# Tennessee Stable Value Fund

## (the "Fund")

Investment Option for the Tennessee State Employees Deferred Compensation Plan and Trust

("457 Plan")

and the

State of Tennessee Deferred Compensation Plan II

("401(k) Plan")

## DISCLOSURE BROCHURE

Dated: June 25, 2020

Participants in the 401(k) Plan and the 457 Plan should read this Disclosure Brochure carefully before deciding whether to invest in the Fund.

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The information presented in this Disclosure Brochure is believed to be accurate as of the date printed on the cover page. However, the information and opinions in this Disclosure Brochure are subject to change without notice.

For more information about the Fund, contact the Tennessee Department of Treasury, Andrew Jackson Building, ATTN: Director of Deferred Compensation, 15th Floor, 502 Deaderick Street, Nashville, TN 37243; 615-532-1183

# I. GLOSSARY

As used in this Disclosure Brochure, the capitalized terms shall have the meaning set forth below:

*Book Value (or Contract Value)* – The guaranteed account value for the Tennessee Stable Value Fund. The Book Value of the Fund is equal to the value of the initial deposited principal, plus accumulated interest, plus additional contributions, minus withdrawals and expenses.

*Credited Rate (or Crediting Rate or Crediting Interest Rate)* - an annual effective rate of interest compounded daily and declared prior to the last day of each calendar quarter, effective for the Fund for the next calendar quarter.

*Guaranteed Minimum Interest Rate* – An effective annual interest rate computed on the Book Value of the Fund that will never be less than 0.00% (prior to any deduction of recordkeeping, administrative, or other expenses, as applicable).

*GWLA* – Great-West Life & Annuity Insurance Company. GWLA is the Wrap Contract provider (issuer) for the Fund.

*Investment Guidelines* – The guidelines established by the Investment Manager and the wrap provider, and agreed to by the State of Tennessee, that dictate how the Separate Account is to be managed. The Investment Guidelines establish the allowable investments and risk exposures the Investment Manager may assume in the management of the Separate Account.

*Investment Manager* – Great-West Capital Management, LLC (GWCM) is the Investment Manager for the Separate Account. GWCM is responsible for managing the assets of the Separate Account in accordance with the provisions of the Investment Guidelines.

*Market Value* - The closing market price for each security in the Separate Account, less any outstanding balance, if any, and less the pro rata portion of the Total Annual Fund Expense.

*Program (or the Plan)* – The State of Tennessee Deferred Compensation Plan II (the 401(k) Plan) and/or the Tennessee State Employees Deferred Compensation Plan and Trust (the 457 Plan), as applicable.

*Tennessee Treasury Department* – Collectively, the Tennessee State Treasurer and the Tennessee Department of Treasury.

*Separate Account* – the Separate Account established by GWLA under Colorado law in connection with the Wrap Contract. The assets allocated to the Separate Account are held separately from all other assets of GWLA. GWLA owns the assets in the Separate Account. The income, gains and losses from assets allocated to the Separate Account are credited or charged against the Separate Account, without regard to other income, gains or losses arising under any other business of GWLA. Assets in the Separate Account will be invested pursuant to the Investment Guidelines.

*Stable Value Fund* – (or Fund) the Tennessee Stable Value Fund. The Tennessee Stable Value Fund is a Wrap Contract, issued by GWLA to the State of Tennessee for the Program, that is backed by assets in the Separate Account.

*Wrap Contract (or Contract)* – A group stable asset fund deferred annuity contract that provides assurance that participant-initiated withdrawals and transfers from the Stable Value Fund will occur at Book Value, subject to the terms of the Contract.

## II. OVERVIEW

**You should carefully consider your risk tolerance, investment horizon, retirement savings goals and overall investment objectives prior to making an investment in the Fund. You should also consider the Fund's objectives, risks, fees and expenses, in addition to considering the other investment options available to you in the Plan.**

The Fund is designed to permit participants of the Plan who allocate moneys for investment in the Fund to make subsequent benefit- responsive withdrawals at Book Value. Benefit-responsive withdrawals include participant-initiated withdrawals for any payment from the Fund to the Plan participant, beneficiary or alternate payee, in connection with (i) the payment of benefits resulting from a participant's retirement, death, disability, or termination of employment, and (ii) other payments resulting from a participant's election to withdraw, borrow, or transfer an amount from such participant's Plan account in accordance with the terms of the Plan.

