

**DYNAMIC.  
ADAPTABLE.  
INTUITIVE.**

**STATE STREET  
GLOBAL ADVISORS®**

Target Retirement Funds

# THE FUTURE DESIGN OF RETIREMENT

Target Retirement Funds (TRFs) were introduced in the US in the 1990s and now 95% of plans in the US use Target Retirement Funds as their default. One quarter of UK default fund assets are expected to be invested in these funds by 2025.<sup>1</sup>

Their adaptability marks a significant progression from lifestyle strategies. TRFs are flexible enough to accommodate changing member needs, market conditions and regulations.

With the reality of continually shifting regulatory requirements facing DC schemes, we explore why a TRF may be the right default fund structure for your scheme.

<sup>1</sup> Spence Johnson Market Intelligence 2016, European DC Pensions, Evolution and Revolution.

# Lifestyle versus Target Retirement Funds

New generation TRFs are simple to administer, flexible to evolving markets and regulations, and reflect DC member's changing investment needs over time.

<b>Old Defaults</b> Lifestyle Strategy	<b>New Defaults</b> Target Retirement Funds	<b>Advantages</b> Target Retirement Funds
Member holds several funds	Member holds a single fund	Simple for members to understand and simple for employers to oversee
Targets a specific retirement date	Groups members into age cohorts	More flexibility around when a member will retire
Administrator switches from fund to fund	Manager switches assets in fund	Quicker, more reliable, lower cost and easier to implement
Asset allocation usually preset	Asset allocation can be dynamic	Asset allocation managed through market, behavioural and regulatory changes
Blackout period may be required if the glide path changes	No admin impact from a glide path change	No administration impact

# Target Retirement Funds: The Basics

## DYNAMIC

A TRF manages investment risk dynamically through time. The member invests in a fund which is closest to the time they anticipate retiring. As they move towards this target retirement period the fund gradually changes its holdings from higher risk growth assets, such as equities, to lower risk assets, such as bonds.

## ADAPTABLE

TRFs provide schemes with a flexible default strategy. Market and member behaviour research can be used so that the funds can be aligned to regulatory, investment and member changes.

## INTUITIVE

TRFs allow members to invest in one fund during their working years, right through to retirement and beyond, offering members an intuitive way to save for their retirement.

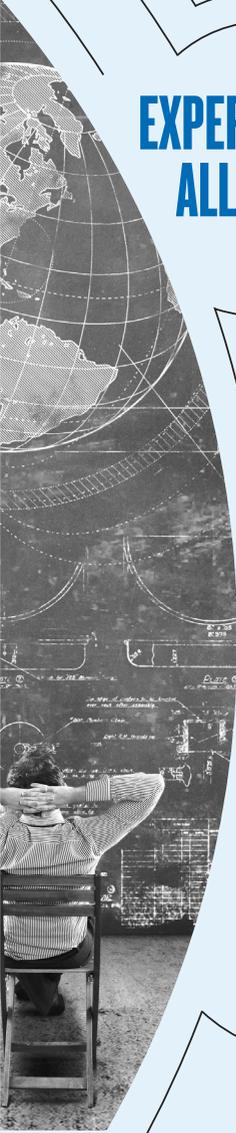
**TRFs ARE  
DESIGNED TO**

Manage the key risks members face over time, which include shortfall, volatility and inflation.

Ensure a disciplined approach to asset allocation and the ability to be dynamic.

Create diversified portfolios with exposure to a broad range of cost-effective equity and fixed income asset classes.

# Why Use Target Retirement Funds?



## EXPERT ASSET ALLOCATION

Able to adapt quickly to the markets, regulatory and member changes

Investment professionals set asset allocation making governance more robust

## TIMELY GOVERNANCE

Designed by investment professionals

Reviewed annually and on an ad hoc basis as necessary

## ADMIN SIMPLICITY

No administrative impact from glide path changes

Easy for members to switch between funds if their circumstances change



## Do you want a default solution that is:

- 1 Carefully designed, managed and governed by investment professionals?
- 2 Quick to adapt to changes in regulation, consumer behaviour and market conditions?
- 3 Simple and easy to communicate to your members?

**If the answer to any of the above questions is yes, Target Retirement Funds could be for you.**

To find out more about Target Retirement Funds contact:

**Peter Smith**

Account Executive

☎ +353 1 776 3099

✉ [peter\\_smith@ssga.com](mailto:peter_smith@ssga.com)

# A GLOBAL ASSET MANAGEMENT LEADER

State Street Global Advisors is a leading provider of investment management services and one of the world's largest institutional asset managers with over €2.4 trillion in assets under management\*.

## COLLABORATIVE APPROACH

We work with you to create solutions that include thoughtful investment design, results-driven member communications and insightful member research.

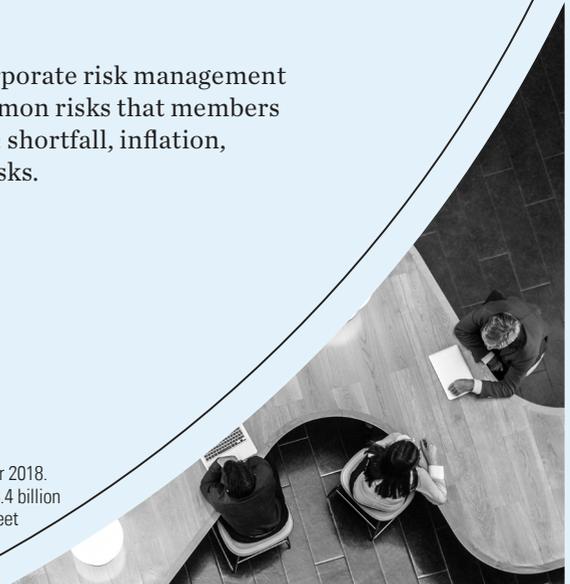
## BROAD ASSET CLASS EXPOSURE

Target Retirement Funds can offer innovative glide path design and asset allocation strategies, alongside broad diversification.

## RISK MANAGEMENT

Target Retirement Funds can incorporate risk management tools designed to help address common risks that members face when investing for retirement: shortfall, inflation, market volatility and conversion risks.

\* Source: State Street Global Advisors as at 30 September 2018. Figures are unaudited. AUM includes approximately €24.4 billion of assets (as of 30 September 2018) for which State Street Global Markets, LLC (SSGM) an affiliate of SSGA, serves as the marketing agent.



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