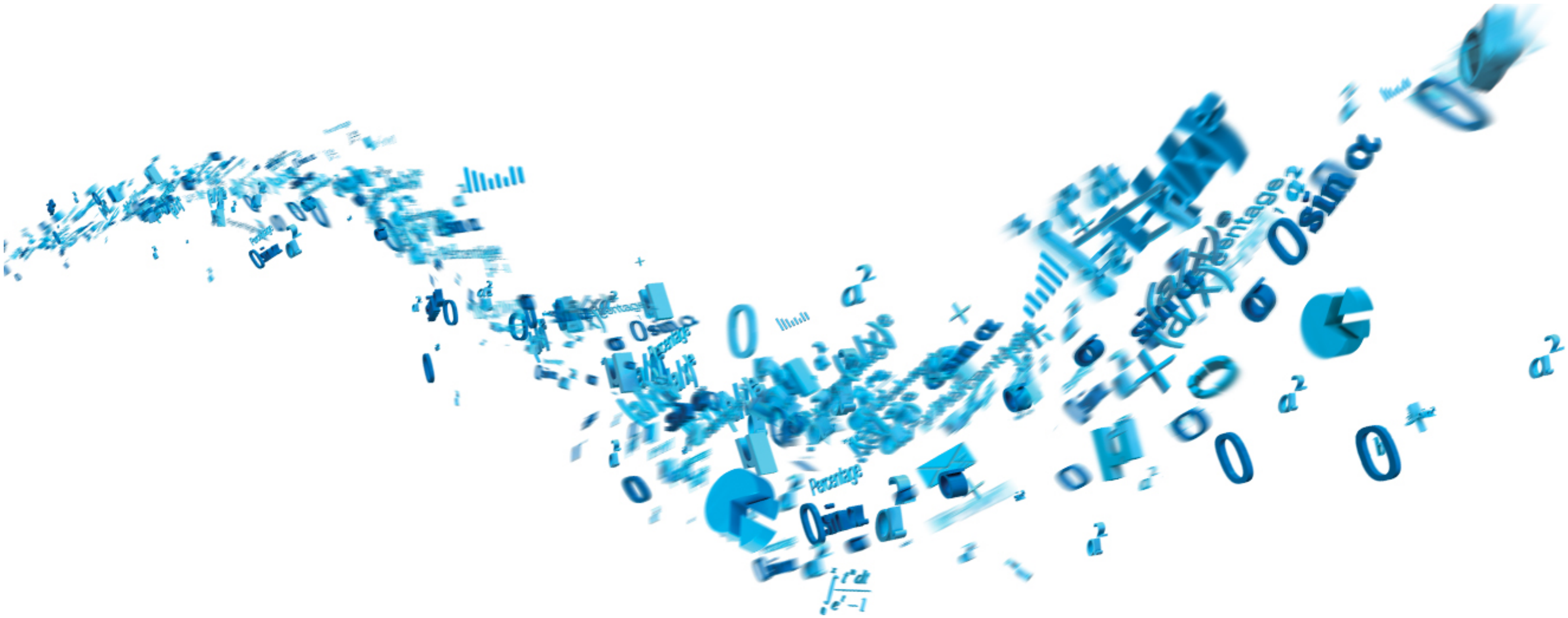

Nevada System of Higher Education

Fourth Quarter 2020 Discussion Guide

February 23, 2021

Aon
Empower Results®

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Discussion Topics

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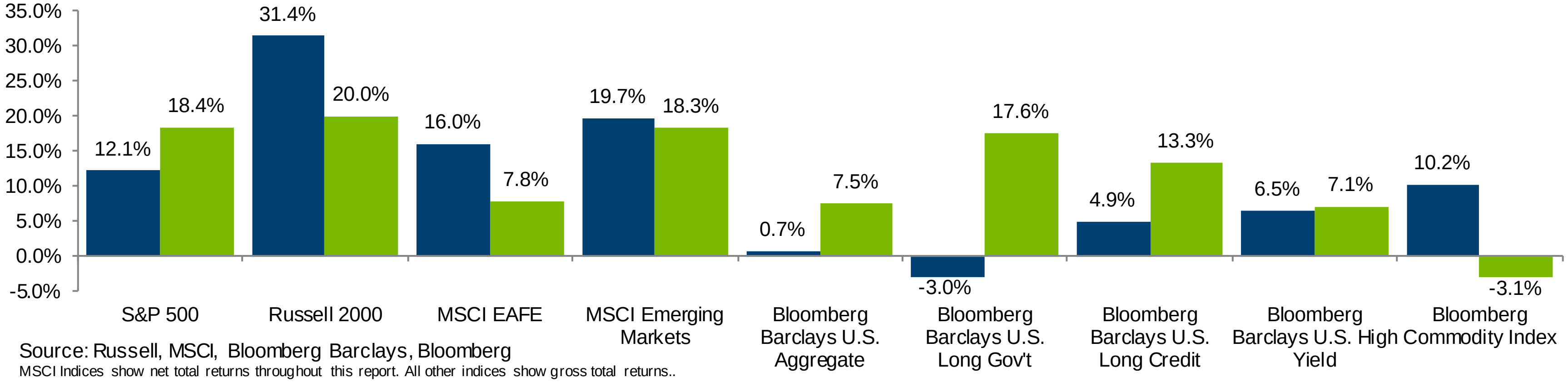
Discussion Topics

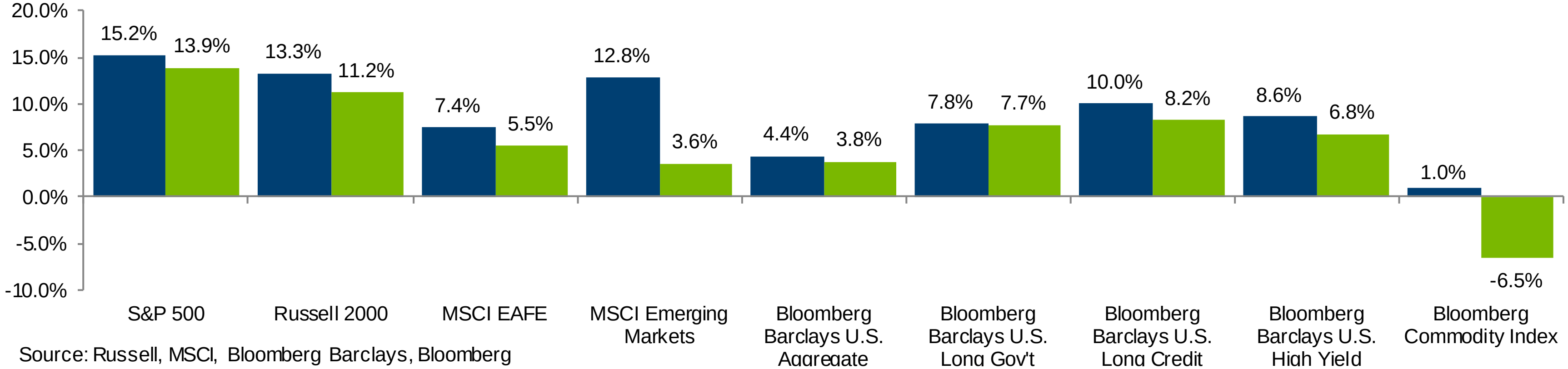
Market Highlights

SHORT TERM RETURNS
AS OF 12/31/2020



Source: Russell, MSCI, Bloomberg Barclays, Bloomberg
MSCI Indices show net total returns throughout this report. All other indices show gross total returns..

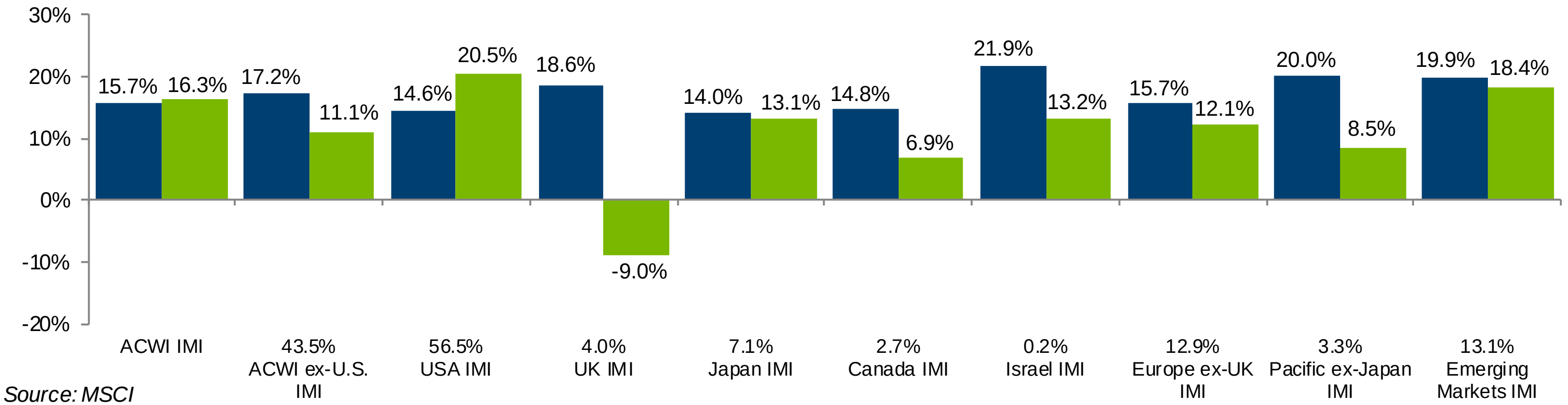
LONG TERM ANNUALIZED RETURNS
AS OF 12/31/2020



Source: Russell, MSCI, Bloomberg Barclays, Bloomberg

Global Equity Markets

GLOBAL MSCI IMI INDEX RETURNS (USD)
AS OF 12/31/2020



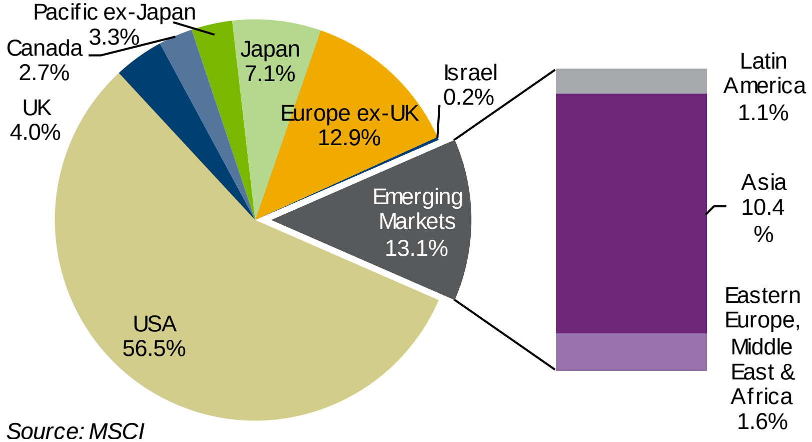
Source: MSCI

- Global equity markets continued to rise for the third consecutive quarter, ending the calendar year above their pre-pandemic levels. Supportive monetary and fiscal policy, dwindling uncertainties regarding the U.S. elections, and the news of vaccines receiving approval outweighed the continued surge of COVID-19 cases globally. The MSCI AC World's Investable Market Index returned 15.7% for the quarter.

- Non-U.S. equities, with strong performance from emerging markets, outperformed U.S. equities during the quarter. Emerging Markets (EM) IMI returned 19.9% for the fourth quarter, supported by strong returns from the information technology and financials sectors. In USD terms, Korean and Brazilian equities were among the best performing EM countries while Chinese equities returned the least.

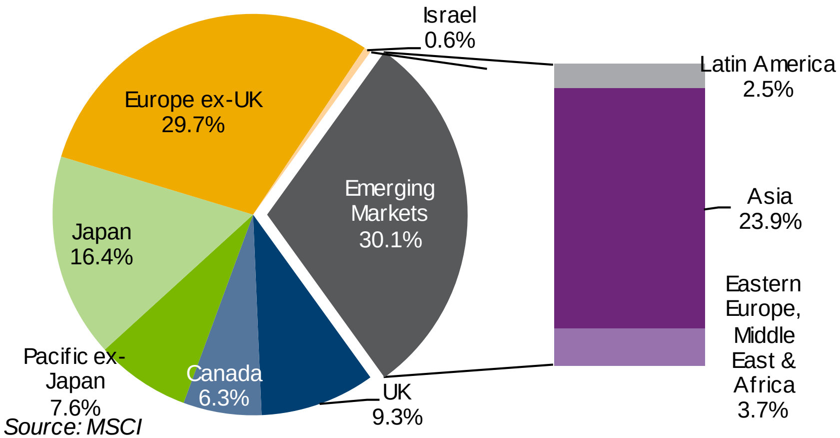
Global Equity Markets

**MSCI ALL COUNTRY WORLD IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 12/31/2020**



Source: MSCI

**MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 12/31/2020**



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.

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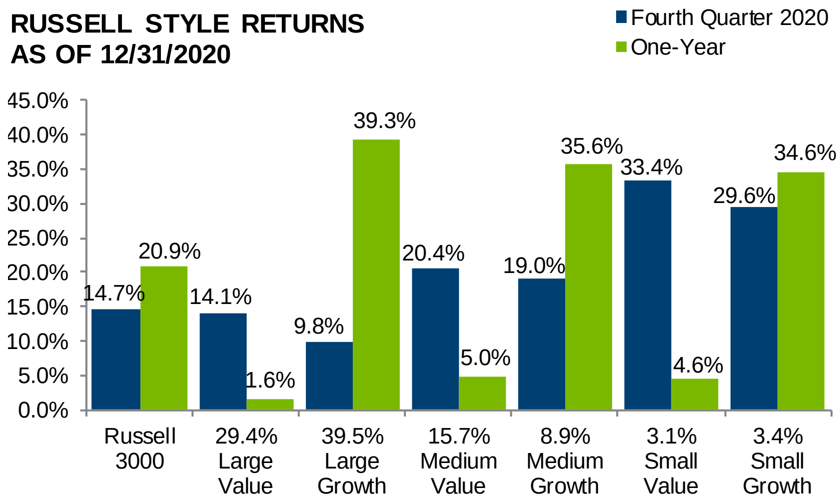
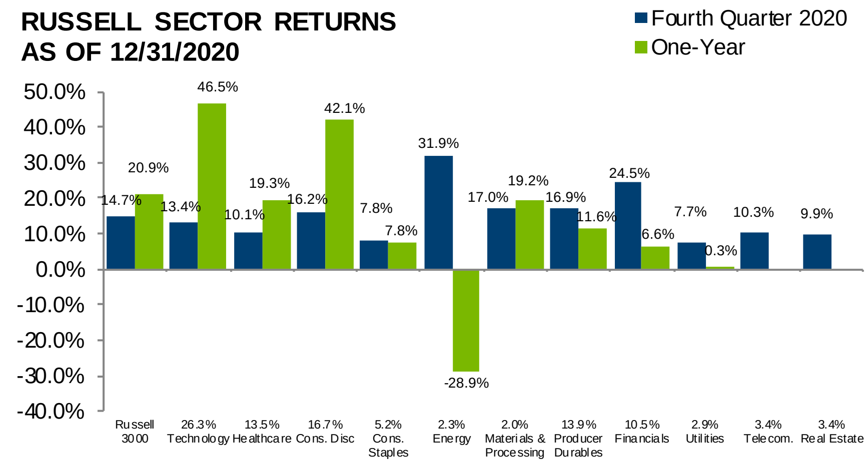
U.S. Equity Markets

RUSSELL STYLE RETURNS
AS OF 12/31/2020



Source: Russell Indexes

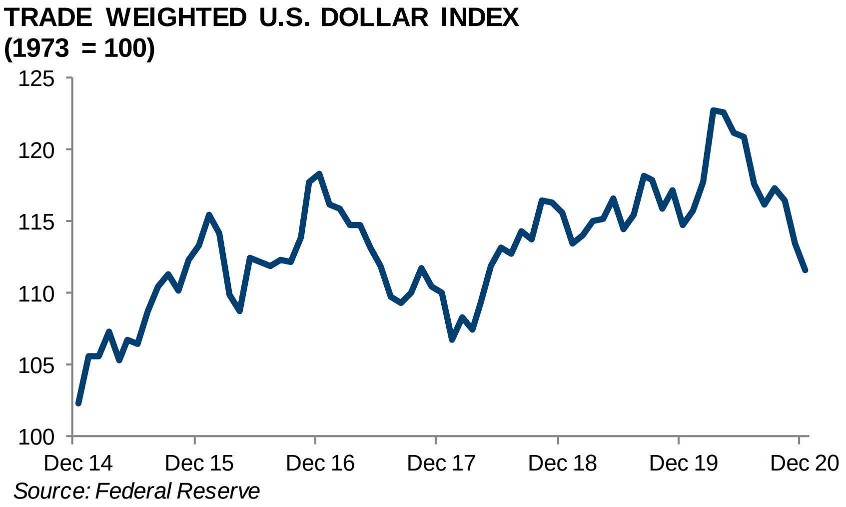
RUSSELL SECTOR RETURNS
AS OF 12/31/2020

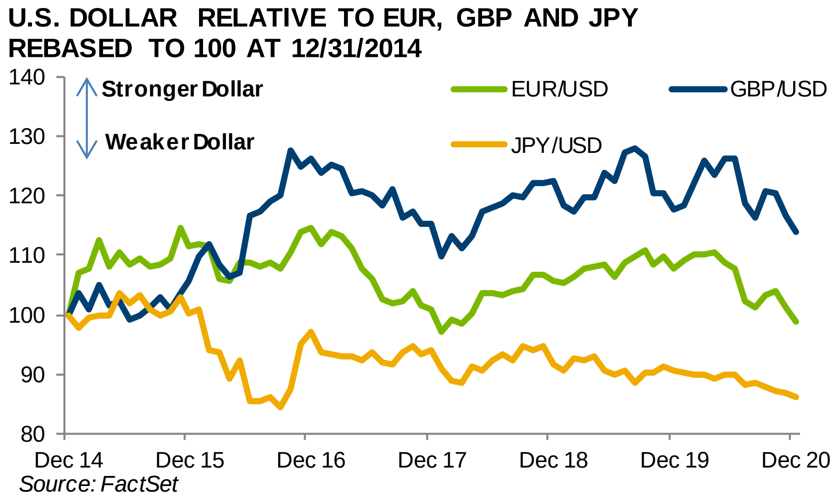


Source: Russell Indexes(New sectors like Telecommunication and Real Estate One-Year chart excluded due to lack of historical data)

- U.S. equities delivered double digit returns in the fourth quarter. During the quarter, new fiscal stimulus packages were approved as U.S. lawmakers passed a $900bn coronavirus relief bill while Democrat Joe Biden won the U.S. Presidential election and is set to become the 46th President. Economic data rebounded sharply as U.S. GDP grew at an annualized rate of 33.1% in the third quarter, compared to a 31.4% contraction during the second quarter. The Russell 3000 Index rose 14.7% during the fourth quarter and 20.9% over the trailing one-year period.
- The CBOE Volatility Index (VIX), Wall Street's "fear gauge", declined to 22.8 from 26.4 over the quarter, having averaged 28.9 over the previous 12-month period.
- All sectors generated positive returns over the quarter. The energy sector was the best performing sector with a return of 31.9%; the utilities sector returned the least at 7.7%.
- Small cap stocks outperformed both large and medium cap stocks during the quarter, while value stocks outperformed their growth counterparts.

Currency

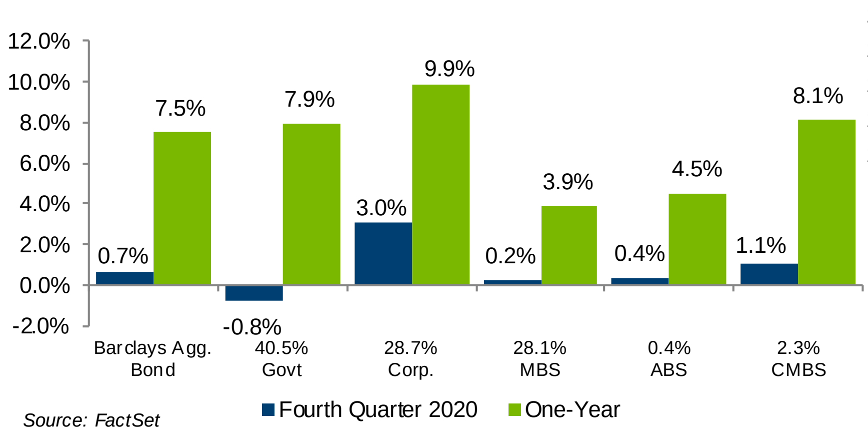




- The U.S. dollar weakened against major currencies over the quarter as renewed risk appetite from investors and consistent ultra-low interest rates dragged on the U.S. dollar. The U.S. dollar fell 4.9% on a trade-weighted basis. The U.S. Federal Reserve is not expected to implement any rate hikes until the end of 2023.
- The Sterling rose by 1.8% on a trade-weighted basis over the quarter in which the UK and the European Union (EU) reached a historic Brexit trade deal after years of negotiations. The Bank of England unanimously decided to increase its quantitative easing amount to £895 bn from £745 bn over the course of 2021. Sterling appreciated by 5.4% against the U.S. dollar.
- The U.S. dollar depreciated by 4.2% and 2.2% against the euro and yen respectively.

