

July 7, 2015

To: SVIA Board of Directors

From: Gina Mitchell, SVIA

Re: Action Items from June 23 Board of Directors Meeting

SVIA's Board of Directors met on June 23 at the Park Hyatt Hotel in Washington, D.C. The following members of the Board participated in the meeting.

LeAnn Bickel	Invesco Advisers, Inc.
Nick Gage	Galliard Capital Management, Inc.
Brett Gorman	PIMCO
Susan Graef	The Vanguard Group
Aruna Hobbs	MassMutual Financial Group (ex-officio)
James King	Prudential Financial
Steve Kolocotronis	Fidelity Investments
Robert Madore	T. Rowe Price
Gina Mitchell	SVIA
Helen Napoli	New York Life Investment Management LLC
Thomas Schuster	Metropolitan Life Insurance Company
Marijn Smit	Transamerica
Russell Smith	Aetna Inc.

In addition, SVIA members Terence Finan from Jackson National Life, Kostas Sophias from JPMorgan Chase Bank, N.A., and Zach Gieske from SVIA attended. The Board also had two outside speakers. They were Michael Richman from Morgan Lewis and Timothy Keehan from the American Bankers' Association. United Technologies' Joe Fazzino was unable to attend the Board meeting.

Fall Elections. Gina Mitchell reminded the Board of the October election. There will be four open seats in this fall's election: a plan sponsor seat as well as three service firm seats. A plan sponsor seat will be open since Joe Veeneman with IBM resigned from the Board in late May. He resigned since his responsibilities changed within IBM and no longer included stable value funds. Nick Gage, Galliard, a service firm member will be finishing his first term and is eligible to run for a second term. James King, Prudential Financial, a service firm member will be retiring from Board having served two terms and will serve as ex-officio Chairman. Marijn Smit, Transamerica, a service firm member will be retiring from the Board having served eight years as well as having served as Chairman of the Committee on Communications and Education.

Transition of Officers. Mitchell noted that SVIA's Board has planned and begun transitioning for a change in officers. James King will finish his fourth year as Chairman of the Board. He will be serving as an ex-officio member of the Board in January of 2016. Steve Kolocotronis was unanimously elected to serve as Chairman of the Board beginning in 2016. Steve currently serves as a Chairman of the Government Relations Committee. Helen Napoli was elected as Chair of the Government Relations. She will follow Steve and begin her term in 2016. Marijn Smit who has served as Chairman of the Communications and Education Committee will also be retiring from the Board at the end of 2015

having served for eight years on the Board. Nick Gage was elected as Chair of the Communications and Education Committee and will follow Marijn in 2016 if he runs and is re-elected to a second term.

Plan Sponsor Roundtable. James King reported that SVIA held a small plan sponsor roundtable for the plan sponsors who attended the Spring Seminar. Joe Fazzino, SVIA's Board member, ran the meeting that was limited to plan sponsors and SVIA staff. The purpose of the meeting was to encourage and permit an open dialogue among plan sponsors on stable value. The plan sponsors in attendance found the meeting beneficial and have asked that SVIA host similar meetings around Association events.

Consultant Advisory Group. Gina Mitchell raised the issue of forming an informal consultant advisory group to dialogue with the consultant/advisor community on stable value. She explained that the consultant roundtable at the Spring Seminar was well-received by the consultant panelists and the membership. The roundtable highlighted many issues that were of mutual interest for Association members and the consultant community. However, the panel did not give enough time to explore these issues. The Board agreed that the Association should explore an advisory council of consultants to dialogue on stable value.

Committee on Data and Research. Sue Graef updated the Board on the Committee on Data and Research's work. She told the Board that the membership had agreed to expand the Quarterly Characteristics Survey from synthetic GIC and pooled fund managers to include all stable value managers, thus picking up life insurance separate accounts and general accounts. This expansion will mean the quarterly survey will have similar participation as the annual investment and policy survey. Additionally, the Quarterly Survey will also be segmented like the annual investment and policy survey to reflect the three management categories: pooled funds, separate individual accounts and life insurance.

Lastly, Graef showcased a new presentation format for the quarterly survey for the Board's review. She pointed out that not only would the presentation highlight the different management segments and the overall outlook on the various data points collected in the survey, it would allow the Association to provide an explanation of the data that would be useful to the membership and others interested in stable value should the Association want a broader distribution. The Board was receptive to the new presentation format.

Jim King asked the Committee to review Association data to see if a growth rate for assets under management across consistent companies could be developed from 2007 to the present. The Committee agreed to undertake this project.

Committee on Membership and Budget. Aruna Hobbs who serves as SVIA's Treasurer/Secretary and the Chair of the Committee on Membership and Budget gave an overview of the Association's membership and finances. She noted that as of May 31, SVIA has collected 80% of total revenues. Further, SVIA had collected 110% of the Value Program Membership, 102% of Service Firm Member dues, and 91% of Plan Sponsor dues. Hobbs said that total expenses were 47% of budget, which is slightly above target (41%). Expenses for the five months were \$496,630.58. At this time, Hobbs noted SVIA's reserves were about half of one year's total operating budget.

