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# WHEN TIPS BECOME TRAPS

A PLAN SPONSOR'S GUIDE TO PRUDENTLY SELECTING TDFs

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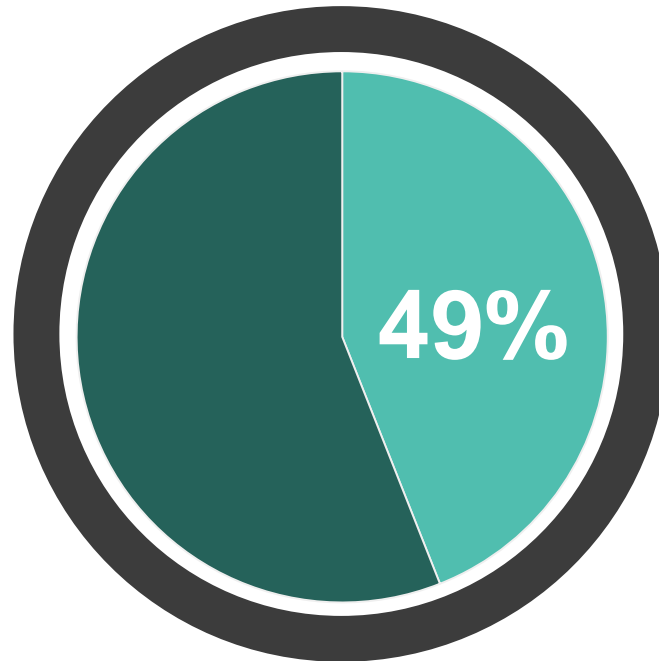
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# A Misunderstanding About Fiduciary Liability

+ Do You Consider Yourself, Personally, a Plan Fiduciary?

**100%** of  
Respondents  
Are Fiduciaries



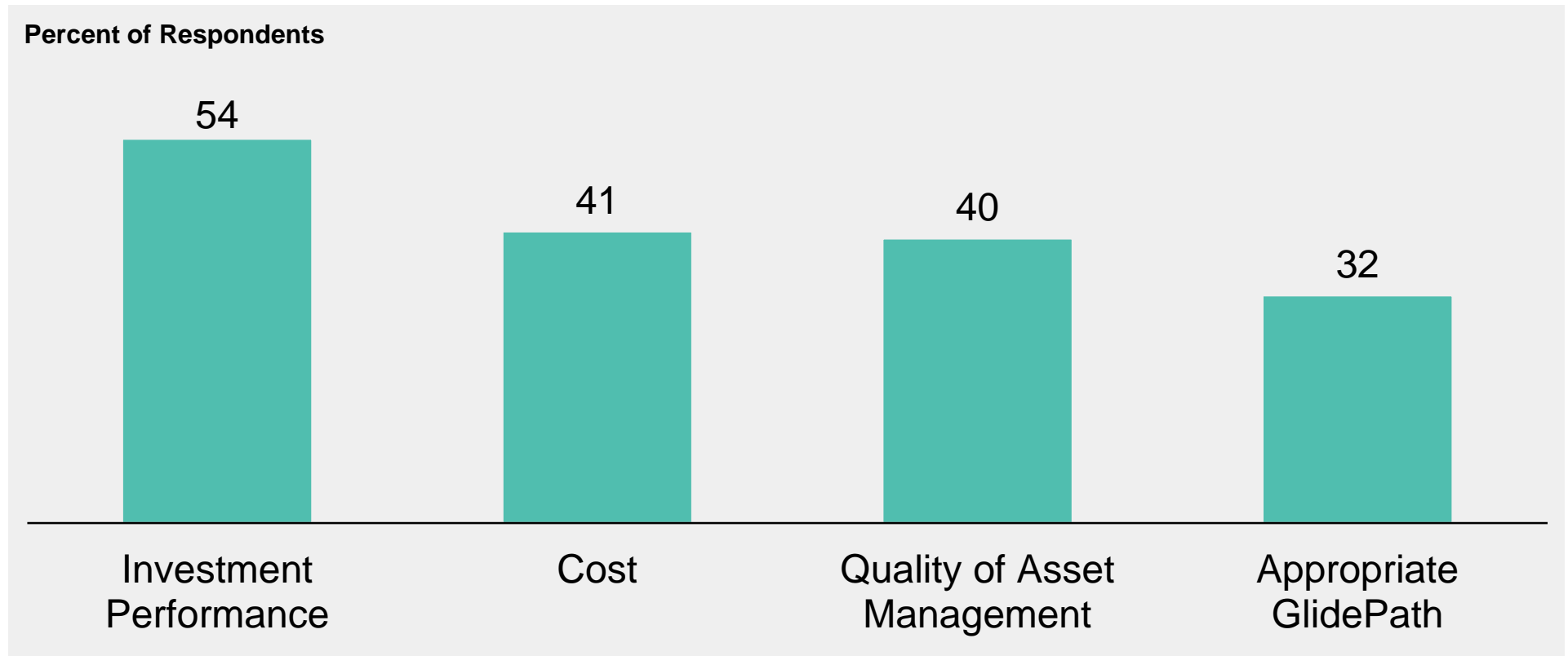
**of Respondents Do Not  
Consider Themselves  
Fiduciaries**

