



Fairfax County Public Schools | Second Quarter 2020

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## Presentation Materials

Visit the *Retirement and Investments Thought Leadership Site* (<https://retirement-investment-insights.aon.com>); sharing our best thinking.

## Contact Information

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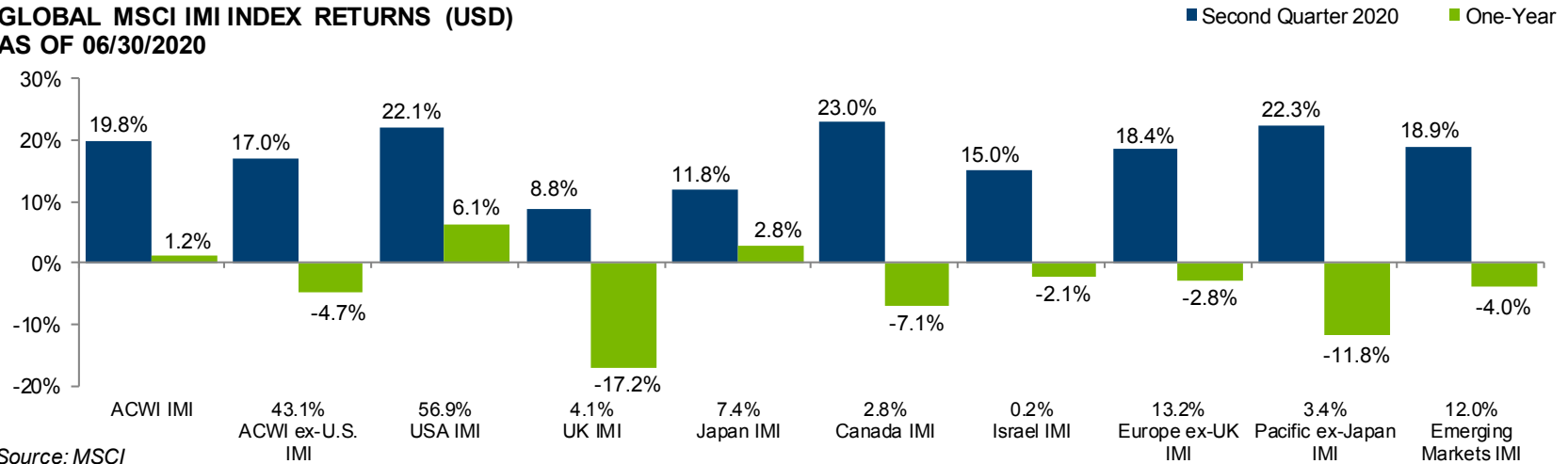
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## Global Equity Markets

### GLOBAL MSCI IMI INDEX RETURNS (USD) AS OF 06/30/2020

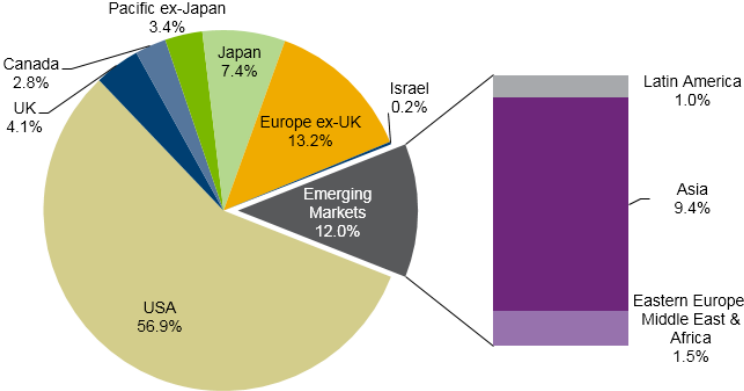


Source: MSCI

- Global equities rebounded sharply over the second quarter, recovering the bulk of losses sustained during the previous quarter's selloff. Investors appear to be willing to overlook economic data suggesting the worst recession in generations. Data on infections indicated that the "first wave" of the pandemic may have passed in many developed economies and a relatively quick re-opening of economies has boosted investor optimism. This coupled with expanding fiscal and monetary stimulus measures from governments has provided further support for markets. In local currency terms, the MSCI AC World Investable Market Index rose by 18.8% in Q2 2020. Depreciation of the U.S. dollar further pushed up the returns to 19.8% in USD terms.
- Canadian equities were the best performers with a return of 23.0% over the quarter, supported by strong returns from the Information Technology and Materials sectors.
- UK equities were the worst performer returning 8.8% over the quarter. The UK suffered the fastest monthly contraction on record as GDP plunged by 20.4% in April, the first full month of the UK's coronavirus lockdown. Meanwhile, the UK formally rejected the option to extend its post-Brexit transition period beyond the end of 2020 but did announce plans for "intensified" trade negotiations over July in a bid to break the deadlock.

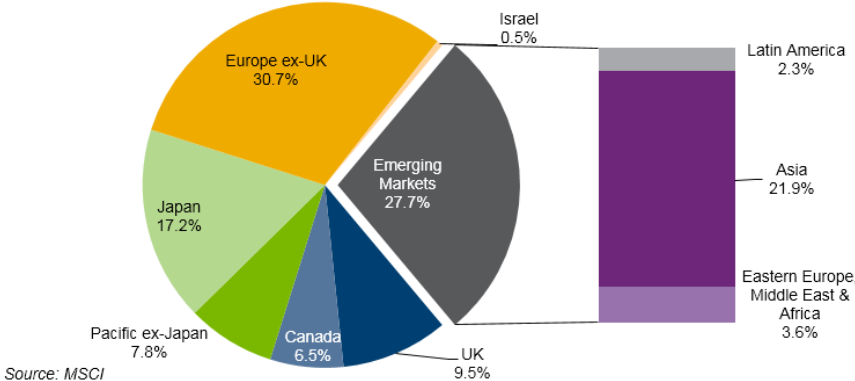
# Global Equity Markets

**MSCI ALL COUNTRY WORLD IMI INDEX  
GEOGRAPHIC ALLOCATION AS OF 06/30/2020**



Source: MSCI

**MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX  
GEOGRAPHIC ALLOCATION AS OF 06/30/2020**

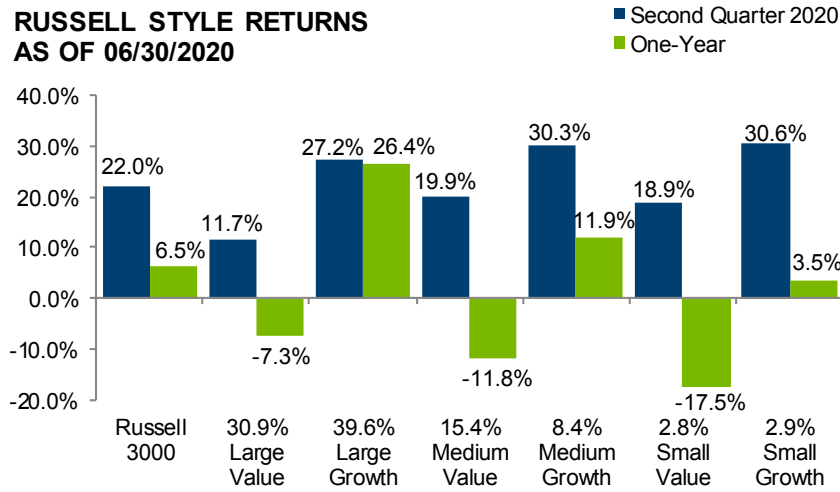


Source: MSCI

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

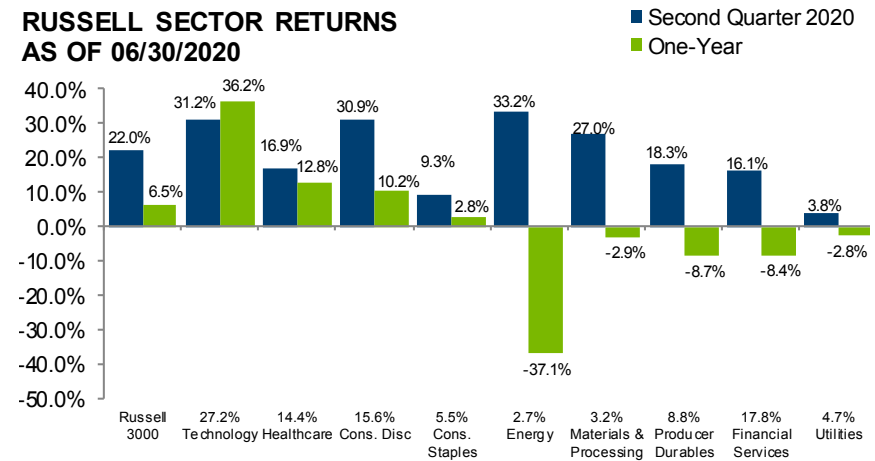
# U.S. Equity Markets

**RUSSELL STYLE RETURNS  
AS OF 06/30/2020**



Source: Russell Indexes

**RUSSELL SECTOR RETURNS  
AS OF 06/30/2020**

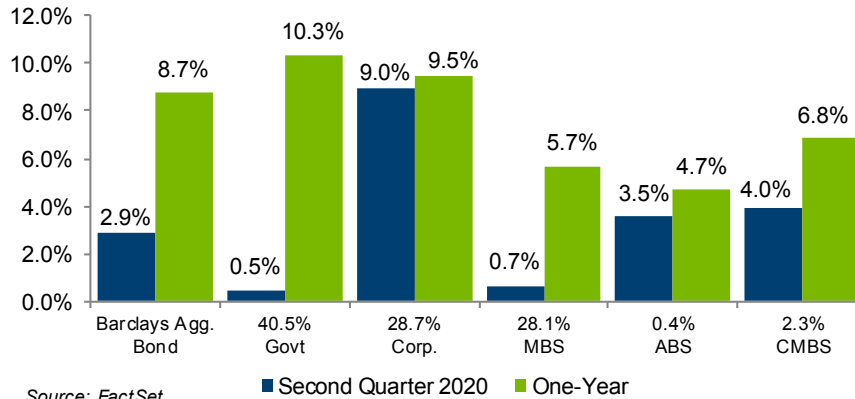


Source: Russell Indexes

- U.S. equity markets achieved significant gains over the quarter, boosted by rebounding economic data. The U.S. unemployment rate fell from April's all-time high of 14.7% to 11.1% in June, defying analysts who have been expecting the unemployment rate to peak at close to 20%. The technology and consumer discretionary sectors provided the bulk of the gains, benefiting from increased demand for technology and e-commerce services amidst social distancing measures. The Russell 3000 Index rose 22.0% during the second quarter and 6.5% over the one-year period.
- The CBOE Volatility Index (VIX), Wall Street's "fear gauge", steadily declined over the quarter from the record highs seen in Q1. It fell from 53.5 to 30.4 over the quarter, having averaged 23.8 over the previous 12 months.
- All sectors generated positive returns over the quarter. In particular, the energy sector achieved a 33.2% return on the back of rebounding oil prices, but the sector is still 37.1% down over the past 12 months.
- Large cap stocks underperformed both medium and small cap stocks over the quarter, whilst Value stocks continued to underperform their Growth counterparts in Q2 2020.

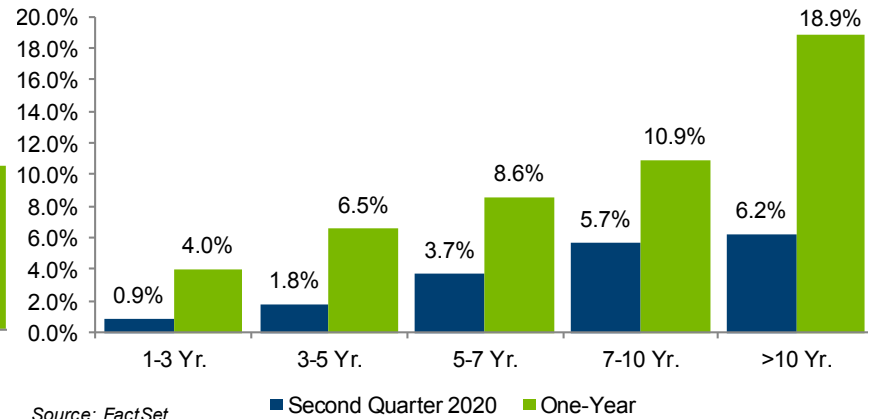
# U.S. Fixed Income Markets

**BLOOMBERG BARCLAYS AGGREGATE RETURNS BY SECTOR AS OF 06/30/2020**



Source: FactSet

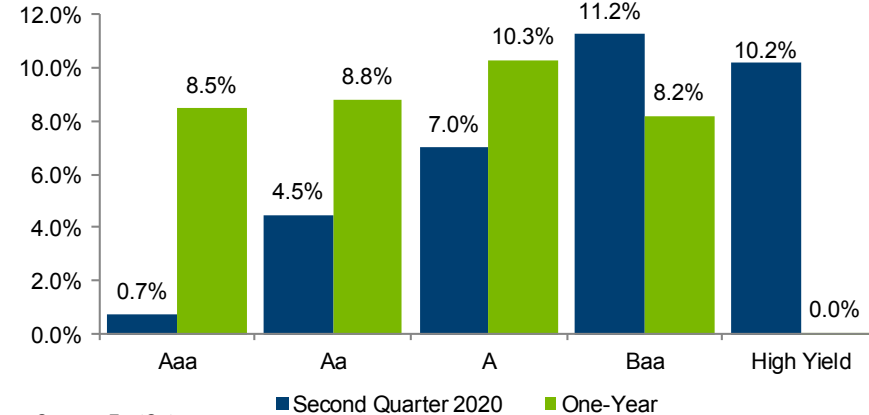
**BLOOMBERG BARCLAYS AGGREGATE RETURNS BY MATURITY AS OF 06/30/2020**



Source: FactSet

- The Bloomberg Barclays U.S. Aggregate Bond Index rose by 2.9%.
- The increase in investors' risk appetite were evident in the corporate bonds space as corporate bonds rose by 9.0%.
- Corporate bonds were also boosted by the Fed's decision to start buying individual corporate bonds on the secondary market for the first time in history through its \$750 billion corporate lending facility.
- High yield bonds rose by 10.2%. Within investment grade bonds, Baa bonds outperformed with a return of 11.2%.

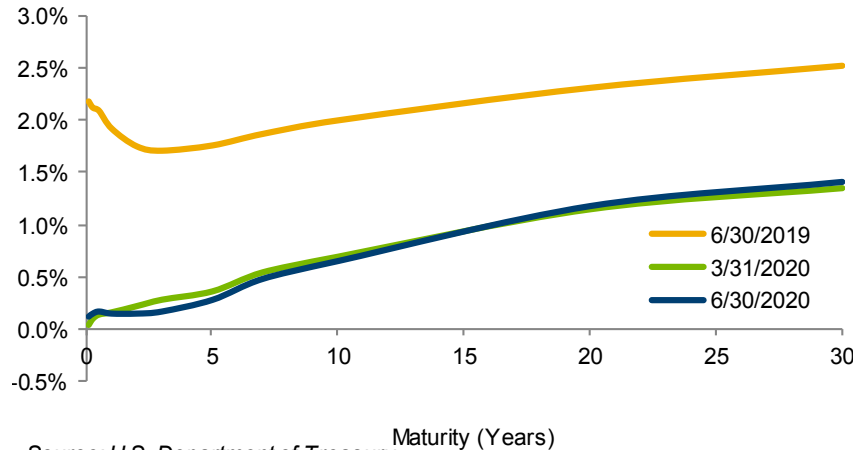
**BLOOMBERG BARCLAYS AGGREGATE RETURNS BY QUALITY AND HIGH YIELD RETURNS AS OF 06/30/2020**



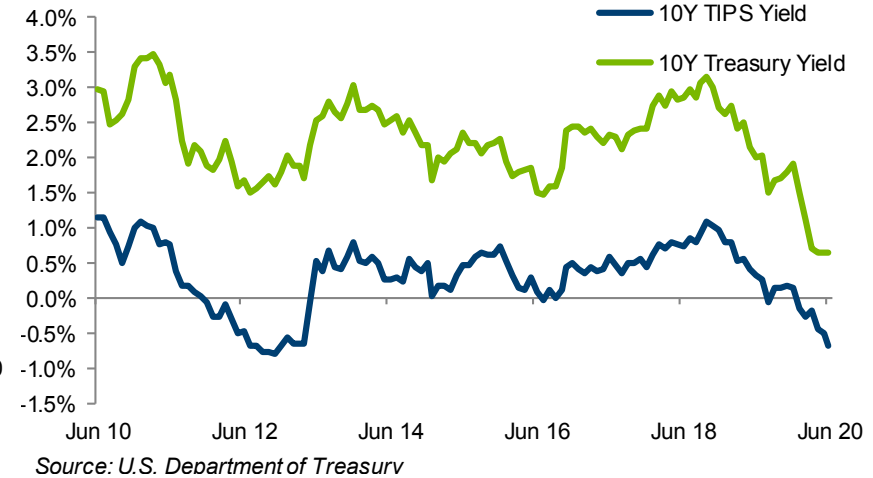
Source: FactSet

## U.S. Fixed Income Markets

**U.S. TREASURY YIELD CURVE**



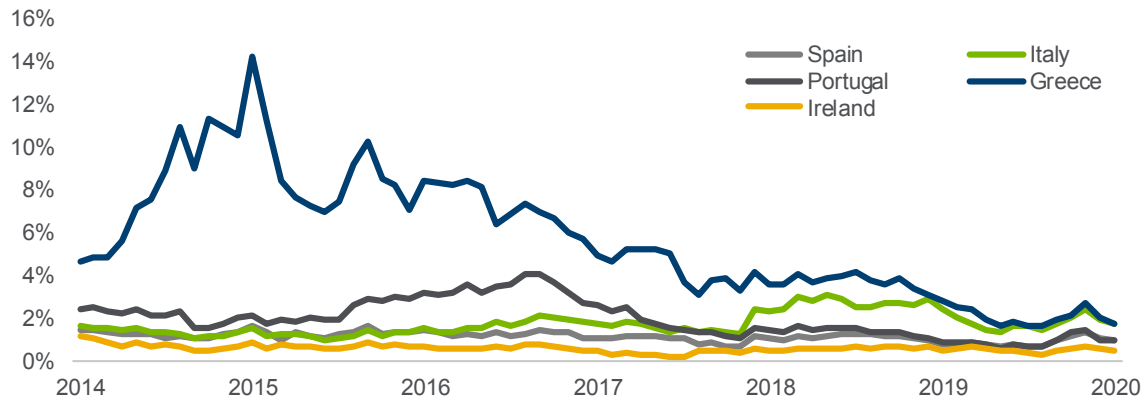
**U.S. 10-YEAR TREASURY AND TIPS YIELDS**



- The U.S. nominal yield curve ended the quarter broadly unchanged. The Federal Reserve forecasted that the U.S. economy will contract by 6.5% this year before rebounding by 5.0% in 2021, as Fed officials signaled that interest rates will likely remain near zero until the end of 2022.
- The 10-year US treasury yield ended the quarter 4bps lower at 0.66% whilst the 30-year yield increased by 6bps to 1.41%.
- The 10-year TIPS yield fell by 51bps over the quarter to -0.68%, whilst the 10-year breakeven inflation increased from 0.87% to 1.34%. Breakeven inflation rebounded as markets appeared to be anticipating some longer-term inflationary effects from recent monetary and fiscal stimulus measures. Meanwhile, rising oil prices and the relaxation of lockdown measures also raised near-term inflationary expectations.

## European Fixed Income Markets

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



Source: FactSet

- European government bond spreads over 10-year German bunds narrowed across the Euro Area. The European Commission proposed a €750 billion recovery fund to be funded partly by issuing mutualized EU debt. The move towards fiscal burden sharing stabilised the spread between peripheral and core Eurozone government bonds, reducing a source of friction within the Eurozone. Meanwhile, the European Central Bank (ECB) increased the size of its asset purchases under the Pandemic Emergency Purchase Program by an additional €600 billion to €1.35 trillion and extended the program until June 2021.
- German government bund yields rose by 1bp to -0.48% over the quarter. The Eurozone recorded a quarter-on-quarter growth rate of -3.8%, the worst economic contraction since the Eurozone was formed. France, which was amongst the first European countries to be locked down, recorded a quarter-on-quarter contraction of 5.8% in Q1, its worst GDP figure since 1945, whilst the German economy contracted by 2.2%.
- Greek and Portuguese government bond yields fell by 41bps and 39bps to 1.20% and 0.47% respectively.



## Credit Spreads

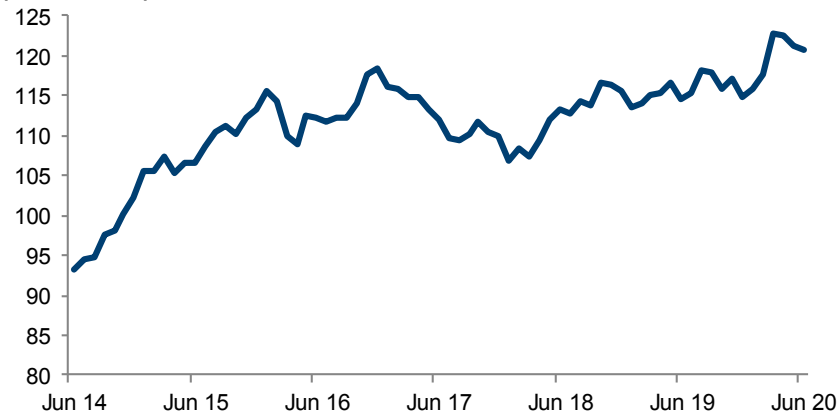
Spread (bps)	06/30/2020	03/31/2020	06/30/2019	Quarterly Change (bps)	One-Year Change (bps)
U.S. Aggregate	68	95	46	-27	22
Long Govt	1	4	1	-3	0
Long Credit	202	279	161	-77	41
Long Govt/Credit	120	151	92	-31	28
MBS	70	60	46	10	24
CMBS	132	188	69	-56	63
ABS	68	213	41	-145	27
Corporate	150	272	115	-122	35
High Yield	626	880	377	-254	249
Global Emerging Markets	393	619	282	-226	111

Source: FactSet, Bloomberg Barclays

- Credit assets rebounded strongly, benefiting from a broad risk asset recovery due to improving investor sentiment and reduced coronavirus fears. Credit spreads reversed much of last quarter's spike, boosted by huge fiscal and monetary stimulus measures.
- Credit spreads over U.S. Treasuries narrowed over the quarter (except MBS).
- Riskier areas of credit, such as US high yield bonds and emerging market debt also performed well. Boosted by the Federal Reserve's decision to expand its quantitative easing programmes to include some non-investment grade credit, High Yield credit spreads narrowed significantly in Q2 2020, decreasing by 254bps.

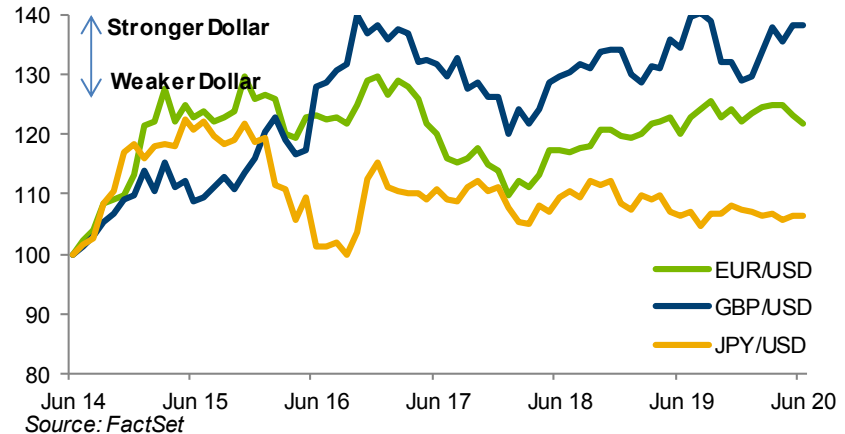
## Currency

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



Source: Federal Reserve

**U.S. DOLLAR RELATIVE TO EUR, GBP AND JPY  
REBASED TO 100 AT 06/30/2014**

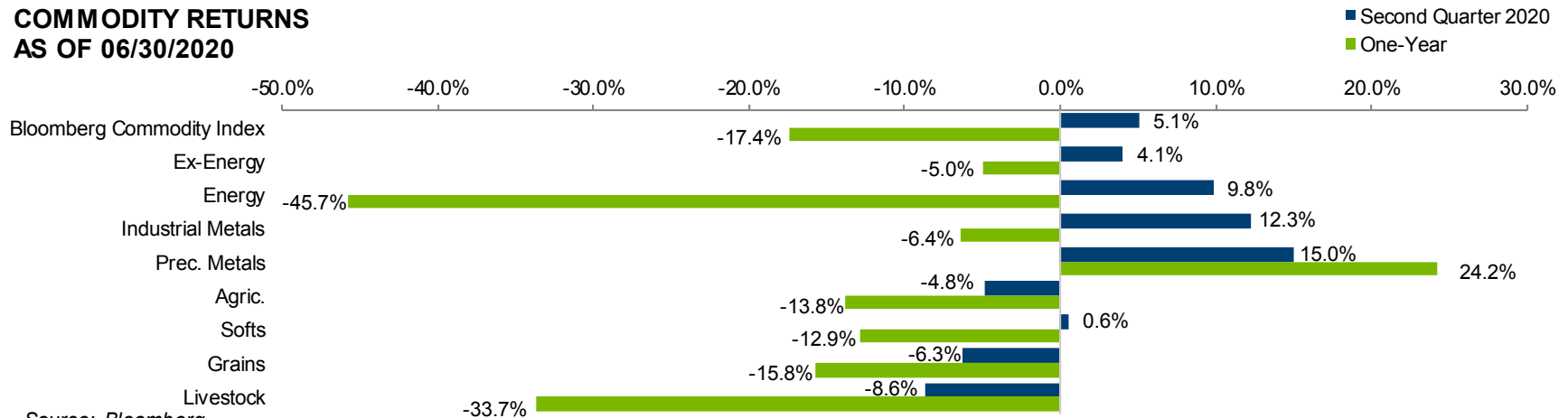


Source: FactSet

- The U.S. dollar generally weakened against major currencies over the quarter as it fell 1.6% on a trade-weighted basis. The safe haven fund flows which supported the dollar over the first quarter was partially reversed in Q2 on the back of easing coronavirus concerns. U.S. dollar depreciated against euro and yen but marginally appreciated against sterling.
- Sterling fell by 2.2% on a trade-weighted basis over the quarter. The increasing prospects of negative rates in the UK made holding sterling assets less attractive, whilst a weak economic outlook and ongoing Brexit uncertainty also weighed on sterling. Sterling depreciated by 0.4% against the U.S. dollar.
- The U.S. dollar depreciated by 2.3% and 0.1% against the euro and yen respectively.

