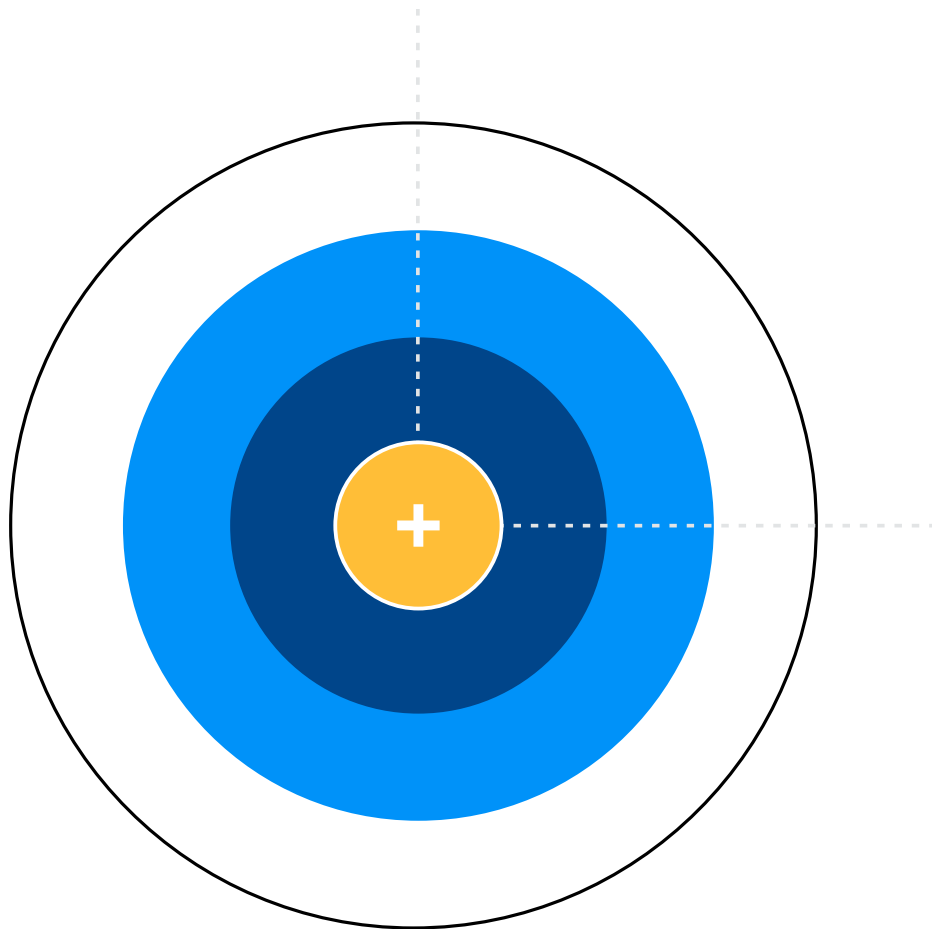

Navigating the target date fund selection process



01

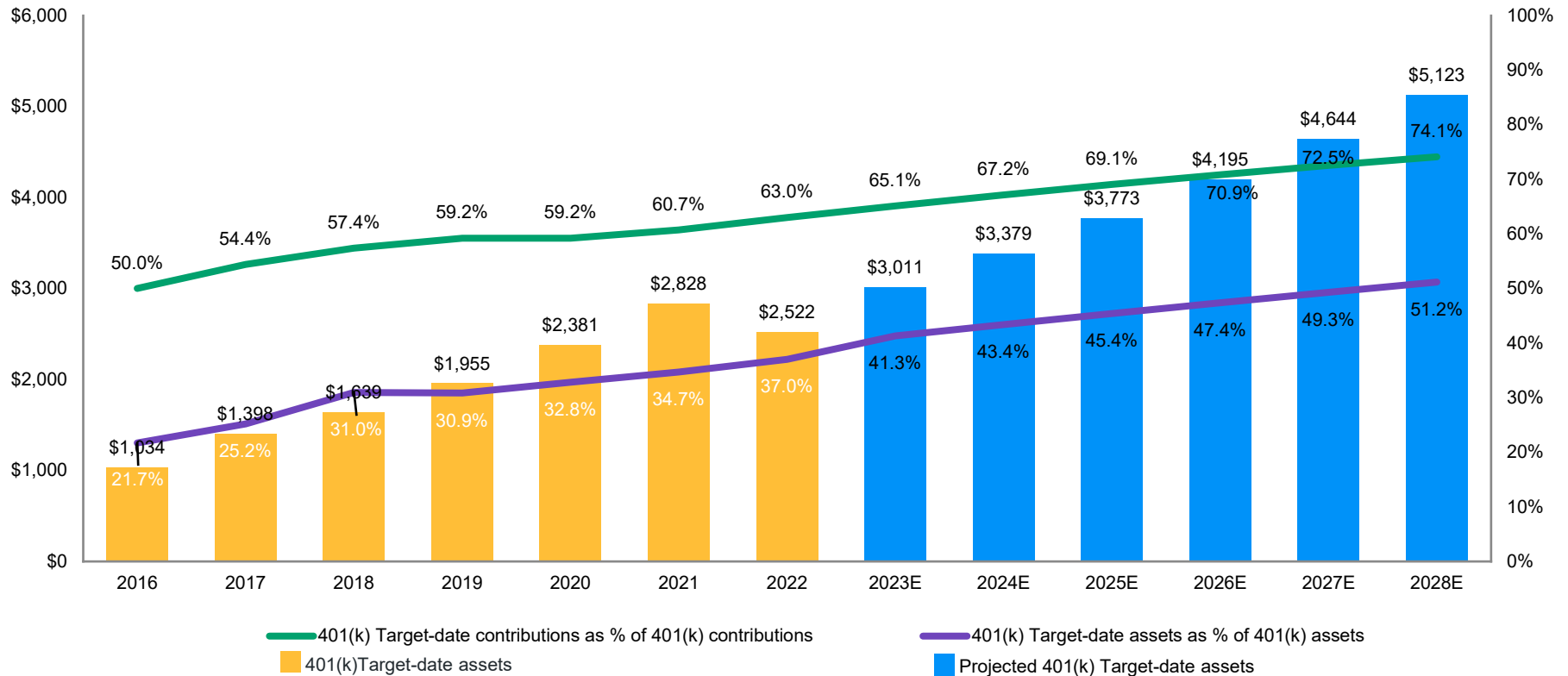
Why is this so important?

The use of target date funds continues to grow



