

# County of Fresno 457 Plan

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## *Committee Discussion Materials*



Investment Menu Review

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## **Section 1-Proposed Investment Policy Statement**

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Proposed Investment Policy Statement

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## Statement of Investment Objective and Policy Guidelines for the Fresno County 457 Deferred Compensation Plan (“Plan”)

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### Part I: The Plan

The County of Fresno (County) sponsors the Fresno County 457 Deferred Compensation Plan (the Plan) for the benefit of its employees. The Plan is intended to provide eligible employees with the long-term accumulation of retirement savings through employee and employer contributions to individual participant accounts and the earnings thereon.

The Plan is a qualified employee benefit plan intended to comply with all applicable federal laws and regulations, including the Internal Revenue Code of 1986, as amended. The Plan, being sponsored by a public sector entity, is not bound by ERISA. The Plan intends to be consistent with its obligation under the California Constitution and use ERISA, where applicable and prudent, as a guiding resource.

The County has appointed an Investment Committee, hereinafter referred to as the Deferred Compensation Management Council (DCMC), which is responsible for implementing the provisions of this Statement of Investment Policy, either directly or through delegation to qualified service providers.

The Plan’s participants and beneficiaries (Participants) are expected to have different investment objectives, time horizons, and risk tolerances. To meet these varying investment needs, Participants will be permitted to direct their account balances among a range of core investments offerings (Investment Alternatives) in order to construct prudently diversified portfolios of substantially different aggregate risk and return characteristics within the range normally appropriate for a Participant. Participants alone bear the risk associated with their selections. Investment Alternatives may consist of individual funding vehicles—investment companies registered under the provisions of the Investment Company Act of 1940, and/or other vehicles subject to established investment criteria.

### Part II: The Purpose of this Statement

This Statement is intended to assist the Plan’s fiduciaries in making investment-related decisions in a prudent manner. It outlines the underlying philosophies and processes for the selection, monitoring and evaluation of the investments utilized by the Plan. Specifically, this Statement documents the decisions of the DCMC defining:

- The Plan’s investment objectives
- Roles and responsibilities of the DCMC and the Investment Consultant
- The criteria and procedures for selecting Investment Alternatives
- The Plan’s investment selection, monitoring processes and performance measurement standards.

## Part III: Plan Investment and Structural Objectives

Implementation of the Plan's Investment Policy has as its objectives the following:

- Prudent investment management (as defined by ERISA Section 404(a)(1)) of Plan assets not subject to the control of a Participant.
- Access by Participants to Investment Alternatives whose returns are commensurate with the risk associated with their respective management style and asset class characterization.
- Competitive investment performance of each Investment Alternative relative to other similarly categorized investment vehicles.
- Reasonable expenses associated with the services necessitated by Plan investment management.
- Fulfillment of the requirements of the Department of Labor's Final Regulations Regarding Participant Directed Individual Account Plans (Section 404(c) Regs.) to achieve the liability protection from losses arising from the control by Participants of their Plan balances.

## Part IV: Roles and Responsibilities

The DCMC has designated Heintzberger|Payne Advisors as a fiduciary in the role of Investment Consultant. Pursuant to this section, the Investment Consultant acknowledges it is a fiduciary to the Plan as defined in guidelines set forth within ERISA Section 3(21)(A) with respect to the Plan assets under its supervision. The Investment Consultant is registered with the Securities and Exchange Commission (IARD/CRD# 108091; SEC# 801-56420) under the Investment Advisors Act of 1940 and agrees that it will maintain all fiduciary bonding required under ERISA Section 412.

As fiduciaries to the Plan, the DCMC and the Investment Consultant will discharge their duties with respect to the Plan solely in the interests of the Participants, for the exclusive purpose of providing benefits to Participants and of defraying reasonable expenses, and with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

The DCMC is responsible for establishing and maintaining this Statement of Investment Policy, and for selecting and overseeing the Investment Consultant, Custodian, Recordkeeper and Third Party Administrator.

The Investment Consultant will have responsibility to regularly review the performance of the Plan's Investment Alternatives and recommend to the DCMC any action that may be appropriate given the terms of this Statement of Investment Policy. The Investment Consultant will monitor the performance, fees, and characteristics of all authorized Investment Alternatives, reporting to the DCMC with a written report on no less than a quarterly basis.

## Part V: Investment Alternatives

Using ERISA Section 404(c) as a guide, the Plan will provide a variety of "Core" Investment Alternatives—each of which are diversified and have materially different risk and return characteristics—into which Participants may direct the investment of their Plan balances and contributions for their benefit. Through various combinations of Investment Alternatives, a Participant is to have the ability to construct a prudently-diversified portfolio with aggregate risk and return characteristics within a range normally appropriate for a Participant saving for retirement.

In general, all Investment Alternatives will be characterized as an Equity (stocks) or Fixed Income (bonds and cash) investment (or combination thereof). Within these two broad asset classes, several Sub-Asset Classes

exist, e.g. U.S. Large Cap stocks, Foreign Stocks, Intermediate Bonds, etc. The Investment Consultant is to identify Investment Alternatives within various Sub-Asset Classes it deems appropriate for a well-diversified Core Menu of options. Where practical, passively-managed indexed options are to be made available.

Additionally, the Plan will provide diversified Investment Alternatives that are representative of, at minimum, one of the following two Sub-asset Classes:

- Cash Equivalents
- Stable Value

The Investment Consultant may select, as appropriate, additional Investment Alternatives to provide diversity of management style within each Sub-Asset Class, such as “value” and “growth”.

The Plan will allow, at the sole determination of, and selection by, the DCMC, Investment Alternatives that will be referred to as “Specialty Options.” Specialty Options will offer Participants access to diverse investment management styles, asset classes, regional exposures, and/or industry sector or management strategies that may not broadly representative of a core Sub-Asset Class investment, but are believed to be beneficial in constructing portfolios. Examples of Specialty Options include real estate, commodities, precious metals and multi-asset/balanced strategies. The securities within a Specialty Option may span more than one of the Sub-Asset Classes identified in this Statement.

## Part VI: Target Date Funds

As additional Investment Alternatives to the core investment menu, the Investment Consultant will recommend a suite of Target Date Funds to act as predetermined asset allocation strategies for participants. A target-date portfolio’s investment strategy is to over time regularly adjust the mix of Investment Alternatives within the portfolio to reflect a decreasing level of expected market risk—primarily determined by the Portfolio’s allocation to Equities.

Each Target Date Fund will normally be identified by a calendar year. Participants of various ages may choose the target-date funds whose identified dates would correspond approximately with their own expected retirement dates, or based upon their preferred level of investment risk currently embodied within that Target Date Fund.

The number of Target Date Funds to be offered is at the discretion of the DCMC, provided that sufficient portfolios exist which represent an appropriate and diverse range of risk-based options ranging from conservative to long-term growth.

Selection of a Target Date Fund is a decision of the Participant. The allocation of each Investment Alternative within a Target Date Fund is the decision of the Fund Company and not that of the Investment Consultant. Participants, at their option, may elect to have some or all of their Plan Account Balance and/or Future Contributions invested within any Target Date Fund, subject to any limitations of the software systems of the Plan’s Recordkeeper.

## Part VII: Investment Alternative Selection Criteria

The Investment Consultant will identify Investment Alternatives for the Core Menu and the Target Date Funds, subject to the following Investment Alternative Selection Criteria:



- Each Investment Alternative will be managed by an investment adviser who meets certain minimum criteria. The adviser will be a bank, insurance company, or investment management company or investment adviser registered under the Investment Advisors Act of 1940, in good standing with regulators. An Investment Alternative may be a registered mutual fund, collective trust, or a separately managed account. The Investment Consultant is to secure information on the history of the advisor's firm, its investment philosophy and approach, its principals, portfolio composition, fee schedules, and other relevant information.
- When recommending an Investment Alternative, the Investment Consultant may rely upon industry-standard databases in addition to its own research and judgment to identify the Sub-Asset Class exposure(s) and management style of a particular Investment Alternative. For the purposes of allocation, categorization and performance reporting, the Investment Consultant may assume that the asset category of all securities purchased by an Investment Alternative is that of the particular fund's industry-standard classification even though some of the securities purchased by the Investment Alternative may actually be of a different asset class. In addition, the Investment Consultant may categorize the Investment Alternative as an allocation among multiple Sub-Asset Classes.
- All Investment Alternatives selected must have a readily ascertainable market value and must be readily marketable. The Plan must be able to purchase each Investment Alternative without an upfront sales charge. No Investment Alternative may be subject to a contingent deferred sales charge. However, an Investment Alternative may be subject to a Short-Term Redemption Fee or reasonable trading restrictions.

Additional Criteria for the initial selection of an Investment Alternative include the following:

- An Investment Alternative should have at least a three-year track record. In making this and similar performance-based determinations, the Investment Consultant may include the performance of an Investment Alternative's manager whose investment performance at another fund is "portable" as defined by the SEC in its No-Action Letter of 9/13/96, or of a different share class of the same Investment Alternative, or the Investment Alternative manager's relevant strategy performance composite.
- Except in the instance of a market index fund, the Investment Alternative's performance will be measured against the performance of other managers with similar investment styles over the most recent 3-, 5-, and 10-year trailing period. The following components may be considered:
  - Investment performance (Absolute performance, benchmark-relative performance, etc.)
  - Risk-Adjusted performance (such as Shape Ratio, Information Ratio, etc.)
  - Risk Level (such as Standard Deviation, Upside Capture Ratio, Downside Capture Ratio, etc.)
- The Investment Alternative should have an expense ratio at or below the median for its general peer group.

The Investment Consultant, consistent with applicable professional and fiduciary standards, may determine additional criteria for the selection of an Investment Alternative, and apply those criteria as if contained within this Policy providing it communicates those criteria to the DCMC in advance of their application.

The Investment Consultant may exercise some judgment in the recommendation of Investment Alternatives, even if the investment does not comply with all of the criteria identified above as Additional Criteria. In such instances, the Investment Consultant must present to the DCMC its reasons for having selected the Investment Alternative.

## Part VIII: Investment Alternative Oversight

The Investment Consultant shall regularly review the performance of each Investment Alternative to determine if it should continue to be retained within the Plan, and communicate its findings in its Quarterly Performance Report to the DCMC.

For each Investment Alternative, the Investment Consultant will identify an investment benchmark and peer group to be used for the purpose of ongoing monitoring. A blended benchmark comprised of industry accepted market indices or a sub-component of an index (e.g. S&P 400 Value) may be used for additional comparison if the Investment Consultant deems it to be relevant.

In its Quarterly Performance Reports to the DCMC, the Investment Consultant will provide the DCMC with up-to-date benchmark and peer group identification. To the extent practicable, investment benchmarks will be predefined, passive, and reflective of the Fund's current investment strategy.

The Investment Consultant shall use an industry-accepted database of mutual funds for the compilation of peer group universes. The Investment Consultant may rely upon the database's identification of each Investment Alternative's category when compiling the universe. The Investment Consultant, however, may override the database's characterization of one or more Investment Alternatives and also may create its own set of universes.

From time to time, asset class designations, Investment Alternative selections, data sources, benchmarks, and peer groups may change. Such changes, as they occur, will be reflected in the Quarterly Performance Report.

Except in the instance of a market index fund, events or criteria that may indicate an Investment Alternative is to be removed and/or replaced as a Plan Investment Alternative include, but are not limited to, the following:

- There has been a material change in the Investment Alternative's management, or the Alternative is subject to sanctions for noncompliance with laws or regulations affecting the Alternative's investment performance.
- Performance of the Investment Alternative no longer ranks competitively versus the performance of funds with a similar investment style.

The Investment Consultant, consistent with applicable professional and fiduciary standards, may determine additional criteria for the monitoring of an Investment Alternative, and apply those criteria as if contained within this Policy providing it communicates those criteria to the DCMC in advance of their application.

With each Quarterly Performance Report to the DCMC, the Investment Consultant shall certify as to each Investment Alternative one of the following statements:

- The Investment Alternative remains suitable as the funding vehicle for an asset class;
- The Investment Alternative should be Replaced;

- The Investment Alternative is under Watch and might need to be replaced, or it should remain as the funding vehicle for an asset class for reasons to be enunciated within the Investment Consultant's report to the Plan.

No less than semi-annually, an authorized representative of the DCMC will acknowledge receipt of the Investment Consultant's certification.

An Investment Alternative may continue to serve within the Plan even if it fails to meet all of the criteria identified herein if the Investment Consultant believes there are compelling reasons for the Plan to hold the Investment Alternative. In such an event, the Investment Consultant shall communicate such reasons within its Quarterly Performance Report to the DCMC.

Consistent with the provisions of this Statement, and in the event the Investment Consultant determines that an Investment Alternative should be replaced, the Investment Consultant shall notify the DCMC of such recommendation. The Investment Consultant may provide assistance to the DCMC in the communication of Investment Alternative changes to the Plan's Recordkeeper and other service providers. However, the ultimate responsibility for authorizing the addition, removal, and mapping of Investment Alternatives to the appropriate service provider(s) is that of the DCMC.

## Part IX: Target Date Fund Oversight

For each Target-Date Fund, the Investment Consultant shall establish a Policy Index (a hypothetical portfolio whose investment return is calculated as if the Portfolio contained assets whose performance mirrors that of their respective Benchmark market index.) The Investment Consultant shall report to the DCMC no less than quarterly the performance of each Target Date Fund and its Policy Index.

## Part X: Default Investment

In the event a Participant fails to make an affirmative investment election for his or her account balance, the Participant's account balance will be placed in a Target Date Fund whose identifying date is identical to, or alternatively, closest preceding the year the Participant will be age 65. If the Participant is older than age 65 and there is no corresponding date associated with their retirement date, the default investment is the most conservative target date fund.

## Part XI: Disclosure of Fees, Commissions and Charges

All fees, commissions and charges for each selected investment option must be fully disclosed to the Committee before the option can be made available to plan participants. That is, in its review of a fund's performance history, the Committee must be shown the fund's gross performance less all applicable fees, commissions and charges, and the resulting net return.

In addition, these fees, commissions and charges will be disclosed to all participants at enrollment and at any other time as appropriate. It will be disclosed to plan participants the nature of all variances between gross return and net return.

## Part XII: Investment Communications to Participants

Information about each investment option will be given or made available to Plan participants to help them to make informed investment choices. The Providers shall provide at least quarterly statements of fund performance to each participant.

Upon request, copies of investment fund prospectuses or similar equivalent information will be provided to participants as well as such other information as the Committee has available such as a list of underlying investments for a given fund.

## Part XIII: Investment Education

It is the Committee's objective to provide participants with ongoing investment education. The purpose of the investment education program is to provide information and tools to assist in the development of a personal investment strategy for employees and facilitate the achievement of savings and retirement goals.

## Part XIV: Portfolio Risk

At times, some of the funds to be selected for the day-to-day management of the Investment Alternatives may experience high degrees of price volatility and periods of substantial, negative performance. The DCMC views the existence of market volatility as necessary to achieve each Investment Alternative's long-term investment objectives and understands that future market conditions may result in a negative performance that could fall below the historic experience of the Investment Alternative or its Benchmark Index.

## Part XV: Investment Prohibitions

In addition to any restrictions imposed on the Investment Consultant in other sections of this Policy Statement, the following additional restrictions, if any, apply:

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## Part XVI: Power to Amend

Nothing in this Statement shall preclude the DCMC from modifying the scope or content of this Statement, or changing or imposing additional investment restrictions. Any such modifications will be delivered to the Investment Consultant and other service providers for acknowledgement of receipt and acceptance.

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## Part XVII: Adoption of Statement of Investment Policy

The DCMC met and reviewed this Statement of Investment Policy on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_. By unanimous consent, it was resolved to adopt the Policy in the form herein described.

\_\_\_\_\_  
DCMC Committee Chair

Receipt of this Statement by the undersigned is acknowledged.

\_\_\_\_\_  
Brent Petty  
Investment Consultant

\_\_\_\_\_  
Frederick J Payne, Jr.  
Chief Compliance Officer

# Summary of Investment Policy Statement Changes

Listed below is a summary table of the major changes between the current and proposed Investment Policy Statements

Policy Provision	Current Policy	Proposed Policy
Description of roles and responsibilities	x	✓
References to ERISA and State Constitution	x	✓
Investments are called	“funds”	“investment alternatives”
Participant or Committee focus	Participant	Committee
Description of investment categories	✓	x
Require minimum of 3 year track record	x	✓
Incorporate investment risk into investment measurement process	✓	✓
Incorporate expense ratios into investment measurement process	x	✓
Use 3 and 5 year time periods for performance measurement	✓	✓
Investment default	Stable Value	Age appropriate Target Date Fund

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## **Section 2- Investment Menu Methodology**

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Investment Menu Construction



# County of Fresno 457 Plan

## Investment Menu Construction

### July 2012

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#### Satisfying the Prudent Expert Rule

The Employee Retirement Income Security Act of 1974 (ERISA), requires that plan fiduciaries be held to the standard of a "prudent expert", unless they hire a professional "with knowledge of such matters" for assistance. ERISA Section 401(a)(1) gives guidance for the responsibilities of a prudent expert, which include diversifying plan investments, paying only reasonable expenses, carrying out their duties prudently, acting solely in the interest of Plan participants and beneficiaries, and acting in accordance with governing plan documents. In regards to investment menu constructions, the prudent expert is not only knowledgeable about selecting investments for participants to direct for the purpose of accumulating retirement benefits, but also has a duty to investigate the merits of a particular investment. The following analysis provides an outline of how Heintzberger|Payne Advisors (HPA) constructs portfolios to meet the Prudent Expert Rule.

#### Summary of Construction Process

Three major investment vehicles are needed to fulfill the high level needs of a Defined Contribution Plan: Asset Allocation options suitable to act as a qualified default investment alternative (QDIA), index-only options providing low cost alternatives to broad market exposure and actively managed funds providing professional investment selection. All DC investment menus should include these types of options in order to meet basic plan needs. Further detail is provided in the following analysis to expand on basic asset classes, rational of building a diversified menu and the continuously evolving construction process within a DC plan lineup.



