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Correspondence Memorandum

Date: September 23, 2019

To: Deferred Compensation Board

From: Shelly Schueller, Director
 Wisconsin Deferred Compensation Program

Subject: Stable Value Fund: Independent Consultant Contract Recommendation

ETF recommends the Deferred Compensation Board delegate its authority to the ETF Secretary to contract with an independent consulting firm, Wilshire Associates, to review the stable value fund marketplace and present a written report to the Board.

At the March 2019 meeting, the Deferred Compensation Board approved a motion authorizing ETF to identify and recommend an independent consulting firm capable of providing a review of the stable value fund (SVF) marketplace, including a custom stable value fund proposal made by the WDC’s administrative services provider, Empower Retirement.

ETF developed a Request for Information (RFI) and released it on May 1, 2019. This RFI sought information from independent consulting firms related to their interest in and ability to provide an analysis of SVF options. Information was requested on firm history and size as well as qualifications and experience with SVF reviews.

Five consulting firms with experience and expertise evaluating the SVF marketplace responded to the RFI. Aon, Callan, Cammack, Stable Value Solutions and Wilshire provided useful information and insights regarding how they would approach evaluating SVF options and the custom SVF offer from Empower Retirement. Each firm said it would complete a thorough due diligence review, analyzing such SVF components as market-to-book ratios, crediting rate, overall wrap expense, asset allocation, diversification by issuer, yield curve measurement, liquidity, quality and duration, and exit provisions. Firms’ cost estimates to complete the requested SVF analysis ranged between \$30,000 and \$60,000.

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

Matt Stohr Electronically Signed 10/7/19

Board	Mtg Date	Item #
DC	10.31.19	10B

2019 RFI ETI0048					
	Year Established	# of Employees	Public sector experience	Due diligence reviews	Stable Value Fund reviews
Aon	1974	336	yes	yes	yes
Callan	1973	191	yes	yes	yes
Cammack	1965	42	yes	yes	yes
Stable Value Solutions	2018	1	yes	yes	yes
Wilshire	1972	274	yes	yes	yes

ETF's procurement staff noted that there is an option to purchase services from a vendor that is already a party to an existing State contract for similar services, competitively procured by another Wisconsin state agency. This procurement method is informally referred to as a "piggyback". A contract can be negotiated under a piggyback arrangement if the following conditions are met.

- the original contracting agency approves an agency's request,
- the Department of Administration approves an agency's piggyback request,
- the terms of the original contract are acceptable to the piggybacking agency, and
- the vendor is interested in doing the work for a price equal to or less than the original contract.

This approach can result in significant savings in time and effort. For example, a piggyback contract eliminates the need to draft an RFP, wait for and review vendor responses, or negotiate a new contract.

The piggyback option for review of the SVF marketplace comes from a Department of Financial Institutions (DFI) contract. Both DFI and DOA approved ETF's piggyback request. On behalf of DFI, the State of Wisconsin Department of Administration released RFP FN190781, seeking a firm to monitor and evaluate the investments in the Wisconsin s. 529 College Savings Program known as Edvest. One of the firms responding to the SVF RFI, Wilshire Associates, currently holds the Edvest investment performance contract. Wilshire has indicated to ETF that it is willing and able to provide the Board's desired SVF marketplace review for a cost of \$30,000, which is based on the price quoted by Wilshire in their response to the RFI. A summary of the expected scope of work is as follows:

1. Examine and compare the market of stable value fund offerings;
2. Evaluate a custom stable value fund offer made by the WDC's administrative services provider, Empower Retirement; and
3. Determine the competitiveness of the current stable value fund offered to participants in the WDC in comparison to peer stable value funds and the custom stable value fund offer made by Empower.

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ETF recommends the Board grant the ETF Secretary authority to contract with Wilshire Associates and present a written report to the Board.

Staff will be at the meeting to answer any questions.