



Agenda Item No. (7)

To: Finance-Auditing Committee/Committee of the Whole
Meeting of April 27, 2023

From: Alice Ng, Director of Fiscal Resources
Joseph M. Wire, Auditor-Controller
Denis J. Mulligan, General Manager

Subject: **ANNUAL REVIEW OF THE DISTRICT'S 457(b) DEFERRED
COMPENSATION AND 401(a) DEFINED CONTRIBUTION PROGRAMS**

Recommendation

This report is provided for informational purposes only and does not require any action.

Summary

This is the annual staff report to the Board regarding the Golden Gate Bridge, Highway and Transportation District's ("District") 457(b) Deferred Compensation Plan and 401(a) Defined Contribution Plan (collectively as "the Plans"), both administered by MissionSquare Retirement ("MissionSquare"). The purpose of this report is to review and report on the Plans' funds and MissionSquare's performance and to summarize amendments and/or changes made to the administration of the Plans and Policy Statement during the 2022 calendar year.

On March 2, 2023, District staff, led by NFP Retirement, Inc. ("NFP"), the District's deferred compensation and defined contribution consultant, conducted an annual review of the Plans' investment fund performance and MissionSquare, as the Plans' service provider, and found both to be satisfactory.

Below is a summary of the amendments and/or changes to the administration of the Plans as well as selected fund statistics and information regarding the Plans' asset allocation, the Plans' fund performance, watch list, and the Plans' fees and charges.

Amendments and/or Changes to the Administration of the Plans

There were no new amendments to the Plans during 2022. Staff, with the assistance from District Counsel, completed the 401(a) Plan restatement during 2022 as required approximately every six years. During 2022, MissionSquare upgraded its plan and account access websites for all employers and participants.

SECURE 2.0 Act was signed into law in late 2022, delivering dozens of new retirement-related provisions. These changes build on the original SECURE Act of 2019, which altered the rules around how a participant can save and withdraw money from their retirement accounts. Staff and

MissionSquare will work together to ensure any changes required will be implemented in compliance to the SECURE Act 2.0.

Investment Policy Review

The Investment Policy Statement establishes the framework for investment asset class options, fund selection, and fund performance evaluation. The current Investment Policy is applicable to both the District's 457(b) and 401(a) plans as they both have the same investment line up. As of December 31, 2022, the Plans were in full compliance with the Investment Policy Statement.

Plan Assets

457(b) Plan

<u>457(b) Fund Statistics</u>		
	2022	2021
Plan Assets at December 31:	\$ 105,845,441	\$ 124,820,297
Plan Participants:	922	931
Active Plan Participants:	616	549
Average balance/participant	\$ 114,800	\$ 134,071
Contributions (excludes Roll ins)	\$ 4,752,297	\$ 4,628,314
Average contribution/participant	\$ 7,715	\$ 8,430

Market values for investments across almost all asset classes have declined during 2022. For instance, the Russell 1000 Index was down -19.13% in 2022 and the Bloomberg Barclays U.S. Aggregate Bond Index (which typically is inversely correlated to stocks) was even down -13.01%.

Total assets in the 457(b) Plan were \$105.8 million as of December 31, 2022, a decrease of \$19 million (or -15%) from \$124.8 million as of December 31, 2021. Total 457(b) Plan participants (current employees and retirees) decreased from 931 to 922, as the number of active Plan participants increased from 549 to 616, as of December 31, 2021 and December 31, 2022, respectively. Contributions in 2022 were \$4.7 million as compared to \$4.6 million in 2021. The average contribution per active participant decreased to \$7,715 in 2022 from \$8,430 in 2021. The average account balance decreased to \$114,800 as of December 31, 2022, from \$134,071 as of December 31, 2021.

