Nevada System of Higher Education

Third Quarter 2018 Discussion Guide

December 4, 2018

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Discussion Topics

Section 1	Capital Markets Review
Section 2	Performance Review
Section 3	Noteworthy Items
Section 4	Vanguard Flash Report
Section 5	Legal & Compliance Update

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Discussion Topics

Section 1 Capital Markets Review

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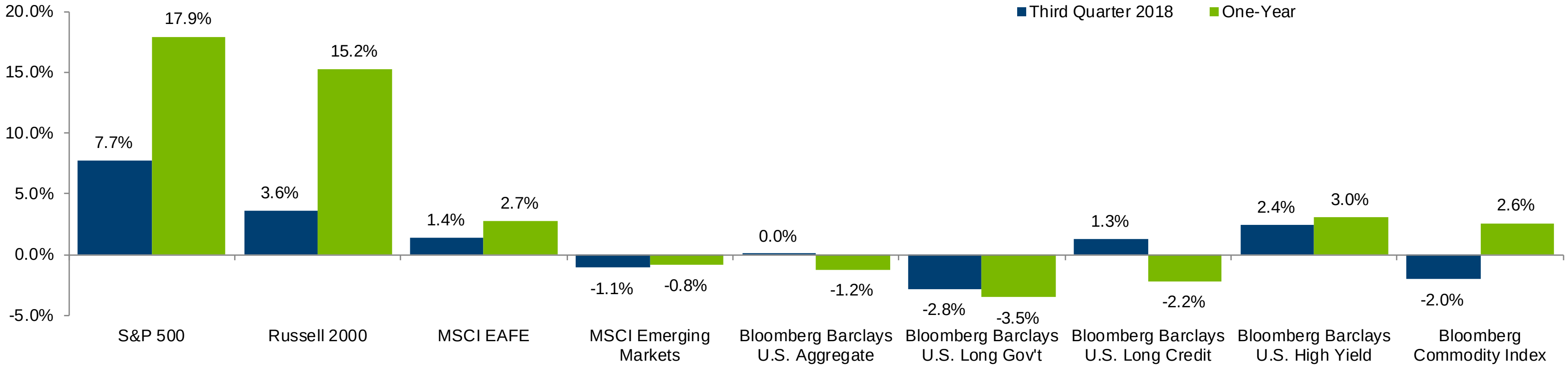
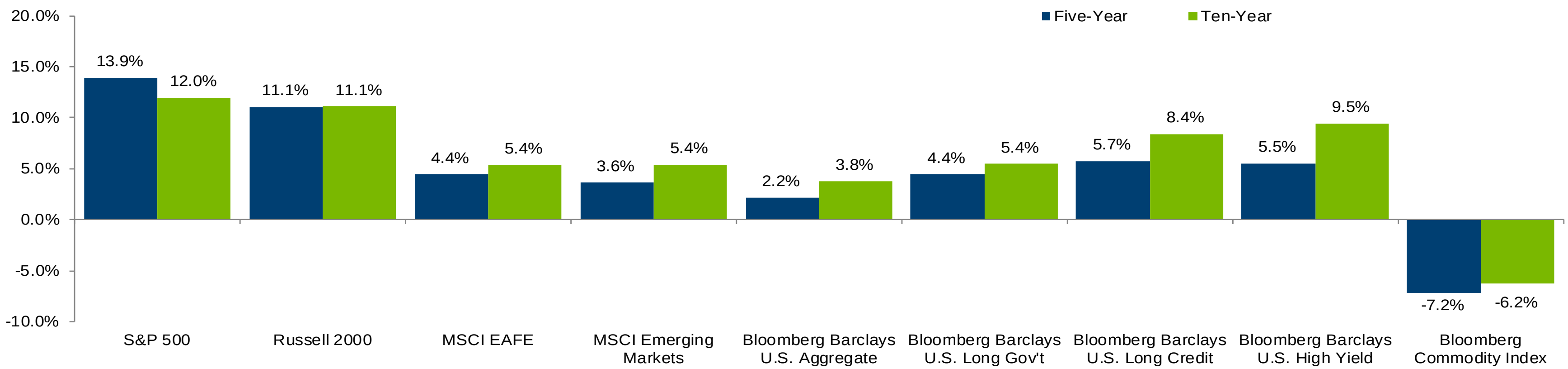
Market Highlights

SHORT TERM RETURNS
AS OF 09/30/2018



Source: Russell, MSCI, Bloomberg Barclays, Bloomberg

LONG TERM ANNUALIZED RETURNS
AS OF 09/30/2018



Source: Russell, MSCI, Bloomberg Barclays, Bloomberg

Market Highlights

Returns of the Major Capital Markets						
						Period Ending 09/30/2018
	Third Quarter	Year-to-Date	1-Year	3-Year[1]	5-Year[1]	10-Year[1]
Equity						
MSCI All Country World IMI	3.88%	4.63%	9.63%	13.47%	8.69%	8.49%
MSCI All Country World	4.28%	4.83%	9.77%	13.40%	8.67%	8.19%
Dow Jones U.S. Total Stock Market	7.11%	11.26%	17.58%	17.05%	13.42%	12.05%
Russell 3000	7.12%	11.29%	17.58%	17.07%	13.46%	12.01%
S&P 500	7.71%	11.41%	17.91%	17.31%	13.95%	11.97%
Russell 2000	3.58%	11.61%	15.24%	17.12%	11.07%	11.11%
MSCI All Country World ex-U.S. IMI	0.39%	-2.23%	1.79%	10.14%	4.39%	5.60%
MSCI All Country World ex-U.S.	0.71%	-1.93%	1.76%	9.97%	4.12%	5.18%
MSCI EAFE	1.35%	0.10%	2.74%	9.23%	4.42%	5.38%
MSCI EAFE (Local Currency)	2.36%	5.91%	5.09%	9.38%	7.87%	6.70%
MSCI Emerging Markets	-1.09%	-8.97%	-0.81%	12.36%	3.61%	5.40%
Fixed Income						
Bloomberg Barclays Global Aggregate	-0.92%	-3.68%	-1.32%	1.98%	0.75%	2.89%
Bloomberg Barclays U.S. Aggregate	0.02%	-0.14%	-1.22%	1.31%	2.16%	3.77%
Bloomberg Barclays U.S. Long Gov't	-2.82%	-2.56%	-3.50%	0.78%	4.41%	5.45%
Bloomberg Barclays U.S. Long Credit	1.26%	-1.43%	-2.18%	5.21%	5.75%	8.43%
Bloomberg Barclays U.S. Long Gov't/Credit	-0.47%	-1.91%	-2.73%	3.43%	5.18%	7.11%
Bloomberg Barclays U.S. TIPS	-0.82%	-0.05%	0.41%	2.04%	1.37%	3.32%
Bloomberg Barclays U.S. High Yield	2.40%	3.46%	3.05%	8.15%	5.54%	9.46%
Bloomberg Barclays Global Treasury ex U.S.	-2.17%	-6.93%	-1.32%	2.31%	-0.24%	2.07%
JP Morgan EMBI Global (Emerging Markets)	1.87%	-1.71%	-2.94%	5.70%	4.63%	7.25%
Commodities						
Bloomberg Commodity Index	-2.02%	-1.63%	2.59%	-0.11%	-7.18%	-6.24%
Goldman Sachs Commodity Index	1.34%	9.45%	22.91%	3.17%	-10.01%	-9.24%
Hedge Funds						
HFRI Fund-Weighted Composite[2]	0.55%	1.37%	3.98%	5.34%	4.11%	4.56%
HFRI Fund of Funds[2]	0.27%	0.99%	3.08%	3.29%	3.18%	2.55%
Real Estate						
NAREIT U.S. Equity REITS	0.79%	10.91%	3.35%	7.64%	9.16%	7.44%
NCREIF NFI - ODCE	2.09%	NA	8.68%	8.80%	10.72%	5.58%
FTSE Global Core Infrastructure Index	2.46%	6.92%	4.87%	10.49%	8.45%	8.79%
Private Equity						
Burgiss Private iQ Global Private Equity[3]	NA	NA	17.78%	12.29%	13.32%	9.28%

MSCI Indices shows Net returns.

All other indices show Gross returns.

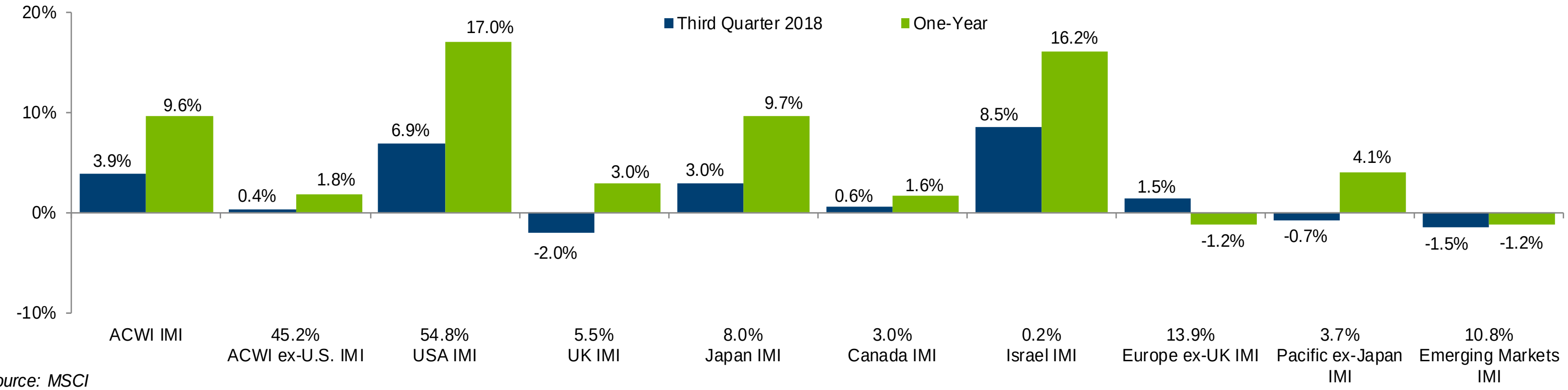
[1] Periods are annualized.

[2] Latest 5 months of HFR data are estimated by HFR and may change in the future.

[3] Burgiss Private iQ Global Private Equity data is as at Mar 31, 2018

Global Equity Markets

GLOBAL MSCI IMI INDEX RETURNS
AS OF 09/30/2018

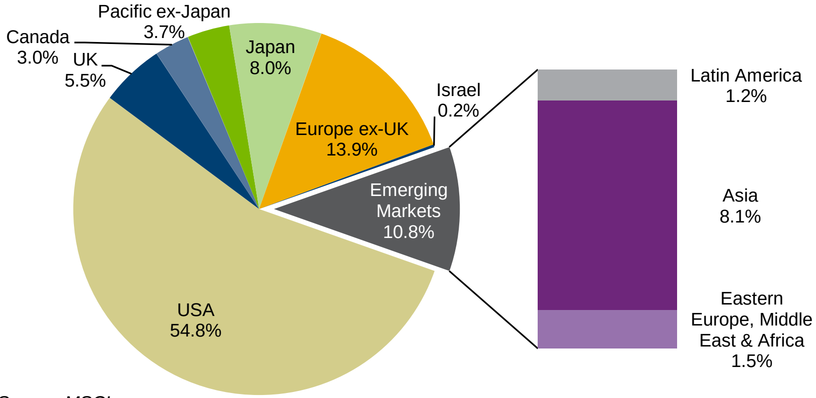


Source: MSCI

- Trade negotiation developments were keenly watched in Q3 2018. A last-minute compromise in the U.S.-Canada trade negotiations late in the quarter looks set to pave the way for the U.S.-Mexico-Canada (USMCA) agreement to be ratified by all three member governments towards the end of this year. However, U.S.-China trade relations continued to deteriorate. Despite this, global equities returned 3.9% during the third quarter of 2018.
- U.S. equities continued to perform well in during the third quarter This was supported by encouraging earnings and upbeat U.S. economic data, with real GDP growth hitting 4.2% (year-on-year) and the Institute of Supply Management's (ISM) manufacturing index topping 60 once more in September. The combination of strong U.S. economic performance and robust corporate earnings growth elevated U.S. equity markets to new heights with the S&P 500 index hitting record levels.
- UK equities fell the most during the quarter in U.S. dollar terms as Brexit negotiations became increasingly anxious after several key elements of the UK Government’s so-called “Chequers” plan were rejected by the European Union (EU). European equities only modestly increased with concerns over the Italian budget and European banks’ exposure to Turkey, which was exposed to a currency and debt crisis, weighing on the market.
- Trade war escalations, a strengthening U.S. dollar and concerns over the Chinese economy–all prominent features from the second quarter–were mainstays over Q3 for emerging market (EM) equities. Consequently, EM equities fell 1.5% in U.S. dollar terms over the quarter.

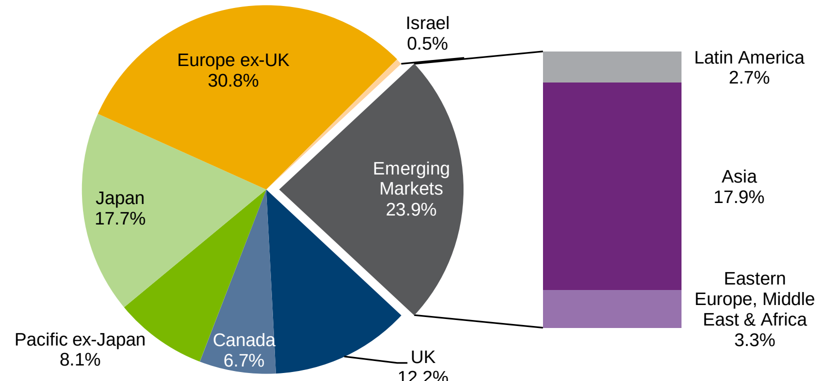
Global Equity Markets

MSCI ALL COUNTRY WORLD IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 09/30/2018



Source: MSCI

MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 09/30/2018

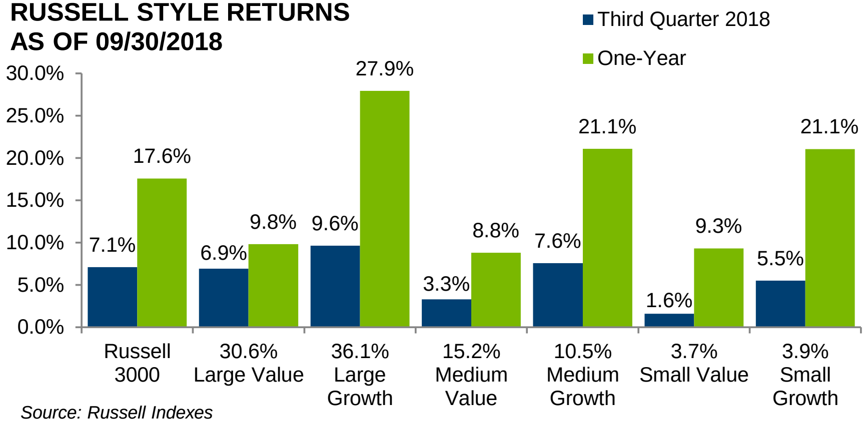


Source: MSCI

- 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.

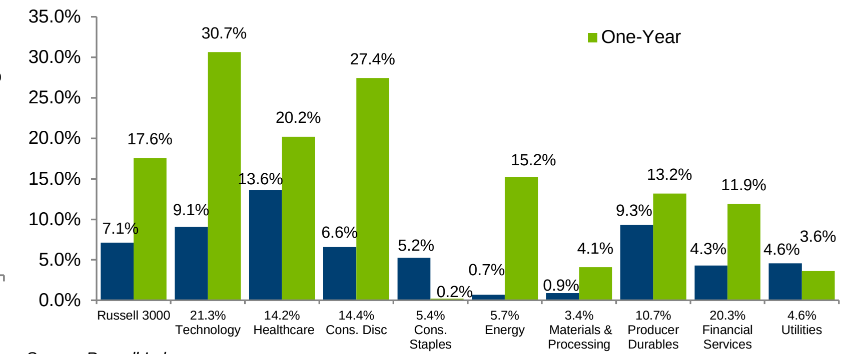
U.S. Equity Markets

RUSSELL STYLE RETURNS
AS OF 09/30/2018



Source: Russell Indexes

RUSSELL GICS SECTOR RETURNS
AS OF 09/30/2018



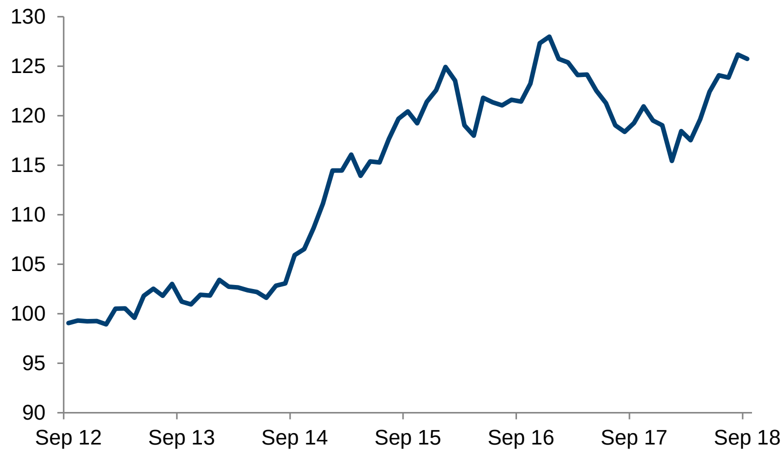
Source: Russell Indexes

- The Russell 3000 Index returned 7.1% during the third quarter and 17.6% over the trailing one-year period.
- All sectors generated positive returns over the quarter. In particular, health care (13.6%) and producer durables (9.3%) were the strongest performing sectors during the third quarter of 2018. The technology sector continued to perform strongly (9.1%) over the quarter supported by strong earnings for mega-cap technology stocks, such as Amazon, Apple, and Microsoft.
- Performance was positive across the market capitalization spectrum over the quarter. In general, large cap stocks outperformed both medium and small cap stocks over the quarter. Small cap stocks were led lower by poor performance from financial and health care stocks.
- Growth stocks outperformed their value counterparts during the third quarter of 2018. Over the last 12 months, value stocks have continued to lag their growth stock equivalents significantly. The underperformance of value stocks can be partly attributed to the lower exposure to technology stocks, which have performed strongly over the last year.

