AllianceBernstein

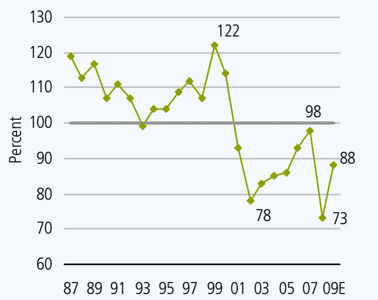
Using a Glide Path to Manage Pension Funding Risk

A Thoughtful Approach to De-Risking Defined Benefit Plans

1. Funded Ratios Have Fluctuated Wildly for a Decade

While the market rebound has narrowed the funding gap of the typical large US defined benefit (DB) plan, its asset-liability mismatch makes it vulnerable to another downturn.

Funded Ratio: Large US Corporate DB Plans

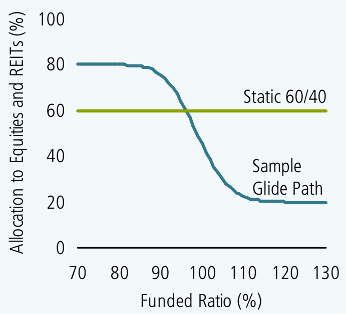


Data cover the largest 150 DB plans sponsored by US corporations.
Source: AllianceBernstein, Company 10K

2. Glide Path De-Risks to Protect Gains in Funded Status

As the funded ratio improves, we shift to a lower-risk stance in order to protect the gains

DB Plan Illustrative Glide Path

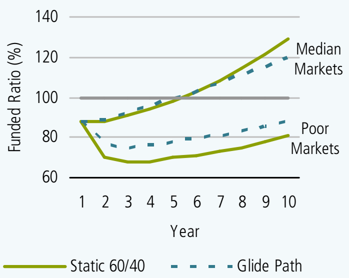


Assuming loss aversion, uncertainty and longevity risk. For illustrative purposes only.
Source: AllianceBernstein

3. Glide Path Approach Can Control Risk, Retain Upside…

Adopting the glide path can help plans to avoid severe underfunding in poor markets and stranded assets in up markets.

Expected Funded Ratio

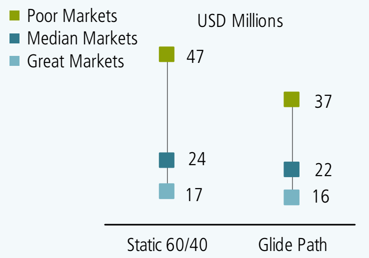


For details on risk and return assumptions, see back of page. Source: AllianceBernstein

4. …and Cut Tail Risk of Higher Contributions

The glide path's lower-risk asset allocation reduces the size of contributions that plan sponsors would have to make in median or poor markets

Expected Contributions over Next Ten Years

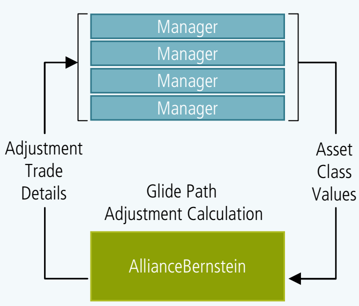


Median markets are defined as median outcome for both assets and liabilities, poor markets as 5th percentile, great markets as 95th percentile in simulations of 10,000 outcomes. Calculations based on a plan with starting asset and liability values of US$88 and US$100 million, respectively. For details on risk and return assumptions, see back of page. Source: AllianceBernstein

5. Implementing and Maintaining the Glide Path

We design the glide path, taking the plan's current asset allocation, liability profile and risk tolerance into account. We adjust the mix regularly to keep the plan on the desired path.

Client's Portfolio

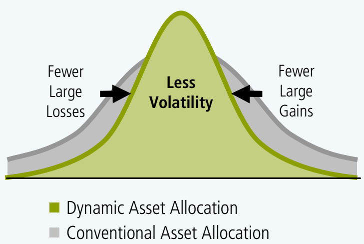


Source: AllianceBernstein

6. Dynamic Approach Can Also Reduce Swings in Funding

Adjusting the portfolio mix in response to changes in market conditions can also reduce the odds of extreme outcomes, thus lowering volatility in funded ratio and required contributions.

Funded Ratio



Source: AllianceBernstein

These statements reflect the performance of the majority of accounts. Individual account performance may vary due to a variety of factors, including benchmark, account guidelines, investment vehicle implementation (if any), fees charged and timing of cash flows. As of March 2010

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Asset-Class Risk and Return Assumptions for Displays 3 and 4:

	10-Yr. Expected Geometric Return*	10-Yr. Expected Volatility*
Medium-Term US Sovereign FI	3.4%	3.3%
Medium-Term US Investment-Grade FI	4.3	4.9
US Large Cap Equity	8.2	15.4
US Small Cap Equity	7.8	19.6
International Equity	8.9	17.9
Global Public Real Estate	8.0	16.0

*As of March 2010