



T.RowePrice

Excerpts from Q1 2024 Earnings Call

Spotlight on Retirement

T. Rowe Price Group, Inc.
April 26, 2024

A copy of this presentation, which includes additional information, is available at investors.troweprice.com.
Data as of March 31, 2024, unless otherwise noted.
All figures are USD, unless otherwise noted.



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Dee Sawyer
Head of Global Distribution

Remarks by Dee Sawyer

Dee Sawyer, Head of Global Distribution, transcript of Q1 2024 Earnings Call on April 26, 2024.

I am pleased to join today's call to talk about our retirement business.

As Rob noted, our clients have entrusted us with \$1.54 trillion in assets, of that over \$1 trillion—more than two-thirds—are identifiable as retirement assets, demonstrating that retirement is a critical component of our business.

Slides 15 & 16* in the supplemental deck provide a detailed view of our retirement assets.

I want to take a moment to share a few highlights:

- First, the majority of our retirement assets, \$676 billion, or 65%, are in U.S. defined contribution plans, with the balance in defined benefit and individual IRA accounts.
- Taking a closer look at our U.S. defined contribution assets, \$395 billion, or almost 60%, are in our Target Date franchise. In fact, we are the top manager of Active Target Date assets, a position we have held for 7 years and we have the third largest market share overall.

- But our DC business is more than target date. Plan sponsors select T. Rowe Price for equity and fixed income investment options as well, with U.S. large-cap growth equity and Stable Value being the largest proportion of the balance of our DC business.

We serve the DC channel in two ways:

- The majority of our DC assets are DC Investment Only, or DCIO, where the consultant, advisor or plan sponsor selects T. Rowe Price to provide one or more of the investment options in their plan that is record kept on an external platform. We are the fifth largest DCIO provider in the U.S.

*Included in this document as pages 11 and 12.

Remarks by Dee Sawyer

Dee Sawyer, Head of Global Distribution, transcript of Q1 2024 Earnings Call on April 26, 2024.

- About one quarter of our DC assets are in our full-service recordkeeping business, which we refer to as Retirement Plan Services, or RPS.
 - Plan sponsors hire us to provide recordkeeping services, as well as key investment options for their plan lineup. As of the end of 2023, we provided these services for over 8,100 retirement plans.
 - About 60% of all our RPS assets under administration are invested in T. Rowe Price products—which has been consistent over the past several years and is a significantly higher portion of proprietary assets than the industry average of 27%.

We provide solutions for a wide variety of clients, including our broad array of equity and fixed income strategies and our market-leading target date franchise. These are offered through a range of funds, common trusts, and custom solutions.

Within our target date franchise, we offer higher and lower equity glide paths and approaches that include both active and passive building blocks.

And our solutions extend to not only investment products, but also to tools and services to help clients, plan sponsors, and participants manage their retirement accounts, track progress along their retirement journey, and help improve their overall financial wellness.

Through our recordkeeping business, as well as our individual investor channel, we have direct retirement account relationships with over 3.2 million end investors. The insights we derive from these relationships, coupled with the emerging trends we identify from our work with plan sponsors and intermediaries, enhance our ability to design innovative solutions and research to pursue better retirement outcomes.

As a generation of retirement savers has aged and shifted from the accumulation phase to the decumulation phase, developing solutions to help

people convert their retirement assets into income has become increasingly important. Our proprietary research suggests that participants will need a variety of retirement income products and services to meet their individual needs in the decumulation phase, so we take a broad approach to retirement income.

That means...

- stand-alone retirement income products—such as our managed payout products
- single strategy investment products, such as fixed income funds;
- along with the various services we offer—including guidance, retirement thought leadership, and calculators;

...are all included within our definition of retirement income.

Remarks by Dee Sawyer

Dee Sawyer, Head of Global Distribution, transcript of Q1 2024 Earnings Call on April 26, 2024.

Our broad Distribution organization allows us to access all retirement client segments—whether direct to the consumer, or through intermediaries, institutions, consultants, or advisors. We also have been adapting the expertise we have honed in the US retirement market to pursue opportunities in the large retirement savings markets in other countries.

