



April 16, 2013

To: SVIA Board of Directors

From: Gina Mitchell, SVIA

Re: Action Items from April 14th Board of Directors Meeting

The SVIA board of directors met on Sunday, April 14th at the Four Seasons in Palm Beach, Florida. The following individuals attended the board meeting:

SVIA Members Attending:

<i>First Name</i>	<i>Last Name</i>	<i>Company</i>
Robin	Andrus	Prudential Financial
Leonard	Aplet	Columbia Management Investment Advisers, LLC
Mark	Auriemma	State Street Bank & Trust Company
Mona	Awad	Bank of Tokyo-Mitsubishi UFJ Ltd.
Bradie	Barr	Transamerica Stable Value Solutions
John	Barrasso	Prudential Financial
Le Ann	Bickel	Invesco Advisers, Inc.
James	Blood	Metropolitan Life Insurance Company
Kappie	Bogart	Transamerica Stable Value Solutions
Rachel	Burns	NISA Investment Advisers, LLC
Anthony	Camp	ING
Ling	Chiu	Invesco Advisers, Inc.
Karen	Chong-Wulff	ICMA Retirement Corporation
Jeffrey	Clark	Prudential Financial
Matthew	Collins	Bank of Tokyo-Mitsubishi UFJ, Ltd.
Matthew	Condos	ING
Robert	Crandall	Galliard Capital Management, Inc.
Jon	Debow	JPMorgan Asset Management
Angela	Demling	Invesco Advisers, Inc.
Karen	Edgerton	RGA
Robert	Ferencz	Sidley Austin LLP
Terence	Finan	Jackson National Life
John	Fischer	Mutual of Omaha
Marty	Fleischman	Mutual of Omaha
Wayne	Gates	Fiduciary Capital Management Inc.

First Name	Last Name	Company
Mark	Gilbert	RGA
Jennifer	Gilmore	Invesco Advisers, Inc.
Andrew	Gittler	Bank of Tokyo-Mitsubishi UFJ, Ltd.
Justin	Goldstein	JPMorgan Asset Management
David	Graham	Pacific Life Insurance Company
Jeff	Graham	MassMutual Financial Group
Paul	Grigely	MassMutual Financial Group
Brian	Haendiges	MassMutual Financial Group
Eric	Hasenauer	AVIVA Investors
Gerald L.	Katz	Diversified
Kevin	Kehres	Fischer Francis Trees & Watts, Inc.
Robert	Krebs	NISA Investment Advisors, LLC
Ryan	Krieg	Columbia Management Investment Advisers, LLC
Steve	LeLaurin	Invesco Advisers, Inc.
Anthony L.	Luna	T. Rowe Price Associates, Inc.
Cheryl	Lynch	Jennison Associates LLC
Robert	Madore	T. Rowe Price Associates, Inc.
Philip	Maffei	TIAA-CREF
Marc	Magnoli	JPMorgan Chase Bank, N.A,
Thomas	Manente	ING
Marian R.	Marinack	Federated Investment Management Company
James	McKay	Columbia Management Investment Advisers, LLC
William	McLaren	Lincoln Financial Group
Antonis	Mistras	DuPont Capital Management
Jessica	Mohan	Bank of Tokyo-Mitsubishi UFJ Ltd.
Jacky	Morin	Jackson National Life
Paul	Notte	Metropolitan Life Insurance Company
Erica	Olsen	Goldman Sachs
Jessica	Ouellette	ING
Martin	Palmeri	Bank of Tokyo-Mitsubishi UFJ Ltd.
Geoff	Parker	Great-West Financial
Greg	Pereiro	Invesco Advisers, Inc.
Mark	Pherson	Transamerica Stable Value Solutions
Fred	Ramos	State Street Bank & Trust Company
Daniel	Riley	NISA Investment Advisors, LLC
William	Sample	Metropolitan Life Insurance Company
Eric	Sandquist	Mutual of Omaha
Scott	Sokol	Valerian Capital Group
David	Solomon	Goldman Sachs
Susan	Southworth	ING

<i>First Name</i>	<i>Last Name</i>	<i>Company</i>
Ryan	Stevens	RGA
Tim	Swenson	AVIVA USA
Aziz	Syed	John Hancock Financial Services
Joseph	Veeneman	IBM Retirement Funds
Robert	Waldo	ING

Board of Directors Attending:

Joe	Fazzino	United Technologies Corporation
Nick	Gage	Galliard Capital Management, Inc.
Susan	Graef	The Vanguard Group
Aruna	Hobbs	New York Life Investment Management LLC
James	King	Prudential Financial
Steve	Kolocotronis	Fidelity Investments
Steve	LeLaurin	Invesco Advisers, Inc.
Gina	Mitchell	SVIA
Marijn	Smit	Transamerica Stable Value Solutions
Joseph	Veeneman	IBM Retirement Funds

SVIA Staff:

Zach	Gieske	SVIA
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Board of Directors Unable to Attend:

Sharon	Cowher	Halliburton Company
Brett	Gorman	PIMCO
Warren	Howe	MetLife
Timothy	Stumpff	Morley Financial Services, Inc.

