



October 22, 2005

To: Board of Directors

From: Gina Mitchell

Re: Action Items from October 19<sup>th</sup> Meeting

SVIA's Board of Directors met on October 19 at the Ritz Carlton in Washington, D.C. The following Board members attended the meeting. They were: Ben Allison, John Axtell, Don Butt, Rick Cook, Jill Cuniff, Wendy Cupps, Laura Dagan, Mark Devine, Nat Duffield, Ralph Egizi, Bob Fox, Doris Fritz, Aruna Hobbs, Bob Madore, Marc Magnoli, Mike Norman, Vicky Paradis, Ken Quann, and Al Turco. Pete Chapple, Jeff Clark, Gwen Collick, Bret Estep, Gina Mitchell and Ed Nolan were also in attendance. Listed below are the action items from the October Board Meeting.

Board of Elections. SVIA's Board of Directors' election will be held the week following the Forum. Voting members will have a week to cast their ballot for the six open seats. Two plan sponsor positions and four provider positions need to be filled. Nine individuals are running for the six seats. They are:

- Ed Adams, IBM for plan sponsor seat,
- Jackie Bell, DuPont for plan sponsor seat,
- Tony Camp, ING for provider seat,
- Jeff Clark, Dwight for provider seat,
- Jill Cuniff, Gartmore for provider seat,
- Ralph Egizi, Eastman Chemical for plan sponsor seat,
- Bret Estep, PIMCO for provider seat,
- Vicky Paradis, JPMorgan Asset Management for provider seat, and
- Dylan Tyson, Prudential for provider seat.

Code of Conduct. The Board unanimously approved a code of conduct for the Board of Directors and individuals who participate in Association activities.

Board Changes. The Board recognized that Vicky Paradis would be stepping down as Chairman of the Association and that Rick Cook will be taking on the responsibilities of Chairman in 2006. The Board thanked Wendy Cupps and Karen Chong-Wulff for their six years of service since this was their last meeting. The Board also thanked Laura Dagan for her three years of service on the Board who chose not to run for a second term.

Spring Forum. The Board discussed the proposed agenda for SVIA's first Spring Seminar on April 2-4, 2006 in Henderson Nevada at the Lake Las Vegas Ritz Carlton. SVIA's Chairperson, Vicky Paradis reported that the Seminar is a major challenge for the Association and a significant financial obligation. She urged that the Board and the membership put their full support behind the Association's effort.

2006 Budget. Rick Cook, Chairman of the Membership and Budget Committee and SVIA Chairman-elect, presented a proposed budget for 2006 and updated the Board on SVIA's revenues and expenses to date. The Board unanimously reviewed the budget report and also adopted the 2006 budget proposal.

June Action Items. The Board unanimously approved the June Action Items.

Accounting. Gina Mitchell updated the Board on FASB's proposed guidance for stable value accounting. Twenty-nine individuals submitted comments on FASB's proposed guidance, including the SVIA. Most of the comments addressed the issues raised by the SVIA. Several of the accounting firms raised issues regarding the new financial reporting standards and enhanced disclosures. While the accounting community concerns substantiated many of the industry's concerns regarding the cost and usefulness of the new requirements, it is unlikely that the FASB will eliminate or reduce these new requirements. It is anticipated that FASB will consider revisions to the draft guidance before the year's end and try to issue the final guidance around the New Year.

Mitchell also reported that the SVIA met with regulators from the Office of the Comptroller of the Currency and the Department of Labor's Chief Accountant's Office to update them on stable value funds and the proposed guidance.

Aruna Hobbs, Chairwoman of the Accounting Committee reported that GASB will be addressing stable value funds in 2006 as part of their derivatives implementation guide. She reminded the group that GASB, is the accounting rule-making body for governmental plans and is independent of the FASB. She pointed out that GASB provides guidance based on investment instruments held by state and local entities, while FASB provided guidance based on the investors in stable value funds. The Board instructed the Association to find a consultant that could work and represent the SVIA effectively with GASB.

Circle Trust. The Board of Directors discussed the Circle Trust Stable Value Fund's bankruptcy filing. The filing marked the first time a stable value fund has gone into bankruptcy.

Four Board members reported some involvement in Circle Trust. Jill Cuniff from Gartmore disclosed that Gartmore had served as an advisor to Circle Trust. Laura Dagan from Dwight reported that Dwight advised SEI, which represents a major part of Circle Trust's portfolio. Al Turco from Pepe and Hazard reported that he represents plan sponsor investors in Circle Trust. Bob Madore from T.RowePrice said that T.RowePrice has some plan sponsors who were in process of moving their assets from Circle Trust to T.Rowe that were affected.

The Board expressed concern that this negative event could taint the stable value asset class and cause regulatory concerns, especially with FASB's proposed accounting guidance. The Board charged the SVIA to alert FASB to Circle Trust's unique circumstances to minimize any negative impact with the proposed guidance. The Board also directed the Association to work with regulators to minimize negative effects on the industry and stable value investors.

Best Practices. The Board agreed to discuss and develop best practices for stable value fund management. Best practices would address the boundaries for stable value, investment guidelines, and trustee responsibilities. Mike Norman, Ben Allison and Vicky Paradis agreed to develop a straw man to begin these discussions.