

Glidepath Optimization Analysis Questionnaire

Asking the right questions

Question	Input parameters	Plan-specific answer
General		
Plan's current target-date glidepath provider	Choice any target-date mutual fund series from drop-down list (all 40-Act target-date solutions are available)	
Employee-specific questions		
Analysis data source	All participants or QDIA Only	
Participant's average age	20 to 70	
Participant's average income	\$1 to \$500,000	
Income forecasted based on	<ul style="list-style-type: none"> • Education level (High School, College, Masters) or • Fixed Growth Rate (0% to 5%) 	
Retirement age target	55 to 80	
% of participants in Qualified Default Investment Alternative	0% to 100%	

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Glidepath Optimization Analysis Questionnaire

Asking the right questions (continued)

Question	Input parameters	Plan-specific answer
Savings-related questions		
Plan's participation	0% to 100%	
ACTUAL Savings Rate (employee + employer contributions)	0% to 25%	
ASPIRATIONAL Savings Rate (employee + employer contributions)	0% to 25%	
Participant's average account balance	\$1 to \$10,000,000	
Income replacement target in retirement	50% to 125%	
Social Security benefit in today's dollars	Automatically Calculated (or manually input)	
Pension (DB) or Other Benefit	<ul style="list-style-type: none"> • Annual Replacement \$ (\$0 to \$10,000,000) or • % (0% to 100%) 	
Other Retirement Assets (average income replacement \$)	\$0 to \$10,000,000	

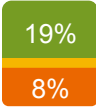
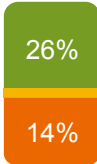
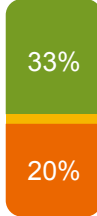
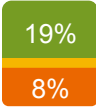
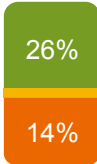
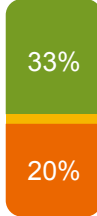
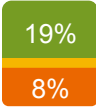
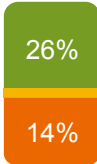
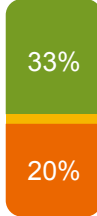
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Glidepath Optimization Analysis Questionnaire

Asking the right questions (continued)

Question	Input parameters	Plan-specific answer						
Risk-related questions								
How would you characterize your participants investment knowledge?	Limited, Average or Expert							
Which industry best aligns with your plan's activities?	Unsure, Government, Manufacturing, Utilities, Healthcare, Finance, Mining, Transport, Construction, Lodging, Real Estate							
What is your participants ability or willingness to extend their retirement date?	No Ability, Limited Ability, or Has Ability							
Envision your participants near retirement; what best represents the amount of risk/return you are willing to take?	<table border="0"> <tr> <td data-bbox="835 997 957 1024">Solution A</td> <td data-bbox="1003 997 1125 1024">Solution B</td> <td data-bbox="1171 997 1293 1024">Solution C</td> </tr> <tr> <td data-bbox="842 1092 936 1198">  </td> <td data-bbox="1003 1062 1098 1224">  </td> <td data-bbox="1171 1036 1266 1250">  </td> </tr> </table>	Solution A	Solution B	Solution C				
Solution A	Solution B	Solution C						
								

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Glidepath Optimization Analysis

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Choosing the Right Glidepath Matters

The retirement landscape has shifted dramatically in recent years. At the same time, there's been a proliferation of new products with varying allocations and objectives.

Why it matters: Every plan is unique and has different goals and characteristics. Similarly, not all glidepaths are created equal—a lesson we learned in 2008—when target-date funds with higher equity exposure experienced greater downside performance at or near retirement.

There's no "one-size-fits-all" glidepath

- Consider the average employee population that will most likely be investing in the plan—the employees' characteristics, risk tolerances and investment patterns all matter
- Plan glidepaths should be designed with these unique characteristics in mind

3 R's Define QDIA success

1. **Result:** Get all participants to their income goal
2. **Reliability:** Achieve the income goal with 95% certainty
3. **Risk:** Aligning the investment strategy with participants loss aversion and behavior

Suitability trumps scorecard

- It's more important to focus on reliable outcomes rather than market-focused ratings systems and performance
- As income becomes more reliable, so does the ability of participants to retire when they desire—and on their own terms

The following analysis helps set the right goals for plans, narrow the universe of investments and gives participants a better shot at a secure retirement.

Asking the Right Questions

Here's the most important information we captured about the plan.

Why it matters: Without knowing the characteristics of your plan, you can't develop the right glidepath.

