To: SVIA Board of Directors

Re: Action Items from January 9th Board Meeting

From: Zach Gieske, SVIA

The board met on January 9th at the Fairmont Hotel in Washington, D.C. The following members were in attendance.

Board Members Attending:

First Name	Last Name	Company
David	Berg	PIMCO
LeAnn	Bickel	Invesco Advisers, Inc.
Cindy	Cristello	New York Life
Nick	Gage	Galliard Capital Management, Inc.
Brett	Gorman	PIMCO
Sue	Graef	The Vanguard Group
Shane	Johnston	Morley Capital Management
Stephen	Kolocotronis	Fidelity Investments
Bob	Madore	T. Rowe Price Associates, Inc.
Gina	Mitchell	SVIA
Russell	Smith	Aetna Inc.
Sara	Smithson	Raytheon
Kostas	Sophias	JPMorgan Chase Bank, N.A.
Keith	Watson	Textron

Board Members Unable to Attend:

Bradie	Barr	Transamerica Stable Value Solutions Inc.
Gary	Ward	Prudential Financial
Thomas	Schuster	Metropolitan Life Insurance Company

SVIA Staff:

Zach	Gieske	SVIA

SVIA Members Attending:

First Name	Last Name	Company
Kappie	Bogart	Transamerica Stable Value Solutions Inc.
Terence	Finan	Jackson National Life
Jignesh	Gandhi	Prudential Financial
Timothy	Grove	Prudential Financial
Luke	Robustelli	Metropolitan Life Insurance Company

Steve Kolocotronis, SVIA's Chairman of the Board of Directors opened the meeting and welcomed the board and SVIA members to the January meeting. Attendees briefly discussed the stable value issues that they felt most important.

Stable Value Study. Miguel Herce, a Principal at Charles River Associates and co-author of the stable value study "The Performance of Stable Value Funds" with Professor David Babbel, gave an overview of the updated study to the board and answered questions on points the board felt may need to be clarified. The updated study covers stable value performance from 1988 to 2015 and concludes that stable value investments significantly expand the risk-return space for moderately risk-averse individuals. The updated study shows through rigorous economic analysis that stable value provides a long-term strategy for retirement savings that can enhance the entire future of retirement savings and investing.

Regulatory and Legislative Update. Ali O'Donnell, VP of Government Affairs with New York Life, provided an update on regulatory affairs which covered the DOL Fiduciary Rule and regulatory agenda, updates to Form 5500, and the congressional agenda.

- DOL Fiduciary Rule. Implementation of the DOL Fiduciary Rule enforcement mechanisms has been delayed until July 1st, 2019. Impartial Conduct standards went into effect on June 9th, 2017 but clauses such as the best interest contract exemption and other provisions have been delayed. It is unclear if the rule will be implemented in its current form or if modifications will be made prior to full implementation. The new SEC Chair Jay Clayton has also expressed interest in seeking to regulate standards of conduct for investment advisers and broker-dealers, and the NAIC is considering state-level regulations as well. To assist market participants, the Association developed and released a template disclosure that can be used as a starting point for documenting representations for both stable value synthetic and insurance products that may be required by the rule.

- DOL Regulatory Agenda. Preston Rutledge has been nominated as assistant secretary of labor for EBSA under the new Secretary of Labor, Alexander Acosta, and would be filling the vacancy left by Phyllis Borzi in January 2017. Priorities for this administration include open MEPs, annuity selection safe harbor regulations, e-delivery, and revisiting QDIA regulations.

- Form 5500. The committee continues outreach efforts to the DOL regarding both the DOL's proposed 2019 changes for Form 5500 reporting and the possibility for additional clarification in the interim. Staffing issues resulting from the change in administration continue to make it difficult to move this forward as quickly as we would like, and we have confirmed that other organizations have experienced similar difficulty. Ali noted that Form 5500 is on the near-term agenda for the DOL but that there has not been considerable progress made due to the transition between administrations.

- Congressional Agenda. In December, Congress successfully pushed through its tax reform legislation, which was signed into law by President Trump on December 22nd. Of greatest importance to the stable value asset class, the tax incentives for retirement savings plans were left unchanged Also of note, the legislation included an expansion of the 529 plan program, potentially opening it for use for K-12 education (including private and religious school tuition), which could have an impact on 529 plan savings and the expected withdrawal activity from those plans – both of which are of interest to stable value service providers active in the 529 plan market. There is increased interest in retirement legislation and Richard Neal (D-MA), the ranking member of the House Committee on Ways and Means, introduced two retirement acts to his committee on December 1st, 2017. The Automatic Retirement Plan Act of 2017 would require many employers to offer a 401(k) or 403(b) plan, with exceptions for governments, churches, and companies with fewer than 10 employees or less than three years in business. It does not cover employees in a collective bargaining agreement, under 21 or working temporarily. Employer contributions would not be required, but failure to offer a plan would incur an excise tax. Neal also introduced the Retirement Plan Simplification and Enhancement Act of 2017.

