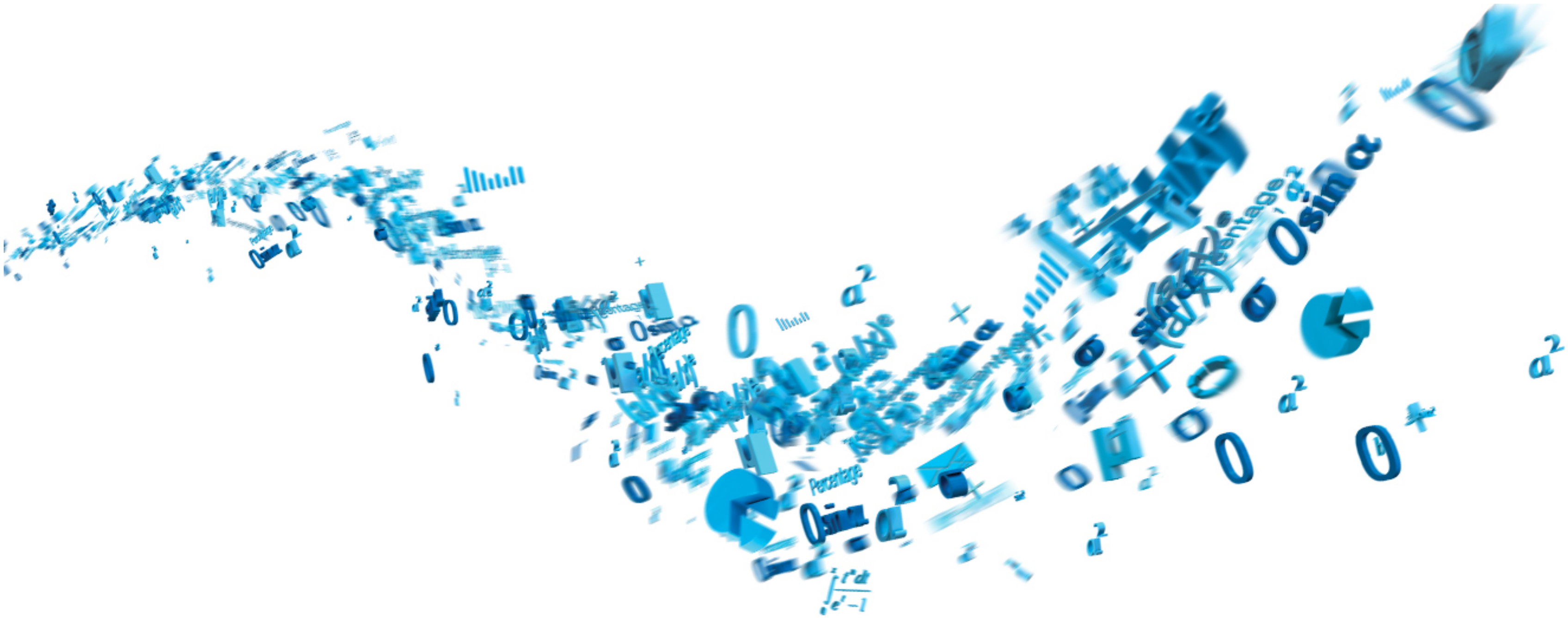

# Nevada System of Higher Education

## Fourth Quarter 2019 Discussion Guide

February 14, 2020

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# Discussion Topics

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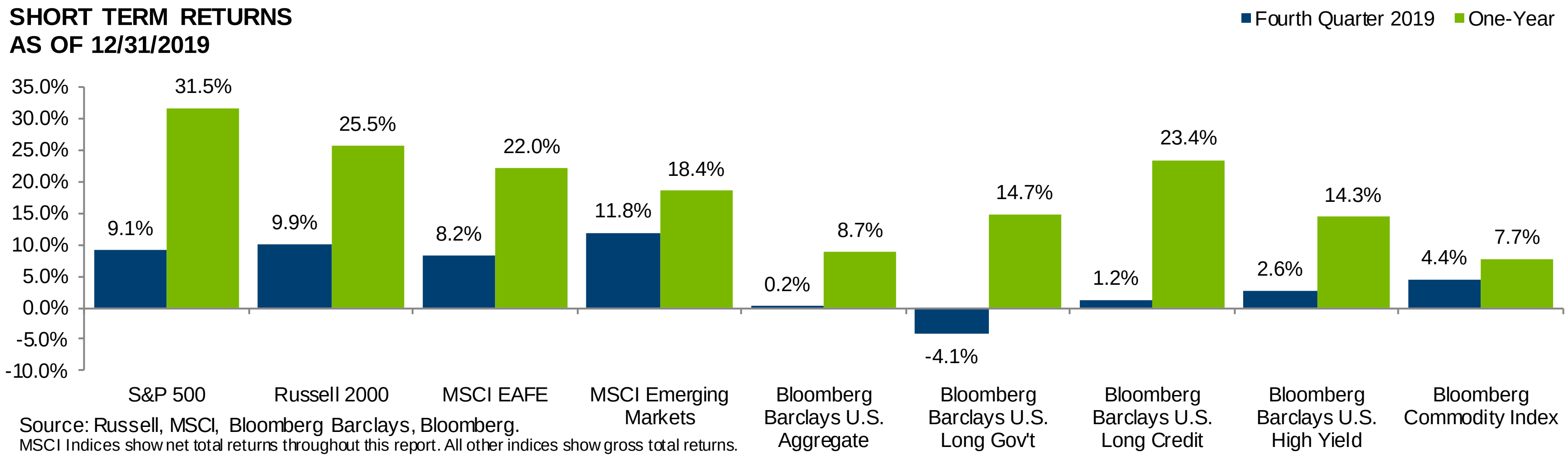
ATTN: AHIC Compliance Officer

# Discussion Topics

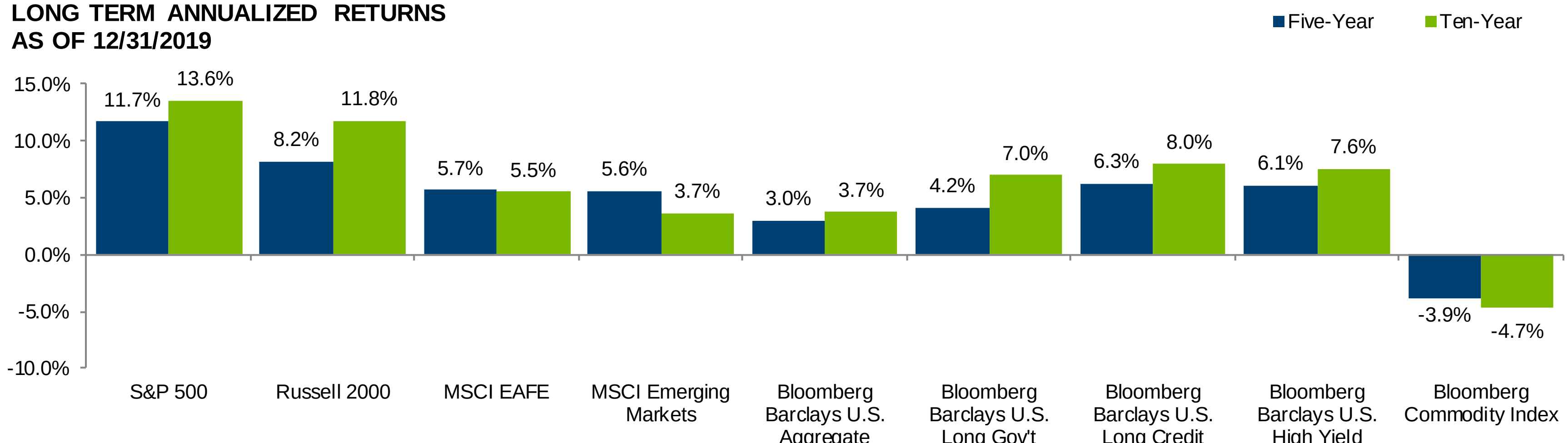
# Market Highlights

**SHORT TERM RETURNS
AS OF 12/31/2019**




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

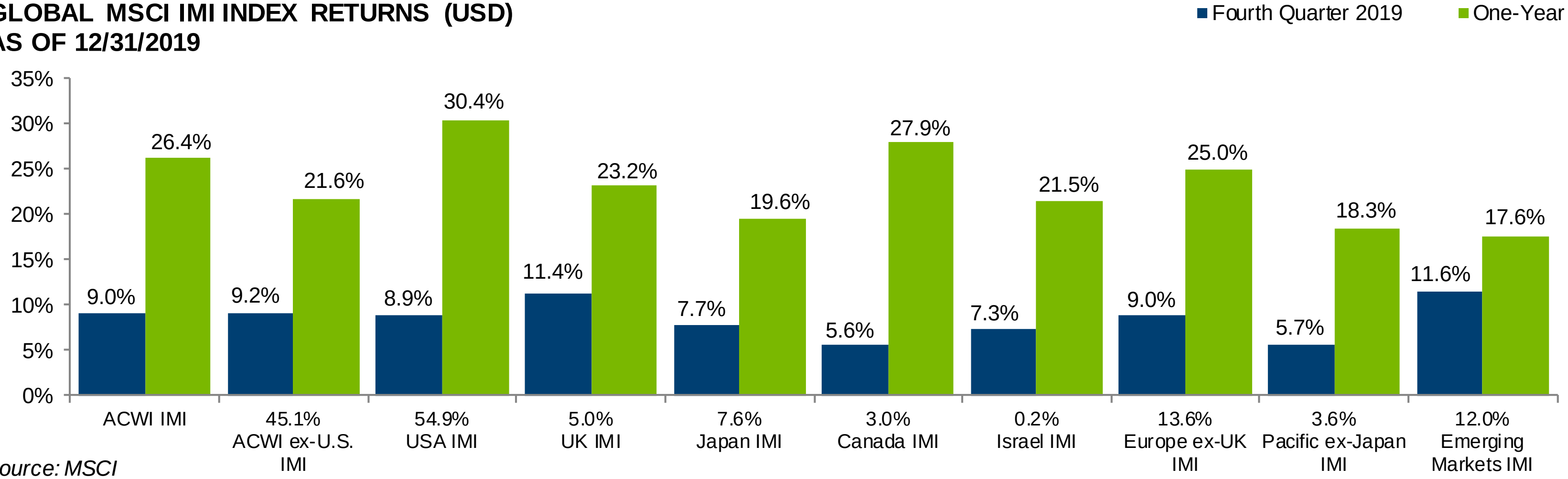
**LONG TERM ANNUALIZED RETURNS
AS OF 12/31/2019**




Source: Russell, MSCI, Bloomberg Barclays, Bloomberg

# Global Equity Markets

**GLOBAL MSCI IMI INDEX RETURNS (USD)**
**AS OF 12/31/2019**

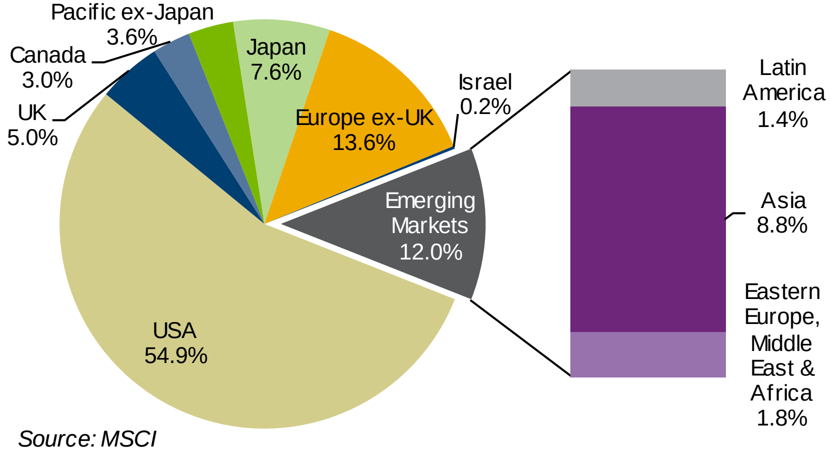



*Source: MSCI*

- The announcement of a "phase one" U.S.-China trade deal, progress on the U.S.-Mexico-Canada agreement (USMCA), and easing Brexit fears led to a resurgence in risk appetite which boosted equity markets. Accommodative monetary policies from major central banks meanwhile continued to provide further support for risk assets. In local currency terms, the MSCI AC World Investable Market Index returned 7.8% in Q4 2019 and the depreciation of the U.S. dollar provided an additional boost to 9.0% in USD terms.
- Previous laggards in terms of 2019 performance, emerging markets (EM) equities, were the strongest performers (11.6%) over the quarter benefiting from the "risk-on" environment and the thawing of trade tensions. With the exception of Indian equities, all other major EM regions delivered double-digit returns. This did, however, come against a backdrop where China recorded the slowest economic growth rate in nearly 30 years as their economy expanded by 6.0% year-on-year in the third quarter.
- Canadian equities markets returned the least with a still respectable quarterly return of 5.6% in USD-terms. Canadian Prime Minister Justin Trudeau's Liberal party retained power after winning general election but fell short of a majority.

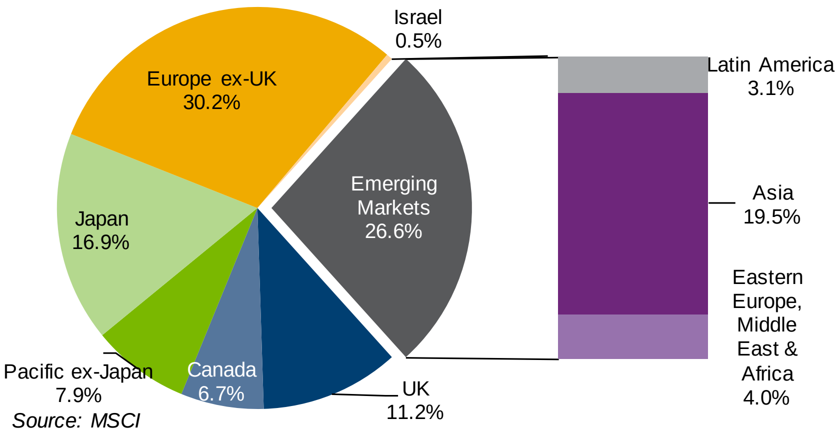
# Global Equity Markets

**MSCI ALL COUNTRY WORLD IMI INDEX GEOGRAPHIC ALLOCATION AS OF 12/31/2019**




*Source: MSCI*

**MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX GEOGRAPHIC ALLOCATION AS OF 12/31/2019**




*Source: MSCI*

- The two exhibits on this slide illustrate the percentage that each country/region represents of the global and international equity markets as measured by the MSCI All Country World IMI Index and the MSCI All Country World ex-U.S. IMI Index, respectively.





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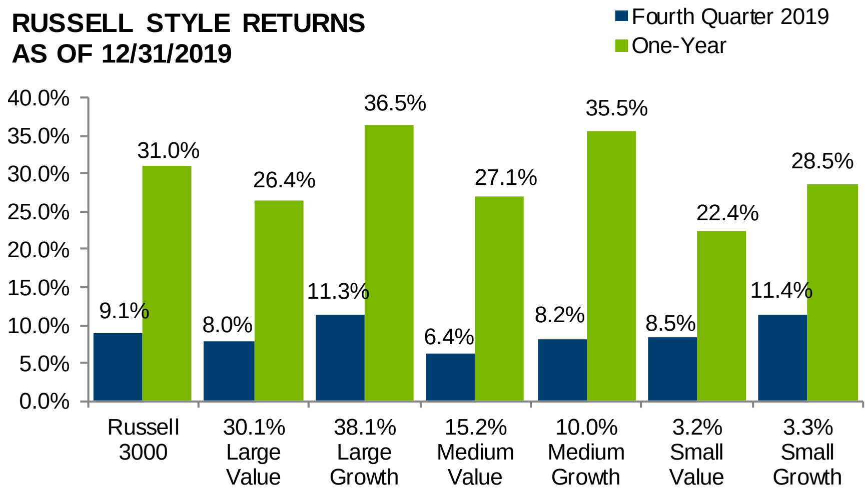
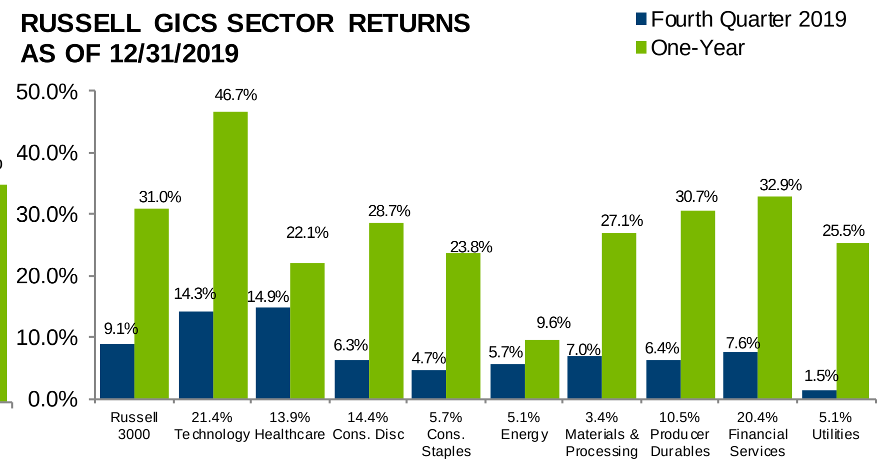
# U.S. Equity Markets




*Source: Russell Indexes*

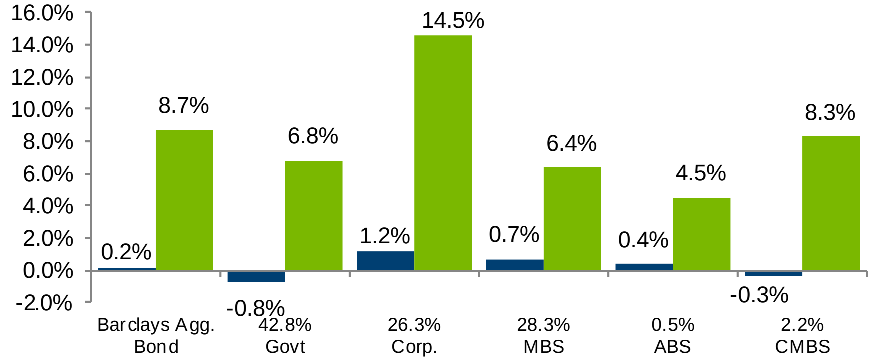



*Source: Russell Indexes*

- Three major U.S. equity indices (S&P 500, Dow Jones Industrial Average, and Nasdaq Composite) touched record highs during the quarter; the truce in the U.S.-China trade war provided a significant tailwind. The Russell 3000 Index rose 9.1% during the fourth quarter and 31.0% over the trailing one-year period.
- Health care (14.9%) and technology (14.3%) were the best performers over the quarter. The former benefited from the falling popularity of Democratic Presidential candidate Elizabeth Warren whom advocated significant health care reform which has previously been a headwind for pharmaceuticals. As economic data stabilized during the quarter, more defensive sectors underperformed with utilities (1.5%) and consumer staples (4.7%) the worst performing sectors.
- Performance was positive across the market capitalization spectrum over the quarter. Small cap stocks outperformed both large and medium cap stocks over the quarter. Growth stocks outperformed their value counterparts in Q4 2019 and over the last year.

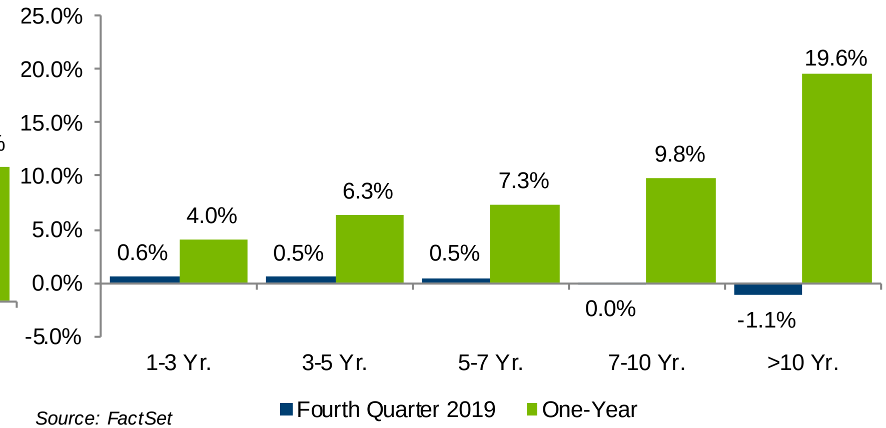
# U.S. Fixed Income Markets

**BLOOMBERG BARCLAYS AGGREGATE RETURNS BY SECTOR AS OF 12/31/2019**




*Source: FactSet*

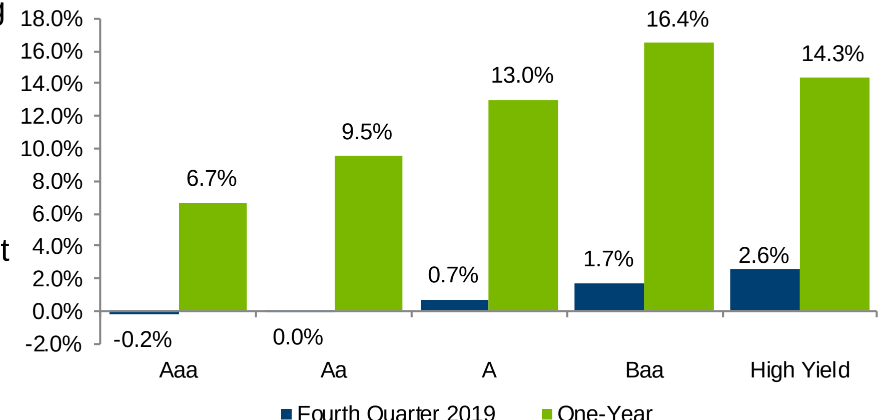
**BLOOMBERG BARCLAYS AGGREGATE RETURNS BY MATURITY AS OF 12/31/2019**




*Source: FactSet*

- Against a backdrop of rising yields, the Bloomberg Barclays U.S. Aggregate Bond Index rose by 0.2% during the quarter. Corporate bonds were the best performers, returning 1.2% while Government bonds underperformed with a return of -0.8%.
- Within credit, greater risk appetite led to outperformance of lower quality corporate bonds. High yield bonds returned 2.6% with spread narrowing offsetting the impact of higher underlying government bond yields while AAA-rated bonds underperformed with a return of -0.2%.
- Short-maturity bonds outperformed intermediate and long-maturity bonds over the quarter. Short-maturity bonds returned 0.6% while long-maturity bonds fell by 1.1% in Q4 2019.

