Public Employees' Retirement Board

December 11, 2014

Topic: **Prudential Insurance Company – Draft Contract**
ING (Voya) – Draft Contract

Staff continues to work with PIMCO and Transamerica to reduce Transamerica's full coverage of the Stable Value Fund. Attached are draft contracts from Prudential and Voya who will, upon execution of the contracts, each insure 1/3 of the Stable Value portfolio. Contract negotiations are ongoing and are anticipated to be completed before the end of December. Staff is requesting approval of the draft contracts.

Recommended Board motion:

☐ I move to approve draft contracts.

☐ Recommend _____.

_____
Moved by

_____
Seconded by

_____
Vote

“FINAL” COPY - DATED 12/3/2014

Managed Custody Account Contract

A group annuity contract issued by ~~ING Life~~Voya Retirement Insurance and Annuity Company to:
[STATE OF MONTANA PUBLIC EMPLOYEES’ RETIREMENT BOARD]

Contract Effective Date:
[Effective Date, 20XX]

Contract Document Number:
MCA – 60420

12/3/2014 Additional Changes:
-Revised to reflect company name change to Voya.
-Updated form number to MCA-60420 (12/14).
-Section 1.22 - “Eligible Assets” definition deleted.
-Section 5.8 – revised to remove references to “premium tax (MT not allow).

This page and the following pages are the entire contract.

You acknowledge that you have read and understand this contract and that, by signing this contract, you have agreed to pay fees for this contract and to make certain deposits of cash or transfers of securities to the Custody Account. Any other writings acceptable to us, in which you agree to pay fees to us or make deposits to the Custody Account, are part of this contract.

THE VALUE OF THE CUSTODY ACCOUNT DESCRIBED IN THIS CONTRACT IS SUBJECT TO CHANGE AND WILL VARY BOTH UP AND DOWN IN ACCORDANCE WITH THE INVESTMENT RESULTS OF THE ACCOUNT AND IS NOT GUARANTEED AS TO FIXED DOLLAR AMOUNTS.

This contract is delivered in the State of Montana.

~~ING Life~~Voya Retirement Insurance and Annuity Company has signed this contract at its Home Office, One Orange Way, Windsor, Connecticut 06095 on **[Execution Date, 20XX]**.

[~~ING~~Voya Signatures to be added]

Sample Contract

This sample group annuity contract is subject to state insurance department regulation. ~~ING~~Voya’s sale and issuance of a group annuity contract is contingent upon receipt of any and all necessary regulatory approvals. This form of sample contract may be pending approval by the insurance department in the state with jurisdiction over such issuance. If necessary regulatory approvals remain outstanding, your ~~ING~~Voya representative will so inform you. Upon receiving regulatory approval, we will indicate any changes that may have been required in connection with the approval process, and explain any impact the changes may have on the operation of the contract.

[STATE OF MONTANA PUBLIC EMPLOYEES’ RETIREMENT BOARD]

By:_____

Title:

Name:

Date: _____

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1. Definitions

Parties to this Contract

1.1. ~~*ING*~~*Voya* is ~~ING Life~~Voya Retirement Insurance and Annuity Company. Wherever "we," "us," "our," or "Company" is used in this contract, it means ~~ING~~Voya.

1.2. *Contractholder* is the holder of this contract named on the face page. Wherever "you" or "your" is used in this contract, it means the Contractholder.

Other Defined Terms

1.3. *Amortized Cost* is an amount equal to the sum of the purchase price paid for such security and the amount amortized or accreted. The amount amortized or accreted will be equal to (a)(i) the remainder of the par value of the security less the market value of the security on the first day as of which the security became a Custodied Asset, divided by (ii) the average life of the security on the first date as of which the security became a Custodied Asset, multiplied by (iii) the actual days elapsed from, and including, the first day as of which the security became a Custodied Asset (and if an Impaired Security, up to, but excluding, the date such security became an Impaired Security), divided by 365 (or, if such date occurs during a leap year, 366) or (b) as reasonably determined by the Investment Manager or Custodian using generally accepted market practices on the day immediately prior to impairment; provided, however, if we promptly object in writing to any such determination, the amount will be the amount that is mutually agreed to by the parties, unless no agreement can be reached, in which case the Custodian's reasonable determination will control.

1.4. *Annuity* is a Member's periodic benefit that you may purchase under this contract.

1.5. *Benefit Withdrawals* are cash withdrawals as to which we have been properly notified, other than Contractholder Withdrawals as described in the Operation of the Contract section of this contract, from the Custody Account that are made in accordance with your Plan and this contract for:

(a) Member-initiated withdrawals and all other payments resulting from a Member's death,

retirement, disability, termination of employment (other than Contractholder Withdrawals as described in the Operation of the Contract section of this contract) or divorce, rollovers, and mandatory withdrawals required pursuant to the terms of the Plan;

(b) Member-directed transfers of their account balances between Investment Options;

(c) loans to Members, hardship withdrawals, in-service distributions, military leave of absence, family law orders, and QDRO; or

(d) Annuity purchases.

1.6. *Book Value Settlement Phase* is the phase this contract enters following its discontinuance if you elect to receive a settlement of the Interest Accumulation Record subject to the terms described in the attached Book Value Settlement Exhibit.

1.7. *Business Day* is any day both we and the financial markets are open for business.

1.8. *Cash Buffer* is an account invested in short term investment fund(s) ("STIF") (as selected by the Contractholder and not objected to by us in writing on a timely basis and as specified as the STIF in the Term Schedule) or as otherwise agreed in writing by the parties and maintained outside the contract, to provide liquidity for Benefit Withdrawals. The Target Cash Buffer Percentage is as set out in the Term Schedule.

1.9. *Cash Buffer Withdrawals* are cash withdrawals from the Custody Account (as to which we have been properly notified) that are allocable to and made in accordance with this contract for the purpose of replenishing the Cash Buffer maintained by the Plan with respect to the Investment Option funded by this contract, to the extent the value of the Cash Buffer is less than **[1.50%]** of such Investment Option.

1.10. *Clone Event* is any Employer event, such as a divestiture or spin-off which results in the removal of a specifically identifiable group of employees from coverage under the Plan and the coverage of such group under a successor plan.

1.11. *Cloned Contract* is a contract we may issue on substantially similar terms to this contract to which the pro rata portions of the Interest Accumulation Record and the Custody Account Balance attributable to a specifically identifiable group of employees may be transferred in connection with a Clone Event, subject to the conditions and limitations set forth in the Contractholder Withdrawals section of this contract.

1.12. *Code* is the Internal Revenue Code of 1986, as amended, or any successor to it.

1.13. *Competing Investment Option* is any Investment Option available under the Plan as of the Effective Date or thereafter (other than the one to which Custodied Assets have been allocated or such other Investment Options as we may from time to time agree to in accordance with our underwriting standards and any Investment Option which we otherwise agree in writing is not a Competing Investment Option) which:

(a) is invested primarily in money market instruments, repurchase agreements, guaranteed investment contracts, or investments offering a fixed rate of return and has a targeted duration of less than three (3) years; or

(b) provides a direct or indirect investment performance guarantee; or

(c) is, or may be, invested primarily in assets other than common or preferred stock and that has a targeted duration of less than three (3) years; or

(d) is, or may be, invested primarily in financial vehicles (such as mutual funds, trusts or insurance contracts) which are invested primarily in assets other than common or preferred stock and that has a targeted duration of less than three (3) years; or

(e) is a self-directed brokerage arrangement, but only if Members are permitted to invest in a Competing Investment Option through the self-directed brokerage arrangement; or

(f) is reasonably designated as competing by us in accordance with our underwriting standards uniformly applied, across contracts of this class and has similar characteristics to, or is communicated as having similar characteristics to, an Investment Option otherwise described in (a) through (e) above; provided that we will provide you ninety (90) days written notice of the effectiveness of any designation; or

(g) for purposes of this contract, any Investment Option specified as a Competing Investment Option in the Term Schedule.

1.14. *Contract Effective Date* is the date this contract becomes effective as shown on the contract face page.

1.15. *Contractholder Withdrawals* are any cash withdrawals you make from the Custody Account that are allocable to this contract which are not Benefit Withdrawals or Cash Buffer Withdrawals or any in kind withdrawals of securities from the Custody Account.

1.16. *Credited Rate* is an effective annual rate of interest we periodically announce for the Interest Accumulation Record and which is credited to the Interest Accumulation Record. Unless we agree otherwise, it is effective as of the first day of a Credited Rate Period.

1.17. *Credited Rate Period* is the period of time for which the Credited Rate is applicable. It is an annual, semiannual or quarterly period, as directed by you or such shorter period as may be required during the Book Value Settlement Phase.

1.18. *Custodian* is the bank, trust company or other entity authorized to conduct a fiduciary services business with which you have established the Custody Account.

1.19. *Custodied Assets* are those assets held by the Custodian for the benefit of the Plan which have been allocated to the Custody Account and which are managed, invested and reinvested by the Investment Manager in accordance with the Investment Guidelines and for which accounting records of the Custody Account Balance and Interest Accumulation Record are maintained under this contract.

1.20. *Custody Account* is, collectively a dedicated custodial account(s) or sub-account(s) to be used exclusively in connection with this contract that has been established by or on behalf of the Plan with the Custodian through which the Custodian holds any Custodied Assets which are securities in safekeeping.

1.21. *Custody Account Balance* is an accounting record we maintain to reflect the fair market value of the Custodied Assets.

~~1.22. *Eligible Assets* are all Plan assets if Members do not have the option to direct investment of their account balances among various Plan investment options. If Members direct investment of their account balances among various Plan Investment Options, Eligible Assets are all Plan investments allocated to the Investment Option which includes Custodied Assets.~~

1.~~23~~22. *Employer* is any corporation, partnership, proprietorship, state, governmental unit or other entity whose employees may participate in the Plan.

1.~~24~~23. *Excess Impaired Securities* means the amount by which our pro rata share of the total Amortized Cost of the Impaired Securities exceeds 3% of the Interest Accumulation Record to the extent that such excess has continued for more than ten days.

1.~~25~~24. *Fund* means the **[Montana Fixed Fund]**.

1.~~26~~25. *Impaired Securities* are Custodied Assets with respect to which:

(a) the issuer has failed to pay principal or interest when due (after giving effect to any grace period provided by the terms thereof); or

(b) interest is accruing on a principal balance less than the difference between the original par or face amount thereof and the principal amount previously paid thereon; or

(c) the rate of interest has been reset other than pursuant to the original terms thereof; or

(d) the issuer has suspended redemptions for a reason other than as described in (e) below; or

(e) the issuer has failed to quote a net asset value for a period of at least 2 consecutive Business Days absent unusual market events or conditions generally affecting collective investment trusts; or

(f) the issuer undergoes an Insolvency Event; or

(g) the market value of the security is less than 30% of the Amortized Cost; or

(h) after any of its ratings are withdrawn, the security is no longer rated by at least one rating agency.

1.~~27~~26. *Interest Accumulation Record* is an accounting record we maintain under this contract for the portion of the Custodied Assets guaranteed by us, reflecting our share of Plan and Member deposits and transfers to the Custody Account plus accumulated interest credited at the then applicable Credited Rate, less our pro rata share of Benefit Withdrawals and Cash Buffer Withdrawals from the Custody Account allocated to our contract and less any fees or expenses that are paid out of Custodied Assets from time to time and as the Contractholder and we mutually agree should be deducted from the Interest Accumulation Record, plus or minus our pro rata share of any amount provided for in connection with a Contractholder Withdrawal pursuant to Section 2.23, less Excess Impaired Securities (which have not ceased to be Impaired Securities while still held in the Custody Account and net of our pro rata share of any proceeds received from the liquidation of an Excess Impaired Security for which a reduction was previously made to the Interest Accumulation Record), plus or minus any other amounts expressly provided for herein or as otherwise agreed in writing by the parties.

1.~~28~~27. *Insolvency Event* means, with respect to an entity:

(a) the commencement by such entity as debtor of any case or proceeding under any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar law (including, without limitation, administration by a regulatory authority) or such entity seeking the appointment of a receiver, trustee, custodian or other similar official for such entity or any substantial part of such entity's property;

(b) the commencement of any case or proceeding described in (a) immediately above against such entity seeking such an appointment which (i) is consented to or not timely contested by such entity, (ii) results in the entry of an order for relief, such an appointment, or the entry of an order having a similar effect or (iii) is not dismissed within ninety days;

(c) such entity is adjudicated an insolvent or is declared insolvent by any supervisory authority, is placed into conservatorship by any supervisory authority or receives or benefits from open bank assistance or other assistance provided by any supervisory authority;

(d) the making by such entity of a general assignment for the benefit of creditors; or

(e) the admission in writing (including through the issuance or filing of financial statements) by such entity of such entity's balance sheet insolvency or such entity's inability to pay such entity's debts as they become due.

1.~~29~~28. *Investment Guidelines* are guidelines established under the Investment Management Agreement which have received our underwriting review and been accepted by us prior to the Contract Effective Date, or such subsequent guidelines as we have reviewed and accepted. The Custodied Assets are to be managed, invested, and reinvested in accordance with the Investment Guidelines.

1.~~30~~29. *Investment Management Agreement* is an agreement between the Investment Manager and the Plan providing for the Investment Manager's discretionary management of the investment and reinvestment of Custodied Assets in accordance with the Investment Guidelines.

