

November 30, 2016

To: SVIA Board of Directors

From: Gina Mitchell, SVIA

Re: Action Items from October 10, 2016 Board of Directors Meeting

SVIA's Board of Directors met on October 10 at the Fairmont Hotel. The following individuals attended the meeting.

Board Members Attending:

| <u>First Name</u> | <u>Last Name</u> | <u>Company</u> |
|-------------------|------------------|-------------------------------------|
| Bradie | Barr | Transamerica Stable Value Solutions |
| LeAnn | Bickel | Invesco Advisers, Inc. |
| Joe | Fazzino | United Technologies Corporation |
| Nick | Gage | Galliard Capital Management, Inc. |
| Brett | Gorman | PIMCO |
| Susan | Graef | The Vanguard Group |
| Aruna | Hobbs | MassMutual Financial Group |
| James | King | Prudential Financial |
| Steve | Kolocotronis | Fidelity Investments |
| Robert | Madore | T. Rowe Price Associates, Inc. |
| Gina | Mitchell | SVIA |
| Tom | Schuster | Metropolitan Life Insurance Company |
| Russell | Smith | Aetna Inc. |
| Gary | Ward | Prudential Financial |
| Keith | Watson | Textron |

SVIA Staff:

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| Zach | Gieske | SVIA |
| Jackie | Jones | SVIA |

SVIA Members Attending:

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| Helen | Akparanta | Transamerica Stable Value Solutions |
| Gregory | Anselmi | Transamerica Stable Value Solutions |
| Leonard | Aplet | Columbia Threadneedle Investments |
| John | Axtell | GSAM Stable Value, LLC |
| John | Barrasso | Prudential Financial |
| Douglas | Barry | Standish Mellon Asset Management Company |
| David | Berg | PIMCO |
| Howard | Blohm | Transamerica Stable Value Solutions |
| Jay | Blood | Metropolitan Life Insurance Company |
| Kappie | Bogart | Transamerica Stable Value Solutions |
| Robert | Buzdon | Voya Financial |
| Robert | Cahill | GSAM Stable Value, LLC |
| Anthony | Camp | Voya Financial |
| Jesse Austin | Campbell | JPMorgan Chase Bank, N.A. |
| Peter | Chappelear | JPMorgan Asset Management |
| Karen | Chong-Wulff | ICMA Retirement Corporation |
| Sheila | Clifford | PNC |

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| Matthew | Collins | Bank of Tokyo-Mitsubishi UFJ Ltd. |
| Philip | Connor | MassMutual Financial Group |
| David | Cruz | New York Life Investment Management LLC |
| Jordan | Culp | DuPont Capital Management |
| Jeff | Deetsch | Invesco Advisers, Inc. |
| Angela | Demling | Invesco Advisers, Inc. |
| Joe | Dionne | JPMorgan Asset Management |
| Paul | Donahue | Metropolitan Life Insurance Company |
| Mark | Dorfler | The Vanguard Group |
| Karen | Edgerton | RGA |
| Tom | Felago | Wellington Management Company |
| Terence | Finan | Jackson National Life |
| John | Fischer | Mutual of Omaha |
| Bill | Gardner | Morley Financial Services, Inc. |
| Mark | Gilbert | RGA |
| Jennifer | Gilmore | Invesco Advisers, Inc. |
| Justin | Goldstein | JPMorgan Asset Management |
| Jeffrey | Graham | MassMutual Financial Group |
| Sean | Griffin | State Street Bank |
| Paul | Grigely | MassMutual Financial Group |
| Kallan | Harrison | State Street Bank |
| Ron | Heath | Morley Financial Services, Inc. |
| Elizabeth | Heffernan | Fidelity Institutional Retirement Services |
| Terry | Hotchkiss | Principal Financial Group |
| John | Hubenschmidt | RGA |
| Peter | Jenks | Metropolitan Life Insurance Company |
| Shane | Johnston | Morley Financial Services, Inc. |
| Michael | Kazanov | Jackson National Life |
| Ryan | Krieg | Columbia Threadneedle Investments |
| Mark | Ljubich | Metropolitan Life Insurance Company |
| Lacey | Lockward | Prudential Financial |
| Analia | Lopez Murphy | JPMorgan Chase Bank, N.A. |
| Marc | Magnoli | AIG Institutional Markets |
| Tim | Magnotta | Voya Financial |
| Tom | Manente | Great-West |
| Kenneth | Mangini | Voya Financial |
| Kevin | Mansfield | New York Life Investment Management LLC |
| Carl | Marcantonio | Prudential Financial |
| Marian | Marinack | Federated Investment Management Company |
| Kara | Marr | RGA |
| Richard | Mattison | Transamerica Stable Value Solutions |
| James | McKay | Columbia Threadneedle Investments |
| William | McLaren | Lincoln Financial Group |
| Jessica | Mohan | Bank of Tokyo-Mitsubishi UFJ Ltd. |
| David | Molin | Fiduciary Capital Management, Inc. |
| Jacky | Morin | Jackson National Life |
| John | Moroney | Voya Financial |
| Paul | Notte | Metropolitan Life Insurance Company |
| Robert | O'Keefe | Sidley Austin LLP |
| Tami | Pearse | Galliard Capital Management, Inc. |

