

October 30, 2018

To: SVIA Board of Directors

From: Gina Mitchell, President, SVIA

Re: Action Items from October 8th Board of Directors Meeting

Gina Mitchell, SVIA's President, and Steve Kolocotronis, SVIA's Chairman of the Board of Directors opened the meeting by introducing SVIA's Board of Directors and its officers:

- Bradie Barr, Transamerica, Chair of Communications and Education.
- LeAnn Bickel, Invesco, Treasurer and Chair of the Finance Subcommittee.
- Nick Gage, Galliard, Chair of Government Relations.
- David Berg, PIMCO, Chair of Data and Research.
- Gina Mitchell, SVIA, Chair of Events.

Members of the Board were introduced to the SVIA members in attendance.

Members Attending the October 2018 Board Meeting. The following Board members and staff attended the meeting.

Bradie Barr, Transamerica Stable Value Solutions Inc.
David Berg, PIMCO
LeAnn Bickel, Invesco Advisers, Inc.
Cindy Cristello, New York Life
Nick Gage, Galliard Capital Management, Inc.
Shane Johnston, Morley Capital Management
Steve Kolocotronis, AIG Institutional Markets
Robert Madore, T. Rowe Price Associates, Inc.
Gina Mitchell, SVIA
Tom Schuster, Metropolitan Life Insurance Company
Russell Smith, Aetna Inc.
Sara Smithson, Raytheon
Kostas Sophias, JPMorgan Chase Bank, N.A.
Gary Ward, Prudential Financial

Keith Watson from Textron was unable to attend. Zach Gieske from SVIA also participated.

The following SVIA members registered to attend the Board meeting.

Helen Akparanta, Transamerica Stable Value Solutions Inc.
Michael Albanese, State Street Bank & Trust Company
John Barrasso, Prudential Financial
Douglas Barry, Standish Mellon Stable Value
Kappie Bogart, Transamerica Stable Value Solutions Inc.
Tom Borghard, United Technologies
Afua Brefo, Transamerica Stable Value Solutions Inc.
Daniel Carr, Transamerica Stable Value Solutions Inc.
Peter Chabot, BlackRock
Pete Chappelle, JPMorgan Asset Management
Karen Chong-Wulff, ICMA Retirement Corporation
Andrew Cohen, New York Life Investment Management LLC
David Cohen, John Hancock Investments
Jessica Cole, Invesco Advisers, Inc.
David Cruz, New York Life Investment Management LLC

Jordan Culp, DuPont Capital Management
Angela Demling, Invesco Advisers, Inc.
Joe Dionne, JPMorgan Asset Management
Paul Donahue, Metropolitan Life Insurance Company
Mark Dorfler, The Vanguard Group
Karen Edgerton, RGA
John Faustino, Fi360
Jason Fields, Transamerica Stable Value Solutions Inc.
Terence Finan, Jackson National Life
John Fischer, Mutual of Omaha
Marty Fleischman, OneAmerica
Alice Flynn, Columbia Threadneedle Investments
Bill Gardner, Morley Capital Management
Wayne Gates, PFM Asset Management
Jennifer Gilmore, Invesco Advisers, Inc.
Alex Godin, Goldman Sachs Asset Management
Justin Goldstein, JPMorgan Asset Management
Jeff Graham, MassMutual Financial Group
David Graham, Pacific Life Insurance Company
Shalonda Green, Transamerica Stable Value Solutions Inc.
Paul Grigely, MassMutual Financial Group
Timothy Grove, Prudential Financial
Kallan Harrison, State Street Bank & Trust Company
Aruna Hobbs, MassMutual Financial Group
John Hubenschmidt, RGA
Erik Karpinski, GSAM Stable Value, LLC
Erin Kioultzopoulos, Pacific Life Insurance Company
Gregory Liechty, Columbia Threadneedle Investments
Holly Litrenta, Transamerica Stable Value Solutions Inc.
Mark Ljubich, Metropolitan Life Insurance Company
Marc Magnoli, AIG Institutional Markets
Tom Manente, Great-West Financial
Kara Marr, RGA
James McKay, Columbia Threadneedle Investments
William McLaren, Lincoln Financial Group
Glen Miles, State Street Bank & Trust Company
Antonis Mistras, DuPont Capital Management
Jeremy Mitzel, T. Rowe Price Associates, Inc.
Jacky Morin, Jackson National Life
John Moroney, Voya Financial
Paul Notte, Metropolitan Life Insurance Company
Robert O'Keefe, Sidley Austin LLP
Tami Pearse-Byczek, Galliard Capital Management, Inc.
Gregory Pereiro, Invesco Advisers, Inc.
Mark Pherson, Transamerica Stable Value Solutions Inc.
Lori Radford, Invesco Advisers, Inc.
Teresa Reynolds, RGA
Dan Riley, NISA Investment Advisors, LLC
James Roche, Standard Insurance Company
Patricia Selim, The Vanguard Group
Michael Sipper, New York Life
Benjamin Smith, ICMA Retirement Corporation
Jacqui Sopko, JPMorgan Asset Management
Ron Stahl, Columbia Threadneedle Investments
Aziz Syed, Lincoln Financial Group
Joseph Tortorelli, Pacific Life Insurance Company

