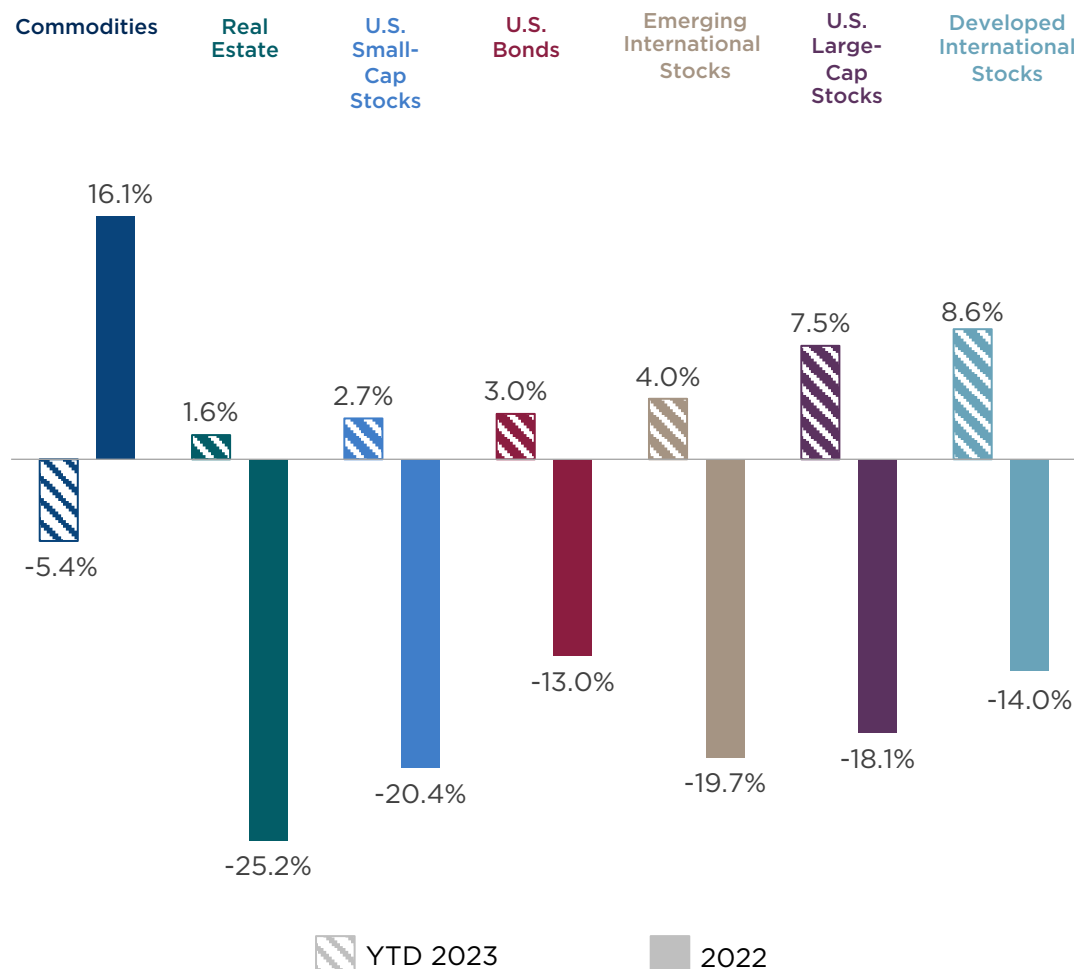


## STRONG RETURNS, SHAKY NERVES

After a strong start to 2023, the first quarter ended on a high note despite a rapid-fire array of troubling news. In early March, two large banks failed, and policymakers stepped in to keep isolated problems from becoming a systemic crisis. Despite the headlines, stock and bond markets were surprisingly calm.

- In the U.S., large-cap stocks floated upward, with their small-cap counterparts trailing behind.
- The financial sector faced understandably stiff headwinds, and investors reacted to banking sector news by rotating back to the comfort of mega-cap technology companies with ample cash flows.
- Skeptical of future Fed actions, bond investors drove prices higher as yields slipped lower.
- Outside the U.S., international developed and emerging markets saw modest but steady gains. The post-pandemic reopening of China, stabilizing energy prices across Europe, and a weakening U.S. dollar contributed.
- Real estate posted a modest gain for the quarter, although many of the same challenges of last year remain as headwinds.
- 2022's standout performer, commodities, was the only major asset class in negative territory for the quarter as oil prices slipped.



Asset class returns are represented by the following indexes: Bloomberg U.S. Aggregate Bond Index (U.S. bonds), S&P 500 Index (U.S. large-cap stocks), Russell 2000® (U.S. small-cap stocks), MSCI EAFE Index (international developed market stocks), MSCI Emerging Market Index (emerging market stocks), Dow Jones U.S. Real Estate Index (real estate), and Bloomberg Commodity Index (commodities).

