SVIA

SPRING SEMINAR

RITZ-CARLTON
HALF MOON BAY, CA

APRIL 23-25, 2017

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2017 VALUE PROGRAM MEMBERS

GOLD

GALLIARD CAPITAL MANAGEMENT

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GOLD

VALUE PROGRAM MEMBERS

Galliard Capital Management - Goldman Sachs - Invesco Advisers - MassMutual
Metropolitan Life Insurance Company - New York Life Investment Management
Prudential Financial - Transamerica Stable Value Solutions - Voya Financial

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For more information, contact:
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Louisville, KY 40202
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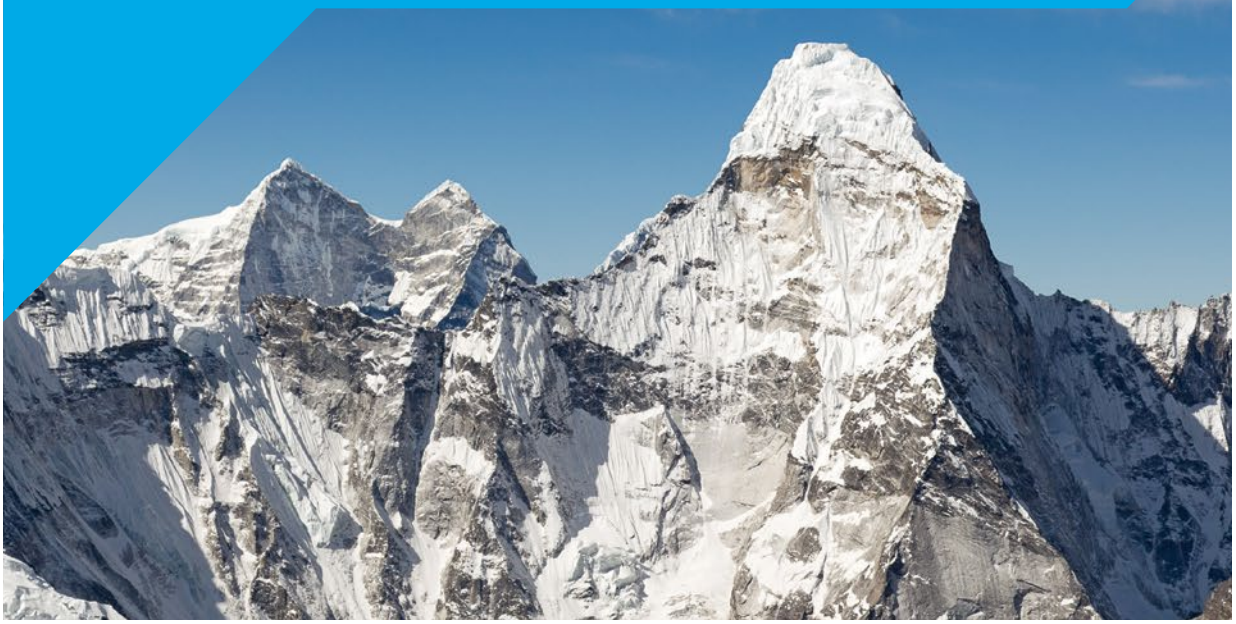

1 As of Dec. 31, 2016. Invesco's Fixed Income's assets under management may include assets contracted/sourced elsewhere within Invesco.
2 As of Dec. 31, 2016
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1 Valerian Capital Group survey September 30, 2016. Valerian Capital Group profiled 23 Stable Value Wrap Providers for this survey.
2 As of December 31, 2016.
3 Pensions & Investments Magazine, The Largest Money Managers as of December 31, 2016.
4 Synthetic GICs are not available for 403(b).

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- **AA** *(Very Strong)* Fitch Ratings
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*As of December 31, 2016. This figure includes assets managed by Standish personnel acting as dual officers of The Dreyfus Corporation or The Bank of New York Mellon; High Yield assets managed by personnel of Alcentra NY, LLC acting as dual officers of Standish; and Mortgage assets managed by personnel of Amherst Capital Management LLC acting as dual officers of Standish. Standish, Dreyfus, Alcentra and Amherst Capital are registered investment advisers. Standish, Dreyfus, Alcentra and The Bank of New York Mellon are wholly-owned subsidiaries of The Bank of New York Mellon Corporation. Amherst Capital is a majority-owned subsidiary of The Bank of New York Mellon Corporation.

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FOR MORE INFORMATION on ICMA-RC's stable value solutions, please contact:

CRAIG LOMBARDI
Managing Vice President

clombardi@icmarc.org
202-962-8267

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*As of 12/31/16.

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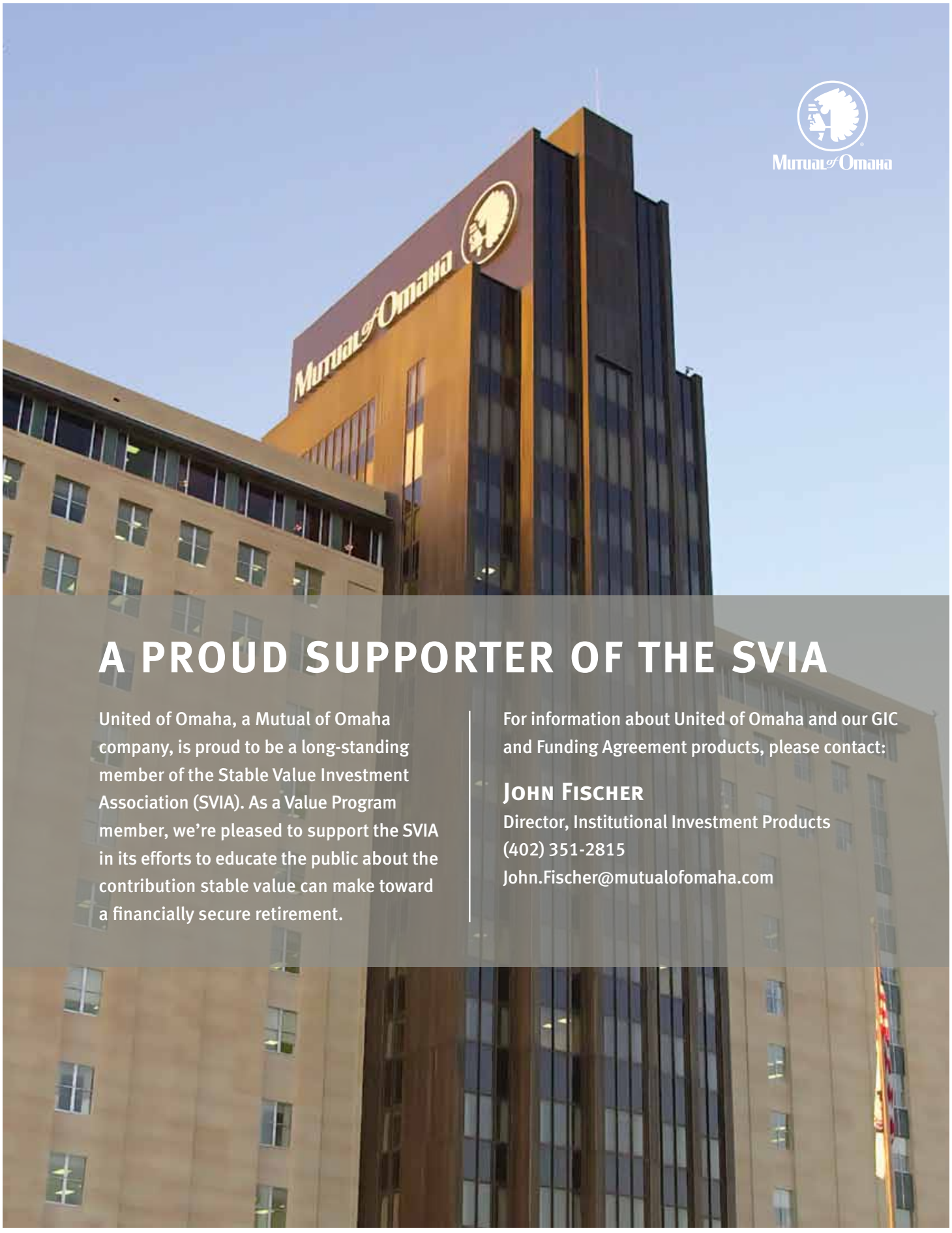

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For information about United of Omaha and our GIC and Funding Agreement products, please contact:

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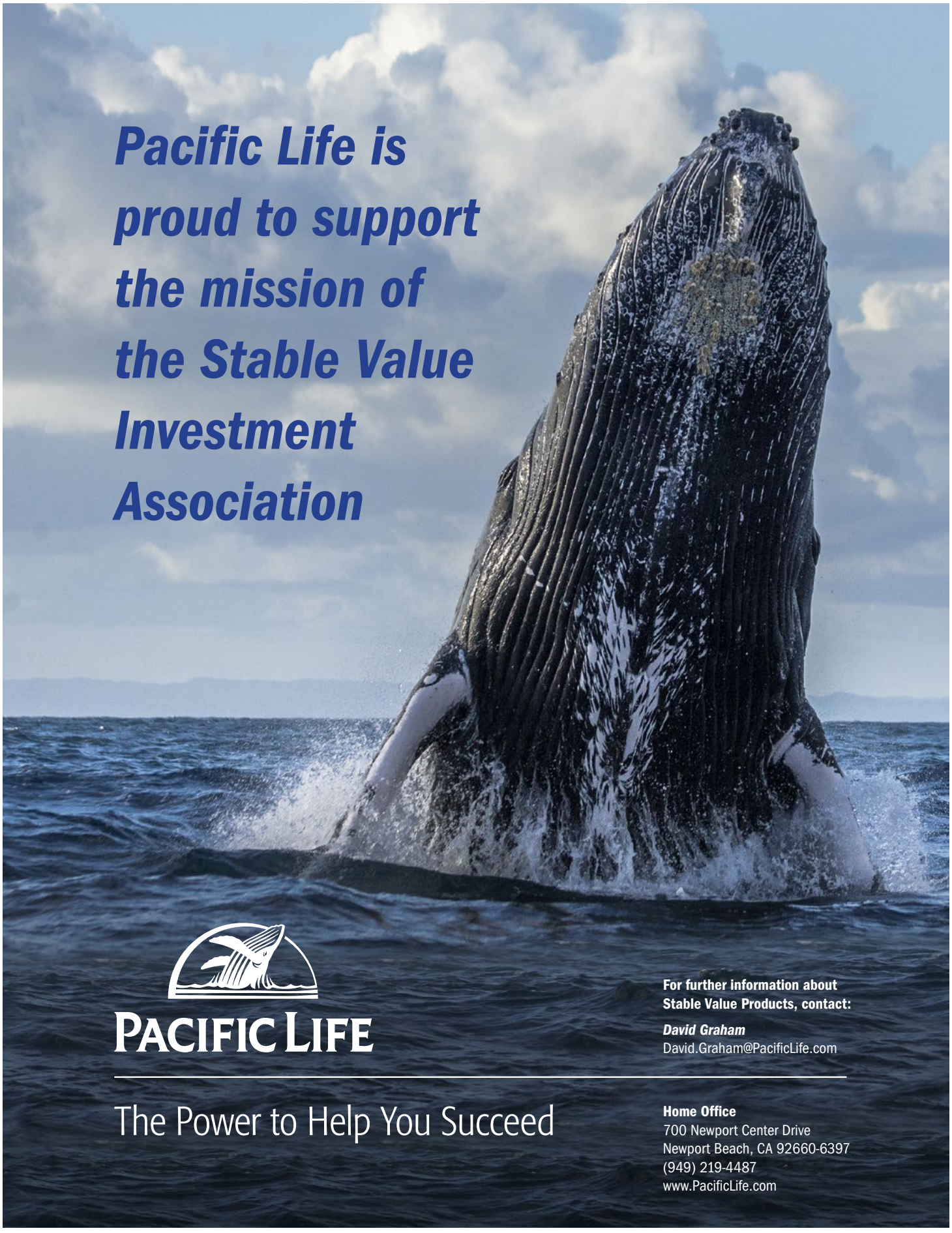
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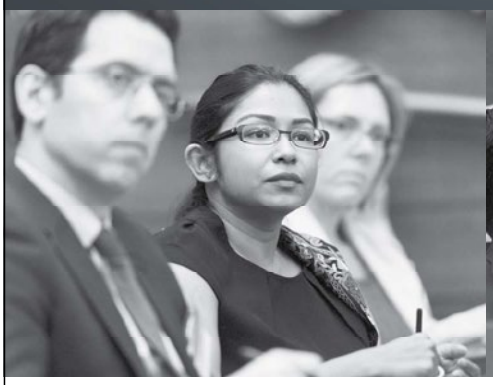

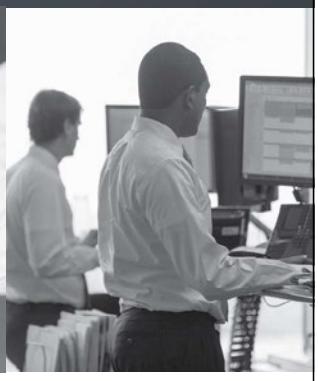

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AGENDA

SUNDAY APRIL 23, 2017

12:00 PM - 6:30 PM	**SVIA Registration & Check-In**
2:30 PM - 3:30 PM	**Plan Sponsor Roundtable**
4:00 PM - 5:30 PM	**Board of Directors Meeting**
6:00 PM - 7:00 PM	**Opening Reception**

