



April 25, 2012

To: SVIA Board of Directors

Re: Action Items from the April 22, 2012 Board of Directors' Meeting

From: Gina Mitchell, SVIA

SVIA's Board of Directors met on April 25 at the Four Seasons Troon North in Scottsdale, Arizona. The following individuals participated in the meeting.

**Board Members**

Peter	Chappelear	JPMorgan Asset Management
Joe	Fazzino	United Technologies Corporation
Brett	Gorman	PIMCO
Susan	Graef	The Vanguard Group
Aruna	Hobbs	New York Life Investments
Warren	Howe	Metropolitan Life Insurance Company
James	King	Prudential Financial
Stephen	Kolocotronis	Fidelity Investments
Stephen	LeLaurin	Invesco Advisers, Inc.
Gina	Mitchell	SVIA
Marijn	Smit	Transamerica Stable Value Solutions
Tim	Stumpff	Morley Financial Services, Inc.

**Board Members Unable to Participate**

Edward	Adams	IBM Retirement Funds
Marc	Magnoli	JP Morgan Chase Bank
Sharon	Cowher	Halliburton Company

**SVIA Members**

Robin	Andrus	Prudential Financial
Leonard	Aplet	Columbia Management
John	Axtell	Deutsche Asset Management
Bradie	Barr	Transamerica
John	Barrasso	Prudential Financial

Le Ann	Bickel	Invesco Advisers, Inc.
Kappie	Bogart	Transamerica
Rachel	Burns	NISA Investment Advisors LLC
Anthony	Camp	ING
Jennifer	Chenu	Prudential
Karen	Chong-Wulff	ICMA Retirement Corporation
Jeffrey	Clark	Prudential Financial
Matthew	Condos	ING
Sandra	Costa	Fiduciary Capital Management, Inc.
Jordan	Culp	DuPont Capital Management
David	D'Auria	New York Life Investment Management LLC
Joshua	Durham	Transamerica
Terence	Finan	Jackson National Life
John	Fischer	Mutual of Omaha
Marty	Fleischman	Mutual of Omaha
Nick	Gage	Galliard Capital Management Inc.
Jennifer	Gilmore	Invesco Advisers, Inc.
Matt	Gleason	Dwight Asset Management Company LLC
Justin	Goldstein	JPMorgan Asset Management
Jeff	Graham	MassMutual Financial Group
David	Graham	Pacific Life Insurance Company
Felicia	Grumet	Bank of America Merrill Lynch
Sharon	Hoppel	Dwight Asset Management Company LLC
Terry	Hotchkiss	Principal Financial Group
Peter	Jens	Metropolitan Life Insurance Company
Gerald	Katz	Diversified Retirement Corp.
Ryan	Krieg	Columbia Management
Lacey	Lockward	New York Life Investment Management LLC
Thomas	Manente	ING
Carl	Marcantonio	Prudential Insurance
William	McCloskey	Prudential Financial
James	McKay	Columbia Management
William	McLaren	Lincoln Financial
Antonis	Mistras	DuPont Capital Management
Michael	Montanez	The Vanguard Group
Sharon	Morell	Morley Financial Services, Inc.
Dominic	Nolan	Pacific Life
Jessica	Ouellette	ING
John	Panagakis	TIAA-CREF
Tami	Pearse	Galliard Capital Management
Mark	Pherson	Transamerica
Nicole	Plourde	Transamerica
George	Quillan	Prudential Financial

Keith	Ragland	Invesco
Dan	Riley	NISA Investment Advisors LLC
Eric	Sandquist	Mutual of Omaha
Susan	Southworth	ING
Aziz	Syed	John Hancock Financial Services
Frank	Terpenning	Prudential Financial
Tressa	Webb	Fidelity Investments
Symeon	Williams	Transamerica
Jerald	Wirzman	Prudential

Jim King opened the meeting by introducing the Board and its officers. SVIA's officers include:

- o Jim King, Prudential Retirement, and SVIA Chairman
- o Steve Kolocotronis, Fidelity who chairs the Committee on Government Relations
- o Steve LeLaurin, INVESCO who chairs the Committee on Data and Research
- o Marijn Smit, Transamerica who chairs the Committee on Communications & Education
- o Gina Mitchell, SVIA's President who chairs the Events Planning Committee
- o Marc Magnoli, JPMorgan Chase who is Ex-Officio as Past Chairman (unable to attend)
- o Sharon Cowher, Halliburton (not present) who is Secretary & Treasurer and in this role chairs the Membership and Budget Committee

Communications and Education. The Chairman of the Committee on Communications and Education, Marijn Smit said the Committee's priority is looking at ways to promote stable value using Association data and surveys. He reported that the Committee released a press release in February that demonstrated the solid returns of stable value funds compared to money market funds. The press release was based on the Stable Value Fund Quarterly Characteristics Survey as of December 31, 2012. The press release was picked up by web-based publications. It also generated consultant inquiries for this data.

