

October 14, 2008

To: SVIA Board of Directors

From: Gina Mitchell, SVIA

Re: Action Items from October 7th Meeting at the Fairmont Hotel in Washington, DC

SVIA's Board of Directors met on October 7th at the Fairmont Hotel in Washington, D.C. The following Board members attended the meeting were:

Edward Adams	IBM Retirement Funds
Tony Camp	ING
Richard Cook	Genworth Financial
Bret Estep	PIMCO
Ralph Egizi	Eastman Chemical Company
Doris Fritz	Fidelity Institutional Retirement Services
Warren Howe	Metropolitan Life Insurance Company
Marc Magnoli	JPMorgan Chase Bank, N.A.
Vicky Paradis	JPMorgan Asset Management
Sharon Parkes	Halliburton Company
Laura Powers	Blackrock
Marijn Smit	AEGON Institutional Markets
David Starr	Dwight Asset Management Company
Richard Taube	Pacific Life
Dylan Tyson	Prudential Financial
Michael Wyatt	T. Rowe Price Associates, Inc.

Dylan Tyson was unable to attend the Board of Directors' meeting.

Additionally, the following SVIA members attended the meeting. They were:

John Axtell	DB Advisers
John Barrasso	Prudential
Bob Cahill	DB Advisers
Peter Chappellear	JPMorgan
Jordan Culp	DuPont
David Cruz	New York Life
Harry Dalessio	Prudential
Terry Finan	Jackson National Life
Julie Fisher	State Street Trust & Bank
Terry Hotchkiss	Principal Life

Kevin Kehres	Fortis Investments
Steve Kolocotronis	Fidelity Investments
Rob McEvitt	Fiduciary Capital Management
Antonis Mistras	DuPont
Jacky Morin	Jackson National Life
Jack Pacheco	Hartford Life
Steve Schaefer	Babson Capital (MassMutual)
Bob Whiteford	Bank of America
Wesley Whiteman	Prudential
Robert Waldo	Hartford Life

Market Conditions Roundtable. All attendees participated in a market conditions roundtable that touched upon expanding wrap capacity, encouraging new wrap participants, increasing existing capacity, using alternatives such as GIC-based products, reinsurance, AIG's status, contingencies, and insurance reserving requirements. The discussion was led by SVIA's Market Conditions Working Group, which is comprised of Marijn Smit, Richard Taube, David Starr, Vicky Paradis, and Marc Magnoli. The group will reconvene after the Forum to develop and implement next steps.

Insurance Reserve Requirements. Tony Camp reported that some new interpretations of insurance reserve requirements may be hindering capacity for insurance companies. He asked that insurance company representatives interested in exploring this issue to please contact him and join him in working on this potential concern.

Board Elections. SVIA will hold an election for four service firm Board positions. Seven individuals received at the requirement of four nominations or more to run for the Board seat. Six individuals chose to run. They are Tony Camp, ING; Jordan Culp, DuPont; Bret Estep, PIMCO; Terry Finan, Jackson National Life; Steve Kolocotronis, Fidelity Investments; and Steve Lelaurin, INVESCO.

Among the twelve plan sponsors nominated for the one open seat, all declined to serve due to concerns that the volatile market environment and work responsibilities would not permit them to fulfill their commitment to the Board. The Board agreed to fill the position by appointment in the new year. The Board was asked to provide suggestions before the end of the year for consideration.

Board Retirements. The Board recognized the many efforts of four SVIA Board members who are retiring from the Board or stepping down. They are:

- Ralph Egizi, Chairman of the Government Relations Committee, who has served two consecutive Board terms;
- Vicky Paradis, Chairwoman of the Communications and Education Committee and past-SVIA Chairwoman, who has also served two consecutive Board terms;

- Dylan Tyson, Prudential whose increased responsibilities at Prudential have taken him away from stable value;
- Rick Cook, Immediate Past SVIA Chairman and Secretary who is retiring from Genworth at the end of this year.

Membership Update. Doris Fritz wrapped up the year with a report on SVIA's membership. She reported that SVIA lost two members this year: plan sponsor, AT&T; and provider, Black Knight. She noted that SVIA gained two new Bronze Value Program members: ICMA and Jackson National Life.

Financial Report. Doris Fritz reported that SVIA's cost cutting initiatives were realizing savings. These initiatives included outsourcing administrative support, consolidation of SVIA's offices into one large office; changing insurance carriers to reduce premiums while increasing or maintaining coverage; and making *Stable Times* a biannual and electronic publication. She reported that both expenses and revenue were in line with budget projections. However, interest income was down due to the low interest rate environment, and the Spring Seminar did not meet attendance/revenue goals. She warned that the Fall Forum attendance/revenue goals may also fall short this year due to volatile markets. Despite this caution, she advised that SVIA would meet its net profit goal for the Forum.

