Discussion Guide

Town of Wilton
September 9, 2020

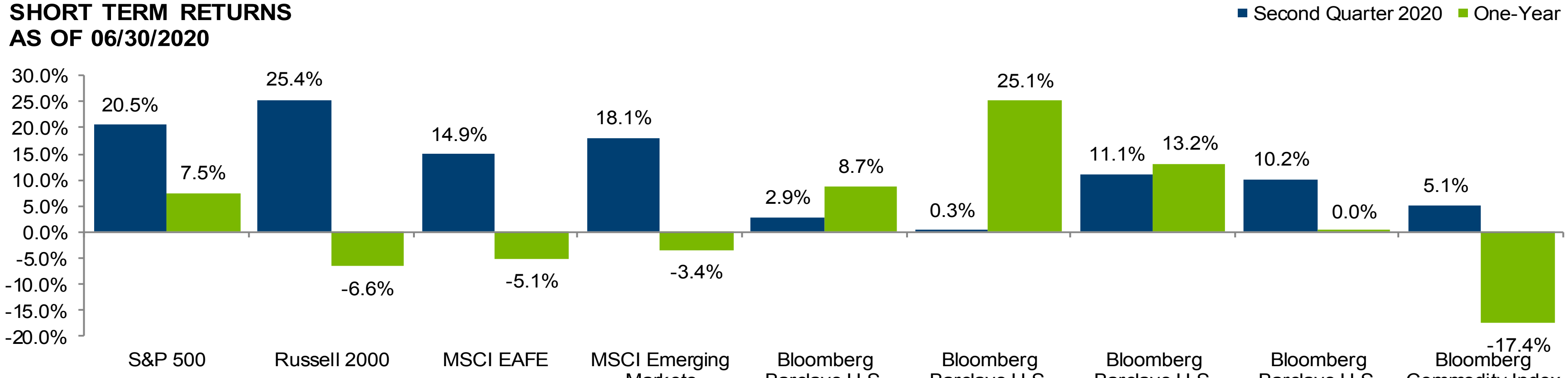
Empower Results®

Contents

Executive Summary

Market Highlights

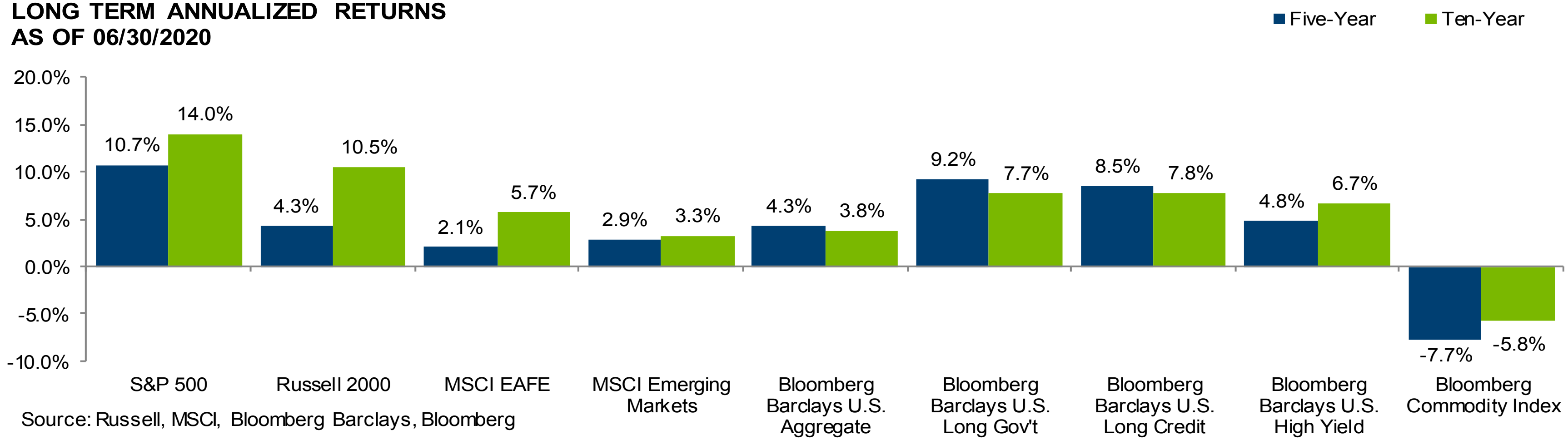
SHORT TERM RETURNS
AS OF 06/30/2020



Source: Russell, MSCI, Bloomberg Barclays, Bloomberg

MSCI Indices show net total returns throughout this report. All other indices show gross total returns..

LONG TERM ANNUALIZED RETURNS
AS OF 06/30/2020



Source: Russell, MSCI, Bloomberg Barclays, Bloomberg

Market Highlights

Returns of the Major Capital Markets

Period Ending 06/30/2020

	Second Quarter	YTD	1-Year	3-Year[1]	5-Year[1]	10-Year[1]
Equity						
MSCI All Country World IMI	19.83%	-7.06%	1.17%	5.55%	6.11%	9.10%
MSCI All Country World	19.22%	-6.25%	2.11%	6.14%	6.46%	9.16%
Dow Jones U.S. Total Stock Market	22.09%	-3.50%	6.41%	9.97%	9.97%	13.68%
Russell 3000	22.03%	-3.48%	6.53%	10.04%	10.03%	13.72%
S&P 500	20.54%	-3.08%	7.51%	10.73%	10.73%	13.99%
Russell 2000	25.42%	-12.98%	-6.63%	2.01%	4.29%	10.50%
MSCI All Country World ex-U.S. IMI	16.96%	-11.24%	-4.74%	0.96%	2.30%	5.11%
MSCI All Country World ex-U.S.	16.12%	-11.00%	-4.80%	1.13%	2.26%	4.97%
MSCI EAFE	14.88%	-11.34%	-5.13%	0.81%	2.05%	5.73%
MSCI EAFE (Local Currency)	12.60%	-10.53%	-4.24%	1.26%	2.63%	6.86%
MSCI Emerging Markets	18.08%	-9.78%	-3.39%	1.90%	2.86%	3.27%
Fixed Income						
Bloomberg Barclays Global Aggregate	3.32%	2.98%	4.22%	3.79%	3.56%	2.81%
Bloomberg Barclays U.S. Aggregate	2.90%	6.14%	8.74%	5.32%	4.30%	3.82%
Bloomberg Barclays U.S. Long Gov't	0.28%	20.97%	25.14%	11.96%	9.21%	7.71%
Bloomberg Barclays U.S. Long Credit	11.08%	5.92%	13.19%	8.70%	8.51%	7.77%
Bloomberg Barclays U.S. Long Gov't/Credit	6.23%	12.82%	18.91%	10.32%	8.98%	7.84%
Bloomberg Barclays U.S. TIPS	4.24%	6.01%	8.28%	5.05%	3.75%	3.52%
Bloomberg Barclays U.S. High Yield	10.18%	-3.80%	0.03%	3.33%	4.79%	6.68%
Bloomberg Barclays Global Treasury ex U.S.	2.39%	0.82%	0.87%	2.82%	3.23%	1.85%
JP Morgan EMBI Global (Emerging Markets)	11.21%	-1.87%	1.52%	3.31%	5.12%	5.82%
Commodities						
Bloomberg Commodity Index	5.08%	-19.40%	-17.38%	-6.14%	-7.69%	-5.82%
Goldman Sachs Commodity Index	10.47%	-36.31%	-33.90%	-8.71%	-12.54%	-8.53%
Hedge Funds						
HFRI Fund-Weighted Composite[2]	9.08%	-3.43%	-0.54%	2.13%	2.33%	3.72%
HFRI Fund of Funds[2]	7.48%	-1.97%	0.09%	2.12%	1.41%	2.75%
Real Estate						
NAREIT U.S. Equity REITS	11.82%	-18.71%	-13.04%	0.03%	4.06%	9.05%
NCREIF NFI - ODCE	-1.55%		2.23%	5.66%	7.31%	10.80%
FTSE Global Core Infrastructure Index	8.89%	-10.59%	-4.61%	5.49%	7.01%	9.75%
Private Equity						
Burgiss Private iQ Global Private Equity[3]			15.31%	14.78%	12.30%	13.19%

MSCI Indices show net total returns throughout this report. All other indices show gross total returns.

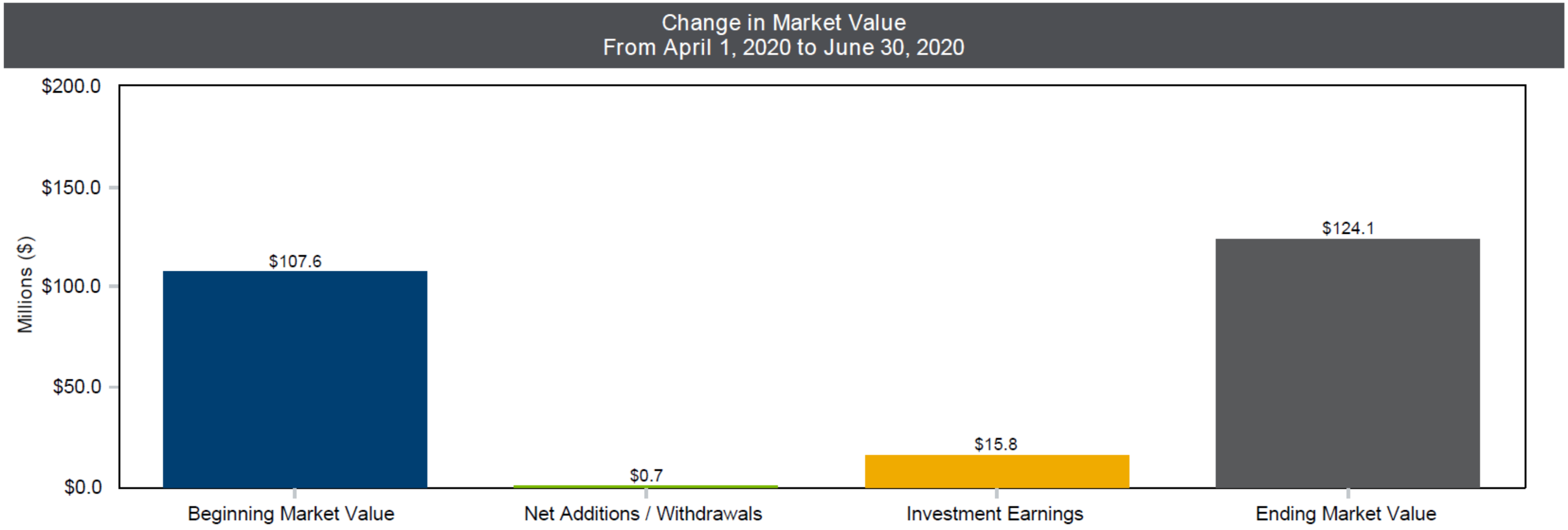
[1] Periods are annualized.

[2] Latest 5 months of HFR data are estimated by HFR and may change in the future.

[3] Burgiss Private iQ Global Private Equity data is as at Dec 31, 2019

Pension Plan Performance Summary

Total Plan Asset Summary

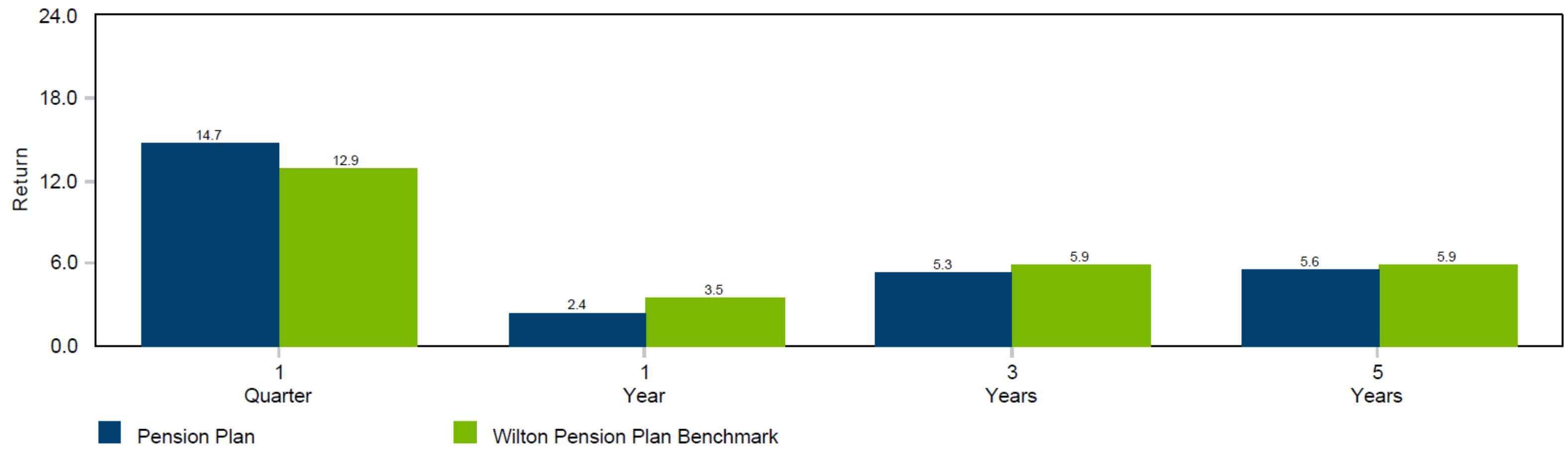


Summary of Cash Flow

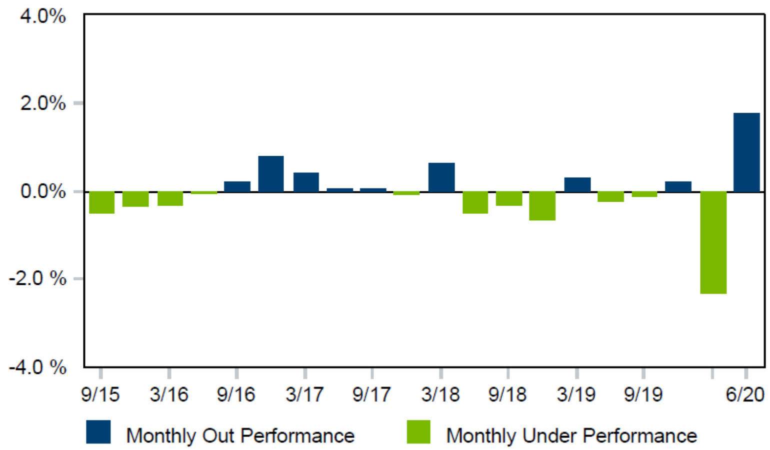
	1 Quarter	1 Year	Since Inception	Inception Date
Beginning Market Value	107,631,638	122,334,119	73,939,906	
+ Additions / Withdrawals	681,891	-1,077,875	-1,988,036	
+ Investment Earnings	15,799,333	2,856,618	52,160,992	
= Ending Market Value	124,112,862	124,112,862	124,112,862	

Total Plan Performance Summary

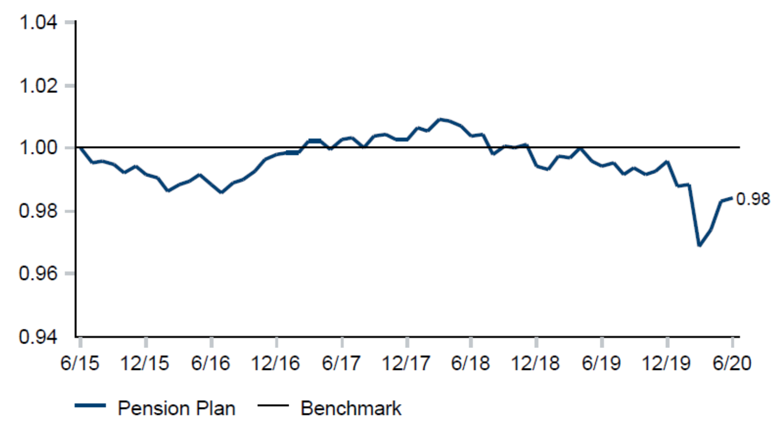
Return Summary



Quarterly Excess Performance

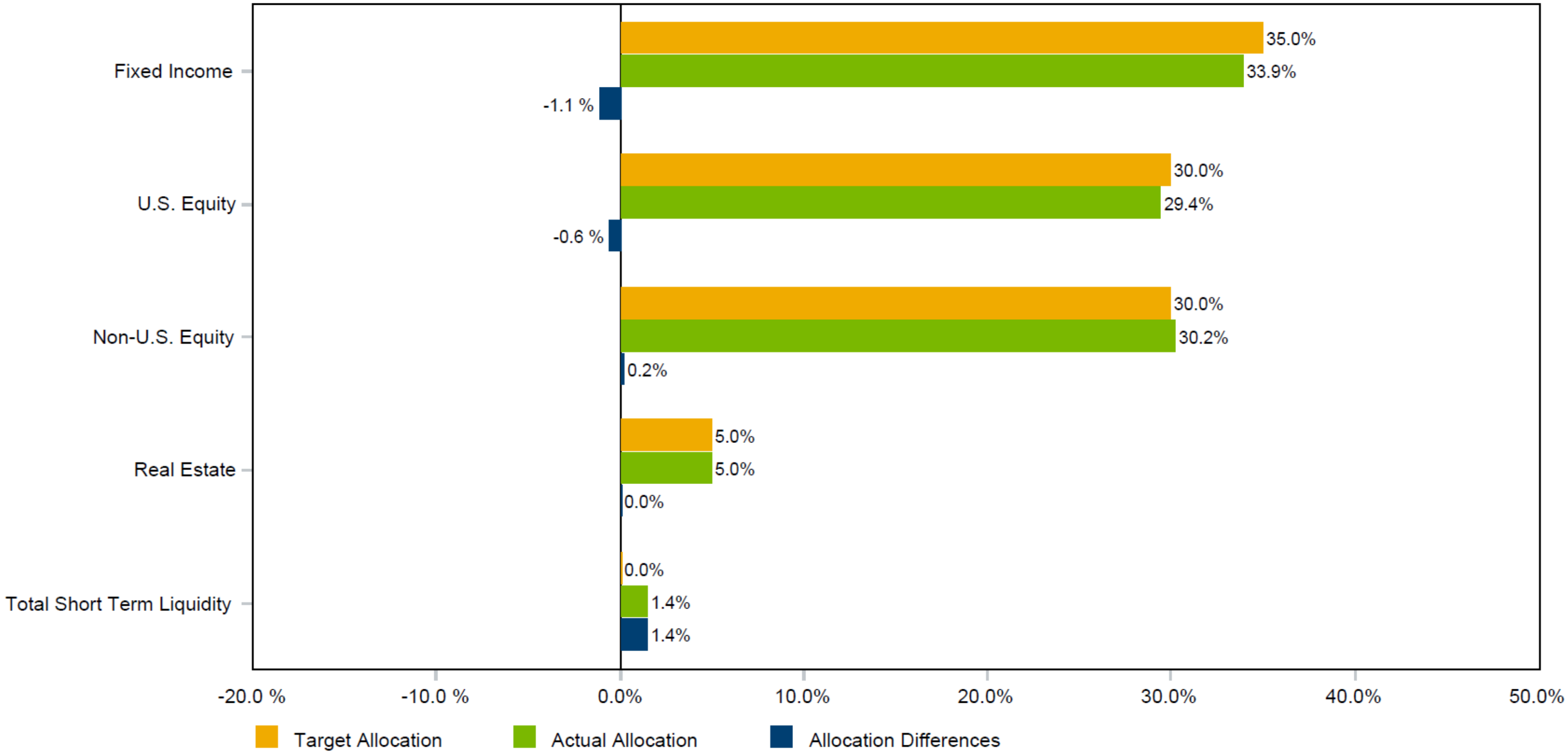


Ratio of Cumulative Wealth - 5 Years

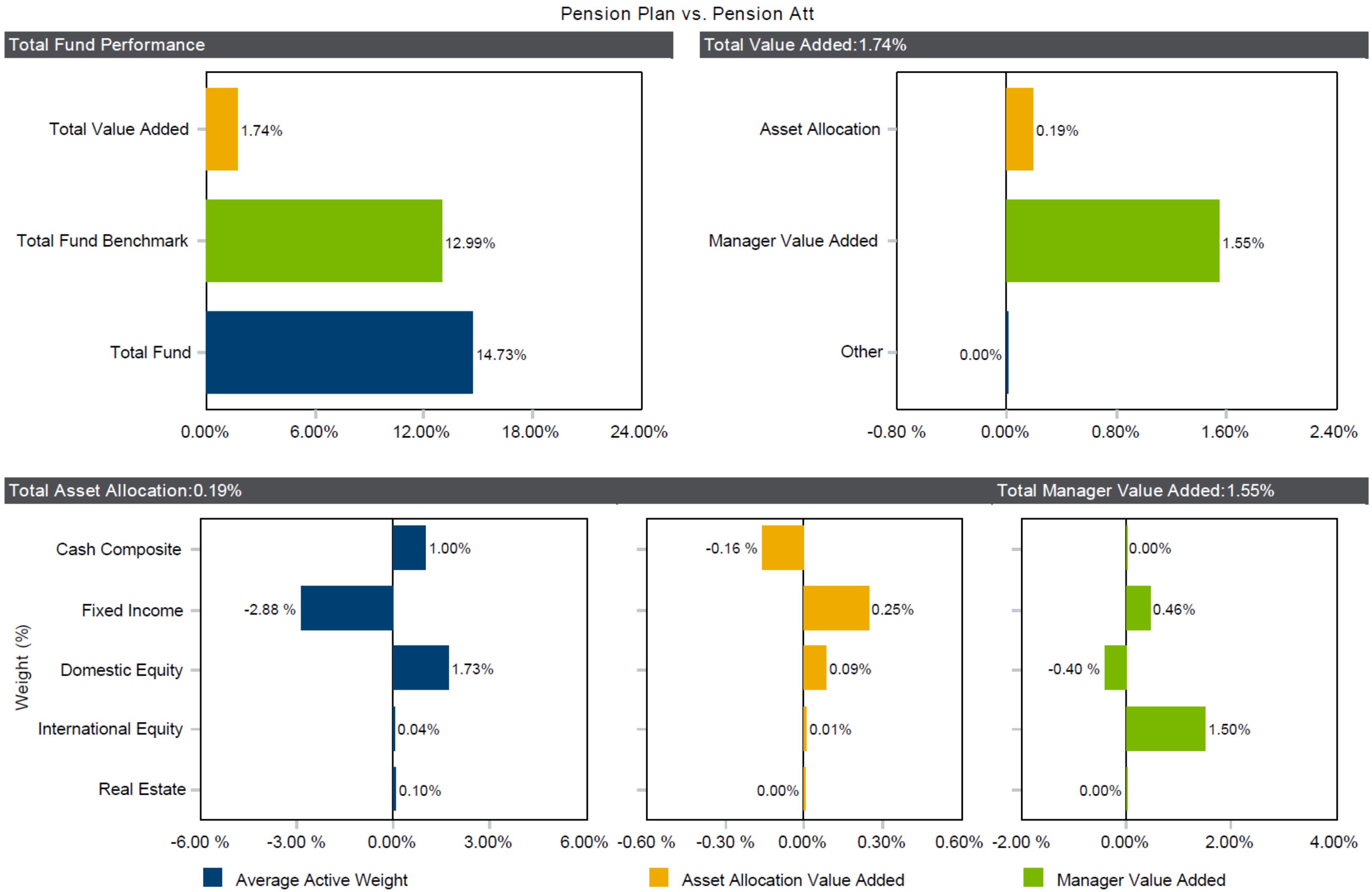


Asset Allocation as of June 30, 2020

	Market Value ($)	Current Allocation (%)	Target Allocation (%)	Differences (%)
Pension Plan	124,112,861.65	100.00	100.00	0.00
Fixed Income	42,076,690.42	33.90	35.00	-1.10
U.S. Equity	36,531,054.45	29.43	30.00	-0.57
Non-U.S. Equity	37,506,967.97	30.22	30.00	0.22
Real Estate	6,214,370.63	5.01	5.00	0.01

