Item 3

Fresno County

IPS Recommendations

May 16th, 2016

Cathe Tocher, CFA

CIO & Senior VP Great-West Financial Segregated Funds

Global Head of Portfolio Management

Jack Brown, CFA

Vice President of Separate Accounts

Portfolio Manager

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Executive Summary

1. Tremendous liquidity through global monetary policy and growth concerns continue to pressure interest rates
    - Over 30% of government debt globally trades with negative yields .
    - The 5 year Treasury yield is 56bp lower YTD
2. U.S. economy continues to grow at a slow, but steady, pace supporting a longer business cycle
3. Achieving higher yields in today's environment is difficult and requires taking on two types of risk. Duration or Spread
    - Adding more Duration to the portfolio is counter-intuitive given current low rates
4. Our recommendation is to look to increase the yield of the portfolio by expanding the available investment options
    - Specifically adding a dedicated 10% allocation to BBB Corporate Credit
5. Adding BBB exposure provides multiple benefits, while not materially altering the risk profile
    - Allows for broader diversification across industries
    - Provides opportunities to take advantage of relative value opportunities across ratings spectrum
    - Corporate spreads continue to look attractive relative to other fixed income opportunities

Stable Value and GWCM

4 CORE BELIEFS	4 KEY DIFFERENCES
Investment Management Expertise – Fixed income asset management should be core competency	• Our investment manager has the experience to manage a broad variety of fixed income solutions and not just Stable Value Funds (SVFs) • Manages a different Investment Policy Statements (IPS) for each custom client
Transparency – Plan sponsor should know what it is buying	• Great-West Financial purchases securities directly for your portfolios • Know all fees at all levels; no hidden fees
Customization – Our belief is a CSVF should be designed around the plan using it	• Consultative approach • No other portfolio is exactly the same
Retirement Understanding – Provider should have thorough understanding and experience in all facets of retirement	• Great-West Financial® understands retirement planning/investing

Stable Value and GWCM

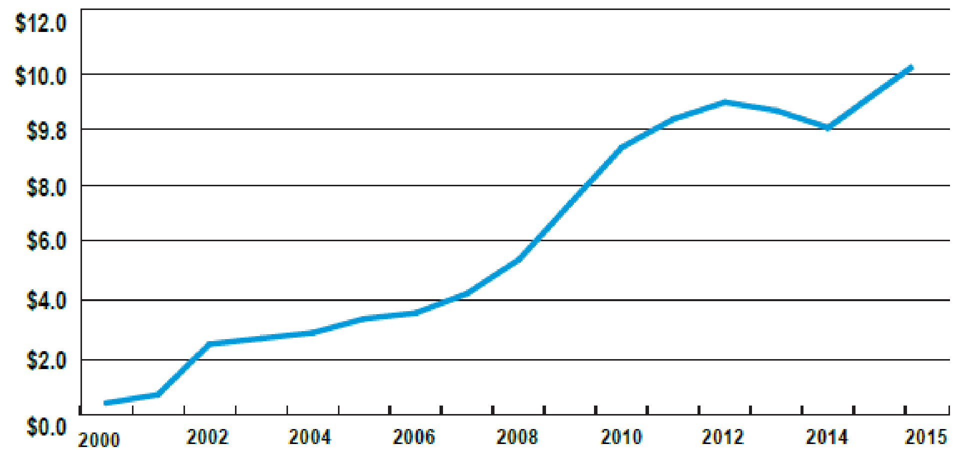
Great-West Financial Stable Value business

- 39 custom Separate Account clients, each with its own distinct investment policy guidelines
- 31 clients and $6.3 billion in 457 assets
- $3.4 billion in COLI/BOLI Separate Account business
- Diversification amongst portfolio sizes

Assets thresholds (millions)	Number of clients	Average assets
Less than $50	9	$32.4 million
$50-99	12	$76.6 million
$100-199	6	$129.0 million
$299-499	10	$323.2 million
Greater than $500	2	$903.4 million

As of December 31, 2015
Source: Great-West Financial

Great-West Financial Stable Value separate account assets under management



As of December 31, 2015

Corporate
- Bi-Mart corporation
- Genesco, Inc.
- Good Samaritan Hospital
- Kirby Risk Corporation
- SWIFT, Inc.

