

STABLE VALUE MANAGER SEARCH REPORT

City of Los Angeles Deferred Compensation Plan

April 2015

CONTENTS

1. Executive Summary	1
2. Organizational Background.....	11
3. Investment Approach & Process.....	20
4. Investment Performance	26
5. Administrative & Reporting.....	49
6. Fees	51
7. Appendix	55

1

Executive Summary

The City of Los Angeles issued an RFP seeking proposals from qualified stable value advisers to manage the DCP Stable Value Fund. The successful bidder will demonstrate exemplary investment skills and provide these services at a reasonable expense. The term of the contract is five years. As of December 31, 2014, assets in the Stable Value Fund amounted to approximately \$970 million, including standalone investments as well as those in the Plan's risk-based "Profile" funds.

Since the Board's selection of Galliard as a separate account manager in 2009, the Stable Value Fund has been invested in a blend of cash, stable value commingled funds, insurance separate accounts, and security backed contracts. Prior to 2009, the Plan maintained two fixed account offerings, one insurance general account product and the other a commingled stable value fund managed by Galliard. The present RFP stipulated that the successful bidder would implement a similar investment approach to the one Galliard implements today. Responses were received from the following six product providers:

- Galliard Capital Management (Galliard)
- Goldman Sachs (GSAM)
- ICMA-RC
- Morley
- PIMCO
- Standish

Each candidate met the minimum qualifications outlined in Section 2(B) of the Scope of Services of the RFP as well as the City's purchasing requirements. All respondents propose constructing a fund of funds portfolio to serve as the investment vehicle for the Plan's Stable Value Fund. The fund of funds structure provides an efficient means to manage the credit quality, liquidity, duration and diversification of a stable value portfolio. The following pages offer background on the responses across various evaluation factors and the associated scoring of each of the candidates.

Proposal Scoring Results

Based on the factors of evaluation, scoring of the managers and rationale follows. The scoring methodology and fee score calculation is presented on the following pages. An exhibit summarizing the scoring methodology is provided in the Appendix.

Candidate	Assigned Points
Galliard	459.0
Goldman Sachs	423.8
Standish	414.7
ICMA-RC	388.3
Morley	346.6
PIMCO	336.8

Of the 6 bidders, Galliard ranked highest in our scoring. Galliard graded higher than the group as a result of strengths in the following areas:

- Organizational strength and continuity of senior management since inception of the firm
- Investment experience: Galliard managed the greatest amount of separate accounts and was among the highest in overall separate account assets. Dedicated stable value staffing was the largest of the various firms.
- Investment approach
 - Galliard utilizes a commingled fund approach as an efficient means of increasing the liquidity and diversification.
 - Galliard use of a proprietary commingled stable value fund as a source of liquidity provides a yield advantage over cash.
 - Galliard's access to non-proprietary managers at very low fees is an advantage over other respondents which proposed similar external manager investments at higher fees.
 - Wrap management – Galliard has significant diversification across wrap providers and leverages scale pricing.
 - Conservative management – Galliard's conservative investment approach has benefitted investors over the long-term. Because of its higher allocation to short-term investments intended to insulate the portfolio from rising interest rates, Galliard may underperform other managers seeking greater level of yield over the near term.
 - Enhanced diversification of management – Galliard is proposing, as an option, to reduce the current allocation to Prudential and to add Dodge & Cox as an external manager in the intermediate duration segment of the current portfolio structure. The proposed change increases external manager exposure from 20% to 30%. This move will add additional manager style diversification to the portfolio. Fee for external management will be slightly impacted (+0.013%).
- Performance – Galliard's overall fund performance, underlying investments, and risk statistics ranked better than median over the 3- and 5-year periods measured.
- Fees – Galliard's fees were second lowest of all providers, enhancing the attractiveness of the investment. Provides competitive fees reflecting the ability to access non-proprietary managers on a cost competitive basis relative to the other proposals received.

RFP Review Criteria

Evaluation of submitted proposals was based on the following factors and the weights associated with each factor.

Category - Rating Factors	Weight	Scale
Organizational Strength and Continuity	10	50
➤ Organizational structure	3	15
➤ Personnel stability	5	25
➤ Business resiliency	2	10
Investment Experience	10	50
➤ Firm tenure	2	10
➤ Assets under management and clients	3	15
➤ Specific strategy personnel	5	25
Investment Approach and Process	25	125
➤ Strategy	5	25
➤ External management capabilities	4	20
➤ Internal management capabilities	4	20
➤ Wrap capacity, selection, and negotiation	4	20
➤ Risk management	3	15
➤ Current and historical portfolio construction	5	25
Performance	25	125
Portfolio Transition	5	25
Administrative and Reporting	5	25
➤ Accounting	3	15
➤ Communications	2	10
Fees	20	100
TOTAL-->	100	500

Evaluation Factor 1: Organization Strength & Continuity – Organization strength and experience examines each firm's business strength and resiliency, tenure of senior professionals, commitment to retaining overall personnel, and history of legal and regulatory proceedings. In general, all six candidates have strong organizations with limited concerns from a regulatory or legal action standpoint. The biggest distinction among the respondents within the category was the consistency and tenure of senior management with certain firms (PIMCO, GSAM, and ICMA) falling below the competition due to recent management changes or shorter track record of management.

Evaluation Factor 2: Investment Experience – Consideration was given to each firm's history of managing stable value assets, the scale of stable value assets under management, and depth of staff specializing in stable value management. While all firms have a very seasoned track record, certain respondents stood out.

- *Asset base:* With over \$50 billion dollars in separate account stable value assets, Galliard and GSAM represent the two largest managers, and this yields beneficial scale effects. For example, each of the managers that suggested external management recommended the Prudential Intermediate Aggregate strategy for the Portfolio. The pricing for this strategy for the various managers was as follows:
 - Galliard: 0.065%
 - GSAM: 0.065%
 - ICMA-RC: 0.115%
 - Morley: 0.090%
- *Account base:* Related to the above, Galliard, GSAM, and PIMCO manage the greatest number of stable value separate accounts with 118, 50, and 77 accounts, respectively. All else equal, we believe a greater level of experience with separate accounts will translate into better portfolio structure and client service.
- *Dedicated stable value resources:* While all firms have experienced teams, Galliard has the largest dedicated stable value staff while PIMCO maintains a sizeable team supported by its generalist investment teams.

Evaluation Factor 3: Investment Approach & Process – This evaluation factor assesses each manager's allocation decisions. From an investment approach standpoint, most of the managers propose a reasonable investment structure for the Portfolio which will comprise investments in cash, short- and intermediate-duration investments. Moreover, the managers generally propose diversification in terms of underlying investment management of the Portfolio and numerous wrap providers. Mercer believes diversification of investment management as well as wrap providers is best practice, especially for large mandates like this, which helps avoid firm specific risk having one firm managing all assets in-house. Most of the respondents propose such diversification in their recommended portfolio structure. Exceptions to this are PIMCO and Standish which do not propose to use any external management. This is less attractive since the underlying Portfolio becomes dependent on one manager's investment decisions, something that proved detrimental to several stable value funds in the financial crisis. Meanwhile, ICMA-RC is the only respondent that proposed to use solely external investment management. We believe this is an indication of a lack of internal resources dedicated to managing large accounts.

Specific characteristics evaluated in this area include the following:

- *Targeted duration* - the degree to which a manager might take interest rate risk (i.e., duration) to attain higher yield
The duration decision of each of the six candidates is relatively similar ranging between 2.85 and 3.40 years, in line with a typical stable value practice of a 3.0 year duration. Longer duration investments have tended to perform better over more recent periods, though shorter duration investments are more responsive to current interest rate movements which may be beneficial if rates increase in the near term.
- *Utilization of external managers versus proprietary investments*
All else equal, we prefer diversification in management. Each manager, with the exception of PIMCO and Standish, will provide access to outside or non-proprietary managers. PIMCO would allow external management, but will not provide fiduciary oversight for selecting and monitoring the external managers. Galliard, GSAM, ICMA-RC and Morley would provide access to external managers on a commingled fund basis, aggregating their client's assets.
- *Cash buffer/liquidity positioning* - Providers may differ significantly in how they structure the fund to meet cash flow needs
Three of the six firms (Galliard, Morley and PIMCO) have essentially the same liquidity strategy. Each firm maintains a small cash position for daily transactions supplemented by a low duration investment fund. Galliard and ICMA-RC also recommend the use of commingled stable value pools as a secondary source of liquidity after cash is depleted. GSAM, ICMA-RC and Standish all have suggested allocations to fixed maturity structures that aim to utilize demographic information of the overall participant base in order to help time cash flow needs.
- *Use of fixed maturity investments* (i.e., a laddered portfolio which may be less liquid) versus open maturity investments
Fixed maturity investments represent a laddering strategy whereby bonds mature on an ongoing basis providing liquidity for participant withdrawals and for re-investment at current rates. Open maturity investments are managed to either a specified duration or managed against a specified market benchmark. To the extent open maturity investments are provided through commingled funds, such investments are seen as being more diversified and more liquid since the Plan owns units within a fund rather than individual securities.
- *Diversity and credit quality of wrap providers* – Wrap providers serve as an essential backstop of a stable value strategy that enable the fund to maintain constant book value pricing. Our preference is for a stable value fund to use numerous wrap providers which diversifies the risk of a credit event at any given insurer.
- *Risk management capabilities* – ability to minimize volatility in the portfolio
- *Current and historical portfolio positioning* – Assessment of each firm's proposed portfolio (and historical composite) in terms of current yield, weighted average quality, market-to-book ratio (a measure of Portfolio health), and exposure to insurance company general account risk.

While all of the managers have attractive portfolio attributes, PIMCO and GSAM distanced themselves in this dimension given their high credit quality, relatively high market-to-book ratio along with favorable yields.

Evaluation Factor 4: Investment Performance – We evaluated performance for each manager in two ways. The use of two performance measures is intended to compensate for the inherent weakness of the stable value composite returns of each manager – specifically, the varying duration and credit quality positions (i.e., portfolio riskiness) of a given manager may lead significantly different returns than another manager. The performance measures included:

- 1) performance ranking of the overall stable value separate account composite relative to the stable value peer group,
- 2) average performance ranking of underlying investments proposed relative to comparable peer groups,
- 3) risk-adjusted performance of the intended underlying bond investments (i.e., the low duration, intermediate duration, and aggregate market duration bond portfolios which each manager may have proposed in their response). Our opinion is that this latter performance measure should weigh more heavily in performance evaluation.

While the first performance dimension takes into account how the overall stable value performed, the second and third metrics contemplate performance and associated risk of the proposed investment strategies. Full points were awarded in categories where the respondent performed better than the 50th percentile of the peer group over the trailing 3- and 5-year periods. Based on these performance measures, Galliard, GSAM, ICMA-RC, and Standish rank highest. Meanwhile, Morley's performance falls below the group.

Evaluation Factor 5: Portfolio Transition – We examined the ability of each manager to assume the current Portfolio and assessed their stated transition plan. All of the managers demonstrated competency in identifying transition plans that seem reasonable.

Evaluation Factor 6: Administrative & Reporting – This evaluation factor reviewed the managers' capabilities with regards to interfacing with the Plan's TPA, Empower, providing timely performance reporting to the Board, supporting plan participant communications, and providing the City with back-office support as issues may arise. A major distinction in this category among the respondents was the ability to calculate a daily net asset value (NAV) for the Portfolio to be provided to Empower for its recordkeeping purposes. GSAM, ICMA-RC, and Standish all indicated limitations (or lack of clarity) in their ability to calculate a NAV, while the other candidates could facilitate this process in the same way Galliard currently does.

Evaluation Factor 7: Fees – Fees were evaluated on a total cost basis reflecting investment management fees paid to the manager, fees, if any, paid to external managers, and wrap fees. Total investment costs among all candidates range between 26.2 basis points (Standish) and 36.5 bps (PIMCO).

City of Los Angeles Deferred Compensation Plan Stable Value Manager Search Scoring							
Evaluation Factor	Subset Point Total	Galliard	GSAM	ICMA-RC	Morley	PIMCO	Standish
Organization Strength & Continuity (50 points)							
Org structure - Org structure consistent with the best interest of investors?	10	10 (Independent sub of Wells Fargo)	10 (wholly owned sub of GS Asset Mgt.)	10 (non-profit corporation established 1972)	10 (wholly owned subsidiary of Principal Financial Group)	10 (LLC majority owned by Allianz AM)	10 (Independent wholly owned sub of BNY Mellon)
Org structure - Any pending plans to sell, merge, or reorganize the Company?	5	5 (no)	5 (no)	5 (no)	5 (no)	5 (no)	5 (no)
Personnel stability - Consistency in senior management?	7.5	7.5 (No turnover past 5 yrs)	0 (GSAM SV was formed in May 2012 upon acquiring Dwight Asset Mgt. In 2014, Deutsche Asset & Wealth Mgt's SV practice was acquired. Given that GSAM SV is relatively short-lived, mgt track record is short.)	0 (New CEO in Feb 2015; 2 sr leaders retired in 2014)	7.5 (long-time Morley staff member to position of President in 2014 while former President moved to another position within Principal)	0 (Loss of CEO and co-CIOs past year)	7.5 (No turnover past 5 yrs)
Personnel stability - Average tenure of senior management	7.5	7.5 (18 years)	0 (not answered)	5.625 (14 years)	3.75 (9 years)	3.75 (9 years)	7.5 (20 years)
Personnel stability - Average strategy specific turnover over past 3 years	10	10 (<10%)	0 (not answered)	10 (<10%)	10 (<10%)	10 (<10%)	10 (<10%)
Business resiliency - Robust business continuity plan in place?	2	2 (yes)	2 (yes)	2 (yes)	2 (yes)	2 (yes)	2 (yes)
Business resiliency - Has firm been subject to regulatory/disciplinary action in recent years?	2	2 (none)	2 (none)	0 (yes, due to filing oversights)	2 (none)	2 (nothing material)	0 (not answered directly and Form ADV Item 11.D.(2) indicates regulatory action taken. No elaboration as to whether material.)
Business resiliency - Has the company been party to material litigation over the last 5 years?	2	2 (none)	2 (nothing material)	2 (nothing material)	2 (nothing material)	2 (nothing material)	0 (not answered directly and Form ADV Item 11.H.(2) indicates litigation. There is no elaboration as to whether material.)
Business resiliency - Has the Company had a contract terminated for default in the last 5 years?	2	2 (none)	2 (none)	2 (none)	2 (none)	0 (not answered)	2 (none)
Business resiliency - Has the Company or its subsidiaries ever filed for bankruptcy?	2	2 (no)	2 (no)	2 (no)	2 (no)	2 (no)	2 (no)

An exhibit summarizing the scoring methodology is provided in the Appendix.

City of Los Angeles Deferred Compensation Plan Stable Value Manager Search Scoring (cont'd)							
Evaluation Factor	Subset Point Total	Galliard	GSAM	ICMA-RC	Morley	PIMCO	Standish
Investment Experience (50 points) Firm Tenure - Length of Stable Value Investing	10	10 (19 years)	10 (30 years - including acquired firms Dwight and Deutsche)	10 (23 years)	10 (32 years)	10 (23 years)	10 (29 years)
AUM & Clients - Total Separate Account Stable Value Discretionary Assets	7.5	7.5 (\$50.4 billion)	7.5 (\$50.5 billion)	0 (\$0.0 billion)	1.5 (\$1.3 billion)	4.5 (\$29.3 billion)	3 (\$17.2 billion)
AUM & Clients - Total Number of Separate Accounts	7.5	7.5 (118 accts)	7.5 (50 accts)	0 (0 accts)	1.5 (6 accts)	7.5 (77 accounts)	3 (29 accts)
Strategy specific personnel - Stand Alone Group Dedicated to Stable Value	12.5	12.5 (yes)	12.5 (yes)	12.5 (yes)	12.5 (yes)	12.5 (yes)	12.5 (yes)
Strategy-specific investment personnel - Size of stable value team (Portfolio Managers/Investment Analysts/Marketing)	12.5	12.5 (40 - 19 PMs/21 analysts)	8.3 (18 - 11 PMs/7 analysts)	4.2 (7 - 2 PMs/5 analysts)	8.3 (15 - 7 PM team/8 analysts)	12.5 (Over 100 including generalists - 9 PMs/132 pooled analysts)	4.2 (7 - 6 PMs/1 analyst)

An exhibit summarizing the scoring methodology is provided in the Appendix.

City of Los Angeles Deferred Compensation Plan Stable Value Manager Search Scoring (cont'd)							
Evaluation Factor	Subset Point Total	Galliard	GSAM	ICMA-RC	Morley	PIMCO	Standish
Investment Approach & Process (125 points)							
Internal management capabilities	20	20 (Yes)	20 (Yes)	0 (No)	20 (Yes)	20 (Yes)	20 (Yes)
Strategy - Will Own Commingled Units vs. Buy & Hold	5	5 (Yes)	5 (Yes)	5 (Yes)	5 (Yes)	5 (Yes)	5 (Yes)
Strategy - Duration of 3 years	5	4 (2.85 Years)	5 (2.99 Years)	3 (3.40 Years)	3 (3.28 Years)	4 (3-3.25 Years)	5 (2.95 Years)
Strategy - Credit Quality	5	4 (AA)	4 (AA)	3 (AA-)	3 (AA-)	4 (AA)	4 (AA)
Strategy - Cash of 1-3% of Assets	5	5 (2.0%)	5 (2.0%)	4 (2.0-5.0%)	4 (5.0%)	5 (3.0%)	4 (5.0%)
Strategy - Have Exposure to Short-Duration, Intermediate and Core Segments of Fixed Income Universe	5	4 (LD, Int.)	3 (Int.)	5 (LD, Int., Agg.)	4 (LD, Int.)	4 (LD, Int.)	4 (LD, Int.)
External management capabilities - Suggested Exposure to External Management	10	10 (Yes)	10 (Yes)	10 (Yes)	10 (Yes)	0 (No)	0 (No)
External management capabilities - Ability to Choose External Management	10	10 (Yes)	10 (Yes)	10 (Yes)	10 (Yes)	0 (No)	0 (No)
Risk Management - Ability to sufficiently minimize volatility in the Portfolio	15	10 (Yes, AIM)	10 (Yes, ELM)	10 (Yes)	10 (Yes)	10 (Yes)	10 (Yes)
Wrap capacity, selection, and negotiation - Diversification of BV wrappers	10	6 (35% Limit)	6 (33% Limit)	2 (50% Limit)	6 (35% Limit)	0 (100% Limit)	4 (40% Limit)
Wrap capacity, selection, and negotiation - Credit Quality of BV Wrappers	10	5 (A-)	5 (A-)	8 (AA-)	5 (A-)	6 (A)	0 (NA)
Current and historical port. structuring - Use of Securities Lending	5	5 (No)	5 (No)	5 (No)	5 (No)	5 (No)	0 (Yes)
Current and historical port. structuring - avg over last 7 years (Current Yield, Weighted Avg Quality, MV/BV %, General Account Exposure %)	20	13 (2.97%, AA-, 101.24%, 2.8%)	17 (3.13%, AA+, 102.59%, 1.7%)	12 (3.32%, AA, 100.53%, 28.7%)	15 (2.18%, AA+, 100.51%, 5.2%)	18 (2.79%, AA+, 107.53%, 0.0%)	15 (3.06%, AA, 101.91%, 2.0%)

An exhibit summarizing the scoring methodology is provided in the Appendix.

