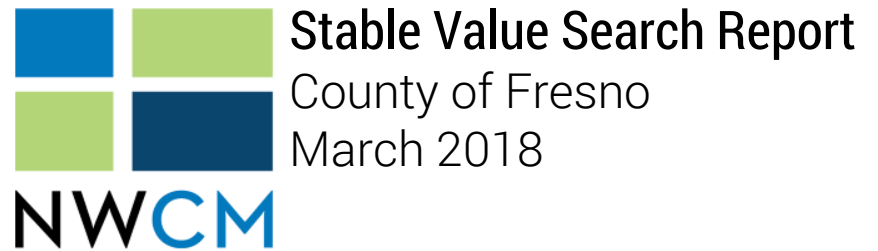


Item 11



- 1 Executive Summary
- 2 Review of Great-West Stable Value
- 3 Finalist Selection Process
- 4 Stable Value Selection
- 5 Conclusion
- 6 Appendix

Northwest Capital Management (NWCM) issued a Request for Proposal (RFP) seeking proposals from qualified stable value managers on the behalf of the County of Fresno's 457 Deferred Compensation Plan (DCP). The intent of the RFP was to evaluate the stable value product delivered by the incumbent provider, Great-West, after the departure of long-time fixed income manager, Cathe Tocher. Additionally, to ensure the DCP is receiving stable value investment management services consistent with the current marketplace.

Since the County's selection of Great-West as a separate account manager in 2009, the stable value product has been invested in a blend of high-quality fixed income instruments insured by a wrap contract. Some concerns have been raised regarding: the stable value experience of newly appointed manager at Great-West, Jack Brown, the portfolio's mortgage-back security (MBS) exposure, the lack of wrapper diversification, and the market-to-book value.

The present RFP stipulated that the bidder have at least \$1 billion dollars of public sector assets under management, with at least 5 years of fixed income experience. It is noted that the preferred lead portfolio manager have at least 3 years of stable value experience. The RFP was released on July 21, 2017 to 15 prospective bidders (a full list of recipients can be found on page 7). This analysis is designed to assist the County with the identification of finalist candidates and the ultimate selection of a preferred stable value manager. The following pages offer background on the responses across various evaluation factors and the associated scoring of each of the candidates.

2

Review of Great-West Stable Value

Manager Change

- New manager, Jack Brown, has extensive fixed income experience, but not in stable value

A change in the investment management team of any product is always an important factor in determining the suitability of that product. The replacement of Cathe Tocher with Jack Brown as the manager of the County of Fresno's custom stable value product gives some cause for concern, given Mr. Brown's lack of stable value experience. Despite his lack of experience with stable value mandates, Mr. Brown has a strong fixed income background. His most recent focus was to low-quality issues in a high yield mandate, and despite being a stark difference from the high-quality portfolio he is currently managing, gives evidence to his capability of working in a credit-oriented / risk management portfolio.

MBS Exposure

- Overweight Agency MBS
- Resulting in the MV/BV to drop recently
- This strategy may underperform during economic downturns

After several years of large-scale mortgage refinancing driven by low rates and government incentive programs, the Government agency mortgage backed security (MBS) universe is now characterized by historically low coupons. MBS durations are based on modeling assumptions regarding future prepayment behavior in the underlying mortgages. If rates spike in the future, few homeowners are likely to have an incentive to refinance, and as a result, prepayments on MBS will be very low. With this source of cash flow largely eliminated, durations on MBS may increase substantially. Agency MBS is 42.6% of the overall portfolio as of 12/31/17, with the Morningstar category average being 6.97%. Great-West cites that they are focusing on specified MBS pools that limit-prepay speeds to curb the increase in duration risk. In addition, since the portfolio tends to be underweight Treasury Holdings, this strategy may underperform peers in economic downturns followed by spread widening. Lastly, the recent tax-plan's mortgage deductibility poses as a potential headwind in the near-term

Sole Wrap Provider

- Great-West is the sole wrap provider
- High credit ratings
- Exposed to inherent insurance industry risks

Great-West is the sole wrap provider for the portfolio. S&P, Fitch, and Moody's rate Great-West the second highest of their nine categories with AA, AA, and Aa3 respectively. However, the life insurance business model typically entails significant leverage and potentially exposes the industry to outlier capital market events, as demonstrated by the impact the financial crisis had on the industry. Great-West has generally been prudent, but these risk are inherent to the industry and should not be ignored. As the sole provider with inherent risks, wrapper diversification may better benefit the County.

Market-to-Book Value

- Drop in market-to-book ratio in December, 2016
- Recovered to Par in April, 2017, but dropped below again in 4Q17.

The product had seen a slight drop in its market-to-book ratio in December 2016. This also adds some level of pause. These same factors may have played out similarly under Ms. Tocher's management given the sudden changes in market conditions due to 2016 U.S. elections and the resulting uncertain regulatory environment. Since the market value was less than book value, the product saw an adjustment to the crediting rate and decrease in duration to more quickly narrow the gap. As of December 31, 2017, the market-to-book value is 99.5%. We hope to see an increase in crediting rate as a result, but MBS exposure and potential duration risks still pose as potential headwinds.

3 Finalist Selection Process

July
21st

RFP Issued

Request for Proposal

August
11th

RFP Received

Columbia Thread Needle	Mass Mutual	Invesco
T. Rowe Price	ICMA-RC	Bank of NY Mellon
Morley	Great West	Federated Investors
Lincoln Financial Group	Met Life	Prudential
Galliard	Nationwide	TIAA CREF
Fidelity	Transamerica	Voya
New York Life	Putnam	Principal
	Goldman Sachs	

Columbia Thread Needle	New York Life	Goldman Sachs
T. Rowe Price	ICMA-RC	Bank of NY Mellon
Morley	Great West	Prudential
Galliard	Nationwide	Voya
Fidelity	Putnam	



When investing in a GIC, a plan may be more restricted than the Sponsor realizes, specifically with regards to the Put Provision (a Put Provision details how a plan can liquidate the investment). Typically GICs offer two Put Provision options: the first is an immediate payout subject to a market value adjustment (meaning the plan could lose money); the second is a 5 year, six-equal-payment option.



Also, the structure of a GIC can put a plan's assets at risk, as being a part of an insurance company's general account makes the plan a general creditor of the insurer. This means that if the insurer were to be insolvent, a plan would essentially file a claim just like any other creditor. Of course, there is a low probability of default among highly rated insurers. It also highlights the need to analyze the strength of the insurer.



Finally, it is important that a fiduciary know the cost structure of any investment in their portfolio. With a GIC, the true cost of the investment is difficult to ascertain. This is because a GIC is a "spread" product. A spread, in this instance, is the difference between the rate of return the insurance company earns on its general account investment activity, and the interest that it pays to the plan. This difference is the amount the insurance company keeps from investing the plan's assets, and could be considered the true cost of the investment.



Disclosure is limited as the underlying assets and characteristics of the general account are made available only through quarterly State Insurance Department filings for mutual companies and also disclosed financial statements for publicly-traded insurance companies. In addition, the underlying holdings are primarily fixed income assets, but may include non traditional assets that are less liquid such as real estate, private placements, alternative investments, and even equities.

Finalists After Removal of GIC Providers:

Columbia Thread Needle
T. Rowe Price

Morley
Galliard

Fidelity
ICMA-RC

Great West
Putnam

Goldman Sachs
Bank of NY Mellon

Finalist Selection Process

Remove GICs

Respondents were eliminated if they proposed General Investment Contract

9

Columbia Thread
Needle
T. Rowe Price
Fidelity
ICMA-RC
Great West
Goldman Sachs
Bank of NY Mellon
Putnam
Galliard



2008 MV/BV

Respondents were eliminated if they were in the bottom half for market-to-book during 2008.
(Below 95%)

7

Columbia Thread
Needle
T. Rowe Price
ICMA-RC
Great West
Goldman Sachs
Bank of NY Mellon



Crediting Rate

Respondents were eliminated if they were in the bottom half for annualized 5-year crediting rate

4

ICMA-RC
Goldman Sachs
Great-West
T. Rowe Price

Finalists Remaining

Collective Trusts are pooled vehicles administered by a bank or trust company that seek to commingle the assets from unaffiliated plans. Conversely, Separate Accounts differ in that they are managed for a particular entity, and therefore do not allow outside investors to participate in the rate experience of a particular mandate.

