

October 13, 2014

To: SVIA Board of Directors

From: Gina Mitchell, President

Re: October 13, 2014 Board of Directors' Meeting and October Board Elections

SVIA's Board of Directors met on October 13th at the Fairmont Hotel in Washington, D.C. The following individuals participated in the meeting.

SVIA Members Attending:

First Name	Last Name	Company
Robin	Andrus	Prudential Financial
Gregory	Anselmi	Transamerica Stable Value Solutions
Leonard	Aplet	Columbia Management Investment Advisers, LLC
Mark	Auremma	State Street Bank & Trust Company
Julie	Austin	Boeing
John	Axtell	GSAM Stable Value LLC
Sylvia	Bargas	ICMA Retirement Corporation
Bradie	Barr	Transamerica Stable Value Solutions
John	Barrasso	Prudential Financial
Doug	Barry	Standish Mellon Asset Management Company
LeAnn	Bickel	Invesco Advisers, Inc.
Lance	Black	Protective Life Insurance Company
Jay	Blood	Metropolitan Life Insurance Company
Kappie	Bogart	Transamerica Stable Value Solutions
Robert	Cahill	GSAM Stable Value LLC
Anthony	Camp	Voya Financial
Austin	Campbell	JPMorgan Chase Bank, N.A,
Colin	Carey	State Street Bank & Trust Company
Gladys	Casas	State Street Bank & Trust Company
Rob	Chan	Fidelity Investments
Peter	Chappelear	JPMorgan Asset Management
Karen	Chong-Wulff	ICMA Retirement Corporation
Marie	Chretien	State Street Bank & Trust Company
Jeffrey	Clark	Prudential Financial
Sheila	Clifford	PNC
Matthew	Condos	Voya Financial
Sandra	Costa	Fiduciary Capital Management, Inc.
Jordan	Culp	DuPont Capital Management
Jon	DeBow	JPMorgan Asset Management
Angela	Demling	Invesco Advisers, Inc.
Kim	DiGiovanni	Prudential Financial
Joe	Dionne	JPMorgan Asset Management
Paul	Donahue	Metropolitan Life Insurance Company
Joshua	Durham	Transamerica Stable Value Solutions

First Name	Last Name	Company
Karen	Edgerton	RGA
Claudia	Farias	State Street Bank & Trust Company
Robert	Ferencz	Sidley Austin LLP
Terence	Finan	Jackson National Life
John	Fischer	Mutual of Omaha
Marty	Fleischman CFA	Mutual of Omaha
Jordan	Frame	Transamerica Stable Value Solutions
Randy	Fuss	CUNA Mutual Group
Jignesh	Gandhi	Prudential Financial
Bill	Gardner	Morley Financial Services, Inc.
Mark	Gilbert	RGA
Jennifer	Gilmore	Invesco Advisers, Inc.
Matthew	Gleason	GSAM Stable Value LLC
Justin	Goldstein	JPMorgan Asset Management
Jeff	Graham	MassMutual Financial Group
Paul	Grigely	MassMutual Financial Group
Brian	Haendiges	MassMutual Financial Group
David	Helfer	State Street Bank & Trust Company
Terry	Hotchkiss	Principal Financial Group
Warren	Howe	Metropolitan Life Insurance Company
Rajen	Jadav	AllianceBernstein
Vicki	Jared	Invesco Advisers, Inc.
Peter	Jenks	Metropolitan Life Insurance Company
Shane	Johnston	Morley Financial Services, Inc.
Gerry	Katz	Transamerica Retirement Solutions
Kevin	Kehres	Fischer Francis Trees & Watts, Inc.
Tony	Luna	T. Rowe Price Associates, Inc.
Cheryl	Lynch	Jennison Associates LLC
Bob	Madore	T. Rowe Price Associates, Inc.
Phil	Maffei	TIAA-CREF
Marc	Magnoli	AIG Institutional Markets
Thomas	Manente	Voya Financial
Carl	Marcantonio	Prudential Financial
Marian	Marinack	Federated Investment Management Company
Richard	Mattison	Transamerica Stable Value Solutions
James	McKay	Columbia Management Investment Advisers, LLC
William	McLaren	Lincoln Financial Group
Gregory	Miller-Breetz	Transamerica Stable Value Solutions
Antonis	Mistras	DuPont Capital Management
Jessie	Mohan	Bank of Tokyo-Mitsubishi UFJ Ltd.
David	Molin CFA	Fiduciary Capital Management, Inc.
Jacky	Morin	Jackson National Life
Helen	Napoli	New York Life Investment Management LLC
Paul	Notte	Metropolitan Life Insurance Company
Robert	O'Keefe	Sidley Austin LLP
Christopher	Pellegrino	Transamerica Stable Value Solutions

