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# Discussion Topics

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<b>Section 1</b>	Capital Markets Review
<b>Section 2</b>	Performance Review
<b>Section 3</b>	Noteworthy Items
<b>Section 4</b>	Morningstar Model Portfolios
<b>Section 5</b>	Recordkeeper RFP Discussion
<b>Section 6</b>	Legal & Compliance Update

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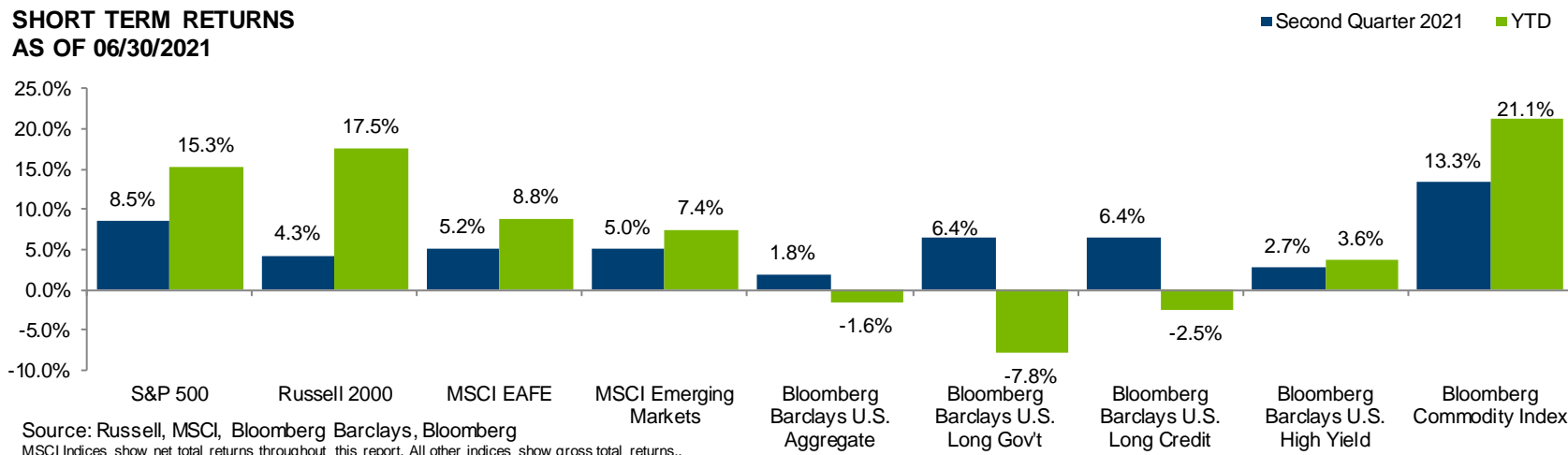
# Discussion Topics

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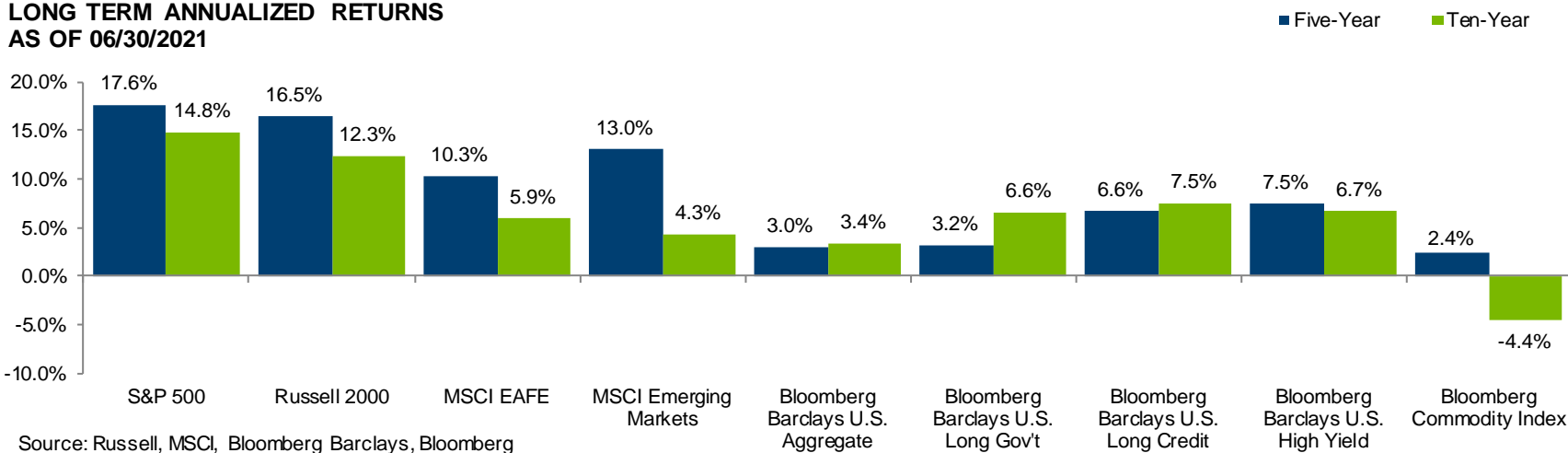
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# Market Highlights

## SHORT TERM RETURNS AS OF 06/30/2021

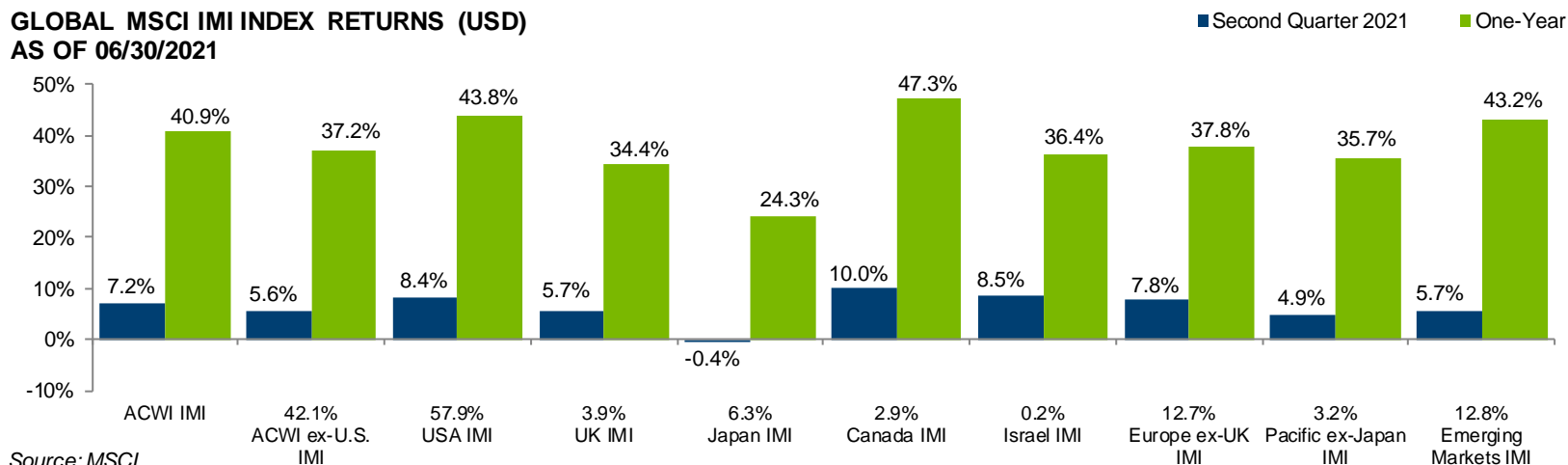


## LONG TERM ANNUALIZED RETURNS AS OF 06/30/2021



# Global Equity Markets

## GLOBAL MSCI IMI INDEX RETURNS (USD) AS OF 06/30/2021

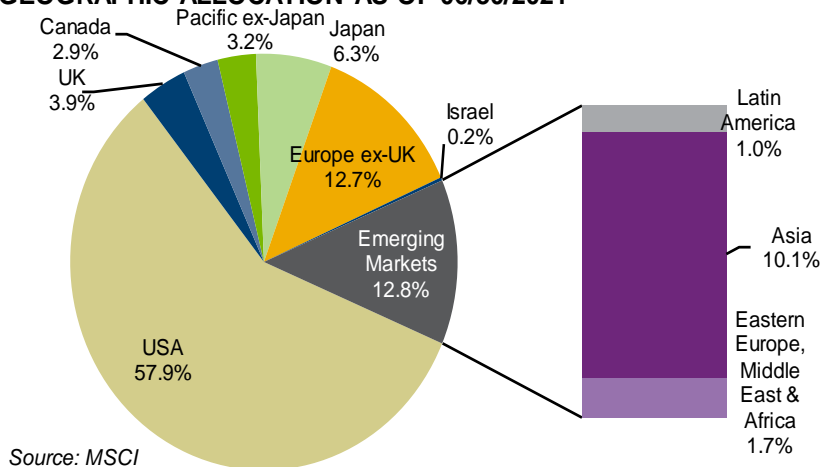


- The MSCI All Country World Investable Market Index (ACWI IMI) returned 7.2% for the quarter. The U.S. led for the quarter, returning 8.4% compared to 5.6% for non-U.S. equities and outperformed over the trailing one-year period.
- On a regional basis, Canadian equities were the strongest for the quarter, as the Canada IMI returned 10.0%. The index was led higher by its two largest sectors, financials and energy. The energy sector gained 14.0% during the quarter due to rising oil prices.
- Europe ex-UK had a strong quarter as lockdown restrictions eased. All sectors generated positive returns, but Consumer Staples and Health Care were the top contributors to quarterly performance.
- Emerging Markets returned 5.7% for the second quarter but trailed many developed regions.

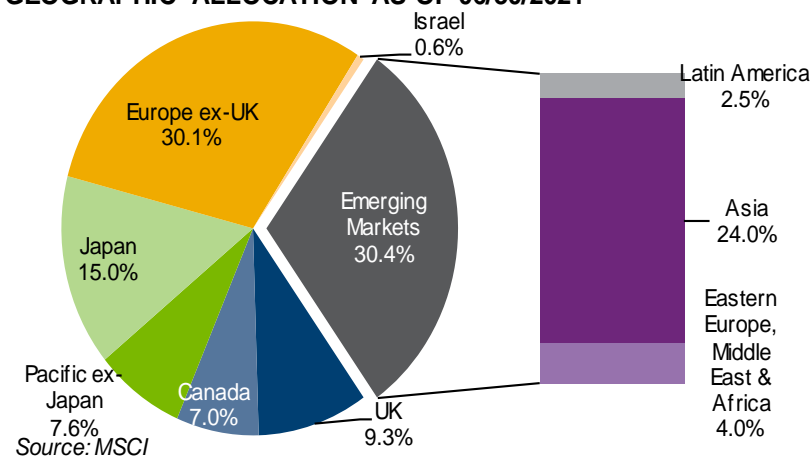
# Global Equity Markets

- Below is the country/region breakdown of the global and international equity markets as measured by the MSCI All Country World IMI Index and the MSCI All Country World ex-U.S. IMI Index, respectively.

**MSCI ALL COUNTRY WORLD IMI INDEX  
GEOGRAPHIC ALLOCATION AS OF 06/30/2021**

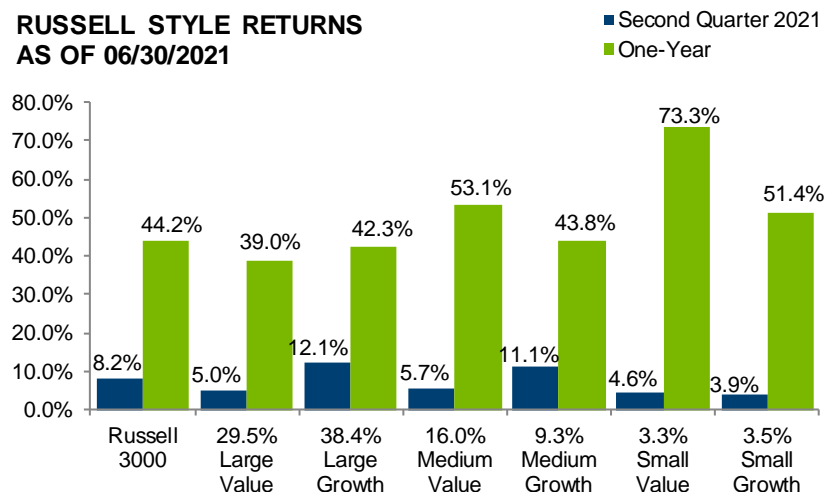


**MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX  
GEOGRAPHIC ALLOCATION AS OF 06/30/2021**



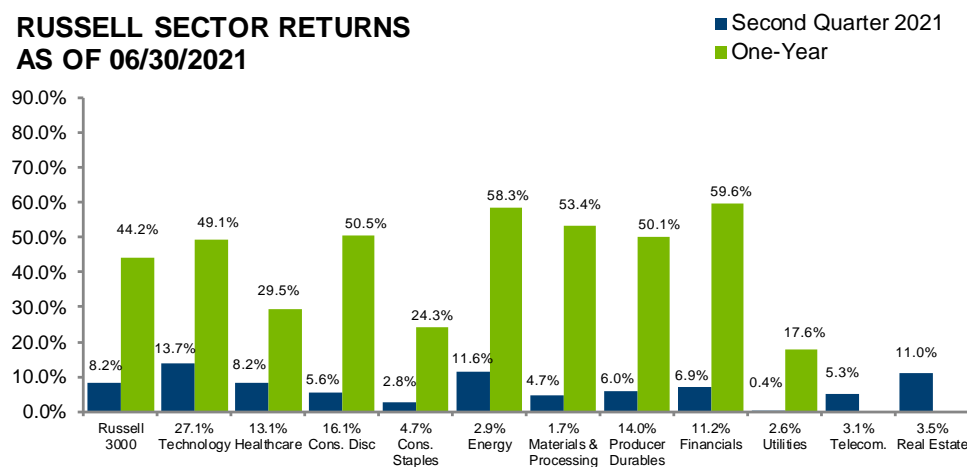
# U.S. Equity Markets

## RUSSELL STYLE RETURNS AS OF 06/30/2021



Source: Russell Indexes

## RUSSELL SECTOR RETURNS AS OF 06/30/2021

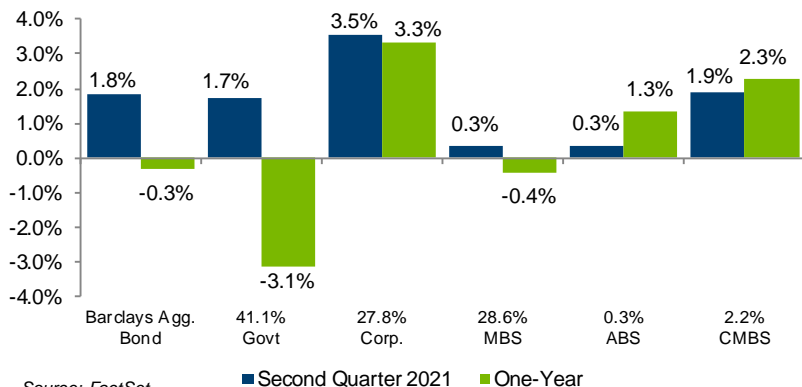


Source: Russell Indexes (New sectors like Telecommunication and Real Estate One-Year chart excluded due to lack of historical data)

- U.S. equities rose during the quarter, supported by continued progress on the vaccination front and improving economic activity. U.S. Treasury yields declined throughout the quarter, which weighed on much of the reflation trade and value-oriented sectors. Sectors that benefit from falling interest rates, such as technology and real estate, fared well during the second quarter.
- The Russell 3000 Index returned 8.2% during the second quarter and 44.2% over the trailing one-year period. All sectors generated positive returns over the quarter, led by strong returns from the technology and energy sectors, which returned 13.7% and 11.6% respectively. Utilities returned the least at 0.4%.
- Large and medium cap stocks outperformed small caps over the quarter. Growth stocks outperformed value within large and medium cap stocks. Over the trailing one-year period growth eclipsed value within large cap stocks but medium and small cap value still led their growth counterparts.

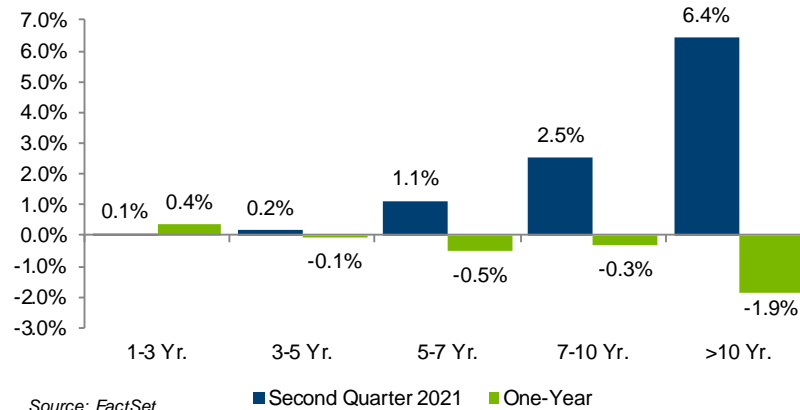
# U.S. Fixed Income Markets

**BLOOMBERG BARCLAYS AGGREGATE RETURNS BY SECTOR  
AS OF 06/30/2021**

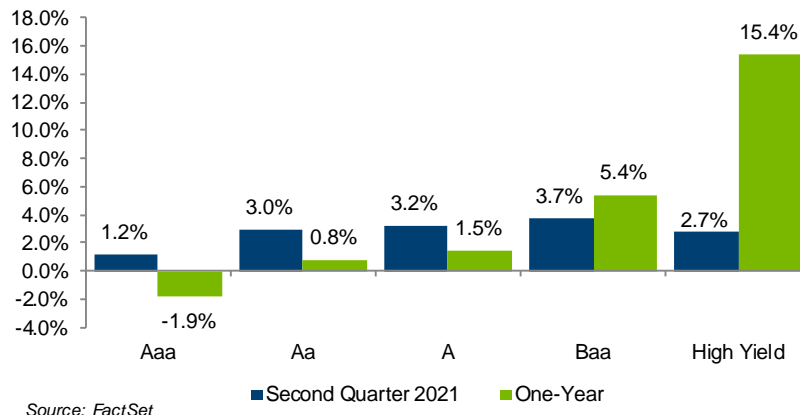


- The Bloomberg Barclays U.S. Aggregate Bond Index rose 1.8% during the quarter.
- Credit markets benefited from risk-on sentiment during the quarter, with corporate bonds up 3.5% by quarter-end, followed by CMBS bonds which rose by 1.9%.
- Across durations, longer maturity bonds (10+ years) rose the most at 6.4%.
- Within investment grade bonds, lower-credit quality outperformed higher quality issues.

**BLOOMBERG BARCLAYS AGGREGATE RETURNS BY MATURITY AS OF 06/30/2021**

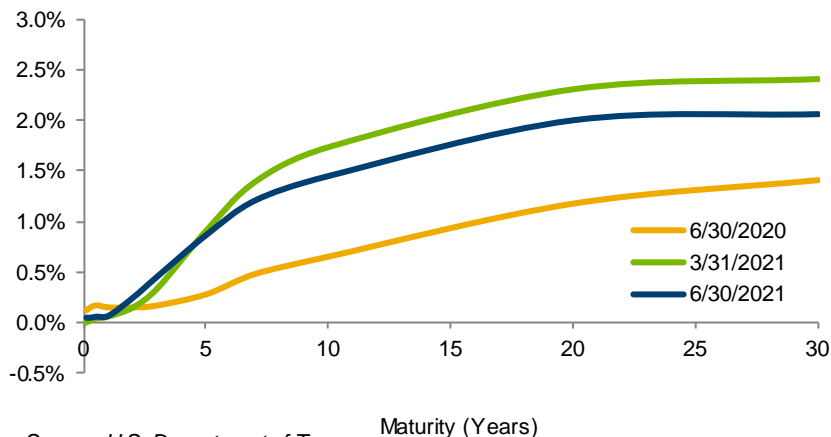


**BLOOMBERG BARCLAYS AGGREGATE RETURNS BY QUALITY AND HIGH YIELD RETURNS AS OF 06/30/2021**



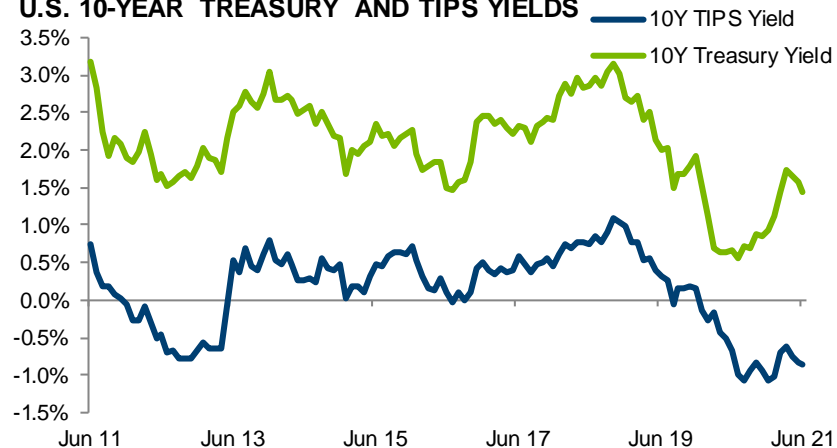
# U.S. Fixed Income Markets

**U.S. TREASURY YIELD CURVE**



Source: U.S. Department of Treasury

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



Source: U.S. Department of Treasury

- The U.S. Treasury curve flattened with yields rising at shorter end but falling across medium to longer maturities, despite an uptick in inflation.
- The U.S. Federal Reserve (Fed) left interest rates unchanged and held its current pace of asset purchases. However, hawkish sentiment emerged with various members voicing a preference to tighten policy sooner rather than later. The dot plot from the June FOMC meeting showed rate hikes could start in 2023.
- The 10-year U.S. Treasury yield ended the quarter 29 bps lower at 1.45% and the 30-year yield decreased by 35 bps to 2.06%.
- The 10-year TIPS yield fell by 24 bps over the quarter to -0.87%.