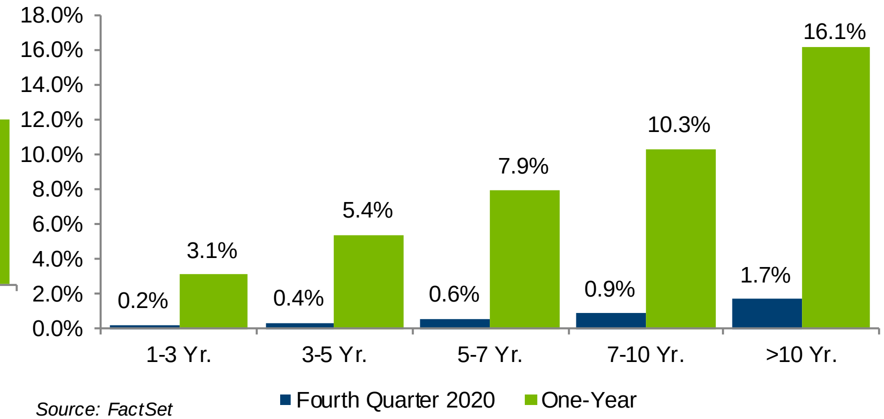
U.S. Fixed Income Markets

BLOOMBERG BARCLAYS AGGREGATE RETURNS BY SECTOR AS OF 12/31/2020



Source: FactSet

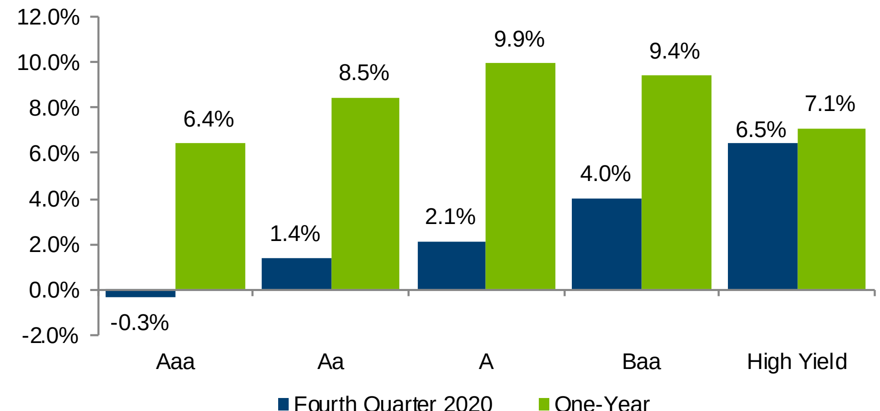
BLOOMBERG BARCLAYS AGGREGATE RETURNS BY MATURITY AS OF 12/31/2020



Source: FactSet

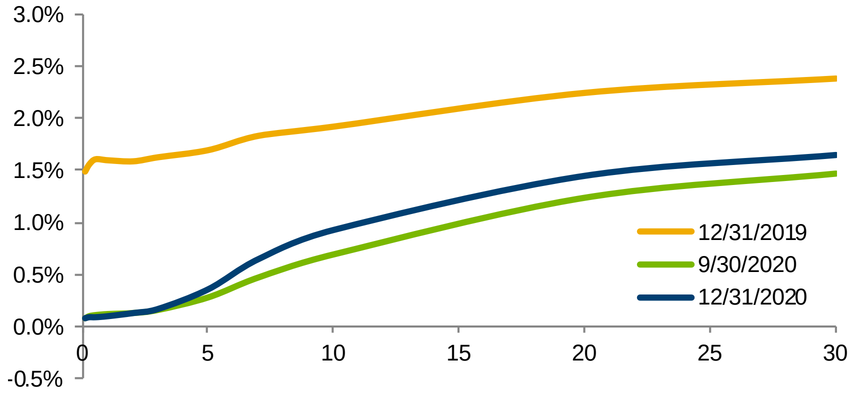
- The Bloomberg Barclays U.S. Aggregate Bond Index rose by 0.7% during the quarter.
- Corporate bonds were the best performer with a return of 3.0%, followed by CMBS bonds which rose by 1.1%.
- Bonds with 10+ year maturities performed the best with a return of 1.7%.
- High yield bonds rose by 6.5%. Within investment grade bonds, Baa bonds outperformed with a return of 4.0%.

BLOOMBERG BARCLAYS AGGREGATE RETURNS BY QUALITY AND HIGH YIELD RETURNS AS OF 12/31/2020

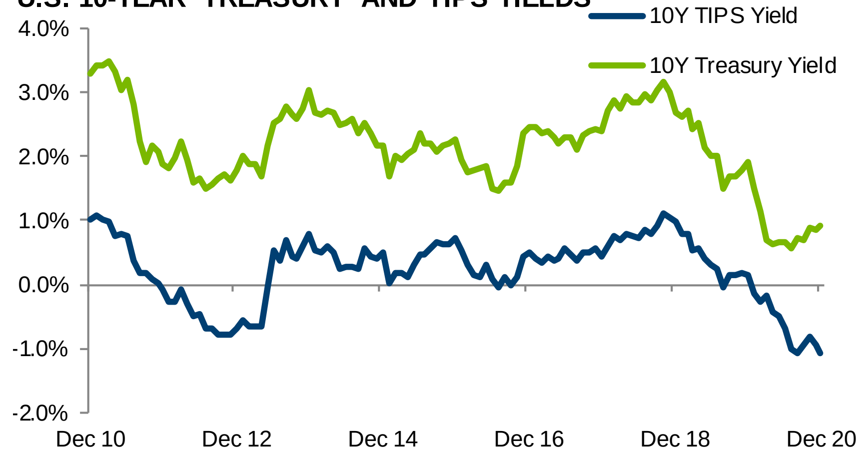


Source: FactSet

U.S. Fixed Income Markets



Source: U.S. Department of Treasury



Source: U.S. Department of Treasury

- The U.S. nominal yield curve steepened during the quarter with yields at the short end of the curve remaining virtually unchanged while yields at the longer end rose. The U.S. Federal Reserve (Fed) kept interest rates unchanged and will continue to buy $120bn of debt per month until “substantial further progress has been made” towards its employment and inflation targets. The Fed also upgraded its September projections to an economic growth rate of -2.4% in 2020 (up from -3.7%) followed by a rebound of 4.2% in 2021 (up from 4.0%).
- The 10-year U.S. treasury yield ended the quarter 24 bps higher at 0.93% and the 30-year yield increased by 19 bps to 1.65%.
- The 10-year TIPS yield fell by 12 bps during the quarter to -1.06%. Breakeven inflation rose across the curve during the quarter as the Fed’s “average inflation targeting” approach, under which the Fed would allow inflation to rise above their 2% target for a period of time, and the new fiscal stimulus package pushed inflation expectations higher.

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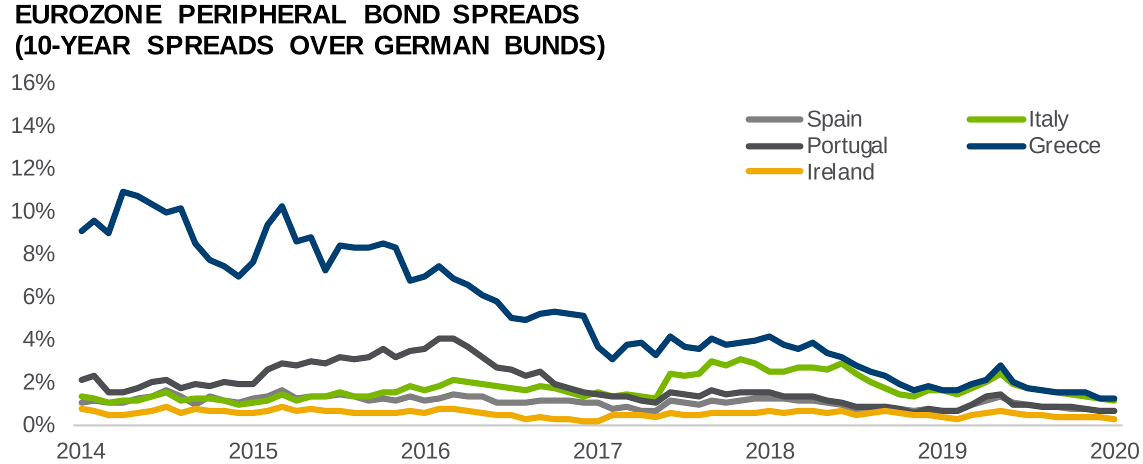
Credit Spreads

Spread (bps)	12/31/2020	09/30/2020	12/31/2019	Quarterly Change (bps)	One-Year Change (bps)
U.S. Aggregate	42	60	39	-18	3
Long Govt	1	0	0	1	1
Long Credit	141	188	139	-47	2
Long Govt/Credit	85	111	79	-26	6
MBS	39	61	39	-22	0
CMBS	81	106	72	-25	9
ABS	33	41	44	-8	-11
Corporate	96	136	93	-40	3
High Yield	360	517	336	-157	24
Global Emerging Markets	268	334	287	-66	-19

Source: FactSet, Bloomberg Barclays

- Credit markets enjoyed another solid quarter as spreads continued to fall. Spreads tightened again during the quarter, especially in the riskier credit areas, as the positive vaccine news improved hopes of a strong economic recovery. Overall, credit spreads over U.S. treasuries narrowed over the quarter.
- Riskier areas of credit, such as U.S. high yield bonds and emerging market debt, performed well. High yield credit spreads narrowed significantly in Q4 2020, decreasing by 157 bps and Global Emerging Markets narrowed by 66 bps during the quarter.
- However, there are still reasons to be concerned as the global high yield default rate for the twelve months to November was 7%, over twice as high as the pre-pandemic levels. In addition, the total number of investment grade bond downgrades for 2020 have outnumbered upgrades by 3 to 1 (upgrades outnumbered downgrades by 3 to 2 in 2019).

European Fixed Income Markets

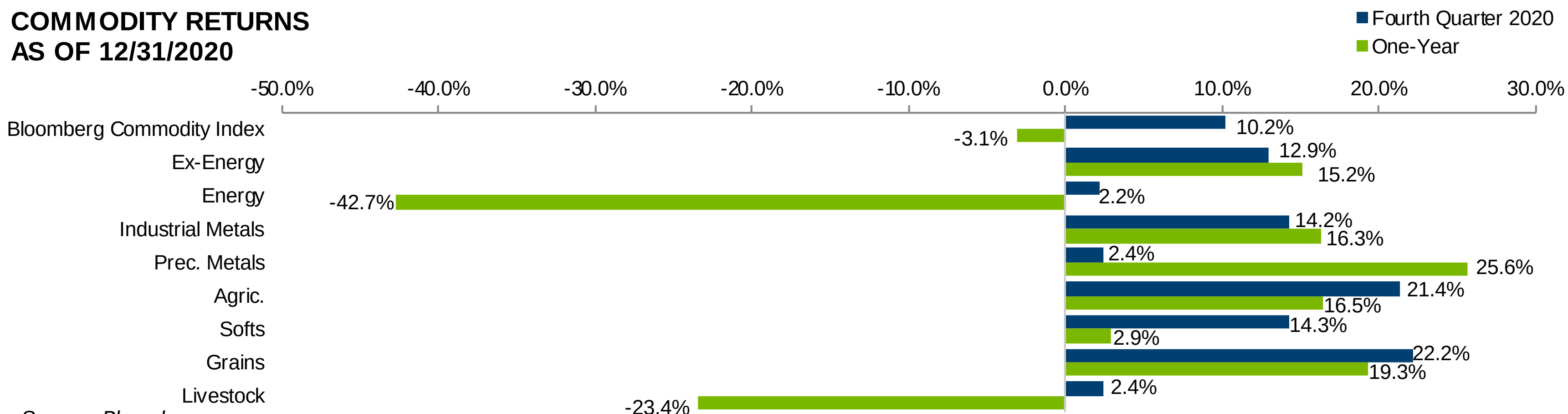


Source: FactSet

- European government bond spreads over 10-year German bunds narrowed across the Euro Area. The EU passed the bloc's €1.8tn budget and recovery package after Hungary and Poland reversed their vetoes. Originally, both countries had objected to rules linking stimulus disbursement to the commitment of European values. However, they backed down after EU officials stated that refusal to accept the package would "backfire." The European Central Bank increased the size of its Pandemic Emergency Purchase Programme from €1.35tn to €1.85tn and extended the program until March 2022.
- German government bund yields fell by 5 bps to -0.58% over the quarter. The Eurozone economy rebounded by growing 12.7% in Q3 2020 on a quarter-on-quarter basis, the fastest rate on record. The German and French economies grew by 8.2% and 18.2% over this period while the Italian and Spanish economies grew by 16.1% and 16.7% respectively.
- Greek government bond yields fell the most at 38 bps to 0.64%, whereas Italian and Portuguese government bond yields fell by 33 bps and 23bps to 0.54% and 0.03% respectively.

Commodities

COMMODITY RETURNS
AS OF 12/31/2020

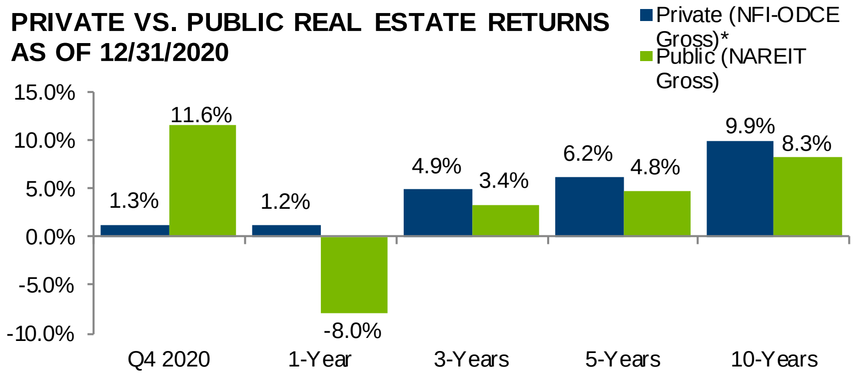


Source: Bloomberg
Note: Softs and Grains are part of the wider Agriculture sector

- Commodities fell in tandem with equity markets in October before rebounding sharply in November and maintaining the momentum in December. Overall, the Bloomberg Commodity Index returned 10.2% for the fourth quarter.
- The energy sector rose by 2.2% over the quarter. Oil prices rallied in November and December due to optimism over the starting of vaccinations to fight COVID-19. Elsewhere, OPEC and Russia agreed to increase oil production by 500,000 b/d from January 2021, thus, bringing down the production cut from existing 7.7 mb/d to 7.2 mb/d. OPEC cut its forecast for 2021 growth in oil demand by 350,000 bpd to 5.9 mb/d citing uncertainty over the impact of COVID-19 and labor market.
- The price of Brent crude oil rose by 26.5% to $52/bbl. while WTI crude oil spot prices rose by 20.6% to $49/bbl. On a one-year basis, the energy sector is down by 42.7%.
- Agriculture was the best performing sector, rising by 21.4% during the fourth quarter of 2020.

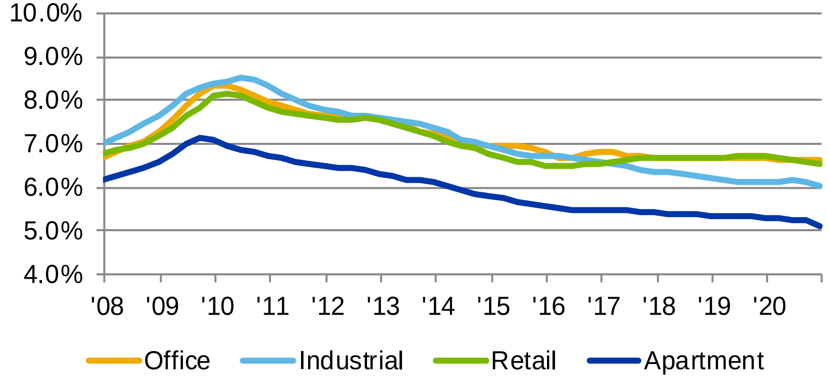
U.S. Commercial Real Estate Markets

PRIVATE VS. PUBLIC REAL ESTATE RETURNS AS OF 12/31/2020



**Fourth quarter returns are preliminary*
Sources: NCREIF, FactSet

CAP RATES BY SECTOR



Sources: RCA, AON 12/31/2018

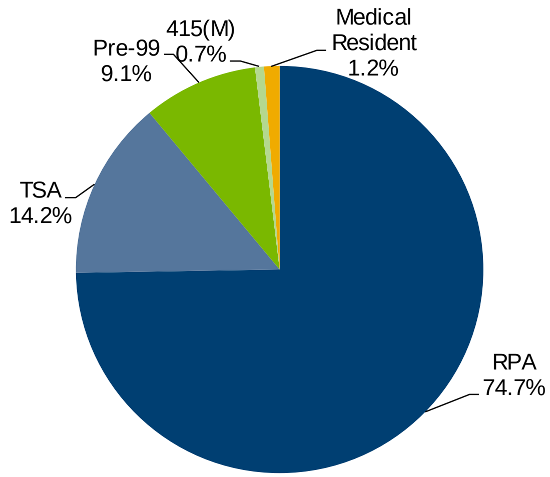
- U.S. Core Real Estate returned 1.3%* over the fourth quarter, equating to a 1.2% total gross return year-over-year, including a 3.9% income return. Shelter in place orders and social distancing practices have most severely impacted the retail and hotel property sectors. Property valuations have begun to price in the loss of cash flow as a result of COVID-19. Transaction volume contracted -32% YoY in 2020, and price discovery continues to be limited.
- Global property markets, as measured by the FTSE EPRA/NAREIT Developed Real Estate Index, returned 13.5% (USD) in aggregate during the fourth quarter but experienced a cumulative decline of -8.2% over the trailing 1-year period. REIT market performance was driven by Asia Pacific (11.2% USD), North America (13.2% USD) and Europe (22.6% USD). The U.S. REIT markets (FTSE NAREIT Equity REITs Index) returned 11.6% in the fourth quarter. The U.S. 10-year treasury bond yields increased 24 bps to 0.93% during the quarter.
- Continued uncertainty surrounding the impacts of the coronavirus has continued to influence private real estate pricing. The COVID-19 pandemic shut down economies and disrupted daily routines. While the pandemic has solidified the mission critical status of technology and software within the global economy, it has drawn into question the necessity and role of a number of commercial real estate property sectors. Prior crises have generated similar levels of uncertainty across property sectors in the past, and history has shown that such moments typically provide attractive entry points for medium to long-term investors.
- We are proactively evolving our investment strategy. In the post-coronavirus world, supply chains may move back to North America which will require corresponding real estate infrastructure. Demand for last mile logistics, already a key investment theme, will accelerate. Live and work preference changes will create opportunities. Interest rates are likely to remain lower for even longer, making real estate a very compelling alternative to fixed income investments.
- Blind pool funds offer a potential to have capital available when the new opportunity set presents itself. Those strategies need careful review in light of the changing market dynamics. Strategies that worked previously in a growth-oriented market may not be appropriate for what may be more opportunistic style investing. Regions, countries and property types all need to be reevaluated.

*Indicates preliminary NFI-ODCE data gross of fees

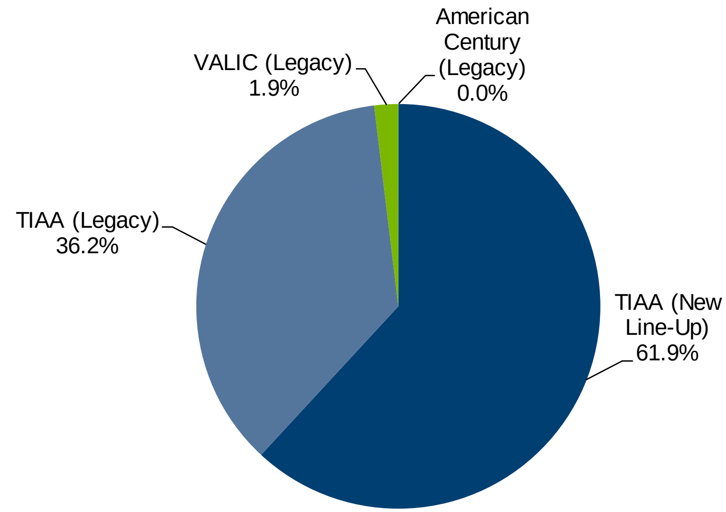
Discussion Topics

Asset Allocation

Assets by Plan
As of December 31, 2020



Assets by Vendor
As of December 31, 2020



As of 12/31/2020

Plan	RPA		TSA		Pre-99		415(M)		Medical Resident		Total	
	$	%	$	%	$	%	$	%	$	%	$	%
TIAA (New Line-Up)	$ 1,987,923,562	66.1%	$ 392,612,260	68.6%	$ 44,222,242	12.1%	$ 27,122,774	94.4%	$ 37,391,159	75.9%	$ 2,489,271,997	61.9%
TIAA (Legacy)	$ 973,120,477	32.4%	$ 160,378,930	28.0%	$ 321,128,443	87.8%	$ 1,613,709	5.6%	$ 165,426	0.3%	$ 1,456,406,985	36.2%
VALIC (Legacy)	$ 45,451,884	1.5%	$ 19,376,855	3.4%	$ -	0.0%	$ -	0.0%	$ 11,702,740	23.8%	$ 76,531,480	1.9%
American Century (Legacy)	$ -	0.0%	$ -	0.0%	$ 387,722	0.1%	$ -	0.0%	$ -	0.0%	$ 387,722	0.0%
Total	**$ 3,006,495,924**	**100.0%**	**$ 572,368,045**	**100.0%**	**$ 365,738,408**	**100.0%**	**$ 28,736,482**	**100.0%**	**$ 49,259,325**	**100.0%**	**$ 4,022,598,184**	**100.0%**
Other Assets*											$ 1,694,938	0.0%
Grand Total	**$ 3,006,495,924**	**74.7%**	**$ 572,368,045**	**14.2%**	**$ 365,738,408**	**9.1%**	**$ 28,736,482**	**0.7%**	**$ 49,259,325**	**1.2%**	**$ 4,024,293,122**	**100.0%**

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

Source: TIAA

Tier I(a) Watch List

Tier I (a)

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

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

- **Notes on Table:** Changes in Watch List designations from the previous quarter are highlighted in red.
- **Yellow-Level Watch List.** An investment fund goes on the Watch List with a yellow designation when two of the above occur, or when item numbers 4, 5, or 6 occur.
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* Since-inception returns were used since this fund does not have a trailing five-year return.

