STABLE VALUE FAQ

STABLE VALUE INVESTMENT ASSOCIATION

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WWW.STABLEVALUE.ORG

WHAT IS STABLE VALUE?

Stable value generally refers to a relatively low-risk asset class that focuses on capital preservation and liquidity, while providing steady, positive returns to participants within certain types of savings plans. Stable value is available only in tax-qualified savings plans, such as defined contribution plans as well as in some tuition assistance plans. It is not available in Individual Retirement Accounts (IRAs) or retail accounts.

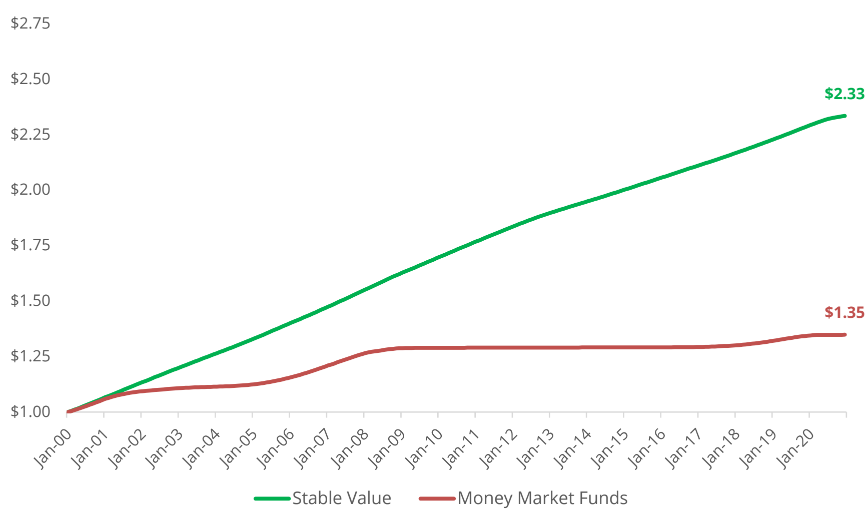
Stable value is one of the most common capital preservation options available in retirement savings plans. According to the SVIA 2020 Stable Value Investment & Policy Report, stable value investment options are available in over 185,000 retirement plans and tuition assistance plans, including 401(k), 457, 403(b), and 529 plans.

Stable value focuses on preserving retirement plan participants' invested capital (or principal) while providing liquidity and steady, positive returns that have exceeded money market investments over time. Over a business cycle, most stable value investment options seek to provide returns similar to short- to intermediate-maturity bond strategies without the return volatility associated with those strategies.

While the structure of and investments within stable value may vary, the important similarity in all stable value is the use of investment contracts, which are issued by banks and insurance companies. These contracts help deliver steady returns and typically allow participants to transact at their invested balance plus any accrued interest. This characteristic is what is known to stable value practitioners as benefit responsiveness.

There are many terms that describe the value provided by stable value, such as capital preservation, fixed-interest, principal protection, GIC, or stable interest. Regardless of the term used or how the fund is named, stable value offers participants the same fundamental benefits: capital preservation, liquidity, and steady, positive returns that have exceeded those found in money market investments over time.

GROWTH OF $1
1/31/2000 TO 12/31/2020



WHAT ROLE CAN STABLE VALUE PLAY IN MY SAVINGS AND INVESTMENT STRATEGY?

Stable value is usually offered by a plan sponsor in a defined contribution plan as a low risk investment that focuses on capital preservation and liquidity, while providing steady, positive returns to a plan's participants. This may make it appropriate for a more conservative participant seeking current income with low volatility, a participant with a short- to intermediate-term investment horizon, or for a participant seeking a higher yield than other principal preservation options. Alternatively, stable value may make sense for an individual seeking diversification and drawdown protection by pairing stable value with more aggressive investments. Lastly, some people prefer capital preservation strategies like stable value when there is significant stock market volatility or economic uncertainty. However you may use stable value in your savings and investment strategy, please be aware that all investments have risk, including stable value, and there is no certainty that an investment will achieve its objectives.

ARE THERE DIFFERENT TYPES OF STABLE VALUE FUNDS?

Stable value is often categorized into one of three types –individually managed accounts, pooled funds, and insurance company general and separate accounts.

INDIVIDUALLY MANAGED ACCOUNTS

A stable value investment option in which the assets are owned by and managed for a specific plan's participants. These accounts are usually managed by an independent investment management firm or by employees or affiliates of the plan sponsor. Individually managed accounts allow for a higher degree of customization than other stable value investment options. These accounts are generally only available to plans with substantial stable value assets, however, minimum account size varies by firm.

