County of Fresno
Deferred Compensation Management Council
January 29, 2015 Agenda

SPECIAL MEETING TO BE HELD AT 1:00 P.M. AT THE FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION, 1111 H ST., FRESNO, CA 93721

1. Call to Order
2. Approve Agenda
3. Public Comment – At this time, members of the public may comment on any item, within the jurisdiction of the Deferred Compensation Management Council, not appearing on the agenda. In order for everyone to be heard, please limit your comments to 3 minutes or less.
4. Approve Deferred Compensation Plan Loan Policy
5. Receive presentation regarding Stable Value Fund investment options by Heintzberger-Payne Advisors

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Personnel Services Manager at 600-1810.

Inter Office Memo

DEPARTMENT OF
PERSONNEL SERVICES

ITEM 4

DATE: January 29, 2015

TO: Deferred Compensation Management Council

FROM: Paul Nerland, Personnel Services Manager

SUBJECT: Deferred Compensation Plan Loan Policy

Background

As you are aware, the Deferred Compensation Management Council (DCMC) is responsible for establishing policies and procedures regarding the Deferred Compensation Plan. As the current loan policy was developed to be compatible with Great-West's systems and procedures, it must now be updated for the new record-keeper, Nationwide.

Issue

While much of the loan policy is dictated by Internal Revenue Code and Regulations, certain provisions are at the discretion of the County. Below, we've listed the key differences between the proposed policy (Attachment A) and the current policy (Attachment B).

1. **Definition of eligible employee** (Section 2 of Attachment A; Section 1.01 of Attachment B) includes a recommended change to allow Extra-Help or Seasonal employees to take loans.
    - Currently, only permanent employees are allowed to take loans. Employees who transition from permanent status to extra-help or seasonal status are ineligible to take a loan or a distribution from their account. This change will have no impact on the workload of County staff, as the participant will work exclusively with Nationwide during the application and repayment process. Please note that the Deferred Compensation Plan must allow the automated clearing house (ACH) repayment option (Discussed in Recommendation No. 3 below) in order to allow extra-help or seasonal participants to take loans, as the County does not allow deferred compensation benefit deductions for extra-help or seasonal employees and it would not be practical based on the seasonal nature of the employee's paycheck.

2. **Annual administrative fee** (Section 19 of Attachment A; Section 4.02 of Attachment B) is increased from $25 to $50 as this is consistent with Nationwide's RFP response.

3. **Standard method of repayment** (Section 9 of Attachment A; Section 9.01 of Attachment B) includes a recommended change to allow participants the option to choose to repay a loan through payroll deduction or ACH.

    - Currently, participants only have the option to repay loans through payroll deduction. The recommended change gives participants the option of repaying their loan through biweekly payroll deduction or through a monthly ACH debit of their checking account. Allowing ACH repayments should reduce the workload on County Payroll, since no data entry is required for participants who choose this option. It may also reduce defaulted loans, since repayments can still be made while the participant is on an unpaid leave of absence. Please note that there is a $25 fee charged to the participant if there are insufficient funds in their account at the time the monthly debit is processed. Participants are made aware of this fee when they select a repayment option.

4. **The "Cure Period" for missed loan payments** (Section 13 of Attachment A; Section 9.03 of Attachment B) is recommended to be changed to 90 days from the date of missed payment.

    - Currently, participants must make up missed payments prior to the end of the quarter following the quarter in which a payment is missed. If they do not make up the payments in that timeframe, their loan will default. While Nationwide prefers a fixed amount of time (i.e., 90 days), for the sake of administrative efficiency, the Plan can keep the current standard. Either option gives the employee adequate time to correct the missed payments. However, the fixed 90 day period allows everyone to have the same amount of time for repayment. For example, under the current rules, a person who misses a payment at the end of a quarter has much less time to repay than the person who misses a payment at the beginning of a quarter.

5. **Loan eligibility after loan default** (Section 2 of Attachment A; Section 9.06 of Attachment B) is recommended to be changed to allow participants to take a new loan after their defaulted loan is repaid in full.

    - The current loan policy states that a participant is permanently ineligible from taking a new loan after they default on a loan, regardless of whether the defaulted loan is repaid. This is stricter than IRS Regulations, which only require that defaulted loans are repaid in order to take a new loan. The recommended change provides participants with greater incentive to keep making payments and may result in a higher account balance at retirement.

6. **Repayment upon separation** (Section 2 of Attachment A; Section 9.07 of Attachment B) is recommended to be changed to allow participants to continue to make repayments after separation from service.
   - Participants who are separating from service currently have the option to repay their loan in full prior to default. The recommended change allows participants to choose to make repayments via ACH. No additional administration is required from the County and this change may result in a higher account balance once the participant begins taking distributions. Please note that the Deferred Compensation Plan must allow the ACH repayment option (Recommendation No. 3 above) in order to allow separating participants to continue repayments.

Recommended Action

Staff is recommending that the DCMC approve the attached Deferred Compensation Plan Loan Policy that incorporates all of the summarized recommendations.

Alternatively, the DCMC may approve a loan policy which excludes any or all of the changes stated above (with the exception of Recommendation No. 2 which was part of Nationwide's RFP response).

Attachment A

GOVERNMENTAL PLANS

457(b) PLAN

PARTICIPANT LOAN ADMINISTRATIVE PROCEDURES

Nationwide Retirement Solutions, Inc. ("NRS") agrees to administer loans in accordance with the terms of these Participant Loan Administrative Procedures as approved by the Sponsor of the Plan. The Sponsor is encouraged to consult with its legal advisors in determining whether the procedures identified herein are appropriate for its Plan.