1.~~31~~30. *Investment Manager* is Pacific Investment Management Company LLC or such other investment adviser registered under the Investment Advisers Act of 1940 (or other manager) that has received our underwriting approval which underwriting approval we agree will be consistently applied across our stable value clients and will not be unreasonably withheld. The Investment Manager will manage Custodied Assets from time to time pursuant to the Investment Management Agreement.

1.~~32~~31. *Investment Option* is any Plan investment option used for Member-directed investment of account balances.

1.~~33~~32. *Lien* is any interest in the Custodied Assets securing a claim by any person other than the Plan or a Member (to the extent that the Member's claim is not adverse to the Plan)

whether created by or resulting from any litigation, proceedings, judgments or awards against the Plan or based upon common law, statute or contract, except for any claims which may be established pursuant to this contract and except as may be granted in the ordinary course in connection with any transactions permitted by the Investment Guidelines.

1.~~34~~33. *Member* is a participant in the Plan, or any person deriving his rights from such participant. A Member has no rights or obligations under this contract, except as specifically stated.

1.~~35~~34. *Plan* is, individually and collectively, the State of Montana Public Employees' Retirement System's Defined Contribution Retirement Plan and the State of Montana's 457 Deferred Compensation Plan the assets of which are funded through the Trust. We are not a party to the Plan. References in this contract to actions taken by the Plan include actions taken on the Plan's behalf by the State of Montana Public Employees' Retirement Board, its trustees, administrators or fiduciaries, as applicable.

1.~~36~~35. *Target Cash Buffer Percentage* is the target percentage of Cash Buffer assets held outside of the Fund.

1.~~37~~36. *Termination Event* is any one of the following events:

(a) Any material change has been made to the Investment Guidelines without our advance written consent, which consent shall not be unreasonably withheld.

(b) A successor to an Investment Manager is appointed without our advance underwriting approval, which underwriting approval we agree will be consistently applied across our stable value clients and will not be unreasonably withheld.

(c) The Custodied Assets are invested in a manner other than in accordance with the Investment Guidelines on the tenth Business Day after our receipt of notice to this effect from you.

(d) The Plan grants investment discretion over the Custodied Assets to a party other than an Investment Manager without our advance underwriting approval, which underwriting approval we agree will be consistently applied across our stable value clients and will not be unreasonably withheld.

(e) The Plan otherwise directs the investment of the Custodied Assets other than in the manner contemplated by the Investment Management Agreement on the tenth Business Day after our receipt of notice to this effect from you.

(f) The Plan implements or has committed to implement a re-enrollment program that causes a re-direction of participant investments in the Plan from the Fund to other Plan Investment Options without our consent.

(g) The Contractholder makes any change to the Investment Guidelines from the form in which ~~ING~~Voya has accepted them (including replacing the Investment Manager with a successor subject to our underwriting approval which underwriting approval we agree will be consistently applied across our stable value clients and will not be unreasonably withheld) without submitting such change to ~~ING~~Voya in accordance with Section 2.6 of this contract.

1.37. *Trust is* that certain group trust dated **[xx, x, xxxx]**, as amended.

2. Operation of the Contract

Deposits to the Custody Account

2.1. This contract will apply to the portion of the Custodied Assets guaranteed by us as of the Contract Effective Date. You may make subsequent deposits or transfer assets to the Custody Account after the Contract Effective Date only to the extent they are in such amounts and are made under such conditions as mutually agreed to in advance. We are obligated to apply this contract for such deposits we have agreed to in advance, except as follows:

(a) We may stop applying this contract to future deposits to the Custody Account upon advance written notice to you if an action you take causes a reason for discontinuance to arise under the Discontinuance section or causes a Termination Event to occur.

(b) We may refuse to renew our obligation to apply this contract to future deposits to the Custody Account. If we have decided not to renew our obligation, we will give you 30 days advance written notice.

Operation

2.2. As of the Contract Effective Date and at least 30 days prior to each Credited Rate Period, or coincident with each Credited Rate Period if required during the Book Value Settlement Phase by the Book Value Settlement Exhibit, we will notify you of the rate to be credited to the Interest Accumulation Record for that period. Interest is credited on a daily basis.

2.3. The Credited Rate is determined by us. It reflects our mutually agreed upon assumptions as to the Plan's deposits to and withdrawals from the Custody Account that are allocable to this contract and the investment results of the Custodied Assets. It also reflects an adjustment for differences between the balance of the Interest Accumulation Record and the Custody Account Balance. The formula we use to determine this contract's Credited Rate is described in the attached Credited Rate Determination Exhibit.

2.4. The Interest Accumulation Record is an accounting record we maintain under this contract for the portion of the Custodied Assets guaranteed by us, reflecting our share of Plan and Member deposits and transfers to the Custody Account plus accumulated interest credited at the then applicable Credited Rate, less our pro rata share of Benefit Withdrawals and Cash Buffer Withdrawals from the Custody Account allocable to our contract and less any fees or expenses that are paid out of Custodied Assets from time to time and as the Contractholder and ~~ING~~Voya mutually agree should be deducted from the Interest Accumulation Record, plus or minus our pro rata share of any amount provided for in connection with a Contractholder Withdrawal pursuant to Section 2.23, less Excess Impaired Securities (which have not ceased to be Impaired Securities while still held in the Custody Account and net of our pro rata share of any proceeds received from the liquidation of an Excess Impaired Security for which a reduction was previously made to the Interest Accumulation Record), plus or minus any other amounts expressly provided for herein or as otherwise agreed in writing by the parties.

2.5. If you request, we can establish multiple accounts for Plan recordkeeping purposes. If an additional account has its own Credited Rate, it is treated as a distinct Interest Accumulation Record.

2.6. Custodied Assets are invested at the direction of the Investment Manager in a manner consistent with the Investment Guidelines. The Investment Guidelines in effect as of the Contract Effective Date have received our underwriting review and are acceptable to us. If you wish to make any changes to the Investment Guidelines from the form in which we have accepted them (including replacing the Investment Manager with a successor subject to our underwriting approval, which underwriting approval we agree will be consistently applied across our stable value clients and will not be unreasonably withheld) you must submit such changes to us for our underwriting review in advance.

2.7. The value of the Custody Account, as reflected in the Custody Account Balance, is the fair market value of Custodied Assets. In computing fair market value of any security which is a Custodied Asset, the Custodian will value:

(a) (i) each security listed on any national securities exchange, for which recent market quotations are readily available, at the last reported sale price on the principal exchange on which such security is traded, or, if there has been no reported sale for the immediately preceding Business Day, at the last reported bid price;

(ii) unlisted securities at the value established by a vendor market valuation service, or at the then current bid price, if market quotations are readily available;

(iii) futures contracts at the value based on closing settlement prices as reported on regulated futures exchanges, in accordance with accepted practices and applicable law and regulations; and

(iv) any other security at a value determined by the Custodian in good faith, in accordance with accepted practices and in a manner to reflect its fair market value; or

(b) as mutually agreed by us and the Custodian.

In the event of any discrepancy between the determination of the fair market value of the Custodied Assets made by the Custodian or the Investment Manager, our reasonable determination will control.

2.8. You will cause the Custodian or Investment Manager to allow us to perform reasonable audits and inspections during normal business hours of the Custody Account and the Custodied Assets from time to time at our expense upon reasonable notice.

2.9. You will cause the Custodian or Investment Manager to furnish us with such written, electronic and telecommunicated reports and documents describing the Custodied Assets and any investment, deposit or withdrawal activity within the Custody Account as we may reasonably request from time to time. These reports and documents will include, without limitation:

(a) a statement of Custody Account holdings as of the last day of each month, furnished within 15 Business Days of the end of each month, stating the cash balance and, for each custodied security, to the extent applicable: market value, rating, trade, settlement and maturity dates; CUSIP number; security issuer and type; rate or yield in the case of interest-bearing or discounted securities, respectively; broker; par, cost, book and maturity values;

(b) a statement of the market value, effective duration of the wrapped assets and effective duration of the benchmark for the Custody Account furnished within 10 Business Days and 15 Business Days of the end of each month for the preliminary data and final data, respectively;

(c) a compliance report from the Investment Manager affirming compliance with each provision in the Investment Guidelines and stating which assets, if any, have become Impaired Securities within 15 Business Days of the end of each month; and

(d) a copy of the Plan upon entering into this contract.

2.10. The Plan is responsible for payment of all customary costs, including taxes, brokerage commissions or spreads, and custodial service fees, which arise from the operation of the Custody Account.

2.11. We will send you monthly financial statements reflecting the balance of your Interest Accumulation Record and your Custody Account Balance.

Notice of Deposits/Withdrawals

2.12. You will provide us with one Business Days' advance written notice of all deposits to, and withdrawals from, the Custody Account that are allocable to this contract. We will not adjust the balance of the Interest Accumulation Record or the Custody Account Balance to reflect deposits allocable to this contract unless we have been notified in accordance with Section 7.1 of this contract. We will account for any withdrawals allocable to this contract for which we have not been properly notified as Contractholder Withdrawals.

Benefit Withdrawals

2.13. If the Plan has a Competing Investment Option, we will account for our pro rata share of withdrawals from the Custody Account to effect Member-directed transfers of their account balances between Investment Options as Benefit

Withdrawals only if:

(a) the transfers are not made from the Investment Option that includes Custodied Assets to any Competing Investment Option, and

(b) the Plan requires that any transfers from the Investment Option that includes Custodied Assets remain invested in non-Competing Investment Options for 90 days before any transfer is made to a Competing Investment Option, and

(c) the Plan prohibits transfers from the Investment Option that includes Custodied Assets if any transfer to a Competing Investment Option has occurred in the past 90 days.

Notwithstanding the foregoing, this subsection (c) shall only apply to the extent that the Plan and/or its recordkeeper has the ability to so limit Member-directed transfers; provided, that the Plan shall promptly inform us when, to its knowledge, the Plan and/or its recordkeeper has such ability.

2.14. If the Plan permits loans, amounts may be withdrawn from the Custody Account to meet Member loan requests. Amounts withdrawn for this purpose are considered to be Benefit Withdrawals if the loan meets the requirements of section 72(p)(2) of the Code and, if applicable, section 4975(d) of the Code and section 408(b)(1) of the Employee Retirement Income Security Act of 1974, as amended (ERISA). If the Contractholder becomes aware that the loan does not meet these requirements, and does not correct any failure to meet these requirements within forty-five (45) Business Days of becoming aware of such failure, or as soon as is administratively practicable thereafter, our pro rata share of amounts withdrawn for this purpose are deemed to be Contractholder Withdrawals under Section 2.23, unless treated as a Benefit Withdrawal.

2.15. The contract follows a buffered pro rata withdrawal order. All amounts needed for Benefit Withdrawals are paid first from any net cashflows then from amounts held in the Cash Buffer maintained by the Plan with respect to the Investment Option funded by this contract. After Benefit Withdrawals have exhausted Cash Buffer assets, any further amounts required for Benefit Withdrawals may be withdrawn from the Custody Account according to its pro rata share. This contract's pro rata share equals the total amount needed by the Plan for Benefit Withdrawals times the ratio of the Interest Accumulation Record to the total book value of the Investment Option funded by this contract.

2.16. We can require reasonable proof that Benefit Withdrawals are being made in accordance with the Plan and this contract.

2.17. Benefit Withdrawals are not subject to any market value adjustment. The balance of the Interest Accumulation Record and the Custody Account Balance will both be reduced by the actual amount of our pro rata share of any Benefit Withdrawal made from Custodied Assets.

2.18. In the event that the Custody Account Balance has reached zero and the balance of the Interest Accumulation Record is positive you may direct us to pay to you or the Plan funding agent you designate amounts sufficient to pay our pro rata share of Benefit Withdrawals if no Termination Event has occurred. Any such payment will be subject to all the terms and conditions of this Benefit Withdrawals section. Any such payments may not, in the aggregate, exceed the balance of the Interest Accumulation Record. Upon the occurrence of any Termination Event, our obligations under this paragraph shall immediately terminate (unless the contract is not terminated as a result). Payment will be made within 15 days, after our receipt of all necessary information or proofs. If, after a Benefit Withdrawal is paid, we reasonably determine that our pro rata share of such payment is a Contractholder Withdrawal, we shall provide you with written notice of such determination. If you receive notice of such a determination by us, you shall be afforded a reasonable opportunity to provide reasonable proof that the payment qualifies as a Benefit Withdrawal in accordance with the Plan and this contract. If you do not provide proof or if the proof offered by you does not demonstrate to our reasonable satisfaction that our determination is erroneous, the withdrawal of Custodied Assets that is the subject of such review shall be treated as a Contractholder Withdrawal under the contract.

2.19. Any withdrawal from the Custody Account allocable to this contract not eligible for treatment as a Benefit Withdrawal or Cash Buffer Withdrawal must be treated as a Contractholder Withdrawal.

2.20. You must promptly give us a description of any proposed amendment to the Plan that is material to the Plan. You must also give us a copy of material Plan amendments actually adopted. We will add these amendments to our copy of the Plan, but we can advise you that, unless we provide our written consent to a Plan amendment, we will not alter our administration of this contract to comply with any Plan amendment which we determine may otherwise directly or indirectly have a material adverse effect on our obligations to you.

Contractholder Withdrawals

2.21. The Plan may withdraw all or a portion of Custodied Assets at any time and our allocable share of such withdrawal is a Contractholder Withdrawal.