	Separate Account	Collective Trust
Wrapper Diversification	Negative, limited wrap providers in an effort to limit costs.	Typically, a greater amount of assets increases the need for more wrap providers.
Termination / Portability	Exit at market value, but are typically allowed to transfer underlying assets.	While there may be some varying exit provisions, holders can exit at book value. Typically has a 12-month Put.
Cash Flow Impact	Not dependent on other unaffiliated plans. All assets / cashflow are plan specific.	This vehicle will pool assets w/ other unaffiliated plans and could see impacts from withdrawals and purchases.
Customize IPS	Ability to work w/ provider to develop a customized solution.	There is no customization with a pooled account.
Fees	Typically can reduce costs, because you limit # of wrap providers and can control # of outside managers.	Neutral, depending on size you may qualify for lower share class options.
Asset Diversification	Neutral, dependent on amount of assets and IPS.	Typically, pooled accounts have more assets and ability to use more sub-advisors.
Ease of Oversight	separate account data is primarily dependent on account provider.	A fair amount of CITs provide monthly data to vendors such as Morningstar.

Negative	Neutral	Positive
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Proposed Vehicles	ICMA-RC	GSAM	Great-West	T. Rowe Price
Separate Account		✓	✓	✓
Pooled Funds	✓	✓		✓

Benefit of Pooled Funds Over Separate Account:

- Diversification:
 - Multiple Wrap Providers
 - Diverse Fixed Income Holdings
 - Access to external managers
- Leverage of Scale Pricing
- Put Provision
 - Plan Sponsor can terminate contract and receive book value after 12-months

Risks of Pooled Funds Over Separate Account:

- Cash Flows
 - The Market-to-Book value and the crediting rate can be positively and negatively impacted by participant behavior outside of the plan.

Based on the factors above, NWCM recommends utilizing the pooled funds structure to increase manager and holdings diversification, mitigate wrap provider risk, and more favorable exit provisions.

4

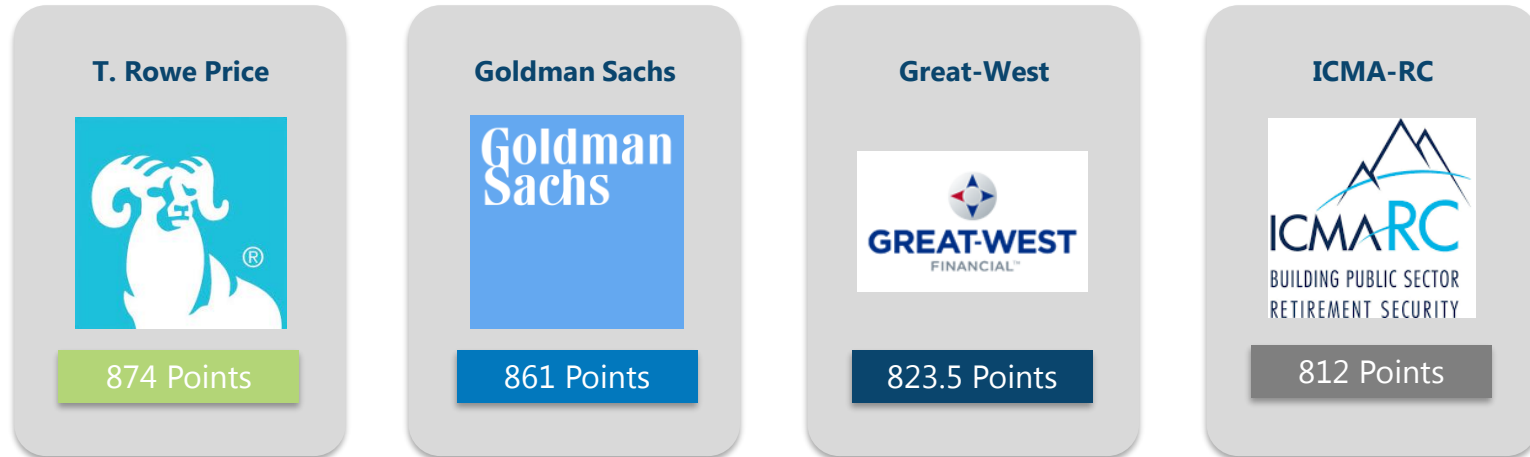
Stable Value Selection

The finalists were evaluated on the following




- 1 **Organizational strength** - examines each firm's business strength and resiliency, tenure of senior professionals, commitment to retaining overall personnel, and history of legal and regulatory proceedings.
- 2 **Investment Experience** – Consideration was given to each firm's history of managing stable value assets, the scale of stable value assets undermanagement, and depth of staff specializing in stable value management.
- 3 **Investment Approach** - This evaluation factor assesses each manager's strategic approach, consistency of the approach, appropriate adjustments made, and ability to align strategy with the County's policy guidelines.
- 4 **Investment Performance** – Examines each manager's asset allocation decisions, historical performance and source of returns overtime. (1) duration, or the degree to which a manager might take interest rate risk to attain higher yield. (2) Utilization of external managers versus proprietary investments. (3) Cash positioning in how providers may structure the product to meet cash flow needs. (4) Risk management capabilities.
- 5 **Portfolio Transition** – Examined the ability of each manager to assume the current Portfolio and assessed their stated transition plan.
- 6 **Administrative and Performance Reporting** – Reviewed the managers' capabilities with regards to interfacing with the Plan's TPA, Nationwide, providing timely performance reporting to the County, supporting plan participants communication, and providing the County with back-office support as issues may rise.
- 7 **Fees** – Were evaluation on a total cost basis reflecting investment management fees paid to the manager, fees if any, paid to external managers, and wrap fees.

Scoring Results



Evaluation Categories	Subset Points	% of Total	T. Rowe	Goldman	Great West	ICMA-RC
Organizational Information	100 points	10%	90	84	80	95
Investment Experience	100 points	10%	80	71	42	74
Investment Approach and Process	250 points	25%	220	220	216	173
Investment Performance	250 points	25%	231	217	208	222
Portfolio Transition	100 points	10%	90	90	85	90
Administrative and Perform Reporting	50 points	5%	50	45	42.5	30
Fees	150 points	15%	113	134	150	128
Total	1,000 points	100%	874	861	823.5	812

Scoring Summary



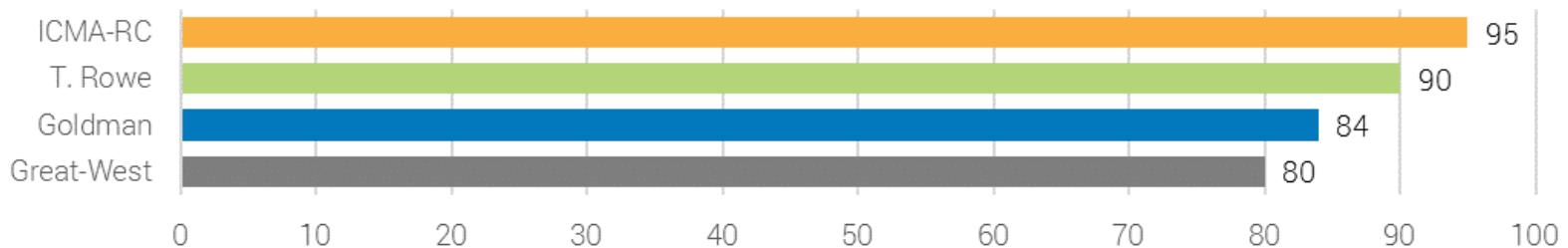
Organization Strength	Investment Experience	Investment Approach	Investment Performance	Portfolio Transition	Administrative and Performance Reporting	Fees
10%	10%	25%	25%	10%	5%	15%
ICMA-RC	T. Rowe Price	Goldman Sachs (1 st)	T. Rowe Price	Goldman Sachs	T. Rowe Price	Great-West
Goldman Sachs	ICMA-RC	T. Rowe Price (1 st)	ICMA-RC	T. Rowe Price	Goldman Sachs	Goldman Sachs
T. Rowe Price	Goldman Sachs	Great-West	Goldman Sachs	ICMA-RC	Great-West	ICMA-RC
Great-West	Great-West	ICMA-RC	Great-West	Great-West	ICMA-RC	T. Rowe Price

This simple chart does not do justice to how competitive many of these finalists were in most categories. It does, however, provide a visual as to how each Stable Value provider scored in each of the seven categories.