Empower Results®

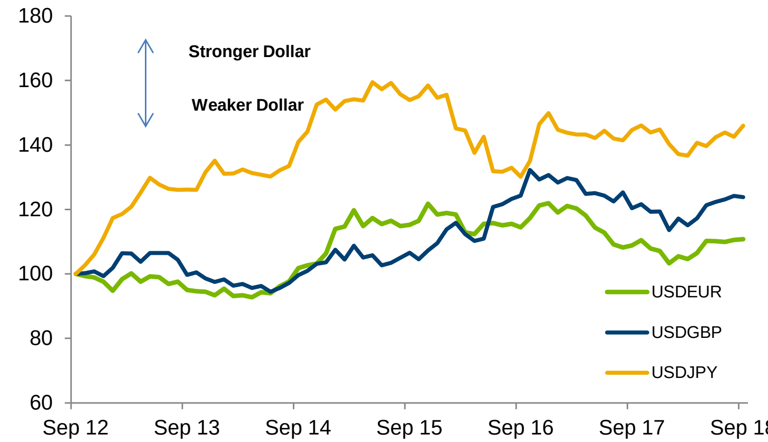
Currency

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



Source: Federal Reserve

U.S. DOLLAR RELATIVE TO EUR, GBP AND JPY
REBASED TO 100 AT 09/28/2012

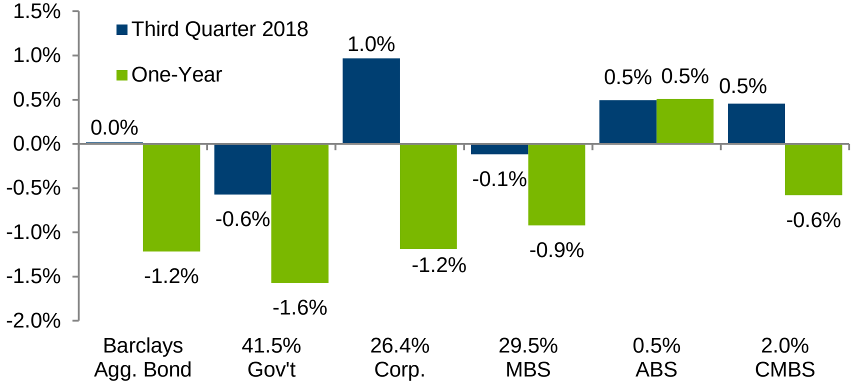


Source: Factset

- The U.S. dollar continued on an upward trend albeit to a lesser extent compared to the previous two quarters as it rose 1.3% on a trade-weighted basis over the quarter. Tightening U.S. monetary policy and strong economic fundamentals led the U.S. dollar higher.
- The U.S. dollar appreciated against all the major currencies. Brexit uncertainty in the UK, Italian budget uncertainty in the Eurozone, and widening interest rate differentials with the Bank of Japan (BoJ) contributed to the strong U.S. dollar performance. During the quarter, the BoJ loosened its yield curve control policy; the yield on 10-year Japanese government bonds will now be able to fluctuate by 0.2% around zero, up from the previous range of 0.1%.
- The Canadian dollar performed strongly against a wide range of currencies, most notably against the Japanese yen (an appreciation of 4.4% in Q3 2018). Uncertainty surrounding the future of the Canadian economy was allayed late in the quarter as concessions were made with the late save in the form of the USMCA agreement.

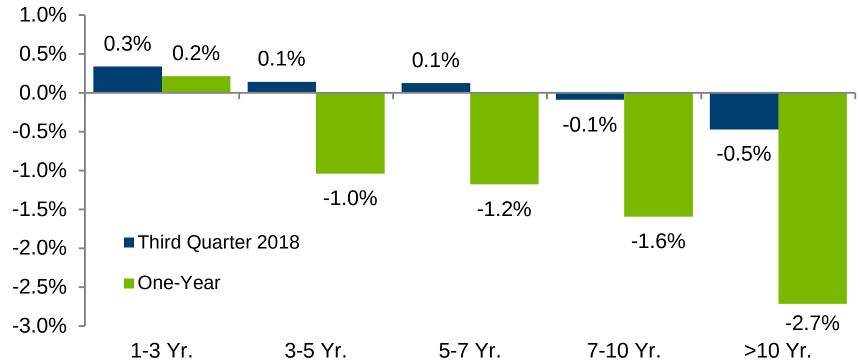
U.S. Fixed Income Markets

BLOOMBERG BARCLAYS AGGREGATE RETURNS BY SECTOR AS OF 09/30/2018



Source: FactSet

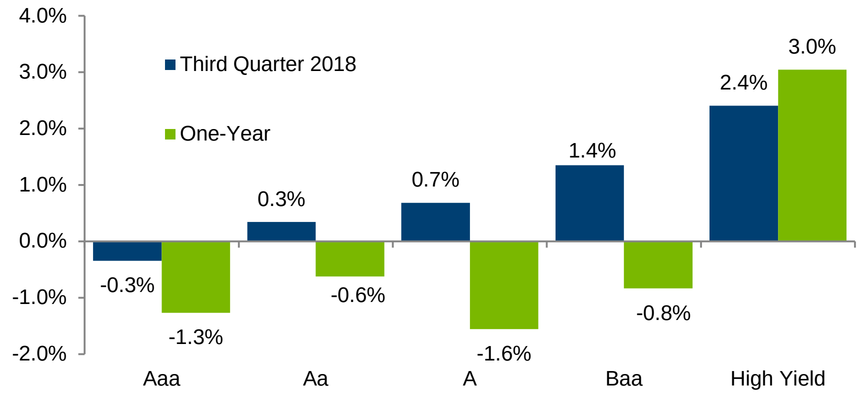
BLOOMBERG BARCLAYS AGGREGATE RETURNS BY MATURITY AS OF 09/30/2018



Source: FactSet

- The Bloomberg Barclays U.S. Aggregate Bond Index was flat during the third quarter. Investment grade corporate bonds were the best performer at 1.0% while government bonds were the worst performer at -0.6%.
- Performance was positive across all credit qualities, with the exception of AAA bonds which fell 0.3%, as spreads tightened over the quarter. High yield bonds returned the most at 2.4%. In investment grade bonds, Baa bonds were the major outperformer with a return of 1.4%.
- Short maturity bonds outperformed intermediate and long maturity bonds over the quarter. Short maturity bonds returned 0.3% while long maturity bonds fell 0.5% in Q3 2018.

BLOOMBERG BARCLAYS U.S. AGGREGATE RETURNS BY QUALITY AND HIGH YIELD RETURNS AS OF 09/30/2018



Source: FactSet

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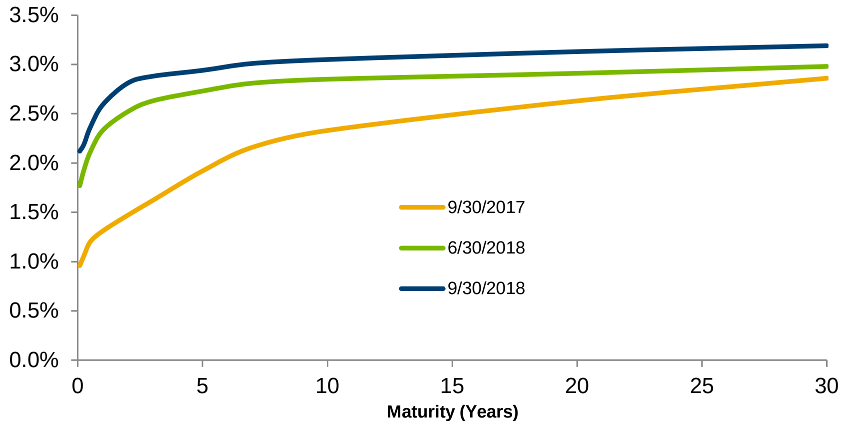
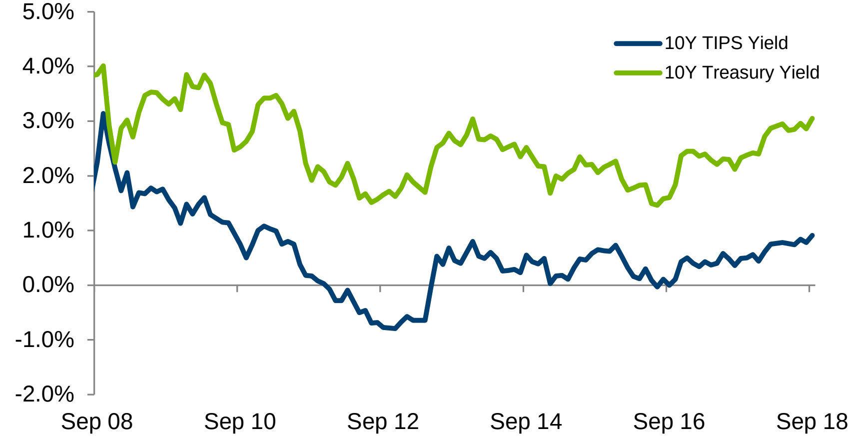
U.S. Fixed Income Markets

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 yield curve flattened over the quarter with yields rising across maturities. The spread between the 10-year and 2-year U.S. Treasury yield narrowed from 33bps to 24bps. This flattening is very likely signalling bond market caution on economic growth prospects once the U.S. tax stimulus has flowed through.
- The U.S. Federal Reserve (Fed) continued to tighten monetary policy, increasing the federal funds rate by 25bps to a range of 2.0-2.25%. While this rate hike now puts U.S. monetary policy above the Fed's preferred measure of inflation, the core Personal Consumption Expenditure price index, for the first time since the financial crisis, the real Fed funds rate (see chart above) is still very low historically and still broadly accommodative.
- The recent move in U.S. nominal government bond yields has primarily been driven by real yields, rather than market-implied expectations of future inflation. The 10-year U.S. treasury yield rose by 20bps to 3.05% with 18bps attributable to the increase in the duration-equivalent TIPS yield.

Credit Spreads

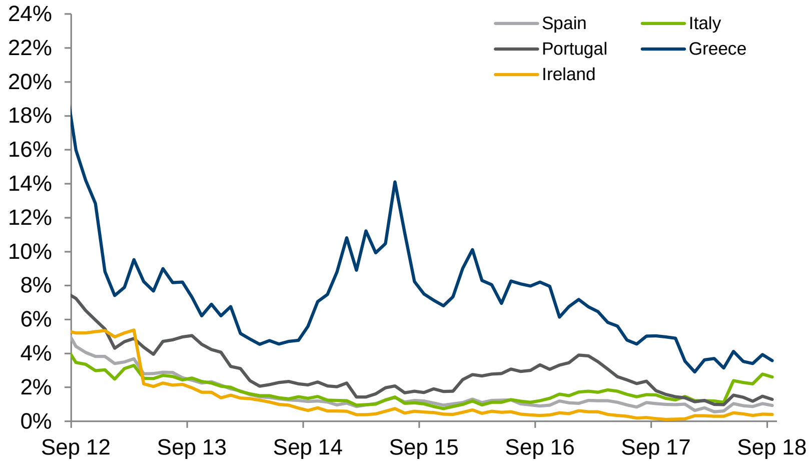
Spread (bps)	09/30/2018	06/30/2018	09/30/2017	Quarterly Change (bps)	1-Year Change (bps)
U.S. Aggregate	39	44	38	-5	1
Long Gov't	2	1	2	1	0
Long Credit	153	174	149	-21	4
Long Gov't/Credit	90	101	90	-11	0
MBS	28	28	22	0	6
CMBS	60	70	71	-10	-11
ABS	38	47	44	-9	-6
Corporate	106	123	101	-17	5
High Yield	316	363	347	-47	-31
Global Emerging Markets	273	288	235	-15	38

Source: FactSet

- Credit spreads whipsawed over the third quarter, as initial narrowing in July was offset by spreads blowing out in August, before contracting again in September. Overall, spreads were down over the three months supporting credit market outperformance over government bonds.
- U.S. Corporate bond spreads and Long Government/Credit bond spreads narrowed by 17bps and 11bps, respectively. Of the longer maturity indexes, Long Credit narrowed the most at 21bps.
- The strong relative performance of high yield bonds persisted; spreads on the Bloomberg Barclays US High Yield Index dropped by 47bps to 316bps, and primarily drove the 2.4% quarterly return. High yield also benefitted from lower interest rate sensitivity relative to the broader credit index.
- Long Government bonds spreads widened by 1bp while MBS bond spreads remained unchanged.

European Fixed Income Markets

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

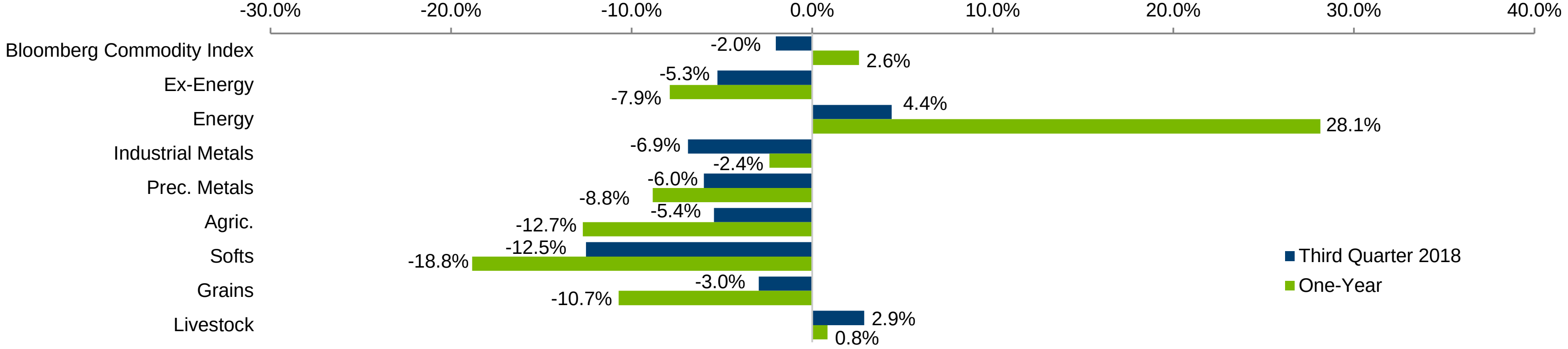


Source: Factset

- Changes in bond spreads over 10-year German bunds were mixed across the eurozone. The European Central Bank (ECB) reiterated its expectations that any tightening to conventional monetary policy would only take place in the second half of 2019. We are, however, drawing nearer to the end of quantitative easing in the Eurozone which could ease downward pressure on bond yields that has prevailed for several years and potentially remove support for risk assets.
- Italian bond yields rose by 49bps to 3.18%, as the country's populist coalition agreed a budget with a fiscal deficit of 2.4%, significantly higher than finance minister Giovanni Tria's preferred target of a 1.6% deficit. The spread between Italian 10-year government bonds and German bunds widened by 32bps. Spanish government bond yields rose by 19bps to 1.51% over the quarter.
- Greek government bond yields rose by 20bps to 4.14% as the ECB confirmed it would stop providing liquidity to Greek banks, by accepting Greek government bonds as collateral, after Greece's bail-out deal. Over the quarter, the S&P improved its credit rating for Greece to positive from stable.