POOLED FUNDS

Also known as commingled investment trusts or CITs. These funds combine the assets of unaffiliated plans into one large group. Pooled funds are generally used by plans that don't meet the minimum size for an individually managed account or do not require plan specific customization. With respect to a stable value investment option that is a commingled fund, the fund would purchase stable value investment contracts and other investments on behalf of the invested, unaffiliated plans.

INSURANCE COMPANY GENERAL AND SEPARATE ACCOUNTS

Also known as guaranteed insurance accounts, a stable value investment option entirely offered and guaranteed by a single insurance company, with the underlying assets typically managed by the insurance company or an affiliated investment manager.

It is the responsibility of the plan sponsor to select the stable value solution that best fits the needs of their plan.

WHAT ARE THE RISKS OF INVESTING IN STABLE VALUE?

Although stable value has a long, well established track record of preserving capital, providing liquidity, and generating steady, positive returns, it is important to recognize that all investments have risks, including the potential loss of some or all of an investment.

Any investment is subject to the risk that it will not achieve its stated objectives. Investors should always carefully consider the investment objectives, fees, and all of the risks of any investment before investing.

Investing in stable value is subject to many similar risks of investing in fixed income, including, but not limited to, credit risk, default risk, interest rate risk, issuer risk, liquidity risk, manager risk, market risk, regulatory risk, and tax and accounting risk.

Importantly, there are also some risks that are specific to stable value. While the risk may vary based on the type of stable value fund, common stable value risks include, but are not limited to:

CASH FLOW RISK

Participant-directed contributions, withdrawals, and net transfers may have an adverse impact on the crediting rate.

CONTRACT RISK

The investment contract provider could default, become insolvent, file for bankruptcy protection, be in receivership, or otherwise be deemed to no longer be financially responsible.

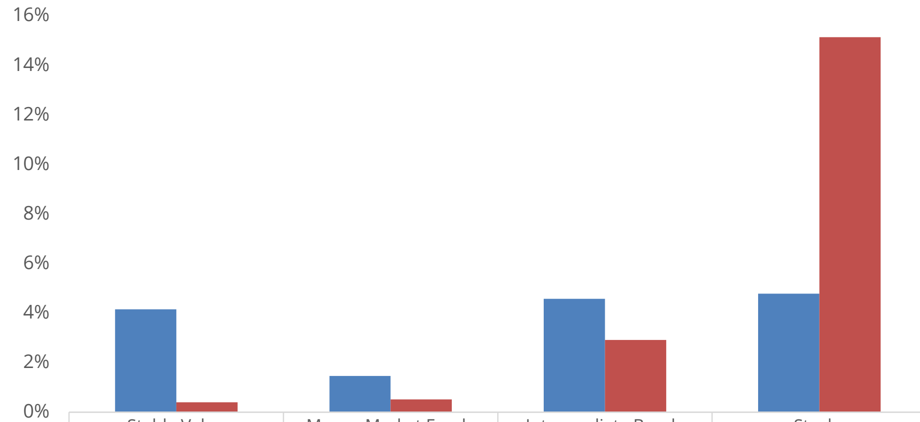
EVENT RISK

The chance that a contract issuer pays benefits at a value less than contract value because of the occurrence of an event or condition that is outside the plan's normal operation. Such events and conditions may include layoffs, sale of a division, plan sponsor insolvency or bankruptcy, unreported changes in a plan's investment options, communications encouraging an investor to withdraw assets from the stable value fund, or plan changes or plan sponsor actions that may result in reduced contributions or large cash flows out of the stable value fund. These may also be known as employer-initiated events or market value events.

HOW DOES STABLE VALUE COMPARE TO OTHER INVESTMENT OPTIONS?

Stable value generally has the objective of preserving a participant's invested capital (or principal) while providing liquidity and steady, positive returns. Stable value is designed to provide gross returns similar to short- to intermediate- bonds without the daily mark-to-market volatility. The investment contracts smooth the market value returns earned on the bond portfolios, providing a consistent contract value return, which is what plan participant's experience. The table below illustrates the relative risk (as measured by standard deviation) and gross returns of stable value, money market, intermediate bonds, and stocks over time. The returns for stable value are similar to intermediate bonds but the volatility is the lowest of all asset classes shown. This results in a very attractive risk/return profile highlighting that stable value has historically been successful delivering on its objectives.