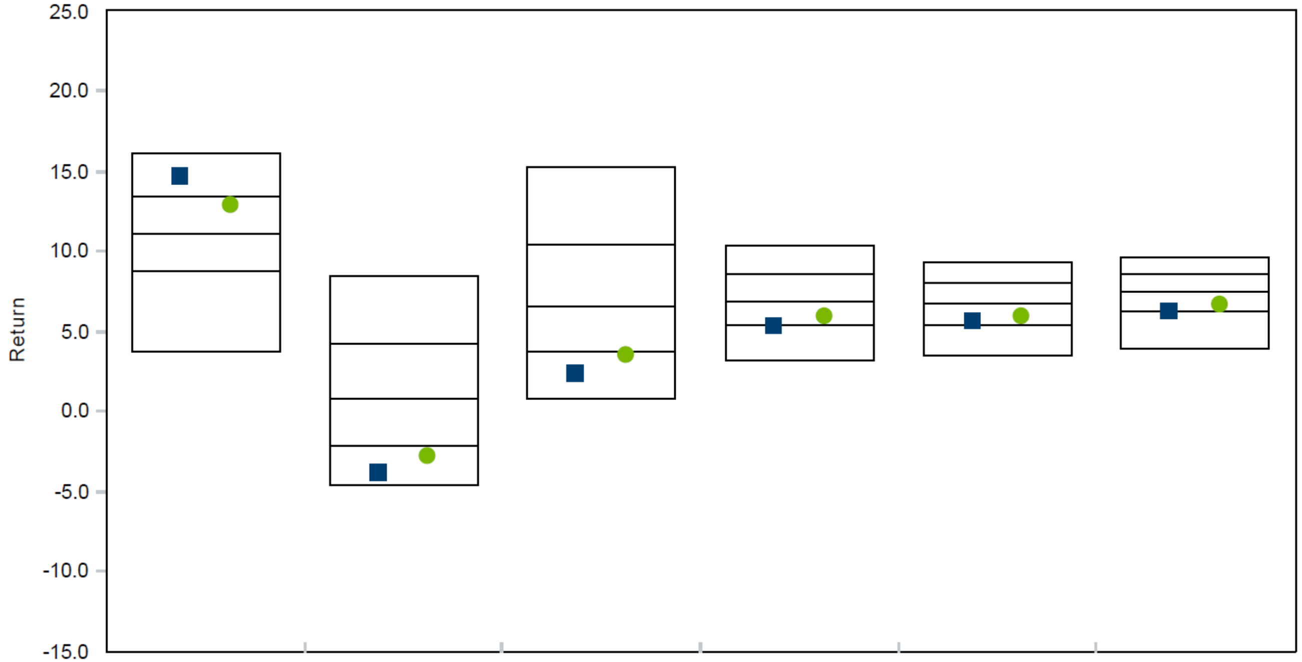


Pension Total Fund Attribution:
1 Quarter as of June 30, 2020



Plan Sponsor Peer Group Analysis
As of June 30, 2020

All Corporate Plans-Total Fund



	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years
■ Pension Plan	14.7 (13)	-3.9 (91)	2.4 (87)	5.3 (78)	5.6 (73)	6.2 (76)
● Wilton Pension Plan Benchmark	12.9 (30)	-2.7 (81)	3.5 (77)	5.9 (67)	5.9 (67)	6.7 (69)
5th Percentile	16.2	8.5	15.3	10.4	9.3	9.6
1st Quartile	13.4	4.2	10.5	8.6	8.1	8.6
Median	11.1	0.8	6.6	6.9	6.8	7.5
3rd Quartile	8.7	-2.1	3.7	5.4	5.4	6.3
95th Percentile	3.7	-4.6	0.8	3.2	3.5	3.9
Population	835	822	798	758	703	652

Empower Results®

Performance as of June 30, 2020

	Allocation			Performance(%)							
	Market Value ($)	%	Policy(%)	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
Pension Plan	**124,112,862**	**100.0**	**100.0**	**14.7**	**-3.9**	**2.4**	**5.3**	**5.6**	**6.2**	**6.5**	**05/01/2012**
Wilton Pension Plan Benchmark				12.9	-2.7	3.5	5.9	5.9	6.7	6.8	
Fixed Income	**42,076,690**	**33.9**	**35.0**	**4.2**	**3.0**	**5.0**	**4.1**	**3.7**	**3.5**	**4.8**	**05/01/2008**
Wilton Pension FI Hybrid BB				2.8	5.8	8.1	5.1	4.2	3.7	4.5	
Vanguard Short-Term Inflation Protection Adm	1,512,578	1.2		2.6 (100)	1.9 (83)	3.3 (83)	2.6 (79)	1.9 (91)	-	1.4 (90)	12/01/2013
Blmbg. Barc. U.S. TIPS 0-5 Year				2.6 (100)	1.9 (81)	3.4 (82)	2.7 (78)	2.0 (83)	-	1.4 (83)	
IM U.S. TIPS (MF) Median				4.4	5.0	6.9	4.4	3.3	-	2.7	
Vanguard Total Bond Market Index Instl	6,530,742	5.3		3.0 (82)	6.4 (23)	9.0 (22)	5.4 (28)	4.3 (41)	-	3.9 (43)	12/01/2014
Blmbg. Barc. U.S. Aggregate				2.9 (86)	6.1 (34)	8.7 (31)	5.3 (30)	4.3 (43)	-	3.8 (43)	
IM U.S. Broad Market Core Fixed Income (MF) Median				4.8	5.7	8.3	5.1	4.2	-	3.8	
Metropolitan West Total Return Bond Pl	14,937,933	12.0		4.1 (86)	6.5 (10)	9.2 (10)	5.7 (13)	4.4 (48)	4.3 (41)	4.4 (21)	05/01/2012
Blmbg. Barc. U.S. Aggregate				2.9 (98)	6.1 (16)	8.7 (14)	5.3 (33)	4.3 (62)	4.0 (67)	3.4 (84)	
IM U.S. Broad Market Core+ Fixed Income (MF) Median				5.8	4.9	7.7	5.1	4.4	4.2	3.8	
PGIM Total Return Bond R6	6,422,370	5.2		6.8 (35)	3.7 (79)	6.9 (71)	5.5 (22)	5.1 (11)	-	4.6 (11)	01/01/2015
Blmbg. Barc. U.S. Aggregate				2.9 (98)	6.1 (16)	8.7 (14)	5.3 (33)	4.3 (62)	-	3.9 (70)	
IM U.S. Broad Market Core+ Fixed Income (MF) Median				5.8	4.9	7.7	5.1	4.4	-	4.0	
BlackRock Strategic Income Opportunities K	4,720,449	3.8		6.4 (56)	0.2 (31)	2.8 (22)	3.3 (19)	-	-	-	12/01/2013
Blmbg. Barc. U.S. Aggregate				2.9 (86)	6.1 (1)	8.7 (1)	5.3 (1)	4.3 (7)	-	4.1 (4)	
IM Alternative Credit Focus (MF) Median				6.6	-1.6	0.8	2.0	2.8	-	2.4	
Eaton Vance Floating Rate Instl	2,857,138	2.3		8.4 (44)	-4.6 (32)	-2.3 (41)	1.6 (33)	2.8 (16)	-	2.7 (27)	12/01/2013
S&P/LSTA Leveraged Loan Index				9.7 (22)	-4.6 (33)	-2.0 (34)	2.1 (17)	2.9 (12)	-	2.9 (7)	
IM U.S. Bank Loans (MF) Median				8.2	-5.2	-2.7	1.4	2.2	-	2.4	
Templeton Global Bond R6	5,095,481	4.1		0.1 (100)	-4.3 (100)	-6.0 (100)	-0.8 (100)	0.7 (100)	1.3 (94)	-	05/01/2012
FTSE World Government Bond Index				2.0 (93)	4.1 (9)	4.6 (26)	4.0 (31)	3.7 (47)	2.2 (72)	1.3 (82)	
IM Global Fixed Income (MF) Median				5.6	1.2	3.4	3.7	3.6	2.8	2.3	

* Consists of MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index through January 31, 2018; MSCI US Investable Market Real Estate 25/50 Transition Index thereafter.

Performance as of June 30, 2020

	Allocation			Performance(%)							
	Market Value ($)	%	Policy(%)	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
Cash Equivalents	1,783,778	1.4	0.0	0.0	0.3	1.3	1.4	1.0	0.7	0.6	05/01/2008
90 Day U.S. Treasury Bill				0.0	0.6	1.6	1.8	1.2	0.8	0.6	
Wells Fargo Government MM Fund	1,783,778	1.4		0.0	0.3	1.3	1.4	1.0	0.7	0.6	05/01/2012
90 Day U.S. Treasury Bill				0.0	0.6	1.6	1.8	1.2	0.8	0.7	
U.S. Equity	36,531,054	29.4	30.0	20.7	-6.6	2.7	8.6	9.3	11.1	8.9	05/01/2008
Russell 3000 Index				22.0	-3.5	6.5	10.0	10.0	11.7	9.1	
Vanguard Institutional Index Fund Instl	26,988,631	21.7		20.5 (16)	-3.1 (22)	7.5 (18)	10.7 (15)	10.7 (14)	12.1 (10)	12.5 (9)	05/01/2012
S&P 500 Index				20.5 (17)	-3.1 (28)	7.5 (11)	10.7 (7)	10.7 (6)	12.1 (3)	12.6 (3)	
IM S&P 500 Index (MF) Median				20.5	-3.1	7.4	10.6	10.6	11.9	12.4	
Diamond Hill Small-Mid Cap Y	4,700,879	3.8		20.4 (46)	-22.6 (73)	-16.1 (69)	-3.1 (74)	1.4 (60)	5.2 (51)	7.7 (33)	05/01/2012
Russell 2500 Value Index				20.6 (44)	-21.2 (71)	-15.5 (66)	-2.6 (68)	1.8 (51)	4.7 (56)	6.8 (55)	
IM U.S. Mid Cap Value Equity (MF) Median				20.1	-19.6	-13.2	-1.6	1.9	5.3	7.0	
Eaton Vance Atlanta Capital SMID Instl	4,841,545	3.9		22.2 (98)	-11.1 (97)	-5.4 (96)	8.4 (76)	9.5 (49)	11.4 (49)	12.1 (47)	05/01/2012
Russell 2500 Growth Index				32.9 (58)	2.0 (50)	9.2 (43)	12.1 (50)	9.6 (48)	12.1 (38)	12.6 (43)	
IM U.S. SMID Cap Growth Equity (MF) Median				33.7	1.7	7.9	12.0	9.4	11.3	11.9	
Non-U.S. Equity	37,506,968	30.2	30.0	21.3	-9.2	-1.9	1.8	3.2	3.9	1.4	05/01/2008
MSCI AC World ex USA Index (Net)				16.1	-11.0	-4.8	1.1	2.3	3.7	1.2	
American Funds EuroPacific Growth R6	10,071,473	8.1		22.8 (8)	-4.8 (2)	3.2 (1)	4.8 (1)	4.9 (1)	-	4.2 (1)	07/01/2014
MSCI AC World ex USA Index (Net)				16.1 (63)	-11.0 (36)	-4.8 (38)	1.1 (5)	2.3 (5)	-	1.0 (30)	
IM International Large Cap Core Equity (MF) Median				16.7	-12.0	-6.2	-0.4	1.0	-	0.1	
T. Rowe Price Overseas Stock Instl	9,839,693	7.9		17.8 (31)	-11.3 (39)	-2.7 (17)	0.7 (20)	-	-	-	07/01/2014
MSCI EAFE Index (Net)				14.9 (90)	-11.3 (39)	-5.1 (40)	0.8 (19)	2.1 (14)	-	1.0 (29)	
IM International Large Cap Core Equity (MF) Median				16.7	-12.0	-6.2	-0.4	1.0	-	0.1	
Templeton Instl Foreign Smaller Companies Fund Adv	5,948,956	4.8		23.8 (13)	-15.7 (56)	-9.5 (75)	-1.9 (43)	1.2 (59)	3.5 (54)	4.4 (48)	05/01/2012
MSCI AC World ex USA Small Cap (Net)				22.8 (16)	-12.8 (15)	-4.3 (24)	-0.2 (18)	2.5 (29)	4.7 (28)	4.9 (38)	
IM International SMID Cap Core Equity (MF) Median				18.3	-15.4	-7.8	-2.7	1.8	3.8	4.3	
Aberdeen Emerging Markets Instl	3,476,124	2.8		23.0 (35)	-9.2 (39)	-4.7 (57)	0.7 (53)	3.0 (41)	2.2 (60)	1.9 (48)	05/01/2012
MSCI Emerging Markets Index (Net)				18.1 (75)	-9.8 (44)	-3.4 (45)	1.9 (39)	2.9 (44)	3.2 (42)	2.1 (43)	
IM Emerging Markets Equity (MF) Median				20.4	-10.2	-4.0	0.8	2.4	3.0	1.8	
Vanguard Emerging Markets Stock Adm	8,170,722	6.6		19.9 (55)	-9.5 (42)	-2.9 (44)	-	-	-	3.5 (44)	12/01/2018
FTSE Emerging Mkts All Cap China A Inclusion Index				19.1 (63)	-9.7 (44)	-2.9 (43)	-	-	-	3.9 (42)	
IM Emerging Markets Equity (MF) Median				20.4	-10.2	-4.0	-	-	-	2.5	

* Consists of MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index through January 31, 2018; MSCI US Investable Market Real Estate 25/50 Transition Index thereafter.

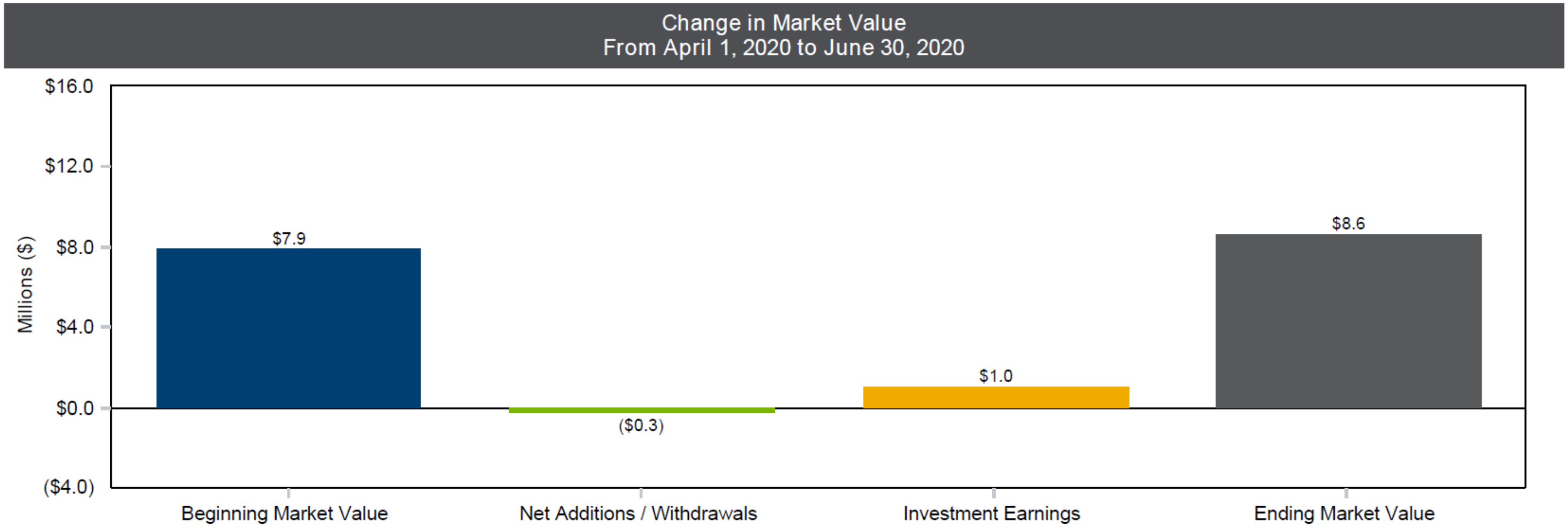
Performance as of June 30, 2020

	Allocation			Performance(%)							
	Market Value ($)	%	Policy(%)	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
Real Estate	6,214,371	5.0	5.0	13.4	-13.9	-6.9	2.2	5.4	6.3	6.6	07/01/2012
Wilton Pension Real Estate				13.5	-13.8	-6.8	2.7	4.0	5.0	6.5	
Vanguard REIT Index Instl	6,214,371	5.0		13.4 (29)	-13.9 (40)	-6.9 (32)	2.2 (46)	5.4 (37)	6.3 (41)	6.6 (28)	07/01/2012
Vanguard Real Estate Spliced Index*				13.5 (29)	-13.8 (39)	-6.8 (32)	2.3 (43)	5.5 (36)	6.3 (34)	6.7 (24)	
IM Real Estate Sector (MF) Median				12.0	-14.7	-8.7	1.9	4.8	5.9	5.9	

* Consists of MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index through January 31, 2018; MSCI US Investable Market Real Estate 25/50 Transition Index thereafter.

OPEB Performance as of June 30, 2020

Total Plan Asset Summary

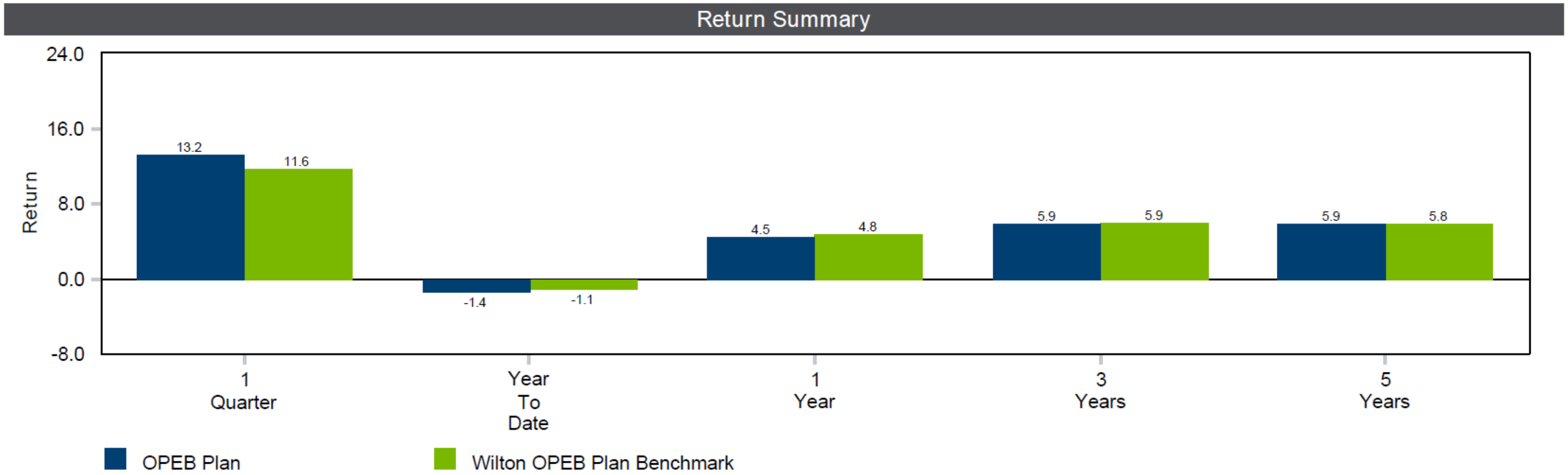


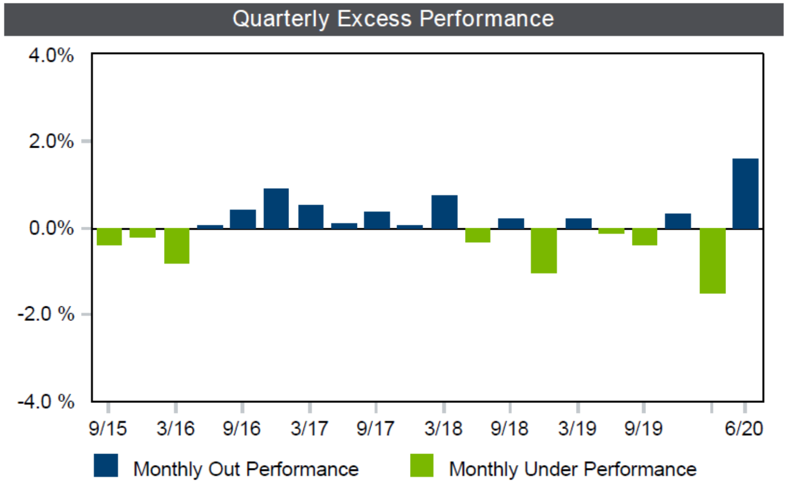
Summary of Cash Flow

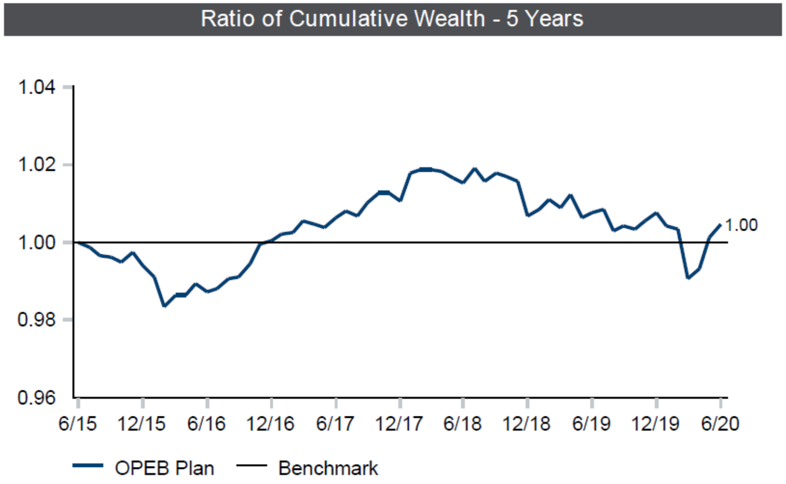
	1 Quarter	1 Year	Since Inception	Inception Date
Beginning Market Value	7,898,791	8,365,721	2,652,035	
+ Additions / Withdrawals	-308,274	-105,756	3,012,983	
+ Investment Earnings	1,041,335	371,887	2,966,833	
= Ending Market Value	8,631,852	8,631,852	8,631,852	

Empower Results®

Total Plan Performance Summary

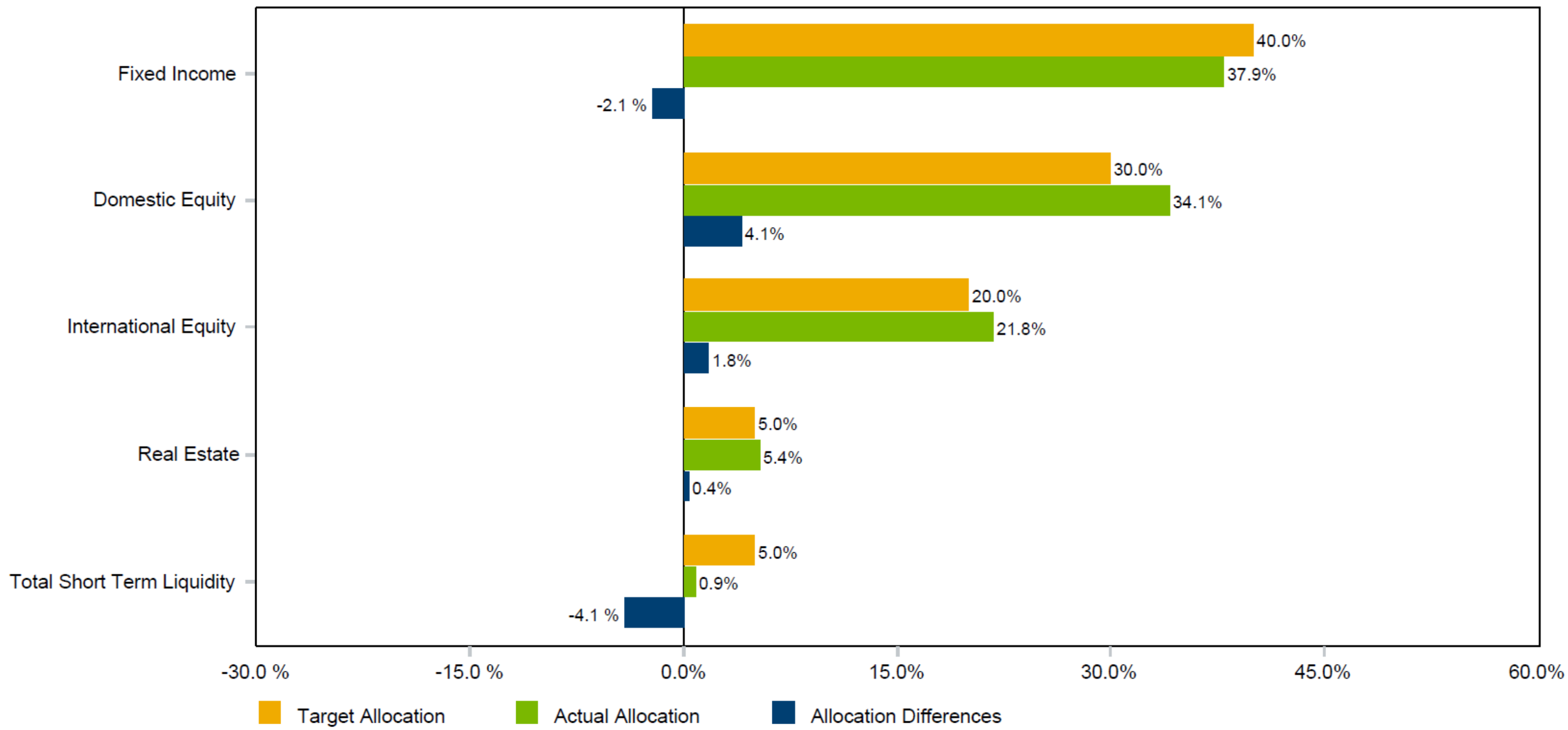






Asset Allocation as of June 30, 2020

	Market Value ($)	Current Allocation (%)	Target Allocation (%)	Differences (%)
OPEB Plan	8,631,851.93	100.00	100.00	0.00
Fixed Income	3,270,192.54	37.89	40.00	-2.11
Domestic Equity	2,942,863.87	34.09	30.00	4.09
International Equity	1,878,819.46	21.77	20.00	1.77
Real Estate	462,669.36	5.36	5.00	0.36
Total Short Term Liquidity	77,306.70	0.90	5.00	-4.10



