January 9, 2013

To: SVIA Board of Directors

Re: January 8, 2013 Board of Directors Action Items

From: Gina Mitchell, SVIA

The SVIA Board of Directors met on January 8th at the Lorien Hotel in Alexandria, Virginia. The following Board members participated in the meeting: Joe Fazzino, Nick Gage, Zach Gieske, Brett Gorman, Susan Graef, Aruna Hobbs, Warren Howe, Jim King, Gina Mitchell, Steve Kolocotronis, Steve LeLaurin, Tim Stumpff and Joe Veeneman. Bradie Barr from Transamerica attended on behalf of Marijn Smit. Sharon Cowher and Marijn Smit were unable to attend the meeting.

New Members. The Board welcomed SVIA's newest members. They were the four members who were elected in the October Board election. They included Galliard's Nick Gage, Prudential's Jim King, who ran for a second three-year term, Transamerica's Marijn Smit, who also ran for a second three-year term, and IBM's Joe Veeneman.

Pending Changes in the Board. The Board was reminded that a third of the Board is up for election each year. At the end of 2013, the following individuals are up for election or will be retiring from the Board.

- Sharon Cowher from Halliburton who serves as a plan sponsor will be retiring from the Board.
- Aruna Hobbs from New York Life who serves as a service firm member will be finishing her first three-year term and is eligible to run for a second term.
- Warren Howe from MetLife who serves as a service firm member will be finishing his second three-year term and cannot run for another term at this time.
- Steve Kolocotronis from Fidelity who serves as a service firm member will be finishing his first three-year term and is eligible to run for a second term.

Membership & Dues. An update of the Committee on Membership & Dues was provided by Gina Mitchell.

- 2012 Audit. Mitchell reported that LarsenAllenClifton would be conducting their field work on February 4-5 for the 2012 audit and 990 filings. Audited financial and management reports should be finalized for the April 2013 Board of Directors Meeting.

- 2013 Membership. 66 percent of SVIA's 2013 dues had been collected by the end of 2012. One company, The Hartford declined to renew its membership since it was recently acquired by MassMutual. Additionally, PIMCO has become a Bronze Value Program Member and it was reported that Diversified would not be renewing its service firm membership in 2014.

- Revenue Increases. The Board agreed that the Association should increase its operation reserves to give the Association the ability to respond to legislative, regulatory or public relation challenges without requiring a special assessment of the membership. The Board wanted to increase its operating reserves to two times its annual operating expenses. However, it recognized that it would be best to accomplish this goal over three to five years. The Board noted that the last time dues were increased was in 2008 when service firm dues were raised from $6,000 to $7,500 in 2008. The following ideas were discussed as ways to increase revenues:

- o Increase plan sponsor dues from $195 to $390, or $500.
- o Increase service firm dues from $7,500 to $9,000; or $9,500; or $11,000.
- o Increase Value Program dues by increments of either $1,500, $2,000, or $2,500.
- o Increase conference registration fees for Value Program members and plan sponsor.
- o Create a new "Super" Value Program membership level.
- o Charging a fee for additional company members that have an established limit.
- o Provide data subscriptions to non-members.

Three of the possible revenue raisers were rejected by the Board. They were:

- Providing data subscriptions to non-members since this seemed to conflict with the association's mission of providing information and increasing awareness about stable value. It was noted that most organizations, for example EBRI and ICI, have now made data and reports available at no charge from their websites. The Board was also concerned that data subscriptions could make the association vulnerable to misrepresentation and misinterpretation of data. The Board felt that publishing data and other information through controlled releases such as the website, press releases, and webinars were more appropriate ways to address these concerns.

- Creating a "Super" Value Program membership level was rejected.

- Charging a fee for additional members that have a company that had reached an established limit of members. This possibility was rejected because it did not encourage broad participation from a member company.

The Board tasked the Committee on Membership and Budget to make recommendations for the consideration of the Board. The Board also agreed that the membership should be made aware of any dues increase as soon as possible, and that any dues increase should also be balanced with the new services that will be provided through SVIA's website update and implementation of social media.

Government Relations. Steve Kolocotronis who chairs the Committee on Government Relations updated the Board on four issues before the Committee: the CFTC-SEC stable value study; regulation of money market funds, brokerage windows and fee disclosure.

- CFTC-SEC Study. SVIA Counsel Tony Mansfield with Cadwalader, Wickersham Taft told the Board that the CFTC-SEC study team may take up the study now that the staff's work with product definitions had been completed. However, Mansfield cautioned that the CFTC and SEC Commissioners and their staff still had what they would view as more pressing issues before the stable value study. He also reminded the Board that Dodd-Frank mandated the study, as well as consideration of exempting stable value from regulation as a swap should the Commissions determine that stable value contracts were technically a swap. He noted that stable value was one of the few products addressed in Dodd-Frank that gave the Commissions explicit exemptive authority from the swap/derivative regulations.

- Money Market Funds. Kolocotronis reported that money market reform had been passed to the Financial Stability Oversight Council (FSOC) when the SEC failed to pass its recommendations for a floating NAV. The Financial Stability Oversight Council essentially released the SEC's failed money market reform initiatives for public comment and consideration in November. The comment period is limited to 90 days. While most speculate that the FSOC will send back money market reform that looks very similar to what the Commission rejected in 2012, forecasts diverge. Some believe the SEC will be compelled to outline its objections to money market reform, while others believe the SEC will be forced to implement the recommendations.

