



Capital Cities

INSTITUTIONAL INVESTING MADE PERSONAL



Rhode Island State Investment Commission
TIAA RetirePlus Select Glide Path & Manager Recommendations
July 26, 2023

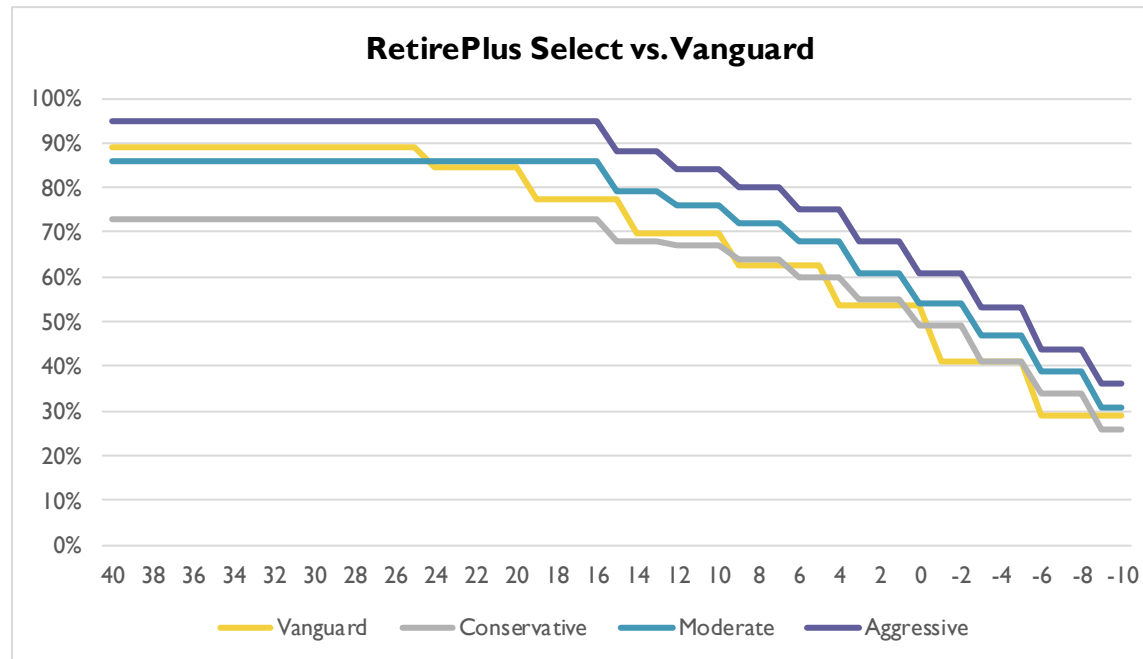
Background

- The Rhode Island 401(a) and 457(b) Plans' recordkeepers were recently evaluated through a Request for Proposal (RFP) process.
- The State Investment Commission elected to maintain the Plans' current recordkeepers, including TIAA, Voya and Fidelity, as a result of the RFP findings.
- The State Investment Commission also approved TIAA's proposal to transition the 401(a) Plan's Target Date Funds (default option) to TIAA RetirePlus Select.
- The TIAA RetirePlus Select's default glide path (Conservative, Moderate or Aggressive) and eight underlying components must be chosen before implementation.
- In total, approximately 38,500 participants (90% of Plan participants), representing \$1.5 billion in assets (91% of Plan assets), have an allocation to the 401(a) Plan's Target Date Funds.

Note: Estimated figures were provided by TIAA.

Glide Path Comparison

Selecting the Default Glide Path



- The glide path is the process in which the Target Date Funds automatically become more conservative for participants as they get closer to retirement age.
- The TIAA RetirePlus Select's Moderate glide path is most like the current Vanguard Target Retirement Funds' glide path, resulting in the least disruption and market timing risk for participants during the transition.
- The Moderate glide path also provides an appropriate default approach for the diverse participant population.
- TIAA will deliver participant communication outlining the transition, which will allow participants to opt-out or have a more customized approach through TIAA's risk tolerance questionnaire.

