



October 8, 2012

To: SVIA Board of Directors

From: Gina Mitchell, President

Re: October 2nd Board of Directors' Meeting

SVIA's Board of Directors met on October 2nd at the Fairmont in Washington, D.C. The following individuals participated in the meeting.

Board of Directors Attending:

Edward	Adams	IBM Retirement Funds
Peter	Chappelear	JPMorgan Asset Management
Sharon	Cowher	Halliburton
Joe	Fazzino	UTC
Susan	Graef	The Vanguard Group
Aruna	Hobbs	New York Life Investment Management, LLC
James	King	Prudential Retirement
Stephen	Kolocotronis	Fidelity Investments
Stephen	LeLaurin	Invesco Advisers
Marc	Magnoli	JP Morgan Chase
Gina	Mitchell	Stable Value Investment Association
Marijn	Smit	Transamerica Stable Value Solutions
Timothy	Stumpff	Morley Financial Services

Board of Directors Unable to Attend:

Brett	Gorman	PIMCO
Warren	Howe	Metropolitan Life Insurance Company

SVIA Members Attending:

Stephanie	Aebi	State Street Bank
Tara	Aldridge	New York Life Investment Management LLC
Robin	Andrus	Prudential Retirement
Gregory	Anselmi	Transamerica Stable Value Solutions LLC
Leonard	Aplet	Columbia Management
Mark	Auriemma	State Street
Bradie	Barr	Transamerica Stable Value Solutions LLC

SVIA Members Attending:

John	Barrasso	Prudential Financial
Le Ann	Bickel	Invesco Advisers, Inc.
Kappie	Bogart	Transamerica Stable Value Solutions LLC
John	Budd	MassMutual Financial Group
Anthony	Camp	ING
Colin	Carey	State Street Bank
Gladys	Casas	State Street Bank & Trust Company
Karen	Chong-Wulff	ICMA Retirement Corporation
Jeffrey	Chow	AIG Financial Products Corporation
Marie	Chretien	State Street Bank
Andrew	Cohen	New York Life Investment Management LLC
Phil	Connor	MassMutual Financial Group
Jordan	Culp	DuPont Capital Management
Jon	Debow	JPMorgan Asset Management
Angela	Demling	Invesco Advisers
Mark	Dorfler	The Vanguard Group
Joshua	Durham	Transamerica Stable Value Solutions LLC
Robert	Ferencz	Sidley Austin LLP
Terence	Finan	Jackson National Life
John	Fischer	Mutual of Omaha
Robin	Foley	Fidelity Institutional Retirement Services Company
Jordan	Frame	Transamerica Stable Value Solutions LLC
Nick	Gage	Galliard Capital Management Inc.
William	Gardner	Morley Financial Services, Inc.
Geoffrey	Gerow	MassMutual Financial Group
Jennifer	Gilmore	Invesco Advisers, Inc.
Andrew	Gittler	Bank of Tokyo-Mitsubishi UFJ, Ltd.
Matt	Gleason	Dwight Asset Management
Justin	Goldstein	JPMorgan Asset Management
Susan	Graef	The Vanguard Group
David	Graham	Pacific Life Insurance Company
Jeff	Graham	MassMutual
Paul	Grigely	MassMutual
Brian	Haendiges	MassMutual Financial Group
Sharon	Hoppel	Morley Financial Services, Inc.
Rajen	Jadav	AllianceBernstein Management
Shane	Johnston	Morley Financial Services, Inc.
Ross	Junge	Aviva Investors North America, Inc.
Gerald L.	Katz	Diversified Investment Advisors
Kevin	Kehres	Fischer Francis Trees and Watts, Inc.
Ryan	Krieg	Columbia Management