City of Los Angeles Deferred Compensation Plan Stable Value Manager Search Scoring (cont'd)							
Evaluation Factor	Subset Point Total	Galliard	GSAM	ICMA-RC	Morley	PIMCO	Standish
Investment Performance (125 points) Stable Value Composite (3 & 5 Year Performance Rank)	50	50 (28th, 46th)	50 (7th, 39th)	50 (0th, 5th)	0 (95th, 90th)	50 (0th, 0th)	50 (25th, 45th)
Underlying Manager Performance: (Average 3 & 5 Year Performance Rank for Proposed Strategies)	37.5	37.5 (46th, 24th)	37.5 (48th, 43rd)	37.5 (24th, 19th)	0 (59th, 51st)	0 (64th, 58th)	37.5 (45th, 44th)
Underlying Manager risk-adjusted performance: (Average 3 & 5 Year Information Ratio Rank for Proposed Strategies)	37.5	37.5 (41st, 18th)	37.5 (20th, 18th)	37.5 (16th, 15th)	37.5 (44th, 41st)	0 (75th, 68th)	37.5 (37th, 42nd)
Portfolio Transition (25 Points) Acceptable Transition of Existing MV/BV Relationships?	25	25 (yes, incumbent)	25 (yes)	25 (yes)	25 (yes)	25 (yes)	25 (yes)
Administrative & Reporting (25 points) Accounting - Ability to provide TPA with daily valued NAV	10	10	0 (would require 3rd party provider - proposes SEI)	0 (not answered clearly)	10	10 (yes)	0 (no, requires custodian)
Accounting - How Frequently Does Firm Supply Statements?	5	5 (monthly)	5 (monthly)	5 (monthly)	5 (monthly)	5 (monthly)	5 (monthly)
Communications - Participant communications capabilities	5	5 (strong - able to customize)	5 (strong - able to customize)	5 (strong - able to customize)	5 (strong - able to customize)	5 (strong - able to customize)	5 (strong - able to customize)
Communications - Back Office Staff in Place to Handle Client Needs and Meetings	5	5 (yes)	5 (yes)	5 (yes)	5 (yes)	5 (yes)	5 (yes)
Fees (100 points)	100	83 (31.5 bps)	83 (31.6 bps)	81 (32.3 bps)	79 (33.0 bps)	72 (36.5 bps)	100 (26.2 bps)
TOTAL	500.0	459.0	423.8	388.3	346.6	336.8	414.7

An exhibit summarizing the scoring methodology is provided in the Appendix.

2

Organizational Background

Stable Value Discretionary Manager RFP				
Organization & Experience as of September 30, 2014				
Respondent	Length of Stable Value History (Years)	Assets Under Management (\$ Millions)		
		Total Stable Value Assets Under Management	Total Discretionary Stable Value Assets	Total Number of Separate Account Discretionary Stable Value Clients/Accounts
Galliard	19	\$77,497	\$50,410	118
Goldman Sachs	30	\$50,684	\$50,469	50
ICMA-RC	23	\$10,700	\$10,700	0
Morley	32	\$17,341	\$1,313	6
PIMCO	23	\$29,298	\$29,298	77
Standish	29	\$18,834	\$17,192	29

Galliard Capital Management

Respondent	Personnel & Structure		
	Number of Professionals		
	Portfolio Managers	Research Analysts	Marketing / Client Service
Galliard	19	21	2

Strengths (provided by Manager)

Leadership - A distinctive aspect of Galliard Capital Management is its consistency in senior leadership. The firm's three founding Partners have been with Galliard since the 1990s. This senior management team has provided a critical historical perspective which has helped it successfully navigate the changes that have occurred in the stable value market.

Conservative Investment Approach - Consistent with the role of stable value as the "safe" option in most defined contribution plans today, Galliard's primary emphasis in managing stable value portfolios is safety of principal.

External Manager Oversight - Galliard has extensive experience working with external managers within stable value portfolios. Galliard has a dedicated external manager oversight team. Galliard's multi-faceted manager oversight process is extensive, rigorous and is fully integrated into Galliard's investment management process. Galliard's use of external managers spans the last 17 years and has grown to over \$22 billion in assets under management.

Contract Fees - Negotiating and administering benefit responsive wrap agreements requires considerably more resources than any time in the history of the asset class. Galliard has committed considerable firm resources to develop and expand its Contract Management and Contract Administration teams.

Wrap Relationships - Galliard has generated over \$35 billion in new benefit responsive wrap capacity for Galliard's current and new clients since 2008. Galliard has cultivated good relationships with the wrap providers and has a reputation for being a tough, but fair contract negotiator. These relationships have put Galliard in a favorable position when wrap issuers allocate a limited amount of capacity.

Scale - As one of the largest stable value managers, Galliard can use its size to negotiate the best contract provisions and fees for its accounts. New wrap issuers know that the large number of Galliard separate account clients can help them to diversify their business. Where external managers are used, Galliard consolidates assets under management under a single fee schedule to bring top tier fixed income management at a very competitive fee.

Weaknesses (provided by Mercer)

- Because of its higher allocation to short-term investments intended to insulate the portfolio from rising interest rates, Galliard may underperform other managers seeking greater level of yield over the near term.

Goldman Sachs Asset Management

Respondent	Personnel & Structure		
	Number of Professionals		
	Portfolio Managers	Research Analysts	Marketing / Client Service
Goldman Sachs	11	7	4

Strengths (provided by Manager)

Experience: Goldman Sachs (GSAM) Stable Value brings together extensive experience from GSAM and the acquired teams from Dwight and Deutsche AM. The industry tenure of GSAM's Client Portfolio Managers and Portfolio Managers averaging in excess of 15 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.

GSAM has made a substantial commitment to the stable value asset class and now has stable value client assets under supervision in excess of \$50 billion as of December 31, 2014. The stable value business is GSAM's largest in the defined contribution market, and serves as the cornerstone of GSAM's continuing efforts in this market.

Depth and Scale of Platform

- GSAM's stable value business benefits from the scale of its overall business. GSAM oversees in excess of \$700 billion in fixed income and liquidity assets, including approximately \$150 billion in Short, Intermediate and Core mandates as of December 31, 2014.
- GSAM's fixed income team is a global team consisting of over 290 professionals.
- Broad business relationships with wrap providers enable GSAM to build meaningful business partnerships with those providers.
- **Firm-wide expertise** which can be accessed to the benefit of GSAM's stable value clients, including risk management, compliance, technology and legal resources.
- **Credit research and manager selection teams** that are independent of the portfolio management function, adding a level of discipline and targeted expertise to our wrap provider credit and external manager due diligence decisions.

Weaknesses (provided by Mercer)

- Business largely built through acquisition of Dwight and Deutsche. Continuity of team over long period of time is untested.

ICMA-RC

Respondent	Number of Professionals		
	Portfolio Managers	Research Analysts	Marketing / Client Service
ICMA-RC	2	5	6

Strengths (provided by Manager)

Significant Stable Value Experience. Through ICMA-RC's proprietary stable value pooled fund, ICMA-RC has established a long track record in managing stable value funds for the public sector. The fund is one of the public sector's largest and longest performing commingled stable value funds. The Fund has a 23-year performance history and has \$10.7 billion in assets.

Public Sector Experience. ICMA-RC currently serves over 4,800 public sector clients with over one million participant accounts and more than \$54 billion in assets under management.

Experience. Chief Investment Officer Wayne Wicker, CFA, has more than 31 years of investment industry experience with equities, fixed income, and alternative investment portfolios. Karen Chong-Wulff, CFA, ICMA-RC's Managing Vice President, Fixed Income, participates in various Stable Value Investment Association-sponsored working groups and served on their board for six years.

Due Diligence. ICMA-RC's focuses exclusively on external managers so it has significant expertise in performing due diligence external investment managers. ICMA-RC considers in-house credit analysis on all issuers of traditional, separate account, and synthetic GICs key in avoiding defaults or impairments of stable value products. In addition, it engages in proactive contract negotiations with wrap providers.

Weaknesses (provided by Mercer)

- ICMA-RC has no current separate account clients.
- Despite a sizeable governmental presence (particularly in the small plan market), its assets are relatively low compared to some of the larger stable value firms considered here.
- Relatively small dedicated staff and no internal investment management capabilities.

Morley

Respondent	Personnel & Structure		
	Number of Professionals		
	Portfolio Managers	Research Analysts	Marketing / Client Service
Morley	7	8	7

Strengths (provided by Manager)

Dedication to stable value: Morley has been a stable value asset manager since its inception over 30 years ago. It has focused almost exclusively on managing stable value portfolios during this time, and today it manages over \$17 billion in assets.

Experienced staff: Morley has a long and successful track record of delivering complete stable value expertise, including: selecting wrap providers, navigating the intricacies of wrap contracts, and constructing and overseeing appropriate stable value accounts, through the use of both Morley-managed portfolios as well as externally sub-advised portfolios.

External manager due diligence: Morley makes extensive use of external fixed income managers within its portfolios, and its team has substantial due diligence capabilities

Relationship with Principal: As a wholly-owned subsidiary of Principal, Morley is granted unique access to a wrap provider. In addition, Morley can draw upon Principal's significant fixed income capabilities.

Weaknesses (provided by Mercer)

- Morley has relatively low amount of separate clients and assets compared to other larger competitors.
- Performance for Morley has lagged the group, in part due to its conservative approach.
- Fees relative to others in this search are above average.

PIMCO

Respondent	Personnel & Structure		
	Number of Professionals		
	Portfolio Managers	Research Analysts	Marketing / Client Service
PIMCO	9	132	269

Strengths (provided by Manager)

Experience: PIMCO has been managing stable value assets since 1992. PIMCO currently manages \$29.3 B in stable value assets as of September 30, 2014. Two of the members of PIMCO's stable value services team have worked on the wrap side of the business (at Pacific Life and Transamerica) before joining PIMCO. This experience allows PIMCO to work extensively with wrapper providers to eliminate many of the unfavorable biases that are inherent in their standard contracts.

Deep resources: PIMCO's vast fixed income resources are among the largest in the industry. In addition, PIMCO employs a dedicated team of Stable Value investment professionals who provide specialized support and consulting expertise to Stable Value clients and their consultants.

High quality investment approach: PIMCO's stable value products have generated very good performance for investors (at a composite level). On a risk-adjusted basis, however, underlying investments have been fairly volatile. The implication of this is that downside volatility could detract from future crediting rates.

Weaknesses (provided by Mercer)

- Recent management turnover (departure of CEO and co-CIOs has caused uncertainty at PIMCO).
- Although PIMCO's composite performance for the stable value products has been good; the proposed underlying investments' performance has been poor.
- Lack of exposure to external managers, makes this strategy less diversified.
- Fees relative to others in this search are high.

Standish

Respondent	Personnel & Structure		
	Number of Professionals		
	Portfolio Managers	Research Analysts	Marketing / Client Service
Standish	6	1	6

Strengths (provided by Manager)

Experience: The Standish team (under a different firm) has managed stable value assets since the early 1990's. Standish's team is exclusively dedicated to the stable value asset class within defined contribution plans.

Conservative Style - Historically, Standish structures its stable value portfolios more conservatively than many other competitors, and we expect limited surprises from a strategy such as this.

Favorable Relationships with Wrap Providers - Standish's conservative investment style has enabled it to access wrap capacity even in challenging markets.

Low costs - Standish pioneered a strategy capitalizing on the availability of lower cost, higher credit quality, broadly diversified, bond index funds. The funds are designed to track specific market sectors and are used as building blocks to structure a portfolio with characteristics that, in aggregate, Standish believes are more suitable to a stable value strategy than would be a broad market index. The strategy seeks to add value by consistently over-weighting some asset sectors while under-weighting others. At the same time, the passive exposure of the strategy enables lower cost.

Weaknesses (provided by Mercer)

- Assets are relatively low compared to some of the larger stable value firms considered.
- Relatively small dedicated staff with only 1 dedicated analyst.
- Lack of exposure to external managers makes this strategy less diversified.

3

Investment Approach & Process

The characteristics of the proposed portfolios as of September 30, 2014 are summarized below:

Stable Value Discretionary Manager RFP Suggested Structure											
Respondent	Suggested Allocation			Suggested Credit Quality			Anticipated Net Crediting Rate	Crediting Rate as of:	Internal or External Management	Target Duration	Target Cash
	Liquidity	Fixed Maturity	Open Maturity	Weighted Average Portfolio	Underlying Investments	Wrap Providers					
Galliard	12%	0%	88%	AA	AA	A-	1.97%	9/30/14	Both	2.85	2.0%
Goldman Sachs	2%	30%	68%	AA	AA-	A-	2.07%	9/30/14	Both	2.99	2.0%
ICMA-RC	22%	15%	62%	AA-	AA-	AA-	2.12%	9/30/14	Both	3.40	2-5%
Morley	5%	0%	95%	AA-	AA-	A-	2.17%	12/31/14	Both	3.28	5.0%
PIMCO	3-4%	0%	96-97%	AA	AA-	A	2.30%	9/30/14	Internal	3.00-3.25	3.0%
Standish	5%	10%	85%	AA	AA	NA	2.00%	9/30/14	Internal	2.95	5.0%

NA = Not Available

Stable Value Discretionary Manager RFP Suggested Structure									
Respondent	Suggested Underlying Investments						Maximum Exposure		
	Managed Internally Range	Managed Externally Range	External Manager Names	External Manager Role	External Management Possible?	Passive/Active	Commingled funds utilized or is the fund invested in individual securities	Individual Wrap Provider	Non-Gov't/Agency Issues (i.e. individual securities)
Galliard	68-100% (Cash = 2.0%)	30% 2%	Dodge & Cox Prudential Multiple Others Available: Babson Jennison JPMorgan Loomis NYL Payden & Rygel PIMCO	Intermediate Intermediate Wells Fargo SRF Int. and Aggregate Intermediate Intermediate Int. and Aggregate Short and Intermediate Intermediate Int. and Aggregate	Yes	Active	Commingled Funds (Separate Accounts Optional)	50%	2%
Goldman Sachs	70% (Cash = 2.0%)	0-30%	Loomis Sayles Prudential	Intermediate Agg. Intermediate Agg.	Yes	Active Active	Commingled Funds	33%	2%

Stable Value Discretionary Manager RFP Suggested Structure									
Respondent	Suggested Underlying Investments						Maximum Exposure		
	Managed Internally Range	Managed Externally Range	External Manager Names	External Manager Role	External Management Possible?	Passive/Active	Commingled funds utilized or is the fund invested in individual securities	Individual Wrap Provider	Non-Gov't/Agency Issues (i.e. individual securities)
ICMA-RC	15% (Cash = 2.1%)	0-85%	Galliard (Wells Fargo) Vanguard MetLife Prudential Western Dodge & Cox Loomis Sayles	Stable Return Fund Short-Term Fund Fixed Maturity Fund Intermediate Agg. Aggregate Intermediate Agg. Intermediate Agg.	Yes	Active Active Active Active Active Active	Commingled Fund Commingled Fund Individual Securities Commingled Fund Commingled Fund Commingled Fund	50%	3%
Morley	40.0% (Cash = 5.0%)	0-60%	Babson/MassMutual Prudential Voya	LD & Int. Agg. Intermediate Agg. Intermediate Agg.	Yes	Active	Commingled Funds, Individual Securities & Insurance Company	35%	3%
PIMCO	100%	0%	NA	NA	No	Active	Individual Securities Private Mutual Funds	100%	2%
Standish	70-100% Y.E.S = 70% (Cash = 5.0%)	0%	Northern Trust BlackRock	Intermediate G/C (Y.E.S.) Intermediate G/C (Y.E.S.)	No	Passive	Commingled Funds & Insurance Company	40%	5%

Stable Value Discretionary Manager RFP Proposed Structure Characteristics as of September 30, 2014						
	Galliard	Goldman	ICMA-RC	Morley	PIMCO	Standish
Suggested Yield - Net (%)	1.97%	2.07%	2.14%	2.17%	2.30%	2.00%
Suggested Duration (Years)	2.85	2.99	3.40	3.28	3.00-3.25	2.95
Suggested Quality	AA	AA	AA-	AA-	AA	AA
External Management (%)	30.0%	30.0%	86.9%	54.4%	0.0%	0.0%
All-In Fees (bps)	31.5	31.6	32.3	33.0	36.5	26.2

Stable Value Discretionary Manager RFP Securities Lending							
Respondent	Securities Lending Utilized?						
	Yes/No	% of Fund	Avg. 3-year Return	Split Among Client	Split Among Lending Provider	Security Lender Name	Fees
Galliard	No	NA	NA	NA	NA	NA	None
Goldman Sachs	No	NA	NA	NA	NA	NA	NA
ICMA-RC	No	NA	NA	NA	NA	NA	NA
Morley	No	NA	NA	NA	NA	NA	NA
PIMCO	No	NA	NA	NA	NA	NA	NA
Standish	Yes	up to 5% ¹	0.02-0.05%	50%	50%	BlackRock	None

¹ For a typical account with a 60% allocation to the Yield Enhanced Strategy , there is less than 5% exposure to securities lending.

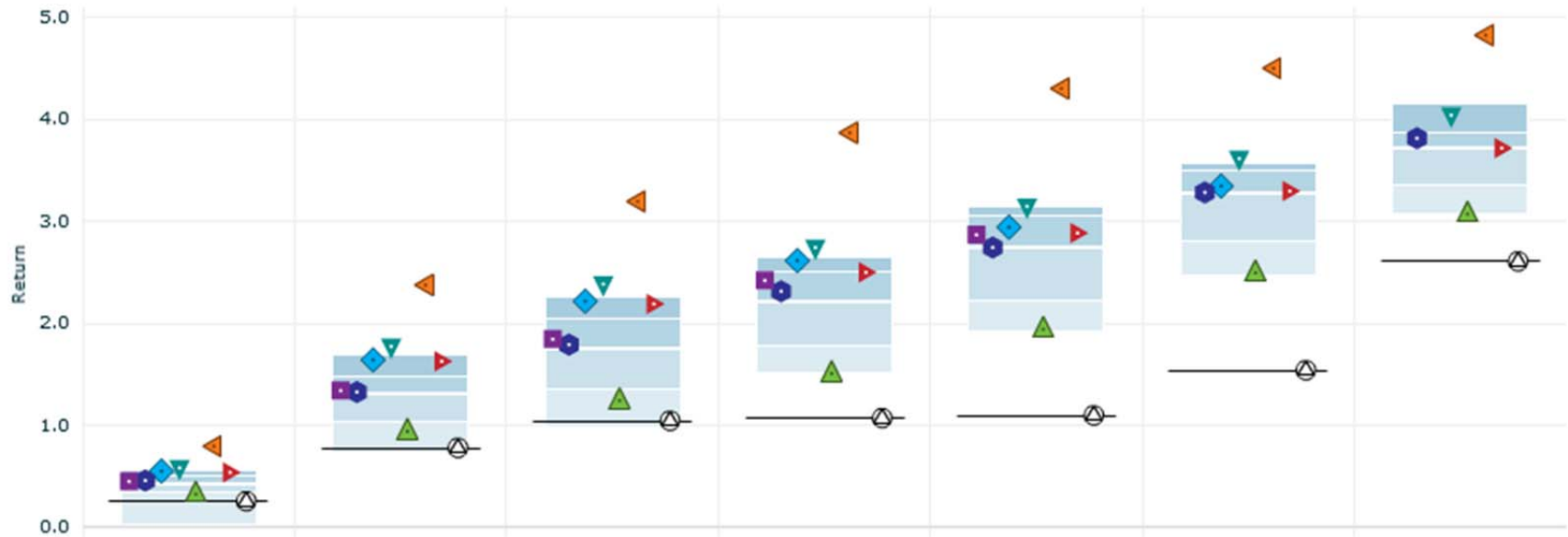
4

Investment Performance

Representative investment performance of the candidates is listed below based on each candidate's separate account composite. All returns are provided on a gross of fee basis. In addition, comparative performance information is provided on the underlying investment funds used by each candidate in the low duration, intermediate and core roles. Performance data is supplemented with risk-adjusted performance (i.e., information ratio statistics) exhibits for each of the underlying strategies. The information ratio divides a strategy's excess return relative to its benchmark by the volatility of its excess return (i.e., tracking error). This statistic provides a measure of excess return generated for the level of risk taken. A higher information ratio indicates that returns have been achieved more efficiently than one with a low ratio that takes on incremental risk.

