Portland Police Association Benefit Trust
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INFORMATIONAL BULLETIN about the PARTICIPANT INVESTMENT OPTIONS of the PORTLAND POLICE ASSOCIATION BENEFIT TRUST April 2020

The purpose of this Bulletin is to explain the different investment Portfolios available to you for investment of the funds in your Employee Account of the Portland Police Association Benefit Trust. Selection of an investment Portfolio for your Employee Account will affect the investment return and risk on your contributions and may positively or negatively affect the balance in your Employee Account. You should read this Bulletin carefully and obtain independent investment advice from your own personal investment advisor or accountant, if necessary.

Background. The Portland Police Association (hereafter, "PPA") established the PPA Benefit Trust, to hold money for a retiree medical benefit plan, the "Retiree Health Plan of the Portland Police Association Benefit Trust" (hereafter, the "Plan") in 2002. The main purpose of the Plan and Trust is to provide payments toward retiree medical costs for the retirees of the Portland Police Bureau. The Trustees have added an active employee benefit plan, the "Active Access Plan," which provides reimbursement toward medical costs incurred during active employment. The Trustees still encourage you to save your Employee Account benefits for retirement.

Operation of Trust Plans. Both the Active Access Plan and the Retiree Health Plan reimburse you for covered medical expenses (such as co-pays, deductibles, and prescription costs), and the Retiree Health Plan reimburses health insurance premiums.[1] Plan assets (i.e., your contributions and investment earnings) are held in the Trust and invested by a professional investment manager hired by the Board of Trustees.

Employee Accounts. The Trust maintains a separate Employee Account for recordkeeping purposes for each participant. There is no monthly maximum or minimum of reimbursable expenses. However, benefits will cease under the Plan when your Employee Account reaches a zero balance.

Participant Choice in Investment of Employee Accounts. The Trust offers to all participants (current retirees and actives) options (or "Portfolios") for investment of the funds contributed to the Employee Account. All of the current choices are described below; please read carefully.

If you have questions about what investment selection is appropriate for your individual situation, please consult a qualified investment advisor. The Trust Office is not qualified to give investment advice.

Note re administrative fees: All participants share the costs of operating the PPA Benefit Trust, e.g., auditing, claims administration, insurance, legal advice, etc. Therefore, the Trust will debit your Employee Account monthly for an "administrative fee." Based upon a recent review of estimated costs to operate the Plans,

[1] The purpose of this Bulletin is to explain your investment options within the Plan. For more explanation of the benefits offered by the Plan and eligibility requirements, you may request a copy of the Summary Plan Description of the "Retiree Health Plan of the Portland Police Association Benefit Trust" and/or the "Active Access Plan of the Portland Police Association Benefit Trust" from the Trust Office.

the administrative fee is currently $10 per month for all participants.[2] The Trust Office will show the fee as a line item on your Employee Account statement.

Tax savings. You already have a financial advantage from the deposit in the Trust of your contributions. This is because your employee contributions (both salary contributions and sick leave cash-out contributions) were deposited into the Plan pre-tax. This means that you will not pay taxes on the amount contributed to the Plan, i.e., your taxable income was decreased by the amount contributed to the Plan. Depositing funds into an investment pre-tax saves an average of 15 to 28% (depending upon your tax bracket) on the amount deposited.. Furthermore, your investment gains within the Trust are not taxed, and benefits paid to you from the Trust are not taxed.

PORTFOLIOS AVAILABLE

Target Date Funds. First, we want to briefly explain the idea of a "Target Date Fund": The Target Portfolios are designed for a particular target date when the Participant with funds in that Portfolio intends to start using the funds for medical expenses. The asset allocation in the Target Portfolios will gradually transition from more aggressive to more conservative, as the Target date approaches. This happens automatically, without any action on your part. You do not need to change your Portfolio as your retirement date (or other date of need that you select) approaches, because the Investment Manager regularly adjusts the asset allocation in that Target Portfolio with the target date in mind. You may want to consider changing your Target Date Portfolio selection if your life situation changes making the target date inappropriate for you, e.g., your expected retirement date changes or your expected medical needs change.

