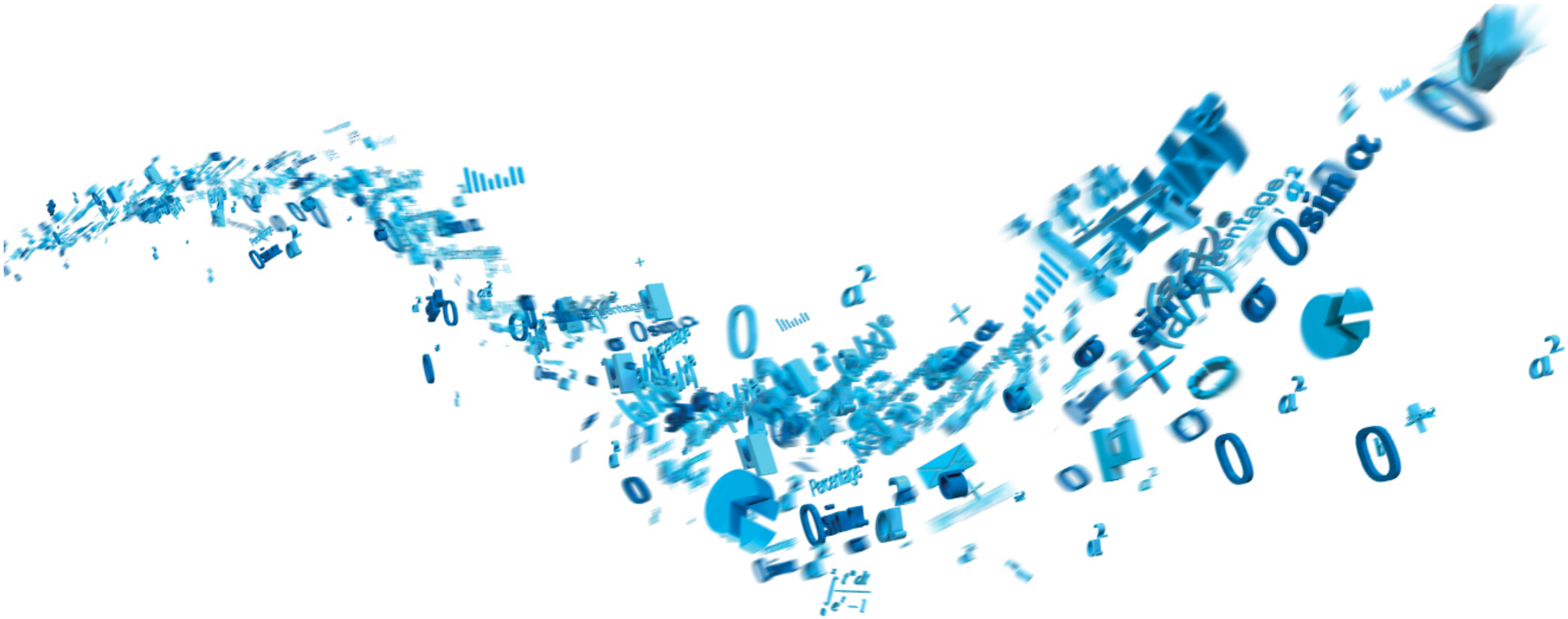

Nevada System of Higher Education

First Quarter 2018 Discussion Guide

May 24, 2018

Aon
Retirement and Investment

Empower Results®

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Discussion Topics

Section 1	Capital Markets Review
Section 2	Performance Review
Section 3	Noteworthy Items
Section 4	Legal and Compliance Update

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Discussion Topics

Section 1 Capital Markets Review

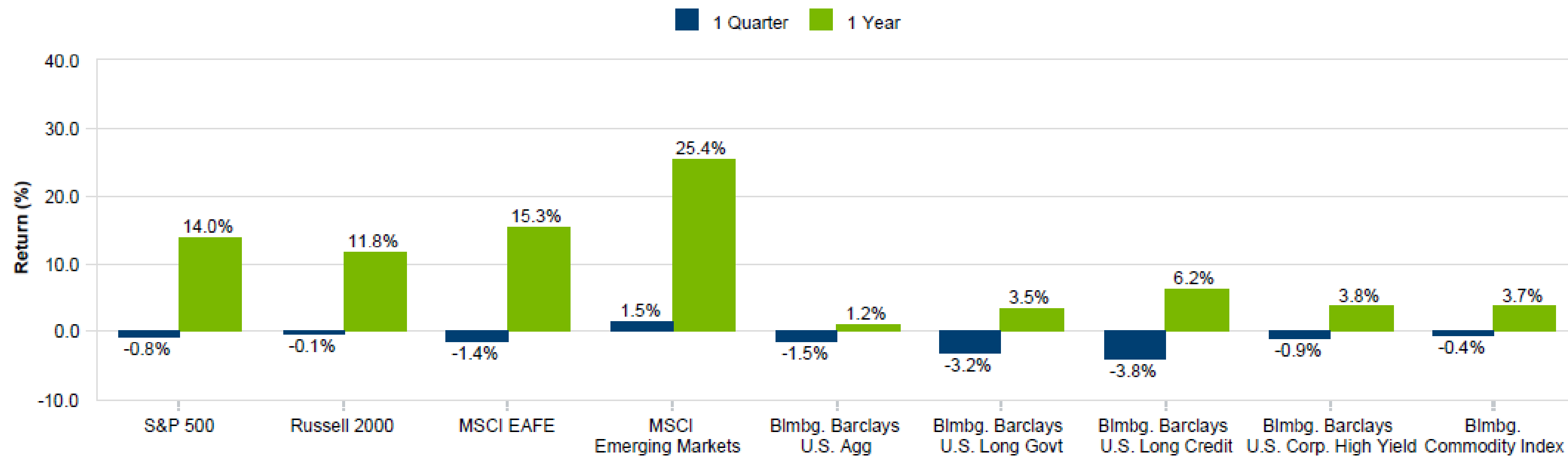
Section 2 Performance Review

Section 3 Noteworthy Items

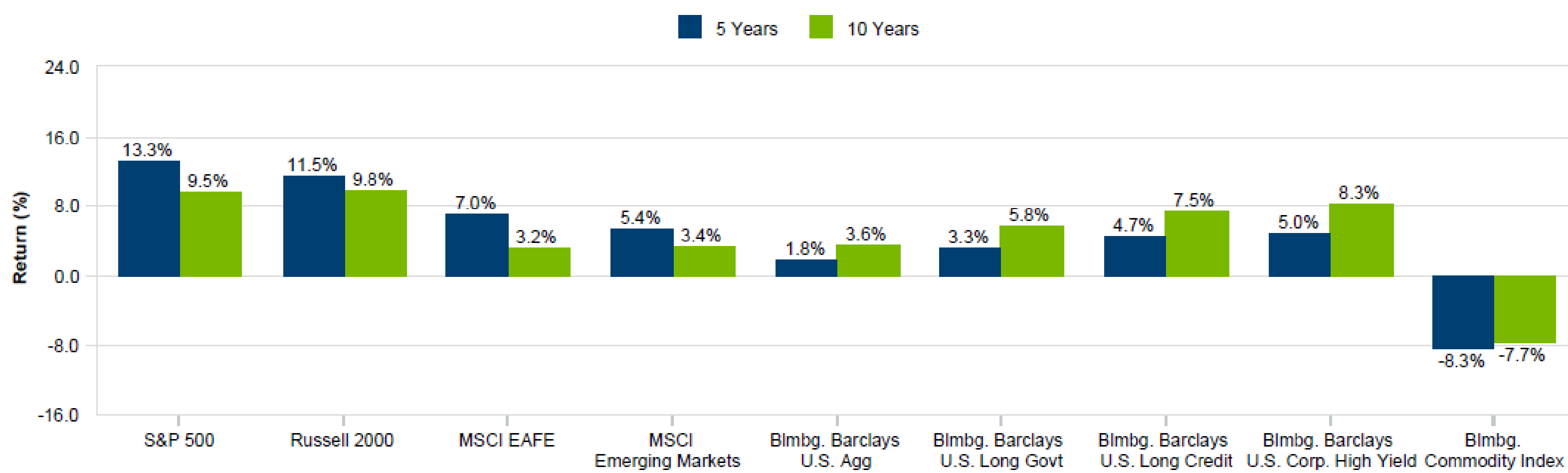
Section 4 Legal and Compliance Update

Market Highlights – As of March 31, 2018

SHORT TERM RETURNS



LONG TERM RETURNS

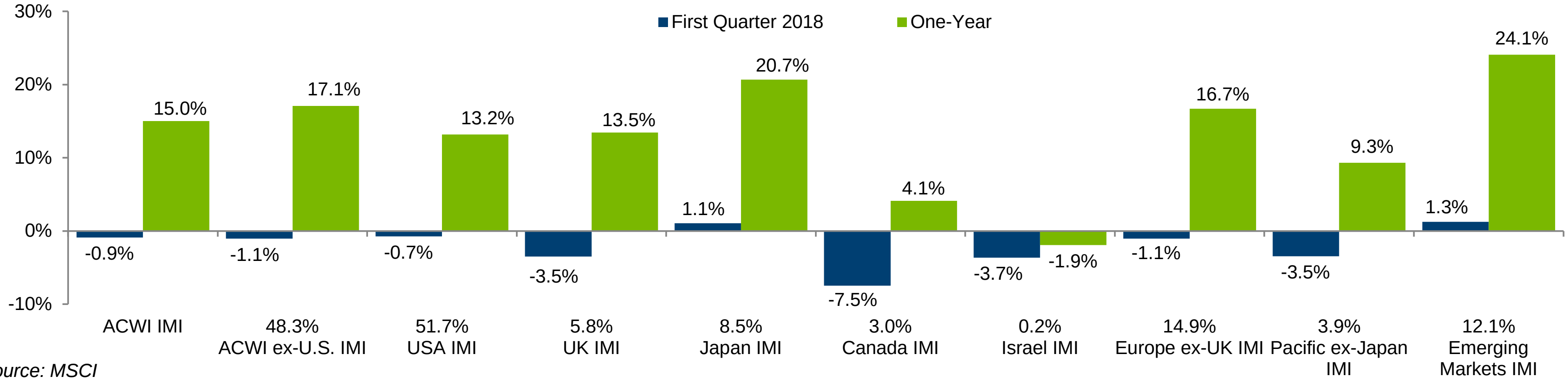


Market Highlights – As of March 31, 2018

Returns of the Major Capital Markets	1 Quarter	1 Year	3 Years	5 Years	10 Years
Equity					
MSCI AC World IMI (Net)	-0.9	15.0	8.3	9.3	5.9
MSCI AC World Index (Net)	-1.0	14.8	8.1	9.2	5.6
Dow Jones U.S. Total Stock Market Index	-0.6	13.8	10.2	13.0	9.7
Russell 3000 Index	-0.6	13.8	10.2	13.0	9.6
S&P 500 Index	-0.8	14.0	10.8	13.3	9.5
Russell 2000 Index	-0.1	11.8	8.4	11.5	9.8
MSCI AC World ex USA IMI (Net)	-1.1	17.1	6.7	6.2	3.1
MSCI AC World ex USA Index (Net)	-1.2	16.5	6.2	5.9	2.7
MSCI EAFE Index (Net)	-1.5	14.8	5.6	6.5	2.7
MSCI EAFE (in Local Currency) (Net)	-4.3	5.3	3.4	8.5	4.5
MSCI EM (Net)	1.4	24.9	8.8	5.0	3.0
Fixed Income					
Blmbg. Barc. U.S. Aggregate	-1.5	1.2	1.2	1.8	3.6
Blmbg. Barc. Global Aggregate	1.4	7.0	3.1	1.5	2.6
Blmbg. Barc. U.S. Long Govt	-3.2	3.5	0.4	3.3	5.8
Blmbg. Barc. U.S. Long Credit	-3.8	6.2	3.3	4.7	7.5
Blmbg. Barc. U.S. Govt/Credit	-1.6	1.4	1.2	1.8	3.7
Blmbg. Barc. U.S. TIPS	-0.8	0.9	1.3	0.0	2.9
Blmbg. Barc. U.S. Corp: High Yield	-0.9	3.8	5.2	5.0	8.3
Citigroup Non-U.S. World Gov't Bond Index	4.4	12.9	5.0	1.4	1.8
JPM EMBI Global Diversified	-1.7	4.3	5.8	4.7	7.0
Commodities					
Bloomberg Commodity Index	-0.4	3.7	-3.2	-8.3	-7.7
WTI Cushing Spot	7.5	28.3	10.9	-7.8	-4.4
Hedge Funds					
HFRI Fund Weighted Composite Index	0.3	6.3	3.6	4.3	3.6
HFRI FOF: Conservative Index	0.7	3.6	1.7	3.0	1.3
HFRI FOF: Diversified Index	0.6	5.5	1.6	3.3	1.6
HFRI FOF: Market Defensive Index	1.0	3.5	0.2	1.6	1.1
HFRI FOF: Strategic Index	1.2	8.5	2.9	4.2	1.8
Real Estate					
FTSE NAREIT Equity REIT Index	-8.2	-4.5	1.1	5.9	6.4
NCREIF ODCE Index (Net)	0.0	5.0	8.3	10.0	4.0
Infrastructure					
FTSE Global Core Infrastructure 50/50	-4.3	5.4	6.1	7.5	-

Global Equity Markets

GLOBAL MSCI IMI INDEX RETURNS
AS OF 03/31/2018

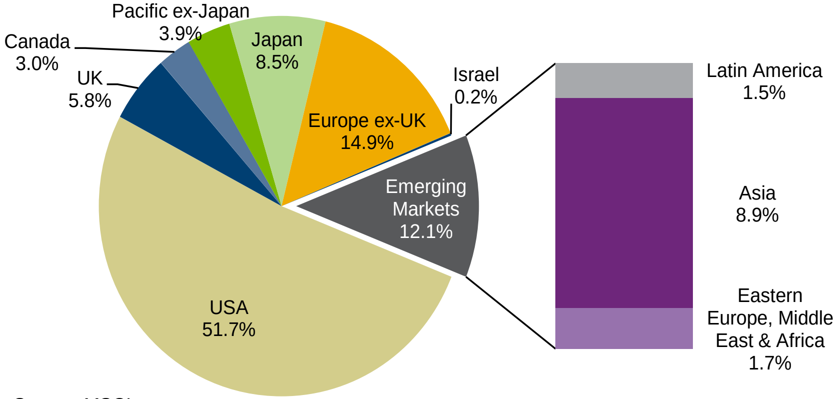


Source: MSCI

- Following a positive initial start to 2018, bouts of volatility later in the quarter saw global equities slip from their heady heights and move into "correction" territory. February's sell-off, triggered by expectations of a pick-up in inflation and then later extended by growing fears over a possible trade war between the U.S. and China resulted in global equities returning -0.9% in Q1 2018 in U.S. dollar terms. The weakening of the U.S. dollar (1.3% in trade-weighted terms) dragged down the returns further to -1.7% in local currency terms.
- With the exception of Emerging Markets and Japan, all regions shown above generated negative returns during the quarter. Emerging Markets was the strongest performer, returning 1.3% during the first quarter of 2018. Canadian equities were one of the worst performers during the quarter, returning -7.5% as economic momentum waned while an unscheduled halt in production detracted from energy sector performance.

