

February 14, 2000

To: Board of Directors

From: Gina Mitchell

Re: Action Items from February 3-4, 2000 Meeting

Focus/definition of stable value. The Board reviewed the mission of the Association and the definition of stable value. The group agreed that the primary focus of the Association's efforts should be on qualified retirement savings vehicles: defined contribution plans (401(k), 457, 403(b)) and IRAs.

The Board discussed concerns about qualified retirement savings products that raised liquidity concerns for investors such as stable value IRAs and some fixed annuity based products with surrender fees. The Board agreed to revisit the issue in April.

The Board felt that tracks might need to be developed to focus on areas of interest to segments of the membership such as principal protected products like funding agreements. The Board felt that the Association could play a role in facilitating discussions and disseminating information on such issues.

Expanding stable value markets. The Board identified plan sponsors (existing private sector market), mid-sized firms, 457 plans, bundled providers and opinion leaders such as consultants, financial planners, asset allocation model makers and policymakers as the major focus for expanding stable value use in the U.S.

The Board thought the focus on global opportunities should focus on multinational U.S.-based companies, concentrating on companies with plants in the UK and Switzerland. The Board felt the best group to work with foreign governments to ensure a positive reception to stable value were issuers with multinational clients.

The Board brainstormed to develop messages for the respective target groups, which are outlined below.

Plan Sponsors

Employees are unhappy with bonds. SV is better for employees than bonds or money market funds.

Participants Should leave retirement savings in the plan. SV is a good diversification vehicle and capital preservation vehicle.

Members

Define stable value as qualified retirement savings products.

Opinion leaders (consultants, policymakers, financial planners, model makers) SV characteristics.

Multinationals

Be consistent among employee groups.

The Communications and Education Committee was tasked with developing a plan and respective messages to reach SVIA's targeted audiences.

Global Opportunities Draft Paper. The Board agreed that the compilation of materials on global opportunities for stable value should be distributed to the membership with Ken Walker as the author with acknowledgments for the contributions that others have made to the report. Randy Myers will edit the report and Ken Walker has agreed to write a brief summary of the report for Stable Times.

Board Nomination Process/Bylaw Revisions. The Board directed Al Turco to draft guidelines on the nomination process that would establish that to be a candidate for the Board an individual must (1) receive at least three nominations from different voting members or (2) a total of 10% of the total nominations made by voting members.

The Board also tasked Al to develop guidelines for Board membership, which encourage participation. Lastly the Board agreed to delete the section in the bylaws which permitted Board members to be paid or reimbursed for services. Al agreed to revise the bylaws and develop the guidelines for approval and adoption at the April Board meeting.

Asset Allocation Models. The SVIA membership poll identified asset allocation models as the major issue before the industry. The Board tasked the Asset Allocation Group to:

Survey model makers to determine their treatment and rationale for stable value in their respective model.

Create a white paper that proposes how stable value should be used in an asset allocation model for model makers and plan sponsors use.

Find or create a generic asset allocation model that incorporates stable value correctly that can be made available on SVIA's website.

Address the strategic versus tactical nature of asset allocation models through the survey and dialogue with model makers.

Develop a module on stable value that plan sponsors can use as part of their education efforts on retirement savings for defined contribution participants.

Public Policy. After hearing from Leslie Kramerich, the Acting Assistant Secretary for Pension and Welfare Benefit Administration and Don Myers, a partner with Reed Smith on the House Employer-Employee Relations' hearings on how to improve ERISA, the Board agreed to use the issue as an opportunity to introduce policymakers to stable value and the Association.

Performance Measurement. Dan Libby updated the Board that the Task Force was working through thorny issues such as valuation of wraps and disclosure requirements. He predicted the Task Force would achieve consensus on many issues and have recommendations for the Board in the summer. The Task Force was challenged by the Board to develop a strategy to educate the broad membership on their recommendations.