Change in Meeting Cancellation Policy. Over the last year, SVIA has seen a dramatic increase in meeting cancellations. This impacts SVIA in two ways. It exposes SVIA to potential room attrition charges and related fees since SVIA contracts with the hotel to get a more affordable sleeping room rate for attendees, meeting space and food and banquet functions.

To illustrate, as of September 30, SVIA had 261 rooms booked. On October 3, the room block had dropped to 253. On October 6, the room block had fallen to 233. SVIA's room block commitment was 248. SVIA was able to negotiate with the Fairmont to waive room attrition charges. Typically, the hotel imposes the room rate plus tax for each room below the contracted amount.

Additionally, eight people canceled on October 2-3. SVIA had to guarantee all food and meeting costs on October 1. Although SVIA imposes a \$350 administrative cancellation fee to deter last minute cancellations, it has proven insufficient in 2008 and it does not cover SVIA's costs.

The Board unanimously agreed to a new cancellation policy that would impose a \$350 administrative cancellation fee if SVIA registration is canceled in writing ten days in advance of the meeting. An individual cancelling after the ten calendar days will forfeit his or her registration in its entirety. The Board strongly felt that the burden and responsibility for cancellation needed to be given to the individual canceling rather than the participants who attend the event.

Lastly, the Board instructed SVIA to minimize future contractual obligations including reducing future room blocks and having the Association submit a rooming list for all conference attendees rather than have members make hotel reservations directly with the hotel. Should SVIA change its individual room policy, the Board agreed that rooms would be given on a first come, first serve basis. The Board also

agreed that individuals that cancel sleeping rooms would be subject to same cancellation policy as registration: 10 days advance of the event an individual would forfeit one night's lodging for room and tax; after that time the entire reservation would be forfeited.

SVIA Spring Seminar. SVIA's next scheduled membership meeting is the Spring Seminar on April 7-9th at the Ritz Carlton at Laguna Niguel in Dana Point, California. The room rate is \$265. The hotel is accessible by four airports: Long Beach, Santa Ana (Orange County), San Diego and Los Angeles. SVIA's Planning Committee will start planning the Seminar towards the end of October.

2009 Budget. The Board unanimously approved the proposed 2009 budget that assumes 52 service firm members. It also puts the Association on track to rebuild SVIA's reserves. The 2009 budget sets a revenue target of \$853,120 and expense budget of \$717,850.

Stanton Crenshaw Hired. The Board also approved the Executive Committee's recommendation to hire Stanton Crenshaw, a public relations firm. Stanton Crenshaw will assist the Association in developing and implementing a media plan to respond to possible trouble with a stable value fund or funds; to respond to capacity or portfolio asset concerns; and to educate the press and the public on why stable value should be the fixed income component of a 401(k) portfolio. Stanton Crenshaw has agreed to work on a project basis over the next three to four months. It is anticipated this expenditure will be absorbed within the current 2008 budget in professional services.

GASB Synthethic Guidance. The Board was reminded that the Data and Research Committee had achieved a major success in working with GASB to uphold and reaffirm contract value for synthetic GICs in pronouncement on derivatives accounting. In fact, the GASB Board rejected a last minute proposal from the GASB staff to strip the guidance from the final pronouncement. This rejection was one of the few times that the Board has voted unanimously to reject a staff recommendation.

Congress May Revisit QDIA. It was reported that Congressman Andrews was interested in legislating a requirement that stable value be included as one of the Department of Labor's qualified default investment alternatives.

SVIA Filed Comments on 401(k) Fees. The Government Relations Committee drafted and filed comments on behalf of the Association on the final proposed regulations for 401(k) participant information and fee disclosure as it related to stable value funds. The Department is scheduled to finalize the regulations by year's end.

Action Items. The Board unanimously approved the June meeting and September conference call action items.

June 2009 Board Meeting in Boston. Doris Fritz announced that Fidelity would be delighted to host SVIA's June Board meeting. The Board accepted her invitation to attend a Red Sox game and to move

the Board meeting date in June so that might be possible. The Red Sox game would be in lieu of the usual Board dinner. The Board meeting has been tentatively scheduled for June 1-2, 2009.

Next Board Meeting in January in New York. SVIA's next Board meeting will be held on January 26-27 in New York, NY. The meeting will be hosted by SVIA's Chairman Marc Magnoli and be held at JPMorgan's offices. SVIA will not provide a hotel room block since most corporations have preferred relationships with hotels in New York and get a more favorable rate than SVIA can offer.