Investments Committee
Report 20-02

Date: October 30, 2020

To: Investments Committee

From: Staff

Subject: Stable Value Fund Request for Proposal (RFP)

Recommendation:
That the Investments Committee review and consider reports from the Deferred Compensation Plan (DCP) investment consultant regarding responses to the DCP RFP for stable value fund management services and identify next steps for the evaluation process.

Discussion:

A. Background

The DCP Stable Value Fund (DCP SVF) is an investment option offered within the DCP investment menu that seeks to protect investor principal while obtaining a higher rate of return than other conservative investment alternatives (such as money market or savings accounts). As of June 30, 2020, assets in the DCP SVF option totaled $1.35 billion, or approximately 19% of total DCP assets. The incumbent DCP SVF manager is Galliard Capital Management ("Galliard"). Contract No. C-127342 with Galliard will expire on December 31, 2021.

The Board of Deferred Compensation Administration (Board) has taken a number of actions with respect to procurements and search processes for DCP investment managers, including the DCP SVF. Following is a summary of the Board's actions to date regarding the search:

- On **June 19, 2019**, the Board directed staff to draft revisions to the DCP Investment Management Services and SVF Management Services RFPs to include an evaluation process aligning with the Board's established mutual fund search process. The Board also asked staff to work with the City Attorney's Office and Office of Contract Compliance to identify all non-applicable provisions of the City's general contracting requirements for the investment of DCP funds.

- On **July 16, 2019**, the Board approved staff's proposed process to administer parallel mutual fund and institutional product searches for all DCP investment mandates.
- On **January 14, 2020**, the Investments Committee (Committee) reviewed and approved staff's proposed revised RFPs.
- On **February 18, 2020**, the Board approved and authorized the release of RFPs for (i) DCP Investment Management Services and (ii) SVF Investment Management Services.

The RFP was released on July 20, 2020. Responses were due August 27, 2020. Responses were received from the following 14 firms:

1) Columbia Threadneedle
2) Galliard Capital Management, Inc.
3) Goldman Sachs Asset Management
4) Great West
5) ICMA Retirement Corporation (ICMA-RC)
6) Invesco
7) JP Morgan
8) Mellon
9) PFM
10) Pacific Investment Management Company (PIMCO)
11) Principal
12) Putnam
13) T. Rowe Price
14) Vanguard

All 14 responses were first reviewed by the Personnel Department's Administrative Services Division (ASD) to ensure the City's general contracting requirements were met. All respondents were determined to have met the requirements necessary to proceed with further evaluation.

B. Evaluation Process

The RFP provides that the DCP consultant will prepare a report analyzing the responses across the various evaluation categories as delineated within the RFP Proposal Questionnaire. The RFP further provides that the analysis and findings will be reviewed and evaluated in collaboration with the DCP staff and the Committee so as to allow the Committee to make recommendations for selection to the Board. The analysis includes the following evaluation factors:

- *Organizational Strength and Continuity* – this factor assesses business strength and resiliency, tenure of senior professionals, commitment to retaining overall personnel, and history of legal and regulatory proceedings.
- *Investment Experience* – this factor assesses 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.

- *Investment Approach and Process* – this factor assesses each manager's allocation decisions from an investment approach standpoint and includes consideration of targeted duration, utilization of external managers versus proprietary investments, cash buffer, use of fixed maturity investments versus open maturity investments, diversity and credit quality of wrap providers and investment managers, risk management capabilities and current/historical portfolio positioning (current yield, weighted average quality, market-to-book ratio, and exposure to insurance company general account risk).
- *Investment Performance* – this factor assesses the portfolio's composite ranking relative to the stable value peer group, average performance ranking of underlying investments proposed relative to comparable peer groups, and risk-adjusted performance of the intended underlying bond investments.
- *Portfolio Transition* – this factor assesses the ability of each manager to assume the current portfolio and formulate a transition plan.
- *Administrative and Reporting* - this factor assesses the managers' capabilities with regards to interfacing with the DCP's TPA, Voya, providing timely performance reporting for the DCP, supporting plan participant communications, and providing the City with back-office support as issues may arise.
- *Fees* – this factor assesses the competitiveness of fees on a total cost basis reflecting investment management fees paid to the manager, if any; fees paid to external managers; and wrap fees.

Evaluation will proceed through stages of consultant, Committee, and Board review. As the review process proceeds, the City has the option to request and consider updated performance information and portfolio characteristics from all RFP respondents. The City also has the option to request oral presentations of all of or the highest-ranked respondents prior to making a final selection. However, the evaluation and scoring of proposals will be based strictly on respondent proposals. Respondents are not permitted to submit new materials or otherwise enhance their proposals as part of the oral presentation.

The first step in the review process is the Committee's consideration of the analysis and review prepared by Mercer Investment Consulting ("Mercer"). Mercer has prepared a primer regarding stable value funds (**Attachment A**) and its report and analysis of the 14 responses applying the evaluation criteria as indicated in the RFP (**Attachment B**). Based on the results of the review of this report, the Investments Committee has the option to request further information, schedule additional meetings for review, and/or generate recommendations to the Board. Staff recommends that the Committee review and consider reports from the DCP investment consultant regarding responses to the DCP RFP for stable value fund management services and identify next steps for the evaluation process.

Submitted by: ________________________________

Steven Montagna, Chief Personnel Analyst

ATTACHMENT A

MERCER

Stable Value Primer

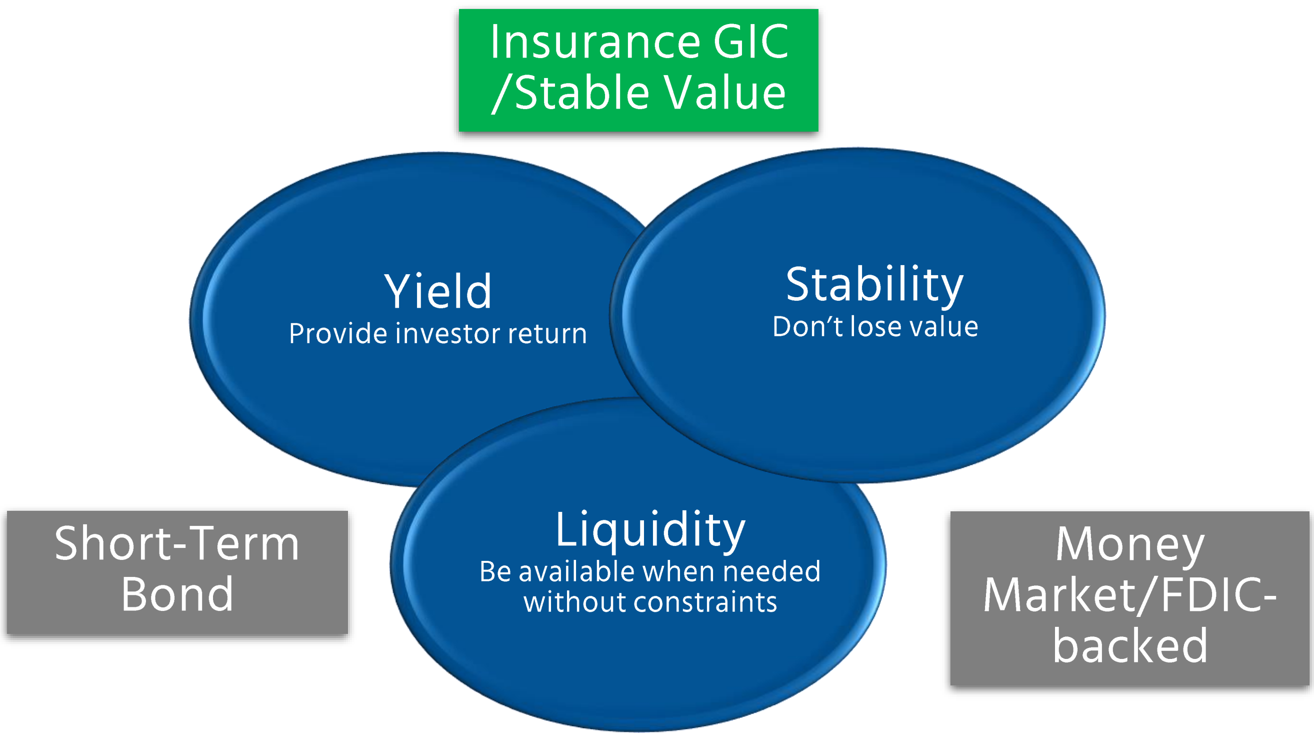
City of Los Angeles Deferred Compensation Plan – Investments Committee

October 30, 2020

welcome to brighter

Capital Preservation in Retirement Plans

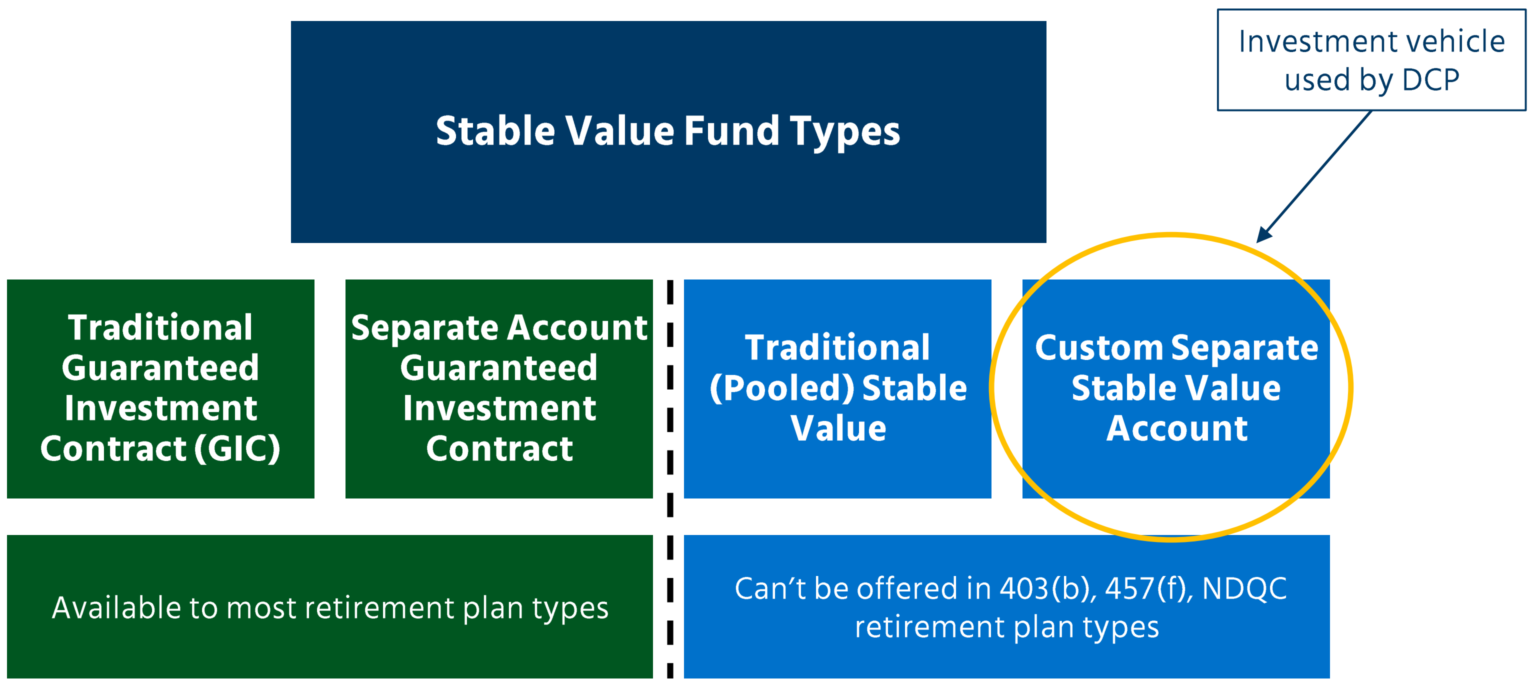
Typically 3 Objectives



Stable Value Fund

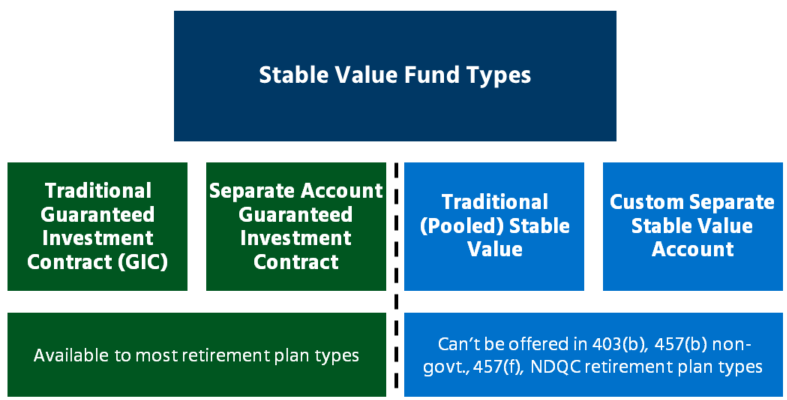
A stable value fund invests in mostly high quality corporate, asset-backed, and government bonds generally with short-to intermediate-term maturities. Stable value is commonly offered through retirement savings plans, some college tuition savings plans, and health reimbursement account plans. Stable value is not available in a mutual fund, or in Individual Retirement Accounts (IRAs).

