

# Nevada System of Higher Education First Quarter 2020 Discussion Guide

May 18, 2020

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# Discussion Topics

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<b>Section 1</b>	Key Provisions of CARE Act
<b>Section 2</b>	Capital Markets Review
<b>Section 3</b>	Performance Review
<b>Section 4</b>	Noteworthy Items
<b>Section 5</b>	T. Rowe Price Flash Report
<b>Section 6</b>	Legal & Compliance Update

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# Discussion Topics

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Section 2	Capital Markets Review
Section 3	Performance Review
Section 4	Noteworthy Items
Section 5	T. Rowe Price Flash Report
Section 6	Legal & Compliance Update

## Provisions of the CARES Act

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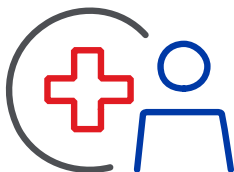
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020
  - This is a \$2.0 trillion stimulus bill intended to provide broad relief to address the impact of COVID-19
- Among the many provisions of the CARES Act, there are provisions that offer relief to defined contribution (DC) retirement plan participants, including:
  - **Loans:** Increase the plan loan limit from \$50K to \$100K for a 180-day period beginning on the date of enactment
  - **Tax Relief:** Relief from the 10% additional tax on early distributions for coronavirus-related distributions (up to \$100K)
  - **Required Minimum Distributions (RMDs):** A waiver of DC plan RMDs otherwise required to be made during 2020

# Defining “Qualified Individuals”

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- The special 2020 distribution and loan provisions of the CARES Act apply to qualified individuals who are defined in the Act as follows:

## Personally Diagnosed



Participant, his/her spouse, or dependent(s) diagnosed with the coronavirus or COVID-19 disease

## Financially Hurt Due to Coronavirus



Participant has adverse financial consequences as a result of the coronavirus, due to:

- Quarantine, furlough, or layoff
- Reduction in hours worked
- Unable to work due to lack of child care
- Closing or reducing hours of a business they owned or operated
- Other factors as determined by Treasury

# Loans: Increased Limits and Relaxed Payment Terms

Different loan provisions applicable for *qualified individuals*:

## Increased Plan Loan Limits

- Loan limit: Option to increase from existing loan limits:
  - Up to \$100,000 (existing is \$50,000)
  - Up to 100% of vested account balance (existing is 50%)

Limits still offset by highest outstanding loan balance in the immediately prior 12 months

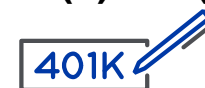
- Timing: For new loans issued during the 180 days following enactment of CARES Act

## Repayment Extensions

- Loan repayments due through December 31, 2020 *for individuals who certify their qualified status* may be delayed by one year
  - Loan repayments will be adjusted, including interest, to reflect the new due dates<sup>2</sup>
  - Applicable to both outstanding and new loan repayments due during the period from March 27 – December 31, 2020

## Plans Covered

**Qualified  
DC Plans  
401(a)/401(k)**



**403(b)s**



**Governmental  
457(b)s**



<sup>1</sup> Subject to IRS guidance



# Tax-Favored Retirement Plan Distributions

Special rules for coronavirus-related distributions:

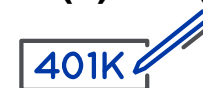
- For 2020, **withdrawals of up to \$100,000** allowed as a coronavirus-related distribution to a *qualified individual*
  - Exempt from 10% additional tax on early distributions; subject to income tax (see below)
  - Limit is per individual<sup>1</sup> and applies to all distributions for 2020, across all plans in the controlled group
- **Repayment of distribution** allowed as a rollover
  - Includes any qualified retirement program that accepts a rollover from the participant<sup>2</sup>
  - At any time during the 3-year period from the date of distribution without regard to normal rollover timing requirements
  - Can be multiple payments which, in aggregate, do not exceed the total amount of the distribution
- **Taxation of the distribution will be ratably over 3 years** unless participant elects otherwise

<sup>1</sup> The CARES Act does not change the in-service distribution rules for DB plans; as a result, coronavirus-related distributions are generally available only to former employees and active employees otherwise eligible for in-service distributions in such plans

<sup>2</sup> Plan administrators can rely on individual's certification that this is a coronavirus-related distribution; individual could be active or inactive, if plan allows

## Plans Covered<sup>1</sup>

**Qualified  
DC Plans  
401(a)/401(k)**



**403(b)s**



**Governmental  
457(b)s**



**Pensions**



# RMDs: Relief for 2020

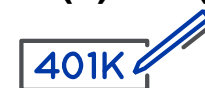
The CARES Act provides for a waiver of required minimum distributions (RMDs) due during 2020:

## Relief Available for Calendar Year 2020

- DC Plan RMDs are no longer required:
  - RMDs due during calendar year 2020
  - Includes initial RMDs for those turning 70½ in 2019 due to be paid no later than April 1, 2020 and not paid in 2019
- Any such payments, if made, are eligible for rollover
- For 2020 payments that would have been an RMD, but are no longer categorized as an RMD:
  - 20% mandatory withholding not required
  - No Special Tax Notice is required
- Tax treatment is mandatory; plan provisions determine whether payments are made

## Plans Covered

**Qualified  
DC Plans  
401(a)/401(k)**



**403(b)s**



**Governmental  
457(b)s**



# Implementation Considerations



## Coordination with Recordkeeper(s)

- Timing and process for decision-making and implementation
- Tracking \$100,000 controlled group distribution limits
- Tracking types of distributions
- Setting up loan suspensions
- Review rollover provisions for repayments



## Tax Reporting (Form 1099R)

- CARES Act may impact tax reporting process even if no plan changes are made
- For instance: RMD payments no longer considered RMDs



## Amend Plan Documents

- Amend plan on or before the last day of the plan year beginning on or after 1/1/22 (or 12/31/22 for calendar year plans)
- Additional 2 years allowed for governmental plans



## Participant Communication

- Determine strategy for communicating new opportunities to participants

Further IRS guidance forthcoming

## Other Considerations

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- **Timing of Amendments**

- Plan must be amended on or before the last day of the plan year beginning on or after January 1, 2022
  - December 31, 2022 amendment deadline for calendar year plans
- Governmental plans have an additional two-years for plan amendments

# Discussion Topics

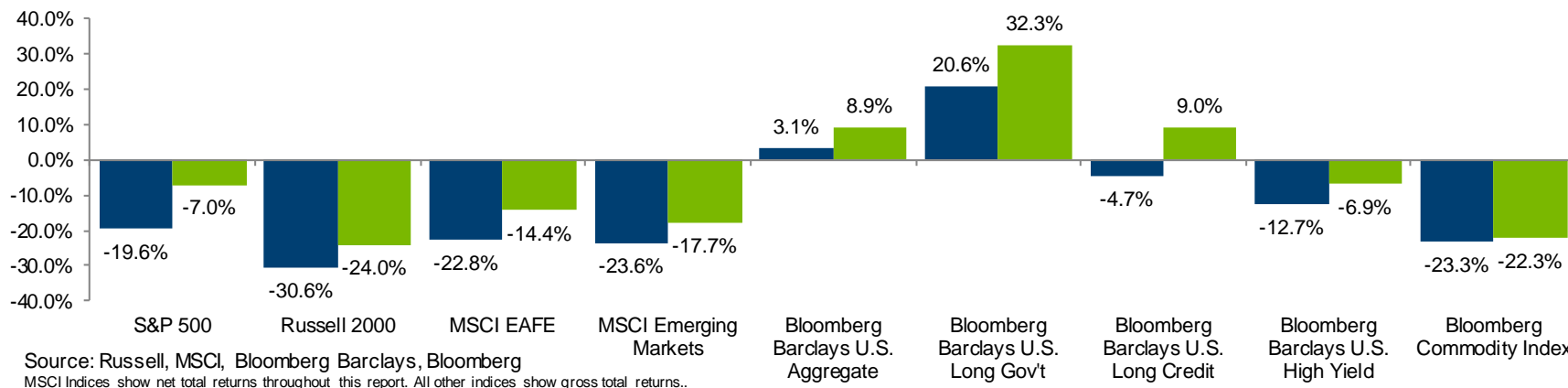
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# Market Highlights

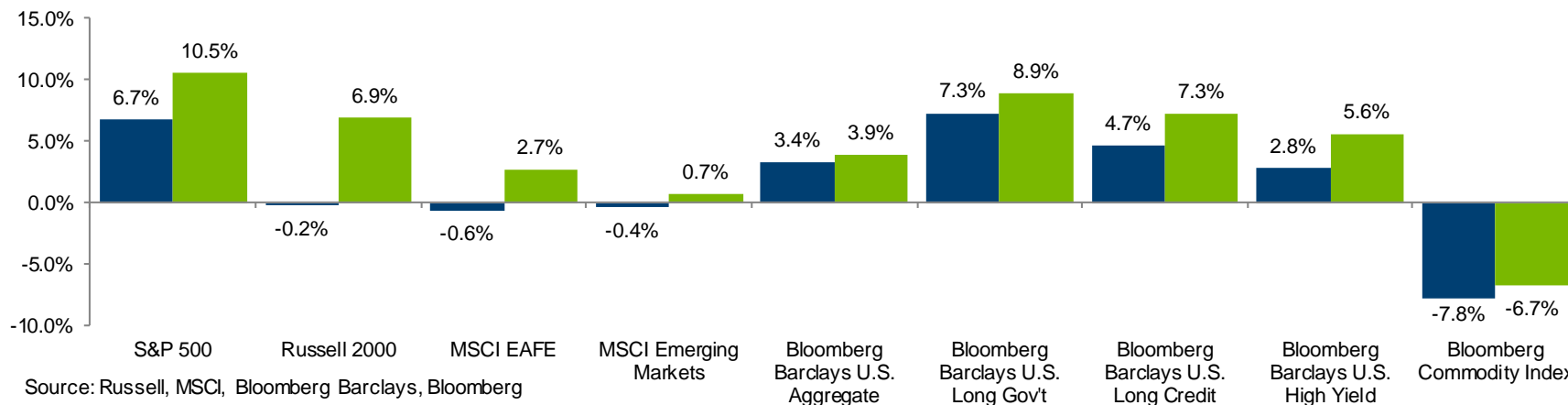
## SHORT TERM RETURNS AS OF 03/31/2020

■ First Quarter 2020 ■ One-Year



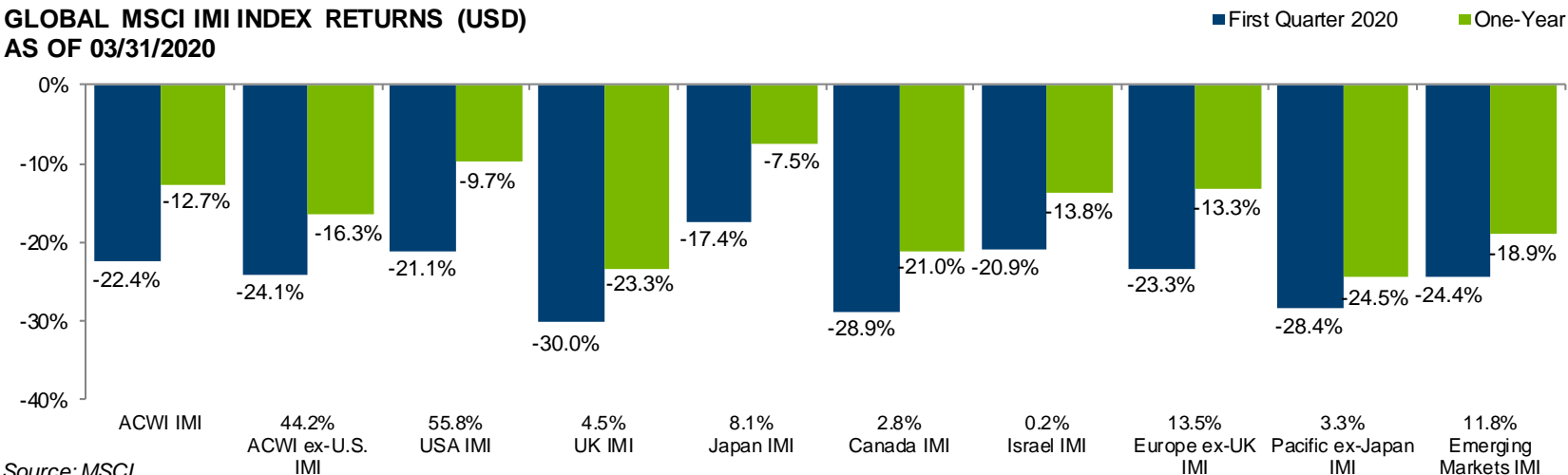
## LONG TERM ANNUALIZED RETURNS AS OF 03/31/2020

■ Five-Year ■ Ten-Year



# Global Equity Markets

**GLOBAL MSCI IMI INDEX RETURNS (USD)  
AS OF 03/31/2020**



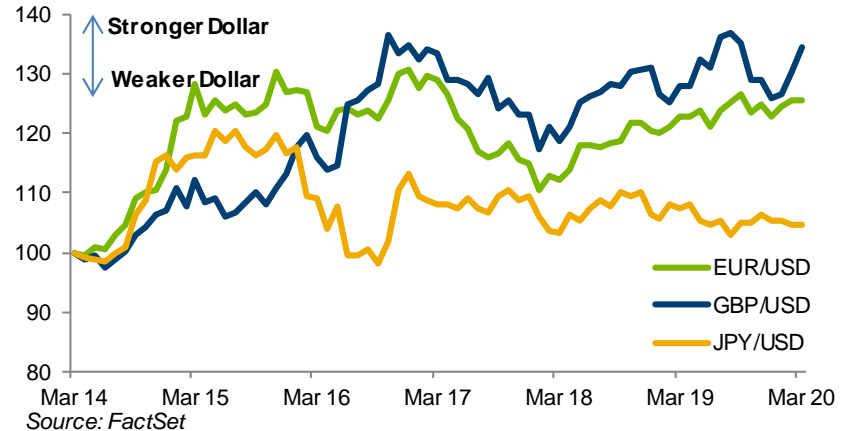
- A decade-long bull market came to an abrupt halt as the COVID-19 outbreak in China turned into a global pandemic.
- After reaching all-time highs in mid-February, global equities sold off sharply as infection numbers grew and governments worldwide ramped up virus containment measures. With much of the economy shuttered, a deep global recession appears to be inevitable despite unprecedented fiscal and monetary stimulus measures. In local currency terms, the MSCI AC World Investable Market Index fell by 21.0%. Appreciation of the U.S. dollar further dragged down the returns to -22.4% in USD terms in Q1 2020.
- UK equities were the worst performers (-30.0%) over the quarter where its sizeable resource sector (Oil & Gas and Basic Materials) underperformed due to sharp drop in crude oil prices amidst the coronavirus outbreak. Brexit negotiations ran into difficulties as the UK and the European Union (EU) clashed on “level playing field” requirements. The UK Prime Minister Boris Johnson stated that Britain would be prepared to leave the EU on the World Trade Organization’s (WTO) terms if progress is not made by June 2020.

# Currency

**TRADE WEIGHTED U.S. DOLLAR INDEX  
(1973 = 100)**



**U.S. DOLLAR RELATIVE TO EUR, GBP AND JPY  
REBASED TO 100 AT 03/31/2014**

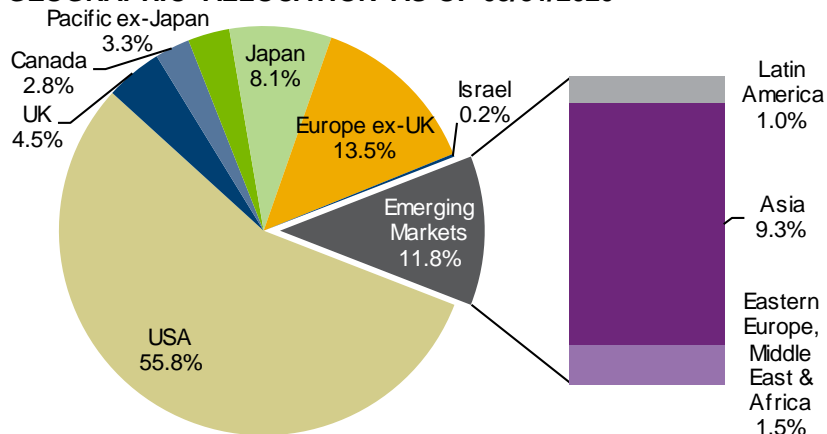


- The U.S. dollar generally strengthened against major currencies over the quarter as it rose 7.1% on a trade-weighted basis. The U.S. dollar appreciated against the euro and sterling but marginally depreciated against the Japanese yen.
- Sterling fell sharply during the quarter amidst “risk-off” trade flows as the coronavirus outbreak escalated. The UK’s current account deficit and its status as a relatively small open economy means that sterling is particularly exposed to international fund flows. As investor concerns over economic growth and financial market stability grew, capital flows started to dry up from the UK as investors seek “safe haven” assets such as the US dollar. Sterling depreciated by 6.4% against the U.S. dollar.
- Alongside a more dovish ECB and a weaker economic outlook, the euro fell against both the U.S. dollar and the Japanese yen, depreciating by 2.2% and 2.9% respectively. However, it rose by 4.2% against sterling.



# Global Equity Markets

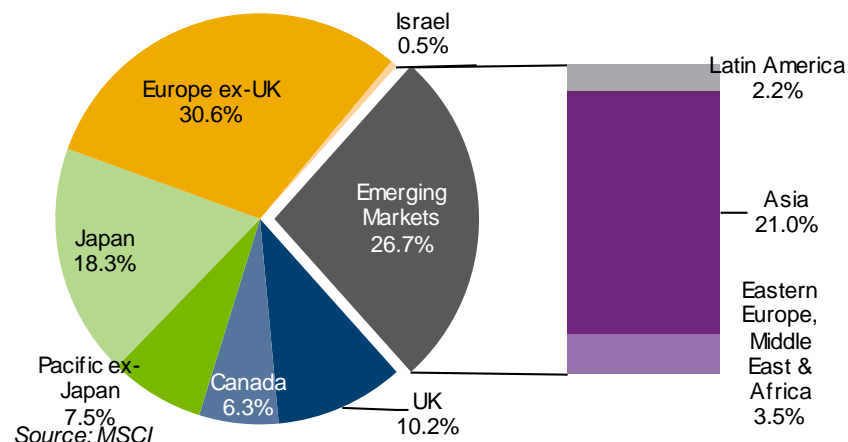
## MSCI ALL COUNTRY WORLD IMI INDEX GEOGRAPHIC ALLOCATION AS OF 03/31/2020



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.

