



STATE OF WISCONSIN
Department of Employee Trust Funds
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Correspondence Memorandum

Date: February 28, 2025

To: Deferred Compensation Board

From: Shelly Schueller, Director
Deferred Compensation

Dan Hayes, Attorney
Office of Legal Services

Subject: Stable Value Fund Agreement Revision

The Department of Employee Trust Funds (ETF) recommends the Deferred Compensation Board (Board) approve a revised and restated Galliard Investment Management Agreement.

The Stable Value Fund is a liquid investment option that seeks to preserve principal while generating consistent, positive returns over time. Galliard Capital Management has provided the Stable Value Fund for Wisconsin Deferred Compensation (WDC) participants since approximately 1985. This option has seen consistently high utilization by WDC participants, with roughly 37% of participants (26,476) holding approximately \$642,957,697 in the option as of January 31, 2025.

As explained in the online introduction portion of the WDC Stable Value Fund booklet:

“The Fund primarily invests in “Investment Contracts” which are vehicles that, under generally accepted accounting principles, are valued at “book” rather than “market” value. While market value typically means the amount a willing buyer could buy an asset from a willing seller at a particular point in time, “book” value is different. For an investment contract, book value starts with the original principal deposited with the contract issuer and then is adjusted for accrued interest, deposits, withdrawals and certain accounting requirements. The reason the Fund is allowed to value its Investment Contracts at book value is because the Fund has secured the book value coverage by a financially responsible third party, such as a bank or insurance company. [Commonly called “wrap” providers.] Book value accounting treatment tends to smooth out variabilities in the Fund’s price

Patti Epstein

Reviewed and approved by Patti Epstein, Chief Benefits Officer, Division of Benefits Administration
Electronically Signed 02/25/2025

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per unit or net asset value (“NAV”). As a result, the Fund is commonly referred to as a “stable value fund.””¹

The Board’s most recent agreement with Galliard was completed in early 2015. It was subsequently amended four times, in 2015, 2016, 2018 and 2019, making the document difficult to follow. ETF is recommending the Board approve a revised and restated advisory agreement, which is attached to this memo in draft format.

The revised agreement improves document flow and readability, reflects the current ownership structure² for Galliard, and updates the agreement to include the Department’s standard contract terms and conditions. The agreement includes ETF’s standard contract cover page and the Galliard Capital Management Investment Management Agreement along with five exhibits and a letter of clarification.

Galliard Capital Management, LLC. Investment Management Agreement

The agreement engages Galliard to invest and maintain the WDC’s Stable Value Fund. It includes general investment guidelines and specifies Galliard will select wrap providers (usually banks and insurance companies) for the benefit-responsive, book value investment contracts issued to the plan. The Board, on behalf of the plan, agrees that it will enforce a 90-day transfer limitation (often called an “equity wash”) on options that are deemed to compete with the Stable Value Fund. The equity wash is in place now and impacts the Vanguard Admiral Money Market and FDIC options.

Exhibits

1. ETF Standard Contract Terms and Conditions. The Department Terms and Conditions have been revised multiple times since the last amendment to the Galliard agreement in 2019. The June 2024 edition of the Department Terms and Conditions included with the draft agreement covers standard contract topics such as performance, controlling law, termination, ownership of materials, indemnification, information security, and various compliance expectations.
2. Allspring Collective Investment Trust/Galliard Collective Investment Trust “CIT” Application Form. This form provides Allspring and SEI Trust, the trust company, with information confirming the WDC is a s. 457 plan. The form authorizes SEI Trust to invest the WDC’s Stable Value Fund assets as directed. Schedule A of this document designates the Galliard and Allspring (formerly Wells Fargo) funds in which the Stable Value Fund will be or already are invested. Schedule B specifies which ETF staff are authorized to access SEI’s internet platform for plan data. Schedule C provides NSCC trading information.

¹ [WDC Stable Value Fund as of December 31, 2023](#)

² Galliard’s parent company, Wells Fargo Asset Management, was sold in 2021 and rebranded as Allspring Global Investments. ([Ref. DC | 12.10.21 | 5B4](#)).

3. Investment Objectives and Guidelines. This exhibit explicitly states the investment objectives and guidelines for the Stable Value Fund. It has been updated to align with Galliard's current guidelines. Specifically:
 - a. Duration Guidelines: The total duration limitation is revised from a maximum of 3.5 years in the current contract to 4.0 years. This change, according to Galliard, reflects a general extension of benchmarks with market moves over the last several years.
 - b. Quality Guidelines: the minimum weighted average credit quality rating is changed from AA- to A+. Per Galliard, "The change was made to reflect the downgrade of the US federal government and the fact that Moody's has them on negative watch." If Moody's should move to downgrade the US federal government further, the A+ quality guideline should avoid the need to amend the guideline to reflect that.
4. Fee Schedule. Exhibit 4 indicates that the WDC will pay an annualized fee of 0.075% for the Stable Value Fund. This is the fee the Board and Galliard agreed upon in October 2019. The fee is calculated and accrued daily based on the Stable Value Fund's prior day net assets and reflected in the Stable Value Fund's daily net asset value. It is paid quarterly from assets in arrears.
5. Certification of Qualified Investment Buyer. This is a form that provides Galliard with the assurance that the WDC meets the criteria necessary to invest with the firm. The WDC qualifies as a governmental employee benefit plan.

Letter of Clarification

This letter, dated February 19, 2025, clarifies that SEI Trust Company, the trustee of the Allspring Collective Investment Trust and the Galliard Investment Trust, acknowledges the WDC's indemnification limitations. It also states that unless pre-empted by federal law, any disputes shall be governed by Wisconsin state laws.

ETF recommends the Board approve the revised and restated Galliard Investment Advisory Agreement, as presented.

Staff from Galliard and ETF will be at the Board meeting to answer any questions.

Attachment A: [Proposed Investment Management Agreement](#)

Attachment B: [Letter of clarification](#)