**BLOOMBERG BARCLAYS AGGREGATE RETURNS BY QUALITY AND HIGH YIELD RETURNS AS OF 12/31/2019**




*Source: FactSet*





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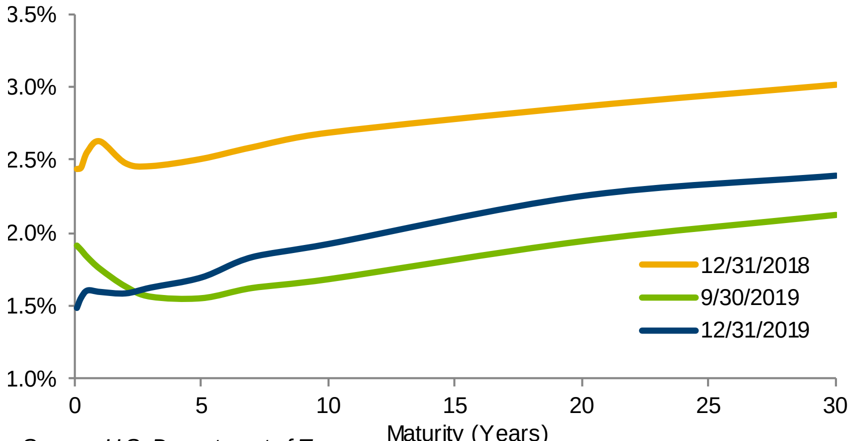
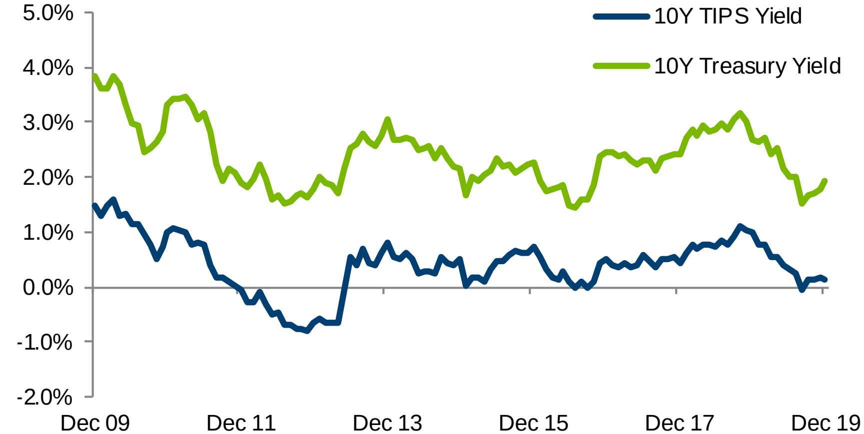
# U.S. Fixed Income Markets

**U.S. TREASURY YIELD CURVE**




*Source: U.S. Department of Treasury*

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




*Source: U.S. Department of Treasury*

- The U.S. nominal yield curve steepened during the quarter with yields falling at the short end of the curve and rising at longer maturities. As a result, the yield curve is no longer inverted.
- The 10-year U.S. Treasury yield retraced most of the prior quarter's fall with a 24 bps increase over the quarter to 1.92%. The 10-year TIPS yield remained unchanged over the quarter at 0.15%.
- With real yields broadly unchanged over the quarter, it became evident that yield movements were triggered not by growth expectations (which remain low) but instead by increasing inflation expectations. This follows sustained central bank easing, prospects of debt-financed fiscal stimulus, and potential changes to inflation-targeting policies; all of which are supportive for higher inflation.
- The U.S. Federal Reserve (Fed) cut the interest rate by 25 bps to 1.50% from 1.75%. Meanwhile, in the latest "dot plot", the majority of the Federal Open Market Committee believed that interest rates will stay at current levels for at least the next year, with the next 25 bps hike not anticipated until 2021.

# Credit Spreads

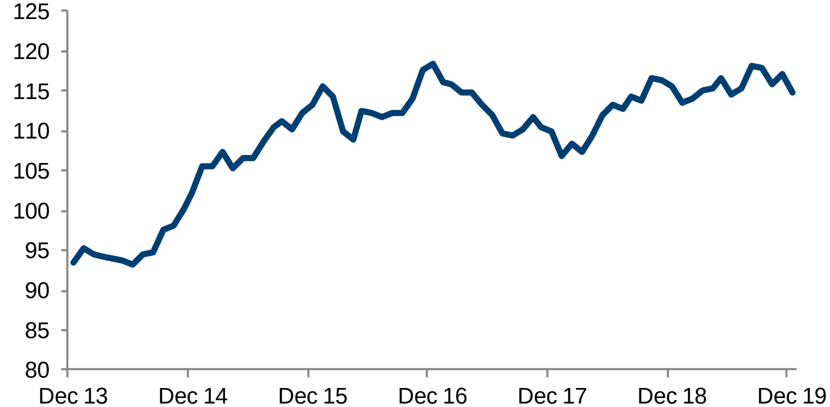
| Spread (bps) | 12/31/2019 | 09/30/2019 | 12/31/2018 | Quarterly Change (bps) | One-Year Change (bps) |
|---|---|---|---|---|---|
| U.S. Aggregate | 39 | 46 | 54 | -7 | -15 |
| Long Gov't | 0 | 1 | 2 | -1 | -2 |
| Long Credit | 139 | 167 | 200 | -28 | -61 |
| Long Gov't/Credit | 79 | 95 | 113 | -16 | -34 |
| MBS | 39 | 46 | 35 | -7 | 4 |
| CMBS | 72 | 70 | 86 | 2 | -14 |
| ABS | 44 | 37 | 53 | 7 | -9 |
| Corporate | 93 | 115 | 153 | -22 | -60 |
| High Yield | 336 | 373 | 526 | -37 | -190 |
| Global Emerging Markets | 287 | 312 | 330 | -25 | -43 |

*Source: FactSet, Bloomberg Barclays*

- Credit spreads over U.S. Treasuries generally narrowed during the quarter. Greater risk appetite saw spreads fall across the board but mostly in non-investment grade areas such as high yield and emerging market debt where greater yields are on offer.
- High yield bond spreads narrowed significantly by 37 bps over the quarter. This was followed by long-duration corporate bond spreads, which narrowed by 28 bps.
- Areas within securitized credit in the U.S. underperformed in comparison. While credit spreads in general narrowed over the quarter, spreads on CMBS and ABS securities widened by 2 bps and 7 bps respectively.

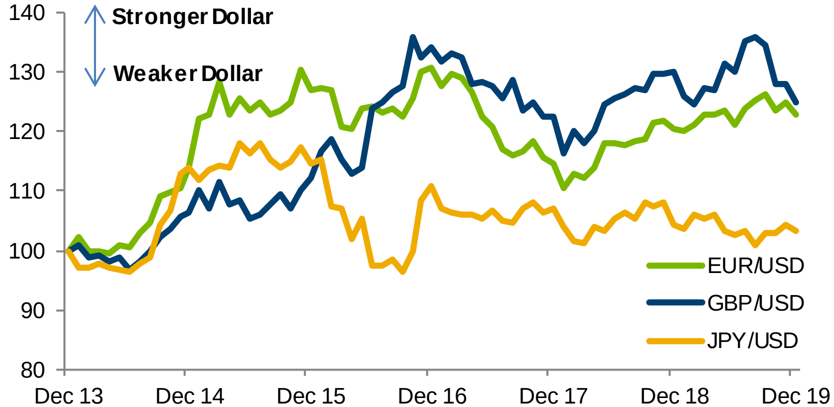
# Currency

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




*Source: Federal Reserve*

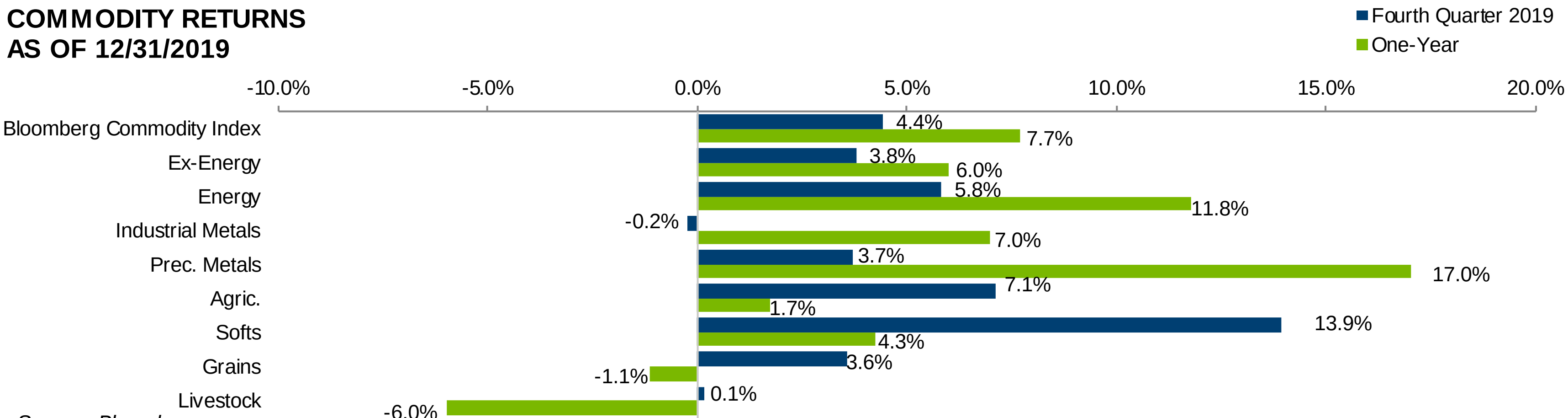
**U.S. DOLLAR RELATIVE TO EUR, GBP AND JPY REBASED TO 100 AT 12/31/2013**




*Source: FactSet*

- The upward trend in the U.S. dollar was halted with cyclical supports of higher interest rates and relative economic strength fading to some extent. Returning risk appetite also upended the 'greenback' which had benefited from safe-haven activity. The U.S. dollar slipped by 2.8% on a trade-weighted basis over the quarter with notable underperformance against sterling.
- The removal of Hard Brexit risks following a sizeable majority gained by the incumbent Conservative Party in the UK general election led sterling significantly higher over the quarter. Sterling appreciated by 7.5% against the U.S. dollar.
- Economic data releases stabilized in the Euro Area over the quarter but the outlook for the manufacturing sector still appears murky with activity shrinking for the eleventh successive month. Despite these economic headwinds, the euro found support against the U.S. dollar from tighter interest rate differentials, appreciating by 2.9% against the U.S. dollar.
- The U.S. dollar moderately appreciated against the Japanese yen, which had appreciated during risk-off episodes earlier in the year. The yen weakened by 0.6% against the U.S. dollar over the quarter.

# Commodities



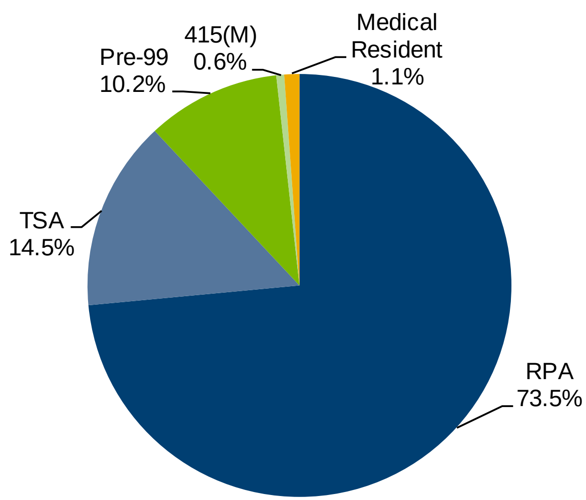

*Source: Bloomberg*
*Note: Softs and Grains are part of the wider Agriculture sector*

- Additional supply cuts proposed by OPEC as well as a less pessimistic economic outlook helped crude oil prices rebound while the latter also provided firmer footing for commodity prices which saw Bloomberg Commodity Index return 4.4%.
- The price of Brent crude oil rose by 8.6% to $66/bbl and WTI crude oil spot prices rose by 12.9% to $61/bbl. Higher crude oil prices helped the energy sector return 5.8%.
- Industrial metals was the worst performing sector to post a negative return during the quarter. Remaining headwinds of declines in manufacturing output depressed prices and ultimately led to a return of -0.2%.
- Agriculture (7.1%) was the best performing sector in Q4 2019. Within the agriculture sector, Softs rose by 13.9% while Grains rose by 3.6%.

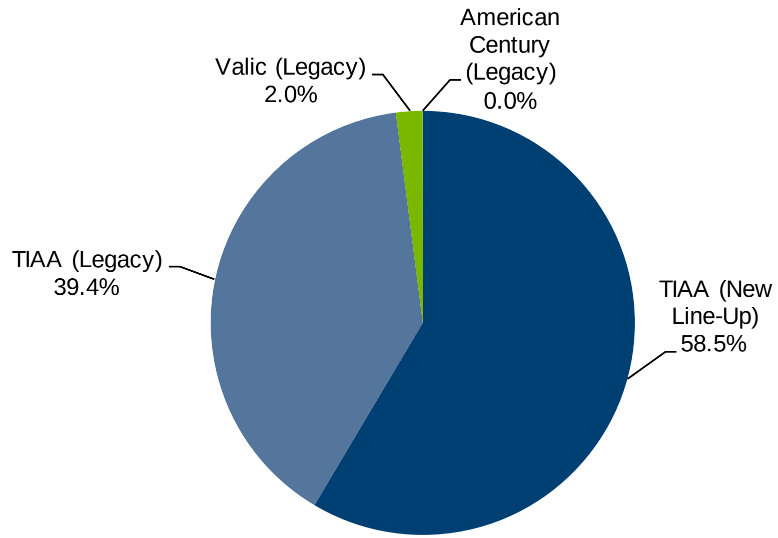
# Discussion Topics

# Asset Allocation

**Assets by Plan**
**As of December 31, 2019**




**Assets by Vendor**
**As of December 31, 2019**




**As of 12/31/2019**

| Plan | RPA | | TSA | | Pre-99 | | 415(M) | | Medical Resident | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $ | % | $ | % | $ | % | $ | % | $ | % | $ | % |
| TIAA (New Line-Up) | $ 1,636,023,744 | 63.0% | $ 339,551,211 | 66.1% | $ 41,818,532 | 11.6% | $ 19,842,097 | 93.1% | $ 30,165,279 | 74.4% | $ 2,067,400,863 | 58.5% |
| TIAA (Legacy) | $ 918,228,294 | 35.4% | $ 154,691,507 | 30.1% | $ 318,463,904 | 88.3% | $ 1,464,359 | 6.9% | $ 174,913 | 0.4% | $ 1,393,022,977 | 39.4% |
| Valic (Legacy) | $ 42,240,577 | 1.6% | $ 19,078,785 | 3.7% | $ - | 0.0% | $ - | 0.0% | $ 10,211,139 | 25.2% | $ 71,530,501 | 2.0% |
| American Century (Legacy) | $ - | 0.0% | $ - | 0.0% | $ 279,359 | 0.1% | $ - | 0.0% | $ - | 0.0% | $ 279,359 | 0.0% |
| **Total** | **$ 2,596,492,615** | **100.0%** | **$ 513,321,503** | **100.0%** | **$ 360,561,796** | **100.0%** | **$ 21,306,456** | **100.0%** | **$ 40,551,331** | **100.0%** | **$ 3,532,233,700** | **100.0%** |
| Other Assets* | | | | | | | | | | | $ 1,903,863 | 0.1% |
| **Grand Total** | **$ 2,596,492,615** | **73.5%** | **$ 513,321,503** | **14.5%** | **$ 360,561,796** | **10.2%** | **$ 21,306,456** | **0.6%** | **$ 40,551,331** | **1.1%** | **$ 3,534,137,563** | **100.0%** |

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

Source: TIAA

# Tier I(a) Watch List

**Tier I (a)**

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

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

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

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

# Tier I Watch List

**Tier I**

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





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# Tier II Watch List

**Tier II**

| | 1. Underperformed During Trailing 5 Years | 2. Underperformed in 3 of 4 Trailing Calendar Quarters | 3. Diverged from Strategy and/or Portfolio Characteristics | 4. Adverse Change in Portfolio Manager | 5. Weak Manager Research Rating | 6. Significant Organizational Change | Watch List Status | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 4th Quarter 2019 | 3rd Quarter 2019 | 2nd Quarter 2019 | 1st Quarter 2019 |
| Vanguard Total Bond Market Index Fund | No | No | No | No | No (Buy) | No | | | | |
| Vanguard Total Stock Market Index Fund | No | No | No | No | No (Buy) | No | | | | |
| Vanguard Institutional Index Fund | No | No | No | No | No (Buy) | No | | | | |
| Vanguard FTSE Social Index Fund | No | No | No | No | No (Buy) | No | | | | |
| Vanguard Extended Market Index Fund | No | No | No | No | No (Buy) | No | | | | |
| Vanguard Total International Stock Index | No | No | No | No | No (Buy) | No | | | | |
| Vanguard Developed Market Index Fund | No | No | No | No | No (Buy) | No | | | | |
| Vanguard Emerging Markets Stock Index Fund | No | No | No | No | No (Buy) | No | | | | |
| Vanguard Federal Money Market Fund | No | No | No | No | No (Buy) | No | | | | |
| T. Rowe Price Stable Value Common Trust Fund A | No | Yes | No | No | No (Buy) | No | | | | |
| TIAA Traditional - RC | No | No | No | No | No (Buy) | No | | | | |
| TIAA Traditional - RCP | No | No | No | No | No (Buy) | No | | | | |
| PIMCO Total Return Fund | No | No | No | No | No (Buy) | No | | | | |
| DFA Inflation-Protected Securities | No | No | No | No | No (Buy) | No | | | | |
| American Century High Income | Yes | Yes | No | No | No (Buy) | No | | | | |
| T. Rowe Price Instl. Large Cap Growth Fund | No | Yes | No | No | No (Buy) | No | | | | |
| Diamond Hill Large Cap | No | No | No | No | No (Buy) | No | | | | |
| William Blair Small/Mid Cap Growth Fund | No | No | No | No | No (Buy) | No | | | | |
| DFA U.S. Targeted Value | Yes | Yes | No | No | No (Buy) | No | | | | |
| Dodge & Cox Global Stock Fund | Yes | Yes | No | No | No (Buy) | No | | | | |
| Harding Loevner International Equity Instl. | No | No | No | No | No (Buy) | No | | | | |
| MFS International Value Fund | No | No | No | No | No (Buy) | No | | | | |
| Cohen & Steers Instl Realty Shares | No | No | No | No | No (Buy) | No | | | | |

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

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# Tier I(a) Performance Summary