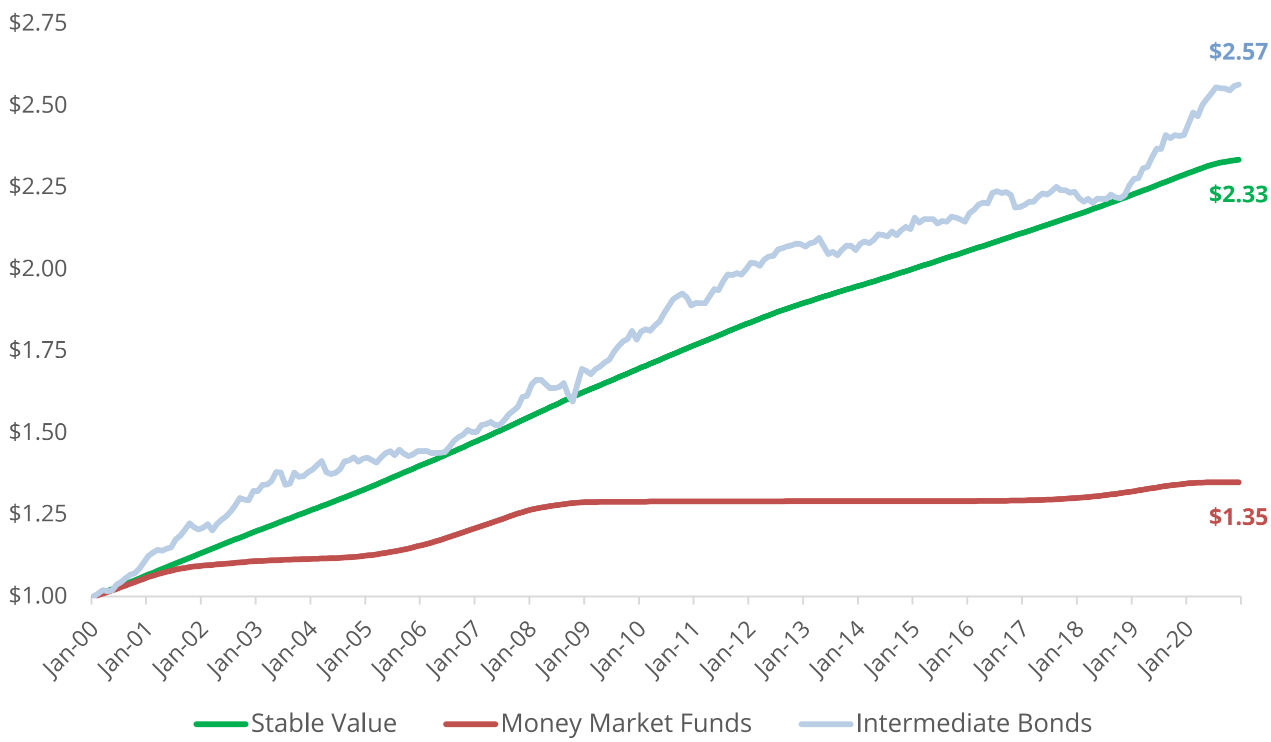
HOW STABLE VALUE STACKS UP*
1/31/2000 TO 12/31/2020



	Stable Value	Money Market Funds	Intermediate Bonds	Stocks
Annualized Return (2000 to 2020)	4.15%	1.45%	4.57%	4.78%
Standard Deviation (a measure of risk)	0.39%	0.51%	2.91%	15.13%

Shown another way, the chart below illustrates that over the long term the growth of $1 invested in the stable value is comparable to the Barclays Intermediate Government/Credit Bond Index. The chart also illustrates that stable value returns significantly outpaced money market returns.

