



STATE OF WISCONSIN
Department of Employee Trust Funds
 Robert J. Conlin
 SECRETARY

Wisconsin Department
 of Employee Trust Funds
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Correspondence Memorandum

Date: January 24, 2019

To: Deferred Compensation Board Investment Committee

From: Shelly Schueller, Director
 Wisconsin Deferred Compensation Program

Subject: Stable Value Funds: Request for Independent Consultant Review

The Department of Employee Trust Funds (ETF) suggests the committee recommend the Deferred Compensation Board authorize ETF to hire an independent consulting firm to review stable value fund options.

The WDC's stable value fund has been provided by Galliard Capital Management since 1998. It is an extremely popular investment option. The stable value fund is regularly the first or second largest option in the WDC in terms of assets and in the top five in number of participants. As of December 31, 2018, over 25,000 WDC participants held nearly \$665,618,000 in the stable value fund.

The Board's fiduciary responsibilities include ensuring that the WDC offer investments and services that are in the best interests of plan participants. Empower Retirement, the Wisconsin Deferred Compensation Program (WDC) administrative services provider, has made an offer to provide a custom stable value fund (CSVF) for the WDC. Empower believes it can provide a CSVF at a very competitive expense rate and would also offer a reduction in the overall fee currently paid to Empower Retirement for plan administration and record keeping.

In keeping with the Board's fiduciary responsibilities, ETF believes that independent outside review of stable value fund options, including Empower's proposal, is appropriate and suggests that the committee recommend that the Board authorize ETF to hire a consulting firm to provide the Board with an independent analysis of stable value funds. This due diligence analysis can help the Board determine if any changes to the stable value fund option are warranted. Normally, Great-West Financial provides the Board with investment analysis, but in this case, it is not appropriate because Great-West Financial is part of the Great-West family of companies that includes Empower.

Staff will be available at the committee meeting to answer any questions.

Reviewed and approved by Matt Stohr, Administrator, Division of Retirement Services

Matt Stohr Electronically Signed 2/5/19

Board	Mtg Date	Item #
DCIC	2.21.19	3

Stable Value Funds: Request for Independent Consultant Review

January 24, 2019

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Attachment A: Empower June 4, 2018 WDC plan optimization proposal

Attachment B: Empower July 20, 2018 WDC plan optimization proposal response to ETF questions

Attachment C: Empower sample CSVF contract

Attachment D: Empower January 18, 2019 WDC optimization proposal update



June 4, 2018

Wisconsin Department of Employee Trust Funds
 Attn: Ms. Shelly Schueller
 4822 Madison Yards Way
 Madison, WI 53705-9100

RE: Wisconsin Deferred Compensation (WDC) Plan Optimization Proposal

Dear Shelly:

Since our partnership began in 2005, our two organizations have worked hand-in-hand to provide one of the most impactful deferred compensation plans in government markets. Collectively, we've focused on optimizing retirement outcomes for every participant in the WDC for well over a decade. Jointly through our people, technology, your best-in-class investments and providing one of the lowest cost programs in the country, we continue to enhance and innovate to maximize retirement outcomes for your participants.

As our strategic partnership and contract will take us through 2022, we respectfully bring to the Board's attention an opportunity to immediately provide additional value to WDC participants in the form of substantially reduced plan costs while at the same time simplifying the investment lineup and improving investment yields. Empower would like the opportunity during the next Investment Committee meeting to propose to consolidate the short term investment options into a single Great-West Custom Stable Value Fund (CSVF). Those options include:

- Galliard Stable Value Fund
- Federated US Government Fund
- Vanguard Money Market Fund
- FDIC Option

Substantially reduced plan cost

By consolidating to a Great-West CSVF, Empower and Great-West Investments could reduce recordkeeping, investment management, and wrap fees by an amount that we estimate to equate to \$2 million dollars in annual savings as illustrated below.

Service	Projected 2018 Plan Cost	New Proposal Cost	Savings Annually
Empower Recordkeeping Fee	\$3,280,318	\$2,296,223	\$984,095
Short Term Money Assets*	\$2,886,871	\$1,812,738	\$1,074,133
Total	\$6,167,189	\$4,108,961	\$2,058,228

*Proposed Great-West CSVF investment management fee 0.10% and wrap fee of 0.15% for a total fee of 0.25% guaranteed for contract term.

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Plan economics

According to public records Empower has obtained, State deferred compensation plans nationally bundle a recordkeeping provider’s administrative technology with its proprietary stable value fund capabilities approximately 50% of the time. This is traditionally done to improve overall plan economics while still positioning a competitive stable value offering. The provider offers a lower recordkeeping fee but is exclusively dependent on utilizing their proprietary option.

Empower has offered to reduce the overall cost to plan participants both in the form of a lower recordkeeping fee and a lower investment management fee. We estimate this to equate to \$8 million dollars in value back to participants during the remainder of our contract term (approximately 4 years). We also believe that by consolidating to a single stable value product, thousands of participants would benefit from substantially higher yields. We project if created today, a Great-West CSVF with a 50/50 split of corporate and government securities, and a maximum duration of 4 years, would generate a gross yield of 3.24%. Compare this to the variety of short term investment options the Plan offers today:

Short Term Investment Option	1 Year Return (4/30/2018)*	Assets (4/30/2018)	Participants in the fund (4/30/2018)
Stable Value Fund	2.17%	\$662,504,050	24,127
Vanguard Treasury Money Market	1.10%	\$32,489,856	6,644
FDIC Bank Option	1.88%	\$113,954,232	10,466
Federated US Government Securities 2-5 Yr	-1.84%	\$31,333,763	6,131

* For complete historical returns see - https://docs.retirementpartner.com/ioag/98971-01_IOAG.pdf

We believe the WDC and every participant, including the thousands invested in these four funds would benefit from the plan optimization proposal and going to a single Great-West stable value product.

Favorable contract termination provisions

The Great-West CSVF also offers favorable contract termination provisions, consistent with options typically seen in the stable value marketplace. WDC could terminate our stable value contract with 90 days’ notice and move the securities in-kind (less derivatives), or in cash, to a new stable value fund manager. Alternatively, WDC could elect to receive the assets of the fund at book value. Should the market-to-book-ratio be below 100% at the time of termination, Great-West would be allowed a period of time for the restoration of market value to book value in the account. As is customary in the stable value marketplace, this period would be defined contractually as the duration of the portfolio, plus up to three years. At any time that market value is equal to book during the period; WDC could instruct Great-West to move the assets.

Should a stable value fund contract termination occur for reasons of underperformance, Empower would continue to honor its discounted recordkeeping price allowing WDC Plan fiduciaries to maintain their authority to make future prudent investment decisions without an increase in administrative cost to participants/plan. We believe

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we are the only recordkeeper and stable value manager that is willing put that kind of commitment behind our asset management capabilities.

Benefits to the participant

In addition to the economic benefits gained from pairing recordkeeping and stable value management together, participants would have a 0% crediting rate floor, guaranteeing principal with the Great-West CSVF. Today, the stable value fund offered only seeks to preserve principle and does not offer the same guarantee. WDC would gain the benefit of reducing both cost and risk to participants with the ability to continue to transact at book value.

Offering high quality wrap coverage and capacity

Great-West is one of the highest-rated wrap providers in the stable value industry with AA ratings from S&P and Aa3 ratings from Moody's. Stable value is a large and committed business line for Great-West. Our clients take comfort in the fact that during the height of the financial crisis, as the industry saw the majority of wrap providers realize downgrades in their credit ratings or exit the business entirely, Great-West remained firmly committed to the business and preserved our high credit ratings through the prudent management of capital and reserves and stood firmly behind each of our clients through that challenging period. Great-West also continued to wrap new custom stable value assets during the financial crisis with no limitations to wrap capacity.

Customized investment policy statement

Great-West has several Stable Value Fund solutions available and after discussions with the Investment Committee, we would construct an investment portfolio and structure best suited to your objectives. Data presented below represents a composite of our CSVF clients at Great-West that share a similar Investment Policy to our proposed solution.

