State of Rhode Island

June 30, 2016

Plan Review

SAVING : INVESTING : PLANNING

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VALIC®

State of Rhode Island

June 30, 2016

Jana Greer,
President and CEO
Individual and Group Retirement
AIG Consumer Insurance

Glenn Harris,
Executive Vice President
Institutional Group Management
VALIC

Welcome to your VALIC comprehensive plan review

We appreciate the opportunity to serve your organization, and value the trust you have placed with us to provide for the retirement saving, planning, and financial education needs of your employees.

It is our pleasure to present your organization's comprehensive plan review, which demonstrates the progress being made in reaching your plan goals and objectives. This review is a tool to help you assess plan data through various views and segmentation, allowing you to analyze and actively manage plan performance.

We remain committed to our partnership, and look forward to continuing our work together to positively impact participant retirement outcomes and improve the financial health of your plan.

As you may know, we have begun a journey to transform the way your employees think about the future and the way they engage with VALIC. A modern workforce demands a new type of personalized experience, one that combines our traditional, advisor high-touch model with a strong mobile and digital self-service approach that better motivates and engages employees on their terms — anytime, anywhere, 24/7 — on any device they choose.

This year, we're pleased to introduce the retirement readiness concept "FutureFIT." It stands for "Freedom. Individually Tailored.℠" and will be woven throughout our new digital platform, interactive tools and educational communications. FutureFIT is about owning your future — living tomorrow the way you choose — and enjoying life the way you want. We're confident that VALIC and FutureFIT will motivate employees to take action and prepare for retirement, and we are excited to continue our journey into the future with you!

Serving as the best possible partner for you and for your employees is our most important goal. We look forward to discussing this plan review with you, and working together on refining strategies for the future.

Sincerely,

Jana Greer, President and CEO
Individual and Group Retirement
AIG Consumer Insurance

Glenn Harris, Executive Vice President
Institutional Group Management
VALIC

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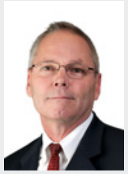
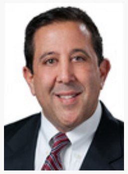
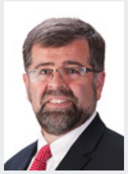
Your Service Team Contacts

	**Vice President** VALIC 100 Connell Drive Berkeley Heights, NJ 07922	**Greg J. Hyland** 410-859-2364 Greg.Hyland@valic.com	• Manage overall relationship with plan sponsor • Initiate strategic planning and defining new plan sponsor initiatives • Provide expert advice and consulting services to plan sponsors • Create and monitor strategic Education and Communication Plan • Deliver Plan Review
	**District Vice President** VALIC 410 Amherst Street Suite 310 Nashua, NH 03063	**Gregg Libutti** 860-874-3918 Gregg.Libutti@valic.com	• Fulfill group communication and education initiatives • Manage local participant servicing activity • Manage daily performance of financial advisors
	**Executive Relationship Manager** VALIC 35 Sylvan Road South Portland, ME 04106	**Michael Carter** 281-906-9825 Michael.Carter@valic.com	• Manage overall plan administration and plan sponsor reporting activity • Participate in strategic planning and defining new plan sponsor initiatives • Monitor legislative and pension-related activity • Prepare Group Plan Review and plan sponsor requested correspondence

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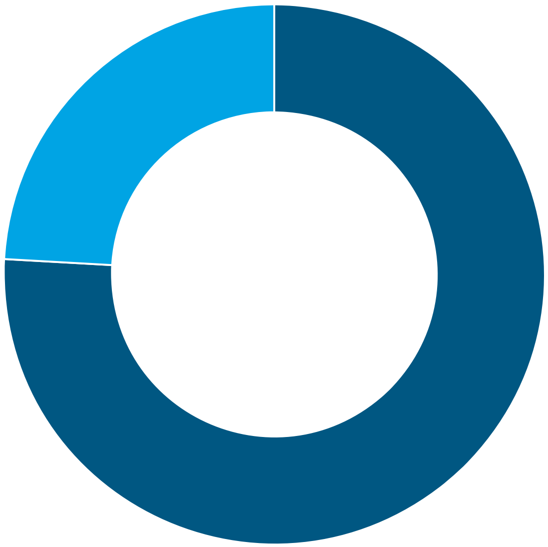
Total Plan Assets

The following list of plans represents the active plans in your group. For more complete details of plans, please refer to the Plan Summary and Plan Overview sections of this review.