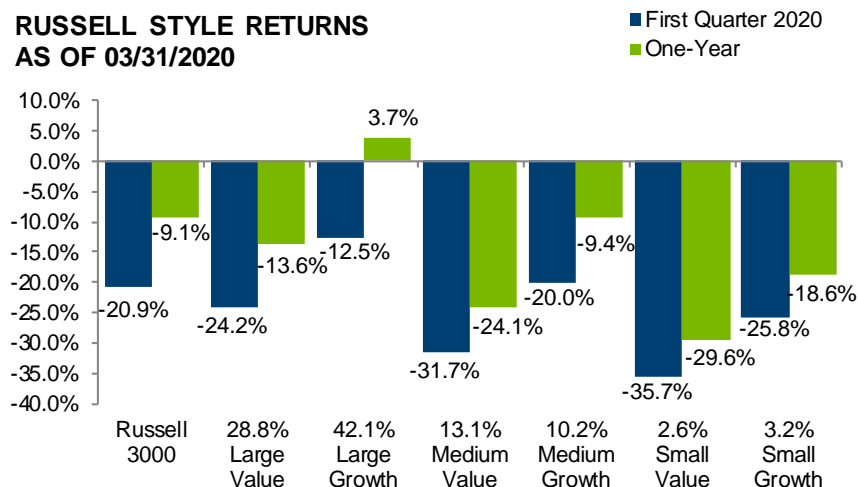
## MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX GEOGRAPHIC ALLOCATION AS OF 03/31/2020



Source: MSCI

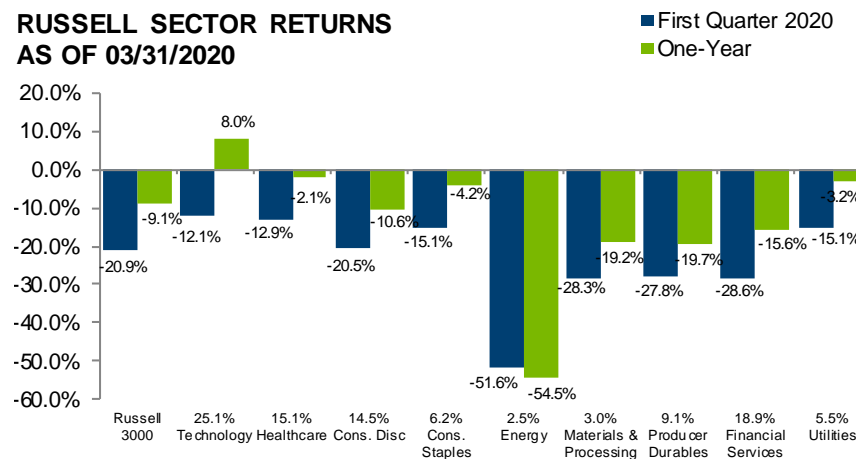
# U.S. Equity Markets

## RUSSELL STYLE RETURNS AS OF 03/31/2020



Source: Russell Indexes

## RUSSELL SECTOR RETURNS AS OF 03/31/2020

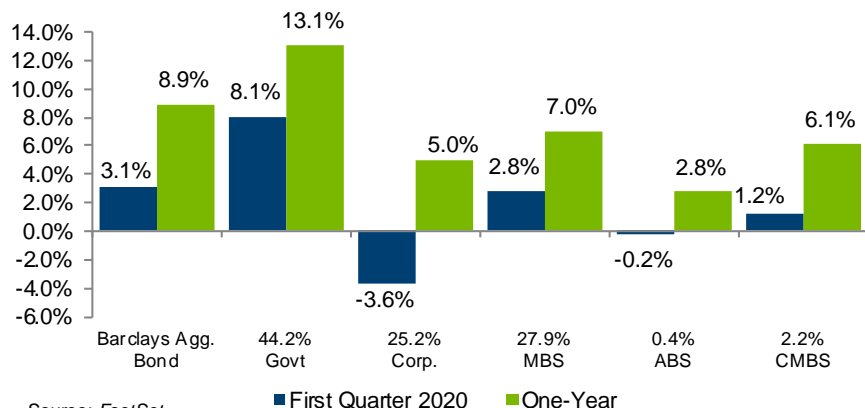


Source: Russell Indexes

- Three major U.S. equity indices (S&P 500, Dow Jones Industrial Average and Nasdaq Composite) entered bear market territory as the indices fell more than 20% below their mid-February peaks in the fastest bear market on record ending the 11-year bull market, the longest on record. Returns were on pace to be much worse before stock markets rallied to end the quarter. Large fiscal stimulus packages were credited as the major reason for improving risk sentiment. For the quarter, the Dow Jones US Total Stock Market Index returned -21.0%. The Russell 3000 Index fell 20.9% during the first quarter and 9.1% over the trailing one-year period.
- The CBOE Volatility Index (VIX), Wall Street's "fear gauge," set a new record peak of 82.7 in mid-March before ending the quarter slightly lower at 53.5 after having averaged 19.0 over the previous 12 months.
- All sectors generated negative returns over the quarter. In particular, the energy (-51.6%) and financial services (-28.6%) were the worst performing sectors in Q1 2020.
- Performance was negative across the market capitalization spectrum over the quarter. Small cap stocks underperformed both large and medium cap stocks over the quarter. Value stocks underperformed their growth counterparts in Q1 2020 and over the trailing one-year period.

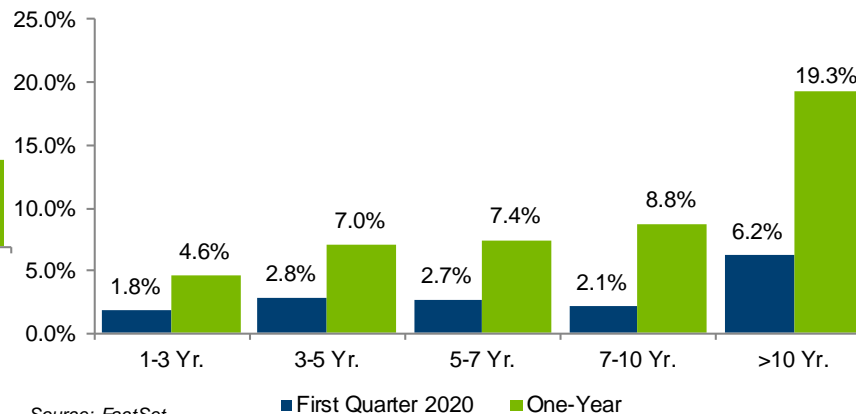
# U.S. Fixed Income Markets

**BLOOMBERG BARCLAYS AGGREGATE RETURNS BY SECTOR  
AS OF 03/31/2020**

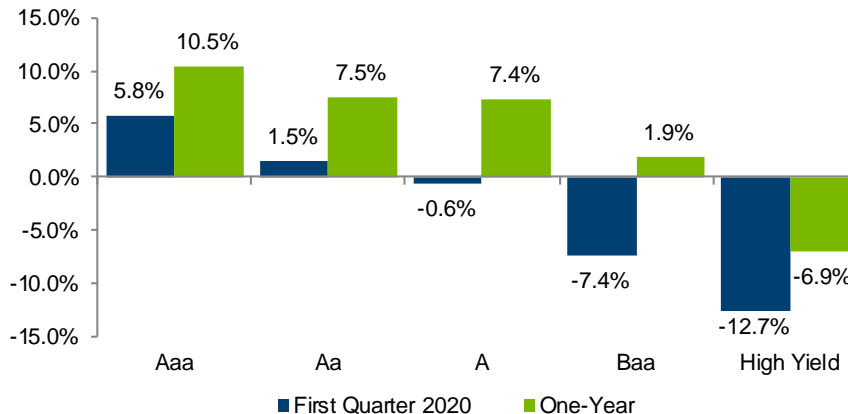


- The Bloomberg Barclays U.S. Aggregate Bond Index rose by 3.1% during the quarter, supported by government bond's return of 8.1%. The risky asset sell-off which tormented equity markets were also evident in the corporate bonds space, as concerns over corporate leverage that were disregarded in more benign times resurfaced. Corporate bonds underperformed with a return of -3.6%.
- Performance was mixed across all credit grades. High yield bonds fell by 12.7%. Within investment grade bonds, Aaa bonds outperformed with a return of 5.8%.
- Long-maturity bonds outperformed intermediate and short-maturity bonds during the quarter. Long-maturity bonds returned 6.2% while short-maturity bonds returned only 1.8% in Q1 2020.

**BLOOMBERG BARCLAYS AGGREGATE RETURNS BY MATURITY AS OF 03/31/2020**

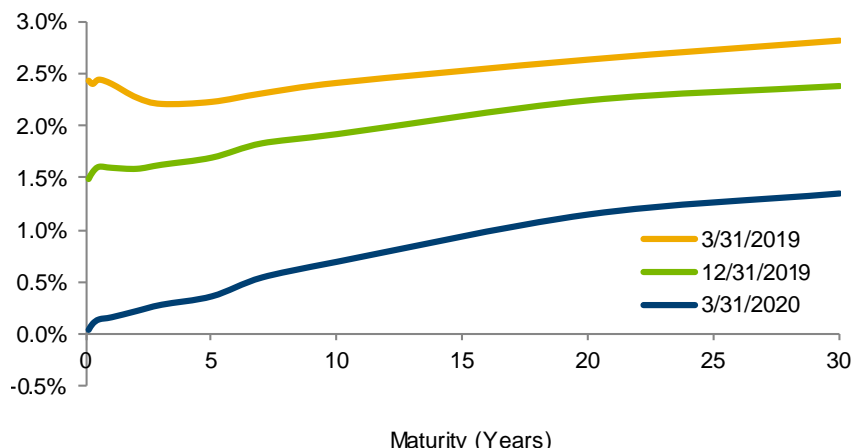


**BLOOMBERG BARCLAYS AGGREGATE RETURNS BY QUALITY AND HIGH YIELD RETURNS AS OF 03/31/2020**



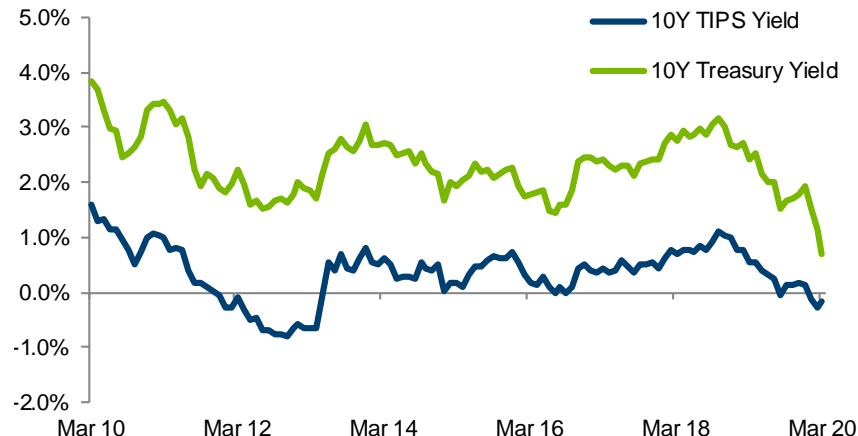
# U.S. Fixed Income Markets

**U.S. TREASURY YIELD CURVE**



Source: U.S. Department of Treasury

**U.S. 10-YEAR TREASURY AND TIPS YIELDS**



Source: U.S. Department of Treasury

- The U.S. nominal yield curve shifted downwards during the quarter as the combination of economic damage caused by the COVID-19 pandemic and the response of easing monetary policy caused yields to fall across the curve.
- The rate cuts, along with decreases in global output, caused 10-year US treasury yields to decrease by over 122 basis points to 0.70%, the first time in history it fell below 1.0%, and it remained there at the end of the quarter. The 30-year yield began the quarter at 2.39% and ended the quarter at 1.27%, a decline of 1.12%. The 30-year yield briefly closed below 1% on March 9, 2020, a sign of how stressed the outlook had become
- The 10-year TIPS yield fell by 32 basis points over the quarter to -0.17%.
- The U.S. Federal Reserve (Fed) announced two emergency rate cuts over the quarter, lowering the Fed Funds Rate target by a total of 150bps to 0.00% - 0.25%. The Federal Reserve also launch unlimited QE, and an expansion of QE into other markets, such as corporate bonds and municipal bonds. In addition to this, Congress passed a \$2.2 trillion stimulus package, the largest bailout in U.S. history.

# Credit Spreads

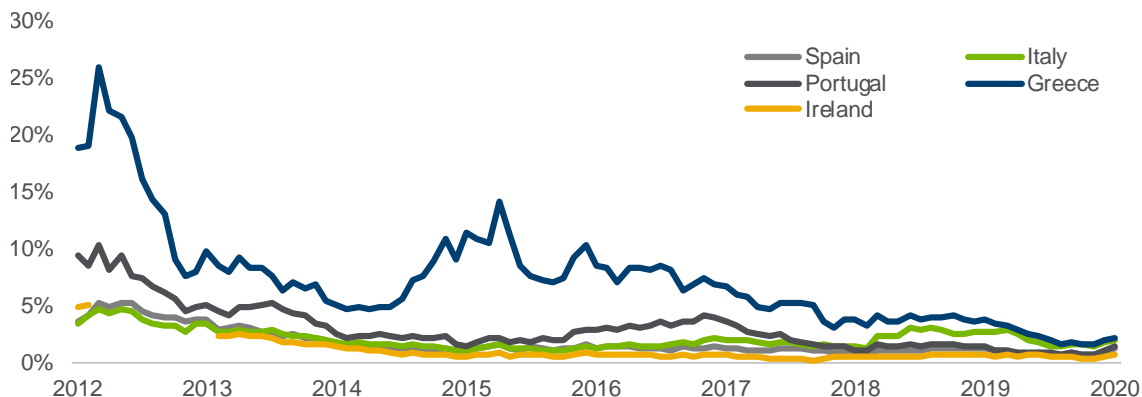
Spread (bps)	03/31/2020	12/31/2019	03/31/2019	Quarterly Change (bps)	One-Year Change (bps)
U.S. Aggregate	95	39	44	56	51
Long Gov't	4	0	1	4	3
Long Credit	279	139	172	140	107
Long Gov't/Credit	151	79	99	72	52
MBS	60	39	35	21	25
CMBS	188	72	69	116	119
ABS	213	44	39	169	174
Corporate	272	93	119	179	153
High Yield	880	336	391	544	489
Global Emerging Markets	619	287	283	332	336

Source: FactSet, Bloomberg Barclays

- The rapid reassessment of the economic outlook took a dramatic toll on credit assets during the quarter. Credit spreads over U.S. Treasuries widened over the period.
- Riskier areas of credit, such as U.S. high yield bonds and emerging market debt, saw double digit losses due to a decrease in investors' risk appetite. High Yield bond spreads widened significantly in Q1 2020, increasing by 544 basis points. This was followed by Global Emerging Markets bonds spreads, which widened by 332 basis points.

# European Fixed Income Markets

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

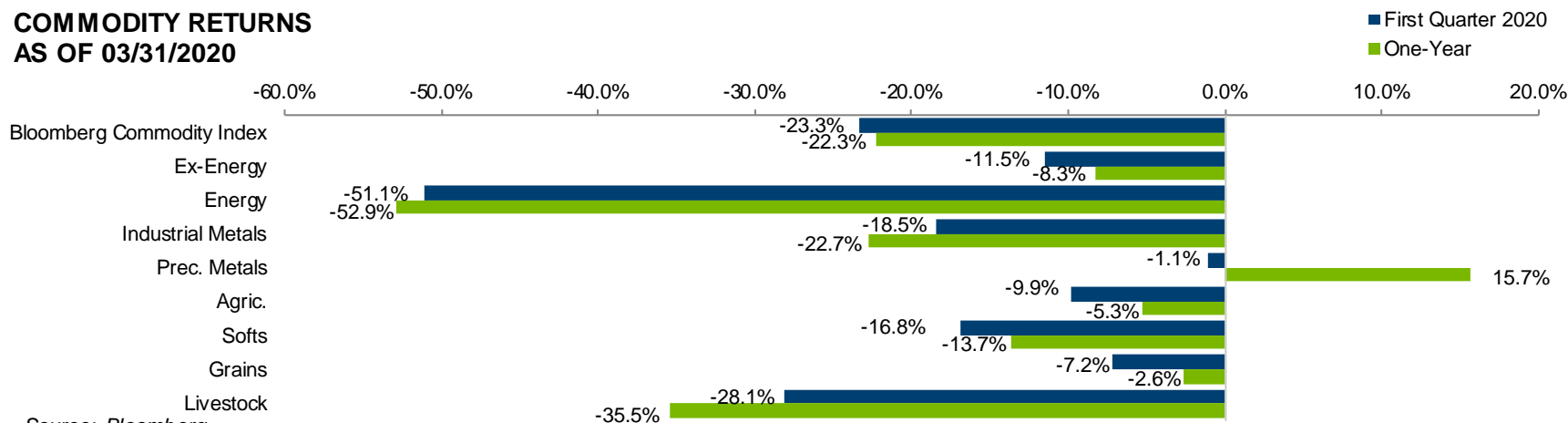


Source: FactSet

- European government bond spreads over 10-year German bunds rose across the Euro Area with core yields falling and peripheral yields rising (except Ireland). The European Central Bank (ECB) expanded its asset purchase programme and removed a self-imposed limit to buy no more than a third of any country's eligible bond, restoring some stability to the Euro Area's government bond market.
- German government bund yields fell in line with other developed market government bond yields, falling by 30bps to -0.49% over the quarter. Germany's annual economic growth slowed to its lowest rate in six years at 0.6% whilst it posted zero growth in Q4, hit by falling household and government consumption while capital investment in machinery and equipment fell.
- Italian government bond yields rose by 6bps to 1.48% over the quarter, retracting from a nine-month high of 2.3% after it spiked by 130bps mid-March and Spanish government bond yields rose by 18bps to 0.64%. Both the countries were the worst affected by novel coronavirus in Europe and were the first to impose quarantine measures.
- Greek government bond yields rose by 18bps to 1.61% over the quarter which saw the country's 10-year yield drop below 1% mid-Feb for the first time.

# Commodities

## COMMODITY RETURNS AS OF 03/31/2020



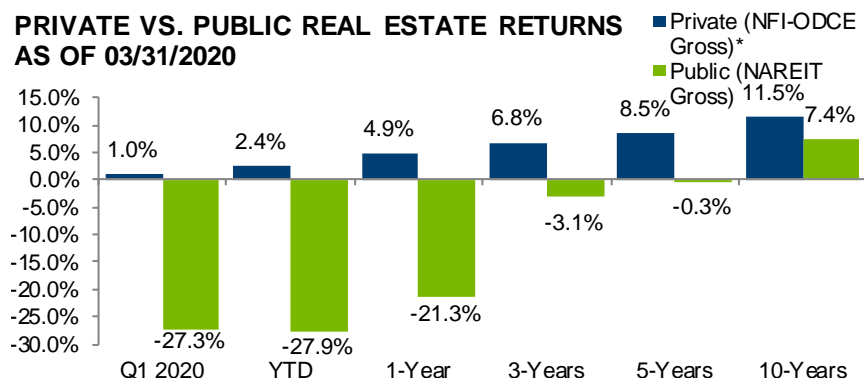
Source: Bloomberg

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

- Amidst the COVID-19 pandemic, commodities fell sharply over the quarter which saw the Bloomberg Commodity Index tumble by 23.3%.
- Energy was the worst performing sector over the quarter with a return of -51.1% as crude oil prices fell sharply following Saudi Arabia's plans to raise production and offer deep discounts to key markets in a bid to gain market share after Russia rejected a proposal by OPEC to cut oil production. The price of Brent crude oil fell by 65.5% to \$23/barrel and WTI crude oil spot prices fell by 66.5% to \$20/ barrel.
- Livestock (-28.1%) was the second worst performing sector in Q1 2020.

# U.S. Commercial Real Estate Markets

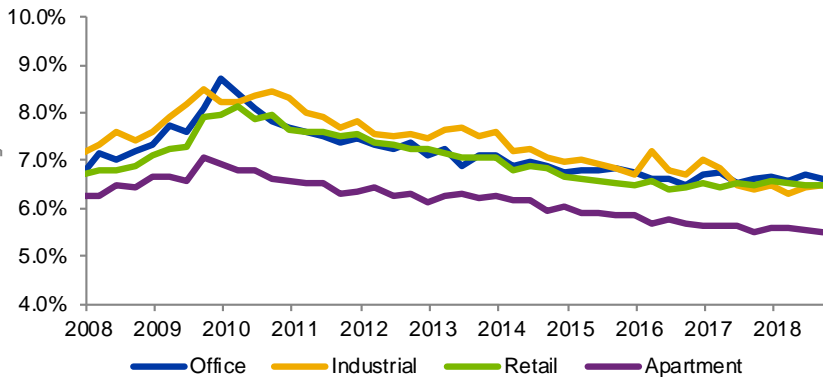
## PRIVATE VS. PUBLIC REAL ESTATE RETURNS AS OF 03/31/2020



\*First quarter returns are preliminary

Sources: NCREIF, FactSet

## CAP RATES BY SECTOR



Sources: RCA, AON 12/31/2018

- U.S. core real estate returned 1.42%\* over the first quarter, equating to 7.5% total gross return year-over-year, including a 4.2% income return. Debt mark to market was a drag on the quarterly return as a result of declining interest rates. Net income growth is expected to be the larger driver of the total return on a go forward basis given the current point of the real estate cycle.
- Global property markets, as measured by the FTSE EPRA/NAREIT Global Developed Real Estate Index, returned 14.9% (USD) in aggregate during the first quarter. Sector strength was largely attributed to a broader equity market rally due to an abrupt shift in monetary policy across major economies. The EU restarted QE just 2 months after ceasing the program, and the US Fed communicated a general pause from increasing rates for 2019. REIT market performance was driven by Asia Pacific (15.6% USD), North America (16.0% USD) and Europe (12.2% USD). The U.S. REIT markets (FTSE NAREIT Equity REITs Index) gained 16.3% in the first quarter. U.S. 10-year Treasury bond yield fell to 2.41%, after hitting highs over 3% in 2018. the movement was supportive to REIT share prices. Similarly, the German 10-year bond yield fell from .24% back to -0.07% at the end of the quarter.
- According to RCA through February 2019, the U.S. property market has experienced price growth of 6.3% year-over-year across major sectors. In addition, transaction volume was down 4% over the same period.
- Return expectations have normalized, with go forward expectations in line with historical norms. Declining interest rates have led to a rally across various asset classes. According to Preqin, there remains a record amount of dry powder (\$326 billion) in closed-end vehicles seeking real estate exposure, which should continue to lend support to valuations and liquidity in the commercial real estate market.