# Credit Spreads

Spread (bps)	06/30/2021	03/31/2021	06/30/2020	Quarterly Change (bps)	One-Year Change (bps)
U.S. Aggregate	32	31	68	1	-36
Long Govt	0	1	1	-1	-1
Long Credit	118	126	202	-8	-84
Long Govt/Credit	71	76	120	-5	-49
MBS	27	12	70	15	-43
CMBS	59	71	132	-12	-73
ABS	22	35	68	-13	-46
Corporate	80	91	150	-11	-70
High Yield	268	310	626	-42	-358
Global Emerging Markets	257	267	393	-10	-136

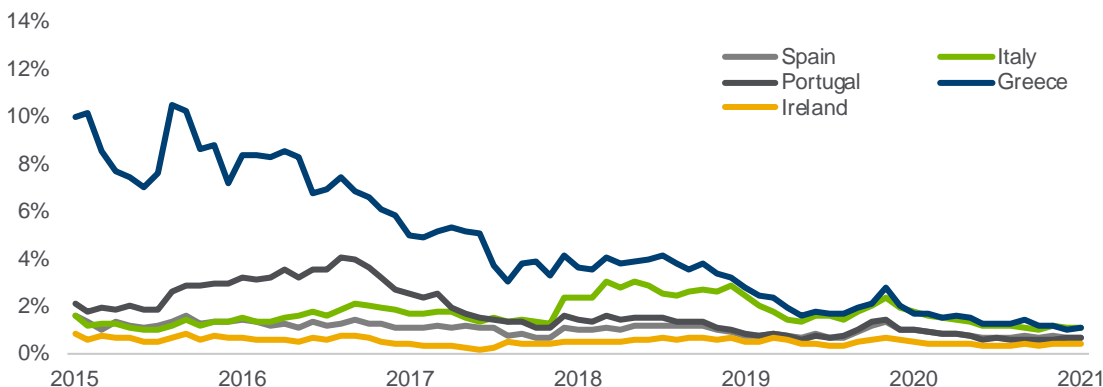
Source: FactSet, Bloomberg Barclays

- Credit spreads continued to tighten during the quarter, with credit spreads over U.S. treasuries narrowing across the board in the second quarter.
- High Yield credit spreads and ABS spreads narrowed the most in Q2 2021, decreasing by 42 bps and 13 bps over the quarter.



# European Fixed Income Markets

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

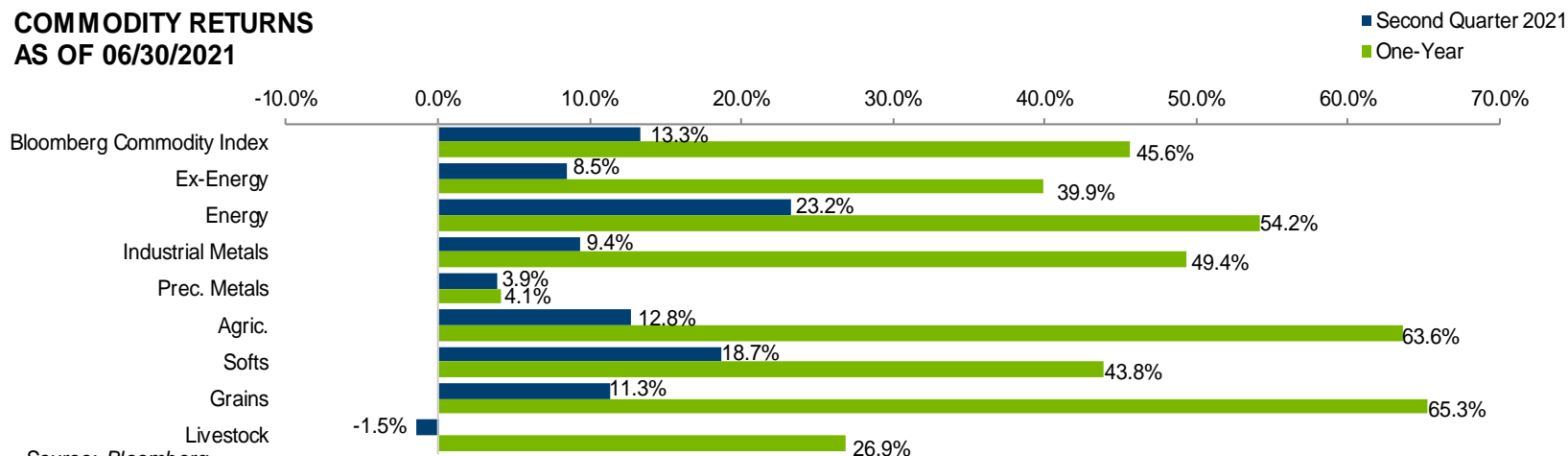


Source: FactSet

- European government bond spreads over 10-year German bunds generally widened across the Euro Area. The European Commission upgraded the eurozone's growth forecast to 4.3% this year and 4.4% in 2022 from the previous estimates of 3.8% in both years, citing increasing vaccinations and easing lockdown restrictions.
- German government bund yields rose by 9bps to -0.21% over the quarter. The Eurozone economy fell into a double-dip recession due to varying levels of lockdown stringency in response to a third wave of coronavirus. The economy contracted by 0.6% in Q1 2021. Germany was Europe's worst-hit major economy as it contracted by 1.7%, as falling household consumption failed to offset higher manufacturing exports. Elsewhere, the French economy expanded by 0.4% over the same period.
- Portuguese government bond yields rose by 18bps to 0.39% and Italian government bond yields rose by 17bps to 0.83%.

# Commodities

## COMMODITY RETURNS AS OF 06/30/2021



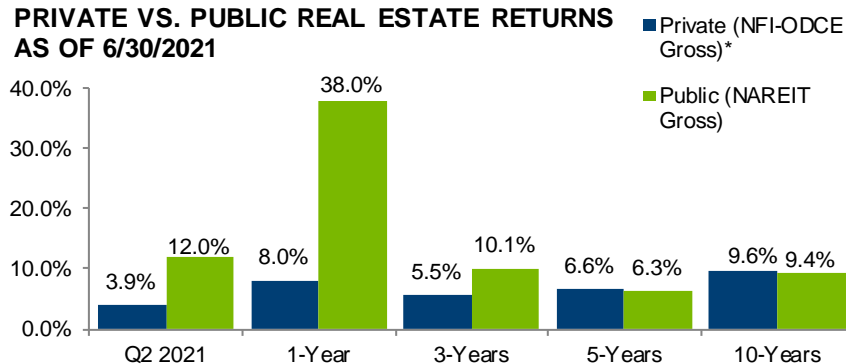
Source: Bloomberg

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

- Commodities had another strong quarter with the Bloomberg Commodity Index up 13.3%. Energy continued to be the standout as consumer demand steadily returned around the world. Agricultural prices also saw large increases during the quarter. Industrial metals continued their positive trend while precious metals rebounded from their first quarter slump.
- Energy was the best performing sector as it rose by 23.2% during the quarter and 54.2% over the trailing one-year period. Crude oil prices rose to their highest level in three years, touching \$76 a barrel as the OPEC+ group failed to reach an agreement on raising crude oil production. In July, OPEC+ producers agreed on a slight increase in production, which amounts to an additional 2m barrels a day (b/d) following increases in May and June. Production cuts from 2020 are still in place however, although they were reduced to just under 6m b/d from 10m b/d last year.

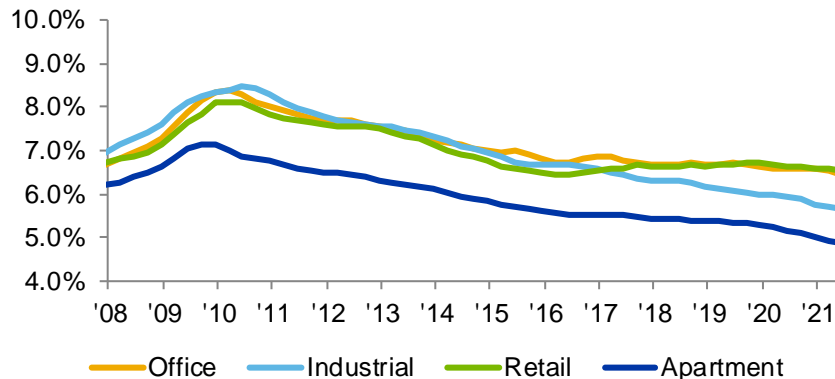
# U.S. Commercial Real Estate Markets

## PRIVATE VS. PUBLIC REAL ESTATE RETURNS AS OF 6/30/2021



\*Second quarter returns are preliminary  
Sources: NCREIF, FactSet

## CAP RATES BY SECTOR



Sources: RCA, AON 06/30/2021

- U.S. Core Real Estate returned 3.9%\* in the second quarter, equating to an 8.0% total gross return year-over-year, including a 3.9% income return. Limited distressed sales have been witnessed thus far, although plenty of capital has been raised to capitalize on any potential opportunities coming out of COVID-19. Following a sharp contraction in GDP of -3.3% in 2020, the IMF now projects the global economy to expand by 6.0% in 2021. The recovery is forecasted to be swifter and more resilient than the recovery following the 2008 global financial crisis thanks to unprecedented fiscal and monetary policy responses. Real estate capital markets are liquid with transaction volumes picking back up, led in part by ample debt availability.
- Global property markets, as measured by the FTSE EPRA/NAREIT Developed Real Estate Index, returned 6.1% (USD) in aggregate during the second quarter and experienced a cumulative increase of 34.8% over the trailing 1-year period. REIT market performance was driven by Asia Pacific (5.3% USD), North America (11.4% USD), and Europe (8.8% USD). The U.S. REIT markets (FTSE NAREIT Equity REITs Index) returned 12.0% in the second quarter. The U.S. 10-year treasury bond yields decreased 29 bps to 1.45% during the quarter.
- There are now overarching and compelling dynamics benefitting the overall real estate market. Bonds have repriced to record low yields, and now real estate yields present an attractive spread to risk free rates. Rising costs for key real estate construction inputs are driving up replacement costs and are anticipated to quell near-term supply.
- Technology is changing consumption trends and lifestyle preferences globally, driving demand for certain property sectors consistently across regions. The acute circumstances of a recession driven by a virus magnified this effect in 2020. Looking forward, investors should assess what changes to our routines/habits may stick, what regions will they most impact, and how do those impact property specific demand drivers. Townsend is forecasting certain changes to persist post-COVID and has actively re-evaluated our investment strategy to align with the changing economy.
- Townsend has identified high conviction investment themes that are predicated on secular growth trends and strong underlying real estate market fundamentals. These investment themes have commonalities such as anticipated tenant demand growth, natural barriers to supply, and operating complexity that are anticipated to persist medium to long-term.

\*Indicates preliminary NFI-ODCE data gross of fees

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# Discussion Topics

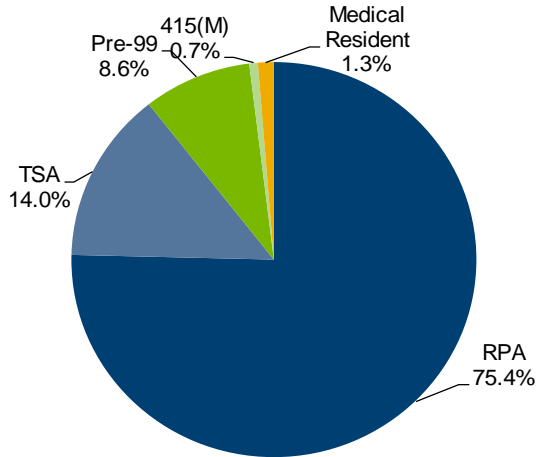
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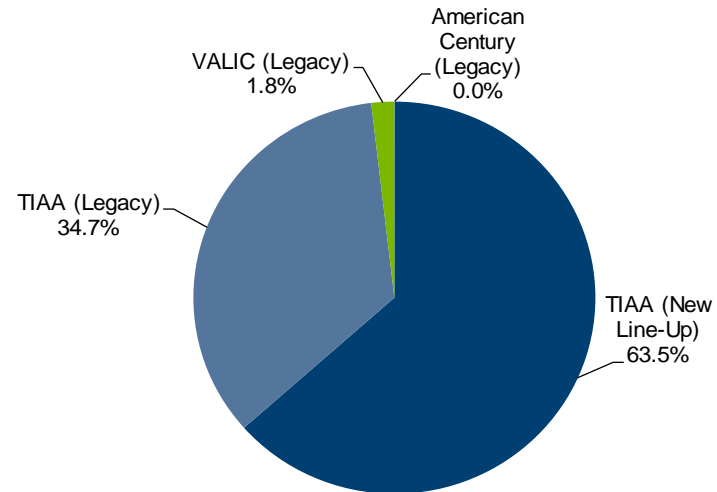
# Asset Allocation

## As of June 30, 2021

**Assets by Plan**  
As of June 30, 2021



**Assets by Vendor**  
As of June 30, 2021



As of 6/30/2021

Plan	RPA		TSA		Pre-99		415(M)		Medical Resident		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
TIAA (New Line-Up)	\$ 2,232,850,232	67.6%	\$ 429,515,519	69.9%	\$ 46,149,188	12.2%	\$ 28,470,489	94.3%	\$ 42,663,564	77.0%	\$ 2,779,648,992	63.5%
TIAA (Legacy)	\$ 1,021,968,099	30.9%	\$ 165,114,492	26.9%	\$ 331,349,292	87.6%	\$ 1,721,918	5.7%	\$ 176,885	0.3%	\$ 1,520,330,685	34.7%
AIG (Legacy)	\$ 47,374,620	1.4%	\$ 19,955,912	3.2%	\$ -	0.0%	\$ -	0.0%	\$ 12,530,834	22.6%	\$ 79,861,366	1.8%
American Century (Legacy)	\$ -	0.0%	\$ -	0.0%	\$ 955,418	0.3%	\$ -	0.0%	\$ -	0.0%	\$ 955,418	0.0%
<b>Total</b>	<b>\$ 3,302,192,951</b>	<b>100.0%</b>	<b>\$ 614,585,923</b>	<b>100.0%</b>	<b>\$ 378,453,897</b>	<b>100.0%</b>	<b>\$ 30,192,407</b>	<b>100.0%</b>	<b>\$ 55,371,282</b>	<b>100.0%</b>	<b>\$ 4,380,796,460</b>	<b>100.0%</b>
Other Assets*											\$ 1,847,079	0.0%
<b>Grand Total</b>	<b>\$ 3,302,192,951</b>	<b>75.3%</b>	<b>\$ 614,585,923</b>	<b>14.0%</b>	<b>\$ 378,453,897</b>	<b>8.6%</b>	<b>\$ 30,192,407</b>	<b>0.7%</b>	<b>\$ 55,371,282</b>	<b>1.3%</b>	<b>\$ 4,382,643,539</b>	<b>100.0%</b>

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

Source: TIAA

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# Tier I(a) Watch List

As of June 30, 2021

Tier I (a)

	1. <i>Underperformed During Trailing 5 Years</i>	2. <i>Underperformed in 3 of 4 Trailing Calendar Quarters</i>	3. <i>Diverged from Strategy and/or Portfolio Characteristics</i>	4. <i>Adverse Change in Portfolio Manager</i>	5. <i>Weak Manager Research Rating</i>	6. <i>Significant Organizational Change</i>	Watch List Status			
							2nd Quarter 2021	1st Quarter 2021	4th Quarter 2020	3rd 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	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2035 Trust Plus	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2040 Trust Plus	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2045 Trust Plus	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2050 Trust Plus	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2055 Trust Plus	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2060 Trust Plus	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2065 Trust Plus*	Yes	No	No	No	No (Buy)	No				

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

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

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

# Tier I Watch List

## As of June 30, 2021

Tier I

	1. <i>Underperformed During Trailing 5 Years</i>	2. <i>Underperformed in 3 of 4 Trailing Calendar Quarters</i>	3. <i>Diverged from Strategy and/or Portfolio Characteristics</i>	4. <i>Adverse Change in Portfolio Manager</i>	5. <i>Weak Manager Research Rating</i>	6. <i>Significant Organizational Change</i>	Watch List Status			
							2nd Quarter 2021	1st Quarter 2021	4th Quarter 2020	3rd 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.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2025 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2030 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2035 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2040 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2045 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2050 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2055 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2060 - Instl.	Yes	No	No	No	No (Buy)	No				
Vanguard Target Retirement 2065 - Instl.*	Yes	No	No	No	No (Buy)	No				

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

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



# Tier II Watch List

## As of June 30, 2021

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			
							2nd Quarter 2021	1st Quarter 2021	4th Quarter 2020	3rd Quarter 2020
Vanguard Total Bond Market Index Fund	No	No	No	No	No (Buy)	No				
Vanguard Total International Bond Index Fund	No	No	No	No	No (Buy)	No				
Vanguard Total Stock Market Index Fund	No	No	No	No	No (Buy)	No				
Vanguard Institutional Index Fund	No	No	No	No	No (Buy)	No				
Vanguard FTSE Social Index Fund	No	No	No	No	No (Buy)	No				
Vanguard Extended Market Index Fund	No	No	No	No	No (Buy)	No				
Vanguard Total International Stock Index Fund	No	No	No	No	No (Buy)	No				
Vanguard Developed Market Index Fund	Yes	No	No	No	No (Buy)	No				
Vanguard Emerging Markets Stock Index Fund	Yes	No	No	No	No (Buy)	No				
Vanguard Federal Money Market Fund	No	No	No	No	No (Buy)	No				
T. Rowe Price Stable Value Common Trust Fund A	Yes	No	No	No	No (Buy)	No				
TIAA Traditional - RC	No	No	No	No	No (Buy)	No				
TIAA Traditional - RCP	No	No	No	No	No (Buy)	No				
PIMCO Total Return Fund	No	No	No	No	No (Buy)	No				
DFA Inflation-Protected Securities	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	Yes	No	No	No (Buy)	No				
William Blair Small/Mid Cap Growth Fund	Yes	Yes	No	No	No (Buy)	No				
DFA U.S. Targeted Value	No	No	No	No	No (Buy)	No				
Dodge & Cox Global Stock Fund	No	No	No	No	No (Buy)	No				
Harding Loevner International Equity Instl.	Yes	No	No	No	No (Buy)	No				
MFS International Value Fund	No	No	Yes	No	No (Buy)	No				
Cohen & Steers Instl Realty Shares	No	No	No	No	No (Buy)	No				

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

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- **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 6/30/2021