The Sponsor acknowledges that NRS may need to make changes from time-to-time to the administrative procedures set forth herein and may request amendments to the Plan documents to maintain a successful and compliant loan program. In such a case, NRS will provide the Sponsor with timely notice of such changes as they become necessary.

The following administrative procedures shall govern participant loans offered in the Sponsor's 457(b) Plan:

1. Loan Administration. Sponsor delegates to NRS certain administrative duties regarding the administration of loans from the Plan, which are set forth herein and which may be modified by NRS upon timely notice to Sponsor. In the event that the Sponsor does not object to any modifications within 30 days of notification, NRS will begin to operate the loan program according to the modifications.

2. Loan Eligibility. Any Plan participant who has an employee status of Permanent full-time, Permanent part-time, Extra Help or Seasonal, is eligible for a loan from the Plan. Plan participants who are either retired or terminated may continue to repay a loan in existence at the time of separation from service, but may not initiate a new loan thereafter. In the event that a retired or terminated Plan participant wishes to continue repaying a loan that was previously repaid through payroll deduction, it shall be required that the participant change the repayment method to electronic debiting from a bank account and furnish the information and authorization necessary to effectuate the foregoing repayments. Each participant is entitled to one (1) loan from the Plan at any time, and may not take out additional loans until the prior loan has been repaid in full. In addition, a participant who has defaulted on a previous loan shall not be eligible for another loan from the Plan until all defaulted loans are repaid in full, including accrued interest and fees.

3. Loan Initiation and Loan Agreement. Before a loan is issued, the participant must enter into a legally enforceable loan agreement as provided by NRS in the loan packet, on behalf of the Plan. In order to receive a loan from the Plan, an eligible participant must complete all documents provided in the loan packet and return them to NRS. A loan initiation fee[1] will be deducted from the participant's account(s) after the loan has been funded by the participant's account(s).

4. Loan Security. By accepting a loan, the participant is giving the Plan a security interest in his or her vested Plan balance equal to the total loan amount, but not to exceed 50% of the participant's vested Plan balance.

5. Loan Money Source. A Plan loan shall be made only from the Before-Tax Deferral Account or, if applicable, Rollover Accounts that are not attributable to after-tax rollovers (including rollovers of Roth accounts). Loans may be withdrawn only from pre-tax balances on a pro rata basis. Additionally, after tax money sources will be included in the calculation of the Participant's account for purposes of calculating availability for a loan, however, no loans will be funded from any after tax money source. To the extent that a Participant has a self-directed brokerage account, no funding from such self-directed brokerage account shall be permitted. To the extent that sufficient funds from a non-self-directed brokerage account are not available to fund the loan, the loan shall not be approved. In the event that the Plan allows in plan Roth conversions, the loan will be excluded. In addition, to the extent that a loan is part of a Before-Tax Deferral Account or other account that is converted into an in plan Roth conversion, the portion of the account attributable to the loan shall not be eligible for an in plan Roth conversion.

6. Minimum and Maximum Loan Term. The minimum loan term over which a loan may be repaid is one (1) year. The maximum term over which a loan may be repaid is five (5) years (fifteen (15) years if the Sponsor permits loans for the purchase of the participant's principal residence - see Section 20 below for more information about principal residence loans). Except as otherwise provided herein, the maximum loan term shall not exceed five (5) years.

7. Minimum/Maximum Loan Amount. The minimum loan amount permitted is $1,000.00. The maximum amount of any loan permitted under the Plan shall comply with Section 72(p) of the Internal Revenue Code and (when added to the outstanding balance of all other loans from the plan) is the lesser of (i) $50,000, reduced by the excess (if any) of (A) the highest outstanding balance of loans from the plan during the one-year period ending on the day

[1] Fees described in these loan procedures are specified in Section 19 of this document and will appear as administrative charges on Participant Statements. These fees and minimums are subject to change by NRS upon reasonable notice to the Plan Sponsor.

before the date on which the loan was made over (B) the outstanding balance of loans from the plan on the date on which the loan is made, or (ii) one half of the present value of the Participant's vested account balance.

8. Loan Amortization. Each loan shall be amortized with interest accruing immediately, and repayments beginning approximately thirty (30) days from the date the loan is processed in substantially equal payments consisting of principal and interest during the term of the loan. Payments of principal and interest shall be made in a manner and pursuant to the terms set forth in the loan agreement not less frequently than quarterly. The amount of the final payment may be higher or lower depending upon the Participant's repayment history.

9. Loan Repayment. Repayment of any loan made to a participant shall be made in a manner and pursuant to the terms set forth in the loan agreement. Loans will be repaid either through payroll deduction or electronic debiting from a bank account. The participant receiving a loan shall be required to furnish the information and authorization necessary to effectuate the foregoing payments prior to the commencement of a loan. In the event that a participant elects to receive a distribution from the Plan that is less than 100% of his outstanding account balance at a time when such person has a plan loan outstanding, the participant may continue to make repayments on the loan.

10. Loan Prepayment. The entire amount of the loan, including outstanding principal and any accrued interest, may be paid without penalty prior to the end of the term of the loan in the manner prescribed by NRS.

11. Loan Overpayment. In the event that NRS receives a loan overpayment, any amount over the repayment amount due will be applied or refunded according to the administrative policies of NRS.