## DIGGING DEEPER: STOCKS AND BONDS

### Equities

	Q1 2023	YTD 2023	Last 12 Months
U.S. Stocks	7.5%	7.5%	-7.8%
• Q1 Best Sector: Technology	21.8%	21.8%	-4.6%
• Q1 Worst Sector: Financials	-5.6%	-5.6%	-14.3%
International Stocks	8.6%	8.6%	-0.9%
Emerging Markets Stocks	4.0%	4.0%	-10.3%

### Fixed Income

	3.31.23	12.31.22	3.31.22
1-Year U.S. Treasury Yield	4.62%	4.71%	1.61
10-Year U.S. Treasury Yield	3.47%	3.88%	2.34%
	QTD 2023	YTD 2023	Last 12 Months
10-Year U.S. Treasury Total Return	3.76%	3.76%	-6.79%

### Equities – Relative Performance by Market Capitalization and Style

Q1 2023				YTD 2023				Last 12 Months			
	Value	Blend	Growth		Value	Blend	Growth		Value	Blend	Growth
Large	1.0%	7.5%	14.4%	Large	1.0%	7.5%	14.4%	Large	-5.9%	-7.8%	-10.9%
Mid	1.3%	4.1%	9.1%	Mid	1.3%	4.1%	9.1%	Mid	-9.2%	-8.8%	-8.5%
Small	-0.7%	2.7%	6.1%	Small	-0.7%	2.7%	6.1%	Small	-13.0%	-11.6%	-10.6%

Sources: Bloomberg, U.S. Treasury. Asset class returns are represented by the following indexes: S&P 500 Index (U.S. stocks), MSCI EAFE Index (international developed market stocks), and MSCI Emerging Markets Index (emerging market stocks). Relative performance by market capitalization and style is based upon the Russell US Style Indexes except for large-cap blend, which is based upon the S&P 500 Index.



The S&P 500 Index is a market-capitalization-weighted index of U.S. large-cap stocks across a diverse set of industry sectors. The stocks represented in these 11 sectors generated a range of returns for the last 12 months and the most recent quarter.

S&P 500 Index	Technology	Health Care	Financials	Consumer Discretionary	Industrials	Communication Services	Consumer Staples	Energy	Utilities	Materials	Real Estate
-7.8%	-4.6%	-3.7%	-14.3%	-19.7%	0.1%	-17.8%	1.2%	13.4%	-6.2%	-6.3%	-19.8%
7.5%	21.8%	-4.3%	-5.6%	16.0%	3.5%	20.5%	0.8%	-4.7%	-3.2%	4.3%	1.9%

Sector Weight	26.1%	14.2%	12.9%	10.1%	8.7%	8.1%	7.2%	4.6%	2.9%	2.6%	2.6%
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Source: Bloomberg. All calculations are cumulative total return, not annualized, including dividends for the stated period. Past performance is not indicative of future returns.



## DIGGING DEEPER: FIXED INCOME MARKET

Interest Rates	3 Months	2 Years	5 Years	10 Years	30 Years	Mortgage Rate
December 2022	4.37%	4.43%	4.00%	3.88%	3.97%	6.66%
March 2023	4.75%	4.03%	3.58%	3.47%	3.65%	6.81%
Change	0.37%	-0.40%	-0.43%	-0.41%	-0.31%	0.15%

U.S. Treasury yields moved mostly lower this quarter as turmoil in the banking sector left investors with the expectation of less aggressive future Fed policy. Mortgage rates remain exceptionally high, contributing to a slowing housing market.

Bloomberg U.S. Aggregate Bond Index	Yield to Worst	Duration	Total Return Q1 2023	Spread	Treasury Rate	AA Spread	BBB Spread
December 2022	4.68%	6.17	2.96%	0.51%	4.17%	0.73%	1.59%
March 2023	4.40%	6.33		0.57%	3.83%	0.75%	1.67%
Change	-0.28%	0.16%		0.06%	-0.34%	0.02%	0.08%

Performance for core bonds was positive for the quarter, after declining 13% in 2022. Yields moved lower for core fixed income, while credit spreads increased only slightly.

Bloomberg U.S. Long Credit Index	Yield to Worst	Duration	Total Return Q1 2023	Spread	Treasury Rate	AA Spread	BBB Spread
December 2022	5.59%	12.81	5.42%	1.57%	4.02%	1.06%	1.93%
March 2023	5.28%	13.05		1.59%	3.69%	1.06%	1.93%
Change	-0.31%	0.24		0.01%	-0.32%	0.00%	0.01%

Performance for longer-maturity bonds was boosted this quarter by lower yields and nearly unchanged credit spreads.

Sources: Bloomberg, U.S. Treasury, CAPTRUST Research



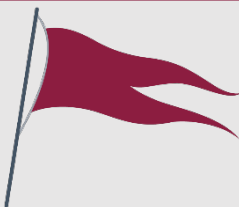
## ECONOMIC OUTLOOK

The economy's forward path has become even more complicated with recent high-profile but isolated bank failures accentuating the impact of rising rates. While the Fed remains committed to taming inflation, it must also consider the lagged impact of prior tightening actions. Stricter regulation and tighter lending conditions could compound the effect of its restrictive monetary policy and further slow the economy.