2.22. In connection with any Contractholder Withdrawal, the balance of the Interest Accumulation Record is reduced by an amount equal to our pro rata share of the withdrawal times the ratio of the balance of the Interest Accumulation Record to the Custody Account Balance.

2.23. Member-initiated withdrawal or transfer requests arising out of corporate actions, such as bankruptcies, mergers, amalgamations, spinoffs, divestitures, other similar corporate combinations, adverse changes in other retirement plan programs in which Members participate, involuntary terminations due to corporate relocations, layoffs, adverse changes in retirement incentive programs in which Members participate, the creation of a Competing Investment Option that is not administered in compliance with the provisions of Section 2.13 of this contract, partial or total Plan terminations, or adverse changes to Plan withdrawal or transfer rules, are all "Contractholder Withdrawals." Such payments are not treated as Benefit Withdrawals.

2.24. You may elect to treat our pro rata share of a Contractholder Withdrawal as a Benefit Withdrawal if the total amount withdrawn or transferred under this subsection over any continuous 12-month period is less than 15% of the Interest Accumulation Record balance at the start of that period and excluding for this purpose any amount withdrawn or transferred on any day on which the Custody Account Balance is greater than the Interest Accumulation Record.

2.25. In connection with any Clone Event, you may request a Cloned Contract. Subject to the satisfaction of our standard underwriting rules, we will issue a Cloned Contract to a successor contractholder. We will not unreasonably withhold our underwriting approval of a Cloned Contract.

2.26. If any portion of the Custodied Assets shall become subject to any Lien, upon advance written notice to you, we will treat such liened assets as having been withdrawn as a Contractholder Withdrawal under Section 2.23 of this contract as of the date the Lien is levied upon or upon such earlier date as the Lien materially interferes with the free transferability of the liened Custodied Assets in the ordinary conduct of the Plan's operations, unless such Lien is cured within ten (10) Business Days to our reasonable satisfaction. If a Lien is not levied upon but has caused liened assets to be treated as having been withdrawn as a Contractholder Withdrawal and is subsequently released, we will treat our pro rata share of the released assets as having been deposited to the Custody Account as of the date of release.

2.27. You agree that Members will exercise their own independently determined judgments, without influence or direction by the Contractholder, Employer or Plan sponsor, in regard to their actions under the Plan that have a material impact on the Fund, as reasonably determined by us, except for Member communications in satisfaction of ERISA (as though ERISA applies) and other applicable law, information required to be delivered to maintain its tax-qualified status or status as a 457 plan under the Code, to provide only investment education or general information regarding the Investment Options and other Plan features, or in connection with an approved advice program approved by us in advance, and as we otherwise agree. Upon request by us, you will furnish us with copies of the forms of

communications to Members concerning the Investment Options.

We reserve the right to treat our pro rata share of any Member-initiated withdrawal or transfer request as a Contractholder Withdrawal upon reasonable advance notice, if it appears from the circumstances that Members' actions were influenced by the Contractholder, Employer or Plan sponsor, and not the result of their own independent judgment.; provided, however, that, to the extent we intend to exercise our rights hereunder, you shall be afforded a reasonable opportunity to provide proof that the re-characterization is erroneous. If you do not provide proof, or if the proof offered by you does not demonstrate to our reasonable satisfaction that our re-characterization is erroneous, the re-characterization may be made.

3. Discontinuance

3.1. You may discontinue this contract by giving us 30 days' written notice or such other period as mutually agreed. We will not unreasonably withhold our consent to a shorter notice period. A discontinuance may be total or may be for a group of Members (a "partial discontinuance"). The discontinuance is effective on the later of:

(a) the date specified in your notice, or

(b) 30 days after we receive your notice.

3.2. We may totally discontinue this contract at any time by giving you 90 days written notice.

3.3. At any time, we may totally discontinue this contract after a "reason for discontinuance," within the meaning of Section 3.4, occurs by giving you 45 days written notice.

3.4. Reasons for our discontinuance are:

(a) You fail to meet any of your obligations under this contract or the Investment Management Agreement.

(b) You have failed to pay us any fees when due and such fees remain unpaid for more than 90 days.

(c) You have failed to deposit funds or transfer assets to the Custody Account when due and such overdue deposits or transfers have remained outstanding for more than 31 days upon notice of such failure.

(d) The balance of the Interest Accumulation Record has been reduced to zero.

(e) All Custodied Assets have been withdrawn.

(f) You fail to cause the Custodian to provide us with such reports concerning Custody Account holdings and transaction activity as we reasonably request from time to time.

(g) The Plan is finally determined to no longer be a qualified plan or 457 plan under the Code.

(h) The Plan is terminated.

(i) You no longer have any obligations under the Plan.

(j) Any action is taken by you, the Plan sponsor, or other Plan official, which:

(i) creates a Competing Investment Option; or

(ii) significantly and adversely changes, as determined by us, the Plan withdrawal or transfer rights of Members; or

(iii) materially and adversely affects our rights and obligations under this contract.

(k) You, without our written agreement, attempt to assign your interest in this contract.

(l) You reject an amendment to this contract proposed by us under the Amendments section.

(m) We elect to discontinue the availability of contracts of this class to future custody account deposits.

(n) Employees of an Employer are no longer eligible to participate in the Plan. (Any such discontinuance affects only those ineligible employees.)

(o) The final adoption of a change in applicable laws and regulations (including tax laws and regulations) which materially affects the taxation of this contract, or otherwise materially affects our obligations hereunder.

3.5. At any time, this contract will automatically and immediately discontinue coincident with the occurrence of any Termination Event unless the condition giving rise to such Termination Event is cured within 10 Business Days of the date we notify you of the pending discontinuance. Upon discontinuance, we will cease to maintain the Interest Accumulation Record and the Custody Account Balance and shall have no further obligation to you under this contract. Benefit Withdrawals may be made during the 10-day cure period; provided, however, ~~ING~~Voya shall not be required to make any payment following the occurrence of a Termination Event unless and until the Termination Event is cured. Our sole judgment will prevail as to the sufficiency of any attempted action to cure the condition.

3.6. (a) If no Termination Event has occurred, at discontinuance you may elect to receive a settlement of your Interest Accumulation Record over time, pursuant to the terms of the Book Value Settlement Exhibit. In the event of such election, this contract will enter into its Book Value Settlement Phase. If you elect not to enter the Book Value Settlement Phase, we will cease to maintain the Interest Accumulation Record and the Custody Account Balance and we shall have no further obligation to you under this contract.

(b) In the case of a partial discontinuance, you may request that we issue a new contract to a successor contractholder for the benefit of a successor plan.

(c) Any contract issued upon a partial discontinuance of this contract is subject to any terms and conditions mutually agreed to and is conditioned upon satisfaction of our reasonable underwriting rules and the securing of any necessary regulatory approvals.

3.7. If this contract has discontinued in connection with a Termination Event, the terms of the Book Value Settlement Exhibit shall no longer be available to you. Accordingly, this contract will not be eligible to enter the Book Value Settlement Phase. In such event, we will cease to maintain the Interest Accumulation Record and the Custody Account Balance and we shall have no further obligation to you under this contract.

3.8. After your contract enters the Book Value Settlement Phase, we will apply this contract only to those deposits that we are obligated to accept under the Deposits section of this contract. We will not renew our obligation to apply this contract to future deposits to the Custody Account. With our consent, additional deposits may be accepted.

3.9. Annuities purchased prior to discontinuance are not affected by discontinuance.

4. Amendments

4.1. This contract may be amended by mutual agreement.

4.2. We may amend any provision of this contract to the extent necessary to comply with applicable laws or regulations without your consent. ~~ING~~Voya will provide 30 days notice prior to the amendment becoming effective to allow the Contractholder to discontinue under Section 3.1.

4.3. We may propose other amendments that are effective 90 days after we give you written notice of the change. You may reject our proposed change by giving us written notice before it becomes effective.

4.4. No amendment to this contract may reduce the amount or change the terms of any Annuity purchased under this contract, unless required by applicable laws.

4.5 We may modify the exhibits to this contract without your consent to the extent so provided in the respective exhibit. The exhibits state the requirements for making such changes.

5. Annuities

Annuity Purchase Rules

5.1. You may purchase Annuities from us by transferring cash to us from the Custody Account at any time, and the Custody Account Balance and Interest Accumulation Record will be adjusted as described in the Benefit Withdrawals section of this contract. Any Annuities you purchase are subject to our regular practices. You agree to provide us with whatever information or application we require.

5.2. You may specify the requested Annuity effective date and any form of Annuity we regularly offer under contracts of this class. The Annuity form determines payments to be made upon death.

5.3. The Annuity effective date is usually the first day of the month coinciding with or next following the date you request.

5.4. The minimum amount of Annuity you may purchase is $100 per month. We may change this amount by notifying you.

5.5. An Annuity may not be revoked, and the premium, form or joint annuitant may not be changed, after the Annuity effective date. If the Member or his joint annuitant dies before the Annuity effective date, the Annuity is not purchased. Any premium we receive is returned as you direct.

5.6. Annuities are subject to any limitations in the Plan required by applicable laws or regulations.

Annuity Purchase Rates

5.7. If you specify the gross premium, we determine the Annuity amount using the Annuity net premium rate then in effect.

5.8. The Annuity purchase rate is based on a net premium. The net premium equals the gross premium, less any ~~applicable premium tax~~charges we communicate to you.

5.9. The initial minimum premium rate basis in effect for this contract is:

Mortality: Annuity 2000 Table. For purposes of calculating the initial minimum premium rate, the annuitant's and second annuitant's adjusted age will be used. The annuitant's and second annuitant's adjusted age is his or her age as of the birthday closest to the Annuity effective date reduced as follows:

(a) Reduced by one year for payments before January 1, 2014.

(b) Reduced by two years for payments beginning during the period from January 1, 2014 through December 31, 2023.

(c) Starting on January 1, 2024, reduced by one additional year for payments beginning in each succeeding ten year period.

Interest: 1.00%

5.10. If, when you purchase an Annuity, a more favorable premium rate basis is in effect for the Annuity you are purchasing, we use the more favorable basis.

5.11. We guarantee your initial minimum annuity premium rate basis through **[December 31, 20XX].** Unless, prior to a guarantee expiration date, we notify you in writing of a new guarantee basis, the current guarantee basis is automatically extended for an additional three years.

General Annuity Provisions

5.12. If we are uncertain whether a payee of a life contingent Annuity is alive, we have no obligation to make any Annuity payment unless, within seven years after the payment due date, we receive proof from you or the Plan administrator that the payee was living on that date. If we do not receive proof, our obligations pertaining to that payment and later payments are the same as if the payee had died immediately before that payment due date.

5.13. Annuity Payments are made to the Member. If we have reason to believe a payee is legally incapable of giving a valid receipt for any Annuity payment, we may make the payment to any payee permissible under the Plan. Such payment discharges our obligation for the Annuity payment.

5.14. Certificates we issue include the terms and restrictions we believe are in compliance with applicable laws or regulations.

5. Fees

6.1. Fees are payable as described in the Fee Exhibit or as otherwise agreed.

6.2. Any fee we bill you is payable within 60 days of the receipt of invoice for such fee. If we do not receive prompt payment, we may discontinue the contract pursuant to Section 3.4(b).

6. General Matters

7.1. All agreements, notices or other communication required by this contract must be in writing. Notices to us are effective when we receive them at the address designated by us. Notices to you are effective when you receive them at the address to which we mail your financial statements. One of our duly authorized officers must sign all our agreements.

7.2. Any payment not made in accordance with this contract or error made in the Interest Accumulation Record may be corrected by us to the extent consistent with applicable law. We shall provide you with written notice of such correction. If you receive notice of such a correction by us, you shall be afforded a reasonable opportunity to provide reasonable proof that the correction is incorrect. If you do not provide proof or if the proof offered by you does not demonstrate to our reasonable satisfaction that our correction is erroneous, the correction may be made.

7.3. Any provision of this contract which may have been waived on one or more occasions may continue to be enforced on all other occasions.

7.4. No interest in this contract may be assigned without our prior written consent which shall not be unreasonably withheld.

7.5. It is intended that this contract will be accounted for at book value by the Plan. You are responsible for determining the proper accounting for this contract.

7.6. You will provide us with the Plan's most recent determination letter that the Plan is a qualified plan or 457 plan under the Code (or if the plan does not have a determination letter some other satisfactory evidence). You will notify us promptly if the Plan fails to meet these requirements and such failure would reasonably be expected to have an adverse effect on this contract.

7.7. You represent and warrant that the execution, delivery and performance of this contract will not violate the terms of the Trust.

7.8. We are not responsible for reconciling Member statements to the contract.

7.9. We are not obligated to determine whether any payment under this contract is made in accordance with the terms of the Plan.

7.10. We are not responsible for the safekeeping of the Custodied Assets by the Custodian. We are not responsible for the financial condition or solvency of the Custodian. In the event of any theft, embezzlement, loss or disappearance of the Custodied Assets, or any interference with your use of the Custodied Assets occasioned by the Custodian's financial distress, you will look solely to the Custodian for remedies and not to us.

7.11. No waiver of remedies following the breach of any contractual provision or of the Investment Guidelines, or failure to enforce such provisions or guidelines, shall be effective against any insurance department with regulatory jurisdiction over this contract, including the domiciliary insurance department, unless approved in writing by such domiciliary insurance department and any other insurance department with regulatory jurisdiction over this contract.

