in the context of QDIAs.  
In this way plan sponsors and participants would be protected from funds that do not qualify as a QDIA.
- Adapt disclosure/advertising rules to QDIAs. Permit and then require the prominent display of a sampled measure of how every fund used in a QDIA has met the needs of its QDIA investors/participants/beneficiaries.  
Such disclosure/advertising will create a competitive environment where providers will seek to improve their investment offerings.

### **ERISA Regulations**

- Create a roadmap for permissible investment theories. Define standards for acceptable investment theories and establish the mechanism to ensure that investments used in QDIAs meet these standards.  
Such a roadmap would require investment product providers to consider what is in the interest of the participant when developing and implementing investment strategies.
- Monitor compliance with QDIA regulations through annual audit. Require an independent annual audit, similar to that required under ERISA 408(g), for all QDIA vendors. Audit reports would be distributed to plan sponsors with instructions on how they should be used.  
It is evident that controls are required on the use of QDIAs and independent audits are the most cost effective and timely method of implementing controls.



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## DALBAR BACKGROUND DETAILS

DALBAR is an independent third party that is dedicated to raising the level of excellence in financial services. This mission is met through a variety of measurements that highlight the best ways in which financial firms meet the needs of their clients.

Formed in 1976, DALBAR has continuously adapted and revised its services to stay ahead of the changing environment.

DALBAR awards for excellence are recognized in the industry in a variety of areas in which customers are served. Awards include recognition for:

- Customer communications and statements
- Web sites
- Phone centers
- Adviser ratings
- Fiduciary Adviser certification
- Adviser audits
- QDIA Validation

DALBAR is best known for analytical research into actual investor returns. Since 1987, DALBAR has studied the returns actually earned by investors and analyzed how these returns relate to the investor's own behavior. This work is widely used to illustrate the need to manage investor behavior and has resulted in a number of programs to help investors overcome instincts that are detrimental to their returns.

DALBAR also provides consulting services to firms seeking to adopt best practices with respect to compliance and communications. Clients include virtually all large institutions in financial services.

## DALBAR QDIA VALIDATION

### *Objective*

The QDIA Validation establishes a standard for evaluating QDIAs for compliance with regulatory requirements and to support the process of selection and monitoring of QDIAs required of ERISA plan fiduciaries.



The standards of the QDIA Validation permit plan fiduciaries and advisers to use consistent metrics to compare the variety of QDIA alternatives with very different styles and methods.

DALBAR uses these standards to evaluate QDIAs in any of their various forms and issues a detailed report of findings to QDIA providers, advisers and plan sponsors.

### ***Necessity for Validation***

Interwoven throughout QDIA regulations is the emphasis on making prudent selections and ongoing monitoring in order to obtain protection from fiduciary liability. Fiduciaries are exposed to prohibited transaction penalties should they fail to meet the requirements. On the other hand, relief from fiduciary liability offered by QDIAs through federal law is the best protection available.

QDIAs are expected to soon become the dominant investment choice in employer sponsored retirement plans.

In the absence of detailed standards from regulators that defines what prudent selection and monitoring is required, ambiguity has existed about what constitutes compliance with the selection and monitoring requirement. In response to this need to demonstrate procedural prudence, DALBAR has developed the QDIA Validation standards.

### ***Benefits of QDIA Validation***

QDIA Validation provides plan sponsors and other fiduciaries with the process to demonstrate procedural prudence that can be examined by regulators and can be used as defense in the event of litigation.

QDIA Validation provides advisers with a meaningful tool to select and recommend QDIAs to clients. Advisers may review previously issued validation reports or may commission customized evaluations.

QDIA Validation provides firms that offer QDIAs with the ability to make necessary adjustments to pre-certify their QDIA offerings. Pre-certified QDIAs add value to the firm's offerings by simplifying the procedural prudence required of plan sponsors and fiduciaries.



