HISTORIC
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TENNESSEE

ITEM #13
BOMA
04/12/2011

MEMORANDUM

March 15, 2011

TO: Board of Mayor and Aldermen

FROM: Eric S. Stuckey, City Administrator Eric
Russ Truell, Assistant City Administrator/CFO
Shirley Harmon, Human Resources Director

SUBJECT: Addition to ICMA-RC Retirement Plan fund options

Purpose

The purpose of this item is to amend the current fund offerings in the City Employees 401/457 defined contribution plan to include a new fund option. The new option, titled Income Advantage Fund, gives employees the opportunity to have a fund in their account that works in many ways like an annuity product.

Background

Originally, when the City first engaged ICMA-RC to manage its 401 and 457 accounts, there were a limited number of funds from which employees could choose. Over the last eight years, funds have been added periodically to broaden the choices available to participants. Some of those added funds involved international stocks, target-dated funds, asset-allocation funds based on risk, real estate trusts and other specialty funds. None of those offerings allowed retired employees to obtain a fixed monthly income. The Income Advantage fund offers regular income, similar to an annuity product, while maintaining the status as a fund which an employee or retiree can transfer in or out of the employee's portfolio of assets.

At the February 28, 2011 meeting of the Pension Committee, the Committee heard a presentation from our ICMA-RC representative regarding the Income Advantage fund. The committee voted 4-0 in favor of adding the fund to the selection list. Use of the Income Advantage fund would be the choice of each individual employee to use or not use, as they see fit. Attached are documents describing the Income Advantage Fund.

Financial Impact

No economic impact to the City. There could be a significant positive impact to employees as they approach retirement.

Options

Approve the addition to take advantage of this relatively new option, or take no action.

Recommendation

Staff agrees with the Pension Committee decision to recommend addition of the Income Advantage fund to the defined contribution choices already in place.

As a plan sponsor, you want to make sure that your employees have the tools necessary to help them achieve their desired standard of living in retirement. And that your participants don't just accumulate savings but *translate* those savings into a meaningful stream of retirement income that matches their needs.

ICMA-RC is pleased to make available a new solution that helps address these challenges. It's a new fund, the **VantageTrust Retirement IncomeAdvantage Fund (IncomeAdvantage Fund** or **Fund)**, being offered through VantageTrust and made available exclusively to ICMA-RC's employer-sponsored retirement plans. The IncomeAdvantage Fund is designed to help:

- participants take action to develop and implement a retirement income strategy during their late career and retirement years; and
- plan sponsors enrich the retirement income offerings in the retirement savings plans they offer their employees.

The IncomeAdvantage Fund combines the **security of guaranteed* lifetime income** with **flexibility, control and upside potential**.

The IncomeAdvantage Fund combines the security of guaranteed lifetime income with flexibility, control and upside potential.*

* *The Fund invests in a separate account under a group variable annuity issued by Prudential Retirement Insurance and Annuity Company (Prudential), Hartford, CT. Guarantees are based on Prudential's claims-paying ability and are subject to certain limitations, terms and conditions. Withdrawals or transfers proportionately reduce guaranteed values prior to participants formally electing their benefits. After that time, Excess Withdrawals will proportionately reduce and potentially terminate future payment guarantees.*

For Plan Sponsor use only

Retirement Income Solutions Are Needed

Planning for and ensuring adequate retirement income is more important than ever.

Individuals are living longer.

- The average 65-year old couple today has a 63 percent chance of at least one spouse living to age 90, and a 36 percent chance that one will live to age 95.*

Probability of a 65-Year Old Living to Various Ages*

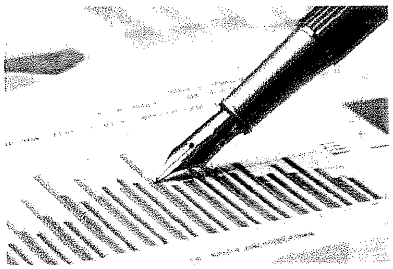
Chance of Living to	Male	Female	Both Spouses	At Least One Spouse
Age 85	53%	65%	35%	84%
Age 90	34%	45%	15%	63%
Age 95	17%	23%	4%	36%

* *Source: Society of Actuaries, Annuity 2000 Mortality Tables*

- Increased longevity makes retirement income planning more difficult and significantly increases the risk of running out of money in retirement.

The baby boom generation is gearing up for retirement.

- An increasing number of boomers will be retiring over the next decade.
- These boomers are seeking straightforward solutions for generating retirement income.



The severe market downturn of 2008 revealed how the best laid retirement plans can easily be derailed.

- Individuals are asking how they can better protect themselves against extreme market conditions. Even if they have saved diligently and will receive pension payments and Social Security, they can be vulnerable.
- A bear market that occurs prior to or soon after retirement can result in postponing retirement or having to return to work, a reduced standard of living in retirement, and an increased risk of running out of money.

Establishing and following a sensible withdrawal and allocation strategy is extra challenging.

- Withdrawing too much can result in participants outliving their retirement assets.
- Withdrawing too little may not allow participants to maintain their desired standard of living in retirement.
- Taking on too much investment risk leaves participants exposed to market downturns.
- Taking on too little investment risk may not provide participants sufficient lifetime income.

A stream of guaranteed lifetime income can provide more reliability, peace of mind, and security, but many individuals are reluctant to give up control over their savings, as is required with many guaranteed income products. After all, the future is hard to predict and one's circumstances can change.

We've listened to plan sponsors and participants and have carefully considered the retirement planning challenges you face. In partnership with Prudential, a market leader in lifetime-income solutions, we are pleased to make a new fund available to your plan – The VantageTrust Retirement IncomeAdvantage Fund. The result? A combination of retirement income guarantees and flexibility that many participants are seeking.

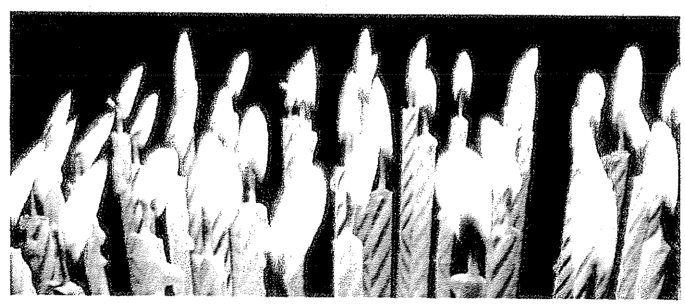
A New Retirement Income Solution for Your Retirement Plan

The IncomeAdvantage Fund is offered through VantageTrust and invests in a separate account under a group variable annuity contract issued by Prudential Retirement Insurance and Annuity Company, Hartford, CT (Prudential).

The Fund is a **retirement income solution** that helps participants allocate their retirement assets and receive guaranteed, lifetime income.

- Like other investment options, it is funded through contributions, transfers from other funds, or roll-ins from other plans.
- The separate account holds a balanced (targeted 60 percent/40 percent) mix of diversified equity and fixed-income funds that allows for upside potential.
- The annuity contract provides income guarantees that help ensure lifetime withdrawals from the Fund will not decline.*

Confidence to Keep Saving and Investing... and Another Reason to Celebrate Birthdays



The IncomeAdvantage Fund can help participants continue to invest with confidence, knowing that they can benefit from market gains while their retirement income is protected from market downturns.

