

# Default Investment Change Directive

## *Instructions for Providing Direction to Prudential for Offering or Changing a Default Investment*

1. Please complete and return to Prudential Retirement (“Prudential”) this Administrative Directive (the “Directive”) to confirm your intent to change the Plan’s Default Investment.
2. To complete this Directive, the Plan Sponsor must:
  - (a) Make an appropriate choice for its plan,
  - (b) Fill in the required information, and
  - (c) Sign and date the Directive and return to your Prudential Relationship Manager as soon as possible, but no less than 60 days prior to the intended effective date.
  - (d) As used in this Directive, “you” refers to the Plan Sponsor who completes the Directive and “we” or “us” refers to Prudential.

**NOTE:** For ease of completion and review of this Directive, certain caveats, disclosures, and disclaimers are located in the Endnotes pages at the end of this document. Do not complete the Directive unless you have reviewed and understand all applicable Endnotes.

### ADMINISTRATIVE DIRECTIVE FOR A NON- QUALIFIED DEFAULT INVESTMENT ALTERNATIVE

**Name of Plan:** Lancaster County, NE Employees Retirement Plan & Lancaster County, NE 457 Deferred Compensation Plan (the “Plan”)

**Plan ID #:** 006371 & 006372

NOTE: Do not use this Directive if you intend to adopt the optional fiduciary liability safe harbor for Qualified Default Investment Alternative (“QDIA”) (see DOL reg. and section 404(c)(5) of ERISA and regulations of the U.S. Department of Labor. Please ask your Relationship Manager if you wish to get more information about how to adopt QDIA.

This Directive to Prudential reflects the Plan Sponsor’s intent to change the Plan’s default investment fund. Please note that if the Plan is changing the current default investment fund or age-appropriate asset allocation, it is important to speak with your Prudential representative for specific timing and/or pricing information.

Complete the remainder of this Directive and review the Endnotes. *Please execute and return this Directive and provide data indicated in Parts 1 – 3 below at least 60 days prior to the intended effective date of the default change so that we may proceed with implementing this option.* Please be aware that the change will not be made available to your Plan until all necessary information is received.

Intended Implementation Date: June 5, 2018

Prudential suggests that you discuss the appropriateness of this option with your legal counsel or investment advisor.

# Default Investment Change Directive

## Part 1. Identification of the Current Default Fund.

A. What is the Plan's current default investment: GoalMaker Conservative Portfolio

## Part 2: Participants who will be invested in the default investment fund.

A. Two categories of participants will be invested in the chosen default fund, as follows:

1. Participants who were or will be automatically enrolled through the Plan's auto-enrollment feature on the Prudential recordkeeping system and did not make a deferral rate change or an investment choice for future contributions prior to 12/12/08<sup>i</sup> or did not make any investment choice after 12/12/08. (This option only applies if auto-enrollment is a Plan feature).
2. Participants who have not made an investment choice (as allowed by the Plan) for any future contributions, or where the Plan does not have records for future contribution investment choices.

B. You will be provided a listing of the two categories of participants above (who are known as "Default Investors") with support from your Prudential representative:

1. Prudential will identify for your review and approval participants who are currently identified on Prudential's recordkeeping system as never having made an investment choice and who are already identified as Default Investors.
2. Prudential will identify for your review and approval participants who are not currently identified as Default Investors on Prudential's recordkeeping system, but who do not have any investment instructions for future contributions on file for any source.<sup>ii,iii</sup> The result of including these participants on the Default Investor listing is that they subsequently will be identified on Prudential's recordkeeping system as Default Investors.

C. The Default Investor listing may include, as applicable, active participants, terminated participants, alternate payees, and/or beneficiaries. You will be asked to review and approve the listing of the participant population to be treated as Default Investors. Prudential will use the Default Investor listing, once it is approved by you, to determine the population whose contributions will be invested in the plan default investment fund. Certain sub-categories of Default Investors warrant closer inspection, as described below, before the Default Investor listing is finalized.<sup>iv</sup>

1. Handling of Terminated Participants on the Default Investor listing as of the Implementation Date.

Participants who terminated from employment will automatically be included in the Default Investor listing.<sup>v</sup> Check the box below if you want to exclude Terminated participants.

Please EXCLUDE from the Default Investor listing any terminated participant. This means that terminated participants will remain in their current investment funds.

## *Default Investment Change Directive*

2. Handling of Alternate Payees and/or Beneficiaries Who Have a Balance as of the Implementation Date.<sup>iv</sup>

Alternate payees and/or beneficiaries who have a balance will automatically be excluded from the Default Investor listing and therefore will remain invested in their current investment fund. If you want to include them, check either or both of the boxes below, as appropriate.

Please INCLUDE in the Default Investor listing any beneficiary with a balance.

Please INCLUDE in the Default Investor listing any alternate payee with a balance.