12. Missed Repayments. The participant must pay the full amount of each repayment (principal and interest) on the date that it is due. If NRS does not receive a repayment via payroll deduction on the date due, NRS will notify the participant of the missed payment. If NRS is unable to process an ACH debit repayment on the date due through no fault of NRS, a fee[2] will be deducted from the participant's account (s). If a repayment is rejected because of insufficient funds, NRS will attempt to process the repayment a second time. If the second ACH debit processing fails, NRS will attempt to process two (2)

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[2] Fees described in these loan procedures are specified in Section 19 of this document and will appear as administrative charges on Participant Statements. These fees and minimums are subject to change by NRS upon reasonable notice to the Plan Sponsor.

repayments on the next repayment due date. If this fails, one last attempt will be made to process the repayment. As an example, if a repayment is due January 1 and the ACH debit repayment is rejected on that date, NRS will attempt to process the repayment again no later than January 6. If the January 6 attempt is rejected on that date, NRS will attempt to process two repayments on February 1. If this fails, NRS will make a final attempt to process the two repayments no later than February 6.

13. Cure Period. If a participant fails to make a loan payment when due, the missed repayment must be made within ninety (90) days of the original repayment due date.

14. Default and Deemed Distributions. If any repayment(s) needed to bring the loan current is not received by NRS by the end of the cure period (as defined in Section 13) the entire amount of the loan will be defaulted and treated as a deemed distribution effective as of the end of the ninety (90) day period following the original due date of the initial missed loan repayment. A deemed distribution is treated as a distribution from the Plan for federal (and possibly state or local) income tax purposes; therefore amounts treated as a deemed distribution will be subject to federal, state and/or local income taxes, and certain excise taxes and penalties may apply depending on the type of Plan. NRS will issue a Form 1099-R to the participant reflecting the deemed distribution. Any payment made on a defaulted loan will be applied to the outstanding balance of the loan including accrued interest. Such repayment following the date of default, will be treated as after tax amounts and the participant will receive tax basis in his or her Plan account for such amounts. The entire loan, including any accrued interest, will also be due and payable immediately in the event of the death of the Participant and the outstanding balance of the loan will be treated as a deemed distribution following the date of notification of such death that is in good order as determined by NRS.

15. Tax Reporting. Any tax reporting required as a result of the receipt by a participant of a loan that exceeds the limits imposed by federal regulations shall not be the responsibility of NRS, unless it is determined that such limits were exceeded solely as a result of a loan made through NRS as service provider.

16. Loans Offered from Other Administrative Service Providers. The Internal Revenue Code requires that the maximum loan amount described in Section 7 above be applied in the aggregate to all loans made under any plan sponsored by an employer. The Sponsor and/or participant and not NRS shall at all times remain responsible for ensuring that any loan received under the Plan is in accordance with such limits taking into account any other loans received by the participant under any other plans of the participant's employer. NRS shall apply the maximum loan amount limit and any other limits imposed under the Internal Revenue Code without regard to any other loans received by the participant from any other administrative service provider under this Plan or any other plan maintained by the Sponsor.

17. Suspension of Loan Payments.

a. **Military Leave.** A participant's obligation to repay any loan under the Plan may be suspended as may be required by law, during the period in which the participant is performing service in the United States military. The Participant must resume repayment of the loan upon his or her completion of military service and the outstanding loan balance, including any accrued interest and fees, must be repaid and may be re-amortized over a period that does not exceed the latest permissible term for a loan under the regulations plus the period of the military service. While the participant is on active duty in the United States military, the interest rate on the loan shall not exceed six percent (6%), compounded annually unless the Participant elects in writing during or after his or her military leave to have the higher loan interest rate, if applicable, apply to the loan. The Sponsor assumes responsibility to notify NRS when a Participant begins and returns from a leave described above as well as describe the type of leave.

b. Non-Military Leave of Absence. In addition, a participant's obligation to repay any loan under the Plan may be suspended during the period (not to exceed one (1) year) while the participant is on an approved non-military leave of absence and the participant provides requested documentation regarding the leave from his or her employer. The Participant must resume repayment of the loan upon his or her return from leave and the outstanding loan balance, including any accrued interest and fees, must be repaid and may be re-amortized over a period that does not exceed the latest permissible term for a loan under the regulations. The Sponsor assumes responsibility to notify NRS when a Participant begins and returns from a leave described above as well as describe the type of leave.

18. Loan Interest Rate. The interest rates for a Plan loan shall be commensurate with interest rates being charged by entities in the business of lending money under similar circumstances. Generally, the rate assumed will be Prime Rate + 2%[3]. The Prime Rate shall be the prime rate published by the Wall Street Journal two weeks prior to the end of the most recent calendar-year quarter and the new rate will be effective on the first day of the new calendar quarter. The loan interest rate may be adjusted for participants entering active duty in the military services as may be required by law.

19. Fees.

a. Loan Initiation Fee. A loan initiation fee of $50.00[4] will be deducted from the participant's account at the time the loan is funded.

b. Annual Loan Maintenance. An annual loan maintenance fee of $50.00[5] will be deducted from the participant's account until the loan is repaid in full or the loan has defaulted. In the event that the loan defaults, the annual maintenance fee will no longer be assessed and the annual loan default fee described below will be applied.

c. Asset Fees. The amount of the outstanding loan balance will be subject to the maximum asset fee, administrative charge or such other fees[6] NRS is entitled to receive under its separate agreement with the Sponsor.

d. Insufficient Funds Fee. If NRS is unable to process an ACH debit repayment on the date due, through no fault of NRS, a fee of $25.00[7] will be deducted from the participant's account.

e. Loan Default Fee. At the time a loan is treated as a deemed distribution, a $50.00[8] fee will be deducted from the participant's account.

f. Annual Loan Default Fee. An annual loan default fee of $50.00[9] will be applied annually on the anniversary date of the original loan default.