Composite Book Value Performance (gross-of-fees)				
Structure	As of Date	One-year	Five-year	Ten-year
Core strategy	5/31/2018	2.39%	2.44%	3.28%
Core ex-BBB strategy	5/31/2018	2.31%	2.42%	3.26%
Government strategy	5/31/2018	2.24%	2.40%	3.31%

Not a guarantee of and may not be indicative of future results. Composite performance for each structure reflects a simple average of each account at the time period shown.

Great-West believes the most important part of SVF design is working in partnership with you to construct an investment portfolio and structure that meets the objectives of the WDC. Due to the customized nature of the product, we can respond to your needs within the Investment Policy Statement (IPS), which you may modify in consultation with our Investment team. Within the IPS, our portfolio managers respond to dynamic market conditions providing sufficient yield without incurring significant investment risk.

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Typical client portfolios are constructed of either: (1) a 100% government (and agency) securities portfolio; or (2) an alternative including asset-backed, non-government guaranteed mortgage-backed securities; or (3) an alternative with investments including corporate securities. If corporate securities are included in the portfolio, we will work with your Investment Committee to establish a minimum credit rating and average credit rating for the overall portfolio.

Our Experience

We proudly serve 38 custom stable value clients including 8 states: Alabama, Colorado, Kansas, Louisiana, New Hampshire, North Carolina, South Carolina and Oklahoma representing \$4.4 billion in custom stable value assets. Our portfolio management team has a proven history of successful asset management. The Stable Value team, led by Jack Brown, has a long tenure managing assets for more than 15 years. He is supported by a team of 22 credit analysts and an experienced trading desk. Additionally, the team manages several mutual funds which showcase their abilities in fixed income management (The Great-West Short Duration Bond Fund is currently ranked as a five-star fund by Morningstar, while the Great-West U.S. Government Mortgage Securities Fund is currently ranked as a four-star fund).

We recognize the stable value fund provider you have today represents a well-respected manager of stable value funds. However, Empower can offer the WDC something that the incumbent stable value provider cannot. By being an industry leading retirement services provider that offers both innovative technology and experiences for recordkeeping and servicing of governmental 457(b) plans, we, too, can offer you a market-competitive stable value product that immediately improves retirement outcomes in the form of substantially reducing cost while achieving similar or better portfolio yields.

We look forward, if given the opportunity, to discuss our capabilities and proposal during the upcoming investment committee meeting on June 27th, 2018.

Sincerely,

A handwritten signature in red ink, appearing to read "Rob Dwyer".

Rob Dwyer
Vice President
Empower Retirement

CC: Dan Morrison, Senior Vice President, Empower Retirement
Scott Sipple, President, Great-West Investments
Emily Lockwood, State Director, Empower Retirement

Robert J. Dwyer
Vice President, Client Relations
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July 20, 2018

Wisconsin Department of Employee Trust Funds
 Attn: Ms. Shelly Schueller
 4822 Madison Yards Way
 Madison, WI 53705-9100

RE: Wisconsin Deferred Compensation (WDC) Plan Optimization Proposal Response

Dear Shelly:

Thank you for your time last month and for your review of the CSVF proposal dated June 4, 2018. As a follow-up to our discussion, please find the additional information requested:

1. *How was the recordkeeping fee reduction estimated? What is it based on?*

By utilizing the Great-West Custom Stable Value Fund (CSVF), Empower can use the additional revenue earned from the product offering to offset the overall recordkeeping expense. With a substantial reduction in the investment management and wrap fee (compared to what the plan is overpaying today) and offsetting the recordkeeping expenses, the WDC will benefit from lower overall cost.

SV Asset Mapping Scenario

Current 2018 R/K Fee	\$ 3,280,318	New 2018 R/K Fee	\$ 1,968,191
Current short money cost	\$ 2,886,871	New SVF Fee	\$ 2,097,956
Total	\$ 6,167,189		\$ 4,066,147
		Participant Savings =	\$ 2,101,041

2. *Is the recordkeeping fee reduction predicated on the WDC eliminating all 4 fixed options listed and using just the Empower CSVF, or could the WDC retain certain options other than the current SVF?*

Examples of adjustments to the fee reduction based on alternate scenarios are listed below. The FDIC option is included only in the original proposal of 6/4/2018, not in the other three scenarios outlined.

			As proposed 6/4/2018 assuming all four funds are mapped to CSVF	If Galliard only were to be mapped to CSVF
Current 2018 R/K Fee	\$3,280,318	New 2018 R/K Fee	\$1,968,191	\$2,296,223
Current short money cost	\$2,886,871	New SVF Fee	\$2,097,956	\$1,653,238
Total cost	\$6,167,189		\$4,066,147	\$3,949,461
Annual savings to WI for mapping to CSVF			\$2,101,041	\$1,909,908

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3. Can you share how the projected plan costs were generated for the short term money assets (table on page 1)? I've been asked to independently confirm the 2018 investment option fees/expenses in the table.

The table below illustrates the calculation of the cost savings based on 4/30/18 expense ratios and account balances. The result is a significant savings to WDC participants investing in the three fixed investment options that contain operating expenses.

	Vanguard Money Market	Federated US Government Securities	Stable Value	
4/30 Fund Balance	\$ 32,489,856	\$ 31,333,764	\$ 662,504,051	
4/30 Expense Ratio	0.09%	0.88%	0.34%	Total Fund Cost
Fund Cost	\$ 29,241	\$ 275,737	\$ 2,252,514	\$ 2,557,492
GW CSVF Expense Ratio	0.25%	0.25%	0.25%	Total Fund Cost
GW CSVF Fund Cost	\$ 81,225	\$ 78,334	\$ 1,656,260	\$ 1,815,819

Savings	\$ 741,673
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As of 4/30/18 Investment Performance Detail: https://docs.retirementpartner.com/ioag/98971-01_IOAG.pdf and balances per Plan Service Center. Excel spreadsheet titled "WDC Short Term Money Cost Calculation" provided. The savings is slightly different in this calculation as we've removed any assumption related to the FDIC option at the request of WDC and updated the Galliard SVF expense from 39 to 34bps per further review of Galliard expenses.

4. Do you have a sample contract for the Empower CSVF you could share? ETF is interested in the details of the option, and the contract language outlining the provision mentioned in the letter that the Board would have to terminate the CSVF yet maintain the reduced recordkeeping fee.

Please find enclosed a copy of a sample contract for the Empower CSVF for your review. The language verifies that should a CSVF contract termination occur for reasons of underperformance as mutually agreed, Empower would continue to honor its discounted recordkeeping price. We believe we are the only recordkeeper and stable value manager that is willing put that kind of commitment behind our asset management capabilities.

I hope this information is helpful for you at this time. Additional items of note are as follows:

- The peer ranking of the CSVFs offered has consistently maintained the number one position, which aligns with the majority of the WDC's funds as noted in the quarterly Investment Performance and Expense Ratio Review.
- As fiduciaries under the enhanced field service model, WDC staff, both phone representatives and local Retirement Plan Advisors, are prevented from any such encouragement of participants to invest in one option over another. Legally under fiduciary regulations, ethically and logistically due to the Morningstar platform used to offer advice, soliciting CSVF assets would not be possible.

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In summary, Empower is positioned to support the WDC in reducing administrative costs and investment expenses with a low-cost and strongly backed fund that guarantees principal and can be removed at any time should performance not meet expectations.

Shelly, thank you for the opportunity, and our team looks forward to answering any questions WDC may have.

Sincerely,

A handwritten signature in red ink, appearing to read "Rob Dwyer", is written over a light red horizontal line.

Rob Dwyer
Vice President
Empower Retirement

CC: Dan Morrison, Senior Vice President, Empower Retirement
Emily Lockwood, State Director, Empower Retirement

Robert J. Dwyer
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SUBJECT TO COLORADO AND WISCONSIN DEPARTMENTS OF INSURANCE REGULATORY APPROVALS

GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY

A Stock Company

[8515 East Orchard Road, Greenwood Village, CO 80111]

For inquiries, information or resolution of complaint, call [1-800-537-2033 (extension 73343)]

**Group Stable Asset Fund
Deferred Annuity Contract**

Non-Participating

PLAN SPONSOR []

CONTRACTHOLDER []


PLAN []


CONTRACT NUMBER []

CONTRACT DATE []

Great-West Life & Annuity Insurance Company (“Great-West”) agrees to pay annuity benefits on behalf of Participants who choose an annuity payment option under this Group Stable Asset Fund Deferred Annuity Contract (“Contract”). The provisions on the following pages, together with the Application for this Contract, and other documents referenced in Section 8.4, are part of this Contract.

