



June 14, 2005

To: SVIA Board of Directors

From: Gina Mitchell, SVIA

Re: Action Items from June 6-7 Meeting

The June 6-7 meeting was hosted by Aruna Hobbs at AEGON's offices in Louisville, Kentucky. The following Board members attended the meeting: Ben Allison, John Axtell, Don Butt, Karen Chong-Wulff, Jill Cuniff, Wendy Cupps, Mark Devine, Nat Duffield, Ralph Egizi, Bob Fox, Doris Fritz, Aruna Hobbs, Bob Madore, Marc Magnoli, Mike Norman, Vicky Paradis, Ken Quann, Al Turco. Rick Cook, Laura Dagan and Eric Kirsch were unable to attend the meeting. Jeff Clark from Dwight, Chris Lineburger from JPMorgan Chase, Kim McCarrel from INVESCO, Tony Camp from ING, and Chris Tobe from AEGON were also in attendance. Listed below are the action items from the June meeting.

Election of Next SVIA Chair. Please be advised that Board members interested in running for the Board Chair position need to notify Vicky Paradis and Gina Mitchell in writing by June 30. The candidate(s) for the chair position will be announced shortly after the 4th of July. The Board will elect the next chair at its October meeting. The SVIA Chairperson serves a two-year term and must be a member of the SVIA Board.

Board Elections. Five Board positions are up for election this fall. There are three service firm seats that are up. They are Wendy Cupps' who has completed the two-term limit, Laura Dagan and Jill Cuniff who have served one three-year term and who can run for a second term.

There are two plan sponsor seats that are up for election. They are Ralph Egizi's who has completed one term and is eligible to run for a second term, and Karen Chong Wulff who has completed two three-year terms on the Board.

Vicky Paradis is in a unique position. As the past chairwoman of the Association, she can continue on the Board as an ex-officio. However, ex-officio positions are not voting positions. She can also run for a second term after stepping down as the chairwoman or upon completion of her two-year term as an ex-officio member of the Board.

SVIA voting members will be asked to nominate individuals to fill the five open seats this summer. Service firm members must receive at least three nominations or ten percent of the total number of members who make nominations. In past years the ten percent threshold has required a minimum of five to six different member nominations for a service firm member to be a candidate. Plan sponsor candidates are not subject to this requirement.

Additionally, to be a candidate a member must be or become the voting member for his or her company, be willing to serve and actively participate on the Board for three years.

Candidates are announced during the summer and at the October Forum. The Board elections are held shortly after the October meeting. All voting members are asked to elect five individuals: three service firm members and two plan sponsor members to the Board.

FASB Update. SVIA has been working with the FASB staff to make the FASB's draft exposure draft more true to SOP 94-4. Indications from staff and at the June 8 FASB meeting appear that the Association was successful in getting FASB to address concerns with the definition of fully benefit responsive, the criteria and limited use of contract value, presentation of financial information, and disclosure. However, the FASB Board agreed to continue refinements to the disclosure provisions offline with staff at their June meeting.

The FASB Board put in writing its intent to harmonize and conform the new definition of fully benefit responsive, the criteria and use of contract value, and the disclosure provisions to employee benefit plans in the June 8 discussion memorandum. FASB staff announced that these changes would apply to plan financial statements as of December 15, 2005. The FASB accounting guidance would be incorporated in the audit guide for investment companies and employee benefit plans.

It is anticipated that an exposure draft will be released sometime during the week of June 20. The draft will have a 45-day comment period.

Insurance Stable Value Managers Question Application. SVIA has heard from two insurance stable value managers on May 24 questioning how the FASB's exposure draft may apply to their stable value funds. It is unclear how the potential guidance will impact insurance stable value funds since they fall under a separate audit guide for the insurance industry. However, it is possible that the guidance could be applicable since the defined contribution plan, the client, will have to follow FASB's guidance as it relates to employee benefit plans.

SVIA held a conference call with FASB staff to provide background on the insurance stable value funds. ING's Jake Auger outlined the product, its reporting and regulatory requirements in the call on June 6 for FASB staff. Additionally, ING's Tony Camp briefed the Board at the June meeting on insurance stable value funds.

