
Impact of Inflation on DC Participants

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Agenda

- What is inflation & how can it be a threat to retirement?
- Where are we today?
- Addressing inflation risk through plan design

Who is State Street?

Offering solutions through scale

#4

largest global asset manager¹

\$3.9

trillion AUM²

\$842

billion global DC AUM³

40+

years of DC market experience⁴

23

million participants⁵

\$153

billion target retirement AUM³

¹Pensions & Investments Research Center, as of 12/31/20.

²AUM as of December 31, 2021. Updated quarterly. AUM is unaudited.

³AUM as of December 31, 2021. AUM is unaudited.

⁴State Street Global Advisors, DC business established in 1981.

⁵Estimate based on State Street Global Advisors, Brightscope, and S&P Global Market Intelligence Money Market Directories (MMD) data as of December 31, 2019.

What is inflation?

It's not your imagination: everything is getting more expensive.

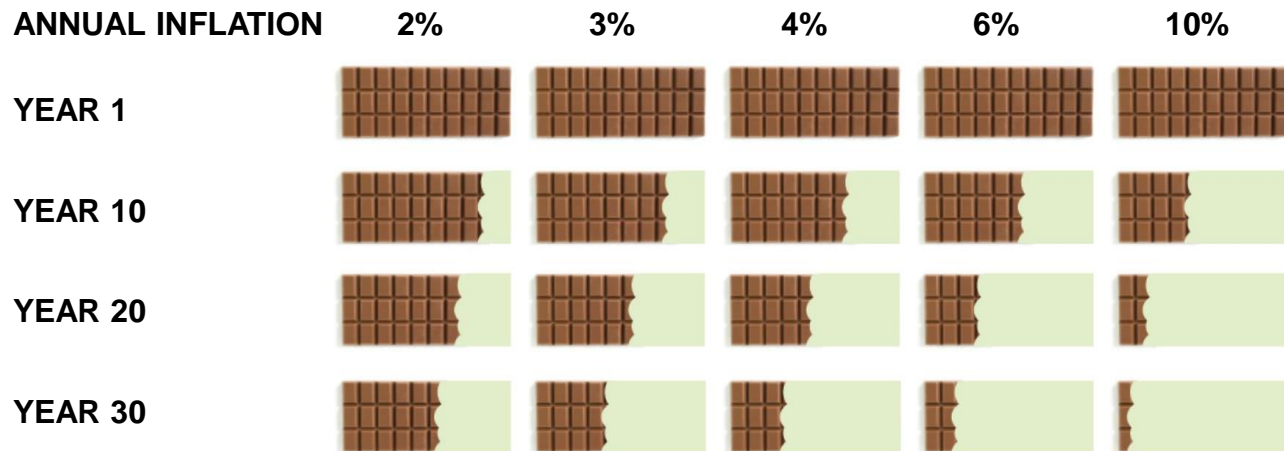
Blame it on inflation, which over the past 20 years has driven up the price of everyday goods by an average of 2.18% annually.¹ The result? Inflation may make hard-earned dollars less valuable as time goes on. In other words, a dollar today is worth less tomorrow — and even less at retirement age. What does inflation mean? It has the potential to take investors' retirement savings off course.

¹FactSet as of 12/31/2021.

Why is inflation a threat?

Inflation affects retirement savings by reducing purchasing power

The candy bar illustration



2% annual inflation means in 30 years, a dollar will buy about half the amount of chocolate that it does today.

In this example, purchasing power was calculated at the beginning of each year.
The information contained here is for illustrative purposes only. Source: SSGA

