



Helping people spend responsibly throughout retirement

Money management doesn't stop at retirement

Employees spend their entire careers saving and accumulating wealth for retirement. Many tools, including target date funds, have helped bring institutional investment practices to individuals as they accumulate wealth. But once it's time to retire, there are few tools available to help retirees make the right spending decisions through retirement. We want to help.

Retirement Income Strategy

The Retirement Income Strategy is an income investment solution that seeks to help retirees manage their retirement wealth by identifying an appropriate and consistent distribution amount to pull from their portfolios over time.

This dynamic strategy manages both the distribution amount and investment asset allocation designed to deliver more reliable outcomes, while also understanding that unexpected changes can happen in life. The strategy provides flexibility, allowing participants full access to their wealth in the event that individuals' preferences or goals change.

Strategy design¹

The Retirement Income Strategy is a liquid asset allocation investment that seeks to provide a consistent distribution amount over the first 20-year period post retirement. The strategy aims to balance stability and growth to manage the potential market and drawdown risks.

The strategy's structure implements four underlying building block strategies that operate on a glidepath similar to target date funds. The Retirement Income Strategy begins its glidepath with a 60% allocation to global equity to facilitate long-term growth and gradually transitions from equity and to more fixed income investments as it continues along its glidepath. In the last five years of this first 20-year period post retirement, the Retirement Income Strategy transitions entirely to a bond ladder to provide more stability of distribution.

The benefits

This strategy has been built to address the fundamental concerns participants have:

1. Consistency of distribution amounts

Our strategy leverages a proprietary risk-management framework, Agile Income Management (AIM), that seeks to provide the highest level of income while attempting to minimize the probability of running out of money. This is achieved by dynamically adjusting the level of income over time to ensure consistency and a steady stream of distributions.

