IRS has granted COVID-19 relief regarding safe harbor 401(k) plans

Coronavirus-related distributions and loans from retirement plans

Beware of the IRS and DOL: 4 red flags they seek on Form 5500

Addressing employee education strategically

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ARE YOU MEETING YOUR FIDUCIARY RESPONSIBILITIES?
The Notice expands the ability of an employer to adopt an amendment that:

- Reduces contributions only for its highly compensated employees (HCEs); or
- If it meets certain requirements, reduces or suspends safe harbor contributions for all employees.

**Safe harbor plan rules in general**

Safe harbor 401(k) plans are exempt from the nondiscrimination testing rules that apply generally to employee elective deferrals (the ADP or Average Deferral Percentage Test) and employee after-tax contributions and employer matching contributions (the ACP or Average Contribution Percentage Test).

There are several conditions to qualifying for the exemption. Most important among the conditions is the requirement that either (a) an employer makes a safe harbor nonelective contribution that provides a 3% of pay contribution to all eligible employees (whether or not they elect to defer their own pay) or (b) the plan provides employees with a specified matching contribution. If an employer chooses to make a matching contribution to satisfy the safe harbor requirement, it must issue a safe harbor notice to the employees before the first day of the plan year.

A safe harbor notice must describe the safe harbor contribution the employer will make (i.e., a matching contribution or a nonelective contribution) and several other plan provisions including the definition of compensation, how an employee can elect to defer his or pay, what the plan’s distribution and vesting requirements are, and how the employee may obtain additional plan information.

**Midyear amendments**

Once the plan year of a safe harbor plan has begun, an employer’s ability to make changes to the terms of the plan is more restricted than in a normal 401(k) plan. IRS regulations refer to such amendments as midyear amendments, and define a midyear amendment as any amendment that is effective during a plan year, but not effective as of the beginning of the plan year or effective as of the beginning of the plan year, but adopted after the beginning of the plan year.

This midyear amendment rule substantially limits an employer’s ability to reduce or suspend the required safe harbor contribution during the plan year. The regulations only permit a suspension of or a reduction in contributions if:

- The plan sponsor is operating at an “economic loss” or
- The annual safe harbor notice that the employer issued before the beginning of the plan year included language that notified participants of the possibility that the employer could elect to reduce or suspend safe harbor contributions.

In addition, the employer must adopt a written amendment to the plan’s safe harbor contribution formula and, at least 30 days ahead of the reduction or suspension, the employer must give employees a supplemental notice explaining the consequences of the change, procedures for making new deferral elections and the effective date of the reduction or suspension.

**COVID-19 relief for reducing or suspending safe harbor contributions only for HCEs**

The Notice points out that any contributions an employer makes for HCEs are not actually safe harbor contributions. However, as these contributions are contributions described in the annual safe harbor notice given to employees, the employer must provide a supplemental notice to those HCEs informing them of the reduction or suspension. The timing of the notice depends on whether the plan uses the safe harbor nonelective contribution method or the safe harbor matching contribution. See the following discussion for those requirements.

**Reductions or suspension of employer safe harbor contributions for all employees**

In the Notice, the IRS acknowledged that an employer might be uncertain as to whether it is operating at an economic loss for the plan year and that an employer may not have included a statement in the plan’s safe harbor notice that it was reserving the right to reduce safe harbor contributions after the year had started. The IRS also recognized that in light of the COVID-19 pandemic, an employer might have difficulty satisfying the timing requirements for providing notice of reductions or suspensions of safe harbor contributions. In this regard, the following applies:

1. **Amendment window:** If an employer adopts an amendment reducing or suspending safe harbor contributions between March 13, 2020, and Aug. 31, 2020, the employer will not have to demonstrate that it was operating at an economic loss or that it reserved the right to reduce contributions in the safe harbor notice that it issued at the beginning of the plan year. This window is available to both matching contribution and nonelective contribution plans.

   **Safe-harbor nonelective contribution plans:** Plans that use the 3% safe harbor nonelective contribution method must issue a supplemental notice to employees. However, the normal 30-day advance notice requirement does not apply if the employer gives the notice to employees no later than Aug. 31, 2020, and the employer adopts the required plan amendment that reduces or suspends safe harbor nonelective contributions no later than the effective date of the reduction or suspension of safe harbor nonelective contributions.