Tier II Watch List

Tier II

	1. Underperformed During Trailing 5 Years	2. Underperformed in 3 of 4 Trailing Calendar Quarters	3. Diverged from Strategy and/or Portfolio Characteristics	4. Adverse Change in Portfolio Manager	5. Weak Manager Research Rating	6. Significant Organizational Change	Watch List Status			
							4th Quarter 2020	3rd Quarter 2020	2nd Quarter 2020	1st Quarter 2020
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	No	No	No	No	No (Buy)	No				
Vanguard Extended Market Index Fund	No	No	No	No	No (Buy)	No				
Vangaurd Total International Stock Index Fund	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	Yes	No	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	No	No	No	No	No (Buy)	No				
DFA Inflation-Protected Securities	No	No	No	No	No (Buy)	No				
American Century High Income	No	No	No	No	No (Buy)	No				
T. Rowe Price Instl. Large Cap Growth Fund	No	No	No	No	No (Buy)	No				
Diamond Hill Large Cap	No	No	No	No	No (Buy)	No				
William Blair Small/Mid Cap Growth Fund	Yes	Yes	No	No	No (Buy)	No				
DFA U.S. Targeted Value	Yes	No	No	No	No (Buy)	No				
Dodge & Cox Global Stock Fund	Yes	No	No	No	No (Buy)	No				
Harding Loevner International Equity Instl.	No	Yes	No	No	No (Buy)	No				
MFS International Value Fund	No	No	No	No	No (Buy)	No				
Cohen & Steers Instl Realty Shares	No	No	No	No	No (Buy)	No				

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

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

Tier I(a) Performance Summary

As of 12/31/2020

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Plan	**4,024,293,122**	**100.0**							**03/01/2014**
Tier I (a)	**1,045,441,849**	**26.0**							**03/01/2014**
Vanguard Target Retirement Income Trust Plus	23,778,029	0.6	5.2 (57)	10.1 (45)	6.9 (29)	6.9 (41)		6.0 (31)	09/01/2011
Vanguard Target Retirement Income Trust I			*5.2 (57)*	*10.1 (45)*	*6.9 (29)*	*6.9 (42)*	*6.0*	*6.0 (31)*	
Vanguard Target Retirement Income Trust II			*5.2 (57)*	*10.1 (46)*	*6.9 (29)*	*6.9 (42)*	*5.9*	*6.0 (32)*	
Vanguard Target Income Composite Index			*5.2 (56)*	*10.7 (25)*	*7.2 (19)*	*7.1 (27)*	*6.1*	*6.1 (27)*	
Vanguard Target Retirement 2015 Trust Plus	50,912,069	1.3	5.8 (97)	10.4 (76)	7.2 (62)	7.9 (66)		7.6 (31)	09/01/2011
Vanguard Target Retirement 2015 Trust I			*5.8 (97)*	*10.4 (76)*	*7.2 (63)*	*7.9 (67)*	*7.1*	*7.6 (31)*	
Vanguard Target Retirement 2015 Trust II			*5.8 (96)*	*10.4 (76)*	*7.2 (64)*	*7.8 (68)*	*7.1*	*7.5 (39)*	
Vanguard Target 2015 Composite Index			*5.8 (96)*	*11.0 (65)*	*7.5 (45)*	*8.1 (52)*	*7.2*	*7.7 (27)*	
Vanguard Target Retirement 2020 Trust Plus	97,199,640	2.4	7.9 (57)	12.1 (41)	8.1 (26)	9.1 (26)		8.6 (24)	09/01/2011
Vanguard Target Retirement 2020 Trust I			*7.9 (56)*	*12.1 (41)*	*8.1 (26)*	*9.1 (27)*	*8.0*	*8.6 (24)*	
Vanguard Target Retirement 2020 Trust II			*7.9 (59)*	*12.1 (41)*	*8.1 (27)*	*9.1 (27)*	*8.0*	*8.6 (26)*	
Vanguard Target 2020 Composite Index			*7.9 (48)*	*12.8 (19)*	*8.4 (11)*	*9.3 (10)*	*8.2*	*8.8 (1)*	
Vanguard Target Retirement 2025 Trust Plus	119,710,075	3.0	9.4 (39)	13.4 (34)	8.9 (21)	10.0 (20)		9.4 (19)	09/01/2011
Vanguard Target Retirement 2025 Trust I			*9.4 (39)*	*13.4 (34)*	*8.8 (22)*	*10.0 (20)*	*8.6*	*9.4 (19)*	
Vanguard Target Retirement 2025 Trust II			*9.4 (40)*	*13.4 (35)*	*8.8 (25)*	*10.0 (21)*	*8.6*	*9.4 (20)*	
Vanguard Target 2025 Composite Index			*9.5 (39)*	*14.2 (9)*	*9.2 (6)*	*10.2 (6)*	*8.9*	*9.6 (5)*	
Vanguard Target Retirement 2030 Trust Plus	159,898,744	4.0	10.5 (41)	14.2 (41)	9.3 (26)	10.6 (29)		10.0 (19)	09/01/2011
Vanguard Target Retirement 2030 Trust I			*10.5 (41)*	*14.2 (41)*	*9.2 (26)*	*10.6 (29)*	*9.1*	*10.0 (20)*	
Vanguard Target Retirement 2030 Trust II			*10.5 (42)*	*14.2 (41)*	*9.2 (27)*	*10.6 (29)*	*9.1*	*10.0 (20)*	
Vanguard Target 2030 Composite Index			*10.6 (38)*	*15.0 (18)*	*9.6 (17)*	*10.8 (20)*	*9.3*	*10.2 (6)*	
Vanguard Target Retirement 2035 Trust Plus	177,811,542	4.4	11.7 (68)	14.9 (48)	9.6 (36)	11.2 (36)		10.6 (20)	09/01/2011
Vanguard Target Retirement 2035 Trust I			*11.7 (68)*	*14.9 (48)*	*9.6 (36)*	*11.2 (36)*	*9.6*	*10.6 (20)*	
Vanguard Target Retirement 2035 Trust II			*11.7 (67)*	*14.9 (48)*	*9.6 (37)*	*11.2 (36)*	*9.6*	*10.6 (21)*	
Vanguard Target 2035 Composite Index			*11.8 (58)*	*15.7 (28)*	*9.9 (23)*	*11.4 (25)*	*9.8*	*10.8 (11)*	

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 12/31/2020

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Vanguard Target Retirement 2040 Trust Plus	163,422,670	4.1	12.8 (69)	15.6 (44)	9.9 (39)	11.8 (32)		11.1 (18)	09/01/2011
Vanguard Target Retirement 2040 Trust I			*12.8 (69)*	*15.6 (44)*	*9.9 (39)*	*11.8 (32)*	*10.0*	*11.0 (18)*	
Vanguard Target Retirement 2040 Trust II			*12.8 (69)*	*15.6 (44)*	*9.9 (40)*	*11.8 (33)*	*10.0*	*11.0 (19)*	
Vanguard Target 2040 Composite Index			*12.9 (59)*	*16.3 (34)*	*10.3 (27)*	*12.0 (23)*	*10.2*	*11.3 (12)*	
Vanguard Target Retirement 2045 Trust Plus	132,261,844	3.3	13.9 (58)	16.3 (46)	10.3 (35)	12.2 (26)		11.2 (18)	09/01/2011
Vanguard Target Retirement 2045 Trust I			*13.9 (59)*	*16.3 (47)*	*10.3 (35)*	*12.2 (26)*	*10.2*	*11.2 (19)*	
Vanguard Target Retirement 2045 Trust II			*13.9 (59)*	*16.3 (47)*	*10.2 (36)*	*12.1 (27)*	*10.2*	*11.2 (20)*	
Vanguard Target 2045 Composite Index			*14.1 (50)*	*17.0 (33)*	*10.6 (23)*	*12.4 (18)*	*10.4*	*11.5 (13)*	
Vanguard Target Retirement 2050 Trust Plus	79,210,992	2.0	14.0 (66)	16.5 (44)	10.3 (39)	12.2 (31)		11.3 (17)	09/01/2011
Vanguard Target Retirement 2050 Trust I			*14.0 (65)*	*16.4 (44)*	*10.3 (39)*	*12.2 (31)*	*10.2*	*11.3 (17)*	
Vanguard Target Retirement 2050 Trust II			*14.0 (65)*	*16.4 (46)*	*10.3 (40)*	*12.2 (32)*	*10.2*	*11.2 (19)*	
Vanguard Target 2050 Composite Index			*14.2 (59)*	*17.2 (35)*	*10.7 (28)*	*12.4 (19)*	*10.4*	*11.5 (13)*	
Vanguard Target Retirement 2055 Trust Plus	30,778,476	0.8	14.0 (77)	16.4 (45)	10.3 (49)	12.2 (39)			09/01/2011
Vanguard Target Retirement 2055 Trust I			*14.0 (77)*	*16.4 (45)*	*10.3 (49)*	*12.2 (39)*	*10.2*	*11.2 (20)*	
Vanguard Target Retirement 2055 Trust II			*14.0 (77)*	*16.4 (45)*	*10.3 (49)*	*12.2 (39)*	*10.2*	*11.2 (29)*	
Vanguard Target 2055 Composite Index			*14.2 (68)*	*17.2 (37)*	*10.7 (33)*	*12.4 (26)*	*10.4*	*11.5 (16)*	
Vanguard Target Retirement 2060 Trust Plus	10,263,610	0.3	14.0 (77)	16.5 (58)	10.4 (65)	12.2 (55)		10.7	04/01/2012
Vanguard Target Retirement 2060 Trust I			*14.0 (78)*	*16.5 (59)*	*10.3 (66)*	*12.2 (55)*		*10.7*	
Vanguard Target Retirement 2060 Trust II			*14.0 (77)*	*16.5 (59)*	*10.3 (66)*	*12.2 (55)*		*10.7*	
Vanguard Target 2060 Composite Index			*14.2 (73)*	*17.2 (49)*	*10.7 (40)*	*12.4 (39)*		*10.9*	
Vanguard Target Retirement 2065 Trust Plus	194,157	0.0	14.0 (77)	16.5 (64)	10.4 (63)			11.5 (59)	08/01/2017
Vanguard Target Retirement 2065 Trust I			*14.0 (77)*	*16.5 (60)*	*10.4 (64)*			*11.5 (59)*	
Vanguard Target Retirement 2065 Trust II			*13.9 (78)*	*16.4 (66)*	*10.4 (64)*			*11.4 (60)*	
Vanguard Target 2065 Composite Index			*14.2 (73)*	*17.2 (49)*	*10.7 (40)*			*11.8 (29)*	

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

Tier I Performance Summary

As of 12/31/2020

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Tier I	**171,023,451**	**4.2**							**02/01/2014**
Vanguard Target Retirement Income - Instl.	9,496,633	0.2	5.2 (84)	10.2 (36)	6.9 (28)	6.9 (48)		6.1 (39)	07/01/2015
Vanguard Tgt Ret Inc;Inv (VTINX)			*5.1 (84)*	*10.0 (38)*	*6.9 (29)*	*6.9 (48)*	*5.9*	*6.0 (46)*	
Vanguard Target Income Composite Index			*5.2 (84)*	*10.7 (30)*	*7.2 (24)*	*7.1 (47)*	*6.1*	*6.3 (34)*	
Vanguard Target Retirement 2015 - Instl.	18,389,285	0.5	5.8 (97)	10.4 (76)	7.2 (63)	7.9 (68)		6.8 (62)	07/01/2015
Vanguard Tgt Ret2015;Inv (VTXVX)			*5.7 (100)*	*10.3 (77)*	*7.1 (77)*	*7.8 (77)*	*7.0*	*6.7 (65)*	
Vanguard Target 2015 Composite Index			*5.8 (96)*	*11.0 (65)*	*7.5 (45)*	*8.1 (52)*	*7.2*	*7.0 (48)*	
Vanguard Target Retirement 2020 - Instl.	21,011,316	0.5	7.9 (56)	12.1 (42)	8.1 (28)	9.1 (28)		7.8 (24)	07/01/2015
Vanguard Tgt Ret2020;Inv (VTWNX)			*7.9 (59)*	*12.0 (42)*	*8.1 (30)*	*9.0 (34)*	*7.9*	*7.7 (30)*	
Vanguard Target 2020 Composite Index			*7.9 (48)*	*12.8 (19)*	*8.4 (11)*	*9.3 (10)*	*8.2*	*8.0 (7)*	
Vanguard Target Retirement 2025 - Instl.	26,989,476	0.7	9.4 (40)	13.3 (36)	8.8 (25)	9.9 (21)		8.5 (20)	07/01/2015
Vanguard Tgt Ret2025;Inv (VTTVX)			*9.3 (46)*	*13.3 (37)*	*8.7 (28)*	*9.9 (28)*	*8.5*	*8.4 (25)*	
Vanguard Target 2025 Composite Index			*9.5 (39)*	*14.2 (9)*	*9.2 (6)*	*10.2 (6)*	*8.9*	*8.8 (2)*	
Vanguard Target Retirement 2030 - Instl.	23,381,803	0.6	10.5 (42)	14.1 (45)	9.2 (28)	10.6 (30)		8.9 (29)	07/01/2015
Vanguard Tgt Ret2030;Inv (VTHRX)			*10.5 (45)*	*14.1 (45)*	*9.2 (30)*	*10.5 (33)*	*9.0*	*8.9 (30)*	
Vanguard Target 2030 Composite Index			*10.6 (38)*	*15.0 (18)*	*9.6 (17)*	*10.8 (20)*	*9.3*	*9.2 (19)*	
Vanguard Target Retirement 2035 - Instl.	16,818,112	0.4	11.6 (72)	14.8 (49)	9.5 (39)	11.2 (38)		9.4 (38)	07/01/2015
Vanguard Tgt Ret2035;Inv (VTTHX)			*11.6 (75)*	*14.8 (49)*	*9.5 (42)*	*11.1 (39)*	*9.5*	*9.3 (39)*	
Vanguard Target 2035 Composite Index			*11.8 (58)*	*15.7 (28)*	*9.9 (23)*	*11.4 (25)*	*9.8*	*9.7 (24)*	

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

Tier I Performance Summary (cont'd.)

As of 12/31/2020

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Vanguard Target Retirement 2040 - Instl.	14,650,806	0.4	12.8 (69)	15.4 (51)	9.9 (43)	11.7 (34)		9.8 (40)	07/01/2015
Vanguard Tgt Ret2040;Inv (VFORX)			*12.8 (69)*	*15.5 (47)*	*9.8 (47)*	*11.7 (35)*	*9.9*	*9.8 (41)*	
Vanguard Target 2040 Composite Index			*12.9 (59)*	*16.3 (34)*	*10.3 (27)*	*12.0 (23)*	*10.2*	*10.1 (23)*	
Vanguard Target Retirement 2045 - Instl.	15,319,467	0.4	13.9 (58)	16.2 (51)	10.2 (40)	12.1 (28)		10.1 (35)	07/01/2015
Vanguard Tgt Ret2045;Inv (VTIVX)			*13.9 (59)*	*16.3 (46)*	*10.2 (42)*	*12.1 (33)*	*10.1*	*10.1 (39)*	
Vanguard Target 2045 Composite Index			*14.1 (50)*	*17.0 (33)*	*10.6 (23)*	*12.4 (18)*	*10.4*	*10.5 (13)*	
Vanguard Target Retirement 2050 - Instl.	15,765,350	0.4	14.0 (63)	16.3 (48)	10.3 (41)	12.1 (33)		10.2 (37)	07/01/2015
Vanguard Tgt Ret2050;Inv (VFIFX)			*14.0 (63)*	*16.4 (47)*	*10.2 (41)*	*12.1 (35)*	*10.1*	*10.1 (38)*	
Vanguard Target 2050 Composite Index			*14.2 (59)*	*17.2 (35)*	*10.7 (28)*	*12.4 (19)*	*10.4*	*10.5 (11)*	
Vanguard Target Retirement 2055 - Instl.	8,159,703	0.2	14.0 (74)	16.4 (46)	10.3 (49)	12.2 (40)		10.2 (45)	07/01/2015
Vanguard Tgt Ret2055;Inv (VFFVX)			*14.0 (77)*	*16.3 (47)*	*10.2 (50)*	*12.1 (44)*	*10.1*	*10.1 (47)*	
Vanguard Target 2055 Composite Index			*14.2 (68)*	*17.2 (37)*	*10.7 (33)*	*12.4 (26)*	*10.4*	*10.5 (19)*	
Vanguard Target Retirement 2060 - Instl.	1,000,885	0.0	14.0 (76)	16.4 (71)	10.3 (67)	12.2 (56)		10.2 (59)	07/01/2015
Vanguard Tgt Ret2060;Inv (VTTSX)			*14.0 (77)*	*16.3 (77)*	*10.2 (75)*	*12.1 (59)*		*10.1 (67)*	
Vanguard Target 2060 Composite Index			*14.2 (73)*	*17.2 (49)*	*10.7 (40)*	*12.4 (39)*		*10.5 (31)*	
Vanguard Target Retirement 2065 - Instl.	40,615	0.0	14.0 (76)	16.2 (81)	10.2 (72)			11.3 (65)	08/01/2017
Vanguard Tgt Ret2065;Inv (VLXVX)			*13.9 (78)*	*16.2 (82)*	*10.1 (77)*			*11.3 (71)*	
Vanguard Target 2065 Composite Index			*14.2 (73)*	*17.2 (49)*	*10.7 (40)*			*11.8 (29)*	

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

Tier II Performance Summary

As of 12/31/2020

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Tier II	**1,239,778,998**	**30.8**							**03/01/2014**
Vanguard Total Bond Market Index Fund - Inst.	63,066,199	1.6	0.7 (87)	7.7 (64)	5.4 (53)	4.5 (64)	3.8 (67)	5.2 (47)	10/01/1995
Performance Benchmark			*0.7 (81)*	*7.7 (63)*	*5.4 (52)*	*4.5 (61)*	*3.9 (63)*	*5.3 (27)*	
Vanguard Total International Bond Index Fund - Adm.	2,449,524	0.1	1.0 (83)	4.5 (80)	5.1 (23)	4.5 (54)		4.2 (13)	06/01/2013
Blmbg. Barc. Global Agg ex-USD Flt Adj RIC Cpd (H)			*1.1 (83)*	*4.7 (79)*	*5.3 (15)*	*4.7 (47)*		*4.5 (11)*	
Vanguard Total Stock Market Index Fund - Inst.	63,857,187	1.6	14.7 (27)	21.0 (43)	14.5 (47)	15.4 (44)	13.8 (41)	8.4 (26)	08/01/1997
Performance Benchmark			*14.7 (26)*	*21.0 (43)*	*14.5 (47)*	*15.4 (44)*	*13.8 (41)*	*8.4 (26)*	
Vanguard Institutional Index Fund - Inst. Plus	199,936,520	5.0	12.2 (13)	18.4 (7)	14.2 (10)	15.2 (7)	13.9 (8)	8.1 (1)	08/01/1997
S&P 500 Index			*12.1 (19)*	*18.4 (10)*	*14.2 (6)*	*15.2 (6)*	*13.9 (7)*	*8.0 (3)*	
Vanguard FTSE Social Index Fund - Adm.	5,300,825	0.1	12.3 (55)	22.7 (39)	16.6 (35)	16.8 (33)	15.1 (28)	6.3 (70)	06/01/2000
FTSE 4Good U.S. Select Index			*12.4 (53)*	*22.8 (39)*	*16.8 (35)*	*16.9 (31)*	*15.3 (27)*		
S&P 500 Index			*12.1 (56)*	*18.4 (53)*	*14.2 (50)*	*15.2 (46)*	*13.9 (40)*	*6.9 (49)*	
Vanguard Extended Market Index Fund - Inst.	70,668,890	1.8	27.4 (4)	32.2 (59)	15.4 (86)	16.1 (76)	13.2 (76)	9.5 (67)	08/01/1997
Performance Benchmark			*27.4 (4)*	*32.2 (59)*	*15.2 (86)*	*15.9 (78)*	*13.1 (78)*		
Vanguard Total International Stock Index Fund - Inst.	13,035,364	0.3	16.9 (37)	11.3 (50)	5.0 (56)	9.1 (42)	5.2 (65)	5.9 (65)	12/01/2010
Performance Benchmark			*17.2 (34)*	*11.2 (51)*	*5.0 (56)*	*9.1 (42)*	*5.2 (65)*	*6.0 (65)*	
Vanguard Developed Market Index Fund - Inst.	69,467,428	1.7	17.0 (37)	10.3 (56)	4.8 (61)	8.3 (52)	5.9 (43)	6.7 (43)	02/01/2010
Performance Benchmark			*17.1 (36)*	*10.0 (57)*	*4.7 (64)*	*8.2 (56)*	*5.9 (43)*	*6.6 (45)*	
Vanguard Emerging Markets Stock Index Fund - Inst.	47,882,161	1.2	16.9 (81)	15.3 (59)	5.8 (45)	11.7 (50)	3.2 (50)	7.8 (73)	07/01/2000
Performance Benchmark			*17.5 (75)*	*15.5 (58)*	*5.8 (45)*	*11.7 (52)*	*3.2 (48)*	*7.9 (71)*	
Vanguard Federal Money Market Fund - Inv.	54,225,883	1.3	0.0 (22)	0.5 (20)	1.5 (19)	1.1 (19)	0.6 (20)	2.8 (27)	11/01/1989
FTSE 3 Month T-Bill			*0.0 (5)*	*0.6 (10)*	*1.6 (15)*	*1.2 (16)*	*0.6 (18)*	*2.8 (40)*	
T. Rowe Price Stable Value Common Trust Fund A	11,494,784	0.3	0.5 (13)	2.1 (18)				2.1 (28)	02/01/2018
Hueler Stable Value Index			*0.5 (10)*	*2.2 (9)*				*2.3 (20)*	
TIAA Traditional - RC	156,476,895	3.9	1.0 (1)	4.0 (1)	4.0 (7)	4.1 (5)	4.2 (1)	4.4 (1)	08/01/2005
Hueler Stable Value Index			*0.5 (10)*	*2.2 (9)*	*2.3 (20)*	*2.1 (24)*	*2.1 (20)*	*2.8 (13)*	
TIAA Traditional - RCP	93,223,992	2.3	0.8 (1)	3.2 (1)	3.3 (8)	3.4 (6)	3.4 (4)	3.6 (5)	06/01/2006
Hueler Stable Value Index			*0.5 (10)*	*2.2 (9)*	*2.3 (20)*	*2.1 (24)*	*2.1 (20)*	*2.7 (14)*	
PIMCO Total Return Fund - Inst.	26,853,012	0.7	1.0 (64)	8.9 (33)	5.5 (45)	4.9 (38)	4.2 (44)	7.2	06/01/1987
Blmbg. Barc. U.S. Aggregate			*0.7 (87)*	*7.5 (70)*	*5.3 (58)*	*4.4 (66)*	*3.8 (66)*	*6.3*	