As of 2016  
Source: AB Research



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# Most Important Attributes for Target-Date Funds



Respondents could select up to three answers.  
Source: AB Research, 2016

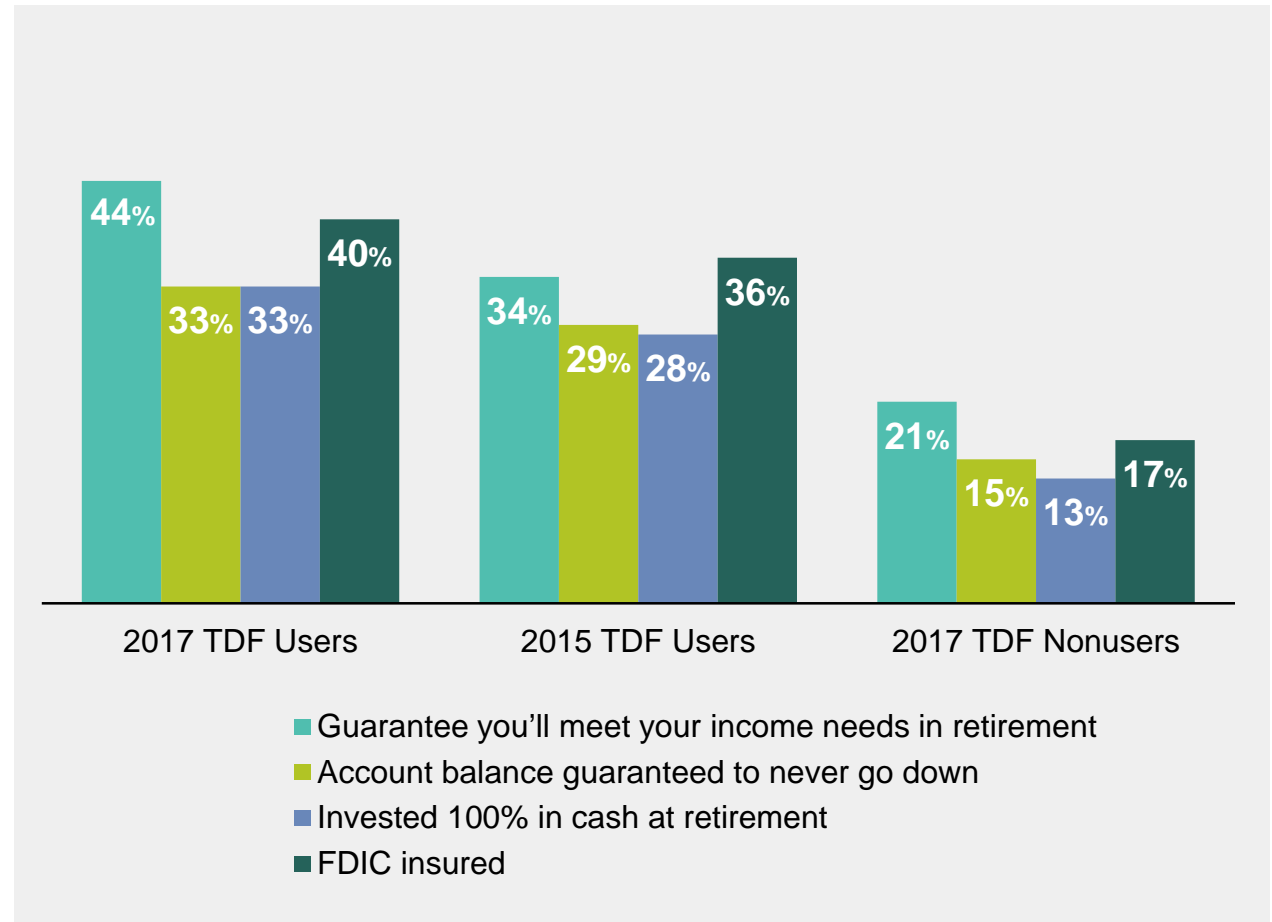


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# Misinformation Plagues Target-Date Funds