Commodities

COMMODITY RETURNS
AS OF 09/30/2018

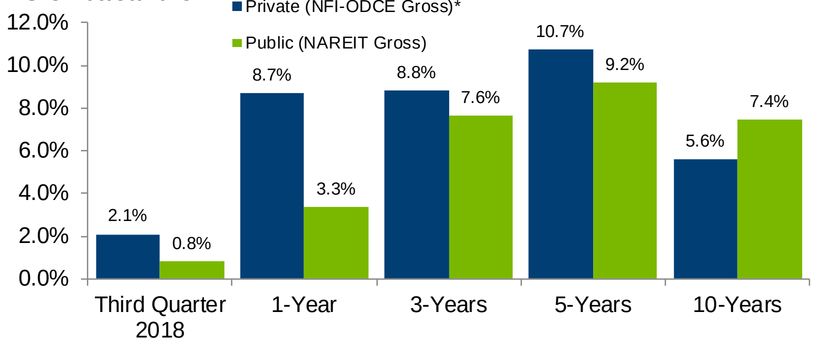


Source: Bloomberg
Note: Softs and Grains are part of the wider Agriculture sector

- The Bloomberg Commodity Index returned -2.0% during a weak quarter for commodities.
- Energy was the best performing sector over the quarter with a return of 4.4%. The uncertainty of the impact on U.S. sanctions against Iran and OPEC's response, helped send Brent crude oil prices higher. However, the glut of U.S. crude oil supplies dragged down the price of WTI crude oil to US $73.16/bbl – the price spread relative to Brent crude oil widened to just under US$10/bbl.
- Other than Energy, the other notable increase was Livestock, which rose by 2.9% in Q3 2018.
- Meanwhile, agriculture and industrial metal commodities, which are more impacted by global trade uncertainty, detracted from the overall index return. Industrial metals (-6.9%) were particularly affected with the price of copper dropping by 7.0% over the quarter to US$6,180/bbl.
- The detrimental impact of a stronger U.S. dollar on commodities was noticeable in other markets with declines in softs, grains, and precious metals.

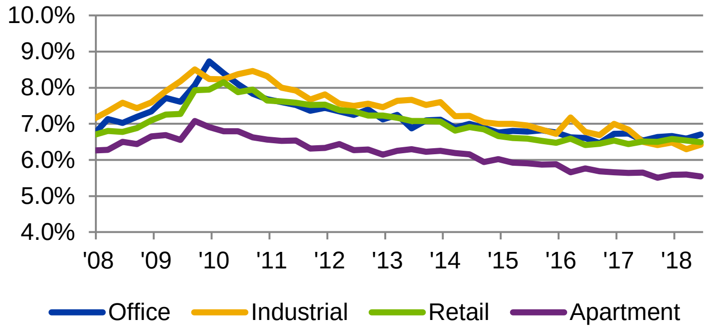
U.S. Commercial Real Estate Markets

PRIVATE VS. PUBLIC REAL ESTATE RETURNS
AS OF 09/30/2018



**Second quarter returns are preliminary*
Sources: NCREIF. Factset

CAP RATES BY SECTOR
SOURCE: RCA, AON HEWITT 6/30/2018



- U.S. Core real estate returned 2.09%* over the third quarter, equating to 8.7% total gross return year-over-year, with 4.3% made up of income. Net income growth is expected to be the larger driver of the total return going forward given the current point of the real estate cycle.
- After posting positive gains early in the quarter, global property stocks (FTSE EPRA/NAREIT Developed Index) ended Q3 with a slight loss (-0.2%) and are up 4.6% for the trailing year. U.S. REITs led the way with a marginal gain of 0.8%, as both the Europe and Asia/Pacific regions fell during the quarter. Although positive for the quarter, the U.S. REIT market (FTSE NAREIT Equity REITs Index) suffered the biggest loss in September among the major asset classes, down 2.5% compared with a 7.6% return for S&P 500. The Federal Reserve lifted short-term interest rates during the month which sparked investor concerns over the future performance of REITs. This marked the first monthly setback for US securitized real estate since February. The 10-year U.S. Treasury bond yield stood at 3.1% as of quarter end, compared to the U.S. REIT dividend yield of 4.2%. Transaction market volume and pricing remains healthy across property types.
- According to RCA, through August 2018, the U.S. property market has experienced price growth of 7.7% year-over-year across major sectors. Further, transaction volume is up 46% over the same period, primarily driven by large portfolio deals and foreign capital sources.
- Real Estate fundamentals remain healthy, but valuations across real estate and other asset classes are rich. Return expectations have normalized , with go forward expectations in line with historical norms. Rising interest rates have led to asset value correction fears across various asset classes; within real estate, investors can mitigate these risks by shifting preference to investments that can participate and benefit from economic growth, with downside protection offered by current income. Aon prefers investments that offer relatively strong rental income growth, or value-add potential with near-term income generation potential.
- It is critical to identify sub-sector and sub-market driven themes in the current environment; Unlike the last 6-7 year period, as assets are no longer trading at deep discounts to replacement value. Real estate investments should seek levers of NOI growth that are not predicated on continued market uplift. For example, an investment thesis can focus towards sectors benefiting from secular changes (e.g. Industrial and e-commerce), acquiring in-place rents below current market terms, and improving operational efficiency.

*Indicates preliminary NFI-ODCE data gross of fees

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Discussion Topics

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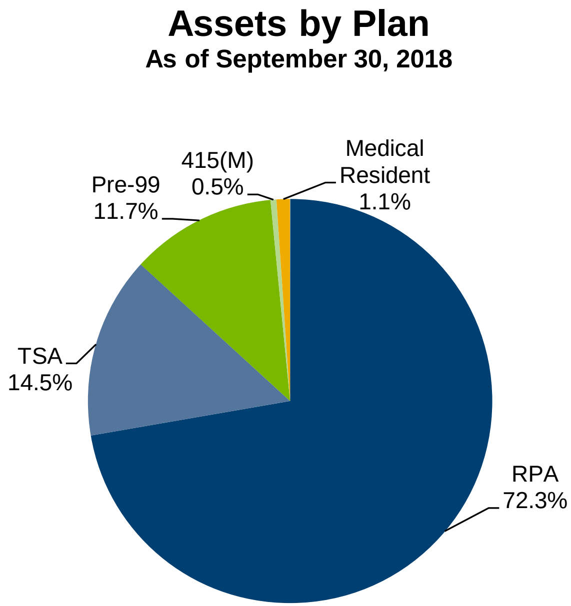
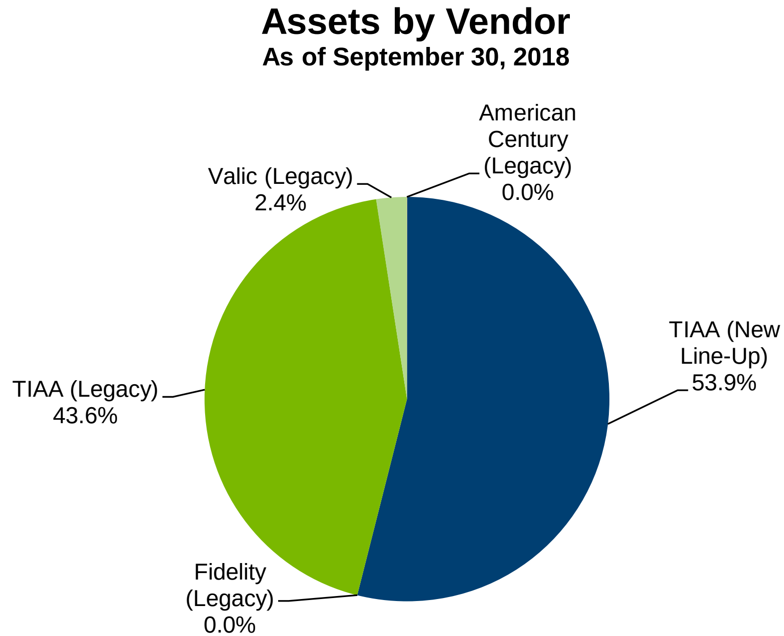
Asset Allocation





As of 9/30/2018

Plan	RPA		TSA		Pre-99		415(M)		Medical Resident		Total	
	$	%	$	%	$	%	$	%	$	%	$	%
TIAA (New Line-Up)	$ 1,370,748,944	58.9%	$ 286,202,725	61.2%	$ 41,863,677	11.1%	$ 13,876,779	90.9%	$ 24,856,855	71.5%	$ 1,737,548,979	53.9%
Fidelity (Legacy)	$ -	0.0%	$ -	0.0%	$ -	0.0%	$ -	0.0%	$ -	0.0%	$ -	0.0%
TIAA (Legacy)	$ 910,622,130	39.1%	$ 159,383,577	34.1%	$ 333,354,523	88.8%	$ 1,393,878	9.1%	$ 162,623	0.5%	$ 1,404,916,730	43.6%
Valic (Legacy)	$ 46,579,591	2.0%	$ 21,998,743	4.7%	$ -	0.0%	$ -	0.0%	$ 9,740,400	28.0%	$ 78,318,733	2.4%
American Century (Legacy)	$ -	0.0%	$ -	0.0%	$ 315,015	0.1%	$ -	0.0%	$ -	0.0%	$ 315,015	0.0%
Total	**$ 2,327,950,666**	**100.0%**	**$ 467,585,044**	**100.0%**	**$ 375,533,214**	**100.0%**	**$ 15,270,656**	**100.0%**	**$ 34,759,878**	**100.0%**	**$ 3,221,099,458**	**100.0%**
Other Assets*											$ 2,162,750	0.1%
Grand Total	**$ 2,327,950,666**	**72.2%**	**$ 467,585,044**	**14.5%**	**$ 375,533,214**	**11.7%**	**$ 15,270,656**	**0.5%**	**$ 34,759,878**	**1.1%**	**$ 3,223,262,208**	**100.0%**

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

Source: TIAA

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			
							3rd Quarter 2018	2nd Quarter 2018	1st Quarter 2018	4th 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	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2060 Trust I	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2065 Trust I*	No	No	No	No	No (Buy)	No				

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

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

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

Tier I Watch List

Tier I

	1. Underperformed During Trailing 5 Years	2. Underperformed in 3 of 4 Trailing Calendar Quarters	3. Diverged from Strategy and/or Portfolio Characteristics	4. Adverse Change in Portfolio Manager	5. Weak Manager Research Rating	6. Significant Organizational Change	Watch List Status			
							3rd Quarter 2018	2nd Quarter 2018	1st Quarter 2018	4th 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.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2025 - Instl.	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2030 - Instl.	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2035 - Instl.	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2040 - Instl.	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2045 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2050 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2055 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2060 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2065 - Instl.*	Yes	No	No	No	No (Buy)	No				

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

- **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: 3rd Quarter 2018	2nd Quarter 2018	1st Quarter 2018	4th 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	No	No	No	No (Buy)	No				
T. Rowe Price Stable Value Common Trust Fund A*	Yes	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	Yes	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	Yes	No	No	No	No (Buy)	No				
Dodge & Cox Global Stock Fund	No	Yes	No	No	No (Buy)	No				
Harding Loevner International Equity Instl.	No	No	No	No	No (Buy)	No				
MFS International Value Fund	No	No	No	No	No (Buy)	No				
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 9/30/2018

	Allocation		Performance(%)							
	Market Value ($)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Plan	**3,223,262,208**	**100.0**								**03/01/2014**
Tier I (a)	**835,726,409**	**25.9**								**03/01/2014**
Vanguard Target Retirement Income Trust I	27,114,848	0.8	1.3 (41)	1.2 (30)	3.3 (36)	5.4 (67)	4.6 (70)	5.7 (74)	5.0	07/01/2007
Vanguard Target Retirement Income Trust II			*1.3 (42)*	*1.2 (30)*	*3.3 (37)*	*5.4 (68)*	*4.6 (70)*	*5.7 (76)*		
Vanguard Target Income Composite Index			*1.3 (41)*	*1.3 (27)*	*3.5 (35)*	*5.6 (65)*	*4.7 (65)*	*5.8 (73)*	*5.0*	
Vanguard Target Retirement 2015 Trust I	55,632,467	1.7	1.8 (58)	1.8 (38)	4.6 (31)	7.3 (55)	6.0 (31)	7.0 (19)	5.1	07/01/2007
Vanguard Target Retirement 2015 Trust II			*1.8 (56)*	*1.8 (39)*	*4.6 (32)*	*7.2 (55)*	*6.0 (31)*	*7.0 (20)*		
Vanguard Target 2015 Composite Index			*1.8 (61)*	*1.9 (32)*	*4.8 (29)*	*7.4 (48)*	*6.1 (28)*	*7.0 (19)*	*5.0*	
Vanguard Target Retirement 2020 Trust I	100,004,191	3.1	2.4 (30)	2.5 (23)	6.0 (13)	8.8 (20)	7.0 (2)	7.7 (9)	5.4 (1)	07/01/2007
Vanguard Target Retirement 2020 Trust II			*2.4 (30)*	*2.5 (24)*	*6.0 (13)*	*8.7 (20)*	*7.0 (3)*	*7.6 (10)*		
Vanguard Target 2020 Composite Index			*2.4 (31)*	*2.5 (21)*	*6.1 (11)*	*8.9 (17)*	*7.2 (1)*	*7.7 (7)*	*5.5 (1)*	
Vanguard Target Retirement 2025 Trust I	117,083,290	3.6	2.8 (30)	2.9 (30)	6.9 (17)	9.8 (20)	7.7 (5)	8.1 (24)	5.5	07/01/2007
Vanguard Target Retirement 2025 Trust II			*2.8 (30)*	*2.9 (30)*	*6.8 (18)*	*9.8 (20)*	*7.6 (5)*	*8.0 (25)*		
Vanguard Target 2025 Composite Index			*2.8 (30)*	*3.0 (26)*	*7.1 (12)*	*10.0 (14)*	*7.8 (3)*	*8.2 (20)*	*5.6*	
Vanguard Target Retirement 2030 Trust I	139,682,142	4.3	3.1 (24)	3.3 (37)	7.7 (25)	10.7 (31)	8.2 (12)	8.5 (22)	5.6 (4)	07/01/2007
Vanguard Target Retirement 2030 Trust II			*3.1 (30)*	*3.3 (39)*	*7.7 (34)*	*10.7 (31)*	*8.2 (15)*	*8.4 (23)*		
Vanguard Target 2030 Composite Index			*3.1 (25)*	*3.4 (33)*	*8.0 (18)*	*11.0 (20)*	*8.4 (7)*	*8.6 (19)*	*5.7 (1)*	
Vanguard Target Retirement 2035 Trust I	138,315,525	4.3	3.5 (30)	3.8 (42)	8.6 (33)	11.7 (27)	8.8 (18)	8.9 (25)	5.9	07/01/2007
Vanguard Target Retirement 2035 Trust II			*3.5 (30)*	*3.8 (42)*	*8.6 (34)*	*11.7 (28)*	*8.8 (19)*	*8.8 (26)*		
Vanguard Target 2035 Composite Index			*3.4 (31)*	*3.8 (39)*	*8.8 (27)*	*11.9 (24)*	*8.9 (13)*	*9.0 (21)*	*6.0*	

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

Tier I(a) Performance Summary (cont'd.)

As of 9/30/2018

	Allocation		Performance(%)							
	Market Value ($)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Vanguard Target Retirement 2040 Trust I	117,686,872	3.7	3.8 (21)	4.2 (38)	9.5 (28)	12.6 (26)	9.3 (10)	9.2 (20)	6.2 (5)	07/01/2007
Vanguard Target Retirement 2040 Trust II			*3.8 (24)*	*4.2 (43)*	*9.4 (30)*	*12.6 (26)*	*9.3 (11)*	*9.2 (21)*		
Vanguard Target 2040 Composite Index			*3.8 (25)*	*4.2 (36)*	*9.7 (22)*	*12.8 (24)*	*9.4 (8)*	*9.4 (15)*	*6.3 (3)*	
Vanguard Target Retirement 2045 Trust I	83,141,433	2.6	4.0 (22)	4.4 (41)	9.9 (21)	13.0 (25)	9.5 (10)	9.3 (16)	6.3	07/01/2007
Vanguard Target Retirement 2045 Trust II			*4.0 (21)*	*4.4 (40)*	*9.9 (21)*	*13.0 (25)*	*9.5 (11)*	*9.3 (17)*		
Vanguard Target 2045 Composite Index			*4.0 (25)*	*4.5 (35)*	*10.2 (19)*	*13.2 (12)*	*9.7 (8)*	*9.5 (8)*	*6.4*	
Vanguard Target Retirement 2050 Trust I	41,482,972	1.3	4.0 (22)	4.5 (40)	9.9 (26)	13.0 (25)	9.5 (12)	9.4 (10)	6.3 (1)	07/01/2007
Vanguard Target Retirement 2050 Trust II			*4.0 (22)*	*4.4 (41)*	*9.9 (26)*	*13.0 (25)*	*9.4 (12)*	*9.3 (16)*		
Vanguard Target 2050 Composite Index			*4.0 (27)*	*4.5 (37)*	*10.2 (20)*	*13.2 (14)*	*9.7 (10)*	*9.5 (1)*	*6.4 (1)*	
Vanguard Target Retirement 2055 Trust I	12,229,207	0.4	4.0 (20)	4.5 (39)	9.9 (34)	13.0 (31)	9.5 (16)		10.3	11/01/2010
Vanguard Target Retirement 2055 Trust II			*4.0 (20)*	*4.4 (40)*	*9.9 (35)*	*13.0 (31)*	*9.4 (22)*		*10.3*	
Vanguard Target 2055 Composite Index			*4.0 (23)*	*4.5 (39)*	*10.2 (24)*	*13.2 (16)*	*9.7 (14)*		*10.5*	
Vanguard Target Retirement 2060 Trust I	3,353,318	0.1	4.0 (20)	4.5 (39)	9.9 (29)	13.0 (31)	9.4 (19)		10.3 (21)	04/01/2012
Vanguard Target Retirement 2060 Trust II			*4.0 (20)*	*4.5 (39)*	*9.9 (31)*	*13.0 (31)*	*9.4 (21)*		*10.3 (21)*	
Vanguard Target 2060 Composite Index			*4.0 (23)*	*4.5 (39)*	*10.2 (24)*	*13.2 (16)*	*9.7 (14)*		*10.5 (19)*	
Vanguard Target Retirement 2065 Trust I	144	0.0	4.0 (20)	4.5 (38)	10.0 (28)				10.7 (33)	08/01/2017
Vanguard Target Retirement 2065 Trust II			*4.0 (20)*	*4.5 (37)*	*9.9 (34)*				*10.7 (34)*	
Vanguard Target 2065 Composite Index			*4.0 (23)*	*4.5 (39)*	*10.2 (24)*				*10.8 (30)*	

