

Timewise Target Retirement Funds 2023 Annual Review

Robust Governance Helps to Achieve Good Member Outcomes

From the very first day a member starts contributing to their pension, through to the day they retire and beyond, the asset allocation of the Timewise Target Retirement Funds (Timewise) is managed to be responsive to market conditions, the regulatory environment and changing member behaviour. Our goal is to help support members throughout their retirement savings journey.

The Timewise annual review forms part of this process. Design and oversight of Timewise is the responsibility of the European Defined Contribution Investment Group. This group is comprised of investment professionals with a diverse set of experiences and views, including members from both our Global DC Team and our Investment Solutions Group.

2023 Annual Review: Changes to the glidepath landing point

Each year, the Defined Contribution Investment Group (DCIG) conducts a comprehensive review of its target retirement strategies. The review follows a consistent and transparent framework to reassess the investment market expectations and demographic assumptions that underpin the glidepath with the goal of improving risk-adjusted returns and managing the key risks facing DC participants.

Summary

- The 2023 review did not identify any significant changes in demographics or member requirements and behaviour that would prompt changes in the glidepath.
- Whilst the fund range continues to meet its stated investment objective the team sought to improve risk adjusted returns and lower downside risk in the later stages of the glidepath.
- More specifically, the changes look to adjust asset allocations from age 60 to 70.

Product Update

Defined Contribution

March 2024

Proposed changes and Investment Rationale

UK interest rates are expected to be higher for longer while bond/equity correlations have moved off their decade lows which both challenge the outlook for long duration fixed income assets. The UK glidepath has typically had a higher duration at its landing point which increases the overall portfolio volatility at a point where we are trying to reduce risk for the end investor.

Based on the evolving long-term assumptions of our Investment Solutions Group and the current market environment, we have made the following changes to the glidepath landing point which aim to improve risk adjusted returns as well as mitigating drawdowns:

- 1 10% reallocation from UK Non-Gilts to UK 0-5 year Corporate Bonds

Rationale UK Short Corporate bonds are expected to provide attractive risk adjusted returns.

- 2 5% move from UK Index Linked Gilts All Stock to cash (Via liquidity fund vehicle)

Rationale With interest rates well off their lows and expected to stay there, cash offers attractive returns.

Impact of Changes

The proposed changes mean the glidepath will begin evolving to the new weights from age 60 with the target changes in effect at the retirement target date. Given where funds currently sit on the glidepath the immediate impact will be to:

- Timewise Target Retirement 2025 sub-fund — Member current age c.63, approaching retirement
- Timewise Target Retirement 2020 sub-fund — Member current age c.68, at retirement and nearing the end of the glide. Will be transferred to the MPF Retirement Choice fund at age 70 (i.e. 2025)
- Timewise Retirement Choice Fund — Members over 70 at the end of the glidepath

The following table provides a snapshot of the proposed changes:

Allocations	At Retirement (%)		Landing Point (%)	
	Current Allocation	New Allocation	Current Allocation	New Allocation
Global Equity	20.0	17.0	15.0	15.0
EMD LC	2.5	2.5	2.5	2.5
Global HY	2.5	2.5	2.5	2.5
DDF	20.0	20.0	20.0	20.0
UK Corporate	33.75	26.0	37.5	27.5
UK Short Corporate	0.0	10.0	0.0	10.0
Global Agg H	11.3	12.0	12.5	12.5
UK Linkers	10.0	5.0	10.0	5.0
UK Intermediate Linker	0.0	0.0	0.0	0.0
Cash	0.0	5.0	0.0	5.0
Total	100.0	100.0	100.0	100.0

Source: State Street Global Advisors, as 19 December 2023. The information contained above is for illustrative purpose only.

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* Pensions & Investments Research Center, as of December 31, 2022.

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Contact Us

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SSGA Target Date Fund are designed for investors expecting to retire around the year indicated in each fund's name. When choosing a Fund, investors should consider whether they anticipate retiring significantly earlier or later than age 65 even if such investors retire on or near a fund's approximate target date. There may be other considerations relevant to fund selection and investors should select the fund that best meets their individual circumstances and investment goals. The funds' asset allocation strategy becomes increasingly conservative as it approaches the target date and beyond. The investment risks of each Fund change over time as its asset allocation changes.

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