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SECURE CHOICE SYMPOSIUM

Drew Carrington, CFA[®], CAIA

Senior Vice President, Head of Defined Contribution, Institutional

Franklin Templeton Investments Profile

Assets: \$844 billion under management

By asset class (\$ in billions)



Institutional snapshot¹

833 Institutional client accounts

369 Institutional fixed income accounts

397 Institutional equity accounts

67 Institutional alternative accounts

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All data as of September 30, 2013 unless otherwise noted.

1. Numbers do not include individual and internal Franklin Templeton accounts.

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DC and retirement investments at a glance

\$35+ billion DC assets under management

\$175+ billion DC and retirement assets under management

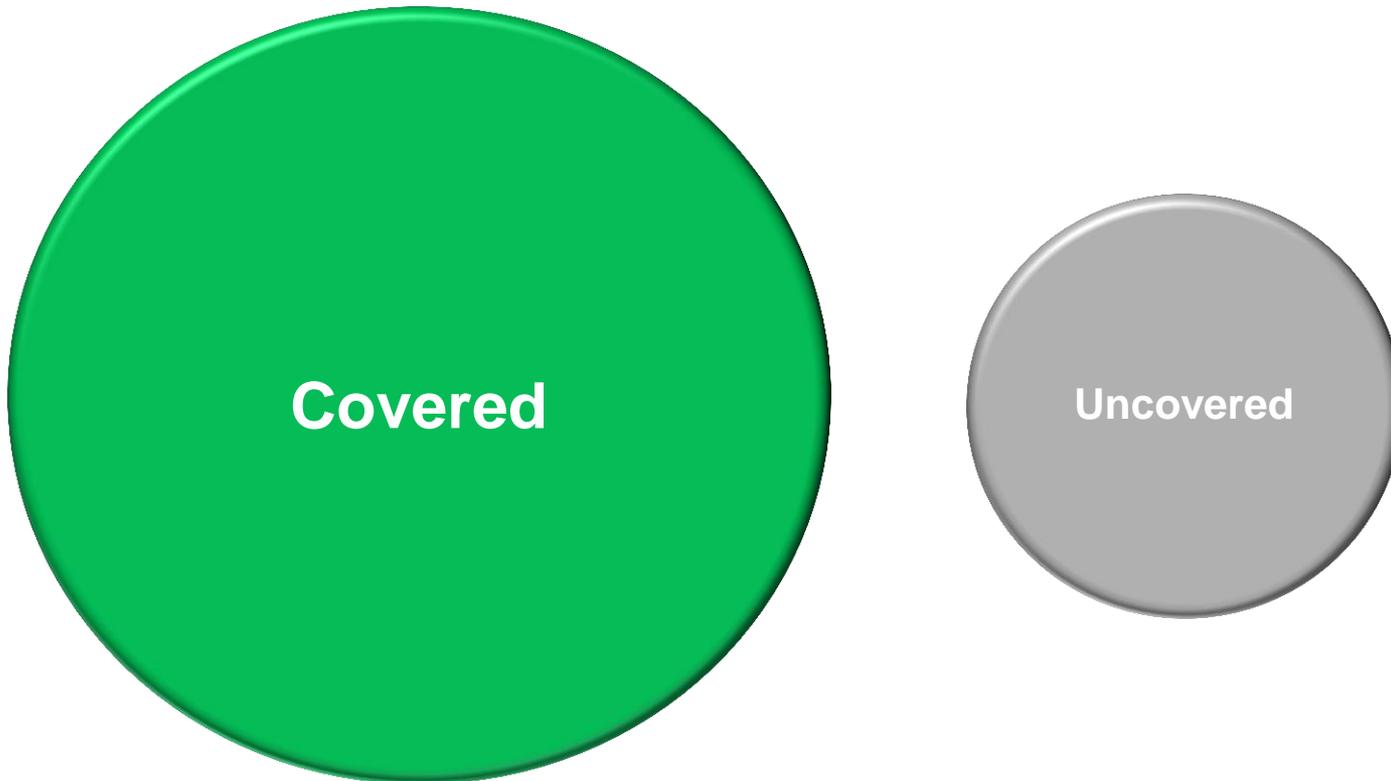
100+ DC record-keeper relationships

- More than **65** years of experience in global investing
- Investors in more than **150** countries
- Offices in more **35** countries