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

Tier I Performance Summary

As of 9/30/2018

	Allocation		Performance(%)							
	Market Value ($)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Tier I	**156,044,103**	**4.8**								**02/01/2014**
Vanguard Target Retirement Income - Instl.	14,580,838	0.5	1.3 (41)	1.3 (29)	3.3 (36)	5.4 (67)			4.3 (50)	07/01/2015
Vanguard Tgt Ret Inc;Inv (VTINX)			*1.3 (42)*	*1.3 (29)*	*3.3 (37)*	*5.4 (69)*	*4.5*	*5.7*	*4.2 (52)*	
Vanguard Target Income Composite Index			*1.3 (41)*	*1.3 (27)*	*3.5 (35)*	*5.6 (65)*	*4.7*	*5.8*	*4.4 (49)*	
Vanguard Target Retirement 2015 - Instl.	21,739,177	0.7	1.8 (64)	1.8 (39)	4.6 (32)	7.2 (55)			5.4 (47)	07/01/2015
Vanguard Tgt Ret2015;Inv (VTXVX)			*1.8 (64)*	*1.8 (49)*	*4.5 (32)*	*7.2 (64)*	*5.9*	*6.9*	*5.3 (53)*	
Vanguard Target 2015 Composite Index			*1.8 (61)*	*1.9 (32)*	*4.8 (29)*	*7.4 (48)*	*6.1*	*7.0*	*5.5 (34)*	
Vanguard Target Retirement 2020 - Instl.	27,440,740	0.9	2.4 (23)	2.4 (25)	5.9 (13)	8.7 (20)			6.4 (12)	07/01/2015
Vanguard Tgt Ret2020;Inv (VTWNX)			*2.4 (31)*	*2.4 (26)*	*5.9 (16)*	*8.7 (21)*	*6.9*	*7.6*	*6.4 (18)*	
Vanguard Target 2020 Composite Index			*2.4 (31)*	*2.5 (21)*	*6.1 (11)*	*8.9 (17)*	*7.2*	*7.7*	*6.6 (4)*	
Vanguard Target Retirement 2025 - Instl.	25,251,533	0.8	2.8 (29)	2.9 (29)	6.9 (17)	9.8 (20)			7.1 (12)	07/01/2015
Vanguard Tgt Ret2025;Inv (VTTVX)			*2.8 (31)*	*2.8 (33)*	*6.8 (21)*	*9.7 (25)*	*7.6*	*8.0*	*7.0 (16)*	
Vanguard Target 2025 Composite Index			*2.8 (30)*	*3.0 (26)*	*7.1 (12)*	*10.0 (14)*	*7.8*	*8.2*	*7.3 (7)*	
Vanguard Target Retirement 2030 - Instl.	20,655,991	0.6	3.1 (25)	3.3 (38)	7.7 (27)	10.7 (31)			7.6 (27)	07/01/2015
Vanguard Tgt Ret2030;Inv (VTHRX)			*3.1 (27)*	*3.3 (40)*	*7.7 (37)*	*10.7 (32)*	*8.1*	*8.4*	*7.6 (27)*	
Vanguard Target 2030 Composite Index			*3.1 (25)*	*3.4 (33)*	*8.0 (18)*	*11.0 (20)*	*8.4*	*8.6*	*7.8 (20)*	
Vanguard Target Retirement 2035 - Instl.	12,754,179	0.4	3.5 (30)	3.8 (42)	8.5 (34)	11.7 (28)			8.2 (29)	07/01/2015
Vanguard Tgt Ret2035;Inv (VTTHX)			*3.5 (29)*	*3.7 (48)*	*8.5 (35)*	*11.6 (35)*	*8.7*	*8.8*	*8.2 (29)*	
Vanguard Target 2035 Composite Index			*3.4 (31)*	*3.8 (39)*	*8.8 (27)*	*11.9 (24)*	*8.9*	*9.0*	*8.4 (23)*	

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

Tier I Performance Summary (cont'd.)

As of 9/30/2018

	Allocation		Performance(%)							
	Market Value ($)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Vanguard Target Retirement 2040 - Instl.	10,617,245	0.3	3.8 (21)	4.2 (39)	9.4 (31)	12.6 (26)			8.8 (26)	07/01/2015
Vanguard Tgt Ret2040;Inv (VFORX)			*3.8 (21)*	*4.2 (47)*	*9.4 (34)*	*12.5 (26)*	*9.2*	*9.1*	*8.7 (26)*	
Vanguard Target 2040 Composite Index			*3.8 (25)*	*4.2 (36)*	*9.7 (22)*	*12.8 (24)*	*9.4*	*9.4*	*9.0 (22)*	
Vanguard Target Retirement 2045 - Instl.	10,025,926	0.3	4.0 (21)	4.5 (37)	9.9 (21)	13.0 (25)			9.1 (23)	07/01/2015
Vanguard Tgt Ret2045;Inv (VTIVX)			*4.0 (19)*	*4.4 (43)*	*9.8 (24)*	*12.9 (27)*	*9.4*	*9.2*	*9.0 (24)*	
Vanguard Target 2045 Composite Index			*4.0 (25)*	*4.5 (35)*	*10.2 (19)*	*13.2 (12)*	*9.7*	*9.5*	*9.3 (16)*	
Vanguard Target Retirement 2050 - Instl.	10,056,782	0.3	4.0 (24)	4.5 (41)	9.9 (27)	13.0 (25)			9.1 (24)	07/01/2015
Vanguard Tgt Ret2050;Inv (VFIFX)			*4.0 (23)*	*4.4 (43)*	*9.8 (28)*	*12.9 (31)*	*9.4*	*9.2*	*9.0 (26)*	
Vanguard Target 2050 Composite Index			*4.0 (27)*	*4.5 (37)*	*10.2 (20)*	*13.2 (14)*	*9.7*	*9.5*	*9.3 (21)*	
Vanguard Target Retirement 2055 - Instl.	2,582,507	0.1	4.0 (20)	4.4 (40)	9.8 (37)	12.9 (35)			9.1 (27)	07/01/2015
Vanguard Tgt Ret2055;Inv (VFFVX)			*4.0 (23)*	*4.4 (46)*	*9.8 (41)*	*12.9 (43)*	*9.3*		*9.0 (35)*	
Vanguard Target 2055 Composite Index			*4.0 (23)*	*4.5 (39)*	*10.2 (24)*	*13.2 (16)*	*9.7*		*9.3 (24)*	
Vanguard Target Retirement 2060 - Instl.	337,428	0.0	4.1 (19)	4.4 (40)	9.8 (37)	12.9 (35)			9.1 (28)	07/01/2015
Vanguard Tgt Ret2060;Inv (VTTSX)			*4.0 (21)*	*4.4 (43)*	*9.8 (37)*	*12.9 (40)*	*9.3*		*9.0 (32)*	
Vanguard Target 2060 Composite Index			*4.0 (23)*	*4.5 (39)*	*10.2 (24)*	*13.2 (16)*	*9.7*		*9.3 (24)*	
Vanguard Target Retirement 2065 - Instl.	1,758	0.0	3.9 (25)	4.5 (39)	9.9 (32)				10.6 (36)	08/01/2017
Vanguard Tgt Ret2065;Inv (VLXVX)			*3.9 (25)*	*4.3 (50)*	*9.7 (46)*				*10.5 (37)*	
Vanguard Target 2065 Composite Index			*4.0 (23)*	*4.5 (39)*	*10.2 (24)*				*10.8 (30)*	

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

Tier II Performance Summary

As of 9/30/2018

	Allocation		Performance(%)							
	Market Value ($)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Tier II	**736,300,140**	**22.8**								**03/01/2014**
Vanguard Total Bond Market Index Fund - Inst.	27,802,154	0.9	0.0 (67)	-1.6 (51)	-1.2 (49)	1.3 (64)	2.1 (59)	3.7 (74)	4.9 (31)	10/01/1995
Performance Benchmark			*0.0 (65)*	*-1.6 (54)*	*-1.2 (54)*	*1.3 (58)*	*2.2 (56)*	*3.8 (72)*	*5.0 (24)*	
Vanguard Total Stock Market Index Fund - Inst.	47,352,888	1.5	7.1 (54)	10.6 (46)	17.6 (48)	17.1 (38)	13.4 (43)	12.1 (37)	7.8 (25)	08/01/1997
Performance Benchmark			*7.1 (55)*	*10.6 (46)*	*17.6 (48)*	*17.1 (38)*	*13.5 (43)*	*12.1 (37)*	*7.8 (25)*	
Vanguard Institutional Index Fund - Instl. Plus	111,196,560	3.4	7.7 (37)	10.5 (46)	17.9 (46)	17.3 (35)	13.9 (35)	12.0 (38)	7.5 (45)	08/01/1997
S&P 500 Index			*7.7 (37)*	*10.6 (46)*	*17.9 (46)*	*17.3 (35)*	*13.9 (35)*	*12.0 (38)*	*7.4 (49)*	
Vanguard FTSE Social Index Fund - Inv.	1,589,706	0.0	7.7 (38)	11.1 (43)	18.7 (41)	17.4 (35)	14.5 (28)	12.4 (31)	5.0 (80)	06/01/2000
FTSE 4Good U.S. Select Index			*7.7 (37)*	*11.3 (41)*	*18.9 (40)*	*17.6 (33)*	*14.7 (26)*	*12.6 (27)*		
S&P 500 Index			*7.7 (37)*	*10.6 (46)*	*17.9 (46)*	*17.3 (35)*	*13.9 (35)*	*12.0 (38)*	*6.0 (47)*	
Vanguard Extended Market Index Fund - Inst.	42,785,079	1.3	4.4 (84)	10.8 (81)	16.1 (85)	16.2 (49)	11.4 (67)	12.4 (45)	8.9 (52)	08/01/1997
Performance Benchmark			*4.3 (84)*	*10.7 (81)*	*16.0 (86)*	*16.0 (49)*	*11.3 (70)*	*12.3 (54)*		
Vanguard Total International Stock Index Fund - Inst.	8,652,874	0.3	0.5 (55)	-3.1 (60)	1.6 (41)	10.0 (20)	4.5 (32)		5.3 (73)	12/01/2010
Performance Benchmark			*0.5 (55)*	*-3.2 (61)*	*2.0 (36)*	*10.2 (14)*	*4.6 (31)*		*5.3 (72)*	
Vanguard Developed Market Index Fund - Inst.	33,928,822	1.1	1.1 (38)	-1.6 (30)	2.8 (20)	9.8 (22)	4.9 (28)		6.5 (33)	02/01/2010
Performance Benchmark			*1.1 (38)*	*-1.6 (29)*	*3.3 (18)*	*10.3 (12)*	*5.0 (25)*		*6.5 (34)*	
Vanguard Emerging Markets Stock Index Fund - Inst.	24,643,523	0.8	-1.7 (40)	-8.8 (39)	-3.1 (43)	10.1 (53)	3.0 (50)	4.8 (48)	7.2 (65)	07/01/2000
Performance Benchmark			*-1.7 (40)*	*-8.6 (38)*	*-2.5 (38)*	*10.5 (49)*	*3.1 (47)*	*5.1 (45)*	*7.1 (71)*	
Vanguard Federal Money Market Fund - Inv.	15,560,677	0.5	0.5 (19)	1.2 (19)	1.5 (18)	0.8 (19)	0.5 (20)	0.3 (22)	2.9 (24)	11/01/1989
FTSE 3 Month T-Bill			*0.5 (15)*	*1.3 (15)*	*1.6 (15)*	*0.8 (18)*	*0.5 (19)*	*0.3 (25)*	*2.9 (41)*	
T. Rowe Price Stable Value Common Trust Fund A	1,782,296	0.1	0.5 (27)						1.4 (19)	02/01/2018
Hueler Stable Value Index			*0.6 (5)*						*1.4 (1)*	
TIAA Traditional - RC	94,068,244	2.9	1.0 (1)	3.1 (1)	4.1 (1)	4.2 (1)	4.3 (1)	4.3 (1)	4.5 (1)	08/01/2005
Hueler Stable Value Index			*0.6 (5)*	*1.6 (1)*	*2.2 (1)*	*1.9 (1)*	*1.9 (6)*	*2.3 (25)*	*2.9 (22)*	
TIAA Traditional - RCP	67,955,169	2.1	0.8 (1)	2.5 (1)	3.3 (1)	3.4 (1)	3.5 (1)	3.5 (1)	3.7 (1)	06/01/2006
Hueler Stable Value Index			*0.6 (5)*	*1.6 (1)*	*2.2 (1)*	*1.9 (1)*	*1.9 (6)*	*2.3 (25)*	*2.8 (22)*	
PIMCO Total Return Fund - Inst.	20,102,797	0.6	0.1 (57)	-1.6 (52)	-1.5 (80)	2.2 (16)	2.3 (46)	5.1 (8)	7.1	06/01/1987
Blmbg. Barc. U.S. Aggregate			*0.0 (71)*	*-1.6 (51)*	*-1.2 (50)*	*1.3 (61)*	*2.2 (56)*	*3.8 (73)*	*6.2*	
DFA Inflation-Protected Securities Portfolio - I	13,952,257	0.4	-0.9 (80)	-1.3 (90)	-0.1 (94)	1.8 (68)	1.2 (29)	3.4 (16)	3.8 (16)	10/01/2006
Blmbg. Barc. Global Inflation-Linked: U.S. TIPS			*-0.8 (61)*	*-0.8 (50)*	*0.4 (49)*	*2.0 (39)*	*1.4 (14)*	*3.3 (26)*	*3.7 (25)*	

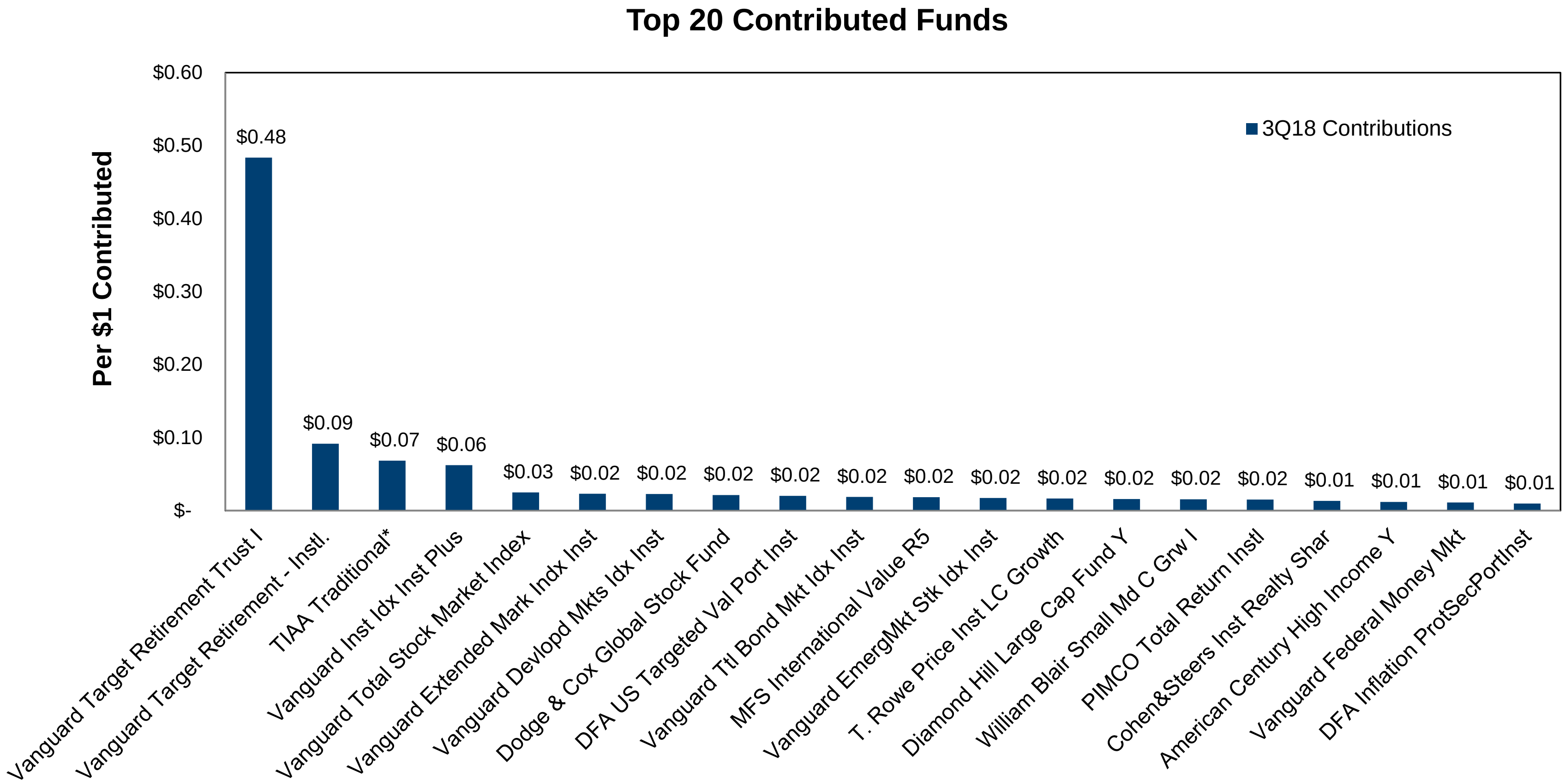
Tier II Performance Summary (cont'd)