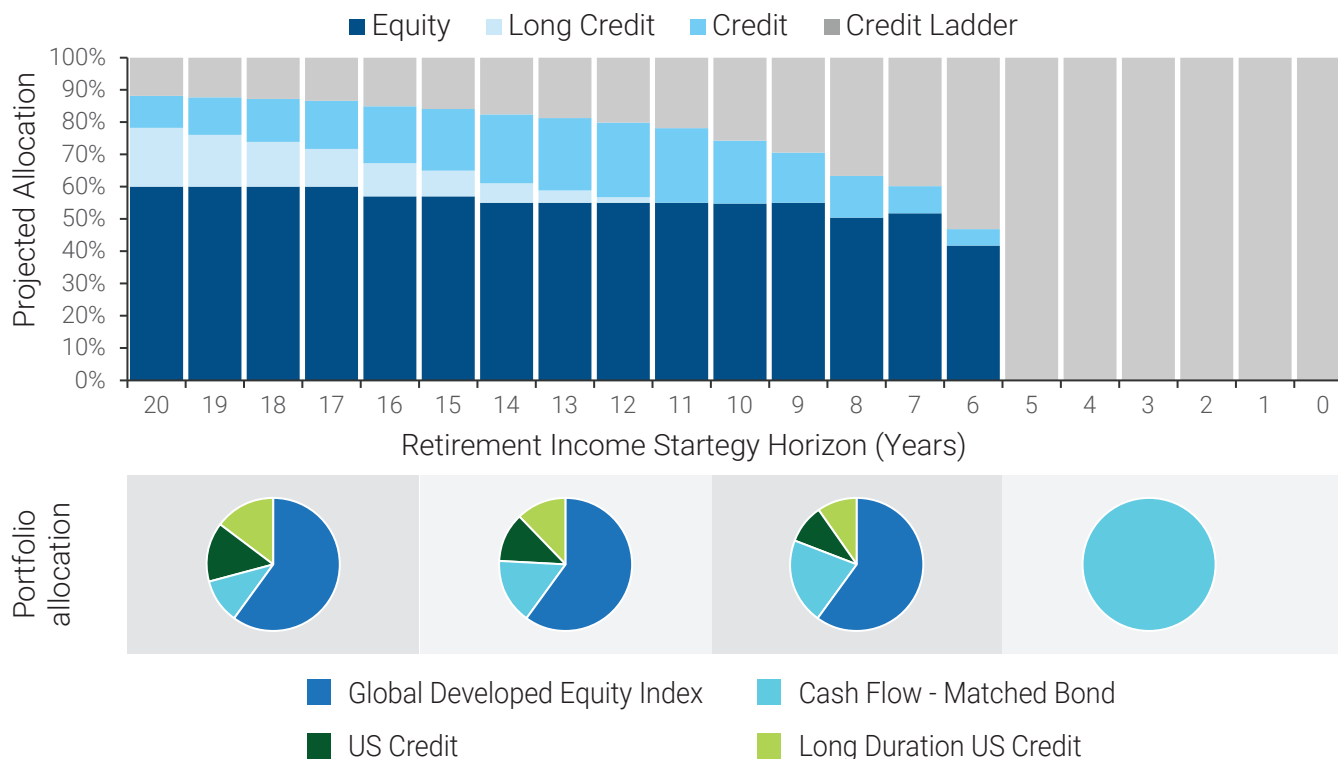
2. Avoid running out of money

As the cost of living increases through retirement, the Retirement Income Strategy is positioned to participate in continued market growth, in an attempt to offset the risk of a declining real income (which could force retirees to make unwanted lifestyle trade-offs later in retirement). Within the Retirement Income Strategy, the overall asset allocation gradually de-risks, culminating in a 100% allocation to a cash-flow matched bond ladder. This de-risking helps to provide lifestyle protection as a participant's time horizon decreases. So as part of our AIM process, we evaluate how closely income generation is matching our expectations.

3. Flexibility and control

Retaining access to retirement wealth (liquidity) is an important feature for participants, as it keeps participants in control of their wealth and provides them the flexibility to adjust their retirement strategy as their financial objectives and needs may change. With the Retirement Income Strategy, participants can always access their wealth to meet any unexpected costs. Remaining assets will consequently be rebalanced seeking to ensure consistent.

Retirement Income Strategy asset allocation glidepath over time – projected allocations²



For illustrative purposes only. The projected allocations herein are not actual and are indicative of our June 30, 2022 model and capital market assumptions (LGIM TRESAA Economic Scenario Generator assumptions, available upon request) for anticipated rebalancing across the strategy's underlying components over time. Actual allocations will vary from those presented here. There is no guarantee that these allocations will be similar those allocated in an actual portfolio. This projection is based on forward-looking statements, including descriptions of anticipated market changes and expectations of future activity. These are inherently uncertain and actual events or results will vary differ from those projected.

These results are based on simulated or hypothetical assumptions that have certain inherent limitations. Unlike the results in an actual performance record, these results do not represent actual trading. Because these trades have not actually been executed, these results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated or hypothetical trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar in whole or part to this illustration.

The components of the strategy

Global Developed Equity Index Strategy

Uses a passive developed equity component to provide cost-effective growth and increased liquidity.

US Credit Strategy & Long Duration Credit Strategy

LGIM America's flagship Investment Grade Credit strategies, are combined with the other strategies to maintain the target duration.

Cash Flow-Matched Bond Strategy

Constructed in a risk aware manner tightly controlling duration and yield curve exposure to match the duration and cash flow profile of a liability that pays a cost-of-living adjusted income over the next five years.

Overall, the fixed income component targets the remaining duration of the strategy and naturally de-risks over time, with the intent to stabilize distributions. This strategy creates a low-risk building block relative to retirement income goals.

There is no guarantee that the investment objectives described above will be achieved in whole or in part or within the timing proposed. Retirement Income Strategy allocations are subject to change based on the model and LGIM capital assumptions.

The Retirement Income Strategy aims to provide a retirement solution that...

Is focused on retirement income	<ul style="list-style-type: none">• A flexible platform to provide a foundational level of income in retirement• A simple user experience to help simplify how to receive income
Contains simple building blocks that are understandable:	<ul style="list-style-type: none">• Comprised of portfolio strategies with easy-to-understand objectives• Constructed with broad asset classes to limit complexity• Constructed to ensure broad diversification
Prioritizes outcomes, as opposed to returns, as the goal	<ul style="list-style-type: none">• A portfolio construction framework designed to manage risk to income• Includes income-focused assets nearing retirement to help protect from market risks• Compartmentalized approach can provide for future evolutions, including the addition of insurance
Aims to be a low-cost alternative	<ul style="list-style-type: none">• Largely composed of passive building blocks to keep costs down• Managed by a global institutional investment manager

We're here to help

For more information about LGIM America's capabilities, please contact us at Inquiry.DefinedContribution@lgima.com

About LGIM America

LGIM America (LGIMA) was founded in 2006 with the purpose of helping people achieve their long-term financial goals. We offer a range of strategies to help our institutional clients (corporations, healthcare agencies, non-profit, educational institutions, public plans and Taft-Hartley multi-employer plans) manage their investment objectives, which can range from market-based alpha-oriented strategies, derivative overlays, equity solutions and those that are designed to be more liability-centric. Encouraging a diverse and inclusive environment coupled with a solutions-focused culture allows us to increase our breadth of knowledge and the likelihood of improved client outcomes and stronger financial performance. We have teams of experienced, innovative professionals committed to helping plan sponsors meet their pension promises, managing investment exposures efficiently to seek enhanced returns while mitigating risks, and working to generate returns while making a positive societal difference.

For further information about LGIM America, find us at www.lgima.com

1 Retirement Income Strategy allocations are subject to change based on the model and LGIM capital market assumptions.

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