### HEADWINDS

#### The Fed Conflict

- Although inflation remains elevated, prices have descended. The Fed now faces the task of achieving price stability while avoiding strain on the financial system.



#### Financial System in Turmoil

- Regional and community banks risk losing cash deposits to the perceived safety of larger institutions. Such moves may lead to tighter lending conditions across several economic sectors.

#### Earnings at Risk

- Despite cost-cutting, certain sectors could see squeezed margins. Financial firms may see tighter regulation and lower net interest margins, while a mild winter and cost inflation could create headwinds for energy companies.

#### Debt-Ceiling Deadlock

- To avoid the consequences of a default, Congress needs to raise the debt ceiling by mid-summer.
- This debt-ceiling compromise must be struck between polarized parties with thin margins, raising the odds of political fireworks.

### TAILWINDS

#### Consumer Goods Inflation Easing

- The cost of key consumer goods, like food, gas, and housing, is gradually abating.
- Reduced logistic pressures and the Chinese economic reopening have improved supply-side capacity.
- Warmer weather, conservation, and the use of energy reserves have benefited oil and gas prices.
- A wave of new supply has tempered rent growth.



#### Resilient Labor Market and Consumer Spending

- While wage pressures have eased, job growth remains robust. A stronger labor market provides greater household confidence, supporting consumer spending across goods and services.

#### Traditional Diversification Benefits

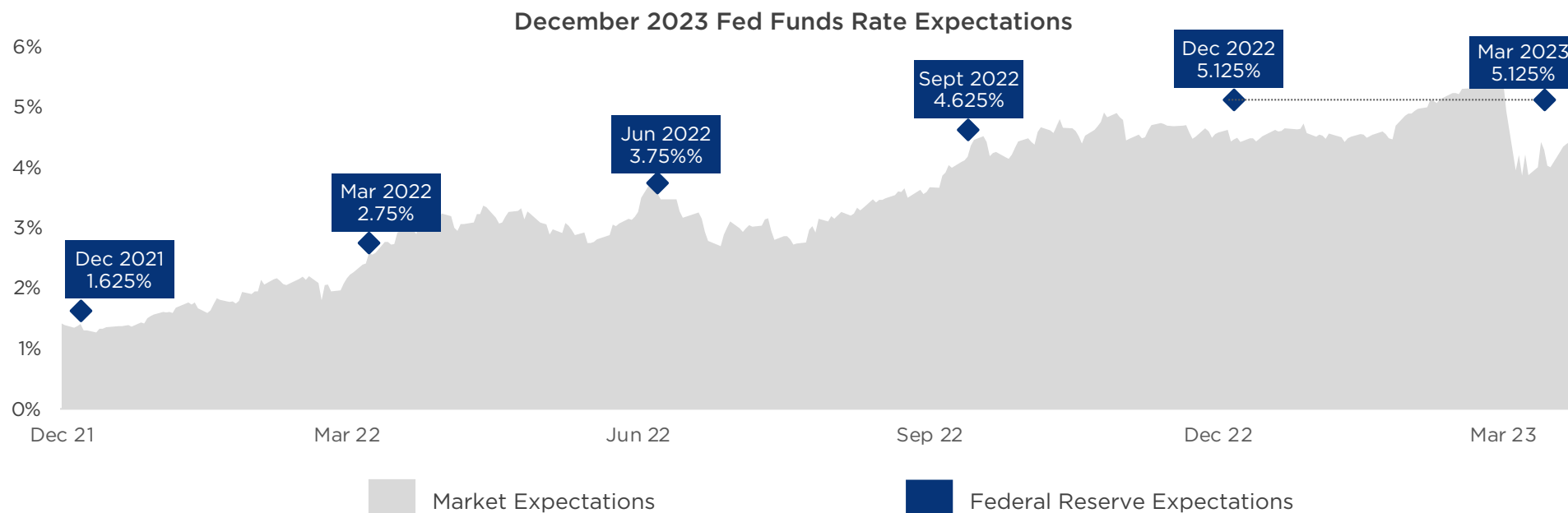
- 2022's highly unusual environment made diversification an ineffective tool.
- Supported by a higher risk-free rate, the new year has shown hints of more normal diversification relationships between asset classes, with stock and bond prices reacting differently to economic data.

The wide range of potential outcomes and an uncertain policy environment limit the ability to create a singular forecast with confidence. Investors should remain vigilant, diversified, and prepared for ongoing volatility.



## A FED IN CONFLICT

Before the banking system stresses that emerged in March, the Fed was prepared to maintain higher-for-longer interest rates in the face of labor market strength and inflation that remains above target. Now, the Fed must balance its goal of lowering inflation while maintaining stability in the financial system. With so much uncertainty surrounding the forward path, expectations are diverging.