# Commodities

## COMMODITY RETURNS AS OF 06/30/2020



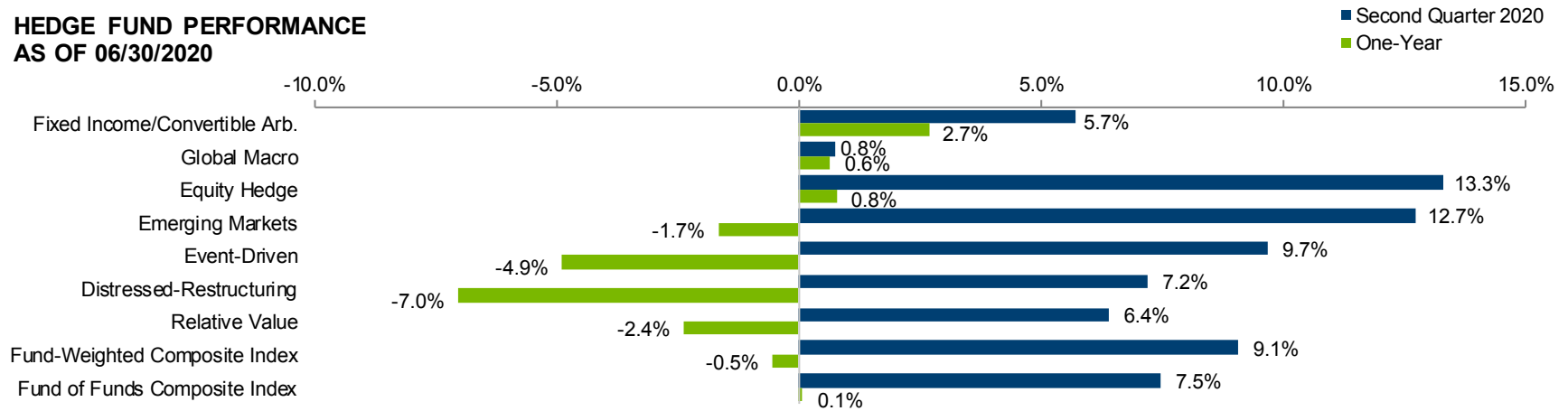
Source: Bloomberg

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

- Commodities rose over the quarter which saw the Bloomberg Commodity Index return 5.1%.
- The Energy sector rose by 9.8% over the quarter. Oil had an especially turbulent quarter as U.S oil futures prices fell into negative territory for the first time ever when the price of West Texas Intermediate (WTI) futures expiring in May closed at -\$37.63 on April 20th. Investors faced storage facility shortages and a decreasing demand, leaving them with no choice but to pay in order to not receive physical barrels. To combat the growing imbalance between supply and demand OPEC+, led by Saudi Arabia and Russia, implemented record setting production cuts in May. An increase in global travel along with the supply cuts created major tailwinds for oil later in the quarter.
- The price of Brent crude oil recovered and sharply rose by 81.0% to \$41/bbl. and WTI crude oil spot prices rose by 91.7% to \$39/bbl. On a one-year basis, the Energy sector is down by 46%.
- Livestock was the worst performing sector, falling by 8.6% in Q2 2020.

## Hedge Fund Markets Overview

### HEDGE FUND PERFORMANCE AS OF 06/30/2020



*Note: Latest 5 months of HFR data are estimated by HFR and may change in the future.  
Source: HFR*

- Hedge fund performance was positive across all strategies in the second quarter.
- The HFRI Fund-Weighted Composite Index and the HFRI Fund of Funds Composite Index produced returns of 9.1% and 7.5% respectively.
- Equities-oriented strategies performed well amidst a broad risk assets rally. Equity Hedge and Emerging Markets strategies were the best performers over the quarter, returning 13.3% and 12.7% respectively.

# Fairfax County Public Schools – Summary

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This report has been prepared by Aon Hewitt Investment Consulting (AHIC) to provide Fairfax County Public Schools with an objective, third party review of the historical investment results of the 457(b) Plan.

## **Asset Allocation**

The Fairfax County Public Schools 457(b) Plan currently offers 7 investment options and a series of lifecycle funds. As of June 30, 2020, the Plan had 1 guaranteed interest fund, 1 fixed income fund, 1 inflation-sensitive solution, 2 passively-managed domestic equity funds, 1 actively-managed domestic equity fund, 1 actively-managed foreign equity fund and a series of actively managed target date funds. The two passively-managed domestic equity funds cover the following asset classes: large cap core and mid cap core. The actively-managed domestic equity fund covers mid cap growth. Participants may allocate their investments among the funds in accordance with their own personal tolerance for risk. As of June 30, 2020, the assets of the Plan totaled \$249.9 million. The Plan held 15.9% of assets in the guaranteed interest product, 8.2% in fixed income, 53.8% in domestic equity, 7.9% in foreign equity and 14.2% in target date funds. The Plan's asset allocation by fund is detailed later in this report.

## **Plan Performance**

During the second quarter of 2020, global equities rebounded sharply over the second quarter, recovering the bulk of losses sustained during the previous quarter's selloff. Investors appear to be willing to overlook economic data suggesting the worst recession in generations. Data on infections indicated that the "first wave" of the pandemic may have passed in many developed economies and a relatively quick re-opening of economies has boosted investor optimism. This coupled with expanding fiscal and monetary stimulus measures from governments has provided further support for markets. The Russell 3000 Index rose 22.0% during the second quarter and 6.5% over the one-year period. The CBOE Volatility Index (VIX), Wall Street's "fear gauge", steadily declined over the quarter from the record highs seen in Q1. It fell from 53.5 to 30.4 over the quarter, having averaged 23.8 over the previous 12 months. All sectors generated positive returns over the quarter. In particular, the energy sector achieved a 33.2% return on the back of rebounding oil prices, but the sector is still 37.1% down over the past 12 months. Large cap stocks underperformed both medium and small cap stocks over the quarter, whilst Value stocks continued to underperform their Growth counterparts in Q2 2020. In local currency terms, the MSCI AC World Investable Market Index rose by 18.8% in Q2 2020. Depreciation of the U.S. dollar further pushed up the returns to 19.8% in USD terms. The domestic fixed income market, as represented by Bloomberg Barclays US Aggregate Bond Index, rose by 2.9% over the quarter.

# Fairfax County Public Schools – Summary

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## Plan Performance (continued)

Against this backdrop the plan's options generated positive returns with all of the actively managed target date funds outperforming their benchmarks.

Longer-term relative performance of most of the Plan's active investments had positive results for the ten-year period ending June 30, 2020. Allowing for the expense ratios of the funds, both of the Plan's index options successfully tracked their target Indices during the quarter and for longer periods.

## Quarterly Fund Attribution

- PIMCO Total Return Fund outperformed during the quarter
  - + Positions in non-Agency MBS
  - + TIPS held in lieu of nominal treasuries
  - + A preference for financials within credit
  
- PIMCO Inflation Response Multi-Asset Fund outperformed during the quarter
  - + Active commodity and REIT strategies
  - + Positions in non-agency MBS, and select corporate credit

# Fairfax\_County Public Schools – Summary

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## Quarterly Fund Attribution (continued)

- Baron Growth Fund *underperformed* during the quarter
  - Specific holdings Arch Capital Group, Lending Tree, and Douglas Emmett
  
- Artisan International Fund *outperformed* during the quarter
  - + Relative outperformance was driven by positive stock selection within financials, biotechnology, telecom and internet/e-commerce-related stocks.
  - + Individual top contributors were Deutsche Boerse, Amazon and Genmab

## Financial Reconciliation

	Market Value As of 3/31/2020	Net Transfer	Contributions	Distributions	Capital Apprec./ Deprec.	Market Value As of 6/30/2020
<b>U.S. FIXED INCOME</b>	56,609,995.73	1,900,685.15	862,134.92	-481,910.82	924,371.62	59,815,276.60 <sup>1</sup>
Great West Portfolio Fund	37,823,045.25	1,218,186.77	595,166.43	-373,572.29	175,633.26	39,438,459.42
PIMCO Total Return Adm	18,473,092.88	720,594.50	258,571.30	-108,338.53	719,305.74	20,063,225.89
PIMCO Inflation Response MultiAsst Inst	313,857.60	-38,096.12	8,397.19	0.00	29,432.62	313,591.29
<b>TARGET DATE</b>	28,804,917.45	817,584.40	1,088,809.25	-134,362.94	4,941,110.95	35,518,059.11
T. Rowe Price Retirement I 2005 I	542,978.27	35,987.52	21,068.99	-622.19	62,492.12	661,904.71
T. Rowe Price Retirement I 2010 I	61,473.89	17,179.63	2,583.76	0.00	9,310.99	90,548.27
T. Rowe Price Retirement I 2015 I	1,435,717.27	-109,988.96	16,532.78	-3,597.99	179,846.29	1,518,509.39
T. Rowe Price Retirement I 2020 I	5,996,298.16	-128,064.53	45,396.65	-2,244.79	854,318.70	6,765,704.19
T. Rowe Price Retirement I 2025 I	6,383,188.10	156,969.21	211,728.68	-1,761.33	1,059,661.78	7,809,786.44
T. Rowe Price Retirement I 2030 I	3,546,990.25	182,333.91	205,428.95	-4,787.84	620,281.65	4,550,246.92
T. Rowe Price Retirement I 2035 I	4,838,235.02	371,711.39	188,180.56	0.00	939,107.06	6,337,234.03
T. Rowe Price Retirement I 2040 I	2,703,787.82	235,255.52	159,105.88	-13,633.66	556,495.85	3,641,011.41
T. Rowe Price Retirement I 2045 I	1,313,605.71	-757.71	101,555.54	-5,540.15	267,085.88	1,675,949.27
T. Rowe Price Retirement I 2050 I	905,510.16	56,509.04	41,453.37	-88,150.99	171,978.56	1,087,300.14
T. Rowe Price Retirement I 2055 I	1,077,132.80	449.38	95,774.09	-14,024.00	220,532.07	1,379,864.34
<b>U.S. EQUITY</b>	110,856,967.83	-2,364,145.29	2,166,004.79	-1,855,963.48	25,707,322.15	134,510,186.00
iShares S&P 500 Index	54,455,772.23	-1,872,757.52	1,317,949.39	-714,580.78	10,969,129.53	64,155,512.85
Vanguard Mid Cap Index	29,012,447.14	-117,411.85	511,897.92	-951,304.91	7,202,526.74	35,658,155.04
Baron Growth Inst	27,388,748.46	-373,975.92	336,157.48	-190,077.79	7,535,665.88	34,696,518.11
<b>INTERNATIONAL EQUITY</b>	17,127,156.47	-354,124.26	244,669.44	-100,391.46	2,858,418.98	19,775,729.17
Artisan International Inv	17,127,156.47	-354,124.26	244,669.44	-100,391.46	2,858,418.98	19,775,729.17
<b>OTHER</b>	2,136,533.08					2,177,569.37
Loan Fund	1,860,411.26					1,861,871.83 <sup>2</sup>
Forfeiture Account	276,121.82					315,697.54 <sup>2</sup>
<b>Total 457(b) Plan</b>	<b>215,535,570.56</b>		<b>4,361,618.40</b>	<b>-2,572,628.70</b>	<b>34,431,223.70</b>	<b>251,796,820.25</b>

<sup>1</sup>Market Values may be slightly different as any corrections or adjustments after effective date are not included.

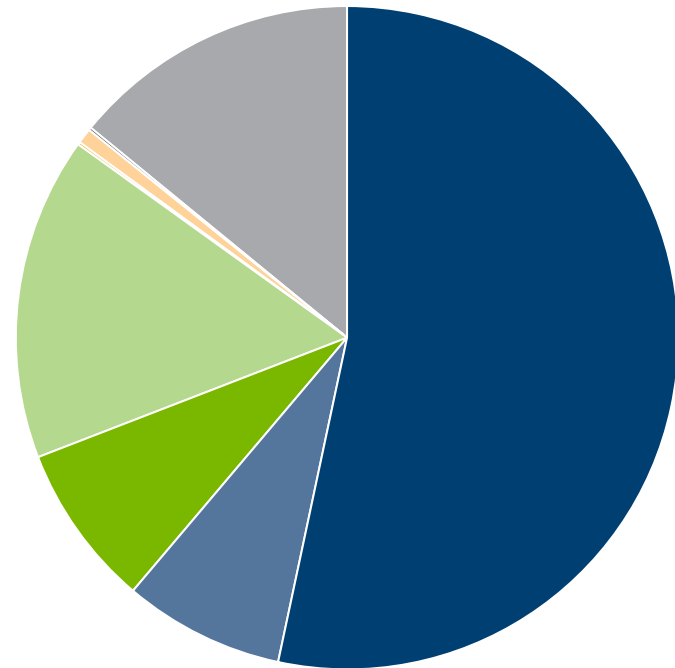
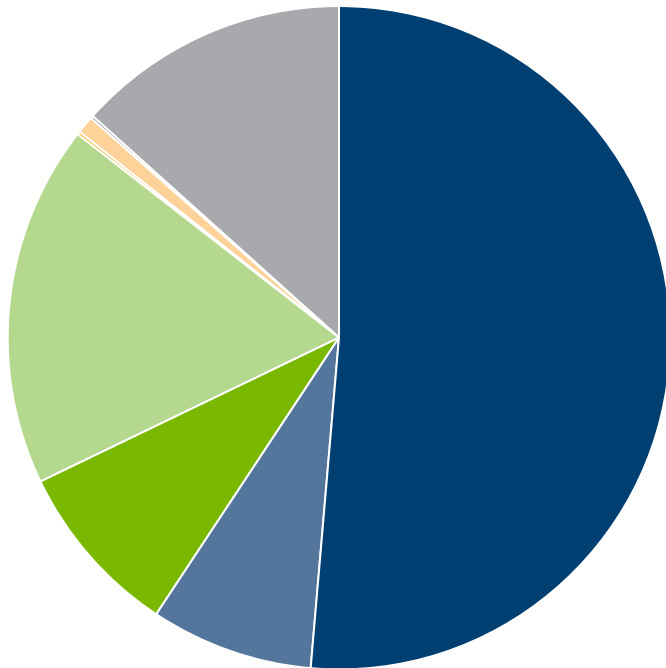
<sup>2</sup>Loan Fund and Forfeiture Account do not have cash flows available.



457(b) Plan

March 31, 2020 : \$215,811,154

June 30, 2020 : \$252,172,497

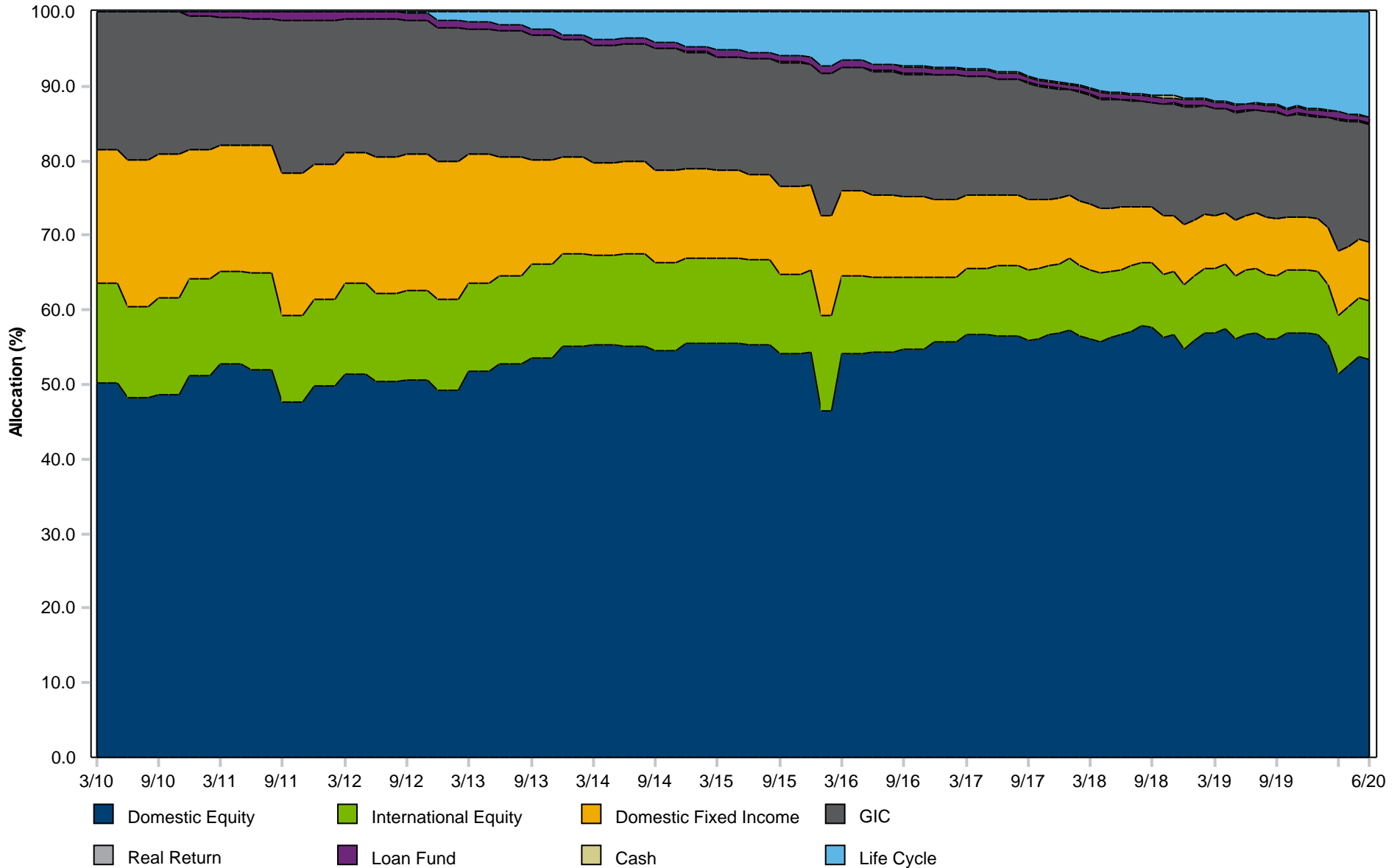


Segments	Market Value (\$)	Allocation (%)
Domestic Equity	110,856,967.83	51.37
International Equity	17,127,156.47	7.94
Domestic Fixed Income	18,473,092.88	8.56
GIC	38,098,629.05	17.65
Real Return	313,857.60	0.15
Loan Fund	1,860,411.26	0.86
Cash	276,121.82	0.13
Life Cycle	28,804,917.45	13.35

Segments	Market Value (\$)	Allocation (%)
Domestic Equity	134,510,186.00	53.34
International Equity	19,775,729.17	7.84
Domestic Fixed Income	20,063,225.89	7.96
GIC	39,784,146.30	15.78
Real Return	313,591.29	0.12
Loan Fund	1,861,871.83	0.74
Cash	345,686.94	0.14
Life Cycle	35,518,059.11	14.08

Historical Asset Allocation by Segment

Total 457(b) Plan



## Asset Allocation &amp; Performance

	Allocation		Performance(%)					
	Market Value (\$000)	%	1 Quarter	1 Year	3 Years	5 Years	7 Years	10 Years
<b>Total 457(b) Plan</b>	<b>252,172.50</b>	<b>100.00</b>						
<b>U.S. Fixed Income</b>	<b>60,160.96</b>	<b>23.86</b>						
Great West Portfolio Fund <sup>1</sup>	39,784.15	15.78	0.48	1.95	1.95	1.96	1.92	2.01
<i>90 Day U.S. Treasury Bill</i>			0.02	1.63	1.77	1.17	0.85	0.62
<i>Stable Value Institutional Peer Group</i>			0.50	2.17	2.02	1.81	1.69	1.83
PIMCO Total Return Adm	20,063.23	7.96	3.82 (74)	8.07 (58)	4.96 (65)	4.15 (62)	3.77 (73)	3.96 (53)
<i>Blmbg. Barc. U.S. Aggregate</i>			2.90 (86)	8.74 (31)	5.32 (30)	4.30 (43)	3.96 (47)	3.82 (61)
PIMCO Inflation Response MultiAsst Inst	313.59	0.12	9.53 (73)	0.49 (42)	3.08 (45)	2.81 (66)	2.26 (84)	-
<i>PIMCO IRMA Benchmark</i>			5.58 (91)	0.09 (47)	2.24 (61)	1.52 (80)	0.79 (92)	1.88 (99)
<b>Target Date</b>	<b>35,518.06</b>	<b>14.08</b>						
T. Rowe Price Retirement I 2005 I	661.90	0.26	11.30 (15)	4.51 (47)	5.24 (24)	-	-	-
T. Rowe Price Retirement 2005*			11.24 (16)	4.42 (48)	5.12 (29)	5.12 (12)	5.58 (14)	6.68 (15)
<i>T. Rowe Price Retirement 2005 Index</i>			8.95 (56)	6.33 (10)	6.01 (5)	5.49 (3)	5.90 (6)	6.72 (14)
T. Rowe Price Retirement I 2010 I	90.55	0.04	12.06 (1)	4.57 (60)	5.47 (28)	-	-	-
T. Rowe Price Retirement 2010*			12.08 (1)	4.39 (71)	5.34 (37)	5.38 (19)	6.01 (14)	7.28 (8)
<i>T. Rowe Price Retirement 2010 Index</i>			9.88 (40)	6.15 (19)	6.20 (1)	5.73 (1)	6.30 (1)	7.34 (1)
T. Rowe Price Retirement I 2015 I	1,518.51	0.60	13.12 (1)	4.40 (63)	5.72 (14)	-	-	-
T. Rowe Price Retirement 2015*			13.00 (1)	4.24 (65)	5.57 (34)	5.69 (10)	6.62 (1)	8.08 (1)
<i>T. Rowe Price Retirement 2015 Index</i>			10.91 (35)	5.97 (16)	6.47 (1)	6.12 (1)	6.90 (1)	8.16 (1)
T. Rowe Price Retirement I 2020 I	6,765.70	2.68	14.47 (1)	4.20 (68)	6.03 (14)	-	-	-
T. Rowe Price Retirement 2020*			14.51 (1)	4.15 (69)	5.93 (19)	6.14 (5)	7.29 (1)	8.87 (1)
<i>T. Rowe Price Retirement 2020 Index</i>			12.34 (20)	5.57 (16)	6.75 (3)	6.49 (1)	7.43 (1)	8.82 (1)

<sup>1</sup>Market value is being sourced from Empower's Plan Service Center and may include corrections and adjustments made after effective date.

\*Alternate share class shown to illustrate performance history.

## Asset Allocation &amp; Performance

	Allocation		Performance(%)					
	Market Value (\$000)	%	1 Quarter	1 Year	3 Years	5 Years	7 Years	10 Years
T. Rowe Price Retirement I 2025 I	7,809.79	3.10	16.09 (1)	4.07 (55)	6.29 (19)	-	-	-
T. Rowe Price Retirement 2025*			16.18 (1)	4.07 (55)	6.21 (20)	6.48 (7)	7.85 (2)	9.50 (3)
<i>T. Rowe Price Retirement 2025 Index</i>			14.09 (10)	5.30 (22)	7.05 (3)	6.91 (1)	8.01 (1)	9.54 (3)
T. Rowe Price Retirement I 2030 I	4,550.25	1.80	17.42 (1)	3.89 (57)	6.48 (18)	-	-	-
T. Rowe Price Retirement 2030*			17.47 (1)	3.77 (59)	6.39 (23)	6.76 (10)	8.31 (3)	10.06 (3)
<i>T. Rowe Price Retirement 2030 Index</i>			15.52 (12)	4.95 (20)	7.25 (8)	7.21 (3)	8.44 (2)	10.08 (3)
T. Rowe Price Retirement I 2035 I	6,337.23	2.51	18.46 (3)	3.57 (40)	6.60 (16)	-	-	-
T. Rowe Price Retirement 2035*			18.65 (2)	3.61 (39)	6.51 (19)	6.94 (14)	8.63 (3)	10.43 (5)
<i>T. Rowe Price Retirement 2035 Index</i>			16.69 (34)	4.63 (18)	7.40 (8)	7.43 (3)	8.74 (3)	10.46 (4)
T. Rowe Price Retirement I 2040 I	3,641.01	1.44	19.49 (4)	3.43 (37)	6.72 (14)	-	-	-
T. Rowe Price Retirement 2040*			19.50 (4)	3.42 (37)	6.63 (14)	7.08 (13)	8.85 (4)	10.64 (5)
<i>T. Rowe Price Retirement 2040 Index</i>			17.71 (41)	4.24 (19)	7.46 (7)	7.57 (5)	8.95 (4)	10.66 (5)
T. Rowe Price Retirement I 2045 I	1,675.95	0.66	20.07 (7)	3.17 (34)	6.66 (16)	-	-	-
T. Rowe Price Retirement 2045*			20.19 (6)	3.22 (34)	6.61 (17)	7.12 (12)	8.89 (7)	10.66 (6)
<i>T. Rowe Price Retirement 2045 Index</i>			18.52 (51)	3.94 (18)	7.42 (7)	7.60 (6)	8.97 (4)	10.67 (6)
T. Rowe Price Retirement I 2050 I	1,087.30	0.43	20.05 (14)	3.16 (34)	6.67 (17)	-	-	-
T. Rowe Price Retirement 2050*			20.21 (13)	3.23 (33)	6.62 (17)	7.13 (12)	8.89 (8)	10.66 (6)
<i>T. Rowe Price Retirement 2050 Index</i>			18.52 (57)	3.94 (17)	7.42 (6)	7.60 (6)	8.97 (7)	10.67 (6)
T. Rowe Price Retirement I 2055 I	1,379.86	0.55	20.14 (17)	3.17 (31)	6.68 (18)	-	-	-
T. Rowe Price Retirement 2055*			20.14 (17)	3.05 (33)	6.54 (23)	7.08 (14)	8.86 (10)	10.63 (-)
<i>T. Rowe Price Retirement 2055 Index</i>			18.52 (62)	3.94 (17)	7.42 (6)	7.60 (7)	8.97 (8)	10.67 (-)

\*Market value is being sourced from Empower's Plan Service Center and may include corrections and adjustments made after effective date.

\*Alternate share class shown to illustrate performance history.

## Asset Allocation &amp; Performance

	Allocation		Performance(%)					
	Market Value (\$000)	%	1 Quarter	1 Year	3 Years	5 Years	7 Years	10 Years
<b>U.S. Equity</b>	<b>134,510.19</b>	<b>53.34</b>						
iShares S&P 500 Index	64,155.51	25.44	20.51 (40)	7.55 (7)	10.73 (7)	10.71 (13)	12.09 (13)	13.91 (18)
<i>S&amp;P 500 Index</i>			20.54 (17)	7.51 (11)	10.73 (7)	10.73 (6)	12.13 (3)	13.99 (7)
Vanguard Mid Cap Index	35,658.16	14.14	24.96 (46)	-0.18 (45)	6.47 (46)	7.00 (47)	9.80 (43)	12.49 (41)
<i>Vanguard Spliced Mid Cap Index</i>			24.97 (46)	-0.20 (45)	6.47 (46)	7.01 (47)	9.82 (42)	12.52 (40)
Baron Growth Inst	34,696.52	13.76	27.46 (65)	6.85 (71)	13.78 (51)	11.17 (43)	11.99 (66)	14.24 (53)
<i>Russell Midcap Growth Index</i>			30.26 (49)	11.91 (42)	14.76 (38)	11.60 (34)	13.24 (40)	15.09 (31)
<b>International Equity</b>	<b>19,775.73</b>	<b>7.84</b>						
Artisan International Inv	19,775.73	7.84	16.76 (62)	-0.47 (44)	5.14 (21)	3.03 (38)	5.02 (36)	7.97 (14)
<i>MSCI EAFE Index (Net)</i>			14.88 (82)	-5.13 (65)	0.81 (58)	2.05 (57)	3.93 (54)	5.73 (46)
<i>MSCI AC World ex USA Index (Net)</i>			16.12 (69)	-4.80 (65)	1.13 (55)	2.26 (54)	3.71 (61)	4.97 (68)

\*Market value is being sourced from Empower's Plan Service Center and may include corrections and adjustments made after effective date.