   - For example, the employer could adopt an amendment eliminating the safe harbor contribution method effective as of July 16, 2020, as long as it issued the employees a supplemental notice by Aug. 31, 2020.
2. Safe harbor matching contribution plans: The Notice did not provide relief with respect to the timing of supplemental notices for a midyear reduction or suspension of safe harbor matching contributions because matching contribution levels communicated to employees directly affect employee decisions regarding an employee elective deferral (and, if applicable, employee after-tax contributions). Thus, employers who wish to reduce or suspend a safe harbor matching contribution must still provide 30 days advance notice to employees.

Other plans
The relief in the notice applies to the ACP test provisions of safe harbor 403(b) plans (the ADP test does not apply to such plans). However, the Notice did not reference SIMPLE 401(k) Plans, SIMPLE-IRA Plans or Salary Reduction Simplified IRA Plans (a SARSEP).

SECURE Act
The notice requirement for safe harbor nonelective plans seems somewhat inconsistent with the change made by section 103 of the SECURE Act in which Congress eliminated the notice requirements for plans that used the 3% nonelective contribution safe harbor, effective for plan years beginning after Dec. 31, 2019. Many plans are currently in a year that started Jan. 1, 2020, and did not have a notice requirement this year.

Testing required
If an employer permissibly suspends or reduces its safe harbor 401(k) plan contributions, such a plan will be subject to the ADP and ACP (if applicable) tests for the plan year.

Employer actions
Employers that have already reduced or suspended safe harbor contributions should review the Notice to determine whether they have done so in a permissible manner; and, if not, whether they can correct any failures to comply with the Notice. Employers that have not taken such steps yet have an expanded opportunity to suspend or reduce contributions to their plan for a limited time.

CORONAVIRUS-RELATED DISTRIBUTIONS AND LOANS FROM RETIREMENT PLANS

IRS releases further guidance in Notice 2020–50

TAX ALERT | June 22, 2020
Joni Andrioff

On June 19, 2020, the Internal Revenue Service released Notice 2020–50 which provides further guidance on coronavirus-related distributions and loans from qualified retirement plans. The Notice addresses the following:

Expanded definition of “adverse financial consequences.”
The definition of persons eligible for a “coronavirus-related distribution” because of “adverse financial conditions” is expanded to include:

- An individual, spouse or household member having a reduction in pay (or self-employment income) due to COVID-19 or having a job offer rescinded or start date for a job delayed due to COVID-19;
- The individual’s spouse or household member being quarantined, furloughed or laid off; or having work hours reduced due to COVID-19; or being unable to work due to lack of child care due to COVID-19; and
- The closing or reduction in hours of a business owned or operated by the individual’s spouse or a member of the individual’s household due to COVID-19.

A household member for this purpose includes someone who shares the individual’s principal residence.

Expanded rules for the definition of “coronavirus-related distributions.” Under the Coronavirus Aid, Relief and Economic Security (CARES) Act, a coronavirus-related distribution is limited to amounts withdrawn “solely to meet a need arising from COVID-19.” The Notice now permits an individual experiencing adverse financial consequences resulting from COVID-19 to withdraw funds regardless of the individual’s need for the funds, and the distribution amount is no longer limited to the extent of the individual’s adverse financial consequences.

A household member for this purpose includes someone who shares the individual’s principal residence.

Re-contribution of hardship distributions. The Notice adds coronavirus-related hardship distributions to the list of withdrawals allowed to be included in income over three years. This is important, as normally a hardship distribution is not an eligible rollover distribution.

The Notice contains a sample certification that an employer can use. The certification does not require the individual to specify the reason for the distribution; the individual just certifies that one of the acceptable reasons is applicable to their situation.
**Guidance for qualified plan sponsors**

**Normal distribution rules still apply.** The coronavirus–related distributions and loans permitted by the CARES Act are not mandatory, and employers may decide whether to implement them. The Notice makes clear, however, that plans are still required to comply with a plan’s normal distributions rules. For example, defined benefit plans are still required to get a spousal consent form for distribution options other than a joint and survivor annuity, even if the distribution is otherwise coronavirus–related.

**Relief from the rollover rules.** Under the Notice, if a plan treats the distribution as a coronavirus–related distribution, the plan does not have to issue the normal rollover notice and the 20% withholding requirement does not apply (though voluntary withholding is still permitted under existing rules).