\*Indicates preliminary NFI-ODCE data gross of fees



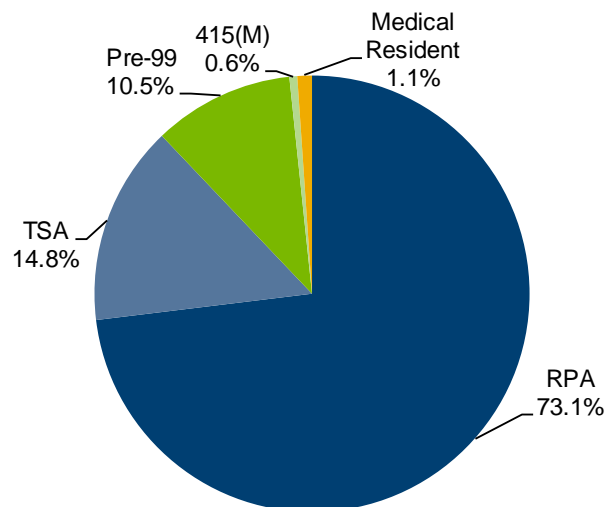
# Discussion Topics

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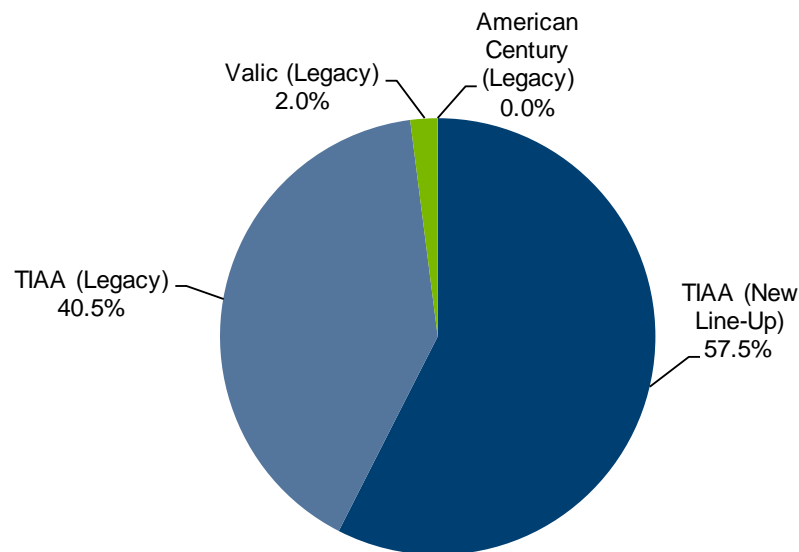
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# Asset Allocation

**Assets by Plan**  
As of March 31, 2020



**Assets by Vendor**  
As of March 31, 2020



As of 3/31/2020

Plan	RPA		TSA		Pre-99		415(M)		Medical Resident		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
TIAA (New Line-Up)	\$ 1,411,616,839	62.0%	\$ 303,034,239	65.7%	\$ 35,738,175	11.0%	\$ 16,994,827	93.1%	\$ 24,899,203	73.8%	\$ 1,792,283,284	57.5%
TIAA (Legacy)	\$ 828,595,342	36.4%	\$ 141,092,224	30.6%	\$ 289,937,594	89.0%	\$ 1,269,100	6.9%	\$ 164,890	0.5%	\$ 1,261,059,150	40.5%
Valic (Legacy)	\$ 37,098,654	1.6%	\$ 17,109,378	3.7%	\$ -	0.0%	\$ -	0.0%	\$ 8,660,875	25.7%	\$ 62,868,906	2.0%
American Century (Legacy)	\$ -	0.0%	\$ -	0.0%	\$ 235,348	0.1%	\$ -	0.0%	\$ -	0.0%	\$ 235,348	0.0%
<b>Total</b>	<b>\$ 2,277,310,835</b>	<b>100.0%</b>	<b>\$ 461,235,841</b>	<b>100.0%</b>	<b>\$ 325,911,117</b>	<b>100.0%</b>	<b>\$ 18,263,927</b>	<b>100.0%</b>	<b>\$ 33,724,967</b>	<b>100.0%</b>	<b>\$ 3,116,446,688</b>	<b>100.0%</b>
Other Assets*											\$ 1,848,201	0.1%
<b>Grand Total</b>	<b>\$ 2,277,310,835</b>	<b>73.0%</b>	<b>\$ 461,235,841</b>	<b>14.8%</b>	<b>\$ 325,911,117</b>	<b>10.5%</b>	<b>\$ 18,263,927</b>	<b>0.6%</b>	<b>\$ 33,724,967</b>	<b>1.1%</b>	<b>\$ 3,118,294,889</b>	<b>100.0%</b>

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

Source: TIAA

Proprietary & Confidential  
Investment advice and consulting services provided by Aon Investments USA Inc.

# Tier I(a) Watch List

## Tier I (a)

	1. <i>Underperformed During Trailing 5 Years</i>	2. <i>Underperformed in 3 of 4 Trailing Calendar Quarters</i>	3. <i>Diverged from Strategy and/or Portfolio Characteristics</i>	4. <i>Adverse Change in Portfolio Manager</i>	5. <i>Weak Manager Research Rating</i>	6. <i>Significant Organizational Change</i>	Watch List Status			
							1st Quarter 2020	4th Quarter 2019	3rd Quarter 2019	2nd Quarter 2019
Vanguard Target Retirement Income Trust Plus	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2015 Trust Plus	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2020 Trust Plus	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2025 Trust Plus	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2030 Trust Plus	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2035 Trust Plus	No	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2040 Trust Plus	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2045 Trust Plus	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2050 Trust Plus	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2055 Trust Plus	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2060 Trust Plus	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2065 Trust Plus*	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 I Watch List

## Tier I

	1. <i>Underperformed During Trailing 5 Years</i>	2. <i>Underperformed in 3 of 4 Trailing Calendar Quarters</i>	3. <i>Diverged from Strategy and/or Portfolio Characteristics</i>	4. <i>Adverse Change in Portfolio Manager</i>	5. <i>Weak Manager Research Rating</i>	6. <i>Significant Organizational Change</i>	Watch List Status			
							1st Quarter 2020	4th Quarter 2019	3rd Quarter 2019	2nd Quarter 2019
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.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2030 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2035 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2040 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2045 - Instl.	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.

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- **Orange-Level Watch List.** An investment fund goes on the Watch List with an orange designation when it has been on the yellow watch list for two consecutive quarters or when three of the above occur.
- **Red-Level Watch List.** An investment fund goes on the Watch List with a red designation when it has been on the orange watchlist for two consecutive quarters or when four of the above occur. When an investment fund is placed on the Watch List with a red designation, a formal fund review will be conducted and a recommendation for action will be made.

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

# Tier II Watch List

## Tier II

	1. Underperformed During Trailing 5 Years	2. Underperformed in 3 of 4 Trailing Calendar Quarters	3. Diverged from Strategy and/or Portfolio Characteristics	4. Adverse Change in Portfolio Manager	5. Weak Manager Research Rating	6. Significant Organizational Change	Watch List Status			
							1st Quarter 2020	4th Quarter 2019	3rd Quarter 2019	2nd Quarter 2019
Vanguard Total Bond Market Index Fund	No	No	No	No	No (Buy)	No				
Vanguard Total International Bond Index Fund	Yes	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 Bond Index	No	No	No	No	No (Buy)	No				
Vanguard Developed Market Index Fund	No	No	No	No	No (Buy)	No				
Vanguard Emerging Markets Stock Index Fund	No	No	No	No	No (Buy)	No				
Vanguard Federal Money Market Fund	No	Yes	No	No	No (Buy)	No				
T. Rowe Price Stable Value Common Trust Fund A	Yes	Yes	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	Yes	No	No	No	No (Buy)	No				
DFA Inflation-Protected Securities	No	No	No	No	No (Buy)	No				
American Century High Income	Yes	Yes	No	No	No (Buy)	No				
T. Rowe Price Instl. Large Cap Growth Fund	No	Yes	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	Yes	No	No	No (Buy)	No				
Dodge & Cox Global Stock Fund	Yes	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.

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- **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.

# Tier I(a) Performance Summary

As of 3/31/2020

	Allocation		Performance(%)						
	Market Value (\$)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Plan	3,118,294,889	100.0							03/01/2014
Tier I (a)	745,971,517	23.9							03/01/2014
Vanguard Target Retirement Income Trust Plus	20,632,086	0.7	-5.9 (31)	1.0 (18)	3.4 (10)	3.2 (8)		4.6 (25)	09/01/2011
Vanguard Target Retirement Income Trust I			-5.9 (31)	1.0 (18)	3.4 (10)	3.2 (8)	5.0	4.6 (26)	
Vanguard Target Retirement Income Trust II			-5.9 (31)	0.9 (19)	3.4 (11)	3.2 (8)	5.0	4.6 (26)	
Vanguard Target Income Composite Index			-5.6 (22)	1.4 (4)	3.7 (4)	3.4 (5)	5.1	4.7 (22)	
Vanguard Target Retirement 2015 Trust Plus	43,198,998	1.4	-7.4 (10)	-0.1 (5)	3.7 (7)	3.6 (13)		6.1 (10)	09/01/2011
Vanguard Target Retirement 2015 Trust I			-7.4 (9)	-0.1 (5)	3.7 (8)	3.6 (13)	6.1	6.0 (11)	
Vanguard Target Retirement 2015 Trust II			-7.4 (10)	-0.1 (5)	3.6 (9)	3.6 (14)	6.1	6.0 (13)	
Vanguard Target 2015 Composite Index			-7.0 (5)	0.4 (4)	3.9 (2)	3.8 (2)	6.2	6.2 (4)	
Vanguard Target Retirement 2020 Trust Plus	79,715,282	2.6	-10.7 (67)	-2.6 (42)	3.4 (13)	3.7 (9)		6.6 (7)	09/01/2011
Vanguard Target Retirement 2020 Trust I			-10.7 (67)	-2.6 (42)	3.4 (13)	3.7 (9)	6.5	6.5 (7)	
Vanguard Target Retirement 2020 Trust II			-10.7 (67)	-2.6 (42)	3.4 (13)	3.6 (9)	6.4	6.5 (8)	
Vanguard Target 2020 Composite Index			-10.3 (60)	-2.0 (35)	3.7 (9)	3.9 (5)	6.7	6.7 (4)	
Vanguard Target Retirement 2025 Trust Plus	95,534,649	3.1	-12.9 (58)	-4.1 (43)	3.2 (26)	3.7 (13)		6.9 (9)	09/01/2011
Vanguard Target Retirement 2025 Trust I			-12.9 (58)	-4.2 (43)	3.2 (26)	3.7 (13)	6.7	6.9 (9)	
Vanguard Target Retirement 2025 Trust II			-12.9 (58)	-4.2 (43)	3.2 (26)	3.7 (14)	6.7	6.9 (10)	
Vanguard Target 2025 Composite Index			-12.4 (42)	-3.6 (29)	3.5 (17)	3.9 (6)	6.9	7.1 (5)	
Vanguard Target Retirement 2030 Trust Plus	115,940,808	3.7	-14.7 (49)	-5.6 (41)	2.9 (26)	3.7 (24)		7.2 (10)	09/01/2011
Vanguard Target Retirement 2030 Trust I			-14.7 (49)	-5.7 (41)	2.9 (27)	3.7 (24)	7.0	7.2 (10)	
Vanguard Target Retirement 2030 Trust II			-14.7 (49)	-5.7 (41)	2.9 (27)	3.6 (24)	6.9	7.2 (11)	
Vanguard Target 2030 Composite Index			-14.2 (39)	-5.0 (29)	3.2 (18)	3.9 (19)	7.2	7.4 (6)	
Vanguard Target Retirement 2035 Trust Plus	123,177,692	4.0	-16.5 (40)	-7.1 (29)	2.6 (16)	3.6 (16)		7.5 (11)	09/01/2011
Vanguard Target Retirement 2035 Trust I			-16.5 (40)	-7.2 (29)	2.6 (16)	3.6 (16)	7.2	7.5 (11)	
Vanguard Target Retirement 2035 Trust II			-16.5 (40)	-7.2 (29)	2.6 (17)	3.6 (17)	7.1	7.5 (12)	
Vanguard Target 2035 Composite Index			-16.0 (31)	-6.5 (19)	2.9 (13)	3.8 (13)	7.4	7.7 (8)	

Note: Trust II through October 31, 2017; Trust I through October 25, 2018; Trust Plus thereafter.

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

As of 3/31/2020

	Allocation		Performance(%)						
	Market Value (\$)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Vanguard Target Retirement 2040 Trust Plus	109,448,613	3.5	-18.2 (38)	-8.6 (30)	2.3 (18)	3.5 (17)		7.7 (15)	09/01/2011
Vanguard Target Retirement 2040 Trust I			-18.2 (38)	-8.6 (29)	2.3 (18)	3.5 (17)	7.3	7.6 (15)	
Vanguard Target Retirement 2040 Trust II			-18.2 (38)	-8.7 (30)	2.3 (18)	3.5 (18)	7.3	7.6 (16)	
Vanguard Target 2040 Composite Index			-17.8 (32)	-8.1 (17)	2.6 (11)	3.8 (11)	7.5	7.9 (8)	
Vanguard Target Retirement 2045 Trust Plus	86,300,415	2.8	-19.8 (44)	-10.1 (35)	1.9 (28)	3.3 (21)		7.5 (13)	09/01/2011
Vanguard Target Retirement 2045 Trust I			-19.8 (44)	-10.1 (35)	1.9 (28)	3.3 (21)	7.2	7.5 (13)	
Vanguard Target Retirement 2045 Trust II			-19.8 (44)	-10.1 (36)	1.8 (29)	3.3 (22)	7.1	7.5 (14)	
Vanguard Target 2045 Composite Index			-19.5 (38)	-9.5 (29)	2.2 (19)	3.6 (15)	7.4	7.7 (9)	
Vanguard Target Retirement 2050 Trust Plus	49,362,595	1.6	-19.8 (35)	-10.1 (26)	1.9 (22)	3.3 (22)		7.5 (17)	09/01/2011
Vanguard Target Retirement 2050 Trust I			-19.8 (35)	-10.1 (26)	1.9 (23)	3.3 (22)	7.2	7.5 (17)	
Vanguard Target Retirement 2050 Trust II			-19.8 (35)	-10.1 (26)	1.9 (23)	3.3 (22)	7.1	7.5 (19)	
Vanguard Target 2050 Composite Index			-19.5 (28)	-9.5 (21)	2.2 (17)	3.6 (13)	7.4	7.7 (13)	
Vanguard Target Retirement 2055 Trust Plus	17,240,537	0.6	-19.8 (25)	-10.1 (22)	1.9 (24)	3.3 (22)			09/01/2011
Vanguard Target Retirement 2055 Trust I			-19.8 (25)	-10.1 (22)	1.9 (25)	3.3 (23)		7.5 (18)	
Vanguard Target Retirement 2055 Trust II			-19.8 (25)	-10.1 (22)	1.9 (25)	3.3 (23)		7.5 (19)	
Vanguard Target 2055 Composite Index			-19.5 (19)	-9.5 (17)	2.2 (17)	3.6 (15)		7.7 (11)	
Vanguard Target Retirement 2060 Trust Plus	5,349,032	0.2	-19.8 (22)	-10.0 (20)	1.9 (22)	3.3 (23)		6.7	04/01/2012
Vanguard Target Retirement 2060 Trust I			-19.8 (22)	-10.0 (20)	1.9 (22)	3.3 (23)		6.7	
Vanguard Target Retirement 2060 Trust II			-19.8 (22)	-10.1 (21)	1.9 (23)	3.3 (25)		6.6	
Vanguard Target 2060 Composite Index			-19.5 (19)	-9.5 (13)	2.2 (19)	3.6 (15)		6.9	
Vanguard Target Retirement 2065 Trust Plus	70,809	0.0	-19.8 (22)	-10.1 (21)				-0.1 (22)	08/01/2017
Vanguard Target Retirement 2065 Trust I			-19.8 (22)	-10.1 (22)				-0.1 (22)	
Vanguard Target Retirement 2065 Trust II			-19.8 (23)	-10.1 (21)				-0.1 (22)	
Vanguard Target 2065 Composite Index			-19.5 (19)	-9.5 (13)				0.2 (19)	

Note: Trust II through October 31, 2017; Trust I through October 25, 2018; Trust Plus thereafter.

# Tier I Performance Summary

As of 3/31/2020

	Allocation		Performance(%)							Inception Date
	Market Value (\$)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception		
Tier I	127,768,020	4.1							02/01/2014	
Vanguard Target Retirement Income - Instl.	8,300,848	0.3	-5.9 (25)	0.9 (23)	3.4 (1)			3.6 (29)	07/01/2015	
Vanguard Tgt Ret Inc;Inv (VTINX)			-5.9 (26)	0.9 (23)	3.4 (1)	3.2	4.9	3.5 (34)		
Vanguard Target Income Composite Index			-5.6 (24)	1.4 (20)	3.7 (1)	3.4	5.1	3.8 (1)		
Vanguard Target Retirement 2015 - Instl.	15,978,194	0.5	-7.4 (9)	-0.1 (5)	3.7 (8)			3.9 (13)	07/01/2015	
Vanguard Tgt Ret2015;Inv (VTXVX)			-7.4 (10)	-0.2 (10)	3.6 (15)	3.6	6.0	3.9 (16)		
Vanguard Target 2015 Composite Index			-7.0 (5)	0.4 (4)	3.9 (2)	3.8	6.2	4.2 (1)		
Vanguard Target Retirement 2020 - Instl.	16,818,839	0.5	-10.7 (67)	-2.6 (43)	3.3 (14)			3.9 (9)	07/01/2015	
Vanguard Tgt Ret2020;Inv (VTWNX)			-10.8 (67)	-2.6 (46)	3.3 (16)	3.6	6.4	3.9 (10)		
Vanguard Target 2020 Composite Index			-10.3 (60)	-2.0 (35)	3.7 (9)	3.9	6.7	4.2 (3)		
Vanguard Target Retirement 2025 - Instl.	22,067,922	0.7	-12.9 (58)	-4.2 (44)	3.1 (26)			3.9 (15)	07/01/2015	
Vanguard Tgt Ret2025;Inv (VTTVX)			-13.0 (58)	-4.3 (45)	3.1 (29)	3.6	6.6	3.9 (19)		
Vanguard Target 2025 Composite Index			-12.4 (42)	-3.6 (29)	3.5 (17)	3.9	6.9	4.2 (10)		
Vanguard Target Retirement 2030 - Instl.	16,186,819	0.5	-14.8 (53)	-5.8 (42)	2.8 (29)			3.8 (28)	07/01/2015	
Vanguard Tgt Ret2030;Inv (VTHRX)			-14.8 (51)	-5.8 (43)	2.8 (32)	3.6	6.9	3.8 (29)		
Vanguard Target 2030 Composite Index			-14.2 (39)	-5.0 (29)	3.2 (18)	3.9	7.2	4.1 (18)		
Vanguard Target Retirement 2035 - Instl.	11,669,584	0.4	-16.5 (42)	-7.2 (30)	2.6 (17)			3.7 (17)	07/01/2015	
Vanguard Tgt Ret2035;Inv (VTTHX)			-16.5 (42)	-7.2 (34)	2.5 (17)	3.5	7.1	3.7 (20)		
Vanguard Target 2035 Composite Index			-16.0 (31)	-6.5 (19)	2.9 (13)	3.8	7.4	4.0 (13)		

Note: Investor class shares through June 30, 2016; Institutional class shares thereafter.