Christine	Lamb	Fidelity Investments
Joan	Larsen	Prudential Financial
Kirsty	Lieberman	New York Life Investment Management LLC
Paul	Livingstone	Assured Guaranty Corp.
Anthony L.	Luna	T. Rowe Price Associates Inc.
Robert	Madore	T. Rowe Price Associates Inc.
Philip	Maffei	TIAA-CREF
Thomas	Manente	ING
Carl	Marcantonio	Prudential Insurance
Marian R.	Marinack	Federated Investment Management Company
Richard	Mattison	Transamerica Stable Value Solutions LLC
James	McKay	Columbia Asset Management
William	McLaren	Lincoln Financial Group
Mike	Melcher	Hallmark Cards
Greg	Miller-Breetz	Transamerica Stable Value Solutions LLC
Jessie	Mohan	Bank of Tokyo-Mitsubishi UFJ Ltd.
David	Molin CFA	Fiduciary Capital Management, Inc.
Jacky	Morin	Jackson National Life
Helen	Napoli	New York Life Investments
Jessica	Ouellette	ING
John	Pacheco	BMC Pacheco Consulting, LLC
Martin	Palmeri	Bank of Tokyo-Mitsubishi UFJ Ltd.
John	Panagakis	TIAA-CREF
Kristine	Pavelchak	Fiduciary Capital Management, Inc.
Anita	Payumo	Assured Guaranty Corp.
Christopher	Pellegrino	Transamerica Stable Value Solutions LLC
Mark	Pherson	Transamerica Stable Value Solutions LLC
Nicole	Plourde	Transamerica Stable Value Solutions LLC
George	Quillan	Prudential Financial
Sai	Raman	AIG Financial Products
Frederick	Ramos	State Street
Daniel	Riley	NISA Investment Advisors, LLC
James	Roche	Standard Insurance Company
Melissa	Rowe	State Street
Eric	Sandquist	Mutual of Omaha
Steven J.	Schaefer, CFA	Bank of Tokyo-Mitsubishi UFJ, Ltd.
Michael	Sipper	New York Life Investments
Marijn	Smit	Transamerica Stable Value Solutions
Scott	Sokol	Valerian Capital Group
David	Solomon	Goldman Sachs
Susan	Southworth	ING
David	Starr	Dwight Asset Management Company
Matthew	Straub	Invesco US Fixed Income

SVIA Members Attending:

Pauliina	Swartz	State Street Bank & Trust
Aziz	Syed	John Hancock Financial Services
Garth	Talbert	ICMA Retirement Corporation
Christine	Thompson	Invesco National Trust Company
Joseph	Veeneman	IBM Retirement Funds
Robert	Waldo	ING
Lee	Wallingford	State Street Bank & Trust Company
Gary	Ward	Prudential Financial
Tressa	Webb	Fidelity Investments
Symeon	Williams	Transamerica Stable Value Solutions LLC

Jim King opened the meeting by introducing the Board of Directors and its officers. He recognized and thanks SVIA’s leadership team for their efforts while stressing the importance of the overall membership’s participation in achieving the goals and objectives of SVIA. SVIA officers are:

- Jim King, Chairman, SVIA Board of Directors.
- Marijn Smit, Communications & Education.
- Steve LeLaurin, Data & Research.
- Sharon Cowher, Membership & Budget and Treasurer/Secretary.
- Steve Kolocotronis, Government Relations.
- Marc Magnoli, Ex-Officio and Past Chairman.
- Gina Mitchell, Events.

King also introduced Zach Gieske who is SVIA’s new Administrative Assistant to the membership.

Board Election. SVIA’s President Gina Mitchell gave an overview of the pending Board of Directors’ Election. Four Board seats will be up for election this fall. The seats include:

- Ed Adams who serves as a plan sponsor. Plan sponsors can run and serve as many terms as they wish. Ed has chosen not to run for a third term on the Board since his work at IBM has moved away from stable value and into more defined contribution plan management.
- Pete Chappellear who is a service firm member. He is finishing a first term and is running for a second term.
- Jim King who is a service firm member. He is eligible for another term. Jim is finishing his first term and is also in his first year of a two-year term as Chairman of the Board. Jim also chose to run for a second term.
- Marijn Smit who is a service firm member. He is eligible for another term. He has served one full term; and was previously appointed by the Board to complete Brian Murphy’s term. Marijn, who chairs the Committee on Communication and Education, has also chosen to run for a second term.

Board Nominations. Mitchell reminded the membership that any member wishing to run for the Board needed to be nominated as a candidate. Service firm members need at least three nominations and at most 10% of total voting members, or eight nominations to become a

candidate. The membership was asked in September to nominate candidates for the Board election.