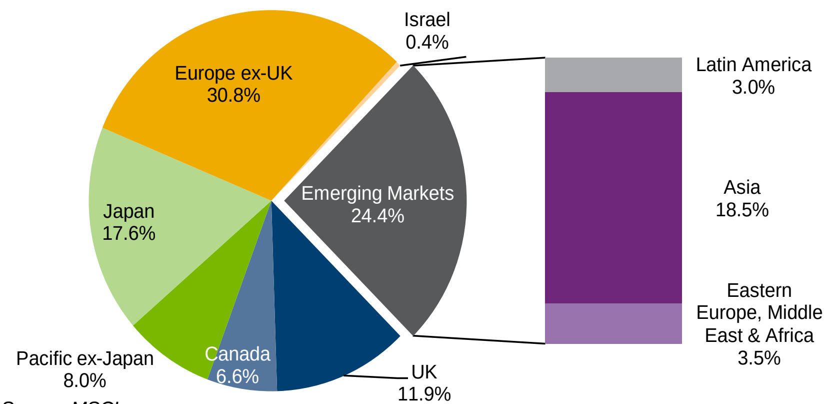
Global Equity Markets

MSCI ALL COUNTRY WORLD IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 03/31/2018



Source: MSCI

MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 03/31/2018



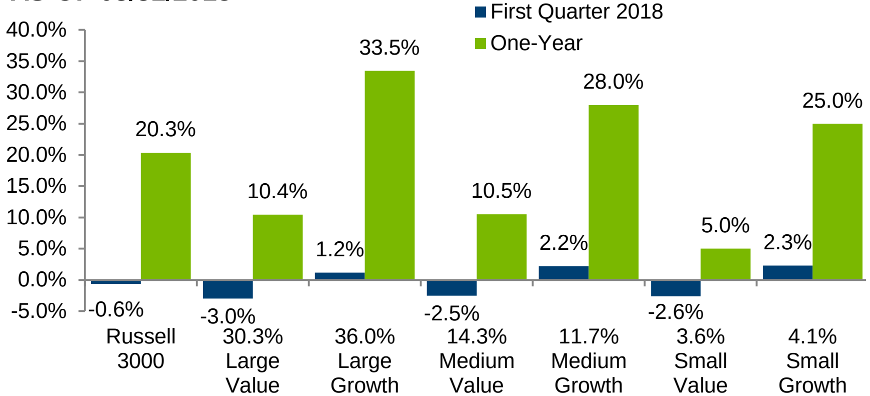
Source: MSCI

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

Empower Results®

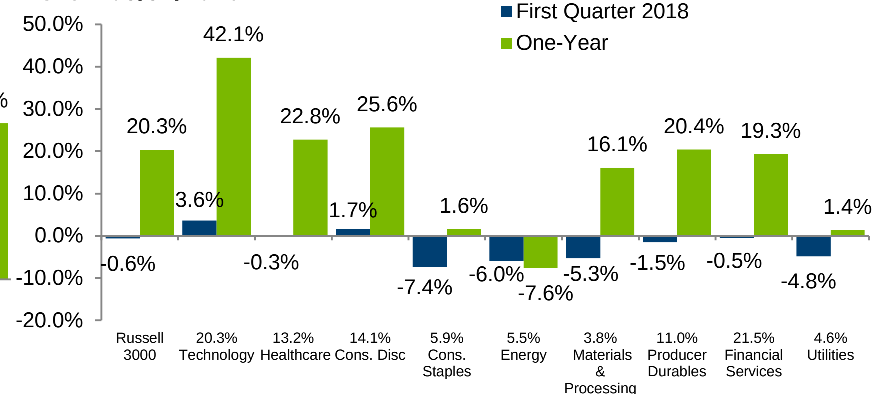
U.S. Equity Markets

RUSSELL STYLE RETURNS AS OF 03/31/2018



Source: Russell Indexes

RUSSELL GICS SECTOR RETURNS AS OF 03/31/2018

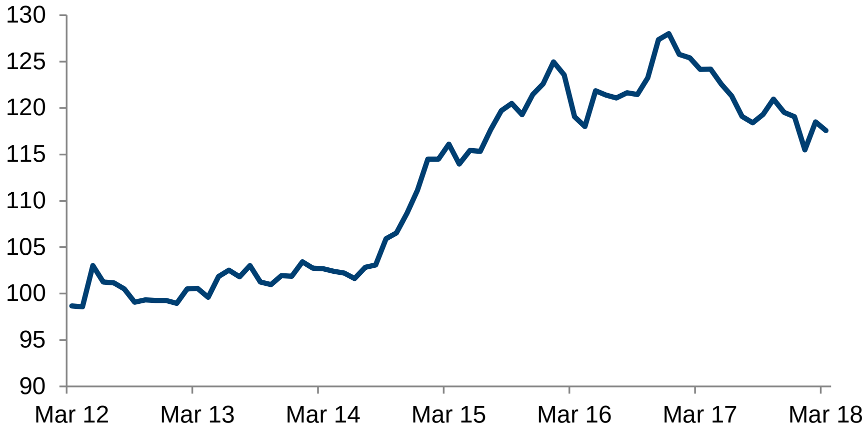


Source: Russell Indexes

- The Russell 3000 Index returned -0.6% during the first quarter and 20.3% over the one-year period.
- All sectors generated negative returns during the quarter with the exception of the technology (3.6%) and consumer discretionary (1.7%) sectors; the former supported by a strong earnings season. Focusing on the sectors that detracted from returns, consumer staples and energy were the weakest performers with returns of -7.4% and -6.0% respectively in Q1 2018.
- In general, smaller cap and growth-oriented U.S. equities outperformed during the quarter. With the majority of their revenue generated domestically, small cap stocks were less affected by fears of rising protectionism while U.S. tax reform provided additional impetus. Over the last twelve months, value stocks continue to lag their growth stock equivalents significantly (over 20% across the market capitalization spectrum).

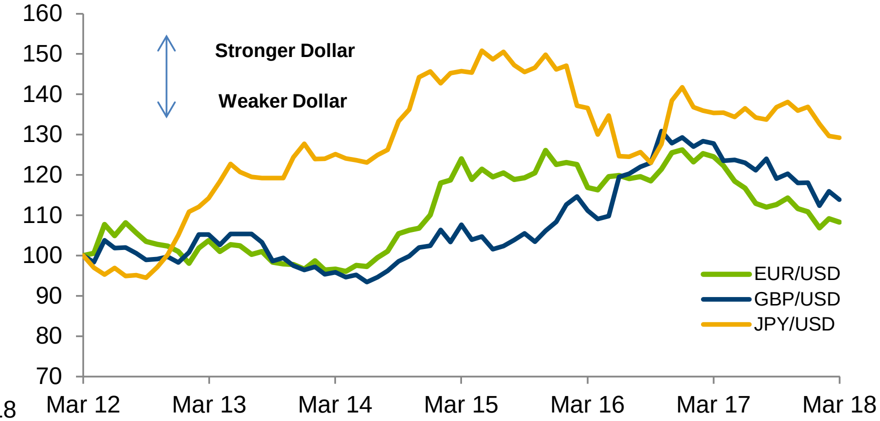
Currency

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



Source: Federal Reserve

U.S. DOLLAR RELATIVE TO EUR, GBP AND JPY
REBASED TO 100 AT 12/31/2012

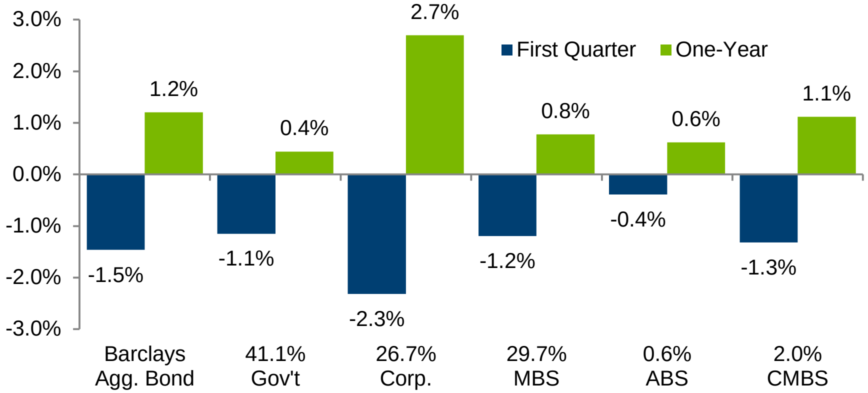


Source: Factset

- The downward trend in the U.S. dollar that began early last year continued into 2018 with the U.S. dollar weakening by a further 1.3% on a trade-weighted basis during the quarter. Although the U.S. Federal Reserve hiked the Federal Funds rate in March, widening interest rate differentials were not enough to arrest the downward trend in the U.S. dollar. Instead, expectations of greater U.S. borrowing in order to finance the proposed fiscal stimulus put pressure on the “greenback.”
- The U.S. dollar depreciated against all the major currencies. Both the Bank of England (BoE) and the European Central Bank (ECB) left their respective policy rates unchanged at 0.5% and 0.0%. The former looks set to increase their base rate by 25bps in the second quarter of 2018 while a rate hike may be further away for the ECB. Tapering of the ECB's sizeable quantitative easing program, however, appears to be firmly on their agenda for later this year.

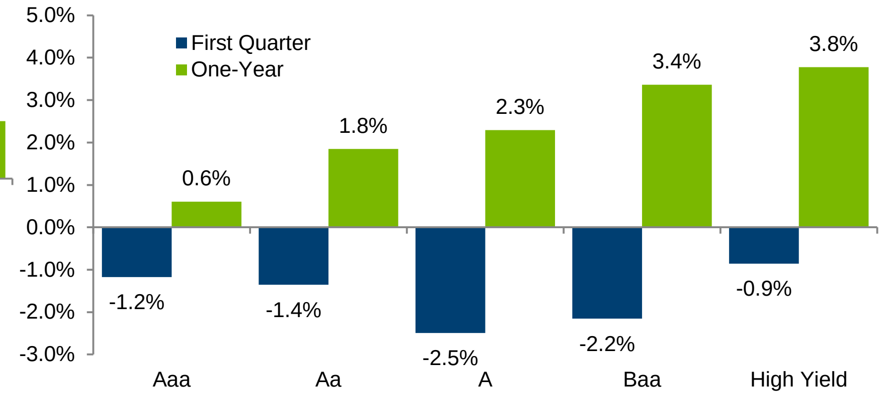
U.S. Fixed Income Markets

BLOOMBERG BARCLAYS AGGREGATE RETURNS BY SECTOR AS OF 03/31/2018



Source: FactSet

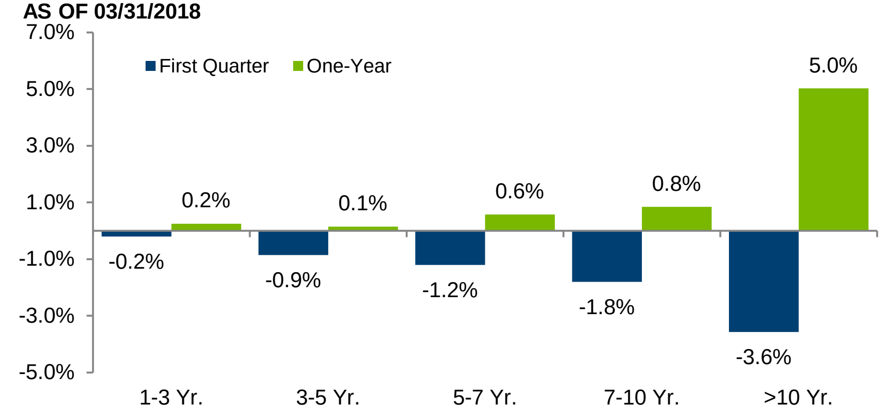
BLOOMBERG BARCLAYS U.S. AGGREGATE RETURNS BY QUALITY AND HIGH YIELD RETURNS AS OF 03/31/2018



Source: FactSet

- The Bloomberg Barclays U.S. Aggregate Bond Index returned -1.5% during the first quarter. Investment grade corporate bonds lagged while ABS performed relatively well.
- Despite the increase in volatility, high yield bonds fared relatively well. The -0.9% return outperformed all investment grade qualities.
- Long maturity bonds underperformed intermediate and short maturity bonds through the quarter due to their greater interest rate sensitivity.

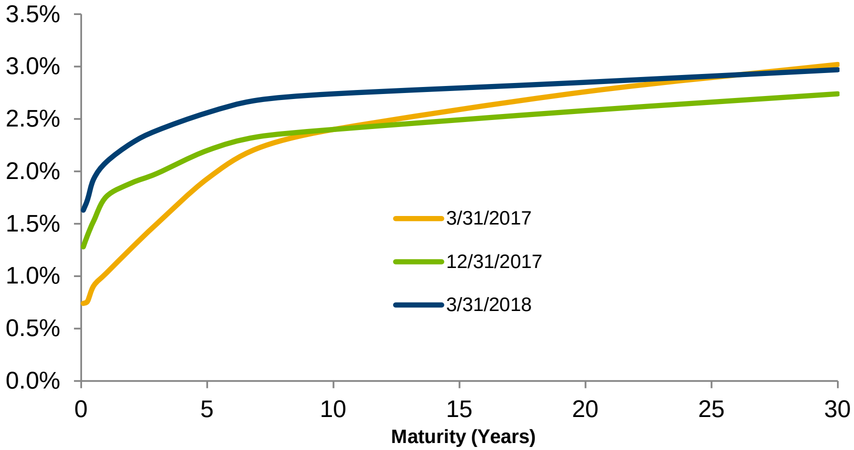
BLOOMBERG BARCLAYS AGGREGATE RETURNS BY MATURITY AS OF 03/31/2018



Source: FactSet

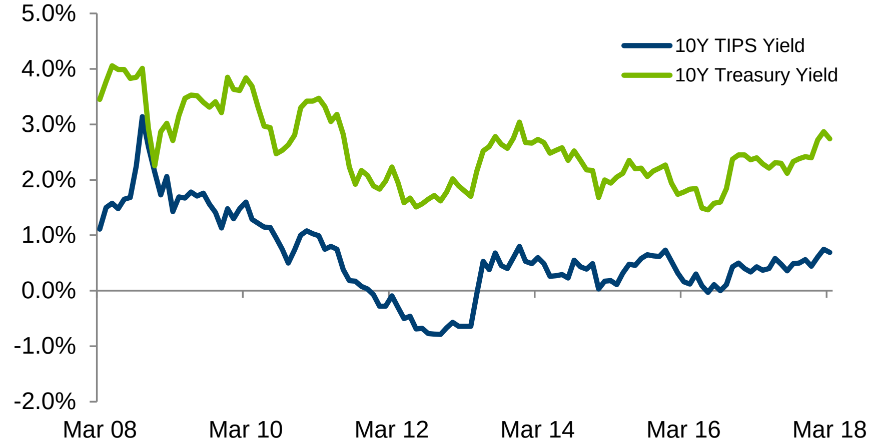
U.S. Fixed Income Markets

U.S. TREASURY YIELD CURVE



Source: U.S. Department of Treasury

U.S. 10-YEAR TREASURY AND TIPS YIELDS



Source: U.S. Department of Treasury

- The U.S. Treasury yield curve shifted upwards during the quarter with yields rising across maturities, but to a greater extent at shorter maturities.
- The 10-year U.S. Treasury yield ended the quarter at 2.74%, 34 bps higher than at the start of the quarter as expectations of robust growth and an acceleration in inflation drove yields higher. The U.S. Federal Reserve increased its Federal rate target to 1.50-1.75% in Jerome Powell's first meeting as the new Chairman of the U.S. Federal Reserve, taking a more hawkish stance while also noting an improvement in the economic outlook.
- Unlike previous quarters where the upward move in nominal yields was driven by higher inflation expectations, higher real yields were responsible for much of the quarterly change. The 10-year TIPS yield rose by 25bps over the quarter and ended the period at 0.69%.

Credit Spreads

Spread (bps)	31/03/2018	31/12/2017	31/03/2017
U.S. Aggregate	41	36	44
Long Gov't	1	2	3
Long Credit	148	139	168
Long Gov't/Credit	88	83	101
MBS	29	25	27
CMBS	67	62	77
ABS	48	36	54
Corporate	109	93	118
High Yield	354	343	383
Global Emerging Markets	230	215	257

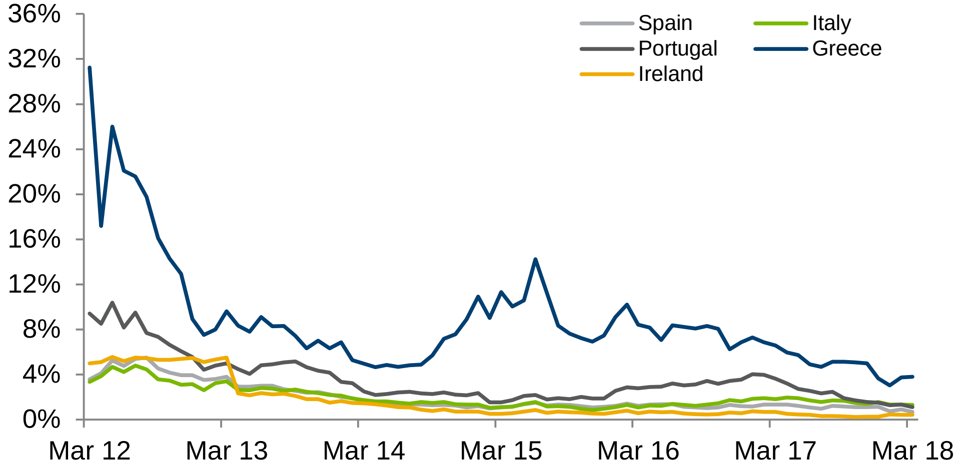
Quarterly Change (bps)	1-Year Change (bps)
5	-3
-1	-2
9	-20
5	-13
4	2
5	-10
12	-6
16	-9
11	-29
15	-27

Source: FactSet

- During the fourth quarter, spreads over U.S. Treasuries increase across all the areas of the bond market except for long maturity U.S. government bonds which fell by 1.0 bp.
- The increase in spreads was particularly felt within the U.S. investment grade corporate bond market where spreads widened by 16 bps. Global Emerging Market and ABS credit spreads were not too far behind, by 15 bps and 12 bps respectively.

