SAGE VIEW

VIRGINIA BANKERS ASSOCIATION

Target Date Suitability Analysis

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Target Date Tips

In February 2013, the U.S. Department of Labor (DOL) issued the following eight tips to help plan fiduciaries with target date fund (TDF) selection and ongoing monitoring:

1. Establish a process for comparing and selecting TDFs.
2. Establish a process for the periodic review of selected TDFs.
3. Understand the fund's investments – the allocation in different asset classes (stocks, bonds, cash), individual investments, and how these will change over time.
4. Review the fund's fees and investment expenses.
5. Take advantage of available sources of information to evaluate the TDF and recommendations you received regarding the TDF selection.
6. Inquire about whether a custom or non-proprietary target date fund would be a better fit for your plan.
7. Develop effective employee communications.
8. Document the process.

State Bankers Association Demographics

RETIREMENT PLAN DEMOGRAPHIC ASSESSMENT

CURRENT SAVINGS PICTURE		PLAN DESIGN		OTHER ASSUMPTIONS	
Average Participant Balance	$86,083	Employee Contributions:		Retirement Age	65
Average Compensation	$58,000	Auto Enrollment for New Employees?	Yes	Annual Salary Increase (%)	3
Average Age	46	Auto Enrollment Default Rate (%)	2%	Anticipated Return During Accumulation (%)	6
Average Employee Deferral Rate (%)	6.6	Auto Escalation?	No	Anticipated Return in Retirement (%)	4
Participation Rate (%)	82	Escalation (%)	0%	Inflation (%)	3
Participants with a Balance	5,347	Maximum Deferral Rate (%)	0%		
Terminated with a Balance	1,355				
		Employer Contributions:			
		Employer Match #1 (% of EE Contrib.)	100%		
		Employer Max #1 (On First % EE Salary)	4%		
		Employer Match #2 (% of EE Contrib.)	0%		
		Employer Max #2 (On Next % of EE Salary)	0%		
		Discretionary Contribution(%)	0%		

Data is aggregated based on 38 Banks participating in the Master Trust. 27 of 38 Banks automatically enroll participants while only 18 of 38 Banks automatically escalate participants.

Assess Ability to Take Risk

- The single most impactful decision that plan sponsors make when choosing a target date fund is the level of strategic exposure to equities and equity-like assets. This is commonly referred to as a target date "glide path." Plan fiduciaries can use their knowledge of their participant population's retirement readiness to help inform the selection of a suitable glide path risk level.

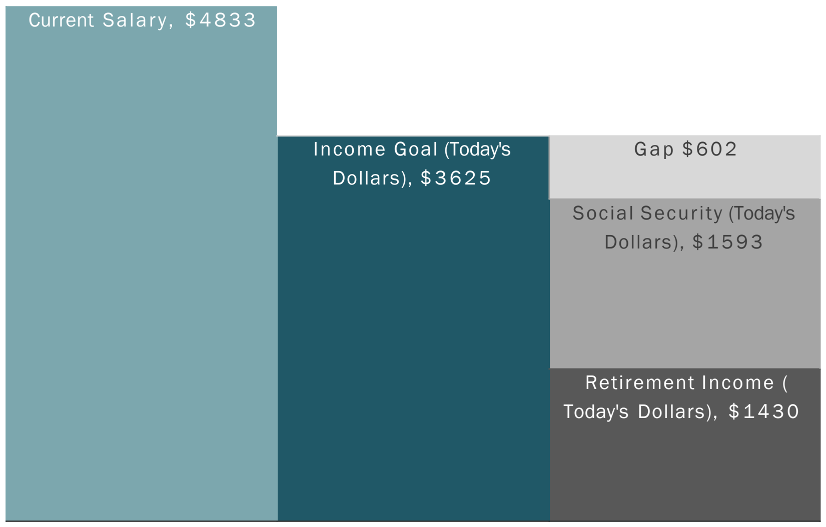
- Whether for an individual or for a group of individuals, healthier savings levels afford one more flexibility in making investment decisions. Poor savings levels lead to less flexibility. Similarly, with respect to choosing a target date glide path, healthy plans can afford to select target date series that may be inappropriate for plans with lower savings levels.

- Certain target date series may be deemed unsuitable for plans with low savings either because they are too aggressive or because they are too conservative. In other words, the more that a particular target date glide path deviates from industry norms, the healthier a plan choosing that glide path should be in order to justify the selection.

