



April 15, 2006

To: SVIA Board of Directors

From: Gina Mitchell

Re: April 2nd Meeting in Henderson, NV

SVIA's Board of Directors met on April 2 in Henderson, Nevada in advance of the Association's first Spring Seminar. The following individuals attended the meeting. They were: Ben Allison, Jackie Bell, Don Butt, Tony Camp, Rick Cook, Nat Duffield, Ralph Egizi, Bret Estep, Bob Fox, Doris Fritz, Aruna Hobbs, Bob Madore, Marc Magnoli, Mike Norman, Vicky Paradis, Ken Quann, and Dylan Tyson. Additionally, Murray Becker, Jeff Clark, Lynn Clark, Bill Gardner, Brett Gorman, Steve Kolocotronis and Bob Whiteford attended the meeting. John Axtell, Mark Devine were unable to attend the meeting.

Circle Trust. Murray Becker, Fiduciary Counselor's consultant on stable value briefed the Board on Circle Trust. He outlined the three problem investments in Circle Trust: Six Sigma, Milestone and the structured notes. Both Six Sigma and the structured notes were not wrapped. He gave several key dates for action on Circle Trust: a June 30 deadline to submit a bankruptcy plan, and an August deadline for the structured notes to mature. He reported that the fund at this time is about 98 cents on the dollar. He explained that Fiduciary Counselors' put the stable fund into bankruptcy to defeat the one-year put of plan sponsors scheduled to withdraw from the fund and minimize the insolvency caused by the three investments.

The Department of Labor also has an April 14 deadline to file its brief and name additional defendants in its litigation against Circle Trust.

The SVIA has met twice with the Department of Labor to learn what happened, educate them on stable value funds, their investments and safeguards, and to learn of any concerns the Department has with stable value funds and address them.

Best Practices. Ben Allison was directed at the January meeting to develop stable value parameters that distinguished stable value funds from the Circle Trust experience. The purpose of the paper was to show that Circle Trust was not typical and that current practices and safeguards would prevent another Circle Trust. He reported that his Working Group had developed a white paper explaining stable value practices. The first draft of the paper had been circulated to the Board in advance of the meeting. He asked that the Board review the draft paper and provide comments to him as quickly as

possible. The draft will be used to respond to Circle Trust developments. The paper had been divided into three sections: GICs, synthetics and commingled funds, which were led respectively by Tony Camp, John Axtell and Doris Fritz.

Accounting Issues. Aruna Hobbs reported that GASB was scheduled to begin their work in earnest on derivatives with the release of a preliminary views document. The document would serve to outline the GASB's project scope. It was scheduled for review in late April and would have to be formally approved by the GASB Board. She reported that through her contacts, she was able to obtain a June 1 meeting with the GASB Board to brief them on stable value. The Board agreed that the meeting should have three major objectives: introduce and educate the policymakers on stable value, explain the need for guidance, and determine the best vehicle to provide accounting guidance for stable value funds.

The Board asked that the GASB team be pulled from the FASB and Circle Trust working groups since they have the most recent and successful experience in explaining stable value to skeptical accounting policymakers.

GASB Assets. Marc Magnoli reported that SVIA had surveyed all the manager membership to determine GASB assets under management, how they were invested and what types of plans invested in stable value. The survey found that among the 24 managers participating in the survey, roughly \$32 billion comprised GASB assets. Consultant literature reported a higher number of \$100 billion. Mike Norman volunteered to get additional data from non-members who are significant in the governmental plan market. They included VALIC, TIAA-CREF and Nationwide.

2005 Audit. SVIA obtained an unqualified opinion from the 2005 audit by Aronson, which acquired Capron and Associates this past year. Capron has been the Association's auditors since 1998. SVIA had a substantial increase in 2005 in deferred dues compared to previous years. Additionally, SVIA had a significant outlay in professional services for the use of the accounting consultant, Rick Steinberg, who helped guide the FASB discussions. Payment for his services was \$160,457. These two items help to explain why income was up 17% and expenses increased by 7% in 2005 compared to 2004.

New SVIA Offices. After six years with Metro Office at 2121 K Street, SVIA will relocate its office to Preferred Office Suite at 1025 Connecticut Avenue. The move is occurring because the K Street Office has been sold and three floors will be added to the building. Construction is scheduled to begin on June 1 and all Metro Office tenants will have to be out of the space by that date. SVIA's will be in its new offices by June 1. The membership will be notified shortly of the new address and phone numbers.

Second Spring Seminar. SVIA's next spring seminar will be held on April 15-17, 2007 at Charleston Place Hotel in Charleston, SC. The conference will take place in the middle of the garden and house tour season. The room rate is \$289.

Forums. SVIA's next Annual Forum will be held at the Ritz Carlton on October 10-12 in Washington, D.C. The 2007 Forum will be held on October 9-11 at the Fairmont Hotel on 24th and M Streets in Washington, D.C. SVIA use to hold its meetings at the Fairmont until 2000 when it was called the Monarch Hotel. The decision was made to move back to the Fairmont for three reasons: the room rate was substantially less than the Ritz and similar hotel in the Washington area; the Fairmont could accommodate SVIA's preferred meeting dates and pattern; and the Fairmont had the best space available for the function.

Next Meeting. SVIA's next Board meeting is schedule for June 5-6 in Washington, DC at the Fairmont Hotel. SVIA's room rate is \$289 for reservations made by May 5.

Action Items Approved. The Board unanimously approved the January action items.