Overall Stable Value Account Composite

Return in \$US (before fees) over 3 mths, CY (9 mths), 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs ending September-14
 Comparison with the US Stable Value universe (Percentile Ranking)

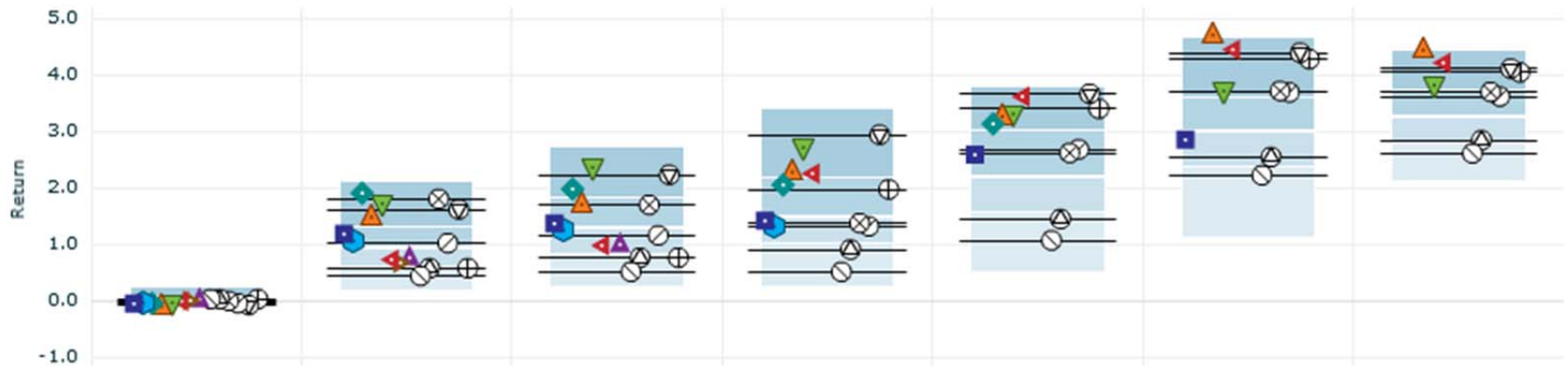


	3 mths (%)	CY (9 mths) (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)	10 yrs (%pa)
City of LA	0.45 (38)	1.34 (43)	1.85 (40)	2.42 (28)	2.87 (46)	-	-
Galliard	0.46 (37)	1.33 (44)	1.80 (44)	2.32 (34)	2.75 (50)	3.29 (49)	3.82 (32)
GSAM	0.55 (10)	1.64 (12)	2.22 (8)	2.62 (7)	2.94 (39)	3.35 (34)	-
ICMA-RC	0.59 (0)	1.77 (4)	2.39 (0)	2.75 (0)	3.15 (5)	3.62 (5)	4.04 (10)
Morley	0.33 (77)	0.94 (92)	1.25 (88)	1.51 (95)	1.95 (90)	2.50 (90)	3.07 (95)
PIMCO	0.80 (0)	2.38 (0)	3.20 (0)	3.87 (0)	4.30 (0)	4.51 (1)	4.83 (0)
Standish	0.54 (15)	1.63 (17)	2.19 (12)	2.50 (25)	2.89 (45)	3.30 (44)	3.72 (49)
ML91TB100	0.26 (87)	0.78 (94)	1.05 (94)	1.07 (100)	1.10 (100)	1.54 (100)	2.61 (100)
5th Percentile	0.56	1.69	2.27	2.65	3.15	3.58	4.15
Upper Quartile	0.50	1.49	2.05	2.50	3.06	3.51	3.87
Median	0.43	1.31	1.75	2.22	2.75	3.29	3.72
Lower Quartile	0.35	1.04	1.36	1.79	2.23	2.80	3.37
95th Percentile	0.03	0.73	0.98	1.51	1.92	2.48	3.07
Number	27	25	25	21	21	21	21

Created on 10 Apr 2015 at 11:59 AM

Underlying Low Duration Bond Investments

Return in \$US (before fees) over 3 mths, CY (9 mths), 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs ending September-14
 Comparison with the US Fixed 1-3 Years universe (Percentile Ranking)



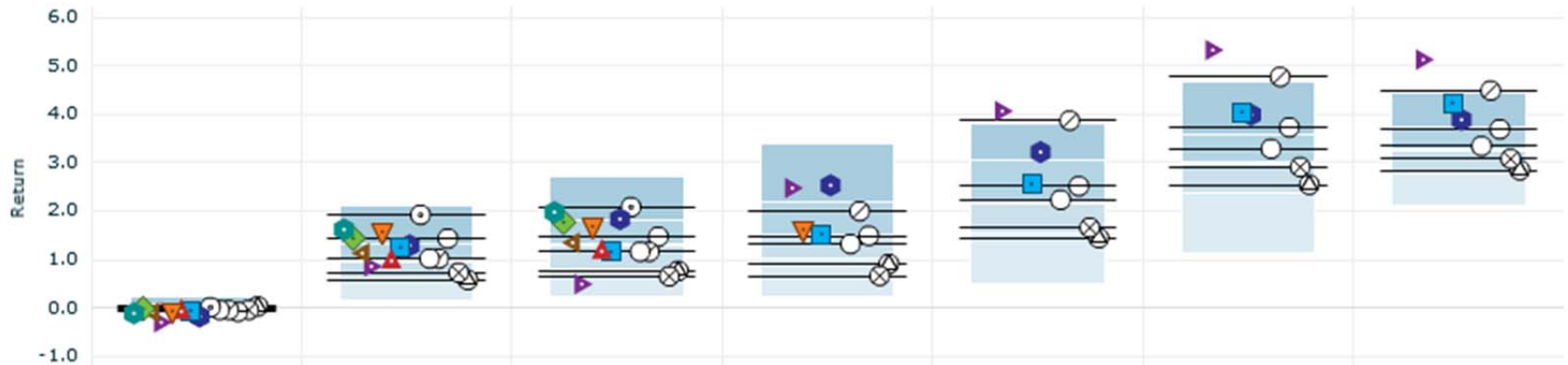
	3 mths (%)	CY (9 mths) (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)	10 yrs (%pa)
■ Gall WF FIF F	-0.05(87)	1.18(34)	1.36(47)	1.42(52)	2.59(34)	2.85(57)	-
● Gall MetLife	-0.03(83)	1.06(42)	1.25(52)	1.32(55)	-	-	-
◆ Gall WF FIF D	-0.04(84)	1.91(7)	1.98(19)	2.05(29)	3.13(22)	-	-
▲ ICMA Pru	-0.10(93)	1.48(21)	1.70(32)	2.28(24)	3.26(16)	4.70(4)	4.43(5)
▼ ICMA Vang	-0.04(84)	1.72(10)	2.36(7)	2.71(13)	3.30(13)	3.70(21)	3.81(23)
◀ Mor Well	0.00(72)	0.73(67)	0.98(67)	2.26(24)	3.61(6)	4.44(9)	4.20(11)
▶ Mor Inc II	0.01(68)	0.67(72)	-	-	-	-	-
▲ Mor MetLife1-3	0.02(62)	0.76(63)	0.99(67)	-	-	-	-
○ BC 1-3 Gov	0.03(54)	0.44(86)	0.51(89)	0.51(89)	1.07(89)	2.22(81)	2.61(85)
⊖ BC 1-3 G/C	0.03(54)	0.58(76)	0.76(78)	0.91(77)	1.44(78)	2.54(70)	2.84(74)
⊗ 50 / 50	0.00(76)	1.80(9)	1.70(32)	1.38(53)	2.62(34)	3.71(21)	3.69(26)
⊙ ICMA Pru Idx	-0.04(85)	1.02(44)	1.16(55)	1.32(55)	2.68(32)	3.68(21)	3.61(31)
⊖ BC 1-5 Cr	-0.07(90)	1.62(11)	2.23(10)	2.93(10)	3.66(6)	4.39(10)	4.10(12)
⊕ Mor Well Idx	0.03(54)	0.58(76)	0.76(78)	1.97(31)	3.39(10)	4.28(11)	4.03(13)
5th Percentile	0.25	2.11	2.73	3.41	3.79	4.66	4.43
Upper Quartile	0.10	1.33	1.82	2.20	3.04	3.59	3.72
Median	0.04	0.95	1.31	1.49	2.18	3.00	3.26
Lower Quartile	0.00	0.60	0.82	1.03	1.56	2.38	2.81
95th Percentile	-0.12	0.18	0.24	0.24	0.52	1.12	2.13
Number	157	145	145	117	102	95	90

Created on 10 Apr 2015 at 12:49 PM



Underlying Low Duration Bond Investments

Return in \$US (before fees) over 3 mths, CY (9 mths), 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs ending September-14
 Comparison with the US Fixed 1-3 Years universe (Percentile Ranking)

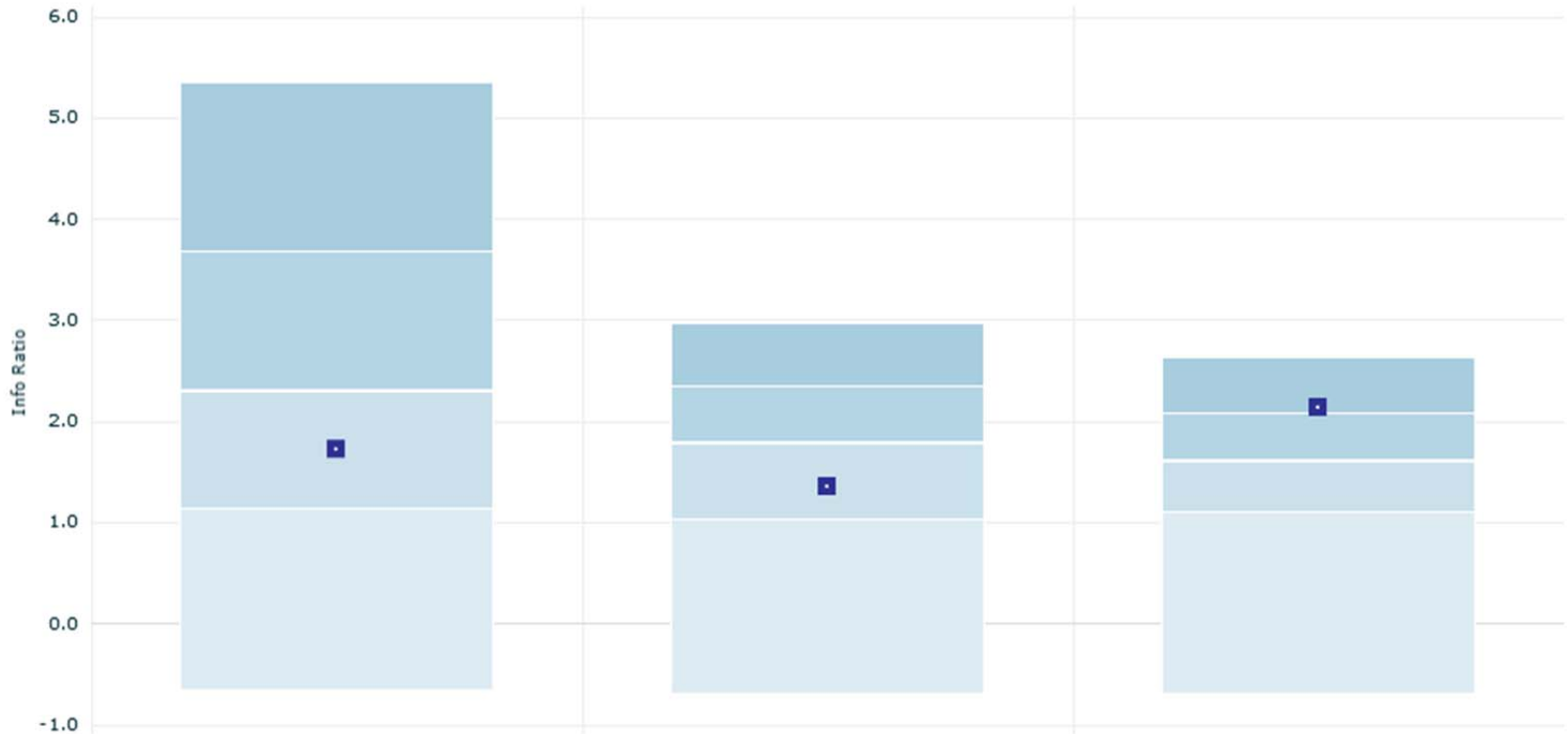


	3 mths (%)	CY (9 mths) (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)	10 yrs (%pa)
● Mor Aegon	-0.11 (93)	1.62 (11)	1.98 (19)	-	-	-	-
◆ Mor Babson	-0.01 (78)	1.45 (22)	1.77 (27)	-	-	-	-
▲ Mor MetLife1-5	-0.09 (92)	1.13 (37)	1.35 (47)	-	-	-	-
▼ Mor PIMCO	-0.29 (98)	0.86 (55)	0.49 (89)	2.48 (20)	4.06 (3)	5.32 (1)	5.12 (1)
▽ Mor SIF	-0.06 (89)	1.58 (13)	1.69 (32)	1.62 (44)	-	-	-
▲ Mor Inc I	-0.07 (90)	0.97 (49)	1.17 (55)	-	-	-	-
■ PIMCO LD SV	-0.05 (87)	1.25 (29)	1.16 (55)	1.53 (48)	2.56 (35)	4.05 (12)	4.23 (10)
● Standish LD	-0.17 (98)	1.29 (27)	1.84 (25)	2.53 (17)	3.22 (17)	3.99 (14)	3.88 (17)
○ Mor Aegon Ix	0.02 (66)	1.92 (7)	2.08 (16)	-	-	-	-
○ BC 1-5 G/C	-0.04 (85)	1.02 (44)	1.16 (55)	1.32 (55)	2.23 (48)	3.28 (40)	3.34 (48)
○ Mor PIM Idx	-0.04 (85)	1.02 (44)	1.16 (55)	2.00 (29)	3.86 (4)	4.77 (2)	4.49 (4)
⊖ SIMI	-0.08 (90)	1.43 (22)	1.47 (39)	1.49 (50)	2.52 (36)	3.73 (21)	3.69 (26)
⊗ BC 1-5 Gov	-0.04 (85)	0.73 (67)	0.66 (81)	0.67 (86)	1.66 (73)	2.90 (55)	3.08 (59)
⊗ BC 1-3 G/C	0.03 (54)	0.58 (76)	0.76 (78)	0.91 (77)	1.44 (78)	2.54 (70)	2.84 (74)
5th Percentile	0.25	2.11	2.73	3.41	3.79	4.66	4.43
Upper Quartile	0.10	1.33	1.82	2.20	3.04	3.59	3.72
Median	0.04	0.95	1.31	1.49	2.18	3.00	3.26
Lower Quartile	0.00	0.60	0.82	1.03	1.56	2.38	2.81
95th Percentile	-0.12	0.18	0.24	0.24	0.52	1.12	2.13
Number	157	145	145	117	102	95	90

Created on 10 Apr 2015 at 12:49 PM

Underlying Low Duration Bond Investments

Information Ratio vs. Barclays Capital 1-3 Gov't in \$US (before fees) over 1 yr, 3 yrs, 5 yrs ending September-14 (monthly calculations)
 Comparison with the US Fixed 1-3 Years universe (Percentile Ranking)



	1 yr	3 yrs	5 yrs
■ Gall WF FIF F	1.73 (61)	1.36 (68)	2.14 (18)
5th Percentile	5.35	2.98	2.64
Upper Quartile	3.68	2.35	2.09
Median	2.31	1.79	1.62
Lower Quartile	1.14	1.03	1.11
95th Percentile	-0.65	-0.69	-0.69
Number	145	115	98

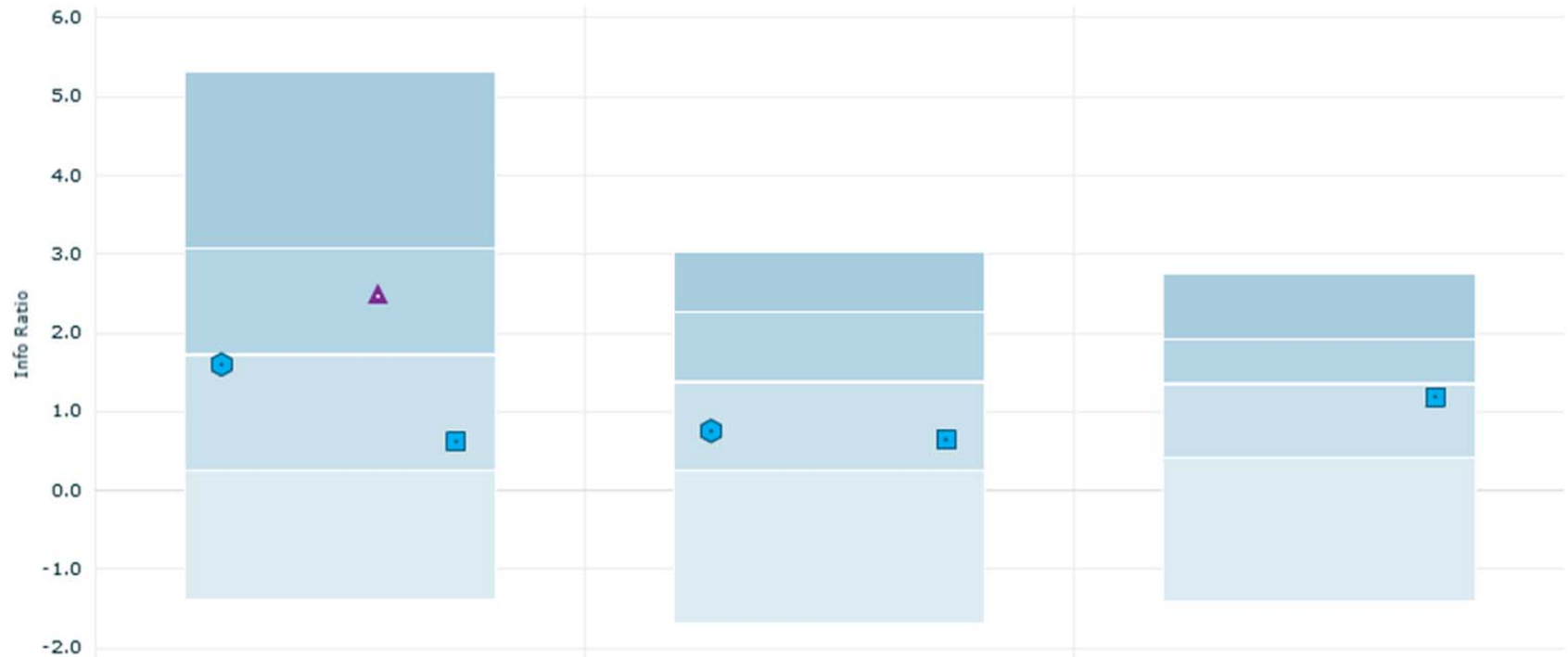
Created on 14 Apr 2015 at 3:40 PM



Underlying Low Duration Bond Investments

Information Ratio vs. Barclays Capital 1-3 G/C in \$US (before fees) over 1 yr, 3 yrs, 5 yrs ending September-14 (monthly calculations)

Comparison with the US Fixed 1-3 Years universe (Percentile Ranking)

