

BEST PRACTICES FOR TARGET DATE FUND SELECTION

CAPTRUST CHECKLIST FOR DOL TARGET DATE TIPS RELEASE

A checklist for plan sponsors offering target date funds based on the Department of Labor's Employee Benefits Security Administration *Tips for ERISA Plan Fiduciaries* release

SECTION 1: TARGET FUND SELECTION

1. Review Investment Performance

- ☐ Review investment risk and return for each target date year in question over one-, three, and five-year trailing periods and since inception against appropriate target date peer groups and indices

2. Review Glidepath and Series' Underlying Funds

- ☐ Against appropriate peer groups
- ☐ Against assumptions (in connection with glidepath construction)
- ☐ Understand the mix of stocks, bonds, cash, and other assets within the target date series, and how this mix changes over time
- ☐ Understand the manager's rebalancing methodology and approach to tactical asset allocation (if applicable)
- ☐ Identify when the series' glidepath will reach its most conservative point – at retirement or sometime after retirement
- ☐ Understand the underlying investments of the target date series
 - ☐ Asset classes utilized
 - ☐ Active versus passive management

3. Review Management Team and Process

- ☐ Team tenure
- ☐ Approach to asset allocation as well as manager and/or security selection
- ☐ Roles and ownership of responsibilities
- ☐ Fund firm

4. Review Plan Demographic Data and Additional Externalities

- ☐ Employee ages and average retirement age
- ☐ Deferral/contribution rates
- ☐ Savings amounts
- ☐ Employee turnover rate
- ☐ Withdrawal patterns
- ☐ Consider the existence of supplemental retirement plans

5. Review the Availability and Applicability of Custom or Non-Proprietary Solutions

- ☐ Inquire with providers as to whether custom and non-proprietary TDFs are available
 - a. Weigh the costs and the benefits of custom or non-proprietary target date funds (to include non-financial costs such as administrative burden and complexity for participants and benefits such as the ability to use the plan's core line up as building blocks for the target date series)

6. Review the Series' Fees

- ☐ Document the series' total cost, including any underlying fund's investment management fees
- ☐ Document any non-investment management fees and their purpose

7. Review Employee Communications

- ☐ Provide information that describes what a target date fund is and its purpose in the plan
- ☐ Distribute information to participants regarding the specific target date series offered in the plan

SECTION 2: ONGOING MONITORING PROCESS

1. Periodically Review the Selected Target Date Fund Series

- ☐ Periodically review, at a minimum, whether there have been any significant changes to the selected target date fund series such as changes to:
 - a. Management
 - b. Asset allocation/glidepath
 - c. Investment philosophy
 - d. Fees
 - e. Underlying funds
- ☐ Periodically review investment risk and return