As of 9/30/2018

	Allocation		Performance(%)							
	Market Value ($)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
American Century High Income - Y	18,515,519	0.6	2.1 (54)	3.3 (13)	4.1 (16)	8.3 (6)	5.6 (12)		6.1 (5)	01/01/2013
ICE BofAML US High Yield Master II Constrained			*2.4 (20)*	*2.5 (31)*	*2.9 (34)*	*8.2 (7)*	*5.6 (12)*		*5.5 (15)*	
T. Rowe Price Instl. Large Cap Growth Fund	28,353,787	0.9	6.8 (75)	19.7 (27)	28.4 (23)	22.7 (5)	18.0 (6)	16.7 (4)	11.0 (2)	11/01/2001
Russell 1000 Growth Index			*9.2 (14)*	*17.1 (57)*	*26.3 (41)*	*20.6 (23)*	*16.6 (23)*	*14.3 (24)*	*8.9 (34)*	
Diamond Hill Large Cap - Y	27,011,159	0.8	7.6 (14)	4.7 (52)	10.7 (55)	15.3 (28)	11.7 (17)		14.2 (24)	01/01/2012
Russell 1000 Value Index			*5.7 (60)*	*3.9 (66)*	*9.5 (69)*	*13.6 (64)*	*10.7 (50)*		*13.5 (36)*	
William Blair Small/Mid Cap Growth Fund - I	25,670,233	0.8	8.5 (34)	20.3 (54)	27.0 (48)	19.4 (41)	15.1 (10)	15.1 (13)	11.8 (7)	01/01/2004
Russell 2500 Growth Index			*7.2 (59)*	*15.8 (78)*	*23.1 (72)*	*18.0 (59)*	*12.9 (38)*	*13.6 (35)*	*10.6 (27)*	
DFA U.S. Targeted Value - I	32,619,378	1.0	1.5 (49)	5.3 (40)	10.0 (36)	14.3 (34)	9.7 (38)	10.8 (42)	11.6 (13)	03/01/2000
Russell 2500 Value Index			*2.7 (20)*	*5.7 (35)*	*10.2 (32)*	*14.5 (30)*	*10.0 (26)*	*10.5 (46)*	*10.5 (46)*	
Dodge & Cox Global Stock Fund	33,555,754	1.0	3.6 (64)	0.1 (88)	3.5 (90)	13.8 (41)	9.1 (51)	9.9 (24)	5.9 (59)	05/01/2008
MSCI AC World Index (Net)			*4.3 (55)*	*3.8 (56)*	*9.8 (59)*	*13.4 (53)*	*8.7 (61)*	*8.2 (56)*	*5.3 (77)*	
Harding Loevner International Equity Instl.	10,477,820	0.3	1.7 (22)	1.3 (20)	5.8 (15)	13.9 (3)	7.0 (9)	7.9 (5)	6.5	06/01/1994
MSCI AC World ex USA Growth (Net)			*-0.3 (61)*	*-2.5 (53)*	*3.1 (30)*	*10.6 (17)*	*5.3 (24)*	*5.8 (44)*		
MFS International Value Fund - R6	29,215,943	0.9	2.4 (7)	2.1 (5)	8.2 (1)	12.7 (1)	9.1 (1)	9.8 (2)	7.5 (1)	06/01/2006
MSCI AC World ex USA Value (Net)			*1.7 (13)*	*-3.7 (79)*	*0.4 (74)*	*9.3 (40)*	*2.9 (86)*	*4.5 (88)*	*3.0 (78)*	
Cohen and Steers Instl. Realty Shares	19,507,499	0.6	1.3 (16)	2.8 (13)	5.9 (6)	8.1 (26)	9.9 (9)	8.3 (17)	11.8 (8)	03/01/2000
FTSE NAREIT Equity REIT Index			*0.8 (46)*	*1.8 (45)*	*3.3 (57)*	*7.6 (37)*	*9.2 (31)*	*7.4 (47)*	*11.2 (36)*	
Tier III	**9,478,327**	**0.3**								**03/01/2014**
Mutual Fund Window	9,478,327	0.3								03/01/2014
Orphan Accounts	**1,483,550,479**	**46.0**								
TIAA Orphan Accounts	1,404,916,730	43.6								
VALIC Orphan Accounts	78,318,733	2.4								
American Century Orphan Accounts	315,015	0.0								
Other Assets	**2,162,750**	**0.1**								**03/01/2014**
Loans	1,105,747	0.0								03/01/2014
Loans Deemed Distributed	592,076	0.0								03/01/2014
Plan Loan Default Fund	464,927	0.0								07/01/2014

Top Contributed Funds

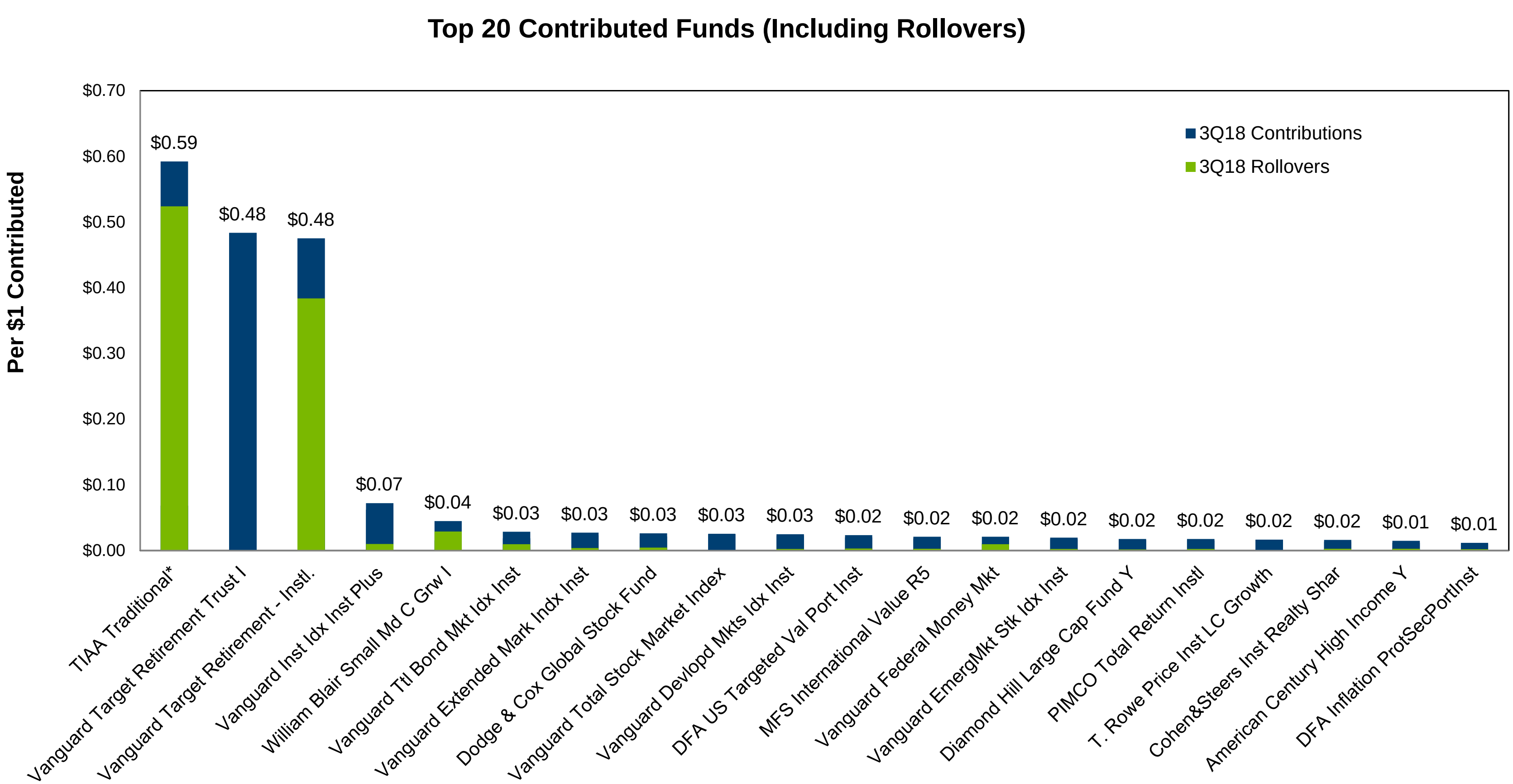
As of 9/30/2018



*TIAA RC 60% / TIAA RCP 40% Contribution Split
Source: TIAA

Top Contributed Funds (Including Rollovers)

As of 9/30/2018



*TIAA RC 38% / TIAA RCP 62% Contribution and Rollover Split
Source: TIAA

Quarterly Participant Transfers

As of 9/30/2018

Investment	Transfers In	Transfers Out	Net Transfers	Ending Balance (9/30/2018)	Number of Participants
Vanguard Target Retirement Trust I Funds	$183,752,286	($18,770,831)	$164,981,456	$835,726,409	4,017
Vanguard Target Retirement Mutual Funds	$42,101,392	($4,817,404)	$37,283,988	$156,044,103	1,575
Vanguard Total Bond Market Index Inst	$2,070,977	($855,480)	$1,215,497	$27,802,154	885
Vanguard Total Stock Market Index Inst	$1,593,617	($1,918,303)	($324,686)	$47,352,888	672
Vanguard Institutional Index Inst	$7,739,335	($1,730,940)	$6,008,396	$111,196,560	1,546
Vanguard FTSE Social Index Fund	$718,648	($34,033)	$684,615	$1,589,706	19
Vanguard Extended Market Index Inst	$1,230,836	($2,410,934)	($1,180,098)	$42,785,079	1,180
Vanguard Total International Stock Index Inst	$534,931	($944,602)	($409,672)	$8,652,874	177
Vanguard Developed Markets Index Ins	$5,255,619	($308,019)	$4,947,600	$33,928,822	1,113
Vanguard Emerging Markets Stock Index Inst	$1,858,676	($483,139)	$1,375,537	$24,643,523	1,376
Vanguard Federal Money Market Inv	$3,416,524	($228,852,912)	($225,436,389)	$15,560,677	200
T. Rowe Price Stable Value Common Trust A	$628,355	($50,935)	$577,420	$1,782,296	96
TIAA Traditional	$6,087,773	($834,303)	$5,253,469	$150,866,753	1,744
PIMCO Total Return Instl	$801,273	($1,083,262)	($281,989)	$20,102,797	803
DFA Inflation Protected Securities Portfolio Inst	$1,233,859	($379,904)	$853,955	$13,952,257	856
American Century High Income	$1,861,192	($314,332)	$1,546,860	$18,515,519	883
T. Rowe Price Inst LC Growth	$2,556,666	($1,190,101)	$1,366,565	$28,353,787	406
Diamond Hill Large Cap Fund Y	$249,858	($1,455,797)	($1,205,939)	$27,011,159	1,159
William Blair Small Md C Grw I	$2,720,573	($595,419)	$2,125,154	$25,670,233	941
DFA US Targeted Val Port Inst	$2,816,803	($451,616)	$2,365,188	$32,619,378	1,085
Dodge & Cox Global Stock Fund	$214,272	($2,224,020)	($2,009,748)	$33,555,754	946
Harding International Equit Inst	$234,886	($677,566)	($442,680)	$10,477,820	725
MFS International Value R6	$403,512	($1,706,755)	($1,303,242)	$29,215,943	1,270
Cohen & Steers Inst Realty Shares	$686,016	($265,298)	$420,718	$19,507,499	1,470
Mutual Fund Window	$2,135,647	($547,623)	$1,588,025	$9,478,327	37
Total	**$272,903,526**	**($272,903,526)**	**$0**	**$1,726,392,319**	

Source: TIAA

Annual Investment Fee Monitoring & Transparency – As of 9/30/2018

Investment Option	Market Value	Total Expense (%)	Total Expense ($)	Revenue Sharing (%)	Revenue Sharing ($)	Mgmt. Fee (%)	Mgmt. Fee ($)	Administrative Fee (%)	Administrative Fee ($)	Total Fee (%)	Total Fee ($)
Vanguard Target Retirement Income Trust I	$27,114,848	0.07%	$18,980	0.00%	$0	0.07%	$18,980	0.059%	$15,998	0.13%	$34,978
Vanguard Target Retirement 2015 Trust I	$55,632,467	0.07%	$38,943	0.00%	$0	0.07%	$38,943	0.059%	$32,823	0.13%	$71,766
Vanguard Target Retirement 2020 Trust I	$100,004,191	0.07%	$70,003	0.00%	$0	0.07%	$70,003	0.059%	$59,002	0.13%	$129,005
Vanguard Target Retirement 2025 Trust I	$117,083,290	0.07%	$81,958	0.00%	$0	0.07%	$81,958	0.059%	$69,079	0.13%	$151,037
Vanguard Target Retirement 2030 Trust I	$139,682,142	0.07%	$97,777	0.00%	$0	0.07%	$97,777	0.059%	$82,412	0.13%	$180,190
Vanguard Target Retirement 2035 Trust I	$138,315,525	0.07%	$96,821	0.00%	$0	0.07%	$96,821	0.059%	$81,606	0.13%	$178,427
Vanguard Target Retirement 2040 Trust I	$117,686,872	0.07%	$82,381	0.00%	$0	0.07%	$82,381	0.059%	$69,435	0.13%	$151,816
Vanguard Target Retirement 2045 Trust I	$83,141,433	0.07%	$58,199	0.00%	$0	0.07%	$58,199	0.059%	$49,053	0.13%	$107,252
Vanguard Target Retirement 2050 Trust I	$41,482,972	0.07%	$29,038	0.00%	$0	0.07%	$29,038	0.059%	$24,475	0.13%	$53,513
Vanguard Target Retirement 2055 Trust I	$12,229,207	0.07%	$8,560	0.00%	$0	0.07%	$8,560	0.059%	$7,215	0.13%	$15,776
Vanguard Target Retirement 2060 Trust I	$3,353,318	0.07%	$2,347	0.00%	$0	0.07%	$2,347	0.059%	$1,978	0.13%	$4,326
Vanguard Target Retirement 2065 Trust I	$144	0.07%	$0	0.00%	$0	0.07%	$0	0.059%	$0	0.13%	$0
Vanguard Target Retirement Income - Instl.	$14,580,838	0.09%	$13,123	0.00%	$0	0.09%	$13,123	0.059%	$8,603	0.15%	$21,725
Vanguard Target Retirement 2015 - Instl.	$21,739,177	0.09%	$19,565	0.00%	$0	0.09%	$19,565	0.059%	$12,826	0.15%	$32,391
Vanguard Target Retirement 2020 - Instl.	$27,440,740	0.09%	$24,697	0.00%	$0	0.09%	$24,697	0.059%	$16,190	0.15%	$40,887
Vanguard Target Retirement 2025 - Instl.	$25,251,533	0.09%	$22,726	0.00%	$0	0.09%	$22,726	0.059%	$14,898	0.15%	$37,625
Vanguard Target Retirement 2030 - Instl.	$20,655,991	0.09%	$18,590	0.00%	$0	0.09%	$18,590	0.059%	$12,187	0.15%	$30,777
Vanguard Target Retirement 2035 - Instl.	$12,754,179	0.09%	$11,479	0.00%	$0	0.09%	$11,479	0.059%	$7,525	0.15%	$19,004
Vanguard Target Retirement 2040 - Instl.	$10,617,245	0.09%	$9,556	0.00%	$0	0.09%	$9,556	0.059%	$6,264	0.15%	$15,820
Vanguard Target Retirement 2045 - Instl.	$10,025,926	0.09%	$9,023	0.00%	$0	0.09%	$9,023	0.059%	$5,915	0.15%	$14,939
Vanguard Target Retirement 2050 - Instl.	$10,056,782	0.09%	$9,051	0.00%	$0	0.09%	$9,051	0.059%	$5,934	0.15%	$14,985
Vanguard Target Retirement 2055 - Instl.	$2,582,507	0.09%	$2,324	0.00%	$0	0.09%	$2,324	0.059%	$1,524	0.15%	$3,848
Vanguard Target Retirement 2060 - Instl.	$337,428	0.09%	$304	0.00%	$0	0.09%	$304	0.059%	$199	0.15%	$503
Vanguard Target Retirement 2065 - Instl.	$1,758	0.09%	$2	0.00%	$0	0.09%	$2	0.059%	$1	0.15%	$3
Vanguard Total Bond Market Index Fund	$27,802,154	0.04%	$11,121	0.00%	$0	0.04%	$11,121	0.059%	$16,403	0.10%	$27,524
Vanguard Total Stock Market Index Fund	$47,352,888	0.04%	$16,574	0.00%	$0	0.04%	$16,574	0.059%	$27,938	0.09%	$44,512
Vanguard Institutional Index Fund - Instl. Plus	$111,196,560	0.02%	$22,239	0.00%	$0	0.02%	$22,239	0.059%	$65,606	0.08%	$87,845
Vanguard FTSE Social Index Fund - Inv.	$1,589,706	0.20%	$3,179	0.00%	$0	0.20%	$3,179	0.059%	$938	0.26%	$4,117
Vanguard Extended Market Index Fund - Instl.	$42,785,079	0.06%	$25,671	0.00%	$0	0.06%	$25,671	0.059%	$25,243	0.12%	$50,914
Vanguard Total International Stock Index Fund	$8,652,874	0.09%	$7,788	0.00%	$0	0.09%	$7,788	0.059%	$5,105	0.15%	$12,893
Vanguard Developed Market Index Fund	$33,928,822	0.06%	$20,357	0.00%	$0	0.06%	$20,357	0.059%	$20,018	0.12%	$40,375
Vanguard Emerging Markets Stock Index Fund - Instl.	$24,643,523	0.11%	$27,108	0.00%	$0	0.11%	$27,108	0.059%	$14,540	0.17%	$41,648
Vanguard Federal Money Market Fund	$15,560,677	0.11%	$17,117	0.00%	$0	0.11%	$17,117	0.059%	$9,181	0.17%	$26,298
T. Rowe Price Stable Value Common Trust Fund A	$1,782,296	0.30%	$5,347	0.00%	$0	0.30%	$5,347	0.059%	$1,052	0.36%	$6,398
TIAA Traditional - RC & RCP	$162,023,414	0.49%	$793,915	0.15%	($243,035)	0.34%	$550,880	0.059%	$95,594	0.40%	$646,473
PIMCO Total Return Fund	$20,102,797	0.55%	$110,565	0.00%	$0	0.55%	$110,565	0.059%	$11,861	0.61%	$122,426
DFA Inflation-Protected Securities Portfolio	$13,952,257	0.12%	$16,743	0.00%	$0	0.12%	$16,743	0.059%	$8,232	0.18%	$24,975
American Century High Income	$18,515,519	0.59%	$109,242	0.00%	$0	0.59%	$109,242	0.059%	$10,924	0.65%	$120,166
T. Rowe Price Instl. Large Cap Growth Fund	$28,353,787	0.56%	$158,781	0.00%	$0	0.56%	$158,781	0.059%	$16,729	0.62%	$175,510
Diamond Hill Large Cap	$27,011,159	0.55%	$148,561	0.00%	$0	0.55%	$148,561	0.059%	$15,937	0.61%	$164,498
William Blair Small/Mid Cap Growth Fund	$25,670,233	1.10%	$282,373	0.15%	($38,505)	0.95%	$243,867	0.059%	$15,145	1.01%	$259,013
DFA U.S. Targeted Value	$32,619,378	0.37%	$120,692	0.00%	$0	0.37%	$120,692	0.059%	$19,245	0.43%	$139,937
Dodge & Cox Global Stock Fund	$33,555,754	0.63%	$211,401	0.10%	($33,556)	0.53%	$177,845	0.059%	$19,798	0.59%	$197,643
Harding Loevner International Equity Instl.	$10,477,820	0.82%	$85,918	0.15%	($15,717)	0.67%	$70,201	0.059%	$6,182	0.73%	$76,383
MFS International Value Fund	$29,215,943	0.66%	$192,825	0.00%	$0	0.66%	$192,825	0.059%	$17,237	0.72%	$210,063
Cohen and Steers Instl. Realty Shares	$19,507,499	0.75%	$146,306	0.00%	$0	0.75%	$146,306	0.059%	$11,509	0.81%	$157,816
Mutual Fund Window	$9,478,327	0.00%	$0	0.00%	$0	0.00%	$0	0.059%	$5,592	0.06%	$5,592
Total	$1,737,548,979	0.19%	$3,259,271	-0.02%	($330,813)	0.17%	$2,928,458	0.059%	$1,025,154	0.23%	$3,953,612
Without Brokerage	$1,728,070,652	0.19%	$3,259,271	-0.02%	($330,813)	0.17%	$2,928,458	0.059%	$1,019,562	0.23%	$3,948,020