Recommendation:

- **Choose the Moderate glide path as the default for TIAA RetirePlus Select.**

Underlying Components

Selecting the Underlying Components

Asset Class	Estimated \$	Underlying Components
Large Cap Blend	\$438 million	SSgA S&P 500 Index
Small/SMID Cap Blend	\$231 million	SSgA Russell Small/Mid Cap Index
International	\$395 million	SSgA Global All Cap Equity Ex-U.S. Index
Real Estate	\$91 million	MISSING: Real Estate Index
Bond	\$60 million	SSgA U.S. Bond Index
TIPS	\$72 million	MISSING: TIPS Index
Guaranteed	\$228 million	TIAA Traditional Retirement Choice Plus (RCP)
Cash	\$4 million	MISSING: Money Market

Legend:

Currently in the Menu & Will be Added to RetirePlus Select
Will be Added to the Menu & RetirePlus Select
Only Included in RetirePlus Select

- Eight underlying asset classes/funds are required to construct the TIAA RetirePlus Select modeled Target Date Portfolios.
- The underlying funds must be offered in the 401(a) Plan's investment menu, except TIAA Traditional RCP.
- A Real Estate Index Fund, a Treasury Inflation Protected Securities Index Fund, and a Money Market Fund will need to be added to the investment menu.

Notes: The estimated \$ assumes assets are mapped to the Moderate glide path. Estimated \$ values were provided by TIAA.

Real Estate Index Fund

Selecting the Real Estate Index Fund

Product Name	Benchmark	Notes
1 Empower Real Estate Index Instl	Dow Jones U.S. Select REIT Index	Price (0.30%); Product (\$641 mil)
2 Fidelity Real Estate Index	MSCI US IMI Real Estate 25/25 Index	Price (0.07%)
3 Vanguard Real Estate Index Instl	MSCI US REIT Index through 2/1/18; MSCI US Investable Market Real Estate 25/50 Transition Index through 7/24/18; MSCI US Investable Market Real Estate 25/50 Index thereafter	Price (0.10%)
4 State Street REIT Index	Dow Jones U.S. Select REIT Index	Price (0.05%)

Returns for Periods Ended March 31, 2023

	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
SSGA REIT Index SL SF CL II	(21.06)	11.26	4.61	2.88
Empower:Real Estate Idx;Inst	(21.06)	10.90	4.31	2.59
Fidelity RE Id;Inst	(19.99)	9.51	3.60	2.20
Vanguard REIT Idx;Inst	(20.10)	9.85	5.84	3.91

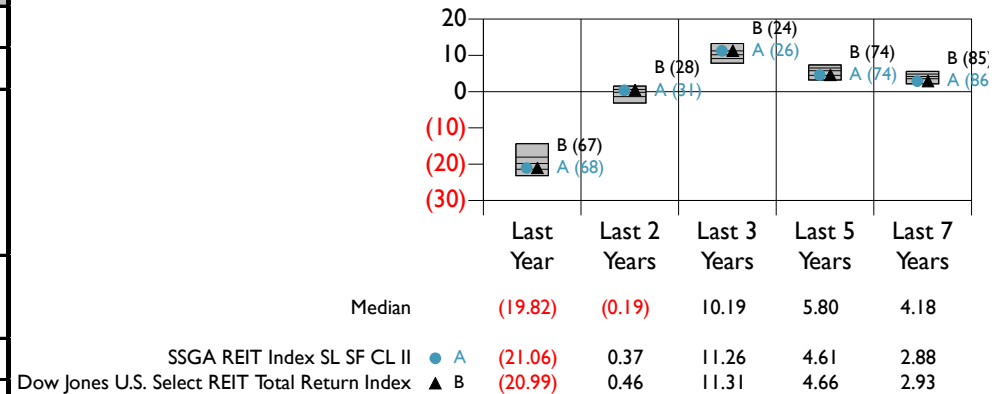
- Capital Cities evaluated the Domestic Real Estate Index Funds available on TIAA's platform, along with additional passive products.
- The State Street REIT Index Fund offers a competitive passive REIT product (see following page).