Respondents Answering Incorrectly (Who Know Whether or Not They Use Target-Date Funds)

- + 44% of target-date fund users incorrectly believe that their target-date funds automatically guarantee they'll meet their income needs in retirement
- + More target-date fund users in 2017 than in 2015 incorrectly equate target-date funds with guarantees—something almost no retirement plan investment options can boast
- + Target-date fund users most frequently say these funds keep them appropriately invested to and through retirement



Source: AB, *Inside the Minds of Plan Participants*, 2017



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# “Relevant” DOL Tips: Rules to Follow



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

**INQUIRE** about whether a **CUSTOM** or **NON-PROPRIETARY** TDF would be a better fit for your plan



6

**DEVELOP** effective employee **COMMUNICATIONS**



7

**TAKE ADVANTAGE** of available sources of **INFORMATION** to evaluate the TDF and **RECOMMENDATIONS** you received regarding the TDF selection



8

**DOCUMENT** the **PROCESS**



# When Tip Become Traps

A Program Designed To Help You Prudently Select TDFs

**WHEN TIPS BECOME TRAPS**  
A PLAN SPONSOR'S GUIDE TO PRUDENTLY SELECTING TARGET-DATE FUNDS

**PLAN EVALUATION: QUESTIONS FOR CONSIDERATION**

Selecting investments for a plan is one of your primary responsibilities as a plan fiduciary. Under ERISA (the Employee Retirement Income Security Act), you must carry out this responsibility prudently and solely in the interests of plan participants and beneficiaries. Prudence requires you to give "appropriate consideration" to facts and circumstances that you know or should know are relevant to the particular investment, and you must then act in accordance with the conclusions that you reached.

Today, many participants are automatically enrolled in a qualified default investment alternative (QDIA). As a plan fiduciary, you are relieved from liability with respect to these investments as long as you can show that the plan's QDIA was prudently selected and monitored and that certain procedures were followed. The questions below are designed to assist you in your consideration of the relevant information and to facilitate your selection of a prudent process.

**QDIA INVESTMENT:**

- Does the plan have an investment policy statement (IPS)?
- Does the IPS include a process for selecting and monitoring the plan's QDIA?
- Do you regularly receive training from a knowledgeable plan administrator or other credible sources to stay abreast of changing best practices and changing regulations and the impact of new data on your fiduciary responsibilities?
- Have you read and do you understand the QDIA's Tips for ERISA Plan Fiduciaries concerning selecting and monitoring target date funds (TDFs)?
- Does the plan provide educational support for participants to better understand the investment options available under the plan, including how the plan's QDIA is designed to be adjusted (e.g., tied to service through rollovers)?

**QUALIFIED DEFAULT INVESTMENT ALTERNATIVE:**

- Have you evaluated the QDIA, available to your plan and acted in a well-informed and documented decision concerning the QDIA's tip?
- In selecting the QDIA, did you consider participant demographics, behaviors and other factors that are relevant to determining an appropriate QDIA for your plan?
- Have you considered automatic reevaluation of participant behavior?
- If you selected TDFs as a prudent choice for your plan's QDIA, did you follow the QDIA's Tips for ERISA Plan Fiduciaries?

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DOL Pension Protection Partnership, LLC  
Prudence: Selecting a Qualified Investment Alternative

An Overview of the DOL Tips and How it Impacts You

**SAMPLE POLICY GUIDE: TARGET-DATE FUNDS**

**4. Review the fund's fees and investment expenses**

The Plan Fiduciaries utilize an objective and prudent process, including the considerations described in this TDF Sample Policy Guide, to compare the fund information of various TDFs, and choose the funding to be relevant to their decision to select a particular TDF series (highlight averages of all vintages).