Jim King, SVIA Chairman of the Board, opened the meeting and thanked everyone for attending. He reminded the group that the meeting is a benefit of SVIA membership and for that reason is limited to members. He introduced the Board of Directors as well as SVIA's officers and staff who are listed above.

Membership Involvement. King reminded attendees that the ability of the Association to represent the industry and achieve its objectives was dependent upon the efforts of the membership. He highlighted the issues that SVIA had addressed, and thanked SVIA's officers for their leadership and the individual members who participated in various SVIA working groups to fulfill these initiatives. He encouraged others to raise issues they felt the Association should consider and to work on the issues that meant the most to them.

Board Election. King noted that a third of the Board was up for election each year and that four Board seats will be up for election this fall. Two individuals, Sharon Cowher (plan sponsor) and

Warren Howe (service firm) will be stepping off the board after serving two terms. The other two Board seats held by Steve Kolocotronis who chairs the Committee on Government Relations and Aruna Hobbs who chairs the Committee on Membership and Budget are also up for election and both individuals plan to run for a second term.

CFTC-SEC Study. Steve Kolocotronis gave an update on the CFTC-SEC study. He reminded everyone that SVIA had provided two sets of comments: one that answered the Commissions' 29 questions on stable value in 2011 and another set of comments in 2012 that focused on how stable value contracts fell under the same criteria for other products exempted by the Commission as well as how stable value failed to fit into the regulatory framework developed for swaps. Significantly, the SEC study team staff now has some breathing room to look at stable value. With this time, both sides of the study team have consulted with regulators and reached out to stable value providers for their contracts. While the study team's efforts are encouraging, the Commissioners will make the determination as to when to take up the stable value study and they still have a full and pressing agenda.

Kolocotronis reminded the Board that the Commissions must determine two things. First, if stable value is a swap or not. Second, should they determine stable value contracts are a swap, then the Commission must determine if it is in the public interest to exempt stable value from regulation as a swap. Kolocotronis emphasized that Dodd-Frank's mandate requires any change to stable value contracts be prospectively applied.

NAIC on Separate Accounts. Kolocotronis also reported that SVIA had filed a comment letter supporting the insulated status of separate accounts with the NAIC on March 25. The letter said the criteria for preservation should be based on principles that directly address the specific concern raised by the Life Actuarial Task Force (LATF) in its September 6, 2011 report, namely the creation of a preferential class of policyholders by the use of insulated separate accounts. The Working Group consisted of Jim King, Aruna Hobbs, Steve Kolocotronis, Helen Napoli, Phil Maffei, Bob Madore, Tony Camp and Gina Mitchell.

Guaranteed Interest Accounts. Kolocotronis also reported that a Working Group led by Aruna Hobbs had developed a FAQ on Guaranteed Interest Accounts. The FAQ provided an overview about this segment of stable value, discussed spreads, and explained why these accounts were excluded from the fee and disclosure regulations by the Department of Labor. The Working Group included Jim Corning, Geoffrey Gerow, Jeffrey Graham, Aruna Hobbs, Warren Howe, Jim King, Phil Maffei, Bill McLaren, Gina Mitchell and Brian Wick.

Fee Disclosure. Kolocotronis was joined by Steve LeLauren who chairs the Committee on Data and Research in discussing the third survey on how stable value funds are reporting fees, calculating turnover and benchmarking funds for 408(b)(2) reporting requirements. This survey working group was comprised of Steve LeLaurin, LeAnn Bickel, Nick Gage, Jane Marie Petty, Sue Graef and Aruna Hobbs. The third survey, which was conducted in March, found little movement from last summer's survey. Stable value expense ratios remained low compared to other defined contribution investments. Stable value investments calculated turnover in ways that were determined most meaningful to the particular type of stable value investment option. They included assuming turnover was zero, or based on contracts, or based on assets in the supporting fixed income portfolio. Like turnover, benchmarks were also diverse with the

majority using a three-month US Treasury bill index. Others used Government-Credit indexes with different durations.