Below are the main types of stable value funds.



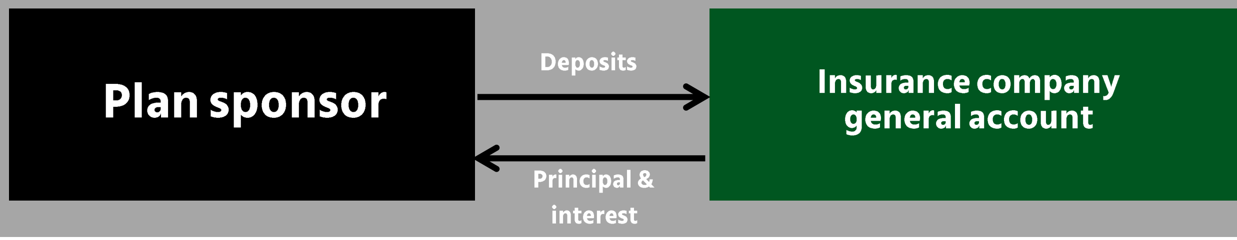
Stable Value Fund Types

1. **Traditional Guaranteed Investment Contract:** The assets are owned by the insurance company, and are part of the insurer's General Account. The plan sponsor and participants are creditors of the insurer, and do not have priority claim status on the General Account assets of the insurance company. In this structure, a single insurance company normally guarantees the principal and accrued interest related to the stable value assets.
2. **Separate Account Guaranteed Investment Contract:** The assets are collectively held for the exclusive benefit of contract owners and are insulated from insurance company obligations through a legal separate account structure. In this structure, a single insurance company normally guarantees the principal and accrued interest related to the stable value assets. *Some states may not allow plan sponsors to offer this structure.*
3. **Traditional (pooled) stable value fund:** The manager 'contracts' insurance companies and/or large banks to wrap (guarantee) portions of the portfolio a stable price. The wrap contracts ensure that participants can transact at book value (get their principal plus accrued interest), without experiencing the price fluctuations of the underlying bonds. In this structure, several plans participate in the pooled fund (product). The pooled portfolio of bonds is ultimately owned by the plan sponsors.
4. **Custom Separate Stable Value Account:** The portfolio and insurance company wrap structure is similar to the traditional (pooled) stable value fund. In this structure, the portfolio is customized to a large stable value mandate (generally over $100 million). The assets are owned by the plan sponsor.



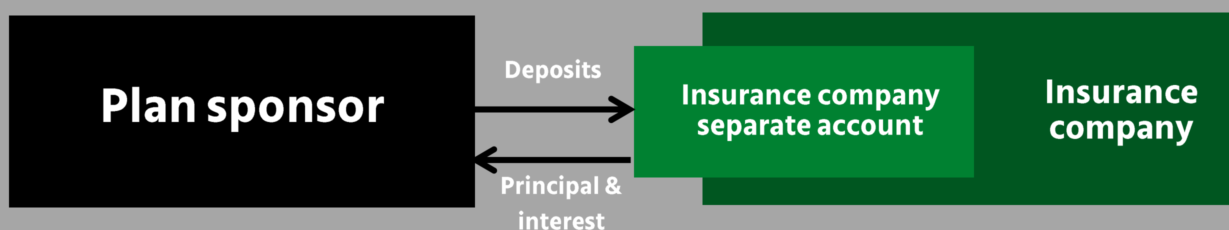
Stable Value Overview

Insurance Company General Account Stable Value



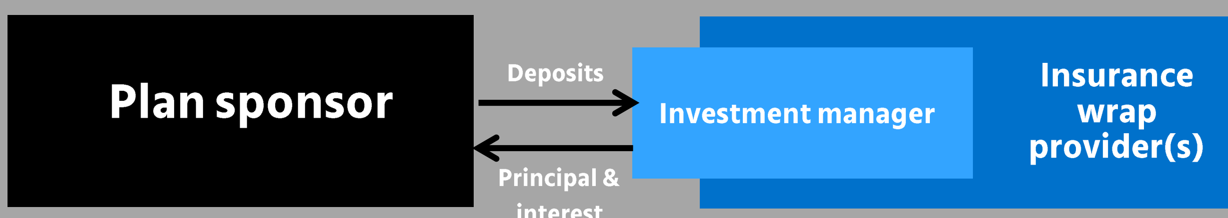
- Insurance company owns/controls assets
- Insurance company guarantees book value

Insurance Company Separate Account Stable Value



- Insurance company owns/controls assets
- Insurance company guarantees book value
- Plan has claim against assets of separate account

'Pooled' Stable Value or Custom Stable Value Separate Account*



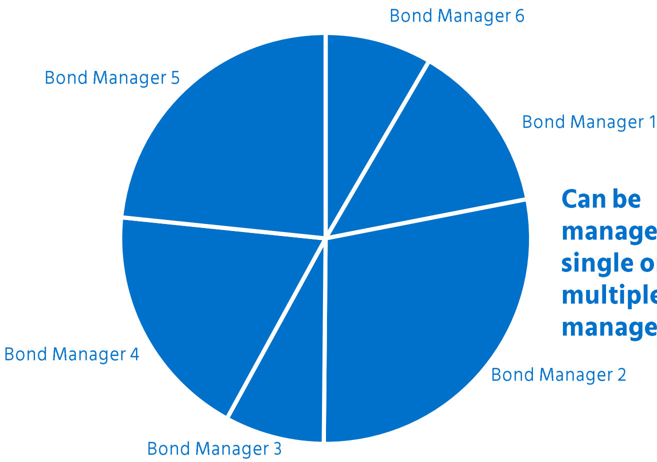
- Assets owned by plan and managed by outside investment manager
- Book value guarantee provided by wrap providers

**Assets managed by investment manager(s) in a commingled fund. For larger stable value mandates (generally over $100 million), investment managers can create a custom separate account.*

Stable Value Portfolio Structures (Underlying Investment and Wraps)

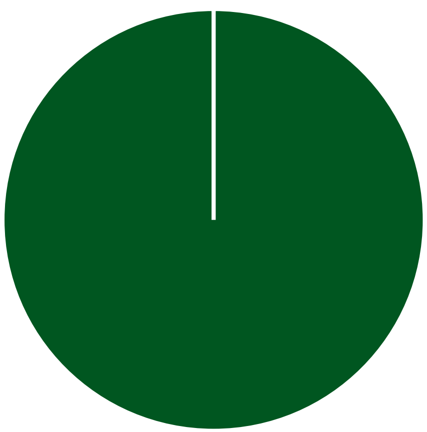
Underlying Investment Structure

Hypothetical SV Separate Account



Can be managed by a single or multiple bond managers.

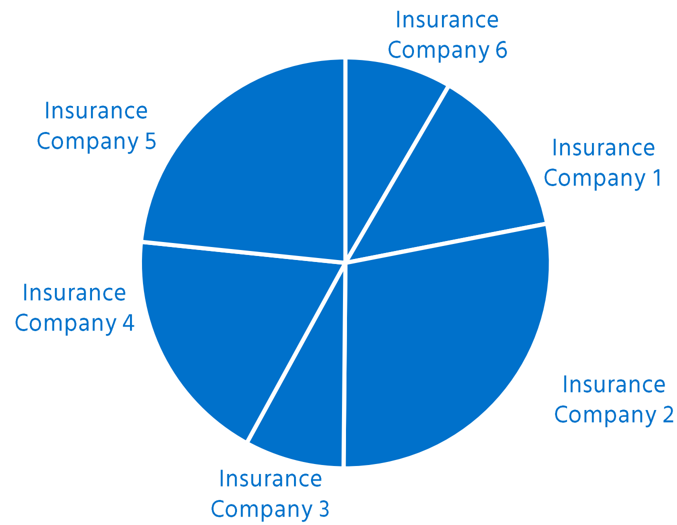
Insurance Company Product



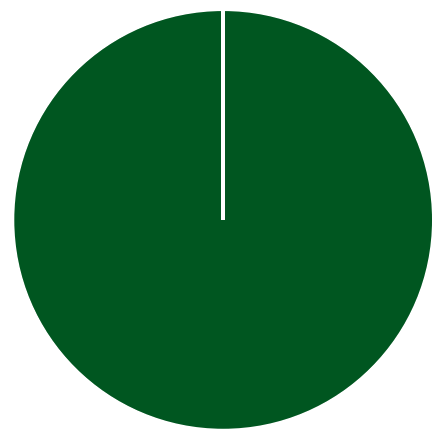
100% of the portfolio is typically managed by the insurance company. However, we have seen portfolios managed by multiple bond managers.

Wrap Structure

Hypothetical SV Separate Account



Insurance Company Product



100% Backed by ABC Insurance Company (hypothetical firm)

Risk Diversified

Risk Concentrated

MERCER

Stable Value Custom Separate Account Structure

1. FIXED INCOME PORTFOLIO

- ✓ Underlying Assets invested in **Fixed Income Market** run by one or multiple managers
- ✓ **Primarily in AAA-rated** with portfolio average of AA or higher
- ✓ Invested along Yield Curve with **Average Duration of 2-3.5 years**

2. WRAP AGREEMENT(S)

- ✓ Typically issued by one or more **Banks or Insurance companies**
- ✓ Permits participants to **transact at book value** by having **Wrap Contracts**
- ✓ Amortizes gains/ losses over the time through the **Crediting Rate.** Crediting rate is a direct result of underlying portfolio performance as defined by Wrap providers

3. STABLE VALUE PORTFOLIO

- ✓ Diversified portfolio of **high credit-quality assets**
- ✓ **Stable Share Price** and relatively **stable return.** Wrap agreements also provide a guarantee of principal (crediting rate never <0%).
- ✓ **Higher Returns than most money market options** in full market cycles

Stable Value Funds: Considerations for Plan Participants

When using a stable value fund, there are several important considerations that plan participants should be aware of, including:

- **Equity Wash Provision:** Most stable value offerings have an equity wash provision, which is also known as a "competing fund rule". These provisions restrict direct transfers from stable value funds to other competing funds within the plan. Competing funds include:

  - Money market funds
  - Fixed income funds with a duration of less than three years
  - Self-directed brokerage window

  The provision requires transfers from a stable value fund to be to a non-competing fund (i.e., equities) for a set period of time, which is normally 90 days. After the restricted period, the funds can be transferred into any other plan option. The equity wash provision is an attempt to restrict participants from attempting to arbitrage interest rates.

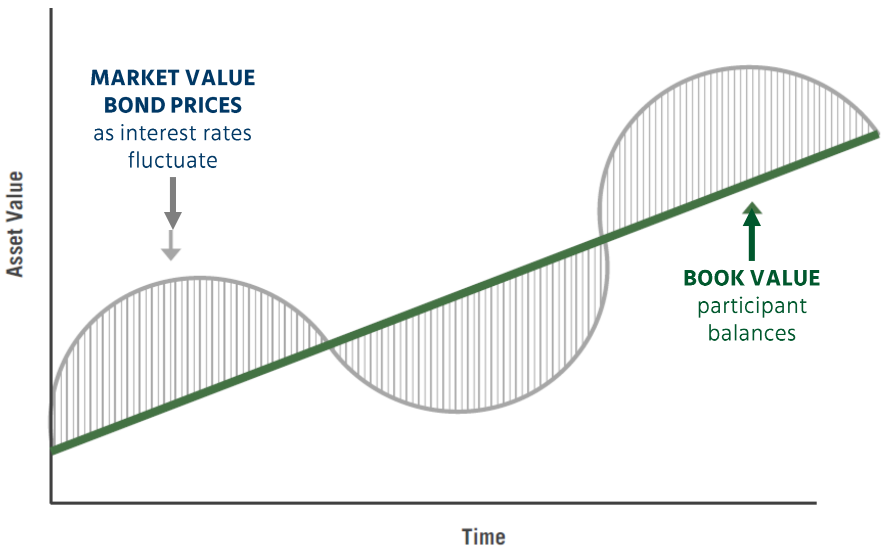
- **Structural Complexity:** participants view stable value funds as equivalent to money market funds without appreciating the differences. Stable value funds are more complex than money market funds. An understanding of the below matters aid in participant decision making.