Representing 63% of 401(k) contributions in 2022 and projected to reach **74%** by 2028

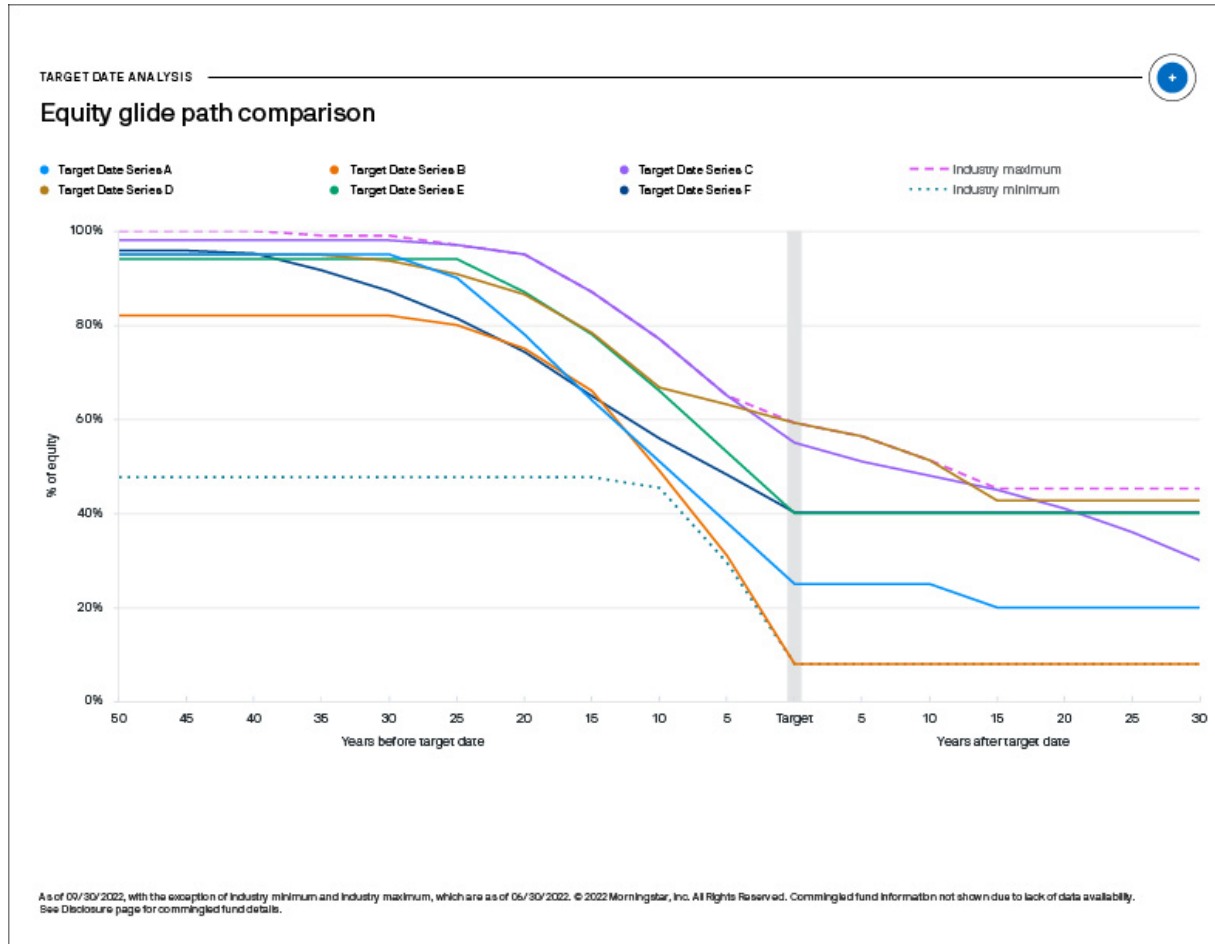
401(k) Target-Date Assets and Contributions, 2014-2024E (\$billions)