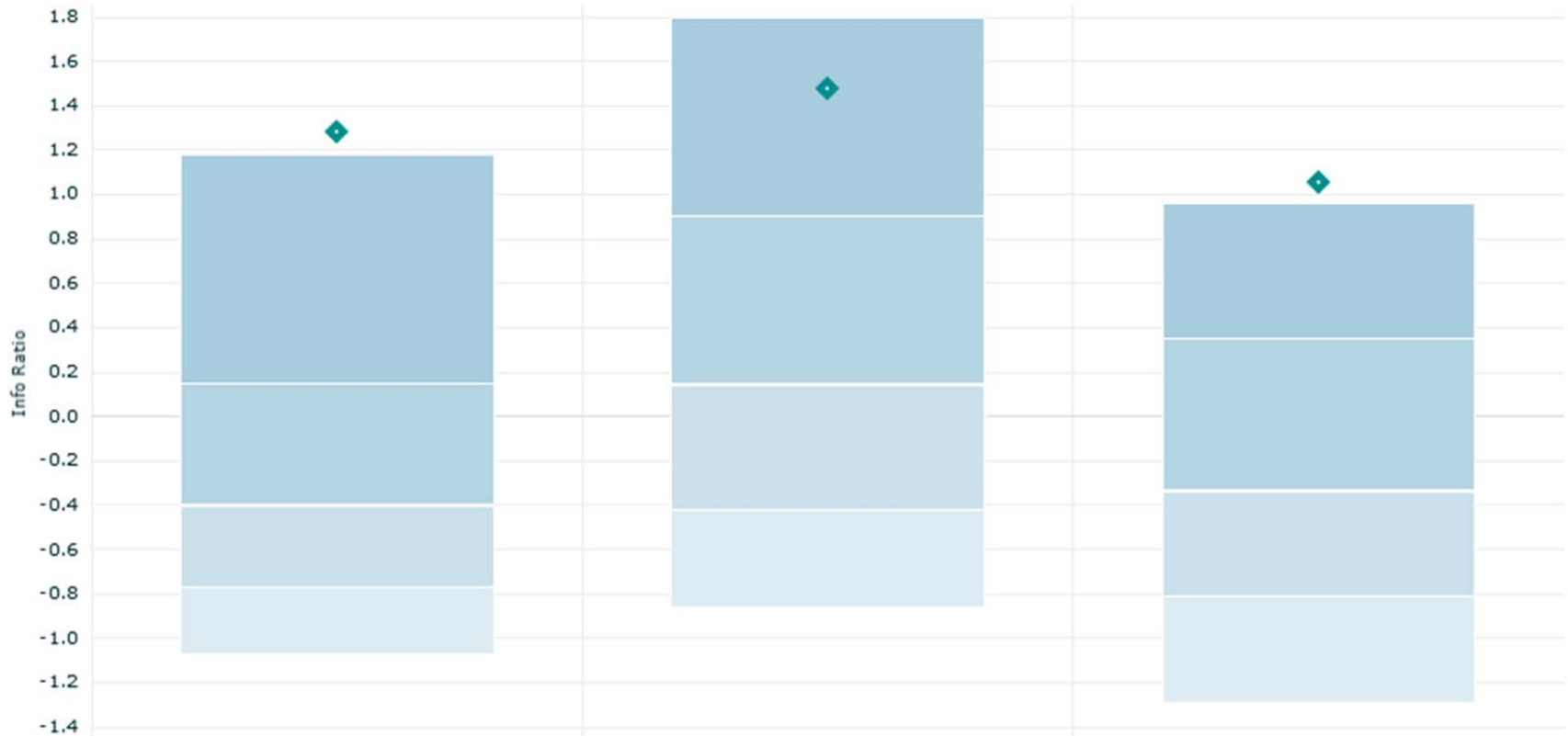


	1 yr	3 yrs	5 yrs
⬢ Gall MetLife	1.60 (53)	0.76 (67)	-
▶ Mor Inc II	-	-	-
▲ Mor MetLife1-3	2.46 (37)	-	-
■ PIMCO LD SV	0.63 (70)	0.65 (69)	1.19 (57)
5th Percentile	5.32	3.03	2.74
Upper Quartile	3.07	2.27	1.93
Median	1.72	1.37	1.36
Lower Quartile	0.25	0.25	0.42
95th Percentile	-1.39	-1.69	-1.41
Number	145	115	98

Created on 14 Apr 2015 at 3:40 PM

Underlying Low Duration Bond Investments

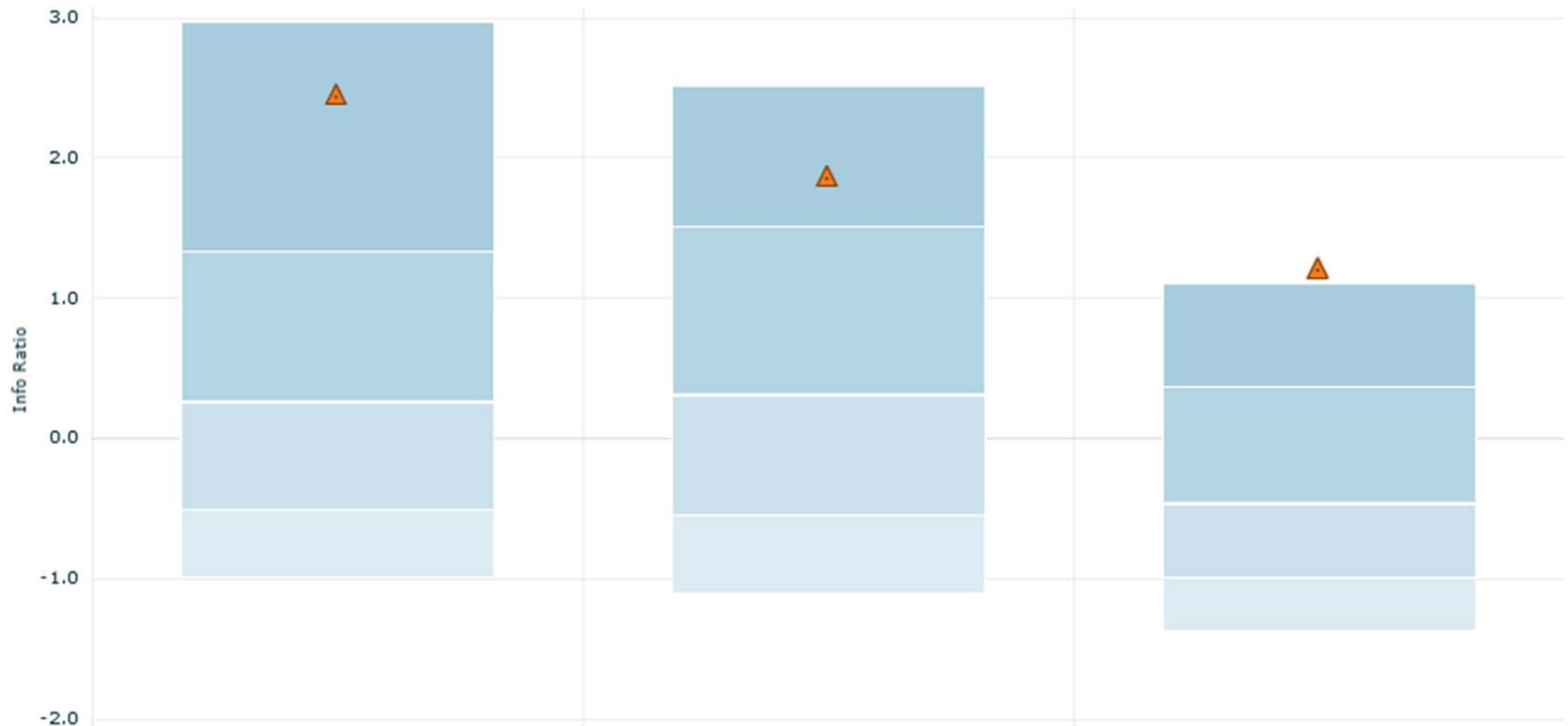
Information Ratio vs. 50% BC Int Agg / 50% BC 1-5 Gov in \$US (before fees) over 1 yr, 3 yrs, 5 yrs ending September-14 (monthly calculations)
 Comparison with the US Fixed 1-3 Years universe (Percentile Ranking)



	1 yr	3 yrs	5 yrs
◆ Gall WF FIF D	1.28 (4)	1.48 (14)	1.06 (3)
5th Percentile	1.18	1.79	0.96
Upper Quartile	0.15	0.90	0.35
Median	-0.40	0.15	-0.33
Lower Quartile	-0.77	-0.42	-0.81
95th Percentile	-1.07	-0.86	-1.29
Number	145	115	98

Underlying Low Duration Bond Investments

Information Ratio vs. BC 1-5 Credit / BC 1-5 G/C in \$US (before fees) over 1 yr, 3 yrs, 5 yrs ending September-14 (monthly calculations)
 Comparison with the US Fixed 1-3 Years universe (Percentile Ranking)

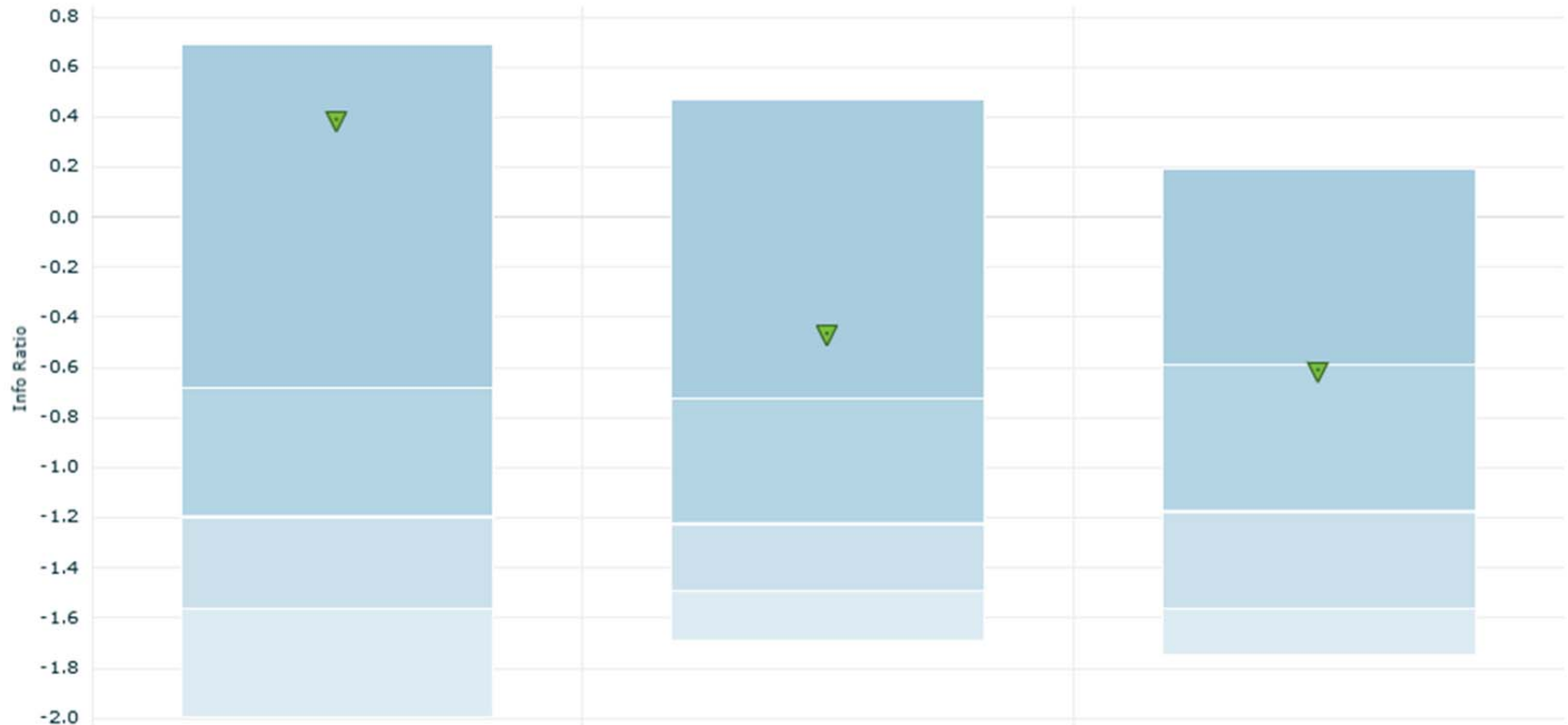


	1 yr	3 yrs	5 yrs
▲ ICMA Pru	2.43 (8)	1.85 (16)	1.20 (3)
5th Percentile	2.97	2.51	1.11
Upper Quartile	1.33	1.51	0.36
Median	0.26	0.31	-0.46
Lower Quartile	-0.50	-0.54	-0.99
95th Percentile	-0.99	-1.11	-1.37
Number	145	115	98

Underlying Low Duration Bond Investments

Information Ratio vs. Barclays Capital 1-5 Credit in \$US (before fees) over 1 yr, 3 yrs, 5 yrs ending September-14 (monthly calculations)

Comparison with the US Fixed 1-3 Years universe (Percentile Ranking)



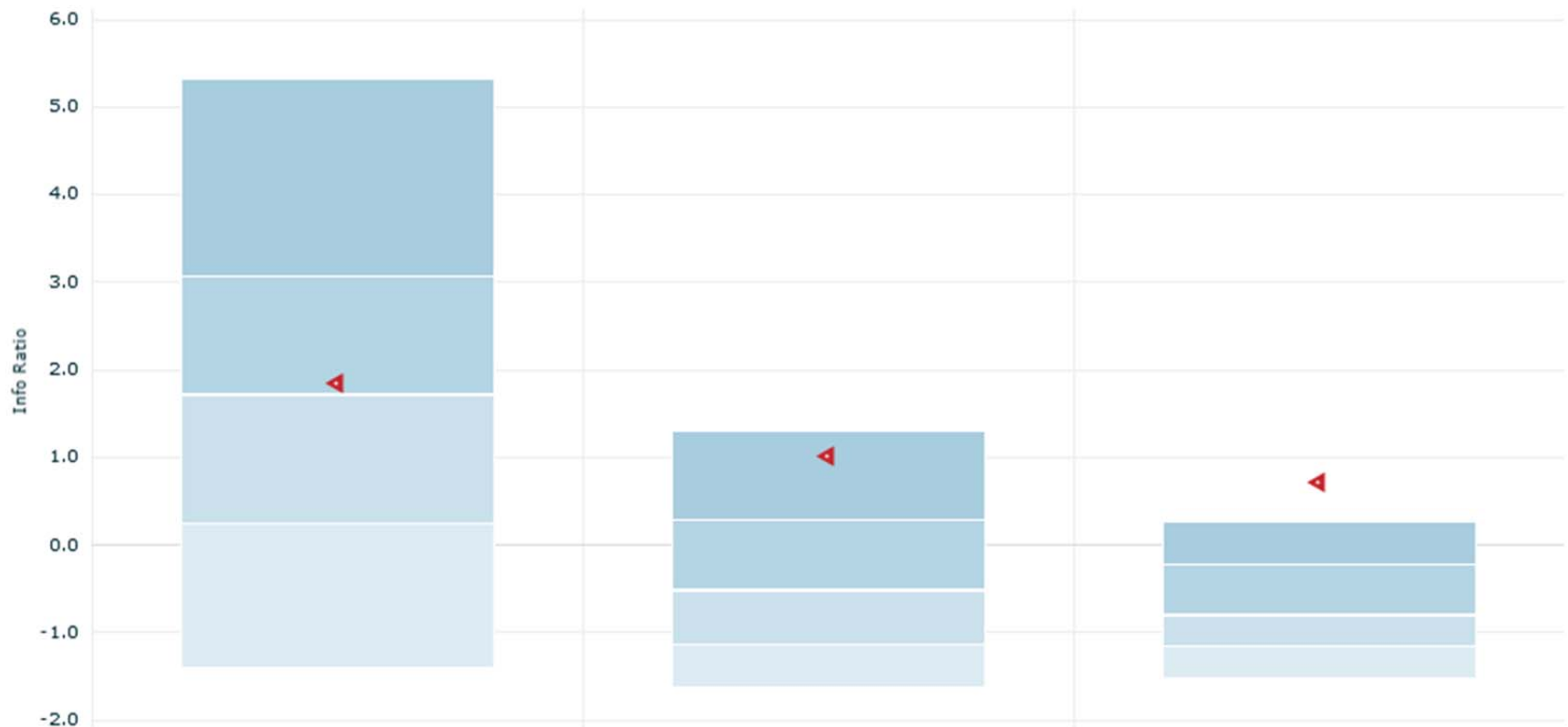
	1 yr	3 yrs	5 yrs
▼ ICMA Vang	0.39 (5)	-0.46 (20)	-0.61 (26)
5th Percentile	0.69	0.47	0.19
Upper Quartile	-0.68	-0.72	-0.59
Median	-1.19	-1.23	-1.17
Lower Quartile	-1.56	-1.49	-1.56
95th Percentile	-2.00	-1.69	-1.75
Number	145	115	98

Created on 14 Apr 2015 at 3:40 PM



Underlying Low Duration Bond Investments

Information Ratio vs. Morley Wellington Spliced Benchmark in \$US (before fees) over 1 yr, 3 yrs, 5 yrs ending September-14 (monthly calculations)
 Comparison with the US Fixed 1-3 Years universe (Percentile Ranking)



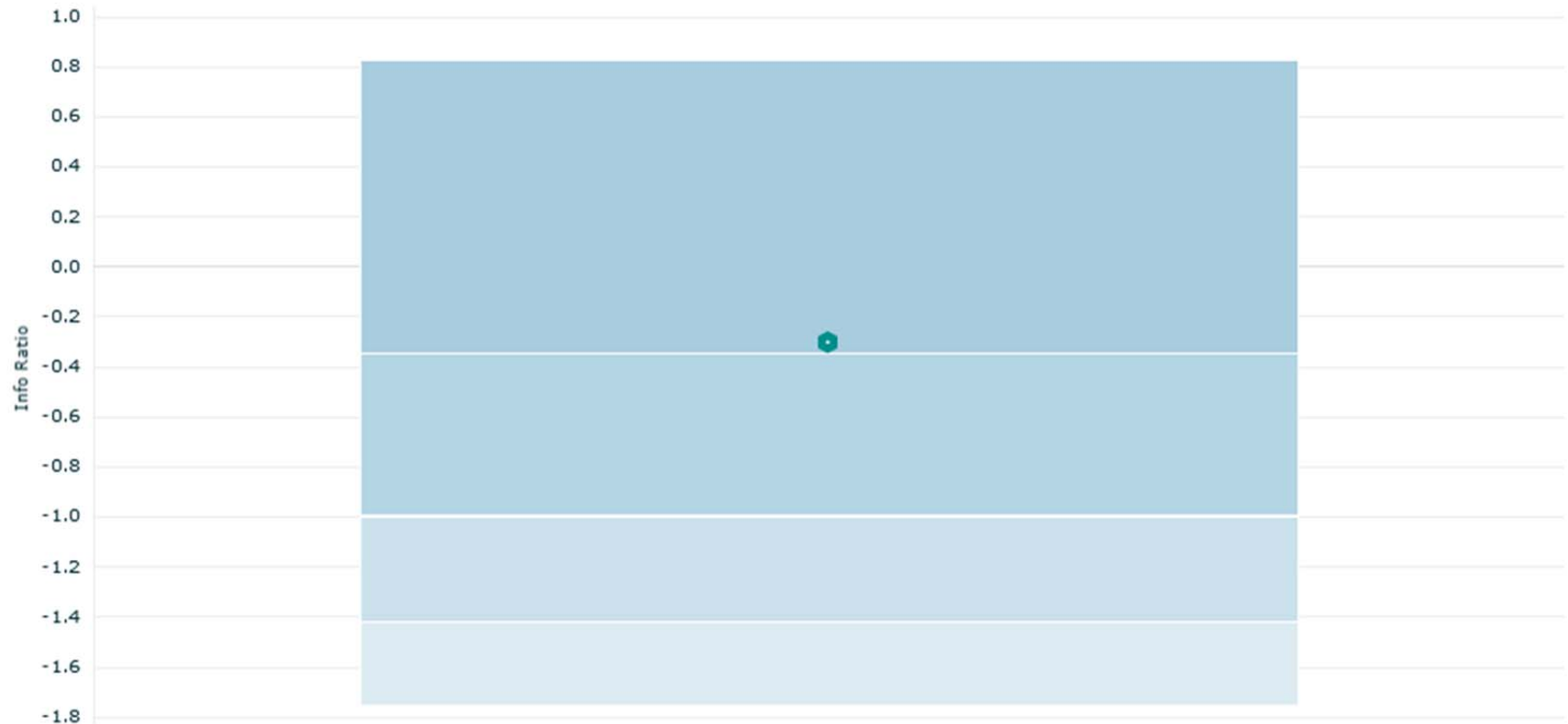
	1 yr	3 yrs	5 yrs
◀ Mor Well	1.85 (47)	1.01 (8)	0.72 (2)
5th Percentile	5.32	1.31	0.26
Upper Quartile	3.07	0.29	-0.21
Median	1.72	-0.52	-0.80
Lower Quartile	0.25	-1.14	-1.16
95th Percentile	-1.39	-1.63	-1.52
Number	145	115	98

