



NEWS RELEASE

T. ROWE PRICE ANNOUNCES NEXT EVOLUTION OF TARGET DATE RETIREMENT PRODUCTS WITH EYE TO IMPROVED RETIREMENT OUTCOMES

Adjustments to some elements of T. Rowe Price target date lineup address increasing investor and plan sponsor focus on challenges of longevity and investing risks, seeking balance between growth and preservation of capital to help improve retirement readiness

Over two years, equity allocations will be increased early in the accumulation years and post-retirement, but no changes will be made to equity allocations at the retirement date

As a result of a new unitary fee structure, none of the firm's target date portfolios will experience an increase in expense ratios and some will see their expense ratios decrease

Baltimore: February 13, 2020

NEWS

T. Rowe Price Group, Inc. (NASDAQ-GS: TROW), a global investment management organization and a market leader in target date investing, today announced the next evolution to its target date retirement product lineup. Based on extensive proprietary research, T. Rowe Price's enhancements to its target date portfolios are designed to help improve retirement outcomes and address the headwinds investors face in achieving retirement security, including longevity risk, inflation risk, and market risk.

Over a two-year period, T. Rowe Price will gradually increase equity exposure in the Retirement and Target portfolios' glide paths early in the accumulation years and post-retirement and add emerging markets and U.S. large-cap core equity strategies to further diversify the underlying investments.

"As leaders in target date investing, T. Rowe Price understands the importance of retirement to our investors. Our Retirement Funds were among the first in the industry to recognize the need to focus on supporting lifetime income with a higher equity allocation," said Wyatt Lee, portfolio manager and head of Target Date Strategies, Multi-Asset Division. "These enhancements are based on extensive proprietary research, including our insights into retirement readiness and the headwinds investors face in achieving retirement security, the continued evolution of plan sponsor objectives, and meaningful advancements in our capabilities to model the retirement lifecycle problem. They reinforce our long-standing belief in the need for sufficient growth to help investors achieve their long-term retirement goals."

Glide Path Adjustments

The glide path shifts are designed to help deliver improved outcomes to investors while providing a holistic approach to risk management. T. Rowe Price's research finds that outcomes in retirement may be improved by adjusting the amount of growth-seeking assets in the longer (pre-retirement) and shorter (post-retirement) ends of the glide path without increasing the level of risk at retirement. For example, raising equity levels led to higher average balances at retirement, more sustainable levels of income and consumption replacement, and greater residual wealth.

Based on T. Rowe Price's research, the following changes will be made:

Retirement glide path

- Raise the equity allocation of the glide path at the start of the investing lifecycle (30 or more years from retirement) to 98% equity from the current 90% equity



- Hold the 98% equity allocation constant until 30 years from retirement
- Maintain a 55% equity allocation at retirement
- Raise the equity allocation after retirement, reaching a final 30% equity allocation 30 years past retirement, an increase from the current 20% allocation

Target glide path

- Raise the equity allocation of the glide path at the beginning of the lifecycle to 98% equity from the current 90% equity
- Hold the 98% equity allocation constant until 35 years from retirement
- Maintain a 42.5% equity allocation at retirement
- Raise the equity allocation after retirement, reaching a final 30% equity allocation 30 years past retirement, up from the current 20%

The transition will occur over a two-year period starting in April 2020. Portfolios closest to retirement will not experience an increase in equity from their current levels, while other vintages/dates will adjust their equity allocations gradually each quarter. As a result, many investors will see no change to their current equity allocation. The firm believes these updates will help preserve the wealth investors have worked hard to build while seeking growth, both in the early accumulation years and post-retirement, to help preserve spending power and keep pace with inflation.

Building Block Additions

T. Rowe Price also announced the addition of two investment strategies to the underlying building blocks of several target date products; Emerging Markets Discovery Stock will be added to all the firm's target date strategies and U.S. Large-Cap Core will be added primarily to actively managed strategies (Retirement Funds, Retirement I Class Funds, Retirement Income 2020 Fund, Retirement Trusts, Target Funds, and Target Trusts).

These additions increase the diversification and opportunity for growth while helping to manage risk across the firm's target date retirement products. Adding the Emerging Markets Discovery Stock further diversifies target date portfolios' existing exposure to emerging markets stocks. U.S. Large-Cap Core helps diversify strategy concentration in longer-dated portfolios and reduces the concentration of S&P 500 exposure in the shorter-dated portfolios.