	OPTION 1	OPTION 2	OPTION 3	INDUSTRY AVERAGE	CURRENT PLAN
Broker					
Fund-to-go costs					
Operating Expense (TDF)					
Operating Expense (Industry Fund)					
Other Fees					
Performance	1.1 and 1.2				
ESDA-Global Returns (TDF)					
ESDA-Global Returns (Industry Fund)					
Recordkeeper Fees					

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A Solution to Document TDF Evaluation



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# AB Multi-Manager Select: Designed with Fiduciary Concerns in Mind



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# A Target Date Fund Designed to Address Key Fiduciary Considerations

## Bringing Institutional Design to Packaged Target-Date Products

### Advanced Glide Path Design

Diversifying portfolios that incorporate a broad range of asset classes

### Independent Manager Selection

Independent manager selection by Morningstar Investment Management, LLC

### Open Architecture

Access to unconstrained list of high-quality active and passive investment managers

### Dynamic Asset Allocation

Flexibility to adjusted glide path exposures as market conditions change

***Goal: Build Retirement Income Potential While Limiting Short-Term Risk to Enhance Participants' Retirement Security***

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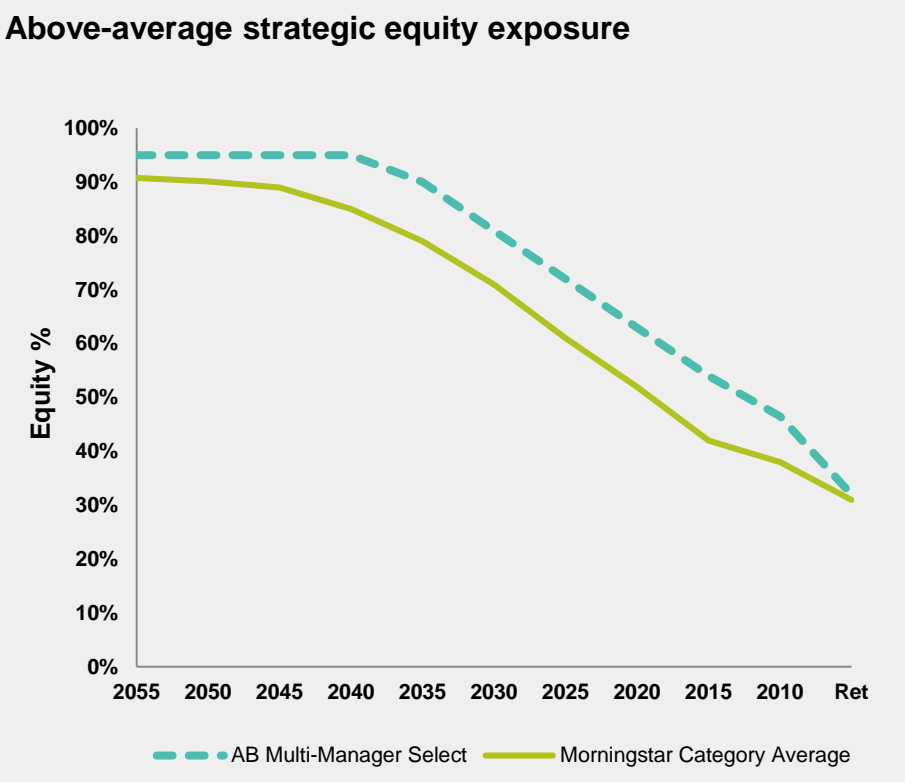


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# Higher Growth Allocation Versus Industry Average

Although AB Multi-Manager Select has above industry average equity exposure.....



**Past performance and historical analysis does not guarantee future results.**

Source: Morningstar, as June 30, 2017. Standard Deviation rankings are calculated using monthly returns. Multi-Manager Select Retirement 2010 is in the Morningstar Target Date 2000-2010 category; Multi-Manager Select Retirement 2015 is in the Morningstar Target Date 2015 category; Multi-Manager Select Retirement 2020 is in the Morningstar Target Date 2020 category; Multi-Manager Select Retirement 2025 is in the Morningstar Target Date 2025 category; Multi-Manager Select Retirement 2030 is in the Morningstar Target Date 2030 category; Multi-Manager Select Retirement 2035 is in the Morningstar Target Date 2035 category; Multi-Manager Select Retirement 2040 is in the Morningstar Target Date 2040 category; Multi-Manager Select Retirement 2045 is in the Morningstar Target Date 2045 category; Multi-Manager Select Retirement 2050 is in the Morningstar Target Date 2050 category; Multi-Manager Select Retirement 2055 is in the Morningstar Target Date 2055 category; Multi-Manager Select Retirement Allocation is in the Morningstar Target Date Retirement category.