First Name	Last Name	Company
Mark	Pherson	Transamerica Stable Value Solutions
Nicole	Plourde	Transamerica Stable Value Solutions
Nicholas	Rago	Prudential Financial
Sai	Raman	AIG Life and Retirement/Institutional Markets
Frederick	Ramos	State Street Bank & Trust Company
Whitney	Reid	T. Rowe Price Associates, Inc
Teresa	Reynolds	RGA
Steven	Schaefer	Bank of Tokyo-Mitsubishi UFJ Ltd.
Mike	Sipper	New York Life Investment Management LLC
Ben	Soltsov	GSAM Stable Value LLC
Susan	Southworth	Voya Financial
Ryan	Stevens	RGA
Aziz	Syed	John Hancock Investments
Robert	Waldo	Voya Financial
Gary	Ward	Prudential Financial
Tressa	Webb	Fidelity Investments
Symeon	Williams	Transamerica Stable Value Solutions

Board Members Attending:

Joseph	Fazzino	United Technologies Corporation
Nick	Gage	Galliard Capital Management, Inc.
Brett	Gorman	PIMCO
Susan	Graef	The Vanguard Group
Aruna	Hobbs	MassMutual Financial Group
James	King	Prudential Financial
Steve	Kolocotronis	Fidelity Investments
Steve	LeLaurin	Invesco Advisers, Inc.
Gina	Mitchell	SVIA
Thomas	Schuster	Metropolitan Life Insurance Company
Marijn	Smit	Transamerica Stable Value Solutions
Russell	Smith	Aetna Inc.
Joseph	Veeneman	IBM Retirement Funds

SVIA Staff:

Zach	Gieske	SVIA
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Jim King opened the meeting by introducing the Board of Directors and its officers. He recognized and thanked SVIA's leadership team for all their good work, which is highlighted in the committee reports. He stressed the importance of the membership's participation in effectively representing the industry as well as achieving SVIA's goals and objectives.

SVIA's officers are:

- Jim King, Chairman, SVIA Board of Directors.
- Aruna Hobbs, Membership and Budget.
- Steve LeLaurin and Sue Graef, Data and Research.
- Steve Kolocotronis, Government Relations.
- Gina Mitchell, Events.
- Marijn Smit, Communications and Education.

Board Election. SVIA's President Gina Mitchell gave an overview of the pending Board of Directors' election. Six board seats were up for election. The seats include:

- A plan sponsor seat held by Joe Fazzino, who is eligible and running for a second term.
- A service firm seat formerly occupied by Aruna Hobbs who left New York Life to join MassMutual. SVIA bylaws view a change in employment as a vacancy. Although the seat is open for election, the Board appointed Hobbs as an ex-officio member for the remainder of her three-year term. Since Hobbs is ex-officio, she does not have a board vote.
- A service firm seat that was vacated by Morley's Tim Stumpff when he resigned from the Board and took a position with Principal that was outside of stable value.
- A service firm seat that was held by Steve LeLaurin who has served two consecutive terms and must retire from the Board for a period no less than three years.
- Two service firm seats that were held respectively by Brett Gorman and Sue Graef. Both are finishing the end of their first term and are running for a second term.

