Nevada System of Higher Education
Third Quarter 2021 Discussion Guide

November 12, 2021

Empower Results®

Your Consulting Team

Daniel Pawlisch
Lead Investment Consultant
+1.312.381.1284 (office)
+1.312.714.6393 (mobile)
daniel.pawlisch@aon.com

Cynthia O. Zaleta
Lead Administration Consultant
+1.404.374.0724 (mobile)
cynthia.zaleta@aon.com

Leon Kung
Senior Investment Consultant
+1.312.381.1336 (office)
leon.kung@aon.com

Teresa J. Kruse
Senior Consultant
+1.612.710.4050 (mobile)
teresa.kruse@aon.com

Discussion Topics

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Aon Investments USA Inc.
200 E. Randolph Street
Suite 700
Chicago, IL 60601
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Discussion Topics

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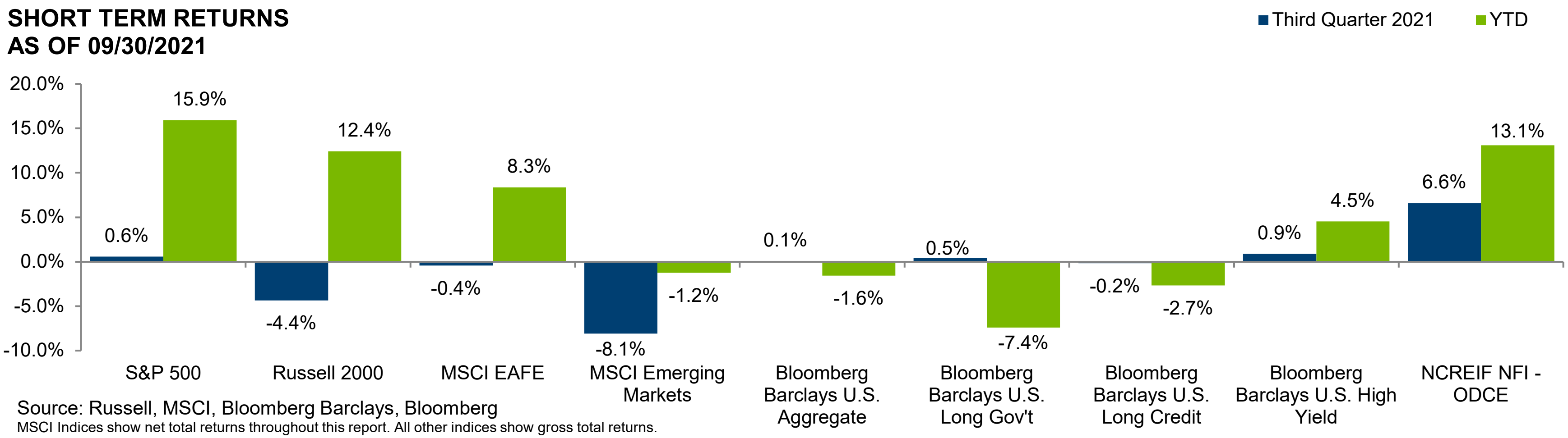
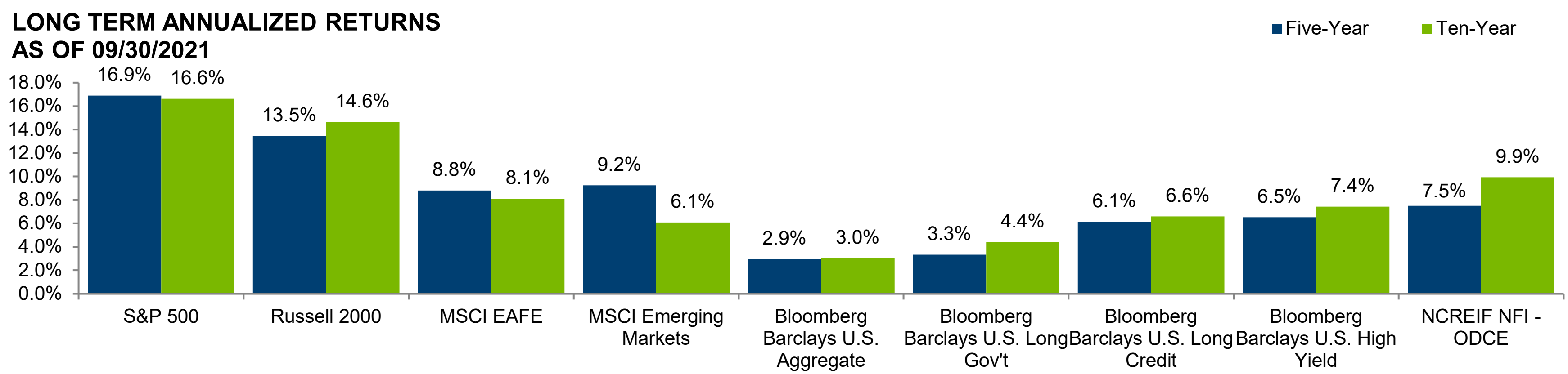
Market Highlights



Source: Russell, MSCI, Bloomberg Barclays, Bloomberg

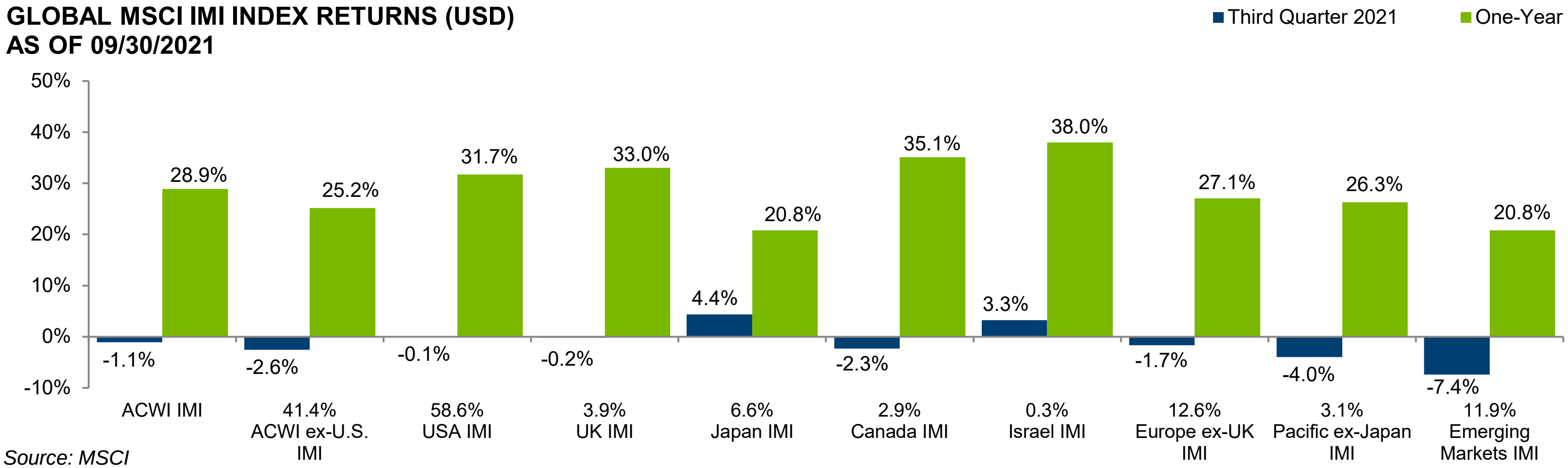
MSCI Indices show net total returns throughout this report. All other indices show gross total returns.



Source: Russell, MSCI, Bloomberg Barclays, Bloomberg

Global Equity Markets

GLOBAL MSCI IMI INDEX RETURNS (USD)
AS OF 09/30/2021



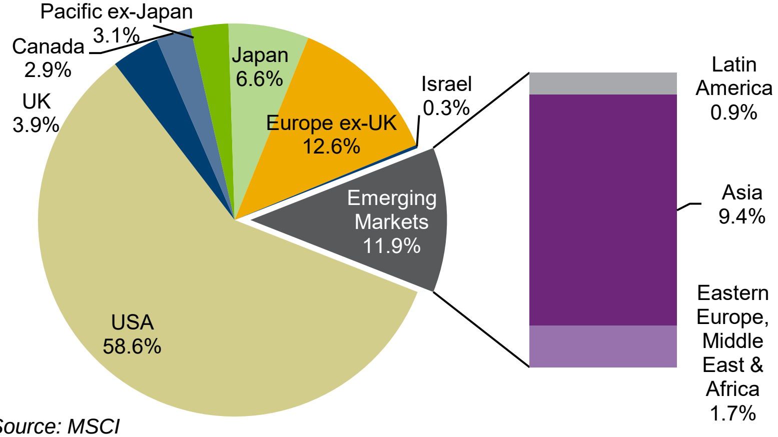
Source: MSCI

- The prospect of lower growth expectations and tighter monetary policy weighed on equities, with major markets falling over the period. The MSCI All Country World Investable Market Index (ACWI IMI) returned -1.1% for the quarter.
- Japanese equities led, returning 4.4%, while most of Europe countries ended the quarter in negative territory.
- Emerging markets fared the worst, returning -7.4% for the third quarter, as poor returns from Brazil and China weighed on the region. In China, equity markets suffered a major setback due to regulatory crackdowns on technology companies, along with looming issues surrounding the country's indebted property developers. China's economy recorded an annual growth rate of 7.9% in Q2 2021, nearly cut in half from the previous quarter.

Global Equity Markets

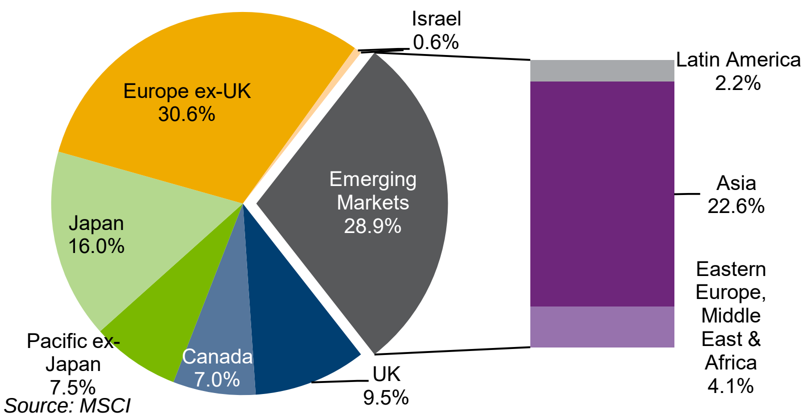
- Below is the country/region breakdown of the global and international equity markets as measured by the MSCI All Country World IMI Index and the MSCI All Country World ex-U.S. IMI Index, respectively.

MSCI ALL COUNTRY WORLD IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 09/30/2021



Source: MSCI

MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 09/30/2021



Source: MSCI

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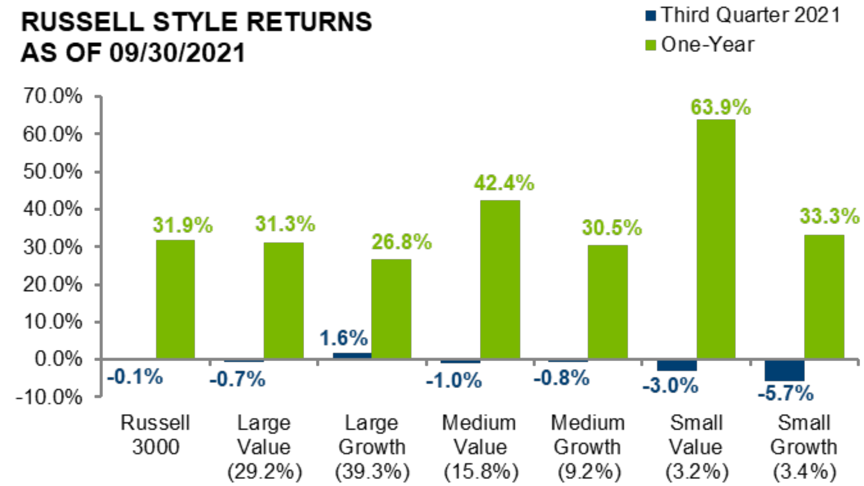
U.S. Equity Markets

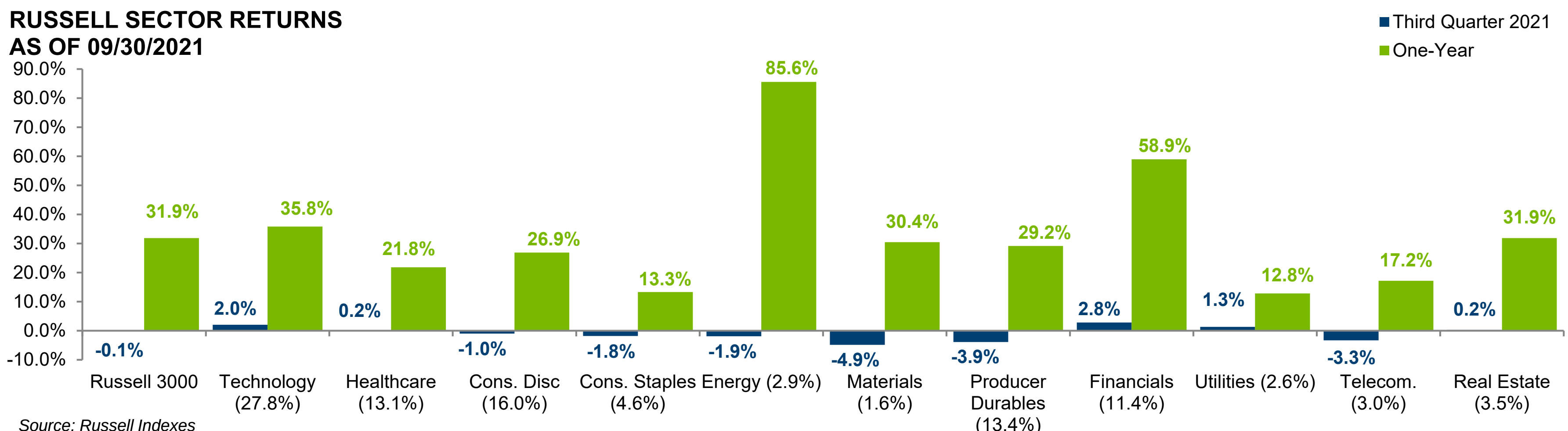
- The Russell 3000 Index fell 0.1% during the third quarter but was up 31.9% over the trailing one-year period. Performance among sectors was mixed. Financials and technology were the best performers while the Materials sector was the worst performer at -4.9%.
- Large and medium cap stocks outperformed small caps during the quarter, and growth outperformed value within large and medium cap stocks. However, over the trailing one-year period, value eclipsed growth over all market capitalizations.

RUSSELL STYLE RETURNS AS OF 09/30/2021



Source: Russell Indexes

RUSSELL SECTOR RETURNS AS OF 09/30/2021



Source: Russell Indexes

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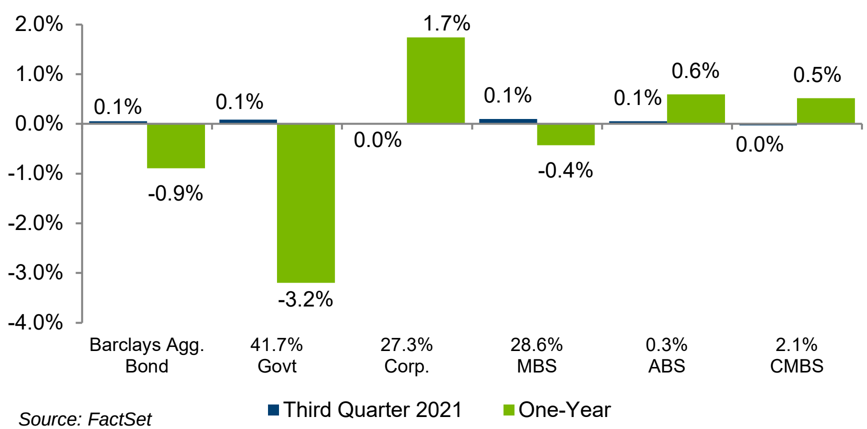
U.S. Fixed Income Markets

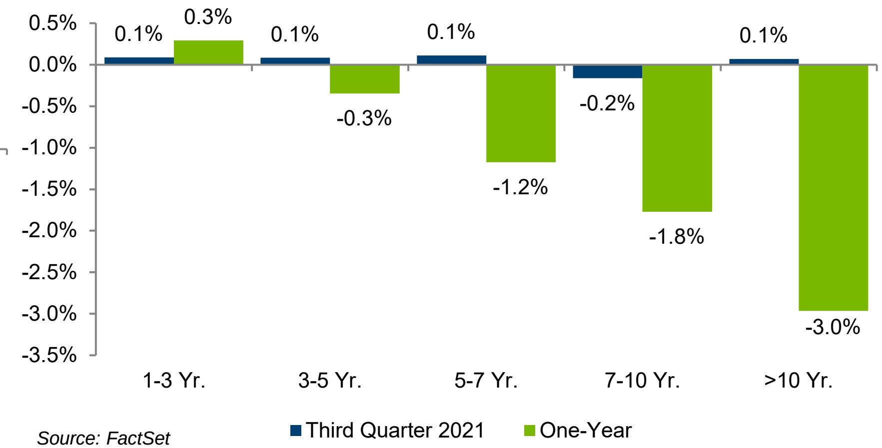
BLOOMBERG BARCLAYS AGGREGATE RETURNS BY SECTOR AS OF 09/30/2021



Source: FactSet

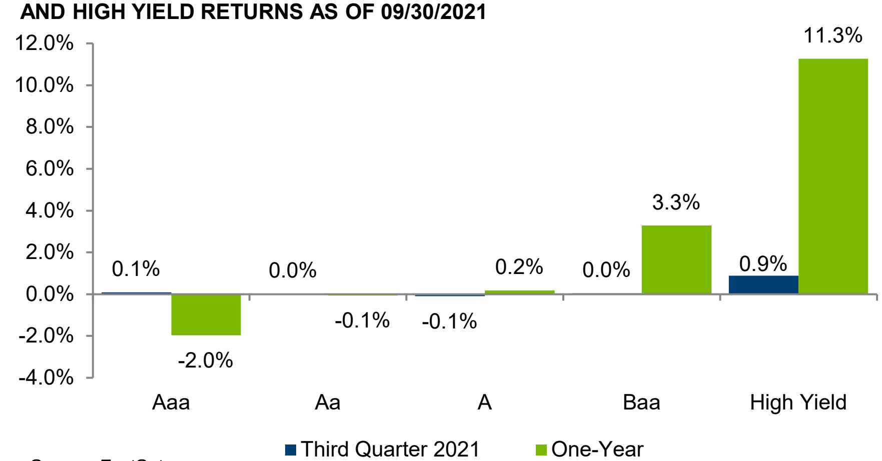
- The Bloomberg Barclays U.S. Aggregate Bond Index rose by 0.1% over the quarter.
- Risk sentiment waned over the quarter, with most sectors posting muted quarterly returns.
- Across durations, 7-10 years maturity bonds finished the quarter in negative territory while all other maturities were marginally positive.
- Within investment grade bonds, higher-credit quality outperformed lower quality issues on the margin, with Aaa bonds rising by 0.1%. High yield bonds rose by 0.9% as spreads widened.