20. Loans for the Purchase of a Principal Residence. All loans issued by the Plan will be general purpose loans to be repaid in no more than five (5) years. The Sponsor has affirmatively elected to offer loans for the purchase of the participant's principal residence, which may be repaid in no more than fifteen (15) years. Such loans shall be solely secured

[3] Fees described in these loan procedures are specified in Section 19 of this document and will appear as administrative charges on Participant Statements. These fees and minimums are subject to change by NRS upon reasonable notice to the Plan Sponsor.
[4] Fees described in these loan procedures are specified in Section 19 of this document and will appear as administrative charges on Participant Statements. These fees and minimums are subject to change by NRS upon reasonable notice to the Plan Sponsor.
[5] See footnote 4.
[6] See footnote 4.
[7] See footnote 4.
[8] See footnote 4.
[9] See footnote 4.

by the participant's vested account balance as set forth in Section 4 above. All administrative procedures set forth herein shall apply to such loans.

21. Loan Correction. In the event a loan correction becomes necessary, at the Sponsor's direction, NRS may undertake methods prescribed by the IRS or through any IRS correction program.

22. Acceptance of Procedures. The undersigned Sponsor hereby adopts these Participant Loan Administrative Procedures effective for loans issued on or after the effective date set forth below, and instructs NRS to administer loans made to Plan participants in accordance with these terms. The Sponsor acknowledges the following: (i) that the Sponsor has decided to offer loans under the Plan and is instructing NRS to administer loans under the Plan; (ii) that it understands that, as a result of offering loans under the Plan, the Plan participants could be subject to adverse tax consequences upon default of the loan; (iii) that the Sponsor has independently weighed these risks, and despite the risks has determined that offering loans under the Plan is in the best interest of Plan participants; (iv) that any previous loan procedures or loan reference documents other than the Plan Document itself, are hereby superseded by these Loan Administrative Procedures; and (v) NRS shall not be liable for any adverse tax consequences described in (ii), except as specifically stated under paragraph 15 herein, resulting from the Sponsor's decision to offer loans under the Plan.

Plan Sponsor Name (“Sponsor”): ____

Street Address: ____

City, State, Zip Code: ____

Plan Name (“Plan”): ____

Plan Number: ____

Plan Sponsor Signature: ____

Title: ____

Date of Signature: ____

Email Address: ____

For new plan setup, an executed copy of these Procedures should be returned to Nationwide Retirement Solutions at 10 W. Nationwide Blvd, 05-04-101A, Columbus, Ohio 43215 (Attn: Plan Administrator)

For existing plans, an executed copy of these Procedures should be returned to Nationwide Retirement Solutions at PO Box 182797, Columbus, Ohio 43218 (Attn: Loans Administrator)

Attachment B

Great-West
RETIREMENT SERVICES
The Power of Partnering℠

Plan Number: 98957-01

County of Fresno 457 Deferred Compensation Plan

Loan Policy Administration

Article I. Eligibility

Section 1.01 Only active employees who participate in a deferred compensation plan or defined contribution plan that permits loans may request a loan. The participant must have a minimum vested account balance of $2,000 if the plan is governed by ERISA or is a governmental plan.

Article II. Minimum and maximum loan amounts

Section 2.01 The minimum loan amount that a participant may request is $1,000 for ERISA and governmental plans.

Section 2.02 The maximum loan amount that a participant may request is $50,000 or 50% of the vested account balance – which ever is less. The $50,000 maximum loan amount is reduced by the highest loan balance during the past 12 months minus the loan balance on the date a new loan is made.

Section 2.03 If a participant has an outstanding loan through another qualified plan, 403(b) plan, or a 457 plan maintained by the same employer, the maximum loan amount available must be reduced by the highest outstanding loan balance during the past 12 months. The participant is responsible for ensuring that the aggregated loan amount on all plans sponsored by the same employer is the lesser of $50,000 or 50% of the vested account balance.

Article III. Number of loans permitted

Section 3.01 The maximum number of loans a participant may have outstanding is one (1). If a participant has an outstanding loan and wishes to initiate another loan, the participant must first repay the current outstanding loan via a cashier's check or money order.

Article IV. Cost

Section 4.01 A loan origination fee in the amount of $50.00 shall be deducted from the loan amount.

Section 4.02 An administrative fee of $25.00 per year/per loan, deducted quarterly at a rate of $6.25 will be assessed to each participant's account.

Section 4.03 If a participant requests their loan check to be sent express delivery, an additional $25.00 charge will be deducted from the loan check amount.

Article V. Loan Initiation

Section 5.01 Great-West Retirement Services (GWRS) uses a two-step loan process. The first step of the loan process begins by the participant applying for a loan via paper, the Web site or KeyTalk®. The second step combines the Promissory Note and Loan Check into one document, eliminating the step of returning the signed Promissory Note prior to issuing the Loan Check. By endorsing the check, the participant agrees to the terms of the Note and the repayment obligation.

Section 5.02 Plans will be required to sign the Loan Administration Policy document prior to loans being made available. The signed Loan Administration Policy document will allow the participant to initiate and complete a loan request electronically without the plan's signature. If a paper application is used, the plan must sign each loan application submitted by its participants or the plan will be required to sign a letter of instruction authorizing the processing of loan applications without an authorized plan signature.

Article VI. Distribution of loan amount

Section 6.01 Loan distribution amounts will be prorated across all available money types.