MONDAY APRIL 24, 2017

7:00 AM - 8:00 AM	**Continental Breakfast**
7:00 AM - 11:45 AM	**SVIA Registration**
8:00 AM - 8:30 AM	**Spring Seminar Outlook** *Stephen Kolocotronis, Vice President and Associate General Counsel, Fidelity Investments*
8:30 AM - 9:15 AM	**Climate Change May Impact Stable Value Too!** *Matthew Kaiser, Managing Director, Global Fixed Income, Goldman Sachs*
9:15 AM - 9:30 AM	**Break**
9:30 AM - 10:15 AM	**Trumped: Elections Have Consequences.** *Gwendolyn King, President, Podium Prose* *Colbert I. King, Deputy Editorial Page Editor (retired), The Washington Post*
10:15 AM - 11:30 AM	**Outlook on Employee Benefit Issues** *Carol V. Calhoun, Counsel, Venable LLP* *Susan Graef, Principal, The Vanguard Group* *Gene Paranczak, ERISA Attorney and Senior Pension Consultant, Strategic Retirement Consulting, The Vanguard Group* *Michael Richman, Partner, Morgan, Lewis & Bockius*

AGENDA

MONDAY APRIL 24, 2017

11:30 AM - 5:00 PM	**Networking and Small Group Meetings**
11:45 AM - 5:30 PM	**Optional: SVIA Golf Tournament at Half Moon Bay Golf Links**
6:00 PM - 7:00 PM	**Reception**

TUESDAY APRIL 25, 2017

7:00 AM - 8:00 AM	**Continental Breakfast**
7:00 AM - 11:45 AM	**SVIA Registration**
8:00 AM - 8:45 AM	**Stable Value Litigation**
	Bob O'Keefe, Partner, Sidley Austin LLP
	Mark Blocker, Partner, Sidley Austin LLP
8:45 AM - 9:30 AM	**Re-enrollments: A Look at What Happens When Stable Value is Involved**
	Bradie Barr, President, Transamerica Stable Value Solutions, Inc.
	Greg Anselmi, Vice President, Client Management, Transamerica Stable Value Solutions, Inc.
	Douglas Barry, Executive Vice President and Senior Relationship Manager, Stable Value Strategies, Standish Mellon
	LeAnn Bickel Head, Stable Value Contract Administration, Invesco Advisers, Inc.
9:30 AM - 9:45 AM	**Break**

AGENDA

TUESDAY APRIL 25, 2017

9:45 AM - 10:30 AM **Stable Value Outlook**

Karl Tourville, Founding Managing Partner and President; Chairman, Executive Operating Committee, Galliard Capital Management

Eric Baumhoff, Chief Investment Officer, Standish Mellon

James Corning, Director, Stable Value Solutions, TIAA-CREF

Shane Johnston, Senior Portfolio Manager, Morley Financial Services

Robert Madore, Vice President, T.Rowe Price Associates, Inc.

10:30 AM - 11:30 AM **Issuers' Roundtable on Stable Value Issues**

Nick Gage, Senior Director, Stable Value Account Strategy, Galliard Capital Management, Inc.

Karen Edgerton, Vice President, Stable Value Marketing, RGA

Claudia Farias, Vice President, Stable Value Wrap Group, State Street

Lacey Lockward, Vice President, Stable Value, Prudential Financial

Brian Murphy, Vice President, Corporate Development, National Life Group

Mark Pherson, Vice President, Transamerica Stable Value Solutions, Inc.

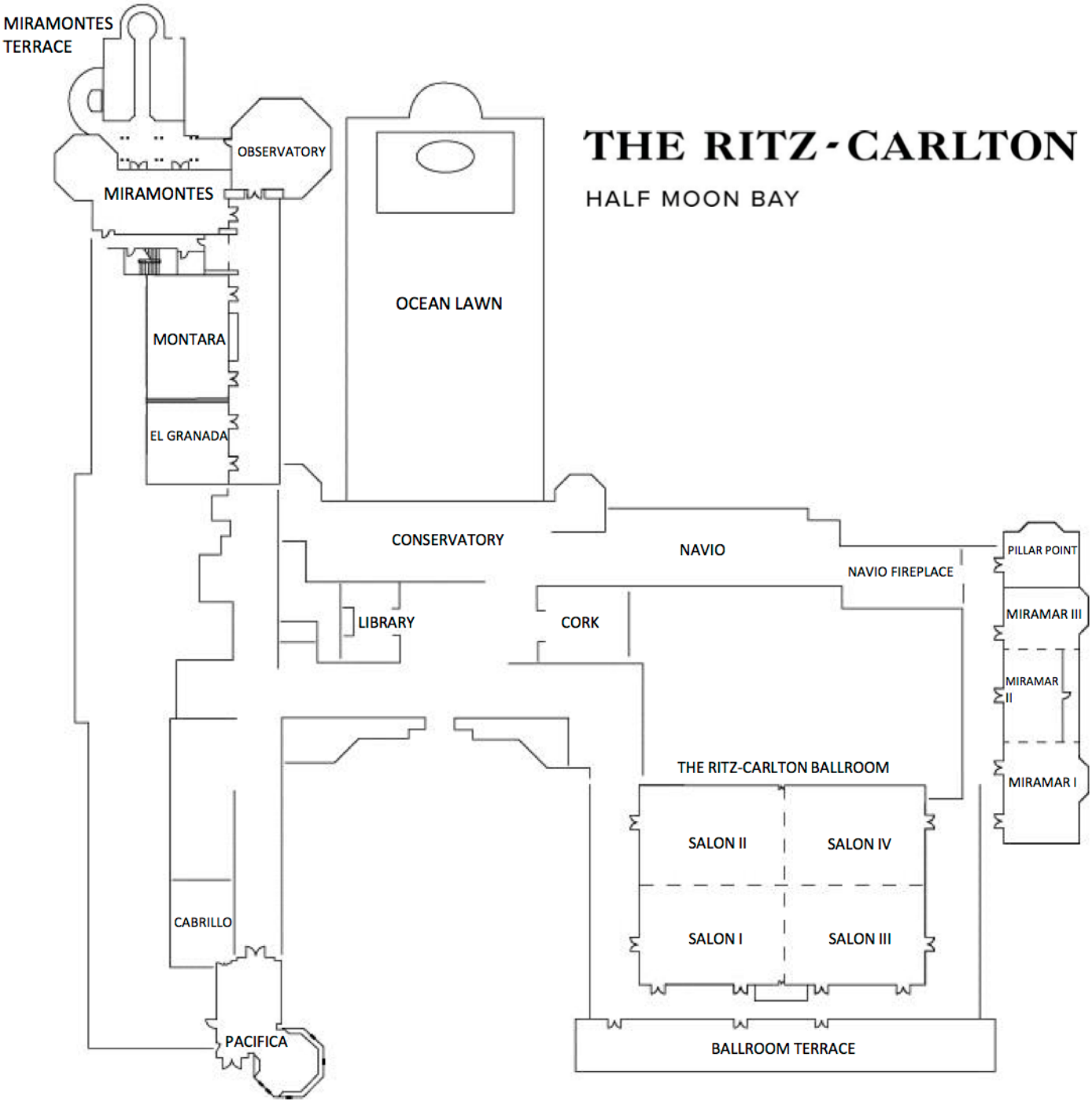
Kostas Sophias, Executive Director, JP Morgan Chase Bank

11:30 AM - 11:45 AM **Closing Remarks and Adjournment**

Gina Mitchell, SVIA, President

HOTEL MAP

Ritz-Carlton, Half Moon Bay



SPEAKER BIOGRAPHIES

Greg Anselmi

Greg Anselmi joined Transamerica Stable Value Solutions in 2011 and was responsible for managing the Contract Administration team within the Operations group. In 2015 Greg moved to the Client Management team and is currently responsible for managing institutional client relationships. Greg holds a B.A. in Finance from the University of Maryland, College Park and is a Certified Public Accountant.

Bradie Barr

Bradie Barr is President of Transamerica Stable Value Solutions Inc. She is responsible for overall management of the stable value business which includes a $55 billion synthetic GIC book and approximately $15 billion in stable value balances on Transamerica's record keeping platform. Bradie was elected to the board of the Stable Value Investment Association in 2015 and serves as the chair of the Communications Committee. Prior to joining Transamerica, Bradie spent 30 years in various roles in financial services including fixed income investments, treasury management, business development and relationship management. Bradie is active in the Baltimore community serving on the boards of Baltimore Center Stage and Business Volunteers Maryland. Bradie holds a B.A. in Economics from Agnes Scott College where she is an active alumnae.

Douglas Barry

Doug is an Executive Vice President and Senior Relationship Manager for Stable Value Strategies. He is responsible for client relationship management. He is a member of the Standish Stable Value Investment Management Group and Portfolio Management Team. He joined the company in 1998 from Barclays Global Investors where he was vice president and stable value portfolio manager. Prior to that, he was a stable value portfolio manager at Certus Asset Advisors from 1992 through 1994. Doug has an M.B.A. and a B.S. from the University of Connecticut and has 29 years of investment experience. He holds the CFA® designation and is an active member of the CFA Society of San Francisco.

Eric Baumhoff

Eric is an Executive Vice President and the Chief Investment Officer of Stable Value Strategies. He is responsible for overseeing and evaluating all stable value and fixed income products, including fixed maturity and constant duration synthetic GIC strategies. He is a member of the Standish Stable Value Investment Management Group and Portfolio Management Team. He joined the company in 1990 serving as the Chief Investment Officer of its stable value product. He was previously employed by Wells Fargo Bank, where he was an analyst/trader in the treasury/global funding group. Eric has an M.S. from M.I.T. Sloan School of Management and a B.A. from the University of California at Santa Cruz. He holds the CFA® designation and has 29 years of investment experience.

LeAnn Bickel

LeAnn manages the Stable Value Client Service and Contract Administration groups for Invesco. Her duties include overseeing wrap relationship development, wrap administration functionality and overall Stable Value Client Service, as well as negotiating contract terms and underwriting. In the fall of 2014, LeAnn was elected to the Stable Value Investment Association (SVIA) Board of Directors and in 2016 was elected as Treasurer and Chair of the Finance Subcommittee.

LeAnn began her investment career in 1985 when she joined the Fixed Income investment management division of Invesco. In a previous role, she managed Invesco's Trade Operations group responsible for account maintenance, trade settlement and custodial bank relationships for all stable value and fixed income clients. She also managed the Portfolio Accounting team responsible for stable value-specific administrative functions in addition to market and book value reconciliations to custodians, trustees and wrap providers. LeAnn has also managed system development and implementation of stable value and fixed income in-house and vendor systems. She maintains an active oversight role in stable value system development.

LeAnn earned a Bachelor of Science degree in accounting in 1987 from Indiana University. She increased her professional knowledge of the financial industry by achieving the Certified Employee Benefits Specialist designation. She maintains membership in the International Foundation of Certified Employee Benefits Specialists.

Mark Blocker

Mark B. Blocker is a partner in the Consumer Class Actions practice of the firm's Chicago office.

Mark's class action practice focuses on two primary areas: consumer and financial services and ERISA. In the consumer area, Mark has defended numerous credit card issuers, national banks, mortgage lenders, financial institutions, and telecommunications companies in a broad range of class actions. He has substantial experience defending class action claims brought under federal consumer protection statutes, such as TILA, FDCPA, TCPA, EFTA, and state consumer protection statutes. In the consumer mortgage lending area, Mark has also regularly litigated issues involving preemption provided by federal banking statutes, and has enforced consumer arbitration clauses to defeat class actions.

In the ERISA area, Mark has litigated a wide array of class action claims, including 401 (k) stock drop cases, challenges to cash balance plan features, 401 (k) plan fees and expenses, claims arising from retiree medical coverage, and other challenges to changes made to health and welfare plans. In addition, Mark also has spent a large portion of his career defending breach of fiduciary duty claims brought against trustees and other institutional fiduciaries.

Mark has also represented clients in a variety of other contexts, including patent infringement, labor and employment matters, banking litigation, condemnations, and

regulated utility issues as well as more standard commercial fare, such as breach of contract and tortious interference cases. Mark also has experience in cases involving injunctions, temporary restraining orders, and other emergency matters. He has tried a number of cases and is a member of the Trial Bar of the United States District Court for the Northern District of Illinois.

Mark also has extensive appellate experience, and is a member of the firm's Appellate Resource group. Mark has both represented the parties to numerous appeals but also has represented entities as amicus curiae.

Mark received his B.A. with honors in American History and Economics from the University of Chicago in 1985 and his Juris Doctor, cum laude, from Harvard Law School in 1988. Mark was admitted to the Illinois Bar in 1988. He was selected as being among the world's leading pensions and benefits lawyers in Who's Who Legal 2016. In addition, Mark was recognized in Chambers USA 2015 and 2016 in ERISA Litigation, and has been recognized by Chambers each year since 2009. Mark has also been recommended in ERISA Litigation in The Legal 500 US 2012–2016.

