Michael Kimmel:

Good afternoon. This is Michael Kimmel, and I'm happy to welcome the over 200 registrants to our early spring 2025 installment of our webinar series.

I do hope everyone is doing well, and that you're starting to thaw out from what was a very cold winter, at least here in New York.

And I'm happy to report that all of us here at the RPB are doing well.

Today you'll hear from some familiar faces. We have David Baskin, RPB Chair, Brad Smith from NPC, Amy Brackett, who is chair of our investment committee, and me, of course.

So, in addition to hearing from David, a recap of the markets and our performance for 2024, and what you might expect in 2025, you'll also learn more about the exciting changes to our investment lineup.

When I started at RPB just over 10 years ago, the investments available to you looked just a bit different. You had just four funds to choose from, and you could only change your investment elections and see your account statements monthly.

Things changed a lot in 2017, when we added eight Vanguard index funds to allow you to build your own portfolio. We also provided the ability to change your investments more frequently and see your accounts updated every single day.

In 2018, we added our groundbreaking Reform Jewish Values Stock Fund. In 2021, we added two additional asset allocation funds to Tier One.

And as of May 1 of this year, the evolution of the fund lineup continues. You'll have to stick around, though, to hear all about that.

Before I turn it over to David Baskin, Rpb Chair, who will provide some brief opening remarks, a few housekeeping items:

As always, the webinar is being recorded and will be posted to our website in a few days. We will also email a link to you.

Regarding questions, thanks to those who submitted them in advance. We will address them at the end of the session, as well as those submitted during the session by clicking on the Q&A button found at the bottom of the screen. This can be done at any time throughout the presentation.

David, the floor is all yours.

David Baskin:

Thank you very much, Michael, and welcome, everybody, to our webinar.

I've been in the professional investing business since 1980. So that's 45 years. And I've seen a lot of market ups and downs. Normally, when we see a disruption in the market, we can trace it to something.

In recent memory, the dot-com crisis of 1999 to 2001, in which a lot of new entrants into the market, getting involved in something called the Internet that nobody quite understood, roared up to unsustainable values.

The great mortgage crisis that led to the significant recession in 2007-2008, when mortgage lending in the United States went crazy and crashed the housing industry.

The COVID crisis, of course, a global pandemic, something that none of us—maybe some of us, but few of us—had ever experienced before. All things that we could understand why the stock market was upset and why values had plummeted.

What we've seen this spring, or late winter, is something a little bit different.

It’s what, here in Canada and our friends in England call an "own goal." That is to say, we've inflicted this on ourselves.

There’s nothing really wrong with the economy in North America. There's nothing really wrong with inflation or unemployment. In fact, employment is very strong.

But the actions of the current administration in the United States, particularly in regard to trade, government employment, and certain classes of immigration, have upset the market, which now sees, for the first time since the Nixon administration 50 years ago, the possibility of the combination of stagnation and inflation—what was called at that time, "stagflation."

Stagnation, because so many people are losing their jobs. The agriculture sector is being completely disrupted by the displacement of a lot of low-cost labor, and inflation because of the trade policies, which will certainly raise costs for a lot of intermediate goods and final goods manufacturing, filtering through to consumer prices.

So that's upset the market. And we've also seen, and I know that Brad's going to talk about this, that the Magnificent Seven stocks—the seven giant technology companies that were really propelling the market over the last two years—have finally seen a crack in their dominance.

Particularly Tesla, which has fallen 50% from its high, and Nvidia, the chip manufacturer, which is down something like 30%.

Those things taken together have caused a lot of upset. I know from speaking to my clients that a lot of people are concerned, as always happens when the market falls quickly. People wonder, should I do something? Should I get out? Should I go to cash? Should I run away?

I can tell you that, and I'm sure Amy and Brad are going to echo this, nobody knows when the top is. Nobody knows when the bottom is. Market timing is a mug's game.

You don't know when to go to cash, and if you do go to cash, you don't know when to go out of cash and back into stocks. The chance of getting both those decisions right is very low, so certainly we counsel our clients to spend less time watching their portfolio.

Baseball season is about to start. Maybe you could do that instead and try not to be concerned. The investments that you own in your portfolios are fundamentally sound. The U.S. economy is fundamentally sound, and the world economy is actually in pretty good shape.

Our offshore investments are pulling their weight to an extent that they haven't for a long time, so I hope everybody can listen today and become a little bit calmer.