Smit reported on SVIA's Capacity Outlook Survey. The survey was undertaken in February to determine two things: a baseline for capacity as of December 31, 2011 and an outlook for capacity in 2012. He reported that 27 issuers participated in surveyed. 20 issuers were in the business and held a \$455 block of business while 7 were looking at the business. He said overall, the survey was positive and that potentially \$67.5 to \$100 billion in capacity may be coming to the market across all product types: GICs, separate accounts and synthetic GICs. He noted that while the capacity picture looks positive, there was not a way to predict how this capacity might be allocated. Further, Smit reported that potentially \$27.5 billion in reductions are planned.

Because of potential negative articles on the planned reductions, he reported that SVIA was considering conducting webinars using the survey to update key constituents on capacity and wrap issues. Further, the Board suggested that the Association meet with key consultants who are opinion leaders and asked for the members' assistance in identifying consultants who were active on stable value funds.

Smit said that the First issue of Stable Times in 2012 will focus on the Spring Seminar, which showcases many of the Association's activities and major issues. SVIA uses Randy Myers, a freelance writer to cover the Seminar. He noted that the Editorial Board will also supplement this issue with articles. He anticipated Stable Times will be released around Memorial Day.

Finally, Smit noted that SVIA had several press inquiries that at least started off badly on stable value. Jack Willoughby from Barron's focused on the demise of stable value funds. However, the article "Steady Eddies," was pretty favorable for stable value due to much time and effort of the Association and some members. Jessica Tonkel from Reuters focused on the demise of stable value funds to the imposition of a floating NAV. However, the Reuter's story changed substantially to focus on wraps but remained negative.

Smit noted that the Association needed to weigh the costs/benefits when considering press outreach and consider non-press avenues for the Association to discuss stable value with key constituents such as conferences and webinars.

CFTC-SEC Study: Steve Kolocotronis reported on the Committee on Government Relations. He remarked that the CFTC-SEC are running very late on proposed regulations. Only 30 out of 300 regulations required by Dodd-Frank have been issued. He noted that the swap definition regulations will be proposed before the stable value contract study will be addressed by the CFTC-SEC. However, while the CFTC-SEC may have missed their earlier deadline, the recent release of the entity regulations has set up the product definitions for release in June. Once the product or swap definition regulations are released, the stable value contract will be addressed. He reminded members that until the CFTC-SEC address stable value contracts, all contracts that are executed will not be subject to swap regulations. The CFTC-SEC must decide two things: whether stable value is a swap and if it determines that stable value is a swap, whether it is in the public interest to be exempted from regulation as a swap.

Kolocotronis reminded members that the CFTC-SEC issued a 29 question RFI in August with a September 25<sup>th</sup> deadline last year so the Commissions have information available to them on stable value contracts. SVIA was joined by the American Bankers Association (ABA) and the Financial Services Roundtable (FSR) on their comment letter. Most comment letters filed with the CFTC-SEC were supportive of SVIA's position that stable value contracts are not swaps.

He elaborated that the CFTC study team has focused on bank contracts. The study team and Commissions seem to believe that insurance contracts fall within the broad carve out of insurance from Dodd-Frank. Early this year, SVIA was asked by SEC staff if stable value contracts could be carved out of the swap definition based on an existing bank product similar to what has been proposed for insurance companies. SVIA reached out to our bank members, the ABA, FSR and our counsel and determined that a product carve out did not exist on the bank side.

Early this year, a small delegation of SVIA members, which included Tony Camp, ING; James King, Prudential Retirement; Steve Kolocotronis, Fidelity; Steve LeLaurin, Invesco Advisers; Marc Magnoli,

JPMorgan Chase; Gina Mitchell, SVIA and counsel met with all the SEC Commissioners and their staff except for Chairwoman Shapiro given the SEC's questions.

Kolocotronis said the meetings were positive and productive. They alerted the Commissioners on the importance of stable value funds and explained why stable value contracts are not swaps. The meetings also established SVIA as a resource on stable value funds and contracts. He concluded by saying the stable value contract study remains a very high priority for the Association and the Association continues to reach out and track this issue with the Commissions.