European Fixed Income Markets

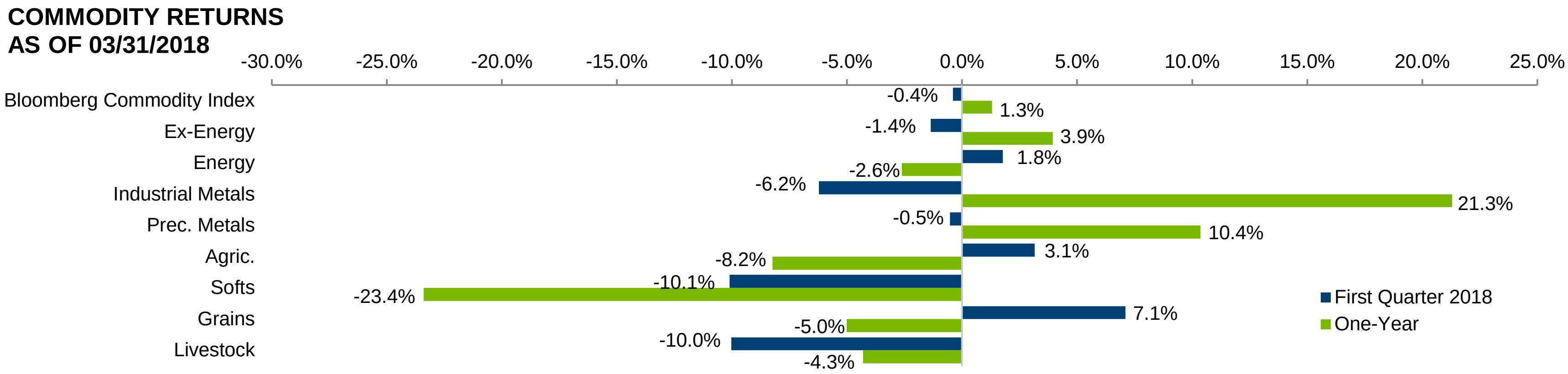
EUROZONE PERIPHERAL BOND SPREADS (10-YEAR SPREADS OVER GERMAN BUNDS)



Source: Factset

- In the Eurozone, bond spreads over 10 year German bunds were mixed across the region.
- Spanish government bond yields fell by 38 bps to 1.16% over the quarter which saw Fitch (a ratings agency) upgrade Spain's sovereign credit rating, citing broad-based economic recovery and limited economic impact caused by Catalonia's declaration of independence. Italian bond yields fell by 20 bps to 1.79%, despite the greater uncertainty surrounding Italian politics following March's general election. Portuguese government bond yields fell by 32 bps to 1.59%. Greek government bond yields rose by 22 bps to 4.29%, despite a credit rating upgrade by S&P, Fitch and Moody's. Nonetheless, Greece's credit rating remains several notches below investment grade quality. The spread between Greek bonds and German Bunds moved 15 bps higher in the first three months of 2018.

Commodities

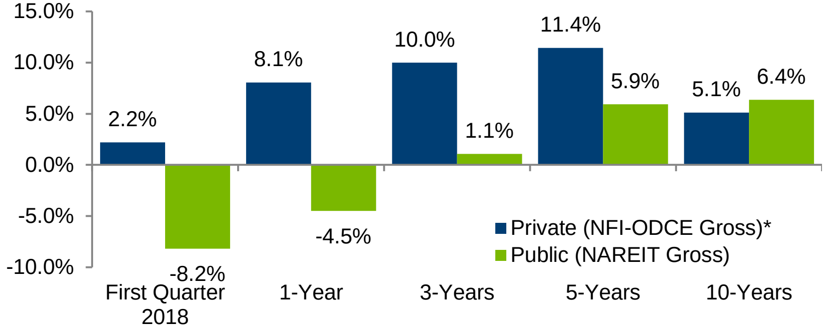


Source: Bloomberg
Note: Softs and Grains are part of the wider Agriculture sector

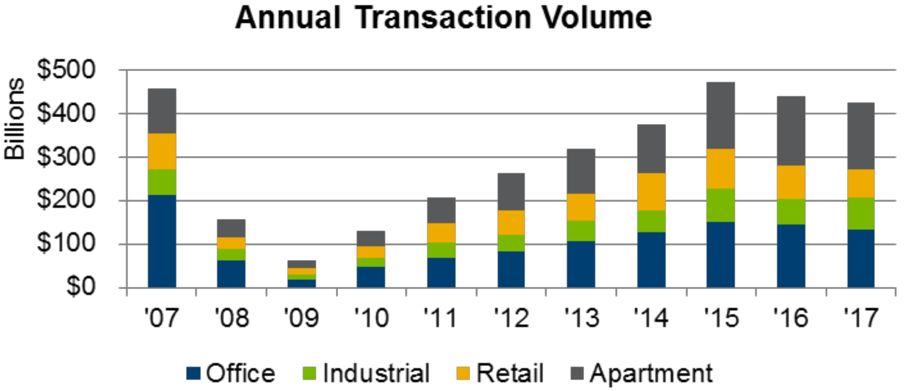
- Commodities had a mixed quarter which saw the Bloomberg Commodity Index return -0.4%, dragged down primarily by the poor performance of industrial metals. Higher energy prices on the back of prospects of OPEC maintaining oil production cuts throughout 2018 were not enough to mitigate the 6.2% fall for the industrial metals sector.
- The imposition of trade tariffs on steel and aluminum, as well as concerns that there could be further escalation in trade tensions which could stifle demand was attributable to the negative returns for industrial metals. In particular, the price of copper fell by 8.3% over the quarter.
- During the quarter, the best performing segment was agriculture with a return of 3.1%, followed by energy (1.8%). Within the agriculture sector, grains was the best performer with a solid return of 7.1% which offset the sharp fall in the softs segment.

U.S. Commercial Real Estate Markets

PRIVATE VS. PUBLIC REAL ESTATE RETURNS AS OF 03/31/2018



**First quarter returns are preliminary.*
Sources: NCREIF, NAREIT



Source: RCA

- The U.S. REIT market (FTSE NAREIT Equity REITs Index) declined during the first quarter of 2018. The sector experienced significant weakness through mid-February leading to share price declines in excess of 10% followed by a modest recovery in March. Share price weakness appeared to be largely related to concerns with regard to the impact on REIT share prices in a higher interest rate environment. With asset values for high-quality assets, on average, approximately 15%-20% above 2007 valuations, the sector ended the quarter trading at a 6% discount to NAVs.
- U.S. transaction volume continued to demonstrate a declining trend in early Q1, with February data marking a 10% drop in transaction volume YOY. Property sales remain subdued due to fewer entity and portfolio deals over the past year, as well as concern over a rising interest rate environment and a widening gap between buyers' and sellers' future return expectations.
- Despite the declining trend in sales, pricing is holding fairly firm or still growing, up 8% nationally YOY in February, with Apartment and Industrial leading these results. Cap rates have remained low and sticky, sitting today at similar levels to Q1 2017.
- Dry powder for non core real estate investments currently stands at another all-time peak for all regions. While this should help support current sector pricing for a bit longer, moderating trends in underlying fundamentals (e.g. rent growth, supply-demand balance), interest rates, and economic tailwinds raise investment risk levels at this mature point in the cycle. To-date, the U.S. continues to benefit as a global safe haven.
- The U.S. real estate cycle is mature and thus more susceptible to bumps along the road. While still solid income returns are forecast to continue to support attractive relative returns versus many other asset classes, portfolio construction consideration is critical. At this point in the cycle, appropriate risk mitigation measures should be a staple in all investment portfolios as new investments will likely be required to ride out a cyclical downturn–though none is clearly on the horizon yet.

Sources: NCREIF, RCA, CBRE-EA, Aon Hewitt, *Indicates preliminary NFI-ODCE data (gross of fees)

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Discussion Topics

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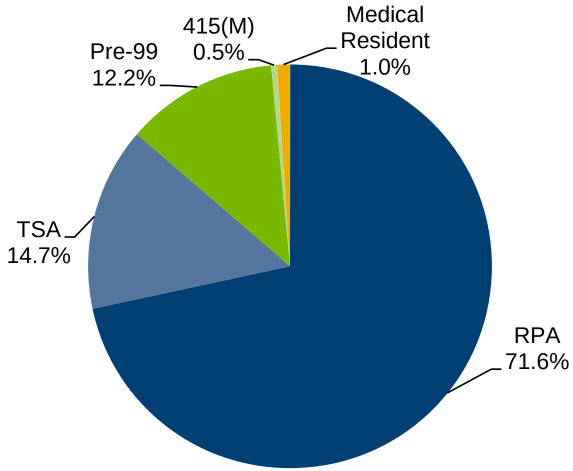
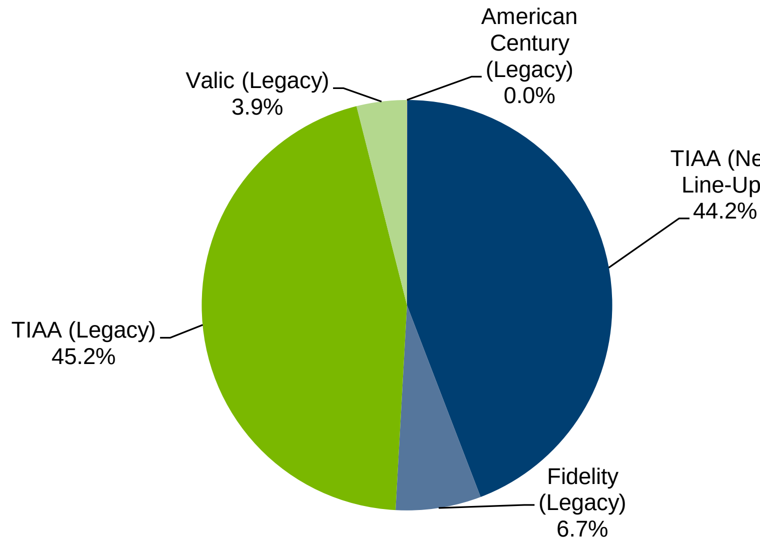
Asset Allocation

Assets by Plan
As of March 31, 2018



Assets by Vendor
As of March 31, 2018



As of 3/31/2018

Plan	RPA		TSA		Pre-99		415(M)		Medical Resident		Total	
	$	%	$	%	$	%	$	%	$	%	$	%
TIAA (New Line-Up)	$ 1,068,308,300	48.3%	$ 227,758,826	50.2%	$ 35,512,199	9.4%	$ 11,349,408	81.2%	$ 21,441,124	66.7%	$ 1,364,369,858	44.1%
Fidelity (Legacy)	$ 162,512,000	7.3%	$ 36,977,530	8.1%	$ 6,188,812	1.6%	$ 1,169,820	8.4%	$ 935,135	2.9%	$ 207,783,298	6.7%
TIAA (Legacy)	$ 899,273,951	40.6%	$ 159,812,614	35.2%	$ 334,666,802	88.9%	$ 1,399,554	10.0%	$ 156,011	0.5%	$ 1,395,308,931	45.1%
Valic (Legacy)	$ 82,711,283	3.7%	$ 29,589,078	6.5%	$ -	0.0%	$ 49,842	0.4%	$ 9,594,020	29.9%	$ 121,944,222	3.9%
American Century (Legacy)	$ -	0.0%	$ -	0.0%	$ 281,429	0.1%	$ -	0.0%	$ -	0.0%	$ 281,429	0.0%
Total	**$ 2,212,805,535**	**100.0%**	**$ 454,138,048**	**100.0%**	**$ 376,649,242**	**100.0%**	**$ 13,968,624**	**100.0%**	**$ 32,126,290**	**100.0%**	**$ 3,089,687,739**	**100.0%**
Other Assets*											$ 1,406,891	0.0%
Grand Total	**$ 2,212,805,535**	**71.6%**	**$ 454,138,048**	**14.7%**	**$ 376,649,242**	**12.2%**	**$ 13,968,624**	**0.5%**	**$ 32,126,290**	**1.0%**	**$ 3,091,094,630**	**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 Characteristics	4. Adverse Change in Portfolio Manager	5. Weak Manager Research Rating	6. Significant Organizational Change	Watch List Status			
							1st Quarter 2018	4th Quarter 2017	3rd Quarter 2017	2nd Quarter 2017
Vanguard Target Retirement Income Trust I	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2015 Trust I	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2020 Trust I	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2025 Trust I	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2030 Trust I	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2035 Trust I	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2040 Trust I	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2045 Trust I	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2050 Trust I	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2055 Trust I	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2060 Trust I	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2065 Trust I*	No	N/A	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 Characteristics	4. Adverse Change in Portfolio Manager	5. Weak Manager Research Rating	6. Significant Organizational Change	Watch List Status: 1st Quarter 2018	Watch List Status: 4th Quarter 2017	Watch List Status: 3rd Quarter 2017	Watch List Status: 2nd Quarter 2017
Vanguard Target Retirement Income - 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.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2040 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2045 - Instl.	No	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 Target Retirement 2060 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2065 - Instl.*	No	N/A	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 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 Characteristics	4. Adverse Change in Portfolio Manager	5. Weak Manager Research Rating	6. Significant Organizational Change	Watch List Status			
							1st Quarter 2018	4th Quarter 2017	3rd Quarter 2017	2nd Quarter 2017
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 FTSE Social Index Fund	Yes	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	Yes	No	No	No (Buy)	No				
T. Rowe Price Stable Value Common Trust Fund A*	No	N/A	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				
American Century High Income	No	No	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	Yes	No	No	No (Buy)	No				
Harding Loevner International Equity Instl.	No	Yes	No	No	No (Buy)	No				
MFS International Value Fund	No	No	No	No	No (Buy)	No				
Cohen & Steers Instl Realty Shares	No	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 3/31/2018

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Plan	3,091,094,630	100.0							03/01/2014
Tier I (a)	622,819,021	20.1							03/01/2014
Vanguard Target Retirement Income Trust I	21,938,183	0.7	-0.5 (48)	5.4 (62)	3.7 (62)	4.4 (85)	5.0 (75)	4.9 (92)	03/01/2008
Vanguard Target Income Composite Index			-0.5 (59)	5.6 (61)	3.9 (60)	4.5 (82)	5.0 (73)	5.0 (91)	
Vanguard Target Retirement 2015 Trust I	49,957,360	1.6	-0.5 (31)	7.3 (45)	4.8 (39)	6.2 (36)	5.8 (15)	5.7	03/01/2008
Vanguard Target 2015 Composite Index			-0.6 (36)	7.4 (35)	4.9 (34)	6.4 (23)	5.8 (16)	5.7	
Vanguard Target Retirement 2020 Trust I	76,515,740	2.5	-0.5 (31)	9.1 (15)	5.7 (14)	7.3 (9)	6.3 (4)	6.2 (3)	03/01/2008
Vanguard Target 2020 Composite Index			-0.6 (38)	9.1 (14)	5.8 (12)	7.5 (4)	6.4 (1)	6.3 (1)	
Vanguard Target Retirement 2025 Trust I	84,892,474	2.7	-0.6 (47)	10.3 (20)	6.4 (15)	8.0 (12)	6.5 (16)	6.5 (7)	03/01/2008
Vanguard Target 2025 Composite Index			-0.7 (52)	10.3 (19)	6.5 (13)	8.2 (9)	6.6 (13)	6.5 (4)	
Vanguard Target Retirement 2030 Trust I	87,695,173	2.8	-0.5 (43)	11.3 (34)	6.9 (22)	8.7 (16)	6.8 (14)	6.7 (15)	03/01/2008
Vanguard Target 2030 Composite Index			-0.7 (47)	11.3 (32)	7.0 (21)	8.8 (13)	6.9 (12)	6.7 (13)	
Vanguard Target Retirement 2035 Trust I	95,724,382	3.1	-0.5 (53)	12.3 (42)	7.4 (26)	9.3 (19)	7.1 (17)	7.0 (8)	03/01/2008
Vanguard Target 2035 Composite Index			-0.7 (63)	12.3 (41)	7.5 (23)	9.4 (15)	7.2 (14)	7.0 (6)	
Vanguard Target Retirement 2040 Trust I	90,561,124	2.9	-0.5 (44)	13.3 (26)	7.9 (23)	9.8 (14)	7.4 (12)	7.3 (13)	03/01/2008
Vanguard Target 2040 Composite Index			-0.7 (60)	13.4 (26)	8.1 (21)	10.0 (7)	7.5 (10)	7.4 (11)	
Vanguard Target Retirement 2045 Trust I	68,406,746	2.2	-0.5 (57)	13.8 (38)	8.2 (18)	10.0 (16)	7.5 (8)	7.3 (8)	03/01/2008
Vanguard Target 2045 Composite Index			-0.7 (67)	13.8 (36)	8.3 (15)	10.1 (9)	7.6 (3)	7.4 (3)	
Vanguard Target Retirement 2050 Trust I	34,248,361	1.1	-0.5 (47)	13.8 (42)	8.2 (22)	9.9 (19)	7.5 (6)	7.4 (6)	03/01/2008
Vanguard Target 2050 Composite Index			-0.7 (59)	13.8 (41)	8.3 (14)	10.1 (13)	7.6 (2)	7.4 (2)	
Vanguard Target Retirement 2055 Trust I	9,920,710	0.3	-0.5 (57)	13.8 (52)	8.1 (34)	9.9 (24)		11.8	09/01/2010
Vanguard Target 2055 Composite Index			-0.7 (69)	13.8 (51)	8.3 (25)	10.1 (16)		11.9	
Vanguard Target Retirement 2060 Trust I	2,958,722	0.1	-0.5 (57)	13.8 (52)	8.2 (34)	9.9 (23)		10.3 (20)	04/01/2012
Vanguard Target 2060 Composite Index			-0.7 (69)	13.8 (51)	8.3 (25)	10.1 (16)		10.4 (18)	
Vanguard Target Retirement 2065 Trust I	45	0.0	-0.4 (55)					7.2 (25)	08/01/2017
Vanguard Target 2065 Composite Index			-0.7 (69)					7.1 (32)	

Note: Trust II through October 31, 2017; Trust I thereafter.