Source: The Cerulli Report: U.S. Defined Contribution Distribution 2023, Exhibit 4.02 2023.

Target date fund glide paths can vary widely

Target Date Compass equity glide path comparison



Source: Target Date Compass report; for illustrative purposes only.

DC plan lawsuits: Hundreds of cases since 2006

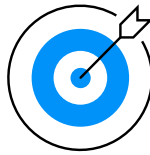


Nearly 100 cases filed in 2020—5x as many as 2019



More plaintiffs law firms are entering the business

Example: Some traditional personal injury firms are advertising for DC plan participants and filing cases



Smaller plans targeted

Example: Plan sponsor with \$97 million plan sued in September 2017



New targets, new theories

Example: Law firms are finding new categories of defendants to sue and raising creative new claims

Defendants have paid more than \$1 billion to settle

Source: J.P. Morgan Asset Management

Class-action law firms have begun zeroing in on TDFs



Looking for 401(k) participants who are concerned about their plans' TDFs

Possible claims:

1

Improper investment strategy

2

Excessive fees

3

Self-dealing or imprudent selection

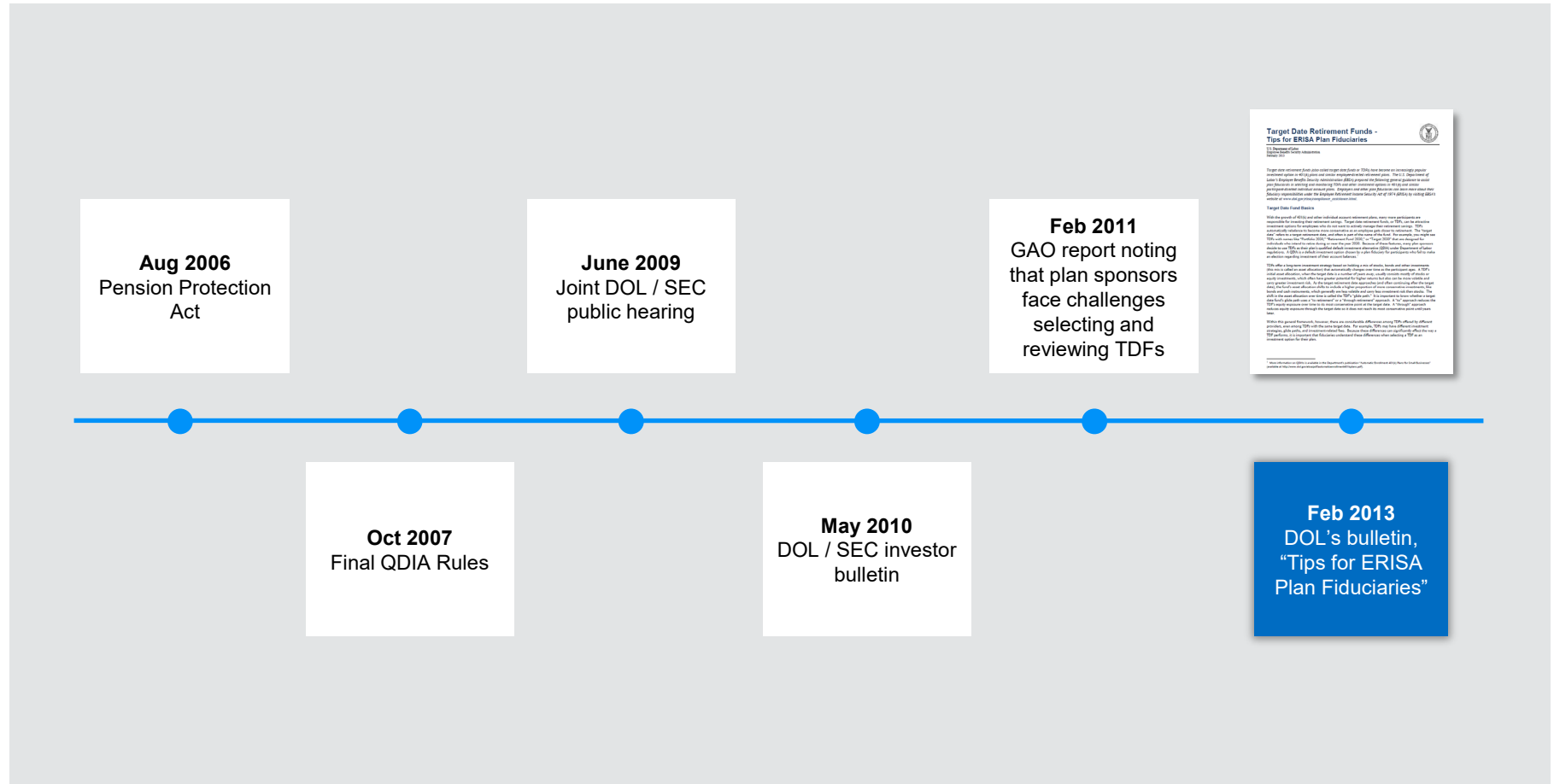
4

Improper default selection

“If you are a participant or the fiduciary of a Plan who is concerned about the target date fund in your 401(k), you may contact us to review your plan’s information.”

Source: See, e.g., the website of the Cohen Milstein law firm

Regulatory guidance has led up to “Tips for ERISA Plan Fiduciaries”



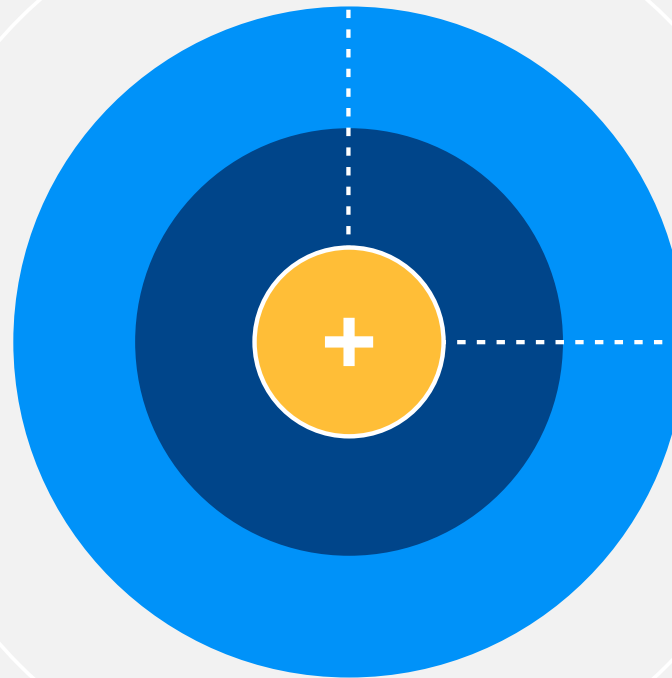
Source: J.P. Morgan Asset Management



SMART AND SIMPLE FUND COMPARISON TARGET DATE COMPASS®

Faster fund selection

Filter by: fund type, equity exposure, diversification, active exposure and more



