June 5, 2013

To: SVIA Board of Directors

From: Gina Mitchell, SVIA

Re: Action Items from June 4th Board of Directors Meeting

SVIA's Board of Directors met on June 4th at the Lorien Hotel in Alexandria, Virginia. The following Board members and individuals attended the Board meeting.

Teresa	Brunsman	Invesco Advisers, Inc
Joe	Fazzino	United Technologies Corporation
Nick	Gage	Galliard Capital Management, Inc.
Zach	Gieske	SVIA
Brett	Gorman	PIMCO
Susan	Graef	The Vanguard Group
Aruna	Hobbs	New York Life Investment Management LLC
Warren	Howe	Metlife
James	King	Prudential Financial
Steve	Kolocotronis	Fidelity Investments
Steve	LeLaurin	Invesco Advisers, Inc.
Gina	Mitchell	SVIA
Marijn	Smit	Transamerica Stable Value Solutions
Timothy	Stumpff	Morley Financial Services, Inc.
Joseph	Veeneman	IBM Retirement Funds

Board of Directors Unable to Attend:

Sharon	Cowher	Halliburton Company
Joe	Fazzino	UTC

Jim King, SVIA's Chairman of the Board, opened the meeting and thanked everyone for attending. He introduced the Board of Directors as well as SVIA's guest speaker, Terri Brunsman from Invesco as well as staff who are listed above. He emphasized that the Board had two major deliverables: finalize and/or adopt the draft social media policy for the Association, and approve or reject a dues increase proposal.

Board Election. Gina Mitchell explained that a third of the Board was up for election each year and that four Board seats will be up for election this fall. Two individuals, Sharon Cowher (plan sponsor) and Warren Howe (service firm) will be stepping off the board after serving two terms. The other two Board seats held by Steve Kolocotronis who chairs the Committee on

Government Relations and Aruna Hobbs who chairs the Committee on Membership and Budget are also up for election and both individuals plan to run for a second term.

Mitchell noted that all service firm candidates including incumbents must be nominated as a candidate to run for a seat on the Board. Service firm candidates need a minimum of three nominations and plan sponsors need one nomination. Based on past nominations, service firm members who wish to run for the Board, must achieve at least seven nominations to ensure they are a candidate.

Because plan sponsors have been reluctant to participate in an election, for the past few elections, only one nominee generally has emerged as a candidate. Part of this reluctance, is the requirement of management approval. Plan sponsors want certainty if they get this approval, they will have a seat on the Board. The Board has asked the membership to affirm the plan sponsor as part of the voting process.

Nominations will take place after Labor Day and run for a little over a week. The election will take place after the Fall Forum, which gives candidates an opportunity to campaign at the meeting. The Board election will also run for a week. As in the past, the election will take place electronically.

CFTC-SEC Study. Steve Kolocotronis who chairs the Committee on Government Relations gave an update on the CFTC-SEC study. He reminded everyone that SVIA had provided two sets of comments: one that answered the Commissions' 29 questions on stable value in 2011 and another set of comments in 2012 that focused on how stable value contracts fell under the same criteria for other products exempted by the Commission as well as how stable value failed to fit into the regulatory framework developed for swaps**.** After the swap definition was finalized, both sides of the study team consulted with stable value regulators and reached out to stable value providers for their contracts. While the study team's efforts are encouraging, the Commissions remain overwhelmed with regulations and it is unlikely they will address stable value this year.

Kolocotronis reminded the Board that the Commissions must determine two things. First, if stable value is a swap or not. Second, should they determine stable value contracts are a swap, then the Commission must determine if it is in the public interest to exempt stable value from regulation as a swap. Kolocotronis emphasized that Dodd-Frank's mandate requires any change to stable value contracts be prospectively applied.