Carol V. Calhoun

Carol Calhoun is a member of Venable's Employee Benefits and Executive Compensation practice. She has more than 30 years of private practice experience with employee benefits and insurance product taxation matters, including qualified retirement plans, health and welfare arrangements, executive compensation, and insurance and annuity products.

Ms. Calhoun has significant experience with standard pension plans (both defined benefit and defined contribution), the full array of government plans (including 403(b) and 457), excess benefit plans, 401(k), cafeteria/flexible spending, and a wide variety of welfare (e.g., health, life, and disability) plans. Her clients include states, localities, and international organizations regarding their benefit plans. Ms. Calhoun also represents government plans themselves, and boards and agencies charged with administering such plans.

James Corning

Jim is a Director of TIAA's Stable Value Solutions Group supporting the product development, management and implementation of its annuity products and separate account GIC product. He joined TIAA in 2012 and has 22 years of experience in the stable value industry. Previously, he held stable value investment management positions with John Hancock, Putnam Investments and State Street Bank. In these positions he was involved in investment strategy, portfolio management, product development, sales/marketing, contract negotiation and operations. Jim earned an M.B.A. in Finance from Boston College and a B.S. in Accounting from the University of Vermont. He is an active member of the Stable Value Investment Association and has served on their Government Relations and Wrap Capacity committees. He holds the FINRA Series 7 registration, and maintains an insurance license in life and variable products in Florida.

Karen Edgerton

In her role as Vice President, Stable Value Marketing, Karen Edgerton is responsible for client relationship management and marketing of the synthetic GIC product to stable value managers and sub-advisers. She was part of the team that launched RGA's synthetic GIC business, issuing the first contract in 2012 and building to over $8 billion by 2016.

Karen joined RGA in 2012 and has 28 years of experience as an actuary in pricing and product development roles involving annuity, group insurance, and reinsurance products. Prior to joining RGA, Karen held several executive positions with insurance and reinsurance companies, including AEGON, ING Re, Swiss Re, and Lincoln Life.

Karen received a Bachelor of Science (B.S.) degree in actuarial science from Ball State University, and is a Fellow of the Society of Actuaries (FSA), a Member of the Academy of Actuaries (MAAA), and a member of the Stable Value Industry Association (SVIA).

Claudia Farias

Claudia is a Vice President at State Street Corporation. Her 17 year career at the bank has primarily focused on institutional client relationships within the Stable Value Group of State Street's structured product division. Her role today entails business development, wrap contract and investment guideline negotiations and overall product management. Claudia is a member of the Stable Value Investment Association, holds a Bachelor's degree in Accounting from Assumption College and a MS in Finance from Suffolk University's Sawyer Business School. She resides in the north shore area of Massachusetts with her husband and three children.

Nick Gage

As Head of Stable Value Separate Account Strategy, Nick oversees the design, implementation, and management of customized stable value investment solutions to meet the unique needs of Galliard's institutional clients. In this role, he is responsible for contributing to Galliard's views on stable value contract issuers, underlying fixed income strategies, and liquidity management and applying those views to best serve each account's objectives. He also serves as a named portfolio manager for the Wells Fargo Stable Return Fund and Galliard Managed Income Fund and maintains client portfolio management responsibility for certain key stable value separate account clients. In addition, he is actively involved in product development initiatives and provides industry leadership as a member of the Stable Value Investment Association's Executive Committee. Nick earned a B.S. in Economics from Vanderbilt University.

Matthew G. Gleason

Matt Gleason is a stable value client portfolio manager in Goldman Sachs Asset Management (GSAM). He is responsible for developing and communicating overall portfolio strategy to help clients meet their investment objectives. Matt joined the GSAM

Stable Value team as part of the firm's acquisition of Dwight Asset Management (Dwight), where he was head of Stable Value from 2010 to 2012 and served as a client portfolio manager for 12 years before leading the stable value effort. He joined Goldman Sachs as a managing director through the acquisition of Dwight in 2012. Prior to joining Dwight in 1999, Matt was an investment officer with Merchants Trust Company, a performance analyst at UBS Asset Management, and a project engineer with Perini Corporation. Matt is a member of the Stable Value Investment Association.

Matt earned an MBA in Finance from the University of Notre Dame and a BS in Engineering from Cornell University.

Susan Graef

Susan Graef, CFA, is a Principal at Vanguard, responsible for directing the activities of the stable value management team, which manages over $30 billion in assets for defined contribution and 529 plans, including $20 billion in pooled stable value offerings. She has been responsible for managing stable value portfolios at Vanguard since 1992 and participated in several corporate and industry stable value initiatives over this time, most recently as an SVIA Board member working on the Communications/Social Media committee and as chair for the Data and Research Committee. Ms. Graef worked with contract providers and SVIA on capacity issues and on Vanguard's response supporting the exclusion of stable value contracts from the definition of swaps under the Dodd-Frank Act. She has also served on teams supporting FASB accounting disclosure guidance for stable value funds and testified before the 2009 ERISA Advisory Council on the importance of stable value funds in the 401(k) market.

Prior to joining Vanguard, Ms. Graef worked for Sun Company, Inc. in their Trust Investments Department, as well as the Crum and Forster Insurance Company. She holds an M.B.A. from Drexel University, a B.S. in Economics from the Wharton School, and is a CFA Charter holder.

Shane Johnston

Shane has sixteen years of financial service experience, including fifteen in stable value. Shane is head of the Stable Value Construction Team that focuses on stable value strategy, portfolio design and management, and oversight of all wrap issuer and external manager relationships. He is a lead portfolio manager, head of the Risk Management Team responsible for risk oversight at the fixed income and stable value levels, and a member of the Investment Committee. Previously, Shane held an investor relations position at Portland General Electric. Shane holds an MBA (Finance/Accounting), Northern Arizona University; BS (Economics) University of Oregon.

Matthew Kaiser

Matt is a portfolio manager on the Fixed Income team in Goldman Sachs Asset Management (GSAM), focused on securitized and mortgage-backed securities portfolios. He is responsible for the firm's industry-leading BOLI platform, and advises on stable

value, core, TIPS, and opportunistic mandates. Matt joined the firm as a managing director in 2009 and managed GSAM's participation in the Federal Reserve's $1.25 trillion program to invest in agency mortgage- backed securities.

Prior to joining the firm, Matt worked at JPMorgan Chase, where he spent eight years building out the securitized products platform in the investment bank. He has 30 years of experience in the US fixed income markets in roles spanning investments, distribution and research.

Matt earned a BSE from the Wharton School of the University of Pennsylvania.

Colbert I. King

Colbert I. King is known for his provocative, insightful commentary in one of the world's most influential newspapers, the Washington Post. Winner of the 2003 Pulitzer Prize for Commentary, King is an engaging speaker on a host of national, international and social issues. He joined the editorial board of the Washington Post on August 1, 1990, and was appointed editorial page editor from January 2000 until his retirement in 2007. He continues to write a weekly column. As the Post's editorial page editor, Fred Hiatt, said, "Colby writes about people who otherwise would get ignored, people who don't have much of a voice. He holds officials accountable. He shines a pretty powerful spotlight." A former US Senate staffer, Treasury Department deputy assistant secretary, international banker and US Executive Director of the World Bank under President Jimmy Carter, King doesn't come from a conventional journalism background. As a result, he brings to his readers and audiences a varied perspective and broad experience on many of the critical issues of the day.

Gwendolyn King

Gwendolyn Stewart King, an expert in external communications with extensive background in public policy and government relations, is President of Podium Prose, a speakers bureau and speechwriting service in Washington, DC. Prior to her launch of the company in 2000, Mrs. King was Senior Vice President of Corporate and Public Affairs for PECO Energy Company (now Exelon) until her retirement. From 1989 to 1992 she served as the 11th Commissioner of the Social Security Administration. Mrs. king has had senior advisory roles in two previous White House Administrations, and has served on the Board of Directors of Marsh and McLennan Companies, Monsanto, and Lockheed Martin. She was a Trustee of the Barnes Foundation in Philadelphia and served for six years as a director of the National Association of Corporate Directors.

Stephen Kolocotronis

Chairman, Stable Value Investment Association (SVIA)

Steve Kolocotronis is Vice President and Associate General Counsel at Fidelity Investments. For the past 15 years he has worked in Fidelity's Fixed Income Division where his practice is focused on stable value funds, investment and contract compliance, and

ERISA fiduciary responsibility and governance. Prior to joining Fidelity, Steve was an Associate in the ERISA Practice Group of Goodwin Procter LLP.

As Fidelity's stable value attorney, Steve is responsible for counseling all aspects of Fidelity's stable value business – investment management, investment management services, operations, marketing, accounting, reporting and disclosure, as well as overseeing the negotiation and execution of all necessary documentation.

Steve also serves as Fidelity's main representative to the Stable Value Investment Association and the industry. In that context, Steve has assisted the SVIA in educating key regulators by appearing before the Financial Accounting Standards Board and the Government Accounting Standards Board to uphold stable value accounting. He has been a valued contributor to SVIA educational efforts on key industry issues such as financial reform legislation, the CFTC-SEC stable value study, the New York Federal Reserve's 2008-2009 review of stable value, and the DOL's probe into Trust Advisors/ Circle Trust.

Lacey Lockward

Lacey Lockward is Vice President of the Institutional Stable Value Product Team at Prudential Retirement. In this capacity, she leads the team responsible for executing new business transactions, maintaining the in-force book of business and the development and implementation of new products. Prior to this role, Lacey was the Director of the Stable Value Risk Monitoring Group at Prudential Retirement. In this capacity, she led the team responsible for the underwriting, investment portfolio compliance and risk metric reporting within Prudential's Stable Value Group. Prior to joining Prudential Retirement in 2012, Lacey was a Second Vice President at New York Life Investments. At New York Life Investments, she spent over 11 years working in the Guaranteed Products Division. Lacey focused on various aspects of the business, including underwriting, product development, contracts and regulatory compliance. Lacey earned a B.A. in Psychology and Communications from Muhlenberg College and an M.B.A. with a concentration in Finance from Seton Hall University.

Robert Madore

Bob Madore is a vice president of T. Rowe Price Group, Inc., T. Rowe Price Associates, Inc., and T. Rowe Price Trust Company. He is a portfolio manager in the Fixed Income Division specializing in stable value portfolios. Bob is chairman of the Investment Advisory Committee and co-portfolio manager of the T. Rowe Price Stable Value Common Trust Fund. He also has lead portfolio management responsibilities for several large Stable Asset Management team accounts. Prior to joining T. Rowe Price in 2001, Bob was a senior vice president and portfolio manager at Putnam Investments. At Putnam, he had senior-level responsibility for its stable value business, which included Putnam's Stable Value Fund. Prior to joining Putnam, Bob was a founding partner at Fiduciary Capital Management. He served two, three-year terms on the Board of Directors for the Stable Value Investment Association from 2002 to 2007 and was elected to another three-year term beginning in 2015. Bob also is an active member of its Accounting and Government Relations Committees. He earned a B.A. from the University of Connecticut.

Gina Mitchell

Gina Mitchell is the President of the Stable Value Investment Association (SVIA), which is the voice for stable value funds, a major asset class in defined contribution plans. Today, over $820 billion is invested in stable value funds managed by SVIA's members, which represent all segments of the stable value community. SVIA is a non-profit organization dedicated to educating retirement plan sponsors, policymakers, and the public about the importance of saving for retirement and the contribution stable value can make toward achieving retirement security.

Brian Murphy

Brian Murphy is Vice President of Corporate Development for National Life Group. His current responsibilities include business development for institutional markets and overall management of National Life Group's Stable Value program. A former member of the Stable Value Investment Associate (SVIA) Board of Directors, Brian has 20 years of experience in stable value products with responsibilities ranging from product development, business development, underwriting, pricing and advising on regulatory and compliance concerns for both tradition GIC and synthetic GIC products.

Bob O'Keefe

Bob O'Keefe is a partner in the Chicago office of Sidley's Insurance and Financial Services group. Bob represents insurance companies and other financial institutions (including commercial and investment banks, investment advisers and institutional investors) in connection with various types of corporate and regulatory matters related to the insurance industry, including but not limited to reinsurance, securities, risk transfer, insurance securitization and stable value transactions.

Bob graduated, with honors, from the University of Notre Dame in 1997, and received his law degree, with honors, from The University of Chicago Law School in 2000.

Gene Paranczak

Mr. Paranczak is an ERISA attorney and senior pension consultant in Vanguard Strategic Retirement Consulting. He works with institutional clients to interpret and apply compliance requirements related to qualified retirement plans and helps Vanguard monitor proposed legislative and regulatory activity affecting employee benefits and financial services.

Before joining Vanguard in 2003, Mr. Paranczak was an associate attorney in the employee benefits practice group at Pepper Hamilton LLP.

A member of the Pennsylvania and Maryland Bar Associations, Mr. Paranczak earned a B.A. in political science at the University of Delaware and a J.D. at Widener University School of Law.

Mark Pherson

Mark Pherson joined Transamerica Stable Value Solutions in 2011 as part of the Client Management Team. In his current role, he manages large institutional client relationships in the stable value industry, while providing clients with a high level of quality, consistent service. Mark has a strong background in portfolio analysis, fixed income investments, business development and relationship management. Mark holds a B.A. in Economics from the University of Maryland, College Park and is a Chartered Financial Analyst.