# Tier I Performance Summary (cont'd.)

As of 3/31/2020

	Allocation		Performance(%)						
	Market Value (\$)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Vanguard Target Retirement 2040 - Instl.	10,925,334	0.4	-18.2 (39)	-8.7 (31)	2.3 (19)			3.6 (18)	07/01/2015
Vanguard Tgt Ret2040;Inv (VFORX)			-18.2 (39)	-8.7 (31)	2.2 (20)	3.4	7.2	3.6 (20)	
Vanguard Target 2040 Composite Index			-17.8 (32)	-8.1 (17)	2.6 (11)	3.8	7.5	3.9 (11)	
Vanguard Target Retirement 2045 - Instl.	9,944,072	0.3	-19.9 (46)	-10.2 (36)	1.8 (29)			3.4 (26)	07/01/2015
Vanguard Tgt Ret2045;Inv (VTIVX)			-19.9 (45)	-10.2 (37)	1.8 (31)	3.2	7.1	3.4 (28)	
Vanguard Target 2045 Composite Index			-19.5 (38)	-9.5 (29)	2.2 (19)	3.6	7.4	3.7 (15)	
Vanguard Target Retirement 2050 - Instl.	10,296,339	0.3	-19.9 (37)	-10.1 (27)	1.8 (24)			3.4 (22)	07/01/2015
Vanguard Tgt Ret2050;Inv (VFIFX)			-19.9 (37)	-10.2 (28)	1.8 (28)	3.2	7.1	3.4 (25)	
Vanguard Target 2050 Composite Index			-19.5 (28)	-9.5 (21)	2.2 (17)	3.6	7.4	3.7 (15)	
Vanguard Target Retirement 2055 - Instl.	4,660,998	0.1	-19.9 (26)	-10.2 (23)	1.8 (27)			3.4 (22)	07/01/2015
Vanguard Tgt Ret2055;Inv (VFFVX)			-19.9 (26)	-10.2 (23)	1.8 (29)	3.2		3.3 (26)	
Vanguard Target 2055 Composite Index			-19.5 (19)	-9.5 (17)	2.2 (17)	3.6		3.7 (16)	
Vanguard Target Retirement 2060 - Instl.	535,002	0.0	-19.9 (24)	-10.1 (22)	1.8 (23)			3.4 (23)	07/01/2015
Vanguard Tgt Ret2060;Inv (VTTSX)			-19.9 (23)	-10.2 (24)	1.8 (24)	3.2		3.4 (24)	
Vanguard Target 2060 Composite Index			-19.5 (19)	-9.5 (13)	2.2 (19)	3.6		3.7 (18)	
Vanguard Target Retirement 2065 - Instl.	384,070	0.0	-20.0 (31)	-10.3 (27)				-0.3 (23)	08/01/2017
Vanguard Tgt Ret2065;Inv (VLXVX)			-19.9 (26)	-10.2 (25)				-0.3 (24)	
Vanguard Target 2065 Composite Index			-19.5 (19)	-9.5 (13)				0.2 (19)	

Note: Investor class shares through June 30, 2016; Institutional class shares thereafter.

# Tier II Performance Summary

As of 3/31/2020

	Allocation		Performance(%)							
	Market Value (\$)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date	
<b>Tier II</b>	<b>895,422,719</b>	<b>28.7</b>							<b>03/01/2014</b>	
Vanguard Total Bond Market Index Fund - Inst.	53,283,856	1.7	3.3 (15)	9.1 (9)	4.8 (6)	3.3 (13)	3.9 (47)	5.2 (20)	10/01/1995	
Performance Benchmark			3.2 (15)	9.1 (10)	4.9 (6)	3.4 (8)	3.9 (43)	5.3 (16)		
Vanguard Total International Bond Index Fund - Adm.	799,160	0.0	0.1 (4)	4.8 (4)	4.4 (4)	3.3 (5)		4.0 (9)	06/01/2013	
Bloomberg Barc. Global Agg ex-USD Flt Adj RIC Cpd (H)			0.2 (4)	5.0 (3)	4.6 (3)	3.6 (3)		4.3 (6)		
Vanguard Total Stock Market Index Fund - Inst.	43,517,321	1.4	-20.9 (63)	-9.2 (62)	4.0 (59)	5.7 (56)	10.2 (43)	6.7 (28)	08/01/1997	
Performance Benchmark			-20.9 (63)	-9.2 (62)	4.0 (59)	5.7 (56)	10.2 (43)	6.7 (29)		
Vanguard Institutional Index Fund - Inst. Plus	130,258,554	4.2	-19.6 (28)	-7.0 (16)	5.1 (13)	6.7 (10)	10.5 (4)	6.5 (1)	08/01/1997	
S&P 500 Index			-19.6 (30)	-7.0 (15)	5.1 (8)	6.7 (6)	10.5 (3)	6.5 (3)		
Vanguard FTSE Social Index Fund - Adm.	2,869,276	0.1	-20.0 (55)	-5.8 (44)	6.3 (39)	7.1 (38)	11.0 (30)	4.2 (73)	06/01/2000	
FTSE 4Good U.S. Select Index			-19.9 (55)	-5.7 (43)	6.4 (39)	7.3 (36)	11.2 (27)			
S&P 500 Index			-19.6 (52)	-7.0 (50)	5.1 (49)	6.7 (40)	10.5 (35)	5.1 (47)		
Vanguard Extended Market Index Fund - Inst.	36,403,657	1.2	-28.0 (99)	-20.5 (95)	-1.9 (97)	1.1 (92)	8.3 (88)	6.9 (70)	08/01/1997	
Performance Benchmark			-28.0 (99)	-20.6 (95)	-2.0 (97)	0.9 (93)	8.1 (89)			
Vanguard Total International Stock Index Fund - Inst.	9,101,341	0.3	-24.3 (69)	-16.5 (72)	-2.5 (63)	-0.6 (49)		2.1 (71)	12/01/2010	
Performance Benchmark			-24.0 (67)	-16.0 (71)	-2.3 (56)	-0.5 (47)		2.2 (70)		
Vanguard Developed Market Index Fund - Inst.	44,966,223	1.4	-24.0 (67)	-15.8 (69)	-2.4 (58)	-0.6 (47)	2.8 (41)	3.3 (41)	02/01/2010	
Performance Benchmark			-23.8 (65)	-15.4 (65)	-2.2 (55)	-0.5 (47)	2.8 (41)	3.3 (41)		
Vanguard Emerging Markets Stock Index Fund - Inst.	29,569,291	0.9	-24.6 (42)	-18.5 (47)	-2.7 (42)	-1.1 (49)	0.4 (44)	5.8 (70)	07/01/2000	
Performance Benchmark			-24.2 (39)	-17.9 (42)	-2.5 (40)	-1.1 (47)	0.5 (41)	5.9 (68)		
Vanguard Federal Money Market Fund - Inv.	54,752,814	1.8	0.3 (11)	1.9 (19)	1.6 (21)	1.1 (20)	0.5 (24)	2.9 (26)	11/01/1989	
FTSE 3 Month T-Bill			0.4 (3)	2.0 (3)	1.7 (15)	1.1 (17)	0.6 (19)	2.8 (38)		
T. Rowe Price Stable Value Common Trust Fund A	8,572,290	0.3	0.5 (31)	2.2 (46)				2.1 (29)	02/01/2018	
Hueller Stable Value Index			0.6 (7)	2.5 (10)				2.4 (11)		
TIAA Traditional - RC	139,381,960	4.5	1.0 (4)	4.0 (4)	4.0 (1)	4.1 (1)	4.2 (2)	4.4 (1)	08/01/2005	
Hueller Stable Value Index			0.6 (7)	2.5 (10)	2.3 (11)	2.1 (11)	2.2 (25)	2.8 (21)		
TIAA Traditional - RCP	85,549,227	2.7	0.8 (4)	3.2 (6)	3.3 (3)	3.4 (1)	3.5 (3)	3.7 (1)	06/01/2006	
Hueller Stable Value Index			0.6 (7)	2.5 (10)	2.3 (11)	2.1 (11)	2.2 (25)	2.7 (21)		
PIMCO Total Return Fund - Inst.	23,669,689	0.8	2.2 (26)	7.6 (27)	4.5 (28)	3.2 (29)	4.1 (23)	7.1	06/01/1987	
Bloomberg Barc. U.S. Aggregate			3.1 (15)	8.9 (13)	4.8 (6)	3.4 (11)	3.9 (45)	6.3		

## Tier II Performance Summary (cont'd)

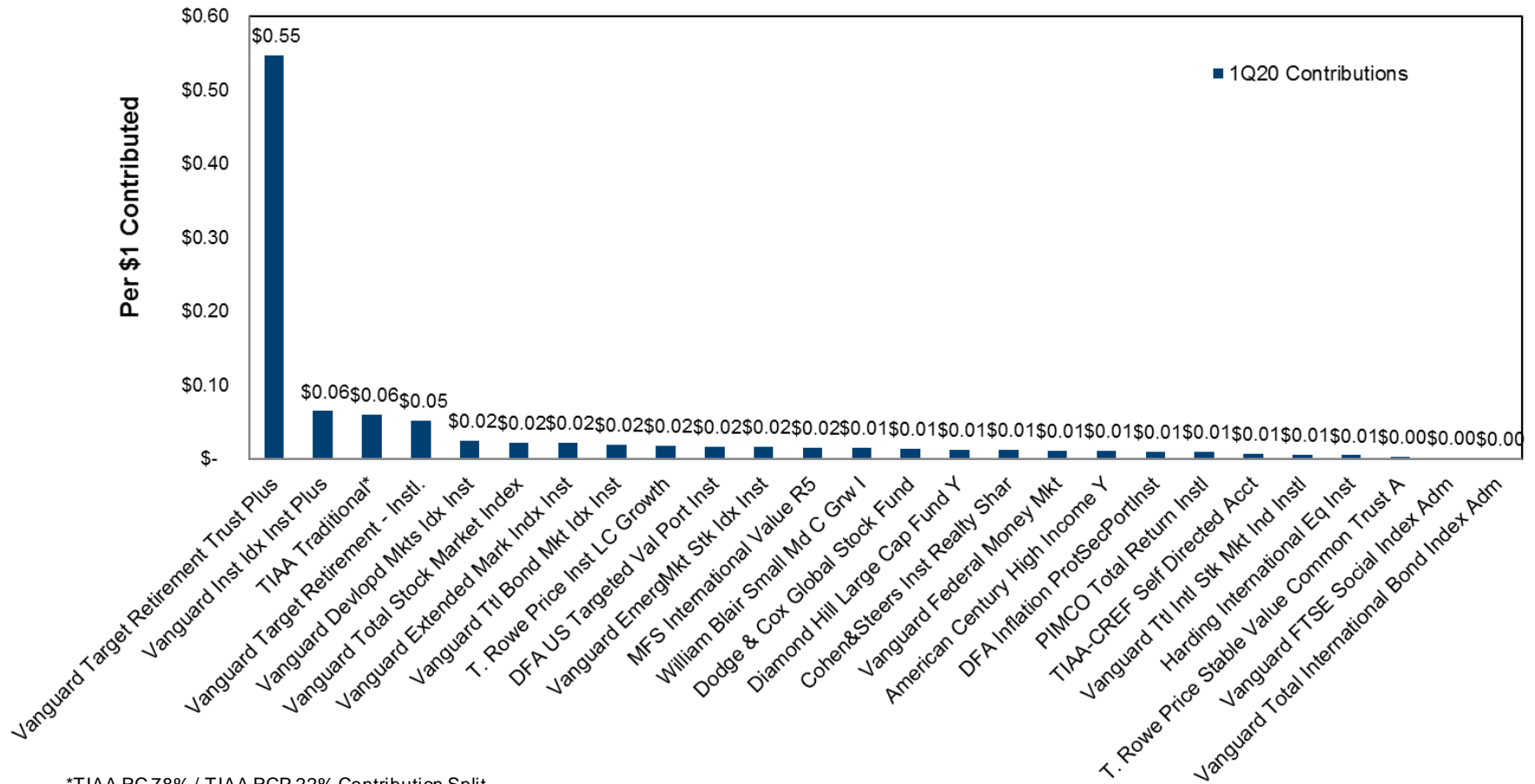
As of 3/31/2020

	Allocation		Performance(%)						
	Market Value (\$)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
DFA Inflation-Protected Securities Portfolio - I	26,204,709	0.8	1.7 (26)	6.4 (32)	3.5 (14)	2.7 (12)	3.6 (15)	4.1 (14)	10/01/2006
Blmbg. Barc. Global Inflation-Linked: U.S. TIPS			1.7 (20)	6.8 (17)	3.5 (14)	2.7 (15)	3.5 (18)	4.0 (24)	
American Century High Income - Y	24,549,540	0.8	-12.5 (45)	-7.6 (56)	0.2 (52)	2.3 (27)		3.9 (7)	01/01/2013
ICE BofAML US High Yield Master II Constrained			-13.1 (55)	-7.5 (53)	0.5 (34)	2.7 (17)		3.6 (18)	
T. Rowe Price Instl. Large Cap Growth Fund	29,963,600	1.0	-13.9 (57)	-3.5 (76)	12.9 (22)	11.3 (13)	13.9 (7)	9.9 (5)	11/01/2001
Russell 1000 Growth Index			-14.1 (63)	0.9 (28)	11.3 (46)	10.4 (26)	13.0 (19)	8.1 (36)	
Diamond Hill Large Cap - Y	21,353,445	0.7	-26.8 (59)	-14.4 (30)	-0.3 (34)	3.7 (13)		9.1 (17)	01/01/2012
Russell 1000 Value Index			-26.7 (59)	-17.2 (59)	-2.2 (64)	1.9 (52)		8.3 (40)	
William Blair Small/Mid Cap Growth Fund - I	26,593,775	0.9	-20.3 (37)	-11.0 (33)	6.5 (35)	6.5 (29)	11.4 (16)	9.6 (13)	01/01/2004
Russell 2500 Growth Index			-23.2 (57)	-14.4 (50)	3.4 (50)	3.6 (56)	10.1 (36)	8.2 (31)	
DFA U.S. Targeted Value - I	23,268,940	0.7	-39.2 (76)	-34.1 (70)	-12.1 (68)	-4.7 (66)	4.5 (67)	7.9	03/01/2000
Russell 2500 Value Index			-34.6 (21)	-28.6 (31)	-8.4 (33)	-2.1 (31)	5.6 (40)	7.5	
Dodge & Cox Global Stock Fund	19,283,795	0.6	-31.0 (98)	-22.1 (94)	-5.6 (95)	-0.8 (94)	4.9 (67)	2.6 (84)	05/01/2008
MSCI AC World Index (Net)			-21.4 (62)	-11.3 (64)	1.5 (67)	2.8 (61)	5.9 (58)	3.4 (81)	
Harding Loevner International Equity Instl.	9,357,421	0.3	-19.4 (39)	-9.5 (48)	0.9 (46)	2.1 (29)	4.9 (25)	5.5	06/01/1994
MSCI AC World ex USA Growth (Net)			-18.2 (23)	-7.3 (19)	2.5 (27)	2.1 (29)	3.9 (38)		
MFS International Value Fund - R6	29,335,766	0.9	-13.5 (1)	-2.8 (1)	5.6 (1)	5.7 (1)	8.4 (1)	6.4 (1)	06/01/2006
MSCI AC World ex USA Value (Net)			-28.5 (97)	-23.7 (98)	-6.5 (97)	-3.5 (96)	0.1 (96)	0.4 (96)	
Cohen and Steers Instl. Realty Shares	22,817,068	0.7	-22.8 (28)	-12.4 (14)	1.4 (14)	2.3 (11)	8.6 (14)	10.7 (8)	03/01/2000
FTSE NAREIT Equity REIT Index			-27.3 (78)	-21.3 (75)	-3.1 (71)	-0.3 (67)	7.4 (62)	9.5 (59)	
Tier III	23,121,027	0.7							03/01/2014
Mutual Fund Window	23,121,027	0.7							03/01/2014
Orphan Accounts	1,324,163,404	42.5							
TIAA Orphan Accounts	1,261,059,150	40.4							
VALIC Orphan Accounts	62,868,906	2.0							
American Century Orphan Accounts	235,348	0.0							
Other Assets	1,848,201	0.1							03/01/2014
Loans	420,237	0.0							03/01/2014
Loans Deemed Distributed	621,651	0.0							03/01/2014
Plan Loan Default Fund	806,313	0.0							07/01/2014

# Total Plan Contributions

As of 3/31/2020

## Contributed Funds



\*TIAA RC 78% / TIAA RCP 22% Contribution Split

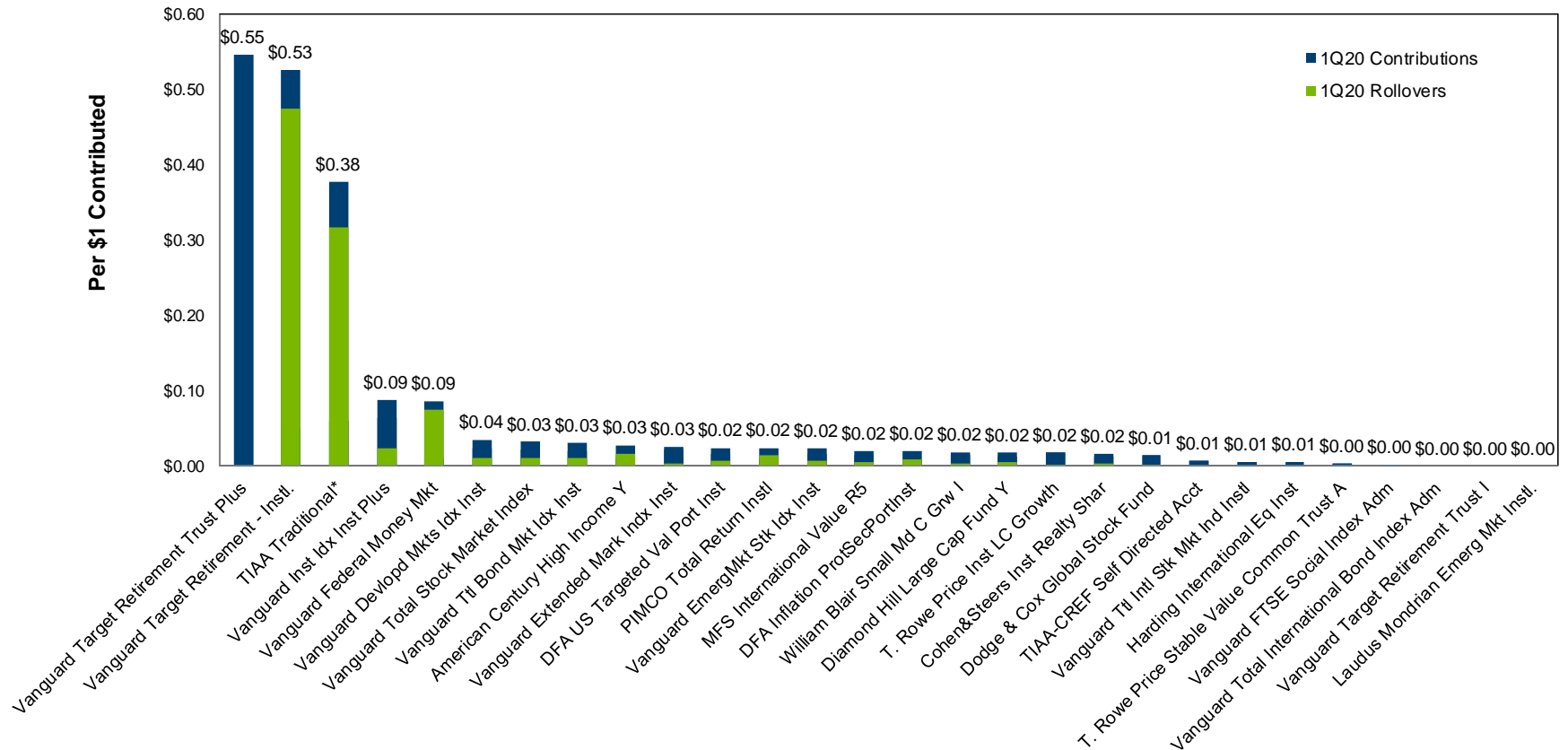
Source: TIAA

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Investment advice and consulting services provided by Aon Investments USA Inc.