BLOOMBERG BARCLAYS AGGREGATE RETURNS BY MATURITY AS OF 09/30/2021



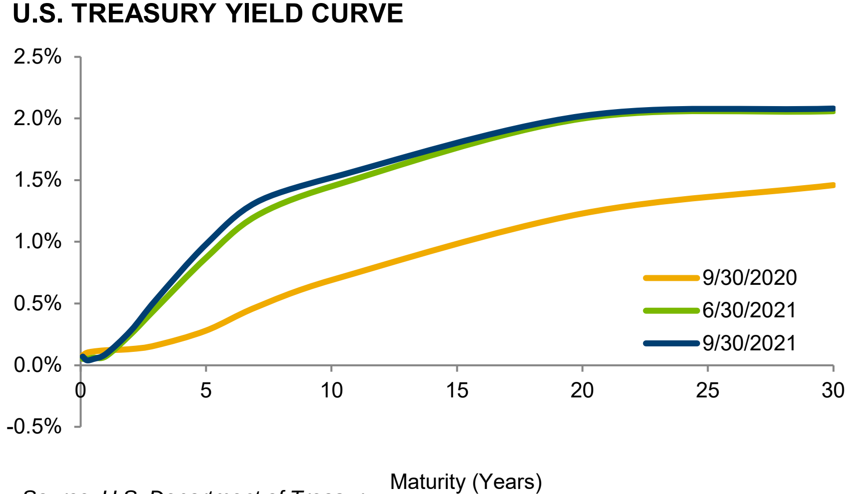
Source: FactSet

BLOOMBERG BARCLAYS AGGREGATE RETURNS BY QUALITY AND HIGH YIELD RETURNS AS OF 09/30/2021

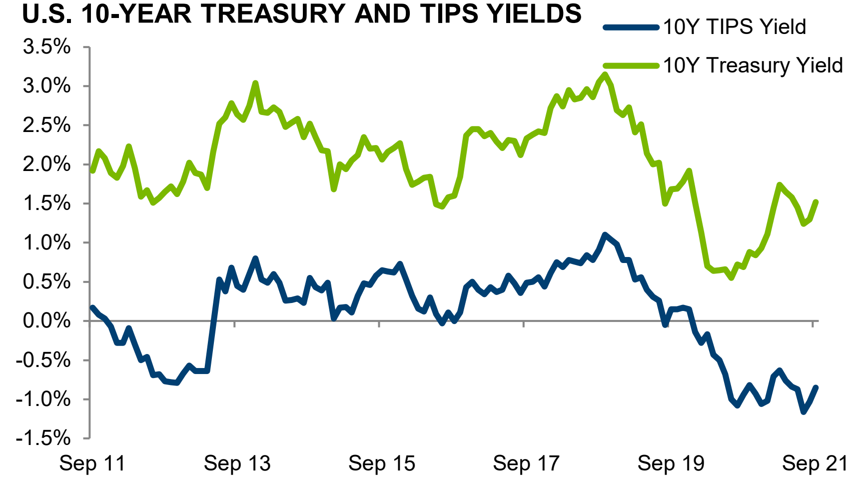


Source: FactSet

U.S. Fixed Income Markets



Source: U.S. Department of Treasury



Source: U.S. Department of Treasury

- The U.S. Treasury yield curve was largely unchanged, with yields rising across the belly of the curve. The Federal Reserve signaled that tighter monetary policy is on the horizon with plans to announce a formal tapering of monthly asset purchases, currently locked in at $120bn per month, in November. The Fed September meeting also revealed that more policy makers than last quarter are forecasting interest rate hikes starting in 2022.
- Headline inflation accelerated to 5.3% year-over-year in August. Core CPI, excluding food and energy, increased by 4.0% over the same period.
- The 10-year U.S. Treasury yield ended the quarter 7bps higher at 1.52% and the 30-year yield increased by 2bps to 2.08%.
- The 10-year TIPS yield rose by 2bps over the quarter to -0.85%.

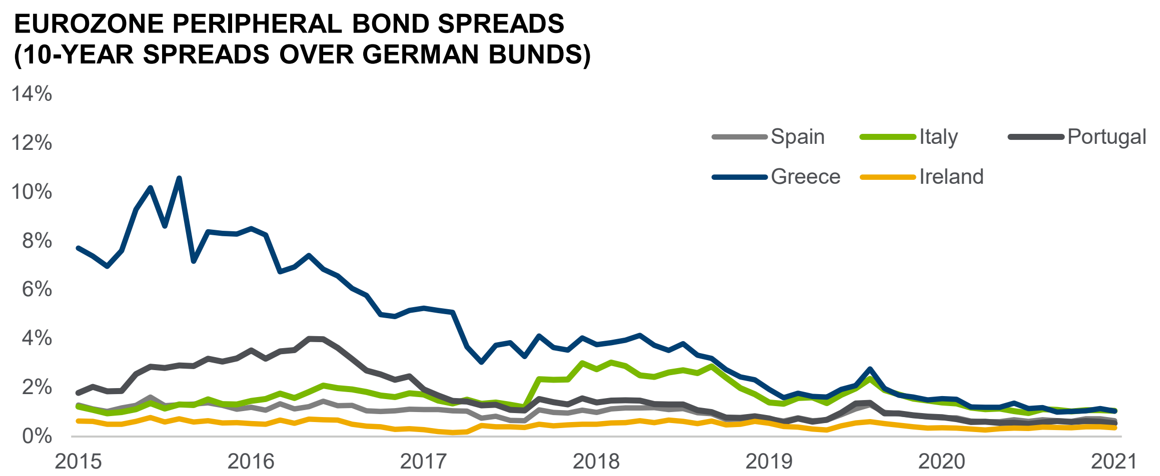
Credit Spreads

Spread (bps)	09/30/2021	06/30/2021	09/30/2020	Quarterly Change (bps)	One-Year Change (bps)
U.S. Aggregate	33	32	60	1	-27
Long Gov't	0	0	0	0	0
Long Credit	123	118	188	5	-65
Long Gov't/Credit	72	71	111	1	-39
MBS	27	27	61	0	-34
CMBS	61	59	106	2	-45
ABS	29	22	41	7	-12
Corporate	84	80	136	4	-52
High Yield	289	268	517	21	-228
Global Emerging Markets	287	257	334	30	-47

Source: FactSet, Bloomberg Barclays

- Credit spreads generally widened during the third quarter but are still narrow compared to historical standards.
- Global Emerging Markets and High Yield spreads widened the most in Q3 2021, increasing by 30bps and 21bps, respectively, over the quarter.

European Fixed Income Markets

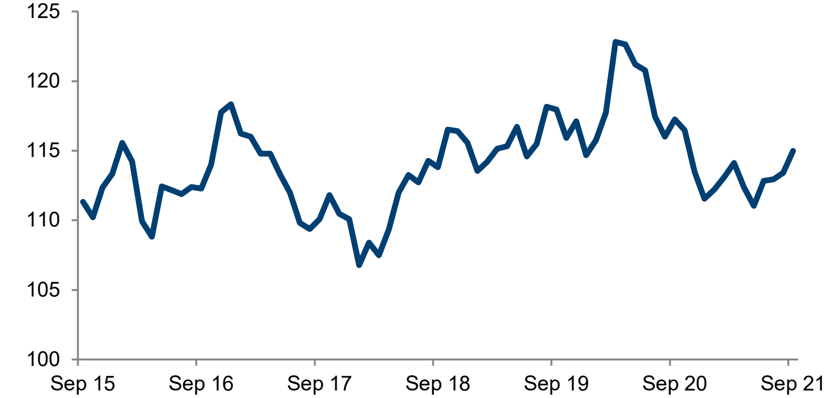


Source: FactSet

- European government bond spreads over 10-year German bunds was mixed across the Eurozone. The European Central Bank (ECB) decided to 'moderately' slow the pace of its Pandemic Emergency Purchase Programme (PEPP) over the next quarter, citing a strong rebound in Eurozone growth and inflation. The ECB also changed its yearly inflation target to 2.0% with the flexibility to fluctuate above or below the target for a temporary period.
- German government bund yields rose by 2 bps to -0.19% over the quarter. The preliminary results of the German national elections indicated that the Social Democratic Party of Germany (SPD) secured a narrow victory over the outgoing chancellor Angela Merkel's Christian Democratic Union (CDU) and its ally Christian Social Union in Bavaria (CSU).
- The Eurozone continued to see economic activity rebound in Q2 2021, recording quarter-on-quarter GDP growth of 2.2%. The accelerating vaccination program helped boost consumer and business confidence.

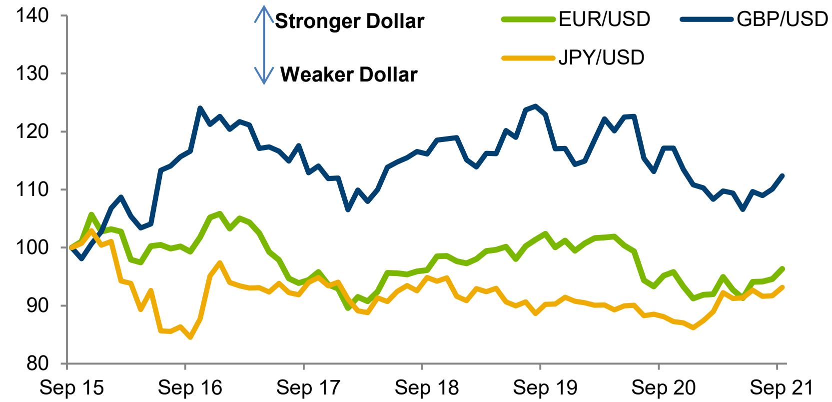
Currency

TRADE WEIGHTED U.S. DOLLAR INDEX (2006 = 100)



Source: Federal Reserve

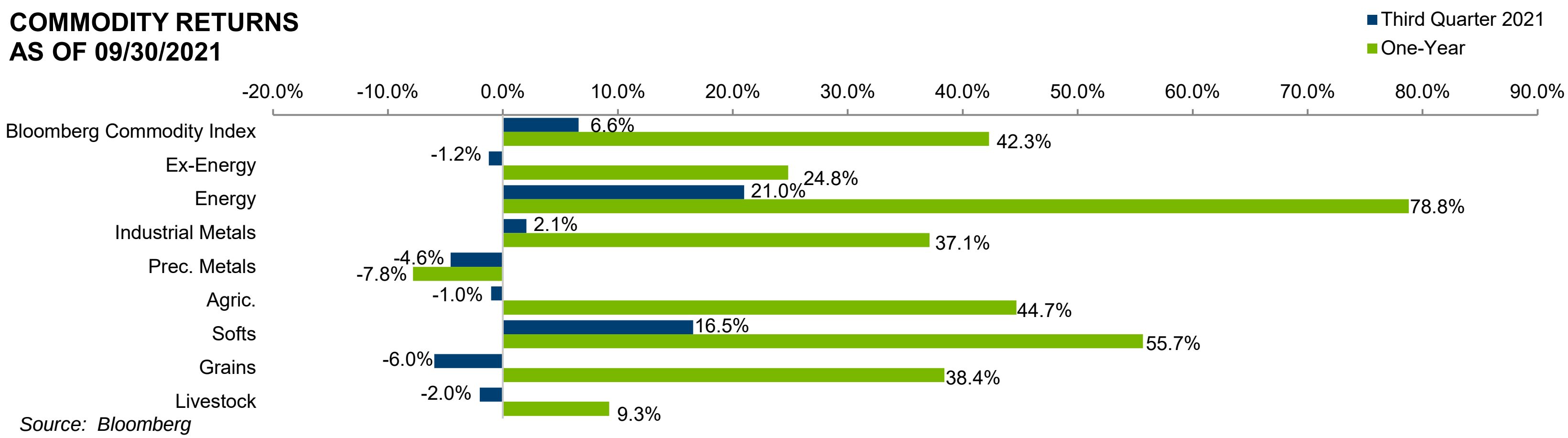
U.S. DOLLAR RELATIVE TO EUR, GBP AND JPY REBASED TO 100 AT 09/30/2015



Source: FactSet

- The U.S. Dollar appreciated against major currencies over the quarter. The U.S. dollar rose 1.9% on a trade-weighted basis.
- Sterling fell by 0.9% on a trade-weighted basis over the quarter. The Bank of England (BoE) kept its interest rate unchanged but two members out of the nine-member Monetary Policy Committee voted to end its quantitative easing programme immediately. The Sterling depreciated by 2.5% against the U.S. dollar.
- The U.S. dollar appreciated by 2.3% against the Euro and by 0.5% against the Yen.

Commodities



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

- Commodities continued their upward momentum over the quarter with the Bloomberg Commodity Index up 6.6%. Energy prices continued to rise higher demand has exacerbated supply issues, particularly in China and parts of Europe.
- Energy was the best performing sector, returning 21.0% over the quarter and 78.8% over the trailing one-year period. OPEC+ reached an agreement to increase crude oil production by 400,000 barrels a day each month from August until the end of 2022. OPEC+ also targeted the end of 2022 to start restoring output back to pre-pandemic levels.
- The price of Brent crude oil rose by 4.5% to $79/bbl. while WTI crude oil spot prices rose by 2.1% to $75/bbl.

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Discussion Topics

Tier I(a) Watch List
As of September 30, 2021

Tier I (a)

	1. Underperformed During Trailing 5 Years	2. Underperformed in 3 of 4 Trailing Calendar Quarters	3. Diverged from Strategy and/or Portfolio Characteristics	4. Adverse Change in Portfolio Manager	5. Weak Manager Research Rating	6. Significant Organizational Change	Watch List Status			
							3nd Quarter 2021	2nd Quarter 2021	1st Quarter 2021	4th 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	Yes	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 September 30, 2021

Tier I

	1. Underperformed During Trailing 5 Years	2. Underperformed in 3 of 4 Trailing Calendar Quarters	3. Diverged from Strategy and/or Portfolio Characteristics	4. Adverse Change in Portfolio Manager	5. Weak Manager Research Rating	6. Significant Organizational Change	Watch List Status			
							3nd Quarter 2021	2nd Quarter 2021	1st Quarter 2021	4th 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 September 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			
							3nd Quarter 2021	2nd Quarter 2021	1st Quarter 2021	4th 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				
Vangaurd 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	Yes	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	No	No	No	No	No (Buy)	No				
DFA U.S. Targeted Value	No	No	No	No	No (Buy)	No				
Dodge & Cox Global Stock Fund	Yes	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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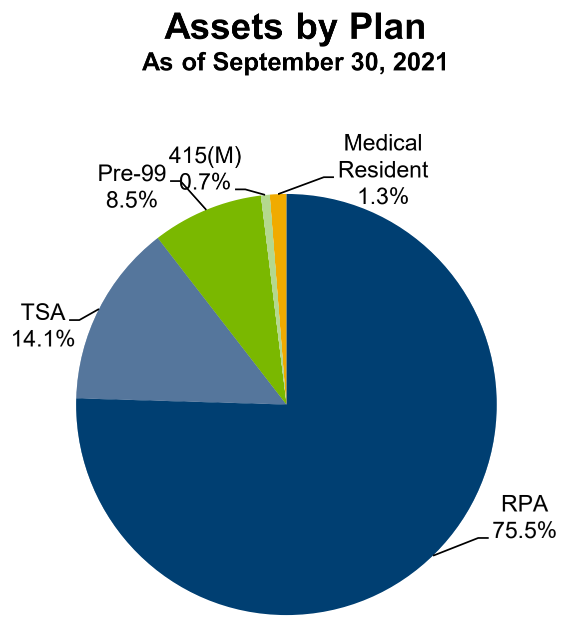
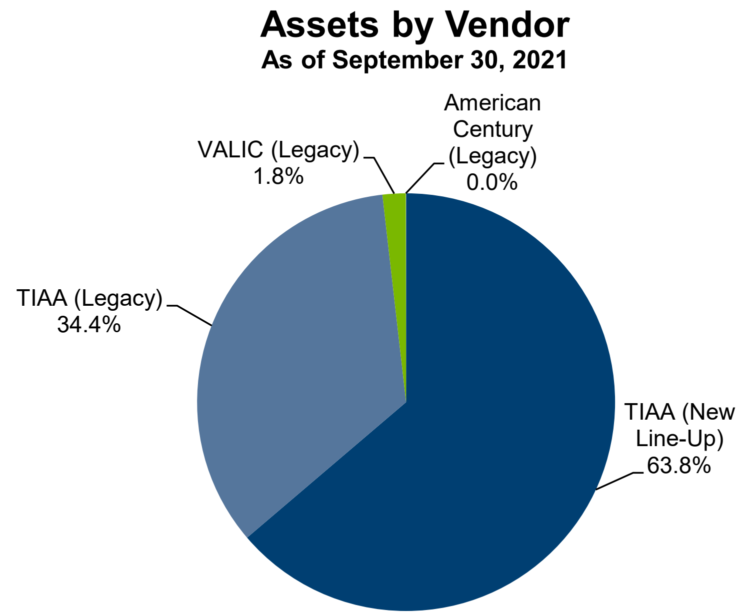
Asset Allocation
As of September 30, 2021





As of 9/30/2021

Plan	RPA		TSA		Pre-99		415(M)		Medical Resident		Total	
	$	%	$	%	$	%	$	%	$	%	$	%
TIAA (New Line-Up)	$ 2,238,694,749	67.9%	$ 429,891,730	70.0%	$ 44,617,187	12.0%	$ 28,891,092	94.7%	$ 42,136,684	77.2%	$ 2,784,231,443	63.8%
TIAA (Legacy)	$ 1,010,554,709	30.7%	$ 164,142,605	26.7%	$ 326,756,423	87.8%	$ 1,622,343	5.3%	$ 177,760	0.3%	$ 1,503,253,840	34.4%
AIG (Legacy)	$ 46,041,621	1.4%	$ 19,687,979	3.2%	$ -	0.0%	$ -	0.0%	$ 12,297,127	22.5%	$ 78,026,726	1.8%
American Century (Legacy)	$ -	0.0%	$ -	0.0%	$ 961,359	0.3%	$ -	0.0%	$ -	0.0%	$ 961,359	0.0%
Total	**$ 3,295,291,079**	**100.0%**	**$ 613,722,314**	**100.0%**	**$ 372,334,969**	**100.0%**	**$ 30,513,435**	**100.0%**	**$ 54,611,571**	**100.0%**	**$ 4,366,473,367**	**100.0%**
Other Assets*											$ 1,815,168	0.0%
Grand Total	**$ 3,295,291,079**	**75.4%**	**$ 613,722,314**	**14.0%**	**$ 372,334,969**	**8.5%**	**$ 30,513,435**	**0.7%**	**$ 54,611,571**	**1.3%**	**$ 4,368,288,535**	**100.0%**