During 2022, MissionSquare's Retirement Plan Specialist, Kim Hammond, and MissionSquare's Financial Planning Manager, Bill Eagan, continued to meet with participants (current employees and retirees) through virtual appointments, resulting in 105 one-on-one consultations during 2022 (and 164 in 2021). As part of ongoing education and communication with District employees, MissionSquare conducted various seminars and webinars covering a variety of topics of interest to retirees and near retirees. Staff also meets with MissionSquare quarterly to build a strategy to increase participation in the Plan and improve educational opportunities for its participants.

401(a) Plan

<u>401(a) Fund Statistics</u>		
	2022	2021
Plan Assets at December 31:	\$ 1,117,425	\$ 908,270
Plan Participants:	34	31
Active Plan Participants:	30	24
Employer Contributions	\$ 56,879	\$ 42,247
Employee Contributions	\$ 38,379	\$ 32,209
Total Contributions	\$ 95,258	\$ 74,456

The assets in the 401(a) Plan are administered by MissionSquare in the same manner as the 457(b) Plan. Both Plans also share the same investment line up. The total assets in the 401(a) Plan were \$1,117,425 as of December 31, 2022, an increase of \$209,155 (or 23%) from \$908,270 as of December 31, 2021.

There are three employee eligibility groups in the 401(a) Plan:

- (1) **“SERP” Group** – In December 2012, the Board authorized the adoption of the MissionSquare 401(a) Defined Contribution Plan and the termination of the District’s defined benefit Supplemental Retirement Plan (“SERP”). SERP assets of the four participants were then rolled into newly established participants’ accounts in the 401(a) Plan. There were three participants receiving contributions in the SERP eligibility group in 2022 as compared to two participants during 2021. In accordance with the SERP Group participants’ employee contracts, the District contributed \$18,500 in 2022 and \$10,000 in 2021. Employees in the SERP Group may not voluntarily contribute into the 401(a) Plan.
- (2) **“PEPRA” Group** – With Board approval in 2015, this eligibility group was established for non-represented employees who are considered “new members” (hired on or after January 1, 2013, without reciprocity) under the California Public Employees’ Pension Act of 2013 (“PEPRA”), who are in the District’s sponsored CalPERS 2% @ 62 Plan. The District’s employer contributions for the PEPRA eligibility group is a 100% employee match. Once the eligibility requirement is fulfilled, the PEPRA employee is required to contribute the CalPERS’ 2% @ 62 Plan’s employee contribution rate (stipulated by CalPERS as 50% of normal cost, or 7% in 2021 and 2022, going to 7.75% effective July 1, 2023) on his/her PERSable wages that exceed the wage limit set by PEPRA for the applicable calendar year (i.e., 134,974 for 2022; \$128,059 for 2021). In 2022 and 2021, there were 17 employees who earned wages that exceeded the wage limit set by PEPRA. Total employee contributions for the PEPRA Group from these 17 employees totaled \$29,770 in 2022 (compared to \$25,098, in 2021), that the District matched 100%. Note that the PEPRA wage limit has increased to \$146,042 for 2023.
- (3) **“2% @ 60” Group** – In August 2016, the Board authorized adding a new eligibility group for non-represented Classic 2% @ 60 employees to supplement the difference in pension benefits between the two classic CalPERS plans (2% @ 60 vs. 2.5% @ 55). A 2% @ 60 employee contributes the difference between the CalPERS’ 2.5% @ 55 Plan’s employee contribution

rate (currently at 8% as stipulated by CalPERS) on his/her PERSable wages, and the CalPERS' 2% @ 60 Plan's employee contribution rate (currently at 7% as stipulated by CalPERS). The District matches the 2% @ 60 employee's contribution. Seven employees in 2022 and six employees in 2021, were eligible for this eligibility group. Total employee contributions for the 2% @ 60 Group totaled \$8,609 in 2022 (compared to \$7,149 in 2021), which the District matched 100%.

Plan Asset Allocation

Asset allocation of the combined assets of both Plans as of December 31, 2022, and 2021, is summarized in the table below. The largest two asset allocations as of December 31, 2022, remain in U.S. Equity at \$45.7 million (42.7%) of assets and in Cash Alternatives (stable value and money market funds) at \$28.4 million (26.6%) of assets.