	Allocation		Performance(%)							
	Market Value (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Plan	4,382,643,539	100.0								03/01/2014
Tier I (a)	1,143,144,883	26.1								03/01/2014
Vanguard Target Retirement Income Trust Plus	23,545,806	0.5	3.2 (60)	3.3 (65)	12.0 (60)	8.1 (42)	6.7 (49)		6.0 (35)	09/01/2011
Vanguard Target Income Composite Index			3.2 (60)	3.3 (63)	12.2 (55)	8.4 (35)	6.9 (46)	6.0	6.2 (33)	
Peer Group Median			3.3	3.8	13.9	8.0	6.7		5.4	
Vanguard Target Retirement 2015 Trust Plus	49,245,331	1.1	3.4 (100)	3.7 (100)	13.6 (94)	8.5 (82)	7.8 (81)		7.6 (55)	09/01/2011
Vanguard Target 2015 Composite Index			3.4 (100)	3.8 (100)	13.7 (94)	8.8 (78)	8.0 (73)	7.2	7.7 (36)	
Peer Group Median			3.9	5.2	17.3	9.4	8.3		7.6	
Vanguard Target Retirement 2020 Trust Plus	98,183,415	2.2	4.2 (51)	5.6 (63)	19.0 (54)	10.1 (40)	9.5 (34)		8.8 (26)	09/01/2011
Vanguard Target 2020 Composite Index			4.2 (52)	5.6 (61)	19.2 (50)	10.4 (24)	9.7 (27)	8.3	9.0 (6)	
Peer Group Median			4.3	6.1	19.1	10.0	9.2		8.4	
Vanguard Target Retirement 2025 Trust Plus	124,123,036	2.8	4.8 (37)	6.8 (49)	22.8 (38)	11.2 (26)	10.7 (30)		9.6 (19)	09/01/2011
Vanguard Target 2025 Composite Index			4.8 (37)	6.8 (45)	23.1 (36)	11.5 (13)	10.9 (15)	9.0	9.8 (9)	
Peer Group Median			4.6	6.8	21.8	10.6	10.1		9.2	
Vanguard Target Retirement 2030 Trust Plus	172,066,345	3.9	5.3 (48)	7.9 (58)	26.0 (42)	12.0 (35)	11.6 (39)		10.3 (21)	09/01/2011
Vanguard Target 2030 Composite Index			5.3 (48)	8.0 (52)	26.4 (38)	12.3 (20)	11.9 (26)	9.6	10.5 (13)	
Peer Group Median			5.3	8.0	25.9	11.5	11.1		10.0	
Vanguard Target Retirement 2035 Trust Plus	197,395,634	4.5	5.7 (58)	9.0 (74)	29.4 (65)	12.7 (42)	12.5 (47)		11.0 (26)	09/01/2011
Vanguard Target 2035 Composite Index			5.7 (58)	9.1 (74)	29.7 (61)	13.0 (34)	12.8 (32)	10.2	11.2 (18)	
Peer Group Median			5.8	9.6	30.7	12.6	12.3		10.6	
Vanguard Target Retirement 2040 Trust Plus	180,748,234	4.1	6.2 (61)	10.2 (81)	32.7 (67)	13.4 (49)	13.4 (36)		11.6 (21)	09/01/2011
Vanguard Target 2040 Composite Index			6.2 (60)	10.2 (80)	33.1 (57)	13.7 (37)	13.7 (32)	10.7	11.8 (17)	
Peer Group Median			6.3	10.8	33.9	13.4	13.1		11.1	
Vanguard Target Retirement 2045 Trust Plus	153,587,161	3.5	6.6 (41)	11.4 (71)	36.1 (52)	14.1 (41)	14.0 (33)		11.9 (21)	09/01/2011
Vanguard Target 2045 Composite Index			6.6 (36)	11.4 (69)	36.6 (48)	14.5 (26)	14.3 (22)	11.0	12.1 (15)	
Peer Group Median			6.5	11.7	36.3	13.9	13.7		11.3	
Vanguard Target Retirement 2050 Trust Plus	93,391,405	2.1	6.7 (48)	11.5 (80)	36.5 (71)	14.2 (44)	14.1 (43)		11.9 (21)	09/01/2011
Vanguard Target 2050 Composite Index			6.7 (47)	11.6 (79)	37.0 (64)	14.6 (29)	14.4 (33)	11.1	12.1 (15)	
Peer Group Median			6.6	12.1	37.6	14.0	13.9		11.6	
Vanguard Target Retirement 2055 Trust Plus	37,766,735	0.9	6.7 (52)	11.5 (77)	36.5 (73)	14.2 (48)	14.1 (49)			09/01/2011
Vanguard Target 2055 Composite Index			6.7 (51)	11.6 (76)	37.0 (72)	14.6 (39)	14.4 (39)	11.1	12.1 (18)	
Peer Group Median			6.7	12.3	38.4	14.1	14.0		11.6	

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

# Tier I Performance Summary

As of 6/30/2021

	Allocation		Performance(%)							
	Market Value (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Vanguard Target Retirement 2060 Trust Plus	12,459,826	0.3	6.6 (72)	11.5 (76)	36.5 (71)	14.3 (65)	14.1 (70)		11.4	04/01/2012
Vanguard Target 2060 Composite Index			6.7 (67)	11.6 (76)	37.0 (69)	14.6 (53)	14.4 (57)		11.6	
Peer Group Median			6.8	12.6	39.4	14.6	14.4			
Vanguard Target Retirement 2065 Trust Plus	631,955	0.0	6.7 (69)	11.5 (76)	36.5 (71)	14.3 (64)			13.0 (70)	08/01/2017
Vanguard Target 2065 Composite Index			6.7 (67)	11.6 (76)	37.0 (69)	14.6 (53)			13.3 (56)	
Peer Group Median			6.8	12.6	39.4	14.6			13.4	
Tier I	180,033,074	4.1								02/01/2014
Vanguard Target Retirement Income - Instl.	8,975,926	0.2	3.2 (77)	3.3 (76)	12.0 (72)	8.1 (41)	6.7 (60)		6.1 (45)	07/01/2015
Vanguard Tgt Ret Inc;Inv (VTINX)			3.2 (73)	3.3 (75)	12.0 (72)	8.0 (42)	6.7 (61)	5.8	6.1 (46)	
Vanguard Target Income Composite Index			3.2 (74)	3.3 (75)	12.2 (70)	8.4 (37)	6.9 (56)	6.0	6.3 (43)	
Peer Group Median			3.7	4.6	16.0	7.6	7.1		5.9	
Vanguard Target Retirement 2015 - Instl.	17,018,818	0.4	3.4 (100)	3.8 (100)	13.6 (94)	8.5 (82)	7.8 (81)		6.8 (75)	07/01/2015
Vanguard Tgt Ret2015;Inv (VTXVX)			3.4 (100)	3.8 (100)	13.6 (95)	8.4 (83)	7.8 (89)	7.0	6.8 (77)	
Vanguard Target 2015 Composite Index			3.4 (100)	3.8 (100)	13.7 (94)	8.8 (78)	8.0 (73)	7.2	7.0 (67)	
Peer Group Median			3.9	5.2	17.3	9.4	8.3		7.2	
Vanguard Target Retirement 2020 - Instl.	20,288,162	0.5	4.2 (52)	5.6 (63)	19.0 (56)	10.1 (41)	9.4 (34)		8.1 (30)	07/01/2015
Vanguard Tgt Ret2020;Inv (VTWNX)			4.2 (53)	5.5 (66)	18.9 (57)	10.0 (48)	9.4 (35)	8.0	8.0 (35)	
Vanguard Target 2020 Composite Index			4.2 (52)	5.6 (61)	19.2 (50)	10.4 (24)	9.7 (27)	8.3	8.3 (13)	
Peer Group Median			4.3	6.1	19.1	10.0	9.2		7.9	
Vanguard Target Retirement 2025 - Instl.	27,513,689	0.6	4.8 (41)	6.8 (49)	22.8 (38)	11.2 (27)	10.6 (31)		8.9 (25)	07/01/2015
Vanguard Tgt Ret2025;Inv (VTTVX)			4.8 (41)	6.7 (57)	22.7 (41)	11.1 (29)	10.6 (35)	8.7	8.9 (26)	
Vanguard Target 2025 Composite Index			4.8 (37)	6.8 (45)	23.1 (36)	11.5 (13)	10.9 (15)	9.0	9.2 (6)	
Peer Group Median			4.6	6.8	21.8	10.6	10.1		8.4	
Vanguard Target Retirement 2030 - Instl.	24,657,050	0.6	5.3 (49)	7.9 (56)	26.1 (40)	11.9 (36)	11.5 (39)		9.5 (32)	07/01/2015
Vanguard Tgt Ret2030;Inv (VTHRX)			5.2 (52)	7.9 (58)	26.0 (43)	11.9 (37)	11.5 (40)	9.3	9.5 (34)	
Vanguard Target 2030 Composite Index			5.3 (48)	8.0 (52)	26.4 (38)	12.3 (20)	11.9 (26)	9.6	9.8 (21)	
Peer Group Median			5.3	8.0	25.9	11.5	11.1		9.2	
Vanguard Target Retirement 2035 - Instl.	18,251,165	0.4	5.7 (59)	9.0 (74)	29.3 (70)	12.6 (45)	12.4 (48)		10.1 (39)	07/01/2015
Vanguard Tgt Ret2035;Inv (VTTHX)			5.6 (65)	9.0 (75)	29.3 (71)	12.6 (49)	12.4 (49)	9.9	10.1 (42)	
Vanguard Target 2035 Composite Index			5.7 (58)	9.1 (74)	29.7 (61)	13.0 (34)	12.8 (32)	10.2	10.4 (32)	
Peer Group Median			5.8	9.6	30.7	12.6	12.3		10.0	

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

# Tier I Performance Summary (cont'd.)

As of 6/30/2021

	Allocation		Performance(%)							
	Market Value (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Vanguard Target Retirement 2040 - Instl.	17,170,517	0.4	6.1 (66)	10.2 (81)	32.7 (66)	13.3 (51)	13.3 (41)		10.7 (42)	07/01/2015
Vanguard Tgt Ret2040;Inv (VFORX)			6.1 (68)	10.2 (81)	32.7 (68)	13.3 (52)	13.3 (42)	10.4	10.7 (42)	
Vanguard Target 2040 Composite Index			6.2 (60)	10.2 (80)	33.1 (57)	13.7 (37)	13.7 (32)	10.7	11.0 (34)	
Peer Group Median			6.3	10.8	33.9	13.4	13.1		10.5	
Vanguard Target Retirement 2045 - Instl.	17,009,947	0.4	6.6 (47)	11.3 (71)	36.1 (53)	14.1 (46)	14.0 (35)		11.2 (42)	07/01/2015
Vanguard Tgt Ret2045;Inv (VTIVX)			6.6 (49)	11.3 (75)	36.1 (52)	14.1 (46)	13.9 (36)	10.7	11.2 (42)	
Vanguard Target 2045 Composite Index			6.6 (36)	11.4 (69)	36.6 (48)	14.5 (26)	14.3 (22)	11.0	11.5 (17)	
Peer Group Median			6.5	11.7	36.3	13.9	13.7		10.9	
Vanguard Target Retirement 2050 - Instl.	17,977,943	0.4	6.6 (51)	11.5 (80)	36.5 (71)	14.2 (45)	14.0 (45)		11.3 (45)	07/01/2015
Vanguard Tgt Ret2050;Inv (VFIFX)			6.6 (55)	11.4 (81)	36.4 (71)	14.1 (46)	14.0 (49)	10.7	11.2 (46)	
Vanguard Target 2050 Composite Index			6.7 (47)	11.6 (79)	37.0 (64)	14.6 (29)	14.4 (33)	11.1	11.6 (27)	
Peer Group Median			6.6	12.1	37.6	14.0	13.9		11.1	
Vanguard Target Retirement 2055 - Instl.	10,187,065	0.2	6.7 (52)	11.5 (77)	36.5 (73)	14.2 (49)	14.0 (49)		11.3 (54)	07/01/2015
Vanguard Tgt Ret2055;Inv (VFFVX)			6.6 (54)	11.5 (77)	36.4 (74)	14.1 (50)	14.0 (54)	10.7	11.2 (61)	
Vanguard Target 2055 Composite Index			6.7 (51)	11.6 (76)	37.0 (72)	14.6 (39)	14.4 (39)	11.1	11.6 (34)	
Peer Group Median			6.7	12.3	38.4	14.1	14.0		11.4	
Vanguard Target Retirement 2060 - Instl.	898,745	0.0	6.7 (69)	11.5 (76)	36.5 (71)	14.2 (66)	14.0 (72)		11.3 (77)	07/01/2015
Vanguard Tgt Ret2060;Inv (VTTSX)			6.6 (83)	11.4 (77)	36.4 (71)	14.1 (76)	14.0 (76)		11.2 (84)	
Vanguard Target 2060 Composite Index			6.7 (67)	11.6 (76)	37.0 (69)	14.6 (53)	14.4 (57)		11.6 (45)	
Peer Group Median			6.8	12.6	39.4	14.6	14.4		11.5	
Vanguard Target Retirement 2065 - Instl.	84,047	0.0	6.6 (84)	11.5 (77)	36.4 (71)	14.1 (76)			12.9 (75)	08/01/2017
Vanguard Tgt Ret2065;Inv (VLXVX)			6.6 (81)	11.5 (77)	36.3 (72)	14.1 (78)			12.8 (84)	
Vanguard Target 2065 Composite Index			6.7 (67)	11.6 (76)	37.0 (69)	14.6 (53)			13.3 (56)	
Peer Group Median			6.8	12.6	39.4	14.6			13.4	

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

# Tier II Performance Summary

As of 6/30/2021

	Allocation		Performance(%)								Inception Date
	Market Value (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception		
Tier II	1,418,824,739	32.4								03/01/2014	
Vanguard Total Bond Market Index Fund - Inst.	62,983,577	1.4	2.0 (47)	-1.7 (84)	-0.4 (88)	5.4 (64)	3.0 (72)	3.4 (67)	5.0 (48)	10/01/1995	
Performance Benchmark			2.0 (55)	-1.7 (83)	-0.3 (86)	5.4 (61)	3.1 (69)	3.4 (65)	5.1 (29)		
Vanguard Total International Bond Index Fund - Adm.	4,367,019	0.1	0.6 (64)	-1.7 (27)	0.4 (83)	4.0 (30)	2.9 (29)		3.7 (14)	06/01/2013	
Bimbg. Barc. Global Agg ex-USD Flt Adj RIC Cpd (H)			0.3 (88)	-2.0 (29)	0.1 (85)	4.1 (22)	3.0 (21)		3.9 (11)		
Vanguard Total Stock Market Index Fund - Inst.	75,799,666	1.7	8.3 (53)	15.3 (41)	44.3 (24)	18.8 (50)	17.9 (48)	14.7 (43)	8.9 (27)	08/01/1997	
Performance Benchmark			8.3 (53)	15.2 (42)	44.3 (24)	18.8 (50)	17.9 (48)	14.7 (43)	8.9 (27)		
Vanguard Institutional Index Fund - Inst. Plus	230,458,204	5.3	8.5 (16)	15.3 (1)	40.8 (7)	18.7 (4)	17.6 (7)	14.8 (7)	8.6 (1)	08/01/1997	
S&P 500 Index			8.5 (4)	15.3 (1)	40.8 (5)	18.7 (4)	17.6 (7)	14.8 (7)	8.5 (3)		
Vanguard FTSE Social Index Fund - Inst.	7,484,858	0.2	9.3 (36)	14.4 (55)	42.1 (42)	20.7 (35)	19.8 (33)	16.1 (27)	6.8 (70)	06/01/2000	
FTSE 4Good U.S. Select Index			9.3 (35)	14.4 (53)	42.3 (40)	20.8 (33)	19.9 (32)	16.3 (24)			
S&P 500 Index			8.5 (48)	15.3 (42)	40.8 (53)	18.7 (51)	17.6 (50)	14.8 (41)	7.5 (50)		
Vanguard Extended Market Index Fund - Inst.	92,735,281	2.1	7.1 (59)	15.5 (8)	61.7 (7)	18.6 (74)	18.9 (67)	14.0 (70)	9.9 (70)	08/01/1997	
Performance Benchmark			7.1 (59)	15.4 (8)	61.6 (7)	18.5 (74)	18.7 (68)	13.9 (71)			
Vanguard Total International Stock Index Fund - Inst.	14,704,188	0.3	5.6 (45)	9.7 (30)	36.6 (32)	9.6 (57)	11.1 (45)	5.7 (59)	6.6 (56)	12/01/2010	
Performance Benchmark			5.7 (43)	9.7 (31)	37.2 (29)	9.6 (57)	11.3 (42)	5.8 (58)	6.6 (56)		
Vanguard Developed Market Index Fund - Inst.	78,830,100	1.8	5.7 (44)	9.9 (27)	35.8 (37)	9.2 (59)	10.9 (50)	6.4 (41)	7.3 (40)	02/01/2010	
Performance Benchmark			5.7 (43)	10.0 (26)	36.4 (35)	9.1 (60)	11.0 (49)	6.4 (41)	7.2 (41)		
Vanguard Emerging Markets Stock Index Fund - Inst.	54,708,699	1.2	4.9 (55)	8.7 (45)	38.5 (68)	11.6 (43)	11.9 (55)	3.9 (57)	8.0 (75)	07/01/2000	
Performance Benchmark			5.7 (42)	9.0 (41)	39.5 (64)	11.7 (42)	12.1 (51)	4.0 (55)	8.1 (69)		
Vanguard Federal Money Market Fund - Inv.	45,550,579	1.0	0.0 (40)	0.0 (39)	0.0 (23)	1.2 (19)	1.1 (19)	0.6 (20)	2.8 (29)	11/01/1989	
FTSE 3 Month T-Bill			0.0 (12)	0.0 (7)	0.1 (5)	1.3 (12)	1.1 (15)	0.6 (17)	2.7 (43)		
T. Rowe Price Stable Value Common Trust Fund A	13,841,372	0.3	0.4 (3)	0.9 (4)	1.9 (8)	2.1 (30)	2.0 (25)	2.1 (16)	4.6	10/01/1988	
Hueler Stable Value Index			0.4 (4)	0.9 (4)	2.0 (7)	2.3 (8)	2.1 (9)	2.0 (21)	4.7		
TIAA Traditional - RC	173,090,462	3.9	0.9 (1)	1.8 (1)	3.8 (1)	4.0 (1)	4.0 (1)	4.2 (1)	4.4 (1)	08/01/2005	
Hueler Stable Value Index			0.4 (4)	0.9 (4)	2.0 (7)	2.3 (8)	2.1 (9)	2.0 (21)	2.8 (10)		
TIAA Traditional - RCP	93,965,415	2.1	0.7 (1)	1.4 (1)	3.1 (1)	3.2 (1)	3.3 (1)	3.4 (1)	3.6 (1)	06/01/2006	
Hueler Stable Value Index			0.4 (4)	0.9 (4)	2.0 (7)	2.3 (8)	2.1 (9)	2.0 (21)	2.7 (12)		
PIMCO Total Return Fund - Inst.	27,796,926	0.6	2.1 (35)	-1.0 (45)	1.5 (42)	5.8 (47)	3.8 (26)	3.8 (43)	7.0	06/01/1987	
Bimbg. Barc. U.S. Aggregate			1.8 (63)	-1.6 (77)	-0.3 (86)	5.3 (68)	3.0 (70)	3.4 (66)	6.1		