Once participants invest in the Fund, two values are tracked:

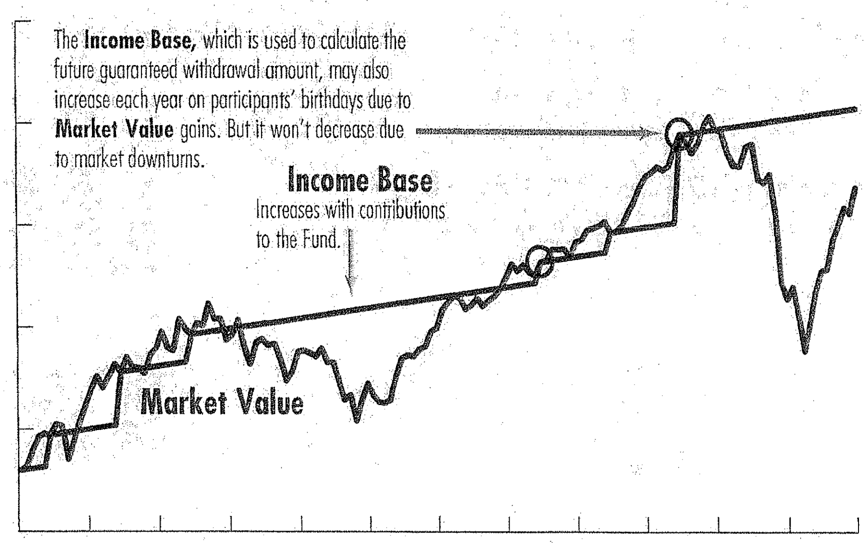
(1) a **Market Value**, which, just like any other Fund, is not guaranteed and will increase or decrease due to market performance, contributions, withdrawals, and transfers; and

(2) an **Income Base**, which is guaranteed and used to determine future lifetime amounts participants are eligible to withdraw from the Fund each year.

* *Guarantees are based on Prudential's claims-paying ability and are subject to certain limitations, terms and conditions.*

The Income Base is initially equal to the participant's first investment in the Fund, and is increased dollar for dollar by additional investments. **Unless participants withdraw assets from the Fund, their Income Base will never decrease.** Withdrawals or transfers from the Fund proportionately reduce the Income Base to the extent they are taken a) prior to participants formally electing their income benefits, or b) in excess of the guaranteed withdrawals after electing their income benefits.*

Every year on participants' birthdays, their Market Value in the Fund is compared to their Income Base and the higher value is used as the Income Base going forward. Thus, participants can see their Income Base increase as a result of positive Fund performance. It should be noted, however, that lifetime income payments are not adjusted in any way for inflation.



This hypothetical example is for illustrative purposes only and is not meant to represent the performance of any specific account or annuity. The actual market value would be reduced by applicable fees and expenses, including a 1% guarantee fee and a 0.60% fund management fee. This illustration assumes annual participant contributions.

* *The Lifetime Annual Withdraw Amount (LAWA) participants are eligible to withdraw from the Fund is established when participants formally elect, or "Lock-in," their benefits. Participants continue to have full access to their Market Value at all times.*

Assurance of Guaranteed Retirement Income... to Last a Lifetime

Ultimately, most participants save in order to meet their future needs. The IncomeAdvantage Fund allows them to receive income for life, guaranteed. The guaranteed annual amount participants are eligible to withdraw from the Fund is a percentage of their Income Base, based on:

(a) their age; and

(b) whether they elect a Spousal Benefit, which guarantees payments for their life and the life of a surviving spouse.*

Guaranteed Withdrawal Percentages

Age when Benefits Are Elected	Single Benefit	Spousal Benefit*
55 – 64	4.25%	3.75%
65 – 69	5.00%	4.50%
70+	5.75%	5.25%

Participants have the opportunity for their lifetime annual withdrawal amounts to increase as a result of positive Fund performance without ever decreasing as a result of poor Fund performance.

Fees**

The Fund's guarantees are provided in exchange for a one percent annual guarantee fee assessed on the Fund's Market Value. Additional fees include investment management expenses, plan administration costs, service fees, and other fees and expenses applicable to the underlying separate account funds.

Participants receive competitive institutional pricing that may be more favorable than what they could obtain on their own for a similar solution outside of an employer-sponsored plan.

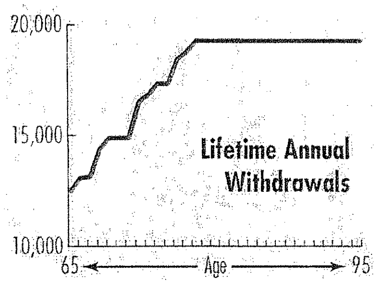
* *When the Spousal Benefit is elected, both the participant and his/her spouse must be at least age 55. The younger of the participant or his/her spouse's age will be used to determine the Guaranteed Withdrawal percentage.*

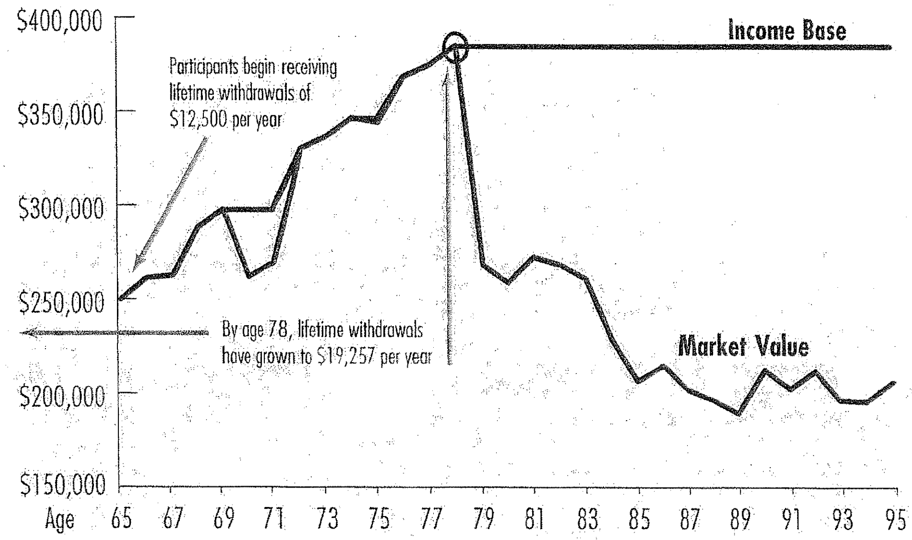
***All fees and expenses are described in* Making Sound Investment Decisions: A Retirement Investment Guide – VantageTrust Retirement IncomeAdvantage Fund. *Prudential reserves the right to increase the annual guarantee fee up to 1.5%.*

Let's explore a couple of different scenarios.

Here, participants' lifetime annual withdrawals actually increase over time because of strong Fund performance.