### ***Scope of Validation***

The QDIA Validation may be applied to all QDIA alternatives referenced in the Employee Retirement Income Security Act of 1974, as amended [ERISA Section 404(c)(5)] and associated regulations.

These include:

- Three forms of investment:
  - Funds
  - Annuities
  - Computer models
- And five investment alternatives:
  - Age based
  - Risk based
  - Managed account
  - Short term investment
  - Grandfathered investment

### ***Method & Timeframe***

QDIA Validation can be performed on a plan-specific basis or an investment-specific basis.

Plan specific QDIA Validation engagements are between DALBAR and a plan sponsor or other fiduciary. This requires collecting information about the plan and employee demographic differences as well as details concerning the QDIA(s) under consideration. This information is evaluated against the QDIA Validation standards and a confidential report is issued to the plan sponsor or fiduciary.

This process requires four to eight weeks after an established start date. The start date is based on all required information being available in good order and mutual acceptance of the engagement.

Investment specific QDIA Validation engagements are between DALBAR and QDIA providers or advisers. Details of each investment contemplated for use as a QDIA are provided as well as the availability of an individual to answer questions and probes. Each investment is then tested against the QDIA Validation standards and a preliminary confidential report issued for review.



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Providers have an opportunity to correct deficiencies and DALBAR will amend the Validation report as appropriate. After successful validation, DALBAR issues an opinion and makes QDIA Validation report public on its Website and pro-actively through the press.

This process requires from four to twelve weeks from a start date, depending on the complexity and number of investments involved. The start date is based on all required information being available in good order and mutual acceptance of the engagement.



## **DETAILS OF ISSUES NOT CONTAINED IN CURRENT REGULATIONS**

### **THERE IS NO REGULAR PROCESS OF OVERSIGHT**

Unlike other aspects of employer sponsored plans where there is recognition for the need of an annual audit and where securities regulations require periodic inspections and the filing of materials, the QDIA has no such oversight requirements. This omission permits any investment product or computer model to be used with virtual impunity. Regulations do require plan fiduciaries to select and monitor QDIAs but this mechanism is ineffective.

Plan sponsors have the fiduciary responsibility to select and monitor the QDIA but are ill-equipped to do so. As the plan's fiduciary, the plan sponsor has the responsibility to establish that a QDIA complies with labor and securities laws but also to make the determination that it is appropriate for the plan.

For the relatively few plans that engage independent consultants, this might be a workable framework since the plan sponsor can draw on expert advice to meet the duty of selection and monitoring. However, this solution is not satisfactory for cases where the consultant also provides other services that could cause a conflict of interest.

Outside of the relatively few independent consultants, a plan sponsor's primary source of regulatory information is the current vendor. Lacking an independent source, these plan sponsors only recognize a decision about a feature and a cost and seldom recognize a fiduciary duty<sup>1</sup>. Several studies indicate that plan sponsors are generally unaware of their fiduciary obligations.

The vendor will actively present a new feature like a QDIA after it has perfected its own offering, and then demonstrate the benefits and costs to plan sponsors who are asked to make the simple decision to accept or decline the feature. The question of fiduciary obligations is seldom raised.

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<sup>1</sup> AllianceBernstein 2005 Study: "Inside the Minds of Plan Sponsors" found that only 40% of plan sponsors consider themselves fiduciaries. The primary reason for this conclusion is that it was not their role in the company.



Vendors typically make comprehensive regulatory changes available in the form of the regulations and combine them with a wide array of other regulations that are not applicable to a particular plan sponsor. This is generally ignored by plan sponsors.

The effect of these industry practices make it impractical to expect that plan sponsors are an effective regulatory control on the vendors that offer QDIAs.

## **SECURITIES REGULATION IS OUT OF STEP WITH ERISA REQUIREMENTS**

Much of the success of mutual funds is attributed to the regulations that prevent misrepresentation about the investment. Among the key protections are the naming of the fund, its investment objective and investment practices. In fact, the language in the prospectus often bears little resemblance to the promises made in notices to participants that are defaulted into such funds.

