



Fairfax County Public Schools DC Plan Investment Structure – Continued

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Investment advice and consulting services provided by Aon Investments USA Inc

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Decision Points for Committee Consideration

TIAA Mapping Decisions

- Target Date Funds vs. Like-to-Like Funds vs. Hybrid Approach

Overall Plan Decisions

- Should the investment menu in the 403b plan be the same on both vendor platforms (to the extent, possible based on fund availability)?
- Should the investment menu in the 457 plan be the same as the investment menu in the 403b plan?

Investment Menu Structure Decisions

- What is the appropriate number of investment choices to offer in the 403b and/or 457 plan menus?
- What are the appropriate types of investment choices to offer in the 403b and/or 457 plan menus?
 - Active vs. Passive
 - Participant Objective and/or Asset Class Categories
 - Investment Management Style (e.g., growth, value, core)

Investment Manager Decisions

- Which investment strategy should be used for each of the investment choices decided structurally above?

TIAA → AIG Mapping Options

There are three potential options for mapping assets from TIAA to AIG.

Note: Options 1 & 3 require participant assets to be out of the market for up to 5 business days.

1. Target Date Funds

- Map all TIAA Assets to the T. Rowe Price Target Date Funds (TDF), based on participants' ages*:
- Aon prefers providing a clear QDIA safe harbor when mapping assets, over Like-to-Like mapping which requires an undefined 'reasonably similar' standard.

2. Like-to-Like Mapping

- Where appropriate we can map all TIAA assets to the AIG line-up, however the DOL's direction on what makes an appropriate like-to-like match is vague
- The TIAA Real Estate option will not have an appropriate "like-to-like" option in the new AIG line-up and will need to be mapped to the appropriate TDF

3. Hybrid Approach

- a. Map most TIAA assets to the TDFs, but use Like-to-Like Mapping for Stable Value Options*:
 - All TIAA Target Date, Passive and Active options would be mapped to the appropriate T. Rowe Price TDF in the AIG line-up
 - TIAA Stable Value would be mapped to AIG's Stable Value Option
- b. Map most TIAA assets to the TDFs, but use Like-to-Like Mapping for Passive and Stable Value Options*:
 - TIAA Bond Index, TIAA S&P 500 Index, Vanguard Extended Market Index and Vanguard Total International Stock Index would be mapped to the appropriate Fidelity Passive option offered by AIG.

Mapping Considerations

Aon prefers ERISA 404(c)(5) providing a clear *Qualified Default Investment Alternative (QDIA)* safe harbor when mapping, over ERISA 404(c)(4) Like-to-Like mapping which requires an undefined reasonably similar standard.

“**Mapping**” refers to the process where fund assets are sold and the proceeds are wired to the new investment manager/provider where they are reinvested, at the direction of the plan sponsor.

Plan sponsors typically either map “like-to-like” for protection under **ERISA 404(c)(4)**, or offer a period where participants who don’t make an election will have assets mapped to the plan’s default fund under the QDIA safe harbor, **ERISA 404(c)(5)**.

Safe Harbor (QDIA) / 404(c)(5)

Plan sponsor or fiduciary-directed transfer of participant asset balances and deferrals from a discontinued option to a plan’s default. As long as the default is a QDIA, plan sponsors or fiduciaries obtain safe harbor relief from fiduciary liability for investment outcomes.

An open enrollment period is required under section 404(c)(5).

No further analysis required

Like-to-Like / 404(c)(4)

The Pension Protection Act (PPA) extends relief to the mapping of a participant’s assets from a discontinued option to one or more remaining or new options that is stated to be **reasonably similar investment in risk & return**.

Characteristics that make funds similar for mapping:

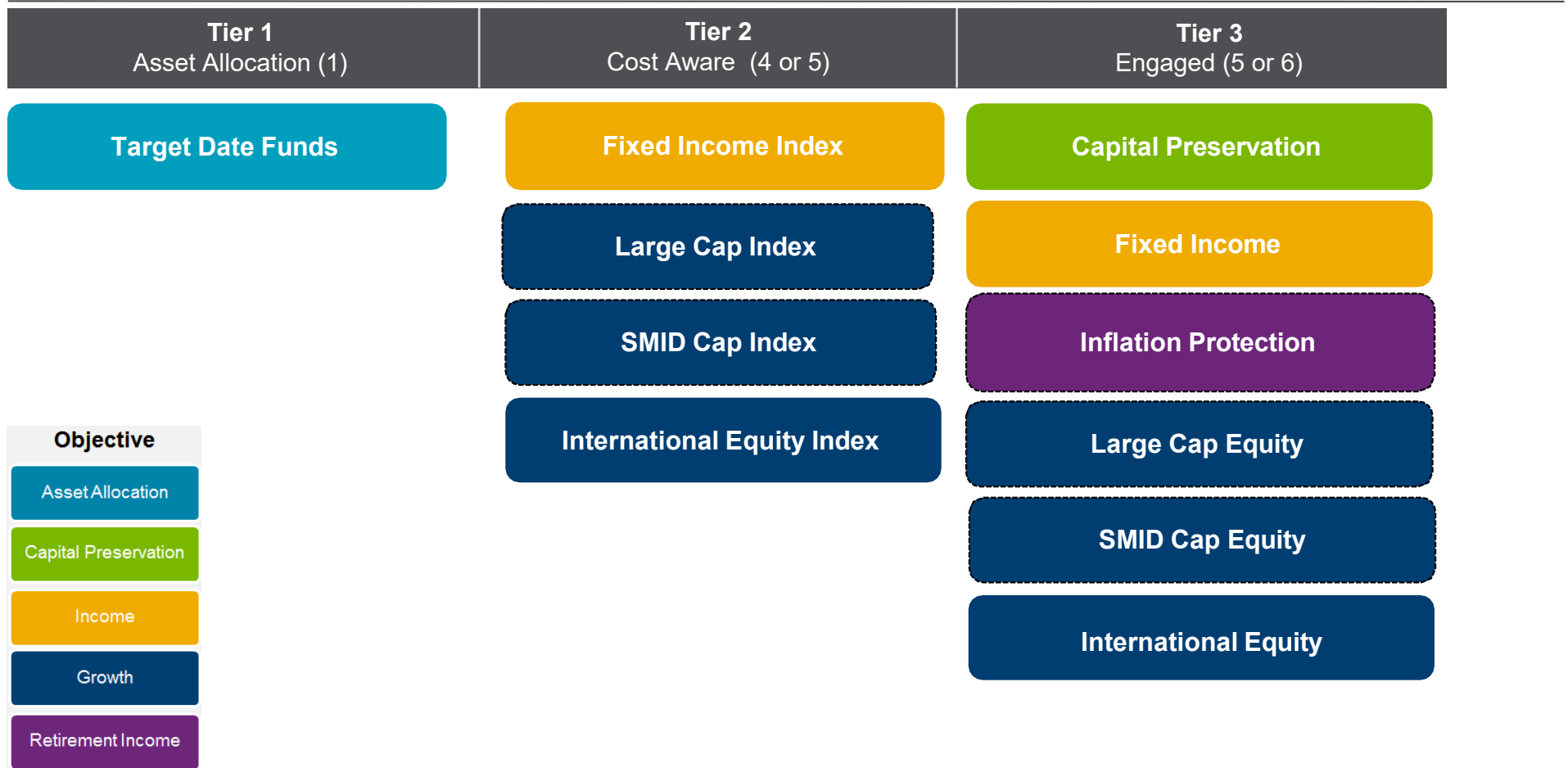
- Asset Class Coverage
- Investment Strategy/Style Coverage
- Risk/Return Analysis
- Return Correlation
- Active or Passive Management

May require further analysis

403(b) & 457(b) Retirement Savings Plans Comparison Chart

| Feature | 403(b) | 457(b) |
|---|---|---|
| IRS Annual Contribution Limits | <u>2022 Limits</u> \$20,500, under age 50 \$27,000, age 50 or older | <u>2022 Limits</u> \$20,500, under age 50 \$27,000, age 50 or older \$41,000, Special 457 Catch-Up |
| Contract Exchanges (from FCPS providers) | In-plan balance transfers allowed between FCPS approved 403(b) providers | Not Applicable |
| Rollovers from former employers or IRAs | Rollovers in are allowed from 401(a), 401(k), 403(b), 457(b) Governmental Plans, Conduit IRAs, Traditional IRAs. | |
| Loans | 2 loans allowed per plan. Not allowed if you have had a loan default with a current or previous vendor. | |
| Distributable Events | One or more of the following: - Age 59.5 - Severance from service - Retirement - Disability - Financial hardship withdrawals as defined by the plan. Financial Hardship Examples: Prevent eviction or foreclosure, purchase of a principal residence, loss-related repairs on principal residence, out-of-pocket medical expenses, post-secondary education, current funeral or burial expenses. | One or more of the following: - Age 59.5 - Severance from service - Retirement - Disability - Unforeseeable Emergency withdrawals as defined by the plan. Unforeseeable Emergency Examples: Prevent eviction or foreclosure, medical expenses not reimbursed by insurance, funeral expenses for a family member. |
| Penalties for Early Withdrawals | 10% tax penalty before age 59.5 and may be subject to income taxes. | Governmental 457(b) distributions are not subject to the 10% early withdrawal penalty, however a 10% early withdrawal penalty would apply to IRA, qualified plan, or 403(b) rollover money if it is distributed early. |
| Distribution Options after Separation from Service or Retirement | Lump Sum (Full payout or partial), Systematic Withdrawal Payments (SWP), and Minimum Required Distributions (MRD). <i>If you retire prior to age 59.5 and become re-employed by FCPS in any capacity, penalty-free distributions are not permitted if you are under age 59.5.</i> | |
| Minimum Distribution Requirements | Applicable to accumulations at age 72 or retirement, whichever is later. | |
| Taxability | Amounts are taxable when distributed. 1099-R issued by investment provider. | |