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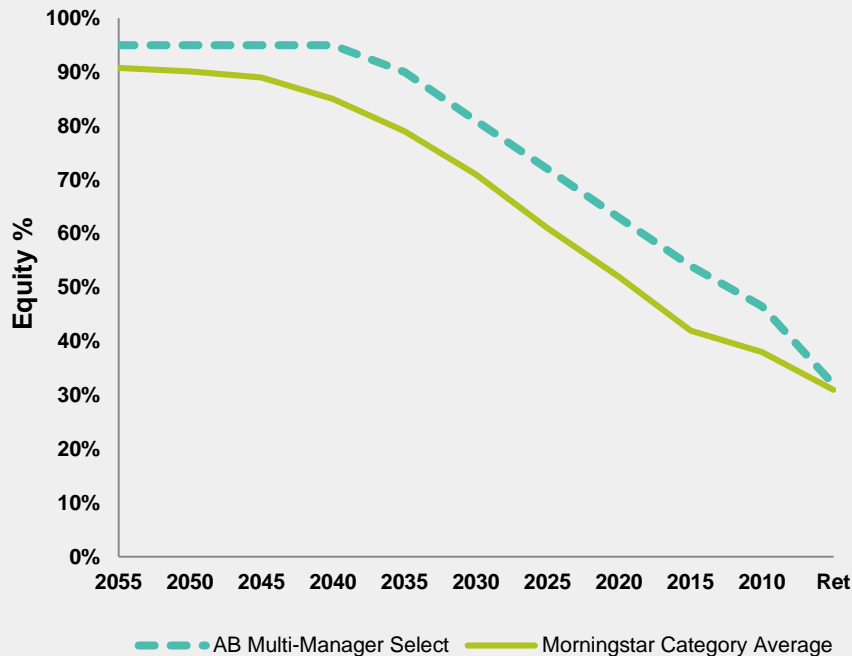
# Higher Growth With Moderate Risk

January 1, 2015 – June 30, 2017

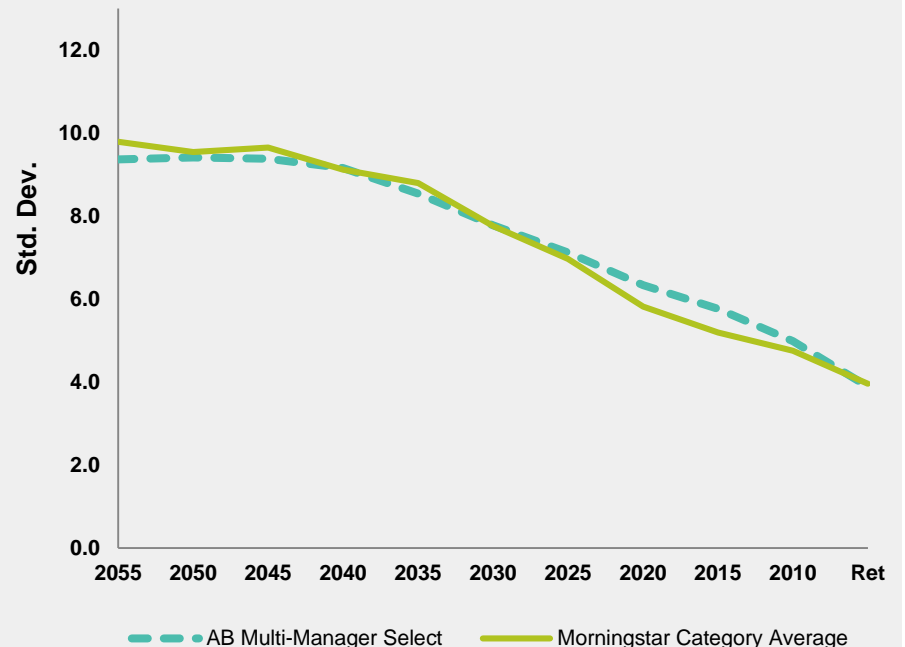
Although AB Multi-Manager Select has above industry average equity exposure.....

.....the Funds maintained a moderate-risk glide path with similar standard deviations as the industry average.