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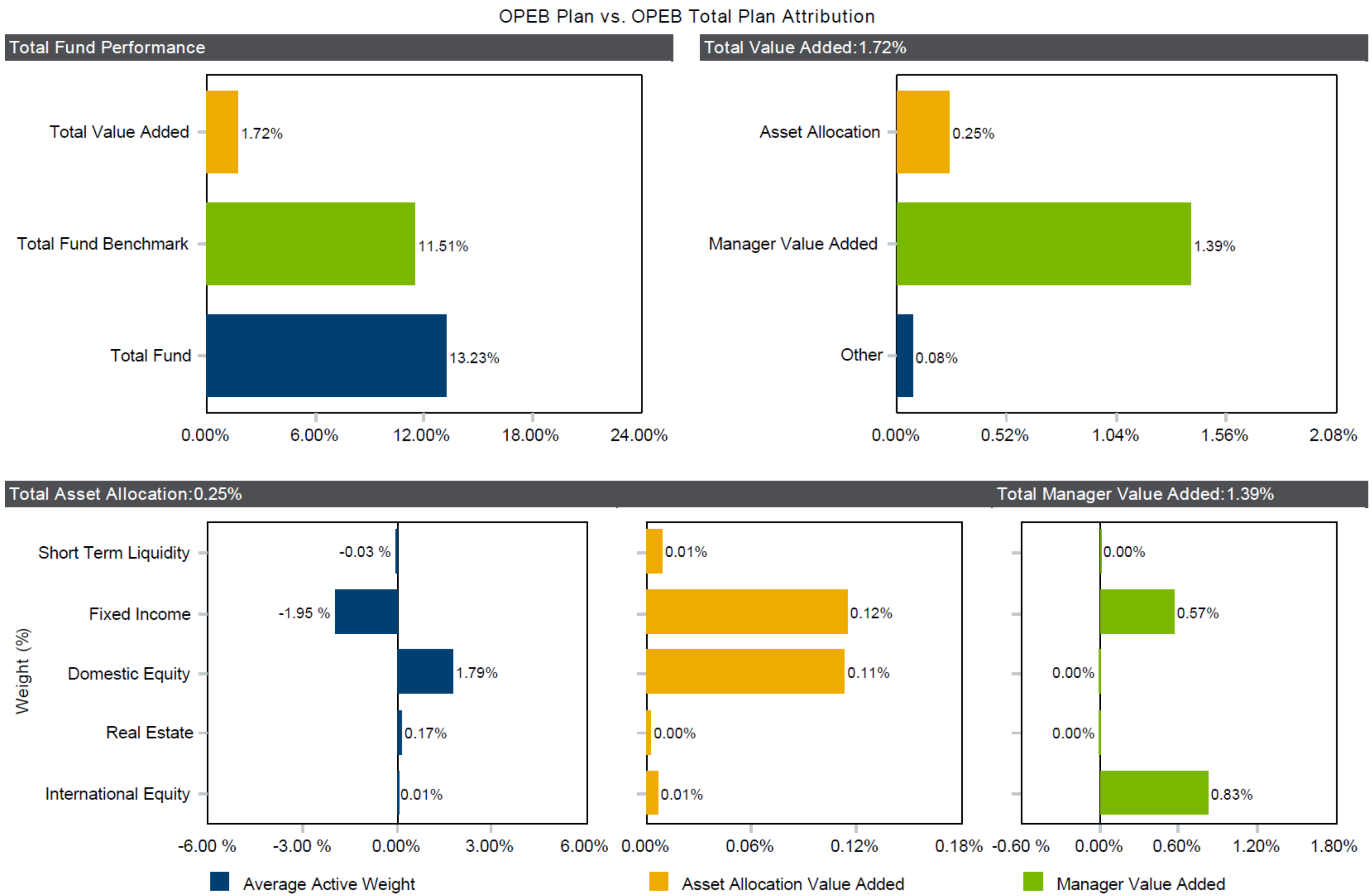
OPEB Total Fund Attribution:
1 Quarter as of June 30, 2020



Performance as of June 30, 2020

	Allocation			Performance(%)							
	Market Value ($)	%	Policy(%)	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
OPEB Plan	8,631,852	100.0	100.0	13.2	-1.4	4.5	5.9	5.9	6.6	6.6	05/01/2012
Wilton OPEB Plan Benchmark				11.6	-1.1	4.8	5.9	5.8	6.4	6.3	
Fixed Income	3,270,193	37.9	40.0	4.3	3.2	5.3	4.4	4.0	3.7	3.9	07/01/2010
OPEB Fixed Income Composite Benchmark				3.0	6.1	8.7	5.3	4.3	3.9	3.7	
Vanguard Short-Term Inflation Protection Adm	198,414	2.3		2.6 (100)	1.9 (83)	3.3 (83)	2.6 (79)	1.9 (91)	1.4 (90)	1.4 (89)	03/01/2014
Blmbg. Barc. U.S. TIPS 0-5 Year				2.6 (100)	1.9 (81)	3.4 (82)	2.7 (78)	2.0 (83)	1.5 (85)	1.5 (77)	
IM U.S. TIPS (MF) Median				4.4	5.0	6.9	4.4	3.3	2.7	2.7	
Vanguard Total Bond Market Index Adm	623,701	7.2		3.0 (82)	6.4 (23)	9.0 (22)	5.3 (29)	4.3 (42)	3.9 (51)	9.4 (28)	06/01/2019
Blmbg. Barc. U.S. Aggregate				2.9 (86)	6.1 (34)	8.7 (31)	5.3 (30)	4.3 (43)	4.0 (47)	9.3 (33)	
IM U.S. Broad Market Core Fixed Income (MF) Median				4.8	5.7	8.3	5.1	4.2	3.9	8.9	
Metropolitan West Total Return Bond Pl	843,987	9.8		4.1 (86)	6.5 (10)	9.2 (10)	5.7 (13)	4.4 (48)	4.3 (41)	9.7 (10)	06/01/2019
Blmbg. Barc. U.S. Aggregate				2.9 (98)	6.1 (16)	8.7 (14)	5.3 (33)	4.3 (62)	4.0 (67)	9.3 (23)	
IM U.S. Broad Market Core+ Fixed Income (MF) Median				5.8	4.9	7.7	5.1	4.4	4.2	8.5	
PGIM Total Return Bond R6	640,002	7.4		6.8 (35)	3.7 (79)	6.9 (71)	5.5 (22)	5.1 (11)	5.0 (11)	5.4 (17)	12/01/2015
Blmbg. Barc. U.S. Aggregate				2.9 (98)	6.1 (16)	8.7 (14)	5.3 (33)	4.3 (62)	4.0 (67)	4.5 (74)	
IM U.S. Broad Market Core+ Fixed Income (MF) Median				5.8	4.9	7.7	5.1	4.4	4.2	4.7	
BlackRock Strategic Income Opportunities Instl	606,109	7.0		6.3 (61)	0.2 (33)	2.7 (24)	3.2 (20)	2.9 (42)	3.1 (20)	2.8 (24)	03/01/2014
Blmbg. Barc. U.S. Aggregate				2.9 (86)	6.1 (1)	8.7 (1)	5.3 (1)	4.3 (7)	4.0 (5)	4.0 (3)	
IM Alternative Credit Focus (MF) Median				6.6	-1.6	0.8	2.0	2.8	2.5	2.4	
Templeton Global Bond R6	357,979	4.1		0.1 (100)	-4.3 (100)	-6.0 (100)	-0.8 (100)	0.7 (100)	1.3 (94)	1.0 (98)	03/01/2014
FTSE World Government Bond Index				2.0 (93)	4.1 (9)	4.6 (26)	4.0 (31)	3.7 (47)	2.2 (72)	1.7 (78)	
IM Global Fixed Income (MF) Median				5.6	1.2	3.4	3.7	3.6	2.8	2.3	
Domestic Equity	2,942,864	34.1	30.0	22.1	-3.4	6.5	10.0	10.0	11.7	13.7	07/01/2010
Vanguard Spliced Total Stock Market Index				22.1	-3.4	6.5	10.0	10.0	11.7	13.7	
Vanguard Total Stock Market Index Adm	2,942,864	34.1		22.1 (36)	-3.4 (23)	6.4 (23)	10.0 (18)	10.0 (12)	11.6 (14)	13.2 (13)	01/01/2012
Vanguard Spliced Total Stock Market Index *				22.1 (36)	-3.4 (23)	6.5 (22)	10.0 (18)	10.0 (11)	11.7 (13)	13.2 (13)	
IM U.S. Multi-Cap Core Equity (MF) Median				21.5	-6.7	1.8	7.0	7.3	9.7	11.6	

*Consists of Dow Jones U.S. Total Stock Market Index (formerly known as the Dow Jones Wilshire 5000 Index) through April 22, 2005; MSCI US Broad Market Index through June 2, 2013; and CRSP US Total Market Index thereafter. ** Total International Composite Index through August 31, 2006; MSCI EAFE + Emerging Markets Index through December 15, 2010; MSCI ACWI ex. U.S. IMI Index through June 2, 2013; FTSE Global All Cap ex U.S. Index thereafter *** Consists of MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index through January 31, 2018; MSCI US Investable Market Real Estate 25/50 Transition Index thereafter.

Performance as of June 30, 2020

	Allocation			Performance(%)							
	Market Value ($)	%	Policy(%)	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	Since Inception	Inception Date
International Equity	1,878,819	21.8	20.0	20.4	-7.4	-0.2	3.0	3.8	5.8	6.8	07/01/2010
OPEB International Equity Composite Benchmark				16.6	-11.0	-4.6	1.1	2.3	3.9	5.2	
Vanguard Total International Stock Index Adm	921,309	10.7		18.1 (25)	-10.6 (29)	-4.1 (31)	1.1 (6)	2.4 (2)	4.0 (22)	4.3 (48)	05/01/2012
Vanguard Spliced Total International Stock Index **				17.0 (48)	-11.1 (37)	-4.4 (34)	1.1 (5)	2.4 (2)	4.0 (22)	4.3 (49)	
IM International Large Cap Core Equity (MF) Median				16.7	-12.0	-6.2	-0.4	1.0	3.1	4.2	
American Funds EuroPacific Growth R6	957,511	11.1		22.8 (8)	-4.8 (2)	3.2 (1)	4.8 (1)	4.9 (1)	6.7 (1)	4.6 (1)	09/01/2014
MSCI AC World ex USA Index (Net)				16.1 (63)	-11.0 (36)	-4.8 (38)	1.1 (5)	2.3 (5)	3.7 (40)	1.1 (36)	
IM International Large Cap Core Equity (MF) Median				16.7	-12.0	-6.2	-0.4	1.0	3.1	0.2	
Real Estate	462,669	5.4	5.0	13.5	-13.9	-6.9	2.2	5.4	6.2	9.7	07/01/2010
Vanguard Real Estate Spliced Index				13.5	-13.8	-6.8	2.3	5.5	6.3	9.8	
Vanguard Real Estate Index Fund Adm	462,669	5.4		13.5 (29)	-13.9 (40)	-6.9 (32)	2.2 (46)	5.4 (37)	6.2 (41)	9.7 (42)	07/01/2010
Vanguard Real Estate Spliced Index ***				13.5 (29)	-13.8 (39)	-6.8 (32)	2.3 (43)	5.5 (36)	6.3 (34)	9.8 (33)	
IM Real Estate Sector (MF) Median				12.0	-14.7	-8.7	1.9	4.8	5.9	9.3	
Total Short Term Liquidity	77,307	0.9	5.0	0.0	0.2	1.0	1.1	0.8	0.5	0.5	01/01/2012
Wells Fargo Government MM Fund	35,902	0.4		0.1 (21)	0.4 (24)	1.3 (31)	1.5 (38)	1.0 (33)	0.7 (32)	0.6 (31)	04/01/2012
90 Day U.S. Treasury Bill				0.0 (67)	0.6 (2)	1.6 (4)	1.8 (13)	1.2 (16)	0.8 (16)	0.7 (16)	
IM U.S. Taxable Money Market (MF) Median				0.0	0.3	1.3	1.5	1.0	0.7	0.6	
Webster Cash	41,405	0.5									

*Consists of Dow Jones U.S. Total Stock Market Index (formerly known as the Dow Jones Wilshire 5000 Index) through April 22, 2005; MSCI US Broad Market Index through June 2, 2013; and CRSP US Total Market Index thereafter. ** Total International Composite Index through August 31, 2006; MSCI EAFE + Emerging Markets Index through December 15, 2010; MSCI ACWI ex. U.S. IMI Index through June 2, 2013; FTSE Global All Cap ex U.S. Index thereafter *** Consists of MSCI US REIT Index adjusted to include a 2% cash position (Lipper Money Market Average) through April 30, 2009; MSCI US REIT Index through January 31, 2018; MSCI US Investable Market Real Estate 25/50 Transition Index thereafter.

Aon Medium Term Views

One page summary

Cross Asset Class Views

---	--	-	=	+	++	+++
		Equities Core fixed income Credit	Cash	Alternatives		

The opportunity from cheaper valuations has been fleeting and we are not wholesale buyers of risk

We still favor uncorrelated sources of returns from a risk-mitigation view, but the real-estate opportunity has diminished

Coronavirus risks dominate leaving us neutral on the regions

Equity Regions

---	--	-	=	+	++	+++
			USA EAFE Emerging			

Equity Styles

---	--	-	=	+	++	+++
			Value Growth	Low Vol. Quality		

Style views have become more defensive

Alternatives

---	--	-	=	+	++	+++
		Dir. Hedge Funds	Commodities Real Estate	Non-Dir. Hedge Funds Global Infra. Private Credit		

Non-correlated alternatives generally preferred

We prefer better quality in credit but managers will find good opportunities in this arena

Credit

---	--	-	=	+	++	+++
	Bank Loans US High Yield	USD EMD	Local EMD	Selected ABS		

Core Fixed Income

---	--	-	=	+	++	+++
		Treasuries Inv. Grade		TIPS		

Potential returns are less attractive and our medium-term outlook has softened

Currencies versus USD

---	--	-	=	+	++	+++
			EUR GBP JPY EM			

Safe haven flows expected to keep the USD supported in the near-term

Please refer to the end of the document for interpretation guidelines

Equities:
Medium-term outlook for value stocks is not compelling

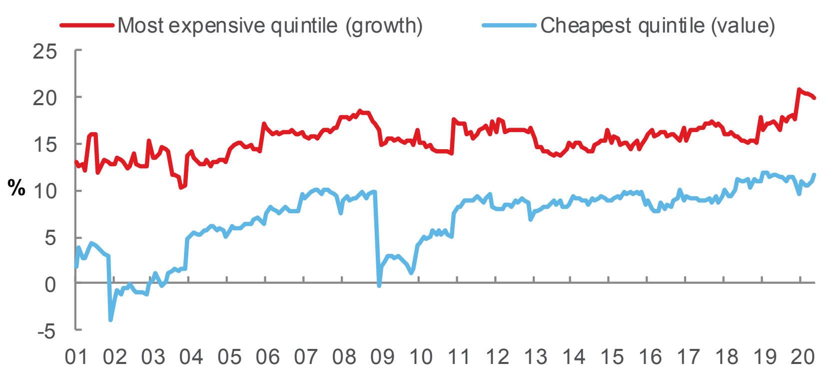
- We think the prospects for value stock outperformance look limited. The conditions that we see needing to be met for better returns are a strong economic recovery, a steeper yield curve and/or a fall-back in technology stocks. Given the risk of further virus waves and the mounting economic costs, we are not optimistic for economic strength, tighter monetary policy or substantially higher interest rates in the coming months.
- Our work reveals that the cheapest stocks by price to book value have historically had much more cyclical profit margins than the most expensive stocks, which tend to be classified as growth stocks. Much of this stems from the sectors that dominate value (mainly financials) and those that dominate growth (mainly technology).
- By contrast, it is clear that the valuation gap between growth and value stocks is especially large. This is not enough to trigger a reversal on its own, of course.
- **We have maintained our medium-term view on value versus growth.**

Value versus growth valuation spread at multi-decade high

Price to sales ratio of MSCI World Value divided by Growth

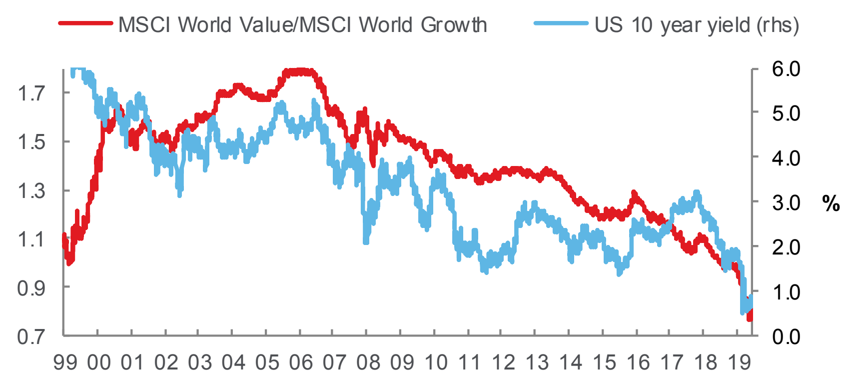
Source: Factset, Aon calculations

Value stock profit margins much more cyclical than growth



Source: Factset, Aon calculations. Net profit margins for growth quintile versus value quintile by P/B

Value stocks underperform as bond yields fall



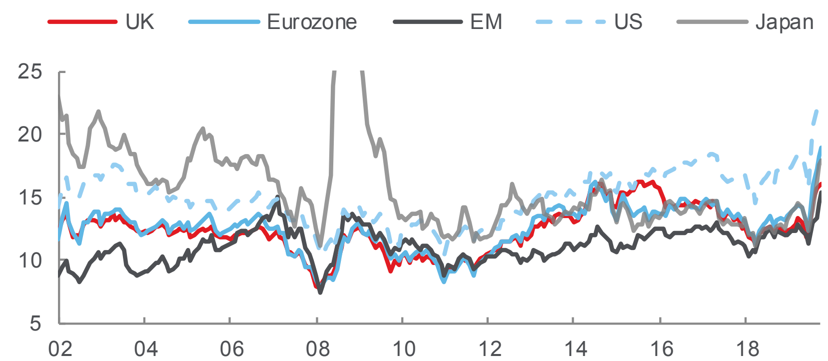
Source: Factset, Aon calculations. Ratio of total returns for MSCI Value versus Growth

Past Performance is no guarantee of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses. Please refer to Appendix for Index Definitions and other General Disclosures.

Equities:
Still offer some value vs. bonds, but are expensive and very vulnerable

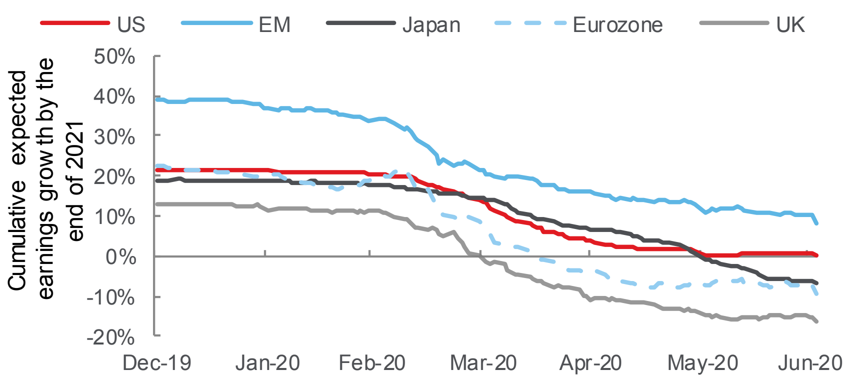
- Easing of lockdown triggered a strong risk-on sentiment which has led equity markets higher. During the second quarter, the underperformance of value stocks has continued, while the IT and Consumer Discretionary sectors outperformed.
- **On the back of this strong rally, most traditional valuation metrics have moved to multi-year highs over the past few weeks.** It appears to us that the market has priced in the good news-flow and is now vulnerable to any disappointment. Valuations look even more stretched when you take into account the earnings growth outlook.
- **Nevertheless, the outlook for equities is not overly negative.** As shown by the current earnings yield of equities vs bond yields, equities look better valued on a relative basis versus bonds. Anchored interest rates should continue to provide support.
- Since equities have bounced back, momentum has been slowing as market uncertainties and risks remain high. In this context, **we have neutralized our regional views and we recommend against rebalancing at the moment, as we see risks skewed to the downside.**

12-month forward PE ratios are expensive across regions



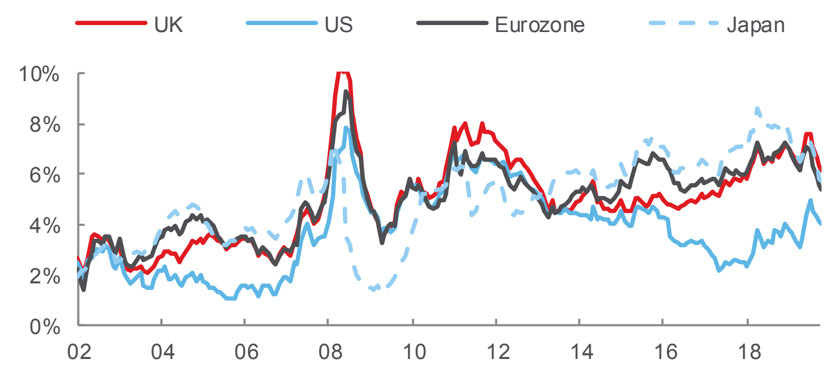
Source: Factset, Aon

Earnings are unlikely to catch-up in the next 18 months



Source: Factset, Aon

Equity earnings yields continue to be attractive



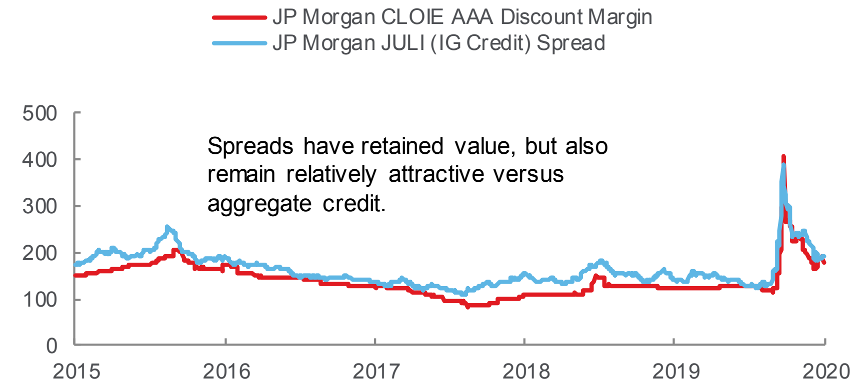
Source: Factset, Bank of America Merrill Lynch, Aon

Past Performance is no guarantee of future results

Credit focus:
Credit Opportunities

- Opportunities continue to persist in credit segments that have not directly benefitted from direct action from the federal reserve. We believe that opportunities persist in securitized and structured credit, opportunistic credit, and real estate debt.
- A number of these securitized markets continue to trade at better value than before COVID-19, although valuations in aggregate are not as attractive as they were at the height of the crisis. This is because they have partly inherited the glow from other risk assets, and partly because we are past the expected nadir of the crisis.
- High yield bonds have benefited more from central bank actions, and have seen their valuation advantages erode relative to an accelerating default cycle. We continue to prefer quality credits trading at a discount.
- We expected that the opportunities in credit markets would move through different sectors as the crisis moved from an immediate liquidity issue to one where there would be winners and losers. Active management is key.

High quality securitized assets have retained value



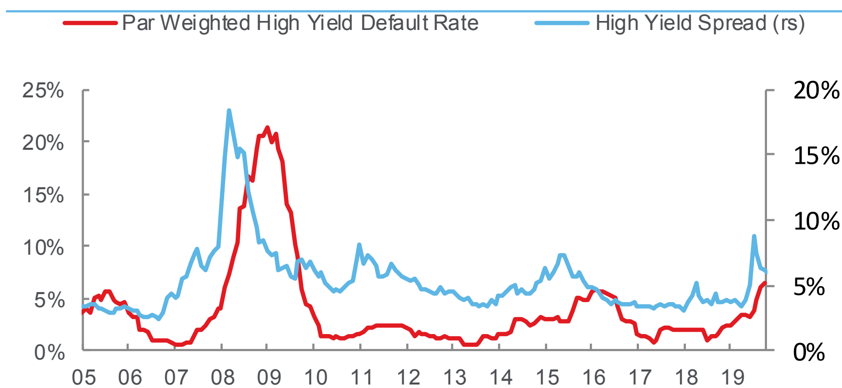
Source: JP Morgan

Securitized Real Estate Debt

Bloomberg Barclays Non-Agency CMBS Spreads

Source: Bloomberg Indexes

Defaults move higher – High Yield Spreads Move Lower



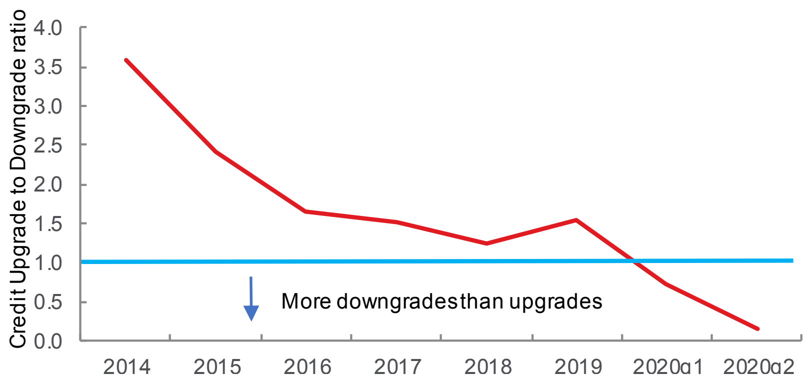
Source: Bloomberg

Past Performance is no guarantee of future results

Core Fixed Income:
Moving to a neutral stance on investment grade versus government

- After a sharp fall in investment grade credit spreads, (see chart lower left), we are now taking a neutral stance versus government bonds. Spreads were attractive some weeks ago, but only for a short time, as the US Federal Reserve's direct intervention stabilised and reopened the market for new issuance.
- Credit downgrades are substantially outpacing upgrades (chart upper right), so spread tightening below current levels will be difficult to sustain. However, central bank actions continue to provide a valuable backstop in these difficult conditions.
- Corporate bond yields are now at record lows (chart, lower right) with the decline in both US treasury yields and credit spreads. Total return prospects for this asset class have moved even lower.

