



January 20, 2004

To: Board of Directors
From: Gina Mitchell, SVIA
Re: Action Items from January 14 Meeting

The following individuals participated in the January 14 meeting. They were: John Axtell, Donald Butt, Karen Chong Wulff, Gwen Collick, Richard Cook, Jill Cuniff, Wendy Cupps, Laura Dagan, Mark Devine, Nathaniel Duffield, Ralph Egizi, Robert M. Fox, Wayne Gates, Aruna Hobbs, Eric Kirsch, Robert A. Madore, Marc Magnoli, Kim McCarrel, James McDevitt, James McKay, Mike Norman, Victoria Paradis. SVIA also had four outside speakers join the meeting: Randy Hardock, Nell Henessy, Michele Varn Hagen, Matt Chambers. Al Turco was unable to attend the meeting.

Board Changes. The role of several board members changed at the January meeting. Five members began their three-year terms: John Axtell, Rick Cook, Nat Duffield, Aruna Hobbs and Mike Norman. Vicky Paradis officially became the Chairwoman of the Board. Eric Kirsch became the Past-Chairman and an ex-officio member.

Next Meetings. The following meeting dates and locations have been set for 2004.

March 30-31, 2004	JPMorgan Fleming Asset Management	New York, NY
June 22-23, 2004		Boston, MA
October 12-14, 2004	Ritz Carlton	Washington, DC

A meeting schedule for 2005 will be developed and circulated to the group prior to the March meeting.

Organization & Priorities. The Board agreed to review SVIA's committee structure and set priorities for the year. All committee chairs were tasked with developing priorities for their respective committees by the end of February based on the overview provided by the January 14th meeting speakers and input from their respective committee members. Additionally, SVIA will reach out to the membership to refresh committee membership and give existing members an opportunity to renew, resign or change their participation to reflect their current interests.

Budget, Finance & Administration. Jim McDevitt reported that SVIA had closed out 2003 by exceeding its revenue goal of \$11,950 by 75 percent to \$21,037.23. Additionally, SVIA was able to absorb the cost of outside counsel on the stable value mutual fund issue within the 2003 Operating Budget. Use of counsel constituted 11 percent of SVIA's overall 2003 budget. SVIA has received all attorney bills for service through November 31.

SVIA retained Capron and Associates for the 2003 audit. Capron will begin their fieldwork on January 22-23.

Jim reported that SVIA will be consolidating office space on January 29, which should save SVIA roughly \$12,000 in 2004.

The Board approved a resolution to update the authorization of SVIA officers to sign checks and approvals for SVIA two financial accounts. The new signatories are: SVIA's Treasurer, Jim McDevitt; Secretary, Al Turco; Chair, Vicky Paradis; and President, Gina Mitchell.

Communication & Education. Kim McCarrel reviewed recent press and noted that SVIA had achieved the objective of mainstreaming stable value funds with the press. She said that the Committee will continue to focus on informing and educating the membership on stable value mutual fund accounting developments. Additionally, the Committee will need to aggressively respond to possible press once the SEC makes a decision or provides an update on the accounting issue. The Committee is also looking at how to respond to possible press questions as a result of the mutual fund inquiry, and on other issues such as fees, disclosure, and cash flow.

Data & Research. Marc Magnoli reported that the Committee had three survey projects underway. The Fourth Quarter LIMRA-SVIA Sales and Assets Survey will be distributed to SVIA bank issuers before the end of January.

SVIA had completed the development of an Internet-based survey. The first test of this technology will occur towards the end of January with manager survey. The quarterly survey will be completely confidential and secure. The Board approved the quarterly survey questionnaire. The survey will provide aggregate information on assets under management, return and portfolio characteristics.

Marc also reported that the Policy and Investment Survey will be Internet-based this year. The Survey Subcommittee is scheduled to review and finalize the survey forms next week. Once the forms are complete, SVIA will finalize the programming and send out the survey to the membership in February.