	At December 31, 2022		At December 31, 2021	
	COMBINED PLANS		COMBINED PLANS	
	Plan	%	Plan	%
	Assets	of Assets	Assets	of Assets
US Equity	\$ 45,694,554	42.7%	\$ 57,913,868	46.1%
Cash Alternatives	\$ 28,431,498	26.6%	\$ 25,927,872	20.6%
Asset Allocation	\$ 14,783,121	13.8%	\$ 17,584,989	14.0%
International/Global Equity	\$ 10,135,243	9.5%	\$ 12,403,077	9.9%
Fixed Income	\$ 7,398,442	6.9%	\$ 11,490,511	9.1%
Self Directed Brokerage	\$ 520,008	0.5%	\$ 408,251	0.3%
	\$ 106,962,866	100.0%	\$ 125,728,568	100.0%

Plan Fund Performance

The individual fund performance for all the funds in the Plans is detailed in Exhibit A. Results utilizing NFP's Scorecard Methodology, as per the Plans' Investment Policy, showed many funds received good and acceptable scores (7-10). Two funds are on the Watch List and are discussed in the section below. All other funds not on the Watch List were reviewed and met qualitative reviews and/or scoring of acceptable to good.

Watch List and Lineup Changes

The Watch List and Lineup Changes proposed by NFP to staff (Exhibit B) contains funds that did not meet the criteria standards as outlined in the Investment Policy, such as scoring 6 or below in the Scorecard Point System. After discussion with NFP regarding its recommendations, staff agrees with NFP's proposed actions and rationale as summarized in Exhibit B.

Staff will work with MissionSquare to target the transfer of assets in mid-June. MissionSquare will also be providing notification to all participants of the changes/transfer ahead of time in May.

Fees and Charges

The Plans' expenses (both investment manager fund fees and Plan administration expenses) are paid by the participants. The District pays no fees to MissionSquare. The Participants continue to enjoy high performing funds with the lowest-cost share classes or indexes available to the Plans. A summary of estimated Plan fees is summarized below:

	2022		2021	
Investment Managers	\$ 276,881	0.25%	\$ 381,698	0.29%
MissionSquare Record Keeping	\$ 44,267	0.04%	\$ 47,736	0.04%
District Administrative Allowance	\$ 30,433	0.0275%	\$ 32,819	0.0275%
	\$ 351,581	0.32%	\$ 462,253	0.36%

Investment manager fees vary by participant fund selection ranging from 4 basis points for index funds to 80 basis points for actively managed funds (.04% - 0.80%). The investment manager fee for the Plans averaged 25 basis points (0.25%) in 2022, and 29 basis points (0.29%) in 2021. As negotiated in 2019, MissionSquare's record keeping fee is 4 basis points (0.04%), totaling \$44,267 in 2022 and \$47,736 in 2021. In addition, MissionSquare collects 2.75 basis points (0.0275%), on behalf of the District, as an annual allowance for the District to pay for certain administrative and education costs to monitor the Plan. The District uses these funds to pay for the NFP consulting contract (annual investment review and Plan Provider RFP/renewal process), legal fees, and other education courses (i.e., The National Association of Government Defined Contribution Administrators, Inc. Annual Conference) for District staff relating to the Plans. The District was credited \$30,433 as its annual administrative allowance for 2022, and \$32,819 for 2021. As of December 31, 2022, the administrative allowance account was \$64,129. Staff periodically reviews the accumulated balance in the administrative allowance account and if expenses are lower than what is needed, the District rebates the amount not needed back to its participants. The District will be rebating back \$35,000 in Quarter 2 of 2023 to its participants.

