CACUBO Webinar Series on:
ESG (Environmental, Social, and Governance) and Other Trends Impacting 403(b) Plans Today
July 14, 2022

We will begin shortly. Thanks for joining!

Please consider attending the CACUBO Annual Meeting on September 25-27 in St. Louis and the CACUBO Leadership Institute on August 8-9 in Kansas City. Registration and other information can be found on the CACUBO website. These events provide professional development opportunities for accountants, administrators and staff of all levels, in addition to providing CPE credits.
This is the 22nd monthly webinar CACUBO has hosted since the pandemic began. Hard copies and recordings of these presentations can be found on the CACUBO website.

Today, we will hear from panelists who will provide us an update on the utilization of ESG investments in 403(b) Plans as well as other topics impacting 403(b) Plans today.

This webinar is eligible for CPE. If you are interested in receiving CPE credit for this webinar, please e-mail me (Marty Mickey) at mmickey@nl.edu now. During the webinar, there will be three check in questions for you to answer. In order to receive CPE, you must answer all three of these questions.

We will send out a survey afterwards to solicit thoughts and topics for future webinars.

If you would be willing to present in a future webinar, please e-mail me at mmickey@nl.edu.
ESG and Other Trends Impacting 403(b) Plans Today

The Central Association of College and University Business Officers (CACUBO)
Thursday, July 14 – 1:00pm CT

Sam Hodas, MD
Head of Enterprise ESG Strategy
Nuveen

Drew Krepelka, MD
Senior ESG Investment Strategist
TIAA
What is (and isn’t) ESG and Why Does it Matter?
Different names; similar goals

Responsible Investing

Impact Investing
Program Related Investing
Mission Related Investing
Place Based Investing
Governance
Impact Investing
SRI
ESG
Sustainable Finance
Business Ethics
Community Investing
Triple Bottom Line

Environmental
Stewardship
Social
Transparency
Sustainability
ESG has been an essential part of our history and future

With a commitment to ESG that dates back over five decades, we believe it’s possible to achieve better outcomes for our investors, our communities and the planet – without sacrificing performance.
First Polling Question

Where is your institution in the scope of considering ESG investments in your 403(b) Plans?

1. Have ESG options in place for our participants
2. Deem ESG options to be important but haven’t added anything yet
3. Don’t plan to add ESG options
Our Responsible Investing principles

Responsible investing (RI): An investment approach that incorporates Environmental, Social and Governance (ESG) factors into investment analysis, portfolio construction and ongoing monitoring across asset classes with the objective of enhancing long-term performance, managing risk and creating opportunity.

ESG Integration
- Incorporate material ESG factors into the investment processes using ESG data, research and tools.¹

Stewardship
- Use tools as an investor to influence company policies and actions.
- Partner with stakeholders across the market to establish and follow RI best practices.

Impact
- Measure, manage, and drive positive environmental and social impact through investing practices.
- Accelerate investor demand and the reallocation of capital to areas that contribute to the UN Sustainable Development Goals (SDGs).

¹ ESG integration incorporates financially relevant ESG factors into investment research in support of portfolio management for actively managed strategies. Financial relevancy of ESG factors varies by asset class and investment strategy. Applicability of ESG factors may differ across investment strategies. ESG factors are among many factors considered in evaluating an investment decision, and unless otherwise stated in the relevant offering memorandum or prospectus, do not alter the investment guidelines, strategy or objectives.
ESG factors are considered alongside financial factors and can be integrated into the investment process across all asset classes and sectors.

**Environmental**
- Natural resource usage, including water
- Waste management
- Deforestation
- Climate change

**Social**
- Employee relations
- Diversity
- Supply chain management
- Health and safety

**Governance**
- Board quality
- Executive compensation
- Public policy
- Business ethics (bribery and corruption)

**Examples**

**Real Assets**
Weather changes and drought can reduce productivity value of farmland

**Fixed Income**
Climate regulation can result in bond market shifts for corporate bonds in carbon-intensive sectors

**Equity**
Policy changes can impact profitability for carbon-intensive companies (carbon tax/price, equipment upgrades)

**Real Estate**
Rising sea levels will threaten the viability and property prices in major coastal cities
ESG ties to TIAA mission and enterprise strategy

ESG strategy aligns with TIAA’s goal of achieving the best possible investment outcomes for our clients while differentiating our investment capabilities

Improve Long-Term Returns
ESG integration may enhance the long-term financial performance of companies

Manage Risk
Incorporating ESG allows us to manage downside risk

Uncover Opportunity
Uncover new investment opportunities through targeted social and environmental impact

Meeting Participant Demand

~90% of market value\(^1\)
of the S&P 500 is now comprised of intangible assets affected by ESG factors\(^2\)

