

SVIA STABLE TIMES

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Stable Value Assets Continue to Grow in 2012

By Randy Myers

The stable value market continued to grow again last year as retirement plan participants continued to show enthusiasm for the steady returns and principal guarantees offered by the asset class.

Assets in stable value funds grew 8.5 percent to \$701 billion in 2012¹, giving stable value about a 14 percent share of total defined-contribution-plan assets, Jim King, chairman of the Stable Value Investment Association's board of directors, told participants at the SVIA 2013 Spring Seminar. That increase followed growth of 19.6 percent in 2011, and while it was attributable in part to investment gains, King said that with stable value crediting rates averaging about 2.5 percent last year, more of it came from new contributions to the asset class.

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¹SVIA 17th Annual Investment and Policy Survey

U.S. Interest Rates: What We Should Expect

By Randy Myers

The financial markets appear to be getting it right.

As the Federal Reserve continues to pursue an extraordinarily expansive monetary policy, it is hard to know where interest rates are, where they should be, or how quickly and dramatically they might change once the Fed finally begins to shift to a more normal monetary stance. Michael Simpson, head of strategic portfolio management for Transamerica, asserts that interest rates—both in the spot and futures markets—are behaving the way politics, theory, and history suggest they should. “Barring an economic shock,” he told participants at the 2013 SVIA Spring Seminar, “the markets have it right.”

One key to understanding where rates are heading, Simpson said, is to pay attention to what the Fed is saying. The Fed has said it

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Fiscal Concerns: Goldman Sachs Asset Management Offers an Update

By Randy Myers

Continued modest economic growth, low interest rates and benign inflation should provide a fertile backdrop for the U.S. equity market in the year ahead, says Samantha Davidson, managing director with the Global Portfolio Solutions Investment Team at Goldman Sachs Asset Management.

Speaking at the 2013 SVIA Spring Seminar in April, Davidson reeled off a string of reasons why the U.S. economy appears poised for further growth. Five years after the 2008 credit crisis, she said, the U.S. financial system is largely healthy. Corporate balance sheets are improving. Consumer spending is on the upswing and so is the housing market. Its improvement should contribute about half a percentage point to GDP growth this year.

The U.S. also is experiencing an energy boom in the form of increased oil and natural gas production, which should make it less dependent on foreign oil and could create a meaningful competitive advantage for domestic companies sensitive to energy costs. By the end of this year, Davidson said, the U.S. could be exporting more oil than it imports.

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Stable Value Assets Continue to Grow in 2012

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King said it also appeared that more plan sponsors were adding stable value funds to their investment menus. They appreciated stable value's unique attributes, including principal protection and predictable returns that outpace inflation, when assessing conservative investment options, King said. They also liked the idea that stable value's predictable returns mean plan participants are less likely to try to engage in market-timing of the sort more volatile investments might encourage. All these factors, he said, are good reasons for plans that offer stable value to continue doing so, and for those that do not to start.

King noted that stable value funds proved particularly attractive during the 2008 credit crisis and its aftermath. Thanks in part to their performance during that stretch, stable value funds returned an average of 6.1 percent annually from 1989 through 2009, outpacing intermediate-term bond funds (5.6 percent), money market funds (3.9 percent) and inflation (3.0 percent).

To encourage further growth in stable value funds, King said the industry must continue to offer crediting rates that outperform money market funds by a clear margin over the long haul. That means the industry cannot allow its investment strategies to become too conservative, he said.

Assuming that demand for the asset class does continue to grow, King said there now appears to be plenty of capacity to meet that demand. In 2012, the market produced more than \$60 billion in new capacity, he said, and a recent survey of providers suggests that \$100 billion in capacity should be available this year.

"I think the asset class will continue to grow," King said. "I'm finding more and more influential consultants and advisors are recommending the adoption of stable value to their plan-sponsor clients. Things are looking very positive for the industry." 

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intends to keep the target for the federal funds rate—the overnight rate at which banks borrow from one another—near zero percent as long as the unemployment rate stays above 6.5 percent and the outlook for inflation stays below 2.5 percent. Trading in futures contracts for both Fed funds and Treasury bonds, Simpson said, indicates that investors are anticipating the Fed will begin to tighten monetary policy in the fourth quarter of 2015. That dovetails with the Fed's forecast that the unemployment rate will be between 6 percent and 6.5 percent by that time. "It is commonly understood that the Fed's growth forecasts have been high," he said, "so it is reasonable to agree with the markets and go with the top end of the Fed's range."

Simpson noted that the Fed has been making an effort to communicate how long it plans to keep short-term interest rates near zero percent so that investors can price that into their thinking. "This has resulted in forward rates that reflect the best estimates of future Fed policy actions," he said.

The Fed also has outlined the exit strategy it will likely use when it begins to tighten monetary policy. Because it has laid out so clearly what it is doing and what it intends to do, Simpson said, the Fed's move toward a tighter monetary stance should not be too disruptive. "Interest rates probably won't jump dramatically just because the Fed says it's going to stop buying Treasuries and mortgage-backed securities and start selling them instead," he said. "Rates could jump drastically if the Fed said it was going to sell everything on its books at once, but it probably won't do that."

In fact, Simpson said, several factors could pressure the Fed not to raise rates too quickly. With about \$11.5 trillion in federal debt outstanding, he noted, even a 100-basis-point increase in interest rates would add \$150 billion to the federal government's debt service costs. So raising rates is nothing to do cavalierly. Private borrowers, too, would be squeezed. "There may well be some feedback," Simpson concluded, "that constrains the rates at which interest rates can rise."

The economy

Just as interest-rates have been consistent with what the Fed has been doing and telegraphing, so too has the performance of the overall economy aligned with what history tells us. As would be expected, credit and nominal GDP, which surged prior to the 2008 financial crisis, have since fallen by a comparable amount. Real GDP growth is substantially lower, the unemployment rate is significantly higher, real housing prices are down, and the real value of government debt has surged.

Against this backdrop, a number of additional factors are holding back the economy. The defining feature of the financial crisis was the massive amount of debt, or leverage, that had piled up in both the public and private sectors, Simpson said. Leverage accelerates economic growth. But now both the public and private sectors are deleveraging, which inhibits growth. The economy is being restrained by the sequestration cuts in federal spending that began to take effect this year, by slowing productivity growth as

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Regulators Continue to Study Dodd-Frank's Applicability to Stable Value Contracts

By Randy Myers

When Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, it tasked the Securities & Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) with conducting a study of stable value contracts. The goal was to determine whether stable value contracts should be treated as over-the-counter derivatives contracts—what Dodd-Frank calls swaps—under the legislation, making them subject to additional regulation and oversight. At the time of the law's passage, there was concern that the statute's definition of a swap was so broad that it might encompass products, most prominently stable value contracts, that many policymakers felt were never intended to

be subject to the law.