Robust analytics

Advanced data customization and easy-to-understand charts and graphs.

Customizable reports

Select and reorder the content you share with clients and prospects.

02

What can I expect?

An objective, documented, repeatable process

1. Establish a process for comparing and selecting TDFs



What does this mean?

- **ENGAGE** in an objective process that obtains information to evaluate the prudence of any plan investment option
- **REVIEW** TDF information such as performance, fees, and expenses
- **CONSIDER** how a TDF's characteristics align with participant traits, such as ages, likely retirement dates, DB plan participation, salary levels, turnover rates, contribution rates and withdrawal patterns

How target date compass helps

Questionnaire

Facilitates important discussions about plan needs and objectives

Target Date Type

Helps determine which TDFs may be most appropriate for plan

Quadrant Map

Classifies funds and allows user to select for comparison alongside CITs

Analysis Report

Provides a detailed analysis/comparison of TDFs that may be appropriate

Spotlight: Examine participant behavior



Our research of retirement plan participant behaviour continues to highlight important trends and implications for target date fund design

Insufficient contribution rates

Participants typically contribute from their pay check

5% at the start
6% by age 45
Never reach 10%



Cash flow volatility

Participants are taking loans

13% borrow, on average,
20% of account



Withdrawals at retirement

More participants are remaining in the plan post-retirement

42%
of participants remain
in the plan three years
after retirement



Source: J.P. Morgan retirement research, 2018-2019.