  - Difference between book value and market value
  - Use of insurance wrappers to maintain a stable NAV for a portfolio of short-term bonds
  - Potential risks of an employer-initiated event and a corresponding fair market value adjustment
  - Equity Wash provision

Appendix

Example of 'Pooled' Stable Value Mechanism

Stable value contracts smooth the effects of bond market volatility



Book value: participants' principal + accrued interest

Market value: value of underlying fixed income assets

Difference between market value and book value

Example: $1 million change (loss) in portfolio value

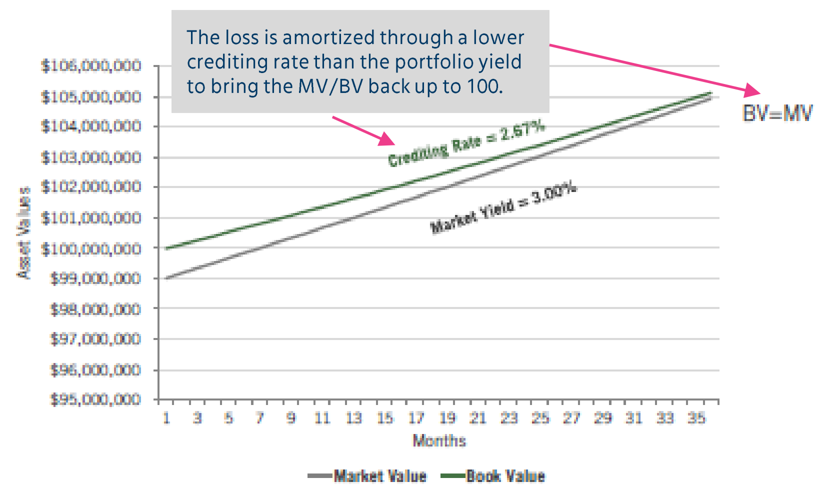
Simple Formula

Book Value	$100,000,000	**Gain/(Loss)**	(1.00%)
Market Value	$99,000,000	**Portfolio Yield**	3.00%
Loss	($1,000,000)	**Portfolio Duration**	3.0 Years

3.00 % - (1.00%/3) = Estimated Crediting rate of 2.67%

The crediting rate formula spreads the 1% loss over a 3-year period, from the rate reset data.

Amortization: The crediting rate amortizes gains/losses (in this example a loss) over the duration of the portfolio to smooth the rate earned by participants



Note: Analysis and example provided by Galliard.

For illustrative purposes only.

Stable Value Funds: Considerations for Plan Sponsors

Stable value options historically have provided better returns for participants than money market funds. There are several important considerations that plan sponsors should be aware of, including:

- **Employer-Initiated Events** – In most cases, stable value fund managers impose withdrawal restrictions at a plan level when employer-initiated actions trigger large stable value outflows. Most often, the market value and book values of a fund are very close (less than 2% difference). However, during periods of market stress (i.e., 2008) or in a rising interest rate environment, the market value can fall below the book value and stable value fund managers are likely to impose liquidity restrictions during these times. Employer-initiated events potentially include:
  - Plan terminations
  - Employer bankruptcies
  - Record keeper changes
  - Early retirement window programs
  - Large layoffs
  - Other employer driven events that cause unanticipated cash flow disruptions to the stable value fund
  - Re-enrolling the participants to QDIA (*fairly common*)

- **Termination Provisions** – Potential issues can arise when replacing or terminating the stable value fund from an investment lineup, or when a change in record keeper occurs. Under these scenarios, generally the plan sponsor has to wait for a certain time (contract dependent) to receive the full principal and accrued interest, or receive less than the principal and accrued interest for an immediate payment (i.e. pay a penalty).
  - When a plan sponsor decides to terminate its contract with a pooled stable value fund, a common provision is a "12-month put," which is simply a 12-month waiting period that is imposed to ensure fair liquidation and no harm to the remaining plans in the investment. However, all plan participants have daily liquidity at book value plus accrued interest during the termination period.

  - When a plan sponsor decides to terminate its contract with a GIC stable value type fund, the waiting period to receive all of funds can extend over five plus years. Depending upon the specifics of a contract, the participants may not have daily liquidity once the contract goes in a termination phase (dependent on the provisions of the contract).

Pooled Stable Value Funds
Key Concepts

- **Stable Value Fund –** A stable value fund is a conservative fixed income investment vehicle that seeks to provide capital preservation and a relatively stable rate of return.
- **Investment Make-Up –** Stable Value funds consist of a portfolio of fixed income and cash investment instruments combined with an insurance component (wrap insurance contracts) that provides stability (guarantees principal value and interest).
- **Principal Guarantee –** Participants are guaranteed original principal and additional contributions plus interest. The interest rate (often referred to as the crediting rate) can be fixed or variable.
  - If variable, the crediting rate may change based on the performance of the underlying investments. However, the volatility of the crediting rate is low because it amortizes gains and losses over time which creates a smoothing effect.

Pooled Stable Value Funds
Key Concepts (Continued)

Crediting Rate

- The crediting rate is the interest rate earned on the contract value (principal plus accrued income) expressed as an effective annual yield. The crediting rate also acts as a stabilizing mechanism by amortizing investment gains and losses so that participants are protected from short-term changes in market value.

Market to Book (Contract) Value Ratio

- The relationship between the market value and the book value (original investment) of the underlying bond portfolio. This determines whether the crediting rate will be more or less than the yield of the bond portfolio. Relative to the bond portfolio's yield, a market value "deficit" (MV<BV) decreases the yield credited to participants, and a market value "surplus" (MV>BV) increases the yield. If market value and book value are equal (i.e. 100%), the net crediting rate will be equal to the yield of the underlying bond portfolio, less investment management, wrap insurance contract and administrative fees. Keeping all other variables constant, an increase in the MV/BV ratio will improve the crediting rate, while a decrease in the ratio will result in a lower crediting rate. This holds true whether market value is greater than or less than book value.

Important Notices

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

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.

Mercer does not provide tax or legal advice. You should contact your tax advisor, accountant and/or attorney before making any decisions with tax or legal implications.

This does not constitute an offer to purchase or sell any securities.

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 is no guarantee of future results. The value of 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.

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.

This does not contain investment advice relating to your particular circumstances. No investment decision should be made based on this information without first obtaining appropriate professional advice and considering your circumstances. Mercer provides recommendations based on the particular circumstances, investments objectives and needs. As such, investment results will vary and actual results may differ materially.

Information contained herein may have 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.

Investment management and advisory services for U.S. clients are provided by Mercer Investments LLC (Mercer Investments). Mercer Investments LLC is registered to do business as "Mercer Investment Advisers LLC" in the following states: Arizona, California, Florida, Illinois, Kentucky, New Jersey, North Carolina, Oklahoma, Pennsylvania, Texas, and West Virginia; as "Mercer Investments LLC (Delaware)" in Georgia; as "Mercer Investments LLC of Delaware" in Louisiana; and "Mercer Investments LLC, a limited liability company of Delaware" in Oregon. Mercer Investments is a federally registered investment adviser under the Investment Advisers Act of 1940, as amended. Registration as an investment adviser does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser. Mercer Investments' Form ADV Part 2A & 2B can be obtained by written request directed to: Compliance Department, Mercer Investments, 99 High Street, Boston, MA 02110. Download a guide on key index definitions.

MERCER

welcome to brighter

ATTACHMENT B

MERCER

City of Los Angeles Deferred Compensation Plan

Stable Value RFP Response Analysis

October 30, 2020

welcome to brighter

Executive Summary

Background: The City of Los Angeles issued an RFP on July 20, 2020 seeking proposals from qualified stable value managers to manage the DCP Stable Value Fund. The successful bidder will demonstrate exemplary investment skills and experience while providing services at a reasonable expense. The term of the contract is five years effective January 1, 2022. As of June 30, 2020, assets in the DCP Stable Value Fund amounted to approximately $1.35 billion, including standalone investments in the Plan's risk-based "Profile" funds.

Since 2009, the DCP Stable Value Fund has been primarily invested in a separate account holding fixed income commingled funds backed by wrap insurance contracts. The RFP scope stipulated that the successful bidder would implement a similar investment approach to the current model employed today. Responses were received from the following 14 stable value investment managers that represent they can conform with this mandate.

Each candidate met the minimum qualifications outlined in Section 2.2 of the Scope of Services of the RFP. The following provides analysis of the responses across the various evaluation factors for each of the candidates.

Proposers for Stable Value Investment Management Services

Columbia Threadneedle	Mellon
Galliard (Incumbent)	PFM
Goldman Sachs	PIMCO
Great West	Principal
ICMA	Putnam
Invesco	T. Rowe Price
JPMorgan	Vanguard

Executive Summary – Candidate Overview

Firm	Headquarters	Total Firm AUM ($ millions) as of 6/30/2020	Background
Columbia Threadneedle	Minneapolis, MN	$342,859	Columbia is a subsidiary of Ameriprise Financial which offers services including money management, financial planning, brokerage, life insurance and annuities, life insurance agencies and a bank.
Galliard (incumbent)	Minneapolis, MN	$95,892	Galliard is a wholly owned subsidiary of Wells Fargo Asset Management, LLC, a holding company ultimately wholly-owned by Wells Fargo & Company.
Goldman Sachs	New York, NY	$1,888,000	GSAM falls within the Asset Management Division of Goldman Sachs and has provided discretionary investment advisory services to institutional investors such as pension funds, endowments, foundations, financial institutions, corporations and governments since 1989.
Great-West	Greenwood Village, CO	$78,800	GWI was formed in April 2016. GWI represents all of the investment-related businesses of Great-West Life & Annuity Insurance Company (GWLA). GWLA is ultimately owned by the Power Corporation of Canada.
ICMA	Washington DC	$28,700	Founded in 1972, ICMA Retirement Corporation (ICMA-RC) provides defined contribution plan administration, investment, and educational services for public sector employers and their employees..
Invesco	New York, NY	$1,145,230	Invesco was founded in December 1935 and is one the largest global investment firms, solely focusing on investment management. In 2019, Invesco completed its acquisition of OFI Global Asset Management (OFIGAM) with OFIGAM's parent company, MassMutual, becoming Invesco's largest shareholder.
JPMorgan	New York, NY	$2,129,309	JP Morgan Asset Management (JPM) is the investment management business of JP Morgan Chase & Co, formed in 2000 through the merger of J.P. Morgan & Co and The Chase Manhattan Corporation.

Executive Summary – Candidate Overview

Firm	Headquarters	Total Firm AUM ($ millions) as of 6/30/2020	Background
Mellon	San Francisco, CA	$534,050	On January 31, 2018, Mellon was formed when three long-standing BNY Mellon Investment Management boutiques—Mellon Capital, Standish and The Boston Company—combined.
PFM	Harrisburg, PA	$118,100	PFM, founded in 1980, is a provider of independent investment advisory services to governments, government agencies, non-for-profit organizations, pension funds, insurance and self-insurance pools, and other institutional investors.
PIMCO	Newport Beach, CA	$1,920,000	PIMCO is a majority-owned subsidiary of Allianz Asset Management of America L.P. ("AAM"), with minority interests held by certain of AAM's affiliates and by certain current and former officers of PIMCO.
Principal	Des Moines, IA	$486,500	Principal is a global financial institution offering a wide range of financial products and services. Principal Financial Group, Inc. is a public company and dates back to 1879..
Putnam	Boston, MA	$168,629	Putnam Investments, LLC, is owned by Great-West Lifeco Inc., a subsidiary of Power Corporation of Canada. Up to 10% of Putnam may be owned by senior employees through Putnam's Equity Incentive Plan.
T. Rowe Price	Baltimore, MD	$1,220,000	T. Rowe Price Group (T. Rowe) was established in 1937 as an independent investment advisory firm. T. Rowe is a publicly owned company with offices located worldwide.
Vanguard	Malvern, PA	$6,076,722	The Vanguard Group, Inc. (Vanguard) is a wholly and jointly owned subsidiary of the investment companies comprising the Vanguard Group of Investment Companies (the Funds).