Plan Type	Assets	% of Total
Deferred Compensation Plan - Mutual Funds	$ 43,126,687	75.91%
Deferred Compensation Plan - Annuity Funds	$ 13,688,225	24.09%
Total	$ 56,814,912	100.00%



Plan Summary

REPORT

This summary and analysis can help you identify key areas on which to focus in the coming year to help energize your employees and increase participation.

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Snapshot

The information below is a high-level representation of plan activity for the period being reported. Over time, the data points will be enriched to reflect period-over-period trends within the plan. Analysis of those trends will assist in determining the successes and opportunities of the Communications and Education Strategy.

Plan Snapshot	6/30/16
Assets	$43,126,687
Active Participants	481
Total Participants	878
Contributions	$1,679,458
Distributions	($1,342,954)
New Enrollments	13

14

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Participant Health

Below is a summary of plan level participant metrics. Over time, these metrics will assist in determining overall plan health.

Participant Health	6/30/16
Average Account Balance*	$50,441
Average Loan Value	-
Total Loans	-
Participants Holding One Non-Diversified Fund	293

*The Average Account Balance is the Total Plan Assets minus the Loan balance for the plan, divided by the number of participants with a balance in the plan.

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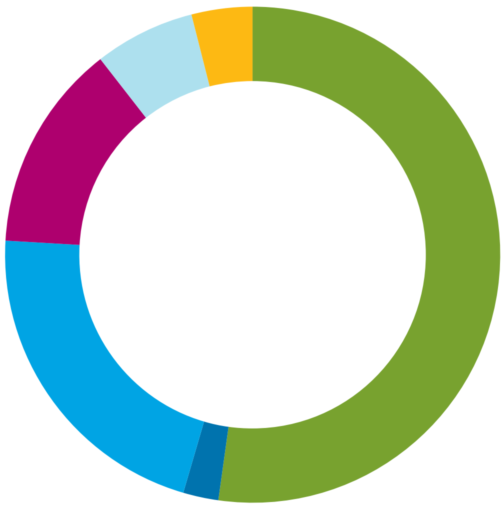
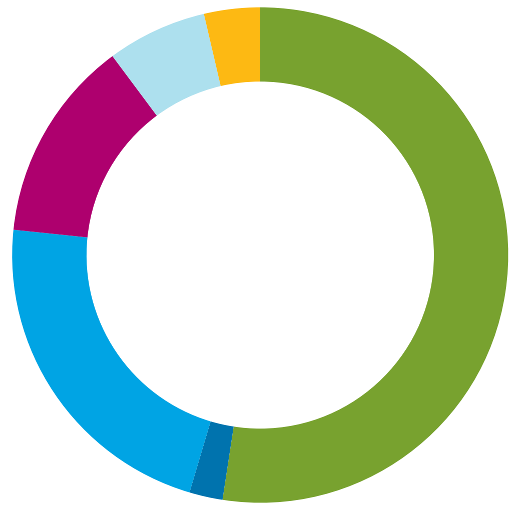
Investment Allocation by Asset Class

6/30/2015



6/30/2016



Investment Allocation by Asset Class demonstrates the degree of diversification within the plan.