David Vincent, Voya Financial
Sean Walker, Fidelity Management & Research, Co.
Tressa Webb, Fidelity Investments
Robert Windisch, Voya Financial

Board Elections. Gina Mitchell reported that there will be three service firm seats and two plan sponsor seats up for election. The voting members had nominated six candidates for the three service firm seats. Mitchell noted that all service firm candidates had to receive at least four nominations or 10% of total voting members making nominations. All candidates received at least seven nominations. The service firm candidates were:

- Bradie Barr, Transamerica (running for a second term)
- Marty Fleischman, OneAmerica
- Erik Karpinski, GSAM Stable Value
- Patricia Selim, The Vanguard Group
- Gary Ward, Prudential (running for a second term)
- Sean Walker, Fidelity

The two plan sponsor seats that were open for nomination were overwhelmingly affirmed by the voting members for an additional three-year term. They were Russell Smith, Aetna and Keith Watson, Textron.

All service firm candidates addressed the Board and the membership regarding their candidacy for the Board. Elections for the Board positions will take place immediately after the Fall Forum and will be accomplished electronically. The election will be open for two weeks after the Fall Forum to encourage and permit the voting members to cast their ballots.

Board Election Results. SVIA held the electronic election for the Board of Directors. Over 90% of voting members cast their vote in the election. They affirmed Russell Smith from Aetna and Keith Watson from Textron to another three-year term as plan sponsors. They elected Bradie Barr from Transamerica, Patricia Selim, from The Vanguard Group, and Gary Ward from Prudential to the three-year terms for the three service firm seats.

Board Positions. Mitchell noted that some succession planning will be required as the chairs of both the Communications and Education and Government Relations Committees have terms which are expiring, and the latter is not eligible to run for reelection. Additionally, the Chairman of SVIA's Board will start the last year of his second two-year term in 2019.

Action Items Approved. The Board unanimously approved action items covering the Board's June 6th meeting, the September 11th call where the Board selected Systems Alliance Incorporated to revise the website and to undertake a diversity initiative, as well as the September 13th call regarding comments on proposed revision to SVIA's bylaws and articles of incorporation.

Communications and Education. Transamerica's Bradie Barr, Chair of the Committee on Communications and Education, overviewed the committee's work on the website, Stable Times, press, and the diversity initiative. She reported that the Board had approved Systems Alliance Incorporated to revise the website as well as that a working group had been initiated to be a sounding board and guide in the revision of the site.

Barr reminded everyone that Stable Times was the editorial board for the Association's biannual publication and that much of the content of Stable Times resulted from the conferences as well as the work of the Association throughout the year. These articles are written by Randy Myers, who is an independent financial writer. Barr requested that the membership write and submit articles that could be included in the Stable Times.

Barr reported that the first meeting on the diversity initiative had been held prior to the Board meeting. The purpose of the initiative and the working group is to leverage corporate efforts to get more diverse

individuals interested in careers in stable value as well as the Association. She promised that recommendations from the group would be forthcoming.

Data and Research. PIMCO's David Berg reported on the Committee on Data and Research's work. Berg highlighted several of the Committee's reports.

He reported that an outreach was made to Morningstar to re-engage on stable value funds. Morningstar is in process of revamping its data collection. These talks have led the SVIA working group to develop two templates for the collection of stable value data: participating and non-participating.

Berg reported that Cerulli had used SVIA data on a high level to provide information on stable value's use by plan type: 401(k), 457, 403(b), 529, Taft Hartley, defined benefit plans or other types of plans in Cerulli's 2018 Defined Contribution Distribution Report. This collaboration resulted in positive descriptions of stable value's common inclusion in defined contribution vehicles as well as reached a broad audience of advisors and consultants on defined contribution plans.

Berg noted that the Data and Research Committee had developed a stable value asset report that provides a breakdown of assets under management by company to those who participate. He noted that since the introduction of this report, the number of firms participating had grown from 19 to 41. He invited the Board's thoughts as to how to broaden participation in this report.

Berg reported on the Annual Investment and Policy Survey, that covered 12 Life Insurance Companies, 15 Pooled Funds and 15 Individually Managed Funds in 2017. He noted that the Quarterly Characteristics Survey now covers 14 Life Insurance companies, 15 Pooled Funds and 16 Individually Managed Funds. Berg noted that the Biannual LIMRA-SVA Sales and Assets Reports covered stable value assets from the perspective of 17 issuers.

