Nevada System of Higher Education

First Quarter 2017 Discussion Guide

May 19, 2017

Aon Hewitt
Retirement and Investment

Empower Results®

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Discussion Topics

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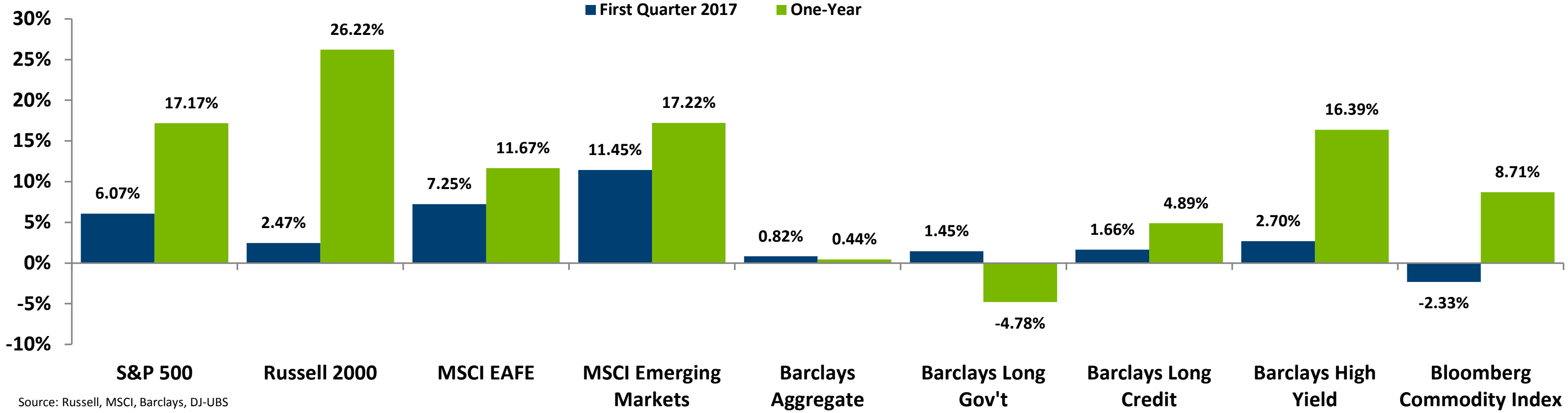
Agenda Tracker

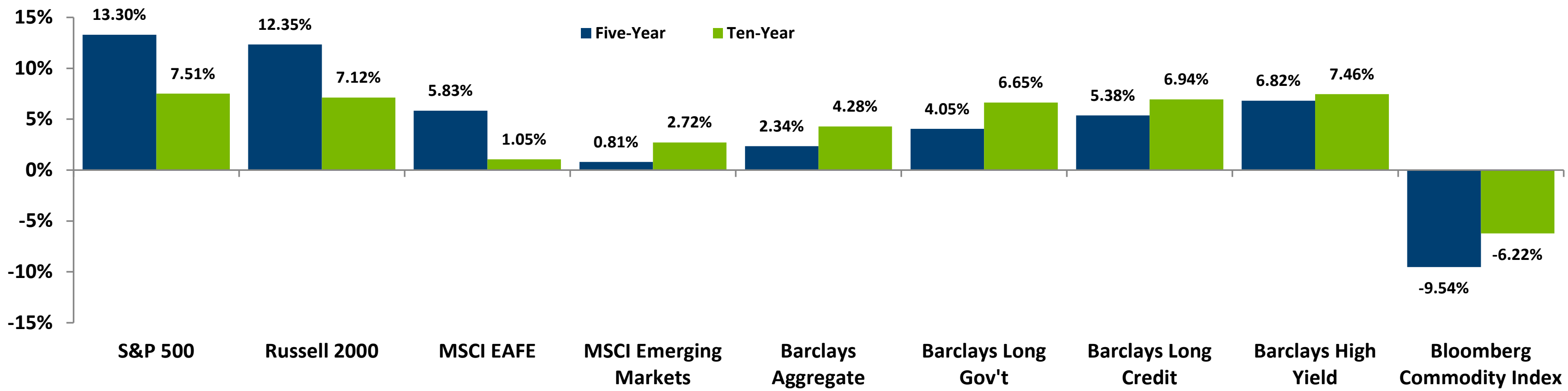
Market Highlights

SHORT TERM RETURNS
AS OF 03/31/2017



Source: Russell, MSCI, Barclays, DJ-UBS

LONG TERM ANNUALIZED RETURNS
AS OF 03/31/2017



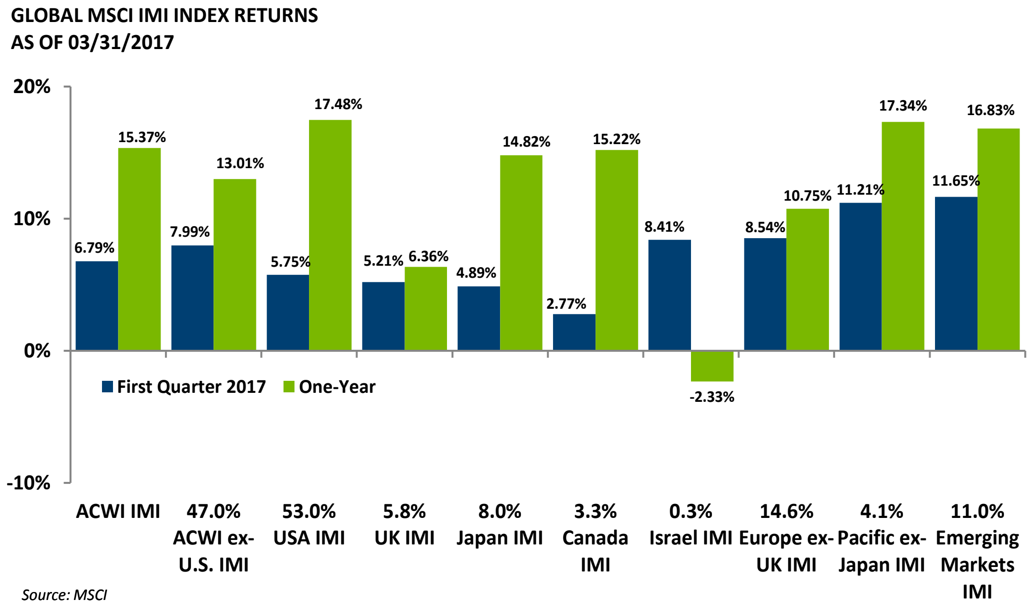
Source: Russell, MSCI, Barclays, DJ-UBS

Market Highlights

Returns of the Major Capital Markets					
					Periods Ending 03/31/2017
	First Quarter	1-Year	3-Year[1]	5-Year[1]	10-Year[1]
Equity					
MSCI All Country World IMI	6.79%	15.37%	5.07%	8.55%	4.23%
MSCI All Country World	6.91%	15.04%	5.08%	8.37%	4.00%
Dow Jones U.S. Total Stock Market	5.79%	18.06%	9.68%	13.11%	7.63%
Russell 3000	5.74%	18.07%	9.76%	13.18%	7.54%
S&P 500	6.07%	17.17%	10.37%	13.30%	7.51%
Russell 2000	2.47%	26.22%	7.22%	12.35%	7.12%
MSCI All Country World ex-U.S. IMI	7.99%	13.01%	0.82%	4.66%	1.59%
MSCI All Country World ex-U.S.	7.86%	13.14%	0.56%	4.36%	1.35%
MSCI EAFE	7.25%	11.67%	0.50%	5.83%	1.05%
MSCI EAFE (Local Currency)	4.71%	18.01%	7.26%	10.70%	2.33%
MSCI Emerging Markets	11.45%	17.22%	1.18%	0.81%	2.72%
Fixed Income					
Barclays Global Aggregate	1.76%	-1.90%	-0.39%	0.38%	3.34%
Barclays Aggregate	0.82%	0.44%	2.68%	2.34%	4.28%
Barclays Long Gov't	1.45%	-4.78%	5.81%	4.05%	6.65%
Barclays Long Credit	1.66%	4.89%	5.40%	5.38%	6.94%
Barclays Long Gov't/Credit	1.58%	0.98%	5.47%	4.84%	6.92%
Barclays US TIPS	1.26%	1.48%	2.03%	0.97%	4.24%
Barclays High Yield	2.70%	16.39%	4.57%	6.82%	7.46%
Citi Group Non-U.S. WGBI	2.02%	-4.79%	-2.56%	-1.50%	2.64%
JP Morgan EMBI Global (Emerging Markets)	3.90%	8.82%	5.73%	5.25%	6.91%
Commodities					
Bloomberg Commodity Index	-2.33%	8.71%	-13.91%	-9.54%	-6.22%
Goldman Sachs Commodity Index	-5.05%	8.45%	-22.71%	-15.00%	-9.04%
Hedge Funds					
HFRI Fund-Weighted Composite[2]	2.39%	8.61%	2.82%	4.03%	3.31%
HFRI Fund of Funds[2]	2.33%	6.17%	1.78%	3.21%	1.23%
Real Estate					
NAREIT U.S. Equity REITS	1.16%	3.56%	10.26%	9.99%	4.85%
NCREIF NFI - ODCE[3]	1.77%	8.33%	11.79%	11.98%	5.59%
Private Equity					
Burgiss Private iQ Global Private Equity[4]	NA	3.40%	11.52%	10.04%	10.12%
Infrastructure					
FTSE Global Core Infrastructure	6.19%	7.90%	3.62%	6.45%	3.15%

MSCI Indices show net returns.
All other indices show total returns.
[1] Periods are annualized.
[2] Latest 5 months of HFR data are estimated by HFR and may change in the future.
3 Fourth quarter results are preliminary.
4 Source: Burgiss Private iQ. Benchmark is as of 06/30/2016.

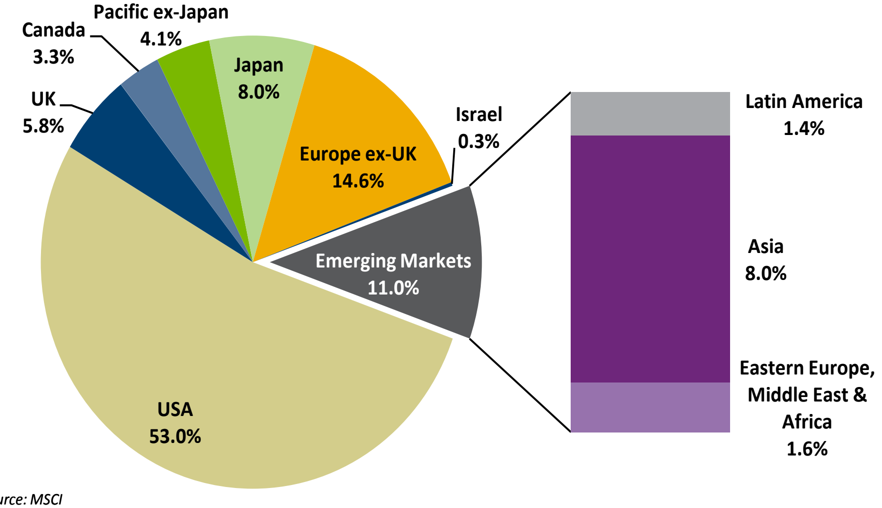
Global Equity Markets



- The "reflation trade" that drove global equity markets higher last quarter was bolstered during Q1 by a continuation of improving economic fundamentals across regions. Global equities (measured by the MSCI All Country World Index) returned 5.8% in local currency terms. Momentum in equity markets, however, waned towards the end of the quarter as the US administration's struggles to revise health care reform led to more realistic expectations for pro-growth policies.
- All regions generated positive returns with emerging markets being the strongest performing region. Despite an uncertain outlook for the region given the protectionist stance from the US administration, strong capital inflows and improving macroeconomic fundamentals led emerging markets equities higher. A weaker U.S. dollar also acted as a tailwind for the region.

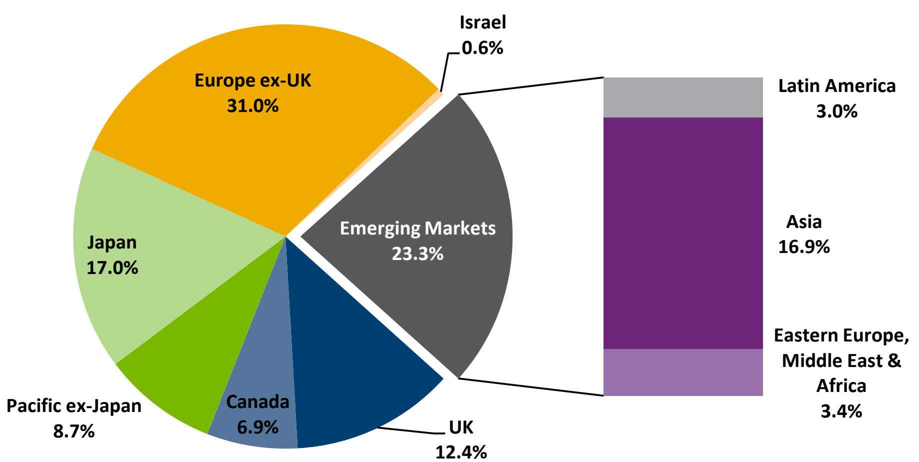
Global Equity Markets

MSCI ALL COUNTRY WORLD IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 03/31/2017



Source: MSCI

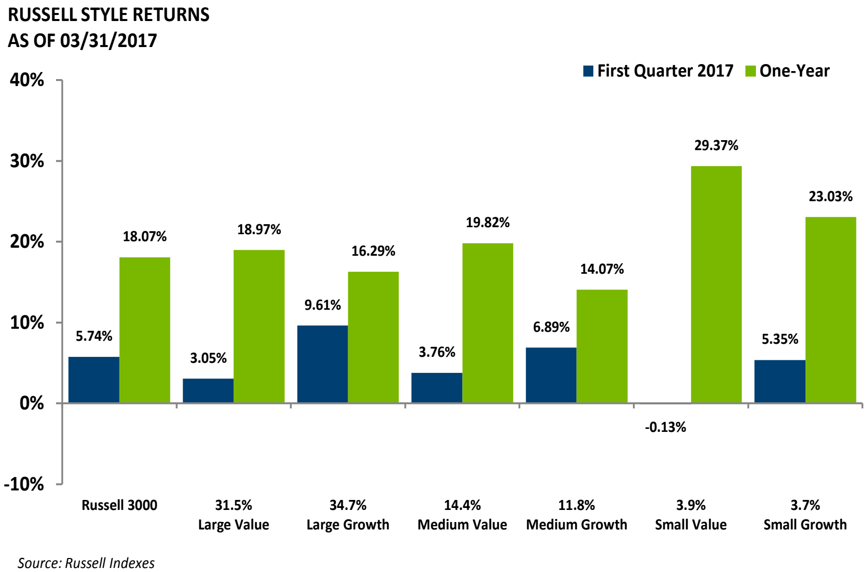
MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 03/31/2017

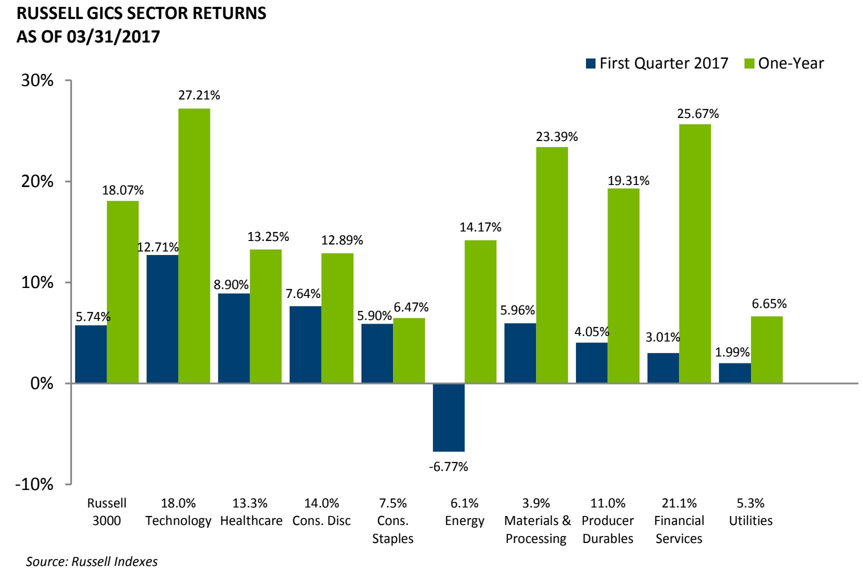


Source: MSCI

- The two exhibits on this slide illustrate the percentage that each country/region represents of the global equity market as measured by the MSCI All Country World IMI Index and the MSCI All Country World ex-U.S. IMI Index.

