Item 11

Great West Life Stable Asset Fund Annuity Contract

Fresno County

June 30, 2015

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 portfolio's quality as of 6/30 is AA+, as rated by S&P, and AAA for Moody's and Fitch according to GWL statements.
- The Q3 crediting rate of 2.15% compares favorably to money market and other stable value options.
- Assets are held in a separate account and not subject to the general creditors of Great West.
- Great West Life Annuity and Insurance Company provides the product's book value wrapper.
- 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 and managed specifically for the County. Great West Life, the sole Guarantor of the Contract, owns the assets in the bond portfolio and manages the County's portfolio to customized specifications.

Stable Value Funds are 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 from the impact of changes in interest rates, but not defaults or downgrades: (1) Purchase Guaranteed Insurance Contracts (GICs) wherein the fund owns only a contract; (2) Create Synthetic GICs wherein the fund owns the assets and pays a fee to an insurance provider; (3) Place assets in Insurance Company Separate Accounts (ISAs); and/or (4) 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

June 30, 2015

Summary Contract and Investment Policy Information

Provider: Great West Life & Annuity Insurance (GWL) Company, 8515 East Orchard Road, Greenwood Village, CO 80111

Structure: 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.

Fund Size: As of June 30, the fund's reported market value was $60.84 million, and book of $60.11 million.

Fees: Investment Management Fee of 0.35%.

Competing Funds: 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.

Crediting Rate and Floor: 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.

Distributions to Participants: Participants may elect between several different distribution options that are conducted at book value and specified on a participant form.

Transfers for Participants: Participants may transfer out to any other available investment option at book value without any advance notice.

Plan Level Termination, Cessation of Deposits and Complete Transfers: 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.

Government-Related: Minimum of 50% in US Government-related bonds (US Treasury debt, Agency MBS, and/or CMOs secured by GNMA, FNMA, FHLMC).

Non-Government: Maximum of 50% in corporate bonds or asset backed securities including CMOs backed by non-agency collateral.

Basis for Credit Ratings: Credit Quality: 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.

Duration: Not to exceed five years.

Investments: 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.

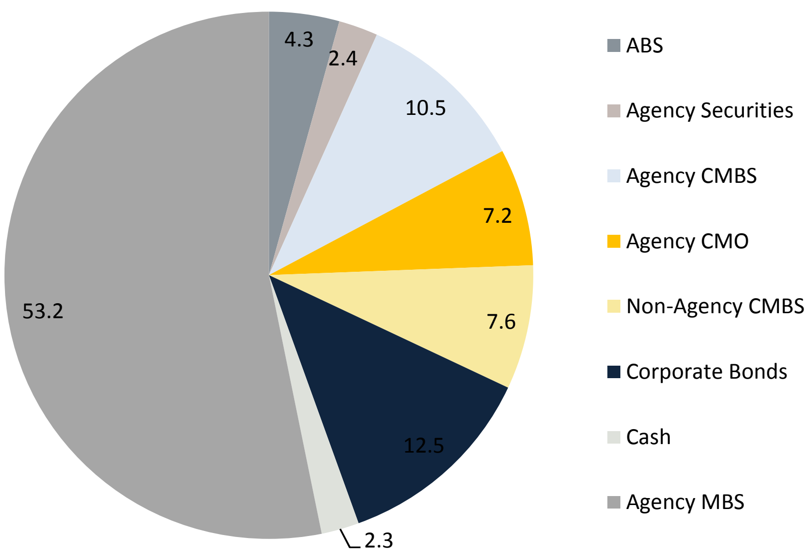
Great West Life Stable Asset Fund Annuity Contract

Fresno County *June 30, 2015*

Q2 2015 Portfolio Characteristics

Composition

A summary of the portfolio's characteristics as of the Second Quarter follows:



The portfolio's largest exposure is currently in Agency Mortgage Backed Securities at 53.2%. Corporate bonds constitute the second largest component of the portfolio at 12.5%.

Average Duration:

The fund's duration was 3.6 years a year ago at this time and steadily declined to 2.9 years to finish Q1'15. However, more recently, the portfolio experienced an increase in duration during Q2'15 to end the quarter at 3.5 years. This was primarily due to durations extending in Agency Mortgage Backed Securities as we saw a decline in pre-payments.