Article VII. Types of loans available

Section 7.01 A General Purpose Loan has a term of twelve to sixty (12-60) months. No reason or documentation (other than a signed promissory note) is required when a participant requests a General Purpose Loan. The interest rate for this type of loan is fixed for the life of the loan. The interest rate is 2% over the Prime Rate published in the Wall Street Journal on the first business day of the month before the loan is originated.

Section 7.02 A Principal Residence Loan has a term of seventy-two to one hundred eighty (72-180) months. This loan must be utilized for the purchase of a primary residence ONLY. The interest rate is equal to the Prime Rate published in the Wall Street Journal on the first business day of the month before the loan is originated.

Article VIII. Interest

Section 8.01 Interest paid on loans is not income tax deductible.

Article IX. Payment Requirements

Section 9.01 Scheduled payments must be made by payroll deduction or in some circumstances by cashier's check or bank money order. Loan repayments will be allocated to the participant's account according to current allocation percentages on ISIS.

Section 9.02 Once a new loan has been initiated, the payroll department will be sent a report or an electronic file to begin loan payments. Loan repayments must begin on time or the loan payments will be in arrears. If loan payments are not caught up in time, the loan may default. Loan default results in adverse tax consequences to the participant.

Section 9.03 Basic Rules Regarding Loans to Ensure They Do Not Default

(a) Any amount paid out of a plan will be treated as a taxable distribution unless the plan loan rules under Code section 72(p) and the applicable Treasury regulations are followed.

(b) Payments must be made in level amortized amounts and must be made at least quarterly.

(c) Missed payments must be received prior to the end of the calendar quarter following the quarter in which the payment was missed.

(d) If a participant fails to make a loan repayment on time, and the missed loan repayment(s) is/are not made by the end of the following calendar quarter (or within the plan's more restrictive cure period), the loan is in default and ceases to comply with section 72(p).

(e) The entire outstanding loan balance plus accrued interest at the time of the default is taxable to the participant as a deemed distribution.

(f) The plan loan rules under Code section 72(p) do not provide a mechanism to ignore missed payments or to reverse a loan that has already defaulted.

Section 9.04 Loans are in arrears and delinquent when any payment is missed. A late loan payment notice will be issued after the end of the calendar quarter in which the payment is delinquent. If all missed payments are not made by the end of the calendar quarter after the calendar quarter in which a payment is first missed such that the loan is totally paid up to date, the loan will be in default. In that event, the entire outstanding loan balance, consisting of the missed payments, all accrued but unpaid interest and the remaining principal, will be reported to the IRS as taxable income on a Form 1099-R for the year in which the loan default occurs.

Section 9.05 In addition, if a loan has not been fully repaid by the end of its term, the outstanding balance will be taxable and will be reported to the IRS on Form 1099-R as taxable income. There is no opportunity to cure a late payment once the term has expired. The payroll department will be notified of the final loan payment amount prior to the final payment due date.

Section 9.06 If the participant has a loan that defaulted at any time in the past, their eligibility for a new loan is revoked.

Section 9.07 Participants who leave service <u>prior</u> to the end of the loan term will be required to pay off the loan at severance of employment as provided by the plan. A former participant may avoid treatment of an unpaid loan as a "deemed distribution" and reporting of income to the IRS by paying the loan balance by the end of the grace period via a cashier's check or money order. Non-payment will force a "deemed distribution" and reporting of taxable income in the year the "deemed distribution" occurs.

Section 9.08 When a participant takes a leave of absence of not longer than 1 year, either without pay from the employer or at a rate of pay that is less than the amount of the installment payments required under the terms of the loan, the plan should provide leave of absence information for a leave start and stop dates. The loan may be reamortized when the participant returns from leave to pay the loan in full by the maturity date of the loan . The entire outstanding loan balance, including all accrued but unpaid interest, will be reamortized.

Section 9.09 If the participant takes a military leave of absence, the interest rate on the loan will be reduced to 6%, during the period of military service provided the interest rate on the loan is greater than 6%. Loan payments must resume upon the participant's return from military leave. The term of the loan may be extended by the term of the military leave. The entire outstanding loan balance, including all accrued but unpaid interest, will be reamortized.

Section 9.10 The participant's outstanding loan balance will be offset upon receiving any type of distribution after severance of employment. As required by federal tax regulations, a participant's defaulted loan will remain on the books until a qualifying event occurs, even though income has been reported to the IRS.

Section 9.11 Partial lump sum loan repayments, via a cashier's check or money order, are permitted in order to catch up on a past-due amount.

Article X. Early Loan Payoff

Section 10.01 A loan can be paid in full at any time, in the form of a cashier's check or bank money order. The participant may obtain a loan payoff quote via KeyTalk®. The loan payoff quote is valid for 15 days from the date it is obtained.

Article XI. Outstanding Loan at Death

Section 11.01 All outstanding loan principal and accrued interest shall be treated as a distribution from the plan when Great- West Retirement Services is notified of a participant's death. A deceased participant's loan may not be transferred or assumed by the participant's beneficiary(ies). If a participant's loan has not been repaid as of the date of the participant's death, any distributions made from the deceased participant's plan account will be made net of any outstanding loan obligations. The amount of the outstanding loan as of the participant's date of death will be tax reported as a distribution to the participant or to the participant's estate as applicable.

Article XII. Future additions

Section 12.01 Future tax laws regarding plan loans will be incorporated into this loan policy and the Promissory Note.

Article XIII. Enforcement

Section 13.01 Great-West Retirement Services is required to enforce these rules. The loan policy and loan administration procedures have been developed to comply with the requirements of Internal Revenue Code section 72(p) and the federal Treasury regulations thereunder, as amended from time to time.