GENERAL QUESTIONS

Plan's current Target-Date glidepath provider
Analysis data source

**Fidelity Advisor Freedom Series
Only Participants in QDIA**

EMPLOYEE INPUTS

Participant's average age		42
Participant's average income		\$62,000
Income forecasted based on education level		College
Retirement age target		65
% of participants in Qualified Default Investment Alternative		75%

SAVINGS INPUTS

Plan's participation		81%
Savings rate of typical participant (employee + employer contributions)	Actual	7%
	Aspirational	10%
Plan's average participant balance		\$34,000
Income replacement target in retirement		80%
Social Security benefit in today's dollars'		\$22,200
Pension (DB) or other benefit (annual replacement \$)		\$0
Other retirement assets (average income replacement \$)		\$0

RISK INPUTS

How would you characterize your participants investment knowledge?	Average
Which industry best aligns with your plan's activities?	Utilities
What is your participants ability or willingness to extend their retirement date?	No Ability
Envision your participants near retirement; what best represents the amount of risk/return you are willing to take?	Conservative

Plan inputs as provided by ACME Corporation

How Much Income Do Participants Need?

It's important to know exactly how much income the DC plan will need to replace in retirement for plan participants.

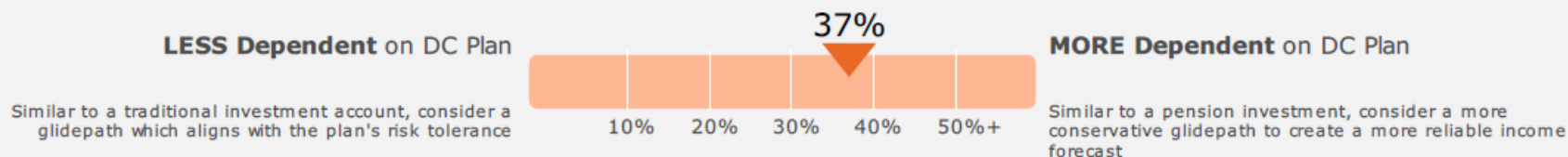
Why it matters: The level of income dependency the average plan participant has should help frame risk tolerance.

Sources of Income During Retirement	Annual Retirement Income Source	Replacement Rate
Social Security	\$22,200	43.0%
Defined Benefit (Pension) or other benefit	\$0	0.0%
Other Retirement Assets (average income replacement \$)	\$0	0.0%
Defined Contribution Plan	\$19,133	37.0%
Overall retirement income replacement goal	\$41,333	80.0%
<i>Forecasted income at retirement age (65)</i>	<i>\$51,666</i>	<i>100.0%</i>

Plan Goal

How much retirement income the DC plan needs to generate

How Income Dependent Are The Average Plan Participants on the DC Plan?