And I wish everybody a happy Pesach.

And now, that's it for me.

Michael Kimmel:

Thank you, David. I'd like to now turn things over to Amy, who's going to talk to us about 2024.

Amy Brackett:

Great. Thank you, Michael. So I would really echo everything David said. I'll provide just a quick recap of 2024, talk about performance for markets and, more importantly, for RPB portfolios, and then Brad will give some thoughts for 2025 and where we are.

Looking back at 2024, the year was really defined by resilience and some volatility, with investors navigating a mix of economic optimism and uncertainty.

Inflation remained a key focus as central banks, particularly the Fed, continued their delicate balancing act between rate cuts and maintaining financial stability.

The Fed started to cut rates back in September of last year, with three rate cuts over the coming months.

And while inflation moderated from its peak in 2022-2023, persistent pressures in energy and labor markets kept policymakers cautious.

Unemployment rose slightly in 2024 but was still below its long-term average.

Equity markets showed tremendous strength, and I'm sure you all saw this in your portfolios. It was really led by technology and AI-driven innovation.

Both the Nasdaq and S&P 500 hit new highs in 2024, and tech and communication services stocks were the clear leaders of this bull market, accounting for more than half of the S&P 500 gains from the bear market low in October 2022 through the end of last year.

However, sector performance was uneven, and consumer discretionary and real estate sectors felt the weight of higher interest rates.

Meanwhile, fixed income markets saw increased investor interest, with bond yields adjusting in anticipation of future rate movements.

If we look at this slide, you'll see that this is performance for the year by area of the market. On the left side, the dark blue columns represent various stock indices, and you'll see that the S&P 500, which is second from the left, was clearly the winner last year, up about 25%.

Small and mid-cap stocks, represented by the Russell 2500, were up but not as significantly, and international and emerging markets also rose, but not nearly as much as the U.S.

If we look at the medium blue lines, these represent various bond indices, and you'll see that U.S. high yield had the best return for the year. Commodities were up, and the dollar was up as well. While 2024 was interesting, I think 2025 is clearly on people’s minds. The S&P 500 has been down about 4% year-to-date, which is about a 10% drawdown from its recent high.

As David alluded to, sentiment has been poor, with investors feeling more bearish, and there is a lot of concern over tariffs and escalating trade tensions.

While the volatility is not fun, it is normal, and it's important to remind ourselves of that.

If we look back at history, on average, the S&P 500 falls by 3% or more about seven times each year. A dip of about 10%, which is where we are now, happens on average

once a year, and a 20% correction happens about every three to four years. Despite these intra-year swings, stocks tend to reward investors over time.

In fact, this is the 30th pullback since the low of March 2009, coming out of the financial crisis. Each time is different, with different headline risks, but markets over time have continued to bounce back and go higher.

So if you've ever joined one of these webinars, surely you've seen this slide before. This is looking at diversification and different areas of the market. Each box in each color represents a different area of the market. The orange box is U.S. stocks, the green is emerging markets, the yellow is international stocks, and the bluish-grayish boxes are bonds.

What you'll see is that not every year the same sectors are the winners. While we all have this recency bias—thinking that U.S. stocks have been the place to be and wondering why not put everything in the S&P 500—it's important to remember that in any given year, different areas, different countries, and different types of sectors perform better or worse, and that changes over time.

We sort of joke at my firm that you always want to be mad at something in your portfolio. You don't want everything going up at the same time because that can happen on the downside, too.

RPB portfolios are diversified. The Tier One allocation funds, as well as the target date funds, which we'll talk more about, are diversified across all these areas of the market.

So turning now to RPB fund performance, this is looking at the last year, ending February 28. This does not account for the last couple of weeks of March.

You'll see that the different colored bars represent different RPB portfolios. The green all the way on the left is the Focused Growth Fund. This is the most aggressive, with about 95% in stocks, and not surprisingly, that fund had a very strong year, up about 10.5%.

As we look across the board, you'll see that funds with more bonds and fewer stocks had slightly lower returns, with the more bond-like Focused Income Fund up closer to 7%. All positive returns across the board.

Some slight outperformance versus the gray line, which represents the benchmark for this time period. A few actively managed funds, particularly on the international and global stock side, trailed their benchmark over this period. But if we were to look at a longer-term horizon—five years or since inception—the numbers look more favorable.