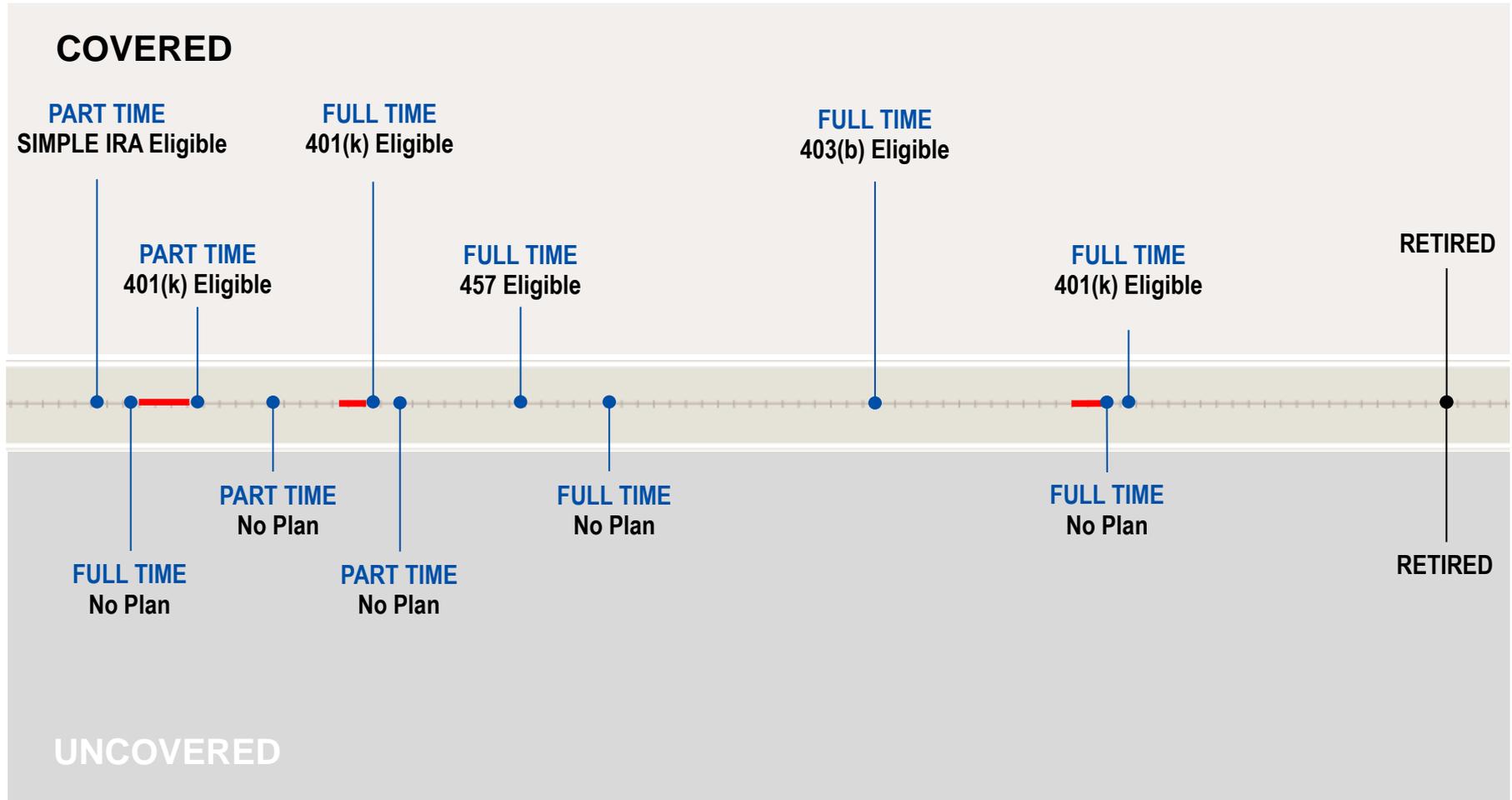
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Snapshot of Availability of Employer-Sponsored Retirement Plans