Morningstar Model Portfolios – RC Performance

As of 9/30/2018

	Performance(%)					
	1 Quarter	Year To Date	1 Year	3 Years	Since Inception	Inception Date
RC						
Very Conservative RC	1.3	2.2	3.4	4.7	3.8	04/01/2014
Very Conservative Benchmark RC	*1.0*	*1.6*	*2.8*	*4.3*	*3.6*	
Conservative RC	1.9	2.5	4.6	6.9	4.9	04/01/2014
Conservative Benchmark RC	*1.7*	*2.3*	*4.5*	*6.8*	*5.0*	
Moderately Conservative RC	2.3	3.6	6.3	9.4	6.7	04/01/2014
Moderately Conservative Benchmark RC	*2.2*	*3.2*	*6.1*	*8.5*	*6.1*	
Moderate RC	3.1	4.2	7.5	10.3	7.0	04/01/2014
Moderate Benchmark RC	*2.6*	*3.5*	*7.1*	*10.1*	*6.8*	
Moderately Aggressive RC	3.1	3.9	8.1	11.5	7.5	04/01/2014
Moderately Aggressive Benchmark RC	*3.0*	*3.7*	*8.0*	*11.3*	*7.4*	
Aggressive RC	3.5	4.2	9.1	12.9	8.3	04/01/2014
Aggressive Benchmark RC	*3.3*	*3.9*	*8.9*	*12.9*	*8.2*	
Very Aggressive RC	3.8	4.4	9.4	13.8	8.6	04/01/2014
Very Aggressive Benchmark RC	*3.7*	*4.2*	*9.9*	*14.1*	*8.6*	
RC Ex-TIAA						
Very Conservative RC Ex-TIAA	0.9	0.6	1.6	3.5	2.9	04/01/2014
Very Conservative Benchmark RC Ex-TIAA	*0.6*	*-0.4*	*0.5*	*3.1*	*2.7*	
Conservative RC Ex-TIAA	1.4	1.2	3.0	6.1	4.3	04/01/2014
Conservative Benchmark RC Ex-TIAA	*1.3*	*0.7*	*2.6*	*5.7*	*4.2*	
Moderately Conservative RC Ex-TIAA	2.1	2.4	4.9	8.5	6.0	04/01/2014
Moderately Conservative Benchmark RC Ex-TIAA	*1.9*	*1.8*	*4.5*	*7.6*	*5.4*	
Moderate RC Ex-TIAA	2.6	3.0	6.2	9.5	6.4	04/01/2014
Moderate Benchmark RC Ex-TIAA	*2.4*	*2.4*	*5.9*	*9.4*	*6.3*	
Moderately Aggressive RC Ex-TIAA	3.0	3.2	7.2	10.9	7.1	04/01/2014
Moderately Aggressive Benchmark RC Ex-TIAA	*2.8*	*3.0*	*7.2*	*10.9*	*7.1*	
Aggressive RC Ex-TIAA	3.4	3.9	8.6	12.6	8.0	04/01/2014
Aggressive Benchmark RC Ex-TIAA	*3.2*	*3.6*	*8.5*	*12.6*	*7.9*	
Very Aggressive RC Ex-TIAA	3.8	4.3	9.4	13.8	8.7	04/01/2014
Very Aggressive Benchmark RC Ex-TIAA	*3.7*	*4.2*	*9.9*	*14.1*	*8.6*	

Morningstar Model Portfolios – RC Allocations

As of 9/30/2018

RC

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	12%	12%	10%	5%	7%	-	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	3%	3%	4%
DFA Inflation-Protected Securities I	9%	6%	6%	4%	3%	5%	-
DFA US Targeted Value I	-	4%	7%	8%	10%	12%	14%
Diamond Hill Large Cap Y	-	-	-	-	-	-	-
MFS International Value R6	-	-	-	-	-	4%	4%
PIMCO Total Return Instl	-	-	3%	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%	11%	15%	20%	20%	23%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	5%	7%	10%	12%
Vanguard Extended Market Idx I	-	-	-	-	-	-	-
Vanguard Institutional Index Instl Pl	3%	11%	14%	25%	25%	31%	33%
Vanguard Total Bond Market Index I	18%	12%	3%	-	3%	-	-
William Blair Small-Mid Cap Gr I	5%	4%	6%	7%	7%	8%	10%

RC Ex-TIAA

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	8%	9%	10%	7%	5%	-	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	3%	3%	4%
DFA Inflation-Protected Securities I	8%	8%	6%	4%	3%	3%	-
DFA US Targeted Value I	-	5%	6%	8%	12%	12%	14%
Diamond Hill Large Cap Y	-	-	-	-	-	-	
MFS International Value R6	-	-	-	-	-	4%	4%
PIMCO Total Return Instl	49%	25%	6%	15%	8%	5%	-
T. Rowe Price Stable Value Fund	24%	18%	14%	11%	7%	4%	-
Vanguard Developed Markets Idx Instl	-	6%	11%	15%	19%	20%	23%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	5%	7%	10%	12%
Vanguard Extended Market Idx I	-	-	-	-	-	-	-
Vanguard Institutional Index Instl Pl	3%	11%	15%	22%	26%	30%	33%
Vanguard Total Bond Market Index I	3%	12%	20%	4%	3%	-	-
William Blair Small-Mid Cap Gr I	5%	3%	6%	6%	7%	9%	10%

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

Morningstar Model Portfolios – RC Benchmarks

As of 9/30/2018

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 9/30/2018

	Performance(%)					
	1 Quarter	Year To Date	1 Year	3 Years	Since Inception	Inception Date
RCP						
Very Conservative RCP	1.0	1.6	2.8	4.3	3.5	04/01/2014
Very Conservative Benchmark RCP	*0.9*	*1.4*	*2.5*	*4.0*	*3.3*	
Conservative RCP	1.6	2.0	4.0	6.4	4.4	04/01/2014
Conservative Benchmark RCP	*1.6*	*2.1*	*4.2*	*6.5*	*4.7*	
Moderately Conservative RCP	2.0	2.9	5.6	8.8	6.2	04/01/2014
Moderately Conservative Benchmark RCP	*2.1*	*2.8*	*5.7*	*8.2*	*5.8*	
Moderate RCP	2.6	3.3	6.7	9.7	6.6	04/01/2014
Moderate Benchmark RCP	*2.6*	*3.0*	*6.6*	*9.7*	*6.5*	
Moderately Aggressive RCP	3.1	3.7	7.8	11.3	7.4	04/01/2014
Moderately Aggressive Benchmark RCP	*2.9*	*3.3*	*7.6*	*11.1*	*7.2*	
Aggressive RCP	3.5	3.9	8.7	12.6	8.1	04/01/2014
Aggressive Benchmark RCP	*3.3*	*3.7*	*8.6*	*12.7*	*8.1*	
Very Aggressive RCP	3.8	4.3	9.4	13.8	8.7	04/01/2014
Very Aggressive Benchmark RCP	*3.7*	*4.2*	*9.9*	*14.1*	*8.7*	
RCP Ex-TIAA						
Very Conservative RCP Ex-TIAA	0.9	0.3	1.3	3.4	3.0	04/01/2014
Very Conservative Benchmark RCP Ex-TIAA	*0.6*	*-0.3*	*0.6*	*3.1*	*2.8*	
Conservative RCP Ex-TIAA	1.3	0.8	2.6	5.8	4.2	04/01/2014
Conservative Benchmark RCP Ex-TIAA	*1.3*	*0.7*	*2.7*	*5.8*	*4.3*	
Moderately Conservative RCP Ex-TIAA	2.0	2.1	4.6	8.4	5.9	04/01/2014
Moderately Conservative Benchmark RCP Ex-TIAA	*1.9*	*1.8*	*4.5*	*7.6*	*5.4*	
Moderate RCP Ex-TIAA	2.5	2.6	5.9	9.3	6.2	04/01/2014
Moderate Benchmark RCP Ex-TIAA	*2.4*	*2.4*	*5.9*	*9.4*	*6.3*	
Moderately Aggressive RCP Ex-TIAA	3.0	3.1	7.1	10.7	7.0	04/01/2014
Moderately Aggressive Benchmark RCP Ex-TIAA	*2.8*	*3.0*	*7.2*	*10.9*	*7.1*	
Aggressive RCP Ex-TIAA	3.4	3.9	8.6	12.6	8.0	04/01/2014
Aggressive Benchmark RCP Ex-TIAA	*3.2*	*3.6*	*8.5*	*12.6*	*7.9*	
Very Aggressive RCP Ex-TIAA	3.8	4.3	9.4	13.8	8.7	04/01/2014
Very Aggressive Benchmark RCP Ex-TIAA	*3.7*	*4.2*	*9.9*	*14.1*	*8.6*	

Morningstar Model Portfolios – RCP Allocations

As of 9/30/2018

RCP

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	8%	8%	8%	7%	7%	-	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	3%	3%	4%
DFA Inflation-Protected Securities I	9%	7%	7%	5%	-	-	-
DFA US Targeted Value I	-	5%	8%	7%	10%	12%	14%
Diamond Hill Large Cap Y	-	11%	-	-	-	-	-
MFS International Value	-	3%	-	-	-	4%	4%
PIMCO Total Return Instl	29%	16%	10%	3%	-	-	-
TIAA Traditional	40%	32%	25%	16%	10%	5%	-
Vanguard Developed Markets Idx Instl	3%	4%	11%	15%	20%	20%	23%
Vanguard Emerging Mkts Stock Idx I	-	3%	4%	6%	7%	10%	12%
Vanguard Extended Market Idx I	-	-	-	3%	-	-	-
Vanguard Federal Money Market Inv	5%	5%	-	-	-	-	-
Vanguard Institutional Index I	3%	-	15%	23%	26%	31%	33%
Vanguard Total Bond Market Index I	-	3%	5%	9%	10%	7%	-
William Blair Small-Mid Cap Gr I	3%	3%	4%	3%	7%	8%	10%

RCP Ex-TIAA

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	10%	8%	9%	6%	6%	-	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	3%	3%	4%
DFA Inflation-Protected Securities I	9%	7%	5%	4%	3%	3%	-
DFA US Targeted Value I	-	5%	7%	8%	10%	12%	14%
Diamond Hill Large Cap Y	-	-	-	-	-	-	-
MFS International Value	-	-	-	-	-	4%	4%
PIMCO Total Return Instl	42%	25%	7%	15%	13%	5%	-
Vanguard Developed Markets Idx Instl	-	6%	11%	15%	19%	20%	23%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	5%	7%	10%	12%
Vanguard Extended Market Idx I	-	-	-	-	-	-	-
Vanguard Federal Money Market Inv	7%	4%	3%	-	-	-	-
Vanguard Institutional Index I	3%	11%	14%	22%	26%	30%	33%
Vanguard Total Bond Market Index I	24%	28%	32%	16%	6%	4%	-
William Blair Small-Mid Cap Gr I	5%	3%	6%	6%	7%	9%	10%

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

Morningstar Model Portfolios – RCP Benchmarks

As of 9/30/2018

RCP 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 1-3 Years	22%	15%	12%	9%	6%	4%	-
Blmbg. Barc. US Corp HY	8%	7%	6%	4%	3%	-	-
Blmbg. Barc. US Long Govt./Credit	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 9/30/2018

	Performance(%)					
	1 Quarter	Year To Date	1 Year	3 Years	Since Inception	Inception Date
RC						
Very Conservative RC (Static)	1.1	1.9	3.2	4.5	3.9	04/01/2014
Very Conservative Benchmark RC (Static)	*1.1*	*1.7*	*3.0*	*4.3*	*3.6*	
Conservative RC (Static)	1.9	2.4	4.4	6.9	5.1	04/01/2014
Conservative Benchmark RC (Static)	*1.8*	*2.6*	*4.9*	*6.9*	*5.1*	
Moderately Conservative RC (Static)	2.2	2.8	5.3	8.6	6.2	04/01/2014
Moderately Conservative Benchmark RC (Static)	*2.2*	*3.1*	*6.1*	*8.4*	*6.0*	
Moderate RC (Static)	2.8	3.1	6.4	10.2	7.1	04/01/2014
Moderate Benchmark RC (Static)	*2.7*	*3.7*	*7.4*	*10.1*	*6.8*	
Moderately Aggressive RC (Static)	3.3	3.7	7.7	11.9	8.0	04/01/2014
Moderately Aggressive Benchmark RC (Static)	*3.2*	*4.0*	*8.4*	*11.4*	*7.5*	
Aggressive RC (Static)	3.7	4.2	8.9	13.5	8.9	04/01/2014
Aggressive Benchmark RC (Static)	*3.6*	*4.4*	*9.5*	*12.8*	*8.2*	
Very Aggressive RC (Static)	3.9	3.9	9.0	14.4	8.8	04/01/2014
Very Aggressive Benchmark RC (Static)	*3.9*	*4.7*	*10.4*	*14.1*	*8.7*	
RCP						
Very Conservative RCP (Static)	1.0	1.7	2.9	4.2	3.5	04/01/2014
Very Conservative Benchmark RCP (Static)	*1.0*	*1.5*	*2.7*	*4.0*	*3.3*	
Conservative RCP (Static)	1.9	2.2	4.1	6.6	4.8	04/01/2014
Conservative Benchmark RCP (Static)	*1.8*	*2.3*	*4.6*	*6.6*	*4.8*	
Moderately Conservative RCP (Static)	2.1	2.4	4.8	8.2	5.9	04/01/2014
Moderately Conservative Benchmark RCP (Static)	*2.1*	*2.7*	*5.6*	*8.0*	*5.7*	
Moderate RCP (Static)	2.7	2.7	6.0	9.9	6.8	04/01/2014
Moderate Benchmark RCP (Static)	*2.7*	*3.3*	*7.0*	*9.8*	*6.6*	
Moderately Aggressive RCP (Static)	3.2	3.4	7.4	11.7	7.8	04/01/2014
Moderately Aggressive Benchmark RCP (Static)	*3.1*	*3.8*	*8.1*	*11.2*	*7.3*	
Aggressive RCP (Static)	3.6	3.9	8.5	13.3	8.7	04/01/2014
Aggressive Benchmark RCP (Static)	*3.5*	*4.2*	*9.3*	*12.7*	*8.1*	
Very Aggressive RCP (Static)	3.9	3.9	9.0	14.4	8.8	04/01/2014
Very Aggressive Benchmark RCP (Static)	*3.9*	*4.7*	*10.4*	*14.1*	*8.7*	