Summary of Fund Changes and Improvements

Exhibit C provides a summary of ten fund changes recommended by NFP and implemented by the District during 2019 – 2023. During this four-year period, these fund changes improved investment performance (average scores under NFP's Scorecard Methodology for these funds improved from 6.4 to 9.4) while at the same time, decreased average expenses for these funds by 50%, from 38 basis points (0.38%) to 19 basis points (0.19%). Other actions taken include: (1) eliminated unnecessary, redundant, and/or specialty asset classes, leading to a net reduction of four funds and creating a more efficient menu; (2) completed an in-depth target date fund ("TDF") analysis in 2021, as per the Department of Labor guidelines, resulting in the use of new TDF series to better fit participant demographics; and (3) introduced and utilized collective investment trust funds (CITs), driving down investment expenses for participants.

Fiscal Impact

There is no fiscal impact associated with this informational report.

Attachments: Exhibit A. Fund Performance
Exhibit B. Watchlist and Fund Line Up Changes
Exhibit C. Summary of Fund Changes (2019-2023)

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Returns Analysis with CIT Equivalents

Performance as of 12/31/2022

Allocation (Series Funds)

Asset Allocation	Ticker/ I D	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
TIAA-CREF Lifecycle Index 2015 Instl	TLFIX	5.16	-13.80	-13.80	1.53	3.39	5.37	6.16	9/30/2009	9/30/2009	0.20	0.10
StyleBenchmark		5.43	-14.09	-14.09	1.42	3.32	5.09	-	-	-	-	-
TIAA-CREF Lifecycle Index Ret Inc Instl	TRILX	4.87	-13.46	-13.46	1.28	3.14	4.58	5.42	9/30/2009	9/30/2009	0.22	0.10
StyleBenchmark		4.92	-13.93	-13.93	0.88	2.91	4.56	-	-	-	-	-
TIAA-CREF Lifecycle Index 2025 Instl	TLQIX	6.12	-15.02	-15.02	2.18	4.05	6.62	7.23	9/30/2009	9/30/2009	0.18	0.10
StyleBenchmark		6.51	-15.21	-15.21	2.30	4.10	6.21	-	-	-	-	-
TIAA-CREF Lifecycle Index 2035 Instl	TLYIX	7.69	-16.28	-16.28	3.07	4.90	7.94	8.37	9/30/2009	9/30/2009	0.17	0.10
StyleBenchmark		7.74	-16.54	-16.54	3.30	4.98	7.52	-	-	-	-	-
TIAA-CREF Lifecycle Index 2045 Instl	TLXIX	9.04	-17.24	-17.24	4.15	5.76	8.82	9.05	9/30/2009	9/30/2009	0.17	0.10
StyleBenchmark		8.68	-17.42	-17.42	4.19	5.73	8.63	-	-	-	-	-
TIAA-CREF Lifecycle Index 2055 Instl	TTIIX	9.40	-17.57	-17.57	4.29	5.89	8.97	8.06	4/29/2011	4/29/2011	0.18	0.10
StyleBenchmark		8.81	-17.57	-17.57	4.36	5.88	8.84	-	-	-	-	-
TIAA-CREF Lifecycle Index 2065 Instl	TFITX	9.58	-17.61	-17.61	-	-	-	4.90	9/30/2020	9/30/2020	0.82	0.10
No Benchmark Data		-	-	-	-	-	-	-	-	-	-	-