Term Schedule

Contractholder:
[STATE OF MONTANA PUBLIC EMPLOYEES' RETIREMENT BOARD]

Contract Document Number:
MCA – 60420

1 Effective Date: **[Effective Date, 20XX]**

2. Amount of Initial Deposit: **[$80,000,000]**

3. Fee Rate: **[0.21%** annual rate**]**

4. Custodian: **[State Street Bank & Trust Company]**

5. Contract Type: **[100% Participating]**

6. Competing Investment Option: **[List of Competing Investment Options]**

7. Credited Rate Periods: **[Quarterly – January 1, April 1, July 1 and October 1]**

8. Initial Cash Buffer Percentage as of the Effective Date: **[1.5%]**

9. Target Cash Buffer Percentage: **[1.5%]**

10. STIF: **[List of STIF(s)]**

11. Investment Strategy: **100% invested in the PAPS Moderate Duration Portfolio**

Credited Rate Determination Exhibit

Contractholder:
[STATE OF MONTANA PUBLIC EMPLOYEES' RETIREMENT BOARD]

Contract Document Number:
MCA – 60420

Under your contract we announce a new Credited Rate for each Credited Rate Period, which is credited to your contract's Interest Accumulation Record. The formula we use is based on the relationship:

$$MV(1+I)^{DxDAF} = IAR(1 + G + F)^{DxDAF}$$

The equivalent formula, expressed in terms of G, is:

$$G = [(MV/IAR)^{1/(DxDAF)} \times (1+I)] - 1 - F$$

Where:

G = Your new Credited Rate.

MV = Your Custody Account Balance on the last date of the second month preceding the new Credited Rate Period (i.e. November 30th for a Credited Rate Period beginning on January 1st), plus our mutually agreed upon projection of ~~ING~~Voya's allocable share of anticipated net deposits, withdrawals, expense charge payments or transfers of assets into or out of the Custody Account during the next Credited Rate Period, or during such other period as required by the Book Value Settlement Exhibit during the Book Value Settlement Phase.

IAR = The balance of the Interest Accumulation Record on the last date of the second month preceding the new Credited Rate Period (i.e. November 30th for a Credited Rate Period beginning on January 1st), plus our mutually agreed upon projection of the value, as reflected in the IAR, of ~~ING~~Voya's allocable share of any anticipated net deposits, withdrawals, expense charge payments, or transfers of assets into or out of the Custody Account during the next Credited Rate Period, or during such other period as required by the Book Value Settlement Exhibit during the Book Value Settlement Phase.

D = The effective duration of the Custodied Assets on the last date of the second month preceding the new Credited Rate Period (i.e. November 30th for a Credited Rate Period beginning on January 1st).

DAF = The duration adjustment factor, determined as of and as follows:

- If the MV/IAR ratio is greater than or equal to 97.5%, then the factor is 1.00.
- If the MV/IAR ratio is greater than or equal to 95% but less than 97.5%, then the factor is 0.75.
- If the MV/IAR ratio is greater than or equal to 92.5% but less than 95.0%, then the factor is 0.50 or as mutually agreed.

I = The bond equivalent yield, as calculated by the Investment Manager, on Custodied Assets on the last date of the second month preceding the new Credited Rate Period (i.e. November 30th for a Credited Rate Period beginning on January 1st).

F = The Asset Fee (as defined in the Contract Fee Exhibit) and any other fees or expenses that are paid out of Custodied Assets from time to time and as the Contractholder and ~~ING~~Voya mutually agree.

Any such projections are based on current balances or values available on the date we determine the new Credited Rate, and reasonable assumptions as to cash flows, earnings and other occurrences between that date and the date the new Credited Rate is first effective, or during the next Credited Rate Period (or other such period as required during the Book Value Settlement Phase by the Book Value Settlement Exhibit), as mutually agreed.

The new Credited Rate we announce for any Credited Rate Period will not be less than 0%.

We may change this Exhibit by 45 days notice to you. Any change will not apply if you give us a discontinuance notice before the change is effective.

2014 Managed Custody Account Contract Fee Exhibit

Contractholder:
[STATE OF MONTANA PUBLIC EMPLOYEES' RETIREMENT BOARD]

Contract Document Number:
MCA – 60420

If the Asset Fee (as defined below) changes, you will receive 45 days written notice. Any change will not apply if you give us a discontinuance notice before the change is effective. Unless we mutually agree otherwise, the Asset Fee may not be modified by us more frequently than once every twelve (12) calendar month period. The fees are as follows:

Asset Fee

The asset fee ("Asset Fee") is billed to you or the Custodian. It equals the amount determined by applying the Asset Fee to our pro rata share of the mean Interest Accumulation Record of the associated Custody Account(s) as set out in the following table:

Mean Interest Accumulation Record	Percentage Charge
All Assets	0.21%

Miscellaneous Fees

Additional fees apply for any non-standard service we provide at your request. We will provide you with written notice of the applicable fees, if any, at the time of your request.

Investment Management Fees

The fees described above do not include the investment management fees payable to the Investment Manager pursuant to the Investment Management Agreement or any fees you pay the Custodian for custodial services.

Managed Custody Account Contract Book Value Settlement Exhibit

Contractholder:
[STATE OF MONTANA PUBLIC EMPLOYEES' RETIREMENT BOARD]

Contract Document Number:
MCA – 60420

At discontinuance, you may elect for this contract to enter into its Book Value Settlement Phase. For the avoidance of doubt, if we elect discontinuance pursuant to Section 3.2 or 3.3 of the contract, you may elect Book Value Settlement Phase at any time prior to the expiration of the 90 or 45 day notice provisions provided for in Section 3.2 and 3.3, respectively.

The Book Value Settlement Phase will operate on the following terms.

Within 30 days of the date your contract's discontinuance is effective, we will establish an initial payment date for the settlement of the balance of the Interest Accumulation Record (the "Book Value Settlement Maturity Date"). This initial Book Value Settlement Maturity Date will be established by adding a period of time equal to the number in years represented by the duration target to which the Custodied Assets are managed, as set forth in the Investment Guidelines, to the date your contract's discontinuance is effective.

You may elect to segregate our pro rata share of the Custodied Assets in a segregated account (the "Segregated Account") and apply the contract and these Book Value Settlement provisions to only the Segregated Account. In that case, Custodied Assets shall mean only the assets of the Segregated Account. On the payment date, your Interest Accumulation Record and your Custody Account Balance will each be reduced by the amount of such payment. If, on any final payment date:

(a) such reduction causes the Custody Account Balance to become zero, ~~ING~~Voya will make a payment to the Custody Account in an amount equal to the remaining Interest Accumulation Record. The final payment (including the payment of such amount, if any, needed to cure a shortfall), shall operate to fully and finally discharge all of our obligations under this contract.

(b) such reduction leaves a positive balance remaining in the Custody Account Balance, all of our payment obligations under this contract shall have been fully discharged.

During your contract's Book Value Settlement Phase:

(a) We will apply this contract only to those deposits that we are obligated to accept under the Deposits section of the contract. No additional deposits will be allocable to this contract. We will not enter into any agreement renewing our obligation to apply this contract to future deposits to the Custody Account.

(b) We will continue to renew your Credited Rate as provided under the Operation of the Contract section of the contract and the Credited Rate Determination Exhibit. In establishing the MV and IAR variables for the Credited Rate Determination Exhibit, we may take into account our mutually agreed upon projection of ~~ING~~Voya's allocable share of anticipated net deposits, withdrawals, expense charge payments, or transfers of assets into or out of the Custody Account over the expected remaining term of the contract. The lowest Credited Rate we will announce for any Credited Rate Period while your contract is in its Book Value Settlement Phase is 0%.

(c) Beginning six months prior to the Book Value Settlement Maturity Date, Credited Rate Periods may, at our discretion, be quarterly or monthly periods. During the Book Value Settlement Phase, if the Credited Rate Period is monthly, we will notify you of the Credited Rate applicable for the next Credited Rate Period coincident with the commencement of that period.

(d) Withdrawals may continue to be made in accordance with the Benefit Withdrawals and Contractholder Withdrawals section of this contract.

If, 6 months prior to the Book Value Settlement Maturity Date, we project that our allocable share of the Custody Account Balance will be less than the balance of the Interest Accumulation Record as of the Book Value Settlement Maturity Date, we may extend the Book Value Settlement Maturity Date by 6 months. We may continue to extend the then-scheduled Book Value Settlement Maturity Date under these same procedures. However, in no event may we extend the Book Value Settlement Maturity Date more than ten years from the date your contract's discontinuance is effective.

At any time after your contract has entered its Book Value Settlement Phase, but before the final Book Value Settlement Maturity Date has been reached, (i) you may elect an early termination of the contract by notifying us in writing and (ii) we may terminate this contract upon the occurrence of a Termination Event. In the event of such termination, we will cease to maintain the Interest Accumulation Record and the Custody Account Balance and shall have no further obligation to you under this contract.

We may change this exhibit upon 90 days advance notice to you. Any change will not apply if your contract has discontinued or if you give us a discontinuance notice before the change is effective.

Managed Custody Account Contract Interest Exhibit

Contractholder:
[STATE OF MONTANA PUBLIC EMPLOYEES' RETIREMENT BOARD]

Contract Document Number:
MCA – 60420

The net effective annual interest rate to be credited to the Interest Accumulation Record from the Contract Effective Date through **[Interest Rate End Date, 20XX]** is **[X.XX%].**

We may change this rate at the beginning of each Credited Rate Period upon 30 days advance written notice to you, or during the Book Value Settlement Phase, if Credited Rate Periods are monthly, coincident with the commencement of each Credited Rate Period.

We may change this exhibit upon 45 days advance notice to you. Any change will not apply if your contract has discontinued or if you give us a discontinuance notice before the change is effective.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

SYNTHETIC GIC CONTRACT
Contract Number GA-63345
(the "Contract")

The Prudential Insurance Company of America

agrees to provide to

State of Montana Public Employees' Retirement Board

the benefit payments described in this Contract, on the terms and conditions set forth in this Contract. This page, the ensuing Sections and the Schedules are part of this Contract. Certain amounts payable by The Prudential Insurance Company of America under this Contract are variable, and are based upon the difference between the Market Value of the Investment Account and the Book Value of this Contract. This Contract does not participate in the divisible surplus of The Prudential Insurance Company of America.

This Contract is issued for delivery to the undersigned, which agrees to accept the rights and obligations of Contractholder under this Contract.

STATE OF MONTANA PUBLIC EMPLOYEES' RETIREMENT BOARD

By: *SPECIMEN*
Name:
Title:
Date:

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
Newark, New Jersey 07102-3777

By: _____
Name: John R. Strangfeld
Title: Chairman and Chief Executive Officer

By: _____
Name: Margaret M. Foran
Title: Secretary

Attest by: _____
Date:

STABLE VALUE INVESTMENT ADVISOR
Pacific Investment Management Company, LLC

By: *SPECIMEN*
Name:
Title:
Date:

The following Schedules are attached:

Deposit Schedule
Interest Schedule
Benefit Withdrawal Schedule
Maturity Schedule
Annuity Schedule
Fee Schedule
Investment Guideline Schedule
Representation Schedule

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ARTICLE 1 - CONTRACT HIGHLIGHTS AND OTHER DEFINITIONS

1.1 Contract Summary. The following identifies salient terms of this Contract.

Contractholder: State of Montana Public Employees' Retirement Board

Plan: State of Montana Public Employees' Retirement System's Defined Contribution Retirement Plan and the State of Montana's 457 Deferred Compensation Plan (In this Contract these Plans are the "Plan") the assets of which are funded through that certain group trust dated September 10, 2009~~[xx, x, xxxx]~~, as amended

Comment [A1]: Insertion clarification by PIMCO. Accepted by Pru.

Plan Investment Option (the "Fund"): Montana Fixed Fund, an investment option made available by the Plan

Specified Investment Manager: Pacific Investment Management Company, LLC ("PIMCO").

Mutual Fund: PIMCO PAPS Moderate Duration Fund, a registered investment company under the Investment Company Act of 1940.

Stable Value Investment Advisor: Pacific Investment Management Company, LLC as named in the Representation Schedule as the stable value investment advisor of the Plan Investment Option

Effective Date: Month Day, 2014

Jurisdiction: State of Montana

Initial Contract Structure: Constant Duration Structure

Initial Deposit: Approximately $82,000,000.00 on or about Month Day, 2014

Initial Book Value: Approximately $XX,XXX,XXX.00

Initial Crediting Rate: To be announced by Prudential no later than the close of business on the Business Day immediately preceding the date of the Initial Deposit

Initial Interest Period: The Effective Date through Month Day, 2014.

1.2 Definitions. Capitalized terms are defined in Section 1.1 above, in the Schedules and below. As the context requires, such definitions shall be equally applicable to the singular and plural forms of the terms.

Assets means (i) prior to the effective time of a Conversion of this Contract pursuant to Section 7.2, the investment units issued by the Mutual Fund or the cash, securities and other investments of the Mutual Fund (as applicable) and cash, securities and other investments permitted by the Investment Guidelines held in the Investment Account, and, (ii) from and after a Conversion, any cash, securities and other investments held directly in

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the Investment Account. Notwithstanding any other provision of this Contract including without limitation, Section 7.1, 7.4 and 7.7(b), upon its termination, the Assets shall cease to be subject to all restrictions and requirements under this Contract.

Book Value is defined in Section 3.1.