Michael Richman

Michael B. Richman counsels clients on the fiduciary responsibility rules under the Employee Retirement Income Security Act (ERISA), including the ERISA prohibited transaction rules. He advises plan sponsors on investment matters for defined benefit and defined contribution plans. He also counsels banks, investment adviser firms, and broker-dealer firms on ERISA compliance for ERISA plan separately-managed accounts, collective investment funds, private funds, and other arrangements. Additionally, he provides guidance to IRA custodians on permissible IRA investments and investment restrictions.

Kostas Sophias

Kostas Sophias is an Executive Director within the Corporate and Investment Bank of JPMorgan Chase & Co. He is currently responsible for the development and distribution of JPMorgan's stable value wrap offerings for the defined contribution stable value market, the life insurance industry for BOLI/COLI policies and related markets. Kostas has been with JPMorgan for 10 years. He has extensive experience in structuring solutions for clients across multiple asset classes with a particular focus on the interplay between regulatory, economic, accounting and other risk considerations. Kostas holds Bachelor of Science degrees in Finance and Economics from New York University, Leonard N. Stern School Business.

Karl Tourville

Karl Tourville is a Founding Managing Partner and President, and is Chairman of Galliard's Executive Operating Committee. Karl is a 30-year veteran of the investment industry and is a recognized thought leader on stable value investing. He has significantly influenced the evolution of stable value as an asset class, and his knowledge and experience are regularly tapped for industry panels and key initiatives. We believe that Karl's steady leadership has shaped Galliard into one of the nation's leading stable value managers. Karl earned a B.A. in Economics from the University of St. Thomas and an MBA from the University of St. Thomas.

ATTENDEES BY NAME

First Name	Last Name	Company
Adam	Adrian	Protective Life Insurance Company
James	Alford	Nationwide Retirement Plans
Gregory	Anselmi	Transamerica Stable Value Solutions Inc.
Leonard	Aplet	Columbia Threadneedle Investments
Sean	Banai	Voya Financial
Bradie	Barr	Transamerica Stable Value Solutions Inc.
John	Barrasso	Prudential Financial
Douglas	Barry	Standish Mellon Asset Management Company
Eric W	Baumhoff	Standish Mellon Asset Management Company
David	Berg	PIMCO
LeAnn	Bickel	Invesco Advisers, Inc.
John	Bisset	GSAM Stable Value, LLC
Lance	Black	Protective Life Insurance Company
Mark	Blocker	Sidley Austin LLP
Kappie	Bogart	Transamerica Stable Value Solutions Inc.
David	Brandt	Principal Global Investors
Paul	Buren	Voya Financial
Carol	Calhoun	Counsel
Anthony	Camp	Voya Financial
Peter	Chabot	BlackRock
Pete	Chappelear	JPMorgan Asset Management
Karen	Chong-Wulff	ICMA Retirement Corporation
Jeffrey	Chow	AIG Institutional Markets
Matthew	Collins	Bank of Tokyo-Mitsubishi UFJ Ltd.
Jim	Corning	TIAA-CREF
Cindy	Cristello	New York Life Investment Management LLC
David	Cruz	New York Life Investment Management LLC
Jordan	Culp	DuPont Capital Management
Laura	Davies	Prudential Financial
Angela	Demling	Invesco Advisers, Inc.
Joe	Dionne	JPMorgan Asset Management
Jim	Diskin	Prudential Financial
Karen	Edgerton	RGA
Adam	Faccone	Prudential Financial
Claudia	Farias	State Street Bank
Katie	Fast	Dodge & Cox
Todd	Ferrie	New York Life Investment Management LLC
Terence	Finan	Jackson National Life
John	Fischer	Mutual of Omaha
Martin	Fleischman	OneAmerica
Randy	Fuss	CUNA Mutual Group
Nick	Gage	Galliard Capital Management, Inc.
Wayne	Gates	Fiduciary Capital Management Inc.
Zach	Gieske	SVIA
Mark	Gilbert	RGA
Jennifer	Gilmore	Invesco Advisers, Inc.
Matthew	Gleason	GSAM Stable Value, LLC
Alex	Godin	National Life Group
Holly	Godwin	SVIA
Justin	Goldstein	JPMorgan Asset Management
James	Gordon	Income Research + Management
Brett	Gorman	PIMCO
Sue	Graef	The Vanguard Group
Jeff	Graham	MassMutual Financial Group

First Name	Last Name	Company
David	Graham	Pacific Life Insurance Company
Paul	Grigely	MassMutual Financial Group
Timothy	Grove	Prudential Financial
Ben	Gugliotta	T. Rowe Price Associates, Inc.
Ron	Heath	Morley Capital Management
Elizabeth	Heffernan	Hueler Analytics
Christina	Hinds	Prudential Financial
Aruna	Hobbs	MassMutual Financial Group
Sharon	Hoppel	Morley Capital Management
Warren	Howe	Metropolitan Life Insurance Company
John	Hubenschmidt	RGA
Amelia	Jamison	SVIA
Peter	Jenks	Metropolitan Life Insurance Company
Shane	Johnston	Morley Capital Management
Meredith	Joly	Wellington Management Company
Matthew	Kaiser	Goldman Sachs
Erik	Karpinski	GSAM Stable Value, LLC
Colbert	King	
Gwendolyn	King	
Stephen	Kolocotronis	Fidelity Investments
Jacqueline	LaWarre	PNC Bank
Darryn	Lee	BlackRock
Jonathan	Lindenberg	Bank of Tokyo-Mitsubishi UFJ Ltd.
Mark	Ljubich	Metropolitan Life Insurance Company
Lacey	Lockward	Prudential Financial
Tony	Luna	T. Rowe Price Associates, Inc.
Cheryl	Lynch	Jennison Associates LLC
Bob	Madore	T. Rowe Price Associates, Inc.
Marc	Magnoli	AIG Institutional Markets
Tom	Manente	Great-West Financial
Kenneth	Mangini	Voya Financial
Paul	Manos	Royal Bank of Canada
Ava	Mao	TIAA-CREF
Renne	Marsjanik	Transamerica Stable Value Solutions Inc.
Marie	Mastro	GSAM Stable Value, LLC
Eric	Mattson	Sidley Austin LLP
James	McKay	Columbia Threadneedle Investments
William	McLaren	Lincoln Financial Group
Antonis	Mistras	DuPont Capital Management
Gina	Mitchell	SVIA
Jessica	Mohan	Bank of Tokyo-Mitsubishi UFJ Ltd.
Michael	Montanez	The Vanguard Group
Brian	Moran	Con Edison
Michael	Morin	Fidelity Investments
Jacky	Morin	Jackson National Life
John	Moroney	Voya Financial
Erik	Moss	BlackRock
Brian	Murphy	National Life Group
Randy	Myers	SVIA
Jeff	Nordstrom	RGA
Paul	Notte	Metropolitan Life Insurance Company
Robert	O'Keefe	Sidley Austin LLP
Gene	Paranczak	The Vanguard Group
Tami	Pearse	Galliard Capital Management, Inc.

First Name	Last Name	Company
Gregory	Pereiro	Invesco Advisers, Inc.
Mark	Pherson	Transamerica Stable Value Solutions Inc.
Maya	Pillai	Prudential Financial
Stacey	Plaskett	Standish Mellon
Sai	Raman	AIG Institutional Markets
Fred	Ramos	State Street Bank
Brian	Reeves	
Whitney	Reid	T. Rowe Price Associates, Inc.
Michael B.	Richman	Morgan, Lewis & Bockius LLP
Dan	Riley	NISA Investment Advisors, LLC
Luke	Robustelli	Metropolitan Life Insurance Company
Siobhan	Rogers	TIAA-CREF
Eric	Sandquist	Mutual of Omaha
Leela	Scattum	Galliard Capital Management, Inc.
Steven	Schaefer	Bank of Tokyo-Mitsubishi UFJ Ltd.
Kathleen	Schillo	Hueler Analytics
Don	Schley	Nationwide Retirement Plans
Thomas	Schuster	Metropolitan Life Insurance Company
Adam	Silver	Royal Bank of Canada
Michael	Sipper	New York Life Investment Management LLC
Russell	Smith	Aetna Inc.
Sara	Smithson	Raytheon
Scott	Sokol	Valerian Capital Group
Chris	Solimine	Voya Financial
Kostas	Sophias	JPMorgan Chase Bank, N.A.
David	Starr	PFM Asset Management
Cathy	Stickley	Standish Mellon Asset Management Company
Michael	Swink	Virginia College Savings Plan
Aziz	Syed	Lincoln Financial Group
Joseph	Tortorelli	Pacific Life Insurance Company
Karl	Tourville	Galliard Capital Management, Inc.
James	Tsang	Nuveen
David	Vincent	Voya Financial
Robert	Waldo	Voya Financial
Gary	Ward	Prudential Financial
Keith	Watson	Textron
William	Weber	Galliard Capital Management, Inc.
Doug	Wiens	Mutual of Omaha
Andy	Wilkinson	OneAmerica
Robert	Windisch	Voya Financial
Jason	Wu	Bank of Tokyo-Mitsubishi UFJ Ltd.
Tara	Wurdock	Invesco Advisers, Inc.
Dmitry	Yakimchuk	State Street Bank
Mark	Zheng	TIAA-CREF
Xin	Zhou	ICMA Retirement Corporation

ATTENDEES BY COMPANY

First Name	Last Name	Company
Russell	Smith	Aetna Inc.
Jeffrey	Chow	AIG Institutional Markets
Marc	Magnoli	AIG Institutional Markets
Sai	Raman	AIG Institutional Markets
Matthew	Collins	Bank of Tokyo-Mitsubishi UFJ Ltd.
Jonathan	Lindenberg	Bank of Tokyo-Mitsubishi UFJ Ltd.
Jessica	Mohan	Bank of Tokyo-Mitsubishi UFJ Ltd.
Steven	Schaefer	Bank of Tokyo-Mitsubishi UFJ Ltd.
Jason	Wu	Bank of Tokyo-Mitsubishi UFJ Ltd.
Peter	Chabot	BlackRock
Darryn	Lee	BlackRock
Erik	Moss	BlackRock
Leonard	Aplet	Columbia Threadneedle Investments
James	McKay	Columbia Threadneedle Investments
Brian	Moran	Con Edison
Carol	Calhoun	Counsel
Randy	Fuss	CUNA Mutual Group
Katie	Fast	Dodge & Cox
Jordan	Culp	DuPont Capital Management
Antonis	Mistras	DuPont Capital Management
Stephen	Kolocotronis	Fidelity Investments
Michael	Morin	Fidelity Investments
Wayne	Gates	Fiduciary Capital Management Inc.
Nick	Gage	Galliard Capital Management, Inc.
Tami	Pearse	Galliard Capital Management, Inc.
Leela	Scattum	Galliard Capital Management, Inc.
Karl	Tourville	Galliard Capital Management, Inc.
William	Weber	Galliard Capital Management, Inc.
Matthew	Kaiser	Goldman Sachs
Tom	Manente	Great-West Financial
John	Bisset	GSAM Stable Value, LLC
Matthew	Gleason	GSAM Stable Value, LLC
Erik	Karpinski	GSAM Stable Value, LLC
Marie	Mastro	GSAM Stable Value, LLC
Elizabeth	Heffernan	Hueler Analytics
Kathleen	Schillo	Hueler Analytics
Karen	Chong-Wulff	ICMA Retirement Corporation
Xin	Zhou	ICMA Retirement Corporation
James	Gordon	Income Research + Management
LeAnn	Bickel	Invesco Advisers, Inc.
Angela	Demling	Invesco Advisers, Inc.
Jennifer	Gilmore	Invesco Advisers, Inc.
Gregory	Pereiro	Invesco Advisers, Inc.
Tara	Wurdock	Invesco Advisers, Inc.
Terence	Finan	Jackson National Life
Jacky	Morin	Jackson National Life
Cheryl	Lynch	Jennison Associates LLC
Pete	Chappelear	JPMorgan Asset Management
Joe	Dionne	JPMorgan Asset Management
Justin	Goldstein	JPMorgan Asset Management
Kostas	Sophias	JPMorgan Chase Bank, N.A.