The Committee had also recently completed its first Plan Sponsor Survey covering 2017. The survey had 13 plan sponsor participants who provided characteristics about their stable value funds. The data compiled and provided back to those who responded on a no-name basis and the report is only available to participating plan sponsors. Berg encouraged SVIA members to see if their clients would like to participate in the survey in the future.

Berg noted that a series of adjustments had been made to the survey at the bequest of the Committee to improve the transparency as well as the accuracy of the data. He encouraged everyone to read the footnotes as well as other disclosures on the survey reports. He also invited members' thoughts on data points as well as clarity in survey collection and reporting.

Government Relations Committee. Galliard's Nick Gage reported on the Government Relations Committee. He noted that there were several bills in Congress that had bipartisan support covering topics from multiple employer plans to 529 plans to the expansion of health care savings plans. He speculated that despite the outcome of the midterm elections, there was a possibility for some expansion of retirement savings moving forward.

Gage reminded the Board that the application of the Obama Administration's fiduciary rules was unclear since the Appeals Court for the Fifth Circuit concluded that the Department of Labor overstepped its authority with the fiduciary rule and overturned the rule in a split decision in *Chamber of Commerce v. U.S. Department of Labor*. It is unclear whether the Department of Labor will appeal the ruling.

Additionally, the SEC had proposed a package of rules and interpretations addressing investors' relationships with broker-dealers and investment advisers. The SEC package includes:

- A regulation best interest, which the staff noted would apply to 401(k) rollover advice; a new standard of conduct for broker-dealers under the Securities Exchange Act of 1934;

- New Disclosure Requirements for Financial Professionals; would require broker-dealers and advisers to file a new disclosure form (Form CRS) which would include services provided, applicable legal standard of conduct, fees and costs, conflicts of interest, and would also mandate more restricted use of the “adviser/advisor” title and would require broker-dealers and advisers to disclose if they are registered broker-dealers, registered advisers, or both;
- Interpretive guidance regarding the standard of conduct for investment advisers; proposes an interpretation of an investment adviser’s fiduciary obligation under the Advisers Act which is similar – but not identical – to the best interest standard proposed for broker-dealers.

Gage reported that Working Group on Life Capital Adequacy Committee, which is a subgroup of the American Academy of Actuaries, had proposed the following changes to the NAIC Risk-Based (RBC) Capital Factors:

- Apply to fixed income securities only (public and private)
- More granular factor categories

He reminded the Board that the initial proposal resulted in higher capital charges, particularly for investment grade fixed income, and that SVIA filed comments on July 24, 2017 encouraging further dialogue and review of the RBC factors to determine their impact on stable value products and retirement plan participants who invest in stable value. The revised proposed, if adopted by the NAIC, would be effective in 2019.

Gage noted that the leadership of the Committee was exploring when and how to focus the SEC/CFTC on the stable value fund study.

Gage noted that there had been no movement on benefit responsive investment contracts since the SVIA met with the DOL in summer 2016 to request that they provide greater clarity to the marketplace with respect to reporting stable value contracts on Form 5500. However, he reported that the topic would be addressed at an upcoming AICPA conference.

Finance Subcommittee Report. Invesco’s LeAnn Bickel, Treasurer and Chair of the Finance Subcommittee, reported that the Subcommittee continued to review all accounts and financial reports on a monthly basis. She noted that SVIA has broadly diversified cash assets across seven banks in ten accounts. Additionally, two one-year CDs had been reinvested:

- \$101,810.72 with United Bank at 1.20% expires August 8, 2019
- \$164,256.85 with Synchrony at 2.45% expires September 8, 2019

Bickel reported that SVIA had received an unqualified opinion on audited financial statements for 2017. She noted that the DC Property, DC Foreign Entity and, DC Sales and Internet Report had been prepared and filed as well as the Form 990.

Bickel reported that all 2018 dues had been collected by March 31, 2018. She noted that the 2019 dues collected had started in August of 2018 and as of September 18th, the Association had collected \$195,029.50 or 28.65% of 2019 Dues.

She concluded that as of August 31, SVIA had collected 82% of budgeted revenue or \$1,087,874. And had spent 66% of budgeted expenses or \$843,182.89.

Committee on Events. SVIA’s Gina Mitchell reported that the SVIA Spring Seminar had been successful with 156 people attending. She reported that the Fall Forum also had strong attendance with 183 people attending. She noted that \$18,500 was collected in sponsorship and thanked MetLife and Prudential for their support of the Disney speaker. She noted that Prudential also contributed to the sponsorship of David Stillman from GenZ and thanked them for their support.

Mitchell concluded that the next Spring Seminar on April 7-9 will be held at Ritz Carlton Dove Mountain in Marana, AZ. The room rate is \$329.

Attachments: Action Items from June 6, September 11 and September 13