

January 16, 2020

To: Board of Directors

From: Gina Mitchell, SVIA

Re: Action Items from January 7<sup>th</sup> Meeting

The Board of Directors met on January 7<sup>th</sup> at the Fairmont Hotel in Washington, D.C. The following individuals attended the meeting.

Board of Directors Attending:

Bradie Barr, Transamerica Stable Value Solutions  
David Berg, PIMCO  
Cindy Cristello, New York Life  
Nick Gage, Galliard Capital Management, Inc.  
Shane Johnston, Morley Capital Management  
Steve Kolocotronis, AIG Institutional Markets  
Robert Madore, T. Rowe Price Associates, Inc.  
Gina Mitchell, SVIA  
Luke Robustelli, Metropolitan Life Insurance Company  
Russell Smith, Aetna Inc.  
Sara Smithson, Raytheon  
Kostas Sophias, JPMorgan Chase Bank, N.A.  
Gary Ward, Prudential Financial  
Keith Watson, Textron

SVIA Members Attending:

Karen Chong-Wulff, ICMA-RC  
Mark Dorfler, Vanguard  
Tashil Fakir, JPMorgan Chase Bank, N.A.  
Mike Leonberger, Invesco  
Angela Montez, ICMA-RC

SVIA Staff:

Zach Gieske, SVIA

Board Members Unable to Attend:

LeAnn Bickel, Invesco  
Patricia Selim, Vanguard

The following occurred at the meeting:

Meeting Opened. Gina Mitchell opened the meeting by introducing Nick Gage as the Chairman of the Board, Luke Robustelli from MetLife and Cindy Cristello from New York Life as newly elected Board members. SVIA's officers were also introduced:

- Nick Gage, Chairman of SVIA's Board of Directors

- Steve Kolocotronis, SVIA's Past Chairman of the Board of Directors
- Bradie Barr, Government Relations
- David Berg, Data and Research
- LeAnn Bickel, Finance and Treasurer who was unable to attend
- Patricia Selim, Communications and Education who was unable to attend since she was on maternity leave
- Gina Mitchell, Events

All board meeting attendees went around the room and introduced themselves.

Mission Statement. Nick Gage led a discussion on SVIA's mission statement. The Board affirmed the mission statement but agreed that SVIA should emphasize its priorities. The Board agreed to:

- Refine the value proposition for stable value investments to into a one or two-page piece that focuses on the unique benefits of stable value (including principal preservation, daily liquidity, and return potential) in a portfolio context that is data driven and outcome oriented. The piece should demonstrate the benefits of stable value as simply as possible and at a level that is generally applicable across stable value product types. The primary audience for the piece should be plan sponsors and their consultants or advisors. The Board asked that the Communications and Education Committee to refocus its current efforts on this and if necessary, to spin-off related communication pieces into short articles rather than a longer document. For example, the Board would like the Communications and Education Committee to consider developing a piece that addresses stable value in deaccumulation specifically.
- Survey the membership on their priorities and where they want the Association to spend its efforts. The group specifically discussed getting input from the membership on the top issues, opportunities, threats, key groups for outreach, as well as possible improvements to SVIA's conferences (evaluation of the conferences would include the priority of networking opportunities, desired content, and conference logistics – e.g. direct flights, days of the week, and locations). Nick Gage, Gary Ward, Bradie Barr and Mark Dorfler volunteered to develop this survey.

Rate and Uncertainty Challenges. The Board discussed interest rate and uncertainty challenges. It was noted that several countries (notably in Europe and Japan) have had sustained negative rates. The Board collectively thought negative policy rates were unlikely to be implemented in the U.S. and the risk of negative yields in stable value portfolios was less likely; however, the risk of negative rates is higher now than historically. The Board discussed several approaches available to stable value funds to respond to a negative rate environment including challenges inherent to capital preservation products, investment-oriented solutions to adapt to such an environment, and possible discussions with regulators should the US find itself in a negative rate environment. The Board concluded it was worthwhile to have a working group on market rate challenges to stable value to develop potential Association responses.

