

October 31, 2001

To: SVIA Board of Directors

From: Gina Mitchell

Re: Action Items from October 9, 2001 Meeting

The following individuals attended the Board meeting: Karen Chong-Wulff; Gwen Collick, Richard Cook, Paul Donahue, Nat Duffield, Wendy Cupps, Bill Gardner, Wayne Gates, Aruna Hobbs, Eric Kirsch, Kim McCarrel, Jim McDevitt, Jim McKay, Gina Mitchell, Vicky Paradis, Steve Schaefer, and Al Turco.

SVIA Election for Board of Directors. The Association will hold the election to the Board of Directors the week of October 22 by fax and email. The target date to receive all votes is October 31.

This year the Board will be electing seven seats: two plan sponsors and five service firm members. The candidates for the plan sponsor positions are Don Butts, Qwest; and Bob Fox, Cultural Institutions Retirement System. The eleven candidates for the five service firm positions are: James Aguilar, Principal; Jo Anne Davis, State Street Global Advisors; Jill Cuniff, Morley Capital; Robert Madore, T.RowePrice; Marc Magnoli, JP Morgan Chase; Tom Manente, Hartford; Kim McCarrel, PRIMCO; James McDevitt, State Street; James McKay, American Express; Ken Quann, New York Life Investment Management LLC; and Greg Wilensky, Alliance Capital Management.

529 College Savings Plans. Aruna Hobbs reported that the Association had completed its objective of making this market aware of stable value's attributes. Awareness was achieved by creating a brochure explaining how stable value can be used in these types of plans and participating in the National Association of Treasurers and College Savings Plans Network conferences in Santa Fe, New Mexico.

Press outreach. The Board agreed to press forward on explaining stable value to the press and how the world is a very different place given recent events.

-Opinion Poll. The Board asked Wayne Gates to provide information about using Gallop to poll individual investors on conservative investments. SVIA will reach out to other public opinion firms to determine the cost of creating a periodic stable value poll and report similar to John Hancock's investment knowledge report.

-Consultants as an Education Target. The Board volunteered to assist in developing a list of consultants that SVIA can educate on stable value since they are critical gatekeepers in the retirement market.

-Articles for Stable Times. The Board proposed two articles as part of a special edition of Stable Times to target consultants and plan sponsors. One article would focus on money markets vs. stable value and conversion issues to stable value. The other article would focus on consultants and why they use/recommend stable value as a core investment option in a diversified portfolio.

The Board was asked to forward potential plan sponsors who had converted money market funds to stable value and consultants who were high on stable value to Wendy Cupps in order to pursue the articles.

SFAS133. The Board was updated on the uncertainty that issuance of SFAS 133 caused synthetic GICs. Since the FASB pronouncement has a higher level than SOP94-4, some auditors were unclear on accounting for stable value.

In light of this uncertainty, SVIA's Working Group on SFAS 133 lobbied the AICPA's steering committee, ASEC and the FASB Board to reaffirm SOP94-4. As a result of this effort FASB will be issuing a technical memorandum that upholds SOP94-4, book value accounting for stable value. The technical memorandum was issued this week. Our issue can be found in <http://accounting.rutgers.edu/raw/fasb/tech/index.html> in the Derivatives Implementation Group's Guidance on Statement 133 under Implementation Issues in Issue C19.

Accounting Liaison Task Force. An Accounting Task Force will be formed under the Government Relations Committee to meet formally with the AICPA on accounting issues related to stable value. Michael Fitzpatrick who chairs the AICPA's Employee Benefits Committee is meeting in late October to implement SVIA's recommendation for dialogue. The Task Force should be created before the end of November.

The Task Force will provide guidance on stable value in defined contribution plans and gray areas for stable value such as stable value mutual funds, 529 plans and the public sector market.

Defining Stable Value. Several questions were raised on what constituted a stable value fund as part of the 529 college savings plan and accounting treatment discussions. In light of these questions, the Board agreed to revisit this question as part of its January/February planning meeting next year.

Performance Measurement for Stable Value Managers. Vicky Paradis reported that she had talked with AIMR's Elesya Lakata. Lakata's review of the SVIA Task Force's work was very positive and encouraging. She reported that

the AIMR would form a committee with industry members in January to look at the components of developing standards for application to stable value managers. The Board tasked Vicky with developing a subgroup of the Performance Measurement Task Force to work directly with AIMR. The subgroup would also be charged with representing and consulting with the full breath of SVIA's membership as the AIMR's recommendations are developed.

