FIDUCIARY EDUCATION

Stronger Lineup, Smarter Outcomes: Your 401(k) Investment Review Playbook

8 essential steps for your next investment review

Your investment menu might look good on paper, but is it still aligned with participant needs?

A thorough investment review can help you evaluate whether your lineup meets your employees' goals, matches their risk comfort, supports their retirement timelines, and fulfills your fiduciary responsibilities.

1. Start with your investment framework

Do you have an Investment Policy Statement (IPS)? If not, we can help you build one. It sets ground rules for investment decisions and offers protection for fiduciaries.

If you do have one, do you follow it? **Documenting your review process and decisions is just as important as the choices made.**

2. Review the investment menu structure

- Does your plan offer a mix of stock, bond, and specialty funds to suit different risk levels?
- Are any funds duplicative, adding complexity without value?
- Are there gaps that limit participant diversification?

The goal is to offer meaningful variety without overwhelming participants.

3. Use consistent criteria to evaluate individual funds

Each fund should be assessed using the same lens:

- long-term performance vs. a relevant benchmark (e.g., S&P 500 for U.S. large-cap)
- fees and expenses
- portfolio manager
- whether the fund sticks to its stated strategy

Inconsistency could mean it's time to reevaluate or replace the fund.

4. Know what each fund is and the role it plays

Funds are grouped by what they invest in, like U.S. stocks or global bonds. A **style box** classifies funds by size (large/mid/small) and strategy (e.g., growth/value).

During your review:

- Make sure each fund serves a unique purpose.
- Watch for style drift (when a fund strays from its category).
- Limit unnecessary overlap.

This helps keep the lineup balanced and makes it easier for participants to understand.

5. Evaluate the QDIA (Qualified Default Investment Alternative)

Most plans use target date funds (TDFs) as the default for participants who prefer not to choose their own investments.

Ask:

- Does the QDIA match your workforce's demographics and timelines?
- Are the fees still competitive?
- Does it meet DOL QDIA rules?

The QDIA captures a large portion of participant assets; it deserves close attention.

6. Take a closer look at your target date funds

TDFs vary widely. Review:

- The glide path: how allocations shift over time
- The fund structure: mutual funds or collective investment trusts (CITs)?
- The retirement income strategy: does it support participants after retirement?

Target date funds should be evaluated as thoroughly as any other option.

7. Consider managed accounts

Managed accounts personalize a participant's portfolio based on:

- age
- salary
- risk tolerance
- retirement timeline

Managed accounts are useful for participants who want a tailored approach beyond a target date fund.

8. Plan for retirement income

Saving is just step one. Does your plan help participants turn savings into lasting income?

Look for:

- income tools or projections
- TDFs with income features
- guaranteed income products
- drawdown support and education

Retirement income readiness is a key benchmark for forward-thinking plans.

Work with our team to review your investment lineup and determine if it still supports your participants' long-term retirement goals.

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