This access—along with directly managing end investor relationships—uniquely positions us to anticipate and deliver what our clients need. And, as a result, we are continuously innovating and adding new capabilities.

A few examples include:

- Our managed payout products, an all-in-one solution for retirees, which offers the familiarity of our target date product, with the benefit of providing stable monthly income throughout retirement; We added a 2025 version of these funds in January.

- The recently-launched Social Security Optimizer tool, which is designed to help individual investors and participants maximize Social Security benefits—which are a critical part of the retirement income equation for many savers. This is an early example of the impact of last year’s Retiree, Inc. acquisition.

And the Retirement Advisory Service, which offers ongoing access to advisors and personalized financial planning. The financial plans include tax-aware retirement income planning and actively managed portfolios led by the expertise of our Multi Asset investment professionals.

We are excited we will be launching our new Personalized Retirement Manager in the third quarter. This is an evolution of our robust target date offerings, driven by a highly customized approach. We plan to deliver a dynamic, personal glide path for each participant by using plan level data, additional factors provided by participants, and analyzing their portfolio through a monthly multifactor assessment.

And in the fourth quarter, we plan to launch a Managed Lifetime Income solution that will allow participants to combine a managed payout strategy with a Qualified Longevity Annuity Contract (QLAC). The product is designed to enable a consistent income stream in retirement while guaranteeing a minimum level of income for life after a defined age.



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Remarks by Dee Sawyer

Dee Sawyer, Head of Global Distribution, transcript of Q1 2024 Earnings Call on April 26, 2024.

It is also important to mention that the breadth of our retirement platform enables us to develop industry leading thought leadership and research on key retirement topics.

We leverage both to build client relationships, advance our position as a retirement leader, and enable clients and participants to pursue better retirement outcomes.

I will close by saying that the leadership team and our associates are deeply committed to helping our clients confidently prepare for, save for, and live in retirement. We are grateful for their trust in us and will continue to use our expertise to drive capabilities and solutions that meet their evolving needs.

Questions & Answers

Transcript of retirement related questions from Q1 2024 Earnings Call on April 26, 2024

Craig Siegenthaler (Bank of America): Given that Dee is joining us, I do have a retirement question for her.

If alternative investments enter the retirement channel, is it more likely through single investment elections or inside of a Target Date fund?

And given that T. Rowe's ownership now includes OHA, is there potential for alts inside of a T. Rowe Target Date fund anytime soon, because we understand price may be one headwind with DC plan sponsors.

Dee Sawyer: With regard to alternatives, this is an area we have been actively researching. Given preferences and regulatory guidance, there are some complexity around adding alternatives within a 401(k) plan such as the daily NAV.

However, if we were to introduce alternatives for our Target Date strategy, we could act quickly with Target Date solutions, including T. Rowe Price solutions or OHA solutions or others because we have a long list of partners that would be able to work with us in order to do that.

In regards to the specifics, we would likely offer that in a custom solution with a plan sponsor, and we have the benefit to be able to work with many plan sponsors, who are asking us around how can we continue to advance solutions.

Certainly we could offer this also in a stand-alone parallel solution, and that would be another way that we could bring this to market when and if it makes sense.

Rob Sharps: Yes, Craig, this is Rob. I'll just add a few things. One, it's a priority for us to continue to evolve and improve our Target Date offering. And this is an area that we've given a lot of thought to.

My first observation is that we've seen very limited interest from plan sponsors in incorporating alternatives into defined contribution lineups, either as a stand-alone investment offering or as part of target date funds. And as Dee mentioned, there are some limitations around accommodation of the record-keeping system, daily liquidity, daily pricing, those sorts of things. There's also a tremendous amount of fee sensitivity in the defined contribution marketplace and alternatives naturally have higher fees.

Where we have seen interest and where we've engaged are primarily in custom target dates that are designed by corporate clients, usually where they have a defined benefit plan, and they have an investment staff and an existing roster of alternative investment managers.