NAIC on Separate Accounts. Aruna Hobbs reported that SVIA had filed a comment letter supporting the insulated status of separate accounts with the NAIC on March 25. The letter said the criteria for preservation should be based on principles that directly address the specific concern raised by the Life Actuarial Task Force (LATF) in its September 6, 2011 report, namely the creation of a preferential class of policyholders by the use of insulated separate accounts. The working group consisted of Jim King, Steve Kolocotronis, Helen Napoli, Phil Maffei, Bob Madore, Tony Camp, Gina Mitchell and Aruna Hobbs, who led this initiative.

Additionally, the Board agreed that SVIA would participate in a June 5 NAIC hearing by conference call on separate accounts. Gina Mitchell will be representing the SVIA. Kolocotronis reported Mitchell had been working with Helen Napoli and Aruna Hobbs to develop testimony in advance of the Board meeting.

GAO Study on Form 5500. Gina Mitchell reported that the GAO was conducting a study on the clarity and usefulness of Form 5500 by plan sponsors and participants. The study will focus on the form's clarity and usefulness in providing information on plan investments and service provider fees. The approach to the study is a little different since the GAO will be holding a series of hearings on form 5500 rather than surveying or meeting one on one with representative groups and individual plan sponsors.

Collective Trusts. Theresa Brunsman, who serves as Counsel in Invesco's Legal Group gave an update and overview on collective trust issues. She discussed the OCC's regulation of collective trusts and how the financial crisis had impacted stable value pooled funds. She noted that one challenge all collective trusts face is reporting information in a framework that Morningstar can use.

Money Market Funds. Steve reported on money market reform. He said the SEC proposal on money market funds would soon be released. He speculated that the SEC would resurface the idea of a floating NAV as well as imposing withdrawal restrictions and capital requirements.

Social Media Policy. The Board unanimously approved the social media policy. The Committee on Communications and Education had taken the lead on this issue. The policy had undergone extensive review by the Committee with major contributions from Brett Gorman, Sue Graef, Marijn Smit as well as SVIA's Counsel Venable Associates.

Glossary. The Board also unanimously approved the glossary revisions prior to the meeting. This effort was led by Sue Graef and included major contributions from Ed Adams, Brett Gorman, Sue Graef, Steve Kolocotronis, and Marijn Smit. The glossary was also reviewed prior to Board approval by SVIA's ERISA counsel, Morgan Lewis.

Participant Information. Sue Graef reported that a small working group met prior to the Board meeting to review two draft participant education pieces. The two pieces included a FAQ on synthetic GICs as well as an update of stable value basics, which was first created in 2009. The participant information group was comprised of Ed Adams, Brett Gorman, Sue Graef, Nick Gage, Marijn Smit, Gina Mitchell and Zach Gieske.

Website. The Board premiered the new design and content of SVIA's website. Zach Geiske demonstrated how the website focused on discovery. He walked the Board through the new faster and more contemporary site as well as Members' Only.

***Stable Times*.** Marijn Smit, who chairs the Communications and Education Committee and who is on the *Stable Times* editorial Board reported that the first issue of the biannual publication had been released. *Stable Times* focused on much of the Spring Seminar's program, as well as other Association initiatives and surveys.

Dues Review. Mitchell noted that the Board had looked at the Association's revenues and expenses at the January meeting. They had asked the Committee to look at ways to diversify and increase Association revenues. The directive was issued to give the Association the ability to respond to industry challenges without requiring a special membership assessment, and to establish an operating reserve that equals operating expenses, which would permit SVIA to not only respond to industry challenges but also weather economic challenges as well. Mitchell reported that the last time SVIA made such an evaluation was in 2007, which resulted in a dues increase from $6,000 to $7,500 for service firm members in 2008.

The Board approved a dues increase of $1,500 for service firm members, bringing service firm dues to $9,000. The Board considered and rejected raising the Value Program dues since it essentially increased the dues disproportionally on service firm members who from a financial perspective contributed the most to the Association.

The Board rejected increasing plan sponsor dues of $195 to $500 for two reasons. The Board rejected raising the dues to $500 since it would not bring in substantial revenue. They also rejected a plan sponsor increase since it might serve as a disincentive for smaller plan sponsors or public plan members who may pay their dues personally.

