

May 20, 1999

To: Board of Directors

From: Gina Mitchell

SVIA International Task Force. John Milberg reported that the Task Force had agreed to focus on two market opportunities: the United Kingdom and Japan. The Task Force has also created a business plan that outlines its approach, mission and deliverables.

Asset Allocation Models. Kim McCarrel reported on the Task Force on Asset Allocation Models. The Task Force, composed of Steve LeLaurin, Vic Gallo, Wayne Gates and Klaus Shigley, is developing a white paper on incorporating stable value into models. Once the paper is developed, the Task Force will seek Ibbotson's endorsement and work with pension model makers to incorporate stable value funds in their models.

Because this issue is so critical to the industry, the Board directed the Task Force to update the Association by the June 18th Board meeting on who is using asset allocation models and whether the models include stable value.

Performance Measurement Report. Jim McKay reported on a portfolio manager conference call, during which there was much discussion of the issues. Concerns expressed by the managers participating in the call, which included Fiduciary Capital, T.RowePrice, Galliard, John Hancock, American Express and PRIMCO were:

This new method was not needed, because managers already use appropriate benchmarks and long time horizons, so their clients are comfortable with their reporting. Are consultants demanding this new calculation?

Will the plan sponsors and consultants who receive the new calculation know how to interpret these numbers?

Will participants receive these calculations in error, causing managers great liability?

Will this cause managers to change how they manage, emphasizing short-term results vs. long-term?

The managers participating in the call agreed that the proposal represents good work on a method, and that something along these lines should be done. However, there can be no consensus of support until the issues outlined above are addressed. In addition, more people must be involved in the process to help reach a consensus.

Klaus Shigley reported that the Task Force was beginning Phase II of its work. The Task Force will be co-chaired by IBM's Dan Libby and PRIMCO's Paul Donahue. A key part of the second phase will be addressing members' concerns and gathering the views of different segments of the stable value community such as consultants and regulators. Dan Libby reported that key parts of the Task Force's work would include expanding membership and developing an action plan for Phase II that he would present at the Board meeting in June.

Proposed DOL Class Exemption on Synthetic GICs. A progress report on the proposed exemption, including a description of the proposed exemption was given to the Board. The Board will make a final

decision at the June meeting on whether the Association should be the Applicant for DOL exemptive relief, taking into account the particulars of the proposed Application. The June time frame provides Board members the benefit of prior review of a detailed and advanced working draft of the proposed exemption.

Given the importance, sensitivity and complexity of this initiative, some Board members questioned whether the Association should be the applicant for exemptive relief from DOL. The Board is seeking input from all Association members. Accordingly, SVIA will be taking the following steps-

Association members, including Working Group members will be invited to attend the Board of Directors June 18 meeting. One half day (1-5 p.m.) will be set aside to a discussion and resolution of issues related to the proposed exemption.

SVIA will contact all Board members shortly to identify issues and concerns that ought to be addressed prior to and at the Board meeting.

SVIA will circulate the most current working draft of the proposed exemption to all Board members and interested parties (voting members) shortly.

National Forum. SVIA's National Forum: New Opportunities, New Frontiers will be held on October 12-14 at the Monarch Hotel. The Planning Committee, which includes Bob Angelica, John Milberg, Bill Gardner, Tom Hartlage, Ken Walker, Maryann Lamb, Randy Paas, Joe Fournier, and Kathleen Rooney, are putting together a fabulous program. The New Opportunities, New Frontiers Forum translates into a two and a half-day conference that explores the issues that most directly impact the industry now and in the future. They include:

Why is stable value the best-kept secret in retirement planning?

Why do plan sponsors have a stable value investment option?

How do we take stable value global?

Asset allocation models: why is stable value in or out?

How do we mainstream stable value to individuals and the financial planning community?

New SVIA Offices. Starting May 1, SVIA will be at the following:

Stable Value Investment Association

1215 17th Street NW

Washington, DC 20036

Main: 202 467 2760

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President

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Budget, Finance & Oversight. Jim McDevitt reported that Capron & Associates had given SVIA's financial statements an unqualified opinion and that the auditors' bill for the audit and tax filing was not only less than Capron had estimated but considerably less than the 1997 work done by SAG and Grant Thornton.

Jim also reported that SVIA's separation from SAG would be effective May 1 when SVIA officially moved out of the office shared with SAG. Capron & Associates was used to transition all outstanding financial issues between the two organizations and establish the SVIA's bookkeeping and financial reporting system.

SVIA may have one open item with SAG after uncoupling the relationship: the IRS tax penalty of \$4,260 for late filing of the 1996 taxes. A letter was sent by SAG contesting the penalty on March 3 after notification of the penalty. No decision has been reached by the IRS to date on wavier of the penalty.

Lastly, Jim reported that SVIA was on budget for 1999 and that 66% of the value program revenue target had been collected along with 99% of the membership dues revenue target. To date, SVIA has reached 75% of its overall revenue goal.

Membership. Bill Gardner reported that Tami Pearse was the new chairperson of the Membership & Dues Committee. Bill reported that SVIA had nine new members:

John Sweeney, Saint-Gobain Corp.	plan sponsor
John Smith, Capital Research & Mgt. Corp	service firm
Mark Hanley, Weiss, Peck & Greer	service firm
Allen Fen, Fen Associates	service firm
Sam Dallas, MCN Energy Group	plan sponsor
Karen Simonsen, McDermott, Will & Emery	plan sponsor
John Porter, Eastman Chemical	plan sponsor
John Wolf, Graybar Electric	plan sponsor
Bob Angelica, AT&T	plan sponsor

Bill reported that the Committee will be mounting its third and final dues collection push in May with the carrot that payment by June 5th will ensure continued listing as a SVIA member and inclusion in the SVIA electronic and printed membership directories.

The Membership & Dues Committee will also be fundraising for the value program and the 1999 National Forum.

Communications. Kelli Hueler reported that SVIA's communication efforts were bearing fruit with positive articles in Bloomberg's Wealth Planner, MSN's MoneyCentral Investor and TheStreet.com.

The Committee has reorganized into three working groups: Stable Times, Media Program and Website & Technology. Both Kelli and Kim McCarrel are serving as co-chairs of the Committee this year. Kim will assume the chair's position once Kelli retires from the Board in October.

Website's Members Only: New & Improved. To use this section, which is under construction, you'll need a user name and a password. The user name is your first name and last name in lower case without spacing. The password is "svia" in lower case. Here's what is new & improved in the section:

Membership directory, where you can find your fellow SVIA members by choosing your own parameters and update your information so it is always current.

Association initiatives provides you with updates on Association activities and electronic copies of recent work including Board minutes and action items.

SVIA in the press provides at a glance an overview of recent articles on stable value and archives of the articles.

Talking back provides you SVIA's response to press articles that misrepresented stable value in key publications. For example, SVIA's response to CNNfnn's March 10th story is provided along with the negative Internet article.

New at SVIA features the latest information on the National Forum and "Just for You," which highlights benefits SVIA makes available only to its members such as hotel discounts, use of the office, and airfare discounts.

The members only section will not only keep you up to date on Association activities. It will also facilitate a dialogue on the issues members choose with their peers through the use of bulletin boards.

Board of Directors' Attendance. The following individuals attended the April 27 meeting: John Milberg, Bill Gardner, Klaus Shigley, Jim McDevitt, Kelli Hueler, Robert Krebs, Kim McCarrel, Karen Watson, Mike Wyatt, Jim Curry, Dan Libby, Tom Hartlage, Jeff Norris, Eric Kirsch, Jim McKay, Tom Obsitnik and Gina Mitchell.