PIMCO

Your Global Investment Authority

MPERA Stable Value

17 October 2012

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Summary

401(a) plan

Company	Type[1]	Contract#	Net Crediting Rate	Dur.	YTM	Market Value	Book Value	M/B Ratio
Transamerica Life Insurance Co.	Synthetic GIC	MDA01013TR	2.88%	3.82	1.15%	$10,273,895.21	$9,487,152.24	108.3%

457 plan

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Transamerica Life Insurance Co.	Synthetic GIC	MDA01012TR	2.88%	3.82	1.15%	$251,343,632.32	$232,096,517.87	108.3%

Sector allocation	MV%[3]
Asset-backed Securities	0
Net cash / Short term investments[2]	26
Government	37
MBS	10
Credit	28

Quality allocation	MV%[3]
A1/P1	0
U.S. Treasury	36
AAA	45
AA	2
A	16
BBB	7
<BBB	0
Not rated	0

Fixed income portfolio characteristics	
Market value	$261,617,528
Est. Yield to Maturity	1.15%
Duration	3.82
Number of securities	139

All characteristics as of 9/30/12

1 Stable value investment contracts are issued by insurance companies, banks, and other financial institutions, are intended to help reduce principal volatility of, while providing steady income from, any associated Fund fixed income investments, and are intended to be valued at contract value (typically, deposited principal plus accrued interest less redemptions). Investment contracts can vary and may include insurance company separate account contracts, synthetic contracts (also known as wrap contracts), or insurance company general account contracts. Insurance company separate account contracts and synthetic contracts are a combination of fixed income investments (associated assets) and an agreement by a contract provider to allow qualified participant transfers and withdrawals from the Fund at contract value. Generally, there is no immediate recognition of investment gains and losses on associated assets; instead, investment gains and losses are amortized over time into the investment contract's performance by adjusting the contract's credited rate of interest. A general account contract is a deposit into an insurance company's general investment account. The Fund may also invest in other stable value commingled investment trusts (pooled funds), which combine the investments of multiple, unaffiliated plans into a pooled trust to invest in stable value investment contracts and associated fixed income investments.

2 Net cash & short term investments refers to cash, money market instruments, STIF (short term investment fund; a liquid, short maturity portfolio, typically with a $1NAV), and the net derivative exposure of the Fund, including futures, options, and swaps, which, in some instances, may result in a negative sector allocation.

3 Figures may not sum to 100% due to rounding. Quality is detailed using a "higher of" rating methodology, referencing either Standard & Poor's Financial Services ("S&P"), Moody's Investors Service ("Moody's"), or Fitch Ratings Ltd. ("Fitch"). Not rated means no rating is available from any of the ratings agencies.

Refer to Appendix for additional credit quality, holdings, portfolio structure and risk information.

Montana PERA stable value structure: key components and roles

Stable value manager: PIMCO (formerly MPERA staff)

- Manage the various components of a stable value strategy
- This includes plan analysis, wrap contract negotiation and oversight, wrapped fixed income allocations, administration, and reporting

Wrap contract issuer(s): Transamerica Life Insurance (formerly AEGON)

- Privately negotiated agreements whereby one or more wrap issuers assume the market risk associated with plan participant qualified withdrawals from a bond portfolio
- Wrap contracts seek to maintain principal value, protect against interest rate volatility and smooth returns

Fixed income manager: PIMCO

- A high quality fixed income portfolio underlies the wrap contract(s) with the objective of earning attractive returns with modest risk to achieve a high and stable crediting rate
- PIMCO manages a Moderated Duration separate account with customized guidelines to meet the stable value wrap provider's requirements

Timeline of developments in the stable value market

Pre – 2008

- Ample wrap capacity available for qualified plans via banks, insurance companies, and other financial institutions
- 30-year bull market in rates perhaps lulls some contract providers to underestimate tail-risk of product
- Single digit wrap fees
- Less demand for insurance company traditional and separate account GICs
- Most wrap guidelines were less strict; some included HY, EM, and other non-USD debt

2008–2009

- Volatile markets caused many market-to-book ratios to fall below 90% as well as large "flight-to-quality" to stable value by participants
- Some wrap providers desired to reduce book or leave marketplace entirely
- Most wrap providers sought to de-risk and de-lever wrapped assets: providers began negotiating changes to fees, guidelines, and contract terms
- If providers are unable to successfully re-negotiate, they often refuse plan amendments or changes
- Wrap providers' attention focused on "problem" managers
- New capacity demand filled by insurance company separate accounts, "wrap" of affiliated managers, or insurance GACs
- Portfolios began to recover in 2009 with improving market-to-book ratios

2010 – Today

- Stabilization of the financial markets
- Many participants continue to favor stable value, especially in a low interest rate and volatile equity environment
- Many stable value funds are experiencing restructuring (contracts and bond strategies)
- Providers are re-focusing on their broader book of business – managing risk via contract changes or reductions in exposure to "outliers"
- Underwriting standards are stricter and providers want more frequent delivery of underwriting data for plans
- New wrap capacity entering the market but demand still exceeds supply

For illustrative purposes only

Transamerica requests post-2008 investment crisis: de-risk and normalize

Transamerica

1. MPERA engage a professional stable value manager
2. Implement a Cash Buffer to capture daily participant flows
3. Unify the separate plans (401a and 457 plans) into a single fund under the Trust
4. Reduce Transamerica outstanding book value exposure to MPERA to 33%
5. Discuss updating the contract and guidelines

PIMCO / Montana PERA

1. Revise the Contract to remove the "Termination" as of 12/31/12
   - Extend termination to 12/31/13
   - Eventually remove to make contract a standard "evergreen" or "constant maturity" contract
2. Provide flexibility on timing and overall wrap percentage given capacity constraints in the wrap market
   - For example, move initially to 66% and not 33% MPERA SV Fund exposure