Of the two regulatory bodies, the CFTC has been taking the lead in the study, while the SEC has been addressing more pressing imperatives imposed by Dodd-Frank. Recently, the SEC asked some wrap issuers to provide examples of their contracts for the study, suggesting that the Commissions may be devoting more time to the stable value study in the months ahead.

Regulators have three options for how to handle stable value contracts. They can rule that the contracts do qualify as swaps and are subject to Dodd-Frank regulation. They can rule that they do not qualify, and are not subject to regulation. Or they can determine that stable value

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Washington has also been the source of some good news lately, Davidson noted, even if it has gone little noticed. The federal deficit, for example, has been shrinking at a rapid pace relative to the size of the economy. It stood at about 10 percent of GDP in 2009, but should be only about 3 percent of GDP by 2015, Davidson said. Congress and the White House showed some surprising harmony in getting things done in the first quarter, raising the federal debt limit and making sure that the federal government did not shut down.

Goldman Sachs Asset Management is projecting that the economy will grow approximately 2.3 percent this year, Davidson said, although potential pitfalls abound. Key risks include the possibility that the federal government will tighten fiscal and/or monetary policy prematurely or excessively, and that Europe's sovereign debt woes might flare anew. The Euro zone economies are already weak, Davidson said, and GDP there

could fall by around 3 percent this year.

Looking to Asia, China is a concern as well. Its economy grew approximately 10 percent annually for the past decade, but the consensus is that it will grow only around 7 percent a year for the next decade, Davidson said. Even that is dependent in part on the country being able to drive consumer spending without excessive reliance on credit.

Closer to home, the U.S. economy faces headwinds, Davidson conceded, including the sequestration spending cuts that began to take effect earlier this year. They will be negative for the economy, she said, but also temporary and manageable, as will recent income tax increases. Meanwhile, she said, improved corporate profit margins should help to offset those negatives. She noted that rising profit margins preceded investment growth during the last two business cycles.

Davidson said interest rates are likely to remain low over the next 12 months, with the yield on the 10-year Treasury bond possibly climbing to 2.5 percent, up from about 1.7 percent in mid-April. Guidance from the Federal Reserve, which has vowed to keep interest rates low until unemployment falls to 6.5 percent, suggests that interest rates may not start to rise in earnest until

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well as a weakened European economy. All this suggests, he said, that we can expect the recovery from the 2008 crisis to continue to proceed at a slow pace, keeping downward pressure on interest rates and inflation for the next few years. While real GDP growth should be 2.4 percent, he said, it is more likely to be in the 1.5 percent to 2 percent range. 

the 2015-2016 time frame. Inflation, Davidson added, is likely to remain below 2.0 percent through 2015, although the risk that it might unexpectedly accelerate has picked up. Here again, the concern is that the Fed might misread signs of falling unemployment and tighten monetary policy too soon. Alternatively, some geopolitical event could cause commodity prices to spike, which typically spurs inflation.

In light of her firm's economic outlook, Davidson said Goldman Sachs Asset Management in mid-April considered equity valuations "still somewhat attractive," even if they were less attractive in both the U.S. and Europe, due to recent rallies, than they had been several months earlier. "We expect equity markets to be quite strong," she said. Davidson added that her firm was recommending an overweighting in Japanese equities in the wake of the Bank of Japan's recently announced plan to double the country's monetary base.

In the credit markets, Davidson said, strong corporate balance sheets suggest that defaults should remain low. In mid-April, her firm considered high-yield bonds more attractive than either investment-grade corporate debt or emerging markets debt. The firm also saw less risk in shorter-duration assets than in longer-duration assets. "Relative to other asset classes," she said, "muted returns can be expected from emerging markets debt, corporate credit, and government bonds, given their current low yields and potential for rising rates." 

529 Plans: Ripe Market for Stable Value

By Randy Myers

They have different funding goals, of course, but in many other respects 529 college savings plans are a lot like 401(k) retirement savings plans—with at least one notable difference. While stable value funds can be found in a high percentage of 401(k) plans, they are only in four of the nation's 51 state-sponsored 529 plans. And that, a panel of industry insiders explained at the 2013 SVIA Spring Seminar, is a growth opportunity that stable value providers should be keen to embrace.

Steve LeLaurin, senior client portfolio manager at Invesco Advisors, conceded that there are challenges to breaking into the 529 market. As a group, stable value wrap providers are just now emerging from a period in which wrap capacity was constrained, and they have not spent much time looking at the market. Also, because 529 plans are not qualified plans under the Employee Retirement Income Security Act, they cannot participate in bank collective trust funds, which means they cannot use standard pooled stable value funds. Finally, there's just not as much awareness of 529 plans, as they have only been available since 1996, as there is of 401(k) plans. In fact, although they've been around since 1996, 529 plans did not really begin to gain traction until qualified withdrawals were temporarily exempted from federal income taxes beginning in 2001. That exemption was not made permanent until 2006.

Still, 529 plans are a big and growing market, with \$190.7 billion in assets at the end of 2012¹. And their similarities with 401(k) plans make them attractive to stable value providers who have already broken into the market. To illustrate the point, LeLaurin showed a graph of crediting rates over the past 10 years for two 529-plan stable value funds under his firm's management, and compared them to crediting rates for a 401(k) plan stable value fund the firm runs. The general trends and absolute numbers were highly correlated.

The one area where the performance of the 529 funds did diverge from that of the 401(k) fund was in their monthly cash flow histories. Unlike 401(k) plans, 529 plans experience withdrawal patterns that tend to be seasonal, with the heaviest outflows coinciding with the beginning of the spring and fall college semesters, when tuition, room and board payments are due. Still, LeLaurin noted, those withdrawal patterns are highly predictable, and ultimately tend to be less volatile than those for 401(k) plans.

The Invesco stable value fund in the 401(k) plan example, LeLaurin noted, was completely and successfully underwritten for the last 10 years, and considered by wrap providers to be a good risk. Yet in terms of cash flow volatility, he said, the funds in the 529 plan look to be an even better risk.

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contracts qualify as swaps but are exempt from Dodd-Frank regulation, assuming regulators conclude that such an exemption would be "appropriate" and in the public's best interest.