The following pages offer background on the responses across various evaluation factors and the associate scoring of each of the candidates. Further reference to Goldman Sachs and Great-West will utilize their separate investment advisory name of Goldman Sachs Asset Management (GSAM) and Great-West Capital Management (GWCM).

Subset Points Available: 100 Points

In general, all finalists have strong organizations with limited concerns from a regulatory or legal action standpoint.



ICMA-RC

ICMA-RC has an established track record in managing stable value assets for the public sector. They currently serve over 9,700 public sector clients with over one million participant accounts and more than \$51.2 billion in total assets under management.

T. Rowe Price

T. Rowe Price has been managing fixed income assets since 1971 and dedicated stable value portfolios since 1984. T. Rowe Price manages \$195.7 billion in fixed income assets, and has no outstanding long-term debt and maintains substantial liquidity. 187 fixed income investment professionals support managing assets across various strategies.

Goldman Sachs Asset Management

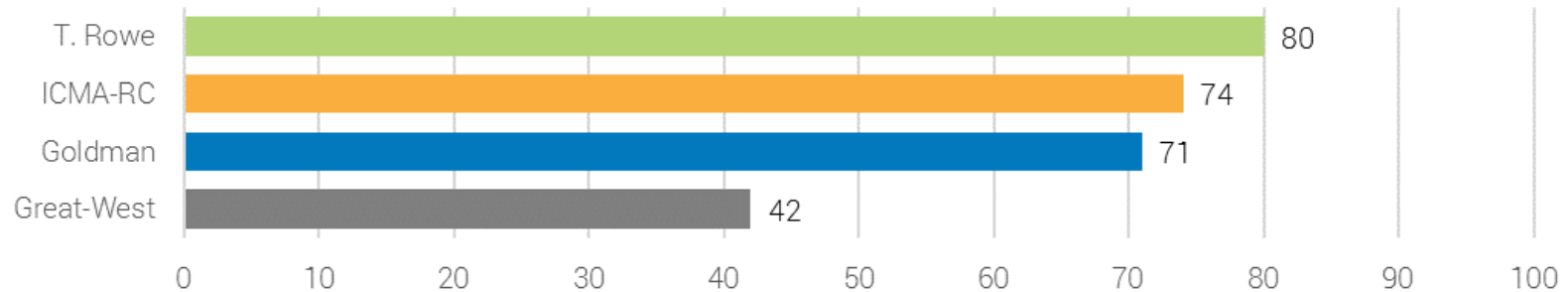
GSAM's stable value business benefits from the scale of its overall business. GSAM oversees in excess of \$800 billion in fixed income and liquidity assets. The global fixed income team consists of over 300 professionals. Their broad business relationships enable GSAM to build meaningful partnerships. The stable value team leverages their extensive fixed income resources to deliver their stable value product offerings.

Great-West Capital Management

GWCM has been offering stable value for over 40 years, and has been the incumbent provider for the last 8 years. As the sole wrap provider, the organization's high credit quality plays an important role. The parent firm is an insurance company and is exposed to the inherent risks of that industry.

Investment Experience

Subset Points Available: 100 Points



T. Rowe Price

The stable value team consists of nine portfolio managers. Three specific stable value portfolio managers are responsible setting asset allocation across the underlying strategies, targeting duration and managing the wrap issuers. The other five fixed income portfolio managers are responsible for managing their respective underlying strategies, i.e. cash buffer, short, intermediate, and core portfolios. The three stable value managers have an average of 16.7 years of stable value experience with \$23 billion in total stable value assets (separate account and pooled).

ICMA-RC

Portfolio manager Karen Chong-Wuff, CFA, has more than 30 years of investment industry experience in stable value, including 10 years at ICMA-RC as lead manager. She participates in various stable value investment association-sponsored working groups. ICMA-RC focuses exclusively on external managers so it has significant expertise in performing due diligence of external managers. ICMA-RC has no current separate account clients. The firm also has a relatively small dedicated staff and no internal investment management capabilities.

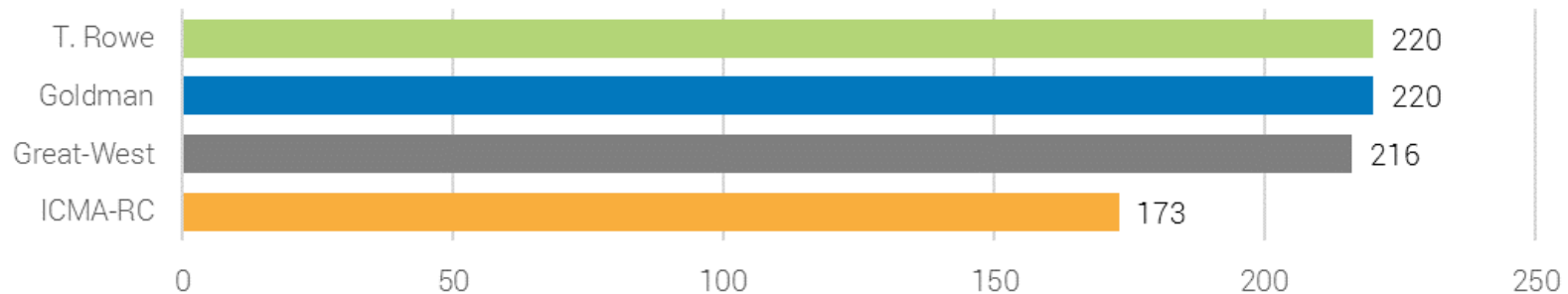
Goldman Sachs Asset Management

GSAM brings together extensive experience from its large scale business and the acquired teams from Dwight and Deutsche Asset Management. The industry tenure of the Portfolio Managers averages in excess of 17 years. GSAM's legal resources include wrap contract experts who work in tandem with their business counterparts to interpret and negotiate wrap contract terms with the goal of providing the best possible protection to its clients. However, business is largely built through acquisition of Dwight and Deutsche, and continuity of team over a long period of time is untested.

Great-West Capital Management

Despite his lack of experience with stable value mandates (2 years), Mr. Brown has a strong fixed income background. His prior dedication was to low-quality issues in a high yield mandate, and despite being a stark difference from the high-quality portfolio he is currently managing, gives evidence to his capability of working in a credit-oriented / risk management portfolio. Assets are relatively low compared to some of the larger stable value firms considered and does not have any external investment management capabilities.

Subset Points Available: 250 Points



T. Rowe Price

T. Rowe's approach can be broken down into three pillars: principal preservation, focus on durable yield, and liquidity. Their primary objective is not preserve principal. The three stable value managers primary focus is on duration positioning, cash flows, and plan demographics. The underlying fixed income strategies conduct the bottom up credit research. Proprietary fundamental research is the key driver of their value-added active management. However, their underlying strategies may offer less diversification benefits as their in-house chief economists provide detailed analysis that drives their strategies research and recommendation.

Goldman Sachs Asset Management

Three-tiered portfolio construction process is designed and managed to seek capital preservation, competitive income and liquidity. GSAM utilizes the scale of their large fixed income business, and compliments it with external management capabilities. Short-duration securities are internally managed, with an allocation to external intermediate duration managers to create style diversification with the goal of enhancing risk-adjust performance over a market cycle. The credit research and manager selection teams are independent of the portfolio management function, adding a level of discipline and targeted expertise to the wrap provider and credit and external manager due diligence decisions.

Great-West Capital Management

GWCM integrates a top-down macro-economic approach, paired with a strong bottom-up fundamental analysis for sector selection. The strategy does not anticipate excess return as a result of interest rate and duration calls. GWCM believes that their size is an advantage. Citing, that their relatively smaller assets under management and strong relationships on the street help them get smaller, yet still meaningful, allocations that allow them to add promised value to their clients. However, their strategy tends to be overweight to Agency MBS relative to Treasuries to generate higher yield. This may cause the strategy to underperform peers during market downturns as spreads widen.