# Total Plan Contributions (Including Rollovers)

As of 3/31/2020

## Contributed Funds (Including Rollovers)



\*TIAA RC 51% / TIAA RCP 49% Contribution and Rollover Split

Source: TIAA

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# Quarterly Participant Transfers

As of 3/31/2020

Investment	Transfers In	Transfers Out	Net Transfers	Ending Balance (3/31/2020)	Number of Participants
Vanguard Target Retirement Trust Plus Funds	\$6,215,128	(\$32,842,389)	(\$26,627,260)	\$745,971,517	4,112
Vanguard Target Retirement Mutual Funds	\$1,897,643	(\$9,126,788)	(\$7,229,146)	\$127,768,020	1,601
Vanguard Total Bond Market Index Inst	\$8,095,925	(\$3,726,065)	\$4,369,859	\$53,283,856	1,019
Vanguard Total Int'l Bond Index Fund Adm	\$804,591	(\$9,397)	\$795,194	\$799,160	2
Vanguard Total Stock Market Index Inst	\$1,905,452	(\$3,747,110)	(\$1,841,658)	\$43,517,321	476
Vanguard Institutional Index Inst	\$6,609,029	(\$8,026,537)	(\$1,417,508)	\$130,258,554	1,586
Vanguard FTSE Social Index Fund	\$354,349	(\$695,672)	(\$341,324)	\$2,869,276	49
Vanguard Extended Market Index Inst	\$2,474,884	(\$2,403,797)	\$71,087	\$36,403,657	1,185
Vanguard Total International Stock Index Inst	\$952,504	(\$358,172)	\$594,332	\$9,101,341	162
Vanguard Developed Markets Index Ins	\$2,969,052	(\$1,849,427)	\$1,119,624	\$44,966,223	1,237
Vanguard Emerging Markets Stock Index Inst	\$1,628,960	(\$1,476,797)	\$152,163	\$29,569,291	1,385
Vanguard Federal Money Market Inv	\$36,162,082	(\$8,706,698)	\$27,455,384	\$54,752,814	206
T. Rowe Price Stable Value Common Trust A	\$1,366,481	(\$140,473)	\$1,226,008	\$8,572,290	306
TIAA Traditional	\$7,833,489	(\$2,677,865)	\$5,155,624	\$224,931,187	1,724
PIMCO Total Return Instl	\$2,226,562	(\$1,823,268)	\$403,293	\$23,669,689	569
DFA Inflation Protected Securities Portfolio Inst	\$2,381,560	(\$1,051,147)	\$1,330,413	\$26,204,709	963
American Century High Income	\$1,324,464	(\$1,232,069)	\$92,395	\$24,549,540	871
T. Rowe Price Inst LC Growth	\$2,866,218	(\$3,239,401)	(\$373,183)	\$29,963,600	368
Diamond Hill Large Cap Fund Y	\$1,315,470	(\$2,003,858)	(\$688,388)	\$21,353,445	1,023
William Blair Small Md C Grw I	\$1,230,405	(\$2,309,539)	(\$1,079,134)	\$26,593,775	1,081
DFA US Targeted Val Port Inst	\$1,183,201	(\$1,424,466)	(\$241,265)	\$23,268,940	1,195
Dodge & Cox Global Stock Fund	\$69,602	(\$2,207,838)	(\$2,138,236)	\$19,283,795	663
Harding International Equit Inst	\$22,550	(\$875,856)	(\$853,306)	\$9,357,421	589
MFS International Value R6	\$1,384,972	(\$1,907,444)	(\$522,472)	\$29,335,766	1,266
Cohen & Steers Inst Realty Shares	\$1,663,407	(\$1,402,362)	\$261,044	\$22,817,068	1,435
Mutual Fund Window	\$1,882,431	(\$1,555,971)	\$326,460	\$23,121,027	52
<b>Total</b>	<b>\$96,820,410</b>	<b>(\$96,820,410)</b>	<b>\$0</b>	<b>\$1,792,283,284</b>	

Source: TIAA

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# Historical Quarterly Participant Transfers

As of 3/31/2020

Investment	3Q18		4Q18		1Q19		2Q19		3Q19		4Q19		1Q20	
	Net Transfers (\$M)	# of Part.	Net Transfers (\$M)	# of Part.	Net Transfers (\$M)	# of Part.	Net Transfers (\$M)	# of Part.	Net Transfers (\$M)	# of Part.	Net Transfers (\$M)	# of Part.	Net Transfers (\$M)	# of Part.
Vanguard Target Retirement Trust Plus	\$0.00	0	\$740.97	4,042	-\$15.23	4,044	-\$16.42	4,014	-\$13.94	4,157	-\$13.05	4,140	-\$26.63	4,112
Vanguard Target Retirement Trusts I	\$164.98	4,017	-\$784.41	0	--	--	--	--	--	--	--	--	--	--
Vanguard Target Retirement Mutual Funds	\$37.28	1,575	-\$13.22	1,550	-\$5.36	1,498	-\$4.07	1,541	-\$2.75	1,730	-\$2.84	1,743	-\$7.23	1,601
Vanguard Total Bond Market Index Inst	\$1.22	885	\$2.25	898	\$2.76	952	\$1.53	978	\$3.25	1,025	\$2.11	1,024	\$4.37	1,019
Vanguard Total Int'l Bond Index Fund Adm	--	--	--	--	--	--	--	--	--	--	--	--	\$0.80	2
Vanguard Total Stock Market Index Inst	-\$0.32	672	\$3.82	630	-\$1.44	599	-\$0.70	566	-\$1.18	523	-\$0.46	504	-\$1.84	476
Vanguard Institutional Index Inst	\$6.01	1,546	\$10.14	1,531	\$5.59	1,578	\$4.71	1,590	\$1.42	1,611	\$2.16	1,596	-\$1.42	1,586
Vanguard FTSE Social Index Fund	\$0.68	19	\$0.17	30	\$0.54	43	\$0.19	43	\$0.43	45	\$0.15	46	-\$0.34	49
Vanguard Extended Market Index Inst	-\$1.18	1,180	-\$2.20	1,116	-\$0.71	1,104	\$1.88	1,121	\$1.38	1,154	\$0.62	1,180	\$0.07	1,185
Vanguard Total International Stock Index Inst	-\$0.41	177	\$0.73	163	\$0.44	171	-\$0.19	169	-\$0.40	164	-\$0.06	162	\$0.59	162
Vanguard Developed Markets Index Ins	\$4.95	1,113	\$4.26	1,131	\$2.82	1,171	\$4.33	1,190	\$1.79	1,221	\$2.51	1,232	\$1.12	1,237
Vanguard Emerging Markets Stock Index Inst	\$1.38	1,376	\$1.62	1,365	\$1.15	1,395	\$1.60	1,394	\$1.08	1,404	\$1.30	1,394	\$0.15	1,385
Vanguard Federal Money Market Inv	-\$225.44	200	\$11.50	201	-\$1.62	214	\$0.91	210	\$0.78	212	\$1.29	217	\$27.46	206
T. Rowe Price Stable Value Common Trust A	\$0.58	96	\$1.26	145	\$1.06	202	\$1.09	236	\$0.86	268	\$0.73	288	\$1.23	306
TIAA Traditional	\$5.25	1,744	\$10.71	1,713	\$3.90	1,741	\$5.74	1,735	\$4.66	1,769	\$3.13	1,714	\$5.16	1,724
PIMCO Total Return Instl	-\$0.28	803	-\$0.62	778	\$0.02	738	-\$0.42	699	\$0.10	652	\$0.09	631	\$0.40	569
DFA Inflation Protected Securities Portfolio Inst	\$0.85	856	\$2.50	865	\$0.49	903	\$1.49	918	\$1.70	953	\$1.56	953	\$1.33	963
American Century High Income	\$1.55	883	\$2.56	882	\$1.39	880	\$1.18	879	\$0.72	885	\$0.41	875	\$0.09	871
T. Rowe Price Inst LC Growth	\$1.37	406	\$3.45	393	\$1.61	388	-\$3.91	389	-\$0.03	389	-\$1.13	381	-\$0.37	368
Diamond Hill Large Cap Fund Y	-\$1.21	1,159	-\$2.37	1,076	-\$1.32	989	\$0.10	947	\$0.31	996	\$0.54	1,025	-\$0.69	1,023
William Blair Small Md C Grw I	\$2.13	941	\$2.84	980	\$0.83	1,048	-\$0.25	1,053	\$0.32	1,046	\$0.20	1,070	-\$1.08	1,081
DFA US Targeted Val Port Inst	\$2.37	1,085	\$2.35	1,110	\$0.61	1,177	\$0.54	1,184	-\$0.12	1,208	-\$0.03	1,210	-\$0.24	1,195
Dodge & Cox Global Stock Fund	-\$2.01	946	-\$2.65	863	-\$2.76	788	-\$1.12	758	-\$0.94	774	-\$0.76	744	-\$2.14	663
Harding International Equit Inst	-\$0.44	725	\$0.62	729	\$0.59	783	-\$0.10	799	-\$0.58	730	-\$0.65	690	-\$0.85	589
MFS International Value R6	-\$1.30	1,270	-\$0.71	1,221	-\$1.04	1,251	-\$1.23	1,252	\$0.64	1,267	\$0.81	1,262	-\$0.52	1,266
Cohen & Steers Inst Realty Shares	\$0.42	1,470	\$0.41	1,446	-\$0.02	1,464	\$0.76	1,454	\$0.35	1,468	\$0.82	1,455	\$0.26	1,435
Mutual Fund Window	\$1.59	37	\$4.01	39	\$5.70	46	\$2.37	49	\$0.16	52	\$0.58	53	\$0.33	52
<b>Total</b>	<b>\$0.00</b>		<b>\$0.00</b>		<b>\$0.00</b>		<b>\$0.00</b>		<b>\$0.00</b>		<b>\$0.00</b>		<b>\$0.00</b>	

Net Transfers In (Darker shades represent larger transfers while lighter shades represent smaller transfers)  
 Net Transfers Out (Darker shades represent larger transfers while lighter shades represent smaller transfers)

Source: TIAA



# Annual Investment Fee Monitoring & Transparency – As of 3/31/2020

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 Plus	\$20,632,086	0.06%	\$12,379	0.00%	\$0	0.06%	\$12,379	0.039%	\$8,047	0.10%	\$20,426
Vanguard Target Retirement 2015 Trust Plus	\$43,198,998	0.06%	\$25,919	0.00%	\$0	0.06%	\$25,919	0.039%	\$16,848	0.10%	\$42,767
Vanguard Target Retirement 2020 Trust Plus	\$79,715,282	0.06%	\$47,829	0.00%	\$0	0.06%	\$47,829	0.039%	\$31,089	0.10%	\$78,918
Vanguard Target Retirement 2025 Trust Plus	\$95,534,649	0.06%	\$57,321	0.00%	\$0	0.06%	\$57,321	0.039%	\$37,259	0.10%	\$94,579
Vanguard Target Retirement 2030 Trust Plus	\$115,940,808	0.06%	\$69,564	0.00%	\$0	0.06%	\$69,564	0.039%	\$45,217	0.10%	\$114,781
Vanguard Target Retirement 2035 Trust Plus	\$123,177,692	0.06%	\$73,907	0.00%	\$0	0.06%	\$73,907	0.039%	\$48,039	0.10%	\$121,946
Vanguard Target Retirement 2040 Trust Plus	\$109,448,613	0.06%	\$65,669	0.00%	\$0	0.06%	\$65,669	0.039%	\$42,685	0.10%	\$108,354
Vanguard Target Retirement 2045 Trust Plus	\$86,300,415	0.06%	\$51,780	0.00%	\$0	0.06%	\$51,780	0.039%	\$33,657	0.10%	\$85,437
Vanguard Target Retirement 2050 Trust Plus	\$49,362,595	0.06%	\$29,618	0.00%	\$0	0.06%	\$29,618	0.039%	\$19,251	0.10%	\$48,869
Vanguard Target Retirement 2055 Trust Plus	\$17,240,537	0.06%	\$10,344	0.00%	\$0	0.06%	\$10,344	0.039%	\$6,724	0.10%	\$17,068
Vanguard Target Retirement 2060 Trust Plus	\$5,349,032	0.06%	\$3,209	0.00%	\$0	0.06%	\$3,209	0.039%	\$2,086	0.10%	\$5,296
Vanguard Target Retirement 2065 Trust Plus	\$70,809	0.06%	\$42	0.00%	\$0	0.06%	\$42	0.039%	\$28	0.10%	\$70
Vanguard Target Retirement Income - Instl.	\$8,300,848	0.09%	\$7,471	0.00%	\$0	0.09%	\$7,471	0.039%	\$3,237	0.13%	\$10,708
Vanguard Target Retirement 2015 - Instl.	\$15,978,194	0.09%	\$14,380	0.00%	\$0	0.09%	\$14,380	0.039%	\$6,231	0.13%	\$20,612
Vanguard Target Retirement 2020 - Instl.	\$16,818,839	0.09%	\$15,137	0.00%	\$0	0.09%	\$15,137	0.039%	\$6,559	0.13%	\$21,696
Vanguard Target Retirement 2025 - Instl.	\$22,067,922	0.09%	\$19,861	0.00%	\$0	0.09%	\$19,861	0.039%	\$8,606	0.13%	\$28,468
Vanguard Target Retirement 2030 - Instl.	\$16,186,819	0.09%	\$14,568	0.00%	\$0	0.09%	\$14,568	0.039%	\$6,313	0.13%	\$20,881
Vanguard Target Retirement 2035 - Instl.	\$11,669,584	0.09%	\$10,503	0.00%	\$0	0.09%	\$10,503	0.039%	\$4,551	0.13%	\$15,054
Vanguard Target Retirement 2040 - Instl.	\$10,925,334	0.09%	\$9,833	0.00%	\$0	0.09%	\$9,833	0.039%	\$4,261	0.13%	\$14,094
Vanguard Target Retirement 2045 - Instl.	\$9,944,072	0.09%	\$8,950	0.00%	\$0	0.09%	\$8,950	0.039%	\$3,878	0.13%	\$12,828
Vanguard Target Retirement 2050 - Instl.	\$10,296,339	0.09%	\$9,267	0.00%	\$0	0.09%	\$9,267	0.039%	\$4,016	0.13%	\$13,282
Vanguard Target Retirement 2055 - Instl.	\$4,660,998	0.09%	\$4,195	0.00%	\$0	0.09%	\$4,195	0.039%	\$1,818	0.13%	\$6,013
Vanguard Target Retirement 2060 - Instl.	\$535,002	0.09%	\$482	0.00%	\$0	0.09%	\$482	0.039%	\$209	0.13%	\$690
Vanguard Target Retirement 2065 - Instl.	\$384,070	0.09%	\$346	0.00%	\$0	0.09%	\$346	0.039%	\$150	0.13%	\$495
Vanguard Total Bond Market Index Fund	\$53,283,856	0.04%	\$18,649	0.00%	\$0	0.04%	\$18,649	0.039%	\$20,781	0.07%	\$39,430
Vanguard Total International Bond Index Fund - Adm.	\$799,160	0.11%	\$879	0.00%	\$0	0.11%	\$879	0.039%	\$312	0.15%	\$1,191
Vanguard Total Stock Market Index Fund	\$43,517,321	0.03%	\$13,055	0.00%	\$0	0.03%	\$13,055	0.039%	\$16,972	0.07%	\$30,027
Vanguard Institutional Index Fund - Instl. Plus	\$130,258,554	0.02%	\$26,052	0.00%	\$0	0.02%	\$26,052	0.039%	\$50,801	0.06%	\$76,853
Vanguard FTSE Social Index Fund - Adm.	\$2,869,276	0.14%	\$4,017	0.00%	\$0	0.14%	\$4,017	0.039%	\$1,119	0.18%	\$5,136
Vanguard Extended Market Index Fund - Instl.	\$36,403,657	0.06%	\$21,842	0.00%	\$0	0.06%	\$21,842	0.039%	\$14,197	0.10%	\$36,040
Vanguard Total International Stock Index Fund	\$9,101,341	0.08%	\$7,281	0.00%	\$0	0.08%	\$7,281	0.039%	\$3,550	0.12%	\$10,831
Vanguard Developed Markets Index Fund	\$44,966,223	0.05%	\$22,483	0.00%	\$0	0.05%	\$22,483	0.039%	\$17,537	0.09%	\$40,020
Vanguard Emerging Markets Stock Index Fund - Instl.	\$29,569,291	0.10%	\$29,569	0.00%	\$0	0.10%	\$29,569	0.039%	\$11,532	0.14%	\$41,101
Vanguard Federal Money Market Fund	\$54,752,814	0.11%	\$60,228	0.00%	\$0	0.11%	\$60,228	0.039%	\$21,354	0.15%	\$81,582
T. Rowe Price Stable Value Common Trust Fund A	\$8,572,290	0.48%	\$41,147	0.00%	\$0	0.48%	\$41,147	0.039%	\$3,343	0.52%	\$44,490
TIAA Traditional - RC & RCP	\$224,931,187	0.46%	\$1,034,683	0.15%	(\$337,397)	0.31%	\$697,287	0.039%	\$87,723	0.56%	\$785,010
PIMCO Total Return Fund	\$23,669,689	0.46%	\$108,881	0.00%	\$0	0.46%	\$108,881	0.039%	\$9,231	0.50%	\$118,112
DFA Inflation-Protected Securities Portfolio	\$26,204,709	0.12%	\$31,446	0.00%	\$0	0.12%	\$31,446	0.039%	\$10,220	0.16%	\$41,665
American Century High Income	\$24,549,540	0.59%	\$144,842	0.00%	\$0	0.59%	\$144,842	0.039%	\$9,574	0.63%	\$154,417
T. Rowe Price Instl. Large Cap Growth Fund	\$29,963,600	0.56%	\$167,796	0.00%	\$0	0.56%	\$167,796	0.039%	\$11,686	0.60%	\$179,482
Diamond Hill Large Cap	\$21,353,445	0.55%	\$117,444	0.00%	\$0	0.55%	\$117,444	0.039%	\$8,328	0.59%	\$125,772
William Blair Small/Mid Cap Growth Fund	\$26,593,775	1.10%	\$292,532	0.15%	(\$39,891)	0.95%	\$252,641	0.039%	\$10,372	0.99%	\$263,012
DFA U.S. Targeted Value	\$23,268,940	0.37%	\$86,095	0.00%	\$0	0.37%	\$86,095	0.039%	\$9,075	0.41%	\$95,170
Dodge & Cox Global Stock Fund	\$19,283,795	0.62%	\$119,560	0.10%	(\$19,284)	0.52%	\$100,276	0.039%	\$7,521	0.56%	\$107,796
Harding Loevner International Equity Instl.	\$9,357,421	0.81%	\$75,795	0.15%	(\$14,036)	0.66%	\$61,759	0.039%	\$3,649	0.70%	\$65,408
MFS International Value Fund	\$29,335,766	0.63%	\$184,815	0.00%	\$0	0.63%	\$184,815	0.039%	\$11,441	0.67%	\$196,256
Cohen and Steers Instl. Realty Shares	\$22,817,068	0.75%	\$171,128	0.00%	\$0	0.75%	\$171,128	0.039%	\$8,899	0.79%	\$180,027
Mutual Fund Window	\$23,121,027	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.039%	\$9,017	0.04%	\$9,017
<b>Total</b>	<b>\$1,792,283,284</b>	<b>0.19%</b>	<b>\$3,342,794</b>	<b>-0.02%</b>	<b>(\$410,607)</b>	<b>0.16%</b>	<b>\$2,932,186</b>	<b>0.039%</b>	<b>\$689,990</b>	<b>0.20%</b>	<b>\$3,631,177</b>
<b>Without Brokerage</b>	<b>\$1,769,162,256</b>	<b>0.19%</b>	<b>\$3,342,794</b>	<b>-0.02%</b>	<b>(\$410,607)</b>	<b>0.17%</b>	<b>\$2,932,186</b>	<b>0.039%</b>	<b>\$689,973</b>	<b>0.20%</b>	<b>\$3,622,160</b>