The Fund is able to offer this benefit-responsive feature and account for its assets at Book Value because the State of Tennessee has entered into the Wrap Contract with GWLA on behalf of the Plan. GWLA is obligated under the Wrap Contract to pay benefit-responsive withdrawals at Book Value for a stated period, even if the value of the Fund's underlying investments is less than Book Value, subject to certain limitations.

## III. INVESTMENT OBJECTIVE AND STRATEGY

The investment objective of the Fund is to provide a competitive, stable interest rate to participants of the Fund while providing sufficient liquidity to ensure that the principal and credited interest are available for participant withdrawals. There can be no guarantee or assurance that the Fund will achieve its investment objectives.

The Tennessee Stable Value Fund is a Wrap Contract, issued by GWLA to the State of Tennessee for the Plan, that is backed by assets in the Separate Account. The Separate Account is

insulated and therefore not subject to the claims of GWLA's creditors. The assets in the Separate Account are primarily invested in securities issued by the U.S. Government or one of its agencies, as well as high-grade corporate bonds. The Tennessee Stable Value Fund is designed to provide a specified Credited Rate to participants. The Credited Rate is determined and published by GWLA at the beginning of each calendar quarter. For additional information on the Credited Rate, see Section VI.

## IV. STABLE VALUE FUND RISKS

Investments in the Fund are neither insured nor guaranteed by the state of Tennessee, the Tennessee State Treasurer, the Fund, other state agencies, federal government agencies or any employees or directors of any such entities. The Fund is not registered under the Investment Company Act of 1940, nor is the Fund registered under the Securities Act of 1933 or any state law. Additionally, investments in the Fund are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Like any investment, there are investment risks associated for participants.

**Interest Rate Lag**

In rapidly changing interest rate environments the returns on stable value funds may change more slowly than those of the marketplace, including similar investments such as money market funds.

**Contract Issuer/Guarantor Risk**

Contract issuers can become less financially stable, may default on their contractual obligations or terminate the contract. This risk is more pronounced in funds with a single guarantor and less pronounced in a contract with a separate account structure.

**Investor Cash Flows Affect Returns**

An influx of money to a stable value fund during a period of low interest rates can result in more investments at the current rate, which may dilute future crediting rates for participant

investors. However, the alternative is also true. Large outflows of money from a stable value fund when interest rates are high can alternatively increase future crediting rates.

**Employer Initiated Events**

Certain employer-initiated events can limit the liability of contract issuers, potentially leaving investors with losses. Events such as major layoffs can increase the possibility that an issuer would have to pay out significant withdrawal requests on contracts for these management initiated events.

Neither the Board nor the Treasury Department makes any representation concerning the appropriateness of investing in any investment option, including the Fund, for any participant. Other types of investments may be more appropriate depending upon a participant's financial status, tax situation, risk tolerance, age, investment horizon, retirement savings goals and overall investment objectives. The investments, fees, expenses, and other consequences and features of alternative investments may differ from those of the Fund. Anyone considering investing in the Fund should consider alternative investment options and consult an independent investment adviser or other financial professional prior to investing in the Fund.

**Crediting Rate Risk** - There is no assurance that participants will receive any crediting interest rate above zero percent (0.00%), and any prior credited rate is not indication of future returns.

## V. EXPENSES AND FEES

The annual fee for the Fund is cumulatively comprised of (i) an investment management fee of 0.10% and (ii) a Wrap Contract fee of 0.15%. The investment management fee includes all costs associated with the investment management services, as well as all operating expenses of the Fund, including custodial services fees, audit costs, and administrative expenses. The Wrap Contract fee includes all costs associated with the guarantee of benefit payments/distributions and transfers. The investment management fee is based on a percentage of the Market Value

of the Separate Account while the Wrap Contract fee is based on a percentage of the Book Value of the Contract.

**The total expenses that you pay may be higher or lower depending on several factors, including the administrative fee charged by the Plan.**

| | |
|---|---|
| Investment Management Fee | 0.10% |
| Wrap Contract Fee | 0.15% |
| Total Annual Fund Expense | 0.25% |

*This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other investment options available within the Plan.

