

# Investment Basics—Day 2

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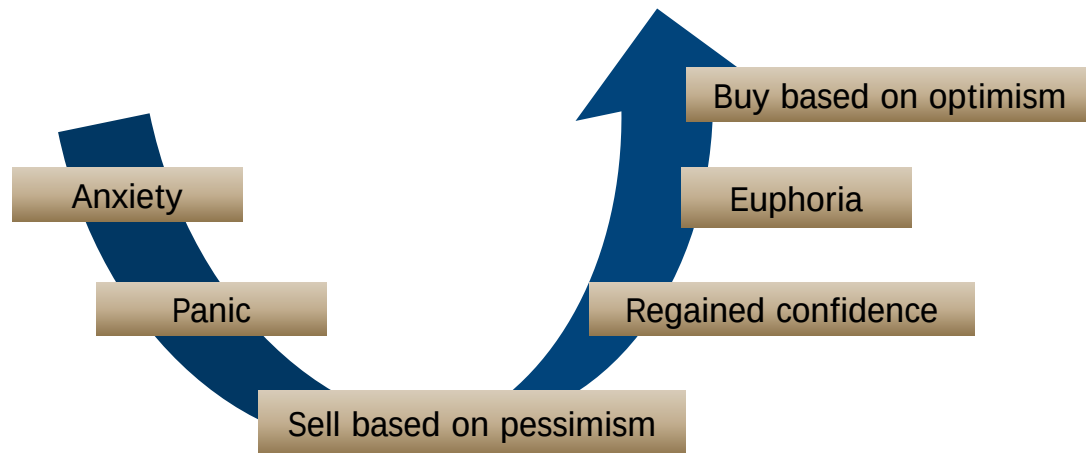
# Behavioral Economics

## Behavioral Finance The Psychology of Investing

- Beyond fear and greed
- Buy high and sell low
- Act as a contrarian
- Overconfidence
- Excessive trading activity
- Cult of performance
- Blind to risk
- Inflated expectations
- Loss aversion

# Buy Low—Sell High

## Emotional Investing



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## DALBAR Study

- DALBAR, the nation's leading investment behavior study, shows just how poorly investors perform relative to the market
- In 2023:
  - The average equity investor once again underperformed the market by 5.5% compared against the S&P 500
  - The average fixed income fund investor underperformed by 2.6% compared against Bloomberg Barclays Aggregate Bond Index

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## DALBAR Study

- Over the past 30 years, the average equity portfolio investor experienced returns of just 7.1% compared to the 10.6% annualized average return had they stayed the course
- Based on a \$100,000 investment made 1/1/03, this would add to a difference of \$1,271,392 at the end of 2023
  - \$782,860 average investor
  - \$2,054,252 for buy and hold

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## Reacting Can Hurt Performance

### Avoid Market Timing

Russell 3000 Index total return, 2000–2024



Research has shown there's no reliable way to time the market—targeting the best days to be invested or moving to the sidelines to avoid the worst days. It has also shown the impact of being out of the market even for a short time. Staying invested helps ensure you're in position to capture long-term gains.

Past performance is no guarantee of future results. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. In USD. Data presented in the Growth of \$1,000 chart is hypothetical and assumes reinvestment of income and no transaction costs or taxes. The chart is for illustrative purposes only and is not indicative of any investment. Best performance dates represent end of period (November 28, 2008, for best week; April 22, 2020, for best month; June 22, 2020, for best three months; and September 4, 2009, for best six months). The missed best consecutive days examples assume that the hypothetical portfolio fully divested its holdings at the end of the day before the missed best consecutive days, held cash for the missed best consecutive days, and reinvested the entire portfolio in the Russell 3000 Index at the end of the missed best consecutive days. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

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## Timing Markets—Interest Rates

- Federal Reserve—The central bank in the United States that influences availability and cost of money and credit.
- The Federal Reserve controls the federal funds rate.
- Changes in the federal funds rate affect other short-term interest rates, foreign exchange rates, and long-term interest rates.
- The Federal Reserve publishes predictions for future interest rates that are frequently not accurate due to unknown future events.
- If people controlling the rates have a hard time predicating future rates, can investors time markets and predict future rates?

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*Forbes* columnist David Dreman, author of *The New Contrarian Investment Strategy*, is unequivocally opposed to market timers, whom he refers to as “false prophets,” and market timing in general, which he derisively labels “mistiming.”

Market timing is a poor substitute for a long-term investment plan. Dreman’s advice is to not attempt to outsmart the market.

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# Fidelity Academic Study

- Men do worse than women as investors.
  - Women earn higher returns (+.4%)
  - Women save more (+.4%)
  - Women take on less risk
  - Women practice more patience
  - Women educate themselves

Source: Fidelity Academic Study

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“I’m always fully invested at the market top and at the bottom. I don’t try to *time* the market.”

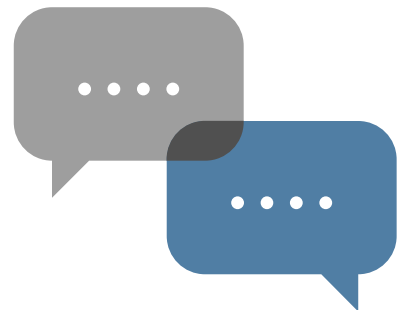
– Peter Lynch  
*AARP Bulletin*, September 2002

“When (the market) comes back, it comes back fast. So, people who are out for the bad months, are out for the good months. I personally suffer the bad months along with the good months and have been very happy with the results.”

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## Timing Discussion

- Group Discussion:
  - Why do investors try to time the market?
  - What are common rationales in the moment?
  - What are some practical questions to ask investor attempting to time the market?



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## Book Excerpt

- *Heads I Win, Tails I Win* by Spencer Jakab
  - Focuses on futility of trying to time and outsmart the market.
  - “Average” investor lags behind average return by 4-7% per year.
  - Missing out on sharp rebounds following bear markets badly hurts investors.
  - “The key is to stop shooting yourself in the foot.”
  - “Use low-cost, passive funds rebalanced on auto pilot.”

Source: *Wall Street Journal*, July 2016

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## Diversification Rules of Thumb

- Invest no more than 5% of your portfolio in your company stock or any single stock.
- Diversify. Spread your assets over many holdings.
- Don't overload your 401(k) with your employee stock. Recall the tragic tale of Enron.
- Sell that oversized stock, eliminate the concentration and don't look back.

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## Individual Country Risk

- US: S&P 500 Index
- China: Shanghai Composite
- Japan: Nikkei 225 Index
- Hong Kong: Hang Seng
- United Kingdom: FTSE 100
- Germany: DAX
- Argentina: Merval
- Brazil: Bovespa

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## Alternative Investments

# Private Equity and Private Credit Alternative Investments

## FIDUCIARY IMPLICATIONS OF PRIVATE INVESTMENTS IN DEFINED CONTRIBUTION PLANS

Balancing Innovation with Accountability



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## Fiduciary Considerations

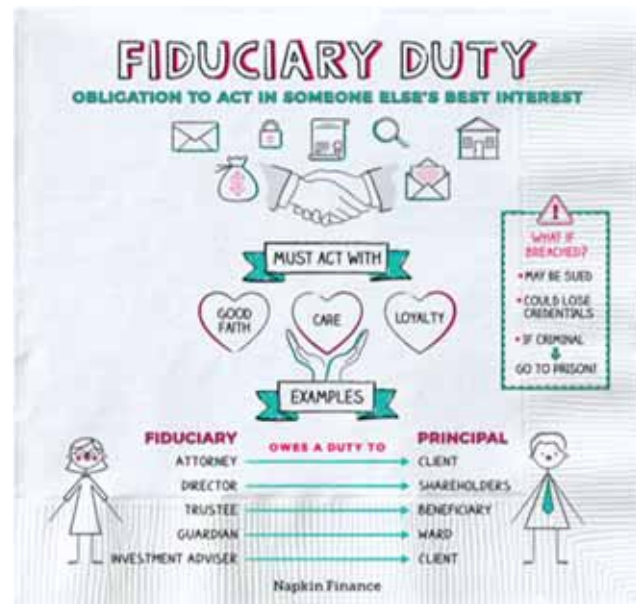
- Private investments addition to participant directed Defined Contribution plans
  - Raises the stakes regarding fiduciary duty under ERISA and similar state-level public plan fiduciary frameworks.



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# Fiduciary Duty

- Duty of loyalty
- Duty of prudence
- Duty of diversity
- Duty to follow plan documents



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# Fiduciary Duty

- Duty of loyalty:
  - Acting solely in the interest of plan participants and beneficiaries
- Duty of prudence:
  - Acting with the care, skill, prudence and diligence that a prudent person familiar with such matters would use.
- Duty of diversity:
  - Avoiding large losses through proper diversification
- Duty to follow plan documents:
  - As long as they are consistent with ERISA/state law

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# Private Investments

1. Typically illiquid, opaque and complex
  - Evaluate fund structure, fees, and strategy
  - Understand valuation methods (since they lack market prices)
  - Assess the operational risks, including manager selection
  - Benchmark performance despite a lack of standard metrics

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# Private Investments

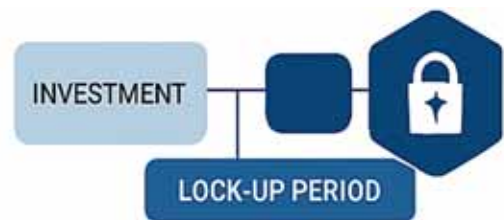
2. Fee Structure Concerns
  - Private investments often carry higher and layered fees (*e.g.*, “2 and 20” structure: 2% management fee and 20% performance fee). These could:
    - Reduce net returns
    - It is difficult to assess or disclose transparently

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# Private Investments

## 3. Liquidity and participant assess

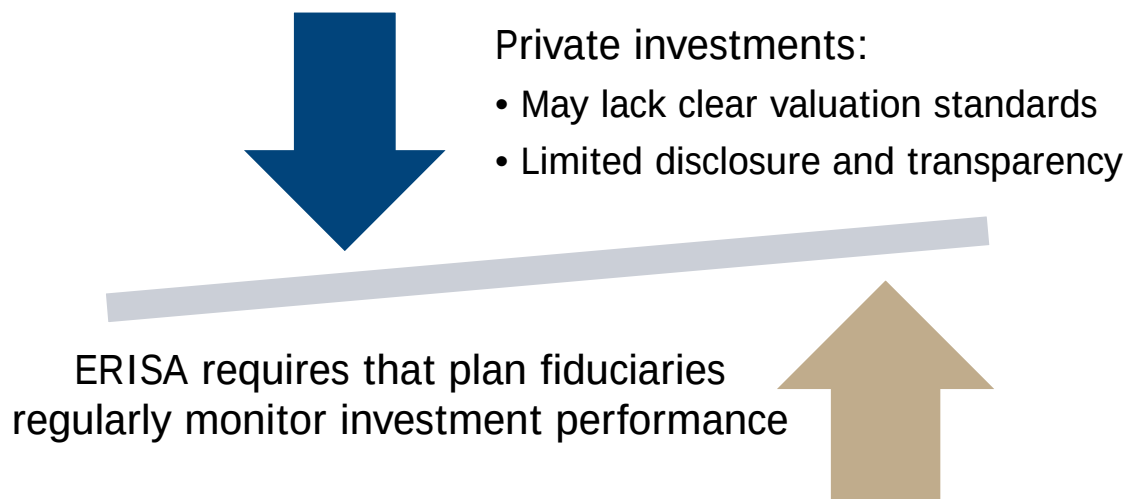
- Defined Contribution plans are structured around the idea that participants can move funds easily, especially in daily-valued, liquid investment
- Private investments:
  - Are often locked up for years
  - May not allow total withdrawals



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# Private Investments

## 4. Valuation and transparency risk



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## Private Investments

### 5. Participant sophistication and misuse risk

- Most public Defined Contribution plan participants are retail-level investors, not institutional professionals
- Fiduciary risk:
  - Offering choices beyond what participants can reasonably evaluate
  - Violating the duty of prudence if the plan does not sufficiently educate or protect participants



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## Private Investments

### 6. Documentation and monitoring

- If fiduciaries include private investments, they must:
  - Thoroughly document their selection rationale
  - Establish monitoring procedures
  - Maintain proper oversight of third-party managers

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# Fiduciary Considerations

- Legal and regulatory attention
  - The U.S. Department of Labor (DOL) has been cautious about private assets in defined contribution plans
  - In 2020, DOL allowed some limited use of private equity in defined contribution (DC) plans under certain conditions (*e.g.*, via target-date funds) but reiterated the need for fiduciaries to act prudently and with adequate sophistication
  - Legal cases (*e.g.*, *Tibble v. Edison Int'l* 2015) reinforce the ongoing monitoring obligation, which is difficult with the illiquid, opaque, investments.

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# Fiduciary Implications

- Balancing innovation with accountability

Core legal responsibilities under ERISA and State law

- Loyalty,
- Prudence
- Diversification

Higher standard when vetting private investments

- Illiquidity
- Opacity
- Valuation

Tension between DC plan design and private investment constraints

Mitigation strategies and participant protection

- Engage consultants
- Educate participants
- Transparent disclosure
- Ongoing monitoring

Elevated risk, requires elevated responsibility

- Heightened prudence
- Transparent fees
- Participant safeguards

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## Cryptocurrency: Updated DOL Guidance and Fiduciary Considerations

- In May 2025 the Department of Labor (DOL) rescinded their previous guidance that imposed a new standard called “Extreme Care” for decisions on whether to allow cryptocurrency and digital assets within an ERISA plan. The DOL clarified that no such standard as “Extreme Care” exists within ERISA, but rather the Prudent Man Standard of Care is the appropriate methodology for decisions. Most recordkeepers at this point will only allow regulated investment products within ERISA plans including Self-Directed Brokerage Accounts.



Examples of regulated investment products include Mutual Funds and ETFs. At this time, there are no individual crypto or digital currencies that are regulated by the SEC. As such, we have yet to find a recordkeeper that currently allows for the purchase of them (including Bitcoin).

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## Sources of Investment Information

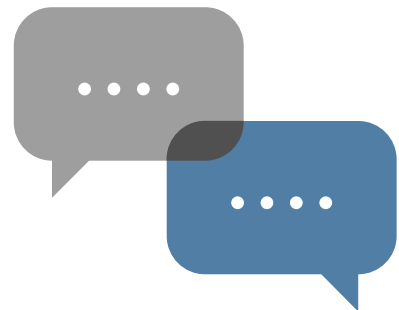
# Sources of Investment Information



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## Investment Sources Discussion

- Group Discussion:
  - What do you use to find reliable information?
  - How do you know you are on a reliable site and not on a sales site?



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# Portfolio Management and Asset Allocation

## Investment Information

Investments can carry both diversifiable and non-diversifiable risk. Part of constructing an appropriate portfolio is understanding how this risk works and being able to explain how it impacts asset allocation.

RPA 2  
Module 3  
Objectives  
4 & 5

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## Investment Basics Portfolio Management

- IPS (Investment Policy Statements)
  - Investment Objectives and Goals
  - Income/Cash Flow Requirements
  - Risk Mitigation
  - Return Expectations
  - Asset Class Target Ranges
  - Benchmarks
  - Costs/Expenses/Fees
  - Rebalancing

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## Investment Basics Portfolio Management *(continued)*

- Fiduciary/Prudence/Responsibility
- Money Managers
- Prohibited Investments
- Monitoring/Review/Reporting
- Risk Assets
- Discipline
- Active vs. Passive
- Tactical/Tilt
- Stress Test 2008

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## Portfolio Management and Asset Allocation

“It is not the volume of money,  
but the activity of money that counts.”

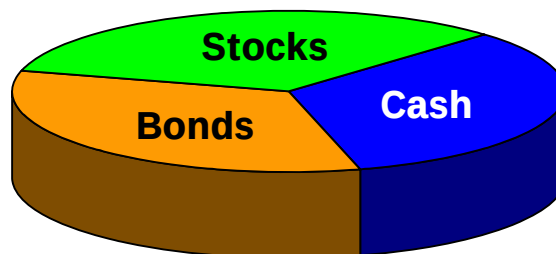
–W. Bourke Cochran

- Essence of successful investing
  - To realize the highest possible return commensurate with the least amount of risk.
- Modern portfolio theory (MPT)
  - Simple concept but built on a foundation of Nobel Prize-winning economic analysis.

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## Asset Allocation

- What is it?
- Why is it important?



Mix %

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## Poll

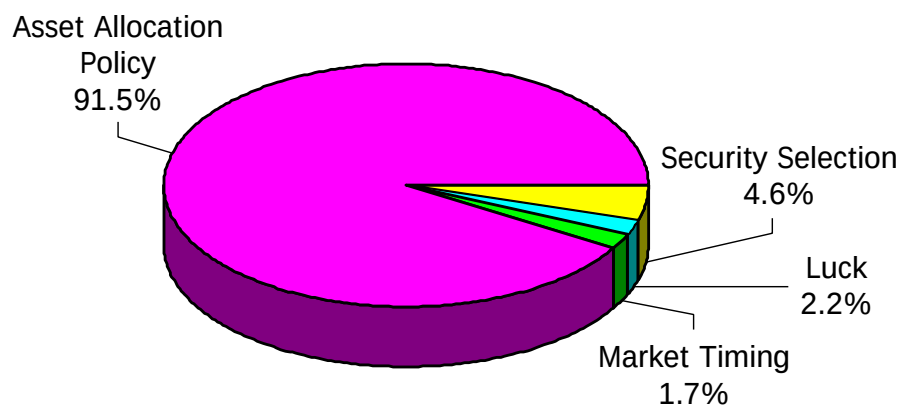
What do you think is the percentage of investment return success is attributable to market timing?

