

July 27, 2018

To: SVIA Board of Directors

From: Gina Mitchell, SVIA

Re: Action Items from June 6, 2018 Meeting

The SVIA Board of Directors met on June 6th at the Georgetown Fairmont Hotel in Washington, D.C. The following individuals attended the meeting.

Board Members Attending:

Bradie Barr, Transamerica Stable Value Solutions Inc.

David Berg, PIMCO

LeAnn Bickel, Invesco Advisers, Inc.

Nick Gage, Galliard Capital Management, Inc.

Brett Gorman, PIMCO

Shane Johnston, Morley Capital Management

Robert Madore, T. Rowe Price Associates, Inc.

Gina Mitchell, SVIA

Thomas Schuster, Metropolitan Life Insurance Company

Kostas Sophias, JPMorgan Chase Bank, N.A.

Gary Ward, Prudential Financial

Keith Watson, Textron

SVIA Staff:

Zach Gieske SVIA

Board Members Unable to Attend:

Cindy Cristello, New York Life

Steve Kolocotronis, Valerian Capital Management

Russell Smith, Aetna Inc.

Sara Smithson, Raytheon

SVIA Members and Outside Speaker Attending:

Terence Finan, Jackson National Life

Ryan Kasdin, Venable LLP

Michael Richman, Morgan, Lewis & Bockius LLP

Patricia Selim, The Vanguard Group

Michael Sipper, New York Life

Sean Walker, Fidelity

Revised Investment Policy Guidelines. The Board formally approved the Investment Policy Guidelines that had been revised by the Finance Subcommittee. The approved revisions recognized that there may times when some accounts may be above the \$250,000 FDIC limit per financial institution as well as permits this. SVIA accounts may exceed the \$250,000 FDIC institutional limit during the Spring Seminar, Fall Forum as well as the end of every year since dues collection begins in August of the preceding year as well as the beginning of the following year (when actual year dues are due).

Bylaws and Articles of Incorporation. Venable's Ryan Kasdin gave a brief overview of the Commonwealth of Virginia's non-profit law as well as highlighted provisions of SVIA's bylaws and articles of incorporation that needed consideration to be addressed follow.

- Directors. The Board agreed to amend SVIA's Articles and Bylaws as appropriate to clarify the distinctions between the categories of directors: member-elected voting directors, ex officio directors, (i.e., directors who automatically serve by another position that they occupy—under SVIA's current structure, that would likely only be the Immediate Past Chair), and Board-selected non-voting directors (ex-officio members who are not Immediate Past Chairs). Further, the Board agreed to refer to directors as elected by the voting members; ex-officio directors who are elected by the Board (Past Chairman for example); and non-affiliated directors who may be appointed the Board and do not have an affiliation with a SVIA member.
- Term Limit of Directors. The Board agreed to harmonize the current conflict regarding terms of office between the Articles of Incorporation, which limit a board member to two terms and the Bylaws that permit a member to serve up to three terms, which includes three-years as a non-voting member. The greater limit of three terms or nine years prevails.
- Employment/Affiliation Requirements of Directors. The Board agreed to harmonize the Articles of Incorporation and the Bylaws as well as decided that a vacancy is applicable if there is a change in the employment status or the individual for all member-elected voting directors of the Board.
- Executive Committee Jurisdiction. The Board agreed to incorporate the statutory limitations in the Articles and Bylaws for the Executive Committee. The law does not permit the Executive Committee to approve or recommend to members actions required by the full Board, fill vacancies on the Board or committees, amend the Association's Article of Incorporation, adopt, amend or repeal the Bylaws or approve a merger. The full Board as well as the voting members of the Association retain these responsibilities.
- Executive Committee Membership. Finally, the law requires all members of the Executive Committee to be voting members of the Board. The proposed revisions contemplate that the Past Chairman, who may have an ex-officio status would be considered a voting member for the length of his or her term. This definitional clarification keeps the Executive Committee in good standing with the Virginia non-profit law.
- Officer and Full Committee Chairs. The Board agreed to limit officers and full committee chairs to Board members-elected by the voting members, which follow Virginia law.

A draft copy of the revised bylaws and articles of incorporation are attached that follow the direction given by the Board. A call will be scheduled shortly to discuss and review these revisions.

Fiduciary Rules & DOL Issues. Michael Richman from Morgan, Lewis & Bockius gave an update on the fiduciary rules. He noted that since the Department of Labor's fiduciary rules have been vacated, essentially the 5-part fiduciary standard is now indicative of the Department's position. He noted that a GAO report as well as FINRA 2013 ruling will now govern rollovers, which treats advisors as fiduciaries for these rollovers. He noted that the SEC's proposal that addresses brokers and dealers is a fiduciary

like standard since it requires brokers, dealers as well as advisers to act in the best interest of their clients. The proposal differs from the Department of Labor's efforts in that it requires and focuses on disclosure to preserve the best interest of clients.

Richman also reported that reform of the 5500 form at the Department of Labor was not imminent. He noted that the Department of Labor was focusing on lifetime income options.