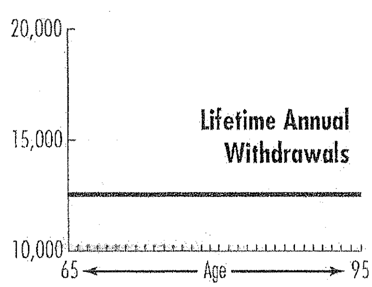
Participants' lifetime annual withdrawals are based on their Income Base. Strong Fund performance can increase the Income Base, resulting in increased annual withdrawals.

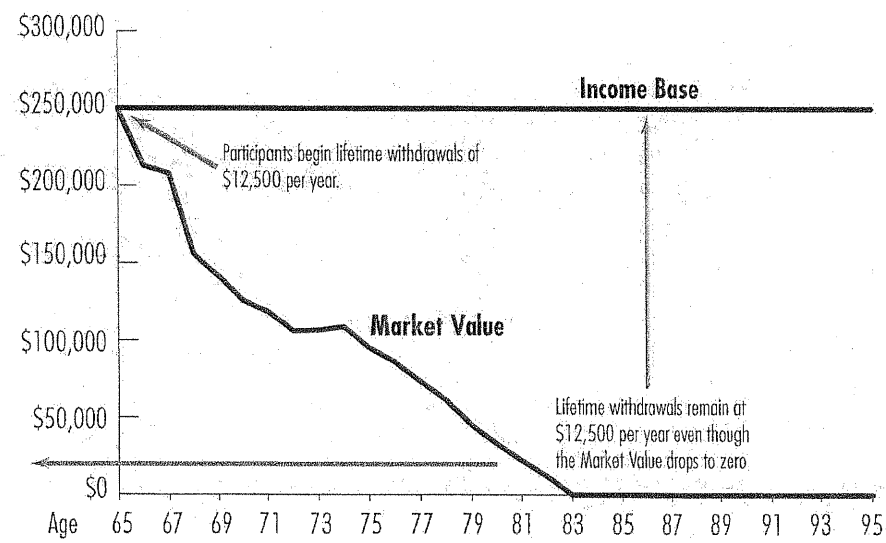




But what happens if the markets perform so poorly that the Market Value declines significantly, even to zero? Participants can continue to receive the initial guaranteed withdrawal amount for the rest of their lives; it is not affected.

Poor Fund performance does not decrease the Income Base, resulting in steady annual withdrawals.





These are hypothetical examples for illustrative purposes only that assume a 5% lifetime annual withdrawal amount based on each year's Income Base, gross average annual returns of 8.26% (top chart) and 0.17% (bottom chart), a 1% guarantee fee and a 0.60% fund management fee. Any amounts transferred or withdrawn from the Fund in excess of the guaranteed withdrawal amount proportionately reduce and potentially terminate available guarantees.

Additional Considerations: How Guarantees May be Reduced

We believe the IncomeAdvantage Fund's guarantees combine flexibility, reliability, and a financially sound partner in Prudential, but risks to each of those attributes do exist and we want to ensure that you are aware of them. Let's review each of these.

Participants take excess withdrawals. Participants' lifetime annual withdrawal amounts can decrease if they take an excess withdrawal; i.e., they withdraw more than their guaranteed withdrawal amount during a withdrawal period. The reduction is based on the ratio of the amount of the Excess Withdrawal to their Market Value.

In addition, participants could take enough excess withdrawals that they reduce their lifetime annual withdrawal amount to zero, thereby forfeiting their guarantees. In that case, they will have paid extra fees without benefitting from the Funds' primary objective of lifetime income.

Participants are unable to transfer guarantees in certain circumstances. The guarantees may not be transferable as a result of the following actions taken by the participant or you as plan sponsor, or of events beyond either of your control:

- A participant leaves your retirement plan, unless he/she is able to transfer all or part of the Fund's guarantees to an IRA* made available by Prudential.
- You as the plan sponsor change plan providers, unless you convert the group variable annuity contract into a contract* issued directly by Prudential to your plan.
- You as the plan sponsor remove the Fund as an investment option. In this case, the Market Value of the Fund will map to another investment option as directed by you or the participant.
- The Fund and/or the group annuity contract in which it invests terminate, unless you are able to convert the group annuity contract into a contract* issued directly by Prudential to the plan or its trustee.

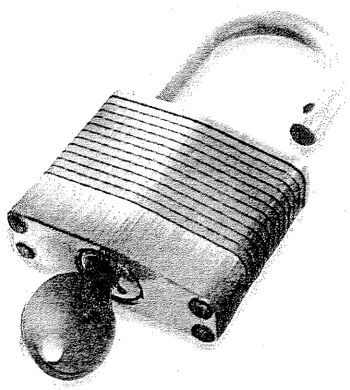
Prudential is not able to honor its guarantees. As with all insurance products, guarantees are subject to the issuer's, in this case Prudential's, claims-paying ability. In the event of insolvency, participants ***would*** still have access to their Market Value but Prudential would no longer honor the income guarantees.

* *Availability and terms of the individual retirement account (IRA) and/or annuity contract are subject to regulatory filings and approvals and, if available, may vary by jurisdiction.*

Guaranteed Income, Downside Protection and Growth Potential...

With the IncomeAdvantage Fund, participants can enjoy a **stream of retirement income** that:

- **is guaranteed* for life** (and for their spouse's life if the Spousal Benefit option is elected), no matter how long they live;
- **is protected** against market downturns; and
- **can increase** due to positive Fund performance.



...Coupled with Flexibility and Control...

We know that plans often change. So participants also maintain **ongoing control** over what they invest in the IncomeAdvantage Fund. They can:

- transfer all or some of the Market Value to other plan investments; *
- withdraw more or less than their guaranteed lifetime annual withdrawal amount;*
- elect to provide income for their spouse's lifetime if he or she outlives them; or
- pass along any remaining market value to their beneficiaries.

Participants have complete access to the Market Value of their investment in the IncomeAdvantage Fund at any time, without penalty or restriction.

* *Guarantees are based on Prudential's claims-paying ability and are subject to certain limitations, terms and conditions. Withdrawals or transfers proportionately reduce guaranteed values prior to Locking-In. After Lock-in, Excess Withdrawals will proportionately reduce and potentially terminate future payment guarantees.*

Learn More...

Learn more about the importance of offering guaranteed income solutions within your retirement plan and the new **VantageTrust Retirement IncomeAdvantage Fund**!

To find out more detailed information regarding the IncomeAdvantage Fund:

- Review the *VantageTrust Retirement Income Advantage Fund Important Considerations* document and *Making Sound Investment Decisions: A Retirement Investment Guide – the VantageTrust Retirement IncomeAdvantage Fund*. Both are available online via EZLink (www.icmarc.org) by logging into your account or can be ordered via phone (800-326-7272);
- Contact your ICMA-RC Client Services team at 800-326-7272.

After all, more than ever, it's not just about saving enough but about managing and securing retirement income throughout one's lifetime!

IMPORTANT CONSIDERATIONS

VantageTrust Retirement IncomeAdvantage Fund

ICMA-RC
Building Retirement Security

You are receiving this document because...

- You recently made your first investment in the Fund, or
- You requested additional information on the Fund

As of August 1, 2010

This document provides you with important information that you should know about the VantageTrust Retirement IncomeAdvantage Fund. You should read this and other disclosure documents carefully and retain them for future reference.

