Helping to improve DC participants’ retirement outcomes both TO and THROUGH retirement

Focus participants’ on their retirement outcome

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Important information

The Russell Adaptive Retirement Account ("ARA") does not assure a profit or protect against loss in declining markets. There is no guarantee that ARA will result in a better outcome than traditional Target Date fund investing. Please note fees will be paid directly by participants unless they opt out of the ARA program.

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Diversification does not assure a profit and does not protect against loss in declining markets.

Investing in target date strategies involves risk; principal loss is possible. The principal value of the fund is not guaranteed at any time, including the target date. The target date is the approximate date when investors plan to retire and would likely stop making new investments in the fund.

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DC Menus Exploded

1980s
Not enough diversification

- Equity
- Balanced
- Fixed income

1990s
Too much choice

- U.S. Large Cap
- U.S. Mid Cap
- U.S. Small Cap
- International
- Emerging Market
- Technology
- Balanced Funds
- High Yield
- Corporate Bonds
- Government Bonds
- Stable Value
- Money Market

Source: Russell Investments

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Participants’ aversion to risk highly correlated to market activity

Average Risk Aversion

Max = 5.405

Min = 4.525

Avg = 4.949

Source: Finke, Texas Tech University and Measured 3-Question Risk Tolerance Survey of Morningstar Managed Account Participants
Decision making confidence does not decline with age

Source: Finke, Howe and Huston, 2013
Participants receiving investment help had higher annual returns

> On average, Help* participants had 3.32% higher annual returns than for Non-Help participants, net of fees.

*Help participants are defined as those invested in target date funds or managed accounts or receive online investment advice.

Past performance is no guarantee of future results.
Target date funds improve participants’ asset allocation but…

› Automatic enrollment into target-date funds is typically set at a low rate, e.g.: 3%

› Target-date fund participants had the lowest average contribution rates - 4.4%, even lower than the 6.6% average for Non-Help participants

› Target-date fund participants generally do not receive advice on how much to save

* Non-Help participants are defined as those NOT invested in target date funds or managed accounts or who do not receive online investment advice.
To improve retirement outcomes we need to refocus participants to their retirement income goal.

This projection is produced using Russell Adaptive Retirement Planner, which incorporates your personal information along with Russell’s capital markets assumptions and is subject to change based on market conditions.

IMPORTANT: The projections or other information generated by Russell Adaptive Retirement Planner regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.

This analysis was conducted using hypothetical estimates of future market conditions based upon Russell Investments’ strategic planning assumptions and with certain numerical investment models applied to that information. These assumptions may change with each use and over time.
## Custom portfolio allocations based on individual characteristics

<table>
<thead>
<tr>
<th></th>
<th>Participant A</th>
<th>Participant B</th>
<th>Participant C</th>
<th>Sample Target Date 2030 Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td>50</td>
<td>50</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td>Female</td>
<td>Male</td>
<td>Male</td>
<td></td>
</tr>
<tr>
<td><strong>Salary</strong></td>
<td>$150k</td>
<td>$85k</td>
<td>$100k</td>
<td></td>
</tr>
<tr>
<td><strong>Contribution Rate</strong></td>
<td>4%</td>
<td>8%</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td><strong>Account Value</strong></td>
<td>$425k</td>
<td>$475k</td>
<td>$686k</td>
<td></td>
</tr>
<tr>
<td><strong>Funded Ratio</strong></td>
<td>50%</td>
<td>114%</td>
<td>144%</td>
<td></td>
</tr>
</tbody>
</table>

- **Growth**: 78% 64% 83% 68%
- **Capital Preservation**: 22% 36% 17% 32%

Sample allocations are provided for illustrative purposes only.
To help improve their retirement outcome - recommend an auto-escalation schedule

Adjust Your Contributions

Use this tool to see how an increase in your contributions could impact your projected annual retirement income. By contributing more, you can potentially increase the amount of income available for your retirement. Contributing more could also help you lessen the odds of outliving your savings. Keep in mind that the amount of your contributions (in dollars per year) may shift over time based on changes to your pay and/or contribution rate (% of pay you save in the plan).

You are currently contributing $73 per paycheck to your retirement plan. By implementing the Advice Plan, you will change your contribution to $122 per paycheck.
## How to help participants AND retirees?

<table>
<thead>
<tr>
<th>Participant Challenges</th>
<th>Retiree Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procrastination/</td>
<td>Declining cognition</td>
</tr>
<tr>
<td>Inability to select</td>
<td></td>
</tr>
<tr>
<td>investments</td>
<td></td>
</tr>
<tr>
<td>Immediate gratification</td>
<td>Declining financial</td>
</tr>
<tr>
<td>Not saving enough</td>
<td>literacy</td>
</tr>
<tr>
<td>Herd mentality/</td>
<td>Increasing risk</td>
</tr>
<tr>
<td>chasing performance</td>
<td>aversion</td>
</tr>
</tbody>
</table>

### SOLUTIONS

- **“Do it for me”** investments with automatic rebalancing
- Focus on retirement income goal and advice on an appropriate savings/withdrawal rate
- Guidance to maintain their retirement confidence and help them stay on the right path
Appendix
Appendix A

The chart on slide 9 shows results from a Russell Investments proprietary asset allocation model. The model generates optimal asset allocations between equity and fixed income over a 40-year period for an investor who is saving for retirement. With the exception of the assumed behavior of asset returns, the assumptions used in this model are identical to those used in Russell’s Approach to Target Date Funds: Building a Simple and Powerful Solution to Retirement Saving. The assumed behavior of asset classes has been updated as follows:

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>US Equity</td>
</tr>
<tr>
<td>US Equity</td>
<td>7.4%</td>
<td>18.0%</td>
<td>1</td>
</tr>
<tr>
<td>Non-US Equity</td>
<td>7.8%</td>
<td>20.6%</td>
<td>0.9</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>3.7%</td>
<td>3.8%</td>
<td>0.16</td>
</tr>
<tr>
<td>Inflation</td>
<td>2.9%</td>
<td>3.5%</td>
<td>0.10</td>
</tr>
</tbody>
</table>

Rather than a single allocation for each of the 40 years, the model produces a schedule of asset allocations that are appropriate for various levels of the ratio of that year’s wealth to that year’s income. We have imposed the restriction that the allocation to equity cannot exceed 90%. The optimal allocations for periods 1 through 22 are 90% equity for all values of the projected retirement income/retirement income target ratio. Other investments or asset classes may have characteristics similar or superior to those being analyzed.

Please note all information shown is based on assumptions. Expected returns employ proprietary projections of the returns of each asset class. We estimate the performance of an asset class or strategy by analyzing current economic and market conditions and historical market trends. It is likely that actual returns will vary considerably from these assumptions, even for a number of years. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve. The assumptions do not take fees into consideration and all returns are assumed gross of fees. Asset classes are broad general categories which may or may not correspond well to specific products. Additional information regarding Russell’s basis for these assumptions is available upon request.

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Results will vary with each use and over time.

IMPORTANT: The projections generated by the analysis regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.