The Commissions' heightened interest in the study does not guarantee that anything is imminent in terms of the study being completed, Steve Kolocotronis, vice president and general counsel for Fidelity Investments and chair of the SVIA Government Relations Committee, said at the 2013 SVIA Spring Seminar. The request for stable value contracts does indicate, however, that the CFTC and SEC are paying attention to the issue. "I don't know that we have a timeframe as to when we think we will get the study," he said.

Based on discussions with regulators, Kolocotronis said it appeared that the CFTC has "some nervousness" about declaring that stable value contracts are not swaps, as it might encour-

age other financial services firms to argue that they have developed similar products that should be exempt. "It seems from their perspective that the safer thing is to say that a stable value contract is a swap, but exempt," he said. "That way, they maintain some control over other products that come along down the line."

By contrast, Kolocotronis said, the SEC seemed more comfortable with the idea of declaring that stable value contracts are not swaps.

The SVIA position, which it has conveyed to regulators, has consistently been that stable value contracts are not swaps. The association has noted that stable value products do not present a systemic risk to the financial system, and did not cause any problems during the 2008 financial crisis, nor did stable value contribute to the financial crisis. The SVIA has also stressed that stable value products are already heavily regulated. They have a 39-year history of operating under the Employee Retirement Income Security Act through a diverse range of financial stresses and cycles and have continued to perform well despite these market challenges. All this, SVIA President Gina Mitchell said at the Spring Seminar, suggests that "the potential for this product to have a bad outcome for plan participants is pretty remote."

One good bit of news for the stable value industry as it pertains to the study's delayed completion, Mitchell noted, is that delays do no harm. Until regulators make a decision as to how stable value contracts are to be treated, stable value contracts do not count as swaps, and any stable value contracts issued prior to the study's conclusion will be grandfathered as such.

Kolocotronis reaffirmed that the SVIA position has been and remains that stable value contracts are not swaps. He also said the SVIA has suggested to regulators that Dodd-Frank may offer some clues to Congress' intent on this matter. "If you look at Dodd-Frank, although they (regulators) are required to do the study, there seems to be an indication of what Congress thought here," he said. "If Congress is willing to grandfather this entire set of contracts—basically every contract that exists today gets grandfathered—that seems to be an indication of some intent that should push them (regulators) in the direction of this not being a swap." 

¹Source: March 2013 College Savings Plans Network

529 Plans: Ripe Market for Stable Value

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Gary Ometer, chief financial officer for the Virginia College Savings Plan, noted that there have been no large, net, cash outflows from stable value investments in that \$2.2 billion plan, where about 21 percent of the total assets are allocated to stable value investments. Most of that stable value money is in age-based target-date funds that progressively shift more of their money into stable value funds as the target date approaches, eventually reaching a 100 percent allocation. A contributing factor to the cash-flow stability in the fund, he said, is that the Internal Revenue Code allows investors in 529 plans to make only one change in investment direction per year.

Ometer noted that the Virginia College Savings Plan weathered the 2008-2009 market downturn well, continuing to post positive cash flows throughout. "These are definitely sticky deposits," he said. "People don't change investments often."

In addition to a 529 college savings plan, Virginia also operates a so-called "prepaid" 529 plan in which investors buy tuition credits rather than simply amass savings. Ometer said the cash flow and investment patterns of stable value investors in that fund have been similar to those of stable value investors in Virginia's 529 savings plan.

The Virginia plans eliminated money market funds from their roster of investment options in 2012, Ometer noted, in a bid to attract additional wrap capacity for their stable value funds.

In neighboring West Virginia, Hartford Life Insurance Co. administers the West Virginia Direct 529 plan. It also administers the Hartford SMART529 in that state and the SMART529 Select plan in Connecticut, both of which are sold nationally by registered investment advisors. Stable value funds are offered in the West Virginia plans. Jeff Coghan, assistant vice president with Hartford, said his company would like to

offer stable value in the Connecticut fund, too, "if there was availability out there." Combined, he said, the three programs have about \$1.8 billion in assets, including about \$271 million in stable value funds.

Coghan said his company participates in the 529 market in part because the assets are so sticky. "Participants don't chase from fund to fund like they do in the more traditional mutual fund business," he said. "Inter-plan transfer activity is basically non-existent. It's that stability and predictability, that ability to serve as anchor to our fund business, which caused us to enter the business, and it's why we continue to be excited about it. We see a tremendous opportunity, not only in the growth of the market but in the stability of the assets. We need some more wrap providers, and I think those that get into the business will have a lot of opportunity to find their way into target-date portfolios and other structures that would be very appealing."

Two wrap providers already active in the business are ING Life Insurance and Annuity Co. and Aviva Investors.

Eric Hasenauer, managing director at Aviva Investors, said his firm decided to enter the 529 market as a wrap issuer about a year and a half ago. While acknowledging the similarities between 529 and 401(k) plans, he noted that some of the differences may actually be beneficial to stable value providers. In addition to limitations on changes in investment allocations, for example, 529 plans offer greater participant diversity, with individual plans often having tens of thousands of participants with relatively low account balances (about \$17,000, on average, at the end of 2012, according to The College Savings Plans Network). There also are no corporate events to worry about and no pooled-fund considerations.

Among the potential risks of participating in 529 plans, Hasenauer said, are the potential for headline risk should a plan's operator run into hot water, the potential for a state to run into solvency issues, the ability of account owners to transfer funds to other qualified tuition plans,

and the potential for new tax legislation that could establish a more popular college savings vehicle in the future. "Ultimately, he said, "we thought these were risks we could overcome."

ING Life and Annuity provides wrap contracts for four 529-plan stable value funds in Virginia, West Virginia, Rhode Island and Illinois, covering about \$1 billion in assets. In addition, its sister company, ING Investment Management, serves as program director for the 529 plans in Wisconsin, Ohio and Iowa.

Tony Camp, vice president, ING Stable Value Products, explained how his firm created its 529-plan wrap contracts. It started with the base contract it uses for a synthetic GIC funding agreement in the defined contribution retirement-plan market, then eliminated provisions specific to that market and added in others specific to 529 plans. The vast majority of the contract's original provisions, however, remained intact. Areas that required customization pertained primarily to IRC code references and annuity provisions, benefit withdrawals, participant-directed transfers and contract termination. "It wasn't that big of a job," he said. "In fact, it was fairly straightforward"

For wrap providers considering entering the business, Camp advised paying attention to the quality and popularity of the 529 plan under consideration. He also suggested looking closely at states where the conservative investment option today is a money market fund. In his own informal survey of the marketplace, he said, he counted 27 states where the 529 plan was using money market funds. Those funds are currently yielding near zero percent, while the average stable value fund is offering a crediting rate of about two percent. After accounting for inflation, Camp said, investors are losing money in money market funds. That should make stable value funds attractive to 529 plans currently offering money market funds as their conservative investment option. 