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Table of Contents

I. UNDERSTANDING THE VANTAGETRUST RETIREMENT INCOMEADVANTAGE FUND

A. What is the VantageTrust Retirement IncomeAdvantage Fund?

The VantageTrust Retirement IncomeAdvantage Fund (the Fund) is a professionally managed investment option available within your employer-sponsored retirement plan that includes a guaranteed[1] lifetime income feature. The Fund invests in a separate account under a group variable annuity issued by Prudential Retirement Insurance and Annuity Company (Prudential), Hartford, CT. Guarantees are provided by Prudential and are based on its claims-paying ability. Based on its underlying investments, the Fund is a balanced fund comprised of an asset mix of approximately 60% equities and 40% fixed income. This allocation enables investors to participate in the market, while the guaranteed income benefit protects retirement income against market downturns. Like other investments available in your plan, you are eligible to transfer any portion of your current balance and/or allocate future contributions to the Fund.

In exchange for a Guarantee Fee, the Fund provides:

- **Guaranteed Lifetime Income** – Regardless of market conditions, you can withdraw a specified amount of income from this investment option for as long as you live.
- **Downside Income Protection** – Guarantees[1] that you can contribute to your plan without the threat that a significant market drop will impact the amount of guaranteed income you can withdraw in retirement.

The **Guarantee Fee** is assessed for the guarantees provided by the Fund. For additional details regarding the Guarantee Fee, please review the Fees section (Section I.C.) of this document. For information regarding other fees and expenses charged to the Fund, please see ***Making Sound Investment Decisions: A Retirement Investment Guide – VantageTrust Retirement IncomeAdvantage Fund.***

For a detailed description of the Fund, please refer to *Making Sound Investment Decisions: A Retirement Investment Guide – VantageTrust Retirement IncomeAdvantage Fund*, available online through ICMA-RC's Account Access Web site, or by contacting ICMA-RC at 800-669-7400. Please review all disclosure documents carefully before investing.

B. Guaranteed Lifetime Income

Among the most important benefits of the Fund is the ability to receive guaranteed payments for the rest of your life, and if you select the Spousal Benefit option, continuing for the life of your surviving spouse. Your **Lifetime Annual Withdrawal Amount (LAWA)** is the guaranteed amount you are eligible to withdraw each Withdrawal Period (the 12-month period from your birthday to the day before your next birthday) for the rest of your life after you Lock-In (Section II.A.). This amount is calculated by multiplying your **Guaranteed Withdrawal Percentage** by your **Income Base** (see Example 1).

1. **Your Guaranteed Withdrawal Percentage**
   This percentage is determined by your age and the benefit option you select (Single or Spousal), as shown in Table 1 below. If the **Spousal Benefit** is elected, the age of the younger of you and your spouse will be used to determine this percentage.
2. **Your Income Base**
   Prior to Lock-In, your Income Base is equal to your **Highest Birthday Value** (see below) and is initially equal to the Market Value when you first invest.

   When you Lock-In, your Income Base is the *higher* of the following amounts:

   - Your Market Value (as of the close of the previous business day), or
   - Your Highest Birthday Value.

   After Lock-In, your LAWA will increase with every contribution to the Fund, and will be reduced proportionately by Excess Withdrawals from the Fund.

TABLE 1
Guaranteed Withdrawal Percentages

Age at Lock-In	Single Benefit	Spousal Benefit
55-64	4.25%	3.75%
65-69	5.00%	4.50%
70 or older	5.75%	5.25%

EXAMPLE 1
Lifetime Annual Withdrawal Amount Calculation: Single Benefit

Age at Lock-In	Calculation (Using an Income Base of $120,000)	Result
55-64	$120,000 x 4.25%	LAWA = $5,100
65-69	$120,000 x 5.00%	LAWA = $6,000
70 or older	$120,000 x 5.75%	LAWA = $6,900

Note that the percentages and amounts would be lower if the Spousal Benefit is elected.

[1] ***Guarantees are based on Prudential's claims-paying ability and are subject to certain limitations, terms and conditions. Withdrawals (see glossary) from the Fund prior to Lock-In proportionately reduce guaranteed values. After Lock-In, Excess Withdrawals will proportionately reduce and potentially terminate available guarantees.***

Market Value and Highest Birthday Value

Your Market Value is the monetary value of your investment in the Fund and starts on the date you make your initial investment into the Fund. The Market Value will increase or decrease daily due to market performance, contributions, withdrawals and transfers. **Your Market Value is not guaranteed and may lose value at any time.**

Prior to Lock-In, your Highest Birthday Value (HBV) is initially equal to your first contribution to the Fund. Thereafter, the HBV will be increased dollar for dollar by every contribution to the Fund and reduced proportionately by subsequent withdrawals from the Fund. **Therefore, if you do not make withdrawals from the Fund before the Lock-In date, your HBV will never be less than the amount of your contributions to the Fund.**

In addition, the HBV may be increased based on the Market Value on your birthday. Every year, on your birthday, your current Market Value in the Fund will be compared with the HBV on record for your account and the higher value will be used as your HBV moving forward. Your HBV will be determined each year until you "Lock-In" your benefits.

Note that the Market Value of the Fund is always available to you to withdraw or transfer out of the Fund, but the Income Base is used solely for calculating the LAWA and is not available to you as a lump sum.

EXAMPLE 2
Proportionate reduction in Highest Birthday Value (HBV), or Income Base caused by transfers out of the Fund

Scenario	Calculations	Result
Starting HBV $120,000 Starting MV $100,000 Withdrawal Amount $10,000	Ratio of withdrawal to Market Value (MV) $10,000/$100,000 = 10% Proportionate reduction of HBV Step 1: 10% x $120,000 = $12,000 Step 2: $120,000 - $12,000 = $108,000 Dollar-for-dollar reduction in MV Step 1: $100,000 - $10,000 = $90,000	Ending HBV $108,000 Ending MV $90,000

C. Fees

Guarantee Fee

You pay a Guarantee Fee for the Fund's underlying guarantees. The Guarantee Fee is an annual fee of 1% of the Fund's Market Value and is assessed by Prudential for the guarantees it provides. This fee reduces the investment returns of the Fund and this reduction is reflected in your Market Value.

The Guarantee Fee is in addition to the other fees and expenses charged to the Fund. Please refer to *Making Sound Investment Decisions: A Retirement Investment Guide – VantageTrust Retirement IncomeAdvantage Fund* for additional fee and expense information.

Guarantee Fee Changes

Prudential may change the Guarantee Fee in the future, up to a maximum of 1.5%. Any change will apply to new money added to the Fund after the change. However, if you agree to a Step-Up (see III.C.1.) following a fee increase, the higher fee will apply to the entire Market Value of the Fund (see V.H.2. for additional information).

II. LOCK-IN YOUR BENEFITS

A. Lock-In

To begin receiving the guaranteed lifetime income benefit described in the previous section, you must first Lock-In, which can be done anytime on or after your 55th birthday provided that your Lifetime Annual Withdrawal Amount (LAWA) is $250 or more. Once eligible, you can Lock-In by calling ICMA-RC's Investor Services. You will be transferred to a Prudential representative, who will complete the Lock-In process after confirming your information and desired benefit option.