Proposed Revision to Bylaws. SVIA's Past Chairman, Steve Kolocotronis overviewed the proposed bylaws to the Board. The bylaws were revised to conform with Virginia non-stock corporation and association law as well as clarify the Association's governance. Kolocotronis asked the Board to review the bylaws and provide any comments by Wednesday, January 15<sup>th</sup>. Once all comments are received, a final draft will be circulated for the Board's review. The Board's final bylaws will be used to revise SVIA's

Articles of Incorporation since the bylaws are the foundation for the Articles. Both will be submitted at the end of February for the membership's review; discussed at the March 29<sup>th</sup> Board meeting and considered for adoption at the March 29<sup>th</sup> Board meeting.

Diversity Working Group. JPMorgan Chase Bank's Tashil Fakir who leads the Diversity Working Group reported on the group's efforts. He reported that 22 new attendees came to SVIA's Fall Forum and that a survey of the new attendees found the experience positive. New attendees especially appreciated their meeting hosts or guides. Many noted that they would like additional opportunities to learn about stable value. He reported that the Working Group was exploring webinars and other opportunities to involve new attendees as well as others new to stable value.

Fakir asked the Board to continue the new attendee discounted membership at the Spring Seminar and the Fall Forum for 2020. He also asked that SVIA identify those Fall Forum attendees or other new attendees and provide a guide or host for them at events in 2020.

Stable Times. SVIA's Gina Mitchell noted that the biannual issue of Stable Times had been published before Thanksgiving, which highlighted much of the Association's work as well as speakers at the Fall Forum. Mitchell noted that Peter Hart's outlook for the elections and Democratic primaries was made available before Halloween and had received a positive response. Mitchell asked the Board to provide content such as written pieces or summaries from their respective firms on stable value, retirement investing that could be leveraged for Stable Times as well as the website.

Website Revision. SVIA's Zach Gieske reported on the website revision. Gieske said the wire frames had been completed. The website was now in the design phase. The new website will feature a new search tool that is quicker and more robust. Additionally, the new website will optimize events and SVIA data.

Finances. SVIA's Gina Mitchell reported that Rubino had been approved to audit and prepare SVIA's 990 taxes for the next three years. Rubino will begin their field work for the 2019 financial statements the week of February 3 in anticipation of having final financial statements for the March Board meeting. Mitchell said that 40% of SVIA had 2020 dues had been collected by the January 7<sup>th</sup> meeting.

Data and Research. PIMCO's David Berg who chairs the committee, briefly reviewed the committee's refinements to the Quarterly Stable Value Characteristics Survey and the Annual Survey. He highlighted that insurance information for separate account and general account products had been added to the Quarterly Survey.

Berg also highlighted the committee's work on an expense ratio survey. He observed that the membership had much diversity in how they calculated expense ratios, net crediting rates and gross crediting rates. He stressed that the Working Group was identifying these differences with a goal of trying to bring uniformity to this survey.

Berg noted that SVIA had renewed its relationship with Cerulli. Cerulli will be working with SVIA to incorporate stable value data in its 2019 survey of defined contribution plan assets. As part of this initiative, Cerulli had provided questions for SVIA's consideration for the annual survey. Berg said the Committee was reviewing that now as they updated the 2019 annual survey.

Berg said a working group on creating a stable value index relative to the different stable value products type had been formed by the Committee. The working group was defining the metrics needed for an

index and that monthly data may be required. He noted this effort was in its infancy and that it would need both Committee as well as Board review as it advanced.

Berg updated the Board on the committee's work with Morningstar on the Morningstar Fact Sheets. He noted that this effort had stalled somewhat but was hopeful that it would advance this year.

It was suggested that the Data and Education Committee renew the capacity survey to provide quantifiable data to answer new questions about issuer capacity in stable value. Berg agreed to work with the Committee on a capacity survey.