Signed for Great-West Life & Annuity Insurance Company and effective on the Contract Date.

[
Secretary]

[
President]

This Contract is a legal contract between Contractholder, Plan Sponsor and Great-West Life & Annuity Insurance Company. PLEASE READ THIS CONTRACT CAREFULLY.

THIS CONTRACT MAY PROVIDE PAYMENTS OR VALUES WHICH ARE NOT GUARANTEED AS TO FIXED DOLLAR AMOUNT BUT MAY INCREASE OR DECREASE ACCORDING TO THE INVESTMENT EXPERIENCE OF A SEPARATEACCOUNT.

***SUBJECT TO COLORADO AND WISCONSIN DEPARTMENTS OF INSURANCE REGULATORY
APPROVALS***

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DRAFT

**SUBJECT TO COLORADO AND WISCONSIN DEPARTMENTS OF INSURANCE REGULATORY
APPROVALS**

SECTION 1. DEFINITIONS

Administrative Offices – [8515 East Orchard Road, Greenwood Village, CO 80111.]

Alternate Payee – any spouse, former spouse, child, other dependent of a Participant or any other person recognized under applicable law as having a right to receive all or a portion of the benefit payable under a Plan with respect to such Participant, pursuant to a Qualified Domestic Relations Order (QDRO).

Annuitant – The person upon whose life the payment of an annuity is based.

Annuity Commencement Date – The date that annuity payments (described in Section 12) begin to an Annuitant.

Application – the application for this Contract.

Beneficiary – a person or entity named by the Participant or the terms of the Plan to receive all or a portion of the Participant's account at his or her death.

Book Value – the sum of the Participant Account Values for this Contract, plus additional Plan assets invested in the Stable Asset Fund.

Business Day – any day the New York Stock Exchange is open for regular trading and Great-West is open for business.

Code – the Internal Revenue Code of 1986, as amended from time to time, or any future United States Internal Revenue law that replaces it and including corresponding Treasury Regulations and Internal Revenue Service guidance.

Comparable Contract – a separate annuity contract, similar to this Contract, and Separate Account to which the pro-rata portions of the Book Value and Market Value are allocated. The form and specifications of the Comparable Contract will be negotiated at time of issuance. The issuance of the Comparable Contract is conditional on the satisfaction of Great-West's then current underwriting criteria.

Competing Fund – any of the following types of Plan investment options:

- a) any stable value fund; or
- b) any fund with a known or periodically declared rate of interest; or
- c) any money market fund; or
- d) any bond fund with a duration of 3 years or less; or
- e) any other fund that Great-West deems to be competing].

Contract Date – the effective date indicated by the Plan Sponsor on the Contract for this Stable Asset Fund, or such other date acceptable to Great-West.

Contribution Cessation Date – The date designated pursuant to Section 8.6 at which future contributions or the establishment of additional Participant Accounts under the Contract shall cease, pending termination of the contract according to the terms of Section 7.

SUBJECT TO COLORADO AND WISCONSIN DEPARTMENTS OF INSURANCE REGULATORY APPROVALS

Corridor Amount – [20%] of the Book Value as of the date of each withdrawal, which is the amount of aggregate withdrawals within any rolling 12-month period attributable to specified “Plan Sponsor Initiated Events” or “Plan Events” that are permitted to be made without a Market Value Adjustment. Withdrawals attributable to each such Plan Sponsor Initiated Event or Plan Event in excess of the Corridor shall be market value adjusted for a period of 24 months from each such Event Date, as defined and described in Section 5.

Deposit – any amount paid by the Plan Sponsor to Great-West under Section 3 of this Contract, including amounts paid in connection with contributions under the Plan, loan repayments, Transfers from other Plan funding options, and Rollovers into the Plan.

Distressed Security – any security for which any or all of the following apply:

- a) Principal and interest has become due and payable before originally expected;
- b) Failure by issuer of the investment to make full and timely payment of principal and interest, taking into account any applicable grace period;
- c) Interest rate payable on the investment has been reset (not in accordance with original terms of the security); or
- d) Originally scheduled investment contract terms renegotiated for credit reasons.

Distressed Security Amount- the difference in the market value of the security as of the Separate Account valuation date immediately prior to and immediately following the Distressed Security designation.

Distributions – amounts withdrawn from the SAF to pay eligible Plan benefits to a Participant, Beneficiary or Alternate Payee, plan-to-plan transfers, purchase of service credits, or Rollovers out of the Plan, pursuant to the terms of the Plan and the Code.

Extended Maturity Date – the projected date that the Market Value of the Separate Account during the Book Value Settlement Period and the Book Value are first equal, pursuant to Section 7.2(c). The Extended Maturity Date may not be extended for more than three years following the Maturity Date.

General Account – the assets of Great-West other than those of the Separate Account or any other separate account established by Great-West. The assets of the General Account are subject to the claims of Great-West’s creditors.

Great-West or “we”, “us” or “our” – Great-West Life & Annuity Insurance Company, located at the Administrative Offices.

Guaranteed Minimum Interest Rate –An effective annual interest rate for the Book Value of the SAF that will never be less than [0%] (prior to any deduction of administrative expenses as described in Section 4.4).

Investment Manager – [Great-West Capital Management, LLC], the entity responsible for managing the Separate Account assets pursuant to the Separate Account investment guidelines, as appointed by Great-West and acknowledged by the Plan Sponsor.

SUBJECT TO COLORADO AND WISCONSIN DEPARTMENTS OF INSURANCE REGULATORY APPROVALS

Investment Management Fee – The fee paid to the Investment Manager for managing the Separate Account assets funding the Stable Asset Fund.

Letter Agreement – a document signed by both parties that clarifies and further explains certain provisions in the Contract.

Market Value – is based on the closing market price for each security in the Separate Account, less the outstanding balance, if any, of amounts borrowed from Great-West's General Account, and less the Stable Asset Fund Fee as described in Section 4.3.

Market Value Adjustment – An adjustment to a withdrawal Request due to the occurrence of Plan Sponsor-Initiated Events or Plan Events, where the withdrawal amount equals the amount requested multiplied by the ratio of the Market Value divided by the Book Value. Only a resulting negative Market Value Adjustment will be assessed against such withdrawal Requests.

Maturity Date – The date established upon Contract termination, pursuant to [\[Section 7.2\(c\)\]](#).

Participant – an individual eligible to participate in the Plan as defined in the Plan document, including an Alternate Payee or Beneficiary.

Participant Account – a separate record in the name of each Participant, Beneficiary or Alternate Payee, reflecting a pro rata share of the Stable Asset Fund. For the purposes of this Contract, the term Participant Account also shall mean all Plan accounts, including but not limited to unallocated plan accounts, depending on the context used.

Participant Account Value – with respect to a Participant Account, the dollar value of the Participant Account as determined by Great-West in accordance with Section 4.1.

Participant Effective Date – with respect to a Participant Account, the date on which the first Deposit is credited to the Participant Account.

Payee – a person entitled to receive all or a portion of the value of the Participant Account.

Plan – the retirement plan that is funded in whole or in part by this Contract and established pursuant to Section 401(a) or Section 457 of the Code. Although Great-West may have knowledge of certain provisions of the Plan, the legal sufficiency of the Plan remains solely the responsibility of Plan Sponsor.

Plan Sponsor or “you” or “your” – an entity maintaining the Plan on behalf of Participants, Alternate Payees and Beneficiaries or its designee. In a multiple employer plan, the Plan Sponsor shall be considered the entity maintaining the multiple employer plan on behalf of participating employers and the participating employers' Participants, Alternate Payees and Beneficiaries.