### OBSERVATIONS

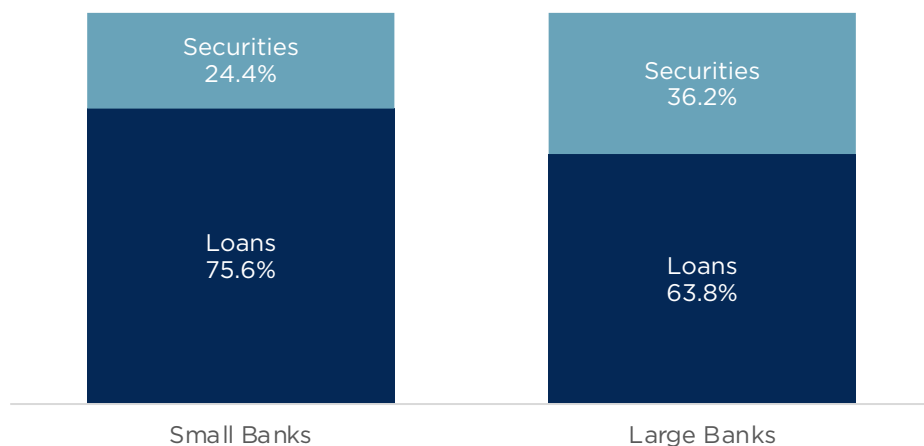
- For much of 2022, both the market's expectations and the Fed's forecasts were aligned about where the fed funds rate would land at the end of 2023. However, the two began to diverge in late 2022, with the Fed maintaining its higher-for-longer stance, while markets envisioned a quicker Fed pivot.
- Both sides remain data-dependent. A stronger-than-expected January jobs report sent market expectations above Fed targets. However, the bank collapses in March sent expectations sharply lower as the market anticipated rate cuts before 2024. How this difference of opinion reconciles will be a critical contributor to market conditions and investor sentiment for the remainder of the year.

Sources: Bloomberg, CAPTRUST Research. Data as of 3.31.2023.

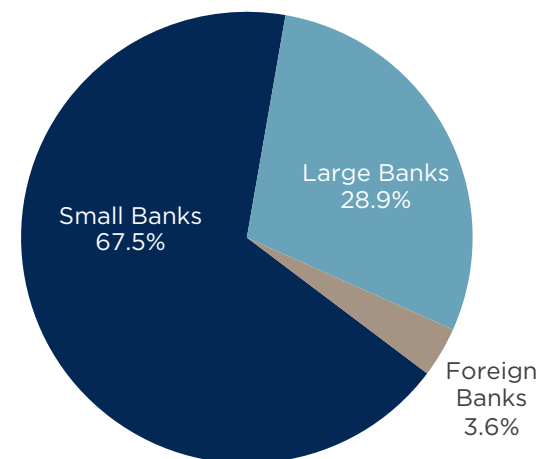
## BANK STRESS IMPACTS MAY PERSIST

After the collapse of Silicon Valley Bank and Signature Bank in early March, regional and community banks have come under pressure. The week after these disruptions, savers withdrew more than \$180 billion from small banks, the largest weekly deposit decline of the last 20 years. Large banks were the primary beneficiaries, as investors flocked to their perceived safety. Continued declines in deposit balances could ultimately leave small and midsize banks vulnerable, leading to tighter lending conditions across several economic sectors.