## Tier II Performance Summary (cont'd)

As of 6/30/2021

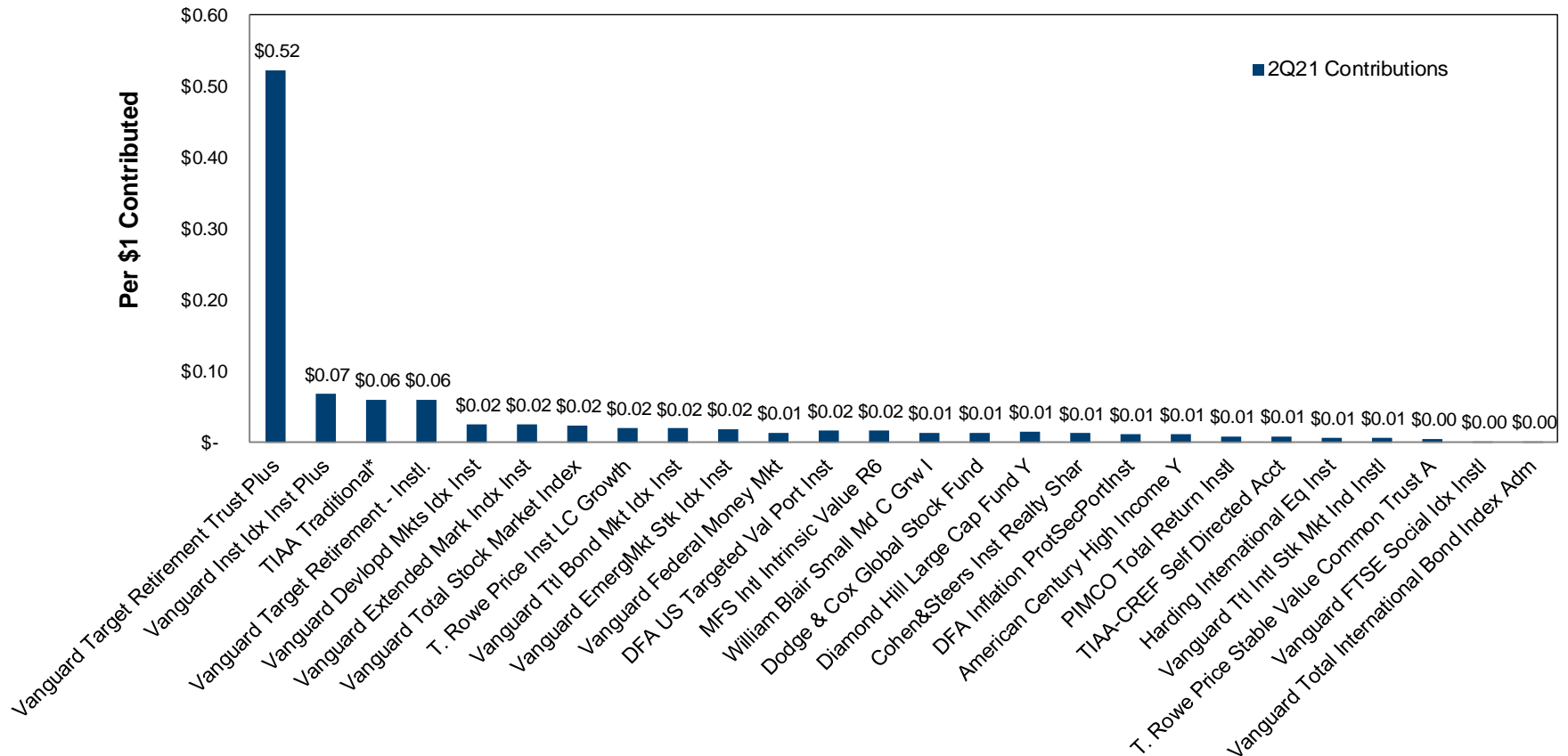
	Allocation		Performance(%)							
	Market Value (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
DFA Inflation-Protected Securities Portfolio - I	38,952,050	0.9	3.2 (39)	1.4 (83)	6.5 (49)	6.8 (12)	4.2 (26)	3.5 (12)	4.5 (21)	10/01/2006
<i>Blmbg. Barc. Global Inflation-Linked: U.S. TIPS</i>			3.2 (28)	1.7 (59)	6.5 (50)	6.5 (24)	4.2 (26)	3.4 (22)	4.4 (30)	
American Century High Income - Y	40,158,459	0.9	3.0 (19)	5.0 (15)	18.7 (14)	7.4 (20)	7.6 (13)		6.5 (6)	01/01/2013
<i>ICE BofAML US High Yield Master II Constrained</i>			2.8 (35)	3.7 (46)	15.6 (37)	7.1 (28)	7.3 (22)		5.9 (18)	
T. Rowe Price Instl. Large Cap Growth Fund	64,495,307	1.5	12.5 (24)	16.6 (5)	47.0 (8)	24.9 (32)	27.0 (9)	19.4 (6)	12.8 (7)	11/01/2001
<i>Russell 1000 Growth Index</i>			11.9 (33)	13.0 (45)	42.5 (28)	25.1 (29)	23.7 (36)	17.9 (24)	10.9 (35)	
Diamond Hill Large Cap - Y	49,724,908	1.1	4.2 (90)	15.4 (80)	45.6 (34)	15.7 (12)	15.3 (11)		14.2 (13)	01/01/2012
<i>Russell 1000 Value Index</i>			5.2 (57)	17.0 (51)	43.7 (47)	12.4 (54)	11.9 (67)		12.9 (45)	
William Blair Small/Mid Cap Growth Fund - I	43,095,784	1.0	4.0 (77)	8.2 (62)	42.1 (75)	18.2 (64)	20.1 (57)	15.1 (34)	12.6 (19)	01/01/2004
<i>Russell 2500 Growth Index</i>			6.0 (33)	8.7 (57)	49.6 (43)	20.1 (47)	20.7 (52)	14.8 (37)	11.9 (31)	
DFA U.S. Targeted Value - I	55,646,595	1.3	4.2 (38)	30.4 (5)	80.0 (11)	10.1 (45)	13.1 (17)	11.0 (36)	11.5	03/01/2000
<i>Russell 2500 Value Index</i>			5.0 (32)	22.7 (57)	63.2 (40)	10.6 (42)	12.3 (41)	10.9 (36)	10.5	
Dodge & Cox Global Stock Fund	40,945,926	0.9	8.4 (40)	21.0 (1)	54.5 (3)	12.8 (80)	14.7 (57)	10.3 (59)	7.3 (63)	05/01/2008
<i>MSCI AC World Index (Net)</i>			7.4 (60)	12.3 (48)	39.3 (47)	14.6 (59)	14.6 (58)	9.9 (68)	7.1 (64)	
Harding Loevner International Equity Instl.	20,597,744	0.5	5.4 (64)	6.3 (71)	34.1 (42)	11.4 (59)	12.7 (44)	7.9 (28)	7.0	06/01/1994
<i>MSCI AC World ex USA Growth (Net)</i>			6.6 (38)	6.5 (53)	33.7 (43)	13.2 (29)	13.4 (31)	7.3 (48)		
MFS International Value Fund - R6	49,463,545	1.1	6.8 (4)	5.0 (100)	25.3 (95)	13.4 (1)	13.0 (2)	11.1 (1)	8.6 (1)	06/01/2006
<i>MSCI AC World ex USA Value (Net)</i>			4.3 (90)	11.7 (20)	37.6 (19)	5.2 (96)	8.5 (84)	3.5 (100)	3.3 (99)	
Cohen and Steers Instl. Realty Shares	39,428,075	0.9	12.0 (54)	21.6 (42)	36.0 (47)	14.2 (12)	9.4 (13)	10.5 (15)	12.2 (8)	03/01/2000
<i>FTSE NAREIT Equity REIT Index</i>			12.0 (52)	22.0 (29)	38.0 (31)	10.1 (65)	6.3 (73)	9.4 (44)	11.2 (41)	
<b>Tier III</b>	<b>37,646,296</b>	<b>0.9</b>								<b>03/01/2014</b>
Mutual Fund Window	37,646,296	0.9								
<b>Orphan Accounts</b>	<b>1,601,147,468</b>	<b>36.5</b>								
TIAA Orphan Accounts	1,520,330,685	34.7								
AIG Orphan Accounts	79,861,366	1.8								
American Century Orphan Accounts	955,418	0.0								
<b>Other Assets</b>	<b>1,847,079</b>	<b>0.0</b>								<b>03/01/2014</b>
Loans	168,623	0.0								
Loans Deemed Distributed	500,075	0.0								
Plan Loan Default Fund	1,178,380	0.0								



# Total Plan Contributions

## As of June 30, 2021

### Contributed Funds



\*TIAA RC 79% / TIAA RCP 21% Contribution Split

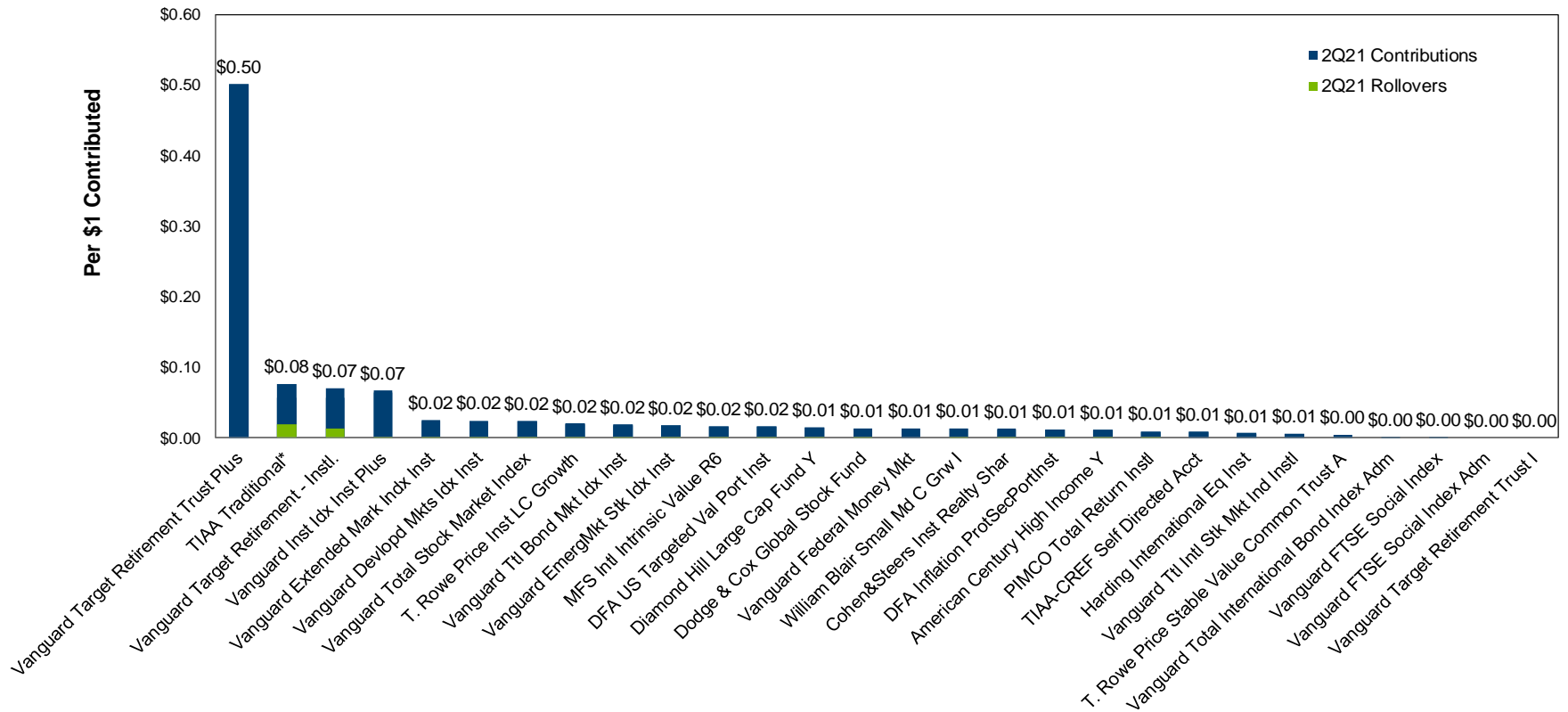
Source: TIAA

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

# Total Plan Contributions (Including Rollovers)

As of June 30, 2021

## Contributed Funds (Including Rollovers)



\*TIAA RC 58% / TIAA RCP 42% Contribution and Rollover Split

Source: TIAA

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



# Quarterly Participant Transfers

## As of June 30, 2021

Investment	Transfers In	Transfers Out	Net Transfers	Ending Balance (6/30/2021)	Number of Participants
Vanguard Target Retirement Trust Plus Funds	\$4,653,359	(\$21,927,051)	(\$17,273,692)	\$1,143,144,883	4,009
Vanguard Target Retirement Mutual Funds	\$1,111,729	(\$3,216,479)	(\$2,104,750)	\$180,033,074	1,596
Vanguard Total Bond Market Index Inst	\$2,204,085	(\$1,827,265)	\$376,820	\$62,983,577	1,059
Vanguard Total Int'l Bond Index Fund Adm	\$743,920	(\$283,120)	\$460,800	\$4,367,019	152
Vanguard Total Stock Market Index Inst	\$1,762,902	(\$1,845,860)	(\$82,957)	\$75,799,666	440
Vanguard Institutional Index Inst	\$5,432,695	(\$6,162,489)	(\$729,794)	\$230,458,204	1,724
Vanguard FTSE Social Index Fund Adm	\$102,534	(\$6,726,231)	(\$6,623,697)	\$0	--
Vanguard FTSE Social Index Fund Inst	\$7,154,119	(\$11,362)	\$7,142,757	\$7,484,858	71
Vanguard Extended Market Index Inst	\$5,522,494	(\$2,977,819)	\$2,544,674	\$92,735,281	1,361
Vanguard Total International Stock Index Inst	\$240,168	(\$153,708)	\$86,460	\$14,704,188	151
Vanguard Developed Markets Index Ins	\$2,193,853	(\$1,809,009)	\$384,844	\$78,830,100	1,342
Vanguard Emerging Markets Stock Index Inst	\$1,530,266	(\$1,383,222)	\$147,044	\$54,708,699	1,482
Vanguard Federal Money Market Inv	\$4,700,617	(\$6,268,621)	(\$1,568,003)	\$45,550,579	185
T. Rowe Price Stable Value Common Trust A	\$1,275,548	(\$173,173)	\$1,102,375	\$13,841,372	396
TIAA Traditional	\$6,263,274	(\$2,345,541)	\$3,917,733	\$267,055,877	1,667
PIMCO Total Return Instl	\$1,399,412	(\$1,256,958)	\$142,454	\$27,796,926	557
DFA Inflation Protected Securities Portfolio Inst	\$3,236,914	(\$881,728)	\$2,355,186	\$38,952,050	1,053
American Century High Income	\$3,832,319	(\$431,626)	\$3,400,693	\$40,158,459	880
T. Rowe Price Inst LC Growth	\$2,908,039	(\$2,617,541)	\$290,498	\$64,495,307	425
Diamond Hill Large Cap Fund Y	\$5,838,874	(\$900,073)	\$4,938,801	\$49,724,908	1,155
William Blair Small Md C Grw I	\$1,230,094	(\$3,151,586)	(\$1,921,492)	\$43,095,784	988
DFA US Targeted Val Port Inst	\$1,188,683	(\$1,976,722)	(\$788,039)	\$55,646,595	1,264
Dodge & Cox Global Stock Fund	\$2,198,456	(\$1,225,239)	\$973,217	\$40,945,926	828
Harding International Equit Inst	\$1,572,158	(\$397,772)	\$1,174,386	\$20,597,744	817
MFS International Value R6	\$1,857,017	(\$1,375,356)	\$481,661	\$49,463,545	1,326
Cohen & Steers Inst Realty Shares	\$1,831,078	(\$345,816)	\$1,485,262	\$39,428,075	1,501
Mutual Fund Window	\$665,105	(\$978,345)	(\$313,240)	\$37,646,296	56
<b>Total</b>	<b>\$72,649,710</b>	<b>(\$72,649,710)</b>	<b>\$0</b>	<b>\$2,779,648,992</b>	

Source: TIAA

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# Historical Quarterly Participant Transfers

## As of June 30, 2021

Investment	4Q19		1Q20		2Q20		3Q20		4Q20		1Q21		2Q21	
	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	-\$13.05	4,140	-\$26.63	4,112	-\$13.49	4,129	-\$8.64	4,286	-\$8.64	4,286	-\$16.52	4,157	-\$17.27	4,009
Vanguard Target Retirement Mutual Funds	-\$2.84	1,743	-\$7.23	1,601	-\$2.97	1,615	-\$1.58	1,777	-\$1.58	1,777	-\$4.57	1,623	-\$2.10	1,596
Vanguard Total Bond Market Index Inst	\$2.11	1,024	\$4.37	1,019	\$1.24	1,062	\$3.04	1,069	\$3.04	1,069	-\$0.47	1,073	\$0.38	1,059
Vanguard Total Int'l Bond Index Fund Adm	--	--	\$0.80	2	\$1.08	49	\$0.34	78	\$0.34	78	\$1.51	120	\$0.46	152
Vanguard Total StockMarket Index Inst	-\$0.46	504	-\$1.84	476	-\$0.73	491	-\$2.22	476	-\$2.22	476	\$0.93	460	-\$0.08	440
Vanguard Institutional Index Inst	\$2.16	1,596	-\$1.42	1,586	\$0.54	1,647	-\$1.05	1,674	-\$1.05	1,674	-\$2.49	1,701	-\$0.73	1,724
Vanguard FTSE Social Index Fund	\$0.15	46	-\$0.34	49	-\$0.01	59	\$0.06	61	\$0.06	61	\$0.61	69	\$0.52	71
Vanguard Extended Market Index Inst	\$0.62	1,180	\$0.07	1,185	\$0.23	1,244	-\$0.94	1,263	-\$0.94	1,263	\$6.72	1,309	\$2.54	1,361
Vanguard Total International Stock Index Inst	-\$0.06	162	\$0.59	162	-\$0.27	164	-\$0.46	158	-\$0.46	158	-\$0.12	160	\$0.09	151
Vanguard Developed Markets Index Ins	\$2.51	1,232	\$1.12	1,237	\$0.96	1,277	-\$0.11	1,299	-\$0.11	1,299	\$0.15	1,317	\$0.38	1,342
Vanguard Emerging Markets Stock Index Inst	\$1.30	1,394	\$0.15	1,385	-\$0.01	1,426	\$0.24	1,437	\$0.24	1,437	\$1.11	1,447	\$0.15	1,482
Vanguard Federal Money Market Inv	\$1.29	217	\$27.46	206	\$4.00	247	\$0.31	232	\$0.31	232	-\$4.26	213	-\$1.57	185
T. Rowe Price Stable Value Common Trust A	\$0.73	288	\$1.23	306	\$1.42	337	\$0.39	360	\$0.39	360	\$0.74	389	\$1.10	396
TIAA Traditional	\$3.13	1,714	\$5.16	1,724	\$6.26	1,710	\$4.77	1,681	\$4.77	1,681	\$4.75	1,663	\$3.92	1,667
PIMCO Total Return Instl	\$0.09	631	\$0.40	569	\$0.80	581	\$0.16	580	\$0.16	580	\$0.78	568	\$0.14	557
DFA Inflation Protected Securities Portfolio Inst	\$1.56	953	\$1.33	963	\$0.84	989	\$2.58	1,007	\$2.58	1,007	\$1.40	1,034	\$2.36	1,053
American Century High Income	\$0.41	875	\$0.09	871	-\$0.18	892	\$0.54	885	\$0.54	885	\$2.29	885	\$3.40	880
T. Rowe Price Inst LC Growth	-\$1.13	381	-\$0.37	368	\$1.41	387	\$1.26	401	\$1.26	401	-\$0.41	418	\$0.29	425
Diamond Hill Large Cap Fund Y	\$0.54	1,025	-\$0.69	1,023	-\$0.09	1,041	\$0.25	1,056	\$0.25	1,056	\$3.62	1,089	\$4.94	1,155
William Blair Small Md C Grw I	\$0.20	1,070	-\$1.08	1,081	-\$1.15	1,138	-\$1.21	1,157	-\$1.21	1,157	-\$1.33	1,086	-\$1.92	988
DFA US Targeted Val Port Inst	-\$0.03	1,210	-\$0.24	1,195	\$0.13	1,247	\$0.29	1,267	\$0.29	1,267	-\$0.47	1,266	-\$0.79	1,264
Dodge & Cox Global Stock Fund	-\$0.76	744	-\$2.14	663	\$0.06	658	\$0.53	684	\$0.53	684	\$0.79	738	\$0.97	828
Harding International Equit Inst	-\$0.65	690	-\$0.85	589	\$0.15	584	\$0.87	616	\$0.87	616	\$1.97	735	\$1.17	817
MFS International Value R6	\$0.81	1,262	-\$0.52	1,266	-\$0.30	1,319	\$0.32	1,306	\$0.32	1,306	\$1.72	1,334	\$0.48	1,326
Cohen & Steers Inst Realty Shares	\$0.82	1,455	\$0.26	1,435	-\$0.17	1,470	-\$0.18	1,481	-\$0.18	1,481	\$0.79	1,467	\$1.49	1,501
Mutual Fund Window	\$0.58	53	\$0.33	52	\$0.26	54	\$0.43	56	\$0.43	56	\$0.77	57	-\$0.31	56
<b>Total</b>	<b>\$0.00</b>		<b>\$0.00</b>		<b>\$0.00</b>		<b>\$0.00</b>		<b>\$0.00</b>		<b>\$0.00</b>		<b>\$0.00</b>	

