

## **Stable Value Fund Sub-Advisor Change Policy**

*Adopted: November 2001 and affirmed May 6, 2008*

*Last Revised: November 2001*

Per the Board's November 2001 contract amendment with the Stable Value Fund (SVF) provider (Galliard Capital Management), the Board's policy on SVF sub-advisor changes is to permit Galliard to add or remove sub-advisors for the SVF, subject to approval by the Department of Employee Trust Funds and the Deferred Compensation Board's Investment Committee. Formal Board approval of sub-advisor changes is not required; however, the Investment Committee will provide notice of any sub-advisor changes and the Committee's 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 amended agreement with Galliard states 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.