U.S. Equity Markets

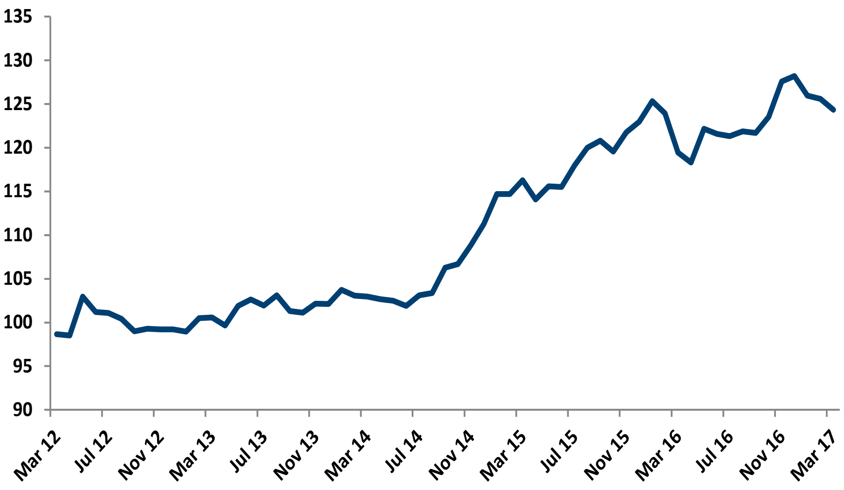




- The Russell 3000 Index returned 5.74% during the first quarter and 18.07% over the trailing one-year period.
- During the first quarter and over the one-year period, the technology sector was the strongest performing sector, posting returns of 12.71% and 27.21% respectively. The energy sector was the weakest performer and the only sector which posted negative returns in Q1 2017; falling 6.77%.
- Performance across the market capitalization spectrum was mostly positive during the quarter. Small cap stocks, across both value and growth styles, underperformed relative to their large and mid-cap peers. Growth stocks outperformed value stocks across all capitalizations during the first quarter.

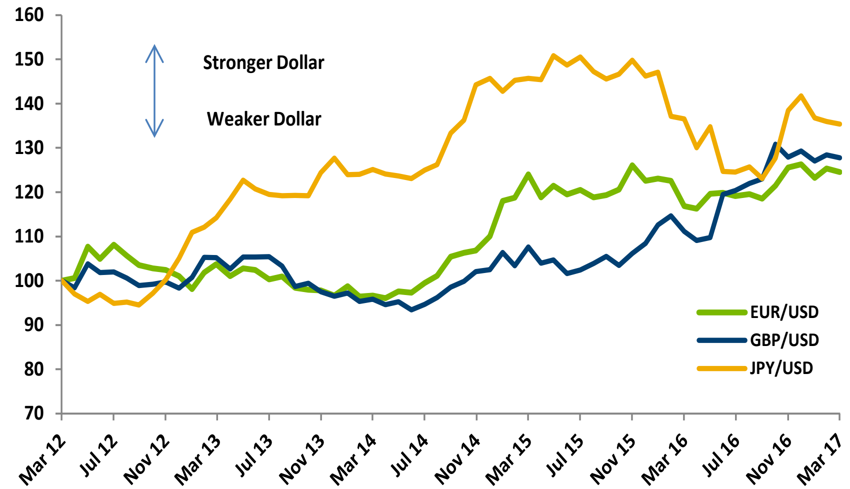
Currency

TRADE WEIGHTED U.S. DOLLAR INDEX
(1997 = 100)



Source: Federal Reserve

U.S. DOLLAR RELATIVE TO EUR, GBP AND JPY
REBASED TO 100 AT 03/31/2012

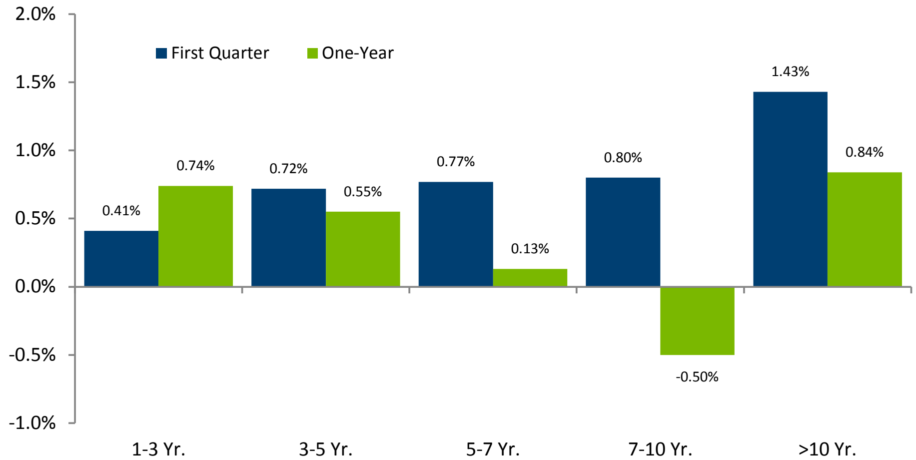


Source: DataStream

- After reaching new highs in early 2017, the U.S. dollar fell sharply during the quarter, as measured through the broad trade weighted U.S. dollar index.
- The U.S. dollar depreciated against all the major currencies despite the Fed hiking the target range for the federal funds rate to 0.75%-1.00%, a continuation of the divergent interest rate paths of the U.S. and other developed markets.
- Lower uncertainty following the UK Prime Minister’s comments indicating a “hard” Brexit stance alongside a slowing of the reflation trade, led to the pound strengthening by 1.2% against the U.S. dollar.
- Yen appreciation this quarter was a partial correction of the substantial weakening that occurred in the last few months of 2016. The yen rose sharply by 4.7% against the U.S. dollar.

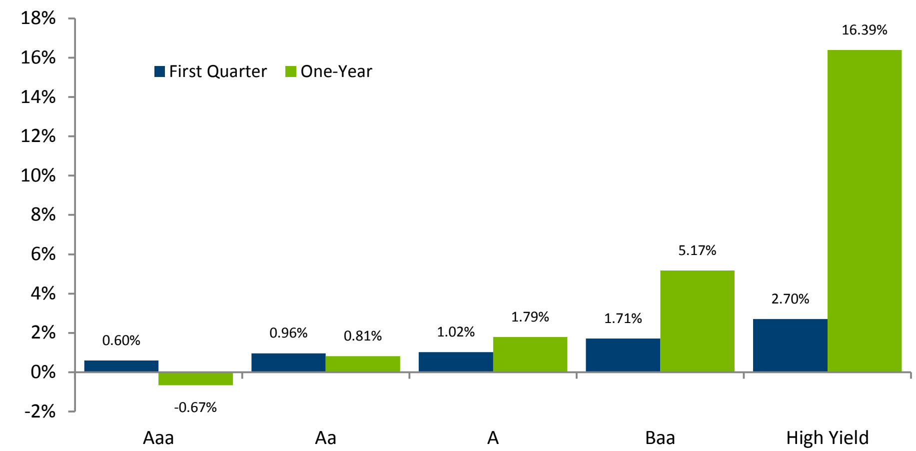
U.S. Fixed Income Markets

BLOOMBERG BARCLAYS AGGREGATE RETURNS BY MATURITY AS OF 3/31/2017



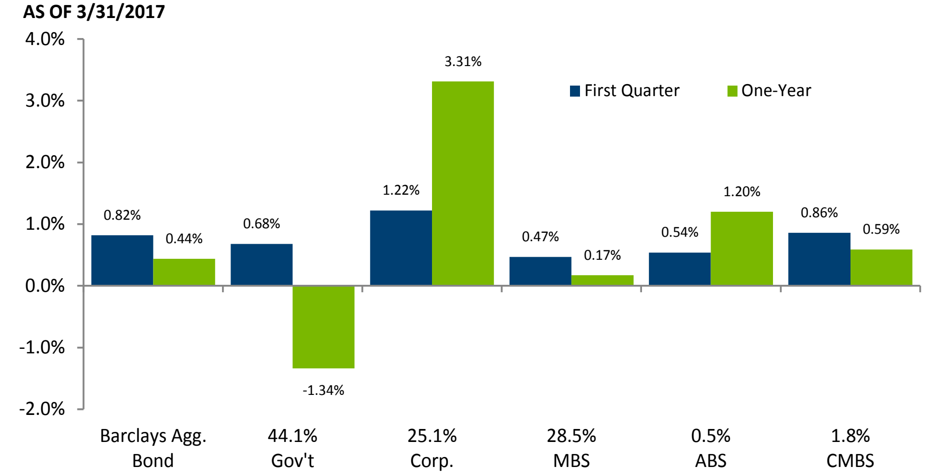
Source: Barclays Live

BLOOMBERG BARCLAYS AGGREGATE RETURNS BY QUALITY AND HIGH YIELD RETURNS AS OF 3/31/2017



Source: Barclays Live

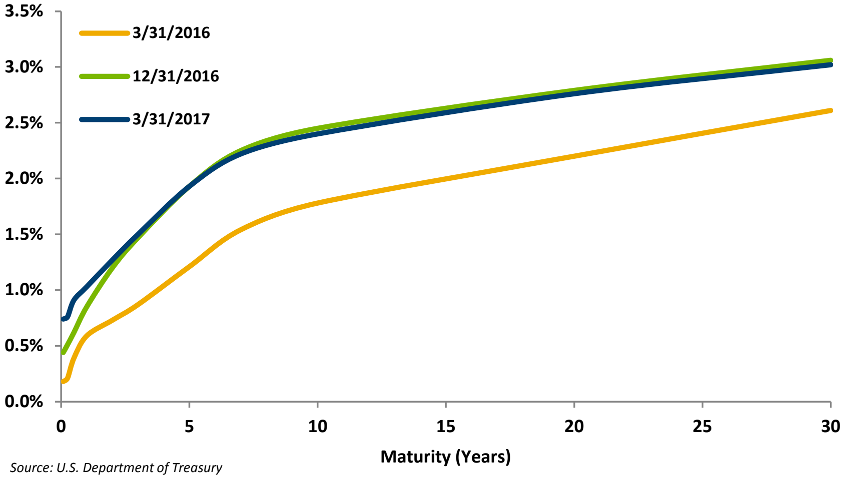
AS OF 3/31/2017



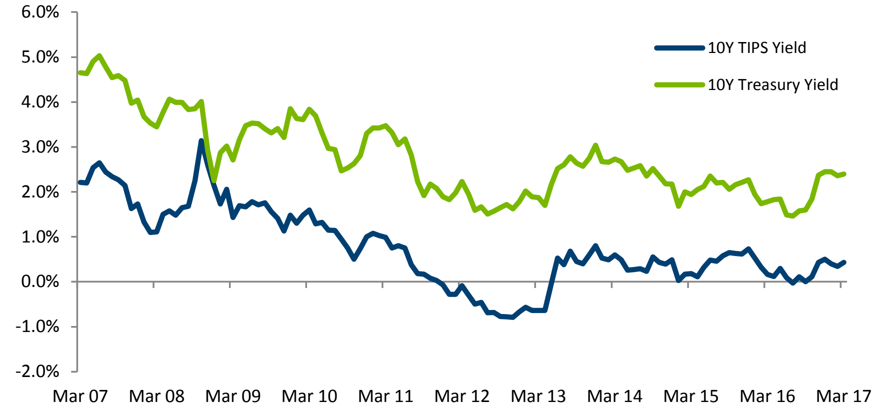
Source: Barclays Live

- The Barclays Aggregate Bond Index returned 0.82% during the first quarter of 2017. Corporate bonds returned the most at 1.22% while Mortgage Backed Securities returned the least at only 0.47%.
- High yield bonds outperformed investment grade corporate bonds across different credit qualities.
- Longer duration bonds outperformed all bonds of lower maturities, as the yield curve flattened during the quarter.

U.S. Fixed Income Markets



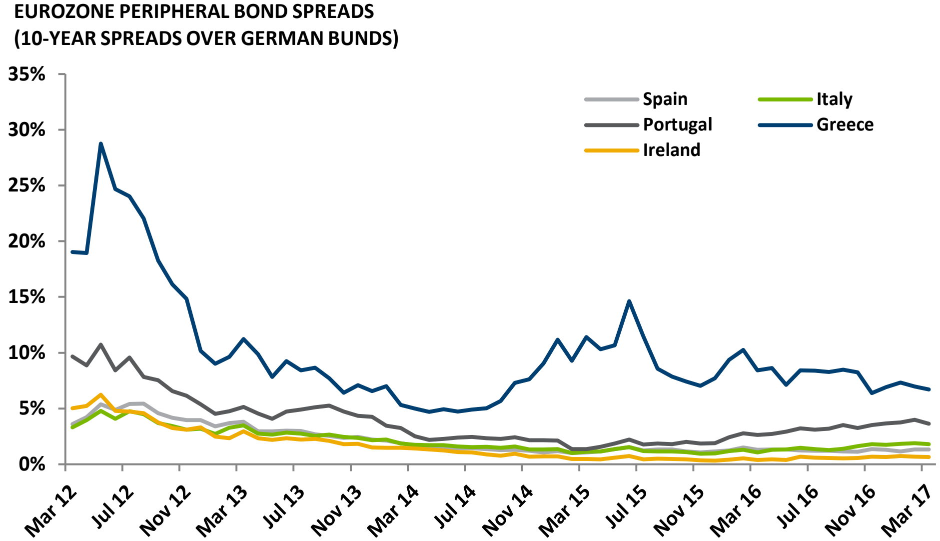
Source: U.S. Department of Treasury



Source: U.S. Department of Treasury

- The Treasury yield curve flattened over the quarter, as yields of short maturity bonds rose while yields at longer maturities fell.
- The 10-year U.S. Treasury yield ended the quarter at 2.40%, 5 basis points lower than the level at the beginning of the quarter.
- The 10-year TIPS yield fell by 7 basis points over the quarter and ended the period at 0.43%.

European Fixed Income Markets



Source: DataStream

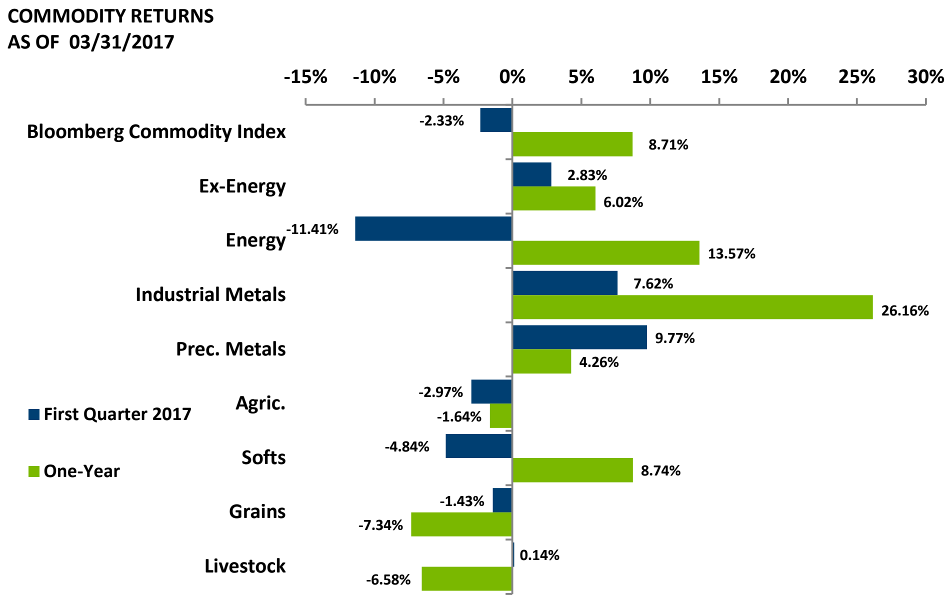
- As the reflation trade took hold, European bond yields trended higher along with other developed government bond yields during the quarter.
- Within the Eurozone, bond spreads relative to German Bunds were mostly unchanged during the quarter. This was despite increased uncertainty in the region caused by the surge in popularity of anti-euro political parties.
- The exception to this were Greek government bond spreads which after rising initially in 2017, moved lower by 20 basis points following more productive bailout talks.
- The European Central Bank (ECB) raised the region's inflation and growth forecasts with market participants increasingly speculating that the ECB may start tightening its very accommodative set of monetary policies in the near future.

Credit Spreads

Spread (bps)	03/31/2017	12/31/2016	03/31/2016	Quarterly Change (bps)	1-Year Change (bps)
U.S. Aggregate	44	43	56	1	-12
Long Gov't	3	3	4	0	-1
Long Credit	168	167	223	1	-55
Long Gov't/Credit	101	104	136	-3	-35
MBS	27	15	22	12	5
CMBS	77	75	109	2	-32
ABS	54	59	74	-5	-20
Corporate	118	123	163	-5	-45
High Yield	383	409	656	-26	-273
Global Emerging Markets	257	288	382	-31	-125

- During the first quarter of 2017, movement in credit spreads were mixed across different areas of the bond market.
- Spreads on lower quality credit such as High Yield and Global Emerging Markets fell the most over the first few months; falling by 26 and 31 basis points respectively.
- Spreads on Mortgage Backed Securities (MBS) (12 basis points) rose by the most over the quarter, followed by CMBS bonds (2 basis points).
- Long Government and Credit spreads were relatively unchanged over this period.