Events. SVIA's Gina Mitchell reported that the feedback from the survey on the Fall Forum had been positive. Peter Hart and Donna Brazile were the highest rated speakers. Mitchell noted that the Spring Seminar, which is March 29-31 at the Ritz Carlton at Rancho Mirage in Palm Springs, California was now open for registration.

The Board asked that SVIA be flexible in bidding out and scheduling the starting dates of the Spring Seminars in case the membership's travel preferences have changed for this meeting as well as the Fall Forum.

Government Relations. Transamerica's Bradie Barr, who chairs the committee reported on Government Relations. She announced that all Committees activities and issues are trackable electronically in the Members Only portion of the SVIA website. She noted that this will be available to all the membership once the new website is live.

Barr asked for the Board's help in analyzing FASB/GASB accounting issues impacting stable value. Barr provided GASB's 2019 Exposure Draft – Internal Revenue Code Section 457 Deferred Compensation Plans That Meet the Definition of a Pension Plan and Supersession of GASB Statement 32 (Project No. 3- 33) that potentially impacts the accounting guidelines for certain 457 deferred compensation plans. The proposed changes could impact stable value accounting treatment for certain 457 plans to which employer contributions are made. Barr asked that the Board consider this issue and determine if SVIA should play a role here. The GASB Exposure Draft and the National Association of State National Association of Government Defined Contribution Administrators (NAGDCA) letter are included for your consideration. The Board agreed to convene a working group of the Government Relations Committee to review the proposed GASB change and asked for those interested to participate in the group. Bob Madore indicated a willingness to participate. SVIA will follow up with the companies and individuals that participated in the Accounting Working Group to seek expertise on this issue.

Barr reported that the House had passed the SECURE Act and that it would be discussed along with other legislative issues later by Angela Montez and Karen Chong-Wulff who were both from ICMA-RC.

Update on SECURE Act, RSSA and CIT Provisions. ICMA-RC's Karen Chong-Wulff and Angela Montez gave an update on the SECURE Act highlighting it was the most significant pension legislation in terms of increasing access since the Pension Protection Act of 2006. The SECURE Act adds the ability of disparate entities to form multi-employer plans and raises the age for mandatory distributions from pension plans to 72 as well as permits individuals who are 70.5 or older to make contributions to a traditional IRA. The

Act also requires benefit statements to DC plan participants on lifetime income and provides fiduciary relief for the selection of a lifetime income provider.

Montez reported that the Retirement Security and Savings Act (S.1431) that was reintroduced by Senators Portman and Cardin while having many similar provisions as the SECURE Act failed to be folded into the SECURE Act because there was not enough time.

The Portman-Cardin provisions that permit collective trusts (CITs) in 403(b) plans were not incorporated in the SECURE Act. However, Portman-Cardin are committed to this provision, which enjoys strong support. Montez noted that this provision was revenue neutral and that increasing its support among unions would make it more likely to move forward in the last year of the 116<sup>th</sup> Congress. The end of Congress, the uncertainty of impeachment, and the 2020 elections as well as other potential geopolitical issues make all legislation uncertain this year.

A summary of the presentation is attached.

Registration System. Zach Gieske previewed an alternative registration system for the Board. The registration system was used for the January Board meeting. It will be used for the June Board meeting as well as the Fall Forum. The bill processing or banking component will be added (via a secure payment vendor) for the June Board meeting and Fall Forum. The new system, which combines off the shelf software, is considerably less expensive than SVIA's current system, not as cumbersome, and much more responsive to SVIA needs. The Board approved this approach.

Next Meeting. The next meeting of the Board of Directors will be held on March 29<sup>th</sup> at the Ritz Carlton Rancho Mirage in Palm Springs, California.

Attachments: Revised Bylaws  
ICMA-RE Presentation  
NAGDCA Letter on GASB Exposure Draft  
GASB Exposure Draft