



April 3, 2004

To: Board of Directors

From: Gina Mitchell

Re: Action Items from March 31 Meeting

The following individuals participated in the March 31 meeting that was hosted by Vicky Paradis at JP Morgan Fleming Asset Management. They were: John Axtell, Karen Chong Wulff, Richard Cook, Jill Cuniff, Wendy Cupps, Laura Dagan, Mark Devine, Nathaniel Duffield, Ralph Egizi, Bob Fox, Eric Kirsch, Bob Madore, Marc Magnoli, Kim McCarrel, James McDevitt, James McKay, Mike Norman, Vicky Paradis, Chris Tobe and Al Turco.

Wayne Gates, Don Butt and Aruna Hobbs were unable to attend. However, Chris Tobe attended on behalf of Aruna.

Next Meetings. The following meeting dates and locations have been set for 2004-2006.

March 30-31, 2004	JPMorgan Fleming Asset Management	New York, NY
June 22-23, 2004	State Street	Boston, MA
October 12-14, 2004	Annual Forum at the Ritz Carlton	Washington, DC
January 18-19, 2005		
March 29-30, 2005		
June 20-21, 2005		
October 18-20, 2005	Annual Forum at the Ritz Carlton	Washington, DC
October 10-12, 2006	Annual Forum at the Ritz Carlton	Washington, DC

Priorities. The Board discussed issues and priorities for the next two years. They set the following issues in order of priority for the association.

- Accounting: maintaining book value accounting, resolving the SEC mutual fund wrap valuation issue, and addressing any spillover issues from the SEC.
- Communication and education: continuing to promote and increase the visibility of stable value funds.
- Stable value funds in a rising rate environment.
- Stable value fee disclosure.
- Involvement in retirement and investment policy debates.
- Producing a high quality, substantive Forum that meets the needs and expectations of the members and the industry.
- Capacity.

Automatic Rollovers. The Board approved a comment letter drafted by the Government Relations Committee on the Department of Labor's proposed regulations for a fiduciary safe harbor on automatic rollovers. The Board modified the draft to eliminate an endorsement of all six conditions of the safe harbor in recognition of providers' concerns about limitations on fees.

Commingled Funds. John Axtell reported that KPMG was requiring footnote disclosure on the valuation of wraps for their commingled funds in anticipation of a negative ruling from the SEC. This provided tangible evidence of the spillover for the SEC. The Board charged the Accounting Task Force to work to minimize any potential spillover by working with the audit firms. Additionally, the Board asked that the members inform Al Turco and Gina Mitchell of any new developments in this area.

Fees & Disclosure. Laura Dagan reported that a conference call was held with interested managers to discuss how they reported fees to clients. They formed an ad hoc working group to develop a template that could be used to provide consistency in the disclosure of fees for the various stable value product structures. The Board reviewed the draft template and made some suggestions. Laura agreed to redraft the template and have the Ad Hoc group review the changes. The group's final draft will be presented to the Board for approval.

Rising Rate Environment. Rick Cook walked the group through the draft paper on how stable value funds perform in a rising rate environment. The paper was drafted by Mei Ling Portugues, Laura Dagan and Rick Cook. The Board suggested that the draft be used as an article in Stable Times to help educate investors about stable value.

Additionally, the Board asked Rick to pull together an outline that discusses how stable value performs in a rising rate environment that could be used in discussions with clients and potentially with the press. Al Turco, Vicky Paradis and Bob Madore agreed to work with Rick on this task.

Towers Perrin. The Board decided to write a letter to Towers Perrin to educate the firm on stable value. Al Turco volunteered to draft the letter. The letter should build off the proposed outline on how stable value performs in a rising rate environment.

Budget, Finance & Administration. Jim McDevitt reported that SVIA had received an unqualified opinion by Capron and Associates on the 2003 financial statements. Jim projected that SVIA would achieve the 2004 revenue goals this year despite significant restructuring in the stable value industry.