Real Estate Index Fund

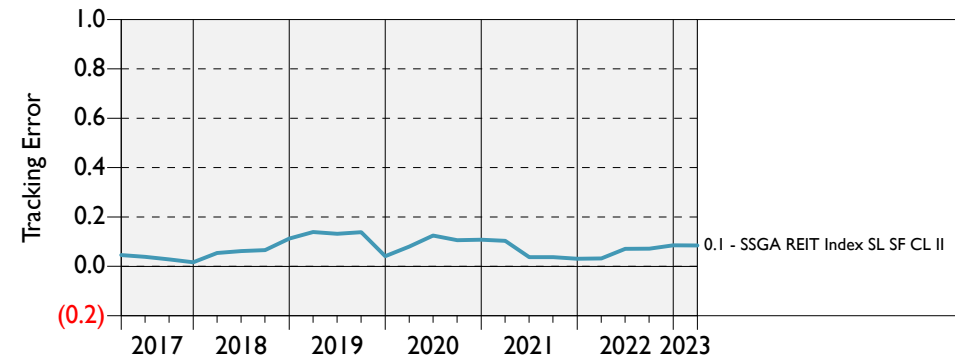
Real Estate Index Fund Recommendation

Organization	State Street Global Advisors
Product Name	REIT Index Fund
Product Inception Date	06/30/07
Ownership Structure	State Street Global Advisors Trust Company is a wholly owned subsidiary of State Street Bank and Trust which is a wholly owned subsidiary of State Street Corporation, a publicly listed company (NYSE: STT).
Firm Information	State Street Global Advisors has nearly \$3.5 trillion in assets under management.
Index	Dow Jones U.S. Select REIT Index
Index Description	The Dow Jones U.S. Select REIT Index tracks the performance of publicly traded REITs and REIT-like securities and is designed to serve as a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate. The index is a subset of the Dow Jones U.S. Select Real Estate Securities Index (RESI), which represents equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded in the U.S.
Assets In Product	\$1.4 billion
Vehicle Type	Collective Investment Trust (Share Class II)
Total Expense Ratio	0.05%

Returns for Periods Ended March 31, 2023
Group: Callan Real Estate Mutual Funds



Rolling 4 Quarter Tracking Error Relative To Dow Jones U.S. Select REIT Total Return Index for 6 Years Ended March 31, 2023



Recommendation: Add the State Street REIT Index Fund to the investment menu and as an underlying fund within TIAA RetirePlus Select.

TIPS Index Fund

Selecting the TIPS Index Fund

Product Name		Notes
1	Schwab Treasury Infl Protected Sec Index	Price (0.05%)
2	BlackRock US Treasury Infl Protected Sec	Price (0.03%); Product (Gross of Fee Vehicle)
3	Fidelity Infl Prot Bond Index	Price (0.05%)
4	State Street U.S. Inflation Protected Bond Index	Price (0.04%)

Returns for Periods Ended March 31, 2023

	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
SSGA US Infl Bond Idx	(6.06)	1.74	3.07	2.52
Schwab Inv:TRS Infl PSI	(6.09)	1.66	2.86	2.36
BlackRock U.S. Treasury Infl Protected Sec;F	(6.01)	1.87	3.04	2.57
Fidelity IP B Idx;IP	(6.16)	1.61	2.88	2.38
<i>PIMCO:Real Return;Inst</i>	<i>(6.38)</i>	<i>2.19</i>	<i>2.93</i>	<i>2.63</i>

- The 401(a) Plan currently offers the PIMCO Real Return Fund, an actively managed Fund that primarily invests in inflation-indexed bonds.
- Capital Cities screened passive Treasury Inflation Protected Securities (TIPS) products, which provides the Plan the opportunity to reduce investment management expenses for participants within the Real Return/Inflation-Hedging space.

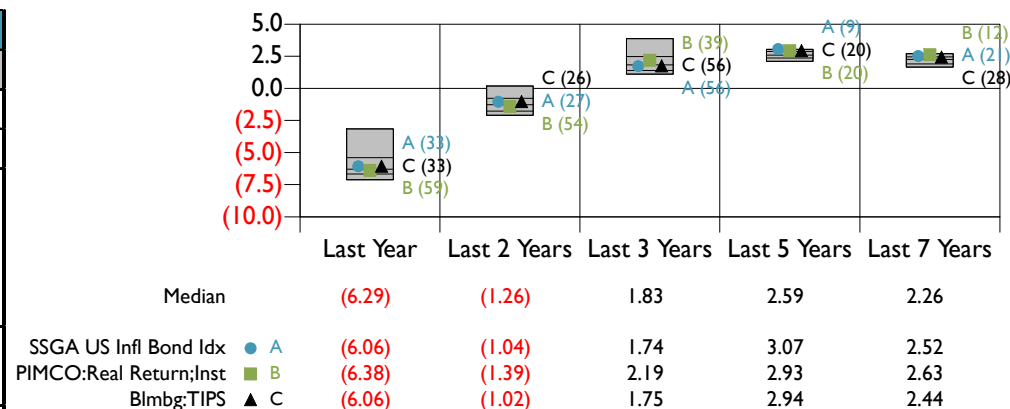
Notes: PIMCO Real Return's market value: \$10.3 million (0.6% of Plan assets) and participants: 1,295 participants, as of March 31, 2023. Net expense ratio: 0.45%. BlackRock US Treasury Inflation Protected Securities Fund's returns are gross of fees.