## As of 12/31/2019

| | Allocation | | Performance(%) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Market Value ($) | % | 1 Quarter | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception | Inception Date |
| **Total Plan** | **3,534,137,563** | **100.0** | | | | | | | **03/01/2014** |
| **Tier I (a)** | **893,957,176** | **25.3** | | | | | | | **03/01/2014** |
| Vanguard Target Retirement Income Trust Plus | 24,533,080 | 0.7 | 2.6 (46) | 13.3 (51) | 6.4 (45) | 4.9 (33) | | 5.5 (30) | 09/01/2011 |
| *Vanguard Target Retirement Income Trust I* | | | *2.7 (46)* | *13.3 (52)* | *6.4 (46)* | *4.9 (34)* | *5.9* | *5.5 (30)* | |
| *Vanguard Target Retirement Income Trust II* | | | *2.7 (45)* | *13.3 (52)* | *6.4 (46)* | *4.9 (39)* | *5.9* | *5.5 (31)* | |
| *Vanguard Target Income Composite Index* | | | *2.7 (44)* | *13.4 (46)* | *6.5 (41)* | *5.0 (29)* | *6.0* | *5.6 (28)* | |
| Vanguard Target Retirement 2015 Trust Plus | 48,764,872 | 1.4 | 3.3 (76) | 14.9 (72) | 7.6 (40) | 5.7 (42) | | 7.2 (26) | 09/01/2011 |
| *Vanguard Target Retirement 2015 Trust I* | | | *3.2 (77)* | *14.9 (73)* | *7.6 (41)* | *5.7 (42)* | *7.3* | *7.2 (26)* | |
| *Vanguard Target Retirement 2015 Trust II* | | | *3.3 (77)* | *14.9 (72)* | *7.5 (42)* | *5.6 (42)* | *7.3* | *7.2 (27)* | |
| *Vanguard Target 2015 Composite Index* | | | *3.3 (74)* | *15.1 (64)* | *7.7 (36)* | *5.8 (39)* | *7.4* | *7.3 (22)* | |
| Vanguard Target Retirement 2020 Trust Plus | 92,791,862 | 2.6 | 4.5 (28) | 17.7 (26) | 8.8 (17) | 6.5 (15) | | 8.2 (11) | 09/01/2011 |
| *Vanguard Target Retirement 2020 Trust I* | | | *4.5 (27)* | *17.7 (26)* | *8.8 (17)* | *6.5 (15)* | *8.1* | *8.2 (11)* | |
| *Vanguard Target Retirement 2020 Trust II* | | | *4.5 (28)* | *17.7 (27)* | *8.8 (17)* | *6.5 (16)* | *8.1* | *8.2 (13)* | |
| *Vanguard Target 2020 Composite Index* | | | *4.5 (21)* | *17.9 (23)* | *8.9 (14)* | *6.6 (8)* | *8.3* | *8.4 (4)* | |
| Vanguard Target Retirement 2025 Trust Plus | 114,027,286 | 3.2 | 5.3 (19) | 19.8 (16) | 9.7 (13) | 7.1 (13) | | 8.9 (14) | 09/01/2011 |
| *Vanguard Target Retirement 2025 Trust I* | | | *5.3 (19)* | *19.8 (16)* | *9.7 (13)* | *7.1 (14)* | *8.7* | *8.9 (16)* | |
| *Vanguard Target Retirement 2025 Trust II* | | | *5.3 (19)* | *19.8 (16)* | *9.7 (14)* | *7.1 (16)* | *8.7* | *8.9 (17)* | |
| *Vanguard Target 2025 Composite Index* | | | *5.4 (18)* | *19.9 (14)* | *9.8 (11)* | *7.2 (1)* | *8.8* | *9.1 (5)* | |
| Vanguard Target Retirement 2030 Trust Plus | 140,352,336 | 4.0 | 6.0 (28) | 21.2 (36) | 10.3 (27) | 7.5 (28) | | 9.5 (16) | 09/01/2011 |
| *Vanguard Target Retirement 2030 Trust I* | | | *6.0 (30)* | *21.2 (36)* | *10.3 (27)* | *7.5 (28)* | *9.2* | *9.5 (16)* | |
| *Vanguard Target Retirement 2030 Trust II* | | | *6.0 (29)* | *21.1 (36)* | *10.3 (29)* | *7.5 (29)* | *9.1* | *9.5 (17)* | |
| *Vanguard Target 2030 Composite Index* | | | *6.1 (23)* | *21.3 (32)* | *10.4 (25)* | *7.6 (20)* | *9.3* | *9.7 (10)* | |
| Vanguard Target Retirement 2035 Trust Plus | 148,758,750 | 4.2 | 6.7 (32) | 22.6 (48) | 11.0 (35) | 7.9 (28) | | 10.1 (14) | 09/01/2011 |
| *Vanguard Target Retirement 2035 Trust I* | | | *6.7 (33)* | *22.6 (48)* | *11.0 (35)* | *7.9 (28)* | *9.6* | *10.1 (15)* | |
| *Vanguard Target Retirement 2035 Trust II* | | | *6.7 (32)* | *22.6 (49)* | *10.9 (36)* | *7.9 (29)* | *9.6* | *10.1 (15)* | |
| *Vanguard Target 2035 Composite Index* | | | *6.8 (25)* | *22.8 (44)* | *11.0 (34)* | *8.0 (21)* | *9.8* | *10.2 (11)* | |

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

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

## As of 12/31/2019

| | Allocation | | Performance(%) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Market Value ($) | % | 1 Quarter | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception | Inception Date |
| Vanguard Target Retirement 2040 Trust Plus | 133,356,765 | 3.8 | 7.4 (34) | 24.0 (51) | 11.6 (31) | 8.3 (26) | | 10.5 (12) | 09/01/2011 |
| *Vanguard Target Retirement 2040 Trust I* | | | *7.4 (34)* | *24.0 (52)* | *11.6 (32)* | *8.3 (26)* | *10.0* | *10.5 (13)* | |
| *Vanguard Target Retirement 2040 Trust II* | | | *7.4 (34)* | *24.0 (52)* | *11.6 (33)* | *8.3 (27)* | *9.9* | *10.5 (13)* | |
| *Vanguard Target 2040 Composite Index* | | | *7.5 (28)* | *24.2 (48)* | *11.7 (27)* | *8.4 (22)* | *10.1* | *10.7 (10)* | |
| Vanguard Target Retirement 2045 Trust Plus | 105,043,571 | 3.0 | 8.0 (24) | 25.1 (39) | 11.9 (28) | 8.5 (24) | | 10.7 (14) | 09/01/2011 |
| *Vanguard Target Retirement 2045 Trust I* | | | *8.0 (24)* | *25.1 (38)* | *11.9 (28)* | *8.5 (24)* | *10.1* | *10.6 (15)* | |
| *Vanguard Target Retirement 2045 Trust II* | | | *8.0 (25)* | *25.1 (39)* | *11.9 (28)* | *8.5 (25)* | *10.1* | *10.6 (15)* | |
| *Vanguard Target 2045 Composite Index* | | | *8.2 (21)* | *25.4 (32)* | *12.0 (24)* | *8.7 (22)* | *10.3* | *10.8 (11)* | |
| Vanguard Target Retirement 2050 Trust Plus | 59,858,837 | 1.7 | 8.0 (33) | 25.1 (47) | 11.9 (35) | 8.5 (27) | | 10.7 (13) | 09/01/2011 |
| *Vanguard Target Retirement 2050 Trust I* | | | *8.0 (32)* | *25.1 (47)* | *11.9 (36)* | *8.5 (27)* | *10.1* | *10.7 (13)* | |
| *Vanguard Target Retirement 2050 Trust II* | | | *8.0 (32)* | *25.0 (48)* | *11.9 (36)* | *8.5 (27)* | *10.0* | *10.6 (14)* | |
| *Vanguard Target 2050 Composite Index* | | | *8.2 (27)* | *25.4 (36)* | *12.0 (32)* | *8.7 (22)* | *10.3* | *10.8 (11)* | |
| Vanguard Target Retirement 2055 Trust Plus | 20,153,697 | 0.6 | 8.0 (35) | 25.1 (46) | 11.9 (40) | 8.5 (32) | | | 09/01/2011 |
| *Vanguard Target Retirement 2055 Trust I* | | | *8.1 (35)* | *25.1 (46)* | *11.9 (40)* | *8.5 (33)* | | *10.6 (23)* | |
| *Vanguard Target Retirement 2055 Trust II* | | | *8.0 (35)* | *25.1 (49)* | *11.9 (40)* | *8.5 (33)* | | *10.6 (24)* | |
| *Vanguard Target 2055 Composite Index* | | | *8.2 (34)* | *25.4 (37)* | *12.0 (38)* | *8.7 (27)* | | *10.8 (17)* | |
| Vanguard Target Retirement 2060 Trust Plus | 6,300,273 | 0.2 | 8.1 (38) | 25.1 (74) | 11.9 (50) | 8.5 (51) | | 10.0 | 04/01/2012 |
| *Vanguard Target Retirement 2060 Trust I* | | | *8.0 (39)* | *25.1 (75)* | *11.9 (51)* | *8.5 (51)* | | *10.0* | |
| *Vanguard Target Retirement 2060 Trust II* | | | *8.1 (38)* | *25.1 (74)* | *11.9 (51)* | *8.5 (52)* | | *9.9* | |
| *Vanguard Target 2060 Composite Index* | | | *8.2 (36)* | *25.4 (65)* | *12.0 (47)* | *8.7 (36)* | | *10.1* | |
| Vanguard Target Retirement 2065 Trust Plus | 15,848 | 0.0 | 8.1 (38) | 25.2 (73) | | | | 9.4 (31) | 08/01/2017 |
| *Vanguard Target Retirement 2065 Trust I* | | | *8.0 (39)* | *25.1 (74)* | | | | *9.4 (31)* | |
| *Vanguard Target Retirement 2065 Trust II* | | | *8.0 (39)* | *25.1 (74)* | | | | *9.4 (32)* | |
| *Vanguard Target 2065 Composite Index* | | | *8.2 (36)* | *25.4 (65)* | | | | *9.6 (25)* | |

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

# Tier I Performance Summary

## As of 12/31/2019

| | Allocation | | Performance(%) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Market Value ($) | % | 1 Quarter | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception | Inception Date |
| **Tier I** | **154,060,388** | **4.4** | | | | | | | **02/01/2014** |
| Vanguard Target Retirement Income - Instl. | 9,332,734 | 0.3 | 2.7 (65) | 13.2 (63) | 6.4 (52) | | | 5.2 (46) | 07/01/2015 |
| *Vanguard Tgt Ret Inc;Inv (VTINX)* | | | *2.6 (65)* | *13.2 (63)* | *6.4 (52)* | *4.8* | *5.8* | *5.2 (47)* | |
| *Vanguard Target Income Composite Index* | | | *2.7 (64)* | *13.4 (61)* | *6.5 (51)* | *5.0* | *6.0* | *5.3 (43)* | |
| Vanguard Target Retirement 2015 - Instl. | 17,572,319 | 0.5 | 3.3 (76) | 14.9 (74) | 7.5 (42) | | | 6.0 (41) | 07/01/2015 |
| *Vanguard Tgt Ret2015;Inv (VTXVX)* | | | *3.2 (81)* | *14.8 (77)* | *7.5 (48)* | *5.6* | *7.2* | *5.9 (43)* | |
| *Vanguard Target 2015 Composite Index* | | | *3.3 (74)* | *15.1 (64)* | *7.7 (36)* | *5.8* | *7.4* | *6.1 (33)* | |
| Vanguard Target Retirement 2020 - Instl. | 22,178,761 | 0.6 | 4.5 (29) | 17.7 (27) | 8.8 (18) | | | 6.8 (13) | 07/01/2015 |
| *Vanguard Tgt Ret2020;Inv (VTWNX)* | | | *4.5 (31)* | *17.6 (28)* | *8.7 (19)* | *6.4* | *8.0* | *6.8 (19)* | |
| *Vanguard Target 2020 Composite Index* | | | *4.5 (21)* | *17.9 (23)* | *8.9 (14)* | *6.6* | *8.3* | *7.0 (1)* | |
| Vanguard Target Retirement 2025 - Instl. | 25,157,151 | 0.7 | 5.3 (20) | 19.7 (20) | 9.6 (16) | | | 7.4 (10) | 07/01/2015 |
| *Vanguard Tgt Ret2025;Inv (VTTVX)* | | | *5.2 (22)* | *19.6 (22)* | *9.6 (24)* | *7.0* | *8.6* | *7.4 (11)* | |
| *Vanguard Target 2025 Composite Index* | | | *5.4 (18)* | *19.9 (14)* | *9.8 (11)* | *7.2* | *8.8* | *7.6 (2)* | |
| Vanguard Target Retirement 2030 - Instl. | 22,487,437 | 0.6 | 6.0 (25) | 21.1 (37) | 10.3 (30) | | | 7.8 (24) | 07/01/2015 |
| *Vanguard Tgt Ret2030;Inv (VTHRX)* | | | *5.9 (37)* | *21.1 (40)* | *10.2 (32)* | *7.4* | *9.1* | *7.8 (24)* | |
| *Vanguard Target 2030 Composite Index* | | | *6.1 (23)* | *21.3 (32)* | *10.4 (25)* | *7.6* | *9.3* | *8.0 (21)* | |
| Vanguard Target Retirement 2035 - Instl. | 14,086,356 | 0.4 | 6.7 (36) | 22.6 (49) | 10.9 (36) | | | 8.2 (28) | 07/01/2015 |
| *Vanguard Tgt Ret2035;Inv (VTTHX)* | | | *6.7 (37)* | *22.4 (51)* | *10.9 (39)* | *7.8* | *9.5* | *8.2 (28)* | |
| *Vanguard Target 2035 Composite Index* | | | *6.8 (25)* | *22.8 (44)* | *11.0 (34)* | *8.0* | *9.8* | *8.4 (24)* | |

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

# Tier I Performance Summary (cont'd.)

## As of 12/31/2019

| | Allocation | | Performance(%) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Market Value ($) | % | 1 Quarter | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception | Inception Date |
| Vanguard Target Retirement 2040 - Instl. | 12,430,800 | 0.4 | 7.4 (35) | 23.9 (52) | 11.5 (35) | | | 8.6 (30) | 07/01/2015 |
| *Vanguard Tgt Ret2040;Inv (VFORX)* | | | *7.4 (37)* | *23.9 (53)* | *11.5 (37)* | *8.2* | *9.9* | *8.5 (31)* | |
| *Vanguard Target 2040 Composite Index* | | | *7.5 (28)* | *24.2 (48)* | *11.7 (27)* | *8.4* | *10.1* | *8.8 (21)* | |
| Vanguard Target Retirement 2045 - Instl. | 12,219,346 | 0.3 | 8.0 (25) | 25.1 (39) | 11.9 (29) | | | 8.8 (24) | 07/01/2015 |
| *Vanguard Tgt Ret2045;Inv (VTIVX)* | | | *8.0 (25)* | *24.9 (45)* | *11.8 (31)* | *8.4* | *10.0* | *8.8 (25)* | |
| *Vanguard Target 2045 Composite Index* | | | *8.2 (21)* | *25.4 (32)* | *12.0 (24)* | *8.7* | *10.3* | *9.1 (16)* | |
| Vanguard Target Retirement 2050 - Instl. | 12,375,225 | 0.4 | 8.0 (33) | 25.1 (47) | 11.9 (36) | | | 8.8 (29) | 07/01/2015 |
| *Vanguard Tgt Ret2050;Inv (VFIFX)* | | | *8.0 (34)* | *25.0 (56)* | *11.8 (39)* | *8.4* | *10.0* | *8.8 (31)* | |
| *Vanguard Target 2050 Composite Index* | | | *8.2 (27)* | *25.4 (36)* | *12.0 (32)* | *8.7* | *10.3* | *9.1 (16)* | |
| Vanguard Target Retirement 2055 - Instl. | 5,243,904 | 0.1 | 8.0 (35) | 25.1 (51) | 11.9 (40) | | | 8.8 (32) | 07/01/2015 |
| *Vanguard Tgt Ret2055;Inv (VFFVX)* | | | *8.0 (35)* | *25.0 (55)* | *11.8 (43)* | *8.4* | | *8.8 (35)* | |
| *Vanguard Target 2055 Composite Index* | | | *8.2 (34)* | *25.4 (37)* | *12.0 (38)* | *8.7* | | *9.1 (16)* | |
| Vanguard Target Retirement 2060 - Instl. | 533,538 | 0.0 | 8.0 (38) | 25.1 (73) | 11.9 (52) | | | 8.8 (50) | 07/01/2015 |
| *Vanguard Tgt Ret2060;Inv (VTTSX)* | | | *8.0 (39)* | *25.0 (77)* | *11.8 (54)* | *8.4* | | *8.8 (54)* | |
| *Vanguard Target 2060 Composite Index* | | | *8.2 (36)* | *25.4 (65)* | *12.0 (47)* | *8.7* | | *9.1 (14)* | |
| Vanguard Target Retirement 2065 - Instl. | 442,818 | 0.0 | 8.0 (41) | 25.1 (73) | | | | 9.4 (34) | 08/01/2017 |
| *Vanguard Tgt Ret2065;Inv (VLXVX)* | | | *8.0 (41)* | *25.0 (77)* | | | | *9.3 (38)* | |
| *Vanguard Target 2065 Composite Index* | | | *8.2 (36)* | *25.4 (65)* | | | | *9.6 (25)* | |

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

# Tier II Performance Summary

## As of 12/31/2019

| | Allocation | | Performance(%) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Market Value ($) | % | 1 Quarter | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception | Inception Date |
| **Tier II** | **992,904,236** | **28.1** | | | | | | | **03/01/2014** |
| Vanguard Total Bond Market Index Fund - Inst. | 46,687,252 | 1.3 | 0.0 (79) | 8.7 (57) | 4.0 (50) | 3.0 (57) | 3.7 (69) | 5.1 (36) | 10/01/1995 |
| *Performance Benchmark* | | | *0.1 (64)* | *8.9 (53)* | *4.1 (47)* | *3.1 (52)* | *3.8 (66)* | *5.2 (26)* | |
| Vanguard Total Stock Market Index Fund - Inst. | 57,126,146 | 1.6 | 9.0 (50) | 30.8 (49) | 14.6 (55) | 11.2 (48) | 13.4 (33) | 7.9 (24) | 08/01/1997 |
| *Performance Benchmark* | | | *9.0 (50)* | *30.8 (49)* | *14.6 (55)* | *11.2 (48)* | *13.4 (32)* | *7.9 (26)* | |
| Vanguard Institutional Index Fund - Instl. Plus | 162,257,978 | 4.6 | 9.1 (7) | 31.5 (7) | 15.3 (7) | 11.7 (10) | 13.6 (8) | 7.6 (7) | 08/01/1997 |
| *S&P 500 Index* | | | *9.1 (6)* | *31.5 (6)* | *15.3 (6)* | *11.7 (4)* | *13.6 (4)* | *7.6 (9)* | |
| Vanguard FTSE Social Index Fund - Adm. | 3,830,400 | 0.1 | 10.5 (18) | 33.9 (20) | 17.1 (33) | 12.4 (30) | 14.3 (19) | 5.5 (71) | 06/01/2000 |
| *FTSE 4Good U.S. Select Index* | | | *10.6 (17)* | *34.1 (19)* | *17.2 (32)* | *12.5 (28)* | *14.5 (16)* | | |
| *S&P 500 Index* | | | *9.1 (47)* | *31.5 (42)* | *15.3 (46)* | *11.7 (37)* | *13.6 (29)* | *6.3 (46)* | |
| Vanguard Extended Market Index Fund - Inst. | 49,655,691 | 1.4 | 8.9 (26) | 28.1 (90) | 11.1 (95) | 9.0 (83) | 12.8 (68) | 8.6 (53) | 08/01/1997 |
| *Performance Benchmark* | | | *8.9 (26)* | *27.9 (91)* | *11.0 (95)* | *8.9 (86)* | *12.7 (72)* | | |
| Vanguard Total International Stock Index Fund - Inst. | 11,097,853 | 0.3 | 9.0 (43) | 21.6 (72) | 9.9 (51) | 5.9 (41) | | 5.4 (75) | 12/01/2010 |
| *Performance Benchmark* | | | *9.3 (37)* | *21.8 (70)* | *9.8 (52)* | *5.8 (42)* | | *5.4 (74)* | |
| Vanguard Developed Market Index Fund - Inst. | 57,197,582 | 1.6 | 8.4 (66) | 22.1 (68) | 9.7 (54) | 6.2 (36) | | 6.3 (37) | 02/01/2010 |
| *Performance Benchmark* | | | *8.7 (56)* | *22.7 (67)* | *9.9 (51)* | *6.3 (33)* | | *6.3 (38)* | |
| Vanguard Emerging Markets Stock Index Fund - Inst. | 38,507,486 | 1.1 | 11.3 (43) | 20.4 (46) | 10.6 (50) | 5.0 (54) | 3.5 (52) | 7.4 (72) | 07/01/2000 |
| *Performance Benchmark* | | | *11.4 (42)* | *20.8 (42)* | *10.7 (47)* | *5.1 (51)* | *3.7 (49)* | *7.3 (73)* | |
| Vanguard Federal Money Market Fund - Inv. | 26,854,210 | 0.8 | 0.4 (20) | 2.1 (21) | 1.6 (20) | 1.0 (20) | 0.5 (25) | 2.9 (25) | 11/01/1989 |
| *FTSE 3 Month T-Bill* | | | *0.5 (9)* | *2.3 (14)* | *1.7 (16)* | *1.0 (18)* | *0.6 (20)* | *2.8 (38)* | |
| T. Rowe Price Stable Value Common Trust Fund A | 7,248,492 | 0.2 | 0.5 (59) | 2.2 (67) | | | | 2.1 (37) | 02/01/2018 |
| *Hueler Stable Value Index* | | | *0.6 (10)* | *2.5 (15)* | | | | *2.4 (17)* | |
| TIAA Traditional - RC | 131,666,293 | 3.7 | 1.0 (1) | 4.0 (6) | 4.0 (1) | 4.2 (1) | 4.2 (1) | 4.4 (1) | 08/01/2005 |
| *Hueler Stable Value Index* | | | *0.6 (10)* | *2.5 (15)* | *2.2 (16)* | *2.0 (8)* | *2.2 (25)* | *2.8 (27)* | |
| TIAA Traditional - RCP | 83,650,329 | 2.4 | 0.8 (1) | 3.2 (9) | 3.3 (1) | 3.4 (1) | 3.5 (1) | 3.7 (1) | 06/01/2006 |
| *Hueler Stable Value Index* | | | *0.6 (10)* | *2.5 (15)* | *2.2 (16)* | *2.0 (8)* | *2.2 (25)* | *2.7 (27)* | |
| PIMCO Total Return Fund - Inst. | 22,811,488 | 0.6 | -0.3 (97) | 8.3 (79) | 4.3 (26) | 3.2 (34) | 4.2 (39) | 7.1 | 06/01/1987 |
| *Blmbg. Barc. U.S. Aggregate* | | | *0.2 (55)* | *8.7 (59)* | *4.0 (50)* | *3.0 (53)* | *3.7 (67)* | *6.3* | |
| DFA Inflation-Protected Securities Portfolio - I | 24,256,703 | 0.7 | 0.6 (83) | 8.5 (31) | 3.4 (18) | 2.7 (18) | 3.5 (15) | 4.1 (20) | 10/01/2006 |
| *Blmbg. Barc. Global Inflation-Linked: U.S. TIPS* | | | *0.8 (59)* | *8.4 (32)* | *3.3 (28)* | *2.6 (19)* | *3.4 (23)* | *3.9 (27)* | |