Weighted Average Ratings by Agency:

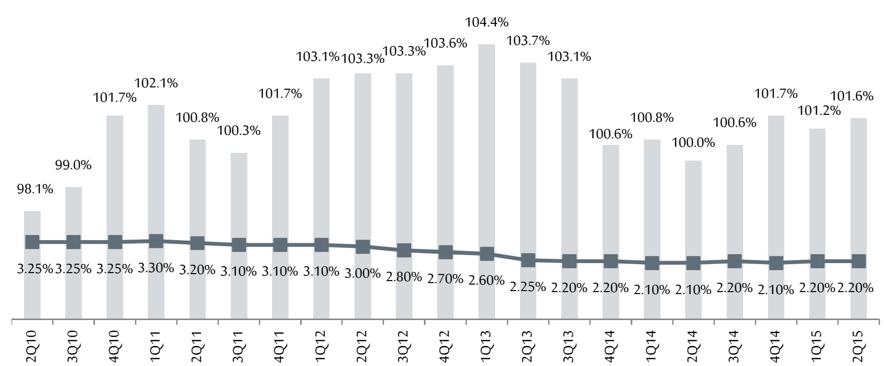
S&P	Moody's	Fitch
AA+	AAA	AAA

Average Credit Rating for Portfolio: The fund's average credit rating of AA+ as of the end of the Second 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 2015 Crediting Rate: 2.15%

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

Fund	Wrap Type	Market-to-Book	Avg. Portf. Quality	Est. Avg. Wrap Credit Quality	Effective Duration	Gross Crediting Rate***
Fresno County Stable Value	Single	101.2%	AAA	A+	3.50	2.15%
MetLife / Wilmington Trust	Single	101.7%	AA	A+	4.90	2.30%
New York Life Anchor Account	Single	100.5%	AA	A++	2.00	2.11%
Nationwide Guaranteed Separate Account	Single	103.2%*	A**	A+	3.53	2.75%
Vantage Trust PLUS Fund	Multiple	100.9%	Aa3	not available	3.07	2.34%
Columbia Income Fund	Multiple	100.8%	not available	not available	1.80	1.45%
Federated Capital Preservation Fund	Multiple	101.0%	AA	not available	1.96	0.66%
Morley Stable Value Fund (MSVF)	Multiple	100.9%	AA	not available	2.75	1.57%
Average		101.2%				1.85%

* data as of 5/31/15, **data as of 3/31/15, *** crediting rates as of Q3'15

Background

Recently the DCMC completed a two-part education and due-diligence training on stable value as an asset class, and on the Great West managed stable value fund currently offered to plan participants. The purpose of this document is provide concluding information in order for the DCMC to complete its due diligence and re-affirm the decision to use the Great West product in the Plan. Included in this information is a comparison of select key characteristics of the Great West product to alternatives in the market.

1. Stable Value Education Presentation – January 29, 2015
2. Great West Stable Value Product Presentation – May 11, 2015
3. Concluding Information – August 27, 2015

Going forward, we recommend that County Staff, HPA, and representatives from the Great West portfolio management team conduct a conference call to review the stable value portfolio prior to each DCMC performance report meeting. This call would focus on the current fund holdings, any changes in the positioning of the portfolio, managements' outlook, or proposed changes to its benchmark. The due-diligence session will then be reported at the following DCMC meeting. As the assets in stable value represent a significant portion of total plan assets, we believe this additional level of due-diligence and reporting will help educate and inform the DCMC in a timely manner of key issues regarding this fund. Results of the Q2'15 call with Great West are summarized in this document as well.

Comparison

As covered in HPA's Stable Value education session, once the decision is made to invest in a stable value product for the conservative plan investment option, a decision about the best vehicle/investment contract structure to utilize must be made. Investment contracts allow for book value accounting for participant transactions which smooth the volatility associated with the changes in market value of the underlying fixed income securities due to changes in interest rates. These investment contracts also set a pre-determined rate that interest will accrue at to generate a return. This is referred to as the crediting rate.

Investment contracts come in many forms but generally provide similar guarantee features. The primary difference is that the guarantee may be provided by multiple different wrap providers or a single insurance company wrap provider as in Fresno's current product with Great West. This is one of the principal factors that influences the crediting rate primarily through the investment guidelines/restrictions which will dictate which securities can be in the portfolio. The comparison table above contains products with multiple different investment contract structures in order to provide a snapshot of the universe from which to compare Great West's product.