Executive Summary – Evaluation Process

Mercer analyzed responses from all 14 candidates based on the evaluation process and review criteria outlined in section 5.1 of the RFP. The evaluation process focused on the following factors:

- **Organizational Strength And Continuity** - assesses business strength and resiliency, tenure of senior professionals, commitment to retaining overall personnel, and history of legal and regulatory proceedings.
- **Investment Experience** - assesses 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.
- **Investment Approach And Process** - assesses each manager's allocation decisions from an investment approach standpoint and includes consideration of targeted duration, utilization of external managers versus proprietary investments, cash buffer, use of fixed maturity investments versus open maturity investments, diversity and credit quality of wrap providers and investment managers, risk management capabilities and current/historical portfolio positioning (current yield, weighted average quality, market-to-book ratio, and exposure to insurance company general account risk).
- **Investment Performance** – assesses performance in a number of dimensions
- **Portfolio Transition** - assesses the ability of each manager to assume the current portfolio and formulate a transition plan
- **Administrative And Reporting** - assesses the managers' capabilities with regards to interfacing with the DCP's TPA, Voya, providing timely performance reporting for the DCP, supporting plan participant communications, and providing the City with back-office support as issues may arise.
- **Fees -** assesses the competitiveness of fees on a total cost basis reflecting investment management fees paid to the manager, if any; fees paid to external managers; and wrap fees.

Executive Summary - Mercer Summary Evaluation

In the following table, we provide a high-level assessment in accordance with the evaluation factors previously outlined. This summary evaluation is intended to provide a digest of the information contained in the RFP responses for the Committee's reference.

	Columbia	Galliard - City of LA	Galliard - Composite	Great-West	Goldman Sachs	ICMA	Invesco	J.P. Morgan	Mellon	PFM	PIMCO	Principal	Putnam	T. Rowe Price	Vanguard
Organizational Strength And Continuity															
Business Strength And Resiliency															
Firm-wide Assets															
Tenure Of Senior Professionals															
Total Personnel Retention															
History Of Legal And Regulatory Proceedings															
Investment Experience															
History Of Managing Stable Value Assets															
Scale Of Stable Value Assets Under Management															
Depth of Stable Value Team															
Investment Approach And Process															
Duration															
External Managers Vs. Internal															
Liquidity															
Wrap Provider Diversity & Quality															
Quality Of Underlying Managers				N/A						N/A					
Historical Market-To-Book															
Investment Performance															
Overall Book Value Performance															
Underlying Short Duration Fund Risk-Adjusted Performance															
Underlying Intermediate Duration Fund Risk-Adjusted Performance															
Portfolio Transition															
Administrative and Reporting															
Able to provide a daily NAV?															
Is PCRA brokerage option considered competing?	Yes	No	No	No	No	Possibly	No	No	Possibly	Possibly	Possibly	Possibly	No	Possibly	No
Able to support Deemed IRA? (not evaluated)	Possibly	No	No	No	Possibly	Possibly	Possibly	No	No	Possibly	No	No	No	No	No
Fees															

Excellent | Favorable | Reasonable | Less Desirable

MERCER

Executive Summary – Key Findings

- **Organizational Strength And Continuity** – All respondents exhibit traits of well run businesses. As such, this factor is of lesser differentiation between the candidates.
- **Investment Experience** – 5 managers (Columbia, ICMA, JPMorgan, PFM, and Putnam) rank less appealing in terms of Stable Value separate account management experience (i.e., number of accounts and asset under management). The incumbent and a select list of others stand out in this regard. *We believe this dimension provides a key area to focus on in distinguishing among the field.*
- **Investment Approach And Process** – While generally all respondents will implement reasonable investment approaches certain managers' stable value strategy characteristics and proposed approaches are less attractive as noted in this section of the report. Examples from a duration perspective include Columbia (historically low duration) and PIMCO (historically high). From a wrap diversification or insurance product exposure standpoint, Great-West, ICMA, and Putnam rank below the broader group. Here again, *this factor presents significant differentiation* from which to judge the candidates.
- **Investment Performance** – Historical book value performance (as well as underlying fund performance) for all candidates has generally been very competitive though there is limited dispersion displayed across the managers.
- **Portfolio Transition** – All managers appear capable of managing the transition though some provided far more detailed responses than others in their transition plan explanation.
- **Administrative And Reporting** – All managers will provide adequate reporting to the Board and Plan service providers. Key differentiators are the ability (or lack thereof) to provide the TPA with a daily unit value similar to how the incumbent does. Mellon, PFM, and Principal will not serve this role and do not readily provide a turnkey alternative like some others offer. Finally, from an administrative perspective, some providers clearly state that the self-directed brokerage window is not a "competing option" that requires an "equity wash." Others were less committal or indicated PCRA would be a "competing option."* This is important given the substantial growth of PCRA assets in recent quarters.
- **Fees –** All-in costs are remarkably similar across the playing field with a modest differentiator being operational costs that are difficult to quantify for certain respondents. Notably, current pricing for the SV Fund does not appear out of line with market.

Organizational Strength And Continuity

Summary of Organization Strength and Continuity

All the candidates exhibit signs of well-managed businesses with a significant number of personnel and office locations. While some firms have slightly more favorable characteristics in certain dimensions, **generally this grouping of Evaluation Factors does not seem a critical differentiator amongst the Proposers.**

- **Business strength and resiliency –** Generally all have a significant degree of business continuity. PFM is one exception, having acquired its Stable Value business from FCM less than 3 years ago, and this represents a significant organizational development to note.
- **Firm-wide AUM –** All firms exceeded $75 billion in total AUM (not just SV), with the exception of ICMA at $29 billion. The DCP SV Fund would represent nearly 5% of ICMA's total assets if awarded this mandate, and while reasonable, consideration should be given to this concentration risk.
- **Senior leadership tenure** – All respondents had leadership teams with long-term tenure which we view favorably.
- **Total personnel retention –** All organizations appear to have reasonable or better levels of retention and personnel stability over the past 3 years. Those growing overall workforce (>5%) were viewed "Excellent", 0-5% were viewed as "favorable," and those with modest reductions were considered "reasonable."
- **Legal & Regulatory -** All firms responded that there were no material proceedings affecting the services they would provide. Mercer is unable to evaluate the veracity of this assertion, though we viewed these responses to be satisfactory.

	Organizational Strength And Continuity				
	Business Strength And Resiliency	Firm-wide Assets ($M)	Tenure Of Senior Professionals	Total Personnel Retention (% change 2017 to 2019)	History Of Legal And Regulatory Proceedings
Columbia	Stable	$342,859	10+ years	-3	
Galliard	Stable	$95,892	10+ years	0	
Great-West	Stable	$78,800	10+ years	5	
Goldman Sachs	Stable	$1,888,000	10+ years	-3	
ICMA	Stable	$28,700	10+ years	2	
Invesco	Stable	$1,145,232	10+ years	10	
J.P. Morgan	Stable	$2,129,309	10+ years	-2	
Mellon	Stable	$534,050	10+ years	-5	
PFM	Org change 12/2017	$118,100	10+ years	-6	
PIMCO	Stable	$1,920,000	10+ years	13	
Principal	Stable	$486,500	10+ years	3	
Putnam	Stable	$168,630	10+ years	-5	
T. Rowe Price	Stable	$1,220,000	10+ years	3	
Vanguard	Stable	$6,076,722	10+ years	10	

Excellent | Favorable | Reasonable | Less Desirable

MERCER

Investment Experience

Summary of Investment Experience

- **History managing SV:** All candidates have ample history in managing stable value solutions and a good knowledge of the stable value space.
- **SV AUM scale:** Given DCP's stable value assets of approximately $1.35 billion, we believe a candidate's asset size and experience in managing stable value separate accounts matter. **5 Proposers are "Less Desirable" in this regard.** We provide additional details on the following slides.
- **Depth of SV team:** Including dedicated SV portfolio managers and analysts, all teams demonstrate significant depth

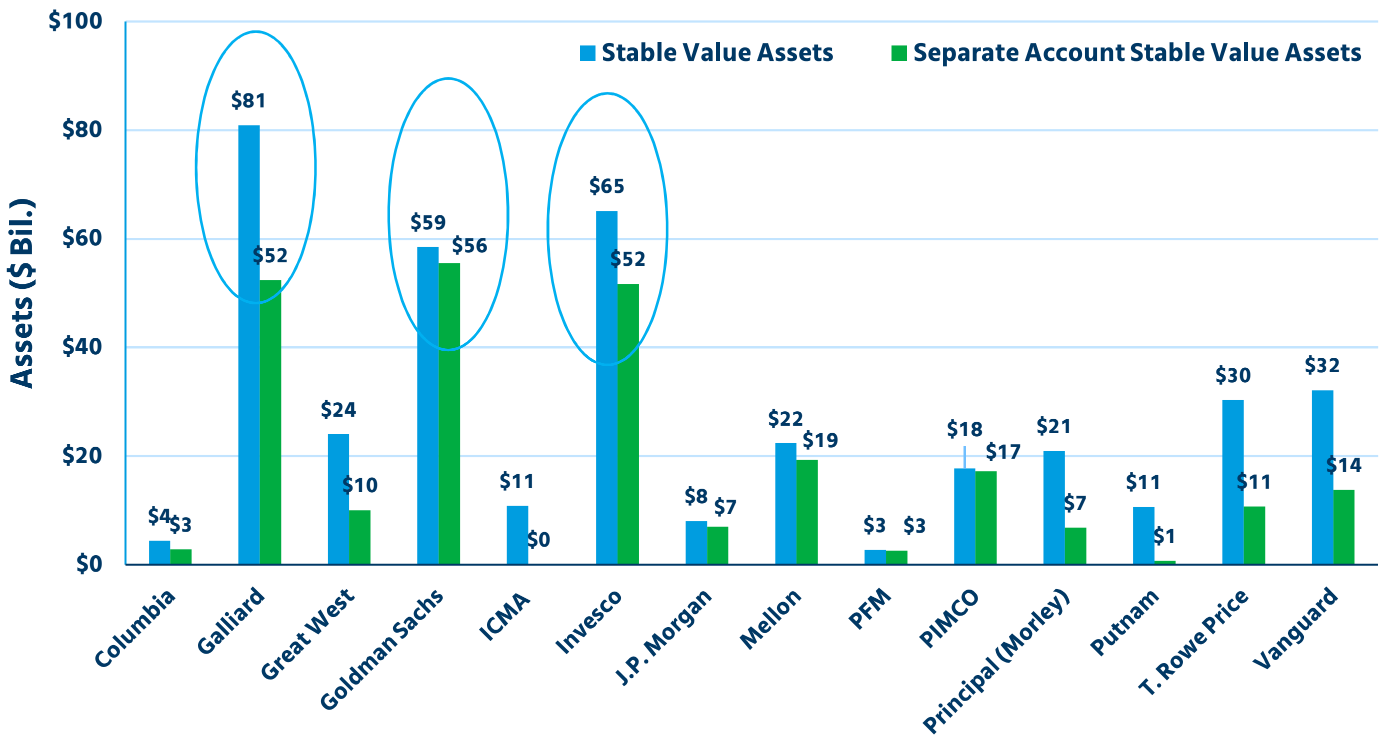
	Investment Experience		
	History Of Managing Stable Value Assets (years)	Scale of Stable Value Assets Under Management (Relative to DCP)	Depth of Stable Value Team
Columbia	38	Less Desirable	Excellent
Galliard	24	Excellent	Excellent
Great-West	27	Excellent	Excellent
Goldman Sachs	37	Excellent	Excellent
ICMA	29	Less Desirable	Excellent
Invesco	35	Excellent	Excellent
J.P. Morgan	29	Less Desirable	Excellent
Mellon	34	Favorable	Excellent
PFM	33	Less Desirable	Excellent
PIMCO	28	Favorable	Excellent
Principal	36	Favorable	Excellent
Putnam	29	Less Desirable	Excellent
T. Rowe Price	35	Excellent	Excellent
Vanguard	35	Excellent	Excellent

Excellent | Favorable | Reasonable | Less Desirable

Scale of Stable Value Practice

- Galliard (incumbent), Invesco, and GSAM are market leaders in terms of overall stable value assets under management. Generally, higher assets enable a manager to commit more resources to its stable value practice and conceivably exert more influence in wrap and other service provider negotiations.