All the way on the right, in pink, you'll see the Reform Jewish Values Stock Fund. This is a global equity index that tracks a benchmark, screened for companies aligned with

Reform Jewish values. This fund had a very strong year, up about 15.5%, even outperforming its benchmark.

This next slide looks at volatility, which is really about how bumpy the ride is—how the ups and downs look. Not surprisingly, the more stock-oriented funds were more volatile, while the more bond-oriented funds were about a third as volatile.

And the last slide I'll talk about here is Tier Two. These are the Vanguard funds. These funds are designed to track their index, not to do better or worse, and that's exactly what they did. If we look at the Vanguard Index Fund on the left, which tracks the S&P 500, it was right in line, up about 18.4%. Across the board, these funds were very close to their benchmarks for the last one-year period.

So with that, I'll turn it back to Michael.

Michael Kimmel:

Thank you, Amy, appreciate your commentary and all the work that you do to support all our participants. You, David, and all the members of our board and committees do great work—all volunteers—so we greatly appreciate it.

All right, I'm going to turn things over to Brad Smith from NPC, who has the distinction of being able to talk about what to look forward to in 2025.

Brad Smith:

Thank you, Michael. If we can go to the next slide—well, there you go, perfect.

I think what we're seeing today is one of those scenarios where there continue to be a lot of mixed messages out there.

On the positive side, corporate earnings are continuing to come in fairly strong. Although most recently, a lot of companies are providing lower guidance, at the end of the day, as David was saying, the broad economy is still fairly healthy.

What you'll see here is every year our firm comes up with what we think are the key themes that investors should focus on for the upcoming year. And I'm going to talk about three of these today, the first of which is pockets of euphoria. What we mean by that is there's a lot of excitement out there. If we can go to the next page.

You know, one of the things that we have seen is the Magnificent 7. The S&P was up 25% last year.

The Magnificent 7, as a group, were up over 63%.

The reason they are continuing to drive returns as much as they have is that the expected earnings growth for those companies is still well above what is expected for the broad market.

So that's a positive. Another positive is what we call credit spreads. Credit spreads represent how much bond investors require to lend money to corporations. If they think the risks of default or economic slowdown are high, credit spreads widen, meaning bond lenders demand more interest to cover the risk.

What we're seeing so far this year is that although there is some uncertainty in the equity markets, spreads have widened a little bit. But when we look at where spreads have been historically over the long term, they are still well below long-term averages, so the market is still very healthy.

If we were in a bubble, we would expect to see a lot of M&A activity, which is something we don't see, and we would also expect to see a lot of debt expansion, which hasn't happened. While there's still a lot of excitement around potential innovations in AI, I think the elephant in the room is tariffs.

When you think about it, tariffs are something the current administration is primarily using as a negotiating tool. It seems like every time we get really close to major tariffs, something comes up where things get extended. One of the things we are cautioning our clients about is that forecasting the outcome of tariffs is difficult because they don't happen in a vacuum.

We don't really have a crystal ball, and we don't know what's going to happen in 2025 with respect to tariffs. However, we do believe tariffs will lead to higher volatility in the markets. As a result, we think having a diversified portfolio will be incredibly important in 2025.

So, we do encourage investors to maintain a very diversified portfolio. What's interesting is that, looking back over the past two years, diversification really hasn't helped. The more money you had in the Magnificent 7 stocks, the better your returns were.

However, what we're seeing in 2025 is the benefits of diversification beginning to return. Companies outside of the Magnificent 7 are doing much better. Value stocks, which have underperformed for a long time, are starting to outperform growth stocks. We continue to advise clients to maintain a very diversified portfolio.

Our third theme is world affairs. When we think about this, whether it's the Russia-Ukraine conflict or heightened political tensions in the Middle East with Israel resuming its battle against Hamas, at the end of the day, stocks and bonds trade more on economic factors than geopolitical events.

What geopolitical events do, however, is drive market volatility.

One of the things that's really fascinating is if you look at the types of returns investors have experienced over the past five to six years by investing in stocks, it's been quite impressive.

Out of the last six years, we've had five double-digit return years in the S&P 500. In fact, 2023 and 2024 were the first time the S&P 500 had gains of more than 20% in back-to-back years since the mid-1990s.

As an investor, you've had some really good returns.

But again, we acknowledge that with tariffs and global uncertainty, the likelihood of a major market event occurring in 2025 is greater than in 2024.