**Individual income tax reporting.** The Notice provides that, to the extent that coronavirus–related distribution and loan provisions are not adopted by the plan sponsor, the participant is still entitled to treat the distribution as a tax–favored coronavirus–related distribution on the participant’s federal income tax return.

**Reliance on certifications.** As noted above, the Notice provides an example of an acceptable certification for an individual seeking a coronavirus–related distribution. A plan may accept a participant’s certification that a distribution is a coronavirus–related, absent actual knowledge to the contrary. The Notice clarifies that “actual knowledge” means situations where the administrator already possesses sufficiently accurate information, but does not include a duty to inquire. An individual claiming a coronavirus–related distribution for tax return purposes may not rely on a certification, but must actually satisfy the eligibility requirements.

**Plan amendment deadline.** While a plan may apply the CARES Act distribution provisions operationally, the plan document need not be amended until Jan. 1, 2022. Special rules apply for governmental plans.

**Guidance on reporting recontributed coronavirus–related distributions.** The Notice provides the following reporting rules:

- A plan must report repay amounts on Form 1099–R (Distributions from Pensions, Annuities, Retirement or Profit–Sharing Plans, etc.), even where the amounts are repaid to the same eligible retirement plan in the same year. Notice section 4(A) discusses the distribution codes for Form 1099–R purposes.
- The participant may recontribute the distribution to any plan that accepts rollover distributions in the normal course and reasonably concludes that the amount is eligible for direct rollover treatment. The receiving plan may rely on an individual’s certificate, absent actual knowledge to the contrary.
- Individuals may report coronavirus–related distributions on their federal income tax returns for 2020 and on Form 8915–E (expected to be available by year–end), or if no federal income tax form is required, on Form 8915–E.
- A recontribution of a coronavirus–related distribution during the three–year period does not count for purposes of the one–rollover–per–year limitation.
- A recontribution at any time during the three–year period reduces the amount of the coronavirus–related distribution included in gross income for the year of the distribution, as reported on Form 8015–E.

**Plan loans.** The Notice provides a safe harbor method for plans allowing the suspension of loan repayments for a year under the CARES Act. The safe harbor addresses the adjustment of subsequent loan repayments, interest, deemed distributions and reamortization. A plan administrator may rely on an individual’s certification regarding plan loans under the CARES Act, absent actual knowledge to the contrary.

**Non–qualified deferred compensation.** Under the Notice, a non–qualified deferred compensation plan (NQDC) participant who receives a coronavirus–related hardship distribution from an eligible retirement plan may claim an unforeseeable emergency for purposes of canceling an election under section 409A. This means that the NQDC may provide for a cancellation of the individual’s deferral election due to a coronavirus–related distribution.

**BEWARE OF THE IRS AND DOL: 4 RED FLAGS THEY SEEK ON FORM 5500**

The Form 5500 is an ERISA requirement for retirement plans to report and disclose operating procedures. Advisors use this to confirm that plans are managed according to ERISA standards. The form also allows individuals access to information, protecting the rights and benefits of the plan participants and beneficiaries covered under the plan.

Make sure you are compliant. Be aware of red flags that the IRS and DOL look for on Form 5500 filings:

1. Not making participant deferral remittances as soon as administratively possible is considered a fiduciary breach and can make the plan subject to penalties and potentially disqualification. Delinquent remittances are considered to be loans of plan assets to the sponsoring company.
2. An ERISA fidelity bond (not to be confused with fiduciary insurance) is a requirement. This bond protects participant assets from being mishandled, and every person who handles plan assets or deferrals must be covered.
3. Loans in default for participants not continuing loan repayments, or loans that are 90 days in arrears, are a fiduciary breach that can make the plan subject to penalties and disqualification.
4. Corrective distributions, return of excess deferrals and excess contributions, along with any gains attributed must be distributed in a timely manner (typically, two and a half months after the plan year-end). In some cases, these fiduciary breaches can be self-corrected if done within the same plan year in which they occurred, and may be considered additional breaches if they extend beyond the current plan year.

This is a partial, non-exhaustive list of common Form 5500 red flags. If you’re concerned about ERISA compliance, contact your advisor sooner, rather than later.

ADDRESSING EMPLOYEE EDUCATION STRATEGICALLY

An educated employee is an empowered employee, especially when it comes to retirement savings and financial wellness. To help employees better understand their fiduciary process, the key features of your company’s retirement plan, and the importance of setting aside money for their future, it’s crucial to offer financial education. Financial education can come in many forms, but the best way to start the conversation about financial wellness is to follow a few simple points.