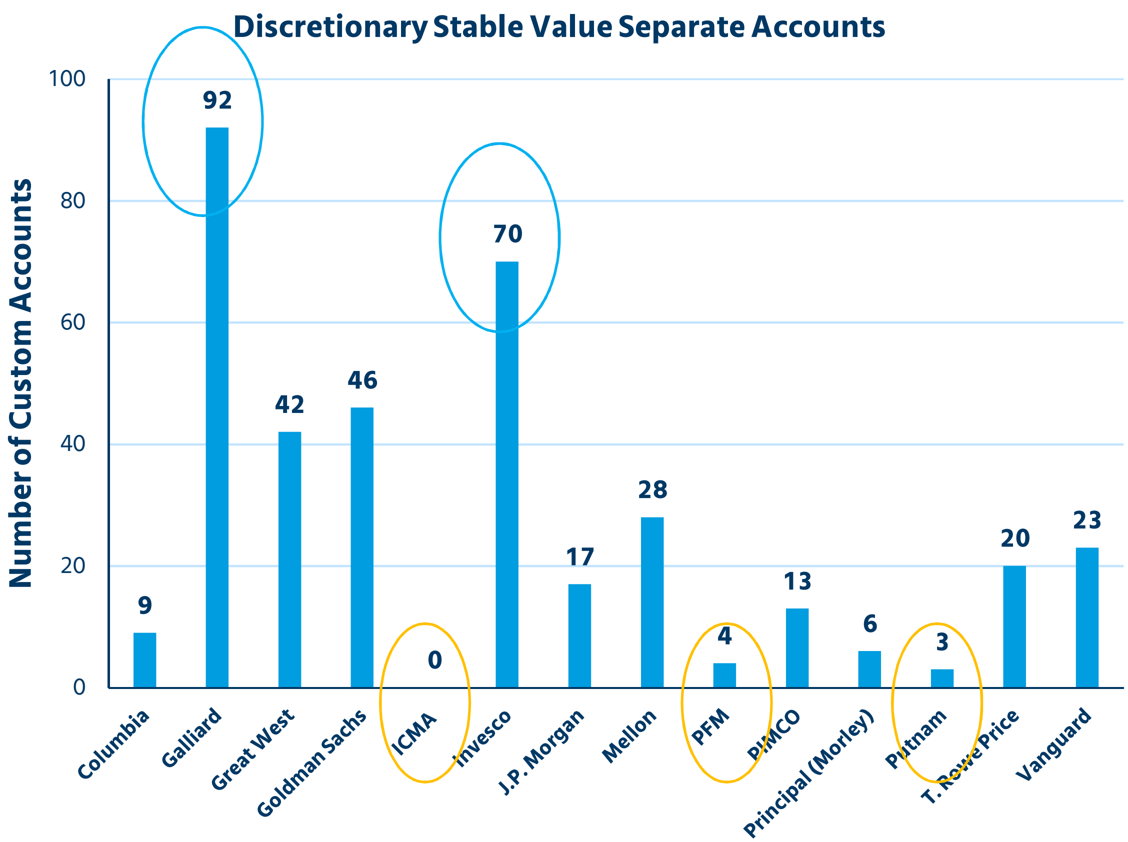
Stable Value Assets ($ billions)



MERCER

Stable Value Separate Accounts

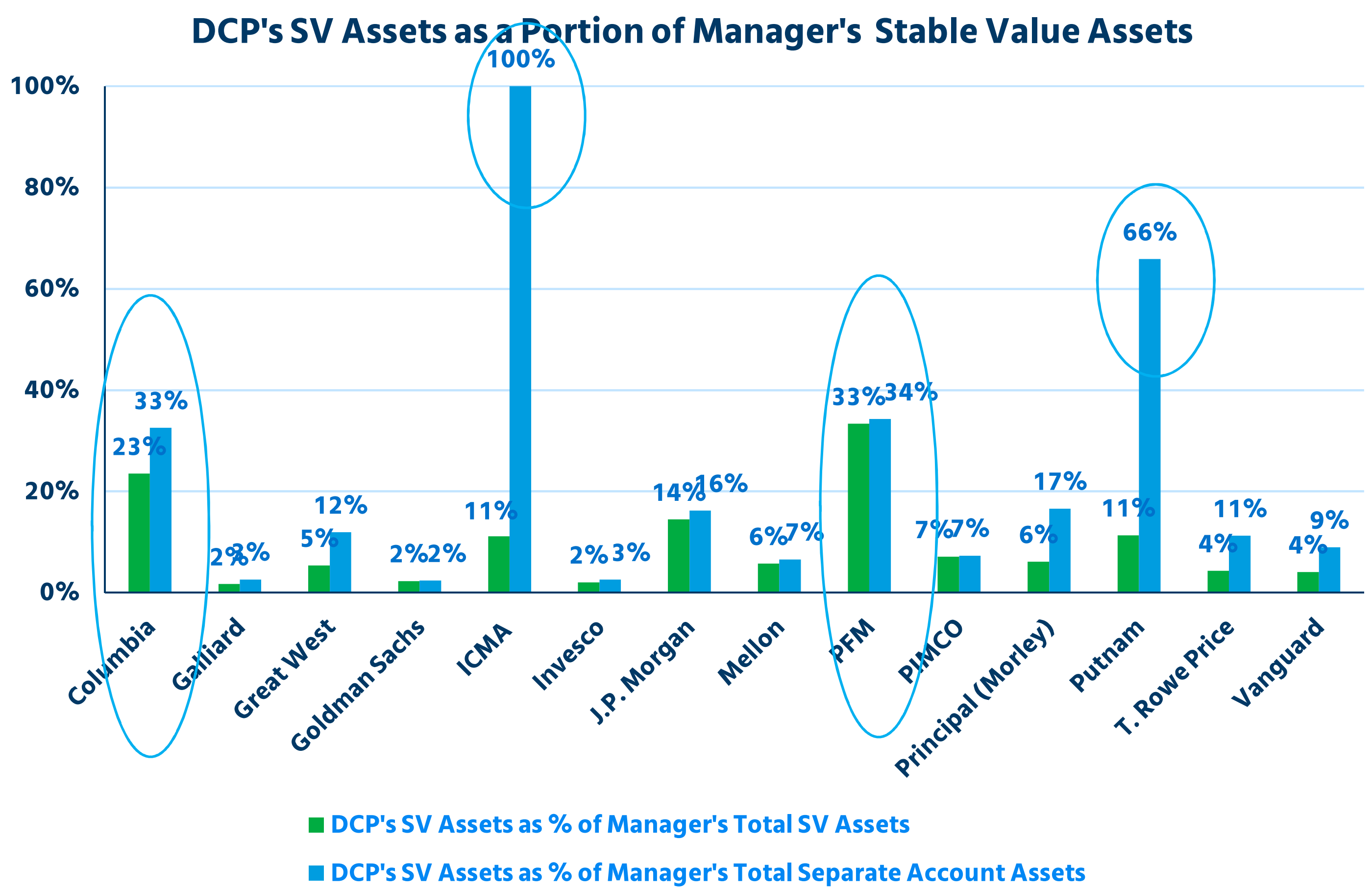
- Our belief is that Stable Value separate account managed takes a specialized skill-set
- Together, Galliard and Invesco manage approximately 44% of the separate accounts in context of all separate accounts managed by all the 14 candidates combined, making them distinctive.
- ICMA, PFM and Putnam have far less separate account representation in the SV business.



MERCER

DCP SV Asset Impact on Manager's SV Business

- For some respondents, the DCP's stable value assets would represent a substantial portion of either their overall stable value assets or separate account assets. Columbia, ICMA, PFM, and Putnam are notable in this regard.
- DCP Policy has been to target less than 20% of strategy AUM at time of hire



Investment Approach And Process

Summary of Investment Approach and Process

	Investment Approach And Process					
	Historical Duration	External Managers Vs. Internal (%)	Liquidity	Wrap Provider Diversity & Quality	Avg Quality Of Underlying Managers	Historical Market-To-Book
Columbia		30/65	5			
Galliard		30/68	2			
Great-West		48/48	4		N/A	
Goldman Sachs		30/68	2			
ICMA		65/30	5			
Invesco		35/62	3			
J.P. Morgan		0/97	3			
Mellon		45/52	3			
PFM		70/25	5		N/A	
PIMCO		0/97	3			
Principal		40/57	3			
Putnam		20/75	5			
T. Rowe Price		30/67	3			
Vanguard		0/97	3			

Excellent | Favorable | Reasonable | Less Desirable

Evaluation Criteria: Investment Approach and Process

Duration - Duration is a measure of interest rate sensitivity and is a key driver of return (i.e. investment in longer maturities should deliver higher returns over time but can lead to rapid market value losses in times of rising interest rates). Thus we believe exposure to duration should be meaningful, yet measured. For this dimension, managers that typically held duration greater than 2.1 to 3.5 years were viewed favorably. Those that often exceeded 3.5 years (DCP guideline maximum) were viewed less desirable. Likewise, managers which tended to run short duration were viewed unfavorably.

External vs. Internal Managers - Portfolios proposed with 30% to 70% assets managed internally and reminder of the assets managed externally (excluding cash) received 'Excellent' rating while portfolios managed predominantly internally/externally (less than 30% internally or externally) received 'Favorable' rating.

Liquidity – Proposed portfolios with 2% - 5% allocation to cash received 'Excellent' rating. Portfolios with no cash sleeve or cash in excess of 5% received 'Less Desirable' rating.

Wrap Provider Diversity and Quality

- **Excellent:** Portfolio with 4 or more wrap providers and zero GICs and 25% or less allocation to a single wrap provider.
- **Favorable:** 4 or more wrap providers and zero GICs but allocation between 25% - 33% to a single wrap provider.
- **Reasonable:** Portfolios with 4 or more wrap providers and 10% or more allocation to GICs or more than 33% allocation to a single wrap provider.

Quality of Underlying Managers - Based on Mercer's investment manager research ratings, portfolios with higher exposure to highly rated strategies were viewed more favorably while those exposed to lower or unrated strategies ranked lower.

Historical Market-to-Book Value Ratios – Preference was given to generally maintaining market-to-book ratios above 100% indicating the manager had historically navigated interest rate and credit cycles well. Very high market-to-book, however, are not viewed positively, as these may be reflective of undesired risks being taken or crediting rates amortizing at a slower pace than may be optimal.

Investment Approach and Process
Historical Duration

Key points: Most managers manage duration fairly close to one another. PIMCO on the high-end and Columbia on the low end, represent outliers within this group.