I'd like everyone to focus on the next slide, which is something we shared in the last webinar, but I think it's a really powerful chart.

What it shows is some of the biggest market drawdowns that have occurred, going back to 1973 and the Yom Kippur War and oil embargo.

During that event, the S&P 500 dropped 37% in a year, and it took 1,574 days for the market to recover. That was a true tail event. But if you think about what happened in the early '70s with the oil embargo and a stagflationary environment, there were also some policy mistakes made during that time.

If you look at events since then, you'll notice that while there have been significant market declines, the time to recover has generally been much shorter—anywhere from a few days to six months.

Echoing David's point, we encourage clients not to react to short-term market events, but rather to remain focused on the long term.

If your investment horizon hasn't changed and you still have three to five years before you need the money, you likely don't need to make changes to your investment portfolio.

That being said, if for health reasons, retirement, or other personal considerations, you think you might need access to your money sooner, the changes we're implementing are intended to help participants align better with their risk tolerance.

With that, I'll turn it back to Michael.

Michael Kimmel:

Thank you, Brad. Really appreciate your thoughts and commentary.

We're now going to change gears a little bit and talk about the exciting fund lineup changes coming your way as of May 1.

Amy, I'll turn things back over to you to walk through everything. After that, we'll get to your questions. Thanks to those who have been submitting questions—we'll try to address them at the end of the presentation.

Amy Brackett:

Great. Thank you, Michael. As most of you probably know, there are some big changes coming, and we're excited to share more details today.

You should have received an email with details, and there's a dedicated site explaining these changes. But we want to take a few minutes to outline what this means and how it impacts you, depending on which funds you're in today.

As Michael mentioned, these changes take effect on May 1.

In Tier 1, which includes the current allocation funds (Focused Growth, Moderate Growth, and Growth & Income), the Target Date Funds will replace these asset allocation-based funds.

Similar to the current funds, the Target Date Funds will include a mix of active and passive management and will be well-diversified. The biggest difference is that rebalancing and adjustments will happen versus you having to go in to manually change your allocation.

In Tier 2, which consists of Vanguard funds, there will be a streamlined menu with more options. The goal is to simplify the number of funds while still offering choices for those who prefer to build their own portfolio.

In Tier 3, there are no changes. The Reform Jewish Values Stock Fund will remain as is, with no changes to its structure or investment strategy.

So why these changes?

The Investment Committee has spent the past one to two years reviewing the investment menu and working to align choices with the needs of plan participants.

After extensive discussions, we determined that simplifying the options—especially for the majority of participants in Tier 1—was a key priority.

We frequently get questions during these webinars and offline about which portfolio to choose, how to adjust allocations over time, and what to do when approaching or entering retirement.

While everyone’s situation is unique, and there is no one-size-fits-all answer, the goal here is to simplify things by offering funds that automatically adjust over time. That’s exactly what Target Date Funds are designed to do.

In fact, 95% of plans offer target date funds. Many of you may be familiar with these types of funds and may have spouses, family, or friends who are in target date funds in their own 401(k) or 403(b). The goal is to have a single dynamic option that provides diversification within the fund, and then the fund will rebalance. We'll talk about that more in just a moment.

For Tier 2, which is more of a build-your-own-portfolio approach, we will still have all the low-cost Vanguard index funds. In addition to the Vanguard funds, we will also introduce some actively managed funds, which focus on selecting individual stocks and securities. This means there will be more options for those who prefer pure market exposure, active management, or a combination of both.

In a couple of cases, fees will be going down for some of the Vanguard funds, which we will discuss. The overall goal is to simplify the menu for Tier 2.

This is an illustration of how target date funds work. The blue section represents the percentage of one's portfolio in stocks, which are generally more aggressive, while the green section represents the percentage in bonds, which are typically more conservative.

You'll see that the T. Rowe Price Fund family, which we will be using—similar to other target date fund families—gradually adjusts the mix of stocks and bonds as you age. This means you don’t have to manually choose a different fund or reallocate your portfolio. If you're in a target date fund, it will do this for you.

An analogy that may help illustrate this: A target date fund is like a self-driving car that adjusts your speed and route automatically to get you safely to your destination, which in this case is retirement.

At the start of your journey—in your younger years—the car drives fast on the highway, maximizing speed because you have a long way to go and can handle some bumps along the way. This is similar to a high allocation to stocks, typically over 90%.