Spotlight: Determine the plan's Target Date Type



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 and 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 and 5 to determine the asset class diversification* score.

*Diversification (number of asset classes)



“Based on thirty-two years of experience working on questionnaires focused on helping individuals and organizations assess investment choices it is my judgment that the Target Date Compass® questionnaire is objective and balanced.”

Mathew Greenwald, Ph.D.
President, Greenwald Research

Source: “Target Date Compass Brochure” – J.P. Morgan Asset Management, April 2018.

2. Establish a process for the periodic review of selected TDFs



What does this mean?

- **REVIEW** plan investment options periodically to ensure that they should continue to be offered
- **CONSIDER** any significant changes in the TDF, such as management team, investment strategy or ability to perform
- **EVALUATE** if the plan's TDF goals have changed

How target date compass helps

Questionnaire

Facilitates important discussions about plan needs and objectives

Instant access

Investors may log into tool at any time to review updated information

Quarterly data

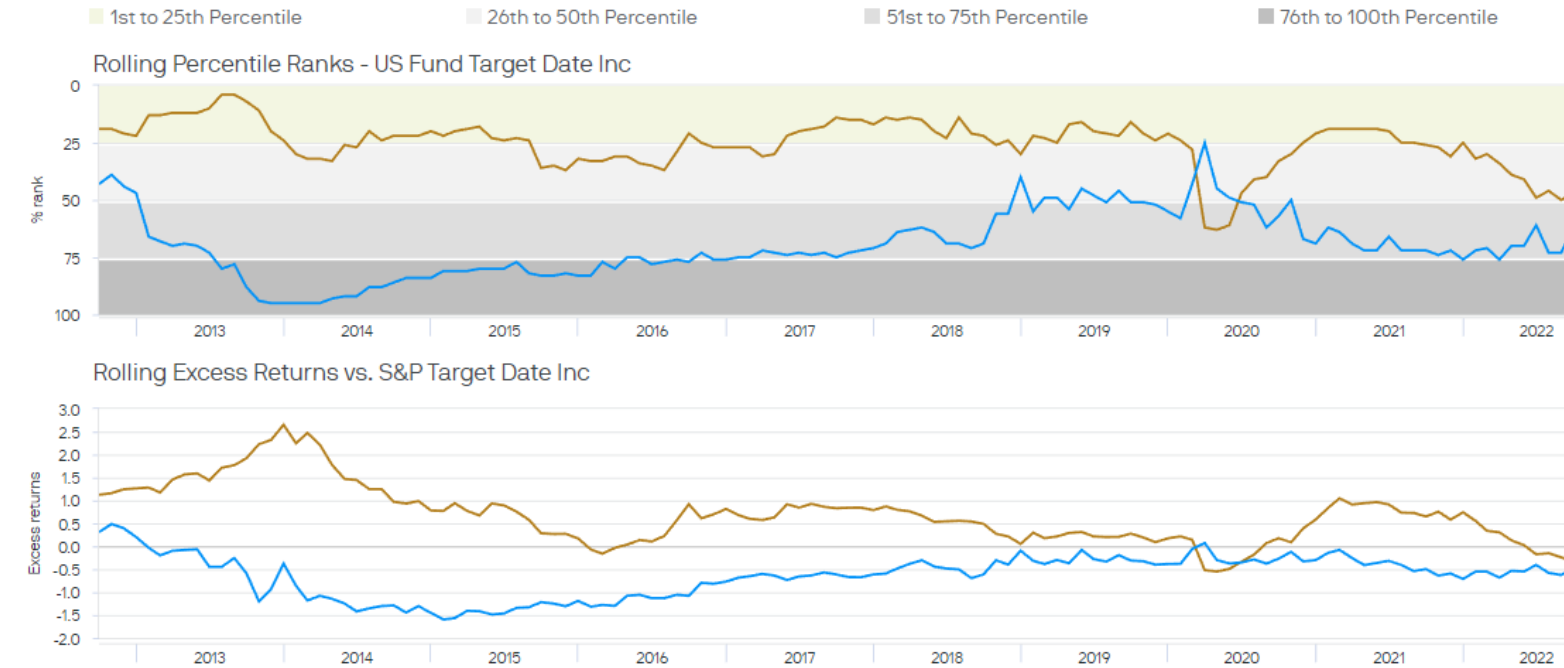
Regular updates allow for periodic review of TDFs to determine if they are still right for the plan

