

April 15, 2008

To: SVIA Board of Directors

Re: Action Items from April 13, 2008 Meeting

From: Gina Mitchell, SVIA

The Board of Directors met on April 13th in the Ponte Vedra Inn and Club in Ponte Vedra Beach, Florida. The meeting preceded SVIA's Third Spring Seminar. The following Board members attended the meeting.

Anthony Camp	ING
Richard Cook	Genworth Financial
Ralph Egizi	Eastman Chemical Company
Bret Estep	Pacific Investment Management Company
Doris Fritz	Fidelity
Warren Howe	Metropolitan Life Insurance Company
Marc Magnoli	JPMorgan Chase Bank, N.A.
Gina Mitchell	Stable Value Investment Association
Brian Murphy	AEGON Institutional Markets
Victoria Paradis	JPMorgan Asset Management
Sharon Parkes	Halliburton Company
Laura Powers	BlackRock Investment Management, LLC
David Starr	Dwight Asset Management Company
Richard Taube	Pacific Life Insurance Company
Dylan Tyson	Prudential Financial
Michael Wyatt	T. Rowe Price Associates, Inc.

Ed Adams was unable to attend the meeting.

Board Responsibilities, Participation & Outreach Update. The Board reviewed SVIA's governing documents: the Bylaws, Code of Conduct and Committees. The Committee Chairmen reported on their outreach to each of their committees. All but the Government Relations Committee had been contacted and refreshed. Additionally, the Accounting Working Group was moved to the Data and Research Committee since Laura Powers has been leading that effort on behalf of the Association.

Each member of the Board was asked to actively participate on at least one SVIA Committee by the June meeting.

Promotion of Stable Value. Vicky Paradis reported that the Media Team had held a call and developed two messages on stable value. The main message was educational and the thought was to launch this stable value basics education during this period of market

uncertainty. Another message was intended to corral concerns that subprime and other troubled assets were going to negatively impact stable value. The Media Team was looking for Babbel's updated study through 2007 as a means to focus the Team's overall effort.

Vicky reported that the Media Team had put off efforts to separate stable value from subprime since this issue seemed to have passed and there has not been an event with a stable value fund to date.

Expanding Stable Value Markets. Marc Magnoli asked the Board to participate in the Seminar and to provide their input as to the market segments that would be most receptive to stable value funds. Based on the Board's input, Working Groups will be formed to develop and carry out an action plan to expand the use of stable value. For example, he suggested that a working group be formed to address using stable value in asset mixed funds or developing a regulatory framework for a stable value mutual fund.

Proposed Regulation for Service Firm Fee and Conflict of Interest Disclosures. SVIA filed comments with the Department of Labor on disclosure of fees and conflict of interest. Since stable value funds are investment products, they would not fall under the proposed regulations. The Department of Labor held hearings on March 31 and April 1 on the proposed regulation and resolved to issue regulations by yearend. During the two days of hearings, it was clear that the Department wishes all assets used in ERISA-governed plans to be subject to the proposed regulations.

QDIA Safe Harbor. The Department of Labor's guide to the QDIA regulations and clarification of the grandfather of money in stable value defaults is imminent. It is unclear how the Department will issue the stable value fund grandfather clarification. The Department may issue the clarification as part of an implementation guide or as a formal technical correction, which would require its release as a regulation in the *Federal Register*. The Department has stated that the clarification will cover all stable value funds and products.

12th Annual Stable Value Policy & Investment Survey. SVIA's 12th annual survey, which covers 2007 assets, went out to managers for completion by April 1. Two large managers have yet to provide their response. Surveys will be sent out in late April or early May to the life insurance members and internally managed stable value plan sponsors.

Membership, Budget & Dues. As of the end of March, SVIA had collected most of the dues. \$3,120 had been received from plan sponsor members, \$376,875 from provider members, and \$195,000 from the Value Program members. SVIA has three members who have not paid their dues: AT&T, Textron and Goode (Value Program Membership only). In addition, four service firms declined to renew their membership. They were: Oppenheimer, American Century, Fitch, and Moody's.

Consultant Membership. The Board discussed reaching out to consultants as a new membership base. The Board discussed whether the \$7,500 annual dues were an impediment. The group asked that we reach out to the consultant community to see if there are impediments and address the issue at the June meeting.

2007 Audit. Doris Fritz reported that she met with SVIA auditor, Mike Tanguay to go over the 2007 audit. She reported that SVIA received an unqualified audit and that Stokes management report found no issues with SVIA's management or financial systems. Tanguay did report that the IRS was adopting more stringent requirements on non-profits that would require the Association to have a written policy regarding Board compensation and travel. Otherwise, SVIA had adopted all of the new IRS 990 requirements and Sarbanes-Oxley requirements.

Spring Seminar. It was reported that roughly 113 people were attending the Spring Seminar, which was slightly down from last year. It is anticipated that the Association will earn a profit on the seminar despite the drop in attendance. The Board attributed this decline to members' increased workload due to market conditions. Additionally, some firms are limiting participation in SVIA meetings to one a year and that is the Fall Forum.

2009 Spring Seminar. The Board approved SVIA holding a fourth Spring Seminar at the Ritz Carlton in Laguna Nigel. SVIA's room rate is \$265 for the April 4-6th, 2009 meeting. SVIA's meeting consultant, Jackie Goodhart received over 23 bids for the meeting. Laguna Nigel was recommended because of the very competitive room rate for what is considered one of the top resorts in the nation, the West Coast, and that it should be a strong draw for meeting attendees.

FASB Implementation Issues. Laura Powers reported that SVIA had surveyed the membership on wrap valuation and evergreen group annuity valuation issues. The survey revealed that most stable value managers were using some form of replacement cost valuation for wraps and that evergreen group annuity managers were using a discontinuance valuation. She reported that the AICPA Expert Panels for Employee Benefit Plans and Commingled Funds continued to work together and wrestle with valuation of stable value funds. Because of increased market volatility and the subprime concerns, the auditors had expected to see an increase in the value of the wrap since they assumed that there was more risk in the portfolio. SVIA's working group explained in a conference call that many other variables go into the pricing of the wrap and that while market risk may have increased other variables such as interest rates have decreased, which offset each other. She reported that SVIA will continue to dialogue with the accounting community and the membership on this important issue.

GASB Synthetic GICs. The Board was advised that GASB staff had called twice to ask how stable value was holding up given the market volatility and sub-prime. The Board chose not to undertake an education initiative at this time to minimize spillover concerns due to market volatility and sub-prime onto stable value funds used in tax-deferred savings vehicles. Additionally, the Board was advised that GASB was looking to release the final derivatives accounting document in June of this year.

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

Attachment: January 2008 Action Items