Choose a Portfolio based on your individual situation. You should read the descriptions below and choose a Portfolio that suits your particular retirement plans and health care situation. You are entitled to choose the Portfolio in which to invest your Employee Account, but the underlying investments, e.g., individual stocks and bonds, will be chosen and adjusted from time to time by the Trust's professional Investment Manager. You will be given the opportunity to change your Portfolio selection annually.

The relative investment in equity, fixed income, and cash differs for each Portfolio. The five Portfolios available as of April 1, 2020, are listed below in the order from most conservative to aggressive:

1) Money Market Portfolio

The Money Market Portfolio will be invested 100% in a money market fund designed to maintain a constant price and generate yields competitive with other similar instruments. This is a very conservative Portfolio and should not be expected to earn any significant investment returns. This Portfolio is intended for participants who have minimal risk tolerance and/or who will be spending the funds in the near future. Please note that, with current market rates of return, the Money Market Portfolio may not earn sufficient returns to pay the administrative fee on your Employee Account. The annual investment cost for the Money Market Portfolio, which is charged against returns, is estimated at 0.25% or 25bp based upon the annual cost from the 2019 plan year. The investment cost is charged against returns prior to allocating those returns to your Employee Account.

[2] The Trustees have the authority to adjust the monthly administrative fee up or down at any time based upon the actual operating expenses of the Trust.

2) Bond Portfolio

The Bond Portfolio will be invested 100% in a diversified allocation of fixed income investments. This Portfolio is a somewhat more aggressive investment than the Money Market Portfolio. This Portfolio is designed for participants with a modest risk tolerance or those who will be spending the funds and exhausting their Employee Account in the next several years. This Portfolio is intended to offer a potentially higher yield than the Money Market Fund but can experience moderate changes in value from period to period and can experience negative returns on occasion. The annual investment cost for the Bond Portfolio, including internal fund expenses and investment advisory fees, is estimated at 0.41% or 41bp based upon the annual cost from the 2019 plan year.[3] The investment cost is charged against returns prior to allocating those returns to your Employee Account.

3) Target 2030 Retirement Portfolio

The Target 2030 Retirement Portfolio is a target date fund that is somewhat more aggressive in its allocation than the Bond Portfolio. Because it is a target date fund, the allocation of assets will change over time. The Trust Investment Manager periodically adjusts the asset allocation to become more conservative. The Target 2030 Retirement Portfolio started in November 2008 with an asset allocation of 80% equity and 20% fixed income. The current asset allocation is 47% equity and 53% fixed income. The Trust Investment Manager has been gradually adjusting the asset allocation with a goal of reaching 0% equity within one year of the target date year 2030. This Portfolio is intended for participants who intend to: (1) retire in or around the year 2030; (2) begin using the funds in their Employee Account at that time; and (3) exhaust the funds in their Employee Account within 3 years of the target date. If you don't meet all three criteria, then you might want to consider investing in the Target 2040 Retirement Portfolio or the Bond Portfolio. The annual investment cost for the Target 2030 Retirement Portfolio, including internal fund expenses and investment advisory fees, is estimated at 0.46% or 46bp based upon the annual cost from the 2019 plan year.[4] The investment cost is charged against returns prior to allocating those returns to your Employee Account.

4) Target 2040 Retirement Portfolio

The Target 2040 Retirement Portfolio is a target date fund that is somewhat more aggressive in its allocation than the Target 2030 Retirement Portfolio. Because it is a target date fund, the allocation of assets will change over time. The Trust Investment Manager periodically adjusts the asset allocation to become more conservative. The Target 2040 Retirement Portfolio started in January 2014 with an asset allocation of 75% equity and 25% fixed income. The current asset allocation is 70% equity and 30% fixed income. The Trust Investment Manager has been gradually adjusting the asset allocation with a goal of reaching 0% equity within one year of the target date year 2040. This Portfolio is intended for participants who intend to: (1) retire in or around the year 2040; (2) begin using the funds in their Employee Account at that time; and (3) exhaust the funds in their Employee Account within 3 years of the target date. If you don't meet all three criteria, then you might want to consider investing in the Target Date 2050 Portfolio or the Target 2030 Portfolio. If you will retire earlier than 2040 but do not expect to use the funds in your Employee Account upon retirement (e.g., because of medical coverage from a spouse, etc.), you may choose this Portfolio based upon the date that you expect to use the funds rather than your retirement date. The annual investment cost for the Target 2040 Retirement Portfolio, including internal fund expenses and investment advisory fees, is estimated at 0.44% or 44bp based upon the