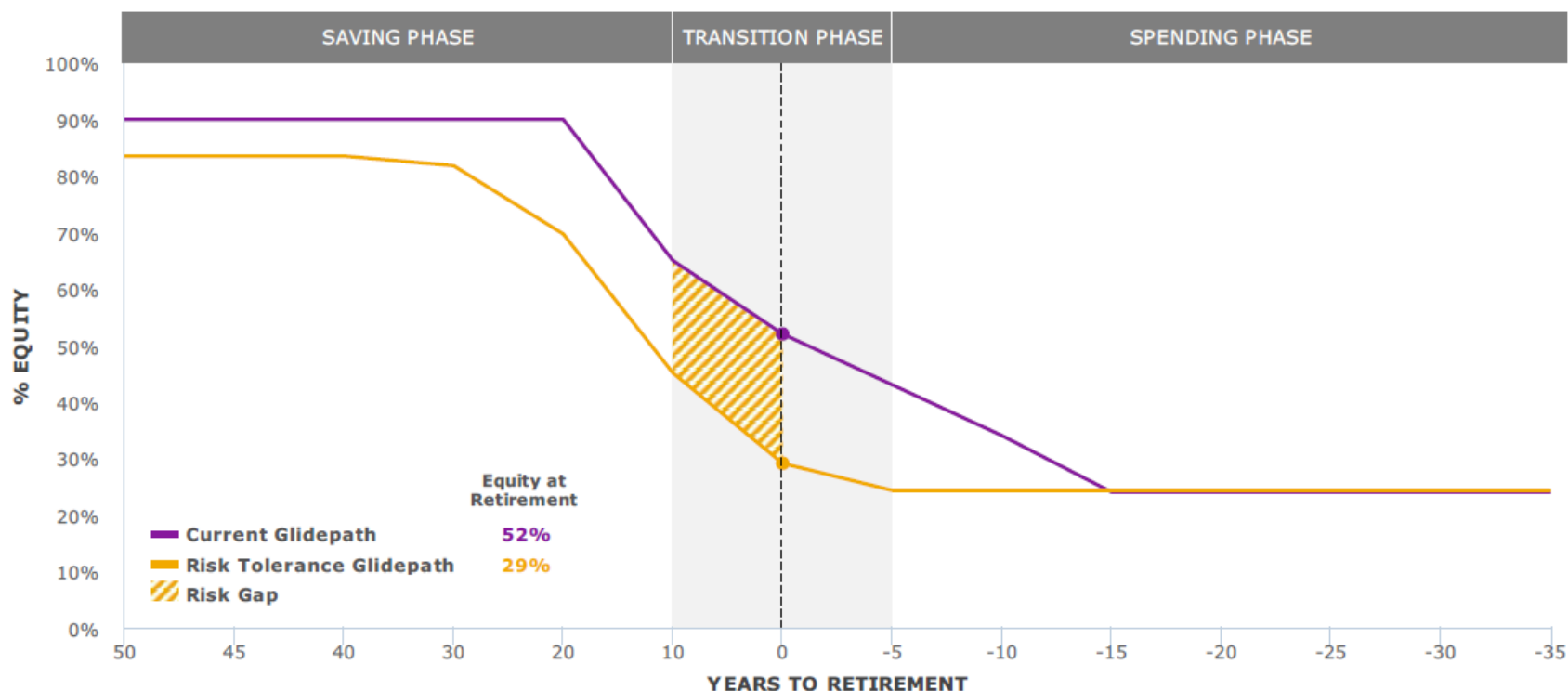


Source: Morningstar and Allianz Global Investors/risklab. See disclosures at the end of the presentation. Assumes a retirement age of 65. Glidepath shown is based on the strategic glidepath as reported in the fund's prospectus. All forecasted figures are in today's USD dollars. Forecasted income is based on University of Michigan Institute for Social Research

Is My Current Glidepath Aligned With My Risk Tolerance?

What is the "risk tolerance glidepath"? The amount of risk participants are able to tolerate based on the plan's responses to overall plan risk and risk at retirement questions.

Why it matters: The closer individuals get to their retirement date the more loss averse they tend to be. That means that there often exists a "risk gap" between what's necessary to achieve retirement income goals and the amount of risk they're comfortable with.