Board Candidates. Seven candidates were nominated for three service firm seats. They included the three incumbents: Peter Chappellear, Jim King, Marijn Smit, as well as four non-incumbents: Nick Gage, Galliard; Bob Madore, T. Rowe Price; Jim McKay, Columbia, and Jesse Mohan, Bank of Tokyo-Mitsubishi.

Joe Veeneman from IBM Retirement Funds received a plurality of nominations for the plan sponsor seat. This was the first time one plan sponsor garnered the majority of nominations. The membership will be asked to affirm Joe to the Board.

All of the Board candidates addressed attendees at the Board of Directors' meeting and explained why they wished to serve on the Board.

Board Election. The Board election will be held electronically using CVENT. Voting will open by email on Thursday, October 4th. The voting member for each company will be asked to select three out of the seven service firm candidates and to affirm Joe Veeneman to the plan sponsor Board seat. All votes are confidential and voting will close on October 19th.

Ed Adams Retirement from SVIA Board. The Board of Directors recognized Ed Adams' six years of service on the Board at the October meeting. They presented him with a token of the Association's appreciation for his good work.

Committee on Communications & Education. Marijn Smit who serves as Chairman of the Committee on Communications and Education explained that the Committee's efforts were divided into two parts: the Media Team, which addresses press and issues that arise as well as the *Stable Times* Editorial Board, which produces and edits articles for the Association's biannual publication, *Stable Times*.

Barron's Exchange. Smit highlighted the Media Team's exchange with *Barron's* as an example of its work. He noted that a very erroneous article, "Cloudy in a Transparent World," by Beverly Goodman ran on August 6. SVIA wrote a letter to the Editor that was published by *Barron's* on August 27. For most of August, the Media Team reached out to the reporter on stable value disclosure requirements, which were grossly misrepresented in the article. Additionally, the team reached out to the *Barron's* Editor on disclosure requirements and pointed out how poorly documented and researched the August 6th article had been.

Stable Value: Insiders' View. Additionally, a working group of the Media Team pulled together the publication, *Stable Value: Insiders' View*. Smit stressed that the genesis of the publication was the desire to correct common misperceptions about stable value. The Committee realized that the mainstream press would not be effective or a timely way to get the publication's information out. The Committee also sought to target plan sponsors and consultants for this publication.

Smit said that Sue Graef was tasked with exploring ways to address misperceptions about stable value funds. Graef interviewed several Association members to capture a diversity of views and

wrote an article summarizing these interviews. She partnered with Jim King, Marijn Smit, and Gina Mitchell to produce and edit what is now the publication, *Stable Value Insiders' Views*.

Stable Value Insiders' Views was released at the Fall Forum in the meeting materials. It was also posted in *Members' Only*. Graef stressed that the purpose of the publication was to create a dialogue with plan sponsors and consultants. The publication also provides an Association voice to support many of the points that the membership make individually.

Stable Times. Smit remarked that SVIA's biannual publication is *Stable Times*. The publication covers both the Fall Forum and Spring Seminar in its respective issues. However, the Committee wanted to give the publication more breathe so the *Stable Times* Editorial Board has recruited and incorporated additional articles that addressed more than our conferences, which highlight most of the issues that SVIA addresses.

Smit said that the first Issue of 2012 also included:

- SVIA Quarterly Characteristics Survey, which is a bell weather for stable value funds.
- A more comprehensive summary of the Annual Stable Value Investment and Policy Survey.
- The new ERISA disclosure rules for defined contribution plans.
- EBRI-ICI 401(k) asset allocation trends.
- A discussion of how stable value funds responds in a rising rate environment.

He concluded that the Editorial Board was taking a similar robust approach for the second issue, which should be out before the end of 2012.

Smit also noted that Committee was coupling emails to update the members on time sensitive issues with posting in *Members' Only* to make available Association information, articles and reports that are of interest to SVIA members.

Membership and Budget. Sharon Cowher who serves as the Chairwoman of the Committee on Membership and Budget as well as the Treasurer and Secretary reported on the Committee's work.

SVIA Audit and Financial Work. Cowher reported that the Association's auditors, CliftonLarsonAllen, were at the end of their three-year engagement. The firm has conducted and provided for 2009-2011:

- Audited financial statements, which all had unqualified opinions.
- Management communication letters.
- District of Columbia property tax filings.
- Responded and provided guidance on financial and accounting issues that come up from time to time.