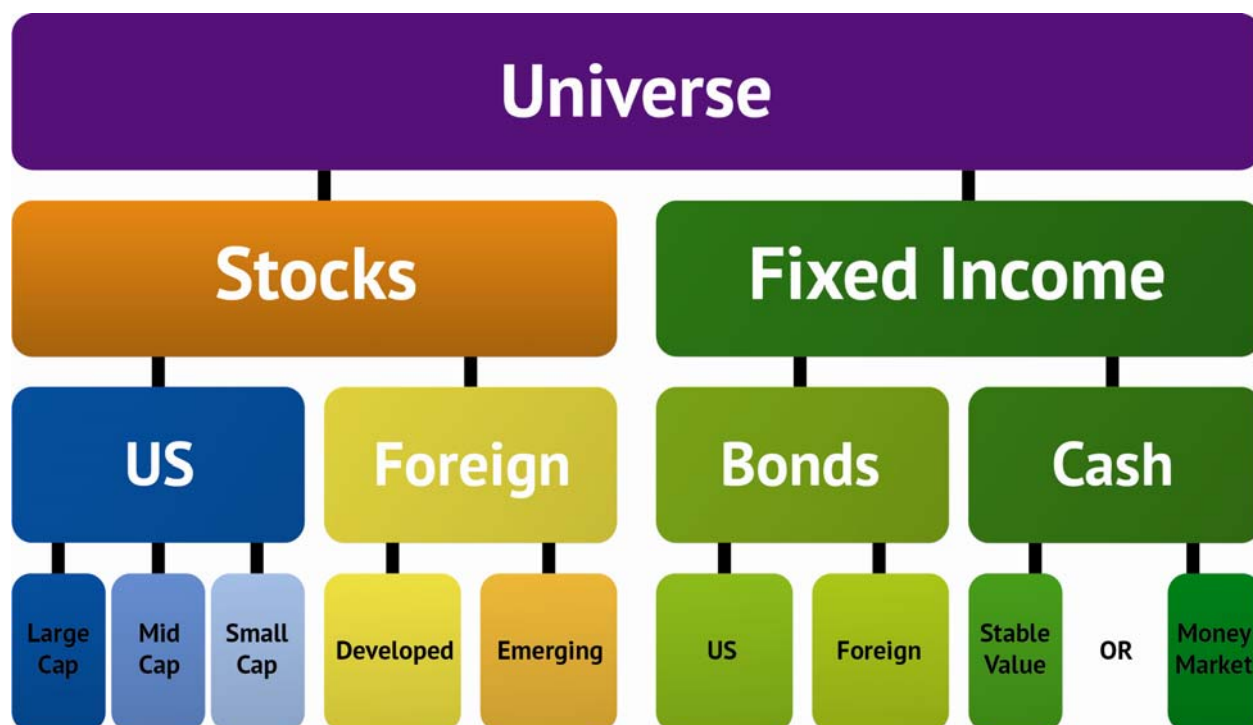
HPA traditionally uses target date fund products to provide a selection of portfolios across the risk/return spectrum which participants can choose to suit their needs. An in-depth analysis is done to provide due diligence on the QDIA options to ensure they are suitable investment options by comparing to other products offered on an open architecture platform.

#### Summary of Investment Philosophy

The first step in constructing an investment menu is to identify the appropriate Asset Classes to include in a Defined Contribution Plan menu. The investment universe can be broken out into two major types of investments that delineate the risk/return tradeoff at its very highest level: Stock and Fixed Income. Combinations of these two primary investments vehicles give participants the ability to build portfolios that meet their individual risk and return objectives. These broad categories can then be broken down into various Asset Classes, which are defined by their exposure to underlying investments that have unique risk and return characteristics, and can be used by the participant to build a diversified investment portfolio.

HPA considers passive management to be the source of a portfolio's low-cost, general market exposure, or beta, in each individual asset class. HPA uses five major passive options to represent these primary asset classes: U.S. Large Cap Stock, U.S. Mid Cap Stocks, U.S. Small Cap Stocks, Foreign Stocks and Bonds (Cash, typically fulfilled by a stable value or money market fund, is generally actively managed). HPA then overlays active managers with compelling strategies and consistent track records in order to generate the portfolio's alpha, or outperformance.

As a result, a typical menu constructed by HPA for a defined contribution plan will have a passive investment option in every major asset class, complimented by one or two a high-conviction active managers. This approach affords investors the best of both active and passive management and helps to reduce the cost of a diversified portfolio with lost cost exposure to markets through index funds.



### Why Start with Stocks and Bonds?

First and foremost, the allocation between stocks and bonds is important because they represent two unique levels of investment risk and returns potential. Stocks constitute ownership in a company and a claim on a portion of a company's futures earnings, cash flows and dividends. Since that claim may appreciate in value as companies' increase profits, stocks tend to offer significant upside potential and historically, on average have exhibited higher returns over longer periods. However in the event a company goes bankrupt and must liquidate assets to pay its creditors, stock owners are last in line to receive funds from the sale of the assets. Additionally stock owners are not automatically entitled to receive dividends from company cash flows, and it is not uncommon for company management to slash dividend payments in economic downturns, in turn reducing the return investors receive from holding stock. Thus stocks possess a relatively high measure of downside risk and have also exhibited high volatility of returns, particularly over shorter periods.

Bonds constitute a loan to a company, government, or other type of entity, in which the borrower is contractually required to make timely payment of interest and principal as it becomes due. Bonds also have specific maturity dates in which the borrower is required to fully pay off the debt (as opposed to stocks, which have no maturity date and constitute a long-term claim on a company). In the event of bankruptcy, the borrower's assets are used to pay creditors, but bond holders stand ahead of stock holders to receive full payment. Since the borrower is contractually obligated to receive interest, bond holders have more certainty about future income. While bond holders can experience losses, bonds tend to fluctuate less in value compared to stocks. At the same time, having a defined amount of interest and principal (no more, and possibly less) that an investor may receive from a bond limits its upside potential. Whereas stocks may experience increased dividend payments, stock splits, and a share of company growth, bonds' upsides are capped, and as such bonds have tended to underperform stocks over most long-term periods. This subjects investors to the risk that their investments will not return enough to compensate for inflation and their spending needs.

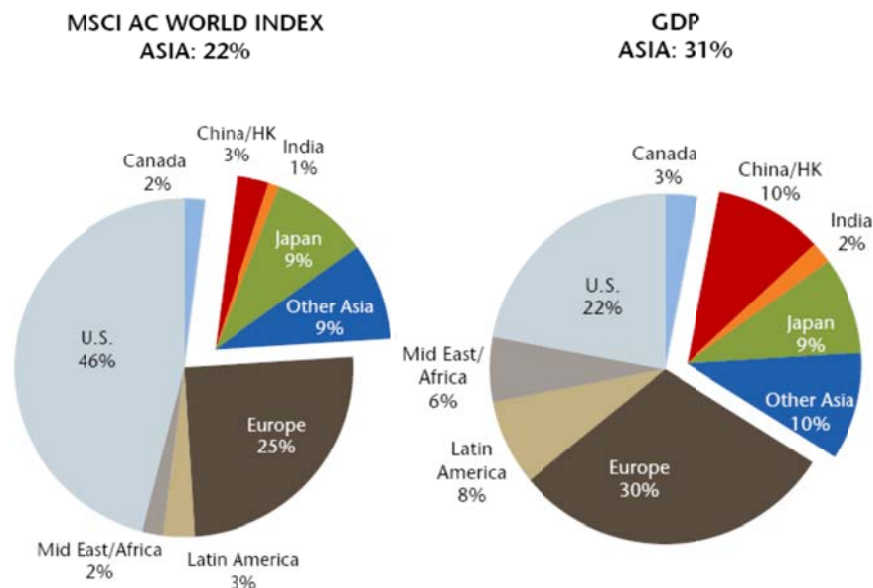
## Equity Asset Classes

Within the equity space Asset Classes are primarily derived by parsing out risks related to capitalization, geographic, style and other characteristics. This initial stage of construction within equities generate four major asset classes including U.S. Large Cap Stocks, U.S. Mid Cap Stocks, U.S. Small Cap Stocks and Foreign Stocks.

Asset Class	U.S. Large Cap	U.S. Mid Cap	U.S. Small Cap	Foreign
10 Yr Risk	15.85%	18.50%	21.08%	19.17%
10 Yr Return	5.30%	8.21%	7.00%	5.14%

One major influence in the structure of the equity investment menu is that every single geographic region may not require representation within the menu because a primary goal of the construction process is to gain exposure to world revenues with mitigated risk. This will often times lead to menus being built with a domestic bias (having more US-based options relative to world market cap) due to the growing globalization of domestic companies. A U.S. Large Cap fund may hold several large multi-national firms that seek to benefit from global expansion. In addition, a U.S. Small Cap firm can export computer components to a Japanese firm whose primary consumer is located within frontier markets in Africa.

Although globalization is creating opportunities for U.S. firms to capitalize on demand from foreign markets, the same can be said for foreign companies as countries focus on internal core competencies to guide their market share within world markets. As a share of global GDP, a domestic bias is desired within plans to mitigate political risk, currency risk and other region specific risks.



As emerging markets continue to develop a middle class, menu specific options to capture growth within these regions will be added as needed to ensure participants have adequate coverage to protect purchasing power of their retirement income. Although these regions continue to increase their market share of GDP, HPA believes one fund domiciled primarily in emerging markets is sufficient for the level of risk associated with these markets at this time.

## Fixed Income Asset Classes

There are multiple types of fixed income investments that can be accessed, but they primarily sum up to bond and cash investments. Bonds can differ in terms of credit quality, maturity, underlying assets, and principal repayment structure. The majority of the bond universe is composed of US government debt, mortgage-backed securities, corporate debt, foreign bonds, and asset-backed securities. Cash investments are very short-term debt instruments issued by private entities, governments, municipalities and others. Due to their very short-maturity

nature, cash investments typically show very little fluctuation in value and are considered extremely conservative investments. While bonds and cash investments can vary substantially depending in part on the quality of the underlying assets, how principal and interest are repaid, currency risk, default risk, and other risks.

HPA primarily views fixed income as a capital preservation tool within retirement plans. Although indices in the fixed income space reflect large amounts of U.S. government debt, diversification is needed in this area to mitigate both default risk and interest rate risk. HPA believes global bonds and an intermediate active manager can add a suitable level of diversification coupled with a traditional index option and cash to fulfill the majority of plan participant needs within the fixed income space.

The fixed income funds within a retirement plan are designed to preserve capital and grow investments during the accumulation phase of retirement savings. HPA does not advise participants to take distributions from these instruments because they are not designed to match the income needs of the individual participant. Once retirement is reached, participants are advised to seek professional help and take a lump sum distribution from the plan in order to best prepare for retirement spending through other means such as structure bond ladders or annuities.

## Additional Asset Classes and Evolving Menu Design

As markets continue to evolve and expand, a retirement plan menu should also reflect changes to best incorporate the adequate exposure needed to protect a participant's retirement account purchasing power. There are several investment categories that are commonly considered as asset classes, primarily Real Estate Investment Trusts (REITs), Commodities, and Treasury Inflation Protected Securities (TIPS) that are not viewed as separate asset classes within the construction of a DC investment menu. Each of these areas do have unique characteristics to some extent: REITs pay the majority of their earnings out as dividends and track the performance of real estate, Commodities tend to reflect growth in basic economic demand and are considered a hedge against inflation, and TIPS are bonds with coupon payments linked to changes in inflation. However, since these categories represent fairly small components of the stock and bond universes and are commonly accessed through stock and bond index funds, we do not feel the need to carve out individual spaces for them within investment menu as they are likely to already be included in the underlying investments within the existing options. A DC plan menu should be designed to satisfy the majority's needs, but not fulfill every individual's specific wants. These additional asset classes are periodically reviewed by our Investment Committee for merit to include in a retirement plan menu.

<i>Traditional Menu</i>				
Asset Class	Passive Option	Active Growth Manager	Active Value Manager	Other
US Large Cap	✓	✓	✓	N/A
US Mid Cap	✓	✓	✓	N/A
US Small Cap	✓	✓	✓	N/A
Foreign Stocks	✓	✓	✓	✓ Active Emerging Market Manager
Fixed Income	✓			✓ Active Intermediate Manager
				✓ Active Hedged or Unhedged Global Bond Manager
				✓ Money Market or Stable Value
Target Date Funds (QDIA)				✓ Various Target Date Options

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### **Section 3- Menu Changes**

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Minimal Changes

Fund Change Recommendations

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## County of Fresno 457 Plan - Minimum Changes

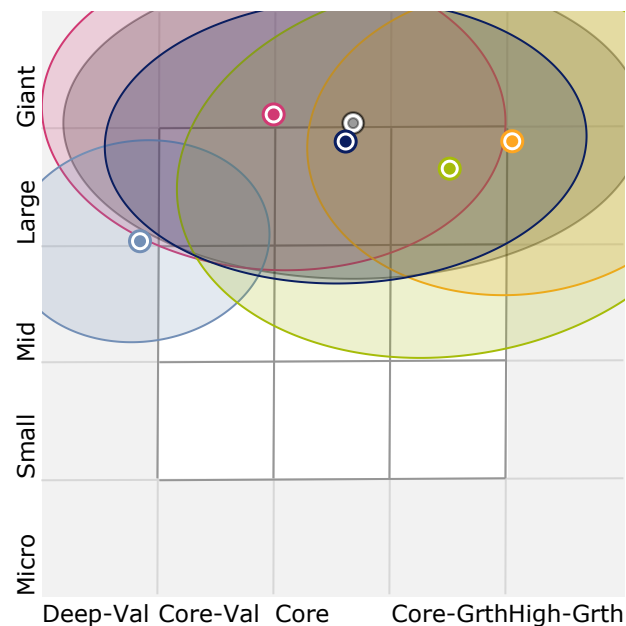
Current Lineup					Recommended Menu Changes					
Asset Class			Expense	Assets	ACTION:	Asset Class	Ticker	Fund Name	Expense	
US Large Cap		Ticker				US Large Cap				
Index			BlackRock Equity Index - Collective F	-	\$3,291,113	Keep	Index	BlackRock Equity Index - Collective F	-	
Blend	CHTVX		Invesco Charter I	0.73%	25,658,011	Keep	Blend	CHTVX	Invesco Charter I	0.73%
Growth	ASPIX		Alger Spectra I	1.32%	837,959	Keep	Growth	ASPIX	Alger Spectra I	1.32%
Growth	SDGTX		DWS Capital Growth Inst	0.72%	28,014,475	Keep	Growth	SDGTX	DWS Capital Growth Inst	0.72%
Value	GSFTX		Columbia Dividend Income Z	0.75%	8,103,670	Keep	Value	GSFTX	Columbia Dividend Income Z	0.75%
US Mid Cap						US Mid Cap				
Blend	GTAVX		Invesco Mid Cap Core Equity I	0.79%	782,604	Keep	Blend	GTAVX	Invesco Mid Cap Core Equity I	0.79%
Growth	NBGNX		Neuberger Berman Genesis Inv	1.06%	472,488	Keep	Growth	NBGNX	Neuberger Berman Genesis Inv	1.06%
Growth	FBRIX		FBR Focus I	1.27%	2,242,432	Keep	Growth	FBRIX	FBR Focus I	1.27%
Value	JMVAX		Perkins Mid Cap Value I	0.83%	4,475,144	Keep	Value	JMVAX	Perkins Mid Cap Value I	0.83%
US Small Cap						US Small Cap				
Blend	RYSEX		Royce Special Equity Invmt	1.16%	1,201,191	Keep	Blend	RYSEX	Royce Special Equity Invmt	1.16%
Growth	NCLEX		Nicholas Limited Edition I	0.91%	4,562,820	Keep	Growth	NCLEX	Nicholas Limited Edition I	0.91%
Value	JSCOX		Perkins Small Cap Value I	0.85%	86,541	Keep	Value	JSCOX	Perkins Small Cap Value I	0.85%
Foreign Stocks						Foreign Stocks				
Blend	MSIIX		MainStay International Equity I	1.18%	2,805,700	Keep	Blend	MSIIX	MainStay International Equity I	1.18%
Blend	ICEIX		Ivy International Core Equity I	1.08%	361,938	Keep	Blend	ICEIX	Ivy International Core Equity I	1.08%
Global	MWELX		MFS Global Equity R4	1.18%	5,585,901	Keep	Global	MWELX	MFS Global Equity R4	1.18%
Fixed Income						Fixed Income				
Stable Value			County of Fresno Stable Value Fund	-	60,465,263	Keep	Stable Value		County of Fresno Stable Value Fund	-
Intermediate	SAMFX		RidgeWorth Total Return Bond I	0.35%	2,449,895	Keep	Intermediate	SAMFX	RidgeWorth Total Return Bond I	0.35%
Government	SIBWX		Sentinel Government Securities I	0.60%	1,153,300	Keep	Government	SIBWX	Sentinel Government Securities I	0.60%
Specialty Options						Specialty Options				
Moderate	OAKBX		Oakmark Equity & Income I	0.79%	1,386,081	Keep	Moderate	OAKBX	Oakmark Equity & Income I	0.79%
Balanced	PAXIX		Pax World Balanced Instl	0.71%	570,196	Map	Moderate	OAKBX	Oakmark Equity & Income I	0.79%
Utilities	FRUAX		Franklin Utilities Adv	0.63%	2,032,065	Keep	Utilities	FRUAX	Franklin Utilities Adv	0.63%
Real Estate	FRIFX		Fidelity Real Estate Income	0.97%	777,499	Keep	Real Estate	FRIFX	Fidelity Real Estate Income	0.97%
Target Date Funds (QDIA)						Target Date Funds (QDIA)				
Target	MXLTX		Maxim Lifetime 2015 I T	0.86%	1,059,767	Keep	Target	MXLTX	Maxim Lifetime 2015 I T	0.86%
Target	MXALX		Maxim Lifetime 2025 I T	0.92%	1,258,763	Keep	Target	MXALX	Maxim Lifetime 2025 I T	0.92%
Target	MXGLX		Maxim Lifetime 2035 I T	0.98%	627,913	Keep	Target	MXGLX	Maxim Lifetime 2035 I T	0.98%
Target	MXMLX		Maxim Lifetime 2045 I T	1.00%	405,395	Keep	Target	MXMLX	Maxim Lifetime 2045 I T	1.00%
Target	MXSLX		Maxim Lifetime 2055 I T	1.01%	227,802	Keep	Target	MXSLX	Maxim Lifetime 2055 I T	1.01%
TOTAL ASSETS				\$160,895,925						