Preserving Benefit Responsiveness. Kolocotronis also reported that the Government Relations was monitoring money market and STIF reforms out of an abundance of caution. Money market reform includes a floating NAV, which could cause some to question stable value's benefit responsiveness. Additionally, money market reforms include: duration, liquidity and capital requirements, which could raise similar questions at the fund level of stable value funds.

DOL Disclosure Regulations. Kolocotronis reported that SVIA has surveyed the membership twice on the DOL disclosure regulations. The first survey was done last year before the Fall Forum and focused on fees and the how the wrap fees were treated in the expense ratio. That survey found a diversity of approaches. This effort was led by Mike Norman and Sharon Cowher.

A second survey on how stable value funds were calculating turnover was conducted in early March. This effort was led by Aruna Hobbs, Sue Graef and Mike Norman. They also found diversity in how fund managers were calculating turnover.

Kolocotronis noted that the findings are consistent with Board's direction that SVIA role is a forum for discussion and education. He suggested and the Board agreed that the Committee should survey the membership again to identify and explain the main approaches to fee disclosure and turnover for plan sponsors, consultants and Department of Labor.

Data & Research. Steve LeLaurin, Chairman of the Committee on Data and Research explained that the Committee has three major surveys, which he described.

LIMRA-SVIA Stable Value Sales and Assets Survey, which covers issuers. SVIA provides the bank side of the business. The survey is biannual and the Last Half of 2011 was just released. It covered 24 companies that reported \$386 billion in assets, which is up 5% from first half of 2011; \$31 billion in new sales; \$3.6 billion in renewal sales; and \$5 billion in ongoing deposits.

SVIA also conducts the Stable Value Funds' Quarterly Characteristics Survey, which covers 24 stable value managers on a quarterly basis. The survey covers five data points: duration, overall portfolio credit quality, AUM, crediting rate and M/B ratio. Since its inception in December 2008 assets covered have grown from \$347 to \$440 billion as of December 2011.

LeLaurin reported that the survey went out on April 16<sup>th</sup> for First Quarter 2012 and is due at the end of the month. As of the meeting, three responses were in.

LeLaurin also reported on SVIA's Annual Stable Value Funds' Investment and Policy Survey. The annual survey covers management segments: individually managed funds, pools and full life insurance. It is SVIA's most comprehensive survey. SVIA is in process of collecting data as of December 31, 2011. The survey went out in February with a March 6<sup>th</sup> completion date. Half of all respondents met this date. Remaining respondents met an April 6<sup>th</sup> date. All but two responses have been received, which is delaying the completing of the survey.

Membership and Budget. Halliburton's Sharon Cowher was unable to attend the Board meeting. Cowher serves as Chairwoman of the Membership and Budget Committee as well as Secretary and Treasurer. Gina Mitchell reported on the Committee's activities on behalf of Cowher.

Mitchell reported that CliftonLarsen Allen had completed its third year as SVIA auditors and tax accountants. Each year, including the most recent one of 2011, SVIA has had a clean, unqualified opinion. Additionally, the Committee reviewed and recommended that the Board adopt and file the 2011 990 tax statements, which the Board unanimously approved in advance of the meeting.

Mitchell reported that as of March 30<sup>th</sup>, SVIA had achieved 78% of \$958,270 revenue goal. This number excludes SVIA's Fall Forum. Additionally, she noted that SVIA is using administrative help at this time on a temporary basis until a full time support person can be found. The expense for support was anticipated and included in the 2012 budget.

Mitchell noted that SVIA has two vulnerabilities. A wild card expense is legal, which is dependent upon the CFTC-SEC study and potentially new issues. SVIA revenues are vulnerable to changes in membership and conference attendance. To illustrate this point, Mitchell noted that revenues and attendance for the Spring Seminar was \$191,585 and 141; for 2011, it was \$176,060 and 134; for 2010, it was \$185,255 for 145; and for 2009, it was \$113,305 for 96.

Event Planning. Gina Mitchell, the Chair of the Committee on Event Planning reported that venues for the Spring Seminars in 2013 and 2014 were being negotiated. The Committee had looked at Arizona, Florida, California and some cities: Dallas, New Orleans and Austin. They looked at primarily hotels from the Fairmont, Four Seasons, Ritz Carlton and Waldorf Astoria. The Event Planning and Executive Committees narrowed preferences to locations in Arizona, California and Florida and to a resort location with at least a four diamond rating.

The Spring Seminar will be held at the Four Seasons Palm Beach in Palm Beach, Florida with a sleeping room rate of \$300 on April 14-16, 2013, and the Four Seasons Troon North in Scottsdale, Arizona with a sleeping room rate of \$310 on April 27-29, 2014.