

April 8, 2011

To: SVIA Board of Directors

From: Gina Mitchell, SVIA

Re: Action Items from the April 3rd Meeting

The SVIA Board of Directors' met on April 3 at the Fairmont Scottsdale Princess Hotel in Scottsdale, Arizona. The following Board members attended the meeting: Anthony Camp, Peter Chappellear, Terry Finan, Doris Fritz, Aruna Hobbs, Warren Howe, James King, Steve Kolocotronis, Marc Magnoli, Sharon Parkes, Marijn Smit, and Bob Whiteford. Joseph Veeneman attended the meeting on behalf of Ed Adams who was unable to attend. Several SVIA members also sat in on the meeting. They are listed below.

SVIA Members

Pamela Asbury, Genworth Financial
John Axtell, Deutsche Asset Management
Bradie Barr, AEGON Stable Value Solutions
Kappa Bogart, AEGON Stable Value Solutions
Peter Bowles, Fiduciary Capital Management Inc.
David Cruz, New York Life Investments
Jon DeBow, JPMorgan Asset Management
Marty Fleischman, Mutual of Omaha
William Gardner, Dwight Asset Management
Susan Graef, The Vanguard Group
David Graham, Pacific Life Insurance Company
Manor Gupta, Goldman Sachs
Peter Jenks, Metropolitan Life Insurance Company
Rich Keri, Goldman Sachs
William McCloskey, Prudential
James McKay, Columbia Management
Jessica Mohan, JPMorgan Chase Bank
Jacky Morin, Jackson National Life
Helen Napoli, New York Life Investments
Victoria Paradis, JPMorgan Asset Management
Brian Reeves, Pacific Life Insurance Company
Eric Sandquist, Mutual of Omaha
Thomas Schuster, Metropolitan Life Insurance Company
Doug Schwab, PIMCO
Jeff Stein, Bank of America Merrill Lynch
John Sturiale, Charles Schwab & Co. Inc.
Al Turco, McElroy, Deutsch, Mulvaney & Carpenter
Robert Waldo, Hartford Life Insurance Company
Paul Wanglee, The Vanguard Group

GAO Report. The Board reviewed the GAO report on stable value funds. The group agreed that the report had many distortions about stable value. The Board agreed to develop a FAQ or white paper to

explain stable value and correct the GAO misrepresentations. Both the Government Relations and Communications and Education Committee were charged with this issue.

Communications and Education. Jim King, the Chairman of the Communications and Education Committee reported on several of the projects that the Committee partnered with the Government Relations Committee.

The Communications Committee surveyed 22 issuers in February on the addition of advice and managed account services. Respondents said that 87% of the time they always agreeing to the addition of advice services. Three issuers reported declining the addition of advice and managed account series in some instances. The survey also found that most issuers do not believe these services accurately capture stable value funds' characteristics.

The survey results were used successfully to disprove allegations that stable value funds prohibited and inhibited advice services in a letter to Sara Getz who was the General Counsel to Senator Kohl, Chairman of Special Committee on Aging.

The following individuals assisted in the development of the survey and the letter: Aruna Hobbs, Terry Finan, Bob Whiteford, Marc Magnoli and Jim King.

Jim reported that the Committee was also responsible for the FAQ on Stable Value Funds that was sent to Senator Kohl. The FAQ was also used by the membership as a tool to answer potential questions generated by the GAO study and the Senator's inquiry. The following individuals were responsible in developing the FAQ: Marc Magnoli, Steve Kolocotronis, Bob Whiteford, Jim King and Tony Camp.

The Committee also sent out several updates on the GAO and Kohl inquiries along with alerts on press stories on stable value or inquiries about stable value.

Data and Research. Steve LeLaurin who chairs the Data and Research Committee updated the Board on its three surveys. He noted that the Stable Value Funds' Quarterly Characteristics Survey that was launched in December 2008 now covered nine quarters and 25 managers. Assets in the survey have grown from \$346.8 billion to \$437.3 billion in assets.

