Defined Contribution Plans

Considering Custom?

Custom Target-Date Strategies

Tailored strategies that can match demographics may enhance control and reduce costs

Custom target-date strategies are here. Why? Plan sponsors see numerous benefits:

- Flexibility to select best-in-class investments, including core plan options
- Control to design a glide path aligned with participant demographics
- Choice of adding both active and passive strategies
- Potential for lower fees

Going custom is a straightforward process, one in which PIMCO's DC practice can provide guidance and support.

More than two in three consultants promote or support custom solutions. Plans as small as $200 million will likely go custom in the coming years.

51% of consultants believe that there is not enough choice in the market, or plan demographics are too unique for off-the-shelf solutions

70% of consultants promote or support custom

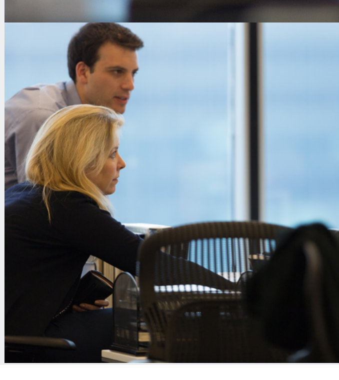
Custom is likely to grow among plans with more than $200 million over the next several years

71% believe plans with more than $1 billion will select custom

37% believe plans with $500 million – $1 billion will select custom

20% believe plans with$200 million–$500 million will select custom

Source: PIMCO 2013 *Defined Contribution Consulting Support and Trends survey*



Target-Date Funds: Find Your Fit

	CUSTOM	OFF-THE-SHELF
Glide Paths	Allows for the development of a glide path specific to the participant universe, including the tailoring of risk levels throughout	Existing funds have glide paths that may be suitable
Quality of the Underlying Investments	Best-in-class approach. Open architecture. Also allows for high level of diversification, active and passive management	The provider selects and controls the underlying investments. Typically, closed architecture
Diversification	Controlled by the sponsor and/or glide path manager. Allows for greater diversification than many off-the-shelf funds	Controlled by the provider. Assets are often primarily domestic stocks and bonds
Ease of Use/ Implementation	For sponsors: More effort than off-the-shelf but easier to implement than in the past For participants: Ease of use is identical to off-the-shelf target-date strategies	For sponsors: Off-the-shelf products are easier to implement For participants: Ease of use is identical to custom target-date strategies
Fees	Can be lower due to bundling of DB and DC assets and use of both active and passive management	Fees, and value, vary widely

Customization: Key Steps

	RESPONSIBLITIES	INITIAL TASK (ONE-TIME)	ONGOING
1	Confirm plan record keeper and trustee can support a custom approach		
2	Create glide path including asset classes and exposures (hire consultant or create internally)		
3	Select underlying investments		
4	Coordinate with plan record keeper and trustee to establish portfolios		
5	Create fact sheets and other employee communication materials (check with record keeper for support)		
6	Document evalutation, decision-making process, and ongoing oversight		
7	Consider changes to the portfolios, such as adding/changing asset classes, investments and managers		

PIMCO's DC Practice

Dedicated team

More than 23 DC retirement specialists with an average of 17 years of investment experience and committed to delivering unparalleled client service

DC assets under management

Approximately $190.9 billion in DC assets under management as of 31 March 2014

Industry-leading thought pieces

Including PIMCO *DC Dialogue*™, *Defined Contribution Consulting Support and Trends survey*, *Viewpoints* and research papers

Effective DC plan design

Innovative retirement solutions based on clients' stated risk and return objectives

Comprehensive lineup of investment strategies

Benefit from the firm's intellectual capital, time-tested investment approach and disciplined risk management

Inquire about whether a custom or non-proprietary target-date fund would be a better fit for your plan.

February 2013, DOL issues "Target Retirement Funds – Tips for ERISA Plan Fiduciaries"

Target-Date Retirement Funds – Tips for ERISA Plan Fiduciaries

U.S. Department of Labor | February 2013

Key Points of the DOL Notice

- Establish a process for comparing and selecting target-date funds
- Establish a process for the periodic review of the selected target-date funds
- Understand the fund's investments – the allocation in different asset classes (stocks, bonds, cash), individual investments, and how these will change over time
- Review the fund's fees and investment expenses
- Inquire about whether a custom or non-proprietary target-date fund would be a better fit for your plan
- Develop effective employee communications
- Take advantage of available sources of information to evaluate the target-date funds and recommendations you received regarding the target-date funds selection
- Document the process

Source: www.dol.gov/ebsa/pdf/fsTDF.pdf

About PIMCO

PIMCO is a leading global investment management firm, with offices in 12 countries throughout North America, Europe, Asia/Pacific and Latin America. Founded in 1971, PIMCO offers a wide range of innovative solutions to help millions of investors worldwide meet their needs. Our goal is to provide attractive returns while maintaining a strong culture of risk management and long-term discipline.

For more information on custom target-date portfolios and other defined contribution subjects, please contact your PIMCO Account Manager or Brent Wagner, PIMCO DC Practice, at brent.wagner@pimco.com.

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