	3/31/2010	6/30/2010	9/30/2010	12/31/2010	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013
Columbia	2.6	2.0	2.2	2.6	2.6	2.2	1.9	2.0	2.0	1.7	1.7	1.8	1.9	2.1
Galliard	2.8	2.5	2.6	2.7	2.5	2.7	2.6	2.5	2.6	2.5	2.4	2.5	2.6	2.7
Great-West	3.9	2.8	2.7	3.8	4.1	4.1	2.6	2.6	3.1	3.0	2.5	3.0	3.6	4.2
GSAM	3.2	3.0	3.1	3.3	3.3	3.3	3.0	3.0	3.1	3.0	3.0	3.0	3.2	3.3
ICMA	2.2	1.9	2.2	2.4	2.3	2.2	2.1	2.0	2.2	2.1	2.0	2.2	2.4	2.6
Invesco	3.2	3.1	3.0	3.3	3.3	3.3	3.0	3.0	3.1	3.2	3.1	3.1	3.2	3.4
JPM	3.2	3.2	3.2	2.4	2.5	2.5	2.8	3.0	3.1	2.6	2.5	3.0	2.8	2.8
Mellon	2.5	2.6	2.6	2.6	2.9	2.9	2.9	2.9	3.0	3.0	3.0	3.1	3.2	3.3
PFM					2.6	2.5	2.5	2.4	2.5	2.4	2.3	2.4	2.6	2.8
PIMCO										2.9	3.3	3.3	3.5	3.8
Principal											2.1	2.3	2.5	2.5
Putnam														
T. Rowe	3.2	3.2	3.4	3.4	3.3	3.2	3.3	3.3	3.3	3.4	3.4	3.4	3.2	3.3
Vanguard														

	9/30/2013	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016
Columbia	2.1	2.2	2.1	2.0	2.0	1.8	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.9
Galliard	2.7	2.7	2.7	2.7	2.7	2.6	2.6	2.7	2.6	2.7	2.7	2.7	2.7	2.8
Great-West	4.3	3.9	3.7	3.5	3.5	3.2	3.0	3.5	3.3	3.4	2.9	2.7	2.8	3.5
GSAM	3.3	3.3	3.2	3.0	2.9	2.9	2.9	3.0	2.9	3.0	2.9	2.9	2.9	3.2
ICMA	2.3	2.5	2.5	2.3	2.4	2.4	2.4	2.5	2.4	2.6	2.4	2.4	2.5	2.8
Invesco	3.4	3.2	3.2	3.3	3.3	3.3	3.2	3.3	3.2	3.3	3.2	3.3	3.3	3.4
JPM	2.7	2.8	2.8	2.7	2.8	2.6	2.7	2.8	2.7	2.8	2.6	2.5	2.7	2.8
Mellon	3.1	3.2	3.2	3.1	3.1	3.1	2.9	3.0	3.0	3.0	2.9	3.0	3.0	3.4
PFM	2.8	2.9	3.0	2.9	2.9	2.8	2.8	3.0	3.0	3.1	3.0	3.0	3.0	3.2
PIMCO	3.7	3.8	3.8	3.4	3.5	3.4	3.2	3.4	3.4	3.6	3.4	3.4	3.4	3.9
Principal	2.4	2.5	2.5	2.5	2.6	2.6	2.6	2.7	2.7	2.7	2.6	2.6	2.6	2.8
Putnam						3.0	2.5	2.6	2.4	2.6	2.6	2.4	2.4	2.9
T. Rowe	3.0	3.1	3.1	3.1	3.1	3.1	3.2	3.1	3.2	3.1	3.1	3.2	3.2	3.1
Vanguard				2.7	2.8	2.5	2.6	2.8	2.7	2.8	2.7	2.6	2.6	2.8

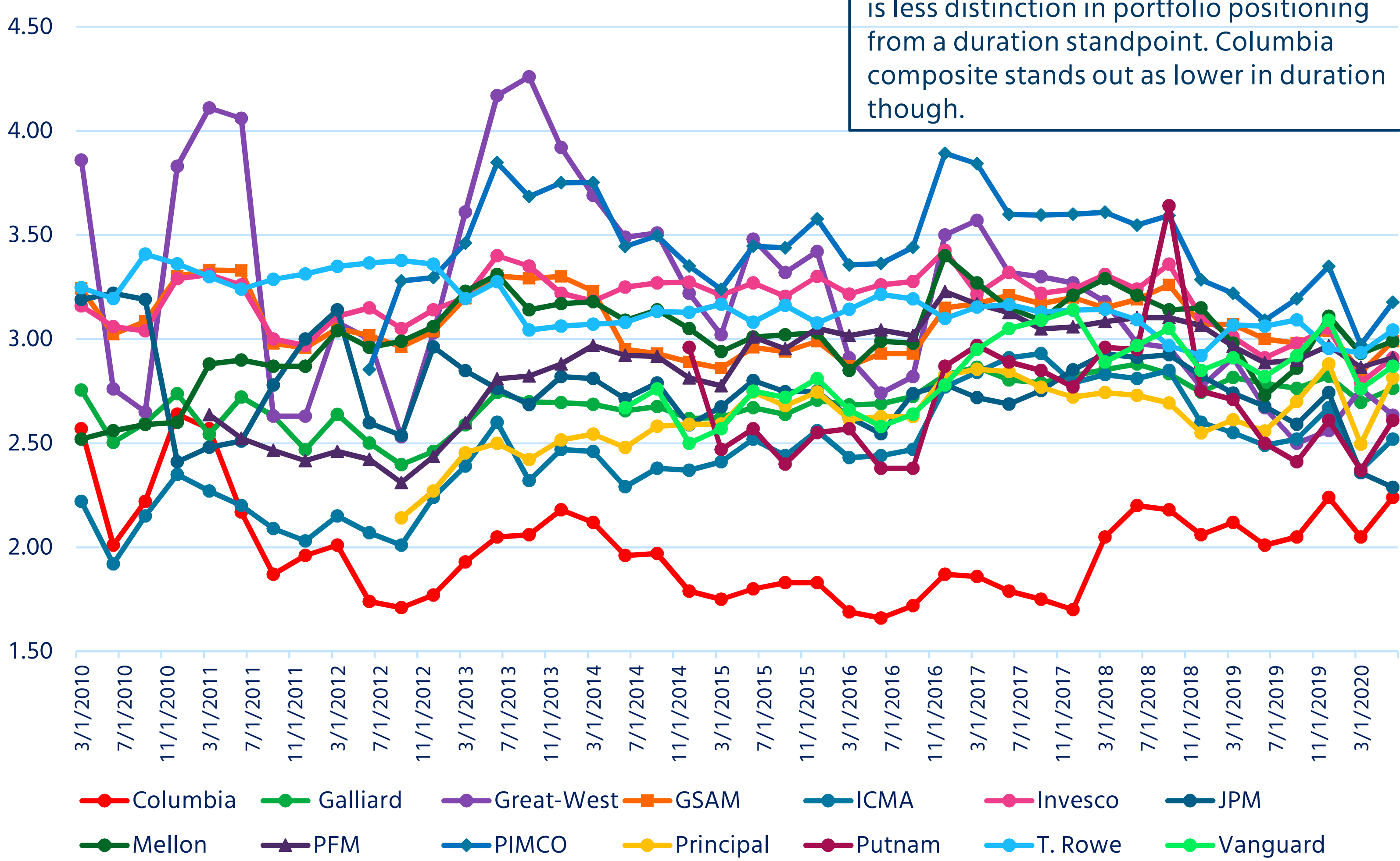
	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020
Columbia	1.9	1.8	1.8	1.7	2.1	2.2	2.2	2.1	2.1	2.0	2.1	2.2	2.1	2.2
Galliard	2.9	2.8	2.8	2.8	2.9	2.9	2.8	2.7	2.8	2.8	2.8	2.8	2.7	2.8
Great-West	3.6	3.3	3.3	3.3	3.2	3.0	3.0	2.8	2.9	2.7	2.5	2.6	2.8	2.6
GSAM	3.2	3.2	3.2	3.2	3.2	3.2	3.3	3.1	3.1	3.0	3.0	3.0	2.8	3.0
ICMA	2.8	2.9	2.9	2.8	2.8	2.8	2.9	2.6	2.6	2.5	2.5	2.7	2.4	2.5
Invesco	3.2	3.3	3.2	3.2	3.3	3.2	3.4	3.1	3.0	2.9	3.0	3.1	2.8	2.9
JPM	2.7	2.7	2.8	2.9	2.9	2.9	2.9	2.8	2.7	2.7	2.6	2.7	2.4	2.3
Mellon	3.3	3.2	3.1	3.2	3.3	3.2	3.1	3.2	3.0	2.7	2.9	3.1	2.9	3.0
PFM	3.2	3.1	3.0	3.1	3.1	3.1	3.1	3.1	3.0	2.9	2.9	3.0	2.9	2.9
PIMCO	3.8	3.6	3.6	3.6	3.6	3.5	3.6	3.3	3.2	3.1	3.2	3.3	3.0	3.2
Principal	2.9	2.8	2.8	2.7	2.7	2.7	2.7	2.5	2.6	2.6	2.7	2.9	2.5	2.8
Putnam	3.0	2.9	2.9	2.8	3.0	3.0	3.6	2.8	2.7	2.5	2.4	2.6	2.4	2.6
T. Rowe	3.2	3.2	3.1	3.1	3.1	3.1	3.0	2.9	3.1	3.1	3.1	3.0	2.9	3.0
Vanguard	3.0	3.1	3.1	3.1	2.9	3.0	3.1	2.9	2.9	2.8	2.9	3.1	2.8	2.9

Excellent	Favorable	Reasonable	Less Desirable
2.8-3.5 years	2.1-2.8 years	<2.1 years	>3.5 years

MERCER

Investment Approach and Process
Historical Duration

Key point: Over the past several years there is less distinction in portfolio positioning from a duration standpoint. Columbia composite stands out as lower in duration though.



Proposed Portfolio Allocations

	Cash	Short	Intermediate	Core	Total
Columbia	5%	20%	75%	-	**100%**
Galliard	2%	41%	57%	-	**100%**
Great-West	4%	66%	15%	15%	**100%**
Goldman Sachs	2%	30%	68%	-	**100%**
ICMA	5%	30%	55%	10%	**100%**
Invesco	3%	47%	30%	20%	**100%**
J.P. Morgan	3%	25%	72%	-	**100%**
Mellon	3%	10%	87%	-	**100%**
PFM	5%	60%	35%	-	**100%**
PIMCO	3%	22%	75%	-	**100%**
Principal (Morley)	3%	45%	53%		**100%**
Putnam	5%	55%	40%	-	**100%**
T. Rowe Price - Internally Managed	3%	52%	45%	-	**100%**
T. Rowe Price - Part Externally Managed	3%	36%	61%	-	**100%**
Vanguard	3%	25%	72%	-	**100%**

Estimated Number of Underling Funds	External Managers Vs. Internal (%)
6	**30/65**
6	**30/68**
9 (including 5 Term Funds)	**48/48**
9 (including 5 Term Funds)	**30/68**
15 (including 5 GICs)	**65/30**
10	**35/62**
3	**0/97**
5	**45/52**
4	**70/25**
3	**0/97**
6	**40/57**
11 (including 8 GICs)	**20/75**
4	**0/97**
5	**30/67**
3	**0/97**

MERCER

Wrap Provider Diversity and Quality

- All candidates expect to wrap the DCP's SV portfolio in a generally well-diversified manner (see green row at bottom).
- Great-West's 48% allocation represents single wrap risk. Further, should this wrap coverage need to be replaced in a difficult wrap capacity environment, this could pose substantial challenges.
- ICMA and Putnam's allocations to traditional GICs and ICMA's proprietary collective fund position could potentially cause liquidity issues.

Provider	Columbia	Galliard	Great-West	Goldman Sachs	ICMA*	Invesco	J.P. Morgan	Mellon	PFM	PIMCO	Principal (Morley)	Putnam	T. Rowe Price	Vanguard
Traditional GICs														
Jackson National												2.5%		
Lincoln												2.5%		
MetLife					3.0%							2.5%		1.5%
Minnesota Life					2.0%							2.5%		
New York Life					1.0%							2.5%		1.5%
Principal Life Ins Co					3.0%							2.5%		
Prudential					1.0%							2.5%		
United of Omaha												2.5%		
Synthetic Wraps														
American General Life Ins. Co.											10.0%			6.0%
American United Life Ins. Co.								10.0%				10.0%		
Great-West			48.0%											
JPMorgan														10.0%
Lincoln						16.2%								6.0%
Massachusetts Mutual Life Ins Co			9.6%		10.0%							17.5%	16.0%	10.0%
Met Tower Life	20.0%			24.5%	14.0%	16.2%			23.8%		15.0%		17.0%	
Metropolitan Life Ins Co		19.6%	9.6%				24.3%	12.0%		24.3%		10.0%		10.0%
Nationwide														8.0%
New York Life			9.6%	24.5%									16.0%	10.0%
Pacific Life Ins. Co.	18.8%	19.6%			13.0%	16.2%		15.0%	23.8%	24.3%	18.5%	10.0%	16.0%	8.0%
Principal Life Ins Co														
Prudential	18.8%	19.6%	9.6%	24.5%	13.0%	16.2%	24.3%	15.0%	23.8%	24.3%	15.0%	10.0%	16.0%	10.0%
RGA Reinsurance Company				24.5%							18.5%			
Royal Bank of Canada														
State Street Bank			9.6%										16.0%	10.0%
Transamerica	18.8%	19.6%			20.0%	16.2%	24.3%	22.5%	23.8%	24.3%	20.0%	17.5%		6.0%
Voya Retirement And Annuity Co.	18.8%	19.6%				16.2%	24.3%	22.5%						
Unwrapped Cash and Others														
Proprietary Collective Fund					15.0%									3.0%
Cash/STIF	4.8%	2.0%	4.0%	2.0%	5.0%	3.0%	3.0%	3.0%	5.0%	3.0%	3.0%	5.0%	3.0%	
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

