



October 15, 2007

To: SVIA Board of Directors

From: Gina Mitchell, SVIA

Re: Action Items from Board of Directors' Meeting on October 9th

SVIA's Board of Directors met on October 9 at the Fairmont Hotel in Washington, D.C. The following individuals participated in Monday's call. They were: Ed Adams, IBM; Ben Allison, Deutsche; Don Butt, Qwest; Tony Camp, ING; Rick Cook, Genworth; Ralph Egizi, Eastman Chemical; Bret Estep, PIMCO; Doris Fritz, Fidelity; Steve LeLaurin, INVESCO; Bob Madore, T.Rowe Price; Marc Magnoli, JPMorgan Chase; Brian Murphy, AEGON; Vicky Paradis, JPMorgan; Laura Powers, BlackRock; Ken Quann, New York Life; and Richard Taube, Pacific Life. Ameriprise's Jim McKay and Dwight's David Starr also attended the meeting. Mark Devine from AT&T was unable to participate in the meeting.

Board of Directors' Election. The Board of Directors' election will be held electronically following the Forum. Voting members will have until October 26th to cast their vote for the five open positions.

This year 43 of the voting members made nominations to fill the seats on the Board. The membership nominated 37 individuals.

Service firm candidates needed to receive at least four nominations to be a candidate this year. The requirement of four nominations narrowed down the field to nine individuals. Eight of the nine nominees elected to run for the four open seats. The eight service firm candidates are: Ben Allison, Deutsche Asset Management; Doris Fritz, Fidelity; Warren Howe, Metropolitan Life; Steve LeLaurin, INVESCO Institutional; John Moroney, Rabobank; Ken Quann, New York Life; David Starr, Dwight Asset Management; and Mike Wyatt, T. Rowe Price.

Twelve plan sponsors were nominated for the plan sponsor seat. Halliburton's Sharon Parkes accepted her nomination to the Board. The others were unable to make the time commitment required for the Board due to work and personal responsibilities.

SVIA Board Members Retiring. Four of SVIA's Board will be retiring this year having served on the Board for a total of two consecutive terms. They are Mark Devine, Don Butt, Bob Fox, and Bob Madore. The Board thanked them for their leadership and

participation these past six years. Their contributions and Board retirement were also recognized at the SVIA Annual Membership Meeting and Forum.

Board Members Up For Election. Additionally, five Board members are running for re-election since they are finishing their first three-year term. They are Ben Allison, Doris Fritz, Steve LeLaurin, Laura Powers and Ken Quann.

Board Recognizes Chairman. The Board thanked Rick Cook for his leadership as Chairman over the past two years. As Chairman, he guided the Association through FASB implementation issues, Circle Trust and the proposed QDIA safe harbor regulations. The CRAI study that he urged the Association to sponsor has been instrumental in responding to the QDIA and will to changing SVIA's message to a more positive one of promoting stable value with its strong, independent analysis.

FASB Implementation Issues. The Board was apprised that auditors were still using a variety of approaches in valuation. Inconsistency in the valuation methodology for wraps continued within and among audit firms despite consultations with the AICPA's expert panels and technical staff. SVIA worked directly with the AICPA's Employee Benefit Plan Expert Panel to educate and answer questions they raised with evergreen group annuities. SVIA's Working Group on Evergreen Group Annuities recommended that discontinuance value should be used for the fair market value of the annuity to the AICPA. The panel asked if there were other formulas or models for valuing group annuities that might be used. The AICPA panel said that they would ask their valuation experts for a model that could be used for group annuities. Because 5500 form report deadlines are at the end of October, it is doubtful that the AICPA will have another approach for consideration on the valuation of evergreen group before the filing deadline.

The Board agreed to continue work with the AICPA to get more consistency among valuation approaches for wraps and, for group annuity contracts should the AICPA develop alternatives to discontinuance value.

Revisions to SVIA Bylaws Adopted. The Board of Directors reviewed the proposed bylaws and unanimously approved them. The adopted revisions eliminate ambiguity and reflect how the Association and the Board function. The revised bylaws are attached for your information.

