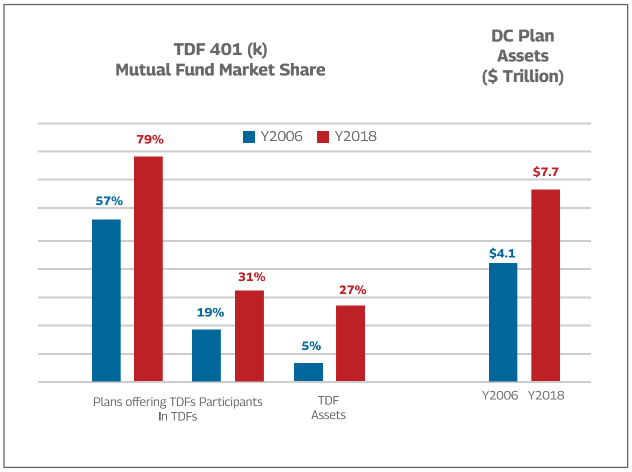
RETIREMENT SOLUTIONS

TARGET DATE FUNDS

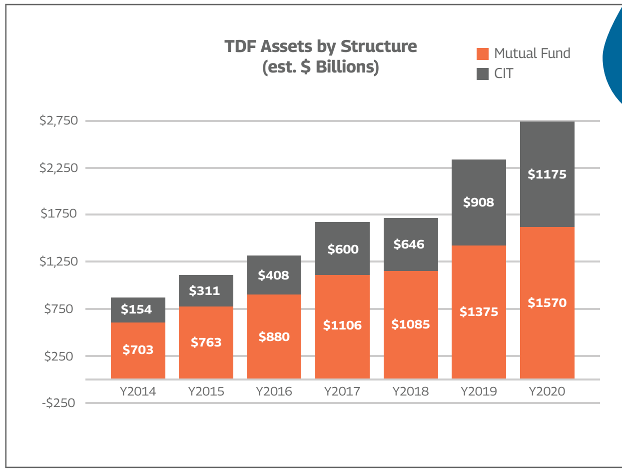
Popularity of Target Date Funds

Since the Pension Protection Act of 2006 codified the concept of Qualified Default Investment Alternatives (QDIAs), which provides fiduciary safe harbor for plan sponsors to default retirement participant investments, the popularity of target date funds (TDFs) has skyrocketed.



2. Low Cost

Over the last decade, TDFs have lowered investment expenses by (a) blending active (higher cost) with passive (lower cost) investment options, and (b) shifting from mutual funds (higher cost structure) to CITs (lower cost structure).



3 REASONS FOR TARGET DATE FUND POPULARITY

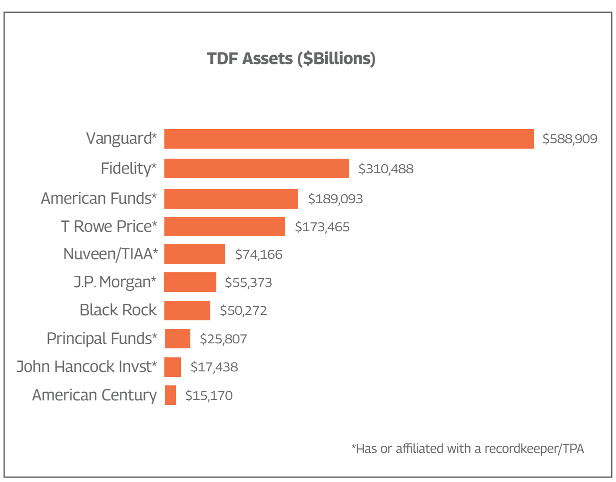
1. Simplicity

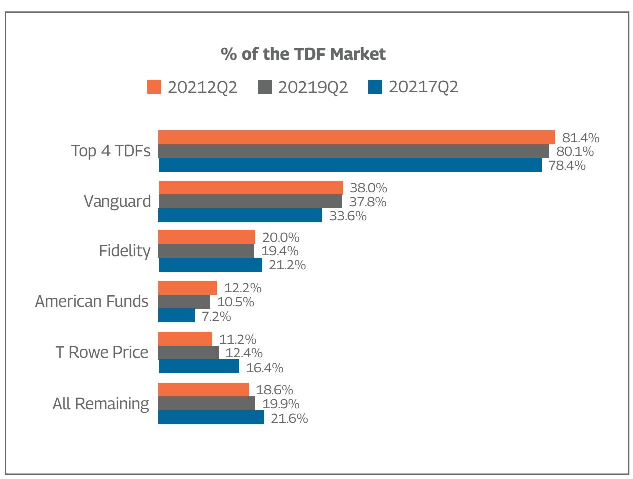
A number of risk based portfolios are strung together that gradually reduce risks (stock exposure) along a glide path towards retirement. This "set-it-and-forget-it" approach requires no active involvement by participants and is easy to explain to and understand by plan fiduciaries.