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

Source: TIAA

Tier I(a) Performance Summary

As of September 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	**4,368,288,535**	**100.0**								**03/01/2014**
Tier I (a)	**1,137,680,703**	**26.0**								**03/01/2014**
Vanguard Target Retirement Income Trust Plus	23,196,931	0.5	-0.1 (38)	3.2 (64)	8.5 (63)	7.6 (39)	6.3 (50)	6.2 (35)	5.9 (35)	09/01/2011
Vanguard Target Income Composite Index			*0.0 (16)*	*3.3 (59)*	*8.7 (57)*	*7.9 (34)*	*6.5 (45)*	*6.3 (34)*	*6.0 (33)*	
Peer Group Median			-0.2	3.6	10.0	7.4	6.2	5.6	5.2	
Vanguard Target Retirement 2015 Trust Plus	46,553,492	1.1	-0.1 (15)	3.6 (99)	9.6 (100)	7.8 (82)	7.2 (84)	8.0 (61)	7.4 (54)	09/01/2011
Vanguard Target 2015 Composite Index			*-0.1 (6)*	*3.7 (96)*	*9.8 (98)*	*8.1 (77)*	*7.4 (73)*	*8.1 (53)*	*7.5 (31)*	
Peer Group Median			-0.3	4.8	12.6	8.4	7.7	8.1	7.4	
Vanguard Target Retirement 2020 Trust Plus	96,190,913	2.2	-0.4 (43)	5.1 (61)	13.4 (52)	9.1 (41)	8.7 (34)	9.2 (36)	8.5 (26)	09/01/2011
Vanguard Target 2020 Composite Index			*-0.3 (31)*	*5.3 (57)*	*13.6 (49)*	*9.4 (24)*	*8.9 (25)*	*9.4 (18)*	*8.7 (6)*	
Peer Group Median			-0.4	5.6	13.5	9.0	8.5	8.9	8.1	
Vanguard Target Retirement 2025 Trust Plus	121,461,785	2.8	-0.6 (68)	6.1 (55)	16.1 (46)	10.0 (29)	9.7 (30)	10.1 (22)	9.3 (19)	09/01/2011
Vanguard Target 2025 Composite Index			*-0.5 (42)*	*6.3 (48)*	*16.3 (42)*	*10.3 (14)*	*10.0 (14)*	*10.3 (16)*	*9.5 (9)*	
Peer Group Median			-0.5	6.2	15.8	9.5	9.3	9.7	8.9	
Vanguard Target Retirement 2030 Trust Plus	170,878,695	3.9	-0.8 (49)	7.1 (62)	18.4 (50)	10.6 (34)	10.5 (38)	10.9 (26)	10.0 (21)	09/01/2011
Vanguard Target 2030 Composite Index			*-0.6 (29)*	*7.3 (51)*	*18.7 (39)*	*10.9 (18)*	*10.8 (24)*	*11.1 (19)*	*10.2 (11)*	
Peer Group Median			-0.8	7.3	18.3	10.2	10.2	10.6	9.6	
Vanguard Target Retirement 2035 Trust Plus	196,494,612	4.5	-0.9 (38)	8.1 (72)	20.7 (70)	11.1 (47)	11.3 (44)	11.7 (33)	10.6 (24)	09/01/2011
Vanguard Target 2035 Composite Index			*-0.7 (17)*	*8.3 (64)*	*21.1 (62)*	*11.5 (34)*	*11.6 (35)*	*11.8 (24)*	*10.8 (17)*	
Peer Group Median			-0.9	8.5	21.7	11.0	11.1	11.3	10.2	
Vanguard Target Retirement 2040 Trust Plus	180,633,060	4.1	-0.9 (32)	9.1 (82)	23.1 (74)	11.7 (52)	12.1 (44)	12.2 (30)	11.2 (23)	09/01/2011
Vanguard Target 2040 Composite Index			*-0.8 (16)*	*9.4 (71)*	*23.5 (64)*	*12.0 (39)*	*12.4 (33)*	*12.4 (24)*	*11.4 (17)*	
Peer Group Median			-1.0	9.7	24.3	11.8	11.8	11.8	10.7	
Vanguard Target Retirement 2045 Trust Plus	154,749,208	3.5	-1.1 (32)	10.2 (68)	25.5 (58)	12.2 (41)	12.7 (36)	12.5 (26)	11.4 (22)	09/01/2011
Vanguard Target 2045 Composite Index			*-0.9 (16)*	*10.4 (49)*	*26.0 (49)*	*12.7 (26)*	*13.0 (21)*	*12.7 (19)*	*11.7 (14)*	
Peer Group Median			-1.2	10.4	25.9	12.1	12.5	12.1	10.8	
Vanguard Target Retirement 2050 Trust Plus	94,944,669	2.2	-1.1 (34)	10.3 (76)	25.7 (70)	12.3 (43)	12.8 (47)	12.5 (27)	11.5 (21)	09/01/2011
Vanguard Target 2050 Composite Index			*-0.9 (12)*	*10.6 (61)*	*26.3 (60)*	*12.8 (31)*	*13.1 (24)*	*12.7 (19)*	*11.7 (15)*	
Peer Group Median			-1.2	10.8	26.8	12.3	12.7	12.4	11.1	
Vanguard Target Retirement 2055 Trust Plus	38,898,933	0.9	-1.1 (26)	10.3 (70)	25.7 (77)	12.3 (50)	12.7 (52)			09/01/2011
Vanguard Target 2055 Composite Index			*-0.9 (11)*	*10.6 (68)*	*26.3 (74)*	*12.8 (36)*	*13.1 (36)*	*12.7 (27)*	*11.7 (17)*	
Peer Group Median			-1.2	10.8	27.5	12.3	12.8	12.4	11.2	

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

Tier I Performance Summary

As of September 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	12,966,439	0.3	-1.1	(19)	10.3	(75)	25.7	(70)	12.4	(58)	12.8	(72)			11.0		04/01/2012
Vanguard Target 2060 Composite Index			-0.9	(1)	10.6	(72)	26.3	(67)	12.8	(47)	13.1	(49)			11.2		
Peer Group Median			-1.3		10.9		27.8		12.6		13.0						
Vanguard Target Retirement 2065 Trust Plus	711,967	0.0	-1.1	(27)	10.3	(76)	25.7	(71)	12.4	(58)					11.9	(71)	08/01/2017
Vanguard Target 2065 Composite Index			-0.9	(1)	10.6	(72)	26.3	(67)	12.8	(47)					12.2	(46)	
Peer Group Median			-1.3		10.9		27.8		12.6						12.2		
Tier I	**178,723,722**	**4.1**															**02/01/2014**
Vanguard Target Retirement Income - Instl.	8,981,801	0.2	-0.1	(6)	3.2	(74)	8.5	(77)	7.6	(39)	6.3	(51)			5.9	(45)	07/01/2015
Vanguard Tgt Ret Inc;Inv (VTINX)			-0.1	(8)	3.2	(74)	8.5	(78)	7.5	(39)	6.2	(52)	6.1		5.8	(46)	
Vanguard Target Income Composite Index			0.0	(1)	3.3	(63)	8.7	(75)	7.9	(35)	6.5	(47)	6.3		6.1	(43)	
Peer Group Median			-0.3		4.1		11.8		6.9		6.3				5.6		
Vanguard Target Retirement 2015 - Instl.	16,692,429	0.4	-0.2	(16)	3.6	(98)	9.6	(99)	7.8	(82)	7.2	(84)			6.5	(75)	07/01/2015
Vanguard Tgt Ret2015;Inv (VTXVX)			-0.2	(18)	3.6	(100)	9.5	(100)	7.7	(83)	7.1	(89)	7.9		6.5	(77)	
Vanguard Target 2015 Composite Index			-0.1	(6)	3.7	(96)	9.8	(98)	8.1	(77)	7.4	(73)	8.1		6.7	(64)	
Peer Group Median			-0.3		4.8		12.6		8.4		7.7				6.9		
Vanguard Target Retirement 2020 - Instl.	19,792,540	0.5	-0.4	(43)	5.1	(61)	13.4	(52)	9.1	(42)	8.6	(35)			7.7	(29)	07/01/2015
Vanguard Tgt Ret2020;Inv (VTWNX)			-0.4	(44)	5.1	(61)	13.4	(57)	9.0	(48)	8.6	(35)	9.1		7.6	(35)	
Vanguard Target 2020 Composite Index			-0.3	(31)	5.3	(57)	13.6	(49)	9.4	(24)	8.9	(25)	9.4		7.9	(12)	
Peer Group Median			-0.4		5.6		13.5		9.0		8.5				7.5		
Vanguard Target Retirement 2025 - Instl.	27,400,483	0.6	-0.6	(60)	6.1	(54)	16.1	(46)	9.9	(30)	9.7	(32)			8.4	(25)	07/01/2015
Vanguard Tgt Ret2025;Inv (VTTVX)			-0.7	(69)	6.0	(57)	15.9	(47)	9.9	(35)	9.6	(38)	10.0		8.4	(29)	
Vanguard Target 2025 Composite Index			-0.5	(42)	6.3	(48)	16.3	(42)	10.3	(14)	10.0	(14)	10.3		8.7	(7)	
Peer Group Median			-0.5		6.2		15.8		9.5		9.3				7.9		
Vanguard Target Retirement 2030 - Instl.	24,316,595	0.6	-0.8	(49)	7.1	(59)	18.4	(48)	10.5	(37)	10.5	(39)			9.0	(34)	07/01/2015
Vanguard Tgt Ret2030;Inv (VTHRX)			-0.8	(55)	7.0	(64)	18.3	(52)	10.5	(40)	10.4	(43)	10.8		9.0	(37)	
Vanguard Target 2030 Composite Index			-0.6	(29)	7.3	(51)	18.7	(39)	10.9	(18)	10.8	(24)	11.1		9.3	(21)	
Peer Group Median			-0.8		7.3		18.3		10.2		10.2				8.8		
Vanguard Target Retirement 2035 - Instl.	17,947,999	0.4	-0.9	(39)	8.1	(73)	20.7	(71)	11.1	(48)	11.3	(45)			9.6	(39)	07/01/2015
Vanguard Tgt Ret2035;Inv (VTTHX)			-0.9	(42)	8.0	(78)	20.6	(71)	11.0	(49)	11.2	(49)	11.5		9.5	(42)	
Vanguard Target 2035 Composite Index			-0.7	(17)	8.3	(64)	21.1	(62)	11.5	(34)	11.6	(35)	11.8		9.9	(31)	
Peer Group Median			-0.9		8.5		21.7		11.0		11.1				9.5		

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

Tier I Performance Summary (cont'd.)

As of September 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.	17,369,213	0.4	-1.0 (32)	9.2 (79)	23.1 (74)	11.6 (54)	12.1 (45)		10.1 (42)	07/01/2015
Vanguard Tgt Ret2040;Inv (VFORX)			*-1.0 (46)*	*9.1 (84)*	*23.0 (75)*	*11.5 (55)*	*12.0 (46)*	*12.1*	*10.1 (46)*	
Vanguard Target 2040 Composite Index			*-0.8 (16)*	*9.4 (71)*	*23.5 (64)*	*12.0 (39)*	*12.4 (33)*	*12.4*	*10.4 (33)*	
Peer Group Median			-1.0	9.7	24.3	11.8	11.8		10.0	
Vanguard Target Retirement 2045 - Instl.	16,760,405	0.4	-1.1 (32)	10.2 (68)	25.5 (58)	12.2 (47)	12.6 (39)		10.6 (42)	07/01/2015
Vanguard Tgt Ret2045;Inv (VTIVX)			*-1.1 (39)*	*10.1 (71)*	*25.4 (62)*	*12.2 (49)*	*12.6 (42)*	*12.4*	*10.5 (42)*	
Vanguard Target 2045 Composite Index			*-0.9 (16)*	*10.4 (49)*	*26.0 (49)*	*12.7 (26)*	*13.0 (21)*	*12.7*	*10.9 (18)*	
Peer Group Median			-1.2	10.4	25.9	12.1	12.5		10.3	
Vanguard Target Retirement 2050 - Instl.	17,973,195	0.4	-1.1 (35)	10.3 (76)	25.8 (69)	12.3 (52)	12.7 (49)		10.6 (45)	07/01/2015
Vanguard Tgt Ret2050;Inv (VFIFX)			*-1.1 (39)*	*10.2 (78)*	*25.7 (71)*	*12.2 (55)*	*12.7 (52)*	*12.4*	*10.6 (46)*	
Vanguard Target 2050 Composite Index			*-0.9 (12)*	*10.6 (61)*	*26.3 (60)*	*12.8 (31)*	*13.1 (24)*	*12.7*	*10.9 (20)*	
Peer Group Median			-1.2	10.8	26.8	12.3	12.7		10.5	
Vanguard Target Retirement 2055 - Instl.	10,248,888	0.2	-1.1 (26)	10.3 (70)	25.8 (76)	12.3 (52)	12.7 (53)		10.6 (54)	07/01/2015
Vanguard Tgt Ret2055;Inv (VFFVX)			*-1.1 (34)*	*10.2 (77)*	*25.6 (77)*	*12.2 (57)*	*12.6 (57)*	*12.4*	*10.5 (60)*	
Vanguard Target 2055 Composite Index			*-0.9 (11)*	*10.6 (68)*	*26.3 (74)*	*12.8 (36)*	*13.1 (36)*	*12.7*	*10.9 (31)*	
Peer Group Median			-1.2	10.8	27.5	12.3	12.8		10.7	
Vanguard Target Retirement 2060 - Instl.	1,034,953	0.0	-1.1 (19)	10.3 (75)	25.8 (70)	12.3 (60)	12.7 (74)		10.6 (77)	07/01/2015
Vanguard Tgt Ret2060;Inv (VTTSX)			*-1.1 (24)*	*10.2 (77)*	*25.6 (71)*	*12.2 (67)*	*12.6 (84)*		*10.5 (84)*	
Vanguard Target 2060 Composite Index			*-0.9 (1)*	*10.6 (72)*	*26.3 (67)*	*12.8 (47)*	*13.1 (49)*		*10.9 (25)*	
Peer Group Median			-1.3	10.9	27.8	12.6	13.0		10.8	
Vanguard Target Retirement 2065 - Instl.	205,222	0.0	-1.1 (19)	10.3 (76)	25.7 (71)	12.2 (65)			11.8 (76)	08/01/2017
Vanguard Tgt Ret2065;Inv (VLXVX)			*-1.1 (24)*	*10.2 (77)*	*25.6 (71)*	*12.2 (75)*			*11.7 (84)*	
Vanguard Target 2065 Composite Index			*-0.9 (1)*	*10.6 (72)*	*26.3 (67)*	*12.8 (47)*			*12.2 (46)*	
Peer Group Median			-1.3	10.9	27.8	12.6			12.2	

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

Tier II Performance Summary
As of September 30, 2021

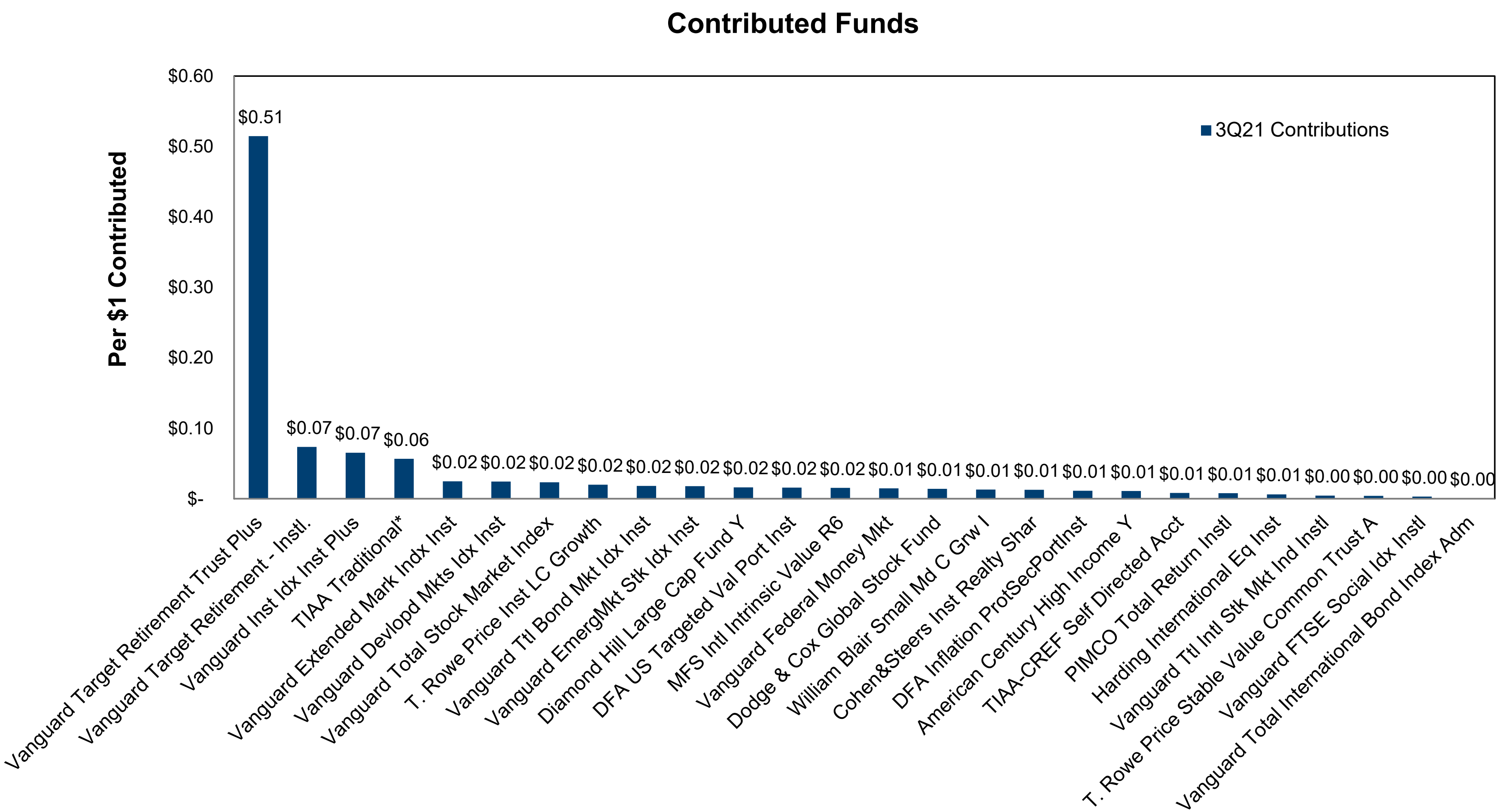
	Allocation		Performance(%)							
	Market Value ($)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Tier II	1,431,516,747	32.8								03/01/2014
Vanguard Total Bond Market Index Fund - Inst.	63,732,254	1.5	0.1 (33)	-1.6 (77)	-0.9 (83)	5.4 (62)	2.9 (70)	3.0 (75)	5.0 (48)	10/01/1995
Performance Benchmark			*0.1 (56)*	*-1.6 (82)*	*-0.9 (84)*	*5.4 (60)*	*3.0 (69)*	*3.0 (71)*	*5.1 (29)*	
Vanguard Total International Bond Index Fund - Adm.	4,774,636	0.1	0.1 (7)	-1.7 (19)	-0.6 (56)	4.1 (20)	2.7 (16)		3.6 (14)	06/01/2013
Blmbg. Global Agg ex-USD Flt Adj RIC Cpd (H)			*0.0 (9)*	*-2.0 (24)*	*-0.9 (64)*	*4.2 (17)*	*2.8 (12)*		*3.8 (11)*	
Vanguard Total Stock Market Index Fund - Inst.	76,572,663	1.8	-0.1 (55)	15.2 (46)	32.1 (28)	16.1 (49)	16.9 (49)	16.6 (43)	8.8 (27)	08/01/1997
Performance Benchmark			*-0.1 (55)*	*15.2 (46)*	*32.1 (28)*	*16.1 (49)*	*16.9 (49)*	*16.6 (43)*	*8.8 (27)*	
Vanguard Institutional Index Fund - Inst. Plus	228,151,621	5.2	0.6 (16)	15.9 (4)	30.0 (4)	16.0 (4)	16.9 (7)	16.6 (4)	8.5 (1)	08/01/1997
S&P 500 Index			*0.6 (1)*	*15.9 (1)*	*30.0 (1)*	*16.0 (4)*	*16.9 (6)*	*16.6 (4)*	*8.4 (3)*	
Vanguard FTSE Social Index Fund - Inst.	8,044,914	0.2	0.8 (23)	15.3 (43)	29.5 (47)	18.1 (33)	18.7 (34)	17.9 (29)	6.7 (69)	06/01/2000
FTSE 4Good U.S. Select Index			*0.8 (23)*	*15.4 (43)*	*29.6 (46)*	*18.2 (32)*	*18.8 (33)*	*18.1 (26)*		
S&P 500 Index			*0.6 (29)*	*15.9 (34)*	*30.0 (44)*	*16.0 (50)*	*16.9 (49)*	*16.6 (42)*	*7.4 (47)*	
Vanguard Extended Market Index Fund - Inst.	91,446,981	2.1	-3.3 (94)	11.7 (27)	42.3 (4)	15.7 (80)	16.4 (83)	16.4 (71)	9.7 (72)	08/01/1997
Performance Benchmark			*-3.3 (94)*	*11.6 (30)*	*42.2 (4)*	*15.5 (81)*	*16.3 (84)*	*16.3 (72)*		
Vanguard Total International Stock Index Fund - Inst.	14,488,730	0.3	-3.0 (75)	6.4 (53)	24.4 (46)	8.3 (59)	9.1 (55)	7.9 (60)	6.1 (58)	12/01/2010
Performance Benchmark			*-2.5 (73)*	*7.0 (49)*	*25.4 (36)*	*8.5 (59)*	*9.3 (54)*	*7.9 (60)*	*6.2 (57)*	
Vanguard Developed Market Index Fund - Inst.	79,237,960	1.8	-1.6 (56)	8.2 (23)	26.6 (28)	8.2 (60)	9.2 (54)	8.6 (48)	7.0 (40)	02/01/2010
Performance Benchmark			*-1.1 (42)*	*8.8 (17)*	*27.4 (27)*	*8.3 (59)*	*9.3 (53)*	*8.6 (49)*	*6.9 (41)*	
Vanguard Emerging Markets Stock Index Fund - Inst.	51,433,644	1.2	-7.0 (51)	1.1 (48)	18.1 (65)	9.5 (46)	8.7 (55)	6.0 (52)	7.5 (73)	07/01/2000
Performance Benchmark			*-6.4 (45)*	*2.0 (44)*	*19.8 (53)*	*9.9 (41)*	*9.0 (46)*	*6.0 (53)*	*7.7 (65)*	
Vanguard Federal Money Market Fund - Inv.	47,166,089	1.1	0.0 (44)	0.0 (41)	0.0 (38)	1.0 (20)	1.1 (19)	0.6 (20)	2.7 (29)	11/01/1989
FTSE 3 Month T-Bill			*0.0 (8)*	*0.0 (9)*	*0.1 (6)*	*1.1 (12)*	*1.1 (15)*	*0.6 (17)*	*2.7 (43)*	
T. Rowe Price Stable Value Common Trust Fund A	14,511,905	0.3	0.4 (4)	1.3 (5)	1.8 (5)	2.0 (26)	2.0 (28)	2.0 (19)	4.6	10/01/1988
Hueler Stable Value Index			*0.4 (5)*	*1.3 (5)*	*1.8 (5)*	*2.2 (11)*	*2.1 (11)*	*2.0 (23)*	*4.7*	
TIAA Traditional - RC	178,702,976	4.1	0.9 (1)	2.7 (1)	3.7 (1)	3.9 (1)	4.0 (1)	4.2 (1)	4.4 (1)	08/01/2005
Hueler Stable Value Index			*0.4 (5)*	*1.3 (5)*	*1.8 (5)*	*2.2 (11)*	*2.1 (11)*	*2.0 (23)*	*2.8 (5)*	
TIAA Traditional - RCP	95,111,426	2.2	0.7 (1)	2.1 (1)	2.9 (1)	3.2 (1)	3.2 (1)	3.4 (1)	3.6 (1)	06/01/2006
Hueler Stable Value Index			*0.4 (5)*	*1.3 (5)*	*1.8 (5)*	*2.2 (11)*	*2.1 (11)*	*2.0 (23)*	*2.7 (8)*	
PIMCO Total Return Fund - Inst.	28,638,500	0.7	0.3 (6)	-0.8 (29)	0.3 (47)	5.8 (41)	3.6 (27)	3.9 (14)	7.0	06/01/1987
Blmbg. U.S. Aggregate			*0.1 (55)*	*-1.6 (76)*	*-0.9 (82)*	*5.4 (65)*	*2.9 (70)*	*3.0 (74)*	*6.1*	