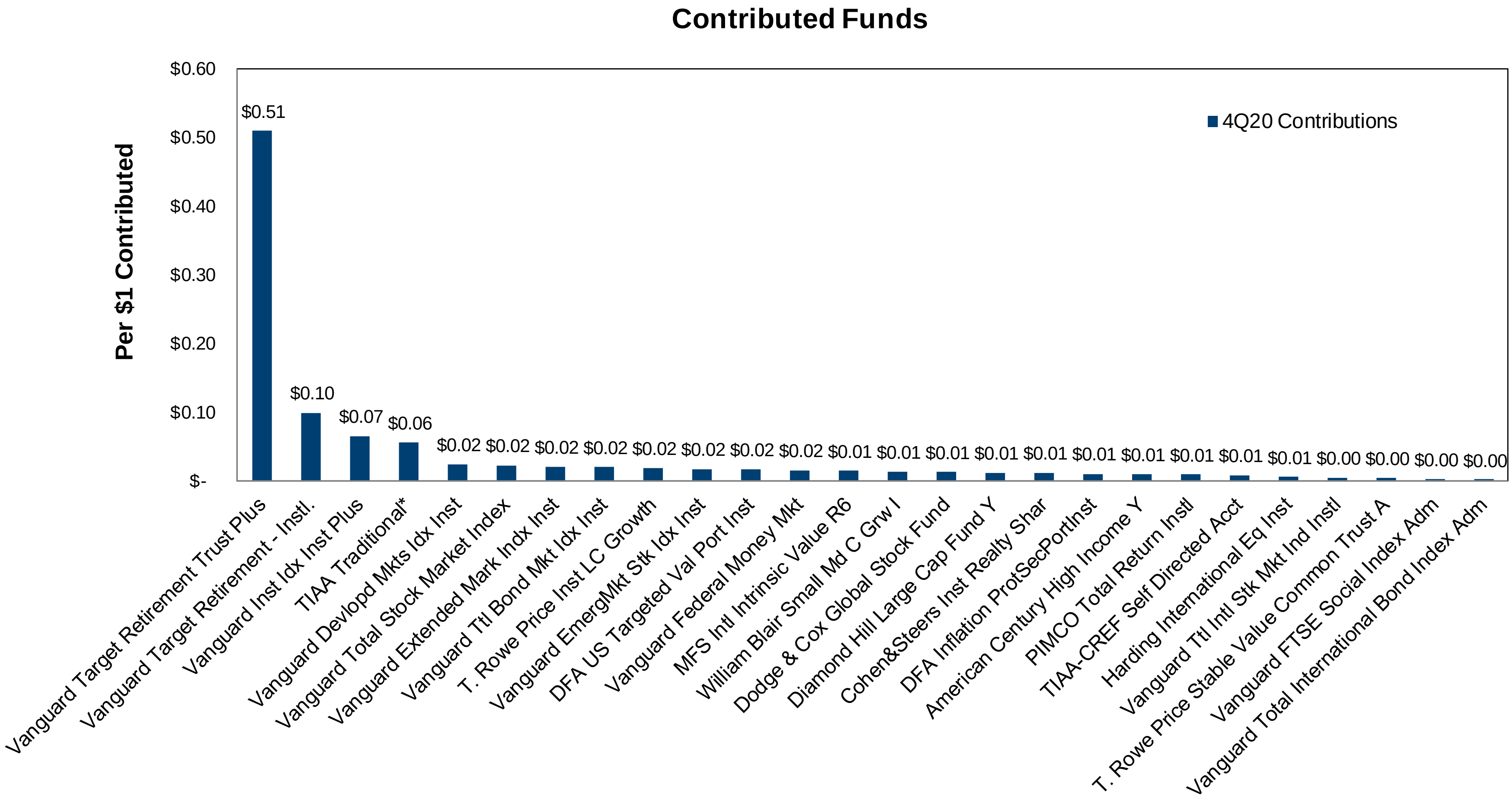
Tier II Performance Summary (cont'd)

As of 12/31/2020

	Allocation		Performance(%)						
	Market Value ($)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
DFA Inflation-Protected Securities Portfolio - I	33,846,188	0.8	1.7 (54)	11.7 (14)	6.1 (10)	5.3 (16)	4.0 (10)	4.6 (21)	10/01/2006
Blmbg. Barc. Global Inflation-Linked: U.S. TIPS			*1.6 (61)*	*11.0 (30)*	*5.9 (25)*	*5.1 (28)*	*3.8 (17)*	*4.4 (30)*	
American Century High Income - Y	32,095,121	0.8	7.2 (20)	8.0 (14)	6.1 (14)	8.4 (9)		6.3 (4)	01/01/2013
ICE BofAML US High Yield Master II Constrained			*6.5 (38)*	*6.1 (38)*	*5.9 (22)*	*8.4 (8)*		*5.8 (15)*	
T. Rowe Price Instl. Large Cap Growth Fund	54,305,597	1.3	13.0 (18)	39.6 (34)	23.2 (40)	21.5 (16)	18.2 (11)	12.3 (7)	11/01/2001
Russell 1000 Growth Index			*11.4 (43)*	*38.5 (41)*	*23.0 (44)*	*21.0 (22)*	*17.2 (24)*	*10.5 (33)*	
Diamond Hill Large Cap - Y	34,524,435	0.9	15.0 (61)	9.1 (15)	9.3 (9)	12.5 (6)		13.3 (7)	01/01/2012
Russell 1000 Value Index			*16.3 (44)*	*2.8 (49)*	*6.1 (56)*	*9.7 (54)*		*11.7 (40)*	
William Blair Small/Mid Cap Growth Fund - I	42,295,247	1.1	21.2 (68)	32.4 (61)	19.2 (54)	18.5 (53)	15.5 (30)	12.4 (19)	01/01/2004
Russell 2500 Growth Index			*25.9 (33)*	*40.5 (45)*	*19.9 (51)*	*18.7 (52)*	*15.0 (39)*	*11.7 (32)*	
DFA U.S. Targeted Value - I	43,398,981	1.1	32.8 (16)	3.8 (47)	2.0 (74)	8.1 (52)	8.6 (60)	10.4	03/01/2000
Russell 2500 Value Index			*28.5 (48)*	*4.9 (24)*	*4.3 (27)*	*9.4 (23)*	*9.3 (49)*	*9.7*	
Dodge & Cox Global Stock Fund	31,753,561	0.8	24.1 (5)	6.0 (84)	4.7 (86)	10.3 (76)	8.7 (67)	6.0 (67)	05/01/2008
MSCI AC World Index (Net)			*14.7 (37)*	*16.3 (41)*	*10.1 (59)*	*12.3 (54)*	*9.1 (64)*	*6.4 (64)*	
Harding Loevner International Equity Instl.	15,991,350	0.4	16.1 (32)	20.3 (40)	9.0 (37)	12.1 (27)	7.8 (26)	6.9	06/01/1994
MSCI AC World ex USA Growth (Net)			*13.9 (69)*	*22.2 (28)*	*10.0 (30)*	*12.0 (29)*	*6.9 (47)*		
MFS International Value Fund - R6	43,939,602	1.1	10.0 (98)	20.6 (1)	11.4 (1)	12.9 (1)	11.3 (1)	8.5 (1)	06/01/2006
MSCI AC World ex USA Value (Net)			*20.4 (6)*	*-0.8 (97)*	*-0.4 (98)*	*5.7 (88)*	*2.8 (98)*	*2.7 (100)*	
Cohen and Steers Instl. Realty Shares	29,690,253	0.7	8.6 (67)	-2.6 (21)	7.6 (7)	7.2 (13)	9.5 (15)	11.5 (8)	03/01/2000
FTSE NAREIT Equity REIT Index			*11.6 (32)*	*-8.0 (77)*	*3.4 (72)*	*4.8 (71)*	*8.3 (50)*	*10.4 (51)*	
Tier III	**33,027,699**	**0.8**							**03/01/2014**
Mutual Fund Window	33,027,699	0.8							
Orphan Accounts	**1,533,326,187**	**38.1**							
TIAA Orphan Accounts	1,456,406,985	36.2							
VALIC Orphan Accounts	76,531,480	1.9							
American Century Orphan Accounts	387,722	0.0							
Other Assets	**1,694,938**	**0.0**							**03/01/2014**
Loans	274,724	0.0							
Loans Deemed Distributed	553,046	0.0							
Plan Loan Default Fund	867,168	0.0							

Total Plan Contributions

As of 12/31/2020

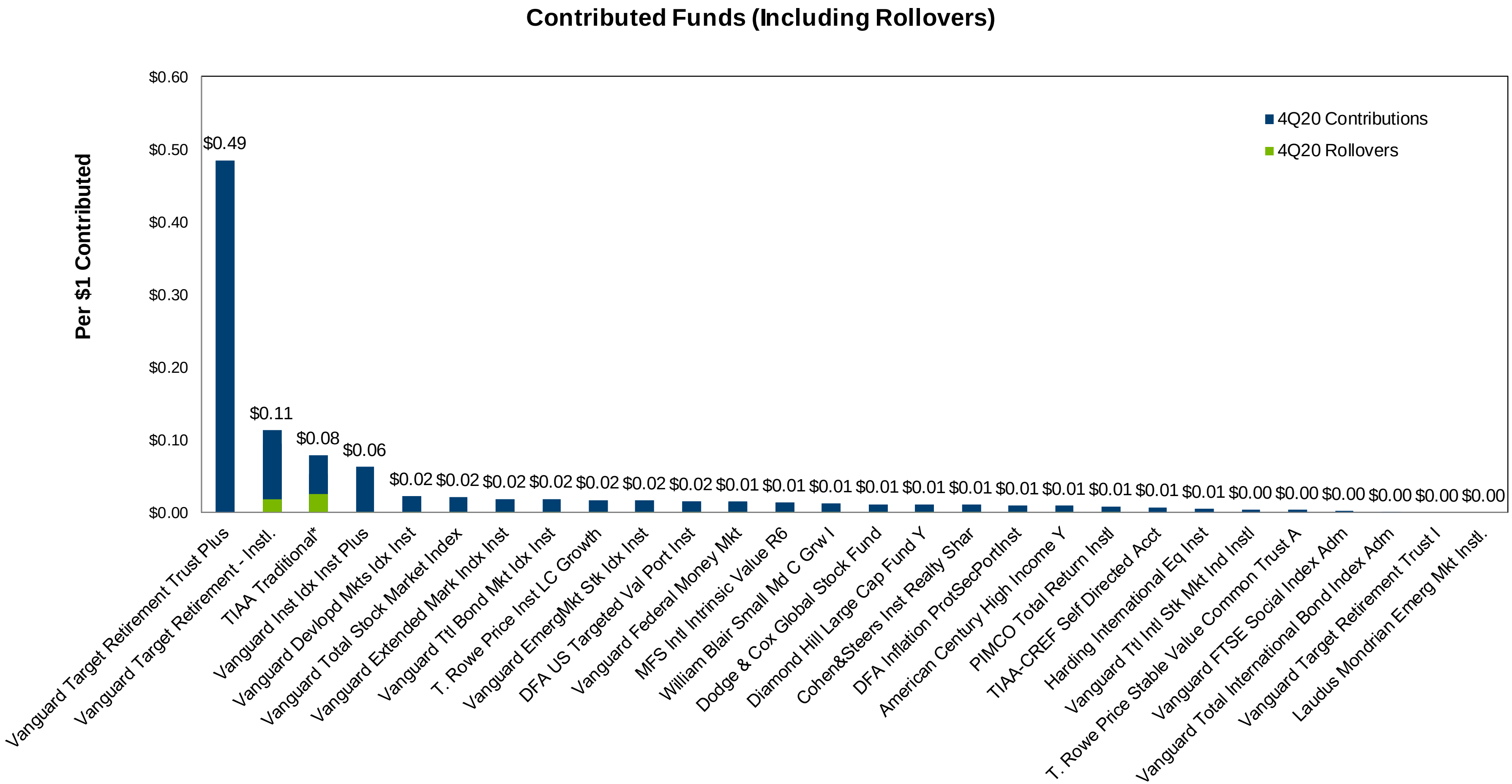


*TIAA RC 80% / TIAA RCP 20% Contribution Split

Source: TIAA

Total Plan Contributions (Including Rollovers)

As of 12/31/2020



*TIAA RC 54% / TIAA RCP 46% Contribution and Rollover Split

Source: TIAA

Quarterly Participant Transfers

As of 12/31/2020

Investment	Transfers In	Transfers Out	Net Transfers	Ending Balance (12/31/2020)	Number of Participants
Vanguard Target Retirement Trust Plus Funds	$7,801,568	($11,916,660)	($4,115,092)	$1,045,441,849	4,081
Vanguard Target Retirement Mutual Funds	$566,373	($2,155,282)	($1,588,908)	$171,023,451	1,749
Vanguard Total Bond Market Index Inst	$3,679,892	($2,141,835)	$1,538,057	$63,066,199	1,032
Vanguard Total Int'l Bond Index Fund Adm	$164,738	($146,488)	$18,249	$2,449,524	94
Vanguard Total Stock Market Index Inst	$1,664,486	($2,761,079)	($1,096,593)	$63,857,187	453
Vanguard Institutional Index Inst	$3,822,276	($3,471,384)	$350,892	$199,936,520	1,626
Vanguard FTSE Social Index Fund	$817,233	($252,551)	$564,682	$5,300,825	67
Vanguard Extended Market Index Inst	$2,456,889	($1,085,758)	$1,371,131	$70,668,890	1,228
Vanguard Total International Stock Index Inst	$212,093	($334,480)	($122,387)	$13,035,364	155
Vanguard Developed Markets Index Ins	$1,094,556	($1,238,585)	($144,029)	$69,467,428	1,264
Vanguard Emerging Markets Stock Index Inst	$814,279	($772,020)	$42,259	$47,882,161	1,395
Vanguard Federal Money Market Inv	$8,325,290	($10,946,444)	($2,621,154)	$54,225,883	219
T. Rowe Price Stable Value Common Trust A	$866,294	($236,961)	$629,333	$11,494,784	344
TIAA Traditional	$5,124,291	($2,126,079)	$2,998,212	$249,700,886	1,617
PIMCO Total Return Instl	$524,577	($778,528)	($253,951)	$26,853,012	550
DFA Inflation Protected Securities Portfolio Inst	$1,883,608	($1,038,142)	$845,466	$33,846,188	986
American Century High Income	$828,742	($454,111)	$374,631	$32,095,121	846
T. Rowe Price Inst LC Growth	$3,306,575	($2,570,611)	$735,964	$54,305,597	386
Diamond Hill Large Cap Fund Y	$1,461,766	($590,528)	$871,238	$34,524,435	1,025
William Blair Small Md C Grw I	$503,601	($1,139,900)	($636,299)	$42,295,247	1,080
DFA US Targeted Val Port Inst	$955,632	($579,932)	$375,700	$43,398,981	1,218
Dodge & Cox Global Stock Fund	$462,192	($632,856)	($170,664)	$31,753,561	679
Harding International Equit Inst	$689,570	($158,013)	$531,557	$15,991,350	651
MFS International Value R6	$1,667,647	($710,713)	$956,933	$43,939,602	1,257
Cohen & Steers Inst Realty Shares	$538,111	($630,184)	($92,074)	$29,690,253	1,424
Mutual Fund Window	$793,068	($2,156,223)	($1,363,154)	$33,027,699	52
Total	**$51,025,346**	**($51,025,346)**	**$0**	**$2,489,271,997**	

Source: TIAA

Empower Results®

Historical Quarterly Participant Transfers

As of 12/31/2020

	2Q19		3Q19		4Q19		1Q20		2Q20		3Q20		4Q20	
Investment	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	-$16.42	4,014	-$13.94	4,157	-$13.05	4,140	-$26.63	4,112	-$13.49	4,129	-$8.64	4,286	-$4.12	4,081
Vanguard Target Retirement Mutual Funds	-$4.07	1,541	-$2.75	1,730	-$2.84	1,743	-$7.23	1,601	-$2.97	1,615	-$1.58	1,777	-$1.59	1,749
Vanguard Total Bond Market Index Inst	$1.53	978	$3.25	1,025	$2.11	1,024	$4.37	1,019	$1.24	1,062	$3.04	1,069	$1.54	1,032
Vanguard Total Int'l Bond Index Fund Adm	--	--	--	--	--	--	$0.80	2	$1.08	49	$0.34	78	$0.02	94
Vanguard Total Stock Market Index Inst	-$0.70	566	-$1.18	523	-$0.46	504	-$1.84	476	-$0.73	491	-$2.22	476	-$1.10	453
Vanguard Institutional Index Inst	$4.71	1,590	$1.42	1,611	$2.16	1,596	-$1.42	1,586	$0.54	1,647	-$1.05	1,674	$0.35	1,626
Vanguard FTSE Social Index Fund	$0.19	43	$0.43	45	$0.15	46	-$0.34	49	-$0.01	59	$0.06	61	$0.56	67
Vanguard Extended Market Index Inst	$1.88	1,121	$1.38	1,154	$0.62	1,180	$0.07	1,185	$0.23	1,244	-$0.94	1,263	$1.37	1,228
Vanguard Total International Stock Index Inst	-$0.19	169	-$0.40	164	-$0.06	162	$0.59	162	-$0.27	164	-$0.46	158	-$0.12	155
Vanguard Developed Markets Index Ins	$4.33	1,190	$1.79	1,221	$2.51	1,232	$1.12	1,237	$0.96	1,277	-$0.11	1,299	-$0.14	1,264
Vanguard Emerging Markets Stock Index Inst	$1.60	1,394	$1.08	1,404	$1.30	1,394	$0.15	1,385	-$0.01	1,426	$0.24	1,437	$0.04	1,395
Vanguard Federal Money Market Inv	$0.91	210	$0.78	212	$1.29	217	$27.46	206	$4.00	247	$0.31	232	-$2.62	219
T. Rowe Price Stable Value Common Trust A	$1.09	236	$0.86	268	$0.73	288	$1.23	306	$1.42	337	$0.39	360	$0.63	344
TIAA Traditional	$5.74	1,735	$4.66	1,769	$3.13	1,714	$5.16	1,724	$6.26	1,710	$4.77	1,681	$3.00	1,617
PIMCO Total Return Instl	-$0.42	699	$0.10	652	$0.09	631	$0.40	569	$0.80	581	$0.16	580	-$0.25	550
DFA Inflation Protected Securities Portfolio Inst	$1.49	918	$1.70	953	$1.56	953	$1.33	963	$0.84	989	$2.58	1,007	$0.85	986
American Century High Income	$1.18	879	$0.72	885	$0.41	875	$0.09	871	-$0.18	892	$0.54	885	$0.37	846
T. Rowe Price Inst LC Growth	-$3.91	389	-$0.03	389	-$1.13	381	-$0.37	368	$1.41	387	$1.26	401	$0.74	386
Diamond Hill Large Cap Fund Y	$0.10	947	$0.31	996	$0.54	1,025	-$0.69	1,023	-$0.09	1,041	$0.25	1,056	$0.87	1,025
William Blair Small Md C Grw I	-$0.25	1,053	$0.32	1,046	$0.20	1,070	-$1.08	1,081	-$1.15	1,138	-$1.21	1,157	-$0.64	1,080
DFA US Targeted Val Port Inst	$0.54	1,184	-$0.12	1,208	-$0.03	1,210	-$0.24	1,195	$0.13	1,247	$0.29	1,267	$0.38	1,218
Dodge & Cox Global Stock Fund	-$1.12	758	-$0.94	774	-$0.76	744	-$2.14	663	$0.06	658	$0.53	684	-$0.17	679
Harding International Equit Inst	-$0.10	799	-$0.58	730	-$0.65	690	-$0.85	589	$0.15	584	$0.87	616	$0.53	651
MFS International Value R6	-$1.23	1,252	$0.64	1,267	$0.81	1,262	-$0.52	1,266	-$0.30	1,319	$0.32	1,306	$0.96	1,257
Cohen & Steers Inst Realty Shares	$0.76	1,454	$0.35	1,468	$0.82	1,455	$0.26	1,435	-$0.17	1,470	-$0.18	1,481	-$0.09	1,424
Mutual Fund Window	$2.37	49	$0.16	52	$0.58	53	$0.33	52	$0.26	54	$0.43	56	-$1.36	52
Total	**$0.00**		**$0.00**		**$0.00**		**$0.00**		**$0.00**		**$0.00**		**$0.00**	