First Name	Last Name	Company
William	McLaren	Lincoln Financial Group
Aziz	Syed	Lincoln Financial Group
Jeff	Graham	MassMutual Financial Group
Paul	Grigely	MassMutual Financial Group
Aruna	Hobbs	MassMutual Financial Group
Warren	Howe	Metropolitan Life Insurance Company
Peter	Jenks	Metropolitan Life Insurance Company
Mark	Ljubich	Metropolitan Life Insurance Company
Paul	Notte	Metropolitan Life Insurance Company
Luke	Robustelli	Metropolitan Life Insurance Company
Thomas	Schuster	Metropolitan Life Insurance Company
Michael B.	Richman	Morgan, Lewis & Bockius LLP
Ron	Heath	Morley Capital Management
Sharon	Hoppel	Morley Capital Management
Shane	Johnston	Morley Capital Management
John	Fischer	Mutual of Omaha
Eric	Sandquist	Mutual of Omaha
Doug	Wiens	Mutual of Omaha
Alex	Godin	National Life Group
Brian	Murphy	National Life Group
James	Alford	Nationwide Retirement Plans
Don	Schley	Nationwide Retirement Plans
Cindy	Cristello	New York Life Investment Management LLC
David	Cruz	New York Life Investment Management LLC
Todd	Ferrie	New York Life Investment Management LLC
Michael	Sipper	New York Life Investment Management LLC
Dan	Riley	NISA Investment Advisors, LLC
James	Tsang	Nuveen
Martin	Fleischman	OneAmerica
Andy	Wilkinson	OneAmerica
David	Graham	Pacific Life Insurance Company
Joseph	Tortorelli	Pacific Life Insurance Company
David	Starr	PFM Asset Management
David	Berg	PIMCO
Brett	Gorman	PIMCO
Jacqueline	LaWarre	PNC Bank
David	Brandt	Principal Global Investors
Adam	Adrian	Protective Life Insurance Company
Lance	Black	Protective Life Insurance Company
John	Barrasso	Prudential Financial
Laura	Davies	Prudential Financial
Jim	Diskin	Prudential Financial
Adam	Faccone	Prudential Financial
Timothy	Grove	Prudential Financial
Christina	Hinds	Prudential Financial
Lacey	Lockward	Prudential Financial
Maya	Pillai	Prudential Financial
Gary	Ward	Prudential Financial
Sara	Smithson	Raytheon
Karen	Edgerton	RGA
Mark	Gilbert	RGA

First Name	Last Name	Company
John	Hubenschmidt	RGA
Jeff	Nordstrom	RGA
Paul	Manos	Royal Bank of Canada
Adam	Silver	Royal Bank of Canada
Mark	Blocker	Sidley Austin LLP
Eric	Mattson	Sidley Austin LLP
Robert	O'Keefe	Sidley Austin LLP
Stacey	Plaskett	Standish Mellon
Douglas	Barry	Standish Mellon Asset Management Company
Eric W	Baumhoff	Standish Mellon Asset Management Company
Cathy	Stickley	Standish Mellon Asset Management Company
Claudia	Farias	State Street Bank
Fred	Ramos	State Street Bank
Dmitry	Yakimchuk	State Street Bank
Zach	Gieske	SVIA
Holly	Godwin	SVIA
Amelia	Jamison	SVIA
Gina	Mitchell	SVIA
Randy	Myers	SVIA
Ben	Gugliotta	T. Rowe Price Associates, Inc.
Tony	Luna	T. Rowe Price Associates, Inc.
Bob	Madore	T. Rowe Price Associates, Inc.
Whitney	Reid	T. Rowe Price Associates, Inc.
Keith	Watson	Textron
Sue	Graef	The Vanguard Group
Michael	Montanez	The Vanguard Group
Gene	Paranczak	The Vanguard Group
Jim	Corning	TIAA-CREF
Ava	Mao	TIAA-CREF
Siobhan	Rogers	TIAA-CREF
Mark	Zheng	TIAA-CREF
Gregory	Anselmi	Transamerica Stable Value Solutions Inc.
Bradie	Barr	Transamerica Stable Value Solutions Inc.
Kappie	Bogart	Transamerica Stable Value Solutions Inc.
Renne	Marsjanik	Transamerica Stable Value Solutions Inc.
Mark	Pherson	Transamerica Stable Value Solutions Inc.
Scott	Sokol	Valerian Capital Group
Michael	Swink	Virginia College Savings Plan
Sean	Banai	Voya Financial
Paul	Buren	Voya Financial
Anthony	Camp	Voya Financial
Kenneth	Mangini	Voya Financial
John	Moroney	Voya Financial
Chris	Solimine	Voya Financial
David	Vincent	Voya Financial
Robert	Waldo	Voya Financial
Robert	Windisch	Voya Financial
Meredith	Joly	Wellington Management Company
Colbert	King	
Gwendolyn	King	
Brian	Reeves	

MEETING DATES

2017 MEETING DATES

January 23-24, 2017 (Monday-Tuesday)
PIMCO (via Marriot or Island Hotels)
650 Newport Center Drive
Newport Beach, CA 92660
Rate TBD

Board of Directors Meeting

April 23, 2017 (Sunday) 2:00 to 5:00 p.m.
The Ritz Carlton Half Moon Bay
1 Miramontes Point Rd
Half Moon Bay, CA
Rate $300

Board of Directors Meeting

April 23-25, 2017 (Sunday-Tuesday)
The Ritz Carlton Half Moon Bay
1 Miramontes Point Rd
Half Moon Bay, CA
Rate $300

Twelfth Spring Seminar

June 12-13, 2017 (Monday-Tuesday)
The Fairmont Hotel
2401 M Street, NW
Washington, DC 20037
Rate $339

Board of Directors Meeting

October 9, 2017 (Monday) 2:00 to 5:00 p.m.
The Fairmont Hotel
2401 M Street, NW
Washington, DC
Rate $314

Board of Directors Meeting

October 9-11, 2017 (Monday-Wednesday)
The Fairmont Hotel
2401 M Street, NW
Washington, DC
Rate $314

Fall Forum and Annual Membership Meeting

MEETING DATES

2018 MEETING DATES

January, 8-9, 2018 (Monday-Tuesday)
The Fairmont Hotel
2401 M Street, NW
Washington, DC
Rate $279

Board of Directors Meeting

April 29, 2018 (Sunday) 2:00 to 5:00 p.m.
Four Seasons Orlando at Walt Disney
10100 Dream Tree Blvd
Lake Buena Vista, FL
Rate $369

Board of Directors Meeting

April 29-May 1, 2018 (Sunday-Tuesday)
Four Seasons Orlando at Walt Disney
10100 Dream Tree Blvd
Lake Buena Vista, FL
Rate $369

Thirteenth Spring Seminar

June 4-5, 2018 (Monday-Tuesday)
The Fairmont Hotel
2401 M Street, NW
Washington, DC
Rate $349

Board of Directors Meeting

October 8, 2018 (Monday) 2:00 to 5:00 p.m.
The Fairmont Hotel
2401 M Street, NW
Washington, DC
Rate $319

Board of Directors Meeting

October 8-10, 2018 (Monday-Wednesday)
The Fairmont Hotel
2401 M Street, NW
Washington, DC
Rate $319

Fall Forum and Annual Membership Meeting

BOARD OF DIRECTORS

AS OF JANUARY 1, 2017

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Stephen Kolocotronis (Chairman)
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gina@stablevalue.org

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STABLE VALUE INVESTMENT ASSOCIATION

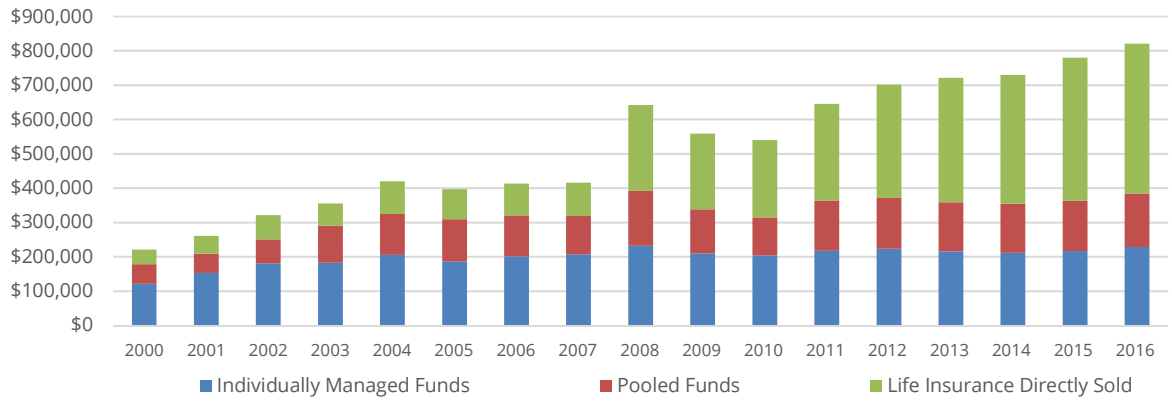
21ST ANNUAL INVESTMENT AND POLICY SURVEY

2016 ANNUAL SURVEY COVERING 1/1/2016 TO 12/31/2016

This survey covers $821 billion in stable value assets under management as of December 31, 2016. The survey takes a broad look at the major components of stable value assets under management from the three major investment management sectors: individually managed single-plan accounts (formerly external management and in-house management by a plan sponsor), bank and investment company commingled pooled funds, and life insurance company accounts attached to full service products. Highlights from the survey are provided below.

Stable value assets covered in this survey increased from $779.4 billion at year-end 2015 to $821 billion at year-end 2016. This increase of 6.9% occurred due to an increase in all assets. Single individually managed accounts increased by 2.4%, while pooled funds increased by 2.1%. The life insurance company account segment increased by 11.2%.

Stable Value AUM: 2000 to 2016



Assets represented in the survey are predominantly from defined contribution plans with 401(k) plans representing the majority of assets at 55.49% of all assets covered by the survey. Other tax-deferred savings plans such as 529 plans, Taft Hartley plans, and defined benefit plans comprised 6.62% of the assets in the survey.

The overall net return for individually managed single-plan accounts and commingled pooled funds increased to 2.11% and 1.92% respectively from 2015 to 2016; the net return for life insurance company accounts also increased from 3.23% to 3.30%. Stable value returns still compare favorably to money market returns for the same period.

Average credit quality of underlying investments decreased slightly with survey participants reporting AA- or Aa3 or better on average.

Average duration increased in 2016 to 2.98 years from 2.86 years in 2015 for individually managed single-plan accounts and commingled pooled funds. For life insurance company accounts, duration also increased from 5.58 years to 5.78 years.

Overall contribution rates did not out-pace withdrawal rates, with weighted overall contribution rates at 15.27% and withdrawal rates at 15.86%.

Product allocation to broad investment types continued to vary widely based on management segments. Overall, the survey found the average allocation in 2016 for stable value products was 2.73% in cash, 42.52% in GICs and general account products, and 53.71% in wrapped assets.

SVIA members are cautioned to look at response rates on a question-by-question basis when making market segment or year to year comparisons. In some cases, changes may represent a change in participation rather than a change in investment or a policy trend.

STABLE VALUE INVESTMENT ASSOCIATION

21ST ANNUAL INVESTMENT AND POLICY SURVEY

ABOUT THE SURVEY

Data for the SVIA Investment Policy Survey is provided by managers of their own firm's or client firms' stable value accounts. Survey respondents include both members of the SVIA and non-member firms. All stable value (SV) accounts surveyed are in deferred retirement savings plans, some 529 plans and a few defined benefit retirement plans.

MANAGER SEGMENTS

Individually managed accounts (INDV)

Stable value accounts managed for single plans on a stand-alone basis by an independent investment management firm, by a mutual fund company, or by employees or affiliates of the sponsoring plan. This single plan account category for 2014 and 2015 reflects the combination of (a) single plan accounts managed by external management firms or mutual fund companies, and (b) single plan accounts managed by plan sponsors directly. This combination occurred when many internally managed survey participants changed to external management. The resulting number of remaining stable value accounts managed directly by plan sponsors participating in this survey became too small to support a distinct segment.

Pooled funds (POOL)

Pooled stable value assets under management invested through bank-sponsored or investment-company-sponsored commingled pools. These pooled funds offered by banks or investment companies are sub-advised by the sponsoring company, by an affiliated investment company, or by an independent third-party investment company. The pooled funds may be offered on a full service or investment-only basis.

Life insurance directly sold (LIFE)

Stable value accounts managed on a commingled basis by life insurance companies and typically offered as part of a bundled full-service defined contribution product. The stable value account is invested in either the general account or a separate account of the life insurance company managing the plan. The stable value account within the full-service product contains one or a series of guaranteed contracts with the provider.

DATA FORMATTING

The survey is formatted to facilitate interpretation of the data being reported while maintaining confidentiality of individual firm responses. For each data item, the survey reports the dollar-weighted average of the responses received, a straight or unweighted average of the responses, the range of responses from low to high, and the number of responses received for the question on the survey. Data points with 3 responses do not include the minimum or maximum, and those with 2 or fewer are not included at all.

EXCLUSIVE USE

SVIA's Annual Stable Value Investment and Policy Survey is an exclusive benefit of membership. Data is confidential. Use of data for external purposes requires the permission of the Association.

RESPONSES

SVIA members are cautioned to look at response rates on a question-by-question basis when making market segment or year to year comparisons. In some cases, changes may represent a change in participation rather than a change in investment or a policy trend.

DISCLAIMER

The observations and data contained in this report or survey are intended to be illustrative in nature to give an overview of the stable value industry, as well as to provide relative trend information. These observations and data are reflective of the reporting or survey period only and, as such, are subject to change. This information may not be reflective or applicable to a specific plan's stable value investment option or a specific stable value fund. Further, these observations and data are not intended to constitute nor represent a benchmark. SVIA surveys are an exclusive benefit of membership. Data is confidential. Use of data for external purposes requires the express permission of the association.