Department of Labor QDIA Safe Harbor. The release of the Department of Labor final regulations on the qualified default investment alternatives is expected by the end of the month. It was noted that Bradford Campbell, the Assistant Secretary for the Employee Benefits Security Administration was addressing the Forum on Wednesday and would talk about the regulations.

Despite several presentations and much outreach, the Department remained unconvinced that volatility concerns should be addressed by including stable value as a fourth QDIA. They continue to believe that an asset-mixed approach will produce greater income over

the long-run for the majority, which overrides the perceived need for a capital preservation vehicle that provides predictable returns.

As instructed over the summer, SVIA's Working Group on the Safe Harbor has developed summaries for the membership should the regulations exclude stable value or include stable value. The Board agreed that the SVIA should brief the membership on the final regulations and what they mean to stable value and stable value's use as a default once the regulations are released.

GASB. The Governmental Accounting Standards Board (GASB) released a final draft of the derivatives accounting standard. It included guidance for synthetic GICS. The Board asked the Accounting Working Group to file comments with GASB and to continue to work with GASB for guidance on synthetic GICS.

401(k) Fees. Policymakers remain interested in 401(k) fees. In addition to Congressman Miller, Congressman Neal introduced legislation that would impose more disclosure of 401(k) fees. The Department of Labor also filed a request for information on 401(k) fees, their transparency and their disclosure. SVIA filed comments with the Department of Labor and advocated that stable value fee template be used as the model for stable value fees.

Safe Harbor for Annuity Selection. The Board asked the Government Relations Committee to review the proposed safe harbor annuity selection regulations and provide comments. The Board agreed that the Department should encourage plan sponsors to offer "annuity-like" income streams such as stable value in retirement and that the Department should expand the safe harbor to include such products under the safe harbor.

Promotion of the Stable Value Study. The Board agreed to use the stable value analysis as the foundation for a promotional and educational campaign on stable value. The Board agreed to focus on three major groups: plan sponsors, consultants, and plan participants (through the press and website).

The Board asked that the Communications and Education Committee's Working Group comprised of Vicky Paradis, Dylan Tyson, Doris Fritz, Brian Murphy, and Andy Cohen develop an executive summary of the study. The Board agreed that three points should be emphasized: that stable value should be the fixed income in 401(k) portfolio; the benefits of stable value in asset accumulation; and the benefits of stable value in retirement. The summary will be used to promote the study with the three target groups. Additionally, the Board was asked to identify key consultants, plan sponsors and plan sponsor groups and publications for outreach. The Working Group was also tasked with developing a plan and timetable to reach out to each of these groups.

Forum Report. The membership's response to this year's Forum has been positive despite a change in the registration cycle. This year the majority of registrations were received in September along with rooming reservations. Typically, two-thirds of the registrations are received by the close of August. Despite the change in patterns,

registration revenue is anticipated to be \$175,000, which is \$10,000 more than the revenue target. Additionally, SVIA also met the hotel's room block target.

2007 Budget Update. Ken Quann, Chairman of the Membership and Budget Committee reported that SVIA was meeting budget targets. On the revenue side SVIA has raised \$783,136 or 87% of its target. This figure does not include most of the Forum registrations. Yet, SVIA is expected to meet most of the revenue targets. However, efforts like the CRAI study represent a major capital expense. This effort and others like it (QDIA safe harbor), which are issue responsive, have increased SVIA's professional services by almost 200% this year. Issue responsive efforts have caused SVIA to significantly tap reserves. It is anticipated that the 2008 dues increase will rebuild and replenish SVIA's reserves.

June Action Items Approved. The Board unanimously approved the June Board, June Executive Committee, and September Board conference call.

Next Meeting. The next meeting of the Board will be held January 7-8, 2008 at Pacific Life's offices. Richard Taube kindly agreed to host the January Board meeting at his offices in Newport Beach, Florida.

Attachments: Bylaws
Code of Conduct