



May 7, 2014

To: SVIA Board of Directors

From: Gina Mitchell, President

Re: April 27th Board of Directors Meeting

SVIA's Board of Directors met on April 27th at the Four Seasons Troon North in Scottsdale, Arizona. The following individuals participated in the meeting.

SVIA Members Attending:

First Name	Last Name	Company
Robin	Andrus	Prudential Financial
Leonard	Aplet	Columbia Management Investment Advisers, LLC
Mark	Auriemma	State Street Bank & Trust Company
Bradie	Barr	Transamerica Stable Value Solutions
John	Barrasso	Prudential Financial
Eric	Baumhoff	Standish Mellon Asset Management Company
LeAnn	Bickel	Invesco Advisers, Inc.
Anthony	Camp	ING U.S. (Becoming Voya Financial in 2014)
Austin	Campbell	JPMorgan Chase Bank, N.A,
Peter	Chappelear	JPMorgan Asset Management
Karen	Chong-Wulff	ICMA Retirement Corporation
Jeffrey	Clark	Prudential Financial
Andy	Cohen	New York Life Investment Management LLC
Matthew	Collins	Bank of Tokyo-Mitsubishi UFJ Ltd.
Matthew	Condos	ING U.S. (Becoming Voya Financial in 2014)
Jeff	Deetsch	Invesco Advisers, Inc.
Angela	Demling	Invesco Advisers, Inc.
Kim	DiGiovanni	Prudential Financial
Karen	Edgerton	RGA
Robert	Ferencz	Sidley Austin LLP
Terence	Finan	Jackson National Life
John	Fischer	Mutual of Omaha
Marty	Fleischman	Mutual of Omaha
Jignesh	Gandhi	Prudential Financial
Mark	Gilbert	RGA
Jennifer	Gilmore	Invesco Advisers, Inc.
Andrew	Gittler	Bank of Tokyo-Mitsubishi UFJ Ltd.

First Name	Last Name	Company
Matthew	Gleason	GSAM Stable Value LLC
Justin	Goldstein	JPMorgan Asset Management
Dean	Gorman	Jackson National Life
Jeff	Graham	MassMutual Financial Group
David	Graham	Pacific Life Insurance Company
Paul	Grigely	MassMutual Financial Group
Ben	Gugliotta	T. Rowe Price Associates, Inc.
Terry	Hotchkiss	Principal Financial Group
Warren	Howe	Metropolitan Life Insurance Company
Bill	Jamison	Federated Investors
Vicki	Jared	Invesco Advisers, Inc.
Peter	Jenks	Metropolitan Life Insurance Company
Shane	Johnston	Morley Financial Services, Inc.
Erik	Karpinski	GSAM Stable Value LLC
Gerry	Katz	Transamerica Retirement Solutions
Tony	Luna	T. Rowe Price Associates, Inc.
Cheryl	Lynch	Jennison Associates LLC
Bob	Madore	T. Rowe Price Associates, Inc.
Marc	Magnoli	AIG Institutional Markets
Thomas	Manente	ING U.S. (Becoming Voya Financial in 2014)
Carl	Marcantonio	Prudential Financial
Karen	McAfee	Morley Financial Services, Inc.
James	McKay	Columbia Management Investment Advisers, LLC
William	McLaren	Lincoln Financial Group
Jessica	Mohan	Bank of Tokyo-Mitsubishi UFJ Ltd.
David	Molin CFA	Fiduciary Capital Management, Inc.
Brian	Moran	Con Edison
Helen	Napoli	New York Life Investment Management LLC
Paul	Notte	Metropolitan Life Insurance Company
Robert	O'Keefe	Sidley Austin LLP
Jessica	Ouellette	ING U.S. (Becoming Voya Financial in 2014)
Martin	Palmeri	Bank of Tokyo-Mitsubishi UFJ Ltd.
Kristine	Pavelchak	Fiduciary Capital Management, Inc.
Nicholas	Rago	Prudential Financial
Frederick	Ramos	State Street Bank & Trust Company
Lucas	Robustelli	Metropolitan Life Insurance Company
Melissa	Rowe	State Street Bank & Trust Company
Bill	Sample	Metropolitan Life Insurance Company
Eric	Sandquist	Mutual of Omaha
Steven	Schaefer	Bank of Tokyo-Mitsubishi UFJ Ltd.
Michael	Sipper	New York Life Investment Management LLC
Scott	Sokol	Valerian Capital Group
Kostas	Sophias	JPMorgan Chase Bank, N.A,
Susan	Southworth	ING U.S. (Becoming Voya Financial in 2014)
Charles	Sprague	Prudential Financial
Ryan	Stevens	RGA