Board Nominations. This year 46 voting members nominated 30 individuals. SVIA requires a minimum of three nominations or 10 percent of the number of voting members making nominations, whichever is greater, for someone to become a service firm candidate. Eight people made this requirement and all decided to run for one of the five service firm seats. They are:

- LeAnn Bickel, Invesco.
- Bill Gardner, Morley.
- Matt Gleason, GSAM.
- Brett Gorman, PIMCO.
- Sue Graef, Vanguard.
- Bob Madore, T. Rowe Price.
- Jessie Mohan, Bank of Tokyo Mitsubishi UFJ.
- Helen Napoli, NYLIM.

UTC's Joe Fazzino who has fulfilled his first term, was unanimously nominated to serve for a second term as a plan sponsor.

Board Election. The Board election was held electronically using CVENT from October 15-24. 80% of voting members voted. They elected:

- LeAnn Bickel, Invesco.
- Joe Fazzino, UTC.
- Brett Gorman, PIMCO.
- Sue Graef, Vanguard.
- Bob Madore, T.Rowe Price.
- Helen Napoli, NYLIM.

Additionally, the membership approved a clarification to the bylaws regarding term limits, which are limited to two consecutive, three-year terms with an exception for ex-officio service and appointment to Board vacancies. The exception caps service on the Board to a maximum of nine years inclusive of the two elected terms, ex-officio service and/or appointment to fill a vacancy.

Retirement from SVIA Board. The Board of Directors recognized Steve LeLaurin's six years of service on the Board by presenting him with a gift for his dedication to the industry and the Association. Steve also served for the majority of his two terms as the Chairman of the Committee on Data and Research.

Committee on Communication and Education. Marijn Smit who is the chairman of the Committee reviewed recent improvements to the Members' Only section of the www.stablevalue.org. He noted that a landing page had been added that organized much of the Association's work by major endeavors: government relations, industry data, *Stable Times*, presentations and SVIA organization.

Smit reviewed SVIA's social media initiatives, which broadened SVIA's message to the larger theme of retirement saving and investing in order to appeal to a wider audience, provide more content and provide opportunities to discuss stable value. He reviewed member opportunities to highlight the work of their firm and assist SVIA in providing information on these larger themes as well as information on stable value.

Smit noted that stable value has received a stream of positive press over this year, which included a video, *Stable Value Masterclass*, that emphasized age appropriate use of stable value, using stable value permits investors to increase equity allocations while reducing overall volatility, principal protection plus positive, conservative returns as well as it is built for changes in interest rates and it is time tested.

Smit announced that the Board hired Stanton Public Relations and Marketing to promote stable value and take full advantage of this positive new cycle. Stanton had worked with SVIA very successfully to control crisis events such as the financial crisis and the resulting capacity crunch. As part of this new initiative, SVIA had reached out to all Value Program members to provide their thoughts on stable value as an asset class in a videotaping. Clips from these videos will be used by SVIA to promote the asset class on the website and in social media. SVIA is also videotaping the Fall Forum to provide highlights and promote the meeting.

Smit concluded that *Stable Times* would be published by the year's end and cover much that would be in the Fall Forum. He reminded everyone that SVIA uses Randy Myers, a freelance financial writer to cover the conference and encouraged members to write and contribute articles to the newsletter.

Committee on Membership and Budget. Aruna Hobbs who is the chair of the Committee on Membership and Budget highlighted the accomplishments of the committee. She noted that the Board had adopted and implement an investment policy that Brett Gorman, Russell Smith, Steve Kolocotronis and Jim King had drafted. The committee was also able to absorb the hiring of Stanton within in the 2014 budget and had included it also in 2015 without substantially increasing overall expenses for the Association. Further, the committee had improved internal controls, received an unqualified opinion on the Association's financial statements for 2013, filed Form 990 for 2013, DC property as well as DC foreign entity reports and implemented a dues increase for service firm members. The committee had also developed and proposed a 2015 budget for the Board's review.