STABLE VALUE INVESTMENT ASSOCIATION

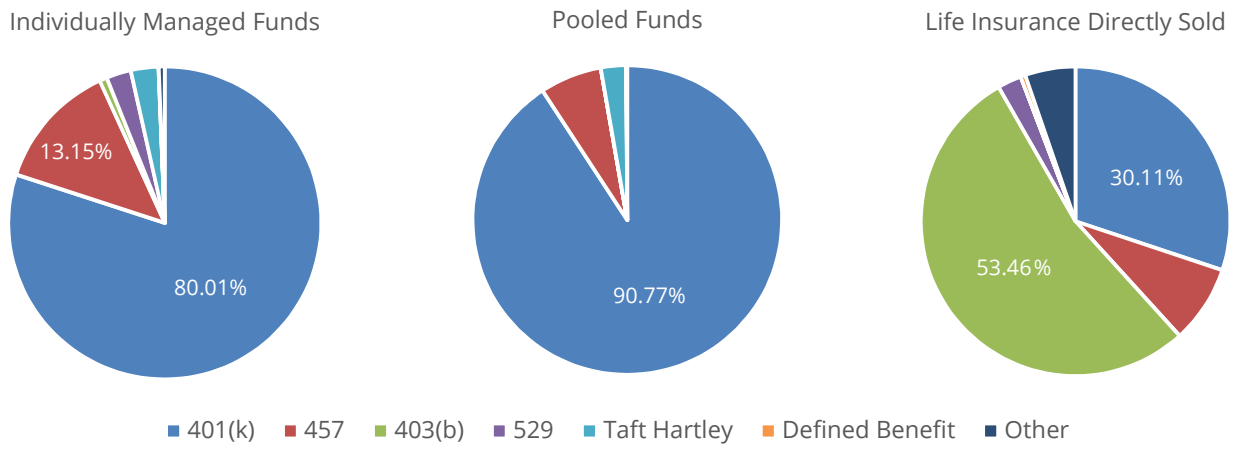
1. SEGMENT SUMMARY

21ST ANNUAL INVESTMENT AND POLICY SURVEY

	AS OF 12/31/2016				AS OF 12/31/2015			
	TOTAL	INDV	POOL	LIFE	TOTAL	INDV	POOL	LIFE
1. Stable value assets managed (millions)	$821,009.21	$228,638.96	$155,352.81	$437,017.44	$779,409.58	$216,041.30	$146,504.06	$416,864.21
2. Number of plans	164,032	946	68,646	94,440	164,913	899	62,687	101,327
3. Weighted average plan size (millions)	$207.68	$691.73	$7.56	$25.57	$198.55	$665.91	$6.94	$23.67
4. Assets within the funds managed by a subadvisor	$6,356.89	$17,425.42	$745.49	$2,560.81	$6,234.72	$16,901.65	$739.18	$2,637.92
5. Average allocation of 401(k) plan assets invested in stable value	22.65%	17.79%	16.02%	27.55%	23.74%	19.98%	16.17%	28.36%
6. Types of assets invested in stable value								
a. 401(k)	55.49%	80.01%	90.77%	30.11%	55.57%	82.16%	88.96%	30.05%
b. 457	9.22%	13.15%	6.48%	8.14%	8.95%	13.36%	6.87%	7.40%
c. 403(b)	28.67%	0.78%	0.00%	53.46%	29.40%	0.82%	0.00%	54.54%
d. 529	2.05%	2.55%	0.00%	2.52%	1.74%	1.63%	0.00%	2.42%
e. Taft Hartley	1.29%	2.85%	2.62%	0.00%	0.78%	1.07%	2.60%	0.00%
f. Defined Benefit	0.28%	0.02%	0.04%	0.50%	0.14%	0.04%	0.06%	0.23%
g. Other	3.00%	0.63%	0.09%	5.27%	3.41%	0.93%	1.52%	5.35%
7. Net 12-month return (12-month average)*	2.71%	2.11%	1.92%	3.30%	2.66%	2.09%	1.88%	3.23%
8. Net crediting rate*	2.49%	2.10%	1.94%	2.89%	2.57%	2.02%	1.87%	3.10%
9. Annual investment management and contract fees	0.36%	0.32%	0.43%	NA	0.37%	0.32%	0.44%	NA
10. Modified duration (years)	4.47	3.13	2.76	5.78	4.31	2.97	2.68	5.58
11. Average credit quality using Barclays Index Rating methodology	7.32 AA-	8.42 AA	8.00 AA	6.50 AA-	7.44 AA-	8.37 AA	7.78 AA	6.83 AA-
12. Gross contribution rate	15.27%	10.33%	22.48%	15.28%	13.67%	8.70%	18.93%	14.39%
13. Gross withdrawal rate	15.86%	12.64%	20.36%	15.95%	16.07%	14.13%	19.04%	16.03%
14. Net exchange rate	4.50%	5.85%	1.99%	4.69%	3.03%	3.40%	2.49%	3.03%
15. Percentage of assets represented by active participant balances	54.78%	54.78%	Insufficient Response		56.08%	56.08%	Insufficient Response	

* Return and crediting rate data is GROSS of stable value management and distribution fees, and NET of contract (including wrap) fees.

6. Types of Assets Invested in Stable Value in 2016



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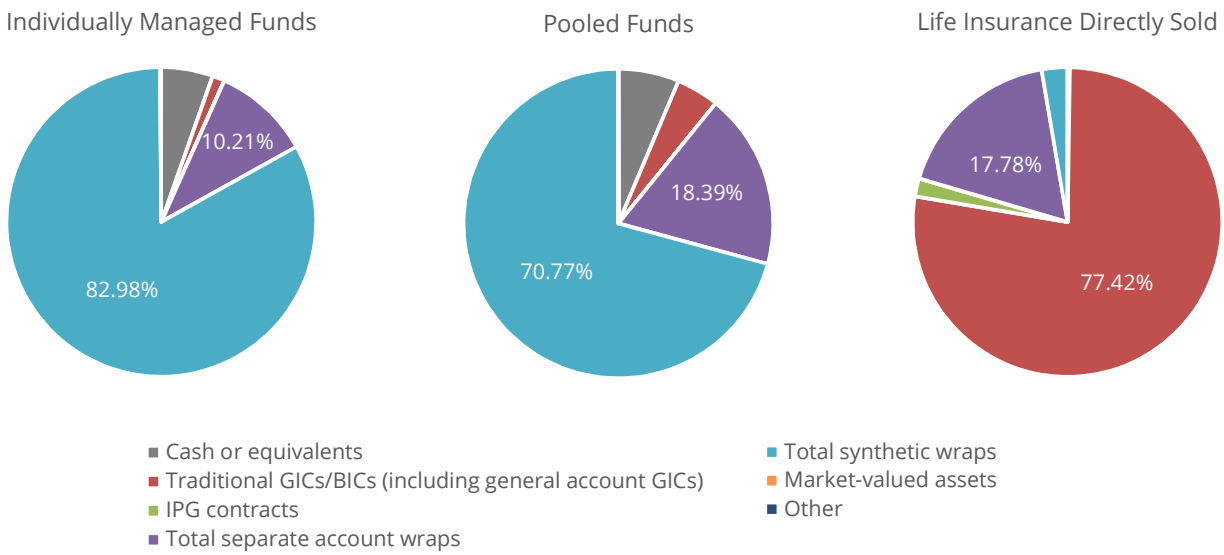
STABLE VALUE INVESTMENT ASSOCIATION

1. SEGMENT SUMMARY

21ST ANNUAL INVESTMENT AND POLICY SURVEY

	AS OF 12/31/2016				AS OF 12/31/2015			
	TOTAL	INDV	POOL	LIFE	TOTAL	INDV	POOL	LIFE
16. Stable value contract allocation (% of total portfolio)								
a. Cash or equivalents	2.84%	5.40%	6.35%	0.25%	2.70%	5.12%	6.67%	0.05%
b. Traditional GICs/BICs (including general account GICs)	42.42%	1.30%	4.48%	77.42%	42.83%	1.54%	4.72%	77.62%
c. IPG contracts	1.00%	0.00%	0.00%	1.87%	1.02%	0.00%	0.00%	1.90%
d. Total separate account wraps	15.79%	10.21%	18.39%	17.78%	15.90%	11.29%	17.77%	17.63%
Separate account non participating	1.11%	0.00%	0.00%	2.08%	1.18%	0.00%	0.00%	2.21%
Separate account participating evergreen	9.45%	7.83%	7.19%	11.09%	9.26%	8.82%	6.43%	10.49%
Separate account participating managed to a fixed horizon	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Separate account participating buy & hold	1.25%	0.00%	0.00%	2.36%	1.26%	0.00%	0.00%	2.36%
e. Total synthetic wraps	37.92%	82.98%	70.77%	2.68%	37.51%	81.89%	70.83%	2.81%
Wrapped assets managed to a fixed horizon	0.08%	0.05%	0.34%	0.00%	0.09%	0.06%	0.41%	0.00%
Wrapped evergreen	36.73%	82.11%	65.76%	2.68%	36.31%	81.09%	65.62%	2.81%
Wrapped buy & hold assets	0.29%	0.83%	0.29%	0.00%	0.29%	0.74%	0.47%	0.00%
f. Market-valued assets	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
g. Other	0.03%	0.11%	0.02%	0.00%	0.05%	0.16%	0.02%	0.00%
17. Risk participation (% of portfolio)								
a. Non-participating	11.80%	2.55%	6.02%	18.69%	11.94%	2.90%	6.28%	18.62%
b. Participating for asset experience only	1.42%	0.00%	2.68%	1.72%	1.46%	0.00%	2.85%	1.72%
c. Participating for asset and cash flow experience	66.49%	96.45%	91.30%	41.99%	66.14%	96.32%	90.86%	41.82%
d. Hybrid	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
e. Other	20.29%	1.00%	0.01%	37.60%	20.46%	0.78%	0.00%	37.84%
18. % of fund globally wrapped	19.45%	19.43%	19.48%	NA	25.34%	24.19%	27.05%	NA

16. Stable Value Contract Allocation in 2016



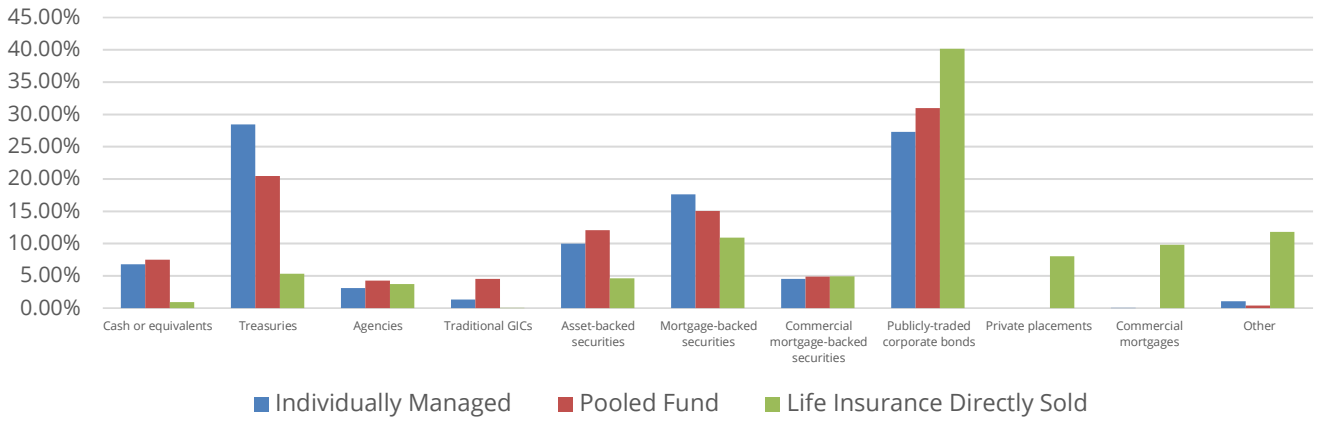
STABLE VALUE INVESTMENT ASSOCIATION

1. SEGMENT SUMMARY

21ST ANNUAL INVESTMENT AND POLICY SURVEY

	AS OF 12/31/2016				AS OF 12/31/2015			
	TOTAL	INDV	POOL	LIFE	TOTAL	INDV	POOL	LIFE
19. Investment types (% of portfolio)								
a. Dollar denominated developed market international securities (investment grade only)	9.12%	3.54%	8.39%	12.30%	8.81%	3.31%	7.86%	11.99%
b. Non dollar denominated developed market international securities (investment grade only)	0.35%	0.00%	0.00%	0.66%	0.40%	0.00%	0.00%	0.75%
c. High yield debt (excluding emerging market debt)	4.02%	0.11%	0.21%	7.42%	3.15%	0.07%	0.22%	5.78%
d. Local currency denominated emerging market debt	0.00%	0.00%	0.00%	0.01%	0.01%	0.00%	0.00%	0.01%
e. Dollar denominated emerging market debt	1.99%	0.07%	0.04%	3.68%	1.60%	0.11%	0.08%	2.91%
20. Underlying fund asset allocation								
a. Cash or equivalents	3.78%	6.79%	7.49%	0.90%	4.09%	7.66%	7.63%	1.00%
b. Treasuries	14.61%	28.45%	20.46%	5.29%	14.61%	27.22%	22.31%	5.38%
c. Agencies	3.63%	3.07%	4.24%	3.71%	3.97%	3.71%	4.24%	4.02%
d. Traditional GICs	1.22%	1.29%	4.53%	0.00%	1.29%	1.47%	4.70%	0.00%
e. Asset-backed securities	7.50%	9.94%	12.07%	4.61%	7.17%	9.18%	10.99%	4.79%
f. Mortgage-backed securities	13.55%	17.59%	15.02%	10.92%	13.83%	16.89%	14.09%	12.16%
g. Commercial mortgage-backed securities	4.78%	4.53%	4.85%	4.89%	5.26%	5.53%	6.41%	4.71%
h. Publicly-traded corporate bonds	34.82%	27.27%	30.96%	40.15%	33.17%	26.64%	28.99%	38.02%
i. Private placements	4.25%	0.00%	0.00%	7.99%	4.74%	0.00%	0.00%	8.87%
j. Commercial mortgages	5.21%	0.03%	0.00%	9.77%	5.33%	0.06%	0.00%	9.94%
k. Other	6.63%	1.05%	0.38%	11.78%	6.53%	1.63%	0.65%	11.13%
21. Use futures, swaps or derivatives for								
a. Portfolio duration or curve management	66.45%	92.42%	70.51%	51.43%	63.79%	83.76%	62.47%	53.91%
b. Individual security duration or curve management	63.31%	29.22%	38.70%	89.90%	63.92%	29.89%	38.99%	90.32%
c. Credit management	74.87%	60.10%	54.30%	89.90%	65.15%	36.16%	54.87%	83.78%
d. Synthetic creation of industry sectors	52.66%	11.40%	21.78%	85.21%	53.80%	13.18%	21.46%	86.22%
e. Leverage	4.52%	0.00%	0.00%	8.50%	4.08%	0.00%	0.00%	7.62%
f. Currency hedging	50.05%	6.63%	12.95%	85.95%	47.74%	9.02%	12.00%	80.36%
g. Other	1.06%	0.00%	3.54%	0.73%	1.11%	0.00%	3.90%	0.70%