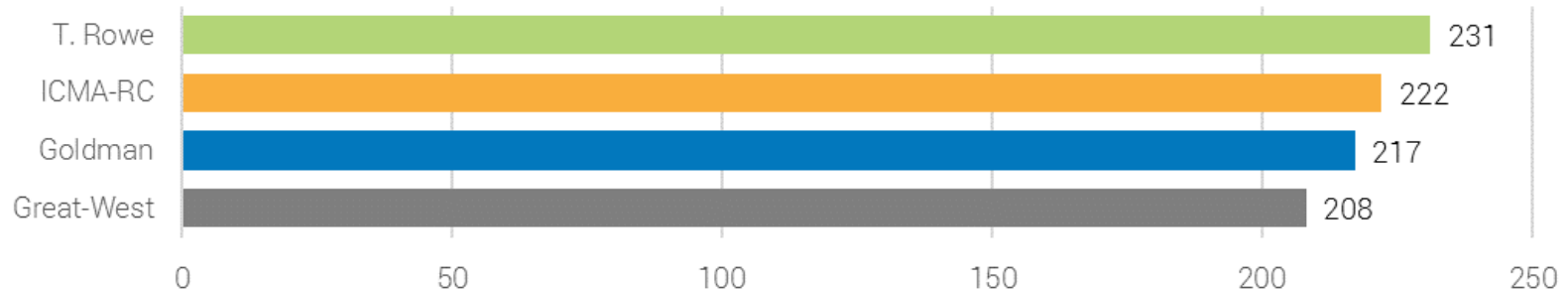
ICMA-RC

A typical stable value portfolio managed by ICMA-RC will utilize four tiers, with liquidity needs and rate responsiveness representing the first three layers. The last layer is meant to enhance returns by investing in intermediate/core and specialized mandates. The entire portfolio is externally managed, and utilizes synthetic and traditional GICS. Credit analysis, manager due diligence, and allocation decisions are constructed through their own proprietary framework. ICMA-RC is the only finalist that chooses to entirely outsource asset management.

Investment Performance

Subset Points Available: 250 Points

As of 12/31/16



T. Rowe Price

Crediting Rate: 2.29%

Effective Duration: 3.10

Weighted Average Credit Quality: AA-

of Holdings: 2069

Goldman Sachs Asset Management

Crediting Rate: 2.07%

Effective Duration: 2.78

Weighted Average Credit Quality: AA

of Holdings: 1,000+

ICMA-RC

Crediting Rate: 2.34%

Effective Duration: 3.38

Weighted Average Credit Quality: AA-

of Holdings: 2,500+

Great-West Capital Management

Crediting Rate: 2.00%

Effective Duration: 3.3

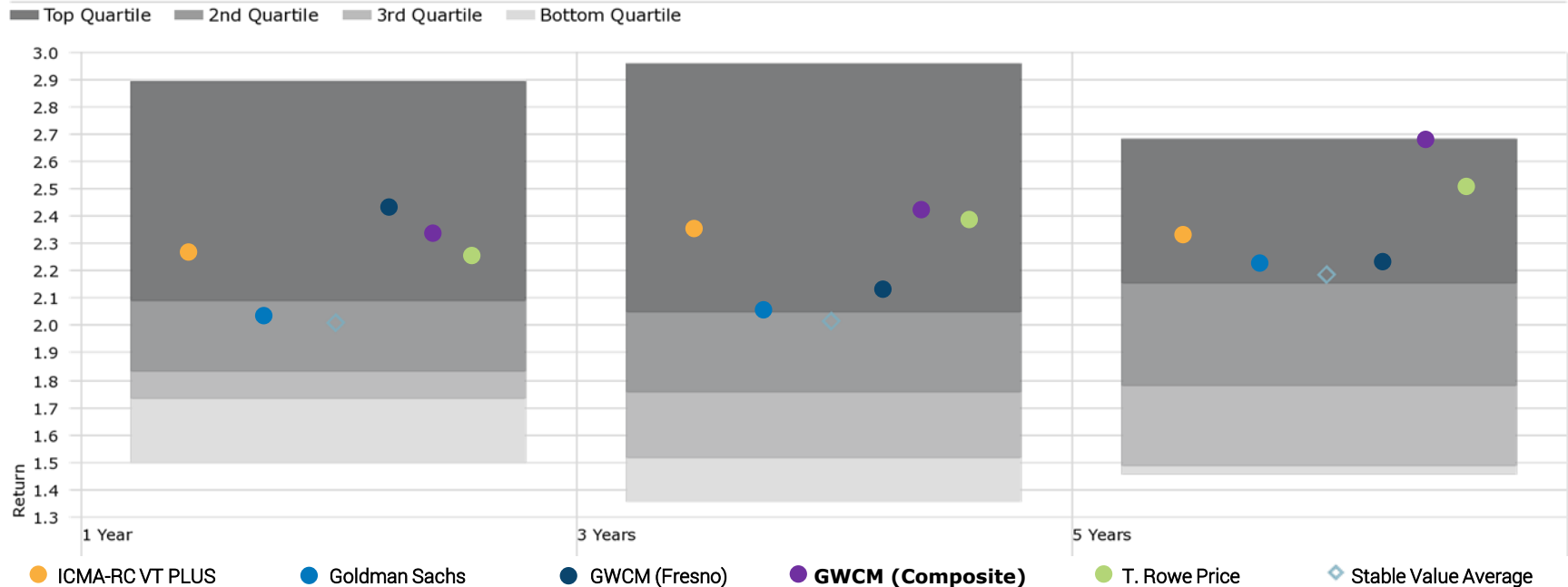
Weighted Average Credit Quality: AA+

of Holdings: 167

Each finalist performed better than 50% of Stable Value providers in Morningstar's Universe. ICMA-RC and T. Rowe have been able to derive returns with lower weighted average credit quality. Each duration is similar with GSAM maintaining the lowest duration and comparable credit quality to GWCM's IPS guidelines. T. Rowe was able to stand out through wrapper diversification and a tight targeted duration that balances interest rate risks with reinvestment risks.

Investment Performance

As of Date: 12/31/2016 Peer Group (5-95%): Separate Accounts/CITs - U.S. - Stable Value Source Data: Gross Return



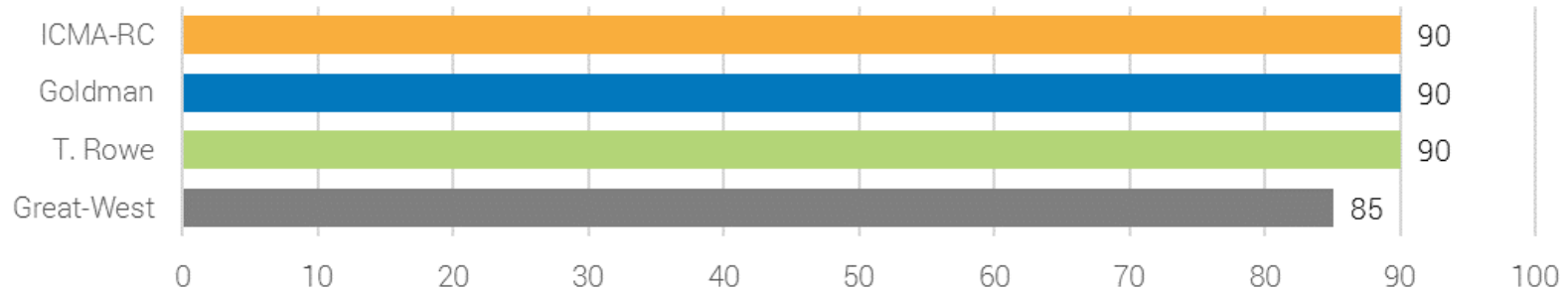
Trailing Returns

Data Point: Gross Return As of 12/31/16

	1 Year	3 Years	5 Years
Goldman Sachs (GSAM)	2.04	2.05	2.25
Great-West (GWCM) Fresno Account	2.44	2.15	2.24
Great-West (GWCM) Stable Value Composite	2.37	2.42	2.69
ICMA-RC VT Plus	2.29	2.34	2.53
T. Rowe Price	2.25	2.36	2.56
Morningstar Stable Value Category Average	2.01	2.02	2.19
25 th Percentile	2.09	2.05	2.16
75 th Percentile	1.73	1.51	1.49

Return Source: Aside from Great-West, each bidder provided gross performance in their respective proposal. Great-West returns acquired through relationship manager for the County of Fresno's managed account as well as Great-West's Stable Value Composite. All data as of 12/31/16.

Subset Points Available: 100 Points



ICMA-RC

ICMA-RC offers a 12-month put and has full discretion to defer the payout of assets for a period of 12 months regardless of market-to-book value. The VT PLUS Fund remains benefit responsive to participants eligible to take participant-direct withdrawals from the fund during the 12-month period.