The Importance of Inflation Management

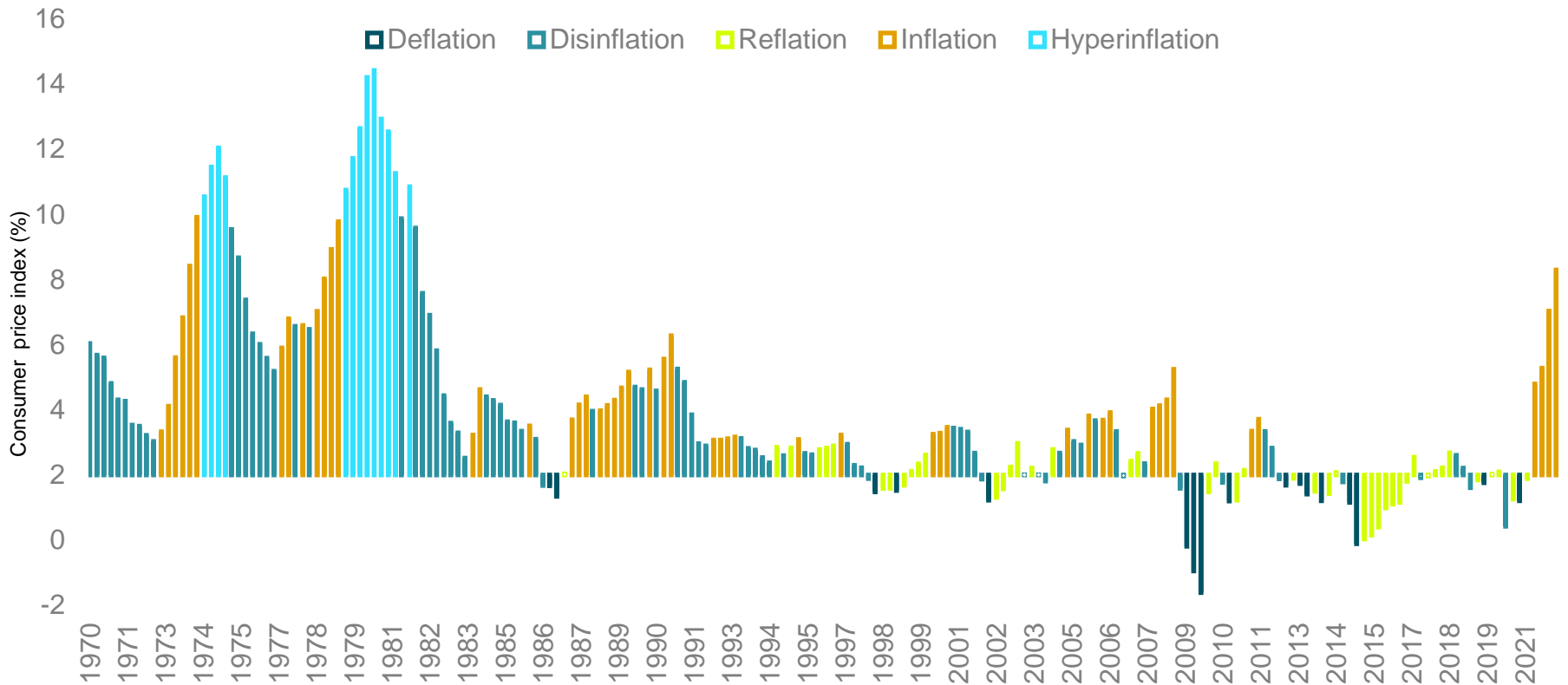
Erosion of purchasing power can severely impact retirement readiness



Source: State Street Global Advisors Defined Contribution as of December 31, 2018. Assuming \$500,000 balance at age 65, 4% annual spending rate, allocation of 50% stocks, 50% bonds at age 65, 30% stocks, 50% bonds, 20% cash at age 80. Returns — Stock: S&P 500 Total Return, Bond: 1929-1976 Long Term Govt Bond TR; 1977-2016 Barclays US AggTR, Cash: 0 nominal return.