- A. Less than 5%
- B. About 10%
- C. About 25%
- D. More than 50%

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## Importance of Asset Allocation

### Success of a Portfolio



Source: Brinson, Singer, Bee Bower study

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# Asset Allocation 2025

## Market Kaleidoscope

| 2011 - 2025  |              | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         | 2018         | 2019         | 2020         | 2021         | 2022         | 2023         | 2024         | 2025         |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Ann.         | Vol.         | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         | 2018         | 2019         | 2020         | 2021         | 2022         | 2023         | 2024         | 2025         |
| Large Cap    | Small Cap    | REITs        | REITs        | Small Cap    | REITs        | REITs        | Small Cap    | EM Equity    | Cash         | Large Cap    | Small Cap    | REITs        | Comdty.      | Large Cap    | Large Cap    | EM Equity    |
| 14.1%        | 26.3%        | 8.3%         | 19.7%        | 26.8%        | 28.0%        | 2.8%         | 21.3%        | 37.8%        | 1.8%         | 31.5%        | 20.6%        | 41.3%        | 16.1%        | 26.3%        | 29.0%        | 34.4%        |
| Small Cap    | EM Equity    | Fixed Income | High Yield   | Large Cap    | Large Cap    | Large Cap    | High Yield   | DM Equity    | Fixed Income | REITs        | EM Equity    | Large Cap    | Cash         | DM Equity    | Small Cap    | DM Equity    |
| 8.8%         | 17.5%        | 7.8%         | 19.8%        | 32.4%        | 12.7%        | 1.4%         | 14.3%        | 25.6%        | 0.0%         | 28.7%        | 18.7%        | 28.7%        | 1.5%         | 18.8%        | 11.5%        | 21.5%        |
| REITs        | REITs        | High Yield   | EM Equity    | DM Equity    | Fixed Income | Fixed Income | Large Cap    | Large Cap    | REITs        | Small Cap    | Large Cap    | Comdty.      | High Yield   | Small Cap    | Asset Alloc. | Large Cap    |
| 7.8%         | 18.4%        | 3.1%         | 12.8%        | 23.3%        | 6.0%         | 0.5%         | 12.0%        | 21.8%        | -4.0%        | 25.8%        | 18.4%        | 27.1%        | -12.7%       | 16.9%        | 10.0%        | 17.8%        |
| Asset Alloc. | DM Equity    | Large Cap    | DM Equity    | Asset Alloc. | Asset Alloc. | Cash         | Comdty.      | Small Cap    | High Yield   | DM Equity    | Asset Alloc. | Small Cap    | Fixed Income | Asset Alloc. | High Yield   | Asset Alloc. |
| 7.3%         | 15.7%        | 2.1%         | 17.9%        | 14.9%        | 5.2%         | 0.0%         | 11.8%        | 14.6%        | -4.1%        | 22.7%        | 10.6%        | 14.8%        | -13.0%       | 14.1%        | 9.2%         | 15.8%        |
| DM Equity    | Comdty.      | Cash         | Small Cap    | High Yield   | Small Cap    | DM Equity    | EM Equity    | Asset Alloc. | Large Cap    | Asset Alloc. | EM Equity    | Asset Alloc. | Asset Alloc. | High Yield   | EM Equity    | Comdty.      |
| 7.1%         | 15.4%        | 0.1%         | 16.2%        | 7.3%         | 4.9%         | -5.4%        | 11.5%        | 14.6%        | -4.4%        | 19.5%        | 8.3%         | 13.5%        | -13.9%       | 14.0%        | 5.1%         | 15.8%        |
| High Yield   | Large Cap    | Asset Alloc. | Large Cap    | REITs        | Cash         | Asset Alloc. | REITs        | High Yield   | Asset Alloc. | EM Equity    | Fixed Income | DM Equity    | DM Equity    | REITs        | Comdty.      | Small Cap    |
| 8.7%         | 14.7%        | -0.7%        | 16.0%        | 2.8%         | 0.0%         | -2.0%        | 8.8%         | 10.4%        | -5.8%        | 18.3%        | 7.5%         | 11.8%        | -14.0%       | 11.4%        | 5.4%         | 12.8%        |
| EM Equity    | Asset Alloc. | Small Cap    | Asset Alloc. | Cash         | High Yield   | High Yield   | Asset Alloc. | REITs        | Small Cap    | High Yield   | High Yield   | High Yield   | Large Cap    | EM Equity    | Cash         | High Yield   |
| 4.2%         | 10.1%        | -4.2%        | 12.2%        | 0.0%         | 0.0%         | -2.7%        | 8.3%         | 8.7%         | -11.0%       | 12.6%        | 7.0%         | 1.0%         | -18.1%       | 10.3%        | 5.3%         | 12.1%        |
| Fixed Income | High Yield   | DM Equity    | Fixed Income | Fixed Income | EM Equity    | Small Cap    | Fixed Income | Fixed Income | Comdty.      | Fixed Income | Cash         | Cash         | EM Equity    | Fixed Income | REITs        | Fixed Income |
| 2.4%         | 8.1%         | -11.7%       | 4.2%         | -2.0%        | -1.8%        | -4.4%        | 2.6%         | 3.5%         | -11.2%       | 8.7%         | 0.5%         | 0.0%         | -19.7%       | 5.5%         | 4.3%         | 7.3%         |
| Cash         | Fixed Income | Comdty.      | Cash         | EM Equity    | DM Equity    | EM Equity    | DM Equity    | Comdty.      | DM Equity    | Comdty.      | Comdty.      | Fixed Income | Small Cap    | Cash         | DM Equity    | Cash         |
| 1.5%         | 4.6%         | -13.3%       | 0.1%         | -3.3%        | -4.5%        | -14.8%       | 1.5%         | 1.7%         | -12.4%       | 7.7%         | -3.1%        | -1.5%        | -20.4%       | 5.1%         | 4.3%         | 4.3%         |
| Comdty.      | Cash         | EM Equity    | Comdty.      | Comdty.      | Comdty.      | Comdty.      | Cash         | Cash         | EM Equity    | Cash         | REITs        | EM Equity    | REITs        | Comdty.      | Fixed Income | REITs        |
| -1.1%        | 0.9%         | -18.2%       | -1.1%        | -9.5%        | -17.0%       | -24.7%       | 0.3%         | 0.8%         | -14.2%       | 2.2%         | -4.1%        | -2.2%        | -24.9%       | -7.9%        | 1.3%         | 2.3%         |

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.

Large Cap: S&P 500, Small Cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg U.S. Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio is for illustrative purposes only and assumes annual rebalancing with the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg U.S. Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Annualized (Ann.) return and volatility (Vol.) represents the period from 12/31/2010 to 12/31/2025. Please see the disclosure page at the end for index definitions. All data represent total return for stated period. Past performance is no guarantee of future results.

Guide to the Markets - U.S. Data are as of December 31, 2025.

# Asset Allocation

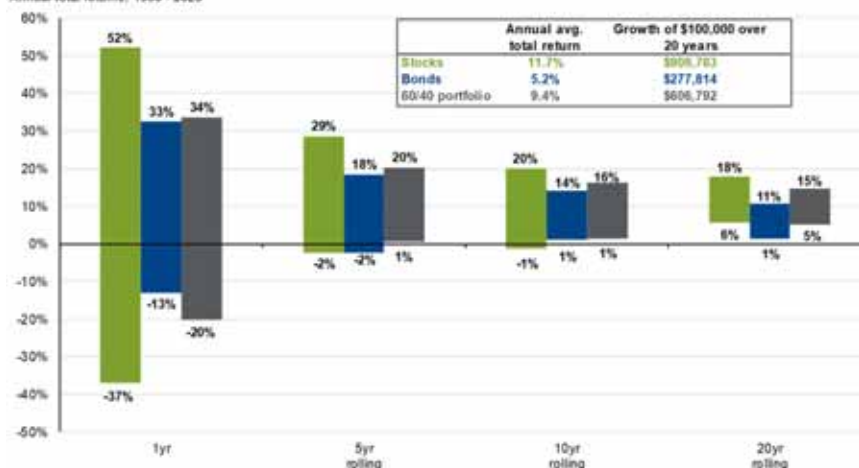
- Effective diversification equals low correlation
- Effective diversification is the most effective risk reduction technique

★ To not diversify is to speculate

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# Diversification and Volatility

Range of stock, bond and blended total returns  
Annual total returns, 1950 - 2025



Source: Bloomberg, FactSet, Federal Reserve, Standard & Poor's, Strategas/Ibbotson, J.P. Morgan Asset Management.  
Returns shown are based on calendar year returns from 1950 to 2025. Stocks: S&P 500; Bonds: Strategas/Ibbotson for periods prior to 1976 and the Bloomberg U.S. Aggregate thereafter. Growth of \$100,000 is based on annual average total returns from 1950 to 2025.  
Guide to the Markets - U.S. Data as of December 31, 2025.

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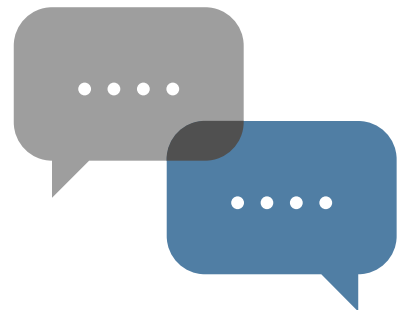
## Levels of Diversification

1. Quantity of the holdings
2. Different investment categories
3. Spread over asset classes

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## Diversification Discussion

- Group Discussion
  - Identify scenarios that investors might get diversification wrong (they think they are diversifying but they are not)



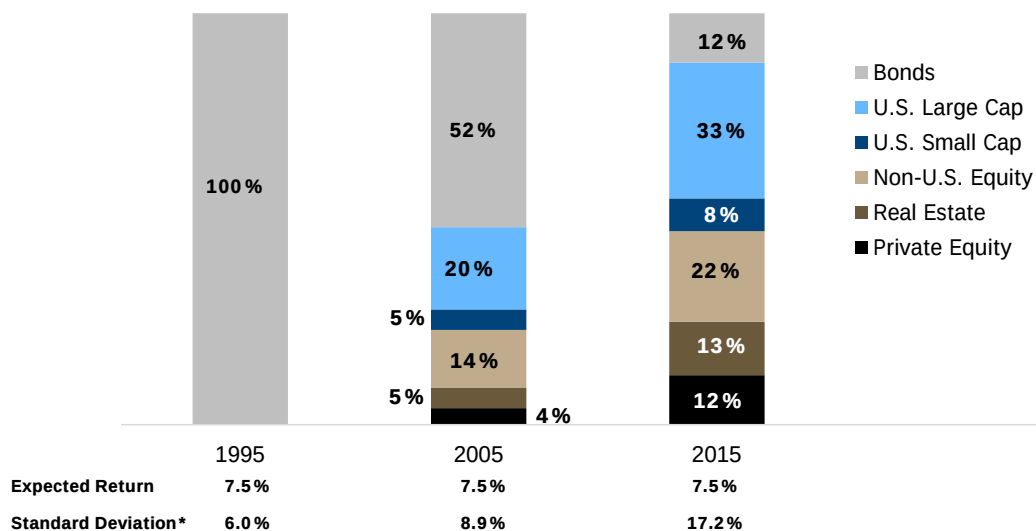
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*“Asset classes never die;  
they just go to sleep for a while.”*

*–William Bernstein  
Investment Advisor*

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## Estimates of What Investors Needed to Earn 7.5 %



\*Likely amount by which returns could vary  
Source: Callan Associates

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## Risk-Adjusted Performance Metrics

- Standard Deviation
  - Measures a portfolio's volatility of returns or level of absolute risk.
  - If a portfolio has a standard deviation of 12%, its returns have been within +/- 12 percentage points of its average during two-thirds of the measurement periods.

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## Risk-Adjusted Performance Metrics *(continued)*

- Beta
  - Measures the sensitivity of a portfolio to its benchmark.
  - If a portfolio's beta is 1.10, it is expected to move up or down 1.10 times that of the benchmark.

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## Risk-Adjusted Performance Metrics *(continued)*

- Alpha
  - Measures the difference between a portfolio's active return and what was expected based on its market risk (beta).
  - A portfolio's alpha is relative to its benchmark.
  - A benchmark's alpha is always 0.00% (relative to itself).

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## Sage Advice

“All of us would be better investors  
if we just made fewer decisions.”

– *Professor Daniel Kahneman*  
*Nobel Prize Winner in Economics*

“Your money is like a bar of soap.  
The more you handle it, the less you'll have.”

– *Gene Fama Jr.*  
*Economist*

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## Vanguard Founder John (Jack) Bogle 1929-2019

“One of the investment giants of the 20<sup>th</sup> century.”

– *Fortune Magazine*

Known for:

- Creation of broad-based index mutual fund:  
Low-cost, low turnover funds managed passively.
- Focus on simplicity in investment strategy.
- The reduction of costs and expenses associated with investments.
- Consideration of the long-term for investment horizon.
- A reliance on rational analysis and an avoidance of emotions in the investment decision-making process.

“Time is your friend; impulse is your enemy.”

– *John Bogle*

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## Strategies to Invest in Uncertain Future

Burton G. Malkiel

Two Basic Facts

1. No valuation metric can dependably forecast the future.
2. No one can consistently time the market.

Two strategies that work: Broad diversification and rebalancing. Also, try to minimize your costs.

Source: *Wall Street Journal*, January 2018

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## Strategies to Invest in Uncertain Future

- By having a wide variety of asset classes, investors have historically enjoyed smoother gains during bull markets and gentler losses during bear markets.
- In a diversified portfolio, declines in stocks are often partially offset by stability in fixed-income markets. Real estate investment trusts (REITs) have also tended to stabilize portfolio returns.

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## Strategies to Invest in Uncertain Future

- Most investors fail to realize the benefits of broad international diversification.
- Internationally diversified portfolios tend to see less volatile returns over time and better risk-adjusted performance.
  - Most stock investors suffer from a “home country” bias.
  - Much of the world—Particularly emerging markets—  
Is growing faster than the American economy.

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## Strategies to Invest in Uncertain Future

- A technique to control risk is rebalancing. It's a good idea to examine your portfolio periodically to ensure your asset allocation has not strayed far from your desired levels.
- In general, staying the course in a broadly diversified portfolio is the best strategy.
- Rebalancing is occasionally required to constrain portfolio risk.

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## Sampling of Diversifiers

Robert L. Reynolds, Vice Chairman, *Fidelity Investments*  
On the wisdom of "Lifecycle" investment strategies,  
speaking in the *Wall Street Journal*.

- Offer the greatest chance for retirement savers to accumulate the largest possible nest eggs, while reducing risk and volatility as retirement age approaches."
- "Fidelity research shows that lifecycle funds deliver higher returns, at less risk, than a solid majority of participants actually achieved on their own!"
- Lifecycle, along with target funds, "Represent today's best practical standard for retirement savings."

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# Investment Policy Examples

## New York State Common Retirement Fund

- One of the largest public pension plans in U.S.
- Providing retirement security for over 1 million NY State and Local Retirement System members
- The Fund's primary objectives for responsible management:
  1. Provide the means to pay benefits to system's participants
  2. Minimize employer contributions through an investment program designed to protect and enhance long-term value of the assets

## **New York State and Local Retirement System**

- The Fund's asset allocation policy was constructed to meet these objectives by achieving a maximum level of return consistent with policies on
  - Liquidity
  - Diversification
  - Investment risk

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## **New York State and Local Retirement System**

- Investments in equities, although historically volatile, provide superior long-term performance and growth characteristics, while fixed-income investments provide more predictable cash flow to meet the system's funding requirements and pension obligations.

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## New York State and Local Retirement System

- \$297.8 billion at the end of the December 31, 2025.
- For the fiscal year ending March 31, 2026, Fund investments returned an 12.5% for first nine months of the fiscal year (through December 31, 2025).
- As of December 31, 2025, the Fund had 40% of its assets invested in publicly traded equities. The remaining Fund assets by allocation are invested in cash, bonds, and mortgages (23.3%), private equity (13.8%), real estate and real assets (14.0%) and credit, absolute return strategies, and opportunistic alternatives (8.9%).
- The Fund's long-term expected rate of return is 5.9%.

Source: <https://www.osc.ny.gov/common-retirement-fund>

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## New York State and Local Retirement System

### Pension Risk Management

- Created in 2011 (after 2008 financial crisis) with the goal of enabling multi-dimensional risk analysis and risk mitigation.
- Integrate risk awareness throughout the investment process.

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## New York State and Local Retirement System

### Global Equities

The primary objective of the equity portion of the Fund's portfolio is to provide

1. Long-term capital appreciation
2. Generate a stream of dividend income

The allocation to equity investments is intended to provide a risk-adjusted total return that facilitates the long-term growth of principal needed to meet the future liabilities of the retirement system.

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## New York State and Local Retirement System

### Global Equities *(continued)*

- The Global Equity Program continues to enhance its approach to the overall equity markets and continues to emphasize the use of internal passive investment vehicles in the more efficient segments of the equity markets.
- This allows the Fund to maintain broad market exposure, but at a reduced cost.
- Staff will continue to focus on active managed opportunities in U.S. small and mid-cap, global and emerging markets.

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## New York State and Local Retirement System

### Fixed Income

The fixed-income portfolio is designed to provide

1. Consistent flow of income to help address the cash flow needs of the fund
2. Provide downside protection against the volatility of the fund's equity-like strategies

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## New York State and Local Retirement System

### Fixed Income *(continued)*

- The Fund accomplishes these goals by investing in both long-term and short-term assets.
- During year ending 3/31/14, staff methodically positioned the long-term fixed income portfolio in anticipation of rising interest rates in an effort to mitigate interest-rate risk.
- The Fund uses the Barclays Aggregate Index as a benchmark and seeks to add value through sectors weights and security selection, and also duration management.
- Large allocation to Treasury Inflation Protected Securities (TIPS).
- Short-term fixed income to assorted high quality cash equivalents.

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# New York State Pension

| Long-Term Policy Asset Allocation |      |
|-----------------------------------|------|
| (Effective 3/31/24)               |      |
| U.S. Equity                       | 27%  |
| Fixed Income                      | 21%  |
| Private Equity                    | 15%  |
| Non-U.S. Equity                   | 12%  |
| Real Estate                       | 9%   |
| Credit                            | 5%   |
| Opportunistic                     | 3%   |
| Global Equities                   | 3%   |
| Real Assets                       | 3%   |
| Cash                              | 1%   |
| Total:                            | 100% |

- Third largest pension fund in U.S.
- \$297.8B in assets as of 12/31/2025

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# New York State Pension

| Long-Term Expected Real Rate of Return |        |
|----------------------------------------|--------|
| (Effective 3/31/24)                    |        |
| U.S. Equity                            | 3.90%  |
| International Equity                   | 6.45%  |
| Private Equity                         | 7.10%  |
| Real Estate                            | 4.2%   |
| Opportunistic/ARS                      | 4.98%  |
| Credit                                 | 5.03%  |
| Real Assets                            | 5.44%  |
| Fixed Income                           | 1.10%  |
| Cash                                   | -0.4%% |
| Inflation Expectation                  | 2.9%   |

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## CalPERS

- Nation's largest public pension fund
- Follows strategic allocation policy that targets the percentage of funds invested in each asset class
- One of largest private equity investors in the world.