A lot of downgrades continue in US investment grade



Source: Bloomberg Barclays

Credit spreads have come in a long way

Source: Bank of America, Merrill Lynch

Yields are now at record lows

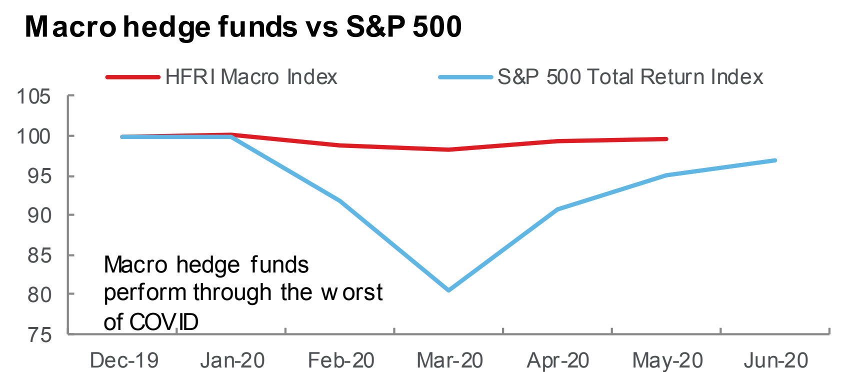
Source: Bank of America Merrill Lynch

Past Performance is no guarantee of future results

Alternatives:
Hedge funds play their role

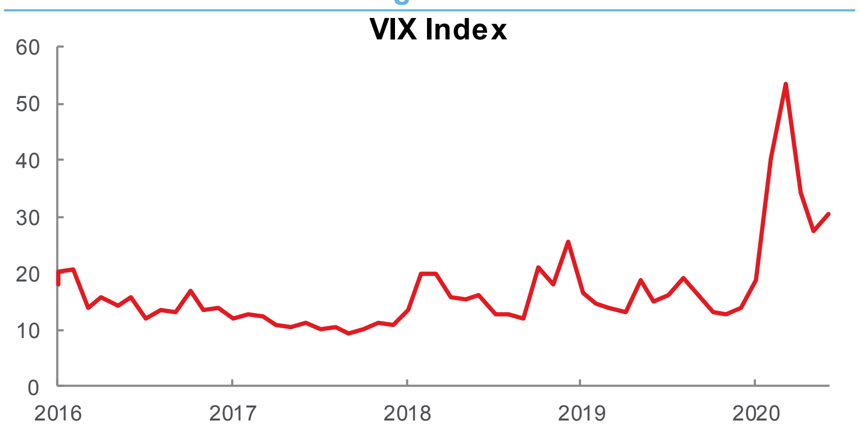
- In a volatile first half of the year, non-directional hedge funds, the group of strategies we have been recommending, have performed well when measured against other return seeking assets.
- A key headwind facing hedge funds and many alpha generating strategies over the last few years - low volatility - became a tailwind in the first half of the year as volatility exploded. Looking forward, it is likely that there will be several spikes in volatility, which should benefit strategies such as global macro.
- Directional strategies will likely move into favour when markets move through this volatile phase but we are not there yet.
- As we move through the business cycle, strategies that can capitalize on business distress may become attractive.

Global Macro does its job



Source: S&P, HFRI

Implied equity volatility remains high, creating a good environment for macro hedge funds



Source: Bloomberg Barclays

Downgrades of credit may create some opportunities for some hedge fund strategies

Source: Green Street Advisors

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Manager Searches

Empower Results®

Identifying Top Managers Using Qualitative and Quantitative Metrics

Depth and Stability

- Ownership structure
- Compensation policies
- Professional turnover
- Succession planning
- Business focus
- Level of assets
- Culture of organization
- Alignment of interests
- Ethical standards

Consistent and Deep Approach

- Consistent investment philosophy
- Repeatable process
- Strong research capabilities
- Demonstrated knowledge
- Adherence to style
- Attribution matches style
- Proper risk management

Legitimate and Repeatable

- In line with style
- Attribution analysis
- Understanding of underperformance
- Results not driven by a “home run”
- Composite construction
- Performance dispersion

Manager Research Process

1 **Initial inputs**
- News flow
- Quantitative Rating
- Portfolio analysis
- Intro Meetings

2 **Pre-meeting**
- Discuss key issues
- Set the agenda
- Share with manager

3 **Manager Visit**
- We ask the questions
- Listen to the answers

4 **Post Meeting**
- Do they do what they say they do?
- Rating recommendation

5 **Rating Discussion**
- Full airing of issues with consultants and specialists

6 **Rating Sheet**
- Review and update
- Share with manager

7 **Implementation of Research**
- Meetings
- Manager selections

On-going Monitoring
- Communications with Consultants & Clients
- Quarterly Reviews

Empower Results®

Section 1: Emerging Market Equities Search

About This Material

Aon Investments USA, Inc. has been asked to identify our highest conviction Emerging Markets investment strategies. We have identified three manager candidates from our list of “Buy” rated managers, which we believe are appropriate for consideration.

Non-U.S. Emerging Market Equity Candidates

Firm	Product
Aberdeen Asset Management (“Aberdeen”)	**Aberdeen Emerging Markets Fund**
BlackRock, Inc. (“BlackRock”)	Advantage Emerging Markets Fund
GQG Partners LLC (“GQG”)	Emerging Markets Equity Fund
William Blair Investment Management LLC (“William Blair”)	Emerging Markets Leaders Fund

On the following pages, we profile Aberdeen and three proposed manager candidates and provide qualitative and quantitative information for the consideration of each product for this potential assignment.

Product Investment Summary[1]

	BlackRock
Overall Approach	BlackRock Systematic Active Equity (SAE), through predecessor firms, pioneered the investment philosophy, Total Performance Management, several decades ago. The conviction is that consistent and differentiated alpha can potentially be produced through systematically balancing forecast return, risk, and cost in a disciplined investment process. They believe that constant innovation is a prerequisite to success, achieved by researching new investment insights. Risks must also be well understood and adequately compensated, with transaction costs explicitly considered in all investment decisions. This approach should then be applied to the broadest possible opportunity set. The investment model systematically tracks and ranks the characteristics of thousands of stocks daily across three broad areas: Company Fundamentals, Sentiment, and Macro Themes. These rankings then feed into a portfolio optimization which seeks the best trade-off between forecast returns, risk and costs.

	GQG
Overall Approach	GQG focuses on investing in companies that it believes can sustain superior earnings growth over the long term and are available at a reasonable price. The GQG team pursues a bottom-up fundamental research process when evaluating potential portfolio companies. The most important factors in their analysis are high and sustainable return on equity, low leverage and growth potential. They look for well-managed companies that benefit from barriers to entry and enjoy some degree of pricing power. GQG identifies companies that have generated relatively stable earnings growth, yet have solid growth opportunities still available to exploit. These attributes are indications of a company's ability to generate long-term, sustainable earnings growth. After the team concludes that a company is a high-quality, sustainable company and is available at a reasonable price, the stock is added to the portfolio at a percentage based on their level of conviction.

	William Blair
Overall Approach	The Emerging Markets Leaders strategy is focused on finding the highest quality growth companies within emerging markets. To that end, the team focuses on finding companies with a strong Management team with a proven track record, competitive advantages that drive the duration and size of the companies' growth trajectory, and strong/improving margins, consistent earnings growth, and low financial leverage. The Emerging Markets Leaders strategy holds 50-80 high conviction names which are the highest quality within their universe. This range of names allows focus while also allowing inclusion of large and medium names based in emerging markets which add value and diversification to the portfolio.

[1]The narrative above is self-reported by the manager and obtained through eVestment and is provided for informational purposes only.

Key Decision Factors

	BlackRock	GQG	William Blair
Strengths	- Blackrock's focus on "Big Data" has led to differentiated insights and investment signals not driven by readily available factors. - The investment team is well resourced and of high quality. We believe it is well led by Raffaele Savi and Jeff Shen. - The investment team includes an increasing number of data scientists rather than individuals with PhDs in Economics or Finance.	- Rajiv Jain produced a long and impressive track record at his former employer Vontobel, and has continued to deliver good performance at his new venture. - The new firm, founded in 2016, is structured from a blank slate and provides good transparency, alignment and capacity management. - The strategy has greater flexibility and ability to rotate than some rigidly implemented quality growth strategies, allowing the manager to perform in a greater variety of market conditions. - The team includes investigative journalists to provide alternative viewpoints on companies, when compared to a typical financial analyst.	- The firm is 100% employee-owned. Though the firm has various arms of business, it remains steadfast in its commitment to investment management and its institutional clientele. This is reflected by its methodical approach to growth in assets across institutional strategies and research personnel, as well as product development. - The portfolio managers are well-tenured within the industry and have demonstrated a unique approach to valuation and fundamental analysis. The portfolio managers are also supported by talented and experienced research analysts. The team's focus on quality companies and general avoidance of high cyclical growth companies has enabled the strategy to generate strong downside capture numbers relative to peers. - A separate quantitative research team uses proprietary models to integrate risk management measures into the investment process.
Weaknesses	- The shift to an emphasis on "Big Data" has led to some turnover in investment staff. - The investment process is relatively more complex and opaque than peers given its emphasis on "Big Data".	- Key man risk is high. - As a new firm the tenure of the team working together at GQG is relatively low and the extent of challenge to Rajiv Jain's view is less tested. - Because of its ability to rotate, the strategy may not always fit neatly into a 'style-box'.	- The focused nature of the strategy, growth and quality style tendencies, and a lack of constraints around sector and country exposure could lend the portfolio to higher relative volatility. - There has been some recent turnover/changes within the investment management team, although the succession channels in place alleviated most concerns.
Environmental Analysis	- This is a quantitative process that focuses on relative value, earnings quality, sentiment and thematic insights. However the focus on more differentiated data sources has led to a performance profile that is different from off the shelf value, quality and momentum factors. - This is a core strategy with tight tracking error controls. Performance is expected to be driven by stock selection. We note that quantitative process may still lag at turning points.	- Over a cycle we would expect the strategy to deliver in quality and growth oriented markets, and protect in prolonged bear markets. - Over shorter periods this may not hold true, with the manager able to rotate into optically more value orientated parts of the market. - Conversely this means the strategy also has greater ability to compete in markets that more style boxed strategies may struggle.	- Stock selection will generally be the primary driver of excess return in the portfolio and should perform well in a normal market environment where investments are broadly held or markets that favor the growth and quality investment styles. The strategy will generally underperform when markets are narrowly led, particularly if by value stocks, or where strong fundamental characteristics are not being rewarded.

Firm & Product Details[1]
As of March 31, 2020

	Aberdeen	Blackrock	GQG	William Blair
Location of Firm	Edinburgh, UK	New York, NY	Ft. Lauderdale, FL	Chicago, IL
Year Founded	1983	1988	2016	1935
Ownership Structure	100.0% Employee Owned	77.6% Publicly Held, 22.4% PNC Financial	95.0% Employee Owned, 5.0% Other Ownership	100.0% Employee Owned
GIPS Compliant	Yes	Yes	Yes	Yes
Total Firm AUM	$544.6bn	$6.4tn	$29.2bn	$46.6bn
Total Strategy AUM	$16.3bn	$13.6bn	$9.0bn	$3.7bn
Total Number of Investment Professionals[2]	56	2,413	16	106
Product Name	**Aberdeen Emerging Markets Fund**	**Advantage Emerging Markets Fund**	**Emerging Markets Equity Fund**	**William Blair Emerging Markets Leaders Fund**
Strategy Inception	January 1996	January 2018	December 2016	April 2008
Investment Vehicle	Mutual Fund	Mutual Fund	Mutual Fund	Mutual Fund
Ticker	ABEMX	BLSKX	(GQGIX)	WELIX
Portfolio Manager(s)/Start Year at Firm	Team Managed led by Mubashira Bukhari / 2007	Team Managed led by Jeff Shen / 2005	Team Managed led by Rajiv Jain / 2016	Todd McClone / 2000 Jack Murphy / 2005
Redemption Fees	None	None	None	None
Minimum Investment	$1 - Million	None – MF	$500,000 – MF	$1mn MF
Expense Ratio (Net)	1.10% - MF	0.83% - MF	0.98% - MF	1.10% MF
AHIC Rating	Sell	Buy	Buy	Buy

[1] Sourced from investment managers or eVestment Alliance
[2] Includes Portfolio Managers, Research Analysts, Traders, and Economists. Does not include Client Service, Marketing, and Other Staff.

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Summary Characteristics[1]
As of March 31, 2020

	Aberdeen	Blackrock	GQG	William Blair
Management Strategy	Active	Active	Active	Active
Stated Benchmark	MSCI EM-GD	MSCI Emerging Markets Index	MSCI Emerging Markets Index	MSCI Emerging Markets Index
Capitalization Emphasis	All Cap	Large Cap	Large Cap	All Cap
Style Emphasis	Core	Core	Quality Growth	Growth
Investment Approach	Fundamental	Quantitative	Fundamental	Fundamental
Screening Approach	Bottom-Up	Combined	Bottom-Up	Bottom-Up
Current Number of Holdings	59	499	57	58
Emerging Markets Exposure	87.5%	97.0%	78.2%[2]	100.0%
Annual Turnover (by Weight)	23.1%	138.0%	95.1%	40.0%
Max. Cash Position	5.0%	5.0%	10.0%	10.0%
Max. Sector Exposure	20.0%	+/-4% of benchmark (generally within +/- 2% of benchmark)	No Limit	40.0%
Max. Industry Exposure	No Limit	+/-4% of benchmark (generally within +/- 2% of benchmark)	No Limit	N/A
Max. Position Size	+/- 5% of benchmark	+/- 2% of benchmark	7.0%	7.5% for market cap > $15bn and 5% for market cap < $15bn

1 Sourced from the investment managers or eVestment Alliance
2 GQG also invests in companies domiciled in developed markets as long as the majority of their revenue is derived from Emerging Markets.

Empower Results®

Regional Exposure of Emerging Market Managers

As of March 31, 2020

Region	Aberdeen Emerging Markets Fund	Blackrock Advantage Emerging Markets Fund	GQG Emerging Markets Equity Fund	William Blair Emerging Markets Leaders Fund
Pacific	5.03%	1.91%	5.66%	0.00%
EMU	0.73%	0.13%	5.59%	2.55%
Europe ex EMU	0.00%	0.15%	0.04%	0.00%
Middle East	0.00%	0.00%	0.00%	0.00%
Canada	0.00%	0.00%	0.00%	0.00%
United States	1.56%	0.17%	10.83%	1.06%
Developed Markets	**7.32%**	**2.36%**	**22.12%**	**3.61%**
EM Latin America	18.54%	8.41%	0.00%	9.61%
EM Asia	65.71%	74.91%	65.50%	81.71%
EM Europe + Middle East + Africa	8.42%	14.12%	4.40%	4.73%
Emerging Markets	**92.68%**	**97.44%**	**69.89%**	**96.05%**
Frontier Markets	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Cash	0.00%	0.00%	5.96%	0.00%
Other	0.00%	0.20%	2.03%	0.35%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

GQG Historical Developed Market Exposure													
Quarter	Mar-20	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17	Mar-17
Total Developed	22.12%	18.35%	24.58%	26.25%	27.47%	24.36%	24.95%	17.70%	13.44%	11.88%	13.67%	16.47%	16.22%
Hong Kong	1.99%	6.25%	9.27%	13.77%	16.74%	16.01%	16.89%	4.77%	2.78%	3.11%	4.29%	5.02%	4.76%

- GQG Emerging Markets Equity Fund has an internal soft limit of 20% to developed markets but depending on market movements, etc, it can go over at moments in time.
- "Total Developed" market exposure includes exposure to Hong Kong. GQG views Hong Kong as a direct proxy to China which is viewed as an emerging market. For this purpose, the GQG exposure to Hong Kong has been detailed above.

Empower Results®

Trailing & Calendar Performance
As of June 30, 2020

	Performance(%)					
	1 Quarter	1 Year	3 Years	5 Years	7 Years	10 Years
Aberdeen Emerging Markets Fund (Incumbent)	**22.97 (35)**	**-4.74 (57)**	**0.71 (53)**	**3.02 (41)**	**2.19 (60)**	**4.22 (27)**
Blackrock Advantage Emerging Markets Fund*	19.68 (57)	-4.57 (55)	1.78 (40)	3.76 (29)	4.10 (28)	6.14 (10)
GQG Partners Emerging Markets Equity Fund**	22.17 (37)	0.78 (25)	5.72 (14)	4.80 (19)	4.42 (24)	6.92 (5)
William Blair Emerging Markets Fund	26.38 (22)	5.13 (15)	6.19 (13)	4.48 (24)	4.81 (19)	4.73 (23)
MSCI Emerging Markets Index (Net)	*18.08 (75)*	*-3.39 (45)*	*1.90 (39)*	*2.86 (44)*	*3.22 (42)*	*3.27 (40)*

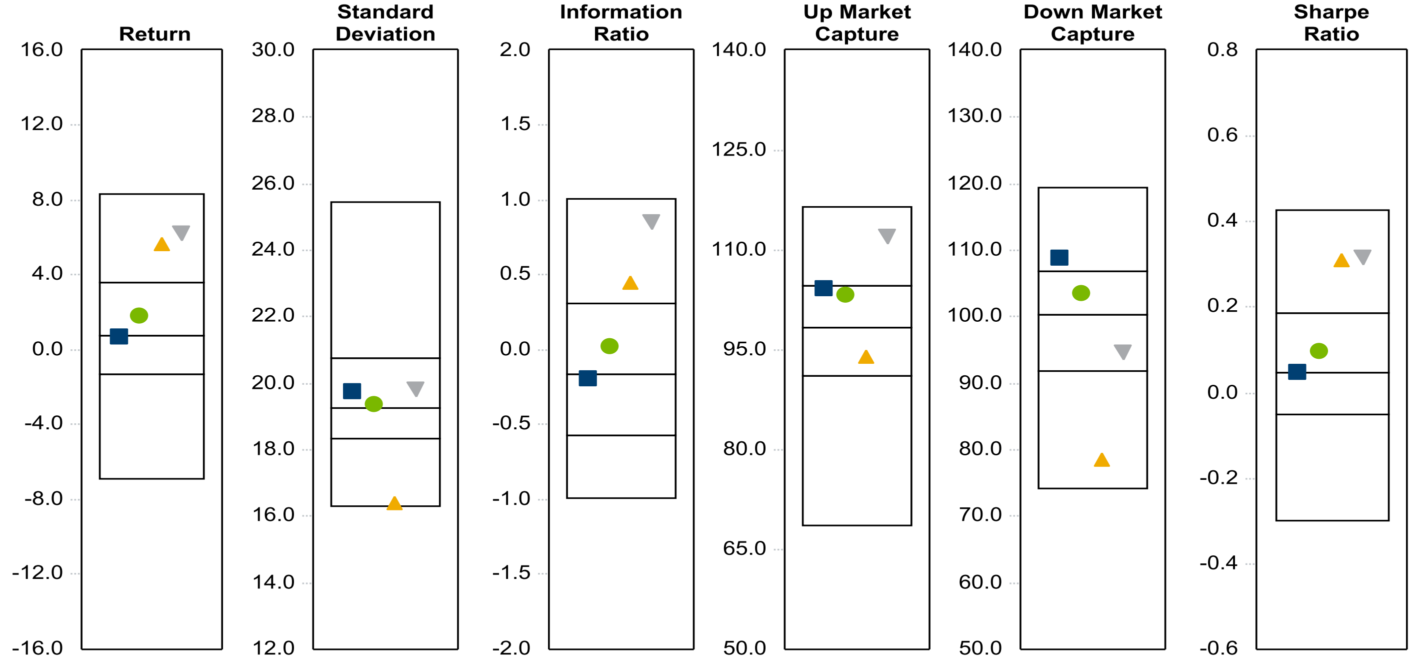
	Performance(%)									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Aberdeen Emerging Markets Fund (Incumbent)	**20.42 (45)**	**-14.65 (37)**	**30.24 (71)**	**11.96 (32)**	**-13.68 (49)**	**-2.45 (52)**	**-7.49 (92)**	**26.15 (10)**	**-11.05 (6)**	**27.58 (11)**
Blackrock Advantage Emerging Markets Fund*	17.47 (67)	-14.07 (29)	40.16 (24)	14.62 (17)	-13.68 (49)	-0.97 (39)	-1.33 (51)	24.50 (13)	-7.08 (3)	21.88 (38)
GQG Partners Emerging Markets Equity Fund**	21.08 (42)	-14.70 (38)	32.01 (65)	2.37 (84)	-7.69 (13)	6.97 (7)	-4.71 (81)	22.16 (23)	-1.72 (2)	31.11 (6)
William Blair Emerging Markets Fund	28.45 (11)	-17.46 (64)	42.15 (16)	1.74 (86)	-14.24 (54)	2.68 (17)	-0.46 (45)	20.97 (33)	-19.30 (49)	23.84 (22)
MSCI Emerging Markets Index (Net)	*18.44 (58)*	*-14.58 (34)*	*37.28 (38)*	*11.19 (37)*	*-14.92 (59)*	*-2.19 (50)*	*-2.60 (60)*	*18.23 (58)*	*-18.42 (37)*	*18.88 (53)*

*Prior to February 2018, returns are from BlackRock Emerging Markets Long/Short Equity Fund.
**Prior to January 2017, returns are from Vontobel Emerging Markets Equity Fund which was managed by Rajiv Jain.

Emerging Market Peer Group Analysis Statistics

As of June 30, 2020

IM Emerging Markets Equity (MF) vs. MSCI Emerging Markets Index (Net)



	Return 3 Years		Standard Deviation 3 Years		Information Ratio 3 Years		Up Market Capture 3 Years		Down Market Capture 3 Years		Sharpe Ratio 3 Years	
Aberdeen Emerging Markets	**0.71**	**(53)**	**19.73**	**(42)**	**-0.19**	**(52)**	**104.21**	**(27)**	**108.86**	**(15)**	**0.05**	**(51)**
Blackrock Emerging Markets	1.78	(40)	19.34	(49)	0.02	(42)	103.13	(29)	103.40	(35)	0.10	(41)
GQG Emerging Markets	5.72	(14)	16.42	(95)	0.45	(23)	94.01	(69)	78.54	(91)	0.31	(12)
William Blair Emerging Markets	6.19	(13)	19.77	(40)	0.85	(8)	111.93	(12)	94.49	(70)	0.31	(12)
5th Percentile	8.34		25.46		1.01		116.47		119.46		0.43	
1st Quartile	3.58		20.75		0.31		104.79		106.92		0.19	
Median	0.79		19.25		-0.16		98.37		100.34		0.05	
3rd Quartile	-1.26		18.35		-0.57		91.25		91.80		-0.05	
95th Percentile	-6.87		16.30		-0.99		68.58		74.20		-0.30	

Section 2: U.S. Real Estate Search

About This Material

Aon Investments USA, Inc. has been asked to identify our highest conviction U.S. REIT investment strategies. We have identified three manager candidates from our list of "Buy" rated managers, which we believe are appropriate for consideration.

U.S. REIT Candidates

Firm	Product
The Vanguard Group ("Vanguard")	**Vanguard REIT Index Fund**
Cohen & Steers Capital Management, Inc. ("Cohen & Steers ")	Cohen & Steers US Realty Total Return
Principal Financial Services, Inc. ("Principal")	Principal Real Estate Securities Fund
Heitman Capital (Heitman)	U.S. Diversified Real Estate Securities

On the following pages, we profile Vanguard and three proposed manager candidates and provide qualitative and quantitative information for the consideration of each product for this potential assignment.

Product Investment Summary[1]

	Cohen & Steers U.S. Realty Total Return Fund
Overall Approach	Cohen & Steers U.S. Real Estate Securities strategy provide investors with real estate exposure through the public markets diversifying across property types and regions. The strategy employs a relative-value investment process to identify securities that are believed to be mispriced relative to underlying assets. The team seeks to outperform its benchmark utilizing an integrated approach that combines bottom-up research with a top-down macroeconomic overlay. The Firm, considered a leader in the space as one of the oldest dedicated REIT managers, boasts one of the largest teams in the industry.

	Principal Real Estate Securities Fund
Overall Approach	Real estate securities teams' investment philosophy is the belief equity markets are fundamentally driven and reflect the market's collective expectations of a company's future business prospects. The team focuses on identifying opportunities where their expectations differ from the consensus. These differences are common but typically modest in size. The team's research process relies heavily on the professional judgment of experienced portfolio managers and analysts to provide deep forward-looking perspectives and carry out a fundamental based approach that correctly identifies outcomes where their expectations are different and then position the portfolio accordingly. The team believes security selection is the most reliable and repeatable source for potential alpha generation. They have followed their investment philosophy since inception of their U.S. real estate securities strategy in January 1998.

	Heitman
Overall Approach	Heitman is a well-established and respected firm focused solely on real estate investment management. The strategy is run by an experienced portfolio management team that can leverage the broader supporting resources of Heitman. We believe that Heitman has a good process in place to successfully create positive performance within its U.S. REIT strategy, which has proved out over the recent past, generating solid risk/adjusted returns.