Tier II Performance Summary (cont'd)

As of September 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	41,179,726	0.9	2.0 (2)	3.5 (52)	5.2 (60)	7.8 (10)	4.4 (25)	3.2 (14)	4.6 (20)	10/01/2006
Blmbg. Global Inflation-Linked: U.S. TIPS			*1.8 (26)*	*3.5 (52)*	*5.2 (62)*	*7.4 (25)*	*4.3 (26)*	*3.1 (19)*	*4.4 (30)*	
American Century High Income - Y	41,945,669	1.0	0.8 (39)	5.8 (16)	13.4 (16)	6.9 (21)	6.7 (14)		6.4 (7)	01/01/2013
ICE BofAML US High Yield Master II Constrained			*0.9 (20)*	*4.7 (40)*	*11.5 (35)*	*6.6 (27)*	*6.3 (23)*		*5.9 (18)*	
T. Rowe Price Instl. Large Cap Growth Fund	64,748,594	1.5	-0.5 (78)	16.1 (14)	31.2 (5)	22.0 (31)	24.9 (9)	21.2 (7)	12.6 (7)	11/01/2001
Russell 1000 Growth Index			*1.2 (26)*	*14.3 (36)*	*27.3 (34)*	*22.0 (30)*	*22.8 (30)*	*19.7 (24)*	*10.8 (35)*	
Diamond Hill Large Cap - Y	52,811,961	1.2	-0.2 (33)	15.2 (72)	32.4 (70)	12.8 (13)	13.9 (13)		13.8 (11)	01/01/2012
Russell 1000 Value Index			*-0.8 (49)*	*16.1 (54)*	*35.0 (50)*	*10.1 (50)*	*10.9 (71)*		*12.5 (42)*	
William Blair Small/Mid Cap Growth Fund - I	42,136,367	1.0	-1.2 (33)	6.9 (63)	29.6 (70)	14.6 (62)	19.1 (46)	17.5 (37)	12.3 (17)	01/01/2004
Russell 2500 Growth Index			*-3.5 (86)*	*4.8 (75)*	*32.0 (56)*	*16.0 (53)*	*18.2 (55)*	*17.2 (41)*	*11.5 (32)*	
DFA U.S. Targeted Value - I	54,620,816	1.3	-0.6 (22)	29.6 (1)	72.1 (5)	9.3 (38)	11.3 (22)	14.0 (24)	11.3	03/01/2000
Russell 2500 Value Index			*-2.1 (69)*	*20.1 (56)*	*54.4 (50)*	*8.9 (43)*	*10.5 (39)*	*13.4 (30)*	*10.3*	
Dodge & Cox Global Stock Fund	42,628,787	1.0	-3.4 (96)	16.9 (3)	45.1 (1)	10.2 (80)	11.8 (75)	12.5 (51)	6.9 (64)	05/01/2008
MSCI AC World Index (Net)			*-1.1 (57)*	*11.1 (52)*	*27.4 (38)*	*12.6 (56)*	*13.2 (56)*	*11.9 (64)*	*6.9 (64)*	
Harding Loevner International Equity Instl.	20,681,672	0.5	-2.4 (70)	3.8 (75)	20.5 (59)	9.9 (75)	10.8 (49)	10.0 (35)	6.9	06/01/1994
MSCI AC World ex USA Growth (Net)			*-3.6 (83)*	*2.7 (80)*	*17.0 (78)*	*11.9 (40)*	*11.2 (44)*	*9.3 (52)*		
MFS International Value Fund - R6	48,468,593	1.1	-1.4 (46)	3.5 (99)	13.9 (98)	11.9 (2)	11.5 (2)	12.3 (1)	8.4 (1)	06/01/2006
MSCI AC World ex USA Value (Net)			*-2.3 (66)*	*9.1 (28)*	*31.4 (10)*	*3.8 (98)*	*6.4 (90)*	*5.5 (100)*	*3.1 (99)*	
Cohen and Steers Instl. Realty Shares	40,280,264	0.9	1.1 (46)	22.9 (33)	33.5 (47)	14.1 (15)	9.6 (12)	12.6 (12)	12.1 (8)	03/01/2000
FTSE NAREIT Equity REIT Index			*1.0 (53)*	*23.1 (26)*	*37.4 (33)*	*10.0 (69)*	*6.8 (70)*	*11.3 (44)*	*11.1 (41)*	
Tier III	**36,310,270**	**0.8**								**03/01/2014**
Mutual Fund Window	36,310,270	0.8								
Orphan Accounts	**1,582,241,925**	**36.2**								
TIAA Orphan Accounts	1,503,253,840	34.4								
AIG Orphan Accounts	78,026,726	1.8								
American Century Orphan Accounts	961,359	0.0								
Other Assets	**1,815,168**	**0.0**								**03/01/2014**
Loans	142,275	0.0								
Loans Deemed Distributed	471,730	0.0								
Plan Loan Default Fund	1,201,163	0.0								

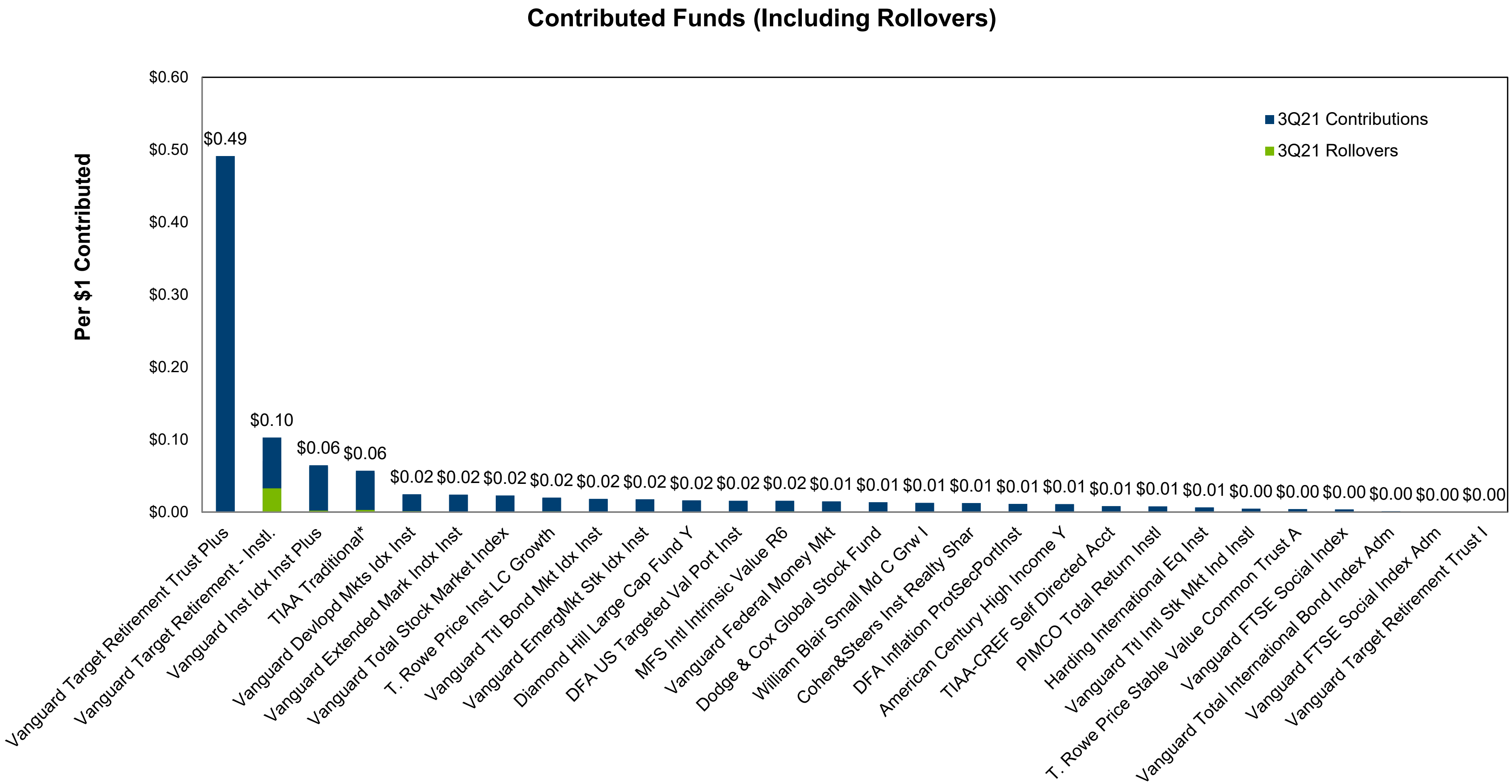
Total Plan Contributions
As of September 30, 2021



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

Source: TIAA

Total Plan Contributions (Including Rollovers)
As of September 30, 2021



*TIAA RC 75% / TIAA RCP 25% Contribution and Rollover Split

Source: TIAA

Empower Results®

Quarterly Participant Transfers
As of September 30, 2021

Investment	Transfers In	Transfers Out	Net Transfers	Ending Balance (9/30/2021)	Number of Participants
Vanguard Target Retirement Trust Plus Funds	$3,008,567	($12,747,420)	($9,738,853)	$1,137,680,703	4,210
Vanguard Target Retirement Mutual Funds	$821,549	($3,625,786)	($2,804,238)	$178,723,722	1,815
Vanguard Total Bond Market Index Inst	$1,608,428	($1,369,116)	$239,312	$63,732,254	1,066
Vanguard Total Int'l Bond Index Fund Adm	$686,594	($269,902)	$416,692	$4,774,636	169
Vanguard Total Stock Market Index Inst	$1,397,747	($1,332,998)	$64,749	$76,572,663	444
Vanguard Institutional Index Inst	$3,229,621	($8,199,862)	($4,970,240)	$228,151,621	1,775
Vanguard FTSE Social Index Fund Inst	$828,974	($472,257)	$356,718	$8,044,914	88
Vanguard Extended Market Index Inst	$3,212,147	($1,452,833)	$1,759,314	$91,446,981	1,416
Vanguard Total International Stock Index Inst	$341,225	($249,618)	$91,608	$14,488,730	157
Vanguard Developed Markets Index Ins	$2,620,958	($1,491,943)	$1,129,014	$79,237,960	1,394
Vanguard Emerging Markets Stock Index Inst	$1,534,741	($1,402,609)	$132,132	$51,433,644	1,524
Vanguard Federal Money Market Inv	$6,762,462	($4,953,273)	$1,809,189	$47,166,089	188
T. Rowe Price Stable Value Common Trust A	$813,598	($222,878)	$590,721	$14,511,905	416
TIAA Traditional	$8,446,557	($3,588,191)	$4,858,367	$273,814,402	1,657
PIMCO Total Return Instl	$1,354,736	($516,684)	$838,051	$28,638,500	566
DFA Inflation Protected Securities Portfolio Inst	$1,978,564	($657,585)	$1,320,979	$41,179,726	1,075
American Century High Income	$1,767,577	($329,825)	$1,437,752	$41,945,669	898
T. Rowe Price Inst LC Growth	$2,914,542	($3,069,133)	($154,591)	$64,748,594	448
Diamond Hill Large Cap Fund Y	$3,517,295	($574,881)	$2,942,414	$52,811,961	1,216
William Blair Small Md C Grw I	$479,101	($1,262,504)	($783,402)	$42,136,367	992
DFA US Targeted Val Port Inst	$1,122,262	($1,979,442)	($857,180)	$54,620,816	1,307
Dodge & Cox Global Stock Fund	$3,413,571	($531,119)	$2,882,452	$42,628,787	911
Harding International Equit Inst	$909,521	($493,329)	$416,192	$20,681,672	880
MFS International Value R6	$652,685	($1,347,076)	($694,392)	$48,468,593	1,332
Cohen & Steers Inst Realty Shares	$609,374	($510,427)	$98,947	$40,280,264	1,548
Mutual Fund Window	$2,270,609	($3,652,315)	($1,381,706)	$36,310,270	55
Total	**$56,303,003**	**($56,303,003)**	**$0**	**$2,784,231,443**	

Source: TIAA

Historical Quarterly Participant Transfers
As of September 30, 2021

	1Q20		2Q20		3Q20		4Q20		1Q21		2Q21		3Q21	
Investment	**Net Transfers ($M)**	**# of Part.**	**Net Transfers ($M)**	**# of Part.**	**Net Transfers ($M)**	**# of Part.**	**Net Transfers ($M)**	**# of Part.**	**Net Transfers ($M)**	**# of Part.**	**Net Transfers ($M)**	**# of Part.**	**Net Transfers ($M)**	**# of Part.**
Vanguard Target Retirement Trust Plus	-$26.63	4,112	-$13.49	4,129	-$8.64	4,286	-$8.64	4,286	-$16.52	4,157	-$17.27	4,009	-$9.74	4,210
Vanguard Target Retirement Mutual Funds	-$7.23	1,601	-$2.97	1,615	-$1.58	1,777	-$1.58	1,777	-$4.57	1,623	-$2.10	1,596	-$2.80	1,815
Vanguard Total Bond Market Index Inst	$4.37	1,019	$1.24	1,062	$3.04	1,069	$3.04	1,069	-$0.47	1,073	$0.38	1,059	$0.24	1,066
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	$0.42	169
Vanguard Total Stock Market Index Inst	-$1.84	476	-$0.73	491	-$2.22	476	-$2.22	476	$0.93	460	-$0.08	440	$0.06	444
Vanguard Institutional Index Inst	-$1.42	1,586	$0.54	1,647	-$1.05	1,674	-$1.05	1,674	-$2.49	1,701	-$0.73	1,724	-$4.97	1,775
Vanguard FTSE Social Index Fund	-$0.34	49	-$0.01	59	$0.06	61	$0.06	61	$0.61	69	$0.52	71	$0.36	88
Vanguard Extended Market Index Inst	$0.07	1,185	$0.23	1,244	-$0.94	1,263	-$0.94	1,263	$6.72	1,309	$2.54	1,361	$1.76	1,416
Vanguard Total International Stock Index Inst	$0.59	162	-$0.27	164	-$0.46	158	-$0.46	158	-$0.12	160	$0.09	151	$0.09	157
Vanguard Developed Markets Index Ins	$1.12	1,237	$0.96	1,277	-$0.11	1,299	-$0.11	1,299	$0.15	1,317	$0.38	1,342	$1.13	1,394
Vanguard Emerging Markets Stock Index Inst	$0.15	1,385	-$0.01	1,426	$0.24	1,437	$0.24	1,437	$1.11	1,447	$0.15	1,482	$0.13	1,524
Vanguard Federal Money Market Inv	$27.46	206	$4.00	247	$0.31	232	$0.31	232	-$4.26	213	-$1.57	185	$1.81	188
T. Rowe Price Stable Value Common Trust A	$1.23	306	$1.42	337	$0.39	360	$0.39	360	$0.74	389	$1.10	396	$0.59	416
TIAA Traditional	$5.16	1,724	$6.26	1,710	$4.77	1,681	$4.77	1,681	$4.75	1,663	$3.92	1,667	$4.86	1,657
PIMCO Total Return Instl	$0.40	569	$0.80	581	$0.16	580	$0.16	580	$0.78	568	$0.14	557	$0.84	566
DFA Inflation Protected Securities Portfolio Inst	$1.33	963	$0.84	989	$2.58	1,007	$2.58	1,007	$1.40	1,034	$2.36	1,053	$1.32	1,075
American Century High Income	$0.09	871	-$0.18	892	$0.54	885	$0.54	885	$2.29	885	$3.40	880	$1.44	898
T. Rowe Price Inst LC Growth	-$0.37	368	$1.41	387	$1.26	401	$1.26	401	-$0.41	418	$0.29	425	-$0.15	448
Diamond Hill Large Cap Fund Y	-$0.69	1,023	-$0.09	1,041	$0.25	1,056	$0.25	1,056	$3.62	1,089	$4.94	1,155	$2.94	1,216
William Blair Small Md C Grw I	-$1.08	1,081	-$1.15	1,138	-$1.21	1,157	-$1.21	1,157	-$1.33	1,086	-$1.92	988	-$0.78	992
DFA US Targeted Val Port Inst	-$0.24	1,195	$0.13	1,247	$0.29	1,267	$0.29	1,267	-$0.47	1,266	-$0.79	1,264	-$0.86	1,307
Dodge & Cox Global Stock Fund	-$2.14	663	$0.06	658	$0.53	684	$0.53	684	$0.79	738	$0.97	828	$2.88	911
Harding International Equit Inst	-$0.85	589	$0.15	584	$0.87	616	$0.87	616	$1.97	735	$1.17	817	$0.42	880
MFS International Value R6	-$0.52	1,266	-$0.30	1,319	$0.32	1,306	$0.32	1,306	$1.72	1,334	$0.48	1,326	-$0.69	1,332
Cohen & Steers Inst Realty Shares	$0.26	1,435	-$0.17	1,470	-$0.18	1,481	-$0.18	1,481	$0.79	1,467	$1.49	1,501	$0.10	1,548
Mutual Fund Window	$0.33	52	$0.26	54	$0.43	56	$0.43	56	$0.77	57	-$0.31	56	-$1.38	55
Total	**$0.00**		**$0.00**		**$0.00**		**$0.00**		**$0.00**		**$0.00**		**$0.00**	