Source: TIAA



# Morningstar Model Portfolios – RC Performance

As of 3/31/2020

	Performance(%)					
	1 Quarter	1 Year	3 Years	5 Years	Since Inception	Inception Date
RC						
Very Conservative RC	-2.0	2.7	3.8	3.6	3.7	04/01/2014
<i>Very Conservative Benchmark RC</i>	-1.8	3.2	3.8	3.5	3.7	
Conservative RC	-7.5	-1.8	2.5	3.1	3.4	04/01/2014
<i>Conservative Benchmark RC</i>	-7.3	-1.1	2.9	3.5	3.8	
Moderately Conservative RC	-10.3	-3.2	2.9	4.2	4.5	04/01/2014
<i>Moderately Conservative Benchmark RC</i>	-10.7	-3.7	2.8	3.6	4.0	
Moderate RC	-14.6	-7.1	1.8	3.3	3.9	04/01/2014
<i>Moderate Benchmark RC</i>	-14.3	-6.5	2.1	3.3	3.9	
Moderately Aggressive RC	-17.2	-8.7	1.5	3.3	3.8	04/01/2014
<i>Moderately Aggressive Benchmark RC</i>	-17.3	-9.0	1.6	3.1	3.8	
Aggressive RC	-20.5	-11.6	1.3	3.1	3.9	04/01/2014
<i>Aggressive Benchmark RC</i>	-19.8	-10.9	1.2	3.0	3.8	
Very Aggressive RC	-23.2	-13.6	0.2	2.5	3.4	04/01/2014
<i>Very Aggressive Benchmark RC</i>	-23.2	-14.0	0.4	2.5	3.5	
RC Ex-TIAA						
Very Conservative RC Ex-TIAA	-1.3	3.9	3.5	2.9	3.2	04/01/2014
<i>Very Conservative Benchmark RC Ex-TIAA</i>	-1.2	5.1	4.1	3.2	3.5	
Conservative RC Ex-TIAA	-6.5	-0.4	2.8	3.0	3.5	04/01/2014
<i>Conservative Benchmark RC Ex-TIAA</i>	-6.4	0.9	3.3	3.3	3.7	
Moderately Conservative RC Ex-TIAA	-9.9	-2.5	2.7	3.7	4.2	04/01/2014
<i>Moderately Conservative Benchmark RC Ex-TIAA</i>	-10.1	-2.2	3.0	3.4	3.9	
Moderate RC Ex-TIAA	-14.4	-6.4	1.8	2.9	3.6	04/01/2014
<i>Moderate Benchmark RC Ex-TIAA</i>	-13.9	-5.6	2.3	3.2	3.9	
Moderately Aggressive RC Ex-TIAA	-17.1	-8.8	1.2	2.8	3.6	04/01/2014
<i>Moderately Aggressive Benchmark RC Ex-TIAA</i>	-17.4	-8.7	1.5	2.9	3.7	
Aggressive RC Ex-TIAA	-20.4	-11.4	0.8	2.7	3.5	04/01/2014
<i>Aggressive Benchmark RC Ex-TIAA</i>	-20.3	-11.3	1.0	2.8	3.6	
Very Aggressive RC Ex-TIAA	-23.3	-13.9	0.0	2.4	3.4	04/01/2014
<i>Very Aggressive Benchmark RC Ex-TIAA</i>	-23.2	-14.0	0.4	2.5	3.5	

# Morningstar Model Portfolios – RC Allocations

As of 3/31/2020

RC

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	10%	8%	5%	4%	4%	-	-
Cohen & Steers Instl Realty Shares	-	-	5%	4%	5%	4%	5%
DFA Inflation-Protected Securities I	11%	7%	6%	4%	3%	4%	-
DFA US Targeted Value I	-	4%	-	4%	3%	5%	6%
Diamond Hill Large Cap Y	-	3%	-	3%	-	-	-
Dodge & Cox Global Stock	-	-	-	-	-	-	-
Harding International Eq Inst	-	-	-	-	-	-	-
MFS International Value R6	-	3%	7%	4%	8%	8%	7%
PIMCO Total Return Instl	-	-	-	-	-	-	-
T. Rowe Price Stable Value Fund	10%	7%	5%	4%	-	-	-
TIAA Traditional	40%	34%	30%	22%	15%	7%	-
Vanguard Developed Markets Idx Instl	3%	4%	5%	12%	13%	17%	20%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	6%	7%	11%	13%
Vanguard Extended Market Idx I	-	3%	5%	5%	7%	10%	11%
Vanguard Institutional Index Instl PI	3%	10%	18%	20%	28%	31%	33%
Vanguard Total Bond Market Index I	20%	14%	7%	5%	3%	-	-
William Blair Small-Mid Cap Gr I	3%	-	4%	3%	4%	3%	5%

RC Ex-TIAA

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	6%	6%	5%	4%	4%	-	-
Cohen & Steers Instl Realty Shares	-	-	5%	4%	5%	4%	5%
DFA Inflation-Protected Securities I	11%	7%	5%	5%	3%	3%	-
DFA US Targeted Value I	-	3%	-	3%	3%	5%	6%
Diamond Hill Large Cap Y	-	3%	-	3%	-	-	-
Dodge & Cox Global Stock	-	-	-	-	-	-	-
Harding International Eq Inst	-	-	-	-	-	-	-
MFS International Value R6	3%	4%	7%	4%	8%	8%	7%
PIMCO Total Return Instl	13%	-	-	-	-	-	-
T. Rowe Price Stable Value Fund	24%	19%	15%	11%	7%	4%	-
Vanguard Developed Markets Idx Instl	-	3%	5%	11%	13%	16%	19%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	6%	7%	11%	13%
Vanguard Extended Market Idx I	-	-	5%	9%	7%	10%	12%
Vanguard Institutional Index Instl PI	3%	11%	18%	21%	28%	32%	33%
Vanguard Total Bond Market Index I	34%	38%	28%	19%	11%	4%	-
William Blair Small-Mid Cap Gr I	6%	3%	4%	-	4%	3%	5%

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

# Morningstar Model Portfolios – RC Benchmarks

As of 3/31/2020

## RC Benchmarks

Index	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
Blmbg. Barc. Global Inflation-Linked US TIPS	11%	7%	6%	4%	3%	4%	1%
Blmbg. Barc. US Agg. Bond	31%	22%	13%	10%	4%	-	-
Blmbg. Barc. US Corp HY	7%	6%	4%	3%	3%	-	-
Citi Treasury Bill 3 Mo.	1%	1%	1%	1%	2%	2%	2%
FTSE NAREIT All Equity REITs	-	0%	5%	4%	5%	4%	5%
MSCI EAFE GR	4%	7%	11%	15%	19%	23%	25%
MSCI EM GR	0%	3%	3%	6%	7%	11%	13%
Russell 1000 Growth	1%	6%	9%	10%	14%	15%	16%
Russell 1000 Value	1%	6%	8%	11%	13%	14%	15%
Russell 2000 Growth	0%	1%	2%	2%	3%	3%	4%
Russell 2000 Value	0%	2%	1%	3%	3%	4%	5%
Russell Mid Cap Growth	2%	2%	5%	5%	6%	7%	9%
Russell Mid Cap Value	1%	3%	3%	4%	5%	6%	7%
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%	7%	5%	5%	3%	3%	1%
Blmbg. Barc. US Agg. Bond	71%	58%	45%	32%	20%	9%	2%
Blmbg. Barc. US Corp HY	5%	4%	4%	3%	3%	0%	-
Citi Treasury Bill 3 Mo.							
FTSE NAREIT All Equity REITs	-	0%	5%	4%	5%	4%	5%
MSCI EAFE GR	4%	7%	11%	14%	19%	22%	24%
MSCI EM GR	0%	3%	3%	6%	7%	11%	13%
Russell 1000 Growth	2%	6%	9%	11%	14%	16%	16%
Russell 1000 Value	1%	7%	8%	11%	13%	14%	15%
Russell 2000 Growth	1%	1%	2%	2%	3%	3%	4%
Russell 2000 Value	0%	1%	1%	3%	3%	4%	5%
Russell Mid Cap Growth	4%	3%	5%	4%	6%	7%	9%
Russell Mid Cap Value	1%	2%	3%	4%	5%	6%	7%

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

# Morningstar Model Portfolios – RCP Performance

As of 3/31/2020

	Performance(%)					
	1 Quarter	1 Year	3 Years	5 Years	Since Inception	Inception Date
RCP						
Very Conservative RCP	-2.1	2.7	3.5	3.3	3.5	04/01/2014
<i>Very Conservative Benchmark RCP</i>	-2.1	2.5	3.3	3.1	3.3	
Conservative RCP	-8.3	-2.3	2.2	2.8	3.1	04/01/2014
<i>Conservative Benchmark RCP</i>	-7.5	-1.4	2.6	3.1	3.5	
Moderately Conservative RCP	-11.0	-4.2	2.2	3.6	4.0	04/01/2014
<i>Moderately Conservative Benchmark RCP</i>	-11.2	-4.2	2.4	3.2	3.7	
Moderate RCP	-14.7	-7.1	1.7	3.0	3.6	04/01/2014
<i>Moderate Benchmark RCP</i>	-14.4	-6.4	2.0	3.1	3.7	
Moderately Aggressive RCP	-17.9	-9.5	1.1	2.9	3.6	04/01/2014
<i>Moderately Aggressive Benchmark RCP</i>	-17.4	-8.9	1.5	2.9	3.7	
Aggressive RCP	-19.9	-10.9	1.0	2.9	3.7	04/01/2014
<i>Aggressive Benchmark RCP</i>	-20.2	-11.2	1.1	2.9	3.7	
Very Aggressive RCP	-23.3	-14.4	-0.1	2.3	3.3	04/01/2014
<i>Very Aggressive Benchmark RCP</i>	-23.2	-14.0	0.4	2.5	3.5	
RCP Ex-TIAA						
Very Conservative RCP Ex-TIAA	-0.2	5.7	4.5	3.5	3.8	04/01/2014
<i>Very Conservative Benchmark RCP Ex-TIAA</i>	-1.0	5.1	4.0	3.2	3.5	
Conservative RCP Ex-TIAA	-6.4	0.3	3.0	3.1	3.6	04/01/2014
<i>Conservative Benchmark RCP Ex-TIAA</i>	-6.6	0.4	3.2	3.2	3.6	
Moderately Conservative RCP Ex-TIAA	-10.0	-2.0	3.0	3.9	4.3	04/01/2014
<i>Moderately Conservative Benchmark RCP Ex-TIAA</i>	-10.3	-2.6	2.9	3.3	3.8	
Moderate RCP Ex-TIAA	-14.0	-5.9	2.1	3.0	3.7	04/01/2014
<i>Moderate Benchmark RCP Ex-TIAA</i>	-14.0	-5.7	2.3	3.2	3.8	
Moderately Aggressive RCP Ex-TIAA	-17.6	-8.8	1.4	2.8	3.6	04/01/2014
<i>Moderately Aggressive Benchmark RCP Ex-TIAA</i>	-17.3	-8.6	1.6	2.9	3.7	
Aggressive RCP Ex-TIAA	-20.9	-11.8	0.7	2.6	3.5	04/01/2014
<i>Aggressive Benchmark RCP Ex-TIAA</i>	-20.6	-11.6	0.9	2.7	3.5	
Very Aggressive RCP Ex-TIAA	-23.4	-14.4	-0.2	2.3	3.4	04/01/2014
<i>Very Aggressive Benchmark RCP Ex-TIAA</i>	-23.3	-14.1	0.4	2.5	3.4	

# Morningstar Model Portfolios – RCP Allocations

As of 3/31/2020

## RCP

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	6%	6%	6%	4%	4%	-	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	4%	5%	5%
DFA Inflation-Protected Securities I	8%	8%	6%	4%	3%	-	-
DFA US Targeted Value I	-	4%	3%	4%	4%	4%	5%
Diamond Hill Large Cap Y	3%	8%	-	3%	3%	-	-
Dodge & Cox Global Stock	-	-	-	-	-	-	-
Harding International Eq Inst	-	-	-	-	-	-	-
MFS International Value	-	3%	3%	3%	4%	10%	8%
PIMCO Total Return Instl	27%	17%	7%	3%	-	-	-
TIAA Traditional	40%	32%	25%	16%	10%	5%	-
Vanguard Developed Markets Idx Instl	4%	4%	9%	12%	15%	14%	19%
Vanguard Emerging Mkts Stock Idx I	-	3%	4%	6%	8%	11%	13%
Vanguard Extended Market Idx I	-	3%	9%	9%	12%	8%	13%
Vanguard Federal Money Market Inv	5%	-	-	-	-	-	-
Vanguard Institutional Index Instl PI	-	5%	15%	21%	24%	32%	32%
Vanguard Total Bond Market Index I	-	3%	7%	9%	6%	6%	-
Vanguard Total International Bond Market Index	4%	4%	3%	3%	3%	-	-
William Blair Small-Mid Cap Gr I	3%	-	-	-	-	5%	5%

## RCP Ex-TIAA

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	6%	6%	4%	4%	4%	-	-
Cohen & Steers Instl Realty Shares	-	-	4%	4%	4%	4%	5%
DFA Inflation-Protected Securities I	10%	8%	5%	3%	3%	-	-
DFA US Targeted Value I	-	3%	3%	4%	4%	4%	5%
Diamond Hill Large Cap Y	-	3%	-	3%	3%	3%	-
Dodge & Cox Global Stock	-	-	-	-	-	-	-
Harding International Eq Inst	-	-	-	-	-	-	-
MFS International Value	3%	-	3%	4%	4%	5%	7%
PIMCO Total Return Instl	-	-	-	-	-	-	-
Vanguard Developed Markets Idx Instl	-	6%	7%	10%	15%	18%	20%
Vanguard Emerging Mkts Stock Idx I	-	3%	4%	6%	8%	11%	13%
Vanguard Extended Market Idx I	-	4%	5%	5%	11%	15%	13%
Vanguard Federal Money Market Inv	4%	3%	-	-	-	-	-
Vanguard Institutional Index Instl PI	4%	11%	17%	22%	25%	29%	32%
Vanguard Total Bond Market Index I	66%	50%	41%	28%	16%	7%	-
Vanguard Total International Bond Market Index	4%	3%	4%	4%	3%	4%	-
William Blair Small-Mid Cap Gr I	3%	-	3%	3%	-	-	5%

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

# Morningstar Model Portfolios – RCP Benchmarks

As of 3/31/2020

## RCP Benchmarks

Index	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
Blmbg. Barc. Global Inflation-Linked US TIPS	8%	8%	6%	4%	3%	0%	1%
Blmbg. Barc. US Agg. Bond 1-3 Years	16%	12%	7%	6%	3%	2%	-
Blmbg. Barc. US Corp HY	7%	6%	5%	3%	3%	0%	-
Blmbg. Barc. US Long Govt./Credit	6%	5%	5%	5%	3%	3%	0%
Citi Treasury Bill 3 Mo.	6%	1%	1%	1%	2%	2%	2%
Blmbg. Barc. Global Agg ex-USD Flt Adj RIC Cpd	8%	7%	5%	5%	4%	0%	-
FTSE NAREIT All Equity REITs	-	0%	3%	3%	4%	5%	5%
MSCI EAFE GR	4%	6%	11%	14%	18%	22%	25%
MSCI EM GR	0%	3%	4%	6%	8%	11%	13%
Russell 1000 Growth	1%	5%	8%	11%	13%	15%	16%
Russell 1000 Value	2%	7%	7%	11%	12%	14%	14%
Russell 2000 Growth	0%	1%	2%	3%	3%	3%	4%
Russell 2000 Value	0%	2%	3%	3%	4%	3%	5%
Russell Mid Cap Growth	2%	2%	4%	4%	5%	8%	9%
Russell Mid Cap Value	1%	3%	4%	5%	5%	6%	7%
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	10%	8%	5%	3%	3%	1%	1%
Blmbg. Barc. US Agg. Bond	60%	45%	37%	25%	15%	6%	-
Blmbg. Barc. US Corp HY	4%	4%	3%	3%	3%	0%	-
Citi Treasury Bill 3 Mo.	6%	5%	2%	2%	2%	2%	2%
Blmbg. Barc. Global Agg ex-USD Flt Adj RIC Cpd	10%	8%	8%	7%	5%	4%	-
FTSE NAREIT All Equity REITs	-	0%	4%	4%	4%	4%	5%
MSCI EAFE GR	2%	6%	9%	13%	18%	22%	25%
MSCI EM GR	0%	3%	4%	6%	8%	11%	13%
Russell 1000 Growth	2%	6%	8%	11%	13%	15%	16%
Russell 1000 Value	2%	7%	8%	11%	13%	15%	14%
Russell 2000 Growth	0%	1%	2%	2%	3%	4%	4%
Russell 2000 Value	0%	2%	2%	3%	4%	5%	5%
Russell Mid Cap Growth	2%	2%	5%	5%	5%	6%	9%
Russell Mid Cap Value	1%	3%	3%	4%	5%	6%	7%

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

# Morningstar Model Portfolios – Static Allocation Performance

As of 3/31/2020

	Performance(%)					Inception Date
	1 Quarter	1 Year	3 Years	5 Years	Since Inception	
RC						
Very Conservative RC (Static)	-1.7	3.2	3.8	3.6	3.8	04/01/2014
<i>Very Conservative Benchmark RC (Static)</i>	-2.3	2.5	3.4	3.4	3.5	
Conservative RC (Static)	-7.4	-1.1	2.9	3.5	3.8	04/01/2014
<i>Conservative Benchmark RC (Static)</i>	-7.8	-1.5	2.9	3.4	3.7	
Moderately Conservative RC (Static)	-11.7	-4.1	2.4	3.6	4.1	04/01/2014
<i>Moderately Conservative Benchmark RC (Static)</i>	-11.3	-4.2	2.5	3.4	3.9	
Moderate RC (Static)	-15.4	-7.1	1.9	3.4	4.1	04/01/2014
<i>Moderate Benchmark RC (Static)</i>	-15.1	-7.3	1.8	3.1	3.8	
Moderately Aggressive RC (Static)	-18.8	-9.8	1.2	3.3	4.1	04/01/2014
<i>Moderately Aggressive Benchmark RC (Static)</i>	-18.1	-9.7	1.3	2.9	3.7	
Aggressive RC (Static)	-21.6	-12.0	1.1	3.4	4.2	04/01/2014
<i>Aggressive Benchmark RC (Static)</i>	-21.0	-12.0	0.9	2.7	3.6	
Very Aggressive RC (Static)	-25.4	-15.7	-0.6	2.3	3.2	04/01/2014
<i>Very Aggressive Benchmark RC (Static)</i>	-24.2	-14.9	0.1	2.3	3.3	
RCP						
Very Conservative RCP (Static)	-2.4	2.5	3.5	3.3	3.5	04/01/2014
<i>Very Conservative Benchmark RCP (Static)</i>	-2.4	2.2	3.1	3.1	3.2	
Conservative RCP (Static)	-7.6	-1.4	2.6	3.2	3.6	04/01/2014
<i>Conservative Benchmark RCP (Static)</i>	-7.8	-1.6	2.7	3.2	3.5	
Moderately Conservative RCP (Static)	-11.6	-4.0	2.2	3.3	3.9	04/01/2014
<i>Moderately Conservative Benchmark RCP (Static)</i>	-11.2	-4.1	2.3	3.2	3.7	
Moderate RCP (Static)	-15.4	-7.0	1.8	3.3	4.0	04/01/2014
<i>Moderate Benchmark RCP (Static)</i>	-15.0	-7.1	1.8	3.0	3.6	
Moderately Aggressive RCP (Static)	-18.8	-9.6	1.2	3.2	4.0	04/01/2014
<i>Moderately Aggressive Benchmark RCP (Static)</i>	-18.1	-9.6	1.3	2.8	3.6	
Aggressive RCP (Static)	-21.5	-11.9	1.0	3.3	4.2	04/01/2014
<i>Aggressive Benchmark RCP (Static)</i>	-20.9	-11.8	1.0	2.7	3.6	
Very Aggressive RCP (Static)	-25.4	-15.7	-0.6	2.3	3.2	04/01/2014
<i>Very Aggressive Benchmark RCP (Static)</i>	-24.2	-14.9	0.1	2.3	3.3	

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# Discussion Topics

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<b>Section 1</b>	Key Provisions of CARE Act
<b>Section 2</b>	Capital Markets Review
<b>Section 3</b>	Performance Review
<b>Section 4</b>	<b>Noteworthy Items</b>
<b>Section 5</b>	T. Rowe Price Flash Report
<b>Section 6</b>	Legal & Compliance Update