Percent of Bank Credit



Issuers of Commercial Real Estate Loans



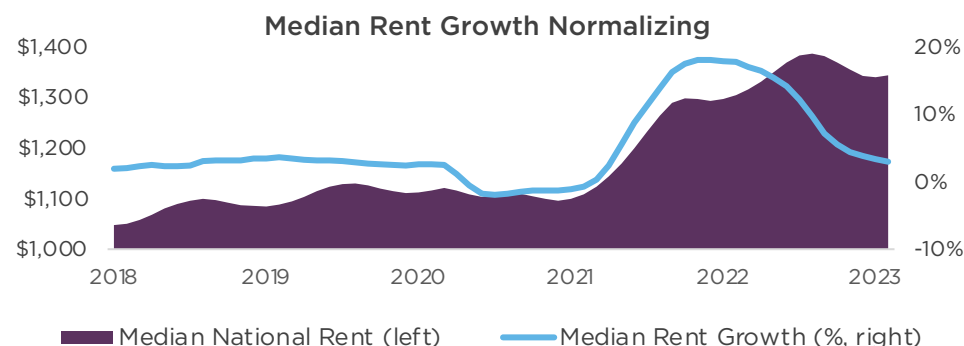
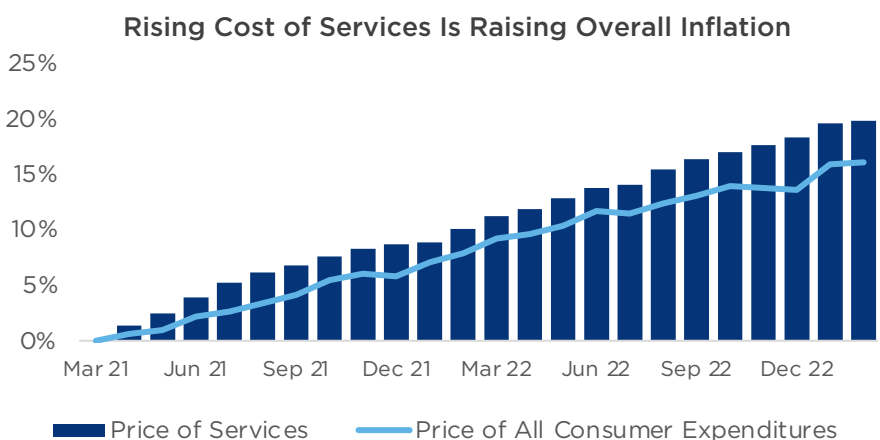
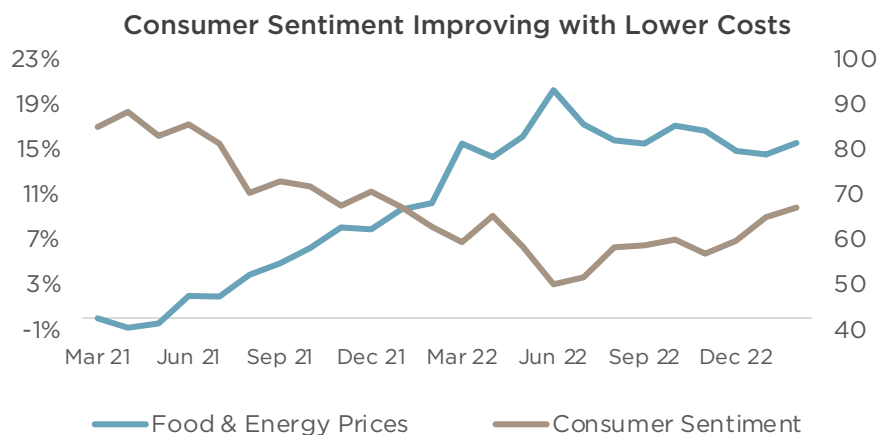
### OBSERVATIONS

- Generally, large banks maintain a higher percentage of their bank credit—or a portion of total assets—in securities and lend approximately 65% of available credit. Conversely, loans make up approximately 75% of smaller banks' available bank credit. Consequently, a deposit shift from small banks to larger ones will likely restrict the amount of credit available across the overall economy.
- Most vulnerable is the commercial real estate market, where small banks provide nearly 70% of all commercial real estate loans. Restrictive credit conditions could create challenges for these markets that are already facing valuation pressure from rising interest rates.

Sources: Board of Governors of the Federal Reserve System, CAPTRUST Research. Large banks are defined as the largest 25 U.S. chartered commercial banks. Small banks are defined all chartered U.S. commercial banks excluding the top 25.

## RELIEF FOR CONSUMERS AS PRICES FALL

Consumer purchasing power has improved as the prices of key items such as groceries and gasoline have receded from their 2022 peaks. The robust labor market has also contributed to a more confident consumer by driving wages higher. However, these same high labor costs are adversely impacting the price of worker-dependent services, like home repair, travel, and entertainment, contributing to higher overall inflation.



### OBSERVATIONS

- Consumer sentiment reached an all-time low in June 2022, just as food and energy prices peaked. Sentiment has improved as prices have come down.
- Landlords are holding rents steady in anticipation of competition, as the market is expected to see the largest delivery of new unit supply since 1986. Much of this supply comes from real estate developers seeking to capitalize on pent-up housing demand.
- The cost of services has risen 20% in just two years as workers return to the office and in-person activities. This increase is driving persistently high headline inflation even as the cost of goods has ebbed.

Sources: U.S. Bureau of Economic Analysis, U.S. Department of Housing and Urban Development, University of Michigan Consumer Sentiment Index, CAPTRUST Research. Data as of March 31, 2023.



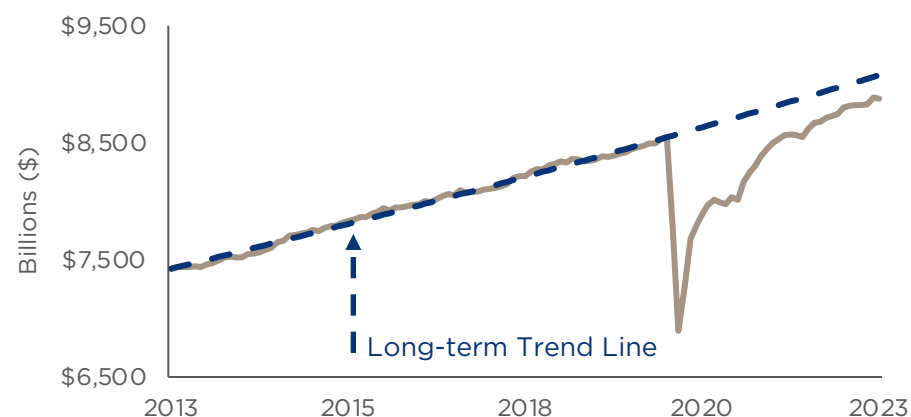
## REGISTERS KEEP RINGING WITH JOBS, SAVINGS

While the strong labor market is proving to be a thorn in the Fed's side, it continues to support economic activity, giving consumers greater confidence to maintain spending. While personal savings rates have recently fallen below long-term averages, this additional spending has been supported by excess savings accumulated during the pandemic. Based on the February 2020 savings level, economists estimate approximately \$1 trillion in excess savings remains in the system.