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

Source: TIAA

# Annual Investment Fee Monitoring & Transparency

## As of June 30, 2021

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	\$23,545,806	0.06%	\$14,127	0.00%	\$0	0.06%	\$14,127	0.035%	\$8,137	0.09%	\$22,265
Vanguard Target Retirement 2015 Trust Plus	\$49,245,331	0.06%	\$29,547	0.00%	\$0	0.06%	\$29,547	0.035%	\$17,019	0.09%	\$46,566
Vanguard Target Retirement 2020 Trust Plus	\$98,183,415	0.06%	\$58,910	0.00%	\$0	0.06%	\$58,910	0.035%	\$33,932	0.09%	\$92,842
Vanguard Target Retirement 2025 Trust Plus	\$124,123,036	0.06%	\$74,474	0.00%	\$0	0.06%	\$74,474	0.035%	\$42,897	0.09%	\$117,371
Vanguard Target Retirement 2030 Trust Plus	\$172,066,345	0.06%	\$103,240	0.00%	\$0	0.06%	\$103,240	0.035%	\$59,466	0.09%	\$162,706
Vanguard Target Retirement 2035 Trust Plus	\$197,395,634	0.06%	\$118,437	0.00%	\$0	0.06%	\$118,437	0.035%	\$68,220	0.09%	\$186,657
Vanguard Target Retirement 2040 Trust Plus	\$180,748,234	0.06%	\$108,449	0.00%	\$0	0.06%	\$108,449	0.035%	\$62,467	0.09%	\$170,916
Vanguard Target Retirement 2045 Trust Plus	\$153,587,161	0.06%	\$92,152	0.00%	\$0	0.06%	\$92,152	0.035%	\$53,080	0.09%	\$145,232
Vanguard Target Retirement 2050 Trust Plus	\$93,391,405	0.06%	\$56,035	0.00%	\$0	0.06%	\$56,035	0.035%	\$32,276	0.09%	\$88,311
Vanguard Target Retirement 2055 Trust Plus	\$37,766,735	0.06%	\$22,660	0.00%	\$0	0.06%	\$22,660	0.035%	\$13,052	0.09%	\$35,712
Vanguard Target Retirement 2060 Trust Plus	\$12,459,826	0.06%	\$7,476	0.00%	\$0	0.06%	\$7,476	0.035%	\$4,306	0.09%	\$11,782
Vanguard Target Retirement 2065 Trust Plus	\$631,955	0.06%	\$379	0.00%	\$0	0.06%	\$379	0.035%	\$218	0.09%	\$598
Vanguard Target Retirement Income - Instl.	\$8,975,926	0.09%	\$8,078	0.00%	\$0	0.09%	\$8,078	0.035%	\$3,102	0.12%	\$11,180
Vanguard Target Retirement 2015 - Instl.	\$17,018,818	0.09%	\$15,317	0.00%	\$0	0.09%	\$15,317	0.035%	\$5,882	0.12%	\$21,199
Vanguard Target Retirement 2020 - Instl.	\$20,288,162	0.09%	\$18,259	0.00%	\$0	0.09%	\$18,259	0.035%	\$7,012	0.12%	\$25,271
Vanguard Target Retirement 2025 - Instl.	\$27,513,689	0.09%	\$24,762	0.00%	\$0	0.09%	\$24,762	0.035%	\$9,509	0.12%	\$34,271
Vanguard Target Retirement 2030 - Instl.	\$24,657,050	0.09%	\$22,191	0.00%	\$0	0.09%	\$22,191	0.035%	\$8,521	0.12%	\$30,713
Vanguard Target Retirement 2035 - Instl.	\$18,251,165	0.09%	\$16,426	0.00%	\$0	0.09%	\$16,426	0.035%	\$6,308	0.12%	\$22,734
Vanguard Target Retirement 2040 - Instl.	\$17,170,517	0.09%	\$15,453	0.00%	\$0	0.09%	\$15,453	0.035%	\$5,934	0.12%	\$21,388
Vanguard Target Retirement 2045 - Instl.	\$17,009,947	0.09%	\$15,309	0.00%	\$0	0.09%	\$15,309	0.035%	\$5,879	0.12%	\$21,188
Vanguard Target Retirement 2050 - Instl.	\$17,977,943	0.09%	\$16,180	0.00%	\$0	0.09%	\$16,180	0.035%	\$6,213	0.12%	\$22,393
Vanguard Target Retirement 2055 - Instl.	\$10,187,065	0.09%	\$9,168	0.00%	\$0	0.09%	\$9,168	0.035%	\$3,521	0.12%	\$12,689
Vanguard Target Retirement 2060 - Instl.	\$898,745	0.09%	\$809	0.00%	\$0	0.09%	\$809	0.035%	\$311	0.12%	\$1,119
Vanguard Target Retirement 2065 - Instl.	\$84,047	0.09%	\$76	0.00%	\$0	0.09%	\$76	0.035%	\$29	0.12%	\$105
Vanguard Total Bond Market Index Fund	\$62,983,577	0.04%	\$22,044	0.00%	\$0	0.04%	\$22,044	0.035%	\$21,767	0.07%	\$43,811
Vanguard Total International Bond Index Fund - Adm.	\$4,367,019	0.11%	\$4,804	0.00%	\$0	0.11%	\$4,804	0.035%	\$1,509	0.14%	\$6,313
Vanguard Total Stock Market Index Fund	\$75,799,666	0.03%	\$22,740	0.00%	\$0	0.03%	\$22,740	0.035%	\$26,196	0.06%	\$48,936
Vanguard Institutional Index Fund - Instl. Plus	\$230,458,204	0.02%	\$46,092	0.00%	\$0	0.02%	\$46,092	0.035%	\$79,646	0.05%	\$125,738
Vanguard FTSE Social Index Fund - Instl.	\$7,484,858	0.12%	\$8,982	0.00%	\$0	0.12%	\$8,982	0.035%	\$2,587	0.15%	\$11,569
Vanguard Extended Market Index Fund - Instl.	\$92,735,281	0.05%	\$46,368	0.00%	\$0	0.05%	\$46,368	0.035%	\$32,049	0.08%	\$78,417
Vanguard Total International Stock Index Fund	\$14,704,188	0.08%	\$11,763	0.00%	\$0	0.08%	\$11,763	0.035%	\$5,082	0.11%	\$16,845
Vanguard Developed Market Index Fund	\$78,830,100	0.05%	\$39,415	0.00%	\$0	0.05%	\$39,415	0.035%	\$27,244	0.08%	\$66,659
Vanguard Emerging Markets Stock Index Fund - Instl.	\$54,708,699	0.10%	\$54,709	0.00%	\$0	0.10%	\$54,709	0.035%	\$18,907	0.13%	\$73,616
Vanguard Federal Money Market Fund	\$45,550,579	0.11%	\$50,106	0.00%	\$0	0.11%	\$50,106	0.035%	\$15,742	0.14%	\$65,848
T. Rowe Price Stable Value Common Trust Fund A	\$13,841,372	0.45%	\$62,701	0.00%	\$0	0.45%	\$62,701	0.035%	\$4,784	0.49%	\$67,485
TIAA Traditional - RC & RCP	\$267,055,877	0.46%	\$1,228,457	0.15%	(\$400,584)	0.31%	\$827,873	0.035%	\$92,295	0.34%	\$920,168
PIMCO Total Return Fund	\$27,796,926	0.47%	\$130,646	0.00%	\$0	0.47%	\$130,646	0.035%	\$9,607	0.50%	\$140,252
DFA Inflation-Protected Securities Portfolio	\$38,952,050	0.11%	\$42,847	0.00%	\$0	0.11%	\$42,847	0.035%	\$13,462	0.14%	\$56,309
American Century High Income	\$40,158,459	0.59%	\$236,935	0.00%	\$0	0.59%	\$236,935	0.035%	\$13,879	0.62%	\$250,814
T. Rowe Price Instl. Large Cap Growth Fund	\$64,495,307	0.56%	\$361,174	0.00%	\$0	0.56%	\$361,174	0.035%	\$22,290	0.59%	\$383,463
Diamond Hill Large Cap	\$49,724,908	0.55%	\$273,487	0.00%	\$0	0.55%	\$273,487	0.035%	\$17,185	0.58%	\$290,672
William Blair Small/Mid Cap Growth Fund	\$43,095,784	1.10%	\$474,054	0.15%	(\$64,644)	0.95%	\$409,410	0.035%	\$14,894	0.98%	\$424,304
DFA U.S. Targeted Value	\$55,646,595	0.33%	\$183,634	0.00%	\$0	0.33%	\$183,634	0.035%	\$19,231	0.36%	\$202,865
Dodge & Cox Global Stock Fund	\$40,945,926	0.62%	\$253,865	0.10%	(\$40,946)	0.52%	\$212,919	0.035%	\$14,151	0.55%	\$227,070
Harding Loewner International Equity Instl.	\$20,597,744	0.81%	\$166,842	0.15%	(\$30,897)	0.66%	\$135,945	0.035%	\$7,119	0.69%	\$143,064
MFS International Value Fund	\$49,463,545	0.63%	\$311,620	0.00%	\$0	0.63%	\$311,620	0.035%	\$17,095	0.66%	\$328,715
Cohen and Steers Instl. Realty Shares	\$39,428,075	0.75%	\$295,711	0.00%	\$0	0.75%	\$295,711	0.035%	\$13,626	0.78%	\$309,337
Mutual Fund Window	\$37,646,296	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.035%	\$13,011	0.03%	\$13,011
<b>Total</b>	<b>\$2,779,648,992</b>	<b>0.19%</b>	<b>\$5,176,910</b>	<b>-0.02%</b>	<b>(\$537,070)</b>	<b>0.17%</b>	<b>\$4,639,840</b>	<b>0.035%</b>	<b>\$960,647</b>	<b>0.20%</b>	<b>\$5,600,487</b>
<b>Without Brokerage</b>	<b>\$2,742,002,696</b>	<b>0.19%</b>	<b>\$5,176,910</b>	<b>-0.02%</b>	<b>(\$537,070)</b>	<b>0.17%</b>	<b>\$4,639,840</b>	<b>0.035%</b>	<b>\$947,636</b>	<b>0.20%</b>	<b>\$5,587,476</b>

Source: TIAA

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# Discussion Topics

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Section 1	Capital Markets Review
Section 2	Performance Review
<b>Section 3</b>	<b>Noteworthy Items</b>
Section 4	Morningstar Model Portfolios
Section 5	Recordkeeper RFP Discussion
Section 6	Legal & Compliance Update

## Vanguard Target Retirement Trusts/Funds

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- 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 second quarter
  - The longer-dated, more equity-heavy Target Retirement 2065 Trust Plus returned 6.7%
  - The Target Retirement Income Trust Plus, with its greater proportion of fixed income assets, returned 3.2%
- For the twelve months ended June 30, 2021, all the Vanguard Target Retirement Trusts/Funds posted a positive absolute return but exhibited a modest level of tracking error
  - The Target Retirement Income Trust returned 12.0%, while the Target Retirement 2065 Trust Plus returned 36.5%
  - Relative underperformance was due to a combination of fair value pricing adjustments, underlying fund tracking, and the negative impact of expenses
- 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

## William Blair Small-Mid Cap Growth Fund

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- The Fund registered “Yellow” on the Watch List during the second quarter
  - Due to the manager’s historical underperformance relative to its benchmark over the trailing five-year period and in three of the four most recent trailing calendar quarters
- The Fund’s performance lagged the return of its benchmark, the Russell 2500 Growth Index, by 2.0 percentage points during the second quarter
- The Fund’s relative underperformance was primarily attributable to:
  - Negative stock selection within the information technology and consumer discretionary sectors
  - Notable detractors included Pure Storage, Grand Canyon Education, and Bright Horizons
- The manager’s typical larger market cap bias partially offset the period’s relative underperformance
- For the twelve months ended June 30, 2021, the Fund generated a return of 42.1% versus the benchmark’s return of 49.6%
- Longer-term annualized performance (trailing 3-, 5-, and 10-year) remained mixed relative to the Fund’s benchmark and peer group average
- We continue to closely monitor the Fund’s positioning and performance but recommend the Committee take no action as the investment team remains consistent and continues to execute on its historic philosophy and process
- The strategy remains “Buy” rated by our Global Investment Management Research Team

## T. Rowe Price – Management Transition

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- On July 29, 2021, T. Rowe Price announced that Bill Stromberg, CEO, Board Chair, and Chair of the firm's Management Committee, will retire from the company on December 31, 2021
  - He will continue to have a seat on the Board as non-executive chair
- Succeeding Mr. Stromberg will be Rob Sharps, who is currently President, Head of Investments, and Group Chief Investment Officer
- In preparation for Mr. Sharps' role transition, the firm has made additional changes to its investment management structure, effective January 1, 2022:
  - Eric Veiel will become the sole head of Global Equity and will chair the Investment Management Steering Committee – he will also join the International Steering Committee
  - John Nelson will succeed Mr. Veiel as head of U.S. equity and chair of the U.S. Equity Steering Committee – he will also join the Management Committee
  - Justin Thomson will remain the head of International Equity and chair of the International Steering Committee
- We have no concerns about the upcoming changes to the management structure at T. Rowe Price
  - As it relates to the upcoming CEO transition, Mr. Sharps has long been positioned to serve in a capacity at the firm that oversees various facets of the business
  - both Messrs Veiel and Nelson currently operate in a similar leadership capacity within investment management so their upcoming appointments can be viewed as extensions of their current roles



# Discussion Topics

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<b>Section 1</b>	Capital Markets Review
<b>Section 2</b>	Performance Review
<b>Section 3</b>	Noteworthy Items
<b>Section 4</b>	Morningstar Model Portfolios
<b>Section 5</b>	Recordkeeper RFP Discussion
<b>Section 6</b>	Legal & Compliance Update

# Morningstar Model Portfolios – RC Performance

## As of June 30, 2021

	Performance(%)						
	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
RC							
Very Conservative RC	1.9	1.9	7.6	6.2	5.3	4.7	04/01/2014
<i>Very Conservative Benchmark RC</i>	2.1	1.9	7.1	6.1	5.2	4.6	
Conservative RC	3.0	4.5	14.9	7.7	7.3	5.9	04/01/2014
<i>Conservative Benchmark RC</i>	3.0	4.8	15.1	8.1	7.5	6.2	
Moderately Conservative RC	4.2	6.5	20.5	10.0	9.7	7.9	04/01/2014
<i>Moderately Conservative Benchmark RC</i>	4.0	6.6	20.5	9.7	9.2	7.5	
Moderate RC	4.8	8.4	26.5	10.9	10.7	8.4	04/01/2014
<i>Moderate Benchmark RC</i>	4.7	8.6	26.3	10.9	10.7	8.4	
Moderately Aggressive RC	5.4	10.9	33.2	12.8	12.4	9.5	04/01/2014
<i>Moderately Aggressive Benchmark RC</i>	5.3	10.1	31.7	12.2	12.0	9.2	
Aggressive RC	6.1	12.5	39.2	14.4	14.0	10.5	04/01/2014
<i>Aggressive Benchmark RC</i>	6.1	11.8	37.7	13.5	13.6	10.2	
Very Aggressive RC	6.4	14.3	44.5	15.1	15.0	11.0	04/01/2014
<i>Very Aggressive Benchmark RC</i>	6.7	13.4	43.0	14.3	14.6	10.7	
RC Ex-TIAA							
Very Conservative RC Ex-TIAA	2.1	0.8	6.0	6.1	4.5	4.2	04/01/2014
<i>Very Conservative Benchmark RC Ex-TIAA</i>	2.6	0.5	5.3	6.8	4.8	4.4	
Conservative RC Ex-TIAA	3.1	3.3	13.3	8.0	7.0	5.8	04/01/2014
<i>Conservative Benchmark RC Ex-TIAA</i>	3.4	3.6	13.6	8.9	7.3	6.1	
Moderately Conservative RC Ex-TIAA	4.6	5.5	19.2	9.9	9.1	7.5	04/01/2014
<i>Moderately Conservative Benchmark RC Ex-TIAA</i>	4.3	5.6	19.2	10.2	8.9	7.3	
Moderate RC Ex-TIAA	4.9	7.8	25.4	11.0	10.2	8.1	04/01/2014
<i>Moderate Benchmark RC Ex-TIAA</i>	4.9	7.8	25.3	11.4	10.5	8.3	
Moderately Aggressive RC Ex-TIAA	5.5	10.5	32.7	12.6	11.8	9.2	04/01/2014
<i>Moderately Aggressive Benchmark RC Ex-TIAA</i>	5.5	9.6	31.1	12.4	11.8	9.1	
Aggressive RC Ex-TIAA	6.1	12.2	38.5	13.8	13.4	10.1	04/01/2014
<i>Aggressive Benchmark RC Ex-TIAA</i>	6.1	11.5	37.2	13.4	13.4	10.0	
Very Aggressive RC Ex-TIAA	6.4	14.3	44.6	15.0	14.9	11.0	04/01/2014
<i>Very Aggressive Benchmark RC Ex-TIAA</i>	6.7	13.4	43.0	14.3	14.6	10.7	

# Morningstar Model Portfolios – RC Allocations

## As of June 30, 2021

### RC

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	10%	11%	8%	6%	5%	-	-
Cohen & Steers Instl Realty Shares	-	-	4%	3%	4%	4%	4%
DFA Inflation-Protected Securities I	11%	7%	7%	5%	3%	4%	-
DFA US Targeted Value I	-	3%	-	4%	5%	4%	5%
Diamond Hill Large Cap Y	3%	6%	3%	6%	8%	14%	16%
Dodge & Cox Global Stock	-	3%	3%	3%	8%	4%	11%
Harding International Eq Inst	-	-	3%	4%	3%	5%	7%
MFS International Value R6	-	3%	3%	3%	8%	9%	-
PIMCO Total Return Instl	5%	3%	-	-	-	-	-
T. Rowe Price Large-Cap Growth I	-	3%	4%	-	-	-	-
T. Rowe Price Stable Value Fund	10%	7%	5%	3%	-	-	-
TIAA Traditional	40%	34%	30%	22%	15%	7%	-
Vanguard Developed Markets Idx Instl	3%	3%	5%	9%	8%	11%	16%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	5%	6%	9%	11%
Vanguard Extended Market Idx I	-	5%	12%	8%	10%	14%	17%
Vanguard Institutional Index Instl PI	-	-	5%	15%	14%	15%	13%
Vanguard Total Bond Market Index I	15%	9%	5%	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	11%	11%	8%	7%	7%	-	-
Cohen & Steers Instl Realty Shares	-	-	4%	3%	4%	3%	4%
DFA Inflation-Protected Securities I	10%	8%	8%	5%	5%	3%	-
DFA US Targeted Value I	-	3%	-	4%	5%	5%	5%
Diamond Hill Large Cap Y	3%	7%	3%	7%	8%	13%	16%
Dodge & Cox Global Stock	-	3%	5%	3%	8%	4%	10%
Harding International Eq Inst	-	-	8%	4%	5%	6%	6%
MFS International Value R6	-	3%	3%	3%	5%	10%	-
PIMCO Total Return Instl	6%	3%	-	-	-	-	-
T. Rowe Price Large-Cap Growth I	-	3%	9%	-	-	-	-
T. Rowe Price Stable Value Fund	24%	19%	15%	11%	7%	4%	-
Vanguard Developed Markets Idx Instl	3%	3%	-	9%	8%	10%	17%
Vanguard Emerging Mkts Stock Idx I	-	3%	-	5%	6%	9%	12%
Vanguard Extended Market Idx I	-	4%	13%	8%	10%	13%	17%
Vanguard Institutional Index Instl PI	-	-	-	14%	14%	16%	13%
Vanguard Total Bond Market Index I	40%	30%	24%	17%	8%	4%	-
William Blair Small-Mid Cap Gr I	3%	-	-	-	-	-	-

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

# Morningstar Model Portfolios – RC Benchmarks

## As of June 30, 2021

### 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%	19%	13%	9%	6%	3%	-
Blmbg. Barc. US Corp HY	7%	7%	5%	4%	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%	7%	5%	3%	3%	-
Blmbg. Barc. US Agg. Bond	71%	55%	43%	31%	21%	10%	-
Blmbg. Barc. US Corp HY	8%	7%	5%	4%	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 June 30, 2021

	Performance(%)						
	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
RCP							
Very Conservative RCP	1.7	1.7	6.9	5.8	4.9	4.4	04/01/2014
<i>Very Conservative Benchmark RCP</i>	1.8	1.8	6.5	5.4	4.6	4.1	
Conservative RCP	2.7	4.0	14.8	7.5	7.0	5.6	04/01/2014
<i>Conservative Benchmark RCP</i>	2.9	4.6	14.7	7.7	7.1	5.9	
Moderately Conservative RCP	4.0	6.3	20.8	9.7	9.4	7.6	04/01/2014
<i>Moderately Conservative Benchmark RCP</i>	3.9	6.3	20.2	9.4	8.8	7.1	
Moderate RCP	4.7	8.7	27.2	11.3	10.7	8.4	04/01/2014
<i>Moderate Benchmark RCP</i>	4.7	8.2	26.0	11.0	10.6	8.2	
Moderately Aggressive RCP	5.3	10.7	33.8	12.9	12.2	9.5	04/01/2014
<i>Moderately Aggressive Benchmark RCP</i>	5.4	9.9	31.5	12.1	11.8	9.1	
Aggressive RCP	5.8	12.1	39.2	14.4	13.9	10.4	04/01/2014
<i>Aggressive Benchmark RCP</i>	6.1	11.5	37.2	13.5	13.5	10.1	
Very Aggressive RCP	6.5	14.2	45.6	15.2	15.1	11.1	04/01/2014
<i>Very Aggressive Benchmark RCP</i>	6.7	13.4	43.3	14.4	14.7	10.8	
RCP Ex-TIAA							
Very Conservative RCP Ex-TIAA	2.5	0.2	5.2	6.9	5.0	4.6	04/01/2014
<i>Very Conservative Benchmark RCP Ex-TIAA</i>	2.3	0.4	5.1	6.5	4.6	4.3	
Conservative RCP Ex-TIAA	3.4	3.2	13.3	8.6	7.2	6.0	04/01/2014
<i>Conservative Benchmark RCP Ex-TIAA</i>	3.2	3.6	13.5	8.6	7.1	6.0	
Moderately Conservative RCP Ex-TIAA	4.5	4.8	18.4	10.2	9.3	7.6	04/01/2014
<i>Moderately Conservative Benchmark RCP Ex-TIAA</i>	4.2	5.5	19.0	9.9	8.7	7.2	
Moderate RCP Ex-TIAA	5.0	7.5	25.6	11.6	10.5	8.3	04/01/2014
<i>Moderate Benchmark RCP Ex-TIAA</i>	4.8	7.7	25.3	11.3	10.5	8.2	
Moderately Aggressive RCP Ex-TIAA	5.7	10.5	33.3	13.3	12.2	9.4	04/01/2014
<i>Moderately Aggressive Benchmark RCP Ex-TIAA</i>	5.4	9.6	31.2	12.4	11.9	9.1	
Aggressive RCP Ex-TIAA	5.9	11.7	38.5	14.0	13.6	10.2	04/01/2014
<i>Aggressive Benchmark RCP Ex-TIAA</i>	6.0	11.4	37.2	13.4	13.3	10.0	
Very Aggressive RCP Ex-TIAA	6.5	14.2	45.5	15.1	15.0	11.1	04/01/2014
<i>Very Aggressive Benchmark RCP Ex-TIAA</i>	6.7	13.4	43.3	14.3	14.7	10.7	

# Morningstar Model Portfolios – RCP Allocations

## As of June 30, 2021

### RCP

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	7%	8%	6%	6%	5%	-	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	3%	3%	4%
DFA Inflation-Protected Securities I	4%	5%	4%	4%	3%	-	-
DFA US Targeted Value I	-	3%	3%	5%	3%	3%	5%
Diamond Hill Large Cap Y	3%	11%	6%	6%	16%	19%	15%
Dodge & Cox Global Stock	-	3%	3%	3%	13%	11%	12%
Harding International Eq Inst	-	-	4%	3%	12%	7%	7%
MFS International Value	-	3%	4%	3%	5%	3%	-
PIMCO Total Return Instl	29%	16%	11%	4%	-	-	-
T. Rowe Price Large-Cap Growth I	-	-	3%	-	5%	3%	-
TIAA Traditional	40%	32%	25%	16%	10%	5%	-
Vanguard Developed Markets Idx Instl	4%	4%	4%	10%	-	11%	16%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	5%	5%	8%	11%
Vanguard Extended Market Idx I	-	3%	8%	6%	12%	16%	17%
Vanguard Federal Money Market Inv	4%	-	-	-	-	-	-
Vanguard Institutional Index Instl PI	-	-	5%	16%	-	4%	13%
Vanguard Total Bond Market Index I	-	4%	3%	7%	5%	7%	-
Vanguard Total International Bond Market Index	6%	5%	5%	3%	3%	-	-
William Blair Small-Mid Cap Gr I	3%	-	-	-	-	-	-