Tier I Performance Summary

As of 3/31/2018

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Tier I	114,993,391	3.7							02/01/2014
Vanguard Target Retirement Income - Instl.	9,717,832	0.3	-0.5 (58)	5.4 (63)	3.7 (63)	4.3 (86)	4.9 (76)	5.2	11/01/2003
Vanguard Target Income Composite Index			-0.5 (59)	5.6 (61)	3.9 (60)	4.5 (82)	5.0 (73)	5.3	
Vanguard Target Retirement 2015 - Instl.	20,654,662	0.7	-0.5 (30)	7.3 (43)	4.8 (39)	6.2 (39)	5.7 (22)	6.1	11/01/2003
Vanguard Target 2015 Composite Index			-0.6 (36)	7.4 (35)	4.9 (34)	6.4 (23)	5.8 (16)	6.2	
Vanguard Target Retirement 2020 - Instl.	18,261,466	0.6	-0.6 (36)	9.0 (20)	5.7 (15)	7.3 (10)	6.2 (7)	6.3	07/01/2006
Vanguard Target 2020 Composite Index			-0.6 (38)	9.1 (14)	5.8 (12)	7.5 (4)	6.4 (1)	6.4	
Vanguard Target Retirement 2025 - Instl.	15,895,774	0.5	-0.6 (47)	10.2 (28)	6.3 (17)	8.0 (14)	6.5 (18)	6.8	11/01/2003
Vanguard Target 2025 Composite Index			-0.7 (52)	10.3 (19)	6.5 (13)	8.2 (9)	6.6 (13)	6.9	
Vanguard Target Retirement 2030 - Instl.	13,685,543	0.4	-0.6 (44)	11.2 (34)	6.9 (22)	8.6 (17)	6.7 (19)	6.6	07/01/2006
Vanguard Target 2030 Composite Index			-0.7 (47)	11.3 (32)	7.0 (21)	8.8 (13)	6.9 (12)	6.8	
Vanguard Target Retirement 2035 - Instl.	8,688,208	0.3	-0.6 (54)	12.2 (44)	7.4 (29)	9.2 (21)	7.0 (19)	7.5	11/01/2003
Vanguard Target 2035 Composite Index			-0.7 (63)	12.3 (41)	7.5 (23)	9.4 (15)	7.2 (14)	7.6	
Vanguard Target Retirement 2040 - Instl.	8,171,554	0.3	-0.6 (46)	13.3 (28)	7.9 (26)	9.7 (15)	7.3 (19)	7.1	07/01/2006
Vanguard Target 2040 Composite Index			-0.7 (60)	13.4 (26)	8.1 (21)	10.0 (7)	7.5 (10)	7.3	
Vanguard Target Retirement 2045 - Instl.	8,671,382	0.3	-0.5 (57)	13.7 (38)	8.2 (19)	9.9 (17)	7.4 (10)	7.9	11/01/2003
Vanguard Target 2045 Composite Index			-0.7 (67)	13.8 (36)	8.3 (15)	10.1 (9)	7.6 (3)	8.1	
Vanguard Target Retirement 2050 - Instl.	9,008,780	0.3	-0.5 (48)	13.7 (43)	8.1 (22)	9.9 (21)	7.4 (8)	7.2	07/01/2006
Vanguard Target 2050 Composite Index			-0.7 (59)	13.8 (41)	8.3 (14)	10.1 (13)	7.6 (2)	7.3	
Vanguard Target Retirement 2055 - Instl.	1,854,361	0.1	-0.5 (58)	13.7 (54)	8.1 (37)	9.9 (26)		11.7	09/01/2010
Vanguard Target 2055 Composite Index			-0.7 (69)	13.8 (51)	8.3 (25)	10.1 (16)		11.9	
Vanguard Target Retirement 2060 - Instl.	382,374	0.0	-0.5 (58)	13.7 (54)	8.1 (37)	9.9 (26)		10.9 (26)	02/01/2012
Vanguard Target 2060 Composite Index			-0.7 (69)	13.8 (51)	8.3 (25)	10.1 (16)		11.1 (20)	
Vanguard Target Retirement 2065 - Instl.	1,455	0.0	-0.5 (55)					7.2 (29)	08/01/2017
Vanguard Target 2065 Composite Index			-0.7 (69)					7.1 (32)	

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

Tier II Performance Summary

As of 3/31/2018

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Tier II	619,856,914	20.1							03/01/2014
Vanguard Total Bond Market Index Fund	25,029,518	0.8	-1.5 (54)	1.1 (61)	1.1 (62)	1.7 (59)	3.6 (69)	5.1 (32)	10/01/1995
Performance Benchmark			-1.5 (56)	1.2 (53)	1.2 (58)	1.8 (47)	3.7 (65)	5.2 (24)	
Vanguard Total Stock Market Index Fund	41,846,247	1.4	-0.6 (49)	13.9 (54)	10.2 (45)	13.0 (42)	9.7 (32)	7.4 (24)	08/01/1997
Performance Benchmark			-0.6 (49)	13.9 (54)	10.2 (45)	13.0 (41)	9.7 (33)	7.4 (25)	
Vanguard Institutional Index Fund - Instl. Plus	84,688,178	2.7	-0.8 (54)	14.0 (52)	10.8 (33)	13.3 (35)	9.5 (36)	7.1 (41)	08/01/1997
S&P 500 Index			-0.8 (54)	14.0 (52)	10.8 (33)	13.3 (35)	9.5 (36)	7.0 (45)	
Vanguard FTSE Social Index Fund - Inv.	510,278	0.0	-0.8 (54)	15.0 (46)	10.5 (36)	14.2 (25)	9.9 (29)	4.5 (77)	06/01/2000
FTSE 4Good U.S. Select Index			-0.7 (53)	15.2 (44)	10.7 (33)	14.5 (23)	10.2 (25)		
S&P 500 Index			-0.8 (54)	14.0 (52)	10.8 (33)	13.3 (35)	9.5 (36)	5.6 (48)	
Vanguard Extended Market Index Fund - Instl.	39,261,704	1.3	0.2 (90)	13.1 (91)	8.1 (64)	11.9 (62)	10.4 (34)	8.6 (59)	08/01/1997
Performance Benchmark			0.1 (90)	13.1 (91)	8.0 (65)	11.8 (64)	10.3 (40)		
Vanguard Total International Stock Index Fund	8,760,127	0.3	-0.5 (27)	17.1 (23)	6.9 (18)	6.4 (45)		6.1 (63)	12/01/2010
Performance Benchmark			-1.1 (55)	16.7 (26)	6.8 (19)	6.4 (45)		6.0 (64)	
Vanguard Developed Market Index Fund	22,844,325	0.7	-1.1 (52)	16.0 (40)	6.6 (20)	7.1 (20)		7.0 (34)	02/01/2010
Performance Benchmark			-1.7 (79)	15.9 (43)	6.6 (20)	7.1 (21)		6.9 (37)	
Vanguard Emerging Markets Stock Index Fund - Instl.	23,266,008	0.8	2.1 (47)	21.0 (64)	7.5 (64)	4.5 (58)	2.7 (56)	8.1 (71)	07/01/2000
Performance Benchmark			1.3 (64)	20.9 (64)	7.3 (65)	4.5 (58)	2.8 (53)	8.0 (73)	
Vanguard Federal Money Market Fund	15,710,008	0.5	0.3 (18)	1.0 (19)	0.5 (19)	0.3 (20)	0.4 (24)	2.9 (24)	11/01/1989
Citigroup 3 Month T-Bill			0.3 (16)	1.1 (16)	0.5 (19)	0.3 (20)	0.3 (39)	2.9 (43)	
T. Rowe Price Stable Value Common Trust Fund A	281,707	0.0						0.4 (1)	02/01/2018
Citigroup 3 Month T-Bill								0.2 (88)	
TIAA Traditional - RC	78,271,588	2.5	1.0 (1)	4.0 (1)	4.2 (1)	4.3 (1)	4.4 (1)	4.5 (1)	08/01/2005
Hueler Stable Value Index			0.5 (1)	2.0 (1)	1.9 (7)	1.8 (12)	2.4 (31)	2.9 (29)	
TIAA Traditional - RCP	61,215,125	2.0	0.8 (1)	3.3 (1)	3.5 (1)	3.5 (1)	3.6 (1)	3.7 (1)	06/01/2006
Hueler Stable Value Index			0.5 (1)	2.0 (1)	1.9 (7)	1.8 (12)	2.4 (31)	2.8 (29)	
PIMCO Total Return Fund	16,577,873	0.5	-1.3 (29)	2.1 (11)	1.6 (25)	1.8 (47)	4.8 (5)	7.2	06/01/1987
Blmbg. Barc. U.S. Aggregate			-1.5 (51)	1.2 (56)	1.2 (58)	1.8 (47)	3.6 (66)	6.3	
DFA Inflation-Protected Securities Portfolio	10,490,164	0.3	-1.1 (92)	0.6 (68)	1.2 (34)	-0.1 (56)	3.0 (12)	4.0 (16)	10/01/2006
Blmbg. Barc. Global Inflation-Linked: U.S. TIPS			-0.8 (65)	0.9 (45)	1.3 (28)	0.0 (24)	2.9 (16)	3.9 (27)	

Tier II Performance Summary (cont'd)

As of 3/31/2018

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
American Century High Income	13,947,237	0.5	-0.4 (32)	3.8 (34)	5.0 (23)	5.4 (9)		6.0 (6)	01/01/2013
BofAML US High Yield Master II Constrained			-0.9 (59)	3.7 (40)	5.2 (18)	5.0 (16)		5.3 (19)	
T. Rowe Price Instl. Large Cap Growth Fund	21,581,867	0.7	5.0 (19)	30.7 (4)	15.8 (4)	18.9 (4)	13.5 (4)	10.5 (2)	11/01/2001
Russell 1000 Growth Index			1.4 (79)	21.3 (57)	12.9 (30)	15.5 (32)	11.3 (26)	8.2 (38)	
Diamond Hill Large Cap	24,774,481	0.8	-3.8 (93)	8.9 (58)	9.6 (14)	12.4 (6)		13.9 (26)	01/01/2012
Russell 1000 Value Index			-2.8 (61)	6.9 (82)	7.9 (62)	10.8 (49)		13.5 (37)	
William Blair Small/Mid Cap Growth Fund	16,090,290	0.5	5.3 (22)	24.7 (22)	12.1 (15)	15.4 (10)	13.0 (7)	11.2 (2)	01/01/2004
Russell 2500 Growth Index			2.4 (61)	19.9 (51)	9.1 (51)	13.4 (28)	11.2 (31)	10.1 (20)	
DFA U.S. Targeted Value	24,996,339	0.8	-2.2 (26)	6.9 (31)	7.3 (41)	10.6 (24)	9.8 (33)	11.5 (15)	03/01/2000
Russell 2500 Value Index			-2.7 (48)	5.7 (42)	7.3 (40)	9.9 (48)	9.3 (42)	10.3 (44)	
Dodge & Cox Global Stock Fund	35,577,209	1.2	-2.7 (83)	9.8 (83)	7.9 (63)	11.0 (20)		5.9 (50)	05/01/2008
MSCI AC World Index (Net)			-1.0 (55)	14.8 (41)	8.1 (56)	9.2 (63)		5.0 (72)	
Harding Loevner International Equity Instl.	10,682,072	0.3	0.9 (16)	19.2 (21)	8.9 (6)	8.3 (10)	5.7 (5)	6.6	06/01/1994
MSCI AC World ex USA Growth (Net)			-0.9 (48)	19.9 (17)	7.3 (23)	6.8 (36)	3.3 (51)		
MFS International Value Fund	27,664,848	0.9	-0.7 (41)	17.8 (18)	9.7 (2)	11.1 (1)	7.4 (3)	7.6 (1)	06/01/2006
MSCI AC World ex USA Value (Net)			-1.5 (79)	13.3 (80)	5.0 (82)	4.9 (96)	2.1 (90)	3.3 (67)	
Cohen and Steers Instl. Realty Shares	15,789,722	0.5	-6.6 (32)	-1.1 (29)	2.1 (27)	7.0 (12)	7.2 (22)	11.6 (8)	03/01/2000
FTSE NAREIT Equity REIT Index			-8.2 (88)	-4.5 (83)	1.1 (49)	5.9 (47)	6.4 (45)	10.9 (46)	
Tier III	6,700,531	0.2							03/01/2014
Mutual Fund Window	6,700,531	0.2							03/01/2014
Orphan Accounts	1,725,317,881	55.8							
Fidelity Orphan Accounts	207,783,298	6.7							
TIAA Orphan Accounts	1,395,308,931	45.1							
VALIC Orphan Accounts	121,944,222	3.9							
American Century Orphan Accounts	281,429	0.0							
Other Assets	1,406,891	0.0							03/01/2014
Loans	202,940	0.0							03/01/2014
Loans Deemed Distributed	316,765	0.0							03/01/2014
Plan Loan Default Fund	372,206	0.0							07/01/2014
TIAA Money Market-Instl.	514,979	0.0	0.3 (36)	1.0 (36)	0.5 (27)	0.3 (29)	0.4 (21)	1.9 (13)	08/01/1999
iMoneyNet Prime Institutional Average			0.3 (25)	1.0 (17)	0.5 (18)	0.3 (18)	0.4 (22)	1.8 (29)	