You will need to decide whether you will Lock-In with the Single Benefit or Spousal Benefit option. The information below will clarify how this important decision will impact the amount of guaranteed income you are eligible to withdraw from the Fund.

B. Single Benefit

If you Lock-In with the Single Benefit option, you will be entitled to withdraw your LAWA each Withdrawal Period for the rest of your life. Following your death, the ability to take guaranteed withdrawals from the fund will end, and the remaining Market Value (if any) in the Fund will be distributed to your beneficiary(ies).

C. Spousal Benefit

If you Lock-In with the Spousal Benefit option, you will be entitled to LAWA payments each Withdrawal Period for the rest of your life ***and***, following your death, your surviving spouse will be entitled to LAWA payments each Withdrawal Period for the rest of his/her life. Your LAWA will be lower if you select the Spousal Benefit option because the guarantees cover the longer of two lifetimes rather than just one.

In order to select the Spousal Benefit:

- Both you and your spouse must be age 55 or older when you Lock-In; the younger of your or your spouse's age will be used to determine your Guaranteed Withdrawal Percentage.
- Your spouse must be the sole primary beneficiary for 100% of your retirement plan, both at the time you Lock-In ***and*** upon your death.

Beneficiary Changes

Note that changing your designated primary beneficiary after Lock-In will impact the ability of your surviving spouse to receive the Spousal Benefit. In order to be eligible for the Spousal Benefit, your surviving spouse must be the same spouse that was specified at Lock-In, and he/she must be designated as the primary beneficiary for 100% of your account at the time of your death.

Note that your benefit election (either Single or Spousal) is irrevocable and cannot be changed once you have Locked-In. You can defer Locking-In your benefits for as long as you choose. However, IRS rules may require you to start taking distributions from your retirement plan after you reach age 70½. See the "Required Minimum Distributions" section (III.D.) for additional information. There are special considerations if your beneficiary is a same-gender spouse or civil union partner. See "Same-Gender Spouse or Civil Union Partner Beneficiary Considerations" (Section IV.C.) for additional information. After Lock-In, the Spousal Benefit may not be transferred to a new spouse following a divorce or spouse's death.

III. RECEIVING YOUR BENEFIT PAYMENTS

A. Initiating Benefit Payments from the Fund

Following Lock-In, you can begin receiving payments from the Fund by completing the *VantageTrust Retirement IncomeAdvantage Fund Installment Payment Form,* available by contacting ICMA-RC. You can change your installment payment schedule at any time by contacting ICMA-RC and completing the appropriate forms.

Here are some important points to remember regarding withdrawals:

- You can choose to withdraw more or less than your LAWA from the Fund in any given Withdrawal Period. However, Excess Withdrawals will proportionately reduce and potentially terminate your future payment guarantees. Review the "Excess Withdrawals" section (III.F.) for more information.
- If you choose to withdraw less than your LAWA during a Withdrawal Period, any remaining portion of your LAWA that you do not withdraw will not be available in subsequent Withdrawal Periods. This means that withdrawing less than your LAWA will not increase your LAWA in later years. However, amounts that you do not withdraw will continue to be invested in the Fund and reflected in your Market Value.

Retirement Plan Eligibility

Please note that the rules governing your retirement plan determine when you are eligible to withdraw assets from the plan. If you Lock-In prior to becoming eligible to withdraw funds from your plan, you will not be able to establish systematic installment payments from the VantageTrust Retirement IncomeAdvantage Fund until such time that you become eligible to withdraw funds from your plan. However, you are still entitled to your Lifetime Annual Withdrawal Amount (LAWA), and can transfer your LAWA out of the Fund to other investments available in your plan each Withdrawal Period. Transfers out of the Fund can be executed using ICMA-RC's Account Access Web site, or by contacting Investor Services.

B. Pro-Rated 1st-Year Lifetime Annual Withdrawal Amount (LAWA)

If you Lock-In your benefits on any date other than your birthday, your LAWA for the first year will be a pro-rated amount based on the number of days remaining until your next birthday. In this case, the pro-rated 1st-year LAWA will not impact your full LAWA in subsequent Withdrawal Periods (see Example 3). However, you should take note of this pro-rated amount when you establish an installment payment schedule from the Fund.

EXAMPLE 3

Pro-Rated 1st-Year Lifetime Annual Withdrawal Amount (LAWA)

<u>Scenario</u>

Lock-In Date:	January 31
Birthday:	August 1
1st Withdrawal Period:	January 31 – July 31 (182 days)
LAWA:	$5,000

<u>Calculation (Pro-Rated 1st-Year LAWA)</u>

LAWA x (days remaining in the Withdrawal Period/365)

$5,000 x (182/365) = $2,493.15

Note: Next Withdrawal Period (August 1 – July 31) LAWA = $5,000

C. Changes to Your LAWA

You should be aware that certain factors/actions can cause your LAWA to increase or decrease after you Lock-In, as described below.

LAWA Increases

Your LAWA can ***increase*** after you have Locked-In as a result of 1) positive investment performance (**Step-Up**), or 2) additional contributions to the Fund. **NOTE: You will need to initiate a change to your payment schedule to withdraw additional amounts following an increase to your LAWA.**

1) Positive Investment Performance (Step-Up): Example 4
Your LAWA can increase as a result of positive Fund performance. Every year on the business day prior to your birthday, Prudential will multiply your Market Value in the Fund by your Guaranteed Withdrawal Percentage established at Lock-In. If the result is greater than your current LAWA, Prudential will increase or **Step-Up** your LAWA to the higher amount on your birthday. If the result is lower, your LAWA will not change. Except as noted in Section V.H.2., the Step-Up will happen automatically, but you are not required to withdraw this additional amount.
2) Additional Contributions: Example 5
After you Lock-In, additional contributions into the Fund will cause your LAWA to increase. The increase in your LAWA is based upon the amount of the additional contributions and your Guaranteed Withdrawal Percentage established at Lock-In. The increase will be added to your LAWA immediately, unless you have already taken an **Excess Withdrawal** (Section III.F.) during the Withdrawal Period. In that case, it will not be available as part of the LAWA until the next Withdrawal Period. If you add money between your Lock-In date and your next birthday, the increase for that first period will be pro-rated, similar to the pro-rated 1st-year LAWA described previously.

EXAMPLE 4

LAWA Increase: Positive Investment Performance (Step-Up)

Scenario

LAWA:	$4,000
Total Market Value (as of the business day prior to your birthday):	$100,000
Guaranteed Withdrawal Percentage:	5%

Calculation (LAWA Increase: Step-Up)
Total Market Value x Guaranteed Withdrawal Percentage
$100,000 x 5% = $5,000

Result: New LAWA = $5,000

EXAMPLE 5

LAWA Increase: Additional Contributions

Scenario

LAWA:	$5,000
Additional Contribution Amount:	$100
Guaranteed Withdrawal Percentage:	5%

Calculation (LAWA Increase: Additional Contributions)
Additional Contribution Amount x Guaranteed Withdrawal Percentage
$100 x 5% = $5

Result: New LAWA = $5,005

LAWA Decreases: See Example 6

Your LAWA can ***decrease*** after you have Locked-In as a result of you taking an Excess Withdrawal. The reduction is calculated by determining the ratio of the amount of your Excess Withdrawal to your Market Value (prior to the Excess Withdrawal) and reducing the LAWA by an equivalent percentage. Additionally, certain plan sponsor actions could impact this amount. (Review the "Forced Distributions" section (V.D.) for more information.)