State Governments
- State of Oklahoma
- State of Colorado
- State of North Carolina (two plans)

County Governments
- Gwinnett County, GA
- Orange County, CA
- Santa Barbara County, CA

County Governments
- City of Austin, TX
- City of Virginia Beach, VA
- City of Houston, TX

Other
- Chicago Park District, IL

Organizational Chart

GWCM Leadership

Robert Reynolds
President and CEO, Putnam and Great-West

David L. Musto
President, Great-West Investments

Catherine Tocher, CFA
Senior Vice President and Chief Investment Officer

Portfolio Management

Jack Brown, CFA
Vice President of Separate Accounts
Portfolio Manager

- Daniel Gargan
  Client Portfolio Manager
- Sam Moyn
  Assistant Portfolio Manager
- Kiva Patten
  Research Analyst
- Nate Simons, CFA
  Research Analyst
- Nick Yu, CFA
  Research Analyst

Trading

- Bruce Masters
- Bryan Lamb
  Money Market Trader

Quantitative Team

- Thone Gdovin, CFA
- Mikki Sells
- Tom Swanson
- Brian Rink
- Derek Laubach

Middle Office

- Rene Ramsey
- Laura Kline, CFA
- Robert Turnell
- Vernon Lawhorn, CFA

Organizational Chart

Great-West Financial investment team

	Years of Experience	Years at Great-West Financial
Catherine Tocher, CFA SVP and Chief Investment Officer, Great-West Financial Separate Accounts and GWCM	30	27
Jack Brown, CFA Vice President, Portfolio Manager	20	0
Bruce Masters Trader	35	25
Thone Gdovin, CFA Portfolio Analyst	17	14
Sam Moyn Assistant Portfolio Manager	14	14
Kiva Patten Assistant Portfolio Manager	14	2
Nate Simons, CFA Credit Analyst	4	1
Nick Yu, CFA Senior Investment Strategist	7	1
Daniel Gargan Client Portfolio Manager	7	0

Key Personnel

Catherine Tocher, CFA
Senior Vice President and Chief Investment Officer, Great-West Financial Separate Accounts and Great-West Capital Management, LLC (GWCM), CFA

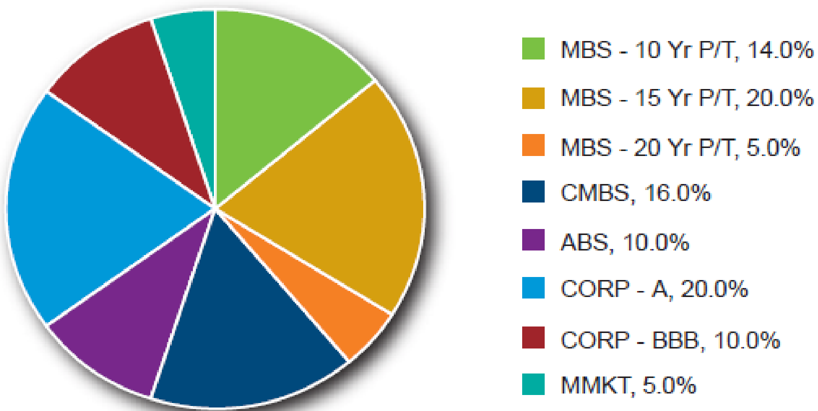
- Lead portfolio manager
- Heads team of 23 investment professionals, including MBS/ABS analysts, credit analysts, and commercial real estate analysts
- Has managed all Great-West Life & Annuity Insurance Company (GWL&A) CSVFs since 1993
- Manages the trading desk and has oversight responsibility for the money market group

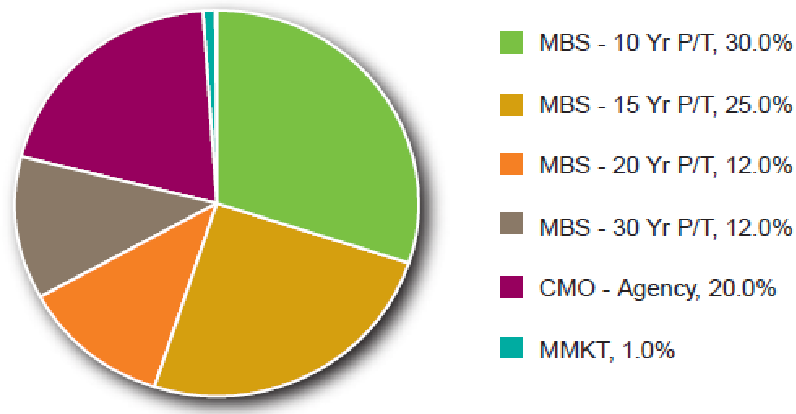
Jack Brown, CFA
Vice President of Separate Accounts and Portfolio Manager

- Leader of the day-to-day management of the stable value separate account and collective trust portfolios.
- Leads a team of portfolio managers, analysts, and traders responsible for the strategic and tactical implementation of investment decisions.