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Example of Employment History



 Unemployed

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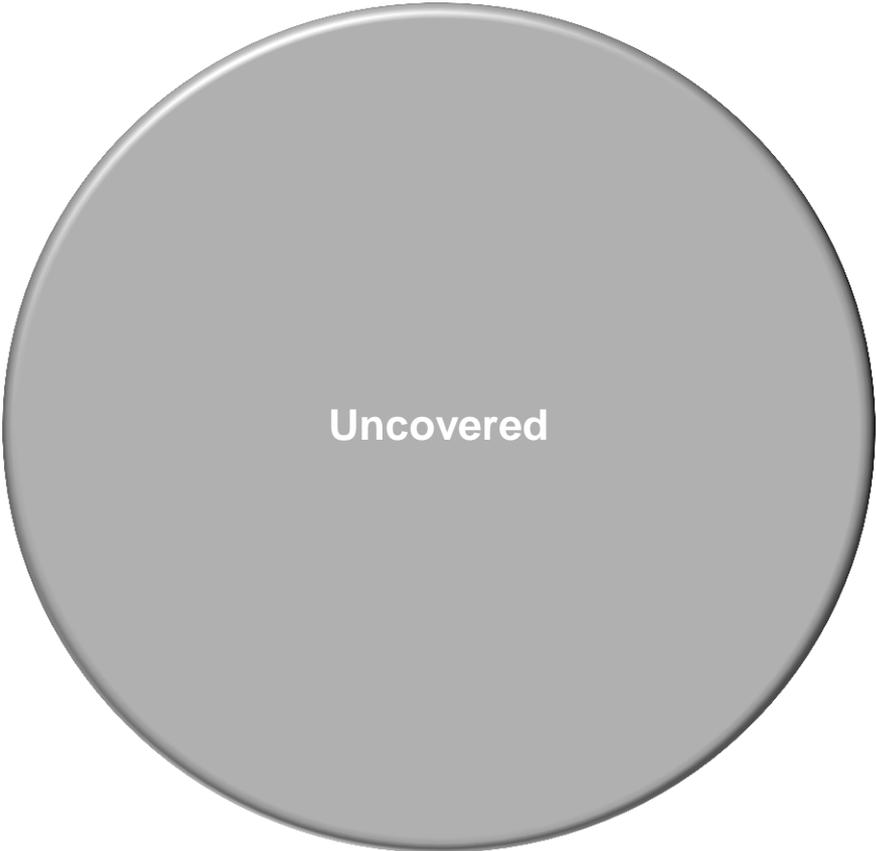