[1]The narrative above is self-reported by the manager and obtained through eVestment and is provided for informational purposes only.

Key Decision Factors

	Cohen & Steers	Principal	Heitman
Strengths	-Cohen & Steers ("C&S" or the "firm") is a global investment manager specializing in liquid real assets, including real estate securities, listed infrastructure, commodities and natural resource equities, as well as preferred securities. One of the oldest and largest independent firms in the space, founded in 1986, C&S is headquartered in New York City, with offices in London, Hong Kong, Tokyo and Seattle. -The Firm boasts one of the largest global real estate securities teams in the business with offices located across the globe and in major markets in which they invest. Each analyst covers a relatively few number of companies allowing for more refined qualitative and quantitative assessments that are integrated into the valuation and cash flow forecasts that are critical to the stock selection decisions. -C&S has one of the longer track records in the U.S. REIT space, which has historically generated respectable relative performance over the long term.	-Principal Real Estate Investors is the dedicated real estate investment affiliate of Principal Global Investors, the institutional asset-management arm of the Principal Financial Group. The group is built upon a vertically-integrated platform, incorporating all disciplines of commercial real estate. -The four senior members of the global REIT team average 24 years of industry experience, 15 years together at Principal. The team brings experience of both direct real estate and quantitative equity analysis to bear on the strategy. -The investment process is primarily driven by a focus on bottom-up stock selection, based off quantitative models and reinforced by Principal's research and extensive direct real estate platform.	-Heitman has one of the longer tenures in the real estate securities business, having entered the space in 1989. The firm has grown to include three complementary business units: Private Real Estate Equity, Real Estate Debt, and Real Estate Securities. -Heitman utilizes an investment process that combines their direct real estate knowledge with their public equities experience to identify mispriced securities. -The Strategy's performance has improved over time, adding value over its benchmark more consistently the last ten years, which has coincided with Jerry Ehlinger taking over of PM duties. Excess return ranks in the top quartile amongst peers over the 3-, 5- and 7-year time periods.
Weaknesses	-C&S employs a process that is intended to derive most of its out-performance from a bottom-up stock valuation method, sector allocation being secondary in alpha generation. C&S U.S. strategy invests in a portfolio of companies the firm believes are mis-priced relative to their net asset value and dividend discount model estimates. The firm has a sound investment process, but not drastically different from other managers who run similar strategies.	-Risk is primarily monitored / managed by the investment team using analytical and risk management systems and guidelines. Tony Kenkel leads the risk-management function within the portfolio management team. Given the team's bottom-up approach, portfolio risks tend to be almost entirely residual risk (stock specific) by design. -While ideas are subjected to discipline peer group debate to ensure team buy-in and commitment to portfolio positions, ultimately Kelly Rush makes all final decisions, thus keyman risk is slightly elevated for this product.	-Heitman's risk management and portfolio construction process looks to create a portfolio that will maximize the return expectations from its bottom-up research and analysis while controlling for unintended exposures. Risk management approach for the strategy appears to be comparable to peers
Environmental Analysis	-The Cohen & Steers U.S. Real Estate Securities strategy provide investors with real estate exposure through the public markets diversifying across property types and regions. The strategy employs a relative-value investment process to identify securities that are believed to be mispriced relative to underlying assets. The strategy has been able to produce excess returns on a more regular basis as compared to peers.	-Principal's U.S Real Estate Equity Securities strategy combines fundamental real estate research with security analysis and bottom-up stock selection driving the overall process. This cohesive, experienced team seeks to create a portfolio consisting of a large number of medium-sized active weights, constructed within a disciplined risk management framework.	-The US Diversified Real Estate Securities Strategy is run by an experienced portfolio management team that can leverage Heitman's broader platform, including direct real estate and credit platforms, to help uncover market price inefficiencies.

Firm & Product Details[1]
As of March 31, 2020

	Vanguard	Cohen & Steers	Principal	Heitman
Location of Firm	Malvern, PA	New York, NY	Des Moines, Iowa	Chicago, IL
Year Founded	1975	1986	1998	1966
Ownership Structure	100% Other Ownership	60% Employee Owned 40% Publicly Owned	100% Parent Owned	100% Member Owned
GIPS Compliant	Yes	Yes	Yes	Yes
Total Firm AUM	$5.0 T	$70.8 B	$85.7 B	$41.7 B
Total Strategy AUM	$51.6 B	$8.7 B	$6.0 B	$1.1 B
Total Number of Investment Professionals[2]	17,600	212	236	330
Product Name	**Vanguard REIT Index Fund**	**Cohen & Steers Institutional U.S. Realty Total Return Fund**	**U.S. Real Estate Securities Fund**	**U.S. Diversified Real Estate Securities Fund**
Strategy Inception	03/1996	03/1985	04/2000	1/1991
Investment Vehicle	Mutual Fund	Mutual Fund	Mutual Fund	Mutual Fund
Ticker	VGSNX	CSRIX	PIREX	HTMIX
Portfolio Manager(s)/Start Year at Firm	Walter Nejman/2005	Jon Cheigh/2005 Jason Yablon/2004 Thomas Bohjalian/2002	Kelly Rush/2000 Keith Bokota/2013 Anthony Kenkel/2012	Jerry Ehlinger/2010
Redemption Fees	None	None	None	None
Minimum Investment	$5 M	$1 M	None	$25,000
Expense Ratio (Net)	0.10%	0.75%	0.88%	0.57%
AHIC Rating	Buy	Buy	Buy	Buy

1 Sourced from investment managers or eVestment Alliance
2 Includes Portfolio Managers, Research Analysts, Traders, and Economists. Does not include Client Service, Marketing, and Other Staff.

Summary Characteristics[1]

As of March 31, 2020

	Vanguard	Cohen & Steers	Principal	Heitman
Management Strategy	Passive	Active	Active	Active
Stated Benchmark	MSCI US IMI Real Estate	FTSE NAREIT Equity REIT Index	MSCI U.S. REIT Index	FTSE NAREIT Equity REIT Index
Capitalization Emphasis	All Cap	All Cap	All Cap	All Cap
Style Emphasis	Core	Value	Core	Value
Investment Approach	Quantitative	Fundamental	Fundamental	Fundamental
Screening Approach	Top-Dow n	Bottom-Up	Combined	Combined
Current Number of Holdings	184	45	41	32
Annual Turnover (by Weight)	5.80%	76.2%	19.9%	149%
Max. Cash Position	5.0%	5.0%	20.0%	5.0%
Max. Sector Exposure	No Limit	No Limit	15.0%	No Limit
Max. Industry Exposure	No Limit	No Limit	No Limit	No Limit
Max. Position Size	5.0%	8.0%	5.0%	5.0%

[1] Sourced from the investment managers or eVestment Alliance

Trailing & Calendar Performance[1]
As of June 30, 2020

	Performance(%)											
	1 Quarter		1 Year		3 Years		5 Years		7 Years		10 Years	
Vanguard REIT Index Fund (Incumbent)	**13.44**	**(29)**	**-6.93**	**(32)**	**2.22**	**(46)**	**5.37**	**(37)**	**6.26**	**(41)**	**9.72**	**(40)**
Cohen & Steers U.S. Realty Total Return Fund	12.85	(41)	-4.40	(14)	4.69	(11)	6.99	(13)	7.80	(10)	10.43	(14)
Principal U.S. Real Estate Securities Fund	11.81	(57)	-6.42	(26)	4.40	(16)	6.67	(16)	7.85	(8)	10.70	(8)
Heitman U.S. Diversified Real Estate Securities Fund	12.91	(40)	-8.08	(48)	2.69	(34)	6.47	(17)	7.94	(6)	11.11	(6)
FTSE NAREIT Equity REIT Index	*11.82*	*(56)*	*-13.04*	*(71)*	*0.03*	*(71)*	*4.06*	*(64)*	*5.36*	*(60)*	*9.05*	*(59)*

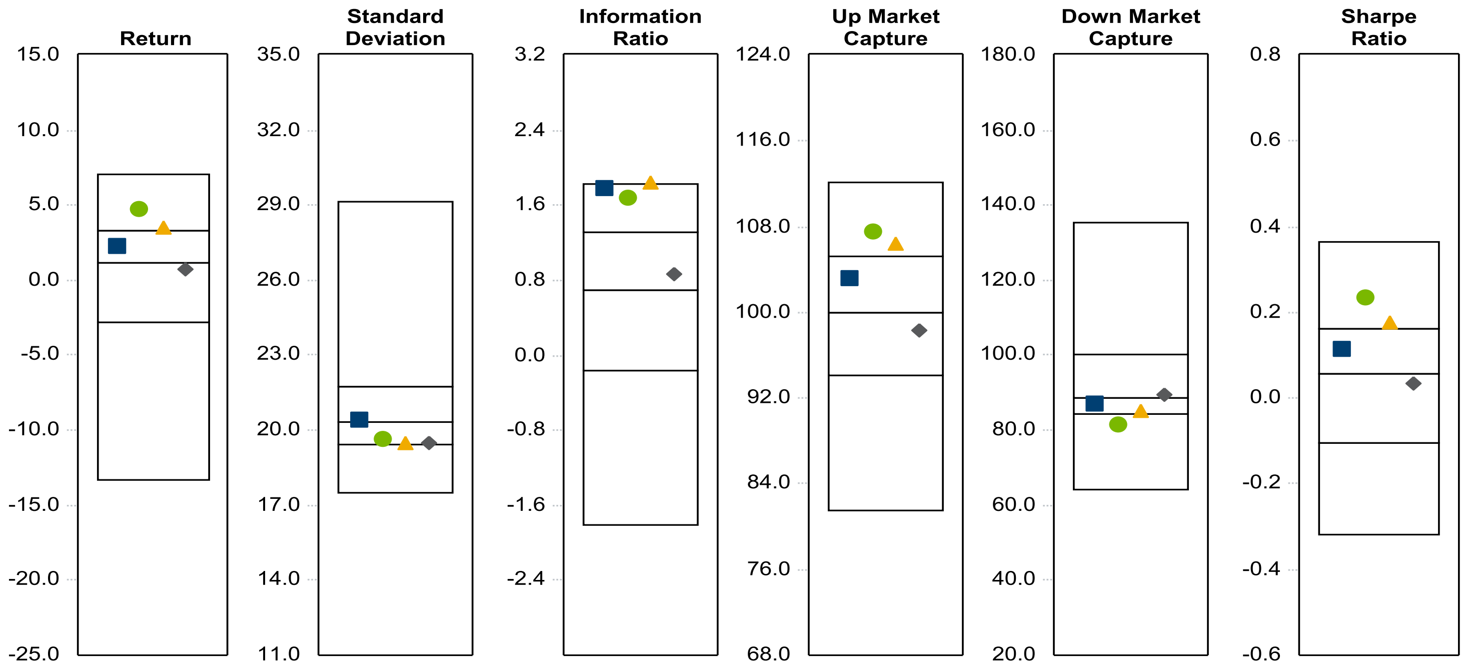
	Performance(%)																	
	2019		2018		2017		2016		2015		2014		2013		2012		2011	
Vanguard REIT Index Fund (Incumbent)	**29.02**	**(31)**	**-5.93**	**(58)**	**4.86**	**(57)**	**8.51**	**(21)**	**2.45**	**(64)**	**30.28**	**(35)**	**2.48**	**(38)**	**17.65**	**(40)**	**8.70**	**(40)**
Cohen & Steers U.S. Realty Total Return Fund	33.01	(5)	-3.99	(21)	7.45	(27)	5.91	(72)	5.23	(10)	30.18	(40)	3.46	(20)	15.91	(82)	6.25	(70)
Principal U.S. Real Estate Securities Fund	31.13	(15)	-4.31	(35)	9.03	(14)	5.93	(70)	4.22	(28)	32.36	(6)	4.05	(17)	17.15	(56)	9.25	(29)
Heitman U.S. Diversified Real Estate Securities Fund	25.68	(64)	-3.22	(13)	6.79	(33)	9.02	(20)	6.28	(5)	35.63	(2)	1.56	(63)	17.77	(39)	12.08	(4)
FTSE NAREIT Equity REIT Index	*26.00*	*(59)*	*-4.62*	*(42)*	*5.23*	*(52)*	*8.52*	*(21)*	*3.20*	*(49)*	*30.14*	*(42)*	*2.47*	*(39)*	*18.06*	*(36)*	*8.29*	*(42)*

[1] Performance shown is for the profiled share classes in the report

REIT Peer Group Analysis Statistics

As of June 30, 2020

IM Real Estate Sector (MF) vs. Wilshire US REIT Index



	Return 2 Years		Standard Deviation 2 Years		Information Ratio 2 Years		Up Market Capture 2 Years		Down Market Capture 2 Years		Sharpe Ratio 2 Years	
Vanguard REIT Index	**2.22**	**(32)**	**20.39**	**(47)**	**1.78**	**(8)**	**103.10**	**(35)**	**86.72**	**(61)**	**0.11**	**(32)**
Cohen&Steers US Realty	4.70	(10)	19.65	(69)	1.67	(11)	107.55	(16)	81.19	(82)	0.23	(11)
Principal US Real Estate	3.52	(22)	19.52	(70)	1.84	(5)	106.45	(22)	85.31	(70)	0.18	(22)
Heitman US Real Estate	0.69	(54)	19.51	(72)	0.87	(43)	98.29	(63)	89.45	(46)	0.03	(57)
5th Percentile	7.03		29.14		1.83		112.17		135.60		0.36	
1st Quartile	3.33		21.74		1.32		105.17		100.32		0.16	
Median	1.15		20.31		0.69		99.92		88.58		0.06	
3rd Quartile	-2.75		19.40		-0.17		94.18		84.17		-0.10	
95th Percentile	-13.26		17.48		-1.81		81.48		64.23		-0.32	

Section 3: Fixed Income Portfolio Structure and Opportunistic Credit Search

About This Material

Aon Investments USA, Inc. has been asked to identify our highest conviction Opportunistic Credit investment strategies. We have identified three manager candidates from our list of “Buy” rated managers, which we believe are appropriate for consideration.

- Brigade Capital and Apollo are multi-asset/opportunistic credit managers
- PIMCO Income Fund is an income oriented, broad based credit mutual fund

Opportunistic Credit Candidates

Firm	Product
Apollo Global Management (“Apollo”)	Apollo Total Return Fund
Brigade Capital Management (“Brigade”)	Brigade Credit Fund II Ltd.
PIMCO	PIMCO Income Fund

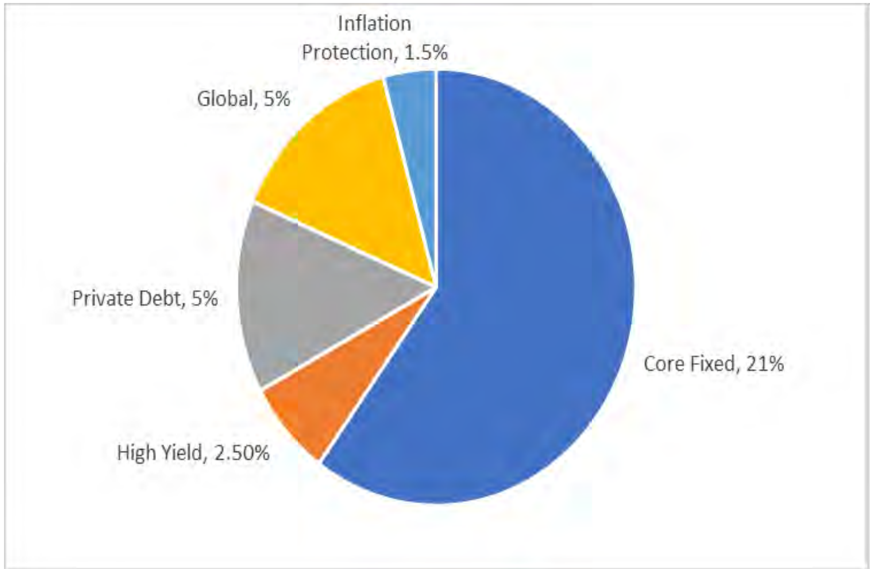
On the following pages, we profile the above proposed manager candidates and provide qualitative and quantitative information for the consideration of the product for this potential assignment.

Fixed Income Structure

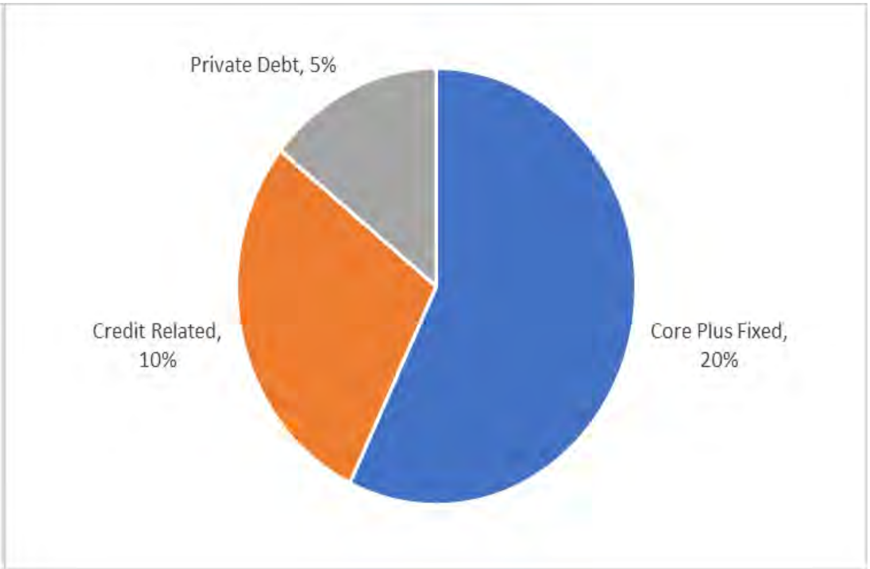
As part of the review of new opportunistic credit managers, Aon recommends the Town of Wilton consider restructuring their current Fixed Income portfolio.

- Consider removing dedicated allocations to inflation protection, Global Fixed Income and High Yield
- Replace these allocations with one dedicated opportunistic/multi-asset credit manager (Brigade or Apollo) and a new income oriented, broad credit oriented fixed income mutual fund – PIMCO Income Fund

Current Fixed Income Structure



Proposed Fixed Income Structure



Executive Summary

- Return-seeking fixed income generally refers to multi-strategy credit (MSC) or multi-asset credit (MAC) strategies which seek to create diversified, opportunistic fixed income portfolios
- These portfolios typically participate in some of the following market sectors:

Market Sector	**Description**	**Typical Allocation**
Bank Loans	Non-publicly traded, secured corporate debt issued (primarily) by below investment grade issuers. Debt is secured by cash flows or assets of the issuer. Most common form are Term B loans, which are floating rate notes quoted over LIBOR/T-Bills	Major
High Yield	Typically, unsecured corporate debt issued by below investment grade issuers	Major
Emerging Market Debt	$-denominated, local currency or $-denominated corporate debt issued by sovereigns or corporations located in emerging market countries	Minor
Structured Credit	Broad category that may include various tranches of CLOs or other securitizations, structured transactions with a corporate feel, or capital relief trades	Minor, but increasing
Convertible Bonds	Corporate debt issued with the option to convert par value into a predetermined number of shares. Typically offered with lower coupons and by below investment grade issuers	Minor
Contingent Convertibles (CoCos)	Similar to convertible bonds, but converts when a bank's capital ratio falls below a predetermined level	Minor
Stressed/Distressed Credit	Credits rated below CCC. Typically these credits trade more like equities and require special skills in workouts or restructurings. They also tend to be less liquid and require longer investment horizons	Minor/ Opportunistic
Inv Grade Credit / Cash	Cash or debt issued by corporations rated BBB-/Baa3 or higher	Minor/ Opportunistic

Executive Summary

Other characteristics of Multi-strategy credit candidates typically include:

- Low interest rate sensitivity (typically less than 3-4 years)
- Below investment grade average credit rating
- Heavy emphasis on credit research
- Benchmark agnostic
- Ability to incorporate new forms of lending as opportunities present
- Ability to opportunistically de-risk (investment grade and cash)
- Liquidity profile consistent with type of investment
  - Majority of portfolio liquid within two weeks
  - Limited exposure to deeply illiquid securities
- Fees aligned with skill

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Key Decision Factors

As of 3/31/20

	Apollo	Brigade	PIMCO
Strengths	▪ Contrarian investment approach to source unique and idiosyncratic opportunities across U.S. credit and real estate debt markets. Approach provides complexity and liquidity premiums. ▪ The team leverages the firm's private equity and real estate groups as part of its due diligence, adding to the resources at the team's disposal.	▪ A key advantage of the Strategy is its ability to allocate to liquid non-traditional credit opportunities to add alpha and reduce beta exposure to the high yield market. ▪ A second important advantage of the Strategy is the ability to efficiently reduce beta to the high yield market in a very short period of time (1-3 days) based on: a) market outlook, and b) the current opportunity set.	▪ PIMCO actively manages all fixed income decisions, exploiting opportunities across a broad opportunity set. The process combines macro-economic views with credit research and seeks to add incremental value from positions taken across a wide range of bond markets. ▪ The manager's focus on managing risk manifests itself in many ways, from its identification of key risks in the bond markets to portfolio construction and managing counterparty exposures.
Considerations	▪ Some liquidity risk due to the complex nature of the strategy. ▪ Fees are high vs peers, but we believe justified given complexity and structure.	▪ the Investment Team may seek to increase the cash allocation of the portfolio as a lever to insulate the Strategy from market gyrations. ▪ Fees are high vs peers, but we believe justified given complexity and structure.	▪ Alpha generation is expected to be driven by duration, yield curve, sector, and issue selection. We remain cognizant that losses may arise during periods of market stress. ▪ The compensation of key senior professionals is at the high end of its peer group, but we believe this is aligned with clients' interests.

Benchmarking

- The go-anywhere, opportunistic, nature of this asset class makes benchmarking strategies complex

		Historical Average						
Manager	**Strategy**	**% HY**	**% Loans**	**% Str. Credit**	**% Distressed/ Opportunistic**	**% EMD**	**% Other**	**% Cash/ IG**
Apollo	Total Return Fund	18%	43%	18%	—	6%	1%	14%
Brigade	Credit Fund II	50%	35%	—	5%	3%	3%	4%
PIMCO	Income Fund	8%	3%	49%	6%	16%	24%	-6%

- For comparison purposes, we will use a blended 50% high yield / 50% loan portfolio reflecting the primary sectors in which the managers profiled seek to add value
- PIMCO's benchmark is the Bloomberg Barclays U.S. Aggregate Index

Manager Detail – Firm and Investment Professionals

	Apollo	Brigade	PIMCO
Firm Headquarters	New York, NY	New York, NY	Newport Beach, CA
Ownership Structure (% employee, other)	41% Employee, 55% Public, 4% Other	100% Employee Owned	100% Parent Owned
Firm AUM – 3/31/20	$316.0 B	$23.1 B	$1.8 T
AUM – YE 2019	$331.0 B	$26.4 B	$1.9 T
AUM – YE 2018	$280.0 B	$19.9 B	$1.7 T
Strategy AUM – 3/31/20 (% Total)	$7.7 B (2.4%)	$4.5 B (19.5%)	$228.8 B (7.9%)
AUM – YE 2019 (% Total)	$7.9 B (2.4%)	$5.6 B (21.2%)	$261.6 B (7.3%)
AUM – YE 2018 (% Total)	$5.9 B (2.1%)	$4.8 B (24.1%)	$195.8 B (8.7%)
Total Number Investment Professionals	215	47	167
Key Decision Makers (Strategy)	3	7	3
# Credit Analysts[1]	53	22	34
# Structured Analysts	17	18	12

[1]Apollo has an additional 31 professionals in fixed income, and 38 in direct origination

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Manager Detail – Vehicle and Fees

	Apollo	Brigade	PIMCO
Target Return	LIBOR + 600-800 basis points p.a. over a full market cycle	N/A	Income Distribution plus 1% Capital Appreciation
Target Volatility	No target. 4.3% (inception to 3/31/20)	No target	5-7% Volatility Over a Market Cycle
Preferred Benchmark	N/A Typically 50% Loan / 50% HY	50% HUCO / 50% CSLL	Bloomberg Barclays US Aggregate
Vehicle	Offshore, Onshore, Exempt, and Lux vehicles are available.	Cayman 3c7	Mutual Fund
AUM in Vehicle	$5.7 B	$1.9 B	$122.8 B
Vehicle as a % of Strategy Assets	74.0%	42.2%	53.7%
Subscription/Dealing Frequency	Monthly	Monthly	N/A
Redemption Notice	Quarterly with 60 days notice	Quarterly	N/A
Lock-up or other Liquidity Provision	1 year soft lock with 3% redemption fee if breached or 2 year hard lock	N/A	N/A
Fees (inclusive of operating expenses)[1]	85bps for 1yr soft lock 75bps for 2yr soft lock	80 bps	50 bps
Minimum Investment	$5 Million (Waived for Aon)	$5 Million (negotiable to $1 Million)	$1 Million

1Apollo: 1 year lock fee is 111 bps, when Aon assets grow above $200M fees drop by 10 bps per tranche, to 101 and 91 bps. Includes 21 bps of operating expense – capped at 40 bps.