Goldman Sachs Asset Management

GSAM offers a 12-month put provision in which the fund remains benefit responsive for the standard participant activity during the put period. If market value is below book value, GSAM could potentially accommodate a specific request for a market value payment. However, if book value is less than market value, the 12-month put would be enforced. GSAM's general posture is to provide book value no later than 12-months from the date of the redemption request.

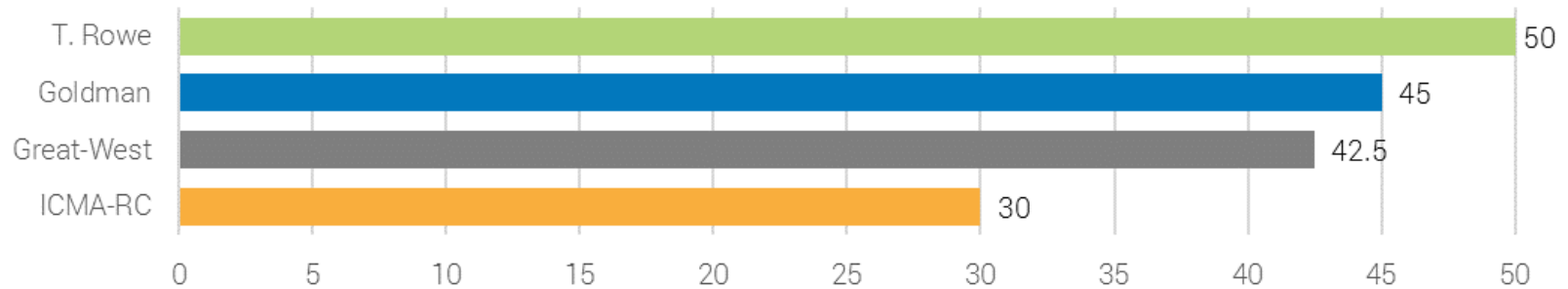
T. Rowe Price

T. Rowe offers a 12-month or 30-month put provision. The 30-month advance notice period applies to plan's owning 5% or more of the total units of the Stable Value Fund. Given T. Rowe's 2016 Stable Value asset base, plan's with more than \$728.15M of the total units are subject to the 30-month put. If the pooled fund's market-to-book is above par and the fund has ample liquidity, T. Rowe generally will not enforce the put. Typical with its peers, if the market-to-book is below par, they reserve the right to enforce the put provision.

Great-West Capital Management

For GWCM's separate account, no put provision is available. Upon termination of the contract, the client may elect to receive market value of the account at any time. If market value is below book value, it is the duty of the newly appointed manager to absorb the losses and make the transferring assets whole.

Subset Points Available: 50 Points



T. Rowe Price

There are no restrictions on participant withdrawals and participants may transfer assets to other fixed income funds with a duration of over 3 years. Units held, client transactions, and performance returns can be provided monthly. As requested by the client, presentations can be provided to detail updates on the management team, objective, philosophy and approach, risks, and more. On-site education is available by one or two of their representatives, and the collective trust is available on Nationwide's platform.

Goldman Sachs Asset Management

Participants can make withdrawals on a daily basis at book value and are not subject to any liquidity restriction. GSAM provides a web-based client reporting site that is available to plan sponsors and consultants with access to monthly and quarterly reporting, participant fund fact sheets, and other various documents. GSAM commits to regular dialogue to ensure close coordination and an ongoing understanding of the Stable Value Fund and its objectives. The collective Trust is not currently available of Nationwide's platform. However, GSAM representatives spoke with Nationwide and confirmed potential accommodation of addition with execution of formal agreements taking 2-6 weeks.

Great-West Capital Management

GWCM currently has no restrictions on participant initiated withdrawals and transfers. As the incumbent provider, GWCM deeply values the seven year relation with the County and believes their reporting and access are timely, complete and transparent. GWCM is willing to accommodate any needs the County may have, and is currently on the Nationwide platform.

ICMA-RC

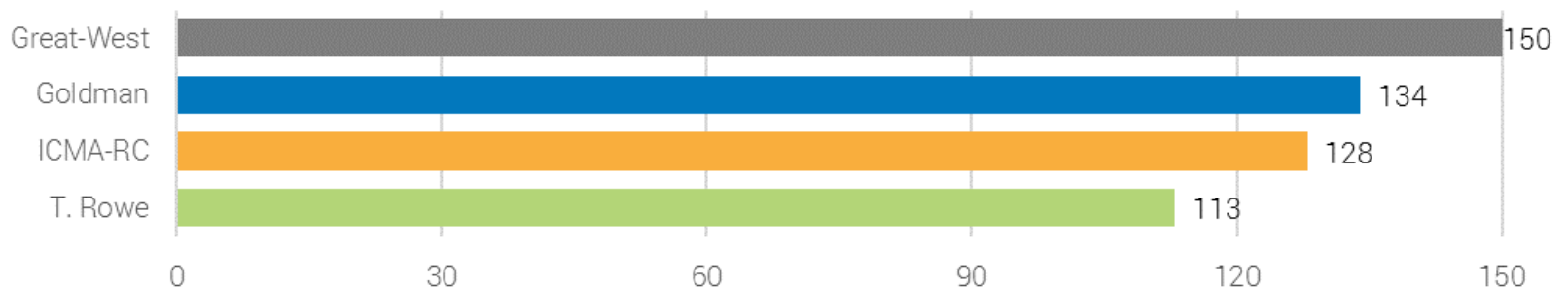
The VT PLUS Fund is benefit responsive and allows for benefit payments at book value. The Fund offers daily liquidity to individual participants for such benefit payments. ICMA-RC provides market commentary, outlook, and portfolio positioning on a quarterly basis where as other data may be available monthly. ICMA-RC typical meets with plan sponsors/consultant once a year and provide updates via the phone on a quarterly basis, or as needed. ICMA-RC is not currently on Nationwide's platform, but is seeking to be available on additional platforms in the coming months.

Fees

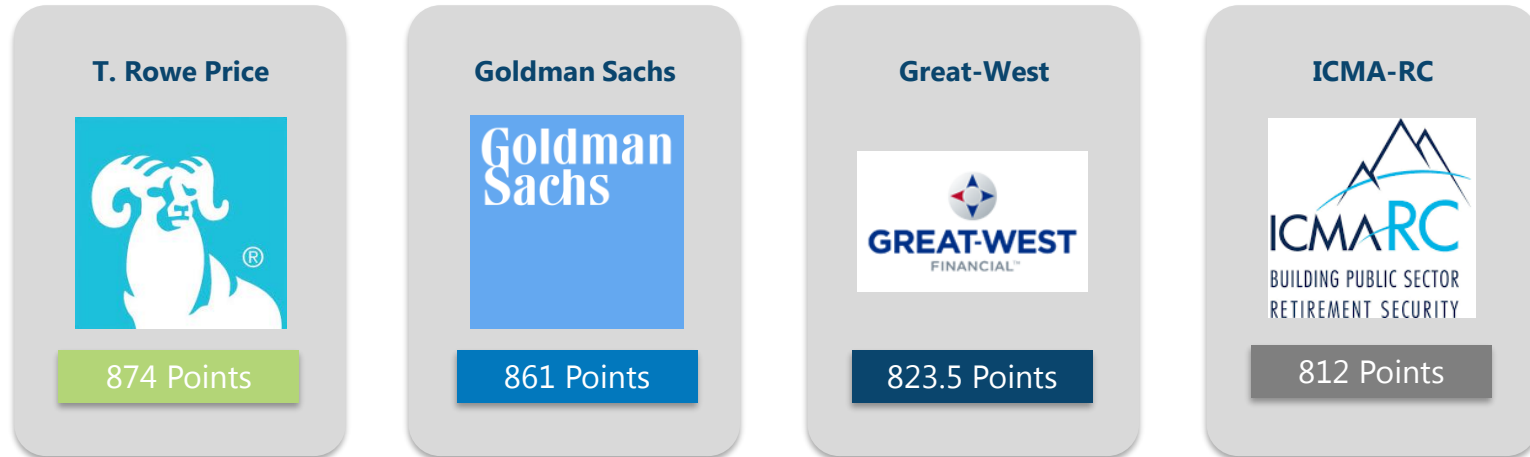
Subset Points Available: 150 Points

Provider	Management Fees		Wrap Fees		Other Fees		Total Fees		Points
	in \$	Bps	in \$	Bps	in \$	Bps	in Dollars	Bps	
Great-West	\$89,810	14	\$128,299	20	\$0	0	\$218,109	34	150
Goldman Sachs	\$76,980	12	\$141,129	22	\$25,660	4	\$243,769	38	134
ICMA-RC	\$83,395	13	\$96,225	15	\$76,980	12	\$256,599	40	128
T. Rowe Price	\$128,229	20	\$128,299	25	\$0	0	\$288,674	45	113