### U.S. Real Consumer Spending - Goods



### U.S. Real Consumer Spending - Services



#### OBSERVATIONS: GOODS

- Spending on goods continues to run above pre-pandemic levels. At the end of February 2023, spending on goods was approximately \$285 billion above the long-term trend line.
- The easing of inflation across goods sectors has supported real spending.
- As supply chains have reopened, supply-demand imbalances have quickly cleared.

#### OBSERVATIONS: SERVICES

- While spending on services has not fully returned to long-term trends, the recovery across the industry has been robust.
- Continued inflation pressures, especially wage inflation, across the services sector have restricted real spending.
- While higher wages support nominal spending, higher real wages are also driving up the cost of services, limiting the impact of spending.

Sources: Bureau of Economic Analysis-SAAR, Bloomberg, CAPTRUST Research

# ASSET CLASS RETURNS

Period Ending 3.31.23 | Q1 23

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q1 2023
Small-Cap Growth 29.09%	Fixed Income 7.84%	Mid-Cap Value 18.51%	Small-Cap Growth 43.30%	Mid-Cap Value 14.75%	Large-Cap Growth 5.67%	Small-Cap Value 31.74%	Large-Cap Growth 30.21%	Cash 1.87%	Large-Cap Growth 36.39%	Large-Cap Growth 38.49%	Mid-Cap Value 28.34%	Cash 1.46%	Large-Cap Growth 14.37%
Mid-Cap Growth 26.38%	Large-Cap Growth 2.64%	Small-Cap Value 18.05%	Mid-Cap Growth 35.74%	Large-Cap Value 13.45%	Fixed Income 0.55%	Mid-Cap Value 20.00%	International Equities 25.62%	Fixed Income 0.01%	Mid-Cap Growth 35.47%	Mid-Cap Growth 35.59%	Small-Cap Value 28.27%	Large-Cap Value -7.54%	Mid-Cap Growth 9.14%
Mid-Cap Value 24.75%	Large-Cap Value 0.39%	International Equities 17.90%	Small-Cap Value 34.52%	Large-Cap Growth 13.05%	Cash 0.05%	Large-Cap Value 17.34%	Mid-Cap Growth 25.27%	Large-Cap Growth -1.51%	Small-Cap Growth 28.48%	Small-Cap Growth 34.63%	Large-Cap Growth 27.60%	Mid-Cap Value -12.03%	International Equities 8.62%
Small-Cap Value 24.50%	Cash 0.10%	Large-Cap Value 17.51%	Large-Cap Growth 33.48%	Mid-Cap Growth 11.90%	Mid-Cap Growth -0.20%	Small-Cap Growth 11.32%	Small-Cap Growth 22.17%	Mid-Cap Growth -4.75%	Mid-Cap Value 27.06%	International Equities 8.28%	Large-Cap Value 25.16%	Fixed Income -13.01%	Small-Cap Growth 6.07%
Large-Cap Growth 16.71%	Mid-Cap Value -1.38%	Mid-Cap Growth 15.81%	Mid-Cap Value 33.46%	Fixed Income 5.97%	International Equities -0.39%	Mid-Cap Growth 7.33%	Large-Cap Value 13.66%	Large-Cap Value -8.27%	Large-Cap Value 26.54%	Fixed Income 7.51%	Mid-Cap Growth 12.73%	International Equities -14.01%	Fixed Income 2.96%
Large-Cap Value 15.51%	Mid-Cap Growth -1.65%	Large-Cap Growth 15.26%	Large-Cap Value 32.53%	Small-Cap Growth 5.60%	Small-Cap Growth -1.38%	Large-Cap Growth 7.08%	Mid-Cap Value 13.34%	Small-Cap Growth -9.31%	International Equities 22.66%	Mid-Cap Value 4.96%	International Equities 11.78%	Small-Cap Value -14.48%	Mid-Cap Value 1.32%
International Equities 8.21%	Small-Cap Growth -2.91%	Small-Cap Growth 14.59%	International Equities 23.29%	Small-Cap Value 4.22%	Large-Cap Value -3.83%	Fixed Income 2.65%	Small-Cap Value 7.84%	Mid-Cap Value -12.29%	Small-Cap Value 22.39%	Small-Cap Value 4.63%	Small-Cap Growth 2.83%	Small-Cap Growth -26.36%	Cash 1.07%
Fixed Income 5.89%	Small-Cap Value -5.50%	Fixed Income 4.22%	Cash 0.07%	Cash 0.03%	Mid-Cap Value -4.78%	International Equities 1.51%	Fixed Income 3.54%	Small-Cap Value -12.86%	Fixed Income 8.72%	Large-Cap Value 2.80%	Cash 0.05%	Mid-Cap Growth -26.72%	Large-Cap Value 1.01%
Cash 0.13%	International Equities -11.73%	Cash 0.11%	Fixed Income -2.02%	International Equities -4.48%	Small-Cap Value -7.47%	Cash 0.33%	Cash 0.86%	International Equities -13.36%	Cash 2.28%	Cash 0.67%	Fixed Income -1.54%	Large-Cap Growth -29.14%	Small-Cap Value -0.66%