Recommended Changes to County of Fresno 457 Retirement Plan

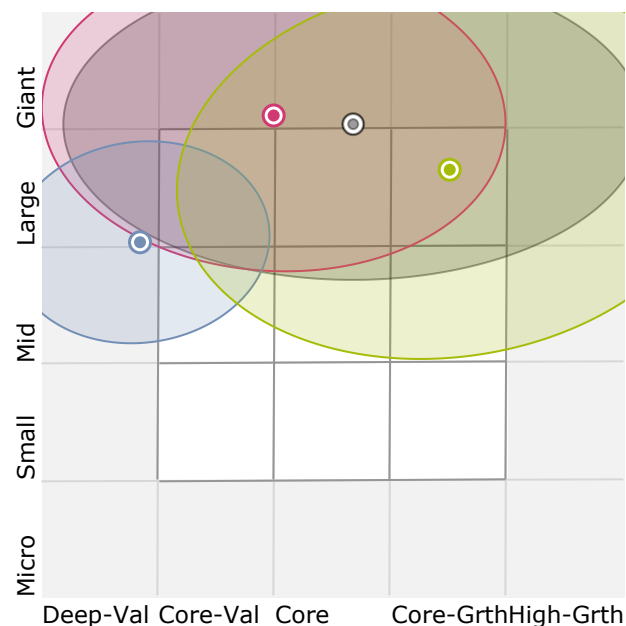
Current Lineup						Recommended Fund Changes								
Asset Class	Ticker	Fund Name	Expense	Revenue	Assets	ACTION:	Asset Class	Ticker	Fund Name	Expense	Revenue	Add-on Fee	Net Expense	
US Large Cap							US Large Cap							
Index		BlackRock Equity Index - Collective F	0.20%	0.18%	\$3,291,113	Keep	Index		BlackRock Equity Index - Collective F	0.02%	0.00%	0.23%	0.25%	
Blend	chvtx	INVESCO Charter Institutional	0.75%	0.35%	\$25,658,011	Map	Index		BlackRock Equity Index - Collective F	0.02%	0.00%	0.23%	0.25%	
Growth	aspix	Alger Spectra I	1.32%	0.50%	\$837,959	Keep	Growth	aspix	Alger Spectra I	1.32%	0.50%	0.23%	1.05%	
Growth	sdgtx	DWS Capital Growth Inst	0.70%	0.10%	\$28,014,475	Map	Growth	aspix	Alger Spectra I	1.32%	0.50%	0.23%	1.05%	
Value	gsftx	Columbia Dividend Income Z	0.75%	0.25%	\$8,103,670	Keep	Value	gsftx	Columbia Dividend Income Z	0.75%	0.25%	0.23%	0.73%	
US Mid Cap							US Mid Cap							
						ADD	Index		BlackRock Mid Cap Index - Collective F	0.03%	0.00%	0.23%	0.26%	
Blend	gtavx	INVESCO Mid Cap Core Equity Fund - I	0.79%	0.35%	\$782,604	Map	Index		Mid Cap Index	0.15%	0.00%	0.23%	0.38%	
Growth	nbgnx	Neuberger Berman Genesis Inv	1.06%	0.00%	\$472,488	Map	Growth	fbrix	FBR Focus I	1.15%	0.00%	0.23%	1.38%	
Growth	fbrix	FBR Focus I	1.15%	0.00%	\$2,242,432	Keep	Growth	fbrix	FBR Focus I	1.15%	0.00%	0.23%	1.38%	
Value	jmvax	Perkins Mid Cap Value Fund I	0.85%	0.00%	\$4,475,144	Share Class	Value	jmcvx	Perkins Small Cap Value Fund Class T	1.13%	0.25%	0.23%	1.11%	
US Small Cap							US Small Cap							
						ADD	Index		BlackRock Russell 2000 Index - Collective F	0.03%	0.00%	0.23%	0.26%	
Growth	nclex	Nicholas Limited Edition I	0.91%	0.00%	\$4,562,820	Share Class	Growth	nnlex	Nicholas Limited Edition Fund Class N	1.24%	0.40%	0.23%	1.07%	
Value	jscox	Perkins Small Cap Value I	0.94%	0.00%	\$86,541	Keep	Value	jscox	Perkins Small Cap Value I	0.94%	0.00%	0.23%	1.17%	
Blend	rysex	Royce Special Equity Inv	1.16%	0.20%	\$1,201,191	Map	Index		Small Cap Index	0.15%	0.00%	0.23%	0.38%	
Foreign Stocks							Foreign Stocks							
						ADD	Index		BlackRock EAFE Equity Index - Collective F	0.10%	0.00%	0.23%	0.33%	
Blend	iceix	Ivy International Core Equity I	1.08%	0.00%	\$361,938	Share Class	Blend	ivvyx	Ivy International Core Equity Fund Class Y	1.34%	0.40%	0.23%	1.17%	
Growth	msiix	MainStay International Equity I	1.21%	0.20%	\$2,805,700	Keep	Growth	msiix	MainStay International Equity I	1.21%	0.20%	0.23%	1.24%	
World	mwelx	MFS Global Equity R4	1.12%	0.15%	\$5,585,901	Map	Blend	ivvyx	Ivy International Core Equity Fund Class Y	1.34%	0.40%	0.23%	1.17%	
						ADD	Value	sgovx	First Eagle Overseas Fund Class A	1.14%	0.30%	0.23%	1.07%	
						ADD	Emerging	odvyx	Oppenheimer Developing Markets Y	1.04%	0.25%	0.23%	1.02%	
Fixed Income							Fixed Income							
						ADD	Index		BlackRock US Debt Index Fund - Collective F	0.20%	0.16%	0.23%	0.27%	
Stable Value		County of Fresno Stable Value Fund	0.50%	0.15%	\$60,465,263	Keep	Stable Value		County of Fresno Stable Value Fund	0.50%	0.15%	0.23%	0.58%	
Intermediate	samfx	RidgeWorth Total Return Bond I	0.35%	0.15%	\$2,449,895	Share Class	Intermediate	scblx	RidgeWorth Total Return Bond Fund Class R	0.91%	0.75%	0.23%	0.39%	
Government	sibwx	Sentinel Government Securities I	0.60%	0.10%	\$1,153,300	Share Class	Government	segsx	Sentinel Government Securities Fund Class A	0.80%	0.35%	0.23%	0.68%	
						ADD	Global	tgbax	Templeton Global Bond Adv	0.64%	0.15%	0.23%	0.72%	
Specialty Options							Fixed Income							
Moderate	oakbx	Oakmark Equity & Income Fund	0.77%	0.25%	\$1,386,081	Keep	Moderate	oakbx	Oakmark Equity & Income Fund	0.77%	0.25%	0.23%	0.75%	
Balanced	paxix	Pax World Balanced Instl	0.71%	0.00%	\$570,196	Map	Moderate	oakbx	Oakmark Equity & Income Fund	0.77%	0.25%	0.23%	0.75%	
Utilities	fruax	Franklin Utilities Adv	0.61%	0.15%	\$2,032,065	Keep	Utilities	fruax	Franklin Utilities Adv	0.61%	0.15%	0.23%	0.69%	
Real Estate	frifx	Fidelity Real Estate Income	0.92%	0.25%	\$777,499	Keep	Real Estate	frifx	Fidelity Real Estate Income	0.92%	0.25%	0.23%	0.90%	
Specialty Options							Fixed Income							
TargetDate	mxltx	Maxim Lifetime 2015 Portfolio I T	0.86%	0.35%	\$1,059,767	Keep	TargetDate	mxltx	Maxim Lifetime 2015 Portfolio I T	0.86%	0.35%	0.23%	0.74%	
TargetDate	mxalx	Maxim Lifetime 2025 Portfolio I T	0.92%	0.35%	\$1,258,763	Keep	TargetDate	mxalx	Maxim Lifetime 2025 Portfolio I T	0.92%	0.35%	0.23%	0.80%	
TargetDate	mxglx	Maxim Lifetime 2035 Portfolio I T	0.98%	0.35%	\$627,913	Keep	TargetDate	mxglx	Maxim Lifetime 2035 Portfolio I T	0.98%	0.35%	0.23%	0.86%	
TargetDate	mxmlx	Maxim Lifetime 2045 Portfolio I T	1.00%	0.35%	\$405,395	Keep	TargetDate	mxmlx	Maxim Lifetime 2045 Portfolio I T	1.00%	0.35%	0.23%	0.88%	
TargetDate	mxslx	Maxim Lifetime 2055 Portfolio I T	1.01%	0.35%	\$227,802	Keep	TargetDate	mxslx	Maxim Lifetime 2055 Portfolio I T	1.01%	0.35%	0.23%	0.89%	
Expense			Expense	Add-on	\$160,895,925					Expense	- Revenue	+ Add-on Fee	= Net Expense	
0.67%			0.18%	+ 0.23%			Weighted Average Totals			0.69%	0.223%	0.230%		
Net Expense				0.720%						Net Expense		0.694%		

## CURRENT PORTFOLIO



● Invesco Charter I	3/31/2012
● Alger Spectra I	3/31/2012
● DWS Capital Growth Inst	3/31/2012
● Franklin Utilities Adv	3/31/2012
● Columbia Dividend Income Z	3/31/2012
● S&P 500 TR	3/31/2012

## PROPOSED PORTFOLIO



● Alger Spectra I	3/31/2012
● Franklin Utilities Adv	3/31/2012
● Columbia Dividend Income Z	3/31/2012
● S&P 500 TR	3/31/2012

## US Large Cap Options – Portfolio Recommendations

The County of Fresno currently has six US Large Cap investment options, including one passive option, the BlackRock Equity Index Collective F (represented by the S&P 500 TR in the above analysis), three style-specific active managers, and one “specialty” option: a Utilities fund. Because of the significant overlap in style, as can be seen in the graph on the upper portion of the previous page, we recommend consolidating some of these active options into existing investment alternatives.

Move Invesco Charter I to the BlackRock Equity Index Collective F – Because Invesco Charter is a blend fund, much of its investment opportunity set is already covered by the other options available, and is nearly entirely contained within the passive option, the BlackRock Equity Index Collective F.

Pros: Reduce expense ratio by 58 basis points (Approximate savings of \$148,800 per year based on 6/30 investment in CHTVX). Reduce duplicative large cap blend exposure.

Cons: Plan participants have over \$25.6 million invested in the Invesco Charter Fund, second only to the stable value fund and the DWS Capital Growth Fund. The Invesco fund has historically provided lower-volatility exposure to the Large Cap Blend space, with a volatility ranking more favorable than 90% of its peer group over the trailing three, five, and ten year periods.

Move DWS Capital Growth Inst to Alger Spectra – The fund provides two options for participants to invest in the large cap growth space, while only one is needed for adequate coverage of the space.

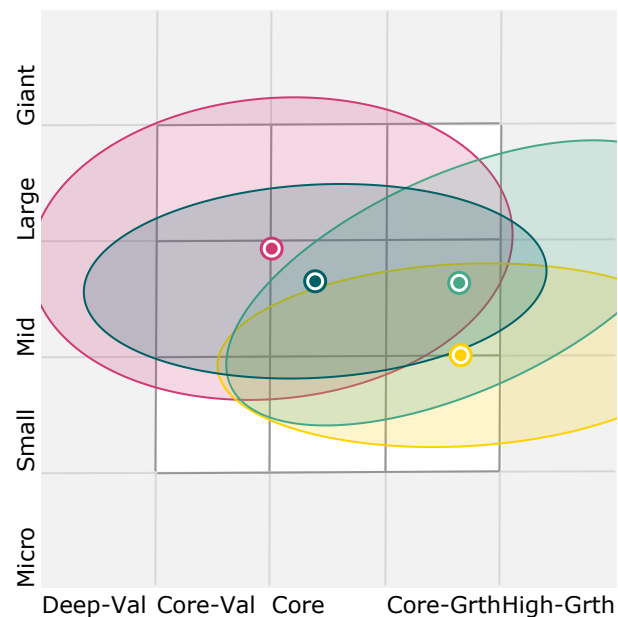
Pros: Moving assets to a manager who has a more consistent track record of peer group outperformance. Kelley has managed the Alger portfolio for nearly three times as long as the manager currently managing the DWS fund.

Cons: Alger Spectra is more expensive than DWS, with an expense ratio of 1.32% versus 0.70%. This would increase the management fees paid by participants by nearly \$173,700 based on the amount of assets in DWS as of the end of the second quarter.

Possible Alternative: Adding Laudus Growth Investors US Large Cap Growth fund, an option selected by HPA in early 2012. Laudus has the same ranking as Alger (an 8 out of 10), but a similar expense ratio to DWS (0.78%). A search document is available upon request.

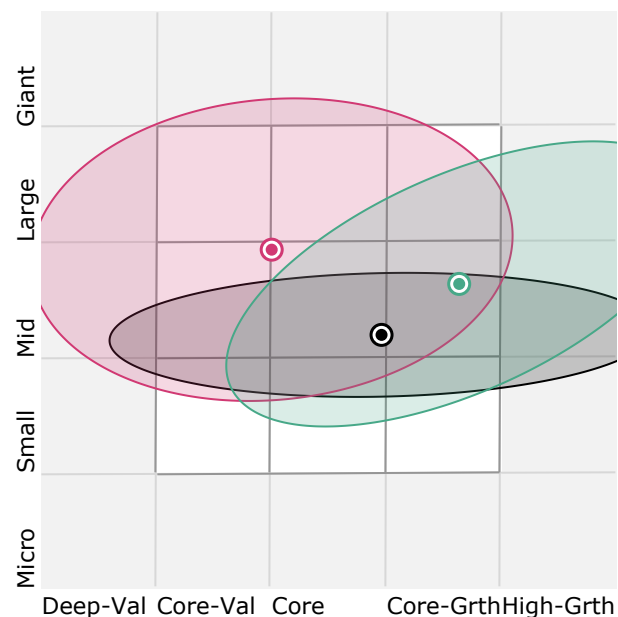
The remaining active options provide unique style exposure and provide unique enough investment strategies to fulfill participant needs while retaining the BlackRock Equity Index Collective F (as represented by the S&P 500 TR), provides participants the option of accessing the asset class at the lowest cost possible.

**CURRENT PORTFOLIO**



● Invesco Mid Cap Core Equity I	3/31/2012
● FBR Focus I	3/31/2012
● Neuberger Berman Genesis Inv	3/31/2012
● Perkins Mid Cap Value I	3/31/2012

**RECOMMENDED PORTFOLIO**



● FBR Focus I	3/31/2012
● Perkins Mid Cap Value I	3/31/2012
● S&P MidCap 400 TR	3/31/2012

## US Mid Cap Options – Portfolio Recommendations

Participants currently have access to four mid cap options in the plan, including one blend option, two growth options and one value fund. Because of the redundancy in the mid-cap growth space, as well as the lack of a vehicle for passive exposure to the asset class, HPA recommends changes as described below to the menu lineup.

Add a Mid-Cap Index Fund – HPA's recommended menu construction process includes offering participants the ability to access all available asset classes at the lowest cost possible. This is achieved through adding passive exposure to a menu through an index fund.

Pros: Allows participants to access the mid-cap space at a reduced cost.

Cons: None.

Move Invesco Mid Cap Core Equity to the new Mid-Cap Index Fund option – By adding the passive mid-cap option as described above, participants will be able to gain exposure to the performance of assets represented by the Invesco Mid Cap Core Equity Fund at a much lower cost. This duplicative coverage should be eliminated if the passive option is added.

Pros: Lower-cost exposure to the mid-cap space. Removing assets that comprise only 0.5% of Fresno's plan (lower participant impact).

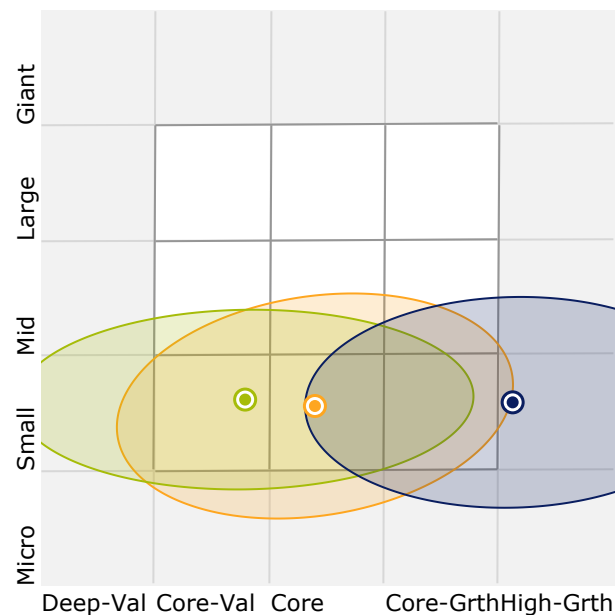
Cons: Though the Invesco Mid Cap Core Equity Fund has lagged significantly over the trailing three years, it also has much lower volatility compared to its peer group, with superior downside protection. The index will simply replicate the benchmark, neither providing downside protection, nor significantly lagging to the upside, as the Invesco fund has done.

Move Neuberger Berman Genesis Inv to FBR Focus – Currently both funds are classified as mid-cap growth funds; however, in speaking with the Neuberger Berman Genesis team, they are insistent that they are a small cap value option: they simply hold onto their investments long enough that their style will drift anywhere from small cap value to mid cap growth. Because of the inconsistent style profile, we recommend moving into FBR Focus Fund.

Pros: Moving assets into a high-conviction, concentrated active manager with a consistent growth-style profile.

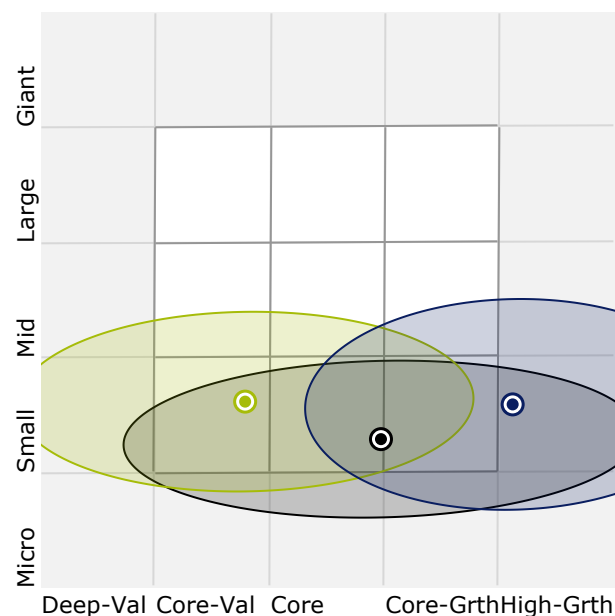
Cons: The Neuberger Genesis fund ranks favorably compared to all of the asset classes it has the potential to traverse, from small cap value to mid cap growth. The FBR Focus management team is also technically newer to the management role, though the three managers had worked as analysts for the fund for an average of ten years prior to taking the helm, and produced a positive track record consistent with the fund's historical performance since they took over fund management.

CURRENT PORTFOLIO



● Nicholas Limited Edition I	3/31/2012
● Perkins Small Cap Value I	3/31/2012
● Royce Special Equity Invmt	3/31/2012

RECOMMENDED PORTFOLIO



● Nicholas Limited Edition I	3/31/2012
● Perkins Small Cap Value I	3/31/2012
● S&P SmallCap 600 TR	3/31/2012

## US Small Cap Options – Portfolio Recommendations

Participants currently have access to three active small cap options in the plan, including one blend option, one growth options and one value fund. Because of the redundancy in the small cap space, as well as the lack of a vehicle for passive exposure to the asset class, HPA recommends changes as described below to the menu lineup.

