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Correspondence Memorandum

Date: October 24, 2018
To: Deferred Compensation Board
From: Shelly Schueller, Director
 Wisconsin Deferred Compensation Program
Subject: Federated Option Recommendation

The Investment Committee recommends terminating the Federated US Government 2-5 Year Institutional Fund.

The Federated US Government 2-5 Year Fund has been part of the Wisconsin Deferred Compensation Program (WDC) investment lineup since 1992. Approximately 6,000 WDC participants held \$31.2 million in this option as of June 29, 2018.

The Board voted to place the Federated fund “on watch” status in June of 2016 because performance of the Federated fund has lagged peers over the last several years. Regrettably, this trend has continued. When benchmarking three-year percentile ranks, as of June 29, 2018, the Federated fund has been in the bottom half of peer performance for eight of the last twelve quarters.

3 Year Percentile Ranks as of 6/29/2018												
	2Q 18	1Q 18	4Q 17	3Q 17	2Q 17	1Q 17	4Q 16	3Q 16	2Q 16	1Q 16	4Q 15	3Q 15
Federated US Government 2-5 Year Institutional Fund	14	14	30	55	47	60	45	63	70	38	19	30

The Investment Committee reviewed all the WDC investment options as part of the investment design review completed during the summer of 2018. After discussion including number of options, asset classes and option performance, the Investment Committee is recommending that the Board remove the Federated US Government 2-5 Year Institutional Fund from the WDC lineup.

Per the Board’s fund participation agreement with Federated, termination can be effective upon six months advance written notice. After reviewing the fund agreement and the investment option termination process in Wisconsin Administrative Code Ch.

Reviewed and approved by Matt Stohr, Administrator, Division of Retirement Services

Electronically Signed 10/29/18

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[ETF 70.08](#), ETF suggests that the Board formally notify Federated of the Board's intent to terminate the fund participation agreement by November 30, 2018, and request a final termination end date of November 30, 2019. This time is necessary to meet the requirements of the administrative code, which states that the termination process begins on the first business day of the sixth month following the Board's decision. Participants have six months to cease deferring to the fund, then have another six months to move their remaining account balances from the fund. Any balances remaining at final termination will be swept to the age-appropriate target date fund, per the Board's default fund policy.

Working with the record keeping staff, ETF will develop a timeline and plan for closing the Federated fund, including how information will be communicated to WDC participants.

Staff will be at the Board meeting to answer any questions.