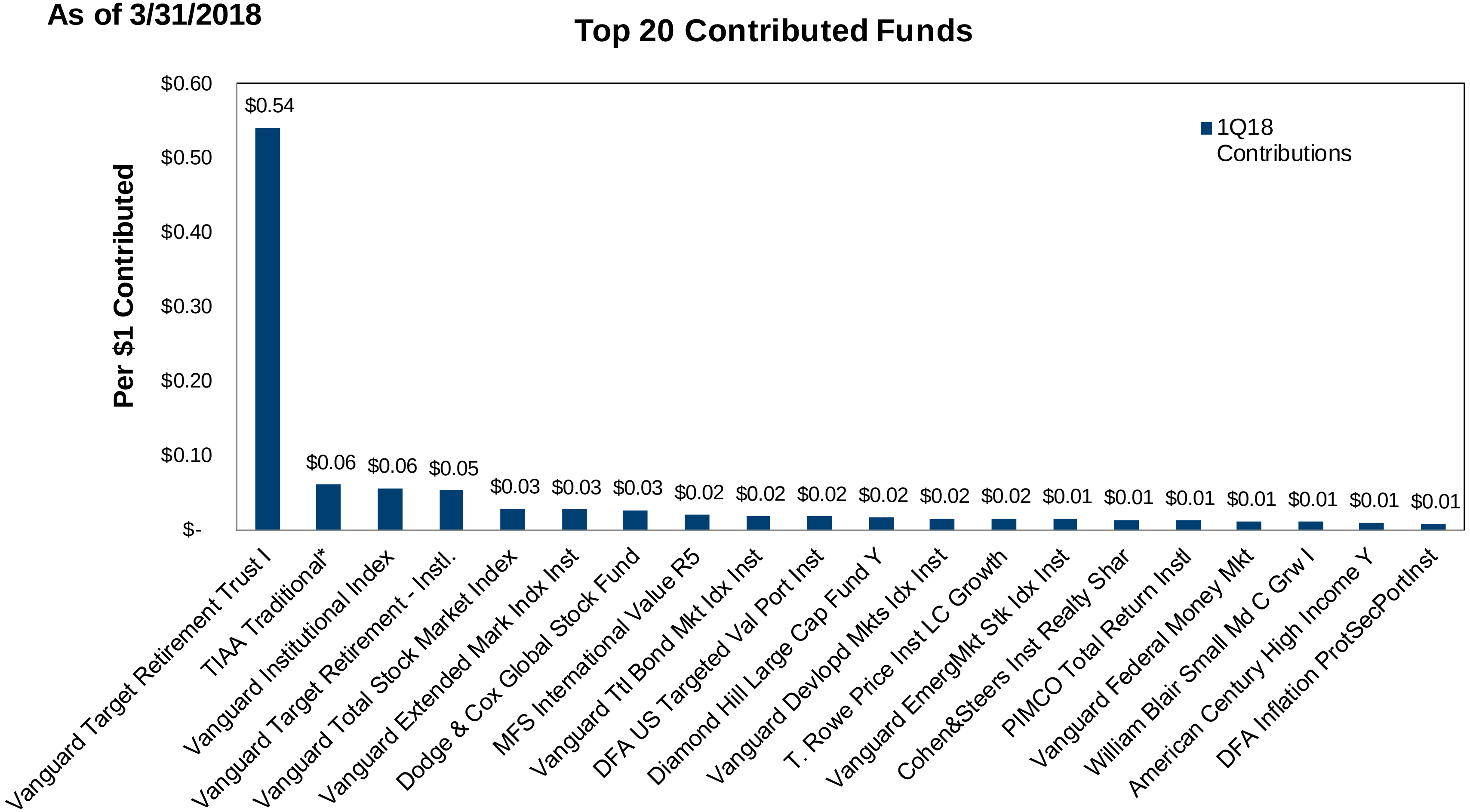
Quarterly Participant Transfers

As of 3/31/2018

Investment	Transfers In	Transfers Out	Net Transfers	Ending Balance (3/31/2018)	Number of Participants
Vanguard Target Retirement Trust I Funds	$123,559,490	($11,206,949)	$112,352,541	$622,818,976	3,851
Vanguard Target Retirement Mutual Funds	$39,430,244	($3,973,236)	$35,457,008	$114,991,937	1,374
Vanguard Total Bond Market Index Inst	$663,539	($1,012,176)	($348,637)	$25,090,164	883
Vanguard Total Stock Market Index Inst	$2,224,904	($1,833,179)	$391,724	$40,698,034	707
Vanguard Institutional Index Inst	$86,283,421	($88,447,741)	($2,164,320)	$85,559,795	2,904
Vanguard FTSE Social Index Fund	$517,891	$0	$517,891	$85,559,795	5
Vanguard Extended Market Index Inst	$857,483	($2,016,599)	($1,159,116)	$39,351,858	1,205
Vanguard Total International Stock Index Inst	$928,271	($216,015)	$712,256	$7,816,923	176
Vanguard Developed Markets Index Ins	$1,724,318	($463,446)	$1,260,872	$21,300,715	1,011
Vanguard Emerging Markets Stock Index Inst	$2,357,687	($700,874)	$1,656,813	$20,688,218	1,293
Vanguard Federal Money Market Inv	$5,015,816	($18,233,345)	($13,217,530)	$13,609,035	188
T. Rowe Price Stable Value Common Trust A	$100,240	$0	$100,240	$13,609,035	4
TIAA Traditional	$6,823,897	($1,025,524)	$5,798,373	$126,294,754	1,732
PIMCO Total Return Instl	$1,506,450	($689,326)	$817,124	$15,510,013	729
DFA Inflation Protected Securities Portfolio Inst	$753,582	($564,347)	$189,235	$10,145,251	783
American Century High Income	$707,163	($325,722)	$381,441	$13,270,349	847
T. Rowe Price Inst LC Growth	$1,503,056	($702,545)	$800,511	$19,378,012	393
Diamond Hill Large Cap Fund Y	$2,302,652	($510,188)	$1,792,464	$21,830,428	1,163
William Blair Small Md C Grw I	$1,467,259	($590,447)	$876,812	$13,443,437	773
DFA US Targeted Val Port Inst	$728,226	($847,086)	($118,860)	$24,446,531	974
Dodge & Cox Global Stock Fund	$1,331,607	($1,609,938)	($278,331)	$35,965,670	1,063
Harding International Equit Inst	$828,266	($457,674)	$370,592	$8,991,634	804
MFS International Value R6	$875,718	($1,233,898)	($358,180)	$27,479,711	1,207
Laudus Mondrian Emerging Markets Ins	$5,776	($1,485,757)	($1,479,981)	$1,438,955	137
Cohen & Steers Inst Realty Shares	$256,175	($452,860)	($196,684)	$16,627,991	1,443
Mutual Fund Window	$189,457	($106,600)	$82,857	$6,467,378	34
TIAA-CREF Funds	$0	($144,237,116)	($144,237,116)	$0	0
Total	**$282,942,588**	**($282,942,588)**	**$0**	**$1,432,384,598**	

Top Contributed Funds

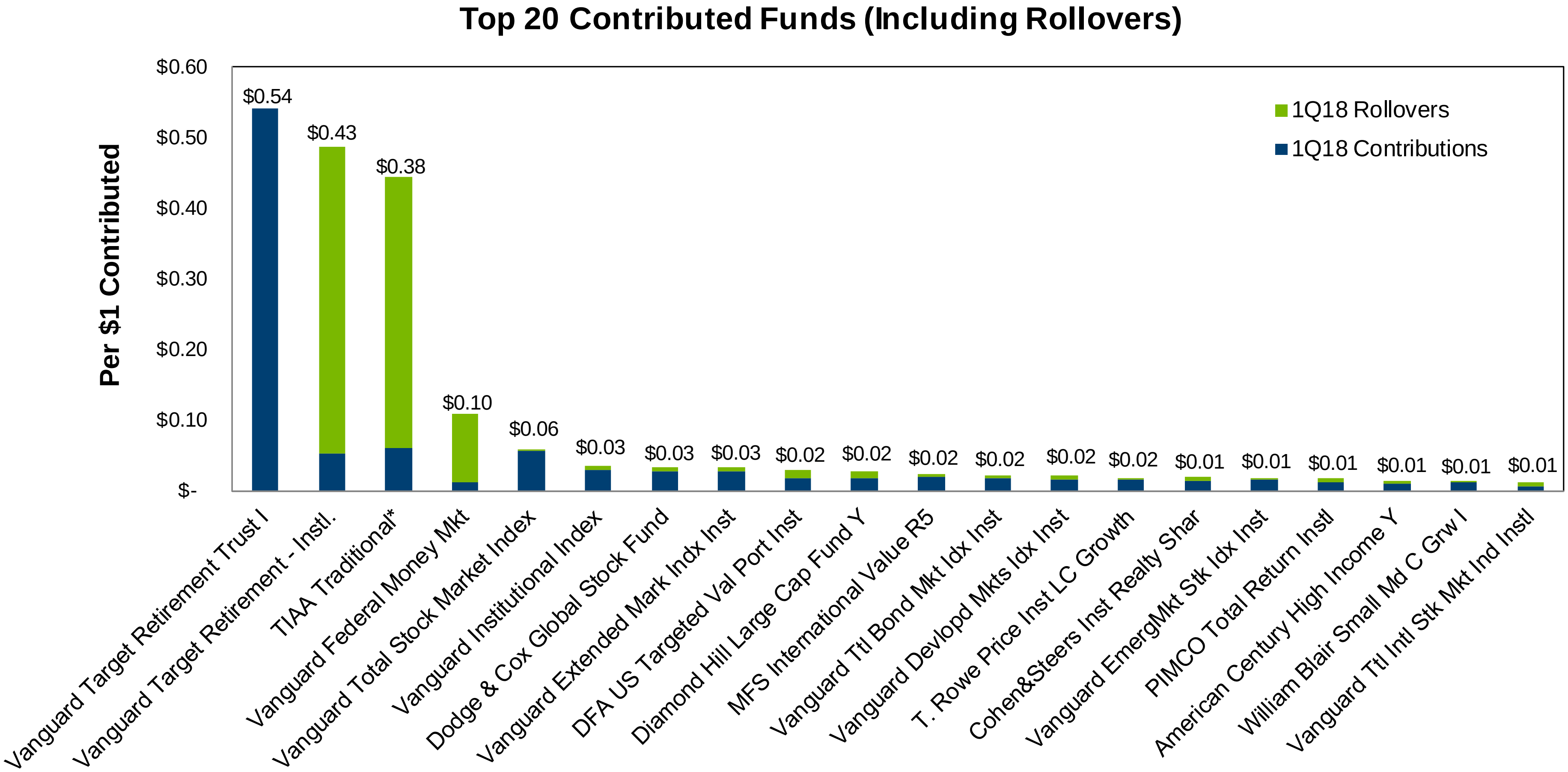
As of 3/31/2018



*TIAA RC 71% / TIAA RCP 29% Contribution Split
Source: As reported by TIAA-CREF

Top Contributed Funds (including rollovers)

As of 3/31/2018



*TIAA RC 35% / TIAA RCP 65% Contribution and Rollover Split
Source: As reported by TIAA-CREF

Investment Fee Monitoring & Transparency – As of March 31, 2018

Investment Option	Market Value	Mgmt. Fee (%)	Mgmt. Fee ($)	Revenue Sharing (%)*	Revenue Sharing ($)	Total Expense (%)**	Total Expense ($)
Vanguard Target Retirement Income Trust I	$21,938,183	0.07%	$15,357	0.00%	$0	0.07%	$15,357
Vanguard Target Retirement 2015 Trust I	$49,957,360	0.07%	$34,970	0.00%	$0	0.07%	$34,970
Vanguard Target Retirement 2020 Trust I	$76,515,740	0.07%	$53,561	0.00%	$0	0.07%	$53,561
Vanguard Target Retirement 2025 Trust I	$84,892,474	0.07%	$59,425	0.00%	$0	0.07%	$59,425
Vanguard Target Retirement 2030 Trust I	$87,695,173	0.07%	$61,387	0.00%	$0	0.07%	$61,387
Vanguard Target Retirement 2035 Trust I	$95,724,382	0.07%	$67,007	0.00%	$0	0.07%	$67,007
Vanguard Target Retirement 2040 Trust I	$90,561,124	0.07%	$63,393	0.00%	$0	0.07%	$63,393
Vanguard Target Retirement 2045 Trust I	$68,406,746	0.07%	$47,885	0.00%	$0	0.07%	$47,885
Vanguard Target Retirement 2050 Trust I	$34,248,361	0.07%	$23,974	0.00%	$0	0.07%	$23,974
Vanguard Target Retirement 2055 Trust I	$9,920,710	0.07%	$6,944	0.00%	$0	0.07%	$6,944
Vanguard Target Retirement 2060 Trust I	$2,958,722	0.07%	$2,071	0.00%	$0	0.07%	$2,071
Vanguard Target Retirement 2065 Trust I	$45	0.07%	$0	0.00%	$0	0.07%	$0
Vanguard Target Retirement Income - Instl.	$9,717,832	0.09%	$8,746	0.00%	$0	0.09%	$8,746
Vanguard Target Retirement 2015 - Instl.	$20,654,662	0.09%	$18,589	0.00%	$0	0.09%	$18,589
Vanguard Target Retirement 2020 - Instl.	$18,261,466	0.09%	$16,435	0.00%	$0	0.09%	$16,435
Vanguard Target Retirement 2025 - Instl.	$15,895,774	0.09%	$14,306	0.00%	$0	0.09%	$14,306
Vanguard Target Retirement 2030 - Instl.	$13,685,543	0.09%	$12,317	0.00%	$0	0.09%	$12,317
Vanguard Target Retirement 2035 - Instl.	$8,688,208	0.09%	$7,819	0.00%	$0	0.09%	$7,819
Vanguard Target Retirement 2040 - Instl.	$8,171,554	0.09%	$7,354	0.00%	$0	0.09%	$7,354
Vanguard Target Retirement 2045 - Instl.	$8,671,382	0.09%	$7,804	0.00%	$0	0.09%	$7,804
Vanguard Target Retirement 2050 - Instl.	$9,008,780	0.09%	$8,108	0.00%	$0	0.09%	$8,108
Vanguard Target Retirement 2055 - Instl.	$1,854,361	0.09%	$1,669	0.00%	$0	0.09%	$1,669
Vanguard Target Retirement 2060 - Instl.	$382,374	0.09%	$344	0.00%	$0	0.09%	$344
Vanguard Target Retirement 2065 - Instl.	$1,455	0.09%	$1	0.00%	$0	0.09%	$1
Vanguard Total Bond Market Index Fund	$25,029,518	0.04%	$10,012	0.00%	$0	0.04%	$10,012
Vanguard Total Stock Market Index Fund	$41,846,247	0.04%	$14,646	0.00%	$0	0.04%	$14,646
Vanguard Institutional Index Fund	$84,688,178	0.02%	$16,938	0.00%	$0	0.02%	$16,938
Vanguard FTSE Social Index Fund	$510,278	0.20%	$1,021	0.00%	$0	0.20%	$1,021
Vanguard Extended Market Index Fund - Instl.	$39,261,704	0.06%	$23,557	0.00%	$0	0.06%	$23,557
Vanguard Total International Stock Index	$8,760,127	0.09%	$7,884	0.00%	$0	0.09%	$7,884
Vanguard Developed Market Index Fund	$22,844,325	0.06%	$13,707	0.00%	$0	0.06%	$13,707
Vanguard Emerging Markets Stock Index Fund - Instl.	$23,266,008	0.11%	$25,593	0.00%	$0	0.11%	$25,593
Vanguard Federal Money Market Fund	$15,710,008	0.11%	$17,281	0.00%	$0	0.11%	$17,281
T. Rowe Price Stable Value Common Trust Fund A	$281,707	0.30%	$845	0.00%	$0	0.30%	$845
TIAA Traditional - RC & RCP	$139,486,713	0.34%	$474,255	0.15%	$209,230	0.49%	$683,485
PIMCO Total Return Fund	$16,577,873	0.46%	$76,258	0.00%	$0	0.46%	$76,258
DFA Inflation-Protected Securities Portfolio	$10,490,164	0.12%	$12,588	0.00%	$0	0.12%	$12,588
American Century High Income	$13,947,237	0.58%	$80,894	0.00%	$0	0.58%	$80,894
T. Rowe Price Instl. Large Cap Growth Fund	$21,581,867	0.56%	$120,858	0.00%	$0	0.56%	$120,858
Diamond Hill Large Cap	$24,774,481	0.58%	$143,692	0.00%	$0	0.58%	$143,692
William Blair Small/Mid Cap Growth Fund	$16,090,290	0.95%	$152,858	0.15%	$24,135	1.10%	$176,993
DFA U.S. Targeted Value	$24,996,339	0.37%	$92,486	0.00%	$0	0.37%	$92,486
Dodge & Cox Global Stock Fund	$35,577,209	0.53%	$188,559	0.10%	$35,577	0.63%	$224,136
Harding Loevner International Equity Instl.	$10,682,072	0.68%	$72,638	0.15%	$16,023	0.83%	$88,661
MFS International Value Fund	$27,664,848	0.66%	$182,588	0.00%	$0	0.66%	$182,588
Cohen and Steers Instl. Realty Shares	$15,789,722	0.75%	$118,423	0.00%	$0	0.75%	$118,423
Mutual Fund Window	$6,700,531	0.00%	$0	0.00%	$0	0.00%	$0
Total	$1,364,369,858	0.17%	$2,387,048	0.02%	$284,966	0.20%	$2,672,014
Without Brokerage	$1,357,669,327	0.18%	$2,387,048	0.02%	$284,966	0.20%	$2,672,014