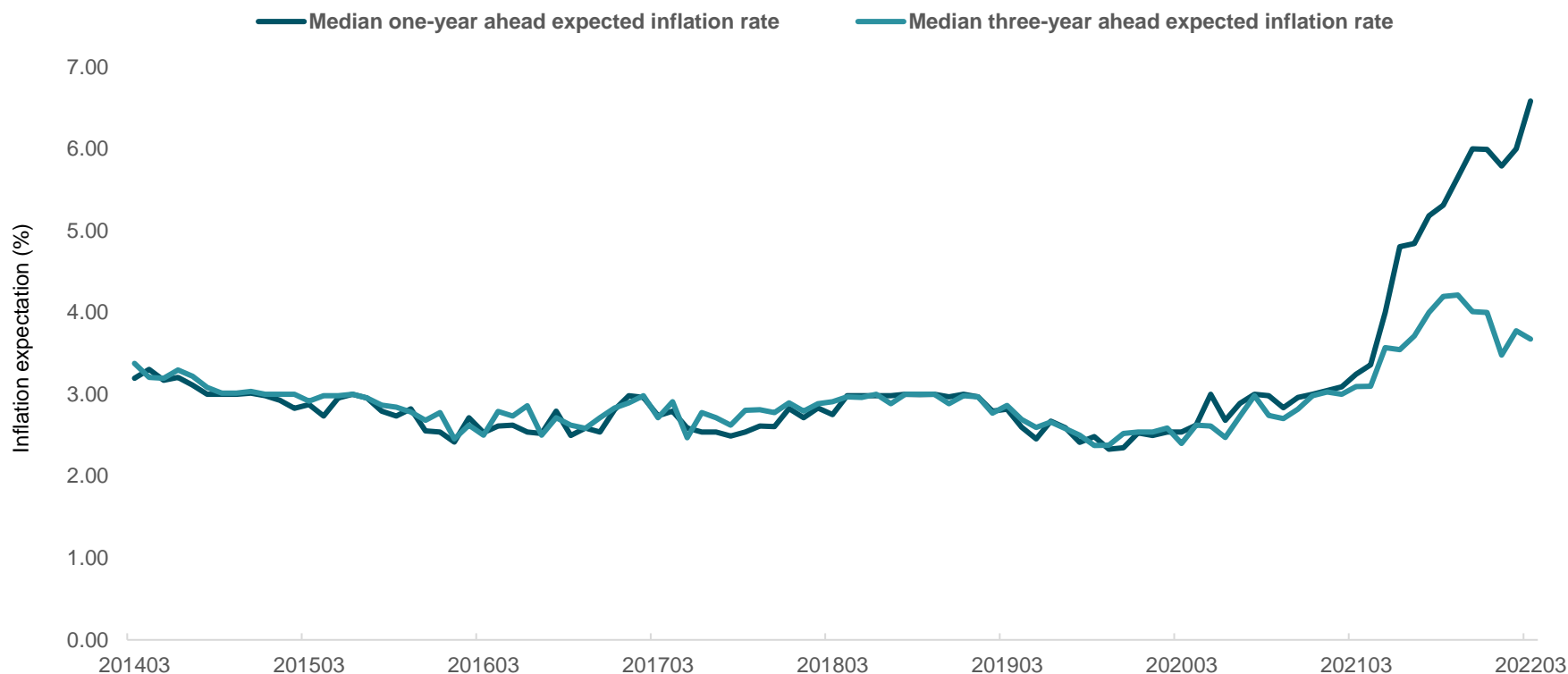
Where are we today?

Inflation has been low for some time – but that hasn't always been the case



Source: SSGA, Factset, U.S. Bureau of Labor Statistics as of March 31, 2022. For illustrative purposes only. Reflects CPI year over year increases. 2022 figures are preliminary.

Both realized inflation and estimates are on the rise

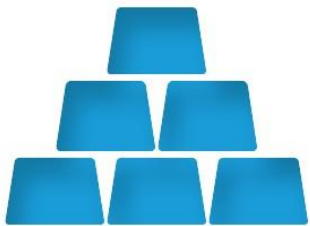


Source: As of March 31, 2022. Survey of Consumer Expectations, © 2013-2021 Federal Reserve Bank of New York (FRBNY). The SCE data are available without charge at <http://www.newyorkfed.org/microeconomics/sce> and may be used subject to license terms posted there. FRBNY disclaims any responsibility or legal liability for this analysis and interpretation of Survey of Consumer Expectations data.”

How real assets fit into the picture

- “Real assets” include a mix of investments, including commodities, natural resources, real estate, inflation-protected bonds, and infrastructure, that may diversify a retirement portfolio and help it keep pace with inflation.

