

January 27, 2017

To: SVIA Board of Directors

Re: Action Items from January 24th Meeting

From: Gina Mitchell SVIA

The SVIA Board of Directors met on January 24th at PIMCO's offices in Newport Beach, California. The following individuals were in attendance.

Board Members Attending:

Bradie Barr, Transamerica
LeAnn Bickel, Invesco Advisers
Cindy Cristello, New York Life Investment Management
Joe Fazzino, UTC
Nick Gage, Galliard Capital Management
Brett Gorman, PIMCO
Sue Graef, Vanguard
Steve Kolocotronis, Fidelity
Robert Madore, T. Rowe Price
Gina Mitchell, SVIA
Russell Smith, Aetna
Gary Ward, Prudential Financial

SVIA Members Attending:

Douglas Barry, Standish Mellon
David Berg, PIMCO
Terry Finan, Jackson National Life
David Graham, Pacific Life
Aruna Hobbs, MassMutual
Shane Johnston, Morley Capital Management
Brian Reeves, Pacific Life
Luke Robustelli, MetLife
Kostas Sophias, JPMorgan Chase Bank

SVIA Staff Attending:

Zach Gieske, SVIA

Board Members Unable to Attend:

Tom Shuster, MetLife
Keith Watson, Textron

Steve Kolocotronis, SVIA's Chairman of the Board of Directors opened the meeting by introducing SVIA's new Board member Cindy Cristello from New York Life. Kolocotronis also introduced SVIA's officers:

- Bradie Barr, Transamerica, Chair of Communications and Education.
- LeAnn Bickel, Invesco, Treasurer and Chair of the Finance Subcommittee.

- Nick Gage, Galliard, Chair of Government Relations.
- Sue Graef, Vanguard, Chair of Data and Research.
- Gina Mitchell, SVIA, Chair of Events.

Brief introductions of all present were made as well as a discussion of the major issues the group saw before the industry.

Plan Sponsor Perspectives. UTC's Joe Fazzino and Aetna's Russell Smith discussed how they approached participant fact sheets. Textron's Keith Watson's input was given by Fazzino since weather prevented Watson from participating in the meeting.

Morningstar Review of Data Points. The Board reviewed the summary of data points that stable value managers had identified as important in evaluating and creating stable value fund fact sheets. The Board tasked Sue Graef with the Committee on Data and Research to lead this project. They agreed that the information should be circulated again to the membership to ensure there was agreement on the data points that should be disclosed in fact sheets. Further, the Board asked that the Committee explore whether two templates should be created: one for participating stable value products and one for non-participating stable value products. The Board asked that the Committee have a conversation with Morningstar to determine how receptive they would be to adopting these templates and receiving input from the Association. The Board asked for a report on these activities at the April Board meeting.

Finance Subcommittee Report. Invesco's Le Ann Bickel as the Chair of the Subcommittee and Association's Treasurer reported on membership and finances. Bickel reported that as of the Board meeting 77% or \$517,924 of 2017 dues had been collected. She noted that the Subcommittee had reviewed SVIA's Investment and Policy Statement as well as SVIA's investments and reserves. SVIA had reinvested reserves in 1-year CD at Synchrony (\$140,000 at 1.05%, which expires September 8, 2017), at Cardinal (\$100,986.68 at 0.65%, which expires August 8, 2017) at United Bank (\$60,000 at 0.20%, which expires November 1, 2017).

SVIA also hired Rogers and Company as SVIA's accountants in April of 2016. The Association also hired a new audit and tax firm, Rubino and Company for SVIA's 2016-2018 work. Rubino and Company will be conducting their field audit during the last week of January for 2016.

Bickel noted that the Association would be updating all signatories on the Association's accounts to reflect the three officers: President, Chairman and Treasurer who have authority for SVIA's finances. The Board approved a resolution to update the accounts to reflect Mitchell, Kolocotronis and Bickel as signatories on the Association's accounts.

Membership Direction Report. Gina Mitchell reported on the survey results from SVIA's 72 members. She noted 44 or 61% of base participated in the survey. The survey had strong participation (over 50% participation) from membership categories of plan sponsors, managers-life insurance, managers and issuers bank. Only issuers-life had less than 50% participating and that category had 46% participation.

The survey found the membership rated issues impacting the structure of defined contribution investments, stable value product types and focus of savings and investing (including accumulation and deaccumulation, as well as market expansion) as important. Further, the survey group identified the following as market opportunities for stable value: deaccumulation, target date funds, replacing money

market funds with stable value, the 403(b) market, including stable value in state-initiated defined contribution plans and 529 plans.

Mitchell said that the membership was also asked what they value in the Association. The membership responded strongly to the Association's representation of the industry, which included updates on regulatory issues, litigation as well as accounting rules. The membership response to the website, Stable Times as well as FAQs and the website were more moderate, which are outwardly directed to the public rather than the membership.

Finally, Mitchell noted that the membership was asked about the importance of various audiences and SVIA's effectiveness in reaching these audiences. The membership identified policymakers, plan sponsors, consultants, financial advisors, the press and individuals in order of importance to them. The membership found SVIA very effective with policymakers as well as the press. However, they found the Association was 42% effective in reaching individuals.

Mitchell noted that many respondents had commented that they did not feel comfortable answering the question on effectiveness. She also noted that the effectiveness question was the only question in the survey where respondents did not answer the question or all parts of the question.

Communications and Education Committee. Transamerica's Bradie Barr gave a brief report on the Committee. Barr suggested the Committee create an informational graphic that outlined the key characteristics and differences of stable value structures in one place. The Board approved this idea and asked Barr to create this info graphic for their review.