Target-Date Working Group. LeAnn Bickel, who has led the target date working group reported that the group met in March at the Transamerica Summit. She noted that the dialogue had been helpful in promoting a thoughtful exchange among issues and managers on target date funds. The Board asked Bickel to continue these discussions as well as have a session at the Fall Forum on target date funds.

Board Elections. Gina Mitchell reported that there will be three service firm seats and two plan sponsor seats up for election this fall:

Service Firm

- Bradie Barr, Transamerica (eligible for reelection)
- Gary Ward, Prudential (eligible for reelection)
- Nick Gage, Galliard

Plan Sponsor

- Russell Smith, Aetna (eligible for reelection)
- Keith Watson, Textron (eligible for reelection)

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.

Mitchell encouraged service firm members and plan sponsors to consider running for the board to fill the open seats and the board to actively recruit candidates for these open seats.

Diversity. Transamerica's Bradie Barr raised the issue of bringing more diversity into the membership of the Association. Prudential's Gary Ward shared Prudential's efforts to incorporate diversity in its workforce and agreed to work with Bradie to develop ideas for the Board as to how to leverage corporate efforts to get individuals interested in careers in stable value as well as the Association.

Communications and Education Committee. Transamerica's Bradie Barr gave an update on the committee's recent efforts on the website as well as Stable Times. Barr reported that Stable Times will largely focus on highlights from the Spring Seminar written by Randy Myers. She asked that members contribute content to Stable Times from their organizations and/or write articles for inclusion in the publication.

Barr shared that Zach Gieske had surveyed the membership on the website and taken that feedback into consideration is soliciting bids to restructure the website to make its content more accessible to all users but especially SVIA members. She said that she and Zach would be interviewing firms and making a recommendation for the Board's consideration shortly.

Committee on Data and Research. PIMCO's David Berg reported on the Committee on Data and Research's work. He noted that the Committee had formed a series of working groups to spotlight major efforts. Berg highlighted several of the Committee's reports.

He reported that an outreach was made to Morningstar to re-engage on stable value funds.

Additionally, he asked the Board approve use of SVIA statistics with Cerulli. Cerulli would use SVIA data to provide a more accurate read on stable value's place in defined contribution plans. The Board approved this use of the SVIA data noting that it would go to a key audience of consultants and advisors that SVIA and its members do not always have a relationship.

Berg noted that the Data and Research Committee had developed a stable value asset report that was on a no-name basis for the membership. He noted that since the introduction of this report, more firms had participated in it. He invited the Board's thoughts as to how to broaden participation in this report as well as if it might be possible to make the SVIA report available on a name basis since there were many stable value assets reports that listed managers.

Berg asked for the Board thoughts as to when to remove a manager's assets from a survey report noting that a manager had closed a pooled fund, which generated this question. The Board decided that when the manager closed and quit reporting assets for the stable fund, it should be removed for the report.

Government Relations Committee. Galliard's Nick Gage reported on the Government Relations Committee was somewhat short since Michael Richman covered most of the committee's issues. Gage noted that the leadership of the Committee was exploring a partnership with Venable to determine if now was the time for the SEC/CFTC to focus on stable value funds.

Finance Subcommittee Report. Invesco's LeAnn Bickel as Treasurer and Chair of the Finance Subcommittee reported that SVIA had collected 75% of revenues through the first quarter of 2018 and had spent 16% of budgeted expenses. Most of the expenses: 76% were spent on SVIA Operations and 24% were spent on the Spring Seminar. Bickel reported that at the end of the first quarter, SVIA had \$1.354 million in total assets and liabilities and equity.

Bickel reported that the 2017 audited financial statements had received an unqualified opinion. She noted that SVIA finished 2017 with \$1,148,273 in total assets/total liabilities and net assets, which compares favorably to 2016's \$1,013,703. She reported that SVIA's reserves grew from 2016's \$482,626 to \$510,185 in 2017.

Bickel reported that all annual reports: 990 federal tax filing and 5500 tax filing had been filed. She noted the Board had unanimously reviewed and approved the 990 filing on May 11 by email.

There was discussion about monetizing survey data. However, no conclusion was reached, and no group was formed to advance this discussion.

Bickel noted that sponsorship of the SVIA Events had been positive for the Spring Seminar with Transamerica sponsoring a welcome lounge as well as MetLife and Prudential sponsoring the Disney speaker. She noted that the consultant membership had gotten some traction with Jim King as its first member.

Committee on Events. SVIA's Gina Mitchell reported that the SVIA Spring Seminar had been successful. She noted that \$18,500 was collected in sponsorship and thanked MetLife and Prudential for their support of the Disney speaker and \$199,645 was collected in registration revenue.

Honoring Brett Gorman. As you know, Brett Gorman died suddenly on Monday, July 9. The membership was notified of his passing, his funeral, as well as ways to express their sympathies and to honor Brett. The Board of Directors unanimously approved a \$2,000 donation to the Chung-Gorman Trust in honor of Brett by email on July 26th.

Attachments: Approved Investment Policy Guidelines
 Draft Revisions to SVIA's Bylaws and Articles of Incorporation