PENSION REVIEW COMMITTEE
TUESDAY, SEPTEMBER 28, 2021
ROOM 113, BILL LUXFORD STUDIO
COUNTY - CITY BUILDING 555 S 10TH ST, LINCOLN, NE 68508
2:30 P.M.

AGENDA

1. **ROLL CALL**

2. **APPROVAL OF MEETING MINUTES FOR SEPTEMBER 7, 2021**

   Documents:

   Pension Review Committee Meeting Minutes 9-7-21 final.pdf

3. **BENEFICIARY REQUIRED MINIMUM DISTRIBUTIONS (“BENEFICIARY RMD”) UNDER SECURE ACT § 401**

   Julie Klassen, Prudential Vice President, Key Accounts; Cyril Tuason, Client Service Manager, Total Retirement Solutions, Registered Representative; Crystal Vacura, Manager, West/Midwest Plans and Senior Counselor, Lancaster County

   Documents:

   SECURE Act 2021_Stretch RMD Info_FINAL.pdf
   NOT01_FM_RE19_01_SecureFillableFM.pdf

4. **ADJOURNMENT**

MEMO

A conference call will be conducted with representatives from Prudential to discuss a Directive from Prudential regarding Beneficiary Required Minimum Distributions ("Beneficiary RMD") under SECURE ACT § 401.

David A. Derbin *(402) 441-6865* *dderbin@lancaster.ne.gov*

MINUTES
PENSION REVIEW COMMITTEE
Tuesday, September 7, 2021
Room 113, Bill Luxford Studio, County-City Building

Present: David Derbin, Chief Administrative Officer; Scott Gaines, Chief Deputy Assessor/Register of Deeds (entered at 2:45 pm); Eric Synowicki, Deputy County Attorney; Joe Nigro, Public Defender; Dennis Meyer, Budget & Fiscal Officer; Robert Holbrook, FOP 32; Rick DeBoer, AFSCME; Kevin Nelson, County Clerk Accounting Operations Manager; Kerry Eagan, Retired County Employee and Current Plan Participant; and Kerin Peterson, Facilities and Properties Director.

Other Participants: Julie Klassen, Prudential Vice President, Key Accounts; Robb Craddock, Prudential Vice President, Investment Strategy; Cy Tuason, Prudential; Crystal Vacura, Prudential; and Frank Picarelli, Segal Marco, Senior Vice President

Absent: Kenny Nolan, FOP 77; Sean Flowerday, County Commissioner

Derbin called the meeting to order at 2:30 p.m.

1. Roll Call

Derbin asked for a Roll Call. All were present except Gaines who entered the meeting at 2:45 pm and Nolan and Flowerday who did not attend.

2. Approval of Pension Review Committee Meeting Minutes for February 23, 2021

MOTION

Nelson moved and Holbrook seconded to approve the Pension Review Committee meeting minutes for February 23, 2021. Derbin, Meyer, Nelson, Holbrook, DeBoer, Nigro and Synowicki voted yes. Gaines was absent for the vote. Eagan and Peterson abstained. The motion passed 7-0-2.

3. Second Quarter 2021 Investment Review (401(a) and 457(b) Plans.

A copy of Prudential's Lancaster County Plan Review as of June 30, 2021, is included with these minutes as ***Exhibit A***. Craddock began his presentation by stating that the investment lineup looks good right now and the common theme is the 3-, 5- and 10-year returns are all pretty strong investment-wise across the board. There is a mixed bag of underperformance and outperformance in the short term due to the market changing quite a bit.

Economic Review

Looking at the Economic Review on page 24 of the Plan Summary, Craddock reminded everyone that the performance numbers in the book are through June of 2021 (2nd quarter) and now being into the first week of September and 3rd quarter things have changed a bit. In the 3rd quarter every investment in the

Plan is positive with one exception of the small growth fund, but generally positive so far. Craddock continued by referring to the Economic Review on page 24 of the Plan Summary stating that the Gross Domestic Product (GDP) rose 10% in the quarter, which is a big number for GDP growth. Keeping in mind that with Covid beginning in late March 2020, things were at a market bottom. Since then things have been rebounding, and for the past 5 quarters have been increasing and looking very good. There are a lot of unknowns in the market right now and with the Covid Delta Crisis and the turmoil in Afghanistan we will have to see how things play out and how that may affect the market. Job creation has been strong, the last couple of reports have come in lower than what people had hoped but still mostly good news.

Financial Market Returns
Moving to page 25 of the Plan Summary, the S&P 500 Index was up about 8 ½% in the second quarter alone and the one-year performance is up over 40%, which is a strong period for the stock market. Barclays Bond Index one year is in negative territory. Bonds actually fell over the last year showing that it is possible to lose money with fixed income. It has paid off to be an equity investor over the past few years, but not so much in the fixed income world because interest rates have been so low.

Domestic Equity Style Returns
Page 26 of the Plan Summary shows how the US markets did in different time periods. Looking at the second quarter returns, growth stocks outperformed value stocks, and large cap stocks outperformed small caps. This is a trend that has been seen for the past 3 to 5 years. In early November 2020 after the presidential election when the COVID vaccine announcement was made, everything changed in the stock market. Value stocks started out performing and small cap stocks started outperforming, which hadn't been seen for an extended time period. This change continued into 2021 and into the second quarter. Now into the third quarter it has switched back to the 3-to-5-year trend that we are used to seeing.

