



Helping You Turn
Over a New
Retirement Leaf

Adopted: November 2002

Affirmed: May 2008

Last Revised: June 2023

Stable Value Fund Sub-Advisor Change Policy

Adopted: November 2001 and affirmed May 6, 2008

Last Revised: November 2001

The Stable Value Fund (SVF) is an investment option offered by the Deferred Compensation Board to Wisconsin Deferred Compensation Program (WDC) participants. The SVF's investment objectives are preservation of principal, adequate liquidity, and a moderate level of stable income. It pursues these objectives through the purchase of investment contracts issued by high quality financial institutions which are backed by a portfolio of fixed income securities and certain stable value collective funds. Certain components of the SVF are backed by fixed income securities that are actively managed by sub-advisors in varying investment styles.

Policy

Per the Board's ~~November 2001~~ contract ~~amendment~~ with the Stable Value Fund (SVF) provider ~~(Galliard Capital Management)~~, the Board will permit Board's policy on SVF sub-advisor changes is to permit the provider, Galliard Capital Management (Galliard), to add or remove sub-advisors for the SVF; subject to approval by the Department of Employee Trust Funds ~~(ETF)~~ and the ~~Deferred Compensation Board's Investment Committee~~.

Formal Board approval of sub-advisor changes is not required; however, ~~the Investment Committee~~ETF will provide notice of ~~any~~ sub-advisor changes and ~~the Committee's any~~ recommendations to the Board.

Stable Value Fund History

~~June 30, 1998—present: Galliard Capital Management~~

Background

~~The Stable Value Fund (SVF) is an investment option offered by the Deferred Compensation Board to Wisconsin Deferred Compensation Program (WDC) participants. The SVF's investment objectives are preservation of principal, adequate liquidity, and a moderate level of stable income. It pursues these objectives through the purchase of investment contracts issued by high quality financial institutions which are backed by a portfolio of fixed income securities and certain stable value collective funds. Certain components of the SVF are backed by fixed income securities that are actively managed by sub-advisors in varying investment styles.~~

The Board began offering the SVF in 1998; as a replacement for a guaranteed investment in contract option that was phased out. In November of 2001, the Board approved an amendment to its contract agreement with the SVF provider. ~~Section Two of the 2001 amended agreement with Galliard states stated~~ that Galliard:

“...shall have full discretionary authority to manage and direct investment of the assets of the Account in accordance with the written investment objectives and guidelines as communicated to the Advisor and amended from time to time and included as Exhibit 1. [...] Advisor will have authority to select sub-advisors from time to time, up to four not including the Advisor, to manage certain of the assets of

the Account. Advisor shall review with the Department of Employee Trust Funds staff any changes to existing sub-advisors, including adding new sub-advisors, and provide a written document as to the reasons for any change. A manager profile of each proposed new sub-advisor shall also be provided. Advisor may proceed with the change only upon receiving the written approval of the Department of Employee Trust Funds. [...] Advisor will monitor the investment activity of each sub-advisor, review compliance with investment guidelines and monitor their performance. Advisor is responsible for implementing changes in sub-advisors as deemed appropriate, including adding or removing sub-advisors, with the approval of the Department of Employee Trust Funds.”

The intent of this amendment was for the Board to retain oversight and final approval for any new sub-advisor relationships while allowing Galliard more discretion to act according to market conditions and changes in investment management companies.

The investment advisory agreement between the Board and Galliard, which was amended and restated in 2015, retained this provision as 2(c).

“2 (c) Other Investment Managers. Advisor will have authority to select up to four other registered investment managers from time to time (each an “External Manager”), not including the Advisor, to manage certain of the assets of the Account. Such External Managers may manage assets of the Account through Collective Funds, insurance company separate accounts, or through a separate account in which case the External Manager will be a sub-advisor to Advisor pursuant to an investment management agreement. Advisor shall review with the Department of Employee Trust Funds staff any changes to existing External Managers, including adding new External Managers, and provide a written document as to the reasons for any change. A manager profile of each proposed new External Manager shall also be provided. Advisor may proceed with the change only upon receiving the written approval of the Department of Employee Trust Funds. If applicable, such External Managers will have full authority to invest assets in their respective portfolios in accordance with advisory agreements established between the External Manager and the Advisor or Collective Fund Trustee and the External Manager for the sub-accounts. Advisor shall provide a copy of any agreement entered into directly by Advisor with an External Manager or the applicable disclosure document for the Collective Fund to the Department of Employee Trust Funds for its records. Advisor will have authority to direct deposits to and withdrawals from External Managers accounts in accordance with the overall investment objectives and guidelines and Advisor's current investment strategy. Advisor shall advise External Managers in writing of the deposits and withdrawals as they occur. Advisor will monitor the investment activity of each External Manager, review their compliance with investment guidelines and monitor their investment performance. Advisor is responsible for implementing changes in External Managers as deemed appropriate, including adding or removing External Managers, subject to the written approval of an authorized representative of the Department of Employee Trust Funds.”