Capacity Survey. LeLauren also reported that the Committee on Data and Research had also surveyed issuers on capacity for 2013. The survey had 27 participants: six were banks and twenty-one were insurance companies. The survey had a baseline of \$435 billion as of December 31, 2012 and found a potential of \$103 billion in possible capacity for 2013. Four developed the capacity survey. They were Bradie Barr, Sue Graef, Steve LeLaurin and Gina Mitchell.

LIMRA-SVIA Stable Value Sales and Assets Survey. LeLaurin reported that the Sales and Assets Survey is a biannual survey that covers first/second half of each year. It covers issuers on sales and assets. SVIA provides the bank perspectives. The most recent survey covers the last half of 2012 and had 22 participants. The survey found:

- New stable value sales of nearly \$29 billion, a decrease of more than 25 percent from the second half of 2011 and an increase of 18 percent from the first half of 2012.
- Total qualified and funding agreement products sales of \$48 billion during the second half of 2012 show a decrease of six percent from the same period in 2011.
- Stable value assets totaled \$340.6 billion. Combined with General Account with Portfolio Guaranteed Rates, total qualified assets amounted to more than \$565 billion, a decrease of 2.7 percent on a common company basis from the first half of 2011.

SVIA Quarterly Characteristics Survey. LeLaurin highlighted that the Quarterly Characteristics Survey now covers 23 stable value managers since three managers have left the business (Blackrock, Charles Schwab and Goode). From the start of the survey in the last quarter of 2008 through the last quarter of 2012, the survey has found:

- Assets under management have grown from \$346 billion to \$465 billion, a 10 percent increase from 2011 to 2012, which is also what SVIA saw in most recent annual survey.
- A slow, steady decline in crediting rates, reflecting the low interest rate environment pushed crediting rates from 4.05 percent in 4Q2008 to 2.49 percent in 4Q2012.
- Duration had increased from 2.75 years to 2.87 years.
- Credit quality had declined slightly from 8.96 to 8.14.
- Market to book ratios are fluid. At the height of the crisis, M/B was 95.05% and has now risen to 104.82% in 4Q2012. However, SVIA does not release the M/B ratio to the general public since participants transact at book value.

LeLaurin reported that the FQ2013 Quarterly Survey was sent out to the membership on the 15th of April with an April 30th deadline.

Annual Stable Value Investment and Policy Survey. LeLaurin noted that the Annual Survey provided the most robust, comprehensive data on stable value. It covers 38 managers by management style that includes individually managed, pooled/commingled funds, and full service insurance. As of December 31, 2012, stable value assets grew to \$701.3 billion from \$645 billion. Credit quality was AA or better. Stable value had an average duration of 3.74 years

and the crediting rate was 2.60 percent. LeLaurin anticipates the release of the survey before the end of April.

Communications and Education. Marijn Smit who chairs the Committee on Communication and Education said the Committee had been quite active. He noted that the Committee had worked with the Government Relations Committee to create FAQ on guaranteed interest contracts, as well as the NAIC comment letter on separate accounts.

Smit also reported that stable value had generated some positive press that included articles in *Forbes* and *The Wall Street Journal*. The SVIA Media Team generates press releases and other media efforts as well as responds to media when it isn't quite right, consists of Ed Adams, Robin Andrus, Tony Camp, Terry Finan, Brett Gorman, Sue Graef, Jim King, Steve LeLaurin, Gina Mitchell, Jane Marie Petty, Marijn Smit, and Tim Stumpff.

Smit explained that *Stable Times* is SVIA's biannual publication. It focuses on the Fall Forum and Spring Seminar, Association issues and priorities as well as issues of interest to the stable value community. *Stable Times* has a quite active Editorial Board that not only reviews articles, but also contributes and recruits articles. The Editorial Board is an additional check to ensure that all articles are accurate, balanced and not marketing oriented. The Editorial Board is comprised of Ed Adams, Phil Connor, Sue Graef, Jim King, Gina Mitchell, Tim Murphy, Jane Marie Petty, Aziz Syed, Marijn Smit and Greg Wilensky.

Communications Strategy. Smit noted a major effort for the Committee and the Association was its communications strategy, which highlights all of SVIA's initiatives. The strategy uses the website to highlight Association information, initiatives and activities. The Association will use new media channels, Twitter and LinkedIn, to distribute SVIA's messages, which will reside on the website.