Core Lineup

Active	Ticker/ I D	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net

Returns Analysis with CIT Equivalents

Performance as of 12/31/2022

U.S. Equity												
Large Cap Value												
Large Cap Value I1 (Putnam LCV)	97183K381	12.26	-2.81	-2.81	9.58	-	-	11.42	12/3/2018	12/31/1992	0.29	0.29
Putnam Large Cap Value R6	PEGSX	12.11	-2.75	-2.75	9.55	9.54	12.01	12.62	7/2/2012	6/15/1977	0.54	0.54
Russell 1000 Value Index		12.42	-7.54	-7.54	5.96	6.67	10.29	-	-	-	-	-
Large Cap Blend												
Vanguard Dividend Growth Inv	VDIGX	13.11	-4.88	-4.88	9.99	11.79	12.96	9.07	5/15/1992	5/15/1992	0.27	0.27
Russell 1000 Index		7.24	-19.13	-19.13	7.35	9.13	12.37	-	-	-	-	-
Large Cap Growth												
Large Cap Growth I1 (ClearBridge LCG)	97182V248	4.81	-32.09	-32.09	2.97	-	-	6.08	8/1/2018	6/10/2018	0.29	0.29
ClearBridge Large Cap Growth IS	LSITX	4.53	-32.75	-32.75	2.52	7.35	12.66	11.81	3/15/2013	8/29/1997	0.61	0.61
Russell 1000 Growth Index		2.20	-29.14	-29.14	7.79	10.96	14.10	-	-	-	-	-
Small Cap Value												
Small Cap Value I1 (Columbia SCV)	97181N296	12.43	-11.25	-11.25	6.67	-	-	8.98	8/9/2019	7/1/2010	0.40	0.40
Columbia Integrated US Small Cap Value Composite	03078M235.comp	12.23	-11.72	-11.72	6.11	4.06	10.02	11.60	-	6/30/2010	-	0.65
Russell 2000 Value Index		8.42	-14.48	-14.48	4.70	4.13	8.48	-	-	-	-	-
Small Cap Blend												
JPMorgan Small Cap Equity R5	JSERX	10.40	-15.93	-15.93	5.07	6.36	10.81	9.70	5/15/2006	12/20/1994	0.84	0.80
Russell 2000 Index		6.23	-20.44	-20.44	3.10	4.13	9.01	-	-	-	-	-
International/Global Equity												
Global Equity												
American Funds Capital World Gr&Inc R6	RWIGX	13.27	-17.01	-17.01	3.43	4.61	7.94	9.50	5/1/2009	3/26/1993	0.42	0.42
MSCI ACWI NR		9.76	-18.36	-18.36	4.00	5.23	7.98	-	-	-	-	-
Fixed Income												
Core Fixed Income												
Core Bond I1 (Lord Abbett TR)	97183J566	1.76	-13.80	-13.80	-2.39	-	-	0.16	1/2/2018	1/1/1999	0.21	0.21
Lord Abbett Total Return R6	LTRHX	1.72	-13.78	-13.78	-2.38	0.11	1.33	1.09	6/30/2015	12/14/1998	0.35	0.35
BB Aggregate Bond		1.87	-13.01	-13.01	-2.71	0.02	1.06	-	-	-	-	-
U.S. Government TIPS												
PIMCO Real Return Instl	PRRIX	2.69	-11.86	-11.86	1.44	2.12	1.04	5.17	1/29/1997	1/29/1997	0.47	0.47
BB TIPS		2.04	-11.85	-11.85	1.21	2.11	1.12	-	-	-	-	-