Stable Value Estimated Fees on \$64.15 million



Scoring Results



Evaluation Categories	Subset Points	% of Total	T. Rowe	Goldman	Great West	ICMA-RC
Organizational Information	100 points	10%	90	84	80	95
Investment Experience	100 points	10%	80	71	42	74
Investment Approach and Process	250 points	25%	220	220	216	173
Investment Performance	250 points	25%	231	217	208	222
Portfolio Transition	100 points	10%	90	90	85	90
Administrative and Perform Reporting	50 points	5%	50	45	42.5	30
Fees	150 points	15%	113	134	150	128
Total	1,000 points	100%	874	861	823.5	812

5

Conclusion

Concluding Remarks

The goal of this RFP project was to ensure the County of Fresno's 457 DC Plan was receiving stable value investment management services consistent with the current marketplace. The process resulted in two available options presented to the DCMC:

1. Retain Great-West, the incumbent provider

OR

2. Select T. Rowe Price as the new stable value provider

Option 1: Retain Great-West

Strengths

1. As the incumbent provider, Great-West has provided sufficient returns given the County of Fresno's Investment Policy.
2. Their market to book ratio has been 100% or higher for 87 out of 94 months, since the inception of the relationship (as of 9/30/17).
3. Great-West currently manages 29 separate account public sector mandates and 9 corporate and non-profit clients. In total they manage \$11B of separate account assets in stable value, which ranks in the 54th percentile of all RFP respondents.
4. The County retains control of the investment policy statement and can make changes at any time.
5. Great-West was selected as a finalist, and finished third (3rd) under the scoring methodology.

Concerns

1. Utilization of Government agency mortgage backed securities (MBS) following the financial crisis has provided greater returns relative to some other Government fixed income options. The MBS position, however, currently accounts for 42.6% of the portfolio (as of 12/31/17). In comparison, the average MBS position for the other finalists in this RFP is 5.27%.
2. Six (6) months after agreeing to a modified investment, allowing greater investment flexibility for the GWCM team, the market to book ratio dropped below 100% for four (4) months. Granted, the market environment in which this happened was challenging given interest rates at the time. This trend continued for 4Q17 as the market to book fell amongst rising interest rates.
3. The recently appointed manager, Jack Brown, does have considerable fixed income experience and had some time to transition under Cathe Tocher's guidance, but he has relatively little experience specifically to stable value mandates.
4. Great-West is the sole wrap provider and they do not offer compelling collective trust (pooled) options with a 12-month put exit.

Summary

If the County elected to retain Great-West, the product would remain on Watch until the beginning of 2Q18 (NWCM requires a fund to be on watch for a minimum of a year when there is a manager change). NWCM would continue to monitor the funds ability to execute the County's policy statement, continue dialogue with management on portfolio positions and risk management procedures, and report any concerns we have to the DCMC. Any concerns that might develop, would be communicated in a timely fashion, outside the confines of the scheduled DCMC meetings.

Option 2: Select New Manager

Secondly, if the DCMC determines that another vendor would be the more appropriate decision, NWCM recommends T. Rowe Price as the stable value investment manager. All finalists mentioned in the report offered competitive options and would be a great selection. In a very competitive field, T. Rowe Price had the top overall score based upon their strengths in the following areas:



Investment Experience: T. Rowe Price SV manages a large amount of assets (top quartile of all RFP respondents) and exhibits stability in asset flows. The three (3) head stable value portfolio managers are fully dedicated to their strategy. T. Rowe has not undergone any major organizational changes during the past five (5) years nor do they anticipate any future changes.



Investment Approach: T. Rowe utilizes a commingled fund approach, as efficient means of increasing liquidity and diversification. Their use of proprietary short-duration fixed income management as a source of liquidity, provides a yield advantage over cash. Their fixed income managers offer diversification benefits as each separate manager follows their own respective mandate.



Investment Performance: T. Rowe Price has an established track record as a top performer. In addition, T. Rowe has significant diversification across wrap providers and leverages scale pricing.

By selecting T. Rowe Price, the DCMC would have the option of selecting a separate account mandate or utilizing a collective trust. NWCM would recommend the County utilize the collective trust product. This would remove the County's ability to have a customized investment policy statement. The product, however, would provide a maximum of a 12-month put (exit provision), not currently available with the GW separate account.

5 Appendix

Provider Update & Insurer Credit Quality

	T. Rowe Price	Goldman Sachs	ICMA-RC VT Plus	Great-West
Market to Book	99.39%	99.36%	100.53%	99.50%
Crediting Rate	2.23%	2.15%	2.21%	2.20%
Duration	3.11	2.91	2.79	3.20
Credit Quality	AA-	AA	AA-	AA-

As of 12/31/17, crediting rate net of wrap fess/gross of investment fees, S&P rated average credit quality

Issuer	S&P	Moody's	Fitch	A.M. Best	T. Rowe Price	ICMA-RC	Goldman Sachs	Great-West	T. Rowe Price
American General Life	A+	A2	A+		A+				6.31%
Met Life	AA-	Aa3	AA-		AA-		19.50%		15.65%
Pacific Life	AA-	A1	A+		A+	20.11%			13.55%
Prudential Life	AA-	A1	A+		A+	15.09%	18.70%		9.91%
Royal Bank of Canada	AA-	Aa3			A				7.61%
Transamerica	AA-	A1	A+		A	15.50%	20.80%		9.78%
Principal Life	A+	A1	AA-			5.15%			
United of Omaha	A+	A1							
Tokyo-Mitsubishi Bank	A+	A1	A		A	5.53%			5.76%
New York Life	AA+	Aaa	AAA	AA++	AAA	9.03%			
RGA Reinsurance	AA-	A1			A+				3.99%
State Street	AA-	Aa3	NR		AA		22.50%		11.77%
MassMutual	AA+	Aa2	AA+	A++			15.70%		
Great-West Life	AA	Aa3	AA	A+				100.00%	

Issuer credit rating data as of 12/31/16.

Provider Summary Statistics

		T. Rowe Price	Goldman Sachs	ICMA-RC VT Plus	Great-West
Overview	AUM	\$22.881B	\$53.84B	\$10.9B	\$11.01B
	Mkt/Bk (FY 2016)	100.1%	101.2%	100.3%	99.7%
	Mkt/Bk (2008, or Low)	99.3%	97.1%	95.2%	NA
	Crediting Rate	2.29%	2.07%	2.34%	2.20%
	Duration	3.1	2.78	3.38	3.3
	Avg Credit	AA-	AA	AA-	AA+
	% Below Inv Grade	0%	0%	1%	0%
	% Govt Agency/Treasury	25%	42%	14%	61%
Sectors	#Wrap Providers	9	5	6	1
	ABS	12.5	5.7	0	3.8
	MBS	9.5	8.3	22.26	0
	CMBS	3.4	0.7	0	4.8
	Treasuries	19.1	33.2	12.2	0
	Govt. Agencies	6	8.3	1.5	61.3
	Corporates	41.2	35.4	26.54	26
	GICs	0	0	23.11	0
Credit Quality	Cash	7.4	2.8	10.13	4.1
	Other	1	5.6	4.5	0
	AAA	58.8	66.1	53.47	70.9
	AA	6.1	5.2	11.82	5.3
	A	18.6	11.6	20.14	15.4
	BBB	16.1	17.1	13.33	8.4
	<BBB	0.4	0	1.25	0
	Score (low=higher qual)	1.93	1.80	1.97	1.61
	Account Minimum	\$250mm to \$100mm to n/a	\$50 Million	No Min; \$100m for Sep Acct	\$25 million
	Equity Wash Rules	90-day wash mmkt, <3 yr, SDBA	90-day equity wash; SV, Mmkt, 3Yr Duration, Guaranteed Rate	90-day was; sdba, <3 yr bond, mmkt, stable value, funds with 80% bonds	Competing Funds Prohibited (SV, Mmkt, 3Yr Duration, Guaranteed Rate)
	Termination Provisions	12-mo put (30-mo if own 5% or more of fund)	12-mo put; or in-kind	12-mo put at BV	In-kind; or sold at MV
	Cash Buffer/Liquidity Provisions	Cash reserves followed by SIC contracts, ladderred GIC maturities (also used to replenish cash reserves)	Cash reserves, followed by short term fund	3-tiered approach: cash buffer, low duration synthetic GICs, and ladderred traditional GICs	Higher cash at inception, then modeled around cash flow projections to cover both expected and unexpected future flows