Spotlight: 5-year rolling returns



Rolling returns

Time Period: 10/01/2007 to 09/30/2022 | Rolling window: 5 years 1 month shift



As of 09/30/2022. © 2022 Morningstar, Inc. All Rights Reserved. Past performance is not a guarantee of future results. All performance information is shown net of fees. Performance information may include extended performance returns, provided by Morningstar, where available. Performance includes the reinvestment of income. % rank in category refer to Morningstar's open end and exchange traded fund universe. Calculation period defaults to a maximum of 15 years; If selected funds or benchmark inceptioned more recently than 15 years ago, the calculation period for each fund will default to the shorter of each fund's and benchmark inception.

3. Understand the fund's investments ... and how these will change over time



What does this mean?

- **READ** the TDF's prospectus or offering materials
- **UNDERSTAND** the principal strategies and risks of the TDF and any underlying asset classes and investments it may hold
- **EVALUATE** the TDF's glide path and if it reaches its most conservative asset allocation at or after its target date
- **REVIEW** how the TDF's exposure to more volatile assets after its target date aligns with participant withdrawal patterns

How target date compass helps

Analysis report

Glide path comparison page displays the shape & slope

Analysis Report

Asset class summary page lists underlying asset classes

4. Review the fund's fees and investment expenses



What does this mean?

- **CONSIDER** variations in TDF costs, both in amount and type; even small differences can have a serious impact on reducing long-term retirement savings
- **UNDERSTAND** overall costs, including fees and expenses, for both the TDF and the underlying funds, as well as any sales loads
- **ASK** what services and expenses make up the difference if the expense ratios of the individual component funds are substantially less than the overall TDF
- **EVALUATE** if these costs are justified in terms of improved performance

How target date compass helps

Analysis report

Comparative information
on net and gross
expense ratios

Analysis Report

All data is net of fee
(i.e. Growth of \$10K,
trailing performance,
rolling returns)

Spotlight: What courts have said



Fiduciaries are not required to choose the cheapest funds...

”

“Fiduciaries have latitude to value investment features other than price (and indeed are required to do so)”, for example “potential for higher return, lower financial risk, more services offered, or greater management flexibility.”¹

”

“Unquestionably, fiduciaries need not choose the cheapest fees available to the exclusion of other considerations.”²

”

“The fact that it is possible that some other funds might have had even lower [expense] ratios is beside the point; nothing in ERISA requires every fiduciary to scour the market to find and offer the cheapest possible fund (which might, of course, be plagued by other problems).”³

¹White v. Chevron Corp., 2016 WL 4502808 (N.D. Cal. Aug. 29, 2016), aff'd appeal, Memo. Opinion, 9thCir. November 13, 2018; U.S. Supreme Court order denying certiorari May 28, ² Patterson v. The Capital Group Companies, Inc., et. (C.D. Cal. January 23, 2018; ³ Hecker v. Deere & Co., 556 F. 3d 575 (7th Cir. 2009)

5. Inquire about whether a custom or non-proprietary TDF would be a better fit for your plan



What does this mean?

- **CONSIDER** if a custom TDF provides benefits by incorporating the plan's existing core funds into the TDF
- **EVALUATE** diversification advantages of non-proprietary TDFs that include component funds that are managed by fund managers other than the TDF provider
- **WEIGH** costs and administrative tasks involved in creating a custom or non-proprietary TDF against these potential benefits

TARGET DATE ANALYSIS | 3Q 2022

Target date series snapshot

MUTUAL FUND ASSETS					
(\$mm) as of 09/30/2022	\$3,115	\$5,383	\$6,290	\$1,891	\$1,813
Earliest inception date	11/07/2010	04/30/2010	10/30/2006	12/31/2014	04/29/2005
GLIDE PATH					
% of equity at target date	52.0%	8.0%	52.0%	45.25%	35.0%
% of equity at landing point	25.0%	8.0%	25.0%	45.25%	35.0%
Glide path end (age)	85	65	85	65	65
# of asset classes	9	10	11	11	9
Tactical	Yes	Yes	Yes	Yes	Yes
FUND STRUCTURE					
Fund of funds	Yes	Yes	Yes	Yes	Yes
Open architecture (%)	43%	54%	53%	72%	78%
Active exposure (%)	43.42%	46.51%	64.38%	27.75%	74.44%
UNDERLYING FUND INFORMATION					
# of underlying funds	25	23	35	12	26
Average manager tenure (years)	8.04	8.10	8.84	14.22	10.07
Longest manager tenure (years)	26.21	26.21	25.57	21.58	27.58

As of 09/30/2022, with the exception of # of asset classes, Tactical, Open architecture (%), Active exposure (%), Average manager tenure (years) and Longest manager tenure (years), which are as of 06/30/2022. Morningstar analyst ratings are as of dates listed in above table and cover categories UG Fund Target Date, all ratings. © 2022 Morningstar, Inc. All Rights Reserved. Underlying manager tenure data evolved for target date series that do not invest in mutual funds. Commingled fund information not shown due to lack of data availability. See Disclosure page for commingled fund details.

