

January 29, 2010

To: SVIA Board of Directors

Re: Action Items from January 26<sup>th</sup> Meeting

From: Gina Mitchell, SVIA

SVIA's Board of Directors met on January 26<sup>th</sup> at the Morrison House in Alexandria, Virginia. All members of the Board were in attendance. They were: Ed Adams, Tony Camp, Pete Chappellear, Jordan Culp, Terry Finan, Doris Fritz, Warren Howe, Jim King, Steve LeLaurin, Marc Magnoli, Sharon Parkes, Marijn Smit, David Starr, and Michael Wyatt. Rabbobank's Elizabeth McNichols also attended the meeting.

New Members. The January meeting was the first meeting of newly elected members to the Board. The new Board members were James King and Peter Chappellear.

New Officers. SVIA's new slate officers were introduced to the Board. They include:

- Marc Magnoli as Chairman;
- James King as Chairman of the Committee on Communications and Education;
- Steve LeLaurin as Chairman of the Committee on Data and Research;
- Gina Mitchell as Chair of the Committee on Events (meetings);
- Tony Camp as Chairman of the Committee on Government Relations;
- Doris Fritz ad Chair of Membership & Budget, and also Treasurer and Secretary.

Priorities for 2010. The Board reviewed the survey and ratings of issues for 2010. The Board agreed to the following:

- Capacity. The Board agreed this was the greatest priority. However, the Board felt that the Working Groups had accomplished their mission in identifying issues and reaching out to interested parties about opportunities in the stable value market.

The Board appointed Marijn Smit as Chairman of the Capacity Working Group to replace Laura Dagan who retired from Dwight at the end of 2009.

The Board agreed to go back to the Subgroups and wrap-up their efforts and to see if individual members are interested in focusing their efforts on the following new areas:

- To periodically touch base with new entrants and existing providers to remind them of opportunities within the stable value market.

- Work towards standard definition and/or harmonization of major contract terms such as:
    - Immunization,
    - Corporate events, and
    - Impaired securities
    - Calculation of crediting rates
    - Equity washes.
- Derivatives Reform. The Board agreed that the derivatives provisions in financial reform legislation are a priority. As it stands, the definition of derivatives under the various bills and discussion drafts are so broad, that they capture stable value funds. A Working Group comprised of Tony Camp, Steve Kolocotronis, Bob Whiteford, Gina Mitchell and AEGON's Washington Office met with Senate staff on December 7<sup>th</sup> on this issue. The House passed a reform bill in early December. It is unclear how the Senate will proceed with Senator Dodd's discussion draft. The Board asked that Tony Camp oversee this issue within the Government Relations' Committee activities.
- Commingled Funds' 12 Month Put. The Board agreed to look at way to better converge market to book for commingled funds. It appears the 12-month put for plans looking to withdraw from a commingled fund have raised significant issues for wrappers and managers during the past year caused by a mismatch between the duration and the put. Steve LeLaurin agreed to lead a group on this effort.
- Educate the Public & Policymakers on Stable Value. The Board agreed to educate the public and policymakers on stable value by using data from various SVIA surveys. Jim King was asked to lead this effort as part of the Communications & Education Committee's work.

Rabbobank. Elizabeth McNichols reported that Rabbobank was working towards a managed exit. She reported that their book of business had been reduced by less than 10% percent over the past year. She stressed that Rabbobank wanted a prudent exit but was looking for significantly more progress to be made in replacing its wraps over the next two to three years.

Communications & Education. Jim King reported that the last issue of *Stable Times*, which covered the Fall Forum, had been released and was available online. *Stable Times'* next issue will be published at the beginning of the second quarter since the publication is now biannual.

Data & Research. Steve LeLaurin reported that the Committee has successfully launched a quarterly stable value funds survey that gathered information about assets under management, crediting rate, market to book, duration and credit quality. The survey covers 26 stable value managers. The Committee is wrapping up its collection effort for data as of 12/31/2009.

The Committee will also be sending out SVIA's comprehensive Annual Investment and Policy Survey. This year's survey, which covers assets as of 12/31/2009 will be the 14<sup>th</sup> year of the survey. Surveys will go out in early February and the deadline for completion is the end of February.

SVIA also works with LIMRA to do a biannual survey on Stable Value Sales and Assets. SVIA provides data from banks in the wrap business. Survey responses to this survey are due at the end of January.

Spring Seminar. SVIA's Fifth Spring Seminar will be held on April 11-13<sup>th</sup> at the Four Seasons in Palm Beach, Florida. The meeting, "Preparing for Change" currently has almost 50 people registered for the event.

The Board agreed to investigate holding a Sixth Spring Seminar on April 10-12<sup>th</sup> in 2011. The Board was open to an East Coast or West Coast (includes Arizona) location. The dates, hotel rates, and transportation costs and ease will be key factors in determining the potential location.

Fall Forum. The Board agreed to move the Fall Forum meetings to November in order to get better rates (below \$300) at Washington hotels. After reviewing various bids from Washington-based hotels, the Board selected the Fairmont Hotel for the 2010, 2011 and 2012 meetings. The dates for the meetings are:

- November 17-18-19, 2010;
- November 16-17-18, 2011;
- November 12-13-14, 2012.

2009 Audit & Taxes. Doris Fritz reported that the 2009 audit would begin the first week in February. She reminded the Board that SVIA's new auditors are LarsenAllen. The audit will also include tax preparation. This year's financial statements will only show 2009. Future years will permit comparison with previous years since the LarsenAllen will be preparing those statements. It is anticipated that draft statements will be ready by the end of February for the Committee's review.

2010 Dues. Doris Fritz reported that \$1,950 in plan sponsor dues; \$210,000 in service firm dues, and \$115,000 in Value Program dues had been collected as of January 10<sup>th</sup>. By the date of the Board's meeting dues had grown respectively to: \$2,340 for plan sponsors; \$262,500 for service firms; and \$150,000 for Value Program dues. It appears that invoicing in October aided significantly in getting dues into the Association and processed within SVIA's respective member firms.

She reported SVIA came close to the budget targets in 2009. SVIA had \$826,250 for revenues (104% of target) and \$748,500 (105% of target) in expenses. Significant savings has been achieved through office consolidation, moving to electronic-based newsletter, and outsourcing of many of SVIA's administrative functions. She noted that although SVIA did not meet its revenue target for membership (97%), it did

exceed revenue targets for the Spring Seminar (113%) and Fall Forum (136%), which put the Association ahead of budget for total revenues (104%). These efforts have permitted SVIA to rebuild the SVIA's equity reserves by 68%, which was a priority for the Committee and the Board.

Doris reminded the group that SVIA had approved the 2010 budget at the October Board meeting and that financial reports for January would not be available until early February.

Alexandria Meeting Location. The Board agreed to investigate having the June and January meeting at the Morrison House. The dates for those meetings are June 7-8, 2010 and January 24-25, 2011. If agreeable rates can be negotiated the meetings will be held there.

Approved Minutes. The Board unanimously approved the October 2009 action items.