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| Mark | Pherson | Transamerica Stable Value Solutions |
| Fred | Ramos | State Street Bank |
| Teresa | Reynolds | RGA |
| Daniel | Riley | NISA Investment Advisors, LLC |
| Yijing | Robertson | IBM Retirement Funds |
| Lynn | Sautter Beal | Nationwide Retirement Plans |
| Steven | Schaefer | Bank of Tokyo-Mitsubishi UFJ Ltd. |
| Sandy | Shao | Transamerica Stable Value Solutions |
| Mike | Sipper | New York Life Investment Management LLC |
| Chris | Solimine | Voya Financial |
| Kostas | Sophias | JPMorgan Chase Bank, N.A. |
| Susan | Southworth | Voya Financial |
| Aziz | Syed | Lincoln Financial Group |
| David | Vincent | Voya Financial |
| Robert | Waldo | Voya Financial |
| Tressa | Webb | Fidelity Investments |
| Jason | Wu | Bank of Tokyo-Mitsubishi UFJ Ltd. |
| Xin | Zhou | ICMA Retirement Corporation |
| Kenneth | Zlotnick | Prudential Financial |

Steve Kolocotronis, SVIA’s Chairman of the Board, opened the meeting by introducing SVIA’s officers. SVIA’s officers are:

- Bradie Barr, Transamerica, Chair of Communications and Education.
- Sue Graef, The Vanguard Group, Chair of Data and Research.
- LeAnn Bickel, Invesco, and Aruna Hobbs, MassMutual, Secretary and Treasurer and Co-Chairs of Finance Subcommittee.
- Jim King, Prudential, Past Chair, Board of Directors and ex-officio member.
- Gina Mitchell, SVIA, Chair of Events.
- Nick Gage, Galliard, Chair of Government Relations.

Recognition of Retiring Board Members. SVIA limits Board members to a maximum of two terms and/or eight consecutive years of service. Two current members of the Board will be retiring from the Board at the end of this year. They are Jim King and Aruna Hobbs who have both served two consecutive terms.

Jim has served the last year as an ex-officio member of the Board. He is the past Chairman of the Board from 2012 to 2015 and he has guided the Association through the overhaul of the regulatory framework for financial services as well as the ERISA’s fiduciary rules.

Aruna has served on the SVIA Board of Directors previously for six years with Aegon, now Transamerica. She served most recently from 2010 to 2016. She has led efforts to develop FAQs on general accounts as well as served as the Treasurer/Secretary and now the Chair of the Finance Subcommittee.

SVIA thanked and recognized all the good work that Jim and Aruna have done for the Association on behalf of the stable value industry.

Board Elections. SVIA elected the three individuals nominated for the three Board seats at the meeting. Two service firm seats and one plan sponsor seat were open for election. Three individuals received the

required nominations to run for the Board. They were Tom Schuster, MetLife, who ran for a second term and Cindy Cristello from New York Life who ran for the seat vacated by Aruna Hobbs. Aetna's Russell Smith was unanimously nominated for the plan sponsor seat. All three individuals were affirmed and elected by the members attending the Board of Directors' meeting.

Committee on Communications and Education. Bradie Barr, chair of the Communications and Education Committee, shared updates on the committee's work. She highlighted the articles available in the recently released Stable Times Volume 20 Issue 1 and encouraged members to submit articles for Volume 20 Issue 2, which she noted will also cover the 2016 Fall Forum.

Bradie reviewed the recent press stable value has received in publications such as Employee Benefit Adviser – 10 best practices for 401(k), Employee Benefit News – How plan sponsors should respond to 401(k) money market fund rules, Employee Benefit Adviser – Should retirement advisers continue to rely on stable value funds, Fox Business – What is a Stable Value Fund, and Morningstar – Where's the Best Place to Park Your Cash.

She also mentioned that the Association is in the process of revising its educational documents and FAQs on the website to reflect current survey data, and that SVIA social media efforts have continued to grow and expand.

Committee on Data and Research. Sue Graef, the chair of the Committee on Data and Research, provided highlights of the committee's work.

Sue presented an overview of stable value assets under management with the same base of respondents from 2006 to 2015. This data, she noted was a better measure of the growth of stable value than the annual survey since participation in the annual survey is not always consistent from year to year. For example, in 2006 the consistent participation survey found assets under management totaled \$487 billion compared to \$413 billion from the annual survey. However, as the survey moved closer to the present, these differences minimized, For example in 2015 the consistent participation survey reported \$778 billion in assets and the annual survey group reported \$779 billion.

Sue highlighted results from the Quarterly Survey. She reported that individual accounts had a crediting rate of 2.14% and a duration of 2.81, pooled funds had a crediting rate of 1.84% and a duration of 2.44 and the life segment had a crediting rate of 2.59% and a duration of 4.97.

