

May 23, 2019

To: SVIA Board of Directors

From: Gina Mitchell, SVIA

Re: Action Items from April 7, 2019 Meeting

The SVIA Board of Directors met on April 7 at the Ritz Carlton Dove Mountain in Marana, Arizona.

SVIA Officers. Gina Mitchell, SVIA's President, and Steve Kolocotronis, SVIA's Chairman of the Board of Directors opened the meeting by introducing SVIA's Board of Directors and its officers:

- Bradie Barr, Transamerica, Incoming Chair of Government Relations and outgoing Chair of Communications and Education.
- David Berg, PIMCO, Chair of Data and Research.
- LeAnn Bickel, Invesco, Treasurer and Chair of the Finance Subcommittee.
- Nick Gage, Galliard, Outgoing Chair of Government Relations and Incoming Chairman of SVIA's Board of Directors for 2020 and 2021.
- Steve Kolocotronis, AIG, Chairman of SVIA's Board of Directors.
- Gina Mitchell, SVIA, Chair of Events.
- Patricia Selim, Incoming Chair of Communications and Education.

Board Elections. Mitchell reported that there will be two service firm seats up for election this fall. They are:

- Cindy Cristello, New York Life (eligible for reelection)
- Tom Schuster, MetLife (on second term) who will be retiring from the Board since SVIA's bylaws limit members to two consecutive, three-year terms.

Mitchell and Kolocotronis encouraged service firm members to consider running for the board to fill the open seats. The nomination process will be held after Labor Day. Service firm members need a minimum of three and a maximum of seven nominations to become a candidate. The election will follow the Fall Forum, which is October 14-16 at the Fairmont Hotel in Washington, D.C.

Communications and Education Committee. The Vanguard Group's Patricia Selim gave an update on the committee's recent efforts.

Selim reported that a plain-language article detailing the history of rising rates and stable value's performance in this market environment had been created and approved by the Board of Directors. The article covers: historical backdrop, past performance, inverted yield curves as well as economic outlook. The article was a joint effort between the Communications and Education Committee and the Data and Research Committee. The project was led by David Berg, Nick Gage, and Tom Schuster.

Further, Selim noted that the article was used by the Media Team to draft a respond to a negative article in Pensions and Investments. The Media Team's response was approved by the Board and ultimately published as an editorial in P&I at the end of May.

The Committee also has an article that discusses exit provisions for approval by the Board of Directors. The article covers differences between plan sponsor initiated withdrawals and participant transactions, how exit provisions enable stable value to offer principal protection plus interest while maintaining returns higher than money market instruments, types of exit provisions and relevant considerations. This project was led by David Berg, LeAnn Bickel, Patricia Selim, and Bob Madore.

Selim also discussed several improvements planned for stablevalue.org, the Association's website that began in September 2018. They included:

- Advanced search functionality to improve site navigation.
- Consolidated data page for survey information.
- Improved organization of educational content.

She anticipates that the revamped site will be fully implemented before year's end.

Diversity Working Group. JP Morgan's Tashil Fakir who leads SVIA's Diversity Working Group gave an update on the Group. He reported that the Group's main two objectives were:

- To create more effective and stronger solutions that diversity and inclusion provide.
- To strengthen our industry in the face of evolving corporate environments and build a deeper bench of future leaders.

The Working Group includes:

- Tashil Fakir, JPMorgan – Group Lead
- Christina Hinds, Prudential
- Maya Pillai, Pacific Life
- Patricia Selim, Vanguard
- Shalonda Green, Transamerica

Fakir asked members to help the Working Group by:

- Identifying high performing individuals at your member firm.
- Encouraging attendance at SVIA Fall Forum.
- Encouraging joining an SVIA Committee.
- Volunteering as an "SVIA Guide" for Fall Forum.
- Facilitating introductions for newcomers to existing members during the events of the Fall Forum.

Committee on Data and Research. PIMCO's David Berg updated the membership on the status of the committee's efforts to work with Morningstar in order to create improved stable value fact sheets and noted that communication with Morningstar was ongoing.

Berg reported that Data and Research had made several enhancements to get better data on expense ratio reporting. This data will be used to update to SVIA quarterly survey report and Morningstar recommendations.

Berg reported that the Committee had developed two templates and provided them to Morningstar. However, progress has slowed since Morningstar has undertaken a comprehensive revision to all of its data collection efforts.