Commodities

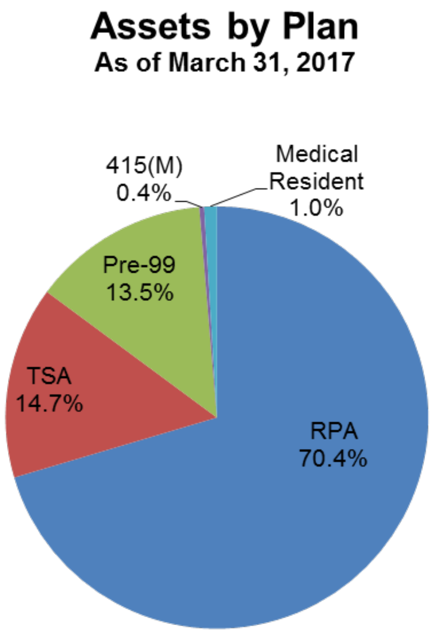


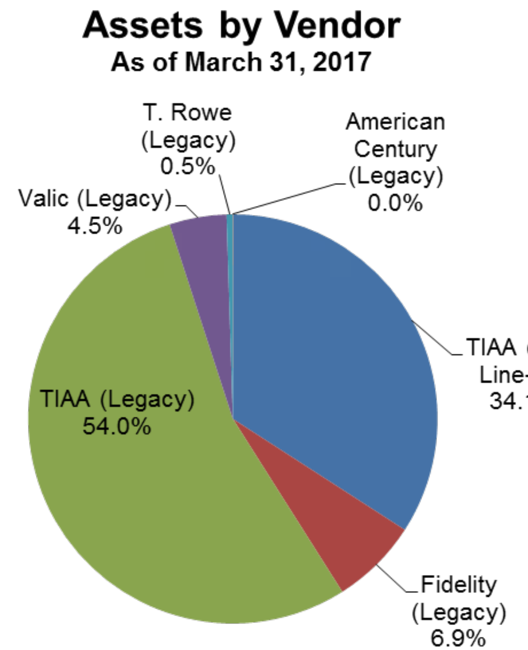
Source: Dow Jones-UBS

- The Bloomberg Commodity Index declined 2.33% during the first quarter.
- During the quarter, the best performing segment was precious metals with a return 9.77%, followed by the industrial metals sector (7.62%).
- Energy was the worst performing sector during the quarter with a return of -11.41%, as the price of Brent crude oil slipped to under $54 /barrel.

Agenda Tracker

Asset Allocation





As of 3/31/2017

Plan	RPA		TSA		Pre-99		415(M)		Medical Resident		Total	
	$	%	$	%	$	%	$	%	$	%	$	%
TIAA (New Line-Up)	$ 739,559,514	37.7%	$ 171,338,476	41.8%	$ 14,861,252	3.9%	$ 7,717,315	74.9%	$ 16,728,792	62.4%	$ 950,205,348	34.1%
Fidelity (Legacy)	$ 149,705,145	7.6%	$ 34,456,017	8.4%	$ 6,028,230	1.6%	$ 1,104,604	10.7%	$ 852,084	3.2%	$ 192,146,080	6.9%
TIAA (Legacy)	$ 978,231,454	49.9%	$ 174,293,742	42.5%	$ 348,925,553	92.6%	$ 1,439,865	14.0%	$ 187,828	0.7%	$ 1,503,078,442	53.9%
Valic (Legacy)	$ 86,908,030	4.4%	$ 29,805,979	7.3%	$ -	0.0%	$ 44,367	0.4%	$ 9,030,579	33.7%	$ 125,788,955	4.5%
T. Rowe (Legacy)	$ 6,642,781	0.3%	$ 228,267	0.1%	$ 6,313,189	1.7%	$ -	0.0%	$ -	0.0%	$ 13,184,238	0.5%
American Century (Legacy)	$ -	0.0%	$ -	0.0%	$ 526,759	0.1%	$ -	0.0%	$ -	0.0%	$ 526,759	0.0%
Total	**$ 1,961,046,924**	**100.0%**	**$ 410,122,482**	**100.0%**	**$ 376,654,983**	**100.0%**	**$ 10,306,150**	**100.0%**	**$ 26,799,283**	**100.0%**	**$ 2,784,929,822**	**100.0%**
Other Assets*											$ 1,193,917	0.0%
Grand Total	**$ 1,961,046,924**	**70.4%**	**$ 410,122,482**	**14.7%**	**$ 376,654,983**	**13.5%**	**$ 10,306,150**	**0.4%**	**$ 26,799,283**	**1.0%**	**$ 2,786,123,739**	**100.0%**

*Other Assets includes Loans and TIAA-CREF Money Market.

Tier I(a) Watch List

Tier I (a)

	1. Underperformed During Trailing 5 Years	2. Underperformed in 3 of 4 Trailing Calendar Quarters	3. Diverged from Strategy and/or Portfolio Characteristic	4. Adverse Change in Portfolio Manager	5. Weak Manager Research Rating	6. Significant Organizational Change	Watch List Status			
							1st Quarter 2017	4th Quarter 2016	3rd Quarter 2016	2nd Quarter 2016
Vanguard Target Retirement Income Trust II	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2010 Trust II	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2015 Trust II	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2020 Trust II	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2025 Trust II	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2030 Trust II	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2035 Trust II	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2040 Trust II	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2045 Trust II	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2050 Trust II	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2055 Trust II	Yes	No	No	No	No (Buy)	No				
Vanguard Traget Retirement 2060 Trust II*	No	No	No	No	No (Buy)	No				

Negative tracking of greater than 0.2% constitutes underperformance for the Plan's target date retirement funds.

- **Notes on Table:** Changes in Watch List designations from the previous quarter are highlighted in red.
- **Yellow-Level Watch List.** An investment fund goes on the Watch List with a yellow designation when two of the above occur, or when item numbers 4, 5, or 6 occur.
- **Orange-Level Watch List**. An investment fund goes on the Watch List with an orange designation when it has been on the yellow watch list for two consecutive quarters or when three of the above occur.
- **Red-Level Watch List.** An investment fund goes on the Watch List with a red designation when it has been on the orange watchlist for two consecutive quarters or when four of the above occur. When an investment fund is placed on the Watch List with a red designation, a formal fund review will be conducted and a recommendation for action will be made.

* Since-inception returns were used since this fund does not have a trailing five-year return.

Tier I Watch List

Tier I

	1. Underperformed During Trailing 5 Years	2. Underperformed in 3 of 4 Trailing Calendar Quarters	3. Diverged from Strategy and/or Portfolio Characteristic	4. Adverse Change in Portfolio Manager	5. Weak Manager Research Rating	6. Significant Organizational Change	Watch List Status			
							1st Quarter 2017	4th Quarter 2016	3rd Quarter 2016	2nd Quarter 2016
Vanguard Target Retirement Income - Instl.	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2010 - Instl.	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2015 - Instl.	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2020 - Instl.	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2025 - Instl.	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2030 - Instl.	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2035 - Instl.	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2040 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2045 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2050 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2055 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Traget Retirement 2060 - Instl.*	Yes	No	No	No	No (Buy)	No				

Negative tracking of greater than 0.2% constitutes underperformance for the Plan's target date retirement funds.

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* Since-inception returns were used since this fund does not have a trailing five-year return.

Tier II Watch List

Tier II

	1. Underperformed During Trailing 5 Years	2. Underperformed in 3 of 4 Trailing Calendar Quarters	3. Diverged from Strategy and/or Portfolio Characteristic	4. Adverse Change in Portfolio Manager	5. Weak Manager Research Rating	6. Significant Organizational Change	Watch List Status			
							1st Quarter 2017	4th Quarter 2016	3rd Quarter 2016	2nd Quarter 2016
Vanguard Total Bond Market Index Fund	No	No	No	No	No (Buy)	No				
Vanguard Total Stock Market Index Fund	No	No	No	No	No (Buy)	No				
Vanguard Institutional Index Fund	No	No	No	No	No (Buy)	No				
Vanguard Extended Market Index Fund	No	No	No	No	No (Buy)	No				
Vanguard Total International Stock Index	No	No	No	No	No (Buy)	No				
Vanguard Developed Market Index Fund	No	No	No	No	No (Buy)	No				
Vanguard Emerging Markets Stock Index Fund	No	No	No	No	No (Buy)	No				
Vanguard Federal Money Market Fund	No	No	No	No	No (Buy)	No				
TIAA Traditional - RC	No	No	No	No	No (Buy)	No				
TIAA Traditional - RCP	No	No	No	No	No (Buy)	No				
PIMCO Total Return Fund	No	No	No	No	No (Buy)	No				
DFA Inflation-Protected Securities	Yes	No	No	No	No (Buy)	No				
Neuberger Berman High Income Bond Fund*	Yes	Yes	No	No	No (Buy)	No				
T. Rowe Price Instl. Large Cap Growth Fund	No	No	No	No	No (Buy)	No				
Diamond Hill Large Cap	No	No	No	No	No (Buy)	No				
William Blair Small/Mid Cap Growth Fund	No	No	No	No	No (Buy)	No				
DFA U.S. Targeted Value	No	No	No	No	No (Buy)	No				
Dodge & Cox Global Stock Fund	No	No	No	No	No (Buy)	No				
Harding Loevner International Equity Instl.	No	No	No	No	No (Buy)	No				
MFS International Value Fund	No	No	No	No	No (Buy)	No				
Laudus Mondrian Emerging Markets Instl.	Yes	Yes	No	No	No (Buy)	No				
Cohen & Steers Instl Realty Shares	Yes	No	No	No	No (Buy)	No				

Negative tracking of greater than 0.1% for domestic equities and fixed income or 0.3% for non-U.S. equities constitutes underperformance for the Plan's index funds.

- **Notes on Table**: Changes in Watch List designations from the previous quarter are highlighted in red.
- **Yellow-Level Watch List.** An investment fund goes on the Watch List with a yellow designation when two of the above occur, or when item numbers 4, 5, or 6 occur.
- **Orange-Level Watch List.** An investment fund goes on the Watch List with an orange designation when it has been on the yellow watch list for two consecutive quarters or when three of the above occur.
- **Red-Level Watch List.** An investment fund goes on the Watch List with a red designation when it has been on the orange watchlist for two consecutive quarters or when four of the above occur. When an investment fund is placed on the Watch List with a red designation, a formal fund review will be conducted and a recommendation for action will be made.

* Since-inception returns were used since this fund does not have a trailing five-year return.

Tier I(a) Performance Summary

As of 3/31/2017

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Plan	**2,786,123,739**	**100.0**							**03/01/2014**
Tier I (a)	**400,974,497**	**14.4**							**03/01/2014**
Vanguard Target Retirement Income Trust II	3,650,062	0.1	2.5 (65)	5.4 (81)	3.8 (56)	4.7 (71)		4.9 (73)	03/01/2008
Vanguard Target Income Composite Index			*2.4 (66)*	*5.5 (80)*	*4.0 (53)*	*4.8 (70)*		*4.9 (72)*	
Vanguard Target Retirement 2010 Trust II	8,313,501	0.3	2.5 (97)	5.6 (96)	3.9 (49)	5.4 (53)		5.0 (17)	03/01/2008
Vanguard Target 2010 Composite Index			*2.5 (97)*	*5.7 (94)*	*4.1 (28)*	*5.5 (50)*		*5.0 (20)*	
Vanguard Target Retirement 2015 Trust II	27,191,885	1.0	3.4 (52)	7.8 (69)	4.7 (30)	6.5 (22)		5.6	03/01/2008
Vanguard Target 2015 Composite Index			*3.3 (69)*	*7.9 (68)*	*4.8 (18)*	*6.7 (18)*		*5.5*	
Vanguard Target Retirement 2020 Trust II	44,835,401	1.6	4.1 (31)	9.5 (33)	5.2 (5)	7.4 (5)		5.9 (1)	03/01/2008
Vanguard Target 2020 Composite Index			*4.0 (41)*	*9.6 (33)*	*5.4 (1)*	*7.6 (4)*		*5.9 (1)*	
Vanguard Target Retirement 2025 Trust II	47,710,323	1.7	4.6 (41)	10.8 (37)	5.6 (8)	8.0 (14)		6.0 (6)	03/01/2008
Vanguard Target 2025 Composite Index			*4.5 (46)*	*10.8 (36)*	*5.7 (2)*	*8.2 (4)*		*6.1 (2)*	
Vanguard Target Retirement 2030 Trust II	54,887,892	2.0	5.1 (38)	12.0 (44)	5.8 (12)	8.6 (17)		6.2 (14)	03/01/2008
Vanguard Target 2030 Composite Index			*5.0 (50)*	*12.0 (44)*	*5.9 (10)*	*8.7 (4)*		*6.2 (11)*	
Vanguard Target Retirement 2035 Trust II	67,852,491	2.4	5.6 (39)	13.1 (50)	6.0 (18)	9.1 (12)		6.4 (8)	03/01/2008
Vanguard Target 2035 Composite Index			*5.4 (49)*	*13.2 (46)*	*6.2 (11)*	*9.3 (4)*		*6.5 (4)*	
Vanguard Target Retirement 2040 Trust II	65,664,038	2.4	6.0 (35)	14.3 (31)	6.2 (15)	9.5 (11)		6.6 (11)	03/01/2008
Vanguard Target 2040 Composite Index			*5.9 (45)*	*14.4 (30)*	*6.4 (12)*	*9.7 (5)*		*6.7 (8)*	
Vanguard Target Retirement 2045 Trust II	49,564,367	1.8	6.2 (35)	14.7 (39)	6.3 (13)	9.6 (16)		6.7 (7)	03/01/2008
Vanguard Target 2045 Composite Index			*6.0 (45)*	*14.8 (39)*	*6.5 (11)*	*9.8 (8)*		*6.7 (1)*	
Vanguard Target Retirement 2050 Trust II	23,398,599	0.8	6.2 (39)	14.8 (40)	6.3 (21)	9.5 (17)		6.7 (4)	03/01/2008
Vanguard Target 2050 Composite Index			*6.0 (48)*	*14.8 (40)*	*6.5 (10)*	*9.8 (10)*		*6.7 (1)*	
Vanguard Target Retirement 2055 Trust II	5,970,121	0.2	6.2 (42)	14.8 (54)	6.3 (28)	9.5 (24)		11.5	09/01/2010
Vanguard Target 2055 Composite Index			*6.0 (57)*	*14.8 (54)*	*6.5 (11)*	*9.8 (15)*		*11.6*	
Vanguard Target Retirement 2060 Trust II	1,935,818	0.1	6.2 (42)	14.8 (54)	6.3 (28)	9.6 (19)		9.6 (19)	04/01/2012
Vanguard Target 2060 Composite Index			*6.0 (57)*	*14.8 (54)*	*6.5 (11)*	*9.8 (15)*		*9.8 (15)*	

Tier I Performance Summary

As of 3/31/2017

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Tier I	**65,796,440**	**2.4**							**02/01/2014**
Vanguard Target Retirement Income - Instl.	1,451,216	0.1	2.5 (65)	5.4 (81)	3.8 (57)	4.6 (71)	5.0	5.2	11/01/2003
Vanguard Target Income Composite Index			*2.4 (66)*	*5.5 (80)*	*4.0 (53)*	*4.8 (70)*	*5.0*	*5.3*	
Vanguard Target Retirement 2010 - Instl.	2,795,281	0.1	2.5 (97)	5.6 (96)	3.9 (53)	5.3 (58)	4.7 (12)	5.4	07/01/2006
Vanguard Target 2010 Composite Index			*2.5 (97)*	*5.7 (94)*	*4.1 (28)*	*5.5 (50)*	*4.7 (9)*	*5.4*	
Vanguard Target Retirement 2015 - Instl.	10,862,183	0.4	3.4 (63)	7.8 (69)	4.6 (33)	6.5 (33)	5.0	6.1	11/01/2003
Vanguard Target 2015 Composite Index			*3.3 (69)*	*7.9 (68)*	*4.8 (18)*	*6.7 (18)*	*5.1*	*6.1*	
Vanguard Target Retirement 2020 - Instl.	8,526,330	0.3	4.1 (31)	9.5 (33)	5.2 (7)	7.4 (8)	5.2 (1)	6.0 (1)	07/01/2006
Vanguard Target 2020 Composite Index			*4.0 (41)*	*9.6 (33)*	*5.4 (1)*	*7.6 (4)*	*5.4 (1)*	*6.1 (1)*	
Vanguard Target Retirement 2025 - Instl.	8,170,888	0.3	4.6 (40)	10.8 (37)	5.5 (10)	8.0 (18)	5.3	6.6	11/01/2003
Vanguard Target 2025 Composite Index			*4.5 (46)*	*10.8 (36)*	*5.7 (2)*	*8.2 (4)*	*5.4*	*6.7*	
Vanguard Target Retirement 2030 - Instl.	7,265,912	0.3	5.1 (44)	11.9 (45)	5.7 (16)	8.5 (22)	5.3 (18)	6.2 (22)	07/01/2006
Vanguard Target 2030 Composite Index			*5.0 (50)*	*12.0 (44)*	*5.9 (10)*	*8.7 (4)*	*5.5 (1)*	*6.3 (1)*	
Vanguard Target Retirement 2035 - Instl.	6,161,064	0.2	5.6 (39)	13.1 (50)	6.0 (20)	9.1 (17)	5.5	7.1	11/01/2003
Vanguard Target 2035 Composite Index			*5.4 (49)*	*13.2 (46)*	*6.2 (11)*	*9.3 (4)*	*5.6*	*7.2*	
Vanguard Target Retirement 2040 - Instl.	5,883,349	0.2	6.0 (36)	14.3 (30)	6.1 (18)	9.4 (15)	5.7 (9)	6.6 (11)	07/01/2006
Vanguard Target 2040 Composite Index			*5.9 (45)*	*14.4 (30)*	*6.4 (12)*	*9.7 (5)*	*5.8 (4)*	*6.7 (3)*	
Vanguard Target Retirement 2045 - Instl.	6,785,972	0.2	6.2 (36)	14.8 (38)	6.3 (14)	9.5 (20)	5.7	7.5	11/01/2003
Vanguard Target 2045 Composite Index			*6.0 (45)*	*14.8 (39)*	*6.5 (11)*	*9.8 (8)*	*5.9*	*7.6*	
Vanguard Target Retirement 2050 - Instl.	6,660,498	0.2	6.2 (39)	14.7 (41)	6.3 (23)	9.5 (19)	5.7	6.6	07/01/2006
Vanguard Target 2050 Composite Index			*6.0 (48)*	*14.8 (40)*	*6.5 (10)*	*9.8 (10)*	*5.9*	*6.7*	
Vanguard Target Retirement 2055 - Instl.	927,114	0.0	6.3 (41)	14.8 (54)	6.2 (30)	9.5 (28)		11.4	09/01/2010
Vanguard Target 2055 Composite Index			*6.0 (57)*	*14.8 (54)*	*6.5 (11)*	*9.8 (15)*		*11.6*	
Vanguard Target Retirement 2060 - Instl.	306,633	0.0	6.2 (42)	14.8 (54)	6.2 (30)	9.5 (23)		10.4 (20)	02/01/2012
Vanguard Target 2060 Composite Index			*6.0 (57)*	*14.8 (54)*	*6.5 (11)*	*9.8 (15)*		*10.6 (17)*	

* The investor class shares through June 30, 2016; the institutional class shares thereafter.