Created on 14 Apr 2015 at 3:41 PM



Underlying Low Duration Bond Investments

Information Ratio vs. Morley Aegon Custom Benchmark in \$US (before fees) over 1 yr, 3 yrs, 5 yrs ending September-14 (monthly calculations)
 Comparison with the US Fixed 1-3 Years universe (Percentile Ranking)

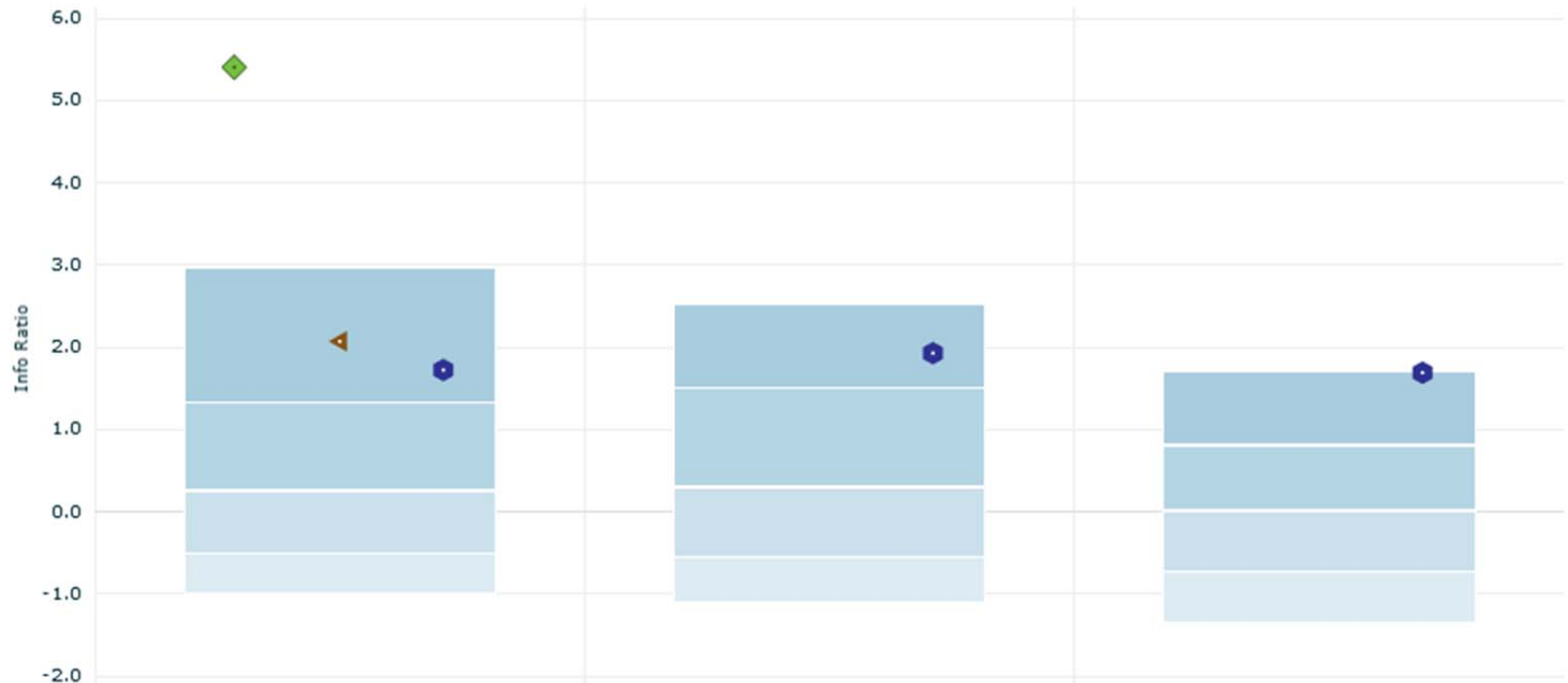


	1 yr
◆ Mor Aegon	-0.30 (24)
5th Percentile	0.83
Upper Quartile	-0.34
Median	-1.00
Lower Quartile	-1.42
95th Percentile	-1.75
Number	145

Created on 14 Apr 2015 at 3:41 PM

Underlying Low Duration Bond Investments

Information Ratio vs. Barclays Capital 1-5 G/C in \$US (before fees) over 1 yr, 3 yrs, 5 yrs ending September-14 (monthly calculations)
 Comparison with the US Fixed 1-3 Years universe (Percentile Ranking)



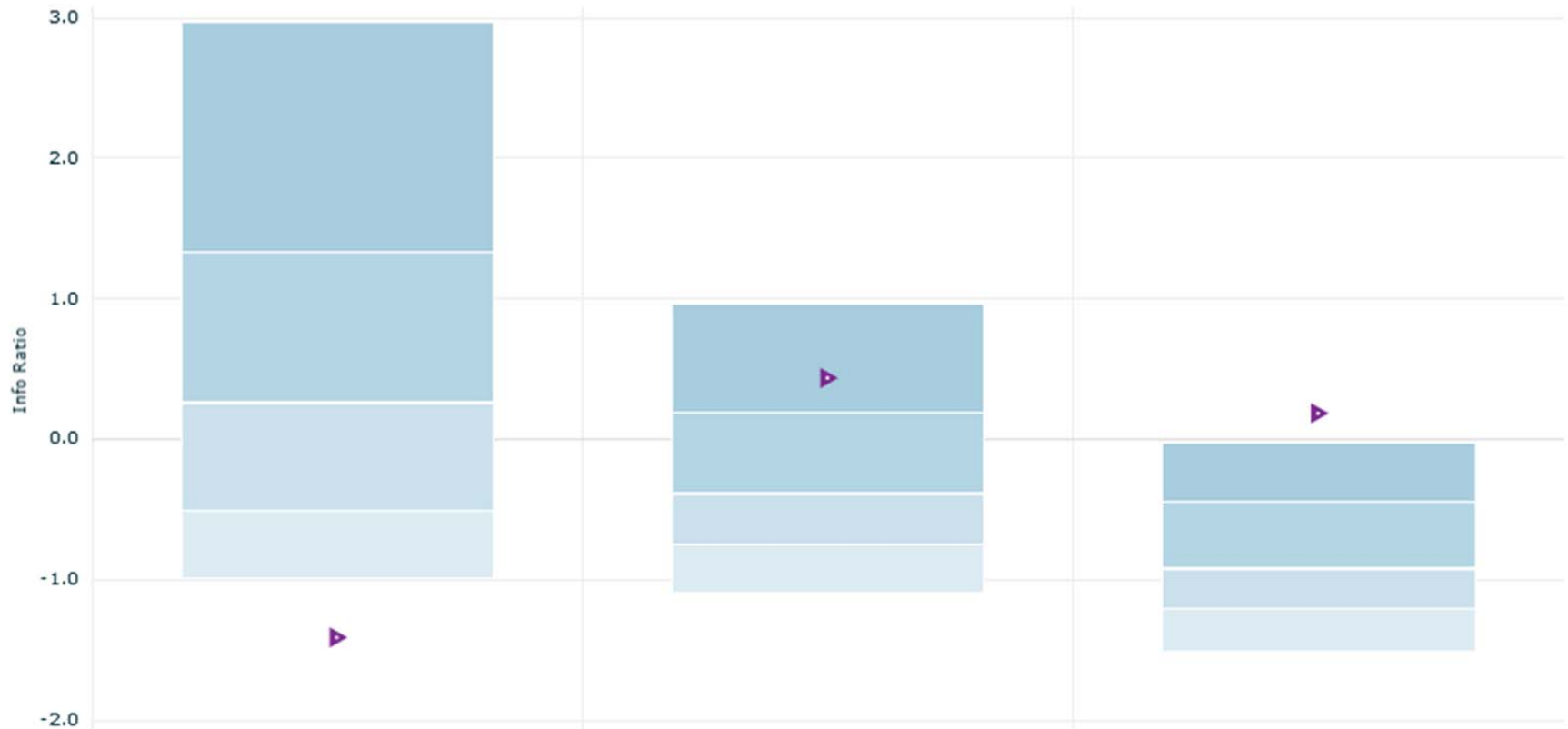
	1 yr	3 yrs	5 yrs
◆ Mor Babson	5.40(0)	-	-
▲ Mor MetLife1-5	2.07(12)	-	-
● Standish LD	1.72(19)	1.93(15)	1.69(5)
5th Percentile	2.97	2.51	1.69
Upper Quartile	1.33	1.51	0.81
Median	0.26	0.31	0.00
Lower Quartile	-0.50	-0.54	-0.73
95th Percentile	-0.99	-1.11	-1.34
Number	145	115	98

Created on 14 Apr 2015 at 3:41 PM



Underlying Low Duration Bond Investments

Information Ratio vs. Morley PIMCO LD Custom Index in \$US (before fees) over 1 yr, 3 yrs, 5 yrs ending September-14 (monthly calculations)
 Comparison with the US Fixed 1-3 Years universe (Percentile Ranking)

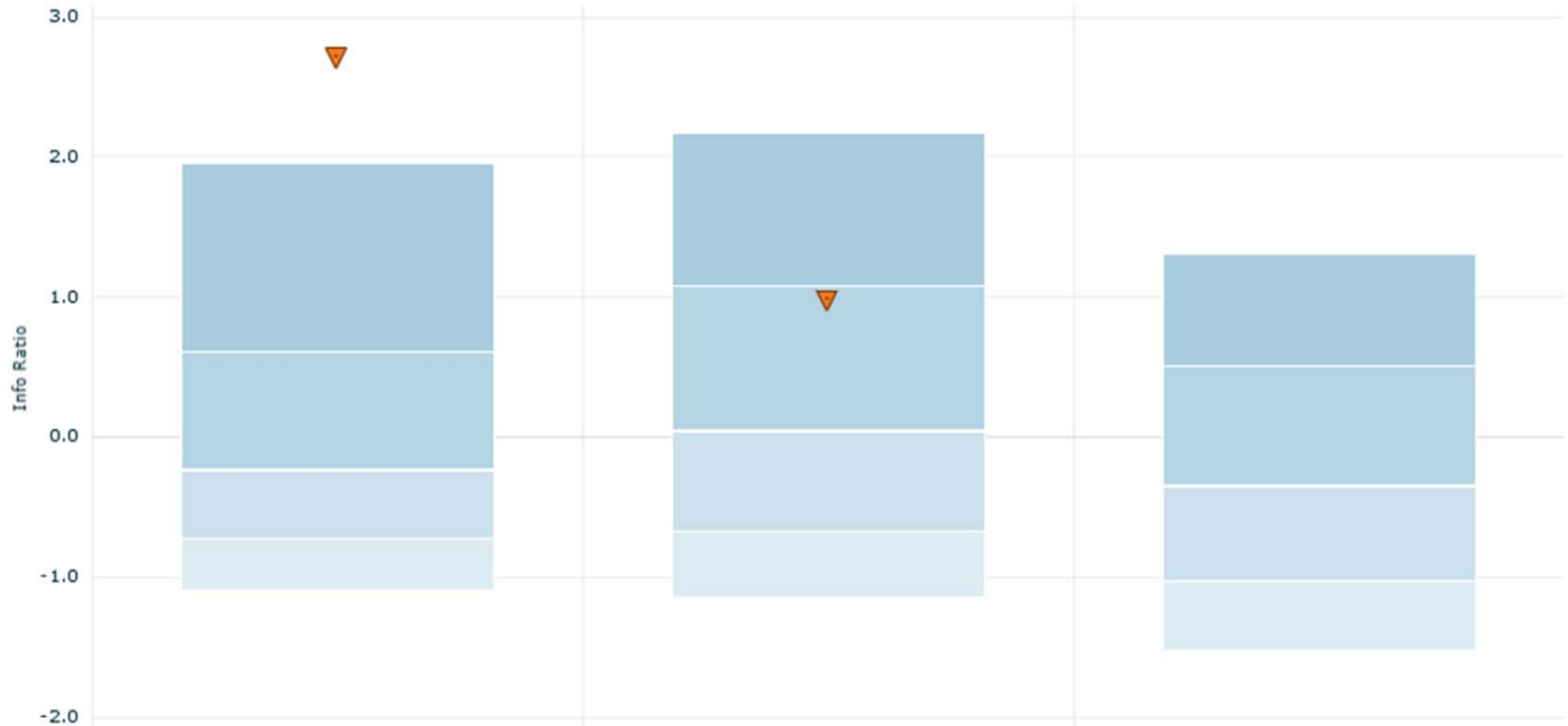


	1 yr	3 yrs	5 yrs
▶ Mor PIMCO	-1.41 (100)	0.44 (16)	0.19 (3)
5th Percentile	2.97	0.96	-0.03
Upper Quartile	1.33	0.19	-0.45
Median	0.26	-0.39	-0.92
Lower Quartile	-0.50	-0.75	-1.21
95th Percentile	-0.99	-1.09	-1.51
Number	145	115	98

Created on 14 Apr 2015 at 3:41 PM

Underlying Low Duration Bond Investments

Information Ratio vs. Stable Income Market Index in \$US (before fees) over 1 yr, 3 yrs, 5 yrs ending September-14 (monthly calculations)
 Comparison with the US Fixed 1-3 Years universe (Percentile Ranking)



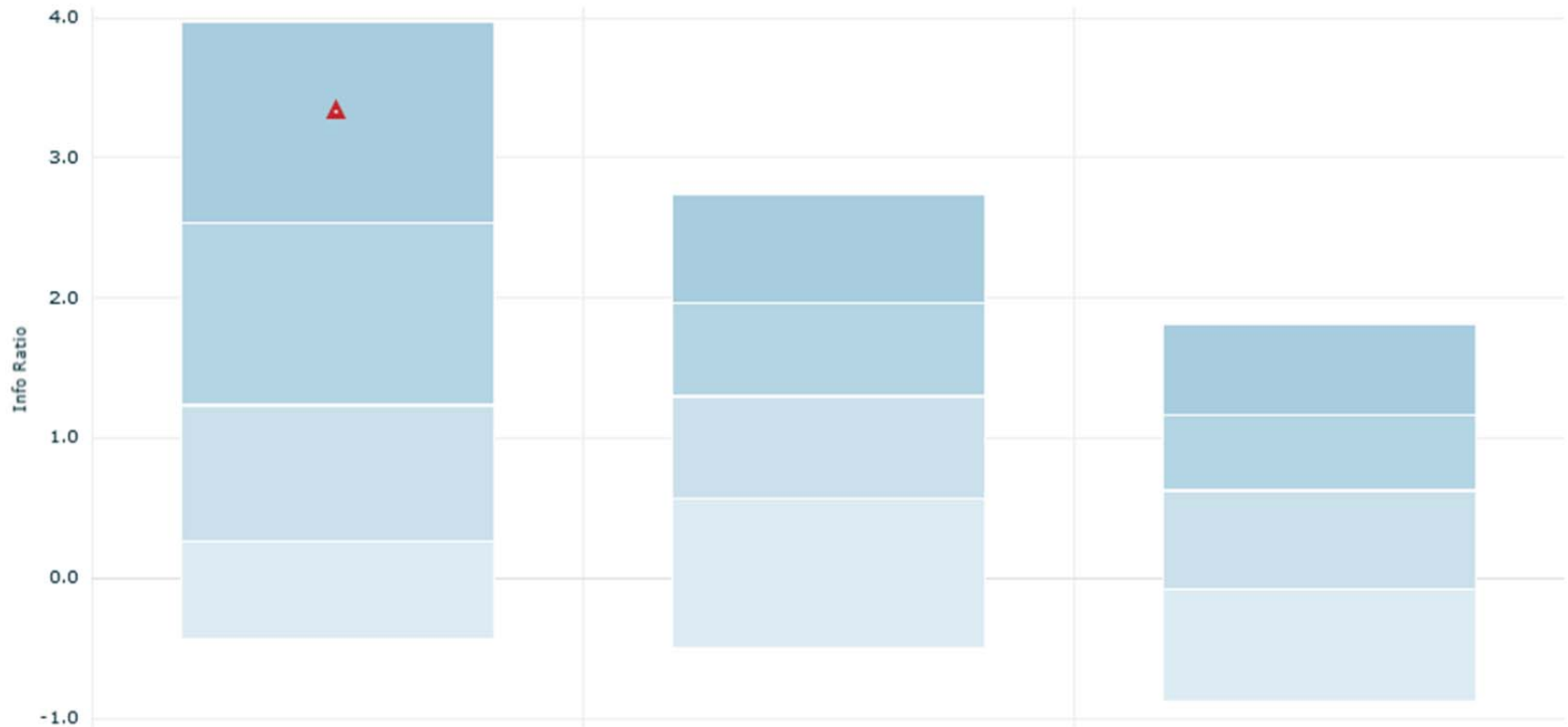
	1 yr	3 yrs	5 yrs
▼ Mor SIF	2.72 (2)	0.99 (27)	-
5th Percentile	1.96	2.18	1.30
Upper Quartile	0.61	1.08	0.51
Median	-0.24	0.04	-0.35
Lower Quartile	-0.73	-0.68	-1.02
95th Percentile	-1.09	-1.15	-1.52
Number	145	115	98

Created on 14 Apr 2015 at 3:41 PM



Underlying Low Duration Bond Investments

Information Ratio vs. Barclays Capital 1-5 Gov't in \$US (before fees) over 1 yr, 3 yrs, 5 yrs ending September-14 (monthly calculations)
 Comparison with the US Fixed 1-3 Years universe (Percentile Ranking)



