

# smart investing made easy

A plan sponsor's guide to a better QDIA

## The Benefits of a Stadion QDIA

### For you as plan sponsor

- Increased protection from liability at no cost to you
- A fiduciary warranty from Stadion
- Simplified enrollment process
- A no-cost employee benefit that is likely to deliver greater employee satisfaction

### For your employees

- Active professional management of their retirement accounts by an objective third party
- An investment strategy that at one time was only available to high net worth investors
- Access to retirement planning specialists and online tools

Providing smart, professional money management for your employees' retirement accounts makes great business sense. When implementing a QDIA, you're reducing your company's fiduciary liability, and at the same time you're helping your participants better prepare for retirement.

Stadion is proud to offer a managed account QDIA that has a proven track record. As a pioneer in this area, our program provides substantive advantages: a unique money management approach with a proven track record, a developed infrastructure, and live, US-based customer service.

“It is foreseeable that failure to implement a QDIA may actually increase plan sponsor liability.”

— Louis S. Harvey, President, DALBAR, Inc., a highly-respected, third-party quality assurance firm for the financial services industry

L M T P C  
D T J P N  
Q D I A V  
W R R O F

## Who is Stadion?

Stadion is a privately owned money management firm based near Atlanta, Georgia. Founded in 1991, we help you protect and grow your employees' "serious money." That is, the money that absolutely must be there for the important long-term goals like retirement.

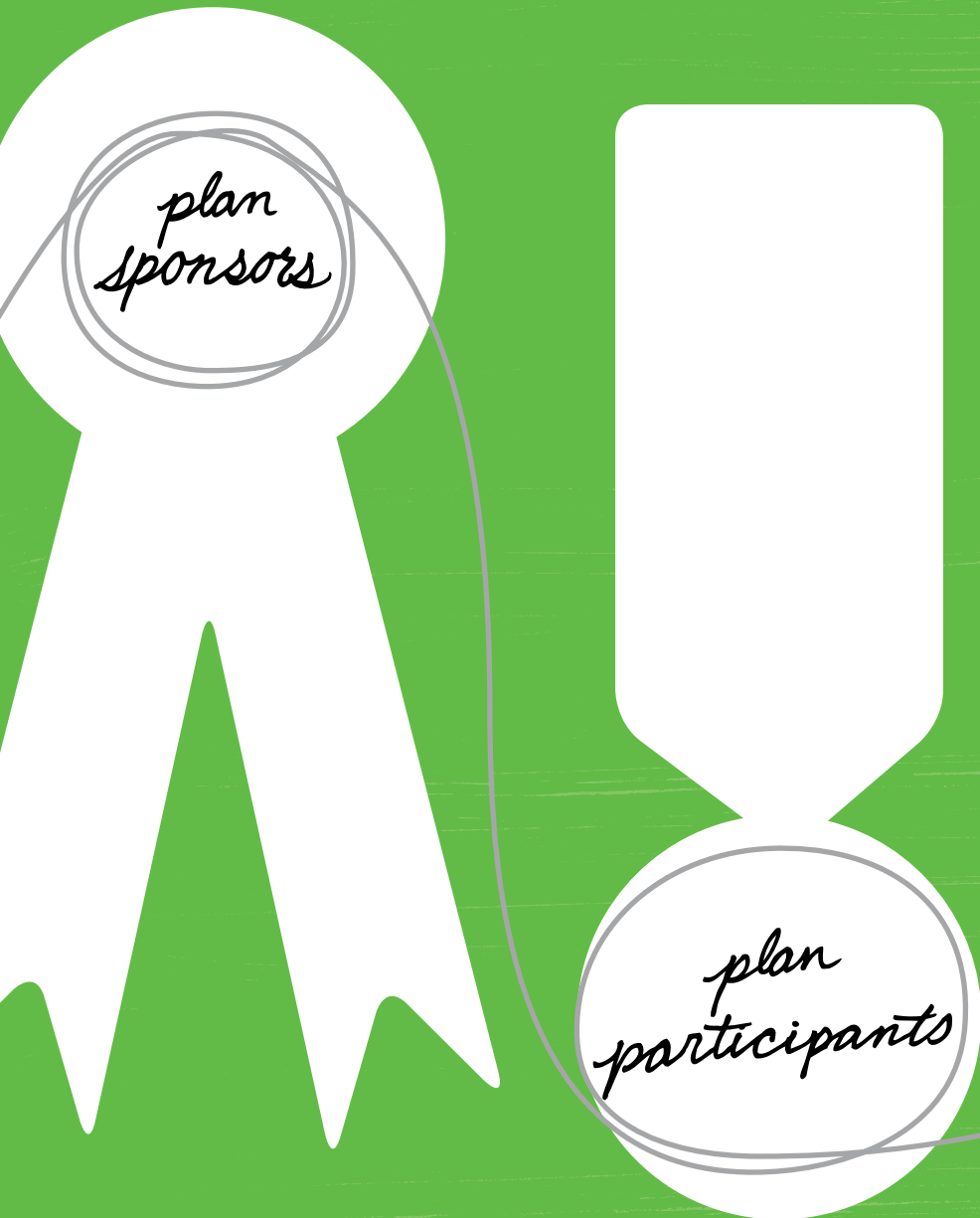
Our investment strategy is simple but powerful: We aim to capture most of the market's good times and miss most of its bad times. We believe that missing severe market drops is essential to investment success, because the less investors lose during downturns, the less they have to make up before their gains become true gains during a rebound.