Berg discussed the committee's project to survey the membership on what data may be possible to release on an individual basis. He noted that the committee surveyed all voting members to gauge their opinions on individual data being released on either an unnamed or named basis and that there was a generally favorable response to the release of unnamed data on an individual basis.

He reported that the committee's current recommendation is an enhancement to the Quarterly Characteristics Survey to disclose individual information on a no-name basis provided only to SVIA members but that discussions were ongoing.

Berg said that the Stable Value Asset Report had been expanded to include the full value chain associated with the stable value product, which incorporates stable value directly sold and stable value product & service providers (asset managers and contract issuers). This inclusion increased participation in the report to 45, up from 29 entities. He pointed out that the report is only available to firms who participate.

Berg told the group that the plan sponsor survey questionnaire for 2018 is out for collection. He noted that 13 plan sponsors participated in the first survey, out of a population of 26. While hoping for greater sponsor participation, he reported that the plan sponsor report was only available to plan sponsors who participate, which is in keeping with SVIA's data policy.

Berg reminded the Board of its partnership with Cerulli on their 2018 U.S. Defined Contribution Distribution report that covered assets as of year end of 2017. Data included:

- What percentage of 401(k), 403(b) , and 457 plan assets reside in stable value strategies?
- Stable Value Assets by Manager Segment and DC Plan Type.
- 401(k) CIT Assets by Stable Value, Target Date, and Core Menu Options.
- Asset Manager Perspective: Opportunity for Gaining DC Assets by Category Over the Next 12 months.

Government Relations Committee. Galliard's Nick Gage reported on the Government Relations Committee. Gage reported that retirement legislation that enjoyed strong support in Congress was introduced March 29th and voted out of Committee on Ways and Means on April 2nd (H.R. 1994 or Setting Every Community up for Retirement Enhancement Act (SECURE)).

Gage noted that the Retirement Security and Savings Act introduced in December 2018 by Senators Rob Portman (R-OH) and Ben Cardin (D-MD) – both members of the Senate Finance Committee was likely to be reintroduced this Congress. The bill included provisions to address the eligibility of 403(b) plans to invest in collective investment trusts. SVIA's Government Relations Committee was engaged with an industry coalition supporting the proposed legislation to review and ensure that stable value investments are adequately addressed. At this time the Senate staff continue to seek industry input and support with the goal of reintroducing in the 116th Congress.

Gage reported on the DOL Fiduciary Rule and noted that on March 15th the Appeals Court for the Fifth Circuit concluded that the Department of Labor overstepped its authority with the fiduciary rule and

overtaken the rule in a split decision in *Chamber of Commerce v. U.S. Department of Labor*. It is unclear whether the Department of Labor will appeal the ruling. He noted that the SEC was working on their own rules governing investors' relationships with broker-dealers and investment advisers and that they requested comments within 90 days.

Gage reported that the Government Relations continues to monitor the Life Capital Adequacy Committee, which is a subgroup of the American Academy of Actuaries. Several proposed changes were offered including: Applying only to fixed income securities (public and private) and more granular factor categories.

He reminded the Board that the initial proposal resulted in higher capital charges, particularly for investment grade fixed income. SVIA filed comments on July 24, 2017 encouraging further dialogue and review of the RBC factors to determine their impact on stable value products and retirement plan participants who invest in stable value. The Academy's latest proposal was released in July 2018, with comments due in October 2018. After receiving additional questions regarding the methodology and modelling, regulators subsequently postponed discussion of next steps. The NAIC has not publicly indicated how or when it will proceed on the topic, and implementation seems unlikely until 2020 at the earliest.

Gage concluded that the SVIA is currently working to re-engage with the SEC/CFTC in order to seek a favorable resolution to the stable value study.

Lastly, the Committee is looking for an opportunity to work with the Department of Labor on the 5500 to clarify that contract value accounting is appropriate for all stable value funds throughout the 5500's various schedules.

Finance Subcommittee Report. Invesco's LeAnn Bickel, Chair of the Subcommittee and Association's Treasurer and Secretary, reported on membership and finances. Bickel reported at the board meeting that 96% of 2019 dues had been collected as of March 31, 2019. The Subcommittee continues to review the SVIA Investment Policy Statement through monthly reconciliation of accounts and reports to ensure they are aligned with Policy. Bickel noted that SVIA broadly diversifies cash assets across seven banks in nine accounts. She elaborated that the Subcommittee reviews accounts to maximize FDIC insurance coverage as well as interest rate opportunities. She concluded that SVIA had completed its audit by Rubino and Company and received an unqualified opinion.

