July 27, 2021 - RPB Quarterly Webinar

Responses to Questions Submitted not Answered Live

Q: WHAT IS A RABBI TRUST ACCOUNT? HOW IS IT DIFFERENT FROM THE OTHER ACCOUNT?

A: A Rabbi Trust account is a complement to your 403(b) retirement account and is automatically funded with any employer contributions that exceed IRS limits. There are several similarities and differences to your 403(b) account. Click here to learn more.

Q: WHAT IS THE BREAKDOWN PERCENTAGE OF RPB PARTICIPANTS WHO ARE ENROLLED IN TIER 1 VERSUS TIER 2, AND VERSUS TIER 3?

A: While there are a number of participants who are invested in only one of the three tiers, many are also invested in more than one tier. This makes it difficult to state what the breakdown is by the number of participants. It can be broken down, however, by the plan assets under management that are invested in each tier: Tier 1: 84.6%; Tier 2: 13.4%; Tier 3: 2%.

Q: CAN I BE IN MORE THE ONE TIER 1 FUND?

A: Yes, you may invest in one or more of the Tier 1 funds. Theoretically, you may invest in any of the funds in any of the tiers in any amount you wish. There are no restrictions. Click here to read more about investing in the Tier 1 funds.

Q: WHAT ARE THE FEES FOR THE TIER 1 FUNDS?

A: Tier 1 fees and other information may be found on our website by clicking here.

Q: WHAT QUESTIONS SHOULD WE ADDRESS TO RPB, AND WHAT QUESTIONS SHOULD WE ASK FIDELITY?

A: Questions about how to invest your account should be directed to the Fidelity Retirement Planners at 800.642.7131. But there are many other kinds of questions you may have. Please see our Contact Us page by clicking here. It is organized by topic to help you know who to contact for different reasons.

Q: HOW OFTEN CAN I CHANGE MY INVESTMENTS?

A: You may change your investments once per day. Any changes submitted will be affected the next business day. However, you should be aware of certain specific trading rules and timing limitations. Click here and scroll down to the bottom of the web page to learn more about this.

Q: WHEN I BEGIN TO TAKE MY RMD (REQUIRED MINIMUM DISTRIBUTIONS), WILL THIS HAPPEN AUTOMATICALLY, OR DO I NEED TO CONTACT SOMEONE? I WILL NEED TO DO THIS STARTING NEXT YEAR.

A: There are a few important things to know about RMD's:

- If you are no longer working, you are required to begin taking withdrawals from your RPB 403(b) account the year you turn 72. However, the IRS allows you to defer taking that first RMD until no later than April 1 of the following year after you turn 72.
- There are a few ways that Fidelity processes RMD's:
    - If you are not taking regular withdrawals from your account, known as a Systematic Withdrawal Payments (SWP), you can call Fidelity and request to start an "Amount SWP" that you can design to cover your RMD (and more if you like) or request an "RMD SWP" that will just cover your current

RMD and auto-adjust each year to the new amount. At this time, the RMD SWP will only allow monthly or quarterly withdrawals, not a single annual withdrawal.

- If you're already on a Systematic Withdrawal Payments (SWP) plan from your 403(b) account where the total gross withdrawals for the year will be equal to or greater than your RMD amount, you don't need to do anything further. Your RMD will be covered. If not, you can do the math and simply call Fidelity to request a change in your periodic withdrawal amount.
- If you do nothing, Fidelity will mail you a check in late November/early December in an amount necessary to satisfy your RMD, after considering any withdrawals you may have made
- IMPORTANT: For first time RMD recipients, Fidelity (by default) will not make the payment until the first quarter of next year. You will also be subject to an additional RMD by December 31 of that year. If you want your current RMD paid this year you must call Fidelity and make that request.

Click here to learn more about RMD's.

Q: DO YOU CHANGE THE PERCENTAGE AMOUNTS IN EACH ALLOCATION CATEGORY AS THE ECONOMY CHANGES?

A: RPB does have the authority to modify the asset allocation of each Tier 1 fund's portfolio within specified ranges. The ranges vary based upon the size of the initial allocation. The range is typically used when the portfolios are restructured from time-to-time. Under most market conditions, the RPB expects each portfolio to remain close to the stated target allocations. Please refer to the Summary of Holdings by Fund for additional details.

Q: HAVE FINANCIAL MARKETS INCORPORATED THE INCREASING RISKS OF FUTURE U.S. POLITICAL INSTABILITY?

A: Yes, financial markets are dynamic and continually react to market expectations of future risks both in the U.S. and globally.