## Vanguard Target Retirement Trusts/Funds

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- Each of the Vanguard Target Retirement Trusts/Funds posted a negative absolute return that exhibited a modest level of tracking error during the first quarter
  - Underperformance relative to the composite benchmarks over the period was largely driven by differences in actual portfolio weights relative to the composite benchmark
  - Fair value pricing adjustments and the negative impact of fees further detracted from results
- For the twelve months ended March 31, 2020, relative performance remained adverse relative to the composite benchmarks but ranked favorably among their respective peer-group averages
  - Underperformance relative to the composite benchmarks was due to a combination of expenses, allocation differences, underlying fund tracking, and fair value pricing adjustments
- Longer-term results continued to exhibit a modest level of tracking error but rank favorably among their respective peer-group averages
- The Vanguard Target Retirement Trusts/Funds remain “Buy” rated by our Global Investment Management Research Team

## T. Rowe Price Stable Value Common Trust Fund

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- The Fund registered “Yellow” on the Watch List during the first quarter
  - Due to the Fund’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 Hueler Stable Value Index, by 0.1 percentage point during the first quarter
- The Fund’s relative underperformance was primarily attributable to:
  - An overweight allocation to the corporate bonds as spreads widened significantly during the quarter
- For the twelve months ended March 31, 2020, the Fund generated a return of 2.2% versus the benchmark’s return of 2.5%
- Longer-term annualized performance remained adverse relative to the Fund’s performance benchmark but favorable relative to the peer group median
- The strategy remains “Buy” rated by our Global Investment Management Research Team
- 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

# American Century High Income Fund

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- The Fund registered “Red” on the Watch List during the first quarter
  - Due to the Fund’s historical underperformance relative to its benchmark over the trailing five-year period and in three of the four most recent trailing calendar quarters
- While negative in absolute terms, the Fund’s performance exceeded the return of its benchmark, the ICE BofAML US High Yield Master II Constrained Index, by 0.6 percentage points during the first quarter
- The Fund’s relative outperformance was primarily attributable to:
  - Positive security selection within the hotels and transportation infrastructure/services sectors
  - An overweight allocation within the software/services sector
  - An underweight allocation to REITs
- For the twelve months ended March 31, 2020, the Fund generated a return of -7.6% versus the benchmark’s return of -7.5%
- Longer-term annualized performance remained mixed relative to the Fund’s performance benchmark and peer group median
- The strategy remains “Buy” rated by our Global Investment Management Research Team
- We recommend the Committee initiate a competitive review to compare the Fund’s positioning, historical performance, fees, etc. to other viable candidates

# T. Rowe Price Large Cap Growth Fund – Flash Report

- On April 27, 2020, T. Rowe Price announced that David Rowlett, who has served as the strategy's associate portfolio manager for over five years, will transition into the associate portfolio manager role for the U.S. Large Cap Core strategy
- At this time, Mr. Rowlett's successor has not been identified
- It is anticipated that Taymour Tamaddon, the lead portfolio manager, will spend the next year determining the need for a dedicated associate portfolio manager or if the portfolio can be supported by other associate portfolio managers affiliated with the firm's other large cap growth strategies
- We have no concerns regarding these changes and note that the manager has demonstrated effective succession planning historically
- We recommend the Committee take no action as a result of these changes
- A Flash report detailing our observations is included in Section 5 of this presentation

April 2020

## Flash Report

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### T. Rowe Price – Personnel Updates for U.S. Large Cap Growth and Global Growth Strategies

**Recommendation**

This announcement is informational only. We have no concerns regarding these changes and note that the manager has demonstrated effective succession planning historically. We recommend clients take no action as a result of these changes.

Please contact a member of the GIC Equity Team if you have any questions.

**Background**

On April 27, 2020, T. Rowe Price announced the following personnel updates impacting the U.S. Large Cap Growth and Global Growth strategies:

- U.S. Large Cap Growth – Effective April 30, 2020, David Rowlett, who has served as the strategy's associate portfolio manager for over five years, will transition into the associate portfolio manager role for the U.S. Large Cap Core strategy. He will support portfolio manager, Jeff Rottinghaus, in overseeing the implementation of the portfolio and will also play an instrumental role in evolving the strategy's institutional framework. At this time, Mr. Rowlett's successor has not been identified. It is anticipated that Taymour Tamaddon, the U.S. Large Cap Growth strategy's lead portfolio manager, will spend the next year determining the need for a dedicated associate portfolio manager or if the portfolio can be supported by other associate portfolio managers affiliated with the firm's other large cap growth strategies.
- Global Growth – Effective on January 1, 2021, Hari Balkrishna, associate portfolio manager for the Global Growth strategy, will transition to a lead portfolio manager role for a new offering, a global impact equity strategy. In advance of Mr. Balkrishna's transition is the addition of Philip Richards (May 1, 2020) as a dedicated analyst supporting lead portfolio manager Scott Berg. Mr. Richards currently covers the consumer, internet, and technology sectors and has been at T. Rowe Price since 2018.

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## DFA U.S. Targeted Value Fund

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- The Fund registered “Red” on the Watch List during the first quarter
  - Due to the Fund’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 Russell 2500 Value Index, by 4.6 percentage points during the first quarter
- The Fund’s relative underperformance was primarily attributable to:
  - A general exclusion of real estate investment trusts (REITs) and highly regulated utilities
  - An overweight allocation to small cap stocks as mid caps outperformed
- For the twelve months ended March 31, 2020, the Fund generated a return of -34.1% versus the benchmark’s return of -28.6%
  - An emphasis on the lowest relative price (deep value) stocks detracted from results
- Longer-term annualized performance remained adverse relative to the Fund’s benchmark and peer group median
- The strategy remains “Buy” rated by our Global Investment Management Research Team
- We recommend the Committee initiate a competitive review to compare the Fund’s positioning, historical performance, fees, etc. to other viable candidates

# Dodge & Cox Global Stock Fund

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- The Fund continued to register “Red” on the Watch List during the first quarter
  - Due to the manager’s historical underperformance relative to its benchmark over the trailing five-year period and in three of the four most recent trailing calendar quarters
- The Fund’s performance trailed the return of its benchmark, the MSCI All Country World Index, by 9.6 percentage points during the first quarter
- The Fund’s relative underperformance was primarily attributable to:
  - An overweight allocation to the financials and energy sector
  - An underweight allocation and negative stock selection within the information technology sector
- For the twelve months ended March 31, 2020, the Fund generated a return of -22.1% versus the benchmark’s return of 11.3%
  - The manager’s value-oriented approach detracted from results as growth stocks outperformed
- Longer-term annualized performance remained adverse relative to the Fund’s benchmark and peer group median
- The strategy remains “Buy” rated by our Global Investment Management Research Team
- At the February 14, 2020 Committee meeting, members agreed to maintain the Dodge & Cox Global Stock Fund as the Plans’ global equity investment option pending a review of “core” global equity candidates, along with a passively managed option
- A updated search report will be presented at the next regularly scheduled Committee meeting

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## Discussion Topics

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# Flash Report

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## T. Rowe Price – Personnel Updates for U.S. Large Cap Growth and Global Growth Strategies

### Recommendation

This announcement is informational only. We have no concerns regarding these changes and note that the manager has demonstrated effective succession planning historically. We recommend clients take no action as a result of these changes.

Please contact a member of the GIC Equity Team if you have any questions.

### Background

On April 27, 2020, T. Rowe Price announced the following personnel updates impacting the U.S. Large Cap Growth and Global Growth strategies:

- U.S. Large Cap Growth – Effective April 30, 2020, David Rowlett, who has served as the strategy's associate portfolio manager for over five years, will transition into the associate portfolio manager role for the U.S. Large Cap Core strategy. He will support portfolio manager, Jeff Rottinghaus, in overseeing the implementation of the portfolio and will also play an instrumental role in evolving the strategy's institutional framework. At this time, Mr. Rowlett's successor has not been identified. It is anticipated that Taymour Tamaddon, the U.S. Large Cap Growth strategy's lead portfolio manager, will spend the next year determining the need for a dedicated associate portfolio manager or if the portfolio can be supported by other associate portfolio managers affiliated with the firm's other large cap growth strategies.
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# Discussion Topics

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First Quarter 2020

# Aon Quarterly Update

*Retirement Legal Consulting & Compliance*

## In this Issue

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- 5 No Change to Retirement Plan Withholding in 2020
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- 7 Quarterly Roundup of Other New Developments
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## Prior Issues

To access prior issues, [click here](#) and select "Newsletters"

## Editor's Note

Happy New Year to our readers!

In late December 2019, as plan sponsors were closing out their year-end responsibilities, the Setting Every Community Up for Retirement Enhancement Act (the SECURE Act) was signed into law as part of a government spending package. We start this issue with a report on the SECURE Act which makes numerous changes to the Internal Revenue Code and Employee Retirement Income Security Act of 1974 (ERISA) that are designed to enhance retirement savings. Given the significance of the retirement plan changes made by the SECURE Act, our readers should stay tuned, as we will provide you more details regarding the impact of this legislation in a forthcoming Aon publication.

The passage of the government spending package also brought a repeal of three unpopular taxes and fees that were originally intended to help fund the Affordable Care Act (ACA) and extended the Patient-Centered Outcomes Research Institute fee for an additional 10 years. In this issue, we include a report regarding these changes and how plan sponsors of retiree healthcare programs will benefit from the changes.

Plan sponsors favorably report that they have come to rely on several compliance tools that we publish each year: our annual update on Internal Revenue Service (IRS) compensation and benefit limitations for retirement plans, our detailed Compliance Calendar that lists key compliance milestones and due dates that apply to qualified retirement and health and welfare plans, and our year-end plan guidance relating to retirement plans. We have included an article with links to these tools.

This issue includes three articles on recent guidance from the IRS and Department of Labor (DOL). The IRS has clarified the 2020 withholding rate for retirement plans making periodic payments and extended the deadline for hardship withdrawal plan amendments. In a move to modernize the DOL's electronic disclosure rules, the DOL issued proposed regulations permitting the use of websites for the posting of ERISA disclosures—this new DOL guidance should be very helpful to plan sponsors.

We also include an article regarding a long-running lawsuit involving the New England Teamsters multiemployer pension fund which unsuccessfully sought to hold two private equity funds accountable for the pension fund withdrawal liability owed by a portfolio company when it went bankrupt. This case has been of significant interest to private equity firms due to the potential to expand liability to them when their portfolios invest in companies with union workers who receive retirement benefits from multiemployer pension funds.

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.

**Susan Motter**  
Associate Partner  
Aon

# SECURE Act Becomes Law in Year-End Spending Bill

by Elizabeth Groenewegen



At the end of December 2019, Congress passed appropriations bills regarding government funding for fiscal year 2020. One of the bills included the provisions of the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE or the Act). The House of Representatives in May 2019 passed SECURE by an overwhelming margin. Despite enjoying bipartisan support, the Act did not get to a vote in the Senate until it was included in the year-end spending bills.

SECURE is considered the most significant set of changes to retirement plans in over a decade (since the Pension Protection Act of 2006). The Act includes numerous changes to the Internal Revenue Code and Employee Retirement Income Security Act of 1974 designed to enhance retirement savings, some of which are now effective. The changes include:

- A new “pooled employer plan” structure to facilitate participation by multiple employers from different industries in a single defined contribution (DC) plan;
- Relief for nondiscrimination testing requirements for defined benefit (DB) plans closed to new participants;
- Increase in the age (from age 70½ to age 72) at which a participant must begin distributions from qualified plans and (non-Roth) IRAs;
- A requirement for individual account plans to provide participants with an estimate of the value of their accounts in terms of lifetime income (i.e., a new “lifetime income disclosure”); and
- Provisions designed to increase savings opportunities and reduce administrative burdens for DC retirement plans including those that:
  - Increase the automatic escalation cap from 10% to 15% of compensation (after the first year) for safe harbor plan designs that include automatic enrollment

- Eliminate the advance participant notice required for certain safe harbor designs and permit the implementation of a safe harbor design during the plan year
- Require that plan coverage be extended to certain long-term, part-time employees
- Offer a fiduciary safe harbor for the selection of provider(s) of lifetime income investment option(s)
- Increase portability for such “lifetime income investment(s)”
- Provide tax credits for small employers that establish a retirement plan and/or include auto-enrollment

Other provisions relevant to retirement plans were also included in the year-end spending bills. These changes include:

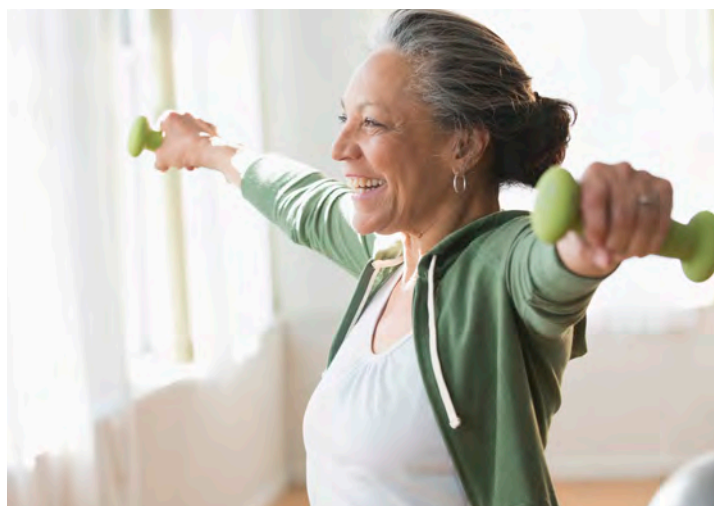
- Reduction of the age (to age 59½ from age 62) at which a participant may be permitted to take an in-service distribution from a pension plan; and
- Penalty-free withdrawals (up to \$100,000) and an increase in the dollar limit for a plan loan (from \$50,000 to \$100,000) for a distribution related to a qualified disaster.

As additional background on the impact of these changes, we encourage you to read our article, [Year-End Legislative Updates: Six Key Themes of the SECURE Act and Other Retirement Plan Provisions](#). If you have questions about the legislation with regard to your retirement programs, please reach out to your Aon consultant. obligations regarding plan investments.



# Spending Deal Benefits Retiree Medical Programs

by Brian Cronin, Milind Desai, and Paul Koch



Among the many provisions of the federal spending package that was signed into law on December 20, 2019 was a repeal of three unpopular taxes and fees that were originally intended to help fund the Affordable Care Act (ACA): (i) the excise tax on high-cost health plans (Cadillac tax); (ii) the annual fee on health insurance providers; and (iii) the medical device excise tax. The spending package also extended the Patient-Centered Outcomes Research Institute (PCORI) fee for an additional 10 years. Overall, these changes will generally benefit sponsors of retiree healthcare programs in the form of reduced retiree medical liabilities and premiums.

The Cadillac tax was a deductible excise tax of 40% on the value of group health insurance coverage exceeding a specified dollar threshold. The tax was originally scheduled to go into effect in 2018 but was delayed twice: first to 2020 and then again to 2022. Under the new law, the Cadillac tax has now been repealed for all future tax years.

The repeal of the Cadillac tax will not come as a surprise for many, given its bipartisan unpopularity and the history of legislative deferral. However, despite the tax never taking effect and its seemingly inevitable demise, sponsors of subsidized retiree healthcare programs that were projected to exceed the tax's cost threshold generally maintained a balance sheet liability for their projected future tax obligation. Therefore, the Cadillac tax repeal will result in favorable balance sheet impacts for many plan sponsors as they unwind these liabilities.

The health insurance provider fee is a non-deductible fee paid by insurers and passed on to plan sponsors and participants in the form of higher premiums. It is a set dollar amount that gets allocated among insurers based on their premium revenues. The total fee for 2020 is \$15.5 billion and was scheduled to increase each year at the rate of

total premium growth. The fee was waived in 2017, returned in 2018, was waived again in 2019, and returned again in 2020. It will remain in effect for 2020 with the permanent repeal effective starting in 2021.

For sponsors of insured retiree health plans, the repeal will be good news in the form of lower premiums, reduced retiree medical obligations, and relief from recent volatility and uncertainty as the fee has gone in and out of effect. For a typical insured plan, the fee is expected to be between 1% and 3% of premiums. However, for Medicare Advantage plans, the fee has a leveraged impact on premiums, as it gets allocated to these plans based on their total revenues, including both premiums and government subsidies. On a dollar basis, the fee for Medicare Advantage plans is expected to range from \$20–\$40 per member per month and is likely a more substantial percentage of net premiums than is seen for a typical insured plan. Medigap plans (Medicare supplemental health insurance) are exempt from the fee, and the fee does not apply to self-insured plans.

The third repealed tax is perhaps a bit less impactful to most employer-sponsored retiree medical plans than the other two. The medical device tax was an excise tax of 2.3% on the sale of medical devices but is expected to represent only about 0.2% of overall costs for a typical plan. The actual impact will vary by plan depending on the utilization of medical devices by the covered population. This tax had been waived for 2016 through 2019 but was scheduled to return in 2020. Unlike the health insurance provider fee, the repeal of the medical device tax will take effect starting in 2020.

Lastly, the PCORI fee is a fee payable by insurers and sponsors of self-insured plans intended to fund the Patient-Centered Outcomes Research Institute, which was created by the ACA. It was originally set to expire for plan years ending on or after October 1, 2019, but it has now been reinstated and extended for an additional 10 years. The annual fee is based on the average number of lives covered during the year and was \$2.45 per member for plan years ending between October 1, 2018 and September 30, 2019. Although the fee is relatively small, plan sponsors may have concerns about recouping the cost given that the fee was not expected to continue and may not have been included in pricing for 2019 or 2020. Additionally, it appears that plan sponsors which thought they had paid the fee for the last time will now have to arrange to pay for plan years ending in 2019 by July 31, 2020.

Moving forward, plan sponsors will look to see what the impact will be on the viability of the ACA given the removal of these key funding sources, as well as emerging prescription drug pricing reform legislation in Congress and the trajectory of healthcare legislation coming out of the 2020 election. Please contact your Aon consultant for additional information or how we can provide assistance with your healthcare programs.



# Keeping up With Compliance!

by Linda M. Lee



As we begin 2020, it is important for plan sponsors to review their plan administration and qualified plan documents to maintain compliance. Aon publishes annual updates on plan limits, key compliance factors, and year-end amendments as they relate to defined benefit (DB) and defined contribution (DC) plans.

**Benefits Limits.** Each year the Internal Revenue Service (IRS) announces new dollar limitations for pension and other retirement-related plans. These include limits on the amount of contributions that may be made to DC plans, the annual amount that can be paid from DB plans, and the amount of compensation that can be used while calculating benefits. The limits are adjusted for price and wage inflation and general law changes. Qualified retirement plan administration must be adapted annually to remain compliant. Following are highlighted cost-of-living adjustments made for 2020:

	2020	2019
Employee Elective Deferral Limit (Code §402(g)(1))	\$19,500	\$19,000
DC Plan Annual Addition Limit (Code §415)	\$57,000	\$56,000
DB Plan Annual Addition Limit (Code §415)	\$230,000	\$225,000
Annual Compensation Cap (Code §401(a)(17))	\$285,000	\$280,000
HCE Pay Threshold (Code §414(q))	\$130,000	\$125,000
Catch-up Contribution Limits (Code §§401(k) and 403(b))	\$6,500	\$6,000

Aon publishes an annual, comprehensive report that includes all dollar limitations. Click [here](#) to download your copy.

**Aon 2020 Compliance Calendar.** Plan sponsors must keep their qualified retirement and health and welfare plans in compliance with all relevant legal obligations, many of which have important deadlines. Aon's annual Compliance Calendar provides plan sponsors and other interested parties with significant IRS, Department of Labor, and other federal regulatory agency due dates and deadlines for benefit-related compliance obligations. This calendar is designed to help plan sponsors maintain compliance with these due dates for critical deadlines.

Following is an overview of the topics addressed by the 2020 Compliance Calendar:

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

The Aon 2020 Compliance Calendar helps promote timely disclosure and compliance with related filing obligations and helps avoid civil monetary penalties for violations under ERISA. Click [here](#) to download your complimentary copy of the 2020 Compliance Calendar.