S&P 500 Sector Performance
Looking at page 27 of the Plan Summary, there are a couple things that are different than what has been seen the last few years. Energy stocks rebounded in a big way, oil prices have picked back up and energy stocks were the best performing sector in the first half of 2021. Technology has been in the middle of the pack, but still up 42% over the past year. Utilities were the only sector in the negative for the second quarter.

International Index Returns
Good news regarding absolute return numbers but not as strong as the US. Japan is in negative territory due to the rollout of the vaccine not going very well there, and that has weighed on the economy in Japan. Emerging markets have strong returns over the past year, but that has started to slow down. Chinese markets have started to slow down with lots of uncertainty in the economy of China.

Fixed Income Returns
This is returning to a normal environment that has been seen over the past decade, Barclays Aggregate Bond Index is in negative territory for YTD and one-year. Much of the return in the second quarter was driven by corporate bonds which has been the long-term theme. Looking at Treasury Inflation Protected Securities (TIPS), Treasury bonds that are directly linked to the inflation index: over the past decade there wasn't a lot of interest in TIPS but that has changed over the past few quarters, the one-year return is up

over 6.5% because investors are very concerned with what is going to happen to inflation in the months to come.

US Treasury Yield Curve

One year ago on June 30, 2020, there was a very low interest rate environment with a flat yield curve. Now looking at March 31, 2021, yields had risen due to a lot more demand than there was previously. Now in the second quarter growth has returned and yields have dropped. The 10-year drop is less than 1.2 %. There has been a lot of movement in this which is more than is usually seen.

Executive Summary

Pages 33 and 34 of the Plan Summary show a breakdown of the 17 investment funds plus Income Flex funds that the County has. Each fund has a percentile rank in its own category. Remember that the first percentile is the best you can do and 100th percentile is the worst you can do, so you want to see low numbers on these two pages. For the most part that is what is shown, which is all good news. One-year numbers are a mixed bag which is not unusual. That's why the focus in on the longer terms, the 3-year and the 5-year numbers. Moving to page 37 of the Plan Summary, looking at the return numbers, 3-, 5-, and 10-year numbers look strong. However, looking at some of the short-term numbers especially in the one-year column they are very large and you don't usually see returns that size but again it's just the market rebounding from where it was a year ago. The Prudential stable value fund is currently at 1.775 percent, it has been coming down recently but is still doing well. The primary fixed income fund in GoalMaker took had a bad first quarter of 2020 but bounced back for the rest of the year, the same thing happened in 2021 but that is how the portfolio is managed. The balance fund Oakmark Equity and Income is doing extremely well right now. Large Cap Growth JP Morgan and Small Cap Value Victory has lagged a bit in 2021 but longer-term numbers look fantastic. Eaton Vance long term numbers are behind a little bit, but the short-term numbers are good. BlackRock Advantage Small Cap Growth funds have a negative return in the third quarter, but long-term numbers still look good.

Eagan asked about Gibralter (a fund that the County had switched from a few years ago) and wanted to know if that switch has paid off.

Craddock responded saying that Gibralter doesn't exist anymore and every client that was in Gibralter got out. Gibralter's portfolio had a much longer duration and at some point, interest rates will start rising and as that happens the longer duration is going to lose more money. Craddock also stated that the rule of thumb in the investment world is "the change of value in a portfolio is inversely related to the duration times the change in interest rates." So, the duration of Gilbralter was about double what the investment is that the County is in now, meaning that Gilbralter would've lost about 6.5 percent.

Lastly, Craddock noted that looking at page 45 of the Plan Summary, the charts will show a changing view over time of 3 year returns and 5 year returns for each of the funds.

Plan Statistics

Klassen started by stating with the recent announcement of the pending acquisition by Empower that it is still business as usual at Prudential with all activities continuing as they have. The financial wellness meetings continue through Pathways and one-on-one meetings virtually and in person. All plan enhancements continue also, there will be a Plan Health 360 that will compare the County's plan with other similar health plans along with an updated retirement income calculator tool.

401(a) Plan

Now looking on page 136 of the Plan Summary, looking at the 401(a) plan in 2018 the balance was over $147 million and with the market activity now through June of 2021 the balance is over $194.8 million in the plan. Distributions have increased but it is to be expected with the current market that we are in. There are 1,164 participants in the 401(a) plan with 583 being over 50 years of age. You will want to keep that in mind when looking at the distribution information. Klassen stated the increase in participant balances over the last few years is over $42,000,000.

457(b) Plan

This plan continues to grow, while distributions have increased some, it is still doing well. The asset allocation information on page 167 of the Plan Summary shows the average contribution rate of 5.9% and $189 as a dollar value through June 30, 2021. The participants that are using the Retirement Income Calculator (RIC) in both the 401(a) and 457(b) plans are on track to replace 73% of their pre-retirement income after they retire.

Essentials Program Results

Vacura stated that over the last year participants have had a little over 500 interactions with 3/4 of them being one-on-one meetings by phone or video conference and the remaining meetings done in a group setting. Overall, there are about 30% of plan participants meeting to discuss their retirement plans and options. She said the option for in person meetings and virtual meetings were well received, and she would like to continue to offer participants both options. The educational sessions have had good attendance and have been a good way to continue to connect. There were 7 meeting topics and on average there were about 19 to 20 participants per meeting which is a good turnout for a plan of this size.