	Fixed Income	Hybrid	Large Cap	Mid Cap	Small Cap	Global & Intl Equity	Specialty
6/30/2015	52.2%	2.3%	21.4%	13.6%	6.6%	4.0%	0.0%
6/30/2016	52.4%	2.2%	22.0%	13.2%	6.5%	3.6%	0.0%
Change	**0.2%**	**-0.1%**	**0.6%**	**-0.3%**	**-0.1%**	**-0.3%**	**0.0%**

Asset Allocation for VALIC mutual funds General Government plans (132 plans)

12/31/2015	39%	7%	26%	10%	6%	10%	2%

Appendix

Here you can take a quick glimpse at the broad range of products and services we deliver every day to plan sponsors and plan participants across America.

Legislative/Regulatory Updates

Second Quarter 2016

DOL Releases Final Fiduciary Advice Rule

On April 6, 2016, the Department of Labor released final rules applicable to ERISA plans and IRAs, which include:

- A final regulation defining fiduciary advice, to replace the existing regulation;
- A set of new prohibited transaction exemptions;
- A set of changes to existing prohibited transaction exemptions; and,
- Changes to existing guidance defining education and guidance.

The regulation significantly expands the scope of what can be considered fiduciary advice, subject to certain important exceptions (including exceptions for many interactions with plan sponsors, as well as exceptions applicable to plan sponsors, plan participants, and IRA investors). Under the regulation, and in the absence of an available exception, fiduciary advice would include a large variety of interactions with plan sponsors/fiduciaries, plan participants and beneficiaries, and IRA investors.

In the event of fiduciary advice, the availability of exemptions can play an important role in continuing to provide valued services to plan sponsors, plan participants, and IRA owners. The primary new prohibited transaction exemption, available for many of those interactions that would be considered fiduciary advice, is a "best interest contract exemption," which requires a disclosure to ERISA plan participants and a contract with IRA clients, and which also imposes a number of additional compliance and disclosure requirements.

Modifications to guidance defining participant education (previously found in DOL Interpretive Bulletin 96-1; now contained within the regulation) include the elimination of the ability to identify specific individual investment options for IRAs, such as for allocation models, and the explicit addition of retirement income to the scope of the guidance.

The final regulation and exemptions will take effect April 10, 2017. However, certain of the best interest contract exemption requirements do not have to be implemented prior to January 1, 2018.

IRS Issues Proposed Rules for Nonqualified Deferred Compensation Arrangements of Governmental and Tax-Exempt Employers

On June 21, 2016, the Internal Revenue Service (IRS) issued proposed regulations that address Section 457(f) nonqualified deferred compensation plans of governmental and tax-exempt employers. The proposed regulations clarify when deferred amounts are includible in income, and how to calculate the amount to be included in income (when the risk of forfeiture lapses). The guidance also addresses the interaction between Code Sections 457(f) and 409A, including new 457(f)-specific definitions of:

- Deferral of compensation;
- Substantial risk of forfeiture (which can include elective deferrals and agreements not to compete, if certain requirements are met);
- Short-term deferral;
- Bona fide severance pay plan; and
- Involuntary termination of employment (including termination for "good reason").

These rules, once finalized, will provide much-needed clarity to governmental and tax-exempt employers as they enter into employment agreements, bonus arrangements, and incentive compensation plans with their executives and other key employees. The ability to defer taxation on compensation that is contingent on the employee's agreement not to

Legislative/Regulatory Updates *(cont'd)*

compete is particularly helpful, as is the clarification on the types of arrangements (such as short-term deferrals and bona fide severance pay plans) that are exempt from Code Section 457(f).

The IRS has scheduled a public hearing on the proposed regulations for October 18, 2016. The proposed rules will not be effective until the first calendar year beginning after the regulations are finalized, but taxpayers may rely on the regulations between now and the effective date.

IRS Proposes Clarifications and Corrections to the 409A Rules for Nonqualified Deferred Compensation Plans

Also on June 21, 2016, the IRS proposed a set of clarifications and modifications to the rules under Code Section 409A that govern nonqualified deferred compensation plans (NQDCs). Many of the changes would slightly liberalize the 2007 final rules (which became effective in 2009). However, the proposed regulations also detail certain practices that the IRS considers violations of the 2007 regulations. The proposed regulations also include changes to the 2008 proposed income inclusion and penalty rules, imposing strict conditions on changing nonvested NQDC payment terms without triggering income and penalty taxes.