## Above-average strategic equity exposure



## Moderate-risk glide path management



### Past performance and historical analysis does not guarantee future results.

Source: Morningstar, as June 30, 2017. Standard Deviation rankings are calculated using monthly returns. Multi-Manager Select Retirement 2010 is in the Morningstar Target Date 2000-2010 category; Multi-Manager Select Retirement 2015 is in the Morningstar Target Date 2015 category; Multi-Manager Select Retirement 2020 is in the Morningstar Target Date 2020 category; Multi-Manager Select Retirement 2025 is in the Morningstar Target Date 2025 category; Multi-Manager Select Retirement 2030 is in the Morningstar Target Date 2030 category; Multi-Manager Select Retirement 2035 is in the Morningstar Target Date 2035 category; Multi-Manager Select Retirement 2040 is in the Morningstar Target Date 2040 category; Multi-Manager Select Retirement 2045 is in the Morningstar Target Date 2045 category; Multi-Manager Select Retirement 2050 is in the Morningstar Target Date 2050 category; Multi-Manager Select Retirement 2055 is in the Morningstar Target Date 2055 category; Multi-Manager Select Retirement Allocation is in the Morningstar Target Date Retirement category.



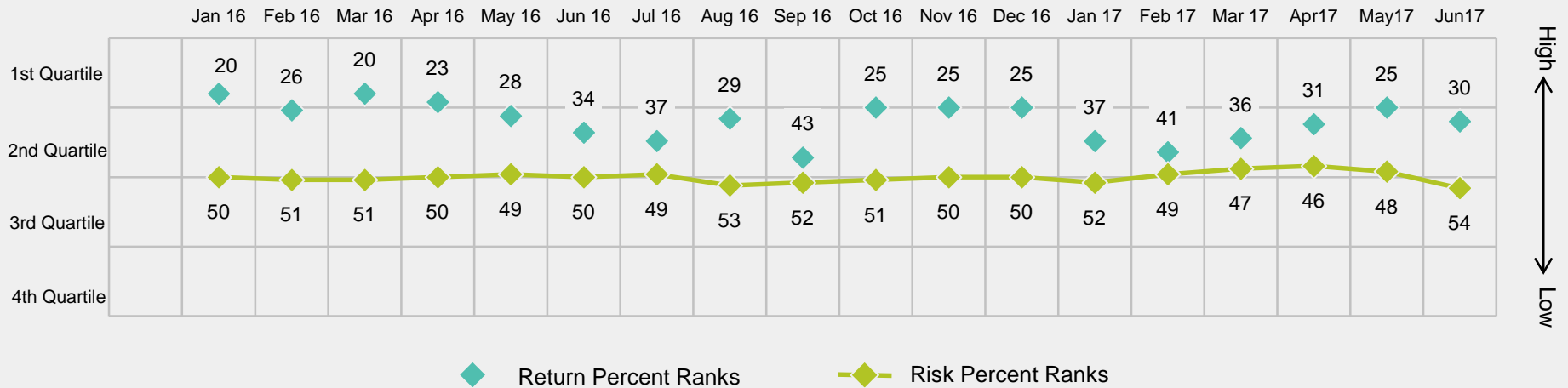
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# Consistent, Above Median Performance With Moderate Risk

January 1, 2015 – September 25, 2017

## Return and Risk Percent Ranks: Average Across All Vintages Rolling One-Year

Rolling One-Year Period



The performance shown represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown. You may obtain performance information current to the most recent month-end by visiting [www.abfunds.com](http://www.abfunds.com). The investment return and principal value of an investment in the Portfolio will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. Returns for other share classes will vary due to different charges and expenses. Performance assumes reinvestment of distributions and does not account for taxes. Fund returns for periods longer than one year are annualized.

As of September 25, 2017. Return rankings are based on total returns at net asset value. Standard Deviation rankings are calculated using daily returns. Multi-Manager Select Retirement 2010 is in the Morningstar Target Date 2000-2010 category; Multi-Manager Select Retirement 2015 is in the Morningstar Target Date 2015 category; Multi-Manager Select Retirement 2020 is in the Morningstar Target Date 2020 category; Multi-Manager Select Retirement 2025 is in the Morningstar Target Date 2025 category; Multi-Manager Select Retirement 2030 is in the Morningstar Target Date 2030 category; Multi-Manager Select Retirement 2035 is in the Morningstar Target Date 2035 category; Multi-Manager Select Retirement 2040 is in the Morningstar Target Date 2040 category; Multi-Manager Select Retirement 2045 is in the Morningstar Target Date 2045 category; Multi-Manager Select Retirement 2050 is in the Morningstar Target Date 2050 category; Multi-Manager Select Retirement 2055 is in the Morningstar Target Date 2055 category; Multi-Manager Select Retirement Allocation is in the Morningstar Target Date Retirement category.