# Tier II Performance Summary (cont'd)

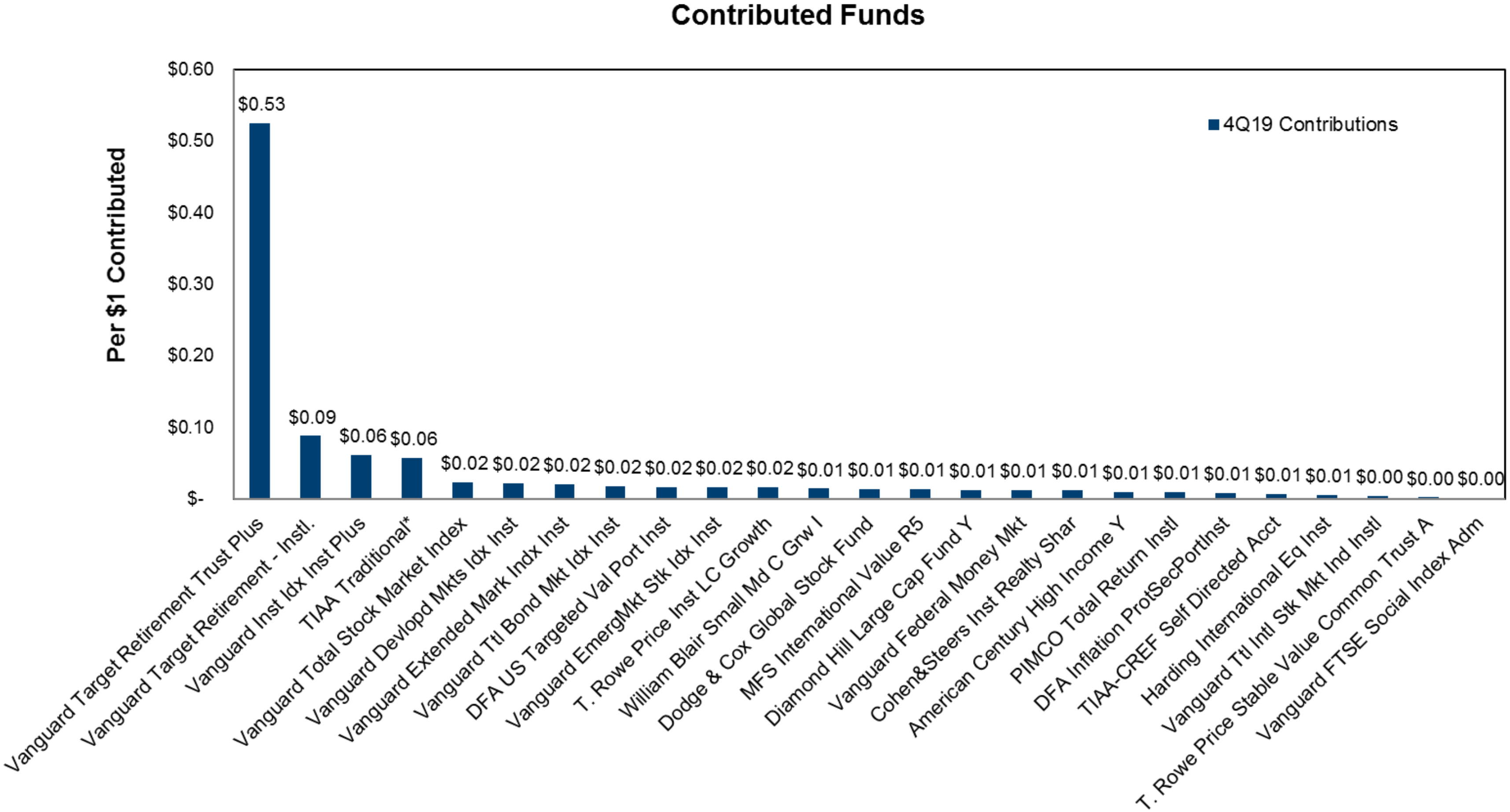
## As of 12/31/2019

| | Allocation | | Performance(%) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Market Value ($) | % | 1 Quarter | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception | Inception Date |
| American Century High Income - Y | 27,726,226 | 0.8 | 2.4 (54) | 12.7 (65) | 5.7 (51) | 5.7 (23) | | 6.0 (10) | 01/01/2013 |
| *ICE BofAML US High Yield Master II Constrained* | | | *2.6 (42)* | *14.4 (32)* | *6.3 (14)* | *6.1 (13)* | | *5.8 (18)* | |
| T. Rowe Price Instl. Large Cap Growth Fund | 34,598,714 | 1.0 | 10.0 (46) | 28.5 (87) | 22.7 (12) | 15.9 (4) | 16.0 (5) | 10.9 (4) | 11/01/2001 |
| *Russell 1000 Growth Index* | | | *10.6 (30)* | *36.4 (23)* | *20.5 (41)* | *14.6 (25)* | *15.2 (19)* | *9.1 (32)* | |
| Diamond Hill Large Cap - Y | 29,628,520 | 0.8 | 8.1 (50) | 32.3 (4) | 13.0 (8) | 10.4 (4) | | 13.8 (11) | 01/01/2012 |
| *Russell 1000 Value Index* | | | *7.4 (64)* | *26.5 (48)* | *9.7 (68)* | *8.3 (59)* | | *12.9 (41)* | |
| William Blair Small/Mid Cap Growth Fund - I | 34,618,085 | 1.0 | 4.2 (97) | 30.8 (49) | 18.2 (31) | 13.0 (24) | 14.7 (21) | 11.3 (11) | 01/01/2004 |
| *Russell 2500 Growth Index* | | | *10.6 (15)* | *32.7 (35)* | *15.2 (55)* | *10.8 (48)* | *14.0 (32)* | *10.1 (28)* | |
| DFA U.S. Targeted Value - I | 37,998,904 | 1.1 | 8.6 (25) | 21.5 (70) | 3.9 (84) | 6.0 (64) | 11.0 (58) | 10.7 | 03/01/2000 |
| *Russell 2500 Value Index* | | | *7.1 (81)* | *23.6 (62)* | *6.1 (59)* | *7.2 (34)* | *11.3 (49)* | *9.9* | |
| Dodge & Cox Global Stock Fund | 29,975,684 | 0.8 | 10.8 (17) | 23.8 (81) | 9.5 (84) | 7.2 (79) | 9.4 (48) | 6.0 (72) | 05/01/2008 |
| *MSCI AC World Index (Net)* | | | *9.0 (47)* | *26.6 (65)* | *12.4 (63)* | *8.4 (60)* | *8.8 (58)* | *5.6 (82)* | |
| Harding Loevner International Equity Instl. | 12,352,689 | 0.3 | 10.1 (22) | 25.2 (74) | 11.9 (46) | 7.7 (24) | 7.6 (12) | 6.4 | 06/01/1994 |
| *MSCI AC World ex USA Growth (Net)* | | | *9.6 (32)* | *27.3 (57)* | *12.9 (31)* | *7.3 (36)* | *6.2 (42)* | | |
| MFS International Value Fund - R6 | 34,053,720 | 1.0 | 7.5 (87) | 26.0 (6) | 13.5 (1) | 10.2 (1) | 10.2 (1) | 7.7 (1) | 06/01/2006 |
| *MSCI AC World ex USA Value (Net)* | | | *8.2 (57)* | *15.7 (95)* | *6.9 (92)* | *3.6 (93)* | *3.6 (96)* | *2.9 (86)* | |
| Cohen and Steers Instl. Realty Shares | 29,103,790 | 0.8 | 0.4 (48) | 33.0 (5) | 11.1 (9) | 8.9 (8) | 12.5 (14) | 12.3 (8) | 03/01/2000 |
| *FTSE NAREIT Equity REIT Index* | | | *-0.8 (74)* | *26.0 (59)* | *8.1 (49)* | *7.2 (44)* | *11.9 (34)* | *11.4 (34)* | |
| **Tier III** | **26,479,062** | **0.7** | | | | | | | **03/01/2014** |
| Mutual Fund Window | 26,479,062 | 0.7 | | | | | | | 03/01/2014 |
| **Orphan Accounts** | **1,464,832,838** | **41.4** | | | | | | | |
| TIAA Orphan Accounts | 1,393,022,977 | 39.4 | | | | | | | |
| VALIC Orphan Accounts | 71,530,501 | 2.0 | | | | | | | |
| American Century Orphan Accounts | 279,359 | 0.0 | | | | | | | |
| **Other Assets** | **1,903,863** | **0.1** | | | | | | | **03/01/2014** |
| Loans | 491,960 | 0.0 | | | | | | | 03/01/2014 |
| Loans Deemed Distributed | 613,771 | 0.0 | | | | | | | 03/01/2014 |
| Plan Loan Default Fund | 798,132 | 0.0 | | | | | | | 07/01/2014 |

Source: TIAA

# Total Plan Contributions

**As of 12/31/2019**

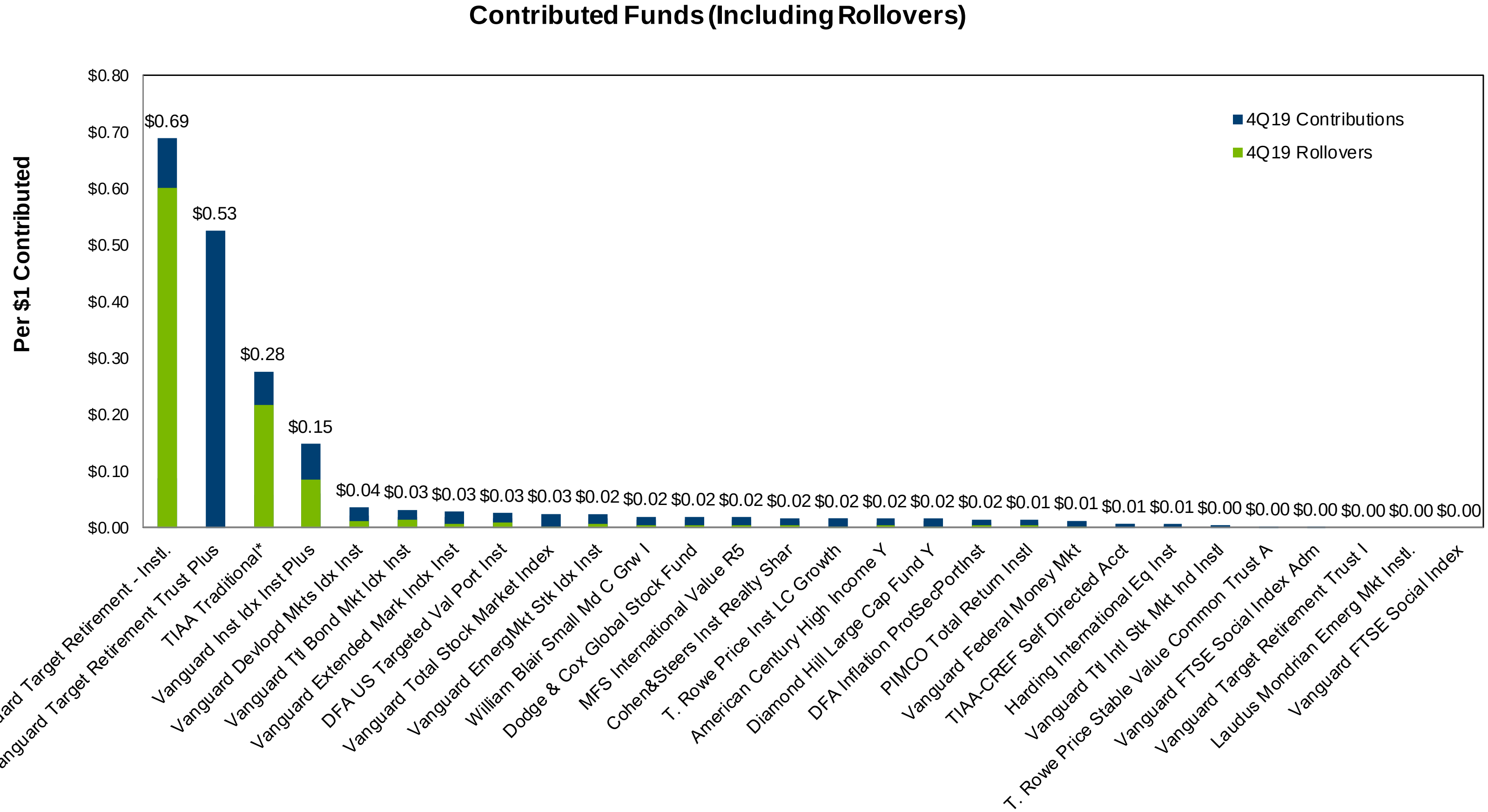



*TIAA RC 77% / TIAA RCP 23% Contribution Split

Source: TIAA

# Total Plan Contributions (Including Rollovers)

## As of 12/31/2019




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

Source: TIAA

# Quarterly Participant Transfers

## As of 12/31/2019

| Investment | Transfers In | Transfers Out | Net Transfers | Ending Balance (12/31/2019) | Number of Participants |
|---|---|---|---|---|---|
| Vanguard Target Retirement Trust Plus Funds | $985,443 | ($14,034,193) | ($13,048,750) | $893,957,176 | 4,140 |
| Vanguard Target Retirement Mutual Funds | $1,414,302 | ($4,253,841) | ($2,839,539) | $154,060,388 | 1,743 |
| Vanguard Total Bond Market Index Inst | $2,911,749 | ($806,156) | $2,105,593 | $46,687,252 | 1,024 |
| Vanguard Total Stock Market Index Inst | $558,033 | ($1,020,782) | ($462,748) | $57,126,146 | 504 |
| Vanguard Institutional Index Inst | $5,026,998 | ($2,870,842) | $2,156,156 | $162,257,978 | 1,596 |
| Vanguard FTSE Social Index Fund | $227,171 | ($77,665) | $149,507 | $3,830,400 | 46 |
| Vanguard Extended Market Index Inst | $1,731,128 | ($1,112,651) | $618,477 | $49,655,691 | 1,180 |
| Vanguard Total International Stock Index Inst | $71,297 | ($132,158) | ($60,861) | $11,097,853 | 162 |
| Vanguard Developed Markets Index Ins | $3,136,355 | ($629,869) | $2,506,486 | $57,197,582 | 1,232 |
| Vanguard Emerging Markets Stock Index Inst | $1,659,155 | ($358,953) | $1,300,202 | $38,507,486 | 1,394 |
| Vanguard Federal Money Market Inv | $2,986,855 | ($1,698,365) | $1,288,490 | $26,854,210 | 217 |
| T. Rowe Price Stable Value Common Trust A | $877,719 | ($151,626) | $726,093 | $7,248,492 | 288 |
| TIAA Traditional | $6,072,737 | ($2,938,084) | $3,134,653 | $199,133,890 | 1,714 |
| PIMCO Total Return Instl | $729,548 | ($644,105) | $85,443 | $22,811,488 | 631 |
| DFA Inflation Protected Securities Portfolio Inst | $1,839,755 | ($276,559) | $1,563,196 | $24,256,703 | 953 |
| American Century High Income | $982,152 | ($576,006) | $406,145 | $27,726,226 | 875 |
| T. Rowe Price Inst LC Growth | $758,657 | ($1,892,904) | ($1,134,247) | $34,598,714 | 381 |
| Diamond Hill Large Cap Fund Y | $1,143,262 | ($605,333) | $537,929 | $29,628,520 | 1,025 |
| William Blair Small Md C Grw I | $1,580,986 | ($1,384,340) | $196,645 | $34,618,085 | 1,070 |
| DFA US Targeted Val Port Inst | $903,105 | ($931,532) | ($28,427) | $37,998,904 | 1,210 |
| Dodge & Cox Global Stock Fund | $205,927 | ($963,842) | ($757,915) | $29,975,684 | 744 |
| Harding International Equit Inst | $36,286 | ($687,957) | ($651,671) | $12,352,689 | 690 |
| MFS International Value R6 | $1,427,672 | ($621,648) | $806,024 | $34,053,720 | 1,262 |
| Cohen & Steers Inst Realty Shares | $1,175,776 | ($351,968) | $823,808 | $29,103,790 | 1,455 |
| Mutual Fund Window | $1,075,309 | ($495,998) | $579,311 | $26,479,062 | 53 |
| **Total** | **$39,517,377** | **($39,517,377)** | **$0** | **$2,051,218,131** | |

Source: TIAA

# Historical Quarterly Participant Transfers

## As of 12/31/2019

| Investment | 2Q18 Net Transfers ($M) | 2Q18 # of Part. | 3Q18 Net Transfers ($M) | 3Q18 # of Part. | 4Q18 Net Transfers ($M) | 4Q18 # of Part. | 1Q19 Net Transfers ($M) | 1Q19 # of Part. | 2Q19 Net Transfers ($M) | 2Q19 # of Part. | 3Q19 Net Transfers ($M) | 3Q19 # of Part. | 4Q19 Net Transfers ($M) | 4Q19 # of Part. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Target Retirement Trust Plus | $0.00 | 0 | $0.00 | 0 | $740.97 | 4,042 | -$15.23 | 4,044 | -$16.42 | 4,014 | -$13.94 | 4,157 | -$13.05 | 4,140 |
| Vanguard Target Retirement Trusts I | -$15.86 | 3,836 | $164.98 | 4,017 | -$784.41 | 0 | $0.00 | 0 | $0.00 | 0 | $0.00 | 0 | $0.00 | 0 |
| Vanguard Target Retirement Mutual Funds | -$6.56 | 1,378 | $37.28 | 1,575 | -$13.22 | 1,550 | -$5.36 | 1,498 | -$4.07 | 1,541 | -$2.75 | 1,730 | -$2.84 | 1,743 |
| Vanguard Total Bond Market Index Inst | $0.12 | 863 | $1.22 | 885 | $2.25 | 898 | $2.76 | 952 | $1.53 | 978 | $3.25 | 1,025 | $2.11 | 1,024 |
| Vanguard Total Stock Market Index Inst | -$1.04 | 683 | -$0.32 | 672 | $3.82 | 630 | -$1.44 | 599 | -$0.70 | 566 | -$1.18 | 523 | -$0.46 | 504 |
| Vanguard Institutional Index Inst | $4.45 | 1,486 | $6.01 | 1,546 | $10.14 | 1,531 | $5.59 | 1,578 | $4.71 | 1,590 | $1.42 | 1,611 | $2.16 | 1,596 |
| Vanguard FTSE Social Index Fund | $0.27 | 9 | $0.68 | 19 | $0.17 | 30 | $0.54 | 43 | $0.19 | 43 | $0.43 | 45 | $0.15 | 46 |
| Vanguard Extended Market Index Inst | -$1.77 | 1,190 | -$1.18 | 1,180 | -$2.20 | 1,116 | -$0.71 | 1,104 | $1.88 | 1,121 | $1.38 | 1,154 | $0.62 | 1,180 |
| Vanguard Total International Stock Index Inst | $0.13 | 172 | -$0.41 | 177 | $0.73 | 163 | $0.44 | 171 | -$0.19 | 169 | -$0.40 | 164 | -$0.06 | 162 |
| Vanguard Developed Markets Index Ins | $4.08 | 1,048 | $4.95 | 1,113 | $4.26 | 1,131 | $2.82 | 1,171 | $4.33 | 1,190 | $1.79 | 1,221 | $2.51 | 1,232 |
| Vanguard Emerging Markets Stock Index Inst | $0.89 | 1,324 | $1.38 | 1,376 | $1.62 | 1,365 | $1.15 | 1,395 | $1.60 | 1,394 | $1.08 | 1,404 | $1.30 | 1,394 |
| Vanguard Federal Money Market Inv | $0.66 | 188 | -$225.44 | 200 | $11.50 | 201 | -$1.62 | 214 | $0.91 | 210 | $0.78 | 212 | $1.29 | 217 |
| T. Rowe Price Stable Value Common Trust A | $0.94 | 51 | $0.58 | 96 | $1.26 | 145 | $1.06 | 202 | $1.09 | 236 | $0.86 | 268 | $0.73 | 288 |
| TIAA Traditional | $5.08 | 1,677 | $5.25 | 1,744 | $10.71 | 1,713 | $3.90 | 1,741 | $5.74 | 1,735 | $4.66 | 1,769 | $3.13 | 1,714 |
| PIMCO Total Return Instl | $2.54 | 757 | -$0.28 | 803 | -$0.62 | 778 | $0.02 | 738 | -$0.42 | 699 | $0.10 | 652 | $0.09 | 631 |
| DFA Inflation Protected Securities Portfolio Inst | $1.68 | 801 | $0.85 | 856 | $2.50 | 865 | $0.49 | 903 | $1.49 | 918 | $1.70 | 953 | $1.56 | 953 |
| American Century High Income | $1.37 | 848 | $1.55 | 883 | $2.56 | 882 | $1.39 | 880 | $1.18 | 879 | $0.72 | 885 | $0.41 | 875 |
| T. Rowe Price Inst LC Growth | $0.74 | 386 | $1.37 | 406 | $3.45 | 393 | $1.61 | 388 | -$3.91 | 389 | -$0.03 | 389 | -$1.13 | 381 |
| Diamond Hill Large Cap Fund Y | $0.07 | 1,170 | -$1.21 | 1,159 | -$2.37 | 1,076 | -$1.32 | 989 | $0.10 | 947 | $0.31 | 996 | $0.54 | 1,025 |
| William Blair Small Md C Grw I | $3.38 | 835 | $2.13 | 941 | $2.84 | 980 | $0.83 | 1,048 | -$0.25 | 1,053 | $0.32 | 1,046 | $0.20 | 1,070 |
| DFA US Targeted Val Port Inst | $1.44 | 1,007 | $2.37 | 1,085 | $2.35 | 1,110 | $0.61 | 1,177 | $0.54 | 1,184 | -$0.12 | 1,208 | -$0.03 | 1,210 |
| Dodge & Cox Global Stock Fund | -$2.84 | 1,012 | -$2.01 | 946 | -$2.65 | 863 | -$2.76 | 788 | -$1.12 | 758 | -$0.94 | 774 | -$0.76 | 744 |
| Harding International Equit Inst | -$0.50 | 758 | -$0.44 | 725 | $0.62 | 729 | $0.59 | 783 | -$0.10 | 799 | -$0.58 | 730 | -$0.65 | 690 |
| MFS International Value R6 | $0.33 | 1,231 | -$1.30 | 1,270 | -$0.71 | 1,221 | -$1.04 | 1,251 | -$1.23 | 1,252 | $0.64 | 1,267 | $0.81 | 1,262 |
| Laudus Mondrian Emerg Mkts Ins | $0.00 | 0 | $0.00 | 0 | $0.00 | 0 | $0.00 | 0 | $0.00 | 0 | $0.00 | 0 | $0.00 | 0 |
| Cohen & Steers Inst Realty Shares | $0.51 | 1,440 | $0.42 | 1,470 | $0.41 | 1,446 | -$0.02 | 1,464 | $0.76 | 1,454 | $0.35 | 1,468 | $0.82 | 1,455 |
| Mutual Fund Window | $0.42 | 35 | $1.59 | 37 | $4.01 | 39 | $5.70 | 46 | $2.37 | 49 | $0.16 | 52 | $0.58 | 53 |
| TIAA-CREF Funds | -$0.54 | 0 | $0.00 | 0 | $0.00 | 0 | $0.00 | 0 | $0.00 | 0 | $0.00 | 0 | $0.00 | 0 |
| **Total** | **$0.00** | | **$0.00** | | **$0.00** | | **$0.00** | | **$0.00** | | **$0.00** | | **$0.00** | |