Morningstar Model Portfolios – RC Performance

As of 3/31/2018

	Performance(%)				
	1 Quarter	1 Year	3 Years	Since Inception	Inception Date
RC					
Very Conservative RC	-0.1	4.0	3.5	3.7	04/01/2014
Very Conservative Benchmark RC	-0.2	3.8	3.4	3.6	
Conservative RC	-0.2	5.8	4.7	4.8	04/01/2014
Conservative Benchmark RC	-0.3	5.9	4.8	4.9	
Moderately Conservative RC	-0.2	7.6	6.6	6.6	04/01/2014
Moderately Conservative Benchmark RC	-0.4	7.8	5.8	5.9	
Moderate RC	-0.2	9.1	6.7	6.8	04/01/2014
Moderate Benchmark RC	-0.5	9.4	6.5	6.7	
Moderately Aggressive RC	-0.4	10.8	7.5	7.3	04/01/2014
Moderately Aggressive Benchmark RC	-0.6	10.9	7.2	7.3	
Aggressive RC	-0.4	12.7	8.2	8.1	04/01/2014
Aggressive Benchmark RC	-0.6	12.7	8.0	8.0	
Very Aggressive RC	-0.6	13.5	8.5	8.4	04/01/2014
Very Aggressive Benchmark RC	-0.8	14.2	8.5	8.4	
RC Ex-TIAA					
Very Conservative RC Ex-TIAA	-0.8	2.9	2.2	2.9	04/01/2014
Very Conservative Benchmark RC Ex-TIAA	-1.2	2.6	2.2	2.9	
Conservative RC Ex-TIAA	-0.7	5.3	4.0	4.4	04/01/2014
Conservative Benchmark RC Ex-TIAA	-1.1	5.0	3.8	4.3	
Moderately Conservative RC Ex-TIAA	-0.9	6.8	5.7	5.9	04/01/2014
Moderately Conservative Benchmark RC Ex-TIAA	-1.1	6.9	4.9	5.3	
Moderate RC Ex-TIAA	-0.8	8.6	5.9	6.3	04/01/2014
Moderate Benchmark RC Ex-TIAA	-1.0	8.7	5.9	6.2	
Moderately Aggressive RC Ex-TIAA	-0.8	10.2	6.8	7.0	04/01/2014
Moderately Aggressive Benchmark RC Ex-TIAA	-1.0	10.4	6.8	7.0	
Aggressive RC Ex-TIAA	-0.7	12.4	7.8	7.8	04/01/2014
Aggressive Benchmark RC Ex-TIAA	-0.8	12.5	7.8	7.8	
Very Aggressive RC Ex-TIAA	-0.6	13.5	8.5	8.5	04/01/2014
Very Aggressive Benchmark RC Ex-TIAA	-0.8	14.2	8.5	8.4	

Morningstar Model Portfolios – RC Allocations

As of 3/31/2018

RC

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	11%	9%	7%	4%	4%	-	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	3%	3%	4%
DFA Inflation-Protected Securities I	11%	7%	7%	5%	3%	3%	-
DFA US Targeted Value I	-	3%	3%	4%	6%	7%	7%
Diamond Hill Large Cap Y	-	6%	4%	8%	9%	9%	9%
MFS International Value R6	-	-	3%	5%	5%	6%	6%
PIMCO Total Return Instl	3%	3%	7%	6%	5%	3%	-
T. Rowe Price Stable Value Fund	9%	7%	4%	3%	-	-	-
TIAA Traditional	40%	34%	30%	22%	15%	7%	-
Vanguard Developed Markets Idx Instl	4%	7%	8%	11%	15%	18%	21%
Vanguard Emerging Mkts Stock Idx I	-	3%	4%	5%	7%	10%	12%
Vanguard Extended Market Idx I	-	3%	3%	-	-	-	3%
Vanguard Institutional Index Instl Pl	3%	8%	13%	16%	20%	24%	29%
Vanguard Total Bond Market Index I	16%	10%	-	-	-	-	-
William Blair Small-Mid Cap Gr I	3%	-	4%	8%	8%	10%	9%

RC Ex-TIAA

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	5%	5%	7%	4%	-	-	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	3%	3%	4%
DFA Inflation-Protected Securities I	11%	9%	7%	5%	3%	3%	-
DFA US Targeted Value I	-	-	3%	4%	6%	6%	7%
Diamond Hill Large Cap Y	3%	9%	4%	9%	11%	10%	10%
MFS International Value R6	3%	7%	3%	5%	5%	6%	6%
PIMCO Total Return Instl	28%	28%	11%	17%	16%	5%	-
T. Rowe Price Stable Value Fund	24%	18%	14%	11%	7%	4%	-
Vanguard Developed Markets Idx Instl	-	-	8%	11%	15%	18%	21%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	5%	7%	10%	12%
Vanguard Extended Market Idx I	-	-	3%	-	-	3%	3%
Vanguard Institutional Index Instl Pl	-	3%	14%	16%	19%	24%	28%
Vanguard Total Bond Market Index I	22%	11%	16%	3%	-	-	-
William Blair Small-Mid Cap Gr I	4%	7%	4%	7%	8%	8%	9%

*Full allocation history can be found in the Appendix of AHIC's Quarterly Investment Review.

Morningstar Model Portfolios – RC Benchmarks

As of 3/31/18

RC Benchmarks

Index	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
Blmbg. Barc. Global Inflation-Linked US TIPS	11%	7%	7%	5%	3%	3%	-
Blmbg. Barc. US Agg. Bond	27%	19%	12%	9%	6%	3%	-
Blmbg. Barc. US Corp HY	9%	7%	6%	4%	3%	-	-
Citi Treasury Bill 3 Mo.	3%	3%	-	-	-	-	-
FTSE NAREIT All Equity REITs	-	-	3%	3%	3%	3%	4%
MSCI EAFE GR	4%	7%	11%	15%	19%	23%	26%
MSCI EM GR	-	3%	4%	6%	8%	11%	13%
Russell 1000 Growth	-	4%	7%	9%	11%	13%	15%
Russell 1000 Value	3%	7%	8%	12%	13%	15%	17%
Russell 2000 Growth	-	-	3%	3%	3%	4%	4%
Russell 2000 Value	-	3%	3%	3%	4%	5%	6%
Russell Mid Cap Growth	3%	3%	3%	4%	5%	6%	7%
Russell Mid Cap Value	-	3%	3%	5%	7%	7%	8%
TIAA Traditional	40%	34%	30%	22%	15%	7%	-

RC Ex-TIAA Benchmarks

Index	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
Blmbg. Barc. Global Inflation-Linked US TIPS	11%	9%	7%	5%	3%	3%	-
Blmbg. Barc. US Agg. Bond	71%	54%	42%	31%	21%	10%	-
Blmbg. Barc. US Corp HY	8%	7%	6%	4%	3%	-	-
Citi Treasury Bill 3 Mo.	-	-	-	-	-	-	-
FTSE NAREIT All Equity REITs	-	-	3%	3%	3%	3%	4%
MSCI EAFE GR	4%	7%	11%	15%	19%	23%	26%
MSCI EM GR	-	3%	4%	6%	8%	11%	13%
Russell 1000 Growth	-	4%	7%	9%	11%	13%	15%
Russell 1000 Value	3%	7%	8%	12%	13%	15%	17%
Russell 2000 Growth	-	-	3%	3%	3%	4%	4%
Russell 2000 Value	-	3%	3%	3%	4%	5%	6%
Russell Mid Cap Growth	3%	3%	3%	4%	5%	6%	7%
Russell Mid Cap Value	-	3%	3%	5%	7%	7%	8%

*Full allocation history can be found in the Appendix of the Quarterly Investment Review.

Morningstar Model Portfolios – RCP Performance

As of 3/31/2018

	Performance(%)				
	1 Quarter	1 Year	3 Years	Since Inception	Inception Date
RCP					
Very Conservative RCP	-0.1	3.8	3.2	3.5	04/01/2014
Very Conservative Benchmark RCP	-0.3	3.5	3.1	3.3	
Conservative RCP	-0.5	5.3	4.2	4.4	04/01/2014
Conservative Benchmark RCP	-0.4	5.7	4.5	4.7	
Moderately Conservative RCP	-0.4	7.3	6.2	6.2	04/01/2014
Moderately Conservative Benchmark RCP	-0.5	7.4	5.4	5.6	
Moderate RCP	-0.5	9.0	6.3	6.4	04/01/2014
Moderate Benchmark RCP	-0.7	9.1	6.2	6.4	
Moderately Aggressive RCP	-0.6	10.5	7.3	7.3	04/01/2014
Moderately Aggressive Benchmark RCP	-0.7	10.7	6.9	7.1	
Aggressive RCP	-0.5	12.6	8.0	8.0	04/01/2014
Aggressive Benchmark RCP	-0.7	12.6	7.9	7.9	
Very Aggressive RCP	-0.6	13.5	8.5	8.5	04/01/2014
Very Aggressive Benchmark RCP	-0.8	14.2	8.5	8.4	
RCP Ex-TIAA					
Very Conservative RCP Ex-TIAA	-0.9	3.1	2.2	3.0	04/01/2014
Very Conservative Benchmark RCP Ex-TIAA	-1.1	2.6	2.2	2.9	
Conservative RCP Ex-TIAA	-0.8	5.2	3.9	4.4	04/01/2014
Conservative Benchmark RCP Ex-TIAA	-1.1	5.0	3.8	4.3	
Moderately Conservative RCP Ex-TIAA	-0.9	6.8	5.7	5.9	04/01/2014
Moderately Conservative Benchmark RCP Ex-TIAA	-1.1	6.9	4.9	5.3	
Moderate RCP Ex-TIAA	-0.8	8.5	5.8	6.1	04/01/2014
Moderate Benchmark RCP Ex-TIAA	-1.0	8.7	5.9	6.2	
Moderately Aggressive RCP Ex-TIAA	-0.9	10.2	6.7	6.9	04/01/2014
Moderately Aggressive Benchmark RCP Ex-TIAA	-1.0	10.4	6.8	7.0	
Aggressive RCP Ex-TIAA	-0.6	12.5	7.8	7.8	04/01/2014
Aggressive Benchmark RCP Ex-TIAA	-0.8	12.5	7.8	7.8	
Very Aggressive RCP Ex-TIAA	-0.6	13.5	8.5	8.6	04/01/2014
Very Aggressive Benchmark RCP Ex-TIAA	-0.8	14.2	8.5	8.4	

Morningstar Model Portfolios – RCP Allocations

As of 3/31/2018

RCP

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	7%	8%	7%	4%	4%	-	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	3%	3%	4%
DFA Inflation-Protected Securities I	9%	7%	7%	5%	3%	-	-
DFA US Targeted Value I	-	5%	3%	4%	5%	7%	7%
Diamond Hill Large Cap Y	3%	11%	4%	8%	9%	9%	9%
MFS International Value R6	-	3%	3%	5%	5%	6%	6%
PIMCO Total Return Instl	30%	17%	9%	-	-	-	-
TIAA Traditional	40%	32%	25%	16%	10%	5%	-
Vanguard Developed Markets Idx Instl	3%	3%	8%	11%	15%	18%	21%
Vanguard Emerging Mkts Stock Idx I	-	3%	4%	5%	7%	10%	12%
Vanguard Extended Market Idx I	-	-	3%	-	-	-	3%
Vanguard Federal Money Market Inv	5%	4%	-	-	-	-	-
Vanguard Institutional Index Instl Pl	-	4%	13%	18%	21%	25%	29%
Vanguard Total Bond Market Index I	-	3%	7%	14%	10%	7%	-
William Blair Small-Mid Cap Gr I	3%	-	4%	7%	8%	10%	9%

RCP Ex-TIAA

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	5%	4%	5%	3%	-	-	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	3%	3%	4%
DFA Inflation-Protected Securities I	11%	8%	6%	5%	3%	3%	-
DFA US Targeted Value I	-	-	3%	4%	6%	7%	7%
Diamond Hill Large Cap Y	3%	9%	4%	9%	9%	9%	9%
MFS International Value R6	3%	6%	3%	5%	5%	6%	6%
PIMCO Total Return Instl	42%	30%	13%	18%	20%	10%	-
Vanguard Developed Markets Idx Instl	-	-	8%	11%	15%	18%	21%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	5%	7%	10%	12%
Vanguard Extended Market Idx I	-	-	3%	-	-	-	3%
Vanguard Federal Money Market Inv	5%	3%	3%	-	-	-	-
Vanguard Institutional Index Instl Pl	-	4%	13%	16%	21%	24%	29%
Vanguard Total Bond Market Index I	27%	26%	28%	14%	3%	-	-
William Blair Small-Mid Cap Gr I	4%	7%	5%	7%	8%	10%	9%

*Full allocation history can be found in the Appendix of AHIC’s Quarterly Investment Review.

Morningstar Model Portfolios – RCP Benchmarks

As of 3/31/2018

RCP Contract Portfolio Benchmarks

Index	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
Blmbg. Barc. Global Inflation-Linked US TIPS	11%	7%	7%	5%	3%	-	-
Blmbg. Barc. US Agg. Bond	-	-	-	-	-	-	-
Blmbg. Barc. US Corp HY	8%	7%	6%	4%	3%	-	-
Blmbg. Barc. US 1-3 Yr. G/C	22%	15%	12%	9%	6%	4%	-
Blmbg. Barc. US Long G/C	6%	6%	5%	6%	5%	4%	-
Citi Treasury Bill 3 Mo.	3%	3%	-	-	-	-	-
FTSE NAREIT All Equity REITs	-	-	3%	3%	3%	3%	4%
MSCI EAFE GR	4%	7%	11%	15%	19%	23%	26%
MSCI EM GR	-	3%	4%	6%	8%	11%	13%
Russell 1000 Growth	-	4%	7%	9%	11%	13%	15%
Russell 1000 Value	3%	7%	8%	12%	13%	15%	17%
Russell 2000 Growth	-	-	3%	3%	3%	4%	4%
Russell 2000 Value	-	3%	3%	3%	4%	5%	6%
Russell Mid Cap Growth	3%	3%	3%	4%	5%	6%	7%
Russell Mid Cap Value	-	3%	3%	5%	7%	7%	8%
TIAA Traditional	40%	32%	25%	16%	10%	5%	-

RCP Ex-TIAA Benchmarks

Index	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
Blmbg. Barc. Global Inflation-Linked US TIPS	11%	8%	6%	5%	3%	3%	-
Blmbg. Barc. US Agg. Bond	64%	51%	40%	31%	21%	10%	-
Blmbg. Barc. US Corp HY	9%	7%	6%	4%	3%	-	-
Citi Treasury Bill 3 Mo.	6%	4%	3%	-	-	-	-
FTSE NAREIT All Equity REITs	-	-	3%	3%	3%	3%	4%
MSCI EAFE GR	4%	7%	11%	15%	19%	23%	26%
MSCI EM GR	-	3%	4%	6%	8%	11%	13%
Russell 1000 Growth	-	4%	7%	9%	11%	13%	15%
Russell 1000 Value	3%	7%	8%	12%	13%	15%	17%
Russell 2000 Growth	-	-	3%	3%	3%	4%	4%
Russell 2000 Value	-	3%	3%	3%	4%	5%	6%
Russell Mid Cap Growth	3%	3%	3%	4%	5%	6%	7%
Russell Mid Cap Value	-	3%	3%	5%	7%	7%	8%

*Full allocation history can be found in the Appendix of the Quarterly Investment Review.

