



Stable Value Investment Association

November 18, 2002

To: Board of Directors

From: Gina Mitchell

Re: Action Items from October 17, 2002 Board Meeting

Listed below is a quick summary of the action items from the October 17th meeting in Washington, D.C. The meeting was attended by: Don Butt, Karen Chong Wulff, Nick Caggia, Rick Cook, Mark Devine, Nat Duffield, Bob Fox, Bill Gardner, Wayne Gates, Aruna Hobbs, Eric Kirsch, Bob Madore, Marc Magnoli, Kim McCarrel, Jim McDevitt, Jim McKay, John Milberg, Gina Mitchell, Vicky Paradis, Steve Schaefer, and Al Turco.

Board Elections. SVIA elected six members to the Board. The two plan sponsor seats were filled by Ralph Egizi, Eastman Chemical and Karen Chong-Wulff, Dupont. The four service firm seats were filled by Jill Cuniff, Gartmore Morley; Wendy Cupps, PIMCO; Laura Dagan, Dwight; Wayne Gates, John Hancock Financial Services. ICMA's Daryl Dennis ran but was not elected. Tom Manente, previously with Hartford, was nominated but chose not to run.

June Minutes Approved. The June minutes were approved with one change. Kim McCarrel was listed as attending but did not attend. The revised minutes are attached.

Task Force on Mission & Environment. John Milberg presented the results of the environmental assessment survey of the membership. A little over half, 51% of the membership participated in the survey. The survey report is attached for your information.

The survey found that most members thought that the SVIA mission should focus on investment products with Book Value accounting treatment that are available to individuals in either employer-sponsored plans or through the retail market.

The Board asked the Task Force to form working groups to address the major issues identified in the survey. The issues identified are listed below.

- Impact of advice and advice models.
- Impact of sustained rising rate environment.
- Impact of demographics changes.
- Retailization of 401(k) plans.
- Expansion of the Stable Value market.
- Performance measurement of Stable Value Managers.
- Diminishment of Stable Value (disaster occurs).

- Decline in the number of Stable Value providers.

The survey also confirmed that the issuer segment's participation in the Association was likely to decline. The survey found that over the next three years:

- 20% of issuers said they would be dropping their Value Program Membership.
- 13% said they would be reducing their Value Program Membership.
- Another 13% said they would no longer be members of the Association.

The survey found that managers' participation was increasing somewhat: 10% said they would become Value Program Members; another 10% said they would increase their Value Program Membership.

The Board charged the Task Force and the Membership Committee to develop some proposals to retain the interest of the issuer segment in SVIA and the Value Program Membership. The Board asked the Membership Committee to reach out the membership to retain and encourage membership in SVIA and the Value Program Membership.

Membership Report. Rick Cook reported that SVIA had reduced its revenue from membership by 25% for 2002. SVIA lost two Value Program members in 2002: Deutsche Bank and Jackson National Life; and four service providers: Deutsche Bank, Sun America, TCW and Alpha Technologies. Additionally, New York Life reduced its Value Program membership to \$10,000.

However, SVIA gained two new service firm members this year: Fitch and Oppenheimer Funds. In addition, SVIA gained three Value Program members: Hartford, Goode & MBIA.

Budget, Finance and Oversight. Jim McDevitt reported that the Committee was developing a budget for 2003 that recognized the changing trends within SVIA's membership. He said the budget would include an element of belt-tightening. There was Board consensus to avoid service cuts when planning for 2003.

He reported that for 2002 SVIA's budget was on track. As of the end of September, SVIA had achieved 99% of the \$722,000 revenue target. Expenses were at 65% of budget, which included three public relations projects that the Board agreed to fund from reserves if necessary. The projects were the Video News Release, the radio tour and the Greenwald Conservative Investment Survey.

Communications & Education. Kim McCarrel reported that SVIA's efforts on educating the media were bearing fruit as evidenced by the mainstream press Stable Value was getting. She also reported that the Video News Release (VNR) had received airing on some ABC affiliates in Knoxville and Syracuse. The VNR is also suppose to be aired in November in Washington, D.C. and on 'It's Your Business.'"

The radio tour had also met its goals of targeting major media outlets in prime drive time. Fifteen stations aired interviews during prime morning drive time resulting in over 150 airings.

Lastly, she reported that the SVIA was collecting third quarter data from managers' on stable value assets, returns and expenses to generate more press and to counter claims that Stable Value was an expensive option.

SVIA Seventh Annual Investment and Policy Survey on Stable Value Funds. Steve Schaefer reported that the Survey Task Force was adding a question to better capture the composition of stable value manager portfolios and looking to clarify a couple of questions. The Task Force will finalize the survey before the end of November. Members will be asked to complete the survey covering 2002 data before the end of March 2003. The group is targeting the results from the survey for release no later than mid-April.

Government Relations. Jim McKay reported that Jackie Bell from Dupont had joined the Committee. He also reported that despite concerns about the impact of Enron and World Com, 401(k) reform and advice legislation was unlikely to move in the final days of Congress.

National Forum. Gina Mitchell reported that next year's forum would be shortened to a day and a half in response to the members' feedback. In response to the shortened schedule and the positive feedback from the conference, the Board tasked the Forum Committee to look at changing the fee schedule to reduce it for general membership participation and increase it for Value Program members since Value Program members pay roughly half of the regular membership registration fee. The Forum will be held next year on October 15-16, 2003. However, the Board meeting is scheduled for the afternoon of October 14.

Attachments: June Minutes
Task Force on Mission and Environment Report
Meeting Dates for 2003