Segal Marco Advisors

Picarelli stated the upcoming sale of Prudential Retirement to Empower will honor all the contracts and commitments of the current contract, including fees, stable value products, the GoalMaker tool and more. Looking at the Plan Activity the 401(a) plan is up to $195 million from July of 2020 to June of 2021. Cashflow is on a negative basis, putting $7.7 Million in and taking $10.4 Million out which has a lot to do with a more aging work population and is expected. There were two fund changes eliminating Fidelity Large Cap Growth Fund and moving to the JP Morgan Fund and Replacing the Small Cap Value Fund with the Victory Fund. Moving on to the 457(b) plan, it is up to $32 million putting in $1.7 million and taking out $3 million with $7 million investments gained.

Pricing

Picarelli shared what he does is looks at the balances at the end of the year then figures in the expenses and revenue sharing to see how it all projects. So, looking at the Balance of $227 million dollars the total funds come in at $154 thousand in revenue sharing, the expenses are $147 thousand dollars which leaves about $6,400 in excess revenue.

DeBoer left the meeting at 3:28 p.m.

Fund Performance

Picarelli identified the following funds which were not meeting performance requirements:

1. American Funds Fundamental Investors Class R-5E; and
2. Eaton Vance Atlanta Capital SMID-Cap Fund Class R6

1. <u>American Funds Fundamental Investors Class R-5E</u>

American Funds Fundamental Investors Class R-5E (American) failed to beat its benchmark and was in the bottom half of peers in its investment category for the one-, three-, and five-year periods. Year-to-date, American also is in the bottom half of peers in its investment category.

Picarelli indicated that American is actively managed and has a 0.43% expense ratio, with a 39.3% return in the one-year period, a 15.5% return in the three-year period, and a 16.0% return in the five-year period.

By comparison, in the same Large Cap – Value asset class, Vanguard 500 Index Fund Admiral Shares (Vanguard) is a passively managed index fund that has a 0.04% expense ratio, with a 40.8% return in the one-year period, an 18.6% return in the three-year period, and 17.6% in the five-year period. Consequently, Picarelli stated that the extra expense for American's active management is not generating additional returns.

Craddock explained that American has significant exposure to international stocks. Because international stocks have been lagging behind United States stocks the last several years, that exposure may be a big reason that American has been underperforming.

Based on the Lancaster County Statement of Overall Investment Objectives and Policy, Picarelli recommended that American be placed on the watch list.

Picarelli also suggested that, if the Fund implements fee leveling, American could be eliminated in this asset class category and mapped to Vanguard.

2. <u>Eaton Vance Atlanta Capital SMID-Cap Fund Class R6</u>

Eaton Vance Atlanta Capital SMID-Cap Fund Class R6 (Eaton Vance) failed to beat its benchmark and was trailing its peers in its investment category for the one-, three-, and five-year periods. Although Eaton Vance is performing very well year-to-date, Eaton Vance currently is in the bottom decile in the three- and five-year periods. Based on the Lancaster County Statement of Overall Investment Objectives and Policy, Picarelli recommended that Eaton Vance be placed on the watch list.

Because the Mid Cap – Growth asset class contains Eaton Vance as well as Mid Cap Growth / Westfield Capital Fund, it also was discussed that consolidation of this asset class could be considered if the Fund implements fee leveling.

Derbin stated that negotiations are happening about fee leveling with all unions at this time.

MOTION

Eagan moved and Nigro seconded to put American Funds Fundamental Investors Class R-5E and Eaton Vance Atlanta Capital SMID-Cap Fund Class R6 on the watchlist. The motion passed unanimously. DeBoer was absent for the vote.

5. Adjournment.

MOTION

It was moved by Eagan and seconded by Gaines to adjourn the meeting. The motion passed unanimously. DeBoer was absent for the vote.

There being no further business the meeting was concluded at 3:50 p.m.

Submitted by Danielle Buck, Administrative Secretary to the Lancaster County Board