She said that the Committee put the Association's financial work out to bid this year to ensure that SVIA continues to get the best work and price. Nine firms were solicited. Four firms including CliftonLarsonAllen responded. The Committee selected CliftonLarsonAllen and again for the next three years.

2013 Budget. Cowher asked the Board of Directors' to formally approve and adopt the Committee's proposed 2013 budget. She said the 2013 budget assumes a breakeven of \$998,670. It is conservative but realistic on revenue. It assumes 50 service firm members, 16 plan sponsors, \$200,000 in Value Program dues, and \$410,500 in total conference revenues. She stressed that most economies on expense side have been instituted. The Board unanimously approved the 2013 proposed budget.

Revenue Review. Cowher pointed out that the Association could have unforeseen expenses such as legal fees since they are dependent upon legislative and regulatory developments, which tend to be hard to predict. She also suggested that the Association needed to build an operating surplus of three to five years of operating revenues to give SVIA ability to respond to threats without going to membership for special assessments. The Board tasked Cowher and her Committee to examine the reserve issue and to make recommendations on how to increase Association revenues. The last time SVIA reviewed its dues was in 2007. The review resulted in a \$1,500 dues increase for service firm members. The dues rose from \$6,000 to \$7,500 in 2008.

2012 Financial Report. Cowher gave a brief financial report on how SVIA had fared through August of 2012. She reminded the Board that the Association had budgeted to break even in 2012 at \$958,270. She highlighted that:

- SVIA has met or exceeded all but the interest revenue target.
- As of August, SVIA had exceeded total revenue projections by 6%, for a total of almost \$1.02 million in revenue.
- SVIA is on target for expenses, which at the end of August were 50% of target or \$475,282.
- SVIA is vulnerable on the expense side to regulatory and legislative developments.
- However, as long as the CFTC/SEC SV contract study does not require major work and there are no new regulatory or legislative threats, the Association should finish the year with a net gain.

Membership. Cowher also focused on Association membership. She said that in 2012 SVIA had 18 plan sponsor members, 51 service firm members and had raised \$205,000 in Value Program dues.

2013 Dues. Cowher asked that the 2013 dues invoices were sent out on August 30, 2012 to give membership the most discretion to both budget and decide when to pay their dues. She reported that as of September 26, \$135,780 had been collected, which amounted to 23 percent of dues. She also mentioned that one firm, Hartford will not renew since it was acquired by MassMutual.

Data and Research. Steve LeLaurin who chairs the Committee on Data and Research overviewed the Committee's work.

LIMRA-SVIA Stable Value Sales and Assets Survey. LeLaurin highlighted the Sales and Assets survey, noting that it differs from most SVIA surveys since it covers issuers. Additionally, SVIA partners with LIMRA on the survey. SVIA provides the bank side of the business. The survey is also biannual. The First Half of 2012 was recently released. He noted that the survey:

- Covered 23 companies (ING no longer participates but Bank of Tokyo recently joined the survey).
- Reported \$379 billion in assets.
- Reported \$24 billion in new sales.
- Reported \$6.5 billion in renewal sales.
- Reported \$3.9 billion in ongoing deposits.

Stable Value Funds' Quarterly Characteristics Survey. LeLaurin noted that the Quarterly Characteristics survey covers 24 stable value managers on five data points: duration, overall portfolio credit quality, AUM, crediting rate and M/B ratio. The most recent survey as of June 30, 2012 found:

- Assets covered totaled \$441 billion.
- Crediting rate was 2.66 percent.
- Duration was 2.74.
- Credit Quality was 8.48 (AA or higher).
- M/B was 104.65 percent.

LeLaurin advised survey participants that they should expect the next quarterly survey data request on October 15th.

Annual Stable Value Funds' Investment and Policy Survey. LeLaurin observed that SVIA's longest running survey was the Annual Investment and Policy Survey. The Association has just completed the sixteen annual survey, which was released in May. This survey covers different management segments of stable value: individually managed funds, pools and insurance. It is the most comprehensive SVIA survey. As of December 31, 2011, the Annual Investment and Policy Survey:

- Reported \$645.6 billion in assets covering 159,000 plans.
- 92% of assets are in defined contribution plans.
- The largest segment is now the life insurance segment, followed by single plans and then pooled or collective funds.
- Pooled funds reported the greatest increase in assets with only three pooled managers reporting declines in assets from the previous year.