3. Handling of Newly Terminated Participants, New Beneficiaries, and New Alternate Payees After the Implementation Date.

Prospectively (after the implementation), a participant who terminates will retain the designation he had while an active participant; new beneficiaries or alternate payees will be treated as default investors.<sup>vi</sup>

### **Part 3: Default Investment Selection**

Please choose one of the following default investment options in this section. Your choice will be applied in all situations for participants you determine to be Default Investors (see Part 2) across all contribution sources.<sup>ii, vii</sup> If the option you choose in this section is not in your current investment lineup, Prudential will need at least three days after the option is established as an investment in your Plan before it can be implemented as the plan's default.

#### **Option 1: GoalMaker®**

##### **A. GoalMaker's Unique Features**

GoalMaker has several unique features that you should understand before choosing to use GoalMaker as your Plan's default. For example, GoalMaker's automatic rebalancing feature generally results in a participant's entire account—including existing balances that may not currently be exposed to equity markets—being rebalanced periodically into the age-appropriate allocation for that participant. For a list of important GoalMaker features, refer to the Endnotes.<sup>ix</sup>

As the plan fiduciary, you will be responsible for choosing the fund for each asset class used in the GoalMaker program and determining that the asset allocation models are prudent. Please note that there are specific rules regarding the use of Goalmaker as a QDIA, therefore, you may not use this directive to adopt QDIA. Prudential suggests that you discuss this with your legal counsel and or investment advisor.

# Default Investment Change Directive

## B. Choose a Retirement Income Option.

- Include an allocation to Retirement Income: IncomeFlex Target.<sup>xi</sup>
- DO NOT include an allocation to Retirement Income.

NOTE: When using GoalMaker with IncomeFlex Target as the default investment option, you must elect to offer the Prudential Day One<sup>SM</sup> IncomeFlex Target<sup>®</sup> Fund.<sup>xi</sup>

## C. Risk Tolerance.

Please designate the risk tolerance (conservative or moderate) that will be uniformly applicable to all default investments. If you designate no risk tolerance, you will be deemed to have designated a moderate risk tolerance.

**Risk Tolerance:**                       Conservative                       Moderate

## D. How to Handle Existing Balances for the Defined Population

1. Please select one of the rebalance options below:

- a.  Rebalance for the first time when the first periodic GoalMaker automatic rebalance is already scheduled to run.
- b.  Rebalance for the first time concurrent with the Implementation Date. (Subsequent rebalancing will happen according to the periodic rebalancing schedule.)

## Option 2: An Established Family of Target-Date or Target-Age Funds<sup>viii</sup>

### A. Choose one of the following options:

- Prudential Day One<sup>SM</sup> IncomeFlex Target<sup>®</sup> Funds.
- Prudential Day One<sup>SM</sup> Funds.
- Prudential Retirement Goal<sup>SM</sup> Funds
- A Family of Funds Managed by Another Fund Company.

Please identify the Fund Manager and the Fund Family Name below:

Fund Manager/Company: \_\_\_\_\_

Fund Family Name: \_\_\_\_\_

# Default Investment Change Directive

## B. How to Handle Existing Balances for the Defined Population

How do you want to treat the existing balance for the participants included in your Default Investor listing?

- Keep these existing balances invested where they are; do not move them to the Plan's new default investment fund.
- Move these existing balances to the Plan's new default investment fund on the Implementation Date.

### Option 3: Other Funds

#### A. Please note the following:

If you want to choose as the Plan's default, a single balanced fund or any other fund that is already in the Plan's investment lineup, please identify it below.<sup>x</sup> (If you want a listing of other available funds, please notify your Prudential representative.)

\_\_\_\_\_  
(Investment Name)

## B. How to Handle Existing Balances for the Defined Population

How do you want to treat the existing balance for the participants included in your Default Investor listing?

- Keep these existing balances invested where they are; do not move them to the Plan's new default investment fund.
- Move these existing balances to the Plan's new default investment fund on the Implementation Date.

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By signing below, you (the Plan Sponsor) acknowledge and understand that you are responsible for prudently selecting and monitoring the Plan's default investment fund, and that Prudential will rely on this Directive to update records maintained on behalf of you and the Plan and to process any transactions in accordance with such records. The Plan Sponsor also acknowledges and understands that this Directive may not be used for adoption of QDIA.

EXECUTED AT (city) \_\_\_\_\_, (state) \_\_\_\_\_, this \_\_\_\_\_ day of  
(month) \_\_\_\_\_, (year) \_\_\_\_\_.