20. Underlying Fund Asset Allocation in 2016



STABLE VALUE INVESTMENT ASSOCIATION

21ST ANNUAL INVESTMENT AND POLICY SURVEY

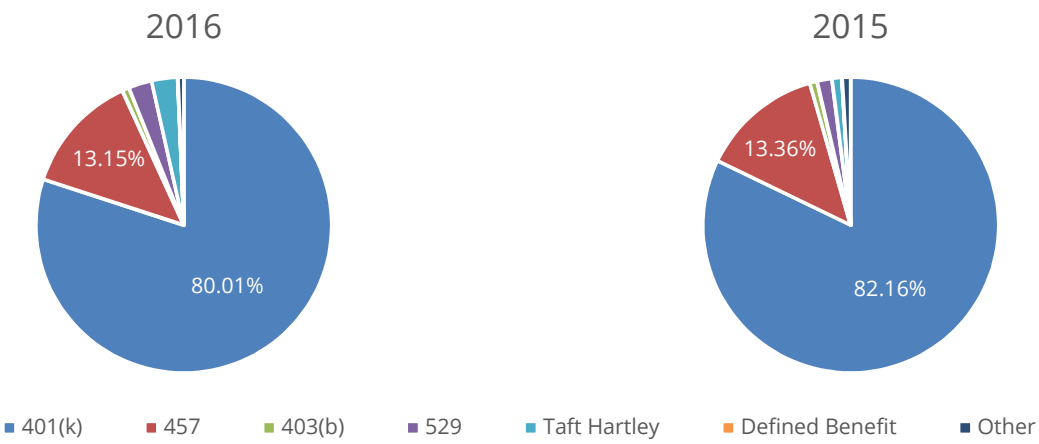
2. INDIVIDUALLY MANAGED ACCOUNTS

AUM (12/31/2016): $228,638.96 PLANS REPRESENTED: 946

	AS OF 12/31/2016					AS OF 12/31/2015				
	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#
1. Stable value assets managed (millions)		$15,242.60	$505.10	$53,897.77	15		$14,069.73	$475.80	$50,092.71	15
2. Number of plans	56.91	67.57	1	555	14	56.03	64.21	1	506	14
3. Weighted average plan size (millions)	$691.73	$607.05	$4.67	$1,587.33	14	$665.91	$593.58	$5.15	$1,676.33	14
4. Assets within the funds managed by a subadvisor	$17,425.42	$7,613.27	$0.00	$34,883.22	9	$16,901.65	$7,830.81	$0.00	$33,292.18	8
5. Average allocation of 401(k) plan assets invested in stable value	17.79%	19.38%	11.00%	41.00%	11	19.98%	22.58%	11.00%	43.09%	11
6. Types of assets invested in stable value										
a. 401(k)	80.01%	81.02%	18.71%	100.00%	14	82.16%	85.59%	62.00%	100.00%	14
b. 457	13.15%	7.96%	0.00%	36.00%	14	13.36%	7.99%	0.00%	32.00%	14
c. 403(b)	0.78%	0.68%	0.00%	8.00%	14	0.82%	0.70%	0.00%	8.00%	14
d. 529	2.55%	2.59%	0.00%	30.03%	14	1.63%	2.14%	0.00%	27.12%	14
e. Taft Hartley	2.85%	6.25%	0.00%	72.44%	14	1.07%	1.08%	0.00%	11.00%	14
f. Defined Benefit	0.02%	0.14%	0.00%	2.00%	14	0.04%	0.21%	0.00%	3.00%	14
g. Other	0.63%	1.36%	0.00%	10.30%	14	0.93%	2.28%	0.00%	15.85%	14
7. Net 12-month return (12-month average)*	2.11%	2.08%	1.65%	3.23%	14	2.09%	2.06%	1.58%	3.10%	14
8. Net crediting rate*	2.10%	2.07%	1.70%	2.94%	14	2.02%	2.03%	1.54%	2.98%	14
9. Annual investment management and contract fees	0.32%	0.32%	0.20%	0.51%	10	0.32%	0.32%	0.20%	0.51%	9
10. Modified duration (years)	3.13	3.03	2.38	4.03	14	2.97	2.88	2.31	3.69	14
11. Average credit quality using Barclays Index Rating methodology	8.42 AA	8.20 AA	7.00 AA-	9.00 AA+	14	8.37 AA	8.11 AA	7.00 AA-	9.00 AA+	14
12. Gross contribution rate	10.33%	7.80%	1.55%	25.56%	11	8.70%	8.12%	2.32%	22.87%	11
13. Gross withdrawal rate	12.64%	10.54%	2.08%	17.38%	11	14.13%	12.08%	0.11%	21.09%	11
14. Net exchange rate	5.85%	4.42%	-7.37%	12.92%	8	3.40%	3.03%	-7.04%	12.71%	8
15. Percentage of assets represented by active participant balances	54.78%	60.56%	33.30%	100.00%	7	56.08%	62.08%	36.08%	100.00%	7

* Return and crediting rate data is GROSS of stable value management and distribution fees, and NET of contract (including wrap) fees.

6. Types of Assets Invested in Stable Value



STABLE VALUE INVESTMENT ASSOCIATION

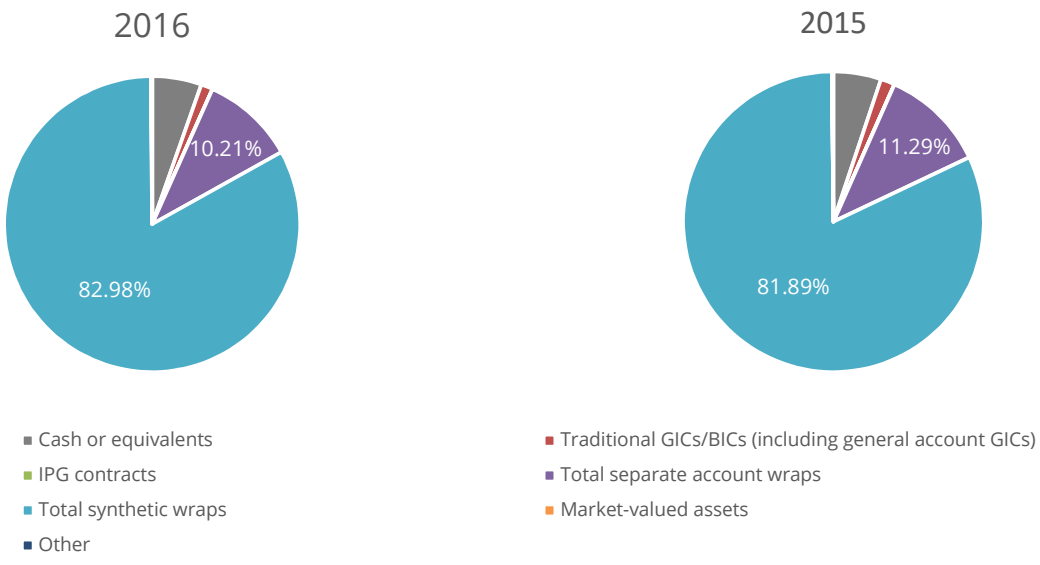
21ST ANNUAL INVESTMENT AND POLICY SURVEY

2. INDIVIDUALLY MANAGED ACCOUNTS

AUM (12/31/2016): $228,638.96 PLANS REPRESENTED: 946

	AS OF 12/31/2016					AS OF 12/31/2015				
	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#
16. Stable value contract allocation (% of total portfolio)										
a. Cash or equivalents	5.40%	5.37%	1.70%	9.37%	14	5.12%	5.12%	1.31%	8.25%	14
b. Traditional GICs/BICs (including general account GICs)	1.30%	8.72%	0.00%	67.00%	14	1.54%	9.00%	0.00%	66.00%	14
c. IPG contracts	0.00%	0.00%	0.00%	0.00%	14	0.00%	0.00%	0.00%	0.00%	14
d. Total separate account wraps	10.21%	12.28%	0.00%	57.58%	14	11.29%	13.59%	0.00%	57.81%	14
Separate account non participating	0.00%	0.00%	0.00%	0.00%	14	0.00%	0.00%	0.00%	0.00%	14
Separate account participating evergreen	7.83%	9.94%	0.00%	57.58%	14	8.82%	10.52%	0.00%	57.81%	14
Separate account participating managed to a fixed horizon	0.00%	0.00%	0.00%	0.00%	14	0.00%	0.00%	0.00%	0.00%	14
Separate account participating buy & hold	0.00%	0.00%	0.00%	0.00%	14	0.00%	0.00%	0.00%	0.00%	14
e. Total synthetic wraps	82.98%	73.59%	22.00%	98.00%	14	81.89%	72.23%	26.00%	98.00%	14
Wrapped assets managed to a fixed horizon	0.05%	0.28%	0.00%	3.90%	14	0.06%	0.28%	0.00%	3.90%	14
Wrapped evergreen	82.11%	72.52%	22.00%	98.00%	14	81.09%	71.23%	26.00%	98.00%	14
Wrapped buy & hold assets	0.83%	0.79%	0.00%	11.05%	14	0.74%	0.72%	0.00%	10.07%	14
f. Market-valued assets	0.00%	0.00%	0.00%	0.00%	14	0.00%	0.00%	0.00%	0.00%	14
g. Other	0.11%	0.04%	0.00%	0.41%	14	0.16%	0.06%	0.00%	0.40%	14
17. % of fund globally wrapped	19.43%	20.68%	0.00%	98.00%	13	24.19%	30.44%	0.00%	100.00%	13
18. Risk participation (% of portfolio)										
a. Non-participating	2.55%	10.36%	0.00%	75.00%	14	2.90%	10.02%	0.00%	65.00%	14
b. Participating for asset experience only	0.00%	0.00%	0.00%	0.00%	14	0.00%	0.00%	0.00%	0.00%	14
c. Participating for asset and cash flow experience	96.45%	89.34%	25.00%	100.00%	14	96.32%	89.74%	35.00%	100.00%	14
d. Hybrid	0.00%	0.00%	0.00%	0.00%	14	0.00%	0.00%	0.00%	0.00%	14
e. Other	1.00%	0.30%	0.00%	4.23%	14	0.78%	0.24%	0.00%	3.32%	14

16. Stable Value Contract Allocation



STABLE VALUE INVESTMENT ASSOCIATION

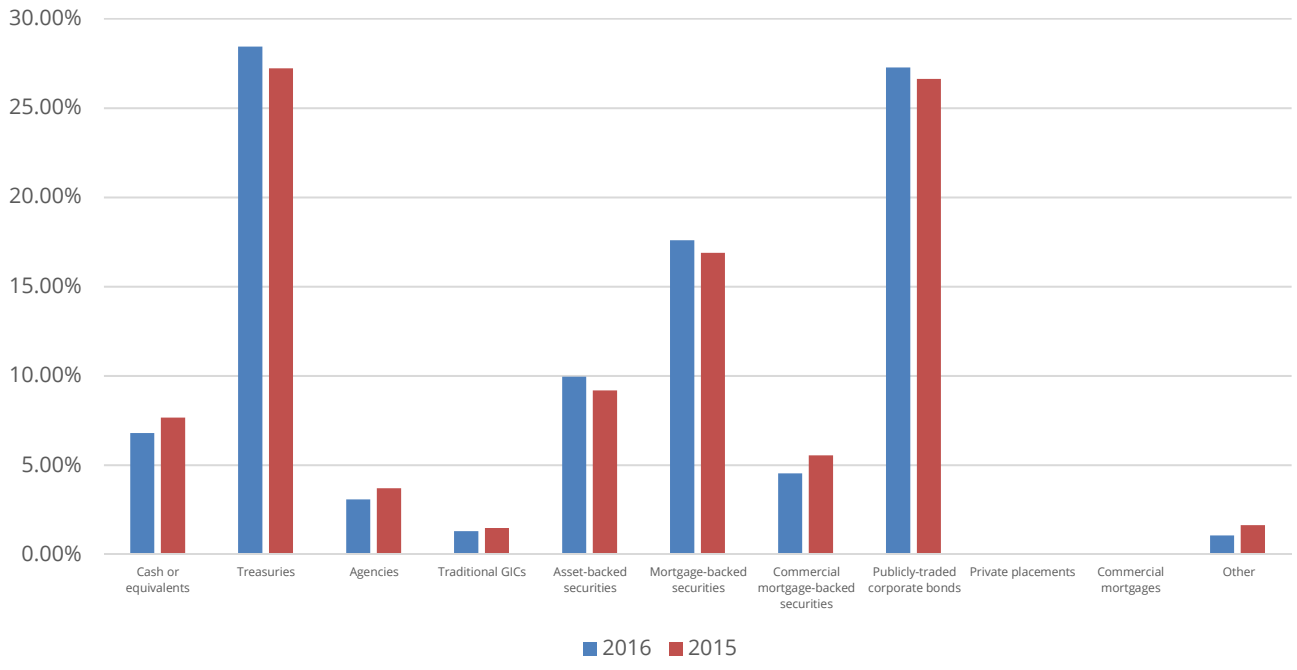
21ST ANNUAL INVESTMENT AND POLICY SURVEY