So, it's something that we're paying a lot of attention to. We're engaging with our plan sponsor clients and listening to what they want. But so far, there's been really very little adoption or interest in alternatives in defined contribution.

Questions & Answers

Transcript of retirement related questions from Q1 2024 Earnings Call on April 26, 2024

Michael Cyprys (Morgan Stanley): Maybe just sticking with the retirement theme. I was hoping to double click on decumulation. Just hoping you could talk a little bit more about the opportunity set that you see for decumulation products. What product structures, in particular, do you think have the biggest opportunity as you look out over the next 10 years?

And with the products you have so far, just curious what traction you're seeing and with the new managed lifetime income solution that you're slated to launch later this year, just curious what ultimately you think will be the most successful way to approach that from a distribution standpoint to win as you think about the channels and go-to-market strategy?

Dee Sawyer: Great. Thank you so much for the question. I'll start us off. So first, I think I would highlight the breadth of our retirement platform, which gives us access to plan sponsors, intermediaries, and participants. And this is really important because it allows us to really understand what types of retirement income solutions are critical for the varying types of participant needs in the decumulation phase.

What our research indicates is that these needs and preferences are diverse, and our perspective is that there will not be a one-size-fits-all solution for retirement income.

As you noted, we currently offer managed payout solutions, and we do have nearly 60 retirement plans that are using those solutions, which represents approximately 20% of our AUA in terms of overall coverage.

Our payout solutions, our Retirement Income 2020 solution has been launched seven years ago, and then we extended that to offer it through our Retirement Plan Services solution.

As you noted, we are working on a retirement insured solution, which we're calling Managed Lifetime Income product. This will be a collective investment trust vehicle, and we're planning to launch that in the fourth quarter of this year.

We also are planning to launch, as I mentioned earlier, Personalized Retirement Manager, which is also a way to extend, as time goes by, into retirement income as well. This is a managed account program that we're excited about launching, and it will be introduced in the third quarter of this year.

So long-winded way, perhaps of saying that we do believe that it's really important to offer a variety of types of solutions in order to meet the different types of needs, and that's what we found by working with participants, individual investors, plan sponsors, as well as advisers.

Questions & Answers

Transcript of retirement related questions from Q1 2024 Earnings Call on April 26, 2024

Brian Bedell (Deutsche Bank): Maybe just to go back to the retirement business. Can you talk a little bit about how you viewed the DCIO segment versus the full-service record-keeping segment in terms of economics to T. Rowe Price? I know full service is more costly, can be lower margin, but you, I think, have a better ability to capture IRA rollovers there. So if you can talk about that dynamic.

And then as you evolve your solutions, do you have more flexibility to do that with the record-keeping plans, hence that makes that segment more attractive than DCIO from that standpoint?

Dee Sawyer: Sure. So thanks for the question. Let me offer a couple of points. So the first point that I would offer is when you look at our U.S. defined contribution assets under management, roughly 75% of those defined contribution assets are our DCIO channel. And so we feel really strongly about the fact that we continue to offer solutions across many different types of record-keepers and through many different types of accounts in that DCIO channel, and that's through hard work with partners on the intermediary side of our business.

With specifically about our retirement services business, we feel really good about that business in the fact of two things. So number one, as I mentioned in my earlier remarks, in the fact that 60% of that business overall is in proprietary products, and that's unique for T. Rowe Price.

The second thing about that retirement business is we do also have an individual investor channel where a participant, if they should choose, can roll over. And we do see that, that

is an advantage for us in terms of overall economics, but overall meeting participant needs where they are. So hopefully, that's helpful perspective.

Rob Sharps: Yes. The one thing that I would add quickly is within our individual investor is one area that we've been investing in is our advisory capability, specifically around rollovers and retirement.

So in addition to the Retiree acquisition last year, which is another tool to help optimize decumulation, we've been investing in Retirement Advisory Service, and it's part of the individual investor business that's growing.

