

January 29, 2009

To: Board of Directors

From: Gina Mitchell, SVIA

Re: Action Items from January 27<sup>th</sup> Meeting

The SVIA Board of Directors met on January 27<sup>th</sup> at JPMorganChase. The following individuals attended the meeting. They were: Ed Adams, Tony Camp, Jordan Culp, Terry Finan, Doris Fritz, Warren Howe, Steve LeLaurin, Marc Magnoli, Sharon Parkes, Laura Powers, Marijn Smit, David Starr, Richard Taube, Michael Wyatt. Additionally, Rabbobank's John Moroney, Elizabeth McNichols, and Bill Mansfield; Bank of America's Bob Whiteford; State Street's Julie Fisher; and JPMorganChase's Jesse Mohan attended the meeting.

Accounting Issues. Brian Gallagher who is a Partner with Deloitte Touché and Chairman of the AICPA's Expert Panel on Mutual and Commingled Funds provided an overview of stable value accounting issues. He discussed wrap valuation and implementation of FAS157. Brian explained that auditors will be evaluating illiquid assets to determine if they fall into level two or level three disclosure requirements. Much will rest on the auditor's determination of an observable event and his or her comfort with the methodology and assumptions used to determine fair value.

Capacity. The Board reviewed a recent survey of stable value managers and wrappers as of November 30, 2008. The survey is not attached in order to preserve confidentiality and to minimize unintended distribution. A call will be held to discuss the results of the survey with survey respondents.

The survey along with scatter diagrams of four wrap managers' book was used to promote discussion on the challenges before stable value, specifically portfolio issues and capacity.

It was reported that a few firms were very interested in entering the wrap market. However, the regulatory process for approval could take three to six months. Additionally, it is possible that some firms may impose limits on new deposits.

Reserve Requirements. Tony Camp reported that factors in insurance company reserve formula were increasing reserve capital requirements. The increases were constraining capacity for stable value products. He asked insurance company members interested in this issue to form a Working Group to develop alternatives to the formula factors that could take into account the new realities of today's markets. The Board agreed to the Working Group. A conference call on this issue will be scheduled to develop alternatives and determine interest.

Stable Times. The Association's publication is now biannual. The next call of the Editorial Board will be in April and the editor position will continue to rotate among Board members. The Editorial Board is

responsible for soliciting and writing articles in addition to editing and reviewing all articles for the publication.

Media Team. Richard Taube explained that a FAQ in response to Lehman Brothers' Stable Value Fund had been produced by Taube and Mitchell because of the immediacy of the issue. The Board asked the Media Team to develop a broader FAQ in response to the many questions that today's financial markets were raising for stable value funds.

Website. The website will be updated in terms of its content and functionality. The mechanics of the website have not been updated since 1999 when the site was built. SVIA will move to a less laborious system that permits 'plug and play' updates. Members were asked to provide their input on the features they would like to see and to provide examples of sites they felt were well-designed and attractive. The Communications and Education Committee will be updating much of the information on the site.

LIMRA-SVIA Survey. The LIMRA-SVIA Survey on Stable Value Sales and Assets has also moved to a biannual basis. SVIA sent the request for information for the last half of 2008 to bank members for completion. LIMRA compiles and generates a final report with this data. It is anticipated that the survey should be released in April.

SVIA Stable Value Investment and Policy Survey. Laura Powers reminded the Board that SVIA will be conducting its 13<sup>th</sup> annual survey on stable value investment and policies. The survey covers all four segments of the stable value management: separate accounts (external); commingled funds; internally managed funds (plan sponsors); and insurance company general accounts.

CRAI/Wharton Study. The Board approved SVIA gathering and giving data to CRAI/Wharton to update their financial analysis of stable value funds. The addition of the 2008 data will give CRAI/Wharton 20 years worth of data and demonstrate how stable value performed in one of the most challenging market cycles. CRAI agreed to do the update at no cost to SVIA and to provide the updated report as soon as possible. All individual company data is completely confidential and its use is limited to the study.

Membership. Doris Fritz reported that membership renewal was slower than the previous year. To date eight plan sponsors, 28 service firms and 13 value program members have renewed. Three service firm members resigned. They were: ING (Colorado); AIG; and UBS. Three Value Program members dropped out. They were: Rabbobank, Ameriprise and AIG. One firm, ING dropped down a level to silver and nine Value Program members have not paid at this time.

2008 Financial Report. Doris reported that the majority of all expenses for 2008 were in and had been paid. Despite a challenging last year, SVIA netted over \$80,000. This net profit was largely achieved through cost savings that included: office space consolidation, outsourcing administrative and bookkeeping functions, moving from a quarterly to biannual newsletter and distributing it electronically

rather than printing and mailing it; changing web service providers and minimizing professional service expenses such as outside counsel and speakers.

Audit. SVIA will be audited for a third year by Stokes and Company. The audit has been scheduled for the first week in February and audited financial statements are expected by the April meeting. Finally, SVIA will be seeking bids for its 2010 and beyond audit work to ensure it continues to get both good service and competitive pricing.

Spring Meeting. SVIA's next meeting is the Spring Seminar on April 5-7<sup>th</sup> at Dana Point, California. Registration discounts will be done in two waves to encourage early registration. A \$200 discount will be given to members who register by January 31<sup>st</sup>; and a \$100 discount will be given to members who register by February 28<sup>th</sup>. The meeting will be held at the Ritz Carlton at Laguna Niguel, which is serviced by four airports (Orange County/San Ana, Long Beach, Los Angeles and San Diego). SVIA's room rate is \$265 and the resort fee is \$15. Unlike previous years, all rooms will have to be booked directly with SVIA since the Association is submitting a room block to control volatility in the room block and last minute cancellations.

The Board agreed to evaluate the viability of a fifth Spring Seminar after this year's event. Several factors will be considered including the economy, travel restrictions and this year's participation. If the event is not held, the Board would have a regular quarterly meeting.

2010 Meeting Dates. The Board agreed to defer a decision on 2010 meeting dates until April. In the meantime, members were asked to review the proposed dates to make sure there were no conflicts with business, religious holidays and practices, or school schedules. The proposed dates are:

- January 25-26, 2010 Washington, DC
- March 22-23, 2010 TBA and may change if SVIA holds a Fifth Spring Seminar
- June 7-8, 2010 TBA
- October 15-17, 2010 SVIA's Fall Forum at the Fairmont in Washington, DC

Next Meeting. The Board's next meeting is April 5<sup>th</sup> from 2:00 to 5:00 p.m. at the Spring Seminar.

Officers for 2009. Due to several retirements from SVIA's Board, the Board needed several new officers. Richard Taube agreed to chair the Committee on Communications and Education. Tony Camp agreed to chair the Committee on Government Relations. Doris Fritz agreed to take on the additional role of Secretary.

October Action Items. The Board unanimously approved the October action items.