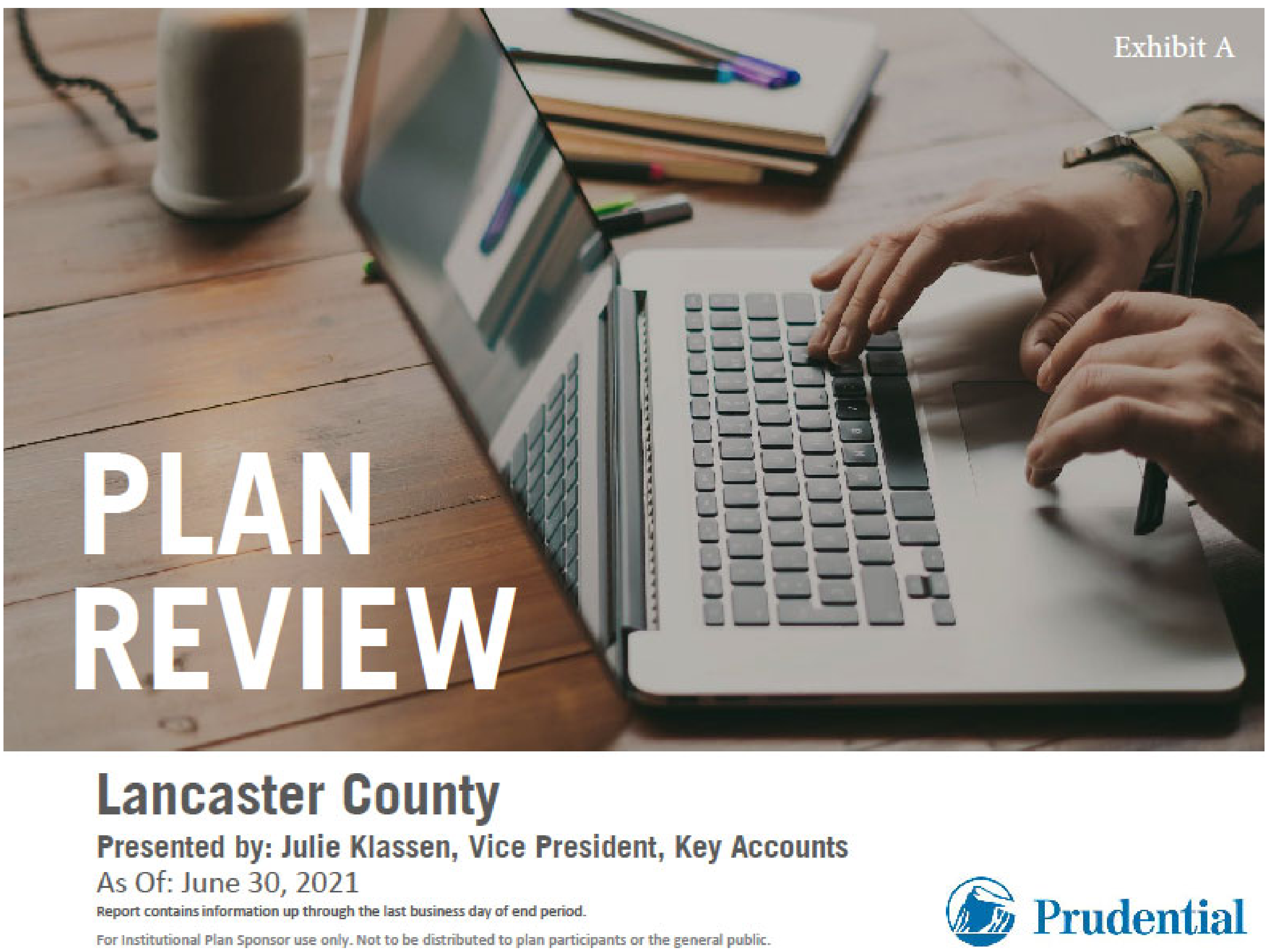

Exhibit B

Lancaster County, Nebraska 401(a) and 457 Plans

Analysis of Investment Performance

Period Ending June 30, 2021

Frank Picarelli
Senior Vice President

Segal Marco Advisors

Prudential

Prudential Retirement Information regarding Beneficiary Required Minimum Distributions ("Beneficiary RMD") under SECURE Act § 401

The Further Consolidated Appropriations Act of 2020 ("the FCAA") was signed into law on December 20, 2019 and contained multiple provisions impacting retirement plans. This Act includes provisions of the Setting Every Community Up for Retirement Enhancement Act ("SECURE Act"). For a detailed summary, see our January 2020 issue of the Pension Analyst.

The SECURE Act made important changes to the required minimum distribution (RMD) rules, among other changes. The Internal Revenue Service has not issued guidance concerning the changes, so there are unanswered questions about how plans and plan service providers should apply the new rules. Absent IRS guidance, Prudential provides additional information about the Beneficiary RMD provisions of the SECURE Act and how Prudential will administer them (i.e., default administration) unless a plan administrator makes an alternative election by completing the Authorization Form/Directive.

In addition to mandating annual distributions to participants who meet certain criteria, the RMD rules set the maximum periods over which death benefits may be distributed. One of the provisions of the SECURE Act changes the period over which certain beneficiaries may receive death benefits from qualified defined contribution plans.

The Beneficiary RMD provisions are generally effective for participants who die on or after January 1, 2020 (January 1, 2022 for governmental plans or as may be elected in the Directive for collectively bargained plans). For most plans, the 2020 RMD was waived under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. If your plan has a delayed effective date, it's very important for you to complete the applicable sections of the Directive to allow Prudential to administer this provision as of the date applicable to your plan.

Background and Definitions

Prior to the SECURE Act, the permitted beneficiary payment period was based on the participant's date of death in comparison to that participant's deadline for receiving his/her first RMD (referred to as the "Required Beginning Date"). If the participant died after this deadline, annual payments had to continue to the beneficiary (although the beneficiary could generally elect distributions greater than the calculated minimum amount, including a lump sum). If the participant died before this deadline, the rules generally gave the beneficiary two options:

1. Take annual payments (with the minimum amount determined using life expectancy factors) beginning in the year following the participant's death (a special rule may apply to a spousal beneficiary that had not yet reached RMD age), or;

2. Wait up to 5 years before withdrawing the funds on the condition that the full account had to be distributed by the end of that 5-year period ("5-Year Method").