In the case of QDIAs, funds are permitted to identify themselves as being appropriate for particular age groups without any basis. There is no regulatory or independent assessment made as to the reasonableness of such a claim. For example, a target date fund requirement is that it *"applies generally accepted investment theories, is diversified so as to minimize the risk of large losses, is designed to provide varying degrees of long-term appreciation and capital preservation through a mix of equity and fixed income exposures based on the participant's age, target retirement date (such as normal retirement age under the plan) or life expectancy."* No such representation was found in target date fund prospectuses that DALBAR has examined. Instead, DALBAR obtained separate representations from target date funds.

In addition registered funds are advertized<sup>2</sup> in required QDIA notices without review, with the potential for misrepresentation. Advertising rules are needed to control the way in which these funds are represented to the public.

In effect, enforcement from securities, labor or independent sources is not available to prevent abuse or misrepresentation of an investment product as being appropriate for use as a QDIA.

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<sup>2</sup> SEC Rule 206(4)-1 prohibits the use of "any untrue statement of a material fact, or which is otherwise false or misleading" in advertisements. For the purposes of this rule the term "advertisement" shall include any notice, circular, letter or other written communication addressed to more than one person,



The potential danger of this gap in regulations has not yet been experienced only because there has not been an unscrupulous operator that took advantage of this flaw.

### **REGULATIONS RELY ON FLAWED, UNDEFINED AND UNPROVED “GENERALLY ACCEPTED INVESTMENT THEORIES”**

QDIA regulations require that qualifying investments use generally accepted investment theories. There are two basic flaws with this requirement. First is the assumption that there is validity in the acceptance. The second is the absence of a definition of what is and what is not generally accepted.

The effect of these regulatory gaps is that all theories qualify, to the detriment of participant investments.

The assumption that there is validity in acceptance has been proven wrong in the past as well as in recent events. The number of cases of widespread mistakes in history is evidence of this. Most recent examples are the sub-prime crisis, collapse of mortgage backed securities, and the failure of Modern Portfolio Theory in the face of the 2008 market conditions; all of which would have been considered “generally accepted” prior to their failures.

In the absence of a definition of what is generally accepted and what is not, it could be argued that they were not. Clearly, such an argument is not credible. By the same token, can one argue that variants in these and other theories are not generally accepted? In such cases, how consistent must each implementation be to be considered accepted?

Acceptable investment theories need to be defined as being in the best interest of the investor/participant/beneficiary. There is a moral, if not fiduciary duty to the defaulted investor/participant/beneficiary to select the most appropriate default based on the information available. The acceptable investment theories should capture and utilize as much information as is available about the individual.

This information may be available from employers’ files as well as by questionnaires sent to individuals. Failure to collect and use such information should disqualify the QDIA. Regulations may specify minimum requirements such as the investor/participant/beneficiary’s:

- Various purposes for which funds will be used so as to determine an appropriate level of risk for each portion of funds in the portfolio.



- Employment data (Compensation and basis, tenure, dependents, tax withholdings, job type, age, etc.)
- Special circumstances or obligations such as intended retirement date, family obligations, restrictions or handicaps

Additionally, acceptable investment theories should include a strategy to transition default investments into retirement income.

### **VENDOR INCENTIVE IN CONFLICT WITH THE INTEREST OF THE INVESTOR/PARTICIPANT/BENEFICIARY**

The ability to advertise investment performance<sup>3</sup> and in the case of banks, advertising interest rates has been critical to providing the consumer the most attractive performance. Vendors are forced to compete on the basis of this performance and only the best performers survive. This dynamic is essential to improving the quality of products available on the market.

In the case of QDIAs this performance incentive has been removed and not been replaced with any other consumer-benefiting measure. The absence of a competitive measure has produced a race to the bottom, in which the driving force of profitability is unaffected by the quality of what is delivered to the consumer.