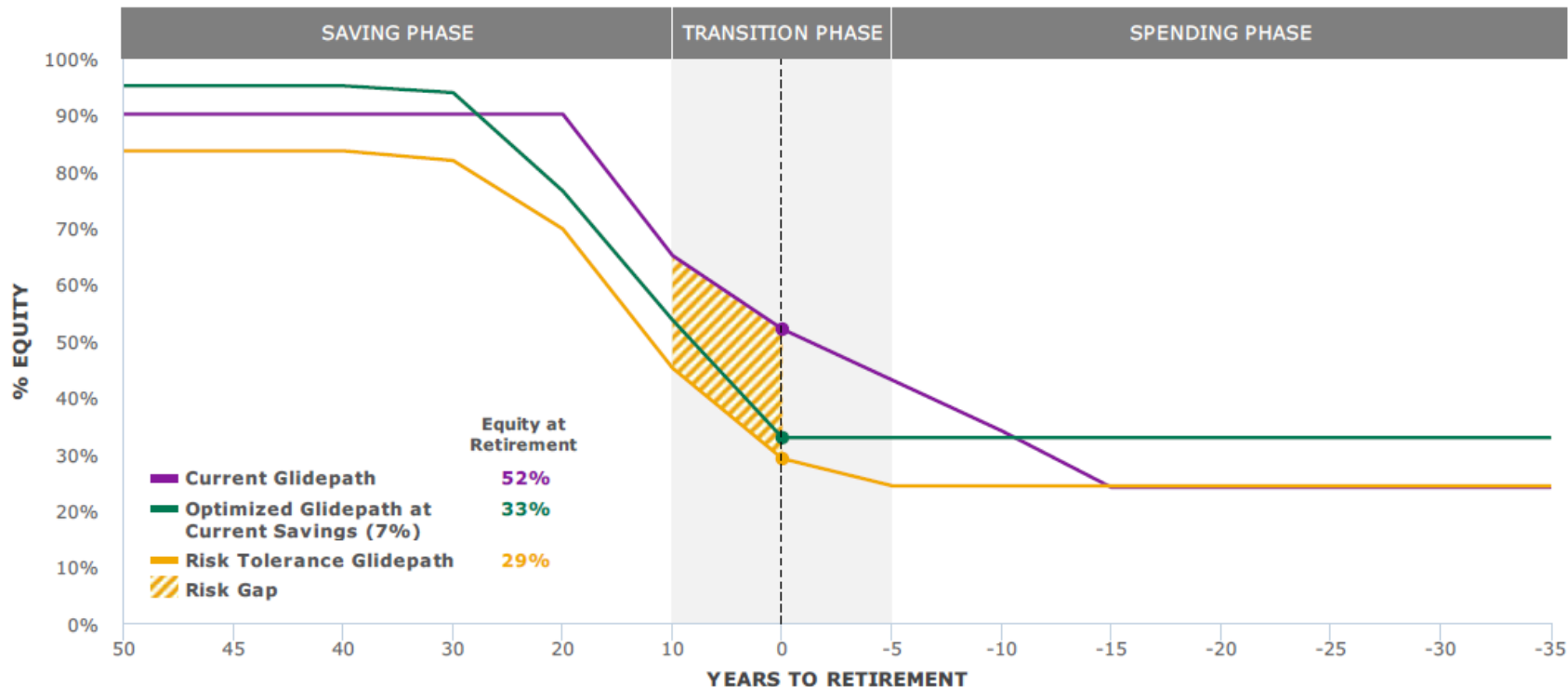


Source: Morningstar. Risk tolerance glidepath is created by using plan inputs and Morningstar Lifetime glidepaths (aggressive, moderate, and conservative). The starting point (45 years to retirement) of the risk tolerance glidepath is aligned with the plan's overall risk responses and the corresponding Morningstar Lifetime Glidepath. The endpoint (-35 years to retirement) of the risk tolerance glidepath is aligned with the plan's risk at retirement responses and the corresponding Morningstar Lifetime Glidepath. The vintages between the end points are a weighted average of the starting and ending points.

What Is the Plan's Optimized Glidepath?

The optimized glidepath seeks to get the maximum number of plan participants to the stated income goal, with the least amount of shortfall (or risk) based on the plan's current average savings rate.

Why it matters: The optimized glidepath should deliver retirement income for your plan participants in the most predictable, reliable way.

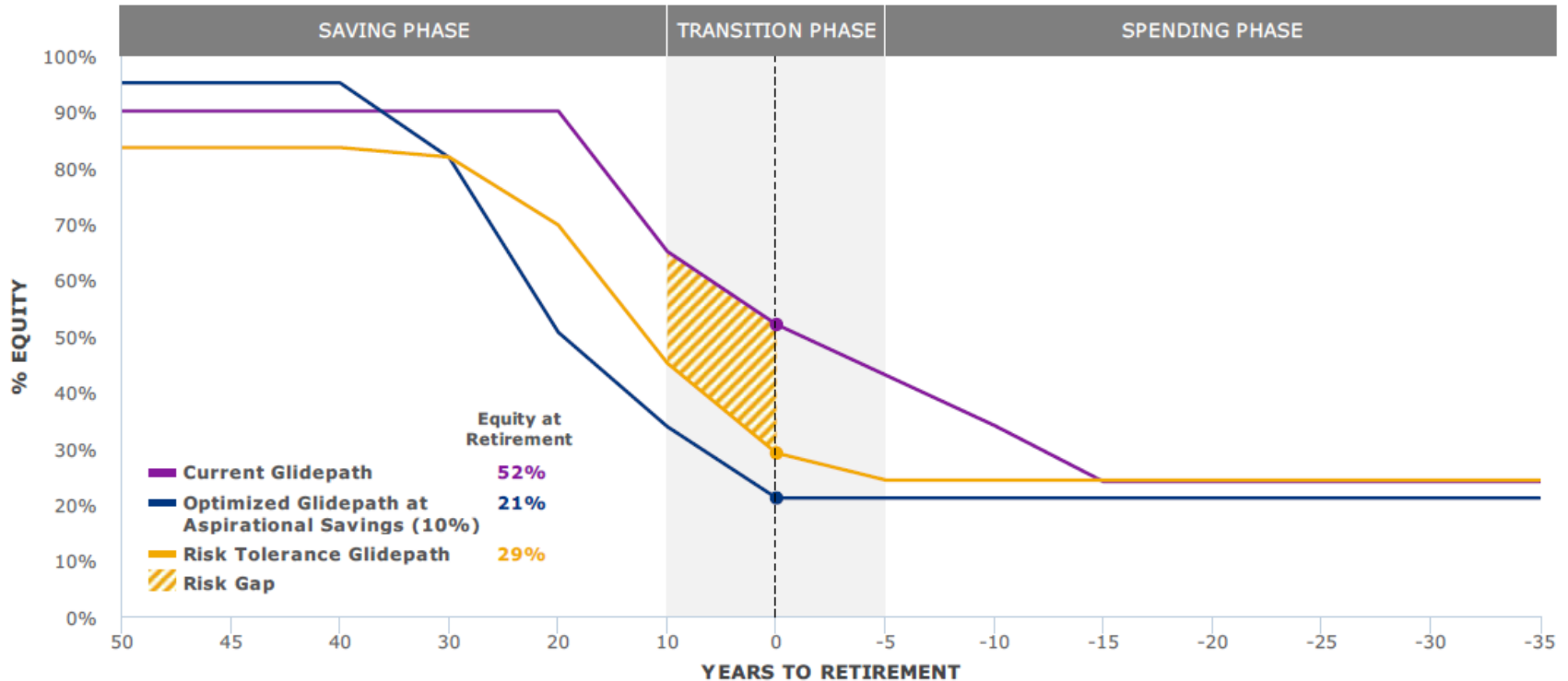


Source: Morningstar and Allianz Global Investors/risklab. See disclosures at the end of the presentation. Assumes a retirement age of 65. Current glidepath shown is based on the strategic glidepath as reported in the fund's prospectus.