\*Alternate share class shown to illustrate performance history.

## Calendar Year Performance

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>U.S. Fixed Income</b>										
Great West Portfolio Fund <sup>1</sup>	1.95	1.95	1.95	1.98	2.00	1.86	1.53	2.11	2.55	2.67
<i>90 Day U.S. Treasury Bill</i>	2.28	1.87	0.86	0.25	0.03	0.04	0.05	0.08	0.08	0.13
<i>Stable Value Institutional Peer Group</i>	2.22	1.94	1.64	1.48	1.45	1.38	1.52	1.93	2.36	2.79
PIMCO Total Return Adm	7.99 (84)	-0.51 (54)	4.87 (7)	2.34 (81)	0.47 (39)	4.43 (81)	-2.16 (72)	10.10 (3)	3.91 (95)	8.57 (17)
<i>Blmbg. Barc. U.S. Aggregate</i>	8.72 (60)	0.01 (19)	3.54 (62)	2.65 (64)	0.55 (30)	5.97 (32)	-2.02 (64)	4.21 (77)	7.84 (15)	6.54 (69)
PIMCO Inflation Response MultiAsst Inst	10.03 (85)	-3.71 (24)	8.59 (75)	10.53 (20)	-6.77 (78)	1.57 (73)	-9.29 (100)	9.56 (64)	-	-
<i>PIMCO IRMA Benchmark</i>	10.30 (84)	-3.86 (25)	5.08 (91)	6.76 (48)	-7.47 (82)	-0.34 (82)	-8.89 (100)	6.58 (84)	4.56 (11)	12.98 (45)
<b>Target Date</b>										
T. Rowe Price Retirement I 2005 I	15.16 (19)	-3.12 (44)	10.74 (19)	6.69 (30)	-	-	-	-	-	-
T. Rowe Price Retirement 2005*	15.08 (21)	-3.26 (50)	10.67 (20)	6.72 (30)	-0.75 (39)	4.72 (40)	9.74 (24)	11.35 (16)	1.43 (66)	11.51 (18)
<i>T. Rowe Price Retirement 2005 Index</i>	14.88 (25)	-2.58 (26)	10.12 (26)	5.84 (45)	-0.10 (20)	5.48 (25)	9.86 (23)	9.52 (41)	2.38 (44)	10.22 (42)
T. Rowe Price Retirement I 2010 I	16.31 (1)	-3.56 (58)	11.82 (12)	7.18 (11)	-	-	-	-	-	-
T. Rowe Price Retirement 2010*	16.16 (1)	-3.61 (67)	11.66 (13)	7.11 (11)	-0.76 (63)	4.99 (23)	11.93 (8)	12.44 (6)	0.54 (55)	12.70 (4)
<i>T. Rowe Price Retirement 2010 Index</i>	16.05 (1)	-3.02 (32)	11.20 (17)	6.27 (47)	-0.17 (13)	5.77 (12)	12.00 (7)	10.61 (26)	1.81 (25)	11.42 (30)
T. Rowe Price Retirement I 2015 I	17.55 (1)	-4.09 (61)	13.52 (11)	7.25 (16)	-	-	-	-	-	-
T. Rowe Price Retirement 2015*	17.40 (1)	-4.17 (64)	13.34 (12)	7.31 (14)	-0.58 (36)	5.37 (32)	15.18 (2)	13.81 (1)	-0.32 (81)	13.79 (4)
<i>T. Rowe Price Retirement 2015 Index</i>	17.43 (1)	-3.58 (47)	12.87 (16)	6.91 (36)	-0.28 (18)	6.30 (16)	14.97 (3)	11.94 (25)	1.09 (42)	12.57 (27)
T. Rowe Price Retirement I 2020 I	19.45 (1)	-4.82 (66)	15.90 (1)	7.57 (13)	-	-	-	-	-	-
T. Rowe Price Retirement 2020*	19.37 (1)	-4.94 (68)	15.74 (1)	7.41 (20)	-0.31 (24)	5.63 (37)	18.05 (2)	15.01 (1)	-1.20 (84)	14.74 (3)
<i>T. Rowe Price Retirement 2020 Index</i>	19.39 (1)	-4.38 (53)	14.87 (14)	7.51 (15)	-0.49 (34)	6.60 (6)	17.43 (3)	12.92 (24)	0.40 (47)	13.39 (24)
T. Rowe Price Retirement I 2025 I	21.15 (1)	-5.54 (61)	17.82 (1)	7.56 (21)	-	-	-	-	-	-
T. Rowe Price Retirement 2025*	20.95 (1)	-5.62 (62)	17.68 (1)	7.55 (21)	-0.17 (14)	5.84 (38)	20.78 (3)	16.00 (1)	-2.06 (71)	15.37 (1)
<i>T. Rowe Price Retirement 2025 Index</i>	21.36 (1)	-5.00 (42)	16.68 (11)	8.21 (9)	-0.56 (34)	7.06 (9)	20.01 (4)	14.00 (22)	-0.22 (25)	14.12 (26)
T. Rowe Price Retirement I 2030 I	22.68 (2)	-6.16 (48)	19.52 (2)	7.77 (45)	-	-	-	-	-	-
T. Rowe Price Retirement 2030*	22.48 (4)	-6.28 (52)	19.45 (2)	7.69 (46)	-0.02 (7)	6.05 (36)	23.09 (4)	16.82 (1)	-2.70 (70)	16.01 (3)
<i>T. Rowe Price Retirement 2030 Index</i>	23.06 (1)	-5.67 (39)	18.28 (25)	8.80 (11)	-0.73 (41)	7.29 (7)	22.13 (8)	14.85 (20)	-0.79 (21)	14.72 (32)
T. Rowe Price Retirement I 2035 I	23.90 (12)	-6.81 (41)	21.03 (8)	7.68 (65)	-	-	-	-	-	-
T. Rowe Price Retirement 2035*	23.70 (14)	-6.87 (45)	20.88 (9)	7.64 (66)	0.13 (4)	6.07 (38)	24.86 (3)	17.35 (1)	-3.26 (61)	16.34 (1)
<i>T. Rowe Price Retirement 2035 Index</i>	24.46 (9)	-6.20 (21)	19.58 (34)	9.21 (13)	-0.87 (38)	7.37 (5)	23.76 (12)	15.45 (39)	-1.37 (10)	15.10 (42)
T. Rowe Price Retirement I 2040 I	24.89 (17)	-7.21 (31)	22.11 (4)	7.75 (66)	-	-	-	-	-	-
T. Rowe Price Retirement 2040*	24.68 (20)	-7.32 (36)	22.02 (5)	7.63 (67)	0.17 (3)	6.18 (38)	25.93 (8)	17.55 (1)	-3.49 (43)	16.51 (9)
<i>T. Rowe Price Retirement 2040 Index</i>	25.55 (11)	-6.61 (17)	20.62 (38)	9.58 (13)	-1.01 (41)	7.43 (7)	24.73 (20)	15.66 (40)	-1.46 (9)	15.17 (38)

<sup>1</sup>Market Value is sourced from Empower's Plan Service Center and may include corrections and adjustments made after the effective date.

Returns for periods greater than one year are annualized.

Returns are expressed as percentages.

\*Alternate share class shown to illustrate performance history.

## Calendar Year Performance

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
T. Rowe Price Retirement I 2045 I	25.52 (25)	-7.51 (31)	22.55 (6)	7.75 (69)	-	-	-	-	-	-
T. Rowe Price Retirement 2045*	25.39 (31)	-7.57 (33)	22.41 (9)	7.69 (69)	0.17 (4)	6.14 (35)	25.93 (5)	17.62 (1)	-3.47 (31)	16.44 (10)
<i>T. Rowe Price Retirement 2045 Index</i>	26.33 (11)	-6.96 (14)	21.02 (47)	9.70 (11)	-0.98 (40)	7.43 (7)	24.73 (22)	15.66 (53)	-1.46 (1)	15.17 (44)
T. Rowe Price Retirement I 2050 I	25.57 (34)	-7.51 (28)	22.55 (11)	7.75 (69)	-	-	-	-	-	-
T. Rowe Price Retirement 2050*	25.32 (40)	-7.58 (30)	22.38 (12)	7.71 (69)	0.19 (3)	6.19 (36)	25.90 (12)	17.55 (4)	-3.36 (26)	16.41 (15)
<i>T. Rowe Price Retirement 2050 Index</i>	26.33 (19)	-6.96 (5)	21.02 (55)	9.70 (16)	-0.98 (41)	7.43 (8)	24.73 (28)	15.66 (40)	-1.46 (5)	15.17 (39)
T. Rowe Price Retirement I 2055 I	25.52 (39)	-7.50 (21)	22.57 (13)	7.65 (73)	-	-	-	-	-	-
T. Rowe Price Retirement 2055*	25.38 (40)	-7.62 (23)	22.33 (20)	7.73 (73)	0.18 (4)	6.18 (40)	25.86 (13)	17.60 (1)	-3.35 (16)	16.41 (-)
<i>T. Rowe Price Retirement 2055 Index</i>	26.33 (27)	-6.96 (5)	21.02 (65)	9.70 (14)	-0.98 (45)	7.43 (11)	24.73 (31)	15.66 (60)	-1.46 (1)	15.17 (-)
<b>U.S. Equity</b>										
iShares S&P 500 Index	31.43 (25)	-4.38 (7)	21.77 (19)	11.92 (19)	1.35 (19)	13.61 (14)	32.21 (28)	15.84 (33)	1.98 (41)	14.92 (36)
<i>S&amp;P 500 Index</i>	31.49 (3)	-4.38 (7)	21.83 (3)	11.96 (8)	1.38 (7)	13.69 (1)	32.39 (3)	16.00 (3)	2.11 (8)	15.06 (1)
Vanguard Mid Cap Index	31.04 (40)	-9.24 (51)	19.29 (50)	11.23 (55)	-1.33 (40)	13.78 (10)	35.17 (52)	16.01 (43)	-1.96 (42)	25.67 (31)
<i>Vanguard Spliced Mid Cap Index</i>	31.09 (39)	-9.22 (51)	19.30 (50)	11.25 (55)	-1.28 (40)	13.83 (9)	35.21 (52)	16.04 (42)	-1.91 (40)	25.69 (31)
Baron Growth Inst	40.50 (9)	-2.67 (30)	27.35 (32)	6.31 (45)	-4.06 (81)	4.66 (78)	38.69 (24)	16.74 (17)	1.51 (13)	24.32 (54)
<i>Russell Midcap Growth Index</i>	35.47 (36)	-4.75 (52)	25.27 (45)	7.33 (34)	-0.20 (52)	11.90 (12)	35.74 (48)	15.81 (31)	-1.65 (34)	26.38 (38)
<b>International Equity</b>										
Artisan International Inv	29.20 (16)	-10.86 (15)	31.02 (17)	-9.66 (100)	-3.85 (82)	-0.97 (11)	25.18 (7)	25.39 (4)	-7.26 (18)	5.91 (67)
<i>MSCI EAFE Index (Net)</i>	22.01 (69)	-13.79 (39)	25.03 (57)	1.00 (46)	-0.81 (49)	-4.90 (42)	22.78 (14)	17.32 (69)	-12.14 (50)	7.75 (53)
<i>MSCI AC World ex USA Index (Net)</i>	21.51 (72)	-14.20 (42)	27.19 (40)	4.50 (14)	-5.66 (87)	-3.87 (28)	15.29 (81)	16.83 (71)	-13.71 (77)	11.15 (23)

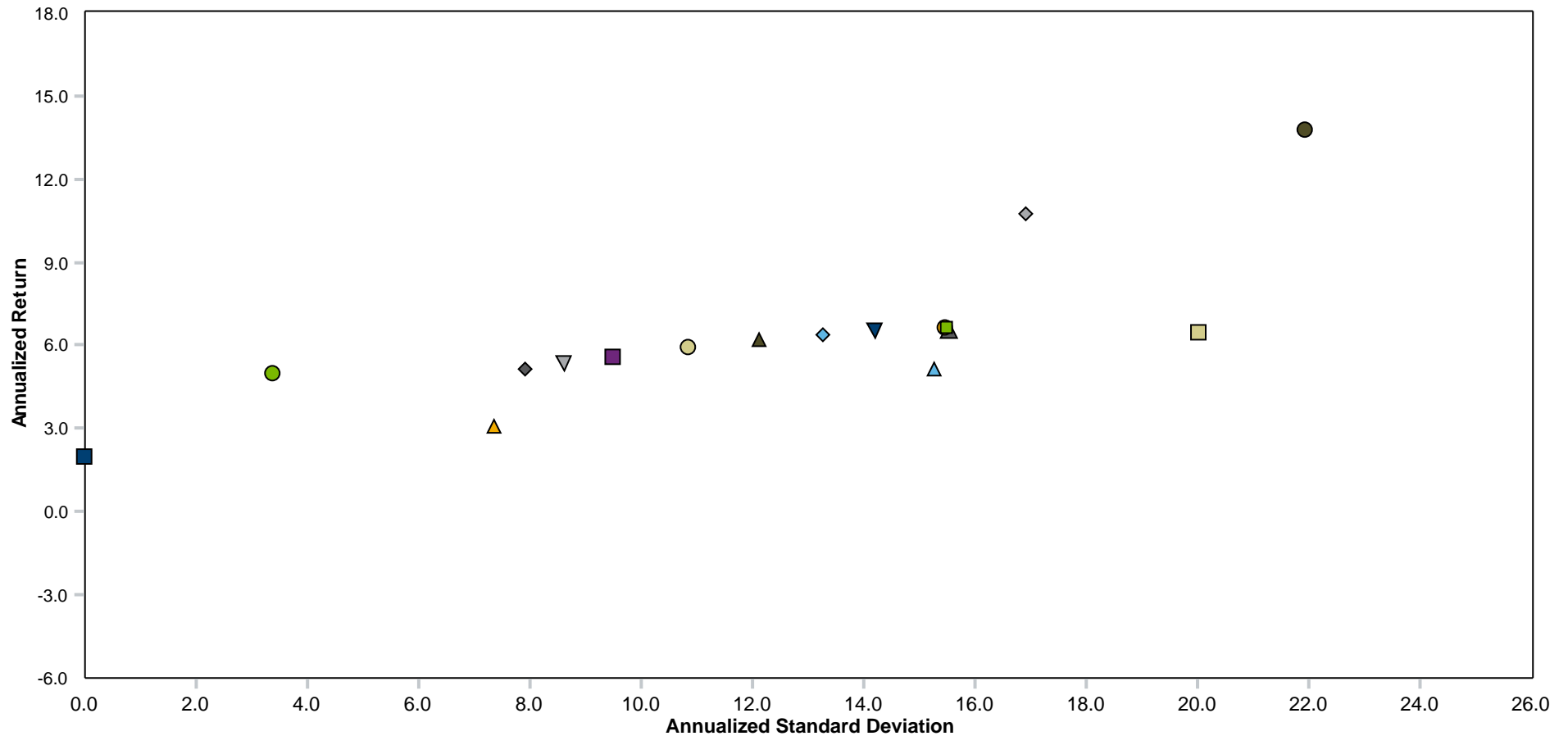
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Returns are expressed as percentages.

\*Alternate share class shown to illustrate performance history.

Risk Profile



- Great West Portfolio Fund
- PIMCO Total Return Adm
- ▲ PIMCO Inflation Response MultiAsst Inst
- ◆ T. Rowe Price Ret 2005\*
- ▽ T. Rowe Price Ret 2010\*
- T. Rowe Price Ret 2015\*
- T. Rowe Price Ret 2020\*
- ▲ T. Rowe Price Ret 2025\*
- ◆ T. Rowe Price Ret 2030\*
- ▼ T. Rowe Price Ret 2035\*
- T. Rowe Price Ret 2045\*
- T. Rowe Price Ret 2050\*
- ▲ T. Rowe Price Ret 2055\*
- ◆ iShares S&P 500 Index
- Vanguard Mid Cap Index
- Baron Growth Inst
- ▲ Artisan International Inv

\*Alternate share class shown to illustrate performance history.



# Fairfax County Public Schools – Watch List Review

	Organization/Staff		Process	Performance		Overall Manager Research Rating	Watch List Status															
	Significant Organizational Change	Adverse Change in Portfolio Manager	Diverged from Strategy and/or Portfolio Characteristics	Underperformed / Adverse Tracking During Trailing 5-Years	Underperformed / Adverse Tracking in 3 of 4 Trailing Calendar Quarters		2nd Quarter 2020	1st Quarter 2020	4th Quarter 2019	3rd Quarter 2019												
<b>U.S. FIXED INCOME</b>																						
Great West Portfolio Fund	No	No	No	No	No	N/R																
PIMCO Total Return Adm	No	No	No	Yes	No	Buy																
PIMCO Inflation Response MultiAsst Inst	No	No	No	No	No	Buy																
<b>TARGET DATE</b>																						
T. Rowe Price Retirement Series	No	No	No	No	No	Buy																
<b>U.S. EQUITY</b>																						
iShares S&P 500 Index	No	No	No	No	No	Buy																
Vanguard Mid Cap Index	No	No	No	No	No	Buy																
Baron Growth Instl	No	No	No	Yes	Yes	Qualified																
<b>INTERNATIONAL EQUITY</b>																						
Artisan International Inv	No	No	No	No	No	Buy																
<table border="1"> <thead> <tr> <th>Status</th> <th>Number of Criteria Met</th> <th>Suggested Action</th> </tr> </thead> <tbody> <tr> <td>Green</td> <td>1 or less affirmatives</td> <td>Active – No action required</td> </tr> <tr> <td>Yellow</td> <td>2 to 3 affirmatives</td> <td>Active – On “closely monitored list”</td> </tr> <tr> <td>Red</td> <td>4 or more affirmatives or “Yellow” for 4 consecutive quarters</td> <td>Full fund review and recommendation for action will be made</td> </tr> </tbody> </table>											Status	Number of Criteria Met	Suggested Action	Green	1 or less affirmatives	Active – No action required	Yellow	2 to 3 affirmatives	Active – On “closely monitored list”	Red	4 or more affirmatives or “Yellow” for 4 consecutive quarters	Full fund review and recommendation for action will be made
Status	Number of Criteria Met	Suggested Action																				
Green	1 or less affirmatives	Active – No action required																				
Yellow	2 to 3 affirmatives	Active – On “closely monitored list”																				
Red	4 or more affirmatives or “Yellow” for 4 consecutive quarters	Full fund review and recommendation for action will be made																				
Changes in Watch List designations from the previous quarter are highlighted in bold.																						
Passively managed index funds are expected to track their benchmark within a reasonable margin.																						

# Watch List Guidelines

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## **Aon Investments USA Inc. Investment Option Review Criteria**

1. If the Fund has underperformed its benchmark over the most recent trailing five-year period
  - If passively managed, the fund's return must be no more than 0.5 percentage points above or below the return of the benchmark
2. If the fund has underperformed its benchmark in three of the most recent four calendar quarters
3. If the Fund diverged from its strategy and / or portfolio characteristics
4. Adverse change in portfolio manager
5. Merger with another fund
6. Significant organizational change

## **Suggested Action Triggers**

1. When an investment fund is placed on the Red Watch List, a formal fund retention meeting may be conducted. At this meeting, the fund's representative would be asked to address all relevant issues and explain why the fund should be retained. After this retention meeting, the Investment Committee may elect to either terminate the fund or grant it a one-year extension.
2. If a fund is granted the one-year extension described above and remains on the Watch List for this period, the fund may be terminated unless the Committee determines that an alternate course of action is appropriate.

## **Special Circumstances**

1. In the event of a major change to the fund (e.g., investments, ownership, and staffing), the Committee retains the right to immediately terminate any fund without invoking the Watch List criteria in any fashion.

Demographic Information

Participants per Investment Option	
Investment Option	Participants
Great West Portfolio	943
PIMCO Total Return	972
PIMCO Inflation Response MultiAsst	52
T. Rowe Price Retirement   2005	35
T. Rowe Price Retirement   2010	20
T. Rowe Price Retirement   2015	40
T. Rowe Price Retirement   2020	93
T. Rowe Price Retirement   2025	139
T. Rowe Price Retirement   2030	130
T. Rowe Price Retirement   2035	157
T. Rowe Price Retirement   2040	120
T. Rowe Price Retirement   2045	103
T. Rowe Price Retirement   2050	69
T. Rowe Price Retirement   2055	90
iShares S&P 500 Index	1,385
Vanguard Mid Cap Index	1,093
Baron Growth	961
Artisan International	925

Investment Options per Participant	
Investment Options	Participants
One	697
Two	398
Three	295
Four	321
Five	266
Six	271
Seven	33
Eight	14
More than Eight	29

Other Demographics	
Item	Result
Participation Rate	55.12%
Number of Participants with Account Balances	2,324
Average Deferral Rate	16.80%
Average Number of Funds per Participant	3.15
Average Account Balance	\$84,904.51

Participants with Balance in One Investment Option	
Investment Option	Participants
Great-West Portfolio Fund	84
PIMCO Total Return Admin	108
PIMCO Inflation Response MultiAsst	11
T. Rowe Price Retirement   2005	2
T. Rowe Price Retirement   2010	4
T. Rowe Price Retirement   2015	6
T. Rowe Price Retirement   2020	15
T. Rowe Price Retirement   2025	15
T. Rowe Price Retirement   2030	13
T. Rowe Price Retirement   2035	17
T. Rowe Price Retirement   2040	9
T. Rowe Price Retirement   2045	3
T. Rowe Price Retirement   2050	7
T. Rowe Price Retirement   2055	11
iShares S&P 500 Index	126
Vanguard Mid Cap Index Ins	97
Baron Growth Instl	87
Artisan International Inv	82

\* Information directly provided by Empower Retirement.

## 457(b) Plan Statistics

	<u>457(b)</u>	<u>403(b)</u>
Contributions June 2018	\$ 1,503,000	\$ 4.1 million
Contributions July 2019	\$ 492,000	\$ 1.2 million
Contributions July 2020	\$ 444,000	\$ 1.2 million

Assets June 30, 2018	\$224.1 million
Assets July 31, 2019	\$240.0 million
Assets July 31, 2020	\$260.5 million

Number of Participants June 2018	2276	13,221
Number of Participants June 2019	2316	13,277
Number of Participants June 2020	2327	13,591

Average Contribution/Month - June 2018	\$1088/mo; \$263/biweek
Average Contribution/Month - June 2019	\$1073/mo; \$259/biweek
Average Contribution/Month - June 2020	\$ 940/mo; \$247/biweek

	<u>403(b)</u>
Average Contribution/Month - June 2020	\$ 751/mo; \$191/biweek

Number of Employees Currently Contributing to 457(b): 1245/mo; 60/biweek  
 Number of Employees Currently Contributing to 403(b): 5567/mo; 697/biweek

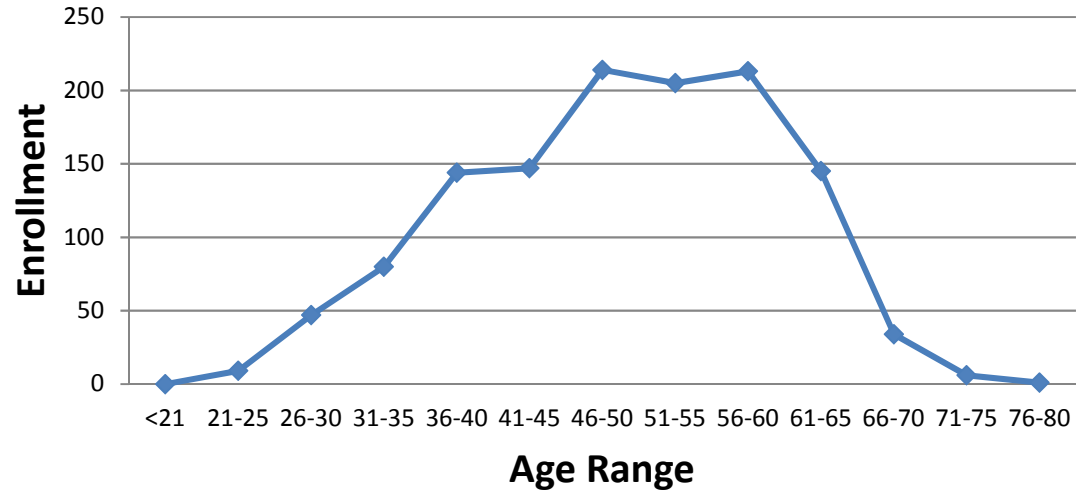
Number of Employees Currently Contributing to both 457 & 403(b): 436 total

## 457 Plan Participants

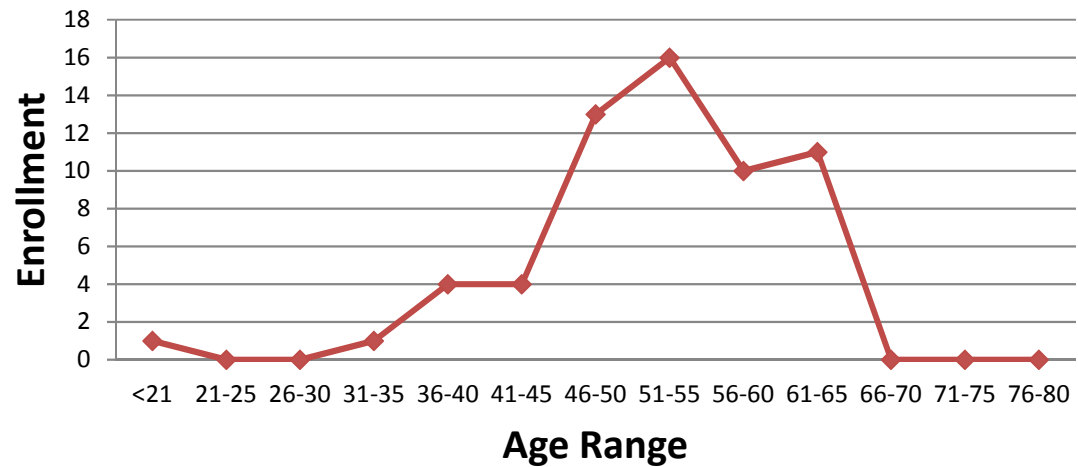
Age	Monthly	Bi-Weekly
<21	0	1
21-25	9	0
26-30	47	0
31-35	80	1
36-40	144	4
41-45	147	4
46-50	214	13
51-55	205	16
56-60	213	10
61-65	145	11
66-70	34	0
71-75	6	0
76-80	1	0