Discussion Topics

Section 1	Capital Markets Review
Section 2	Performance Review
Section 3	Noteworthy Items
Section 4	Vanguard Flash Report
Section 5	Legal & Compliance Update

Vanguard Target Retirement Trusts/Funds

- Each of the Vanguard Target Retirement Trusts/Funds generated results that closely approximated the return of its respective performance benchmarks during the third quarter
  - Returns ranged from 1.3% for the Income Trust to 4.0% for the 2060 Trust
- For the twelve months ended September 30, 2018, the Trusts/Funds exhibited a modest level of tracking error across the series
  - Returns ranged from 3.3% for the Income Trust to 10.0% for the 2065 Trust
  - The negative impact of fees along with detractions from “fair value” pricing adjustments modestly detracted from relative results
- Longer-term results continued to exhibit a modest level of tracking error but ranked favorably among their respective peer-group averages
  - Fair value pricing adjustments along with the impact of statistical sampling and the underlying component Fund’s investment management fees detracted from results
- The Vanguard Target Retirement Trusts/Funds remain “Buy” rated by our Global Investment Management Research Team

Vanguard Management Transition Announcement

- Effective September 12, 2018, Joseph Brennan transferred from his role as head of Equity Index Management to a newly created position as Vanguard's Global Chief Risk Officer
  - Rodney Comegys was named the head of Vanguard's Equity Index Management
  - Manish Nagar replaced Rodney Comegys as the head of Risk Management
- The decision to create a new division for the Chief Risk Officer was driven primarily to improve and elevate the overall risk functions at the firm
- We do not find the transition of the management team to be concerning, and therefore, do not recommend the Committee take any action
- A Flash report detailing our observations is included in Section 4 of this presentation

September 2018

Flash Report

Vanguard Group Inc.

Management Transition Announcement

Recommendation

Effective September 12, 2018, Joseph Brennan will transfer from his role as head of Equity Index Management to a newly created position as Vanguard's Global Chief Risk Officer. Due to this transition, Rodney Comegys was named the head of Vanguard's Equity Index Management, replacing Joseph Brennan. Additionally, Manish Nagar will be replacing Rodney Comegys as the head of Risk Management. Joseph Brennan will be reporting directly to Tim Buckley CEO.

We do not find the transition of the management team to be concerning, and therefore, do not recommend any action be taken at this time. Please contact a member of the GIC Equity Team if you have any questions.

Background

Aon was informed that Vanguard wanted to create a more centralized risk management effort to oversee all areas of risk at the firm. Joseph Brennan, former head of Vanguard's Equity Index Group, was chosen to oversee all of the risk management functions at the firm, which include Enterprise Risk, Investment Management Risk, Third Party Risk, Cyber Security, and Securities and Fraud Risk. This risk management effort will become an entirely new division at the firm. It is scheduled to be fully operational by January 2019. At this time, we have not been given any details regarding the different roles that will fall under this department or the process and procedures that will be put in place to oversee the risk management effort.

Mr. Brennan's former role as the head of Vanguard's Equity Index Group will be taken over by Rodney Comegys. Mr. Brennan was the head of Vanguard's Risk Management group since 2017, overseeing risk analysis for Fixed Income, Equity Index, and Quantitative Equity Groups. Mr. Comegys has been with the firm since 1999 and was head of investments and Equity Index Group in their Asia Pacific office before becoming the head of the Risk Management group in 2017. As Mr. Comegys takes over as the head of Vanguard's Equity Index Group, his role as head of Risk Management Group will be absorbed by Manish Nagar, who will be reporting directly to Mr. Brennan.

The decision to create a new division for the Chief Risk Officer was primarily driven by the need to improve and elevate the overall risk functions of the firm.

Empower Results®

Empower Results®

DFA Inflation-Protected Securities Portfolio

- The Fund registered “Yellow” on the Watch List during the third quarter of 2018
  - Due to the manager’s historical underperformance relative to its benchmark over the trailing five-year period and in three of the four most recent trailing calendar quarters
- The Fund’s performance trailed the return of its benchmark, the Bloomberg Barclays Global Inflation-Linked U.S. TIPS Index, by 0.1 percentage point during the third quarter of 2018
- The Fund’s relative underperformance was primarily attributable to:
  - An underweight allocation to TIPS in the 1 to 5-year maturity range
  - An overweight allocation to TIPS in the 8 to 15-year maturity range
- Partially offsetting the period’s negative relative results was the portfolio’s exclusion of TIPS in the 20+ year maturity range
- For the twelve months ended September 30, 2018, the Fund generated a return of -0.1% versus the benchmark’s return of 0.4%
- Longer-term results remained mixed relative to the Fund’s benchmark and peer group average
- We continue to closely monitor the Fund’s positioning and performance but recommend the Committee take no action as the investment team remains consistent and continues to execute on its historic philosophy and process
- The strategy remains “Buy” rated by our Global Investment Management Research Team

American Century High Income Fund

- The Fund's performance trailed the return of its benchmark by 0.3 percentage point during the third quarter of 2018
- The Fund's relative underperformance was primarily attributable to:
  - Negative security selection within the industrial metals sector
  - Holdings within the energy sector
- Partially offsetting the period's negative relative results were exposure to lower quality issues and holdings within the pharmaceuticals, hotels, and food and drug retailers
- For the twelve months ended September 30, 2018, the Fund generated a return of 4.1% versus the benchmark's return of 2.9%
- 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

T. Rowe Price Institutional Large Cap Growth Fund

- The Fund's performance trailed the return of its benchmark, the Russell 1000 Growth Index, by 2.4 percentage points during the third quarter
- The Fund's relative underperformance was primarily attributable to:
  - Negative stock selection within the information technology and consumer discretionary sectors
  - Notable detractors included Tencent Holdings, Booking Holdings, and Tesla
- Partially offsetting the period's negative relative results was strong stock selection within the health care sector
- For the twelve months ended September 30, 2018, the Fund generated a return of 28.4% versus the benchmark's return of 26.3%
- 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

DFA U.S. Targeted Value Fund

- The Fund’s performance trailed the return of its benchmark, the Russell 2500 Value Index, by 1.2 percentage point during the third quarter
- The Fund’s relative underperformance was primarily attributable to:
  - The portfolio’s greater emphasis on value stocks
  - An overweight allocation to small-cap stock
  - An underweight allocation to REITs
- For the twelve months ended September 30, 2018, the Fund generated a return of 10.0% versus the benchmark’s return of 10.2%
  - The Fund’s value-oriented approach proved challenging as growth stocks continued to outperform
- Longer-term results remain favorable relative to the Fund’s benchmark and peer group average
- The strategy remains “Buy” rated by our Global Investment Management Research Team

Dodge & Cox Global Stock Fund

- The Fund’s performance lagged the return of its benchmark, the MSCI All Country World Index, by 0.7 percentage points during the quarter
- The Fund’s relative underperformance was primarily attributable to:
  - Negative stock selection within the emerging markets
  - An overweight positioning and negative stock selection within the financial sector
  - An underweight positioning and negative stock selection within the information technology sector
- Partially offsetting the period’s relative results was an overweight positioning and strong stock selection in the health care sector along with positive stock selection within the materials sector
- For the twelve months ended September 30, 2018, the Fund generated a return of 3.5% versus the benchmark’s return of 9.8%
  - An emphasis on low relative price (value) stocks hurt as high relative price (growth) stocks outperformed
- 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

Discussion Topics

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Section 2	Performance Review
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Section 4	Vanguard Flash Report
Section 5	Legal & Compliance Update

Flash Report

Vanguard Group Inc.

Management Transition Announcement

Recommendation

Effective September 12, 2018, Joseph Brennan will transfer from his role as head of Equity Index Management to a newly created position as Vanguard's Global Chief Risk Officer. Due to this transition, Rodney Comegys was named the head of Vanguard's Equity Index Management, replacing Joseph Brennan. Additionally, Manish Nagar will be replacing Rodney Comegys as the head of Risk Management. Joseph Brennan will be reporting directly to Tim Buckley CEO.

We do not find the transition of the management team to be concerning, and therefore, do not recommend any action be taken at this time. Please contact a member of the GIC Equity Team if you have any questions.

Background

Aon was informed that Vanguard wanted to create a more centralized risk management effort to oversee all areas of risk at the firm. Joseph Brennan, former head of Vanguard's Equity Index Group, was chosen to oversee all of the risk management functions at the firm, which include Enterprise Risk, Investment Management Risk, Third Party Risk, Cyber Security, and Securities and Fraud Risk. This risk management effort will become an entirely new division at the firm. It is scheduled to be fully operational by January 2019. At this time, we have not been given any details regarding the different roles that will fall under this department or the process and procedures that will be put in place to oversee the risk management effort.

Mr. Brennan's former role as the head of Vanguard's Equity Index Group will be taken over by Rodney Comegys. Mr. Brennan was the head of Vanguard's Risk Management group since 2017, overseeing risk analysis for Fixed Income, Equity Index, and Quantitative Equity Groups. Mr. Comegys has been with the firm since 1999 and was head of investments and Equity Index Group in their Asia Pacific office before becoming the head of the Risk Management group in 2017. As Mr. Comegys takes over as the head of Vanguard's Equity Index Group, his role as head of Risk Management Group will be absorbed by Manish Nagar, who will be reporting directly to Mr. Brennan.

The decision to create a new division for the Chief Risk Officer was primarily driven by the need to improve and elevate the overall risk functions of the firm.

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Third Quarter 2018

Aon Quarterly Update

Retirement Legal Consulting & Compliance

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To access prior issues, **click here** and select "Newsletters"

Notes From Your Editor

Welcome to the third quarter 2018 publication of the *Quarterly Update*. It's hard to believe that time has passed so quickly this year and summer is almost over! Plan sponsors are already working on year-end matters and changes to their benefits programs effective in 2019.

In this issue we start with an article about the Department of Labor's (DOL's) guidance on economically targeted investments and proxy voting guidelines for employee benefit plans. The DOL previously issued guidance on these topics over the last few years; the current guidance clarifies the extent to which environmental, social, and governance factors may be considered when fiduciaries are choosing plan investment options and while voting proxies relating to a plan's equity holdings.

Plan sponsors often struggle to find creative strategies for assisting their employees in saving for retirement. We include a description of a student loan program that has received a lot of recent attention following the issuance of an IRS private letter ruling. The program permits a plan sponsor that helps its employees who are paying off student loan debt also save for retirement. We always enjoy helping plan sponsors develop creative strategies to best meet their employees' needs.

On the regulatory front, the DOL has been inquiring about rollover solicitation practices from third-party administrators. While there is currently no clear guidance on this topic (following a return to the pre-fiduciary investment advice law), plan sponsors may wish to consider how terminated participants are contacted by vendors regarding rolling their assets out of qualified plans to individual retirement accounts.

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 R Berrian

Jennifer Ross Berrian
Partner
Aon

Empower Results®

Economically Targeted Investments: Fiduciary Duties Paramount

by Julie Becker

The U.S. Department of Labor (DOL) published Field Assistance Bulletin (FAB) 2018-01 on April 23, 2018, clarifying its previous guidance for private-sector employee benefit plans related to economically targeted investments which consider environmental, social and governance factors (ESG). The bulletin also addresses proxy voting of employer stock held by qualified plans. FAB 2018-01 specifically revisits the DOL's guidance in Interpretive Bulletins (IBs) 2016-01 (relating to proxy voting) and 2015-01 (relating to economically targeted investments (ETIs)).

The central theme of FAB 2018-01 requires plan fiduciaries to consider economic factors—potential risk and return—of investments ahead of any potential collateral social impact. Although it is permissible for plan fiduciaries to consider social policy goals, the DOL has stated that "fiduciaries may not sacrifice investment returns or assume greater investment risks as a means of promoting collateral social policy goals." Instead, plan fiduciaries must comply with their fiduciary duties as outlined in the Employee Retirement Income Security Act of 1974 (ERISA).

As an overview, ERISA requires a plan fiduciary to discharge its duties "solely" in the interest of the participants and beneficiaries for the "exclusive" purpose of providing benefits and for paying reasonable administrative expenses. In addition, ERISA requires a plan fiduciary to act with the care, skill, prudence, and diligence a hypothetical prudent person would use, and must diversify plan assets, unless under the circumstances it is not prudent to do so. Plan fiduciaries need not be experts on all aspects of an employee benefit plan and should retain experts as needed, though doing so will not relieve plan fiduciaries of their responsibilities.

IB 2015-01 recognized that plan fiduciaries are not permitted to sacrifice investment return or take on additional investment risk as a means of using plan investments to promote collateral social policy goals. The 2015 guidance stated that plan fiduciaries could consider the economic impact of an ESG factor on an investment option and could use an ESG factor as a "tie-breaker" between two investment options with similar characteristics, including expected rate of return and level of risk. In addition, the 2015 guidance stated that plan fiduciaries could consider ESG factors if they could affect material business risk or opportunities that bear directly on the economic considerations that prudent investors need to consider.

FAB 2018-01 appears to warn plan fiduciaries to not too readily treat ESG factors as economically relevant to the investment choices at hand when making decisions. The DOL warns that plan fiduciaries must not assume that ESG factors having a potential general positive impact on market trends or industry growth equate to an investment choice being a prudent investment. Economic factors of a proposed investment are paramount above all else. In addition, the 2018 guidance provides that plan fiduciaries are permitted to address ESG factors in their investment policy statements and/or integrate ESG-related evaluation tools, but are not required to do so. In fact, the guidance specifically states that any statements about ESG in investment policy statements should be disregarded if they are contrary to ERISA.

FAB 2018-01 also contains guidance applicable to defined contribution plans (such as 401(k) plans). A defined contribution plan that intends to comply with the requirements of ERISA Section 404(c) may offer an ESG-themed investment option, but that option must be prudently selected by the plan fiduciaries. The DOL also cautioned plan fiduciaries about selecting an ESG-themed qualified default investment alternative (QDIA).

> "[F]iduciaries may not sacrifice investment returns or assume greater investment risks as a means of promoting collateral social policy goals."

FAB 2018-01 clarifies the guidance in IB 2016-01, which suggested that plan fiduciaries could consider ESG factors and engage in shareholder activism without violating ERISA fiduciary obligations if the plan fiduciaries conclude there is a reasonable expectation that such activities (by the plan alone or together with other shareholders) are likely to enhance the economic value of the plan's investment after taking into account the costs involved. FAB 2018-01 advises that the 2016 guidance should be read with the DOL's observation that plan fiduciaries, including investment managers, should not incur significant plan expenses to fund shareholder activism. Specifically, the DOL noted that proxy voting and shareholder engagement does not normally involve significant plan expenses and that 2016 guidance should not be read as signaling that it is appropriate to incur significant expenses, sacrifice investment returns, or reduce the security of plan benefits in order to promote collateral social goals.

The key takeaway of FAB 2018-01 is that prudent plan fiduciaries must always consider the economic interests of their plans. Any consideration of ETI activity must be consistent with ERISA's fiduciary duties and be well documented. Plan fiduciaries should ensure they have properly documented policies, procedures, and analyses to demonstrate adherence to such duties. Aon's Retirement & Investment consultants are available to provide guidance on navigating in this area.

New Program to Reduce Student Loan Debt While Saving for Retirement

by Dan Schwallie

For many employees, paying off student loans takes precedence over saving for retirement. However, the earlier someone starts saving for retirement, the more likely goals for retirement saving will be met. One plan sponsor recently implemented a defined contribution plan design change to help employees who are paying off student loans also save for retirement. It's a novel approach that could provide a helpful plan design alternative for both plan sponsors and employees.

This plan design, like many 401(k) or 403(b) plans, provides a matching contribution for participants who make at least the specified amount of elective deferrals (either pre-tax or Roth) to the plan. However, the plan was amended to add a new feature for plan participants who are repaying student loans. If a plan participant repays student loans in a payroll period in an amount that would have received a matching contribution had it been contributed to the plan, the participant receives a nonmatching employer contribution to the plan equal to the amount that otherwise would have been provided as a matching contribution. The participant may also make elective deferrals to the plan, but those deferrals will not be matched for any payroll period in which the participant receives the nonmatching employer contribution based on student loan repayment. Effectively, these participants get the benefit of the plan match while paying down their student loans.