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

Source: TIAA

# Annual Investment Fee Monitoring & Transparency – As of 12/31/2019

| 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 | $24,533,080 | 0.06% | $14,720 | 0.00% | $0 | 0.06% | $14,720 | 0.039% | $9,568 | 0.10% | $24,288 |
| Vanguard Target Retirement 2015 Trust Plus | $48,764,872 | 0.06% | $29,259 | 0.00% | $0 | 0.06% | $29,259 | 0.039% | $19,018 | 0.10% | $48,277 |
| Vanguard Target Retirement 2020 Trust Plus | $92,791,862 | 0.06% | $55,675 | 0.00% | $0 | 0.06% | $55,675 | 0.039% | $36,189 | 0.10% | $91,864 |
| Vanguard Target Retirement 2025 Trust Plus | $114,027,286 | 0.06% | $68,416 | 0.00% | $0 | 0.06% | $68,416 | 0.039% | $44,471 | 0.10% | $112,887 |
| Vanguard Target Retirement 2030 Trust Plus | $140,352,336 | 0.06% | $84,211 | 0.00% | $0 | 0.06% | $84,211 | 0.039% | $54,737 | 0.10% | $138,949 |
| Vanguard Target Retirement 2035 Trust Plus | $148,758,750 | 0.06% | $89,255 | 0.00% | $0 | 0.06% | $89,255 | 0.039% | $58,016 | 0.10% | $147,271 |
| Vanguard Target Retirement 2040 Trust Plus | $133,356,765 | 0.06% | $80,014 | 0.00% | $0 | 0.06% | $80,014 | 0.039% | $52,009 | 0.10% | $132,023 |
| Vanguard Target Retirement 2045 Trust Plus | $105,043,571 | 0.06% | $63,026 | 0.00% | $0 | 0.06% | $63,026 | 0.039% | $40,967 | 0.10% | $103,993 |
| Vanguard Target Retirement 2050 Trust Plus | $59,858,837 | 0.06% | $35,915 | 0.00% | $0 | 0.06% | $35,915 | 0.039% | $23,345 | 0.10% | $59,260 |
| Vanguard Target Retirement 2055 Trust Plus | $20,153,697 | 0.06% | $12,092 | 0.00% | $0 | 0.06% | $12,092 | 0.039% | $7,860 | 0.10% | $19,952 |
| Vanguard Target Retirement 2060 Trust Plus | $6,300,273 | 0.06% | $3,780 | 0.00% | $0 | 0.06% | $3,780 | 0.039% | $2,457 | 0.10% | $6,237 |
| Vanguard Target Retirement 2065 Trust Plus | $15,848 | 0.06% | $10 | 0.00% | $0 | 0.06% | $10 | 0.039% | $6 | 0.10% | $16 |
| Vanguard Target Retirement Income - Instl. | $9,332,734 | 0.09% | $8,399 | 0.00% | $0 | 0.09% | $8,399 | 0.039% | $3,640 | 0.13% | $12,039 |
| Vanguard Target Retirement 2015 - Instl. | $17,572,319 | 0.09% | $15,815 | 0.00% | $0 | 0.09% | $15,815 | 0.039% | $6,853 | 0.13% | $22,668 |
| Vanguard Target Retirement 2020 - Instl. | $22,178,761 | 0.09% | $19,961 | 0.00% | $0 | 0.09% | $19,961 | 0.039% | $8,650 | 0.13% | $28,611 |
| Vanguard Target Retirement 2025 - Instl. | $25,157,151 | 0.09% | $22,641 | 0.00% | $0 | 0.09% | $22,641 | 0.039% | $9,811 | 0.13% | $32,453 |
| Vanguard Target Retirement 2030 - Instl. | $22,487,437 | 0.09% | $20,239 | 0.00% | $0 | 0.09% | $20,239 | 0.039% | $8,770 | 0.13% | $29,009 |
| Vanguard Target Retirement 2035 - Instl. | $14,086,356 | 0.09% | $12,678 | 0.00% | $0 | 0.09% | $12,678 | 0.039% | $5,494 | 0.13% | $18,171 |
| Vanguard Target Retirement 2040 - Instl. | $12,430,800 | 0.09% | $11,188 | 0.00% | $0 | 0.09% | $11,188 | 0.039% | $4,848 | 0.13% | $16,036 |
| Vanguard Target Retirement 2045 - Instl. | $12,219,346 | 0.09% | $10,997 | 0.00% | $0 | 0.09% | $10,997 | 0.039% | $4,766 | 0.13% | $15,763 |
| Vanguard Target Retirement 2050 - Instl. | $12,375,225 | 0.09% | $11,138 | 0.00% | $0 | 0.09% | $11,138 | 0.039% | $4,826 | 0.13% | $15,964 |
| Vanguard Target Retirement 2055 - Instl. | $5,243,904 | 0.09% | $4,720 | 0.00% | $0 | 0.09% | $4,720 | 0.039% | $2,045 | 0.13% | $6,765 |
| Vanguard Target Retirement 2060 - Instl. | $533,538 | 0.09% | $480 | 0.00% | $0 | 0.09% | $480 | 0.039% | $208 | 0.13% | $688 |
| Vanguard Target Retirement 2065 - Instl. | $442,818 | 0.09% | $399 | 0.00% | $0 | 0.09% | $399 | 0.039% | $173 | 0.13% | $571 |
| Vanguard Total Bond Market Index Fund | $46,687,252 | 0.04% | $16,341 | 0.00% | $0 | 0.04% | $16,341 | 0.039% | $18,208 | 0.07% | $34,549 |
| Vanguard Total Stock Market Index Fund | $57,126,146 | 0.03% | $17,138 | 0.00% | $0 | 0.03% | $17,138 | 0.039% | $22,279 | 0.07% | $39,417 |
| Vanguard Institutional Index Fund - Instl. Plus | $162,257,978 | 0.02% | $32,452 | 0.00% | $0 | 0.02% | $32,452 | 0.039% | $63,281 | 0.06% | $95,732 |
| Vanguard FTSE Social Index Fund - Adm. | $3,830,400 | 0.14% | $5,363 | 0.00% | $0 | 0.14% | $5,363 | 0.039% | $1,494 | 0.18% | $6,856 |
| Vanguard Extended Market Index Fund - Instl. | $49,655,691 | 0.06% | $29,793 | 0.00% | $0 | 0.06% | $29,793 | 0.039% | $19,366 | 0.10% | $49,159 |
| Vanguard Total International Stock Index Fund | $11,097,853 | 0.08% | $8,878 | 0.00% | $0 | 0.08% | $8,878 | 0.039% | $4,328 | 0.12% | $13,206 |
| Vanguard Developed Market Index Fund | $57,197,582 | 0.05% | $28,599 | 0.00% | $0 | 0.05% | $28,599 | 0.039% | $22,307 | 0.09% | $50,906 |
| Vanguard Emerging Markets Stock Index Fund - Instl. | $38,507,486 | 0.10% | $38,507 | 0.00% | $0 | 0.10% | $38,507 | 0.039% | $15,018 | 0.14% | $53,525 |
| Vanguard Federal Money Market Fund | $26,854,210 | 0.11% | $29,540 | 0.00% | $0 | 0.11% | $29,540 | 0.039% | $10,473 | 0.15% | $40,013 |
| T. Rowe Price Stable Value Common Trust Fund A | $7,248,492 | 0.48% | $34,793 | 0.00% | $0 | 0.48% | $34,793 | 0.039% | $2,827 | 0.52% | $37,620 |
| TIAA Traditional - RC & RCP | $215,316,622 | 0.49% | $1,055,051 | 0.15% | ($322,975) | 0.34% | $732,077 | 0.039% | $83,973 | 0.62% | $816,050 |
| PIMCO Total Return Fund | $22,811,488 | 0.46% | $104,933 | 0.00% | $0 | 0.46% | $104,933 | 0.039% | $8,896 | 0.50% | $113,829 |
| DFA Inflation-Protected Securities Portfolio | $24,256,703 | 0.12% | $29,108 | 0.00% | $0 | 0.12% | $29,108 | 0.039% | $9,460 | 0.16% | $38,568 |
| American Century High Income | $27,726,226 | 0.59% | $163,585 | 0.00% | $0 | 0.59% | $163,585 | 0.039% | $10,813 | 0.63% | $174,398 |
| T. Rowe Price Instl. Large Cap Growth Fund | $34,598,714 | 0.56% | $193,753 | 0.00% | $0 | 0.56% | $193,753 | 0.039% | $13,493 | 0.60% | $207,246 |
| Diamond Hill Large Cap | $29,628,520 | 0.55% | $162,957 | 0.00% | $0 | 0.55% | $162,957 | 0.039% | $11,555 | 0.59% | $174,512 |
| William Blair Small/Mid Cap Growth Fund | $34,618,085 | 1.10% | $380,799 | 0.15% | ($51,927) | 0.95% | $328,872 | 0.039% | $13,501 | 0.99% | $342,373 |
| DFA U.S. Targeted Value | $37,998,904 | 0.37% | $140,596 | 0.00% | $0 | 0.37% | $140,596 | 0.039% | $14,820 | 0.41% | $155,416 |
| Dodge & Cox Global Stock Fund | $29,975,684 | 0.62% | $185,849 | 0.10% | ($29,976) | 0.52% | $155,874 | 0.039% | $11,691 | 0.56% | $167,564 |
| Harding Loevner International Equity Instl. | $12,352,689 | 0.81% | $100,057 | 0.15% | ($18,529) | 0.66% | $81,528 | 0.039% | $4,818 | 0.70% | $86,345 |
| MFS International Value Fund | $34,053,720 | 0.63% | $214,538 | 0.00% | $0 | 0.63% | $214,538 | 0.039% | $13,281 | 0.67% | $227,819 |
| Cohen and Steers Instl. Realty Shares | $29,103,790 | 0.75% | $218,278 | 0.00% | $0 | 0.75% | $218,278 | 0.039% | $11,350 | 0.79% | $229,629 |
| Mutual Fund Window | $26,479,062 | 0.00% | $0 | 0.00% | $0 | 0.00% | $0 | 0.039% | $10,327 | 0.04% | $10,327 |
| **Total** | $2,067,400,863 | 0.19% | $3,865,936 | -0.02% | ($423,407) | 0.17% | $3,442,529 | 0.039% | $806,286 | 0.21% | $4,248,816 |
| **Without Brokerage** | $2,040,921,800 | 0.19% | $3,865,936 | -0.02% | ($423,407) | 0.17% | $3,442,529 | 0.039% | $795,960 | 0.21% | $4,238,489 |

Source: TIAA

# Morningstar Model Portfolios – RC Performance

**As of 12/31/2019**

| | Performance(%) | | | | | |
|---|---|---|---|---|---|---|
| | 1 Quarter | 1 Year | 3 Years | 5 Years | Since Inception | Inception Date |
| **RC** | | | | | | |
| Very Conservative RC | 1.4 | 8.7 | 5.1 | 4.3 | 4.2 | 04/01/2014 |
| *Very Conservative Benchmark RC* | *1.5* | *8.9* | *5.0* | *4.2* | *4.2* | |
| Conservative RC | 3.1 | 12.0 | 6.1 | 5.1 | 5.0 | 04/01/2014 |
| *Conservative Benchmark RC* | *3.1* | *12.5* | *6.5* | *5.4* | *5.3* | |
| Moderately Conservative RC | 4.0 | 15.7 | 7.9 | 6.9 | 6.7 | 04/01/2014 |
| *Moderately Conservative Benchmark RC* | *4.2* | *15.7* | *7.9* | *6.4* | *6.3* | |
| Moderate RC | 5.3 | 18.3 | 8.8 | 7.1 | 6.9 | 04/01/2014 |
| *Moderate Benchmark RC* | *5.4* | *18.6* | *9.0* | *7.1* | *6.9* | |
| Moderately Aggressive RC | 6.3 | 21.5 | 9.9 | 7.8 | 7.5 | 04/01/2014 |
| *Moderately Aggressive Benchmark RC* | *6.4* | *21.2* | *9.9* | *7.6* | *7.5* | |
| Aggressive RC | 7.5 | 25.8 | 11.4 | 8.6 | 8.3 | 04/01/2014 |
| *Aggressive Benchmark RC* | *7.6* | *23.9* | *10.9* | *8.3* | *8.1* | |
| Very Aggressive RC | 8.3 | 27.3 | 11.8 | 8.7 | 8.5 | 04/01/2014 |
| *Very Aggressive Benchmark RC* | *8.6* | *26.6* | *11.9* | *8.8* | *8.5* | |
| **RC Ex-TIAA** | | | | | | |
| Very Conservative RC Ex-TIAA | 1.0 | 9.2 | 4.5 | 3.5 | 3.6 | 04/01/2014 |
| *Very Conservative Benchmark RC Ex-TIAA* | *1.2* | *11.0* | *5.0* | *3.8* | *3.9* | |
| Conservative RC Ex-TIAA | 2.8 | 12.6 | 6.1 | 4.9 | 4.8 | 04/01/2014 |
| *Conservative Benchmark RC Ex-TIAA* | *2.8* | *14.5* | *6.5* | *5.1* | *5.1* | |
| Moderately Conservative RC Ex-TIAA | 3.8 | 16.5 | 7.6 | 6.4 | 6.3 | 04/01/2014 |
| *Moderately Conservative Benchmark RC Ex-TIAA* | *4.0* | *17.3* | *7.9* | *6.0* | *6.0* | |
| Moderate RC Ex-TIAA | 5.0 | 19.2 | 8.8 | 6.7 | 6.6 | 04/01/2014 |
| *Moderate Benchmark RC Ex-TIAA* | *5.2* | *19.8* | *9.0* | *6.9* | *6.8* | |
| Moderately Aggressive RC Ex-TIAA | 6.2 | 21.3 | 9.5 | 7.3 | 7.1 | 04/01/2014 |
| *Moderately Aggressive Benchmark RC Ex-TIAA* | *6.3* | *22.1* | *9.9* | *7.5* | *7.4* | |
| Aggressive RC Ex-TIAA | 7.5 | 24.4 | 10.9 | 8.1 | 7.9 | 04/01/2014 |
| *Aggressive Benchmark RC Ex-TIAA* | *7.5* | *24.3* | *10.9* | *8.2* | *8.0* | |
| Very Aggressive RC Ex-TIAA | 8.3 | 26.8 | 11.6 | 8.6 | 8.4 | 04/01/2014 |
| *Very Aggressive Benchmark RC Ex-TIAA* | *8.6* | *26.6* | *11.9* | *8.8* | *8.5* | |

# Morningstar Model Portfolios – RC Allocations

## As of 12/31/2019

**RC**

| Fund Name | Very Conservative | Conservative | Moderately Conservative | Moderate | Moderately Aggressive | Aggressive | Very Aggressive |
|---|---|---|---|---|---|---|---|
| American Century High Income Y | 9% | 7% | 5% | 4% | 4% | - | - |
| Cohen & Steers Instl Realty Shares | - | - | 4% | 4% | 4% | 4% | 5% |
| DFA Inflation-Protected Securities I | 12% | 8% | 6% | 4% | 3% | 3% | - |
| DFA US Targeted Value I | - | 3% | 3% | 4% | 5% | 5% | 7% |
| Diamond Hill Large Cap Y | - | 3% | - | 3% | 3% | 4% | 3% |
| Dodge & Cox Global Stock | | | | | | | |
| Harding International Eq Inst | | | | | | | |
| MFS International Value R6 | - | 3% | 5% | 4% | 5% | 6% | 6% |
| PIMCO Total Return Instl | | | | | | | |
| T. Rowe Price Stable Value Fund | 10% | 7% | 5% | 4% | - | - | - |
| TIAA Traditional | 40% | 34% | 30% | 22% | 15% | 7% | - |
| Vanguard Developed Markets Idx Instl | 3% | 3% | 7% | 11% | 15% | 18% | 20% |
| Vanguard Emerging Mkts Stock Idx I | - | 3% | 4% | 6% | 8% | 11% | 13% |
| Vanguard Extended Market Idx I | - | 3% | 3% | 5% | 7% | 10% | 11% |
| Vanguard Institutional Index Instl Pl | 3% | 9% | 17% | 21% | 23% | 28% | 30% |
| Vanguard Total Bond Market Index I | 20% | 14% | 8% | 5% | 4% | - | - |
| William Blair Small-Mid Cap Gr I | 3% | 3% | 3% | 3% | 4% | 4% | 5% |

**RC Ex-TIAA**

| Fund Name | Very Conservative | Conservative | Moderately Conservative | Moderate | Moderately Aggressive | Aggressive | Very Aggressive |
|---|---|---|---|---|---|---|---|
| American Century High Income Y | 7% | 6% | 5% | 4% | 4% | - | - |
| Cohen & Steers Instl Realty Shares | - | - | 4% | 4% | 4% | 4% | 5% |
| DFA Inflation-Protected Securities I | 13% | 9% | 5% | 5% | 3% | 3% | - |
| DFA US Targeted Value I | - | 3% | 3% | 4% | 5% | 5% | 7% |
| Diamond Hill Large Cap Y | - | 3% | - | 3% | 3% | 4% | 3% |
| Dodge & Cox Global Stock | | | | | | | |
| Harding International Eq Inst | | | | | | | |
| MFS International Value R6 | - | 3% | 5% | 4% | 5% | 6% | 6% |
| PIMCO Total Return Instl | 18% | - | - | - | - | - | - |
| T. Rowe Price Stable Value Fund | 24% | 19% | 15% | 11% | 7% | 4% | - |
| Vanguard Developed Markets Idx Instl | 3% | 3% | 7% | 11% | 15% | 18% | 20% |
| Vanguard Emerging Mkts Stock Idx I | - | 3% | 4% | 6% | 8% | 11% | 13% |
| Vanguard Extended Market Idx I | - | 3% | 3% | 5% | 7% | 10% | 11% |
| Vanguard Institutional Index Instl Pl | 3% | 9% | 17% | 21% | 23% | 28% | 30% |
| Vanguard Total Bond Market Index I | 29% | 36% | 29% | 19% | 12% | 3% | - |
| William Blair Small-Mid Cap Gr I | 3% | 3% | 3% | 3% | 4% | 4% | 5% |

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

# Morningstar Model Portfolios – RC Benchmarks

## As of 12/31/2019

**RC Benchmarks**

| Index | Very Conservative | Conservative | Moderately Conservative | Moderate | Moderately Aggressive | Aggressive | Very Aggressive |
|---|---|---|---|---|---|---|---|
| Blmbg. Barc. Global Inflation-Linked US TIPS | 11% | 7% | 7% | 5% | 3% | 3% | - |
| Blmbg. Barc. US Agg. Bond | 29% | 20% | 13% | 10% | 6% | 3% | - |
| Blmbg. Barc. US Corp HY | 7% | 6% | 5% | 3% | 3% | - | - |
| Citi Treasury Bill 3 Mo. | 3% | 3% | - | - | - | - | - |
| FTSE NAREIT All Equity REITs | - | - | 3% | 3% | 3% | 3% | 4% |
| MSCI EAFE GR | 4% | 7% | 11% | 15% | 19% | 23% | 26% |
| MSCI EM GR | - | 3% | 4% | 6% | 8% | 11% | 13% |
| Russell 1000 Growth | - | 4% | 7% | 9% | 11% | 13% | 14% |
| Russell 1000 Value | 3% | 7% | 8% | 12% | 13% | 15% | 17% |
| Russell 2000 Growth | - | - | 3% | 3% | 3% | 4% | 5% |
| Russell 2000 Value | - | 3% | 3% | 3% | 4% | 5% | 6% |
| Russell Mid Cap Growth | 3% | 3% | 3% | 4% | 5% | 6% | 7% |
| Russell Mid Cap Value | - | 3% | 3% | 5% | 7% | 7% | 8% |
| TIAA Traditional | 40% | 34% | 30% | 22% | 15% | 7% | - |