EXAMPLE 6

LAWA Decrease: Excess Withdrawals

Scenario

LAWA:	$8,000
Current Market Value:	$100,000
Total Withdrawals This Period:	$20,000
Excess Withdrawals This Period:	$12,000
(Total Withdrawals - LAWA)	

Calculation (LAWA Decrease: Excess Withdrawals)

1) Determine the Market Value after LAWA:
$100,000 - $8,000 = $92,000
2) Determine the ratio of the Excess Withdrawal to the Market Value after LAWA:
$12,000/$92,000 = 13%
3) Reduce the LAWA for the next Withdrawal Period by the above ratio:
$8,000 x 13% = $1,040
$8,000 - $1,040 = $6,960

Result: Next Period LAWA = $6,960

D. Required Minimum Distributions (RMDs)

The Internal Revenue Service (IRS) requires you to withdraw at least a minimum amount from your retirement plan each year after you attain age 70½ or separate from service, *whichever is later*. The RMD can be satisfied through a combination of distributions from the VantageTrust Retirement IncomeAdvantage Fund and the other investments in your plan.

Before Lock-In

Withdrawals from the Fund prior to Lock-In, including those intended to satisfy your RMD, will reduce your Income Base proportionately.

After Lock-In

Except as otherwise noted in this section, withdrawals from the Fund in excess of your LAWA, including those intended to satisfy your RMD, will be Excess Withdrawals (See Section III.F.) that proportionately reduce and potentially terminate available guarantees. Each year, ICMA-RC calculates your RMD based on your total ***account*** balance as of December 31 of the previous year.

In some situations, withdrawing an additional amount from the Fund as part of your RMD may not result in an Excess Withdrawal. Every year following the year in which you Lock-In, Prudential will calculate the portion of your RMD attributable to assets ***in the Fund*** as of December 31 of the previous year (please note that this calculation is not performed in the year you Lock-In), and compare this amount to your LAWA as of the same date. If the portion of your RMD attributable to assets in the Fund is greater than your LAWA, you can take the additional amount from the Fund without it being treated as an Excess Withdrawal, except as noted below in the "Same-Gender Spouse or Civil Union Partner – RMDs" section. If you do not withdraw this additional amount before December 31 of the year the RMD is due, the additional amount will cease to be available for the Withdrawal Period.

Same-Gender Spouse or Civil Union Partner – RMDs

Under federal law, same-gender spousal beneficiaries or civil union partners may be required to take larger withdrawals to satisfy their RMDs than is required of an opposite-gender spousal beneficiary. If that is the case, amounts that exceed what would have been required of an opposite-gender spousal beneficiary will be considered an Excess Withdrawal.

E. Market Value Declines to Zero

Once your Lifetime Annual Withdrawal Amount (LAWA) is determined, Prudential guarantees that you can withdraw this amount each year for the rest of your life, and if you select the Spousal Benefit option, continuing for the life of your surviving spouse. If your Market Value in the Fund is reduced to zero ($0) as a result of 1) negative Fund performance or 2) distributions of your LAWA (i.e., non-Excess Withdrawals), you will continue to receive your LAWA for as long as you (and your spouse, if applicable) live. In this case, no further contributions to the Fund will be allowed. Your LAWA will be sent directly from Prudential to your ICMA-RC account and invested in the fund designated by ICMA-RC or the plan sponsor to receive such amounts.

Fund Transfers Before Lock-In & Excess Withdrawals

Except for the situations described above, if you decide to transfer all of your money out of the Fund, you will receive the Market Value as of the effective date of your request. This will bring your Market Value in the Fund to $0 and all guarantees will be cancelled. Review the "Excess Withdrawals" section below for details regarding your Market Value declining to zero following an Excess Withdrawal from the Fund.

F. Excess Withdrawals

After you Lock-In, the portion of any withdrawal (including fund transfers) from the Fund above your LAWA for a given Withdrawal Period is an Excess Withdrawal (excluding certain distributions taken to satisfy your RMD amount attributable to assets in the Fund, as described more fully in Section III.D.). Any Excess Withdrawals from the Fund will proportionately reduce and potentially terminate available guarantees. If your Market Value in the Fund declines to zero ($0) as a result of an Excess Withdrawal from the Fund, your current Fund guarantees will expire and the Lifetime Annual Withdrawal Amount will no longer be available. As such, you should carefully consider the impact on your available guarantees before requesting a transaction (e.g., transfer out, withdrawal) that would result in an Excess Withdrawal.

IV. SURVIVOR BENEFITS

A. Before Lock-In

In the event of your death, your Market Value in the Fund (if any) is what will be passed on to your beneficiary(ies) as a death benefit, subject to the terms of your plan.

Spouse Beneficiary

If your spouse is the designated beneficiary for any portion of your account, he or she will receive the applicable portion of your account balance, and can invest the money in any of the investment options available in the plan, including the VantageTrust Retirement IncomeAdvantage Fund. However, your guarantees will not be passed on to the surviving spouse, so he or she will be treated as a new investor in the Fund (i.e., the Highest Birthday Value and Income Base will be reset based on the current Market Value of the Fund, and he or she will be able to select his or her own Lock-In date). Note that the Internal Revenue Code (the Code) and/or the terms of your plan may limit the ability of a surviving spouse beneficiary to Lock-In with the Spousal Benefit option if he or she later gets remarried.

Non-Spouse Beneficiary

If a non-spouse is the designated beneficiary for any portion of your account, he or she will receive the applicable portion of your account balance, and can invest the money in any of the investment options available in the plan, *with the exception* of the VantageTrust Retirement IncomeAdvantage Fund. Non-spouse beneficiaries are not eligible to invest in the Fund, so any Market Value passed on to a non-spouse beneficiary will automatically be transferred to the fund(s) designated by ICMA-RC or the plan sponsor to receive such amounts.

B. After Lock-In

In the event of your death, the benefits available to your beneficiary(ies) depend on 1) whether you Locked-In with the Single Benefit or Spousal Benefit option, and 2) whether your beneficiary(ies) include a spouse or non-spouse.

Single Benefit

If you Lock-In with the Single Benefit option, your Market Value in the Fund (if any) is what will be passed on to your beneficiary(ies) as a death benefit, subject to the terms of your plan. In this case, the above information in the "Before Lock-In" section is applicable.

Spousal Benefit

If you Lock-In with the Spousal Benefit option, and your surviving spouse remains the designated primary beneficiary for 100% of your account at the time of your death, he or she will be entitled to receive the Lifetime Annual Withdrawal Amount for the remainder of his or her life, ***or*** withdraw any portion of the Fund's Market Value (if any) as a lump sum. Upon the death of your surviving spouse, or in the event your spouse predeceases you, the remaining Market Value (if any) in the Fund will be distributed to the designated beneficiary(ies) for the account.

- **Should your spouse predecease you** after you have elected the Spousal Benefit, you can continue to be invested in the Fund for as long as you choose. There will be no adjustment to the LAWA as a result of your spouse's death, and guarantees from the Fund will expire upon your death. Your Market Value in the Fund (if any) is what will be passed on to your remaining beneficiary(ies), subject to the terms of your plan.