Communication & Education. Kim McCarrel reviewed recent press and highlighted that press was now focusing on stable value in 401(k) plans. She reported that the Committee was reorganizing both the Media Team and the Stable Times Editorial Board. The Stable Times Board will refresh its membership. The Media Team will be streamlining itself to play both an offensive and defensive role. The Media Team will help promote stable value funds on the offensive and prepare for a potential negative outcome from the SEC on the defense.

Data & Research. Marc Magnoli reported that the Committee had three survey projects underway:

- The First Quarter LIMRA-SVIA Sales and Assets Survey;
- The Eighth Annual Stable Value Fund Investment and Policy; and
- The Quarterly Managers' Survey.

He reported that as of March 29 the Eighth Annual Survey had a 24 percent response rate. By the March 31 deadline, the response rate had grown to 76 percent.

The Manager Survey collected data covering over \$250 billion in stable value fund assets from 23 managers covering the third and fourth quarters of 2003. The survey found an annualized weighted return of 5.05 percent for the third quarter of 2003 and 4.87 percent for the fourth quarter of 2003. Stable value assets grew by over \$4 billion from the third and fourth quarters of 2003 to \$222.4 billion for total Stable value assets under direct management, which excludes assets that are sub-advised, and \$250.7 billion for total Stable value assets. Duration increased from 2.99 to 3.48 and credit quality rose from 8.14 to 8.25.

SVIA will send out the manager survey on a quarterly basis. Additionally, the survey will clarify that return is net of all fees. SVIA will collect data for the First Quarter of 2004 shortly.

Marc commented that the Quarterly Sales and Assets Survey was also underway for the first quarter of 2004.

Marc also reported that the Asset Allocation Task Force had renewed its membership. Their first task will be a review and update of the asset allocation models. Mark noted that it may be time to visit at least one of the firms, since Morningstar and mPower had now completed their merger.

Forum. Gina Mitchell reported that SVIA's 2003 Forum was successful in terms of attendance, substance of the program, and costs. She reviewed the feedback provided by 53 participants in the Forum evaluation. The Planning Committee will convene in April to build this year's program around the Association's priorities.

Government Relations. Jim McKay reported that the Committee had drafted the comment letter on automatic rollovers. He led the Board through a discussion on the proposed safe harbor and the concern about the DOL's proposed restrictions on the level of fees that could be charged.

Accounting Task Force. Al Turco reported that the Task Force had begun to pull together a library of the accounting literature and regulations for stable value. Additionally, the Task Force had a conference call with accountants from two of the Big Four firms and had been presented with an opportunity to use this compilation to assist the firm's sort out their concerns on a negative ruling from the SEC. Finally, the Accounting Task Force asked for assistance in identifying an accounting expert that could help assess and assist guide SVIA through this process. Bob Madore suggested Tim Moran who is now with Fidelity.

Mutual Fund Task Force. Eric Kirsch reported that the SEC considered the valuation of wraps a priority. However, regulatory initiatives on the mutual fund scandal had preempted the SEC. The staff has indicated that they were unmoved by SVIA's input and were still negatively disposed on the valuation issue. They also indicated that the Commissioners would ultimately make the decision and that larger policy concerns could outweigh their dogmatic adherence to accounting literature. The Task Force will continue to monitor this issue. However, until it moves, it would be premature to advance discussions to the Commissioner level.

Best Practices Task Force. To prepare for all possible alternatives, a Task Force was formed to begin developing guidance that could be used to create a workable exception for stable value mutual funds similar to the one that money market funds

enjoy. Laura Dagan agreed to provide background on the money market funds exemption. The Task Force will consist of Jim McKay as chairman, John Axtell, Kim McCarrel, Vicky Paradis, Marc Magnoli, Jill Cuniff and Laura Dagan.

Membership. Rick Cook reported that despite consolidation and the declining role of insurance issuers in the Association, SVIA was projected to meet the 2004 membership and Value Program targets. He said that the Membership Committee would be looking at the dues structure for consultants and ways to bring them into the Association.