Returns Analysis with CIT Equivalents

Performance as of 12/31/2022

Core Lineup

Active	Ticker/ I D	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
Cash Alternatives												
Stable Value												
MissionSquare PLUS Fund Class R10	92208J709	0.55	1.97	1.97	2.03	2.16	2.06	2.12	10/11/2013	7/11/2018	0.52	0.52
No Benchmark Data		-	-	-	-	-	-	-	-	-	-	-
Money Market												
Fidelity Government MMkt	SPAXX	0.54	1.05	1.05	0.44	0.92	0.52	2.54	2/5/1990	2/5/1990	0.42	0.42
No Benchmark Data		-	-	-	-	-	-	-	-	-	-	-
Specialty												
Specialty												
MissionSquare Brokerage		-	-	-	-	-	-	-	-	-	-	-
MissionSquare Roth Brokerage		-	-	-	-	-	-	-	-	-	-	-
No Benchmark Data		-	-	-	-	-	-	-	-	-	-	-
Passive	Ticker/ I D	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
U.S. Equity												
Large Cap Blend												
Vanguard Institutional Index I	VINIX	7.55	-18.14	-18.14	7.64	9.40	12.53	9.85	7/31/1990	7/31/1990	0.04	0.04
Vanguard Total Stock Mkt Idx Adm	VTSAX	7.14	-19.53	-19.53	6.97	8.71	12.08	7.15	11/13/2000	4/27/1992	0.04	0.04
Russell 1000 Index		7.24	-19.13	-19.13	7.35	9.13	12.37	-	-	-	-	-
Mid Cap Blend												
Vanguard Mid Cap Index Admiral	VIMAX	9.02	-18.71	-18.71	6.17	7.32	11.10	9.55	11/12/2001	5/21/1998	0.05	0.05
Russell Mid-Cap Index		9.18	-17.32	-17.32	5.88	7.10	10.96	-	-	-	-	-
Small Cap Blend												
Vanguard Small Cap Index Adm	VSMAX	7.97	-17.61	-17.61	4.93	5.94	10.11	8.62	11/13/2000	10/3/1960	0.05	0.05
Russell 2000 Index		6.23	-20.44	-20.44	3.10	4.13	9.01	-	-	-	-	-
SMid Cap Blend												
Vanguard Extended Market Index Admiral	VEXAX	5.11	-26.47	-26.47	3.02	4.88	9.62	7.50	11/13/2000	12/21/1987	0.06	0.06
Russell 2500 Index		7.43	-18.37	-18.37	5.00	5.89	10.03	-	-	-	-	-
International/Global Equity												
International Large Cap Blend												
Vanguard Developed Markets Index Admiral	VTMGX	17.11	-15.32	-15.32	1.33	1.67	4.92	3.94	8/17/1999	8/17/1999	0.07	0.07
MSCI EAFE ND USD		17.34	-14.45	-14.45	0.87	1.54	4.67	-	-	-	-	-

Returns Analysis with CIT Equivalents

Performance as of 12/31/2022

Passive	Ticker/ I D	QTR	YTD	Annualized Returns				Since Incept.	Share Class Inception	Strategy Inception	Expense Ratio	
				1 Year	3 Year	5 Year	10 Year				Gross	Net
Fixed Income												
Core Fixed Income												
Vanguard Total Bond Market Index Adm	VBTLX	1.67	-13.16	-13.16	-2.75	-0.01	1.00	3.19	11/12/2001	12/11/1986	0.05	0.05
BB Aggregate Bond		1.87	-13.01	-13.01	-2.71	0.02	1.06	-	-	-	-	-

Disclosure

For use by Plan Sponsors or Institutional Investors Only- not intended for distribution to Retail Investors

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

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

Performance data is subject to change without prior notice. Expenses shown reflect the fund's prospectus Net and Gross expense ratios.

Some funds, accounts, or share classes may not be available for investment. Performance history prior to inception (if applicable) reflects another share class or account reflecting the manager's historical performance record. Expenses for mutual funds reflect the fund's prospectus Net and Gross expense ratios. In the case of Collective Investment Trust Funds, expenses generally reflect the CIT fund fact sheet and/ or Trust agreement

Fund Inception Date - the date on which a fund commenced operations.

Share Class Inception Date - the date on which a fund's share class was introduced.

The CIT exclusively available to RPAG utilizes the same manager and strategy as the Scored fund equivalent, which is highlighted and shown below the CIT option. The Scored fund equivalent generally has a higher fee and is shown for CIT investment due diligence purposes only.




Performance differences, if any, between the Scored fund equivalent and CIT may be the result of, but are not limited to; the pricing method of the fund's underlying securities, timing of cash flows including primarily contributions and redemptions, and the timing/ execution of trades within the underlying fund. NFPR-2022-217 ACR# 5363151 12/22

Contact NFP with any questions about this report or for the most current month-end performance at (800) 959-0071.