Manager Detail – Sector Guidelines & Characteristics

Sector Guidelines	Apollo[1]		Brigade		PIMCO	
	Min	Max	Min	Max	Min	Max
Investment Grade Credit	0%	No Max	0%	20%	No Limit	
High Yield Credit	0%	No Max	25%	75%	-50%	50%
Bank Loans	0%	No Max	25%	75%		
Structured Credit	0%	No Max	0%	20%	No Limit	
Contingent Convertibles	0%	No Max	0%	10%	-10%	10%
Convertibles	0%	No Max	0%	10%	No Limit	
Emerging Market Debt (Hard $)	0%		0%			
Emerging Market Debt (Local)	0%		0%		-20%	20%
Emerging Market Debt (Corporate)	0%	25%	0%	10%		
Other[3]	-	-	-	-	Foreign currency exposure limit 10% of total assets	
Cash	0%	15%	0%	20%	No Limit	

Characteristics	Apollo	Brigade	PIMCO
Holdings Count	765	207	7,626
Yield to Worst/Maturity	6.90%	10.08%	4.45%
Duration (years)	2.9	1.6	1.67
Credit Spread Duration (years)	4.6	2.1	11.29
Average Credit Rating (excl cash)	BB-	B-	A-
Average Credit Rating (incl cash)	BB	B	N/A

[1] Apollo's allocation: single industry sector is capped at 25%, emerging market debt (in aggregate) is capped at 25%. Single issuers capped at 5%. CCC or lower exposure is capped at 15%, adding NR caps at 25%. The unhedged non-U.S. currency exposure cannot exceed 10%.

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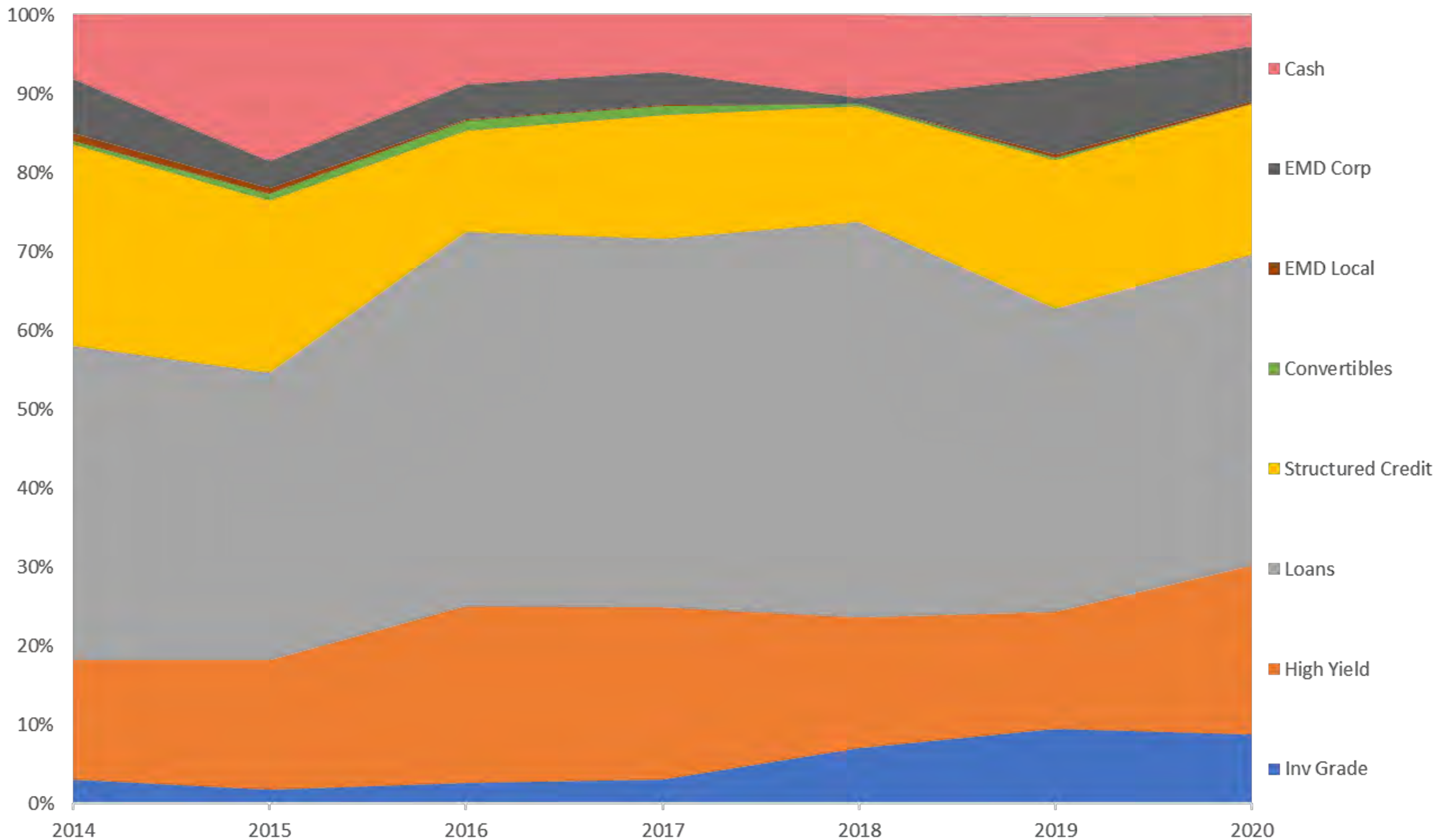
Manager Detail – Historical Sector Allocation

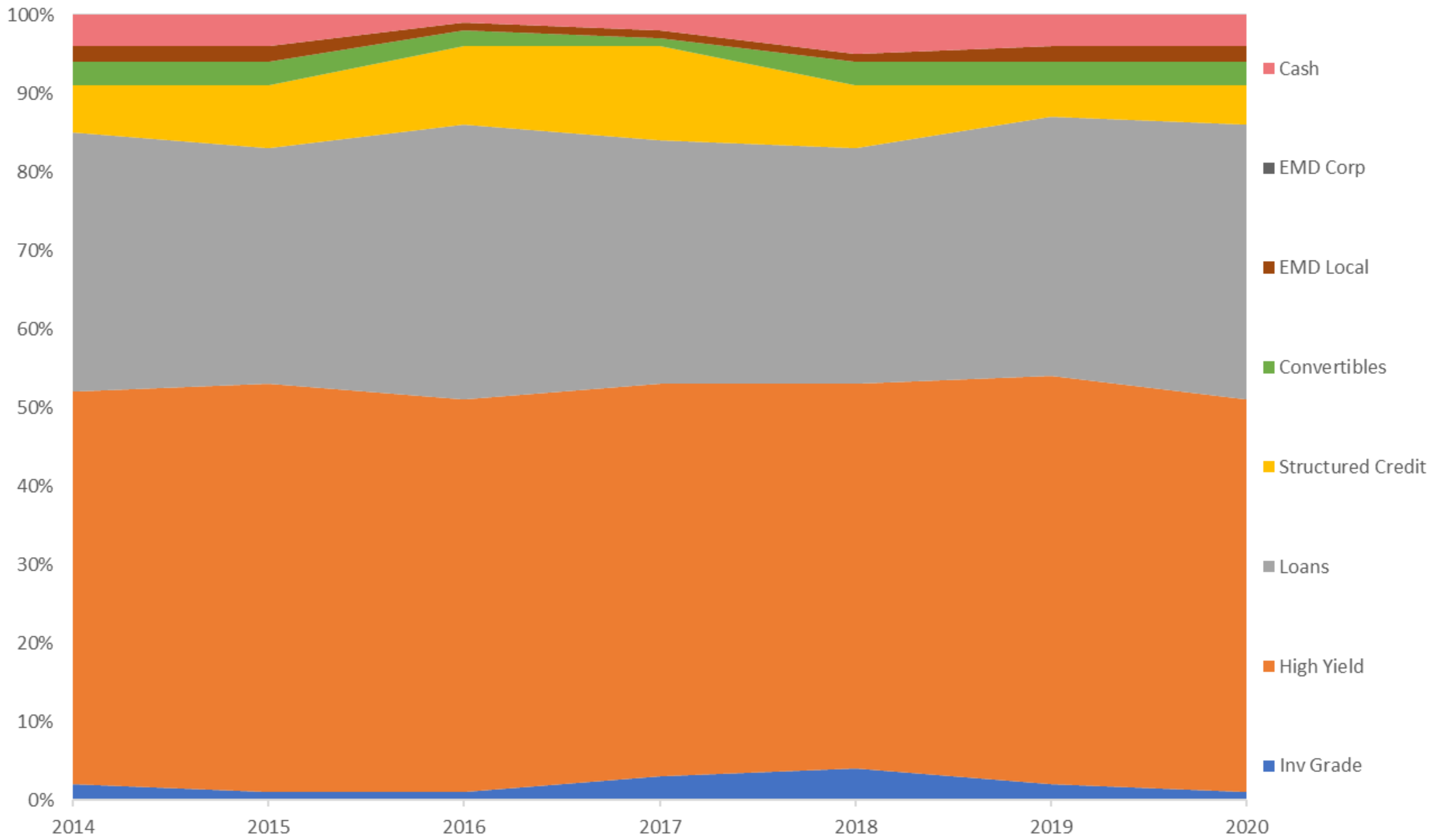
Apollo – Total Return Fund[1]



[1] Loan and high yield exposure includes both European and U.S., as well as middle market U.S.

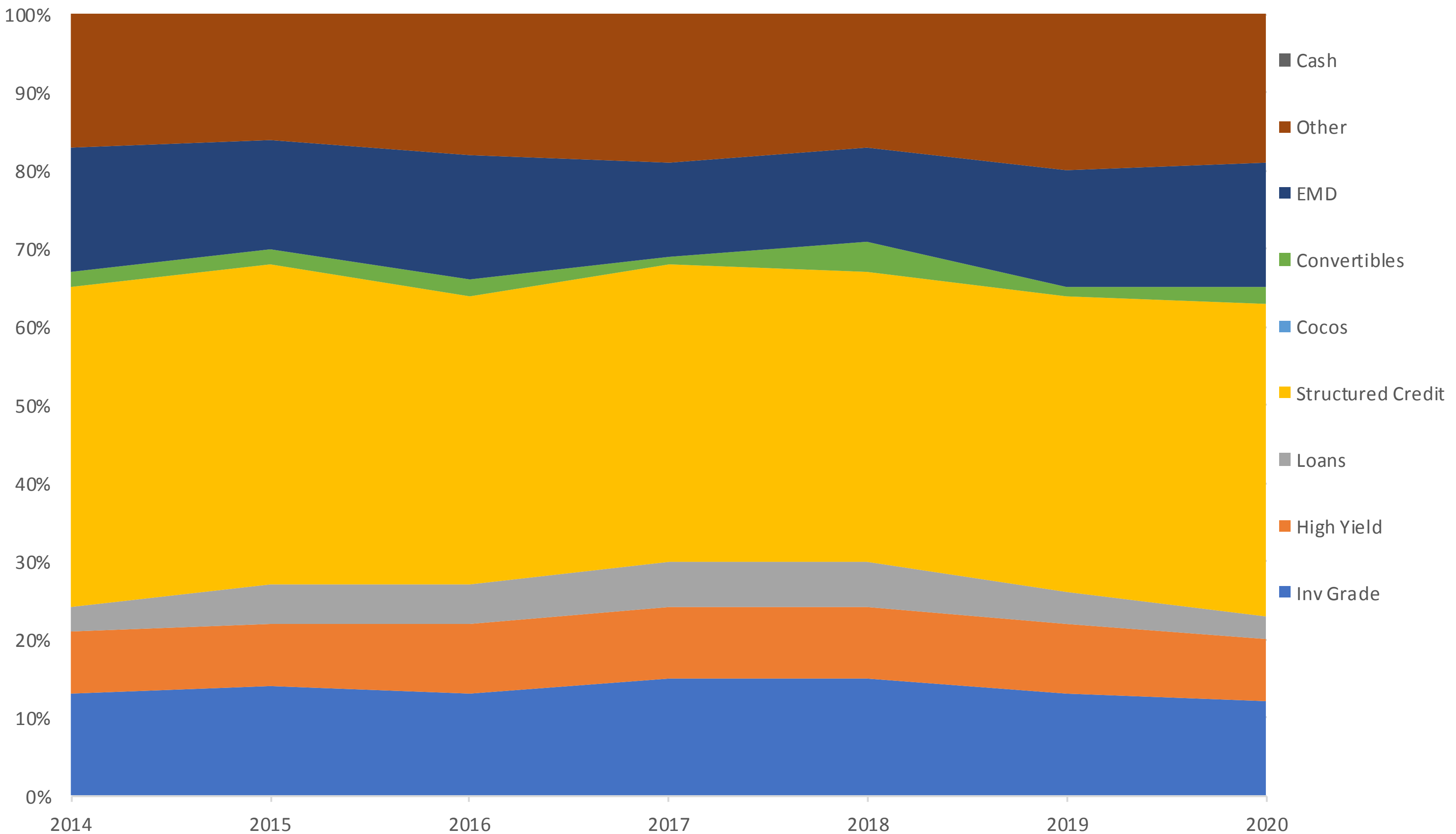
Manager Detail – Historical Sector Allocation

Brigade – Credit Fund II



Manager Detail – Historical Sector Allocation

PIMCO – Income Fund



Trailing & Calendar Performance[1]
As of June 30, 2020

	Performance(%)				
	1 Quarter	1 Year	3 Years	5 Years	7 Years
Apollo Total Return	6.47	0.70	3.72	4.17	-
50/50 ML HY II & Credit Suisse LLI	*9.66*	*-1.68*	*2.55*	*3.77*	*4.06*
Brigade Credit Fund II	10.55	-5.15	0.93	3.55	3.98
50% HUCO / 50% CSLL	*9.63*	*-1.72*	*2.53*	*3.77*	*4.06*
PIMCO Income Fund (PIMIX)	6.48	0.70	3.34	4.70	5.29
Blmbg. Barc. U.S. Aggregate	*2.90*	*8.74*	*5.32*	*4.30*	*3.96*

	Performance(%)								
	2019	2018	2017	2016	2015	2014	2013	2012	2011
Apollo Total Return	9.84	1.81	6.42	6.29	2.57	-	-	-	-
50/50 ML HY II & Credit Suisse LLI	*11.27*	*-0.57*	*5.86*	*13.64*	*-2.51*	*2.29*	*6.80*	*12.48*	*3.14*
Brigade Credit Fund II	10.67	-0.45	7.71	23.63	-9.01	1.83	8.38	18.17	7.72
50% HUCO / 50% CSLL	*11.27*	*-0.57*	*5.86*	*13.64*	*-2.49*	*2.30*	*6.80*	*12.45*	*3.12*
PIMCO Income Fund (PIMIX)	8.05	0.63	8.61	8.71	2.61	7.18	4.80	22.18	6.37
Blmbg. Barc. U.S. Aggregate	*8.72*	*0.01*	*3.54*	*2.65*	*0.55*	*5.97*	*-2.02*	*4.21*	*7.84*

[1] Performance shown is for the profiled share classes in the report

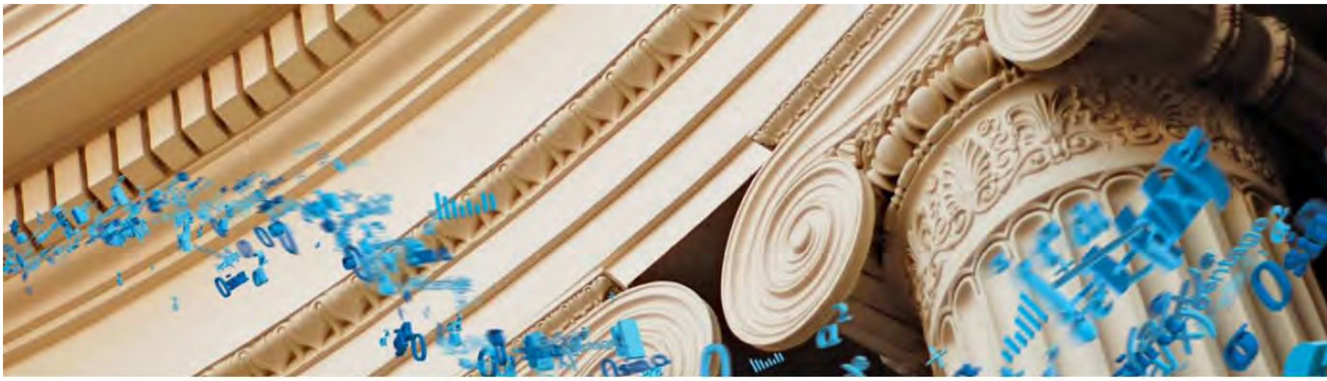
Fixed Income Manager Characteristics

	Apollo Total Return	Brigade Credit Fund II	PIMCO Income Fund	Eaton Vance Floating Rate	BlackRock Strategic Income	Vanguard Short-Term Inflation Protected Securities	Templeton Global Bond
Characteristics							
Yield	5.70%	10.12%	4.45%	5.78%	3.59%	0.09%	2.24%
Duration	2.8	1.62	5.44	0.13	3.26	2.63	2.48
Credit Distribution							
Government Guaranteed	0.00%	0.00%	0.00%	0.00%	20.02%	100.00%	0.00%
AAA	0.52%	0.00%	41.92%	0.00%	5.91%	0.00%	41.56%
AA	2.43%	0.00%	6.07%	0.00%	5.15%	0.00%	6.81%
A	10.57%	0.00%	7.84%	0.00%	12.10%	0.00%	4.52%
BBB	20.58%	2.06%	14.12%	8.47%	17.25%	0.00%	29.97%
BB	22.78%	13.65%	9.22%	26.70%	13.48%	0.00%	10.72%
B	33.71%	39.40%	10.05%	55.34%	7.37%	0.00%	2.65%
CCC and Below	9.41%	44.89%	10.78%	9.49%	18.72%	0.00%	3.77%
Sector Allocation							
Treasuries	0.00%	0.44%	-78.90%	0.00%	11.70%	100.00%	34.46%
Agencies	0.00%	0.00%	4.37%	0.00%	0.00%	0.00%	0.00%
Municipals	0.00%	1.44%	2.13%	0.00%	4.20%	0.00%	0.00%
Bank Loans	23.95%	35.91%	3.00%	99.22%	3.50%	0.00%	0.00%
Convertibles	0.00%	2.43%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment Grade Corporate	17.29%	0.97%	44.02%	0.00%	0.00%	0.00%	0.00%
High Yield	19.33%	37.47%	7.34%	0.07%	9.80%	0.00%	0.00%
ABS	1.69%	0.00%	0.00%	0.00%	7.80%	0.00%	0.00%
Agency RMBS	0.00%	0.00%	53.12%	0.00%	7.80%	0.00%	0.00%
Non-Agency RMBS	0.00%	0.00%	86.50%	0.00%	5.50%	0.00%	0.00%
CMBS	0.46%	0.00%	1.53%	0.00%	4.50%	0.00%	0.00%
Collateralized Loan Obligations	6.43%	0.00%	0.00%	0.00%	7.30%	0.00%	0.00%
Non-US Developed Market	20.37%	12.03%	-53.68%	0.00%	7.80%	0.00%	0.70%
Emerging Markets	3.13%	8.23%	26.21%	0.00%	15.70%	0.00%	64.64%
Other	7.35%	1.08%	4.36%	0.71%	14.40%	0.00%	0.20%
Fees							
Net Expense Ratio	85 bps	80 bps	50 bps	77 bps	74 bps	6 bps	57 bps

Core Fixed Income Manager Characteristics

	Met West Total Return	PGIM Total Return	Vanguard Total Bond Market Index
Characteristics			
Yield	1.51%	2.84%	1.21%
Duration	5.40	6.76	6.45
Credit Distribution			
Government Guaranteed	50.10%	0.00%	60.00%
AAA	4.90%	36.40%	3.70%
AA	3.70%	7.73%	3.60%
A	8.40%	15.32%	12.70%
BBB	18.60%	20.23%	20.00%
BB	2.90%	7.30%	0.00%
B	1.00%	2.92%	0.00%
CCC and Below	10.40%	10.10%	0.00%
Sector Allocation			
Treasuries	14.90%	7.39%	41.60%
Agencies	0.00%	1.45%	0.00%
Municipals	0.00%	1.58%	0.00%
Bank Loans	0.00%	0.84%	0.00%
Convertibles	0.00%	0.00%	0.00%
Investment Grade Corporate	31.20%	26.55%	29.00%
High Yield	0.00%	6.03%	0.00%
ABS	3.90%	3.80%	0.40%
Agency RMBS	39.80%	0.08%	21.80%
Non-Agency RMBS	0.00%	6.84%	0.00%
CMBS	2.50%	13.55%	2.20%
Collateralized Loan Obligations	0.00%	13.29%	0.00%
Non-US Developed Market	0.00%	6.16%	4.80%
Emerging Markets	0.00%	7.01%	0.00%
Other	7.70%	5.43%	0.20%
Fees			
Net Expense Ratio	37 bps	39 bps	4 bps

Legal Consulting & Compliance Update



Third Quarter 2020

Aon Quarterly Update

Retirement Legal Consulting & Compliance

In this Issue

Prior Issues

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

Editor's Note

With fall around the corner, many of us are looking forward to the start of the school year, turning leaves, and football. The global pandemic, however, seems to have other plans, as it continues to challenge our readers, families, and communities—now and in the short term.

This edition of the *Quarterly Update* continues our coverage of the pandemic's impact in several areas of interest to our readers. The first article discusses steps employers may take to help employees get back on track with their retirement readiness after savings disruptions and market downturns caused by the pandemic. Our second article discusses the Internal Revenue Service temporary relief from the "physical presence" requirement for the witnessing of participant signatures and spousal consents, if required, on paper retirement plan elections. We close our pandemic coverage with an article on recent guidance on the special coronavirus-related relief provided by the Coronavirus Aid, Relief, and Economic Security Act (or "CARES Act").

We include two litigation-related articles. First, we report on a Supreme Court decision that provides relief to defined benefit plan fiduciaries. The case is noteworthy for several reasons but, most importantly, it provides a procedural path for plan fiduciaries to avoid litigation where the plaintiffs, who have been paid all their monthly pension benefits, lack standing to sue for breach of fiduciary duty under the Employee Retirement Income Security Act of 1974 (ERISA) with respect to the management of a pension plan's assets. Second, as our readers have indicated a clear interest in following the actuarial equivalence litigation involving 11 large pension plans, we have provided a litigation update which includes the first settlement of one such case.

As more headlines report on the latest data security breach involving a retirement plan and as the Department of Labor's interest in data security safeguards continues to grow as part of its retirement plan audit initiatives, plan fiduciaries are becoming more concerned about their fiduciary risk and the need to protect plan information. We provide an article that discusses these fiduciary concerns as well as offer solutions to mitigate this risk.

Among the many fiduciary responsibilities, ERISA requires plan fiduciaries to furnish certain plan information to participants and beneficiaries, e.g., notices and disclosures, benefit statements, and summary plan descriptions (SPDs). In this issue we include a follow-up article reporting on the final regulations permitting the electronic delivery of ERISA disclosures. In addition, we offer an article to remind plan fiduciaries of the importance of timely updates to the SPDs as a risk mitigation strategy.

Finally, we close our *Quarterly Update* with an article discussing pension plans holding excess assets in "Section 401(h) accounts" and the opportunities available for plan sponsors to access these assets which might otherwise be stranded.

If you have any questions or need any assistance with the topics covered, please contact the author of the article or Tom Meagher, our practice leader.

Susan Motter

Susan Motter
Associate Partner
Aon

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Assessing COVID-19's Toll on Retirement Readiness

by Grace Lattyak and Christie Ritten

Retirement readiness may not be top of mind as the world copes with the challenges associated with COVID-19; however, certain consequences of the pandemic have a direct effect on defined contribution plans. In a new thought leadership piece, Retirement Readiness During Times of Instability, based on Aon's *The Real Deal*, we describe how the impact of these consequences varies widely across participants, depending on their circumstances. Employers should be aware of the employee groups that may need the most help getting their retirement savings back on track.

Disruptions in Savings

High unemployment and reduced wages will lead some people to stop saving or tap into their savings, compromising retirement readiness. See the example below.

Disruptions in Savings Example

A 45-year-old saves 7% of their $50,000 salary and receives a dollar-for-dollar employer match on up to 6% of pay	Reduction in Projected Retirement Assets at Age 67	Participant Adjustments
If the participant... stops saving for one year, then gradually ramps up by 1% a year to the prior savings level	↓ $80,000	5% reduction in standard of living
If the participant... also withdraws $25,000 today	↓ $150,000	defer retirement by two years

Market Downturn

Market losses affect individuals' retirement readiness differently. Overall, employees approaching retirement tend to be harder hit.

Sample Participant Adjustments - Moderate Recovery Scenario

Age →	Save More	OR	Retire Later	OR	Reduce Standard of Living
60	5% more per year		1 year later		9% reduction
45	1.5% more per year		¾ year later		5% reduction
35	1% more per year		½ year later		2.5% reduction
25	0.1% more per year		No change		0.2% reduction

For everyone, future returns matter. How and when the market recovers from COVID-19 is unpredictable, but we have modeled some scenarios to measure the potential impact on account balances available at retirement. The table above details the implications for participants of different ages under one scenario.

Next Steps for Employers

As employees struggle with immediate financial challenges, employers can support them in the near term by promoting online tools and financial wellbeing initiatives. Looking ahead, employers should reassess the retirement readiness of their workforce and consider implementing new solutions, such as lifetime income options, to help protect employees' retirement readiness against the effect of future uncertainty.

See our full paper for more information. Please reach out to your Aon consultant if you are interested in analyzing the retirement readiness of your employee population.