Core vs. Government Portfolios

Sample portfolio





Portfolio Considerations

Portfolio composition	Core	Government
Avg. Credit Quality[1]	A	AAA
Portfolio Duration	3.8	3.8
Sector Allocations		
Agency MBS	39%	79%
Agency CMO	0%	20%
CMBS	16%	
ABS	10%	
Corporates	30%	
Mmkt	5%	1%

- The Core portfolio is more diversified across asset classes; both portfolios are diversified within permissible asset classes
- Liquidity is significant for both Core and Government portfolios
- Portfolio structure/strategy is consistent: cashflows are laddered to ensure participation in a changing economic / interest rate environment while managing the average life and duration variability of the underlying assets

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Investment Policy Statement Comparisons

		IPS Current		IPS Proposed	
Government Backed Allocation	%	**Restraint**	**Max/Min**	**Restraint**	**Max/Min**
Total Government	**67.44%**	**50.00%**	**Min**	**50.00%**	**Min**
Corporate Bond Allocation	%				
Total A	5.74%			**25.00%**	**Max**
Total BBB *	1.65%	**0.00%**	**Max**	**10.00%**	**Max**
Total A & BBB	**7.39%**	**10.00%**	**Max**	**35.00%**	**Max**
ABS Allocation	16.55%				
Total Corporates and ABS	**29.79%**	**50.00%**	**Max**	**50.00%**	**Max**
Cash	**2.77%**				
Total Portfolio	**100.00%**				

Recommendations:

Types of Investments

1) Add language to allow for the investment of BBB rated Corporate Bonds. Rationale: BBB rated Corporate Bonds are expected to improve portfolio diversification, flexibility, and yield.

Quality and Diversification Guidelines

1) No more than 10% of the account may be invested in BBB rated Corporate Bonds.
2) No more than 25% of the account may be invested in A rated Corporate Bonds.

*Represents securities that have been downgraded to BBB since time of purchase.

Current versus Proposed Portfolio

Asset Class	Current Portfolio					Proposed Portfolio				
	Market Value	Allocation	Yield	Duration	OAS	Market Value	Allocation	Yield	Duration	OAS
Government Backed										
Total Government	**42,066,678**	**67.4%**	**1.71**	**3.63**	**21**	**35,982,623**	**57.7%**	**1.75**	**3.74**	**16**
Total Corporates	**8,257,509**	**13.2%**	**1.81**	**2.95**	**84**	**16,071,365**	**25.8%**	**1.91**	**2.73**	**99**
Total ABS	**10,326,803**	**16.6%**	**2.13**	**2.51**	**119**	**10,326,803**	**16.6%**	**2.13**	**2.51**	**119**
Cash	1,730,000	2.8%	-	-	-	-	0.0%	-	-	-
Total Portfolio	**62,380,990**	**100.0%**	**1.74**	**3.26**	**45**	**62,380,790**	**100.0%**	**1.85**	**3.28**	**55**

Portfolio Changes

1. Deploy Cash into A rated securities.
2. Liquidate Agency CMBS and reinvest into BBB rated securities.

Expected to improve portfolio yield by approximately 10 basis points.

Recommendations

• Great-West Financial Recommends that the portfolio reallocate holdings from Agency CMBS (9.8% of portfolio) to Corporate Credit

• Allocations would be focused to the following sectors:
  - Finance
  - Industrials
  - Energy

•We estimate changing to this strategy will contribute an additional **10 basis points** to portfolio yields which over time will boost the overall credited rate of the portfolio

Q1 2016 Economic and Capital Market Summary

Where do we sit at the end of 1Q? Our assessment of the US economy in 1Q16 remains modestly constructive, but caution is certainly warranted when considering what transpired to start the year when markets felt like they were unraveling. The collapse in oil and commodity prices has subsided, bond spreads have tightened, global equities have recouped their losses, and much of the upsurge in market volatility has abated. Maintaining stable price floors in these sectors is essential for keeping markets steady throughout 2016. A healthy and confident U.S. consumer is the foundation of our constructive view on the U.S. economy moving forward. External headwinds and uncertain sentiment from 4Q15 remains, which could pose downside risks to our base case view of 2.0% GDP growth for 2016. We expect 1Q GDP to print below 1.0% on account of high inventories and excess capacity built up over 2015. The strong dollar has also dragged on real growth potential, but has recently weakened versus other currencies. These headwinds are expected to subside as we enter 2Q.