Add a Small-Cap Index Fund – HPA’s recommended menu construction process includes offering participants the ability to access all available asset classes at the lowest cost possible. This is achieved through adding passive exposure to a menu through an index fund.

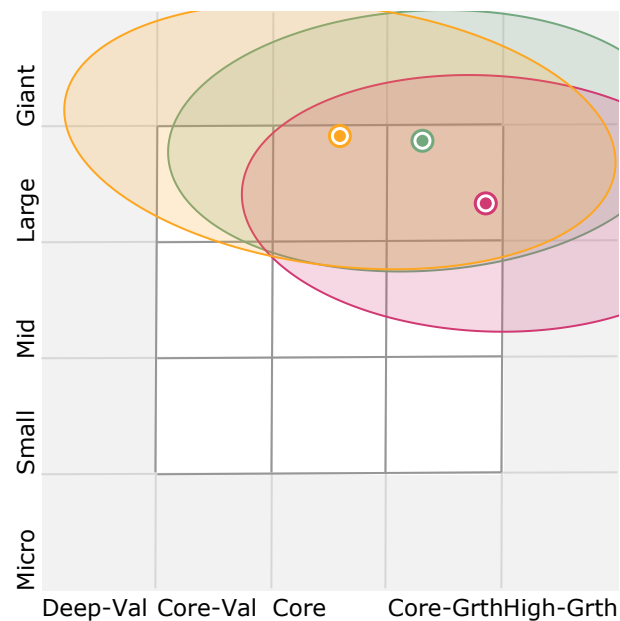
Pros: Allows participants to access the small-cap space at a reduced cost.

Cons: None.

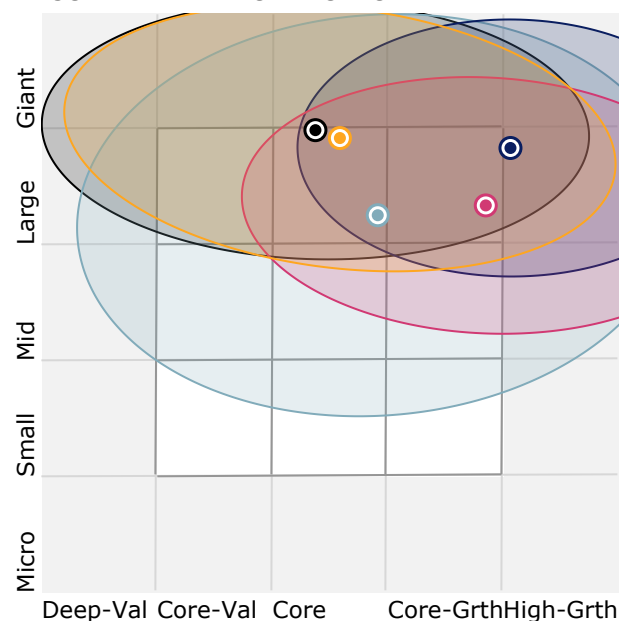
Move Royce Special Equity Investment into the new Small-Cap Index Fund - Royce Special Equity Investment has protected well in down markets with a low level of standard deviation. The other two active small cap options also reflect this low volatility, downside-protector approach and the addition of a passive option in this space would provide participants with a low cost option to obtain beta within small caps.

Pros: Eliminate duplicate exposure of active management in small cap asset class. Less than 1% of plan assets are currently held in this fund, so minimal impact to participants.

Cons: The fund has historically been a downside protector with a low standard deviation.

**CURRENT PORTFOLIO**

● Ivy International Core Equity I	3/31/2012
● MainStay International Equity I	3/31/2012
● MFS Global Equity R4	3/31/2012

**RECOMMENDED PORTFOLIO**

● Ivy International Core Equity I	3/31/2012
● MainStay International Equity I	3/31/2012
● Oppenheimer Developing Markets Y	3/31/2012
● First Eagle Overseas A	3/31/2012
● MSCI EAFE NR USD	3/31/2012



## Foreign Equity Options – Portfolio Recommendations

Participants currently have access to three active foreign options in the plan, including one blend option, one growth option and one global fund. Because of the overlap between the funds (and in one instance, with other major asset classes), as well as the lack of a vehicle for passive exposure to the asset class, HPA recommends changes as described below to the menu lineup.

Add a Foreign Index Fund – HPA's recommended menu construction process includes offering participants the ability to access all available asset classes at the lowest cost possible. This is achieved through adding passive exposure to a menu through an index fund.

Pros: Allows participants to access the foreign space at a reduced cost.

Cons: None.

Move MFS Global Equity into Ivy International Core Equity - MFS Global Equity is a world allocation fund that also overlaps with the numerous domestic stock funds (MFS holds roughly 47 % domestic stock) held by the plan. Although the fund has not performed poorly over the trailing periods and has provided its investors with risk-adjusted return that compares favorably to its peers, it does not add diversification to the menu.

Pros: Eliminate duplicate exposure between existing options and other asset classes. Allows participants more ability to control region specific risk.

Cons: This fund has just over \$5 million invested in it within the plan, which is the largest holding in the foreign space. The recommendation is based on plan construction issues, not performance problems, so removing this option is eliminating a fund that has performed consistently in the past.

Add First Eagle Overseas – Adding First Eagle Overseas to the menu will provide participants with a deep value stock-picker within the foreign space that also provides exposure down the cap range. The fund has historically protected well to the downside with low volatility and is a nice compliment next to a passive option within the foreign space.

Pros: Expands participants' ability to capture global revenues through active management that seeks to mitigate risks by purchasing companies on a margin of safety.

Cons: Fund may lag in dramatic market rebounds

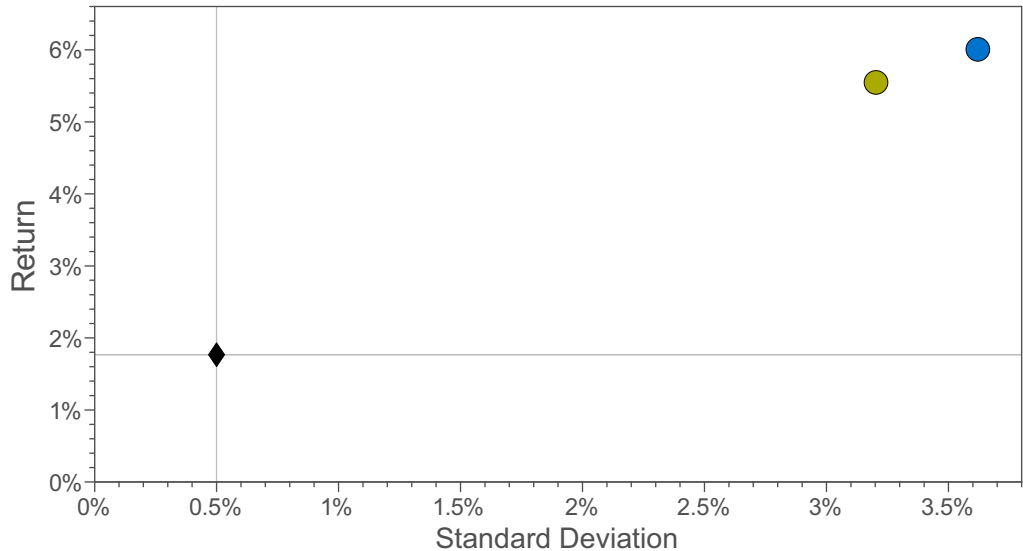
Add Oppenheimer Developing Markets – The fund offers exposure to markets in developing regions that offer substantial growth prospects. The fund has historically performed well in both up and down markets with less volatility than its peers. The fund focuses on purchasing companies that will benefit from a growing middle-class in these regions.

Pros: Allows participants to access global markets that are thought to be the source of world growth in the future. Plan diversification benefits.

Cons: Emerging Markets tend to be more volatile than developed foreign markets

CURRENT PORTFOLIO

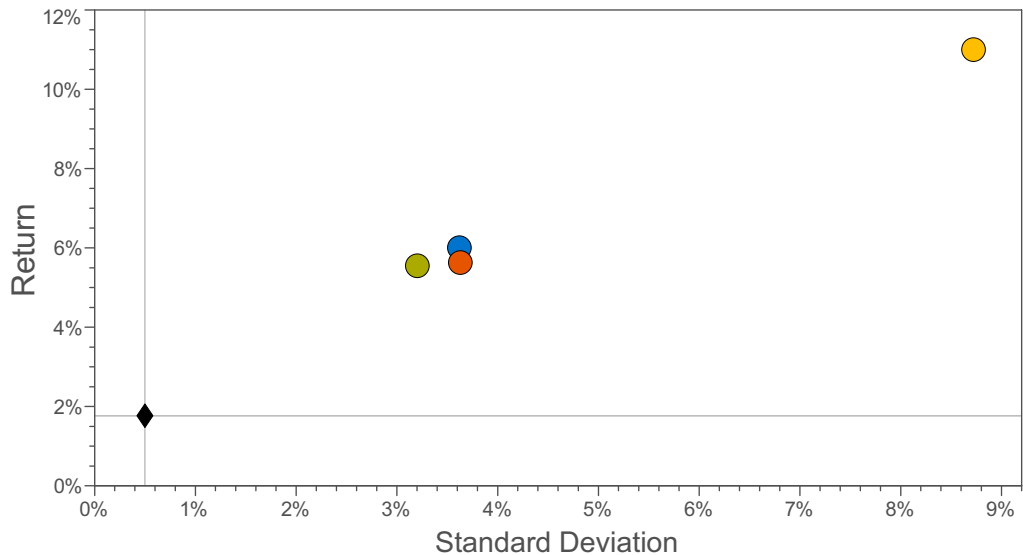
July 2002 - June 2012 (Single Computation)



- RidgeWorth Total Return Bond I
- Sentinel Government Securities I
- Market Benchmark:  
Citigroup 3-month T-bill

RECOMMENDED PORTFOLIO

July 2002 - June 2012 (Single Computation)



- RidgeWorth Total Return Bond I
- Sentinel Government Securities I
- Templeton Global Bond Adv
- Barclays U.S. Aggregate
- Market Benchmark:  
Citigroup 3-month T-bill

## Fixed Income Options – Portfolio Recommendations

Participants currently have access to two fixed income options including Intermediate US Fixed Income and Intermediate US Government Securities. Additionally, a Stable Value Fund substitutes for a money market fund. We do not recommend the removal of any fixed income options in the County's lineup at this time, as Ridgeworth Total Return and Sentinel use different investment approaches. The Stable Value Fund will be addressed in a separate analysis.

The addition of a passive fixed income option would allow for a significant reduction in fees for Participants who do not strongly believe in the role of active fixed income investment management. Historically, the risk/return relationship of the Plan's two intermediate bond funds have individually provided an improved risk/return relationship relative to the generally accepted standard for fixed income benchmarking, the Barclays US Aggregate Bond Index, as demonstrated in the graphic.

Add a Passive Fixed Income Option – Currently the lineup has no passive means of access to intermediate bonds.

Pros: Allows participants to access US intermediate fixed income ("core" fixed income) at a reduced expense relative to the stable value fund, intermediate fixed income fund and government bond fund.

Cons: Fixed income indexes tend to invest in the most heavily-indebted issuers, and usually undertake less fundamental credit research on the bonds in the portfolio.

Add a Global Bond Option – Currently the lineup offers no access to foreign fixed income.

Pros: By adding Templeton Global Bond, participants may gain a broader range of diversification in their fixed income portfolios relative to the offerings in the current portfolio.

Cons: Although Global Bonds may offer additional yield, volatility is also increased.

# Summary of Fund Recommendations

## Mappings

Asset Class	Ticker	Fund Name	Assets			Ticker	Fund Name
US Large Cap							
Blend	chtx	INVESCO Charter Institutional	\$25,658,011	Map	Index		BlackRock Equity Index - Collective F
Growth	sdgtx	DWS Capital Growth Inst	\$28,014,475	Map	Growth	aspix	Alger Spectra
US Mid Cap							
Blend	gtavx	INVESCO Mid Cap Core Equity Fund - I	\$782,604	Map	Index		BlackRock Mid Cap Index - Collective F
Growth	nbgnx	Neuberger Berman Genesis Inv	\$472,488	Map	Growth	fbrix	FBR Focus I
US Small Cap							
Blend	rysex	Royce Special Equity Inv	\$1,201,191	Map	Index		BlackRock Russell 2000 Index - Collective F
Foreign Stocks							
World	mwelx	MFS Global Equity R4	\$5,585,901	Map	Blend	ivvyx	Ivy International Core Equity I
Specialty Options							
Balanced	paxix	Pax World Balanced Instl	\$570,196	Map	Moderate	oakbx	Oakmark Equity & Income Fund

## Adds

ADD	Index		BlackRock Mid Cap Index - Collective F
ADD	Index		BlackRock Russell 2000 Index - Collective F
ADD	Index		BlackRock US Debt Index Fund - Collective F
ADD	Value	sgovx	First Eagle Overseas A
ADD	Emerging	odvyx	Oppenheimer Developing Markets Y
ADD	Index		BlackRock US Debt Index Fund - Collective F
ADD	Global	tgbax	Templeton Global Bond Adv

## Recommended Fund Menu with Mappings

Assets	Asset Class	Ticker	Fund Name	Expense	Revenue	Add-on Fee	Net Expense
US Large Cap							
\$28,949,125	Index		BlackRock Equity Index - Collective F	0.02%	0.00%	0.23%	0.25%
\$28,852,434	Growth	aspix	Alger Spectra I	1.32%	0.50%	0.23%	1.05%
\$8,103,670	Value	gsftx	Columbia Dividend Income Z	0.75%	0.25%	0.23%	0.73%
US Mid Cap							
\$782,604	Index		BlackRock Mid Cap Index - Collective F	0.03%	0.00%	0.23%	0.26%
\$2,714,920	Growth	fbrix	FBR Focus I	1.15%	0.00%	0.23%	1.38%
\$4,475,144	Value	jmcvx	Perkins Small Cap Value Fund Class T	1.13%	0.25%	0.23%	1.11%
US Small Cap							
\$1,201,191	Index		BlackRock Russell 2000 Index - Collective	0.03%	0.00%	0.23%	0.26%
\$4,562,820	Growth	nnlex	Nicholas Limited Edition Fund Class N	1.24%	0.40%	0.23%	1.07%
\$86,541	Value	jscox	Perkins Small Cap Value I	0.94%	0.00%	0.23%	1.17%
Foreign Stocks							
\$0	Index		BlackRock EAFE Equity Index - Collective	0.10%	0.00%	0.23%	0.33%
\$5,947,839	Blend	ivvyx	Ivy International Core Equity Fund Class Y	1.34%	0.40%	0.23%	1.17%
\$2,805,700	Growth	msiix	MainStay International Equity I	1.21%	0.20%	0.23%	1.24%
\$0	Value	sgovx	First Eagle Overseas Fund Class A	1.14%	0.30%	0.23%	1.07%
\$0	Emerging	odvyx	Oppenheimer Developing Markets Y	1.04%	0.25%	0.23%	1.02%
Fixed Income							
\$0	Index		BlackRock US Debt Index Fund - Collective	0.20%	0.16%	0.23%	0.27%
\$60,465,263	Stable Value		County of Fresno Stable Value Fund	0.50%	0.15%	0.23%	0.58%
\$2,449,895	Intermediate	scblx	RidgeWorth Total Return Bond Fund Class	0.91%	0.75%	0.23%	0.39%
\$1,153,300	Government	segsx	Sentinel Government Securities Fund Clas	0.80%	0.35%	0.23%	0.68%
\$0	Global	tgbax	Templeton Global Bond Adv	0.64%	0.15%	0.23%	0.72%
Fixed Income							
\$1,956,277	Moderate	oakbx	Oakmark Equity & Income Fund	0.77%	0.25%	0.23%	0.75%
\$2,032,065	Utilities	fruax	Franklin Utilities Adv	0.61%	0.15%	0.23%	0.69%
\$777,499	Real Estate	frifx	Fidelity Real Estate Income	0.92%	0.25%	0.23%	0.90%
Fixed Income							
\$1,059,767	TargetDate	mxltx	Maxim Lifetime 2015 Portfolio I T	0.86%	0.35%	0.23%	0.74%
\$1,258,763	TargetDate	mxalx	Maxim Lifetime 2025 Portfolio I T	0.92%	0.35%	0.23%	0.80%
\$627,913	TargetDate	mxglx	Maxim Lifetime 2035 Portfolio I T	0.98%	0.35%	0.23%	0.86%
\$405,395	TargetDate	mxmlx	Maxim Lifetime 2045 Portfolio I T	1.00%	0.35%	0.23%	0.88%
\$227,802	TargetDate	mxslx	Maxim Lifetime 2055 Portfolio I T	1.01%	0.35%	0.23%	0.89%
Assets			Expense	- Revenue	+ Add-on Fee	= Net Expense	
\$160,895,925			Weighted Average Totals	0.69%	0.223%	0.230%	0.694%
27 Funds							