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## CalPERS

|      | Market Value (B) | Net Return 6 / 30 |
|------|------------------|-------------------|
| 2025 | \$563            | 11.6%             |
| 2024 | \$506.6          | 9.3%              |
| 2023 | \$462.8          | 5.8%              |
| 2022 | \$440            | -6.1%             |
| 2021 | \$485            | 21.3%             |
| 2020 | \$396            | 4.7%              |
| 2019 | \$373            | 6.7%              |
| 2018 | \$354            | 8.6%              |
| 2017 | \$326            | 11.2%             |
| 2016 | \$302            | 0.6%              |
| 2015 | \$302            | 2.4%              |
| 2014 | \$300            | 18.4%             |
| 2013 | \$258            | 13.2%             |

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# CalPERS

## Total Net Investment Return (06/30/2025)

|        |       |
|--------|-------|
| 1 YR   | 11.6% |
| 5 YRS  | 8.0%  |
| 10 YRS | 7.1%  |
| 20 YRS | 6.7%  |

Discount Rate 6.8%

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## CalPERS— Asset Allocation *06/30/25*

|                      | Current | Policy<br>(7/2025) |
|----------------------|---------|--------------------|
| Public Equity        | 38.9%   | 40.4%              |
| Income               | 30.3%   | 29.1%              |
| Real Assets          | 13.1%   | 15%                |
| Private Equity       | 17.7%   | 15%                |
| Private Debt         | 3.8%    | 3.5%               |
| Other Trust Level    | 2.3%    | -                  |
| Total Fund Financing | -6.1%   | -3.0%              |
| Total Fund           | 100%    | 100%               |

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“Investors don’t like to rebalance, because it means cutting back on their best performing investments. But often, that is a smart move. How so? Rebalancing pushes you to curtail investment bets before they get dangerously large and it could bolster returns, by forcing you to buy into downtrodden sectors that are due for a rebound.”

–Jonathan Clements  
*The Wall Street Journal*

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## **Investment Consultant Charles Ellis Warns Big Investors to Be Wary of Misleading Promises**

“Money managers overpromise their capabilities and use selective time frames to exaggerate past performance.”

“Investment committee members with unrealistically high expectations for their part deserve blame for their gullibility.”

“I don’t know of any who don’t want top-quartile managers, but it’s not likely to happen.”

“The only good predictor of performance is a stable history at the top or at the bottom.”

“Few investment committees require managers to provide material on their performance ahead of time, which allows managers to dominate the conversation.”

Source: *Investment News*, August 9, 2010

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## Case Study



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## Key Takeaways



**Your Feedback  
Is Important.  
Please Scan  
This QR Code.**

Session Evaluation



## Appendix

– SAMPLE –

**[Retirement Plan Name]**  
**Investment Policy Statement**

**Part I. THE PLAN**

The **[NAME OF PLAN SPONSOR]** ("Company") sponsors a defined contribution plan (the "Plan") for the benefit of its employees and their designated beneficiaries. The Company will appoint a Committee to fulfil the Company's duties in regards to Plan investments. The Plan is intended to provide participating employees the ability to create long-term accumulation of savings through contributions to individual participant accounts and the earnings thereon.

The Plan is an employee benefit plan intended to comply with all applicable federal laws and regulations, including relevant sections of the Internal Revenue Code of 1986, as well as all applicable state laws.

The Plan's participants and beneficiaries are expected to have different investment objectives, time horizons and risk tolerances. To meet these varying investment needs, participants and beneficiaries will be able to direct their account balances among a range of investment options to construct diversified portfolios that reasonably span the risk/return spectrum. Participants and beneficiaries alone bear the risk of gains or losses of their investment options and their asset allocation.

**Part II. THE PURPOSE OF THE INVESTMENT POLICY STATEMENT**

This Investment Policy Statement is intended to assist the Plan's fiduciaries by establishing nonbinding guidelines for making investment-related decisions in a prudent manner. It outlines the underlying philosophies and processes for the selection, periodic monitoring and evaluation of the investment options offered by the Plan.

Specifically, this Investment Policy Statement:

- Defines the Plan's investment objectives
- Defines the roles of those responsible for the Plan's investments
- Describes the criteria and procedures for selecting the investment options.
- Establishes investment procedures, measurement standards and monitoring procedures.
- Describes potential corrective actions the Committee can take should investment options (or their respective managers) fail to satisfy established objectives, if the Committee determines that such actions are prudent and advisable given the circumstances.
- Describes the types of educational materials to be provided to Plan participants and beneficiaries.
- Describes certain Committee obligations and related applicable laws and regulations.

The guidelines provided in this Investment Policy Statement do not constitute a contract. These guidelines are also not meant to be a statement of mandatory requirements. Rather, these guidelines are only an explanation of general principles and guidelines being currently applied for investment option selection, retention and replacement. Furthermore, these guidelines are not the sole factors considered by the Committee in the process. This Investment Policy Statement is not intended to, and shall not be deemed to expand any duties of the Committee, or its individual members, or to create duties that do not exist under applicable law.

This Investment Policy Statement will be reviewed periodically, and, if appropriate, may be amended by the Committee at any time to reflect changes in the capital markets, Plan objectives or other factors relevant to the Plan.

This Investment Policy Statement (including the criteria for the selection and monitoring of investment options under the Plan) does not apply to employer securities (also known as Company stock) if offered under the Plan.

**Part III. INVESTMENT OBJECTIVES**

The Committee will select the Plan's investment options based on criteria deemed relevant, from time to time, by the Committee. These criteria may include, but are not limited to, the following:

- Maximization of return within reasonable and prudent levels of risk.

– SAMPLE –

- Provision of returns comparable to returns for similar investment options.
- Provision of exposure to a wide range of investment opportunities in various asset classes and vehicles.
- Control administrative and management fees.
- Provision of appropriate diversification within investment vehicles.
- Investment's adherence to stated investment objectives and style

#### Part IV. ROLES AND RESPONSIBILITIES

Subject to the terms of the Plan document, the Committee is responsible for selecting the trustee(s); hiring the recordkeeper; hiring the investment consultant; selecting the investment options, and selecting an investment(s) for default(s) when a participant or beneficiary fails to provide investment direction. The Committee is also responsible for:

- Establishing and maintaining the Investment Policy Statement.
- Periodically evaluating the Plan's investments' performances and considering investments option changes
- Periodically monitoring the performance and fees charged by service providers.
- Periodically monitoring any other Plan fees.
- Providing for Plan participant investment education and communication.

In executing its responsibilities, the Committee will make decisions in accordance with all applicable standards of applicable law as follows:

- In the interest of Plan participants and beneficiaries, for the purpose of providing Plan benefits and defraying reasonable administrative fees;
- In accordance with the documents and instruments governing the Plan insofar as such documents and instruments are consistent with the provisions of applicable law.

#### Part V. MONITORING OF SERVICE PROVIDERS

Service providers should be monitored on an ongoing and regular basis. Administrative and/or recordkeeping service providers may be benchmarked against, but not limited to, industry averages and/or other provider quotes. Monitoring for these service providers should include, but not be limited to, an evaluation of the provider's:

- Investment offerings and services
- Recordkeeping technology and services
- Compliance services and support
- Technology
- Participant access and communications
- Fees

The ongoing monitoring of the Plan's service providers is to ensure that total Plan fees, services and investment opportunities are competitive and reasonable.

Investment consultant service providers (Plan and participant level) should be monitored regularly and the evaluation should include, but not be limited to, consideration of the provider's:

- Investment due diligence processes
- Best practices guidance
- RFP/Benchmarking scope and services
- Technology
- Participant-level access, communications and advice (if applicable)
- Fees

– SAMPLE –

#### Part VI. SELECTION OF INVESTMENT OPTIONS

Set forth below are the considerations and guidelines that the Committee should employ in fulfilling the responsibility of selecting investment options for the Plan.

The Plan intends to provide an appropriate range of investment options that, in the aggregate, will allow Plan participants to construct portfolios consistent with their unique individual circumstances, goals, time horizons and tolerance for risk. The Plan will make available to participants at a minimum, at least three broadly diversified investment options, each of which shall offer materially different risk and return characteristics and which in the aggregate are sufficient in permitting the participants, by choosing among them, to materially affect the potential return and degree of risk on their accounts, as well as minimizing the risk of large losses within the range normally appropriate for the participant. The Committee, shall be responsible for the Plan-level investment selection process, as set forth in this Investment Policy Statement, but cannot guarantee investment results for any selected investment option.

Major asset classes to be considered may include, but are not limited to:

##### Conservative Investments

Cash and liquid investments including, but not limited to, money market, stable value and guaranteed interest accounts.

##### Income Investments

Income-oriented investments including, but not limited to, low, medium and high-quality bond investments, with short, intermediate and/or long-term duration. Management styles may be indexed and actively managed international, global and domestic styles.

##### Equity Investments

Investments that invest in equity securities, both domestic and foreign, including, but not limited to, small, medium and large market capitalization, with value, blend and growth investment objectives, which may be actively managed or indexed.

##### Asset Allocation Investments

Investments or accounts that invest in a combination of conservative, income and equity investments, "fund of funds" accounts combining several of the above investments into one or a series of investments, and "manager of managers" accounts combining several different investment styles and fund managers into one account or a series of accounts.

##### Other Investments

In addition to the foregoing major asset classes, the Committee may also consider other appropriate investments in other styles or asset classes offered through vehicles such as commingled trusts, insurance company separate accounts through a group annuity contract and mutual funds. Notwithstanding the foregoing, the Committee may consider, but is not required, to include in the investment menu any specific investment asset class, option or style.

After considering the desired asset classes, the Committee will evaluate and choose the appropriate investment option(s) desired to be offered by the Plan's investment menu if an investment manager (responsible for the underlying investment vehicle, such as a mutual fund, commingled account, collective trust, or separate account) is chosen as a potential investment option, the following minimum criteria should be considered:

1. The investment manager should be a bank, insurance company, trust company, investment management, mutual fund company or an investment adviser registered under the Investment Advisers Act of 1940;
2. The investment's manager should operate in good standing with regulators and clients, with no material pending or concluded legal actions against it; and
3. All relevant quantitative and qualitative information on the manager and investment should be made available by the manager and/or vendor.

In addition to the minimum criteria above, the Committee should consider the following standards for selection of all investments:

– SAMPLE –

1. Investment performance should be competitive with an appropriate style-specific benchmark and the median return for an appropriate, style-specific peer group (where appropriate and available, long-term performance of an investment manager may be inferred through the performance of another investment with similar style attributes managed by such investment manager);
2. Specific risk and risk-adjusted return measures should be reviewed by the Committee and be within a reasonable range relative to appropriate, style-specific benchmark and peer group;
3. The investment should demonstrate adherence to the stated investment objective, without excess style drift over trailing performance periods;
4. Fees and fee structures should be competitive compared with similar investments reasonably available to the Plan; part of this examination includes a review of the proper use of investment-generated fees (and related revenue) to offset Plan recordkeeper fees, which should also be reviewed on a periodic basis;
5. The investment should exhibit attractive qualitative characteristics, including, but not limited to, acceptable manager tenure; and
6. The investment should be able to provide performance, holdings and other relevant information in a timely fashion with specified frequency.

Furthermore, investments will be evaluated and selected utilizing a "score card," detailed below in Part VII (Investment Monitoring and Reporting).

#### Part VII. INVESTMENT MONITORING AND REPORTING

The ongoing monitoring of investments is a regular and disciplined process intended to ensure that a previously selected investment option continues to satisfy the selection process and that an investment option continues to be a prudent option offered for investment in the Plan. The process of monitoring investment performance relative to specified guidelines will be consistently applied. Frequent change of investments is neither expected nor desired.

The Committee will bear in mind any and all political, social, economic or other changes that may potentially require more frequent review and consideration of investments. The following are some, but not all, general factors that may be considered in ongoing monitoring:

- Current regulatory environment,
- Current state of capital markets,
- Performance of investment alternatives,
- Utilization of accounts by Plan demographic,
- The prudent applicability of this Investment Policy Statement as written, in light of prevailing facts and circumstances.

Monitoring will generally utilize the same investment selection criteria used in the original selection analysis, or such other criteria as deemed prudent by the Committee. Unusual, notable, or extraordinary events should be communicated by each investment and/or provider on a timely basis to the Committee. Examples of such events include portfolio manager or team departure, violation of investment guidelines, material litigation against the investment management firm, or material changes in firm ownership structure and announcements thereof.

If overall satisfaction with the investment option is acceptable, no further action is required. If areas of dissatisfaction exist, the Committee will monitor whether the investment is taking appropriate and prudent steps to remedy the deficiency. If over a reasonable period the issue remains unresolved, removal of the investment option may result. For supported asset classes, a "score card" will be maintained and documented (see addendum) to substantiate acceptable levels of performance and appropriate style characteristics. Based upon objective criteria, derived from modern portfolio theory concepts, each investment option will receive a score reflecting its overall performance.

If an investment fails to meet the criteria standards, as determined by its score, it may be placed on a "watch list" (as defined in the attached Addendum). If the investment maintains a watch list score for four consecutive quarters, or five out of eight quarters, the investment may be considered for further action (see Part IX below) by the Committee. In the event

– SAMPLE –

an investment receives a score which is below that of "watch list" status, or experiences extraordinary circumstances which may render it imprudent to maintain, it may be considered for action (see Part IX below) by the Committee at the earliest administratively practicable date.

If the investment meets criteria standards, as determined by its score as "acceptable" or "good" (as defined in the attached Addendum) for four consecutive quarters, it may be removed from the watch list.

Cash, or principal preservation, alternatives should be reviewed with a primary focus on the investment's ability to preserve capital and minimize risk. Criteria reviewed should include, but not be limited to, credit quality, diversification, and stability of insurance provider, if applicable.

Asset allocation investments should be scored and monitored in the same manner as all other investments, using the previously described guidelines in Part VII. Because many of these investments contain separate underlying investment funds, it may also be appropriate to score and monitor those, as available and applicable. Unlike other investments which are monitored and scored individually, target-date investments, though potentially scored individually, should be evaluated as a group. Due to the unique importance of these investment options for participants in the Plan, investments or suites of investments (as may be applicable), or managed accounts failing to achieve criteria standards should be carefully reviewed before removal from the Plan (in the absence of a reasonable alternative).

In the event asset allocation investments have too brief a time history to be scored, the investment or suite should be evaluated both qualitatively and quantitatively on the underlying investments that may have a longer time history available, using a proxy, or a qualitative framework for all other instances.

Investments where no score is applied due to specialty focus, short time history or other unique circumstances should be reviewed using a proxy, where applicable and prudent, or a qualitative framework for all other instances.

The foregoing investment monitoring criteria shall not, under any circumstances, be taken as definitive, conclusive or controlling for removal, termination or continuation of an investment option. All determinations should be made by the Committee, in its sole discretion, taking into consideration all relevant facts and circumstances.

Unless the Plan document requires inclusion of Company stock as an investment option, the Committee retains full responsibility for the offering and monitoring of any self-directed brokerage account(s) and/or Company stock offered as an investment option, which will be reviewed periodically as determined by the Committee based on criteria determined by the Committee. Special considerations should be contemplated and discussed before allowing either as an investment option. In the event the Plan document requires inclusion of Company stock as an investment option, the Company retains sole responsibility for monitoring, retaining, or removing Company stock as an investment option in the Plan.

#### PART VIII: ASSET ALLOCATION AND DEFAULT STRATEGY

The Committee will evaluate and choose an investment or set of investments, or multiple investments, to serve as the default investment(s) for the Plan. The default investment(s) will be the designated investment for dollars contributed to the Plan by participants and/or the employer for which the Plan has no active employee direction on file.

Asset allocation investments and/or accounts (risk-based or target date-based) should be considered as the Plan's default investment strategy due to the inherent benefits these options provide to participants including the diversification of assets across multiple asset classes. The intent on selection of an asset allocation investment(s) as the default is to meet the requirements of a qualified default investment alternative (QDIA) under the terms of section 404(c)(5) of ERISA and the regulations promulgated thereunder.

In the event the Committee selects a target-date asset allocation solution, a critical component is the respective glidepath which should be reviewed to make sure it is appropriate and prudent as a default, and further that it continues to be appropriate and prudent, for the Plan and Plan's participants. The following criteria should be considered in the selection, and ongoing monitoring, of a target-date asset allocation solution:

- Plan objectives, including, but not limited to; the Plan being a "supplemental" plan vs. the Company's sole retirement plan which participants are relying on to retire, the existence of additional plans (i.e., defined benefit plan, deferred compensation plan, money purchase pension plan, etc.), potentially impactful additional Plan design elements (i.e., automatic features, level of matching contributions, profit sharing contributions, etc.), whether the Plan's objectives in offering the suite have changed, whether proprietary, custom, or nonproprietary solutions best meet the objectives of a prudent number of eligible employees and whether the glidepath, equity

– SAMPLE –

landing point, and age 65 equity exposure, most closely meets the objectives of a prudent number of eligible employees;

- Plan demographic information, including, but not limited to: participant deferral rates, account balances and their general degree of investment knowledge (level of investment sophistication), whether a single or multiple glidepath approach would be most prudent for the demographics of the eligible employee population; and
- Participant behavior information, including, but not limited to; the level of participant involvement in the plan before and after retirement and how participants behave with investment and market risk within the plan.

Other considerations may include:

- Whether the Plan's objective in
- Whether there have been significant changes in the suite's investment strategy or management team;
- Whether the fees and expenses of the suite are reasonable given the investment management (including glidepath construction, rebalancing, etc.) involved;
- Additional information such as number, and construct, of asset classes used to promote diversification and growth potential within each investment; and
- The management style of the underlying investments be it passive, active or a core-satellite approach.