C. Same-Gender Spouse or Civil Union Partner Beneficiary Considerations

The Spousal Benefit may be available for a same-gender spouse or civil union partner recognized under applicable state law. Provisions of the plan or federal law, however, may limit or prevent a same-gender spouse or partner from receiving all or a portion of the Spousal Benefit. Also, certain withdrawals taken to satisfy minimum distributions required by law may be considered Excess Withdrawals, and if so, will reduce and potentially terminate the Spousal Benefit. **You are strongly cautioned to consult with your tax or legal advisor before electing the Spousal Benefit for a same-gender spouse or partner.**

V. ADDITIONAL INFORMATION

A. 90-Day Transfer Restriction

Before Lock-In

If you transfer money out of the VantageTrust Retirement IncomeAdvantage Fund, you will not be permitted to transfer money into the Fund for a period of 90 calendar days. However, contributions are permitted to continue, even during the 90-day restriction period.

After Lock-In

Any Excess Withdrawals will result in the 90-day transfer restriction on fund transfers into the Fund.

B. Stopping Participation

You can stop participating in the Fund at any time by removing all money from the Fund. You can do this at any time with no additional fees or charges. Once you stop participating, any guarantees immediately expire. If you stop participating, you cannot invest in the Fund for a period of 90 calendar days except by payroll deduction contributions, as described above.

C. Loans

Assets invested in the VantageTrust Retirement IncomeAdvantage Fund are not eligible to be paid to you as part of a loan, since transfers/withdrawals from the Fund will reduce and potentially terminate your future payment guarantees. However, assets in the Fund *will* be included for the purpose of determining the amount you are *eligible to borrow* from your account. In order to have assets currently invested in the VantageTrust Retirement IncomeAdvantage Fund available to be paid out to you as part of the loan, you must first transfer the assets to another available fund.

D. Forced Distributions

Small Account Balance Distributions

If you are not Locked-In, and terminate employment with a total account balance less than $1,000*, your retirement plan rules *may* require that the remaining assets in your account be distributed to you in a lump sum without your consent. In this case, you will receive the total Market Value of your Fund plus the Net Actuarial Present Value of any existing guarantees. The Net Actuarial Present Value is equivalent to the actuarial present value of your future benefit guarantees, less the current Market Value of your Fund. If you are Locked-In, you will not be forced to take a distribution without your consent.

**Some plans may require that balances in excess of $1,000, but not more than the dollar limit under Section 411(a)(11)(A) of the Code ($5,000 as of 2010), be rolled over to an IRA automatically upon your separation from service.*

Qualified Domestic Relations Orders (QDROs)

In the event that you get divorced and your ex-spouse is awarded a portion (or all) of your retirement plan account balance, the benefits and guarantees that your ex-spouse is entitled to receive from the VantageTrust Retirement IncomeAdvantage Fund will be dependent upon your Lock-In status, as described below.

- Before Lock-In

  Prior to Lock-In, the stipulated Market Value and pro-rata share of the Highest Birthday Value will be transferred to an account for your ex-spouse. He/She will have the option of continuing to invest in the Fund, and will be eligible to Lock-In with the Single Benefit or Spousal Benefit (provided that he/she gets remarried).

- After Lock-In

  If you have already Locked-In, the benefits and guarantees that are passed to your ex-spouse will be dependent upon whether you elected the Single Benefit or Spousal Benefit, as described below. In all cases, the Market Value in the Fund remains available for a transfer out of the Fund at any time.

  - Single Benefit

    The stipulated Market Value and pro-rata share of the LAWA are moved to the account established for your ex-spouse. He/She will be eligible to receive the pro-rata share of the LAWA until ***your*** death, at which time the LAWA stops and the ex-spouse is entitled to the remaining Market Value in the Fund (if any).

  - Spousal Benefit

    The stipulated Market Value and pro-rata share of the LAWA are moved to the account established for your ex-spouse. He/She will be eligible to receive the pro-rata share of the LAWA until ***his/her*** death, at which time the remaining Market Value in the Fund (if any) will be passed on to your ex-spouse's designated beneficiary(ies).

Note that each situation will need to comply with the specific QDRO requirements.

E. Portability of Guarantee Features

1. **Leaving Your Retirement Plan – Transferring Your Guarantees.** If you choose to leave your retirement plan, you may be able transfer all or part of the Fund's guarantees to an individual retirement account (IRA) made available by Prudential. Availability and terms of the IRA are subject to regulatory approvals and may vary by jurisdiction, and the IRA may have substantially different fees, investments, and provisions affecting the guarantees, including minimum balance requirements.
2. **Plan Sponsor Actions – Change in Retirement Plan Providers.** In the event your plan sponsor decides to switch retirement plan providers, your plan sponsor may have the option to convert the group annuity contract into a contract issued directly by Prudential to the plan. If your plan sponsor agrees to enter into a successor group annuity contract directly with Prudential to offer an investment fund with similar provisions as the Fund, your Market Value and guarantees will continue. The ability of your plan sponsor to execute a contract with Prudential may be subject to applicable regulatory filings and approvals, and the terms and conditions of the successor contract may differ significantly from those applicable to the Fund.

   Even if your plan sponsor declines or is unable to enter into a successor contract with Prudential, you may be able to transfer all or part of the Fund's guarantees to an individual retirement account (IRA) made available by Prudential if you have assets in the Fund, and are eligible to receive a distribution from the plan. Availability and terms of the IRA are subject to regulatory approvals and may vary by jurisdiction, and the IRA may have substantially different fees, investments, and provisions affecting the guarantees, including minimum balance requirements.

   Additionally, ICMA-RC may be able to preserve the guarantees for participants whose plans do not enter into a successor agreement with Prudential and who are not eligible to transfer their guarantees to the

Prudential IRA. This option is available only upon the request of the plan sponsor and is conditional upon the plan sponsor and ICMA-RC entering into an agreement to administer and provide recordkeeping services for the remaining assets and guarantees. In the event that such an agreement is not feasible, **the guarantees will end** and the Market Value (if any) remaining in the Fund will be transferred as directed by the investor or the plan sponsor.

3. **Plan Sponsor Actions – Fund Elimination.** Like any other investment option within your retirement plan, your plan sponsor can remove the Fund as an option at any time. In that case, **your guarantees will end** and the Market Value of your investment in the Fund will map to another investment option as directed by you or your plan sponsor.
4. **Fund Termination.** It is possible that the Fund and/or the group annuity contract in which it invests may terminate. In such a circumstance, the plan sponsor may have the option to convert the group annuity contract into a contract issued directly by Prudential to the plan or its trustee. Such a conversion would be handled in the same manner as a change in plan provider, described above.

F. Your Retirement Plan Rules Apply

Your participation in the Fund is a feature of your retirement plan, and is subject to the rules of your retirement plan. If your plan rules differ from the Fund's provisions, your retirement plan's rules will apply. For more information on your plan's rules, contact ICMA-RC.