IRS Confirms Changes to the Determination Letter Program

The IRS has confirmed in Revenue Procedure 2016-37 that it will sharply curtail the determination letter program for individually designed qualified plans (i.e., plans that do not use a "pre-approved" prototype or volume submitter plan document). Starting January 1, 2017, the IRS will generally issue determination letters for such plans only on the plan's initial qualification and upon termination of the plan. The IRS will decide each year, based on its staffing and workload levels, whether to issue determination letters for other situations, such as significant law changes, merged plans, new design approaches, or for types of plans that cannot convert to preapproved documents.

However, there are a few "positives" in the latest guidance, including:

- The IRS intends to publish annually a "Required Amendments List" of disqualifying provisions that arise as a result of changes in the law or other IRS guidance.
- The "remedial amendment period" for any disqualifying provision on the Required Amendments List will generally not end until the last day of the second calendar year following the year the list is issued.
- The IRS also intends to publish annually an "Operational Compliance List" to identify changes in qualification requirements that are effective during a calendar year.
- The remedial amendment period for certain disqualifying provisions (which was set to expire on December 31, 2016) has been extended to December 31, 2017, except that with respect to any disqualifying provision that is on the 2016 "Required Amendments List" (described above), the remedial amendment period will end on the last day of the second calendar year that begins after the issuance of the list.
- Determination letters issued after January 4, 2016, no longer contain expiration dates (and expiration dates on letters issued prior to that date are no longer operative). Therefore, a plan sponsor may continue to rely on an existing letter indefinitely, at least with respect to any provision that is not subsequently amended or is not subsequently affected by a change in the law.

IRS Withdraws Proposed Rule Restricting "Cross-tested" Plans

Largely in response to opposition from the retirement plans community, the IRS has withdrawn part of a proposed regulation that would have significantly tightened the nondiscrimination testing for plans that are designed to favor owners, executives and

Legislative/Regulatory Updates *(cont'd)*

other highly-compensated employees ("HCEs"). The proposed changes were part of a larger package of proposed nondiscrimination testing rules that include testing relief for closed pension plans and other situations. The IRS is not withdrawing the testing relief portion of the proposed regulation.

The withdrawn rules would have made it more difficult for certain plans to pass the 401(a)(4) nondiscrimination test on a "cross-tested" basis (where contributions are converted to equivalent benefits for testing purposes). Repeal of the proposed rule means that defined contribution plans may continue to be structured and tested in accordance with the rules that have been in place since the early 2000's.

IRS Finalizes Rules Facilitating Partial Rollovers from Designated Roth Accounts

Final IRS regulations published on May 18, 2016, allow individuals to split a "nonqualified" distribution from a designated Roth account in a 401(k) or 403(b) plan into taxable and non-taxable portions so that the taxable portion may be rolled over to a Traditional IRA (or another employer plan) and the non-taxable portion may be taken in cash (or rolled to a Roth IRA). Earlier rules had blocked this strategy. The final rule applies to distributions made after December 31, 2015, but taxpayers may rely on the new rules for distributions made on or after September 14, 2014. Note that "qualified" distributions from designated Roth accounts are totally non-taxable, and therefore are not subject to these rules.

Agencies Propose Significant Changes to Form 5500 Annual Reports

The DOL, IRS and PBGC have jointly proposed major changes to the Form 5500 series of annual reports for employee benefit plans. According to a DOL fact sheet, the proposals are intended to improve benefit plan reporting by requiring more detailed information on compliance, investments and service provider fees. Some of the proposed changes for retirement plans include:

- Requesting (in the main body of the form) additional data about participant accounts, contributions and distributions, including whether the plan uses a "safe harbor" or "SIMPLE" design, and whether the plan offers Roth contributions, investment education or investment advice.
- Requesting information about offset and DB/DC combination plans, default investments, rollovers used for business start-ups (i.e., ROBS), leased employees, and pre-approved plans.
- Revising Schedule R to include new questions about participation rates, matching contributions and nondiscrimination.