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 12/31/2020

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	$23,778,029	0.06%	$14,267	0.00%	$0	0.06%	$14,267	0.035%	$8,218	0.09%	$22,485
Vanguard Target Retirement 2015 Trust Plus	$50,912,069	0.06%	$30,547	0.00%	$0	0.06%	$30,547	0.035%	$17,595	0.09%	$48,142
Vanguard Target Retirement 2020 Trust Plus	$97,199,640	0.06%	$58,320	0.00%	$0	0.06%	$58,320	0.035%	$33,592	0.09%	$91,912
Vanguard Target Retirement 2025 Trust Plus	$119,710,075	0.06%	$71,826	0.00%	$0	0.06%	$71,826	0.035%	$41,372	0.09%	$113,198
Vanguard Target Retirement 2030 Trust Plus	$159,898,744	0.06%	$95,939	0.00%	$0	0.06%	$95,939	0.035%	$55,261	0.09%	$151,200
Vanguard Target Retirement 2035 Trust Plus	$177,811,542	0.06%	$106,687	0.00%	$0	0.06%	$106,687	0.035%	$61,452	0.09%	$168,139
Vanguard Target Retirement 2040 Trust Plus	$163,422,670	0.06%	$98,054	0.00%	$0	0.06%	$98,054	0.035%	$56,479	0.09%	$154,532
Vanguard Target Retirement 2045 Trust Plus	$132,261,844	0.06%	$79,357	0.00%	$0	0.06%	$79,357	0.035%	$45,710	0.09%	$125,067
Vanguard Target Retirement 2050 Trust Plus	$79,210,992	0.06%	$47,527	0.00%	$0	0.06%	$47,527	0.035%	$27,375	0.09%	$74,902
Vanguard Target Retirement 2055 Trust Plus	$30,778,476	0.06%	$18,467	0.00%	$0	0.06%	$18,467	0.035%	$10,637	0.09%	$29,104
Vanguard Target Retirement 2060 Trust Plus	$10,263,610	0.06%	$6,158	0.00%	$0	0.06%	$6,158	0.035%	$3,547	0.09%	$9,705
Vanguard Target Retirement 2065 Trust Plus	$194,157	0.06%	$116	0.00%	$0	0.06%	$116	0.035%	$67	0.09%	$184
Vanguard Target Retirement Income - Instl.	$9,496,633	0.09%	$8,547	0.00%	$0	0.09%	$8,547	0.035%	$3,282	0.12%	$11,829
Vanguard Target Retirement 2015 - Instl.	$18,389,285	0.09%	$16,550	0.00%	$0	0.09%	$16,550	0.035%	$6,355	0.12%	$22,906
Vanguard Target Retirement 2020 - Instl.	$21,011,316	0.09%	$18,910	0.00%	$0	0.09%	$18,910	0.035%	$7,262	0.12%	$26,172
Vanguard Target Retirement 2025 - Instl.	$26,989,476	0.09%	$24,291	0.00%	$0	0.09%	$24,291	0.035%	$9,328	0.12%	$33,618
Vanguard Target Retirement 2030 - Instl.	$23,381,803	0.09%	$21,044	0.00%	$0	0.09%	$21,044	0.035%	$8,081	0.12%	$29,124
Vanguard Target Retirement 2035 - Instl.	$16,818,112	0.09%	$15,136	0.00%	$0	0.09%	$15,136	0.035%	$5,812	0.12%	$20,949
Vanguard Target Retirement 2040 - Instl.	$14,650,806	0.09%	$13,186	0.00%	$0	0.09%	$13,186	0.035%	$5,063	0.12%	$18,249
Vanguard Target Retirement 2045 - Instl.	$15,319,467	0.09%	$13,788	0.00%	$0	0.09%	$13,788	0.035%	$5,294	0.12%	$19,082
Vanguard Target Retirement 2050 - Instl.	$15,765,350	0.09%	$14,189	0.00%	$0	0.09%	$14,189	0.035%	$5,449	0.12%	$19,637
Vanguard Target Retirement 2055 - Instl.	$8,159,703	0.09%	$7,344	0.00%	$0	0.09%	$7,344	0.035%	$2,820	0.12%	$10,164
Vanguard Target Retirement 2060 - Instl.	$1,000,885	0.09%	$901	0.00%	$0	0.09%	$901	0.035%	$346	0.12%	$1,247
Vanguard Target Retirement 2065 - Instl.	$40,615	0.09%	$37	0.00%	$0	0.09%	$37	0.035%	$14	0.12%	$51
Vanguard Total Bond Market Index Fund	$63,066,199	0.04%	$22,073	0.00%	$0	0.04%	$22,073	0.035%	$21,796	0.07%	$43,869
Vanguard Total International Bond Index Fund - Adm.	$2,449,524	0.11%	$2,694	0.00%	$0	0.11%	$2,694	0.035%	$847	0.14%	$3,541
Vanguard Total Stock Market Index Fund	$63,857,187	0.03%	$19,157	0.00%	$0	0.03%	$19,157	0.035%	$22,069	0.06%	$41,226
Vanguard Institutional Index Fund - Instl. Plus	$199,936,520	0.02%	$39,987	0.00%	$0	0.02%	$39,987	0.035%	$69,098	0.05%	$109,085
Vanguard FTSE Social Index Fund - Adm.	$5,300,825	0.14%	$7,421	0.00%	$0	0.14%	$7,421	0.035%	$1,832	0.17%	$9,253
Vanguard Extended Market Index Fund - Instl.	$70,668,890	0.05%	$35,334	0.00%	$0	0.05%	$35,334	0.035%	$24,423	0.08%	$59,758
Vanguard Total International Stock Index Fund	$13,035,364	0.08%	$10,428	0.00%	$0	0.08%	$10,428	0.035%	$4,505	0.11%	$14,933
Vanguard Developed Market Index Fund	$69,467,428	0.05%	$34,734	0.00%	$0	0.05%	$34,734	0.035%	$24,008	0.08%	$58,742
Vanguard Emerging Markets Stock Index Fund - Instl.	$47,882,161	0.10%	$47,882	0.00%	$0	0.10%	$47,882	0.035%	$16,548	0.13%	$64,430
Vanguard Federal Money Market Fund	$54,225,883	0.11%	$59,648	0.00%	$0	0.11%	$59,648	0.035%	$18,740	0.14%	$78,389
T. Rowe Price Stable Value Common Trust Fund A	$11,494,784	0.30%	$34,484	0.00%	$0	0.30%	$34,484	0.035%	$3,973	0.33%	$38,457
TIAA Traditional - RC & RCP	$249,700,886	0.46%	$1,148,624	0.15%	($374,551)	0.31%	$774,073	0.035%	$86,297	0.34%	$860,369
PIMCO Total Return Fund	$26,853,012	0.46%	$123,524	0.00%	$0	0.46%	$123,524	0.035%	$9,280	0.49%	$132,804
DFA Inflation-Protected Securities Portfolio	$33,846,188	0.11%	$37,231	0.00%	$0	0.11%	$37,231	0.035%	$11,697	0.14%	$48,928
American Century High Income	$32,095,121	0.59%	$189,361	0.00%	$0	0.59%	$189,361	0.035%	$11,092	0.62%	$200,453
T. Rowe Price Instl. Large Cap Growth Fund	$54,305,597	0.56%	$304,111	0.00%	$0	0.56%	$304,111	0.035%	$18,768	0.59%	$322,879
Diamond Hill Large Cap	$34,524,435	0.55%	$189,884	0.00%	$0	0.55%	$189,884	0.035%	$11,932	0.58%	$201,816
William Blair Small/Mid Cap Growth Fund	$42,295,247	1.10%	$465,248	0.15%	($63,443)	0.95%	$401,805	0.035%	$14,617	0.98%	$416,422
DFA U.S. Targeted Value	$43,398,981	0.36%	$156,236	0.00%	$0	0.36%	$156,236	0.035%	$14,999	0.39%	$171,235
Dodge & Cox Global Stock Fund	$31,753,561	0.62%	$196,872	0.10%	($31,754)	0.52%	$165,119	0.035%	$10,974	0.55%	$176,093
Harding Loevner International Equity Instl.	$15,991,350	0.81%	$129,530	0.15%	($23,987)	0.66%	$105,543	0.035%	$5,527	0.69%	$111,070
MFS International Value Fund	$43,939,602	0.63%	$276,819	0.00%	$0	0.63%	$276,819	0.035%	$15,186	0.66%	$292,005
Cohen and Steers Instl. Realty Shares	$29,690,253	0.75%	$222,677	0.00%	$0	0.75%	$222,677	0.035%	$10,261	0.78%	$232,938
Mutual Fund Window	$33,027,699	0.00%	$0	0.00%	$0	0.00%	$0	0.035%	$11,414	0.03%	$11,414
Total	$2,489,271,997	0.18%	$4,535,149	-0.02%	($493,735)	0.16%	$4,041,414	0.035%	$860,292	0.20%	$4,901,707
Without Brokerage	$2,456,244,298	0.18%	$4,535,149	-0.02%	($493,735)	0.16%	$4,041,414	0.035%	$848,878	0.20%	$4,890,292

Source: TIAA

Morningstar Model Portfolios – RC Performance

As of 12/31/2020

	Performance(%)					
	1 Quarter	1 Year	3 Years	5 Years	Since Inception	Inception Date
RC						
Very Conservative RC	3.1	8.1	5.8	5.7	4.8	04/01/2014
Very Conservative Benchmark RC	*2.9*	*7.7*	*5.7*	*5.6*	*4.7*	
Conservative RC	6.2	9.4	6.3	7.1	5.7	04/01/2014
Conservative Benchmark RC	*6.4*	*9.6*	*6.7*	*7.3*	*5.9*	
Moderately Conservative RC	8.0	12.3	8.1	9.2	7.5	04/01/2014
Moderately Conservative Benchmark RC	*8.7*	*11.2*	*7.7*	*8.6*	*7.0*	
Moderate RC	11.0	12.7	8.4	9.7	7.8	04/01/2014
Moderate Benchmark RC	*11.0*	*12.1*	*8.2*	*9.7*	*7.7*	
Moderately Aggressive RC	13.5	14.8	9.3	11.0	8.5	04/01/2014
Moderately Aggressive Benchmark RC	*13.3*	*13.6*	*8.9*	*10.7*	*8.4*	
Aggressive RC	16.2	16.0	10.2	12.2	9.4	04/01/2014
Aggressive Benchmark RC	*15.6*	*15.4*	*9.6*	*11.8*	*9.1*	
Very Aggressive RC	18.4	17.0	10.3	12.7	9.7	04/01/2014
Very Aggressive Benchmark RC	*18.0*	*15.4*	*9.8*	*12.5*	*9.5*	
RC Ex-TIAA						
Very Conservative RC Ex-TIAA	2.9	9.1	5.7	5.4	4.4	04/01/2014
Very Conservative Benchmark RC Ex-TIAA	*2.8*	*9.4*	*6.3*	*5.8*	*4.7*	
Conservative RC Ex-TIAA	6.1	10.9	6.7	7.3	5.7	04/01/2014
Conservative Benchmark RC Ex-TIAA	*6.3*	*11.4*	*7.4*	*7.6*	*6.0*	
Moderately Conservative RC Ex-TIAA	8.1	12.9	8.1	9.1	7.3	04/01/2014
Moderately Conservative Benchmark RC Ex-TIAA	*8.6*	*12.7*	*8.2*	*8.8*	*7.0*	
Moderate RC Ex-TIAA	10.6	12.8	8.3	9.5	7.5	04/01/2014
Moderate Benchmark RC Ex-TIAA	*10.9*	*13.2*	*8.6*	*9.8*	*7.7*	
Moderately Aggressive RC Ex-TIAA	13.6	15.0	9.0	10.6	8.3	04/01/2014
Moderately Aggressive Benchmark RC Ex-TIAA	*13.2*	*14.0*	*9.1*	*10.7*	*8.3*	
Aggressive RC Ex-TIAA	16.0	15.9	9.6	11.7	9.0	04/01/2014
Aggressive Benchmark RC Ex-TIAA	*15.6*	*15.1*	*9.5*	*11.7*	*9.0*	
Very Aggressive RC Ex-TIAA	18.5	17.1	10.2	12.6	9.7	04/01/2014
Very Aggressive Benchmark RC Ex-TIAA	*18.0*	*15.4*	*9.8*	*12.5*	*9.5*	

Morningstar Model Portfolios – RC Allocations

As of 12/31/2020

RC

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	7%	9%	6%	4%	5%	-	-
Cohen & Steers Instl Realty Shares	-	-	4%	4%	3%	3%	4%
DFA Inflation-Protected Securities I	13%	7%	7%	5%	3%	3%	-
DFA US Targeted Value I	-	3%	-	3%	5%	6%	9%
Diamond Hill Large Cap Y	-	4%	-	4%	6%	8%	7%
Dodge & Cox Global Stock	-	-	-	-	3%	3%	7%
Harding International Eq Inst	-	-	3%	4%	4%	4%	4%
MFS International Value R6	7%	8%	8%	8%	4%	4%	3%
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%	6%	12%	16%	18%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	5%	7%	9%	12%
Vanguard Extended Market Idx I	3%	4%	13%	9%	10%	14%	9%
Vanguard Institutional Index Instl Pl	3%	8%	12%	18%	19%	20%	24%
Vanguard Total Bond Market Index I	17%	13%	6%	4%	4%	3%	-
William Blair Small-Mid Cap Gr I	-	-	-	-	-	-	3%

RC Ex-TIAA

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	7%	8%	5%	4%	5%	-	-
Cohen & Steers Instl Realty Shares	-	-	4%	4%	3%	3%	4%
DFA Inflation-Protected Securities I	12%	9%	7%	6%	3%	3%	-
DFA US Targeted Value I	-	-	-	3%	5%	7%	9%
Diamond Hill Large Cap Y	-	3%	-	5%	6%	9%	7%
Dodge & Cox Global Stock	-	-	-	-	3%	3%	8%
Harding International Eq Inst	-	-	-	3%	4%	3%	4%
MFS International Value R6	6%	8%	15%	8%	4%	6%	3%
PIMCO Total Return Instl	-	-	-	-	-	-	-
T. Rowe Price Large-Cap Growth I	-	-	3%	-	-	-	-
T. Rowe Price Stable Value Fund	24%	19%	15%	11%	7%	4%	-
Vanguard Developed Markets Idx Instl	-	-	-	6%	12%	15%	17%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	5%	7%	10%	12%
Vanguard Extended Market Idx I	3%	9%	13%	10%	10%	8%	9%
Vanguard Institutional Index Instl Pl	3%	6%	9%	16%	19%	21%	24%
Vanguard Total Bond Market Index I	45%	35%	26%	19%	12%	5%	-
William Blair Small-Mid Cap Gr I	-	-	-	-	-	3%	3%

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

Morningstar Model Portfolios – RC Benchmarks

As of 12/31/2020

RC Benchmarks

Index	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
Blmbg. Barc. Global Inflation-Linked US TIPS	11%	7%	7%	5%	3%	3%	-
Blmbg. Barc. US Agg. Bond	29%	20%	13%	10%	6%	3%	-
Blmbg. Barc. US Corp HY	7%	6%	5%	3%	3%	-	-
Citi Treasury Bill 3 Mo.	3%	3%	-	-	-	-	-
FTSE NAREIT All Equity REITs	-	-	3%	3%	3%	3%	4%
MSCI EAFE GR	4%	8%	12%	16%	20%	24%	27%
MSCI EM GR	-	3%	4%	6%	8%	10%	13%
Russell 1000 Growth	-	3%	7%	8%	9%	11%	12%
Russell 1000 Value	3%	7%	7%	12%	14%	16%	18%
Russell 2000 Growth	-	-	3%	3%	3%	4%	5%
Russell 2000 Value	-	3%	3%	3%	4%	5%	6%
Russell Mid Cap Growth	3%	3%	3%	3%	5%	6%	6%
Russell Mid Cap Value	-	3%	3%	6%	7%	8%	9%
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%	8%	6%	5%	3%	3%	-
Blmbg. Barc. US Agg. Bond	72%	56%	44%	32%	21%	10%	-
Blmbg. Barc. US Corp HY	7%	6%	5%	3%	3%	-	-
Citi Treasury Bill 3 Mo.							
FTSE NAREIT All Equity REITs	-	-	3%	3%	3%	3%	4%
MSCI EAFE GR	4%	8%	12%	16%	20%	24%	27%
MSCI EM GR	-	3%	4%	6%	8%	10%	13%
Russell 1000 Growth	-	3%	7%	8%	9%	11%	12%
Russell 1000 Value	3%	7%	7%	12%	14%	16%	18%
Russell 2000 Growth	-	-	3%	3%	3%	4%	5%
Russell 2000 Value	-	3%	3%	3%	4%	5%	6%
Russell Mid Cap Growth	3%	3%	3%	3%	5%	6%	6%
Russell Mid Cap Value	-	3%	3%	6%	7%	8%	9%

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

Morningstar Model Portfolios – RCP Performance

As of 12/31/2020

	Performance(%)					
	1 Quarter	1 Year	3 Years	5 Years	Since Inception	Inception Date
RCP						
Very Conservative RCP	3.0	7.5	5.4	5.3	4.5	04/01/2014
Very Conservative Benchmark RCP	*2.8*	*6.4*	*4.9*	*5.0*	*4.2*	
Conservative RCP	6.7	9.3	6.3	7.0	5.5	04/01/2014
Conservative Benchmark RCP	*6.3*	*9.1*	*6.3*	*7.0*	*5.6*	
Moderately Conservative RCP	8.5	12.5	7.8	8.9	7.2	04/01/2014
Moderately Conservative Benchmark RCP	*8.6*	*10.9*	*7.4*	*8.3*	*6.7*	
Moderate RCP	11.0	13.6	8.5	9.7	7.7	04/01/2014
Moderate Benchmark RCP	*11.0*	*12.6*	*8.3*	*9.7*	*7.6*	
Moderately Aggressive RCP	13.6	15.3	9.4	10.9	8.6	04/01/2014
Moderately Aggressive Benchmark RCP	*13.3*	*13.5*	*8.8*	*10.5*	*8.2*	
Aggressive RCP	15.8	17.9	10.3	12.1	9.4	04/01/2014
Aggressive Benchmark RCP	*15.6*	*15.2*	*9.6*	*11.8*	*9.1*	
Very Aggressive RCP	18.4	18.3	10.4	12.8	9.8	04/01/2014
Very Aggressive Benchmark RCP	*18.0*	*15.8*	*9.9*	*12.5*	*9.5*	
RCP Ex-TIAA						
Very Conservative RCP Ex-TIAA	2.8	10.1	6.6	5.9	4.9	04/01/2014
Very Conservative Benchmark RCP Ex-TIAA	*2.7*	*8.8*	*6.0*	*5.6*	*4.5*	
Conservative RCP Ex-TIAA	6.2	11.8	7.2	7.5	5.9	04/01/2014
Conservative Benchmark RCP Ex-TIAA	*6.3*	*10.8*	*7.1*	*7.4*	*5.9*	
Moderately Conservative RCP Ex-TIAA	7.9	13.3	8.5	9.3	7.4	04/01/2014
Moderately Conservative Benchmark RCP Ex-TIAA	*8.5*	*11.9*	*7.9*	*8.6*	*6.9*	
Moderate RCP Ex-TIAA	10.9	14.6	9.0	9.8	7.7	04/01/2014
Moderate Benchmark RCP Ex-TIAA	*10.9*	*13.1*	*8.6*	*9.8*	*7.7*	
Moderately Aggressive RCP Ex-TIAA	13.4	15.8	9.6	10.9	8.5	04/01/2014
Moderately Aggressive Benchmark RCP Ex-TIAA	*13.2*	*14.1*	*9.1*	*10.7*	*8.3*	
Aggressive RCP Ex-TIAA	15.6	16.9	10.1	11.9	9.2	04/01/2014
Aggressive Benchmark RCP Ex-TIAA	*15.6*	*15.0*	*9.5*	*11.7*	*9.0*	
Very Aggressive RCP Ex-TIAA	18.4	18.0	10.3	12.7	9.8	04/01/2014
Very Aggressive Benchmark RCP Ex-TIAA	*18.0*	*15.5*	*9.8*	*12.5*	*9.5*	

Morningstar Model Portfolios – RCP Allocations

As of 12/31/2020

RCP

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	6%	6%	5%	5%	5%	-	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	3%	3%	4%
DFA Inflation-Protected Securities I	9%	8%	7%	4%	3%	-	-
DFA US Targeted Value I	-	3%	3%	5%	5%	7%	9%
Diamond Hill Large Cap Y	3%	9%	-	5%	6%	8%	8%
Dodge & Cox Global Stock	-	-	-	-	3%	3%	3%
Harding International Eq Inst	-	3%	3%	3%	4%	5%	4%
MFS International Value	-	7%	6%	5%	3%	3%	3%
PIMCO Total Return Instl	27%	14%	6%	3%	3%	-	-
TIAA Traditional	40%	32%	25%	16%	10%	5%	-
Vanguard Developed Markets Idx Instl	4%	-	5%	9%	13%	16%	19%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	6%	7%	9%	13%
Vanguard Extended Market Idx I	-	3%	9%	7%	10%	8%	10%
Vanguard Federal Money Market Inv	4%	-	-	-	-	-	-
Vanguard Institutional Index Instl Pl	-	3%	14%	17%	19%	23%	24%
Vanguard Total Bond Market Index I	-	6%	8%	9%	6%	7%	-
Vanguard Total International Bond Market Index	4%	3%	3%	3%	-	-	-
William Blair Small-Mid Cap Gr I	3%	-	-	-	-	3%	3%

RCP Ex-TIAA

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	6%	7%	4%	4%	5%	-	-
Cohen & Steers Instl Realty Shares	-	-	4%	4%	3%	3%	4%
DFA Inflation-Protected Securities I	12%	8%	5%	4%	3%	-	-
DFA US Targeted Value I	-	-	-	3%	5%	6%	9%
Diamond Hill Large Cap Y	-	4%	-	4%	7%	7%	8%
Dodge & Cox Global Stock	-	-	-	-	-	3%	3%
Harding International Eq Inst	-	-	-	4%	3%	4%	4%
MFS International Value	7%	6%	15%	8%	4%	5%	3%
PIMCO Total Return Instl	-	-	-	-	-	-	-
Vanguard Developed Markets Idx Instl	-	3%	-	6%	14%	16%	19%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	5%	8%	9%	13%
Vanguard Extended Market Idx I	3%	8%	14%	10%	10%	13%	10%
Vanguard Federal Money Market Inv	3%	3%	3%	-	-	-	-
Vanguard Institutional Index Instl Pl	3%	6%	11%	17%	19%	22%	24%
Vanguard Total Bond Market Index I	62%	52%	38%	31%	19%	12%	-
Vanguard Total International Bond Market Index	4%	-	3%	-	-	-	-
William Blair Small-Mid Cap Gr I	-	-	-	-	-	-	3%

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

Empower Results®

Morningstar Model Portfolios – RCP Benchmarks

As of 12/31/2020

RCP Benchmarks

Index	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
Blmbg. Barc. Global Inflation-Linked US TIPS	9%	8%	6%	4%	3%	-	-
Blmbg. Barc. US Agg. Bond 1-3 Years	19%	14%	10%	8%	5%	4%	-
Blmbg. Barc. US Corp HY	6%	5%	4%	3%	3%	-	-
Blmbg. Barc. US Long Gov't./Credit	5%	5%	4%	5%	3%	4%	-
Citi Treasury Bill 3 Mo.	3%	-	-	-	-	-	-
Blmbg. Barc. Global Agg ex-USD Flt Adj RIC Cpd	8%	6%	6%	4%	3%	-	-
FTSE NAREIT All Equity REITs	-	-	3%	3%	3%	3%	4%
MSCI EAFE GR	4%	8%	12%	16%	20%	24%	27%
MSCI EM GR	-	3%	4%	6%	8%	10%	13%
Russell 1000 Growth	-	3%	7%	8%	9%	11%	12%
Russell 1000 Value	3%	7%	7%	12%	14%	16%	18%
Russell 2000 Growth	-	-	3%	3%	3%	4%	5%
Russell 2000 Value	-	3%	3%	3%	4%	5%	6%
Russell Mid Cap Growth	3%	3%	3%	3%	5%	6%	6%
Russell Mid Cap Value	-	3%	3%	6%	7%	8%	9%
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%	4%	3%	-	-
Blmbg. Barc. US Agg. Bond	60%	47%	37%	29%	18%	10%	-
Blmbg. Barc. US Corp HY	6%	5%	4%	3%	3%	-	-
Citi Treasury Bill 3 Mo.	6%	4%	3%	-	-	-	-
Blmbg. Barc. Global Agg ex-USD Flt Adj RIC Cpd	8%	6%	6%	4%	3%	3%	-
FTSE NAREIT All Equity REITs	-	-	3%	3%	3%	3%	4%
MSCI EAFE GR	4%	8%	12%	16%	20%	24%	27%
MSCI EM GR	-	3%	4%	6%	8%	10%	13%
Russell 1000 Growth	-	3%	7%	8%	9%	11%	12%
Russell 1000 Value	3%	7%	7%	12%	14%	16%	18%
Russell 2000 Growth	-	-	3%	3%	3%	4%	5%
Russell 2000 Value	-	3%	3%	3%	4%	5%	6%
Russell Mid Cap Growth	3%	3%	3%	3%	5%	6%	6%
Russell Mid Cap Value	-	3%	3%	6%	7%	8%	9%