Jen Dardis: Maybe picking up on one more point that you mentioned, Brian, because we do have the recordkeeping business in-house, we are able to more quickly roll out solutions that we want to add on from a plan sponsor perspective.

So all the services that Dee talked about earlier, because we have the inner-workings of the plan record keeping, we're able to launch those more quickly than if we had to do that on another platform. But it does allow us to kind of test those and then roll them out more broadly as clients prefer.

Rob Sharps: It also gives us some pretty meaningful perspective to engage with clients outside of the U.S. as defined contribution schemes evolve.

So we have an existing opportunity in Asia. We're working on another one. And there are a handful of opportunities to partner with folks to leverage the expertise that we have as a retirement date fund provider. But also as a plan sponsor to kind of partner with people outside of the U.S. as they really develop their approach to defined contribution.

Questions & Answers

Transcript of retirement related questions from Q1 2024 Earnings Call on April 26, 2024

Kenneth Worthington (JP Morgan): Dee, a couple more questions for you, please. BlackRock announced its Paycheck product. Does the BlackRock announcement change the equation at all for de-accumulation or the competitive environment in retirement?

Maybe second, do you feel that T. Rowe is ahead of peers in decumulation or retirement customization? And if so, are you ahead enough to win new business? Or is this more about keeping existing business?

Dee Sawyer: In terms of—let me answer your second question first. I think we are in a really good position where we are with our overall approach to retirement income and how we are making sure that we are continuing to meet the evolving needs and addressing the complexity of decumulation.

And so we certainly already have products in the marketplace. And then I mentioned a couple that are already in development that we're excited about launching later in the year. And so I would tell you, I feel really well—really good about our position overall to be able to meet the needs of plan sponsors and end investors.

I think it's also important to note that we do plan to continue to extend those relationships through our other channels including our intermediary channel, making sure that we're partnering with advisers and their end clients. And so we feel good about our lineup that we have today as well as the lineup coming.

So that would answer the first question—or the second part of your question. Regarding the first part of your question, what I would tell you, though, is as we think about retirement income, it's just important to note that there is a fair number of solutions in the marketplace. And where I would say we are differentiated is in the fact of the breadth of our platform.

If you think about the fact that T. Rowe Price is uniquely positioned in the fact that we work with plan sponsors. We work with end investors. We work with intermediary clients. We work with institutions. We work with clients across the globe. We are uniquely positioned to be able to support that all the way across.

More specifically around retirement income, we also have solutions comparable to the solutions that you've mentioned. And so I do feel that we are well positioned, and there isn't anything that I would say is notable to say that we're behind to mention on this call.

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Assets Under Management – by Account Type

U.S. \$ billions

	2021	2022	2023	Mar-24
U.S. Defined Contribution – Investment only	\$533.0	\$410.2	\$486.2	\$524.7
U.S. Retirement Plan Sponsors – Full-service recordkeeping ¹	162.4	132.4	141.2	151.3
Total U.S. Defined Contribution (DC)	695.4	542.6	627.4	676.0
Other retirement accounts	406.5	304.3	341.4	357.8
Total U.S. DC and Other Retirement	1,101.9	846.9	968.8	1,033.8
Other accounts	585.9	427.8	475.7	508.4
Total AUM at end of period	\$1,687.8	\$1,274.7	\$1,444.5	\$1,542.2

Firmwide AUM includes assets managed by T. Rowe Price Associates, Inc., and its investment advisory affiliates.