Business Day means any weekday other than a day when banks in New York City are authorized to be closed.

BV/MV Ratio means a fraction, the numerator of which equals the Book Value and the denominator of which equals the Market Value.

Clone Contract is defined in the Benefit Withdrawal Schedule.

Competing Fund means, unless otherwise agreed in writing by Prudential and either the Contractholder or the Stable Value Investment Advisor, an investment option of the Plan which (i) is a stable value fund, or (ii) has investment characteristics substantially similar or identical to a stable value fund, or (iii) is a fixed income fund, money market fund or any investment fund primarily invested in fixed income securities with a target duration less than or equal to 3.0 years, or (iv) is a self-directed brokerage account or mutual fund window with access to any of (i), (ii), or (iii) above.

Constant Duration Structure means the asset management and liability structure of this Contract applicable prior to a Conversion of this Contract. Under this structure there is no defined maturity date and assets are managed within the parameters established in the Investment Guidelines.

Contract is defined on the cover page.

Contract Year means the 12 month period beginning on the Effective Date and on each anniversary of the Effective Date.

Conversion is defined in Section 7.2.

Conversion Date is defined in Section 7.2.

Covered Withdrawal is defined in the Benefit Withdrawal Schedule and must satisfy the provisions of Section 4.1(c).

Duration means the market value-weighted effective duration of the Assets in the Investment Account, where the duration of each Asset is calculated in accordance with accepted financial practice applicable to that type of asset. Prior to a Conversion Date, the Duration of the Assets in the Investment Account shall be deemed to be equal to the market value-weighted effective duration of the Assets of the Investment Account.

Employer-Initiated Event means one or more of the following: (A) the removal of a specifically identifiable group of employees from coverage under the Plan, (B) a group layoff or an early retirement incentive, or (C) the addition of an investment choice to the

SPECIMEN

Plan that, at the time that it is added, reasonably can be expected to alter materially the amounts directed out of the Fund, provided that section (C) of this definition shall apply only to the extent Prudential provides such notice within sixty (60) days after Prudential receives notice of the addition of such investment choice.

Equity Wash Procedures means that Participant Withdrawals resulting from transfers to Competing Funds (a) must be first transferred to Plan investment options that are not Competing Funds and (b) must be held in such non-Competing Funds for at least 90 days before being transferred to a Competing Fund.

Fixed Maturity Structure means the asset management and liability structure of this Contract applicable following a Conversion involving scheduled withdrawals from the Investment Account.

Investment Account means: (i) prior to a Conversion, the segregated account (or a specified portion thereof) established pursuant to Section 2.1; and (ii) from and after a Conversion, the segregated account established pursuant to Section 7.2, each of which will hold the Assets. For the sake of clarity, the Investment Account includes only Assets recorded to this Contract. Prior to a Conversion, the Assets contained in the Investment Account will consist of the number of units of the Mutual Fund held as a result of the Initial Deposit and cash, securities and other investments permitted by the Investment Guidelines. The Assets shall be adjusted for withdrawals and any additional deposits set forth on the Deposit Schedule or to which we otherwise consent. From and after a Conversion, the Assets in the Investment Account will consist of the securities and cash held therein in accordance with the Investment Guidelines applicable to the Fixed Maturity Structure.

Investment Guidelines means the constraints on investments and portfolio composition contained in the Investment Guideline Schedule.

Manager means (i) prior to a Conversion, the Specified Investment Manager and any respective successors; and (ii) from and after a Conversion, an investment manager or sub-adviser (if any) appointed pursuant to Section 7.2, and any successors thereto.

Market Value is defined in Section 2.4.

Participant Withdrawals means withdrawals from the Fund, made pursuant to the terms of the Plan, for the purpose of (i) making net benefit payments to participants in connection with their retirement, death, disability, hardship, divorce, loans permitted under the Plan, military leave of absence, in-service distributions, payments made in connection with a Qualified Domestic Relations Order or purchase of pay-out annuities; (ii) paying net participant-directed or mandatory withdrawals, whether paid to the participant or to other plans or as rollovers; (iii) making net participant-directed transfers to other funds offered under the Plan, or (iv) payment to participants or beneficiaries as required under any applicable law.

Parties means, together, Prudential, Contractholder, the Stable Value Investment Advisor and any other entities agreeing to be bound from time to time as provided in the Representation Schedule.

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Permitted Communications means any communication or information provided to a Plan participant that does not specifically advise the participant (A) not to contribute to the Fund or (B) to withdraw part of all of the participant's contributions from the Fund and which (1) is designed to relate risks, relative returns, and other characteristics of the various investment options offered under the Plan or changes to such investment options, (2) explains the operation of the Equity Wash Procedures if one or more Competing Funds have been added to the Plan or are being contemplated, (3) provides a general discussion of long term, strategic asset allocation principles and investment strategies without any recommendations or persuasion regarding any such specific investment options offered under the Plan, (4) provides factual and objective information about the investment options or distribution options available under the Plan without any recommendations or persuasion regarding any such investment or distribution options, (5) is required to be delivered to participants by any law or regulation applicable to the Contractholder or Plan, to satisfy Section 404(c) of ERISA (as though ERISA applies to the Plan) or to keep the qualification status of the Plan or to satisfy the requirements of Code Section 457, or (6) is another communication that Prudential has approved in writing in advance.

Comment [A2]: Insertion a clarification by PIMCO. Accepted by Pru.

Comment [A3]: New language requested by Pru

Plan means the Plan referenced on the cover page, and any other pension plan or benefits plan that may be added by mutual consent.

Pro Rata Share means a fraction, the numerator of which equals the Book Value of this Contract and the denominator of which equals (i) the total book value of benefit responsive agreements held by the Fund plus (ii) the market value of any assets held by the Fund that are not covered by the benefit responsive agreements specified in clause (i) excluding (iii) the Liquidity Reserve. The Liquidity Reserve is defined in the Benefit Withdrawal Schedule. The Pro Rata Share is used to allocate withdrawals under the Contract. The Pro Rata Share is determined using Fund data from the Business Day immediately preceding each withdrawal unless otherwise agreed upon by Prudential and Contractholder.

Prudential means The Prudential Insurance Company of America, Newark, New Jersey. "We," "us" and "our" means Prudential.

Schedules means the schedules listed on the cover page. They are part of this Contract. Additional Schedules may be added or substituted by mutual consent.

Tax Code means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute.

Termination Event is defined in Section 7.3.

Uncovered Withdrawals means withdrawals from the Investment Account not qualifying as Covered Withdrawals and as otherwise described in Section 4.1(d).

ARTICLE 2 - DEPOSITS: INVESTMENT ACCOUNT AND MARKET VALUE

2.1 Establishing the Investment Account. Contractholder hereby establishes as the Investment Account a segregated account, or a specified portion of a segregated account, to

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hold the assets of the Fund. The Investment Account is to be used exclusively in connection with this Contract.

2.2 Deposits to the Investment Account. The Deposit Schedule sets forth the deposits to the Investment Account. Absent our consent, this Contract will apply only to such deposits, and only such deposits will be placed in the Investment Account. Contractholder or Stable Value Investment Advisor will provide notice to us of such deposits, whereupon we will adjust the Book Value effective as of the date of the deposit.

2.3 Management of the Investment Account. Except to the extent otherwise provided in the Maturity Schedule, the Manager will manage the Investment Account in accordance with the Investment Guideline Schedule. Neither Contractholder, nor Stable Value Investment Advisor nor any other person will be permitted to modify or supplement the Investment Guidelines without our consent.

2.4 Market Value of the Investment Account. On any specified date, the "Market Value" will equal the sum of the "fair market value" of each Asset held in the Investment Account.

The "fair market value" of cash will equal the cash balance.

The "fair market value" of securities and other investments will be determined by using a pricing service retained by the Contractholder or Manager and acceptable to us. If a pricing service is not available or reliable for a specific Asset, such value will be determined by the Contractholder or Manager after obtaining a reliable price quote. If no such quote is available, such value will be determined by the Contractholder or Manager in a manner consistent with accepted practice in the securities industry. Fair market value may be determined by another method utilized by the Contractholder or Manager, as mutually agreed upon between the parties.

The "fair market value" of any interest in a Mutual Fund or other collective investment vehicle is the value of such interest as determined in accordance with the procedures specified for such collective investment vehicle.

ARTICLE 3 - BOOK VALUE; CREDITING INTEREST

3.1 Calculation of Book Value of this Contract. "Book Value" means the accounting balance maintained under this Contract, calculated as follows:

Upon receipt of the Initial Deposit, the Book Value will equal the Initial Book Value, plus other deposits simultaneously received.

With respect to each subsequent day of activity, absent mutual consent, Book Value will equal the previous day's Book Value,

(1) plus interest credited at the Crediting Rate then applicable;

(2) plus the amount of additional deposits made in accordance with this Contract;

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(3) minus, in connection with withdrawals from the Investment Account qualifying as Covered Withdrawals, the Covered Withdrawal Amount;

(4) minus, in connection with withdrawals from the Investment Account that are Uncovered Withdrawals, the amount of the Uncovered Withdrawals multiplied by the BV/MV Ratio determined immediately prior to such withdrawal;

(5) minus, any applicable Fixed Maturity Withdrawal Amounts as specified in the Maturity Schedule;

in each case since the close of business on the immediately preceding Business Day.

3.2 Interest; Crediting Rate. Interest will be credited on the Book Value in accordance with the Interest Schedule. The Interest Schedule also contains the method of calculating the renewal Crediting Rate applicable after the Initial Interest Period.

ARTICLE 4 - WITHDRAWALS

4.1 General Provisions.

(a) Prudential Limit of Liability. At no time will Prudential's obligation to make payments hereunder exceed the excess of Book Value over Market Value.

(b) Notice. Contractholder will notify us of each withdrawal made from the Investment Account. After notice to us of the periodic withdrawals that will be made to pay fees to third parties in accordance with the Fee Schedule, no further notice to us is necessary unless any such fee changes.

(c) Covered Withdrawals. Participant Withdrawals are intended to qualify as Covered Withdrawals. Contractholder's notice of a Participant Withdrawal will constitute a representation to us that the withdrawal qualifies as a Covered Withdrawal. We reserve the right to require reasonable proof that current withdrawals or withdrawals made within the last 24 months were Covered Withdrawals, and in the absence of such proof we reserve the right to treat a withdrawal as an Uncovered Withdrawal in accordance with subsection (d) below. At Contractholder's request, we will review materials submitted by Contractholder in support of treating the withdrawals as Covered Withdrawals and reserve the right to reasonably request further materials, such as communications delivered to participants relating to investment choices available under the Plan. During the 60 days after receiving requested and submitted materials, we will make a good faith and reasonable effort in determining whether such withdrawals are Covered Withdrawals, and will communicate our findings to Contractholder by the end of such period.

(d) Uncovered Withdrawals. A withdrawal from the Investment Account that does not constitute a Covered Withdrawal as defined in the Benefit Withdrawal Schedule is an Uncovered Withdrawal. The entire amount of an Uncovered Withdrawal will be obtained from Assets in the Investment Account. We acknowledge that any Uncovered Withdrawal will be paid out of the Investment Account within three (3) Business Days of receiving

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proof or notice above. An Uncovered Withdrawal from the Investment Account will be subject to a reduction in the Book Value as described in Section 3.1(4).

The Pro Rata Share of a withdrawal from the Investment Account resulting from an Employer-Initiated Event will constitute an Uncovered Withdrawal from the Investment Account, except to the extent such withdrawal constitutes a Covered Withdrawal as defined in the Benefit Withdrawal Schedule. Permitted Communications shall not cause resulting withdrawals to be treated as Uncovered Withdrawals. Withdrawals resulting solely from:

(i) the default procedures established for participant contributions to a "qualified default investment alternative," or "QDIA,"

(ii) the use of any target date or life cycle funds to the extent consented to by Prudential, or

(iii) the use of any managed account or investment advice program or arrangement to the extent consented to by Prudential (provided that enrollment or participation by Plan participants in such programs must be an affirmative and active Participant selection and not a default or automatic enrollment Plan option),

shall not be treated as Uncovered Withdrawals.

The amount of an Uncovered Withdrawal shall not exceed the Market Value.

(e) Adjustment to Market Value. All withdrawals from the Investment Account will have the effect of reducing the Market Value by the amount of the Market Value of the Assets withdrawn.

(f) Liquidation of Assets. Prior to a Conversion, the Contractholder, Plan sponsor or the Stable Value Investment Advisor will cause the liquidation of Assets necessary to satisfy requests for withdrawals from the Investment Account. From and after a conversion date arising under Section 7.2, the Contractholder, Plan sponsor or the Manager, as directed by the Contractholder, Plan sponsor or Stable Value Investment Advisor, will cause the withdrawals specified in the Maturity Schedule to be made to Contractholder. Upon our consent, which shall not be unreasonably withheld, and to the extent permissible under the terms of a collective investment vehicle, if applicable, Assets may be transferred in lieu of cash.

(g) Miscellaneous. The Parties acknowledge that we may require that withdrawals be made from the Investment Account in accordance with the Fee Schedule.

4.2 Treatment of Withdrawals. The Benefit Withdrawal Schedule contains the provisions concerning Covered Withdrawals and situations requiring Prudential to make payments under this Contract. The portion of any Covered Withdrawal payable by Prudential under this Contract will be paid within two Business Days of receiving notice or proof as provided above.