All the information on the website has been approved by the Board and/or a Committee. Use of Twitter and LinkedIn will not be an ad hoc or one off event. Any use of LinkedIn or Twitter would pull from this approved content, which is consistent with FINRA requirements that information must be approved and reviewed messages before public distribution. Smit noted that the Board was in the final stages of finalizing the Association's policy guidelines on the website and new media channels.

He emphasized this initiative included a renovation of the website, stablevalue.org as well as the communications strategy. Zach Gieske noted that the redesign of the website updates software and will permit the site to evolve with other advancements in technology, creates discovery for members and non-members, and is both easier and faster to use.

Website Review. Nick Gage and Sue Graef agreed to serve as the Working Group to work with Gieske to review the website to ensure that the redesign meets the objectives of discovery, ease of use and being very fast as well as ensuring it is fully functional as it is brought online. The group will also review the content to ensure that it has the right focus and that all content has migrated to the new site.

Participant Information. Sue Graef reported that a small working group had been formed to develop information for participants. The group was comprised of Ed Adams, Brett Gorman, Sue

Graef, Zach Gieske and Marijn Smit. She noted that the group was also looking to revise the glossary with a focus on plan participants.

Social Media Workshop. Graef noted that Vanguard had hosted a social media seminar for the Committee on Communications and Education. The meeting permitted the Committee to hone a draft policy statement for the Association as well as define next steps. She noted that most attendees said they and their organizations could participate in SVIA’s media efforts by providing content for the website.

Membership and Budget Committee. Gina Mitchell reported on behalf of Sharon Cowher since she was unable to attend and Aruna Hobbs had just agreed to co-chair the Committee. Mitchell reported that CliftonLarsenAllen had performed the audit and provided an unqualified audit opinion as well as internal control review. Highlights from their audits are provided below.

	2012	2011	2010	2009
Total Assets	\$819,923	\$631,538	\$421,904	\$503,805
Current Liabilities	\$484,618	\$400,023	\$192,530	\$370,097
Net Assets/Unrestricted	\$335,305	\$231,515	\$194,794	\$163,708
Revenue	\$1,055,213	\$1,041,108	\$929,015	\$825,506
Expenses	\$951,423	\$1,004,387	\$897,929	\$774,584
Change in net assets	\$103,790	\$36,721	\$31,086	\$50,922
Net Assets at Begin	\$231,515	\$194,794	\$163,708	\$112,787
Net Assets at End	\$335,305	\$231,515	\$194,794	\$163,708

The Board had approved the 990 tax filing for 2012 in advance of the meeting based on the Committee’s review and recommendation.

2013 Budget. Mitchell reported that as of March 30, SVIA had achieved 80% of the \$1,016,870 revenue goal, which excludes the Fall Forum. She noted that most expenses were manageable and predictable. However, legal and public relation expenses are unpredictable since they depend on issues beyond the Association’s control. She also noted that the Association revenues were vulnerable to changes in membership and conference attendance, which had been very strong since the financial crisis and that was quite unusual for most financial service associations.

Revenue and Dues Review. Mitchell noted that the Board had looked at the Association’s revenues and expenses at the January meeting and had asked the Committee to look at ways to diversify and increase Association revenues. The directive was issued to give the Association the ability to respond to industry challenges without requiring a special membership assessment, and to establish an operating reserve that equals operating expenses, which would permit SVIA to not only respond to industry challenges but also weather economic challenges as well. Mitchell reported that the last time SVIA made such an evaluation was in 2007, which resulted in a dues increase from \$6,000 to \$7,500 for service firm members in 2008.

Membership & Dues. Mitchell reported that SVIA had three new members: CUNA Mutual Fund Group, Great West and Morgan Lewis. Two service firms had also left the SVIA. They were

Hartford and Sidley Austin. At this time all but two members had renewed and paid their 2013 dues.

2013 Spring Seminar. Mitchell thanked the Events Planning Committee for developing a program that was unique and informative and addressed the membership's needs. She reported that attendance had increased by 17% over last year's seminar, which is testimony to the Committee's good work.

Action items. The Board unanimously approved the following action items:

- January Board Meeting
- March Conference Call
- April Conference Call

Next Meeting. The next Board of Directors' meeting is June 3-4 (Monday-Tuesday) at the Lorien Hotel in Alexandria, VA.

Attachments: Chairman's Presentation
Communications & Education Presentation
Data & Research Presentation
Events Planning Presentation
Government Relations Presentation