

June 16, 2016

To: SVIA Board of Directors

Re: Action Items from June 14<sup>th</sup> Meeting

From: Gina Mitchell, SVIA

SVIA's Board of Directors' meeting was held on June 14<sup>th</sup> at the Fairmont Hotel in Washington, D.C. All Board members, Terry Finan and staff were in attendance.

**Board Members Attending:**

| <b>First Name</b> | <b>Last Name</b> | <b>Company</b>                          |
|-------------------|------------------|---|
| Bradie            | Barr             | Transamerica                            |
| LeAnn             | Bickel           | Invesco Advisers, Inc.                  |
| Joe               | Fazzino          | United Technologies Corporation         |
| 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 (ex-officio)       |
| Steve             | Kolocotronis     | Fidelity Investments                    |
| Robert            | Madore           | T. Rowe Price                           |
| Gina              | Mitchell         | SVIA                                    |
| Thomas            | Schuster         | Metropolitan Life Insurance Company     |
| Russell           | Smith            | Aetna Inc.                              |
| Gary              | Ward             | Prudential Financial                    |
| Keith             | Watson           | Textron                                 |

**SVIA Staff:**

|        |        |      |
|--------|--------|------|
| Zach   | Gieske | SVIA |
| Andrew | Reese  | SVIA |

**SVIA Members Attending:**

|         |       |                       |
|---------|-------|-----------------------|
| Terence | Finan | Jackson National Life |
|---------|-------|-----------------------|

**Stable Value Fact Sheet.** SVIA released a fact sheet comparing stable value with money market funds on April 25<sup>th</sup> to the entire SVIA membership. 35 percent of the membership viewed the fact sheet, which compares favorably with other SVIA data releases. The fact sheet was produced to reinforce individual firms' messages on how stable value compares to money market funds. SVIA also offered to brand the fact sheet with individual company logos. Only a handful took the Association up on this offer. Some companies such as Transamerica, MassMutual and New York Life used the fact sheet as a resource for their sales team.

The Board also discussed updating the fact sheet on/after the October 2016 deadline for money market fund reform implementation since many plan sponsors and/or consultants will not focus on this issue

until on or after the reform. Many thought that plan sponsors who used money market funds may transit first to governmental money market funds and then to stable value.

Committee on Communications and Education. Transamerica's Bradie Barr thanked the Working Group on the fact sheet. The Working Group was comprised of Aruna Hobbs, MassMutual; Sue Graef, The Vanguard Group; Steve Kolocotronis, Fidelity; Kappie Bogard, Transamerica; Gina Mitchell and Zach Gieske with SVIA. Barr asked for feedback on the fact sheet as to how it is being used and how it should be updated.

Barr also reminded the Board that Stable Times is SVIA's biannual publication, which relies heavily on the content of the Association's Spring Seminar and Fall Forum. She asked the Board to contribute both ideas as well as articles written by themselves or members from their firms for the newsletter.

Barr said that the Association was actively engaged on Twitter. She noted that the Association tweets daily about stable value, investing, and/or retirement savings. She encouraged members to provide content for these tweets. At this time, most of the content is found by SVIA and cycled through Twitter. She emphasized that the Association is an additional distribution channel for information on stable value, investing and retirement savings.

Committee on Government Relations. Galliard's Nick Gage who is the Chair of the Committee on Government Relations noted that Committee has most recently focused its efforts on the disparity between reporting for the Form 5500 and financial reports for employee benefit plans on stable value funds. He thanked Galliard's Kristin Daniels for spearheading this effort. She worked with Gage, Fidelity's Steve Kolocotronis and Mike Kraemer, Prudential's Gary Ward and SVIA's Zach Gieske and Gina Mitchell.

Gage noted that a small group had meet with EBSA on Monday. A summary of that meeting follows below. He also noted that Michael Richman will be updating the Board on two other Committee issues: the Department of Labor's fiduciary rules and stable value litigation.