Source: Morningstar



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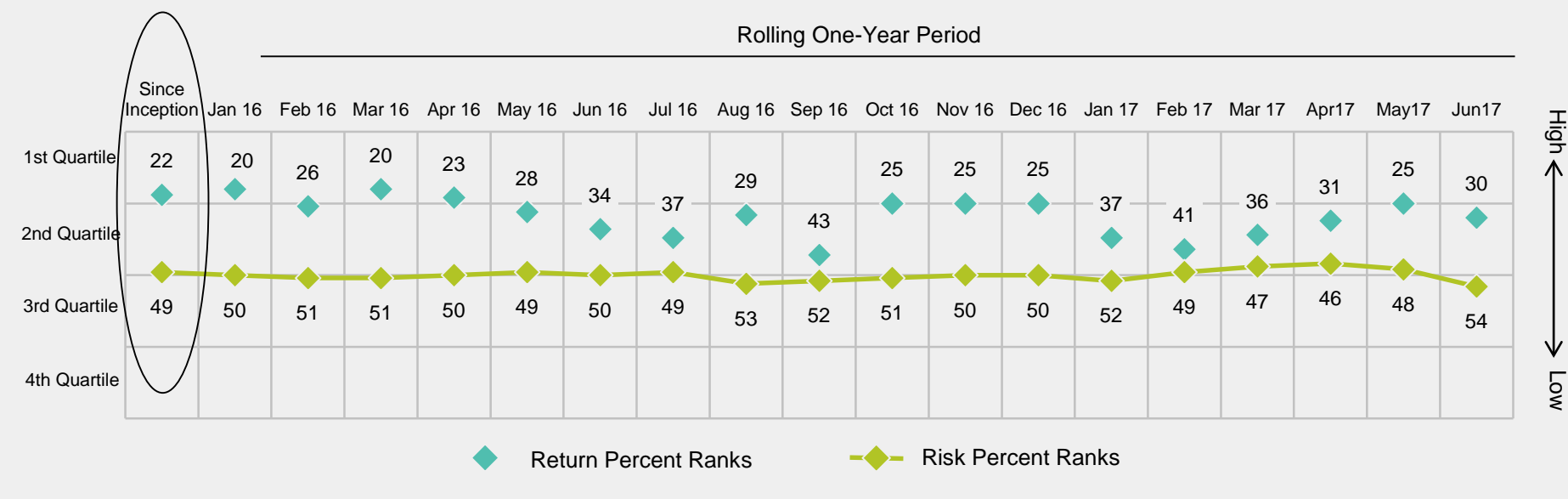
# Top Quintile Performance With Moderate Risk Since Inception

January 1, 2015 – September 25, 2017

- + AB Multi-Manager Select vintages on average ranked in the 22<sup>nd</sup> percentile for return since inception
- + The Funds delivered moderate risk with an average rank of 49<sup>th</sup> percentile since inception