First Name	Last Name	Company
Aziz	Syed	John Hancock Financial Services
Robert	Waldo	ING U.S. (Becoming Voya Financial in 2014)
Lee	Wallingford	State Street Bank & Trust Company
Tressa	Webb	Fidelity Investments

Board Members Attending:

Joe	Fazzino	United Technologies Corporation
Nick	Gage	Galliard Capital Management, Inc.
Brett	Gorman	PIMCO
Susan	Graef	The Vanguard Group
Aruna	Hobbs	New York Life Investment Management LLC
James	King	Prudential Financial
Steve	Kolocotronis	Fidelity Investments
Steve	LeLaurin	Invesco Advisers, Inc.
Gina	Mitchell	SVIA
Thomas	Schuster	Metropolitan Life Insurance Company
Marijn	Smit	Transamerica Stable Value Solutions
Russell	Smith	Aetna Inc.

Board Members Unable to Attend:

Joe	Veeneman	IBM
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SVIA Staff:

Zach	Gieske	SVIA
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Jim King opened the meeting by introducing the board of directors. He recognized and thanked the Board for their efforts while stressing the importance of the overall membership's participation in achieving the goals and objectives of SVIA. King highlighted SVIA officers for attendees:

- Jim King, Chairman, SVIA Board of Directors.
- Marijn Smit, Communications & Education.
- Steve LeLaurin and Sue Graef, Data & Research.
- Aruna Hobbs, Membership & Budget and Treasurer/Secretary.
- Steve Kolocotronis, Government Relations.
- Gina Mitchell, Events.

King also introduced Zach Gieske who is SVIA's Operations Analyst to the membership.

Government Relations. Steve Kolocotronis, the chairman of the Committee on Government Relations gave an overview of the four major issues before the Committee: regulation of constant NAV funds, NAIC on separate accounts, the CFTC-SEC stable value study, and MyRA accounts.

Regulation of Constant NAV Funds. Kolocotronis reported that the Securities and Exchange Commission (SEC) had resurrected money market fund reform that included greater capital requirements and a floating NAV. He anticipated that final regulations would be released sometime this summer.

NAIC on Separate Accounts. Kolocotronis told the group that the SVIA had provided comments and given testimony on the NAIC's proposed regulation of separate accounts. The NAIC's draft regulations as first introduced were unfavorable to separate accounts. SVIA advocated a principles-based approach that recognized the insulated nature of these accounts in capital and reserve requirements. SVIA also provided comments in testimony before the NAIC as well. Kolocotronis said that the NAIC had listened to comments and in their latest draft, had adopted the industry's principle-based approach to regulation of separate accounts. He noted this was most encouraging and that the committee would continue to follow the issue.

CFTC-SEC Stable Value Study. Kolocotronis noted that most of the Committee's efforts have been focused on the CFTC-SEC stable value study. He speculated that activity on the CFTC-SEC study was unlikely until the SEC finalized money market rules and open Commissioners' positions at the CFTC and SEC are filled.

Kolocotronis reminded the Board that nothing changes for stable value contracts until the Commissions make a definitive decision on stable value contracts and that the decision will be prospective.

Kolocotronis noted that the Administration would be releasing a trial project at the end of this year on MyRA accounts, which appear to be investment vehicles that are very similar to stable value funds. He said the committee will continue to follow this issue and provide more information when available.

Committee on Communications & Education. Marijn Smit who serves as Chairman of the Committee on Communications and Education explained that the Committee's efforts were focused in three areas: the website, which houses all SVIA information, the Media Team, which addresses press and issues that arise as well as the *Stable Times* Editorial Board, which produces and edits articles for the Association's biannual publication, *Stable Times*.

Smit began by discussing the SVIA Webinar "How SVIA Can Help You Deliver Your Stable Value Message to Key Constituents" that was held on February 12, 2014. He noted that it covered new Association social media initiatives and outlined messages, approach, content, key constituents, and platforms for the Association. He also mentioned it is archived on the SVIA website. Smit then outlined the new key messages and reminded the membership that they would have the opportunity to submit content for the Association to distribute.

SVIA Perspectives. Smit noted that SVIA had launched a bimonthly publication, *SVIA Perspectives* that highlighted issues affecting stable value and defined contribution plans for SVIA membership. It is written by Gina Mitchell and Zach Gieske.

He also explained that SVIA had been using content from member firms on Twitter. To illustrate, he gave the following examples:

- Designing Balanced DC Menus: Considering Diversified Fixed Income Choices - PIMCO
- Rising Rates and Stable Value – Galliard.