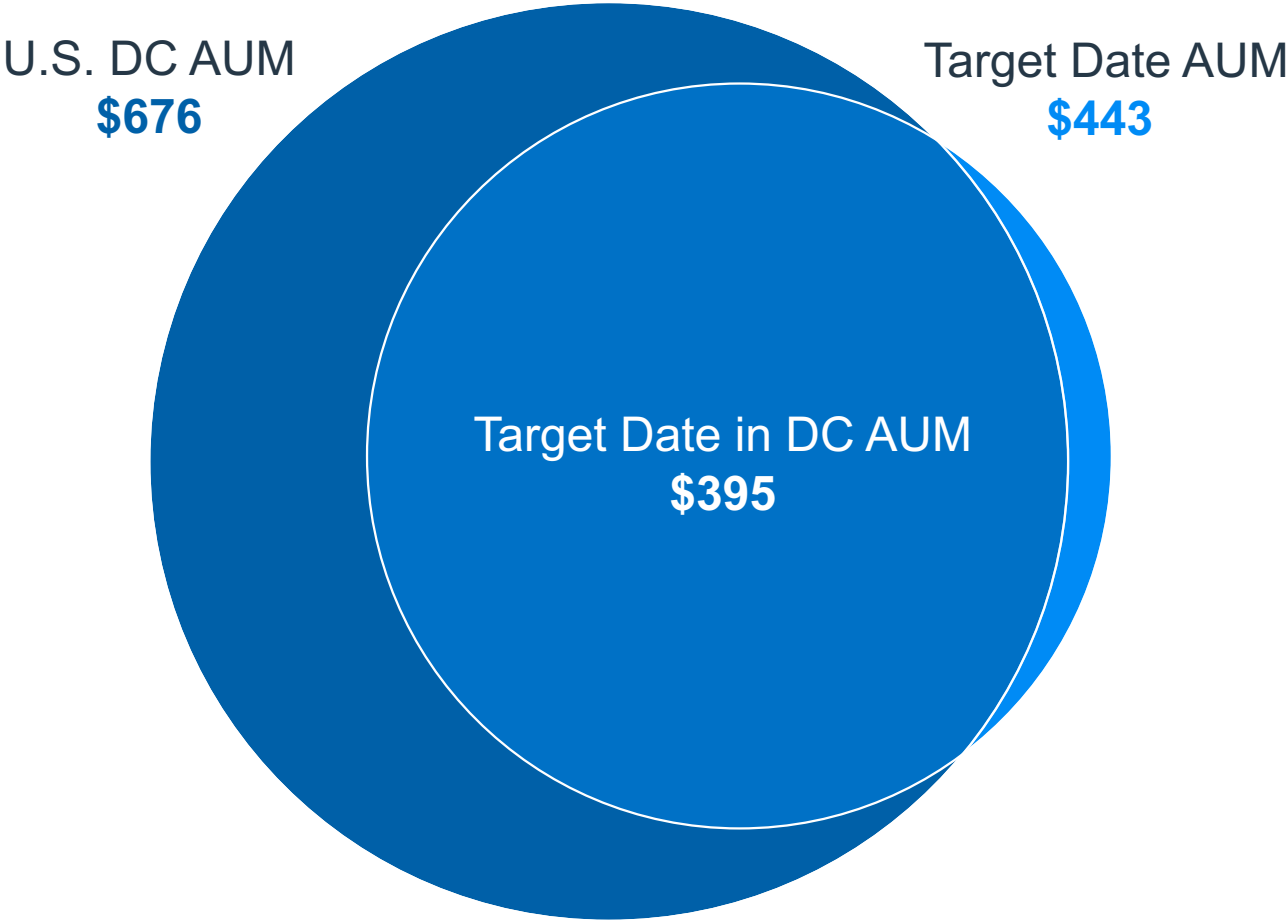
¹ Full-service recordkeeping manages ~\$5B in defined benefit plans

Full-service recordkeeping and plan administration services provided to:

- **\$266 billion** in assets under administration as of March 31, 2024
- **Over 8,000 U.S.** retirement plans
- **Over 2.3 million** plan participants

U.S. Defined Contribution and Target Date AUM

As of March 31, 2024.
U.S. \$ billions.



U.S. Defined Contribution AUM - \$676B

- Almost 60% (\$395B) of our U.S. DC AUM is held in T. Rowe Price target date products.
- The other \$281B is held in single strategy products with large cap growth equity and stable value being the largest proportion.