<b>Total</b>	<b>1245</b>	<b>60</b>
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### 457 Monthly Plan Participants



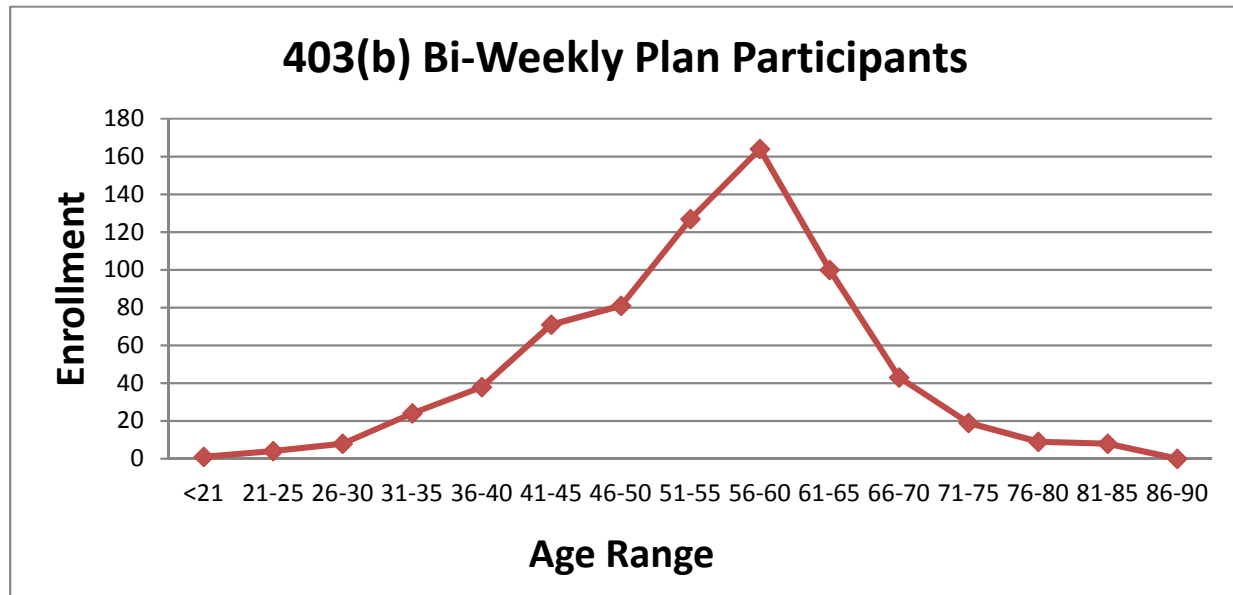
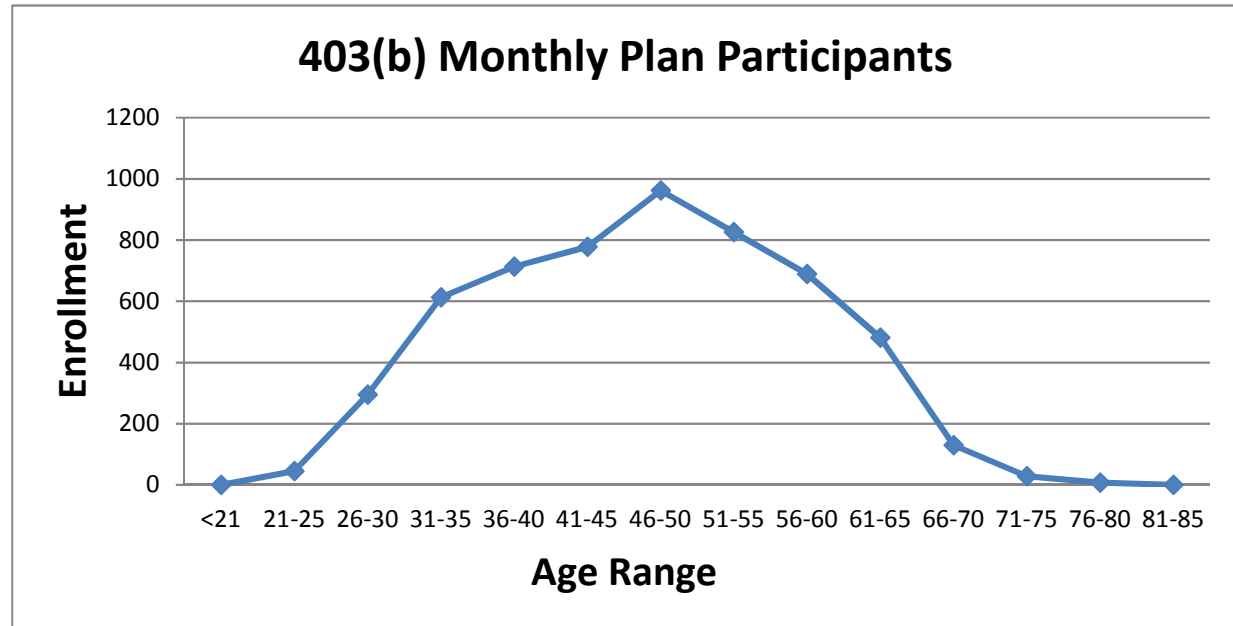
### 457 Bi-Weekly Plan Participants



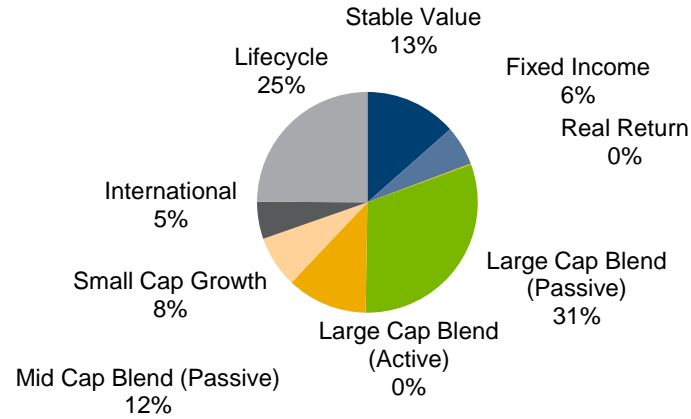
### 403(b) Plan Participants

Age	Monthly	Bi-Weekly
<21	0	1
21-25	45	4
26-30	295	8
31-35	613	24
36-40	713	38
41-45	778	71
46-50	962	81
51-55	826	127
56-60	689	164
61-65	481	100
66-70	130	43
71-75	28	19
76-80	7	9
81-85	0	8
86-90	0	0

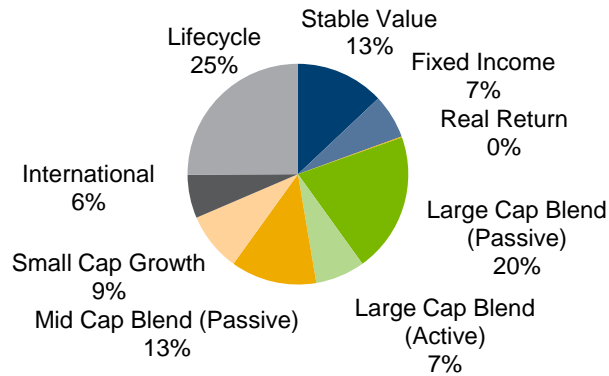
<b>Total</b>	<b>5567</b>	<b>697</b>
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2nd Quarter 2020 Contribution Allocation

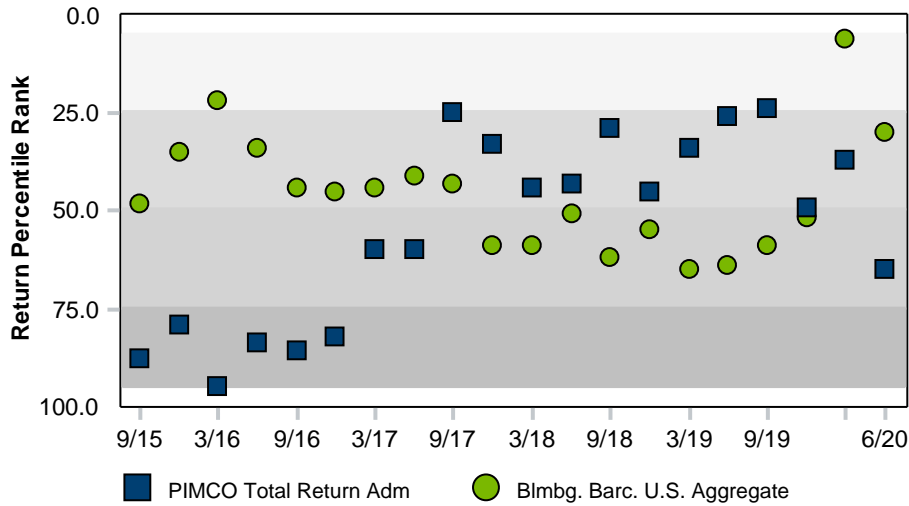


1st Quarter 2020 Contribution Allocation

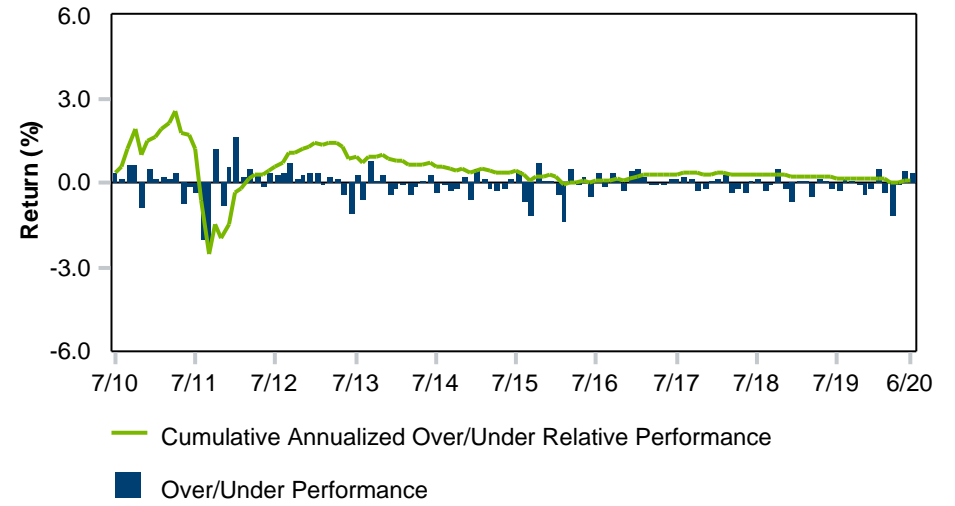


# PIMCO Total Return Adm 06/30/20

## Relative Ranking (3 Years Rolling)



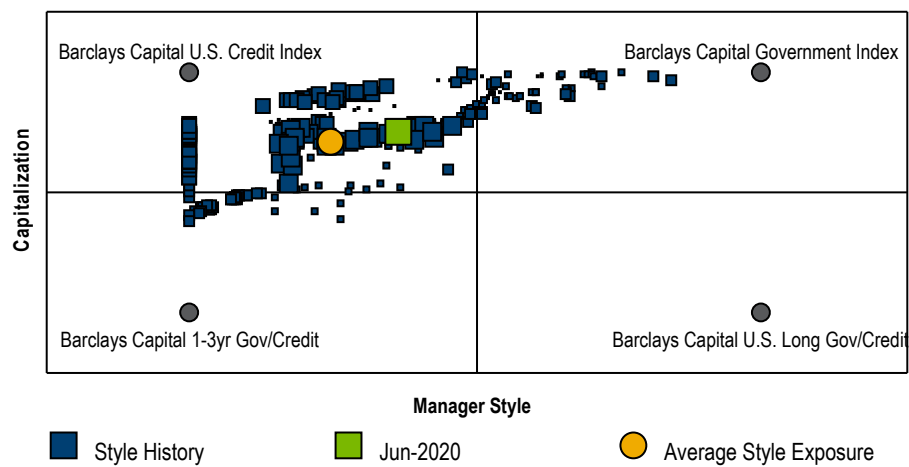
## Relative Performance (07/01/10 to 06/30/20)



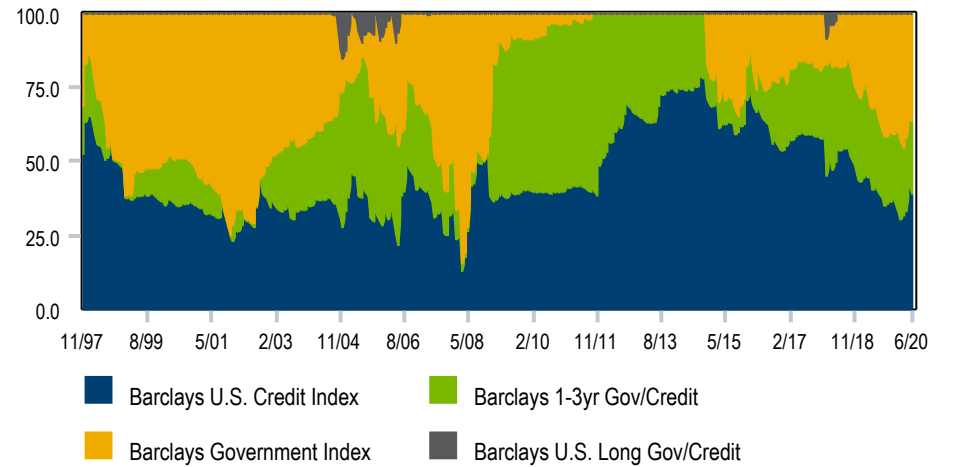
## Relative Ranking vs. Peers (3 Years Rolling)

	Number of Observations	>=Median	Top Quartile	Bottom Quartile	>PIMCO Total Return Adm	>Blmbg. Barc. U.S. Aggregate
PIMCO Total Return Adm	20	11	2	6	N/A	10
Blmbg. Barc. U.S. Aggregate	20	11	2	0	10	N/A

## Style Map (Since Inception - 36 Months Rolling)



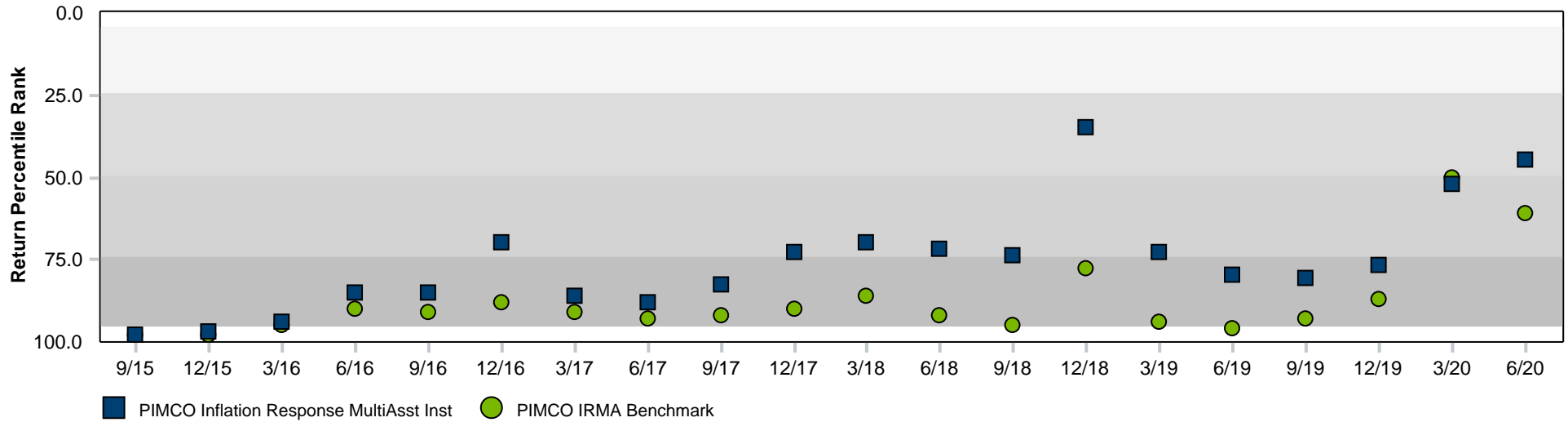
## Style History (Since Inception - 36 Months Rolling)





# PIMCO Inflation Response MultiAsst Inst 06/30/20

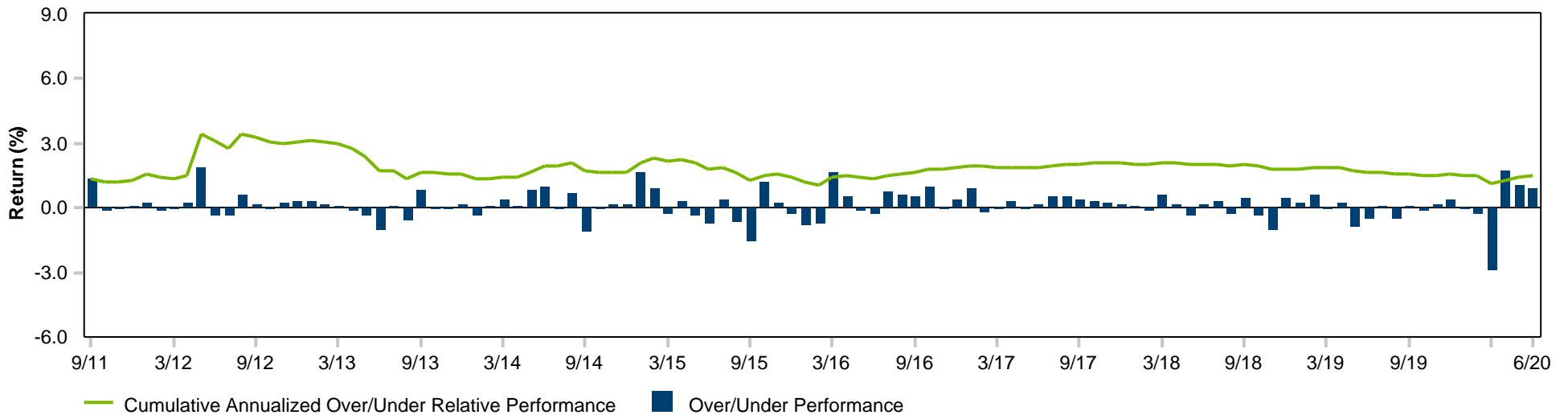
## Relative Ranking (3 Years Rolling)



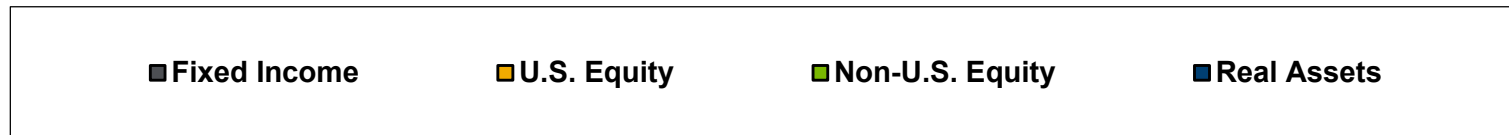
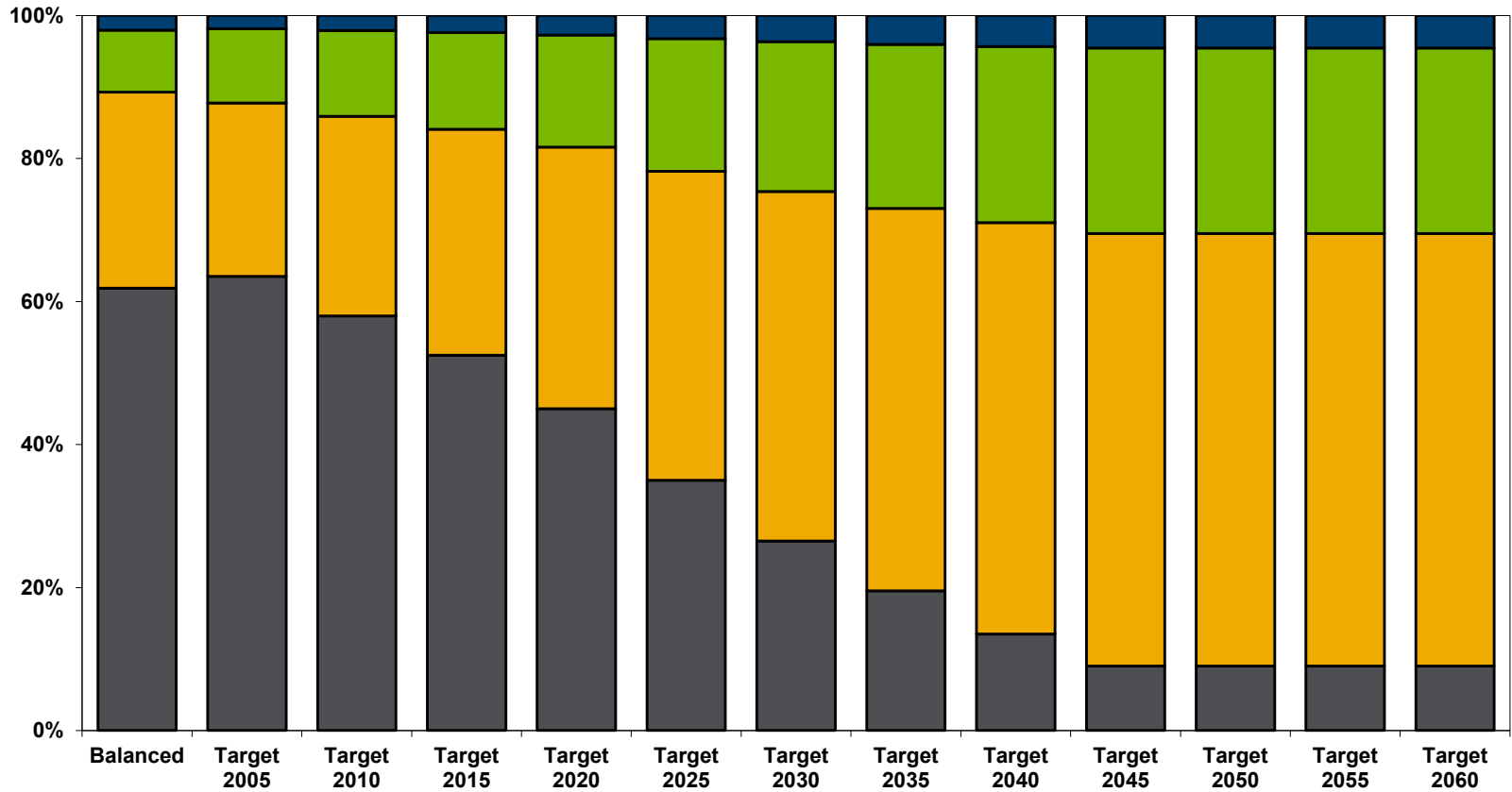
## Relative Ranking vs. Peers (3 Years Rolling)

	Number of Observations	>=Median	Top Quartile	Bottom Quartile	>PIMCO Inflation Response MultiAsst Inst	>PIMCO IRMA Benchmark
PIMCO Inflation Response MultiAsst Inst	20	2	0	11	N/A	19
PIMCO IRMA Benchmark	20	1	0	18	1	N/A

## Relative Performance (09/01/11 to 06/30/20)



## Target Allocation: T. Rowe Price Retirement Funds

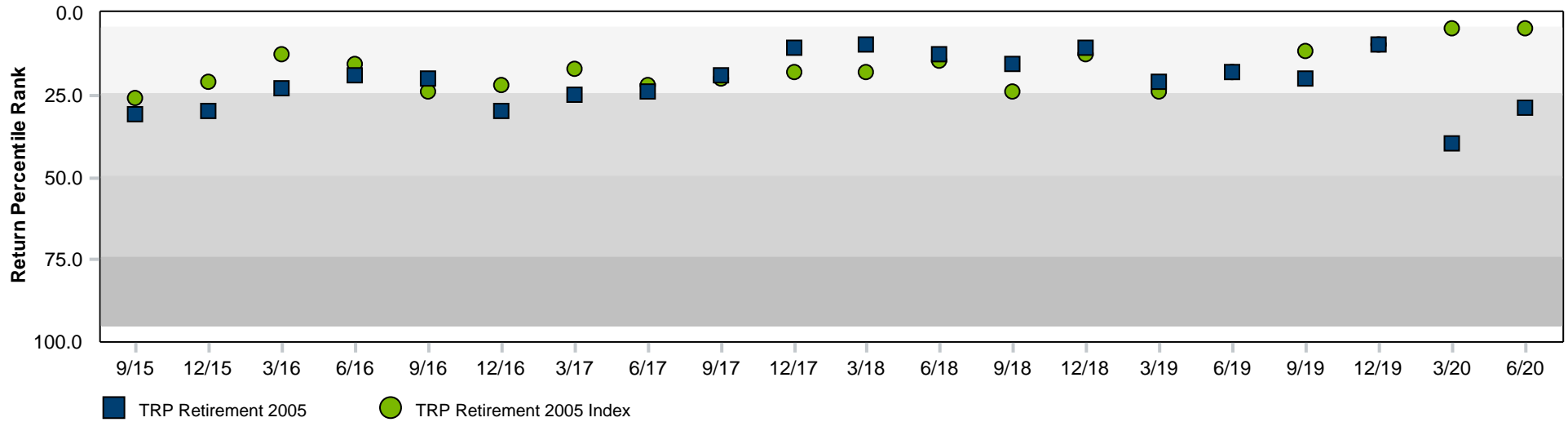


## Target Allocation: T. Rowe Price Retirement Funds

	Balanced	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050	2055	2060
<b>Fixed Income</b>	<b>60.0%</b>	<b>63.5%</b>	<b>58.0%</b>	<b>52.5%</b>	<b>45.0%</b>	<b>35.0%</b>	<b>26.5%</b>	<b>19.5%</b>	<b>13.5%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>9.0%</b>
US Aggregate Bond	14.0%	20.1%	18.6%	17.4%	15.8%	13.5%	10.8%	8.8%	6.1%	4.1%	4.1%	4.1%	4.1%
Dynamic Global Bond	3.1%	4.5%	4.1%	3.9%	3.5%	3.0%	2.4%	2.0%	1.4%	0.9%	0.9%	0.9%	0.9%
Intl Bond (\$ Hedged)	4.7%	6.7%	6.2%	5.8%	5.3%	4.5%	3.6%	2.9%	2.0%	1.4%	1.4%	1.4%	1.4%
High Yield	2.7%	3.9%	3.5%	3.2%	2.8%	2.2%	1.6%	1.2%	0.7%	0.3%	0.3%	0.3%	0.3%
Floating Rate	0.7%	1.0%	0.9%	0.8%	0.7%	0.6%	0.4%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%
EM Bond	3.4%	4.9%	4.4%	4.0%	3.5%	2.8%	2.0%	1.5%	0.8%	0.4%	0.4%	0.4%	0.4%
US Treasury Long	2.6%	3.7%	3.7%	3.6%	3.5%	3.5%	3.2%	2.9%	2.4%	1.9%	1.9%	1.9%	1.9%
Inflation Focused	29.0%	18.8%	16.8%	13.8%	10.0%	5.0%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
US Treasury Money	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>U.S. Equity</b>	<b>26.6%</b>	<b>24.3%</b>	<b>27.9%</b>	<b>31.6%</b>	<b>36.6%</b>	<b>43.2%</b>	<b>48.9%</b>	<b>53.5%</b>	<b>57.5%</b>	<b>60.5%</b>	<b>60.5%</b>	<b>60.5%</b>	<b>60.5%</b>
US Large Cap	20.7%	18.9%	21.7%	24.6%	28.4%	33.6%	38.0%	41.6%	44.7%	47.1%	47.1%	47.1%	47.1%
US Mid Cap	3.1%	2.8%	3.2%	3.6%	4.2%	5.0%	5.6%	6.2%	6.6%	7.0%	7.0%	7.0%	7.0%
US Small Cap	2.9%	2.6%	3.0%	3.4%	3.9%	4.7%	5.3%	5.8%	6.2%	6.5%	6.5%	6.5%	6.5%
<b>Non- U.S. Equity</b>	<b>8.4%</b>	<b>10.4%</b>	<b>12.0%</b>	<b>13.5%</b>	<b>15.7%</b>	<b>18.5%</b>	<b>21.0%</b>	<b>22.9%</b>	<b>24.7%</b>	<b>25.9%</b>	<b>25.9%</b>	<b>25.9%</b>	<b>25.9%</b>
Developed Intl Mkts	6.7%	8.8%	10.2%	11.5%	13.3%	15.8%	17.8%	19.5%	21.0%	22.0%	22.0%	22.0%	22.0%
Emerging Markets	1.7%	1.6%	1.8%	2.0%	2.4%	2.8%	3.1%	3.4%	3.7%	3.9%	3.9%	3.9%	3.9%
<b>Real Assets</b>	<b>2.0%</b>	<b>1.8%</b>	<b>2.1%</b>	<b>2.4%</b>	<b>2.8%</b>	<b>3.3%</b>	<b>3.7%</b>	<b>4.0%</b>	<b>4.3%</b>	<b>4.6%</b>	<b>4.6%</b>	<b>4.6%</b>	<b>4.6%</b>
Real Assets Fund	2.0%	1.8%	2.1%	2.4%	2.8%	3.3%	3.7%	4.0%	4.3%	4.6%	4.6%	4.6%	4.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

