STANDARD PLAN DEFAULT INVESTMENT OPTION QUESTIONS AND ANSWERS

The following questions and answers should aid in your review and understanding of the changes being made to ICMA-RC's standard plan default investment option and the action required on your part.

OVERVIEW

1. *Why is ICMA-RC changing its standard plan default investment option?*

   The Department of Labor (DOL) released final regulations in October 2007 for Qualified Default Investment Alternatives (QDIAs), offering fiduciary relief to ERISA plan sponsors who comply with the regulations. The regulations require the use of one of the following types of investments as a plan's default option: target retirement date funds, balanced funds, or managed accounts. Stable value funds, such as the VantageTrust PLUS Fund, may only be used as a QDIA for a period of up to 120 days following a participant's first contribution, after which, the contributions must be moved to a permanent QDIA.

   As such, ICMA-RC is changing its standard plan default investment option to the Milestone Funds, a series of target-date funds. The Milestone Funds offer an all in one investment strategy that changes as participants move closer to retirement. As each fund approaches the target date, the underlying asset allocation is strategically shifted to become more conservative so the overall risk is reduced as participants near their retirement date.

2. *Why make the change if the guidance is only applicable to plans governed by ERISA?*

   Though the QDIA regulations apply to plans covered by ERISA (which does not include ICMA-RC's governmental 457 and 401 plans), governmental employers often use ERISA as a guide when administering their plans. As is the case with employers covered by ERISA, governmental employers are accountable for operating their plans in a prudent fiduciary manner. By implementing a program consistent with the QDIA regulations, governmental employers will have positioned themselves to argue that their actions were consistent with the best available guidance (i.e., the QDIA regulations) for prudent plan administration.

   Furthermore, ICMA-RC believes implementing the Milestone Funds as the plan's investment default will help impacted participants better save for a more secure retirement.

3. *Where can I find more information regarding the QDIA regulations?*

   The final DOL regulations are available on the ICMA-RC Web site at www.icmarc.org/ppa.

4. *Why did ICMA-RC choose target retirement date funds (the Milestone Funds) instead of other QDIAs, such as balanced funds or managed accounts, as the standard plan default investment option?*

   ICMA-RC chose the Milestone Funds as the standard plan default investment option because they provide participants with an age-appropriate diversified portfolio that takes into account the participant's time horizon until retirement. Each Milestone Fund continually adjusts over time to remain on target with the time remaining until a participant's retirement. Furthermore, ICMA-RC is able to place an impacted participant in an age-appropriate investment based solely on the participant's date of birth.

   While balanced funds provide a diversified portfolio, they use a "one-size-fits-all" approach that does not take into account a participant's time horizon until retirement.

MILESTONE FUNDS INFORMATION

9. What are the Milestone Funds?

The Milestone Funds are a series of eight mutual funds that provide a professionally managed portfolio that is "aged" to reflect an increasingly conservative asset mix as the Fund approaches the target retirement date. For more information about the Milestone Funds, please review the Milestone Funds brochure included in this packet.

Additional information about the Milestone Funds, including risks and expenses, can be found in the *Vantagepoint Funds Prospectus* available on our Web site at www.icmarc.org.

10. What are the risks of the Milestone Funds?

The Milestone Funds offer an all-in-one investment strategy that changes as participants move closer to retirement. Each Milestone Fund invests in underlying Funds having a different degree of potential risk and reward. This approach provides built-in diversification among the underlying Funds and asset classes, which can help reduce risk. As each Fund approaches the target date, the underlying asset allocation is strategically shifted to become more conservative so the overall risk is reduced as participants near their retirement date.

To varying degrees, each of the Funds entails the risk that an investor may lose money. The Funds are subject to all of the general risks of investing in the domestic and international stock markets and to interest rate and credit risks associated with investment in fixed income securities.

Additional information about the Milestone Funds, including risks and expenses, can be found in the *Vantagepoint Funds Prospectus* available on our Web site at www.icmarc.org.

11. How do the expenses of the Milestone Funds compare to the PLUS Fund?

Milestone Funds provide a professionally managed portfolio of underlying Funds designed to reflect an increasingly conservative asset mix as the Funds approach their target date. Because each Fund is comprised of a different combination of underlying equity and fixed income Funds, the expenses will differ by Fund. Currently, Milestone Fund expense ratios range from 81 to 99 basis points.