In the event the Committee selects a risk-based asset allocation solution, the investment chosen as a default should be reviewed to make sure it is appropriate and prudent as a default, and further that it continues to be appropriate and prudent for the Plan and Plan's participants. The risk level is a critical component that should be reviewed and considered in the selection and ongoing monitoring of the investment. The chosen investment and its associated risk level should be suitable for the Plan and Plan's participants.

#### Part IX. COMMITTEE ACTION

An investment may be removed when the Committee has lost confidence in the investment manager's ability to:

- Achieve performance, style, allocation and/or risk objectives.
- Maintain acceptable qualitative standards (e.g., stable organization, compliance guidelines).

If the investment manager has failed to adhere to and/or remedy one or both of the above conditions, the investment may be considered for removal from the Plan. The Committee may also remove an investment option for any reason it deems necessary and prudent.

Any decision by the Committee to remove such an investment will be made on an individual basis, and will be made based on all the known facts and circumstances, including, but not limited to:

- The objective analysis (described above)
- Administrative impact on the Plan
- Timing
- Employee communication issues
- The availability of other (potential replacement) investments
- Underwriting and Plan provider limitations
- Financial considerations (hard and soft dollar fees)
- Professional or client turnover
- A material change in the investment process
- Other relevant factors

Considerable judgment should be exercised in the Committee decision-making process. The Committee may administer the following approaches with an investment that fails to consistently meet criteria of this Investment Policy Statement:

- Remove and replace (map assets) with a reasonably similar alternative investment.
- Freeze the assets in the investment and direct new assets to an alternative, reasonably similar, investment.

– SAMPLE –

- Phase out the investment over a specific time period.
- Remove the investment and do not provide a replacement investment and default assets into the Plan's default investment.

Replacement of a removed investment follows the criteria outlined in Part VI (Selection of Investment Options).

#### Part X. PARTICIPANT EDUCATION AND COMMUNICATION

The Plan should communicate to employees that they can direct their own investments and investment changes. Investment communications materials, educational materials and enrollment support should be available to help Plan participants make educated and informed choices, and may include:

1. Periodic enrollment and investment education, through one or more of the following: on-site meetings, phone conference, web conference, Internet, phone (voice-response and live representatives) or written materials;
2. Summary plan description (if one is required under applicable law) made available to all participants;
3. General information regarding investment risk, inflation, potential taxation impact, investment earnings and asset classes;
4. Other investment tools (e.g., investment risk profile questionnaire) to assist participants and beneficiaries in making educated and informed investment decisions; and
5. All additional information required for disclosure by the Internal Revenue Code of 1986, and all other Federal and state statutes and all regulations promulgated hereunder, and all regulatory guidance provided thereto.

Notwithstanding the foregoing, all investment education provided by the Plan and/or Committee, and all communications connected thereto, is not intended, nor shall it be construed, as investment advice to Plan participants.

#### Part XI. COORDINATION WITH THE PLAN DOCUMENT AND APPLICABLE LAWS

Notwithstanding the foregoing, if any term or condition of this Investment Policy Statement conflicts with any section of applicable law or the Internal Revenue Code, or regulations promulgated hereunder, or any term or condition in the Plan document, the terms and conditions of applicable law, the Internal Revenue Code, and the Plan document shall control.

#### Part XII. INVESTMENT INFORMATION AND ADMINISTRATIVE SUPPORT

The Committee should require the investment manager and/or service provider (administrator, recordkeeper) to offer the following administrative information and support, competitive to that provided by other investment managers and/or service providers as it deems appropriate, which may include:

1. Daily valuation of all investments;
2. Daily access to account information via toll-free number and Internet access;
3. The ability to make investment transfers for both existing and future individual account balances on a daily basis (nonbusiness days and holidays excluded). Certain trading practices may be limited to comply with market timing, excess trading, liquidity driven and/or related policies and procedures of the service provider and/or specific investment options;
4. Participant account investment reports produced no less frequently than annually, with similar information available via the Internet at least quarterly; and
5. Quarterly investment performance updates available for participant review via the Internet.

#### Part XIII. REVIEW PROCEDURES

This Investment Policy Statement will be periodically reviewed and may be amended, if appropriate, at any time and without notice, by action of the Committee.

It is not expected that this Investment Policy Statement will change frequently. In particular, short-term changes in the financial markets should not require amendments to this Investment Policy Statement.

– SAMPLE –

*NOTE: This document provides SAMPLE wording and should be reviewed by legal counsel prior to signing and executing.*

|                             |           |      |
|-----------------------------|-----------|------|
| Name of Plan Representative | Signature | Date |
|-----------------------------|-----------|------|

|                             |           |      |
|-----------------------------|-----------|------|
| Name of Plan Representative | Signature | Date |
|-----------------------------|-----------|------|

|                             |           |      |
|-----------------------------|-----------|------|
| Name of Plan Representative | Signature | Date |
|-----------------------------|-----------|------|

– SAMPLE –

ADDENDUM TO PART VII: INVESTMENT MONITORING AND REPORTING

**Scorecard System Methodology**

The Scorecard System Methodology incorporates both quantitative and qualitative factors in evaluating fund managers and their investment strategies. The Scorecard System is built around pass/fail criteria, on a scale of 0 to 10 (with 10 being the best) and has the ability to measure active, passive and asset allocation investing strategies. Active and asset allocation strategies are evaluated over a five-year time period, and passive strategies are evaluated over a three-year time period. The scorecard system establishes the procedural process fiduciaries can follow.

**Scorecard Point System**

|                         |                                     |                                  |
|-------------------------|-------------------------------------|----------------------------------|
| Acceptable: 7-10 Points | Watchlist <sup>1</sup> : 5-6 Points | Review <sup>2</sup> : 0-4 Points |
|-------------------------|-------------------------------------|----------------------------------|

Eighty percent of the fund's score is quantitative (consisting of eight unique factors), incorporating modern portfolio theory statistics, quadratic optimization analysis, and peer group rankings (among a few of the quantitative factors). The other 20 percent of the score is qualitative, taking into account manager tenure, the fund's expense ratio relative to the average fund expense ratio in that asset class, and the fund's strength of statistics (statistical significance).

Combined, these factors measure relative performance, characteristics, behavior and overall appropriateness of a fund for a plan as an investment option. General fund guidelines are shown in the "Scorecard Point System" table above. The Scorecard Point System is integrated into the Investment Policy Statement to help establish procedural prudence in fund selection and monitoring. Non-scored funds are evaluated using qualitative criteria, detailed in the Investment Policy Statement.

1 Funds that receive a watchlist score four consecutive quarters or five of the last eight quarters should be placed under review status.

2 Review status necessitates documenting why the fund/strategy remains appropriate or documenting the course of action for removal as an investment option.

**Scorecard System Methodology**

**Target Date Fund Strategies**

Target Date Fund strategies are investment strategies that invest in a broad array of asset classes that may include U.S. equity, international equity, emerging markets, real estate, fixed income, high yield bonds and cash (to name a few asset classes). These strategies are managed to a retirement date or life expectancy date, typically growing more conservative as that date is approached. For this type of investment strategy, the Scorecard System is focused on how well these managers can add value from asset allocation. Asset allocation is measured using our Asset allocation strategies methodology and manager selection is measured using either our Active and/or Passive strategies methodologies, depending on the underlying fund options utilized within the Target Date Fund strategy.

Risk-based strategies follow the same evaluation criteria and are evaluated on both their asset allocation and security selection.

| Weightings                           | Target Date Fund Strategies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Maximum Points |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Asset Allocation Score (Average) 50% | <p>The individual funds in this Score average require five years of time history to be included. See Asset Allocation strategies methodology for a detailed breakdown of the Scoring criteria. Funds without the required time history are not included in the Score average.</p> <p>The Funds included in this average are from the Conservative, Moderate Conservative, Moderate, Moderate Aggressive and Aggressive categories, where Funds (also referred to as "vintages") are individually Scored according to their standard deviation or risk bucket.</p>                                                 | 5              |
| Selection Score (Average) 50%        | <p><b>Active strategies:</b> The individual active funds in this Score average require five years of time history to be Scored. See Active strategies methodology for a detailed breakdown of the Scoring criteria. Funds without the required time history are not included in the Score average.</p> <p><b>Passive strategies:</b> The individual passive funds in this Score average require three years of time history to be Scored. See Passive strategies methodology for a detailed breakdown of the Scoring criteria. Funds without the required time history are not included in the Score average.</p> | 5              |
| Total                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 10             |

### Scorecard System Methodology

#### Asset Allocation Strategies

Asset allocation strategies are investment strategies that invest in a broad array of asset classes that may include U.S. equity, international equity, emerging markets, real estate, fixed income, high yield bonds and cash (to name a few asset classes). These strategies are typically structured in either a risk-based format (the strategies are managed to a level of risk, e.g., conservative or aggressive) or, in an age-based format (these strategies are managed to a retirement date or life expectancy date, typically growing more conservative as that date is approached). For this type of investment strategy, the Scorecard System is focused on how well these managers can add value, with asset allocation being the primary driver of investment returns and the resulting Score. Multisector Bond (MSB) asset class follows the same evaluation criteria with some slightly different tolerance levels where noted. These managers are also evaluated on both their asset allocation and security selection.

| Weightings              | Asset Allocation Strategies                                                                                                                                                                                                                                                                                                                                                      | Maximum Points |
|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Style Factors 30%       | <b>Risk Level:</b> The fund's standard deviation is measured against the category it is being analyzed in. The fund passes if it falls within the range for that category.                                                                                                                                                                                                       | 1              |
|                         | <b>Style Diversity:</b> Fund passes if it reflects appropriate style diversity (returns-based) among the four major asset classes (Cash, Fixed Income, U.S. & International Equity) for the given category. MSB funds pass if reflect some level of diversity among fixed income asset classes (Cash, U.S. Fixed Income, Non-U.S. Fixed Income and High Yield/Emerging Markets). | 1              |
|                         | <b>R-Squared:</b> Measures the percentage of a fund's returns that are explained by the benchmark. Fund passes with an R-squared greater than 90 percent. This statistic measures whether the benchmark used in the analysis is appropriate.                                                                                                                                     | 1              |
| Risk/Return Factors 30% | <b>Risk/Return:</b> Fund passes if its risk is less than the benchmark or its return is greater than the benchmark. Favorable risk/return characteristics are desired.                                                                                                                                                                                                           | 1              |
|                         | <b>Up/Down Capture Analysis:</b> Measures the behavior of a fund in up and down markets. Fund passes with an up capture greater than its down capture. This analysis measures the relative value by the manager in up and down markets.                                                                                                                                          | 1              |
|                         | <b>Information Ratio:</b> Measures a fund's relative risk and return. Fund passes if ratio is greater than 0. This statistic measures the value added above the benchmark, adjusted for risk.                                                                                                                                                                                    | 1              |
| Peer Group Rankings 20% | <b>Returns Peer Group Ranking:</b> Fund passes if its median rank is above the 50 <sup>th</sup> percentile.                                                                                                                                                                                                                                                                      | 1              |
|                         | <b>Sharpe Ratio Peer Group Ranking:</b> Fund passes if its median rank is above the 50 <sup>th</sup> percentile. This ranking ranks risk-adjusted excess return.                                                                                                                                                                                                                 | 1              |
| Qualitative Factors 20% | Two points may be awarded based on qualitative characteristics of the fund. Primary considerations are given to manager tenure, fund expenses and strength of statistics, however, other significant factors may be considered. It is important to take into account nonquantitative factors, which may impact future performance.                                               | 2              |
| Total                   |                                                                                                                                                                                                                                                                                                                                                                                  | 10             |

**Scorecard System Methodology**

**Active Strategies**

Active strategies are investment strategies where the fund manager is trying to add value and outperform the market averages (for that style of investing). Typically, these investment strategies have higher associated fees due to the active involvement in the portfolio management process by the fund manager(s). For this type of investment strategy, the Scorecard System is trying to identify those managers who can add value on a consistent basis within their own style of investing.

| Weightings              | Active Strategies                                                                                                                                                                                                                                                                                                                  | Maximum Points |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Style Factors 30%       | <b>Style Analysis:</b> Returns-based analysis to determine the style characteristics of a fund over a period of time. Fund passes if it reflects the appropriate style characteristics. Style analysis helps ensure proper diversification in the Plan.                                                                            | 1              |
|                         | <b>Style Drift:</b> Returns-based analysis to determine the behavior of the fund/manager over multiple (rolling) time periods. Fund passes if the fund exhibits a consistent style pattern. Style consistency is desired so that funds can be effectively monitored within their designated asset class.                           | 1              |
|                         | <b>R-Squared:</b> Measures the percentage of a fund's returns that are explained by the benchmark. Fund passes with an R-squared greater than 80 percent. This statistic measures whether the benchmark used in the analysis is appropriate.                                                                                       | 1              |
| Risk/Return Factors 30% | <b>Risk/Return:</b> Fund passes if its risk is less than the benchmark or its return is greater than the benchmark. Favorable risk/return characteristics are desired.                                                                                                                                                             | 1              |
|                         | <b>Up/Down Capture Analysis:</b> Measures the behavior of a fund in up and down markets. Fund passes with an up capture greater than its down capture. This analysis measures the relative value by the manager in up and down markets.                                                                                            | 1              |
|                         | <b>Information Ratio:</b> Measures a fund's relative risk and return. Fund passes if ratio is greater than 0. This statistic measures the value added above the benchmark, adjusted for risk.                                                                                                                                      | 1              |
| Peer Group Rankings 20% | <b>Returns Peer Group Ranking:</b> Fund passes if its median rank is above the 50 <sup>th</sup> percentile.                                                                                                                                                                                                                        | 1              |
|                         | <b>Information Ratio Peer Group Ranking:</b> Fund passes if its median rank is above the 50 <sup>th</sup> percentile. This ranking ranks risk-adjusted excess return.                                                                                                                                                              | 1              |
| Qualitative Factors 20% | Two points may be awarded based on qualitative characteristics of the fund. Primary considerations are given to manager tenure, fund expenses and strength of statistics, however, other significant factors may be considered. It is important to take into account nonquantitative factors, which may impact future performance. | 2              |
| Total                   |                                                                                                                                                                                                                                                                                                                                    | 10             |

# Scorecard System Methodology

## Passive Strategies

Passive strategies are investment strategies where the fund manager is trying to track or replicate some area of the market. These types of strategies may be broad-based in nature (e.g., the fund manager is trying to track/replicate the entire U.S. equity market like the S&P 500) or may be more specific to a particular area of the market (e.g., the fund manager may be trying to track/replicate the technology sector). These investment strategies typically have lower fees than active investment strategies due to their passive nature of investing and are commonly referred to as index funds. For this type of investment strategy, the Scorecard System is focused on how well these managers track and/or replicate a particular area of the market with an emphasis on how they compare against their peers.

| Weightings                   | Passive Strategies                                                                                                                                                                                                                                                                                                 | Maximum Points |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Style & Tracking Factors 40% | <b>Style Analysis:</b> Returns-based analysis to determine the style characteristics of a fund over a period of time. Fund passes if it reflects the appropriate style characteristics. Style analysis helps ensure proper diversification in the Plan.                                                            | 1              |
|                              | <b>Style Drift:</b> Returns-based analysis to determine the behavior of the fund/manager over multiple (rolling) time periods. Fund passes if the fund exhibits a consistent style pattern. Style consistency is desired so that funds can be effectively monitored within their designated asset class.           | 1              |
|                              | <b>R-Squared:</b> Measures the percentage of a fund's returns that are explained by the benchmark. Fund passes with an R-squared greater than 95 percent. This statistic measures whether the benchmark used in the analysis is appropriate.                                                                       | 1              |
|                              | <b>Tracking Error:</b> Measures the percentage of a fund's excess return volatility relative to the benchmark. Fund passes with a tracking error less than 4. This statistic measures how well the fund tracks the benchmark.                                                                                      | 1              |
| Peer Group Rankings 40%      | <b>Tracking Error Peer Group Ranking:</b> Fund passes if its median rank is above the 75 <sup>th</sup> percentile.                                                                                                                                                                                                 | 1              |
|                              | <b>Expense Ratio Peer Group Ranking:</b> Fund passes if its median rank is above the 75 <sup>th</sup> percentile.                                                                                                                                                                                                  | 1              |
|                              | <b>Returns Peer Group Ranking:</b> Fund passes if its median rank is above the 75 <sup>th</sup> percentile.                                                                                                                                                                                                        | 1              |
|                              | <b>Sharpe Ratio Peer Group Ranking:</b> Fund passes if its median rank is above the 75 <sup>th</sup> percentile.                                                                                                                                                                                                   | 1              |
| Qualitative Factors 20%      | Two points may be awarded based on qualitative characteristics of the fund. Primary considerations are given to fund expenses and strength of statistics, however, other significant factors may be considered. It is important to take into account nonquantitative factors, which may impact future performance. | 2              |

## Qualitative Factors: an in-depth look

The letters T, E, and S in the qualitative section of the Scorecard are indicating why a fund was docked qualitative points.

- T = manager tenure
- E = expenses
- S = strength of statistics

**Active & Allocation Strategies:** All investments start with 2 points, with potential deductions if the following criteria are not met:

• Manager tenure

| Tenure    | Years | Deduct   |
|-----------|-------|----------|
| Less than | 1.5   | 2 points |
| Less than | 3.5   | 1 point  |

- Fund expense: if greater than RPAG Peer Group Average (for that style), deduct 0.5 point.

• Strength of statistics

| Condition | Average Style | R-Squared  | Deduct    |
|-----------|---------------|------------|-----------|
| If        | Fails         | <75%       | 1 point   |
| If        | Fails         | <60%       | 2 points  |
| If        | Passes        | <50%       | 0.5 point |
| Condition | IR            | Sig. Level | Deduct    |
| If        | Positive      | <65%       | 0.5 point |

The total qualitative score is rounded to the nearest whole number. For example, a score of 1.5 will be rounded to 2.

**Passive Strategies:** All funds start with 2 points, with potential deductions if the following criteria are not met:

- Fund expense: if expenses rank in the 90% or below, 1 point impact.
- Strength of statistics: if the tracking error is greater than 6, 1 point impact. If tracking error is greater than 7, 2-point impact.