Correct misconceptions
Employees may misunderstand exactly what goes into your retirement plan. To dispel any misconceptions, companies should aim to communicate retirement plan information in simple, easy-to-understand terms. Keep in mind that employees are easily overwhelmed by a surplus of options! Make yourself available to help guide them toward choices that are best for them, and encourage them to approach you with questions. If they don’t ask you, there is a good chance they are taking matters into their own hands by searching for answers online or from other employees, which only increases the odds of miscommunication.

Offer multiple education formats
In recent years, nearly one-half of companies provided employees with financial education, whether as a large education session, one-on-one meetings or within an online module. The result is employees with improved financial management skills, who understand budgeting, debt management and proper savings techniques.

During these sessions, start by discussing the savings basics and why it’s important to start saving as soon as possible. Consider reviewing asset classes to help employees understand their options when it comes to investment options such as stock or real estate, and how it ties back into their retirement plan savings through your program. This is also a great time to educate them on asset allocation strategies, especially in a one-on-one meeting. Help your employees learn more about balancing risks and rewards, equities and fixed incomes, and why it’s important to know these things when they decide to invest in saving for retirement.

Discuss company match
As you focus on clear communication and education, ensure that your employees understand how to receive the highest company match. Reiterate just what that match is, how to receive it, and how it positively affects their savings. Ask a record-keeper to run a report analyzing which one of your employees isn’t contributing enough to receive the highest match—or any match—and then target those specific employees with an invitation to a group or one-on-one education session.

Ultimately, the education strategy you choose should be specific to your company and your employees. Encourage them to ask questions about their fiduciary process so you can help them achieve financial health and stability.

For tips on addressing employee education, contact your plan advisor.
**JULY 2020 MARKET COMMENTARY**

### Fixed income (June)
- Nominal Treasury yields fell across the curve
- Positive risk sentiment benefited credit spreads

### Equities (July)
- Rebound in some business activity
- Anticipation of more fiscal stimulus

### Real assets and alternatives (July)
- Reopening risks weighed on midstream
- Relatively attractive yields benefited real estate

*See disclosures for list of indices representing each asset class.*
# FINANCIAL MARKETS PERFORMANCE

Total returns as of July 31, 2020  
Periods greater than one year are annualized  
All returns are in U.S. dollar terms  
Past performance is not a guarantee of future results. Returns are total returns.

## Global fixed income markets

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Source: Bloomberg. (*) denotes reported with a one-month lag. The performance numbers displayed herein may have been adversely or favorably impacted by events and economic conditions that will not prevail in the future. Past performance does not indicate future performance. The indices discussed are unmanaged and do not incur management fees, transaction costs or other expenses associated with investable products. It is not possible to directly invest in an index.

## Global equity markets

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## Alternatives

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<th>YTD</th>
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<th>7YR</th>
<th>10YR</th>
<th>15YR</th>
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<td>Consumer Price Index*</td>
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<td>0.7%</td>
<td>1.7%</td>
<td>1.6%</td>
<td>1.5%</td>
<td>1.7%</td>
<td>1.9%</td>
</tr>
<tr>
<td>FTSE NAREIT Equity REITs</td>
<td>4.0%</td>
<td>-15.4%</td>
<td>-10.7%</td>
<td>1.0%</td>
<td>3.7%</td>
<td>5.8%</td>
<td>8.5%</td>
<td>5.8%</td>
</tr>
<tr>
<td>S&amp;P Developed World Property x U.S.</td>
<td>1.6%</td>
<td>-19.2%</td>
<td>-12.4%</td>
<td>-1.2%</td>
<td>1.7%</td>
<td>3.2%</td>
<td>6.0%</td>
<td>4.5%</td>
</tr>
<tr>
<td>S&amp;P Developed World Property</td>
<td>3.0%</td>
<td>-17.1%</td>
<td>-11.6%</td>
<td>-0.1%</td>
<td>2.6%</td>
<td>4.3%</td>
<td>7.1%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Bloomberg Commodity Total Return</td>
<td>5.7%</td>
<td>-14.8%</td>
<td>-12.1%</td>
<td>-5.1%</td>
<td>-4.5%</td>
<td>-7.6%</td>
<td>-5.9%</td>
<td>-4.3%</td>
</tr>
<tr>
<td>HFRI Fund of Funds Composite*</td>
<td>2.0%</td>
<td>-1.5%</td>
<td>0.5%</td>
<td>2.3%</td>
<td>1.5%</td>
<td>2.7%</td>
<td>2.8%</td>
<td>2.6%</td>
</tr>
<tr>
<td>HFRI Fund Weighted Composite*</td>
<td>2.1%</td>
<td>-3.3%</td>
<td>-0.4%</td>
<td>2.2%</td>
<td>2.4%</td>
<td>3.3%</td>
<td>3.7%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Alerian MLP</td>
<td>-3.6%</td>
<td>-38.0%</td>
<td>-43.4%</td>
<td>-18.1%</td>
<td>-12.9%</td>
<td>-10.1%</td>
<td>-2.5%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>
INDEX AND BENCHMARK DEFINITIONS

