



Fairfax County Public Schools

Discussion Guide for September 28, 2022

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Today's Agenda

- Current Menu Structures
- Approved Menu Structures
- Crosswalks
- Summary of Decisions and/or Recommendations
- Mapping Considerations

Current Investment Options in 403b Plan

Tier 1 Asset Allocation (1)	Tier 2 Cost Aware (4-7)	Tier 3 Engaged (7-9)
<p>Target Date Funds T. Rowe Price Retirement Funds (AIG) Great-West Lifetime Funds (Empower)</p>	<p>Fixed Income Index Vanguard Total Bond Market (AIG & Empower)</p>	<p>Capital Preservation Fixed Interest Option (AIG) Great-West Portfolio Fund (Emp)</p>
	<p>Large Cap Index Vanguard Institutional Index (AIG) Vanguard Windsor II Admiral (AIG) iShares S&P 500 Index (Emp)</p>	<p>Fixed Income Western Asset Core Plus Bond (AIG) Pioneer Bond (Emp)</p>
	<p>Small/Mid Cap Index Vanguard Mid Cap Index (AIG) Vanguard Selected Value (AIG) Vanguard Small Cap Institutional (AIG) Vanguard Mid Cap Index (Emp)</p>	<p>Large Cap Alliance Bernstein Large Cap Growth (AIG) American Funds Fundamental Inves. (AIG) MFS Large Cap Value (Emp) Putnam Growth Opportunities (Emp) Parnassus Core Equity (Emp)</p>
	<p>International Equity Index Vanguard Developed Markets Index (AIG) Fidelity International Index (Emp)</p>	<p>Small/Mid Cap JP Morgan Mid Cap Growth (AIG) Janus Henderson Triton (AIG) Columbia Select Mid Cap Value (Emp) T. Rowe Price Mid Cap Growth (Emp) Delaware Small Cap Core (Emp)</p>
		<p>International Equity American World Growth & Income (AIG) American Funds EuroPacific Growth (Emp)</p>