COMMODITIES



NATURAL
RESOURCES



REAL ESTATE
(REITS)¹



TREASURY INFLATION-
PROTECTED
SECURITIES (TIPS)²



INFRASTRUCTURE



Real assets tend to rise in price over time as the costs of everyday goods and services increase

¹Real Estate Investment Trusts (REITs) are securities that invest in properties or mortgages.

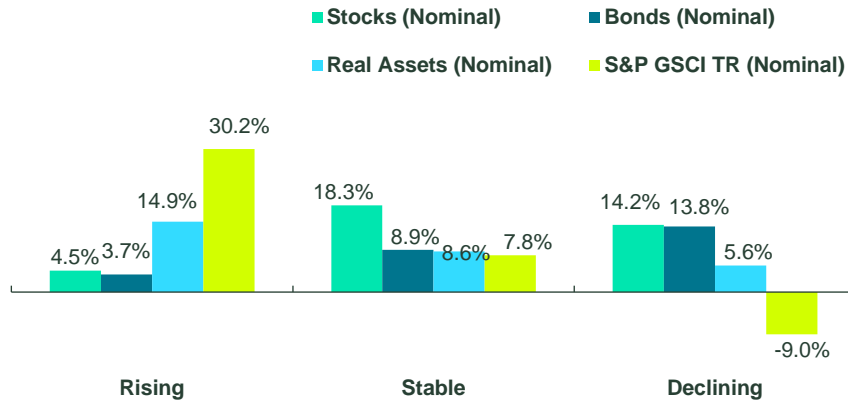
²Treasury Inflation-Protected Securities (TIPS) refer to a type of bond that is issued by the US government and is linked to the Consumer Price Index (a measure of inflation). Diversification does not ensure a profit or guarantee against loss.

Inflation Management — Stocks and Bonds Underperform in Rising Inflation

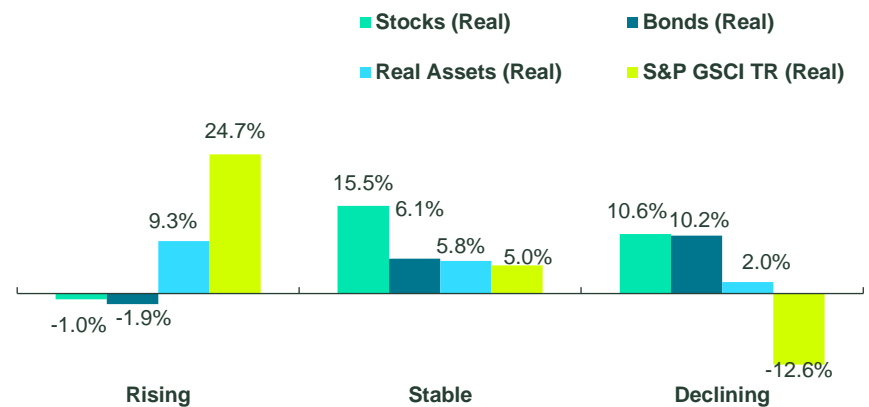
Nominal and real asset class returns during rising, stable and declining inflationary environments

Period: 1970–2021

Traditional and Real Asset Nominal Returns



Traditional and Real Asset Real Returns



Source: State Street Global Advisors and FactSet. As of December 31, 2021.

Asset Classes are represented by the S&P 500 Index, Bloomberg US Long-Term Govt. Bond Index, Real Asset Composite Index, S&P GSCI TR and US Inflation (CPI-U). Based on annual calendar year returns with quarterly data. Past performance is not a guarantee of future results. The index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income as applicable. Performance calculated in USD.