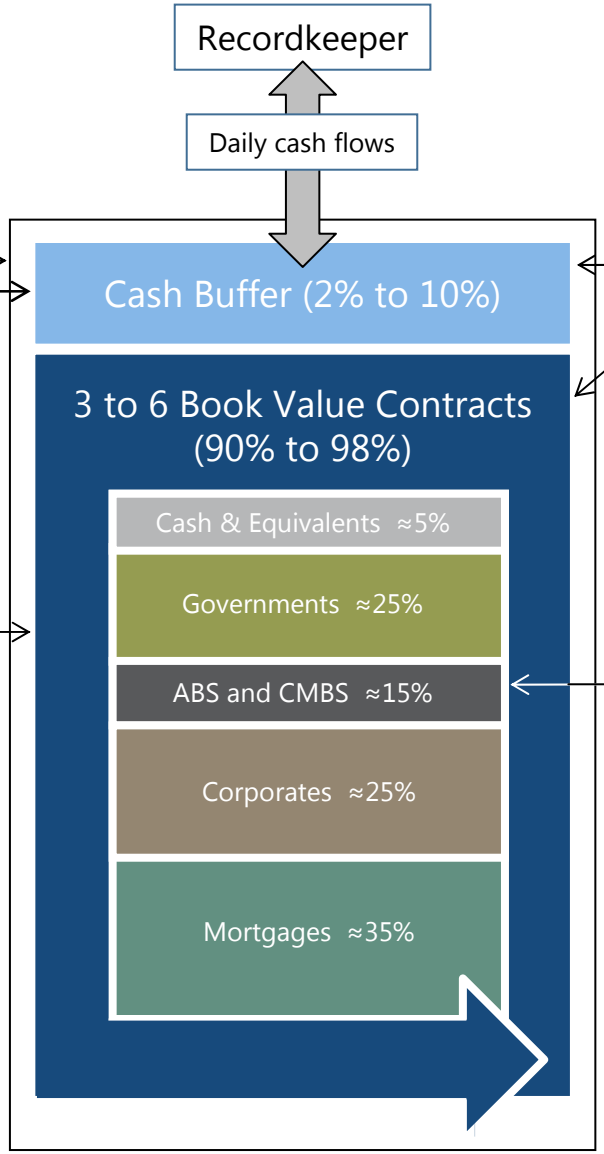
What does a typical stable value fund look like?

1. Daily participant cash flow into or out of the FUND executed by CUSTODIAN at direction of the RECORDKEEPER -- cash flows occur through the Cash Buffer

2. Custodian will have a "valuation account" that sums to the total value owed to investors on any given day

   a. A liquidity buffer to provide day-to-day cash availability for participant activity – typically a STIF offered by the custodian

   b. Three to six stable value investment contracts
      — Wrap contracts
      — Insurance separate accounts

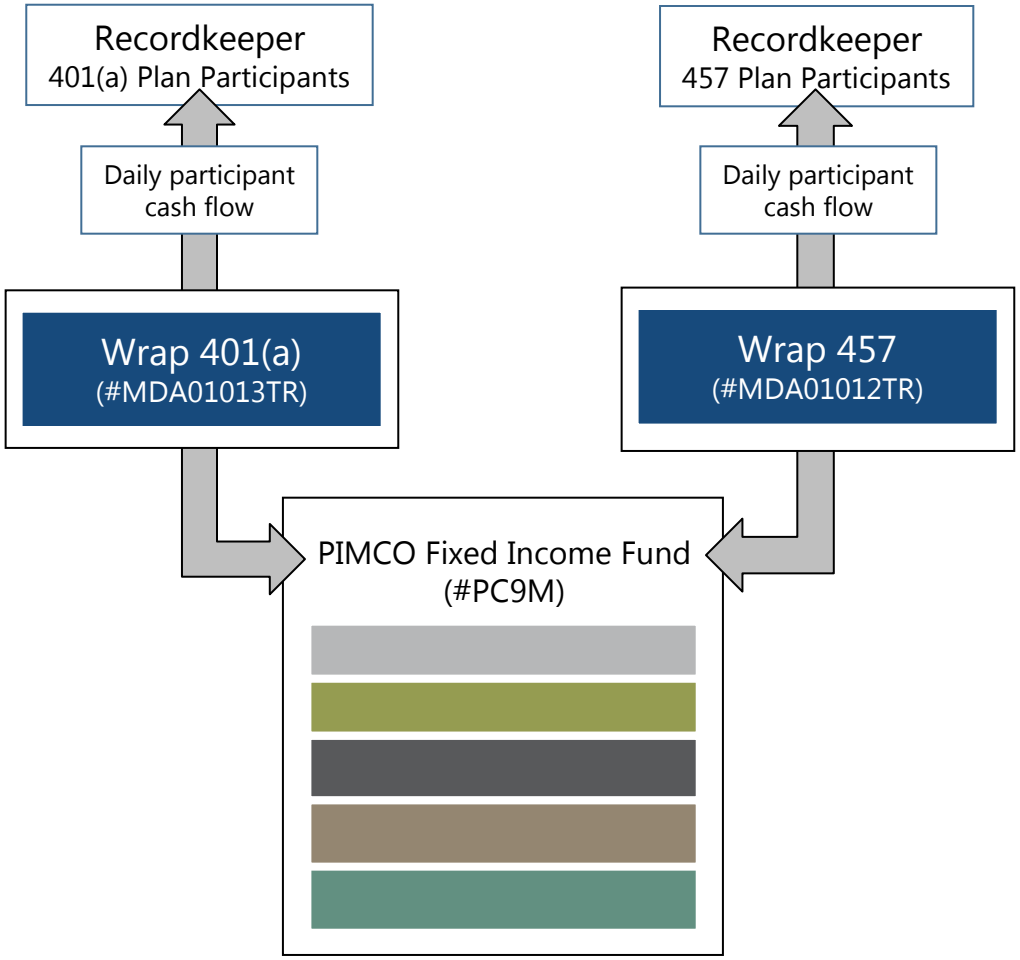


4. The Stable Value Manager will typically direct the Custodian to rebalance allocations *within the fund* between the Cash Buffer and the Book Value Contracts / Fixed Income Investments