Tier II Performance Summary

As of 3/31/2017

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Tier II	**477,900,918**	**17.2**							**03/01/2014**
Vanguard Total Bond Market Index Fund	20,829,248	0.7	0.9 (60)	0.4 (72)	2.6 (51)	2.3 (66)	4.3 (51)	5.3 (28)	10/01/1995
Performance Benchmark			*0.8 (68)*	*0.5 (70)*	*2.7 (47)*	*2.4 (61)*	*4.3 (49)*	*5.3 (22)*	
Vanguard Total Stock Market Index Fund	31,505,929	1.1	5.8 (55)	18.1 (29)	9.7 (31)	13.1 (23)	7.7 (33)	7.1 (27)	08/01/1997
Performance Benchmark			*5.8 (55)*	*18.1 (28)*	*9.7 (31)*	*13.1 (22)*	*7.7 (33)*	*7.1 (28)*	
Vanguard Institutional Index Fund	76,609,692	2.7	6.1 (49)	17.1 (39)	10.3 (19)	13.3 (19)	7.5 (38)	9.7 (32)	08/01/1990
S&P 500 Index			*6.1 (49)*	*17.2 (39)*	*10.4 (19)*	*13.3 (18)*	*7.5 (38)*	*9.6 (32)*	
Vanguard Extended Market Index Fund - Instl.	26,528,210	1.0	4.6 (93)	22.5 (5)	7.2 (37)	12.6 (21)	8.0 (40)	8.3 (46)	08/01/1997
Performance Benchmark			*4.6 (93)*	*22.4 (5)*	*7.0 (39)*	*12.5 (21)*	*7.9 (41)*		
Vanguard Total International Stock Index	5,658,517	0.2	8.5 (24)	13.7 (22)	1.1 (28)	4.8 (64)		4.4 (68)	12/01/2010
Performance Benchmark			*7.9 (44)*	*13.3 (27)*	*1.2 (27)*	*4.9 (63)*		*4.4 (70)*	
Vanguard Developed Market Index Fund	16,843,020	0.6	7.8 (49)	12.7 (34)	1.2 (27)	6.2 (13)		5.8 (29)	02/01/2010
Performance Benchmark			*7.4 (64)*	*12.4 (36)*	*1.2 (25)*	*6.2 (13)*		*5.7 (31)*	
Vanguard Emerging Markets Stock Index Fund - Instl.	15,567,501	0.6	10.9 (65)	17.6 (46)	1.9 (35)	0.9 (55)	2.7 (38)	7.4 (54)	07/01/2000
Performance Benchmark			*10.1 (72)*	*16.8 (51)*	*1.8 (39)*	*1.0 (53)*	*2.8 (38)*	*7.2 (58)*	
Vanguard Federal Money Market Fund	14,588,274	0.5	0.1 (27)	0.4 (24)	0.2 (23)	0.1 (26)	0.7 (26)	3.0 (26)	11/01/1989
Citigroup 3 Month T-Bill			*0.1 (30)*	*0.3 (30)*	*0.1 (25)*	*0.1 (20)*	*0.6 (59)*	*2.9 (46)*	
TIAA Traditional - RC	57,678,871	2.1	1.0 (1)	4.4 (1)	4.4 (1)	4.4 (1)	4.5 (1)	4.5 (1)	08/01/2005
Hueler Stable Value Index			*0.4 (15)*	*1.8 (13)*	*1.8 (16)*	*1.8 (20)*	*2.7 (39)*	*3.0 (35)*	
TIAA Traditional - RCP	46,878,506	1.7	0.8 (1)	3.6 (1)	3.6 (1)	3.6 (1)	3.7 (1)	3.8 (1)	06/01/2006
Hueler Stable Value Index			*0.4 (15)*	*1.8 (13)*	*1.8 (16)*	*1.8 (20)*	*2.7 (39)*	*2.9 (35)*	
PIMCO Total Return Fund	14,633,328	0.5	1.6 (3)	2.4 (21)	2.8 (32)	3.0 (24)	5.6 (1)	7.4	06/01/1987
Blmbg. Barc. U.S. Aggregate			*0.8 (70)*	*0.4 (72)*	*2.7 (43)*	*2.3 (62)*	*4.3 (50)*	*6.5*	
DFA Inflation-Protected Securities Portfolio	8,155,378	0.3	1.5 (17)	1.2 (85)	2.1 (10)	0.9 (24)	4.4 (14)	4.3 (15)	10/01/2006
Blmbg. Barc. Global Inflation-Linked: U.S. TIPS			*1.3 (44)*	*1.5 (59)*	*2.0 (13)*	*1.0 (20)*	*4.2 (26)*	*4.1 (26)*	
Neuberger Berman High Income Bond Fund	10,658,167	0.4	2.4 (47)	13.6 (47)	3.3 (57)			4.4 (49)	04/01/2013
Blmbg. Barc. U.S. Corp: High Yield			*2.7 (30)*	*16.4 (19)*	*4.6 (15)*			*5.3 (15)*	
T. Rowe Price Instl. Large Cap Growth Fund	14,448,780	0.5	10.7 (25)	21.7 (3)	10.8 (22)	14.1 (6)	10.1 (9)	9.3 (5)	11/01/2001
Russell 1000 Growth Index			*8.9 (58)*	*15.8 (36)*	*11.3 (14)*	*13.3 (20)*	*9.1 (20)*	*7.5 (36)*	

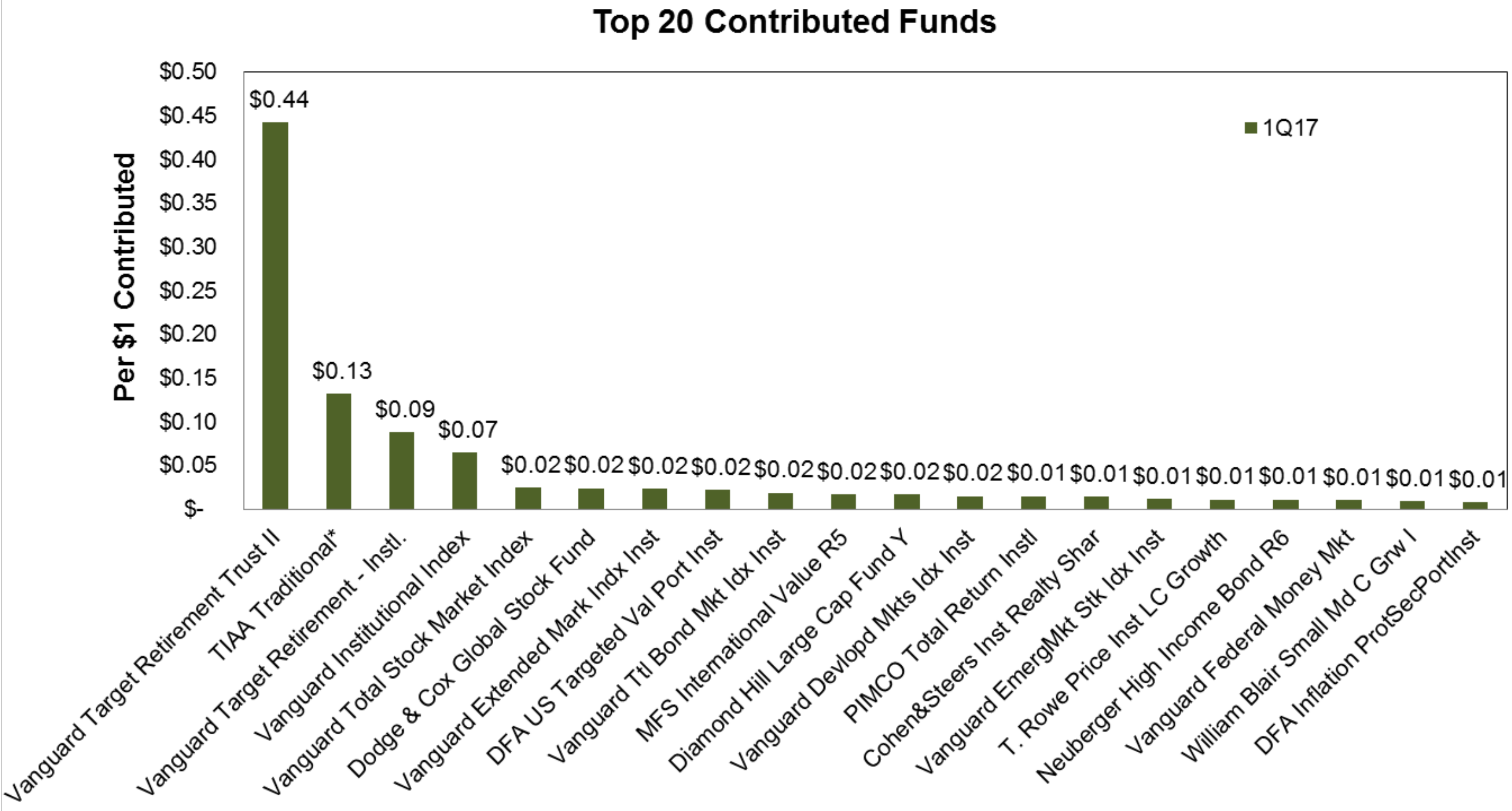
Tier II Performance Summary (cont'd)

As of 3/31/2017

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Diamond Hill Large Cap	17,598,784	0.6	6.4 (4)	20.7 (23)	9.7 (4)	13.6 (12)		14.9 (18)	01/01/2012
Russell 1000 Value Index			*3.3 (63)*	*19.2 (39)*	*8.7 (25)*	*13.1 (19)*		*14.7 (20)*	
William Blair Small/Mid Cap Growth Fund	10,417,929	0.4	8.8 (14)	19.6 (72)	9.3 (11)	13.4 (14)	9.6 (10)	10.3 (6)	01/01/2004
Russell 2500 Growth Index			*6.3 (48)*	*19.8 (71)*	*7.2 (27)*	*12.2 (32)*	*8.5 (33)*	*9.3 (20)*	
DFA U.S. Targeted Value	25,032,877	0.9	0.3 (55)	24.0 (39)	6.5 (47)	13.4 (18)	7.1 (51)	11.8 (17)	03/01/2000
Russell 2500 Value Index			*1.6 (31)*	*23.1 (55)*	*7.6 (29)*	*12.9 (32)*	*6.8 (58)*	*10.6 (35)*	
Dodge & Cox Global Stock Fund	22,494,458	0.8	7.7 (40)	27.9 (1)	6.1 (23)	11.9 (1)		5.5 (28)	05/01/2008
MSCI AC World Index (Net)			*6.9 (52)*	*15.0 (36)*	*5.1 (51)*	*8.4 (55)*		*4.0 (64)*	
Harding Loevner International Equity Instl.	6,600,112	0.2	10.0 (12)	15.0 (3)	4.2 (4)	6.6 (15)	4.3 (1)	6.1	06/01/1994
MSCI AC World ex USA Growth (Net)			*9.1 (20)*	*9.6 (46)*	*1.5 (39)*	*4.8 (72)*	*2.0 (76)*		
MFS International Value Fund	19,034,999	0.7	7.3 (76)	9.0 (85)	6.4 (2)	10.6 (1)	5.6 (4)	6.7 (2)	06/01/2006
MSCI AC World ex USA Value (Net)			*6.7 (86)*	*16.7 (4)*	*-0.5 (83)*	*3.8 (92)*	*0.7 (75)*	*2.4 (72)*	
Laudus Mondrian Emerging Markets Instl.	1,196,919	0.0	11.3 (57)	12.6 (74)	-1.7 (81)	-2.0 (87)		-1.0 (70)	05/01/2008
MSCI Emerging Markets Index (Net)			*11.4 (53)*	*17.2 (49)*	*1.2 (50)*	*0.8 (57)*		*0.0 (44)*	
Cohen and Steers Instl. Realty Shares	14,941,420	0.5	1.5 (25)	3.6 (39)	10.4 (20)	9.9 (16)	5.2 (27)	12.4 (7)	03/01/2000
FTSE NAREIT Equity REIT Index			*1.2 (35)*	*3.6 (39)*	*10.3 (21)*	*10.0 (14)*	*4.8 (37)*	*11.9 (34)*	
Tier III	**5,533,494**	**0.2**							**03/01/2014**
Mutual Fund Window	5,533,494	0.2							03/01/2014
Orphan Accounts	**1,834,724,474**	**65.9**							
Fidelity Orphan Accounts	192,146,080	6.9							
TIAA Orphan Accounts	1,503,078,442	53.9							
T. Rowe Price Orphan Accounts	13,184,238	0.5							
VALIC Orphan Accounts	125,788,955	4.5							
American Century Orphan Accounts	526,759	0.0							
Other Assets	**1,193,917**	**0.0**							**03/01/2014**
Loans	302,279	0.0							03/01/2014
Loans Deemed Distributed	338,616	0.0							03/01/2014
Plan Loan Default Fund	182,415	0.0							07/01/2014
TIAA Money Market-Instl.	370,607	0.0	0.1 (38)	0.3 (29)	0.1 (28)	0.1 (27)	0.8 (17)	1.9 (12)	08/01/1999
iMoneyNet Prime Institutional Average			*0.2 (14)*	*0.4 (20)*	*0.2 (17)*	*0.1 (19)*	*0.7 (22)*	*1.8 (30)*	