Saving More Lowers Risk

This illustration shows an optimized glidepath using the same plan inputs except it boosts the average plan savings to the aspirational level.

Why it matters: By saving more, participants can take on less equity risk during the transition phase to get the same amount of expected income.

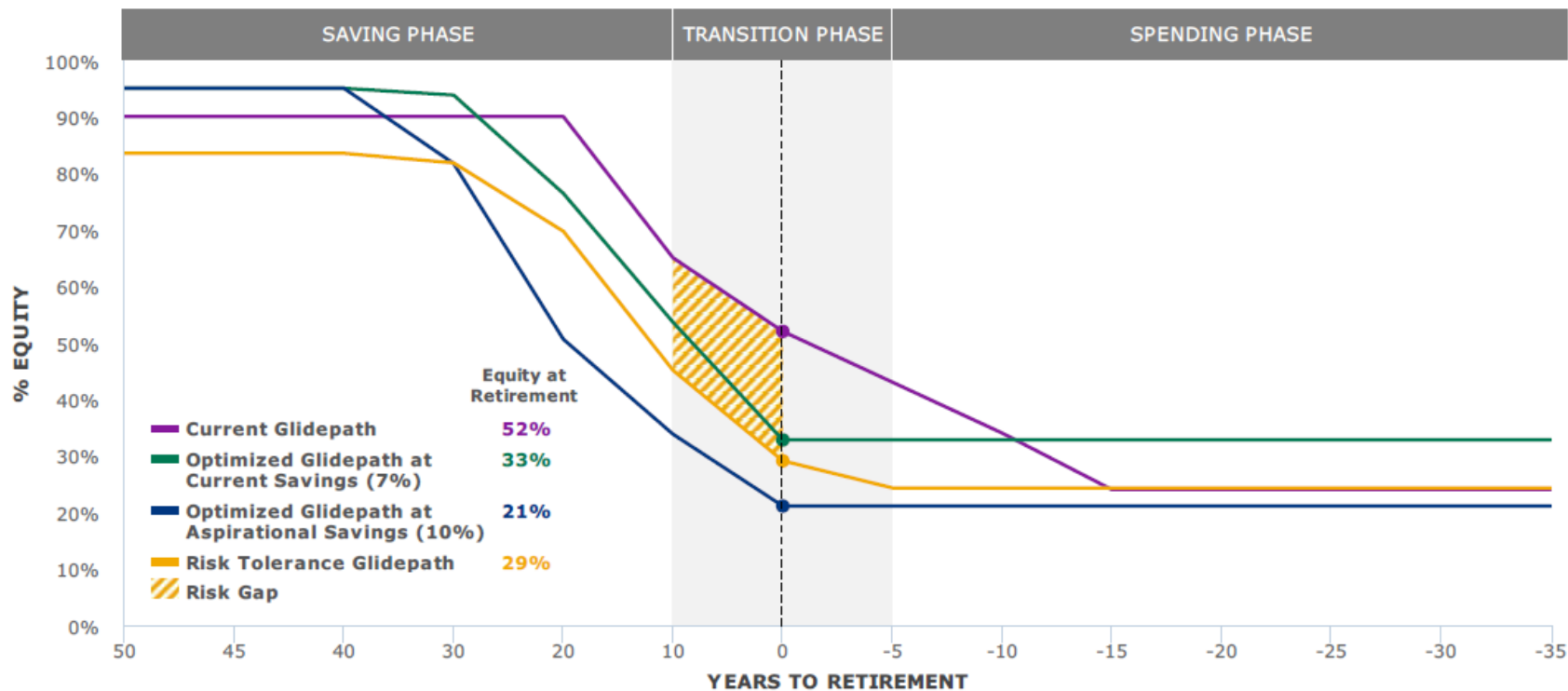


Source: Morningstar and Allianz Global Investors/risklab. See disclosures at the end of the presentation. Assumes a retirement age of 65. Current glidepath shown is based on the strategic glidepath as reported in the fund's prospectus.

Comparing the Options

Here's how the current glidepath compares with three alternative glidepath options taking into account risk tolerance, savings and other plan information.

Why it matters: It's important to understand your options based on your unique plan characteristics.











Source: Morningstar and Allianz Global Investors/risklab. See disclosures at the end of the presentation. Assumes a retirement age of 65. Current glidepath shown is based on the strategic glidepath as reported in the fund's prospectus.

Hitting the Income Goal, Minimizing Risk

Based on each glidepath and its equity allocations, the number of participants that are expected to reach their retirement income goal will vary.

Why it matters: It's important to choose the glidepath that will get the most amount of participants across the goal line while minimizing the potential downside performance at retirement.