Unique events or conditions that warrant modifying this framework to capture the same intent are rare, but are noted when they occur.

– SAMPLE –

**Manager Research Methodology**

**Qualitative Factors Beyond the Scorecard**

The Scorecard System establishes a process and methodology that is both comprehensive and independent. It strives to create successful outcomes for plan sponsors and participants. It also helps direct the additional qualitative research conducted on managers throughout the year. Going beyond the Scorecard incorporates the following three important categories below.

| PEOPLE                                                                                                                                                                                                              | PROCESS                                                                                                                                                                                                   | PHILOSOPHY                                                                                                                                                                                                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Fund manager and team experience</li><li>• Deep institutional expertise</li><li>• Organizational structure</li><li>• Ability to drive the process and performance</li></ul> | <ul style="list-style-type: none"><li>• Clearly defined</li><li>• Consistent application</li><li>• Sound and established</li><li>• Clearly communicated</li><li>• Successfully executed process</li></ul> | <ul style="list-style-type: none"><li>• Research and ideas must be coherent and persuasive</li><li>• Strong rationale</li><li>• Logical and compelling</li><li>• Focus on identifying skillful managers</li></ul> |

#### Scorecard System Disclosures

Investment objectives and strategies vary among funds and may not be similar for funds included in the same asset class.

All definitions are typical category representations. The specific share classes or accounts identified above may not be available or chosen by the Plan. Share class and account availability is unique to the client's specific circumstances. There may be multiple share classes or accounts available to the client from which to choose. All recommendations are subject to vendor/provider approval before implementation into the Plan.

The performance data quoted may not reflect the deduction of additional fees, if applicable. If reflected, additional fees would reduce the performance quoted.

Performance data is subject to change without prior notice.

Performance of indexes reflects the unmanaged result for the market segment the selected stocks represent. Indexes are unmanaged and not available for direct investment.

The information used in the analysis has been taken from sources deemed to be reliable, including, third-party providers such as Markov Processes International, Morningstar, firms who manage the investments, and/or the retirement plan providers who offer the funds.

Every reasonable effort has been made to ensure completeness and accuracy; however, the final accuracy of the numbers and information is the responsibility of the investment manager(s) of each fund and/or the retirement plan providers offering these funds. Discrepancies between the figures reported in this analysis, and those reported by the actual investment managers and/or retirement plan providers, may be caused by a variety of factors, including: Inaccurate reporting by the manager/provider; Changes in reporting by the manager/provider from the time this report was prepared to a subsequent retro-active audit and corrected reporting; Differences in fees and share-classes impacting net investment return; and, Scriveners error by your advisor in preparing this report.

The enclosed Investment Due Diligence report, including the Scorecard System, is intended for plan sponsor and/or institutional use only. The materials are not intended for participant use. The purpose of this report is to assist fiduciaries in selecting and monitoring investment options. A fund's score is meant to be used by the Plan sponsor and/or fiduciaries as a tool for selecting the most appropriate fund.

Fund scores will change as the performance of the funds change and as certain factors measured in the qualitative category change (e.g., manager tenure). Fund scores are not expected to change dramatically from each measured period, however, there is no guarantee this will be the case.

Scores will change depending on the changes in the underlying pre-specified Scorecard factors. Neither past performance nor statistics calculated using past performance are guarantees of a fund's future performance. Likewise, a fund's score using the Scorecard System does not guarantee the future performance or style consistency of a fund.

This report was prepared with the belief that this information is relevant to the Plan sponsor as the Plan sponsor makes investment selections.

Fund selection is at the discretion of the investment fiduciaries, which are either the Plan sponsor or the Committee appointed to perform that function.

Cash Equivalents (e.g., money market fund) and some specialty funds are not scored by the Scorecard System.

The enclosed Investment Due Diligence report and Scorecard is not an offer to sell mutual funds. An offer to sell may be made only after the client has received and read the appropriate prospectus.

For the most current month-end performance, please contact your advisor.

The Strategy Review notes section is for informational purposes only. The views expressed here are those of your advisor and do not constitute an offer to sell an investment. An offer to sell may be made only after the client has received and read the appropriate prospectus.

For funds that do not have a score, one of the following will be shown: HIS, SPC, or OTH. HIS- fund does not have enough performance history to Score.

SPC - fund is in a specialty category that does not Score.

OTH - fund may no longer be active, not in database or available to Score.

Qualitative legend: T= Manager tenure; E= Expenses; S= Strength of statistics

Carefully consider the investment objectives, risk factors and charges and expenses of the investment company before investing. This and other information can be found in the fund's prospectus, which may be obtained by contacting your Investment Advisor/Consultant or Vendor/Provider.

Read the prospectus carefully before investing.

For a copy of the most recent prospectus, please contact your Investment Advisor/Consultant or Vendor/Provider.

[SECURITIES DISCLOSURE] ACR# 6371778 04/24

## Fiduciary Investment Review™

*Prepared for:*

**Sample Client**  
January 31, 2024

*Prepared by:*

CONFIDENTIAL

## Fiduciary Diagnostic

| Action Items                                    | Reference Materials           | Documentation                                                                                                               | Fiduciary Briefcase | Comments |
|-------------------------------------------------|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------|---------------------|----------|
| Selecting and Monitoring Fiduciaries            | Education Modules 1 and 2     | Documenting Fiduciaries, Consultants and Service Providers                                                                  |                     |          |
|                                                 |                               | Investment Committee Charter                                                                                                |                     |          |
|                                                 |                               | Resolutions to Establish Committee                                                                                          |                     |          |
|                                                 |                               | Acceptance of Designation/Appointment                                                                                       |                     |          |
| Identifying and Monitoring Parties in Interest  | Education Modules 1 and 2     | Documenting Parties in Interest                                                                                             |                     |          |
| Selecting and Monitoring Service Providers      | Education Modules 3 and 7     | Selecting and Monitoring Plan Consultants, Selecting and Monitoring Service Providers and Selecting and Monitoring Auditors |                     |          |
|                                                 |                               | Annual Fee Benchmarking                                                                                                     |                     |          |
|                                                 |                               | B3 Provider Analysis™                                                                                                       |                     |          |
|                                                 |                               | 408(b)(2) Checklist and 408(b)(2) Disclosures                                                                               |                     |          |
| Understanding and Documenting Fees and Expenses | Education Modules 5, 7 and 19 | Compensation Disclosure                                                                                                     |                     |          |
|                                                 |                               | Annual Fee Benchmarking                                                                                                     |                     |          |
|                                                 |                               | B3 Provider Analysis™                                                                                                       |                     |          |
| Selecting and Monitoring Plan Investments       | Education Modules 4 and 17    | Annual 404a-5 Disclosure                                                                                                    |                     |          |
|                                                 |                               | Investment Policy Statement                                                                                                 |                     |          |
|                                                 |                               | Investment Scorecard™                                                                                                       |                     |          |
| §404(a) and §404(c) Compliance                  | Education Module 6            | Target Date Fund Selection Workbook                                                                                         |                     |          |
|                                                 |                               | §404(a) & §404(c) Checklist                                                                                                 |                     |          |
| Maintaining a Fiduciary File                    | Education Module 8            | §404(c) Notice & Policy Statement                                                                                           |                     |          |
|                                                 |                               | Organizing Your Fiduciary File Checklist                                                                                    |                     |          |
| Investing in Employer Securities                | Education Module 16           | §404(c) Notice and Policy Statement Addendum                                                                                |                     |          |

## Fiduciary Diagnostic

| Action Items                                           | Reference Materials             | Documentation                                       | Fiduciary Briefcase | Comments |
|--------------------------------------------------------|---------------------------------|-----------------------------------------------------|---------------------|----------|
| Minimizing Risk: Fidelity Bond and Fiduciary Insurance | Education Module 2              | Fidelity Copy of Bond                               |                     |          |
|                                                        |                                 | Fiduciary Insurance Copy of Policy                  |                     |          |
| Claims and Appeal Procedures                           | Education Module 9 and 20       | Documentation of Claims and Appeals (actual events) | N/A                 |          |
|                                                        |                                 | Missing Participants                                | N/A                 |          |
| Plan Demographic and Document Review                   | Education Module 18             | Plan Design Summary                                 |                     |          |
|                                                        |                                 | ACAs Notice                                         |                     |          |
|                                                        |                                 | QACAs Notice                                        |                     |          |
|                                                        |                                 | EACAs Notice                                        |                     |          |
|                                                        |                                 | Initial QDIA Notice                                 |                     |          |
|                                                        |                                 | Annual QDIA Notice                                  |                     |          |
|                                                        |                                 | Safe Harbor Notice                                  |                     |          |
|                                                        |                                 | Summary Annual Report                               |                     |          |
| Prohibited Transactions and Plan Solutions             | Education Modules 10, 11 and 15 | Due Diligence                                       |                     |          |
| M&A and Control Groups                                 | Education Modules 12, 13 and 14 | Due Diligence                                       |                     |          |

## **Fiduciary Fitness Program™**

### **Module 1: Fiduciary Duties and Responsibilities**

**The purpose of this module is to assist you in identifying the various individuals who are considered plan fiduciaries and to describe the duties and responsibilities those individuals have under ERISA.**

#### **Fiduciary Defined**

##### **A FIDUCIARY IS**

Any individual or entity that has or exercises discretionary control over the management of the plan or the plan's assets

- A plan may have:
    - More than one fiduciary
- An individual serving in more than one fiduciary capacity

##### **A FIDUCIARY IS NOT**

Anyone who performs ministerial functions and does not have the authority to make decisions with respect to plan policies, procedures, etc.

Example: individual who calculates benefits or processes claims

#### **Named Fiduciaries**

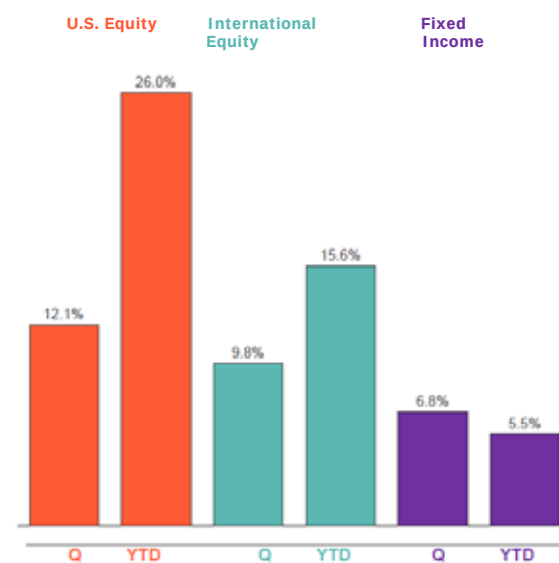
- Each plan must have one "named fiduciary"
  - Named in or identified with a procedure prescribed in the plan document
- May be the plan sponsor, officer, board of directors, board of trustees, member of the management team or committee
- Can allocate responsibilities to others if plan document permits

## Q4 2023 Market Review

### SUMMARY

- Equity and Fixed Income markets experienced very strong positive fourth quarter performance.
- U.S. Equity rose 12.1% (Russell 3000), with large cap tech stocks leading the way. For the year, large cap growth has outperformed large cap value by over 3100 basis points (42.7% vs. 11.5%).
- International equities rose to a lesser extent over the quarter, posting a 9.8% gain (MSCI ACWI ex U.S.).
- The broad U.S. fixed income market was also up, returning 6.8% (Bloomberg Barclays Aggregate) over the quarter.
- While the Fed likely finished raising rates, there was no indication of a rate cut, which is what market participants anticipate in 2024. This is dependent on the inflationary outlook and health of the economy, which the Fed has been closely monitoring.
- The U.S. labor market remained tight during the quarter with unemployment at 3.7% in December.

### TRAILING RETURNS (12/31/2023)



Quarterly and year-to-date returns of the following indices: U.S. Equity (Russell 3000 Index), Fixed Income (Bloomberg Barclays U.S. Aggregate Bond Index) and International Equity (MSCI ACWI ex U.S. Index)

## Q4 2023 Market Review – U.S. Equity

### U.S. EQUITY

- The broad U.S. equity market, as measured by the Russell 3000 Index, was up 12.1% for the quarter.
- The best performing U.S. equity index for the quarter was Russell 2000 Value, returning a positive 15.3%.
- 15.3%. The worst performing U.S. equity index for the quarter was Russell 1000 Value, returning a positive 9.5%.

### INDEX PERFORMANCE (sorted by trailing quarterly performance)



### GROWTH VS. VALUE



Over the last year, growth stocks outperformed value stocks by 31.20%.  
For the trailing quarter, growth stocks outperformed value stocks by 4.70%.

The graph above is plotted using a rolling one-year time period. Growth stock performance is represented by the Russell 1000 Growth Index. Value stock performance is represented by the Russell 1000 Value Index.

### SECTOR (sorted by trailing quarterly performance)



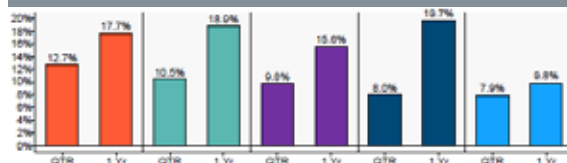
Source: S&P 1500 Sector Indices

## Q4 2023 Market Review – International Equity

### INTERNATIONAL EQUITY

- Developed international equity returned a positive 10.5% in the last quarter (MSCI EAFE).
- Emerging market equity posted a positive 7.9% return (MSCI Emerging Markets Index).

### INDEX PERFORMANCE (sorted by trailing quarterly performance)



|                        | QTR  | YTD  | 1 Yr | 3 Yr | 5 Yr | 10 Yr |
|------------------------|------|------|------|------|------|-------|
| MSCI EAFE Large Growth | 12.7 | 17.7 | 17.7 | 1.3  | 9.6  | 5.5   |
| MSCI EAFE              | 10.5 | 18.9 | 18.9 | 4.5  | 8.7  | 4.8   |
| MSCI ACWI ex US        | 9.8  | 15.6 | 15.6 | 1.5  | 7.1  | 3.8   |
| MSCI EAFE Large Value  | 8.0  | 19.7 | 19.7 | 8.8  | 7.6  | 3.1   |
| MSCI Emg Markets       | 7.9  | 9.8  | 9.8  | -5.1 | 3.7  | 2.7   |

### DEVELOPED VS. EMERGING MARKETS



Over the last year, developed international stocks outperformed emerging market stocks by 9.10%. For the trailing quarter, developed international stocks outperformed emerging market stocks by 2.60%.

The graph above is plotted using a rolling one-year time period. Developed international stock performance is represented by the MSCI EAFE Index. Emerging market stock performance is represented by the MSCI Emerging Markets Index.

### INTERNATIONAL VS. DOMESTIC



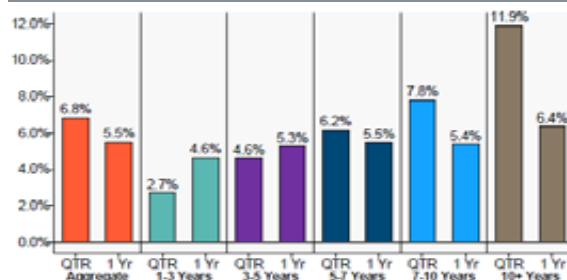
The graph above is plotted using a rolling one-year time period. International stock performance is represented by the MSCI ACWI ex U.S. Index. Domestic stock performance is represented by the Russell 3000 Index.

## Q4 2023 Market Review – Fixed Income

### FIXED INCOME

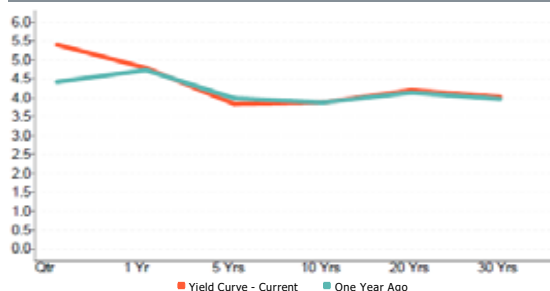
- The broad U.S. fixed income market returned a positive 6.8% (Bloomberg Barclays U.S. Aggregate) for the quarter.
- The best performing sector for the quarter was Corporate Investment Grade, returning a positive 8.5%.
- 8.5%. The worst performing sector for the quarter was Cash, returning a positive 1.4%.