**RC Ex-TIAA Benchmarks**

| Index | Very Conservative | Conservative | Moderately Conservative | Moderate | Moderately Aggressive | Aggressive | Very Aggressive |
|---|---|---|---|---|---|---|---|
| Blmbg. Barc. Global Inflation-Linked US TIPS | 11% | 8% | 6% | 5% | 3% | 3% | - |
| Blmbg. Barc. US Agg. Bond | 72% | 56% | 44% | 32% | 21% | 10% | - |
| Blmbg. Barc. US Corp HY | 7% | 6% | 5% | 3% | 3% | - | - |
| Citi Treasury Bill 3 Mo. | | | | | | | |
| FTSE NAREIT All Equity REITs | - | - | 3% | 3% | 3% | 3% | 4% |
| MSCI EAFE GR | 4% | 7% | 11% | 15% | 19% | 23% | 26% |
| MSCI EM GR | - | 3% | 4% | 6% | 8% | 11% | 13% |
| Russell 1000 Growth | - | 4% | 7% | 9% | 11% | 13% | 14% |
| Russell 1000 Value | 3% | 7% | 8% | 12% | 14% | 15% | 17% |
| Russell 2000 Growth | - | - | 3% | 3% | 3% | 4% | 5% |
| Russell 2000 Value | - | 3% | 3% | 3% | 4% | 5% | 6% |
| Russell Mid Cap Growth | 3% | 3% | 3% | 4% | 5% | 6% | 7% |
| Russell Mid Cap Value | - | 3% | 3% | 5% | 6% | 7% | 8% |

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





Empower Results®

# Morningstar Model Portfolios – RCP Performance

## As of 12/31/2019

| | Performance(%) | | | | | |
|---|---|---|---|---|---|---|
| | 1 Quarter | 1 Year | 3 Years | 5 Years | Since Inception | Inception Date |
| **RCP** | | | | | | |
| Very Conservative RCP | 1.1 | 8.3 | 4.8 | 4.0 | 4.0 | 04/01/2014 |
| *Very Conservative Benchmark RCP* | *1.4* | *8.2* | *4.6* | *3.8* | *3.8* | |
| Conservative RCP | 2.9 | 12.4 | 6.1 | 4.9 | 4.8 | 04/01/2014 |
| *Conservative Benchmark RCP* | *3.0* | *12.3* | *6.1* | *5.1* | *5.0* | |
| Moderately Conservative RCP | 3.7 | 15.6 | 7.5 | 6.5 | 6.3 | 04/01/2014 |
| *Moderately Conservative Benchmark RCP* | *4.1* | *15.7* | *7.6* | *6.1* | *6.0* | |
| Moderate RCP | 5.1 | 18.9 | 8.8 | 6.8 | 6.7 | 04/01/2014 |
| *Moderate Benchmark RCP* | *5.2* | *19.0* | *8.9* | *6.9* | *6.8* | |
| Moderately Aggressive RCP | 6.3 | 21.7 | 9.8 | 7.6 | 7.4 | 04/01/2014 |
| *Moderately Aggressive Benchmark RCP* | *6.3* | *21.6* | *9.8* | *7.5* | *7.3* | |
| Aggressive RCP | 7.4 | 24.2 | 10.9 | 8.2 | 8.0 | 04/01/2014 |
| *Aggressive Benchmark RCP* | *7.5* | *24.3* | *11.0* | *8.3* | *8.1* | |
| Very Aggressive RCP | 8.4 | 26.3 | 11.5 | 8.6 | 8.3 | 04/01/2014 |
| *Very Aggressive Benchmark RCP* | *8.6* | *26.6* | *11.9* | *8.8* | *8.5* | |
| **RCP Ex-TIAA** | | | | | | |
| Very Conservative RCP Ex-TIAA | 0.9 | 10.6 | 5.2 | 3.9 | 4.0 | 04/01/2014 |
| *Very Conservative Benchmark RCP Ex-TIAA* | *1.2* | *10.6* | *4.9* | *3.8* | *3.8* | |
| Conservative RCP Ex-TIAA | 2.6 | 13.7 | 6.3 | 5.0 | 4.9 | 04/01/2014 |
| *Conservative Benchmark RCP Ex-TIAA* | *2.9* | *14.2* | *6.4* | *5.0* | *5.0* | |
| Moderately Conservative RCP Ex-TIAA | 3.5 | 17.7 | 7.9 | 6.6 | 6.4 | 04/01/2014 |
| *Moderately Conservative Benchmark RCP Ex-TIAA* | *4.0* | *17.1* | *7.8* | *6.0* | *6.0* | |
| Moderate RCP Ex-TIAA | 5.0 | 19.7 | 8.8 | 6.7 | 6.6 | 04/01/2014 |
| *Moderate Benchmark RCP Ex-TIAA* | *5.2* | *19.8* | *9.0* | *6.9* | *6.8* | |
| Moderately Aggressive RCP Ex-TIAA | 6.2 | 22.5 | 9.9 | 7.5 | 7.3 | 04/01/2014 |
| *Moderately Aggressive Benchmark RCP Ex-TIAA* | *6.3* | *22.1* | *9.9* | *7.5* | *7.4* | |
| Aggressive RCP Ex-TIAA | 7.4 | 24.7 | 11.0 | 8.2 | 7.9 | 04/01/2014 |
| *Aggressive Benchmark RCP Ex-TIAA* | *7.5* | *24.3* | *10.9* | *8.2* | *8.0* | |
| Very Aggressive RCP Ex-TIAA | 8.4 | 26.3 | 11.5 | 8.5 | 8.4 | 04/01/2014 |
| *Very Aggressive Benchmark RCP Ex-TIAA* | *8.6* | *26.6* | *11.9* | *8.8* | *8.5* | |

# Morningstar Model Portfolios – RCP Allocations

## As of 12/31/2019

**RCP**

| Fund Name | Very Conservative | Conservative | Moderately Conservative | Moderate | Moderately Aggressive | Aggressive | Very Aggressive |
|---|---|---|---|---|---|---|---|
| American Century High Income Y | 6% | 7% | 4% | 4% | 4% | - | - |
| Cohen & Steers Instl Realty Shares | - | - | 4% | 4% | 4% | 4% | 4% |
| DFA Inflation-Protected Securities I | 11% | 7% | 7% | 5% | 3% | - | - |
| DFA US Targeted Value I | - | 4% | 4% | 5% | 6% | 7% | 8% |
| Diamond Hill Large Cap Y | 3% | 13% | - | 3% | 3% | 4% | 3% |
| Dodge & Cox Global Stock | - | - | - | - | - | - | 3% |
| Harding International Eq Inst | - | - | - | - | - | - | - |
| MFS International Value | 4% | 3% | 7% | 4% | 5% | 5% | 5% |
| PIMCO Total Return Instl | 29% | 17% | 8% | - | - | - | - |
| TIAA Traditional | 40% | 32% | 25% | 16% | 10% | 5% | - |
| Vanguard Developed Markets Idx Instl | - | 4% | 4% | 11% | 15% | 18% | 20% |
| Vanguard Emerging Mkts Stock Idx I | - | 3% | 4% | 6% | 8% | 11% | 13% |
| Vanguard Extended Market Idx I | - | 3% | - | - | 3% | 4% | 9% |
| Vanguard Federal Money Market Inv | 4% | 4% | - | - | - | - | - |
| Vanguard Institutional Index Instl Pl | - | - | 17% | 22% | 25% | 28% | 29% |
| Vanguard Total Bond Market Index I | - | 3% | 10% | 14% | 9% | 7% | - |
| William Blair Small-Mid Cap Gr I | 3% | - | 6% | 6% | 5% | 7% | 6% |

**RCP Ex-TIAA**

| Fund Name | Very Conservative | Conservative | Moderately Conservative | Moderate | Moderately Aggressive | Aggressive | Very Aggressive |
|---|---|---|---|---|---|---|---|
| American Century High Income Y | 6% | 5% | 4% | 3% | 3% | - | - |
| Cohen & Steers Instl Realty Shares | - | - | 4% | 4% | 4% | 4% | 4% |
| DFA Inflation-Protected Securities I | 11% | 8% | 6% | 5% | 3% | 3% | - |
| DFA US Targeted Value I | - | 3% | 4% | 5% | 6% | 6% | 8% |
| Diamond Hill Large Cap Y | - | - | - | 4% | 4% | 4% | 3% |
| Dodge & Cox Global Stock | - | - | - | - | - | - | 3% |
| Harding International Eq Inst | - | - | - | - | - | - | - |
| MFS International Value | 3% | 3% | 3% | 4% | 4% | 5% | 4% |
| PIMCO Total Return Instl | 7% | 7% | 4% | 3% | 3% | - | - |
| Vanguard Developed Markets Idx Instl | - | 3% | 7% | 11% | 15% | 19% | 21% |
| Vanguard Emerging Mkts Stock Idx I | - | 3% | 4% | 6% | 8% | 11% | 13% |
| Vanguard Extended Market Idx I | - | - | - | - | 3% | 6% | 8% |
| Vanguard Federal Money Market Inv | 3% | 3% | - | - | - | - | - |
| Vanguard Institutional Index Instl Pl | 3% | 13% | 18% | 21% | 24% | 28% | 29% |
| Vanguard Total Bond Market Index I | 63% | 48% | 40% | 28% | 17% | 8% | - |
| William Blair Small-Mid Cap Gr I | 4% | 4% | 6% | 6% | 6% | 6% | 7% |

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

# Morningstar Model Portfolios – RCP Benchmarks

## As of 12/31/2019

**RCP Benchmarks**

| Index | Very Conservative | Conservative | Moderately Conservative | Moderate | Moderately Aggressive | Aggressive | Very Aggressive |
|---|---|---|---|---|---|---|---|
| Blmbg. Barc. Global Inflation-Linked US TIPS | 11% | 7% | 7% | 5% | 3% | - | - |
| Blmbg. Barc. US Agg. Bond 1-3 Years | 22% | 16% | 13% | 10% | 7% | 4% | - |
| Blmbg. Barc. US Corp HY | 7% | 6% | 5% | 3% | 3% | - | - |
| Blmbg. Barc. US Long Govt./Credit | 7% | 6% | 5% | 6% | 4% | 4% | - |
| Citi Treasury Bill 3 Mo. | 3% | 3% | - | - | - | - | - |
| FTSE NAREIT All Equity REITs | - | - | 3% | 3% | 3% | 3% | 4% |
| MSCI EAFE GR | 4% | 7% | 11% | 15% | 19% | 23% | 26% |
| MSCI EM GR | - | 3% | 4% | 6% | 8% | 11% | 13% |
| Russell 1000 Growth | - | 4% | 7% | 9% | 11% | 13% | 14% |
| Russell 1000 Value | 3% | 7% | 8% | 12% | 13% | 15% | 17% |
| Russell 2000 Growth | - | - | 3% | 3% | 3% | 4% | 5% |
| Russell 2000 Value | - | 3% | 3% | 3% | 4% | 5% | 6% |
| Russell Mid Cap Growth | 3% | 3% | 3% | 4% | 5% | 6% | 7% |
| Russell Mid Cap Value | - | 3% | 3% | 5% | 7% | 7% | 8% |
| TIAA Traditional | 40% | 32% | 25% | 16% | 10% | 5% | - |

**RCP Ex-TIAA Benchmarks**

| Index | Very Conservative | Conservative | Moderately Conservative | Moderate | Moderately Aggressive | Aggressive | Very Aggressive |
|---|---|---|---|---|---|---|---|
| Blmbg. Barc. Global Inflation-Linked US TIPS | 11% | 8% | 6% | 5% | 3% | 3% | - |
| Blmbg. Barc. US Agg. Bond | 66% | 52% | 41% | 32% | 21% | 10% | - |
| Blmbg. Barc. US Corp HY | 7% | 6% | 5% | 3% | 3% | - | - |
| Citi Treasury Bill 3 Mo. | 6% | 4% | 3% | - | - | - | - |
| FTSE NAREIT All Equity REITs | - | - | 3% | 3% | 3% | 3% | 4% |
| MSCI EAFE GR | 4% | 7% | 11% | 15% | 19% | 23% | 26% |
| MSCI EM GR | - | 3% | 4% | 6% | 8% | 11% | 13% |
| Russell 1000 Growth | - | 4% | 7% | 9% | 11% | 13% | 14% |
| Russell 1000 Value | 3% | 7% | 8% | 12% | 13% | 15% | 17% |
| Russell 2000 Growth | - | - | 3% | 3% | 3% | 4% | 5% |
| Russell 2000 Value | - | 3% | 3% | 3% | 4% | 5% | 6% |
| Russell Mid Cap Growth | 3% | 3% | 3% | 4% | 5% | 6% | 7% |
| Russell Mid Cap Value | - | 3% | 3% | 5% | 7% | 7% | 8% |

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





Empower Results®

# Morningstar Model Portfolios – Static Allocation Performance

**As of 12/31/2019**

| | Performance(%) 1 Quarter | 1 Year | 3 Years | 5 Years | Since Inception | Inception Date |
|---|---|---|---|---|---|---|
| **RC** | | | | | | |
| Very Conservative RC (Static) | 1.3 | 8.4 | 4.9 | 4.3 | 4.2 | 04/01/2014 |
| *Very Conservative Benchmark RC (Static)* | *1.6* | *8.5* | *4.8* | *4.1* | *4.1* | |
| Conservative RC (Static) | 3.2 | 12.6 | 6.6 | 5.5 | 5.4 | 04/01/2014 |
| *Conservative Benchmark RC (Static)* | *3.2* | *12.7* | *6.5* | *5.5* | *5.4* | |
| Moderately Conservative RC (Static) | 4.5 | 16.2 | 8.0 | 6.6 | 6.5 | 04/01/2014 |
| *Moderately Conservative Benchmark RC (Static)* | *4.0* | *15.8* | *7.8* | *6.3* | *6.2* | |
| Moderate RC (Static) | 5.7 | 19.5 | 9.2 | 7.4 | 7.4 | 04/01/2014 |
| *Moderate Benchmark RC (Static)* | *5.3* | *18.9* | *8.9* | *7.1* | *6.9* | |
| Moderately Aggressive RC (Static) | 6.9 | 22.3 | 10.3 | 8.1 | 8.1 | 04/01/2014 |
| *Moderately Aggressive Benchmark RC (Static)* | *6.3* | *21.7* | *9.9* | *7.7* | *7.5* | |
| Aggressive RC (Static) | 8.2 | 25.0 | 11.8 | 9.1 | 8.9 | 04/01/2014 |
| *Aggressive Benchmark RC (Static)* | *7.4* | *24.5* | *11.1* | *8.3* | *8.1* | |
| Very Aggressive RC (Static) | 9.3 | 27.2 | 12.0 | 9.0 | 8.8 | 04/01/2014 |
| *Very Aggressive Benchmark RC (Static)* | *8.4* | *26.9* | *11.9* | *8.8* | *8.5* | |
| **RCP** | | | | | | |
| Very Conservative RCP (Static) | 1.5 | 8.9 | 4.9 | 4.1 | 4.1 | 04/01/2014 |
| *Very Conservative Benchmark RCP (Static)* | *1.5* | *8.2* | *4.5* | *3.8* | *3.8* | |
| Conservative RCP (Static) | 3.2 | 12.4 | 6.3 | 5.3 | 5.2 | 04/01/2014 |
| *Conservative Benchmark RCP (Static)* | *3.1* | *12.6* | *6.3* | *5.2* | *5.1* | |
| Moderately Conservative RCP (Static) | 4.4 | 16.3 | 7.8 | 6.3 | 6.3 | 04/01/2014 |
| *Moderately Conservative Benchmark RCP (Static)* | *3.9* | *16.0* | *7.6* | *6.1* | *6.0* | |
| Moderate RCP (Static) | 5.6 | 19.6 | 9.1 | 7.2 | 7.2 | 04/01/2014 |
| *Moderate Benchmark RCP (Static)* | *5.2* | *19.1* | *8.8* | *6.9* | *6.8* | |
| Moderately Aggressive RCP (Static) | 6.9 | 22.5 | 10.2 | 8.0 | 8.0 | 04/01/2014 |
| *Moderately Aggressive Benchmark RCP (Static)* | *6.2* | *21.8* | *9.8* | *7.5* | *7.4* | |
| Aggressive RCP (Static) | 8.1 | 25.1 | 11.7 | 9.0 | 8.9 | 04/01/2014 |
| *Aggressive Benchmark RCP (Static)* | *7.3* | *24.9* | *11.1* | *8.3* | *8.1* | |
| Very Aggressive RCP (Static) | 9.3 | 27.2 | 12.0 | 9.0 | 8.8 | 04/01/2014 |
| *Very Aggressive Benchmark RCP (Static)* | *8.4* | *26.9* | *11.9* | *8.8* | *8.5* | |

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# Discussion Topics

# Vanguard Target Retirement Trusts/Funds

- For the quarter, each of the Vanguard Target Retirement Trusts posted results that closely approximated the return of its respective performance benchmark
  - The longer-dated, more equity-heavy Institutional Vanguard Target Retirement 2065 Trust returned 8.1%
  - The Vanguard Target Retirement Income Trust, with its greater proportion of fixed income assets, returned 2.6%
- For the twelve months ended December 31, 2019, all the Target Retirement Trusts/Funds advanced
  - The Institutional Target Retirement 2065 Trust returned 25.2%, while the Institutional Target Retirement Income Trust returned 13.3%
  - The Trusts exhibited a modest level of tracking error across the series due to “fair value” pricing adjustments and the negative impact of fees
- Longer-term results continued to exhibit a modest level of tracking error but ranked favorably among their respective peer-group averages
  - Fair value pricing adjustments along with the impact of statistical sampling and the underlying component Fund’s investment management fees detracted from results
- The Vanguard Target Retirement Trusts remain “Buy” rated by our Global Investment Management Research Team

# PIMCO Flash Report

- In January 16, 2020, PIMCO announced that Mihir Worah, CIO of Asset Allocation and Real Return, will retire from the firm at the end of March 2020
  - Mr. Worah was a named portfolio manager on the PIMCO Total Return Fund
- Mr. Worah is being replaced by Mohit Mittal, and the strategy will continue to be led by PIMCO's CIO of U.S. Core Strategies, Scott Mather
- We believe succession has been appropriately planned for across Mr. Worah's responsibilities and we are not changing any of our ratings
- The PIMCO Total Return Fund remains "Buy" rated by our Global Investment Management Research Team
- A Flash report detailing our observations is included in Section 5 of this presentation

2 January 2020

## Flash Report

### PIMCO's Mihir Worah to Retire

**Recommendation**

PIMCO has announced that Mihir Worah, CIO of Asset Allocation and Real Return, will retire from the firm at the end of March 2020. Mr. Worah plans to serve as an advisor to PIMCO through the end of 2020. We recommend taking no action and retain the Buy rating for all impacted strategies.

**Background**

Mr. Worah has been with PIMCO for over 18 years and contributes across a broad range of strategies. We believe succession has been appropriately planned for across his responsibilities and are not changing any ratings. Additional comfort is gained from PIMCO's deep team of investment professionals along with the collaborative investment committee driven approach to portfolios that does not rely on any single investor to drive performance.

Mr. Worah is listed on several Buy-rated strategies. For inflation protected bonds, PIMCO US Real Return will now be led by Steve Rodosky while Global Real Return will be led by Lorenzo Pagani. Mr. Worah was a named portfolio manager on the PIMCO Total Return suite, including Core, Core Plus, and ESG. For those strategies he is being replaced by Mohit Mittal, and the strategies continue to be led by CIO of U.S. Core Strategies, Scott Mather. Erin Browne will replace Mr. Worah on the RealPath Blend target date suite. All of the above portfolio managers are highly experienced and we are confident in their ability to excel in their new responsibilities.