Spotlight: Case against plan sponsor and custom TDF representative settles for \$14M



Court denied defendants' motion to dismiss

Johnson v. Fujitsu: Plaintiffs sued both the plan sponsor and the target date fund manager

Court ruled on the motion to dismiss in April 2017

Parties agreed to settle and the Court approved the settlement in May 2018*

Allegations regarding TDFs include:

- Plan sponsor hired TDF investment professional “with no public track record” of managing TDFs “despite a marketplace replete with competitive TDF offerings and experienced investment professionals”
- Financial professional allocated “a wildly excessive percentage” to “speculative asset classes”
- The custom TDFs were more expensive than others available in the market
- Some underlying funds selected by the professional were not representative of their asset classes and/or had limited track records
- “Fundamental flaws” in the TDFs’ design and implementation caused them to significantly underperform their benchmarks

*Johnson v. Fujitsu Technology and Business of America, Inc., et. al. (N.D. Cal. May 11, 2018)

6. Develop effective employee communications



What does this mean?

- **PLAN** for employees to receive appropriate information about TDFs in general, the use of TDFs as a retirement investment option and the plan's specific TDF offering
- **OUTLINE** TDF basics to employees
- **DISTRIBUTE** disclosures required by law, including greater detail about plan and investment option fees and expenses, as well as risk considerations

How JPMorgan can help



7. Take advantage of available sources of information to evaluate the TDF and suggestions you received regarding the TDF selection



What does this mean?

- **BENEFIT** from commercially available sources of information and services to assist in the decision-making and review process

How target date compass helps

Third party data

Target Date Compass uses independent information from Morningstar

Third party data

Questionnaire developed with Mathew Greenwald & Associates to ensure objectivity

8. Document the process



What does this mean?

- **DOCUMENT** the selection and review process
- **DETAIL** how decisions about individual investment options are reached

How target date compass helps

Questionnaire

Facilitates important discussions about plan needs and objectives

Analysis report

Detailed comparative analysis can be valuable for documenting due diligence and selection process

It's more important than ever that fiduciaries prudently select and review TDFs



Likely the most important investment decision facing DC plan fiduciaries

Target date funds represent a growing share of 401(k) assets

An increasing number of lawsuits are being filed against plan fiduciaries concerning their selection of TDFs

Class action law firms are increasingly focusing on TDFs

When it's the default, the stakes are even higher

- Possible claim: *"You put me into this investment so you should have chosen it more carefully."*
- The QDIA safe harbor does not protect fiduciaries who imprudently select the default.

Participants with the highest account balances tend to be those nearing retirement

- 10,000 baby boomers reach age 65 every day
- They have the most to lose
- Significant portfolio losses could prompt them to sue

Source: J.P. Morgan Asset Management

When protecting the future, don't forget to protect yourself



”

“...Target Date Compass offers a holistic process for plan fiduciaries to evaluate and select TDFs, and may be looked to to help plan fiduciaries meet six of the eight considerations described in the DOL Tips.”

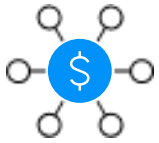
- Groom Law Group

Source: “*How Target Date Compass can assist in evaluating and selecting Target Date Funds*” – Groom Law Group, March 2018. Emphasis added.

The tool you love, now even better



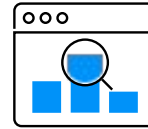
Key benefits



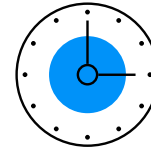
Fiduciary focus



Customary results



Objective data



Time saving process

Robust Resources to Support Your Conversations



Legislative and Regulatory Program

- Quarterly DC Review Webcasts
- Whitepapers and bulletins

Retirement Insights

Legislative and regulatory bulletin | November 9, 2023

Understanding the proposed Retirement Security Rule

On November 3, 2023, the U.S. Department of Labor (DOL) issued the proposed Retirement Security Rule, which would amend the ERISA rules for investment fiduciaries in those plans, and "retirement investors" and this

The proposed rule is significant for fiduciaries (ERISA), investment rollover rules, and prohibited