QDIAs do not have an obvious measure of success such as investment return, interest rate or risk. In fact, the measure of success of the QDIA can only be determined based on how well the interests of investors/participants/beneficiaries are met. Furthermore, this can only be determined on a case-by-case basis.

The difficulty of obtaining a measure of success should not deter this critical need. In fact, this measure can be obtained through a periodic sampling of investors/participants/beneficiaries.

Such a sampling will create the incentive for vendors to act in the best interest of investors/participants/beneficiaries.

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<sup>3</sup> Rule 482 of the Securities Act permits funds to advertise their performance, without first having to provide investors with a copy of their prospectus, if they comply with the conditions of the rule. The rule permits funds to include their 1, 5 and ten-year total returns, if these returns are calculated in a standardized manner.



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If vendors are permitted to advertise the results of such measures, this will become the “performance measure” that drives vendors to continuously improve their offerings.

## **DETAILS FREQUENT NON-COMPLIANCE AND MISUSE OF EXISTING REGULATIONS**

### **UNCONTROLLED SELF DEALING**

It is well established that plan assets held in mutual funds are subject to the same ERISA self-dealing prohibitions as the plans themselves. Fund-of-funds structures that permit an investment manager to make investments into other funds that pay that manager a fee may be considered to be self-dealing.

DALBAR's research has shown little evidence of abuse in this area; however, an unscrupulous operator could use this opportunity in the future to take advantage of plan assets.

In cases where DALBAR has discovered self-dealing, the magnitude of potential abuse was calculated and documented. The process used to make such investment decisions were reviewed with the recommendation that these practices are re-examined annually to ensure that plan assets are protected.

### **ASSET ALLOCATIONS THAT ARE OUTSIDE THE NORMS**

Poor asset allocation has often been blamed for massive losses in 2010 and 2015 funds during the market meltdown of 2008.

While there is clear evidence that less aggressive asset allocation would have reduced losses, such reduction would not have been substantial. DALBAR estimates that 7% of nearly 23% could have been saved with less aggressive equity allocation. While 7% is a material loss and must be addressed, it is not the larger portion.

The larger cause of loss affecting pre-retirees is the failure of prevailing investment theories. Specific flaws in these theories left investors/participants/beneficiaries exposed to an unacceptable level of loss. Operating within these theories, losses are indiscriminate. The major flaws in these theories are that:

- Risk tolerance remains constant during periods of losses. This is demonstrably untrue as investor risk tolerance diminishes in the face of market declines. New investment theories must reduce risk exposure when markets become volatile.



- Losses affect all investors in the same way. For purposes of retirement, an investor with \$100 million dollars will not suffer a lifestyle change as would an investor with \$100,000 in the same fund. New investment theories must accommodate different investors and the differing purposes of their investments.
- A single asset allocation can serve the diverse needs of an investor. It is evident from the foregoing that each investor will need more than one investment strategy. New investment theories must permit investors to have assets allocated into portfolios that vary from the very secure to the very aggressive.
- Rebalancing should shift over-performing assets into underperforming classes. This is based on the premise that underperforming classes will eventually recover but does not consider the permanent demise of an investment class, such as CDS.
- There is a predictable correlation in performance of asset classes that can define an efficient frontier. In 2008, the correlation among investment classes was not expected and produced a massive failure on models that relied on correlation. The continuing shocks to the long-held beliefs suggest that there is little basis for predictions.

## QUALITY OF DEFAULTED PARTICIPANT DISCLOSURE

The core problem observed in disclosures used in QDIAs is the failure to recognize that defaulters are a different class of investor, and it is necessary to assume both a low level of interest and a low level of knowledge. Interested and knowledgeable consumers are expected to make their own investment elections so that defaulters are the remaining group.

It is therefore unsatisfactory to expect that material that is prepared for educated and interested consumers will be adequate for defaulters. This material fails to meet the statutory standard of being calculated to be understood by these defaulters.