Some of the proposed changes that will apply to all types of plans (including welfare benefit plans) include:

- Requiring a separate Schedule C for each service provider, with revisions designed to more closely align the schedule with the service provider fee disclosure rules under Section 408(b)(2) of ERISA.
- Expanding Schedule H to include questions on fee disclosures, annual fair market valuations, designated investment alternatives, investment managers, plan terminations, asset transfers, administrative expenses, uncashed checks, SPDs and other topics.

The proposed changes are to take effect with the 2019 plan year filings, although some changes may be implemented earlier or later than the 2019 plan year. Comments on the proposed changes are due by October 4, 2016.

VALIC: Your experienced business partner

VALIC is the right partner for your organization. Our group retirement plans offer a flexible mix of services, technology and support, allowing us to easily customize plans for groups both large and small. With more than half a century of experience, we help Americans plan for and enjoy a secure retirement.

Serving nearly 25,000 group plans, VALIC is a leading plan provider for healthcare, higher education, K-12, government and other not-for-profit institutions.

We are committed to the same unchanging standard of one-on-one service we have delivered since our founding. Our goal is to help your employees live retirement on their terms.

Plan Sponsor Services

Compliance and plan administration can be time-consuming and complicated. We have the expertise to help. We provide the essential elements of a plan and more.

Key elements

- Plan document services — may include plan document, summary plan description, plan highlights, education policy statement and an investment policy statement
- Acting as a directed trustee or custodian (if applicable)
- Managing a recordkeeping system to track the flow of funds going to and from the retirement plan
- Monitoring plan compliance with current laws and regulations
- Assisting with audit preparation, if applicable
- Delivering engaging employee education and communication
- Deliver annual Plan Review

Meeting your fiduciary responsibilities

The security of a retirement plan and compliance starts with understanding fiduciary responsibilities.

Fiduciary priorities

- Assist with plan compliance
- Make you and your employees aware of the regulations and laws
- Educate you and your employees about the plan and its investment options

Our process is documented, thorough and monitored frequently to ensure your plan is on track.

Multiple provider and legacy asset solutions

If your plan includes multiple providers and legacy assets and you need a compliance solution to manage loan and hardship authentication, you may benefit from Retirement Manager®, our vendor-neutral service which helps keep your organization in compliance.

Retirement Manager benefits

- Eliminate compliance administration headaches
- Dramatically reduce costs of plan administration and compliance
- Provide professional compliance solutions from an experienced industry leader
- Ensure secure data transfer
- Meet important compliance requirements
- Simplify multivendor plan reports for current and legacy vendors
- Keep you ahead of future regulatory changes

Participant Services

Our goal is to go above and beyond traditional education and participant services to help prepare your employees for retirement.

Meeting employee preferences — online, by phone or in person

At VALIC, we understand that every workplace has a mix of employees with personal preferences. Some people like to discuss topics and get advice in person while others conduct their own independent research. That's why we've developed a variety of ways — online, by phone, with mobile devices or in person — for your employees to manage their retirement savings.

Whether your employees want to handle their retirement accounts by themselves, get a little advice or hand everything over to a trusted professional, we have the right model.

Tools to help prepare your employees for a secure retirement

We have developed a host of educational services and materials to help inform and engage your employees and motivate them to take action toward saving for retirement.

These include:

Complete account information, transaction forms and processing

- Enrollment materials
- Informative group meetings
- Individual counseling sessions
- Award-winning literature
- Targeted employee communications
- Comprehensive financial plans
- On-site, local financial advisor support
- Educational seminars
- Online educational tools and calculators
- Investment advice in person, online or over the phone
- Asset allocation advice
- Asset management options
- Mobile-designed apps and Web pages
- Gap analysis reports
- Facebook and Twitter posts
- Goal and life stages videos

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