### RCP Ex-TIAA

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	9%	9%	7%	5%	5%	-	-
Cohen & Steers Instl Realty Shares	-	-	4%	3%	4%	3%	4%
DFA Inflation-Protected Securities I	10%	8%	6%	4%	3%	-	-
DFA US Targeted Value I	-	3%	-	4%	-	4%	5%
Diamond Hill Large Cap Y	3%	5%	3%	6%	14%	20%	15%
Dodge & Cox Global Stock	-	3%	3%	3%	17%	10%	12%
Harding International Eq Inst	-	3%	3%	3%	12%	8%	7%
MFS International Value	-	4%	3%	3%	3%	4%	-
PIMCO Total Return Instl	-	3%	-	3%	-	-	-
T. Rowe Price Large-Cap Growth I	-	-	4%	-	5%	3%	-
Vanguard Developed Markets Idx Instl	4%	-	5%	9%	-	10%	16%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	6%	4%	8%	11%
Vanguard Extended Market Idx I	3%	4%	12%	8%	15%	14%	17%
Vanguard Federal Money Market Inv	7%	-	3%	-	-	-	-
Vanguard Institutional Index Instl PI	-	5%	5%	15%	-	5%	13%
Vanguard Total Bond Market Index I	64%	47%	36%	25%	15%	8%	-
Vanguard Total International Bond Market Index	-	3%	3%	3%	3%	3%	-
William Blair Small-Mid Cap Gr I	-	-	-	-	-	-	-

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

# Morningstar Model Portfolios – RCP Benchmarks

## As of June 30, 2021

### RCP Benchmarks

Index	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
Blmbg. Barc. Global Inflation-Linked US TIPS	10%	8%	6%	4%	3%	-	-
Blmbg. Barc. US Agg. Bond 1-3 Years	18%	13%	10%	8%	5%	4%	-
Blmbg. Barc. US Corp HY	7%	6%	5%	4%	3%	-	-
Blmbg. Barc. US Long Gov't./Credit	5%	5%	4%	4%	3%	4%	-
Citi Treasury Bill 3 Mo.	3%	-	-	-	-	-	-
Blmbg. Barc. Global Agg ex-USD Flt Adj RIC Cpd	7%	6%	5%	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%	6%	4%	3%	-	-
Blmbg. Barc. US Agg. Bond	59%	46%	36%	28%	18%	10%	-
Blmbg. Barc. US Corp HY	7%	6%	5%	4%	3%	-	-
Citi Treasury Bill 3 Mo.	7%	4%	3%	-	-	-	-
Blmbg. Barc. Global Agg ex-USD Flt Adj RIC Cpd	7%	6%	5%	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 June 30, 2021

	Performance(%)						
	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
RC							
Very Conservative RC (Static)	2.1	1.9	7.1	6.1	5.2	4.7	04/01/2014
<i>Very Conservative Benchmark RC (Static)</i>	2.0	2.2	7.1	5.7	5.0	4.5	
Conservative RC (Static)	3.2	5.2	15.8	8.4	7.8	6.4	04/01/2014
<i>Conservative Benchmark RC (Static)</i>	3.1	5.1	15.4	8.1	7.5	6.2	
Moderately Conservative RC (Static)	4.5	8.1	22.4	10.3	9.7	7.8	04/01/2014
<i>Moderately Conservative Benchmark RC (Static)</i>	4.2	7.2	20.8	9.5	9.0	7.3	
Moderate RC (Static)	5.3	10.0	29.0	12.1	11.5	9.0	04/01/2014
<i>Moderate Benchmark RC (Static)</i>	4.8	9.0	27.0	10.9	10.6	8.3	
Moderately Aggressive RC (Static)	6.2	12.3	35.2	13.5	13.1	10.0	04/01/2014
<i>Moderately Aggressive Benchmark RC (Static)</i>	5.6	10.7	32.4	12.1	12.0	9.2	
Aggressive RC (Static)	7.2	14.3	41.3	15.1	15.1	11.2	04/01/2014
<i>Aggressive Benchmark RC (Static)</i>	6.3	12.1	37.9	13.3	13.4	10.0	
Very Aggressive RC (Static)	7.7	16.1	47.7	15.5	15.8	11.3	04/01/2014
<i>Very Aggressive Benchmark RC (Static)</i>	6.9	14.0	43.8	14.2	14.6	10.6	
RCP							
Very Conservative RCP (Static)	2.2	2.0	7.7	6.2	5.2	4.6	04/01/2014
<i>Very Conservative Benchmark RCP (Static)</i>	1.9	2.0	6.8	5.4	4.7	4.1	
Conservative RCP (Static)	3.2	5.1	15.6	8.2	7.5	6.2	04/01/2014
<i>Conservative Benchmark RCP (Static)</i>	3.1	4.9	15.1	7.9	7.2	6.0	
Moderately Conservative RCP (Static)	4.5	7.8	22.0	10.2	9.4	7.6	04/01/2014
<i>Moderately Conservative Benchmark RCP (Static)</i>	4.2	6.9	20.3	9.4	8.7	7.1	
Moderate RCP (Static)	5.3	9.7	28.6	12.1	11.4	8.9	04/01/2014
<i>Moderate Benchmark RCP (Static)</i>	4.9	8.7	26.6	10.9	10.5	8.2	
Moderately Aggressive RCP (Static)	6.2	12.1	34.9	13.5	13.0	9.9	04/01/2014
<i>Moderately Aggressive Benchmark RCP (Static)</i>	5.6	10.5	32.1	12.1	11.8	9.0	
Aggressive RCP (Static)	7.2	14.2	41.2	15.1	15.1	11.2	04/01/2014
<i>Aggressive Benchmark RCP (Static)</i>	6.4	12.0	37.7	13.4	13.4	10.1	
Very Aggressive RCP (Static)	7.7	16.1	47.7	15.5	15.8	11.3	04/01/2014
<i>Very Aggressive Benchmark RCP (Static)</i>	6.9	14.0	43.8	14.2	14.6	10.6	



# Discussion Topics

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<b>Section 1</b>	Capital Markets Review
<b>Section 2</b>	Performance Review
<b>Section 3</b>	Noteworthy Items
<b>Section 4</b>	Morningstar Model Portfolios
<b>Section 5</b>	Recordkeeper RFP Discussion
<b>Section 6</b>	Legal & Compliance Update

# Aon's Defined Contribution Plan Consulting Practice

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## Leading DC Practice

- 21 consultants dedicated to the defined contribution marketplace<sup>1</sup> and guiding plan sponsors in implementing best practices
- Our consultants have an average of 28 years experience in the DC field<sup>1</sup>
- Vendor search and vendor management is a significant part of the practice

## Extensive Vendor Marketplace Knowledge

- We maintain relationships with the leading DC plan recordkeepers
- On-site visits and in-office meetings (when possible), and monthly, rotating webcast presentations
- We performed market bids for 40 clients (representing 73 plans) and 18 of them went to full vendor search in 2020, (plus standalone fee benchmarking analyses for 101 clients, representing 176 plans)<sup>1</sup>

## Vendor Search Process and Tools

- A proprietary vendor database with 750+ data points on 35 vendor service models<sup>1</sup>
- A proprietary fee database that allows us to compare quoted fees to relevant benchmarks and successfully facilitate fee negotiations
- A fee analysis process that seeks to identify “hidden fees”
- Objective scoring of all candidates using our client's priorities and requirements


## Deep Design and Administration Experience

- Experience in plan design consulting, including plan merger analysis
- Most of our staff have prior recordkeeping experience which is valuable for trouble-shooting and problem resolution
- Hands-on conversion management experience

<sup>1</sup> As of December 31, 2020

# Vendor Search Overview

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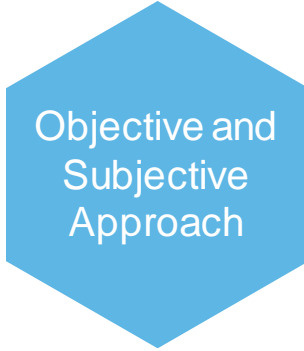
## Proprietary Vendor Database

- 35 vendor service models in our database<sup>1</sup>
- 750+ data points regarding services and capabilities<sup>1</sup>
- Foundation allows customization to your unique needs
- Ongoing updates to reflect new services and relevant topics, including
  - Cybersecurity
  - Financial Wellness



## Comprehensive Fee Analysis

- In-depth analysis of vendor fees
- RFP template ensures consistency in bids, and captures a broad range of potential fees
- Our deep knowledge of the market and what other clients pay is leveraged to help the fiduciaries arrive at a determination of “reasonableness” for the quoted fees

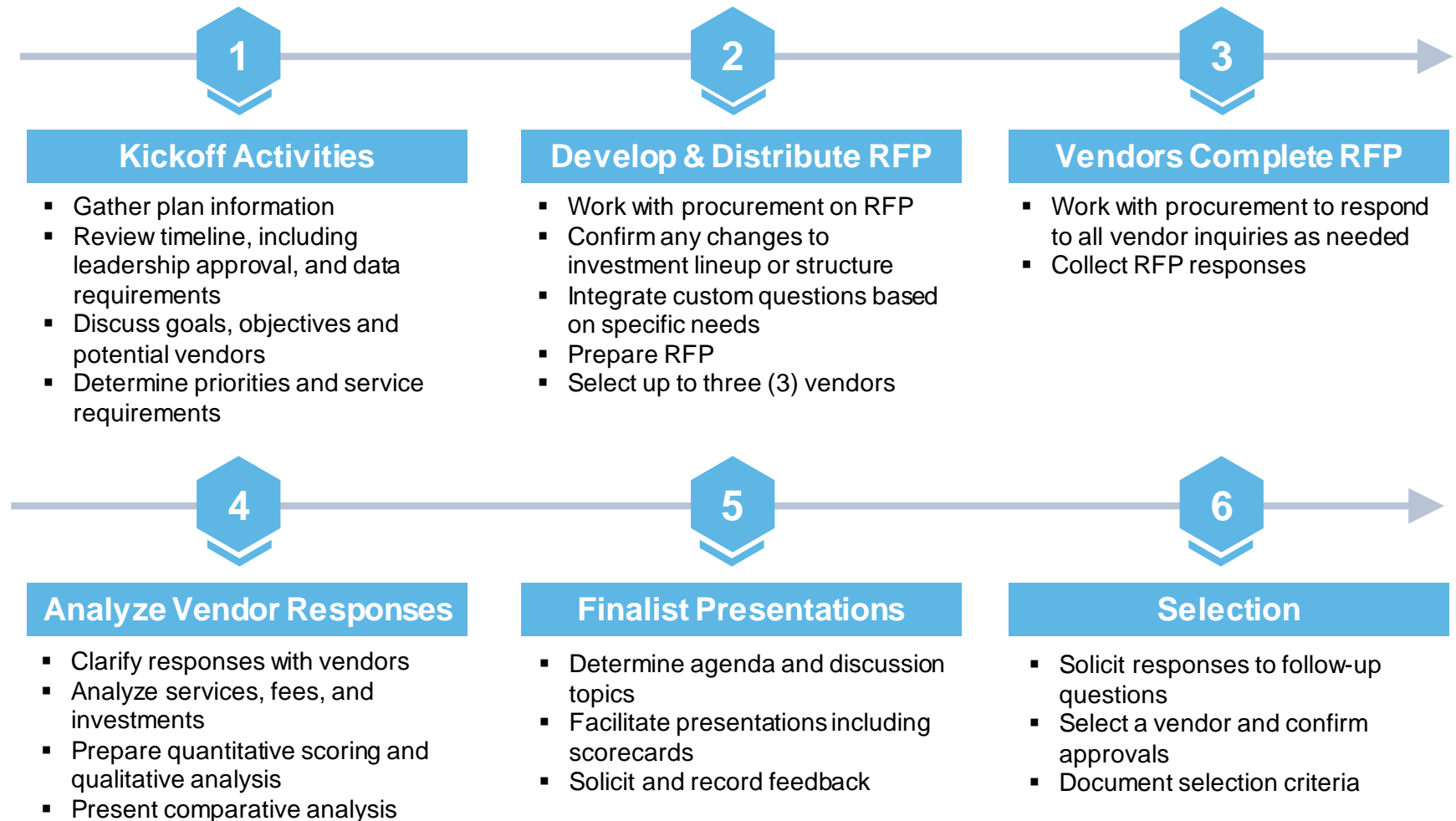


## Objective and Subjective Approach

- Objective scoring of database information
- “Must Have” services are weighted heavily
- Subjective scoring of custom questions, reflecting your specific situation and needs

<sup>1</sup> As of December 31, 2020

# Vendor Search Process



# Evaluation Criteria

## Services (“Core” database questions)

- Assess the vendors’ general capabilities
- Objectively scored
- Must haves and high priority items are closely reviewed

## Services (“Custom” questions)

- Address specific needs
- Subjectively scored



## Fees

- An assessment of the vendors’ quoted fees, compared against the fees quoted by the other vendors
- Fees should be weighed against the services being provided
- The fee structure being proposed by the vendor (i.e., per-participant vs. asset-based) may be factored into the overall fee assessment
- Transaction fees and other ancillary fees will be considered, as applicable

## Investments

- An assessment of the vendors’ ability to accommodate the preferred investment lineup
  - In a true open architecture environment, there may be no differentiation between vendors
- Review of managed account product and self-directed brokerage account from service and fee perspective

# Service Categories

	<b>Organization &amp; Market Focus</b>	Target market, size of organization, commitment to business, contractual requirements, etc.		<b>Participant Experience</b>	Website, call center, mobile applications, meetings and webinars, financial planning tools, etc.
	<b>Recordkeeping</b>	Outsourcing, plan provision maintenance, payroll and transaction processing, etc.		<b>Plan Sponsor Experience</b>	Client servicing team, plan sponsor website, reporting, communications planning, etc.
	<b>Conversion</b>	Process, timeline, mapping strategy, etc.		<b>Fee Flexibility &amp; Transparency</b>	Fee structure, use of revenue sharing, fee guarantees, transparency to participants, etc.
	<b>Regulatory &amp; Compliance</b>	Document services, compliance testing, gov't reporting, required notices, audit assistance etc.		<b>Investment Products</b>	Investment platform, managed accounts, self-directed brokerage accounts, annuities, etc.

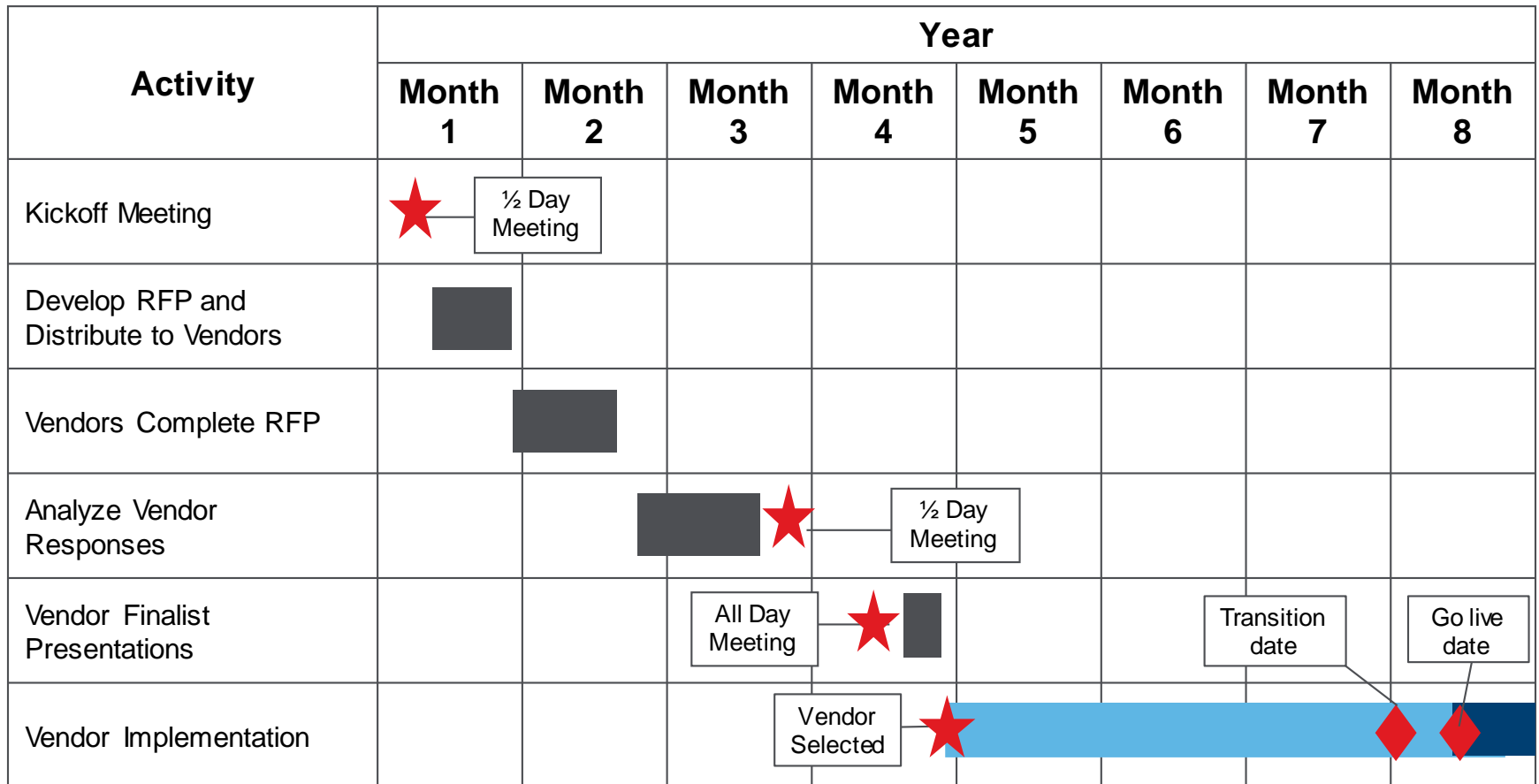
- Our internal database includes questions in each of the above categories
- Plus *Non-Qualified Plan and Master Recordkeeper / 403(b)* service questions, as applicable

## Potential Vendors – For Discussion Purposes

- Considerations for each vendor will be explored once NSHE's specific needs are identified

Vendor	Comments
Empower	<ul style="list-style-type: none"><li>▪ Formerly known as Great West Retirement</li><li>▪ Grown quickly through acquisition</li><li>▪ 2<sup>nd</sup> largest overall recordkeeper in U.S.</li><li>▪ Long history of serving public entities</li></ul>
Fidelity	<ul style="list-style-type: none"><li>▪ Name brand</li><li>▪ Largest overall recordkeeper in U.S.</li><li>▪ 2<sup>nd</sup> largest recordkeeper for not-for-profit / governmental entities</li></ul>
Principal	<ul style="list-style-type: none"><li>▪ Strong recordkeeping experience with plans the size of NSHE</li><li>▪ Non-profit institutions make up over 10% of recordkeeping clients</li><li>▪ Able to provide customized services</li></ul>
TIAA	<ul style="list-style-type: none"><li>▪ Largest recordkeeper for not-for-profit / governmental entities</li><li>▪ Current recordkeeper; no conversion for participants</li><li>▪ Enhancements to participant and sponsor technology developments continue</li></ul>
Voya	<ul style="list-style-type: none"><li>▪ Pro-actively introducing new services and tools</li><li>▪ ~50% of their recordkeeping services are 403(b) &amp; 457(b) gov't plans</li><li>▪ Compliance coordination available</li></ul>

# Sample Timeline



Vendor Search

Conversion / Implementation

Normal Plan Operations

Not all client experiences are the same and implementation periods may vary significantly from those presented based on a client's specific circumstances



# Discussion Topics

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# Aon Quarterly Update

Third Quarter 2021

*Retirement Legal Consulting & Compliance*

## In this Issue

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- 3 Excessive DC Plan Fee Litigation: Mitigation Strategies
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- 7 DOL Continues to Focus on Cybersecurity—Renewed Audit Efforts
- 8 What Did I Hear You Say? New Guidance Regarding Audio Recordings Involving Plan Information
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- 9 Actuarial Equivalence Lawsuits—Current State of Play
- 11 Quarterly Roundup of Other New Developments
- 12 Recent Publications

## Editor's Note

Summer is still heating up, but fall is around the corner! As we look ahead, we continue to provide the latest on areas of interest to our readers.

Employers have long offered tax-free educational assistance benefits (up to a specified Internal Revenue Code (Code) limit) through a plan under Section 127 of the Code as a means to attract and retain key talent. We open this edition of the *Quarterly Update* with an article on recent legislation which modernizes Section 127 plans to include student loan repayment benefits through the end of 2025 and offers insights for potential plan designs.

Next, we offer two articles on potential risk mitigation strategies. As excessive defined contribution plan fee litigation cases continue to rise dramatically in frequency and severity, in-house legal and risk management departments look to ways to mitigate or eliminate risk. The first article provides advice regarding best practices for plan sponsors and plan fiduciaries to consider along with a discussion of fiduciary liability insurance coverage to avoid or mitigate risk and liability related to claims of excessive fees.

As the Internal Revenue Service (IRS) continues its “no ruling” (i.e., no private letter ruling (PLR)) policy in certain areas, upfront certainty with respect to specific tax transactions and related planning (e.g., compliance with the law) continues to be unavailable to taxpayers. While tax insurance is nothing new, many do not know that tax insurance can now be used as a tool to obtain tax certainty, even with respect to benefit plans. Our second article on risk mitigation covers how tax insurance can be used to mitigate financial risk in a variety of diverse tax situations, including retirement benefits, postretirement health funding, and executive benefits.