### PERFORMANCE BY MATURITY



Source: Bloomberg Barclays U.S. Aggregate Indices

### YIELD CURVE



### SECTOR (sorted by trailing quarterly performance)



Source: Bloomberg Barclays U.S. Indices

## Q4 2023 Market Kaleidoscope

### ASSET CLASS RETURNS

The following chart exhibits the volatility of asset class returns from year to year by ranking indices in order of performance, highlighting the importance of diversification.

| 2013                   | 2014                   | 2015                   | 2016                  | 2017                   | 2018                    | 2019                   | 2020                     | 2021                  | 2022                    | 2023                   |
|------------------------|------------------------|------------------------|-----------------------|------------------------|-------------------------|------------------------|--------------------------|-----------------------|-------------------------|------------------------|
| Sm Growth<br>43.30     | Global REIT<br>22.81   | Large Growth<br>5.67   | Sm Value<br>31.74     | Large Growth<br>30.21  | Cash<br>1.87            | Large Growth<br>36.39  | Large Growth<br>38.49    | Global REIT<br>32.50  | Commodities<br>16.09    | Large Growth<br>42.68  |
| Sm Value<br>34.52      | Large Value<br>13.45   | Global REIT<br>0.59    | Large Value<br>17.34  | International<br>27.19 | Fixed Income<br>0.81    | Sm Growth<br>28.48     | Sm Growth<br>34.63       | Sm Value<br>28.27     | Cash<br>1.46            | Sm Growth<br>18.66     |
| Large Growth<br>33.48  | Large Growth<br>13.05  | Fixed Income<br>0.55   | Commodities<br>11.77  | Sm Growth<br>22.17     | Large Value<br>-1.51    | Large Value<br>26.54   | Balanced<br>14.24        | Large Growth<br>27.60 | Large Value<br>-7.54    | International<br>15.62 |
| Large Value<br>32.53   | Balanced<br>6.58       | Cash<br>0.55           | Sm Growth<br>11.32    | Balanced<br>14.95      | Balanced<br>-4.77       | Global REIT<br>24.49   | International<br>10.85   | Commodities<br>27.11  | Fixed Income<br>-13.01  | Balanced<br>15.52      |
| International<br>15.29 | Fixed Income<br>5.97   | Balanced<br>-0.49      | Balanced<br>7.18      | Large Value<br>13.66   | Global REIT<br>-4.77    | Sm Value<br>22.39      | Fixed Income<br>7.51     | Large Value<br>25.16  | Sm Value<br>-14.48      | Sm Value<br>14.65      |
| Balanced<br>14.78      | Sm Growth<br>5.60      | Sm Growth<br>-1.38     | Large Growth<br>7.09  | Global REIT<br>8.63    | Large Value<br>-8.27    | International<br>21.51 | Sm Value<br>4.63         | Balanced<br>10.75     | Balanced<br>-15.80      | Global REIT<br>11.53   |
| Global REIT<br>2.61    | Sm Value<br>4.22       | Large Value<br>-3.53   | Global REIT<br>6.90   | Sm Value<br>7.94       | Sm Growth<br>-9.31      | Balanced<br>20.11      | Large Value<br>2.80      | International<br>7.82 | International<br>-16.00 | Large Value<br>11.46   |
| Cash<br>0.07           | Cash<br>0.03           | International<br>-5.66 | International<br>4.50 | Fixed Income<br>3.54   | Commodities<br>-11.25   | Fixed Income<br>8.72   | Cash<br>0.67             | Sm Growth<br>2.63     | Global REIT<br>-23.60   | Fixed Income<br>5.53   |
| Fixed Income<br>-2.02  | International<br>-3.67 | Sm Value<br>-7.47      | Fixed Income<br>2.65  | Commodities<br>1.79    | Sm Value<br>-12.86      | Commodities<br>7.09    | Commodities<br>-3.12     | Cash<br>0.00          | Sm Growth<br>-26.36     | Cash<br>5.01           |
| Commodities<br>-9.52   | Commodities<br>-17.01  | Commodities<br>-24.66  | Cash<br>0.33          | Cash<br>0.86           | International<br>-14.20 | Cash<br>2.25           | Global<br>18.11<br>-8.11 | Fixed Income<br>-1.54 | Large Growth<br>-29.14  | Commodities<br>-7.91   |

Large Value (Russell 1000 Value)
  Small Growth (Russell 2000 Growth)
  Global REIT (S&P Global REIT)

Large Growth (Russell 1000 Growth)
  International (MSC I AC WI ex-US)
  Commodities (Bloomberg C commodities) C ash

Small Value (Russell 2000 Value)
  Fixed Income (Bloomberg Barclays Agg)
  (Merrill Lynch 3-Mo T-Bill)

Balanced (40% Russell 3000, 40% Bloomberg Barclay's U.S. Aggregate, 20% MSC I AC WI ex US)

## Q4 2023 Market Review Chart of the Quarter

### The Magnificent Seven

The Magnificent Seven (Apple, Amazon, Alphabet, Microsoft, Meta, NVIDIA, and Tesla) were responsible for the lion's share of the U.S. equity market's performance in 2023. This group of stocks now represents approximately 1/3 of the S&P 500 Index. With the market narrowing around these names, they will exert much greater influence on the market's performance in 2024, as market-cap weighted indices like the S&P 500 are starting the year much less diversified than they have in the past.



Source: Compustat, Goldman Sachs Global Investment Research.

## Scorecard System Methodology

The Scorecard System Methodology incorporates both quantitative and qualitative factors in evaluating fund managers and their investment strategies. The Scorecard System is built around pass/fail criteria, on a scale of 0 to 10 (with 10 being the best) and has the ability to measure active, passive and asset allocation investing strategies. Active and asset allocation strategies are evaluated over a five-year time period, and passive strategies are evaluated over a three-year time period.

Eighty percent of the fund's score is quantitative (made up of eight unique factors), incorporating modern portfolio theory statistics, quadratic optimization analysis, and peer group rankings (among a few of the quantitative factors). The other 20 percent of the score is qualitative, taking into account things such as manager tenure, the fund's expense ratio relative to the average fund expense ratio in that asset class category, and the fund's strength of statistics (statistical significance). Other criteria that may be considered in the qualitative score includes the viability of the firm managing the assets, management or personnel issues at the firm, and/or whether there has been a change in direction of the fund's stated investment strategy. The following pages detail the specific factors for each type of investing strategies.

Combined, these factors are a way of measuring the relative performance, characteristics, behavior and overall appropriateness of a fund for inclusion into a plan as an investment option. General fund guidelines are shown in the "Scorecard Point System" table below. The Scorecard Point System is meant to be used in conjunction with our sample Investment Policy Statement, in order to help identify what strategies need to be discussed as a "watchlist" or review candidate; what strategies continue to meet some minimum standards and continue to be appropriate; and/or identify new top-ranked strategies for inclusion into a plan.

| <i>Scorecard Point System</i> |                    |
|-------------------------------|--------------------|
| <b>Acceptable:</b>            | <b>7-10 Points</b> |
| <b>Watchlist<sup>1</sup>:</b> | <b>5-6 Points</b>  |
| <b>Review<sup>2</sup>:</b>    | <b>0-4 Points</b>  |

<sup>1</sup> Funds that receive a watchlist score four consecutive quarters or five of the last eight quarters should be placed under review status.

<sup>2</sup> Review status necessitates documenting why the fund/strategy remains appropriate or documenting the course of action for removal as an investment option.

## Scorecard System Methodology

Active strategies are investment strategies where the fund manager is trying to add value and outperform the market averages (for that style of investing). Typically, these investment strategies have higher associated fees due to the active involvement in the portfolio management process by the fund manager(s). For this type of investment strategy, the Scorecard System is trying to identify those managers who can add value on a consistent basis within their own style of investing.

| Weightings                         | Active Strategies                                                                                                                                                                                                                                                                                                                  | Maximum Points |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <b>Style Factors</b><br>30 %       | <b>Style Analysis:</b> Returns-based analysis to determine the style characteristics of a fund over a period of time. Fund passes if it reflects the appropriate style characteristics. Style analysis helps ensure proper diversification in the Plan.                                                                            | 1              |
|                                    | <b>Style Drift:</b> Returns-based analysis to determine the behavior of the fund/manager over multiple (rolling) time periods. Fund passes if the fund exhibits a consistent style pattern. Style consistency is desired so that funds can be effectively monitored within their designated asset class.                           | 1              |
|                                    | <b>R-Squared:</b> Measures the percentage of a fund's returns that are explained by the benchmark. Fund passes with an R-squared greater than 80 percent. This statistic measures whether the benchmark used in the analysis is appropriate.                                                                                       | 1              |
| <b>Risk/Return Factors</b><br>30 % | <b>Risk/Return:</b> Fund passes if its risk is less than the benchmark or its return is greater than the benchmark. Favorable risk/return characteristics are desired.                                                                                                                                                             | 1              |
|                                    | <b>Up/Down Capture Analysis:</b> Measures the behavior of a fund in up and down markets. Fund passes with an up capture greater than its down capture. This analysis measures the relative value by the manager in up and down markets.                                                                                            | 1              |
|                                    | <b>Information Ratio:</b> Measures a fund's relative risk and return. Fund passes if ratio is greater than 0. This statistic measures the value added above the benchmark, adjusted for risk.                                                                                                                                      | 1              |
| <b>Peer Group Rankings</b><br>20 % | <b>Returns Peer Group Ranking:</b> Fund passes if its median rank is above the 50 <sup>th</sup> percentile.                                                                                                                                                                                                                        | 1              |
|                                    | <b>Information Ratio Peer Group Ranking:</b> Fund passes if its median rank is above the 50 <sup>th</sup> percentile. This ranking ranks risk-adjusted excess return.                                                                                                                                                              | 1              |
| <b>Qualitative Factors</b><br>20 % | Two points may be awarded based on qualitative characteristics of the fund. Primary considerations are given to manager tenure, fund expenses and strength of statistics, however, other significant factors may be considered. It is important to take into account nonquantitative factors, which may impact future performance. | 2              |
| Total                              |                                                                                                                                                                                                                                                                                                                                    | 10             |

## Scorecard System Methodology

### Passive Strategies

Passive strategies are investment strategies where the fund manager is trying to track or replicate some area of the market. These types of strategies may be broad-based in nature (e.g., the fund manager is trying to track/replicate the entire U.S. equity market like the S&P 500) or may be more specific to a particular area of the market (e.g., the fund manager may be trying to track/replicate the technology sector). These investment strategies typically have lower fees than active investment strategies due to their passive nature of investing and are commonly referred to as index funds. For this type of investment strategy, the Scorecard System is focused on how well these managers track and/or replicate a particular area of the market with an emphasis on how they compare against their peers.

| Weightings                                  | Passive Strategies                                                                                                                                                                                                                                                                                                 | Maximum Points |
|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <b>Style &amp; Tracking Factors</b><br>40 % | <b>Style Analysis:</b> Returns-based analysis to determine the style characteristics of a fund over a period of time. Fund passes if it reflects the appropriate style characteristics. Style analysis helps ensure proper diversification in the Plan.                                                            | 1              |
|                                             | <b>Style Drift:</b> Returns-based analysis to determine the behavior of the fund/manager over multiple (rolling) time periods. Fund passes if the fund exhibits a consistent style pattern. Style consistency is desired so that funds can be effectively monitored within their designated asset class.           | 1              |
|                                             | <b>R-Squared:</b> Measures the percentage of a fund's returns that are explained by the benchmark. Fund passes with an R-squared greater than 95 percent. This statistic measures whether the benchmark used in the analysis is appropriate.                                                                       | 1              |
|                                             | <b>Tracking Error:</b> Measures the percentage of a fund's excess return volatility relative to the benchmark. Fund passes with a tracking error less than 4. This statistic measures how well the fund tracks the benchmark.                                                                                      | 1              |
| <b>Peer Group Rankings</b><br>40 %          | <b>Tracking Error Peer Group Ranking:</b> Fund passes if its median rank is above the 75 <sup>th</sup> percentile.                                                                                                                                                                                                 | 1              |
|                                             | <b>Expense Ratio Peer Group Ranking:</b> Fund passes if its median rank is above the 75 <sup>th</sup> percentile.                                                                                                                                                                                                  | 1              |
|                                             | <b>Returns Peer Group Ranking:</b> Fund passes if its median rank is above the 75 <sup>th</sup> percentile.                                                                                                                                                                                                        | 1              |
|                                             | <b>Sharpe Ratio Peer Group Ranking:</b> Fund passes if its median rank is above the 75 <sup>th</sup> percentile.                                                                                                                                                                                                   | 1              |
| <b>Qualitative Factors</b><br>20 %          | Two points may be awarded based on qualitative characteristics of the fund. Primary considerations are given to fund expenses and strength of statistics, however, other significant factors may be considered. It is important to take into account nonquantitative factors, which may impact future performance. | 2              |
| Total                                       |                                                                                                                                                                                                                                                                                                                    | 10             |

## Scorecard™

continued

| Active                                             | Asset Class | Ticker/<br>ID  | Style           |             |                | Risk/Return     |                |               | Peer Group     |                       | Qual      | Score   |         |         |         |
|----------------------------------------------------|-------------|----------------|-----------------|-------------|----------------|-----------------|----------------|---------------|----------------|-----------------------|-----------|---------|---------|---------|---------|
|                                                    |             |                | Style           | Style Drift | R <sup>2</sup> | Risk/<br>Return | Up/<br>Down    | Info<br>Ratio | Return<br>Rank | Info<br>Ratio<br>Rank |           | Q4 2023 | Q3 2023 | Q2 2023 | Q1 2023 |
| Duff & Phelps Global Real Estate Securities Compst | GRE         | DPHRESComp.fnd | 1               | 1           | 1              | 1               | 1              | 1             | 1              | 1                     | 2         | 10      | 10      | 10      | 10      |
|                                                    |             |                | -25.8/<br>94.1  | 4.4         | 98.5           | 20.7/<br>6.1    | 108.4/<br>96.5 | 1.3           | 18             | 5                     | -<br>0.75 | GRE     | GRE     | GRE     | GRE     |
|                                                    |             |                | 1               | 1           | 1              | 1               | 1              | 1             | 0              | 0                     | 2         | 8       | 10      | 10      | 10      |
| PGI CIT Global Rel Est Secs Fd Tier I              | GRE         | 742538655      | -17.1/<br>93.0  | 6.2         | 98.7           | 20.1/<br>4.0    | 99.9/<br>96.0  | 0.49          | 53             | 52                    | -<br>0.72 | GRE     | GRE     | GRE     | GRE     |
|                                                    |             |                | 1               | 1           | 1              | 1               | 1              | 1             | 1              | 1                     | 2         | 10      | 10      | 10      | 10      |
|                                                    |             |                | 1.6/<br>99.8    | 0.4         | 100.0          | 0.0             | 1.0            | 0.0           | 55             | 55                    | -<br>0.00 | LCB-P   | LCB-P   | LCB-P   | LCB-P   |
| BlackRock Russell 2000 Index F                     | SCB-P       | 06739Q271      | 1               | 1           | 1              | 1               | 1              | 1             | 1              | 1                     | 2         | 10      | 10      | 10      | 10      |
|                                                    |             |                | -0.9/<br>-99.1  | 0.6         | 100.0          | 0.1             | 8.0            | 0.0           | 44             | 44                    | -<br>0.00 | SCB-P   | SCB-P   | SCB-P   | SCB-P   |
|                                                    |             |                | 1               | 1           | 1              | 1               | 1              | 1             | 1              | 1                     | 2         | 10      | 10      | 10      | 10      |
| BlackRock MSCI ACWI ex-U.S. IMI Index F            | IE-P        | 09256V160      | 10.3/<br>46.7   | 11.7        | 99.0           | 1.8             | 11.0           | 3.0           | 24             | 24                    | -<br>0.02 | IE-P    | IE-P    | IE-P    | IE-P    |
|                                                    |             |                | 1               | 1           | 1              | 1               | 1              | 1             | 1              | 1                     | 2         | 10      | 10      | 10      | 10      |
|                                                    |             |                | -2.4/<br>40.8   | 2.3         | 99.9           | 0.2             | 16.0           | 0.0           | 5              | 8                     | -<br>0.00 | CFI-P   | CFI-P   | CFI-P   | CFI-P   |
| BlackRock U.S. Debt Index F                        | CFI-P       | 06739Q651      | 1               | 1           | 1              | 1               | 1              | 1             | 1              | 1                     | 2         | 10      | 10      | 10      | 10      |
|                                                    |             |                | -99.7/<br>99.7  | 0.4         | 99.9           | 0.2             | 10.0           | 0.0           | 27             | 28                    | -<br>0.00 | UGT-P   | UGT-P   | UGT-P   | UGT-P   |
|                                                    |             |                | 0               | 0           | 1              | 1               | 1              | 1             | 1              | 1                     | 2         | 8       | 9       | 9       | 9       |
| BlackRock Long Govt Bond Index F                   | LOG-P       | LONGOVF.brcf   | 100.0/<br>-70.7 | 28.8        | 99.9           | 0.5             | 9.0            | 0.0           | 6              | 36                    | -<br>0.00 | LOG-P   | LOG-P   | LOG-P   | LOG-P   |

## Scorecard™

| Active                                           | Assets         | Asset Class | Ticker/<br>ID | Style          |             |                | Risk/Return     |                 |               | Peer Group     |                       | Qual | Score      |            |            |            |
|--------------------------------------------------|----------------|-------------|---------------|----------------|-------------|----------------|-----------------|-----------------|---------------|----------------|-----------------------|------|------------|------------|------------|------------|
|                                                  |                |             |               | Style          | Style Drift | R <sup>2</sup> | Risk/<br>Return | Up/<br>Down     | Info<br>Ratio | Return<br>Rank | Info<br>Ratio<br>Rank |      | Q4<br>2023 | Q3<br>2023 | Q2<br>2023 | Q1<br>2023 |
| Large Cap Value R1<br>(Putnam LCV)               | \$1,000,000.00 | LCV         | 97183K357     | 1              | 1           | 1              | 1               | 1               | 1             | 1              | 1                     | 2    | 10         | HIS        | HIS        | HIS        |
|                                                  |                |             |               | -90.2/<br>86.4 | 3.8         | 98.8           | 18.1/<br>14.8   | 101.8/<br>87.4  | 1.75          | 8              | 1                     | -    | LCV        | -          | -          | -          |
|                                                  |                |             |               | 1              | 1           | 1              | 0               | 0               | 0             | 0              | 0                     | 2    | 5          | 5          | 5          | 5          |
| T. Rowe Price Growth<br>Stock I                  | \$1,000,000.00 | LCG         | PRUFX         | 99.8/<br>79.3  | 12.0        | 96.2           | 21.8/<br>13.5   | 89.0/<br>106.1  | -1.4          | 81             | 80                    | -    | LCG        | LCG        | LCG        | LCG        |
|                                                  |                |             |               |                |             |                |                 |                 |               |                |                       | 0.53 |            |            |            |            |
| Large Cap Growth III R1<br>(AB Large Cap Growth) | \$1,000,000.00 | LCG         | 97184D741     |                |             |                |                 |                 |               |                |                       | -    | HIS        | HIS        | HIS        | HIS        |
|                                                  |                |             |               |                |             |                |                 |                 |               |                |                       | 0.32 | -          | -          | -          | -          |
| Strategy Equivalent                              |                |             |               | 1              | 1           | 1              | 1               | 0               | 0             | 1              | 1                     | 2    | 8          | 8          | 8          | 8          |
| AB Large Cap Growth Z                            | \$0.00         | LCG         | APGZX         | 76.8/<br>93.7  | 5.5         | 95.4           | 19.1/<br>17.5   | 89.0/<br>91.8   | -0.43         | 17             | 17                    | -    | LCG        | LCG        | LCG        | LCG        |
|                                                  |                |             |               |                |             |                |                 |                 |               |                |                       | 0.52 |            |            |            |            |
| Mid Cap Value II R1<br>(Allspring Special MCV)   | \$1,000,000.00 | MCV         | 390933505     |                |             |                |                 |                 |               |                |                       | -    | HIS        | HIS        | -          | -          |
|                                                  |                |             |               |                |             |                |                 |                 |               |                |                       | 0.45 | -          | -          | -          | -          |
| Strategy Equivalent                              |                |             |               | 1              | 1           | 1              | 1               | 1               | 1             | 1              | 1                     | 2    | 10         | 10         | 10         | 10         |
| Allspring Special Mid<br>Cap Value R6            | \$0.00         | MCV         | WFPRX         | -94.6/<br>18.8 | 15.0        | 97.1           | 20.8/<br>13.6   | 96.7/<br>88.7   | 0.62          | 25             | 21                    | -    | MCV        | MCV        | MCV        | MCV        |
|                                                  |                |             |               |                |             |                |                 |                 |               |                |                       | 0.70 |            |            |            |            |
| Mid Cap Growth R1<br>(BlackRock MCG)             | \$1,000,000.00 | MCG         | 97182E519     |                |             |                |                 |                 |               |                |                       | -    | HIS        | HIS        | HIS        | HIS        |
|                                                  |                |             |               |                |             |                |                 |                 |               |                |                       | 0.50 | -          | -          | -          | -          |
| Strategy Equivalent                              |                |             |               | 1              | 1           | 1              | 0               | 0               | 0             | 0              | 0                     | 2    | 5          | 5          | 5          | 9          |
| BlackRock Mid-Cap<br>Growth Equity K             | \$0.00         | MCG         | BMGKX         | 99.7/<br>8.2   | 8.7         | 93.3           | 24.1/<br>12.9   | 110.9/<br>114.7 | -0.14         | 78             | 67                    | -    | MCG        | MCG        | MCG        | MCG        |
|                                                  |                |             |               |                |             |                |                 |                 |               |                |                       | 0.71 |            |            |            |            |