## What is a QDIA?

Recognizing the need to help workers save more for retirement, Congress passed The Pension Protection Act (PPA) in 2006. A key provision of the PPA is the creation of the Qualified Default Investment Alternative (QDIA), a name given to certain types of investment services that can be used by employers to provide retirement account management to their employees. But as a result, those employers who do not implement a QDIA may be legally responsible if their retirement plan fails to produce adequate results for participants.

In establishing a Stadion QDIA, you are selecting qualified investment professionals to manage the investments in each of your plan participants' retirement accounts. Most notably, you're making this the default for the plan; employees can opt out if they want to make their own asset allocation decisions.

Most employees lack the time, talent and temperament to make disciplined investment decisions over time.

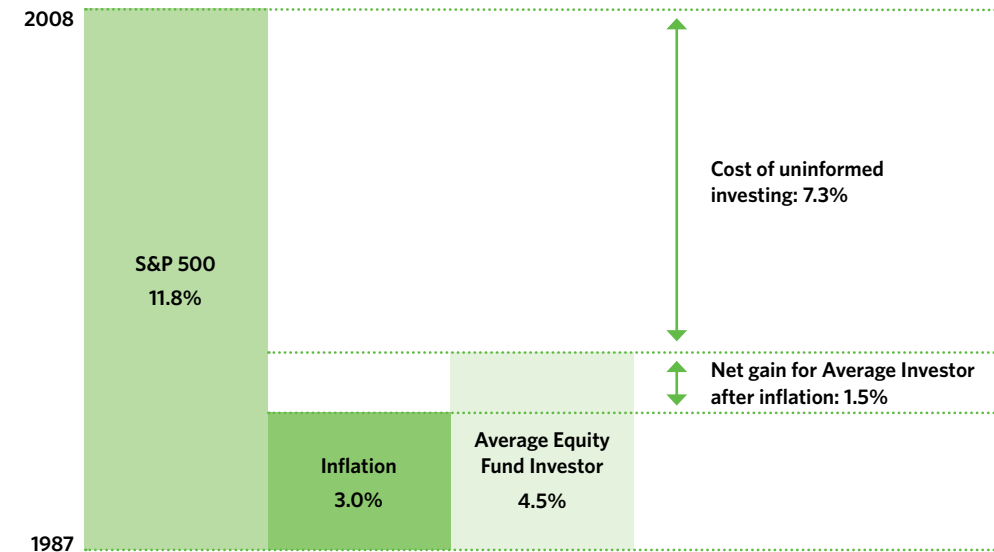


## A Benefit for Employees

High-quality management is essential to investment success. For instance, one study showed that the greatest factor impacting returns is how assets are allocated over time.<sup>1</sup> But who chooses how much to invest where and when? The stock market has averaged approximately 12% annual growth over the last 20 years, yet stock investors averaged just over 4% growth per year.<sup>2</sup> That means most investors are missing out on the asset growth available to them.

For many employees, the only time they think about their retirement plan is at enrollment or when they open their statements. Most don't want to be a financial analyst on top of all of their other responsibilities—nor should they be. It's something that should be handled by an experienced professional with a proven track record.