TIPS Index Fund

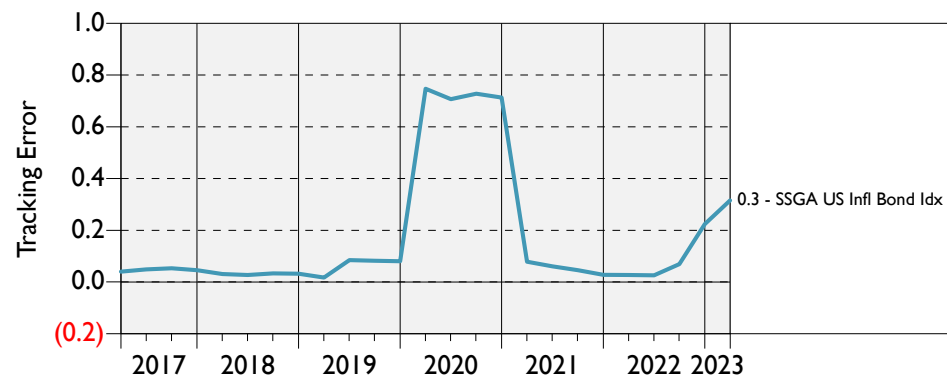
TIPS Index Fund Recommendation

Organization	State Street Global Advisors
Product Name	U.S. Inflation Protected Bond Index Fund
Product Inception Date	08/01/00
Ownership Structure	State Street Global Advisors Trust Company is a wholly owned subsidiary of State Street Bank and Trust which is a wholly owned subsidiary of State Street Corporation, a publicly listed company (NYSE: STT).
Firm Information	State Street Global Advisors has nearly \$3.5 trillion in assets under management.
Index	Bloomberg U.S. Treasury Inflation Protected Securities (TIPS) Index
Index Description	The Bloomberg U.S. TIPS Index measures the performance of rules-based, market value-weighted, inflation protected securities issued by the U.S. Treasury.
Assets In Product	\$24.3 billion
Vehicle Type	Collective Investment Trust (Share Class II)
Total Expense Ratio	0.04%

Returns for Periods Ended March 31, 2023
Group: Callan Treas Infl Prot Securities MFs



Rolling 4 Quarter Tracking Error Relative To Blmbg:TIPS
for 6 Years Ended March 31, 2023



Recommendations: Add the State Street U.S. Inflation Protected Bond Index Fund to the investment menu and as an underlying fund within TIAA RetirePlus Select. Eliminate PIMCO Real Return and map assets to State Street U.S. Inflation Protected Bond Index given overlap, low participant utilization (0.6% of Plan assets), and fees (41 bps reduction).

Notes: PIMCO Real Return's market value: \$10.3 million (0.6% of Plan assets) and participants: 1,295 participants, as of March 31, 2023. Net expense ratio: 0.45%.

Money Market Fund

Selecting the Money Market Fund

- Capital Cities evaluated the Money Markets available on TIAA's platform, along with additional products, that were 0.20% in total expense or less.
- The Vanguard Cash Reserves Federal Money Market Fund is a low-cost Money Market Fund that has provided competitive returns relative to its peers over various time periods (see following page).