LeLaurin reminded the Board that SVIA's Annual Survey that encompasses life insurance, managers and pooled funds is in its 15th year. The survey went out in mid-February. Responses were requested by the March 30th. Most surveys are in. However, the Association is waiting for responses from significant market participants:

- AVIVA Investors—Insurance
- DuPont —Managers
- Dwight—Managers & Pooled Funds
- Galliard—Managers & Pooled Funds
- ING--Insurance

Lastly, Lelaurin noted that the Committee reviewed the survey and cut significant number of questions out of life insurance since they weren't germane to this segment.

SVIA also participates in the LIMRA-SVIA Stable Value Sales and Assets Survey, which looks at stable value assets from an issuer perspective. That survey is now biannual and the last half of 2010 was just released.

Events. Gina Mitchell reported that SVIA's Planning Committee is comprised of Bill Gardner, Dwight; Warren Howe, MetLife; Aruna Hobbs, New York Life Investment Management; James King, Prudential; Steve LeLaurin, INVESCO Advisers; Marc Magnoli, JPMorgan Chase; and Marijn Smit, AEGON Stable Value Solutions.

This group developed the program for the Spring Seminar, which had 134 attendees. To date, SVIA had collected \$176,060.00 in registration revenues. Additionally, the Association had contracted for 201 rooms and booked 333.

Mitchell reported that the Fall Forum will be held at the Fairmont in Washington, D.C. on November 16-19, 2011 (Wed-Fri) and October 3-5, 2012 (Wed-Fri).

Government Relations. Tony Camp who chairs the Government Relations Committee reported that the Committee had sent a letter to the CFTC-SEC stable value study team that outlined the regulatory structure for bank and insurance company wraps. The letter provided a synopsis of the different capital and reserve requirements for wrap issuers. The following individuals were critical in the development of the letter: Tony Camp, Marijn Smit, Jim King and Jack Ewing, Marc Magnoli, Bob Whiteford and Julie Fisher.

He reported that at this time, the study team's review was on hold. The study team was waiting for the CFTC/SEC to release their proposed definition of swaps. Additionally, the teams work had been sidelined by conflict over the federal budget resolution.

Membership & Budget. Sharon Parkes, who chairs the Membership and Budget Committee, reported that SVIA has 50 service firm members, which is better than the 46 we budgeted. She noted that despite tough times in stable value, only a few service members have declined membership such as Rabobank and State Street Global Asset Management. SVIA has 14 plan sponsor members currently while the target is 16. Two members have declined: NY City Teachers' Retirement System and the Federal Reserve Fund.

Parkes reviewed SVIA's financial reports for February 2011. She noted that SVIA's was on target for both revenues and expenses. She noted that the use of legal services may be high this year due to the importance of the CFTC-SEC study.

Doris Fritz, who was the Treasurer for 2010 and who has been working with Parkes to transit the Treasurer responsibilities, reported on the Association's tax filing and audit for 2010. Fritz noted that SVIA's auditor: LarsenAllen did both the 990 filing and the audit.

Fritz reported that the 990 tax filing required of non-profits is proscriptive. The filing had been reviewed and approved by Membership and Budget Committee. It had also been sent to the Board for approval and was unanimously approved. The 990 was filed electronically on March 30, 2011.

Fritz highlighted the 2010 audit. SVIA received an unqualified opinion and LarsenAllen had no difficulties encountered or disagreements with management. She noted that for 2010 revenue was \$929,015.

Expenses were \$897,929, which was largely due to Dodd Frank. SVIA had a positive change in net assets of \$31,086, which meant that SVIA's goal to rebuild reserves was on target.

Capacity. The Board discussed continued concerns about capacity constraints. The group noted that understandably, the unprecedented recession continued to delay new entrants into the market. The group noted that new entrants had joined the market such as Mutual of Omaha and New York Life. Additionally, long established providers such as Prudential, MetLife, ING, Jackson had increased capacity in their product lines. The Board agreed that capacity for pooled funds was constrained and warranted a working group to see if there were issues specific to pooled funds that might be addressed to provide capacity to this sector of the stable value market.

Incoming Chairman Elected. Marc Magnoli, SVIA's Chairman thanked Tony Camp and Jim King for their willingness to run for the Chairman position. He explained that the issues before the Association were very important and that transitioning the position would be very helpful to the Association and the incoming Chairman. The Board voted Jim King as the incoming Chairman. Jim's term will officially begin on January 1, 2011.

Minutes. The Board unanimously approved the January 2011 action items.