These are the maximum payment periods for beneficiaries of participants who died before January 1, 2020 (assuming the plan does not qualify for a delayed effective date). Note that plan sponsors were allowed to adopt provisions requiring the account to be distributed sooner than these deadlines (e.g., a lump sum within a set period following the participant's death).

The SECURE Act created a different model for determining the maximum payment period for death benefits distributed from a defined contribution retirement plan. For participants who die after the SECURE Act Beneficiary RMD effective date defined below, the key factor when determining the maximum permitted payment period is the beneficiary's classification under new definitions rather than the date RMDs are/were required to begin. In general, only a beneficiary who meets the definition of an Eligible Designated Beneficiary is permitted to extend payments over life expectancy. Individuals (i.e., designated beneficiaries) who do not meet this definition cannot extend payments beyond 10 years. Beneficiaries who are not individuals (e.g., an estate, charity, or trust that does not meet certain requirements) are generally subject to the pre-SECURE Act rules which require all death benefits to be paid by the end of the fifth year following the participant's death.

Listed below are definitions of important terms used to determine the permissible payment periods of death benefits under the SECURE Act and current regulations (Treasury Regulation §1.401(a)(9)):

- **SECURE Act Beneficiary RMD Effective Date.** The Beneficiary RMD provisions described in this document generally apply to all plan participants who die after December 31, 2019. However, a different effective date applies to governmental plans and plans maintained pursuant to one or more collective bargaining agreements.

  For governmental plans, the Beneficiary RMD provisions apply to all plan participants who die after December 31, 2021.

  For plans subject to one or more collective bargaining agreements ratified before December 20, 2019, the Beneficiary RMD provisions apply to participants who die in calendar years beginning after the earlier of A or B:

  A. The later of:
     i. The date the last collective bargaining agreement pertaining to the plan terminates (disregarding any extensions agreed to on or after December 20, 2019), or
     ii. December 31, 2019.

  B. December 31, 2021.

- **Eligible Designated Beneficiary.** An individual is an "Eligible Designated Beneficiary" of a participant if the individual qualifies as a designated beneficiary under Code §401(a)(9)(E) and is
  1. The participant's spouse;
  2. The participant's child who has not reached the age of majority (as defined for purposes of Code §401(a)(9)(F));
  3. An individual not more than 10 years younger than the participant;
  4. A disabled individual, as defined in Code §72(m)(7); or
  5. An individual who has been certified to be chronically ill (as defined in Code §7702B(c)(2)) for a reasonably lengthy period, or indefinitely.
- **Designated Beneficiary.** Under current IRS guidance, a "Designated Beneficiary" is an individual entitled to a participant's benefit upon his/her death, regardless of whether that individual was named the beneficiary via a participant election or the terms of the plan. Only an individual, not an entity, such as an estate or charity, is a Designated Beneficiary.
- **Non-Designated Beneficiary.** An entity designated as a beneficiary by the plan or participant that is not an individual, such as an estate, charity, or trust that does not meet certain requirements outlined in Treasury Regulation §1.401(a)(9)-4, Q&A 5-6.
- **"Look-Through" Trust.** A trust named as beneficiary of a participant's account that meets the requirements listed under Treasury Regulation §1.401(a)(9)-4, Q&A 5 that allows the individual beneficiaries of the trust to be treated as the participant's beneficiary (or beneficiaries) when determining the permitted distribution periods (i.e., paid over an individual's life or within 10 years).
- **Life Expectancy Method.** The death benefit (i.e., remaining account balance) is paid to the beneficiary in installments, with the minimum required annual amount generally based on the beneficiary's remaining life expectancy as determined under applicable IRS tables. The SECURE Act makes this method permissible only for an Eligible Designated Beneficiary as defined above.

- **10-Year Method.** The death benefit (i.e., remaining account balance) is paid to the beneficiary no later than December 31 of the 10th year following the year of the participant's death. Under this method, based on our current understanding of applicable law, no distributions are required until the year containing the 10th anniversary of the participant's death, even if the participant died after he/she began taking RMDs.

For death benefits subject to the SECURE Act provision, this method is required for any "Designated Beneficiary" who is not an "Eligible Designated Beneficiary." A Designated Beneficiary subject to the 10-Year Method may elect to receive distributions before the end of the 10-year period in any amount, including a lump sum, unless such distributions are prohibited under the terms of the plan.

Default Administration of Death Benefits to Which the SECURE Act Applies

Unless directed otherwise by the plan sponsor or until formal IRS guidance is issued, Prudential will apply the following guidelines and existing IRS guidance (e.g., Treasury Regulation §1.401(a)(9))[1] when administering payments to beneficiaries that are subject to the SECURE Act Beneficiary RMD provision. If the facts of any death benefit case are not covered by these guidelines or existing IRS guidance, Prudential will contact the plan sponsor to request written direction.