Baby Boomers, the Financial Crisis and the Recession

By Randy Myers

Many are not going to have enough money.

That was the discouraging but hardly surprising retirement-income message that Sara Rix, senior strategic policy advisor for the AARP Public Policy Institute, delivered at the 2013 SVIA Spring Seminar when talking about America's Baby Boom generation.

Rix' forecast was informed in part by an October 2010 AARP Public Policy Institute survey of nearly 4,000 Boomers between the ages of 50 and 64. All were in the labor force at that time or had been at some point since the start of the last recession, which encompassed

retirement, with women even more concerned than men.

Boomers said they are taking steps to create a more secure retirement, though, and some indicated they might be willing to accept a lower standard of living. In fact, 48 percent said they expect their standard of living in retirement to be less than what their parents enjoyed. Only 22 percent expect it to be better.

When they do retire, Rix said, many Boomers will find Social Security a critical source of income. An AARP study projects that for people who were between the ages of 25 and 54 last year, Social Security will make up about 51 percent of

(EBRI) found that only 14 percent of the respondents expected to retire between the ages of 60 and 64, although real-world experience shows 32 percent have retired by that age.

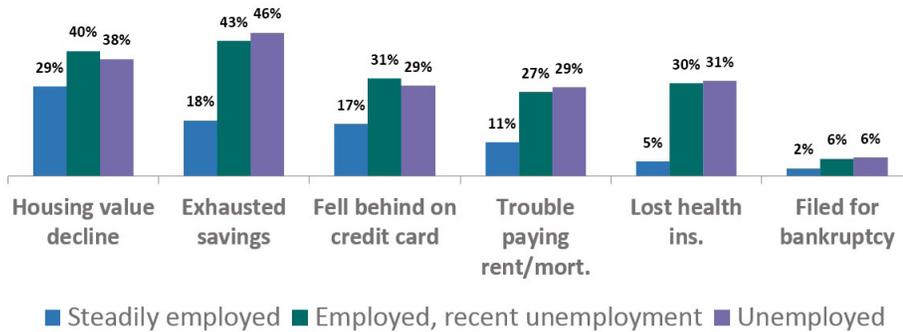
Rix encouraged those who plan to work in retirement not to quit their current job until they have a new one in hand, since it is easier for older workers to keep a job than it is to find one. She also suggested postponing Social Security benefits as long as possible, since each year of postponement yields a 7 percent to 8 percent benefit increase.

Among the 54 percent of surveyed Boomers who have already taken steps to prepare for a more secure retirement, the most common decisions they made—beyond planning to do some work in retirement—included paying down non-mortgage debt, saving more, retiring later than originally planned, investing their savings more conservatively, and deciding to pay off their mortgage.

Boomers' biggest concerns about retirement include not having enough money for long-term care or healthcare, having their income fail to keep pace with inflation, depleting all of their savings, maintaining a reasonable standard of living, being able to stay in their homes, and, lastly, not being able to leave money to their children.

Boomers are right to be concerned about healthcare, Rix said, noting that estimates from

Setbacks Even for the Steadily Employed, but Job Losers Worst Off



all of 2008 and the first half of 2009. Among those surveyed, 59 percent had remained steadily employed throughout the recession and up to the survey date. Another 13 percent had been involuntarily unemployed before finding a new job, while 17 percent were unemployed and the remainder—about 11 percent—had already left the work force.

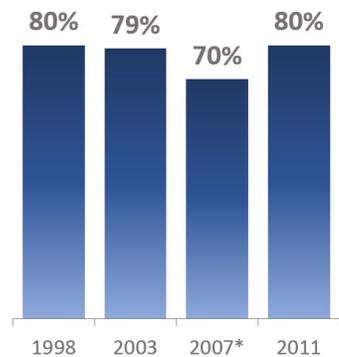
Not surprisingly, the recession altered retirement plans and expectations for the Boomers. Many cut back on saving, including retirement saving, and tapped into monies they had already set aside. Twenty-seven percent said they had exhausted their savings, and more than 20 percent said they had fallen behind on credit card payments. Many also delayed medical and dental care. A majority said they now lack confidence that they will have an adequate nest egg for

their total income, on average, at age 70.

To supplement Social Security, more Boomers now expect to work even after they have reached the traditional retirement age of 65. In 2007, about 70 percent of workers between the ages of 45 and 54 said they expected to work "in retirement." In a 2011 survey, 80 percent said they were planning to do so.

Working longer can be a prudent way to enhance financial security in retirement, Rix noted. Each year someone continues to work is one less year of retirement they need to fund, and one more year of collecting wages and perhaps saving for retirement. Still, it's far from foolproof. "The best laid plans often go awry," Rix said, noting that people often are forced out of the workforce due to job loss, disability or ill health. A survey by the Employee Benefit Research Institute

Percent Expecting or Planning to Work in Retirement



*Wording for this survey differed somewhat from the other surveys.

organizations like EBRI indicate that they may need nearly \$270,000 each to cover planned and unplanned healthcare needs.

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The Evolving Definition of Competing Funds

By Randy Myers

There was a time in the stable value industry when the term “competing fund” almost always referred to one thing: a money market fund.

No longer. Over the past decade or so, the financial services industry has rolled out a slew of new investment products for defined contribution plans, from inflation-protected bond funds to target-date funds and self-directed brokerage accounts. Stable value issuers—particularly stable value wrap issuers—have had to think carefully about how plan participants might use these new products during periods of rising interest rates, and whether they should be classified as competing funds subject to the same trading restrictions typically imposed on money market funds.

Those restrictions are aimed, of course, at discouraging plan participants from trying to arbitrage stable value funds and competing funds when interest rates are rising sharply. The most common restriction is an equity wash rule that requires money moving from a stable value fund to a competing fund to first go into an equity fund for a fixed period of time—usually 90 days.

During a panel discussion at the 2013 SVIA Spring Seminar, executives from four firms—two portfolio managers and two wrap issuers—talked about how their definition of competing funds has evolved, how it continues to evolve, and how the industry can make competing-fund restrictions less objectionable to plan sponsors.

Anthony Luna, vice president and portfolio manager for T. Rowe Price Associates, said his firm generally defines competing funds as fixed-income products with a duration of three years or less. However, he noted, some wrap providers also put certain asset-allocation products under the competing-fund umbrella. These can include target-date funds and balanced funds, but typically only when they have a large allocation to fixed-income assets—perhaps 75 or 80 percent of the portfolio—and when the duration of that part of the portfolio is less than three years. “Most of our contracts also view self-directed brokerage accounts as a competing fund,” he added.