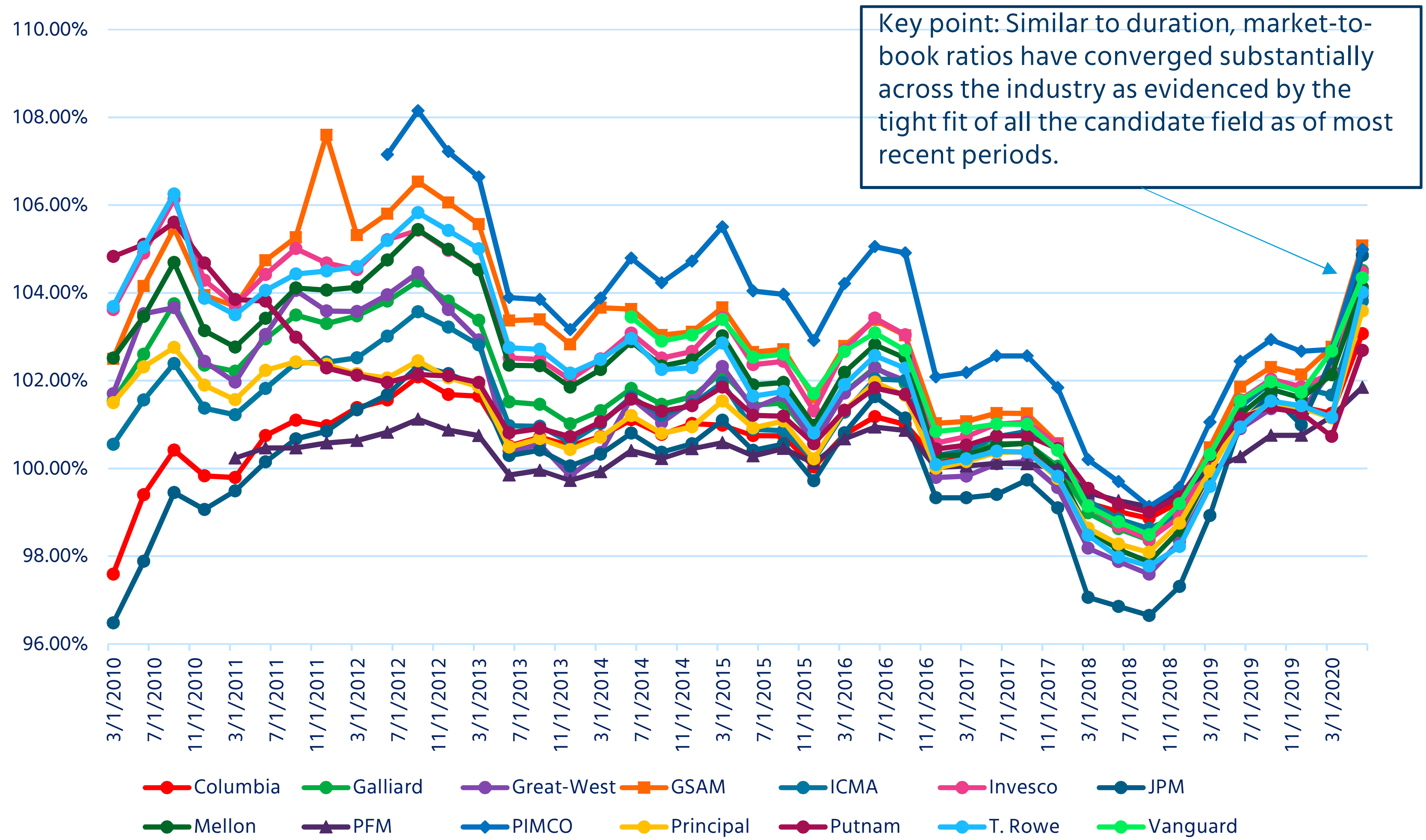
*10% allocation to Massachusetts Mutual Life Ins Co. would be a Separate Account GIC.

Number of Synthetic Wrap Providers	**5**	**5**	**6**	**4**	**5**	**6**	**4**	**6**	**4**	**4**	**6**	**6**	**6**	**11**

MERCER

Investment Approach and Process

Market to Book Value



Investment Approach and Process

Market to Book Value (%)

Key points: Over past 10 years, SV managers generally have maintained M/B ratios solidly above 100% on average with some exceptions.. Recent rate declines have benefited all of the managers in this search.

	3/31/2010	6/30/2010	9/30/2010	12/31/2010	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	6/30/2012	9/30/2012	12/31/2012	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015
Columbia	97.6	99.4	100.4	99.8	99.8	100.8	101.1	101.0	101.4	101.6	102.1	101.7	101.6	100.5	100.7	100.5	100.7	101.1	100.8	101.0	101.0
Galliard	101.5	102.6	103.7	102.3	102.2	102.9	103.5	103.3	103.5	103.8	104.3	103.8	103.4	101.5	101.5	101.0	101.3	101.8	101.5	101.6	102.2
Great-West	101.7	103.5	103.7	102.4	102.0	103.1	104.1	103.6	103.6	104.0	104.5	103.6	102.9	100.4	100.5	99.8	100.4	101.6	101.0	101.5	102.3
GSAM	102.5	104.2	105.5	103.9	103.7	104.7	105.3	107.6	105.3	105.8	106.5	106.1	105.6	103.4	103.4	102.8	103.7	103.6	103.0	103.1	103.7
ICMA	100.6	101.6	102.4	101.4	101.2	101.8	102.4	102.4	102.5	103.0	103.6	103.2	102.8	101.0	101.0	100.6	101.0	101.6	101.2	101.5	102.0
Invesco	103.6	104.9	106.1	104.3	103.7	104.4	105.0	104.7	104.5	105.2	105.4	105.0	104.5	102.5	102.5	102.0	102.5	103.1	102.5	102.7	103.4
JPM	96.5	97.9	99.5	99.1	99.5	100.1	100.7	100.8	101.3	101.7	102.3	102.2	101.9	100.3	100.4	100.1	100.3	100.8	100.4	100.6	101.1
Mellon	102.5	103.5	104.7	103.1	102.8	103.4	104.1	104.1	104.1	104.8	105.4	105.0	104.5	102.4	102.3	101.9	102.3	102.9	102.3	102.5	103.0
PFM					100.2	100.5	100.5	100.6	100.6	100.8	101.1	100.9	100.7	99.9	100.0	99.7	99.9	100.4	100.2	100.4	100.6
PIMCO										107.2	108.2	107.2	106.6	103.9	103.9	103.2	103.9	104.8	104.2	104.7	105.5
Principal	101.5	102.3	102.8	101.9	101.6	102.2	102.4	102.4	102.2	102.1	102.5	102.1	101.9	100.5	100.7	100.4	100.7	101.2	100.8	100.9	101.5
Putnam	104.8	105.1	105.6	104.7	103.9	103.8	103.0	102.3	102.1	102.0	102.1	102.1	102.0	100.8	100.9	100.7	101.1	101.6	101.3	101.4	101.9
T. Rowe	103.7	105.0	106.3	103.9	103.5	104.1	104.4	104.5	104.6	105.2	105.8	105.4	105.0	102.8	102.7	102.2	102.5	103.0	102.2	102.3	102.9
Vanguard																		103.5	102.9	103.0	103.4

	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020
Columbia	100.7	100.7	100.0	100.8	101.2	101.0	100.2	100.2	100.4	100.4	100.0	99.2	99.0	98.9	99.2	100.2	101.2	101.4	101.4	101.3	103.1
Galliard	101.4	101.5	100.6	101.7	102.3	101.9	100.2	100.4	100.6	100.6	100.0	99.0	98.6	98.4	99.0	100.2	101.6	101.9	101.8	102.2	104.5
Great-West	101.4	101.7	100.6	101.7	102.3	102.0	99.8	99.8	100.1	100.2	99.6	98.2	97.9	97.6	98.3	99.6	100.9	101.4	101.3	102.2	104.0
GSAM	102.7	102.7	101.6	102.8	103.4	103.0	101.0	101.1	101.3	101.3	100.6	99.3	98.8	98.5	99.1	100.5	101.9	102.3	102.1	102.8	105.1
ICMA	100.9	100.9	100.2	101.3	102.0	102.0	100.3	100.4	100.7	100.8	100.5	99.3	98.9	98.6	98.9	100.2	101.4	102.0	101.8	101.7	103.8
Invesco	102.4	102.4	101.3	102.7	103.4	103.0	100.6	100.7	101.0	101.1	100.5	99.2	98.7	98.4	98.9	100.3	101.6	102.0	101.9	102.2	104.5
JPM	100.4	100.6	99.7	100.8	101.6	101.1	99.3	99.3	99.4	99.7	99.1	97.1	96.9	96.6	97.3	98.9	101.0	101.7	101.0	102.5	104.9
Mellon	101.9	102.0	101.0	102.2	102.8	102.5	100.3	100.3	100.5	100.6	100.0	98.6	98.2	97.9	98.6	99.9	101.2	101.8	101.6	102.1	104.1
PFM	100.3	100.5	100.1	100.7	100.9	100.9	100.0	100.1	100.1	100.1	100.0	99.5	99.3	99.1	99.5	100.0	100.3	100.8	100.8	101.2	101.8
PIMCO	104.0	104.0	102.9	104.2	105.1	104.9	102.1	102.2	102.6	102.6	101.8	100.2	99.7	99.1	99.6	101.1	102.4	102.9	102.7	102.7	105.0
Principal	100.9	101.1	100.2	101.3	102.0	101.7	100.0	100.2	100.4	100.4	99.8	98.6	98.3	98.1	98.8	99.9	101.1	101.5	101.4	101.1	103.6
Putnam	101.2	101.2	100.6	101.3	101.8	101.7	100.4	100.5	100.7	100.8	100.5	99.5	99.2	99.0	99.4	100.3	101.2	101.4	101.3	100.7	102.7
T. Rowe	101.6	101.8	100.8	101.9	102.6	102.3	100.1	100.2	100.4	100.4	99.8	98.5	98.0	97.8	98.2	99.6	100.9	101.5	101.4	101.2	104.0
Vanguard	102.5	102.6	101.7	102.7	103.1	102.7	100.8	100.9	101.0	101.0	100.4	99.1	98.8	98.5	99.2	100.3	101.5	102.0	101.7	102.7	104.3