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

Morningstar Model Portfolios – Static Allocation Performance

As of 12/31/2020

	Performance(%)					
	1 Quarter	1 Year	3 Years	5 Years	Since Inception	Inception Date
RC						
Very Conservative RC (Static)	2.8	8.1	5.7	5.6	4.8	04/01/2014
Very Conservative Benchmark RC (Static)	*3.0*	*6.6*	*5.2*	*5.3*	*4.5*	
Conservative RC (Static)	6.3	10.2	6.9	7.4	6.1	04/01/2014
Conservative Benchmark RC (Static)	*6.4*	*9.0*	*6.6*	*7.3*	*5.9*	
Moderately Conservative RC (Static)	8.9	10.8	7.8	8.7	7.2	04/01/2014
Moderately Conservative Benchmark RC (Static)	*8.5*	*9.9*	*7.3*	*8.3*	*6.8*	
Moderate RC (Static)	11.5	13.0	8.9	10.2	8.2	04/01/2014
Moderate Benchmark RC (Static)	*11.3*	*11.6*	*8.1*	*9.6*	*7.6*	
Moderately Aggressive RC (Static)	13.9	13.7	9.4	11.2	8.9	04/01/2014
Moderately Aggressive Benchmark RC (Static)	*13.4*	*12.6*	*8.7*	*10.5*	*8.3*	
Aggressive RC (Static)	16.1	15.6	10.4	12.6	9.9	04/01/2014
Aggressive Benchmark RC (Static)	*15.7*	*14.1*	*9.4*	*11.6*	*9.0*	
Very Aggressive RC (Static)	18.9	15.4	10.0	12.9	9.7	04/01/2014
Very Aggressive Benchmark RC (Static)	*17.8*	*14.3*	*9.6*	*12.3*	*9.3*	
RCP						
Very Conservative RCP (Static)	3.2	8.1	5.7	5.5	4.7	04/01/2014
Very Conservative Benchmark RCP (Static)	*2.9*	*6.3*	*4.9*	*5.0*	*4.1*	
Conservative RCP (Static)	6.4	9.9	6.7	7.2	5.9	04/01/2014
Conservative Benchmark RCP (Static)	*6.4*	*8.9*	*6.4*	*7.1*	*5.7*	
Moderately Conservative RCP (Static)	8.8	10.8	7.6	8.6	7.0	04/01/2014
Moderately Conservative Benchmark RCP (Static)	*8.4*	*9.9*	*7.2*	*8.2*	*6.6*	
Moderate RCP (Static)	11.5	13.1	8.8	10.1	8.1	04/01/2014
Moderate Benchmark RCP (Static)	*11.2*	*11.7*	*8.1*	*9.5*	*7.5*	
Moderately Aggressive RCP (Static)	13.9	13.9	9.4	11.2	8.8	04/01/2014
Moderately Aggressive Benchmark RCP (Static)	*13.3*	*12.6*	*8.6*	*10.4*	*8.1*	
Aggressive RCP (Static)	16.1	15.7	10.4	12.6	9.9	04/01/2014
Aggressive Benchmark RCP (Static)	*15.7*	*14.3*	*9.5*	*11.6*	*9.0*	
Very Aggressive RCP (Static)	18.9	15.4	10.0	12.9	9.7	04/01/2014
Very Aggressive Benchmark RCP (Static)	*17.8*	*14.3*	*9.6*	*12.3*	*9.3*	

Discussion Topics

Vanguard Target Retirement Trusts/Funds

- Each of the Vanguard Target Retirement Trusts/Funds posted a positive absolute return that closely approximated the return of its respective performance benchmark during the fourth quarter
  - The longer-dated, more equity-heavy Target Retirement 2065 Trust Plus returned 14.0%
  - The Target Retirement Income Trust Plus, with its greater proportion of fixed income assets, returned 5.2%
- For the twelve months ended December 31, 2020, all the Vanguard Target Retirement Trusts posted a strongly positive absolute return but exhibited a meaningful level of tracking error
  - The Target Retirement 2065 Trust Plus returned 16.5%, while the Target Retirement Income Trust II returned 10.1%
  - Relative underperformance was due to a combination of allocation differences, expenses, underlying fund tracking, and fair value pricing adjustments
- Longer-term results continued to exhibit a modest level of tracking error but ranked favorably among their respective peer-group averages
  - Fair value pricing adjustments along with the impact of statistical sampling and the underlying component Funds' investment management fees detracted from results
- The Vanguard Target Retirement Funds remain "Buy" rated by our Global Investment Management Research Team

T. Rowe Price Stable Value Common Trust Fund

- The Fund continued to register “Orange” on the Watch List during the fourth 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 returned 0.5% and approximated the return of its performance benchmark, the Hueler Stable Value Index, during the fourth quarter
- The Fund’s relative performance was primarily attributable to:
  - The negative impact of fees
  - An overweight to duration as interest rates modestly rose during the period
- For the twelve months ended December 31, 2020, the Fund generated a return of 2.1% versus the benchmark’s return of 2.2%
  - Primarily driven by lower rate resets on the Fund’s synthetic contracts as they continue to migrate toward current (lower) market yields
- Longer-term annualized performance remained adverse relative to the Fund’s performance benchmark but ranked favorable relative to its 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

T. Rowe Price Creating New U.S. Investment Platform

- On November 19, 2020, T. Rowe Price announced it will establish T. Rowe Price Investment Management, Inc. (TRPIM), as a separate U.S. based SEC registered investment advisor
- TRPIM will have its own investment platform and leadership, including at least 85 investment professionals
- The creation of TRPIM is designed to, over time, generate new capacity while retaining T. Rowe Price's scale benefits
- We will continue to monitor the establishment of the new platform and the potential impacts on all T. Rowe Price strategies
- We retain our "Buy" rating for the T. Rowe Price Institutional Large Cap Growth Fund and recommend no action
- A detailed Flash Report is included under section 4 of this presentation

November 2020

Flash Report

T. Rowe Price – Creating New U.S. Investment Platform

Recommendation

As a result of this announcement, we recommend that clients invested in T. Rowe Price equity, fixed income, and multi-asset strategies, including target date funds, make no changes. The T. Rowe Price U.S. Large-Cap Growth, Mid-Cap Growth Equity, and U.S. Small-Cap Core Equity strategies remain Buy (Closed) rated, and the T. Rowe Price Active Target Date Retirement Funds and Trusts remain Buy rated.

The creation of a new investment platform, T. Rowe Price Investment Management, Inc. (TRPIM), is designed to, over time, generate new capacity while retaining T. Rowe Price's scale benefits. The new platform will give strategies flexibility to own more of certain holdings without being restricted by SEC ownership guidelines, in order to maximize investment capacity for both T. Rowe Price Associates, Inc. (TRPA) and TRPIM. Importantly, the current portfolio managers of the strategies which have been identified to move to TRPIM will remain intact. This change is expected to retain the underpinnings of the T. Rowe Price investment culture. Additionally, no strategies that were previously closed due to capacity reasons will reopen to new assets as a result of this development and there are no changes to any fees. Finally, the creation of TRPIM has no impact on the T. Rowe Price Active Target Date Retirement Funds and Trusts.

We will continue to monitor the establishment of the new platform and the potential impacts on all T. Rowe Price strategies. If you have any questions, please contact a member of Aon's Investment Manager Research team.

Background

On November 19, 2020, T. Rowe Price announced it will establish T. Rowe Price Investment Management, Inc. (TRPIM), as a separate U.S.-based SEC registered investment advisor. TRPIM will have its own investment platform and leadership, including at least 85 investment professionals. The two firms will have separate trading, quantitative, responsible investing, corporate governance, and investment teams, although will share client service, operations, technology, risk management, human resources, and legal functions. T. Rowe Price intends to move the following investment strategies into TRPIM:

- U.S. Capital Appreciation
- U.S. Mid-Cap Growth Equity
- U.S. Small-Cap Core Equity
- U.S. Small-Cap Value Equity
- U.S. Smaller Companies Equity
- U.S. High Yield Bond Strategies

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Dodge & Cox – Organizational Changes

- Dodge & Cox recently announced the following changes:
  - Charles Pohl, Chairman and CIO will retire effective June 2022; David Hoeft will assume the CIO role in January of 2022
  - Paritosh Somani joined the International Investment Committee on January 15, 2021
  - Ray Mertens will rejoin the Global Investment Committee effective May 1, 2021
  - Dana Emery will assume the Chairman role in the spring of 2021
  - Bryan Cameron, Director of Research and a member of the U.S. Investment Committee, will retire effective December 31, 2021
  - Steve Voorhis will assume the Director of Research role on April 1, 2021
  - Karim Fakhry will join the U.S. Investment Committee on January 15, 2021
- We recommend clients take no action
- A detailed Flash Report is included under section 5 of this presentation

January 19, 2021

Flash Report

Dodge & Cox – Retirements of CIO and Director of Research and Changes to Various Investment Committees

Recommendation

Dodge & Cox recently announced the following changes:

- Charles Pohl, Chairman and CIO, and a member of the U.S., International and Global Investment Committees will retire effective June 2022. David Hoeft will assume the CIO role on January 1, 2022. Mr. Hoeft was assigned the Associate CIO role effective January 2019, in anticipation of such an event. Mr. Hoeft will also retain his role as a member of the U.S. and Global Investment Committees. Mr. Pohl will relinquish his role as a member of the International and Global Investment committees effective May 1, 2021, and the U.S. Investment Committee in June 2022.
- Paritosh Somani will join the International Investment Committee on January 15, 2021. Mr. Somani has a tenure of 13 years at Dodge & Cox and will continue to maintain coverage of IT Hardware & Services and Mining. He will also remain as Head of the TMT Sector Committee.
- Ray Mertens will rejoin the Global Investment Committee effective May 1, 2021. Mr. Mertens is currently a member of the International Investment Committee. Mr. Mertens has a tenure of 17 years at Dodge & Cox. He will maintain Health Care Services and Consumer sector coverage.
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- Karim Fakhry will join the U.S. Investment Committee on January 15, 2021. Mr Fakhry has a tenure of 15 years at Dodge & Cox. He will continue coverage of Biotechnology, Pharmaceuticals, and Appliances and as Head of the Health Care and Consumer Sector Committee.

We recommend clients make no change at this time. We view one of the key strengths of Dodge & Cox to be the depth in talent and length of tenure across investors at the firm. We believe these changes reflect a measured, gradual transition of responsibilities as Dodge & Cox enters its fifth generation of ownership and management. Messrs Pohl and Cameron have amassed over 35 years at Dodge & Cox. Messrs. Hoeft and Voorhis were assigned senior roles in anticipation of future retirements, and both have over 20 years tenure at Dodge & Cox. Each investment policy committee at Dodge & Cox is selected amongst the firm's most experienced, tenured, and talented investment professionals.

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Discussion Topics

Section 1	Capital Markets Review
Section 2	Performance Review
Section 3	Noteworthy Items
Section 4	T. Rowe Price Flash Report
Section 5	Dodge & Cox Flash Report
Section 6	Responsible Investing Update
Section 7	Legal & Compliance Update

Flash Report

T. Rowe Price – Creating New U.S. Investment Platform

Recommendation

As a result of this announcement, we recommend that clients invested in T. Rowe Price equity, fixed income, and multi-asset strategies, including target date funds, make no changes. The T. Rowe Price U.S. Large-Cap Growth, Mid-Cap Growth Equity, and U.S. Small-Cap Core Equity strategies remain Buy (Closed) rated, and the T. Rowe Price Active Target Date Retirement Funds and Trusts remain Buy rated.

The creation of a new investment platform, T. Rowe Price Investment Management, Inc. (TRPIM), is designed to, over time, generate new capacity while retaining T. Rowe Price's scale benefits. The new platform will give strategies flexibility to own more of certain holdings without being restricted by SEC ownership guidelines, in order to maximize investment capacity for both T. Rowe Price Associates, Inc. (TRPA) and TRPIM. Importantly, the current portfolio managers of the strategies which have been identified to move to TRPIM will remain intact. This change is expected to retain the underpinnings of the T. Rowe Price investment culture. Additionally, no strategies that were previously closed due to capacity reasons will reopen to new assets as a result of this development and there are no changes to any fees. Finally, the creation of TRPIM has no impact on the T. Rowe Price Active Target Date Retirement Funds and Trusts.

We will continue to monitor the establishment of the new platform and the potential impacts on all T. Rowe Price strategies. If you have any questions, please contact a member of Aon's Investment Manager Research team.

Background

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- U.S. Small-Cap Value Equity
- U.S. Smaller Companies Equity
- U.S. High Yield Bond Strategies

These strategies were identified to move to TRPIM primarily based on the synergies of analyst coverage and to maximize the ability of TRPIM to generate insights across investment styles and market capitalizations. T. Rowe Price has been ramping up hiring in order to appropriately staff both firms with top investment talent. There are no changes to the portfolio management teams and no changes to the day-to-day management of client needs.

The transition is expected to take place in the second quarter of 2022. As of September 30, 2020, the six strategies that will make up TRPIM represented $167 billion in assets under management.

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Discussion Topics

Flash Report

Dodge & Cox – Retirements of CIO and Director of Research and Changes to Various Investment Committees

Recommendation

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We recommend clients make no change at this time. We view one of the key strengths of Dodge & Cox to be the depth in talent and length of tenure across investors at the firm. We believe these changes reflect a measured, gradual transition of responsibilities as Dodge & Cox enters its fifth generation of ownership and management. Messrs Pohl and Cameron have amassed over 35 years at Dodge & Cox. Messrs. Hoeft and Voorhis were assigned senior roles in anticipation of future retirements, and both have over 20 years tenure at Dodge & Cox. Each investment policy committee at Dodge & Cox is selected amongst the firm's most experienced, tenured, and talented investment professionals.

Disclaimer

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Discussion Topics

What is “ESG” Investing?

- **Environmental**
- **Social**
- **Governance**

“ESG” investing uses these factors to evaluate companies and/or countries with respect to sustainability

The resulting conclusions are then merged into a broader investment process, deciding which equities or bonds to hold in a portfolio

Within the context of a defined contribution plan, the framework described above can be incorporated in the following ways:

1. **Integrated Approach:** Any options within the plan can incorporate ESG investing into their process whether the funds are communicated to participants as socially responsible or not

2. **Dedicated Option(s):** An option or options that are identifiable to participants as socially responsible menu choices

3. **Brokerage Window:** While not offered as a dedicated option in the menu or prioritized as a component of existing menu choices, participants can gain access to ESG strategies through the self-directed brokerage window

Be Thoughtful About Dedicated Options

- On October 30, 2020, the U.S. Department of Labor ("DOL") issued its final rule ("Final Rule") on "Financial Factors in Selecting Plan Investments"
- Specifically, the Final Rule:
  - Requires ERISA fiduciaries to evaluate investments based solely on pecuniary factors
  - Removed all ESG terminology – nomenclature is too unclear
  - Allows for a "tie-breaking" scenario if the fiduciary is unable to distinguish investment alternatives based on pecuniary factors alone (likelihood of these instances is rare)
  - Provided clarification that ERISA fiduciaries are not required to "scour the marketplace" or look for an infinite number of funds
  - Prohibits ERISA fiduciaries from including investments whose investment strategies "consider, include, or indicate the use of non-pecuniary factors" as a plan's qualified default investment alternative ("QDIA")
- A **pecuniary factor** is defined as:
  - "A factor that a fiduciary prudently determines is expected to have a material effect on the risk and/or return of an investment based on appropriate investment horizons consistent with the plan's investment objectives and the funding policy established pursuant to section 402(b)(1) of ERISA"[1]

Source: 29 CFR § 2550.404a–1(f)(3)

Biden Administration's Review of Investing Rule

- The Biden administration is currently reviewing the DOL's Final Rule that requires ERISA plan fiduciaries to evaluate designated investment options based ***"solely on their pecuniary"*** benefits to participants
- Under that Congressional Review Act, Congress has the power to rescind any recently finalized regulation
  - The window is rather brief (i.e., 60 congressional days)
  - We are currently investigating when the "clock" starts
    - Publication in the Federal Register, stated effective date (January 12, 2021), or some other specified period
- While the new administration may be successful in getting the regulation erased, it will need to engage in a robust process to create a new one
  - **Good News**: We may eventually receive reliable permanent guidance on ESG investing
  - **Bad News**: We may not have anything definitive from a legal perspective for some time
- Until there are more details on if, when, or what changes might happen, the Final Rule will drive the actions of most plan sponsors

Practical Implications

- The Final Rule became effective **January 12, 2021** and applies prospectively to investment decisions made after such date
  – Fiduciaries have an extended compliance period, until **April 30, 2022**, to make any necessary changes to a QDIA that considers non-pecuniary factors
- The Final Rule makes clear that:
  – Responsible investing concepts only have a role if they bolster investment return and/or deleverage risk
  – ERISA fiduciaries should not offer Responsible Investment option(s) as a designated investment option when they understand an underlying investment strategy subordinates return or increases risk for the purpose of nonpecuniary objectives
- Accordingly, we recommend the Committee:
  – Postpone adding the Vanguard FTSE Social Index Fund to the Plan
  – Review fund disclosures and understand how responsible investing factors are being integrated into the investment process and whether such factors are pecuniary
  – Conduct a prudent analysis of the economic consequences of the "positive" or "negative" screens being used to determine that the investment strategy does not sacrifice returns, or take on additional risk, to support one or more non-pecuniary goals

Vanguard's FTSE Social Index Fund

Trailing Period Performance as of December 31, 2020

	Performance(%)					
	1 Quarter	1 Year	3 Years	5 Years	7 Years	10 Years
Vanguard FTSE Social Index Adm	12.3	22.7				
Vanguard FTSE Social Index Inst	12.3	22.7	16.7	16.8	14.3	15.2
Vanguard Spliced Social Index	*12.4*	*22.8*	*16.8*	*16.9*	*14.4*	*15.3*
S&P 500 Index	*12.1*	*18.4*	*14.2*	*15.2*	*12.9*	*13.9*

Calendar Year Performance

	Performance(%)												
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Vanguard FTSE Social Index Adm													
Vanguard FTSE Social Index Inst	34.0	-3.4	24.2	10.3	1.3	15.8	37.1	17.8	-0.5	14.6	35.3	-42.3	-2.2
Vanguard Spliced Social Index	*34.1*	*-3.3*	*24.3*	*10.4*	*1.4*	*16.1*	*37.2*	*18.1*	*-0.5*	*14.7*	*35.4*	*-42.3*	*-2.2*
S&P 500 Index	*31.5*	*-4.4*	*21.8*	*12.0*	*1.4*	*13.7*	*32.4*	*16.0*	*2.1*	*15.1*	*26.5*	*-37.0*	*5.5*

- The **Vanguard FTSE Social Index Fund** employs a passively managed full-replication approach in tracking the FTSE4Good U.S. Select Index
  - The FTSE4Good index is a market cap weighted index comprised of large- and mid-cap stocks. The Fund specifically excludes companies in the following industries: adult entertainment, alcohol, tobacco, weapons, fossil fuels, gambling, and nuclear power. In addition, excluding stocks of certain companies that do not meet the standards of U.N. Global compact principles and companies that do not meet certain diversity criteria

Vanguard's Description of Risk Factors for the FTSE Social Index Fund

Plain talk about risk: An investment in the fund could lose money over short or long periods of time. You should expect the fund's share price and total return to fluctuate within a wide range. The Fund is subject to the following risks, which could affect the Fund's performance;

- **Stock market risk:** the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The fund's target index tracks a subset of the U.S. stock market, which could cause the fund to perform differently from the overall stock market. In addition, large- and mid-cap stocks, such as those held by the fund, each tend to go through cycles of doing better—or worse—than other segments of the stock market or the stock market in general. These periods have, in the past, lasted for as long as several years. Historically, mid-cap stocks have been more volatile in price than large-cap stocks. The stock prices of mid-size companies tend to have greater stock volatility because, among other things, these companies tend to be more sensitive to changing economic conditions. Additionally, the FTSE4Good US Select Index may, at times, become focused in stocks of a particular market sector, which would subject the Fund to proportionately higher exposure to the risks of that sector.

- **ESG investing risk:** the chance that the stocks screened by the index sponsor for ESG criteria generally will underperform the stock market as a whole or that the particular stocks selected for the FTSE4Good US Select Index will, in the aggregate, trail returns of other funds screened for ESG criteria. There are significant differences in interpretations of what it means for a company to meet ESG criteria. The index provider's assessment of a company, based on the company's level of involvement in a particular industry or the index provider's own ESG criteria, may differ from that of other funds or of the advisor's or an investor's assessment of such company. As a result, the companies deemed eligible by the index provider may not reflect the beliefs and values of any particular investor and may not exhibit positive or favorable ESG characteristics. The components of the Index are likely to change over time.

Discussion Topics

First Quarter 2021

Aon Quarterly Update

Retirement Legal Consulting & Compliance

In this Issue

Prior Issues

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

Editor's Note

Happy New Year! Welcome to our first edition of the *Quarterly Update* for 2021!

We open this issue with an update on the game-changing Pooled Employer Plan (PEP). This article reminds employers of all sizes as to the benefits of participating in this newly enacted multiple employer plan where the pooled plan provider (PPP) serves as both the plan administrator and a named fiduciary of the PEP. The article also discusses the Department of Labor (DOL) registration requirements for the PPP and the value employers may gain by participating in this brand-new retirement program.

The IRS has been busy issuing new guidance in several areas of interest to our readers. We include five articles on the latest IRS guidance. Plan sponsors, waiting on comprehensive guidance regarding missing participants, will have to wait a bit longer. Until then, we report the latest IRS guidance affecting qualified plan distributions to state unclaimed property funds with a reminder of those situations where the IRS will not challenge a plan's qualified status.

We also report on the latest IRS guidance on the advance notice requirement for safe harbor plans relying on safe harbor nonelective contributions and plans with midyear amendments to add such contributions; the final IRS regulations on plan loan rollover offsets and qualified plan loan offsets (or QPLOs) as well as the related federal income tax reporting requirements; and two welcome IRS extensions. First is the extension of the temporary relief from the "physically present" requirement while witnessing the signature of a participant or spousal consent (if required) with respect to a benefit election. The other relates to the extension of employer-paid student loan assistance that can be excluded from employee federal taxable income until 2026.

The DOL has similarly been busy with finalizing rules of interest to plan fiduciaries. Guidance in the area of "environmental, social and corporate governance" (ESG) investments (sometimes colloquially referred to as "investments with purpose") continues its push-pull journey. This edition also reports on the DOL's latest shift to pecuniary factors as the basis for plan fiduciaries to evaluate investment opportunities and updates our readers on the final DOL regulations intended to clarify a fiduciary's duties relating to the voting of proxies and shareholder rights. This article includes a list of principles that fiduciaries must comply with when making decisions on exercising shareholder rights and proxy voting.

Plan sponsors continue to favorably report that they have come to rely on Aon's annual compliance tools: Our updated IRS compensation and benefit limitations for retirement plans, 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 include an article with links to these tools for your convenience.