- Bloomberg Barclays Treasury U.S. T-Bills–1–3 Month Index includes aged U.S. Treasury bills, notes and bonds with a remaining maturity from 1 up to (but not including) 3 months. It excludes zero coupon strips.
- Bloomberg Barclays Capital US Treasury Inflation Protected Securities Index consists of Inflation-Protection securities issued by the U.S. Treasury.
- Bloomberg Barclays Muni 5 Year Index is the 5 year (4–6) component of the Municipal Bond index.
- Bloomberg Barclays Muni 5 Year Index is the 5 year (4–6) component of the Municipal Bond index.
- Bloomberg Barclays Global Aggregate ex. USD Indices represent a broad–based measure of the global investment–grade fixed income markets. The two major components of this index are the Pan-European Aggregate and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro–Yen corporate bonds and Canadian government, agency and corporate securities.
- Bloomberg Barclays U.S. Aggregate Index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset–backed securities.
- Bloomberg Barclays Global Aggregate ex. USD Indices represent a broad–based measure of the global investment–grade fixed income markets. The two major components of this index are the Pan-European Aggregate and the Asian-Pacific Aggregate Indices. The index also includes Eurodollar and Euro–Yen corporate bonds and Canadian government, agency and corporate securities.
- Bloomberg Barclays U.S. Corporate High Yield Index covers the universe of fixed rate, non–investment grade debt. Euribonds and debt issues from countries designated as emerging markets (sovereign rating of Ba1/BBB+/BBB+ and below using the middle of Moody’s, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non–EMG countries are included.
- JP Morgan Government Bond Index–Emerging Market (GBI–EM) Index is a comprehensive, global local emerging markets index, and consists of regularly traded, liquid fixed–rate, domestic currency government bonds to which international investors can gain exposure.
- The S&P 500 is a capitalization–weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
- The Dow Jones Industrial Index is a price–weighted average of 30 blue–chip stocks that are generally the leaders in their industry.
- The NASDAQ is a broad–based capitalization–weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.
- Russell 3000 is a market–cap–weighted index which consists of roughly 3,000 of the largest companies in the U.S. as determined by market capitalization. It represents nearly 98% of the investable U.S. equity market.
- Russell 1000 consists of the largest 1000 companies in the Russell 3000 Index.
- Russell 1000 Growth measures the performance of those Russell 1000 companies with higher P/B ratios and higher forecasted growth values.
- Russell 1000 Value measures the performance of those Russell 1000 companies with lower P/B ratios and lower forecasted growth values.
- Russell Mid Cap measures the performance of the 800 smallest companies in the Russell 1000 Index.
- Russell Mid Cap Growth measures the performance of those Russell Mid Cap companies with higher P/B ratios and higher forecasted growth values.
- Russell Mid Cap Value measures the performance of those Russell Mid Cap companies with lower P/B ratios and lower forecasted growth values.
- Russell 2000 consists of the 2,000 smallest U.S. companies in the Russell 3000 index.
- Russell 2000 Growth measures the performance of the Russell 2000 companies with higher P/B ratios and higher forecasted growth values.
- Russell 2000 Value measures the performance of those Russell 2000 companies with lower P/B ratios and lower forecasted growth values.
- MSCI ACWI (All Country World Index) ex. U.S. Index captures large and mid–cap representation across Developed Markets countries (excluding the United States) and Emerging Markets countries. The index covers approximately 85% of the global equity opportunity set outside the US.
- MSCI ACWI (All Country World Index) ex. U.S. Small Cap Index captures small cap representation across Developed Markets countries (excluding the US) and Emerging Markets countries. The index covers approximately 14% of the global equity opportunity set outside the US.
- MSCI EAFE is an equity index which captures large and mid–cap representation across Developed Markets countries around the world, excluding the US and Canada. The index covers approximately 85% of the free float–adjusted market capitalization in each country.
- MSCI EAFE Value captures large and mid–cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the US and Canada. The value investment style characteristics for index construction are defined using three variables: book value to price, 12–month forward earnings to price and dividend yield. The index targets 50% coverage of the free float–adjusted market capitalization of the MSCI EAFE Index.
- MSCI EAFE Growth captures large and mid–cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, excluding the US and Canada. The growth investment style characteristics for index construction are defined using five variables: long–term forward EPS growth rate, short–term forward EPS growth rate, current internal growth rate and long–term historical EPS growth trend and long–term historical sales per share growth trend. The index targets 50% coverage of the free float–adjusted market capitalization of the MSCI EAFE Index.
- MSCI Emerging Markets captures large and mid–cap representation across Emerging Markets countries. The index covers approximately 85% of the free float–adjusted market capitalization in each country.
- FTSE NAREIT Equity REITs Index contains all Equity REITs not designed as Timber REITs or Infrastructure REITs.
- S&P Developed World Property defines and measures the investable universe of publicly traded property companies domiciled in developed markets. The companies in the index are engaged in real estate related activities, such as property ownership, management, development, rental and investment.
- S&P Developed World Property x U.S. defines and measures the investable universe of publicly traded property companies domiciled in developed countries outside of the U.S. The companies included are engaged in real estate related activities, such as property ownership, management, development, rental and investment.
- Bloomberg Commodity Index is calculated on an excess return basis and reflects commodity futures price movements. 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.
- The Alerian MLP Index is the leading gauge of energy Master Limited Partnerships (MLPs). The float adjusted, capitalization–weighted index, whose constituents represent approximately 85% of total float–adjusted market capitalization, is disseminated real–time on a price–return basis (AMZ) and on a total–return basis.
INDEXES