Plan Sponsor Initiated Event (“PSIE”) – an action outside the normal operations of the Plan that potentially negatively impacts the Book Value as it relates to the Plans participating in the Separate Account, including but not limited to:

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- 1) a terminating political subdivision of a governmental plan, terminating union or terminating participating employer in a multiple employer plan;
- 2) merger, consolidation, sale or spin-off;
- 3) commencement of voluntary or involuntary case against plan sponsor under federal or state bankruptcy laws;
- 4) any action taken by the Plan Sponsor which significantly liberalizes (as reasonably determined by Great-West) Participant withdrawal or transfer rights unless Plan Sponsor and Great-West mutually agree within **[sixty (60)]** days to a course of action to remedy the impact of the action;
- 5) a Participant election to Transfer funds to a competing fund or the non-competing fund if the terms of the Plan do not require any such transferred funds to remain in a non-competing fund for a minimum of 90 days before the Participant may Transfer funds to a competing fund (except if such transfer takes place as part of services provided by an investment advisory program);
- 6) a group layoff or reduction in the number of employees eligible to participate in the Plan by 20% or more from the date six (6) months prior to the date designated as the PSIE;
- 7) (a) a full Plan termination under Section 7.3 or (b) partial Plan termination; (The Corridor Amount shall not apply to a full Plan termination.);
- 8) establishment of retirement plan by Plan Sponsor which competes with employee contributions with the Plan;
- 9) any communication to Participants by Plan Sponsor intended to induce the Participants to withdraw or transfer funds from the Stable Asset Fund;
- 10) failure of the Plan to meet the qualification requirements of the Code (The Corridor Amount shall not apply if Plan fails to meet qualification requirements under the Code.);
- 11) any Plan-directed partial transfer of assets from the Separate Account not described above.

Plan Event – Any coordinated Participant actions through social media or other methods which may detrimentally impact the integrity of the Stable Asset Fund and the corresponding Book Value guarantee shall be considered a Plan Event and all subsequent Participant Transfers will be treated under the Plan Sponsor Initiated Event section.

Plan Event Date – the date Great-West identifies a Plan Event.

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Plan Sponsor Withdrawals – Distributions or Transfers for those Participants associated with or impacted by a Plan Sponsor Initiated Event; mass withdrawals associated with Plan Sponsor Initiated Events; and any Distribution or Transfer due to Plan Events.

Premium Tax – the amount of tax, if any, charged by a state or other governmental authority on Deposits.

Pro-Rata Share – the portion of a withdrawal from the Separate Account to be allocated to this Contract, determined by multiplying the total withdrawal amount by: the Book Value for this Contract divided by the total book value of the assets of other plans (including this Plan) in the Separate Account, if applicable, all as calculated on the Business Day immediately preceding the date of such withdrawal.

PSIE Date – the date that the Plan Sponsor or Great-West identifies as the date that a PSIE has or will occur. If there is not an agreed upon date, the date Great-West identifies would be the date that a PSIE has or will occur.

Recordkeeper – the company retained by the Plan Sponsor, to provide participant-level recordkeeping services to the Plan, which services may include, among others, maintaining Participant Accounts, and processing Deposits and Distributions.

Request – an inquiry or instruction in a form satisfactory to us. A valid Request must be: (1) received by us at the Administrative Offices in good order; and (2) submitted in accordance with the provisions of this Contract, or as required by Great-West.

Rollover – eligible amounts moved from or into the Stable Asset Fund in connection with a plan under Section 401(a), Section 403(a), Section 403(b), Section 408(a) or Section 408(b) of the Code or a governmental plan under Section 457(b) of the Code. Such amounts shall be moved only upon Request from you on behalf of a Participant, Alternate Payee or Beneficiary, as applicable.

Separate Account – the Separate Account established by Great-West under Colorado law in connection with this Stable Asset Fund. The assets allocated to the Separate Account are held separately from all other assets of Great-West. Great-West owns the assets in the Separate Account. The income, gains and losses from assets allocated to the Separate Account are credited or charged against the Separate Account, without regard to other income, gains or losses arising under any other business of Great-West. Assets in the Separate Account will be invested pursuant to the Plan's investment guidelines as agreed to by the Plan Sponsor, Great-West and Investment Manager.

Stable Asset Fund or SAF – a funding option under the Plan whose assets are allocated to the Separate Account.

Stable Asset Fund Fee – as defined in Section 4.3.

Start-up Costs – the amounts incurred by Great-West in acquiring and implementing the Plan with Great-West, which may include but are not limited to restorations, commissions or other costs.

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Transaction Date – the date on which Deposits and Requests are processed. Deposits and Requests will be processed on the date received by us at the Administrative Offices, provided that our offices are open for business. Deposits and Requests received after 4:00 p.m. EST/EDT, or the close of regular trading on the New York Stock Exchange, if earlier, shall be deemed to have been received on the next Business Day.

Transfer – amounts moved from the Stable Asset Fund to another Plan investment option upon a Request from the Plan Sponsor on behalf of a Participant, Alternate Payee or Beneficiary.

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SECTION 2. OWNERSHIP PROVISIONS

2.1 Ownership of the Contract

Contractholder is the owner of the Contract and is identified on the first page of the Contract. You and Contractholder have certain rights and privileges as set forth under this Contract.

2.2 Transfer and Assignment

The interests of the Contractholder and you in this Contract may not be transferred, sold, assigned, pledged, charged, encumbered, or in any way alienated; however, if the Plan is consolidated or merged with another plan or if the assets and liabilities of the Plan are transferred to another plan, the Contract may be assigned to the new Plan Sponsor and/or trustee.

2.3 Trust

The Contract may be used in lieu of a trust agreement for purposes of satisfying Code sections 401(a), 401(f) and 457(g) and no portion of the amount contributed to the Contract, plus earnings thereon, may be used for or diverted to any purpose other than the exclusive benefit of Participants and their Beneficiaries prior to the satisfaction of all liabilities to them.

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SECTION 3. PURCHASE PROVISIONS

3.1 Establishment and Termination of Participant Accounts

Great-West will, from time to time, establish new Participant Accounts upon adequate application by the Plan Sponsor. A Participant Account will be deemed established on the Participant Effective Date. We may terminate a Participant Account upon a complete withdrawal of the Participant Account Value.

3.2 Deposits

The amount of Deposits paid by you in respect of any Participant will be determined by you. You will report to us the amounts paid as Deposits on forms acceptable to us. We will rely on information provided with respect to the timing and amount of any Deposits under this Contract. When the report does not coincide with the Deposits received, we may return the Deposits. We may also not accept Deposits if a contract termination date is declared under Section 7.

3.3 Allocation of Deposits

Deposits made in respect of a Participant and allocated to the SAF, less Premium Tax, if any, will be credited to Participant Accounts on the Transaction Date.

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SECTION 4. CONTRACT VALUE PROVISIONS

4.1 Participant Account Value

The Participant Account Value for each Participant Account will be (i) increased by the amount of each Deposit, less Premium Tax, if any, credited to the Participant Account, (ii) reduced by the amount of each Plan Sponsor withdrawal pursuant to Section 5.1, Distribution or Transfer from the Participant Account (as potentially adjusted in Section 5.3), applicable charges and fees, as set out in Section 4.4, (Distressed Security reduction as described in Section 4.5, if any) and (iii) increased by the amount of interest credited to the Participant Account based on the then current Participant Account Value.

4.2 Interest Crediting Method

The credited interest rate is an annual effective rate of interest compounded daily and declared prior to the last day of each calendar quarter, effective for the Stable Asset Fund account balance the next calendar quarter. Pursuant to the paragraph below, the credited interest rate will be reset at least quarterly. The interest rate will not be less than the Guaranteed Minimum Interest Rate.

The interest crediting formula is

$$CR = [(MV/BV^{(1/D)}) * (1 + YTM) - 1] - F$$

Where

CR = crediting rate

YTM = The annualized yield to maturity of the Separate Account as of the last day of the month prior to the credited rate calculation date ("Calculation Date")

BV = The total Book Value of the Separate Account as of the last day of the month prior to the Calculation Date, plus our projection of anticipated Deposits and any withdrawals from the Separate Account over the next quarter

MV = The total Market Value of the Separate Account as of the last day of the month prior to the Calculation Date, plus our projection of anticipated Deposits and withdrawals from the Separate Account over the next quarter

D = weighted average duration of the securities in the Separate Account as of the last day of the month prior to the Calculation Date.