Midway through your career, the car gradually slows down, taking fewer risky detours while ensuring steady progress. This represents a balanced mix of stocks and bonds.

As you get closer to retirement, the car shifts into a slower, more cautious mode to ensure a smooth and safe arrival—avoiding sudden stops or sharp turns that could throw you off course. By the time you reach retirement, the car moves into cruise control, maintaining a steady pace to help you enjoy the journey ahead without unexpected surprises.

The portfolio adjusts over time and eventually remains stable in the later years. Just like a smart navigation system that adjusts to road conditions and your distance to the goal, a target date fund automatically rebalances over time to keep your financial journey smooth and stress-free. While investments can still experience downturns, the goal is to create a much smoother ride in retirement compared to someone just starting their career in their twenties or thirties.

Next slide, please.

In terms of how this works, target date funds are mapped to your birth year and an expected retirement age of 65. For example, if you were born in 1950, you would be placed in the 2015 target date retirement fund. If you were born in 1960, you'd be in the 2025 fund. For someone born in 1970, they would be placed in the 2035 fund, and so on.

We want to emphasize that you are not locked into the assigned year. If you believe you will work well into your seventies or prefer a more aggressive investment approach, you can select a later target date fund. Likewise, if you are more risk-averse and want a more conservative approach, you can choose an earlier retirement date fund.

If you're in Tier 1, you will be defaulted into the target date fund that corresponds with your birth year, but you are free to change your selection. You can also move your investments among the Tier 2 and Tier 3 fund options.

Just to recap, if you're currently in Tier 1—any of the five RPB asset allocation funds—your money will be moved into the T. Rowe Price target date fund that corresponds with your birth year as of May 1.

For Tier 2, we are introducing new actively managed fund options, which were not previously available. Previously, Tier 2 only offered Vanguard index funds.

We decided that in certain areas, it made sense to allow participants to choose an active manager if they wanted to. These new options include:

- A fund focused on large-cap growth stocks (U.S. companies in high-growth industries).
- The Dodge & Cox fund, which focuses on large-cap value stocks.
- The Eaton Vance fund, which focuses on small- and mid-cap U.S. stocks.

- The Hartford Schroders fund, which focuses on international stocks.
- The Fidelity Total Bond Fund, which is an actively managed intermediate-term bond fund.

There are three Vanguard index funds that will be replaced with nearly identical strategies in a different vehicle—a trust structure. While the investment strategy remains the same, one benefit is that Vanguard's already low fees will be reduced by a basis point or two.

Michael Kimmel:

Amy, actually, there was a question that came in—maybe you or Brad can address this. Brad, you were just talking about the trusts.

Which, by the way, everyone might have heard—the T. Rowe Price target date funds are technically structured as trusts within the 403(b) plan. The question is:

Since a trust is not covered by the 1940 Act for mutual funds, does that create a greater oversight risk?

Brad Smith:

These are institutional investment vehicles covered under bank trust regulations.

While it is true that they have less regulatory oversight than an SEC-registered 40 Act mutual fund, the result is that it is a lower-cost way to offer these investment vehicles. However, there is still very robust trust oversight that occurs. It's just not as extensive as the oversight for 40 Act mutual funds.

Michael Kimmel:

Thank you, Brad. Amy, back to you.

Amy Brackett:

Great. So one of the other changes here is the Capital Preservation Fund, which serves as the cash vehicle. It is moving to GSAM, the Goldman Sachs Stable Value Fund.

And then there are two Vanguard funds that will be eliminated. Again, the goal was to reduce some of the overlap and streamline the menu. The Vanguard Short-Term Bond Index and the Short-Term Inflation-Protected Bond Index will no longer be available. On the next slide, we show how that money will be allocated under the new program.

Essentially, any money already in the Capital Preservation Fund, which is the cash vehicle, will remain in cash but will be moved to the Stable Value Collective Trust.

Any money in the two Vanguard short-term bond funds will also transition into the same Stable Value Trust. Meanwhile, any money in the three Vanguard funds listed below will be moved into a new share class, but there is no change in the underlying strategy.

Michael Kimmel:

Thank you, Amy.

Appreciate all the thoughts around the new fund lineup.

I wanted to spend just a minute or two talking about your next actions. First, know what you're invested in. A question came in: "How do I know what I'm invested in?" The simplest way is to log into your Fidelity NetBenefits account.