Returns for Periods Ended March 31, 2023

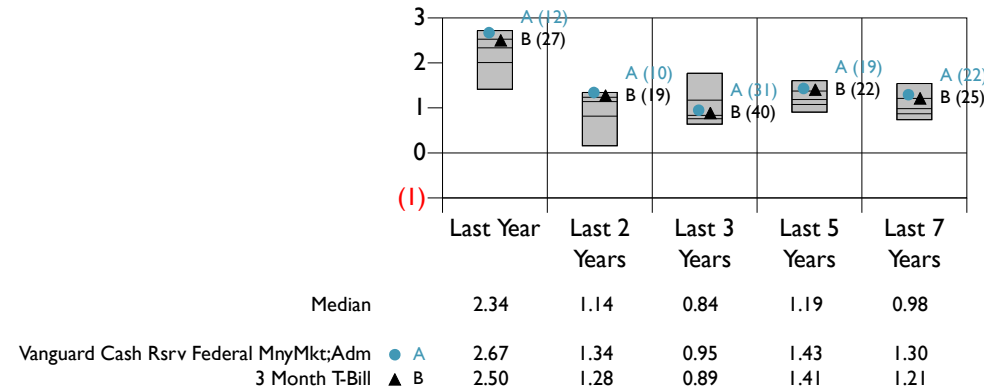
	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
Vanguard Cash Rsrv Federal MnyMkt;Adm	2.67	0.95	1.43	1.30
Allsprg 100% Trs MM Inst	2.45	0.83	1.24	1.04
Allsprg Trs PI MM Inst	2.56	0.86	1.26	1.07
Allspring Gv Mny Mkt Inst	2.54	0.86	1.26	1.08
BlkRk Lq:FedFund;Instl	2.22	0.77	1.23	1.07
BlkRk Lq:T-Fund;Instl	2.23	0.76	1.22	1.05
Csh Act:Deu G&A;Deu GCI	2.59	0.88	1.27	1.09
Federated Govt Obl;Prmr	2.65	0.91	1.32	1.13
Federated Treas Obl;Inst	2.63	0.89	1.29	1.09
Federated Treas Res;Inst	2.47	0.84	1.25	1.06
Goldman:FS Govt;Inst	2.67	0.93	1.33	1.14
Goldman:FS Trs O;FST	2.67	0.91	1.31	1.11
GuideStone:Mny Mkt;Inst	2.57	0.88	1.31	1.11
Invesco ST Gov&Agency;Corp	2.67	0.91	1.30	1.11
JPMorgan:US Gvt MM;Cap	2.58	0.89	1.29	1.11
TIAA-CREF:Money Mkt;Inst	2.60	0.89	1.30	1.12
TRowe:US Treasury Cash Mgmt CI A	2.60	0.86	1.26	1.06
TRowe:US Treasury Cash Mgmt CI B	2.67	0.90	1.31	1.12
TRowe:US Treasury Cash Mgmt CI C	2.62	0.87	1.27	1.08
Vanguard Fed MM;Inv	2.66	0.92	1.34	1.15
Vanguard Trs MM;Inv	2.59	0.91	1.33	1.14
WA Inst Govt Rsv;l	2.59	0.88	1.28	1.11
WA Inst US Tr Ob MM;Inst	2.61	0.87	1.26	1.08
WA Inst US Treas Rsv;l	2.50	0.85	1.25	1.06

Vanguard Cash Reserves Federal Money Mkt

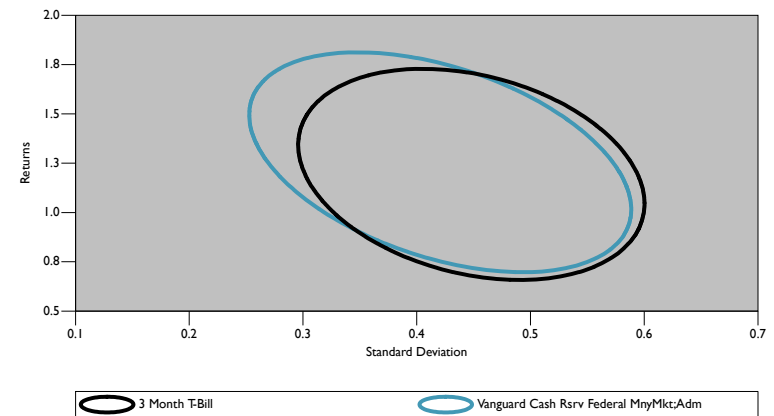
Money Market Fund Recommendation

Organization	Vanguard
Product Name	Cash Reserves Federal Money Market
Product Inception	October 3, 1989
Ownership Structure	Client-owned Mutual Fund Company
Firm Information	Headquartered in Malvern, Pennsylvania; Founded in 1975 with over \$7 trillion in assets under management.
Fund Description	Vanguard Cash Reserves Federal Money Market Fund's investment objective is to seek to provide current income while maintaining liquidity and a stable share price of \$1. The Fund invests in short-term securities issued by the U.S. Treasury and agencies of the U.S. government, and repurchase agreements collateralized by such securities.
Key Professionals	Nafis Smith, Vanguard Fixed Income Group
Average Maturity	13 days
Assets in the Product	\$105.8 billion
Vehicle	Mutual Fund (VMRXX)
Total Expense	0.10%