Unless otherwise mutually agreed to, if the ratio of the MV to BV of the Separate Account falls between 90% - 95%, then the duration used for determining the interest crediting rate will be 75% of "D". If the ratio of the Market Value to Book Value falls below 90%, then the duration used for determining the interest crediting rate will be 50% of "D".

F = Separate Account Fee (comprised of the Separate Account Investment Management Fee and a Great-West Participant Book Value Guarantee Fee) ("Contract Fees").

The resulting crediting rate, after deduction of "F" but prior to any Plan fees being deducted shall not be less than the Guaranteed Minimum Interest Rate. Plan Fees, as defined in Section 4.4, may further reduce the credited interest rate.

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We reserve the right to modify the interest crediting method and credited interest rate reset frequency. Should the interest crediting method or frequency be modified by us, we will provide you with notice of the changes no less than 75 days before the change becomes effective, including an explanation of the reason or goal of the change and its projected impact on the Separate Account and the crediting rate.

4.3 Stable Asset Fund Fee

The per annum Stable Asset Fund Fee is cumulatively comprised of an Investment Management Fee for the Stable Asset Fund investment management services and a Participant Book Value Guarantee Fee to compensate Great-West's General Account in order to guarantee Distributions and Transfers as allowed in this Contract as set out in a Letter Agreement. Additional fees, such as Administrative Fees, may also become part of the Stable Asset Fund Fee but only as agreed to and documented in the Letter Agreement.

4.4 Service Charges and Fees

An Administration Fee for recordkeeping and other costs associated with the Stable Asset Fund with respect to the Plan and any other fees (comprised of any plan authorized administrative fees or any other fees directed by you to be deducted from the Separate Account) ("Plan Fees") may be deducted from the Participant Account Value or reduced from the credited interest rate through an additional reduction of the credited interest rate.

Both parties may enter into an agreement for services to the Plan not otherwise provided under this Contract. Charges and fees for these services will be described in that Contract.

Upon termination of the Contract by Plan Sponsor, a contract termination charge based upon a percentage of original Start-up Costs may apply.

4.5 Distressed Securities

Unless otherwise mutually agreed in writing, in the event a security within the Separate Account is designated a Distressed Security, the Distressed Security Amount will be amortized over a period equal to the duration of the assets in the Separate Account by a reduction to the interest crediting rate. Great-West agrees to absorb losses of up to 3% of the Book Value due to a Distressed Securities Amount if during the period of amortization Great-West is required to make a Book Value payment under either of the following circumstances: (i) withdrawals for Distributions and Transfers occur reducing the Market Value to zero (at which point the Contract will terminate), before the Distressed Security Amount is fully amortized *and* there is a remaining Book Value; or (ii) the Contract has been terminated and the Market to Book Ratio has not converged by the end of the Book Value Settlement Period.

If either (i) or (ii) of this Section 4.5 occurs and at such time the Distressed Securities Amount is greater than 3% of the Book Value, Great-West will write down the Book Value by an amount equal to the amortized cost of the Distressed Securities Amount (in excess of 3% of the Book Value) that has not been recaptured at the time Great-West remits payment. For purposes of the preceding sentence, amortized cost will be computed using commercially reasonable methods and rules

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SECTION 5. PLAN SPONSOR INITIATED EVENTS AND PARTICIPANT, ALTERNATE PAYEE AND BENEFICIARY DISTRIBUTION AND TRANSFER PROVISIONS

5.1 Plan Sponsor Withdrawals

Unless otherwise agreed to by Great-West and the Plan Sponsor, a complete withdrawal of the Plan's Pro Rata Share of the Separate Account shall be subject to the provisions of Section 7.

Any request for a partial Plan Sponsor withdrawal shall be treated as a Plan Sponsor Initiated Event and will be made in accordance with section 5.3, below.

5.2 Termination of Recordkeeper

Plan Sponsor agrees that if Recordkeeper is terminated, a revised Letter Agreement documenting revised fees to the Contract, a new Stable Asset Fund contract documenting new provisions and fees or amendments documenting new provisions and fees to this Contract may be required, as mutually agreed upon in writing.

5.3 Plan Sponsor Initiated Events and Plan Events

Plan Sponsor shall provide notification to Great-West at least thirty (30) calendar days in advance of each PSIE (the "PSIE Event Date"), if Plan Sponsor is aware that the PSIE potentially negatively impacts more than 1% of the Book Value. As applicable, Plan Sponsor will make all reasonable efforts to identify those Participant Accounts impacted by the PSIE and provide Great-West with that data as soon as reasonably practicable.

If Great-West identifies a Plan Event or a PSIE that has occurred but Great-West has not been notified of such Plan Event or PSIE by Plan Sponsor, Great-West shall notify Plan Sponsor of such Plan Event or PSIE and shall declare a Plan Event Date or PSIE Event Date no later than thirty calendar (30) days after Great-West's notification to Plan Sponsor. If Plan Sponsor becomes aware of any Plan Event, it shall notify Great-West as soon as commercially practicable. Upon notification, Great-West shall then declare a Plan Event Date.

From twenty-four (24) months after any PSIE Event Date or Plan Event Date, Plan Sponsor Withdrawals for PSIEs shall be at Book Value on the Transaction Date, if in the aggregate, such Plan Sponsor Withdrawals over any prior twelve month period are equal to or less than 20% of the Book Value (defined as the Corridor Amount). For the portion of such Plan Sponsor Withdrawals that exceed 20% of the Book Value during the twenty-four month period following each PSIE Event Date or Plan Event Date, Plan Sponsor Withdrawals shall be at the lesser of Book Value or Market Value (i.e. the amount requested will be multiplied by the ratio of the Market Value to the Book Value "Market Value Adjustment") as of the Transaction Date. The Corridor Amount is not applicable to certain PSIEs, as specified in Section 1.

5.4 Comparable Contract

Notwithstanding the above, with Great-West's consent, in the event of a terminating political subdivision of a governmental plan or partial plan termination, a new Contract may be issued to the sponsor of the successor plan. The lesser of the Book Value or

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Market Value of the affected participants will be transferred to the new Comparable Contract. Any necessary liquidation of securities will be at the sole discretion of the Investment Manager. Investment Guidelines and Contracts will be negotiated with the successor plan sponsor at the time of issuance of the Comparable Contract and are subject to then-current Great-West underwriting guidelines.

5.5 Distribution Requirements

Notwithstanding any provision herein to the contrary, Distributions to a Payee may only be made in accordance with the terms of the Plan and applicable Code sections. We will rely on information provided by you or your designee with respect to the timing and amount of any benefit payable to a Payee under this Contract.

When and if at any one time or as part of a series of related transactions, you (i) effect Transfers and Distributions from the Stable Asset Fund on behalf of all Participants, Alternate Payees and Beneficiaries, or (ii) encourage Participants to Transfer or Distribute out of the Stable Asset Fund, those Transfers and Distributions shall be considered Plan Sponsored Initiated Events and will be subject to Section 5.3.

5.6 Distributions to a Beneficiary and Alternate Payee

Pursuant to the terms of the Contract, Alternate Payees and Beneficiaries may Request Distributions of Participant Account Values. Distributions to Alternate Payees may be subject to the terms of a QDRO and otherwise limited by the Contract.

5.7 Distributions to a Participant

Participants may Request Distributions of Participant Account Values, except that no Distributions will be allowed prior to severance from employment, as determined by you in accordance with the Plan, unless the Participant has incurred an unforeseeable emergency under a Code ("IRC") Section 457 Plan or a hardship under an IRC Section 401(a) Plan, or any other event pursuant to the terms of the Plan and the Code and otherwise limited by Contract.

5.8 Participant, Alternate Payee and Beneficiary Transfers and other Requests

Participants, Alternate Payees and Beneficiaries may Request to make (i) Transfers; (ii) loan requests; or (iii) Rollovers, pursuant to the Code and the Plan and subject to any limitation shown in the Contract.

5.9 Excessive Trading

Based on a violation of our excessive trading policy, we will restrict a Participant, Alternate Payee or Beneficiary from making a Transfer into the SAF for up to ninety (90) calendar days from the date of the most recent Transfer from the SAF. Deposits, other than Transfers, will be allowed into the SAF during the ninety day period.