Comment [A4]:
As discussed, Prudential requires information on the Great West AAG advice program

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ARTICLE 5 - REPRESENTATIONS AND REPORTS

5.1 **Concerning Representations and Reports.** The Representation Schedule contains provisions concerning representations and reports and related matters.

5.2 **Other Parties.** The Representation Schedule contains provisions whereby additional entities may from time to time become a Party to this Contract.

ARTICLE 6 - FEES

6.1 **Concerning Fees.** The Fee Schedule contains provisions concerning fees and expenses associated with this Contract.

ARTICLE 7 - TERMINATION AND CONVERSION OF THE CONTRACT.

7.1 **Termination by Contractholder or Prudential**. Subject to Section 7.2, Contractholder or Prudential may terminate this Contract at any time, with or without cause, by giving a termination notice which notice shall specify a termination date which is at least fifteen (15) days, or ninety (90) days if initiated by Prudential without cause, or at least one day if initiated by Contractholder due to loss or imminent loss of benefit responsiveness due to a Prudential credit event, later than the date of the termination notice. On the termination date, the Book Value will be deemed to equal zero and our obligation under this Contract will terminate. From and after the termination date, Contractholder shall retain the Assets in the Investment Account at Market Value.

7.2 **Conversion by Contractholder.** Except when a Termination Event has occurred and not been waived or remedied, Contractholder may convert this Contract to a Fixed Maturity Structure at any time (the "Conversion"). To do so, Contractholder will give Prudential a notice stating the conversion date ("Conversion Date"), which date will be not less than thirty (30), nor more than ninety (90) days after the date the conversion notice is given unless otherwise mutually agreed in writing by Prudential and the Contractholder.

Prior to the Conversion Date, an investment manager will have been appointed by the Contractholder (which may be the current Manager) for the purpose of managing a segregated account in accordance with the Fixed Maturity Structure of the Investment Guideline Schedule. If it is intended that a manager other than the then current Manager will manage the Investment Account on and after the Conversion Date, then such investment manager must be acceptable to us. Our acceptance will not be unreasonably withheld. Prior to the Conversion, the Assets will be managed in accordance with the Constant Duration Structure of the Investment Guideline Schedule.

Upon mutual consent, the Conversion Date can be deferred beyond the originally specified Conversion Date, or such conversion to a Fixed Maturity Structure can be rescinded. If the Parties do not agree to such deferral or rescission prior to the Conversion Date, the Conversion Date will be as originally specified. If a

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segregated account is not associated with the Contract, one is required to be established and the Contractholder shall establish the segregated account on or before the Conversion Date. If the segregated account has not been established on or before the Conversion Date, then this Contract will terminate on the Conversion Date, and on that date the Book Value will be deemed to equal zero and our obligation under this Contract will terminate.

Once the Assets attributable to the Contract are transferred to the segregated account, the Fixed Maturity Structure of the Maturity Schedule and the Fixed Maturity Structure of the Investment Guideline Schedule will apply. At any time after conversion to a Fixed Maturity Structure, Contractholder may elect to terminate the Contract in accordance with Section 7.1 of the Contract.

If Prudential elects to terminate this Contract without cause in accordance with Section 7.1, the Contractholder may convert this Contract to a Fixed Maturity Structure in accordance with the preceding paragraphs in this Section 7.2, provided that the Conversion Date specified by Contractholder must be prior to such termination date described in Prudential's termination notice.

7.3 Termination for Cause by Prudential.

(a) Prudential may terminate this Contract if any of the following events or conditions (each, a "**Termination Event**") has occurred and not been remedied or cured during the period described in subsection (b) below, and if such event or condition would have a material adverse effect on the Contract's risk profile:

(1) An authorized representative of the Plan announces its intention to terminate or cancel the Plan;

(2) The Internal Revenue Service makes a final determination that the Plan does not meet the qualification requirements of Section 401(a) (as modified by Section 414(d) to the extent applicable) or the requirements of Section 457(b), as applicable, of the Tax Code;

Comment [A5]: Insertion a clarification by PIMCO. Accepted by Pru.

(3) An authorized representative of the Plan announces its intention to merge or consolidate the Plan with another tax qualified or tax favored plan;

(4) Except as otherwise provided in this Contract, (A) Contractholder or Plan sponsor or any other entity removes any Assets from the Investment Account or deposits cash or securities into the Investment Account without Prudential's consent (but not to prohibit the management of the Investment Account in accordance with the Investment Guidelines including purchase and sale of Assets and the receipt of proceeds and cashflow on the Assets which remain in the Investment Account) or (B) the Investment Account is charged with any lien (i.e., a lien is placed on the Investment Account) or liability (e.g., Contractholder pledges the assets of the Investment Account) unrelated to this Contract or the Assets other than a lien, claim or

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encumbrance in favor of a service provider for accrued and unpaid fees for services rendered to the Fund or a lien, claim or encumbrance permitted under the terms of the Investment Guidelines;

(5) Contractholder or Plan sponsor appoints a new Stable Value Investment Advisor or a new Manager is appointed to the Investment Account, in each case without the prior underwriting~~written~~ approval of Prudential (~~such~~ which underwriting approval process we agree will be consistently applied for the appointment of a new Stable Value Investment Adviser or Manager across our stable value clients and will not be unreasonably withheld~~approval not having been unreasonably denied~~), provided, however that if circumstances beyond the reasonable control of Contractholder or Plan sponsor cause Contractholder or Plan sponsor to make such new appointment without~~prior to~~ the prior underwriting approval of Prudential, and such new Stable Value Investment Advisor or Manager (A) has experience in fixed income asset management, as evidenced by the firm's fixed income assets under management exceeding $250,000,000 and by an acceptable prior track record in fixed income management and (B) meets the appropriate regulatory considerations, including status as a registered investment advisor and the absence of material adverse regulatory or legal proceedings related to such business, then any notice of termination pursuant to this provision shall not be effective earlier than sixty (60) days after such appointment;

(6) There is a material breach of Article 4 or of the Benefit Withdrawal Schedule;

(7) Contractholder or Plan sponsor or any of their respective agents specifically advises participants (A) not to contribute to the Fund or (B) to withdraw part or all of their contributions from the Fund, except as expressly permitted in this Contract;

(8) A withdrawal from the Investment Account for which the Equity Wash Procedures are not followed;

(9) The Contractholder, Stable Value Investment Advisor or Plan sponsor withdraws amounts from the Liquidity Reserve to (i) enter into any new benefit responsive investment contracts or (ii) deposit such amounts into any existing contract, when the balance of the Liquidity Reserve is below the Target Balance or when such withdrawals cause the balance of the Liquidity Reserve to be reduced to a level below the Target Balance due to such transactions (Target Balance is defined in the Representation Schedule);

(10) There is a material breach, by a Manager that is not affiliated with Prudential, of the Investment Guidelines, as determined by Prudential, regardless of impact to the risk profile of the Contract; or

Comment [A6]: Pru insertion of "process"

Comment [A7]: Pru insertion of "for the appointment of a new Stable Value Investment Adviser or Manager"

Comment [A8]: Pru insertion of "prior"

Comment [A9]: Insertions are clarifications by PIMCO. Accepted by Pru with additional edits.

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(11) Any other provision of this Contract is materially breached.

(b) Prior to terminating this Contract pursuant to the foregoing subsections, Prudential shall provide at least ~~fifteen~~ thirty (~~15~~30) Business Days notice to Contractholder. Any Termination Event arising under Section 7.3(a) may be cured within ~~fifteen~~ thirty (~~15~~30) Business Days from date of notice of termination from Prudential. In order for such event to be considered cured, the Contract's risk profile must be restored to at least the level that existed prior to the occurrence of such Termination Event. If an event as described in Section 7.3(a)(10) occurs, and Prudential determines that there is no material adverse effect upon the risk profile of the Contract, or such material adverse effect has been cured to Prudential's reasonable satisfaction, Prudential may give notice of its intent to require the replacement of the Manager. Contractholder shall bring the Investment Account into compliance in accordance with the Investment Guidelines and, unless otherwise mutually agreed, shall have 90 days from the date of receipt of such notice to replace the Manager, subject to the approval of Prudential, which shall not be unreasonably withheld. The approval of Prudential will not be needed if the replacement Manager is an affiliate of Prudential. If at the end of such 90 day period, a replacement Manager has not been appointed and approved, the Contract shall immediately terminate.

Comment [A10]:
Requested longer period. Accepted by Pru.

Covered Withdrawals from the Investment Account will be permitted following the date of notice of termination from Prudential but prior to the effective date of termination provided that no withdrawals shall be made which causes the Market Value of the Investment Account to be zero.

(c) From and after the termination date, Contractholder shall retain the Assets in the Investment Account at Market Value. On the termination date, the Book Value will be deemed to equal zero and our obligation under this Contract will terminate.

(d) No waiver of remedies following the breach of any contractual provision or of the Investment Guidelines, or failure to enforce such provisions or guidelines, shall be effective against any insurance department with regulatory jurisdiction over this Contract, including the domiciliary insurance department, unless approved in writing by such domiciliary insurance department or any other insurance department with regulatory jurisdiction over this Contract.

(e) Contractholder will notify us within two (2) Business Days upon becoming aware if a Termination Event occurs.

7.4 <u>Automatic Termination</u>

(a) On any date when the Market Value is reduced to zero, this Contract shall be automatically terminated and Prudential will pay the remaining Book Value, if any, to Contractholder within thirty (30) days.

(b) On any date when the Book Value equals zero, this Contract shall be automatically terminated and from and after the termination date, Contractholder shall retain the Assets in the Investment Account at Market Value.

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7.5 Termination by Mutual Consent

At any time, Prudential and Contractholder may mutually consent to terminate this Contract in full or in part. The terms and conditions of such a termination shall be mutually agreed upon between the parties.

7.6 Termination for Substantially Reduced Market Value

(a) On any date after the Effective Date that the Market Value is less than one hundred thousand dollars ($100,000.00), either Prudential or Contractholder may terminate this Contract subject to the following:

(1) The party desiring to terminate this Contract shall be required to provide at least thirty (30) days notice to the other party; and

(2) If, on the date this Contract is terminated, Book Value exceeds Market Value, Prudential shall pay the excess amount to Contractholder or persons designated by Contractholder within thirty (30) days.

(b) On any date after the Effective Date that the Market Value is greater than or equal to one hundred thousand dollars ($100,000.00), but less than ten million dollars ($10,000,000.00), Prudential may deliver a termination notice to Contractholder. The notice will specify a termination date which will be at least thirty (30) days later than the date of the notice. Upon receipt of the notice, Contractholder may elect either a conversion in accordance with Section 7.2, or termination in accordance with Section 7.1.

7.7 Surrender Charges, Withdrawal Fees, Penalties, etc. upon Termination

(a) No surrender charges, withdrawal fees, penalties, costs, etc. shall be assessed against Contractholder, the Plan or the participants in the event this Contract is terminated for any reason; provided that, upon a Termination Event, the parties acknowledge that Section 7.3(c) will be applicable.

(b) Notwithstanding termination of this Contract and subject to any directions from Contractholder, Prudential shall take timely, reasonable, and necessary action to protect and preserve all Assets in the Investment Account.

(c) The rights and remedies provided in this Section are in addition to any other rights and remedies provided by law or under this Contract.

7.8 Net Payments on Termination Date; Survival of Annuity Obligations.

On any termination date established pursuant to this Article 7, any outstanding amounts owed to us or by us will be netted, and the net amount will be paid to us or to the Contractholder, as the case may be. Thereafter, Contractholder and Prudential will have no further rights or obligations under this Contract. However, notwithstanding any other provision of this Contract, from and after such termination date, our obligations under Article 8 with respect to any annuities previously purchased shall continue.

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ARTICLE 8 - ANNUITY OPTION

Annuities may be purchased under the Contract in accordance with the attached Annuity Schedule.

ARTICLE 9 - GENERAL TERMS

9.1 **Amendments; Governing Law; Etc.** This Contract may be amended only by mutual agreement of Contractholder and Prudential. The consent of other Parties to the amendment will not be required unless such Party's rights or obligations under this Contract are altered by the amendment. All amendments will be consistent with the laws of the state of Jurisdiction and the State of New Jersey, as applicable. No course of dealing or pattern of waivers prevents us from enforcing this Contract strictly in accordance with its terms. The Parties are free to use their discretion when deciding whether to grant or withhold consents contemplated by this Contract. This Contract will be governed by the laws of the jurisdiction named in Section 1.1, and will be issued for delivery in that jurisdiction. This Contract constitutes the entire agreement of Prudential, and the other Parties relating to the benefits described in this Contract. The headings of this Contract are for convenience only and are not part of the Contract.

9.2 **Our Authorized Officers**. Only the following Prudential officers may change this Contract on our behalf or grant our consent pursuant to this Contract:

Chairman and Chief Executive Officer	Vice President
	Second Vice President
Vice Chairman	Secretary
President	Assistant Secretary

9.3 **Notices**. All notices and consents under this Contract shall be properly given only if given in writing and sent by fax, email, mail or courier to the addresses in the Representation Schedule. If sent first by fax or email (and confirmed by telephone, mail or courier received at the designated address for notices), such notice or consent will be effective upon receipt of the fax or email. If sent by mail or courier only, a notice will be effective upon receipt. Notices of Renewal Crediting Rates as described in the Interest Schedule and reports described in the Representation Schedule can be sent by e-mail. Each Party may substitute a different address by notice.