By: (signature) \_\_\_\_\_

(print) \_\_\_\_\_

Title: \_\_\_\_\_

# Default Investment Change Directive

## ENDNOTES

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- <sup>i</sup> On December 12, 2008, Prudential enhanced the method for tracking participants who have never made an investment choice.
- <sup>ii</sup> Some Participants may have elected investment allocations for future contributions for certain contribution sources but not all contribution sources. Participants who made an investment choice for any source of money (i.e., salary deferrals) are deemed to have made an affirmative election for their entire account; therefore, are not considered Default Investors according to Prudential's recordkeeping system. If, however, a contribution or rollover is received for a contribution source for which the participant has not elected an investment allocation, the contribution or rollover will be invested in a "secondary default investment." These Participants should be advised by you that they will be invested in this secondary default investment, unless they make investment choices for all sources. If your Plan uses an age-based investment fund (i.e., Target Date or Retirement Goal investments) as the default, this secondary default investment option will match the most conservative portfolio within the age-based series or the specific Secondary Default investment you chose for the plan. If your Plan uses an age-based arrangement (i.e., GoalMaker) as the default, the secondary default investment will match the model portfolio allocations used at the time of default set-up. Contact your Prudential representative for more information or to discuss other alternatives.
- <sup>iii</sup> For participants whose investment instructions for future contributions and account balances completely match the plan's prior default investment, it may be difficult to determine whether these participants chose this investment or whether this is a default investment resulting from the participants' inaction. Prudential's recordkeeping system will generally identify these participants as affirmatively-electing participants unless you direct us to treat them as Default Investors. Contact your Prudential Representative for more information.
- <sup>iv</sup> Because recordkeeping systems have not historically been required to maintain future contribution investment choices for terminated participants, beneficiaries, and alternate payees who may have made an investment choice for future contributions when they were actively contributing, this population must be reviewed carefully. Terminated participants, beneficiaries, and alternate payees for whom an investment choice for future contributions is not recorded as of the Implementation Date will be handled as indicated in Part 2, Options C.1-3, unless you choose special handling. Excluding these participants from the Default Investor listing means that they will be excluded from the implementation, from automatic investment changes that may otherwise occur.
- <sup>v</sup> Including Terminated participants in the Default Investor listing will provide that, if the participant is rehired and contributions resume, the participant will still be identifiable as a Default Investor.
- <sup>vi</sup> If an active participant is deemed to have made an investment choice on the Prudential recordkeeping system, then he is deemed to have made an investment choice when he eventually terminates. If an active participant is a Default Investor, then he is deemed to be a Default Investor when he eventually terminates.
- <sup>vii</sup> The change will apply to participants indicated in Part 2 and in the following situations:
  - (a) Forced enrollments (sometimes called "pseudo" or "dummy" enrollment) created because a contribution—including a rollover contribution—is received for an individual who is not yet on Prudential's electronic records
  - (b) A paper-based enrollment form lacks investment instructions
  - (c) Any other situation where a participant's account lacks investment instructions
- <sup>viii</sup> The Plan Sponsor is responsible for ensuring that dates of birth are submitted to Prudential, and that they are accurate. For Part 3, Option 1 (GoalMaker) or Option 2 (An Established Family of Target-Date or Target-Age Funds), if you fail to accurately provide a birth date for a participant, Prudential will invest such participant's account in an investment arrangement which may not be appropriate for their age. For GoalMaker, this is the most conservative portfolio within the risk tolerance option you chose in Option 1.B. For "An Established Family of Target-Date or Target-Age Funds," this is the most conservative investment portfolio within the fund family. You may want to discuss with your legal counsel.
- <sup>ix</sup> When using GoalMaker as the default investment option:
  - (a) You understand that you are using the version of GoalMaker that exists as your plan default investment at the plan level—which may or may not include the Income Flex feature.
  - (b) All active plan contribution types available within the GoalMaker program will be invested in the GoalMaker portfolio.
  - (c) If the age-adjustment feature is utilized, this feature gradually adjusts participants' investments to more conservative portfolios as participants get closer to retirement age. The Plan Sponsor is responsible for ensuring that accurate dates of birth are submitted to Prudential.
  - (d) The rebalancing feature will apply. This feature automatically rebalances a GoalMaker participant's account periodically (at a frequency determined by the Plan Sponsor) to remain consistent with the investment portfolio that is appropriate for the participant's age and the Plan's Normal Retirement Age. Prudential IncomeFlex Target within GoalMaker is excluded from rebalancing.

## *Default Investment Change Directive*

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- <sup>x</sup> If the balanced fund you choose is a Lifetime fund, then you understand that you are choosing a single Lifetime fund as the plan default.
- <sup>xi</sup> Prudential IncomeFlex Target is a series of target date funds with underlying withdrawal guarantees which become active 10 years before the respective fund's target date, except for the guarantee for the balanced fund which is always active. The plan may offer IncomeFlex Target to all participants as a set of target date funds or offer only the Prudential Day One<sup>SM</sup> IncomeFlex Target<sup>®</sup> Fund through the GoalMaker<sup>®</sup> Asset Allocation Program. If it is offered through GoalMaker, the retirement income begins at the migration age of 55.