Through Fidelity NetBenefits, you can easily view your investments, check your account statements, and make changes to your investments. If you have any trouble logging in, please contact our office, and we can assist you. You can also access Fidelity NetBenefits by visiting rpb.org, where you can click "Login" in the top right corner.

I also encourage you to review our new fund options in more detail. On the next slide, you'll see an image of our microsite, which contains all the details—everything we've sent you by mail, everything we've discussed today, and more. This resource provides a deep dive into the T. Rowe Price funds, the new Tier 2 fund options, and includes a comprehensive set of FAQs to help guide you through these changes.

A couple of things to keep in mind regarding rebalancing:

In the new Tier 1, if you are invested in a single target date fund, everything is automatic. There is nothing you need to do to rebalance—T. Rowe Price will handle that for you.

If you are invested in more than one fund and want to maintain your specific asset allocation between those funds, you will need to set up rebalancing. This can be done through Fidelity NetBenefits as well.

Same comment around Tier 2 and 3. If you're in more than one fund in Tier 2, and/or with Tier 3, you should be setting up rebalancing, likely on a quarterly basis, to make sure you maintain your desired asset allocation. All of that, again, is done through NetBenefits. If you have questions, contact Fidelity directly, and they can help you walk through how to do that.

Michael Kimmel: And of course, if you have questions about your investments and how you should be allocating today, tomorrow, or next year, please feel free to consult with a Fidelity retirement planner. The number is on your screen and also available on our website. This is a service included with the fees we pay Fidelity, so please take advantage of it if you don't already have an outside advisor.

So, little image of our microsite at rpb.org/new-fund-lineup, as I mentioned earlier. And just a few reminders:

Coming May 1st is the new fund lineup. We'll be reminding you in late April, right after Passover. And again on May 1st, you'll hear from us letting you know that everything is up and running.

Starting in late April, we're going to be setting up one-on-one appointments with myself or Robert Perry in our office. You'll be able to schedule time to work with us individually on any questions you have about the new fund lineup or anything else related to your investments.

And a little promo—coming in 2026, from May 3rd to the 5th in Chicago, is our next in-person retirement planning seminar. If you are 50-plus and starting to think about retirement, this is for you. Look out for more information soon.

With that, we are going to shift gears to our Q&A session. Let's start it out. I appreciate all the questions folks have submitted, and we'll try to get to as many of them as we can. If not, we will consolidate the questions and send responses in writing.

First question: Should we ride it out and leave everything in place, or take some into savings? I'm going to direct that question to Brad.

Brad Smith:

As I said in my market comments, we generally advise clients to remain fully invested unless something significant changes.

Without knowing anybody's individual situation, our best guidance is to reach out to a trusted advisor or the Fidelity representatives. They can give you personalized investment guidance.

But unless something has changed, we believe the economy remains fairly strong, corporate earnings are still positive, and there's a lot of good news out there. So we are advising our clients to remain fully invested.

Michael Kimmel:

Thank you, Brad. Similar question, stated a little differently. I'm going to direct this one to David. "March 19th will be my 75th birthday—happy birthday! As we move deeper into retirement, should we be adjusting how we allocate our funds?"

David Baskin:

This is the whole rationale for target date funds. They are designed to adjust your investments to become more conservative over time.

If you're in a target date fund designated for retirees, the question is whether you want to be even more conservative than the fund already is. That depends on your overall financial situation.

Look at it this way: If your retirement plan is providing you with enough income to fund your lifestyle comfortably, plus some extra, then you don't need to be overly concerned. You're in a good position, and you don't necessarily need to get more conservative.

If, however, you're just meeting your monthly expenses and any increase in costs could require you to draw down capital faster, then you might want to consider becoming more conservative. In that case, you'd want to minimize volatility.

On the other hand, if you have more than enough money for your needs, your spouse's needs, and even your children's, you might still have room to take some investment risks.

So, it all depends on your individual situation. That's why we can't provide individualized advice, but those are the key factors to consider.

Michael Kimmel:

Thank you, David. Let's switch gears a bit and turn back to the funds.

First question about the target date blend funds: Do they change their allocation yearly?

Amy Brackett:

Yes. The goal of target date funds is that they adjust the allocation over time automatically, so you don't have to think about it.