# TRP Retirement 2005 06/30/20

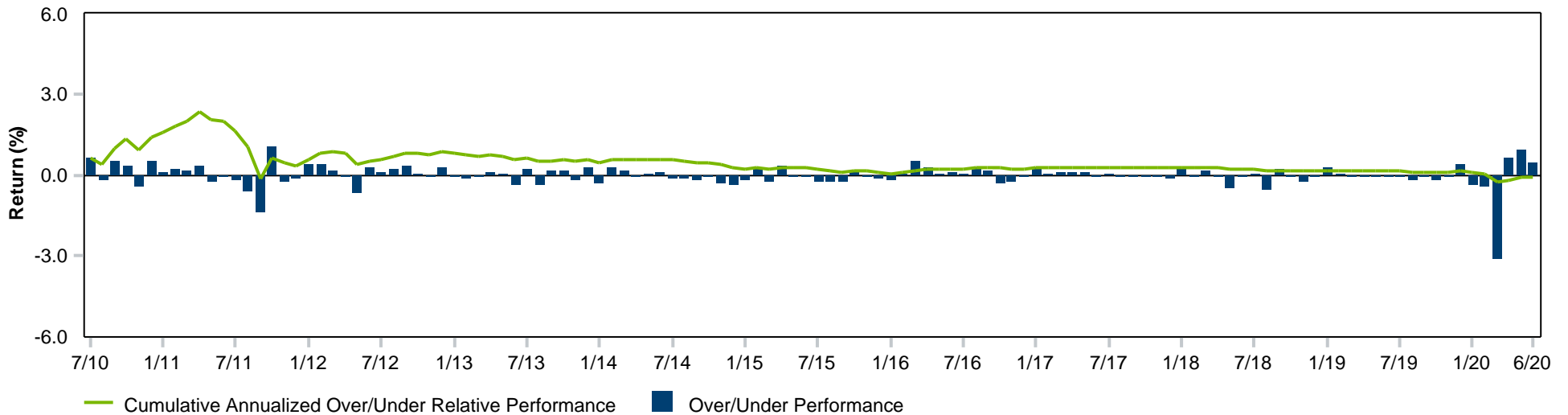
## Relative Ranking (3 Years Rolling)



## Relative Ranking vs. Peers (3 Years Rolling)

	Number of Observations	>=Median	Top Quartile	Bottom Quartile	>TRP Retirement 2005	>TRP Retirement 2005 Index
TRP Retirement 2005	20	20	15	0	N/A	8
TRP Retirement 2005 Index	20	20	19	0	12	N/A

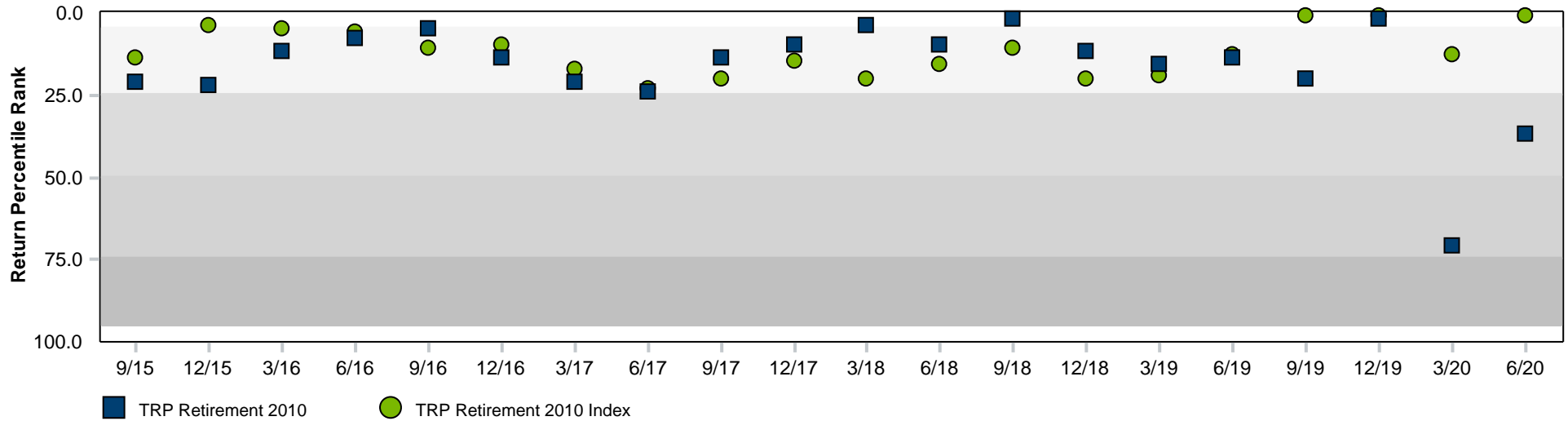
## Relative Performance (07/01/10 to 06/30/20)



Alternate share class shown to illustrate performance history.

# TRP Retirement 2010 06/30/20

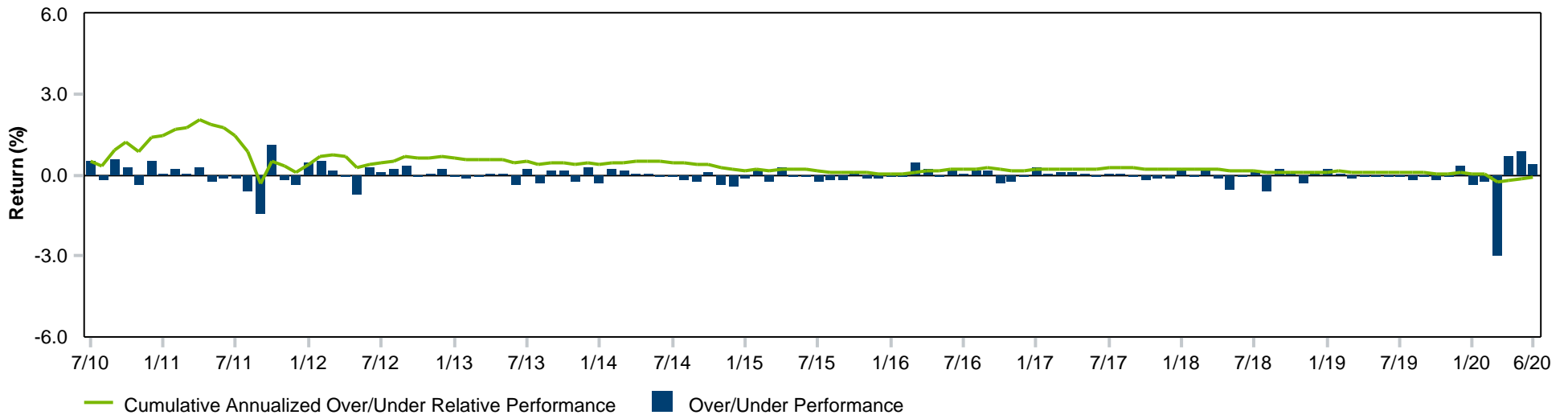
## Relative Ranking (3 Years Rolling)



## Relative Ranking vs. Peers (3 Years Rolling)

	Number of Observations	>=Median	Top Quartile	Bottom Quartile	>TRP Retirement 2010	>TRP Retirement 2010 Index
TRP Retirement 2010	20	19	18	0	N/A	8
TRP Retirement 2010 Index	20	20	20	0	12	N/A

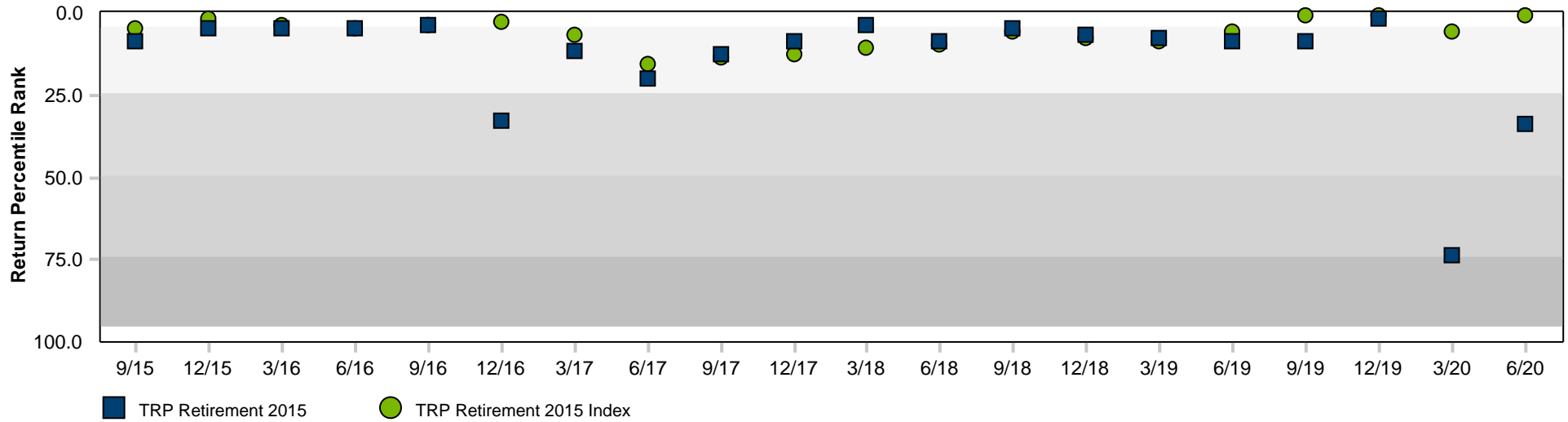
## Relative Performance (07/01/10 to 06/30/20)



Alternate share class shown to illustrate performance history.

# TRP Retirement 2015 06/30/20

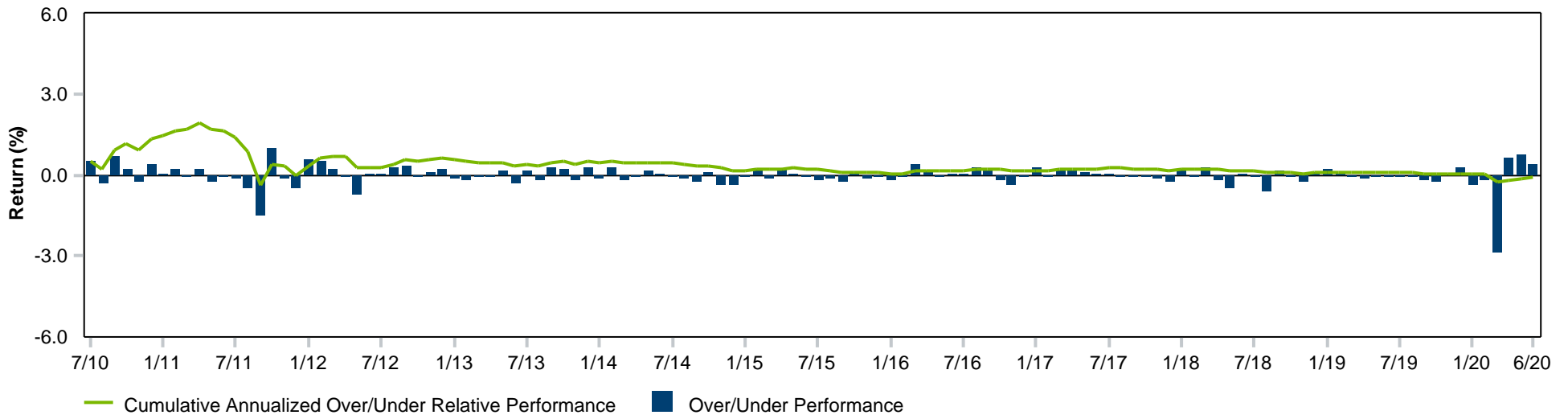
## Relative Ranking (3 Years Rolling)



## Relative Ranking vs. Peers (3 Years Rolling)

	Number of Observations	>=Median	Top Quartile	Bottom Quartile	>TRP Retirement 2015	>TRP Retirement 2015 Index
TRP Retirement 2015	20	19	17	0	N/A	8
TRP Retirement 2015 Index	20	20	20	0	12	N/A

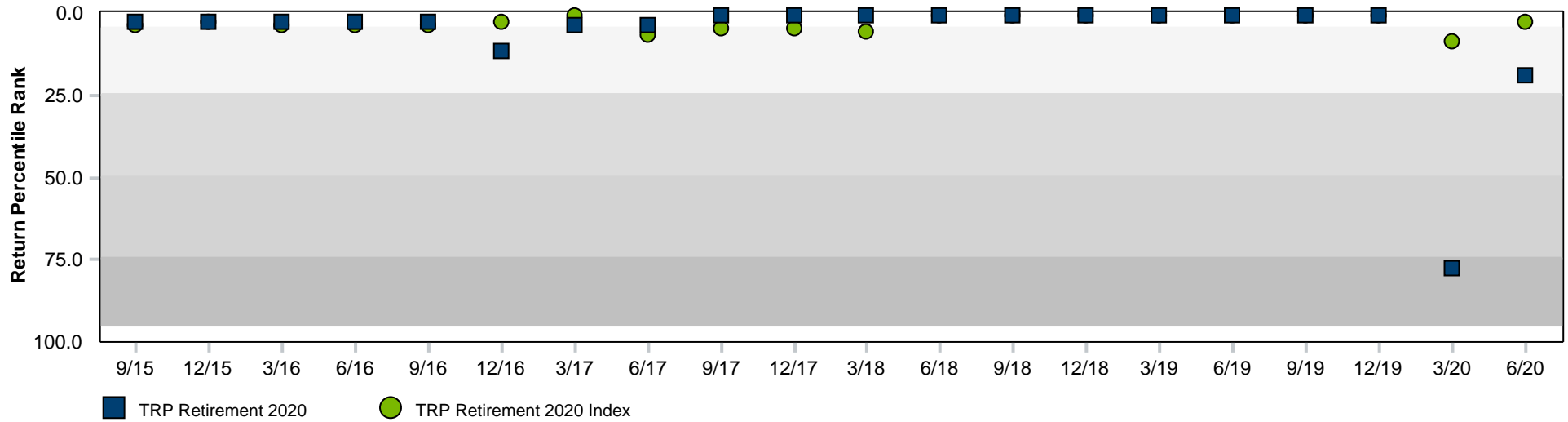
## Relative Performance (07/01/10 to 06/30/20)



Alternate share class shown to illustrate performance history.

# TRP Retirement 2020 06/30/20

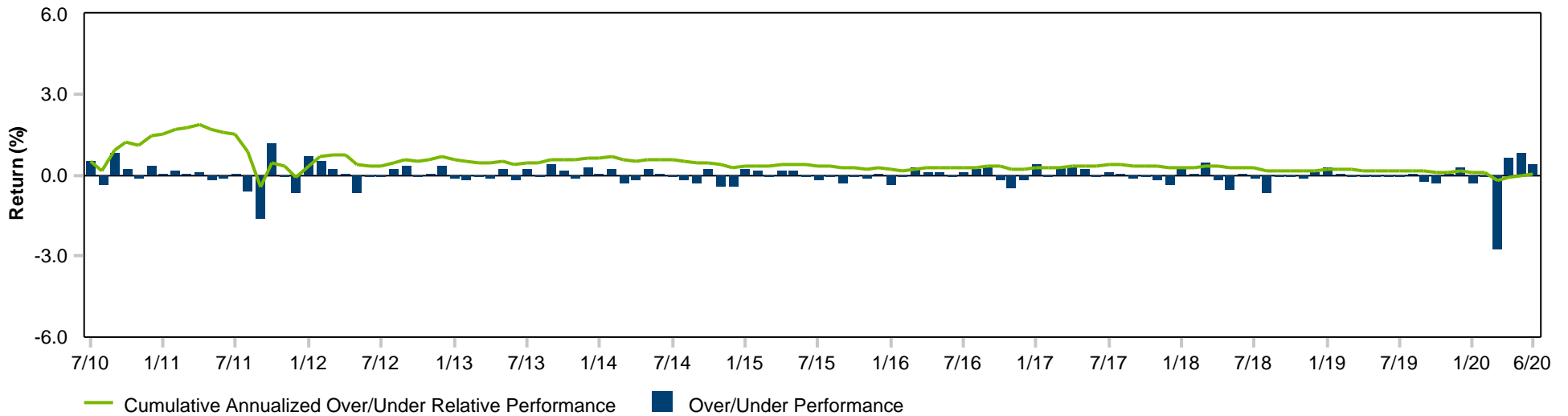
## Relative Ranking (3 Years Rolling)



## Relative Ranking vs. Peers (3 Years Rolling)

	Number of Observations	>=Median	Top Quartile	Bottom Quartile	>TRP Retirement 2020	>TRP Retirement 2020 Index
TRP Retirement 2020	20	19	19	1	N/A	13
TRP Retirement 2020 Index	20	20	20	0	7	N/A

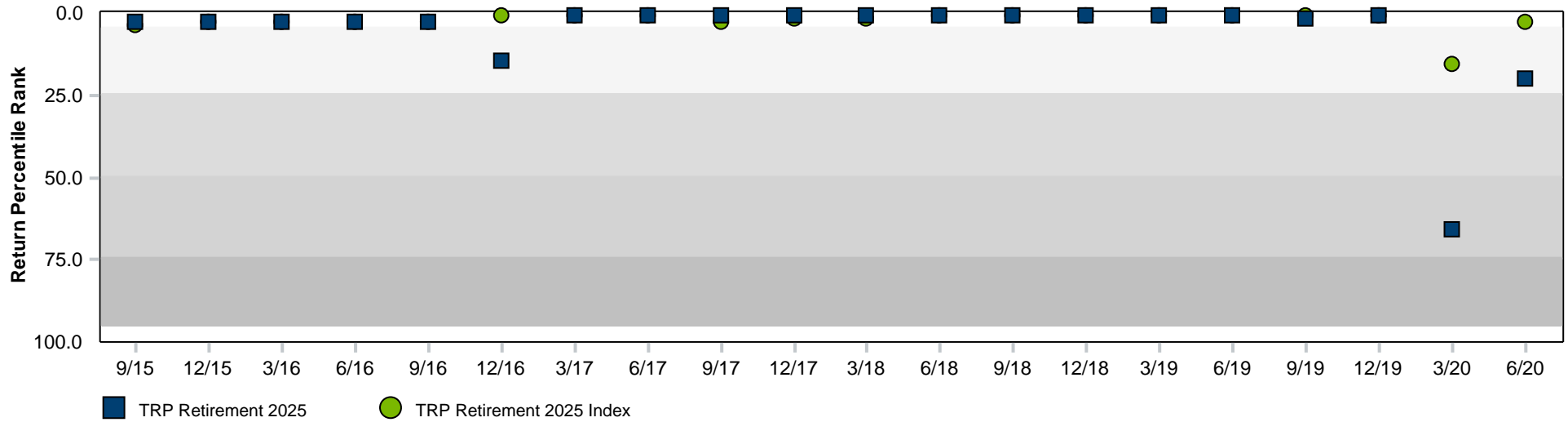
## Relative Performance (07/01/10 to 06/30/20)



Alternate share class shown to illustrate performance history.

# TRP Retirement 2025 06/30/20

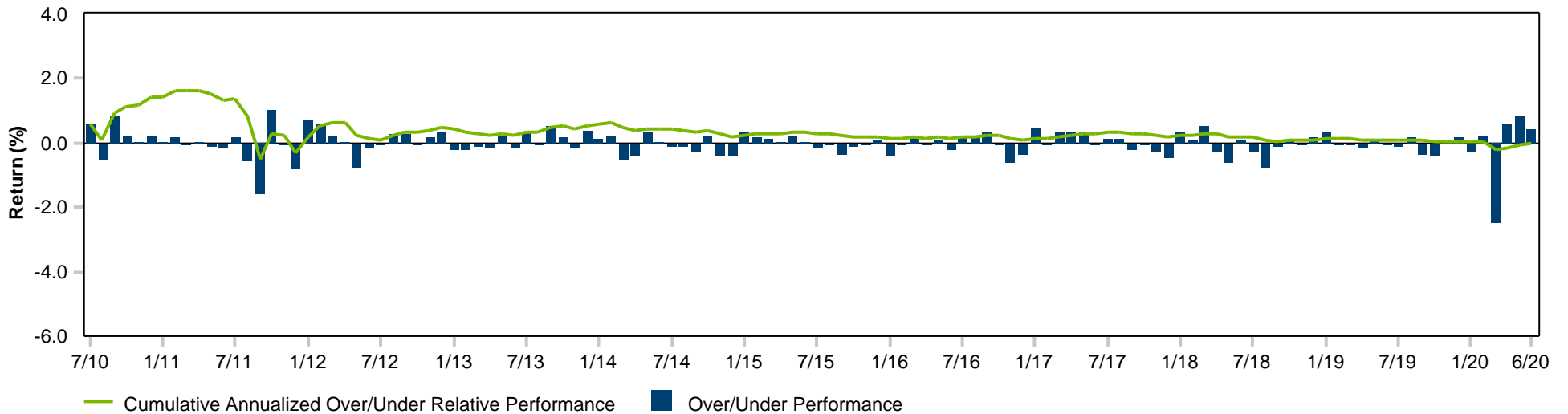
## Relative Ranking (3 Years Rolling)



## Relative Ranking vs. Peers (3 Years Rolling)

	Number of Observations	>=Median	Top Quartile	Bottom Quartile	>TRP Retirement 2025	>TRP Retirement 2025 Index
TRP Retirement 2025	20	19	19	0	N/A	10
TRP Retirement 2025 Index	20	20	20	0	10	N/A

## Relative Performance (07/01/10 to 06/30/20)

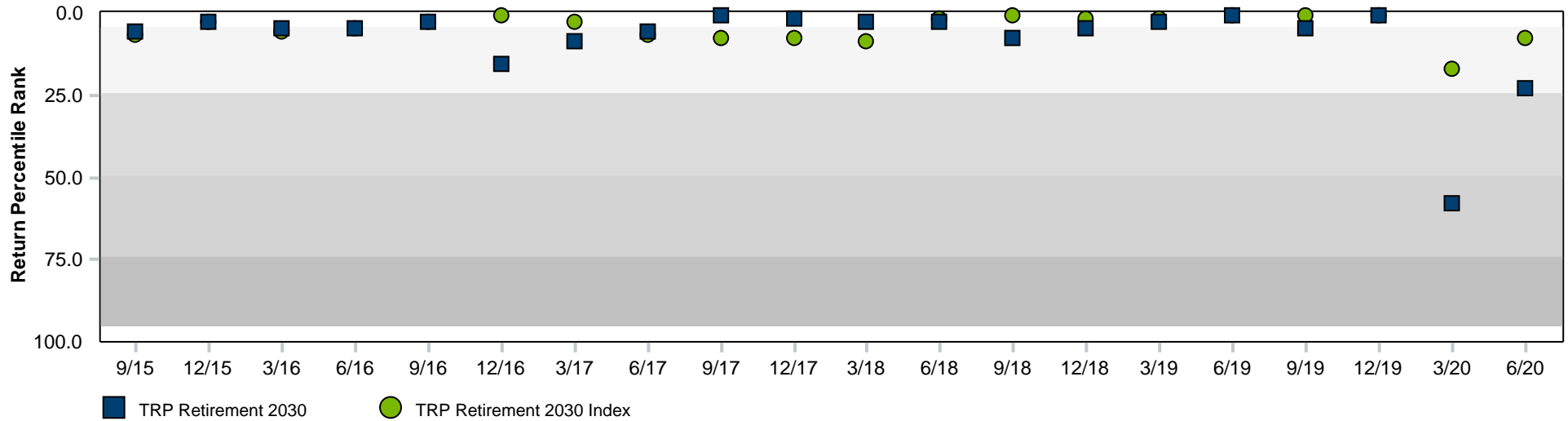


Alternate share class shown to illustrate performance history.