We continue to closely observe the Department of Labor's (DOL's) audit initiatives and related guidance. Our most recent article reports on plan sponsor and fiduciary cybersecurity responsibilities along with the DOL's elevated interest in cybersecurity and fiduciary compliance on audit. In addition, we include a separate article on the recent DOL guidance that clarifies that claimants under benefit plans subject to the Employee Retirement Income Security Act of 1974 may be entitled to have access to audio recordings (and transcripts) of conversations with plan and call center personnel made during claims processing.

The IRS issued PLR 202111004 in March 2021 provides an interesting planning opportunity for employers terminating a defined benefit (DB) plan with excess assets. This edition includes an article reporting on how excess assets from a DB plan termination that would otherwise return to the plan sponsor could be used to fund matching contributions in a defined contribution plan of the same plan sponsor, provided certain conditions are satisfied.

Finally, we close out this edition of the *Quarterly Update* with up-to-date reporting on the actuarial equivalence litigation, specifically on pending cases and settlements. As we know our readers have continued interest in this litigation, we will continue to monitor the courts and the actions of the parties.

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

**Susan Motter**  
Associate Partner

# Modernizing Section 127 for Today's Education Benefits

by David Fairburn



Over the past five years, student loan repayment benefits have been in the news as a differentiated benefit offering that can be used to attract and retain key talent. The first programs began as a monthly amount (e.g., \$100/month) towards the principal of an employee's student loan, typically with a lifetime maximum equal to five years of the monthly benefit. While this benefit has received attention from many employers, there has long been the hope that legislation would someday make it easier to provide this benefit in a tax-free way to employees.

Well in 2020, that day came—Twice!

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) included a provision expanding Section 127 of the Internal Revenue Code (Code) to include student loan repayment benefits as an eligible expense. Section 127 of the Code has historically been used to provide education assistance benefits like tuition assistance, but until the CARES Act, student loan repayment benefits were not one of the eligible expenses which could be offered under a Section 127 plan. This expansion of student loan repayment benefits under Section 127 allowed for student loan repayment benefits to be tax free to the employee up to \$5,250 annually (this limit is combined with all benefits provided under the plan).

The catch? The provision was only in place through the end of 2020. Because many employers were dealing with disruptions related to the COVID-19 pandemic, this temporary provision did not result in a meaningful increase in those offering student loan repayment benefits to their employees.

In December 2020, Congress passed the Coronavirus Response and Relief Supplemental Appropriations Act of 2021, which extended the expansion of Section 127 to include student loan repayment benefits through the end of 2025. Employers now have more medium-term

certainty in the legislative landscape, and many have responded by analyzing potential new programs during 2021.

However, just because new legislation has created an opportunity with Section 127 plans does not mean that it is the right design for each organization. We suggest looking at the pros and cons of these plan designs, as well as integrated defined contribution/student loan designs, and other creative ideas like PTO cash-out plans or student loan guidance solutions.

From there, it is important to analyze the employee impact, cost, legal, and administrative considerations associated with each design. Does it make sense to provide the benefit to all employees or to limit eligibility based on service, business unit, or compensation level? How does the benefit align with your inclusion and diversity initiatives? Ultimately, the benefit should be designed in lockstep with your organization's goals, while also remaining compliant with the nondiscrimination testing requirements of Section 127 plans.

Finally, it may be time to review your existing Section 127 plan to make sure it is still providing value to employees and the organization. Many Section 127 plans for tuition assistance have been in place for decades, but with the rise of online learning and vendors that can offer easier access to affordable schooling options, it may make sense to change some features of the plan to reduce cost and improve outcomes for employees. This could include offering an affordable and standard set of pre-requisite classes, defining specific degree paths that are approved for reimbursement, or differentiating benefit levels based on the needs of the organization. At the end of the day, a modernization of your Section 127 plan to improve existing benefits and address student loans may be a win-win for employees and the organization.

Please contact your Aon consultant for more information on how we can help analyze the right design for your organization.

# Excessive DC Plan Fee Litigation: Mitigation Strategies

by Jay Desjardins, Rick Jones, and Jan Raines



Excessive fee litigation cases in 401(k) and 403(b) retirement plans have risen dramatically in frequency and severity and have become a top concern of in-house legal and risk management departments, among others. The cases generally allege that plan fiduciaries breached their fiduciary duties under the

Employee Retirement Income Security Act of 1974 (ERISA) by overpaying for third-party plan administration or investment services. Plaintiffs typically contend that fees are excessive relative to services and performance.

## Excessive Fee Settlements of \$10 Million and Greater

Since 2005 excessive fee litigation has grown significantly with plaintiffs' firms filing more than 275 lawsuits. In 2020 alone, there were at least 90 excessive fee cases, four times the average of each of the previous three years. Excessive fee litigation is expensive to defend and costly to settle—it is estimated that defendants only have about a 25% chance of winning motions to dismiss a plaintiff's claim and will likely settle if they are unsuccessful on a motion to dismiss—notwithstanding that defendants may have a defensible position to the plaintiffs' claims.<sup>1</sup> Approximately 85 cases have settlements for \$1 million or higher, including over 45 that settled for \$10 million or higher:

Settlement Amounts (\$ in Millions)

Lockheed Martin	\$62.0	BB&T	\$24.0	Emory University	\$16.8	University of Pennsylvania	\$13.0
Boeing	\$57.0	Anthem, Inc.	\$23.7	Northrop Grumman	\$16.8	Lowe's Companies	\$12.5
ABB	\$55.0	Regions Financial/ Morgan Asset Mgmt.	\$22.5	Caterpillar Inc.	\$16.5	Putnam Investments	\$12.5
McKinsey & Co.	\$39.5	American Airlines	\$22.0	General Dynamics	\$15.2	Northrop Grumman	\$12.4
CIGNA	\$35.0	Deutsche Bank Americas	\$21.9	Vanderbilt University	\$14.5	Allianz Asset Management	\$12.0
Novant Health	\$32.0	M&T Bank	\$20.9	John Hancock	\$14.0	Fidelity (FMR)	\$12.0
Mass Mutual Life Ins. Co.	\$30.9	Bechtel	\$18.5	Fujitsu Technology and Business of America	\$14.0	Oracle	\$12.0
International Paper	\$30.0	Mass. Institute of Technology (MIT)	\$18.1	Johns Hopkins University	\$14.0	Pacific Investment Management Co. (PIMCO)	\$12.0
SunTrust Banks	\$29.0	Wells Fargo	\$17.5	New York Life Ins. Co.	\$14.0	Duke University	\$10.7
Fidelity (FMR)	\$28.5	DeMoulas Super Markets (Market Basket)	\$17.5	Franklin Resources/ Franklin Templeton	\$13.9	Huntington Bancshares	\$10.5
Ameriprise Financial	\$27.5	Neuberger Berman	\$17.0	Edison International	\$13.2	National Rural Electric Cooperative Ass'n	\$10.0
First Union	\$26.0	Philips North America	\$17.0	Columbia University	\$13.0		

<sup>1</sup> Source: [Investment News: Fiduciary insurance costs soar amid new 401\(k\) litigation](#) (This site contains information that has been created, published, maintained, or otherwise posted by institutions or organizations independent of Aon. Aon does not endorse, approve, certify, or control these websites and does not assume responsibility for the accuracy, completeness, or timeliness of the information located there.)



To help mitigate this growing risk, plan sponsors and plan fiduciaries should adopt best practices and purchase fiduciary liability insurance coverage.

### Fiduciary Best Practices

Benefit plan managers should consider adopting the following best practices:

- **Evaluate and Be Prepared to Defend Provider Choices.** The courts don't say you need to choose the cheapest provider, but you do have to be able to demonstrate diligence in selecting the provider you choose. In addition to outsourced chief investment officer relationships, a new alternative is available in the marketplace—pooled employer 401(k) plans (PEPs), and fiduciaries need to evaluate whether such an alternative plan service provider is right for their participants—and document the evaluation process.
- **Take Advantage of Third-party Services.** Engage the services of third-party professionals (investment, legal, accounting) who can advise the plan fiduciary on the considerations and add an objective voice to the conversation.
- **Put a Fiduciary Process in Place.** Follow a well-documented decision-making process and build a record proving that the plan fiduciary has acted with “care, skill, prudence, and diligence under the circumstances then prevailing,” as required by ERISA, including:
  - Employers (or their plan fiduciaries) must keep detailed records and be able to produce meeting minutes if required, document meetings and materials reviewed, and note that discussions of considered changes occurred. These records are the proof that the plan fiduciary acted prudently and makes it possible for the plan fiduciary to defend its decision in court.
  - Monitor fund performance and fees and services associated with third-party service providers such as recordkeepers and investment advisors. Review plan documents and policies put in place and make sure they are followed. Perform a fee analysis along with a review of services every three to four years and a market assessment through an RFP process when necessary, and at the very least, every seven years.
  - Hold regular training and education sessions for fiduciaries.

### Fiduciary Liability Insurance Scope of Coverage

If you have discretionary authority for the management or administration of an employee benefit plan that is subject to ERISA, or if you exercise any authority of control with respect to the management or disposition of the assets of an ERISA plan, then you are considered a fiduciary of that plan. Under ERISA, plan fiduciaries are personally liable for fiduciary failures, meaning that personal assets could be at risk.

Further, an ERISA fidelity bond will not offer protection against breaches of fiduciary duty. Under ERISA, plan fiduciaries and those who handle plan funds or assets must be bonded to protect the plan from losses caused by dishonest or fraudulent actions. But the very ERISA fidelity bonds that employers are legally required to purchase will not protect the employer or plan fiduciary from losses arising from breaches of fiduciary duty—such as the failure to manage plan expenses—or from plan administrative errors. These exposures require specific fiduciary liability insurance.

Fiduciary liability insurance is designed to provide coverage for:

- The employer/sponsor organization and its subsidiaries.
- Covered plans including:
  - Qualified retirement and health and welfare plans—e.g., pension (defined benefit and defined contribution plans) and welfare (such as medical, dental, life insurance, disability, and accident plans); and
  - Nonqualified plans—e.g., deferred compensation programs, excess benefit plans, and supplemental executive retirement programs.
- Insured persons—i.e., any natural person serving as a past, present or future director, officer, partner, or employee of the sponsor organization or a plan, in his/her capacity as a fiduciary, administrator, or trustee of a plan.
- Covered claims including:
  - Breach of fiduciary duty including violations of fiduciary obligations, responsibilities, or duties under employee benefits laws (including ERISA); and
  - Administration including acts, errors, or omissions in the administration of a plan, such as:
    - Advising, counseling, or giving notice to employees, participants, and beneficiaries;
    - Providing interpretations;
    - Handling records; and
    - Activities affecting enrollment, termination, or cancellation of employees, participants, and beneficiaries under the plan.

A common misperception concerning fiduciary liability policies is that the so-called “Benefits Due Exclusion” negates all coverage. This is simply not true. The Benefits Due Exclusion excludes from coverage those amounts due to a plan participant under the terms of the plan document. However, fiduciary liability policies still provide:

- Defense costs coverage;
- Full coverage if payable as a personal obligation of a natural person insured;
- Full coverage if the loss of benefits is caused by an administrative error; and
- Losses in the value of plan assets due to breaches of fiduciary duty (e.g., excessive fee litigation).

### The Impact of Excessive Fee Litigation on the Fiduciary Liability Insurance Market

In response to this recent rise in both frequency and severity of excessive fee litigation, the fiduciary liability insurance marketplace has turned on its head, resulting in decreases in capacity as well as significant increases in pricing. Many insurers are mandating much higher retentions for excessive fee claims (or, in some instances, all forms of mass/class actions), particularly for insureds with plan assets

greater than \$500 million. Further, insurers are now requiring that insureds answer numerous supplemental application questions concerning their selection of third-party service providers, their procedure for assessing the reasonableness of associated fees, the plan's investment lineup including any proprietary funds, and the like.

To optimize renewal results, insureds should start the process early and be prepared to market their program among several insurers to generate competitive pricing, retention, and terms. Aon also recommends scheduling a call between the insured (including the head of HR/benefits) and the underwriters to communicate all steps taken by the insured to mitigate their risk against excessive fee litigation.

Therefore, by adopting benefit plan best practices in conjunction with purchasing fiduciary liability insurance protection, plan sponsors will

<sup>2</sup> Aon FSG is the premier team of executive liability brokerage professionals, with extensive experience in representing buyers of complex insurance products including directors' and officers' liability, employment practices liability, fiduciary liability, fidelity, and professional liability insurance. FSG's global platform assists clients in addressing their executive liability exposures across their worldwide operations. Aon FSG manages more than \$3.7B in annual premiums, assists with annual claim settlements of approximately \$4.0B over the last 5 years, and uses its unmatched data to support the diverse business goals of its clients.

have far fewer concerns about excessive fee litigation and other ERISA claims.

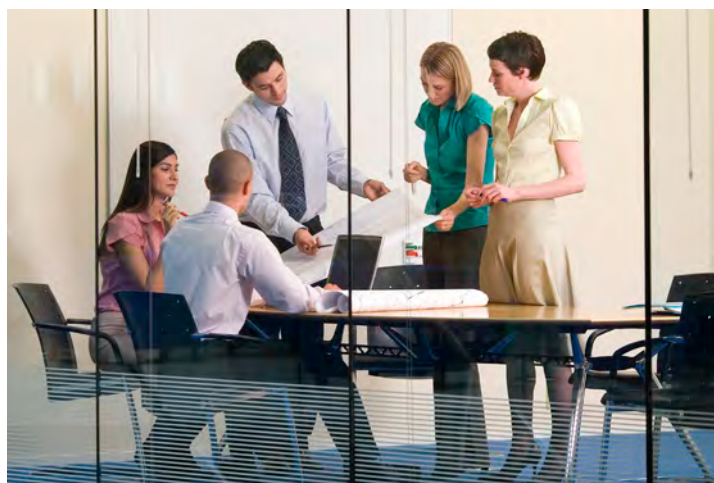
Consultants in Aon Investments USA Inc. and Financial Services Group (FSG)<sup>2</sup> are available to assist plan fiduciaries in meeting their obligations by providing investment advisory or management services, fiduciary oversight consulting services, and fee benchmarking or vendor searches for your defined contribution plans.

*All descriptions, summaries, or highlights of coverage are for general informational purposes only and do not amend, alter, or modify the actual terms or conditions of any insurance policy. Coverage is governed only by the terms and conditions of the relevant policy.*

Please see the applicable Disclosures and Disclaimers on page [13](#).

## Achieving Tax Certainty in an Era of IRS 'No Ruling' Policies

by Gary P. Blitz and Jessica Harger



It's no surprise to tax professionals that the Internal Revenue Service (IRS) "no ruling" policy continues to expand. The question our clients are now routinely facing is what to do to achieve that same upfront certainty with respect to the outcome of transactions, restructurings, and tax planning in the absence of a ruling. This issue is particularly relevant in the retirement and benefits field where the IRS has instituted a "no rulings" policy on a number of important issues. As an alternative, tax insurance is an effective tool that can provide certainty should a plan be out of compliance or in the event of unintended tax consequences. While tax insurance has been around since the 1980s and has been a trusted means of gaining comfort on tax exposures in M&A and financing transactions, many do not know that tax insurance can now be used where there is no third party, for example, in the restructuring of a benefits plan.

The potential exposure to our Fortune 500 clients if their tax planning is not respected is often in the hundreds of millions of dollars. IRS Revenue Procedure 2021-3 states the current "no ruling" policy. Of particular interest to our clients are:

- Whether, in connection with a transaction involving the establishment or amendment of a welfare benefit fund (including Voluntary Employees' Beneficiary Associations (VEBAs)), a transfer of assets between welfare benefit funds (including VEBAs), or a new or different use of assets of a welfare benefit fund (including a VEBA), (i) the employer, plan sponsor, welfare benefit fund (including a VEBA), or covered individuals must include any amount in gross income under Section 61 of the Internal Revenue Code (Code) or the tax benefit rule or (ii) the employer or welfare benefit fund (including a VEBA) have engaged in a sale or exchange of assets under Section 1001 of the Code; and
- Whether a transfer of assets between welfare benefit funds (including VEBAs), or a new or different use of assets of a welfare benefit fund (including a VEBA), results in a reversion to the employer for purposes of the excise tax under Section 4976 of the Code.

Regularly used as a tool to obtain tax certainty for situations involving U.S. federal, state, local, and foreign transactions, tax insurance is, in effect, the insurance version of a private letter ruling. If an insured tax position is successfully challenged by the IRS or another tax authority, the tax obligation is transferred to the insurers who will pay the additional income, excise, or other tax, interest, penalties, and contest costs, all subject to a gross-up for any tax on the insurance proceeds themselves. In this way, taxpayers can proceed with their

restructurings and transactions knowing that if there is a successful tax authority challenge down the road, they will be economically made whole.

The typical tax insurance policy has a seven-year term and is issued on a noncancelable basis. This is generally viewed as sufficient to cover the applicable statutes of limitations. The policy itself typically contains very few exclusions—the principle being a misrepresentation by the insured, which is the same when applying for a ruling. Interestingly, tax insurance also can protect against an adverse interpretation of fact-based issues, such as “business purpose,” which would traditionally be beyond the scope of any potential rulings.

Today’s tax insurance market is deep. There are many “A-rated” insurance companies writing coverage, and now insurance programs of over \$1.5 billion have become possible. This has broadened insurer appetite for complex tax risks and resulted in historically low pricing.

The potential applications are broad. Insurers routinely insure a wide range of potential tax exposures, including whether benefits plans have been properly administered or restructured under the applicable tax law. Practitioners should think about tax insurance as a solution for any subject on which they can provide an opinion or situations dependent on third-party valuations being respected. Off the table, of course, are aggressive tax shelters—what the tax world knows as transactions of interest or reportable or listed transactions.

While as noted above the potential applications are broad and often determined by the needs of our clients, we find that examples are the best way to demonstrate the potential application of tax insurance. Here are some other recent examples in the retirement and benefits space beyond just areas where rulings were historically sought.

- **Treatment of Employee Stock Plan under 280G.** The employee stock purchase program maintained by a large private manufacturing company raised several tax issues to a client considering its sale. The client was concerned that the tax characterization of payments would not be respected by the tax authorities and amounts were subject to Section 280G of the Code. Aon secured the policy that was part of the indemnification package to the ultimate acquirer.
- **Golden Parachute Excise Taxes under 280G.** A company emerging from Chapter 11 was sold to a public company. There was a potential golden parachute excise tax obligation of \$10 million if the IRS did not respect the value of the nonsolicitation agreement agreed to by the former CEO. The estate was required to indemnify the departing CEO under his employment contract for this tax risk. As part of the proposed plan of reorganization, funds would have had to be withheld from creditors in escrow to fund the potential tax liability. Aon placed a tax insurance policy to insure against an IRS challenge (this tax insurance policy included the value of the nonsolicitation agreement). As a result, the size of the escrow was substantially reduced, and escrow proceeds were released to creditors to the extent of insurance limits.
- **409A Disqualification—Value of Underlying Stock on Exercise Date.** A leading IT advisory firm purchased a competitor. A few years prior, the target had granted stock options with a specified

exercise price per share. At the time of the grant, the target obtained an outside advisor valuation report which valued the target at a lower value per share. Under Section 409A of the Code, a stock option having an exercise price less than the fair market value (FMV) of the stock on the option grant date results in adverse tax consequences for the option recipient and a tax withholding responsibility for the company. The buyer purchased a tax insurance policy to cover the risk that post-close, the IRS will successfully assert that Section 409A of the Code applied to the target’s stock options—in other words, the exercise price of the options was actually less than the FMV of the target stock on the grant date.

- **Treatment of Replacement Options.** A company acquired by a private equity sponsor had outstanding stock option grants that were replaced with new stock option grants as part of a reorganization. The counsel to the seller was confident that the requirements of Section 409A of the Code were satisfied; while the counsel to the buyer was not quite as confident and advised the acquirer to seek indemnification from the seller. A tax insurance policy was used to protect the buyer in lieu of a seller-provided escrow and indemnity.
- **Treatment of Lapse Restriction Due to Merger.** A closely held publicly traded company was pursuing an acquisition of another publicly traded company. The shareholders of the company were participants in a restricted share plan that provided that the restrictions would lapse if the founding family’s ownership fell below a specified level. As a result of the planned acquisition, the founding family’s ownership would fall below the specific level, resulting in a taxable event. The shareholders sought certainty that the lapse of these restrictions as a result of the acquisition was not a compensable event. Aon placed a tax insurance policy to provide certainty in this regard.
- **Withdrawal Liability to Multiemployer Pension Plans under ERISA.** A large public company obligated to contribute to a multiemployer pension plan was selling key assets to a private equity firm. The transaction was structured as an asset sale intended to avoid withdrawal liability under Section 4204 of the Employee Retirement Income Security Act of 1974 (ERISA). Facing a fast-moving transaction, the seller obtained a tax insurance policy for any potential liability should the sale not be respected as an exempt asset sale rather than seeking indemnification from the buyer.

The narrowing of the IRS ruling policy is a trend that is likely to continue as the agency struggles to apply its limited resources to tax collections. Yet, taxpayers seek certainty before making a material tax move even when advisers can provide them with strong tax advice. Tax insurance can fill that void in a time efficient manner, and at a very cost-effective price.