**Additional Guidance for Plan Sponsors.** Sponsors of individually designed tax-qualified retirement plans should review recent developments and other regulatory guidance that may impact their DB and DC plans' operations. To assist with this effort, Aon prepared a summary highlighting some key considerations:

- Discretionary amendments for DB and DC plans, resulting from recent announcements and/or tax law changes;
- Discretionary amendments to consider when terminating DB plans; and
- Other discretionary amendments and considerations due to recent litigation.

Aon's Retirement Legal Consulting & Compliance consultants will be pleased to discuss the extent to which recent developments summarized in regulatory guidance and case law developments may apply to or affect your qualified plan. To the extent that we can be helpful, our consultants are also available to assist with a more detailed review of your current qualified plan documents and evaluate whether those documents are updated for all applicable law, regulatory, and other administrative changes.

Click [here](#) to download a copy of the plan guidance.

# No Change to Retirement Plan Withholding in 2020

by Jennifer Ross Berrian



A last-minute holiday gift from the Internal Revenue Service (IRS), Notice 2020-3 gives plan sponsors guidance regarding withholding from retirement plans making periodic payments. No changes to the withholding rules are being made for the 2020 calendar year, but the IRS is soliciting comments from the public regarding whether the default withholding rate should be changed for years after 2020.

Notice 2020-3 specifically applies to periodic payments (e.g., annuity payments) from retirement plans and does not impact lump-sum payments. Recipients of periodic payments from retirement plans can elect the amount of income tax withholding to be withheld from each payment, including electing no withholding. This election is generally made using a Form W-4P. If no election is made by the recipient, the plan sponsor is directed to calculate withholding as if the recipient is married and claims three withholding exemptions.

Section 3405(a) of the Internal Revenue Code (Code) provides the rules for electing withholding from periodic payments from retirement plans. The default withholding rate (the amount to withhold if the distributee does not make an alternative election) in Code Section 3405(a) is based in part on the recipient's withholding allowances which are based upon his or her personal exemptions. However, the Tax Cuts and Jobs Act (TCJA) eliminated personal exemptions and raised a question as to how withholding should be calculated for recipients who do not make an election. The IRS issued temporary guidance (Notices 2018-14 and 2018-92) to cover tax years 2018 and 2019, instructing plan sponsors to use the default rate in place before the TCJA was enacted. This rule remains in effect for 2020.

The IRS has indicated that it will issue new guidance regarding withholding from periodic payments from retirement plans starting in 2021. We will continue to monitor developments in this area and provide updates if changes need to be implemented prior to the end of 2020.

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## IRS Guidance Extends Deadline for Hardship Withdrawal Plan Amendments

by John Van Duzer

On September 23, 2019, the Internal Revenue Service (IRS) published final regulations relating to hardship withdrawals of plan funds subject to distribution restrictions under Section 401(k) of the Internal Revenue Code. The IRS anticipates that many 401(k) plan documents will need to be amended to reflect these new regulations. Most significantly, (i) a plan is no longer permitted to impose a six-month (or any other) suspension on employee contributions following a hardship withdrawal by a participant and (ii) a participant must provide a written representation to the plan administrator stating that he or she has insufficient cash or other liquid assets reasonably available to satisfy the need creating the hardship.

In addition to those two common changes, the regulations contain a number of provisions that might require revisions and/or clarifications to 401(k) plan documents, including choices as to the effective dates of various provisions (see our [Fourth Quarter 2019](#) issue of the *Quarterly Update* for additional information). Based on a discussion in the preamble to the final regulations, together with IRS Notice 2019-64 (which includes the 2019 Required Amendments List for qualified retirement plans and 403(b) plans), the deadline in certain plans for document changes relating to this “disqualifying” provision or for

provisions that are “integrally related to this qualification requirement,” is generally delayed until December 31, 2021. This delayed relief was previously available for “individually designed” plans, but not for pre-approved plans, such as master and prototype and volume submitter plans. Also, note that *operational* compliance with these new regulations is generally required by no later than January 1, 2020.

Recent IRS guidance under Revenue Procedure 2020-9 has provided both a helpful clarification about this delayed amendment date and a comparable extended amendment deadline for pre-approved plans. First, the IRS has clarified that all plan amendments that relate to the plan's hardship distributions provisions, and that are effective no later than January 1, 2020, will be treated as “integral” to the required amendments. Second, the deadline for pre-approved plans to adopt an “interim” amendment relating to those 401(k) regulations is generally extended to December 31, 2021 (i.e., the same date as for individually designed plans).

This favorable IRS guidance is a welcome development for plan sponsors, insofar as it provides an extended period to incorporate various hardship-related provisions into a carefully drafted plan amendment. Now is an excellent time for administrators to (i)

coordinate with both the plan recordkeeper and legal counsel in identifying various choices and decisions, both as to substantive provisions and effective dates; (ii) confirm implementation of those choices and decisions into the plan administration and related paperwork; and (iii) draft plan amendments that are both in

compliance with the regulatory requirements and consistent with the administration of the plan. Aon's Retirement Legal Consulting & Compliance consultants are familiar with these new regulations and can assist administrators in working through these important decisions.

## DOL Proposes to Allow Website Posting of ERISA Disclosures

by Dan Schwallie



The Department of Labor (DOL) published proposed regulations on October 23, 2019 which, if adopted as final, would allow plan administrators who satisfy specified conditions to provide participants and beneficiaries with a notice that certain disclosures will be made available on a website. Individuals who prefer to receive these disclosures on paper will be able to request paper copies and opt out of electronic delivery entirely. The DOL also asked for comments on the proposed regulations and requested information, data, and ideas on additional measures that the DOL could take to improve the effectiveness of disclosures under the Employee Retirement Income Security Act of 1974 (ERISA) by November 22, 2019.

The proposed regulations provide for an alternative safe harbor for electronic disclosure and would not change the current safe harbor for electronic delivery. Plan administrators could continue to rely on the existing safe harbor or furnish paper documents, either by hand-delivery or mail. Specifically, the proposed regulations provide that the administrator of a retirement benefit plan may satisfy this alternative safe harbor with respect to covered individuals and covered documents by complying with the notice, access, and other requirements of the proposed regulations. The proposed safe harbor does not apply to health and welfare benefit plans, and guidance is reserved so that the DOL can study the future application of the new

safe harbor to documents that must be furnished to participants and beneficiaries of health and welfare benefit plans.

A *covered individual* for purposes of the disclosure relief is a participant, beneficiary, or other individual entitled to covered documents and who, as a condition of employment, at commencement of plan participation, or otherwise, provides the employer, plan sponsor, or administrator (or an appropriate designee of any of the foregoing) with an electronic address, such as an email address or internet-connected mobile computing-device (e.g., smartphone) number. If an electronic address is assigned by an employer to an employee, the employee is treated as if the employee provided the electronic address, although the employee may provide a different electronic address instead.

A *covered document* for purposes of the disclosure relief is any retirement plan document required to be furnished to participants and beneficiaries under Title I of ERISA, except for any document that must be furnished upon request. Covered documents include documents that must be furnished solely because of the passage of time, such as pension benefit statements or summary annual reports, and documents that must be furnished because of a specific triggering event, such as a summary of material modifications or a blackout notice. A plan administrator is not required to furnish all these documents pursuant to the safe harbor if the administrator prefers a different method of furnishing for some of the documents.

Included in the proposed regulations are requirements as to the timing, content, and manner of distribution for the notice of the availability of ERISA disclosures on a website, along with standards for the internet website. The proposed regulations also include requirements regarding the initial notification of default electronic delivery, the right to opt out of electronic delivery and receive paper documents, and a special rule for severance from employment. The content of certain covered documents may be consolidated into one. Reasonable procedures must be in place to ensure compliance with the various requirements. Aon's Retirement Legal Consulting & Compliance consultants are available to assist plan sponsors in understanding the implications of these proposed regulations and complying with the final regulations when issued by the DOL.

# Court Sides with Private Equity Funds Over Teamsters

by Hitz Burton



The First Circuit Court of Appeals, in *Sun Capital Partners III, LP v. New England Teamsters and Trucking Indus. Pension Fund*, delivered a victory to two private equity funds of Sun Capital Advisors, Inc. (Sun Capital III and Sun Capital IV) in their long-running dispute with a multiemployer pension fund regarding an approximate \$4.5 million withdrawal liability relating to an underfunded

pension plan. Briefly, the court held that a “partnership-in-fact” did not exist between the two Sun Capital investment funds. Therefore, the funds were not responsible for the withdrawal liability.

The Sun Capital funds and the New England Teamsters have been involved in litigation since 2012 with the multiemployer pension fund advancing various scenarios under which Sun Capital funds would be responsible for the withdrawal liability resulting from the bankruptcy filing of Scott Brass, Inc. (SBI), one of its portfolio investment companies. SBI was a participating employer in a multiemployer pension fund sponsored by the New England Teamsters. In the instant litigation, the New England Teamsters maintained that two separate Sun Capital investment funds (Sun Capital III and Sun Capital IV) had formed an implied “partnership-in-fact” and were, therefore, part of a controlled group with SBI.

The Employee Retirement Income Security Act of 1974 (ERISA) imposes joint and several liability to entities engaged in a “trade or business” where the entities are determined to be under “common control.” Common control is often created where a parent company owns 80% of a subsidiary. Here, Sun Capital, like many private equity investors, was careful to structure its investments to avoid this 80% threshold by having Sun Capital III and IV, structured as separate legal entities, control 30% and 70% of SBI, respectively. Seeking to aggregate the

investment stakes held by Sun Capital III and IV in SBI, the New England Teamsters advanced a theory that the funds operated as a “partnership-in-fact.”

Whether a “partnership-in-fact” existed between the two Sun Capital investment funds turned on a set of eight factors. Among other specified criteria cited by the First Circuit, factors include whether the funds (i) agree to create a partnership or conduct themselves like partners; (ii) agree how to control income and invested capital; (iii) file their taxes on a separate or consolidated basis; (iv) maintain separate financial records; and (v) exercise mutual control and assume mutual responsibilities.

While finding that the same two individuals ultimately controlled Sun Capital III and IV and also controlled SBI through a pooling of business resources and expertise, the First Circuit held that no “partnership-in-fact” was created. Essential to this determination was the First Circuit finding that there was no intent on the part of the investment funds to create a partnership. Additionally, the First Circuit noted that the investment funds (i) expressly disclaimed any intent to create a joint venture or partnership; (ii) maintained separate bookkeeping and bank accounts and filed separate tax returns; and (iii) did not invest in parallel (i.e., at a fixed or variable ratio to each other).

Despite the recent victory, private equity investors should continue to carefully structure their business operations and investments to avoid various possible ERISA liabilities originating with their portfolio companies, including liabilities for underfunded qualified defined benefit pensions and unfunded nonqualified retirement plans. Aon’s Retirement Legal & Consulting Compliance consultants are experienced in advising private equity firms on how to best structure their investments to avoid unintended exposure to possible ERISA liabilities and are available to help evaluate various risk mitigation strategies.

## Quarterly Roundup of Other New Developments

by Teresa Kruse, Jan Raines, and Bridget Steinhart

### Fiduciary Committees Part 1—Membership is Not an Honorary Position

Congratulations, you’re part of a fiduciary plan committee! But wait, what does that mean? Your role is not just a title or an honorary position; it is an active, functional role, and you have a lot of responsibilities. Whether you are on a plan investment committee or a plan administrative committee, or a committee that manages both aspects of a retirement plan, you are responsible for making decisions in the best interest of the plan participants and beneficiaries.

As a committee member, it is important that you understand what is expected of you, as well as the necessary time commitment. Fiduciary training is your first step, where you will learn about important aspects of managing the decisions for a retirement plan, including:

- The Employee Retirement Income Security Act of 1974 (ERISA), the body of law (including fiduciary requirements) which governs retirement plans;
- Identification of plan fiduciaries and their responsibilities;



- Fiduciary best practices including committee formation, investment, and expense monitoring;
- Prohibited transactions involving plan assets and how to avoid them; and
- Risk management strategies for plan fiduciaries.

It is important you understand your fiduciary role because you can be held personally liable for a fiduciary breach. Furthermore, the Department of Labor (DOL) views fiduciary training as a critical part of prudent oversight, and the DOL is increasingly reviewing during plan audits whether fiduciary training has (and is) being provided. Fiduciary training should be viewed as an ongoing aspect of your role as a committee member. To the extent there is a need to provide or update your fiduciary training, Aon has fiduciary experts that can help committees and their members understand their fiduciary responsibilities under ERISA—from both an administrative and investment perspective.

This article is the first in a series that will highlight Fiduciary Committees over the course of this year. Stay tuned next quarter as we delve into committee formation and composition.

### **SEC Sweep Attempts to Find Plan-Related Securities Violations**

The Securities and Exchange Commission recently issued inquiries to Third-Party Administrators (TPAs) operating as broker-dealers or registered investment advisors to 403(b) and 457(b) plans. The sweep focuses on “whether violations of the federal securities laws have occurred” with respect to these non-ERISA plans, according to a redacted version of an information request. The inquiries target conflicts of interest, such as the TPA’s role in accepting gifts and similar compensation received from a school or vendor, and investment recommendation activity. Aon believes that it’s reasonable to expect additional regulations in this area at some point. Regulation Best Interest does not cover plan-level activity for non-ERISA plans. We will continue to follow this story.

### **AutoZone Challenged on Investment Fund Selection and Monitoring Process**

A recent class action lawsuit against AutoZone is one of many where plan sponsors and fiduciaries have been challenged on the process followed for selecting and monitoring investment funds in their 401(k) plans. In this case, the plaintiffs also question the decision to offer a portfolio management product (Prudential’s GoalMaker®), which, in plaintiffs’ view, served Prudential’s financial interests over those of plan participants.

In the complaint, the plaintiffs allege that GoalMaker was designed to assist plan participants in determining an appropriate asset allocation (based on the participant’s selected “risk” strategy and the number of years until retirement) and by automatically rebalancing accounts quarterly to ensure participants remain on track with their retirement goals. The complaint also alleges that participants enrolled in GoalMaker were told that they could not change GoalMaker’s recommended allocations without being dis-enrolled from GoalMaker.

While GoalMaker utilizes an underlying core lineup to determine asset allocations, the plaintiffs claim that the most expensive funds in the

lineup were used, rather than the lower-cost index funds also in the lineup. They further claim that Prudential (the plan’s recordkeeper) included only the funds that would generate the most revenue for its firm (including a proprietary guaranteed income fund (GIC) with an “obscene” amount of fees paid to Prudential).

The plaintiffs also allege that GoalMaker was the plan’s default fund, which caused the GIC to be the largest investment in the plan (15–20% of the overall assets), generating even more revenue for Prudential. Among other matters, the plaintiffs claim that AutoZone did not monitor the fees of the GIC nor select a lower-cost option offered by Prudential. While mentioning the administrative fees and noting that the plan should have followed a “benchmarking” process, the plaintiffs seem to be more concerned with the overall revenue being generated by the investment funds, which were retained by Prudential, rather than the costs to actually administer the plan (one of the most common claims of other 401(k) plan lawsuits).

The suit specifically alleges that AutoZone, as the named fiduciary for the plan, breached its fiduciary duty of prudence by not following a prudent process for the “selection, monitoring and retention . . . or removal of investment options” and for not ensuring that the plan’s fees were reasonable. A core fiduciary duty under ERISA is the standard of prudence, which requires that fiduciaries act in a manner a person familiar with similar situations, issues and matters would have acted, which includes following a thorough process for selecting, monitoring, and removing service providers, funds, fees, etc.

Aon’s consultants who specialize in fiduciary and investment matters can assist plan sponsors and fiduciaries as they strive to ensure that appropriate processes and procedures are utilized to assist with managing or reducing fiduciary risk, that fees are reasonable, and that DOL rules and ERISA guidelines are followed when selecting and monitoring investment funds. We will continue to monitor the case and will update our clients as needed. *Miller v. AutoZone, Inc.*, No. 2:19-cv-02779 (W.D. Tenn. complaint filed Nov. 13, 2019).

### **Advisory Jury to Hear Evidence in Class Action Suit**

In a class action lawsuit (*Moitoso v FMR LLC*) plaintiffs claim that Fidelity Management & Research Company and certain of its affiliated companies (Fidelity) breached its fiduciary duty by including over 200 proprietary mutual funds in the 401(k) plan. This case is just one of many against several other financial firms claiming self-dealing in their company 401(k) plan investments. The difference here is that plaintiffs demanded a jury trial (which is not normally permitted in ERISA cases), with the defendants arguing against that possibility. Typically, legal claims which seek monetary awards can be tried by a jury, while equitable claims seek court-ordered remedies. Consistent with prior rulings, the court concluded that any money awarded to participants would be considered equitable relief, rather than legal damages, thus precluding a jury trial. Even with this decision made, the judge opted to have an advisory jury hear the case. While an advisory jury’s opinion is not binding, it is used to assist judges in deciding cases. Plaintiffs’ attorneys argue that “ordinary people who are themselves saving for retirement” should hear this case, while Fidelity has argued that the complex facts of the case may be confusing to an advisory jury (made up of non-lawyers) or unfairly prejudice the company. We are not

aware of any other similar ERISA cases that have been heard by an advisory jury, and certainly the outcome of this case will be watched closely, as this may change the way judges address the use of juries in future lawsuits. We will update our clients on the progress of this case, as information becomes available. *Moitoso v. FMR LLC*, No. 1:18-cv-12122-WGY (D. Mass. Oct. 8, 2019).

### Retirement Plan Litigation Update

Retirement plan litigation has been prevalent over the past decade impacting corporate plan sponsors, financial institutions that are also plan sponsors, and universities sponsoring 403(b) plans. Defined contribution plan cases generally fall into the following three areas: inappropriate or imprudent investment choices; excessive fees; and self-dealing. Recently several cases involving financial institutions and universities have been dismissed (in full or in part) or settled, including:

- Universities
  - *Cunningham v. Cornell Univ.* – Majority of pending claims resolved; one claim remains

- *Tracey v. Mass. Inst. of Tech.* – Case settled for \$18 million and other remedies

- Other Institutions
  - *In re J.P. Morgan* – Case settled for \$75 million
  - *Patterson v. Morgan Stanley* – Dismissed

Plan sponsors seeking to reduce their litigation risk liability use a variety of strategies including increasing the number of passive funds in their plans and implementing better fee transparency. *Cunningham v. Cornell Univ.*, No. 1:16-cv-06525-PKC (S.D.N.Y. Dec. 19, 2019); *Tracey v. Mass. Inst. of Tech.*, No. 1:16-cv-11620-NMG (D. Mass. Oct. 28, 2019); *In re J.P. Morgan Stable Value Fund ERISA Litig.*, No. 1:12-cv-02548-VSB (S.D.N.Y. Sept. 23, 2019); *Patterson v. Morgan Stanley*, No. 1:16-cv-06568-RJS, 2019 BL 384508 (S.D.N.Y. Oct. 7, 2019).

Please see the applicable Disclosures and Disclaimers on page [10](#).

## Recent Publications

### Topping the Top 25 Highly Compensated Employee Lump-Sum Restrictions

by Daniel Schwallie

*Journal of Pension Planning & Compliance* (Winter 2020)

The nondiscrimination regulations under Internal Revenue Code (Code) section 401(a)(4) impose restrictions on the amount a defined benefit plan can pay prior to termination of the plan as a lump sum or any other form of distribution to certain highly compensated employees. This article describes those restrictions and alternatives that can permit payment in excess of the restrictions and attempts to clarify certain aspects of the restrictions based on the Code, regulations, private letter rulings, and informal guidance from the Internal Revenue Service and Department of the Treasury.

[Click here to read the article.](#)

### Update: New Hardship Withdrawal Rules Create Fewer Hardships for Plan Sponsors

by Daniel Schwallie

*Journal of Deferred Compensation* (Winter 2020)

The Bipartisan Budget Act of 2018 made significant changes to the hardship withdrawal rules under Internal Revenue Code (Code) section 401(k) by eliminating the safe harbor for a hardship withdrawal to be deemed necessary and expanding the sources that may be withdrawn due to hardship from a 401(k) plan (but less so from a 403(b) plan). This article describes the changes reflected in Code section 401(k)(14) and Treasury regulations published September 23, 2019 and contrasts the new rules with the prior hardship withdrawal rules.

[Click here to read the article.](#)

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Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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