Last but not least, plan sponsors and retirement plans routinely face challenges when they seek the return of overpayments from plan participants, beneficiaries, or alternate payees. We include a case summary that illustrates the importance of plan language regarding the recoupment of overpayments and procedural protections when processing certain "high-risk" transactions like lump sums or other accelerated payments and QDRO assignments.

We trust that you will enjoy reading our first edition of the new year. 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

Susan Motter
Associate Partner

Empower Results®

Pooled Employer Plans Are Here!

by David Alpert and Linda M. Lee

As previously reported in the **Special Edition**, **Second Quarter 2020**, and **Fourth Quarter 2020** issues of our *Quarterly Updates*, the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) amended the Internal Revenue Code of 1986 (Code) and the Employee Retirement Income Security Act of 1974 (ERISA) to permit the establishment of pooled employer plans (PEPs) effective January 1, 2021. PEPs are a new type of qualified defined contribution multiple employer plan (MEP) for unrelated employers.

Rationale for PEPs. A key goal of the SECURE Act was to increase retirement savings by employees. In permitting PEPs, the SECURE Act intended to make MEPs more attractive by eliminating outdated barriers to the use of MEPs by unrelated employers and improving the quality of MEP service providers. The Department of Labor (DOL) has noted that expanding access to PEPs will allow small and mid-size businesses to obtain the economies of scale ordinarily associated with large plans. PEPs may decrease plan-related administrative burdens, fiduciary liability, and costs for employers of any size. As the DOL has stated, “By allowing most of the management and administrative responsibilities of sponsoring a retirement plan to be transferred to a pooled plan provider, PEPs will give employers, especially small unrelated employers, a way to offer their employees a workplace retirement savings option with reduced burdens and costs compared to sponsoring their own separate retirement plan.”

Pooled Plan Providers. A PEP must have a pooled plan provider (PPP) that serves as the plan administrator and a named fiduciary of the PEP. In addition, the PPP has other responsibilities with respect to the PEP and must register with the DOL and Department of the Treasury (Treasury). Based on provisions of the SECURE Act, and subject to regulatory guidance, a significant number of compliance and fiduciary obligations that normally accompany a single employer’s administration of its own qualified savings plan will fall upon the PPP rather than the employer.

Registration and Qualification Requirements. The DOL has established PPP registration requirements. In addition, PPPs will want to be sure that PEP documents and operations comply with the Code and ERISA.

- **Registration Requirements.** On November 16, 2020, the DOL published final regulations regarding the registration requirements for PPPs. The filing with the DOL also satisfies the requirement to register with the Treasury. The registration statement must be filed by the PPP before PEP operations begin and contain information regarding the PPP and the PEP, including a description of the services to be provided by the PPP and its affiliates. The registration statement also must be supplemented within specified time periods under certain circumstances.
- **PEP Qualification.** Although not presently a requirement, most (if not all) PPPs will want the Internal Revenue Service (IRS) to issue a formal letter as to the qualified status of the PEP and its related trust under the Code. As an ongoing matter, the PPP also will need to ensure that it and the PEP satisfy all applicable requirements of the Code and ERISA.

Aon Has a PEP! Aon has registered to begin operations as the PPP of the Aon PEP effective January 1, 2021 and submitted a request to the IRS for a determination as to the qualified status of the Aon PEP under the Code. Aon also has been working with a wide variety of employers regarding the Aon PEP, including some joining the Aon PEP in January 2021 or thereafter in the first quarter of the year, and others that are seriously considering later 2021 adoption dates.

Please contact your Aon consultant to discuss how the Aon PEP may better serve your organization’s needs.

New IRS Guidance on Missing Participants with a Snapshot Reminder

by Susan Motter

On October 16, 2020, the Internal Revenue Service (IRS) issued Revenue Ruling 2020-24 and Revenue Procedure 2020-46 which affect qualified plan distributions to state unclaimed property funds. Revenue Ruling 2020-24 addresses the federal income tax withholding and reporting obligations when a qualified plan distribution is made to an unclaimed property fund. Revenue Procedure 2020-46 makes it easier for participants who collect their qualified retirement plan benefits from a state unclaimed property fund to roll over their benefits.

Revenue Ruling 2020-24 addresses the situation in which a qualified retirement plan benefit (that doesn't include a designated Roth account) is paid to a state's unclaimed property fund and the participant to whom the benefit is owed has not made a tax withholding election. The guidance makes clear that retirement plans are to issue Forms 1099-R to participants covering any amounts paid to a state's unclaimed property fund, as well as deduct the appropriate amount of income tax and include the amount withheld on the Form 1099-R. The revenue ruling provides transition relief to payors and plan administrators who do not meet the withholding and reporting requirements described in the ruling. Payors and plan administrators will not be treated as failing to comply with respect to payments made before January 1, 2022, or the date it becomes "reasonably practicable" for them to comply.

Revenue Procedure 2020-46 updates and modifies a previous Revenue Procedure (2016-47) and allows plan administrators (as well as IRA providers) to accept late 60-day rollovers from individuals who self-certify that they qualify for a waiver of the 60-day requirement. Certifications under the 2016 procedure were permitted only for 11 specified reasons (e.g., errors by a financial institution, postal errors, family member death, and serious illness). Revenue Procedure 2020-46 adds a 12th reason, allowing self-certification if the distribution from a qualified plan (or IRA) was made to a state's unclaimed property fund. The model certification that accompanied the original 2016 guidance has also been updated to reflect the new reason for waiver.

On October 29, 2020, the IRS published *Issue Snapshot—IRS Procedures Regarding Missing Participants and Beneficiaries* (Snapshot) to remind plan sponsors that the IRS will not challenge a plan's tax-qualified status if the plan has followed certain guidance on missing participant search procedures. As a bookend to its new October guidance, the IRS reminds plan sponsors of other guidance that relates to benefits of missing participants and beneficiaries. Specifically, the Snapshot reminds plan sponsors of missing participant/beneficiary search procedures to be used in certain specified situations where the IRS will not challenge a plan's tax-qualified status, as well as possibly assist in the avoidance of the need to make a transfer of benefits of missing participants and beneficiaries to state unclaimed property funds.

The Snapshot provides that the IRS will not challenge a plan's qualified status if the plan has followed the IRS guidance in the following situations:

- **Required Minimum Distributions (RMDs).** The IRS will not disqualify a plan for failing to commence or make an RMD if the plan has performed a diligent search to locate the participant. The search must include: reviewing plan and related plan records, sponsor or publicly available records or directories for alternative contact information; using a commercial locator service, a credit reporting agency, or a proprietary internet search tool for locating individuals; and sending a contact letter by certified mail to the last known mailing address, or through other appropriate means (including use of email addresses and telephone numbers) for additional contact information.

- **Corrective Distributions under EPCRS.** If additional benefits are owed to participants or beneficiaries, the IRS Employee Plans Compliance Resolution System (EPCRS) requires a "reasonable" search to locate these individuals after an unsuccessful mailing to the last known address. Reasonable actions include a second mailing to the individual's last known address using certified mail. If that is unsuccessful, the plan should use an additional search method, such as a commercial locator service, a credit reporting agency, or internet search tools. A plan following these procedures will not be treated as failing to make the appropriate correction under EPCRS if an individual cannot be found, but still must make the corrective distribution if the individual is later found.

- **Suspension of Benefits Notices from Multiemployer Plans.** A multiemployer plan in critical and declining status is not permitted to suspend benefits without providing a notice to certain individuals, except for individuals who cannot be contacted by "reasonable" efforts. Reasonable actions include contacting the bargaining parties for the plan and other related plans and using an internet search tool, a credit reporting agency, and a commercial locator service to search for individuals for whom the plan was unable to obtain updated information from bargaining parties.

The IRS, Department of Labor, and the Pension Benefit Guaranty Corporation have yet to issue guidance with respect to required search procedures to be used by an ongoing retirement plan (i.e., not a terminated plan). Thus, plan fiduciaries remain on their own to determine what missing participant search procedures are "reasonable" or "prudent." Until the three agencies (which are reportedly coordinating guidance) issue new guidance, plan fiduciaries of ongoing plans should focus their efforts on best practices for locating missing participants and beneficiaries.

Aon's Retirement Legal Consulting & Compliance consultants are available to assist plan fiduciaries in understanding the new guidance, as well as provide assistance with establishing best practices for locating missing participants and beneficiaries.

What's Safe for SECURE Act Safe Harbor Changes

by Dan Schwallie

The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) eliminates the advance safe harbor notice requirement for certain safe harbor plans relying on safe harbor nonelective contributions for plan years beginning after December 31, 2019. The SECURE Act also changes the rules on amending a plan midyear to add safe harbor nonelective contributions and becoming an actual deferral percentage (ADP) safe harbor plan, in the case of a 401(k) plan, or actual contribution percentage (ACP) safe harbor plan, in the case of a 401(k) or 403(b) plan. The Internal Revenue Service issued Notice 2020-86 on December 9, 2020 to address these SECURE Act changes for ADP/ACP safe harbor plans that rely on safe harbor nonelective contributions.

Advance Notice No Longer Required for Certain Plans Using Safe Harbor Nonelective Contributions

Notice 2020-86 clarifies that the only safe harbor plans not required to provide an advance safe harbor notice under the SECURE Act changes are:

- A traditional safe harbor plan relying on safe harbor nonelective contributions, but only if the traditional safe harbor plan either has no matching contributions or will ACP test its matching contributions; and
- A qualified automatic contribution arrangement (QACA) plan relying on safe harbor nonelective contributions.

Traditional Safe Harbor Plans

The SECURE Act eliminates the advance safe harbor notice requirement for a traditional ADP safe harbor plan relying on safe harbor nonelective contributions. However, it does not eliminate the ACP advance safe harbor notice requirements for a traditional ACP safe harbor plan that satisfies the safe harbor nonelective contribution requirements. For example, if a plan satisfies the traditional safe harbor using safe harbor nonelective contributions, but also provides non-safe harbor matching contributions structured to satisfy ACP safe harbor requirements (and, thereby, not required to satisfy the ACP test), then the plan must satisfy the ACP safe harbor notice requirements of Section 401(m)(11)(A) of the Internal Revenue Code (Code). Alternatively, if the matching contributions under such a plan are not intended to satisfy ACP safe harbor requirements (and, therefore, are required to satisfy ACP testing), then the plan need not satisfy the ACP safe harbor notice requirements.

QACA Safe Harbor Plans

The SECURE Act eliminates both the advance ADP and advance ACP safe harbor notice requirements for a QACA safe harbor plan relying on safe harbor nonelective contributions. The result is different for a QACA ACP safe harbor plan than for a traditional ACP safe harbor plan because Code Section 401(m)(11) specifically requires a traditional ACP safe harbor plan to satisfy the ADP safe harbor notice requirements for a traditional ADP safe harbor plan, but Code Section 401(m)(12)(A) merely requires a QACA ACP safe harbor plan to satisfy the requirements to be a QACA safe harbor plan.

Prior to the SECURE Act changes, all ADP and ACP safe harbor plans had to provide an advance safe harbor notice. Now, only safe harbor plans relying on safe harbor matching contributions and traditional safe harbor plans relying on safe harbor nonelective contributions with non-safe harbor matching contributions intended to satisfy ACP safe harbor requirements must provide an advance safe harbor notice.

New Rules for Establishing a Safe Harbor Nonelective Contribution Plan Midyear

The SECURE Act changes the rules for establishing certain safe harbor nonelective contribution plans midyear. It provides that a 401(k) or 403(b) plan may be amended for plan years beginning after December 31, 2019 to provide for safe harbor nonelective contributions after the start of a plan year, effective as of the first day of the plan year, but only if the plan did not provide safe harbor matching contributions at any time during the plan year. The amendment must be adopted before the 30th day prior to the close of the plan year, unless a safe harbor nonelective contribution of at least 4% of employee compensation is provided, in which case the amendment must be adopted before the last day for distributing excess highly compensated employee contributions based on ADP test results for the plan year (i.e., before the last day of the following plan year). Notice 2020-86 clarifies that these rules apply to establish a QACA relying on safe harbor nonelective contributions or a traditional safe harbor plan relying on safe harbor nonelective contributions that either has no matching contributions or will ACP test its matching contributions.

Prior to this change, a "contingent notice" had to be provided by including in the advance safe harbor notice a statement that the plan may be amended during the plan year to include safe harbor nonelective contributions and that, if amended, a "follow-up notice" regarding the formula would be provided no later than 30 days before the last day of the plan year. For those plans no longer required to provide an advance safe harbor notice (as described in the prior section), the contingent notice and follow-up notice rules no longer apply. However, the contingent notice and follow-up notice rules continue to apply to establish a traditional safe harbor plan relying on safe harbor nonelective contributions that provides matching contributions structured to satisfy the ACP safe harbor and are not intended to be subject to ACP testing.

Notice for Midyear Reduction or Suspension of Safe Harbor Contributions

Notice 2020-86 clarifies that, despite the SECURE Act changes, an ADP/ACP safe harbor plan that is amended to reduce or suspend future safe harbor contributions during a plan year must provide to each eligible employee a notice that explains the:

- Consequences of the amendment;
- Procedures for changing deferral elections and, if applicable, Roth contribution and non-Roth after-tax contribution elections; and
- Effective date of the amendment.

Unless the reduction or suspension is due to the employer operating at an economic loss, a safe harbor plan that is required to provide a safe harbor notice in advance of the plan year must include a statement that the plan may be amended during the plan year to reduce or suspend the safe harbor contributions and that the reduction or suspension will not apply until at least 30 days after all eligible employees are provided notice of such an amendment to reduce or suspend safe harbor contributions.

Whether or not a safe harbor plan is required to provide an advance safe harbor notice under the SECURE Act changes, a reduction or suspension of safe harbor contributions cannot be effective earlier than the later of the date the amendment to reduce or suspend safe harbor contributions is adopted or 30 days after notice of such amendment is provided. Eligible employees must be given a reasonable opportunity after receipt of the notice prior to the reduction or suspension to change their deferral (including any Roth contribution) elections and, if applicable, their non-Roth after-tax contribution elections. The plan must be operated in compliance with safe harbor requirements until amended, and the plan must also be amended to provide that it will satisfy the ADP test (401(k) plans) and ACP test (401(k) and 403(b) plans) using the current year testing method for the entire plan year in which the reduction or suspension occurs.

Aon's Retirement Legal Consulting & Compliance consultants are available to assist plan sponsors in understanding how these updated rules may apply to their plans and administration.

Final DOL Regulations on ESG Investment Issues

by John Van Duzer

On November 13, 2020, the Employee Benefits Security Administration (EBSA) of the Department of Labor (DOL) published final regulations addressing "environmental, social and corporate governance" (ESG) investments. The regulations replace the proposed regulations issued in June 2020 and represent the latest chapter in a series of developments on this topic, going back to at least 1994. The continuing developments reflect a tension between Republican and Democratic administrations, each of which generally has somewhat different perspectives on this topic, as further described below. It's possible that there may be additional developments on this topic yet to come, in light of the recent change to a Democratic administration.

One of the key themes of these regulations is the emphasis on "pecuniary factors"—in other words, plan fiduciaries need to be most concerned about those factors that are expected to have a material effect on the risk and/or return of an investment; the role of ESG factors (if and to the extent those ESG factors are non-pecuniary factors) should be minimized. This theme is consistent with prior guidance from Republican administrations, but somewhat at odds with 1994 and 2015 guidance issued during Democratic administrations. The Preamble to the regulations expresses concern about the growing emphasis on ESG factors (at least as perceived by EBSA). The EBSA is concerned about the focus on ESG factors, particularly in light of the Employee Retirement Income Security Act of 1974 (ERISA) fiduciary requirement to administer plans for the exclusive benefit of participants and their beneficiaries.

The final regulations completely eliminate all references to ESG factors by name, in part because of possible confusion with, and distinctions between, other terminology sometimes used (such as "economically targeted investing" or "sustainable and responsible investing"). Instead, the regulations now focus on whether a factor is "pecuniary," although EBSA does admit that at least some ESG factors may at times be classified as pecuniary factors, rather than non-financial factors.

Prior DOL guidance (including the recent proposed regulations) recognized the possibility that two alternative investments may appear to be economically indistinguishable, and in that situation, a fiduciary might "break the tie" by relying on a non-pecuniary (e.g., an ESG) factor. However, the current Preamble suggests a change in this position; the DOL now states that in analyzing two investment options, an ERISA fiduciary will seldom find "ties" that justify the use of non-pecuniary factors in making an investment decision. Accordingly, the Preamble cautions that, in the case of a fiduciary who does wish to apply a "tie-breaker" concept, the fiduciary should document why it believes pecuniary factors were not sufficient to differentiate and choose among the investments.

Note that the EBSA regulations specifically apply to "participant-directed" or "self-directed" plans (as well as to other types of retirement plans). So, a plan fiduciary who is assembling, choosing, or modifying an investment menu for choices by the plan participants must evaluate the designated investment alternatives on the menu based solely on pecuniary factors. Investment return should not be sacrificed, and the fiduciary should not take on additional investment risk to promote non-pecuniary objectives or goals.

Note that the new regulations do not apply to brokerage windows, self-directed brokerage accounts, or similar plan arrangements. However, the DOL cautions that the general ERISA principles of loyalty and prudence *do* apply to these types of investment alternatives and must be taken into account. The regulations include special treatment for qualified default investment alternatives (QDIAs), which provide investments for participants who do not make affirmative elections.

The final regulations generally became effective as of January 12, 2021, 60 days after those same regulations were published in the Federal Register. However, the final regulations need only apply to investments and investment decisions made after this January effective date. Investments made prior to the effective date are apparently not subject to these new regulations, assuming those investments complied with ERISA and existing DOL guidance in effect at the time when the prior investment decisions were made. The DOL also notes that a fiduciary has a continuing responsibility to monitor whether to continue the ongoing investments of the plan.

Finally, to the extent that the regulations require a plan fiduciary to replace a QDIA, the regulations permit a delayed April 30, 2022 effective date. This delayed effective date recognizes the additional complications involved with changing a plan's QDIA, along with the fact that the selection of an investment fund as a QDIA is not analogous to merely offering participants an additional investment alternative as part of a broader investment lineup. However, EBSA believes that few existing plans will be affected by this delayed QDIA effective date.

This article is intended to provide a high-level review of these new regulations. The regulations include a very lengthy and detailed Preamble, which includes an extensive discussion of the various issues. Readers who wish to ensure compliance with the new regulations, and/or make changes to their investments or investment policies to reflect the new regulations, are encouraged to contact Aon's Investment or Retirement Legal Consulting & Compliance consultants to obtain a more complete understanding of the regulations and new requirements.

Proxy Voting and Shareholder Rights—Final Fiduciary Rules

by Tom Meagher

As reported in the **Third Quarter 2020** issue of our *Quarterly Update*, the Department of Labor (DOL) published a proposed rule intended to clarify a fiduciary's duties under the Employee Retirement Income Security Act of 1974 (ERISA) relating to the voting of proxies. On December 16, 2020, the DOL published final regulations in the Federal Register to address the application of a fiduciary's obligation to act prudently and for the exclusive benefit of participants and beneficiaries with respect to the exercise of shareholder rights and proxy voting under ERISA.

The final rule includes a list of principles that fiduciaries must comply with when making decisions on exercising shareholder rights and proxy voting. The primary goal of the new rule is to ensure that fiduciaries do not subordinate the interests of the participants and beneficiaries in their retirement income or financial benefits under the plan to any non-pecuniary objective or promote non-pecuniary benefits or goals unrelated to the financial interests of the plan's participants and beneficiaries.

The final rule generally takes effect on January 15, 2021, with delayed applicability dates for certain provisions relating to a fiduciary's review of material facts relating to a proxy vote, maintenance of records of proxy votes, and the review of proxy advisor and pooled investment vehicle voting policies.

A summary of some of the more important features of the final rule follows.

Fiduciary Rule—General Proxy Voting and Exercise of Shareholder Rights. In the final rule, the DOL notes that the fiduciary duty to manage shareholder rights and proxy voting does not require the voting of every proxy or the exercise of every shareholder right. However, when deciding whether to exercise shareholder rights and when exercising shareholder rights, plan fiduciaries must: (i) act solely in accordance with the economic interest of the plan and its participants and beneficiaries; (ii) consider any costs involved; (iii) not subordinate the interests of the participants and beneficiaries in their retirement income or financial benefits under the plan to any non-pecuniary objective, or promote non-pecuniary benefits or goals unrelated to those financial interests of the plan's participants and beneficiaries; (iv) evaluate material facts that form the basis for any particular proxy vote or other exercise of shareholder rights; (v) maintain records on proxy voting activities and other exercises of shareholder rights; and (vi) exercise prudence and diligence in the selection and monitoring of persons, if any, selected to advise or otherwise assist with exercises of shareholder rights, such as providing research and analysis, recommendations regarding proxy votes, administrative services with voting proxies, and recordkeeping and reporting services.

Fiduciary Rule—Duty to Monitor Delegation of Proxy Voting or Exercise of Shareholder Rights. When the plan fiduciaries delegate authority to vote proxies or exercise shareholder rights to an investment manager or a proxy voting firm or other person who performs advisory services as to the voting of proxies, a responsible plan fiduciary is required to prudently monitor the proxy voting activities of such investment manager or proxy advisory firm and determine whether such activities are consistent with the ERISA regulations. It is noteworthy that a fiduciary may not adopt a practice of following the recommendations of a proxy advisory firm or other service provider without a determination that such firm or service provider's proxy voting guidelines are consistent with the plan fiduciary's obligations under ERISA.

Fiduciary Rule—Safe Harbor Available. The final rule does not establish minimum requirements or the exclusive means for a plan fiduciary to satisfy its proxy voting and shareholder right responsibilities. Nonetheless, a plan fiduciary may adopt either or both of the following policies as a safe harbor with respect to decisions on whether to vote proxies, recognizing that the fiduciary does retain certain ongoing fiduciary responsibilities: (i) a policy to limit voting resources to particular types of proposals that the fiduciary has prudently determined are substantially related to the issuer's business activities or are expected to have a material effect on the value of the investment (e.g., certain merger and acquisition transactions requiring a shareholder vote); or (ii) a policy of refraining from voting on proposals or particular types of proposals when the plan's holding in a single issuer relative to the plan's total investment assets is below a quantitative threshold that the fiduciary prudently determines, considering its percentage ownership of the issuer and other relevant factors, is sufficiently small that the matter being voted upon is not expected to have a material effect on the investment performance of the plan's portfolio (or investment performance of assets under management in the case of an investment manager) (e.g., where the value of the plan's share ownership is sufficiently small as to not be materially impacted by the event).