Hobbs reviewed revenue and expenses. She noted that unlike other financial service associations, SVIA has had consistent positive revenues and gains throughout the financial crisis. She noted that this has permitted SVIA to slowly build an operating surplus. The Board set a goal of having reserve funds equal to one year's operating expenses. She estimated that the Association should be over a third of the way there by year's end.

Hobbs noted that SVIA had 20 plan sponsor members, 47 service firm members and had collected \$225,000 in Value Program memberships in 2014. She noted that 2015 dues notices had been sent out in early September and as of September 30th, \$154,000 in dues payments had been collected.

Committee on Data and Research. Sue Graef and Steve LeLaurin who co-chair the Committee on Data and Research provided highlights of the committee's work.

LIMRA-SVIA Stable Value Sales and Assets Survey. They highlighted that the Sales and Assets Survey is different from other SVIA surveys since it covers issuers. Additionally, SVIA partners with LIMRA on the survey, which is biannual. The first half of 2014 was recently released. Highlights are below:

- Participating companies reported new stable value sales of \$13.3 billion, a decrease of more than 44% from the first half of 2013 and a decrease of 45% from the second half of 2013.
- Total qualified and funding agreement product sales of \$35 billion during the first half of 2014 show a decrease of 24.5% from the same period in 2013 and a 15.5% decrease from the second half of 2013.
- Companies reported nearly \$18 million in renewal sales, a significant decline from the first half of 2013 sales of \$91.4 million.
- \$6.8 billion in ongoing contributions to existing contracts decreased by 8% from the same period in 2013 and decreased by more than 37 percent from the second half of 2013.
- Stable value assets totaled \$345.1 billion. Combined with General Account with Portfolio Guaranteed Rates, total qualified assets amounted to more than \$576 billion, a decrease of 3.2% from the second half of 2013 and a decrease of 0.5% from the second half of 2012.

Stable Value Funds' Quarterly Survey. They noted that the quarterly survey covers 22 stable value managers on five data points: duration, overall portfolio credit quality, AUM, crediting rate and M/B ratio. The most recent survey as of June 30, 2014 found:

- Assets covered totaled \$452 billion.
- Crediting rate was 1.96.
- Duration was 2.94 years.
- Credit quality was 8.31 (AA or higher).
- Market/Book ratio was 102.56%.

Annual Stable Value Investment and Policy Survey. They observed that SVIA's longest running survey is the Annual Investment and Policy Survey. This survey covers different management segments of stable value: individually managed funds, pooled and commingled funds, and insurance. It is the most comprehensive survey. As of December 31, 2013, the survey:

- Reported \$721 billion in assets covering 189,000 plans.
- 401(k) plans represent 56% of plans covered with 403(b) plans representing 30%.

Special projects. They briefly highlighted several special projects that the committee did.

- Historic stable value data survey that provided common company comparisons from 2007 to 2013 for 29 companies.
- Capacity survey for 2014.
- Stable value industry statistics, which made available excel spreadsheets of survey data as well as important overall defined contribution plan statistics.
- Monthly statistics on a quarterly basis of a model stable value portfolio compared to money market funds and intermediate bond funds.
- Reviewed all of the SVIA surveys to ensure the most comprehensive, consistent, comparable and necessary data was collected. This effort resulted in some additional questions to the quarterly and annual survey as well as some definitional and instructional clarifications.
- Survey on money market reform and managers/clients reaction to the SEC regulations.

Committee on Government Relations. Steve Kolocotronis, the chairman of the Committee on Government Relations gave an overview of three issues before the Committee: money market reform, CFTC-SEC stable value study and GAO's study of QDIAs.

Money market reform. Kolocotronis reviewed the SEC's money market reform about the floating NAV as well as the potential liquidity and gate fees. He noted that the implementation date is two years off in October of 2016, which may delay review by stable value managers and plan sponsors until closer to the implementation date. He noted that the SVIA had conducted a survey of the membership to see if they were looking to replace money market funds if used as a manager or by their plan sponsor clients. Although 57% of the managers who participate in the annual survey provided a response, less than a third indicated they or their clients had begun to evaluate the ramifications of the new SEC regulations. He concluded that since the regulations were just finalized in the end of July, it was just too soon to tell what the new regulations mean to stable value.