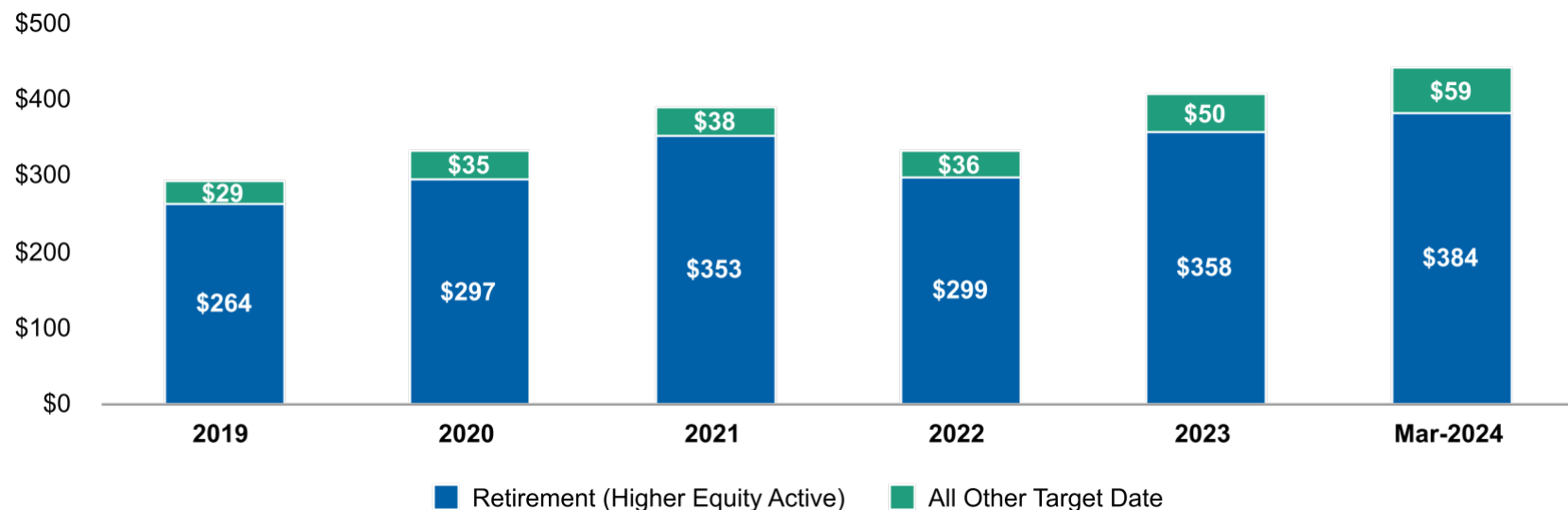
Target Date AUM - \$443B

- Almost 90% (\$395B) of our target date assets are held by DC plans.
- The other \$48B are predominately held by Individual Investors.

Not to scale.
Not all products are available to all investors.

Target Date Franchise

U.S. \$ billions



- **\$443B** of target date retirement AUM as of March 31, 2024
- **\$6.8B** of target date retirement net new flows in Q1 2024
- **\$13.1B** of target date retirement net new flows in full year 2023
- **3rd** largest total market share of **11.3%***
- **#1** in active market share*

<p>Retirement</p> <p>Higher Equity Active Management Funds Trusts</p>	<p>Target</p> <p>Lower Equity Active Management Funds Trusts</p>
<p>Blend</p> <p>Higher Equity Higher Passive vs. Active Allocation Funds Trusts</p>	<p>Hybrid</p> <p>Higher Equity Higher Active vs. Passive Allocation Trusts</p>
<p>Custom Target Date</p> <p>Custom Allocations Varied Management Separate Accounts</p>	<p>Retirement Income</p> <p>Higher Equity Active Management 2020 and 2025 Funds</p>

Not all products are available in all jurisdictions nor to all investors.

*Morningstar Direct as of 12/31/2023. Includes target date assets held in a mutual fund or CIT. Data excludes assets held in custom products.

Important Information

Sources for references in Spotlight on Retirement comments:

- DCIO largest providers: Pensions and Investments as of December 2022
- Proprietary assets in record keeping plans: BrightScope/ICI Defined Contribution Plan Profile, issued September 2023

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