The Plan Administrator/Employer hereby authorizes Service Provider to implement participant initiated loans based on the Loan Policy outlined above.

____ __________________

Authorized Plan Administrator/Employer Signature Date

Stable Value Overview

HEINTZBERGER | PAYNE
Client-Driven Investment Services

12550 SW 68th Avenue
Portland, OR 97223
(503) 597-1616

Conservative "Safe" Retirement Plan Investment Options

	Stable Value Funds	Money Market Funds	Short Duration Bond Funds
Protection of Principal	Guaranteed by issuer	No Guarantee by FDIC or other	No Guarantee
Redemption Value	Book Value (principal + accumulated earnings)	Net Asset Value*	Market Value
Returns	Fixed for a period of time according to contracted crediting rate (may have a minimum rate)	Fluctuates based on changes in short-term interest rates	Fluctuates based on changes in interest rates
Investments/ Duration	Bond portfolio invested in the major fixed income sectors; duration 2-4 years	Weighted average maturity typically under 90 days	Bond portfolio invested in the major fixed income sectors' duration 2-4 years
Interest Rate Risk	Mitigated due to wrap contracts which allow asset valuation at book value vs. market value	Minimal interest rate risk	Moderate interest rate risk

* New SEC rules state NAV will continue to be stable for U.S. Treasury, Government and Retail funds but will move to be floating for all money market funds defined as Institutional Municipal and Institutional Prime

Stable Value: How it Works

About the Asset Class

- Originated in the 1970's (40+ year history)

- Created as a conservative investment option for Defined Contribution (DC) plans

- As of the end of 2012, over $700B covering more than 189,000 participants (~14% of DC plan assets)*

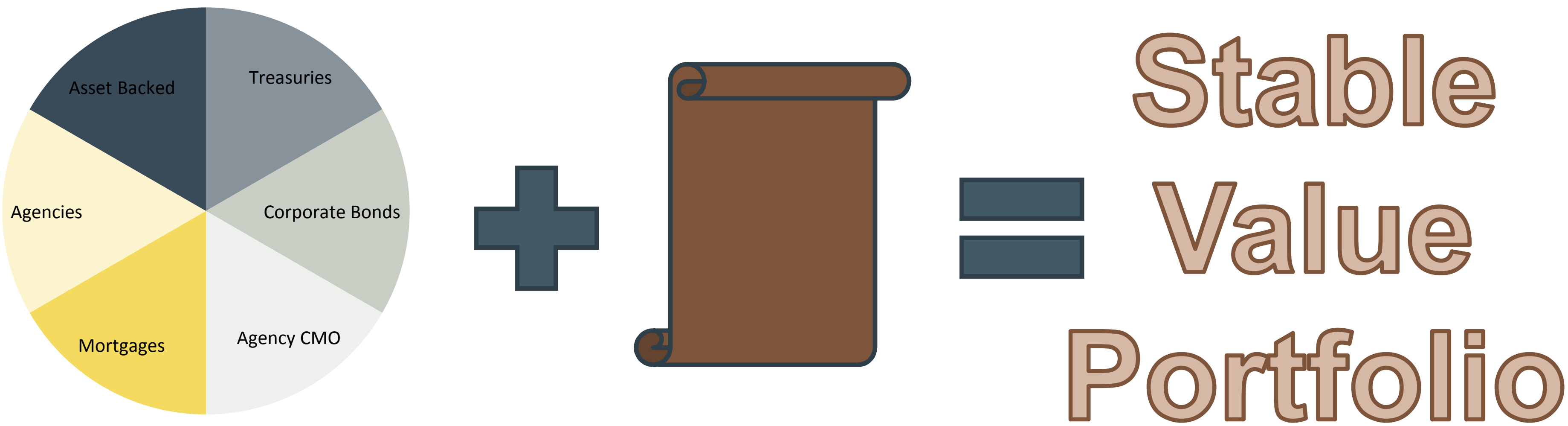
- Historically has provided gross returns similar to a short to intermediate duration bond strategy with less volatility

- Designed to protect principal, provide liquidity for participants, and generate a reasonable, stable return

* source: Stable Value Investment Association (SVIA) 17th Annual Investment and Policy Survey and ICI

About the Asset Class

- Invests in a portfolio of investment-grade fixed income securities combined with an assurance of principal protection in the form of an investment contract typically from a bank or insurance company provider(s)

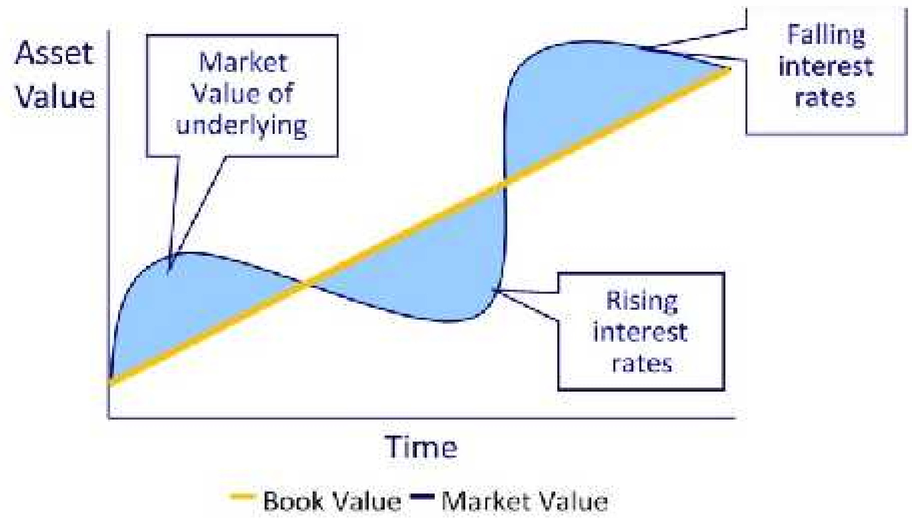


About the Asset Class

Investment Contracts

- Declare a crediting rate (monthly, quarterly, or annually) at which interest will accrue
- Provide Book Value Accounting for participant transactions
  - Book Value = Principal + Accrued Interest
  - Smooth the volatility associated with changes in market value due to changes in interest rates