# TRP Retirement 2030 06/30/20

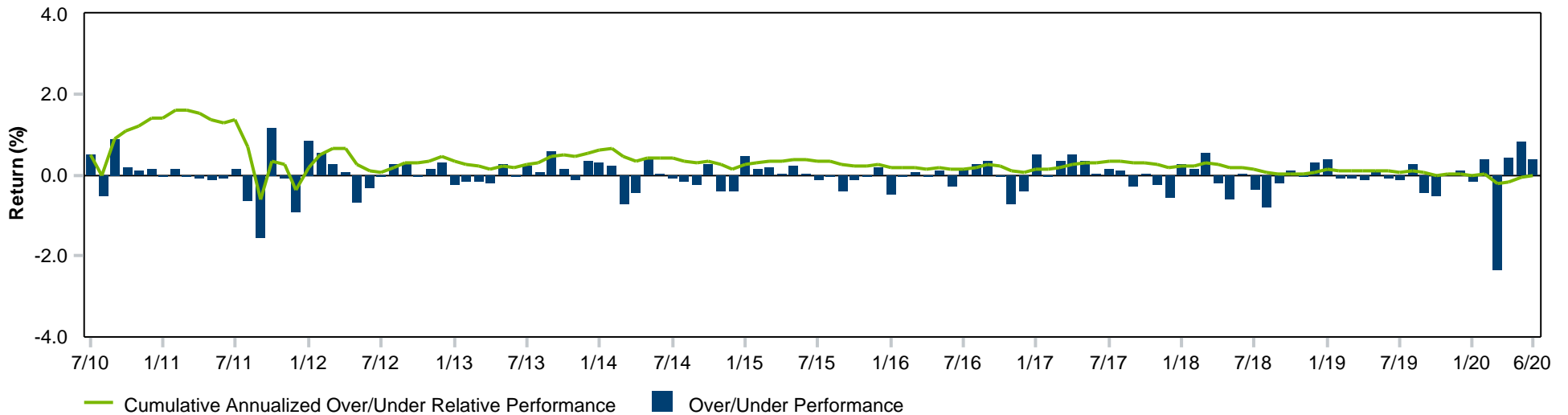
## Relative Ranking (3 Years Rolling)



## Relative Ranking vs. Peers (3 Years Rolling)

	Number of Observations	>=Median	Top Quartile	Bottom Quartile	>TRP Retirement 2030	>TRP Retirement 2030 Index
TRP Retirement 2030	20	19	19	0	N/A	10
TRP Retirement 2030 Index	20	20	20	0	10	N/A

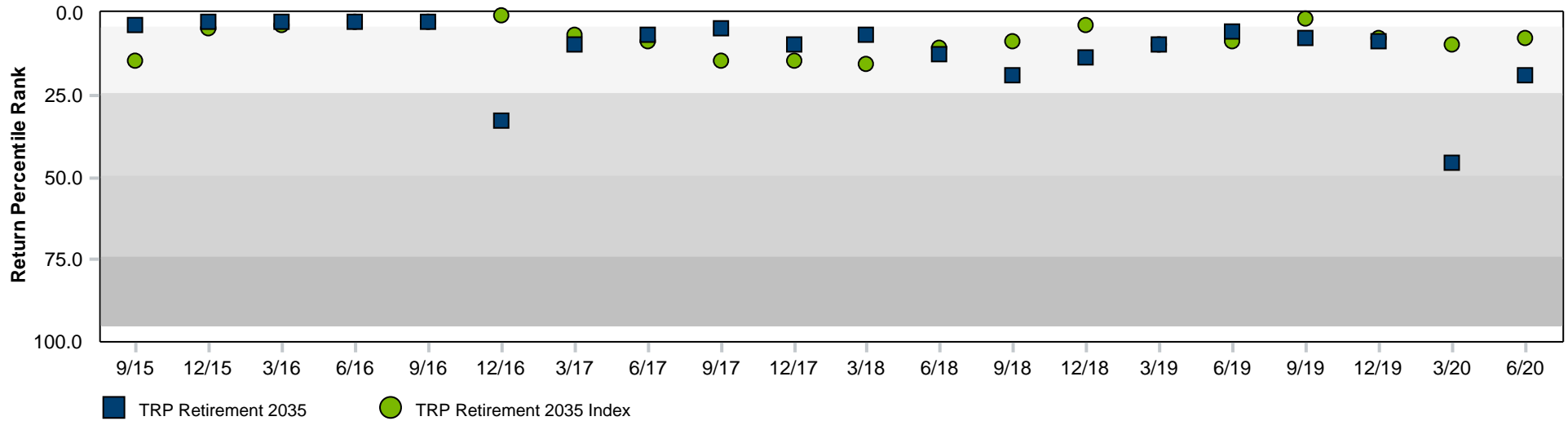
## Relative Performance (07/01/10 to 06/30/20)



Alternate share class shown to illustrate performance history.

# TRP Retirement 2035 06/30/20

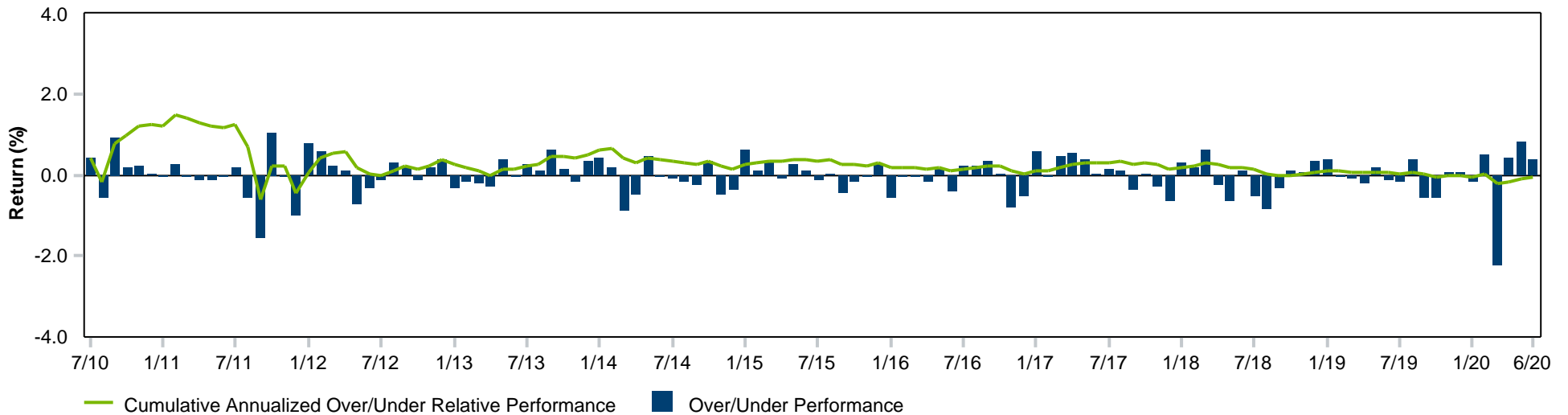
## Relative Ranking (3 Years Rolling)



## Relative Ranking vs. Peers (3 Years Rolling)

	Number of Observations	>=Median	Top Quartile	Bottom Quartile	>TRP Retirement 2035	>TRP Retirement 2035 Index
TRP Retirement 2035	20	20	18	0	N/A	9
TRP Retirement 2035 Index	20	20	20	0	11	N/A

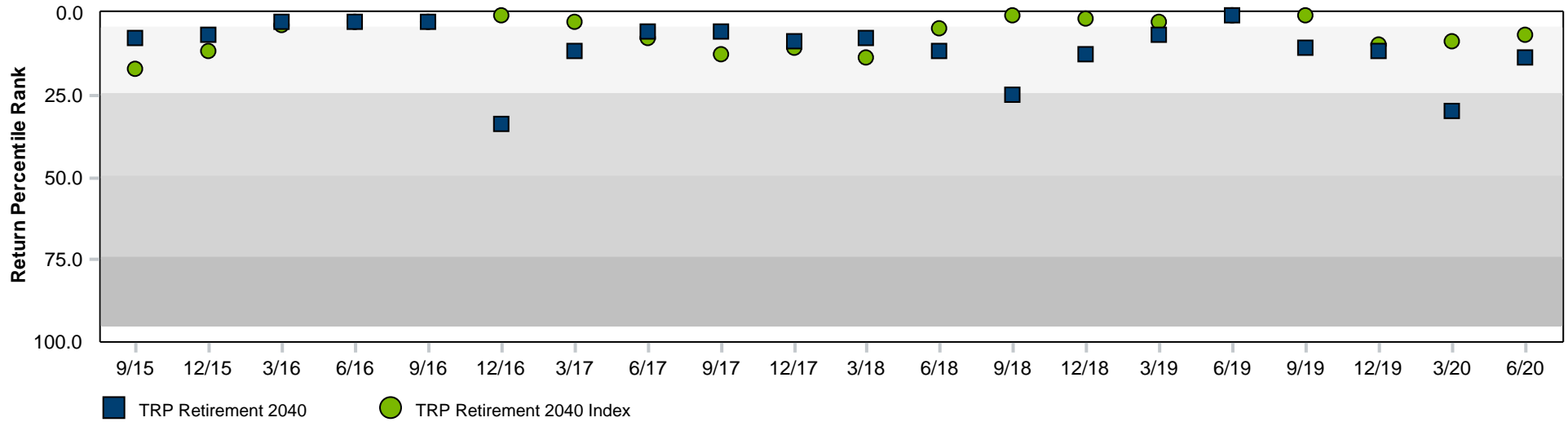
## Relative Performance (07/01/10 to 06/30/20)



Alternate share class shown to illustrate performance history.

# TRP Retirement 2040 06/30/20

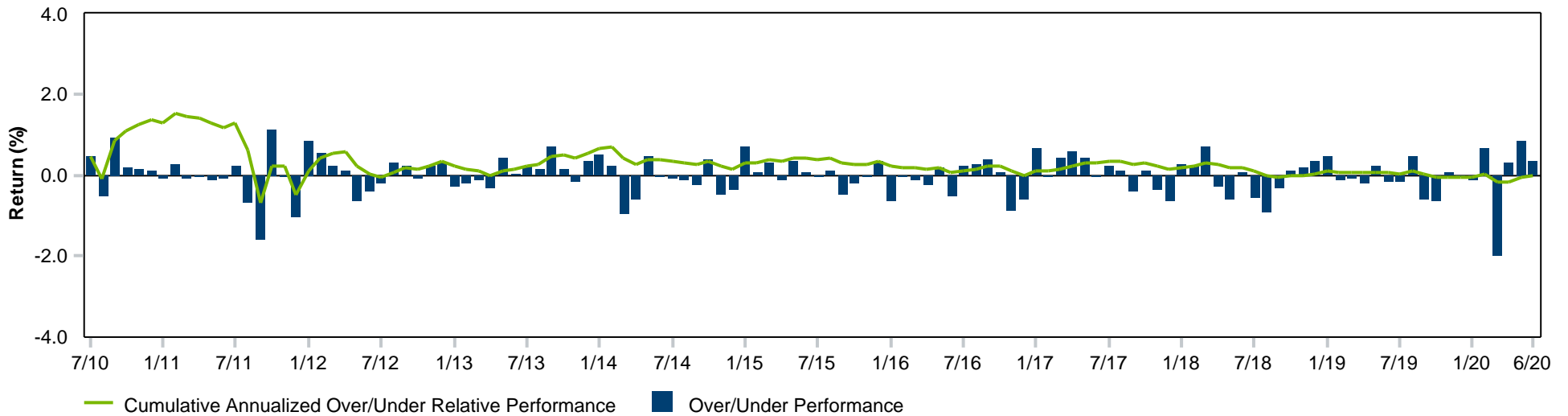
## Relative Ranking (3 Years Rolling)



## Relative Ranking vs. Peers (3 Years Rolling)

	Number of Observations	>=Median	Top Quartile	Bottom Quartile	>TRP Retirement 2040	>TRP Retirement 2040 Index
TRP Retirement 2040	20	20	18	0	N/A	9
TRP Retirement 2040 Index	20	20	20	0	11	N/A

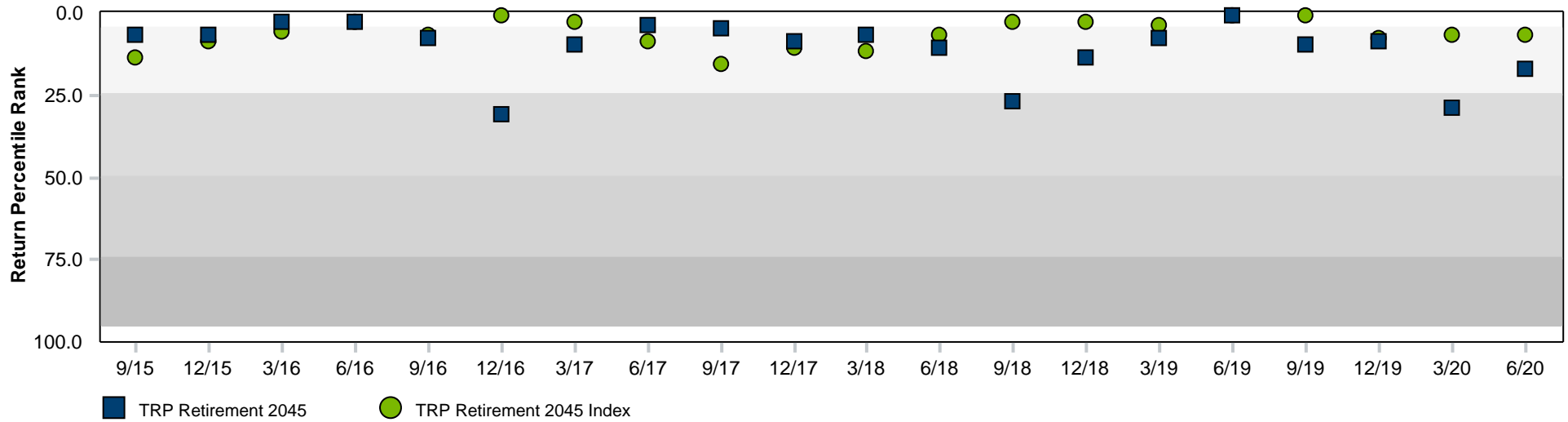
## Relative Performance (07/01/10 to 06/30/20)



Alternate share class shown to illustrate performance history.

# TRP Retirement 2045 06/30/20

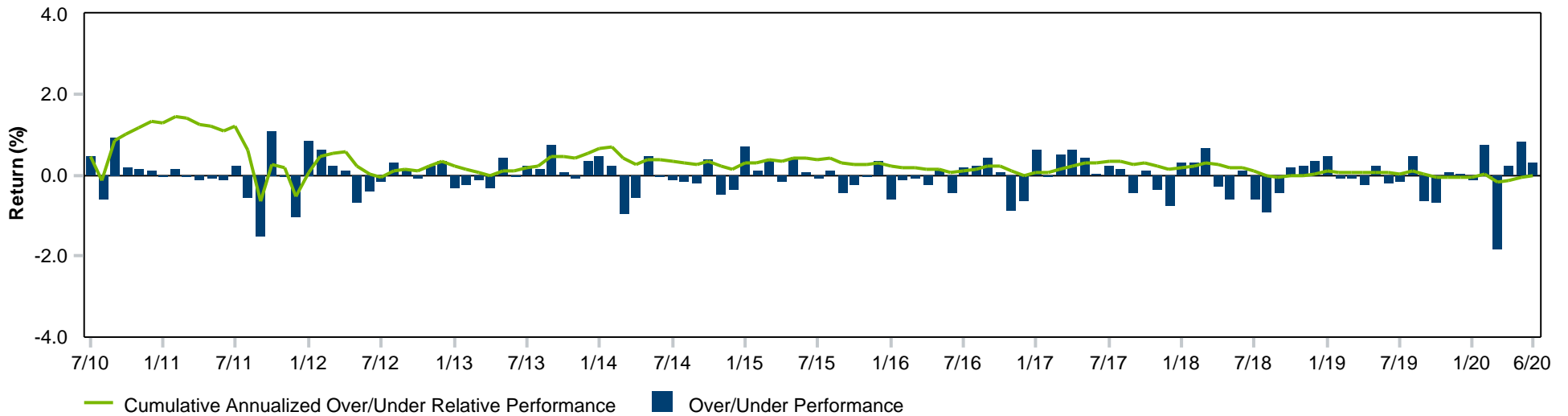
## Relative Ranking (3 Years Rolling)



## Relative Ranking vs. Peers (3 Years Rolling)

	Number of Observations	>=Median	Top Quartile	Bottom Quartile	>TRP Retirement 2045	>TRP Retirement 2045 Index
TRP Retirement 2045	20	20	17	0	N/A	9
TRP Retirement 2045 Index	20	20	20	0	11	N/A

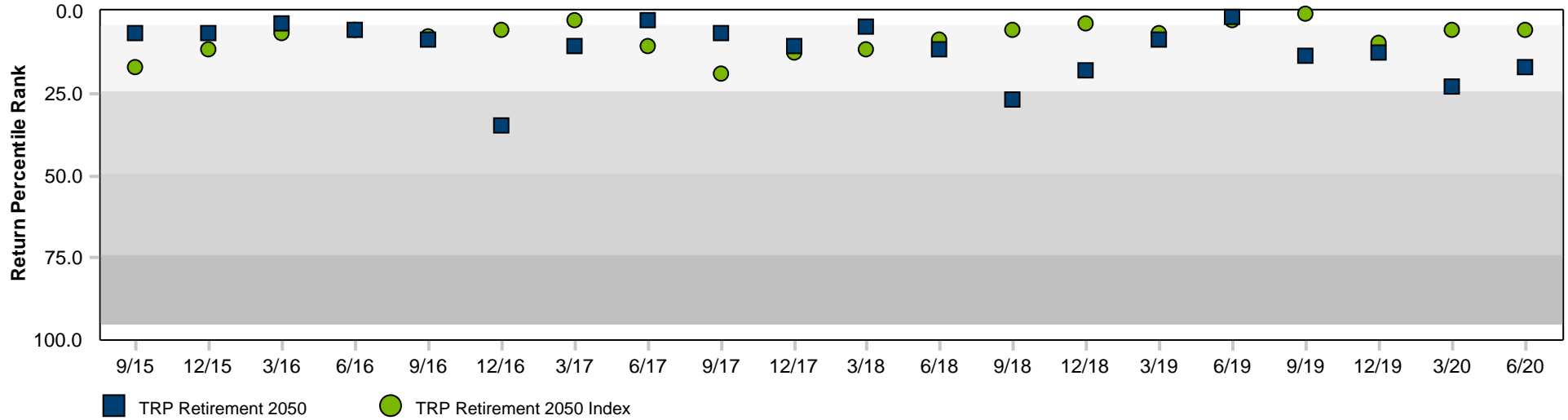
## Relative Performance (07/01/10 to 06/30/20)



Alternate share class shown to illustrate performance history.

# TRP Retirement 2050 06/30/20

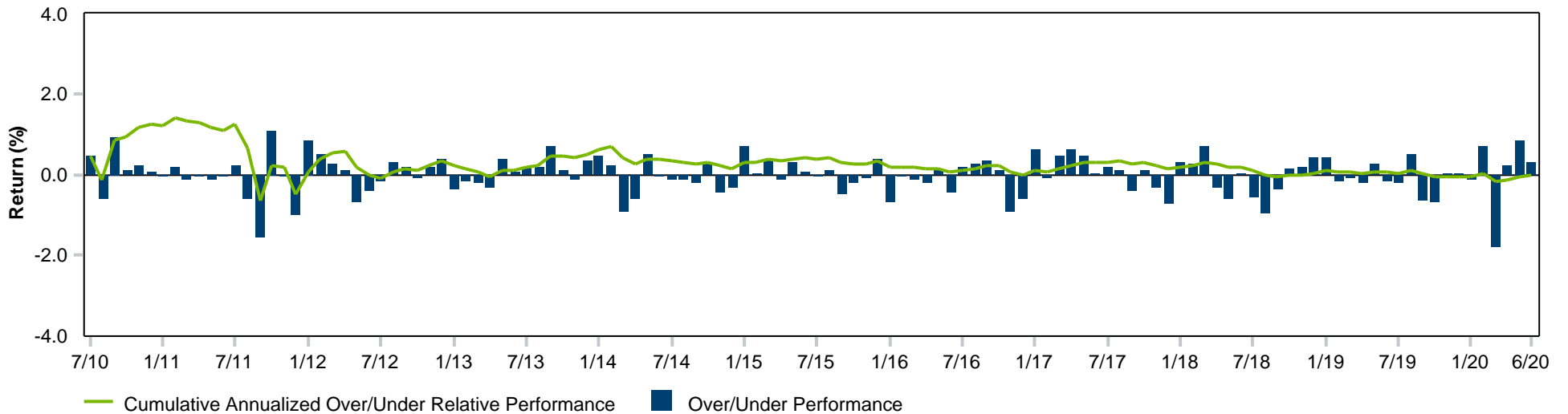
## Relative Ranking (3 Years Rolling)



## Relative Ranking vs. Peers (3 Years Rolling)

	Number of Observations	>=Median	Top Quartile	Bottom Quartile	>TRP Retirement 2050	>TRP Retirement 2050 Index
TRP Retirement 2050	20	20	18	0	N/A	9
TRP Retirement 2050 Index	20	20	20	0	11	N/A

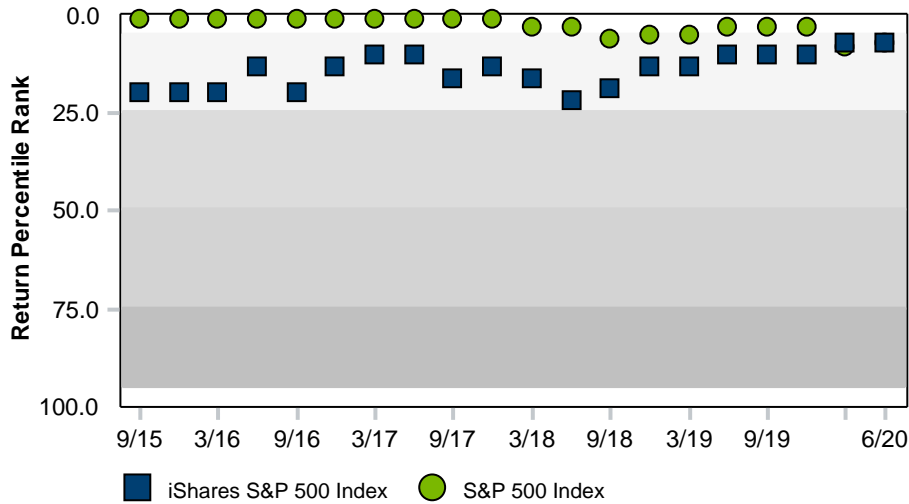
## Relative Performance (07/01/10 to 06/30/20)



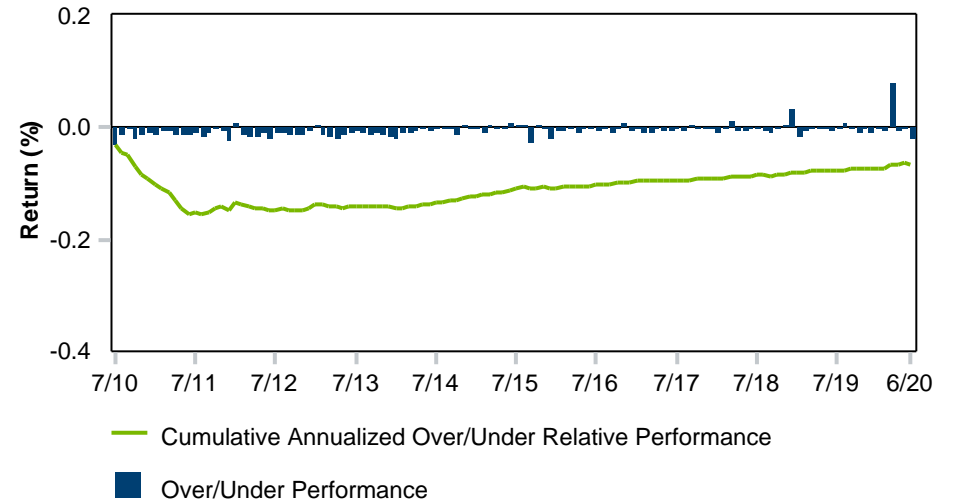
Alternate share class shown to illustrate performance history.

