

## Target Date Fund Questionnaire

### STEP 1

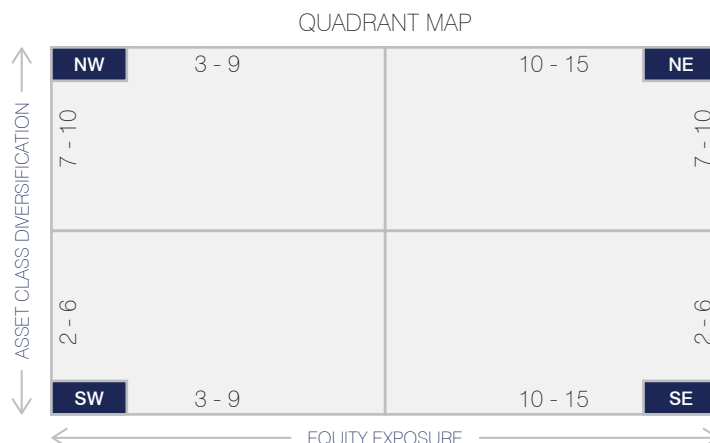
#### Understand Plan Goals and Participant Needs

Plan decision-makers should answer the five questions below to assess the level of equity exposure at the target date and the asset class diversification desired for the plan's target date fund.

### STEP 2

#### Determine the Plan's Target Date Type<sup>SM</sup>

Compare the scores below for equity exposure and asset class diversification against the quadrant map. Target date funds in the quadrant matching the plan's scores may be best aligned with the goals and needs of the plan.



#### 1 What is the plan's primary outcome objective for its target date fund?

Help meet participants' income replacement goals at retirement

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Help maximize participants' savings throughout their lifetimes

#### 2 Based on reports received or other information, plan participants tend to...

save at less than sufficient levels; take a high number of loans or withdrawals; withdraw a significant amount or all of their assets within a few years of the target date

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

save consistently at sufficient levels; take few, if any, loans or withdrawals; retain a significant amount or all of their assets in the plan well beyond the target date

#### 3 The plan prefers a target date fund that seeks to...

manage downside risk

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

maximize upside return potential

**+** Add combined score from questions 1, 2, 3 to determine the **EQUITY EXPOSURE\*** score.

\*Percentage of equity exposure at target date

#### 4 What is the plan's viewpoint on broad portfolio diversification?

Not likely to improve portfolio outcomes

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Very likely to improve portfolio outcomes

#### 5 What is the plan's preference for the type of asset classes to be included in a target date fund?

Use only traditional asset classes, such as stocks and bonds

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Use traditional asset classes and others (e.g., emerging markets equity, high yield, commodities)