5.10 Limitations

You may offer Competing Funds upon mutual agreement between Great-West and Plan Sponsor in advance of the addition to the Plan and provided that any Transfers intended for investment in a Competing Fund first are directed to a non-competing fund option and remain for a period not less than 90 calendar days ("Equity Wash"). Should the Plan

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offer a Competing Fund, or should an existing Plan investment become a Competing Fund and the Equity Wash is not being enforced by the recordkeeper, we shall suspend all Withdrawals, Distributions and Transfers with respect to the SAF with advance notice to you until either the Equity Wash is fully operable or the Competing Fund is removed.

Great-West shall defer processing Distribution or Transfer Requests if transactions involving the Stable Asset Fund cannot be executed or settled due to the closing or disruption of financial markets or exchanges. Great-West shall process Distribution and Transfer Requests once Great-West reasonably determines the disruption is resolved. We may also defer honoring any withdrawal request for the period of time reasonably necessary to prudently liquidate assets to satisfy such request.

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SECTION 6. PAYEE PAYMENT OPTIONS

6.1 Requests for Distributions to a Payee

As long as the Participant Account Value is greater than zero, a Request may be made to:

- (a) Elect an annuity payment option, provided such Request is made at least 30 days before the Annuity Commencement Date;
- (b) Elect a non-annuity payment option and designate the date payment shall commence; or
- (c) Change from one payment option to a different payment option, if allowed under the terms of the payment option selected.

Payment will only be made if then available to the Payee under the terms of the Plan as determined by you. Approved Distributions shall be effective on the later of: (a) the date elected; or (b) the date the Request is received at the Administrative Offices of Great-West in good order. Any Distributions are subject to Section 5.3.

6.2 Total or Partial Lump Sum Payment Option

If, based upon information provided by you, the Payee is entitled to a Distribution under the applicable terms and provisions of the Plan and the Code sections governing the Plan, all or a portion of a Participant Account may be applied to a lump sum payment option selected by the Payee subject to restrictions in the Contract. The amount distributed is: (i) the amount requested as a lump sum; less (ii) the Premium Tax, if any, as of the date of the Distribution, less (iii) any applicable fees and charges under Section 4.4.

6.3 Periodic Payment Options

If, based upon information provided by You, the Payee is entitled to a Distribution under the applicable terms and provisions of the Plan and the Code sections governing the Plan, all or a portion of a Participant Account may be applied to a periodic payment option selected by the Payee, subject to any restrictions in the Contract. Charges and fees under Section 4.4 will continue to apply. A Premium Tax, if any, may apply. Periodic payment elections are subject to our administrative procedures in effect at the time of the election and the periodic payment options we make available at the time of Distribution.

If a Participant is receiving periodic payments, such payments will cease as of receipt by us of notice of the Participant's death. The deceased Participant's Beneficiary may then elect a payment option under this Section 6 meeting all the requirements of Code section 401(a)(9).

6.4 Annuity Payment Options

If, based upon information provided by you, the Payee is entitled to a Distribution under the applicable terms and provisions of the Plan and the Code sections governing the Plan, all or a portion of a Participant Account may be applied to an annuity payment option selected by the Payee, so long as the requirements of Code section 401(a)(9) are met. Thereafter, this Contract shall no longer be applicable with respect to amounts in the annuity payment option.

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The amount to be applied to an annuity payment option is: (i) the portion of the Participant Account Value elected by Payee subject to any restrictions in this Contract, less (ii) Premium Tax, if any, less (iii) any fees and charges described in Section 4.4 of the Contract.

The minimum amount that may be applied under the elected annuity option is **[\$5,000]**. If any payments to be made under the elected annuity payment option will be less than **[\$50]**, we may make the payments in the most frequent interval that produces a payment of at least **[\$50]**.

We will issue a certificate to each Annuitant describing the benefits payable under the elected annuity payment option.

6.5 Election of Annuity Options

An Annuitant is required to elect an annuity payment option. The Annuitant must Request an annuity payment option or change an annuity payment option no later than 30 days prior to the Annuity Commencement Date.

To the extent available under the Plan, the available annuity payment options are:

- Income for Single Life Only
- Any other form of annuity payment permitted under the Plan, if acceptable to Great-West.

The annuity option that will always be available is the Income for Single Life Only Annuity. If this annuity option is elected, we will remove the requested amount from the Participant Account and make payments to the Annuitant at a frequency specified in the annuity certificate for the duration of the Annuitant's lifetime from Great-West's General Account. Payments will cease pursuant to the terms of the certificate.

Annuities will be purchased using Great-West's current purchase rates for contracts of this class at the time the annuity is purchased. These rates will be at least as favorable to the Annuitant as an annuity purchased with rates based on the following actuarial assumptions:

- Interest Rate Assumption: **[1.00%]**
- Mortality Assumption: **[A2000 Basic Mortality Table (blended 100% Female/0% Male) with improvement using scale AA]**
- Loading: **[5.00%]**

Great-West will review this guaranteed actuarial basis annually and may change it by providing at least 90 calendar days' advance written notice to the Plan Sponsor. However, Great-West cannot change this guaranteed actuarial basis for the first 60 months after the Contract Date. After the first 60 months of the Contract, unless Great-West and Plan Sponsor otherwise agree in writing, Great-West will only change the guaranteed actuarial basis once in any sixty 60 month period, in which case the actuarial basis will be at least as favorable as the actuarial basis Great-West offers to any other contractholder in the same class as this Contract at the time of such change.

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The Plan Sponsor is responsible for determining the extent to which the Qualified Joint and Survivor Annuity (“QJSA”) and Qualified Preretirement Survivor Annuity rules under the Code or ERISA are applicable, and for compliance with such rules to the extent applicable.

6.6 Misstatement of Age or Death

We may require adequate proof of the age and death of any Payee before processing a Request for or making any payment. If the age of the Payee has been misstated, the payments established for him/her under the applicable payment option will be made on the basis of his/her correct age.

If payments made pursuant to an annuity payment option were too large because of a misstatement of age, we may deduct the difference from the next payment or payments with interest. If payments were too small, we may add the difference to the next payment with interest. Any interest payable will be made at the rate required by law.

6.7 Adequate Proof

Prior to making any payment under this Contract, we may require adequate proof to establish either the validity of a Request or that a benefit or other amount has become payable under the terms of the Plan.

SECTION 7. CONTRACT TERMINATION PROVISIONS

7.1 Notice of Contract Termination and Selection of Termination Option(s)

Either Great-West or Plan Sponsor may terminate this Contract with advance written notice to the other party or parties. If the Plan Sponsor terminates the Contract, the contract termination date shall be the [seventy-fifth (75th)] day after the date written notice is received in the Administrative Offices in good order. If Great-West terminates the Contract, the contract termination date shall be the [seventy-fifth (75th)] day after the date written notice is received by Plan Sponsor. If the [seventy-fifth (75th)] day is not a Business Day, the contract termination date shall be the Business Day immediately following the [seventy-fifth (75th)] day. Prior to the contract termination date, Great-West and Plan Sponsor may agree to an alternate contract termination date. Contract termination may not occur on the date you select unless we have received all required information. In such event, we shall maintain Participant Account Values until we receive all required information in good order. Unless otherwise agreed upon, no Deposits shall be made after the contract termination date.

7.2 Contract Termination Options by Plan Sponsor -- other than Plan Termination Procedures

At least fifteen (15) calendar days before the contract termination date in Section 7.1, Plan Sponsor must notify Great-West, in writing, of its selection from among the Contract Termination Options described below. If no Contract Termination Option is elected by this time, Plan Sponsor hereby instructs Great-West to elect termination option a) below. All Plan Sponsor elections in this Section 7.2 are subject to any reductions of applicable charges and fees under Section 4.3 not already deducted through the crediting rate formula or Section 4.4.