Payments to Eligible Designated Beneficiaries:[2]

Beneficiary Type	Payment Guidelines
Participant's spouse	• May elect Life Expectancy or the 10-Year Method. • Former spouse beneficiary can be treated as a spouse (Eligible Designated Beneficiary) if there is a Qualified Domestic Relationship Order ("QDRO") that provides rights to benefits. • **Default: If the beneficiary has not made a timely distribution election for life expectancy payments, Prudential may apply a default election of the Life Expectancy Method.**
Participant's minor child	• May elect Life Expectancy or the 10-Year Method. • A minor is an individual who is under the age of 18. • The account balance must be fully paid within the 10-year period following the individual's 18th birthday. The beneficiary can choose any payment options allowed by the Plan (e.g., no payments until the 10th year, receive annual installments under the life expectancy method with remainder paid at end of 10-year period, elect a new installment stream over the 10-year period). • Prudential will not process life expectancy payments unless the minor beneficiary makes an election in good order before the required beginning date for life expectancy payments. Prudential will honor any distribution requests from the minor beneficiary for partial or full withdrawals prior to the end of the 10-year period unless plan provisions prevent such distributions. • **Default: If the minor beneficiary has not made a distribution election by this deadline, Prudential may apply a default election of the 10-Year Method.**
Individual not more than 10 years younger than the participant	• May elect Life Expectancy or the 10-Year Method. • Whether an individual is not more than 10 years younger than the participant is determined based on the participant's and beneficiary's year of birth. • Prudential will not process life expectancy payments unless the beneficiary makes an election in good order before the required beginning date for life expectancy payments. • Prudential will honor any distribution requests from the beneficiary for partial or full withdrawals prior to the end of the 10-year period unless plan provisions prevent such distributions. • **Default: If the beneficiary has not made a timely distribution election for life expectancy payments, Prudential may apply a default election of the 10-Year Method.**

Beneficiary Type	Payment Guidelines
A disabled or chronically ill individual	• May elect Life Expectancy or the 10-Year Method. • A Social Security Administration award letter will **not** be accepted as appropriate documentation. If the beneficiary elects the Life Expectancy Method, he/she must complete a "Disabled or Chronically Ill Designated Beneficiary Certification Form" to confirm he/she is eligible for this payment method. • The form requires the beneficiary to self-certify and have his/her doctor certify the federal tax law definitions of disabled or chronically ill that apply to him/her. • Prudential will not process life expectancy payments unless this form is received in good order before the required beginning date for life expectancy payments. • Prudential will honor any distribution requests from the beneficiary for partial or full withdrawals prior to the end of the 10-year period unless plan provisions prevent such distributions. • **Default: If the beneficiary has neither submitted a form in good order nor made a distribution election (e.g., lump sum or installments over 10 years), Prudential may apply a default election of the 10-Year Method.**
Qualifying "Look-Through" trusts	• If the trust qualifies as a "Look-Through" trust, there is only one beneficiary of the trust and that beneficiary is an Eligible Designated Beneficiary, the beneficiary may elect the Life Expectancy or 10-Year Method. • Prudential will not process life expectancy payments unless an election is received in good order before the required beginning date for this payment method. • If the trust qualifies as a "Look Through" trust but there are multiple beneficiaries of the trust, the Life Expectancy Method is not available. The 10-Year Method applies if all beneficiaries of the trust are individuals and a 5-Year Method applies if any non-individuals are named as beneficiary (or beneficiaries) of the trust. • If the beneficiaries of a qualifying "Look-Through" trust are subtrusts, each subtrust has one identifiable individual beneficiary, and each beneficiary qualifies as an Eligible Designated Beneficiary, either the Life Expectancy or 10-Year Method may be elected. • Prudential will contact the trustee(s) of the trust designated as beneficiary to obtain the necessary information to distribute the account according to the trust's election and the plan's provisions. Trust information provided when the trust was designated as a beneficiary and by the trustee(s) will be used to determine if the trust meets the "Look-Through" requirements listed under Treasury Regulation §1.401(a)(9)-4, Q&A 5. • **Default: If there is only one beneficiary of the trust and the beneficiary has not made a timely distribution election for life expectancy payments, Prudential may apply a default election as outlined above for the Eligible Designated Beneficiary. If there are multiple beneficiaries or sub-trusts, the defaults outline above apply.**

Default Administration for Designated Beneficiaries (Individuals):

Beneficiary Type	Payment Guidelines
Designated beneficiaries (individuals) that do not qualify or are not identified as Eligible Designated Beneficiaries	• Only the 10-Year Method applies. The Life Expectancy Method is not permitted. • Prudential will honor any distribution requests from the beneficiary for partial or full withdrawals prior to the end of the 10-year period unless plan provisions prevent such distributions. • **Default: If the beneficiary has not made a distribution election, Prudential may apply a default election of the 10-Year Method.**

Default Administration for Non-Designated Beneficiaries:

Beneficiary Type	Payment Guidelines
Non-Designated beneficiaries (not an individual, e.g., entities, estates, non-look through trusts, charities)	• If the participant dies post required beginning date (RBD) and the beneficiary is a Non-Designated Beneficiary, then, at a minimum, the non-designated beneficiary must receive annual payments calculated using the participant's remaining life expectancy. Under this method, the beneficiary depletes the account at least as rapidly as the participant prior to his/her death. Prudential will calculate and make payments using this method before the payment deadlines if it has all requested information in good order. • If the participant dies prior to their RBD and the beneficiary is a Non-Designated Beneficiary, the account must be depleted by the end of the 5th calendar year following the participant's death. The Life Expectancy Method is not permitted. Prudential will honor any distribution requests from the beneficiary for partial or full withdrawals prior to the end of the 5-year period unless plan provisions prevent such distributions. • **Default: If the beneficiary has neither submitted a form in good order nor made a distribution election (e.g., lump sum or installments over 5 years), Prudential may apply a default election of the 5-Year Method if the participant died before their RBD.**

Default Administration for Multiple Beneficiaries

When a participant names more than one beneficiary to inherit the account following their death, Prudential divides the benefit and places the elected portion into a separate account for each named beneficiary. Using this method, each beneficiary can make a separate payment election for his/her portion of the benefit.