Say Hello to Your Retirement Plan's Witness

by Linda M. Lee

The coronavirus pandemic has provided many challenges, and these challenges have had a trickle-down effect on retirement plan administration. Internal Revenue Service (IRS) regulations require notaries or retirement plan representatives to be "physically present" to witness signatures made by participants and their spouses on paper benefit election forms. Due to shutdown and social distancing measures by many states to combat the virus, retirement plans have faced difficulties in satisfying the "physically present" requirement.

To provide much needed relief, the IRS issued Notice 2020-42 that temporarily alleviates the requirement that a plan representative or notary be "physically present" while witnessing the signature of a participant, or the consent of a spouse if required, with respect to a benefit election. Retirement plan elections requiring a witness to a participant's signature and spousal consent, if required, include COVID-19 distributions, distributions from plans subject to qualified joint and survivor annuity requirements, and retirement plan loan applications. The relief is effective for calendar year 2020 only and applies only to qualified retirement plan elections, and not to other types of benefits such as health and welfare plans.

Remote Notarization

The relief allows a notary to witness a signature or consent to an election via remote notarization via technology such as Zoom or Skype if the following requirements are satisfied:

- The live audio-video technology must meet the general requirement for electronic participant elections;
- The notarization satisfies state law requirements for remote notarization. Because of the pandemic, at least 27 states have passed legislation or executive orders have been issued permitting remote notarization; and
- The notary's signature satisfies applicable eSign rules.

Witnessing by Plan Representative

While we normally discourage relying on plan representatives for witnessing plan-related elections, the relief also permits plan representatives to witness such elections using a live audio-video technology that meets the following requirements:

- The individual who is signing the election must present a valid photo ID to the plan representative during the live audio-video conference. A copy of the photo ID is not permitted;
- The live audio-video conference must allow for direct interaction between the spouse or participant and the plan representative (e.g., a pre-recorded video of the person signing is not sufficient);
- The individual must transmit by fax or electronic means a legible copy of the signed document directly to the plan representative on the same date it was signed; and
- The plan representative must acknowledge that the signature has been witnessed in accordance with the relief and transmit the signed document, including the acknowledgement, back to the individual.

Plan sponsors that have outsourced their retirement plan administration to a third-party administrator should confirm whether the third-party administrator permits remote authorization and, if so, whether the requirements of the relief are satisfied. Plan sponsors that self-administer the participant and spousal consent requirements should also consider the relief's impact on plan representatives who typically witness signatures. Please reach out to your Aon consultant for further assistance.

Guidance Issued on CARES Act Distributions

by Monica Gajdel and Jennifer Ross Berrian

On June 19, 2020, the Internal Revenue Service (IRS) provided guidance in Notice 2020-50 relating to the coronavirus-related relief made available in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Among other provisions, the CARES Act provides special distribution options and tax treatment for distributions that are deemed coronavirus-related and permits increases in plan loan amounts and the suspension of repayments of plan loans within specific time frames.

Notice 2020-50 provides guidance on the following topics:

Definition of Qualified Individual. The definition of a qualified individual eligible to receive a coronavirus-related distribution was significantly expanded to include additional financial factors that may impact an individual such as a reduction in pay, rescission of a job offer, or a delay in a start date, and reflects consequences that arise due to the impact of COVID-19 on the individual's spouse or household member. Including these additional criteria, an individual is eligible to treat up to $100,000 as a coronavirus-related distribution if any of the following criteria are met:

- The individual, spouse, or a dependent was diagnosed with COVID-19; or
- The individual experienced adverse financial consequences due to COVID-19 because the individual, spouse, or a member of the individual's household:
  - Was quarantined, furloughed, laid off, or had work hours reduced;
  - Was unable to work due to a lack of child care;
  - Had a reduction of hours of a business owned or operated by the individual, spouse, or a member of the household; or
  - Had a reduction in pay (or self-employment income), a rescission of a job offer, or a delay in an employment start date.

Plan sponsors may rely on the individual's self-certification that he or she is a qualified individual unless they have actual knowledge to the contrary. Notice 2020-50 provides model language that plan sponsors may use for self-certification.

Definition of Coronavirus-related Distributions. Coronavirus-related distributions are defined as any distribution from an eligible retirement plan to a qualified individual on and after January 1, 2020, and before December 31, 2020. Both the CARES Act and the guidance specify that the distribution is required to be made before December 31, 2020. Coronavirus-related distributions are limited to a total of $100,000 per qualified individual. Qualified individuals can self-designate distributions as coronavirus-related if the requirements are met, even if the plan sponsor doesn't specify the distribution as coronavirus-related. Notice 2020-50 clarifies that this includes required minimum distributions, periodic payments, and qualified plan loan offsets. However, the following distributions are not eligible to be treated as coronavirus-related: corrective distributions and income thereon; loans treated as deemed distributions; dividends paid on employer securities; cost of life insurance protection; deemed distributions under Section 409(p) of the Internal Revenue Code (Code); withdrawals from an eligible automatic contribution arrangement; and distributions to pay premiums for accident or health insurance.

Recontribution of Coronavirus-related Distributions. A big question after the passage of the CARES Act is related to the tax reporting and treatment of coronavirus-related distributions, particularly if the individual chooses to recontribute a distribution to an eligible retirement plan. Some rules apply to all distributions; others apply only to distributions eligible for rollover. Notice 2020-50 clarifies that:

- All coronavirus-related distributions may be included in income ratably over three years without being subject to the additional 10% tax assessed under Code Section 72(t).
- Only coronavirus-related distributions that are eligible for tax-free rollover may be recontributed (there are special rules for hardship distributions). Beneficiaries are not eligible to recontribute distributions. Plans that don't accept rollover contributions are not required to accept recontribution of coronavirus-related distributions.
- Qualified individuals should report the distributions on their federal income tax returns and on Form 8915-E (Qualified 2020 Disaster Retirement Plan Distributions and Repayments). This allows for a waiver of the 10% additional tax and permits the amount to be included in income ratably over three years (the qualified individual may instead choose to include the entire amount in income in the year distributed; all distributions received by the qualified individual in the taxable year must be treated the same). Form 8915-E is also used to report any recontribution of the distribution.
- If an amount included in income is later recontributed to the plan, the qualified individual may need to file an amended federal income tax return for the year(s) the distributed amount was included in income. The rules for this are fact-specific and will vary depending upon the qualified individual's specific situation.

Reporting, Disclosure, and Withholding Requirements. Coronavirus-related distributions must be reported on Form 1099-R, even if the distribution is recontributed to the plan in the same tax year. Plan sponsors may use code 1 or 2 in box 7 of Form 1099-R. A coronavirus-related distribution is not subject to rules related to eligible rollover distributions. Plan sponsors are not required to offer direct rollovers of the distribution and are not required to provide a Code Section 402(f) notice (Special Tax Notice) or withhold 20%. However, plan sponsors do have to comply with rules regarding voluntary withholding.

Plan Loans. The CARES Act increased the allowable amount that can be borrowed from a plan to the lesser of $100,000 or 100% of the participant's vested accrued benefit. In addition, plan sponsors may choose to delay for one year the due dates for loan repayments during the period beginning on March 27, 2020 and ending on December 31, 2020. The Notice provides detailed guidance about how to apply this delay if desired.

Nonqualified Deferred Compensation Plans. A nonqualified plan may permit individuals to cancel a deferral election due to a hardship as defined for the 401(k) plan. Notice 2020-50 clarifies that a distribution from an eligible retirement plan that constitutes a coronavirus-related distribution will be considered a hardship distribution for this purpose. However, the deferral must be canceled and not simply postponed or delayed.

Plan Amendment. Plans must be formally amended for changes adopted pursuant to the CARES Act by the last day of the first plan year beginning on or after January 1, 2022. If the plan is a governmental plan, "January 1, 2024," is substituted for "January 1, 2022."

Considering the guidance provided in Notice 2020-50—notably the expansion of qualified individuals—plan sponsors may wish to consider modifications to their plans for the remainder of 2020. Please contact your Aon consultant for assistance.

Supreme Court Provides Relief to DB Plan Sponsors and Fiduciaries

by Hitz Burton

On June 1, 2020, in *Thole v. U.S. Bank N.A.*, the Supreme Court in a 5-4 decision held that two retirees lacked standing to sue because the U.S. Bank defined benefit (DB) pension plan (i) had paid the retirees their promised benefits to date; (ii) was obligated to continue to pay those benefits to the retirees for the remainder of their lives; and (iii) was well funded to the point that pension payments did not appear to be in jeopardy. The Court's decision is significant in that it frames DB pension plans as primarily being a contract between the plan sponsor and the participant despite substantial parts of the Employee Retirement Income Security Act of 1974 (ERISA) applying traditional trust law principles designed to protect participants from mismanagement and self-dealing.

The facts, as alleged by the plaintiffs, were potentially problematic since the plan suffered large losses following a 2007 decision to move all assets in the plan's trust into direct stock holdings and mutual funds managed by the plan fiduciaries themselves. As presented, the facts also allowed plaintiffs to raise allegations of self-dealing since the plan's underlying investments, if they performed well, would add to the bank's operating income.

The Court, however, was not moved by these alleged facts and instead focused on the result that the lead plaintiffs would receive the exact same monthly pension regardless of whether they won or lost the lawsuit. In rejecting the plaintiffs' right to bring this litigation, the Court noted that the lead plaintiffs suffered no "concrete injury" (i.e., an actual, specific injury) and thereby had "no specific or meaningful stake" in the litigation. Additionally, the Court noted that DB plan sponsors already had strong structural incentives in place to see that their plans were managed prudently since, among other considerations, surplus assets resulting from prudent investment decisions would likely reduce the level of required future contributions and because the Department of Labor and the Pension Benefit Guaranty Corporation have an established and long-standing robust regulatory and administrative regime designed to provide strong incentives to eliminate misconduct by plan sponsors and fiduciaries.

While the result in *Thole* provides DB plan sponsors and fiduciaries with important procedural protections to avoid liability from possible claims, it is also important to note that the case could have been decided differently had the plan been less well funded. The Court, in acknowledging as much, noted that the result could have been different had the mismanagement been so egregious that the plan or the employer would fail and, therefore, be unable to pay pension benefits as promised by the terms of the plan.

Even though *Thole* involved a DB plan, the decision is also potentially useful to defined contribution plan sponsors and fiduciaries since the Court's emphasis on the need for plaintiffs to have suffered a "concrete injury" may allow for the removal of plaintiffs who were not invested in a specific designated investment fund alleged to have been imprudent. Regardless of the ultimate impact of *Thole* on future ERISA litigation, the litigation itself is also a reminder that there is no substitute for a thoughtful, prudent fiduciary decision-making process involving the investment of plan assets.

Aon's Investment and Retirement Legal Consulting & Compliance consultants are experienced in helping clients develop a robust fiduciary process to support investment decisions involving plan assets and are available to assist as the need arises.

Actuarial Equivalence Litigation—First Settlement

by Jennifer Ross Berrian

Eleven lawsuits have been filed against large pension plans since December 1, 2018, challenging the actuarial equivalence factors used for calculating optional forms of benefit or early retirement reduction factors. As of July 1, 2020, two of the cases have been resolved and nine are pending.

In *DuBuske v. PepsiCo, Inc.*, the judge granted the defendants' motion to dismiss, reasoning that the prohibition under the Employee Retirement Income Security Act of 1974 against the forfeiture of normal retirement age benefits does not apply to participants who commenced receiving their benefits prior to normal retirement age. The plaintiffs filed a motion asking the judge to either reconsider his decision or grant them leave to amend their complaint. The judge issued a final order dismissing the case with prejudice on November 22, 2019. This case challenged the plan's early retirement reduction factors.

The parties in *Torres v. American Airlines, Inc.* notified the court that they have agreed to settle the case. They have until July 29, 2020 to submit documents to the court dismissing the case. This occurred after the judge denied the plaintiffs' motion to certify the case as a class action. The judge reasoned that the four representative plaintiffs didn't adequately represent the requested class (all participants and beneficiaries receiving benefits in a form other than a single life annuity or a lump sum). The judge denied the request because certain participants with late retirement benefits would receive a smaller benefit if the litigation was successful, so the representative plaintiffs didn't adequately represent all the people in the class. Details of the settlement haven't been released, but we will provide an update if relevant information becomes known.

To date, none of the defendants' motions to dismiss have been granted other than in the *PepsiCo* case. Of the 12 motions filed, one was granted, six were denied, and five are pending (one of the motions that was denied was refiled and is currently pending). These results aren't surprising as they allow the cases to move forward.

At this point, the nine remaining cases are starting to move into the discovery phase where the parties request documentation and information from each other to prepare for trial. This is also the time where we expect to see more motions to certify the plaintiffs as a class. Currently, the only motion to certify a class that has been heard by a judge was denied (*Torres v. American Airlines, Inc.*). In a different case, the parties agreed to certify a limited class of plaintiffs. No other motions to certify a class have been filed. As you might imagine, litigating on behalf of a class of participants (e.g., all participants and beneficiaries receiving a benefit in a form other than a single life annuity or a lump sum) is far more lucrative than litigating on behalf of a handful of named participants. The related risk to a plan sponsor of litigating against a large group of participants can be enormous. We expect to see both sides in these cases fight hard for or against (as applicable) attempts to certify classes of participants. It's not difficult to envision the difference between winning or losing a lawsuit with four participants versus 40,000.

We will continue to keep you posted about new developments in the cases. Please reach out to your Aon consultant if you would like more information.

Fiduciary Risk Continues to Grow Due to Retirement Plan Data Security Lapses

by Tom Meagher

With each passing month there is another headline involving data security breaches involving retirement plans. Of greater concern to plan fiduciaries are the data breaches involving their retirement plans that have not yet been discovered.

In addition to having a general fiduciary duty to protect retirement plan data, the stakes have been raised even higher now that we have seen several class action lawsuits—lawsuits that have alleged that the plan fiduciaries have breached their fiduciary duty by not acting prudently to protect plan and participant data. In addition, the Department of Labor has also begun to include a review of a plan's data security safeguards in many of its audit inquiries.

While plan sponsors and fiduciaries have begun (or in many cases continued) to demand that their third-party recordkeepers provide the very best in data security—whether through a dedicated portal or encrypted communications, they often fail to recognize one primary area of risk—the plan information that circulates within the four walls of the employer.

In our experience, we see a fair amount of participant-specific information being transmitted within a company's human resources (HR) or benefits departments and throughout the organization—much of which is not secured or otherwise protected. For example, participant-specific inquiries are often sent directly to an HR department asking about plan benefits and often provide personally identifiable information. Many retirement plan claims and appeals are handled internally by an employer, and much of the information is sent by email to plan committee members, many of whom may print the material for future use or request an administrative assistant to do so. These intra-company electronic transmissions are rarely, if ever, encrypted—yet such a lack of safeguards may expose the information to unauthorized third parties. Similarly, many internal HR and benefit organizations do not limit access to plan data or personnel files to those having a specific need to access, or electronic access is not terminated once the employee transfers to another department within the organization. Most amazingly, there is often little, or no retirement plan-specific training provided to HR and benefits staffs regarding the data security exposure that may take place due to intra-company transmission of plan information and data.

To mitigate against these internal risks, plan fiduciaries should undertake an internal review (using non-HR or third-party resources) to determine what safeguards are in place—administrative, physical, and technical—to ensure that the risk of exposure is evaluated, and appropriate safeguards are in place. In determining whether such a review should be undertaken, plan fiduciaries should remember that they are to act for the exclusive benefit of the plan participants. That means it is likely not sufficient for a fiduciary committee to rely solely on representations made by an internal IT department to ensure that participant data is adequately protected.

Aon has a team of cybersecurity and fiduciary compliance experts who are available to assist plan fiduciaries assess their plan safeguards and advise if additional protections may be appropriate. Please contact your Aon consultant for more information.

Easy Electronic Delivery of ERISA Disclosures Is Here!

by Dan Schwallie

Two New Safe Harbor Approaches to ERISA Electronic Disclosure

The Department of Labor (DOL) published final regulations on May 27, 2020 that provide administrators of retirement benefit plans subject to the Employee Retirement Income Security Act of 1974 (ERISA) with two new optional safe harbor delivery methods that permit use of electronic media, as a default, to furnish information required to be disclosed under ERISA to plan participants and beneficiaries. The "notice-and-access" approach allows plan administrators who satisfy specified conditions to provide participants and beneficiaries with a notice of internet availability (NOIA) that certain disclosures will be made available on a website. The alternative "direct delivery" approach permits such disclosures to be delivered directly via email, provided conditions specified in the regulations are satisfied. Individuals who prefer paper copies can request and receive paper copies of any such disclosures, without charge, and may also, without charge, opt out of electronic delivery entirely. Both approaches require that the plan administrator take measures reasonably calculated to protect the confidentiality of individual personal information. The new safe harbor approaches only apply to retirement plans, but the DOL will continue exploring whether, and under what circumstances, to extend the safe harbor in the final rule to health and welfare benefit plans. The final regulations are effective and applicable on July 27, 2020.

Prior Electronic Disclosure Safe Harbor Remains a Valid Option

The final regulations provide an alternative safe harbor for electronic disclosure and do not change the current safe harbor for electronic delivery. Plan administrators can rely on the prior (2002) safe harbor or furnish paper documents, either by hand-delivery or mail. Although the 2002 electronic disclosure safe harbor remains in effect, subsequent interpretive guidance (Field Assistance Bulletins 2006-03 and 2008-03 and Technical Release 2011-03R) is superseded by the final regulations, except for a transition period of 18 months following the effective date of the final regulations, during which plan administrators may continue to rely on such interpretive guidance.

Initial Notification About the New Safe Harbor

Prior to using a new safe harbor with respect to any covered individual (e.g., when first applied to a plan or when an individual becomes a plan participant), such individual must be furnished an initial paper notice of the new safe harbor electronic delivery method. This notice must include the electronic address that will be used for the individual; any instructions needed to access the covered documents; and a statement of the covered individual's right to request and receive a paper copy, free of charge, or to opt out of electronic delivery, free of charge, if they prefer paper disclosures, along with an explanation of how to exercise those rights. If the notice-and-access approach is used, the initial notice must also include a statement that the covered document is not required to be available on the website for more than one year or, if later, after it is superseded by a subsequent version. The notice must be written in a manner calculated to be understood by the average plan participant.

Covered Individuals
A "covered individual" is a participant, beneficiary, or other individual entitled to covered documents and who—as a condition of employment, at commencement of plan participation, or otherwise (such as to opt back in to electronic disclosures)—provides the employer, plan sponsor, or administrator (or an appropriate designee of any of the foregoing) with an electronic address. This includes an email address or internet-connected mobile computing device (e.g., smartphone) number. If an electronic address is assigned by an employer to an employee, the employee is treated as if the employee provided the electronic address, although the employee may provide a different electronic address instead. Only the employer, and not the plan administrator or a third-party service provider, can assign an electronic address. The assignment must be for employment-related purposes not limited to the delivery of covered documents and cannot be made for non-employee spouses or beneficiaries.

An employer-assigned email address used to furnish covered documents may continue to be used after the employee terminates employment if such email address remains operative. In any event, plan administrators must ensure that the electronic delivery system is designed to alert them if a participant's electronic address is invalid or inoperable, in which case the administrator must attempt to promptly cure the problem or else treat the participant as opting out of electronic delivery.

Covered Documents
A "covered document" is any retirement plan document or information required to be furnished to participants and beneficiaries under Title I of ERISA, except for any document that must be furnished only upon request. Covered documents include documents that must be furnished solely because of the passage of time, such as pension benefit statements or summary annual reports, and documents that must be furnished because of a specific triggering event, such as a summary of material modifications or a blackout notice. A plan administrator is not required to furnish all these documents pursuant to the safe harbor if the administrator prefers a different method allowed under ERISA for furnishing some of the documents. Covered documents must be in a widely available format that permits permanent retention in an electronic format suitable to be read online or printed clearly on paper and is searchable electronically by numbers, letters, or words. Covered documents must be posted or delivered no later than the date the documents must be furnished under ERISA. Covered documents must remain on an internet website until superseded by a subsequent version, but in no event for less than one year.

Notice-and-Access Approach
The final regulations include detailed requirements as to the timing, content, and manner of distribution for the NOIA, along with standards for the internet website. The NOIA must contain only the information specified by the regulations, which includes an address or hyperlink to the website, specific language indicating the importance of the information, a phone number to contact the administrator or designated representative, and the name of the covered document posted online (or brief description if the name is not sufficiently descriptive). The NOIA must be written in a manner calculated to be understood by the average plan participant and inform the covered individual of the right, without charge, to request and receive paper copies or globally opt out of electronic delivery altogether and explain how to exercise those rights. If accurate and not misleading, the NOIA may include a statement as to whether action is invited or required of the covered individual and how to take such action or that no action is required. The NOIA must generally be provided to covered individuals each time a new covered document is made available for review on the internet website, but the final regulations permit an annual NOIA for certain covered documents for the same plan to include information about multiple covered documents, instead of multiple NOIAs throughout the year.

Direct Delivery Approach
If covered documents are included in the body of an email directly delivered to a covered individual (or included as attachments), the subject line must read "Disclosure About Your Retirement Plan," and the email must include the name of the covered document (or brief description if the name is not sufficiently descriptive) and a phone number to contact the administrator or designated representative. The email must be written in a manner that is understandable by the average plan participant and inform the covered individual of the right, without charge, to request and receive paper copies or globally opt out of electronic delivery altogether and explain how to exercise those rights.

Aon Can Help
Reasonable procedures must be in place to ensure compliance with the various requirements. Aon's Retirement Legal Consulting & Compliance consultants are available to assist plan sponsors in understanding the implications and complying with these final disclosure regulations.

SPDs Are No Small Potatoes: Importance of Timely Updates

by David Alpert and Dan Schwallie

A frequently neglected aspect of employee benefit plans is the maintenance of updated summary plan descriptions (SPDs) to reflect current plan provisions and regulatory requirements. The Department of Labor (DOL) has indicated, along with various court cases, that the SPD is one of the most important documents an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 (ERISA) must automatically provide.

From a risk mitigation standpoint, having a poorly worded or outdated SPD can cause participants to be misled or confused to the point that they will expect a level or type of benefit that is contrary to the employer's intent or the terms of the plan. This confusion can lead to participant claims and even litigation. So, how should an employer and a prudent fiduciary mitigate this risk?

Content

An SPD must be written in a manner calculated to be understood by the average plan participant and be sufficiently accurate and comprehensive to reasonably apprise participants and beneficiaries of their rights and obligations under the plan. DOL regulations describe the detailed content requirements for SPDs, which include a summary of plan benefits and other important plan terms, as well as certain additional plan-related information such as the identity of the plan sponsor and trustee along with a description of participants' rights under the plan and ERISA. The plan administrator is responsible for ensuring that the SPD contains all required provisions. In addition, a plan administrator should consider including important nonrequired provisions in an SPD, such as certain disclaimers, descriptions of participant obligations, and other disclosures, and avoid problematic SPD designs.

Timing

The plan administrator must provide SPDs to participants and beneficiaries within specified time periods. Initially, SPDs must be distributed within 120 days after the plan first becomes subject to Part 1 of Title 1 of ERISA. Thereafter, SPDs must be distributed to new participants and beneficiaries within 90 days after an employee becomes a participant and within 90 days after a beneficiary first receives benefits. Updated SPDs must be furnished every five years, if amendments to the plan were adopted during those five years and must be furnished every 10 years, even if there are no changes to the plan. A summary of material modifications (SMM), which describes changes to a plan or changes to information required to be included in the SPD, must be distributed within 210 days following the end of the plan year in which the changes are made unless an updated SPD is distributed within the same time frame. There is no exception for a frozen plan.

An updated SPD need not be distributed to a retired participant, terminated vested participant, or beneficiary receiving benefits if:

- The most recent SPD and subsequent SMMs are provided on or after the date the participant retired, the date the vested participant terminated, and the date the beneficiary commenced benefits;
- No later than the date an updated SPD is otherwise furnished to participants and beneficiaries, the individual is provided notice that his or her benefit rights are described in the previously provided SPD and SMMs and that copies may be obtained upon request without charge from the plan administrator; and
- The plan administrator furnishes the earlier SPD and subsequent SMMs without charge when requested by the individual.

SMMs need not be distributed to a retired participant, terminated vested participant, or beneficiary receiving benefits if the change in no way affects such individual's rights under the plan. However, a summary of any change in information such individual may need to inquire about his or her rights, such as a change in trustee, must be provided. If the individual requests a copy of an SMM that was not previously distributed, the plan administrator must furnish the copy at no charge.

Potential Liability

Failure to provide an SPD (or SMM) within 30 days after a participant's or beneficiary's request can result in a court-imposed penalty of up to $110 per day for each request until provided. A copy of the current SPD (and SMMs) must be provided to the DOL upon request; a failure to furnish a copy within 30 days after the DOL request may result in a civil penalty up to $159 per day and a maximum of $1,594 per request (subject to adjustment for inflation). The DOL routinely requests a copy of the SPD as part of any plan audit it may conduct. Willful violations of ERISA's SPD/SMM requirements potentially may result in criminal penalties.

An SPD is a summary of the plan, and an inconsistent SPD cannot change plan provisions; so, a conflict between the SPD and plan document generally should be resolved in favor of the plan document. Nevertheless, participants may be entitled to certain equitable relief if ordered by a court, and plan fiduciaries may have potential fiduciary liability, if an SPD is inaccurate, incomplete, or not up to date.