Mutual Fund Fee Structure Changes

For its Retirement and Target mutual funds, T. Rowe Price is moving to a unitary, top-level fee structure in which expense ratios will no longer vary depending on the management fees and expenses of the underlying funds. This modification provides shareholders a simplified fee approach across the firm's target date mutual funds that provides greater predictability around the fees they will pay. The new fee structure will be implemented in April 2020. There are no current plans for pricing changes on collective investment trusts (CITs) or other vehicles.

As a result of this change, none of the firm's target date portfolios will experience an increase in expense ratios, and some will see their expense ratios decrease.

ABOUT T. ROWE PRICE TARGET DATE FRANCHISE AND MULTI-ASSET DIVISION

T. Rowe Price established its target date portfolios in 2002 and the firm has been a category leader since that time. The firm's target date portfolios are advised by its Multi-Asset Division, which managed \$360 billion in multi-asset portfolios for retail and institutional clients as of December 31, 2019. T. Rowe Price is the second



largest provider of active target date retirement portfolios in the U.S., with \$292 billion in assets under management as of December 31, 2019.ⁱ

The firm's target date product suite includes two distinct series with differing glide paths, offered as both mutual funds and collective investment trusts: the Retirement glide path is designed to support the need for sustainable lifetime income; the Target glide path is designed to limit balance variability around retirement.

T. Rowe Price's target date portfolios seek to provide investors with an age-appropriate, diversified portfolio that can carry an investor to and through retirement. One hundred percent (100%) of the Retirement Funds with 10-year track records outperform their Morningstar peer average over the 10-year period as of December 31, 2019, with most in the top decile.ⁱⁱ

Target date strategies have become important retirement investment vehicles for many individual investors and for a growing majority of those participating in defined contribution plans or other tax-deferred retirement savings programs. Target date portfolios attempt to address and balance investors' exposure to three main risks: longevity risk, inflation risk, and market risk. These strategies are an effective investment solution for investors who prefer to delegate their investment and asset allocation decisions to professional money managers.

[Download a prospectus](#) or obtain one by calling 1-800-541-8803. The prospectus includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.

T. Rowe Price Investment Services, Inc., distributor, T. Rowe Price mutual funds.

The principal value of the Retirement Funds and the Target Funds (collectively, the "target date funds") is not guaranteed at any time, including at or after the target date, which is the approximate year an investor plans to retire (assumed to be age 65) and likely stop making new investments in the fund. If an investor plans to retire significantly earlier or later than age 65, the funds may not be an appropriate investment even if the investor is retiring on or near the target date. The target date funds' allocations among a broad range of underlying T. Rowe Price stock and bond funds will change over time. The Retirement Funds emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus on supporting an income stream over a long-term postretirement withdrawal horizon. The Target Funds emphasize asset accumulation prior to retirement, balance the need for reduced market risk and income as retirement approaches, and focus on supporting an income stream over a moderate postretirement withdrawal horizon. The target date funds are not designed for a lump-sum redemption at the target date and do not guarantee a level of income. The key difference between the Retirement Funds and the Target Funds is the overall allocation to equity; although they each maintain significant allocations to equities both prior to and after the target date, the Retirement Funds maintain a higher equity allocation, which can result in greater volatility over shorter time horizons.

ABOUT T. ROWE PRICE

Founded in 1937, Baltimore-based T. Rowe Price Group, Inc. is a global investment management organization with \$1.21 trillion in assets under management as of January 31, 2020. The organization provides a broad array of mutual funds, subadvisory services, and separate account management for individual and institutional investors, retirement plans, and financial intermediaries. The company also offers sophisticated investment planning and guidance tools. T. Rowe Price's disciplined, risk-aware investment approach focuses on diversification, style consistency, and fundamental research. For more information, visit troweprice.com, [Twitter](#), [YouTube](#), [LinkedIn](#), and [Facebook](#) sites.



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ⁱ Strategic Insight

ⁱⁱ Morningstar: 11 of our 12 Retirement Funds (Investor Class) had a 10-year track record as of 12/31/19. 11 of these 11 funds beat their Morningstar average for the 10-year period. 12 of 12, 12 of 12, and 12 of 12 of the Retirement Funds outperformed their Morningstar average for the 1-, 3-, and 5-year periods ended 12/31/19, respectively. Calculations are based on cumulative total return. (Source for data: Morningstar).