3. "Wrapped" fixed income portfolio(s)
   – Associated with one or more investment contracts
   – Diversified, investment grade fixed income investments 2.5 to 3.5 year average duration

For illustrative purposes only. Information provided is based on PIMCO observations. This illustration is not representative of any specific stable value fund and actual allocations and characteristics will vary.

Current structure – "partially merged":
Two funds (i.e., two separate contracts) with one fixed income portfolio



- Each plan owns its own wrap but invests in the same pool of fixed income assets
  - One PIMCO fixed income account (#PC9M) associated with two wraps
- Daily participant flows in both plans are deposited or withdrawn directly to #PC9M
  - Great West notifies State Street
  - State Street notifies Monumental and PIMCO about daily activity
- Great West (as Recordkeeper) tracks book value accounting related to the Transamerica contracts
  - Daily cash flow results in changes to the wrap contract values on a daily basis

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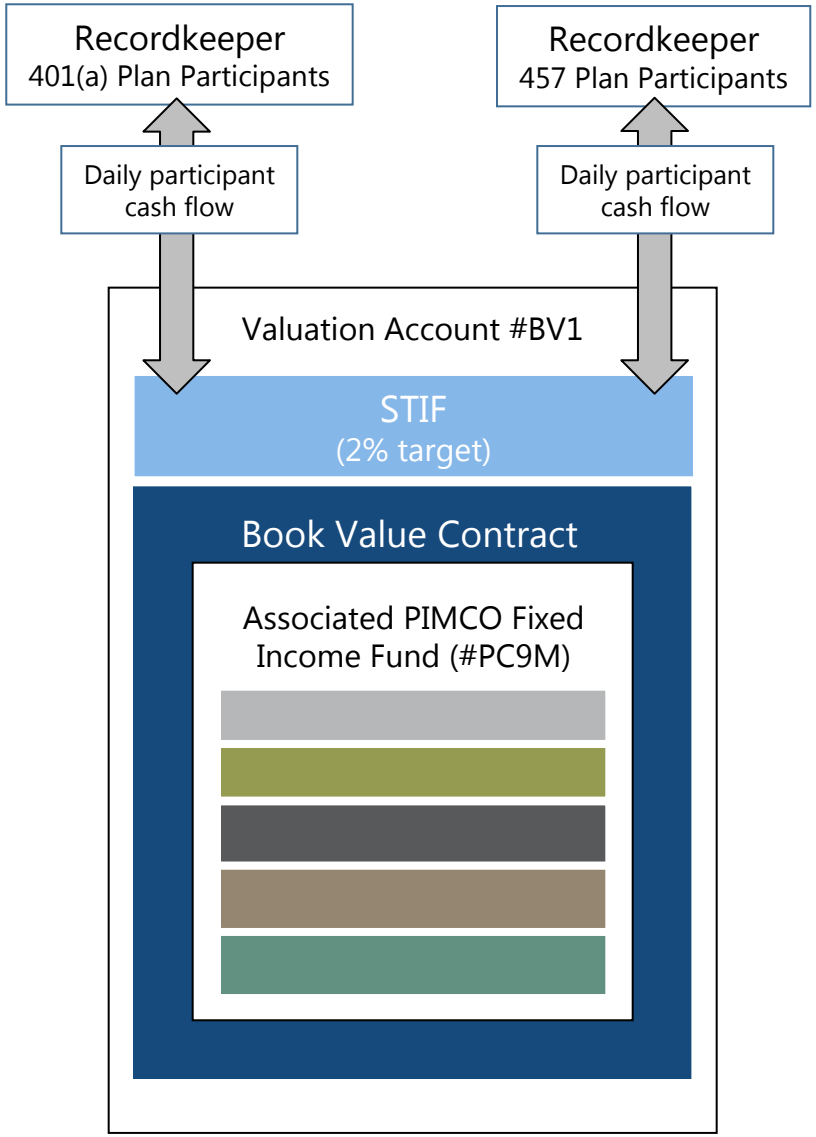
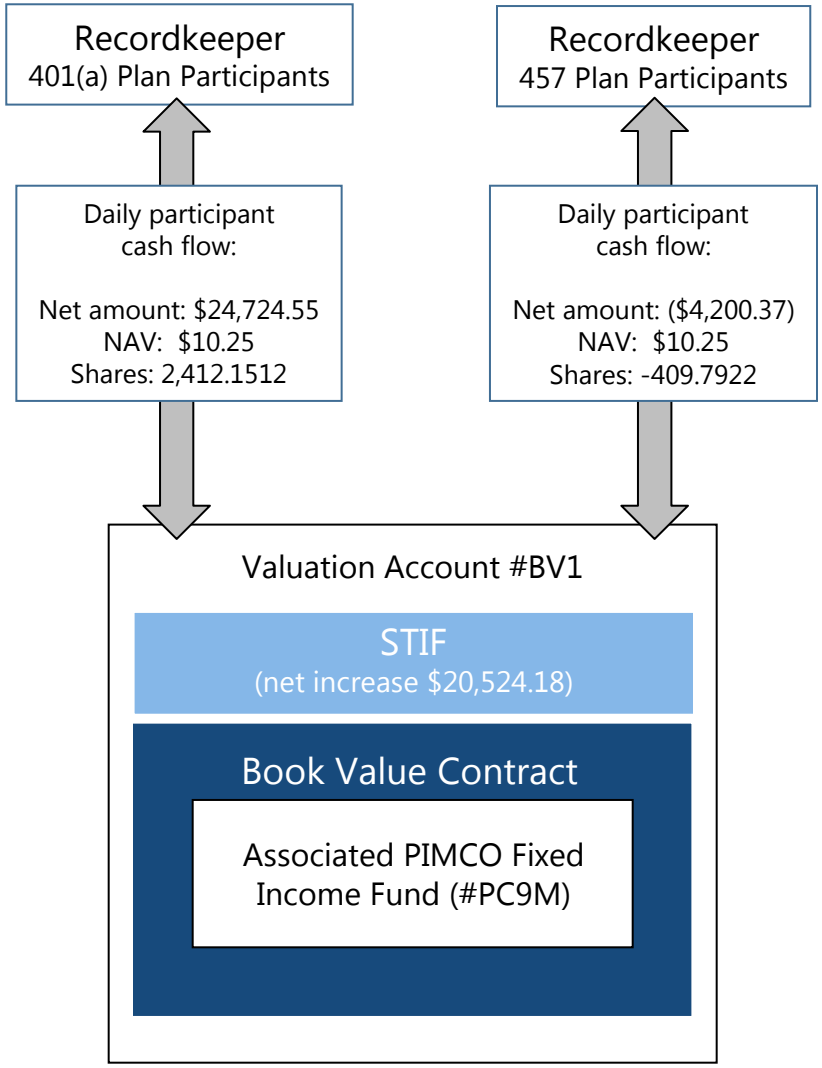
Fully merged:
One fund in one valuation account



