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J.P.Morgan
Asset Management

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J.P. Morgan Asset Management Proposes Fundamental Rethinking of Traditional Defined Contribution Plan Core Menu

— Offers new strategy to strengthen participant outcomes—

New York, NY, November 9, 2011 – J.P. Morgan Asset Management is introducing a new approach to the traditional menu of investment choices offered by most U.S. defined contribution (DC) plans.

The approach, called Core Menu Innovation (CMI), replaces overly complex and redundant fund line-ups with a simplified menu of just three investment portfolios: one consisting of diversified stock strategies, one with diversified bond strategies and one with diversified cash alternatives.

"CMI represents our most advanced thinking on how to help Americans achieve a more financially sound retirement," said Michael Falcon, head of Retirement for J.P. Morgan Asset Management. "The 401(k) plan is the primary retirement savings vehicle for most Americans today, so it's critical that we help participants make better investment decisions. J.P. Morgan research shows that participants who choose to invest on their own rather than in some form of professionally managed solution are, on average, falling short of their retirement savings goals. We have to help them close that gap, and we believe CMI is one way to do so."

Plan sponsors are searching for ways to increase participant engagement and consolidate their investment line-ups. The CMI solution provides fewer, but more sophisticated, investment options and leverages the diversification benefits offered by target date funds and other professionally managed, asset-allocation solutions.

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Improving Choice Architecture for Better Retirement Outcomes

Although target date funds have been widely adopted by plan sponsors, participation in them is lagging at the participant level: The majority (nearly 79%) of DC assets remain invested in the plan's core menu[1]. Today, the average 401(k) plan's core investment line-up includes at least 18 different fund choices[2], and often many more. However, a growing body of research shows that when participants are presented with complex or too many choices, they are most likely to make no choice at all or an uneducated choice—either of which leaves them inadequately diversified and overexposed to individual investment strategies.

How CMI Fundamentally Rethinks Core DC Line-Up

CMI seeks to combine the diversification benefits of professionally managed asset allocation solutions with proven research into participant behavior and choice architecture. It involves consolidating and streamlining the 18+ mutual funds found in an average DC plan into three professionally managed stock, bond and cash alternative investment options designed by J.P. Morgan's Global Multi Asset Group, which is responsible for the firm's suite of SmartRetirement Target Date Fund solutions. Each of these consolidated core portfolios is built with sophisticated asset allocation incorporating diversification across traditional and extended asset classes.

"CMI draws upon the Global Multi-Asset Group's unified investment approach that influences the group's target date strategies, which seek to capture attractive returns with lower volatility, increasing the overall probability that participants reach their retirement-income goals," said Anne Lester, portfolio manager for the Global Multi-Asset Group at J.P.

[1] Source: McKinsey, "Winning in the Defined Contribution Market of 2015" – Asset Allocation Funds includes Target Date and Balanced/Target Risk
[2] Source: PSCA's 53rd Annual Survey of Profit Sharing and 401(k) Plans, 2010
[3] Source: J.P. Morgan Retirement Plan Services

Press Contact: Charlotte Powell 212-622-4332 charlotte.f.powell@jpmorgan.com

Morgan Asset Management. "We continue to believe that target date funds are a good solution for the vast majority of participants. However, for those participants who elect not to enter target date funds, we believe CMI provides a better framework than that of the traditional DC plan's core line-up. "

How CMI Impacts Plan Sponsors

By helping to limit the range of extreme investment outcomes, and thereby generating better investment results, CMI helps plan sponsors meet their fiduciary responsibilities, while also contributing to a plan's overall success in helping participants achieve better retirement outcomes.

"As the investment and regulatory landscape has become drastically more complex, plan sponsors are increasingly under scrutiny to ensure they fulfill their legal obligations and act with responsibility for the prudence and suitability of participant investment decisions," said John Galateria, head of Defined Contribution Investment Solutions at J.P. Morgan Asset Management. "The investment thinking and participant research driving CMI is aligned to support those fiduciary responsibilities."

CMI also enables plan sponsors to potentially reduce individual manager risk and decrease any brand bias at the participant level. The strategy aims to capture greater fee efficiency and transparency by unbundling record-keeping and investment management fees.

"CMI brings together advanced asset-allocation thinking and a deep understanding of participant behavior — a powerful combination that we believe can help improve the retirement-savings outcome for Americans invested in 401(k) plans," Mr. Falcon said.

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About J.P. Morgan Asset Management

J.P. Morgan Asset Management, with assets under supervision of approximately $1.9 trillion and assets under management of $1.3 trillion (as of 9/30/2011), is a global leader in investment management. J.P. Morgan Asset Management's clients include institutions, retail investors and high-net worth individuals in every major market throughout the world. J.P. Morgan Asset Management offers global investment management in equities, fixed income, real estate, hedge funds, private equity and liquidity. **JPMorgan Chase & Co. (NYSE: JPM),** the parent company of J.P. Morgan Asset Management, is a leading global financial services firm with assets of $2.2 trillion and operations in more than 60 countries. Information about JPMorgan Chase & Co. is available at www.jpmorganchase.com.

J.P. Morgan Asset Management is the marketing name for the asset management businesses of JPMorgan Chase & Co., and its affiliates worldwide.

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