- Stable Value Litigation. Nick Gage, chair of SVIA's Government Relations Committee, gave an overview of the recent developments in litigation. The case against United of Omaha was dismissed in October of 2017 with U.S. District Court Judge Robert Rossiter, Jr. ruling that United does not change the terms of the contract, nor does it become a fiduciary when it declares a new guaranteed interest rate every month. The case against Voya was also dismissed without prejudice due to a lack of standing. The case against Galliard is on appeal to federal court after being dismissed by a US District Court judge in April, and the suit against Fidelity is also on appeal though SIFMA has filed an amicus brief to urge the court to affirm the initial decision, arguing that that plaintiffs' claims rely on hindsight. In early November, JPMorgan agreed to settle the class action suit involving its stable value funds for $75 million, ending what was a five-year legal battle. At the end of October, a lawsuit alleging that the Principal Stable Value Fund charged excessive fees and employed an overly conservative investment strategy (Austin v. Union Bond & Trust Co.) was dismissed by a federal judge with prejudice. No written explanation was provided by the judge with her ruling. Additional rulings related to the outstanding cases against general account products and plaintiffs' claims alleging that a plan sponsor failed to offer a stable value option are anticipated as 2018 progresses.

Committee on Data and Research. The Vanguard Group's Sue Graef reported that the SVIA has recently revised the amount of assets covered in its surveys as of 3Q2017 after the SVIA AUM report uncovered two instances of double counting. The assets covered by SVIA surveys have been adjusted by $73-77 billion going back to 1Q2015, which is when the participants were added to the Quarterly Characteristics Survey. The committee is currently working with the companies to provide corrected data for the annual survey going back 10 years and is reviewing all responses to ensure the amounts reported are appropriate. An additional notice will be sent out to the membership after the additional data has been collected and the annual surveys are corrected.

Membership Use of Survey Data. Graef also proposed that the board approve the use of aggregate crediting rate, duration, market-to-book ratio, and portfolio quarterly return data by market segment for member communications with existing clients upon request. Previously all requests for external data use were sent to the board for approval. The board agreed to pre-approve use of the four data points upon request. The data points are required to be provided with the relevant SVIA disclaimers and descriptions of the data and only used with existing clients, not for marketing purposes, and no comparisons to a third party outside the member and the client may be made.

Other priorities for the Data and Research Committee in 2018 include investigating the potential for insurance company stable value providers to list their notional assets by type to be included on the AUM report, discussing the introduction of a plan sponsor survey with SVIA's plan sponsor members, and querying the membership regarding what data the SVIA may be able to release on an individual basis.

Together with the Communication & Education Committee, Data and Research continues to work with Morningstar to build out their stable value reporting capabilities.

<u>Committee on Communications and Education.</u> The Communication and Education Committee presented a draft of an educational piece titled "Guide to Stable Value Market Segments" for the board to comment on. After making the edits requested by the board this piece will be released in the first quarter of 2018 for the membership's use.

SVIA's Zach Gieske gave an overview of the state of the association's website and noted that a working group was being formed to review the site and make recommendations for its revision later in 2018 and 2019.

<u>Committee on Events.</u> Gina Mitchell reported that Spring Seminar in Orlando Florida had approximately 70 registrations by early January and that the conference was shaping up to be a popular event. Mitchell noted that the membership was surveyed on speakers and topics for the Spring Seminar and that the agenda was nearing completion. Prudential and MetLife agreed to sponsor a speaker from the Disney Institute at the event.

<u>Subcommittee on Finance.</u> Invesco's LeAnn Bickel reported by the close of 2018 SVIA had collected 62% of dues. As of November 30, SVIA was under budget on revenues entirely due to registration revenue but anticipates some correction to this with this Spring Seminar being held on the East Coast. SVIA is also under budget more substantially on the expense side, though December rent and staff costs and annual bonuses have yet to be included in the financials. Even with December expenses coming in it is anticipated that the year will finish with a positive contribution to the organization's reserves for 2017.

The 2018 proposed budget was reviewed and worked on by in November and it was then presented to the Executive Committee members later that month. The budget was approved by the full board in December. The approved budget for 2018 includes a new consultant membership at $2,500 allowing for one individual to access the member portion of SVIA's website and participate on SVIA committees. The consultant membership does not confer discounts at SVIA events and is not able to vote in SVIA elections.

Rubino and Company was contracted for the 2017 audit and the onsite work for that will begin in the SVIA offices the week of January 29th. A brief conference call with Rubino auditors occurred in November. The audit work should be completed with audited financial statements available by the Spring Seminar.

<u>Target-Date Working Group.</u> LeAnn Bickel reported that her Target-Date Working Group has held two calls, the first with the entire working group and the second with only wrap providers, and a third meeting is being planned at the Transamerica Stable Value Summit.

<u>SVIA Bylaws.</u> Steve Kolocotronis was recently reaffirmed by the board to his position as chairman after a change in company affiliation. While the Association has had such changes in the past, this is the first time such a vacancy has occurred with a current chairman of the board. The change in Steve's status also raised questions regarding his continued participation on the board as well as his role as chairman. The board agreed that Steve should continue as chairman and as an ex-officio member of the board since the bylaws permit this participation without a company affiliation. However the board agreed that the SVIA bylaws were unclear in this instance and asked the Executive Committee to draft recommendations for a clarification to the bylaws which will be reviewed by the full board.