When referencing asset class returns or statistics, the following indices are used to represent those asset classes. Each index is unmanaged and investors cannot actually invest directly into an index:

**Cash** – Citigroup 3 Month T-Bill

**TIPS** – Bloomberg Barclays U.S. Treasury TIPS

**Municipals** – Barclays Municipal Bond 5-Year

**Aggregate Bond** – Bloomberg Barclays U.S. Aggregate Bond Index

**High Yield Bond** – Bloomberg Barclays U.S. Corporate High Yield

**Foreign Bond** – Bloomberg Barclays Global Aggregate ex-US Bond


**Large Cap Blend** – S&P 500

**Large Growth** – Russell 1000 Growth

**Large Value** – Russell 1000 Value

**Small Cap Blend** – Russell 2000

**Small Cap Value** – Russell 2000 Value

**Small Cap Growth** – Russell 2000 Growth

**International Equities** – MSCI EAFE

**Emerging Markets Equities** – MSCI Emerging Markets

**Domestic Real Estate Investment Trusts (REITS)** – NAREIT Equity Index

**Global Real Estate Investment Trusts (REITS)** – S&P Developed World Property

**Commodities** – Bloomberg Commodity

**Master Limited Partnerships (MLPs)** – Alerian MLP

**HFRI Direct Fund Composite** – The HFRI Fund Weighted Composite Index

**Hedge Funds** – HFRI Direct Fund Composite – The HFRI Fund Weighted Composite Index

**Balanced** – 5% Bloomberg Barclays US Treasury, TIPS, 10% Bloomberg Barclays US Aggregate Bond, 4.5% Bloomberg Barclays Global Aggregate Ex USD, 4.5% Bloomberg Barclays Global Aggregate Ex USD (Hedged), 9% Bloomberg Barclays US Corporate High Yield, 2% JPMorgan GBI-EM Global Diversified Unhedged, 16% S&P 500, 5% Russell 2000, 12% MSCI EAFE, 7% MSCI Emerging Markets, 5% FTSE NAREIT Equity REITs, 5% Bloomberg Commodity Index, 5% Alerian MLP, 10% HFRI Fund of Funds Composite Index

Information obtained from various sources that are believed, but not guaranteed to be correct.