- New custody valuation account established (#BV1) that holds:
  - State Street STIF (functions as Cash Buffer)
  - Transamerica wrap investment contract
- Daily participant flows *by plan* are deposited to new custody account
  - Cash flows automatically occur to the STIF *and not directly into the contract*
- State Street tracks shares for each plan, provides valuation, and declares a daily NAV for #BV1
- Great West uses #BV1 daily NAV to track participant balances
  - Reduced administrative burden to reconcile daily activity in two separate contracts versus deposits to the STIF

For illustrative purposes only. Information provided is based on PIMCO observations. This illustration is not representative of any specific stable value fund and actual allocations and characteristics will vary.

Fully merged:
Drill down into a daily example



- Great West notifies State Street of net dollars and shares being transacted for each plan at the previous day's NAV
  - State Street transfers net cash in (or out) for the transaction to (or from) the STIF
- State Street strikes an NAV on a daily basis and communicates to Great West
- No deposit or withdrawal to the wrap contract occurs and no communication to Transamerica because there was no activity in their contract

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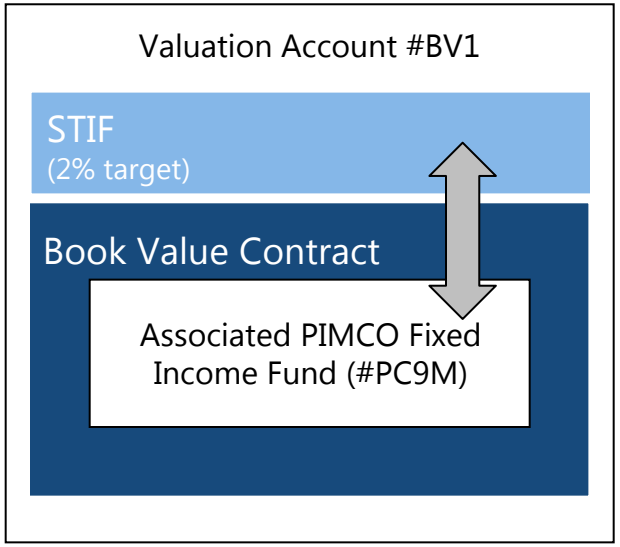
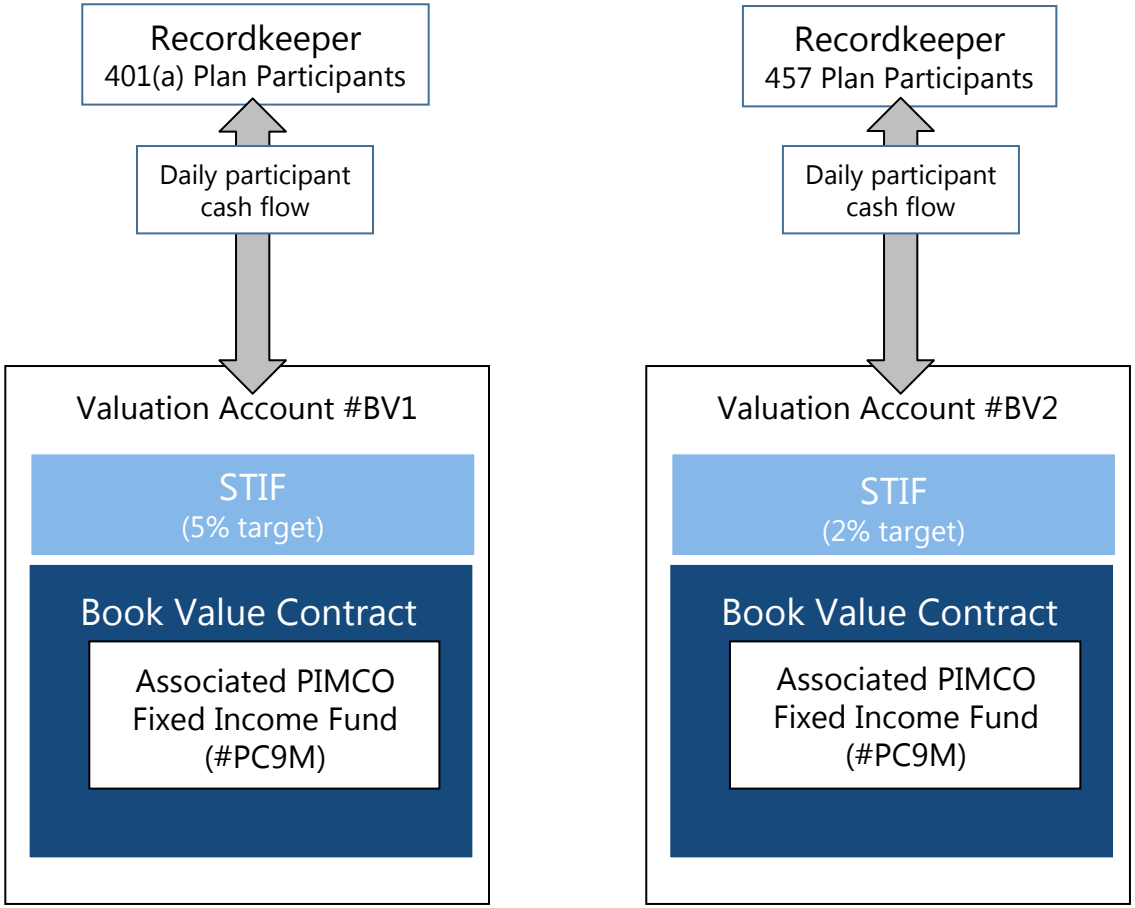
Fully merged: Fund transactions due to changes in STIF levels