The Board also asked Barr to reach out to David Babbel who had studied stable value funds to get his views and/or analysis as to why stable value should be used in target date funds. The Board was reminded that MetLife and Invesco had undertaken a study that may also address this issue with Georgia Tech. However, that study would not be completed until the end of 2017.

Finally, the committee was also tasked to create a periodic report to the membership that provides a very short and high-level overview of recent association activities and updates.

Foundation/Individual Outreach. Zach Gieske outlined his idea of creating a foundation to improve Association outreach to individuals. The foundation would address investment literacy of individuals instead of financial literacy, which tends to focus on financial management.

The Board decided to continue exploring the concept of providing individual investor education through a separate foundation. The Board asked the working group, which includes Le Ann Bickel, Cindy Cristello, Bradie Barr, Sue Graef, Gary Ward, and Joe Fazzino to evaluate the concept of the foundation, its goals and objectives, as well as its funding requirement and the possibility of a pilot or test case to determine if this endeavor is worthwhile.

Government Relations Committee. Galliard's Nick Gage reported on the Government Relations Committee. He noted that the Committee had held a call on stable value litigation for the membership on January 12 that was led by Sidley's Robert O'Keefe, Eric Mattson and Mark Blocker that was well-received by the membership.

Gage reported that the Association has submitted comments on Form 5500 from a stable value fund perspective as well as working with the Department to minimize the disparity in reporting requirements between financial statements and Form 5500 in reporting stable value in employee benefit plans.

Gage also reviewed the Government Relations Committee's disclosure template for the Board. Terry Finan suggested a modification to the template so it could be used also for GICs. Gage agreed to put that before the Committee.

Gage noted that the Trump Administration was planning to rollback many of the provisions of Dodd-Frank. The Board discussed the stable value carve out with the CFTC-SEC study. The Board agreed that working with the CFTC-SEC to complete the study and determine that stable value is not a swap should be explored.

Committee on Data and Research. Vanguard's Sue Graef reported that the Committee had made much progress on refining its terminology so that the data collected was consistent across all product types. She reported that the quarterly survey had expanded its data point beyond market to book ratios, crediting rate, assets under management, duration to include the rate of return of the underlying portfolio as well as the expense ratio. However, newer questions did not yet enjoy 100% participation.

Graef noted that many of the data points in the quarterly survey were now harmonious with the annual survey. She reported that the annual survey, would be sent out in late January with a March return date.

Graef reported there was much interest in the Association undertaking a capacity survey again. The Board approved this activity and the results of the capacity survey will be reported at the April meeting.

Committee on Events. SVIA's Gina Mitchell reported on the Events Committee. She noted that the committee membership includes Matt Gleason, GSAM; Gary Ward, Prudential Financial; Bradie Barr, Transamerica; Robert Waldo, Voya; Nick Gage, Galliard; Tom Shuster, MetLife; Cindy Cristello, New York Life; Aruna Hobbs, MassMutual; and Le Ann Bickel, Invesco.

Mitchell reported that SVIA's Spring Seminar will be held April 23-25 at the Ritz Carlton in Half Moon Bay, which is 30 minutes from the San Francisco airport.

Mitchell also noted that SVIA's meetings: Spring Seminars, Fall Forums as well as Board meetings had been scheduled through 2020. She noted that the 2020 Spring Seminar location was incorrect since it listed Dove Mountain rather than Rancho Mirage. An updated meeting list is attached for your use and information.

Board Election. Mitchell reported that the elections this fall would be impactful to the Board since five Board seats would be open for election. They are:

- Sue Graef who will be finishing her third year of her second term.
- Brett Gorman who will be finishing his third year of his second term.
- Bob Madore who will be finishing his third year of his first term.
- Le Ann Bickel who will be finishing her third year of her first term.
- Joe Fazzino who is a plan sponsor and can serve as many terms as he wishes.

The number of board seats that will be open as well as potential leadership positions: Treasurer, Chairman of the Board, Chair of Data and Research Committee, also require some succession planning.

Steve Kolocotronis who is the Chairman of SVIA's Board of Directors is finishing the second year of his first term. As Chairman, Steve can serve a second two-year term if he and the Board desire. Additionally, to continue work on key projects such as the Committee on Data and Research and the fund fact sheet data point project, the Board could appoint Sue Graef and Brett Gorman as ex-officio, non-voting members for up to three years to finish these projects.

The Board was asked to consider these appointments as well as others who might be interested in the various positions. The Board was directed to provide their views and interest in the various positions to Mitchell by the end of January. Based on this input, the Board would have a conference call to address these issues.

Dedication of Board Seats. The Board reviewed the composition of the Board, which consists of service firms as well as plan sponsor seats. Some have suggested that the composition should be refined to dedicate a seat to a bank issuer since the banks are not represented. Prior to the financial crisis, a similar consideration was raised to dedicate a seat to a representative of an insurance issuer. The Board discussed this and concluded that the membership is best tasked with determining the composition of the Board by nominating candidates and voting for the candidates of his or her choice in each year's election.

Request for Data. A request was made by Kim Lisella with Legal and General Retirement Life Insurance to use Association data as they evaluate entering the GIC market. Use of SVIA data is a benefit of membership and its use by the membership requires the express permission of the Board. This is the first request for data that a non-member company has made. The Board felt strongly that use of data was a benefit of membership and that Legal and General Retirement Life Insurance should be encouraged to join the Association for this privilege.

Attachment: Updated Meeting Dates