Jennifer Gilmore, head of stable value portfolio management for Invesco Advisors Inc., said her firm’s definition of a competing fund is similar to the one Luna spelled out. She added that self-directed brokerage accounts are the investment option that most often prompts discussions with wrap providers over whether they should be placed in the competing-fund category. “We have to look at the specifics over every plan’s self-directed brokerage window,” she said, explaining that her firm typically allows no more than 25 percent of plan assets to be allocated to that investment option.

Christopher Pellegrino, a portfolio analyst for Transamerica Stable Value Solutions, and Tim Grove, vice president of markets-product risk for Prudential Financial, said their definitions of competing funds are similar to those used by T. Rowe Price and Invesco, too. Grove noted, though, that his firm sometimes classifies Treasury Inflation-Protected Securities, or TIPS, funds as competing funds, too, assuming they have a short duration. Most do not, he conceded, although he said duration is not the only factor his firm considers.

“When we think about TIPS funds, we also think about how it’s communicated to plan participants,” he said. “What does the fact sheet say? How does it describe the fund’s objective? Will it be a safe alternative to stable value, even if there might be some underlying characteristics that could cause fluctuation? How is the participant going to view it? We’ve seen similar funds described differently, and how participants see it can be important.”

Grove also conceded that the stable value industry has not reached a consensus on whether to treat self-directed brokerage windows as competing funds. His firm does. “It’s the access they have to money market funds underneath that’s the issue,” he said.

Gilmore said the arbitrage risk embedded in brokerage windows should be a concern to every plan sponsor as they seek to protect the interests of their plan participants, particularly those invested in stable value. Often, she said, it

is the most sophisticated plan participants who are most likely to use brokerage windows and who are, perhaps, most likely to spot and act on arbitrage opportunities. “Overall, plan sponsors understand,” she said. “They just want (any restrictions on the use of competing funds) to be workable. They have to be restrictions their record-keeper can implement, and that they can communicate clearly to participants.”

Luna added that as a stable value manager, it’s easier for him to justify competing-fund restrictions to plan sponsors when those restrictions are workable. “If I don’t believe in what

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Baby Boomers, the Financial Crisis and the Recession

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To promote better retirement outcomes, Rix encourages Boomers to take advantage of training programs offered by their employers, not only to enhance their value in their current positions but also to make them better qualified for other jobs. From a public policy perspective, she added, training programs should be made more widely available.

Rix also suggested that policymakers and employers do more to promote saving, to monitor and enforce age-discrimination laws, to provide more flexible work arrangements, and to provide advice and support for entrepreneurship among Boomers.

Finally, Rix said, policymakers in Washington must take measures to preserve the financial integrity of the Social Security system. “We need to recognize that Social Security is, and will likely remain, the bedrock of retirement security in the U.S.,” she said. “It is important—critically important—that we encourage savings and provide people with opportunities to save more readily than many of them are doing now. But those savings should be on top of, not in place of, Social Security.” 

Capacity in Stable Value Industry Up Significantly for Second Straight Year

By Randy Myers

For the second straight year, the stable value industry has the capacity to take on a significant amount of new business—a welcome turnaround from conditions that prevailed in the immediate aftermath of the 2008 credit crisis.

In 2012, the industry absorbed \$66 billion in new business, according to data compiled by LIMRA, an insurance industry trade group, and the SVIA, slightly outpacing the \$60 billion in new capacity that a poll of stable value providers had indicated would be available.

This year, a survey by the SVIA found that providers expect to have net new capacity of \$103 billion in 2013, including \$15 billion from new entrants into the marketplace. To put those numbers into perspective, the SVIA calculates that total assets in stable value funds reached \$701 billion last year.

Speaking at the 2013 SVIA Spring Seminar, Marijn Smit, president of Transamerica Stable Value Solutions, said the March 2013 survey drew responses from 27 of the 30 stable value issuers polled, including six banks. Of the 27 who did respond, 23 were existing issuers, and four were potential new entrants to the market, including three insurance companies and one bank. The existing issuers had \$435 billion in stable value balances as of December 31, 2012.

Whether the industry is able to put all its available capacity to work will depend on demand from retirement plan sponsors for stable value funds, of course, but it also could be impacted by market developments. The issues most likely to inhibit providers from putting their capacity to use, survey respondents said, would be the absence of an equity wash rule in plans that have competing funds, funds with market-value-to-book-value ratios below par, and unattractive duration limits on funds and their underlying investments.

Phil Maffei, a senior director with TIAA-CREF, told Spring Seminar participants that his company has added capacity by providing a bundled offering, meaning that TIAA-CREF

not only provides the wrap contract but also manages, through an affiliate, the underlying investment portfolio. It took in its first deposit in May 2012.

Maffei said the single biggest issue TIAA-CREF had to overcome in entering the wrap side of the stable value business was simply coming to

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The Evolving Definition of Competing Funds

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you're telling me and you're putting me in front of a client, typically the conversation doesn't go well," he said. By way of example, he said it would be difficult for him to defend a request to classify a TIPS fund with a 9-year duration as a competing fund. "Some sponsors are fairly sophisticated investors; they might run their own bond portfolios," he explained. "When you try to tell them a long-duration TIPS fund is a competing fund, they're not buying it."

Gilmore noted that plan sponsors are sensitive to competing-fund restrictions, especially when the fund in question has been in a sponsor's plan for some time without any restrictions. "Every time a new fund is declared competing, that's another event requiring the sponsor to go in front of a committee and explain it," she said. "And they're making more of these trips, on many different subjects."

"We can help by being more consistent on definitions of competing funds," seconded Grove.

Bradie Barr, senior vice president-marketing for Transamerica Stable Value Solutions and moderator of the panel discussion, asked if there were risk mitigation tools that might be more palatable to plan sponsors and plan participants than an equity wash. Gilmore was not sure. "A lot of plan sponsors are used to the equity wash now," she said. "We did some brainstorming internally and a lot of the alternatives we brought

up were more restrictive than an equity wash. We had started thinking about trading restrictions when market value is below book value for stable value funds, or imposing some type of fee for going to a competing option. But I think those just create more complications and concerns. So I do not know that there's an easy answer to the question."