However, current regulations limit this treatment to accounts that are separated by the end of the calendar year following the year in which the participant died. If Prudential is not notified of the participant's death or is not provided the necessary information about a beneficiary with sufficient time to segregate the account prior to this deadline, Prudential will apply the following guidelines to the non-segregated portion of the participant's account:

Beneficiary Type	Payment Guidelines
All beneficiaries are Eligible Designated Beneficiaries	• Either the Life Expectancy or 10-Year Methods are permitted. If the Life Expectancy Method is elected or required by the plan, the Eligible Designated Beneficiary with the shortest life expectancy will be treated as the sole beneficiary when determining the minimum annual payment amounts. • Prudential will not process life expectancy payments unless the beneficiaries make an election in good order before the RBD for life expectancy payments. Prudential will honor any distribution requests from each beneficiary for partial or full withdrawals prior to the end of the 10-year period unless plan provisions prevent such distributions. • **Default: If the beneficiaries have not made a distribution election by this deadline, Prudential may apply a default election of the 10-Year Method.**
Beneficiaries include at least one Designated Beneficiary but No Non-Designated Beneficiaries	• The 10-Year Method is permitted, but the Life Expectancy Method is not allowed. • Prudential will honor any distribution requests from the beneficiary for partial or full withdrawals prior to the end of the 10-year period unless plan provisions prevent such distributions. • **Default: If the beneficiary neither submits a form in good order nor makes a distribution election (e.g., lump sum or installments over 10 years), Prudential may apply a default election of the 10-Year Method.**
Beneficiaries include at least one Non-Designated Beneficiary	• If the participant dies post-RBD and any beneficiary is a Non-Designated Beneficiary, then, at a minimum, the non-designated beneficiary must receive annual payments calculated using the participant's remaining life expectancy. Under this method, the beneficiary depletes the account at least as rapidly as the participant prior to his/her death. Prudential will calculate and make payments using this method before the payment deadlines if it has all requested information in good order. • If the participant dies prior to the RBD, the account must be depleted by the end of the 5th calendar year following the participant's death. The Life Expectancy Method is not permitted. • Prudential will honor any distribution requests from the beneficiary for partial or full withdrawals prior to the end of the 5-year period unless plan provisions prevent such distributions. • **Default: If the beneficiary has neither submitted a form in good order nor made a distribution election (e.g., lump sum or installments over 5 years), Prudential may apply a default election of the 5-Year Method if the participant died before their RBD.**

Default Administration for Successor Beneficiaries:

Prudential will apply the following guidelines when a beneficiary dies prior to receiving the full benefit.

Deceased Beneficiary	Payment Guidelines
Eligible Designated Beneficiary	• If both the participant and Eligible Designated Beneficiary died before January 1, 2020 (or later effective date that applies to your plan, as noted in the collective bargaining or governmental plan sections), the successor beneficiary (i.e., the beneficiary named by the Eligible Designated Beneficiary prior to death or the terms of the plan) is subject to the pre-SECURE Act rules and administrative guidelines applied by Prudential prior to enactment of the SECURE Act. • If the Eligible Designated Beneficiary died after January 1, 2020 (or later effective date that applies to your plan, as noted in the collective bargaining or governmental plan sections) the successor beneficiary (i.e., the beneficiary named by the Eligible Designated Beneficiary prior to death or the terms of the plan) must receive the remaining benefit over the 10-year period beginning with the date of the Eligible Designated Beneficiary's death. This 10-year period applies even if the participant died before the effective date of the SECURE Act RMD provisions for the plan. • If the participant's spouse dies prior to the date life expectancy payments must begin and the beneficiary of the spouse is also an Eligible Designated Beneficiary, then the successor beneficiary may elect either the Life Expectancy or the 10-Year Method. If, however, the participant's spouse remarried and named his/her new spouse as their beneficiary, the successor beneficiary (i.e., the new spouse) is not permitted to elect the Life Expectancy Method. • Prudential will honor any distribution requests from the beneficiary for partial or full withdrawals prior to the end of the 10-year period unless plan provisions prevent such distributions. • **Default: If the beneficiary neither submits a form in good order nor makes a distribution election (e.g., lump sum or installments over 10 years), Prudential may apply a default election of the 10-Year Method.**
Designated Beneficiary	• If both the participant and Designated Beneficiary died before January 1, 2020 (or later effective date that applies to your plan, as noted in the collective bargaining or governmental plan sections), the successor beneficiary (i.e., the beneficiary named by the Designated Beneficiary prior to death or the terms of the plan) is subject to the pre-SECURE Act rules and administrative guidelines applied by Prudential prior to enactment of the SECURE Act. • If the participant died before January 1, 2020 (or later effective date that applies to your plan, as noted in the collective bargaining or governmental plan sections) and the Designated Beneficiary died after this effective date, the successor beneficiary must receive the remaining benefit within 10 years of the death of the Designated Beneficiary. • Prudential will honor any distribution requests from the beneficiary for partial or full withdrawals prior to the end of the 10-year period unless plan provisions prevent such distributions. • If both the participant and Designated Beneficiary die after January 1, 2020 (or later effective date that applies to your plan, as noted in the collective bargaining or governmental plan sections), the 10-Year Method applies to the successor beneficiary, where the end of the 10-year period is the end of the year containing the 10th anniversary of the participant's death. • Prudential will honor any distribution requests from the beneficiary for partial or full withdrawals prior to the end of the 10-year period unless plan provisions prevent such distributions. • **Default: If the beneficiary neither submits a form in good order nor makes a distribution election (e.g., lump sum or installments over 10 years), Prudential may apply a default election of the 10-Year Method.**