GROWTH OF $1*
1/31/2000 TO 12/31/2020

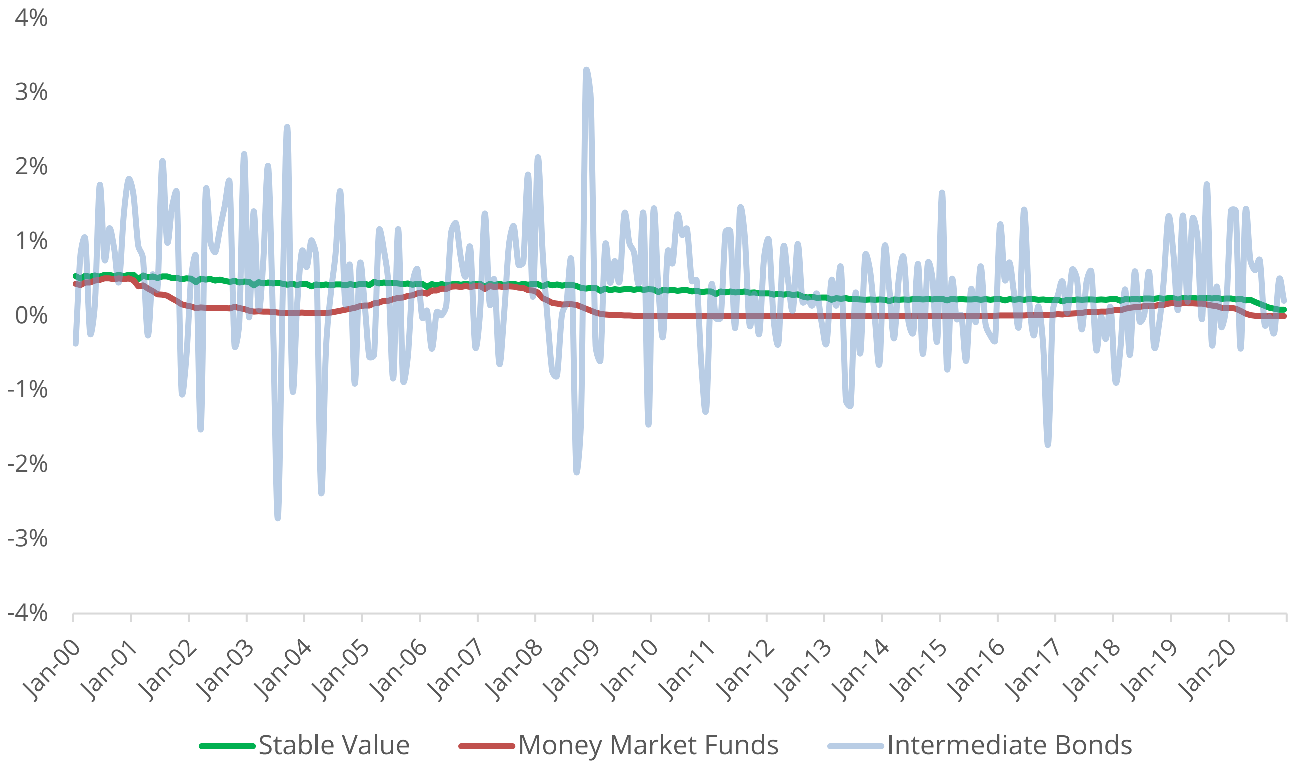


***SEE ENDNOTES FOR FUND DEFINITIONS**

The performance data shown represents past performance, which is not a guarantee of future results. Current performance may be lower or higher than the performance data cited. The performance of this index is not an exact representation of any particular investment, as you cannot invest directly in this index.

The volatility of the stable value monthly returns is similar to that of money markets, and far less variable than that of the Barclays Intermediate Government/Credit Bond Index.

VOLATILITY OF MONTHLY RETURNS 1/31/2000 TO 12/31/2020



WHAT TYPES OF CONTRACTS ARE USED IN STABLE VALUE FUNDS?

In stable value, guaranteed investment contracts (GICs), contract value wrap contracts, and group annuity general and separate account contracts are several types of contracts that are used to help deliver to participants the attractive stable value characteristics of principal preservation and low return volatility.

A GIC, is a stable value investment contract issued by an insurance company that usually pays a specified rate of return for a specific period of time, guarantees principal and accumulated interest (i.e., offers contract value accounting), and is benefit responsive to qualified participant withdrawals. These contracts, also known as guaranteed insurance contracts, may be backed by either an issuer's general account assets, or by separate account assets which are segregated from the general account and are solely for the beneficial interest of the participants in a specific separate account. In all cases, the insurance company owns the invested assets and the obligation to participants is ultimately backed by the full financial strength and credit of the issuer.

A contract value wrap contract is structurally different than a GIC but seeks to provide the same stable value benefits to participants. The key difference between a GIC and a contract value wrap contract is that under a contract value wrap contract the ownership of the invested assets are owned by the plan within a CIT, individually managed account, or segregated in the plan's name in an insurance separate account wrap. This split structure allows decisions, such as the selection of the wrap issuer, to be made separately from the selection of an investment manager's services for the investment of the associated assets. To support the contract value guarantee made to participants, this structure relies on both the value of the associated assets and the financial backing of the wrap issuer. Contract value wrap contracts can be issued by banks and insurance companies.

Group annuity general or separate account contracts are different than a GIC but seek to provide the same stable value benefits to participants. The main differences between a GIC and a group annuity contract is that there is no maturity date of the contract and rates are reset on a periodic basis (quarterly, semi-annually or annually). The underlying investments and the wrap provider are usually managed by the insurance company. To support the contract value guarantee made to participants, this structure relies on both the value of the associated assets and the financial backing of the wrap issuer.