"From my perspective as a manager, choice for sponsors is always good, especially for our separate account clients," Luna offered. He said one option the industry might consider is increasing the cash buffer in a stable value fund in lieu of imposing an equity wash. That would shorten the duration of the underlying portfolio, make additional funds available to meet redemptions if plan participants tried to arbitrage stable value and competing funds, and help protect wrap issuers. It would, in effect, quantify for sponsors the "cost" of an equity wash. "Clients appreciate a quantitative approach and choice," he said. "It may not be the solution for everybody, and as an investment manager I may not be a big fan of it, but some sponsors may feel it's more appropriate for their participants." Assuming a fund had a strong market-value-to-book-value ratio, Luna said, a bigger cash buffer could be a "fairly easy" solution.

Grove was hesitant to endorse the cash buffer solution, saying it might be difficult to come up with an industry standard for how big cash buffers should be. "A good thing about an equity wash is that there is a common understanding and acceptance of it," he said. And, he added, it effectively provides two protections. First, it forces plan participants to put their money at risk for some period of time—usually 90 days—if they want to engage in interest-rate arbitrage. Second, by the time that period has passed, the arbitrage opportunity may have passed, too.

Pellegrino said one way the industry can minimize controversy over competing-fund restrictions is to work with plan sponsors when they are setting up plans to make sure there are no competing funds in the investment lineup right from the start. "That way, we don't have to go back and have other conversations after the plan lineup is set up," he said. 

Understanding the Insurance Side of Stable Value

By Randy Myers

Insurance companies may have years of experience with stable value, but an ever-changing regulatory environment means the business itself has never become routine.

Unlike many other industries subject to government oversight, the insurance industry is regulated primarily at the state level rather than the federal level. Each state insurance department brings a slightly different approach to the task, and that can sometimes slow the process of bringing new insurance products to market.

"Fifty states means 50 different regulatory agencies," observed Bill Sample, director and actuary for Metropolitan Life Insurance Co., speaking as part of a panel discussion about the insurance market at the 2013 SVIA Spring Seminar. "Sometimes they work together, sometimes they don't."

There may be some relief in sight. Forty-one states have adopted the "Interstate Insurance Product Regulation Compact," which is designed to speed up the approval process for life, annuity, disability and long-term-care insurance products by establishing a single point of filing for review. Three more states are expected to adopt it by the end of this year, according to Helen Napoli, director of contract and product development for stable value investments at New York Life Investment Management LLC, who organized the panel. Unfortunately, neither New York nor California—two of the more challenging states from a regulatory perspective—are among the current or anticipated adopters. What's more, Napoli cautioned, the compact will not provide complete regulatory relief for insurers, since it will only address contract basics. "It won't change reserve requirements or other basic requirements a state may have," she said. She also noted that the compact has yet to write standards for the group annuity business, which would cover stable value contracts. "Still," she said, "it's something to look forward to."

In the meantime, insurers participating in the stable value market must gain approval not only from any state where they are licensed and plan to issue their contracts, but also, in some

cases, from their home state—even if they do not plan on issuing contracts there.

The required filings can be voluminous, including a plan of operations, a contract form, a memorandum of variability, and an actuarial memorandum. Among the dozens of factors regulators examine, said Michael Rant, vice president and corporate counsel for Prudential Financial, are the core terms of the contract and the commitments made by the insurance company in that contract. The dual aim of the review, he said, is to protect consumers and the solvency of the insurance company.

In the case of stable value products, regulators also review which types of investments are eligible to be held in a stable value product, and how the crediting rate will be calculated. They make sure there are provisions for the insurer to terminate the contract if doing so should become prudent. To protect themselves, state insurance departments also make sure nothing is in a contract that could be construed as a waiver of remedies in the event of an insurer's insolvency. They also confirm that contracts are being issued to groups eligible to participate in stable value products under each state's insurance code.

Rant noted that the contract form contains "brackets" that delineate variable text, or language that may vary from contract to contract. The memorandum of variability requires an

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Capacity in Stable Value Industry Up Significantly for Second Straight Year

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grips with moving from spread-based products—i.e., traditional GICs—to a fee-based product.

Jessica Mohan, director of the stable value product group for Bank of Tokyo Mitsubishi, UFJ, Ltd., said her company is in the second year of a three-year commitment to provide \$30 billion of capacity to the stable value marketplace,

having done just shy of \$9 billion of business in the first year. "We have a mandate to grow to \$18 billion by the end of September, and I think we'll make it," she said. "I also think our ability to grow to our ultimate level is achievable."

William McCloskey, vice president of the stable value market group at Prudential Financial, said his firm's total stable value capacity broached the \$100 billion mark by year-end 2012, including \$60 billion in its institutional, or wrap business. "We remain open with capacity today," he said, "although there are obviously ongoing discussions inside Prudential about how far we should go."

McCloskey said Prudential has been "very thoughtful about the type of business we've done, even though we've grown very rapidly."

More broadly, McCloskey said the additional capacity now available in the stable value market is healthy, creating more competition and allowing stable value managers to be more thoughtful and deliberate about meeting their fiduciary responsibilities. "It's also allowing plan sponsors to feel that the overall stable value market is not quite so out of balance," he said. "It's not in a state of turmoil; that's a thing of the past. The market has returned to a much healthier place."

Nick Gage, senior director with stable value manager Galliard Capital Management, also endorsed the competition brought on by more capacity, but said he still sees the current environment as an issuer's market. "They (issuers) all have their unique requirements," he said. "I think the challenge is for managers to find the right capacity."

That's particularly true for pooled fund managers, said Tim Stumpff, president of Morley Financial Services, noting that of all the estimated available new capacity this year, only 6 percent is earmarked for pooled funds. By contrast, 77 percent is earmarked for synthetic GIC funds (excluding pooled synthetic GICs). Those numbers, he said, led him to wonder if there is too much similar capacity chasing too few funds.

The panelists generally agreed that the increased capacity may make stable value issuers slightly more flexible about contract terms, but that they do not expect any dramatic changes. 