- 14th Annual Transamerica Retirement Survey.
- How America Saves 2013 – Vanguard.
- Assessing Stable Value After 2008 – Prudential.
- Negotiating Risk for Stable Value Options – Dwight.
- MetLife’s 2013 Stable Value Study.

Stable Times. Smit remarked that SVIA’s biannual publication is *Stable Times*. The publication covers both the Fall Forum and Spring Seminar in its respective issues. However, the Committee wanted to give the publication more depth so the *Stable Times* Editorial Board has recruited and incorporated additional articles that addressed more than our conferences, and also covers most of the issues that SVIA addresses.

Smit said that the second Issue of 2013 included:

- Transforming Tomorrow: Awakening the Super Saver
- Dodd Describes His Work on Signature Bill as Once-in-a-Lifetime Opportunity
- Stable Value Seen Outperforming Other Fixed-Income Sectors in Rising Rate Environment
- Stable Value: Challenges and Opportunities
- The Big Picture: Trends in Defined Contribution Plans
- Shields Says Income Inequality Could Be “Sleeper Issue” of 2016 Election
- Evaluating Fiduciary Risks
- Stable Value Roundtable
- Building an Optimal Investment Lineup for a Defined Contribution Plan
- Columnist Sees “Crescendo of Errors” in Washington
- Potential Regulatory Changes Cloud Outlook at Front End of Yield Curve
- Wells Fargo Economist Sees US Consumer Spending in Seventh Inning of Rebound
- How United Technologies Revamped its 401(k) Plan
- Paradigm Shift: Changing Demographics Bode Well for Stable Value
- Survey Offers Clues to Broader Adoption of Stable Value Funds
- Survey Shows Consistent Allocation to Stable Value Over 20 Quarters

He concluded that the Editorial Board was taking a similarly robust approach for the first issue of 2014, which should be out mid-2014.

Data and Research. Steve LeLaurin who chairs the Committee on Data and Research overviewed the Committee’s work.

LIMRA-SVIA Stable Value Sales and Assets Survey. LeLaurin highlighted the Sales and Assets survey, noting that it differs from most SVIA surveys since it covers issuers. Additionally, SVIA partners with LIMRA on the survey. SVIA provides the bank side of the business. The survey is also biannual. The Second Half of 2013 was recently released. He noted that the survey:

- Covered 20 companies.
- Participating companies reported new stable value sales of \$24.4 billion, a decrease of 15 percent from the second half of 2012.
- Total qualified and funding agreement products sales of \$41.5 billion during the second half of 2013 show a decrease of 13 percent from the same period in 2012.
- Companies reported \$133 million in renewal sales, a significant increase from second half 2012 sales.

- The \$10.9 billion in ongoing contributions to existing contracts increased by 17 percent when calculated on a common company basis from the same period in 2012.
- Stable value assets totaled \$349.5 billion. Combined with General Account with Portfolio Guaranteed Rates, total qualified assets amounted to more than \$660 billion, a decrease of 2.8 percent on a common company basis from the first half of 2013.

Stable Value Funds' Quarterly Characteristics Survey. LeLaurin noted that the Quarterly Characteristics survey covers 23 stable value managers on five data points: duration, overall portfolio credit quality, AUM, crediting rate and M/B ratio. The most recent survey as of December 31, 2013 found:

- Assets covered totaled \$455 billion.
- Crediting rate was 1.98 percent.
- Duration was 2.96.
- Credit Quality was 8.39 (AA or higher).
- M/B was 101.8 percent.

LeLaurin advised survey participants that they should expect the next quarterly survey data to be released shortly.

Annual Stable Value Funds' Investment and Policy Survey. LeLaurin observed that SVIA's longest running survey is the Annual Investment and Policy Survey. The Association has just completed the eighteenth year and was released in May. This survey covers different management segments of stable value: individually managed funds, pools and insurance. It is the most comprehensive SVIA survey. As of December 31, 2013, the Annual Investment and Policy Survey:

- Reported \$719 billion in assets covering 189,000 plans.
- Crediting rates declined from an average of **2.55%** to **2.37%**, but remain strong versus money market rates
- Average durations positioned in the short to intermediate term range over time
- Stable value Funds remain well diversified across several asset classes and product-types

Historic Base Survey. LeLaurin also highlighted the Association's recent initiative of the Historic Base Survey, which was run with the purpose of collecting a consistent common-company comparison for a number of data points included on the annual survey. He noted that calculated on a common company basis, stable value assets under management have held a strong upward trend since 2007, increasing by a total of 53% from 2007 to 2013.

Membership and Budget. Aruna Hobbs who serves as the Chairwoman of the Committee on Membership and Budget as well as the Treasurer and Secretary reported on the Committee's work. Aruna took over this position from Sharon Cowher, who retired from the Board at the end of 2013.