Hobbs also raised the issue of asking custodians such as BNY Mellon, State Street, JP Morgan, Northern Trust and Wells Fargo to join the Association. She noted that while the group was small, their perspective as well as the additional revenue would be beneficial to the Association.

Hobbs concluded by discussing a recent discussion with Sharon Cowher, the past Treasurer/Secretary and Chair of the Committee on Membership and Budget. This discussion had pointed out the overlap of the Committee's functions with that of the SVIA Board and Executive Committee. Recognizing this overlap and the importance of the oversight function on finances and membership, the Board agreed to minimize the overlap of functions by terminating the Committee on Membership and Budget and creating a Finance Subcommittee to the Board to carry out these functions. The Finance Subcommittee would consist of current Board members. They are: Brett Gorman, Aruna Hobbs, Jim King, Sue Graef and Gina Mitchell. An attached Organization and Structure has been revised to reflect this change.

Association Staffing. Continuing the discussion about efficiency, Mitchell put forward a proposal that would add an administrative assistant to SVIA's staff. This move would also focus more of Zach Gieske's work as SVIA's Operations Analyst to communications, technology as well as survey production and analysis, which has been already significantly expanded. The proposal would give the Association the staff resources to carry out the responsibilities that the Board has given staff as well as continue the press outreach that was outsourced to Stanton. To support this change, SVIA would need to move to new space within the office suite that would accommodate additional staff as well as upgrade its technology (computers and monitors). The Board unanimously agreed to this proposal and all of its details.

Communications and Education. Marijn Smit who chairs the Committee on Communications and Education concurred with bringing SVIA's press outreach in house. He noted that the Media Team as well as the work of the Committee on Data and Research would be involved in identifying and developing press opportunities to demonstrate the role that stable value can play in defined contribution plans.

He noted that the first issue of *Stable Times* will be out shortly. The issue highlights much of the Association's activities as well as the Spring Seminar. He encouraged the Board to offer additional content to *Stable Times*.

Government Relations. Steve Kolocotronis who chairs the Committee on Government Relations updated the Board on FASB's EITF for fully benefit responsive investment contracts for employee benefit plans. He thanked the Board members for their input and support of the Association's letter on this initiative as well as the individual company letters that were filed in support of the EITF initiative.

He reported that based on discussion that he had with an EITF member, he felt it was unlikely that the Board would expand the initiative to include commingled funds and separate accounts since that accounting practice fell outside of the Employee Benefit Plans' purview. Mitchell added that based on conversations with FASB staff that the Board had addressed concerns about reporting for synthetic GICs. She said the FASB Board would vote on July 9 on the revised proposal.

Tim Keehan with the American Bankers Association gave an update on Dodd Frank issues, specifically STIFs and money market reform. Keehan noted that the Office of the Comptroller of Currency (OCC) continues to let itself be informed by the Securities and Exchange's (SEC) actions. To illustrate, he noted that the OCC, which regulates STIFs and commingled funds first addressed STIF fund regulation three years after the SEC first revised its 2(a)(7) rules. He said the OCC was monitoring the SEC's final regulations on money market funds. At this time, he did not predict the OCC would revisit their regulation of STIFs and felt it was unlikely that the OCC would do so until the OCC had an opportunity to

see how the floating NAV, liquidity fees and gates worked. Keehan concluded that his membership who offered money market funds remain concerned about the SEC's money market fund reforms. Specifically, they are concerned as to how the fees and gates would work in terms of their application and their triggers. They are also concerned that the reform may result in higher fees for money market funds that are in a commingled fund or separate account structure.

Michael Richman with Morgan Lewis discussed the Department of Labor's proposed fiduciary rules. He noted that the Department had taken five years to revise the rules since they were first released. The Department's proposed rules enjoy the full support of President Obama and their effective date is in November of 2016, which if they move forward, prevents a new Administration from delaying them.

Richman discussed issues that impact stable value, which are the selling and marketing of products and services that were identified by SVIA's Committee on Government Relations. He noted that the sellers' carve out is of concern since it limits fiduciary relief to plans with more than 100 participants or \$100 million or more in assets. Another area of concern is the BIC exemption, which requires a product provider to have a contract in place before advice is given. Richman also highlighted the proposed regulations requirements on financial reporting and valuation as well as investment education. He concluded by focusing on the July 21 deadline for comments and the August 10<sup>th</sup> Department of Labor hearing on comments, which the Department has said will help determine their course of action as well as provide an opportunity to further dialogue on the proposed regulations.

Mitchell explained that Morgan Lewis serves as SVIA's ERISA counsel and that Michael has been working with the Committee on Government Relations to provide comments to the Department on the proposed regulations.

Events. Mitchell reported that the Fall Forum will be held October 12-14 at the Fairmont Hotel in Washington, D.C. Additionally, SVIA has booked space at the Fairmont for the Fall Forum through 2019. Spring Seminar locations are booked through 2017. She asked the Board for additional locations and properties that the Association should consider for 2018-2019 since it is now time to start vetting and negotiating contracts for the those years.

Next Meeting. SVIA's next Board of Directors meeting will be held on Monday, October 12 at the Fairmont Hotel from 2 to 4 p.m.

Attachment: Organization and Structure