Aon's Retirement Legal Consulting & Compliance consultants are available to assist plan sponsors in preparing new and updated SPDs as well as addressing relevant issues as to the SPD's content, form, and distribution.

401(h) Accounts—Possible Alternatives for Today

by Tom Meagher and Jennifer Ross Berrian

Many pension plans are holding assets in "Section 401(h) accounts" that greatly exceed the liabilities associated with those assets. In these times of financial uncertainty, plan sponsors have reached out looking for ways to use these excess assets. There are a number of alternatives that plan sponsors may consider in order to access otherwise stranded 401(h) account assets.

While 401(h) accounts may not be as widely known as other pension plan features, they can provide a surprising amount of value to an employer. For those readers who are not familiar with 401(h) accounts, they are aptly named for the section of the Internal Revenue Code from which they originate. Section 401(h) refers to a separate account that can be part of a pension plan (typically a defined benefit plan) that is used to provide postretirement health benefits to employees (and their eligible spouses or dependents) who retire under the terms of the pension plan.

Assuming an employer has funded its 401(h) account over the years and is now holding a substantial amount of 401(h) account assets—at the same time having reduced its postretirement health plan benefits—it may hold more 401(h) account assets than needed for postretirement health expenses. In evaluating possible alternatives for utilizing these assets, it is important to recognize that the only postretirement health expenses that can be paid from a 401(h) account are those that relate to employees who retire under the pension plan (and their eligible spouses and dependents), along with administrative expenses related to the postretirement health plan. So, as you might imagine, the first issue is to determine who has retired under the pension plan.

While we can easily identify those in pay status as being retired, private letter rulings (PLRs) issued by the Internal Revenue Service (IRS) have also interpreted "retired" to include employees who may have received a lump-sum payment, an annuity contract, or whose benefits may have been otherwise settled. While a PLR may be recommended depending on the approach taken, 401(h) account assets can be used for all of those employees considered to have "retired" under the pension plan. In evaluating other alternatives, employers with overfunded 401(h) accounts may consider a number of strategies including merging other pension plans into the plan and then applying the 401(h) account assets to the combined pension plan retirees, offering enhanced postretirement health benefits as part of an early retirement "window" program (and paying the enhanced postretirement health benefits from the 401(h) account), coordinating payments with newly established health reimbursement arrangements (HRAs), along with addressing some portion of the excess 401(h) account assets in the context of a merger or spinoff transaction where pension and postretirement health funding may be considered in a purchase price adjustment.

While we have been focusing on ongoing plans, an issue that is arising more and more often relates to the termination of a pension plan with an overfunded 401(h) account. In these situations, the 401(h) account assets may not be disposed of prior to completion of the annuity purchase and plan termination. Remaining assets revert to the plan sponsor and are subject to a 50% excise tax. Alternatives in this situation are presently limited. The IRS has in the past permitted 401(h) accounts to be transferred from a terminating defined benefit plan to an ongoing money purchase plan (a form of pension plan). The IRS has not expressly ruled on the transfer of 401(h) account assets to a voluntary employees' beneficiary association (VEBA) but has issued guidance in the past prohibiting transfers from a VEBA to a 401(h) account. Thus, employers continue to wrestle with how best to spend down the 401(h) account assets in advance of a plan termination. While we are presently exploring a number of possible alternatives to address this situation, additional regulatory guidance may be needed to provide a more favorable solution for employers.

Section 401(h) accounts continue to provide a number of opportunities for employers if the right strategies and alternatives are considered. Please do not hesitate to contact your Aon consultant if you are interested in exploring options for the creation and use of 401(h) accounts.

Quarterly Roundup of Other New Developments

by Teresa Kruse, Jan Raines, and Bridget Steinhart

Fiduciary Committees Part 3—Documentation, Documentation, Documentation

In today's litigious society, fiduciaries may be challenged to show they acted in the best interest of their retirement plan's participants and beneficiaries. Maintaining a diligent documentation process is a key responsibility for demonstrating the prudence of decisions and actions made by a fiduciary committee. The Department of Labor's (DOL) expectation for fiduciary committees is not to hold them to a standard requiring that they will make the perfect decision every time, but rather for the committee to demonstrate that a thoughtful, objective approach was taken regarding the decisions made.

Establishing a meeting minutes process is fundamental to building a documentation file that supports committee decisions. Remember, the minutes do not need to transcribe every word spoken. They should be a record of those who attended the meeting, a summary of the issues discussed, and a record of the decisions made. The minutes of each retirement plan committee meeting should be reviewed and approved by the committee members and retained along with all the materials presented at the meeting.

In addition to managing meeting minutes, it is important to create a base audit file that documents all plan information. This will help the committee to be prepared for not only its annual plan audit (if required), but also in the event the committee receives a surprise audit request from the Internal Revenue Service (IRS) or the DOL. The purpose of the base audit file is to account for all necessary documents (signed and formally approved) that may be needed during the audit process, regardless of the entity asking for the information. This file should include governance materials (e.g., committee charter and bylaws), the investment policy statement, current and prior plan documents, amendments, written interpretations of the plan and policies, required notices, and the meeting minutes and attachments.

Defining a sound fiduciary process around meeting minutes and having a robust audit file can help show that a prudent process has been established and may provide evidentiary information if necessary. Aon has fiduciary experts who can help committees review their documentation processes, understand their fiduciary responsibilities through training, and develop charters and investment policy statements, along with investment consulting services to assist committees in meeting their fiduciary duties.

This article is the third in a series that will highlight Fiduciary Committees over the course of this year. The first and second articles were published in the First Quarter 2020 and Second Quarter 2020 issues of the *Quarterly Update*. Stay tuned next quarter as we delve into fiduciary investment best practices.

The Goldilocks Approach to Plan Information Requests: Avoid Too Much and Too Little

Section 104(b)(4) of the Employee Retirement Income Security Act of 1974 (ERISA) requires that plan fiduciaries provide certain plan-related information to participants and beneficiaries upon written request—which could be as straightforward as a request for a summary plan description. However, some information requests may be voluminous, somewhat vague, involve confidential or proprietary information, or be otherwise questionable—crossing the boundary in terms of ERISA's requirements. In *Theriot v. Building Trades United Pension Trust Fund*, the court found for the employer defendants, determining that plan fiduciaries cannot be liable for failing to infer that the plaintiff intended to ask for more current materials beyond the long list of materials requested. The court also found that plan fiduciaries had no obligation to provide any fidelity bond, errors and omissions, or fiduciary liability insurance policies which are not enumerated in ERISA. "Undersharing" required materials can result in significant penalties. "Oversharing" can inadvertently ease or expand a participant's complaint or expose the employer to claims unrelated to the original claim. Like Goldilocks, the *Theriot* fiduciary defendants got it "just right." *Theriot v. Bldg. Trades United Pension Tr. Fund, No. 18-10250 (E.D. La. Nov. 4, 2019).*

Have Sidecar Savings Accounts Stalled?

In 2018 the U.S. Senate introduced a bill[1] that would allow employers to enroll employees in short-term savings accounts with the intent of allowing employees access to these funds at any time. The idea was to help Americans save for a rainy day, or an emergency, and have access to such short-term savings without draining their retirement accounts. This type of account has been dubbed the "Sidecar Savings Account" by news sources and the financial services industry. However, the bill stalled. In the absence of regulations, many defined contribution plan (DC) recordkeeping providers have decided to move forward with their own solutions to help retirement plan participants build an emergency savings account.

One emerging solution we have seen is the after-tax emergency savings feature that works within the DC plan. This feature uses an after-tax source that employees elect to have deducted from their paychecks each pay period and contributed into their retirement accounts. It's important to note that with this type of savings program, participant withdrawals from the short-term savings account will include a pro rata portion of earnings which are subject to taxes, and an early withdrawal penalty may apply. After-tax contributions are also subject to nondiscrimination testing; so, it's important for plan sponsors to understand whether a plan design change of this nature is appropriate.

Another type of program we have seen evolve is an out-of-plan savings application, or a mobile application. Some recordkeeping providers offer this type of service through a brokerage department. Although participants may access the application through the financial wellness page of their retirement accounts, the savings vehicle is set up proactively by participants and linked to their personal bank accounts. This will allow a participant to set savings goals that can be funded by automatic transfers from his or her bank, rather than through a retirement plan or a payroll deduction. It's important to note the addition of a third-party service provider to your retirement plan may be a fiduciary decision and thus will require a prudent process to consider.

For organizations that are interested in considering a sidecar savings account or an emergency savings account, Aon has consultants who are available to help. We can assist with the review and analysis of plan design considerations, and we have fiduciary experts who can help with the evaluation of third-party service providers.

The Names Say It All—or Do They?

We've all heard the terms "furlough" and "layoff," but in this period of the coronavirus pandemic, these have become more prevalent in our daily lives. But what do they really mean and how do they impact DC plans? First, let's unwrap the meanings, as companies often use the terms interchangeably. *Furlough*, by definition, typically means a temporary layoff from work, with the expectation that employees will

[1] Strengthening Financial Security Through Short-Term Savings Accounts Act of 2018

return to work at the end of the furlough period. (A furlough may also be considered an unpaid leave of absence depending on the terms of the plan and the employer's historical practices.) *Layoff* typically means an employee is "dismissed" or terminated, and if an employee is laid off and then returns to work for the same employer, the employee would be considered a rehire. The IRS uses the term "separation from service" to generally define the end of employment (i.e., termination). All of these terms can be confusing when considering employment benefits, but especially how they may apply to DC plans.

Upon termination of employment (i.e., permanent layoff or separation from service), employees are generally eligible to take a full distribution from a DC plan or select installment payments (if the plan allows). However, employees who have been furloughed (i.e., on leave or temporary layoff) are generally not eligible for a full distribution but can take advantage of any in-service withdrawal options available in the DC plan (including withdrawals/loan changes implemented under the CARES Act). Because of these important distinctions, it is critical that plan sponsors report employment status accurately to recordkeepers (e.g., don't report a furloughed employee as terminated unless that is the intended result).

Further, using very general guidelines, the IRS may determine that a partial plan termination has occurred when approximately 20% of participants in the DC plan have been terminated in a year (even if not all at the same time). In the case of a partial plan termination, the DC plan is required to fully vest account balances for those terminated participants, regardless of their years of service or vesting schedules defined in the plan document.

Another impact to furloughed employees is the treatment of plan loans. Since payments are no longer being made via payroll deductions (and if manual payments are not allowed), these employees may inadvertently have their loans defaulted due to lack of payment (unless CARES Act suspensions or other suspension options are available as defined in the plan document or loan policy) and treated as a taxable event. And if terminated employees do not have the option to continue payments following termination, defaulted loans will be treated as taxable "deemed" distributions as if the distributions were received.

And what happens when employees return to work (upon rehire or the end of the furlough period)? Plan sponsors need to review plan provisions, especially as they relate to rehires. Is there a break in service? Have employees been notified to "re-enroll" in the plan (and been provided information on the process)? Is a loan at risk of default or can it be re-amortized (only available in limited circumstances)?

Plan sponsors need to be aware of these important distinctions and address all of these issues—ideally in advance of any layoff or furlough program. If you need assistance Aon has DC plan and Retirement Legal Consulting & Compliance consultants available to assist you in navigating these, often confusing, matters.

Retirement Plan Litigation Update

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

- Universities
  - *Henderson v. Emory Univ.* – Case settled for $16.75M
  - *Divane v. Northwestern Univ.* – Dismissal affirmed
- Other Institutions
  - *Brotherston v. Putnam Investments* – Case settled for $12.5M and other remedies
  - *Fuller v. SunTrust Banks* – Case settled for $29M
  - *Berry v. Wells Fargo* – Case settled for $79M
  - *Beach v. JPMorgan* – Case settled for $9M

Plan sponsors seeking to reduce their litigation risk use a variety of strategies including increasing the number of passive funds in their plans, reducing or eliminating employer stock funds, and implementing better fee transparency.

Henderson v. Emory Univ., No. 1:16-cv-02920 (N.D. Ga. May 29, 2020); Divane v. Northwestern Univ., No. 1:16-cv-08157 (7th Cir. Mar. 25, 2020); Brotherston v. Putnam Invs., LLC, No. 1:15-cv-13825 (D. Mass. April 17, 2020); Fuller v. SunTrust Banks, Inc., No. 1:11-cv-00784-ODE (N.D. Ga. Mar. 11, 2020); Berry v. Wells Fargo & Co., No. 3:17-cv-00304-JFA (D.S.C. Mar. 13, 2020); Beach v. JPMorgan Chase Bank, No. 1:17-cv-00563-JMF (S.D.N.Y. May 22, 2020).

Please see the applicable Disclosures and Disclaimers on page 13.

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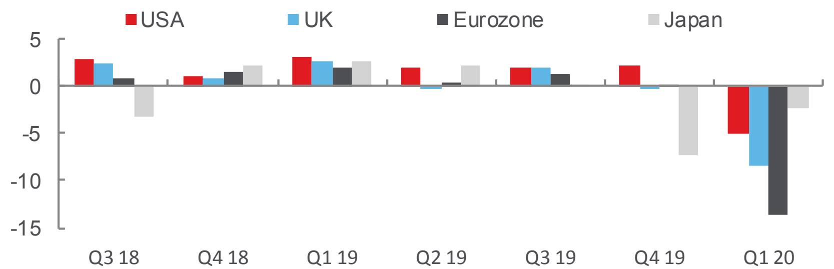
Appendix

Economic Highlights

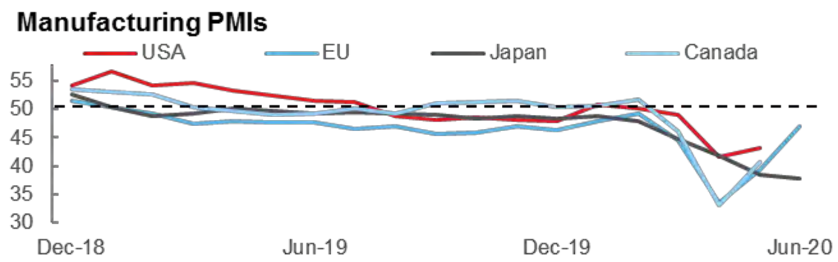
The second quarter has seen the world face unprecedented challenges from the Covid-19 pandemic, with lockdowns around the world triggering huge declines in economic activity as health systems grappled with the distressing human toll. In response, many governments introduced significant stimulus packages and central banks slashed interest rates and/or started quantitative easing. As the quarter came to a close, there were encouraging signs in Europe that at least the first wave of the outbreak was ending, prompting the easing of lockdowns, but also worrying developments in the Americas and in developing countries that cases are surging back. Until a vaccine is discovered, the medium-term outlook is highly uncertain and economic growth is likely to be weak. The implied costs to governments will also be high.

First quarter GDP contracts very sharply…



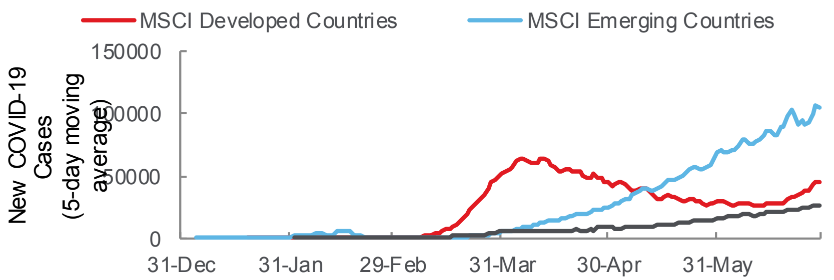
Source: Factset

…but some signs of recovery as lockdowns ease



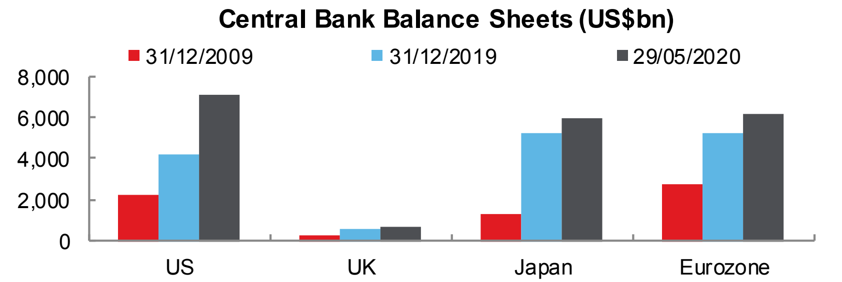
Source: Factset

Cases are surging, especially in the US and South America



Source: Aon, MSCI, European Centre for Disease Prevention and Control, Hubei Province data sourced from John Hopkins University.

Huge monetary and fiscal support…more to come?



Source: Factset

*Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees or expenses.
Past performance is no guarantee of future results.

Economic Highlights

USA

- US growth declined by an annualised 5% in the first quarter. Given this period only included a week or two of lockdowns, it is certain that the Q2 data is far worse.
- Clear signs of the depth of the declines came from the monthly data – in April, the manufacturing sector ISM index fell to 41.5, retail sales fell by a record 14.7% and over 20m jobs were wiped from payrolls. Since then, however, the data has bounced impressively as lockdown measures were eased.
- This is welcome but the recent surges in cases have called into question the possibility of an imminent V-shaped recovery.
- The Federal Reserve and the government introduced enormous stimulus measures and recent comments have made it clear that they stand ready to introduce further measures when necessary.
- Given the clear difficulty in balancing economic needs with preventing large virus surges, we think the economic outlook is highly challenged until a vaccine is found.

EAFE

- The European outbreak was seemingly largely under control by the end of Q2, with the focus moving towards localised lockdown management and strategies to re-open economies in the "new normal" world. The economic data similarly revealed a rebound from the lows of April, exemplified by the EU manufacturing PMI rising from 33.4 to 47.4 between April and June. For now, fears focus on another wave in the autumn and the degree to which economic activity rebounds this year.
- The Japanese economy was confirmed to have entered a recession with the 2.2% annualised fall in GDP in Q1. Whilst the direct impact of the pandemic seems to have been relatively light, the indirect impacts in terms of much weaker trade has been more important.
- In the UK, both the economic hit and the toll of the virus have been especially hard. The furlough scheme effectively helped many people keep their jobs but, now that lockdowns are being eased, the likelihood is that unemployment will rise hugely. Add to this difficult Brexit talks and no extension and the outlook is pessimistic.

Emerging Markets

- The early stages of the pandemic were centred on China, before moving onto developed countries, largely sparing most of the Emerging world initially. However, developments since then have changed this picture significantly.
- The most concerning virus waves in the Emerging Markets are currently centred on Latin America, especially Brazil, and South Asia, especially India.
- Economic activity throughout the Emerging Markets is expected to fall sharply this year, whilst rising debt levels, as a result of stimulus measures and economic weakness, will likely create strain for some nations.
- Meanwhile, in a sign that effective outbreak management is both possible in EM countries and an important driver of economic recovery, Chinese growth is now expected to recover slowly, whilst Vietnam, whose outbreak has been contained well, announced better than expected growth in Q2
- For many EM countries, the outlook is dependent both on outbreak management and global trade developments.

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View guidance

- - -

Large under-performance expected with highest conviction

- **Target larger underweight**
- **Bring forward selling plans and defer SAA buying implement-ation**
- **Do not rebalance to target weight yet**

- -

More under-performance or stronger conviction

- **Target underweight**
- **Bring forward selling plans and defer SAA buying implement-ation**
- **Do not rebalance up to target weight yet**

-

More likely to underperform

- **Target small underweight to strategic weight**
- **Prefer to avoid buying and selling on strength**
- **Buying for SAA reasons fine, but add slowly or into weakness.**
- **Consider partial rather than full rebalancing**

=

Weak conviction or no view on relative performance

- **Target benchmark or strategic weight**
- **Buying/ Selling both look ok coming from SAA changes or rebalancing**

+

More likely to outperform

- **Target small overweight to strategic weight**
- **Prefer to accumulate**
- **Selling for SAA reasons fine, but look to sell gradually**
- **Slow rebalancing moves back to benchmark weight**

++

More outperformance or stronger conviction

- **Target overweight**
- **Bring forward buying plans and defer SAA sellinpg imlement-ation**
- **Do not rebalance down to target weight yet**

+++

Large outperformance expected with highest conviction

- **Target larger overweight**
- **Bring forward buying plans and defer SAA selling implement-ation**
- **Do not rebalance to target weight yet**

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Appendix: Investment View Framework

Investment View

Fundamental

Analyze the core economic and underlying drivers of an asset class. For example:

- Economic Growth
- Earnings Growth
- Default Risk

Valuation

Establish if the asset class is cheap or expensive given our fundamental outlook. For Example:

- P/E Ratio
- Credit Spreads
- Yield Levels

Market Awareness

Establish if near-term drivers for the asset class are positive or negative. For Example:

- Technical Indicators
- Sentiment Surveys
- Futures/Options Positioning

Appendix:
Index Definitions

MSCI All Country World Index - A capitalization-weighted index of stocks representing approximately 46 developed and emerging countries, including the U.S.and Canadian markets.

MSCI Emerging Markets Index - A capitalization-weighted index of stocks representing 22 emerging country markets.

MSCI US - A market capitalization-weighted index that is designed to measure the equity market performance of stocks in the USA.

JPM EMBI Global Diversified – Comprised of dollar-denominated Brady bonds, traded loans and Eurobonds issued by emerging market sovereign and quasi -sovereign entities. The Diversified version limits the weights of the index countries by only including a specified portion of those countries' eligible current face amounts of debt outstanding, providing for a more even distribution of weights within the countries in the index.

JPM GBI-EM Global Diversified - Designed to provide a comprehensive measure of local currency denominated, fixed-rate, government debt issued in emerging markets.

BofA Merrill Lynch High Yield - A market capitalization-weighted index that tracks the performance of U.S. dollar-denominated, below investment grade corporate debt publicly issued in the U.S. domestic market.

Trade weighted US Dollar (Federal Reserve) - A weighted average of the foreign exchange value of the U.S. dollar against a broad index currencies that circulate widely outside the country of issue.

VIX Index – Tracks the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.

MSCI World Index - A free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets, representing 24 developed market country indices.

Russell 1000 Index - An Index that measures the performance of the largest 1,000 stocks contained in the Russell 3000 Index.

Russell 2000 Index - An Index that measures the performance of the smallest 2,000 stocks contained in the Russell 3000 Index.

MSCI EAFE Index - A capitalization-weighted index of stocks representing 22 developed countries in Europe, Australia, Asia, and the Far East.

MSCI Canada - A market capitalization-weighted index that captures broad Canadian equity market coverage, including over 680 constituents across large, mid, small and micro capitalizations.

NCREIF Property Index - A capitalization-weighted index of privately owned investment grade income-producing properties representing approximately $269 billion in assets.

HFRI Fund Weighted Composite Index – The HFRI Fund Weighted Composite Index is a global, equal-weighted index of over 2,000 single-manager funds that report to HFR Database. Constituent funds report monthly net of all fees performance in US Dollar and have a minimum of $50 Million under management or a twelve (12) month track record of active performance. The HFRI Fund Weighted Composite Index does not include Funds of Hedge Funds.

.**S&P/LTSA Leveraged Loans Index** – The S&P/LSTA Leveraged Loan Index is the first index to track the investable senior loan market. This rules-based index consists of US loan facilities in the syndicated leveraged loan universe.

Bloomberg Commodity Index - Bloomberg Commodity Index is calculated on an excess return basis and tracks price movements in commodity futures. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification.

Barclays Capital Long Credit Bond Index - An unmanaged index considered representative of long-term fixed-income obligations issued by U.S. corporate, specified foreign debentures, and secured notes.

Barclays Capital Intermediate Credit Bond Index - An unmanaged index considered representative of intermediate fixed-income obligations issued by U.S. corporate, specified foreign debentures, and secured notes.

ML MOVE Index - The Merrill lynch Option Volatility Estimate (MOVE) Index is a yield curve weighted index of the normalized implied volatility on 1-month Treasury options which are weighted on the 2, 5, 10, and 30 year contracts

Appendix:
Index Definitions

HFRI Macro (Total) Index – Macro: Investment Managers which trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long and short term holding periods. Although some strategies employ RV techniques, Macro strategies are distinct from RV strategies in that the primary investment thesis is predicated on predicted or future movements in the underlying instruments, rather than realization of a valuation discrepancy between securities. In a similar way, while both Macro and equity hedge managers may hold equity securities, the overriding investment thesis is predicated on the impact movements in underlying macroeconomic variables may have on security prices, as opposes to EH, in which the fundamental characteristics on the company are the most significant are integral to investment thesis.

HFRI Macro: Systematic Diversified Index – Systematic: Diversified strategies have investment processes typically as function of mathematical, algorithmic and technical models, with little or no influence of individuals over the portfolio positioning. Strategies which employ an investment process designed to identify opportunities in markets exhibiting trending or momentum characteristics across individual instruments or asset classes. Strategies typically employ quantitative process which focus on statistically robust or technical patterns in the return series of the asset, and typically focus on highly liquid instruments and maintain shorter holding periods than either discretionary or mean reverting strategies. Although some strategies seek to employ counter trend models, strategies benefit most from an environment characterized by persistent, discernible trending behavior. Systematic: Diversified strategies typically would expect to have no greater than 35% of portfolio in either dedicated currency or commodity exposures over a given market cycle.

Purchasing Managers Index - The PMI® is a composite index based on the diffusion indexes of five of the indexes with equal weights: New Orders (seasonally adjusted), Production (seasonally adjusted), Employment (seasonally adjusted), Supplier Deliveries (seasonally adjusted), and Inventories. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change.

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