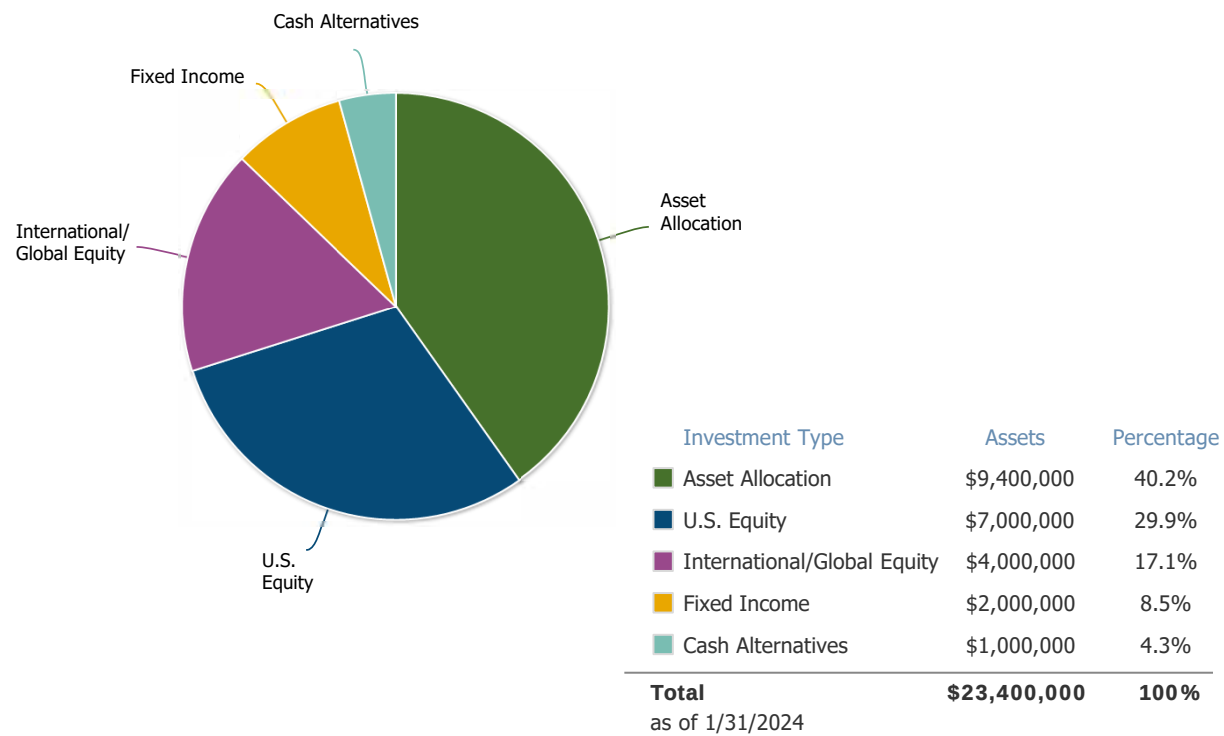
## Style Box

|                                                                                                                                                                                                                |                                                                                                                                      |                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Asset Allocation - Conservative</b><br>flexPATH Index+ Conservative Target Date Series Class R1                                                                                                             | <b>Asset Allocation - Moderate</b><br>Balanced ESG R1 (Pioneer Balanced ESG)<br>flexPATH Index+ Moderate Target Date Series Class R1 | <b>Asset Allocation - Aggressive</b><br>flexPATH Index+ Aggressive Target Date Series Class R1                                                                                                                                                                                                            |
| <b>Large Cap Value</b><br>Large Cap Value R1 (Putnam LCV)                                                                                                                                                      | <b>Large Cap Blend</b><br>BlackRock Equity Index Fund CL 1                                                                           | <b>Large Cap Growth</b><br>T. Rowe Price Growth Stock I                                                                                                                                                                                                                                                   |
| <b>Mid/Smid Cap Value</b><br>Mid Cap Value II R1 (Allspring Special MCV)                                                                                                                                       | <b>Mid/Smid Cap Blend</b>                                                                                                            | <b>Mid/Smid Cap Growth</b><br>Mid Cap Growth R1 (BlackRock MCG)                                                                                                                                                                                                                                           |
| <b>Small Cap Value</b><br>Small Cap Value III R1 (PIMCO RAE SCV)                                                                                                                                               | <b>Small Cap Blend</b>                                                                                                               | <b>Small Cap Growth</b><br>Small Cap Growth II R1 (AB Small Cap Growth)                                                                                                                                                                                                                                   |
| <b>International Equity</b><br>International Growth II R1 (MFS Intl LCG)<br>International Stock R1 (PIMCO RAE International)<br>BlackRock EAFE Equity Index Fund CL 1<br>Emerging Markets II R1 (BlackRock EM) | <b>Global Equity</b>                                                                                                                 | <b>Cash Alternatives</b><br>Stable Value R1 (Putnam Stable Value)                                                                                                                                                                                                                                         |
| <b>Fixed Income</b><br>BlackRock U.S. Debt Index Fd CL 1<br>Core Plus Bond R1 (PGIM Total Return)                                                                                                              | <b>Specialty/Alternatives</b>                                                                                                        | <b>Notes</b><br>1. Target Date Fund series show the series name, glidepath risk posture and the average score.<br>2. Risk based funds are grouped into either conservative, moderate or aggressive style boxes.<br>3. Only the top 5 scoring funds in each asset class are shown due to spacing concerns. |

### Disclosure

\*Strategy Equivalent Score. Non-scoring funds will be assigned a letter.; The letter definitions are HIS= fund does not have enough performance history to Score; SPC= fund is in a specialty category that does not Score; OTH= fund may no longer be active, not in database or available to Score.

## Plan Allocation by Investment Type



## Fee Summary and Net Recordkeeping Cost

Total Plan Assets: \$23,400,000 as of 01/31/2024; Total Number of Participants:

### Fee Summary

| Annual Fees:                        | Empower          |
|-------------------------------------|------------------|
| Recordkeeper Fees %                 | 0.07%            |
| Recordkeeper Fees \$                | \$16,380         |
| Net Investment Exp. %               | 0.34%            |
| Net Investment Exp. \$              | \$79,289         |
| Advisory Fees %                     | 0.30%            |
| Advisory Fees \$                    | \$70,200         |
| <b>Estimated Total Plan Cost %</b>  | <b>0.71%</b>     |
| <b>Estimated Total Plan Cost \$</b> | <b>\$165,869</b> |

### Net Recordkeeping Cost

| Assumes 0 participants                     | Empower         |
|--------------------------------------------|-----------------|
| Revenue Sharing                            | \$0             |
| Asset-Based Fees                           | \$71,580        |
| Billed Fees                                | \$15,000        |
| <b>Subtotal</b>                            | <b>\$86,580</b> |
| (Advisor Compensation)                     | (\$70,200)      |
| <b>Net Recordkeeping &amp; Admin. Cost</b> | <b>\$16,380</b> |
| <b>Cost as %</b>                           | <b>0.07 %</b>   |
| <b>Cost as Participant Average</b>         | <b>\$0</b>      |

# Large Cap Growth III R1 (AB Large Cap Growth)

## Category: Large Cap Growth

97184D741  
12/31/2023

### Fund Strategy

The Fund seeks long-term capital growth by investing in equity securities of large cap growth companies. To implement this objective, the Fund will be invested in the AB US Large Cap Growth Collective Trust (the "Underlying Fund"), a fund of the AB Collective Investment Trust Series.

### Fund Information

Strategy Asset (\$ mm): 2,109.00  
Share Class Assets (\$ mm): 1,252.54  
Manager: Management Team  
Manager Tenure: 2 Years

### Portfolio Statistics

Alpha\*: - P/E: 37.61  
Beta\*: - P/B: 10.26  
as of date 12/31/2023  
SEC Yield (%): -  
Turnover: -  
\*Best fit index:  
\*3-year statistic: as of date 12/31/2023

### Scorecard

| Active Strategies                             | Ticker    | Style         |           |                | Risk / Return |           |            | Peer Group  |                 | Qual. (Cap max) | Score |
|-----------------------------------------------|-----------|---------------|-----------|----------------|---------------|-----------|------------|-------------|-----------------|-----------------|-------|
|                                               |           | Style         | Style Dev | α <sup>2</sup> | Risk / Return | Up / Down | Info Ratio | Return Rank | Info Ratio Rank |                 |       |
| Large Cap Growth III R1 (AB Large Cap Growth) | 97184D741 | -             | -         | -              | -             | -         | -          | -           | -               | -               | HIS   |
| Strategy Equivalent                           | APGZX     | 1             | 1         | 1              | 1             | 0         | 0          | 1           | 1               | 2               | 8     |
| AB Large Cap Growth Z                         |           | 76.79 / 93.69 | 5.52 / 43 | 19.05 / 17.52  | 85.01 / 81.75 | -0.43     | 17.00      | 17.00       | 0.52            | 0.52            | LCG   |

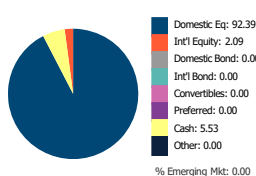
| Active Strategies                             | Score 12/31/2023 | Score 9/30/2023 | Score 6/30/2023 | Score 3/31/2023 | Score 12/31/2022 | Score 9/30/2022 | Score 6/30/2022 | Score 3/31/2022 |
|-----------------------------------------------|------------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|
| Large Cap Growth III R1 (AB Large Cap Growth) | HIS              | HIS             | HIS             | HIS             | HIS              | 8               | 9               | 9               |
| Strategy Equivalent                           | 8                | 8               | 8               | 8               | 10               | 8               | 9               | 9               |
| AB Large Cap Growth Z                         | LCG              | LCG             | LCG             | LCG             | LCG              | LCG             | LCG             | LCG             |

The Scorecard Methodology incorporates both quantitative and qualitative factors into evaluating fund managers and their investment strategies (80% of the score is quantitative and 20% is qualitative). The scoring system is built around pass/fail criteria, on a scale of 0-10 (with 10 being the best) and there is a fund history requirement (5 years for active strategies and 3 years for passive strategies). For Active and Asset Allocation Strategies, the Scorecard factors are weighted 30% to style, 30% to risk/return, 20% to peer group rankings and 20% to qualitative factors.

### Sector Allocation as of 12/31/2023

Real Estate: 0.00  
Energy: 0.00  
Utilities: 0.00  
Basic Materials: 1.28  
Financial Services: 5.79  
Industrials: 5.82  
Cons Defensive: 6.52  
Comm: 7.11  
Cons Cyclical: 13.01  
Healthcare: 23.44  
Technology: 37.02

### Asset Allocation (%) as of 12/31/2023



% Emerging Mkt: 0.00

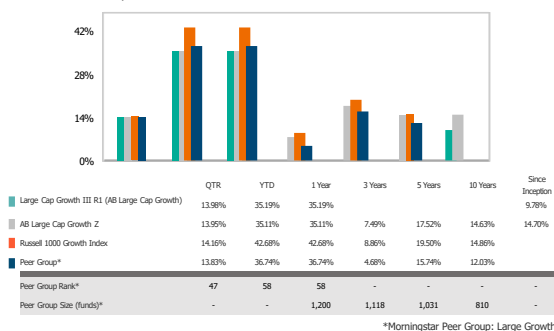
### Top 10 Holdings(%) as of 12/31/2023

AB US Large Cap Growth CT W / US00076F4770 100.07  
-  
-  
-  
-  
-  
-  
-  
-  
-  
-  
% in Top 10 Holdings 100.07  
# of Holdings 2

### Additional Information

Prospectus Net Exp. Ratio: 0.32  
Prospectus Gross Exp. Ratio: 0.32  
Avg Exp Ratio Morningstar (%): 0.96  
12b-1 fees (%): -  
Closed - New Inv: -  
Closed - All Inv: -  
Min Investment: \$0  
Waiver Amt: -  
Waiver Exp Date: -  
Strategy Inception: 4/21/2022  
Share Class Inception: 4/21/2022

### Performance Analysis as of 12/31/2023



The performance analysis displayed is reflective of past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate over time. Current performance may differ from the performance displayed. Investing includes risk, including potential loss of principal. Carefully consider any and all investment objectives, risk factors and charges and expenses before investing. Contact your financial advisor or consultant for funds current performance and a copy of the most recent prospectus.

Contact (949) 305-3859 for most recent month end performance.

## Summary of Considerations

| Watchlist                                                                         | Asset Class | Fund                                             | Score |
|-----------------------------------------------------------------------------------|-------------|--------------------------------------------------|-------|
|  | MCG         | Mid Cap Growth R1 (BlackRock MCG)                | 5*    |
|  | ILCV        | International Stock R1 (PIMCO RAE International) | 7*    |

| Add                                                                               | Asset Class | Fund                                          | Score |
|-----------------------------------------------------------------------------------|-------------|-----------------------------------------------|-------|
|  | LCG         | Large Cap Growth III R1 (AB Large Cap Growth) | 8*    |

| Eliminate                                                                         | Asset Class | Fund                         | Score | Action | Asset Class | Fund                                          | Score |
|-----------------------------------------------------------------------------------|-------------|------------------------------|-------|--------|-------------|-----------------------------------------------|-------|
|  | LCG         | T. Rowe Price Growth Stock I | 5     | map to | LCG         | Large Cap Growth III R1 (AB Large Cap Growth) | 8*    |

Considerations:  Add  Delete  Watchlist

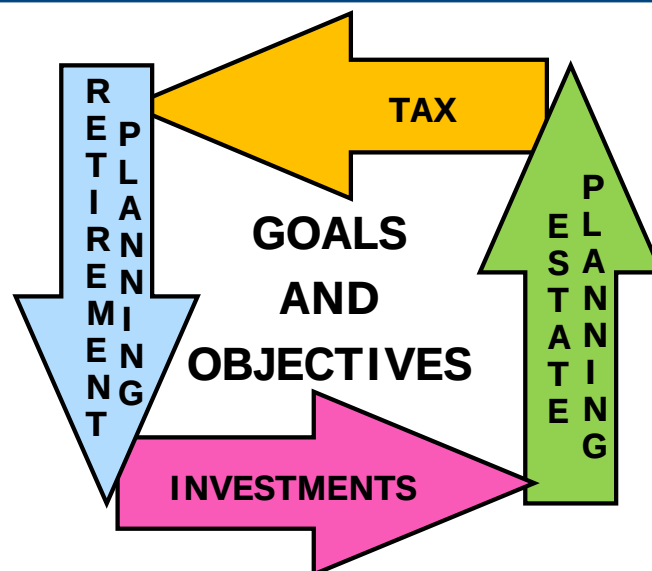
\* Strategy Equivalent Score. Non-scoring funds will be assigned a letter. The letter definitions are HIS= fund does not have enough performance history to Score; SPC= fund is in a specialty category that does not Score; OTH= fund may no longer be active, not in database or available to Score.

# Financial Planning Schematic

- Financial planning equals the great equalizer
- Integrating tax, investment, retirement, and estate planning around personal finance goals and how it relates to overall mission
- No aspect of planning is done in a vacuum
- Example of how a qualified retirement plan is impacted by all aspects of financial planning
- Successful investing is crucial, for it adds the wind to your sail

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# Financial Planning



"Nobody ever plans to fail; They just fail to plan."

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## Financial Planning

While it seems counter-intuitive,  
the prospects for the economy and the  
stock market do not always march in tandem.

"The economy and the stock  
market are two separate things."

– Milton Friedman, Economist

"The stock market has predicted  
nine of the last five recessions."

– Paul Samuelson, Economist

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## Twin Tax Advantages of Retirement Plan Investing

- Tax deductibility (pretax or before tax)
  - Not included in taxable income
- Example: 401(k), 403(b), deductible IRA or SEP
- Powerful incentive, quantify tax savings
  - Importance of tax-deferral
    - All retirement plans offer the benefit of tax deferral. Tax deferral allows your retirement savings to grow unencumbered by current taxation until these funds are withdrawn.

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## Who Is a Fiduciary?

- The Employees Retirement Income Security Act of 1974 (ERISA) defines a fiduciary as any person who has any power of control, management, or disposition over the funds or other property of any employee benefit plan.
- ERISA made fiduciaries personally liable for their actions and Taxpayer Relief Act of 1997 made forfeiture of personal account assets the result of fiduciary breach.
- While ERISA does not apply to public sector plans, it is widely viewed as the primary resource for best practices.