- PIMCO to monitor STIF levels
- If STIF drops to 0%:
  - PIMCO directs State Street to transfer cash from #PC9M to the STIF in #BV1
  - State Street *reduces* Transamerica contract value in #BV1 by transfer amount
  - PIMCO communicates a *book value withdrawal* to Transamerica
- If STIF rises above target:
  - PIMCO directs State Street to transfer cash from the STIF in #BV1 to #PC9M
  - State Street *increases* Transamerica contract valuation in #BV1 by transfer amount
  - PIMCO communicates a *book value deposit* to Transamerica

For illustrative purposes only. Information provided is based on PIMCO observations. This illustration is not representative of any specific stable value fund and actual allocations and characteristics will vary.

Two plan structure



- Similar to Fully Merged, but with two new book value accounts (#BV1 and #BV2)
- Daily participant flows to the plan specific account (#BV1 or #BV2)
- Each BV account has two entries
  - STIF (functions as Cash Buffer)
  - Transamerica wrap investment contract
- The same PIMCO fixed income investment portfolio (#PC9M) is used for both plans
- State Street values both BV accounts, providing a separate NAV for each
- Great West uses the appropriate NAV to account for participant balances

For illustrative purposes only. Information provided is based on PIMCO observations. This illustration is not representative of any specific stable value fund and actual allocations and characteristics will vary.

Appendix

PIMCO Stable Value

Expertise

- $30.1 B under management
- Managing stable value assets since 1992
- Dedicated team of stable value specialists with broad wrap contract expertise
- Deep, experienced fixed income investment staff
- Recognized as an industry leader

Philosophy

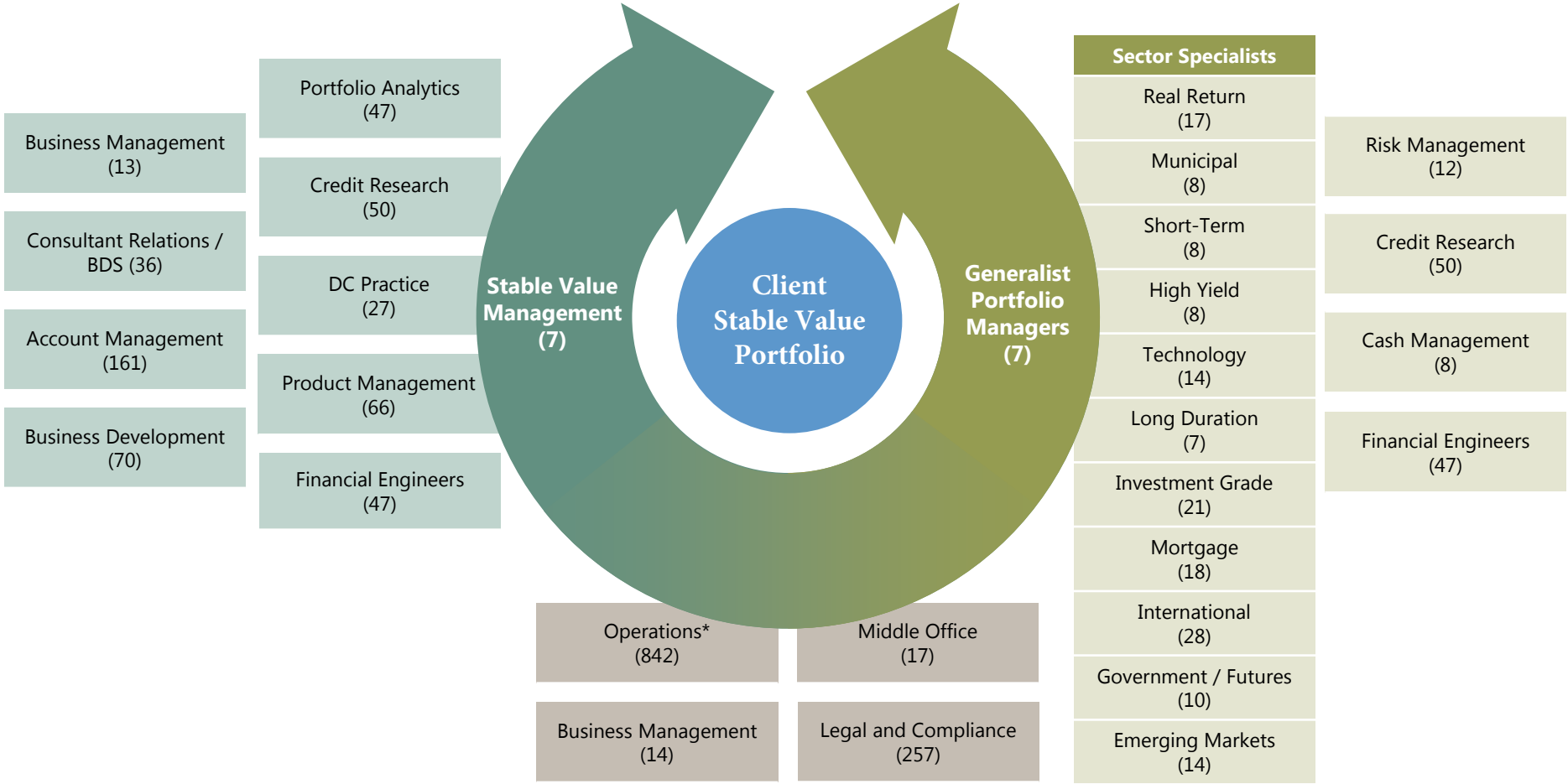
- Seeks to deliver conservative, consistent, but competitive returns while preserving principal in all market environments
- Negotiate contract terms with a focus on minimizing participant risk and maintaining plan sponsor flexibility
- Robust risk management that seeks to ensure consistent performance
- Stable value is fixed income