Top Contributed Funds

As of 3/31/2017



*TIAA RC 28% / TIAA RCP 72% Contribution Split
Source: As reported by TIAA-CREF

Quarterly Participant Transfers

As of 3/31/2017

Investment	Transfers In	Transfers Out	Net Transfers	Ending Balance (3/31/2017)
Vanguard Target Retirement Trust II Funds	$1,735,462	($13,459,382)	($11,723,921)	$400,974,497
Vanguard Target Retirement Mutual Funds	$447,311	($4,635,925)	($4,188,614)	$65,796,440
Vanguard Total Bond Market Index Inst	$3,084,709	($758,966)	$2,325,743	$20,829,248
Vanguard Total Stock Market Index Inst	$2,123,037	($1,657,705)	$465,332	$31,505,929
Vanguard Institutional Index Inst	$4,951,505	($1,321,370)	$3,630,135	$76,609,692
Vanguard Extended Market Index Inst	$3,601,140	($627,789)	$2,973,351	$26,528,210
Vanguard Total International Stock Index Inst	$258,910	($150,168)	$108,742	$5,658,517
Vanguard Developed Markets Index Ins	$1,188,657	($647,952)	$540,705	$16,843,020
Vanguard Emerging Markets Stock Index Inst	$1,306,442	($748,378)	$558,064	$15,567,501
Vanguard Federal Money Market Inv	$2,983,549	($3,468,824)	($485,275)	$14,588,274
TIAA Traditional	$8,311,674	($1,341,763)	$6,969,911	$104,557,378
PIMCO Total Return Instl	$705,070	($1,250,134)	($545,064)	$14,633,328
DFA Inflation Protected Securities Portfolio Inst	$1,152,341	($331,542)	$820,800	$8,155,378
Neuberger High Income Bond R6	$577,151	($373,345)	$203,806	$10,658,167
T. Rowe Price Inst LC Growth	$551,079	($1,107,949)	($556,870)	$14,448,780
Diamond Hill Large Cap Fund Y	$598,760	($1,328,726)	($729,966)	$17,598,784
William Blair Small Md C Grw I	$352,263	($794,852)	($442,589)	$10,417,929
DFA US Targeted Val Port Inst	$629,724	($2,218,664)	($1,588,939)	$25,032,877
Dodge & Cox Global Stock Fund	$1,536,574	($1,559,961)	($23,387)	$22,494,458
Harding International Equit Inst	$502,207	($214,471)	$287,736	$6,600,112
MFS International Value R6	$2,250,847	($906,085)	$1,344,762	$19,034,999
Laudus Mondrian Emerging Markets Ins	$325	($72,673)	($72,348)	$1,196,919
Cohen & Steers Inst Realty Shares	$647,067	($1,210,140)	($563,073)	$14,941,420
Mutual Fund Window	$914,621	($223,659)	$690,962	$5,533,494
Total	**$40,410,424**	**($40,410,424)**	**$0**	**$950,205,350**

Morningstar Model Portfolios – Performance

As of 3/31/2017

	Performance(%)				
	1 Quarter	1 Year	3 Years	Since Inception	Inception Date
RC					
Very Conservative	1.7	4.9	3.8	3.9	01/01/2014
Very Conservative Benchmark	*1.3*	*4.3*	*2.5*	*2.7*	
Conservative	2.8	8.4	4.8	4.9	01/01/2014
Conservative Benchmark	*2.3*	*7.6*	*3.7*	*3.9*	
Moderately Conservative	3.6	11.2	5.8	6.0	01/01/2014
Moderately Conservative Benchmark	*3.0*	*9.2*	*4.4*	*4.7*	
Moderate	4.3	13.5	6.4	6.6	01/01/2014
Moderate Benchmark	*3.8*	*11.6*	*5.1*	*5.3*	
Moderately Aggressive	5.1	16.0	7.0	7.2	01/01/2014
Moderately Aggressive Benchmark	*4.5*	*13.5*	*5.6*	*5.9*	
Aggressive	6.1	18.5	7.5	7.7	01/01/2014
Aggressive Benchmark	*5.3*	*15.2*	*6.0*	*6.2*	
Very Aggressive	6.6	20.3	7.2	7.4	01/01/2014
Very Aggressive Benchmark	*6.1*	*17.1*	*6.4*	*6.6*	
RCP					
Very Conservative	1.6	4.6	3.4	3.6	01/01/2014
Very Conservative Benchmark	*1.3*	*4.3*	*2.5*	*2.7*	
Conservative	2.7	8.2	4.5	4.6	01/01/2014
Conservative Benchmark	*2.3*	*7.7*	*3.7*	*3.9*	
Moderately Conservative	3.5	10.8	5.5	5.8	01/01/2014
Moderately Conservative Benchmark	*3.0*	*9.2*	*4.5*	*4.8*	
Moderate	4.3	13.2	6.2	6.4	01/01/2014
Moderate Benchmark	*3.9*	*11.6*	*5.1*	*5.3*	
Moderately Aggressive	5.0	15.7	6.8	7.1	01/01/2014
Moderately Aggressive Benchmark	*4.5*	*13.5*	*5.6*	*5.9*	
Aggressive	6.1	18.5	7.5	7.7	01/01/2014
Aggressive Benchmark	*5.3*	*15.2*	*6.0*	*6.2*	
Very Aggressive	6.6	20.3	7.2	7.4	01/01/2014
Very Aggressive Benchmark	*6.1*	*17.1*	*6.4*	*6.6*	

Morningstar Model Portfolios – Allocations

RC

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
TIAA Traditional	40%	34%	30%	22%	15%	7%	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	3%	3%	3%
DFA Inflation-Protected Securities I	7%	7%	6%	4%	3%	-	-
DFA US Targeted Value I	-	3%	-	-	-	-	-
Diamond Hill Large Cap Y	-	-	3%	5%	6%	8%	4%
Dodge & Cox Global Stock	-	3%	14%	15%	22%	27%	27%
Harding Loevner International Eq Instl	-	7%	4%	-	-	-	-
MFS International Value R5	3%	-	-	5%	5%	7%	-
Neuberger Berman High Income Bond R6	7%	8%	6%	6%	3%	-	-
PIMCO Total Return Instl	28%	14%	5%	-	-	-	-
T. Rowe Price Instl Large Cap Growth	-	-	-	-	-	6%	-
Vanguard Developed Markets Idx Instl	-	-	-	-	-	-	11%
Vanguard Emerging Mkts Stock Idx I	-	-	-	3%	3%	4%	6%
Vanguard Extended Market Idx I	3%	3%	5%	11%	12%	13%	18%
Vanguard Institutional Index I	3%	13%	16%	18%	23%	20%	31%
Vanguard Prime Money Market Instl	6%	4%	-	-	-	-	-
Vanguard Total Bond Market Index I	3%	4%	8%	8%	5%	5%	-

RCP

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
TIAA Traditional	40%	32%	25%	16%	10%	5%	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	3%	3%	3%
DFA Inflation-Protected Securities I	7%	7%	6%	4%	3%	-	-
DFA US Targeted Value I	-	3%	-	-	-	-	-
Diamond Hill Large Cap Y	-	-	3%	5%	6%	8%	4%
Dodge & Cox Global Stock	-	4%	14%	15%	22%	27%	27%
Harding Loevner International Eq Instl	-	6%	4%	-	-	-	-
MFS International Value R5	3%	-	-	5%	5%	7%	-
Neuberger Berman High Income Bond R6	7%	8%	6%	6%	3%	-	-
PIMCO Total Return Instl	28%	14%	6%	3%	-	-	-
T. Rowe Price Instl Large Cap Growth	-	-	-	-	-	6%	-
Vanguard Developed Markets Idx Instl	-	-	-	-	-	-	11%
Vanguard Emerging Mkts Stock Idx I	-	-	-	3%	3%	4%	6%
Vanguard Extended Market Idx I	3%	3%	5%	11%	12%	13%	18%
Vanguard Institutional Index I	3%	13%	16%	18%	23%	20%	31%
Vanguard Prime Money Market Instl	6%	4%	-	-	-	-	-
Vanguard Total Bond Market Index I	3%	6%	12%	11%	10%	7%	-

Morningstar Model Portfolios – Benchmarks

RC Contract Portfolio Benchmarks

Index	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
Russell 1000 Growth Index	-	5%	7%	9%	11%	13%	15%
Russell 1000 Value Index	4%	8%	9%	12%	15%	16%	18%
Russell Mid Cap Growth Index	3%	3%	4%	4%	5%	7%	7%
Russell Mid Cap Value Index	-	3%	6%	7%	9%	10%	11%
Russell 2000 Growth Index	-	-	-	3%	3%	4%	4%
Russell 2000 Value Index	-	3%	3%	4%	5%	6%	7%
MSCI All Country World ex-U.S. Index	3%	5%	10%	13%	16%	20%	24%
MSCI Emerging Markets Index	-	3%	3%	5%	6%	8%	10%
FTSE NAREIT Equity REIT Index	-	-	3%	3%	3%	3%	4%
Barclays Corporate High Yield Index	9%	8%	6%	5%	3%	-	-
Barclays U.S. TIPS Index	9%	7%	6%	4%	3%	-	-
Barclays Long-Term Bond Index	6%	5%	4%	3%	3%	3%	-
Barclays Capital US 1-3 Year Government/Credit Bond Index	22%	13%	9%	6%	3%	3%	-
BofA Merrill Lynch US 3-Month Treasury Bill	4%	3%	-	-	-	-	-
Hueler Stable Value Index	40%	34%	30%	22%	15%	7%	-

RCP Contract Portfolio Benchmarks

Index	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
Russell 1000 Growth Index	-	5%	7%	9%	11%	13%	15%
Russell 1000 Value Index	4%	8%	9%	12%	15%	16%	18%
Russell Mid Cap Growth Index	3%	3%	4%	4%	5%	7%	7%
Russell Mid Cap Value Index	-	3%	6%	7%	9%	10%	11%
Russell 2000 Growth Index	-	-	-	3%	3%	4%	4%
Russell 2000 Value Index	-	3%	3%	4%	5%	6%	7%
MSCI All Country World ex-U.S. Index	3%	5%	10%	13%	16%	20%	24%
MSCI Emerging Markets Index	-	3%	3%	5%	6%	8%	10%
FTSE NAREIT Equity REIT Index	-	-	3%	3%	3%	3%	4%
Barclays Corporate High Yield Index	9%	8%	6%	5%	3%	-	-
Barclays U.S. TIPS Index	9%	7%	6%	4%	3%	-	-
Barclays Long-Term Bond Index	6%	6%	6%	5%	4%	5%	-
Barclays Capital US 1-3 Year Government/Credit Bond Index	22%	14%	12%	10%	7%	3%	-
BofA Merrill Lynch US 3-Month Treasury Bill	4%	3%	-	-	-	-	-
Hueler Stable Value Index	40%	32%	25%	16%	10%	5%	-

Annual Investment Fee Transparency – As of March 31, 2017

Investment Option	Market Value	Mgmt. Fee (%)	Mgmt. Fee ($)	Revenue Sharing (%)*	Revenue Sharing ($)	Total Expense (%)**	Total Expense ($)
Vanguard Target Retirement Income Trust II	$3,650,062	0.08%	$2,920	0.00%	$0	0.08%	$2,920
Vanguard Target Retirement 2010 Trust II	$8,313,501	0.08%	$6,651	0.00%	$0	0.08%	$6,651
Vanguard Target Retirement 2015 Trust II	$27,191,885	0.08%	$21,754	0.00%	$0	0.08%	$21,754
Vanguard Target Retirement 2020 Trust II	$44,835,401	0.08%	$35,868	0.00%	$0	0.08%	$35,868
Vanguard Target Retirement 2025 Trust II	$47,710,323	0.08%	$38,168	0.00%	$0	0.08%	$38,168
Vanguard Target Retirement 2030 Trust II	$54,887,892	0.08%	$43,910	0.00%	$0	0.08%	$43,910
Vanguard Target Retirement 2035 Trust II	$67,852,491	0.08%	$54,282	0.00%	$0	0.08%	$54,282
Vanguard Target Retirement 2040 Trust II	$65,664,038	0.08%	$52,531	0.00%	$0	0.08%	$52,531
Vanguard Target Retirement 2045 Trust II	$49,564,367	0.08%	$39,651	0.00%	$0	0.08%	$39,651
Vanguard Target Retirement 2050 Trust II	$23,398,599	0.08%	$18,719	0.00%	$0	0.08%	$18,719
Vanguard Target Retirement 2055 Trust II	$5,970,121	0.08%	$4,776	0.00%	$0	0.08%	$4,776
Vanguard Target Retirement 2060 Trust II	$1,935,818	0.08%	$1,549	0.00%	$0	0.08%	$1,549
Vanguard Target Retirement Income - Instl.	$1,451,216	0.10%	$1,451	0.00%	$0	0.10%	$1,451
Vanguard Target Retirement 2010 - Instl.	$2,795,281	0.10%	$2,795	0.00%	$0	0.10%	$2,795
Vanguard Target Retirement 2015 - Instl.	$10,862,183	0.10%	$10,862	0.00%	$0	0.10%	$10,862
Vanguard Target Retirement 2020 - Instl.	$8,526,330	0.10%	$8,526	0.00%	$0	0.10%	$8,526
Vanguard Target Retirement 2025 - Instl.	$8,170,888	0.10%	$8,171	0.00%	$0	0.10%	$8,171
Vanguard Target Retirement 2030 - Instl.	$7,265,912	0.10%	$7,266	0.00%	$0	0.10%	$7,266
Vanguard Target Retirement 2035 - Instl.	$6,161,064	0.10%	$6,161	0.00%	$0	0.10%	$6,161
Vanguard Target Retirement 2040 - Instl.	$5,883,349	0.10%	$5,883	0.00%	$0	0.10%	$5,883
Vanguard Target Retirement 2045 - Instl.	$6,785,972	0.10%	$6,786	0.00%	$0	0.10%	$6,786
Vanguard Target Retirement 2050 - Instl.	$6,660,498	0.10%	$6,660	0.00%	$0	0.10%	$6,660
Vanguard Target Retirement 2055 - Instl.	$927,114	0.10%	$927	0.00%	$0	0.10%	$927
Vanguard Target Retirement 2060 - Instl.	$306,633	0.10%	$307	0.00%	$0	0.10%	$307
Vanguard Total Bond Market Index Fund	$20,829,248	0.05%	$10,415	0.00%	$0	0.05%	$10,415
Vanguard Total Stock Market Index Fund	$31,505,929	0.04%	$12,602	0.00%	$0	0.04%	$12,602
Vanguard Institutional Index Fund	$14,588,274	0.04%	$5,835	0.00%	$0	0.04%	$5,835
Vanguard Extended Market Index Fund - Instl.	$26,528,210	0.07%	$18,570	0.00%	$0	0.07%	$18,570
Vanguard Total International Stock Index	$5,658,517	0.10%	$5,659	0.00%	$0	0.10%	$5,659
Vanguard Developed Market Index Fund	$16,843,020	0.07%	$11,790	0.00%	$0	0.07%	$11,790
Vanguard Emerging Markets Stock Index Fund - Instl.	$15,567,501	0.12%	$18,681	0.00%	$0	0.12%	$18,681
Vanguard Federal Money Market Fund	$76,609,692	0.11%	$84,271	0.00%	$0	0.11%	$84,271
TIAA Traditional - RC & RCP	$104,557,378	0.37%	$386,862	0.15%	$156,836	0.52%	$543,698
PIMCO Total Return Fund	$14,633,328	0.47%	$68,777	0.00%	$0	0.47%	$68,777
DFA Inflation-Protected Securities Portfolio	$8,155,378	0.12%	$9,786	0.00%	$0	0.12%	$9,786
Neuberger Berman High Income Bond Fund	$10,658,167	0.62%	$66,081	0.00%	$0	0.62%	$66,081
T. Rowe Price Instl. Large Cap Growth Fund	$14,448,780	0.56%	$80,913	0.00%	$0	0.56%	$80,913
Diamond Hill Large Cap	$17,598,784	0.59%	$103,833	0.00%	$0	0.59%	$103,833
William Blair Small/Mid Cap Growth Fund	$10,417,929	0.95%	$98,970	0.15%	$15,627	1.10%	$114,597
DFA U.S. Targeted Value	$25,032,877	0.37%	$92,622	0.00%	$0	0.37%	$92,622
Dodge & Cox Global Stock Fund	$22,494,458	0.53%	$119,221	0.10%	$22,494	0.63%	$141,715
Harding Loevner International Equity Instl.	$6,600,112	0.69%	$45,541	0.15%	$9,900	0.84%	$55,441
MFS International Value Fund	$19,034,999	0.66%	$125,631	0.00%	$0	0.66%	$125,631
Laudus Mondrian Emerging Markets Instl.	$1,196,919	1.20%	$14,363	0.00%	$0	1.20%	$14,363
Cohen and Steers Instl. Realty Shares	$14,941,420	0.75%	$112,061	0.00%	$0	0.75%	$112,061
Mutual Fund Window	$5,533,494	0.00%	$0	0.00%	$0	0.00%	$0
Total	$950,205,348	0.20%	$1,879,058	0.02%	$204,858	0.22%	$2,083,916
Without Brokerage	$944,671,854	0.20%	$1,879,058	0.02%	$204,858	0.22%	$2,083,916

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Agenda Tracker

Vanguard Target Retirement Funds

- All of the Vanguard Target Retirement Funds posted positive returns which closely approximated the return of their respective performance benchmarks during the first quarter
  - The shorter-dated Funds, with their greater exposure to fixed income, posted the weakest absolute returns
  - The longer-dated Funds, with their greater exposure to equities, posted the strongest absolute returns
- For the trailing one-year period, results were positive across the series
  - Results ranged from 5.4% for the Income Fund to 14.8% for the 2060 Fund
- Longer-term results continued to exhibit a modest level of tracking error due to the underlying component Fund's investment management fee and the impact of "fair value" pricing adjustments
  - The impact of "fair value" pricing was most visible in the longer-dated funds due to their sizeable allocation to the Vanguard Total International Stock Index Fund
- Representatives from NSHE and AHIC are working with TIAA to add the 2065 Fund to the Plans' investment lineup during the third quarter of 2017 following appropriate notice to participants
- The Vanguard Target Retirement Funds remain "Buy" rated by our Global Investment Management Research Team