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

Source: TIAA

Annual Investment Fee Monitoring & Transparency

As of September 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	$23,196,931	0.055%	$12,758	0.00%	$0	0.055%	$12,758	0.02994%	$6,945	0.08%	$19,703
Vanguard Target Retirement 2015 Trust Plus	$46,553,492	0.055%	$25,604	0.00%	$0	0.055%	$25,604	0.02994%	$13,938	0.08%	$39,543
Vanguard Target Retirement 2020 Trust Plus	$96,190,913	0.055%	$52,905	0.00%	$0	0.055%	$52,905	0.02994%	$28,800	0.08%	$81,705
Vanguard Target Retirement 2025 Trust Plus	$121,461,785	0.055%	$66,804	0.00%	$0	0.055%	$66,804	0.02994%	$36,366	0.08%	$103,170
Vanguard Target Retirement 2030 Trust Plus	$170,878,695	0.055%	$93,983	0.00%	$0	0.055%	$93,983	0.02994%	$51,161	0.08%	$145,144
Vanguard Target Retirement 2035 Trust Plus	$196,494,612	0.055%	$108,072	0.00%	$0	0.055%	$108,072	0.02994%	$58,830	0.08%	$166,903
Vanguard Target Retirement 2040 Trust Plus	$180,633,060	0.055%	$99,348	0.00%	$0	0.055%	$99,348	0.02994%	$54,082	0.08%	$153,430
Vanguard Target Retirement 2045 Trust Plus	$154,749,208	0.055%	$85,112	0.00%	$0	0.055%	$85,112	0.02994%	$46,332	0.08%	$131,444
Vanguard Target Retirement 2050 Trust Plus	$94,944,669	0.055%	$52,220	0.00%	$0	0.055%	$52,220	0.02994%	$28,426	0.08%	$80,646
Vanguard Target Retirement 2055 Trust Plus	$38,898,933	0.055%	$21,394	0.00%	$0	0.055%	$21,394	0.02994%	$11,646	0.08%	$33,041
Vanguard Target Retirement 2060 Trust Plus	$12,966,439	0.055%	$7,132	0.00%	$0	0.055%	$7,132	0.02994%	$3,882	0.08%	$11,014
Vanguard Target Retirement 2065 Trust Plus	$711,967	0.055%	$392	0.00%	$0	0.055%	$392	0.02994%	$213	0.08%	$605
Vanguard Target Retirement Income - Instl.	$8,981,801	0.09%	$8,084	0.00%	$0	0.09%	$8,084	0.02994%	$2,689	0.12%	$10,773
Vanguard Target Retirement 2015 - Instl.	$16,692,429	0.09%	$15,023	0.00%	$0	0.09%	$15,023	0.02994%	$4,998	0.12%	$20,021
Vanguard Target Retirement 2020 - Instl.	$19,792,540	0.09%	$17,813	0.00%	$0	0.09%	$17,813	0.02994%	$5,926	0.12%	$23,739
Vanguard Target Retirement 2025 - Instl.	$27,400,483	0.09%	$24,660	0.00%	$0	0.09%	$24,660	0.02994%	$8,204	0.12%	$32,864
Vanguard Target Retirement 2030 - Instl.	$24,316,595	0.09%	$21,885	0.00%	$0	0.09%	$21,885	0.02994%	$7,280	0.12%	$29,165
Vanguard Target Retirement 2035 - Instl.	$17,947,999	0.09%	$16,153	0.00%	$0	0.09%	$16,153	0.02994%	$5,374	0.12%	$21,527
Vanguard Target Retirement 2040 - Instl.	$17,369,213	0.09%	$15,632	0.00%	$0	0.09%	$15,632	0.02994%	$5,200	0.12%	$20,833
Vanguard Target Retirement 2045 - Instl.	$16,760,405	0.09%	$15,084	0.00%	$0	0.09%	$15,084	0.02994%	$5,018	0.12%	$20,102
Vanguard Target Retirement 2050 - Instl.	$17,973,195	0.09%	$16,176	0.00%	$0	0.09%	$16,176	0.02994%	$5,381	0.12%	$21,557
Vanguard Target Retirement 2055 - Instl.	$10,248,888	0.09%	$9,224	0.00%	$0	0.09%	$9,224	0.02994%	$3,069	0.12%	$12,293
Vanguard Target Retirement 2060 - Instl.	$1,034,953	0.09%	$931	0.00%	$0	0.09%	$931	0.02994%	$310	0.12%	$1,241
Vanguard Target Retirement 2065 - Instl.	$205,222	0.09%	$185	0.00%	$0	0.09%	$185	0.02994%	$61	0.12%	$246
Vanguard Total Bond Market Index Fund	$63,732,254	0.04%	$22,306	0.00%	$0	0.04%	$22,306	0.02994%	$19,081	0.06%	$41,388
Vanguard Total International Bond Index Fund - Adm.	$4,774,636	0.11%	$5,252	0.00%	$0	0.11%	$5,252	0.02994%	$1,430	0.14%	$6,682
Vanguard Total Stock Market Index Fund	$76,572,663	0.03%	$22,972	0.00%	$0	0.03%	$22,972	0.02994%	$22,926	0.06%	$45,898
Vanguard Institutional Index Fund - Instl. Plus	$228,151,621	0.02%	$45,630	0.00%	$0	0.02%	$45,630	0.02994%	$68,309	0.05%	$113,939
Vanguard FTSE Social Index Fund - Instl.	$8,044,914	0.12%	$9,654	0.00%	$0	0.12%	$9,654	0.02994%	$2,409	0.15%	$12,063
Vanguard Extended Market Index Fund - Instl.	$91,446,981	0.05%	$45,723	0.00%	$0	0.05%	$45,723	0.02994%	$27,379	0.08%	$73,103
Vanguard Total International Stock Index Fund	$14,488,730	0.08%	$11,591	0.00%	$0	0.08%	$11,591	0.02994%	$4,338	0.11%	$15,929
Vanguard Developed Market Index Fund	$79,237,960	0.05%	$39,619	0.00%	$0	0.05%	$39,619	0.02994%	$23,724	0.08%	$63,343
Vanguard Emerging Markets Stock Index Fund - Instl.	$51,433,644	0.10%	$51,434	0.00%	$0	0.10%	$51,434	0.02994%	$15,399	0.13%	$66,833
Vanguard Federal Money Market Fund	$47,166,089	0.11%	$51,883	0.00%	$0	0.11%	$51,883	0.02994%	$14,122	0.14%	$66,004
T. Rowe Price Stable Value Common Trust Fund A	$14,511,905	0.45%	$65,739	0.00%	$0	0.45%	$65,739	0.02994%	$4,345	0.48%	$70,084
TIAA Traditional - RC & RCP	$273,814,402	0.46%	$1,259,546	0.15%	($410,722)	0.31%	$848,825	0.02994%	$81,980	0.34%	$930,805
PIMCO Total Return Fund	$28,638,500	0.47%	$134,601	0.00%	$0	0.47%	$134,601	0.02994%	$8,574	0.50%	$143,175
DFA Inflation-Protected Securities Portfolio	$41,179,726	0.11%	$45,298	0.00%	$0	0.11%	$45,298	0.02994%	$12,329	0.14%	$57,627
American Century High Income	$41,945,669	0.59%	$247,479	0.00%	$0	0.59%	$247,479	0.02994%	$12,559	0.62%	$260,038
T. Rowe Price Instl. Large Cap Growth Fund	$64,748,594	0.56%	$362,592	0.00%	$0	0.56%	$362,592	0.02994%	$19,386	0.59%	$381,978
Diamond Hill Large Cap	$52,811,961	0.55%	$290,466	0.00%	$0	0.55%	$290,466	0.02994%	$15,812	0.58%	$306,278
William Blair Small/Mid Cap Growth Fund	$42,136,367	1.10%	$463,500	0.15%	($63,205)	0.95%	$400,295	0.02994%	$12,616	0.98%	$412,911
DFA U.S. Targeted Value	$54,620,816	0.33%	$180,249	0.00%	$0	0.33%	$180,249	0.02994%	$16,353	0.36%	$196,602
Dodge & Cox Global Stock Fund	$42,628,787	0.62%	$264,298	0.10%	($42,629)	0.52%	$221,670	0.02994%	$12,763	0.55%	$234,433
Harding Loevner International Equity Instl.	$20,681,672	0.81%	$167,522	0.15%	($31,023)	0.66%	$136,499	0.02994%	$6,192	0.69%	$142,691
MFS International Value Fund	$48,468,593	0.63%	$305,352	0.00%	$0	0.63%	$305,352	0.02994%	$14,511	0.66%	$319,864
Cohen and Steers Instl. Realty Shares	$40,280,264	0.75%	$302,102	0.00%	$0	0.75%	$302,102	0.02994%	$12,060	0.78%	$314,162
Mutual Fund Window	$36,310,270	0.00%	$0	0.00%	$0	0.00%	$0	0.02994%	$10,871	0.03%	$10,871
Total	$2,784,231,443	0.19%	$5,181,384	-0.02%	($547,577)	0.17%	$4,633,807	0.02994%	$833,599	0.20%	$5,467,405
Without Brokerage	$2,747,921,173	0.19%	$5,181,384	-0.02%	($547,577)	0.17%	$4,633,807	0.02994%	$822,728	0.20%	$5,456,534

Source: TIAA

Administrative Fee: TIAA Revenue Required (0.01594%), NSHE Revenue Required (0.014%)

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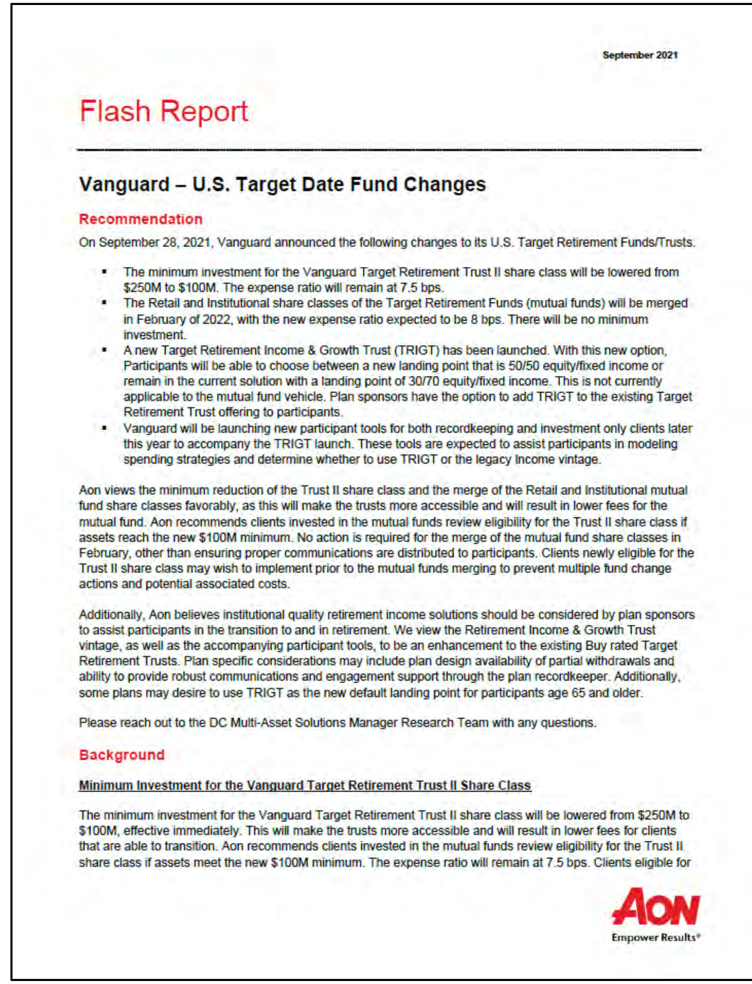
Discussion Topics

Vanguard Target Retirement Trusts/Funds

- Each of the Vanguard Target Retirement Trusts/Funds posted a negative absolute return that modestly underperformed the return of its respective performance benchmark during the third quarter
  - The Target Retirement Income Trust/Fund, with its greater proportion of fixed income assets, returned -0.1%
  - The longer-dated, more equity-heavy Target Retirement 2065 Trust/Fund returned -1.1%
- For the twelve months ended September 30, 2021, all the Vanguard Target Retirement Trusts/Funds posted a positive absolute return but continued to exhibit a modest level of tracking error
  - The Target Retirement Income Trusts/Funds returned 8.5%, while the Target Retirement 2065 Trust Plus returned 25.7%
  - 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
- The Vanguard Target Retirement Funds remain “Buy” rated by our Global Investment Management Research Team

Vanguard Flash Report – Target Date Fund Changes

- On September 28, 2021, Vanguard announced the following changes to its Target Retirement Fund/Trust series
  - The “Institutional” and “Investor” mutual fund share classes will be merged in February 2022, with a new expense ratio of 8.0 bps (0.08%)
  - A new Target Retirement Income & Growth Trust (TRIGT) will be launched
    - Instead of continuing to de-risk post-retirement until age 72, the TRIGT will stop de-risking at the mix of 50/50 equity/fixed income
  - New participant tools will be launched to assist participants in modeling spending strategies
- We recommend the Committee consider adding the Vanguard TRIGT to the 401(a) plan as soon as administratively feasible
- A detailed Flash Report is included under section 4 of this presentation


September 2021

Flash Report

Vanguard – U.S. Target Date Fund Changes

Recommendation

On September 28, 2021, Vanguard announced the following changes to its U.S. Target Retirement Funds/Trusts.

- The minimum investment for the Vanguard Target Retirement Trust II share class will be lowered from $250M to $100M. The expense ratio will remain at 7.5 bps.
- The Retail and Institutional share classes of the Target Retirement Funds (mutual funds) will be merged in February of 2022, with the new expense ratio expected to be 8 bps. There will be no minimum investment.
- A new Target Retirement Income & Growth Trust (TRIGT) has been launched. With this new option, Participants will be able to choose between a new landing point that is 50/50 equity/fixed income or remain in the current solution with a landing point of 30/70 equity/fixed income. This is not currently applicable to the mutual fund vehicle. Plan sponsors have the option to add TRIGT to the existing Target Retirement Trust offering to participants.
- Vanguard will be launching new participant tools for both recordkeeping and investment only clients later this year to accompany the TRIGT launch. These tools are expected to assist participants in modeling spending strategies and determine whether to use TRIGT or the legacy Income vintage.

Aon views the minimum reduction of the Trust II share class and the merge of the Retail and Institutional mutual fund share classes favorably, as this will make the trusts more accessible and will result in lower fees for the mutual fund. Aon recommends clients invested in the mutual funds review eligibility for the Trust II share class if assets reach the new $100M minimum. No action is required for the merge of the mutual fund share classes in February, other than ensuring proper communications are distributed to participants. Clients newly eligible for the Trust II share class may wish to implement prior to the mutual funds merging to prevent multiple fund change actions and potential associated costs.

Additionally, Aon believes institutional quality retirement income solutions should be considered by plan sponsors to assist participants in the transition to and in retirement. We view the Retirement Income & Growth Trust vintage, as well as the accompanying participant tools, to be an enhancement to the existing Buy rated Target Retirement Trusts. Plan specific considerations may include plan design availability of partial withdrawals and ability to provide robust communications and engagement support through the plan recordkeeper. Additionally, some plans may desire to use TRIGT as the new default landing point for participants age 65 and older.

Please reach out to the DC Multi-Asset Solutions Manager Research Team with any questions.

Background

Minimum Investment for the Vanguard Target Retirement Trust II Share Class

The minimum investment for the Vanguard Target Retirement Trust II share class will be lowered from $250M to $100M, effective immediately. This will make the trusts more accessible and will result in lower fees for clients that are able to transition. Aon recommends clients invested in the mutual funds review eligibility for the Trust II share class if assets meet the new $100M minimum. The expense ratio will remain at 7.5 bps. Clients eligible for

Empower Results®

Empower Results®

Vanguard Emerging Markets Stock Index Fund

- The Fund registered "Yellow" on the Watch List during the third quarter
  - Due to the Fund's historical underperformance relative to its benchmark over the trailing five-year period and in three of the four most recent trailing calendar quarters
- The Fund underperformed the return of its performance benchmark, the FTSE Emerging Markets All Cap China A Inclusion Index, by 0.6 percentage points during the third quarter
- The Fund's relative outperformance was primarily attributable to:
  - Relative underperformance was due to a combination of fair value pricing adjustments, underlying fund tracking, and the negative impact of expenses
- For the twelve months ended September 30, 2021, the Fund generated a return of 18.1% versus the benchmark's return of 19.8%
- Longer-term annualized performance (trailing 3-, 5-, and 10-year) remained mixed relative to the Fund's performance benchmark
- We 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

William Blair Small-Mid Cap Growth Fund

- The Fund was removed from the Watch List during the third quarter
- The Fund outperformed the return of its benchmark, the Russell 2500 Growth Index, by 2.3 percentage points during the third quarter
- The Fund's relative outperformance was primarily attributable to:
  - Positive stock selection within the industrials and information technology sectors
  - An underweight to the most expensive stocks in the Index
  - Notable contributors included Builders FirstSource, Pure Storage, Dynatrace, and NIC
- Partially offsetting the period's relative outperformance was negative stock selection within the health care sector
- For the twelve months ended September 30, 2021, the Fund generated a return of 29.6% versus the benchmark's return of 32.0%
- Longer-term annualized performance (trailing 3-, 5-, and 10-year) remained mixed relative to the Fund's benchmark and peer group average
- The strategy remains "Buy" rated by our Global Investment Management Research Team

Legislative and Regulatory Update on ESG Investing

January 12, 2021

- "Financial Factors in Selecting Plan Investments" (the Rule) became effective:
  - ERISA plan fiduciaries should not offer investment option(s) if they **subordinate returns or increase risk for the purpose of nonpecuniary objectives**
  - Prohibits ERISA fiduciaries from including investment strategies that "consider, include, or indicate the use of non-pecuniary factors" as a plan's QDIA

March 10, 2021

- Department of Labor (DOL) announces a new **non-enforcement policy** regarding:
  - "Financial Factors in Selecting Plan Investments"
  - "Fiduciary Duties Regarding Proxy Voting and Shareholder Rights"
- The Rule, however, is **still technically in effect**

October 13, 2021

- The DOL issued a Proposal explicitly permitting fiduciaries to consider climate change and other environmental, social, and governance (ESG) factors when selecting investments and exercising shareholder rights
  - The Proposed Rule is open for public comment until **December 13, 2021**, 60 days from publication in the Federal Register
- The DOL will review the public comments and may revise the proposal before issuing a final rule in 2022

Overview of Proposal

- In contrast to the Trump-era policies, the Proposal sets forth a framework that would amend the “investment duties” regulation under ERISA (as it stands under the current Rule) to reflect the following:

  1. **<u>Fiduciary Duty of Prudence</u>**

     - Allow for the evaluation of the economic effects of climate change and other ESG criteria in an investment analysis
       - **May even *<u>require</u>*** the consideration of such factors when evaluating an investment’s risks and returns
     - Confirms that an ERISA fiduciary may **consider any factor material to the risk-return analysis**, including:
       - A corporation’s exposure to real and potential economic effects of climate change
       - Board composition, executive compensation, and transparency and accountability in corporate decision-making
       - Workforce practices, including the corporation’s progress on diversity, inclusion, and other drivers of employee hiring, promotion, and retention

Source: Latham & Watkins LLP

Overview of Proposal (cont'd)

2. **Fiduciary Duty of Loyalty**

- Eliminates the Rule's use of the term "pecuniary factors," and confirms that **consideration of all material factors** is consistent with ERISA's duty of loyalty
- Modifies the prohibitive "tie-breaker" standard in the Rule
  - ➢ If an ERISA fiduciary prudently concludes that competing investment choices equally serve the financial interests of participants, a fiduciary can choose the investment based upon collateral benefits other than investment returns
- Eliminates the Rule's specific documentation requirements for tie-breaker cases that single out and create burdens for investments providing collateral benefits
  - ➢ Adds a new requirement that, for such choices, the collateral-benefit characteristics **must be prominently displayed in disclosure materials** provided to participants and beneficiaries
- Eliminates the Rule's prohibition of certain investment alternatives as a Qualified Default Investment Alternative (QDIA) if the fund, product, or model portfolio reflects non-pecuniary objectives
  - ➢ The collateral-benefit characteristics **must be prominently displayed in disclosure materials** provided to participants and beneficiaries

Source: Latham & Watkins LLP

Discussion Topics

Flash Report

Vanguard – U.S. Target Date Fund Changes

Recommendation

On September 28, 2021, Vanguard announced the following changes to its U.S. Target Retirement Funds/Trusts.