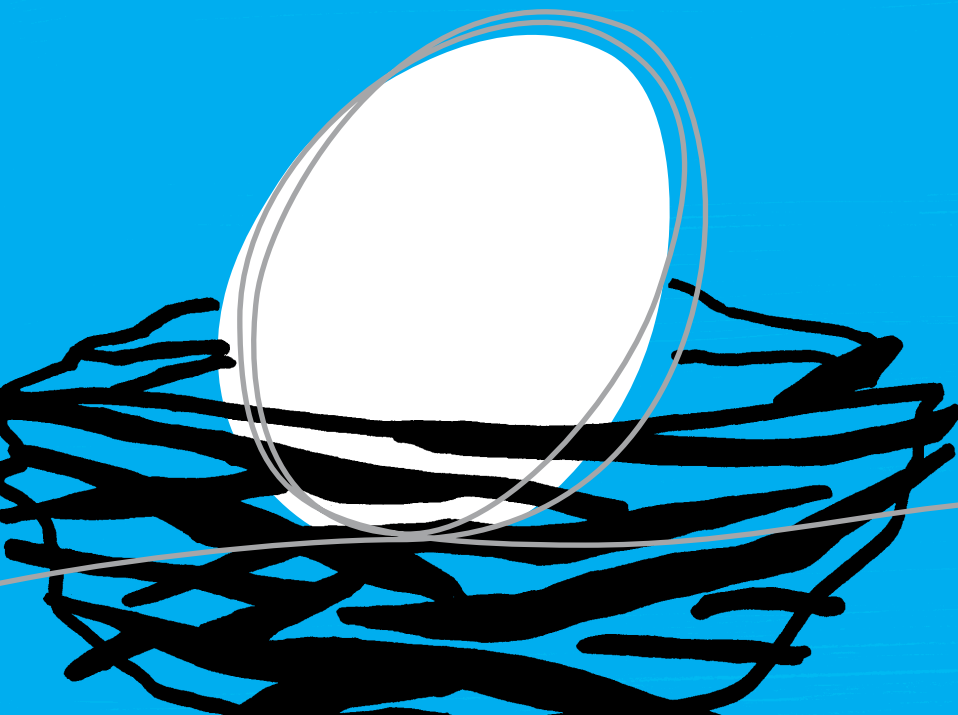
So, in addition to protecting your company, implementing a QDIA is an enormous gift for your employees. You'll be giving them a better chance to retire on their own terms.



<sup>1</sup> Source: Brinson-Hood-Beerbower Study, 1986

<sup>2</sup> Source: Dalbar QAIB 2008 Survey

If the average employee has only 15 to 20 years to prepare for retirement, employing the buy-and-hold method of investing could jeopardize their hard-earned nest egg.



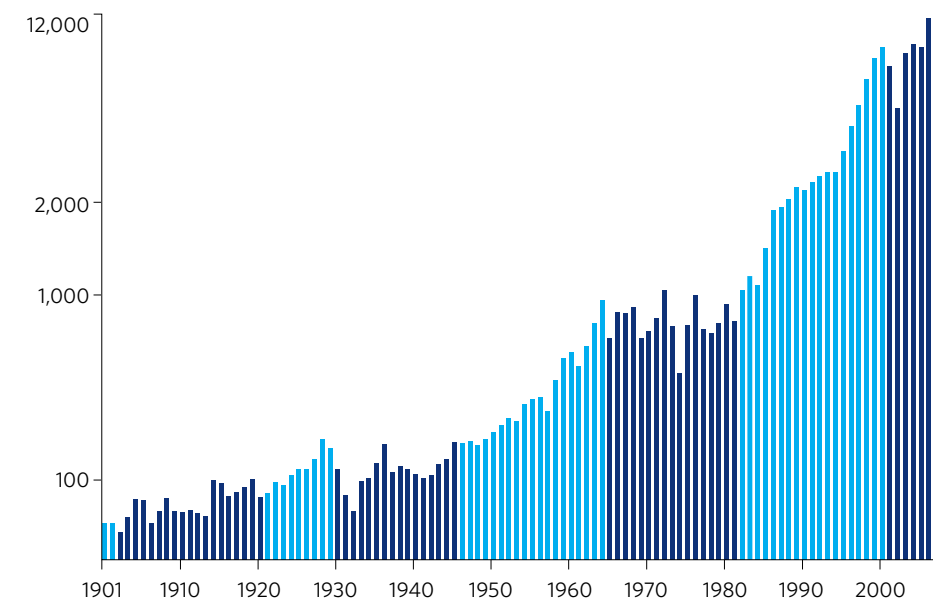
## Debunking the Buy-and-Hold Myth

Our active management approach radically differs from the typical “buy-and-hold” strategies often used by investors. Buy-and-hold means staying invested in the market at all times, theoretically achieving the same results as the market.