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# American Century High Income Fund

- The Fund continued to register "Orange" on the Watch List during the fourth quarter
  - Due to the Fund's historical underperformance relative to its benchmark over the trailing five-year period and in three of the four most recent trailing calendar quarters
- The Fund's performance trailed the return of its benchmark, the ICE BofAML US High Yield Master II Constrained Index, by 0.2 percentage points during the fourth quarter
- The Fund's relative underperformance was primarily attributable to:
  - An overweight allocation to defensive sectors and higher quality issuers
  - Holdings within the telecommunication, health facilities, and electric-integrated sectors
- Partially offsetting the period's negative relative results were holdings in the pharmaceuticals, machinery, metals/mining excluding steel, gaming, wireless telecom, and lease financing sectors
- For the twelve months ended December 31, 2019, the Fund generated a return of 12.7% versus the benchmark's return of 14.4%
- Longer-term results remained mixed relative to the Fund's benchmark and peer group average
- The strategy remains "Buy" rated by our Global Investment Management Research Team
- We continue to closely monitor the Fund's positioning and performance but recommend the Committee take no action as the investment team remains consistent and continues to execute on its historic philosophy and process

# DFA U.S. Targeted Value Fund

- The Fund continued to register "Orange" on the Watch List during the fourth quarter
  - Due to the Fund's historical underperformance relative to its benchmark over the trailing five-year period and in three of the four most recent trailing calendar quarters
- The Fund outperformed the return of its benchmark, the Russell 2500 Value Index, by 1.5 percentage point during the fourth quarter
- The Fund's relative outperformance was primarily attributable to:
  - The exclusion of REITs and highly regulated utilities
  - An overweight allocation to small cap stocks
- For the twelve months ended December 31, 2019, the Fund generated a return of 21.5% versus the benchmark's return of 23.6%
  - An emphasis on the lowest relative price (deep value) stocks detracted from relative results
- Longer-term results remain mixed relative to the Fund's benchmark and peer group average
- We continue to closely monitor the Fund's positioning and performance but recommend the Committee take no action as the investment team remains consistent and continues to execute on its historic philosophy and process
- The strategy remains "Buy" rated by our Global Investment Management Research Team

# Dodge & Cox Global Stock Fund

- The Fund registered "Red" on the Watch List during the fourth quarter
  - Due to the manager's historical underperformance relative to its benchmark over the trailing five-year period and in three of the four most recent trailing calendar quarters
- The Fund's performance exceeded the return of its benchmark, the MSCI All Country World Index, by 1.8 percentage points during the fourth quarter
- The Fund's relative outperformance was primarily attributable to:
  - An overweight allocation and positive stock selection within the financials sector
  - An overweight allocation and positive stock selection within the health care sector
- For the twelve months ended December 31, 2019, the Fund generated a return of 23.8% versus the benchmark's return of 26.6%
  - The manager's value-oriented approach detracted from results as growth stocks outperformed
- Longer-term performance remained mixed relative to the Fund's benchmark and peer group average
- As an important part of the ongoing due diligence process, the Committee asked AHIC to initiate a "competitive review" to compare the Fund's positioning, historical performance, fees, etc. to other viable candidates
- A search report identifying candidates that could serve as a potential replacement to the Fund has been included under separate cover

# Dodge & Cox Flash Report

- On January 16, 2020, Dodge & Cox announced a number of changes to its U.S. and International Equity Investment Committees
- Each investment policy committee at Dodge & Cox includes the firm's most experienced, tenured, and talented investment professionals
- One of the key strengths of Dodge & Cox is the depth in talent and length of tenure across investors at the firm
- We believe these changes reflect a measured, gradual transition of responsibilities as Dodge & Cox enters its fifth generation of ownership and management
- The Dodge & Cox Global Stock Fund remains "Buy" rated by our Global Investment Management Research Team
- A Flash report detailing our observations is included in Section 6 of this presentation

**Aon Hewitt**
Retirement and Investment

16 January 2020

## Flash Report

### Dodge & Cox - Changes to the U.S. and International Equity Investment Committees

#### Recommendation

Dodge & Cox announced the following changes:

- Wendel Birkhofer will step down from the U.S. Equity Investment Committee effective May 1st, 2020. Further Mr. Birkhofer has also announced his intent to retire effective December 31st, 2020. Mr. Birkhofer has been at the Firm for 33 years.
- Diana Strandberg will step down from the U.S. Equity Investment Committee effective May 1st, 2020. Ms. Strandberg will remain a member of the International and Global Investment Committees.
- Bryan Cameron will step down from the International Equity Investment Committee effective May 1st, 2020. Mr. Cameron remains a member of the U.S. Investment Committee and the firm's Director of Research.
- Richard Callister, a member of the International Investment Committee, has announced his intention to leave the Firm for personal reasons effective December 31st, 2020.

We recommend clients make no change at this time. We view one of the key strengths of Dodge & Cox to be the depth in talent and length of tenure across investors at the Firm. We believe these changes reflect a measured, gradual transition of responsibilities as Dodge & Cox enters its fifth generation of ownership and management. Each investment policy committee at Dodge & Cox includes the Firm's most experienced, tenured and talented investment professionals.

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

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# MFS International Value Flash Report

- MFS recently announced that effective February 1, 2020, Philip Evans will join the portfolio management team of Benjamin Stone and Pablo de la Mata on the MFS International Intrinsic Value strategy
- Mr. de la Mata plans to leave MFS and the investment management industry on April 15, 2022 and will relinquish his portfolio management responsibilities at that time
- We believe the co-PM team structure as well as the long runway given prior to Mr. de la Mata's departure should mitigate risk and allow for a smooth transition as Mr. Evans joins the team
- The MFS International Value Equity Fund remains "Buy" rated by our Global Investment Management Research Team
- A Flash report detailing our observations is included in Section 6 of this presentation

January 2020

## Flash Report

### MFS Investment Management – MFS International Intrinsic Value Equity Team Changes

#### Recommendation

We recommend clients make no change at this time. The MFS International Intrinsic Value Equity strategy remains rated Buy (Closed). We believe the co-PM team structure as well as the long runway given prior to Pablo de la Mata's departure should mitigate risk and allow for a smooth transition as Philip Evans joins the team.

Please contact your local Aon investment consultant or a member of the Equity Manager Research team should you have any questions.

#### Background

MFS recently announced that effective 1 February 2020, Philip Evans will join the portfolio management team of Benjamin Stone and Pablo de la Mata on the MFS International Intrinsic Value strategy. Pablo plans to leave MFS and the investment management industry on 15 April 2022 and will relinquish his portfolio management responsibilities at that time.

Mr. Evans joined MFS in 2011 as an equity research analyst, covering the consumer cyclicals, health care and capital goods sectors. He has worked closely with Messrs. Evans and de la Mata in evaluating companies. Mr. Evans' skillset, including his long-term investment style and thought process/rationale have aligned well with the strategy.

Messrs. Stone and de la Mata joined MFS in 2005 and 2008, respectively. They have served as members of the portfolio management team of the strategy since 2008 and 2014, respectively.

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# Discussion Topics

# Flash Report

## PIMCO's Mihir Worah to Retire

### Recommendation

PIMCO has announced that Mihir Worah, CIO of Asset Allocation and Real Return, will retire from the firm at the end of March 2020. Mr. Worah plans to serve as an advisor to PIMCO through the end of 2020. We recommend taking no action and retain the Buy rating for all impacted strategies.

### Background

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# Discussion Topics

# Flash Report

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# Discussion Topics







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# Flash Report

## MFS Investment Management – MFS International Intrinsic Value Equity Team Changes

### Recommendation

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We recommend clients make no change at this time. The MFS International Intrinsic Value Equity strategy remains rated Buy (Closed). We believe the co-PM team structure as well as the long runway given prior to Mr. de la Mata's departure should mitigate risk and allow for a smooth transition as Mr. Evans joins the team.

Please contact a member of the Aon Equity Manager Research team should you have any questions.

### Background

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Messrs. Stone and de la Mata joined MFS in 2005 and 2008, respectively. They have served as members of the portfolio management team of the strategy since 2008 and 2014, respectively.

## Disclaimer

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# Discussion Topics

Fourth Quarter 2019

# Aon Quarterly Update

*Retirement Legal Consulting & Compliance*

## In this Issue



### Prior Issues


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


## Note From Your Editor

The end of the calendar year marks a significant change for our editorial staff of the *Quarterly Update.* Jennifer Ross Berrian, who has served as an editor since 2012, has turned over the reins. While Jennifer will continue to be available to work with and assist Aon clients, on behalf of the editorial staff, we did want to thank her for her many years at the helm and for her standard-setting, leadership, and guidance!

As we move forward, there continue to be many topics and benefit strategies of interest to our readers.

Organizations of all sizes face pay equity risks. In this issue, we discuss how organizations may tackle these risks by dynamically managing their pay equity position as an ecosystem.

We have reported extensively on the ongoing actuarial equivalence litigation. This issue includes a brief litigation update (including one pro-employer case that the judge approved a motion to dismiss).

Earlier this year, we reported on mandatory arbitration provisions in retirement plans. Recently, a federal court overturned long-term precedent to enforce a plan's mandatory arbitration provisions. This issue includes a discussion of actions that plan sponsors could consider in mitigating risk.

California and other states, concerned that workers of smaller employers lack retirement savings vehicles, established their own state-run retirement programs. In this issue, we report on a recent lawsuit filed by the federal government against California's CalSavers program.

This issue reports on guidance during the last quarter by the Internal Revenue Service (IRS) and the Department of Labor (DOL). The IRS clarified the taxation and reporting requirements related to uncashed retirement plan checks and, with the Treasury Department, issued final regulations regarding hardship distributions. The DOL issued additional guidance for employers with reemployed service members and finalized DOL regulations related to overtime pay.

Plan recordkeeper changes often present challenges to plan sponsors. We discuss actions that plan sponsors could consider taking in response to these challenges while undergoing a recordkeeper change.

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 M Motter

**Susan Motter**
Associate Partner
Aon

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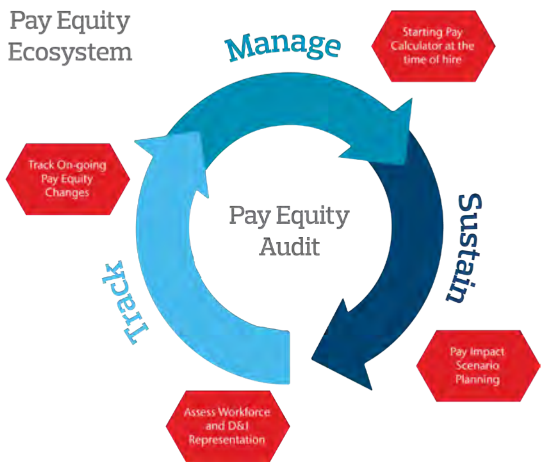
# Building Your Pay Equity Ecosystem

by Ranjan Dutta and Rajiv Ramanathan

Pay equity risks are faced by organizations of all sizes, across different industries, across differing maturity levels and are truly location agnostic. While some organizations have a systemic pay equity challenge, others have specific pockets like job families, functions, and regions within the organization where the risks are more pronounced. Regardless of the extent or depth of the problems, organizations are best served to tackle this problem head on and make sure systematic and deliberate strategies are adopted to close any pay inequity gap, both in the short- and long-term.

The pay equity risk within an organization is dynamic in nature, just like the organization itself. Every organization is like a living organism. As the organization grows and changes, the workforce composition continually changes, causing a shift in the pay equity position within the organization. Many organizations that undertake a pay equity study often do it as a one-time study where they collect the data as of a certain snapshot date and then run pay equity models to assess gaps. However, by the time the organization completes the study, determines the extent of changes it desires to make, and implements those changes, in most cases three to four months have passed since the snapshot date when the data was collected for the initial study.

By the time the changes are implemented, there is also a possibility the pay equity position within the organization could have shifted since the organizational workforce doesn't stay static while the pay equity changes are being implemented. Some employees may have left the organization; new employees may have joined; and there may have been promotions within the organization. All these "business as usual" changes affect an organization's pay equity position. The changes are even more exacerbated if the organization undergoes bigger structural changes or participates in small or large mergers and acquisitions activity. So, how does an organization manage this continual dynamic change if the organization, just like many other organizations out there, is facing a similar set of challenges? How does an organization make sure it tracks, monitors, and implements the changes from a long-term perspective?




Aon suggests looking at pay equity, not just as a one-time audit exercise or even an annual event, but as an ecosystem that will help the organization dynamically manage the risks on an ongoing basis. There are three ways in which these risks can be managed proactively:

- **Track.** Organizations can track in two ways. First, they can make sure the pay equity position is monitored continually rather than a series of one-off studies. If an organization is dynamic and experiences a more-than-average attrition rate or is in a high-growth industry with a large number of new hires or acquires/divests businesses often, the organization should make sure it has the ability to track its pay equity position by conducting more frequent checks on a quarterly or even monthly basis. This will help ensure the organization has a true and fairer understanding around managing these risks effectively.

  Second, it is critical to understand how workforce representation affects the pay equity position within an organization. Aon has conducted over 80 pay equity audits in the last 18 months. Many times, we have found that pay inequities are often a result of failed diversity and inclusion practices. If an organization has any specific department, job families, or grades where the workforce representation is lopsided, the organization should make sure it assesses the relationship between the workforce representation and its pay equity risks. A focus on getting deeper insights into the workforce representation will help a business understand the root cause of some of the pay equity challenges facing the organization. Instead of treating the inequity problem by adjusting pay post hoc, by tracking these metrics the organization will be in a position to proactively manage the issue even before it becomes a problem.

- **Manage.** Organizations must manage the changes that occur in their workforce continually with an eye toward how those changes impact pay equity. Some of the key inflection points where pay equity risks originate are during the time when hiring or promotion decisions are made. Depending on how centralized or decentralized an organization's compensation decision-making processes are, pay decisions made during the time of hire or promotions will likely affect the pay equity position adversely within the organization. An organization's ability to assess the implication of short-term pay decisions on the longer-term pay equity risks will help deflate any larger pay equity risks in the future.

- **Sustain.** Finally, how do organizations sustain pay equity long term? To ensure there is pay equity from a long-term perspective, it is imperative to integrate the pay equity process into the organizational compensation planning process. We seldom see organizations have the budget or the appetite to address all pay inequities as soon as the first audit is done. While making any pay equity adjustments, organizations should assess the relationship between their spending appetite and risk appetite. There is no one answer in terms of how to remediate the pay equity risks within an organization. The ideal solution will be uncovered by using a series of scenarios which fit the organization risk-reward profile on a multi-year basis.

Whether an organization is a small 200-employee organization or a large multinational with over 200,000 employees and complex global operations, it is critical that an organization think of pay equity solutions as a well-rounded ecosystem that just doesn't stop at an annual audit. By deploying smart tools to track, monitor, and sustain the pay equity solutions, an organization can achieve and maintain long-term parity in pay and minimize any potential pay equity challenges at the root cause.

To know more about how Aon can support your organization in conducting pay equity audits and developing a well-rounded ecosystem, please contact Ranjan Dutta or Rajiv Ramanathan.

# Actuarial Equivalence Litigation—First Dismissal

by Jennifer Ross Berrian

As previously reported, four lawsuits were filed last December against large pension plans challenging the actuarial equivalence factors used for calculating optional forms of benefit or early retirement reduction factors. Six more cases have been filed since then (including a new case filed October 1, 2019). Motions to dismiss were filed in the first four cases, and rulings have been made on three of the four motions. The motions have been decided as follows:

- ***Torres v. American Airlines.*** The defendants' motion to dismiss was denied, and the case will move forward.
- ***Smith v. U.S. Bancorp.*** The defendants' motion to dismiss was also denied in this case. The case will move forward.
- ***Masten v. Metropolitan Life Insurance Company.*** No decision has been made at the time of this writing on the defendants' motion to dismiss in this case.
- ***DuBuske v. PepsiCo. Inc.*** The judge in this case granted the defendants' motion to dismiss, reasoning that the prohibition under the Employee Retirement Income Security Act of 1974 against the forfeiture of normal retirement age benefits does not apply to participants who commenced receiving their benefits prior to normal retirement age. This case could have ended at this point, but the plaintiffs have filed a motion asking the judge to either reconsider his decision or grant them leave to amend their complaint.

We will continue to monitor developments in these cases as well as related litigation and will update you when developments arise. Please contact your Aon consultant for more information about these cases.

# Ninth Circuit Enforces Mandatory Arbitration of ERISA Claims

by Hitz Burton

Plan sponsors seeking to avoid future possible exposure to class action litigation received valuable support in a related pair of decisions made by the Ninth Circuit Court of Appeals in *Dorman v. Charles Schwab Corp.* On August 20, 2019, the court reversed 35 years of its prior precedent when it overturned its 1984 decision in *Amaro v. Continental Can Co.* and held that class action claims brought under the Employee Retirement Income Security Act of 1974 (ERISA) on behalf of a retirement plan can be made subject to that plan's mandatory arbitration provisions.

In *Dorman*, a former Charles Schwab employee and participant in the company's 401(k) plan, filed a lawsuit seeking class action status for his claims and those of approximately 25,000 other "similarly situated" participants alleging that the defendants breached their fiduciary duties and violated ERISA's prohibited transaction rules when they permitted the plan to offer proprietary investment funds. As you may recall, we previously discussed the enforceability of mandatory arbitration provisions in a retirement plan in our Third Quarter issue of the *Quarterly Update*. Prior to *Dorman*, it was generally understood that individual benefit claims could be subject to plan provisions requiring arbitration. It was not clear, however, that claims brought by one or more participants on behalf of the plan itself (e.g., breach of ERISA fiduciary duties of prudence or loyalty) were similarly subject to a plan's mandatory arbitration provisions.

Applying prior Supreme Court decisions that have broadly supported the right of employers to resolve claims through arbitration, the Ninth Circuit held that the Schwab 401(k) plan had consented to arbitration of claims when it was amended to add a mandatory arbitration provision. Additionally, and based on the specific terms of the plan which provided that any claims brought in arbitration must be brought on an individual (rather than on a class) basis, the Ninth Circuit reasoned that Dorman must pursue his claims individually rather than collectively on behalf of all similarly situated participants.

If the reasoning of the Ninth Circuit is followed by other federal courts of appeals, the current economics that have driven so much ERISA litigation involving 401(k) plans in the last 15 or so years may fundamentally change. If, on the other hand, other federal courts of appeals disagree with the result reached by the Ninth Circuit, it may be that the issue will need to eventually be taken up by the Supreme Court.

While the enforceability of mandatory arbitration provisions in ERISA-covered retirement plans continues to be litigated, sponsors should be evaluating a host of risk-mitigation strategies, including plan amendments regarding arbitration, plan-specified claims limitation periods, and forum selection provisions. To be enforceable if a claim arises, these types of provisions should be carefully reflected in the plan document, summary plan description, and in any claims denial decision made by fiduciaries.

If you would like to discuss additional specifics regarding any of these risk-mitigation strategies, Aon's Retirement Legal Consulting & Compliance consultants are available to help you consider how you might want to update your retirement plan documents and how to most effectively communicate these plan design changes to your participants.

# The Federal Government Weighs In—CalSavers Is Preempted Under ERISA

by Elizabeth Groenewegen

Growing concern that many workers, particularly those of smaller employers, lack access to retirement savings has inspired several states to create retirement programs for the employees of private employers working in the state. The fate of several such state-run programs is now in question. CalSavers, the program sponsored by the state of California, is being challenged in a lawsuit pending in federal district court. *Howard Jarvis Taxpayers Ass'n v. Cal. Secure Choice Ret. Savings Program*, No. 2:18-cv-01584-MCE-KJN (E.D. Cal. motions pending). Recently, the federal government officially entered that case and presented arguments that CalSavers is preempted under the Employee Retirement Income Security Act of 1974 (ERISA). (See the *Statement of Interest* filed on September 13, 2019 by the Department of Justice and the Solicitor of the Department of Labor (DOL).)

CalSavers, which officially opened in July 2019, is the result of efforts dating back to California legislation enacted in 2012. Currently, employer engagement with CalSavers is voluntary. However, by June 30, 2020, large employers (those with more than 100 employees) in California are required to be registered. California law requires an employer to enroll their eligible employees in CalSavers if the employer does not otherwise offer a retirement program (for instance, an ERISA tax-qualified plan or a Savings Incentive Match Plan for Employees Individual Retirement Account (SIMPLE IRA)). The CalSavers program requires that each enrolled employee have 5% of pay automatically contributed to a Roth IRA. Enrolled employees have the right to change the amount of pay withheld or to opt out entirely.

Other states have developed programs like CalSavers. For instance, "OregonSaves," which launched in 2017, uses a similar automatic enrollment IRA structure. Not long ago, state efforts to create programs to expand retirement savings seemed to enjoy federal support. The DOL initially opined in subregulatory guidance (DOL Interpretive Bulletin 2015-12) that a state-run program could be designed so as not to be preempted under ERISA. In December 2016, the DOL finalized a regulation setting forth an ERISA safe harbor for state-run savings arrangements. However, the regulation entitled "*Certain governmental payroll deduction savings programs*" never became effective as it was disapproved in early 2017 under the Congressional Review Act. (Careful readers will note the intervention of the 2016 national election.)

The issue of ERISA preemption has now been squarely presented in the litigation challenging CalSavers. While courts generally are not obligated to accept the federal government's position, the legal analysis and reasoning offered will be considered and may be found persuasive. If the government's position does prevail, the ERISA retirement plan community may be relieved of the need to contend with the requirements of various state retirement programs. While plan sponsors of ERISA qualified retirement plans were never the target of the state-run programs, some of those programs do present potential administrative burdens in navigating rules regarding exempt status, particularly for employers that have employees working in numerous states.

# Withholding and Reporting Apply to Uncashed Plan Checks

by Dan Schwallie

In response to reports that some qualified retirement plan participants have not cashed plan distribution checks, ostensibly in hopes of avoiding receipt and taxation of the income (often due to perceived effects on divorce, garnishment, or similar situations), the Internal Revenue Service (IRS) issued Revenue Ruling 2019-19 on September 3, 2019. The ruling reminds participants that a distribution generally is taxable in the year in which the distribution is made, regardless of whether the participant retains the check uncashed, returns it, destroys it, or cashes it in a subsequent year. The ruling also reminds plan sponsors that federal tax withholding and reporting apply for the year in which the distribution is made, regardless of when or whether the check is cashed by the participant.

The ruling considers an uncomplicated plan distribution from a calendar year plan that does not involve Roth contributions or non-Roth after-tax contributions, and for which the participant has not made a rollover contribution with respect to any portion of the distribution and has never made a withholding election. The participant is assumed to have received the check, is able to cash it, and no other exception to income inclusion applies. The ruling notes that the IRS and Department of Treasury continue to analyze issues that arise in other situations involving uncashed checks from plans that provide rollover eligible distributions, including situations involving participants who cannot be located (i.e., "missing participants").

Plan sponsors may want to ensure that participants receiving qualified retirement plan distributions understand the tax consequences even if the participants do not cash the checks received. Plan sponsors should also ensure they are properly withholding and reporting those distributions for the year of the distribution. Aon's Retirement Legal Consulting & Compliance consultants are available to assist plan sponsors review their processes for compliance and improve communications to participants who will receive distributions or are receiving distributions but not cashing the checks.

# Hardship Distributions a Little Less Hard for Plan Sponsors

by Dan Schwallie

Final hardship distribution regulations from the Treasury Department and the Internal Revenue Service (IRS) were published September 23, 2019. The final regulations are substantially similar to the proposed regulations published last November, described in the Fourth Quarter 2018 and First Quarter 2019 issues of the *Quarterly Update*. The Treasury Department and the IRS indicate those plans that complied with the proposed regulations will satisfy the final regulations. Nevertheless, the final regulations make a few changes and clarifications. The application of the final regulations continues to be more restrictive with respect to 403(b) plan hardship distributions, as described in the First Quarter 2019 issue of the *Quarterly Update* discussing the proposed regulations.

