



January 8, 2014

To: SVIA Board of Directors

From: Gina Mitchell, President and Zach Gieske, Operations Analyst

Re: January 7<sup>th</sup> Board of Directors Meeting

The SVIA Board of Directors met on January 7<sup>th</sup> at the Morrison House in Alexandria, VA. The following individuals participated in the meeting.

**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
Tom	Schuster	Metropolitan Life Insurance Company
Marijn	Smit	Transamerica Stable Value Solutions
Russell	Smith	Aetna Inc.
Tim	Stumpff	Morley Financial Services, Inc.
Joseph	Veeneman	IBM Retirement Funds

**Non-Board Members Attending**

Robin	Andrus	Prudential Financial
Brian	Haendiges	MassMutual
Jessica	Mohan	Bank of Tokyo-Mitsubishi UFJ Ltd
Michael	Richman	Morgan Lewis
Michael	Sipper	New York Life Investment Management LLC

**SVIA Staff:**

Zach	Gieske	SVIA
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Jim King opened the meeting by introducing the board of directors and its officers and welcoming two new members to the board. They are Russell Smith and Tom Schuster, who replaced retiring members: Sharon Cowher and Warren Howe. In addition Aruna Hobbs and Steve Kolocotronis returned to the board having won a second three-year term during the election.

King introduced SVIA officers. They are:

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

Jim recognized and thanked the board and the officers for their efforts.

**Fee Disclosure.** Michael Richman from Morgan Lewis gave an overview on stable value fee disclosure. He covered the Department of Labor regulations, the impact on stable value funds, and litigation involving stable value. He also discussed issues that should be evaluated in litigation to determine if the issues involved are both specific and universal enough to stable value to warrant SVIA consideration of filing an amicus brief.

**Competing Options.** The board discussed competing fund provisions. A concern was raised as to how to educate plan sponsors on competing fund provisions. The board agreed that it was important to position competing fund provisions as a protection for stable value fund investors who stay in a stable value fund rather than have them viewed as a penalty for moving money out of a stable value fund.

**Hybrid Stable Value.** The board discussed hybrid funds which are funds that have both wrapped and unwrapped assets. These funds were explored post-2008 since contract capacity contracted. It was noted that hybrid funds are not called or described as stable value funds and that plan sponsors who use these funds have very specific objectives and interest rate outlooks that are different from most stable value funds. Further, now that capacity issues have been addressed, the demand for these funds has decreased. The board concluded that hybrid funds are an additional investment option for sponsors who may desire them.

**Stable Value Market Stressors.** The board discussed stable value market stressors. The board identified the following as primary stable value market stressors:

- Demographics
- Competing funds
- Rate environment
- Regulatory issues
- Loss of book value accounting
- Contract terms

- Investment guidelines
- Longevity/commitment of stable value providers
- High wrap fees relative to current yields

**Target Date Funds and Stable Value.** The board discussed target date funds and stable value. It was noted that experts anticipate that target dated funds will eventually comprise half of all defined contribution assets. The group noted that stable value currently exists in custom-made target date funds. The board agreed to form a working group to explore ways to encourage the use of stable value in target date funds and other directed account options. The working group is comprised of:

- Nick Gage, Galliard
- Sue Graef, Vanguard
- Brian Haendiges, MassMutual
- James King, Prudential
- Michael Sipper, New York Life
- Marijn Smit, Transamerica

**Decumulation and Stable Value.** Because of time constraints and an emergency, the board decided to postpone the discussion of decumulation and stable value. However, the board appointed the following individuals to a working group to explore issues and opportunities. They are:

- Nick Gage, Galliard
- Brian Haendiges, MassMutual
- Aruna Hobbs, New York Life Investment Management
- Jim King, Prudential
- Steve Kolocotronis, Fidelity
- Tom Schuster, Metropolitan Life Insurance Company
- Marijn Smit, Transamerica
- Tim Stumpff, Morley Financial Services

**Re-enrollment and Stable Value.** The board discussed re-enrollment and stable value. The board decided that while re-enrollment is being advocated by consultants and advisors it is not yet a mainstream trend. It was noted the method of re-enrollment was critical as to the impact on the stable value fund and its investors. The board agreed to form a working group to research and write about this important topic. The working group includes:

- Aruna Hobbs, New York Life Investment Management
- Jessie Mohan, Bank of Tokyo
- Marijn Smit, Transamerica
- Tim Stumpff, Morley Financial Services

**Basel III and Stable Value Capital Requirements.** The board briefly discussed regulations and capital requirements affecting bank issuers. The board agreed to form a working group to educate the membership and evaluate these new requirements. The working group includes:

- Jessie Mohan, Bank of Tokyo
- Steve Kolocotronis, Fidelity

The working group will reach out to bank issuers for their participation in this endeavor.