- The minimum investment for the Vanguard Target Retirement Trust II share class will be lowered from $250M to $100M. The expense ratio will remain at 7.5 bps.
- The Retail and Institutional share classes of the Target Retirement Funds (mutual funds) will be merged in February of 2022, with the new expense ratio expected to be 8 bps. There will be no minimum investment.
- A new Target Retirement Income & Growth Trust (TRIGT) has been launched. With this new option, Participants will be able to choose between a new landing point that is 50/50 equity/fixed income or remain in the current solution with a landing point of 30/70 equity/fixed income. This is not currently applicable to the mutual fund vehicle. Plan sponsors have the option to add TRIGT to the existing Target Retirement Trust offering to participants.
- Vanguard will be launching new participant tools for both recordkeeping and investment only clients later this year to accompany the TRIGT launch. These tools are expected to assist participants in modeling spending strategies and determine whether to use TRIGT or the legacy Income vintage.

Aon views the minimum reduction of the Trust II share class and the merge of the Retail and Institutional mutual fund share classes favorably, as this will make the trusts more accessible and will result in lower fees for the mutual fund. Aon recommends clients invested in the mutual funds review eligibility for the Trust II share class if assets reach the new $100M minimum. No action is required for the merge of the mutual fund share classes in February, other than ensuring proper communications are distributed to participants. Clients newly eligible for the Trust II share class may wish to implement prior to the mutual funds merging to prevent multiple fund change actions and potential associated costs.

Additionally, Aon believes institutional quality retirement income solutions should be considered by plan sponsors to assist participants in the transition to and in retirement. We view the Retirement Income & Growth Trust vintage, as well as the accompanying participant tools, to be an enhancement to the existing Buy rated Target Retirement Trusts. Plan specific considerations may include plan design availability of partial withdrawals and ability to provide robust communications and engagement support through the plan recordkeeper. Additionally, some plans may desire to use TRIGT as the new default landing point for participants age 65 and older.

Please reach out to the DC Multi-Asset Solutions Manager Research Team with any questions.

Background

Minimum Investment for the Vanguard Target Retirement Trust II Share Class

The minimum investment for the Vanguard Target Retirement Trust II share class will be lowered from $250M to $100M, effective immediately. This will make the trusts more accessible and will result in lower fees for clients that are able to transition. Aon recommends clients invested in the mutual funds review eligibility for the Trust II share class if assets meet the new $100M minimum. The expense ratio will remain at 7.5 bps. Clients eligible for the Trust II share class may wish to implement prior to the mutual funds merging to prevent multiple fund change actions.

<u>Mutual Fund Share Class Merger</u>

The Retail and Institutional share classes of the Target Retirement Funds (mutual funds) will be merged in February of 2022, with the new expense ratio expected to be 8 bps. There will be no minimum investment. No action is required for the merge of the mutual fund share classes in February, other than ensuring proper communications are distributed to participants. Clients eligible for the Trust II share class may wish to implement prior to the mutual funds merging to prevent multiple fund change actions.

<u>Target Retirement Income & Growth Trust (Not Currently Applicable to Mutual Fund Vehicle)</u>

Vanguard has launched a new Target Retirement Income & Growth Trust. With this new option, Participants will be able to choose between a new landing point that is 50/50 equity/fixed income or remain in the current solution with a landing point of 30/70 equity/fixed income. The asset allocation and underlying strategies used in this new option are the same as the retirement age vintage of the existing Target Retirement Trusts. Instead of continuing to de-risk post-retirement until age 72, the Retirement Income & Growth Trust will stop de-risking at retirement at the mix of 50/50 equity/fixed income. The goal is to provide a higher equity allocation in retirement to support participants with a need to fund higher spending goals. Along with this option, Vanguard will be launching new participant tools for both recordkeeping and investment only clients later this year. These tools are expected to assist participants in modeling spending strategies and determine whether to use TRIGT or the legacy Income vintage. Currently, the product is only being offered through the Trust vehicle.

Focus on Retirement Income

Historically, employers have been focused on encouraging participants to save enough and to invest their savings appropriately to accumulate enough wealth to retire. Today, more than ever before, participants are relying on their defined contribution savings to fund retirement. Spending down retirement savings can be extremely intimidating, and employers are increasingly looking for ways to:

1) Encourage participants to keep their savings in an employer plan during retirement due to cost advantages of institutional products versus what is available in the retail world

2) Provide resources to better support planning for the “Spending Phase”

3) Help participants manage investments consistent with retiree objectives and spending down balances

4) Contemplate solutions for retiree-specific risks such as longevity risk and mental decline

The Vanguard TRIGT is just one of many retirement income solutions that has been developed to assist employers and their participants with ways to address these issues.

Disclaimer

Aon plc/Aon Solutions UK Limited
Registered office
The Aon Centre
The Leadenhall Building
122 Leadenhall Street
London
EC3V 4AN

Aon Investments USA Inc.
200 E. Randolph Street
Suite 700
Chicago, IL 60601
USA

Aon Hewitt Inc./Aon Investments Canada Inc.
20 Bay Street, Suite 2300
Toronto, ON
M5J 2N9
Canada

Discussion Topics

Morningstar Model Portfolios – RC Performance
As of September 30, 2021

	Performance(%)						
	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
RC							
Very Conservative RC	0.6	2.4	5.6	5.9	5.1	4.7	04/01/2014
Very Conservative Benchmark RC	*0.6*	*2.4*	*5.4*	*6.0*	*5.0*	*4.6*	
Conservative RC	0.1	4.6	11.1	7.0	6.7	5.7	04/01/2014
Conservative Benchmark RC	*0.1*	*4.9*	*11.6*	*7.5*	*6.9*	*6.0*	
Moderately Conservative RC	-0.2	6.3	14.8	9.1	8.9	7.6	04/01/2014
Moderately Conservative Benchmark RC	*-0.2*	*6.4*	*15.7*	*8.8*	*8.5*	*7.2*	
Moderate RC	-0.4	7.9	19.8	9.6	9.7	8.1	04/01/2014
Moderate Benchmark RC	*-0.5*	*8.0*	*19.9*	*9.8*	*9.7*	*8.0*	
Moderately Aggressive RC	-0.9	9.9	24.7	11.3	11.3	9.0	04/01/2014
Moderately Aggressive Benchmark RC	*-0.9*	*9.2*	*23.7*	*10.8*	*10.9*	*8.8*	
Aggressive RC	-1.2	11.2	29.2	12.6	12.6	10.0	04/01/2014
Aggressive Benchmark RC	*-1.2*	*10.4*	*27.6*	*11.8*	*12.2*	*9.6*	
Very Aggressive RC	-1.9	12.1	32.6	13.0	13.4	10.3	04/01/2014
Very Aggressive Benchmark RC	*-1.7*	*11.5*	*31.5*	*12.3*	*13.0*	*10.1*	
RC Ex-TIAA							
Very Conservative RC Ex-TIAA	0.3	1.1	4.0	5.9	4.3	4.1	04/01/2014
Very Conservative Benchmark RC Ex-TIAA	*0.2*	*0.7*	*3.5*	*6.7*	*4.6*	*4.3*	
Conservative RC Ex-TIAA	-0.1	3.3	9.6	7.5	6.4	5.6	04/01/2014
Conservative Benchmark RC Ex-TIAA	*-0.2*	*3.4*	*9.9*	*8.3*	*6.7*	*5.9*	
Moderately Conservative RC Ex-TIAA	-0.2	5.3	13.8	9.1	8.3	7.2	04/01/2014
Moderately Conservative Benchmark RC Ex-TIAA	*-0.4*	*5.1*	*14.1*	*9.4*	*8.2*	*7.0*	
Moderate RC Ex-TIAA	-0.6	7.2	18.6	9.8	9.3	7.8	04/01/2014
Moderate Benchmark RC Ex-TIAA	*-0.7*	*7.0*	*18.7*	*10.2*	*9.6*	*7.9*	
Moderately Aggressive RC Ex-TIAA	-1.1	9.4	24.2	11.1	10.7	8.7	04/01/2014
Moderately Aggressive Benchmark RC Ex-TIAA	*-1.0*	*8.5*	*22.9*	*11.0*	*10.7*	*8.6*	
Aggressive RC Ex-TIAA	-1.2	10.8	28.5	12.0	12.1	9.6	04/01/2014
Aggressive Benchmark RC Ex-TIAA	*-1.3*	*10.1*	*27.2*	*11.7*	*12.0*	*9.4*	
Very Aggressive RC Ex-TIAA	-2.0	12.1	32.8	12.9	13.3	10.3	04/01/2014
Very Aggressive Benchmark RC Ex-TIAA	*-1.7*	*11.5*	*31.5*	*12.3*	*13.0*	*10.1*	

Morningstar Model Portfolios – RC Allocations

As of September 30, 2021

RC

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	10%	12%	9%	7%	7%	-	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	3%	3%	4%
DFA Inflation-Protected Securities I	11%	7%	7%	5%	3%	5%	-
DFA US Targeted Value I	-	3%	-	4%	3%	5%	5%
Diamond Hill Large Cap Y	3%	4%	3%	5%	8%	19%	17%
Dodge & Cox Global Stock	-	5%	5%	3%	13%	9%	16%
Harding International Eq Inst	-	-	-	3%	4%	3%	3%
MFS International Value R6	4%	-	3%	-	4%	4%	-
PIMCO Total Return Instl	-	-	-	-	3%	-	-
T. Rowe Price Large-Cap Growth I	-	-	3%	-	-	-	-
T. Rowe Price Stable Value Fund	10%	7%	5%	3%	-	-	-
TIAA Traditional	40%	34%	30%	22%	15%	7%	-
Vanguard Developed Markets Idx Instl	-	5%	7%	12%	8%	14%	18%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	5%	5%	9%	11%
Vanguard Extended Market Idx I	-	5%	13%	8%	15%	9%	16%
Vanguard Institutional Index Instl Pl	-	4%	4%	16%	9%	10%	10%
Vanguard Total Bond Market Index I	19%	11%	5%	4%	-	-	-
William Blair Small-Mid Cap Gr I	3%	-	-	-	-	3%	-

RC Ex-TIAA

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	11%	12%	9%	7%	6%	-	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	3%	3%	4%
DFA Inflation-Protected Securities I	11%	8%	7%	5%	4%	3%	-
DFA US Targeted Value I	-	3%	-	4%	3%	6%	6%
Diamond Hill Large Cap Y	6%	4%	4%	6%	9%	18%	18%
Dodge & Cox Global Stock	-	5%	5%	4%	13%	8%	15%
Harding International Eq Inst	3%	-	3%	3%	5%	3%	4%
MFS International Value R6	-	-	-	-	5%	5%	-
PIMCO Total Return Instl	3%	-	-	-	-	-	-
T. Rowe Price Large-Cap Growth I	-	-	4%	-	-	-	-
T. Rowe Price Stable Value Fund	24%	19%	15%	11%	7%	4%	-
Vanguard Developed Markets Idx Instl	-	4%	6%	11%	6%	14%	17%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	5%	5%	9%	11%
Vanguard Extended Market Idx I	-	5%	13%	8%	14%	8%	12%
Vanguard Institutional Index Instl Pl	-	4%	3%	15%	9%	11%	10%
Vanguard Total Bond Market Index I	42%	33%	25%	18%	11%	5%	-
William Blair Small-Mid Cap Gr I	-	-	-	-	-	3%	3%

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

Morningstar Model Portfolios – RC Benchmarks
As of September 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 September 30, 2021

	Performance(%)						
	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
RCP							
Very Conservative RCP	0.4	2.1	5.1	5.6	4.7	4.3	04/01/2014
Very Conservative Benchmark RCP	*0.5*	*2.3*	*5.1*	*5.2*	*4.4*	*4.1*	
Conservative RCP	0.0	3.9	10.9	6.9	6.5	5.4	04/01/2014
Conservative Benchmark RCP	*0.0*	*4.6*	*11.2*	*7.2*	*6.6*	*5.7*	
Moderately Conservative RCP	-0.3	5.9	14.9	8.9	8.5	7.3	04/01/2014
Moderately Conservative Benchmark RCP	*-0.3*	*6.0*	*15.1*	*8.5*	*8.1*	*6.9*	
Moderate RCP	-0.5	8.1	20.0	10.2	9.7	8.0	04/01/2014
Moderate Benchmark RCP	*-0.6*	*7.5*	*19.3*	*9.9*	*9.6*	*7.9*	
Moderately Aggressive RCP	-1.1	9.5	24.4	11.4	11.1	9.0	04/01/2014
Moderately Aggressive Benchmark RCP	*-0.9*	*8.9*	*23.3*	*10.7*	*10.7*	*8.6*	
Aggressive RCP	-1.7	10.2	27.6	12.5	12.4	9.8	04/01/2014
Aggressive Benchmark RCP	*-1.3*	*10.0*	*27.2*	*11.7*	*12.1*	*9.5*	
Very Aggressive RCP	-2.0	11.9	32.5	13.0	13.4	10.4	04/01/2014
Very Aggressive Benchmark RCP	*-1.7*	*11.5*	*31.5*	*12.4*	*13.1*	*10.1*	
RCP Ex-TIAA							
Very Conservative RCP Ex-TIAA	0.2	0.4	3.3	6.7	4.7	4.4	04/01/2014
Very Conservative Benchmark RCP Ex-TIAA	*0.2*	*0.7*	*3.4*	*6.3*	*4.4*	*4.2*	
Conservative RCP Ex-TIAA	-0.1	3.1	9.5	8.1	6.7	5.8	04/01/2014
Conservative Benchmark RCP Ex-TIAA	*-0.2*	*3.4*	*9.8*	*8.0*	*6.6*	*5.7*	
Moderately Conservative RCP Ex-TIAA	-0.5	4.3	12.5	9.3	8.3	7.2	04/01/2014
Moderately Conservative Benchmark RCP Ex-TIAA	*-0.4*	*5.1*	*14.0*	*9.0*	*8.0*	*6.8*	
Moderate RCP Ex-TIAA	-0.7	6.8	18.5	10.4	9.6	7.9	04/01/2014
Moderate Benchmark RCP Ex-TIAA	*-0.7*	*6.9*	*18.6*	*10.2*	*9.5*	*7.9*	
Moderately Aggressive RCP Ex-TIAA	-1.2	9.2	23.9	11.7	11.0	8.9	04/01/2014
Moderately Aggressive Benchmark RCP Ex-TIAA	*-1.0*	*8.5*	*22.9*	*11.0*	*10.7*	*8.6*	
Aggressive RCP Ex-TIAA	-1.4	10.1	27.3	12.2	12.2	9.6	04/01/2014
Aggressive Benchmark RCP Ex-TIAA	*-1.3*	*9.9*	*27.0*	*11.6*	*12.0*	*9.4*	
Very Aggressive RCP Ex-TIAA	-2.0	11.9	32.5	12.9	13.4	10.4	04/01/2014
Very Aggressive Benchmark RCP Ex-TIAA	*-1.7*	*11.5*	*31.5*	*12.3*	*13.1*	*10.1*	

Morningstar Model Portfolios – RCP Allocations

As of September 30, 2021

RCP

Fund Name	Very Conservative	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	Very Aggressive
American Century High Income Y	7%	8%	7%	7%	6%	-	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	3%	3%	4%
DFA Inflation-Protected Securities I	5%	5%	4%	3%	3%	-	-
DFA US Targeted Value I	-	3%	-	5%	4%	3%	5%
Diamond Hill Large Cap Y	3%	10%	3%	5%	11%	15%	17%
Dodge & Cox Global Stock	-	6%	8%	3%	8%	16%	16%
Harding International Eq Inst	-	-	-	3%	7%	5%	4%
MFS International Value	-	-	3%	3%	-	4%	-
PIMCO Total Return Instl	29%	17%	11%	4%	-	-	-
TIAA Traditional	40%	32%	25%	16%	10%	5%	-
Vanguard Developed Markets Idx Instl	4%	5%	6%	10%	11%	10%	17%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	5%	6%	7%	11%
Vanguard Extended Market Idx I	-	3%	12%	7%	10%	17%	16%
Vanguard Federal Money Market Inv	4%	-	-	-	-	-	-
Vanguard Institutional Index Instl Pl	-	-	7%	16%	13%	8%	10%
Vanguard Total Bond Market Index I	-	3%	3%	7%	5%	7%	-
Vanguard Total International Bond Market Index	5%	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%	10%	8%	7%	7%	-	-
Cohen & Steers Instl Realty Shares	-	-	3%	3%	3%	3%	4%
DFA Inflation-Protected Securities I	10%	8%	6%	4%	3%	-	-
DFA US Targeted Value I	-	3%	-	4%	3%	5%	5%
Diamond Hill Large Cap Y	3%	4%	3%	5%	9%	17%	17%
Dodge & Cox Global Stock	-	5%	3%	4%	12%	15%	16%
Harding International Eq Inst	-	-	3%	3%	7%	3%	4%
MFS International Value	-	-	3%	-	-	-	-
PIMCO Total Return Instl	-	4%	4%	5%	3%	3%	-
T. Rowe Price Large-Cap Growth I	-	-	-	-	-	-	-
Vanguard Developed Markets Idx Instl	4%	5%	5%	11%	8%	15%	17%
Vanguard Emerging Mkts Stock Idx I	-	3%	3%	5%	5%	8%	11%
Vanguard Extended Market Idx I	-	5%	12%	8%	13%	9%	16%
Vanguard Federal Money Market Inv	6%	3%	-	-	-	-	-
Vanguard Institutional Index Instl Pl	-	4%	10%	16%	12%	10%	10%
Vanguard Total Bond Market Index I	65%	43%	34%	22%	12%	6%	-
Vanguard Total International Bond Market Index	-	3%	3%	3%	3%	3%	-
William Blair Small-Mid Cap Gr I	3%	-	-	-	-	3%	-

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

Morningstar Model Portfolios – RCP Benchmarks

As of September 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 September 30, 2021

	Performance(%)						
	1 Quarter	Year To Date	1 Year	3 Years	5 Years	Since Inception	Inception Date
RC							
Very Conservative RC (Static)	0.5	2.4	5.2	5.9	5.0	4.6	04/01/2014
Very Conservative Benchmark RC (Static)	*0.6*	*2.7*	*5.8*	*5.5*	*4.7*	*4.4*	
Conservative RC (Static)	0.3	5.4	12.1	7.8	7.2	6.2	04/01/2014
Conservative Benchmark RC (Static)	*0.1*	*5.2*	*12.0*	*7.5*	*7.0*	*6.0*	
Moderately Conservative RC (Static)	-0.1	7.9	17.5	9.3	8.9	7.5	04/01/2014
Moderately Conservative Benchmark RC (Static)	*0.0*	*7.2*	*16.3*	*8.7*	*8.3*	*7.1*	
Moderate RC (Static)	-0.7	9.3	21.8	10.7	10.4	8.6	04/01/2014
Moderate Benchmark RC (Static)	*-0.5*	*8.4*	*20.7*	*9.7*	*9.7*	*8.0*	
Moderately Aggressive RC (Static)	-1.0	11.2	26.6	11.7	11.8	9.5	04/01/2014
Moderately Aggressive Benchmark RC (Static)	*-0.7*	*9.9*	*24.6*	*10.7*	*10.9*	*8.8*	
Aggressive RC (Static)	-1.5	12.6	30.7	12.9	13.4	10.6	04/01/2014
Aggressive Benchmark RC (Static)	*-1.1*	*10.8*	*28.2*	*11.6*	*12.1*	*9.5*	
Very Aggressive RC (Static)	-1.9	13.9	35.5	13.1	13.9	10.6	04/01/2014
Very Aggressive Benchmark RC (Static)	*-1.4*	*12.4*	*32.4*	*12.2*	*13.0*	*10.1*	
RCP							
Very Conservative RCP (Static)	0.5	2.5	5.7	6.0	4.9	4.5	04/01/2014
Very Conservative Benchmark RCP (Static)	*0.5*	*2.5*	*5.5*	*5.2*	*4.4*	*4.1*	
Conservative RCP (Static)	0.2	5.3	12.0	7.6	7.0	6.0	04/01/2014
Conservative Benchmark RCP (Static)	*0.1*	*4.9*	*11.6*	*7.3*	*6.7*	*5.8*	
Moderately Conservative RCP (Static)	-0.2	7.6	17.1	9.2	8.6	7.3	04/01/2014
Moderately Conservative Benchmark RCP (Static)	*-0.1*	*6.8*	*15.8*	*8.6*	*8.1*	*6.9*	
Moderate RCP (Static)	-0.7	8.9	21.4	10.7	10.3	8.5	04/01/2014
Moderate Benchmark RCP (Static)	*-0.5*	*8.1*	*20.2*	*9.7*	*9.5*	*7.8*	
Moderately Aggressive RCP (Static)	-1.1	10.9	26.3	11.7	11.7	9.4	04/01/2014
Moderately Aggressive Benchmark RCP (Static)	*-0.8*	*9.6*	*24.2*	*10.6*	*10.7*	*8.6*	
Aggressive RCP (Static)	-1.5	12.4	30.6	12.9	13.4	10.6	04/01/2014
Aggressive Benchmark RCP (Static)	*-1.2*	*10.6*	*28.0*	*11.7*	*12.1*	*9.5*	
Very Aggressive RCP (Static)	-1.9	13.9	35.5	13.1	13.9	10.6	04/01/2014
Very Aggressive Benchmark RCP (Static)	*-1.4*	*12.4*	*32.4*	*12.2*	*13.0*	*10.1*	