Snapshot of Availability of Employer-Sponsored Retirement Plans



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Cumulative

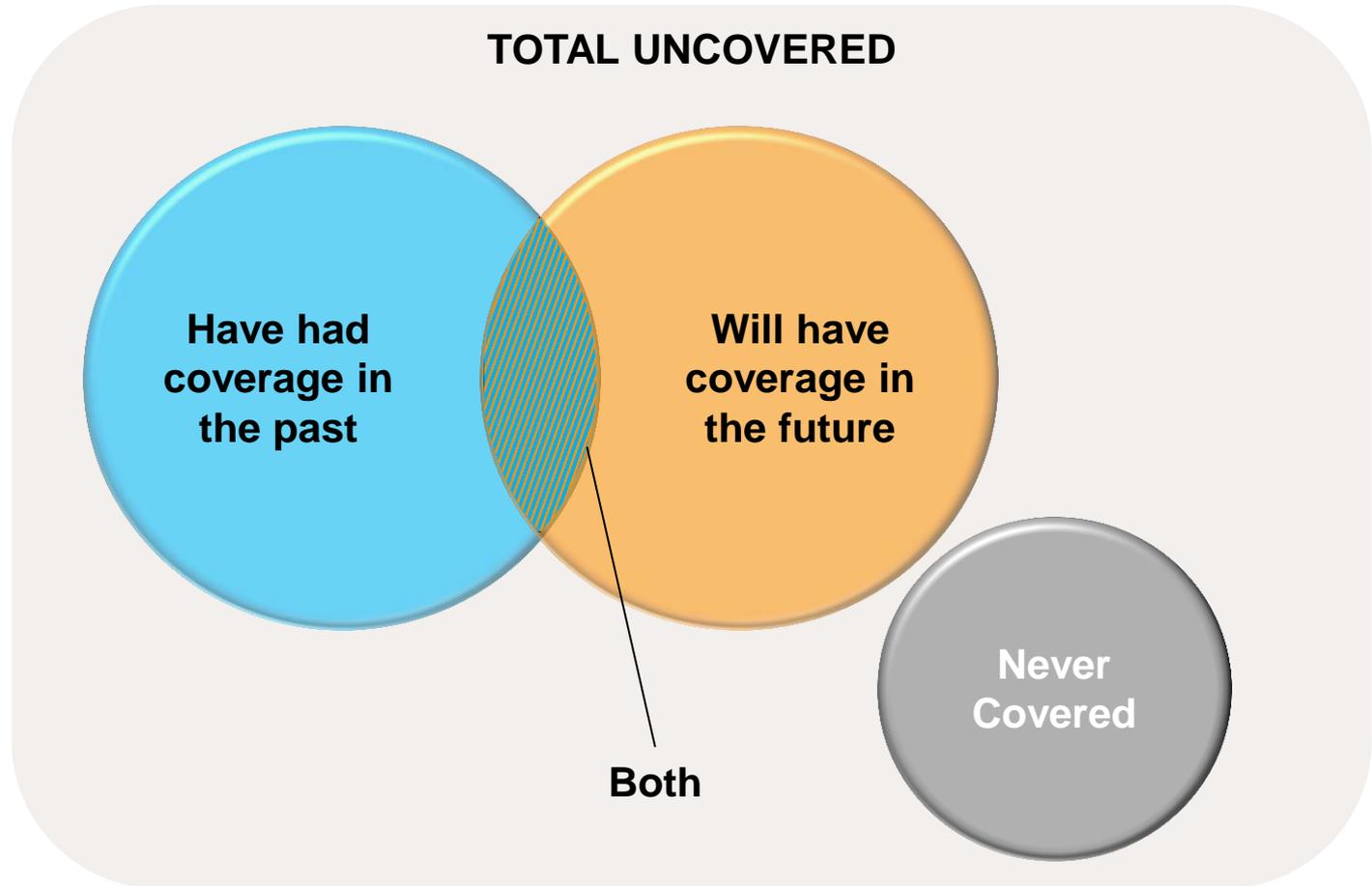


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Total Number of Uncovered Individuals