The important concept is that stable value uses investment contracts to help deliver the unique benefits for which stable value is known: capital preservation, liquidity, and steady, positive returns.

WHAT IS AN EQUITY WASH AND WHY IS IT REQUIRED WITH STABLE VALUE?

An equity wash is a contractual provision in stable value that requires any transfer a participant makes from stable value to a competing option (for example, a money market fund or a short-term bond fund) to first invest in another investment option not designated as a competing option for a period of time, usually 90 days. This provision is designed to reduce arbitrage, thereby protecting the participants and the stable value returns over the long term.

IS STABLE VALUE REGULATED?

Yes, stable value funds, contract providers, investment managers, and other service providers involved in stable value have multiple layers of regulatory oversight provided by a variety of federal and state governmental regulatory bodies as well as by nongovernmental bodies.

For instance, most stable value funds offered by non-governmental (i.e., corporate) plan sponsors are regulated by the Department of Labor's (DOL) Employee Benefits Security Administration (EBSA). These stable value funds must comply with the federal pension law, the Employee Retirement Income Security Act (ERISA). Stable value in defined contribution plans offered by state and local governments (e.g., 457 plans) is regulated by that state's law, which, in many cases, has requirements similar to ERISA.

In addition to the Department of Labor, stable value funds that are formatted as a pooled fund or commingled investment trusts (CITs) are regulated by the Office of the Comptroller of Currency and/or the Federal Reserve, or by the respective state for state-chartered banks. Similarly, for insurance companies, guaranteed insurance accounts or insurance company issued investment contracts, such as GICs, separate account GICs, or wrap contracts, are regulated by each insurance company's home state's State Insurance Commissioner and governed by state law.

Additionally, all stable value funds offered by a defined contribution plan must comply with accounting regulations as promulgated either by the Financial Accounting Standards Board (FASB) if the plan is a non-governmental plan, or by the Governmental Accounting Standards Board (GASB) if the plan is a state or local governmental plan. FASB and GASB are both private, not-for-profit, independent organizations whose primary purpose is to develop generally accepted accounting principles (GAAP) under their respective regulatory purview within the United States. The Securities and Exchange Commission, which has legal authority to establish financial accounting and reporting standards for publicly held companies under the Securities Exchange Act of 1934, designated the FASB as the organization responsible for setting such standards for public companies. Both FASB and GASB are subject to oversight by the Financial Accounting Foundation (FAF).

WHY CAN'T I FIND A "TICKER" FOR MY STABLE VALUE INVESTMENT OPTION?

Stable value does not exist as a publicly available investment vehicle and is not available as a mutual fund. Stable value is available as either an individually managed account, pooled fund or commingled investment trust, or as an insurance company general or separate account. These products may use a CUSIP, not a ticker, as a unique identifier for the different classes or subfunds they offer, which is why participants cannot find a ticker for their stable value fund.

IS THERE A STABLE VALUE FUND FOR MY IRA OR TAXABLE BROKERAGE ACCOUNT?

Because of regulatory rules and the unique contract value accounting used for plan participants, stable value as an asset class is not available in either IRAs or taxable accounts. Stable value investment contracts—and the stable value investment options that rely on them to deliver to participants' capital preservation, liquidity, and steady, positive returns, which are hallmark characteristic of the asset class—are only available for tax-qualified retirement savings and tuition assistance plans, such as 401(k), 457, 403(b), and 529 plans. **It is important for participants to understand that if they roll-over their assets from their employers' defined contribution plan into an IRA they will no longer have access to stable value.**

ENDNOTES

STABLE VALUE

Simulation of contract value returns in a hypothetical fund holding intermediate bonds and stable value wrap contracts, with crediting interest rates reset monthly using the industry accepted crediting rate formula. The bond returns incorporated into the simulation are monthly market value returns from the Barclays Intermediate Government/Credit Bond Index, with gains/losses reflected in future crediting rates by amortizing market-vs.-contract values over intermediate bond index durations. This simulation incorporates no ongoing cash flows into or out of the fund. Returns illustrated are gross before any fees.

MONEY MARKET FUNDS

Simulation of money market returns from the iMoneyNet MFR Money Funds Index. Returns illustrated are gross before any fees.

INTERMEDIATE BONDS

Simulation of market value bond fund returns from the Barclays Intermediate Government/Credit Bond Index. Returns illustrated are gross before any fees.

STOCKS

S&P 500 Index with dividends reinvested: a widely used barometer of U.S. stock market performance; as a market-weighted index of leading companies in leading industries, it is dominated by large capitalization companies. Returns illustrated are gross before any fees.