SVIA Finishes Annual Survey Covering 2012

By Gina Mitchell

SVIA's Annual Stable Value Investment and Policy Survey, its most comprehensive survey, confirmed the positive trends found in most defined contribution plan asset allocation and stable value investments surveys. The annual

survey, which covers 38 stable value managers, reported that assets under management in 2012 had risen to \$701 billion, which is up by 8.6 percent from 2011. Further, the annual survey found this increase was experienced by all three management segments: individually managed accounts, which generally cover large plans, grew by 2.9 percent, pooled funds, which generally cover small to mid-sized plans, grew by 0.8 percent, and life insurance company accounts, which cover all-sized plans with their product offerings, grew by 17 percent. Based on the annual survey,

Plans and Assets Under Management			
	2012 Total	2011 Total	% Change
Stable value assets managed (millions)	\$701,326	\$645,554	8.6%
Number of plans	189,361	159,000	19.1%

tion plans. Interestingly, 403(b) plans increased and 401(k) plans declined when compared to 2011 data. This can be attributed to the strong growth of the life insurance company accounts management sector as well as survey participation, since survey participants can vary from year to year. The overall net return for stable value fell from 3.18 percent in 2011 to 2.97 percent in 2012, which reflects the declining interest rate environment. However, stable value returns still compare favorably

Stable Value Contract Allocation			
	2012 Total	2011 Total	% Change
Cash or short-terms	5.72%	5.18%	10.5%
Traditional GICs/BICs	2.06%	4.64%	-55.6%
General Account IPG or similar vehicle	36.57%	37.71%	-3.0%
Wrapped buy & hold assets	0.25%	0.48%	-49.1%
Wrapped assets managed to a fixed horizon	1.37%	1.34%	2.0%
Wrapped actively managed evergreen assets	38.38%	44.16%	-13.1%
Assets with separate account wraps	9.38%	6.37%	47.4%
Market-valued assets	0.00%	0.00%	0.0%
Other	6.28%	0.12%	5229.0%

to money market returns for the same period.

The annual survey reported similar trends as SVIA's Quarterly Characteristics Survey with respect to some metrics, but not all. The annual survey found that the credit quality of the underlying investments decreased overall with survey participants reporting AA or Aa2 or better on average using both S&P and Moody ratings, whereas the quarterly survey shows credit quality

Duration and Credit Quality			
	2012 Total	2011 Total	% Change
Modified duration (years)	3.74	3.67	1.9%
Credit quality, S&P ratings	7.92	8.07	-1.8%
Credit quality, Moody's ratings	7.95	8.15	-2.4%

stable value comprised 14 percent of all defined contribution plan assets in 2012.

Plan assets in the survey were predominantly defined contribution plan assets with 401(k) at 55 percent, 457 plans at 8 percent, and 403(b) at 31 percent in 2012. The remaining 5.4 percent was comprised of other tax-deferred savings plans such as 529 tuition assistance plans, Taft-Hartley plans and defined contribu-

Types of Assets Invested in Stable Value			
	2012 Total	2011 Total	% Change
401(k)	55.39%	62.77%	-11.8%
457	8.56%	8.78%	-2.6%
403(b)	30.66%	20.66%	48.4%
529	1.61%	1.10%	45.7%
Taft Hartley	0.50%	2.27%	-77.8%
Defined Benefit	0.02%	1.66%	-98.6%
Other	3.26%	2.76%	18.2%

edging upwards towards AA+ or Aa1. The annual survey also found that duration had increased from 3.74 years in 2012 from 3.67 in 2011, and the quarterly survey reported a similar trend. The variations can be attributed to the fact that the annual survey covers both a larger and broader array of stable value products, whereas the quarterly survey covers 23 synthetic GIC stable value managers.

The annual survey found that the underlying portfolio allocation continued to vary based on the management segment. Overall the annual survey found that the average allocation in 2012 for stable value products was 5.7 percent in cash, 38.6 percent in GICs and general account products, as well as 49.4 percent in wrapped assets. 

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insurer to spell out alternative or replacement language that could have a material effect on the risks being assumed by the insurer.

The actuarial form documents that the contract adheres to capital reserve requirements for the state, Sample said. It also provides space for an insurer's actuaries to sign off on the soundness of the product being reviewed, including, in the case of separate account stable value products, confirmation that risk charges being paid to the general account are adequate.

Insurers domiciled in New York, Sample said, also are required to file a self-support memorandum in which its actuaries attest that the contract is self-supporting under reasonable assumptions about interest rates, mortality and expenses. That memo also delves into multiple facets of the contract: product risks, risk mitigation provisions, pricing assumptions, anticipated investment returns, risk charges, expenses and profits. California has special requirements, too, he said, including a statement indicating why

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Fee Disclosure Remains a Work in Progress

By Randy Myers

In the year since federally mandated fee disclosure rules went into effect for defined contribution plans, this much has been discerned: plan sponsors think the new disclosures are helping them meet their fiduciary responsibilities. Also, some plan participants now know more about what their retirement investments are costing them.

Last summer, new federal regulations required plan service providers to disclose more information about fees, turnover ratios and performance benchmarks to retirement plan sponsors. Plan sponsors, in turn, were required to share some of that information with plan participants. Some began doing so even before the final deadline. For the past three years, the Stable Value Investment Association has been polling its members to see how they are meeting the disclosure requirements.

In a survey of 21 members in December 2012—14 stable value managers and 7 wrap issuers—the SVIA found that stable value structured as insurance company separate accounts had the lowest average expense ratio on a dollar-weighted basis—17 basis points—while pooled and collective funds had the highest at 41 basis points. Expense ratios for insurance company general accounts averaged 19 basis points on a weighted basis, while individually managed accounts averaged 30 basis points. Le Ann Bickel, manager of stable value client services for Invesco Advisors, noted that all of those expense ratios compared favorably with the expense ratios of most other investment options offered in defined contribution plans. She also observed that different providers may include different expenses in their disclosures; some might include recordkeeping fees, for example, while others may not.

There was a fairly high degree of consistency among providers in terms of which performance benchmark they were using for their stable value funds. By far, the benchmark most often used was the three-month U.S. Treasury bill index, used by 12 survey respondents. Three used a 1-3 year government/credit index, two used a 1-5 year government/credit index, one used the Barclays U.S. Intermediate Government/Credit Bond Index and one used the Barclays U.S.

Intermediate Aggregate Bond Index.

One area where stable value providers do not have uniformity is fund turnover ratios. Jane Marie Petty, principal with Galliard Capital Management, said the methodologies used were diverse—six different techniques were cited.

While the industry may have more work to do to explain the differences in calculating turnover or moving to one methodology, the response of plan sponsors to the new fee disclosures has generally been favorable. In an Oppenheimer Funds survey reported in the February 2013 issue of *Plan Sponsor* magazine, plan sponsors said the new disclosures are helping them meet their fiduciary responsibilities, improving transparency, helping them understand the fees they pay relative to the services they receive, and helping them make more educated decisions about providers. Plan sponsors also said the new disclosures seem to be helping plan participants feel more educated about their plans, and are helping to build trust between participants and sponsors.

A survey of plan participants by LIMRA, an insurance industry trade group, also provided some encouraging findings. True, half the participants surveyed this year said they did not know if their retirement savings plans were costing them anything; that was the same percentage saying that in 2012 before the disclosure rules took effect. However, the number who said they thought there were no fees fell to 22 percent from 38 percent. Also, 28 percent of the participants surveyed in 2013 said they now know what their plan fees are, up from 12 percent in 2012.

