

As due diligence burdens have increased and the target-date landscape has shifted, plan sponsors need to implement a process for reviewing and understanding the risk management strategies of their plan's target-date offering.



Shining a Light on Target-Date Analysis: Ask the Right Questions

Management

- Does the investment manager have the resources and experience to manage an asset allocation strategy?
- Does the investment manager run other asset allocation strategies and are we comfortable with the firm's investment process and track record?

Philosophy

- Does management view the retirement date as a unique event? Is the glide path "To" or "Through"?
- Do we understand management's philosophy around constructing the glide path? Could we explain why we chose to go with this philosophy for our participants?

Risk

- Does the fund provide age-appropriate risk levels throughout? Are we comfortable with the amount of risk the fund takes as it approaches the retirement date?
- Is the glide path diversified from an asset allocation perspective? Is the glide path diversified from a risk perspective?
- Do we feel comfortable with how our target-date funds would react to market turbulence? To prolonged inflation? Do we understand why?
- Can the funds utilize tactical allocation to manage risk by adjusting to changing valuation levels?

Underlying Funds

- Would the underlying funds pass through the Investment Policy Statement (IPS)?
- What are the current assets and manager tenures for the underlying funds?

Process and Documentation

- Do we have documentation on how and why we selected our target-date solution (presentations, meeting notes, request for proposal [RFP] responses)?
- Have we updated our IPS to include language on how we selected our target-date solution and how we monitor it?
- Are we documenting the ongoing review process?

About PIMCO

PIMCO is a leading global investment management firm, with offices in 10 countries throughout North America, Europe and Asia. 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.

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A word about risk: Investments may be worth more or less than the original cost when redeemed. Funds of funds are nondiversified, which means that they may invest assets in a smaller number of issuers than a diversified fund. The target-date funds are designed to provide investors with a comprehensive retirement solution tailored to the time when they expect to retire and plan to start withdrawing money (the "target date"). Each fund follows a target asset allocation schedule that changes over time to help reduce portfolio risk, increasing its exposure to conservative investments as the target date approaches. The principal value of the fund is not guaranteed at any time, including the target date. Diversification does not ensure against loss.

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