

Government Relations

Steve Kolocotronis

The logo for SVIA (State Venture Investment Association) features the letters 'S', 'V', and 'A' in a bold, dark blue, sans-serif font. A white diagonal line cuts through the 'V' and 'A' from the bottom-left to the top-right, creating a stylized, dynamic effect.

April 12, 2015

Committee Membership

Committee on Government Relations

Chair: Steve Kolocotronis, Fidelity Investments
Co-Chair: Helen Napoli, New York Life Investment Management

Tony Camp, Voya Financial

James King, Prudential Financial

Sean Cassidy, Voya Financial

Robert Madore, T. Rowe Price Associates Inc.

Andrew Cohen, New York Life Investment Management

Tom Manente, Voya Financial

Joe Fazzino, United Technologies Corporation

Sumy McEleney, Voya Financial

Robert Ferencz, Sidley Austin, LLP

James McKay, Columbia Management Asset Advisers

Nick Gage, Galliard

Greg Miller-Breetz, Transamerica Stable Value Solutions

Bill Gardner, Morley

Jessica Mohan, Bank of Tokyo-Mitsubishi UFJ

Susan Graef, The Vanguard Group

Marijn Smit, Transamerica

Aruna Hobbs, MassMutual

William Thum, The Vanguard Group

Jeffrey Jakubiak, Valerian Capital

Government Relations Issues

- CFTC-SEC Stable Value Study
- SEC Money Market Reform
- GAO Study of QDIAs
- NAIC on Separate Accounts
- 408(b)(2) Regulations

CFTC-SEC Stable Value Study

- Section 719(d)(2) defines SVC as:

“any contract, agreement, or transaction that provides a crediting interest rate and guaranty or financial assurance of liquidity at contract or book value prior to maturity offered by a bank, insurance company, or other state or federally regulated financial institution for the benefit of any individual or commingled fund available as an investment in an employee benefit plan...subject to participant direction, an eligible deferred compensation plan...that is maintained by an eligible employer..., an arrangement described in section 403(b) of the Code, or a qualified tuition program (as defined in section 529 of such code).”

CFTC-SEC Stable Value Study

- SVCs shall not be considered swaps until the CFTC-SEC determines by regulation:
 - That SVCs fall within the definition of a swap; and
 - Whether an exemption from regulation is appropriate and in the public interest
- Until the effective date of such regulations, and notwithstanding any other provisions of this title, the requirements of this title shall not apply to SVCs
- CFTC-SEC has until October 21, 2011 to conduct a study to determine whether SVCs fall within swap definition
 - No penalty on CFTC-SEC or SVFs/SVCs if deadline is missed

Meeting with Commissioners' staff from CFTC

March 2, 2015

- Bradie Barr, Transamerica Stable Value Solutions
- Jonathan Flynn, Cadwalader, Wickersham & Taft LLP
- Nick Gage, Galliard
- James King, Prudential Retirement
- Steve Kolocotronis, Fidelity
- Tony Mansfield, Cadwalader, Wickersham & Taft LLP
- Gina Mitchell, SVIA

SEC Money Market Reform

- Effective date October 16, 2016
 - Requires institutional funds to use floating NAV
 - Rounding to the fourth decimal place
 - DC-participant directed money market funds are considered retail & have constant NAV
 - Constant NAV:
 - Retail funds
 - Governmental money market funds
 - Potential imposition of gates and fees

GAO Study of QDIAs

- Governmental Accountability Office, which is an independent research body was asked by retiring Congressman George Miller (CA-D) to study QDIAs
- Study is broad-ranging and reviews all QDIAs, asks fiduciary questions about selection, monitoring, as well as participant information including benchmarks, performance, fees
- GAO surveyed plan sponsors before the end of 2014
- Findings will be presented in a report at the end of 2015

GAO Study of QDIAs

- Including stable value gives plan sponsors a principal-preservation investment choice if sponsors determine a conservative safe harbor default is needed
 - Offers competitive risk-adjusted returns compared to the three current QDIAs
 - Most appropriate for risk adverse participants such as those who need positive savings and investment experience to continue in DC plans, short-tenured plan participants, high turnover plan participants, and those closest to retirement age, as well as those in retirement
- Fulfills the mandate of the Pension Protection Act of 2006
 - Section 405 (c)(5)(A) directs the Department to provide guidance on the appropriateness of designating default investments “that include a mix of asset classes consistent with capital preservation or long term capital appreciation, or a blend of both”
 - Can be achieved by eliminating the first 120 days limitation for capital preservation product participation¹ from the existing QDIA safe harbor regulations

GAO Study of QDIAs

GAO QDIA Working Group	GAO Study of QDIA Interview
Bradie Barr, Transamerica	Brett Gorman, PIMCO
Le Ann Bickel, Invesco	James King, Prudential
Tony Camp, Voya Financial	Steve LeLaurin, Invesco
Brett Gorman, PIMCO	Marc Magnoli, AIG
James King, Prudential	Gina Mitchell, SVIA
Steve Kolocotronis, Fidelity	Marijn Smit, Transamerica
Steve LeLaurin, Invesco	
Marc Magnoli, AIG	
Tom Manente, Voya Financial	
Gina Mitchell, SVIA	
Marijn Smit, Transamerica	

NAIC on Separate Accounts

Working Group:

Jim King, Prudential

Aruna Hobbs, MassMutual
and Chair, Working Group

Steve Kolocotronis, Fidelity

Helen Napoli, NYLIM

Phil Maffei, TIAA-CREF

Bob Madore, T.Rowe Price

Tony Camp, Voya Financial

Gina Mitchell, SVIA

- Supports preservation of the insulation status of stable value separate account contracts
- NAIC Criteria for preservation of insulation status in Exposure Draft was wrong
- 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

Principles include:

- Adequate compensation to the general account for any guarantees provided by the general account as a backstop after all separate account assets are exhausted,
- Maintenance of adequate reserves outside of the insulated separate account to support such guarantees, and
- A comprehensive state regulatory regime for insulated separate account products, which, among other things, could include a reserve requirement, an actuarial opinion requirement and an annual certification requirement.

408(b)(2) regulations

- Steve LeLaurin, Invesco
- LeAnn Bickel, Invesco
- Nick Gage, Galliard
- Jane Marie Petty, Galliard
- Sue Graef, Vanguard
- Aruna Hobbs, MassMutual