

**Public Employees' Retirement Board
June 11, 2015**

Topic: Approval of VOYA's Managed Custody Account Contract

Staff Recommendation:

VOYA has agreed to provide Insurance Wrap services for MPERA's stable value fund. The attached Contract provides for those services and should be approved.

Board Motion:

Uphold Staff Recommendation

Other.

Moved by

Seconded by

Vote

FINAL DATED 6/4/2015

Managed Custody Account Contract

A group annuity contract issued by Voya Retirement Insurance and Annuity Company to:
**STATE OF MONTANA PUBLIC EMPLOYEES'
RETIREMENT BOARD**

Contract Effective Date:
July 31, 2015

Contract Document Number:
MCA – 60420

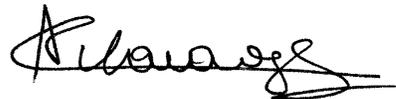
This page and the following pages are the entire contract.

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.

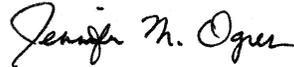
THE VALUE OF THE CUSTODY ACCOUNT DESCRIBED IN THIS CONTRACT IS SUBJECT TO CHANGE AND WILL VARY BOTH UP AND DOWN IN ACCORDANCE WITH THE INVESTMENT RESULTS OF THE ACCOUNT AND IS NOT GUARANTEED AS TO FIXED DOLLAR AMOUNTS.

This contract is delivered in the State of Montana.

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



Alain M. Karaoglan, President



Jennifer M. Ogren, Secretary

**STATE OF MONTANA PUBLIC EMPLOYEES'
RETIREMENT BOARD**

By: _____

Name:

Title:

Date: _____

VOYA

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1. Definitions

Parties to this Contract

- 1.1. *Voya* is Voya Retirement Insurance and Annuity Company. Wherever "we," "us," "our," or "Company" is used in this contract, it means 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. *Employer* is any corporation, partnership, proprietorship, state, governmental unit or other entity whose employees may participate in the Plan.
- 1.23. *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.
- 1.24. *Fund* means the Montana Fixed Fund.
- 1.25. *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.

- 1.26. *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.
- 1.27. *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.
- 1.28. *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.
- 1.29. *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.
- 1.30. *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.
- 1.31. *Investment Option* is any Plan investment option used for Member-directed investment of account balances.
- 1.32. *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.

- 1.33. *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.
- 1.34. *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.
- 1.35. *Target Cash Buffer Percentage* is the target percentage of Cash Buffer assets held outside of the Fund.
- 1.36. *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 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 Voya in accordance with Section 2.6 of this contract.

- 1.37. *Trust* is that certain group trust [**State of Montana Public Employees Pooled Trust**], 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 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 record-keeper 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 record-keeper 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, termination or material change of a Managed Account Program 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.

3. Discontinuance

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.

- 3.1. 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, 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. 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 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, 2018. 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: July 31, 2015
2. Amount of Initial Deposit: \$80,000,000 (approximately)
3. Fee Rate: [X.XX%] 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: **[At contract inception this contract will wrap approximately 1/3 of the assets managed by PIMCO utilizing the investment strategy articulated in the M-TGIC-4-IGSCHED-0407 investment guidelines.]**
12. Permitted Advice and Managed Account Programs: Managed accounts will be provided to plan participants electing the service on an “opt-in” basis by Advised Assets Group, LLC (AAG), a federally registered investment adviser and wholly owned subsidiary of Great-West Life & Annuity Insurance Company. Empower Retirement (formerly Great-West) is the record-keeper for the plan. The AAG managed account service uses Ibbotson’s managed account functionality (“Advice by Ibbotson”).

Voya acknowledges the use of the Montana Fixed Fund as a component of the AAG Managed Account program.

The terms of this contract are not violated by the operation of permitted advice and managed account programs set forth in this Term Schedule.

13. Contract Allocation: It is anticipated that this contract will provide book value coverage for approximately 1/3 of the Montana Fixed Fund to be expressed as either a fixed dollar percentage of ownership or an allocation of units in an underlying investment vehicle.

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:

$$MV(1+I)^{D \times DAF} = IAR(1 + G + F)^{D \times DAF}$$

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

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

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 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 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 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.

2015 Managed Custody Account Contract Fee Exhibit

Contractholder:
**STATE OF MONTANA PUBLIC EMPLOYEES'
RETIREMENT BOARD**

Contract Document Number:
MCA – 60420

Fee Description

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	[X.XX%]

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, 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 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 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.