In looking at this comparison group, Fresno County's stable value option provides the highest portfolio quality as compared to all the other products shown. In addition, the crediting rate is right in the range of other single insurance company provider options and well above average as compared to all the peers shown in the comparison table. Lastly, the market-to-book value is comfortably above 100% at 101.2% and in line with the average of the products shown in the comparison table.

Q2'15 Fund Update and Positioning

The Great West managed stable value portfolio remains well diversified with no concentration of risk anywhere that is not appropriate. So far year-to-date interest rates have stayed low despite improving fundamentals. Part of the reason for this over the last quarter was the volatility in the market due to the uncertainty with Greece. This created a "risk-off" environment which also caused spreads in non-U.S. government debt to widen.

In order to take advantage of this widening of spreads, the Great West portfolio management team increased the allocation to both corporate bonds and Commercial Mortgage Backed Securities (CMBS) during the quarter. The portfolio's duration also increased as the duration in Agency Mortgage Backed Securities (MBS), which make up over 50% of the portfolio, extended due to a decrease in pre-payments.

In terms of portfolio positioning, the portfolio continues to have an overweight to Agency MBS while peers are overweight non-spread product and cash. This overweight is in line with the investment policy constraints that restrict the Great West portfolio management team to own a minimum of 50% in U.S government related debt (e.g. U.S. Treasury debt, and Agency MBS). The portfolio management team does not currently feel it is appropriate to own a lot of U.S. government debt in a stable value mandate because it introduces more risk with U.S. interest rates set to rise.

Conclusion

In conclusion of this due diligence exercise, HPA continues to be comfortable with the Great West Life Stable Asset Fund and its use as the current stable value fund for the County's plan participants.

In recent talks with the Great West portfolio management team, it was brought to our attention that the current investment guidelines are somewhat restrictive. Great West would like the County to explore changes to the investment policy statement in order to loosen the minimum 50% allocation to government related debt and consider allowing a small allocation to BBB rated securities. The following changes were recommended by the Great West portfolio management team for the County's consideration:

- Allow up to 10% into BBB rated securities; and
- Remove the 10% cap on A rated securities (Great West commented that this is constraining because there are so few of these in the U.S. which leaves them with very few options.

As a follow-up to this due diligence exercise, HPA recommends that we, County Staff, and Great West continue to explore the merits of changes to the investment policy statement to determine if it would be in the best interest of the plan participants in order for the DCMC to make the most informed decision.

Summary of Proposed Investment Policy Changes

Types of Investments

- Expands Section B to include:
  - U.S. Agency or GSE Asset-Backed Securities and Commercial Mortgage-Backed Securities
  - Other U.S. Agency Securities
- Expands Section C and D to include GSE's
- Expands Section E to include U.S. Money Market Mutual Funds, or repurchase agreements fully collateralized by United States Government, Agency, or GSE securities
- Modifies Section F to apply to ratings A1, P1, and F1 (up from A, or P)
- Modifies and Expands Section G to include Corporate and Government Related Bonds:
  - Rated "BBB-/Baa3" (down from A-/A3)
  - All securities must be U.S. dollar denominated
  - Government related bonds include:
    - Foreign Sovereigns,
    - Supernationals,
    - U.S. and Foreign Local Governments, and
    - Foreign Agencies
- Modifies and Expands Section H to include Asset-Backed, Mortgage-Backed, and Commercial Mortgage-Backed Securities rated "A-/A3" or better (down from "A" or better) and restricts purchasing of mezzanine or subordinated structured securities
- Adds Section I to reiterates all investments must be denominated in U.S. dollars

Quality and Diversification

- Modifies Section A to:
  - Allow for 100% of assets to be invested in U.S. Government securities
  - Remove the 50% minimum to U.S. Treasury debt, Agency Mortgage-Backed securities, or Collateralized Mortgages secured by GNMA, FNMA, FHLMC, securities
- Modifies Section B to:
  - Allow for a maximum of 50% of the account assets to be invested in Corporate Bonds or Government Related Bonds
    - Previously applying the 50% cap to Corporate Bonds and Asset-Backed Securities
- Adds Section C to allow for a maximum of 20% of the account assets to be invested in non-agency Asset-Backed securities, Mortgage-Backed securities, and Commercial Mortgage-Backed securities
- Modifies Section D (previously Section C) to reduce weighted average quality to "A-/A3" or better (from "AA" or better)
- Modifies Section E (previously Section D) to allow for no more than 10% of assets to be invested in "BBB" (including "BBB+" and "BBB-") rated securities or lower (down from "A" rated securities or lower)
- Adds Section F to restrict purchasing of Corporate and Government Related Bonds to no more than 2% of the portfolio assets invested in any one issuer
- Expands Section G (previously Section E) to apply to non-Agency Asset-Backed, Mortgage-Backed, and Commercial Mortgage-Backed trusts