The Board concluded two things. First, the Board agreed to continue discussions with staff to determine the proposed guidance's application to insurance products. Preliminary discussions with staff and the June 8 FASB Board materials confirm that FASB does not intend to make changes to the insurance audit guide. Second, the Board agreed to review and consult with insurance stable value managers to evaluate and address any potential concerns that may be revealed once the exposure draft is released.

SVIA Communications on FASB. SVIA held a conference call on June 15 for the full membership to update the membership on FASB's direction, process, and next steps. Additionally, SVIA is hosting a drafting session to get members' issues and ideas on how to address these issues on June 28. The session will be hosted by Marc Magnoli

at JP Morgan's offices in New York City. The session will be used to develop guidance for the membership and to develop the Association's comments.

Accounting Press. Ben Allison, Mike Norman and Bob Madore agreed to develop a question and answer document to answer potential press, client or investor inquiries on FASB's actions and what it means to a stable value fund.

GASB. Aruna Hobbs updated the Board that GASB will begin its accounting review. Stable value will be addressed as part of this larger process. It is anticipated that GASB's efforts will start in earnest this fall. Unlike FASB, GASB's guidance is based on investment instruments rather than type of investor, specifically, defined contribution plans.

GASB Expert/Resources Sought. SVIA will be looking for a stable value, accounting, GASB expert to assist SVIA on this important issue. If Board members have consultant suggestions or internal resources they can make available, they should let Aruna and Gina Mitchell know by June 30.

International Accounting. Vicky Paradis asked that SVIA form an international accounting subcommittee to get FASB/GASB guidance adopted as part of the globalization of accounting standards. The Board agreed to do this once guidance was finalized by FASB and GASB.

Code of Conduct. The Board of Directors set a deadline of June 30 for final comments on the code of conduct. If you have comments or wish to get your company's general counsel's input, please do so before this date. Any comments or concerns should be submitted in writing to Al Turco and Gina Mitchell. Al will address any concerns and a new draft will be circulated if needed. The code of conduct will be subject to board review and vote at the October meeting.

SVIA Annual Survey. The 9th Annual Stable Value Investment and Policy Survey has been delayed for two reasons. Systematic problems were experienced using E-Businesses software for the second year. Additionally, a handful of members have been slow to provide responses. The Board agreed that SVIA would use Zoomerang's software, which the Association has used for the past five years for all other survey work. It is anticipated that survey responses will be in towards the middle of June and that the compilation and vetting of the data will permit a July release of the survey.

October 18-20 Forum. SVIA's October Forum will be a week later than usual since Columbus Day and Yom Kippur fall within the same week this year. The meeting will be held at the Ritz Carlton. This year's steering or planning committee is comprised of Kim McCarrel, Aruna Hobbs, Vicky Paradis, Rick Cook, Tony Camp and Dylan Tyson.

The committee surveyed the membership on topics and other forum issues. Members were most interested in accounting, disclosure, regulatory issues and external issues such as pension policy and Social Security reform along with demographic influences. The committee will build a program around this input.

Spring Forum. The membership was surveyed on SVIA holding a Spring Forum or Seminar. Overwhelming, the membership supported a SVIA event if a strong-content, well-executed seminar could be coupled with a great venue. Additionally,

members indicated they were tired of Florida. The Board, after much discussion, agreed to hold a Spring Forum this year if the event could meet the above criteria and produce revenue for the Association.

Government Relations. Ralph Egizi circulated a copy of Congressman Boehner's pension reform package for the Government Relations Committee input. He asked that the Board and the Committee give him feed back and direction on key issues the Association should weigh in on.

Consultant Outreach. The Board discussed an outreach effort to bring more consultants into the membership. Chris Tobe and Mike Norman agreed to develop benefits of membership talking point paper for this effort. They also agreed to lead an outreach campaign with Rick Cook. The Board charged them with developing and recommending a membership fee level for consultants.