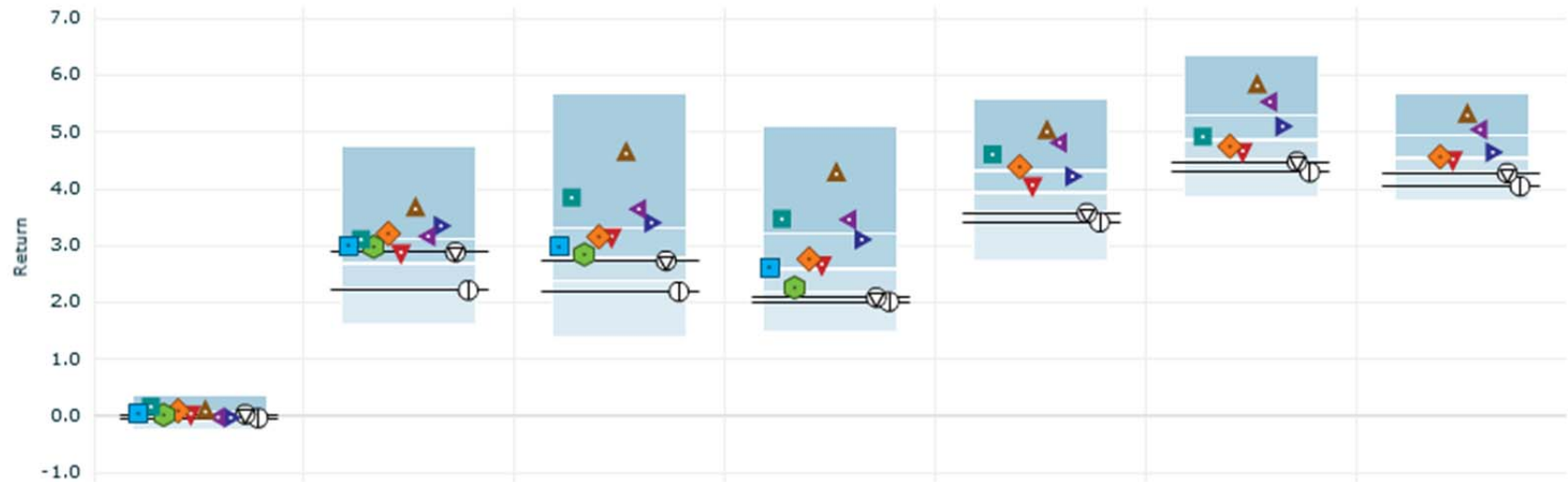
	1 yr	3 yrs	5 yrs
▲ Mor Inc I	3.33 (11)	-	-
5th Percentile	3.96	2.74	1.81
Upper Quartile	2.53	1.96	1.16
Median	1.23	1.30	0.62
Lower Quartile	0.26	0.57	-0.07
95th Percentile	-0.43	-0.49	-0.88
Number	145	115	98

Created on 14 Apr 2015 at 3:41 PM



Underlying Intermediate Duration Bond Investments

Return in \$US (before fees) over 3 mths, CY (9 mths), 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs ending September-14
 Comparison with the US Fixed Intermediate universe (Percentile Ranking)

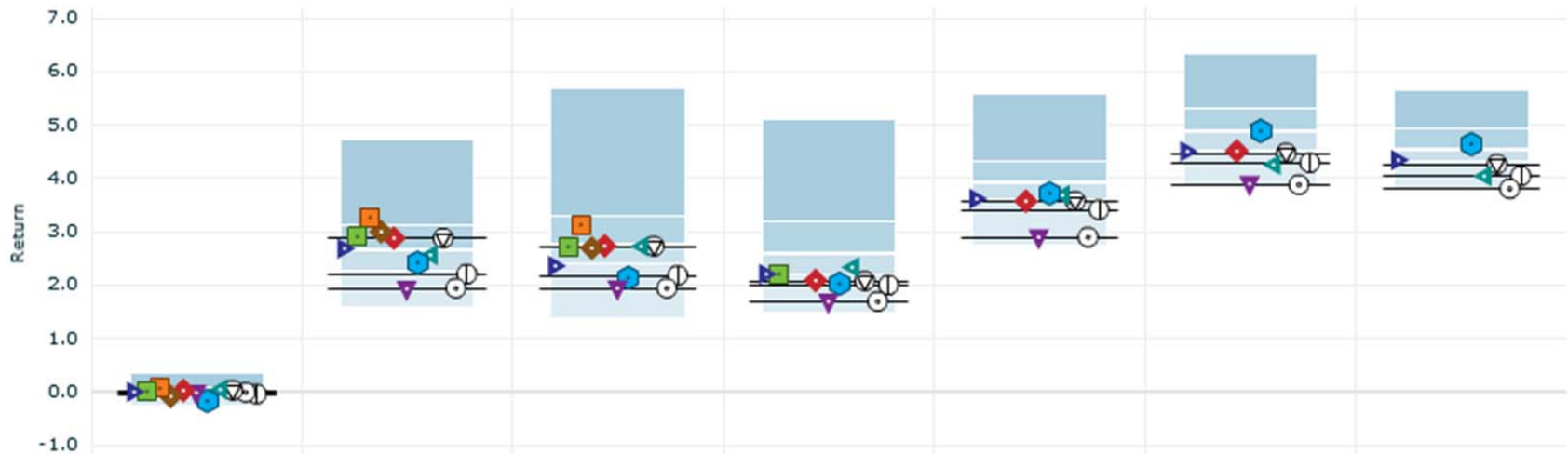


	3 mths (%)	CY (9 mths) (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)	10 yrs (%pa)
Gall WF FIF L	0.05 (37)	3.00 (32)	2.98 (41)	2.62 (49)	-	-	-
Gall WF FIF J	0.17 (13)	3.11 (26)	3.84 (15)	3.47 (17)	4.60 (16)	4.91 (44)	-
Gall WF FIF M	0.03 (42)	2.98 (33)	2.85 (48)	2.26 (74)	-	-	-
Gall WF FIF A	0.09 (25)	3.22 (21)	3.15 (30)	2.76 (43)	4.38 (23)	4.75 (60)	4.56 (49)
GSAM Int	0.05 (34)	2.88 (38)	3.16 (30)	2.68 (48)	4.07 (43)	4.67 (67)	4.52 (53)
ICMA D&C	0.08 (29)	3.65 (14)	4.62 (10)	4.26 (8)	5.00 (12)	5.81 (11)	5.29 (11)
ICMA Loomis	-0.01 (55)	3.16 (22)	3.64 (18)	3.46 (18)	4.81 (13)	5.53 (18)	5.04 (20)
ICMA Pru Int	-0.02 (58)	3.35 (19)	3.41 (22)	3.11 (28)	4.22 (35)	5.10 (35)	4.64 (41)
BCUSIAG	0.04 (39)	2.88 (37)	2.73 (53)	2.08 (81)	3.57 (78)	4.48 (81)	4.27 (79)
BCUSIGOVCR	-0.03 (62)	2.21 (77)	2.19 (84)	2.01 (83)	3.41 (83)	4.29 (86)	4.05 (90)
5th Percentile	0.36	4.74	5.67	5.11	5.59	6.34	5.67
Upper Quartile	0.09	3.12	3.31	3.21	4.32	5.30	4.94
Median	0.00	2.68	2.77	2.59	3.94	4.88	4.54
Lower Quartile	-0.07	2.27	2.40	2.21	3.59	4.51	4.32
95th Percentile	-0.24	1.60	1.40	1.50	2.75	3.85	3.81
Number	133	128	124	115	106	103	95

Created on 10 Apr 2015 at 1:30 PM

Underlying Intermediate Duration Bond Investments

Return in \$US (before fees) over 3 mths, CY (9 mths), 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs ending September-14
 Comparison with the US Fixed Intermediate universe (Percentile Ranking)

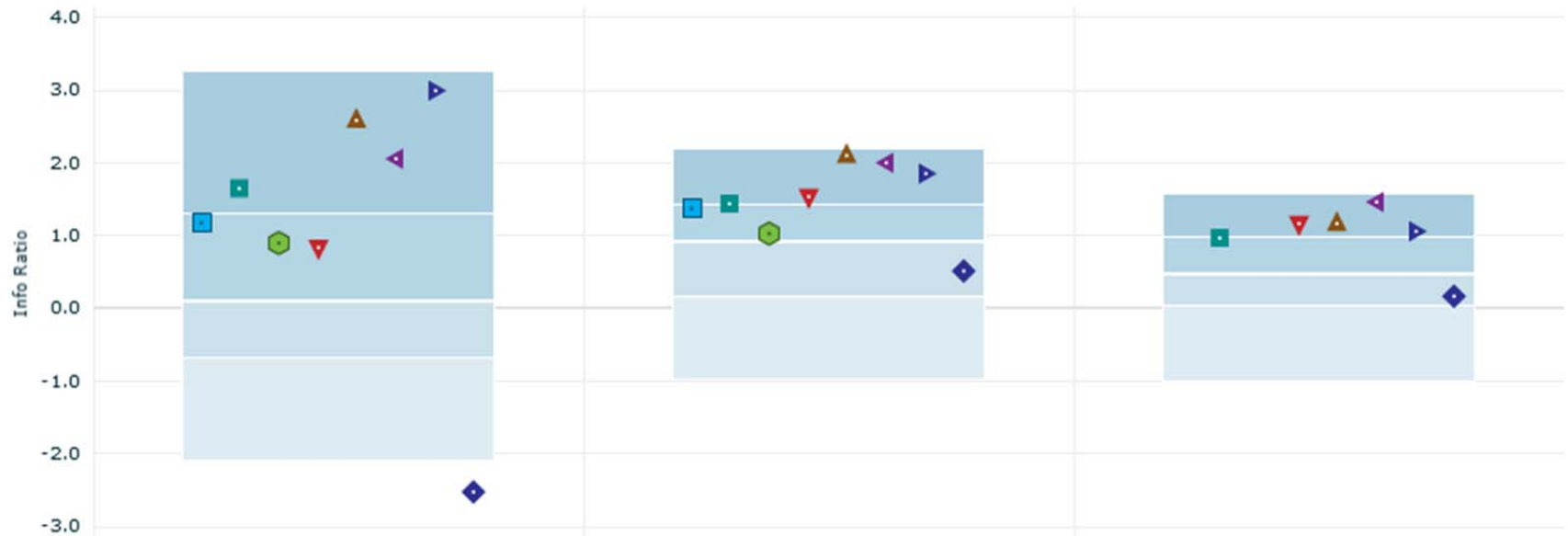


	3 mths (%)	CY (9 mths) (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)	10 yrs (%pa)
▶ Mor BR	0.01 (48)	2.69 (49)	2.37 (77)	2.21 (75)	3.62 (73)	4.51 (78)	4.34 (72)
■ Mor Pru	0.02 (45)	2.91 (37)	2.72 (54)	2.21 (75)	-	-	-
■ Mor MetLifeInt	0.08 (29)	3.27 (20)	3.13 (32)	-	-	-	-
◆ Mor Babson Int	-0.07 (78)	3.00 (32)	2.70 (56)	-	-	-	-
◆ Mor PIMCO Int	0.04 (39)	2.88 (37)	2.74 (53)	2.09 (81)	3.58 (77)	4.51 (75)	-
▼ Morley NYL	-0.01 (52)	1.94 (90)	1.95 (89)	1.70 (91)	2.90 (94)	3.90 (94)	-
● PIMCO MD SV	-0.16 (92)	2.42 (65)	2.14 (85)	2.03 (83)	3.72 (68)	4.89 (47)	4.65 (41)
◀ Standish YES	0.05 (35)	2.57 (56)	2.73 (53)	2.34 (72)	3.69 (71)	4.26 (87)	4.04 (90)
⊖ BCUSIAG	0.04 (39)	2.88 (37)	2.73 (53)	2.08 (81)	3.57 (78)	4.48 (81)	4.27 (79)
⊙ Mor NYL Idx	0.00 (49)	1.95 (90)	1.95 (89)	1.70 (91)	2.90 (94)	3.88 (94)	3.81 (95)
⊕ BCUSIGOVCR	-0.03 (62)	2.21 (77)	2.19 (84)	2.01 (83)	3.41 (83)	4.29 (86)	4.05 (90)
5th Percentile	0.36	4.74	5.67	5.11	5.59	6.34	5.67
Upper Quartile	0.09	3.12	3.31	3.21	4.32	5.30	4.94
Median	0.00	2.68	2.77	2.59	3.94	4.88	4.54
Lower Quartile	-0.07	2.27	2.40	2.21	3.59	4.51	4.32
95th Percentile	-0.24	1.60	1.40	1.50	2.75	3.85	3.81
Number	133	128	124	115	106	103	95

Created on 10 Apr 2015 at 1:30 PM

Underlying Intermediate Duration Bond Investments

Information Ratio vs. Barclays US Intermediate Aggregate in \$US (before fees) over 1 yr, 3 yrs, 5 yrs ending September-14 (monthly calculations)
 Comparison with the US Fixed Intermediate universe (Percentile Ranking)



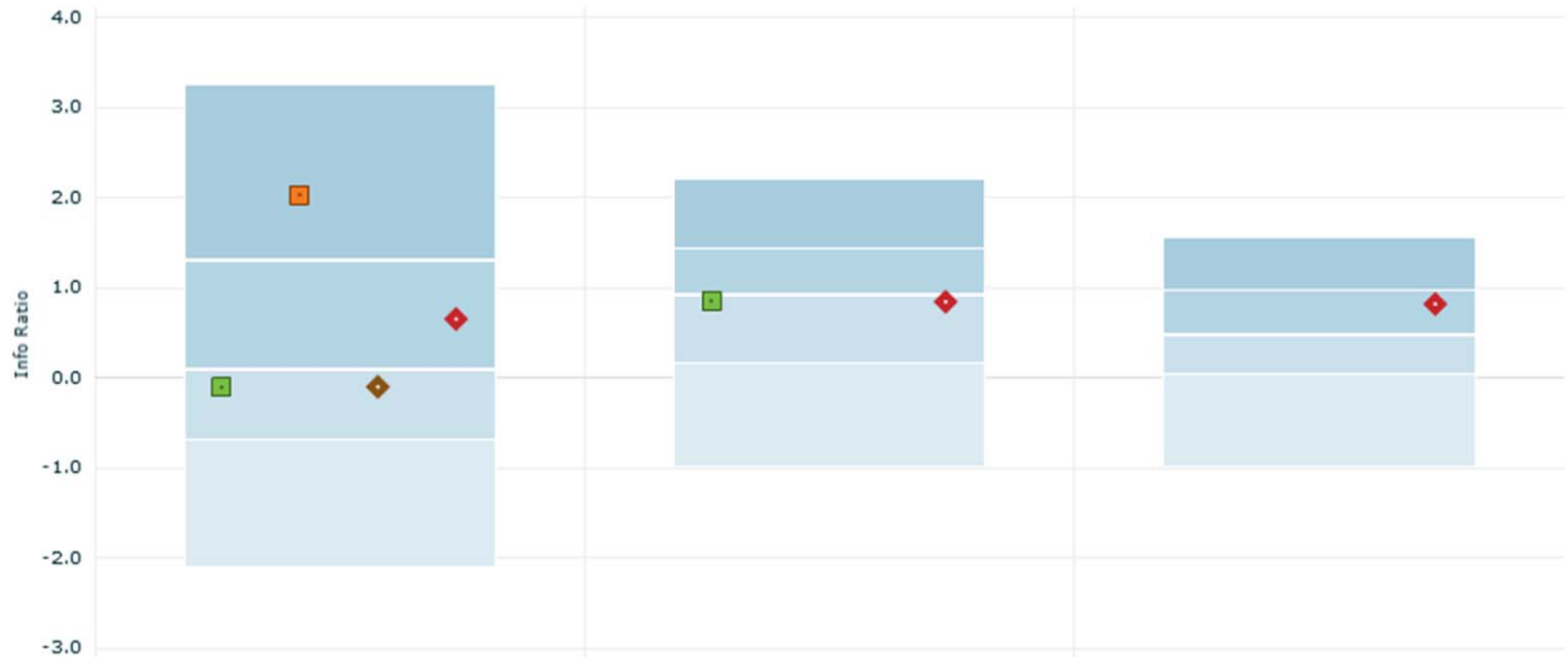
	1 yr	3 yrs	5 yrs
■ Gall WF FIF L	1.18 (29)	1.38 (29)	-
■ Gall WF FIF J	1.65 (20)	1.44 (25)	0.97 (26)
■ Gall WF FIF M	0.90 (32)	1.03 (47)	-
▼ GSAM Int	0.84 (33)	1.54 (20)	1.17 (18)
▲ ICMA D&C	2.59 (7)	2.10 (7)	1.16 (18)
▼ ICMA Loomis	2.06 (14)	2.00 (7)	1.46 (8)
▶ ICMA Pru Int	2.99 (6)	1.86 (13)	1.06 (21)
◆ Mor BR	-2.52 (96)	0.52 (66)	0.17 (72)
5th Percentile	3.27	2.21	1.57
Upper Quartile	1.31	1.44	0.97
Median	0.10	0.93	0.48
Lower Quartile	-0.68	0.17	0.05
95th Percentile	-2.09	-0.98	-0.99
Number	123	113	99

Created on 14 Apr 2015 at 3:50 PM



Underlying Intermediate Duration Bond Investments

Information Ratio vs. Barclays US Intermediate Aggregate in \$US (before fees) over 1 yr, 3 yrs, 5 yrs ending September-14 (monthly calculations)
 Comparison with the US Fixed Intermediate universe (Percentile Ranking)



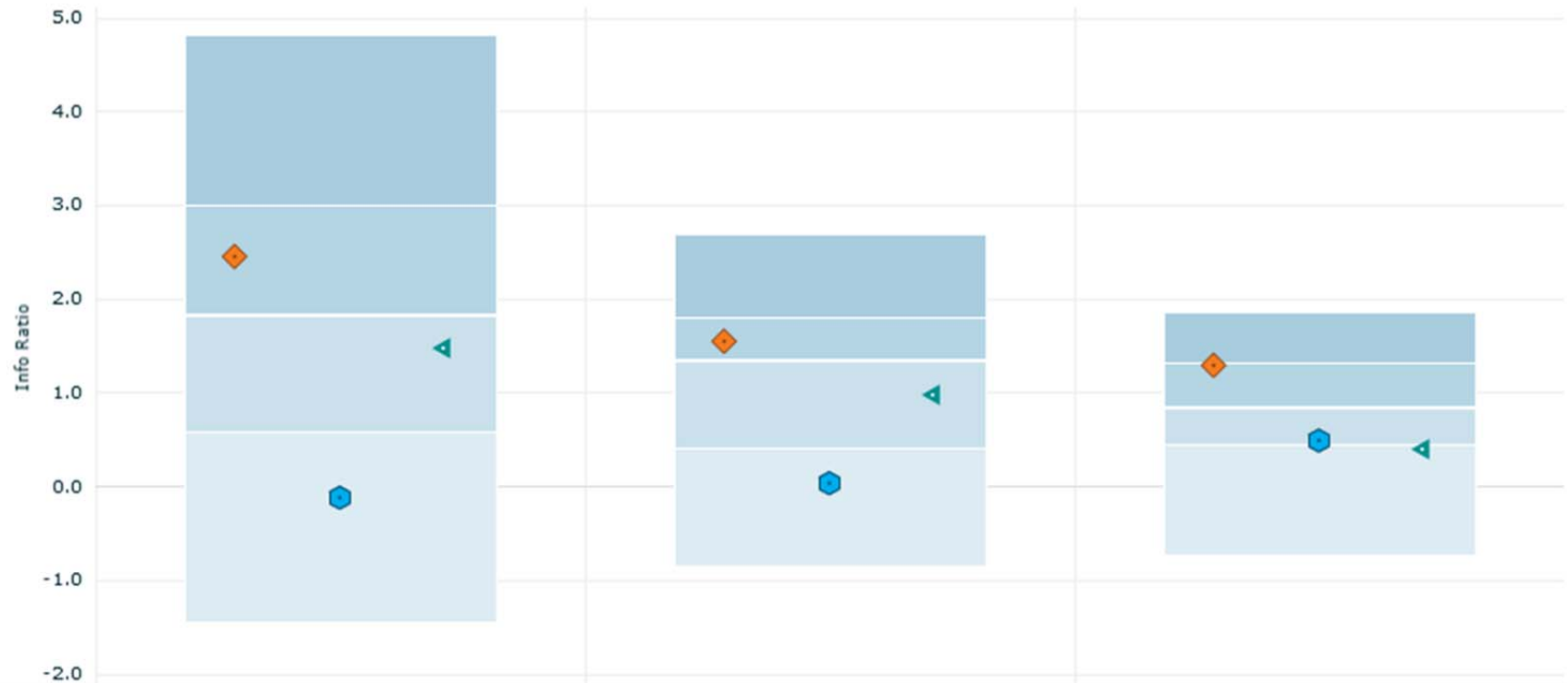
	1 yr	3 yrs	5 yrs
■ Mor Pru	-0.10 (56)	0.86 (51)	-
■ Mor MetLifeInt	2.03 (15)	-	-
◆ Mor Babson Int	-0.10 (56)	-	-
◆ Mor PIMCO Int	0.66 (37)	0.85 (51)	0.82 (36)
5th Percentile	3.27	2.21	1.57
Upper Quartile	1.31	1.44	0.97
Median	0.10	0.93	0.48
Lower Quartile	-0.68	0.17	0.05
95th Percentile	-2.09	-0.98	-0.99
Number	123	113	99