Q: BECAUSE NON-U.S. SECURITIES ARE ADVERSELY AFFECTED BY COVID TO A DEGREE GREATER THAN IN THE U.S., WOULD THEY ALSO HAVE MORE ROOM FOR GROWTH (OUTSIDE OF CHINA)?

A: Not necessarily. Just because a security carries greater risk, it does not necessarily correlate to higher potential returns. The expectation is that the RPB portfolio managers will invest in securities with higher growth expectations regardless of COVID risks.

Q: IF YOU ARE NEARING RETIREMENT WHAT TYPE OF STOCK SHOULD YOU BE IN?

A: As someone approaches retirement, one of the more important risks is what happens if the market corrects just before you need the money. The other risk is what happens if you outlive your retirement income.

These are two important risks that are unique to each individual investor. Each participant needs to balance their expected time horizon (how long until they will need their money) versus retirement income needs (how much do I need to accumulate). All investors need to assess their individual retirement income needs and time horizon.

Even when someone retires, they may have access to additional assets or income sources to supplement their retirement income needs. They may not need to access their RPB retirement account for 20+ years. Under this scenario, their time horizon is still long-term.

So, depending on their tolerance for risk and the size of other available retirement assets, they may be able to have a larger allocation to equities than someone with a much shorter investment horizon who needs income now. There is no one answer as this is an individual decision. We suggest speaking with a Fidelity retirement planner or your own planner who can be more specific based on your own situation.

Q: I'M 85 AND IN GOOD HEALTH. WHAT DO YOU RECOMMEND FOR ME?

A: We are not permitted to make recommendations for how participants should invest their account. We suggest speaking with a Fidelity retirement planner or your own planner who can be more specific based on their own situation.

Q: WHY DID THE FOCUSED INCOME FUND DO SO WELL IN 2020, BUT ONLY SO-SO, SO FAR IN 2021?

A: In a word, interest rates. As background, there are two important factors. First, the majority of the Focused Income Fund is invested in fixed income, or bonds. Second, the change in the value of bonds has an inverse relationship to the change in interest rates on those same bonds. For much of 2020, interest rates trended downwards.

This meant that the bonds RPB owns through its managers increased in value, which is reflected in the very positive performance for the Focused Income Fund in 2020 at 8.7%. The fund also did well because in 2020, approximately 10% of its holdings were in equities. For most of the 1st half of 2021, interest rates had started to rise. This translated into a negative return for one of our bond holdings. But, because the Focused Income Fund is diversified and held approximately 10% in equities, its 1st half 2021 return was positive at 1.5%.

Q: ARE THERE ANY NEW FUNDS, ETF'S OR PRODUCTS WHICH HAVE A PARTICULAR FOCUS ON EQUITIES IN THE ARTIFICIAL INTELLIGENCE, ROBOTICS AND/OR SPACE EXPLORATION STOCKS?

A: Some funds are authorized to potentially invest in Artificial Intelligence-type investments, but none of the funds have a specific mandate to target these types of companies in the prospectus.

Q: IN LIGHT OF THE DISCUSSION OF POSSIBLE GROWING INFLATION, HOW IMPORTANT IS IT TO HAVE A SIGNIFICANT AMOUNT OF TIPS?

A: TIPS are one of several useful tools used by fixed income investors who are expecting future inflation. They are included in several of the RPB portfolios for this reason. TIPS can provide protection against loss of buying power as a result of inflation, but they do not always provide a positive return. TIPS also carry interest rate risk (as measured by duration).

It is most beneficial to own TIPS before realized inflation occurs as they quickly become expensive during times of actual inflation. During periods of rising rates, TIPS are expected to outperform similar duration Treasury securities, but they can still have a negative return if rates rise dramatically. As a result, there are no plans to increase the TIPS exposure in any of the RPB portfolios at this time.

Q: HOW ARE OUR INTERNATIONAL INVESTMENTS IN TIER 1 DOING, AS MANY GLOBAL FUNDS HAVE DONE HORRIBLY OVER THE LAST FIVE YEARS? AN EXAMPLE IS TWEEDY BROWNE.

A: RPB's international managers, which are part of RPB's Tier 1 investments, have performed very well compared to their respective benchmarks. For example, on an annualized basis over the 5-year period ended 6.30.2021, after fees Artisan Partners has returned 11.7% vs. its benchmark of 7.8%.

On an annualized basis over the 3-year period ended 6.30.2021, after fees Wellington has returned 14.9% vs. its benchmark of 13.2%.

On an annualized basis over the 3-year period ended 6.30.2021, after fees Grandeur Peak has returned 19.8% vs. its benchmark of 19.9%. Other international managers currently in the portfolio have been owned for a shorter amount of time, but they are also performing as expected.