5500 Form Meeting. Galliard's Nick Gage reported that a small group that included Gage, Kristin Daniels, Galliard; Gary Ward, Prudential, Steve Kolocotronis, Fidelity and Gina Mitchell, SVIA met with Ian Dingwall, EBSA's Chief Accountant and Joe Canary, Office Director for EBSA's Office of Regulations and Interpretations on the disparity between reporting for 5500 plans and financial reporting for employee benefit plans on stable value funds on Monday prior to the Board meeting. SVIA asked for the Department's help in providing clarity for reporting of stable value in the 5500 form for employee benefit plans on a prospective basis. By providing this clarity, the Department's goal of increasing transparency and use would be achieved. The Department agreed to work with SVIA to address this issue in their instructions for the next reporting cycle.

SVIA agreed to provide more information as to how the instructions could be clarified to have consistent and accurate reporting between the Form 5500 and the financial reports for employee benefit plans on stable value. Galliard's Kristin Daniel and Fidelity's Mike Kramer will lead this effort.

DOL Fiduciary Rules. Morgan Lewis' Michael Richman provided an overview of the DOL's fiduciary rules, which were released in April. He noted that much of the new rules will not directly impact stable value since many rely upon existing QPAM exemptions and that most stable value providers are selling to

large plans. He noted that many stable value providers and managers may want to update their disclosure to ensure that their roles are understood and clear to all parties.

Richman reported that the House had passed a resolution to bar the implementation of the new rules, which President Obama promptly vetoed. Richman reported that as of June, five institutions had raised challenges to the fiduciary rules. Interestingly, he noted none of the challenges were based on ERISA but IRS rules. Despite these moves, Richman did not think they would be successful or that relief by the courts would occur before the implementation date of the final rules.

Stable Value Litigation. Richman noted that litigation involving stable value funds generally made at least one if not more of the following claims: the stable value fund was not prudentially managed, which is highlighted in the claim against Fidelity; that the insurance company was a fiduciary, which is highlighted in the claim against New York Life; and that stable value should be offered instead of a money market fund, which is highlighted in the claim against Anthem.

Richman said that earlier claims against stable value funds seemed to be generated from the financial crisis. Claims related to the financial crisis should be decreasing since the statute of limitations is approaching. However, that will not mean a dearth in claims. Rather, he predicted that more general ERISA topics may drive future litigation focusing on stable value.

Committee on Data and Research. Vanguard's Sue Graef who chairs Data and Research reported on the SVIA Quarterly Characteristics Survey as well as the Annual Investment and Policy Survey. She asked for input from the life segment to ensure that the data provided in the survey was both accurate and useful to the membership from the life segment. Prudential and Transamerica promised to provide life insurance representation to the Committee.

Subcommittee on Finance. MassMutual's Aruna Hobbs reported that she had partnered with Invesco's LeAnn Bickel, who is the incoming Chair as well as the incoming Treasurer/Secretary for the Board to prepare for Hobbs' retirement from the Board at the end of 2016.

Hobbs reported that Subcommittee had hired Rogers and Company, an accounting firm to provide accounting and advisory services to the Association in April and that the transition to Rogers was complete as well as successful. Further, Hobbs reported that Rubino and Company had been hired as SVIA's new audit and tax firm for 2016-2018.

Hobbs noted that the Subcommittee had meet in June to review monthly financial reports as well as SVIA Investment Policy. She noted that SVIA was out of compliance with one reserve account: Synchrony, which had more than 50% of the total reserves invested (60%) in it. She emphasized the Subcommittee agreed to address this issue in early September, when the CD comes up for renewal. She reported that SVIA's reserves are half of annual budgeted expenses at this point in time.

Committee on Events. SVIA's Gina Mitchell reported that SVIA would be launching registration for the 2016 Fall Forum by the end of the week. The launch of the Fall Forum, which will be held October 10-12 at the Fairmont Hotel this year, is a month earlier than last year.

Mitchell reported that all Board meetings, Spring Seminars as well as Fall Forums had been booked through 2020. She thanked the Committee on Events as well as the Executive Committee for their help

in selecting the dates and locations for these meetings. All of the meeting dates are listed in the Board meeting book.

April Action Items. The Board unanimously approved the April action items from the previous Board of Directors' meeting.

Next meeting. SVIA's next Board of Directors' meeting will be held on October 10<sup>th</sup> from 2 to 4 p.m. at the Fairmont Hotel in Washington, D.C.