

November 19, 2010

To: SVIA Board of Directors

Re: Action Items for November 17th Meeting

From: Gina Mitchell, SVIA

SVIA's Board of Directors met on November 17th at the Fairmont Hotel in Washington, D.C. David Starr was unable to attend the meeting and sent Bill Gardner in his place. Board members who attended the meeting included: Ed Adams, Anthony Camp, Peter Chappellear, Jordan Culp, Terry Finan, Doris Fritz, Warren Howe, James King, Steve Lelaurin, Marc Magnoli, Sharon Parkes, Marijn Smit, and Michael Wyatt. Several SVIA members also attended the meeting. An attendance list of the members who joined the meeting is attached.

Board of Directors' Election. The Board of Directors' Election was conducted using CVENT and started on the 17th and concluded on December 3rd, which gave the membership two weeks to vote. The membership was reminded that only voting members were eligible to vote and that each company had only one voting member. The candidates running for election were Sharon Parkes (plan sponsor); Warren Howe, Aruna Hobbs, Steve Kolocotronis, Tony Luna, Leela Scattum, Tim Stumpff, Al Turco, and Bob Whiteford.

Board Retirements. Three members retired from the Board. They were Doris Fritz and Mike Wyatt who had served two straight terms. David Starr chose not to run for a second term. All three were presented with a gift from the Board for their service.

Communications and Education. James King reported that the Committee partnered with the Government Relations Committee on financial reform. Several letters to Congress had been sent, along with frequent updates to the membership on how financial reform may impact stable value funds. King noted that the partnership will continue as the Commodities and Futures Trading Commission (CFTC) and the Securities Exchange Commission (SEC) conduct the study mandated by the Dodd-Frank Act. Further, the two Committees will also work together on Senator Herb Kohl's review of stable value funds.

Jim said that SVIA had responded to several press inquiries that produced positive articles on stable value from *Institutional Investor*, *P&I*, and the *Oregonian*. He noted that SVIA also actively worked with the press to contain potentially negative articles related to State Street's exit from stable value asset management and Merrill Lynch's closing of a stable value fund.

Government Relations. Tony Camp reported that the Committee had focused all of its efforts on financial reform's impact on stable value. He reported that SVIA succeeded in clarifying that the swap definition and requirements did not apply to existing contracts; and obtaining a study by the CFTC and

SEC on stable value funds to determine how future contracts would be regulated. He urged all issuers to participate in SVIA's regulatory structure survey since this information is critical to the CFTC-SEC study. He noted that two firms did not participate.

Tony told the Board that Senator Kohl, who chairs the Senate Special Committee on Aging, had asked the GAO to review stable value funds on withdrawal restrictions. He noted that the Committee had investigative authority and that Senator Kohl was well-known to launch inquiries. Both the GAO questions and Senator Kohl's concern represented the first time stable value fund practices had come under review by either GAO or Congress.

Data and Research. Steve LeLaurin reported that SVIA undertook three surveys: the Annual Investment and Policy Survey, which covered \$621 billion in assets and all members participate; the Stable Value Funds' Quarterly Characteristics Survey, which covers wrapped-assets of \$437 billion, which only wrapped stable value managers participate; and the Stable Value Sales & Assets Survey, which SVIA does jointly with LIMRA and only issuers participate. He noted that SVIA will be reviewing and potentially streamlining the Annual Policy and Investment Survey to encourage a more robust and timely response.

Membership and Budget. Doris Fritz reported that SVIA was on target of exceeding its revenue goals. SVIA had picked up more new members than those who had dropped out. Additionally, conference attendance was very robust and had exceeded attendance and revenue expectations. She noted that expenses overall would come in on target despite some unexpected increases. Expenses in professional services exceeded budget due to Dodd-Frank; credit card fees also increased due to higher than expected attendance. Lastly, she noted SVIA's goal to rebuild the reserves should be achieved since the Association was slated to meet its net income goal of \$27,000.

Meetings. Gina Mitchell reported that 168 people were registered for the Fall Forum. Thirty more people registered than last year. She explained the increase was due to the solid program, November meeting date and industry developments that have all heightened members' desire to meet.

Mitchell noted that SVIA's next two membership meetings were April 3-5, 2011 at the Fairmont Princess in Scottsdale, Arizona (\$235 rate) and November 16-18, 2011 at the Fairmont in Washington, D.C. (\$279 rate).

New Issues. Two new issues were raised for the Association. It was reported that a Presidential Study was reviewing financial products with particular interest on investments that offered a constant NAV. Since stable value offers contract value, it may fall within the study's purview. The second issue had to do with how plan sponsors are required to report stable value fees in Schedule C of the 5500 reports.

Executive Session. The Board went into Executive Session and discussed the following items.

- Communication and Process. The Board agreed to improve its communication process and provide more immediate and frequent feedback to members, Working Groups and Committees as they developed positions and worked on Association initiatives.
- Dropped Email. Terry Finan reported that he was not receiving Board email correspondence and asked if others were also experiencing this problem. The Association was charged to investigate this issue and resolve it.
- 2011 Budget. Doris Fritz presented the proposed 2011 Budget to the Board for approval. The 2011 budget was unanimously approved.
- 2010 Audit and Taxes. Doris reported that the Association's audit had been scheduled for the last week of January with Larsen Allen. She noted that SVIA had implemented all of the auditors' management suggestions, which were diversifying bank accounts among financial institutions to ensure all SVIA funds received full FDIC coverage; and creating accounting procedures manual.
- Treasurer & Secretary. The Board unanimously appointed Sharon Parkes as Treasurer and Secretary for SVIA . They appointed Doris Fritz as an ex-officio Board member to permit a transition of the Treasurer/Secretary responsibilities over 2011.
- Minutes. The Board unanimously approved the June 2010 action items.