Investors are sometimes misled by very long-term graphs that “prove” the value of this investment strategy. In reality, charts containing 80 years or more of data are simply irrelevant since the typical investor has only 15 to 20 years to build their retirement nest egg. History shows us there have been many periods of that length when a buy-and-hold approach would have been quite disappointing—or worse.

With buy-and-hold, average stock market investors spend two-thirds of their time working to break even—trying to recover from the cyclical downturns. At Stadion, we believe the best way to break even is to avoid big losses in the first place.

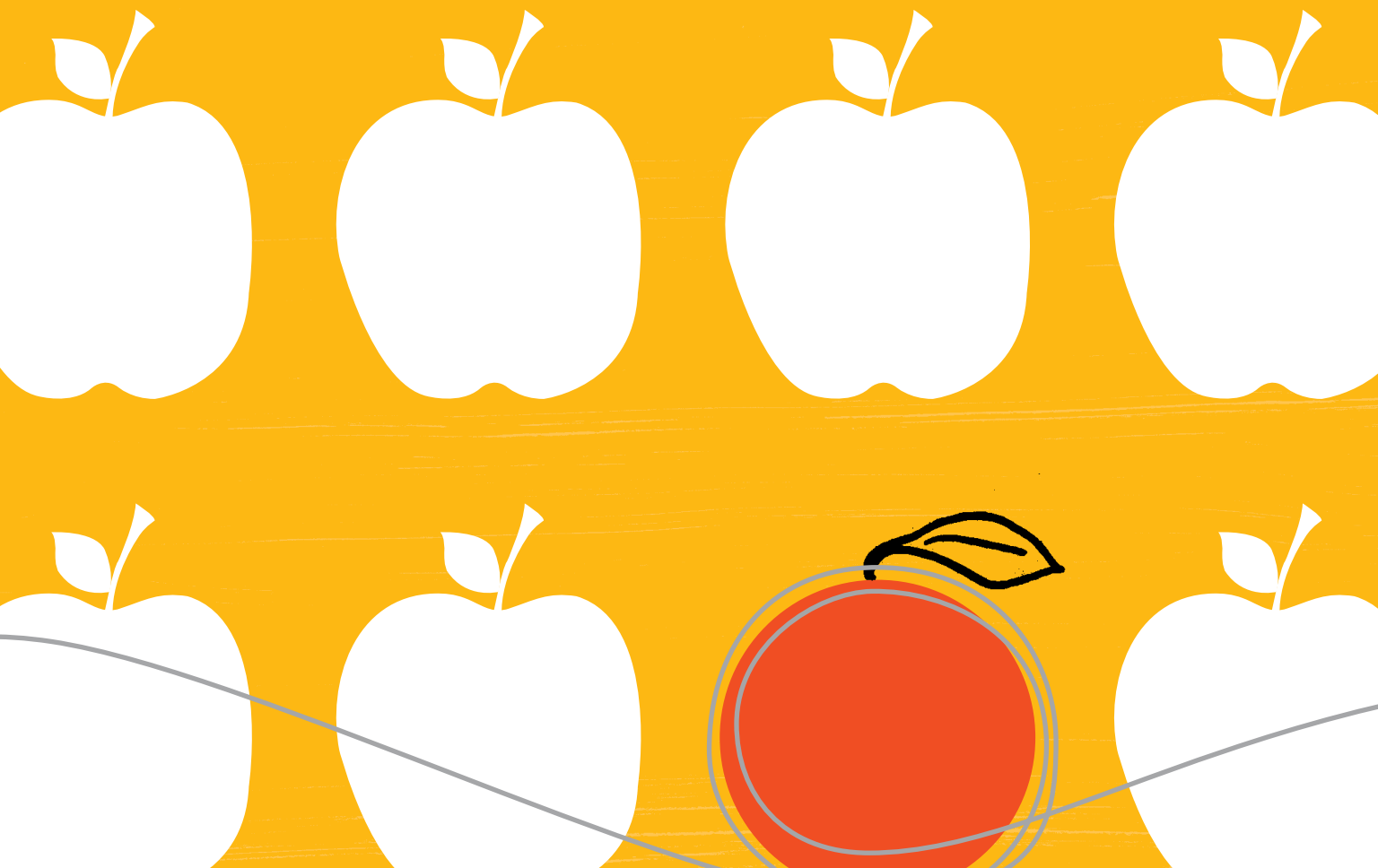
Dow Jones Industrial Average: 1900-2008



This chart shows that the stock market has historically trended toward long secular bull and bear markets. Betting on a buy-and-hold approach would have been great if your accumulation cycle started in August 1982 on the cusp of the most recent secular bull market. However, it would have been devastating if you had been starting to prepare for retirement in 1966 at the beginning of the last secular bear market, a 16-year period with no overall gain. Source: “Secular Stock Markets Explained,” Ed Esterling, Crestmont Research, 2006.

■ Bull Markets  
■ Bear Markets

Not all QDIAs are created equal. Beyond compliance criteria that must be met, the options available today vary greatly by investment strategy and level of service.



### **Money Management that Makes Sense**

Stadion's investment strategy is designed to capture most of the good market times and miss most of the bad, with the aim to provide market-like returns with less-than-market volatility. Our track record has been tested by some of the most wide-ranging market swings in history, from the greatest bull market to the second worst bear market. When the market is soaring, our returns aren't as glamorous as some others. But during the downturns, investors see a real difference. It's a strategy that makes sense over the long-term—with a much smoother ride along the way.

Our investment decisions are never fueled by emotion, fear or greed. Stadion has a disciplined, objective, model-driven approach that interprets data gathered from an array of market indicators to inform our managers of market and sector movements. What emerges is information that tells us where to invest—and at times, whether to invest at all.

### **All the Bells and Whistles**

With the Stadion QDIA Program, your employees receive much more than just expert money management. We also provide phone access to our US-based retirement specialists and an impressive array of online tools to help participants understand what they must do to fund their retirement.

