

Public Employees' Retirement Board

December 22, 2015

Topic: Addendum to the PIMCO Investment Management Agreement

Rationale: The current PIMCO Investment Management Agreement expires December 31, 2015. The attached addendum extends the current contract pending negotiation of a new contract under the Stable Value RFP award to PIMCO completed in November 2015. It is anticipated that the contract negotiations will be completed no later than March 30, 2016.

Staff Recommendation: Approve contract extension.

Recommended Board motion:

I move to approve

Recommend _____.

Moved by

Seconded by

Vote

**AMENDMENT
TO
INVESTMENT MANAGEMENT AGREEMENT**

This Investment Management Agreement Amendment (the “Amendment”) is entered into this 22 day of December, 2015, by and between the State of Montana Public Employees’ Retirement Board (the “Board”), for and on behalf of the Pooled Trust (as defined below), and Pacific Investment Management Company LLC, a Delaware limited liability company (the “Manager” or “PIMCO” and with the Board, each a “Party” and collectively, the “Parties”), with reference to the following facts:

WHEREAS, pursuant to the terms and provisions of Title 19, Chapters 2, 3 and 50 of the Montana Code Annotated, the Board has established a pooled trust (the “Pooled Trust”), a trust for employee benefit plans, for the purpose of combining the stable value assets of the Defined Contribution Retirement Plan and the 457 Deferred Compensation Plan (collectively, the “Plans”) into one separate portfolio invested by the Manager. The Pooled Trust is intended to qualify as a group trust under Section 401(a) (including Sections 401(a)(24) and 501(a)) of the Internal Revenue Code of 1986, as amended, and is a governmental entity or instrumentality and therefore asserts that it is not subject to federal taxes, the Employee Retirement Income Security Act of 1974, as amended, or the Investment Company Act of 1940, as amended;

WHEREAS, the Board has retained State Street Bank & Trust Company (the “Trustee”) to hold and maintain the Plans’ Pooled Trust assets comprised of fixed income and Stable Value Option assets over which Manager has fixed income and wrap services investment management authority;

WHEREAS, the Board and the Manager entered into an Investment Management Agreement dated January 1, 2010 (as amended from time to time, the “Agreement”), wherein the Board retained the Manager, and the Manager accepted the appointment, to provide investment management services with respect to the Stable Value Option Assets of the Plans’ Pooled Trust custodied with the Trustee which comprised the assets of the PIMCO Sub-Account 1420;

WHEREAS, thereafter, pursuant to that certain Amendment to the Agreement dated December 8, 2011, the Board retained the Manager to provide certain benefit responsive contract management services for the Stable Value Option Assets as set forth in Exhibit G to the Agreement (the “Services”) and specifically granted to the Manager the discretionary authority to arrange for the provision of Services for PIMCO Sub-Account #1420;

WHEREAS, pursuant to that certain Amendment to the Agreement dated June 11, 2015, the Parties amended the Agreement to add two new internal recordkeeping accounts established for purposes of Manager’s segregation of the Stable Value Option Assets managed by the Manager and custodied with the Trustee (PIMCO Sub-Accounts #3345 and #3346) and a third new recordkeeping parent account solely for Manager’s reporting purposes (PIMCO Sub-Account #3341). PIMCO Sub-Accounts #3345 and #3346 together with PIMCO Sub-Account #1420, which are all held in one custodian account with the Trustee, are collectively referred to, when not being referred to in their individual capacity, as a “Sub-Account”, the “Sub-Accounts” or the “Custodied Assets”. For avoidance of doubt, PIMCO Account #3341 is not part of the

Custodied Assets due to its status as a parent account for PIMCO internal Sub-Account reporting purposes only; and

WHEREAS, the Board wishes to amend the Agreement expiring on December 31, 2015 to extend its term commencing January 1, 2016 through and including _____, subject to all the terms and conditions thereof.

NOW, THEREFORE, the Parties hereby amend the Agreement as follows:

1. Paragraph 14 of the Agreement, Term and Termination, shall be deleted in its entirety and replaced with the following:

“14. Term and Termination

This Agreement is effective as of January 1, 2016 and will terminate on _____. Notwithstanding the foregoing, either Party may terminate this Agreement at the end of a particular month by giving thirty (30) days’ advance notice, in writing, to the other Party.

In the event this Agreement is terminated for any reason, the Manager agrees to work for a mutually agreeable time, with the Board and any other investment manager to develop a transition plan to facilitate the orderly transfer of securities and assets to a new investment manager as designated by the Board. Such transition will be deemed by the Parties to be governed by the terms and conditions of the Agreement (including fees), except for those terms or conditions that do not reasonably apply.”

2. The Board represents and warrants that it has all necessary power and authority to execute, deliver and perform this Amendment and all transactions contemplated hereunder on behalf of the Pooled Trust, and such execution, delivery and performance will not violate any applicable law, rule, regulation, governing document, contract or other material agreement binding upon the Board.

3. The Agreement, as amended by this Amendment, constitutes the understanding of the Parties pertaining to the subject matter thereof. Commencing on the effective date of this Amendment, all references to the defined term the "Agreement" shall mean the Agreement, as amended hereby.

4. Except as modified herein, the terms and conditions of the Agreement remain unchanged and in full force and effect. All capitalized terms not otherwise defined herein shall have the meaning set forth in the Agreement.

[Signatures on following page]

EXECUTED on the date first above written.

PACIFIC INVESTMENT MANAGEMENT COMPANY LLC

By: _____
Name:
Title: Managing Director

**STATE OF MONTANA PUBLIC EMPLOYEES RETIREMENT BOARD
FOR AND ON BEHALF OF THE POOLED TRUST**

By: _____
Name: Sheena Wilson
Title: President