

February 10, 2016

To: SVIA Board of Directors

Re: Action Items from February 2, 2016 Board of Directors Meeting & February 5-10 Election

From: Gina Mitchell, SVIA

SVIA's Board of Directors postponed the January 25-26<sup>th</sup> meeting due to winter storm Jonas. The Board of Directors rescheduled the meeting for February 1-2 at the Park Hyatt in Washington, D.C. The following people attended the February Board meeting.

**Board Members Attending:**

<b>First Name</b>	<b>Last Name</b>	<b>Company</b>
Bradie	Barr	Transamerica
LeAnn	Bickel	Invesco Advisers, Inc.
Nick	Gage	Galliard Capital Management, Inc.
Susan	Graef	The Vanguard Group
Aruna	Hobbs	MassMutual Financial Group (ex-officio)
Steve	Kolocotronis	Fidelity Investments
Robert	Madore	T. Rowe Price
Gina	Mitchell	SVIA
Helen	Napoli	New York Life Investment Management LLC
Keith	Watson	Textron

**Board Members Not Attending:**

Joe	Fazzino	United Technologies Corporation
Brett	Gorman	PIMCO
James	King	Prudential Financial (ex-officio)
Russell	Smith	Aetna Inc.
Tom Schuster		New York Life
Gary	Ward	Prudential

**SVIA Members Attending:**

Terence	Finan	Jackson National Life
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**SVIA Staff:**

Zach	Gieske	SVIA
Andrew	Reese	SVIA

Steve Kolocotronis welcomed everyone to the meeting and introduced SVIA's new Board members: Transamerica's Bradie Barr, Textron's Keith Watson, Prudential's Gary Ward, who was unable to attend, and Galliard's Nick Gage who was elected to his second Board term.

Board Seat. New York Life's Helen Napoli announced her April 1<sup>st</sup> retirement from New York Life. The Board was advised that they had essentially two choices with Helen's retirement. They could leave the seat unfilled until the October election, which would allow the membership to select the replacement for Helen's Board seat. The Board has also appointed individuals to fill the remainder of an open Board seat until the next regularly scheduled election. When the Board has made appointments to fill an open Board seat, there has typically been some extenuating circumstance. The Board voted to leave the seat unfilled and let the voting members determine Helen's replacement in the fall elections.

Government Relations Chair. Helen's retirement also opened the position as the Chair of Government Relations. Nick Gage who has served as the Chair of the Communications and Education Committee expressed an interest in this position. The Board elected Nick as the Chairman of Government Relations.

Two Leadership Positions Open. With Nick assuming the role as Chairman of Government Relations, the Chair of the Communications and Education will be open. Additionally, Aruna Hobbs who serves as Treasurer and Chair of the Board's Finance Subcommittee will be stepping off the Board at the end of 2016. Typically, the Board has a year to transition these leadership positions. The Board agreed to send out a communication shortly after the Board meeting to ask those who were interested in the Treasurer and Chair position to put themselves forward as candidates by Thursday, February 4<sup>th</sup>.

Three people offered themselves as candidates for the two positions. Bradie Barr from Transamerica volunteered to chair the Communications and Education Committee. LeAnn Bickel from Invesco and Bob Madore from T. Rowe Price put themselves forward as candidates for the Treasurer position.

The Board was asked on February 5<sup>th</sup> to vote on these candidates electronically and anonymously through Survey Monkey. Voting closed on February 10<sup>th</sup>. Bradie Barr was unanimously affirmed as the Chair of the Communications and Education Committee. LeAnn Bickel was elected as Treasurer and Chair of the Finance Subcommittee.

Requests for Special Access. The Board was advised that some requests had come forward for access to SVIA's Members' Only from individuals. The Board concluded that any request for access should come from the voting member of SVIA stating the individual(s), they wish to grant access under their membership and access would be granted for up to a year. This access could be renewed upon the SVIA voting member's request. Further, individuals who are granted access must comply with SVIA's usage policy, which is that any information that is not in the public domain, expressly requires Board approval for release/use outside of SVIA.