**Morningstar Analysis of Stable Value Pooled Funds/Commingled Trusts.** The board discussed Morningstar’s analysis of stable value funds for plan sponsors. It was agreed that the template that Morningstar used was not conducive to a fair or accurate evaluation of stable value funds across most stable value structures since it is formatted for mutual funds. The board agreed to form a Working Group to see if a better template could be recommended to Morningstar to facilitate a more meaningful and accurate evaluation of stable value funds. The following members agreed to participate in this working group:

- Nick Gage, Galliard
- Sue Graef, Vanguard
- Aruna Hobbs, New York Life
- Jim King Prudential
- Steve LeLaurin, Invesco

**Communications and Education.** Marijn Smit who chairs the Committee on Communication and Education asked that the board consider using SVIA Perspectives either on a sign-up/no fee basis for non-members and/or posting articles from SVIA Perspectives as conversations in LinkedIn as a means to make more plan sponsors, consultants and advisers aware of SVIA and to make Association messages on key issues more broadly known and recognized. The board agreed to this proposal with the caveat that member-only information remains limited to the membership. Currently, membership only information in SVIA Perspectives can only be accessed by signing in, which requires an ID and password (and membership). This requirement would not change with the additional exposure to non-member consultants, advisers and plan sponsors.

Robin Andrus, who is chair of the Digital Media Subcommittee, reported on messages, goals, and positioning for the association’s social media channels. She noted that the subcommittee consists of Sue Graef, Gina Mitchell, Marijn Smit and Zach Gieske.

Andrus identified the primary change as a broadening of the overall message to be more in line with the association’s charter of educating about the need to save and invest for retirement and the role stable value can play in achieving those goals. In addition she reviewed the analytics currently being employed by the association and identified specific messages to address the three primary non-member audiences; participants, plan sponsors, and advisors/consultants.

The board supported the broader focus and determined that the level of analytics currently being employed is sufficient, and will review the proposed messages and provide feedback regarding any changes or additions.

The overall goals for SVIA digital media were identified as follows:

- Build the SVIA brand.

- Know our audiences and provide content people care about;
  - Create a story (big idea) for stable value/retirement.
  - Build interactive idea user can engage in.
- Ensure the “voice” on the various assets is correct.
- Encourage interactivity.
- Ensure content is feasible on mobile devices.
- Determine metrics for success (Google Analytics, Google Alerts, and Hootsuite).
- Create communications strategy and calendar.
- Source member provided content.

Andrus noted that the subcommittee will begin working with the broader membership to source retirement investing themed content to provide on the association’s website and share through social media.

In the interest of time, she asked that the board review the individual messages for the association’s key constituencies and provide their thoughts by Wednesday, January 15<sup>th</sup>.

Gina Mitchell presented the results from the board survey on communication methods. The board was supportive of these efforts and indicated they and/or their firm would personally support many of them. Highlights are as follows:

- 78.8% of members surveyed would like to make certain aggregate data periodically available to consultants and advisors
- 78.8% would like to provide additional stable value outlook pieces to both plan sponsors and the membership
- 46.2% would like the association to begin hosting webinars for plan sponsors, consultants, and advisors
- 46.2% would like the association to begin running member firm generated content geared towards plan sponsors
- 100% of those surveyed indicated that they or their firm would be able to assist the association in the following ways:
  - 100% said they would be willing to work on a committee
  - 69.2% would be willing to provide data
  - 46.2% would be willing to provide content
  - 38.5% would be willing to financially sponsor a webinar
  - 61.5% would be willing to present in a webinar

**Events.** Gina Mitchell, who chairs the Events Committee, reported on the Spring Seminar and the Fall Forum. Mitchell noted that the next Spring Seminar will be held at the Four Seasons Troon North in Scottsdale, AZ on April 27-29.

She reported the Fall Forum had very strong attendance with 225 registrants, and that the next Fall Forum would be held at the Fairmont in Washington, DC on October 13-15. She said the Fall Forum collected \$268,255 in revenue, and had expenses of \$226,357, which netted \$41,717.

Mitchell said the association had requested proposals for all of its meetings past 2014, and is process of evaluating these proposals with the goal of presenting recommendations to the board and Events Committee in early February.

**Data and Research.** Steve LeLaurin, who chairs the Committee on Data and Research, reported that the association will run a capacity survey for 2014 in addition to its quarterly, biannual, and annual surveys. Additionally, the board agreed to survey respondents and voting members to determine how they used this data and what if any other data or refinements they feel they may need to enhance the data.

**Government Relations.** Steve Kolocotronis, who chairs the Committee on Government Relations, updated the board on current issues. He said it was doubtful that the CFTC-SEC would take up the stable value study until new Commissioners at the CFTC and SEC have been appointed. He reminded the board that until the Commissions take up this issue and made a decision, the regulation of stable value contracts remained unchanged. Further, Dodd-Frank required that any potential change apply prospectively on future contracts.

He also reported on NAIC separate accounts. He noted that the NAIC had adopted SVIA's recommendations for a principle-based approach and that progress was favorable.

**Membership and Budget.** An update on the association membership and budget was provided by Gina Mitchell and Aruna Hobbs. They reported that:

- 2013 audit is being conducted by CliftonLarsenAllen. This will be their fifth year as our auditors. The field work will be conducted the week of February 17th.
- 2014 Membership is tracking well. As of December 31st, 74.31% of dues have been collected, which totals \$521,705. Reminder invoices were sent out on January 2nd. It does not appear that there has been a negative reaction to the increase in service firm dues.
- As of December 31, 2013, SVIA revenues were \$132,000 in net income, which is up by 27% over last year.

**Next Meeting.** The next meeting of the board of directors is scheduled for April 27, 2014 at the Four Seasons Troon North in Scottsdale, Arizona.