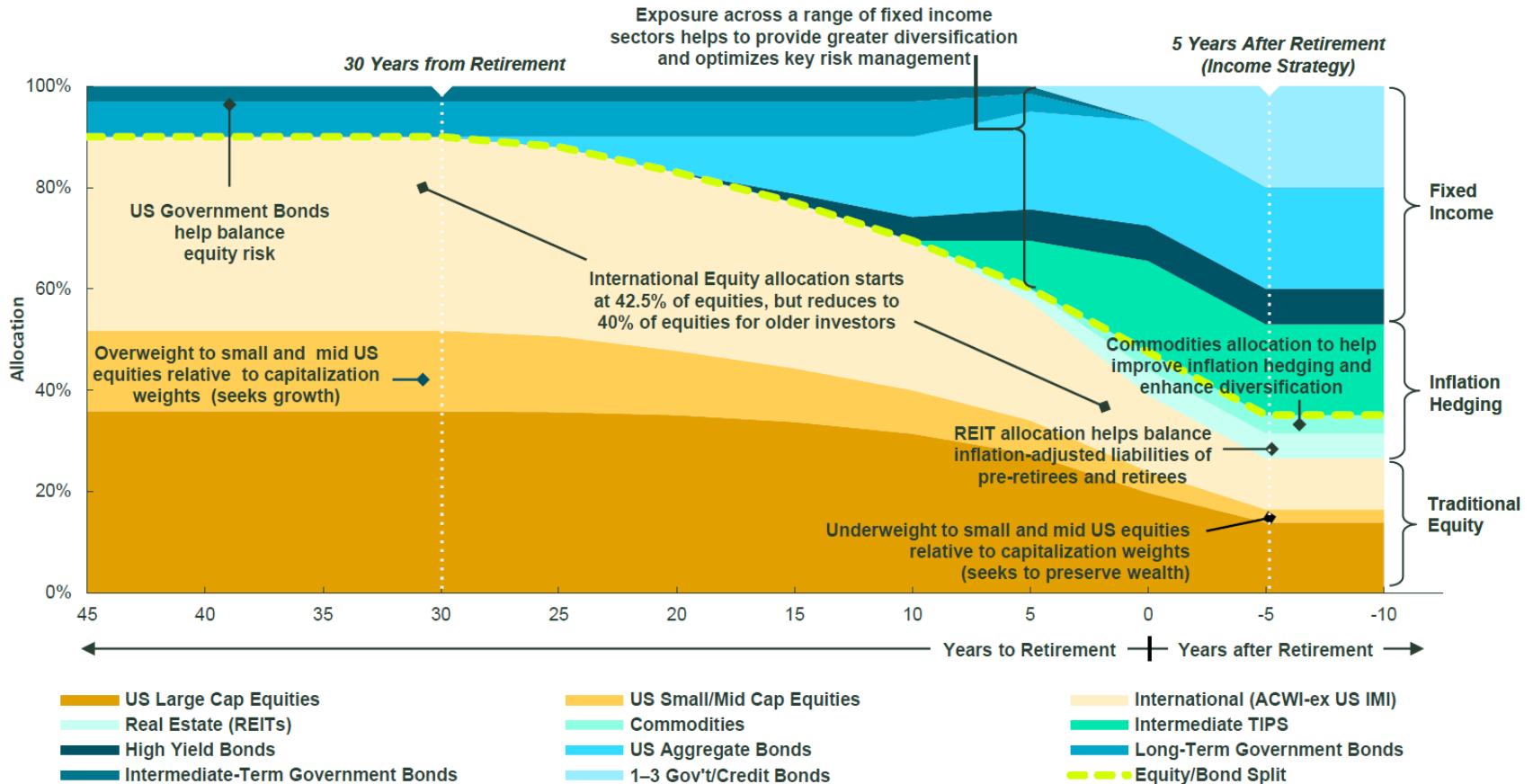
Incorporating inflation protection into your plan default