Dimensional Fund Advisors (DFA)

- On February 22, 2017, Dimensional Fund Advisors (DFA) announced that Dave Butler was appointed co-CEO
  - Replaced David Booth, the firm's founder, who will continue to serve as Executive Chairman
- Mr. Butler will share the co-CEO responsibilities with Eduardo Repetto, who has been co-CEO with Mr. Booth since 2010
  - Mr. Butler joined DFA in 1995 and has over 20 years of investment experience
  - Mr. Butler will retain his role as Head of Global Financial Advisor Services
- Our Global Investment Management Research (GIM) Team believes these changes will have little impact on the day-to-day management of portfolios and the adherence to the DFA investment philosophy
- Our GIM Team continues to rate the DFA Inflation-Protected Securities Fund and the DFA U.S. Targeted Value Fund as "Buy"
- We recommend the Committee take no action
- A Flash report detailing our observations is included in Section 4 of this presentation

Neuberger Berman High Income Bond Fund

- The Fund continued to register “Red” on the Watch List during the first quarter
  - Due to the manager’s historical underperformance relative to its benchmark over the trailing five-year period and in three of the four most recent trailing calendar quarters
- While positive in absolute terms, the Fund’s performance lagged the return of its benchmark, the Bloomberg Barclays Corporate High Yield Index, by 0.3 percentage point during the first quarter
- The Fund’s underperformance was primarily attributable to:
  - An overweight allocation to higher quality bonds
  - Negative security selection within the banking support-services and technology & electronics sectors
- Partially offsetting the period's negative results was positive security selection within the utilities and telecommunications sectors
- For the trailing one-year period, the Fund generated a return of 13.6% versus the benchmark’s return of 16.4%
- Longer-term results continued to underperform the Barclays Corporate High Yield Index
- The Noruma High Yield Fund I (NPHIX) is scheduled to replace the Neuberger Berman High Income Bond Fund R6 (NRHIX) effective May 19, 2017

T. Rowe Price Instl. Large Cap Growth Fund

- The Fund was upgraded from a "Red" to a "Green" on the Watch List during the first quarter
  - Due to the reinstatement of a "Buy" rating by our Global Investment Management (GIM) Research Team
- The Fund's performance exceeded the return of its benchmark, the Russell 1000 Growth Index, by 1.8 percentage points during the first quarter
- For the trailing one-year period, the Fund generated a return of 21.7% versus the benchmark's return of 15.8%
- In December 2016 and April 2017, members of the GIM Equity Team met with Mr. Tamaddon following his succession of Rob Sharps as lead portfolio manager
- Based on those interactions, the GIM Equity Team has reached the following conclusions:
  - The continuity of the strategy, particularly as it relates to the execution of the research and portfolio construction approach, will be preserved
  - Mr. Tamaddon as a highly talented investor who demonstrates a strong investment acumen and unique insights across various sectors, which alleviates our initial concerns about his management of a diversified strategy
- Additional information in regards to our GIM Equity Team's observations is included in Section 5 of this presentation

DFA U.S. Targeted Value

- The Fund's performance lagged the return of its benchmark, the Russell 2500 Value Index, by 1.3 percentage points during the first quarter
- The Fund's underperformance was primarily attributable to:
  - An overweight allocation to the energy sector
  - An underweight allocation to the utilities and REITs sectors
  - Unfavorable stock selection within the health care and information technology sectors
- Partially offsetting negative results was positive stock selection in the financials, industrials, and materials sectors
- For the trailing one-year period, the Fund generated a return of 24.0% versus the benchmark's return of 23.1%
- Longer-term performance remained favorable relative to the benchmark
- The strategy remains "Buy" rated by our Global Investment Management Research Team

Laudus Mondrian Emerging Markets Instl.

- The Fund's performance lagged the return of its benchmark, the MSCI Emerging Markets Index, by 0.1 percentage point during the first quarter
- The Fund's underperformance was primarily attributable to:
  - An underweight allocation to the information technology sector
  - An overweight allocation to the energy and telecommunications sectors
- Positive stock selection within India and the energy and telecommunications sectors helped to mitigate some of the period's underperformance
- For the trailing one-year period, the Fund generated a return of 12.6% versus the benchmark's return of 17.2%
- Longer-term results continued to underperform the benchmark and peer group average
- The strategy remains "Buy" rated by our Global Investment Management Research Team

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Agenda Tracker

Flash Report

Dimensional Fund Advisors L.P

Dave Butler named as Co-CEO

David Booth to continue as Executive Chairman

Recommendation

We recommend clients take no action. We believe the changes are expected to have little impact on the day to day management of portfolios, and the adherence to the DFA investment philosophy.

On February 22, 2017, Dimensional Fund Advisors ('Dimensional') announced Dave Butler has been named Co-CEO, serving alongside Eduardo Repetto. David Booth, will relinquish the Co-CEO role and continue as Executive Chairman. Mr. Butler will retain his role as Head of Global Financial Advisor Services.

Mr Butler joined Dimensional in 1995 and has over 20 years of Financial Services experience.

Please contact a member of Aon Hewitt's Investment Consulting Team or Global Investment Management should you have any questions.

An overall rating is then derived taking into account both the above outcomes for the product. The overall rating can be interpreted as follows:

Overall Rating	What does this mean?
Buy	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products
Buy (Closed)	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products, however it is closed to new investors
Qualified	A number of criteria have been met and we consider the investment manager to be qualified to manage client assets
Sell	We recommend termination of client investments in this product
In Review	The rating is under review as we evaluate factors that may cause us to change the current rating

Disclaimer

This document has been produced by the Global Investment Management Team of Aon plc. Nothing in this document should be treated as an authoritative statement of the law on any particular aspect or in any specific case. It should not be taken as financial advice and action should not be taken as a result of this document alone. Consultants will be pleased to answer questions on its contents but cannot give individual financial advice. Individuals are recommended to seek independent financial advice in respect of their own personal circumstances.

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Agenda Tracker

Flash Report

T. Rowe Price Associates– Rating for the Institutional Large Cap Growth Strategy Moved from In Review to Buy

Recommendation

The rating for the T. Rowe Price Institutional Large Cap Growth strategy will move from “In Review” to “Buy.” Our interactions with newly appointed portfolio manager, Taymour Tamaddon, have provided us with assurance that the continuity of the strategy, particularly as it relates to the execution of the research and portfolio construction approach, will be preserved. Furthermore, we view Mr. Tamaddon as a highly talented investor who demonstrates a strong investment acumen and unique insights across various sectors, which alleviates our initial concerns about his management of a diversified strategy. However, we will continue to monitor the fund closely to ensure that portfolio characteristics do not deviate significantly from their historical profiles. Furthermore, we will monitor Mr. Tamaddon’s utilization of the global analyst team at T. Rowe Price to ensure that there is continued alignment as it relates to the inclusion of best ideas.

Background

On February 1, 2016, T. Rowe Price announced that Rob Sharps, lead portfolio manager for the Institutional Large Cap Growth strategy, would relinquish his role on January 1, 2017 to assume the position as the firm’s Co-Head of Global Equity. As a result of this announcement, T. Rowe Price named Taymour Tamaddon as Mr. Sharps’ successor. Prior to being named as portfolio manager for the Large Cap Growth strategy, Mr. Tamaddon was the portfolio manager for the Health Sciences Equity strategy and leader of the firm’s healthcare sector team. While Mr. Tamaddon had not managed a broader market portfolio during his tenure at T. Rowe Price, his selection as Mr. Sharps’ successor was driven by the strength of his track record as both an analyst overseeing the healthcare sector and portfolio manager for the Health Sciences Equity strategy. Furthermore, Mr. Tamaddon and Mr. Sharps had worked closely in the due diligence of healthcare companies and possessed similar research methodologies.

In advance of the January 1, 2017 portfolio management transition date, the firm facilitated the handoff of Mr. Tamaddon’s role on the Health Sciences Equity strategy to Ziad Bakri, member of the firm’s healthcare research team, on July 1, 2016. On this date, Mr. Tamaddon did not have any decision-making responsibilities for the Large Cap Growth strategy, but was able to formally embark on conducting due diligence on the strategy’s holdings. Furthermore, he worked closely with Mr. Sharps, the strategy’s associate portfolio manager, David Rowlett, and select analysts to become further acquainted with the portfolio’s construction approach and historical biases. At the end of 2016, Mr. Tamaddon was much more instrumental in the trade decisions that were implemented within the portfolio.

Members of the GIM Equity Team met with Mr. Tamaddon in December 2016 as well as in April 2017 to discuss the nature of his transition as well as to learn of any anticipated portfolio changes. The following should be noted:

- David Rowlett, associate portfolio manager, retained his role under Mr. Tamaddon’s leadership. Mr. Rowlett joined the strategy in 2015 and had supported Mr. Sharps in the fundamental due diligence of portfolio companies and the portfolio construction exercise. He also played an active role in mentoring analysts who were closely affiliated with the strategy. He continues to operate in a similar capacity and is considered the strategy’s second-in-command.

- There are no material changes to the strategy's underlying philosophy and process. However, we should expect to some adjustments at the margin including:
  - Portfolio concentration – Historically, the portfolio held between 45-65 names. In recent years, however, the portfolio had between 75 and 80 names as Mr. Sharps made a concerted effort to include companies that encompassed a wider spectrum of growth. To ensure that that the portfolio remains focused on 15%+ growers, Mr. Tamaddon's intention is to further concentrate the portfolio to its historical range of holdings.
  - Valuation sensitivity – A company's risk/reward profile is important in determining its inclusion within the portfolio, and at times, we've noted that slight premiums have been paid relative to the growth opportunity presented by an individual company. Our expectation over time is that the latter will remain. However, since Mr. Tamaddon assumed responsibility over the portfolio, there have been some "GARP" like holdings that were opportunistically added. We will continue to monitor if this is a point-in-time event or a posture towards valuation sensitivity that will reflect itself in the portfolio's pricing characteristics going forward.
  - Additional scenario testing – The strategy has historically been constructed with a bottom-up stock selection approach; this will not change under Mr. Tamaddon's leadership. However, we can expect Mr. Tamaddon to focus more on scenario analysis to provide guidance on individual position sizing, which could impact sector allocation at times.

Disclaimer

This document has been produced by the Global Investment Management Team of Aon plc. Nothing in this document should be treated as an authoritative statement of the law on any particular aspect or in any specific case. It should not be taken as financial advice and action should not be taken as a result of this document alone. Consultants will be pleased to answer questions on its contents but cannot give individual financial advice. Individuals are recommended to seek independent financial advice in respect of their own personal circumstances.

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Aon InBrief: T. Rowe Price Group, Inc.

US Large-Cap Growth Equity Strategy

Review Date	Overall Rating	Previous Overall Rating
May 2017	Buy	In Review

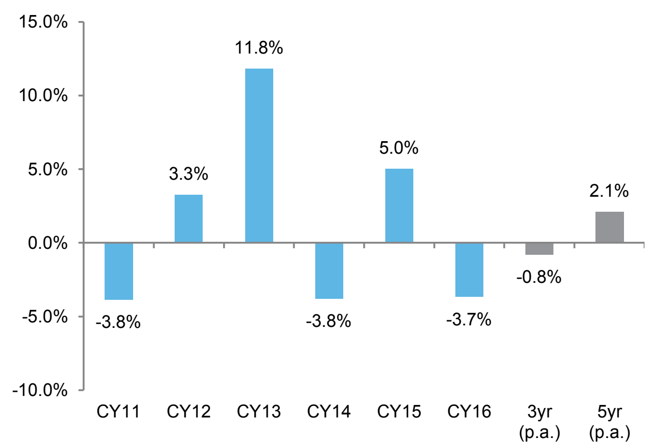
Overall Rating

The rating for the T. Rowe Price Institutional Large Cap Growth strategy will move from In Review to Buy. Our interactions with newly appointed portfolio manager, Taymour Tamaddon, have provided us with assurance that the continuity of the strategy, particularly as it relates to the execution of the research and portfolio construction approach, will be preserved. Furthermore, we view Mr. Tamaddon as a highly talented investor who demonstrates a strong investment acumen and unique insights across various sectors, which alleviates our initial concerns about his management of a diversified strategy. However, we will continue to monitor the fund closely to ensure that portfolio characteristics do not deviate significantly from their historical profiles. Furthermore, we will monitor Mr. Tamaddon's utilization of the global analyst team at T. Rowe Price to ensure that there is continued alignment as it relates to the inclusion of best ideas.

Component Ratings

	Rating	Previous Rating	Aon InForm Assessment
Business	3	*No Change*	✓
Staff	3	*No Change*	⚐
Process	3	*No Change*	✓
Risk	3	*No Change*	⚐
ODD	Pass	*No Change*	-
Performance	3	*No Change*	✓
T&C	3	*No Change*	✓

Relative Performance to 31 Dec 2016



Composite performance (USD) is gross of fees relative to Russell 1000 Growth.
CY = calendar year. Source: eVestment

Firm and Strategy Summary

Head Office Location	Baltimore, MD, US	**Parent Name**	T. Rowe Price Group, Inc.
Firm AUM	$810.8 billion	**Investment Staff**	~320
Equity AUM	$612.5 billion	**Equity Staff**	~300
Team Location	Baltimore, MD, US	**Team Head**	Taymour Tamaddon
Strategy Inception	November 2001	**Strategy Size**	$30.8 billion
Number of Holdings	50 - 80	**Annual Turnover**	35 - 50%
Benchmark	Russell 1000 Growth Index		
Performance Objective	To outperform the benchmark over a market cycle		

Risk Tolerance Target	Unconstrained

Note: AUM data as of 31 December 2016. **Past performance is no guarantee of future results**.

Investment Manager Evaluation

Rating Sheet			
Factor	**Rating**	**Previous Rating**	**Comments**
Business	3	*No Change*	T. Rowe Price is a strong, stable organization which places a prominent value on culture and continuity across the firm. In recent years, the firm has methodically expanded its presence across various regions to strengthen its research coverage of local markets, as well as to provide clients with greater access to the firm. The firm continues to attract reputable investment talent that has deepened its fundamental research efforts and impacted the long-term success of its strategies across the board. While there have been a few departures of key personnel in recent periods, retention of talent remains notable, aided by the firm's strong approach to incentive compensation. Product development remains in line with the capabilities of the firm's investment teams. Despite the firm's many strengths, we continue to monitor its approach to capacity. The firm continues to see meaningful inflows into its products, most notably into the firm's target retirement fund series. Even though the firm's mid- and small-cap strategies are essentially closed to new investors, several of these strategies are utilized in the firm's target retirement series, which can put further strain on capacity. Furthermore, the firm maintains an 18% limit on the percentage of outstanding shares that can be owned in one company. This limit could potentially fuel a lack of discipline as it relates to the closure of smaller cap strategies. In addition, the limit could become prohibitive for managers of larger cap strategies looking to fully express conviction in holdings that are widely held by other strategies.
Investment Staff	3	*No Change*	On February 1, 2016, T. Rowe Price announced that lead portfolio manager, Robert Sharps, would officially relinquish his role on the strategy on January 1, 2017 to assume a role as the firm's Co-Head of Global Equity. As a result of this announcement, T. Rowe Price named Taymour Tamaddon, portfolio manager for the Health Sciences Equity strategy and leader of the firm's healthcare sector team, as Mr. Sharps' successor. Mr. Tamaddon's roles on the Health Sciences Equity strategy and healthcare team were given to Mr. Ziad Bakri on June 30, 2016 to allow for Mr. Tamaddon's transition on to the Large Cap Growth strategy. Mr. Tamaddon began overseeing buy and sell decisions for the Large Cap Growth strategy on

Rating Sheet			
Factor	**Rating**	**Previous Rating**	**Comments**
			January 1, 2017. David Rowlett, who joined the team as the strategy's associate portfolio manager in January 2015, remains in his current role. As associate portfolio manager, he supports the implementation of the investment process, though full ownership of buy and sell decisions remain with Mr. Tamaddon. Our meetings with Mr. Tamaddon have been positive. We find that he is a talented investor with a quantitative and fundamental skillset that enables him to develop sound insights on companies across sectors. We also believe that his approach to portfolio construction bears similarity to that of Mr. Sharps, which supports the continuity of the fund's investment process. However, we will continue to monitor the depth of his collaboration with Mr. Rowlett and research analysts to ensure that there is continued alignment as it relates to the inclusion of best ideas.
Investment Process	3	*No Change*	There have been no changes to the investment process since Mr. Tamaddon transitioned on to the fund as lead portfolio manager. The process focuses on investing in companies that are generating at least 10% EPS growth. Companies that meet minimum thresholds on EPS growth and ROE metrics are eligible for the fundamental research process, which involves rigorous balance sheet analysis and extensive due diligence of company management and industry participants. The final portfolio is fairly concentrated and has historically had some sector biases. We continue to have a positive view of the team's approach to fundamental research and believe that it generates industry insights that are differentiated relative to that of peers. However, clients should be aware that, over time, the portfolio may become more concentrated to ensure that there is a greater focus on 15%+ growers. Furthermore, increased scenario analysis, which is used to provide additional guidance on individual position sizing, could impact sector allocation at times.