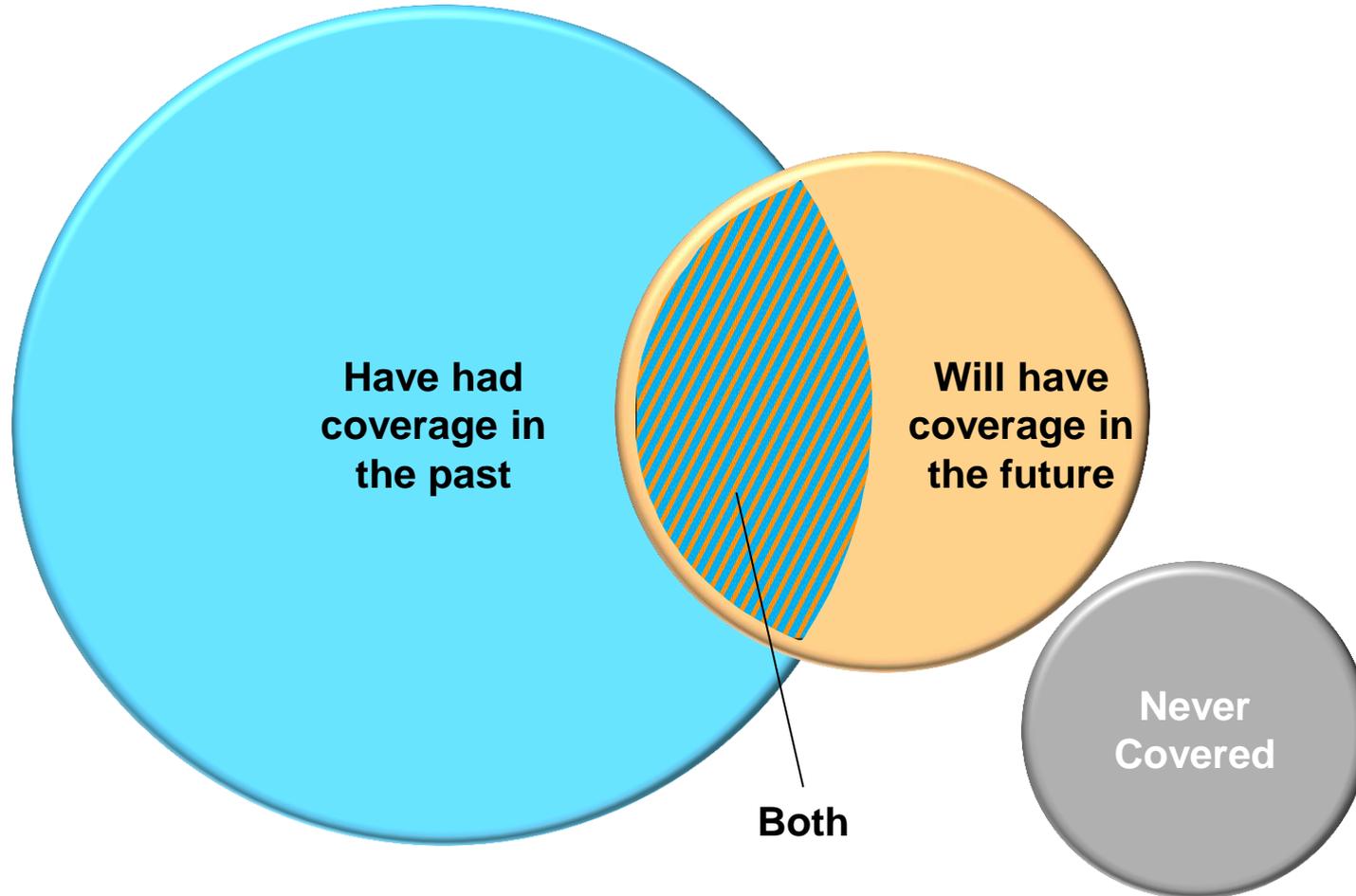
Snapshot



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Total Number of Uncovered Individuals

Cumulative View



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Implications

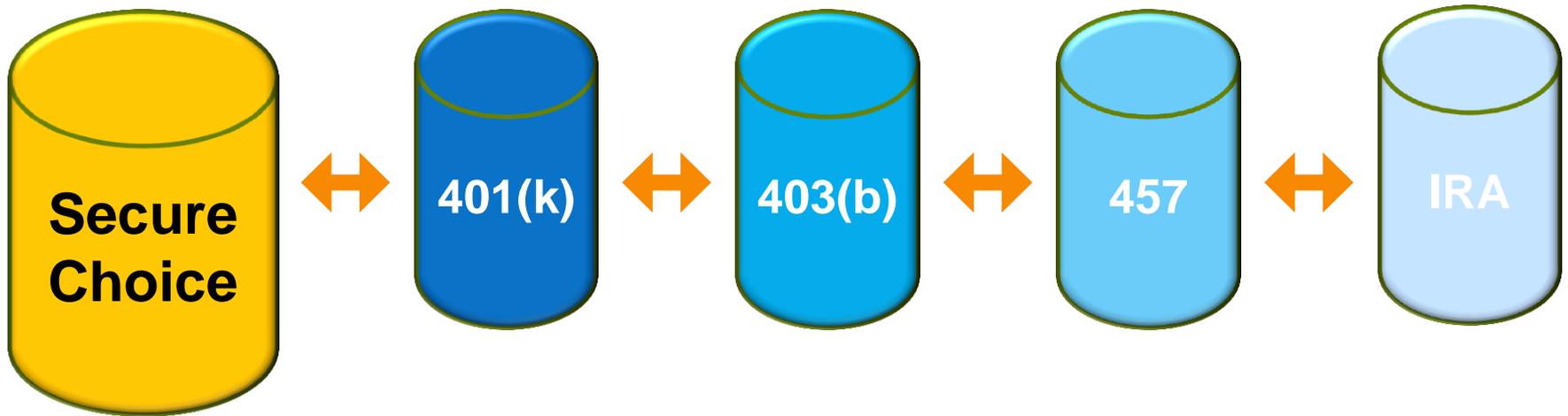
- A cumulative perspective reveals that most uncovered workers will have had coverage at some point during their working years
- As a result, workers may amass retirement savings in a wide variety of employer savings accounts
- Interoperability is key
 - Discourage small balance cash-outs
 - Allow consolidation to gain greater economies of scale
 - Help plans achieve institutional pricing
 - Reduce cost of advice