Committee on Events. SVIA's Gina Mitchell reported on the Events Committee. She thanked the Committee for their good work in developing a forward-leaning agenda that addressed retirement concerns and stable value. She noted that the start time for the meeting had been pushed back to 9 a.m. as well as the usual breakfast had incorporated client meetings, where members reserved tables. She noted that the concept of having client meetings within SVIA's breakfast times would be incorporated in future meetings if well-received. SVIA's next meeting is the Fall Forum on October 14-16 at the Fairmont Hotel in Washington, D.C.

Attendance. The following individual were in attendance or registered for the meeting.

Board Members Attending:

Bradie Barr, Transamerica Stable Value Solutions Inc.
David Berg, PIMCO
LeAnn Bickel, Invesco Advisers, Inc.
Cindy Cristello, New York Life
Nick Gage, Galliard Capital Management, Inc.
Shane Johnston, Morley Capital Management
Steve Kolocotronis, AIG Institutional Markets
Bob Madore, T. Rowe Price Associates, Inc.
Gina Mitchell, SVIA
Patricia Selim, The Vanguard Group
Russell Smith, Aetna Inc.
Kostas Sophias, JPMorgan Chase Bank, N.A.
Keith Watson, Textron

Board Members Unable to Attend:

Sara Smithson, Raytheon
Gary Ward, Prudential
Thomas Schuster, Metropolitan Life Insurance Company

SVIA Staff:

Zach Gieske SVIA

SVIA Members who Registered for the Board Meeting:

Tara Aldridge, New York Life
John Barrasso, Prudential Financial
Kappie Bogart, Transamerica Stable Value Solutions Inc.
Afua Brefo, Transamerica Stable Value Solutions Inc.
Colin Carey, State Street Bank & Trust Company
Karen Chong-Wulff, ICMA Retirement Corporation
Jeff Cimini, Voya Financial
David Cohen, John Hancock Investments
Jessica Cole, Invesco Advisers, Inc.
David DeBiase, Fidelity Investments
Matt Dines, Build Asset Management, LLC
Joe Dionne, JPMorgan Asset Management
Karen Edgerton, RGA
Tashil Fakir, JPMorgan Chase Bank, N.A.
Joseph Fazzino, United Technologies Corporation
Terence Finan, Jackson National Life
Marty Fleischman, OneAmerica
Wayne Gates, PFM Asset Management
Jennifer Gilmore, Invesco Advisers, Inc.
Justin Goldstein, JPMorgan Asset Management
Jeff Graham, MassMutual Financial Group
David Graham, Pacific Life Insurance Company

Shalonda Green, Transamerica Stable Value Solutions Inc.
Paul Grigely, MassMutual Financial Group
Tim Grove, Prudential Financial
Elizabeth Heffernan, Fidelity Investments
Aruna Hobbs, MassMutual Financial Group
John Hubenschmidt, RGA
Erik Karpinski, GSAM Stable Value, LLC
Erin Kioultzopoulos, Pacific Life Insurance Company
John Knowles-Bagwell, NISA Investment Advisors, LLC
Jonathan Kreider, Great-West Financial
Cheryl Lynch, Jennison Associates LLC
Tom Manente Great-West Financial
Kara Marr, RGA
Dave Martin, Build Asset Management, LLC
William McLaren, Lincoln Financial Group
Jessie Mohan, PIMCO
David Molin, PFM Asset Management
Michael Montanez, The Vanguard Group
Jacky Morin, Jackson National Life
John Moroney, Voya Financial
Paul Notte, Metropolitan Life Insurance Company
Robert O'Keefe, Sidley Austin LLP
Greory Pereiro, Invesco Advisers, Inc.
Mark Pherson, Transamerica Stable Value Solutions Inc.
Maya Pillai, Pacific Life Insurance Company
Allison Richards, RGA
Dan Riley, NISA Investment Advisors, LLC
Melissa Rowe, State Street Bank & Trust Company
John Ruth, Build Asset Management, LLC
Chris Solimine, Voya Financial
Jacqueline Sopko, JPMorgan Asset Management
Aziz Syed, Lincoln Financial Group
Xin Zhou, ICMA Retirement Corporation