Rating Sheet			
Factor	**Rating**	**Previous Rating**	**Comments**
Risk Management	3	*No Change*	Various third-party reporting tools are utilized by the firm and are available for portfolio managers to access on a daily basis. Portfolio managers will formally review the risk reports for their respective strategy on a monthly basis with senior management. The monthly meetings are intended to ensure that portfolio managers are aware of the risk in their portfolio, while still allowing them to have the utmost discretion in portfolio construction decisions.
Operational Due Diligence	Pass	*No Change*	All systems, policies, and procedures are satisfactory.
Performance Analysis	3	*No Change*	The portfolio has added value relative to the Russell 1000 Growth Index over long-term periods due primarily to strong stock selection. It should be noted that the portfolio's tendency to have some sector concentration could lead to periods of performance volatility.
Terms & Conditions	3	*No Change*	The separate account and mutual fund (TRLGX) are priced competitively relative to the institutional large cap growth universe. Client service has been satisfactory.
Overall Rating	**Pass**	***In Review***	The rating for the T. Rowe Price Institutional Large Cap Growth strategy will move from In Review to Buy. Our interactions with newly appointed portfolio manager, Taymour Tamaddon, have provided us with assurance that the continuity of the strategy, particularly as it relates to the execution of the research and portfolio construction approach, will be preserved. Furthermore, we view Mr. Tamaddon as a highly talented investor who demonstrates a strong investment acumen and unique insights across various sectors, which alleviates our initial concerns about his management of a diversified strategy. However, we will continue to monitor the fund closely to ensure that portfolio characteristics do not deviate significantly from their historical profiles. Furthermore, we will monitor Mr. Tamaddon's utilization of the global analyst team at T. Rowe Price to ensure that there is continued alignment as it relates to the inclusion of best ideas.

Manager Updates and Monitoring

Major Developments

- Taymour Tamaddon, lead portfolio manager, officially transitioned on to the Institutional Large Cap Growth strategy on January 1, 2017. As lead portfolio manager, he has primary discretion over buy and sell decisions for the portfolio. David Rowlett, associate portfolio manager, has retained his role on the strategy and continues to support the research and portfolio construction process.

Key Monitoring Points

Portfolio Continuity

- There are no material changes to the strategy's underlying philosophy and process. However, we should expect to some adjustments at the margin including:
    - Portfolio concentration – Historically, the portfolio hovered between 45-65 names. In recent years, however, the portfolio hovered between 75 and 80 names as Mr. Sharps made a concerted effort to include companies that encompassed a wider spectrum of growth. To ensure that that the portfolio remains focused on 15%+ growers, Mr. Tamaddon's intention is to further concentrate the portfolio to its historical range of holdings.
    - Valuation sensitivity – A company's risk/reward profile is important in determining its inclusion within the portfolio, and at times, we've noted that slight premiums have been paid relative to the growth opportunity presented by an individual company. Our expectation over time is that the latter will remain. However, since Mr. Tamaddon assumed responsibility over the portfolio, there have been some "GARP" like holdings that were opportunistically added. We will continue to monitor if this is a point-in-time event or a posture towards valuation sensitivity that will reflect itself in the portfolio's pricing characteristics going forward.
    - Additional scenario testing – The strategy has historically been constructed with a bottom-up stock selection approach; this will not change under Mr. Tamaddon's leadership. However, we can expect Mr. Tamaddon to focus more on scenario analysis to provide guidance on individual position sizing, which could impact sector allocation at times.

Aon InForm Assessment

The Aon InForm assessment of this strategy is summarized in the sections below. Where this raises an alert, denoted by a flag (⚐), we have added further clarification where we believe the points raised are material or worth highlighting.

- Staff – This category was flagged due to the recent portfolio management transition. We continue to the monitor the progression of Taymour Tamaddon's role as lead portfolio manager on the fund.
- Risk - This category was flagged due to the strategy's downside capture statistics. We continue to believe that the portfolio's risk exposures are appropriately monitored.

Aon InForm Assessment to 31 Dec 2016

Business (✓)	Value	Current Quarter	Movement since last quarter
Employee Ownership	17.0%	⚐	=
Last Change of Ownership	December 2000	✓	=
Institutional Client Base (Product)	99.3%	✓	=
Firm Net Asset Flow	-$3.6 billion	⚐	=
Firm Gross Asset Outflow	-0.9%	✓	=
Product Net Asset Flow	$214.7 million	✓	↗
Product Gross Asset Outflow	-1.3%	✓	=
Product Importance to Firm	3.8%	✓	=
Asset Class Importance to Firm	75.5%	✓	=

Investment Staff (⚐)	Value	Current Quarter	Movement since last quarter
Team Size	Portfolio Managers: 4 Analysts: 154	✓	=
Staff Turnover	Portfolio Managers: 8.3% Analysts: 10.6%	⚐	=
Experience	Portfolio Managers: 17 years Analysts: 9 years	⚐	=

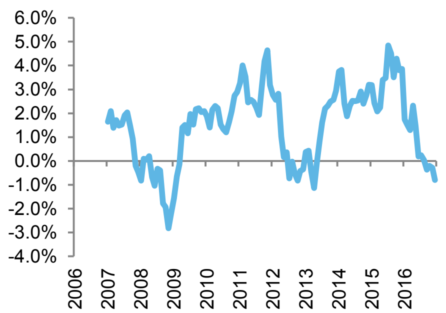
Investment Process (✓)	Value	Current Quarter	Movement since last quarter
Active Risk / Tracking Error	5.3	✓	=
Investment Process Consistency	12.4	✓	=
Style Consistency - Market Capitalization	$36.1 billion	✓	=
Style Consistency - Value (Price-to-book)	5.5	✓	=
Cash Allocation	1.7%	✓	=

Risk Management (⚐)	Value	Current Quarter	Movement since last quarter
Maximum Drawdown	12.0%	⚐	=
Downside Capture Volatility	9.7%	⚐	=

Aon InForm Assessment to 31 Dec 2016 (Continued)

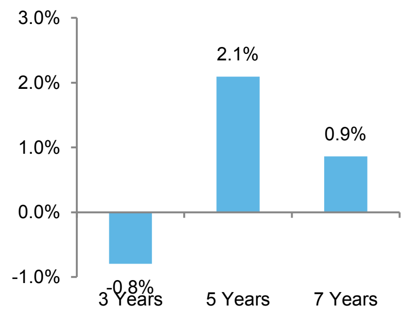
Performance Analysis (✓)	Value	Current Quarter	Movement since last quarter
Excess Return	0.9%	✓	=
Risk Adjusted Return	0.9	✓	=
Consistency of Outperformance vs Benchmark	77.5%	✓	=
Consistency of Outperformance vs Peers	80.8%	✓	=

Historical Consistency



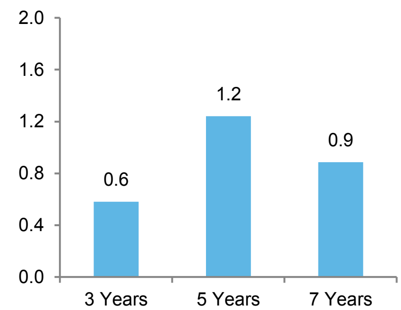
Rolling 3-Year Excess Return (p.a.) Over Russell 1000 Growth

Historical Excess Return



Excess Return (p.a.) Over Russell 1000 Growth

Historical Risk-Adjusted Return



Sharpe Ratio (p.a.) Against Citigroup 3-Month T-Bill

Source: eVestment

Terms & Conditions (✓)	Value	Current Quarter	Movement since last quarter
Management Fee	50 bps*	✓	=

*Fee and assessment reflect segregated account sliding schedule at $50 million.

Operations*	
Is the firm affiliated with a Broker/Dealer?	No
GIPS (Global Investment Performance Standards) Compliant?	Yes
Errors & Omissions Insurance?	Yes
Fiduciary Liability Insurance?	Yes

Note: The Aon InForm Assessment is based on data as of 31 December 2016 (obtained on 2 February 2017 from eVestment) unless stated differently. Product data completion is 100.0% and peer group average data completion is 85.3%. Changes in manager or peer group data completion may impact the Aon InForm Assessment. *The output to the questions above (Operations section) is self-reported by the manager and obtained through eVestment and is provided for informational purposes only. **Past performance is no guarantee of future results**.

Glossary – Equity Manager Model Description

The below table provides a more detailed description of the factors used in the above Aon InForm Assessment. Consultants will be pleased to answer questions should you require further information in relation to this report.

Factor Business	Description
Employee Ownership	Percentage of firm ownership held by staff
Last Change of Ownership	Date of most recent ownership change
Institutional Client Base (Product)	Percentage of assets under management ("AUM") held by institutional investors (pension funds, sovereign wealth funds, insurance companies, endowments, foundations etc.) at the product level
Firm and Product Net Asset Flow	Net asset flow over the last three years at the firm and product level. Product level factor incorporates an assessment relating to the strategy's capacity.
Firm and Product Gross Asset Outflow	Average gross asset outflow over the last three years at the firm and product level
Product and Asset Class Importance to Firm	The asset class and product AUM in relation to the firm level AUM

Investment Staff	
Team Size	The manager's investment related resources across various functions
Staff Turnover	Percentage of investment staff turnover (average over the last three years)
Experience	Number of years' worth of investment experience across various functions

Investment Process	
Active Risk / Tracking Error	Illustrates the product's tracking error i.e. how closely a manager follows its benchmark
Investment Process Consistency	Volatility of the product's performance relative to its peer group
Style Consistency	Displays the Market Capitalization and Price-to-Book of the product's underlying holdings and assesses if this is in line with its peers
Cash Allocation	Highest cash allocation over the past 3 years as a percentage of the portfolio

Risk Management	
Maximum Drawdown	Measures the distance between the peak and trough of the product's performance
Downside Capture Volatility	Degree of volatility of the product's long term downside capture. Downside capture relates to the manager's losses when its benchmark is down.

Performance Analysis	
Excess Return	Compares the excess return of the product against the manager's benchmark (longest available of 1, 2, 3, 5 or 7-years)
Risk Adjusted Return	Displays the Sharpe Ratio or Information Ratio (depending on the product's tracking error). These measures are different ways of assessing the product's return after adjusting for the level of risk taken.
Consistency of Outperformance	Looks at long term consistency of excess return in relation to the product's benchmark and peers

Terms & Conditions	
Management Fee	Management fee level relative to the product's peer group

Operations	
Operations Factors	These factors look across a number of non-investment related areas such as operational infrastructure, compliance and industry best practice

Ratings Explanation

Below we describe the criteria which we use to rate fund management organizations and their specific investment products. Our manager research process assesses each component using both our qualitative and Aon InForm criteria. With the exception of Operational Due Diligence ("ODD"), each component is assessed as follows:

Qualitative Outcome	Aon InForm Outcome	
1 = Weak	✓	**Pass**: This component in isolation meets or exceed our desired criteria
2 = Average	⚐	**Alert**: This component in isolation does not meet our desired criteria, or the lack of data on this component means that we are not able to judge whether it meets our desired criteria
3 = Above Average	-	**Not assessed**: There is a lack of data, which means that we are not able to assess this component, however we do not consider this in isolation to justify an Alert
4 = Strong	↗	Component has improved over the quarter
	=	Component remains broadly unchanged over the quarter
	↘	Component has worsened over the quarter

The ODD factor is assigned a rating and can be interpreted as follows:

Overall ODD Rating	What does this mean?
A1	No material operational concerns – the firm's operations largely align with a well-controlled operating environment.
A2	The firm's operations largely align with a well-controlled operating environment, with limited exceptions – managers may be rated within this category due to resource limitations or where isolated areas do not align with best practice.
Conditional Pass ("CP")	Specific operational concerns noted that the firm has agreed to address in a reasonable timeframe; upon resolution, we will review the firm's rating.
F	Material operational concerns that introduce the potential for economic or reputational exposure exist – we recommend investors do not invest and/or divest current holdings.

Aon Hewitt previously assigned ODD ratings of pass, conditional pass, or fail for the ODD factor. We are in the process of refreshing all ODD ratings to the new terminology. During the transition period, the prior ratings, as follows, may persist in some deliverables until the ODD factor rating is converted to the above noted letter ratings.

- **Pass** – Our research indicates that the manager has acceptable operational controls and procedures in place.
- **Conditional Pass** – We have specific concerns that the manager needs to address within a reasonable established timeframe.
- **Fail** – Our research indicates that the manager has critical operational weaknesses and we recommend that clients formally review the appointment.

An overall rating is then derived taking into account both the above outcomes for the product. The overall rating can be interpreted as follows:

Overall Rating	What does this mean?
Buy	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products
Buy (Closed)	We recommend clients invest with or maintain their existing allocation to our Buy rated high conviction products, however it is closed to new investors
Qualified	A number of criteria have been met and we consider the investment manager to be qualified to manage client assets
Sell	We recommend termination of client investments in this product
In Review	The rating is under review as we evaluate factors that may cause us to change the current rating

The comments and assertions reflect our views of the specific investment product and our opinion of its quality. Differences between the qualitative and Aon InForm outcome can occur and if meaningful these will be explained within the Key Monitoring Points section. Although the Aon InForm Assessment forms a valuable part of our manager research process, it does not automatically alter the overall rating where we already have a qualitative assessment. Overall rating changes must go through our qualitative manager vetting process. Similarly, we will not issue a Buy recommendation before fully vetting the manager on a qualitative basis.

Disclaimer

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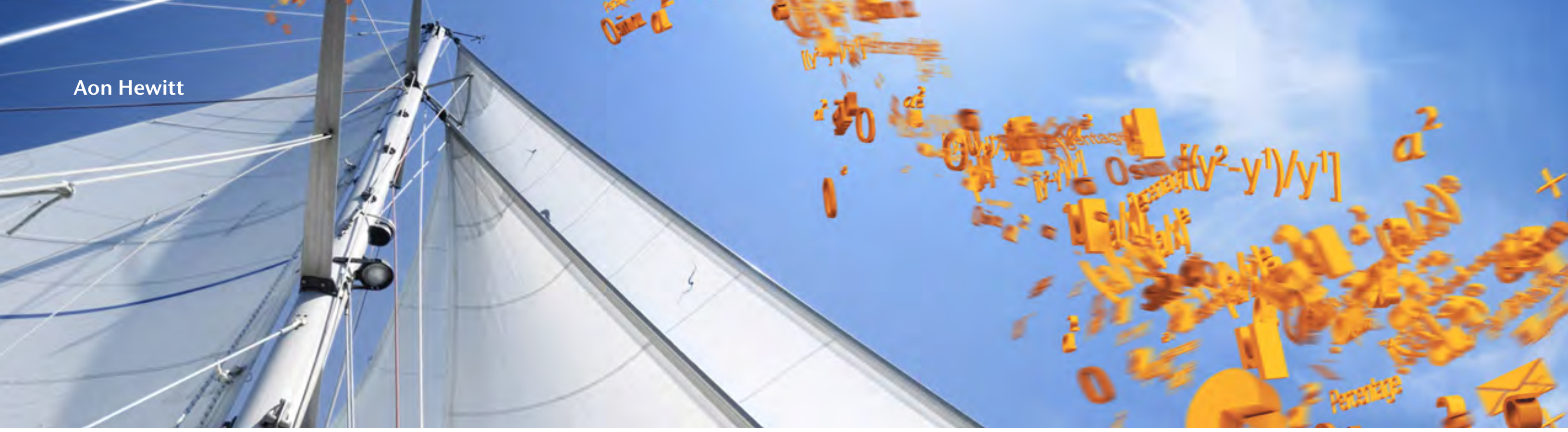
Agenda Tracker



Aon Hewitt

First Quarter 2017

Quarterly Update

Aon Hewitt Retirement Legal Consulting & Compliance

In this Issue

Prior Issues

Prior issues can be found on **aon.com**.

Four most recent issues - **Click here**
Select "Newsletters"

Older editions - **Click here**
Select "Retirement Practice Legal Consulting & Compliance Quarterly Update" in the Newsletters section.

Notes From Your Editor

A new year has arrived, bringing with it a new administration and some uncertainty regarding the future of retirement benefits. In this issue, Rick Jones, the leader of Aon Hewitt's National Retirement Practices, offers some interesting insights into how the provision of retirement benefits could evolve over the next four years.

As part of our response to the termination of the Internal Revenue Service's (IRS's) determination letter program for ongoing, individually designed plans, Aon Hewitt now offers a new solution for maintaining and documenting compliance with applicable requirements. Our new service, designed to fill the void left by the IRS's decision to cease issuing new determination letters on a plan's qualified status, is described more fully in this issue.

The start of each new year is also an opportunity to remind our readers of Aon Hewitt's Benefit Index® and the Real Deal—two programs that can help plan sponsors determine whether their benefit packages are competitive for their industries and assess how well their participants will be positioned for retirement.