Implications

- Role of Secured Choice
 - Not a destination, but a bridge between episodes of non-coverage
 - Easily enable continuation of savings
 - Educate users to encourage regular investment for retirement in a diversified portfolio.



Interoperability



Active or Passive Investment Management?

“The program should offer investment portfolios that reflect the best investment thinking in the world, which is almost never one thing or the other. Instead, it is a sensible combination of active and passive management, based on the cost versus alpha tradeoff, and the level of conviction that active managers can outperform in a particular asset class.”

Active or Passive Investment Management?

- The case for active management varies by asset class:
 - Global & International Fixed Income
 - High Yield Bonds
 - Emerging Markets Equity
 - Inflation Protection
- Target Date Fund asset allocation decisions are never passive
 - There is no cap-weighted, passive “glide path”.
- Decisions must be made regarding where to seek alpha, and where to take advantage of the cost benefits of passive investing.

Conclusions

- **Secure Choice could reduce the negative impact of coverage gaps.**
 - EBRI measures “retirement readiness” by evaluating the percentage of pre-retirement income that can be replaced by a combination of Social Security and personal savings.
 - One of the major determinants of readiness is the availability of an employer-sponsored plan. Further, the magnitude of impact is even larger for workers with lower incomes.
 - Secure Choice could encourage the development of life-long saving habits for early-career workers who may be less likely to have access to a plan.
 - While Secure Choice would not be as beneficial as a employer-sponsored plan with a deferral match, it would be a major step towards resolving the problem.

Source: EBRI Issue Brief No. 318, “The Impact of PPA on Retirement Savings for 401(k) Participants”, June 2008.

Source: EBRI Issue Brief No. 392, “Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2012”, November 2013.

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Conclusions

- **Secure Choice should be considered as part of the existing retirement system.**
 - Interoperability between plans would encourage workers to remain invested and reduce small-balance cash outs.
 - Further, interoperability would allow workers to consolidate their retirement savings through rollovers to plans for which they may be eligible in the future.



Biography

Drew Carrington, CFA®, CAIA

Senior Vice President

Head of Defined Contribution, Institutional
Franklin Templeton Institutional

Drew Carrington is responsible for overseeing Franklin Templeton's sales and service business for the defined contribution investment only segment of the U.S. institutional market.

Mr. Carrington began his career in the financial services industry in 1988. He served as head of the Defined Contribution and Retirement Solutions Group at UBS Global Asset Management, focused on developing retirement approaches for DC plans, particularly in the target date and retirement income categories. Prior to that, as a senior fixed income portfolio manager, he worked closely with UBS' Asset-Liability Investment Solutions team to design and implement the fixed income and duration overlay portions of asset-liability management strategies. Before joining UBS in 2005, he was a principal at Mercer Investment Consulting, where he worked with both public and private DB and DC clients.

Mr. Carrington is chair of the Retirement Income Committee of Defined Contribution Institutional Investment Association (DCIIA), a nonprofit association dedicated to enhancing the retirement security of American workers. He is a frequent speaker at industry conferences on retirement planning. Mr. Carrington holds Chartered Financial Analyst® (CFA) and Chartered Alternative Investment Analyst (CAIA) designations and holds a bachelor of arts from Harvard University.

Important Disclosures

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Franklin Templeton Institutional
One Franklin Parkway
San Mateo, California 94403-1906
franklintempletoninstitutional.com