Book Value Accounting



source: Stable Value Investment Association (SVIA)

Examples of Investment Contract Structures

Guaranteed Insurance Account: General Accounts	Guaranteed Insurance Account: Separate Accounts	Synthetic Investment Contract (i.e. Wrap Contracts)
• Contract issued by an insurance company • Called a Traditional GIC • Backed by General Account Assets	• Contract issued by an insurance company • Called a Separate Account GIC • May be created for one plan or several • Backed first by Segregated Separate Account Assets	• Issued by a bank, insurance company, or other financial institution • Commingled Trust • Separately Managed Account

Guaranteed Insurance Accounts

- Group annuity contract issued by a life insurance company
- Pays a fixed rate of return for a certain period of time
  - In separate account situations, return may be fixed or reset periodically based on the actual performance of the underlying assets
- Contracts are backed by either the issuer's general account assets or by assets in a segregated separate account
- In all cases, the insurance company owns the assets and the contract is backed by the financial strength and credit of the issuer
- Participants are creditors and do not have proprietary claim status to the general account
- Less flexibility in terminating the investment manager
- Less transparency with underlying holdings and fees

Synthetic Investment Contract (i.e. Wrap Contracts)

- Structurally different than a GIC but seeks to provide the same benefits
- Unbundles the investment and insurance components
  - Selection of the wrap issuer(s) is usually made separately from the selection of an investment manager investing the associated assets
- Fixed income portfolio with an insurance wrapper around it
- Plan owns the assets, not the insurance company
- Provides a credited rate of return that changes periodically (monthly or quarterly) to reflect the ongoing performance of the underlying investments
- Provides the plan with a means of diversifying away from the concentration risk associated with Guaranteed Insurance Accounts

Stable Value: Considerations for Fiduciaries in the Selection and Monitoring

Things To Consider

Primary things to consider when selecting and monitoring a stable value product:

- ❑ Level of experience the provider has with this product
- ❑ The terms of your contract for plan level termination
- ❑ Understanding how principal is guaranteed and what risk is associated with the guarantee failing
- ❑ The underlying investments of the portfolio

Primary Factors to Consider

Investment Management

Investment Strategy

Investment Objective

Portfolio Characteristics

- Credit Quality
- Market to Book Ratio
- Duration
- Yield
- Crediting Rate
- Portfolio Composition
- Investment policy constraints

Performance

- Benchmarks
- Peer Groups
- Risk Adjusted

Fees

- Wrap Provider Fees
- Investment Management
- Audit Fees
- Trust & Custody

Providers/ Contract Terms

- Equity Wash Sale
- Portability/ Contract Termination
- Penalties
- Wrap Providers (credit quality)

Additional Factors to Consider

- Participant demographics
- Plan design limitations
- Understanding how the stable value fund handles “plan events”
- Experience and expertise of the investment manager and team
    - Risk management tools (i.e. credit analysis, modeling, and stress testing)
- Diversification and credit worthiness of wrap providers
- Reasonableness and transparency of underlying fees
- Plan sponsor/participant access to product information
- Portability and product termination provisions

County of Fresno Stable Value as of 12/31/2014

Key Characteristics

Stable Value Type	Separate Account GIC
Issuer	Great West Life & Annuity Insurance Company
Market – to - Book	101.6%
Average Quality (S&P/Moody/Fitch)	AA+/AAA/AAA
Average Duration	3.2 Years
Yield	2.58%
Crediting Rate (reset quarterly)	2.20%
Liquidity*	60 day notice at plan level and no notice required for participants
Fees	investment mgmt. fee of 35bps

* Options for termination include selling all assets and receiving market value, or transfer of the assets in kind to the successor insurer at the determined value on the date of termination

Additional Facts

- Separate account managed exclusively for the County of Fresno; assets are not pooled with other plans
- Assets are insulated from general account liabilities
- Crediting rate is calculated quarterly and takes into account realized gains/losses of underlying assets
- Crediting rate never to be less than 0%
- No equity wash rule but cannot offer competing funds
  - Money market
  - Bond fund with a duration less than 3 years

