

Washoe County

Best and Final Offer

October 2018

Please provide the Best and Final Pricing Offer to Washoe County 457(b) Retirement Plan. This pricing should include the required revenue as a percentage of plan assets (%) as well as the locked in per participant revenue requirement (\$). Please note that the non-proprietary offer is completely independent from any proprietary investments, services, or other products.

	<i>Asset Based Fee (%)</i>	<i>Per Participant Fee (\$)</i>
<i>Required Revenue: Non-Proprietary</i>	0.155%	\$93
<i>Required Revenue: Proprietary*</i>	0.115%	\$69
<i>Required Revenue: Proprietary**</i>	0.03%	\$20

**Assumes the use of the Voya Stabilizer as the stability of principal option*

***Assumes the use of the Voya Fixed Account 457/401 – II as the stability of principal option*

What is the product or service being offered under the “Proprietary” revenue requirement? Please describe the fees, crediting rates, and please include a fact sheet.

Voya’s “Best and Final Pricing Offer” provides the County with two proprietary offerings. The first utilizes Voya’s Fixed Account 457/401 – II product which is a general account stability of principal option. This product offering was contained in our original RFP response. As an alternative, Voya is also making available to the County our Stabilizer product which is a pooled separate account contract. The details on these two product offerings are as follows:

Voya Fixed Account 457/401-II

The Voya Fixed Account 457/401-II represents a well-diversified portfolio, consisting primarily of Treasuries, U.S. government securities, corporate bonds, mortgage-backed securities, asset-backed securities, commercial mortgages, private placements and short term investments.

Voya uses the Portfolio method of interest rate crediting. The Voya Fixed Account 457/401-II guarantees* a minimum rate of interest for the life of the contract and may credit a higher interest rate from time to time. The current rate is subject to change at any time, but will never fall below the guaranteed minimum. Once the rate is credited, the interest becomes part of the principal and the investment increases through compound interest. All funds in the Voya Fixed Account receive the same credited rate, not just the latest deposits.

Voya’s offer includes two liquidity options on the Voya Fixed Account 457/401-II for the County’s consideration. The pricing of these liquidity options is the same but the credited rate provided to participants does change. The liquidity options and credited rates for these options are as follows:

Option 1 – Full liquidity at the end of the five year contract term

Under Option 1, the Voya Fixed Account – 457/401 II will credit interest at a rate of 3.30% through December 31, 2019, a rate of 3.00% from January 1 through December 31, 2020, a rate of 2.50% from January 1 through December 31, 2021 and the current jumbo case credited rate thereafter (currently 2.00%).

Twelve months prior to the end of the contract period, the County would provide notice of intent to liquidate the assets to Voya. Once the contract period anniversary date is attained, the assets may be moved without restriction.

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Option 2 – Liquidity of the assets is based upon either a 5 year spread payment of the assets or a market value adjustment (MVA) at the County's election

With this option, the Voya Fixed Account – 457/401 II will credit interest at a rate of 3.30% through December 31, 2019, a rate of 3.00% from January 1 through December 31, 2020, a rate of 2.75% from January 1 through December 31, 2021 and 2.25% for the remainder of the five year contract term.

On surrenders initiated by the plan sponsor for the purpose of removing the Fixed Account as an investment option for existing and/or future participants in the plan, or for the purpose of terminating the contract, the company will pay the Fixed Account value withdrawn in one of the following two ways, as elected by the plan sponsor:

- (a) In equal annual principal payments, with interest, over a period not to exceed 60 months.

In no event, will the interest rate be less than the minimum guaranteed interest rate shown on the Contract Schedule I.

- (b) In a single payment, which has been adjusted by the Fixed Account Market Value Adjustment ("MVA"). To determine the single payment amount, the sum of the amount withdrawn from the Fixed Account is multiplied by the MVA as described below.

The Fixed Account MVA is calculated as follows:

$$MVA = 1 + \left[\frac{(P1 + P2 + \dots + P_{120})}{P_{120}} - 1 \right] \times \text{Phase-In Factor}$$

Where: P_t equals $(1 + mt)(1 + mt+1) \dots (1 + m120)m120$

mt is the monthly price return for month t of the weighted average of certain indices as set forth in the Customized Index Composition below (if unavailable a similar service will be utilized) with months being defined as adjacent 30 day periods ending with the valuation date we receive the withdrawal request in good order at our Home Office.

$t = 1$ represents the 30 day period which is 120 periods prior to the valuation date of the withdrawal, and

$t = 2$ represents the 30 day period which is 119 periods prior to the valuation date of the withdrawal, and

t Represents the 30 day period immediately prior to the valuation date of the withdrawal.