## Average Return and Risk Percent Ranks Across All Vintages

Since Inception and Rolling One-Year



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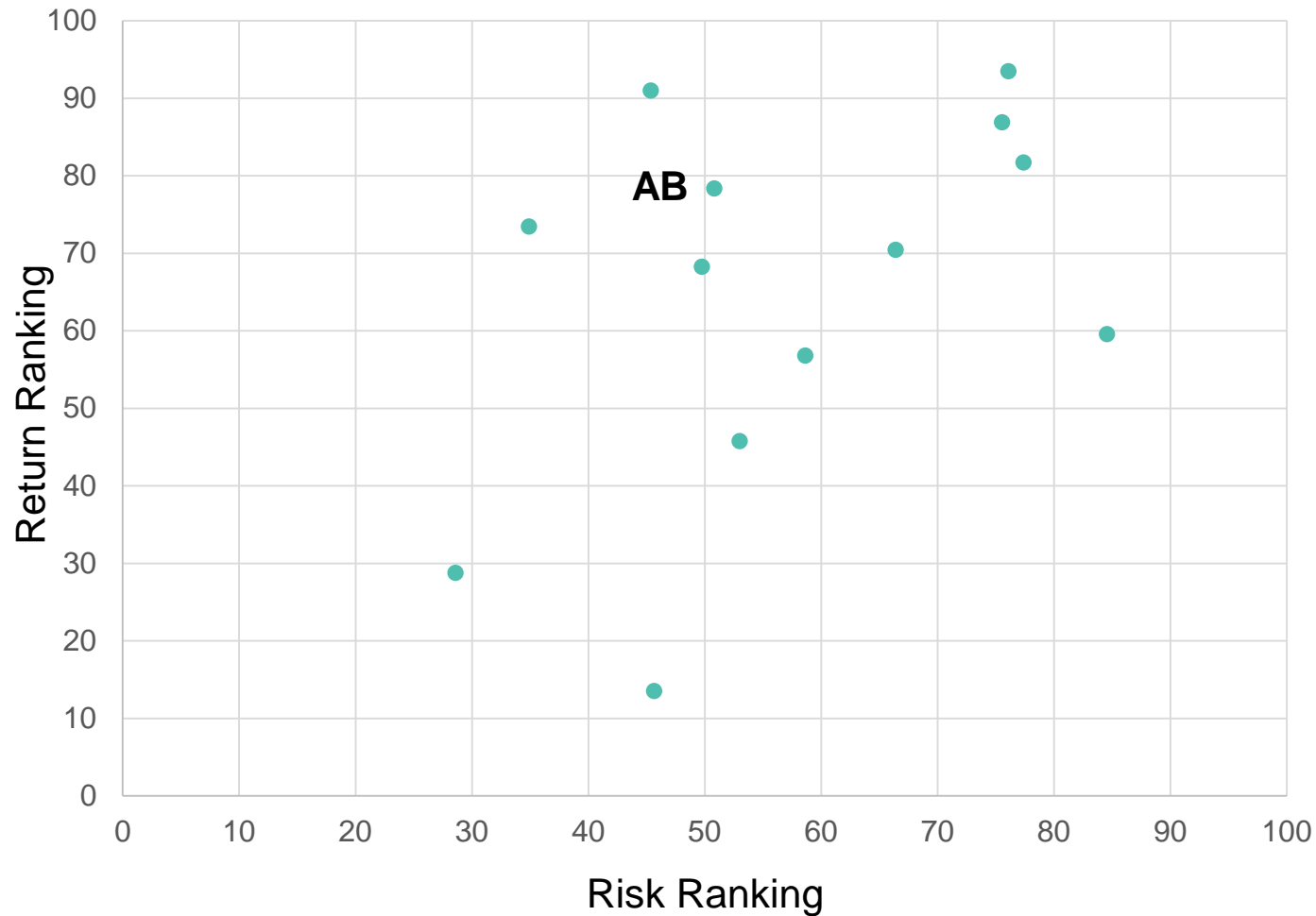
Source: Morningstar



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# AB Multi-Manager Select Retirement Funds

Combination of Both Return Generation and Risk Control



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# A Word About Risk

**Investors should consider the investment objectives, risks, charges and expenses of the Fund/Portfolio carefully before investing. For copies of our prospectus or summary prospectus, which contain this and other information, visit us online at [www.abfunds.com](http://www.abfunds.com) or contact your AB representative. Please read the prospectus and/or summary prospectus carefully before investing.**

Each fund is named for a “target date”—the approximate year when you expect to retire and start withdrawing from your account. Funds furthest from their target dates emphasize growth potential by investing almost entirely in equities. As investors move closer to—and into—retirement, the funds automatically adjust to a more conservative asset mix.

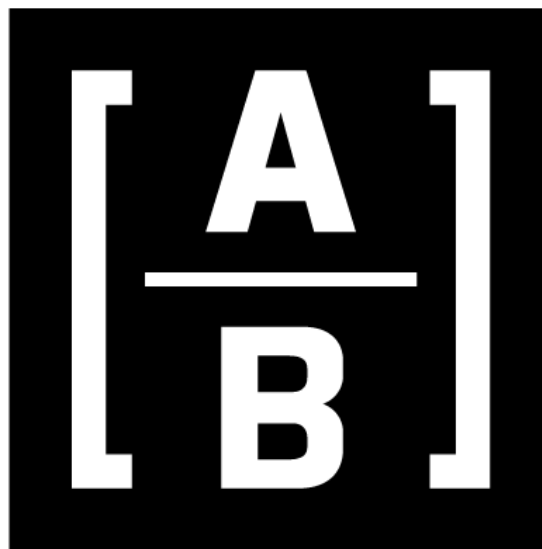
Investments in Multi-Manager Select Retirement are not guaranteed against loss of principal: at any time, your account value can be more or less than the original amount contributed—including at the time of the fund’s target date. Also, investing in Retirement Strategies does not guarantee sufficient income in retirement.

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Contact your branch manager and/or compliance department with any questions regarding your business practices, creating a value proposition or any other activities (including referral networks).

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