**Recommended Fund Menu with Fund Adds ONLY**

Assets	Asset Class	Ticker	Fund Name	Expense	Revenue	Add-on Fee	Net Expense
US Large Cap							
\$3,291,113	Index		BlackRock Equity Index - Collective F	0.02%	0.00%	0.23%	0.25%
\$25,658,011	Blend	chtx	INVESCO Charter Institutional	0.75%	0.35%	0.23%	0.63%
\$837,959	Growth	aspix	Alger Spectra I	1.32%	0.50%	0.23%	1.05%
\$28,014,475	Growth	sdgtx	DWS Capital Growth Inst	0.70%	0.10%	0.23%	0.83%
\$8,103,670	Value	gsftx	Columbia Dividend Income Z	0.75%	0.25%	0.23%	0.73%
US Mid Cap							
ADD	Index		BlackRock Mid Cap Index - Collective F	0.03%	0.00%	0.23%	0.26%
\$782,604	Blend	gtavx	INVESCO Mid Cap Core Equity Fund - I	0.79%	0.35%	0.23%	0.67%
\$472,488	Growth	nbgnx	Neuberger Berman Genesis Inv	1.06%	0.00%	0.23%	1.29%
\$2,242,432	Growth	fbrix	FBR Focus I	1.15%	0.00%	0.23%	1.38%
\$4,475,144	Value	jmcvx	Perkins Small Cap Value Fund Class T	1.13%	0.25%	0.23%	1.11%
US Small Cap							
ADD	Index		BlackRock Russell 2000 Index - Collective I	0.03%	0.00%	0.23%	0.26%
\$4,562,820	Growth	nnlex	Nicholas Limited Edition Fund Class N	1.24%	0.40%	0.23%	1.07%
\$86,541	Value	jscox	Perkins Small Cap Value I	0.94%	0.00%	0.23%	1.17%
\$1,201,191	Blend	rysex	Royce Special Equity Inv	1.16%	0.20%	0.23%	1.19%
Foreign Stocks							
ADD	Index		BlackRock EAFE Equity Index - Collective F	0.10%	0.00%	0.23%	0.33%
\$361,938	Blend	ivvyx	Ivy International Core Equity Fund Class Y	1.34%	0.40%	0.23%	1.17%
\$2,805,700	Growth	msiix	MainStay International Equity I	1.21%	0.20%	0.23%	1.24%
\$5,585,901	World	mwelx	MFS Global Equity R4	1.12%	0.15%	0.23%	1.20%
ADD	Value	sgovx	First Eagle Overseas Fund Class A	1.14%	0.30%	0.23%	1.07%
ADD	Emerging	odvyx	Oppenheimer Developing Markets Y	1.04%	0.25%	0.23%	1.02%
Fixed Income							
ADD	Index		BlackRock US Debt Index Fund - Collective	0.20%	0.16%	0.23%	0.27%
\$60,465,263	Stable Value		County of Fresno Stable Value Fund	0.50%	0.15%	0.23%	0.58%
\$2,449,895	Intermediate	scblx	RidgeWorth Total Return Bond Fund Class	0.91%	0.75%	0.23%	0.39%
\$1,153,300	Government	segsx	Sentinel Government Securities Fund Class	0.80%	0.35%	0.23%	0.68%
ADD	Global	tgbax	Templeton Global Bond Adv	0.64%	0.15%	0.23%	0.72%
Fixed Income							
\$1,386,081	Moderate	oakbx	Oakmark Equity & Income Fund	0.77%	0.25%	0.23%	0.75%
\$570,196	Balanced	paxix	Pax World Balanced Instl	0.71%	0.00%	0.23%	0.94%
\$2,032,065	Utilities	fruax	Franklin Utilities Adv	0.61%	0.15%	0.23%	0.69%
\$777,499	Real Estate	frifx	Fidelity Real Estate Income	0.92%	0.25%	0.23%	0.90%
Fixed Income							
\$1,059,767	TargetDate	mxltx	Maxim Lifetime 2015 Portfolio I T	0.86%	0.35%	0.23%	0.74%
\$1,258,763	TargetDate	mxalx	Maxim Lifetime 2025 Portfolio I T	0.92%	0.35%	0.23%	0.80%
\$627,913	TargetDate	mxglx	Maxim Lifetime 2035 Portfolio I T	0.98%	0.35%	0.23%	0.86%
\$405,395	TargetDate	mxmlx	Maxim Lifetime 2045 Portfolio I T	1.00%	0.35%	0.23%	0.88%
\$227,802	TargetDate	mxslx	Maxim Lifetime 2055 Portfolio I T	1.01%	0.35%	0.23%	0.89%
Assets				Expense	- Revenue	+ Add-on Fee	= Net Expense
\$160,895,925			Weighted Average Totals	0.67%	0.176%	0.230%	0.720%
34 Funds							



## **Section 4 – Fund Reviews**

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Target Date Fund Review

Stable Value Review



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# MaximLifetime I Funds

## Strategy Overview

June 2012

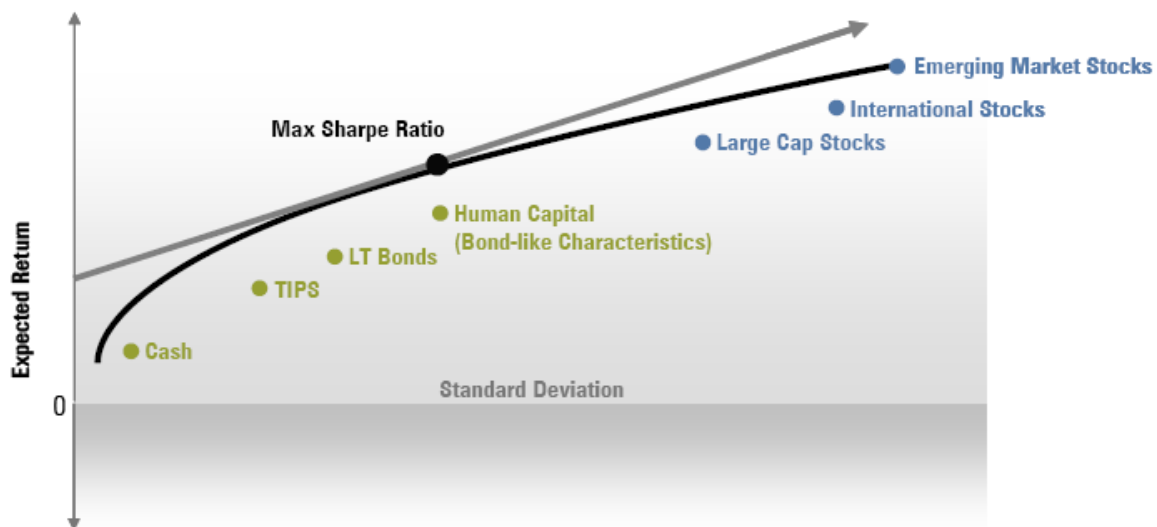
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### Summary

The intention of this research report is to analyze the glidepath construction methodology of the Maxim Lifetime Target Date funds, compare the funds' asset allocation to peer groups, and to evaluate the positioning of the underlying funds considering the current market environment. Maxim uses a unique approach to glidepath construction, using Ibbotson Associates, an industry leader in asset allocation and capital market expectations, and incorporating human capital as a key element in the model's assumptions. The fund family also uses best-of-class funds to build the underlying menu for their target dates series, which is viewed as a highly prudent approach in the target date construction process. Heintzberger|Payne views the Maxim LifeTime fund's to be prudent options as Qualified Default Investment Alternatives within the plan.

### Glidepath Construction

The philosophy, principles, and objectives that support the allocation methodology are a part of a larger study done by Ibbotson and supporting members. Ibbotson acts as a consultant to GW Capital Management, LLC—doing business as Maxim Capital Management, LLC (MCM)—in determining each fund's asset allocation strategy. Ibbotson uses a multifaceted approach that embraces the latest academic research and investment techniques versus a proprietary-only asset allocation model found in many Target Date Fund (TDF) offerings.

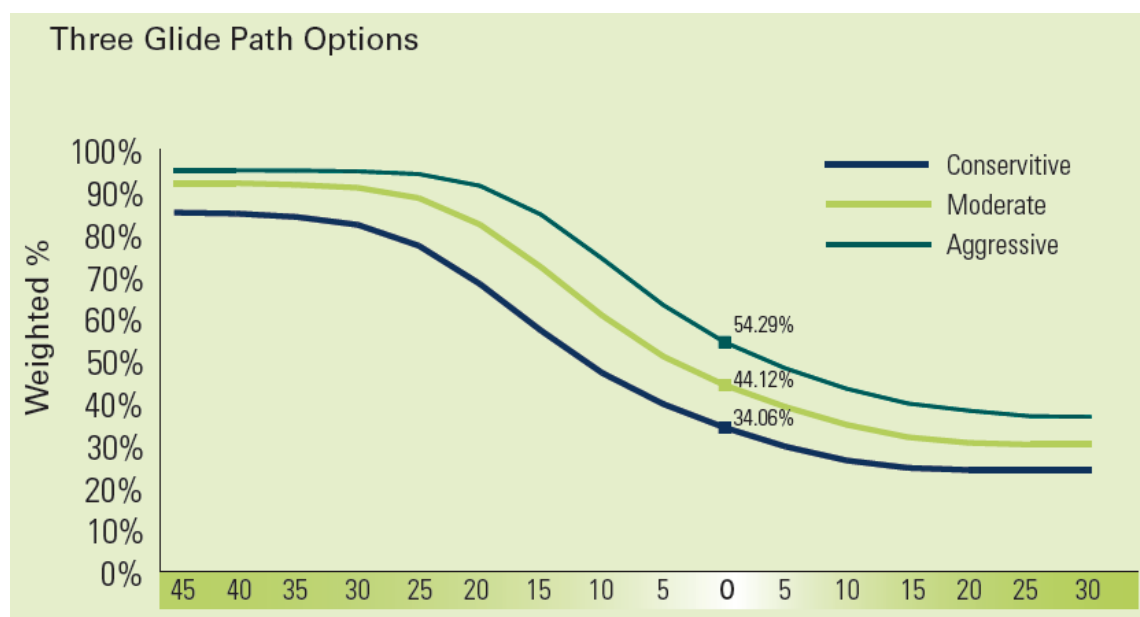


Ibbotson Associates uses modern portfolio theory to construct its asset allocation and glidepath with Markowitz's mean-variance optimization and Sharpe's CAPM as foundations to this process. In addition to these generally accepted construction processes, Ibbotson introduces a Human Capital element impacting different phases of the glidepath. Human capital is the present value of an investor's lifetime expected earnings, and is the counterpart to financial capital in an investor's life-

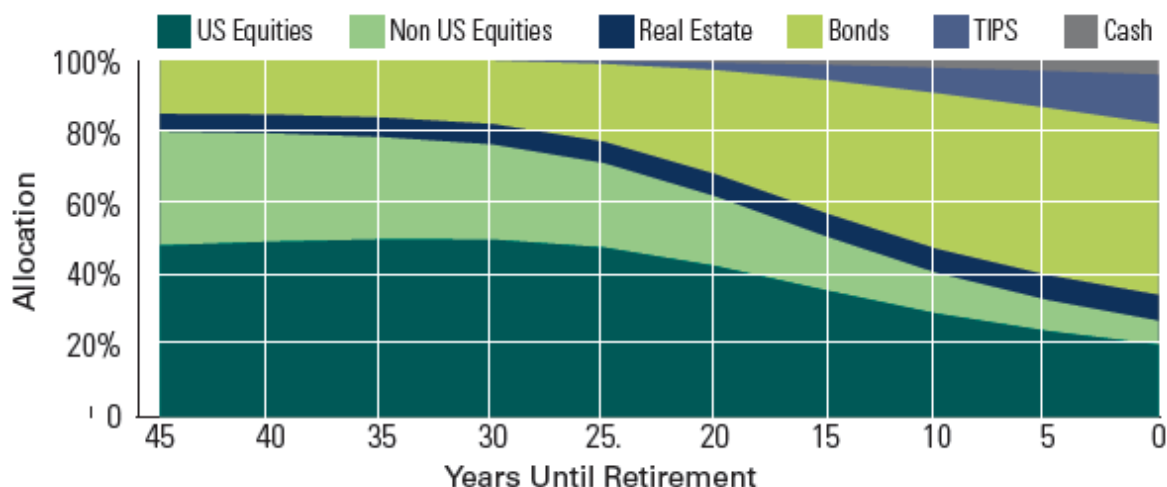
cycle asset allocation. It can effectively be seen as an asset class in the portfolio construction process. When an investor is in the early stages of their career, human capital will comprise a significant portion of their overall asset allocation, whereas later in life, it will be replaced by financial capital as the participant saves and invests their earnings.

When determining an appropriate target asset allocation for an individual investor's financial capital, the risk a person can afford depends not only on his or her attitude or preference regarding risk, but also on his or her risk capacity as dictated by his or her overall balance between human and financial capital.

In addition to having a unique approach to building the asset allocation of the glidepath, the Maxim Lifetime Asset Allocation Series funds have three distinct options to choose from when selecting a glidepath depending on overall risk tolerance. Employers whose employees tend to retire at a younger age might choose the aggressive glide path. Employers with more disparate ages among employees might opt for the moderate glide path. Those who have a larger proportion of older or more risk-averse employees can select the conservative glide path. A comparison of the three glidepaths is shown below:



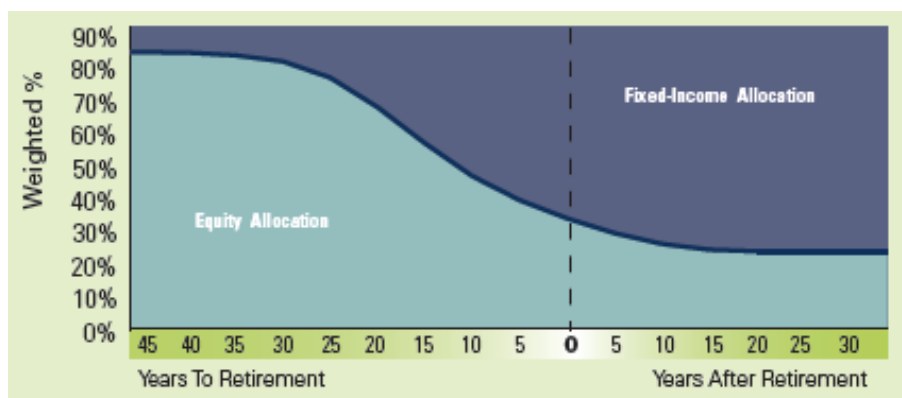
The Conservative glidepath, used by the County of Fresno, is made up of six major asset classes including U.S. Equities, Non U.S. Equities, Real Estate, Bonds, TIPS and Cash. The goal of the asset allocation strategy is to manage risks specific to each phase of life. For example, as investors are accumulating wealth in the years prior to withdrawals, they are looking to grow their investments as much as possible and maximize their savings. Thus, in order to maximize returns potential international and U.S. equities make up most of the asset mix during this phase. However, during that time period, they also need to manage certain risks: inflation could erode their buying power, they may fail to save enough money, or the market overall may decline. The large equity component in this phase has historically protected the purchasing power of a participant's investment better than fixed income securities.



The funds also employ a fund selection process that seeks to include best-in-class underlying funds instead of being constrained to fund family specific options. This mitigates conflicts of interests between MCM and the underlying fund managers, and allows the LifeTime fund series to hire the best available manager based on their specific criteria. When selecting managers, historical performance, risk profile, manager tenure, the fund’s Morningstar Star Rating, and other factors are considered. The strategy will use both active and passive options to fill allocations within asset classes and the portfolio is rebalanced on a monthly basis to ensure the asset mix remains relatively close to the glidepath shown above.

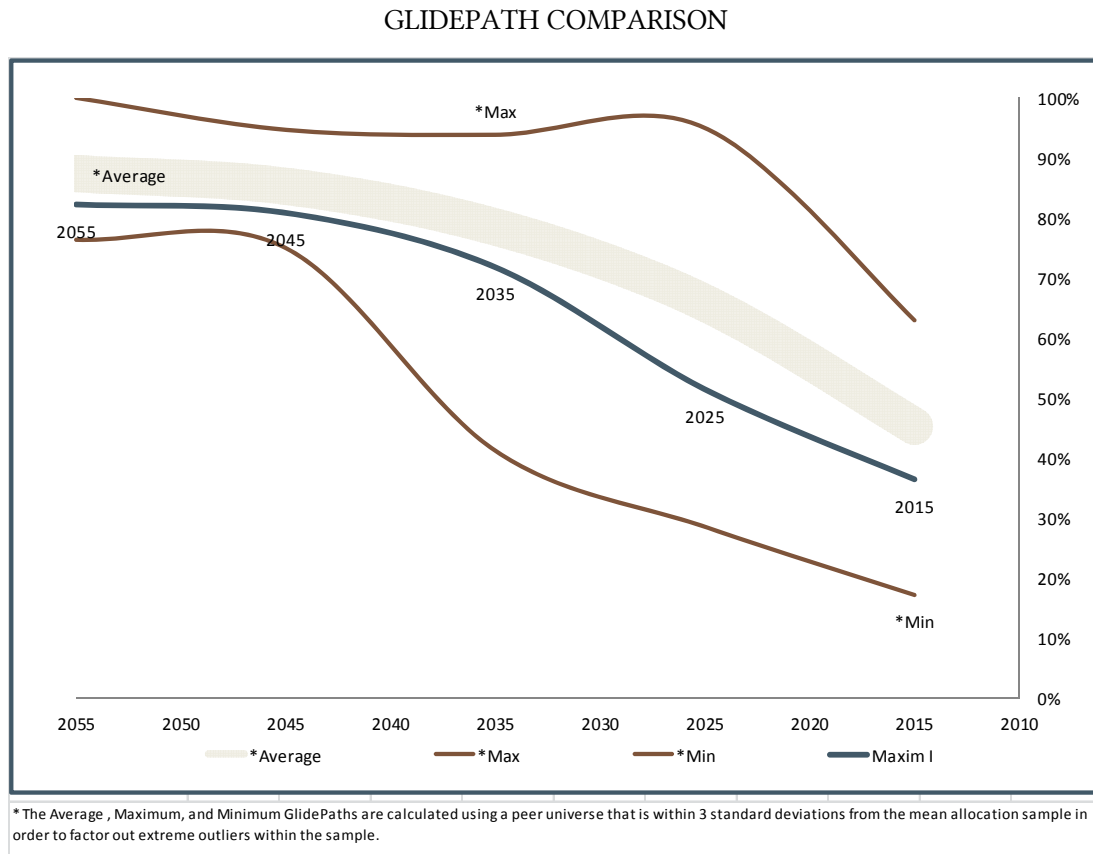
## Glidepath Before and After Retirement

The Maxim Lifetime Asset Allocation Series funds are designed to continually adjust over a lifetime—even after the target date has been reached— a glidepath construction methodology known as a “through” (versus a “to,” which would culminate in a static allocation at the date of expected retirement). This methodology is utilized on the premise that many participants will live 20 or more years beyond their retirement date, and that the appropriate asset allocation should continue to adjust throughout the participants’ retirement years. There is never a point where the allocation mix becomes stagnant.



## Glide Path Comparison

A consistent difference between the Maxim's glidepath and other major target date funds is that they tend to be slightly more conservative when analyzing the stock to fixed income mix. The fund series consistently falls within the minimum and maximum ranges (with major outliers removed). As shown below, the conservative Maxim glidepath chosen by the County of Fresno has a lower equity-to-fixed income allocation than many of its peers; however, one of the more aggressive glidepaths offered by Maxim could also be selected if desired. For this exercise we have focused on the Conservative selection since it directly impacts Fresno County and the options currently available to plan participants.



## Current Positioning and Performance

The Maxim LifeTime Funds have recently outperformed their peer group averages by a range of +0.43% to +1.13% on the trailing quarter. Although the funds tend to be more conservative than their peers on a stock to fixed income basis, the funds have been able to keep pace with the peer group over the trailing three-year period. For example, the Maxim LifeTime 2015 fund has a 40% exposure to equity, which is roughly 25% underweight the peer average of equity exposure over this same target date year. This has helped performance relative to peers over the longer trailing periods due to its ability to protect to the downside in volatile markets.