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## Fiduciary Duties

- Summary of Duties
  - Duty of Loyalty
  - Duty of Prudence
  - Duty of Diversification
  - Duty of Administration in Accordance with Policies

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## Fiduciary Duties—Questions

- Fundamental Question of Fiduciary Duty
- When to keep it?  
    VS.
- When to appropriately delegate it?
- Can you delegate it?
- Delegating task, not responsibility

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## Fiduciary Responsibility— Nine Practical Steps

1. Comply with Federal/State Laws
  - Current Laws
  - New Legislation
2. Develop Investment Policy
3. Procedure—Select/Remove
  - Vendors/Vendor Representatives
  - Investments

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## **Fiduciary Responsibility— Nine Practical Steps**

4. Establish Performance Monitoring Procedure
  - Benchmark indices
5. Educate/Communicate
  - Plan restrictions
  - Investment options
6. Make Consistent Decisions

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## **Fiduciary Responsibility— Nine Practical Steps**

7. Due Process to Resolve Disputes
8. Require Periodic Audit
  - Independent Financial Audit
  - Compliance Audit of Contractors

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## Fiduciary Responsibility— Nine Practical Steps

9. Meet Minimum ERISA 404(c)—  
“Safe harbor” Requirements
  - Offer Three + Diverse Investment Options
  - Vary Risk and Return Characteristics
  - Provide Investment Decisions Discretion
  - Allow Periodic Investment Change
  - Communicate Information
  - Monitor Investment Performance

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## Options and Trends—SDBA

- Self Directed Brokerage Account
  - Vast array of mutual funds
  - General securities
  - Vocal minority
  - “Big Kid” letter



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## Investments 101

- Basis Points (BPs)
  - One Basis point equals 1/100 of a percent, 0.0001 or 0.01% (example: 0.66% equals 66 basis points).
  - Why important—Discussion on investment performance, expenses and differences between fund returns and fixed interest calculations are often in basis points.

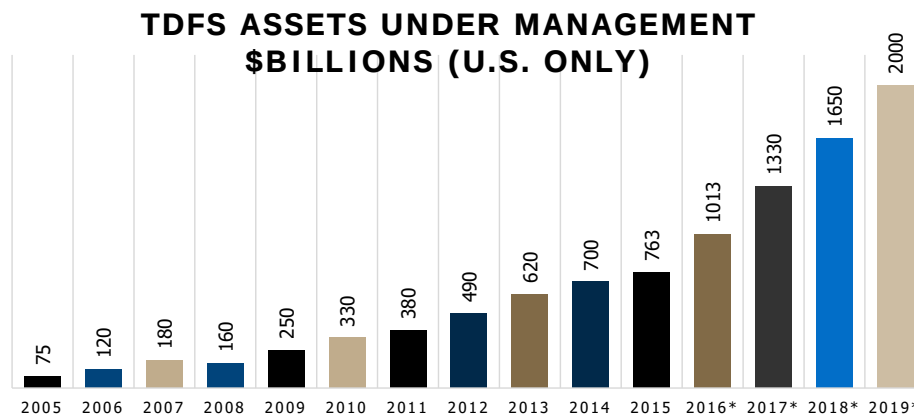
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## Investments 101

- Expenses
  - Expense Ratio
  - Share Class
  - Marketing Fees (12b-1 fees)
  - Unallocated/Allocated Record-Keeping
- Asset Categories: Asset Allocation
  - Risk Based
  - Target/Age-Based
  - Hybrid Risk/Target

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- One of the most widely used investment options in defined contribution plans
- \$763 billion in total assets<sup>1</sup>
- Projecting 88% of new contributions and representing 35% of total Defined Contribution assets by 2021
- Prolific TDF prevalence necessitates increased due diligence by fiduciaries



<sup>1</sup>Cerulli Associates Inc.

\*Source: Morningstar mutual fund data, Elston Consulting compilation and illustration © Elston Consulting Ltd. (UK)

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## Investments 101

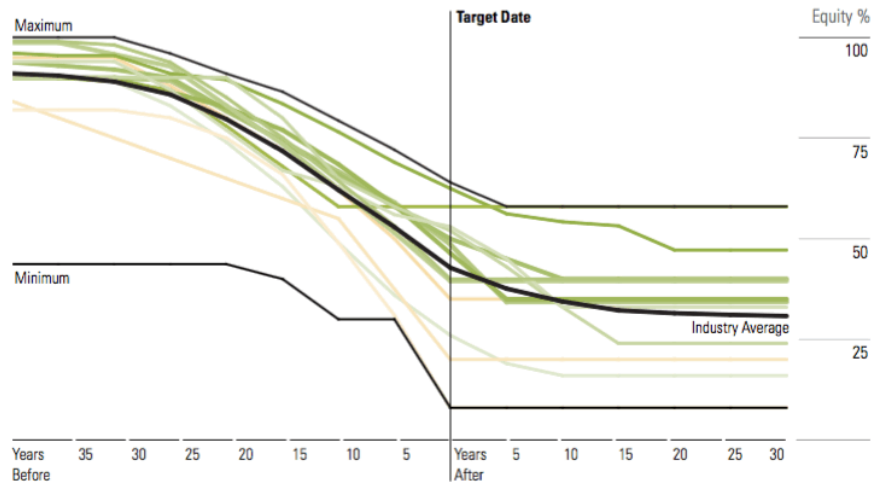
- Target Date Funds
  - Glide Path
  - To or Through
  - Active or Passive
  - Tactical or Strategic
  - Slope or Stepped
  - Expense Structure
  - Proprietary Versus Open Architecture

Reference Material, page 166: NAGDCA Publication—*Target Date Funds: Does it Hit a Bull's-eye Within Your Plan?* 2008

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# Target Date Fund—Glide Path

**Exhibit 8** Strategic Equity Glide Paths of Index-Based Target-Date Series

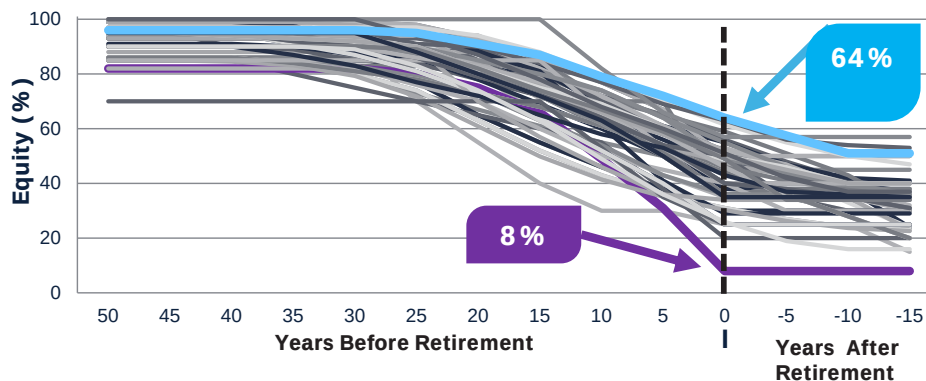


Source: Morningstar, Inc. Data as of 12/31/2015

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## Differences Among Off-the-Shelf TDF Glidepaths

- TDFs (target-date funds) have never been more widely available or more diverse
- Use of recordkeeper's TDF down from 70% → 32% from 2011-2020
- TDF equity allocations at retirement can vary by as much as 56%



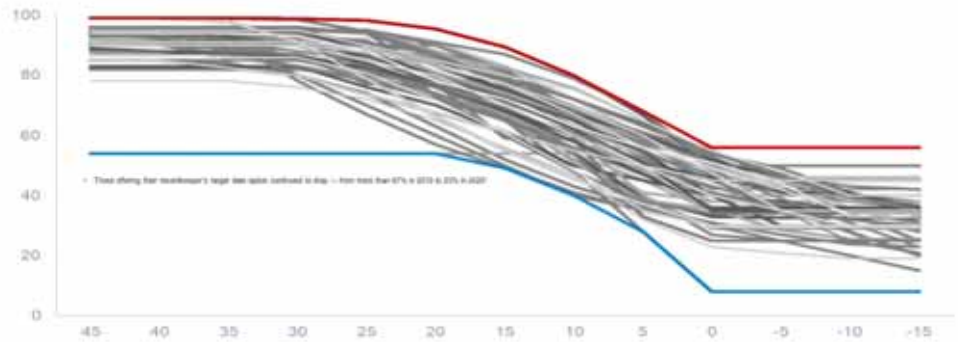
Data as of 9/30/2015. Source: Morningstar, Inc. The multiple lines represent various TDF glidepath options available within the market place.  
<sup>1</sup>Defined Contribution Trends Survey, Callan Investments Institute, 2010-2015 reports  
 Past performance is not indicative of future results

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# Extreme Differences in Down Market Returns

## Differences Among Off-the-Shelf TDF Glidepaths

- TDF equity allocations at retirement can vary by as much as 48%
- TDFs have never been more widely available or more diverse
- Those offering their recordkeeper's target date option continued to drop — from more than 67% in 2010 to 23% in 2020<sup>1</sup>



Extreme differences in returns create significant risks for plan participants and plan fiduciaries

Morningstar, Inc., Open End Funds, Category "US OE Target Date 2000-2020" containing "2020" in fund name, calendar year returns 2006-2020.

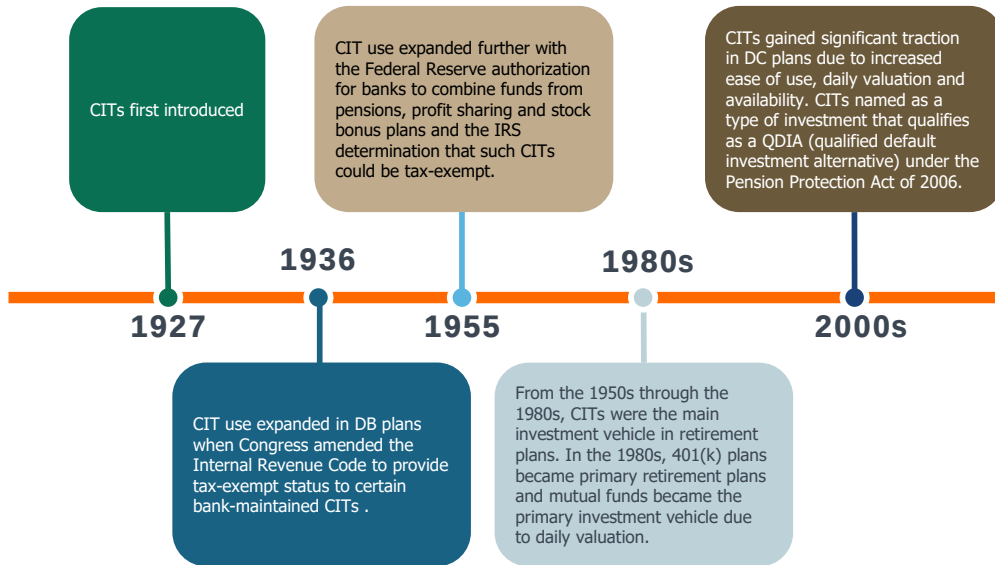
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# Target-Date Funds (TDFs)

- Simple, gradual adjustment to a more conservative investment mix as a target date approaches:
  - Auto rebalancing
  - Suitable allocation
  - Diversification
- Retirement staple, default option, \$2.8 trillion assets 2022
- Examine TDFs "glide path"
- 2008 and 2022 proved TDFs are conservative but not risk free.

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## CIT History



Source: Coalition of Collective Investment Trusts, 2015; Collective Investment Trusts, Alta Trust Company, 2014

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## Similarities and Differences

| CITs                                                                                                                                                                                                                                                                                                  | Both                                                                                                                                                                           | Mutual Funds                                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Qualified plans only</li> <li>• Declaration of trust</li> <li>• OCC and state regulated</li> <li>• Trustees held to ERISA Fiduciary standards</li> <li>• Data provided by manager</li> <li>• Institutional pricing</li> <li>• Pricing flexibility</li> </ul> | <ul style="list-style-type: none"> <li>• Pooled vehicle</li> <li>• Daily valued</li> <li>• NSCC traded</li> <li>• Fact sheets available</li> <li>• Audited annually</li> </ul> | <ul style="list-style-type: none"> <li>• All investors</li> <li>• Prospectus</li> <li>• SEC registered and regulated</li> <li>• No ERISA fiduciary standards</li> <li>• Data publicly available</li> <li>• Institutional and retail pricing</li> <li>• No pricing flexibility</li> </ul> |

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# Investment Menu Objectives

## Drive

Participant behaviors that are likely to create successful outcomes

## Select

The most skillful managers within each investment discipline

## Protect

Plan fiduciaries

## Minimize

Employee confusion

## Maximize

Plan participation *and* at optimal levels

## Provide

Employees choice and flexibility

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# Corporate Culture and Values

Virtually unlimited employee choice

No employee choice

|         | <div> <div>Virtually unlimited employee choice</div> <div>No employee choice</div> </div>                                                   |                                                                                                                                                                                                                                            |                                                                                                                                                                                                      |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Design  | <ul style="list-style-type: none"> <li>Employee directed</li> <li>Virtually unlimited fund menu</li> <li>Self-directed brokerage</li> </ul> | <ul style="list-style-type: none"> <li>Employee directed</li> <li>Focused fund menu</li> <li>Risk and/or age-based asset allocation strategies</li> <li>Active strategies</li> <li>Passive strategies</li> <li>Cash investments</li> </ul> | <ul style="list-style-type: none"> <li>Series of five age-based asset allocation funds</li> <li>Employer directed based on participant age and other demographics</li> </ul>                         |
| Outcome | <ul style="list-style-type: none"> <li>Historically has resulted in exceptionally poor participant outcomes</li> </ul>                      | <ul style="list-style-type: none"> <li>Moves "the needle" toward more successful outcomes for participants</li> <li>Still preserves the paradigm of employee choice</li> </ul>                                                             | <ul style="list-style-type: none"> <li>May create the most successful and optimal outcomes for most participants</li> <li>Employers very reluctant to eliminate or reduce employee choice</li> </ul> |

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# Efficient Menus Create Better Outcomes

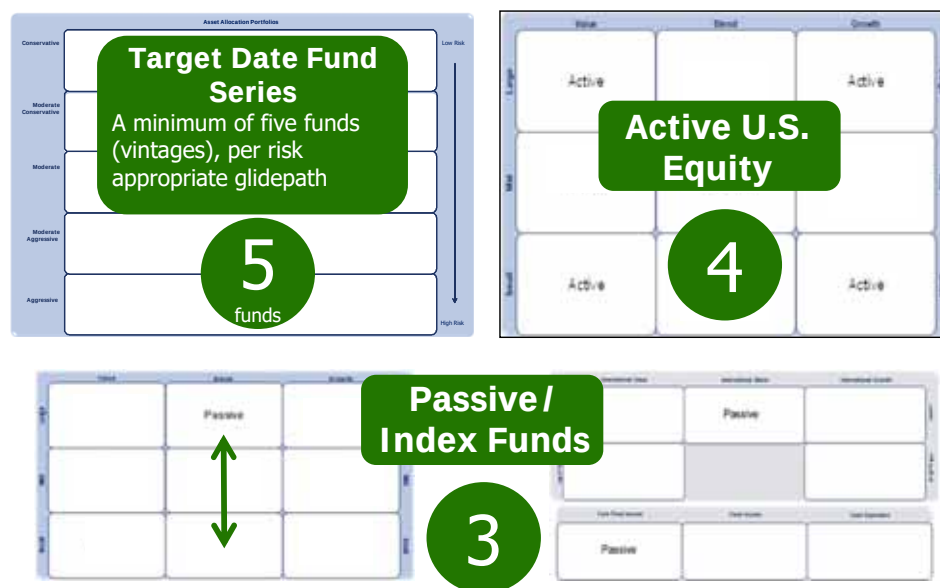
- Too many choices, or “choice overload”, can lead to decision-making paralysis, anxiety and stress.<sup>1</sup>
- A focused menu limits participant confusion and drives better participant outcomes.<sup>2</sup>
- Investment menu options are fewer in number, but broader in scope, allowing participants exposure to a broad array of asset classes.

<sup>1</sup>The Paradox of Choice, Barry Schwartz

<sup>2</sup>Save More for Tomorrow, Shlomo Benartzi, UCLA Anderson School of Management, and Professor Richard Thaler, University of Chicago Booth School of Business.

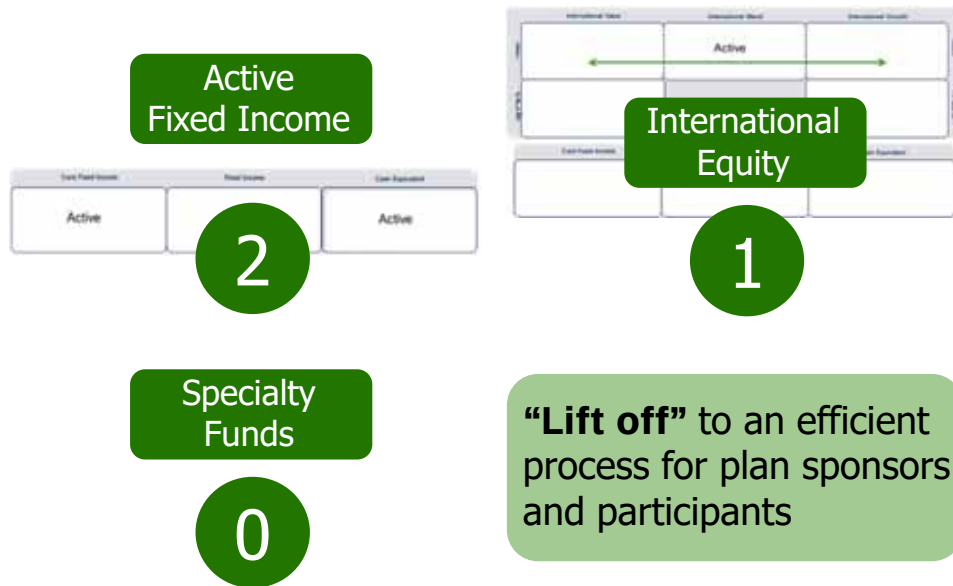
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## 5-4-3-2-1-0 Efficient Menu Design Approach



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## 5-4-3-2-1-0 Efficient Menu Design Approach *(continued)*



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