5 of top 5 global risks identified by the World Economic Forum are categorized as environmental or social\(^3\)

$26T across 65MM new jobs could be unlocked by investment in the low carbon transition and inclusive growth by 2030 (using 2011 baseline)\(^4\)

65% of employees would be loyal to their employer based on the availability of having responsible investment retirement plan options\(^5\)

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5. Nuveen Sixth Annual Responsible Investing Survey, 2021
ESG fund demand continues to increase market-wide

Source: Morningstar. Data as of 12/31/2021. Includes Sustainable Funds as defined in Sustainable Funds U.S. Landscape Report, Feb. 2021. Includes funds that have been liquidated; does not include funds of funds.

Source: Morningstar Direct. Data as of Dec. 31, 2021. Note: Includes funds that have been liquidated during this period.
Growing demand among TIAA participants and plan sponsors

ESG is a key differentiator

**Plan Participants**
How important is it to you that your retirement provider invests responsibly?

<table>
<thead>
<tr>
<th>Importance</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important</td>
<td>43%</td>
</tr>
<tr>
<td>Somewhat important</td>
<td>35%</td>
</tr>
<tr>
<td>Slightly important</td>
<td>14%</td>
</tr>
<tr>
<td>Not very important</td>
<td>6%</td>
</tr>
<tr>
<td>Not at all important</td>
<td>2%</td>
</tr>
</tbody>
</table>

...78% of participants believe it is somewhat or very important that their retirement provider invests responsibly...

**Plan Sponsors**
How interested do you think employees would be in having more or different Responsible Investing products on your plan menu?

<table>
<thead>
<tr>
<th>Interest Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very interested</td>
<td>23%</td>
</tr>
<tr>
<td>Somewhat interested</td>
<td>34%</td>
</tr>
<tr>
<td>Slightly interested</td>
<td>32%</td>
</tr>
<tr>
<td>Not very interested</td>
<td>5%</td>
</tr>
<tr>
<td>Not at all interested</td>
<td>0%</td>
</tr>
<tr>
<td>Not sure</td>
<td>5%</td>
</tr>
</tbody>
</table>

...9 in 10 plan sponsors are interested in more or different ESG products...

TiAA Survey of plan sponsor and plan participant client, September 2021
More options for total portfolio solutions given continued growth and diversification in ESG focused funds

**Top 10 asset managers by sustainable fund assets**

<table>
<thead>
<tr>
<th>Asset Manager</th>
<th>Assets Managed</th>
<th>AUM in $Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>BlackRock/iShares</td>
<td>71,525</td>
<td></td>
</tr>
<tr>
<td>Parnassus</td>
<td>47,928</td>
<td></td>
</tr>
<tr>
<td>Calvert Research...</td>
<td>34,522</td>
<td></td>
</tr>
<tr>
<td>Vanguard</td>
<td>27,400</td>
<td></td>
</tr>
<tr>
<td>TIAA/Nuven</td>
<td>22,961</td>
<td></td>
</tr>
<tr>
<td>Invesco</td>
<td>11,878</td>
<td></td>
</tr>
<tr>
<td>Dimensional...</td>
<td>11,582</td>
<td></td>
</tr>
<tr>
<td>Eventide Funds</td>
<td>8,842</td>
<td></td>
</tr>
<tr>
<td>Amundi US</td>
<td>8,815</td>
<td></td>
</tr>
<tr>
<td>Pax World</td>
<td>8,707</td>
<td></td>
</tr>
</tbody>
</table>


**Top 10 ESG investments on TIAA Plan Menus**

<table>
<thead>
<tr>
<th>Investment</th>
<th>Category</th>
<th>AUM in $Millions</th>
<th>Assets recordkept on TIAA plan menus in $Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parnassus Core Equity</td>
<td>Large Blend</td>
<td>32,265</td>
<td>63</td>
</tr>
<tr>
<td>CREF Social Choice Account</td>
<td>Balanced</td>
<td>19,753</td>
<td>19,243</td>
</tr>
<tr>
<td>Vanguard FTSE Social Index</td>
<td>Large Blend</td>
<td>16,053</td>
<td>400</td>
</tr>
<tr>
<td>Parnassus Mid-Cap</td>
<td>Mid-Cap Blend</td>
<td>8,664</td>
<td>31</td>
</tr>
<tr>
<td>TIAA-CREF Social Choice Equity</td>
<td>Large Blend</td>
<td>7,752</td>
<td>4,328</td>
</tr>
<tr>
<td>Brown Advisory Sustainable Growth</td>
<td>Large Growth</td>
<td>7,380</td>
<td>34</td>
</tr>
<tr>
<td>TIAA-CREF Core Impact Bond</td>
<td>Core Bond</td>
<td>7,273</td>
<td>634</td>
</tr>
<tr>
<td>Calvert Equity</td>
<td>Large Growth</td>
<td>6,414</td>
<td>46</td>
</tr>
<tr>
<td>DFA US Sustainability Core</td>
<td>Large Blend</td>
<td>5,856</td>
<td>19</td>
</tr>
<tr>
<td>Parnassus Endeavor</td>
<td>Large Value</td>
<td>5,417</td>
<td>24</td>
</tr>
</tbody>
</table>