Forum. Gina Mitchell reported that SVIA's 2003 Forum was successful in terms of attendance, substance of the program, and costs. Use of CVENT allowed SVIA to achieve several economies in marketing the Forum, registration and cash management.

SVIA cancellation policy of charging \$100 administrative fee for cancellation proved ineffective in discouraging cancellations and recouping fixed costs. SVIA had 10 cancellations in 2003. In previous years, cancellations had numbered no more than three except for 2001. The Board tasked SVIA's Treasurer and the new Forum Committee to set a new cancellation fee that will discourage cancellations and recoup fixed costs for the Forum.

The Forum Planning Committee will be convened in February to begin planning for the 2004 event.

Government Relations. Jim McKay reported that the Committee had taken the lead in organizing two meetings with the SEC on accounting issues for stable value mutual funds. These meetings resulted in two papers, which the Committee in cooperation with the Accounting Task Force, Mutual Fund Task Force and Communications Committee developed.

The first paper, *Valuation of Wrapper Agreements* summarized the points SVIA had made with the SEC. The respective entities and the SVIA Executive Committee approved the *Valuation of Wrapper Agreements*. The paper was filed with the SEC and distributed to the SVIA membership on December 16.

The second paper, *Why Investors Want Stable Value Funds* was also a collaborative effort of the Government Relations and Communications, and the Task Forces on Accounting and Stable Value Mutual Funds. This paper explained why investors want stable value funds from a broader, non-accounting point of view. The purpose of the paper is to educate policymakers, consultants, plan sponsors on stable value funds and the issues raised by the SEC on accounting for stable value mutual funds. The Board unanimously approved the final draft of *Why Investors Want Stable Value Funds*. The paper will be used to further the discussion on the SEC issue and to bring the membership and others up-to-date on this issue.

Jim reported that the Committee will continue to oversee the SEC mutual fund accounting issue and provide an update shortly assessing the SEC's views and likely actions on this issue.

The Board asked the Government Relations Committee to do two things as part of its organizational review. First, the Committee needs to make recommendations on possibly making the Accounting Task Force a permanent Subcommittee. The Committee also needs to identify and make recommendations for an accounting expert that can represent SVIA and stable value funds with the Big Four accounting firms, FASB and GASB.

Accounting Task Force. The Board tasked the Accounting Task Force with assessing GASB's review and consideration of accounting for derivatives to determine the need and role for Association involvement. Aruna Hobbs volunteered to lead the GASB

assessment effort. The purpose of the review is to eliminate any potential problems with the treatment of stable value funds and synthetic wraps under GASB rules.

The Board also tasked the Accounting Task Force with reviewing and assessing potential problems from a negative SEC ruling on stable value mutual fund accounting for other stable value applications. The compilation of accounting and regulation foundation for stable value applications prepared by Steve Schaefer will be used as the basis for this review.

Membership. Rick Cook reported that despite consolidation and the declining role of insurance issuers in the Association, SVIA had met 2003 membership targets. He noted that possible consolidation in 2004 could have a negative effect on service firm and value program membership. However, SVIA has gained two new Bronze Value Program members: Fitch and Galliard Capital. He reported that by December 31 that SVIA had collected \$226,755 of the 2004 dues.

Mission & Environment. Wayne Gates reported that the Committee's two task forces had completed their work. Two white papers had been completed explaining competing funds. One was targeted to plan participants. The other paper was targeted to plan sponsors and consultants. Those drafts are scheduled for final review by the full Committee and potential adoption by SVIA. Additionally, the Contingency Task Force had developed a model to determine how stable value funds could potentially respond to rapidly rising interest rates and cash outflows. Upon review of the full committee and the Board, the model will be made available to the SVIA membership as a planning tool.

Stable Value Fees & Disclosure. The Board began a discussion on how stable value fees are disclosed to plan participants, sponsors and consultants. The Board reviewed the SVIA disclosure model that was developed in 1997. The Board tasked the Mission and Environment Committee to form a Task Force to continue this discussion to determine the practices within the industry.