$T=120$

Phase-In is the p Factor percentage determined based on the table below:

Contract Year	Phase-In Factor
1	20%
2	60%
3	100%
4	100%
5+	100%

Notwithstanding the foregoing, if the Contract was established in connection with a conversion from another of the Company's general account contracts or policies, the Phase-In Factor shall be equal to 100%, regardless of the Contract Year during which such payment is made.

Customized Index Composition

<u>Index</u>	<u>Customized Index Percentage</u>
Barclays US Corporate Investment Grade Index	50%
Barclays US Mortgage Backed Securities Index	20%
Barclays CMBS: ERISA Eligible Index	25%
Barclays Asset Backed Securities Index	5%

The Phase-In-Factors and indices within the Customized Index Composition are subject to change.

Under both options 1 and 2 as outlined above, the current credited interest rate may change but is guaranteed not to be below either the minimum annual rates noted. Any rate change initiated solely by Voya will be guaranteed to remain in effect until the last day of the three-month period measured from the first day of the month in which such change was made. The current rate for a plan's initial investment in the Voya Fixed Account – 457/401 II may be in effect for less than a full three-month period. For 2018, the minimum annual rate is equal to the GMIR, which is no less than 1.00% and no greater than 3.00%. The GMIR for contracts currently being issued is 1.00%.

Voya's estimate of the service fee for the proposed fixed account is 0.36% basis points. The service fee is the amount paid to Voya for other services provided in connection with the investment option. If your plan uses the Voya Fixed Account, the "Service Fee" represents our reasonable and good faith estimate of the cost of the record keeping and other administrative services being offset through a reduction in the rates of interest that would otherwise be credited. In developing our estimate, we applied guidance issued by the DOL in connection with Form 5500 Schedule C reporting. Under that guidance, if the rate of return on a fixed rate investment contract is net of the expense of record keeping and similar administrative services, then the amount so "netted" should be reported as a fee charged against the plan's investment in order to avoid the inference that the plan services were being provided free of charge. Estimates of those amounts are permitted so long as the estimate is reasonable, and the methodology and assumptions used to prepare the estimate are disclosed.

Please refer to the attachment for the General Account Portfolio Update.

Voya's Stabilizer

StabilizerSM is a participating separate account contract that combines an underlying fixed income investment strategy with a group annuity insurance contract. The insurance contract provides a guarantee of principal and accumulated interest. Each client receives their own crediting rate and has their own market value to book value ratio.

Voya's Stable Value team is responsible for the crediting rate resets. The crediting rates are reset quarterly, but can be done more frequently if required. Voya sends the Plan Sponsor/Consultant a detailed package showing the new crediting rate approximately two weeks before each reset date. The fee for Voya Stabilizer is 0.40%.

The Plan's funds are invested in an actively managed separate account, "insulated" from claims arising out of any other business conducted by VRIAC and can be used only for the benefit of plan participants. The separate account's market value reflects the total return on the invested portfolio minus fees. The separate accounts are managed by Voya Investment Management, Co. LLC, an affiliate of VRIAC. The Plan Sponsor may choose among the following investment strategies:

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- Intermediate Stable Value Fund – Invests in the full spectrum of fixed income securities, including mortgage pass-through securities, corporate notes and bonds, asset-backed securities, commercial mortgage-backed securities and U.S. Treasury and agency securities. The strategy seeks to outperform the total return of the Barclays Capital US Intermediate Aggregate Bond Index over a 2- to 3-year horizon and manage to a duration within 10% of the index.
- Government Securities Fund – Invests primarily in the Government National Mortgage Association (GNMA) and Treasuries backed by the full faith and credit of the U.S. Government. The strategy seeks to outperform comparable duration GNMA securities over the long term and manage to constant duration of 3.5 years (+/- 0.25 years).

Please see the attached illustrative quote sheet for details related to the fees and the initial credited offered through this fund and its investment strategies.

The Plan Sponsor has the option to exit the contract under one of three provisions:

- Market Value – The Plan can withdraw in cash its pro-rata share of the actual market value of the underlying assets held in the separate account by providing a 30 day notification to VRIAC.
- Book Value Settlement – This option provides payment of the Interest Accumulation Fund generally over the duration of the separate account. While in Book Value Settlement, the Plan may withdraw in cash at Market Value at any time upon giving 30 days' notice to VRIAC.
- Payment-in-kind (only for individual managed separate accounts) – This option provides for a transfer of the securities in the separate account to the new provider.

Pricing utilizing the Voya Stabilizer Fund is outlined above.