GLIDEPATH	RISK	RESULT
	POTENTIAL DOWNSIDE	PARTICIPANTS REACHING INCOME GOAL
Current Glidepath		 90.6%
Risk Tolerance Glidepath		 90.7%
Optimized Glidepath at Current Savings (7%)		 90.9%
Optimized Glidepath at Aspirational Savings (10%)		 97.2%

Source: Allianz Global Investors/risklab. Potential downside at retirement is the calculated based on the equity exposure in the year prior to retirement and represents, within a 99% probability, the potential investment performance downside. See disclosures at the end of the presentation.

How Reliable Is Each Glidepath?

Participant account balances can fluctuate, in some cases widely, within one year of retirement.

Why it matters: It's not enough to know the expected retirement income for each participant. You have to know how reliable the income stream will be. Taking more risk at or near retirement may create a need for participants to postpone retiring if markets go south.

	GLIDEPATH	RISK	RELIABILITY	POTENTIAL UPSIDE
		POTENTIAL DOWNSIDE	RANGE	
CURRENT SAVINGS RATE	■ Current Glidepath	 -15.9%	50.0%	 34.1%
	■ Risk Tolerance Glidepath	 -9.9%	31.8%	 21.9%
	■ Optimized Glidepath at Current Savings (7%)	 -10.7%	34.8%	 24.1%
ASPIRATIONAL SAVINGS RATE	■ Optimized Glidepath at Aspirational Savings (10%)	 -8.5%	27.2%	 18.7%

Source: Allianz Global Investors/risklab. Potential downside and upside is the calculated based on the equity exposure in the year prior to retirement and represents, within a 98% probability, the potential investment performance downside and upside. See disclosures at the end of the presentation.

The Three R's of Optimization

Managing risk, results and reliability effectively are the keys to a secure retirement.

		RISK	RESULT	RELIABILITY
GLIDEPATH		POTENTIAL DOWNSIDE	PARTICIPANTS REACHING INCOME GOAL	RANGE OF OUTCOMES
CURRENT SAVINGS RATE	Current Glidepath	-15.9%	90.6%	50.0%
	Risk Tolerance Glidepath	-9.9%	90.7%	31.8%
	Optimized Glidepath at Current Savings (7%)	-10.7%	90.9%	34.8%
ASPIRATIONAL SAVINGS RATE	Optimized Glidepath at Aspirational Savings (10%)	-8.5%	97.2%	27.2%

Source: Allianz Global Investors/risklab. Potential downside at retirement is calculated based on the equity exposure in the year prior to retirement and represents, within a 99% probability, the potential investment performance downside. Range of outcomes is calculated based on the equity exposure in the year prior to retirement and represents, within a 99% probability, the investment performance range. See disclosures at the end of the presentation.

Matching Risk and Savings With the Possible Solutions

The highlighted solutions below align most closely with the specific plan inputs.

AVERAGE SAVINGS	RISK LEVEL	POSSIBLE SOLUTIONS
MODERATE TO HIGH	Low	<ul style="list-style-type: none"> • Conservative glidepath • Moderate glidepath with dynamic risk management feature
	Moderate	<ul style="list-style-type: none"> • Moderate glidepath with dynamic risk management feature • Moderate glidepath
	High	<ul style="list-style-type: none"> • Moderate glidepath with risk management feature • Aggressive glidepath
MODERATE TO LOW	Low	<ul style="list-style-type: none"> • Moderate glidepath with risk management feature • Conservative glidepath with increased savings rates • Moderate glidepath with extending retirement age target
	Moderate	<ul style="list-style-type: none"> • Moderate glidepath with risk management feature • Moderate glidepath with increased savings rates • Aggressive glidepath with extending retirement age target
	High	<ul style="list-style-type: none"> • Moderate glidepath with risk management feature • Moderate glidepath with increased savings rates • Aggressive glidepath with extending retirement age target

Highlighted area represents plan inputs

Glidepath Options

Identify investments options that are similar to each glidepath category within the universe of target-date funds.

○ Optimized Glidepath at Current Savings (8%)

○ Optimized Glidepath at Aspirational Savings (10%)