Comparison of Agency Bond and Commercial Paper Credit Ratings

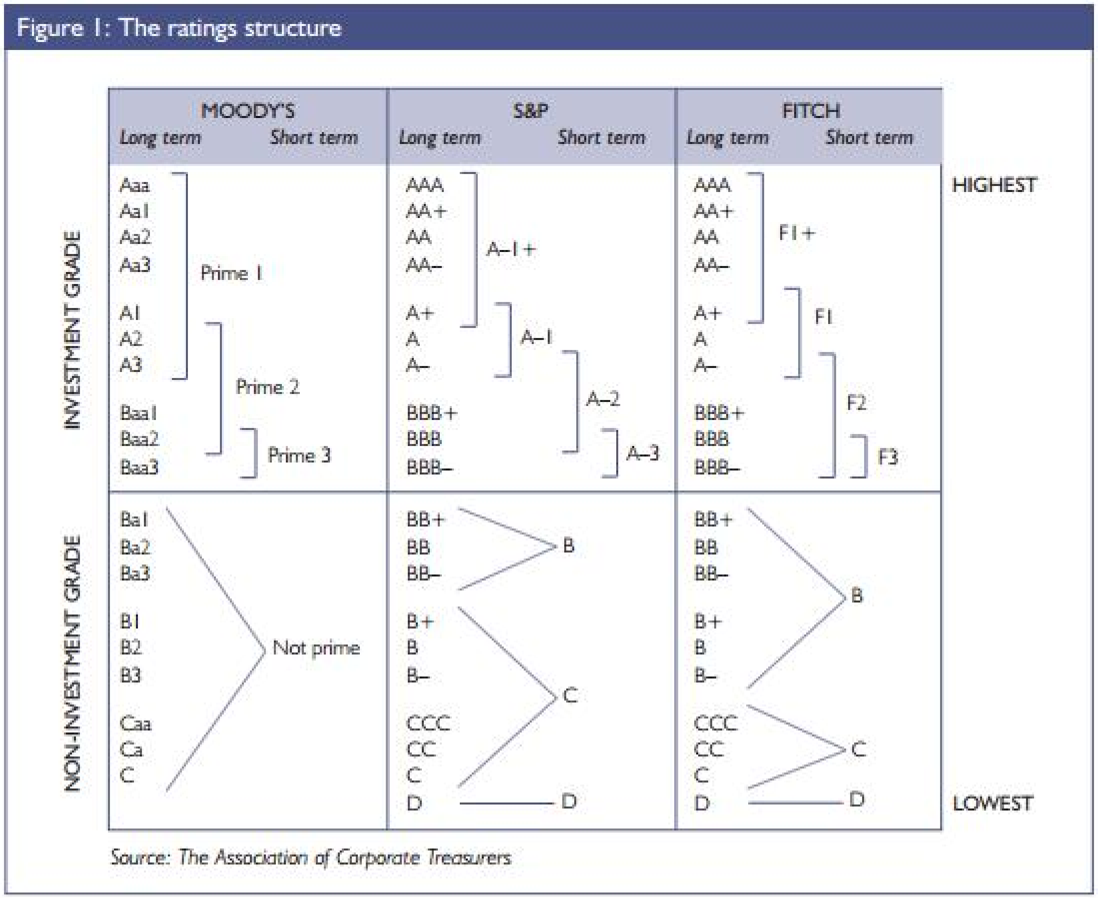


Figure 1: The ratings structure

Figure courtesy of the Associated of Corporate Treasures (ACT) – "Corporate credit ratings: a quick guide."

Comparison of Agency Bond and Commercial Paper Credit Ratings

	Moody's	S&P	Fitch
superior	P1	A1+ or A1	F1+ or F1
satisfactory	P2	A2	F2
adequate	P3	A3	F3
speculative	NP	B or C	F4
defaulted	NP	D	F5

Table provided by RiskEncyclopedia – "Commercial Paper."