G. Impact On Account Rebalance Features

Some fund transfer features that allow investors to rebalance the funds in their retirement plans *in a single transaction* may be unavailable to investors in the VantageTrust Retirement IncomeAdvantage Fund. However, investors will still be able to rebalance their assets by executing multiple fund transfers from their assets not invested in the Fund.

H. Other Reserved Rights – Prudential

1. **Other Investment Restrictions.** In addition to the 90-day restrictions described in Section V.A. Prudential reserves the right to restrict your ability to invest rollovers, money transferred in from other administrators and full loan repayments in the group annuity contract made through the Fund. If it does so, it will exercise it for everyone participating in the group annuity contract made through VantageTrust.
2. **Fee Change and Step-Up Amount.** If you are eligible to receive a Step-Up following a fee increase, you will need to accept the increased fee before you can take advantage of the Step-Up. If you accept the fee, the higher Guarantee Fee will apply to the entire Market Value of the Fund. If you decline the fee increase, your LAWA and your fee will not change. You will be notified in writing of any fee increase, and will have 90 calendar days to accept the fee change and the Step-Up amount. Regardless, every year your account will be evaluated to determine if you are eligible for a Step-Up, but you will not be eligible to take advantage of a Step-Up until you accept the increased fee. If you do not respond in writing within the 90-calendar-day period, you will be deemed to have accepted both the fee change and the Step-Up.
3. **Fund Closing.** Prudential reserves the right to stop accepting deposits, contributions or transfers to the group annuity contract made through the Fund, and to change or eliminate the underlying investments eligible for guarantees.

I. Misstatements

If Prudential discovers that you or your spouse's age or any other fact affecting Prudential's guarantees was misstated, or discovers a clerical error, Prudential will make adjustments to any fees, guarantees or other values to reasonably conform to the facts. Prudential will follow its established procedures in making these corrections and will apply those procedures on a uniform basis.

VI. GLOSSARY

Below are some key terms and definitions that you should be familiar with as they will aid in your understanding of the VantageTrust Retirement IncomeAdvantage Fund.

Contributions: Contributions to the Fund include payroll contributions, fund transfers, loan repayments, and certain roll-ins from other plans.

Excess Withdrawal: After you Lock-In, the portion of any withdrawals (including fund transfers) from the Fund above your LAWA for a given Withdrawal Period (excluding the portion of any such amount that is distributed to satisfy your RMD amount attributable to assets in the Fund, as described more fully in Section III.D.). Excess Withdrawals will proportionately reduce and potentially terminate available guarantees.

Guarantee Fee: The fee assessed to compensate Prudential for the Fund's guaranteed lifetime income feature.

Guaranteed Withdrawal Percentage: The percentage used to calculate your Lifetime Annual Withdrawal Amount (LAWA). It is determined based on your age at the time you

Lock-In. If you elect the Spousal Benefit, the Guaranteed Withdrawal Percentage is reduced and will be determined based on the age of the younger of you and your spouse.

Highest Birthday Value (HBV): Your Highest Birthday Value (HBV) is initially equal to your first contribution to the Fund. Thereafter, the HBV is increased dollar for dollar by every contribution to the Fund and reduced proportionately by subsequent withdrawals or transfers from the Fund. Every year, on your birthday, your current Market Value in the Fund will be compared with the HBV on record for your account and the higher value will be used as your HBV moving forward. Note that if your birthday falls on a non-business day, your Market Value as of the close of the previous business day will be used for the comparison.

Income Base: Guaranteed value used to calculate your Lifetime Annual Withdrawal Amount.

Lifetime Annual Withdrawal Amount (LAWA): An amount that you may withdraw each Withdrawal Period as long as you live. This annual amount is set initially as a percentage of your Income Base, but will be adjusted to reflect subsequent contributions, Excess Withdrawals and Step-Ups.

Lock-in: The process of establishing your Lifetime Annual Withdrawal Amount.

Making Sound Investment Decisions: A Retirement Investment Guide – VantageTrust Retirement IncomeAdvantage Fund: A document providing a description of the Fund, updated annually, and containing current and historical performance data as well as the Fund's objectives, fees, risks, strategy and other information.

Market Value: This is the actual value of your investments in the Fund. This amount is not guaranteed and will increase or decrease daily due to market performance. Your Market Value is always available for transfers or withdrawals from the Fund (subject to any vesting requirements applicable to your retirement plan), and is also the amount that will be passed on to your beneficiaries in the event of your death.

Single Benefit: This option entitles an investor to receive a Lifetime Annual Withdrawal Amount (LAWA) each Withdrawal Period for the rest of his or her life.

Spousal Benefit: This option entitles an investor to receive a Lifetime Annual Withdrawal Amount (LAWA) each Withdrawal Period for the rest of his or her life, and the LAWA will continue to be available to a surviving spouse in the event of the investor's death. If the Spousal Benefit is elected, the LAWA will be lower. Certain restrictions may limit the ability of same-gender spouses who are not recognized as a spouse by federal law from receiving full Spousal Benefits.

Step-Up: After Lock-In, the Fund's performance can cause your LAWA to increase (but not decrease). When your LAWA increases as a result of positive Fund performance, this is called a Step-Up.

VantageTrust: An unregistered commingled Trust that holds and invests the assets of public sector retirement plans.

Withdrawals: All references to withdrawals from the Fund include withdrawals, transfers, loans, or any other actions you may take that reduce your Fund balance.

Withdrawal Period: The 12-month period from your birthday to the day before your next birthday.

VII. LEGAL INFORMATION

The VantageTrust Retirement IncomeAdvantage Fund (the Fund) is offered through VantageTrust, a group trust sponsored by the VantageTrust Company, a New Hampshire institution. The Fund invests in a separate account under a group variable annuity issued by **Prudential Retirement Insurance and Annuity Company (Prudential)** CA COA #08003, Hartford, CT. Prudential does not guarantee the investment performance or return on contributions to its separate account. You should carefully consider the objectives, risks, charges, expenses and underlying guarantee features before purchasing this product. Like all variable investments, this Fund may lose value. Availability and terms may vary by jurisdiction; subject to regulatory approvals. Annuity contracts contain exclusions, limitations, reductions of benefits and terms for keeping them in force. Guarantees are based on Prudential's claims-paying ability. This annuity is issued under Contract form # GA-2020-TGWB4-0805-RC. ICMA Retirement Corporation (ICMA-RC) is a Delaware non-profit organization and registered investment adviser. ICMA-RC provides recordkeeping services to your Plan and is the investment manager of the underlying Prudential separate account. Prudential or its affiliates may compensate ICMA-RC for providing these and related administrative services in connection with the Fund. Before electing the Spousal Benefit (if available) on behalf of any beneficiary not recognized as your spouse under federal law, be aware that provisions of your Plan or the Internal Revenue Code might prevent, limit or otherwise affect the ability of the beneficiary to receive the Spousal Benefit. **For additional information, please review this document in its entirety and retain it for your records. To contact ICMA-RC, call 800-669-7400 (TDD: 800-669-7471) or write to 777 North Capitol Street, NE, Washington, DC 20002-4240. You may also visit us on the Web at www.icmarc.org. Para asistencia en Español llame al 800-669-8216.** Prudential and the Rock logo are registered service marks of The Prudential Insurance Company of America, Newark, NJ, and its affiliates.