○ Risk Tolerance Glidepath



- 8 John Hancock Retirement Choices
- 19 Invesco Balanced-Risk Retirement
- 20 Madison Target Retirement
- 25 AllianzGI Retirement
- 25 Great-West Lifetime I
- 25 MFS Lifetime
- 25 Putnam RetirementReady
- 26 Wells Fargo Advantage DJ Target
- 27 Russell LifePoints Target Date
- 28 PIMCO RealPathTM
- 30 Franklin LifeSmart
- 30 PNC Target
- 30 USAA TARGET RETIREMENT FUNDS
- 32 Harbor Target Retirement
- 34 DWS LifeCompass
- 34 Great-West Lifetime II
- 34 JPMorgan SmartRetirement Blend
- 34 JPMorgan SmartRetirement
- 35 Voya Index Solution
- 35 Voya Solution
- 35 Voya Target Retirement
- 36 BlackRock LifePath
- 36 BlackRock LifePath® Active
- 40 AllianzGI Dynamic Retirement
- 40 BlackRock LifePath Index
- 40 Manning & Napier Target
- 40 Schwab Target
- 40 State Farm Lifepath
- 40 Vantagepoint Milestone
- 42 Great-West Lifetime III
- 44 MassMutual RetireSMART
- 44 Principal LifeTime
- 45 American Century One Choice
- 46 American Funds Trgt Date Rtrmt
- 47 BMO Target Date Retirement Funds
- 49 Nationwide Target Destination
- 50 MainStay Retirement
- 50 TIAA-CREF Lifecycle Index
- 50 TIAA-CREF Lifecycle
- 50 Vanguard Target Retirement
- 52 AXA Target Allocation
- 52 Fidelity Advisor Freedom
- 52 Fidelity Freedom Index
- 52 Fidelity Freedom K
- 52 Guidestone Funds MyDestination
- 52 John Hancock Retirement Living Through S
- 52 Strategic Adviser Multi-Manager
- 55 Fidelity Freedom
- 55 T. Rowe Price Retirement
- 58 Great-West SecureFoundation® Lifetime Se

Source: Allianz Global Investors/risklab. Potential downside risk at retirement is calculated based on the equity exposure in the year prior to retirement and represents, within a 99% probability, the potential investment performance downside. See disclosures at the end of the presentation. AllianzGI Dynamic Retirement Series (CIT) investment series is dynamically managed, the equity at retirement can fluctuate between 14% to 53%. The CITs are bank collective trusts and are not registered under the Investment Company Act of 1940, as amended, in reliance on an exemption thereunder. Investment options are provided only to illustrate the available universe, and any references to specific securities and issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities.

Making an Informed Choice

Based what you've learned in the previous pages, pick one of the following glidepaths. For your reference, the top five solutions that come closest to the equity exposure at retirement are listed for each glidepath category.

PICK ONE

<input type="checkbox"/> Risk Tolerance Glidepath		POSSIBLE SOLUTIONS	% OF EQUITY AT RETIREMENT
% equity at retirement:	29.0%	Franklin LifeSmart Series	30.0%
Glidepath peer group:	Conservative	PIMCO RealPath Blend Series	27.0%
Potential public benchmark:	Dow Jones US Target	PIMCO RealPathTM Series	28.0%
		PNC Target Series	30.0%
		USAA TARGET RETIREMENT FUNDS Series	30.0%

<input type="checkbox"/> Optimized Glidepath at Current Savings (7%)		POSSIBLE SOLUTIONS	% OF EQUITY AT RETIREMENT
% equity at retirement:	33.0%	AllianzGI Dynamic Retirement Series	40.0%
Glidepath peer group:	Conservative	Great-West Lifetime II Series	34.0%
Potential public benchmark:	Dow Jones Real Return Target	Harbor Target Retirement Series	32.0%
		JPMorgan SmartRetirement Blend Series	34.0%
		JPMorgan SmartRetirement Series	34.0%

<input type="checkbox"/> Optimized Glidepath at Aspirational Savings (10%)		POSSIBLE SOLUTIONS	% OF EQUITY AT RETIREMENT
% equity at retirement:	21.0%	AllianzGI Retirement Series	25.0%
Glidepath peer group:	Conservative	Great-West Lifetime I Series	25.0%
Potential public benchmark:	Dow Jones Target	Invesco Balanced-Risk Retirement Series	19.0%
		Madison Target Retirement Series	20.0%
		MFS Lifetime Series	25.0%

Source: Morningstar and Allianz Global Investors/risklab. See disclosures at the end of the presentation. The public benchmark is derived by comparing the equity overlap absolute value of each glidepath vintage for the optimized and risk tolerance solutions and available public target date fund benchmarks. The possible solutions are derived by comparing the equity overlap absolute value of the at retirement (0 year) vintage for the optimized and risk tolerance solutions and target date mutual funds and AllianzGI collective trust target date. The possible solutions represents the five highest overlap correlations. Solutions named here should not be considered a recommendation or investment advice. **AllianzGI Funds are offered through Allianz Global Investors Distributors.** *AllianzGI Dynamic Retirement Series (CIT) investment series is dynamically managed, the equity at retirement can fluctuate be between 14% to 53%. The CITs are bank collective trusts and are not registered under the Investment Company Act of 1940, as amended, in reliance on an exemption thereunder.

Fiduciary Documentation

Plan Name

Plan Sponsor(s)

Name

Signature

Date

Name

Signature

Date

Name

Signature

Date

Advisor / Consultant

Name

Signature

Date

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Retirement Income Projections Disclosure

To create our projections, we use a proprietary Monte Carlo simulation. Monte Carlo simulation is an analytical approach for modeling future uncertainty. In contrast to deterministic tools (e.g., expected value calculations) that model the average case outcome, Monte Carlo simulation generates ranges of outcomes based on our underlying probability model. Thus, outcomes generated via Monte Carlo simulation incorporate future uncertainty, while deterministic methods do not. Although the engine cannot predict future investment performance, by simulating thousands of hypothetical future market scenarios, it may help plan sponsors to more realistically assess whether they are likely to achieve their retirement income goals.