SBA Income Replacement

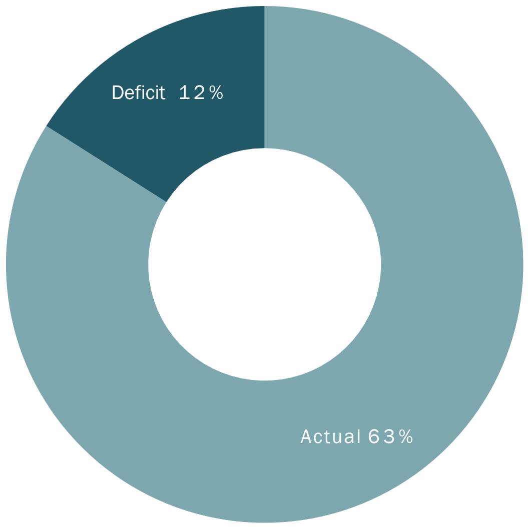
A plan's ability to accept risk is directly related to the population's progress towards funding their income replacement need during retirement. As wealth grows in relation to future income needs, investors' flexibility to take on more or less risk as desired grows as well

AVERAGE MONTHLY PAYCHECK



By projecting the retirement outlook of the participant population, we can arrive at an estimate of the plan's current level of health, or "funded status."

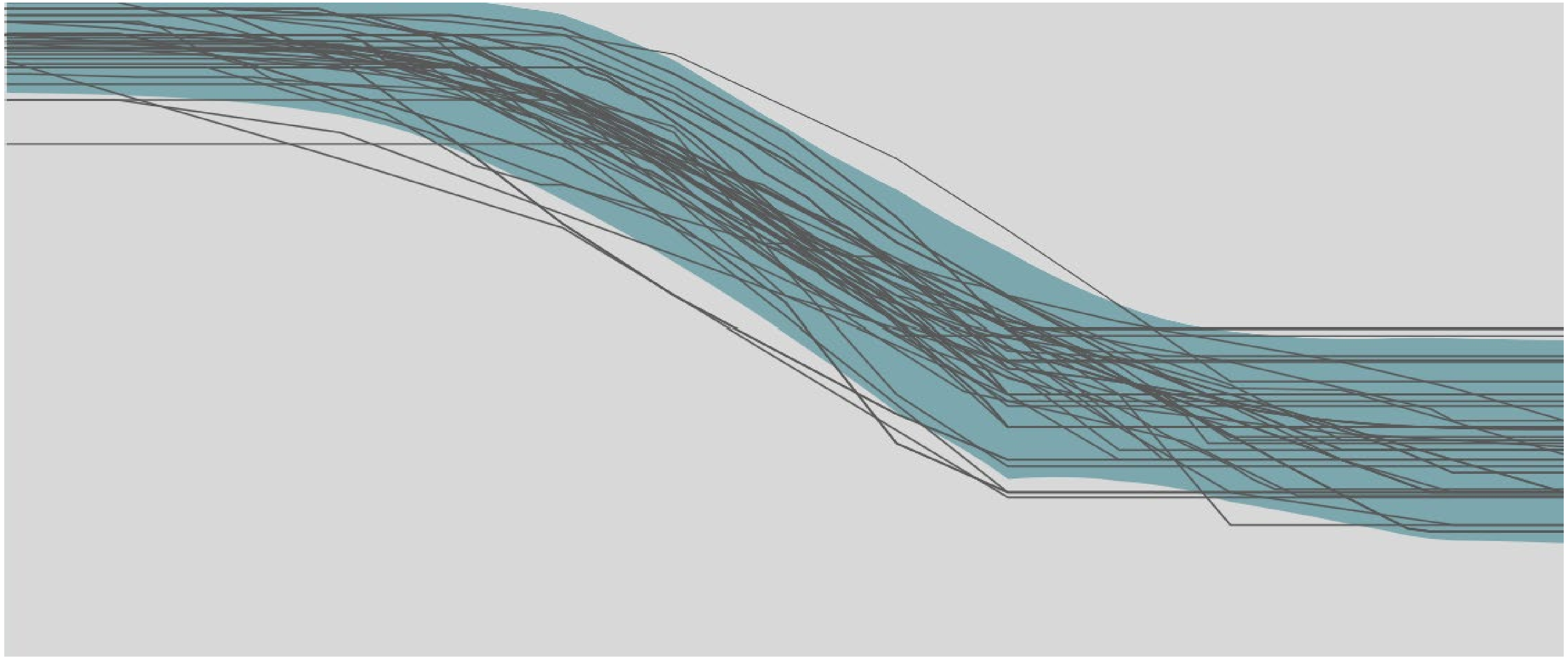
INCOME REPLACEMENT



Your plan is on track to replace 63% of the typical participants final salary in retirement, compared to your goal of 75%.