We provide plan sponsors annually with useful information regarding plan limits and compliance deadlines, as well. This issue includes links to our recent 2017 publications in these areas. We hear a lot of positive feedback about these annual publications—and many people (including me) keep them posted at their desks for easy reference.

Further, as you're aware, plans that invest in shares of stock must continue to address unique issues related to that investment. In this issue, we describe the Department of Labor's recent guidance to plan fiduciaries regarding voting proxies and exercising shareholder rights with respect to shares of stock.

Finally, we have included a brief roundup of several new developments of interest. If you have any questions or need any assistance with the topics we've covered here, please contact the author of the article or Tom Meagher, our practice leader.

Regards,

Jennifer R Berrian

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Partner
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New Leaders in Washington—What's Next in Retirement Benefits?

by Rick Jones

America is watching the early moves of a new administration and a continued Republican-controlled Congress. Much has been said, predicted, and postulated regarding the future of health care in the United States, including repealing and replacing the Affordable Care Act. However, the new administration has said very little about retirement income policy.

Despite the uncertain environment, below are some predictions for the future of employer-sponsored retirement income plans.

Defined contribution benefits will continue to be the norm for most industries, but new options will emerge. We don't see anything reversing the significant trend over recent decades toward defined contribution retirement income programs. That said, the benefits community is poised and ready for new multiple employer models that produce more efficiencies, make broader expertise available, and ultimately provide better outcomes—including the prospects for more secure lifetime incomes. Congress has considered such models recently, including the Senate Finance Committee's 2016 deliberation on the Retirement Enhancement and Savings Act (RESA).

There are too many upsides associated with these models for Congress and the new administration to ignore, and we predict that many of them could become viable and available in the next four years. The financial services and benefits communities will have to work together with leaders in Washington to ensure the success of these new approaches. Aon Hewitt is, and will be, very actively involved in those conversations.

"The benefits community is poised and ready for new multiple employer models that produce more efficiencies, make broader expertise available, and ultimately provide better outcomes—including the prospects for more secure lifetime incomes."

The current pension financing environment and requirements will produce better-funded pension plans. Pension funded ratios in the private employer space have hovered around 80% for some time. Funded ratios will increase in the coming years as employers look to avoid, through larger contributions, the significant and increasing "underfunding tax" included in the PBGC premium structure, which will be exacerbated in 2018 by updated mortality tables. Furthermore, potential tax reform may trigger a spike in contributions as companies seek to accelerate tax-deductible contributions and interest payments into the current corporate tax regime, or contribute repatriated earnings should there be a loosening of related corporate tax rules.

Plan sponsors have taken advantage of the pension funding relief provisions included in federal budget acts and other legislation in recent years. This has included multiple rounds of interest rate "stabilization" that is being phased out through 2024. We anticipate that increased cash contributions, either required as funding relief wears away or strategically made to reduce risk or premiums, will produce stronger pension funded ratios.

In addition, economic policy at home and abroad will impact pension funding (and, more broadly, retirement planning). As noted repeatedly, economic policies could continue to impact interest rates as well as market and currency valuations. Finally, some believe the 30-year downward trend in interest rates has ended, and that higher yields are ahead of us. If this is true, funded ratios can improve even if equity returns are weak.

Pension settlements will continue without new limitations. Recent years have seen significant pension settlement transactions for private employers' defined benefit plans through annuity purchases with insurers and lump-sum distributions to participants. Aon Hewitt's calculations suggest that approximately 6% of total pension obligations in the single-employer space were settled between 2012 and 2016. Settlement activity will likely pick up steam. The stronger funded ratios mentioned above will support this trend.

We are eager to see what the future holds for retirement income and broader benefits policy in the U.S. Our business is to help our clients to best anticipate future events, and this is no exception. We're glad to help!

2017 Limits for Benefit Plans

by Linda M. Lee

Employee benefit plans are subject to many dollar limits established annually by the Internal Revenue Service (IRS). There are limits on the amount of contributions that may be made to defined contribution plans, on the annual amount that can be paid from defined benefit plans, on the amount of compensation that can be used when calculating benefits, and many more. The limits are updated based upon price and wage inflation and changes in the law. As a result, the administration of qualified retirement plans must be adapted annually to accommodate the applicable limits.

Each year, Aon Hewitt publishes a report that summarizes the new limits and includes additional helpful tax information. Our clients have found this summary to be an extremely useful and easy-to-use reference document.

A copy of the 2017 benefit limits summary (including prior limits for years 2014–2016) can be downloaded **here.**

New Solution to Address End of IRS Determination Letter Program

by Tom Meagher and Meghan Lynch

When the Internal Revenue Service (IRS) announced that it was ending the determination letter program for individually designed plans (other than for new plans, terminating plans, and in other special circumstances), employers and plan fiduciaries became very concerned—and rightly so. No longer would employers be able to rely on a recent IRS review of the plan document to confirm that the plan terms were consistent with applicable statutory and regulatory requirements, or that design changes had not adversely impacted the plan's qualified status.

Employers and plan fiduciaries have been wrestling with how best to manage their plans in the post-determination letter environment. To help overcome this challenge, Aon Hewitt has developed a new plan qualification service to address the needs of employers and plan fiduciaries. The service is designed to fill the void left by the IRS when it decided to cease issuing determination letters for ongoing plans.

As employers and plan fiduciaries well know, plan qualification depends not only on the form of the plan document, but also on the administration of the plan. To respond to the needs of our clients, we are now offering a comprehensive review of a plan's qualified status—in terms of both the plan document and the administration of the plan. We have identified and dedicated a cross-functional team of professionals to perform these reviews that includes actuarial, defined contribution, administrative, nondiscrimination testing, and legal consulting specialists. Our team can review the plan and its administration to ensure that the plan is being administered in accordance with its terms (or, if it is not, to identify what actions should be taken to properly administer the plan).

Rather than rely on old determination letters or move forwardly blindly without assurance that their retirement plans are qualified, employers and plan fiduciaries can now rely on Aon Hewitt's National Compliance Practice to confirm that plan terms comply with qualification requirements. Moreover, cost-sensitive employers and fiduciaries will appreciate the fact that Aon Hewitt's qualification reviews are customizable—meaning employers and plan fiduciaries can limit the review to the most recent plan changes or to discrete aspects of plan administration.

In view of the end of the IRS determination letter program and the expected increase in regulatory examinations, employers and plan fiduciaries would be well advised to periodically review their plans' qualified status—from both a document and an administration standpoint. While such a review may not be needed each year, it is advisable to consider a review if it has been some time since the employer's last IRS determination letter (e.g., former Cycle "B" filers should consider such a review now). Pursuing such a document or administrative evaluation is also wise following any material changes to plan design, or following any significant statutory or regulatory changes.

Aon Hewitt is well positioned to provide a comprehensive evaluation of plan documents and plan operations. Our innovative solution provides clients with a thorough analysis of the plan's qualified status and a process to facilitate long-term compliance. A brief summary of Aon Hewitt's capabilities in this area is available **here.** Please contact your Aon Hewitt consultant with any questions.

Do Your Company's Benefits Measure Up? Ask Benefit Index®

by Mark Friedman

As a benefit manager or plan fiduciary, you are likely focusing a considerable amount of time on compliance issues. While this is necessary, plan sponsors also must make sure they are investing their energy on benefit programs that meet their organization's business needs.

> "Assessing the value and competitiveness of your company's benefit package can reveal whether you have the right programs in place."

An Aon Hewitt Benefit Index® benchmarking analysis quantifies the value of your company's benefits package and compares it to the value of benefits provided by your peer organizations in a simple, straightforward index. This valuable benchmarking analysis leverages Aon Hewitt's deep database of more than 1,000 participating organizations across a variety of industries, geographies, and types of employment. By comparing your organization's benefit program to subsets of this vast database, you can gain a wealth of insights and information. In addition to the quantitative analysis, Aon Hewitt maintains a web-based tool, Benefit SpecSelect™, which allows subscribing members to review benefit plan prevalence and specification details on demand.

Benefit Index should be part of any plan design project. It can be used as both a tool for educating senior management on the current state of the benefit program and as a communication tool for sharing results with the broader employee group. Benefit Index can also be used to improve your understanding of current benefit trends, model future benefit plan changes, and coordinate benefits after a merger or acquisition transaction. Given the myriad of changes to benefit regulations and health care programs that may be coming, keeping up with evolving trends will be important to maintain a competitive new hire benefits package.

If you are interested in reviewing the competitiveness of your company's benefits or subscribing to Benefit SpecSelect, please contact **Mark Friedman**, or **Debbie Hildenbrand**.

Are Your Employees Prepared for Retirement?

by Grace Lattyak and Melissa Hollister

Are your employees financially prepared for retirement? Do they know how much they should be saving to be prepared? At what age will they be able to retire with adequate retirement resources? Produced by the Aon Hewitt Retirement & Investment group, the *Real Deal* is a triennial retirement income adequacy study that provides a framework for answering these questions. The study defines retirement preparedness for over two million employees of large companies, analyzes retirement risks, measures employer and employee actions to help improve retirement outcomes, and provides answers to critical questions as employees and employers prepare for a financially secure retirement.

According to this robust study, to maintain their preretirement standard of living, workers who participate in their employers' benefit plans for their entire careers typically need to accumulate retirement assets and benefits (in addition to Social Security) worth about 11 times their pay. When the study compares projected resources to needs, roughly two out of five workers are expected to be on track to retire with reasonably adequate retirement income.

The other three out of five workers must save more, retire later, or face a significantly reduced standard of living in retirement. What percentage of your workforce is on track to save enough for retirement?

For many, a method to achieve adequate retirement income is to delay retirement. The *Real Deal* found 68 to be the median age at which full-career contributors are projected to have sufficient resources to maintain their standard of living. However, 16% of the population is still not expected to be able to retire by age 75. Will your workforce and business be favorably or adversely impacted if your employees retire later than they do today?

To learn whether your retirement program is adequate for your employees and what the resulting workforce implications might be, contact **Grace Lattyak**.

To learn more about the study, visit the *Real Deal* **here.**

Updated DOL Guidance on Exercising Shareholder Rights by Plan Fiduciaries

by Tom Meagher

On December 29, 2016, the Department of Labor (DOL) issued Interpretive Bulletin 2016-1 addressing the conduct of plan fiduciaries in voting proxies and exercising shareholder rights with respect to shares of stock held by retirement plans. The bulletin was issued in order to clarify possible misunderstandings relating to fiduciaries' responsibilities.

In issuing the interpretive bulletin, the DOL reiterated that a fiduciary's obligation to manage plan assets prudently should include actions with respect to voting proxies, establishing statements of investment policy, and engaging as a shareholder with company management. Key parts of the bulletin include:

- **Proxy voting.** The responsibility for voting proxies lies exclusively with the plan trustee unless the trustee is subject to the direction of a named fiduciary or investment responsibility has been delegated to an investment manager. The bulletin indicates that the responsible fiduciary should consider factors, both financial and nonfinancial, that may affect the value of the plan's investment. A named fiduciary's duty to monitor investments (and investment managers) necessitates that accurate records of proxy voting be maintained to enable the named fiduciary to review both the proxy voting procedure and specific actions taken.
- **Investment policy statement.** The bulletin serves as an important reminder that plan documents, investment policy statements, and investment manager agreements should be consistent and clearly identify the parties' responsibilities—including those related to actions surrounding proxy voting. Investment policy statements should provide guidelines or general instructions concerning various types or categories of investments. These categories may include proxy voting, policies concerning economically targeted investments, and requirements that investments incorporate environmental, social or governance (ESG) factors. In all cases, the actions taken must be consistent with ERISA's fiduciary obligations.
- **Shareholder engagement.** Investment policies may propose that plan fiduciaries monitor or attempt to influence the management of corporations in which the plan owns stock. However, the fiduciary should reasonably conclude that doing so is likely to enhance the value of the plan's investment after taking into account the costs involved. Shareholder engagement issues may include, among others, governance structures, board composition, executive compensation, transparency and accountability of corporate decision-making, climate change preparedness and sustainability, practices to address environment or social factors with an impact on shareholder value, and responsiveness to shareholders.

With the change in administrations, it appears that the DOL wanted to clarify that plan fiduciaries may consider a number of financial and nonfinancial issues and factors when evaluating current and future plan investments. Any such investment decisions must be consistent with the instruments governing the plans, prudent, and in the best interests of participants and beneficiaries.

2017 Compliance Calendar

by Linda M. Lee

The Aon Hewitt Compliance Calendar is an annual publication that alerts plan sponsors and other interested parties of some of the more significant Internal Revenue Service (IRS), Department of Labor, and other regulatory agency due dates and deadlines for benefit-related compliance obligations.

A few of the topics addressed by the 2017 Compliance Calendar include:

- Timing of participant communications and notices (e.g., summaries of material modifications, pension benefit statements, and summaries of benefits and coverage)
- Plan contribution due dates
- Filing dates for IRS forms (e.g., Forms W-2 and 1099-R)

The 2017 Compliance Calendar also helps promote discussions between plan sponsors and their consultants that will ensure timely disclosures and compliance with related filing obligations. Download your complimentary copy of the **2017 Compliance Calendar** now.

Quarterly Roundup of Other New Developments

by Jan Raines and Bridget Steinhart

Potential retirement program opportunities gleaned from Form 5500 data. Department of Labor Form 5500 database information was recently analyzed by a media group to assess the prevalence of certain reported data and to identify possible "red flags." The group found numerous examples of disclosures related to corrective distributions and plan terminations, among other matters. Corrective distributions to highly compensated participants are a regular occurrence in many plans, but can suggest opportunities for re-strategizing total rewards and benefits budgets as they relate to plan design components.

Opportunities might include changing employer contributions, taking a fresh look at participant communication strategies used to address the importance of plan participation and appropriate deferral levels, or implementing a "top hat" deferred compensation plan to support the highly paid group's retirement objectives. For plan terminations, the findings present an opportunity for active retirement plans to implement or maintain a periodic search for missing participants and to explore solutions such as rolling over lost participants' balances to individual retirement accounts (as permissible).

Women tend to be under-saved and underprepared for retirement. While retirement readiness is a concern for both men and women, women are currently more likely to lack sufficient savings to manage their financial needs in retirement, according to survey results issued by Aon Hewitt this year (see the article earlier in this issue). According to the survey data, 401(k) plan participation for both genders is the same at 79%, but women are not saving as much toward their retirement needs as men (83% of women have a savings gap, as compared to 74% of men). Longer lifespans and other factors mean that women, on average, will need to work a full year longer than men, retiring at age 69 in order to meet their financial needs in retirement. When determining participant education strategies for 2017, it may be beneficial to explore providing communications targeted to women and other at-risk groups.

IRS offers correction methods for using the wrong definition of compensation. The Internal Revenue Service (IRS) recently explained that one of the most common errors submitted through its Voluntary Compliance Program (VCP) is the use of an incorrect definition of compensation when administering the plan. In a helpful move for plan sponsors, the IRS has indicated that such errors may be eligible for correction using a method (if certain requirements are met) that does not require making corrective distributions or contributions. In many cases, the errors occur as a result of the inclusion or exclusion of bonuses, overtime, or commissions. Often the plan sponsor's payroll system is not in sync with the definition of compensation defined in the plan document—or there is one definition for purposes of plan contributions and a different definition for purposes of nondiscrimination testing.

The IRS now permits plan sponsors to correct certain errors by retroactively amending the definition of compensation to match the compensation that was actually used, as long as it can be documented that the definition of compensation used matched participants' expectations. For example, if the plan document states that bonuses won't be included but participant communications indicate that bonuses are included—and contributions were calculated based upon a definition of compensation that included bonuses—the IRS may agree that it makes sense to correct the failure by amending the plan to include bonuses, instead of making a corrective distribution of the amounts attributable to the bonuses.

Each VCP application is reviewed and evaluated based on the submitted facts to determine which is more appropriate—a retroactive amendment or the more traditional correction method of making corrective contributions or distributions, adjusted for earnings. It is important for sponsors to perform periodic reviews of plan operations in conjunction with the plan document—particularly in the area of plan compensation—to ensure that there are no operational failures, and if errors are identified, to make corrections as soon as possible.

Supreme Court to hear "church plan" lawsuits. The U.S. Supreme Court will review three cases for Christian-affiliated hospital systems to determine if their defined benefit plans are considered "church plans" under the Employee Retirement Income Security Act of 1974 (ERISA). Church plans that have not elected to be subject to ERISA are exempt from ERISA requirements (e.g., minimum funding and reporting requirements) and certain requirements of the Internal Revenue Code, which plaintiffs claim puts their pension plans at risk. According to the appeals court, the plans in question are not church plans, since they were not initially established by a church, and would be subject to ERISA.

As noted in Aon Hewitt's December 2016 white paper, entitled, **"What's at Stake for Health Care Organizations with Church Pension Plans,"** hospitals that have treated their pension plans as church plans will want to understand the changes in contributions and administrative practices that would be required if these plans were subject to ERISA. While there have been dozens of suits filed and only a few settlements reached, none thus far have required that the plan fully comply with ERISA.

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