Second Polling Question

After hearing the information just presented, are you more apt to:

1. Not change anything with respect to the offerings in your 403(b) Plans
2. Consider adding ESG options for participants
3. Consider adding more ESG options for participants
Key Retirement Policy Developments
Retirement legislation timeline

2006
- Pension Protection Act becomes law

2016
- SECURE 1.0 introduced

2019
- SECURE 1.0 becomes law
- Retirement Security and Savings Act introduced ("SECURE 2.0")

2020
- SECURE 2.0 introduced

2021
- SECURE 2.0 activity

2022

2023
- TBD

Numerous individual retirement provisions introduced

Regulations developed for guidance on SECURE 1.0
Retirement reform policy goals

- Promote the value of in-plan lifetime income solutions (Guarantee Gap)
- Facilitate increased savings rates (Savings Gap)
- Improve access to employer-sponsored retirement plans (Access Gap)
- Ease administration (Regulatory)
SECURE 2.0: Where are we now?

Securing a Strong Retirement Act of 2022
45 provisions
Focus on access, savings, lifetime income, administration

Retirement Security & Savings Act
Over 50 provisions
Focus on access, savings, lifetime income, administration

Ways & Means Committee
Ed & Labor Committee
House Vote

Conference Committee
Vote on final bill to become law
President signs

Senate Finance Committee
Senate HELP Committee
Senate Vote
Key SECURE 2.0 provisions

**Mandatory**

- Expands auto-enrollment and auto-escalation policies for new plans
- Long-term part-time workers will be eligible to contribute after 2 years (401(k) plans only, but could be expanded)
- Boosts annual cap on catch-up contributions for older savers
- Increases RMD age to 75 by 2032
- Addresses certain barriers to annuitization

**Optional**

- Increases participation incentives
- Employers may join forces in 403(b) multiple employer plans (MEPs) or 403(b) pooled employer plans (PEPs)
- Would allow collective investment trusts (CITs) in 403(b) plans
- Would allow employers to make matching plan contributions equal to an employee’s student loan payments
- Would permit merging 401(a) and 403(b) plans
- Eliminates some notices for unenrolled employees
- Would permit 403(b) participants to self-certify hardships

**Additional key provisions**

- Require catch-up contributions to be made as in-plan Roth contributions (mandatory)
- Permit rollovers from Roth IRAs to defined contribution plans (optional)
- Treatment of employer matching contributions as Roth contributions (optional)
Proposed Department of Labor ESG Rulemaking

Background
New proposed ruling empowers plan fiduciaries to consider climate change and other environmental, social, and governance (ESG) factors when they make investment decisions and when they exercise shareholder rights.

Key Takeaways
• Climate change and other ESG factors may be considered
• Removed language from the 2020 rule that prohibited ESG from default plans, or QDIAs
• Clarified application of the tie-breaker test
• Removed provisions that may have dissuaded fiduciaries from proxy voting and exercising shareholder rights

TIAA View
• We strongly support the DOL’s proposed amendments to clarify the duties that apply to ERISA retirement plan fiduciaries when selecting investments for plan menus and exercising shareholder rights such as proxy voting.
• We commend the DOL for proposing amendments that give fiduciaries greater comfort and confidence in including ESG factors when evaluating investment options for plan menus and in proxy voting.

Next Steps
Continue to work with the DOL as they finalize this regulation to ensure plan sponsors have the flexibility to design investment plan menus in a way that leads to best interest and possible outcomes for participants.
Third Polling Question

What percentage of your employees participate in your 403(b) Plan

1. Greater than 90%
2. 80%-90%
3. 70%-80%
4. Less than 70%
5. I don’t know
Responsible investing incorporates Environmental Social Governance (ESG) factors that may affect exposure to issuers, sectors, industries, limiting the type and number of investment opportunities available, which could result in excluding investments that perform well.

You should consider the investment objectives, risks, charges and expenses carefully before investing. Please call 877-518-9161 or go to www.TIAA.org/prospectuses for current product and fund prospectuses that contain this and other information. Please read the prospectuses carefully before investing.

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Thank you for attending!

Q&A

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