Litigation. During the last quarter of 2015 several cases were filed involving stable value funds and SVIA members. Until recently, SVIA as well as stable value funds had not been a part of ERISA litigation. To date, SVIA has received three third party subpoenas. The Board noted that SVIA's involvement through third party subpoenas will likely increase due to the recent litigation activity, which may significantly increase legal expenses. The Board agreed to assess how to best defend stable value as an asset class, as well as consider how to raise additional resources should they be needed. The Board also tasked Gina Mitchell to ready an Association statement on the stable value litigation, should the Association be called upon for comment.

Reintroducing Stable Value to CIEBA. Textron's Keith Watson reported on a panel presentation that reintroduced stable value to CIEBA on January 12<sup>th</sup> at the Four Seasons in Washington, D.C. SVIA plan

sponsor Board members: Russell Smith from Aetna, Joe Fazzino from UTC, Watson as well as SVIA's Gina Mitchell participated in the panel. Mitchell introduced SVIA as a resource for plan sponsors by peppering stable value specific data throughout the presentation. The three plan sponsors demonstrated the different objectives that sponsors have in using stable value as well as the different stable value structures that are used to achieve these objectives. The panel was well-received by CIEBA and was rated highly by the 40 member working group who attended the session.

Data and Research. The Vanguard Group's Sue Graef reported on the work of the Committee on Data and Research. She noted that the committee had spent much time trying to perfect its surveys to ensure consistency from survey respondents across management segments as well as over the life of the survey.

Starting in 2015 the data points requested in the Quarterly Characteristics Survey had been expanded as well as survey respondents from wrapped stable value funds to management segments: pooled funds, individually managed funds, and life insurance funds. This move expanded the Quarterly Survey to be inclusive of the entirety of SVIA membership as well as harmonize coverage with the Annual Investment and Policy Survey.

Sue reported that the Quarterly Characteristics Survey for the Fourth Quarter of 2015 went out to the membership on January 15<sup>th</sup> and had a due date of the end of January. She announced that the Annual Investment and Policy Survey also went out in mid-January and had a due date of March 1.

Use of Data. Sue shared that when the Committee vetted the third quarter data from the Quarterly Characteristics Survey, they identified three data points that they felt should be used and released to educate sponsors, policymakers, consultants, plan participants on stable value. They were:

- Assets under management, which has been broadly disseminated.
- Duration.
- Crediting rate.

The Committee felt these data points were necessary to tell stable value story as well as provide a context for some of the differences between stable value structures.

The Board agreed to this approach and tasked Sue and the Committee to work with the Communications and Education Committee to explain the stable value asset class.

Babbel Study. The Board approved providing updated data to David Babbel so that he could update the stable value study, which he last undertook in 2011. Babbel indicated he wished to undertake this update at his own initiative and expense. The Board agreed as long as the same three principles were observed when he updated the data in 2011. They were that underlying data is confidential and cannot be used outside of the study; only data in the aggregate could be released; and that SVIA have the opportunity to review and comment on the study prior to its publication. The Board approved giving Babbel access to Members' Only with the same usage terms as members as well as complimentary registration for the Spring Seminar to assist him in keeping up with developments in stable value.

Consultant/Advisor Outreach. The Board discussed reintroducing stable value to consultants and advisors. The Board asked that SVIA recirculate its consultant list for Board review and members to indicate consultants in their research department that would be receptive to learn about stable value.

Once this group has been determined, the Board tasked Gina Mitchell, Nick Gage and Sue Graef with reaching out to reintroduce stable value as an asset class to this group to learn about their interests and issues with stable value.

Cyber Security. Zach Gieske reported on SVIA's efforts to protect the Association, its members and its data from threats. He implemented and enhanced SVIA's physical routers, network security as well as implemented a system that strengthens passwords and guards against password entropy. SVIA's email system, hard drives, and cloud drives have all been upgraded to minimize the impact of a breach as well as ensure SVIA's recovery should something go wrong.

SVIA Speakers. The Board asked that SVIA continue to track other conferences and if possible reach out to these conferences directly and through the membership who may be in leadership/sponsorship positions at these conferences to promote stable value.

SVIA and Peer Universe. Gina Mitchell compared SVIA with its peer universe on several financial points. SVIA's peer group universe was comprised of non-profit Associations that SVIA works with or against from sponsor and financial service groups. The groups were divided into two categories: groups with less than \$5 million in revenue and those with more than \$5 million in revenue. The data showed that SVIA relied upon two sources for revenue: dues and conferences. SVIA's reliance on conferences to produce revenue made SVIA somewhat unique in this universe since many Associations hold meetings as a function of membership and do not charge for attendance. Conferences and meetings are viewed as part of membership and for these Associations, dues are significantly higher than SVIA's.