Lastly, the Board reviewed conference registration levels. The Board agreed to increase Value Program registrations from $960 to $1310 as well as permit all registration discounts to apply. This increase will amount to a $150 increase per registration if all discounts are taken. The discounts include a maximum of $200 early bird discount as well as $25 off for payment by credit card. Currently, only the $25 off for payment by credit card applies making Value Program registration fees $935.

Membership and Budget. Gina Mitchell reported on behalf of Sharon Cowher since she was unable to attend and Aruna Hobbs had just agreed to co-chair the Committee. Mitchell reported that as of April 30, SVIA had collected 81% of the $1,016,870.00 revenue goal. That's pretty astounding since the Fall Forum makes up 25% of SVIA's total revenues. To date, SVIA has 104% of service firm dues, 113% of plan sponsor dues, 114% of Spring Seminar registrations, 108% of Value Program dues and 59% of interest.

Membership & Dues. At this time, only two members have dues outstanding. All other members, plan sponsors, service firms and Value Program members are fully paid and in good standing.

SVIA Quarterly Characteristics Survey. Steve LeLaurin who chairs the Data and Research Committee, highlighted that the Quarterly Characteristics Survey covers 23 stable value managers. The FQ2013 covered $452 billion in assets. It found crediting rates averaged 2.40 percent, duration averaged 2.95 years and credit quality averaged 8.55.

LIMRA-SVIA Sales and Assets Survey. LeLaurin reported that the participants in the Sales and Assets survey will soon be asked for data for the first and second quarters of 2013. The Sales and Assets survey focuses on stable value products from the issuers' perceptions and covers both insurance companies and banks.

Annual Stable Value Investment and Policy Survey. LeLaurin noted that the Annual Survey provided the most robust, comprehensive data on stable value. It covers 38 managers by management style that includes individually managed, pooled/commingled funds, and full service insurance. As of December 31, 2012, stable value assets grew to $701.3 billion from

$645 billion. Credit quality was AA or better. Stable value had an average duration of 3.74 years and the crediting rate was 2.60 percent.

JPMorgan Subpoena. Jim King reminded the Board that SVIA had received its first third party subpoena from the plaintiffs in JPMorgan vs. Whitley. He noted that with the advice of SVIA's counsel, Venable and Associates, SVIA had responded to the subpoena on May 28th. SVIA's response encompassed over 10 pounds of material that covered items requested from 2006 to 2012. He emphasized that SVIA's response was broad. It stressed SVIA's mission was education, and that SVIA was not a regulatory body nor does it have regulatory authority. Additionally, SVIA had requested and obtained the court's consent to treat SVIA's response as confidential, which removes the response from the public domain and restricts its use to the case.

Update of Babbel and Herce Study. SVIA investigated having Professors Babel and Herce update their stable value analysis with data through 2012. The cost of the proposed update was $180,000. The Executive Committee decided against the update. They felt that the increased knowledge and understanding of stable value did not justify this expense at this time.

Resolution Authorizing Bank Accounts. The Board passed a resolution giving SVIA the authority to open bank accounts at different banks to diversify SVIA's institutional risk as well as ensuring all SVIA monies have FDIC insurance. SVIA officers with this authority are the President, Chairman, Secretary and Treasurer, all of which are needed as signatories on these accounts.

Webinar on Rising Rates. The Board listened to a webinar on stable value and rising rates during lunch.

2013 Spring Seminar. Gina Mitchell thanked the Events Planning Committee for developing a program that was unique and informative and that addressed the membership's needs. She reported that attendance had increased by 17% over last year's seminar, which is testimony to the Committee's good work.

Contract Provisions. The Board approved Mitchell's request to work with Association counsel to develop hotel contract provisions that address non-performance as well as poor performance, and strengthening the force de majeure provisions on the behalf of the Association.

Next Meeting. The next Board of Directors' meeting is October 14th at the Fairmont Hotel in Washington, D.C. The Board meeting piggybacks the Fall Forum, which will be held October 15-16th.

Attachment: Social media policy