## June 30, 2012 Performance

### 2015 Portfolios

Fund	QTR	1 Year	3 Year	5 Year
<b>Maxim LifeTime 2015 Fund</b>	-0.43%	3.11%	10.54%	-
<i>Morningstar Target 2011-2015 Peer Group</i>	-1.56%	0.60%	10.72%	0.45%

### 2055 Portfolios

Fund	QTR	1 Year	3 Year	5 Year
<b>Maxim LifeTime 2055 Fund</b>	-3.93%	-2.41%	12.38%	-
<i>Morningstar Target 2050+ Peer Group</i>	-4.36%	-2.69%	12.62%	-1.95%

A compliance report of the underlying funds held within the Maxim LifeTime series funds can be found at the end of this report. Heintzberger|Payne evaluates the underlying funds within a target date option as if they were direct investment options of the plan. Maxim prides itself on providing best of class investment options to represent asset classes within the target date series and monitoring of these options is an important fiduciary piece of a plan's responsibility.

Maxim has selected defensive managers in the foreign space, which has contributed to relative performance recently during the sharp pullback in foreign markets. Major detractors over the quarter were fund selections within the Large and Small Cap asset classes as well as exposure to Templeton Global Bond (which can be a volatile option due to currency risk).

Although the Maxim TDF's underlying fund selections remain in good standing, the series of funds are positioned more conservatively than peers, which may cause the funds to lag in periods of sharp market recoveries. The Maxim LifeTime funds will continue to be monitored for their ability to compete against their peers relative to asset allocation and the implementation of underlying managers within the portfolio.

### Summary and Recommendation

After comparing the Maxim target date funds to their peer group, Heintzberger|Payne Advisors determines them to be a prudent investment option for the investment menu. Maxim's industry-accepted glidepath construction process, its incorporation of the concept of human capital into asset allocation decisions, and their ability to employ best-of-class managers all contribute to our recommendation that the plan retain the Maxim LifeTime Funds. Heintzberger|Payne will continue to monitor the portfolios for their ability to outperform the benchmark and peers over a full market cycle.

# Maxim Target Date Funds

## Summary of Fund Compliance

For the Period Ending 6/30/2012

### Passively-Managed, Money Market and Stable Value Funds

Type	% of Assets	Fund Name	Ticker
Index		Maxim S&P 500 Index Portfolio	mxvix
Index		Maxim S&P Midcap 400	mxmdx
Index		Maxim S&P SmallCap 600	mxisx
Index		Maxim International Index	mxinx
Index		Maxim Bond Index	mxbix

#### Key:

A check mark is shown in the category if: **For Return, Risk Adjusted Return, Risk & Expense:** The fund must rank above the fiftieth percentile, on average, when all time periods for the metric(s) are considered. **For Tenure:** Minimum 3-year average manager tenure.

### Actively-Managed Funds

Status	% of Assets	Fund Name	Ticker	Return	Risk Adjusted Return	Risk	Expense	Tenure
Pass		American Century Growth Inv	twcgx	✓	✓	✓	✓	✓
Review		Maxim Janus Large Cap Growth	mxlgx	✗	✗	✗	✓	✓
Pass		Maxim T. Rowe Price Equity Income	mxeqx	✓	✓	✓	✓	✓
Pass		MFS Value A	meiax	✓	✓	✓	✓	✓
Pass		Maxim T. Rowe Price MidCap Growth	mxmgx	✓	✓	✓	✓	✓
Pass		Wells Fargo Advantage Common Stk	scsax	✓	✓	✓	✓	✓
Pass		Goldman Sachs Mid Cap Value	gcmx	✓	✓	✓	✓	✓
Pass		Sentinel Small Company A	sagwx	✓	✓	✓	✓	✓
Pass		Invesco Small Cap Growth A	gtsax	✓	✓	✓	✓	✓
Pass		Allianz NFJ Small Cap Value	pcvax	✓	✓	✓	✓	✓
Pass		Maxim Loomis Sayles Small Cap Value	mxlsx	✗	✓	✓	✓	✓
Pass		Invesco International Growth I	aievx	✓	✓	✓	✓	✓
Pass		Maxim MFS International Growth	mxigx	✓	✓	✓	✓	✓
Pass		Harbor International Inv	hiinx	✓	✓	✓	✓	✓
Review		Maxim Invesco ADR	mxiax	✗	✗	✗	✓	✓
Pass		Invesco Developing Markets Instl	gtdix	✓	✓	✓	✓	✓
Pass		Oppenheimer Developing Markets A	odmax	✓	✓	✓	✓	✓
Pass		Maxim Federated Bond Port	mxfdx	✓	✓	✓	✓	✓
Pass		Maxim Short Duration Bond	mxsdx	✓	✓	✓	✓	✓
Action		Maxim Putnam High Yield Bond	mxhyx	✗	✗	✗	✓	✗
Review		Metropolitan West High Yield	mwhyx	✗	✗	✗	✓	✓
Pass		Maxim Templeton Global Bond	mxgbx	✓	✓	✗	✗	✓
Review		Oppenheimer International Bond A	oibax	✓	✓	✗	✓	✓
Pass		American Century Infl-Adj Bond Inv	acitx	✓	✓	✓	✓	✓
Pass		Invesco Global Real Estate Instl	igrex	✓	✓	✓	✓	✓
Review		Third Avenue Real Estate Value Instl	tarex	✗	✗	✓	✓	✓
Pass		Nuveen Real Estate Secs I	farcx	✓	✓	✓	✓	✓

All Funds remain in compliance with Investment Policy and no action need be taken other than indicated in the Fund Compliance Commentary section of this report.

This report, along with more detailed performance data on Plan Investment Options, was reviewed by the Plan's Trustee and/or Investment Committee.

# Maxim Target Date Funds

## Fund Compliance Report

For the Period Ending 6/30/2012

### Passively-Managed, Money Market and Stable Value Funds

Type of Fund	% of Assets	Fund Name	Return vs Peer Group			Risk Adjusted Return Sharpe			Standard Deviation			Risk Up Capture			Down Capture			Other		Ticker
			3Y	5Y	10Y	3Y	5Y	10Y	3Y	5Y	10Y	3Y	5Y	10Y	3Y	5Y	10Y	Peer Rank (%)	Peer 3Y	
Index		Maxim S&P 500 Index Portfolio	27	43		24	45		29	42		44	48		24	45		20	7	mxvix
Index		Maxim S&P Midcap 400																16		mxmdx
Index		Maxim S&P SmallCap 600	20	24	32	13	24	30	26	32	36	49	57	49	19	27	34	10	1	mxisx
Index		Maxim International Index																11		mxinx
Index		Maxim Bond Index	83	35	51	80	22	33	43	30	34	80	45	52	90	26	38	16	4	mxbix

### Actively-Managed Funds

Overall Fund Score	% of Assets	Fund Name	Return vs Peer Group			Risk Adjusted Return Sharpe			Standard Deviation			Risk Up Capture			Down Capture			Other		Ticker
			3Y	5Y	10Y	3Y	5Y	10Y	3Y	5Y	10Y	3Y	5Y	10Y	3Y	5Y	10Y	Peer Rank (%)	Avg Mgr Tenure	
8		American Century Growth Inv	30	12	32	25	10	25	31	27	17	47	41	62	25	13	13	29	14	twcqx
4		Maxim Janus Large Cap Growth	97	46		95	46		51	90		96	44		62	52		36	5	mxlgx
6		Maxim T. Rowe Price Equity Income	24	38	42	33	35	44	47	63	61	33	27	33	42	49	53	22	18	mxeqx
6		MFS Value A	75	28	27	54	29	23	30	22	22	78	69	64	42	25	23	30	8	meiax
8		Maxim T. Rowe Price MidCap Growth	25	23	17	23	21	17	26	27	34	54	56	38	20	21	26	27	15	mxmgx
6		Wells Fargo Advantage Common Stk	53	31	18	54	32	17	56	32	33	46	71	58	53	19	12	46	5	scsax
6		Goldman Sachs Mid Cap Value	57	46	41	50	46	26	43	37	24	55	49	72	51	50	24	39	11	gcmax
7		Sentinel Small Company A	62	24	22	29	20	5	5	2	1	91	98	98	11	4	1	23	5	sagwx
6		Invesco Small Cap Growth A	52	33	46	40	32	37	26	20	15	65	69	75	35	17	21	37	7	gtsax
8		Allianz NFJ Small Cap Value	64	11	5	5	9	1	2	2	2	89	96	97	4	2	2	31	14	pcvax
6		Maxim Loomis Sayles Small Cap Value	63	32	58	51	32	43	39	18	16	57	73	78	46	21	27	24	6	mxlsx
7		Invesco International Growth I	38	26	24	15	36	8	11	8	7	64	92	86	11	6	8	15	9	aievx
6		Maxim MFS International Growth	41	34		46	35		66	17		27	78		61	17		35	6	mxigx
8		Harbor International Inv	3	4	1	9	3	5	77	77	90	1	1	1	54	47	47	42	3	hiinx
3		Maxim Invesco ADR	83	58	87	81	70	83	29	25	13	84	79	94	55	37	27	39	13	mxiax
9		Invesco Developing Markets Instl	6	5	6	3	6	6	7	18	31	64	53	20	3	15	18	14	7	gtdix
9		Oppenheimer Developing Markets A	7	4	2	6	4	4	22	21	62	28	25	6	15	12	17	26	5	odmax
7		Maxim Federated Bond Port	68	27		29	5		20	8		69	44		39	5		37	6	mxfdx
8		Maxim Short Duration Bond	15	15	10	9	8	2	65	40	41	15	14	12	N/A	72	28	27	9	mxsdx
2		Maxim Putnam High Yield Bond	65	92		80	92		62	85		48	37		80	90		51	3	mxhyx
5		Metropolitan West High Yield	87	10		87	27		57	53		76	29		82	38		24	9	mwhyx
6		Maxim Templeton Global Bond	31	27	16	66	28	15	83	53	49	95	82	74	4	2	1	64	4	mxgbx
5		Oppenheimer International Bond A	50	47	4	81	73	21	89	63	90	64	40	9	48	68	37	42	6	oibax
7		American Century Infl-Adj Bond Inv	32	23	40	56	12	16	71	39	27	30	30	53	59	17	16	21	8	acitx
7		Invesco Global Real Estate Instl	47	28		28	31		16	19		50	37		35	33		8	5	igrex
5		Third Avenue Real Estate Value Instl	72	43	61	72	40	47	49	56	14	68	69	86	55	5	12	28	8	tarex
8		Nuveen Real Estate Secs I	24	9	3	17	9	3	37	32	34	31	29	8	45	21	12	29	7	farcx



**Disclaimer:** While the material contained herein is believed to be reasonable, no guarantee can be provided as to its accuracy or completeness. The data, methodologies, and conclusions presented in this document may change over time without notice. There can be no assurance that the investments and/or asset classes referred to in this document will perform in a manner consistent with their historical performance and/or any forward-looking assumptions or opinions stated verbally or in this document. Any investment and/or asset allocation, no matter how conservative, can lose money. Historical performance results do not reflect the deduction of transaction fees, custodial charges, and/or investment management fees, which would serve to decrease historical performance results. This report in and of itself does not constitute a recommendation or investment advice offered by Heintzberger | Payne Advisors, Inc. This report is provided solely for informational purposes and therefore is not an offer to buy or sell a security. Unless Heintzberger | Payne Advisors, Inc. is making a separate, written recommendation to its client, or is exercising discretionary authority to effect a transaction involving this security for its clients, Heintzberger | Payne Advisors, Inc. shall not be responsible for any trading decisions, damages or other losses resulting from, or related to, this information, data, analyses or opinions or their use. The extent of liability Heintzberger | Payne Advisors, Inc. may have, if any, to its clients will be determined by applicable law. Please read the prospectus for this fund carefully. Some of the data contained within this report has been provided by third party sources including but not limited to Morningstar and Lipper.

# Great West Life Stable Asset Fund Annuity Contract

## Fresno County

### Purpose

This document provides an overview of the Great West Life Fresno County Stable Asset Fund, its strategy and a summary of its current portfolio characteristics.

### Summary

- The Stable Value Asset Fund's Guarantor has an acceptable A.M. Best Financial Strength Rating of A+ ("excellent").
- The Q3 crediting rate of 2.60% compares favorably to money market and fixed income alternatives.
- This product is backed by the financial strength of Great West Life Annuity and Insurance Company. Other Stable Value products diversify the principal risk of the portfolio among several institutions.
- The backing of only one guarantor may provide a moderate increase in risk, in the event of a dramatic increase in interest rates combined with the Insurer's default.
- There is no put provision for termination of the contract, only a requirement for 60 days' notice. Termination would be conducted at market value.

## What is a Stable Value Fund?

Stable value funds seek to provide Plan Participants with a higher yielding alternative to money market accounts. A stable value fund generally is a portfolio of bonds with longer maturities, as opposed to a money market fund which is a portfolio of bonds with extremely short maturities. Both have similar purposes within a portfolio.

How does a stable value fund seek to provide a higher yield than money market accounts? Both money market and stable value funds invest in high quality bonds. But stable value funds buy bonds with maturities that are measured in years compared to money markets, which buy maturities that are measured in months or days.

But the improved yield that stable value funds try to add relative to money markets comes with a layer of complexity. Longer maturity bonds, during the life of the bond, have market values that fluctuate. Generally, market values of bonds are more volatile as the bond's maturity increases. This is not a factor with which money markets must contend. So to smooth the portfolio's volatility stable value managers enter into contracts, usually with multiple insurance companies, in order to guarantee that participants may transact the portfolio at its book value instead of its market value.

## Fresno County Stable Asset Fund

Fresno County's Stable Asset Fund is an annuity contract with Great West Life. Deposits are made by the Plan Sponsor on behalf of Participants and held in a Separate Account created specifically for the County. Great West Life, the sole Guarantor of the Contract, owns the assets in the bond portfolio.

Typically, Stable Value Funds are pooled investment vehicles that are "wrapped" by multiple insurance companies in a variety of arrangements. Pooled investment funds commonly take the following measures to insure the portfolio's book value for the impact of changes in interest rates, but usually not defaults or downgrades:

- Purchase Guaranteed Insurance Contracts (GICs) wherein the fund owns only a contract
- Create Synthetic GICs wherein the fund owns the assets and pays a fee to an insurance provider
- Place assets in Insurance Company Separate Accounts (ISAs)
- Purchase individual bond issues and individually insure the bonds or purchase book value insurance coverage against the entire portfolio.

By diversifying the number of insurance companies to guarantee the assets, most stable value funds may provide an additional layer of protection in the event of a significant loss of value in the portfolio.

# Great West Life Stable Asset Fund Annuity Contract

Fresno County

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## Summary Contract and Investment Policy Information

<b>Provider:</b>	Great West Life & Annuity Insurance (GWL) Company, 8515 East Orchard Road, Greenwood Village, CO 80111	<b>Plan Level Termination, Cessation of Deposits and Complete Transfers:</b>	60 days written notice is required. After which GWL will either (1) maintain each participant's annuity account value or (2) either (a) transfer assets in the separate account to the successor insurer or group policyholder; or (b) liquidate assets into cash and cash equivalents. Transfers conducted at book value.
<b>Structure:</b>	Group annuity. GWL, in effect, is the sole guarantor of the portfolio's book value. All assets are held in a separate account under the ownership of GWL.	<b>Government-Related:</b>	Minimum of 50% in US Government-related bonds (US Treasury debt, Agency MBS, and/or CMOs secured by GNMA, FNMA, FHLMC).
<b>Fund Size:</b>	As of March 31, the fund's reported market value was \$62.22m, and book of \$60.17.	<b>Non-Government:</b>	Maximum of 50% in corporate bonds or asset backed securities including CMOs backed by non-agency collateral.
<b>Fees:</b>	First \$150m: 0.53% and 0.50% thereafter, based on book value.	<b>Basis for Credit Ratings: Credit Quality:</b>	Moody's, S&P and Fitch Weighted average of AA or better. No more than 10% in A rated securities. No more than 5% invested in any one corporate issuer.
<b>Competing Funds:</b>	The following are not allowed alongside the stable value fund: money market funds, any bond fund with a duration of 3 years or less, any fund with a known or periodically declared rate of interest.	<b>Duration:</b>	Not to exceed five years.
<b>Crediting Rate and Floor:</b>	0% floor. HPA received confirmation that trading gains and losses are amortized over the expected duration of the fund, per Investment Policy; and other book value differences from market value, including defaults, are amortized over the average remaining life of the assets per Section 5.2 of the Contract.	<b>Investments:</b>	United States Treasury Securities; United States Agency Securities and FDIC guaranteed bank debt, MBS issued by GNMA, FNMA, FHLMC, FHLB, VA Vendee or other government agencies; instruments of US-domiciled commercial banks wherein all money deposited is 100% guaranteed by the FDIC; commercial paper rated A or P as rated by S&P, Fitch or Moody's; corporate bonds rated A-/A3 or better at time of purchase, asset-backed securities rated "A" or better as rated by S&P, Fitch or Moody's at time of purchase including CMOs backed by non-agency collateral. Please see page
<b>Distributions to Participants:</b>	Participants may elect between several different distribution options that are conducted at book value and specified on a participant form.		
<b>Transfers for Participants:</b>	Participants may transfer out to any other available investment option at book value without any advance notice.		

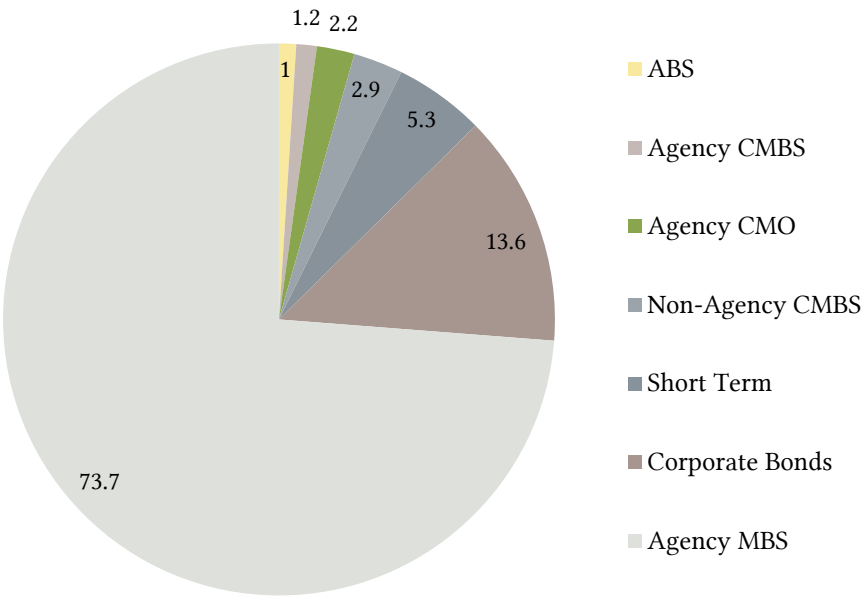
# Great West Life Stable Asset Fund Annuity Contract

## Fresno County

### Q1 2012 Portfolio Characteristics

#### Composition

At the time of this report, HPA is still awaiting the completion of GWL’s Second Quarter report. In the interim, a summary of the portfolio’s characteristics as of the First Quarter follows:



The portfolio’s largest exposure is currently in Agency Mortgage Backed Securities, the vast majority of which (72% of the portfolio) are pass-through securities as issued by Fannie Mae (FNMA or Federal National Mortgage Association) and Freddie Mac (FHLMC or Federal Home Loan Mortgage Corporation). Corporate bonds constitute the second largest component of the portfolio at 13.6%.