In summary, plan participants now have access to more information. Increased fee transparency could ultimately lead to lower overall costs for plan participants, Bickel and Petty said. However, it's still the case that neither the average plan participant nor the majority of plan participants fully understand the fees they are being charged. Bickel and Petty encouraged stable value providers to continue working together to establish uniform disclosure practices, which they said would help to clarify and simplify their products for plan sponsors and plan participants. 

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the product in question is not hazardous to the public.

“Once a contract is issued, regulators become increasingly focused on the reserves and the asset-liability match,” Sample said. That’s because they care about the financial stability, or solvency, of the insurance company. “They want to show policyholders—in this case, investors in a stable value fund—that they will receive their full benefit,” he explained.

While insurance companies understand the focus on reserves, they also want to make sure reserve requirements are calculated appropriately. In New York, Sample said, reserve requirements for stable value products are calculated under New York Regulation 128. As a first step, it requires that insurers calculate the present value of their liability, project the guaranteed payout at the contract’s minimum rate, and then discount that payout at 104.5 percent of Treasury spot rates. Then, in a second step, the company must apply the appropriate “shaves,” or discounts, to the value of the assets held in the stable value fund’s underlying portfolio. If the result in step 1 exceeds the result in step 2, the company must hold the difference as additional reserves.

Actuaries at the Life Insurance Council of New York, an insurance industry trade group, have proposed to New York regulators an alternate method for calculating reserves. The council suggests that its method would be more appropriate, especially during periods of market stress like those that existed during the 2008 credit crisis, when many separate account issuers were required to dramatically boost their reserves. The American Academy of Actuaries has made similar proposals to the National Association of Insurance Commissioners, Sample said. Its proposals would base the discount rate calculation on a blend of prevailing yields on Treasury bonds and investment-grade corporate bonds. 

NAIC Separate Account Risk Working Group Listens to Commenters

By Helen Napoli

On June 5th, the National Association of Insurance Commissioners' (NAIC) Separate Account Risk (E) Working Group heard from four out of the nine commenters who submitted written comments on the NAIC's evaluation criteria, assessments and proposed recommendations regarding the insulation of separate accounts.

The NAIC asked interested parties to comment on all aspects of their exposure document, which included product groupings and their associated attributes; the NAIC's assessment of the various products, and the proposed recommendations for the various product groupings. The NAIC's Separate Account Risk (E) Working Group (SAREWG) addressed all products, including stable value that used separate accounts.

Only the American Council of Life Insurers (ACLI), the Committee of Annuity Issuers (Committee), the American Academy of Actuaries (Academy) and the SVIA, as well as Great West Life & Annuity Company supplemented their filed comments with oral presentations. The views from the four industry organizations (the first four entities referenced above) were remarkably similar in both their oral remarks and comment letter filings. All supported upholding and preserving the insulation status of stable value separate account contracts. They also stressed that the integrity of the general account and its relationship to insulated separate accounts should be preserved and evaluated using three principles. These principles are:

- Ensuring that adequate compensation is provided to the general account for any guarantees by the general account that serve as a backstop after all separate account assets are exhausted;
- Maintaining adequate reserves outside of the insulated separate account to support such guarantees; and
- Maintaining a comprehensive state regulatory regime for insulated separate accounts.

The four industry groups only diverged in the array of products they addressed in comments, with all but the SVIA covering products in addition to stable value. SVIA's comments were limited to insulated separate accounts used by stable value in defined contribution plans and were supportive of comments from the Committee, ACLI and the Academy. SVIA's latest Annual Stable Value Funds Investment and Policy Survey found that \$67.5 billion was held in insulated separate accounts across all surveyed management segments. Gina Mitchell, SVIA's President, emphasized that stable value is uniquely positioned to fulfill the Employee Retirement Income Security Act (ERISA) and state fiduciary mandates of offering investments that both minimize the risk of loss as well as provide diversification of investments. She noted that studies have concluded that stable value investments for moderately and highly risk adverse investors under reasonable yield curve assumptions, should be a major component of an optimum portfolio to the exclusion of money market funds

and the near exclusion of intermediate-term bonds. "Stable value grows more important to defined contribution plan participants as our population ages and becomes more risk adverse, which several recent studies have concluded has happened across almost all ages of investors," noted Mitchell. These trends help explain the increased use of stable value by defined contribution plan participants in both industry and SVIA surveys, said Mitchell.

The SAREWG thanked all commenters for their remarks and submissions and said they will be considering all the comments to determine their next steps over the coming months. 

First Quarter 2013 Data Shows Stable Value's Consistency and Strength

By Gina Mitchell

First quarter 2013 data from SVIA's Quarterly Characteristics Survey continues to demonstrate why plan participants are relying upon stable value. The quarterly survey, which covers 23 stable value managers, found assets under management of \$452 billion, which was \$5 billion more than the previous quarter.

Crediting rates continued to reflect the low-interest rate environment. The survey reported average crediting rates of 2.40 percent for the first quarter 2013, which was down slightly from 2.48 percent in fourth quarter 2012.

However, stable value continues to offer a significant premium over money market funds. iMoneyNet reported money market funds average returns for the first quarter 2013 were 0.17 percent and 0.25 percent for the fourth quarter 2012.

The other two data points captured in the survey showed an upward trend. Portfolio duration increased from 2.81 years in 2012's fourth quarter to 2.95 years in 2013's first quarter. Credit quality increased as well, rising to 8.55 (8 being AA and 9 being AA+) from 8.14 in the prior quarter. 

¹The nine commenters included ACLI, Committee of Annuity Insurers, American Academy of Actuaries, SVIA, Meyers-Chatfield, Great West Life & Annuity Insurance Company, Jay Dununzio, Jonathan Mercier, and Chris Tobe. All but one (Tobe, who submitted several of his own writings) provided comments that specifically addressed the Exposure Draft and were supportive of insulated separate accounts.

²The SAREWG is comprised of 13 representatives from state departments of insurance and/or commissions including Alaska, California, Connecticut, Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, New York, Ohio, Rhode Island and Virginia. The SAREWG is chaired by Blaine Shepherd who serves as Commissioner of Minnesota's Insurance Division in Minnesota's Department of Commerce.

³Great West Life & Annuity Company primarily addressed COLI BOLI products.

⁴SVIA's 17th Annual Stable Value Funds Investment and Policy Survey covered \$701 billion in stable value assets at the end of 2012 across three management segments: individually managed funds for large defined contribution plans, commingled/pooled funds for small to mid-sized plans, as well as full service life insurance, which through their different investment offerings serve plans of all sizes.