All data as of 12/31/16. Crediting rate is net of wrap fees/gross of investment management fees

Scoring of Finalists

Evaluation Factor	Subset Points Total	ICMA	GSAM	Great West	T. Rowe Price
Organizational Strength (50 points)					
Organizational chart/no. of employees/affiliations	4	4 (Included)	2 (Included)	2 (Included)	2 (Included)
What services would be provided by a sub/affiliate	10	10	10	4; No-outsourcing	10
Registered investment advisor?	8	8 (yes)	8 (yes)	8 (yes)	0 (no)
Judgements/indictments/settlements of potential litigation	12	12 (none)	12 (none)	12 (none)	12 (none)
Available vehicles for investment. Fee vs. spread.	8	8 (CIT & Sep Acct)	8 (CIT & Sep Acct)	6 (Sep. Acct)	8 (CIT & Sep Acct)
Restructuring past & future	10	10 (no)	0 (Recent Acquisition of	0 (Departure of Cathe Tocher &	10 (no)
Financial health	8	8 (strong)	4 (BBB, stable)	8 (strong)	8 (strong, no debt)
Audited financial statements	8	8 (yes)	8 (yes)	8 (yes)	8 (yes)
Insurer ratings	10	5 (no answer)	10 (strong)	10 (strong)	10 (no external debt)
Insurances	12	12 (3well insured)	12 (well insured)	12 (medium coverage)	12 (well insured)
Fiduciary obligation?	10	10 (yes)	10 (yes)	10 (yes)	10 (yes)
Investment Experience (100 points)					
Time and expertise of management in stable value	20	20 (30+ years)	20 (30+ years including	0 (2 years)	20
What other strategies does the manager contribute to	11	0 (oversight of fixed income &	11 (100%)	0 (7 strategies & trading desk)	11 (100%)
Long-term goals, and analyst responsibilities	10	10 (high opportunities)	5 (some flexibility, focus on	10 (high opportunities)	10 (high opportunities)
Compensation structure/impact upon AUM, client ret.	11	11 (yes)	11 (yes)	11 (yes)	11 (yes)
Market value assets g/l, accounts g/l	12	12 (consistent)	6 (lost \$11B in 2011)	12 (consisent)	12 (consistent)
Assets in millions	18	12 (\$10.9 billion)	18 (\$53.89 billion)	9 (\$11 billion)	16 (\$23 billion)
What % of the pool is held by the 10 largest clients?	18	9 (20%)	0 (35%)	0 (no answer)	0 (no answer)

Scoring of Finalists (cont.)

Evaluation Factor	Subset Points Total	ICMA	GSAM	Great West	T. Rowe Price
Investment Approach and Process (250 points)					
Investment team philosophy	16	12 (3 tier, all external)	14 (3 tier, internal & external management)	12 (bottom up, security selection)	16 (3 tier, research focus)
Folio construction: curve positioning, sector selection, etc.	26	12 (13.72% in public excluding GICs, 3.38 duration)	24 (43.7% in Public, 2.78 duration)	22 (61.3% in public, 3.3 duration)	16 (26.1% in public, 3.1 duration)
Markets in which the folio will underperform/overperform	26	22 (rising rates, unfriendly market))	19 (claimed outperform in each market)	19 (underperform in down markets)	25 (outperformance in down markets)
Research process, and utilization	25	18 (small team, lack of internal capabilities)	25 (large credit team, top-down & bottom up)	20 (60% external, 40% internal research)	25 (large credit & economic team)
Has the current process been consistently implemented?	13	13 (strong consistent process)	13 (strong consistent process)	11 (new manager, small changes)	13 (strong consistent process)
Key investment guidelines. Flexibility in tailoring guidelines	11	11 (yes)	11 (yes)	11 (yes)	11 (yes)
Position size limits?	14	14 (yes)	14 (yes)	14 (yes)	14 (yes)
%age of pool held in cash/CEs	22	19 (10.13%)	14 (2.8%)	19 (4.1%)	22 (7.4%)
Foreign exposure	19	0 (non-us bonds & currency exposure)	10 (yes non-us bonds, no currnecy exposure)	19 (none)	10 (yes non-us bonds, no currnecy exposure)
Constraints on non-investment grade securities?	20	16 (1.3%)	18 (0.8%)	20 (none)	20 (none)
Competing fund policy	15	15 (typical)	15 (typical)	10 (180-day wash)	15 (typical)
Sub-advisors and % of assets managed/sectors managed	12	0 (no internal abilities)	12 (25-50%)	8 (0%)	12 (in house, multiple MF strategies)
Risk controls	21	21 (yes)	21 (yes)	21 (yes)	21 (yes)
Standard wrap contract	10	0 (NA)	10 (included)	10 (included)	0 (NA)
Investment Performance (250 points)					
Stable Value Composite (3 & 5 Year Performance Rank)	100	100 (Top 50% 3 & 5 yr)	100 (Top 50% 3 & 5 yr)	100 (Top 50% 3 & 5 yr)	100 (Top 50% 3 & 5 yr)
Diversification of wrappers	30	30 (19% of portfolio)	18 (33% of portfolio)	0 (100%)	30 (25% of portfolio)
Target Duration	20	12 (2-3)	12 (2.5-3.5)	8 (2.6-4)	16 (3-3.25)
Credit Quality	20	14 (AA-)	16 (AA)	20 (AA+)	14 (AA-)
Portfolio Composition (short duration, Intermediate, core)	30	30 (all three)	30 (all three)	30 (all three)	30 (all three)
Credit Quality of wrappers	20	16 (AA-)	16 (AA-)	20 (AA)	16 (AA-)
Changing wrapper rules, and the effect on portfolio mgmt.	10	10 (no)	10 (no)	10 (no)	10 (no)
Is there ample wrap capacity to handle mass in(out)flows	10	10 (yes)	10 (yes)	10 (yes)	10 (yes)
Conditions, and inv. impact, wrapper's right to terminate?	10	0 (N/A)	5 (average)	10 (self-wrapped)	5 (average)

Scoring of Finalists (cont.)

Evaluation Factor	Subset Points Total	ICMA	GSAM	Great West	T. Rowe Price
Portfolio Transition (100 points)					
Queue, present or past, to get out of a product	15	15 (no)	15 (no)	15 (no)	15 (no)
Put, and process	15	15 (12-mo put)	15 (12-mo put)	0 (no)	15 (12-mo put)
Guarantees of minimum ROI?	10	0 (no)	0 (no)	10 (0% floor)	0 (no)
Exit provisions, mv/bv variance prior to end of contract term	15	15 (clear plan)	15 (clear plan)	15 (clear plan)	15 (clear plan)
Currently enforced put provision for exiting plan sponsors	15	15 (yes)	15 (yes)	15 (yes)	15 (yes)
Plans if key managers leave, and replacements	10	10 (yes)	10 (yes)	10 (yes)	10 (yes)
Assets transfer in kind	20	20 (yes)	20 (yes)	20 (yes)	20 (yes)
Administrative and Performance Reporting (50 points)					
Restrictions on individual withdrawals/liquidity constraints	10	10 (no restrictions)	10 (no restrictions)	10 (no restrictions)	10 (no restrictions)
Withdrawal events not covered at the greater of mv or bv	5	5 (strong)	5 (strong)	5 (strong)	5 (strong)
Benchmark and permissible tracking error	5	0 (3-mo T-Bill)	0 (Money market fund index, hi tracking error)	5 (Bbgbarc intrm agg)	5 (Hueler SV Index)
Internal perf and portfolio pricing services suitable	5	5 (yes)	5 (yes)	5 (yes)	5 (yes)
Rep practices to clients/materials available/level of service	5	2.5 (average)	5 (strong)	2.5 (average)	5 (strong)
Service team and non-investment management	5	5 (strong capabilities)	5 (strong capabilities)	2.5 (average, not specific)	5 (strong capabilities)
Service team compensation	5	2.5 (average)	5 (above average)	2.5 (average)	5 (above average)
Approved platforms and process for adding	10	0 (unclear)	10 (can add)	10 (incumbent)	10 (on platform)
Fees (200 points)	150	128	134	150	113
TOTAL	1000	812	861	823.5	874