Average Duration: 3.22 Years

#### Weighted Average Ratings by Agency:

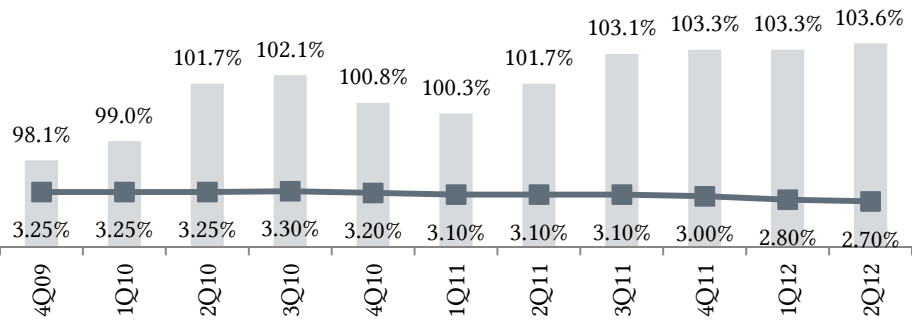
S&P	Moody’s	Fitch
AA	AAA	AA+

**Average Credit Rating for Portfolio:** The fund’s average credit rating of AA as of the end of the First Quarter is consistent with the Investment Policy Statement’s guidelines. The portfolio’s lowest average credit rating, as measured by S&P, is also AA. Currently, the Investment Policy Statement does not specify which ratings agencies to consider when calculating the weighted average quality.

### Crediting Rate and Annuity Provider

Third Quarter Crediting Rate: 2.60%

#### Market-to-Book Ratio and Crediting Rate



#### Annuity Provider’s Financial Strength Ratings:

A.M. Best	Fitch	Moody’s	S&P
A+	AA	Aa3	AA

**County of Fresno Stable Value Fund**  
**Quarterly Statement as of**  
**June 30, 2012**

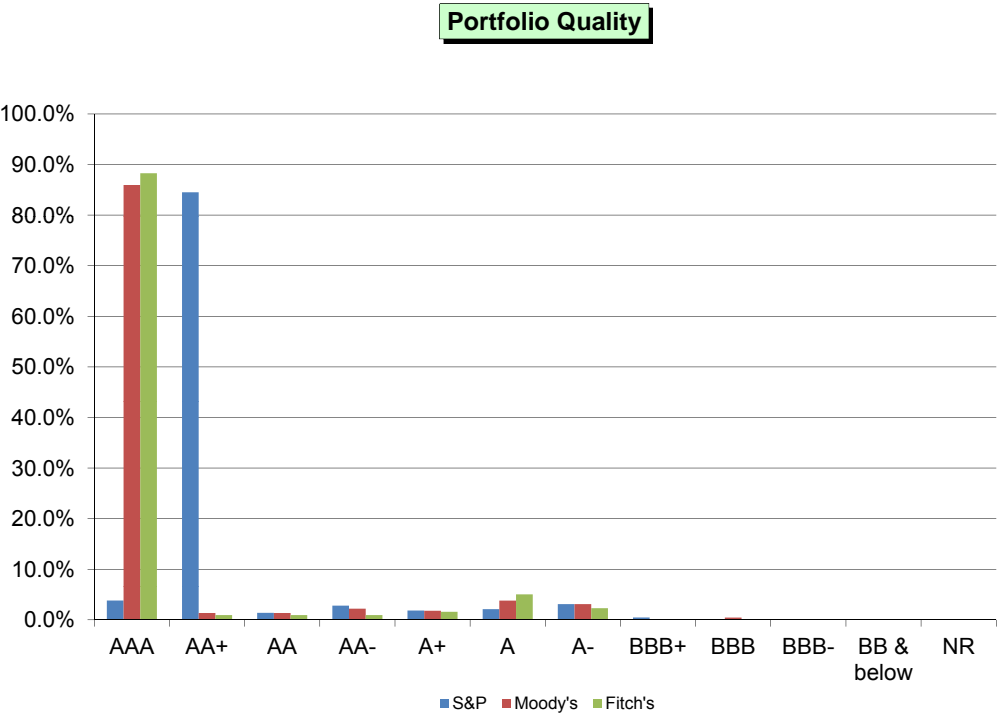
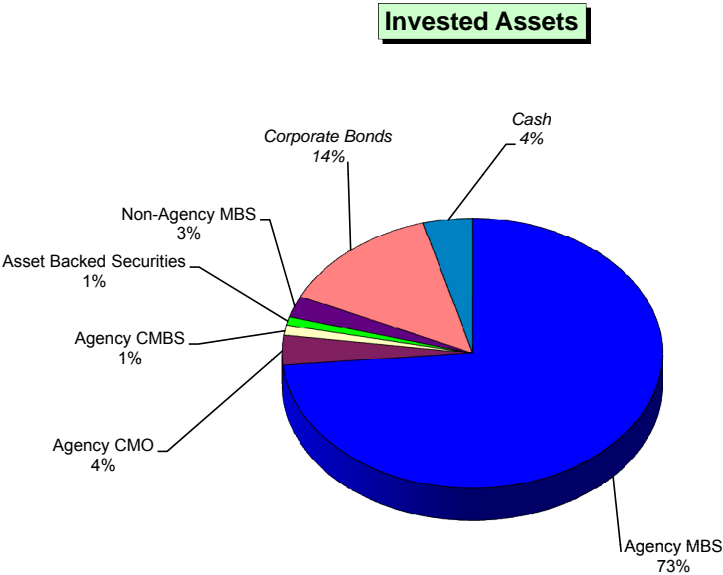
<b>Assets</b>			(In Millions)
Investment Type	Par Value	% of Portfolio	
AGENCY - MBS - GNMA PASS-THROUGHS	\$ 0.40	0.7%	
AGENCY - MBS - FGLMC/FHLMC PASS-THROUGHS	\$ 13.13	22.4%	
AGENCY - MBS - FNMA PASS-THROUGHS	\$ 29.07	49.6%	
AGENCY - MBS - VENDEE	\$ 0.46	0.8%	
AGENCY - CMO - PLANNED AMORTIZATION CLASS	\$ 1.34	2.3%	
AGENCY - CMO - SEQUENTIAL	\$ 0.36	0.6%	
AGENCY - CMO - VERY ACCURATELY DEFINED MATURITY	\$ 0.44	0.7%	
AGENCY - CMBS	\$ 0.70	1.2%	
ASSET-BACKED SECURITIES	\$ 0.60	1.0%	
NON-AGENCY COMMERCIAL MORTGAGE-BACKED SECURI	\$ 1.52	2.6%	
CORPORATE BONDS	\$ 8.12	13.9%	
<b>Total Par Value of Long Term Holdings</b>	<b>\$ 56.12</b>	<b>95.8%</b>	
<b>Net Short Term</b>	<b>\$ 2.44</b>	<b>4.2%</b>	
<b>Total Par Value of Assets</b>	<b>\$ 58.56</b>	<b>100.0%</b>	
Book Value of Assets	\$ 60.79		
Market Value of Assets	\$ 63.08		
Market Value of Assets to Book Value of Liabilities	103.6%		
Average Life	4.45 Years		
Average Duration	3.18 Years		
Average Rating (S&P / Moody's / Fitch's)	AA+/AAA/AAA		

<b>Liabilities</b>		
Book Value Liabilities (participant account balances)	\$60.87	(In Millions)

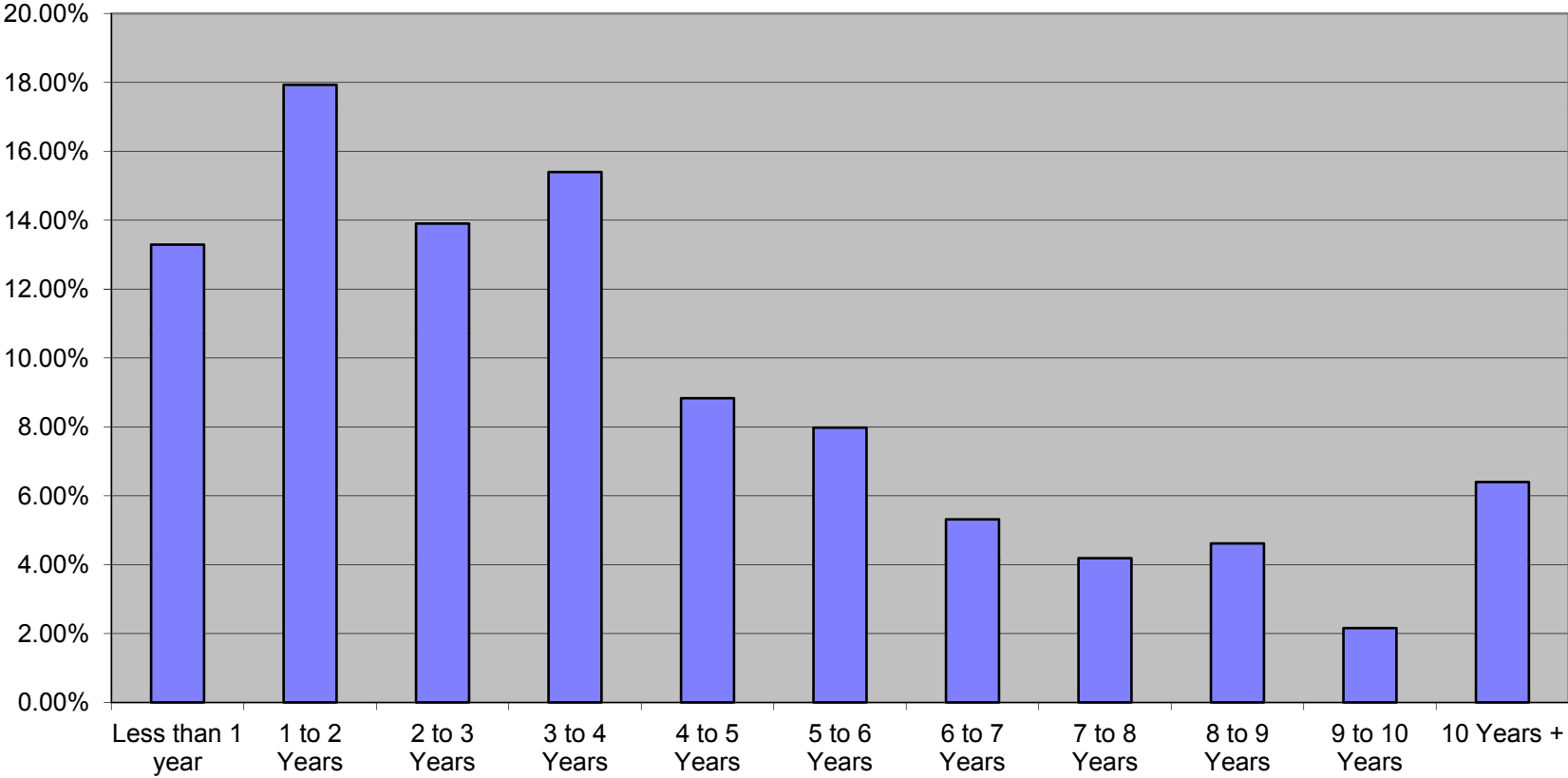
<b>Returns/Credited Rates</b>		
Current yield of the portfolio based on BV of assets	3.13%	
Amortization of realized gains/losses AND of BV asset / BV liability differential	<u>-0.07%</u>	
Net investment return	3.06%	
Investment Management fees	<u>-0.50%</u>	
Investment return after expenses	2.56%	
2nd Quarter credited rate to participants	2.70%	
3rd Quarter credited rate to participants	2.60%	

