
A note from Galliard on stable value portfolios

The first quarter of 2020 has brought a dramatic and sudden change to our normal way of life, as we face the COVID-19 pandemic. For many, these changes have a direct connection to friends, family, or colleagues impacted by the pandemic. For others, the changes have resulted in at least significant disruptions to daily routines in an attempt to limit the pandemic's impact. The markets have reacted accordingly, and it's also likely we will feel the economic impacts of this pandemic for a while - so we expect more tumultuous markets to come. Yet there are still a number of signs that some things remain the same: the dedication of our first responders and health care professionals, the reluctance of spring to come to Minnesota, and the consistency of stable value portfolios in volatile economic markets.

This consistency doesn't mean that our stable value portfolios are immune to the effects of market forces. For instance, remember that stable value portfolios generally follow the direction of interest rates over time, and the significant decline in U.S. Treasury yields over the last year (and the acceleration of that decline in the first quarter) has begun to translate to lower stable value crediting rates. Yet, despite modestly lower crediting rates, stable value continues to provide participants safety and security during this volatile time, and we have seen significant inflows from participants seeking that safety across the majority of the accounts we manage. With these increased cash inflows, we continue to focus on prudently navigating each account through this uncertain period. You will see in your attached report that we have marginally increased the first level of liquidity to accommodate possible near-term withdrawals that could result from participants accessing their retirement savings during this crisis or from their reallocations back into the equity markets as they regain comfort taking on risk in their portfolios. What you won't necessarily see in the reports is what we are doing with the excess new inflows: we have been patiently and diligently putting excess cash to work in the underlying fixed income portfolios to take advantage of unique opportunities presented by the recent market volatility. As the chapter came to a close on the 1st quarter of 2020, the Galliard investment team continued to execute on what you expect from us – providing broadly diversified, high quality portfolios managed to meet the objectives of stable value, specifically principal preservation and a competitive rate of return.

Speaking of the team, just a couple of quick thoughts:

- Hopefully you have seen our periodic update emails – we are trying to judiciously not bombard you with emails, but as important updates develop, we will share them. For instance, in mid-March we offered some thoughts on how today is different than the financial crisis of 07-08. If you missed our emails, or would like to read them again, they are posted to our website at www.Galliard.com/our-insights
- Our team is fully working remotely, and to date all is functioning as expected. We are fortunate that COVID-19 has not impacted Galliard's employees directly, and we are working to keep it that way.

On behalf of all of us here at Galliard, we hope you, your loved ones and your colleagues remain in good health and are staying safe. Please let us know how we can help.

Ajay Mirza, Mike Norman, and Andrew Owen
Senior Managing Principals

An update on CARES and a reminder regarding communication of plan sponsor driven events

Our stable value team has been hard at work to minimize and clarify possible impacts, resulting from the pandemic, on the book value contracts used within our stable value portfolios. The providers we utilize remain committed to the stable value market and to continuing to provide the guarantees that are a hallmark of the stable value asset class. With each of our contract providers, we are proactively addressing pandemic-related issues to continue providing the broadest possible contract coverage and to minimize administrative requirements for our clients. **Each provider has verbally committed that all CARES Act related plan changes and withdrawals will be covered under their contracts at book value**, and we are working to formally document that agreement with any that have not yet done so.

In addition, we are working to ease some notification and approval requirements for other changes plan sponsors may need to take in response to the pandemic and will update you as progress is made on those efforts. In the meantime, we want to provide a friendly reminder to our separate account clients that, in order to comply with wrap contract requirements and effectively manage your stable value option, we are reliant upon our plan sponsors to keep us informed of plan changes and employer events that may impact stable value withdrawals as they occur. If your company is planning on implementing plan changes or corporate actions that could impact withdrawals from your defined contribution plans, please contact your Galliard client team so we can work to facilitate communication with our provider partners to maintain book value coverage in your separate account portfolio.