The disclosure failures occur in three categories.

- Length. Material that is more than two pages long is most likely to be discarded by this disinterested group. Material should be limited to two pages of the most salient points.
- Visual appeal. Poor design, fine print, lack of color all contribute to failure. Visual appeal is essential to get the attention of a defaulter.



- Complexity. The content must avoid difficult language and complex concepts. There should be no expectation that a defaulter will seek or receive additional investment education.

## **VIOLATION OF FEE RESTRICTIONS**

QDIA regulations prohibit the use of investments that charge a fee or have restrictions during the first 90 days of an investment. This is to prevent penalizing an investor who was defaulted into a QDIA and then decides not to participate.

While this requirement has been widely discussed, many funds present themselves as candidates for QDIAs with such restrictions in place in their prospectus. Hundreds of such funds are known to be in use today.

When this problem is encountered, DALBAR's approach is to obtain a limited waiver that explicitly removes any such fee or restriction from the fund when it is used as a QDIA. This procedure eliminates the need to make costly amendments to a fund prospectus.



## DETAILS OF SUGGESTED CHANGES IN REGULATIONS

### INVESTMENT COMPANY REGULATIONS

#### **Provide specific registration for funds seeking to be QDIAs**

The existing use and expected expansion of QDIAs indicate the necessity for specific securities registration for investment companies that seek to advertise themselves as QDIAs. Such a QDIA registration can be added to existing registrants.

The name of funds will need to be restricted so as not to imply QDIA qualification for funds that do not qualify. Names such as "Retire 2020" would only be permitted for funds with QDIA registration.

QDIA registration would ensure that the contemplated use of the fund is consistent with the fund's objective.

QDIA registration would also require procedures that prevent self-dealing abuses in fund-of-fund structures.

QDIA registration would require altering the prospectus to describe the QDIA capabilities and compliance.

Funds without the QDIA registration would be prohibited from any known use as QDIAs. This restriction does not include the use of a fund in an omnibus account or a computer model that is used as a QDIA.

Registrants are expected to monitor the use of their funds and obtain affirmative statements from distributors that the funds are not qualified as QDIAs.

#### **Adapt disclosure/advertising rules to permit QDIAs**

Performance advertising has produced enhanced investment returns through vigorous industry competition. Mutual funds have competed to show the profit they have made for investors. This is essential for firms to compete to act in the best interest of investors.

The concept of the QDIA defeats this very important precept. This is because the objective is neither maximum return nor minimum risk but an optimization that is appropriate for each investor. This adds great complexity to the measurement of success. Aligning the measurement to the goal requires evaluating the effect on individual investors.



Continuing improvements in QDIAs requires that such performance be measured, advertised and ultimately become the basis for competition.

The change from simple performance advertising to a system based on sampling investors will require enormous safeguards to prevent abuse. DALBAR has developed procedures that have proven to be reliable and may be used as a template for such a standard.

## **ERISA REGULATIONS**

### **Create roadmap for permissible investment theories**

Permissible investment theories permit the Department of Labor to enable theories that can demonstrate that they are in the interest of the participant/beneficiary. This would permit new theories to be tested and then demonstrated to obtain permission.

The permissible investment theories can be judged by an independent panel of experts who would review submissions. This panel would consist of representatives from the diverse communities, including large and small employers, investment firms, consultants and representatives of workers.

Only permissible investment theories can be used in QDIAs.

### **Monitor compliance with QDIA regulations through annual audit**

The only practical method of regulatory enforcement that encompasses both the securities regulation and ERISA requirements and regulations is to audit the centers of influence, which in this case are the vendors.

Vendors control the information flow to plan fiduciaries and participants as well as the compensation to most consultants and advisers.

Auditing the vendors' QDIAs will immediately force compliance with regulations that may have been ignored for years. The QDIA audit is a manageable process that can be implemented at a modest cost and produce a high return on the investment.