1 Proposed Treasury regulations reflecting the SECURE Act RMD provisions are expected soon. Unless and until subsequent guidance is issued, Prudential will administer RMD provisions in accordance with Code section 401(a)(9) and related guidance and may include issuing an RMD payment without beneficiary consent and/or determining the portion of a lump sum distribution that must be treated as an RMD. Current plan document provisions (e.g., applying the plan's default of the life expectancy method that requires an RMD by December 31 of the year following the participant's death) will be applied to determine a beneficiary's RBD unless the plan sponsor elects otherwise via the directive or the defaults listed in the directive apply because no response is received.

2 This applies when there is one beneficiary, and that individual is an Eligible Designated Beneficiary. When there is more than one beneficiary, Prudential will apply the default administration shown in the section below titled "Payments to Multiple Beneficiaries."

BENEFICIARY REQUIRED MINIMUM DISTRIBUTION AUTHORIZATION/DIRECTIVE FORM

The Plan Sponsor should carefully read the detailed information provided and consider the default provisions outlined as they pertain to the Plan and distribution of after-death benefits. The Plan Sponsor should complete the following Directive to authorize changes to default processing or to identify the plan as subject to a collective bargaining agreement.

If the Plan intends to modify the required distribution timing requirements from the default administration, make the appropriate election(s) below:

[ ] The Plan will apply the Five-Year Method for all beneficiaries. Effective date _____________

[ ] The Plan will apply the default administration for spousal beneficiaries. Non-spousal beneficiaries are subject to the Five-Year Method. Effective date _____________

[ ] The Plan will apply the Ten-Year Method to all individual beneficiaries. Effective date _____________

[ ] The Plan will apply the default administration for spousal beneficiaries. Non-spousal individual beneficiaries are subject to the Ten-Year Method. Effective date _____________

[ ] If an Eligible Designated Beneficiary has not made a distribution election within the necessary period, a default election of the Life Expectancy Method will apply. Effective date _____________

If the Plan (or portion of the Plan) is maintained pursuant to a qualifying collective bargaining agreement, make the election below:

[ ] The Plan is maintained pursuant to one or more collective bargaining agreements that were ratified before December 20, 2019. As such, the Beneficiary RMD provisions apply to participants who die after the earlier of December 31, 2021 or the date the collective bargaining agreements terminate. Complete the Collective Bargaining Agreement (CBA) Supplement on the last page of this directive.

NOTE: If the Plan Sponsor previously provided information regarding a CBA, Prudential will assume that information still applies, and that the CBA remains in effect at least through 12/31/2021. If the CBA terminates prior to 12/31/2021, complete the CBA Supplement on the last page of the directive.

Plan Sponsor Authorization

Prudential will update its record keeping system as soon as administratively practicable after receipt of this Directive in good order. **However, if Prudential does not receive your written response within 45 calendar days from the date of the email, we will assume your consent and direction for Prudential to administer in accordance with the default provisions.**

Plan Sponsors must amend plan documents to reflect the new terms. The general deadline for amending plans is the last day of the first plan year beginning on or after January 1, 2022. For governmental plans and collectively bargained plans (where the collective bargaining agreement was ratified before December 20, 2019), the amendment deadline is the last day of the first plan year beginning on or after January 1, 2024.

As an authorized signer for the Plan Sponsor, I direct Prudential to rely on this Directive to update its record keeping system (and, if Prudential's plan document services have been elected, draft plan amendments) that it maintains on behalf of the Plan and Plan Sponsor and to administer the Plan in accordance with this Directive.

If Prudential does not provide plan document services for your Plan, please provide a copy of this Directive to your plan document provider to complete an amendment. Please provide a signed copy of your plan amendment to Prudential for our retention with records of your Plan.

Please return the completed Directive to SECUREactSelection@Prudential.com within 45 calendar days.

Plan Name: ______________________________

Plan Number: ______________________________

Plan Sponsor: ______________________________

Date: ______________________________

Signed: ______________________________

[print name/title] ______________________________

CBA Supplement–If the Plan is subject to a collective bargaining agreement, please check the box that applies and provide the information below, as applicable

[ ] The Plan is maintained pursuant to one or more collective bargaining agreements.

[ ] A portion of the Plan is maintained pursuant to one or more collective bargaining agreements. List the subplan numbers that are made up of collectively bargained employees:

Subplan Number	Date CBA Ratified	Date CBA Terminates (if prior to 12/31/2021)

NOTE: If the Plan Sponsor previously provided information regarding a CBA, Prudential will assume that information still applies, and that the CBA remains in effect at least through 12/31/2021 unless otherwise noted.

Prudential