As of 30 June 2012

Deep resources are key to success in managing stable value portfolios

- Stable value team leverages resources across firm
- Oversees unique stable value investment requirements
- Approach is dynamic and flexible

- Fixed income generalist / specialist team structure
- Generalists coordinate overall investment characteristics
- Specialists focus on sectors



As of 1 April 2012. SOURCE: PIMCO

* Since August 2000, State Street Investment Manager Solutions ("IMS") has assumed most of PIMCO's investment operations functions

PIMCO's stable value investment process

1. COLLECT PLAN INFORMATION

- Plan Documentation
- Historical fund and plan cash flows (net contributions and withdrawals vs. transfers)
- Investment options and balances (Competing option? SDBW? Equity wash?)
- Demographics (balances and number of active, retired, and terminated)

2. PERFORM PLAN ANALYSIS

- Statistical modeling of historical plan and fund cash flows
- Characterize a plan's specific risks due to plan design and participant demographics
- Estimate the fund's future expected liabilities and liquidity demands

3. FUND CONSTRUCTION & CONTRACT NEGOTIATION

- Determine target optimal fixed income allocations in an effort to immunize the fund against identifiable liabilities:
  - Cash buffer
  - Low duration fixed income portfolio (1-3 Year G/C)
  - Moderate duration fixed income portfolio (Intermediate G/C)
- This process results in a customized duration target typically between 2.0 and 4.0
- Negotiate contracts to help minimize participant risk and maintain plan sponsor flexibility

4. ONGOING PORTFOLIO & RISK MANAGEMENT

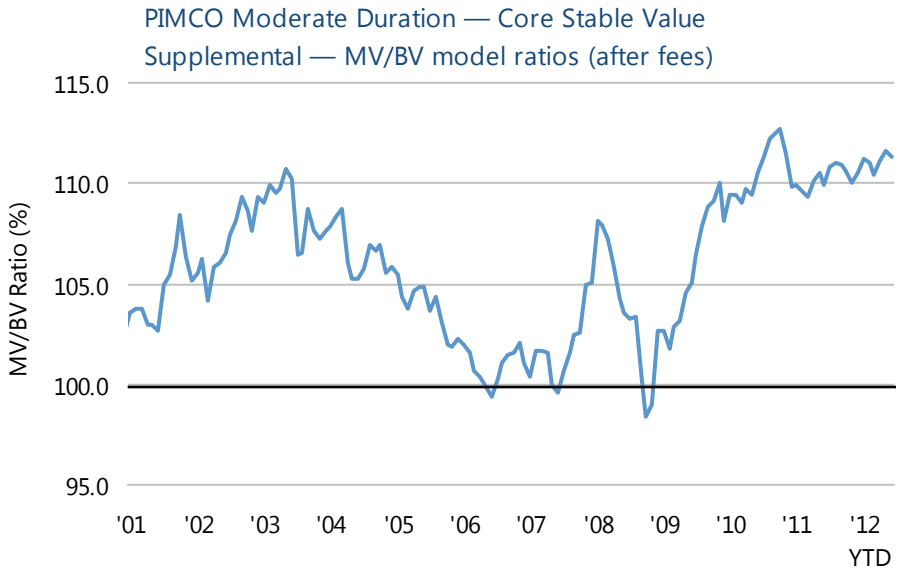
- Engage entire PIMCO fixed income investment platform
- Robust risk management that seeks to ensure consistent performance
- Review fixed income allocations periodically and rebalance when necessary
- Ongoing credit monitoring of book value providers