Created on 14 Apr 2015 at 3:52 PM



Underlying Intermediate Duration Bond Investments

Information Ratio vs. Barclays US Intermediate Govt/Credit in \$US (before fees) over 1 yr, 3 yrs, 5 yrs ending September-14 (monthly calculations)
 Comparison with the US Fixed Intermediate universe (Percentile Ranking)



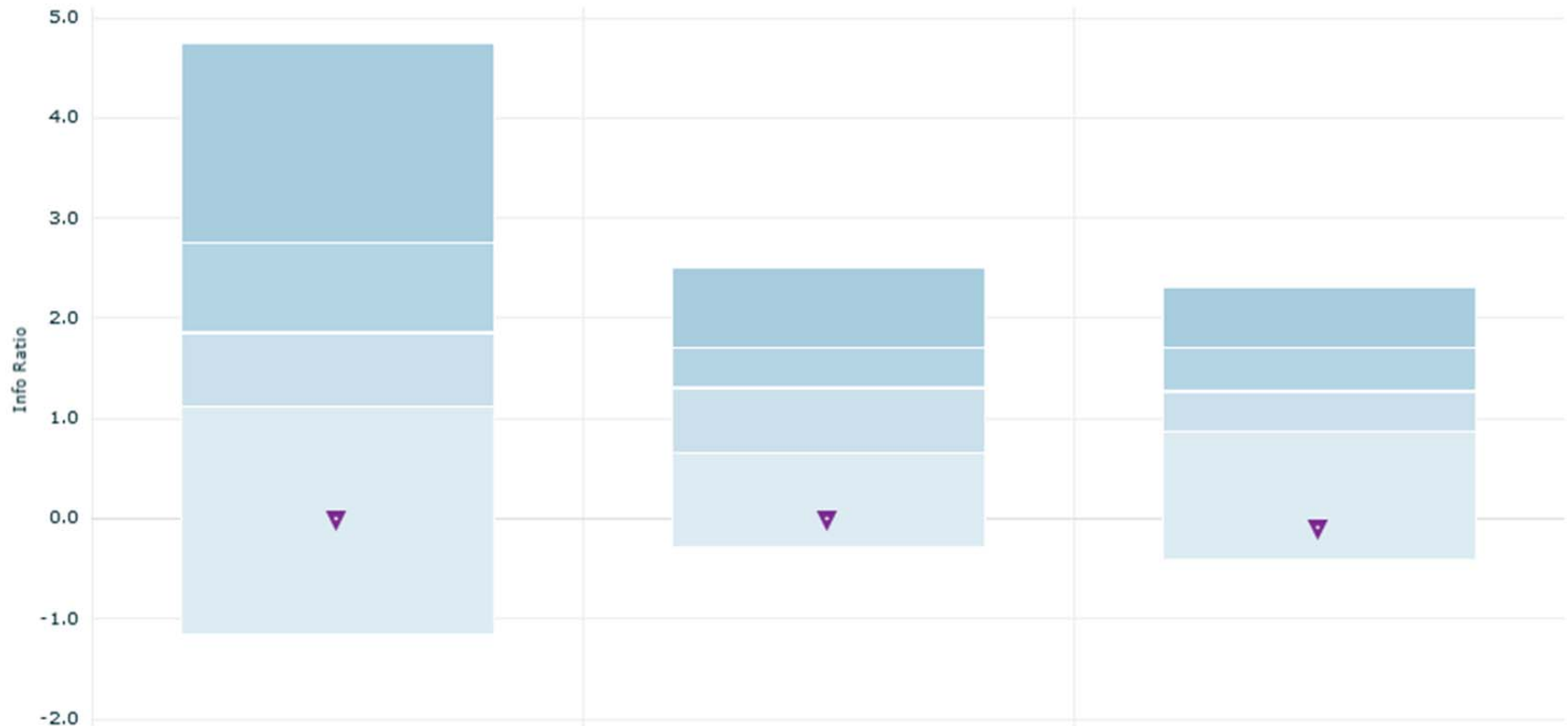
	1 yr	3 yrs	5 yrs
◆ Gall WF FIF A	2.46 (37)	1.55 (35)	1.29 (26)
⬢ PIMCO MD SV	-0.12 (84)	0.04 (82)	0.50 (70)
◀ Standish YES	1.48 (56)	0.98 (58)	0.40 (78)
5th Percentile	4.82	2.68	1.87
Upper Quartile	3.01	1.81	1.32
Median	1.84	1.35	0.84
Lower Quartile	0.58	0.41	0.44
95th Percentile	-1.44	-0.86	-0.74
Number	123	113	99

Created on 14 Apr 2015 at 3:52 PM



Underlying Intermediate Duration Bond Investments

Information Ratio vs. Morley NYL Custom Index in \$US (before fees) over 1 yr, 3 yrs, 5 yrs ending September-14 (monthly calculations)
 Comparison with the US Fixed Intermediate universe (Percentile Ranking)



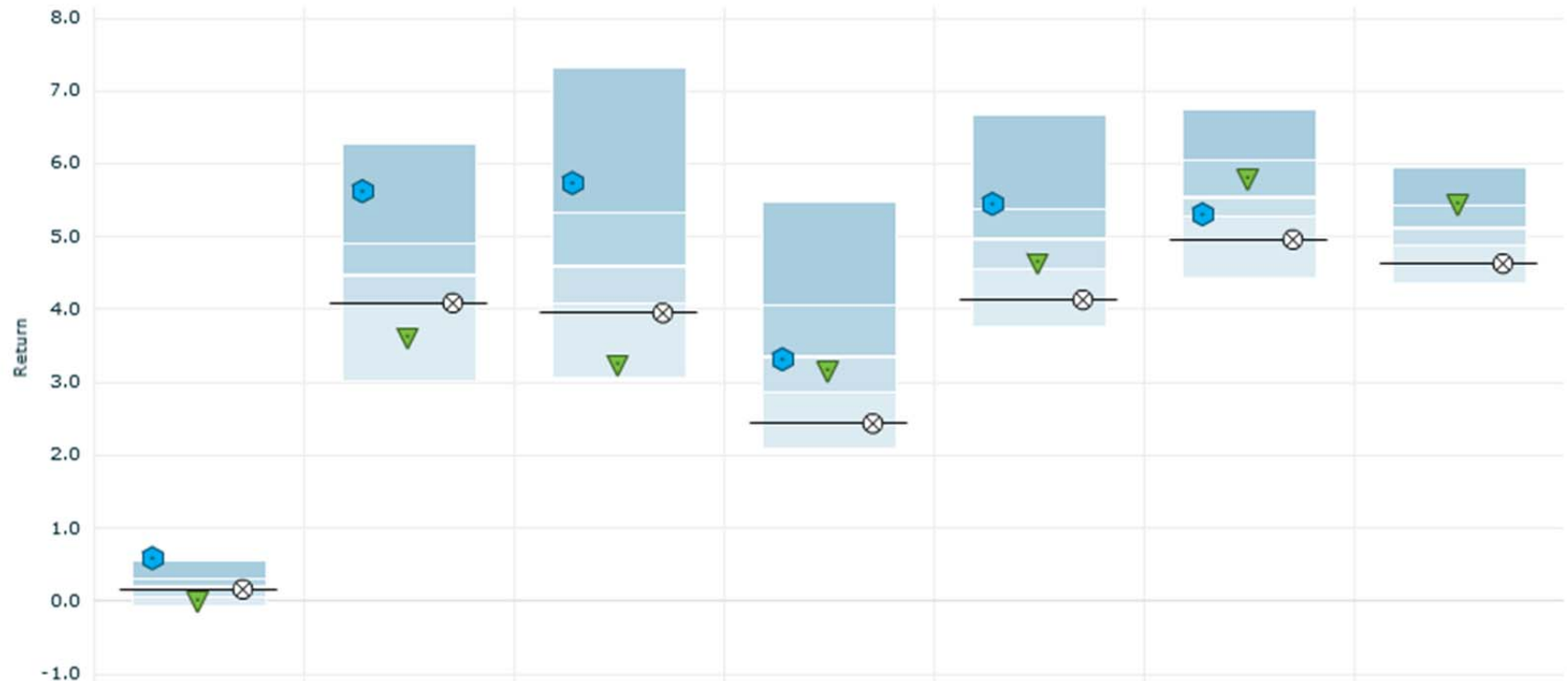
	1 yr	3 yrs	5 yrs
▼ Morley NYL	0.00 (89)	0.00 (91)	-0.08 (94)
5th Percentile	4.75	2.51	2.32
Upper Quartile	2.76	1.70	1.70
Median	1.85	1.31	1.28
Lower Quartile	1.12	0.67	0.87
95th Percentile	-1.16	-0.28	-0.41
Number	123	113	99

Created on 14 Apr 2015 at 3:52 PM



Underlying Aggregate Market Duration Bond Investments

Return in \$US (before fees) over 3 mths, CY (9 mths), 1 yr, 3 yrs, 5 yrs, 7 yrs, 10 yrs ending September-14
 Comparison with the US Fixed Core Investment Grade universe (Percentile Ranking)



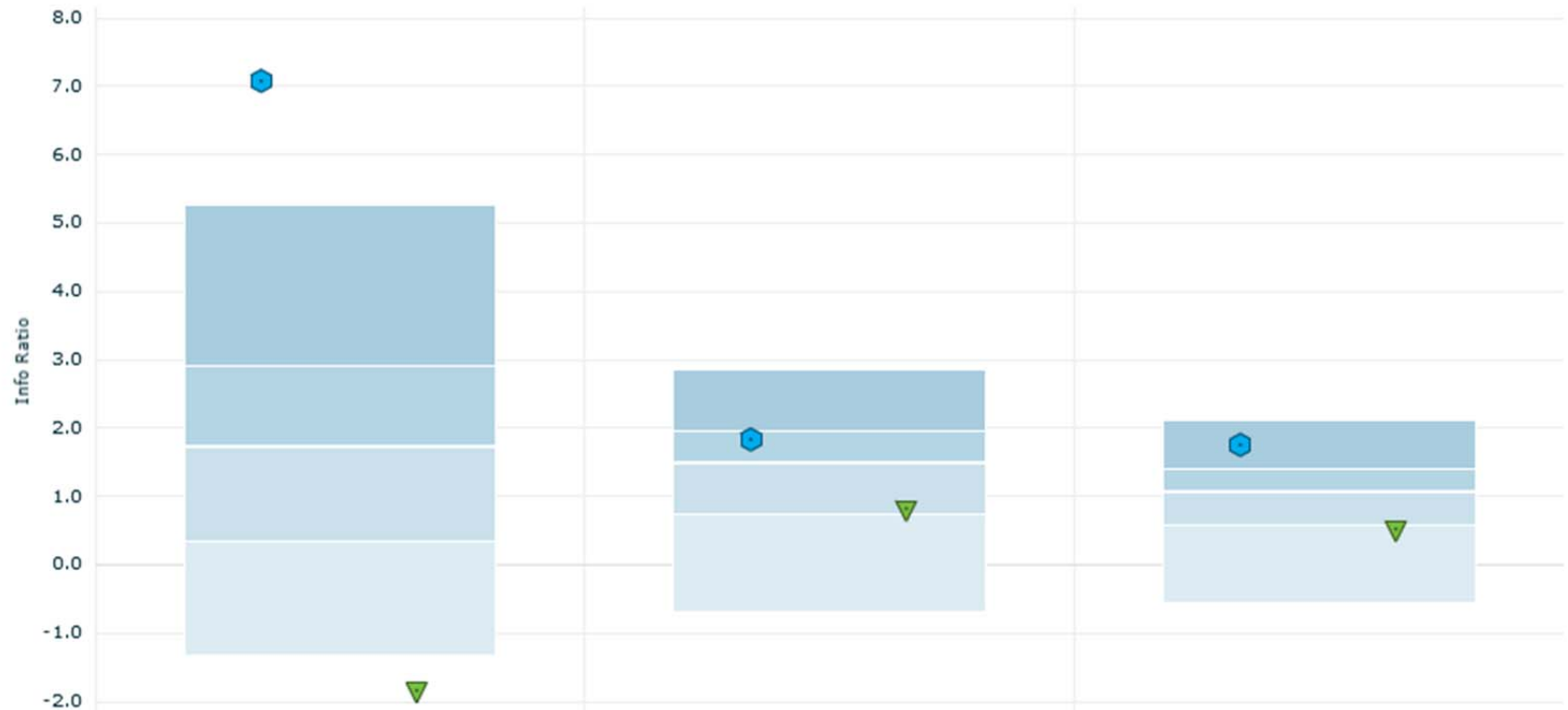
	3 mths (%)	CY (9 mths) (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	7 yrs (%pa)	10 yrs (%pa)
ICMA Western	0.59 (4)	5.62 (11)	5.73 (16)	3.32 (51)	5.45 (23)	5.31 (74)	-
PIMCO TR	0.02 (83)	3.63 (89)	3.26 (93)	3.17 (61)	4.66 (70)	5.81 (35)	5.46 (24)
BCUSAG	0.16 (56)	4.09 (74)	3.95 (79)	2.44 (89)	4.13 (89)	4.96 (87)	4.63 (89)
5th Percentile	0.56	6.28	7.32	5.47	6.67	6.74	5.96
Upper Quartile	0.32	4.90	5.34	4.05	5.38	6.06	5.44
Median	0.18	4.46	4.60	3.35	4.96	5.53	5.11
Lower Quartile	0.06	4.08	4.10	2.86	4.55	5.28	4.89
95th Percentile	-0.07	3.03	3.06	2.10	3.77	4.44	4.36
Number	196	190	185	167	150	142	137

Created on 10 Apr 2015 at 1:35 PM



Underlying Aggregate Market Duration Bond Investments

Information Ratio vs. Barclays US Aggregate in \$US (before fees) over 1 yr, 3 yrs, 5 yrs ending September-14 (monthly calculations)
 Comparison with the US Fixed Core Investment Grade universe (Percentile Ranking)



	1 yr	3 yrs	5 yrs
ICMA Western	7.08 (1)	1.84 (32)	1.76 (13)
PIMCO TR	-1.83 (98)	0.82 (74)	0.53 (76)
5th Percentile	5.27	2.85	2.12
Upper Quartile	2.92	1.96	1.41
Median	1.74	1.49	1.08
Lower Quartile	0.35	0.74	0.58
95th Percentile	-1.32	-0.69	-0.55
Number	184	164	146

Created on 14 Apr 2015 at 3:55 PM



5

Administrative & Reporting

Stable Value Discretionary Manager RFP Client Service and Reporting					
Respondent	How Often are Statements Provided?	Are the Back Office Functions In-House or Out-Sourced?	Will Your Firm Attend Quarterly Board meetings, Quarterly Investment Committee Meetings?	Assistance Provided for Participant Communication?	Can Your Firm Provide Daily Liquidity?
Galliard	Monthly	In-House	Yes	Yes	Yes
Goldman Sachs	Monthly	In-House	Yes	Yes	Yes
ICMA-RC	Monthly	In-House	Yes	Yes	Yes
Morley	Monthly	In-House	Yes	Yes	Yes
PIMCO	Monthly	Both	Yes	Yes	Yes
Standish	Monthly	In-House	Yes	Yes	Yes

6

Fees

Total fees for each candidate were evaluated. These fees consist of the investment (internal and external) management fees, wrap fees for book value contracts, and custody or other costs, if any.

Overview

Stable Value Discretionary Manager RFP Estimated Fees for a Placement of \$970.0 Million						
Respondent	Investment Management Fees		Total Inv. Mgt. Fees Over All Assets	Wrap Fees	Additional Fees	Total Fees Separate Account
	Internal Mgt. Fee	External Mgt. Fees				
Galliard Capital Management (Continue with Existing Structure)	0.075%	0.039%	0.114%	0.173%	0.015%	0.302%
Galliard Capital Management (Proposed New Structure)	0.075%	0.052%	0.127%	0.173%	0.015%	0.315%
Goldman Sachs (Partially Externally Managed Proposal)	0.084%	0.036%	0.120%	0.20%	0.000%	0.316%
ICMA-RC (Partially Externally Managed Proposal)	0.050%	0.102%	0.152%	0.16%	0.012%	0.323%
Morley (Partially Externally Managed Proposal)	0.051%	0.088%	0.140%	0.17%	0.020%	0.330%
PIMCO (Internally Managed Proposal)	0.165%	0.000%	0.165%	0.18%	0.020%	0.365%
Standish (Internally Managed Proposal)	0.063%	0.000%	0.063%	0.19%	0.005%	0.262%

Note: Additional details regarding the calculation of the stable value provider fees can be found on the following two pages.

Fee Details

Stable Value Discretionary Manager RFP Estimated Fees for a Placement of \$970.0 Million								
Respondent	Stable Value Investment Management Fee (1)		What Percentage of Assets will be Managed Externally?	Can External Management be Utilized?	What is the Fee For External Management? In Dollars	External Mgt. Fees (in %) Over All Assets	Total Inv. Mgt. Fees Over All Assets	
	In Dollars	In Percentage						
Galliard Capital Management (Continue with Existing Structure)	\$727,500	0.075%	20.0% (2)	Yes	\$378,300 (3)	0.039%	0.114%	
Galliard Capital Management (Proposed New Structure)	\$727,500	0.075%	30.0% (4)	Yes	\$504,400 (5)	0.052%	0.127%	
Goldman Sachs (Partially Externally Managed Proposal)	\$812,000	0.084%	30.0% (6)	Yes	\$349,200 (7)	0.036%	0.120%	
ICMA-RC (Partially Externally Managed Proposal)	\$485,000	0.050% (8)	86.9% (9)	Yes	\$990,215 (10)	0.102%	0.152%	
Morley (Partially Externally Managed Proposal)	\$498,000	0.051%	54.4% (11)	Yes	\$858,062 (12)	0.088%	0.140%	
PIMCO (Internally Managed Proposal)	\$1,605,000	0.165%	0.0%	No	\$0	0.000%	0.165%	
Standish (Internally Managed Proposal)	\$612,380 (13)	0.063%	0.0%	No	\$0	0.000%	0.063%	

(1) Fee paid to selected manager.

(2) Represents an allocation to 20% to Prudential Intermediate Aggregate (Wells Fargo Fixed Income Fund M).

(3) Represents a fee of 0.065% for Prudential Intermediate Aggregate Commingled Pool (0.013% on a Total Fund w eighted average basis) and the total embedded fees associated with the Galliard managed collective funds at 0.0264% on a Total Fund w eighted average basis.

(4) Represents 15% allocation to Prudential Int. Agg. Commingled Pool (Wells Fargo Fixed Income Fund M) and 15% allocation to Dodge & Cox Int. Agg. Commingled Pool (Wells Fargo Fixed Income Fund J).