The Aon Tax Insurance team is pleased to provide an update on the tax insurance market and discuss how tax insurance can add certainty to various situations. Please do not hesitate to contact Gary Blitz or Jessica Harger to arrange a call or a meeting. Their contact information is on the last page of this *Quarterly Update*.



# DOL Continues to Focus on Cybersecurity—Renewed Audit Efforts

by Tom Meagher



As we reported in the [Second Quarter 2021](#) issue of our *Quarterly Update*, the Department of Labor's (DOL's) April 14 guidance identified the areas that plan fiduciaries should focus on to mitigate the risk that plan and participant data may be improperly used or disclosed—both within the employer's organization and with third-party service providers.

While we are aware of several employers that have been audited by the DOL prior to the April 14 guidance, it appears that the DOL has now elevated cybersecurity in terms of areas to examine on audit. In reviewing some of the recent DOL audit inquiries that have been received, it is clear that the DOL is focusing both on a plan sponsor's internal operations (e.g., how participant information and data are used or disclosed within the Human Resources or Benefits Department), and how such information is transmitted and/or used and disclosed by third-party service providers.

Among the questions being raised by the DOL on audit are the following: does the employer have a privacy and security policy and does the policy apply to data held by benefit plans (employers are requested to provide a copy of the policy); does the policy require that advanced authentication be used to access plan information; are technology systems regularly updated; are all personnel who come in contact with personally identifiable information (PII) trained on adequate protection of the information; do the plan service providers have policies on storing PII including where it is stored (e.g., laptops and portable storage devices), how long it is stored, and how it is eliminated; what are the service provider's processes and systems for dealing with cybersecurity threats and protection of PII; can the

service provider explain the process that they follow, and is it understood by the plan fiduciaries; does the service provider carry cybersecurity insurance; and has the service provider experienced any security breaches?

These DOL audit questions are now coupled with the April 14 guidance wherein the DOL identifies 12 “best practices” for plan fiduciaries to evaluate when monitoring or selecting a service provider for their ERISA plans.

In view of the emphasis being given to cybersecurity by the DOL, we continue to recommend that clients work with their fiduciary committee to (i) establish a process for evaluating the administrative, physical, and technical safeguards that are in place and protecting plan and participant data within the employer organization; (ii) conduct a baseline assessment of the various uses and disclosures of plan and participant data—including mapping of such uses or disclosures both internally and to third-party service providers and reviewing the information being provided by third-party service providers regarding the safeguarding of plan and participant data; and (iii) develop a record of the process undertaken, the resources relied upon (both internal and external), and the actions taken (or not taken) based on an assessment of the risks involved.

Aon's team, which includes our cybersecurity specialists, is available to assist clients and their fiduciary committees through each or any stage of the process in an effort to build the record necessary to position the plan fiduciaries in the event of a DOL audit and to mitigate the risk of a future cybersecurity incident.



# What Did I Hear You Say? New Guidance Regarding Audio Recordings Involving Plan Information

by Elizabeth Groenewegen



Recently issued guidance from the Department of Labor (DOL) clarifies that claimants under benefit plans subject to the Employee Retirement Income Security Act of 1974 (ERISA) may be entitled to have access to audio recordings (and telephone transcripts) of conversations with plan personnel made during their claims' processing. In an Information Letter

published on June 21, 2021, the DOL analyzed a plan's denial of such a request under ERISA, and, in particular, DOL Regulations Section 2560.503-1 (the "Claim Procedure Rules"). Sponsors and fiduciaries of ERISA plans may wish to review their plan procedures in light of this new guidance. Failure to satisfy the Claim Procedure Rules could expose the plan to increased risk should the claim be litigated.

## Background

Every employee benefit plan subject to ERISA is required to have a reasonable claims review process. When a participant's benefit claim has been denied, Section 503 of ERISA requires that the participant be offered "a full and fair review by the appropriate named fiduciary of the decision denying the claim." The Claim Procedure Rules further articulate what is required to meet this statutory obligation. When the Claim Procedure Rules are satisfied, a participant must exhaust the plan's claim administrative process before filing a lawsuit. Moreover, the plan administrator's determination generally will enjoy a deferential standard for judicial review (that is, the decision would stand unless the administrator "abused its discretion"). To the extent that the Claim Procedure Rules are not satisfied, a claimant may obtain the right to sue immediately (rather than be required to exhaust the plan's appeal procedure) and may have the plan administrator's decision subject to increased judicial scrutiny (rather than the deferential "abuse of discretion" standard that the plan administrator's decision might otherwise enjoy).

## Claimant's Request

The Information Letter addresses the question of whether the plan fiduciary was entitled to deny the claimant's request for the audio recording and transcript of a telephone conversation between the claimant and a plan representative relating to the adverse benefit determination. The claimant's request had been denied on the grounds that the recording:

- Was made for quality assurance purposes;
- Was not created, maintained, or relied upon for claim administration purposes; and
- Therefore, was not part of the administrative record regarding the claim.

## Analysis under the Claim Procedure Rules

Under the Claim Procedure Rules, a benefits claimant must be provided, on request, copies of all documents, records, and other

information relevant to the claim. A document, record, or other information is relevant to the claim if it:

- Was relied upon in making the benefit decision;
- Was submitted, considered, or generated in making the benefit decision (regardless of whether the document, record or other information was relied upon in making the benefit determination);
- Demonstrates compliance with the administrative processes and safeguards required by the regulations; or
- Constitutes a statement of policy or guidance concerning the denied treatment option or benefit (regardless of whether such statement was relied upon in making the benefit determination) (Reference DOL Regulations Section 2560.503-1(m)(8)).

As noted above, information can be relevant for these purposes even if it was not created, maintained, or relied upon for claims administration reasons.

The DOL rejected the notion that a recording is exempt from being disclosed because it was generated for quality assurance purposes. For example, the DOL indicated that the recording could demonstrate compliance with the Claim Procedure Rules and safeguards—making it subject to a disclosure request as relevant information.

In a footnote, the DOL observed that the regulations require that a plan's claim procedures include "safeguards designed to ensure and to verify that benefit claim determinations are made in accordance with governing plan documents and that, where appropriate, the plan provisions have been applied consistently with respect to similarly situated claimants." This observation appears to have been key to the rejection of the plan's position that the recording need not be shared.

The DOL concluded that a recording of a conversation will not necessarily be excluded from disclosure because:

- The plan or claims administrator does not include the recording in its administrative record;
- The plan or claims administrator does not treat the recording or transcript as part of the claim activity history through which the insurer develops, tracks, and administers the claim; or
- The recording or transcript was generated for quality assurance purposes.

## Take Away for Plan Fiduciaries

To the extent that conversations with benefit claimants are recorded by plan personnel (or third-party service providers), those conversations may be discoverable by claimants as part of the claims review and appeal process. Aon recommends that plan sponsors review how telephone contacts are being handled by service center personnel. Adequate training, clear instructions, and consistent processing of inquiries should help to mitigate any risks presented by this new guidance. Please contact your Aon consultant for assistance.

# Terminated DB Plan Excess Assets Can Fund DC Plan Match

by Dan Schwallie



A recent private letter ruling (PLR) 202111004 from the Internal Revenue Service, dated March 19, 2021, provides an interesting planning opportunity for employers terminating a defined benefit (DB) plan having excess assets. The PLR indicates that excess assets from a DB plan termination that would otherwise return to the plan sponsor may be used to fund matching contributions in a defined contribution (DC) plan of that plan sponsor, provided certain conditions are satisfied. Beginning in 2006, it had generally been understood that such transferred assets could only be used to fund employer nonmatching contributions in a DC plan.

Effective for plan years beginning after 2005, Treasury Regulations under Section 401(m) of the Internal Revenue Code provide that employer contributions are not matching contributions if contributed before the elective contributions to which the matching contributions apply are made. “Elective contributions” could be pre-tax elective deferrals, Roth contributions, or after-tax employee contributions, if the plan provides the match on any or all of them. PLRs subsequently issued cited the regulation to the effect that a transfer of excess assets

from a terminated DB plan to a DC “qualified replacement plan” (QRP) cannot be allocated to participants as matching contributions. However, PLR 202111004 permitted a QRP to fund matching contributions with respect to elective contributions, provided the elective contributions were made from payrolls paid prior to the date the excess assets were transferred to the QRP.

Funding of employer matching contributions in this way would only be possible for (all or a portion of) the year in which the transfer is made, and only employer nonmatching contributions could be funded for subsequent plan years. A DC plan that provides matching contributions on a payroll period basis would need to be timely amended to move to a year-end match, or to provide an additional discretionary match, to be able to fund matching contributions in the year of the excess asset transfer.

Whether funding matching contributions or only funding nonmatching contributions, a QRP reduces from 50% to 20% the excise tax on amounts that would otherwise be returned to the employer, and neither the excise tax nor employer federal income tax applies to the amount transferred to the QRP. Various requirements apply to a QRP, including that assets transferred to the QRP from the terminated DB plan must be allocated to the accounts of participants in the plan year in which the transfer occurs or be credited to a suspense account and allocated from such account to accounts of participants no less rapidly than ratably over the seven plan-year period beginning with the year of the transfer. Also, at least 95% of the active participants in the terminated DB plan who remain as employees of the employer after the plan termination must be active participants in the QRP. Certain other technical rules apply that are beyond the scope of this article.

Aon’s Retirement Legal Consulting & Compliance consultants can provide more information on these rules and are available to assist plan sponsors in terminating a DB plan and setting up a QRP to reduce excise and income taxes and fund DC plan contributions.

## Actuarial Equivalence Lawsuits—Current State of Play

by Jennifer Ross Berrian



As reported previously, 11 lawsuits have been filed (now 13 if you include two against AT&T and two against Rockwell Automation) challenging the actuarial equivalence factors used by pension plans to calculate optional forms of benefits and early retirement reductions. As of July 14, 2021, five cases are ongoing, one has reached a tentative settlement, and seven have been settled or dismissed.

### Pending Cases

There are currently five active cases (six if you include the case that has reached a tentative settlement). These cases include the following:

- **Masten v. MetLife.** On June 14, 2021, the court reached a decision regarding MetLife’s long-pending motion to dismiss. The court granted the motion in part and denied it in part, ruling that MetLife must defend allegations that it shortchanged participants’ retirement benefits by calculating their pensions using outdated

life expectancy data. The court dismissed the plaintiffs' claim as untimely that MetLife had breached its fiduciary duty when it selected the mortality tables as conversion factors in 2012.

- **Scott v. AT&T.** This is the second case filed against AT&T as the first case (*Eliason v. AT&T*) was dismissed for lack of standing (none of the named plaintiffs suffered damages due to the allegations in the complaint). The *Scott* case continues moving forward; the parties participated in a scheduling conference on June 17, 2021. The court set deadlines for discovery, class certification, and pretrial motions. A pretrial motion hearing is scheduled for November 10, 2022; however, the pretrial conference and trial have not been scheduled yet.
- **Berube v. Rockwell Automation.** Like *Scott v. AT&T*, this is the second case filed against Rockwell Automation as the first case (*Smith v. Rockwell Automation*) was dismissed for lack of standing (none of the named plaintiffs suffered damages due to the allegations in the complaint). Currently pending is a summary judgment motion to dismiss the case. The court has granted the parties leave to engage in discovery while the summary judgment motion is pending.
- **Belknap v. Partners Healthcare.** The parties are still arguing over the defendants' motion to dismiss.
- **Herndon v. Huntington Ingalls.** The parties participated in a settlement conference on June 14, 2021. A three-day trial is scheduled to commence on November 8, 2021.

#### Tentative Settlement

- **Thorne (Smith) v. U.S. Bancorp.** On May 18, 2021, the court denied the plaintiffs' request to have the matter certified as a class action due to the fact that not all potential class members were negatively impacted by the claims made in the plaintiffs' complaint. The parties then began arguing about whether the plaintiffs should be able to try again to certify a class. In the midst of this, on June 22, 2021, the parties let the court know that they have reached a tentative settlement and were in the process of memorializing it in writing for court approval. This case is not over yet as the parties may not be able to agree in writing to settlement terms, and the court may not approve the settlement once it's memorialized.

#### Final Settlement

- **Cruz v. Raytheon.** The parties entered into a written settlement agreement on February 12, 2021 and requested approval from the court. On June 11, 2021, the court approved the settlement but

modified the award of attorneys' fees and costs. The parties agreed on the class of participants that would receive the settlement and settled on 40% of the amount requested in the complaint. The plaintiffs' attorneys requested \$8.9 million in fees and costs, which amount was to be deducted from the settlement amount to be awarded to the class. The court concluded that the fees were too high, reduced them to \$5.5 million, and approved the settlement. One of the class members is currently contesting the revised attorneys' fee amount.

#### Dismissed

- **Brown v. UPS.** This case was dismissed on August 27, 2020, for failing to exhaust administrative remedies (e.g., the plaintiffs didn't follow the plan's claims procedure before filing their lawsuit). This case may reappear once the plan's administrative process is completed.
- **Torres v. American Airlines.** The parties voluntarily settled the case, and it was dismissed on July 17, 2020. The settlement occurred after the plaintiffs' request to certify the class was denied on May 26, 2020. The details of the settlement are unknown.
- **DuBuske v. PepsiCo.** The parties voluntarily dismissed the case on November 22, 2019, after the court granted the defendants' motion to dismiss.
- **Duffy v. Anheuser Busch.** The case was voluntarily dismissed by the parties on November 12, 2020. No further information is available.
- **Eliason v. AT&T.** This case was dismissed on September 28, 2020 due to lack of standing. None of the named plaintiffs had suffered damages due to the allegations in the complaint. The case was refiled with new named plaintiffs (See *Scott v. AT&T* above).
- **Smith v. Rockwell Automation.** This case was dismissed on January 19, 2021 due to lack of standing. None of the named plaintiffs had suffered damages due to the allegations in the complaint. The case was refiled with new named plaintiffs (See *Berube v. Rockwell Automation* above).

We continue to see cases settled or dismissed, but five (maybe six) are still pending. We will continue monitoring developments in the ongoing cases and keep you updated. In the interim, we have been working with a number of employers (and their legal counsel) to evaluate existing interest and mortality rates in light of the ongoing litigation in an effort to evaluate their reasonableness in determining plan benefits.

# Quarterly Roundup of Other New Developments

by Sandy Combs, Teresa Kruse, and Jan Raines



## Participant Data: Plan Asset?

As a result of an excessive fee suit brought against fiduciaries of a large corporation's 401(k) plan, a federal court recently considered a specific aspect of the alleged violations involving participant data and the use of that data by the plan's recordkeeper: is participant data a "plan asset" as defined by the Employee Retirement Income Security Act of 1974 (ERISA), and is the use of that data by the plan's recordkeeper for non-plan related services a breach of fiduciary duty? The question of whether plan data is a plan asset has come under scrutiny over the last few years, consistent with an ever-widening concern by the general public regarding how their personal data is handled, marketed, or used by organizations of all types.

Generally, participant data claims in defined contribution plans allege that third-party administrators and recordkeepers are using confidential participant data (name, address, email address, social security number, income, account balances, etc.) to cross-sell non-plan products. Plan fiduciaries are subject to strict fiduciary standards under ERISA that include selecting and monitoring the plan's recordkeeper and the services it offers; a fiduciary breach may subject fiduciaries to personal liability. As we know, fiduciaries must manage the plan for the exclusive benefit of plan participants and beneficiaries. In participant data claims, fiduciaries are alleged to have violated these fiduciary duties and engaged in prohibited transactions by allowing cross-selling of non-plan services by using plan assets. The validity of these claims hinges on whether or not participant data is, in fact, a plan asset under ERISA, and whether that treatment may cause a service provider to be considered a fiduciary under ERISA.

While courts have concluded in several recent cases that participant data is not a plan asset as defined by ERISA, this case differs in that the plaintiffs alleged that the recordkeeper was a fiduciary due to it having discretion over plan assets (i.e., plan data). The recordkeeper submitted a motion to dismiss these claims, claiming that participant data is not a plan asset and that the recordkeeper thus was not a plan fiduciary, which the district court granted. In particular, the court noted that the plaintiffs failed to provide any instances in the past where participant data was considered a plan asset by the court, and in this case, the court "could not conclude that it is a plan asset under

ordinary notions of property rights" and, as such, no breach occurred.

The issue of protecting participant data is evolving. While the courts have, so far, generally been consistent in concluding that participant data is not a plan asset under ERISA, there have been settlements in excessive fee cases that included prohibitions against the use of participant data for non-plan purposes. While it appears that plaintiffs may face headwinds with participant data claims, it may be wise for plan fiduciaries to review existing service agreements with plan recordkeepers and consider implementing cross-selling restrictions.

## CalSavers Not an ERISA Plan

The Ninth Circuit Court of Appeals affirmed that CalSavers is not preempted by ERISA. Circuit Judge Daniel Bress noted that CalSavers is not an ERISA plan because it is established and maintained by the State of California, not by an employer; it does not require employers to establish and operate their own ERISA retirement plans; and it does not have an impermissible reference to or connection with ERISA.

CalSavers is an automatic Roth IRA program that was created by the State of California in July 2019 to ease the growing concern that many workers do not have access to a retirement savings plan. State law requires private employers that do not offer a retirement program to enroll their eligible employees in the CalSavers program. California is not alone in this requirement; several other states have also created, or are in the process of creating, automatic IRA programs, or other programs to support retirement savings for private sector workers. You can find more information on these additional programs as reported in our [Fourth Quarter 2020](#) issue of the *Quarterly Update*. *Howard Jarvis Taxpayers Ass'n v. Cal. Secure Choice Ret. Sav. Program*, No. 2:18-cv-01584-MCE-KJN (E.D. Cal. Mar. 10, 2020) (granted motion to dismiss).

## Matching Contributions "Arresting Development"

Deputy Sheriff Allison Schaber filed a class action lawsuit against Ramsey County, the Minnesota State Retirement System, and the executive director of its board of directors. Certain employees of Ramsey County participate in the Minnesota Deferred Compensation Plan (Plan)—a savings plan under Section 457 of the Internal Revenue Code for government employees. The lawsuit alleges that Ramsey County did not follow the Plan document or its own employment policies, when it failed to provide employer matching contributions to the Plan, rather it included the matching contributions in participants' paychecks as taxable income. Even after the issue was brought to the County and Plan administrator's attention, they did nothing to correct or change the process, allegedly breaching their fiduciary responsibilities. According to the lawsuit, this practice has gone on for years, which has resulted in the underfunding of employees' retirement accounts and caused participants to lose out on potential investment earnings on those contributions. While governmental or public entities are not subject to ERISA, most states follow similar guidelines, and in this situation, the lawsuit notes that fiduciaries of



Minnesota public-employee retirement plans are subject to fiduciary obligations under Minnesota law. While the standard of care for plan fiduciaries under Minnesota law is not identical to ERISA, it is substantially similar to make this lawsuit noteworthy.

This lawsuit is an important reminder that fiduciaries have an obligation to follow the plan document and to establish and regularly monitor administrative procedures. We will continue to follow this lawsuit and report on any future developments. Aon's Investment Plan consultants and Retirement Legal Consulting & Compliance consultants can assist in reviewing plan documents, administrative procedures, and other operational matters. *Schaber v. Ramsey County*, No. 62-cv-21-1228 (D. Minn. Mar. 18, 2021).

#### 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: BlackRock (settled for \$9.65M); Brenntag North America Inc. (settled for \$2.3M); Columbia University (settled for \$13M and other remedies); IBM (settled for \$4.75M); Genentech Inc. (dismissed with leave to amend); and John Hancock (settled for \$14M 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

The pace of retirement plan cases being filed against plan fiduciaries is showing no signs of slowing up, as at least 19 new cases were filed this quarter. Although the list of recently filed cases is only illustrative, it is intended to provide a summary of the types of claims being alleged against plan fiduciaries and their committees. Excessive fees continue to be the dominant theme as those cases were brought against Nextep, Inc.; Wood Group US Holdings, Inc.; Wesco Distribution, Inc.; Kimberly-Clark Corp.; The American National Red Cross; WakeMed (interestingly, settled the same day as the case was filed); University of Tampa; Bronson Healthcare Group, Inc.; and Humana Inc. Cases involving allegations of self-dealing were filed against N.Y. Life Ins. Co.; Russell Investment Management LLC/Caesars Holdings Inc.; and State Street Corp. In addition, cases involving failure to monitor service providers, fraud, operational failure, and money laundering were filed against The Northern Trust Co.; Comprehensive Cancer Services Oncology PC; Minn. State Ret. Sys. Program/Ramsey County; and Danske Bank, respectively. While the filing of these cases is illustrative of the types of claims being brought, it is important to note that these employers may have one or more defenses to such claims, so no conclusions should be drawn by reason of the filing of these lawsuits against any individual employer.

Aon will continue to track these cases, and others, as they develop.

Please see the applicable Disclosures and Disclaimers on page [13](#).

## Recent Publications

### Midyear Changes to ADP/ACP Safe Harbor Plans

By Daniel Schwallie  
*Benefits Quarterly (Second Quarter 2021)*

When guidance was issued in 2016 regarding midyear changes to ADP/ACP safe harbor plans, no one had an inkling that four years later hundreds of employers would implement midyear reductions or suspensions of safe harbor contributions to their ADP and/or ACP safe harbor plans due to the coronavirus pandemic of 2020. This article reviews and explains the guidance to date on midyear changes to ADP/ACP safe harbor plans.

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



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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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