CFTC-SEC stable value study. Kolocotronis noted that the committee continued to concentrate on the CFTC-SEC stable value study even though the study has yet to gain the attention of the Commissioners at the CFTC-SEC. The Commissioners, which have undergone major changes over the last year continue to have other priorities before the study. Kolocotronis noted while the delay is disappointing, it does

not impact stable value since nothing changes for stable value contracts until the Commissions make a definitive decision and that the decision must be prospective.

GAO study of QDIAs. Kolocotronis told the membership that the Governmental Accountability Office (GAO) was conducting a study of qualified default investment alternatives (QDIAs). The study is broad-ranging and reviews all QDIAs, asks fiduciary questions about selection, monitoring, as well as participant information including benchmarks, performance, as well as fees.

During the first phase of the study, GAO interviewed several plan sponsor and investment groups including SVIA. SVIA essentially made four points with the GAO. They were:

- Including stable value as a QDIA gives plan sponsors a principal-preservation investment choice if sponsors determine a conservative safe harbor default is needed.
- Stable value offers competitive risk-adjusted returns compared to the three current QDIAs.
- Stable value is most appropriate for risk adverse participants such as those who need positive savings and investment experience to continue in DC plans, short-tenured plan participants, high turnover plan participants, and those closest to retirement age, as well as those in retirement.
- Adding stable value fulfills the mandate of the Pension Protection Act of 2006 (PPA). The PPA's Section 405 (c) (5) (A) directs the Department to provide guidance on the appropriateness of designating default investments "that include a mix of asset classes consistent with capital preservation or long term capital appreciation, or a blend of both."

GAO indicated that the second phase of the study would be to survey plan sponsors on their views on QDIAs. As part of the second phase, GAO has asked for SVIA's help in encouraging plan sponsors to participate in the survey. The questionnaire will take under 10 minutes to fill out and has a maximum of 12 questions. Respondents will need to fill out the survey in one sitting and click the "submit" button on the final page for their responses to be registered. Responses to the GAO survey are confidential. Participation in the GAO survey is anonymous, unless the survey participant volunteers their contact information to GAO for follow-up. The survey closes on December 19th.

Kolocotronis said the results of GAO's survey and recommendations on QDIAs will be released to Congress and the Administration at the end of 2015.

Committee on Event Planning. Gina Mitchell, who chairs the Event Planning Committee reported that attendance at SVIA events appeared to hit its peak this year for the Spring Seminar this year (157) and the Fall Forum last year even though this year's Fall Forum is only slightly less (214) than last year's (225).

Mitchell thanked the Events Planning Committee for their continued good work on the Fall Forum and Spring Seminar. She noted that each year, the committee out does itself by creating an exceptional program that is informative, substantive and fun for the membership. This year's committee consists of:

- Nick Gage, Galliard.
- Mike Gleason, GSAM.
- Aruna Hobbs, MassMutual.
- Jim King, Prudential.
- Steve LeLaurin, Invesco.

- Helen Napoli, NYLIM.
- Tom Schuster, MetLife.
- Marijn Smit, Transamerica.

Mitchell concluded that the Fall Forum will be held at the Fairmont Hotel in Washington, DC on October 12-14, 2015 (\$304 rate), October 10-12, 2016 (\$309), and October 9-11, 2017 (\$314). The Spring Seminars will be held at Ritz Carlton properties:

- April 12-14, 2015 at Key Biscayne Miami in Key Biscayne, FL (\$349).
- April 3-5, 2016 at Rancho Mirage in Palm Springs, CA (\$335).
- April 23-25, 2017 at Half Moon Bay in Half Moon Bay, CA (\$300).

Board's next meeting. The SVIA Board of Directors will meet next on January 12-13 at the Park Hyatt in Washington, D.C. with a room rate of \$299.