**+** Add combined score from questions 4, 5 to determine the **ASSET CLASS DIVERSIFICATION\*** score.

\*Percentage of equity exposure at target date

## Target Date Quadrants Defined

<div>NW</div> <div><div>QUADRANT CHARACTERISTICS</div><div><div>➤ Lower level of equity exposure at the target date</div><div>➤ Higher number of asset classes—tend to include both traditional and extended asset classes</div></div><div>INVESTMENT ORIENTATION</div><div><div>➤ Focus on ensuring income replacement at retirement</div><div>➤ Focus on managing volatility more efficiently</div><div>➤ Believe higher diversification can potentially create more optimal portfolios</div></div><div>PLAN PROFILE</div><div><div>➤ Seek to help meet participants' income replacement goals at retirement</div><div>➤ May have participants who exhibit typical savings behavior</div><div>➤ Prefer target date funds that seek to manage downside risk</div><div>➤ Believe broad diversification is likely to improve portfolio outcomes</div><div>➤ Believe diversification can be achieved by extending beyond traditional asset classes</div></div></div>	<div>NE</div> <div><div>QUADRANT CHARACTERISTICS</div><div><div>➤ Higher level of equity exposure at the target date</div><div>➤ Higher number of asset classes—tend to include both traditional and extended asset classes</div></div><div>INVESTMENT ORIENTATION</div><div><div>➤ Focus on managing longevity risk post-retirement</div><div>➤ Focus on managing growth more efficiently</div><div>➤ Believe higher diversification can potentially create more optimal portfolios</div></div><div>PLAN PROFILE</div><div><div>➤ Seek to help maximize participants' savings throughout their lifetimes</div><div>➤ May have participants who more closely exhibit optimal behavior</div><div>➤ Prefer target date funds that seek to maximize upside return potential</div><div>➤ Believe broad diversification is likely to improve portfolio outcomes</div><div>➤ Believe diversification can be achieved by extending beyond traditional asset classes</div></div></div>
<div>SW</div> <div><div>QUADRANT CHARACTERISTICS</div><div><div>➤ Lower level of equity exposure at the target date</div><div>➤ Lower number of asset classes—tend to maintain focus on traditional asset classes</div></div><div>INVESTMENT ORIENTATION</div><div><div>➤ Focus on ensuring income replacement at retirement</div><div>➤ Focus on managing volatility</div><div>➤ Believe lower diversification can provide appropriate levels of portfolio optimization</div></div><div>PLAN PROFILE</div><div><div>➤ Seek to help meet participants' income replacement goals at retirement</div><div>➤ May have participants who exhibit typical savings behavior</div><div>➤ Prefer target date funds that seek to manage downside risk</div><div>➤ Believe broad diversification is not likely to improve portfolio outcomes</div><div>➤ Believe diversification can be achieved primarily with traditional asset classes, such as stocks and bonds</div></div></div>	<div>SE</div> <div><div>QUADRANT CHARACTERISTICS</div><div><div>➤ Higher level of equity exposure at the target date</div><div>➤ Lower number of asset classes—tend to maintain focus on traditional asset classes</div></div><div>INVESTMENT ORIENTATION</div><div><div>➤ Focus on managing longevity risk post-retirement</div><div>➤ Focus on managing growth</div><div>➤ Believe lower diversification can provide appropriate levels of portfolio optimization</div></div><div>PLAN PROFILE</div><div><div>➤ Seek to help maximize participants' savings throughout their lifetimes</div><div>➤ May have participants who more closely exhibit optimal behavior</div><div>➤ Prefer target date funds seeking to maximize upside return potential</div><div>➤ Believe broad diversification is not likely to improve portfolio outcomes</div><div>➤ Believe diversification can be achieved primarily with traditional asset classes, such as stocks and bonds</div></div></div>

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TARGET DATE FUNDS: Target date funds are funds with the target date being the approximate date when investors plan to start withdrawing their money. Generally, the asset allocation of each fund will change on an annual basis with the asset allocation becoming more conservative as the fund nears the target retirement date. The principal value of the fund(s) is not guaranteed at any time, including at the target date. The Target Date Compass is designed to provide a framework for identifying and evaluating target date funds (TDF) that align most closely with a plan's overall goals and its participants' needs. The goal of the tool is to help plan sponsors assess their retirement plans' desired level of equity exposure at the target date, as well as desired level of asset class diversification—two important characteristics of TDFs. The framework also encourages plan sponsors to understand, and consider, the characteristics and behaviors of their workforce as part of the target date selection process—factors that the Department of Labor (DOL) has also stated fiduciaries should take into account when designing the investment menu for a defined contribution (DC) plan. The Target Date Compass is meant to help in the due diligence process when evaluating TDFs for a plan. The Target Date Compass is not meant to replace the fiduciary responsibilities that are inherent with all plan sponsors. If the Target Date Compass is used, it should be used as part of a comprehensive due diligence process. Plan sponsors should not rely exclusively on Target Date Compass to make investment decisions. The ultimate responsibility for choosing an investment option is that of the plan sponsor. J.P. Morgan takes no responsibility for the final investment decision. It is important to note: the intention of the tool is to help highlight the differences between target date funds in order to make informed comparisons.

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### Questions?

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