With the current Tier 1 funds, the allocation is static. For example, one fund may have 55% stocks and 45% bonds, and unless you manually make changes, that mix will stay the same.

With target date funds, the mix gradually shifts over time to become more conservative as you approach and move through retirement. Additionally, the fund automatically

rebalances. If, for example, your allocation is 60% stocks and 40% bonds but stock prices decline, T. Rowe Price will automatically rebalance to maintain the target allocation.

The idea is that, by choosing a target date fund, your investments are continuously rebalanced and adjusted as you age.

Michael Kimmel:

Thank you, Amy.

Slightly different question: "If I might retire earlier than 65 but not draw early, would that affect my new plan?" Amy?

Amy Brackett:

Everyone’s situation is different. The RPB plan is likely just one component of a person’s retirement assets. You may have a spouse with retirement savings, brokerage accounts, real estate, inheritance, or other assets.

It really depends on how you plan to use the funds in your RPB account. Many asset allocation models are designed for an average retiree at age 65 who withdraws a typical amount annually. If your situation is different—perhaps you’re retiring earlier but won’t need to draw from your RPB funds right away—then you may want to adjust your allocation accordingly.

Some people might never need to touch these funds and instead plan to pass them on to the next generation. If that’s the case, a more aggressive investment approach could be suitable, as the time horizon is much longer.

This is where working with an advisor or using Fidelity’s planning services can be valuable. It all comes down to your financial goals and time horizon.

It's the target date fund is not a perfect solution for everyone, but it's a great solution for many, and I think, particularly for people who want sort of that easy button, to know that it's taken care of, to know that they don't have to log in every quarter or every year and try to figure things out and rebalance and make changes. But obviously, I would encourage you to speak to your advisors and work through what's best for your particular situation.

Michael Kimmel:

Thank you, Amy. There's another question, and I'll just briefly ask it, but then I'll briefly answer it, because I think you said it just now. I'm getting closer to retirement, and with the current climate in the stock market, how will these funds help me? Really, the answer

is, it's helping you by remaining invested and allocated based on your age, right? And like you had said, if someone prefers a more aggressive allocation based on their age or their circumstances, they can always shift to a different target date series, or if they want something less aggressive, they could always shift down to something less aggressive. But it's built-in discipline. I think that's the simple answer, right?

David Baskin:

Well, to put it in a more blunt way, it keeps you from doing stupid stuff.

Michael Kimmel:

Yes, thank you, David, for the bluntness and the directness of that answer.

All right. A different type of question. How safe are the capital preservation funds? Brad, I'm going to let you talk for a minute about capital preservation funds, what they're intended for, and how they work.

Brad Smith:

Yeah, sure. The capital preservation portfolio is the most conservative and safest option available in the RPB 403(b) portion of the portfolio. The underlying investments in that strategy are short-term investment-grade bonds. So at the end of the day, nothing is guaranteed, but the portfolio manager's investment objective is to generate high current income and to preserve the principal value of the portfolio.

Things would have to get really, really, really bad before something would happen where there would be a negative investment. I think we can go back to 2008 when there was a huge liquidity crisis. There were a couple of money market funds that temporarily broke the buck. But if you stayed invested, that buck was actually reinstated. So while nothing is guaranteed, these are very high-quality, very short-term investments, and under most normal market conditions, they are very safe options.

Michael Kimmel:

Thank you, Brad. A little bit of a shift in gears. Give David, Brad, and Amy a break for a moment. What is the status of legal claims that threaten parsonage?

Well, the good news is that it's been quiet. To my knowledge and our attorneys' knowledge, there hasn't been any noise about the threat to the parsonage exemption. So that is a simple, straightforward, and good answer.

Another question someone posted while we were in our presentation: When the fund choices change, will there be a blackout like when RPB switched to Fidelity a few years back?

The answer is ever so briefly, and I mean ever so briefly. On April 30th at 4 PM, you will still have access to your account, and you'll still be able to log in and see your account. You just won't be able to change anything.

So from April 30th at 4 PM when the markets close through the following morning on May 1st when the markets open, you will have access to your account, but you just won't be able to change your investments. When you wake up on May 1st, you should see your new investments with the new lineup, and then you should be able to make any changes at that point in time.

All right, another question. How might a crash of Social Security affect the markets?

Brad, I'm going to turn this one over to you and see what kind of wisdom you can share about that.