3. Connectivity

The top 5-TDF providers are all affiliated with or have a subsidiary providing record keeping services to retirement plans. This connectivity (both business and technology) provides a natural distribution access to retirement plans a significant advantage.

TDF



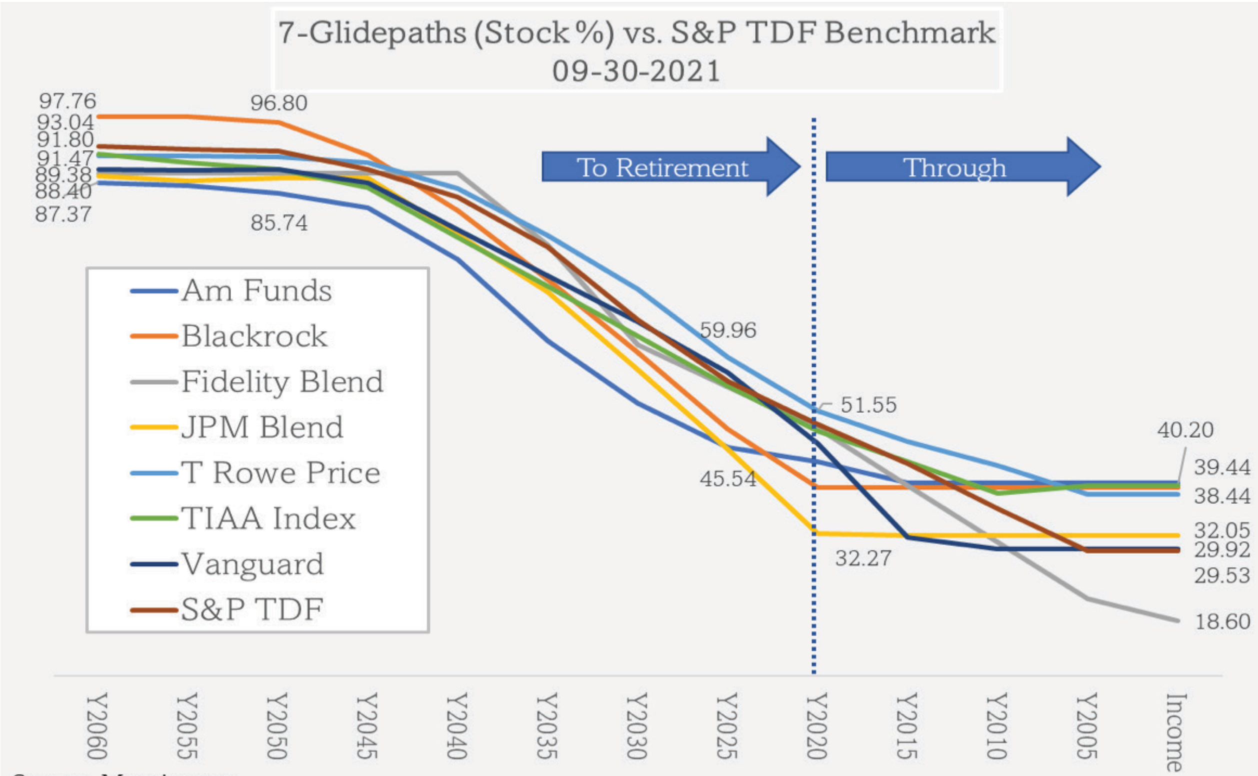


RETIREMENT SOLUTIONS

TARGET DATE FUNDS

A SIMPLE BUT IMPERFECT SOLUTION – RISK & RETURN

8 most popular TDF glide paths (risk allocation) are illustrated below and clearly show a difference of equity allocation of more than 10% for the youngest participants (workers born between 1993 and 1997), over 14% difference for those 5-years from retirement (1958 to 1962) and over 21% difference for those oldest in retirement (1933 to 1937). Which glide path is the right one for an employer group? Most fiduciary advisors suggest the glide path that is most suitable for that "average" employee would be the "right" one for all. We can and should do better than this!



Source: Morningstar