Date: August 31, 2015

To: Multnomah County 457 Deferred Compensation Participants

From: Multnomah County Deferred Compensation Committee

Subject: Deferred Compensation Plan – Important News

The Multnomah County Deferred Compensation Committee (Committee) has recently decided to extend the County's contract with VOYA to provide participant and investment services for five more years. The Committee has been working with VOYA to redesign this plan as a "state of the art" Plan, incorporating "best practices" standards in the public sector Deferred Compensation plan industry.

The Committee established three primary objectives to improve this plan for plan participants and their beneficiaries:

1. **Fee Equalization and Transparency**: Our first objective for Plan improvement was to establish a fee model that would be equally applied to all participants, and to inform participants of all fees associated with investing in the Plan. Under the current fee structure, different investment options have different administrative fees and expenses. The fee structure will be changing to a model where all participants are paying the same pro-rata administrative fees, regardless of where their monies are invested. In addition, fee information will be explicitly shown on participant statements beginning with the 3rd quarter statements that will be mailed in October.

   The current fee structure is changing so that all participants will pay an equal pro-rata amount of 0.13% for administrative services, regardless of which investments they have selected. The current mutual fund fees range from 0.04% to 1.26%, and the weighted average for the plan is 0.63%. While the investment portfolio will remain largely intact, we have selected many lower costing mutual fund share classes and some new investment offerings which will reduce the weighted average expenses to 0.41%. With the new reduced administrative fees and mutual fund expense reductions combined, participants will collectively save approximately $70,000 annually.

   To achieve fee transparency, quarterly account statements mailed to participants in October will explicitly identify fees in the account detail. For the first time, participants will see fees deducted from their accounts on the statements. While this may appear to be a new fee, it is simply a change from how fees have been charged previously. It is important to know that participant fees have always been charged for administrative services – but they have never been shown on the statements before now.

   The Committee has worked closely with our investment consultant, SST Benefits Consulting, to establish this new fee equalization and transparency model. The investments offered in the Plan have been fully analyzed by our consultant and we believe they are the best in class available and offer the lowest possible fees for you, our participants. In addition, by making these changes we believe we have taken appropriate steps to be in compliance with recent regulations issued by the US Department of Labor to ensure that fee arrangements with service providers (such as VOYA) are reasonable and transparent.

2. **Simplified Plan Administration**: Our second objective for Plan improvement was to simplify the administrative responsibilities associated with this important benefit. The County currently has two providers for the Plan – VOYA and Advantis Credit Union. After careful consideration, the committee has decided to terminate the contract with Advantis.

   We did not take this decision lightly, and decided to make this change for the benefit of Plan participants overall. We realize there are a number of participants who have assets at Advantis, who will be impacted by this decision. Participants with assets at Advantis will have their accounts automatically transferred to VOYA, to the fixed account. As part of this contract negotiation, VOYA agreed to continue crediting all assets in the fixed account with 3% interest. This rate represents an **increase** to all Advantis participants, as the current rates Advantis offers on deferred compensation accounts range from 2.75% to 2.9%.

   Participants who are currently receiving regular installment distributions from their Advantis account will continue to receive these installments after the transition. The transition will occur in October and Advantis participants will receive additional information before funds are transferred.

3. **Performance Standards**: Our third objective for Plan improvement was to reaffirm contractual performance standards and guarantees with VOYA. These performance standards and guarantees are designed to ensure that County Plan participants and employees are receiving the many services and benefits we have negotiated on your behalf. These include service days VOYA provides at County worksites; group educational sessions; website access to participant accounts; numerous robust retirement planning tools; and many other benefits. The performance standards can be found at this link: https://multco.us/file/45391/download. VOYA has done well meeting these standards in the last several years, and we encourage all participants to review the standards and contact any committee member with questions or concerns.

The Committee recognizes that the new revenue model and the termination of Advantis as a Plan provider are each a significant departure from the model currently in place. This new revenue model results in all Plan participants paying equally for administrative services provided in the Plan, when currently they are not. Moreover, we realize that it may feel like employees now have two choices – VOYA and Advantis – and that after this transition there will only be one choice. Advantis only offers one fixed-rate investment option, and the fixed account offered by VOYA is very similar to the Advantis account. In addition, VOYA offers a higher interest rate than the rate offered by Advantis. We believe our decisions are truly in the best interest of all Plan participants and their beneficiaries, and would be happy to discuss your concerns with you if you reach out to us at deferred.comp@multco.us.

Sincerely,

The Multnomah County Deferred Compensation Committee:

Chris Yager – Plan Administrator 503-988-7581

Dan Arenholz – Labor Representative 503-988-3440

Tom Guiney – Retiree Representative

Tim Lichatowich – Sheriff's Office Representative 503-988-0372

Kathy Short – County Attorney Representative 503-988-3138