Fiduciary Rule—Additional Requirements

- **Selection of Third Parties to Handle Proxy Voting.** Plan fiduciaries will be expected to assess the qualifications of any person to whom proxy voting and related shareholder responsibilities are to be delegated. If a fiduciary determines that the recommendations and other activities of such person are not being carried out in a manner consistent with those policies and/or guidelines or that conflicts exist, then the fiduciary will be expected to take appropriate action in response.
- **Monitoring of Third Parties to Whom Proxy Voting Responsibilities Have Been Delegated.** Plan fiduciaries are required to periodically review proxy voting policies of third parties to determine whether such activities are consistent with the final rule. (The DOL modified the proposed rule to remove the specific two-year requirement and provided a general requirement for periodic review of such voting policies. The DOL noted that general industry practice is to review investment policy statements approximately every two years and expects that fiduciaries will review proxy voting policies with roughly the same frequency.)
- **Pooled Investment Vehicles Holding ERISA Plan Assets.** In the case of proxy voting, to the extent permitted by applicable law, the investment manager must vote (or abstain from voting) the relevant proxies to reflect such policies in proportion to each plan's economic interest in the pooled investment vehicle. Such an investment manager may, however, develop an investment policy statement consistent with Title I of ERISA and the final rule, and require participating plans to accept the investment manager's investment policy statement, including any proxy voting policy, before they are allowed to invest. In such cases, a fiduciary must assess whether the investment manager's investment policy statement and proxy voting policy are consistent with Title I of ERISA and the final fiduciary rules before deciding to retain the investment manager.
- **Maintain Proxy Voting Records.** The final rule requires fiduciaries to evaluate material facts that form the basis for any particular proxy vote or other exercise of shareholder rights and to maintain records on proxy voting activities and other exercises of shareholder rights. In general, the extent of the documentation needed to satisfy the monitoring obligation will depend on individual circumstances, including the subject of the proxy voting and its potential economic impact on the plan's investment. (The DOL noted that while the provision does not contain a specific documentation requirement, an SEC rule requires investment advisers registered with the SEC under the Investment Advisers Act of 1940 to maintain a record of each proxy vote cast on behalf of a client and certain related documents.)
- **Mutual Funds and Pass-Through Voting.** As also noted in our prior article, the final rule would not apply to a mutual fund's exercise of shareholder rights with respect to the stock it holds because ERISA does not generally govern the management of

mutual fund assets. In addition, the final rule does not apply to voting, tender, and similar rights that are passed through to plan participants and beneficiaries, as may be the case for company stock or mutual fund shares in a participant-directed individual account plan, such as a 401(k) plan or employee stock ownership plan.

Aon's team of investment and legal consulting professionals are available to assist plan fiduciaries in evaluating their existing policies and related processes with respect to voting proxies and the exercise of shareholder rights.

Avoid Pitfalls—Ensure Regulatory Compliance

by Linda M. Lee

2021 is upon us and a time to remind plan sponsors of the importance of reviewing their plan administration and qualified plan documents to maintain compliance. As in prior years, Aon continues to publish annual updates on plan limits, key compliance factors, and required year-end amendments as they relate to defined benefit (DB) and defined contribution (DC) plans.

2021 Benefits Limits. The Internal Revenue Service (IRS) announced the annual dollar limitations for pension and other retirement-related plans—including 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 is a brief overview—some items remained the same for 2021; a few others were increased:

	2021	2020
Employee Elective Deferral Limit (Code §402(g)(1))	$19,500	$19,500
DC Plan Annual Addition Limit (Code §415)	$58,000	$57,000
DB Plan Annual Addition Limit (Code §415)	$230,000	$230,000
Annual Compensation Cap (Code §401(a)(17))	$290,000	$285,000
HCE Pay Threshold (Code §414(q))	$130,000	$130,000
Catch-up Contribution Limits (Code §§401(k) and 403(b))	$6,500	$6,500

Click **here** to download your copy of Aon's annual, comprehensive report that includes all dollar limitations for 2021.

Aon's 2021 Compliance Calendar. Plan sponsors must keep their retirement and health and welfare plans compliant 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 in the 2021 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;
- Filing dates for IRS forms (e.g., Forms W-2 and 1099-R); and
- Plan-level deadlines that may be affected by COVID-19 relief for 2021.

The Aon 2021 Compliance Calendar helps promote timely disclosure and compliance with related filing obligations and helps avoid civil monetary penalties for violations under the Employee Retirement Income Security Act of 1974. Click **here** to download your complimentary copy of the 2021 Compliance Calendar.

Additional Guidance for Plan Sponsors—2021 Plan Document Considerations. 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, including plan amendments to address changes made by the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) or the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) that generally must be adopted by the end of the 2022 plan year;
- Discretionary amendments to consider when terminating DB plans;

- Other discretionary amendments and considerations due to recent litigation; and
- A summary of actuarial equivalent class action cases.

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.

Case Highlights Challenges in Recovery of Overpayments

by Hitz Burton

A recent decision by the Sixth Circuit Court of Appeals in *Zirbel v. Ford Motor Co.* (November 16, 2020) illustrates some of the challenges retirement plans face when they seek the return of overpayments from plan participants, beneficiaries, or alternate payees. Although the court held for Ford Motor Co., the decision should put plan sponsors and their plan fiduciaries on notice as to how to protect themselves from possible participant defenses to return of an overpayment.

In *Zirbel,* the Ford retirement plan overpaid an alternate payee by $243,000. Four years after the overpayment, the plan sought to recover the erroneous payment. Zirbel raised a number of legal theories for why she should not have to return the funds paid in error, including that the funds were no longer specifically identifiable because of gifts made to children, taxes paid, and the commingling of the funds into her banking and brokerage accounts. In rejecting her arguments, the court noted that in seeking a return of the overpayment the plan fiduciaries were (1) acting in accordance with authorizing language in the plan document; and (2) that the simple commingling of funds into banking or investment accounts was not sufficient to overcome the equitable claims of the plan on such funds under the Employee Retirement Income Security Act of 1974.

The *Zirbel* decision provides instructive guidance to plan sponsors, including the importance of plan language authorizing fiduciaries to seek to recover overpayments when they occur. Additionally, timing can be critical. To hopefully avoid or limit these types of situations, plan fiduciaries should consider establishing additional procedural protections that are in place well in advance of processing certain "high-risk" transactions like lump sums or other accelerated payments and QDRO assignments that split an accrued benefit (or account balance) between a participant and an alternate payee. Other regular, periodic checks on recent plan distributions may be helpful as well. While not specifically raised by Zirbel as a defense to having to make repayment to the Ford plan, the court also expressed sympathy for potential tax complications arising from overpayment errors such as where the passage of time since the distribution prevents the payee from filing an amended return.

Aon's Retirement Legal Consulting & Compliance consultants are well versed on the types of procedural protections that a plan sponsor and fiduciary charged with oversight for a qualified plan should consider, including suggesting specific plan language as well as additional reservation of rights language that can be added to a summary plan description or benefit election materials to put participants and other beneficiaries on notice if they knowingly or otherwise receive overpayments from a qualified plan.

Final Plan Loan Rollover Regulations Provide Expected Relief

by Dan Schwallie

The Internal Revenue Service (IRS) and Department of the Treasury released final plan loan rollover offset regulations on December 7, 2020. The final regulations adopt verbatim the proposed regulations published in the Federal Register on August 20, 2020—as previously covered in the **Fourth Quarter 2020** issue of our *Quarterly Update*—with the exception of the applicability date of the final regulations. The final regulations apply to plan loan offset amounts, including qualified plan loan offset (QPLO) amounts, treated as distributed on or after January 1, 2021. However, taxpayers (including a filer of an IRS Form 1099-R) may choose to apply the final regulations to amounts treated as distributed on or after August 20, 2020.

Determining whether a plan loan offset amount is a QPLO amount is important to correctly report a plan loan offset amount as a QPLO amount using Code M in box 7 of Form 1099-R. If the plan loan offset amount is not a QPLO amount, the offset should still be reported as an actual distribution, but without Code M in box 7 (nor should Code L be used, which is for a deemed distribution). The one-year anniversary rule of the regulations is intended to assist plan administrators by providing a bright-line rule for determining whether a plan loan offset amount following a severance from employment is a QPLO amount.

There are multiple tax reporting situations that can arise with respect to the treatment of plan loans. The interaction of loan defaults, deemed distributions, plan loan offsets, and QPLOs can be complicated and confusing, and their interaction depends in large part on how the provisions of a plan are drafted to deal with them.

Aon's Retirement Legal Consulting & Compliance consultants are available to assist plan sponsors in understanding how these concepts interact and how to administratively comply with these final regulations.

Tax-Free Employer Payment of Student Loans Extended Until 2026

by Dan Schwallie

The Taxpayer Certainty and Disaster Tax Relief Act of 2020, which was enacted on December 27, 2020 as part of the Consolidated Appropriations Act of 2021, extends the ability of employers to exclude employer-paid student loan assistance from employee income. As reported in the **Second Quarter 2020** issue of our *Quarterly Update*, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) modified Section 127 of the Internal Revenue Code (Code) to add employer-paid student loan assistance to the employer educational assistance that can be excluded from employee income, but only through the end of 2020. The extension of the income exclusion applies to the payment by an employer made after December 31, 2020 and before January 1, 2026, whether paid to the employee or to a lender, of principal or interest on any qualified education loan (as defined in Code Section 221(d)(1)) incurred by the employee for the employee's education.

Code Section 127 provides an annual exclusion of up to $5,250 of employer educational assistance per employee from the employee's income for federal income tax purposes. The $5,250 annual cap applies to the combined amount of employer educational assistance and employer-paid student loan repayments for an employee. Code Section 127 employer assistance is not available to an employee's spouse, children, or other dependents. Interest paid by the employer cannot be deducted from the employee's federal taxable income under the student loan interest deduction. As required by Code Section 127, such a program must be administered under a written plan for the exclusive benefit of the employer's employees and not discriminate in favor of highly compensated employees. Reasonable notice of the availability and terms of the program must be provided to eligible employees, and the program must not provide a choice between the assistance and other remuneration includible in gross income.

Aon's Retirement Legal Consulting & Compliance consultants are available to assist plan sponsors in understanding the implications of these changes, drafting any required plan documents, and complying with the new rules.

Remote Notarization and Electronic Submissions Becoming a New Normal

by Linda M. Lee

The lingering shutdown and social distancing mandates throughout the country continue to bring about new challenges for employers, but at the same time afford employers opportunities to find more efficient and effective processes. This is especially true as they apply to retirement plan administration. As reported in the **Third Quarter 2020** issue of our *Quarterly Update*, the Internal Revenue Service (IRS) provided temporary relief from the requirement that a plan representative or notary be "physically present" while witnessing the signature of a participant, or the consent of a spouse if required, with respect to a benefit election. That relief was set to expire as of December 31, 2020.

In recognizing the continued dilemma during this pandemic, the IRS has extended this remote authorization relief. For the period from January 1, 2021 through June 30, 2021, IRS Notice 2021-03 continues to allow a notary to witness consent to a retirement plan election via live audio-video technology that meets the notary requirements of the applicable state or to be witnessed by a plan representative using a live audio-video technology that meets specific requirements.

The IRS Notice also includes a request for comments regarding whether relief from the physical presence requirement should be made permanent and, if made permanent, what, if any, procedural safeguards are necessary to reduce the risk of fraud, spousal coercion, or other abuse in the absence of a physical presence requirement. Any permanent change to the physical presence requirement would be subject to further regulatory notice and would include a time period for plan sponsors and other parties to comment on the proposed guidance.

As an important reminder, plan sponsors that self-administer the participant and spousal consent requirements should also consider the relief's impact on plan representatives who typically witness signatures. Please reach out to your Aon consultant for further assistance.

In other ongoing efforts by the IRS to improve efficiency, the IRS will be permitting determination letter applications as to the qualified status of a retirement plan upon its termination (IRS Form 5310) to transition to electronic filing via the pay.gov website. Revenue Procedure 2021-4, issued on January 4, 2021, updates the submission process as follows:

- Prior to April 6, 2021, it's "business as usual" with plan sponsors required to submit paper copies of the Form 5310 application;
- Between April 6, 2021 and before August 1, 2021, plan sponsors have the option to submit the Form 5310 application on paper or electronically via pay.gov; and
- Beginning August 1, 2021, paper submissions will no longer be accepted; plan sponsors must submit the Form 5310 application electronically via pay.gov, including payment for the user fee.

Aon's Retirement Legal Consulting & Compliance consultants have significant experience in assisting clients with these matters, while continually navigating the myriad of challenging IRS rules and procedures.

Quarterly Roundup of Other New Developments

by Sandy Combs, CarolLynn Kent, Teresa Kruse, Jan Raines, Sue Sinclair, and Beth Thatcher

Are Nestle 401(k) Plan Participants Getting a "Sweet Deal"?
A recent lawsuit filed on behalf of the participants in the Nestle 401(k) Savings Plan (with almost 40,000 participants and approximately $4.2 billion in assets) alleges that fiduciaries breached their fiduciary responsibilities by allowing the plan to pay unreasonable fees for recordkeeping and administrative services and managed account services. The lawsuit also alleges that there are certain services provided by Nestle, which could have been provided by the recordkeeper and that Nestle took payment from the plan to "cover" these services, which could be considered self-dealing and not in participants' best interests, as required by the Employee Retirement Income Security Act (ERISA).

The complaint in the *Nestle* case states that fees can be requested from other service providers simply by providing the number of participants in a plan to competitor firms, and the plaintiffs' complaint includes illustrations of other plans' fees based on participant counts in an effort to make their point. However, in Aon's opinion, this is a very simplistic view and Aon believes that, in order for recordkeeping and investment firms to provide a competitive fee, there are a number of factors that must be considered to truly understand all sources of revenue to be received by the service provider—number of participants, plan design features, services required, number of transactions, etc.—and whether such fees are reasonable for the services provided. Moreover, courts have held that a plan fiduciary need not select the least expensive service provider but must have a reasonable and prudent basis for any selection.

While the *Nestle* lawsuit raises a number of potential fiduciary issues that plan fiduciaries should be mindful of, additional fiduciary liability issues that could arise include the lack of managed account provider choices on recordkeeping platforms (typically only one or two, at most), which don't allow much negotiating power or competitiveness regarding fees. Another fiduciary issue that could arise relates to situations where the recordkeeper and the managed account provider share revenue, and the amount of that shared revenue isn't fully disclosed—creating another source of revenue for the recordkeeper. In addition, plan sponsors can provide certain services and receive payment of direct expenses for those services—but both the fees and services should be analyzed for reasonableness on an ongoing basis.

This case is in its early stages, and the court may conclude that Nestle's fiduciaries have acted properly. Aon will continue to monitor and provide updates when available. Aon has defined contribution specialists that can assist in performing fee benchmarking analyses with a review of both services and fees, negotiating fees with service providers, and performing full requests for proposals, when it is appropriate to do so. *Guyes v. Nestle USA Inc., No. 1:20-cv-01560 (E.D. Wis. Oct. 29, 2020).*

Record Retention—Paper vs. Electronic: Who Will Win?
Under ERISA, plan sponsors have certain obligations to keep plan records—some for up to six years after filing and some indefinitely. ERISA addresses saving paper copies of documents and issues some rules for electronic filing (however, in certain cases, these electronic rules are left up to the states). Sponsors should make sure that any paper documents are also kept electronically (in case of fire or other disaster), and that all electronic documents are backed up regularly, following appropriate privacy and cybersecurity standards. In terms of relying on original documents during this period of COVID-19, the Internal Revenue Service has recognized that professional signature services might be more appropriate to confirm actions taken, and that regulatory reliance on electronic copies is going to become more prevalent. It is important for plan sponsors and fiduciaries to develop processes for filing and retaining material documents, and certain ERISA attorneys have suggested formal written retention procedures updated and in place. Aon's Fiduciary Consulting group and Retirement Legal Consulting & Compliance consultants can assist plan sponsors and fiduciaries to determine appropriate policies and procedures for record retention and organizing plan records.

Divorcing Couples Unaware of QDROs
The Retirement Equity Act of 1984 (REA) amended ERISA in an attempt to rectify its failure to recognize specific needs of spouses in the workforce. The REA provided spousal rights to retirement plan benefits and established a process where divorcing couples divide the participant's retirement account balance or accrued benefit: the qualified domestic relations order (QDRO). In July 2020, the Government Accountability Office (GAO) issued a report after finding, based on sampling recordkeepers and large plan sponsors, that few divorcing couples applied for QDROs.

The GAO's analysis found that while more than one-third of adults age 50 and older have been through a divorce, very few apply to their plan administrator for a QDRO. Between 2008 and 2016, approximately 18% of those who went through a divorce where retirement benefits were part of the couple's assets lost a claim to their prior spouse's benefits. Exclusion of a former spouse's retirement savings during the dissolution of marital assets could directly result in income insecurity at retirement.

The report identified several obstacles related to QDRO claims. One of the most common problems is the legal and recordkeeper fees associated with QDROs where the cost of obtaining legal and/or administration services for either a divorce or to file a QDRO was high relative to the potential benefit received. Secondly, spouses may not disclose retirement savings to their partners and, therefore, they are not considered when developing the domestic relations order. Other QDROs were not processed because of incomplete or unclear information provided to either the plan administrator or the recordkeeper. Lastly, many former spouses are unaware that they may be entitled to their former partner's retirement benefits and make no effort to pursue them.

The GAO offered several recommendations to the Department of Labor (DOL) to make QDROs more effective for all stakeholders involved. These include a focused outreach to family law practitioners to provide them further support in assisting their clients, and the inclusion of a simple, easy-to-find checklist on the Employee Benefits Security Administration website that identifies the rights of an alternate payee (spouse) and the steps and information needed to file and process a QDRO. The GAO also called on the DOL to collect and study fee information related to QDROs.

As the DOL takes steps to provide information on its website, plan sponsors may also evaluate opportunities to expand participant assistance when changing benefits during significant life events like a divorce. Providing comprehensive health, retirement, and voluntary benefit information, such as legal aid, when participants are changing benefit elections are another tool to supporting employee retirement income security.

When the Hunter Becomes the Hunted (Schlichter is Sanctioned)
Retirement plan lawsuits have been prevalent for over a decade and St. Louis-based law firm, Schlichter, Bogard & Denton (Schlichter), has been at the forefront of many of these lawsuits. These class action cases against retirement plan fiduciaries have alleged excessive fees, inappropriate or imprudent investments, and self-dealing, and many have resulted in settlements, with about one-third of the settlement proceeds going to the Schlichter law firm.

In a turn of the tables, Schlichter now finds itself on the other side of the decision to award damages to claimants. In the case of *Obeslo v. Great-West Capital Management*, Schlichter represented plaintiffs that had invested in Great-West funds through individual retirement accounts and employer-sponsored retirement plans. The claims alleged that the fees charged by the defendants violated the Investment Company Act. Sections of the Act prohibit fees that are "so disproportionately large that they bear no reasonable relationship to services rendered and could not have been the product of arm's length bargaining."

In deciding in favor of *Great-West* in the fiduciary breach litigation, U.S. District Judge Christine M. Arguello ruled on a motion for sanctions against the Schlichter law firm, citing a completely discredited expert witness, a lack of merit in the case, and an apparent manufactured case, that Schlichter "recklessly pursued their claims through trial," and that the plaintiff's attorneys would be personally liable for the defendants' costs and expenses, up to $1.5 million. *Obeslo v. Great-West Capital Mgmt., No. 16-cv-00230-CMA-SKC (D. Colo. Aug. 7, 2020)*.

Only Pay for What You Need
While the catchy slogan "Only Pay for What You Need" is used by a national insurance chain to sell insurance, it also provides some powerful advice to plan fiduciaries when it comes to managing defined contribution plan fees. Initially, it is important to distinguish which party is actually paying fees—the plan (thereby the participants) or the employer sponsoring the plan. Plan fees paid by participants must be reasonable, and plan fiduciaries are responsible for making sure those fees are not only reasonable at a point in time, but that they remain reasonable. The process of ensuring fees and services are properly aligned and reasonable is, according to ERISA, a fiduciary act. Paying plan fees from corporate resources is not, as defined by ERISA, a fiduciary act, although sponsors will certainly want to negotiate the most reasonable plan fees, and avoid any real, perceived, or potential conflicts of interest. Keep in mind that "fees" include those incurred for recordkeeping (including participant transaction fees), investment management, investment advisory, as well as for other third-party services, such as audit and legal counsel. The abundance of litigation against plan fiduciaries clearly demonstrates that litigators are looking for opportunities to accuse plan fiduciaries of not adequately addressing plan fees; much of the fiduciary breach litigation today concerns plan fees. How can plan fiduciaries fulfill their responsibility to ensure plan fees and services are reasonable? There are a variety of methods available, from a relatively simple benchmarking of fees against peer averages to a full-blown request for proposal. Regardless of which party is paying plan fees, fiduciaries have a responsibility to review, understand, and benchmark plan fees and services. Aon recommends a plan fee analysis at least every two to three years and can assist in helping plan fiduciaries determine what level of analysis is best to ensure that fiduciaries and their plan participants "only pay for what you need."

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 universities and other institutions have been dismissed (in full or in part) or settled, including cases involving the University of Pennsylvania (settled, undisclosed amount); Mutual of Omaha Insurance Co. (settled for $6.7M); Reliance Trust (settled for $39.8M and other remedies); and OSF HealthCare System (settled for $25M and other remedies).

Plan sponsors seeking to reduce their litigation risk use a variety of strategies including improving their fiduciary process for plan governance, increasing the number of passive funds in their plans, and implementing better fee transparency.

New Retirement Plan Cases
Retirement plan cases involving plan fiduciaries continue to be filed and, in many cases, proceed to trial. Although the list of recently filed cases is only illustrative and many of the defendants in these cases may ultimately prevail, it may be helpful to our readers to see the frequency of fiduciary liability claims involving target date funds and excessive fees. For example, recent cases involving target date funds have been brought against The Allstate Corporation and Coca-Cola Consolidated, Inc., while excessive fee cases (involving both administrative and investment fees) have been brought against plan fiduciaries at Biogen, Inc.; Alticor, Inc.; TriNet HR, Inc.; Duke Energy Corporation; Pentegra Retirement Services; MGM Resorts International; Barnabas Health, Inc.; and Insurance Services Office, Inc.

Aon will continue to track these cases, and others, as they develop. In response to this uptick in fiduciary litigation, Aon's consultants have now been speaking with employers of all sizes who are considering participation in the Aon Pooled Employer Plan as an alternative to continuing exposure to these fiduciary liability lawsuits.

Please see the applicable Disclosures and Disclaimers on page **14.**

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About Aon

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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