Objective

Asset Allocation

Capital Preservation

Income

Growth

Retirement Income

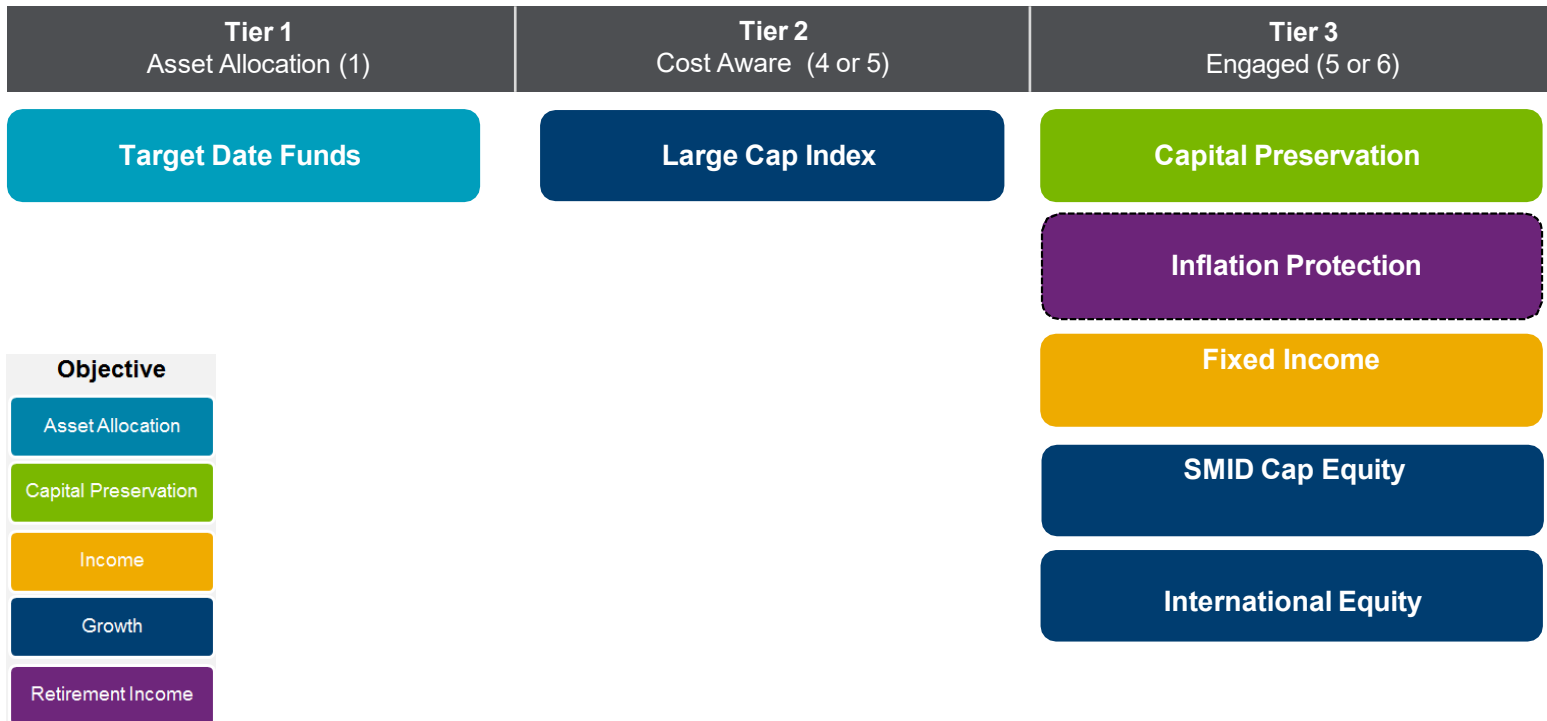
Current Investment Options in 457 Plan

Tier 1 Asset Allocation (1)	Tier 2 Cost Aware (4-7)	Tier 3 Engaged (7-9)
<p>Target Date Funds T. Rowe Price Retirement Funds</p>	<p>Large Cap Index iShares S&P 500 Index</p>	<p>Capital Preservation Great-West Portfolio Fund</p>
	<p>Small/Mid Cap Index Vanguard Mid Cap Index</p>	<p>Fixed Income PIMCO Total Return</p>
		<p>Inflation Protection PIMCO Inflation Response Multi-Asset</p>
		<p>Small/Mid Cap Baron Growth</p>
		<p>International Equity Artisan International</p>

Objective

Asset Allocation
Capital Preservation
Income
Growth
Retirement Income

Approved Investment Structure for 403b and 457 Menus



Key Beliefs:

- A) Offer investments to cater to novice, cost-aware, and engaged investors
- B) Be thoughtful about active vs. passive offering in each asset class based on market efficiency
- C) Consolidated lineups with broader mandates can lead to better participant outcomes
- D) Professional asset allocators may be better positioned than participants to construct efficient portfolios

Summary of Investment Manager Decisions/Recommendations

Fund Category	Commentary
Tier 1	
Target Date Fund Suite	T. Rowe Price Target Retirement Funds <ul style="list-style-type: none"> - Least disruptive (already used in AIG and 457 menus) - Glidepath risk-level consistent with population characteristics - Strong performance, reasonable fees
Tier 2	
Passive Large Cap U.S. Equity	Vanguard and Blackrock are both suitable choices
Tier 3	
Capital Preservation	Subject to recordkeeper availability
Inflation Protection	TIPs Only (Vanguard) vs. Multi-Asset Approach (PIMCO)
Active Core Plus Fixed Income	Baird and PIMCO are both suitable choices
Active SMID Cap U.S. Equity	Boston Trust SMID Cap <ul style="list-style-type: none"> -Reasonable fees -Strong Performance and long track record -High conviction strategy
Active Non-U.S. Equity	GQG Partners International Opportunities <ul style="list-style-type: none"> -Uniquely talented portfolio manager -Exceptional results, including downside protection



Mapping Considerations

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

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- Objective**
- Asset Allocation
 - Capital Preservation
 - Income
 - Growth
 - Retirement Income

Red outline indicates fund elimination/consolidation that requires mapping decision

Current Investment Options in 457 Plan



- Objective**
- Asset Allocation
 - Capital Preservation
 - Income
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 - Retirement Income

Red outline indicates fund elimination/consolidation that requires mapping decision