Empower Results®

Discussion Topics

Active Investment Options – Correlation Table

- In the table below, we illustrate the historical correlation among NSHE's existing investment options and international equity manager candidates
- Correlations above **0.7** are shown in red, between **0.3 and 0.7** in yellow, and below **0.3** in green

Correlation of Monthly Returns
Longest Common Period
5 years and 5 months as of 9/30/2021

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U
A	**GQG International Opportunities Fund**	1.00																				
B	**Harbor Diversified International All Cap Fund**	0.85	1.00																			
C	**MFS International Equity Fund**	0.88	0.96	1.00																		
D	**Artisan International Value Inst.**	0.81	0.98	0.94	1.00																	
E	**Dodge & Cox International Stock**	0.76	0.96	0.92	0.97	1.00																
F	**Oakmark International Fund R6**	0.75	0.95	0.91	0.97	0.98	1.00															
G	**Vanguard Federal Money Market Fund - Inv.**	-0.14	-0.21	-0.16	-0.21	-0.22	-0.22	1.00														
H	**T. Rowe Price Stable Value Common Trust Fund A**	-0.02	-0.15	-0.11	-0.17	-0.24	-0.25	0.69	1.00													
I	**TIAA Traditional - RC**	-0.03	-0.07	-0.09	-0.09	-0.03	-0.05	0.13	0.10	1.00												
J	**TIAA Traditional - RCP**	-0.03	-0.05	-0.07	-0.07	-0.01	-0.04	0.15	0.10	0.99	1.00											
K	**PIMCO Total Return Fund - Instl.**	0.33	0.20	0.25	0.15	0.09	0.09	0.17	0.39	0.05	0.05	1.00										
L	**DFA Inflation-Protected Securities Portfolio - I**	0.40	0.25	0.31	0.21	0.11	0.12	0.02	0.33	-0.03	-0.03	0.82	1.00									
M	**American Century High Income - Y**	0.68	0.83	0.74	0.82	0.79	0.78	-0.22	-0.11	0.06	0.06	0.32	0.33	1.00								
N	**T. Rowe Price Instl. Large Cap Growth Fund**	0.83	0.80	0.78	0.77	0.73	0.74	-0.18	-0.10	-0.04	-0.04	0.19	0.31	0.70	1.00							
O	**Diamond Hill Large Cap - Y**	0.76	0.88	0.83	0.88	0.85	0.85	-0.17	-0.13	-0.06	-0.06	0.06	0.16	0.79	0.83	1.00						
P	**William Blair Small/Mid Cap Growth Fund - I**	0.71	0.78	0.73	0.77	0.70	0.72	-0.15	-0.04	-0.02	-0.02	0.19	0.25	0.77	0.88	0.86	1.00					
Q	**DFA U.S. Targeted Value - I**	0.61	0.83	0.72	0.85	0.82	0.84	-0.26	-0.23	-0.06	-0.06	-0.10	0.03	0.75	0.72	0.91	0.82	1.00				
R	**Dodge & Cox Global Stock Fund**	0.75	0.94	0.88	0.96	0.97	0.96	-0.23	-0.23	-0.05	-0.04	0.06	0.11	0.81	0.79	0.93	0.79	0.90	1.00			
S	**Harding Loevner International Equity Instl.**	0.88	0.94	0.96	0.92	0.88	0.86	-0.21	-0.12	-0.03	-0.01	0.26	0.34	0.76	0.79	0.80	0.75	0.72	0.85	1.00		
T	**MFS International Value - R6**	0.88	0.86	0.92	0.82	0.76	0.74	-0.14	0.02	-0.04	-0.02	0.33	0.43	0.66	0.80	0.78	0.75	0.62	0.74	0.93	1.00	
U	**Cohen and Steers Instl. Realty Shares**	0.60	0.66	0.63	0.65	0.56	0.54	-0.04	0.13	-0.08	-0.08	0.46	0.52	0.68	0.61	0.71	0.69	0.64	0.64	0.62	0.66	1.00

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Goldman Sachs GQG Partners International Opportunities Fund

- During the September 28, 2021 RPAC meeting, members requested addition information regarding why the Goldman Sachs GQG Partners International Opportunities Fund (GSIYX) was not being used by Morningstar's analysis and optimization process
- We reached out to representatives from to TIAA and Morningstar to provide additional details regarding this positioning
- Representatives from TIAA responded as follows:
  - The Morningstar analysis is completed to determine the optimal combination of fund allocations to ***meet asset class exposure requirements*** that the menu can support across all risk levels
  - The primary asset class exposure for the Goldman Sachs GQG Partners International Opportunities Fund (GSIYX) includes:
    - Large-Cap U.S. Growth Equity (10%)
    - International Equity(67%)
    - Emerging Markets Equity(17%)
  - In theory, the Goldman Sachs GQG Partners International Opportunities Fund can be used to help fill all these asset class targets

Goldman Sachs GQG Partners International Opportunities Fund (cont'd)

- In addition, Morningstar's analysis also includes an analysis of Forward Looking Alpha, Tracking Error, and R^2
  - If there are other options in the investment menu that can be used to fill asset class targets that have better statistics, those will be used first (or primarily)
- As detailed below, representatives from Morningstar indicated that the Goldman Sachs GQG Partners International Opportunities Fund's alpha and tracking error statistics were not as attractive as the two Vanguard options being used

As of September 16, 2021

	Fund Style Analysis																	
↓ Funds	Large Cap Growth Stocks	Large Cap Value Stocks	Mid Cap Growth Stocks	Mid Cap Value Stocks	Small Cap Growth Stocks	Small Cap Value Stocks	International Stocks	Emerging Markets	REITs	High Yield Bonds	Tips	Foreign Bonds	Bonds	Cash Equivalents	Traditional Account	Alpha	TE	R^2
Used Funds																		
International Developed Equities																		
Vanguard Developed Markets Index Instl	0	0.19	0.26	0.33	0.03	0.07	98.23	0.72	0	0	0	0	0	0.17	0	-0.09	1.7	98.77
Emerging Equities																		
Vanguard Emerging Mkts Stock Idx Instl	0	0	0	0.99	0	0	0	91.22	3.39	4.41	0	0	0	0	0	-0.9	2.49	97.65
Balanced																		
Goldman Sachs GQG Ptnrs Intl Opps R6	10.34	2.03	0	0	0	0	67.06	16.72	0	0	0	0	0	3.85	0	-0.24	4.82	83.44

- Simply put, Morningstar believes there are better options in the menu to fill the asset class targets at this point in time

Discussion Topics

Fourth Quarter 2021

Aon Quarterly Update

Retirement Legal Consulting & Compliance

In this Issue

Editor's Note

Happy autumn to our readers! While the year is winding down, our reporting on areas of interest to our readers continues to expand.

Among the core tenets of sound business management is the identification and minimization of risk. For many companies, the source of greatest risk is the company-sponsored defined benefit (DB) plan. Over the past decade, companies have sought to de-risk their pension obligations through a variety of Pension Risk Transfer (PRT) transactions. We open this edition of the *Quarterly Update* with the latest reporting in this area from one of our experts, as well as provide the steps your company may take to prepare for a PRT transaction.

Sponsors of defined contribution (DC) plans also face significant risks associated with plan administration and investment. One of the most consequential developments to mitigate DC plan fiduciary risk is the pooled employer plan (PEP). We update our prior reporting on the game-changing PEP and what a PEP could do in transferring fiduciary risk.

Since the Department of Labor (DOL) issued cybersecurity guidance earlier this year, plan fiduciaries now realize they have fiduciary responsibility to protect plan and participant data. This edition adds to our prior coverage with information regarding how plan fiduciaries can take steps to ensure compliance with DOL guidance and minimize risks involving their third-party service providers.

Plan sponsors of qualified retirement plans and 403(b) plans are continually seeking ways to self-correct compliance errors (without Internal Revenue Service (IRS) involvement) on a cost-effective basis while mitigating risk. This edition includes reporting on the latest expansion of the IRS's self-correction program and improvements specific to the correction of plan overpayments.

Many voluntary employees' beneficiary associations (VEBAs) are holding more assets than can be reasonably used to pay postretirement health obligations. With the IRS private letter rulings on the redeployment of VEBA assets presently on hold, many employers still face challenges with their VEBAs and how to address otherwise stranded assets. We report the latest on the possible guidance which may be forthcoming from the IRS and the Treasury Department in the form of possible future regulations.

We close out this edition of the *Quarterly Update* with an article covering 403(b) church plans. The SECURE Act clarifies, among other things, which church plans can invest in collective investment trusts.

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

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Momentum Continues in the Pension Risk Transfer Market

by Ari Jacobs and Nick Kraver

Over the past 10 years, thousands of corporate defined benefit plan sponsors have effectively implemented Pension Risk Transfer (PRT) transactions. These are commonly structured as single-premium, non-participating, group annuity contracts with U.S. life insurance companies. These transactions may cover only certain pension participants in connection with an ongoing or frozen plan, often referred to as lift-outs, or all participants through a complete plan termination.

2021 is once again an active year in this market. Through the end of the third quarter, we estimate that the insurance industry has written approximately $25 billion in premium, which is close to the amount of premium written in all of 2020. As in prior years, this includes some jumbo transactions (five deals over $1 billion) as well as many smaller deals, too. There are about 20 highly rated insurers in this market, and they focus on different sizes and segments offering a robust set of solutions to pension sponsors.

Defining roles and responsibilities is a critical part of an effective transaction. We encourage plan sponsors to take great care in defining the settlor (employer) role and distinguish it from the plan fiduciary's responsibilities.

- The settlor is primarily responsible for setting the strategy, defining the population that is to be transferred, drafting any plan amendments, and funding the plan as needed.
- The fiduciary is primarily responsible for implementing the decision of the settlor, performing due diligence on the insurers, selecting the winning insurer(s), and ensuring that the participants' benefits are well protected at the selected insurance company(ies).

Settlor Role

The employer in its settlor role will also determine when it is right to transact the annuity purchase. Some common factors employers (plan sponsors) may use in determining if they are ready to move forward include:

- **Funded Status.** As funding status improves, plans are in a better position to de-risk and settle liabilities.
- **Settlement Accounting.** Plan sponsors with sensitivity towards settlement charges will want to consider the timing and size of the transaction.
- **High PBGC Premiums.** A plan with many small-benefit retirees is often a good candidate for a lift-out due to proportionally higher future PBGC premium savings.
- **Interest Rate Environment.** While many plan sponsors have hedged their liabilities through fixed-income investments, others wait for higher rates before seeking to transact.

Fiduciary Role

The fiduciary, often the investment committee or an independent fiduciary, must follow their responsibilities under the Employee Retirement Income Security Act of 1974, including their duty of care and loyalty. In 1995, the Department of Labor published the "safest available annuity provider" guidance under Interpretive Bulletin 95-1 that outlines many of the standards we still follow today. This bulletin outlines six criteria to evaluate when implementing a transaction:

1. Insurer lines of business and exposure to liabilities
2. Insurer size relative to placement size
3. Quality and diversification of insurer's investment portfolio
4. Level of insurer capital and surplus
5. Additional protection from state guaranty funds
6. Structures and guarantees underlying the contract

Preparing for a Transaction

Lift-out transactions can be implemented in about three months if you line up the right resources and prepare accordingly. We would suggest the following:

- **Prepare Census Data.** Implementing a data clean-up project can occur at any time and could result in favorable financial impacts as well as making administration easier and more efficient. If internal resource constraints are an issue, developing a clear, long-term project plan will be greatly beneficial. Outside vendors can also be utilized to help facilitate this process. Starting a PRT transaction with clean data will ensure a smooth and timely process up front and will prevent logistical barriers from occurring during the bidding and transition process.
- **Assess Portfolio and Investment Strategy.** Plan sponsors should be proactive to ensure that they have proper access to liquidity or transferrable high-quality corporate bonds to settle any transaction. This should be documented and consistent with the investment policy statement, which may need to be reevaluated after a transaction as the plan size, funded status, and risks will likely change.

- **Review Plan Documents.** Most plans will allow for lift-outs or plan terminations with proper amendments. However, some may have restrictions or collective bargaining requirements that should be reviewed before beginning the transaction.
- **Define Resources.** Having a team to support the transaction is crucial to executing on time. While the plan's consultant, actuary, administrator, and investment teams will do most of the heavy lifting, the plan sponsor needs to be involved. Also, a fiduciary committee or independent fiduciary will need to be in place to select the insurer.

To learn more about the PRT market and Aon's annuity expertise, please contact the authors of this article or a member of Aon's Annuity Placement Team.

PEPs Are Here!

by Rick Jones

New 401(k) options for employers launched in early 2021. Human Resource managers and executives can get an edge by understanding their value.

For the past several years, pooled employer plans (PEPs) have been gaining momentum from global trends. These next-generation, defined contribution (DC) retirement plans allow employers to band together instead of going it alone. Doing this means less work, less risk, and lower costs for employers. Employees, too, are reaping the benefits, since they may pay lower fees leading to more assets in retirement. Employees will also receive better support leading to improved saving and investing behaviors, which sets them up for better retirement outcomes.

Now, thanks to the SECURE Act, passed by Congress in late 2019, U.S. 401(k) plan sponsors can join PEPs. These new cost-saving retirement options could not have arrived at a better time as the pandemic and resulting economic crisis have caused some employers to focus on essential work activities and have hindered workers' financial wellbeing. Nearly 3 in 10 U.S. employees decreased or stopped saving for retirement during the pandemic[1], on top of Aon research[2] that had already found only one in three U.S. workers will save enough to retire comfortably by age 67.

With this backdrop, PEPs have the potential to shake up the retirement landscape the way 401(k) plans did when they arrived on the scene in 1978. Already more than 100 pooled plan providers have registered with the Department of Labor to offer PEPs. And while PEPs are still in their early days, looking to the past may provide a clue for how they could grow going forward. When large companies like PepsiCo, JCPenney, and Johnson & Johnson adopted 401(k) plans in the early 1980s, the floodgates opened. Similarly, Aon predicts more than half of U.S. employers will be using PEPs by 2030.

Less Work for Management Teams

With traditional 401(k) plans, busy professionals within an employer's organization function as the quarterback between recordkeepers, auditors, legal compliance teams, investment teams, and many others. With PEPs, the process is much simpler.

After specifying the plan design and contribution levels, the job of an employer's management is simply to monitor the plan. The pooled plan provider of a PEP serves as the fiduciary to support the administrative, investment, compliance, consulting, and legal requirements of running the plan. Some PEPs, like Aon's, also provide pre-built communications, financial wellbeing support, and training materials such as videos and emails.

These advantages can be obtained without having to sacrifice the current plan design. By potentially decreasing the work to manage these retirement plans, an employer's management team is freed up to focus more on their organization's mission-critical activities.

Less Risk for Employers

One of the biggest advantages of a PEP is being able to transfer the fiduciary responsibility and liability for investments and administration to a third party. That's become even more important in recent years as the risk of litigation with existing DC plans has

[1] Americans are forced to raid retirement savings during the pandemic (cnbc.com)

[2] Aon—the Real Deal 2018 Retirement Income Adequacy Study-Report

soared. In 2020 alone, there was a four-fold increase in excessive fee DC plan lawsuits compared to three years ago, and in the last decade, more than $1 billion in settlements has been paid. A PEP can be right for any sized organization that is looking to transfer and reduce risk.

Lower Costs, More Services

The secret to the cost savings for PEPs is economies of scale, for everything from recordkeeping to investment fees. Based on a survey of over 100 employers, the Aon PEP provides an average cost savings of 44% relative to current 401(k) costs across plans of all sizes. Lower fees, in turn, create more retirement savings and better outcomes for employees. Another benefit of scale is that PEPs can offer tools that smaller sponsors could not offer on their own, such as services to help participants manage their student loans or coordinate their retirement plans with health savings accounts.

PEPs will significantly impact the retirement landscape, and employers and employees can reap the benefits. Contact your Aon consultant to learn more and find out if a PEP is the right approach for your organization.

Cybersecurity: Third-Party Service Providers Prepare to Respond

by Tom Meagher

Since the Department of Labor (DOL) issued its cybersecurity guidance back in April 2021, there has been a tremendous amount of activity involving plan fiduciaries. Most notably, plan fiduciaries realized what many long suspected—that they have a fiduciary responsibility to protect plan and participant data.

While many plan fiduciaries may have reached out to their IT organizations to better understand what was being asked by the DOL, it quickly became apparent that plan fiduciaries would need to make some effort to review the data security safeguards in place at third-party service providers. Plan fiduciaries also quickly understood that the DOL viewed this fiduciary obligation as having always applied to plan and participant data.

Since the DOL guidance, a number of service providers have been very proactive in reaching out to their clients to indicate how they have protected plan and participant data. In many cases, the service provider has tracked the DOL's 12 points and attempted to explain how their respective safeguards were responsive to the DOL's concerns. In many other cases, service providers have been silent and will wait for the plan fiduciaries to inquire about data security safeguards.

From a fiduciary standpoint, both situations will require attention. At the outset, to the extent that a service provider has been proactive and provided a response to the DOL's guidance, the plan fiduciaries nonetheless need to review those responses with their internal IT organizations or with other cybersecurity professionals. In many cases, these initial responses by service providers may be at too high a level for a plan fiduciary to rely upon that plan data is adequately protected. In these situations, there may be a number of follow-up questions that may be asked of the service provider to better understand how data is protected and how the service provider will keep plan fiduciaries informed of additional protections that may be added.

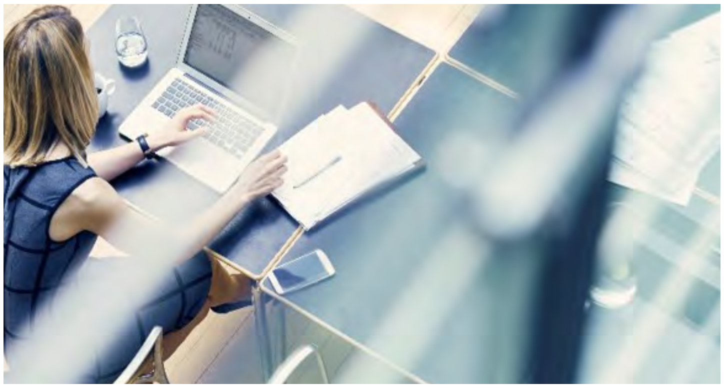
In the situation where the service provider has not yet provided any information regarding its data security protections, plan fiduciaries should reach out to those service providers for such information and be prepared to follow up if no responses are forthcoming, or responses appear less than sufficient.

From an ERISA standpoint, the DOL is most concerned that plan fiduciaries have a prudent process to evaluate and monitor data security safeguards—both within the employer's internal organization and with third-party service providers. While the safeguards can vary from organization to organization (the DOL has previously recognized that no one process is required), it is important that the plan fiduciaries establish a record of having examined the safeguards and—with internal or external support—have concluded that the plan and participant data are adequately protected.

Aon and its cybersecurity professionals will be pleased to work with or support the efforts of clients' internal organizations to review both internal and third-party service provider safeguards to the extent helpful.