9.4 **Assignment**. We cannot be relieved of our obligation to pay amounts due under this Contract unless Contractholder consents.

Without the other party's consent, this Contract may not be assigned, pledged or otherwise transferred by Contractholder or Prudential, except that after notice to us this Contract may be assigned to any entity in its capacity as funding agent or successor trustee for the Plan. Any other attempted assignment is void and not binding on us.

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9.5 Payments.

(a) Payment Method. Prudential and Contractholder will make all payments to each other under this Contract by wire transfer through the Federal Reserve Bank in immediately available United States Dollars to an account identified in a notice from the payee.

Comment [A11]:
PIMCO requested a longer payment period.

Prudential stated their filed form does not allow changes to this section. However they have inserted alternate payment text in the Fee Schedule.

(b) Payees. If the proper payee is disputed, we may hold the payment without interest until the proper payee is determined. Upon notice from Contractholder, we will make payments to another funding agent for the Plan or to another person, as applicable.

9.6 Acknowledgments. Prudential is not responsible for determining another Party's accounting and tax treatment of this Contract.

9.7 Miscellaneous. Each of the Contractholder and the Manager (at the direction of the Contractholder) will afford us (and, if requested, our domiciliary regulator) reasonable access during Contractholder's normal business hours, including the right to audit its records relating to the Assets, but only after reasonable advance notice from Prudential to the Plan sponsor and the Stable Value Investment Advisor. Contractholder and Prudential are each responsible for its own expenses incurred in connection with this Section 9.7.

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DEPOSIT SCHEDULE

Contract #: GA-63345

Contractholder agrees to make or cause to be made the Deposits (as defined below) to the Investment Account in the amounts and on the dates specified in this Schedule. Cash or, with our consent, securities may be deposited. If securities are deposited, the amount of the deposit will be the fair market value of the securities (as determined in accordance with the definition of Market Value).

A. DEPOSITS. "Deposits" means the scheduled deposits as follows:

i) The Initial Deposit.

B. ADDITIONAL DEPOSITS.

Additional deposits by Contractholder may be made with our consent.

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INTEREST SCHEDULE

Contract #: GA-63345

We agree to credit interest on the Book Value at the Crediting Rate calculated in accordance with the terms of this Schedule.

A. DEFINITIONS.

The following definitions apply:

Crediting Rate means the Initial Crediting Rate, which is applicable for the Initial Interest Period, and each renewal Crediting Rate calculated in accordance with Part C below, which is applicable for the corresponding subsequent Interest Period. With Contractholder's consent, we can change the Crediting Rate during an Interest Period. The Crediting Rate will be calculated and reported on an Effective Annual Rate Basis.

Effective Annual Rate Basis means the convention for quoting an annual rate of interest that converts the annual rate into an equivalent daily rate of interest that is compounded daily in accordance with accepted financial practice, with the result that an amount invested for a full year will increase by the quoted annual rate.

Interest Period means (i) the Initial Interest Period specified in Section 1.1, and thereafter (ii) each subsequent period beginning on each Reset Date and ending on the day prior to the next Reset Date.

Reset Date means the first day of January, April, July, or October, beginning Month Day, 2014. With Contractholder or Stable Value Investment Advisor's consent, we can change the Reset Date. Upon conversion of this Contract pursuant to Section 7.2 and the reduction of the Duration of the Investment Account to less than one year, the Reset Dates will instead be at Prudential's discretion.

B. CREDITING INTEREST.

1. Initial Crediting Rate. We will credit interest on the Book Value at the Initial Crediting Rate during the Initial Interest Period.

2. Renewal Crediting Rates. During each Interest Period after the Initial Interest Period, we will credit interest on the Book Value at the renewal Crediting Rate applicable to such Interest Period.

A renewal Crediting Rate will be calculated by us in accordance with Part C below. Such calculation will occur before each Interest Period after the Initial Interest Period, and we will provide Contractholder or Stable Value Investment Advisor prompt notice of such rate at least one day before each Interest Period; provided that, for the initial Interest Period, we will provide such rate at least one Business Day before the start of such period.

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3. Crediting Methodology. Interest will be credited daily on an Effective Annual Rate Basis, using a daily interest factor calculated using a 365 day year. For leap years, a 365 day interest factor will be used and interest will not be credited on February 29th, however, at the request of Contractholder or Stable Value Investment Advisor made before the beginning of the leap year, a 366 day interest factor will be used and interest will be credited on February 29th. Interest is credited at the end of each day on the amount of the Book Value at the end of that day.

C. RENEWAL CREDITING RATE CALCULATION.

The renewal Crediting Rate will not be less than 0%.

Unless modified by mutual consent, the renewal Crediting Rate will be calculated in accordance with subpart 1 below until such time as this Contract is converted in accordance with Section 7.2. After any such conversion, Prudential reserves the right to calculate the renewal Crediting Rate in accordance with subpart 2 below.

1. Standard Method.

CR = Y + [(MV-BV) / (MV*D)] – F – C + S, where

CR	=	The renewal Crediting Rate, stated on an Effective Annual Rate Basis.
Y	=	The annualized yield to worst of the Assets as of the calculation date.
MV	=	The Market Value, as of the calculation date.
BV	=	The Book Value, as of the calculation date.
D	=	The Duration of the Assets or benchmark duration agreed upon as of the calculation date, subject to reduction as follows: If the ratio of Market Value to Book Value (i.e., the reciprocal of the BV/MV Ratio) is greater than or equal to 0.98, there will be no reduction. If the ratio is less than or equal to 0.96, the reduction will be 1.0 years. If the ratio is greater than 0.96 but less than 0.98, linear interpolation will be used to determine the reduction. For example, if the ratio is 0.975, the reduction will be 1*(0.98-0.975)/(0.98-0.96) = 0.25 years.
C	=	Any estimated compensation payable from the Investment Account (i.e. investment management fees, Stable Value Investment Advisor fees, etc.), expressed on an Effective Annual Rate Basis. (This does not

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		include amounts payable in accordance with "F" below.)
F	=	The fees payable pursuant to the Fee Schedule, expressed on an Effective Annual Rate Basis. If all or a portion of the fee is paid directly to us by Contractholder or any other Party, rather than deducted from the Investment Account, then for purposes of this calculation, "F" will be appropriately reduced.
S	=	Any mutually agreed upon spread, if applicable.

The calculation date shall be the last day of the month that is two months prior to the month that the renewal Crediting Rate becomes effective, unless otherwise mutually agreed.

2. <u>Internal Rate of Return Method</u>.

(1) We will determine the Book Value on a calculation date before the date the renewal Crediting Rate becomes effective.

(2) The Manager of the Fixed Maturity Structure portfolio will determine, in accordance with accepted financial practice, the expected future cash flow (cash, investment income and principal repayments) of the Assets on the day the Book Value is established in (1).

(3) We will calculate the effective annual interest rate which equates the amount of the Book Value in (1) to the present value of the asset cash flow in (2).

(4) We will reduce the interest rate determined in (3) by the amount of compensation payable as defined as "C" under subpart 1, above.

(5) The renewal Crediting Rate will equal the interest rate calculated in (4) minus the amount of the fees defined as "F" under subpart 1, above.

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BENEFIT WITHDRAWAL SCHEDULE

Contract #: GA-63345

This Schedule sets forth the amounts payable in connection with Covered Withdrawals from the Investment Account and sets forth the method of allocating Participant Withdrawals to the Investment Account and this Contract.

A. CERTAIN DEFINITIONS.

The following definitions apply:

Covered Withdrawal means, absent mutual consent, a withdrawal from the Investment Account made to satisfy the Pro Rata Share of a withdrawal requested when no Termination Event has occurred that has not been or is not being remedied (as described in Section 7.3(b)), provided that Equity Wash Procedures have been followed and provided that such withdrawal is one of the following:

a) a withdrawal from the Investment Account made to satisfy a Participant Withdrawal, including withdrawals from an Employer-Initiated Event which occurred more than 18 months prior to such withdrawal, at any time that the Liquidity Reserve balance is equal to zero, not including any portion of such withdrawal constituting an Uncovered Withdrawal. The *Liquidity Reserve* is a buffer within the Fund to insulate the purchased contracts under the Fund from withdrawal activity. The Liquidity Reserve may only consist of i) a cash component and/or ii) other short-term investments.

b) a withdrawal from the Investment Account made to replenish the Liquidity Reserve in accordance with the following terms. The Stable Value Investment Advisor may elect, by providing written notice to Prudential, to withdraw Assets from the Investment Account to replenish the Liquidity Reserve on any day on which the aggregate market value of the Liquidity Reserve of the Fund (taking into account net contributions to the Fund on such day) is less than 1% of the book value of the Fund's assets on such day, in an amount equal to the amount specified in such notice (such amount, the "*Liquidity Reserve Transfer Amount*"). A Liquidity Reserve Transfer Amount will not cause the Fund's Liquidity Reserve level to exceed 1.5% of the book value of the Fund's assets on such day.

c) a withdrawal from the Investment Account made on a day when the Market Value of the Investment Account is less than the Book Value to satisfy a Participant Withdrawal arising from an Employer-Initiated Event occurring within 18 months prior to such withdrawal, but only to the extent that such withdrawals when aggregated during a rolling 365 day period do not exceed fifteen percent (15%) (the "Corridor Percentage") of the Book Value at the beginning of such 365 day period (for the avoidance of doubt, such withdrawals will be treated as Covered Withdrawals, reducing Book Value in accordance with Section 3.1(3)). For the avoidance of doubt, absent mutual consent, a Participant Withdrawal shall be an Uncovered Withdrawal to the extent that the Participant Withdrawal (i) arises from

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an Employer-Initiated Event occurring within 18 months prior to such withdrawal, (ii) is made on a day when the Market Value of the Investment Account is less than the Book Value and (iii) is in excess of the Corridor Percentage.

d) a withdrawal from the Investment Account which does not otherwise qualify as a Covered Withdrawal under parts (a) or (b) above and that is made on any day that the Market Value of the Investment Account equals or exceeds the Book Value.

Covered Withdrawal Amount means, absent mutual consent, the Pro Rata Share of the amount of a Covered Withdrawal request, subject to the following:

(i) Clone Contract. If any employing unit, subsidiary, or affiliate participating in the Plan is sold or terminates its relationship with the Contractholder while an amount attributable to a group of employees of such unit, subsidiary or affiliate remains in the Contract, the Contractholder will notify Prudential and Prudential may issue a similar but separate contract consistent with the terms of this Contract (the "Clone Contract") covering such group, subject to the following: (1) Prudential's timely receipt of plan documents and underwriting information for such group, (2) Prudential's approval of such Plan and group for issuance of a contract, (3) receipt of any required regulatory approvals, and (4) the initial book value of such Clone Contract is at least equal to $10,000,000.00.

Upon issuance of a Clone Contract, on the funding date for such contract, an Uncovered Withdrawal as described in section 4.1(d) will be permitted from the Investment Account and be equal to the Book Value attributable to such Plan or group divided by the BV/MV Ratio. The Book Value of this Contract will be reduced in accordance with Section 3.1(4). For the sake of clarity, such Uncovered Withdrawal shall not be subject to the Corridor Percentage limitation described in part c) of the above definition of *Covered Withdrawal*.

B. PAYMENTS IN CONNECTION WITH COVERED WITHDRAWALS.

1. Satisfaction of Covered Withdrawals. Cash to satisfy payment of the Covered Withdrawal Amount will be obtained first from Assets in the Investment Account. If the Covered Withdrawal Amount exceeds the Market Value, the excess amount (not to exceed the excess of Book Value over Market Value) will be paid by Prudential to the Contractholder.

2. Adjustment to Book Value**.** Book Value will be reduced by the Covered Withdrawal Amount.

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MATURITY SCHEDULE

Contract #: GA-63345

This Schedule contains provisions relating to scheduled withdrawals from the Investment Account, and related payments, if any, by Prudential.

A. CONSTANT DURATION STRUCTURE.

This Contract will initially have a Constant Duration Structure and will not have any maturity withdrawals from the Investment Account unless and until converted to a Fixed Maturity Structure, in which case the applicable provisions of B. below will apply. Assets in the Investment Account will be managed in accordance with the Investment Guideline Schedule.

B. FIXED MATURITY STRUCTURE.

1. Withdrawals from Investment Account. When this Contract has a Fixed Maturity Structure, absent mutual consent, a Fixed Maturity Withdrawal Amount will be withdrawn from the Investment Account.

(a) Amount of Fixed Maturity Withdrawal. Absent mutual consent, "Fixed Maturity Withdrawal Amount" means the amount of the Book Value as determined as of the Maturity Date. Maturity Date means a Business Day that is either a) the date that is 3 years from the date of the conversion to the Fixed Maturity Structure, or b) if Duration of the Assets ("D") in the Investment Account on the conversion date to a Fixed Maturity Structure is greater than 3 years, the date that is D years from the date of conversion to the Fixed Maturity Structure.

Prudential may elect to extend the Maturity Date by one additional year if the amount of the Market Value is less than the amount of the Book Value on the day that is forty-five (45) days prior to the Maturity Date. Prudential will provide 30 days advance notice to the Contractholder or Stable Value Investment Advisor of any such extension.

At any time after conversion to a Fixed Maturity Structure, Contractholder may elect to terminate the Contract in accordance with Section 7.1 of the Contract.