- a) *Market Value of the Stable Asset Fund* – Great-West will pay to the Plan Sponsor’s designee the Pro-Rata Share of the Market Value of the Separate Account with respect to the Plan within seven (7) calendar days after later of the contract termination date or the date Plan Sponsor elects this termination option. If no designation is provided, the transfer will be made to the Plan Sponsor.
- b) *In-kind Transfer of the Securities from the Separate Account* – Termination Option 7.2 b) can be elected only if the Plan Sponsor is authorized to direct its Pro-Rata Share of amounts from the Separate Account. Except for certain securities which cannot be transferred in-kind (e.g. derivatives), we will transfer the assets in-kind to the successor provider within seven (7) calendar days after the contract termination date. Such transfer shall be made within seven (7) calendar days after the contract termination date. Any securities which cannot be transferred in-kind will be liquidated at Market Value. If no designation is provided, the transfer will be made to the Plan Sponsor.
- c) *Book Value Settlement of the Separate Account if Market Value is less than the Book Value (this option is only available if the Plan Sponsor terminates all Plan Contracts associated with the Separate Account* – Great-West will pay Plan Sponsor the Book Value subject to the these terms:

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- (1) The assets of the Separate Account will be invested in accordance with the Book Value Settlement Investment Guidelines. The period of time between the contract termination date and the Maturity Date or Extended Maturity Date, as applicable, shall be known as the “Book Value Settlement Period”;
- (2) Subject to 7.2 c)(3), the Maturity Date is determined by attributing a period of time in years, after the contract termination date, to pay the Book Value. That period of time is equal to the duration of the Separate Account assets (calculated on the last Business Day of the month immediately preceding the contract termination date).

Example:

Contract terminate date: January 1, 2019

Duration of the Separate Account assets on the last Business Day of the month immediately preceding the Contract termination date: 3 years

Maturity Date: January 1, 2022

and

- (3) One hundred eighty (180) calendar days before the Maturity Date calculated in (2), Great-West shall project the Market Value and Book Value as of the Maturity Date defined in (2). If the projection indicates that the Market Value will be less than Book Value, the Maturity Date shall be extended an additional 180 calendar days to the Extended Maturity Date. The Extended Maturity Date, as described in this (3), may be re-set every subsequent 180 calendar days, but in no event will the Extended Maturity Date be later than 3 years after the original Maturity Date calculated in (2).

For the purposes of (3), any calendar day which is a non-Business Day, Great-West will use the following Business Day.

The Plan Sponsor may elect an early termination at Market Value at any time during the Book Value Settlement Period.

Either Great-West or Plan Sponsor may elect an earlier termination after the initial Maturity Date has passed but before the Extended Maturity Date if the Market Value equals or exceeds the Book Value.

Notwithstanding the above, if there is a need for administrative flexibility, Great-West and Plan Sponsor can agree to a mutually agreeable contract termination date.

- d) Any other termination option allowable under applicable law as mutually agreed upon in writing by an authorized officer of Great-West and Plan Sponsor.

7.3 Contract Termination due to Plan Termination

If Plan Sponsor terminates the Plan, Plan Sponsor shall notify Great-West of such Plan Termination, and that final Deposits have been remitted. Participant accounts shall be

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reduced by any outstanding charges and fees in Section 4.3 not already deducted through the crediting rate formula or Section 4.4, and any Distressed Securities Amount not yet recaptured through the crediting rate pursuant to Section 4.5. If Market Value is less than Book Value, then all Participant accounts will be reduced by the Market Value to Book Value differential prior to being paid out to Participants. Upon notice of Contract Termination Due to Plan Termination, you agree to provide any and all information and instructions Great-West requires to properly comply with Plan Sponsor's notification of Plan Termination and subject to the provisions of the Contract.

7.4 Notice of Contract Termination for Cause

Great-West may declare a contract termination date with thirty (30) calendar days' notice for any of the following reasons. As of the contract termination date, Great-West shall elect termination option a) under Section 7.2 (*i.e. market value liquidation*):

- a) Plan Sponsor engages in any act of fraud, misrepresentation of material facts, deceit or any other action that materially and adversely affects the intent, structure or risk profile of the contract.
- b) The failure of the Plan to meet the qualification requirements of the Code.
- c) Merger or consolidation of the Plan with a different plan, a transfer of assets of the Plan to a different plan (where no comparable contract is executed).
- d) Any change in law or regulation that requires Great-West to be a fiduciary.
- e) A change in law, regulation, ruling, administrative position or accounting rule or standard applicable to the Plan, the Stable Asset Fund or the Contract which has or will have a material adverse effect on Great-West's interest in the Contract.
- f) The occurrence of an insolvency event with respect to the Plan or Great-West.
- g) Contractholder assigns or attempts to assign its interest in the Contract.

SECTION 8. GENERAL PROVISIONS

8.1 The Contract

This Contract is issued by Great-West to the Plan Sponsor in consideration of the Application and payment of the initial Deposit.

8.2 Ownership of this Contract

Great-West may, in its sole discretion, reject the Application for any reason. While this Contract and the Participant Accounts are held in respect of Participants, Alternate Payees or Beneficiaries, there is no contractual relationship between Great-West and them. This Contract is not intended to confer upon any party other than the parties to this Contract any rights or remedies, and no Participant, Alternate Payee, Beneficiary or Payee or other party other than the parties to this Contract shall have any rights or remedies under this Contract.

8.3 Ownership of the Assets of the Separate Account

Great-West has absolute ownership of the assets of the Separate Account. The portion of the assets of the Separate Account equal to the reserves and other contractual liabilities with respect to the Separate Account shall not be chargeable with liabilities arising out of any other business Great-West may conduct.

8.4 Entire Contract

This Contract, the Application and any endorsements, amendments or other documents attached to the Contract, and Specification Page, if any, form the entire contract between the Plan Sponsor and Great-West. All statements in the Application, in the absence of fraud, have been accepted as representations and not as warranties. A copy of the Application shall be attached to this Contract when issued to the Contractholder.

After issue, modifications to this Contract under the Contract Amendment and Modification provisions of this Contract become part of this Contract.

For Great-West's modification purposes, only the President, a Vice-President, or the Secretary of Great-West can modify any provisions of this Contract.

8.5 Contract Amendment and Modification

Great-West may amend or modify this Contract from time to time to conform it to changes in tax or other law, including applicable regulations and rulings, without consent of Plan Sponsor or any other person. Great-West will provide notice and a copy of any such amendment or modification to Plan Sponsor as soon as reasonably practicable.

Plan Sponsor and Great-West may, by written agreement, make other amendments or modifications to this Contract, subject to the approval of the appropriate state department of insurance, if applicable. No such amendment or modification will, without the written consent of Plan Sponsor, affect the terms, provisions, or conditions of this Contract,

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which are or may be applicable to Deposits made prior to the date of such amendment or modification.

8.6 Contribution Cessation Date

Notwithstanding the Contract Termination procedures in Section 7, Plan Sponsor or Great-West may declare a Contribution Cessation Date upon written Request to the other. The Contribution Cessation Date should be specified in the Request and must be at least 90 days from the date of the Request. If a Contribution Cessation Date is not specified in the Request, the Contribution Cessation Date shall be the next Business Day on or after the 90th day after the date the Request is received by Great-West. Unless mutually agreed, after a Contribution Cessation Date: (a) no further contributions will be made to the Group Annuity Contract; and (b) no new Participant Accounts will be established. The Participant Account Values will be maintained pursuant to the terms of the Contract until the Contract is terminated pursuant to Section 7.

8.7 The Plan

In all cases, the plan document shall determine (subject to the Code) the specific features of the Plan, which may include the availability of certain types of investment options, Distributions, loans, and other features allowed but not mandated by the Code. Any provision of this Contract which deals with a feature not included in the Plan shall not apply.

The Plan document shall not override the specific provisions of this Contract.

Plan Sponsor agrees to provide Great-West with Plan investment options upon Great-West's request.

To the extent Great-West is not the recordkeeper, should the Plan investment options as of the Contract Date change, Plan Sponsor agrees to provide the change to Great-West within **[ten (10)]** Business Days after the change.

Plan Sponsor agrees to require Plan recordkeeper and other SAF investment providers to grant Great-West the ability to inspect and audit records with respect to the Stable Asset Fund with notice and on reasonable grounds.

8.8 Non-Participating

This Contract is non-participating, meaning that it is not eligible to share in Great-West's divisible surplus.