The example assumes you invest ten thousand dollars ($10,000) in the Fund for the periods indicated. The example also assumes that your investment has a two percent (2%) return each year and that the Fund's expenses stay the same.

Although your actual costs and the return may be higher or lower, based upon the above-stated assumptions, your costs would be:

| 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|
| $25.50 | $78.04 | $132.70 | $279.22 |

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# VI. CREDITED RATE

The credited interest rate or Credited Rate is an annual effective rate of interest compounded daily and declared prior to the last day of each calendar quarter, effective for the Fund for the next calendar quarter. The Credited Rate will not be less than the Guaranteed Minimum Interest Rate of zero percent (0.00%). There is no assurance that the Fund will be paid any Credited Rate above zero percent (0.00%), and any prior Credited Rates are not indication of future Credited Rates.

The Credited Rate is determined and published by GWLA at the beginning of each calendar quarter. The Credited Rate formula incorporates various components, including the gross yield of the underlying fixed income portfolio, duration, the value of the underlying securities, total participant balances, and fees to provide participants a net Crediting Rate. The crediting interest rate formula is as follows:

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

Where

CR = Crediting Rate

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

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

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

D = weighted average duration of the securities in the Separate Account as of the last day of the month prior to the Calculation Date. Under certain market conditions, a percentage of the weighted average duration may be used for the calculation

F = Separate Account fee (or the pro rata portion of the Total Annual Fund Expense).

For the current Credited Rate, please visit www.retirereadytn.gov or call (800) 922-7772.

## VII. INVESTMENT MANAGEMENT AND WRAP PROVIDER

Great-West Capital Management LLC (GWCM) is the Investment Manager for the Separate Account. GWCM is registered as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended. GWCM is headquartered in Greenwood Village, Colorado. Additional information about GWCM may be found at https://adviserinfo.sec.gov/firm/summary/107272.

Great-West Life & Annuity Insurance Company (GWLA), Corporate Headquarters: Greenwood Village, CO, is the Wrap Contract provider (issuer) for the Fund. GWLA is regulated by the Colorado Department of Insurance. Additional information about GWLA may be found at https://www.empower-retirement.com/about/financial-strength/.

## VII. ADDITIONAL MATTERS

**Only participants in the Plan may invest in the Fund.** A participant in the Plan may move his/her account balance into or out of the Fund on a daily basis; however, excessive trading in the Fund is highly discouraged and may result in GWLA imposing temporary trading restrictions on a participant. The Tennessee Treasury Department may in its sole discretion restrict, reject, or cancel a purchase or redemption (all or part) for any reason and the proceeds may be withheld.

To invest in the Fund, change investment allocations or for additional information about the Fund or other investment options available in the Plan, a Participant can:

- Go online: www.RetireReadyTN.gov
- Call: 800-922-7772

For more information about the Fund, contact the Tennessee Department of Treasury, Andrew Jackson Building, ATTN: Director of Deferred Compensation, 15th Floor. 502 Deaderick Street, Nashville, TN 37243; 615-532-1183

The Board and Tennessee Department of Treasury and its employees are not authorized to provide legal, financial or tax advice. **Prospective and existing Fund investors should consult their personal legal, tax or other advisers for inquiries specific to their circumstances.**
The Treasury Department operates all programs and activities free from discrimination based on race, sex or any other classification protected by federal or Tennessee state law. Individuals who may require an alternative communication format should contact the Tennessee Treasury Human Resources Title VI Coordinator at Treasury Department, Human Resources, 13th Floor, Andrew Jackson Building, 502 Deaderick Street, Nashville, TN 37243; 615-253-8769.

*The Tennessee Stable Value Fund is a guaranteed separate account group annuity contract issued by Great-West Life & Annuity Insurance Company, Corporate Headquarters: Greenwood Village, CO. The fund guarantees principal and credited interest for eligible participant-initiated withdrawals and transfers. Guarantees are subject to the terms and conditions of the contract and the claims-paying ability of the insurer. Guaranteed separate account products have interest rate, inflation and credit risks associated with the underlying assets owned by the fund. Depending on the terms of the contract, investment risks associated with certain plan sponsor actions may include, but are not limited to, termination of the contract, mass layoffs or plan termination that could result in payment of proceeds to the plan sponsor of the lesser of the fund's market value and principal plus credited interest.*

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