Brad Smith:

If Social Security crashes, we've got a lot more problems than just the stock market because it would mean the government is defaulting on a promise to pay. That would be one of the biggest black swan scenarios out there. So the short answer is: it would be bad.

Michael Kimmel:

Understood. Thank you.

A question from the audience: The blue and green chart—that's the glide path chart—does not show more specific percentages of stocks and bonds at any particular trust blend year. If I am happy with my balance in my current Tier 1 choice, will there be more granular data so I can choose the correct year to match my desired bond-stock balance?

The answer is yes. It is actually available today. If you go to our website and visit the microsite that we showed earlier (accessible from rpb.org), you can click on the "New Fund Lineup" tab. If you select any one of the individual funds, it will present you with a fact sheet. Click on the fact sheet, and if you scroll down, it will tell you very specifically, as of December 31, 2024, the percentage of stocks and the percentage of bonds.

Just keep in mind that, as Amy said earlier, that percentage shifts annually. So each year, the fund will have a little more bonds and a little less stock based on the glide path. If your desire is to actually have a static allocation that does not change, you might want to

consider looking into Tier 2 or manually shifting between different target date funds every year—which might be more effort than it's worth.

Okay, similar question. I like my 60/40 fund and don't necessarily want it to drift toward more bonds from year to year—at least not yet. I'm 72. What should I do?

David Baskin:

Well, there's always the do-it-yourself option from the menu of available funds. The easy thing to do would be to select the bond fund and just put 40% of your money in there, and then allocate the remaining 60% to a combination of equity funds.

If you wanted to match what we're doing, you would include the international equity. If you want it to be all U.S. stocks, you can do that too. The whole point of the menu we produced for Tier 2 is so that people can duplicate what they have now and stay there if they want to.

Michael Kimmel:

Right. Thank you, David.

Amy Brackett:

And the other thing I'd add is that the target date shifts are very modest year to year. So if once a year you want to log on and tweak which fund you're in to better align, or every couple of years, the shifts are not very big. So if the goal is to maintain, let's say, that 60/40 mix, you can do it by just selecting a different fund periodically.

Michael Kimmel:

Thank you. Okay, here's a question from someone with input from their financial advisor. I'm going to direct this one to Brad. We noticed that there are very limited offerings for fixed income in Tier 2. The only two standalone funds are the Vanguard Bond Index Fund and the Fidelity Total Bond Fund. There's no option for core short-term treasuries, international, etc.

Help us understand a little bit more about how we designed the bond offerings or the short-term and shorter-term investments in Tier 2.

Brad Smith:

Yeah, so the thinking was, we wanted to simplify the lineup because there was a lot of overlap. The stable value portfolio, for example, consists of short-term bonds. It's really a one- to three-year bond fund. So if you had assets in that investment, the reason they're

moving into the stable value portfolio is that the underlying investments were already similar.

The next asset class that was considered was core bonds. The Vanguard portfolio consists entirely of investment-grade bonds. We also added the Fidelity portfolio, which is a core-plus portfolio that includes high-yield bonds and has the ability to go into international bonds. So that provides a more diversified option.

You're correct in that you're not able to create more granular allocations within fixed income. However, we believe that you still have the ability to create a broadly diversified fixed-income portfolio by balancing between the stable value fund and the two bond funds. We think this approach will meet the needs of about 90% of participants.

Michael Kimmel:

Thank you, Brad. Another question from the same person, and it's an important one. While the target date funds are great options during accumulation, they're not usually optimized for the distribution phase of retirement. What is the thinking here?

Brad Smith:

The spending funds are really not ready for prime time, in our opinion. As we look at the de-accumulation phase right now, the vast majority of participants are doing a really good job of managing distributions through systematic withdrawals that can be set up through the benefit plan today. So we think that is the best solution available at this time.

One major challenge that still exists in the industry is how to better manage longevity risk. This is something that we need to focus on because our participants tend to have long and blessed lives. We want to ensure that participants accumulate enough money but also don't run out of funds as they draw it down. The industry is still developing new tools for this, and I would hope that over the next five years, we are able to find a good solution.

Michael Kimmel:

Okay, thank you, everyone. There are more questions, but we've run out of time. We will attempt to document them all and send those out to you via email.

David, Amy, Brad—thank you so much. Stephanie and team, thank you behind the scenes for making this all happen.

Have a great rest of your day, everyone, and take care. Bye-bye.