For the avoidance of doubt, after conversion to a Fixed Maturity Structure, Prudential may not elect to terminate the Contract without cause pursuant to Section 7.1 of the Contract.

(b) Satisfaction of Fixed Maturity Withdrawal Amounts; Adjustment to Book Value. The Fixed Maturity Withdrawal Amount will be obtained first from the Assets in the Investment Account. If the Fixed Maturity Withdrawal Amount on the Maturity Date exceeds the Market Value, the excess amount will be paid by Prudential to Contractholder within ten (10) days after the Maturity Date.

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Upon any such withdrawal, Book Value will be reduced by: i) the Fixed Maturity Withdrawal Amount and ii) any remaining Book Value paid by Prudential to Contractholder.

2. **Management of Investment Account.** Absent mutual consent, when this Contract has a Fixed Maturity Structure, Assets in the Investment Account will be managed in accordance with Section B, Fixed Maturity Structure, of the Investment Guideline Schedule.

3. **Prudential acknowledges** that the provisions of Section 4.1 and the Benefit Withdrawal Schedule will continue to apply after conversion to the Fixed Maturity Structure.

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ANNUITY SCHEDULE

Contract #: GA-63345

A. OPTION TO PURCHASE ANNUITIES.

1. Purchase Rights. An annuity may be purchased under the Contract to fund the payment of any pension that may be offered under the Plan, upon the following conditions.

2. Type and Form of Annuity. The annuity purchased may be any type and form that Prudential is selling at the time the purchase is to be made, except that it may not be a variable or a deferred annuity.

3. Certificate Issuance. If an annuity is purchased, we will issue a certificate describing the annuity's payment terms.

B. PURCHASE PRICE OF ANNUITY.

1. Purchase Price. The purchase price of each annuity will be determined on the basis of assumptions as to mortality rates, expenses and future interest rates related to the type of annuity being purchased.

2. Mortality Rates and Expenses. The purchase price will be based on the 1950 Male Group Annuity Valuation Table, with age setback of 4.8 years plus one-fifth of the number of years from 1895 to the annuitant's year of birth. Contractholder acknowledges that each purchase will reflect an 8.25% expense loading.

3. Interest Basis. The interest rate used to determine the purchase price will be 2%.

4. Alternate Purchase Basis. Prudential may provide a lower purchase price than that determined in accordance with items B.2. and B.3. above during any period specified by Prudential.

C. PAYMENT OF PURCHASE PRICE.

The annuity purchase price will be paid by a withdrawal from the amounts held in the Investment Account. Any such withdrawal will be made on the same basis as Covered Withdrawals as defined under the Benefit Withdrawal Schedule attached to the Contract. Withdrawals to purchase annuities may be made at any time while an amount sufficient to cover the withdrawal remains under the Investment Account.

D. MISSTATEMENTS.

If any relevant fact relating to any person receiving annuity payments hereunder is found to be misstated, the amount of such payments will be changed based on the correct information without changing the date of first payment of such annuity. A letter will be sent to the payee which states the correct monthly payment and the effective date of the correction. If the correct information results in higher annuity payments, the extra amount

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due will be paid when the records are corrected. If the change results in a decrease, overpayments not returned will be deducted from later payments.

E. DISTRIBUTIONS MADE PURSUANT TO A SECTION 401(a) OR SECTION 457(b) PLAN.

With respect to distributions made under a plan qualified under Section 401(a) or Section 457(b), the following shall also apply:

Contractholder shall ensure that all distributions to participants and beneficiaries of amounts held under the Investment Account, including annuities purchased under this Contract in accordance with this Annuity Schedule, are made pursuant to the terms established by the Plan, and will meet the requirements of Tax Code Section 401(a)(9) or 457(d), as applicable, and the Regulations issued thereunder.

It is the sole responsibility of Contractholder to determine whether the Plan qualifies as a qualified defined contribution plan under Tax Code Section 401(a) (as modified by Tax Code Section 414(d), if applicable) or an eligible deferred compensation plan under Tax Code Section 457(b), as applicable, and to notify and instruct Prudential if the Plan does not qualify as such. In such circumstances, Contractholder is solely responsible to notify Prudential if any withdrawal hereunder is to honor a participant's election of an annuity form of payment.

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FEE SCHEDULE

Contract #: GA-63345

Contractholder agrees to pay us fees in accordance with the terms of this Fee Schedule.

A. PRUDENTIAL FEE.

The fee payable in connection with the benefits provided by this Contract (the "**Prudential Fee**") equals the "Wrap Fee" as follows:

Wrap Fee:

- 0.20% (20 basis points) per annum of the average Book Value of the Contract for the preceding calendar quarter

We may reduce the Prudential Fee at any time, effective upon delivery of a notice. We have the right, any time twelve (12) months or more after the Effective Date, to increase the Prudential Fee. We will provide notice of the new Prudential Fee at least 90 days prior to the effective date of the increase.

We agree not to increase the Prudential Fee within twelve (12) months, and such increase shall not exceed 50% of the current Prudential Fee, after any increase in such fee. If Contractholder delivers a termination or conversion notice before the new Prudential Fee begins to accrue, the old fee will continue for the remainder of the contract term.

Notwithstanding any of the above, when a new manager unaffiliated with Prudential or when the Stable Value Investment Advisor is appointed to manage the Investment Account, Prudential will have the right to increase the Prudential Fee upon at least 30 days written notice made no later than 30 days after such change in manager becomes effective.

We, or another entity acceptable to us, will calculate the Prudential Fee, but in the event of a discrepancy, our calculation will control, absent manifest error. The accrued Prudential Fee will be paid by Contractholder quarterly in arrears, within 45 days after receipt of a statement. Contractholder will direct that the Prudential Fee be paid from the Investment Account. In addition to paying the Prudential Fee by bank wire transfer, the Prudential Fee may be paid by check. Prudential will provide a statement of the Prudential Fee within 30 days following the end of each calendar quarter.

Comment [A12]: Prudential agreed to adding flexibility on fee payments.

B. OTHER PARTIES' FEES. We are not responsible for the payment of fees owed to any other party in connection with any service rendered to the Contractholder, Plan or the Fund, except as provided for in this Fee Schedule.

C. GENERAL. Accrued but unpaid fees will be due on the termination date of this Contract. After the termination date, no further fees will accrue.

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REPRESENTATION SCHEDULE

Contract #: GA-63345

This Schedule sets forth certain representations and other agreements of Prudential and Contractholder and Stable Value Investment Advisor. It also allows other parties associated with the transaction to become obligated with respect to certain provisions of this Contract.

A. ADDRESSES. Until notified otherwise, Prudential's, Contractholder's and each other Party's address will be as follows:

Prudential
The Prudential Insurance Company of America
c/o Prudential Retirement
200 Wood Avenue S.
Iselin, New Jersey 08830
Facsimile: (732) 482-8950
E-mail:
gp_external_bid_requests@prudential.com

Contractholder
State of Montana Public Employees' Retirement Board
100 North Park Suite #200
Helena, Montana 59620-0131

Fee invoices and statements will be provided by email to:
StableValueTeam@pimco.com
DOAMPERAAccountants@mt.gov
PJdavis@mt.gov

Comment [A13]: PIMCO asked for MPERA accountants to be added to statements and invoices. Prudential agreed.

Specified Investment Manager
Pacific Investment Management Company LLC
840 Newport Center Drive
Newport Beach, CA 92660
Attention: General Counsel
Facsimile: (949) 720-1376
Email: IMAnotices@pimco.com
Cc: Mr. Brett Gorman
Email: brett.gorman@pimco.com

Stable Value Investment Advisor
Pacific Investment Management Company LLC
840 Newport Center Drive
Newport Beach, CA 92660
Attention: General Counsel
Facsimile: (949) 720-1376
Email: IMAnotices@pimco.com
Cc: Mr. Brett Gorman
Email: brett.gorman@pimco.com

Other Parties
None

B. REPRESENTATIONS AND ACKNOWLEDGMENTS.

1. Authority; Conflicts. Prudential represents, warrants and agrees that it has the power and authority to execute and perform its obligations under this Contract, that this Contract is its valid and binding agreement, and that this Contract does not conflict with applicable law or agreements binding on it.

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Contractholder and Stable Value Investment Advisor each represents, warrants and agrees that it has the power and authority to execute and perform its obligations under this Contract, that this Contract is its valid and binding agreement, and that entering into and performing under this Contract will not conflict with applicable law or agreements binding on it.

2. **Plan Qualification**. Contractholder represents, warrants and agrees that the Plan is qualified under Section 401(a) (as modified by Tax Code Section 414(d), if applicable) or Section 457(b) of the Tax Code and it knows of no event or circumstance that would materially and adversely affect such qualification that is not in the process of being cured.

3. **Plan Party Acknowledgments.** Contractholder acknowledges that: (i) the Plan document is not a part of this Contract; and (ii) Prudential is entitled to rely on notices and information supplied on Contractholder's behalf without verifying their accuracy, completeness or authenticity.

The Stable Value Investment Advisor and/or Contractholder, as applicable, represents that it will use its commercially reasonable best efforts to manage the Fund with a Liquidity Reserve achieving a balance of 1.5% or greater of the Fund (the "Target Balance"), unless otherwise agreed in writing by Prudential.

Prudential acknowledges that the balance in the Liquidity Reserve may from time to time be less than the Target Balance as a result of Participant Withdrawals from the Fund.

The Stable Value Investment Advisor and/or Contractholder, as applicable, further represents and warrants that it will re-establish the balance of the Liquidity Reserve to the Target Balance prior to (i) withdrawing amounts from the Liquidity Reserve to enter into any new benefit responsive investment contracts or (ii) depositing such amounts into any existing contract, and such amounts withdrawn cannot reduce the balance of the Liquidity Reserve to a level below the Target Balance.

C. **REPORTS.**

Prudential. Prudential will provide periodic reports of the Book Value of this Contract, as reasonably requested by Contractholder ~~or~~ and Stable Value Investment Advisor.

Comment [A14]:
Requested change by PIMCO. Accepted by Pru

Contractholder or Stable Value Investment Advisor. The Contractholder or Stable Value Investment Advisor will provide:

1. an update of Plan operations including an update of the Summary Plan Description, Plan changes including employer actions such as mergers and acquisitions, balances of Plan investment options if such updates affect this Contract within sixty (60) days following the end of each calendar quarter, and

2. an update of the Fund investment profile and management within ninety days following the end of each calendar year. This update will include the following:

   a) Current withdrawal methodology

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b) Liquidity policy including structure, balances, and asset maturity schedule
c) Investment diversification including balances and market values (%)
d) Fund cash flow history
e) Participant crediting rate history

The Contractholder or Stable Value Investment Advisor will also provide other information that we may reasonably request on a periodic basis that is in the Contractholder or Stable Value Investment Advisor's possession or otherwise reasonably available after due inquiry.

The Plan sponsor, Contractholder or Stable Value Investment Advisor will instruct Manager to provide monthly reports of the Investment Account, including the Mutual Fund, if applicable, by the 10th Business Day after the end of the month which will include:

a) A security level holdings report.
b) Custodian statements detailing units held in the Mutual Fund and unit values including end of period units held in connection with the Contract and activity since the last report detailing withdrawal and deposit activity and end of period total market value.
c) Portfolio level projected asset cash flows.

D. <u>EXECUTION BY FACSIMILE SIGNATURE AND IN COUNTERPARTS</u>.

This Contract may be executed by facsimile signature and in counterparts. Such execution/signature shall not affect the validity of this Contract. The parties agree to be bound by the terms and conditions of this Contract upon such execution. Copies of this Contract with original signatures shall be promptly transmitted to the parties thereafter.

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INVESTMENT GUIDELINE SCHEDULE

Contract #: GA-63345

A. <u>CONSTANT DURATION STRUCTURE.</u> The guidelines in this Section A shall apply at all times while this Contract has a Constant Duration Structure.

(Remainder of this page intentionally left blank.)

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INVESTMENT GUIDELINE SCHEDULE

[ATTACH APPLICABLE GUIDELINES]

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B. <u>FIXED MATURITY STRUCTURE.</u> When this Contract has a Fixed Maturity Structure, the Investment Guidelines described in Section A are supplemented and revised by the following; and to the extent that there is a conflict between Section A and Section B of this Investment Guideline Schedule, this Section B shall apply unless otherwise agreed in writing by Prudential and the Contractholder:

- all Assets will have a credit quality of A or above by both S&P and Moody's.

- mortgage-backed and asset-backed securities will not be permitted in the Investment Account upon conversion. Exceptions to this restriction would consist of mortgage-backed or asset-backed securities which are call protected and have no cash flow variability (e.g. a controlled amortization credit card-backed security transaction).

Management of the Investment Account

- Assets whose credit quality drops below A by either S&P or Moody's must be sold within 60 days of the credit downgrade.

- At no time during the remaining life of the Investment Account will corporate issuer concentrations exceed 5%. Except for securities issued or guaranteed by the U.S. Government, issuers with a credit quality below AAA by either Standard and Poor's or Moody's will have an issuer concentration limit of 2%.

- The Investment Account Duration shall be maintained within a variance equal to + or - the lesser of .15 year, or 50% of the duration of the expected withdrawal stream of the Investment Account.

- The following applies when two years or less remain until maturity of the Investment Account: only 20% of Assets, on a market value basis, will have an expected maturity date greater than the final maturity date of the Investment Account. No Asset will have an expected maturity date more than one year later than the final maturity date of the Investment Account.