Morningstar Model Portfolios – Static Allocation Performance

As of 3/31/2018

	Performance(%) 1 Quarter	1 Year	3 Years	Since Inception	Inception Date
RC					
Very Conservative RC	-0.1	4.0	3.5	3.7	04/01/2014
Very Conservative Benchmark RC	*-0.2*	*3.8*	*3.4*	*3.6*	
Conservative RC	-0.2	5.8	4.7	4.8	04/01/2014
Conservative Benchmark RC	*-0.3*	*5.9*	*4.8*	*4.9*	
Moderately Conservative RC	-0.2	7.6	6.6	6.6	04/01/2014
Moderately Conservative Benchmark RC	*-0.4*	*7.8*	*5.8*	*5.9*	
Moderate RC	-0.2	9.1	6.7	6.8	04/01/2014
Moderate Benchmark RC	*-0.5*	*9.4*	*6.5*	*6.6*	
Moderately Aggressive RC	-0.4	10.8	7.5	7.3	04/01/2014
Moderately Aggressive Benchmark RC	*-0.6*	*10.9*	*7.2*	*7.3*	
Aggressive RC	-0.4	12.7	8.2	8.1	04/01/2014
Aggressive Benchmark RC	*-0.6*	*12.7*	*8.0*	*8.0*	
Very Aggressive RC	-0.6	13.5	8.5	8.4	04/01/2014
Very Aggressive Benchmark RC	*-0.8*	*14.2*	*8.5*	*8.4*	
RC Ex-TIAA					
Very Conservative RC Ex-TIAA	-0.8	2.9	2.2	2.9	04/01/2014
Very Conservative Benchmark RC Ex-TIAA	*-1.2*	*2.6*	*2.2*	*2.9*	
Conservative RC Ex-TIAA	-0.7	5.3	4.0	4.4	04/01/2014
Conservative Benchmark RC Ex-TIAA	*-1.1*	*5.0*	*3.8*	*4.3*	
Moderately Conservative RC Ex-TIAA	-0.9	6.8	5.7	5.9	04/01/2014
Moderately Conservative Benchmark RC Ex-TIAA	*-1.1*	*6.9*	*4.9*	*5.3*	
Moderate RC Ex-TIAA	-0.8	8.6	5.9	6.3	04/01/2014
Moderate Benchmark RC Ex-TIAA	*-1.0*	*8.7*	*5.9*	*6.2*	
Moderately Aggressive RC Ex-TIAA	-0.8	10.2	6.8	7.0	04/01/2014
Moderately Aggressive Benchmark RC Ex-TIAA	*-1.0*	*10.4*	*6.8*	*7.0*	
Aggressive RC Ex-TIAA	-0.7	12.4	7.8	7.8	04/01/2014
Aggressive Benchmark RC Ex-TIAA	*-0.8*	*12.5*	*7.8*	*7.8*	
Very Aggressive RC Ex-TIAA	-0.6	13.5	8.5	8.5	04/01/2014
Very Aggressive Benchmark RC Ex-TIAA	*-0.8*	*14.2*	*8.5*	*8.4*	

Discussion Topics

Section 1 Capital Markets Review

Section 2 Performance Review

Section 3 Noteworthy Items

Section 4 Legal and Compliance Update

Vanguard Target Retirement Funds

- All of the Vanguard Target Retirement Funds posted negative absolute results during the first quarter of 2018, but ranked favorably among their respective composite benchmarks
  - The longer-dated, more equity-heavy Institutional Vanguard Target Retirement 2060 Fund returned –0.54%, while the more fixed-income-oriented Institutional Vanguard Target Retirement Income Fund returned –0.52%
- For the twelve months ended March 31, 2018, results were positive across the series
  - Returns ranged from 5.4% for the Income Fund to 13.7% for the 2060 Fund
- The Funds' longer-term performance continued to exhibit a modest level of tracking error
  - Primarily due to the underlying component Funds' investment management fee and the impact of "fair value" pricing adjustments
- The Vanguard Target Retirement Funds remain "Buy" rated by our Global Investment Management Research Team

DFA Inflation-Protected Securities Portfolio

- The Fund's performance trailed the return of its benchmark, the Bloomberg Barclays Global Inflation-Linked U.S. TIPS Index, by 0.2 percentage point during the first quarter of 2018
- The Fund's relative underperformance was primarily attributable to:
  – Underweight positioning to TIPS on the short end of the yield curve
  – Overweight positioning to TIPS between the 7 to 15 year maturity range
- Partially offsetting the period's negative relative results was an underweight positioning to TIPS in the 20-year + maturity range
- For the twelve months ended March 31, 2018, the Fund generated a return of 0.6% versus the benchmark's return of 0.9%
- With the exception of the trailing three-year period, longer-term results remained favorable relative to the Fund's benchmark and peer group average
- The strategy remains "Buy" rated by our Global Investment Management Research Team

Diamond Hill Large Cap

- The Fund's performance lagged the return of its benchmark, the Russell 1000 Growth Index, by 0.6 percentage points during the first quarter of 2018
- The Fund's relative underperformance was primarily attributable to:
  - Negative stock selection within the consumer discretionary and energy sectors
  - An underweight allocation and negative stock selection within the information technology sector
  - Notable detractors included Procter & Gamble, Cimarex Energy Co., and Devon Energy Corp.
- Partially offsetting the period's negative relative results was positive stock selection within the health care and materials sectors
- For the twelve months ended March 31, 2018, the Fund generated a return of 8.9% versus the benchmarks return of 6.9%
- Longer-term results remain positive on both an absolute and relative basis
- The Fund remains "Buy" rated by our Global Investment Management Research Team

Dodge & Cox Global Stock Fund

- The Fund's performance trailed the return of its benchmark, the MSCI All Country World Index, by 1.7 percentage points during the first quarter
- The Fund's relative underperformance was primarily attributable to:
  - An underweight allocation and negative stock selection within the information technology sector
  - Negative stock selection and an overweight allocation to the media industry within the consumer discretionary sector
    - Notable detractors included Altice (-22%), Grupo Televisa (-15%), Comcast (-14%), and Liberty Global (-10%) detracted
  - Additional detractors included Magnit (-27%), Cigna (-17%), and ICICI Bank (-13%)
- Partially offsetting the period's negative relative results were holdings within the energy and financial sectors
- For the twelve months ended March 31, 2018, the Fund generated a return of 9.8% versus the benchmark's return of 14.8%
  - Holdings within the media industry and technology sector detracted from results
- Longer-term results remain positive on both an absolute and relative basis
- The strategy remains "Buy" rated by our Global Investment Management Research Team

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Discussion Topics

Section 1	Capital Markets Review
Section 2	Performance Review
Section 3	Noteworthy Items
Section 4	Legal and Compliance Update

Second Quarter 2018

Aon Quarterly Update

Retirement Legal Consulting & Compliance

In this Issue

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6 Recent Case Highlights Importance of Benefits Claims Process

7 Proprietary Fund Litigation Helpful to Plan Sponsors

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8 Recent Publications

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"

Notes From Your Editor

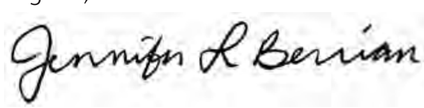
Spring has sprung and brought with it basketball playoffs and the start of the baseball season. In the world of retirement plans, there is no off season—we have been following a lot of issues that are in flux, watching to see where they will land. One of the ongoing issues has been what is going to happen with the fiduciary investment advice regulations after recent court decisions and the noted reluctance to implement the rules by the current administration. We include an article in this issue discussing the current status of these rules and possible next steps for employers and their plan fiduciaries.

Other topics that we've been following include issues with cybersecurity and the risk of a data breach involving participant data in retirement plans, efforts by regulatory agencies to impose clear, consistent standards that plan sponsors can follow when attempting to locate missing participants, litigation involving proprietary funds in 401(k) plans, and the status of the determination letter program for ongoing, individually designed plans.

Many employers are making a big push to assist their employees with their financial wellbeing. Benefits for both employers and employees can be achieved through robust financial wellbeing programs. We include an article with guidance for taking steps to put a financial wellbeing program into place. The financial payoff for implementing a wellbeing program and its impact on future retirements can be huge.

If you have any questions or need any assistance with the topics covered, please contact the author of the article or Tom Meagher, our practice leader.

Regards,



Jennifer Ross Berrian
Partner
Aon

Financial Wellbeing Programs Provide Short- and Long-term Benefits

by Grace Lattyak, David Fairburn, and Roselyn Feinsod

Financially preparing for retirement is a significant part of an individual's lifetime financial management objectives. Employers provide a wide range of solutions to help employees plan for retirement, including sponsoring defined benefit and defined contribution plans, designing investments, giving access to retirement planning tools, and communicating best practices.

These programs are great for the employee who is ready to allocate part of his or her paycheck to retirement. For most, this starts automatically for employees who participate in 401(k) plans with automatic enrollment features and default target date funds. Many employees enrolled in high deductible health plans also have access to health savings accounts (HSAs), which offer tax-effective opportunities to save for the payment of out-of-pocket medical expenses and can be used to pay for medical expenses in retirement. However, there are many employees, particularly younger employees or those in debt, who need help getting started saving for retirement and making sure those savings are enough.

In recognition of this, we have seen a trend toward employers providing more holistic "financial wellbeing" solutions. Employers may provide assistance or tools that focus both on building and protecting wealth. Building wealth may start with dealing with debt, budgeting, and saving. Protecting wealth can range from purchasing insurance to protect against financial pitfalls to estate planning.

Why are employers providing this assistance? Many employers recognize that their employees are distracted by financial worries such as debt, healthcare expenses, and the need to prioritize competing savings goals such as retirement, home buying, and college tuition. Employees indicate that they find financial wellbeing programs valuable, and they help achieve a higher level of confidence in their financial future. From a long-term perspective, employers want to ensure that the employees who choose longer careers are doing so for the right reasons, not because they have gaps in savings, which could lead to a disengaged and less productive workforce.

Aon's approach to creating a financial wellbeing strategy is brought to life by helping employers craft the optimal set of programs, tools, and education that will help employees address their financial wellbeing needs. These financial wellbeing solutions generally fall into four main categories (the 4 "P's"):

- "Prepare" (establishing a solid foundation of good habits such as budgeting, credit management, paying off student loans);
- "Plan" (creating a plan to achieve medium- and longer-term goals like retirement or buying a house);
- "Protect" (managing risk through insurance coverage such as life, disability, or critical illness); and
- "Preserve" (ensuring assets are appropriately transitioned from the accumulation phase to the draw down phase).

Many employers find that they are already offering many solutions that fall into the four categories mentioned above. As a result, an easy starting point to a robust financial wellbeing program is a "discovery" phase where the employer's existing mix of programs, tools, education, and related vendors will be evaluated before deciding if additional services are needed. In addition, the discovery phase can benchmark best practices as well as the current behaviors and perception of employees to gain insight into the best mix of programs going forward. For example, some common behaviors that do not contribute to long-term wealth might include taking loans from 401(k) savings, not contributing the appropriate amounts to 401(k) and HSA accounts, or spending all HSA savings every year.

"Many employers recognize that their employees are distracted by financial worries such as debt, healthcare expenses, and the need to prioritize competing savings goals such as retirement, home buying, and college tuition. Employees indicate that they find financial wellbeing programs valuable, and they help achieve a higher level of confidence in their financial future."

Aon believes that helping employees prepare for retirement really needs to start from the beginning—with help budgeting, paying off student loans, saving for a home, etc.—while also helping employees think about the long term, including retirement contribution and investments solutions leveraging the great plans for which employees have access. Please contact one of Aon's Retirement consultants for more information.

Litigation Update—Fiduciary Investment Advice Rules

by Elizabeth Groenewegen

Controversy continues around the Department of Labor's (DOL's) new rules regarding fiduciary investment advice. Shortly after the DOL finalized the rules in April 2016, a number of lawsuits were filed challenging the agency's actions in promulgating the rules. Recent court decisions have yielded different results. Given the DOL's current regulatory policy of non-enforcement pending review of the rules, there is uncertainty as to whether the DOL will pursue any appeal.

Current DOL Position

The DOL's fiduciary investment advice guidance has been controversial since the DOL began its work under the previous administration in 2010. With the change in administration last year, the DOL suspended the application of certain portions of the guidance and announced a "good faith, non-enforcement" position with respect to the parts of the guidance currently in effect. The DOL has stated that the non-enforcement policy will lapse in July 2019, at which time the rules will be fully enforceable (or be further revised). While there has as yet been no official response to the litigation described below, a DOL spokesperson reportedly confirmed that the agency will not be enforcing the rules at present.

Recent Litigation

Shortly after the DOL finalized the fiduciary investment advice guidance, a number of lawsuits were filed challenging the agency's actions in promulgating these new rules. Two of these cases recently yielded very different results for the DOL's guidance.

- In the *Market Synergy Group v. Department of Labor* opinion issued March 13, 2018, the 10th Circuit Court of Appeals rejected the claimant's arguments that the DOL had exceeded its authority under the Administrative Procedures Act with respect to its treatment of fixed indexed annuities. The court held that the DOL acted within its authority and affirmed the validity of the guidance as applicable to certain financial products and those who market the products to retirement savers.
- Just days later, in *Chamber of Commerce of the USA, et al v. U.S. Department of Labor* (issued March 15, 2018), the 5th Circuit Court of Appeals ruled that the fiduciary investment advice guidance was not a valid exercise of the DOL's regulatory authority under ERISA. That court held that the guidance was invalid and vacated the new rule in its entirety (including the related changes to the class exemptions). The DOL did not request that the 5th Circuit Court reconsider its decision by the deadline for filing that request; however, the DOL may still consider an appeal to the U.S. Supreme Court.
- An appeal of a decision in the DOL's favor in a third lawsuit was pending with the D.C. Circuit Court of Appeals. On March 27, 2018, the DOL agreed to the voluntary dismissal of the appeal in *The National Association for Fixed Annuities v. U.S. Department of Labor.*

What's Next?

The losing party in each case could seek further judicial review, eventually including potential review by the U.S. Supreme Court. A "split" among the federal circuit courts of appeal is frequently a prerequisite for Supreme Court review. Whether there is actually a "split" in the circuits is subject to debate. Given the DOL's current regulatory policy of non-enforcement pending review of the rules, there is uncertainty as to whether the DOL will pursue an appeal. A number of organizations (for instance, the Consumer Federation of America) have advocated upholding the guidance by submitting arguments as a "friend of the court" in support of the DOL. Also, the Massachusetts state securities regulator has commenced an enforcement action based on the new fiduciary rules. Other state regulators may be interested in enforcing the standards as well. It seems safe to say that litigators, representing interests "for" and "against" the application of the new standards, will remain busy for some time.

How Should Plan Sponsors Respond?

The fiduciary standards that are of primary relevance for plan sponsors are not significantly impacted by this controversy. The DOL's fiduciary investment advice guidance changes the rules relating to how the investment community structures its products and services for retirement savings. That new dynamic remains at issue. The take-away for plan sponsors is that they must be mindful of their fiduciary obligations regarding any investment products and investment services that are offered under their plans covered by the Employee Retirement Income Security Act of 1974 (ERISA). Plan sponsors should exercise fiduciary prudence, acting in the best interests of its plans and plan participants with respect to investment products and services offered to plan participants—particularly when engaging third parties to interface with plan participants. As with other significant fiduciary decisions, it is important for plan sponsors and their internal plan fiduciaries to document carefully their decisions, including their processes, information considered, and rationale for each decision relating to the investment options, recordkeeping fees, investment services, and the particular advisors used for or made available for use by plan participants under the sponsor's plan.

Aon's Retirement Legal Consulting & Compliance consultants are available to help plan sponsors evaluate and address these important plan governance and compliance responsibilities.

Qualified Plan Compliance: Do You Have a Strategy?

by Meghan Lynch

We have reported extensively on the cancellation of the Internal Revenue Service's (IRS's) determination letter program for ongoing, individually designed retirement plans. However, the IRS recently issued a notice indicating that it is considering expanding the program in 2019 for specified plan types and issues. The IRS requested comments on what types of plans and issues should be considered under this potential expansion of the previously limited determination letter program.

What does this mean for plan sponsors and fiduciaries? The IRS recognizes the challenges resulting from the end of the determination letter program for individually designed plans—employers no longer have a mechanism through the IRS to check on their plan and verify qualified status. Further, it is likely the IRS recognizes the fiduciary risk associated with these challenges and, thus, is considering this limited expansion of the determination letter program.

What are the next best steps for plan sponsors and their participants? Consider undertaking a compliance review of the plan to establish that the plan includes the most recent qualification requirements and has been updated for recent legislative and regulatory developments. "Qualification" for this purpose should include a review of both plan document compliance and operational compliance. It is safe to assume that even if the IRS does move forward with an expansion of the determination letter program in 2019, the IRS review will not cover all of a plan's provisions and operations, and it will not protect plan sponsors from exposure for any existing compliance issues. Further, individually designed plan sponsors should be actively engaging in a long-term compliance strategy. One option is to partner on a disciplined compliance strategy with a service provider specializing in qualified plan compliance and documentation requirements. Another would be to transition individually designed plans to pre-approved plan documents.

If you have questions about your plan compliance strategy or the viability of converting your individually designed plan document to a pre-approved plan document, please reach out to Aon's Retirement Legal Consulting & Compliance consultants—we stand ready and willing to assist.