[3] The investment cost could change as the investment manager adjusts the portfolio composition.
[4] The investment cost could change as the investment manager adjusts the portfolio composition.

annual cost from the 2019 plan year.[5] The investment cost is charged against returns prior to allocating those returns to your Employee Account.

5) Target 2050 Retirement Portfolio

The Target 2050 Retirement Portfolio is a target date fund that is somewhat more aggressive in its allocation than the Target 2040 Retirement Portfolio. Because it is a target date fund, the allocation of assets will change over time. The Trust Investment Manager periodically adjusts the asset allocation to become more conservative. The Target 2050 Retirement Portfolio started in April 2020 with an asset allocation of 80% equity and 20% fixed income. The current asset allocation is 80% equity and 20% fixed income. The Trust Investment Manager will be gradually adjusting the asset allocation with a goal of reaching 0% equity within one year of the target date year 2050. This Portfolio is intended generally for young new hires and participants who intend to retire in or around the year 2050 and begin using the funds in their Employee Account at that time. If you will retire earlier than 2050 but do not expect to use the funds in your Employee Account upon retirement (e.g., because of medical coverage from a spouse, etc.), you might want to choose this Portfolio based upon the date that you expect to start using the funds rather than your retirement date. This is the most aggressive investment Portfolio offered at this time. If you expect to retire or exhaust the funds in your Employee Account more than 3 years after 2050, you will have the option to move the funds in your Employee Account to a Target 2060 Retirement Portfolio in approximately 10 years.[6] The annual investment cost for the Target 2050 Retirement Portfolio, including internal fund expenses and investment advisory fees, is estimated at 0.44% or 44bp,[7] The investment cost is charged against returns prior to allocating those returns to your Employee Account.

MAKING YOUR PORTFOLIO SELECTION

In selecting the Portfolio for investment of your Employee Account, you should consider the application of the Portfolio's characteristics to your individual situation. For example, you should consider such items as your expected retirement date, the date you expect to start using the funds in your Employee Account to reimburse medical expenses, and other assets and income available to you for payment of medical expenses. You can make or change your selection through the Trust web portal, but not more often than once per month.

The Trust Office processes investment selection changes one time per month and will post your investment selection change effective on the first of the following month. For example, all investment changes submitted online or received by the Trust Office via mail or email from April 1-30 will be posted by the Trust Office effective May 1st. If you do not see the change made on your account within 10 days after the start of the following month, please call the Trust Office at 800-872-8979 to confirm that they have received your request. Investment returns are allocated to your account monthly (not daily); so, the specific date that your investment selection is posted to your online account during the following month does not affect your monthly return allocation. Your returns will be allocated based upon the applicable first of the month effective date of your change.

Default Selection. If you do not make an investment selection, your Employee Account will be invested in the default selection. The default selection for new hires is currently the Target 2050 Retirement Portfolio. If you have never made an investment selection, your Employee Account may still be invested in the default

[5] The investment cost could change as the investment manager adjusts the portfolio composition.
[6] The Trustees will determine with the advice of the Trust Investment Manager when it is appropriate to add a new Portfolio (Target 2060 Retirement Portfolio) with a more aggressive asset allocation than the Target 2050 Retirement Portfolio.
[7] The investment cost could change as the investment manager adjusts the portfolio composition.

selection that was in effect at the time you first invested. We encourage you to check your investment selection on the Trust web portal and confirm that it meets your needs.

If you have any questions related to the investment selection process, please call the Trust Office at 800-872-8979. Important Note: **If you have questions about what investment selection is appropriate for your individual situation, please consult a qualified investment advisor. The Trust Office is not qualified to give investment advice.**