Excellent	Favorable	Reasonable	Less Desirable
100% - 105%	100% - 95%	<95%	>105%

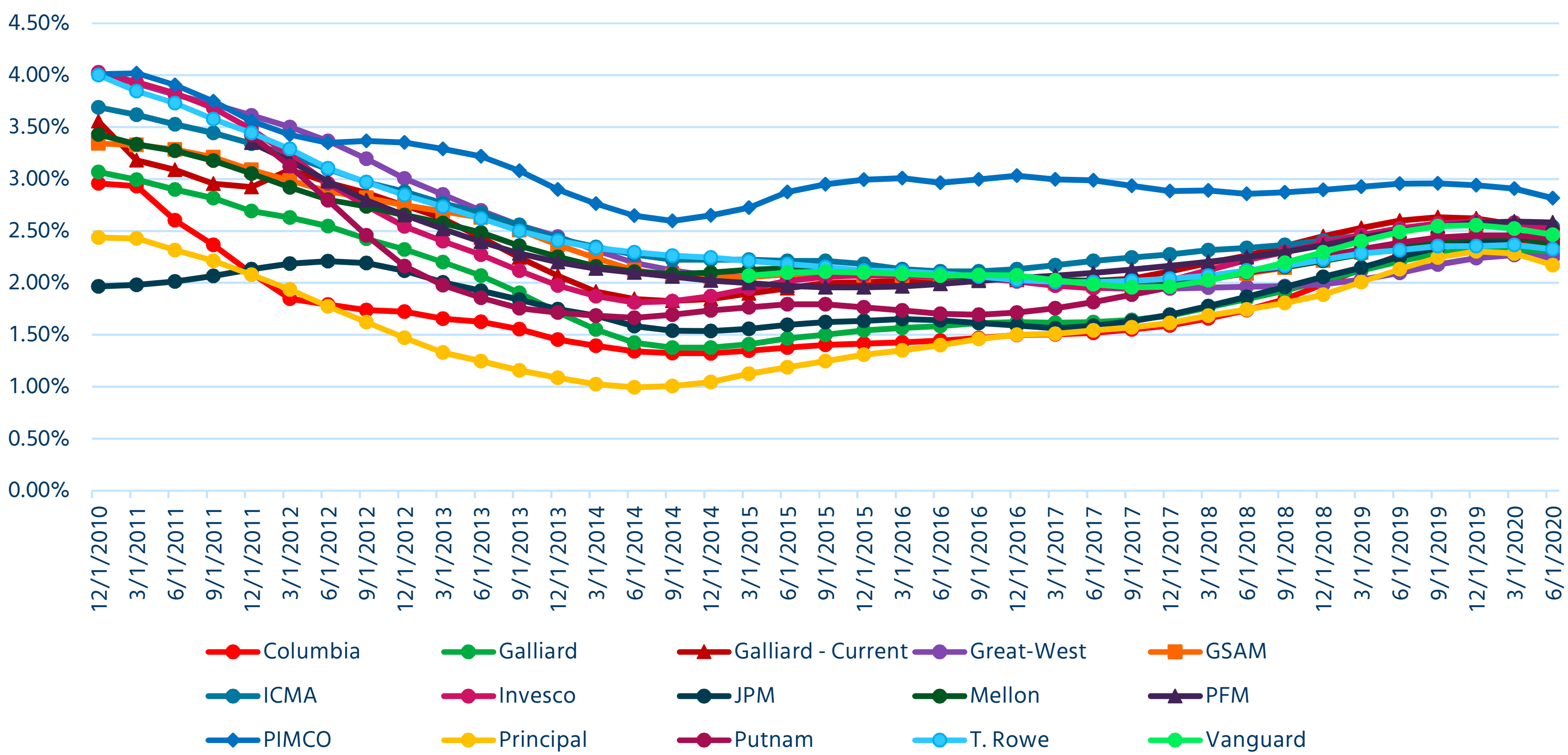
MERCER

Investment Performance

Investment Performance as of 6/30/2020

Rolling 1-Year Net of Fee Book Value Performance

Key point: Book value returns are generally very similar for most managers with PIMCO being a positive outlier due to its longer duration posture.



MERCER

Investment Performance

Cumulative Fund Performance (net) as of June 30, 2020

	3 mths (%)		CY (6 mths) (%)		1 yr (%)		3 yrs (%pa)		5 yrs (%pa)		10 yrs (%pa)	
Columbia	0.5	(36)	1.1	(28)	2.3	(25)	2.1	(31)	1.9	(45)	1.8	(49)
Galliard – Composite	0.5	(31)	1.1	(28)	2.3	(27)	2.1	(31)	1.9	(36)	2.0	(40)
City of LA DCP SV Fund	0.6	(1)	1.2	(1)	2.6	(1)	2.4	(1)	2.3	(1)	2.4	(1)
Great-West	0.5	(32)	1.1	(28)	2.2	(29)	2.1	(31)	2.1	(27)	2.4	(1)
GSAM	0.6	(19)	1.2	(15)	2.4	(9)	2.3	(25)	2.2	(6)	2.4	(1)
ICMA	0.6	(1)	1.2	(1)	2.5	(1)	2.5	(1)	2.3	(1)	2.5	(1)
Invesco	0.6	(3)	1.2	(2)	2.5	(1)	2.4	(1)	2.3	(1)	2.4	(1)
JPMorgan	0.6	(4)	1.2	(14)	2.4	(9)	2.2	(29)	1.9	(32)	1.9	(44)
Mellon	0.5	(27)	1.1	(22)	2.4	(18)	2.3	(26)	2.2	(4)	2.4	(2)
PFM	0.6	(1)	1.3	(1)	2.6	(1)	2.4	(1)	2.3	(1)		
PIMCO	0.6	(1)	1.3	(1)	2.8	(1)	2.9	(1)	2.9	(1)	3.1	(1)
Principal	0.5	(71)	1.0	(58)	2.2	(53)	2.0	(50)	1.8	(64)	1.6	(76)
Putnam	0.6	(3)	1.2	(5)	2.4	(4)	2.3	(23)	2.1	(22)		
T. Rowe Price	0.5	(29)	1.1	(20)	2.3	(25)	2.2	(26)	2.2	(8)	2.5	(1)
Vanguard	0.6	(3)	1.2	(4)	2.5	(1)	2.4	(1)	2.2	(1)		
3-Yr CM + 50	*0.2*	*(100)*	*0.6*	*(100)*	*1.7*	*(100)*	*2.4*	*(1)*	*2.1*	*(15)*	*1.7*	*(74)*
Median	*0.5*		*1.0*		*2.2*		*2.0*		*1.8*		*1.8*	

Note: City of LA DCP Stable Value Fund displayed above to show DCP experience since all managers including Galliard were required to provide composite returns (i.e., average for group of similar accounts).

Portfolio Transition, Reporting and Administrative

Portfolio Transition, Administration and Reporting

- ***Transition:*** Most managers provided the steps for a thoughtful transition plan where transaction costs would be minimized, whenever possible receiving the holdings in-kind and contemplating the retention of current wrap providers. Two responses were less definitive in how they would manage the asset transfer.
- ***Daily NAV:*** The majority of the managers would be able to strike a daily NAV for the recordkeeper. Mellon, PFM, and Principal do not offer such a solution.
- ***Brokerage Window a competing option ("equity wash" requirement):*** Several confirmed no restrictions on participant movement from Stable Value directly to the PCRA window without an "equity wash." This is favorable given the importance of PCRA to participants.
- ***Deemed IRA:*** Most are unable to support a Deemed IRA feature due to concerns with IRS and other regulations. Others can do so, but this represents a structural change to how the portfolio is managed and are outside of scope of proposed fees.

	Columbia	Galliard - City of LA	Galliard - Composite	Great-West	Goldman Sachs	ICMA	Invesco	J.P. Morgan	Mellon	PFM	PIMCO	Principal	Putnam	T. Rowe Price	Vanguard
Portfolio Transition															
Administrative And Reporting															
Able to provide a daily NAV?															
Is PCRA brokerage option considered competing?	Yes	No	No	No	No	Possibly	No	No	Possibly	Possibly	Possibly	Possibly	No	Possibly	No
Able to support Deemed IRA? (not evaluated)	Possibly	No	No	No	Possibly	Possibly	Possibly	No	No	Possibly	No	No	No	No	No

Excellent | Favorable | Reasonable | Less Desirable

Fees

Fees

We find that the fees proposed by the candidates are competitive. We estimate the total fees are within 20% of the estimated median fee of 25.2 bps. A key source of difference in total fees is if external subadvisors are used. Since external management can be viewed as a method of diversifying risk, nominally incremental expense for external management seems appropriate.

	Internal Investment Mgmt. Fee	External Subadvisor Investment Mgmt. Fee	Investment Contract (Wrap) Fees	Other Fees*	Estimated Total Fee
Columbia	0.0600%	0.0330%	0.16%-0.18%	0.0100%	**0.2630% - 0.2830%**
Galliard	0.0675%	0.0260%	0.1490%	0.0290%	**0.2715%**
Great-West	0.0560%	0.0460%	0.1490%	0.0290%	**0.2800%**
Goldman Sachs	0.0650%	0.0260%	0.1450%	0.0162%	**0.2522%**
ICMA	0.0163%	0.0960%	0.1135%	0.0105%	**0.2363%**
Invesco	0.0619%	0.0410%	0.1500%	0.0000%	**0.2529%**
J.P. Morgan	0.0800%	0.0000%	0.1600%	0.0000%	**0.2400%**
Mellon	0.0459%	0.0830%	0.1500%	0.0000%	**0.2789%**
PFM	0.0900%	0.0000%	0.1500%	0.0100%	**0.2500%**
PIMCO	0.1100%	0.0000%	0.1500%	0.0100%	**0.2700%**
Principal (Morley)	0.0590%	0.0480%	0.1550%	0.0110%	**0.2730%**
Putnam	0.0700%	0.0000%	0.15%-0.17%	0.0000%	**0.2200% - 0.2400%**
T. Rowe Price - All Internal	0.0600%	0.0000%	0.1500%	0.0000%	**0.2100%**
T. Rowe Price - Part External	0.0400%	0.0360%	0.1500%	0.0000%	**0.2260%**
Vanguard	0.047%	0.000%	0.15%-0.16%	0.0230%	**0.22% - 0.23%**

* Based on ultimate portfolio construction, we expect "Other Fees" could change, especially for the candidates representing 0% for Other Fees.

MERCER

Appendix

Sector Allocation of Underlying Bond Portfolio

Sector	Columbia	Galliard	Great West	GSAM	ICMA	Invesco	JPMorgan	Mellon	PFM	PIMCO	Principal	Putnam	TRP	Vanguard
ABS	17.7	11.3	8.6	5.5	4.5	16.9	6.2	12.6	2.1	0.1	8.6	2.3	8.8	15.6
US Agency	2.8	0.1		2.2	1.8	0.6	0.1	1.6	24.0	2.2	3.8		3.4	0.2
Agency CMBS									0.8					
Agency CMO		1.0	3.0			1.0			0.4		4.3			
Agency MBS	31.4	17.4	26.4		19.4	21.6	31.8	24.8	3.1	27.9	15.0	4.5		
Cash		6.8	3.0		9.7	1.0	1.3	5.9	5.0	22.6	5.5	13.0	5.9	3.3
Cash (wrapped)	1.2			4.1	3.0			2.6	1.6			2.1		
CMBS	12.4		4.4	2.0	5.5	7.0	1.4	5.6	0.4	6.4	6.9	10.0	6.0	2.3
CMO				1.7		0.8							0.5	
Corporate					27.3	26.4			42.9			23.8	44.0	26.9
Investment Grade Credit	25.8	30.3	33.8	33.5			43.8	26.2		23.2	32.9			
Non-Investment Grade Credit		0.4									0.4			
Foreign				2.5	0.5					1.0	0.9		1.1	5.1
Foreign (Emerging)					0.2					0.5				
Traditional GICs					20.1						3.8	28.3		3.3
Synthetic GICS														
Open Maturity Commingled Trust														
Open Maturity Insurance Company Sep Accts														
Open Maturity Non-Insurance Sep Accts														
Government														
High Yield Credit				0.6	1.6									
MBS				23.3									10.5	
Muni					0.5	0.0			0.5	2.4		0.0	0.1	
Muni (Taxable)		5.0							0.7					
Non-Corporate Credit				2.0	0.7									
Non-Agency CMBS		4.6												
Non-Agency MBS		0.9	2.3				1.2				0.4	8.3		30.9
Private Placements														
RMBS														
Short-Term														
Stable Value Pooled Fund														
Supranational		0.0			0.0				1.6					
US Treasury	8.4	17.0	18.5	22.6	8.8	24.5	14.1	20.0	16.8	13.8	17.5	7.7	19.6	12.4
Other (Please specify)					-3.8	0.1		0.7						
Govt Related Other (Foreign)														
Govt Related (U.S. and Foreign)	0.3	5.3			0.2									
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Other: ICMA (Wrap provider exposure; negative means market above book)

MERCER

Blank Summary Evaluation

	Columbia	Galliard - City of LA	Galliard - Composite	Great-West	Goldman Sachs	ICMA	Invesco	J.P. Morgan	Mellon	PFM	PIMCO	Principal	Putnam	T. Rowe Price	Vanguard
Organizational Strength And Continuity															
Business Strength And Resiliency															
Firm-wide Assets															
Tenure Of Senior Professionals															
Total Personnel Retention															
History Of Legal And Regulatory Proceedings															
Investment Experience															
History Of Managing Stable Value Assets															
Scale Of Stable Value Assets Under Management															
Depth of Stable Value Team															
Investment Approach And Process															
Duration															
External Managers Vs. Internal															
Liquidity															
Wrap Provider Diversity & Quality															
Quality Of Underlying Managers?															
Historical Market-To-Book															
Investment Performance															
Overall Book Value Performance															
Underlying Short Duration Fund Risk-Adjusted Performance															
Underlying Intermediate Duration Fund Risk-Adjusted Performance															
Portfolio Transition															
Administrative And Reporting															
Able to provide a daily NAV?															
Is PCRA brokerage option considered competing?															
Able to support Deemed IRA? (not evaluated)															
Fees															

Excellent	Favorable	Reasonable	Less Desirable

Important Notices

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

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.

Mercer does not provide tax or legal advice. You should contact your tax advisor, accountant and/or attorney before making any decisions with tax or legal implications.

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.

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.

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.

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

Style analysis graph time periods may differ reflecting the length of performance history available.

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.

welcome to

brighter