Returns for Periods Ended March 31, 2023
Group: Callan Money Market Funds



Rolling 12 Quarter Scatter Chart for 5 Years
Ended March 31, 2023



Recommendation: Add the Vanguard Cash Reserves Federal Money Market Fund to the investment menu and as an underlying fund within TIAA RetirePlus Select.

457(b) Plan Consideration

- Consideration could be given to transitioning the TIAA 457(b) Plan's Target Date Funds (Vanguard Target Retirement Funds) to TIAA RetirePlus Select, allowing participants to mirror their holdings within the TIAA 401(a) and 457(b) Plans.
- Target Date Fund expenses will increase from 5.5 bps to 8 bps with Vanguard (moving from the CIT to mutual fund vehicle), while fees would decrease from 5.5 bps to approximately 2.4 bps with TIAA RetirePlus Select.
- In total, approximately 750 participants (52% of Plan participants), representing approximately \$15 million in assets (25% of Plan assets), have an allocation to the TIAA 457(b) Plan's Target Date Funds.
- **Recommendations: Consider transitioning the TIAA 457(b) Plan's Target Date Funds (Vanguard Target Retirement Funds) to TIAA RetirePlus Select. Implement the same glide path (Moderate) and underlying fund/investment menu recommendations (State Street REIT Index, State Street U.S. Inflation Protected Bond Index and Vanguard Cash Reserves Federal Money Market) in the 457(b) Plan as recommended for the 401(a) Plan.**

Note: Estimated figures were provided by TIAA.

Additional 457(b) Recommendations

- **Recommendations:** Add State Street Russell Small/Mid Cap Index to the 457(b) Plan investment menu and as an underlying fund within TIAA RetirePlus Select. Eliminate Vanguard Small Cap Index and Vanguard Mid Cap Index and map assets to State Street Russell Small/Mid Cap Index given overlap. Eliminate American Century Inflation Adjusted Bond and map assets to State Street U.S. Inflation Protected Bond Index given overlap, low participant utilization (1.4% of Plan assets), and fees (17 bps reduction).

Returns for Periods Ended March 31, 2023

	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
SSGA Rus Small-Mid Idx Fd	(13.15)	17.91	6.54	9.69
Vanguard Sm-Cp Idx;Inst	(9.32)	19.68	6.77	9.49
Vanguard Md-Cp Idx;Inst	(9.86)	18.73	8.14	9.93
SSGA US Infl Bond Idx	(6.06)	1.74	3.07	2.52
American Century Infl Adj Bd*	(6.45)	2.35	2.76	2.35

Notes: Vanguard Small Cap Index market value: \$3.6 mil (6.5% of Plan assets) and participants: 293 participants, as of March 31, 2023. Net expense ratio: 0.04%. Vanguard Mid Cap Index market value: \$6.3 mil (11.4% of Plan assets) and participants: 383 participants, as of March 31, 2023. Net expense ratio: 0.04%. American Century Inflation Adjusted Bond market value: \$780k (1.4% of Plan assets) and participants: 162 participants, as of March 31, 2023. Net expense ratio: 0.21%.

Next Steps

Key Milestones

Date	Details
July 26, 2023	Finalize Spec Sheet & investment menu
July 2023	Finalize agreements, draft communications
Sept 2023	Communication compliance review & signoff complete
Oct 2023	Mail Transition Guide
Nov 2023	Enrollment & RetirePlus Select GO LIVE
Nov 2023	First contribution to RCP contracts, opt out window
Nov 2023	Transfer of assets into RetirePlus Select models

Notes: A delay in the Spec Sheet and investment menu decisions may require the timeline to be adjusted. The 457(b) Plan is expected to transition a few weeks after the 401(a) Plan, if approved by the SIC.