8.9 Currency and Payment of Deposits

All amounts to be paid to or by Great-West must be in currency of the United States of America. All Deposits to this Contract must be made payable to Great-West or to a designee acceptable to Great-West.

8.10 Notice and Proof

Any notice, demand or request for information by us to or upon you or any Payee may be given by mailing it to that person's last known address as stated in our file.

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An application, report, Request, election, direction, notice or demand by us or any Payee must be made in a form satisfactory to us. When required by us, you will obtain the signature of the Payee or the Payee and the Payee's spouse on forms provided by us. We must first approve any written materials developed by any other person describing this Contract.

8.11 Disclaimer

Nothing contained in this Contract shall be construed to be tax or legal advice, and we assume no responsibility or liability for any costs, including but not limited to taxes, penalties or interest incurred by the Plan, Plan Sponsor or any other Payee arising out of a determination of liability. Great-West shall not be held liable for the negligence, willful misconduct, or failure to perform of any third party.

8.12 Representations

We shall be entitled to rely and act solely on the reports, directions, proofs, notices, elections, and other information furnished to us by you or your agent, and such acts shall be conclusive and binding as to all Participants and other persons or corporations claiming an interest hereunder.

8.13 Non-Waiver

The waiver of any breach of any term or condition in this Contract will not be deemed as waiver of any prior or subsequent breach.

8.14 Restorations

Great-West may agree to restore any back end load charges, market value adjustments, or other investment charges deducted from plan assets under a prior investment option or provider, subject to applicable law.

8.15 Investment Management

Great-West and Plan Sponsor acknowledge that the Investment Manager will manage the Separate Account for the benefit of the Plan and Participants and shall be a fiduciary solely with respect to the management of those assets.

8.16 Letter Agreement

Should you request clarifications to the Contract or certain provisions require explanation, a Letter Agreement may be added to the Contract, as agreed to by both parties.

January 18, 2019

Wisconsin Department of Employee Trust Funds
Attn: Ms. Shelly Schueller
4822 Madison Yards Way
Madison, WI 53705-9100

RE: Wisconsin Deferred Compensation (WDC) Program Optimization Proposal

Dear Shelly:

Thank you for considering our proposal to manage the cash preservation fund for the Wisconsin Deferred Compensation (WDC) Program. As we have discussed previously, we believe Great-West Capital Management (GWCM) can add a tremendous amount of value to the WDC in the form of reduced cost, reduced risk, and improved retirement outcomes for every participant in the program, not just those participants invested in the capital preservation fund.

Since it has been several months since our original proposal, we would like to present you with an updated look at the possible cost savings associated with using the Great-West fund. The enclosed table looks at the possible savings in both fund expenses as well as recordkeeping costs which, as you can see, could be very substantial. Furthermore, because we are confident in our ability to provide a very high quality fund for the WDC, Empower pledges to honor the lower recordkeeping fee even if the fund is terminated as a result of underperforming a mutually agreed upon benchmark.

In addition to the economic advantages of utilizing the Great-West fund, the WDC would see other benefits as well. Great-West is one of the highest-rated wrap providers in the stable value industry, with an AA rating from Standard & Poor's and an Aa3 rating from Moody's. Great-West clients take comfort in the fact that during the financial crisis, as the majority of wrap providers realized downgrades to their credit ratings or exited the business entirely; we remained firmly committed to the stable value business and saw no downgrades to our credit ratings.

Each of the Great-West stable value funds is a custom separate account managed specifically for each client. As such, the WDC would have the opportunity to customize the fund's Investment Policy Statement to best suit the needs of the program's participants. Accordingly, each client's stable value fund has its own performance and credited rate. While the performance of each client's fund will vary based on their individual investment policy, we estimate that a portfolio created today would have an initial net credited rate of approximately 2.90%, based on the assets being transferred at 100% market-to-book ratio.

Great-West proudly provides custom stable value funds for 35 of Empower's largest clients, including 8 states: Alabama, Colorado, Kansas, Louisiana, New Hampshire, Oklahoma, South Carolina, and Wyoming. We have managed custom stable value funds for more than 25 years and our average client tenure is more than a decade. Clients put their long-term trust in Great-West's stable value capabilities for many reasons, and we would appreciate the opportunity to share some of those reasons with the WDC Board in the near future.

Please let me know if you have any questions regarding the enclosed table of cost savings, or any other questions around the Great-West stable value product. Again, thank you for your consideration.

Sincerely,



Rob Dwyer
Vice President
Empower Retirement

CC: Dan Morrison, Senior Vice President, Empower Retirement
Emily Lockwood, State Director, Empower Retirement

Robert J. Dwyer
Vice President, Client Relations
Government Markets - Central U.S.

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Securities offered through GWFS Equities, Inc. and/or other broker dealers.

Insurance products offered by Great-West Life & Annuity Insurance Company, Corporate Office: Greenwood Village, CO; or in New York, by Great-West Life & Annuity Insurance Company of New York, Home Office: White Plains, NY.

Stable Value Fund Proposal for the Wisconsin Deferred Compensation Program Cost Analysis versus Current Providers

Fund Cost Savings

Current Short-Term Bond/Capital Preservation Funds

	<u>12/31/18 Assets</u>	<u>Expense Ratio</u>	<u>12/31/18 Cost</u>
FDIC Fund ¹	\$129,108,178	-	\$0
Galliard Stable Value Fund	\$665,617,953	0.324%	\$2,156,602
Federated 1-3 Yr Govt Bond Fund	\$31,578,475	0.880%	\$277,891
Vanguard Treasury Money Market	<u>\$33,186,336</u>	0.090%	<u>\$29,868</u>
	\$859,490,943		\$2,464,360
Proposed Great-West Custom Stable Fund	\$859,490,943	0.250%	\$1,825,957
		Total Fund Cost Savings	\$638,404

Recordkeeping Cost Savings

Current Recordkeeping Fee Schedule ²

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Base Recordkeeping Fee	\$3,444,334	\$3,616,551	\$3,797,378	\$3,987,247
Potential Bonus	<u>\$172,217</u>	<u>\$180,828</u>	<u>\$189,869</u>	<u>\$199,362</u>
Total Recordkeeping Fee	\$3,616,551	\$3,797,378	\$3,987,247	\$4,186,609

Proposed Recordkeeping Fee Schedule ³

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Base Recordkeeping Fee	\$2,066,601	\$2,169,931	\$2,278,428	\$2,392,349
Potential Bonus	<u>\$103,330</u>	<u>\$108,497</u>	<u>\$113,921</u>	<u>\$119,617</u>
Total Recordkeeping Fee	\$2,169,931	\$2,278,428	\$2,392,349	\$2,511,966

Annual Recordkeeping Cost Savings **\$1,446,620** **\$1,518,951** **\$1,594,898** **\$1,674,643**

Total Participant Savings

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Recordkeeping Savings	\$1,446,620	\$1,518,951	\$1,594,898	\$1,674,643
Fund Cost Savings ⁴	<u>\$638,404</u>	<u>\$657,556</u>	<u>\$677,282</u>	<u>\$697,601</u>

Total Annual Participant Savings **\$2,085,023** **\$2,176,506** **\$2,272,180** **\$2,372,244**

Total Savings Over Remaining Contract Duration (1/1/19-11/30/22) **\$8,905,953**

- The FDIC fund does not have an explicit expense ratio. As a result, we did not include the fund's assets in the cost savings calculation.
- The Empower recordkeeping contract with the WDC plan allows for a fee enhancement if certain annual goals are met. The cost comparison assumes Empower meets those goals each year to account for the possible higher fee. Both the 2019 Base Recordkeeping Fee and the Proposed Recordkeeping Fee assumes Empower has hit all goals for 2018.
- The proposed reduced recordkeeping costs are based on the assets of all four of the short-term bond/capital preservation funds moving to the Great-West stable value fund.
- The assets in the four short-term bond/capital preservation funds have increased an average of 3% each year over the past five years. The cost comparison projects that assets will continue to increase at that same rate.

Robert J. Dwyer	8515 E. Orchard Road	direct: 303.737.2408
Vice President, Client Relations	Greenwood Village, CO 80111	cell: 303.204.5522
Government Markets - Central U.S.	empower-retirement.com	Robert.Dwyer@empower-retirement.com

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