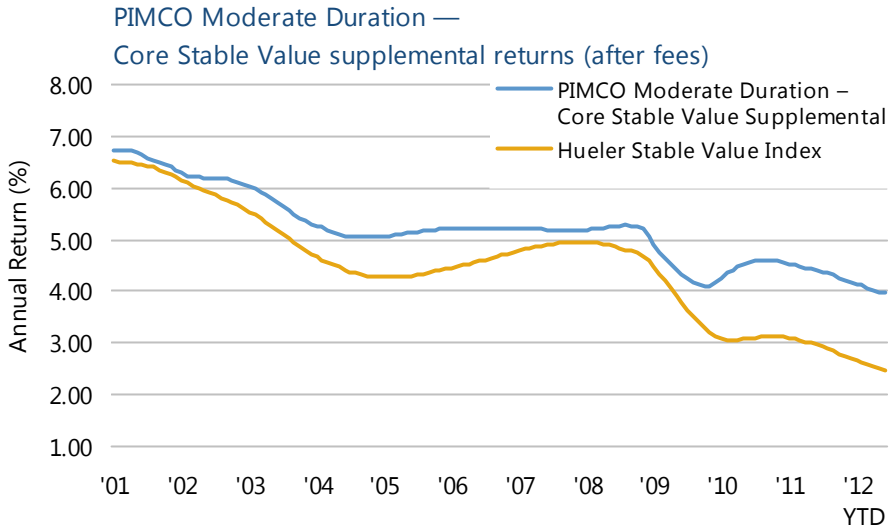
REPEAT ANALYSIS PERIODICALLY TO HELP ENSURE OPTIMAL FIXED INCOME STRUCTURE

Refer to Appendix for additional investment strategy and risk information.

PIMCO Stable Value

- **Deep stable value fixed income expertise**
- Model shows **improved market-to-book value** ratios
- Goal of **consistent book value crediting rates**





As of 30 June 2012

Hypothetical example for illustrative purposes only.

The PIMCO Moderate Duration-Core Stable Value supplemental and model performance returns presented is supplemental to the PIMCO Moderate Duration Core Composite performance presentation included in the Appendix.

Refer to Appendix for additional performance and fee, MV/BV model, composite, hypothetical example, index, and risk information.

Appendix

PERFORMANCE AND FEE
Past performance is not a guarantee or a reliable indicator of future results. Certain performance figures do not reflect the deduction of investment advisory fees (described in Part II of PIMCO's Form ADV) in the case of both separate investment accounts and mutual funds; but they do reflect commissions, other expenses (except custody), and reinvestment of earnings. Such fees that a client may incur in the management of their investment advisory account may reduce the client's return. For example, over a five-year period, annual advisory fees of 0.425% would reduce compounding at 10% annually from 61.05% before fees to 57.96% after fees. The "net of fees' performance figures reflect the deduction of actual investment advisory fees but do not reflect the deduction of custodial fees. All periods longer than one year are annualized. Separate account clients may elect to include PIMCO sector funds in their portfolio; sector funds may be subject to additional terms and fees.

CHART
Charts provided for illustrative purposes and are not indicative of the past or future performance of any PIMCO product.

COMPOSITE
Composite performance is preliminary until the 12th business day of the month.

CREDIT QUALITY
The credit quality of a particular security or group of securities does not ensure the stability or safety of an overall portfolio. The Quality ratings of individual issues/issuers are provided to indicate the credit worthiness of such issues/issuer and generally range from AAA, Aaa, or AAA (highest) to D, C, or D (lowest) for S&P, Moody's, and Fitch respectively.

HYPOTHETICAL EXAMPLE
No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown. Hypothetical or simulated performance results have several inherent limitations. Unlike an actual performance record, simulated results do not represent actual performance and are generally prepared with the benefit of hindsight. There are frequently sharp differences between simulated performance results and the actual results subsequently achieved by any particular account, product, or strategy. In addition, since trades have not actually been executed, simulated results cannot account for the impact of certain market risks such as lack of liquidity. There are numerous other factors related to the markets in general or the implementation of any specific investment strategy, which cannot be fully accounted for in the preparation of simulated results and all of which can adversely affect actual results.

INVESTMENT STRATEGY
There is no guarantee that these investment strategies will work under all market conditions and each investor should evaluate their ability to invest long term, especially during periods of downturn in the market. No representation is being made that any account, product, or strategy will or is likely to achieve profits, losses, or results similar to those shown.

OUTLOOK
Statements concerning financial market trends are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

Appendix

RISK
Investing in the bond market is subject to certain risks including market, interest-rate, issuer, credit, and inflation risk. Investing in foreign denominated and/or domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. Mortgage and asset-backed securities may be sensitive to changes in interest rates, subject to early repayment risk, and while generally backed by a government, government-agency or private guarantor there is no assurance that the guarantor will meet its obligations. High-yield, lower-rated, securities involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Derivatives may involve certain costs and risks such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. Money Markets are not insured or guaranteed by the FDIC or any other government agency and although they seek to preserve the value of your investment at $1.00 per share, it is possible to lose money.

MV/BV MODEL
The MV/BV Model performance shown is based on the accounting overlay procedures used by various banks and insurance companies to achieve stable value applied to market value performance of the Core Stable Value supplemental, in conjunction with characteristics of the Barclay's Indexes shown.
The crediting rate formula is (1+annualized benchmark yield)*(market value/book value)^(1/benchmark duration)-1, where book value reflects accumulated earnings based on past book value crediting rates. A loss of principal could occur for a variety of reasons, including if a wrap provider defaults when the market value is less than book value and the portfolio becomes depleted by withdrawals. The book value returns do not reflect any investment management or custody expenses, but do include an assumed wrap fee of 20 basis points and the reinvestment of dividends and capital gains. A simulated return series is subject to the fact that it is designed with the benefit of hindsight. A different start date will produce different results. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown.

STRATEGY AVAILABILITY
Strategy availability may be limited to certain investment vehicles; not all investment vehicles may be available to all investors. Please contact your PIMCO representative for more information.