Best yet, Stadion provides a warranty for its QDIA. We will indemnify you as the plan fiduciary, covering your associated costs, if our plan fails to meet certain requirements or you suffer certain losses. See the enclosed Stadion Warranty Certificate for specifics, conditions and limitations on our warranty.

## Implementing a Stadion QDIA

For you, setting up a QDIA with Stadion is as easy as it is valuable. Simply follow these steps to begin the implementation process. For more information, call us at 1.800.222.7636.

1

### Sign Up

Simply complete and return the Stadion QDIA Agreement included in your plan setup documents.

2

### Notify Participants

We will provide you with a master copy of the Initial Notice Regarding Default Investments. To receive fiduciary protection under the PPA, you are required to copy and distribute this one-page notice to all plan participants at least 30 days prior to the effective date. It will inform them that:

- Stadion has been chosen to professionally manage each of their retirement accounts.
- Their retirement accounts will be managed using an investment portfolio appropriate for their age. Detailed descriptions of each portfolio are included in the employee enrollment kit.
- Each participant can opt out of the program at the time their account is established or terminate the program at any time thereafter and manage their own account.
- The first 30 days of account management are free.

3

### Account Management Begins

All participants who have not selected their own investment allocations will begin having their accounts managed when their account is funded.

## FAQs About Stadion's QDIA

If you have additional questions, feel free to contact us at 1.800.222.7636

### What does a QDIA do for me that 404(c) hasn't already done?

For 401(k) plan fiduciaries who provide investment direction for their participants' accounts in the form of a QDIA, the 2006 PPA provides protection from liability for investment losses. As the plan fiduciary, you receive this protection even if you have not complied with all the other provisions of 404(c).

### Why choose Stadion managed accounts over any other QDIA?

With our managed account, your employees benefit from:

- Active account managers who not only choose participants' investments, but who also can choose to reduce equity exposure altogether when it makes sense
- The opportunity to customize portfolios by overriding age-based designations
- Personalized service, including a direct contact at Stadion, available by phone or email

### Why does Stadion offer a warranty when others do not?

Stadion does not shy away from its role as a pioneering leader in retirement plan services. We are confident that no one is better positioned to fulfill the critical obligations and responsibilities of a QDIA and are happy to stand behind our promises.



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