SBA Opportunity Set

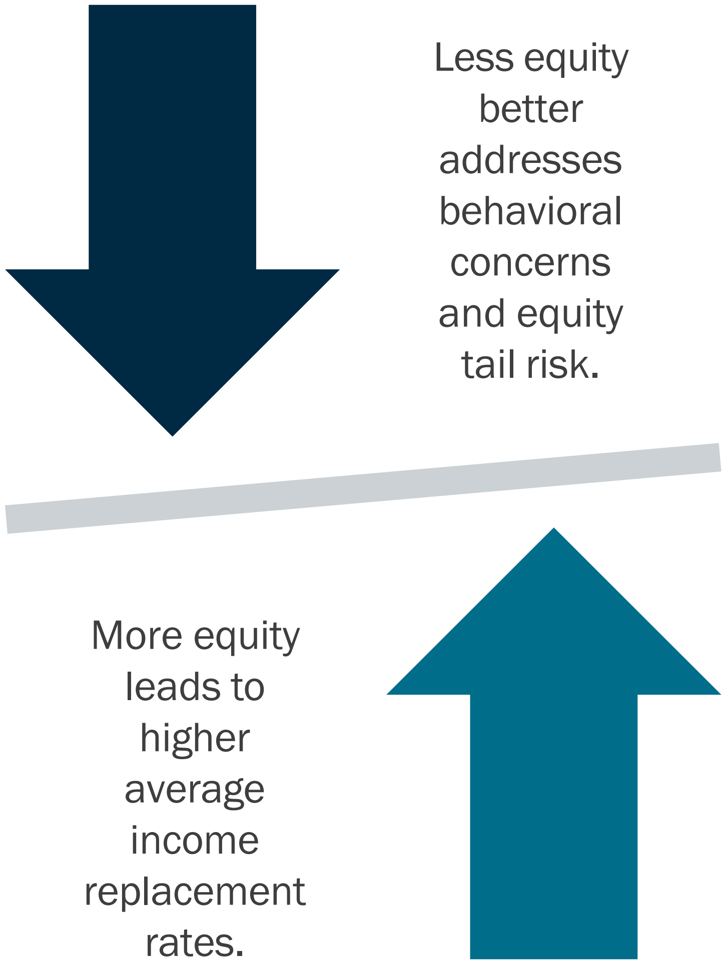
Based on the current funded status, your plan has a WIDE opportunity set (represented by the blue shaded area). A wide opportunity set encompasses providers with more mainstream glide paths as well as those catering to more return-oriented or risk-averse groups. Your healthy savings levels give you a wide degree of latitude to choose a solution that is best-suited to the needs of your participants. The various glide paths that are available in the industry are represented by the gray lines in the chart below.



Assess Risk Tolerance

- Although a better retirement outlook can widen the glide path opportunity set, healthy plans shouldn't always necessarily select glide paths that diverge significantly from the typical industry glide path. We believe that all target date fund glide paths are, when aggregated, designed to suit the needs of the typical plan participant. As a result, plan sponsors should select glide path risk levels that differ from industry norms only to the extent that the characteristics of their participant populations differ from those of the industry as a whole.
- Aside from savings habits (which have already been factored in when establishing the opportunity set), there are several ways in which a given participant population can differ from the industry average:

1. Life expectancy
2. Investment acumen
3. Control over retirement timing
4. Additional factors may include behavior during past market downturns and withdrawal patterns near and in retirement



Glide Path Risk Assessment

1. How well informed is your participant population with regards to the investments in your plan, and specifically, the target date funds? This can be influenced by factors including the population's level of investment proficiency and the aggressivenesss of your education campaign.

   Suggested scoring guide: Average = 0, Above Average = +1

2. Does your participant demographic (and more specifically, your default investor demographic) suggest a longer or shorter life expectancy? This can be influenced by several factors, including the nature of the workplace. Mortality tables show that white collar workers, on average, have longer life expectancies than blue collar workers, for instance.