TOTAL CARRY
Total Carry refers to the assumed total return a portfolio would potentially achieve over a 3-month period provided that par rates and option adjusted spread (OAS) of each security held in the portfolio and currency exchange rates remain unchanged. This hypothetical example also assumes no defaults are held in the account for the time period calculated. PIMCO makes no representation that any account will achieve similar results and the statistical information provided as total carry in no way reflects the actual returns of any current PIMCO portfolio.

VOLATILITY (ESTIMATED)
We employed a block bootstrap methodology to calculate volatilities. We start by computing historical factor returns that underlie each asset class proxy from January 1997 till September 2011. We then draw a set of 12 monthly returns within the dataset to come up with an annual return number. This process is repeated 15,000 times to have a return series with 15,000 annualized returns. The standard deviation of these annual returns is used to model the volatility for each factor. We then use the same return series for each factor to compute covariance between factors. Finally, volatility of each asset class proxy is calculated as the sum of variances and covariance of factors that underlie that particular proxy.

Appendix

WRAP RISKS

An investment in a stable value separate account subadvised by PIMCO is expected to maintain a stable value and to have returns which reflect the interest income and market value gains and losses of the underlying assets. However, there can be no assurance that the investment will be able to maintain a stable value or that the investor will receive the same return as may be realized by directly investing in the underlying assets. The fees and other costs incurred by the separate account will reduce the investment return on the separate account as compared to a direct investment in the underlying assets. Also, the crediting rate under the agreement with wrap provider amortizes gains and losses on the underlying investment portfolio over time, so that investors could realize more or less than the actual investment returns of the assets depending upon the timing of the investors investments as well as the timing of investments made by other investors.

An investment in the contract is subject to credit, investment management and other risks. These risks include the risk that the wrap provider could default in its obligations under the annuity contract or its credit worthiness decline or otherwise become insolvent. If these events occurred, under applicable accounting rules, the investor may not be able to account for the contract at a stable book value and may instead experience a gain or loss depending upon the value of the underlying assets and whether they are more or less than the book value at the time of the occurrence of that event. The wrap provider may also unilaterally choose to terminate the contract under certain circumstances provided for in the annuity contract in which case the investor may be unable to find a replacement separate account or a replacement synthetic GIC wrap provider.

The annuity contract includes restrictions and limitations on the administration and operation of the plan and any competing plan and when an investor may receive the reported book value of its investment or a negative adjustment to the book value to reflect its market value. Also, the annuity contract requires that certain specified events and occurrences be reported to and approved by the wrap provider, including without limitation, adverse plan changes and amendments; failure to do so may result in withdrawals from the contract not being paid at book value and being subjected to a negative adjustment to reflect the market value of the underlying assets.

Investors can terminate the annuity contract and receive a lump sum in cash at market value (which may be more or less than the contract's book value at that time) or purchase a guaranteed investment contract from the wrap provider on such terms as are then provided by the wrap provider. Subject to the approval of the New York State Insurance Department, the contract also permits investors to request payment at book value over a specified wind down period or to receive an in kind distribution of securities at market value. There can be no assurance that the New York State Insurance Department would grant this approval.

Investors should review the contract carefully including with such advisors as they deem appropriate to confirm that these restrictions and limitations are appropriate for their plan participants and beneficiaries.

Like other actively managed investments, stable value investments are subject to investment management risk. PIMCO does not guarantee the investment performance of the separate account and the separate account may not achieve its stated objectives. Returns on stable value investments can also vary from benchmark indices because gains and losses are amortized over time and due to other portfolio-specific factors, such as the amount and timing of cash flows to the investment and interest rates when those cash flows occur.

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Appendix

INDEX DESCRIPTIONS
The BofA Merrill Lynch 1-3 Year Treasury IndexSM is an unmanaged index that tracks the performance of the direct sovereign debt of the U.S. Government having a maturity of at least one year and less than three years.

The Barclays Government/Credit Bond Index is an unmanaged, market-weighted index generally representative of intermediate and long-term government and investment grade corporate debt securities having maturities of greater than 1 year.

The Barclays Intermediate Government/Credit Index is an unmanaged index of U.S. Government or investment grade credit securities having a maturity of at least one year and less than 10 years.

The Barclays Intermediate Aggregate Bond Index is an unmanaged index representing domestic taxable investment grade bonds with an average maturity and duration in the intermediate range, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. This index represents a sector of the Barclays Aggregate Bond Index.

The Hueler Analytics Stable Value Pooled Fund Comparative Universe is a 23-year historical return series and is produced on a monthly basis.

The Lipper Money Market Fund Index is comprised of funds that invest in high-quality financial instruments rated in the top two grades with dollar-weighted average maturities of less than 90 days. Lipper Fund indices are calculated using a weighted aggregative composite index formula that equal-weights the constituent funds and reinvests capital gains distributions and income dividends.

eVestment Alliance Universe
eA US Core Fixed Income – US Fixed Income products that invest in High Quality debt (as rated by Moody's or Standard & Poor's). Expected benchmarks for this universe would include the Barclays Aggregate and Barclays Govt/Credit. Managers in this category will typically indicate a "Fixed Income Style Emphasis" equal to Core and a "Product Duration Emphasis" equal to Core or Intermediate.

eA US Stable Value Fixed Income – US Fixed Income products that invest primarily in GIC's (guaranteed investment contracts). The expected benchmarks for this universe would include the Citigroup 3-Month T-Bill or the Citigroup 1-Year T-Bill. Managers in this category will typically indicate a "Portfolio Management Strategy" equal to Active and a "Fixed Income Style Emphasis" equal to Stable Value.

It is not possible to invest directly in an unmanaged index.