Updated IRS Program Improves Self-Correction Options

by Dan Schwallie



The Employee Plans Compliance Resolution System (EPCRS) is a comprehensive system of correction programs for sponsors of retirement plans, including qualified defined benefit, 401(k), and 403(b) plans. Plan failures not eligible for its Self-Correction Program (SCP) can be corrected under EPCRS by application to the Internal Revenue Service (IRS) under its Voluntary Correction Program (VCP) and paying a fee or, for those failures found during an IRS audit, as part of its Audit Closing Agreement Program (Audit CAP).

The latest incarnation of the EPCRS, published July 16, 2021 in Revenue Procedure 2021-30, includes several improvements to self-correct retirement plan failures without a fee or filing with the IRS.

Improvements to Self-Correction Program

The following improvements to SCP were made by Revenue Procedure 2021-30:

- Lengthening the self-correction period for significant failures to the last day of the third (rather than second) plan year following the plan year for which the failure occurred;
- Extending the period to correct (with a lesser qualified nonelective contribution) employee elective deferral failures lasting more than three months to the last day of the third (rather than second) plan year following the plan year for which the failure occurred;
- Eliminating the requirement that a plan amendment increasing a benefit, right, or feature to self-correct an operational failure must apply the increase to all participants eligible to participate under the plan; and
- Extending the sunset of the safe harbor method to correct certain employee elective deferral failures under an automatic contribution arrangement, whether an affirmative election or not, to include failures beginning before 2024.

Improvements Specific to Correction of Overpayments

Plan sponsors may provide recipients of plan overpayments the option of repayment in a lump sum, installments, or an adjustment in future payments, if applicable. In the case of a plan overpayment, no correction is required if the total overpayment is $250 or less, an increase from the prior threshold of $100. The plan sponsor is not required to notify the overpayment recipient that an overpayment of $250 or less is ineligible for tax-free rollover.

Defined benefit plans have two new overpayment correction methods available:

- **Funding Exception Correction Method.** This method provides that corrective repayments are not required for a plan subject to Section 436 of the Internal Revenue Code funding-based limits for single employer plans, if the plan's certified or presumed adjusted funding target attainment percentage determined at the date of correction equals at least 100%. Future benefit payments must be reduced to the correct amount, but no further reductions to an overpayment recipient (or spouse or beneficiary) are permitted. No further corrective repayments from any party are required, and no further corrective repayments from an overpayment recipient (or spouse or beneficiary) are permitted.
- **Contribution Credit Correction Method.** This method reduces the amount of overpayments to be repaid to the plan by a "contribution credit," which is the sum of (i) the cumulative increase in the plan's minimum funding requirements attributable to the overpayments and (ii) certain additional contributions in excess of minimum funding requirements paid to the plan after the first of the overpayments was made. Future benefit payments must be reduced to the correct amount. If the contribution credit reduces the overpayment amount to zero, no further corrective repayments from any party are required, no further corrective repayments from an overpayment recipient (or spouse or beneficiary) are permitted, and no further reductions to future benefit payments are permitted. However, if a net overpayment remains, the plan sponsor or another party must take further action to reimburse the plan for the remainder.

Changes to Anonymous Voluntary Correction Program

The Revenue Procedure eliminates the anonymous submission procedure under VCP and replaces it with an anonymous, no-fee VCP pre-submission conference procedure, effective January 1, 2022.

Timely Self-Correction Reduces Cost of Correction and Avoids Penalties

Correction under VCP involves submitting an application and paying a user fee to the IRS. Correction under Audit CAP can result in a penalty exceeding the VCP user fees and up to the amount of taxes, interest, and late fees that would apply if the plan were disqualified for all open tax years. Timely self-correcting eligible plan failures can avoid such consequences.

Aon's Retirement Legal Consulting & Compliance consultants can assist plan sponsors in correcting known plan failures and by reviewing plans and their administration for possible compliance failures, which can reduce the likelihood of penalties from discovery during a plan audit.

Possible New Life for Stranded VEBA Assets

by Tom Meagher and Jennifer Ross Berrian

Many employers may have overfunded postretirement health voluntary employees' beneficiary associations (VEBAs) for any number of reasons including reduced numbers of retirees, changes to retiree medical programs, better claims experience, or superior investment returns. Whatever the reason, many employers find themselves with excess VEBA assets that either far exceed their postretirement health obligations or will not be used for decades into the future.

For a time, the Internal Revenue Service (IRS) issued private letter rulings that permitted an employer to redeploy its postretirement health VEBA assets for active medical benefits. Subsequently, the IRS decided to cease issuing such rulings and determined that several tax issues needed to be studied further before rulings may be issued. The IRS later added the redeployment of VEBA assets to its "no ruling" list (as provided in Revenue Procedure 2021-3). Despite many employers reaching out to the IRS to encourage that rulings recommence, the VEBA redeployment issue has continued to be unaddressed and failed to make it on to the IRS's and Treasury Department's most recent priority list of projects for inclusion on the 2021-2022 Priority Guidance Plan.

While employers continue to wrestle with how to address overfunded VEBAs, we have continued to monitor developments with our contacts at the IRS National Office. Most recently, we did see a glimmer of hope for employers looking to redeploy VEBA assets without the risk of incurring the 100% excise tax under Section 4976 of the Internal Revenue Code (Code).

The IRS had previously noted an intent to coordinate possible guidance with the Treasury Department through conducting what the IRS refers to as a "stakeholders meeting" during which employers could explain why immediate guidance may be needed. Most recently, we understand that Treasury has been brought up to speed on the issues and does not see a need for such a meeting. While that may appear a bit disappointing, the IRS went on to note that the IRS and Treasury are considering whether to permit the IRS to issue a regulation or other guidance that would indicate that—if certain rules were followed—the redeployment of VEBA assets for other permissible benefits would not result in the 100% excise tax under Section 4976 of the Code. The guidance would not address any other tax issues, but the IRS noted that certain tax issues from the prior private letter rulings appear well settled, e.g., the tax benefit rule would require the redeployed VEBA assets to be taken into income in the year of redeployment.

If regulations are issued, they would be issued in proposed form and would provide for a comment period during which employers could identify any additional issues requiring clarification. If Treasury agrees to the limited approach to avoiding the excise tax (the most significant impediment to redeploying VEBA assets), it may still take some time for the IRS to draft and issue the guidance.

To the extent that Treasury does not agree to the issuance of excise tax guidance, employers will need to await legislative relief or address the redeployment of VEBA assets through other means including postretirement health plan mergers, retiree medical window programs, tax insurance, or other possible strategies.

Aon's Retirement Legal Consulting & Compliance and Retirement actuarial consultants will be pleased to assist clients evaluate the VEBA landscape and address possible approaches to redeploying VEBA assets now and in the future.

Investment in CITs Possible for Certain 403(b) Church Plans

by Dan Schwallie

Generally, plans under Section 403(b) of the Internal Revenue Code (Code) are limited to investing in annuity contracts and mutual funds. However, Section 403(b)(9) of the Code provides an exception for *retirement income accounts* of church plans to the general requirement that assets be invested only in annuity contracts or mutual funds. A 403(b) church plan with a retirement income account (RIA) may invest assets of such account in a collective investment trust (CIT). Thus certain 403(b) church plans can invest in alternatives, including a CIT.

Collective Investment Trust

A CIT is a bank-administered trust that holds commingled assets and meets specific criteria under Treasury regulations regarding fiduciary activities of national banks. Like mutual funds, a key objective of CITs is to lower investment costs through pooling of assets and economies of scale. Unlike mutual funds, CITs are not regulated by the Securities and Exchange Commission or the Investment Company Act of 1940 and, thereby, may have lower investment costs than mutual funds. As CITs have become more available and operationally more similar to mutual funds, 401(k) plans are increasingly investing in CITs, which has generated interest from 403(b) plan sponsors.

Retirement Income Account

An RIA is a defined contribution program established or maintained by a church-related organization that meets certain requirements, such as (i) separate accounting of the RIA's interest in the underlying assets to distinguish that interest from any interest not part of the RIA and (ii) being maintained pursuant to a written plan document, including a statement of the intent to constitute an RIA. RIA assets can be invested in CITs.

SECURE Act Clarifies Which Church Plans Are Eligible to Provide RIAs

There had been some concern as to which employers can maintain an RIA and which employees are eligible for such an account. The preamble to the 2007 final 403(b) regulations states that RIAs are only permitted for church employees and certain ministers. The regulations provide that a church-related organization can maintain an RIA and define a *church-related organization* as a church or a convention or association of churches, including an organization described in Section 414(e)(3)(A) of the Code. This definition includes as a church plan a plan maintained by an organization, whether a civil law corporation or otherwise, controlled by or associated with a church or a convention or association of churches with the principal purpose of providing retirement benefits for employees of a church or a convention or association of churches. The concern was such language suggested that only employees of a church or a convention or association of churches could be eligible for RIAs and not employees of church-controlled organizations, such as church-affiliated hospitals and schools. The SECURE Act amended Section 403(b)(9) of the Code to clarify that an organization exempt from tax under Section 501 of the Code controlled by or associated with a church or a convention or association of churches can establish or maintain an RIA for its employees.

Plans of Church-Controlled Tax Exempt Organizations Can Provide RIAs

A 403(b) church plan of a tax exempt hospital, school, university, or retirement home controlled by or associated with a church or a convention or association of churches can invest in CITs if the plan provides RIAs for employees of such tax exempt organization.

Aon's Retirement Legal Consulting & Compliance consultants can assist 403(b) church plan sponsors in setting up RIAs for participants in the plan, and Aon's Investment consultants can assist such plan sponsors in evaluating CIT investments.

Quarterly Roundup of Other New Developments

by Sandy Combs, Teresa Kruse, and Jan Raines

It's Not Just About the Fees: A Fiduciary Reminder

Litigation for fiduciary breaches relating to excessive administrative and investment fees has become common place over the past several years. Ensuring that *all* fees paid by retirement plans is a resoundingly important fiduciary obligation and one that cannot be ignored. However, there are many other obligations that should also remain at the forefront of each fiduciary's mind. Those obligations include, but are not limited to:

- **Hire Service Providers.** You should have a process in place to review and compare services and costs, and specific criteria that is used to select plan providers; providers may include recordkeeping and/or third-party administrators, investment advisors, and auditors.
- **Confirm Cybersecurity Safeguards.** Recent Department of Labor (DOL) guidance has confirmed that plan fiduciaries are responsible for ensuring that data security safeguards involving both internal operations and service providers are sufficiently protective.
- **Review Plan Provider Contracts.** Ensure the promised services and costs are identified and what your provider agreed to offer to your plan; look for reasonability in termination clauses, notice periods, and whether termination charges exist.
- **Ensure Timely Payroll Contributions and Loan Payments.** Fiduciaries are required to ensure deferrals and loan repayments are timely deposited into participant accounts; late deposits can trigger corrective measures and reporting to the DOL on the Form 5500.
- **Identify All Fees and Confirm Reasonableness.** These may include recordkeeping administration, transactional fees, and costs to participants for managed accounts, advice, and self-directed brokerage accounts.

- **Review Fee Disclosures.** Once you identify all fees, you should review the Covered Service Provider 408(b)(2) Notice and 404(a)(5) Participant Fee Disclosures provided by vendors to ensure the disclosures align with your contracts.
- **Keep Good Records.** The foundation of fiduciary governance is your process; this includes maintaining written minutes of your fiduciary meetings, keeping your plan documents up to date and accessible to the committee, retaining copies of annual required notices, maintaining the investment policy statement, and more. A best practice for fiduciary records is to have a file to store all plan-related documents.

The responsibilities above are not all-inclusive, but rather a list to highlight some of the duties that may seem small. Being a fiduciary requires the duties of loyalty and prudence, and that the fiduciary act for the exclusive benefit of plan participants. Moreover, fiduciaries must discharge their duties in accordance with the documents and instruments that govern the plan.

If your committee has never had fiduciary training or needs a refresher, Aon has fiduciary experts who can help committees understand their responsibilities under the Employee Retirement Income Security Act of 1974 (ERISA)—from both an administrative and an investment perspective.

For more information about your fiduciary responsibilities, and to review Aon's four-part "Fiduciary Committees" series, please refer to the **First Quarter 2020**, **Second Quarter 2020**, **Third Quarter 2020**, and **Fourth Quarter 2020** issues of the *Quarterly Update.*

Taking It to the Top: Supreme Court Agrees to Hear Excessive Fee Case

In *Hughes v. Northwestern University*, participants alleged that plan administrators violated ERISA by failing to make prudent decisions for the two defined contribution (DC) plans available to participants (Northwestern University Retirement Plan and Northwestern University Voluntary Savings Plan). These allegations included, among other matters, continuing to include investments with high management fees and allowing excessive recordkeeping fees (by using multiple recordkeepers and allowing recordkeeping fees to be paid through revenue sharing). Following the trajectory of so many excessive fee cases, Northwestern moved to dismiss, and the district court granted the motion, and the Seventh Circuit Court of Appeals affirmed. The Seventh Circuit found that the low-cost index funds the plaintiffs wanted were available to them and that there were a wide range of options available (similar to other cases that have been brought before the Seventh Circuit). Further, the court noted that ERISA does not require a sole recordkeeper nor does it prohibit payment through revenue sharing arrangements.

Following the dismissal, the plaintiffs appealed to the Supreme Court for review, and the U.S. Acting Solicitor General filed an amicus brief asking the Court to hear the case due to different interpretations and findings from the Third and Eighth Circuits on almost identical allegations. The Supreme Court granted review of the case for its upcoming term starting in October 2021—this will break its long-standing silence on these fund and fee matters. The question the Court agreed to review is "whether allegations that a DC retirement plan paid or charged its participants fees that substantially exceeded fees for alternative available investment products or services are sufficient to state a claim against plan fiduciaries for breach of the duty of prudence."

The Supreme Court has set the case for argument in December 2021. While lower courts have previously held that plan fiduciaries do not need to select the least expensive recordkeeper as long as there is a basis for selecting a more expensive recordkeeper, whatever decision the Court makes will surely impact future litigation and the actions of plan fiduciaries. Aon, along with everyone in the benefits world (and plaintiffs' attorneys), is watching this case closely, and we will update you as it progresses. *Hughes v. Northwestern University, No. 19-1401, 2021 U.S. LEXIS 3583 (July 2, 2021).*

Are You Ready for Some New Electronic Delivery Rules?

The DOL's final regulations regarding electronic delivery of certain retirement plan ERISA-required disclosures were effective July 27, 2020. (See the **Third Quarter 2020** issue of our *Quarterly Update* for more information regarding the new safe harbor options available.) Generally, the DOL indicated that the 2002 safe harbor option was still available, but these new safe harbor options would provide plan administrators with additional ways to deliver certain disclosures and notices to plan participants. Following the issuance of the 2002 safe harbor, the DOL issued some informal guidance related to three specific notifications—delivery of benefit statements (Field Assistance Bulletins 2006-03 and 2007-03), QDIA notices (Field Assistance Bulletin 2008-03), and participant fee disclosure documents (Technical Release 2011-03R). With the release of the 2020 safe harbor options, the DOL indicated that the informal guidance previously issued would sunset (or terminate) 18 months following the effective date, or January 27, 2022.

With the sunsetting of this guidance, plan administrators and recordkeeping vendors need to determine how those disclosures/notices will be delivered *after* January 27, 2022 and ensure that either the 2002 safe harbor rules or the new 2020 safe harbor rules are followed. Plan administrators should (i) review the current electronic processes and procedures in place for delivery of the three items, (ii) determine which safe harbor option is appropriate for future use, (iii) work with the recordkeeper to implement the changes, and (iv) document all processes and procedures for future reference.

Aon's DC plan consultants are available to assist you with navigating this process and confirming that your recordkeeper is ready to deliver ERISA-required notices appropriately.

Participant Fee Disclosures: Are Changes Coming?

In 2012 the DOL began requiring ERISA plan administrators to provide participant fee disclosures to ensure that participants in DC plans understand the investment and administrative fees associated with the plans they participate in and how those fees impact balances in DC plans. Since then, plan sponsors, in conjunction with recordkeepers, have assured that participant fee disclosures include the required information and are provided to participants at the required times (initially prior to enrollment, quarterly, annually, and when changes occur). How successful have fee disclosures been in accomplishing the goal? A recent study, "401(k) Plans: Many Participants Do Not Understand Fee Information, but DOL Could Take Additional Steps to Help Them," by the Government Accountability Office (GAO) sheds some not so positive light on this question.

The GAO provided approximately 1,800 DC plan participants with the annual participant fee disclosure for the plans they participate in and asked questions designed to assess general knowledge related to fee information contained in the disclosures. The GAO found that 45% of participants were unable to use the information provided to determine investment costs, and 41% of participants actually believed that they were paying no DC plan fees. The GAO also reviewed practices implemented by selected countries and the European Union to help retirement plan participants understand and use fee information from disclosures.

As a result of the survey, the GAO recommended five changes to the DOL for participant fee disclosures which include the following: (i) use consistent terminology for asset-based investment fees, (ii) provide participants the actual cost of asset-based investment fees on the quarterly fee disclosures, (iii) provide information concerning the cumulative effect of fees on savings over time, (iv) include fee benchmarks for in-plan investment options, and (v) include ticker information for in-plan investment options, if available. The DOL reviewed the recommendations and indicated that it will not pursue them at this time but will "continue to evaluate the specific information furnished to ERISA retirement plan participants, as well as the format and fashion of delivery." The DOL also indicated that it will engage with stakeholders for their input on the GAO study and will carefully consider the GAO recommendations with a focus on the potential practical impact of mandating such disclosures. It remains to be seen if participant fee disclosures with additional details would result in a greater understanding of the fees associated with DC plans. Aon will continue to track this information and provide updates as it develops.

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. DC 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 CDI Corp. (settled for $1.8M); Koch Industries (settled for $4M and other remedies); PNC Financial Services Group, Inc. (dismissed); and Transamerica Corp. (settled for $5.4M and other remedies).

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

New Retirement Plan Cases

At least 13 new cases were filed this quarter against plan fiduciaries with, no surprise, excessive fee cases leading the way. Although the list of recently filed cases is only illustrative and many of the employers involved may have strong defenses to the claims, it is intended to provide a summary of the types of claims being alleged against plan fiduciaries and their committees and to underscore the importance of monitoring fees and expenses. Excessive fees cases were brought against Baptist Health South Florida, Inc.; Carolina Motor Club, Inc. (AAA Carolinas); Generac Power Systems, Inc.; Juniper Networks, Inc.; MetLife Group, Inc.; SeaWorld Parks and Entertainment, Inc.; University of Maryland Medical System; Wake Forest University Baptist Medical Center; and Xerox Corp. In addition, cases involving access to benefit plans, benefit payments, fraud, and self-dealing were filed against Yum Brands, Inc.; Raytheon Technologies Corp.; National Life Insurance Co.; and Russell Investment Management, LLC, respectively.

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

Please see the applicable Disclosures and Disclaimers on page 10.

Aon's Retirement Legal Consulting & Compliance Consultants

Tom Meagher, Senior Partner/Practice Leader
thomas.meagher@aon.com

Hitz Burton, Partner
hitz.burton@aon.com

Elizabeth Groenewegen, Associate Partner
elizabeth.groenewegen@aon.com

Clara Kim, Associate Partner
clara.kim@aon.com

Linda M. Lee, Project Manager
linda.lee.2@aon.com

Susan Motter, Associate Partner
susan.motter@aon.com

Beverly Rose, Partner
beverly.rose@aon.com

Jennifer Ross Berrian, Partner
jennifer.ross.berrian@aon.com

Dan Schwallie, Associate Partner
dan.schwallie@aon.com

John Van Duzer, Associate Partner
john.van.duzer@aon.com

Guest Authors

Thank you to the following colleagues who contributed articles to this quarter's publication.

Sandy Combs, Consultant
Aon Investments USA Inc.
sandy.combs@aon.com

Ari Jacobs, Senior Partner
Retirement Solutions
ari.jacobs@aon.com

Rick Jones, FSA, EA, MAAA, Senior Partner
Retirement Solutions
rick.jones@aon.com

Nicholas Kraver, FSA, Senior Consultant
Retirement Solutions
nicholas.kraver@aon.com

Teresa J. Kruse, Senior Consultant
Aon Investments USA Inc.
teresa.kruse@aon.com

Jan Raines, Associate Partner
Aon Investments USA Inc.
jan.raines@aon.com

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