Risk Aware through a Well-Diversified Underlying Lineup

Asset Classes		State Street Global Advisors	Manager A
Equity	US Large Cap	S&P 500® Index	CRSP US Total Market Index
	US Mid Cap	Russell Small Cap Completeness® Index	
	US Small Cap		
	Int'l Developed	MSCI® ACWI® ex-US IMI Index SM	FTSE Global All-Capex-US Index
	Emerging Markets		
	Int'l Small Cap		
Inflation Sensitive	REITs	FTSE EPRA/NAREIT Developed Index	
	Commodities	Bloomberg Roll Select Commodity Index SM	
	TIPS	Bloomberg 1–10Yr Gov't Infl-linked Bond Index	Bloomberg 0–5Yr US TIPS Index
Fixed Income	US High Yield	Bloomberg US HY Very Liquid Bond Index	
	Intermediate Gov't	Bloomberg US Intermediate Gov't Bond Index	
	Long Gov't	Bloomberg US Long Gov't Bond Index	
	Core Aggregate	Bloomberg US Aggregate Bond Index	Bloomberg US Agg Float-Adjusted Index
	Short-term Bonds	Bloomberg US 1–3Yr Gov't/Credit Bond Index	
	Foreign		Bloomberg Global Agg ex-USD Float-Adj. RIC Capped Index

Source: State Street Global Advisors Defined Contribution, as of March 31, 2022. Competitor info sourced from fact sheets. The information contained above is for illustrative purposes only. Diversification does not ensure a profit or guarantee against loss. Please refer to the disclosure slide for additional risk disclosures. Manager A chosen as sample index-based target date competitor due to highest AUM among comparable investment strategies. (Morningstar Target Date Fund Survey, 2020).

Efficient Risk Management



Source: State Street Target Retirement Strategies strategic asset allocation roll-down schedule effective close of business March 31, 2022. The information contained above is for illustrative purposes only. Diversification does not ensure a profit or guarantee against loss. Assumptions and forecasts used by State Street Global Advisors in developing the target date funds asset allocation glidepath may not be in line with future capital market returns and participant savings activities, which could result in losses near, at or after the target date year or could result in the target date fund not providing adequate income at and through retirement. Please see disclosures for important risk disclosures.

What's Next?

How Can Participants Invest in Real Assets?

Step 1

Determine if an inflation-hedging strategy is needed in your participants' retirement portfolios.

Step 2

Consider offering a strategic real assets strategy – either as part of your Qualified Default Investment Alternative (QDIA) or as a standalone investment option.

Step 3

The participant decides how much to invest based on age and proximity to retirement or real assets are incorporated into the QDIA.

Important Risk Information

For institutional / professional investors use only.

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All plan participants should carefully consider all of the investment alternatives available under the Plan before deciding to invest, consult with their own financial advisor and contact their Plan Administrator for more information on the plan’s available alternatives.

Investing involves risk including the risk of loss of principal.

Diversification does not ensure a profit or guarantee against loss.

Asset allocation is a method of diversification which positions assets among major investment categories. This method is used in an effort to manage risk and enhance returns. It does not, however, guarantee a profit or protect against loss.

There are risks associated with investing in Real Assets and the Real Assets sector, including real estate, precious metals and natural resources. Investments can be significantly affected by events relating to these industries.

Investing in commodities entails significant risk and is not appropriate for all investors as commodity prices can be extremely volatile due to a wide range of factors. A few such factors include overall market movements; real or perceived inflationary trends; commodity index volatility; international, economic and political changes; and changes in interest and currency exchange rates.

Investments in Real Estate are made through REITS (Real Estate Investment Trusts).

Important Risk Information

Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise, bond prices usually fall), issuer default risk, issuer credit risk, liquidity risk, and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

Equity securities may fluctuate in value and can decline significantly in response to the activities of individual companies and general market and economic conditions.

Investing in REITs involves certain distinct risks in addition to those risks associated with investing in the real estate industry in general. Equity REITs may be affected by changes in the value of the underlying property owned by the REITs, while mortgage REITs may be affected by the quality of credit extended. REITs are subject to heavy cash flow dependency, default by borrowers and self-liquidation. REITs, especially mortgage REITs, are also subject to interest rate risk (i.e., as interest rates rise, the value of the REIT may decline).

Increases in real interest rates can cause the price of inflation-protected debt securities to decrease. Interest payments on inflation-protected debt securities can be unpredictable.

The major risks associated with investing in the natural resources sector include large price volatility due to non-diversification and concentration in natural resources companies.

Derivative investments may involve risks such as potential illiquidity of the markets and additional risk of loss of principal.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor.

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