Portfolio Characteristics

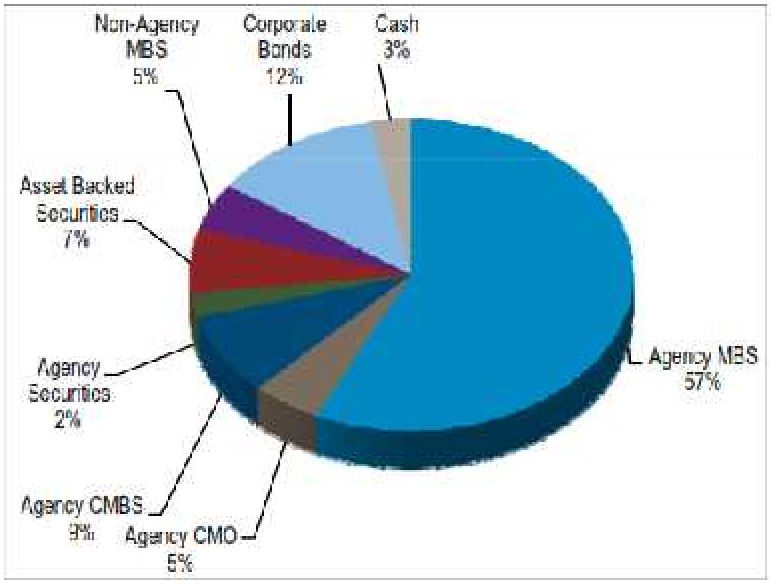
Fund Characteristics

	12/31/14
Number of Long Term Holdings	142
Market Value of Assets	$62.40 MM
Book Value Liabilities (participant account balances)	$61.39 MM
Market Value of Assets to Book Value of Liabilities	101.6%
Average Life	4.2 Years
Average Duration	3.2 Years
Credited Rate	2.20% 4Q 2014
Next Quarter Credited Rate	2.20% 1Q 2015
Average Rating (S&P / Moody's / Fitch)	AA+/AAA/AAA

Fund Allocation

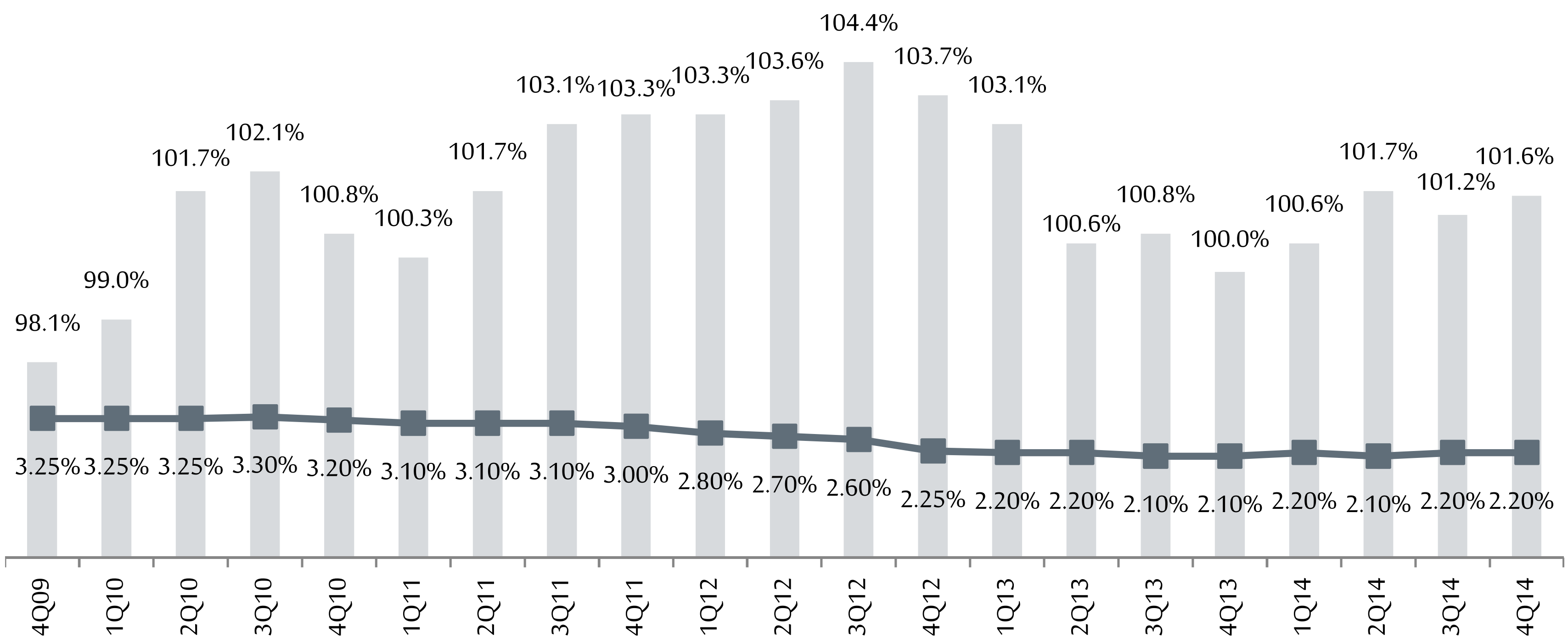
(in millions)

	12/31/14 Market Value	12/31/14 % of Portfolio
Agency MBS	$ 35.60	57.0%
Agency CMO	$ 3.15	5.0%
Agency CMBS	$ 5.32	8.5%
Agency Securities	$ 1.50	2.4%
Asset Backed Securities	$ 4.18	6.7%
Non-Agency MBS	$ 3.03	4.9%
Corporate Bonds	$ 7.79	12.5%
Total Market Value of Long Term Holdings	$ 60.56	97.1%
Cash, Short Term & Other	$ 1.84	2.9%
Total Market Value of Assets	$ 62.40	100.0%



Performance Measurement

Market-to-Book Ratio and Crediting Rate



Next Steps

- Schedule portfolio manager presentation with the DCMC
- HPA to put together a comparison document that looks at the Great West product as well as other alternatives
- Have a discussion with the goal of re-affirming the decision to use the Great West stable value product or pursue a different option
- No less than annually, with the assistance of your independent advisor conduct a "deep-dive" performance review of the fund chosen

Further resources

- DOL published a report back in 2009 on viewpoints of the stable value industry:
- http://www.dol.gov/ebsa/publications/2009ACreport3.html
- Stable Value Investment Association:
- http://stablevalue.org