That being said the U.S., as well as the rest of the world, is in a period of below-trend growth relative to previous business cycles. Global GDP for 2016 is projected to be near 3.2%. The U.S. is still in a stronger position relative to other major economies. U.S. Treasury yields are low by historical standards but significantly higher relative to other Developed Economies.

So how did we get here? The FOMC was confident enough in domestic economic conditions to warrant hiking the Federal Funds Rate by 25 basis points in December. Some investors were cautiously optimistic upon this news, but given the difficulties the FOMC has had in forward guidance and communication over the course of 2015, markets reacted negatively as 1Q began to play out. The basis of friction between markets and the Fed was the discrepancy in how many hikes they had priced into the market for 2016. This was a significant development by itself, but what made it so impactful was the Fed action was slotted in with many other negative and compounding headlines that carried over from last quarter. Global growth was stalling, energy and commodities were rolling over, and the China / Emerging Market slowdown continued to play out. Central Banks had been unsuccessful in stimulating both growth and inflation despite nearly seven years of Quantitative Easing (QE) and other expansive monetary policies. Ongoing volatile sentiment acted as an accelerator.

Early in 1Q, the Bank of Japan decided to initiate additional stimulus and enter Negative Interest Rate Policy (NIRP), which markets digested as another indicator that Central Banks were running out of options to stabilize economic conditions. Negative sentiment and price volatility peaked on February 11th when WTI oil fell to just over $28 per barrel. Investment Grade Corporate Bond Spreads were at recessionary levels. Talk of a U.S. recession was in the headlines and directly impacted market liquidity.

Q1 2016 Economic and Capital Market Summary

Shortly after, the ECB announced an additional round of QE that would include the purchase of Investment Grade Corporate Bonds. The commentary from the February FOMC meeting was also much more dovish than what was released in December, and implied that their intention to hike four times in 2016 would be closer to market expectations of one to two hikes. Both of these events were well received by markets, and coincided with a rebound in the manufacturing sector. As March arrived, we saw an incredible rally in energy and commodity prices and equity markets recovered all the losses they incurred to start the year. Quite the round trip from two quarters ago!

Throughout this highly volatile period, U.S. consumer confidence and spending has been incredibly resilient. Consumer balance sheets are in a very strong position. Debt-to-income ratios continue to decline and savings rates continue to rise. Over the last twelve months the average of Non-Farm Payrolls (NFP's) has been a very robust 234k per month. Labor participation rates are increasing and unemployment sits at a very healthy 5.0%. Signs of increasing wages are slowly emerging as the labor market continues to tighten. Healthy consumer balance sheets have not translated into expected increases in consumer spending, but we attribute much of this to the lingering effects of the Financial Crisis on general consumer behavior. Overall consumption is still healthy. The housing market also remains on solid footing with new household formations increasing and there is a large pipeline of demand to fill. In the business sector, spending has been skewed toward mergers and acquisitions and share buy-backs as organic growth opportunities have diminished. Net free cash flow positions are continuing to decline as a result. The distress in the manufacturing sector and weaker profits overall have implications on future business capital expenditures. We expect business spending to decrease alongside ongoing weakness in global demand and a strong U.S. dollar.

What do we see moving forward? We expect the trend of slower, lower for longer growth to continue. A healthy consumer, housing and labor market all indicate that this business cycle has more room to run. We also expect interest rates to stay low and a dovish-toned Fed to hike only one to two times more this year. Excess liquidity in the market will continue to go into U.S. Treasuries, acting as a cap on potential yields. The lack of inflation in both the domestic and global economy is concerning, but wage inflation in the U.S is showing signs of life. We expect inflation to firm more once stability in the energy and commodities sectors are realized and excess capacity is unwound. We also expect heightened volatility to remain, which given what occurred in 1Q, presents a downside risk to our base case. We will be focused on developments coming out of "Brexit" talks, the supply/demand dynamics in oil, and the tone and actions of the FOMC both in April and June.

Disclosure

The principal underwriter is GWFS Equities, Inc., and securities, when offered, are offered through GWFS Equities, Inc., and/or other broker dealers.

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