

Defined Contribution Plans

Considering Custom?

Custom Target-Date Strategies

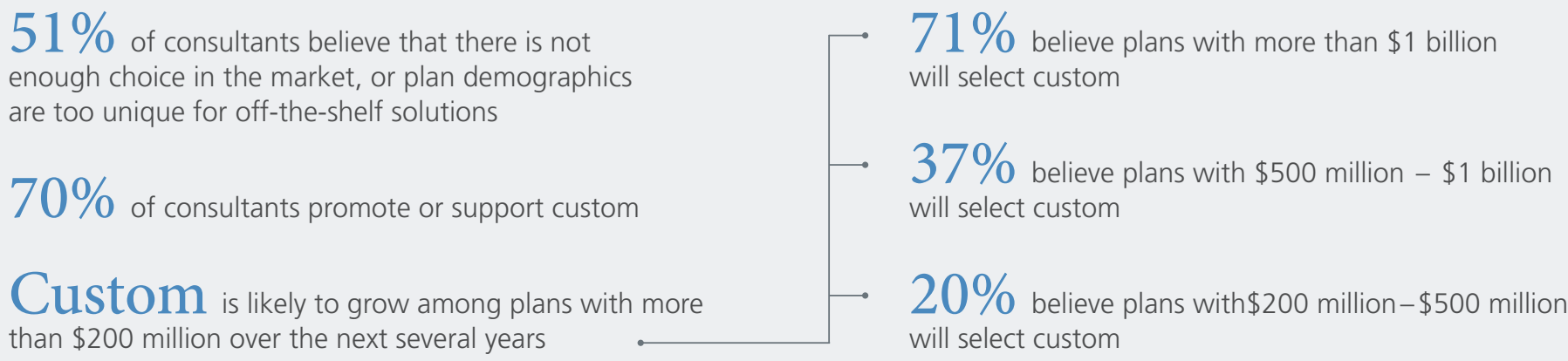
Tailored strategies that can match demographics may enhance control and reduce costs

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

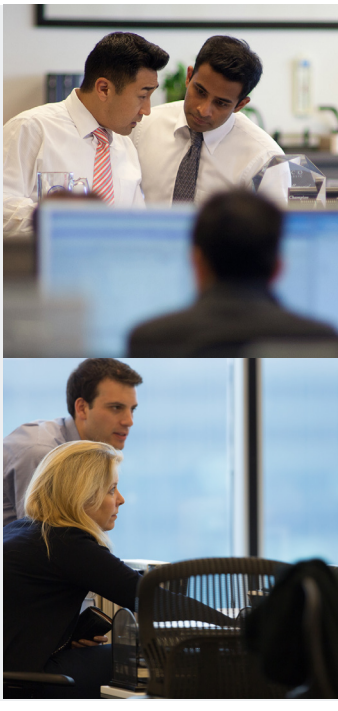
- Flexibility to select best-in-class investments, including core plan options
- Control to design a glide path aligned with participant demographics
- Choice of adding both active and passive strategies
- Potential for lower fees

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.



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<br>For participants: Ease of use is identical to off-the-shelf target-date strategies | For sponsors: Off-the-shelf products are easier to implement<br>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

| RESPONSIBILITIES |                                                                                                      | 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 evaluation, 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 assests 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

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](mailto:brent.wagner@pimco.com).

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](http://www.dol.gov/ebsa/pdf/fsTDF.pdf)

Past performance is not a guarantee or a reliable indicator of future results. All investments contain risk and may lose value. Investing in the bond market is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and the current low interest rate environment increases this risk. Current reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. REITs are subject to risk, such as poor performance by the manager, adverse changes to tax laws or failure to qualify for tax-free pass-through of income. Management risk is the risk that the investment techniques and risk analyses applied by PIMCO will not produce the desired results, and that certain policies or developments may affect the investment techniques available to PIMCO in connection with managing the strategy. There is no guarantee that these investment strategies will work under all market conditions or are suitable for all investors and each investor should evaluate their ability to invest for a long-term especially during periods of downturn in the market.

Glide Path is the asset allocation within a Target Date Strategy (also known as a Lifecycle or Target Maturity strategy) that adjusts over time as the participant’s age increases and their time horizon to retirement shortens. The basis of the Glide Path is to reduce the portfolio risk as the participant’s time horizon decreases. Typically, younger participants with a longer time horizon to retirement have sufficient time to recover from market losses, their investment risk level is higher, and they are able to make larger contributions (depending on various factors such as salary, savings, account balance, etc.). Generally, older participants and eligible retirees have shorter time horizons to retirement and their investment risk level declines as preserving income wealth becomes more important.

PIMCO does not provide legal or tax advice. Please consult your tax and/or legal counsel for specific tax and/or legal questions and concerns.

This material contains the opinions of the authors but not necessarily those of PIMCO and such opinions are subject to change without notice. This material has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission. PIMCO and YOUR GLOBAL INVESTMENT AUTHORITY are trademarks or registered trademarks of Allianz Asset Management of America L.P. and Pacific Investment Management Company LLC, respectively, in the United States and throughout the world. ©2014, PIMCO.