The final regulations, like the proposed regulations, eliminate the "necessity" safe harbor under which a distribution is deemed necessary to satisfy the financial need only if a participant is prohibited from contributing to the plan for at least six months after the distribution is made, and the participant first obtains all nontaxable plan loans, if available. Further, the six-month suspension requirement must be eliminated for hardship withdrawals made on or after January 1, 2020. The final regulations clarify that this required elimination of suspensions only applies to qualified plans (e.g., 401(k) plans), 403(b) plans, and governmental 457(b) plans, not to unfunded nonqualified plans (if in accordance with Section 409A of the Internal Revenue Code). However, a plan may require that, before a hardship distribution may be made, a participant obtain all nontaxable loans available under the plan and all other plans maintained by the employer, but it is no longer mandatory.

The "facts and circumstances" review alternative to the necessity safe harbor is eliminated by both the final and proposed regulations and is replaced with a single general standard for determining whether a hardship distribution is necessary to satisfy an immediate and heavy financial need. Under this new standard, a hardship distribution may not exceed the amount of an employee's need (including any amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution); the employee must obtain other available, non-hardship distributions under the employer's plans; and the employee must represent that he or she has insufficient cash or other liquid assets available to satisfy the financial need. The final regulations relax the employee representation requirement to provide that the employee must only represent he or she has cash or other liquid assets "reasonably available" to satisfy the need. An employee could make such a representation even if the employee had cash or other liquid assets on hand, provided those assets are earmarked for another financial obligation in the near future. The final regulations also clarify that such representation can be made via email or on a website, and a verbal representation via telephone can be used if it is recorded.

Like the proposed regulations, the final regulations modify the safe harbor list of expenses for which distributions are deemed to be made on account of an immediate and heavy financial need. A primary beneficiary under the plan is added as an individual with respect to whom qualifying medical, educational, and funeral expenses may permit a hardship distribution. The home casualty reason for hardship is clarified that it does not have to be in a federally declared disaster area (perhaps an unintended consequence of the Tax Cuts and Jobs Act of 2017). A new safe harbor reason is added for expenses incurred as a result of certain disasters. The Treasury Department and the IRS indicate that a plan making hardship distributions for some, but not all, of the safe harbor expenses is considered to be using the safe harbor standards for hardship distributions.

Although similar to IRS relief provided after federally declared disasters, the new disaster-related safe harbor differs in that it is limited to disaster-related expenses and losses of an employee who lived or worked in the disaster area (and not the employee's relatives and dependents). There is no specific deadline by which the disaster-related distribution must be made, and there is no extended deadline to amend a plan to add the new disaster-related reason. Therefore, a plan sponsor that does not add disaster-related hardship distribution provisions as part of an amendment reflecting the final regulations, but instead waits until a disaster occurs, would need to adopt the amendment by the end of the plan year the amendment is first effective.

Plan sponsors with plans using an actual deferral percentage (ADP) and/or actual contribution percentage (ACP) safe harbor design will need to provide participants with an updated ADP/ACP safe harbor notice reflecting the final regulations and provide a reasonable opportunity for participants to change their contribution elections. Plan sponsors will also need to amend hardship distribution provisions to reflect the final regulations, and any such amendment must be effective for distributions beginning no later than January 1, 2020 (subject to optional earlier applicability dates for some provisions). If the final regulations are included in the 2019 Required Amendments List published by the IRS, the deadline to amend individually designed plans, for example, will be December 31, 2021. Aon's Retirement Legal Consulting & Compliance consultants are available to assist plan sponsors in complying with the final regulations and timely amending plan documents.

# New DOL Guidance on Reemployed Service Members

by John Van Duzer

In 1994, the Uniformed Services Employment and Reemployment Rights Act (USERRA) was signed into law. The law was intended to provide additional protections to employees who leave employment to engage in military service ("service members") and subsequently return to the same employer upon completion of that military service.

Among other things, USERRA provides certain requirements that qualified retirement plans (both defined benefit and defined contribution) must follow in connection with participants who return following qualified military leave. More specifically, these service members must essentially be treated as if they had never left civilian employment in the first place, assuming they eventually return to their former employer on a timely basis. Because there would have been no break in service, benefit accruals in a (non-frozen) plan and vesting may both increase under these USERRA requirements, and participation in the plan may be affected.

In the years since 1994, the Department of Labor (DOL) has issued guidance (e.g., final regulations released in 2005) on many of the reemployment issues that arise in connection with retirement plans. Although this guidance has addressed many issues and answered many questions, the DOL has recognized that, while administering retirement plans for these reemployed veterans, there remain a number of unanswered questions that are likely to impact implementation of the legal requirements and benefit calculations for these plan participants.

In an attempt to provide guidance on some of these difficult questions, the DOL has released a "USERRA Fact Sheet 1" on August 9, 2019 in a readily understandable format (e.g., frequently asked questions or FAQs). Although most employers would not expect to have a large number of employees subject to these USERRA requirements, it's certainly not uncommon for employers to have employees who from time to time do engage in military service. For that reason, this detailed guidance may be of importance to many employers at any given point in time.

The guidance is intended to address several questions that may arise in implementing USERRA, because employers are directed to provide plan benefits as if the service member had continued in civilian employment. Because those plan benefits are often based at least in part on "compensation," and because the service member's "expected" compensation during the period of military leave is often unclear, the DOL guidance describes compensation that is "reasonably certain" to have been paid (based on various facts and circumstances) but for the military leave. This type of "deemed" compensation may need to be used in determining plan benefits, since it is often unclear what actual pay would have been received by the participant if no military leave had occurred.

Some of those key questions include:

- What constitutes "reasonable certainty" when determining "deemed compensation" that a service member would have been expected to receive but for the military leave? This issue will be important when determining a participant's entitlement to a pension benefit. Determining the correct methodology to use will depend on whether the participant's rate of pay is "reasonably certain."

- Is deemed compensation determined only on scheduled hours worked or should actual hours worked (e.g., including overtime hours) be included? This determination will obviously impact a determination of compensation to use in a benefit calculation. In general, the DOL requires the employer to focus on actual hours worked during previous periods of employment.
- How should the so-called "12-month lookback period" be applied in determining deemed compensation, particularly in the context of an employee who has multiple periods of military leave? This lookback period can be important in determining an average amount of pay to use in calculating "compensation," especially when the participant works variable hours or earns variable rates of pay under a commission scheme.

Employers must ensure that any such statement filed on or after August 16, 2019 is done electronically.

The DOL guidance contains a number of examples which are very fact-specific. More broadly, the examples provide helpful guidance on (i) scheduled versus actual hours of employment; (ii) when it is necessary to include deemed overtime pay in determining compensation; (iii) the meaning of the phrase "reasonably certain"; (iv) possible variations of the 12-month lookback rule; (v) how to reflect job promotions and related pay increases that might have otherwise occurred for an employee on military leave; (vi) unpredictable commissions that might have been payable to a participant on leave; and (vii) issues arising when determining deemed compensation for a participant engaged in multiple military leaves.

All the various issues and questions described above may come into play when determining the deemed compensation of a rehired service member. The deemed compensation, in turn, is often needed to determine the value of that service member's retirement plan benefit.

Aon's Retirement Legal Consulting & Compliance consultants are familiar with this recent DOL guidance on USERRA and can assist you in working through these complicated issues relating to reemployed service members.

# The Key to Successfully Changing Plan Recordkeepers

by Bridget L. Steinhart

A plan recordkeeper change often includes competing plan sponsor priorities, timing challenges, and/or plan operational/data issues—in addition to possible fiduciary concerns. Any unforeseen challenge can delay the conversion timeline and require unanticipated and extended use of a plan sponsor's internal and external resources.

But what if the issues that can arise in changing plan recordkeepers could be minimized? Addressing the following three key pre-conversion activities can mitigate downstream challenges:

Some of those key questions include:

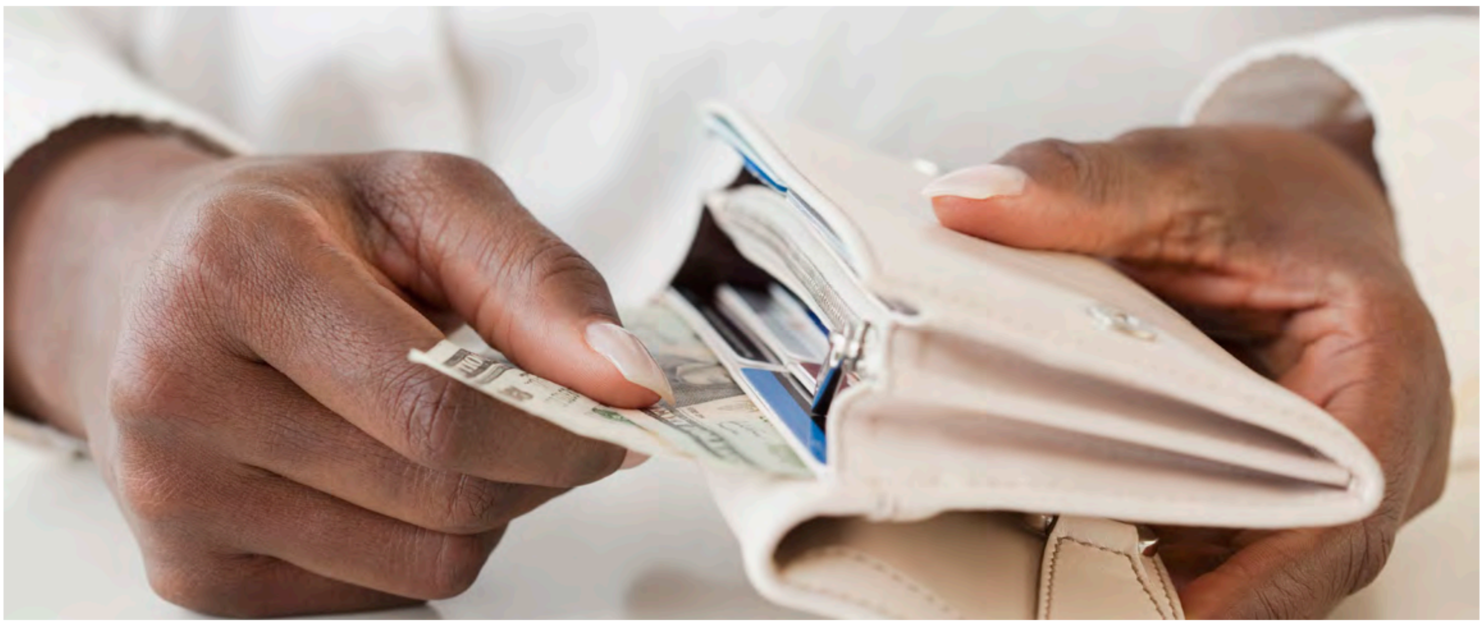
- **Timing of Other Benefit Activities.** Considering an off-cycle (non-peak period) conversion date, such as April 1 or July 1, can be beneficial when a plan sponsor is managing other key priorities such as acquisition of another organization, significant health benefit changes during an autumn open enrollment, or HRIS/payroll systems changes. In addition, the plan sponsor is more likely to get the full attention of the future recordkeeper if the process is taking place during a non-peak period.
- **Notice Requirements.** The draft conversion timeline should include how many days' notice is required to terminate services with the current recordkeeper and trustee/custodian (if a trustee/custodian change is contemplated). In addition, liquidity issues for certain plan investments, such as for certain stable value/fixed income funds, can mean at least a 12-month notice requirement to the fund manager.
- **Plan Operations and Data Issues.** A pre-conversion review of plan operations as compared to the plan document is recommended, as is discovering any participant data issues. (Ideally, this should take place prior to announcing a change from the incumbent recordkeeper to the new recordkeeper in order to get the full attention of the current recordkeeper in addressing any data issues or corrective actions.) Common data challenges include incomplete employee indicative information, confusion between division transfer dates and termination dates, mislabeling of compensation elements, and ongoing errors with participant loans. As noted in the Third Quarter 2019 issue of the *Quarterly Update*, the Internal Revenue Service's self-correction program has been significantly expanded in covering many of these operational issues.

In summary, a conversion timeline that allows for flexibility with the targeted conversion date offers two significant benefits: customization of the conversion timeline to allow for managing other benefit initiatives and the opportunity to address operational issues with the existing recordkeeper before conversion activity is underway. Aon's consultants bring a team approach to addressing plan compliance and operational issues, and act as an extension of our client's benefits team throughout the conversion process. We will be happy to discuss these opportunities further at your convenience.

Please see the applicable Disclosures and Disclaimers on page 11.

# Implications of New FLSA Overtime Rules for Benefit Plans

by David Alpert



On September 27, 2019, the Department of Labor (DOL) issued new final regulations regarding exemptions from the minimum wage and overtime pay standards of the federal Fair Labor Standards Act (FLSA). The new regulations, which are effective January 1, 2020, replace previous regulations that were issued by the DOL on May 23, 2016, and that subsequently were held by a federal court to be invalid. The new regulations have various potential implications for employee benefit plans.

**Exempt Employees.** The final regulations provide that FLSA minimum wage and overtime pay rules apply to employees who are not exempt therefrom (nonexempt employees). Executive, administrative, professional, outside sales, and skilled computer employees (white collar employees), as well as various other employees, who satisfy certain tests relating to their job duties and wages are exempt from the rules (exempt employees).

**New Regulations.** The new regulations update the wage thresholds for determining exempt employees. Generally, the changes for U.S. employees are as follows:

- **New Standard Salary Level Test.** The currently enforced weekly minimum dollar threshold needed to satisfy the standard salary level test for covered white collar employees is increased from $455 per week (equivalent of $23,660 annually) to $684 per week (equivalent of $35,568 annually).
- **Bonus and Incentive Payments.** Employers may use nondiscretionary bonuses and incentive payments (including commissions) that are paid at least annually to satisfy up to 10% of the new standard salary level test.
- **New Total Annual Compensation Test for HCEs.** The currently enforced minimum total annual compensation threshold for exempt highly compensated employees (HCEs) who satisfy the standard salary level test and a less stringent job duties test is raised from $100,000 to $107,432.
- **Catch-Up Payment.** Employers may meet the new standard salary level test or HCE total annual compensation test for a year by making a "catch-up" payment within a certain period after the end of the year if the employee has received at least 90% of the standard salary level on a salaried basis.

**Potential Employee Benefit Plan Implications.** The new regulations have potential implications for employee benefit plans, including whether (i) employees will be properly classified as exempt or nonexempt for plan purposes; (ii) qualified plans that are offered only to (or that have any different provisions for) exempt or nonexempt employees will satisfy applicable minimum coverage, nondiscrimination, and top-heavy plan requirements; (iii) bonuses or other incentive payments that are used to satisfy the new regulations also should be treated as eligible compensation for plan purposes; (iv) plan benefits will change for any employees; and (v) employer costs will increase. See the Third Quarter 2016 issue of the *Quarterly Update* for more information regarding such implications.

**Next Steps.** Employers should assess now whether their employees are properly classified as exempt or nonexempt and how the new regulations may relate to their employee benefit plans.

# Quarterly Roundup of Other New Developments

by Teresa Kruse, Jan Raines, and Bridget Steinhart

### The Importance of Pre-Acquisition Liability Agreements

Earlier this spring we started following a proposed class action lawsuit where an acquired company continued to sponsor a 401(k) plan after it became a subsidiary of its buyer. A class of workers alleged that, beginning a month later, salary deferrals and matching contributions were no longer being deposited into 401(k) plan accounts, despite "representations to the contrary." The lead plaintiff contended that he began asking the acquired company about the "missing or stolen" contributions verbally a month after the acquisition closed and later in writing. Aside from commenting that it was "performing an investigation," the company provided no further information (and replenished no funds). A class action complaint was subsequently filed in the spring of this year. This situation offers two reminders. First, acquiring organizations must ensure that any assumptions of a target company's liabilities (including those related to compensation and benefit plans) are very explicitly addressed in written transaction-related documentation, and that the party responsible for compensation and benefits plans post-closing is clearly identified at the time of the closing. Second, participant complaints require prompt attention by the plan's fiduciaries—not only is an investigation of participant allegations critical, but it is imperative that claims involving the possible misuse of plan assets be quickly addressed to mitigate the risk of fiduciary liability along with reducing the potential costs associated with making the plan and participants whole. Plan fiduciaries responsible for addressing participant claims would be well advised to develop a workplan reflecting assigned responsibilities for tasks and status reporting, including any commitments to communicate with the participant raising the issue as soon as possible.

### Do Your Disability Communications Meet the Language Requirements?

As reported in the First Quarter 2018 issue of the *Quarterly Update*, plans subject to the Employee Retirement Income Security Act of 1974 (ERISA) providing for disability determinations by plan fiduciaries (rather than by the Social Security Administration or another employer plan such as a disability plan) became subject to new claims and appeals processes—which included the requirement, among other things, to disclose more detailed information to claimants in a "culturally and linguistically appropriate manner." At this time, the non-English communications rule applies only to adverse benefit determinations when a claimant's home address is in a county where 10% or more of the population residing in the county are literate only in the same non-English language (as determined in guidance based on American Community Survey data published by the U.S. Census Bureau). In those cases, adverse benefit determinations must reflect the availability of both verbal language assistance and written materials in the non-English language(s). Based on 2016 data, Chinese, Navajo, Spanish, and Tagalog require language support. Due to known issues with online translation options, Aon recommends that clients consider utilizing professional benefits translation services. In addition to assisting you with claims processes (or managing this key function for you as a fiduciary to the plan), Aon's Retirement Legal Consulting & Compliance consultants can draft or review your claims and appeals communications materials and facilitate professional translation.

### Are You Responsible for Prior Fiduciaries' Actions?

A U.S. district court recently examined the question whether successor plan fiduciaries are "responsible" for prior fiduciaries' actions, specifically whether successor fiduciaries breached their own responsibilities by not remedying the prior fiduciaries' alleged breaches. Like many other 401(k) plan lawsuits, this case alleges that the original fiduciaries breached their duties by improperly allowing proprietary investment funds in the plan in furtherance of corporate interests rather than in the interest of plan participants. By the time the lawsuit was filed, the plan fiduciaries who approved the plan investments were no longer serving as fiduciaries.

The primary issue in the case was whether the successor plan fiduciaries required actual or only constructive knowledge that the prior fiduciaries had an imprudent process for choosing the proprietary funds. The plaintiffs argued that constructive knowledge was sufficient, and that prior meeting minutes and other documents should have made the current fiduciaries aware that the process followed by prior fiduciaries in the selection of the funds was imprudent. The district court disagreed, holding that in a failure-to-remedy case, the current fiduciaries must have "actual knowledge" of the alleged breaches. Since the plaintiffs failed to present evidence of actual knowledge, the judge dismissed this claim. While a district court ruling has limited precedential effect, it serves as a reminder that successor plan fiduciaries need to understand their responsibilities and exposure areas. Aon has fiduciary experts who can help committees understand fiduciary responsibilities, plan governance, provide process reviews (or diagnostics for public plans), and investment consulting services to assist committees in meeting their fiduciary duties.

**State-Run Retirement Programs—Lights, Camera, ACTION Required!**

There has been a flurry of activity with state legislatures in the past several years to explore, introduce, or pass legislation to create state-facilitated retirement programs for private sector workers. Over 30 states have considered state-run retirement programs. As of June 30, 2019, at least 10 states and one city have enacted retirement savings programs.

The programs typically use individual retirement accounts (IRAs) or Roth IRAs, but some programs offer retirement plan benefits through an open multiple employer 401(k) plan. Other states simply offer a voluntary retirement marketplace designed to bring together employers and private market plan providers. These programs are primarily directed toward, and sometimes mandated for, small-sized employers that do not currently sponsor retirement plans. It is important to understand some states are requiring employers that sponsor retirement programs to affirmatively act by opting out of the state-run program in order to avoid the mandate (e.g., California's CalSavers and OregonSaves). As more programs go operational, we will update our readers regarding any "opt-out" requirements, possible ERISA preemption, or other actions available to employers under these programs.

**Fiduciary Liability Insurance Fight**

As we have reported, many 401(k) plan lawsuits tend to settle out of court to avoid potentially lengthy and costly litigation. One plan sponsor did just that and relied on its fiduciary liability insurance to cover the settlement cost. In this situation (and as is the case with many plan sponsors), there were multiple insurance carriers, which were "stacked" in order to provide adequate coverage. All three carriers paid their respective portion of the settlement. However, following the payment by the third carrier, it sued the plan sponsor to recover its money. According to the lawsuit, the insurer claimed that it should not have paid a portion of the settlement because the plan sponsor prematurely exhausted its coverage limits with the other two carriers because of a settlement of a Department of Labor investigation. A federal judge agreed, but the plan sponsor has appealed. We will provide updates as available. Aon Risk Solutions can provide fiduciary insurance coverage reviews and benchmarking to determine appropriate coverage amounts and address the need to stack insurance carriers.

**Retirement Plan Litigation Update**

Retirement plan litigation has been prevalent over the past decade impacting corporate plan sponsors, financial institutions that are also plan sponsors, and universities sponsoring 403(b) plans. Defined contribution plan cases generally fall into the following three areas: inappropriate or imprudent investment choices, excessive fees, and self-dealing. Recently the following case involving a university has been settled, as follows:

- *Kelly v. Johns Hopkins* – Case settled for $14 million and required the defendants to agree to make a series of changes in plan management and administration, including a requirement for plan executives to instruct future recordkeepers to not solicit plan participants for the purpose of cross-selling proprietary non-plan products and services.

Plan sponsors of defined contribution plans seeking to reduce their litigation risk use a variety of strategies, including increasing the number of passive funds in their plans and implementing better fee transparency. *Kelly v. Johns Hopkins Univ., No. 1:16-cv-02835-GLR (D. Md. Aug. 6, 2019).*

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