Summary of Considerations

Watchlist	Asset Class	Fund	Score
	SCV	Small Cap Value I1 (Columbia SCV)	-
	UGT	PIMCO Real Return Instl	9

Add	Asset Class	Fund	Score
	LCG	Large Cap Growth IV I1 (American Century Ultra)	-

Eliminate	Asset Class	Fund	Score	Action	Asset Class	Fund	Score
	LCG	Large Cap Growth I1 (ClearBridge LCG)	-	map to	LCG	Large Cap Growth IV I1 (American Century Ultra)	-
	SMCB-P	Vanguard Extended Market Index Admiral	5	map to	SCB-P	Vanguard Small Cap Index Adm	8
	GE	American Funds Capital World Gr&Inc R6	6	map to	Group Series	TIAA-CREF Lifecycle Index Target Date Series Inst	10

Considerations:  Add  Delete  Watchlist

WATCHLIST

1. **Small Cap Value I1 (Columbia SCV) (97181N296)** (Recent Scores: 6,8,4)
This fund is on Watch due to its current score, but both short and long term performance continues to be favorable versus the fund's benchmark and peer group.
2. **PIMCO Real Return Instl (PRRIX)** (Recent Scores: 9,7,6,9)
The fund is on Watch due to scoring a Watchlist score in Q2 2022. Investment Policy Statement guidelines call for a fund to remain on Watch until there have been 4 consecutive quarters of acceptable scoring.

LINE UP CHANGES

1. **Eliminate American Funds Capital World Gr&Inc R6 (RWIGX)** (Recent Scores: 6,6,6,6) **Map to TIAA-CREF Lifecycle Index Target Date Series Inst**

The Global Equity fund has scored a Watchlist score for more than 4 consecutive quarters, making it a removal candidate. As Global Equity is not a core asset class, it is recommended that the fund be removed but not replaced. As there is no like- to-like fund, the prudent course of action was determined to be defaulting the assets into the designated default investment alternative, which is the age-appropriate Target Date Fund. MissionSquare will default assets into the appropriate vintage/year based on a participants' date of birth.

2. **Eliminate Large Cap Growth I1 (ClearBridge LCG) (97182V248)** (Recent Scores: 6,6,6) **Map to Large Cap Growth IV I1 (American Century Ultra) (97184E426)** (Recent Scores: 10)

The Clearbridge Large Cap Growth fund has been scoring a Watchlist score for more than 4 consecutive quarters, making it a removal candidate. It is recommended that this fund be removed and replaced with the Large Cap Growth IV (American Century Ultra) CIT. The new fund is scoring a 10 and features very strong peer group rankings and significantly better Risk/Return metrics.

3. **Eliminate Vanguard Extended Market Index Admiral (VEXAX)** (Recent Scores: 5,4,5,7) **Map to existing Vanguard Small Cap Index Adm (VSMAX)** (Recent Scores: 8,9,8,9)

This improves the score (from 5 to 8), modestly reduces the expense (from 6 to 5 basis points) and improves returns. It also results in the net reduction of a fund, making the menu more efficient and eliminating an unnecessary asset class.

Summary of Fund Changes (2019-2023)

Review Year	Prior Fund	Score	Expense
2019	American Century Heritage	6	0.66%
2019	Vanguard Selected Value	6	0.39%
2020	Blackrock Equity Dividend	10	0.71%
2020	American Funds AMCAP	6	0.38%
2020	DFA US Targeted Value	6	0.37%
2020	American Century Diversified Bond	5	0.35%
2021	Vanguard Target Date Fund Series	8	0.14%
2023	Large Cap Growth I1	6	0.29%
2023	American Funds Capital World	6	0.42%
2023	Vanguard Extended Market Index	5	0.06%

6.4 0.38%

Mapped to:	Score	Expense
Vanguard Mid Cap Index	9	0.05%
Vanguard Mid Cap Index	9	0.05%
Putnam Equity Income CIT	10	0.29%
Clearbridge Large Cap Growth CIT	9	0.29%
BMO Disciplined Small Cap Value CIT	10	0.40%
Lord Abbett Core Bond CIT	10	0.21%
TIAA-CREF Lifecycle Target Date Fund Series	9	0.10%
American Century Ultra CIT	10	0.34%
TIAA-CREF Lifecycle Target Date Fund Series	10	0.10%
Vanguard Small Cap Index	8	0.05%

9.4 0.19%

Score Increase

47%

Expense Decrease

50%

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