# iShares S&P 500 Index 06/30/20

## Relative Ranking (3 Years Rolling)



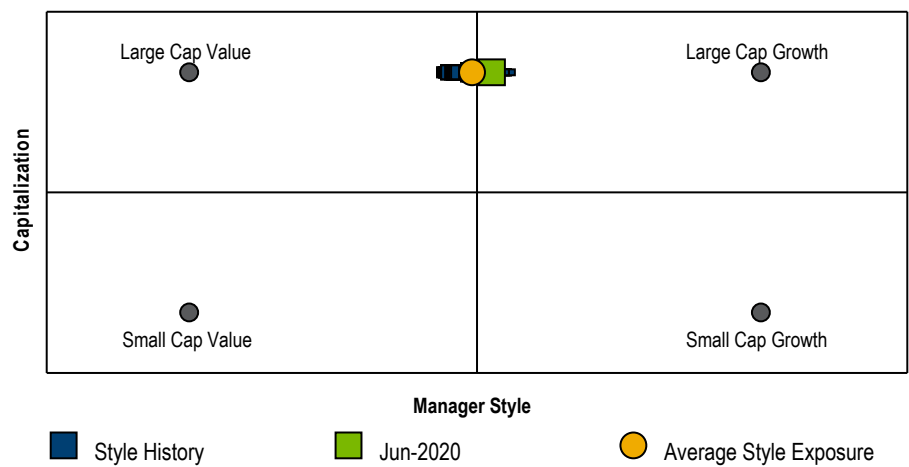
## Relative Performance (07/01/10 to 06/30/20)



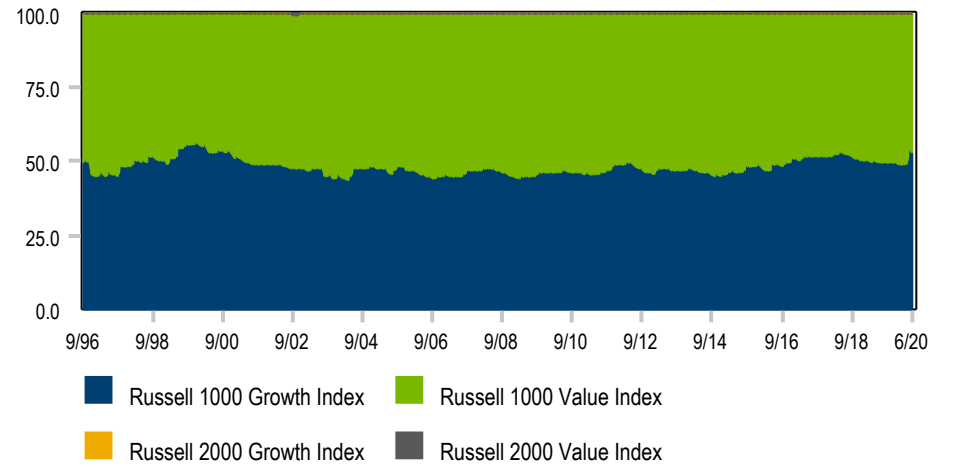
## Relative Ranking vs. Peers (3 Years Rolling)

	Number of Observations	>=Median	Top Quartile	Bottom Quartile	>iShares S&P 500 Index	>S&P 500 Index
iShares S&P 500 Index	20	20	20	0	N/A	2
S&P 500 Index	20	20	20	0	18	N/A

## Style Map (Since Inception - 36 Months Rolling)

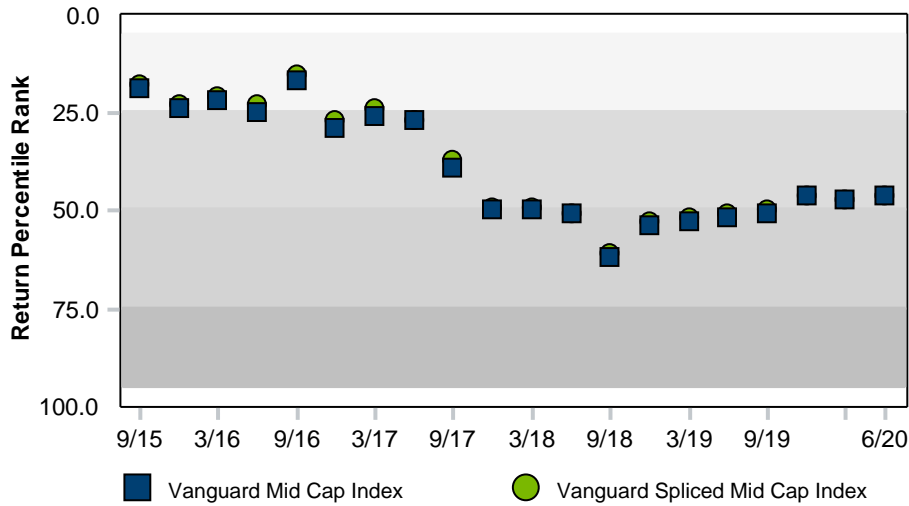


## Style History (Since Inception - 36 Months Rolling)

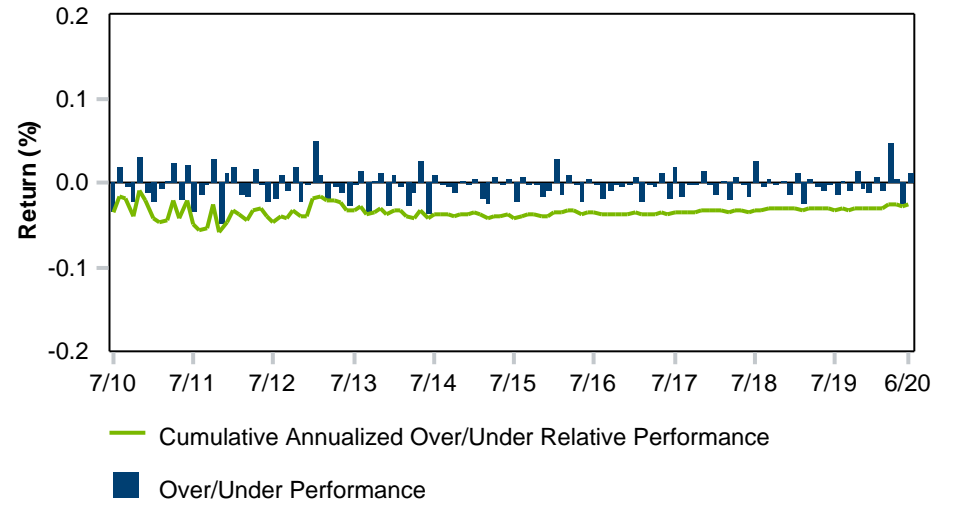


# Vanquard Mid Cap Index 06/30/20

## Relative Ranking (3 Years Rolling)



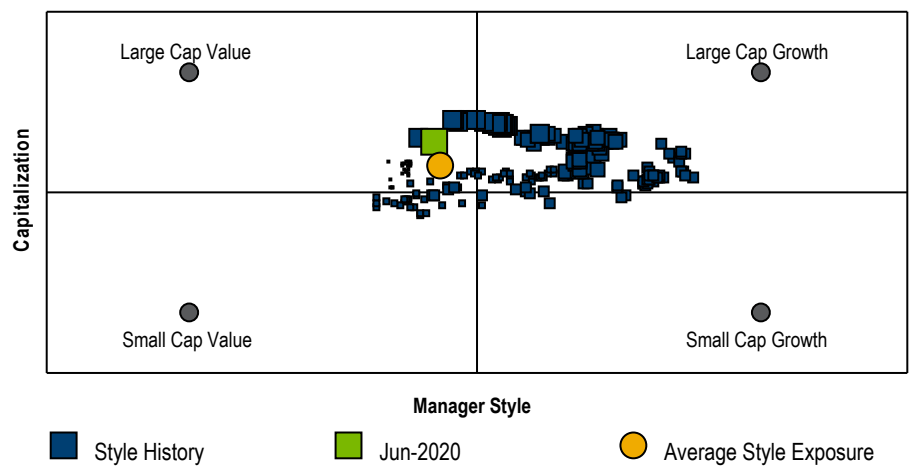
## Relative Performance (07/01/10 to 06/30/20)



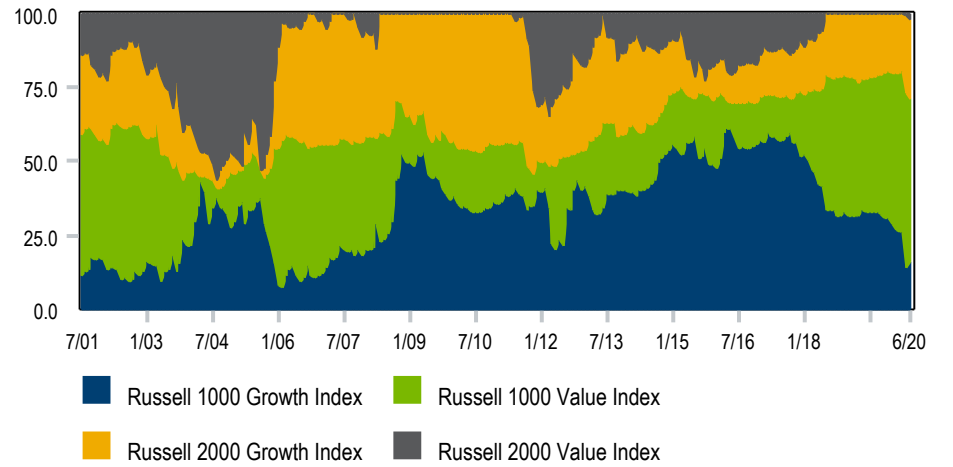
## Relative Ranking vs. Peers (3 Years Rolling)

	Number of Observations	>=Median	Top Quartile	Bottom Quartile	>Vanguard Mid Cap Index	>Vanguard Spliced Mid Cap Index
Vanguard Mid Cap Index	20	14	5	0	N/A	2
Vanguard Spliced Mid Cap Index	20	15	6	0	18	N/A

## Style Map (Since Inception - 36 Months Rolling)

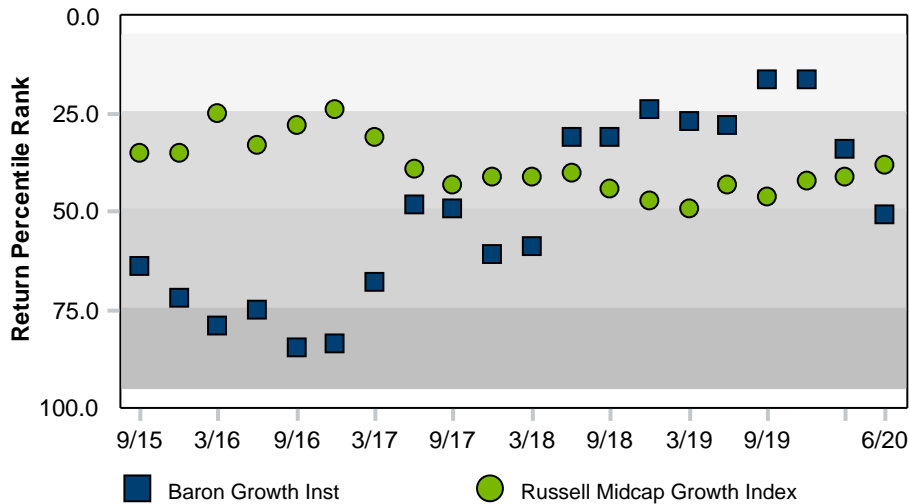


## Style History (Since Inception - 36 Months Rolling)

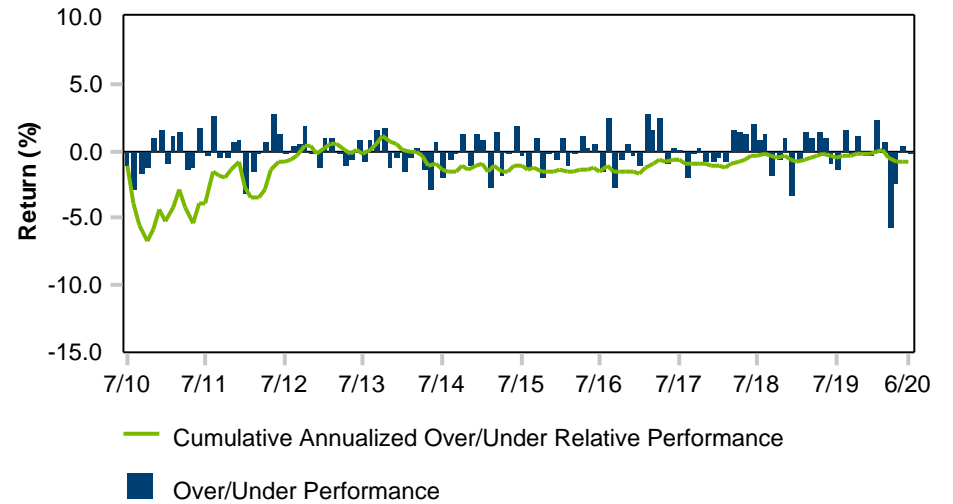


# Baron Growth Inst 06/30/20

## Relative Ranking (3 Years Rolling)



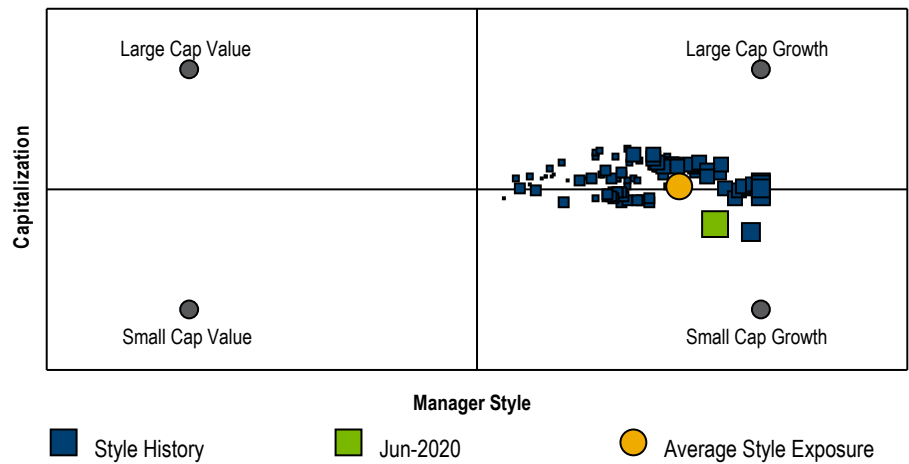
## Relative Performance (07/01/10 to 06/30/20)



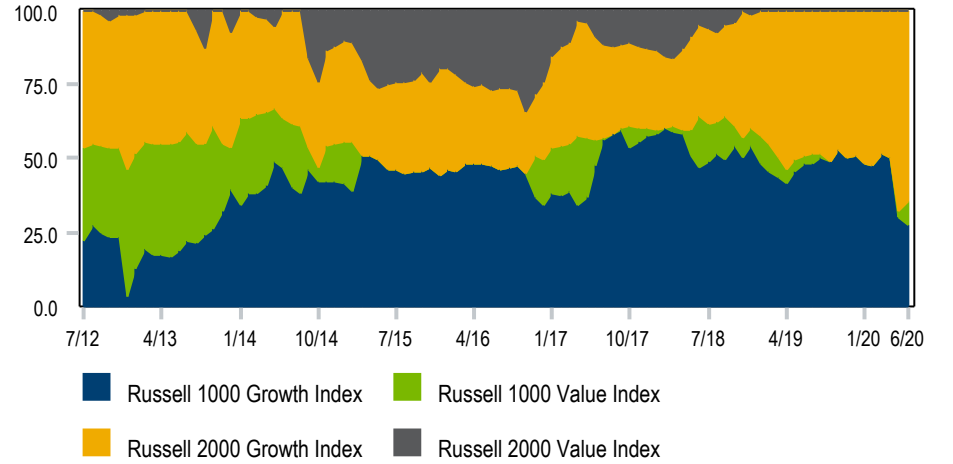
## Relative Ranking vs. Peers (3 Years Rolling)

	Number of Observations	>=Median	Top Quartile	Bottom Quartile	>Baron Growth Inst	>Russell Midcap Growth Index
Baron Growth Inst	20	11	3	3	N/A	8
Russell Midcap Growth Index	20	20	2	0	12	N/A

## Style Map (Since Inception - 36 Months Rolling)



## Style History (Since Inception - 36 Months Rolling)

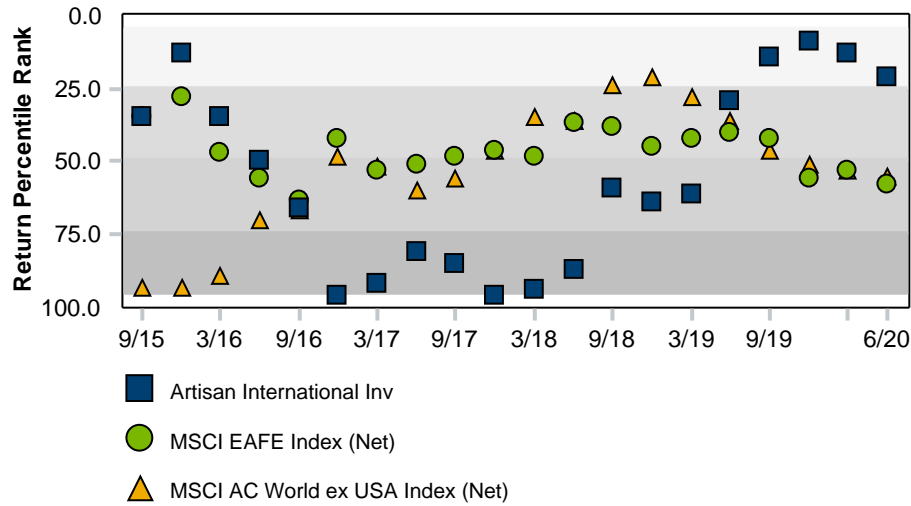


Alternate share class shown to illustrate performance history.

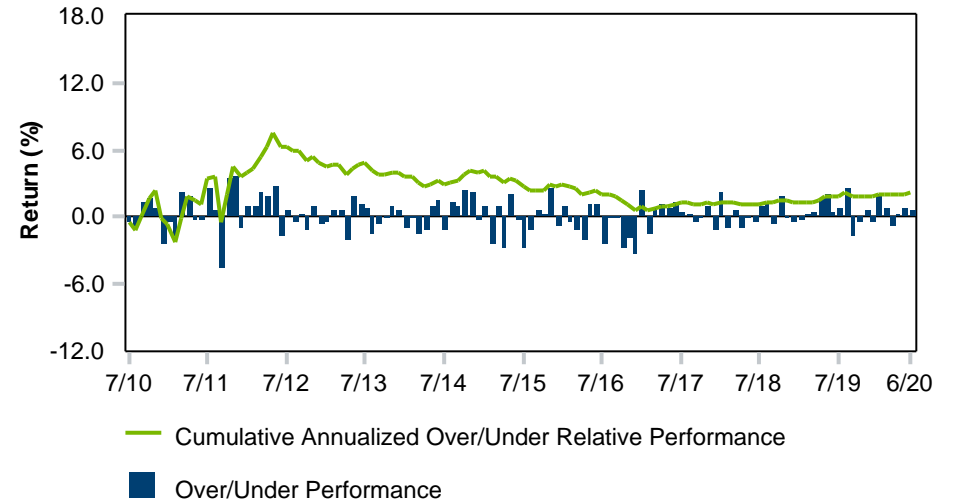


# Artisan International Inv 06/30/20

## Relative Ranking (3 Years Rolling)



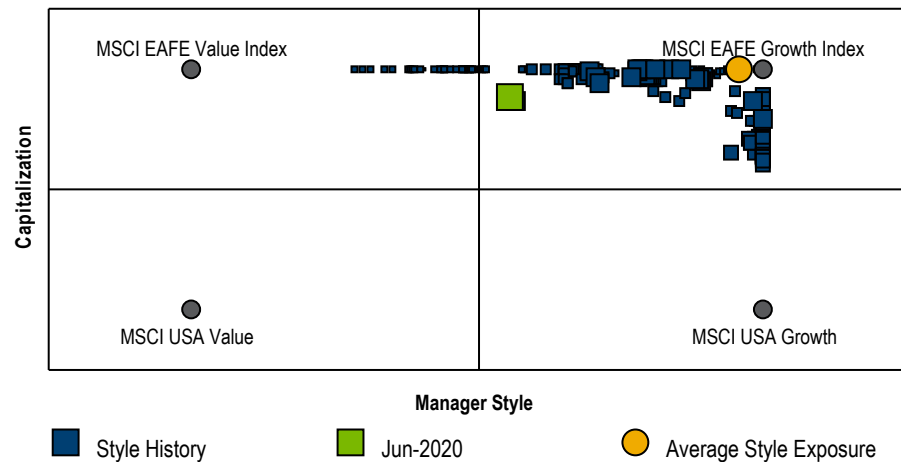
## Relative Performance (07/01/10 to 06/30/20)



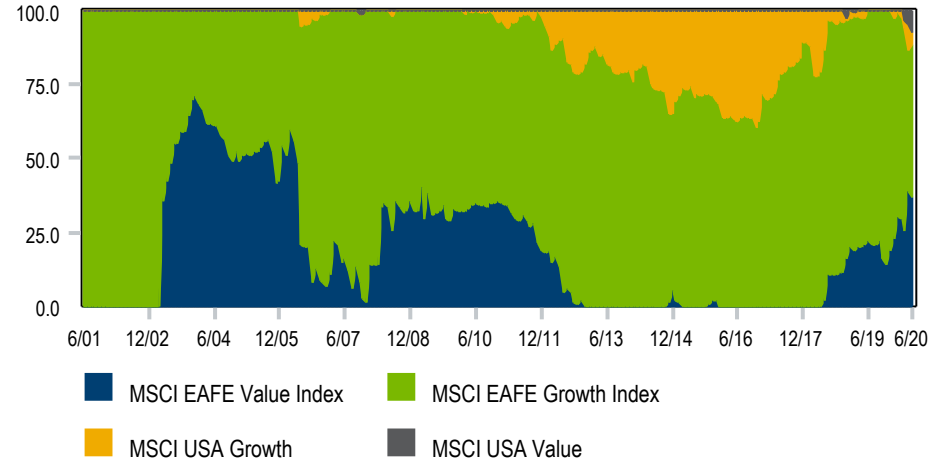
## Relative Ranking vs. Peers (3 Years Rolling)

	Number of Observations	>=Median	Top Quartile	Bottom Quartile	>Artisan International Inv	>MSCI EAFE Index (Net)	>MSCI AC World ex U
Artisan International Inv	20	9	5	7	N/A	9	10
MSCI EAFE Index (Net)	20	13	0	0	11	N/A	10
MSCI AC World ex USA Index (Net)	20	9	2	3	10	10	N/A

## Style Map (Since Inception - 36 Months Rolling)



## Style History (Since Inception - 36 Months Rolling)



## Cost Analysis

Fund Name	Peer Group	Fund's Expense Ratio	Expense Ratio Peer Group Data <sup>1</sup>				
			Median	\$ Weighted Median	Average	\$ Weighted Average	Difference <sup>2</sup>
<b>U.S. FIXED INCOME</b>							
Great West Portfolio Fund	Stable Value	0.89% <sup>3</sup>	0.45%	N/A	0.45%	N/A	N/A <sup>3</sup>
PIMCO Total Return Adm	U.S. Broad Market Core Fixed Income	0.71%	0.46%	0.37%	0.50%	0.34%	0.21%
PIMCO Inflation Response MultiAsst Inst	Flexible Portfolio	0.69%	0.99%	0.96%	1.19%	0.97%	-0.50%
<b>TARGET DATE</b>							
T. Rowe Price Retirement I 2005 I	Mixed-Asset Target Today (Active)	0.41%	0.51%	0.51%	0.53%	0.53%	-0.12%
T. Rowe Price Retirement I 2010 I	Mixed-Asset Target 2010 (Active)	0.40%	0.39%	0.31%	0.44%	0.41%	-0.04%
T. Rowe Price Retirement I 2015 I	Mixed-Asset Target 2015 (Active)	0.43%	0.43%	0.64%	0.47%	0.46%	-0.04%
T. Rowe Price Retirement I 2020 I	Mixed-Asset Target 2020 (Active)	0.46%	0.47%	0.46%	0.50%	0.48%	-0.04%
T. Rowe Price Retirement I 2025 I	Mixed-Asset Target 2025 (Active)	0.50%	0.47%	0.50%	0.52%	0.53%	-0.02%
T. Rowe Price Retirement I 2030 I	Mixed-Asset Target 2030 (Active)	0.53%	0.50%	0.47%	0.54%	0.49%	-0.01%
T. Rowe Price Retirement I 2035 I	Mixed-Asset Target 2035 (Active)	0.56%	0.53%	0.53%	0.54%	0.52%	0.02%
T. Rowe Price Retirement I 2040 I	Mixed-Asset Target 2040 (Active)	0.58%	0.55%	0.58%	0.56%	0.56%	0.02%
T. Rowe Price Retirement I 2045 I	Mixed-Asset Target 2045 (Active)	0.59%	0.55%	0.55%	0.55%	0.54%	0.04%
T. Rowe Price Retirement I 2050 I	Mixed-Asset Target 2050 (Active)	0.59%	0.55%	0.58%	0.57%	0.56%	0.02%
T. Rowe Price Retirement I 2055 I	Mixed-Asset Target 2055 (Active)	0.59%	0.55%	0.59%	0.56%	0.55%	0.03%
<b>U.S. EQUITY</b>							
iShares S&P 500 Index	S&P 500 Index (Passive)	0.03%	0.19%	0.04%	0.23%	0.04%	-0.20%
Vanguard Mid Cap Index	U.S. Mid Cap Core Equity (Passive)	0.04%	0.06%	0.05%	0.21%	0.05%	-0.17%
Baron Growth Inst	U.S. Mid Cap Growth Equity	1.03%	0.87%	0.65%	0.89%	0.70%	0.14%
<b>INTERNATIONAL EQUITY</b>							
Artisan International Inv	International Equity All	1.18%	0.89%	0.35%	0.89%	0.59%	0.29%

<sup>1</sup> All information, unless noted otherwise, was created using Morningstar audited expense ratio data as of December 31, 2019. Since mutual fund expense ratios do not change frequently, Aon Investments believes this study to be a relevant comparison for up to a year, at which time the data will be updated. For complete information on Aon Investments methodologies and additional information on the expense ratio distributions, contact your Aon Investments consultant. Mutual fund expense peer groups were constructed by Investment Metrics, and are consistent with the peer groups shown in other exhibits comparing performance, risk-metrics and a multitude of other characteristics.

<sup>2</sup> Difference column represents the difference between the fund's expense ratio and the Peer Group's average expense ratio.   
<sup>3</sup> N/A for an expense ratio; Great West assumed a margin of 0.05% based on the peer group's gross investment yield of the assets minus the crediting rate and cost of maintaining regulatory capital requirements. Given the lack of a defined expense ratio, we are not showing the difference relative to the average peer ratio.

<sup>4</sup> Stable value fund average calculated using Hueler Universe data for a mandate size of \$1 million in assets.

<sup>5</sup> Mixed Asset peer groups utilize prospectus net expense ratio information due to the nature of the asset class and common use of a Fund of Fund structure.

<sup>6</sup> Combines multiple Investment Metrics peer groups.

<sup>7</sup> Please note that this is the net expense ratio excluding interest expense. Interest expense can result from portfolio investment transactions and is not paid to PIMCO.