While programs to help employees both reduce student loans and prepare for retirement are of great interest to both employers and employees, there are a number of tax issues to be considered before proceeding. Prior to implementing a plan design change like the one described above, plan sponsors should evaluate the impact that the change may have on plan compliance. Aon's Retirement Legal Consulting & Compliance consultants have been consulting with many clients on student loan repayment/retirement plan contribution strategies and can assist plan sponsors with considering whether a program like the one described here would work to help their employees both reduce student loan debt and save for retirement.

Should Plan Fiduciary Monitor Rollover Marketing Practices?

by Hitz Burton

Defined contribution (DC) plan sponsors and fiduciaries have long sought ways to encourage employees to enroll in their DC plans and save for retirement. Over the past decade, sponsors and fiduciaries have targeted their efforts extensively on designing utilization features like auto-enrollment and auto-escalation, designating investment alternatives that simplify long-term retirement investment decisions, and negotiating lower fees for designated investment alternatives.

While these targeted efforts have been successful in significantly increasing plan participation, making participant investment decisions easier, and materially lowering the cost of investment for participants, these same plan sponsors and fiduciaries may not have undertaken any significant efforts toward participants who have terminated employment. Specifically, plan sponsors and fiduciaries may not be as focused on the information presented to, and the decisions made by, terminated vested participants regarding whether to take distributions of their vested DC plan balances, roll over their balances into individual retirement accounts (IRAs), or simply leave their balances invested in the DC plans. (This hesitancy may be due to any number of reasons, including the uncertainty surrounding whether any "advice" may be viewed as fiduciary in nature and thus may subject the plan sponsor to unintended fiduciary responsibilities.) A variety of studies have concluded that many plan participants may be better served by keeping their vested account balances in a qualified plan instead of an IRA because of a number of factors, including typically lower investment costs.

While there is a natural tendency for employers to focus on plan features that affect current employees, plan sponsors and designated fiduciaries should be mindful that the fiduciary principles under the Employee Retirement Income Security Act of 1974 (ERISA) applicable to current plan participants apply equally to terminated employees with vested account balances in the plan. Additionally, plan sponsors and fiduciaries should be mindful that the central purpose of a tax-qualified retirement plan is to promote the ability of participants to accumulate assets for retirement.

In April, it was widely reported that the U.S. Department of Labor (DOL) was investigating the rollover practices of one financial institution that is also a large, third-party recordkeeper to 401(k) and other DC plans. Specifically, the DOL is investigating whether the institution has been pushing participants in low-cost plans to roll over their balances to higher-cost IRAs. Given the recent setbacks to the DOL's fiduciary rule, the DOL may seek to provide formal guidance on how and to what extent ERISA fiduciary principles of loyalty and prudence apply when the sponsor permits its terminated vested participants to be contacted, often repeatedly, with marketing material designed to promote the idea of participant rollovers to IRA investment products. This concern arises due to the often material increase in investment costs and the resulting responsibility for the participant to make prudent investment decisions from among the vast number of possible investments available in the retail marketplace.

While we wait for potential additional developments from the DOL, prudent sponsors and fiduciaries would be mindful to start considering whether and how the plan's third-party recordkeeper is marketing IRA rollover opportunities to terminated participants. Aon's Retirement Legal Consulting & Compliance consultants can help plan sponsors with evaluating these issues and in assessing possible fiduciary exposure for the plan sponsor.

Recent Employee Benefit Issues in Business Transactions

by David Alpert and Ronald Gerard

There has been an increase in business mergers, acquisitions, dispositions, and similar transactions in recent years, which has led to a myriad of employee benefits-related issues. Aon's Retirement Legal Consulting & Compliance consultants routinely assist clients with the employee benefits issues that arise in connection with such transactions, whether the client is acquiring, spinning off, or selling a business. While there are many types of issues that may exist depending on the facts of the particular transaction, buyers and sellers, including their advisors, should pay particular attention to several areas of concern regarding defined benefit (DB) and defined contribution (DC) plans that we have seen in recent transactions.

- **DB Plan Asset Transfer Assumptions.** If both the buyer and seller agree that, as part of the transaction, assets are to be transferred from a DB plan maintained by the seller to a DB plan maintained by the buyer, the transaction agreement should clearly identify the underlying assumptions upon which that transfer is based. Such assumptions include, but are not limited to: the relevant actuarial factors for calculating the amount of DB plan assets to be transferred; the dates by which initial and true-up transfer amounts are to be calculated; and the method of calculating interest (or earnings) on any true-up amount. Disputes over the interpretation of a transaction agreement's asset transfer provisions are often difficult to resolve after the agreement is signed, so careful planning and drafting are necessary.
- **Protection Against Earnings Loss Pending DB Plan Asset Transfer True-Up.** The transaction agreement should specify how the portion of assets in the seller's DB plan that will be allocated and transferred to the buyer's plan will be invested pending the transfer. A buyer will often seek some guaranty against asset shrinkage in the event of underperformance.
- **Specificity of Seller's Obligations under Transition Services Agreement.** The transaction agreement should specify any post-closing transition services to be provided by the seller (or the services could be specified in a separate, detailed transition services agreement). This very often may require negotiating with the seller and its payroll vendor the terms and conditions with respect to handling future participant contributions during a specified transition period. Another common situation involves the buyer agreeing to assume the seller's employee benefit plan obligations. In order to minimize disruption in payments, the buyer and the seller should resolve how ongoing benefit payments will be paid to former employees of the seller who are currently in payment status. Negotiations may also be needed with the trustee of the seller's plan to continue to make benefit payments for a specified transition period.
- **Post-Closing "Lock-Up" Period during which Material Changes Are Prohibited.** The transaction agreement should set forth any limitations that may be imposed upon the buyer's ability to make post-closing changes (typically for a specific period of time) to its employee benefit plans and programs for the employees being acquired by the buyer.

- **Warranty As to Plan Qualification.** The transaction agreement should address the qualified status of each retirement plan that is sponsored by either the buyer or the seller. Since the Internal Revenue Service (IRS) has eliminated its determination letter program for ongoing, individually designed plans, the buyer and seller should consider how best to identify and address any potential plan qualification issues. The buyer should conduct a pre-closing due diligence review of any of the seller's plans that it will be assuming or from which any of the buyer's plans will be receiving a transfer of assets and liabilities. If the buyer is assuming sponsorship of any of the seller's plans, the buyer should consider conducting a post closing compliance review of the acquired plan to identify and correct any plan document or operational issues—particularly if there is an intent to merge the acquired plan into any existing plan sponsored by the buyer. The buyer should conduct a similar review of prior operations under the seller's plan if the buyer's plan receives any transfer of assets and liabilities from the seller's plan. The transaction agreement may include an escrow arrangement to cover the cost of any needed corrections.
- **Treatment of Employer Stock in DC Plans.** If assets and liabilities under the seller's DC plan will be transferred to the buyer's plan and the seller's plan holds investments in the seller's stock, the buyer and seller should consider how those investments in the seller's stock will be handled at closing (and post-closing, if needed). Various fiduciary issues should be considered in view of the increasing litigation involving the sale (and failure to sell) employer stock following completion of a transaction.
- **Treatment of DC Plan Loans.** If the seller's plan is a DC plan that offers plan loans, the buyer and seller (and their respective recordkeepers) should address whether acquired employees who are participants in the seller's plan will be permitted to transfer or directly roll over their outstanding plan loans from the seller's plan to the buyer's plan. Otherwise, acquired employees may face the acceleration of their outstanding plan loans, requiring immediate repayment of outstanding balances and the possibility of loan default and negative tax consequences.
- **Termination of Employment for Distribution Purposes.** Before an employee can take a distribution from a retirement plan, the employee must have a "distributable event." Most plans include "termination of employment" as a distributable event permitting distributions to participants. The seller should consider whether the transaction results in a termination of employment for purposes of eligibility for distributions under any of the seller's plans.
- **Plan Termination Preparation.** If the seller intends to terminate any of its plans as of, or prior to, the closing date, the buyer and seller should ensure that appropriate resolutions and plan amendments are adopted before the closing of the transaction. In addition, the buyer and seller should establish their respective obligations regarding the pursuit of a favorable IRS determination letter with respect to such plan termination (e.g., addressing issues regarding submission timing, payment of costs, provision of needed documents, responsibility for filing the submission, authority to respond to any IRS questions that may arise during the determination letter review process, etc.).
- **Safe Harbor 401(k) Plan Status.** The buyer and seller should consider what effect the transaction will have on the safe harbor status of any of their respective 401(k) plans for the plan year in which the transaction occurs. It may (under certain circumstances) be possible to cease safe harbor status mid-year, or merge two safe harbor plans mid-year. Merging a safe harbor plan with a non-safe harbor plan, or otherwise ceasing safe-harbor contributions mid-year, may pose compliance issues that require some careful pre-planning in order to achieve a favorable resolution.
- **Fiduciary Responsibilities.** Responsible fiduciaries of the seller's and buyer's plans should identify any relevant fiduciary issues and be prepared to act where appropriate to satisfy their responsibilities.
- **Reportable Events.** The buyer and seller should determine whether the transaction involves any reportable event that requires notice to the Pension Benefit Guaranty Corporation if a DB plan is involved.

Aon's Retirement Legal Consulting & Compliance consultants have significant experience regarding a wide range of employee benefits-related matters that may arise in connection with business transactions, and can assist with identifying and addressing any potential issues in advance of their becoming problematic (preferably prior to the closing, if practicable).

Quarterly Roundup of Other New Developments

by Jan Raines and Bridget Steinhart

Best Practices Addressed in Philips North America Case
To avoid protracted litigation and put "money toward plan participants' retirement savings rather than spending it on a costly legal battle," Philips North America LLC recently reached a proposed settlement of a class action lawsuit. The lawsuit alleged that Philips' 401(k) plan fiduciaries breached their fiduciary duties by acting imprudently with respect to 401(k) plan investment options and allowing the payment of unreasonable and excessive administrative and investment fees. Although they disagreed with the claims, the Philips' plan fiduciaries agreed to a $17M settlement and to certain non-monetary terms which require Philips to undertake a request for proposal for recordkeeping services, hire an independent advisor to review the 401(k) plan's investment structure, and review whether to retain the money market fund or to add a stable value or comparable fund. The proposed settlement agreement is pending court approval. *Ramsey v. Philips North America LLC, No. 3:18-cv-01099 (S.D. Ill. May 10, 2018) (settlement motion filed May 11, 2018).*

Deepening Court Split on Whether Unpaid Contributions Are Plan Assets
In recent litigation, the 9th Circuit Court of Appeals affirmed the dismissal of a lawsuit brought by several multiemployer funds against the owners and executives of a company that failed to make contributions to the funds as required under the terms of collective bargaining agreements (CBAs). The lawsuit alleged that, pursuant to the CBAs, the unpaid contributions were "plan assets" under the Employee Retirement Income Security Act of 1974 (ERISA) over which the owners and executives exercised control and, therefore, the owners and executives were liable in their individual capacities for breach of ERISA fiduciary duties. In rejecting the "plan assets" theory, the 9th Circuit cited its own precedent and similar rulings within the 6th and 10th Circuits, which held that employers are not ERISA fiduciaries as to unpaid contributions to ERISA benefit plans. The Department of Labor, in Field Assistance Bulletin (FAB) 2008-01, takes the position that employer contributions become plan assets only when the contribution has been made. However, both FAB 2008-01 and other circuit courts note that if an employer fails to make a required contribution to a plan in accordance with the plan documents, the plan has a claim against the employer for the contribution, and that claim is an asset of the plan. With the split in the circuit courts deepening on whether unpaid contributions are plan assets, the likelihood of future Supreme Court review increases. We will continue to monitor developments in this area. *Glazing Health & Welfare Fund v. Lamek, 63 EBC 2003 (9th Cir. 2018).*

Recent Legislation: Changes 401(k) Hardship Withdrawal Rules
Two items of recent federal legislation affect the rules regarding hardship withdrawals from defined contribution plans. First, changes to federal tax law regarding casualty losses were made by the Tax Cuts and Jobs Act (TCJA) late in 2017. In order to qualify as a casualty loss after the change, the loss now must result from a federally declared disaster. For defined contribution plans offering hardship withdrawals, this law change may have an impact as many defined contribution plans utilize the safe harbor hardship withdrawal categories listed in the Internal Revenue Code (Code). One of the safe harbor categories is casualty losses that are deductible under the Code. The change to the tax law regarding casualty losses serves to prohibit hardship withdrawals by participants who suffer casualty losses due to incidents that are not declared to be disasters by the federal government.

In addition, the Bipartisan Budget Act of 2018 (Budget Act) eased hardship withdrawal rules as follows:

- Eliminated the requirement that a participant must first take all available loans from the plan before taking a hardship withdrawal;
- Expanded the sources of funds that can be distributed as a hardship withdrawal to include qualified non-elective contributions, qualified matching contributions, 401(k) safe harbor plan contributions, and earnings on those money sources (including post-1988 earnings on elective deferrals); and
- Eliminated the required six-month suspension period for making new elective deferrals following a hardship withdrawal (although plan sponsors may choose to retain this provision).

These rules are effective for plan years after December 31, 2018.

Plan sponsors should carefully review the hardship withdrawal language in their plan documents to determine the impact of the TCJA and Budget Act changes on their plan documents and administration of hardship withdrawals. In addition, plan sponsors should coordinate any changes with their recordkeepers, update plan documents and administrative procedures, and communicate changes to plan participants. Aon's Retirement Legal Consulting & Compliance consultants can assist with reviewing plan documents and preparing any required amendments needed to address the implications of this recent legislation. *Tax Cuts and Jobs Act, H.R. 1, 115th Cong. (2017); Bipartisan Budget Act of 2018, H.R. 1892, 115th Cong. (2018); Treasury Reg. §1.401(k)-1(d)(3)(iii)(B)(6).*

Misappropriation of Plan Assets by Third-Party Administrator
In late 2017, the Federal Bureau of Investigation raided the offices of Vantage Benefits Administrators Inc. (Vantage), a third-party administrator, recordkeeper and professional fiduciary, due to allegations that funds were missing from retirement plan accounts managed by Vantage. A myriad of lawsuits against Vantage soon followed, alleging fraud and misappropriated plan assets as well as breach of ERISA fiduciary duties. A default judgment was recently issued in one of the lawsuits. Vantage and its CEO, Jeff Richie, were ordered to return nearly $10.2 million to a client's 401(k) plan and to pay almost $300,000 in attorneys' fees for breaching their fiduciary duties. From 2013 through 2017,

Richie and his wife were alleged to have made hundreds of transfers from plan assets directly to one of Vantage's business accounts and to have supplied false information to the trustee to avoid detection. Additional suits are pending against Vantage and the Richies regarding other plans for which they were fiduciaries, and other suits may be brought against the trustee and the plan's auditor, who allegedly knew of the illegal transfers but failed to report them. While this is an extreme situation, it underscores the importance of plan fiduciaries monitoring their service providers and taking steps to ensure that the proper checks and balances are in place to ensure the safeguarding of plan assets. *Caldwell & Partners v. Vantage Benefits Administrators, No. 3:17-CV-03459-N, 2018 BL 82574 (N.D. Tex. 2018).*

No Presumption of Lifetime Vesting for Retiree Benefits

For many years, courts applied what has been referred to as the "Yard-Man Inference" to presume that collective-bargaining agreements (CBAs) vest retiree benefits for life. But three years ago, in *M&G Polymers USA LLC v. Tackett*, the U.S. Supreme Court held otherwise. The Court held that in disputes about whether retiree benefits are vested for life, courts are to apply ordinary principles of contract law without "placing a thumb on the scale in favor of vested retiree benefits . . . ." In a more recent case, the 6th Circuit Court of Appeals, in *CNH Indus. N.V. v. Reese*, used the Yard-Man Inference to presume lifetime vesting and ruled that the CBA at issue was ambiguous as a matter of law. On February 20, 2018, the U.S. Supreme Court reversed the 6th Circuit Court of Appeals opinion in Reese. The Supreme Court held that CBAs are to be interpreted according to ordinary principles of contract law, including the rule that a contract is not ambiguous unless it is subject to more than one reasonable interpretation. The Court remanded the case back to the trial court, noting the lower court's errors in basing its findings on assumptions or inferences as to the contracting parties' intentions. This case underscores the importance that the language used in plan documents and CBAs be carefully considered and agreed upon while at the bargaining table to ensure that the parties' intent is clearly reflected in the documents. *M.G. Polymers USA, LLC v. Tackett, 135 S. Ct. 926 (2015); CNH Indus. N.V. v. Reese, 138 S. Ct. 761 (2018).*

Recent Publications

Governmental Plans Are Different: A Regulatory Overview
By Daniel Schwallie
Benefits Quarterly (Third Quarter 2018)

Many rules that otherwise apply to qualified retirement plans either do not apply to governmental plans qualified under Internal Revenue Code (Code) Section 401(a) or apply differently. This article provides a high-level introduction to governmental tax-qualified retirement plans and highlights many of the differences in applying rules of the Code. Differences in application of many of the rules are conveniently summarized in two tables. This article also briefly discusses the applicability of the Age Discrimination in Employment Act (ADEA) to governmental plans.

Click here to read the article.

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