**County of Fresno Stable Value Fund**  
**Quarterly Statement as of**  
**June 30, 2012**

**Summary of Investments in Separate Account**



**County of Fresno Stable Value Fund**  
**Stable Value Fund**  
**Estimated Cash Flow Schedule**



Long Term Holdings Report  
June 30, 2012

County of Fresno Stable Value Fund

Cusip	Description			Par Value	Purchase Price	Book Value	Market Value *	Purchase Date	S&P	Moody's	Fitch's
002819AB6	ABBOTT LABORATORIES	SR UNSECURED GLOBAL NOTES	5.6% Due 11/30/2017 MN30	250,000.00	277,897.50	269,816.53	302,262.50	20091124	AA	A1	A+
02666QD75	AMERICAN HONDA FINANCE CORP	SR UNSECURED NOTES	7 5/8% Due 10/1/2018 AO1	250,000.00	322,387.50	320,936.02	319,897.25	20120507	A+	A1	NR
048303CD1	ATLANTIC CITY ELECTRIC CO	1ST MORTGAGE NOTES	7 3/4% Due 11/15/2018 MN15	300,000.00	364,509.00	348,801.46	390,624.00	20091216	A	A3	A-
06051GED7	BANK OF AMERICA CORP	SENIOR GLOBAL NOTES	3.7% Due 9/1/2015 MS1	250,000.00	250,747.50	250,480.18	252,561.50	20100818	A-	Baa2	A
06406HBN8	BANK OF NEW YORK MELLON CORP	SENIOR MEDIUM TERM NOTES	3.1% Due 1/15/2015 JJ15	250,000.00	251,732.50	250,885.86	263,110.25	20091123	A+	Aa3	AA-
064149A64	BANK OF NOVA SCOTIA	SR UNSECURED GLOBAL NOTES	3.4% Due 1/22/2015 JJ22	250,000.00	251,600.00	250,886.83	263,536.50	20100331	AA-	Aa1	AA-
07383FMN5	BEAR STEARNS COMM MTGE SEC	ABS SER.2002-PBW1 CL.A2	4.72% Due 11/11/2035 Mo-1	42,315.55	43,637.91	42,299.20	42,298.37	20091119	NR	Aaa	AAA
075887AW9	BECTON DICKINSON & CO	SENIOR NOTES	3 1/4% Due 11/12/2020 MN12	250,000.00	249,872.50	249,884.21	263,278.00	20101108	A+	A2	NR
09247XAC5	BLACKROCK INC	GLOBAL NOTES	6 1/4% Due 9/15/2017 MS15	250,000.00	276,062.50	268,423.99	302,700.50	20091124	A+	A1	NR
161571BT0	CHASE ISSUANCE TRUST	ABS SER.2007-A3 CL.A3	5.23% Due 4/15/2019 Mo-15	400,000.00	442,500.00	428,455.61	472,592.56	20091120	AAA	Aaa	AAA
225448AL3	CREDIT SUISSE GUERNSEY	SECURED NOTES	1 5/8% Due 3/6/2015 MS6	250,000.00	250,192.50	250,170.93	250,882.50	20120302	NR	Aaa	AAA
22822RAV2	CROWN CASTLE TOWERS LLC	SENIOR SECURED NOTES	3.214% Due 8/15/2015 Mo-15	500,000.00	504,560.00	503,272.56	508,502.50	20110302	NR	A2	A
3128E6B48	FHLMC	GOLD POOL #D99059	3 1/2% Due 3/1/2032 Mo-1	495,330.79	519,245.97	519,020.07	524,089.86	20120427	AA+	Aaa	AAA
3128MC3E3	FHLMC	POOL #G14197	3 1/2% Due 7/1/2026 Mo-1	966,866.76	1,011,886.49	1,010,369.34	1,017,554.33	20110811	AA+	Aaa	AAA
3128MC3Z6	FHLMC	GOLD POOL #G14216 MEGA	3 1/2% Due 7/1/2021 Mo-1	395,939.51	416,726.33	415,539.45	416,696.47	20110816	AA+	Aaa	AAA
3128P7MNO	FHLMC	GOLD POOL #C91265	4 1/2% Due 9/1/2029 Mo-1	474,029.39	490,768.57	489,946.65	506,769.62	20091124	AA+	Aaa	AAA
3128P7MY6	FHLMC	GOLD POOL #C91275	4 1/2% Due 11/1/2029 Mo-1	904,872.65	937,250.14	935,765.01	967,370.34	20091124	AA+	Aaa	AAA
3128P7S53	FHLMC	GOLD POOL #C91440	3 1/2% Due 3/1/2032 Mo-1	743,288.01	781,265.38	780,906.80	786,443.56	20120416	AA+	Aaa	AAA
3128P7SM6	FHLMC	GOLD POOL #C91424	3 1/2% Due 1/1/2032 Mo-1	477,320.72	496,338.96	496,040.54	505,034.12	20120125	AA+	Aaa	AAA
3128P7TJ2	FHLMC	POOL #C91453	3 1/2% Due 5/1/2032 Mo-1	1,491,779.49	1,581,985.53	1,581,064.11	1,578,392.71	20120530	AA+	Aaa	AAA
3128PQQA2	FHLMC	GOLD POOL #J11349	4% Due 1/1/2025 Mo-1	1,026,674.43	1,048,130.33	1,045,704.88	1,113,206.10	20091119	AA+	Aaa	AAA
3128PW4X3	FHLMC	GOLD POOL #J17138	3% Due 11/1/2026 Mo-1	454,054.52	466,682.90	466,275.28	475,751.79	20110927	AA+	Aaa	AAA
3128PXF50	FHLMC	GOLD POOL #J17388	3% Due 12/1/2026 Mo-1	475,351.91	488,554.06	488,019.58	498,066.89	20110927	AA+	Aaa	AAA
3128PXKT2	FHLMC	GOLD POOL #J17506	3% Due 12/1/2026 Mo-1	478,408.97	494,405.77	493,965.07	503,213.57	20111228	AA+	Aaa	AAA
31292K7K7	FHLMC	GOLD POOL #C03598	4% Due 11/1/2040 Mo-1	192,503.49	199,211.04	199,059.60	204,544.30	20101013	AA+	Aaa	AAA
3129343B6	FHLMC	GOLD POOL #A87994	5% Due 8/1/2039 Mo-1	1,906,811.55	1,986,957.22	1,984,924.82	2,078,948.64	20091119	AA+	Aaa	AAA
3129366F9	FHLMC	GOLD POOL #A89870	4 1/2% Due 11/1/2039 Mo-1	1,687,066.16	1,713,887.88	1,713,157.54	1,802,533.93	20091119	AA+	Aaa	AAA
312938S38	FHLMC	GOLD POOL #A90538	4 1/2% Due 1/1/2040 Mo-1	544,782.50	553,039.36	552,865.20	582,069.02	20110111	AA+	Aaa	AAA
31294MJN2	FHLMC	POOL #E02969	3 1/2% Due 8/1/2026 Mo-1	413,657.63	431,884.42	431,381.27	440,772.71	20111104	AA+	Aaa	AAA
31331FAX9	FEDERAL EXPRESS CORP	PASS THRU CERTS SER.981A CL.A	6.72% Due 7/15/2023 JJ15	265,719.72	313,549.26	312,693.90	315,542.17	20111215	A-	A2	NR
3137A56H2	FHLMC	CMO SER.3784 CL.PD	4% Due 1/15/2026 Mo-1	347,963.16	366,774.92	363,580.05	366,951.23	20110426	AA+	Aaa	AAA
3137A6AZ5	FHLMC	ABS ADJ SER.K010 CL.A1	Adj % Due 7/25/2020 Mo-1	240,574.35	242,974.56	242,370.35	260,194.39	20110120	AA+	Aaa	AAA
3137A7YV6	FHLMC	CMO SER.SF-2147 CL.UB	3 1/2% Due 3/15/2026 Mo-1	436,470.59	447,893.79	446,802.74	457,312.19	20110301	AA+	Aaa	AAA
3137ABFG1	FHLMC	ABS ADJ SER.KAIV CL.A1	Adj % Due 6/25/2046 Mo-1	458,763.63	463,346.67	462,724.05	487,300.43	20110526	AA+	Aaa	AAA
3138A4F42	FNMA	POOL #AH2886	3 1/2% Due 2/1/2026 Mo-1	344,902.12	360,853.84	360,291.59	364,815.76	20110816	AA+	Aaa	AAA
3138A9LR3	FNMA	POOL #AH7535	3 1/2% Due 3/1/2026 Mo-1	209,741.88	219,311.35	218,944.31	221,851.76	20110816	AA+	Aaa	AAA
3138ATVJ6	FNMA	POOL #AJ2416	3% Due 11/1/2026 Mo-1	423,831.74	433,301.72	433,028.69	444,600.84	20111028	AA+	Aaa	AAA
3138AVRM9	FNMA	POOL #AJ4091	3 1/2% Due 10/1/2026 Mo-1	470,721.39	492,712.92	492,078.90	503,783.48	20111121	AA+	Aaa	AAA
3138AVRN7	FNMA	POOL #AJ4092	3 1/2% Due 10/1/2026 Mo-1	464,712.72	485,479.57	484,894.88	495,610.11	20111109	AA+	Aaa	AAA
31398CD47	FHLMC	CMO SER.3527 CL.DA	4% Due 4/15/2029 Mo-1	356,685.75	374,965.89	374,303.27	380,447.23	20111207	AA+	Aaa	AAA
31410K5Q3	FNMA	POOL #890155	5% Due 9/1/2039 Mo-1	1,982,829.42	2,067,409.50	2,065,176.94	2,188,013.80	20091119	AA+	Aaa	AAA
31410LC67	FNMA	POOL #890293 MEGA	4 1/2% Due 8/1/2040 Mo-1	532,930.78	541,590.89	541,399.42	573,569.60	20110113	AA+	Aaa	AAA
31412QF95	FNMA	POOL #931792	5% Due 8/1/2039 Mo-1	1,846,547.85	1,926,180.22	1,923,955.96	2,037,629.73	20091120	AA+	Aaa	AAA
31412QNU9	FNMA	POOL #932003	5% Due 9/1/2039 Mo-1	2,198,940.93	2,293,083.09	2,289,862.39	2,409,996.60	20091120	AA+	Aaa	AAA
31414NH64	FNMA	POOL #971053	4 1/2% Due 2/1/2039 Mo-1	239,061.56	248,493.28	248,294.88	256,544.21	20110531	AA+	Aaa	AAA
31416TL49	FNMA	POOL #AA9346	4 1/2% Due 8/1/2039 Mo-1	378,923.09	392,599.85	392,279.38	415,751.70	20101202	AA+	Aaa	AAA
31416WP71	FNMA	POOL # AB1345	4 1/2% Due 8/1/2040 Mo-1	376,946.31	385,810.42	385,626.72	411,698.06	20101222	AA+	Aaa	AAA
31416WUN0	FNMA	POOL #AB1488	4% Due 9/1/2030 Mo-1	341,555.81	354,604.31	354,084.73	367,829.49	20100916	AA+	Aaa	AAA
31417BRG4	FNMA	POOL #AB4986	3 1/2% Due 4/1/2032 Mo-1	741,191.48	778,714.29	778,355.64	784,253.30	20120416	AA+	Aaa	AAA
31417QZL1	FNMA	POOL #AC5246	4% Due 1/1/2025 Mo-1	947,380.53	970,694.96	968,086.22	1,008,133.35	20091124	AA+	Aaa	AAA
31417SBP4	FNMA	POOL #AC5445	5% Due 11/1/2039 Mo-1	2,186,022.96	2,279,270.50	2,276,517.43	2,412,233.93	20091119	AA+	Aaa	AAA
31417SBQ2	FNMA	POOL #AC5446	5% Due 11/1/2039 Mo-1	2,129,377.02	2,219,875.54	2,217,378.35	2,336,417.63	20091119	AA+	Aaa	AAA
31417UZZ1	FNMA	POOL # AC7959	4% Due 1/1/2025 Mo-1	534,075.77	558,693.32	557,676.43	568,324.53	20110719	AA+	Aaa	AAA
31417VN66	FNMA	POOL #AC8512	4 1/2% Due 12/1/2039 Mo-1	1,489,954.60	1,515,737.78	1,515,031.52	1,598,915.49	20091119	AA+	Aaa	AAA
31417Y3B1	FNMA	POOL # MA0793	3 1/2% Due 7/1/2021 Mo-1	801,891.01	846,496.19	843,537.79	847,939.26	20110812	AA+	Aaa	AAA
31417YAY3	FNMA	POOL #MA0022	4 1/2% Due 4/1/2029 Mo-1	1,150,785.06	1,189,624.06	1,188,358.48	1,237,639.52	20091120	AA+	Aaa	AAA
31417YDA2	FNMA	POOL #MA0096	4 1/2% Due 6/1/2029 Mo-1	1,153,809.74	1,195,635.34	1,193,815.31	1,240,171.35	20091124	AA+	Aaa	AAA



Long Term Holdings Report  
June 30, 2012

County of Fresno Stable Value Fund

Cusip	Description			Par Value	Purchase Price	Book Value	Market Value *	Purchase Date	S&P	Moody's	Fitch's
31417YDV6	FNMA	POOL #MA0115	4 1/2% Due 7/1/2029 Mo-1	1,749,847.43	1,813,279.39	1,810,344.64	1,880,821.92	20091124	AA+	Aaa	AAA
31417YFM4	FNMA	POOL #MA0171	4 1/2% Due 9/1/2029 Mo-1	1,730,318.58	1,783,579.95	1,780,949.15	1,859,831.35	20091119	AA+	Aaa	AAA
31417YSY4	FNMA	POOL #MA0534	4% Due 10/1/2030 Mo-1	344,097.80	358,829.47	358,202.32	370,567.02	20100825	AA+	Aaa	AAA
31417YX93	FNMA	POOL #MA0703	3 1/2% Due 4/1/2021 Mo-1	567,670.93	592,240.44	590,474.86	600,269.19	20110719	AA+	Aaa	AAA
31418ACN6	FNMA	POOL #MA0976	3 1/2% Due 2/1/2032 Mo-1	1,463,511.69	1,532,799.83	1,531,784.17	1,548,538.95	20120223	AA+	Aaa	AAA
31418PS71	FNMA	POOL #AD2341	4 1/2% Due 3/1/2040 Mo-1	985,929.36	1,027,985.42	1,027,237.41	1,061,111.74	20110603	AA+	Aaa	AAA
31419BCH6	FNMA	POOL #AE0971 MEGA	4% Due 5/1/2025 Mo-1	514,221.67	538,365.98	537,479.15	547,197.25	20110719	AA+	Aaa	AAA
31419BYQ2	FNMA	POOL #AE1618	4% Due 10/1/2040 Mo-1	375,169.01	388,065.44	387,785.23	399,924.93	20101006	AA+	Aaa	AAA
31419GRA4	FNMA	POOL #AE5880	4% Due 11/1/2040 Mo-1	388,214.02	401,619.56	401,316.46	413,830.73	20101006	AA+	Aaa	AAA
36202FLP9	GNMA II	POOL #004834	4 1/2% Due 10/20/2040 Mo-1	398,494.22	422,092.54	421,689.02	440,312.61	20101028	AA+	Aaa	AAA
36962G3H5	GENERAL ELECTRIC CAPITAL CORP	SR UNSEC MED TERM NOTES	5 5/8% Due 9/15/2017 MS15	250,000.00	289,925.00	288,130.84	286,893.50	20120321	AA+	A1	NR
38141GEA8	GOLDMAN SACHS GROUP INC	SENIOR UNSEC GLOBAL NOTES	5 1/8% Due 1/15/2015 JJ15	250,000.00	265,057.50	257,815.01	261,012.75	20091120	A-	A3	A
38375CXA3	GNMA	CMO SER.2012-43 CL.VH	3 1/2% Due 7/20/2023 Mo-1	987,834.57	1,087,852.82	1,086,660.13	1,074,334.70	20120530	AA+	Aaa	AAA
428236BC6	HEWLETT PACKARD CO	SR UNSECURED GLOBAL NOTES	2 1/8% Due 9/13/2015 MS13	250,000.00	249,717.50	249,812.16	252,085.50	20100909	BBB+	A3	A
46625HHP8	JP MORGAN CHASE & CO	SENIOR UNSEC NOTES	3.7% Due 1/20/2015 JJ20	100,000.00	101,312.00	100,677.92	104,308.20	20091120	A	A2	A+
49228RAE3	KERN RIVER FUNDING CORP	SENIOR NOTES	4.893% Due 4/30/2018 Mo-31	428,729.63	463,323.78	457,978.46	468,657.22	20110224	A-	A3	A-
58013MEB6	MCDONALDS CORP	SENIOR UNSEC GLOBAL NOTES	5.8% Due 10/15/2017 AO15	250,000.00	283,035.00	273,260.30	303,623.75	20091124	A	A2	A
589331AP2	MERCK & CO INC	SENIOR UNSEC GLOBAL NOTES	4% Due 6/30/2015 JD30	250,000.00	263,987.50	257,787.75	272,752.25	20091123	AA	Aa3	A+
59156RAU2	METLIFE INC	SENIOR UNSEC NOTES	6 3/4% Due 6/1/2016 JD1	250,000.00	284,440.00	271,836.43	293,149.75	20091120	A-	A3	A-
594918AC8	MICROSOFT CORP	SENIOR UNSEC GLOBAL NOTES	4.2% Due 6/1/2019 JD1	250,000.00	258,932.50	256,793.85	291,443.00	20091120	AAA	Aaa	AA+
617451AF6	MORGAN STANLEY CAPITAL INC	ABS SER.2005-IQ10 CL.A4A	5.23% Due 9/15/2042 Mo-1	775,000.00	842,933.59	816,587.76	856,043.30	20100729	AAA	Aaa	NR
61746WZA1	MORGAN STANLEY CAPITAL INC	ABS SER.2003-TOP9 CL.A2	4.74% Due 11/13/2036 Mo-1	206,025.82	211,144.25	206,429.79	207,954.63	20091123	AAA	NR	AAA
67087MAA4	OBP DEPOSITOR LLC TRUST	ABS SER.2010-OBP CL.A	4.6462% Due 7/15/2045 Mo-1	250,000.00	249,998.50	249,924.40	285,409.25	20100625	AAA	NR	AAA
73316PCD0	POPULAR ABS MORTGAGE PASS-THRL	ABS ADJ SER.2005-2 CL.AF4	Adj % Due 4/25/2035 Mo-1	198,014.16	196,405.29	196,973.08	195,028.30	20100419	AAA	Aa2	A
74153WBY4	PRICOA GLOBAL FUNDING 1	SENIOR SECURED NOTES	5.45% Due 6/11/2014 JD11	250,000.00	268,227.50	258,178.91	270,764.50	20091120	AA-	A2	A+
744448CD1	PUBLIC SERVICE CO OF COLORADO	CALLABLE FIRST MORTGAGE NOTES	3.2% Due 11/15/2020 MN15	250,000.00	248,982.50	249,119.98	267,808.00	20101108	A	A2	A
78387GAP8	AT&T INC	GLOBAL NOTES	5.1% Due 9/15/2014 MS15	250,000.00	271,362.50	260,211.71	272,956.50	20091120	A-	A2	A
883556AY8	THERMO FISHER SCIENTIFIC INC	SENIOR UNSECURED NOTES	3.2% Due 3/1/2016 MS1	250,000.00	249,847.50	249,880.35	267,633.00	20110214	A	A3	A-
88579YAD3	3M CO	SR UNSECURED NOTES	1 3/8% Due 9/29/2016 MS29	300,000.00	297,468.00	297,834.82	305,640.90	20110926	AA-	Aa2	NR
89233P4B9	TOYOTA MOTOR CREDIT CORP	MEDIUM TERM NOTES	3.2% Due 6/17/2015 JD17	250,000.00	249,690.00	249,808.14	265,542.00	20100614	AA-	Aa3	A
89233P5E2	TOYOTA MOTOR CREDIT CORP	SR UNSEC MED TERM NOTES	2% Due 9/15/2016 MS15	250,000.00	248,702.50	248,895.78	254,028.50	20110908	AA-	Aa3	A
90783SAA0	UNION PACIFIC CORP	PASS THRU CERTS	4.698% Due 1/2/2024 JJ2	230,768.61	230,768.61	230,768.61	250,827.48	20100107	AA-	Aa3	NR
921813AA9	VANDERBILT UNIVERSITY	UNSECURED NOTES	5 1/4% Due 4/1/2019 AO1	250,000.00	293,565.00	290,106.15	301,697.50	20111104	AA	Aa2	AA+
92261WAB6	VENDEE MORTGAGE TRUST	CMO SER.2011-1 CL.DV	3 3/4% Due 6/15/2022 Mo-1	456,969.80	473,177.96	471,433.43	500,749.20	20110414	AA+	Aaa	AAA
94987MAB7	WELLS FARGO COMM MORTGAGE TR	ABS SER.2010-C1 CL.A2	4.393% Due 11/15/2043 Mo-1	250,000.00	249,492.19	249,501.17	272,964.75	20110321	NR	Aaa	AAA
129268AA6	CALEDONIA GENERATING LLC	NOTES	1.95% Due 2/28/2022 MN16	500,000.00	500,000.00	500,000.00	500,000.00	20120629	NR	Aa1	AA
				56,124,182.30	58,557,805.30	58,343,138.25	60,632,889.65				
				2,443,349.92	2,443,349.92	2,443,349.92	2,443,349.92				
				58,567,532.22	61,001,155.22	60,786,488.17	63,076,239.57				

\* Fixed income and other securities are valued by independent pricing services approved by Great-West Life & Annuity Insurance Company ("the Company"). In some instances, valuations from independent pricing services are not available or do not reflect significant events in the market therefore fair valuation procedures are implemented by the Company.

For fixed income securities, regardless of whether the price is sourced from our independent pricing services or the fair value procedures of the Company, fair value determinations are used involving judgments that are inherently subjective. These determinations are made in good faith in accordance with procedures adopted by the independent pricing services or the Company. Factors used in the determination of fair value may include but are not limited to market data incorporating available trade, bid and other market information including benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. Model processes such as the Option Adjusted Spread model are used to develop prepayment and interest rate scenarios. Pricing evaluators gather information from market sources and integrate relevant credit information, perceived market movements and sector news into the evaluated pricing applications and models. The policies in place are intended to assure the Portfolio's valuation fairly reflects security values at the time of pricing.

# Glossary

<b>Agency Securities:</b>	Debt instruments issued by an agency of the Federal government. Though not general obligations of the U.S. Treasury such securities are sponsored by the government and therefore have high safety ratings.
<b>Amortization of Realized Gains/Losses:</b>	The process of spreading out the impact of any gains or losses that occurred due to the sale of assets or prepayment of securities that were faster or slower than expected. Amortization period is typically the average duration of the portfolio.
<b>Amortization of the Difference Between the BV Assets and BV Liabilities:</b>	The process of spreading out the impact of any differences between what the fund has earned and the interest credited to participants from inception to the statement date. Amortization period is the average life of the portfolio.
<b>Asset Backed Securities (ABS):</b>	A debt security whose cash flows are backed by a pool of receivables or other financial assets.
<b>Average Life:</b>	The average expected maturity date of the securities based on current pre-payment speeds and determined by an outside organization.
<b>Average Maturity:</b>	The number of years until a bond pays back its principal.
<b>Book Value:</b>	Original purchase price of the security +/- any amortization and reductions from principal payments.
<b>Collateralized Mortgage Obligations</b>	Mortgage backed bonds that separates mortgage pools into different maturity classes.
<b>Commercial Mortgage Backed Securities (CMBS):</b>	An asset backed security whose cash flows are backed by the principal and interest payments of commercial or multifamily property mortgage loans.
<b>Corporates:</b>	A debt instrument issued by a private Corporation whose cash flows are backed by the issuing organization.
<b>Duration:</b>	A theoretical measurement developed by Professor Frederic Macauley that measures the sensitivity of a particular bond to changes in interest rates based on current prepayment speeds and scheduled interest payments. Determined by an outside organization.
<b>FGLMC:</b>	Federal Home Loan Mortgage Corporation - Gold pool. Nicknamed Freddie Mac.
<b>FHLMC:</b>	Federal Home Loan Mortgage Corporation. Nicknamed Freddie Mac.
<b>FNMA:</b>	Federal National Mortgage Association. Nicknamed Fannie Mae.
<b>GNMA:</b>	Government National Mortgage Association. Nicknamed Ginnie Mae.
<b>GSE:</b>	Government Sponsored Entity
<b>Investment Grade:</b>	A bond judged likely enough to meet payment obligations that banks are allowed to invest in it.
<b>Liabilities:</b>	The total value of the participant account balances.
<b>Market Value:</b>	What the security could be sold for on the open market.
<b>Mortgage Backed Securities (MBS):</b>	An asset backed security whose cash flows are backed by the principal and interest payments of a set of mortgage loans.
<b>Par Value:</b>	Maturity value of the security.
<b>Purchase Price:</b>	Original purchase price of the security less any reductions from principal payments.
<b>Treasury Notes:</b>	Intermediate securities with maturities of 1 to 10 years.
<b>Vendee:</b>	Veterans Administration Mortgage.