SVIA's membership dues are three levels: plan sponsor at \$195, service providers at \$9,000 and value program members at \$5,000, \$10,000 and \$15,000 levels. Many of the Associations in the peer universe link dues to assets held or under management. In these cases, the Association may cap or limit the dues that a firm pays to \$1 million. Since stable value is a mature industry, increasing dues through expanding membership and/or increasing dues may raise limited funds.

Some Associations enhance their revenues through returns on their investments. These associations have sufficient reserves that investment income was a source of revenue. However, the sustained low interest rate environment and increased market volatility had lowered investment income for all Associations despite reserve size. These trends had led many Associations to search for new revenue sources such as offering services such as webinars, data, research, or reports on a fee basis.

Lastly, on the expense side, the comparison demonstrated that SVIA held expenses in check and was able to compete and complement this peer group. On key items such as staff compensation, legal expenses, meeting expenses, which were all expressed as a percentage of total expenses for each organization, SVIA was below the average and medium.

Finance Subcommittee. MassMutual's Aruna Hobbs reported that SVIA's 2015 field audit was scheduled for February 9-10<sup>th</sup>. The audit and tax filings will be made by CliftonLarsonAllen, who have been SVIA's auditors and tax preparers for the past five years. This will be CLA's sixth year.

Aruna noted that as of the end of January, SVIA had collected 65% of 2016 dues by the end of 2015. She noted that although the dues notices for 2016 were sent out in August of 2015, dues payment pattern had changed. 2016 dues came in slower in 2015. However, she reported that by the time of the February 2 Board meeting, SVIA had collected 96% of dues.

Aruna pointed out that SVIA was over budget by \$19,189.53, which was anticipated. The Board had approved major expenditures on legal expenses (third-party subpoenas, CFTC-SEC education, and DOL fiduciary rules), public relations (Stanton), hiring an Administrative Coordinator, as well as approving staff year-end staff bonuses and some salary increases. She reminded the Board that these endeavors were part of the rationale for having reserves and that the Association was committed to having at least one year's operating budget as a reserve.

Aruna reminded the Board that the Finance Subcommittee had reviewed the Investment Policy and made some changes in October. She reported that SVIA had closed a redundant and non-interesting bearing account at PNC so SVIA now had two accounts at the bank. The two PNC accounts were the Lockbox, which is used to process credit card transactions and a money market fund. She also reported that SVIA would be opening a business account at United Bank that could take deposits as well as serve as SVIA main and eventually only checking account. This change was occurring because SVIA's current deposit and disbursement account: Premara had closed all its Washington offices. The move to United, which SVIA currently has a money market account, is in close proximity to SVIA's offices. United has multiple branches and has a location one block away from SVIA's offices that has existed for over 25 years.

Resolution to Approve and Update Signatories. The Board approved a resolution to update signatures for all of SVIA's financial accounts. The new signatures will include Steve Kolocotronis as Chairman of the Board; Aruna Hobbs as Treasurer and Gina Mitchell as President. James King, the immediate past Chairman of the Board will come off of SVIA's accounts.

Events. Gina Mitchell reported that SVIA's Spring Seminar at Rancho Mirage had been well-received and its room block of 150 plus rooms on peak nights had been filled. She reported that the Events Subcommittee was finalizing its speakers for the April 3-5<sup>th</sup> event.

Gina also reported that the Board meetings as well as the Fall Forum had been put out for bid in December. The best rates and terms were obtained from the Fairmont. The Fairmont will host SVIA's 2020 Fall Forum as well as the 2016 through 2019 events. The Fairmont will also host SVIA's Board of Directors meeting starting in June 2016 and continuing through 2020. However, the January 2017 Board meeting will be hosted by PIMCO.

Gina reported that she had solicited proposals from Hilton, Ritz Carlton and the Four Seasons hotel chains to host SVIA's Spring Seminar in April of 2018, 2019 and 2020. Several proposals have been received but have yet to be evaluated.

April 3, 2016. SVIA's next Board of Directors meeting will be held on April 3 from 2:00 to 3:30 p.m. at the Ritz Carlton in Rancho Mirage, California.