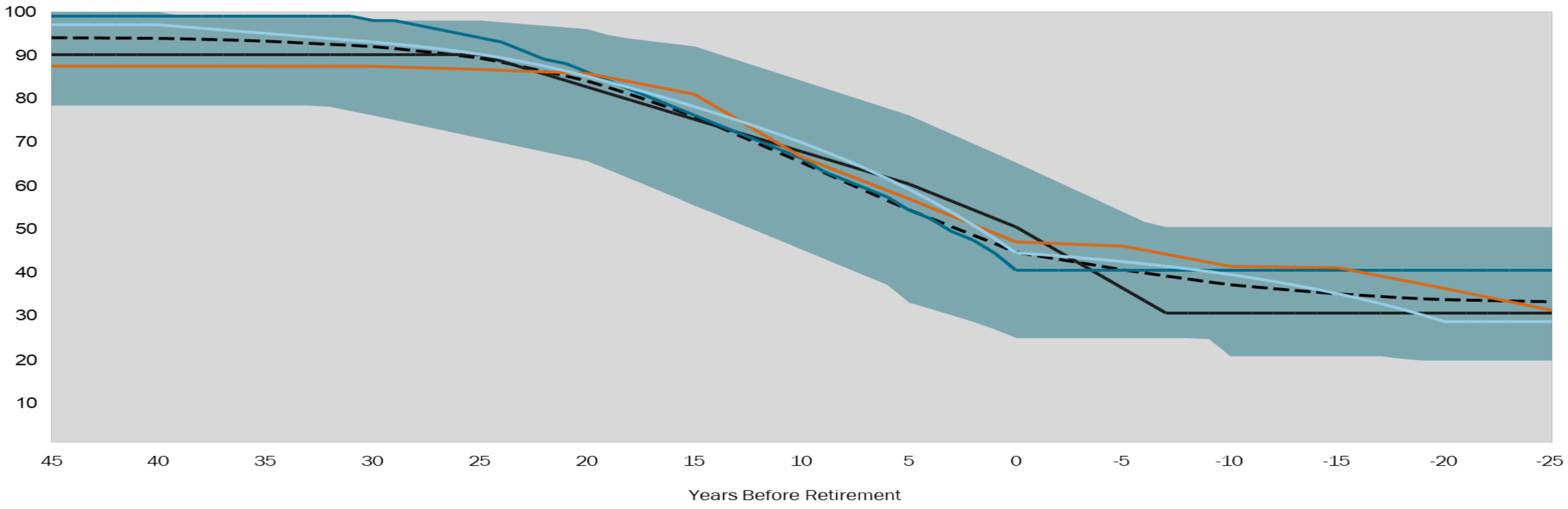
   Suggested scoring guide: Below Average = -1, Average = 0, Above Average = +1

3. How easily could your participants either delay their retirement date (if not yet retired) or return to the workforce within a few years of retirement (if already retired) if a sharp market downturn just before or just after the intended retirement date significantly reduced retirement balances? In general, it is more difficult for participants to delay retirement/return to the workforce if they work for companies that rely heavily on employees' physical capabilities (e.g., construction), involve rapidly changing knowledge requirements (e.g., technology), or use mandatory retirement dates (e.g. airlines).

   Suggested scoring guide: Fairly Difficult = -1, Average = 0, Fairly Easy = +1

Once all three questions have been answered, enter and calculate the sum of the scores corresponding with each question's response. This number signifies the suggested starting "Glide Path Equity Level."

SBA Suitable Glide Paths



Years To Retirement	45	40	35	30	25	20	15	10	5	0	-5	-10	-15	-20	-25
Vanguard Target Retire Trust	90%	90%	90%	90%	90%	82%	75%	67%	60%	50%	36%	30%	30%	30%	30%
BlackRock LifePath Index CIT	99%	99%	99%	98%	94%	86%	76%	66%	54%	40%	40%	40%	40%	40%	40%
Capital Group Target Retirement Trust	87%	87%	87%	87%	87%	86%	81%	66%	57%	47%	46%	41%	41%	36%	31%
Schwab Indexed Retirement Trust	97%	97%	95%	93%	90%	85%	78%	70%	59%	44%	42%	39%	35%	28%	28%
MAX	100%	100%	99%	98%	98%	96%	92%	84%	76%	65%	53%	50%	50%	50%	50%
AVG	94%	94%	93%	92%	89%	84%	76%	65%	54%	44%	40%	37%	35%	33%	33%
MIN	78%	78%	78%	76%	71%	65%	55%	45%	33%	24%	24%	20%	20%	19%	19%