Hobbs reminded the Board that the Committee on Membership and Budget's mission was essentially five tasks:

- See that the Association is addressing the major issues and trends within the stable value industry.
- Establish an annual budget and ensure that Association activities fall within those resources.
- Establish appropriate controls with checks and balances for SVIA financial resources.
- Manage SVIA to 501c 6 requirements – not for profit organization.

- Ensure that the Association's dues and value program structure are adequate to support ongoing Association initiatives and are equitable across membership categories.

Hobbs noted that 2014 had been very busy for the Committee on Membership and Budget. She highlighted the following accomplishments:

- Implemented new dues structure for service firm members, which included a \$1,500 increase to \$9,000. She noted that 92% of all dues collected as of April 15, 2014.
- SVIA had received an unqualified opinion on audited financial statements for 2013 from LarsenCliftonAllen, who have been SVIA's auditors for the past five years.
- LarsenCliftonAllen also prepared and SVIA filed the Form 990 for 2013, which is the Federal income tax report for non-profits.
- LarsenCliftonAllen prepared and SVIA filed DC Property, and Sales and Use Tax, and Foreign Entity Tax for 2013. All of these respective reports are required by the District of Columbia.
- LarsenCliftonAllen recommended enhancements to SVIA's internal controls, which the Committee had implemented.

Revenue Review. Hobbs pointed out that the Association had consistent positive revenue from the beginning of the financial crisis in 2008 to the present. SVIA's position is rather unique among financial service associations. Most saw their revenues and retained earnings decline over this period of time. Additionally, Hobbs noted that SVIA was most dependent upon service firm member dues and conference revenues. SVIA differs from other financial associations in that SVIA meetings generally net a profit and that SVIA does not hold reserves and consequently does not generate much investment income compared to its peers.

Hobbs noted that SVIA was on its way to building an operating reserve that would permit the Association to weather economic uncertainty as well as address industry challenges without going to the membership for special assessments. The Board had approved a \$1,500 service firm dues increase to \$9,000 to build an operating surplus of one to three years of operating revenues. She noted that SVIA's last dues increase was implemented in 2009 during the height of the financial crisis. She pointed out that the 2009 dues increase steered SVIA throughout the financial crisis by providing critical funds through the challenges over the past five years. She stated that the 2014 dues increase was equally provident.

Events Planning Committee. Gina Mitchell, who chairs the Events Planning Committee, reported that attendance has steadily increased since 2009 for both the Fall Forum and to a lesser extent Spring Seminar.

Mitchell thanked the Events Planning Committee for their good work on the Spring Seminar. Each year, the Events Planning Committee out does itself by creating an exceptional program. This year's Committee consists of:

- Aruna Hobbs, New York Life Investment Management.
- Tom Schuster, MetLife.
- Jim King, Prudential Retirement.
- Matt Gleason, GSAM Stable Value
- Brian Haendiges, MassMutual
- Tom Manente, ING US (Becoming Voya Financial in 2014)
- Steve LeLaurin Invesco Advisers.
- Nick Gage, Galliard Capital Management.

- Marijn Smit, Transamerica Stable Value Solutions.
- Gina Mitchell, SVIA.

2014-2017 Schedule. Mitchell concluded that the next four Fall Forums will be held at the Fairmont in Washington DC and the Spring Seminars for 2015-2017 will be at The Ritz Carlton Key Biscayne in Miami FL, The Ritz Carlton Rancho Mirage in Palm Springs CA, and The Ritz Carlton Half Moon Bay in Half Moon Bay CA, respectively. The dates and room rates are listed below.

- Fall Forum on October 13-15, 2014 at \$299 at the Fairmont in Washington, D.C.
- Spring Seminar on April 12-14, 2015 at \$349 at the Ritz Carlton Key Biscayne in Miami, FL.
- Fall Forum on October 12-15, 2015 at \$304 at the Fairmont in Washington, D.C.
- Spring Seminar on April 3-5, 2016 at \$335 at the Ritz Carlton Rancho Mirage in Palm Springs, CA.
- Fall Forum on October 10-12, 2016 at \$309 at the Fairmont in Washington, D.C.
- Spring Seminar on April 23-25, 2017 at \$300 at the Ritz Carlton Half Moon Bay in Half Moon Bay, CA.
- Fall Forum on October 9-11, 2017 at \$314 at the Fairmont in Washington, D.C.

Survey. Sue Graef suggested that the SVIA data committee discuss survey use with the membership and the survey respondents to help the Association provide the most relevant data possible.

Next Meeting. The next meeting of the board of directors is scheduled for June 9-10, 2014 at the Morrison House Hotel in Alexandria, Virginia.