(5) Represents a fee of 0.065% for Prudential Int. Agg. Commingled Pool (0.0098% on a Total Fund w eighted average basis) and a fee of 0.111% for Dodge & Cox Int. Agg. Commingled Pool (0.0167% on a Total Fund w eighted average basis) and the total embedded fees associated with the Galliard managed collective funds at 0.0256% for the proposed structure.

(6) Represents 15.0% allocation to Loomis Sayles Intermediate and 15% allocation to Prudential Core Intermediate.

(7) Represents a fee of 0.15% for Loomis Sayles Intermediate and a fee of 0.09% for Prudential Core Intermediate.

(8) ICMA-RC would provide fee w aivers for the first two years of the relationship. The first year w aiver would be 0.02% for a net fee of 0.03%. The second year w aiver would be 0.01% for a net fee of 0.04%. Total fees would be calculated at 0.30% for year 1 and 0.31% for year 2.

(9) Represents 10.0% allocation to Wells Fargo Stable Return Fund, 8.9% allocation to Vanguard Short-Term Fund, 19.4% allocation to Prudential Int. Agg., 11.0% allocation to Western Core Agg., 12.0% allocation to Dodge & Cox Int. Agg., 10.8% allocation to Loomis Sayles Int. Agg. and 14.8% allocation to MetLife Fixed Maturity Portfolio.

(10) Represents a fee of 0.231% for Wells Fargo Stable Return Fund, 0.07% for Vanguard Short-Term Fund, 0.115% for Prudential Int. Agg., 0.17% for Western Core Agg., 0.13% for Dodge & Cox Int. Agg., 0.15% for Loomis Sayles Int. Agg. There is no fee associated with the MetLife Fixed Maturity Portfolio as the fees are embedded in the spread.

(11) Represents 5% allocation to Babson 1-5 G/C, 19.4% allocation to Prudential Intermediate Aggregate, 20% allocation to Babson Intermediate Aggregate and 10% allocation to Voya Intermediate Aggregate.

(12) Represents a fee of 0.18% for Babson 1-5 G/C, 0.09% for Prudential Intermediate Aggregate, 0.18% for Babson Intermediate Aggregate and a fee of 0.22% for Voya Intermediate Aggregate.

(13) Represents a fee of 0.048% for Standish overlay fee and 0.015% for Standish Yield Enhanced Strategy (YES).

Fee Details

Stable Value Discretionary Manager RFP Estimated Fees for a Placement of \$970.0 Million							
Respondent	Wrap Fees		Any Additional Fees Not Previously Listed?		Total Fees Separate Account		
	In Dollars	In Percentage	In Dollars	In Percentage	In Dollars	In Percentage	
Galliard Capital Management (Continue with Existing Structure)	\$1,678,100 (14)	0.173%	\$145,500 (15)	0.015%	\$2,929,400	0.302%	
Galliard Capital Management (Proposed New Structure)	\$1,678,100 (14)	0.173%	\$145,500 (15)	0.015%	\$3,055,500	0.315%	
Goldman Sachs (Partially Externally Managed Proposal)	\$1,901,200 (16)	0.20%	\$0	0.000%	\$3,062,400	0.316%	
ICMA-RC (Partially Externally Managed Proposal)	\$1,535,122 (17)	0.16%	\$118,233 (18)	0.012%	\$3,128,570	0.323%	
Morley (Partially Externally Managed Proposal)	\$1,649,000 (14)	0.17%	\$194,000 (19)	0.020%	\$3,199,062	0.330%	
PIMCO (Internally Managed Proposal)	\$1,746,000 (14)	0.18%	\$194,000 (20)	0.020%	\$3,545,000	0.365%	
Standish (Internally Managed Proposal)	\$1,881,800 (14)	0.19%	\$48,500 (21)	0.005%	\$2,542,680	0.262%	

(14) Wrap Fees calculated over all assets.

(15) Represents Wells Fargo Stable Return Fund and Wells Fargo Fixed Income Collective Funds third party expenses.

(16) Wrap Fees calculated over 98% of assets. The remaining 2% represents cash.

(17) Wrap Fees calculated over all assets, but does not include the wrap fees for the 14.8% allocation to the MetLife Fixed Maturity Portfolio (as fees are taken from the spread).

(18) Represents 0.12% investment management fee for the Vantage Plus Stable Value CIT (10.0% allocation) and 0.009% fee for the Wells Fargo STIF (2.1% allocation).

(19) Represents acquired fund fees as a weighted average of assets.

(20) Represents custody fees as a weighted average of assets.

(21) Represents 0.10% fee on a weighted average of assets for cash.

Appendix

Scoring Methodology

City of Los Angeles Deferred Compensation Plan Stable Value Manager Search Scoring Methodology			
ORGANIZATIONAL QUALIFICATIONS	Subset Point Total	Percent of Total	Point allowance (not answered = 0% of points)
Organization Strength & Continuity (25 points)			
Org structure consistent with interest of investors	10.0	2%	Yes = 100% of points; No = 0% of points
Any pending plans to sell, merge, or reorganize the Company?	5.0	1%	No = 100% of points; Yes = 0% of points
Personnel stability - Consistency in senior management?	7.5	2%	Yes = 100% of points; No = 0% of points
Personnel stability - Average tenure of senior management	7.5	2%	Over 15 years = 100% of points; 11-15 years = 75% of points; 6-10 years = 50% of points; 0-5 years = 10% of points; not answered = 0% of points
Personnel stability - Average strategy specific turnover over past 3 years	10.0	2%	< 10% = 100% of points; 11-15% = 75% points; 15-20% = 50% of points; more or not answered = 0% of points
Business resiliency - Robust business continuity plan in place?	2.0	0%	Yes = 100% of points; No = 0% of points
Business resiliency - Has firm been subject to regulatory/disciplinary action in recent years?	2.0	0%	No = 100% of points; Yes = 0% of points
Business resiliency - Has the company been party to material litigation over the last 5 years?	2.0	0%	No = 100% of points; Yes = 0% of points
Business resiliency - Has the Company had a contract terminated for default in the last 5 years?	2.0	0%	No = 100% of points; Yes = 0% of points
Business resiliency - Has the Company or its subsidiaries ever filed for bankruptcy?	2.0	0%	No = 100% of points; Yes = 0% of points
Investment Experience (50 points)			
Firm Tenure - Length of Stable Value Investing	10.0	2%	15 or more years = 100% of points; 10-15 = 50%; 5-10 = 25%; less than 5 = 0% pts
AUM & Clients - Total Separate Account Stable Value Discretionary Assets	7.5	2%	Over \$25 billion = 100% of points; \$15-\$25 billion = 80% of points; \$10-\$15 billion = 60% of points; \$5-\$10 billion = 40% of points; Under \$5 billion = 20% of points
AUM & Clients - Total Number of Separate Accounts	7.5	2%	Over 50 accts = 100% of pts; 40-49 = 80% of pts; 30-39 = 60% of pts; 20-29 = 40% of pts; less than 20 = 20% of pts
Strategy specific personnel - Stand Alone Group Dedicated to Stable Value	12.5	3%	Yes = 100% of points; No = 0% of points
Strategy-specific investment personnel - Size of stable value team (Portfolio Managers/Investmer	12.5	3%	Greater than 20 = 100% of pts; 10-20 = 67% of pts; less than 10 = 33% of pts

Scoring Methodology

Investment Approach & Process (125 points)	Subset Point Total	Percent of Total	Point allowance (not answered = 0% of points)
Internal management capabilities	20.0	4%	Dedicated Fixed Income/Stable Value Resources: Yes = 100% of points; No = 0%
Strategy - Will Own Commingled Units vs. Buy & Hold	5.0	1%	Yes = 100% of points; No = 0% of points
Strategy - Duration of 3 years	5.0	1%	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
Strategy - Credit Quality	5.0	1%	AA+ = 100% of points; AA = 80% of points; AA- = 70% of points; other = 40% point
Strategy - Cash of 1-3% of Assets	5.0	1%	1-3% = 100% of points; up to 5% = 80% of points; up to 10% = 60% points; other = 40% of points
Strategy - Have Exposure to Short-Duration, Intermediate and Core Segments of Fixed Income U	5.0	1%	Exposure to All 3 = 100% of points; 2 of 3 = 80% points; 1 of 3 = 60% of points; 0 of 3 = 40% of points
External management capabilities - Suggested Exposure to External Management	10.0	2%	Yes = 100% of points; No = 0% of points
External management capabilities - Ability to Choose External Management	10.0	2%	Yes = 100% of points; No = 0% of points
Risk Management - Ability to sufficiently minimize volatility in the Portfolio	15.0	3%	Yes = 100% of points; No = 0% of points
Wrap capacity, selection, and negotiation - Diversification of BV wrappers	10.0	2%	< 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
Wrap capacity, selection, and negotiation - Credit Quality of BV Wrappers	10.0	2%	AA = 100% of points; AA- = 80% of points; A = 60% of points; other = 50% of points
Current and historical port. structuring - Use of Securities Lending	5.0	1%	No = 100% of points; Yes = 0% of points
			*Current Yield (4.00%+ = 100% of 5 points, 3.00-3.99% = 80% of 5 points; 2.00-2.99% = 60% of 5 points; 1.00-1.99% = 40% of 5 points; < 1.00% = 20% of 5 points)
Current and historical port. structuring - avg over last 7 years	20.0	4%	*Weighted Avg Quality (AA+ = 100% of 5 points, AA = 80% of 5 points; AA- = 60% of 5 points; A+ = 40% of 5 points; A or Less = 20% of 5 points)
			*MV/BV % (105%+ = 100% of 5 points, 102-104.99% = 80% of 5 points, 100-101.99% = 60% of 5 points, <100% = 40% of 5 points)
			*General Account Exposure (0.0% = 100% of 5 points, < 5.0% = 80% of 5 points; < 10.0% = 60% of 5 points; < 15% = 40% of 5 points; < 20% = 20% of 5 points)

Scoring Methodology

Investment Performance (125 points)	Subset Point Total	Percent of Total	Point allowance (not answered = 0% of points)
Stable Value Composite (3 & 5 Year Performance Rank)	50.0	10%	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
Underlying Manager Performance: (Average 3 & 5 Year Performance Rank for Proposed Strategies)	37.5	8%	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
Underlying Manager risk-adjusted performance: (Average 3 & 5 Year Information Ratio Rank for Proposed Strategies)	37.5	8%	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
Portfolio Transition (25 Points)			
Acceptable Transition of Existing MV/BV Relationships?	25.0	5%	Yes = 100% of points; Unclear plan = 50% of points; Unattractive plan = 0% of points
Administrative & Reporting (25 points)			
Accounting - Ability to provide TPA with daily valued NAV	10.0	2%	Yes = 100% of points; No = 0% of points
Accounting - How Frequently Does Firm Supply Statements?	5.0	1%	Monthly = 100% of points; Quarterly = 50% of points; Longer = 0% of points
Communications - Participant communications capabilities	5.0	1%	Strong capabilities = 100% of points ; average capabilities = 50% of points; poor = 0% of points
Communications - Back Office Staff in Place to Handle Client Needs and Meetings	5.0	1%	Yes = 100% of points; No = 0% of points
Fees (100 points)	100.0	20%	Using a weighted average of the lowest bid
TOTAL	500.0	100%	

Scoring Methodology

City of Los Angeles Deferred Compensation Plan Total Fee Scoring			
Bidders	$\frac{\text{Lowest Fee}}{\text{Offeror's Fee}} \times 100 =$	Evaluation Points	\$970.0 Million
Galliard (Partially Externally Managed Proposal)	$\frac{\$ 2,542,680}{\$ 3,055,500} \times 100 =$	83	31.5 bps
			\$ 3,055,500
GSAM (Partially Externally Managed Proposal)	$\frac{\$ 2,542,680}{\$ 3,062,400} \times 100 =$	83	31.6 bps
			\$ 3,062,400
ICMA-RC (Partially Externally Managed Proposal)	$\frac{\$ 2,542,680}{\$ 3,128,570} \times 100 =$	81	32.3 bps
			\$ 3,128,570
Morley (Partially Externally Managed Proposal)	$\frac{\$ 2,542,680}{\$ 3,199,062} \times 100 =$	79	33.0 bps
			\$ 3,199,062
PIMCO (Internally Managed Proposal)	$\frac{\$ 2,542,680}{\$ 3,545,000} \times 100 =$	72	36.5 bps
			\$ 3,545,000
Standish (Internally Managed Proposal)	$\frac{\$ 2,542,680}{\$ 2,542,680} \times 100 =$	100	26.2 bps
			\$ 2,542,680

Manager Proposed Structure

Underlying Fixed Income Sector	Galliard	Manager	BV Wrapper [Manager]	Goldman	Manager	BV Wrapper [Manager]	ICMA-RC	Manager	BV Wrapper [Manager]
Cash/STIF	2.0%	Wells Fargo	N/A	2.0%	Wells Fargo	N/A	2.1%	Wells Fargo	N/A
Commingled SVF	10.0%	Wells Fargo Stable Return Fund	Various				20.0%	Wells Fargo Stable Return Fund (10.0%) ICMA-RC Vantage Plus Fund (10.0%)	Various
GICs									
Buy & Hold Fixed Maturity				30.0%	GSAM Term Funds (30.0%)	Various Wrappers - Not Defined	14.8%	MetLife Fixed Maturity Fund (14.8%)	MetLife (14.8%) [MetLife]
Open Maturity (Constant Duration) Low Duration	45.0%	Galliard Short Portfolio Commingled Fund F (20.0%) Galliard Managed Commingled Insurance Company SA (15.0%) Galliard Short-Int. Portfolio Commingled Fund D (10.0%)	Pacific Life (10.0%) [Galliard] Transamerica (2.5%) [Galliard] Voya (7.5%) [Galliard] MetLife (15.0%) [Galliard]				8.9%	Vanguard Short-Term IG Fund (8.9%)	Pacific Life (8.9%) [Vanguard]
Open Maturity (Constant Duration) Intermediate	45.0%	Galliard Int. Agg. Comm. Fund L (15.0%) Galliard Int. Agg. Comm. Fund J (15.0%) Galliard Int. Agg. Comm. Fund M (15.0%)	MetLife (5.0%) [Galliard] Pacific Life (5.0%) [Galliard] Voya Life (5.0%) [Galliard] Transamerica (15.0%) [D & C] Prudential (15.0%) [Prudential]	68.0%	GSAM Intermediate Agg. (38.0%) Prudential Int. Agg. (15.0%) Loomis Sayles Int. Agg. (15.0%)	Various Wrappers - Not Defined	42.2%	Prudential Int. Agg. (19.4%) Dodge & Cox Int. Agg. (12.0%) Loomis Sayles Int. Agg. (10.8%)	Prudential (19.4%) [Prudential] Transamerica (12.0%) [D & C] BTMU (10.8%) [Loomis Sayles]
Open Maturity (Constant Duration) Core							11.0%	Western Asset Core (11.0%)	Pacific Life (11.0%) [Western]

Manager Proposed Structure

Underlying Fixed Income Sector	Morley	Manager	BV Wrapper [Manager]	PIMCO	Manager	BV Wrapper [Manager]	Standish	Manager	BV Wrapper [Manager]
Cash/STIF	5.0%	Morley	N/A	3.0%	PIMCO	N/A	5.0%	Standish	N/A
Commingled SVF	-----			-----			-----		
GICs	-----			-----			-----		
Buy & Hold Fixed Maturity	-----			-----			10.0%	Standish Fixed Maturity Fund (10.0%)	United of Omaha (10.0%) [Standish]
Open Maturity (Constant Duration) Low Duration	45.6%	Morley Capital SIMI (40.6%) Babson 1-5 G/C (5.0%)	Transamerica (28.1%) [Morley] Voya (12.5%) [Morley] MassMutual (5.0%) [Babson]	40.0-45.0%	PIMCO Low Duration Fund (40-45%)	Various Wrappers - Not Defined	15.0%	Standish Low Duration Active Portfolio (15.0%)	MetLife (15.0%) [Standish]
Open Maturity (Constant Duration) Intermediate	49.4%	Prudential Int. Agg. (19.4%) Babson Int. Agg. (20.0%) Voya Int. Agg. (10.0%)	Prudential (19.4%) [Prudential] MassMutual (20.0%) [Babson] Voya (10.0%) [Voya]	50.0-60.0%	PIMCO Moderate Duration Fund (50-60%)	Various Wrappers - Not Defined	70.0%	Standish Yield Enhanced Strategy (YES) (70.0%)	Pacific Life (9.0%) [Standish] RGA (19.5%) [Standish] Transamerica (25.0%) [Standish] Voya (16.5%) [Standish]
Open Maturity (Constant Duration) Core	-----			-----			-----		

Stable Value Composite Characteristics

Stable Value Discretionary Manager RFP						
Stable Value Composite Characteristics as of September 30, 2014						
	Galliard	Goldman Sachs	ICMA-RC	Morley	PIMCO	Standish
Duration (Years)	2.68	2.93	2.99	2.58	3.55	3.13
Weighted-Average Maturity (Years)	2.68	N/A	3.99	2.85	4.13	2.99
Current Yield (%)	1.79%	2.26%	2.38%	1.36%	1.90%	2.20%
Weighted-Average Quality	AA+	AA/Aa2	Aa2	AA	AA	AA
Total Assets (\$ Millions)	\$77,497	\$22,848	\$10,690	\$13,978	\$29,295	\$13,944
MV / BV (%)	101.46%	103.04%	101.21%	100.80%	105.80%	102.33%
Allocation to Asset Type (%):						
a ABS	11.3%	5.0%	2.3%	8.1%	0.0%	9.0%
b MBS	19.6%	12.7%	18.0%	15.5%	11.2%	23.5%
c CMBS	6.1%	5.7%	2.9%	6.1%	1.8%	4.4%
d Treasuries	19.2%	36.0%	10.9%	26.1%	29.0%	23.8%
e Government Agencies	8.3%	4.4%	3.1%	3.6%	2.0%	2.0%
f Corporates	24.3%	22.8%	22.1%	29.1%	20.7%	24.8%
g GICs	0.4%	1.7%	26.1%	3.7%	0.0%	1.3%
h Cash	10.9%	7.4%	12.7%	7.8%	26.8%	8.6%
i Other	0.0%	4.3%	2.0%	0.0%	8.4%	2.6%
Allocation to Product Type (%):						
a General Account Obligations	0.3%	1.7%	26.1%	3.7%	0.0%	1.3%
b Open Maturity Synthetic/Separate Accounts	74.9%	89.1%	65.0%	72.9%	88.0%	77.0%
c Fixed Maturity Synthetic/Separate Accounts	0.0%	0.0%	0.0%	11.7%	0.0%	9.4%
d Insurance Company Separate Accounts	11.0%	7.1%	0.0%	5.7%	12.0%	7.6%
e Stable Value Pooled Funds (Includes Cash)	13.8%	0.0%	0.0%	6.1%	0.0%	0.1%

Important notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

© 2015 Mercer LLC. All rights reserved.

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualized investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your Mercer representative.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterest.

Mercer universes: Mercer's universes are intended to provide collective samples of strategies that best allow for robust peer group comparisons over a chosen timeframe. Mercer does not assert that the peer groups are wholly representative of and applicable to all strategies available to investors.

The value of your investments can go down as well as up, and you may not get back the amount you have invested. Investments denominated in a foreign currency will fluctuate with the value of the currency. Certain investments, such as securities issued by small capitalization, foreign and emerging market issuers, real property, and illiquid, leveraged or high-yield funds, carry additional risks that should be considered before choosing an investment manager or making an investment decision.

Returns for periods greater than one year are annualized. Returns are calculated gross of investment management fees, unless noted as net of fees.



Mercer Investment Consulting, Inc.
777 S Figueroa St, Suite 2400
Los Angeles, CA 90017
213 346 2200