Material Assumptions

The investment results shown in the various glidepath and participant outcome simulations were developed with Monte Carlo modeling using the following material assumptions, as well as those outlined in the Plan Inputs. The underlying long-term expected annual return assumptions for the asset classes indicated in the charts are not historical returns. Rather, these are based on our best estimates for future long-term periods. Our annual return assumptions take into consideration the impact of reinvested dividends and capital gains. We use these expected returns along with assumptions regarding the volatility and characteristics for each asset class and the intra-asset class correlations to generate a set of simulated, random monthly returns for each asset class over the specified period of time. These monthly returns are then used to generate 10,000 simulated market scenarios. These scenarios represent a spectrum of possible performance for the asset classes being modeled. The success rates are calculated based on these scenarios. The models are calculated using various global indices before alpha and fees. Other asset classes not considered or modeled may have characteristics similar or superior to those being analyzed.

Limitations of the model

Material limitations of the investment model include:

- Extreme market movements may occur more frequently than represented in our model.
- Some asset classes have relatively limited histories. While future results for all asset classes in the model may materially differ from those assumed in our calculations, the future results for asset classes with limited histories may diverge to a greater extent than the future results of asset classes with longer track records.
- Market crises can cause asset classes to perform similarly over time, reducing the accuracy of the projected portfolio volatility and returns. The model is based on the long-term behavior of the asset classes and therefore is less reliable for short-term periods.
- The model assumes that there is no correlation between asset class returns from month to month. This means that the model does not reflect the average periods of "bull" and "bear" markets, which can be longer than those modeled.
- Inflation is assumed to average 2% over a 10-year period; inflation levels are reflected in our calculations and vary in each scenario.
- The model does not attempt to replicate management of any specific investment vehicle. It only utilizes existing glidepaths as a guide.

These results are not predictions, but they should be viewed as reasonable estimates.

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Forecasting income within the Glidepath Optimization Tool

Target-Date
Toolset™
Supplement

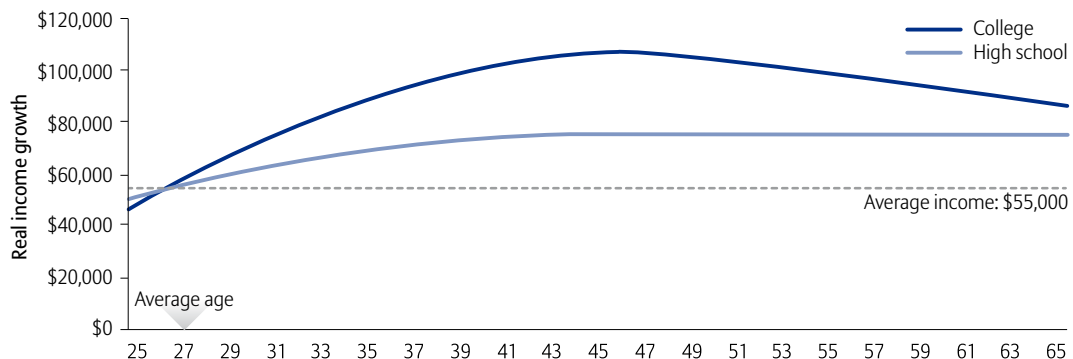
Forecasting income options

It's important to understand how plan sponsors expect their average employee's income to progress over time so that we can determine exactly how much income the Defined Contribution plan will need to replace in retirement. But different industries and plans have various views on the best way to project an income forecast. In AllianzGI's Glidepath Optimization Tool, you have the option to use one of two different methods:

- **Fixed Growth Rate:** Ability to enter a specific income growth rate (percentage of growth) that you feel is appropriate for your participants.
- **Level of Education:** Based on studies from University of Michigan's Institute for Social Research, income is forecasted based on the average participant's highest level of education.

Case study: Forecasting real income based on highest level of education

The income curves associated with the level of education are derived using studies performed by the University of Michigan's Institute for Social Research. The income is calculated using real terms—that is, in today's dollars before inflation adjustment. In this case, assumptions include an average age of 27 and an average income of \$55,000.



Source: University of Michigan's Institute for Social Research.

Findings:

- **For high-school educated participants:** The income curve grows at a moderate rate in the early years and flattens with a slight downturn after it reaches its peak in the mid to upper 40s. Its slope is level through retirement years, as high-school educated participants are expected to continue to work longer.
- **For college-educated participants:** The income curve has a steeper growth rate in the early years until it peaks and then has a moderate downturn as the income curve approaches retirement years, as college-educated participants are likely to begin retiring earlier than high-school educated participants.

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