The PLUS Fund's objective is to provide a high rate of income consistent with preservation of capital. Unlike the Milestone Funds, the asset allocation of the PLUS Fund does not vary based on a predetermined time horizon. The expense ratio for the PLUS Fund is currently 46 basis points.

Additional information about the Milestone Funds, including risks and expenses, can be found in the *Vantagepoint Funds Prospectus* available on our Web site at www.icmarc.org.

IMPACT ON DEFAULTING PARTICIPANTS

12. What will happen to the investments of participants that are currently defaulting into the PLUS Fund?

Future contributions for participants currently defaulting to the PLUS Fund, and contributions for newly enrolled participants, must be allocated to a QDIA in order to meet the conditions of the QDIA regulations. Consistent with the regulations, ICMA-RC's new standard plan default investment option will allocate future contributions to the appropriate Milestone Fund for 1) participants currently defaulting and 2) newly enrolled participants who do not provide investment allocation instructions.

If you choose to implement the Milestone Funds as your plan's default investment option, then at the conclusion of the negative election period:

- Participants currently defaulting into the PLUS Fund will be mailed a QDIA notice. This notice will inform the participant that all future contributions will be directed to an age appropriate Milestone Fund 30 days from the date of the notification. The mailing of the participant notices will occur during the first week of June, 2008. Following the 30 day notice, we will begin allocating contributions for currently defaulting participants who have not provided investment allocation instructions to the age-appropriate Milestone Fund.

- Newly enrolled participants who do not provide investment allocation instructions will immediately have future contributions directed to an age-appropriate Milestone Fund.

13. *What will happen to contributions allocated to the PLUS Fund prior to December 24, 2007 (the effective date of the DOL regulations)?*

The final regulations included a "grandfather" provision for defaulted contributions made to stable value funds prior to the effective date of the regulation. Essentially, plan sponsors receive fiduciary relief for those balances defaulted to a stable value fund prior to December 24, 2007. However, the parameters of what constitutes a stable value fund for the purpose of the grandfather provision are under review by the DOL. While the DOL has indicated they will address this issue through future guidance, it may not be resolved in the "Question & Answer" guidance anticipated to be provided in the short term. At this time, ICMA-RC believes it is prudent to leave existing defaulted balances invested in the PLUS Fund.

14. *What will happen to contributions allocated to the PLUS Fund between December 24, 2007 (the effective date of the DOL regulations) and the implementation of the QDIA?*

All contributions defaulting to the PLUS Fund between December 24, 2007 and the date when contributions begin to be invested in an age-appropriate Milestone Fund will remain in the PLUS Fund. ICMA-RC believes there is limited employer exposure by treating these balances similarly to grandfathered balances.

15. *Why does ICMA-RC's implementation time frame differ from the effective date of the QDIA regulations?*

Adhering to the DOL QDIA regulations is optional for plan sponsors. As such, ICMA-RC is attempting to provide employers with an appropriate amount of time to evaluate the information and make informed decisions. Additionally, ICMA-RC waited to provide employers with this implementation packet in anticipation of DOL guidance that was expected to be received prior to, or soon after, the December 24, 2007 effective date of the regulations. This DOL guidance has yet to be provided. The combination of these factors extend the implementation date into the second quarter of 2008.

16. *Will governmental employers receive fiduciary relief if the QDIA was not implemented as of December 24, 2007?*

Governmental employers are exempt from most ERISA regulations and are not required to implement the QDIA regulations. However, governmental employers can position themselves to argue that their actions were consistent with the best available guidance (i.e., the QDIA regulations) for prudent plan administration. ICMA-RC believes there is limited employer exposure by implementing the QDIA regulations as soon as administratively feasible (2nd quarter 2008), as opposed to December 24, 2007.

17. *What if participants prefer an investment option other than the Milestone Fund that is selected as their default investment?*

ICMA-RC 457 and 401 plans are participant directed plans, and all participants are encouraged to select an investment allocation that meets their retirement planning needs. Having the option to select an investment allocation at enrollment remains the same, including the option to select the PLUS Fund. If participants do not make an investment allocation at enrollment, they may make an election at any point in the future, and if so desired, may transfer funds out of the Milestone Fund into any of the investment options available to your plan(s).