Asset Allocation Models. Wayne Gates reported that Financial Engines was finalizing a white paper explaining how it modeled stable value. He reported that SVIA's white paper on asset allocation models had been distributed to SVIA's full membership and all the asset allocation model firms. The Board tasked Wayne to reach out once again to the asset allocation models to dialogue on the differences between the Association's recommendations and what the asset allocation model firms are currently doing.

SVIA Participation in NAST & CSPN. Gina Mitchell reported on SVIA's participation in the National Association of State Treasurers and College Savings Plan Network meetings in Santa Fe, New Mexico. SVIA participated in these meetings to educate state treasurers on stable value applications. There are potentially three stable value applications for the states: defined contribution retirement plans, college savings plans and municipal funding (short-term funding agreements). The response from the meeting was very favorable. The Board supported continuing this effort in 2002 and reaching out to the National Association of State Deferred Compensation Administrators in the coming year.

Government Relations Update. Jim McKay reported that Congressman Boehner's advice bill had been reported out of committee. However, floor action was unlikely given the events of September 11 and strong opposition in the Senate.

Additionally, Jim reported that the President's Commission on Social Security has delayed its report until the Spring of 2002. For now, Congress has agreed to focus on current events and postpone divisive, non-immediate issues. Because of current concerns with anthrax, the Government Relations Committee will not be meeting with policymakers on stable value until Congressional and Administration offices are once again opened.

Recognition of Board Changes. Because of the events of September 11, several Board members were prevented from attending the October Board meeting. One of those individuals, John Milberg provided a letter announcing his retirement from the Board, good wishes for the Board and thoughts on the Board's progress.

Bill Gardner, SVIA's outgoing Chairman was presented a letter of appreciation signed by the Board by SVIA's incoming Chairman Eric Kirsch.

The Board also recognized the efforts of the individuals who were stepping off the Board:

- Robert Krebs, NISA;
- John Milberg, Pacific Life;
- Susan Graef, Vanguard;
- Karen Watson, Baxter;
- Jim Curry, Union Carbide; and
- David Wray, 401(k) Profit Sharing Council.

The Board thanked three Board members for their contributions and for running for re-election for a possible second term. They were: Kim McCarrel, PRIMCO; Jim McDevitt, State Street; and Jim McKay, American Express.

SVIA Forum on Retirement Security: The Answer. Gina Mitchell reported that given the events of September 11 and the launch of the United States attack on Afganistan on the Sunday prior to the Forum, attendance was good. According to other Association colleagues, attendance was down to about 50%. SVIA had roughly 25% or 40 members cancel because of current events.

Forum Refund Policy. The Board voted to forgo for this year only SVIA's policy to charge \$100 on cancellations received before September 28. To minimize SVIA expenses related to cancellations, the Board also voted to require all refunds to be made by check to avoid credit card and bank fee charges.

Lastly, the Board also decided to suspend SVIA policy that cancellations made after September 28 would forfeit their registration fee for this year. These decisions were made because of the extraordinary circumstances of holding a conference when the nation had begun a war.

Next Year's Forum on October 15-17, 2002. SVIA's Forum next year will be held at the Ritz Carlton on October 15-17 following Columbus Day. Additionally, the Board meeting will be held after the event on October 17 rather than before the event.

Staff Change. Nicholas A. Caggia joined SVIA on October 24 in the Manager position that was vacated by Jack Jones on October 1, 2001. Nick can be reached at 202-261-6531 and nick@stablevalue.org.

Communicating with SVIA: Don't count on the mail. SVIA does not have full mail service since service is provided by Brentwood Postal Facility. Brentwood was shut down immediately after two postal employee died from anthrax. Until the facility is reopened, SVIA's mail will be sporadic. To assure that your communications are getting to SVIA, please fax, email or call.

2002 meeting dates and locations. Meeting locations and dates are listed below. Please hold these dates for SVIA in 2002.

- February 6/7, 2002 (W/TH) in San Francisco, California
- April 30 (TU), 2002 in the afternoon (noon to 2 p.m.) in New Orleans, LA. Will piggyback the IIR conference April 28-May 1.
- June 5/6,2002 (W/TH) in New York, NY.
- October 17, 2002 (TH) in Washington DC (11:30 to 2:30 p.m.) at the Ritz Carlton. Will piggyback the SVIA Forum October 15-17.