Government Relations. Steve Kolocotronis, the chairman of the Committee on Government Relations gave an overview of the three major issues before the Committee: regulation of constant NAV funds, Department of Labor's (DOL) fee and expense disclosures, brokerage windows and the CFTC-SEC stable value study.

Regulation of Constant NAV Funds. Kolocotronis reported that even though the Securities and Exchange Commission (SEC) had failed to adopt money market fund reform that included greater capital requirements and a floating NAV, the issue may come back after the election. He also reported that the Office of the Comptroller of the Currency's (OCC) request for comments on proposed regulations for STIFs had passed. The OCC regulations proposed similar requirements as those adopted by money market funds immediately after the financial crisis. He observed that most of the comments were generally supportive of the OCC's proposed

regulations and that most saw the proposed regulations as a way for the OCC to assert and maintain its regulatory providence over STIFs.

DOL Fee and Expense Disclosures. Kolocotronis reported that the Committee had undertaken three surveys to determine how stable value funds were thinking about the regulations and how they were implementing the regulations. He noted that the last survey covered expense ratios, turnover and benchmarks. It will be presented tomorrow by Steve LeLaurin and LeAnn Bickel during the Fall Forum.

Kolocotronis thanked Sue Graef, Aruna Hobbs and Nick Gage who have been part of this Disclosure Survey Working Group for all three surveys.

Brokerage Windows. Kolocotronis mentioned that the DOL withdrew the field guidance that required more extensive monitoring and reporting for brokerage windows. He emphasized that the DOL had not dropped the issue but may be back with more formal guidance in the form of proposed regulations.

CFTC-SEC Stable Value Study. Kolocotronis noted that most of the Committee's efforts have been focused on the CFTC-SEC stable value study. He said that the final swap definitions, which were released in July, did not impact or opine on stable value contracts. Footnote 4 of the final product regulations expressly says the Commissions will consider stable value contracts separately.

Kolocotronis reminded the Board that nothing changes for stable value contracts until the Commissions make a definitive decision and that the decision will be prospective. He announced that the Commissions were planning to reissue the 29 questions on stable value funds that the Commissions requested last August in a Request for Information (RFI). He explained that the Commissions wanted to make sure that commentators had the benefit of final swap definition rules and that many commenters requested more time. He opined that the reissuance of the RFI would be very soon and permits the Commissions to engage in a more deliberative process by giving them more time and more thoughtful comments.

Events Planning Committee. Gina Mitchell, who chairs the Events Planning Committee, reported that attendance has steadily increased since 2009 for both Fall Forum and to a lesser extent Spring Seminar.

She noted that the Committee had selected 2013-2014 Spring Seminar Venues. She reported that 24 venues submitted proposals and the Committee had narrowed down the choices to three states: Arizona, Florida, and California. The Committee also preferred a resort location. Based on these preferences and other key factors such as room rates, contract terms and meeting dates, the Committee had selected the Four Seasons Palm Beach for the April 14-16, 2013 at \$300 and the Four Seasons Troon North in Scottsdale, AZ on April 27-29, 2014 at \$310.

Mitchell thanked the Events Planning Committee for their good work on the Spring Seminar venues as well as the 2012 Fall Forum. Each year, the Events Planning Committee out does itself by creating an exceptional program. This year's Committee consists of:

- Aruna Hobbs, New York Life Investment Management

- David Starr, Dwight Asset Management
- Warren Howe, MetLife
- Jim King, Prudential Retirement
- Steve LeLaurin Invesco Advisers
- Mike Norman, Galliard Capital Management
- Marijn Smit, Transamerica Stable Value Solutions

Fall Forum Schedule. Mitchell concluded that the next two Fall Forums will be held at the Fairmont in Washington DC. The dates and room rates are listed below.

- October 14-15, 2013 at \$289
- October 13-14, 2014 at \$299

Action Items. The Board of Directors unanimously approved the June 2012 Action Items.

Next Meeting. The next meeting of the Board of Directors is scheduled for January 7-8, 2013 at the Lorien Hotel in Alexandria, Virginia.