Small-Cap Value Stocks (Russell 2000 Value)	Large-Cap Value Stocks (Russell 1000 Value)	International Equities (MSCI EAFE)
Small-Cap Growth Stocks (Russell 2000 Growth)	Mid-Cap Growth Stocks (Russell Mid-Cap Growth)	Fixed Income (Bloomberg U.S. Aggregate Bond)
Large-Cap Growth Stocks (Russell 1000 Growth)	Mid-Cap Value Stocks (Russell Mid-Cap Value)	Cash (Merrill Lynch 3-Month Treasury Bill)

Source: Markov Processes, Inc., Bloomberg, Mobius

The information contained in this report is from sources believed to be reliable but is not warranted by CAPTRUST to be accurate or complete.



# INDEX PERFORMANCE

Period Ending 3.31.23 | Q1 23

INDEXES	Q1 2023	YTD	2022	2021	2020	2019	2018	1 YEAR	3 YEARS	5 YEARS	10 YEARS
90-Day U.S. Treasury	1.07%	1.07%	1.46%	0.05%	0.67%	2.28%	1.87%	2.50%	0.89%	1.41%	0.87%
Bloomberg Government 1-3 Year	1.59%	1.59%	-3.81%	-0.60%	3.14%	3.59%	1.58%	0.23%	-0.83%	1.09%	0.81%
Bloomberg Intermediate Govt	2.26%	2.26%	-7.73%	-1.69%	5.73%	5.20%	1.43%	-1.52%	-2.31%	1.06%	0.90%
Bloomberg Muni Bond	2.78%	2.78%	-8.53%	1.52%	5.21%	7.54%	1.28%	0.26%	0.35%	2.03%	2.38%
Bloomberg Intermediate Govt/Credit	2.33%	2.33%	-8.23%	-1.44%	6.43%	6.80%	0.88%	-1.66%	-1.28%	1.40%	1.32%
Bloomberg Intermediate Credit	2.47%	2.47%	-9.10%	-1.03%	7.08%	9.52%	0.01%	-1.88%	0.37%	1.86%	1.95%
Bloomberg Aggregate Bond	2.96%	2.96%	-13.01%	-1.54%	7.51%	8.72%	0.01%	-4.78%	-2.77%	0.90%	1.36%
Bloomberg Corporate IG Bond	3.50%	3.50%	-15.76%	-1.04%	9.89%	14.54%	-2.51%	-5.55%	-0.54%	1.62%	2.32%
Bloomberg High Yield	3.57%	3.57%	-11.19%	5.28%	7.11%	14.32%	-2.08%	-3.34%	5.91%	3.21%	4.10%
Bloomberg Global Aggregate	3.01%	3.01%	-16.25%	-4.71%	9.20%	6.84%	-1.20%	-8.07%	-3.43%	-1.34%	0.07%
Bloomberg U.S. Long Corporate	5.45%	5.45%	-25.62%	-1.13%	13.94%	23.89%	-7.24%	-11.46%	-2.56%	1.14%	2.97%
S&P 500	7.50%	7.50%	-18.11%	28.71%	18.40%	31.49%	-4.38%	-7.73%	18.62%	11.18%	12.23%
Dow Jones Industrial Average	0.93%	0.93%	-6.86%	20.95%	9.72%	25.34%	-3.48%	-1.98%	17.33%	9.01%	11.14%
NASDAQ Composite	16.77%	16.77%	-33.10%	21.39%	43.64%	35.23%	-3.88%	-14.05%	16.66%	11.58%	14.09%
Russell 1000 Value	1.01%	1.01%	-7.54%	25.16%	2.80%	26.54%	-8.27%	-5.91%	17.94%	7.49%	9.12%
Russell 1000	7.46%	7.46%	-19.13%	26.45%	20.96%	31.43%	-4.78%	-8.39%	18.57%	10.86%	12.01%
Russell 1000 Growth	14.37%	14.37%	-29.14%	27.60%	38.49%	36.39%	-1.51%	-10.90%	18.59%	13.65%	14.58%
Russell Mid-Cap Value Index	1.32%	1.32%	-12.03%	28.34%	4.96%	27.06%	-12.29%	-9.22%	20.71%	6.53%	8.79%
Russell Mid-Cap Index	4.06%	4.06%	-17.32%	22.58%	17.10%	30.54%	-9.06%	-8.78%	19.21%	8.05%	10.05%
Russell Mid-Cap Growth Index	9.14%	9.14%	-26.72%	12.73%	35.59%	35.47%	-4.75%	-8.52%	15.21%	9.07%	11.16%
MSCI EAFE	8.62%	8.62%	-14.01%	11.78%	8.28%	22.66%	-13.36%	-0.86%	13.53%	4.03%	5.49%
MSCI ACWI ex U.S.	7.00%	7.00%	-15.57%	8.29%	11.13%	22.13%	-13.78%	-4.56%	12.33%	2.97%	4.65%
Russell 2000 Value	-0.66%	-0.66%	-14.48%	28.27%	4.63%	22.39%	-12.86%	-12.96%	21.03%	4.54%	7.21%
Russell 2000	2.74%	2.74%	-20.44%	14.82%	19.96%	25.52%	-11.01%	-11.61%	17.52%	4.71%	8.03%
Russell 2000 Growth	6.07%	6.07%	-26.36%	2.83%	34.63%	28.48%	-9.31%	-10.60%	13.37%	4.26%	8.49%
MSCI Emerging Markets	4.02%	4.02%	-19.74%	-2.22%	18.69%	18.90%	-14.25%	-10.30%	8.23%	-0.53%	2.37%
Dow Jones U.S. Real Estate Index	1.57%	1.57%	-25.17%	38.99%	-5.29%	28.92%	-4.03%	-18.70%	9.79%	5.64%	5.96%
HFRX Absolute Return Index	-0.20%	-0.20%	0.85%	2.10%	2.72%	4.37%	-0.49%	0.54%	3.87%	1.79%	1.94%
Consumer Price Index (Inflation)	0.94%	0.94%	6.42%	7.10%	1.28%	2.26%	1.92%	4.99%	5.35%	3.87%	2.65%
BLENDED BENCHMARKS	Q1 2023	YTD	2022	2021	2020	2019	2018	1 YEAR	3 YEARS	5 YEARS	10 YEARS
25% S&P 500/5% MSCI EAFE/70% BB Agg	4.37%	4.37%	-14.08%	6.13%	10.87%	14.96%	-1.55%	-5.07%	3.27%	3.87%	4.42%
30% S&P 500/10% MSCI EAFE/60% BB Agg	4.88%	4.88%	-14.35%	8.27%	11.56%	16.79%	-2.44%	-4.98%	5.16%	4.58%	5.20%
35% S&P 500/15% MSCI EAFE/50% BB Agg	5.39%	5.39%	-14.64%	10.44%	12.18%	18.63%	-3.34%	-4.92%	7.05%	5.27%	5.97%
40% S&P 500/20% MSCI EAFE/40% BB Agg	5.90%	5.90%	-14.96%	12.64%	12.75%	20.48%	-4.25%	-4.88%	8.96%	5.94%	6.72%
45% S&P 500/25% MSCI EAFE/30% BB Agg	6.41%	6.41%	-15.28%	14.87%	13.25%	22.33%	-5.17%	-4.86%	10.87%	6.58%	7.46%
60% S&P 500/40% Bloomberg Barclays Agg	5.67%	5.67%	-15.79%	15.86%	14.73%	22.18%	-2.35%	-6.25%	9.91%	7.34%	8.03%