IRS to Formally Address Missing Participants Issue

by Susan Motter

Later this year the Internal Revenue Service (IRS) anticipates issuing formal guidance to help retirement plan sponsors deal with missing participants and beneficiaries, according to an informal announcement by the Office of Chief Counsel of the IRS. As discussed in previous issues of the *Retirement Legal Consulting & Compliance Quarterly Update*, the Department of Labor (DOL) and the Pension Benefit Guaranty Corporation (PBGC) have recently undertaken initiatives intended to help locate missing retirement plan participants and beneficiaries and reunite them with their benefits. It is anticipated that the new IRS guidance will be coordinated with the efforts of the DOL and PBGC and that it will provide welcome relief to retirement plan sponsors seeking assurance that their search methods for missing distributees would satisfy IRS scrutiny under audit.

In the meantime, the IRS continues to issue internal memoranda to assist its agents in their examinations of retirement plans related to the application of the required minimum distribution (RMD) rules of Internal Revenue Code Section 401(a)(9). Specifically, the IRS issued guidance on February 23, 2018, which directs its agents not to challenge a 403(b) plan as failing to satisfy the RMD rules in certain circumstances outlined in the guidance. This guidance applies to 403(b) plans with audits open on and after February 23, 2018, and includes identical search procedures for missing distributees as those described in the IRS's October 19, 2017 guidance with respect to other retirement plans. We discussed the earlier guidance in the **First Quarter 2018** and **Second Quarter 2016** issues of the *Retirement Legal Consulting & Compliance Quarterly Update*.

In light of the coordinated efforts by the DOL, IRS, and PBGC in this area, plan sponsors should review and revise their plan procedures to demonstrate compliance in searching for and locating missing participants and beneficiaries and the timely payment of plan benefits. Aon's Retirement Legal Consulting & Compliance consultants are here to assist plan sponsors in evaluating and, if necessary, revising plan procedures to build a strong record to support fiduciary decisions and help protect plan sponsors from DOL, PBGC, and IRS audit and litigation risk.

Cybersecurity—Next Steps for Plan Fiduciaries

by Tom Meagher and Jennifer Ross Berrian

Since our discussion of fiduciary obligations with respect to cybersecurity at the end of 2017 **(click here)**, the issue of cybersecurity and retirement plan safeguards has not gone away. If anything, the issue has continued to grow in terms of garnering the attention of Employee Retirement Income Security Act of 1974 (ERISA) plan fiduciaries.

In speaking with plan fiduciaries, we are continually asked what they need to do to address their fiduciary obligations with respect to cybersecurity. In our view, plan fiduciaries need to establish a fiduciary process to evaluate existing data security safeguards that may apply to retirement plan data—data that may be compiled for both defined benefit and defined contribution plans. As part of this fiduciary process, we suggest that plan fiduciaries consider the following steps:

- **Inventory**—At the outset, it is important for plan fiduciaries to understand who has access to participants' plan data, and how such data is viewed, transmitted, or otherwise stored or retained—both within the employer's HR and benefits organization, as well as with third parties (e.g., plan recordkeepers).
- **Gap Assessment**—Following the inventory, it is critical that plan fiduciaries conduct a gap assessment. The gap assessment will involve assessing what safeguards have been established to date—administrative, physical, and technical. In conducting the gap assessment, plan fiduciaries should be careful not to simply respond by saying that data security is handled by their IT department or that they rely on vendor agreements or statements made by third-party vendors. From a fiduciary standpoint, just as it is not sufficient to assume that plan assets are invested prudently, plan fiduciaries should not simply assume that their plan data is adequately protected.
- **Evaluate Findings and Existing Controls**—While plan sponsors may have significant safeguards in place to protect their financial and customer data, plan fiduciaries will want to confirm those safeguards are appropriate with respect to plan data. The list of major employers who have experienced a data breach is far too long for this brief article, but readers can easily identify data breach situations by looking online. Of greater concern, however, are the situations involving a data breach that have not yet been discovered by the plan sponsor.
- **Document Process and Steps Taken**—Following completion of the review, plan fiduciaries should document the process that they followed to demonstrate their prudence in monitoring data security safeguards, identify any updates to existing safeguards, and review recordkeeping contracts to confirm frequency of data security reviews and possible responses to data breaches or attempted breaches involving participant data.

ERISA plan fiduciaries have a special role when it comes to protecting plan-related data and must act in the best interests of the plan participants. That means independently assessing whether plan data is adequately protected and not relying solely on the representations of the employer's IT department or third-party recordkeepers. The object of the data security fiduciary review is to permit fiduciaries to develop the necessary record to support the prudence of existing safeguards and mitigate the risk of a data breach involving participant records.

> "In speaking with plan fiduciaries, we are continually asked what they need to do to address their fiduciary obligations with respect to cybersecurity. In our view, plan fiduciaries need to establish a fiduciary process to evaluate existing data security safeguards that may apply to retirement plan data—data that may be compiled for both defined benefit and defined contribution plans."

Aon's Retirement Legal Consulting & Compliance consultants, along with our colleagues at Stroz Friedberg (Aon's cybersecurity assessment firm), can provide the assessments and evaluations necessary to support the safeguards in place for plan sponsors.

Recent Case Highlights Importance of Benefits Claims Process

by John Van Duzer

A recent court case *(Starnes v. Universal Fidelity Administrators Co.)* illustrates important considerations relating to claims and appeals under a retirement or welfare benefit plan. An employer's healthcare plan imposed a one-year restriction ("limitations period") on how long an employee could wait to file a lawsuit after his claim had been denied by the plan. Even though this limitations period was legally permissible, the court refused to allow enforcement because the claims denial letter to the employee did not mention the limitations period.

Background

The Employee Retirement Income Security Act of 1974 (ERISA) requires all plans subject to ERISA to provide for claims and appeals procedures. Plan participants and beneficiaries who have a grievance or complaint relating to their plan benefits must follow the claims procedure. Eventually, if the claim (including all appeals) is denied, the claimant has a right and may choose to file a lawsuit in federal court. These claims procedures are typically summarized in the plan document and/or the plan's summary plan description (SPD). In recent years, many plans have begun to impose limitations periods, both for filing the initial claim and for initiating a lawsuit following the final denial of the claim.

In the *Starnes* case, the healthcare plan document in dispute included language stating that a claimant who wished to file a lawsuit was required to file that lawsuit within one year of the final claim and appeal denial by the plan. Even though the plan document included this one-year limitations period, and even though the participant waited more than three years before initiating a lawsuit to challenge the claims denial, the Southern District Court of South Carolina refused to permit the plan to enforce the limitations period. The court pointed out that the final benefit denial letter sent to the participant made no mention of the one-year limitations period, and also neglected to include other information required by Department of Labor (DOL) regulations. Because of these failures and omissions, plan participants were likely not aware of their rights, responsibilities, and applicable timing restrictions. The court felt it unfair to recognize and enforce a one-year limitations period under these circumstances.

What This Case Means to Plan Sponsors

Because this is a district court case in the 4th Circuit, not all plan sponsors are directly subject to the court's holding. However, the reasoning of the court is important, and the written opinion pointed out that several circuit courts (although not all) have reached similar conclusions.

While plan sponsors know that it is vitally important for any ERISA plan to have good claims procedures in place, it is advisable that plan sponsors consider the following:

- The rules and requirements applicable to claims procedures are complex, and may change from time to time (e.g., recent DOL regulations have expanded the requirements relating to claims and appeals relating to disability). Typically the rules are summarized in plan documents and SPDs, but persons responsible for the day-to-day operations of the plan may not be aware of the detailed requirements.
- Letters, notices, and even the plan document/SPD summaries themselves may be incomplete or out of date. (For example, as the *Starnes* case suggests, many plan documents have been amended in recent years to incorporate a limitations period, but comparable revisions may not have been made to claims denial letters. In some cases, the new plan language may not even have been incorporated into related SPDs.)
- Having a complete and thorough process in place, and following it, is essential. When a lawsuit is filed against a plan, courts invariably look to whether good processes and plan procedures were in place and followed.

Aon's Retirement Legal Consulting & Compliance consultants would be pleased to assist you in reviewing your claims and appeals procedures and related documentation, both from a compliance perspective (satisfaction of all legal and regulatory requirements), and also from a strategic perspective (limiting exposure to litigation that might otherwise be avoided).

Proprietary Fund Litigation Helpful to Plan Sponsors

by Hitz Burton

Plaintiffs were previously put on notice that federal courts would be evaluating their employee benefit plan allegations under a more exacting pleading standard when the U.S. Supreme Court issued its 2014 decision in *Fifth Third Bancorp vs. Dudenhoeffer*. Now, in *Patterson v. The Capital Group Companies, Inc.*, a federal district court in California has reiterated that allegations presented in a complaint must be supported by specific facts. These facts must include, for example, identification of situations in which an opportunity for self-dealing or conflict of interest on the part of the defendant employer is present, such as when an employer offers proprietary mutual fund investments within its own 401(k) plan.

The plaintiff alleged that the Capital Retirement Savings Plan (Plan) offered between 38 and 46 investment options over a six-year period, with the large majority of such investments being managed by affiliate organizations of the plan sponsor. The plaintiff maintained that fiduciaries for the Plan selected and retained certain affiliated "R5 share class" investment options when less expensive "R6 share class" investment funds were available from those same affiliates.

Quoting from prior court decisions, the court in *Patterson* noted that "[a] complaint must state a claim to relief that is plausible on its face" and be written with specific factual content that "allows the court to draw the reasonable inference" that the defendant is liable for the unlawful activity described. And when deciding whether to dismiss a complaint, the *Patterson* court remarked that courts must "draw on [their] judicial experience and common sense." When the facts expressed in the complaint do not "permit the court to infer more than the mere possibility of misconduct," the plaintiffs have not shown that they are entitled to relief. While it was not necessary for the plaintiff to allege that the challenged R5 mutual funds "underperformed," it was incumbent on the plaintiff to allege facts that plausibly suggest the fees charged by the R5 series of mutual funds were excessive. Finding that the plaintiff here put forward no such facts, the district court dismissed the plaintiff's claims for breach of the fiduciary duties of loyalty and prudence.

Despite the welcome developments in the *Patterson* decision, plan sponsors making proprietary investment funds available within their own 401(k) plans should continue to anticipate the possibility that future claims in litigation could be made. It is prudent for these sponsors to be mindful that, since 2016, more than two dozen financial services firms have been sued over fiduciary issues involving their use of proprietary mutual and other investment funds within their own 401(k) plans. Aon's Retirement Legal Consulting & Compliance consultants have been closely tracking and evaluating developments in this and other litigation. If you would like an evaluation of your plan's risk profile against this litigation backdrop, please contact your Aon consultant.

Quarterly Roundup of Other New Developments

by Jan Raines and Bridget Steinhart

United Technologies Using Lifetime Income Solutions
In 2012, United Technologies Corporation (UTC) offered a relatively unusual 401(k) plan provision whereby participants could invest in an in-plan annuity option that would automatically adjust its investment allocation depending upon the participant's age range, allow transfers in and out, and serve as the plan's default investment if the participant does not choose his or her own investments. As of January 2018, approximately one-third of UTC's 110,000 401(k) plan participants have invested over $500 million in these insurance-backed annuities. While annuities can provide participants with a guaranteed income stream in retirement, thus providing more retirement security, the rules for selecting an annuity provider can be burdensome to plan sponsors. Legislation is pending, however, to add a new safe harbor provision to Section 404 of the Employee Retirement Income Security Act of 1974 (ERISA) (which addresses ERISA's fiduciary duties) and, if enacted, should make it easier for plan fiduciaries to satisfy their fiduciary duties related to selection and monitoring of the annuity provider. Aon has resources to help plan sponsors analyze participant demographics and needs, evaluate products, and assist with the implementation of both in-plan and out-of-plan options.

Litigation Update: Recordkeeper Is Not a Fiduciary When Contracting and Collecting Fees
In the recent case of *Santomenno v. Transamerica Life Insurance Company*, the 9th Circuit Court of Appeals dismissed the claims against Transamerica alleging breach of fiduciary duty, concluding that Transamerica was not a fiduciary to the plan when it negotiated its own fees (the subject of the breach claim). The court noted that the recordkeeper for the plan was neither a fiduciary when negotiating its fees, nor when "definitively calculable" and clearly contracted fees are assessed against plan assets in accordance with the provisions of the service contract. In its opinion, the court was very clear that Transamerica was not involved in plan management when negotiating its own fees and holding that Transamerica was a fiduciary in regard to these actions would have "absurd results" that would hamper arm's length negotiations.

Saver's Credit May be Available for Your Employees
A recent survey found that 64% of workers may be eligible for the retirement savings contribution credit, known as the "Saver's Credit," but are not taking advantage of it. Single federal income tax filers or those

married filing jointly with 2018 adjusted gross income of up to $31,500 or $63,000, respectively, who are contributing to a 401(k) (or similar plan) or IRA may be able to take advantage of the Saver's Credit to reduce their federal income taxes. The maximum credit is $1,000 for single filers or $2,000 for married couples. Employees who take advantage of the Saver's Credit and save in their employer's plan can lower their federal income taxes while increasing their retirement income.

Fraud Scheme Targeting 401(k) Accounts Uncovered
The FBI was recently contacted about a fraud scheme affecting 20 participants in a 401(k) plan with a loss of approximately $1M. The recordkeeper discovered that after plan participants established accounts online, other individuals called the participant service center and confirmed their "identity" using a four-part authentication process, which utilized specific plan participant identifiers (i.e., name, SSN, DOB, employment data). Once the perpetrators gained access to an account, they were able to make changes to the account and request distributions without the participant's knowledge or approval. According to the recordkeeper, the identifying information did not come from a breach of its recordkeeping system. It is not clear at this time why specific accounts were targeted. Since this situation was discovered, other recordkeepers have also been targeted.

Participants should be reminded periodically to employ a diligent process in monitoring and reviewing their accounts. Innocuous information shared via social media might allow hackers to determine passwords or other personal information that can then be used for malicious purposes.

Fiduciaries should also review the plan's recordkeeper authentication processes to ensure they include multiple steps and include information not readily available to outside parties. This can be done as part of a cybersecurity audit—which plan fiduciaries should periodically conduct.

Some financial firms have begun to require one-time access codes be emailed or texted to further protect participant information, and we may see recordkeepers move in this direction.

ERISA Claims Against Siemens Corporation Dismissed
The 3rd Circuit Court of Appeals has affirmed the previous dismissal of a case against Siemens Corporation. The plaintiff, a 27-year employee of Siemens, had participated in several of the company's defined benefit and defined contribution plans (both qualified and non-qualified). After his employment terminated, Siemens sold one of its business divisions and the obligation to pay the plaintiff's benefits was transferred to the acquiring company (Sivantos, Inc.). The plaintiff alleged in part that this action represented a breach of Siemens' fiduciary duty and sought a declaratory judgment that would rule the transfer a prohibited transaction.

The plaintiff argued that he would not have participated in the plans if he had known that they would be transferred; significantly, however, he did not claim that any of his benefits had not been paid, and the court concluded that he did not have standing to sue based merely on the speculation that future payments might not be made. Regarding the defined contribution plans, the plaintiff argued that some of the previous investment options were no longer available after the transfer and that the new investment options charged higher management fees. The court further ruled that the plaintiff has not alleged any injury related to the plan, noting that higher management fees do not necessarily mean lower returns. Although diminished returns in the 401(k) plan would represent a concrete injury in fact, the court concluded that the plaintiff did not specifically describe the pre- and post-transfer investment options, and how they differed in regard to risk and fees, and therefore he did not properly state his claim.

Recent Publications

Nonqualified Deferred Compensation Reporting and Withholding
by Ronald Gerard, Elizabeth Groenewegen, and Lee Nunn
Journal of Deferred Compensation 23 (Spring 2018)

Employers, participants, and even tax professionals may be confused about the reporting and withholding requirements because participants are often no longer active employees when the NQDC benefits are paid. This article provides a general discussion of the reporting and withholding requirements for NQDC plans.

Click here to read the article.

Premium Interest Tax for 409A Failures
by Ronald Gerard, Richard Hardeman, and Lee Nunn
Journal of Deferred Compensation 23 (Spring 2018)

Deferred compensation that falls within the scope of Section 409A of the Internal Revenue Code is subject to strict compliance guidelines, and when deferred amounts fall out of compliance, the amounts can be subject to taxes, penalties, and reporting requirements. This article addresses the premium interest tax beginning with the identification of amounts subject to premium interest tax, as well as the calculation of the premium interest tax and underpayment interest.

Click here to read the article.

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