Scoring Methodology

Evaluation Factor	Subset Points Total	Percent of Total	Scoring Methodology
Organizational Information (50 points)			
Organizational chart/no. of employees/affiliations	4	0.4%	All points if included, 0 if not, and 1 if very small company.
What services would be provided by a sub/affiliate	10	1.0%	As appropriate.
Registered investment advisor?	8	0.8%	All points if yes, 0 if no.
Judgements/indictments/settlements of potential litigation	12	1.2%	Scaled based on severity of litigations. 0=worst, 12=no litigations, and 6=unanswered.
Available vehicles for investment. Fee vs. spread.	8	0.8%	All points if offering commingled and separate accounts, otherwise scaled.
Restructuring past & future	10	1.0%	Intent to restructure, or recent restructuring=0 points. No restructuring=100% of points.
Financial health	8	0.8%	Rated on a scale, average=4 points, worst=0
Audited financial statements	8	0.8%	All points if included, and strong, 2 points if unanswered, and 0 points if poor results.
Insurer ratings	10	1.0%	All points if strong ratings, 5 points if unanswered, and 0 points if poorly rated.
Insurances	12	1.2%	All points if well insured against cyber, errors and omissions, and fiduciary responsibilities.
Fiduciary obligation?	10	1.0%	All points if yes, 0 points if no, and 5 points if unanswered.
Investment Experience (100 points)			
Time and expertise of management in stable value	20	2.0%	Over 15 years of experience=20 points, 10 years=15 points, 5 years=10 points, and less than 3=0 points.
What other strategies does the manager contribute to	11	1.1%	All points if dedicated to stable value strategy, 0 points if more than 5 strategies.
Long-term goals, and analyst responsibilities	10	1.0%	All points if analysts are given the opportunities to start running funds, 0 points if low responsibilities.
Compensation structure/impact upon AUM, client ret.	11	1.1%	All points if comp structure leads to increased performance in client retention, etc.
Market value assets g/l, accounts g/l	12	1.2%	All points if consistent, 0 points if massive losses, scaled if a mixture of gains and losses.
Assets in millions	18	1.8%	Sufficient AUM, 0 points if minimal AUM.
What % of the pool is held by the 10 largest clients?	18	1.8%	All points if top 10 hold less than 10% of pool or N/A, scaled otherwise, 0 points if greater than 30%
Investment Approach and Process (250 points)			
Investment team philosophy	16	1.6%	Scaled against the other responses, average, N/A, or not included = 8 points.
Folio construction: curve positioning, sector selection, etc.	26	2.6%	All points if high majority of public sector, short/mid yield curve, scaled otherwise.
Markets in which the folio will underperform/overperform	26	2.6%	All points if overperforms during rising rates, or an unfriendly mkt environment, scaled otherwise.
Research process, and utilization	25	2.5%	Qualitative, scaled based upon the responses of other stable value proposals.
Has the current process been consistently implemented?	13	1.3%	All points if yes (with strong performance) or no (with consistent performance), otherwise, qualitative.
Key investment guidelines. Flexibility in tailoring guidelines	11	1.1%	All points if guidelines can be created to fit around the needs of Fresno County.
Position size limits?	14	1.4%	All points if allows for the current portfolio weightings.
%age of pool held in cash/CEs	22	2.2%	If average, 22 points, otherwise scaled based upon overages or underweights.
Foreign exposure	19	1.9%	All points if minimal exposure, 0 if non-US bond and non-US currency exposure, and scaled otherwise.
Constraints on non-investment grade securities?	20	2.0%	All points if little, or no securities below BBB, 0 if no constraints, scaled otherwise.
Competing fund policy	15	1.5%	Scaled, 8 points if typical: money mkts, short term bonds, etc. All points if no policy, otherwise scaled.
Sub-advisors and % of assets managed/sectors managed	12	1.2%	All points if some obvious advantage, no points if more than 50% managed by subs, scaled otherwise.
Risk controls	21	2.1%	0 points if no risk controls, scaled to other responses if yes. Average will be at 11 points.
Standard wrap contract	10	1.0%	All points if included, 5 if not, and zero if contract is considered insufficient.

Scoring Methodology (cont.)

Evaluation Factor	Subset Points Total	Percent of Total	Scoring Methodology
Investment Performance (250 points)			
Stable Value Composite (3 & 5 Year Performance Rank)	100	10.0%	Top half 1-50 in both 3 and 5 years = 100% of points; either 3 or 5-year period in top half = 50% of points; neither in top half = 0% of points
Diversification of wrappers	30	3.0%	< 25% maximum = 100% of points; 25-30% max = 80% of points; 30-35% max = 60% of points; 35-40% max = 40% of points; 40-50% max = 20% of points; +50% max = 0 % of points
Target Duration	20	2.0%	2.90-3.10 years = 100% of points; 2.75-3.25 years = 80% of points; 2.5 - 3.5 years = 60% of points; 2.25 - 3.75 years =40% points; other = 0 % of points
Credit Quality	20	2.0%	AA+ = 100% of points; AA = 80% of points; AA- = 70% of points; other = 40% point
Portfolio Composition (short duration, Intermediate, core)	30	3.0%	Exposure to All 3 = 100% of points; 2 of 3 = 80% points; 1 of 3 = 60% of points; 0 of 3 = 40% of points
Credit Quality of wrappers	20	2.0%	AA = 100% of points; AA- = 80% of points; A = 60% of points; other = 50% of points
Changing wrapper rules, and the effect on portfolio mgmt.	10	1.0%	No = 100% of points; Yes = 0% of points
Is there ample wrap capacity to handle mass in(out)flows	10	1.0%	Yes = 100% of points; No = 0% of points
Conditions, and inv. impact, wrapper's right to terminate?	10	1.0%	Difficult = 100% of points; Average = 50%; Easy = 0%
Portfolio Transition (100 points)			
Queue, present or past, to get out of a product	15	1.5%	No = 100% of points; Yes = 0% of points
Put, and process	15	1.5%	Yes = 100% of points; No = 0% of points
Guarantees of minimum ROI?	10	1.0%	Yes = 100% of points; No = 0% of points
Exit provisions, mv/bv variance prior to end of contract term	15	1.5%	Yes = 100% of points; Unclear plan = 50% of points; Unattractive plan = 0% of points
Currently enforced put provision for exiting plan sponsors	15	1.5%	Yes = 100% of points; No = 0% of points
Plans if key managers leave, and replacements	10	1.0%	Yes = 100% of points; Unclear plan = 50% of points; Unattractive plan = 0% of points
Assets transfer in kind	20	2.0%	Yes = 100% of points; No = 0% of points
Administrative and Performance Reporting (50 points)			
Restrictions on individual withdrawals/liquidity constraints	10	1.0%	No restrictions = 100% of points; average = 50% of points; strict restrictions = 0% of points
Withdrawal events not covered at the greater of mv or bv	5	0.5%	Strong = 100% of points; average = 50% of points; poor = 0% of points
Benchmark and permissible tracking error	5	0.5%	Appropriate benchmark = 100%, unappropriate benchmark = 0%
Internal perf and portfolio pricing services suitable	5	0.5%	Yes = 100% of points; No = 0% of points
Rep practices to clients/materials available/level of service	5	0.5%	Strong capabilities = 100% of points; average capabilities = 50% of points; poor = 0% of points
Service team and non-investment management	5	0.5%	Strong capabilities = 100% of points; average capabilities = 50% of points; poor = 0% of points
Service team compensation	5	0.5%	Above average compensation = 100% of points; average compensation = 50% of points; poor = 0% of points
Approved platforms and process for adding	10	1.0%	Yes = 100% of points; No = 0% of points
Fees (200 points)	150	15.0%	$((\text{Lowest fee})/X)*150$
TOTAL	1000	100%	