She also updated data that demonstrated stable value's advantages over money market funds for all segments of the stable value management based on return, duration and standard deviation.

She also highlighted results from SVIA Annual Investment and Policy Survey focusing on the underlying fund asset allocation, stable value contract allocation and types of plan assets that invested in stable value funds.

Committee on Events. Gina Mitchell, the chair of the Committee on Events reported that 197 people registered for the 2016 Fall Forum. She announced that the Fairmont Georgetown would be hosting SVIA's Fall Forum from 2017-2020. The rates and dates are provided below.

- October 9-11, 2017, rate \$314
- October 8-10, 2018, rate \$319
- October 14-16, 2019, rate \$324

- October 12-14, 2020, rate \$329

SVIA's Spring Seminars for 2017-2020 have also been booked. The hotels, dates and rates are listed below.

- Ritz Carlton Half Moon Bay in Half Moon Bay, CA on April 23-25, 2017 with a rate of \$300 and a \$10 resort fee
- The Four Seasons in Orlando in Orlando, Florida on April 29-March 1, 2018 with a rate of \$369
- The Ritz Carlton at Dove Mountain on April 7-9, 2019 with a rate of \$329
- The Ritz Carlton at Rancho Mirage on March 28-31, 2020 with a rate of \$349

Subcommittee on Finance. LeAnn Bickel who serves as the Co-Chair of the Board's Subcommittee on Finance, thanked Aruna the outgoing Chair as well as the members of the Subcommittee for their good work. The subcommittee, which is composed of Board members is comprised of LeAnn Bickel, Sue Graef, Brett Gorman, Aruna Hobbs, Jim King, Steve Kolocotronis and Gina Mitchell.

LeAnn noted that the Subcommittee had reviewed SVIA Investment Policy Statement and SVIA investments and reserves. She explained that SVIA's cash assets were broadly diversified across six banks in nine accounts. LeAnn noted that the Association had reinvested its reserves in two 1-year CDS, respectively: \$140,0000 with Synchrony at 1.05%, which expires September 8, 2017 and \$100,986.68 with Cardinal Bank at 0.65%, which expires August 8, 2017.

LeAnn shared that SVIA had hired accounting firm Rogers and Company in April 2016, embraced technology with online QuickBooks and banking as well as hired a new audit and tax firm, Rubino and Company, for 2016-2018 in June 2016.

She reported that a 2017 dues notice was sent in August giving membership opportunity to plan for dues. To date SVIA has collected \$146,975 or 21.29% of 2017 dues.

Committee on Government Relations. Nick Gage, chair of the Government Relations committee, noted that much of the work of the committee will be discussed in the Fall Forum. Michael Richman, who serves as SVIA's ERISA Counsel, led a discussion of the Department of Labor's proposed fiduciary rules. SVIA filed comments this summer with the Department of Labor on the proposed rules.

Nick provided a brief update on money market funds. He reported that the Federal Reserve had dedicated a staff economist to monitor cash flow from money market funds to stable value funds. Nick observed that the move from money market funds to stable value funds had been small to date. He noted that most stable value managers anticipated a manageable, slow transition from money market funds to stable value funds.

Nick reminded attendees that FASB had adopted contract value/book value reporting for all financial reports and disclosures for employee benefit plans who used stable value. He said this was a positive step that would simplify reporting requirements for employee benefit plans. However, this simplification does not apply to commingled/pooled funds or trusts that fall under the Investment Company Act of 1940.

However, Nick reported that the FASB switch to contract value for all financial reports for employee plans had emphasized the disparity between FASB financial reporting requirements and the DOL Form 5500 reporting requirements for employee benefit plans with stable value. He reminded the Board that

SVIA had met with the DOL's Chief Accountant and the Director of the Office of Regulation and Interpretation to offer a clarification that could be used in the 5500 Form instructions that would meet the Department's goal of increasing transparency and consistency while addressing this reporting disparity.

Lastly, he reminded the Board that the stable value study had been subordinated by the CFTC and SEC to address more pressing issues before them. Both the CFTC and SEC have collected information to complete the study. However, both agencies have now seen almost complete turnover of commissioners and staff since the passage of Dodd-Frank in 2010. Nick noted that Dodd-Frank tasked the CFTC-SEC with determining if stable value contracts were swaps as well as giving the Commissions the ability to exempt stable value from regulation as a swap if the Commissions determined this would be beneficial to the public. He stressed that the regulation of stable value contracts does not and will not change unless the Commissions say so. Further, all existing contracts are grandfathered under Dodd-Frank.

Finally, Nick noted that GAO's report from last September provided an opening to dialogue with the Department of Labor about restoring stable value as a QDIA since it concluded that stable value was an appropriate QDIA for some specific demographics in plans.

Adoption of 2017 Budget. The Subcommittee on Finance's 2017 proposed budget was unanimously approved by the Board on September 29th. The approved 2017 budget is attached for your information.

Next Board of Directors' Meeting. The Board will meet next on January 23-24, 2017 at PIMCO's offices in Newport Beach, California.

Attachments: 2017 Approved Budget