Sources: Morningstar Direct, MPI. The opinions expressed in this report are subject to change without notice. This material has been prepared or is distributed solely for informational purposes and is not a solicitation or an offer to buy any security or to participate in any investment strategy. The performance data quoted represents past performance and does not guarantee future results. Index averages are provided for comparison purposes only. The information and statistics in this report are from sources believed to be reliable but are not guaranteed to be accurate or complete. CAPTRUST is an investment adviser registered under the Investment Advisers Act of 1940.



## MAINTAINING CONTROL

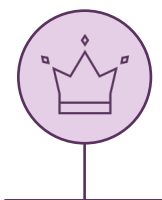
Plan design often dictates the outcome to nonqualified plan benefits during a corporate change in control. Below are some of the most common change-in-control provisions we see in plan documents.



### NO AUTOMATIC TRIGGER

The plan document is silent regarding a change-in-control event (i.e., no payments are triggered).

- The plan continues to operate as normal.
- If participants experience a separation from service related to the change in control, they are paid according to their separation from service distribution election.



### PARTICIPANT ELECTION

A change-in-control event is an electable distribution option for the participant at enrollment.

- Participants can elect at enrollment if they want a distribution in the event of a change in control (usually paid in a lump sum).
- Typically, this is one-time election.
- The participant election must be made in advance of compensation being earned. In other words, if this feature is added to an existing plan, it would only apply to future contributions.



### PLAN TERMINATION TRIGGER

The plan document provides for plan termination in the event of a change in control.

- The plan sponsor generally maintains the ability to terminate the plan at any time (even if it's not expressly stated in the plan document).
- All similar nonqualified plans available to the impacted participant population at the company experiencing the change in control must also be terminated.
- Distributions must occur within 12 months.
- Participants are allowed to immediately participate in a plan with the acquiring company.