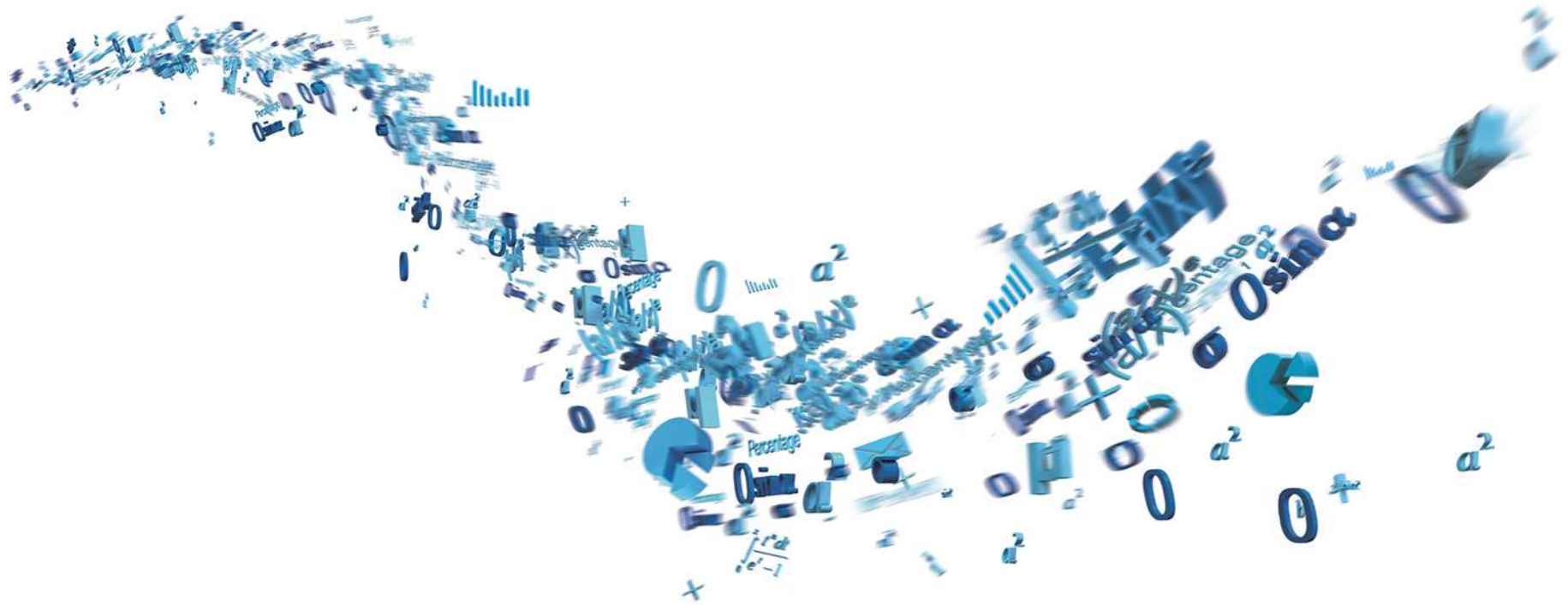
Active Manager Scorecard – Peer Ranking of Benchmark Returns<sup>1</sup>

Peer Group/Index	Index Return						Peer Ranking of Index Return					
	Qtr	YTD	1 Year	3 Years	5 Years	10 Years	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
All Cap Equity/ Russell 3000 Index	22.0%	-3.5%	6.5%	10.0%	10.0%	13.7%	45%	44%	39%	37%	30%	31%
Large Cap Equity/ Russell 1000 Index	21.8%	-2.8%	7.5%	10.6%	10.5%	14.0%	36%	40%	39%	38%	35%	34%
Large Cap Equity/ S&P 500 Index	20.5%	-3.1%	7.5%	10.7%	10.7%	14.0%	45%	41%	39%	37%	32%	34%
Mid Cap Equity/ Russell Midcap Index	24.6%	-9.1%	-2.2%	5.8%	6.8%	12.3%	43%	48%	49%	48%	49%	45%
Small Cap Equity/ Russell 2000 Index	25.4%	-13.0%	-6.6%	2.0%	4.3%	10.5%	48%	46%	44%	45%	46%	48%
Non-U.S. Equity/ MSCI ACWI ex-US	16.1%	-11.0%	-4.8%	1.1%	2.3%	5.0%	71%	59%	60%	56%	61%	79%
Emerging Markets Equity/ MSCI EM	18.1%	-9.8%	-3.4%	1.9%	2.9%	3.3%	61%	44%	43%	39%	48%	64%
Global Equity/ MSCI ACWI	19.2%	-6.3%	2.1%	6.1%	6.5%	9.2%	39%	49%	45%	44%	44%	59%
Core Fixed Income/ Bloomberg Barclays Aggregate	2.9%	6.1%	8.7%	5.3%	4.3%	3.8%	91%	50%	51%	50%	62%	76%
Long Credit/ Bloomberg Barclays Long Credit	11.1%	5.9%	13.2%	8.7%	8.5%	7.8%	78%	96%	91%	89%	87%	94%
Intermediate FI/ Bloomberg Barclays Intermediate Gov/Credit	2.8%	5.3%	7.1%	4.4%	3.5%	3.1%	76%	34%	33%	36%	46%	58%
High Yield FI/ Bloomberg Barclays High Yield	10.2%	-3.8%	0.0%	3.3%	4.8%	6.7%	29%	43%	41%	30%	13%	16%

Index Legend	
	Top Quartile
	2nd Quartile
	3rd Quartile
	4th Quartile

- Active management performance relative to indices during 2Q 2020 was mixed. U.S. active management struggled during the quarter. U.S. all cap, large-cap, mid- and small-cap equity active managers underperformed their respective indices not only during the quarter and year-to-date but also for the trailing one-, three-, five-, and ten-year periods. Non-U.S. equity active managers, on the other hand, showed better success. Non-US equity active managers outperformed their respective indices not only during the quarter and year-to-date but also over one-, three-, five-, and ten-year periods. Emerging markets managers posted above benchmark performance over the quarter and trailing ten-years but struggled year-to-date and over trailing one-, three-, and five-years. While Global equity active managers had underperformed during the quarter, year-to-date, one-, three-, and five-years, they have been successful over the long term, especially trailing ten-year period.
- Fixed income active manager struggled during the quarter. Performance amongst different fixed income styles was also mixed during the short and long term periods. Core, intermediate fixed income, and long credit active managers outperformed during the quarter, however, with the exception of long credit, most styles underperformed over the rest of the shown periods. Long credit active managers continued to outperform their respective indices not only during the quarter and year-to-date but over all trailing year periods. High yield active managers struggled to outperform the index not only over the quarter and year-to-date but also during trailing one-, three-, five- and ten-year periods.
- Aon recommends plan sponsors consider passive options where active management does not reliably add value.

<sup>1</sup>Source: eVestment Peer Universes



# ESG Investing Overview and Assessment

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# Table of Contents

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## **Background & Education**

- What is “ESG” Investing?
- Philosophical Debates in the World of Socially Responsible Investing
- Responsible Investment Strategies – Structural Overview
- U.S. Regulatory Guidance for Responsible Investing
- Responsible Investment Trends

## **Your Plan’s Current State**

- “ESG” factor ratings from Aon’s researchers

## **Next Steps**

# What is “ESG” Investing?

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

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

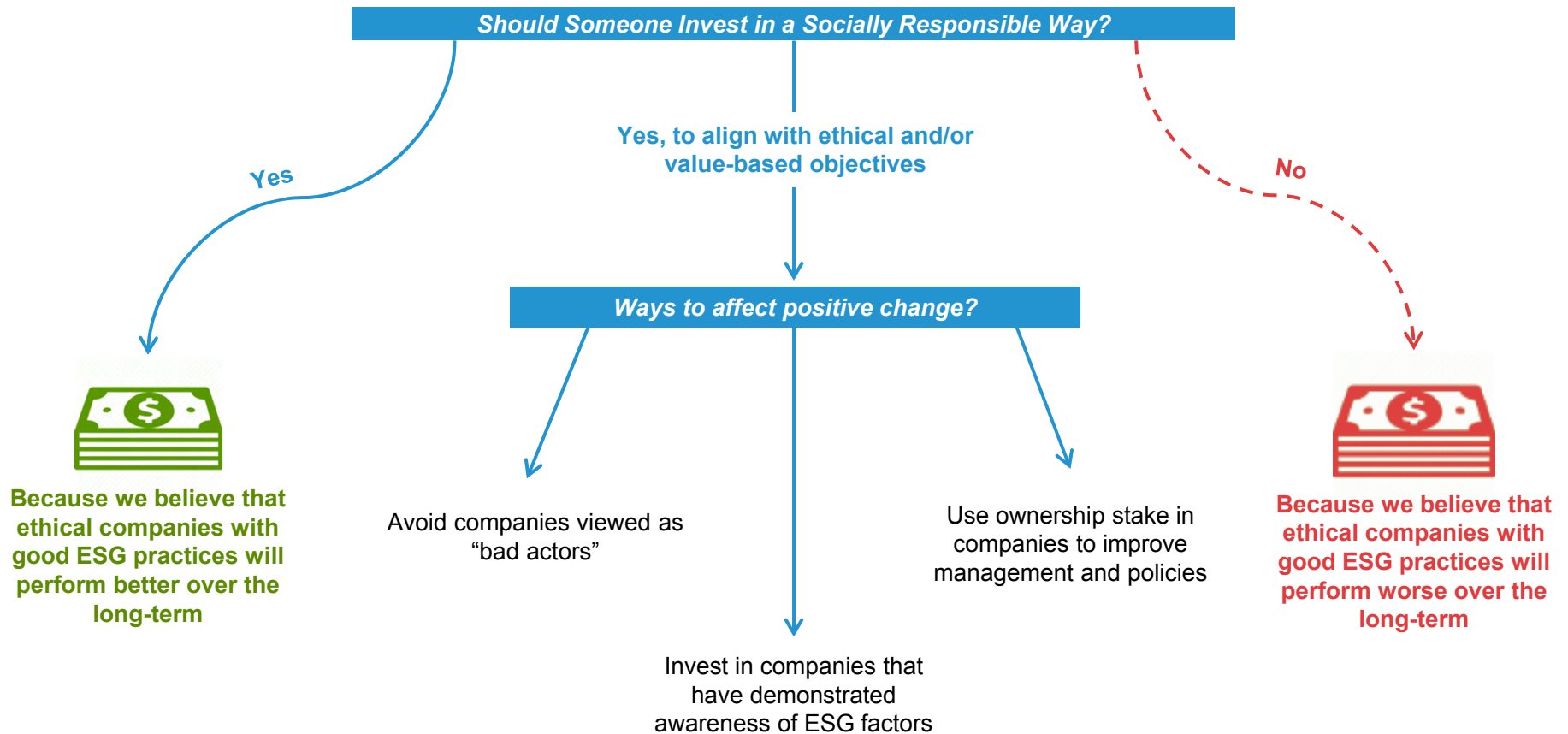
*The resulting conclusions are then merged into a broader investment process, deciding which equities or bonds to hold in a portfolio.*

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

1. **Dedicated Option(s)** - an option or options that are identifiable to participants as socially responsible menu choices
2. **Integrated Approach** – any options within the plan can incorporate ESG investing into their process whether the funds are communicated to participants as socially responsible or not
3. **Brokerage Window** – While not offered as a dedicated option in the menu or prioritized as a component of existing menu choices, participants can gain access to ESG strategies through the self-directed brokerage window.



# Philosophical Debates in the World of Socially Responsible Investing



*While rigorous academic studies on pure ESG investing (not combined mandates) are still limited, existing studies show that ESG integration has a neutral to positive impact on investment returns.*

This page is illustrative and does not represent any recommendations or Aon points-of-view

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# Responsible Investment Strategies – Structural Overview



## ESG Integration

**Selection Process:  
Positive or Negative**

Integrates environmental, social and governance criteria into fundamental investment analysis **to the extent they are material to investment performance.**

*(Shorting or not investing in company with governance issues such as bribery, tax evasion Investing in companies with good ESG fundamentals to reduce risk or enhance returns)*



## Socially Responsible Investing (SRI)

**Selection Process:  
Negative**

Attempts to screen out investments in stocks, companies or industries based on a set of ethical values.

*(Anti-pornography, private prisons, carbon, coal, Iran, Sudan, fossil fuel, etc.)*



## Impact Investing

**Selection Process:  
Positive**

Looks for investments that have a positive investment return as well as desired social, economic or environmental outcome.

*(MWBE, alternative energy, micro-funding)*



## Mission Related Investing

**Selection Process:  
Positive**

Places investments with companies or funds that complement the investor's mission.

*(Healthcare, senior issues, child issues, religious)*

## Values Based Responsible Investing



# U.S. Regulatory Guidance for Responsible Investing

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Both the 2015 and 2018 DOL memos assert that ESG **cannot stand on** its own as satisfaction of fiduciary duty



The 2018 memo reminds fiduciaries that they still have to **fulfill their ERISA fiduciary duties** when selecting investments and reviewing ESG funds for possible investment.



Although plans may invest in ESG funds, plan fiduciaries still have their fiduciary responsibilities when considering ESG funds and “checking the box” in fulfillment of a desired/approved **ESG policy does not eliminate those fiduciary responsibilities.**



In June 2020, the DOL circulated new rules for comment that further clarify the use of ESG/RI investment techniques in plans subject to ERISA guidelines

## U.S. Regulatory Guidance for Responsible Investing (continued)

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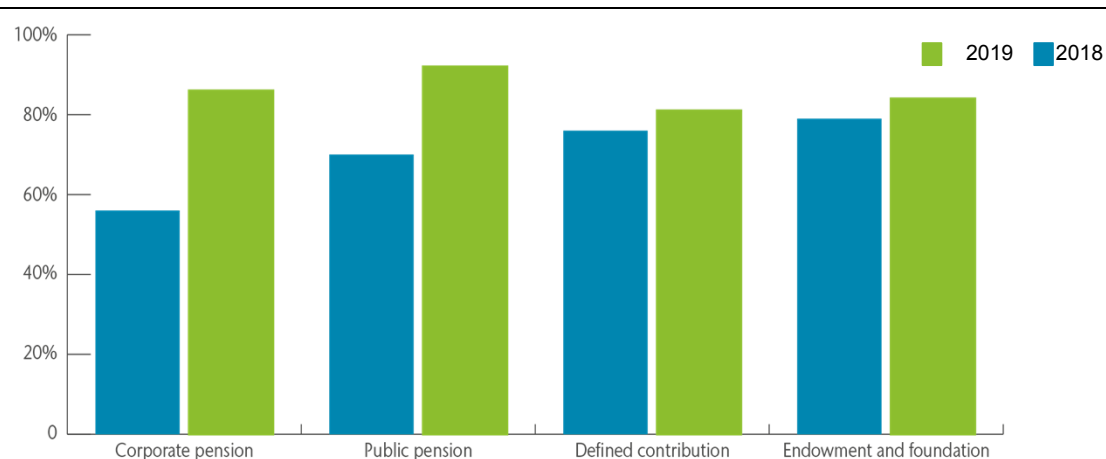
- Based on the proposed guidance from June 2020 (which is not yet in final form) ESG strategies, such as integration, that incorporate one or more E, S and/or G factors because of materiality to investment performance, would still be considered consistent with ERISA's fiduciary duties, provided:
  - There is documentation as to the basis for the materiality determination;
  - Other “qualified investment professionals” (*i.e.*, an objective standard) would similarly conclude that the ESG factor is material to investment performance based on “generally accepted investment theories”;
  - The weight given to the ESG factor in the materiality analysis is appropriate (a point the DOL previously stressed in FAB 2018-01); and
  - The ESG investment is measured against “other available alternative investments” with respect to diversification, liquidity, and potential risk-return of the plan portfolio
- ESG funds may be added for non-financial (values based) reasons only if they are “economically indistinguishable” from non-ESG investments
- Any fiduciary adding a responsible investment option to their DC plan should document the decision using only objective risk-return criteria (benchmarks, expense ratios, investment returns, etc.)
- Based on proposed regulation, no ESG fund should be added as, or as a component of, a Qualified Default Investment Alternative (QDIA)
- The rules are not yet final, but until there is more clarity it may be wise to proceed as if it is

Source: <https://www.federalregister.gov/documents/2020/06/30/2020-13705/financial-factors-in-selecting-plan-investments> :

## Responsible Investment Trends

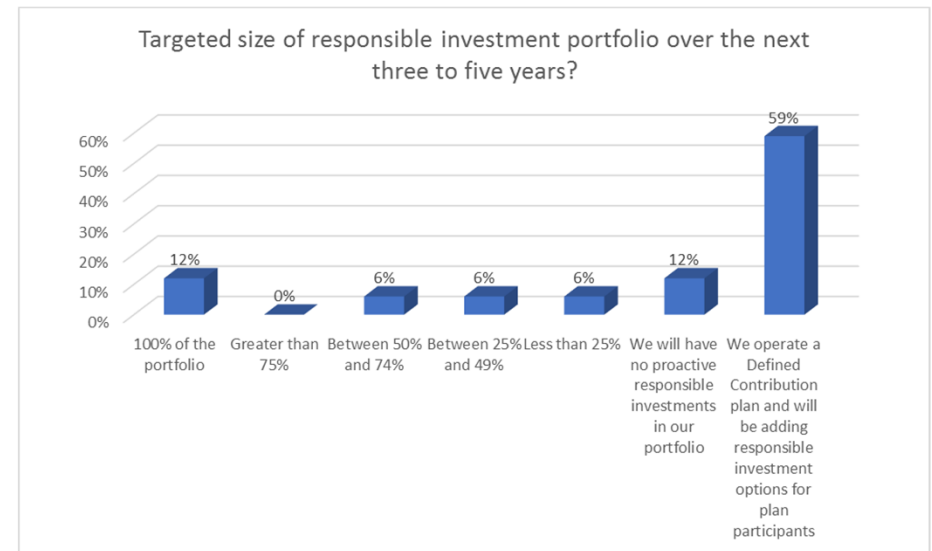
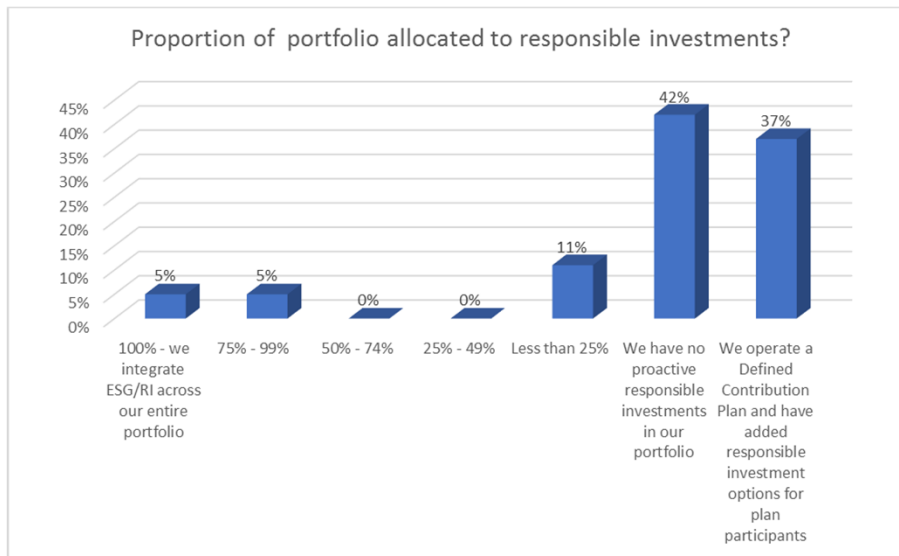
- In recent outside surveys, U.S. workers have indicated a strong desire to make the world better while growing their assets
- Aon's 2018 survey revealed that **68%** of those polled believed responsible investing to be at least somewhat important to their organization
  - Our 2019 results saw that figure jump to **85%**
- Looking at just the U.S., **16%** of respondents indicated that a dedicated ESG offering had been added to their DC plan
- Public pensions and DC plans were the most likely investor types to indicate they would significantly increase their responsible investment investments in the future, at 22% and 16% respectively.

Year-on-year change in responsible investing attitudes by investor type

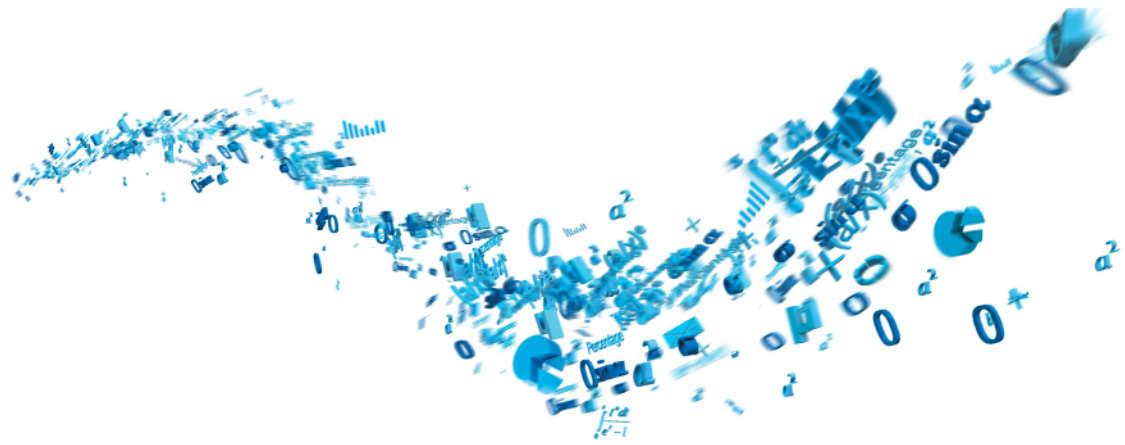


## Responsible Investment Trends (continued)

- Environmental, Social, and Governance (ESG) funds and Responsible Investment (RI) options are rare in DC plans – most sources cite that roughly 10% of DC plans offer these options in the U.S.
  - In 2017, less than 4% of DC plans had dedicated ESG/RI option which held less than 1% of plan assets<sup>1</sup>
- Aon’s global survey of institutional investors, including DC plans, indicated that a larger percentage of global DC plans have ESG/RI options in place, and that a number of respondent DC plans will add one in the next three- to five-years



<sup>1</sup> Profit Sharing Council of America (PSCA)



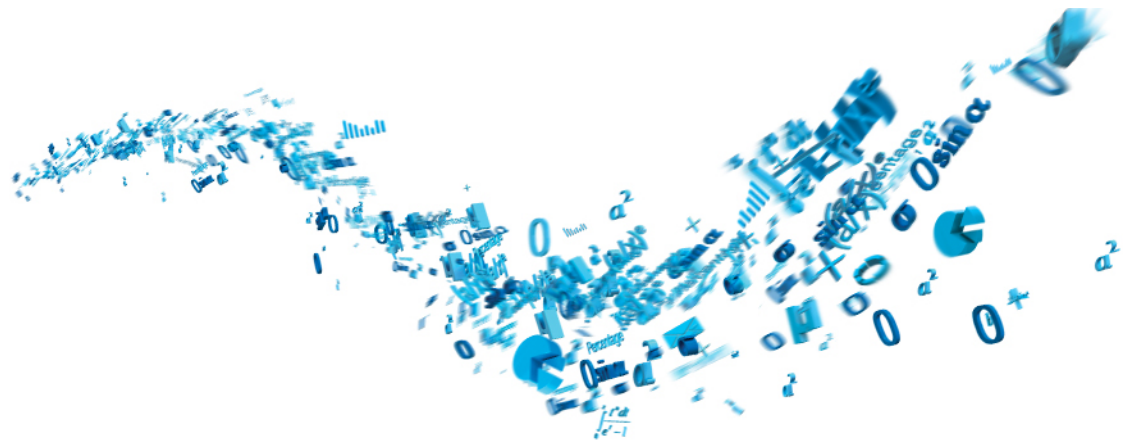
# ESG Ratings – FCPS 457 Fund Choices

# Responsible Investing Considerations

## AHIC's ESG Ratings

Fund	ESG Rating	Commentary
<b>Target Date</b>		
T. Rowe Price Retirement Mutual Funds	3	Majority of the underlying T. Rowe equity strategies have “3” ESG score.
<b>U.S. Fixed Income</b>		
Great West Portfolio Fund	NR	This offering is an annuity contract, not an investment, so technically there are no portfolio holdings. As an organization, Great West Financial does comply with Global Reporting Initiative standards, which are the most widely adopted reporting standards for sustainability.
PIMCO Total Return	3	PIMCO also offers ESG version of the Total Return strategy in a mutual fund
PIMCO Inflation Response Multi-Asset	NR	Roughly 90% of the fund’s assets are held in asset classes unaffected by ESG (treasury bonds, commodities contracts, etc.), as such there is no ESG rating for this offering
<b>U.S. Equity</b>		
iShares S&P 500 Index	2	
Vanguard Mid Cap Index	2	
Baron Growth	In Review	In 2018, Baron formed an ESG Committee to focus on ESG matters. The Committee monitors trends in ESG research and investing and assists with client requests and reporting related to ESG topics.
<b>International Equity</b>		
Artisan International	2	

Rating	Explanation
3	The Fund Management Team demonstrates an above average awareness of potential ESG risks in the investment strategy and has taken essential steps to identify, evaluate and potentially mitigate these risks
2	The Fund Management Team is aware of potential ESG risks in the investment strategy and has taken some steps to identify, evaluate and potentially mitigate these risks.
1	The Fund Management Team appears unaware or unconcerned with ESG risk in the investment strategy and has not taken any material steps to address ESG considerations in the portfolio
NR	The ESG qualities of the strategy are currently not monitored by AHIC's research group



# Next Steps

## Next Steps

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- Assess and/or reaffirm existing Committee views on ESG and socially responsible investing
- Assess and/or reaffirm policy decisions and governance processes related to plan offerings and oversight
- Determine if any actions are appropriate



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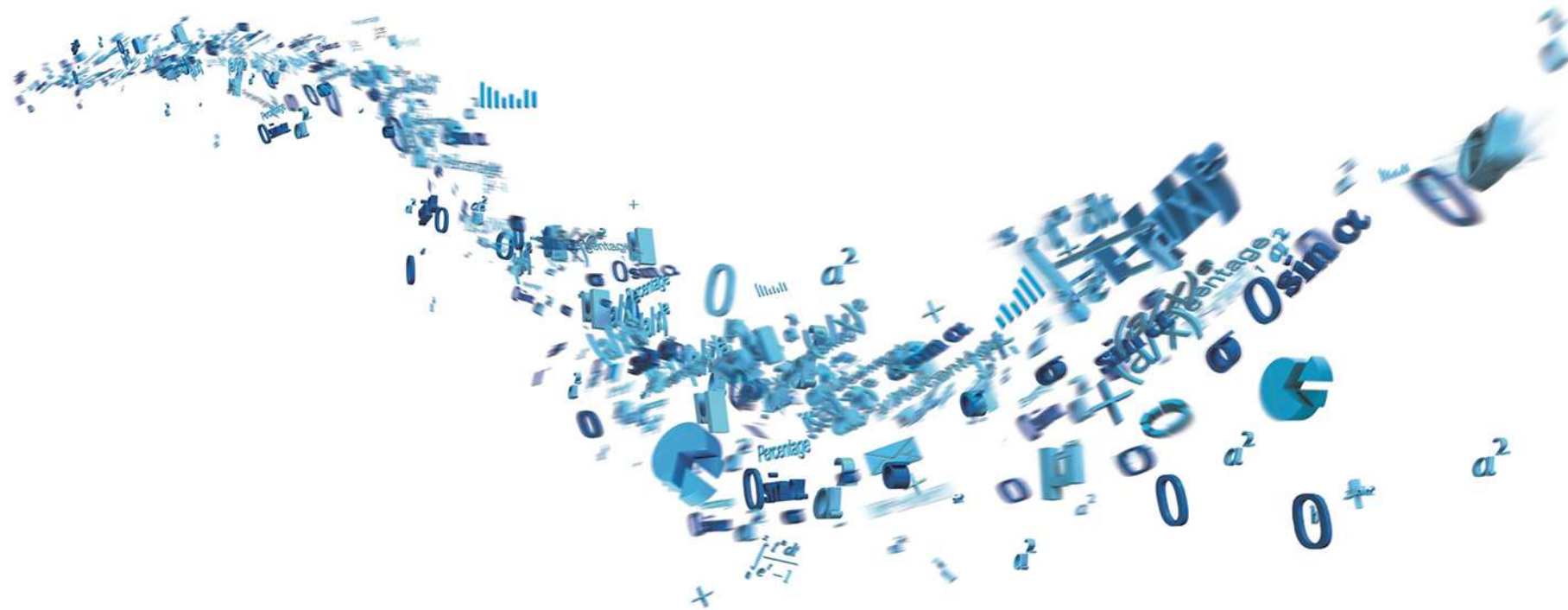
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Aon Investments USA Inc.  
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Suite 1500  
Chicago, IL 60601  
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# Appendix

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## Notes

- The rates of return contained in this report are shown on an after-fees basis unless otherwise noted. They are geometric and time weighted. Returns for periods longer than one year are annualized.
- Universe percentiles are based upon an ordering system in which 1 is the best ranking and 100 is the worst ranking.
- Due to rounding throughout the report, percentage totals displayed may not sum up to 100.0%. Additionally, individual fund totals in dollar terms may not sum up to the plan totals.

## Disclaimer

### Past performance is not necessarily indicative of future results.

Unless otherwise noted, performance returns presented reflect the respective fund's performance as indicated. Returns may be presented on a before-fees basis (gross) or after-fees basis (net). After-fee performance is net of each respective sub-advisors' investment management fees and include the reinvestment of dividends and interest as indicated on the notes page within this report or on the asset allocation and performance summary pages. Actual returns may be reduced by Aon Investments' investment advisory fees or other trust payable expenses you may incur as a client. Aon Investments' advisory fees are described in Form ADV Part 2A. Portfolio performance, characteristics and volatility also may differ from the benchmark(s) shown.

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