Sample DC Plan Structure



Key Beliefs:

- A) Offer investments to cater to novice, cost-aware, and engaged investors
- B) Consolidated lineups with broader mandates can lead to better participant outcomes
- C) Professional asset allocators may be better positioned than participants to construct efficient portfolios

Fairfax County Public Schools 403(b) Plan Tier I

| Current | Asset Class | Recommendation |
|--------------------------------------|--------------------|---|
| T. Rowe Price Retirement Funds (AIG) | Target Date Series | TBD based on Platform Availability and Analysis |
| Great-West Lifetime Funds (Empower) | | |

Fairfax County Public Schools 403(b) Plan Tier II

| Current | Asset Class | Recommendation |
|--|-------------------------------|---|
| Vanguard Total Bond Market Index (AIG) Vanguard Total Bond Market Index (Emp) | Passive Bond Index | TBD based on Platform Availability and Analysis |
| Vanguard Institutional Index (AIG) Vanguard Windsor II Admiral (AIG) iShares S&P 500 Index (Emp) | Passive U.S. Large Cap Equity | One Passive Large Cap Core option TBD based on Platform Availability and Analysis |
| Vanguard Mid Cap Index (AIG) Vanguard Selected Value (AIG) Vanguard Mid Cap Index (Emp) | Passive U.S. Mid Cap Equity | One Passive SMID Cap Core option TBD based on Platform Availability and Analysis |
| Vanguard Small Cap Institutional (AIG) | Passive U.S. Small Cap Equity | |
| Vanguard Developed Markets Index (AIG) Fidelity International Index (Emp) | Passive Non-U.S. Equity | One Passive International option TBD based on Platform Availability and Analysis |

Fairfax County Public Schools 403(b) Plan

Tier III

| Current | Asset Class | Recommendation |
|---|-------------------------|--|
| Fixed Interest Option (AIG) Great-West Portfolio Fund (Emp) | Stable Value | Stable Value Option TBD based on Platform Availability and Analysis |
| Western Asset Core Plus Bond (AIG) Pioneer Bond (Emp) | Active Fixed Income | One Active Core Plus Fixed Income option TBD based on Platform Availability and Analysis |
| Alliance Bernstein Large Cap Growth (AIG) American Funds Fundamental Inves. (AIG) MFS Large Cap Value (Emp) Putnam Growth Opportunities (Emp) Parnassus Core Equity (Emp) | Active Large Cap Equity | One Large Cap Core option TBD based on Platform Availability and Analysis |
| JP Morgan Mid Cap Growth (AIG) Columbia Select Mid Cap Value (Emp) T. Rowe Price Mid Cap Growth (Emp) | Active Mid Cap Equity | One SMID Cap Core option TBD based on Platform Availability and Analysis |
| Janus Henderson Triton (AIG) Delaware Small Cap Core (Emp) | Active Small Cap Equity | |
| American World Growth & Income (AIG) American Funds EuroPacific Growth (Emp) | Non-U.S. Equity | One International option TBD based on Platform Availability and Analysis |

Fairfax County Public Schools 457 Plan

Tier I

| Current | Asset Class | Recommended |
|---------------------------------------|--------------------|---|
| T. Rowe Price Target Retirement Funds | Target Date Series | TBD based on search and platform availability |

Fairfax County Public Schools 457 Plan

Tier II

| Current | Asset Class | Recommendation |
|------------------------|-------------------------------|---|
| | Passive Bond Index | TBD based on Search and Platform Availability |
| iShares S&P 500 Index | Passive U.S. Large Cap Equity | One Passive Large Cap Core option TBD based on Search and Platform Availability |
| Vanguard Mid Cap Index | Passive U.S. Mid Cap Equity | One Passive SMID Cap Core option TBD based on Search and Platform Availability |
| | Passive U.S. Small Cap Equity | |
| | Passive Non-U.S. Equity | One Passive International option TBD based on Search and Platform Availability |

Fairfax County Public Schools 457 Plan

Tier III

| Current | Asset Class | Recommendation |
|--|-------------------------|--|
| Great West Portfolio Fund | Stable Value | Stable Value Option TBD based on Platform Availability and Analysis |
| PIMCO Total Return PIMCO Inflation Response Multi Asset | Active Fixed Income | One Active Core Plus Fixed Income option TBD based on Platform Availability and Analysis |
| | Active Large Cap Equity | One Large Cap Core option TBD based on Platform Availability and Analysis |
| | Active Mid Cap Equity | One SMID Cap Core option TBD based on Platform Availability and Analysis |
| Baron Growth Instl | Active Small Cap Equity | |
| Artisan International | Non-U.S. Equity | One International option TBD based on Platform Availability and Analysis |

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Aon Investments USA Inc.
200 East Randolph Street
Suite 700
Chicago, IL 60601
ATTN: Aon Investments Compliance Officer

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Aon Investments USA Inc.

200 E. Randolph Street
Suite 700
Chicago, IL 60601
ATTN: Aon Investments Compliance Officer

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