This package of investment for individual exemption

This bulletin is an exemption

Exemption

Before this are proposed in which of the final

Retirement Insights

Quarterly DC Review

Informative webcast and resources for enhancing plan sponsor reviews

Program benefits

- Relevant** Covers the markets and economy, as well as the latest from Washington, tailored for DC conversations
- Activeable** Provides a suggested framework and talking points to support your conversations during plan sponsor reviews
- Convenient** Saves time and effort by providing important information, in one quarterly webcast

Simplify the process with J.P. Morgan's Quarterly DC Review

During each quarterly webcast, our Market Insights and ERISA strategists review the past quarter and share views around the key issues impacting your clients. You will receive:

- Discussion topics**—Explore recent developments in the markets and economy, as well as the latest from Washington, tailored for DC conversations.
- Presentation slides**—Utilize our suggested framework to discuss critical concepts with select slides from Guide to the Markets and Guide to Retirement, as well as from our legislative and regulatory program.
- Talking points**—Apply our suggested talking points to support your client conversations.

Leverage three valuable resources in one convenient webcast

Guide to the Markets

Objective, unbiased overview of market and economic headlines, trends and statistics

Guide to Retirement

Best practices for successful retirement saving, spending and investing

Legislative & Regulatory

Insights into legislative and regulatory issues affecting DC plans and fiduciaries

J.P. Morgan
ASSET MANAGEMENT

Target Date Investing

- Target Date Compass®
- Translating Department of Labor guidance into action

Target Date Analysis Methodology

Evaluate and select target date funds with greater knowledge and confidence

A review of how Target Date Compass® can assist in evaluating and selecting target date funds

I. Introduction

After an initial target in popularity following the passage of the Pension Protection Act of 2006 (PPA), Target Date Funds (TDFs) have become a key asset class for retirement investors. As the number of TDFs has grown, so has the complexity of the investment choices available to plan sponsors. Target Date Compass® provides a structured approach to evaluating and selecting TDFs, helping plan sponsors make more informed decisions about their target date investments.

J.P. Morgan's Target Date Compass is designed to assist plan fiduciaries in making more informed decisions about their target date investments. It provides a structured approach to evaluating and selecting TDFs, helping plan sponsors make more informed decisions about their target date investments.

Authors: Mark A. Dine, David L. Lamm, J.P. Morgan

Target Date Compass®

Evaluate and select target date funds with greater knowledge and confidence

Retirement Insights

Target date funds

Translating Department of Labor guidance into action

In brief:

- In January 2023, the U.S. Department of Labor (DOL) issued the proposed Retirement Security Rule, which would amend the ERISA rules for investment fiduciaries in those plans, and "retirement investors" and this
- Plan sponsors can use this guidance to help them make more informed decisions about their target date investments.
- The proposed rule is significant for fiduciaries (ERISA), investment rollover rules, and prohibited

J.P. Morgan
ASSET MANAGEMENT

Questionnaire

Target Date Compass®

Step 1: Understand plan goals and participant needs

Step 2: Determine the plan's Target Date Type

Step 3: What is the plan's primary income objective for its target date fund?

Step 4: What is the plan's preference for the types of asset classes to be included in a target date fund?

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



This document is a general communication being provided for informational purposes only. It is educational in nature and not designed to be a recommendation for any specific investment product, strategy, plan feature or other purposes. By receiving this communication you agree with the intended purpose described above. Any examples used in this material are generic, hypothetical and for illustration purposes only. None of J.P. Morgan Asset Management, its affiliates or representatives is suggesting that the recipient or any other person take a specific course of action or any action at all. Communications such as this are not impartial and are provided in connection with the advertising and marketing of products and services. Prior to making any investment or financial decisions, you should seek individualized advice from your personal financial, legal, tax and other professionals that take into account all of the particular facts and circumstances of your own situation.

TARGET DATE FUNDS: Target date funds are funds with the target date being the approximate date when investors plan to retire. 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.

Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable but do not warrant its accuracy or completeness. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve.

Telephone calls and electronic communications may be monitored and/or recorded. Personal data will be collected,

stored and processed by J.P. Morgan Asset Management in accordance with our privacy policies at <https://www.jpmorgan.com/privacy>.

J.P. Morgan Asset Management is the brand name for the asset management businesses of JPMorgan Chase & Co. and its affiliates worldwide. J.P. Morgan Funds are distributed by JPMorgan Distribution Services, Inc.; member of FINRA.

If you are a person with a disability and need additional support in viewing the material, please call us at 1-800-343-1113 for assistance.

© 2023 JPMorgan Chase & Co. All rights reserved.

0903c02a8214914e