- Brokerage Windows. Kolocotronis reported that EBSA had pulled back their position that would require plan sponsors to continuously monitor brokerage windows for further study.

- Fee Disclosure. Kolocotronis thanked Sue Graef, Aruna Hobbs and Nick Gage for taking the lead in developing, analyzing, and reporting on three surveys that looked at how stable value funds were implementing the new fee disclosure rules.

Data and Research. Steve LeLaurin who chairs the Committee on Data and Research reported that the Committee had been working on four surveys.

- Fee Disclosure. LeLaurin also thanked Graef, Hobbs and Gage for their survey efforts on fee disclosure. He noted that the Committee would conduct one more survey now that all stable value funds had complied with the new regulation to look at the expense ratio, turnover and benchmarks.

- Quarterly Characteristics Survey. LeLaurin noted that the survey covering the fourth quarter of 2012 would be going out to stable value managers in the middle of January. He reminded the Board that the survey asked for assets under management, duration, credit quality, market to book ratios, as well as crediting rates.

- Annual Investment and Policy Survey. LeLaurin said SVIA's Annual Survey, which covered the largest asset base, would be sent out to all members at the end of January. Responses were requested by the end of February. He reminded everyone that the quicker SVIA received these responses, the sooner the Association could make this information available to the membership.

- Sales and Assets Survey. LeLaurin emphasized that this survey looked at stable value funds from the issuer perspective. The biannual survey, which SVIA and LIMRA partnered on, would be sent out also in January. The results, which look at the last half of 2012, should be released in April.

- New Data and Clarifications. Several Board members requested the addition of cash flow numbers to the quarterly survey. Additionally, some board members requested clarification in all surveys of the crediting rate. LeLaurin agreed that the Committee would address these issues.

Communications and Education. Transamerica's Bradie Barr reported on Marijn Smit's Committee on Communication and Education. She highlighted the Committee's work.

- Wikipedia. Barr reported that Zach Gieske's stable value fund information was now available on Wikipedia. Wikipedia requires that information it publishes must be sourced. Gieske pulled this information together with references from sources other than SVIA. Barr reported that the Association continues to monitor this article since it can be modified by others. However, Barr noted it has not been modified to date.
- *Stable Times.* Barr noted that the last issue of *Stable Times* was very robust and available on the website. It covered many of the association initiatives, the Fall Forum as well as other issues of interest. He noted that the *Stable Times* Board would continue to reach out to solicit articles from the S*table Times* Board, Association members and other interested parties.
- Website. Barr reported that the association had begun a redesign of its website that would take advantage of advancements to improve its architecture as well as permit it to evolve with changes in technology. He said the new website will be launched early April. It will permit discovery by both our members and the public. It will also allow the association to use the website as the center piece of its new communication strategy using social media.
- Communications Strategy. Zach Gieske of SVIA overviewed the website changes and SVIA's communication strategy using social media: LinkedIn and Twitter. The Board agreed that SVIA should establish its own LinkedIn Group. The Board also unanimously approved the Communications Strategy.
- Website Policy. The Board reviewed the Communications and Education Committee's posting policy. The policy was developed by the Committee to set out its practices regarding posting of information in the public and private areas of the SVIA website as well as ways of making copyrighted information available that upheld these copyrights. The Board asked for more delineation between the public and private areas.

Events. Gina Mitchell who chairs the Events Committee reported on the Spring Seminar and the Fall Forum.

- Spring Seminar. Mitchell reported will be held at the Four Seasons Palm Beach in Palm Beach, FL on April 14-16. She noted that the Planning Committee was comprised of David Starr from Dwight-Goldman Sachs, Steve LeLaurin form INVESCO, Aruna Hobbs from New York Life, Jim King from Prudential, and Marijn Smit from Transamerica. She noted that the event was launched in the middle of December and had received a very strong response with 43 registrants as of January 4th. She noted that because of this strong response, SVIA had increased its room block to accommodate an increase in attendance.

- Fall Forum. Mitchell reported that the Fall Forum also had very strong attendance with 196 registrants. She noted that the room block for future meetings at the Fairmont for 2013 and 2014 had been increased to accommodate this increase in attendance. Should attendance decline, the Association has an opportunity to decrease the room block and thus any potential liability for the Association in these future years.

Capacity. The Board discussed capacity. Members remarked that some managers, especially pooled fund managers were experiencing some constraints in capacity. The Board agreed to survey issuers again for a baseline for 2012 and outlook for capacity in 2013.

General Accounts. The Board discussed the recent press that attacked stable value general account products. Aruna Hobbs, who led the working group to address the misconceptions around general accounts, reported that the group was developing a FAQ on guaranteed insurance accounts. She reported that the Working Group was comprised of Jim King, Phil Maffei, Warren Howe, Brian Haendiges, Geoffrey Gerow, Jeff Graham, Jim Corning and Bill McLaren.

Financial Engines. The Board discussed a recent white paper by Financial Engines on their managed account product. The group noted that how Financial Engines treated stable value funds in their managed account product was a major issue. Bradie Barr reported that Transamerica was exploring ways to minimize cash flow volatility with Financial Engines' managed account. The Board asked that a Working Group be formed to explore this issue. Aruna Hobbs, Steve Kolocotronis, Nick Gage, Brett Gorman, Sue Graef, and Joe Veeneman agreed to be in this working group.

October Action Items. The Board unanimously adopted the action items from the Board's October 2012 meeting.

Next Meeting. The Board will meet next on April 14 from 2:00 to 5:00 p.m. at the Four Seasons Palm Beach.