2. INDIVIDUALLY MANAGED ACCOUNTS

AUM (12/31/2016): $228,638.96 PLANS REPRESENTED: 946

	AS OF 12/31/2016					AS OF 12/31/2015				
	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#
19. Underlying fund asset allocation										
a. Cash or equivalents	6.79%	6.91%	1.15%	18.90%	14	7.66%	7.17%	1.60%	22.40%	14
b. Treasuries	28.45%	24.45%	9.10%	38.11%	14	27.22%	23.26%	6.00%	37.43%	14
c. Agencies	3.07%	3.71%	0.00%	13.60%	14	3.71%	4.82%	0.00%	11.91%	14
d. Traditional GICs	1.29%	8.73%	0.00%	67.00%	14	1.47%	8.57%	0.00%	60.00%	14
e. Asset-backed securities	9.94%	8.13%	0.00%	16.12%	14	9.18%	7.72%	0.60%	13.80%	14
f. Mortgage-backed securities	17.59%	16.74%	7.60%	26.85%	14	16.89%	15.66%	5.00%	27.54%	14
g. Commercial mortgage-backed securities	4.53%	4.43%	1.20%	13.48%	14	5.53%	5.91%	0.00%	16.72%	14
h. Publicly-traded corporate bonds	27.27%	26.23%	5.70%	42.13%	14	26.64%	25.46%	8.00%	40.51%	14
i. Private placements	0.00%	0.00%	0.00%	0.00%	14	0.00%	0.00%	0.00%	0.00%	14
j. Commercial mortgages	0.03%	0.10%	0.00%	1.37%	14	0.06%	0.19%	0.00%	2.70%	14
k. Other	1.05%	0.58%	0.00%	2.70%	14	1.63%	1.23%	0.00%	10.30%	14
20. Investment types (% of portfolio)										
a. Dollar denominated developed market international securities (investment grade only)	3.54%	3.82%	0.00%	10.88%	13	3.31%	3.65%	0.00%	12.07%	14
b. Non dollar denominated developed market international securities (investment grade only)	0.00%	0.00%	0.00%	0.00%	13	0.00%	0.00%	0.00%	0.00%	14
c. High yield debt (excluding emerging market debt)	0.11%	0.04%	0.00%	0.30%	13	0.07%	0.04%	0.00%	0.23%	13
d. Local currency denominated emerging market debt	0.00%	0.00%	0.00%	0.00%	13	0.00%	0.00%	0.00%	0.00%	14
e. Dollar denominated emerging market debt	0.07%	0.05%	0.00%	0.16%	6	0.11%	0.13%	Insufficient Response		3

19. Underlying Fund Asset Allocation



STABLE VALUE INVESTMENT ASSOCIATION

21ST ANNUAL INVESTMENT AND POLICY SURVEY

2. INDIVIDUALLY MANAGED ACCOUNTS

AUM (12/31/2016): $228,638.96 PLANS REPRESENTED: 946

	AS OF 12/31/2016					AS OF 12/31/2015				
	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#
21. Use futures, swaps or derivatives for										
a. Portfolio duration or curve management	92.42%	83.33%			12	83.76%	76.92%			13
b. Individual security duration or curve management	29.22%	33.33%			12	29.89%	38.46%			13
c. Credit management	60.10%	50.00%			12	36.16%	46.15%			13
d. Synthetic creation of industry sectors	11.40%	16.67%			12	13.18%	23.08%			13
e. Leverage	0.00%	0.00%			12	0.00%	0.00%			13
f. Currency hedging	6.63%	8.33%			12	9.02%	15.38%			13
g. Other	0.00%	0.00%			12	0.00%	0.00%			13
22. Withdrawal protocol										
a. Pro-rata	18.98%	7.46%	0.00%	100.00%	14	24.57%	8.30%	0.00%	100.00%	13
b. Pro-rata with a buffer	75.86%	71.11%	0.00%	100.00%	14	68.32%	68.62%	0.00%	100.00%	13
c. LIFO	0.00%	0.00%	0.00%	0.00%	14	0.00%	0.00%	0.00%	0.00%	13
d. LIFO with a buffer	0.00%	0.00%	0.00%	0.00%	14	0.00%	0.00%	0.00%	0.00%	13
e. Tiered	5.16%	21.43%	0.00%	100.00%	14	7.11%	23.08%	0.00%	100.00%	13
f. Pro-rata by participant (class year)	0.00%	0.00%	0.00%	0.00%	14	0.00%	0.00%	0.00%	0.00%	13
g. Other	0.00%	0.00%	0.00%	0.00%	14	0.00%	0.00%	0.00%	0.00%	13
23. Maximum credit exposure for policy limit for a single										
a. GIC issuer	3.84%	6.08%	0.00%	15.00%	12	3.85%	6.08%	0.00%	15.00%	12
b. Synthetic issuer	36.93%	40.42%	25.00%	100.00%	12	37.31%	40.42%	25.00%	100.00%	12
c. Separate account issuer	27.47%	31.08%	10.00%	100.00%	12	27.55%	31.08%	10.00%	100.00%	12
24. Largest actual credit exposure for a single										
a. GIC issuer	1.19%	2.57%	0.00%	10.89%	12	1.68%	3.13%	0.00%	11.69%	12
b. Synthetic issuer	44.55%	37.77%	17.33%	100.00%	12	47.21%	37.13%	8.77%	100.00%	12
c. Separate account issuer	29.83%	23.30%	0.00%	56.80%	12	29.54%	23.67%	0.00%	54.61%	12
25. Number of approved										
a. GIC issuers	5.61	4.79	0.00	12.00	14	5.00	4.43	0.00	11.00	14
b. Synthetic issuers	11.89	10.21	2.00	14.00	14	11.87	9.86	2.00	16.00	14
c. Separate account issuers	3.33	3.21	1.00	6.00	14	3.25	3.07	1.00	6.00	14
26. Average number of issuers per plan										
a. GIC issuers	0.53	1.67	0.00	9.00	13	0.80	2.03	0.00	10.00	13
b. Synthetic issuers	4.80	4.23	2.00	9.00	13	4.59	3.96	1.33	8.00	13
c. Separate account issuers	0.79	0.97	0.00	3.00	13	0.87	1.15	0.00	3.33	13
d. Total issuers	6.11	6.87	2.50	12.00	13	5.78	6.99	2.59	13.00	13

The observations and data contained in this report or survey are intended to be illustrative in nature to give an overview of the stable value industry, as well as to provide relative trend information. These observations and data are reflective of the reporting or survey period only and, as such, are subject to change. This information may not be reflective or applicable to a specific plan's stable value investment option or a specific stable value fund. Further, these observations and data are not intended to constitute nor represent a benchmark. SVIA surveys are an exclusive benefit of membership. Data is confidential. Use of data for external purposes requires the express permission of the association.

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STABLE VALUE INVESTMENT ASSOCIATION

3. POOLED FUNDS

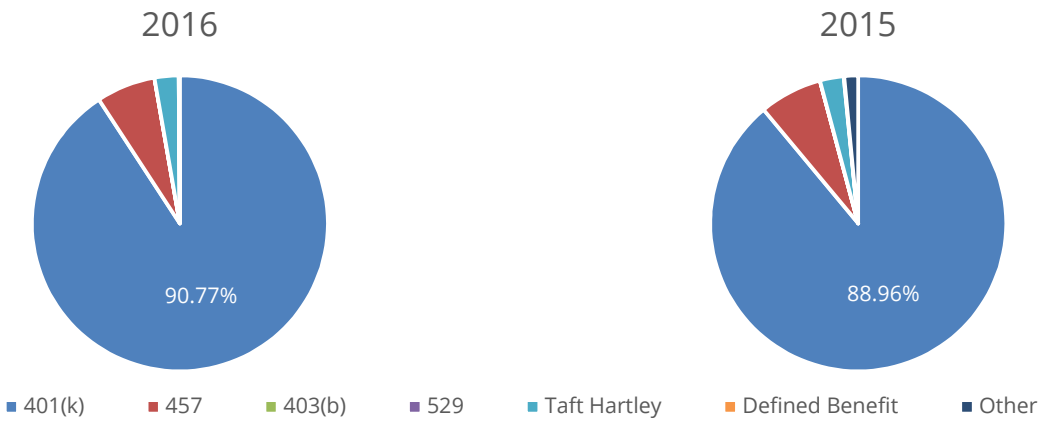
21ST ANNUAL INVESTMENT AND POLICY SURVEY

AUM (12/31/2016): $155,352.81 PLANS REPRESENTED: 68,646

	AS OF 12/31/2016					AS OF 12/31/2015				
	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#
1. Stable value assets managed (millions)		$9,709.55	$317.65	$33,294.71	16		$8,970.12	$210.70	$31,194.72	16
2. Number of plans	6,228.13	4,576.40	260	14,846	15	5,792.86	4,477.64	260	12,710	14
3. Average plan asset size in SVF (millions)	$7.56	$5.23	$0.19	$22.68	14	$6.94	$4.97	$0.19	$21.49	14
4. Average pool asset size in SVF (millions)	$11,251.93	$6,410.75	$317.65	$20,185.36	16	$10,283.16	$5,903.92	$215.40	$17,988.18	16
5. Assets managed by a subadvisor (millions)	$745.49	$628.33	$0.00	$5,462.54	14	$739.18	$645.19	$0.00	$5,400.81	14
6. Average allocation of 401(k) plan assets invested in stable value	16.02%	16.14%	10.19%	28.00%	10	16.17%	16.51%	9.10%	29.00%	10
7. Types of assets invested in stable value										
a. 401(k)	90.77%	90.42%	19.23%	100.00%	15	88.96%	89.16%	19.00%	100.00%	15
b. 457	6.48%	6.52%	0.00%	80.77%	15	6.87%	6.56%	0.00%	81.00%	15
c. 403(b)	0.00%	0.00%	0.00%	0.00%	15	0.00%	0.00%	0.00%	0.00%	15
d. 529	0.00%	0.00%	0.00%	0.00%	15	0.00%	0.00%	0.00%	0.00%	15
e. Taft Hartley	2.62%	2.93%	0.00%	27.69%	15	2.60%	2.89%	0.00%	27.26%	15
f. Defined Benefit	0.04%	0.05%	0.00%	0.42%	15	0.06%	0.10%	0.00%	1.00%	15
g. Other	0.09%	0.08%	0.00%	0.95%	15	1.52%	1.29%	0.00%	17.94%	15
8. Net 12-month return (12-month average)*	1.92%	1.82%	0.93%	2.29%	16	1.88%	1.78%	0.92%	2.34%	16
9. Net crediting rate*	1.94%	1.83%	0.73%	2.34%	16	1.87%	1.77%	0.90%	2.25%	16
10. Annual investment management and contract fees	0.43%	0.42%	0.25%	0.59%	11	0.44%	0.44%	0.25%	0.68%	11
11. Modified duration (years)	2.76	2.60	0.45	3.36	16	2.68	2.53	1.08	3.15	16
12. Average credit quality using Barclays Index Rating methodology	8.00 AA	7.79 AA	5.00 A	9.00 AA+	16	7.78 AA	7.77 AA	5.00 A	9.00 AA+	16
13. Gross contribution rate	22.48%	29.07%	5.52%	51.50%	13	18.93%	24.79%	7.76%	49.00%	13
14. Gross withdrawal rate	20.36%	27.31%	8.92%	51.20%	13	19.04%	26.25%	0.89%	55.51%	13
15. Net exchange rate	1.99%	0.93%	-7.39%	9.40%	6	2.49%	2.14%	-3.50%	6.92%	6
16. Percentage of assets represented by active participant balances	Insufficient Response					72.86%	73.24%	Insufficient Response		3

* Return and crediting rate data is GROSS of stable value management and distribution fees, and NET of contract (including wrap) fees.

7. Types of Assets Invested in Stable Value



STABLE VALUE INVESTMENT ASSOCIATION

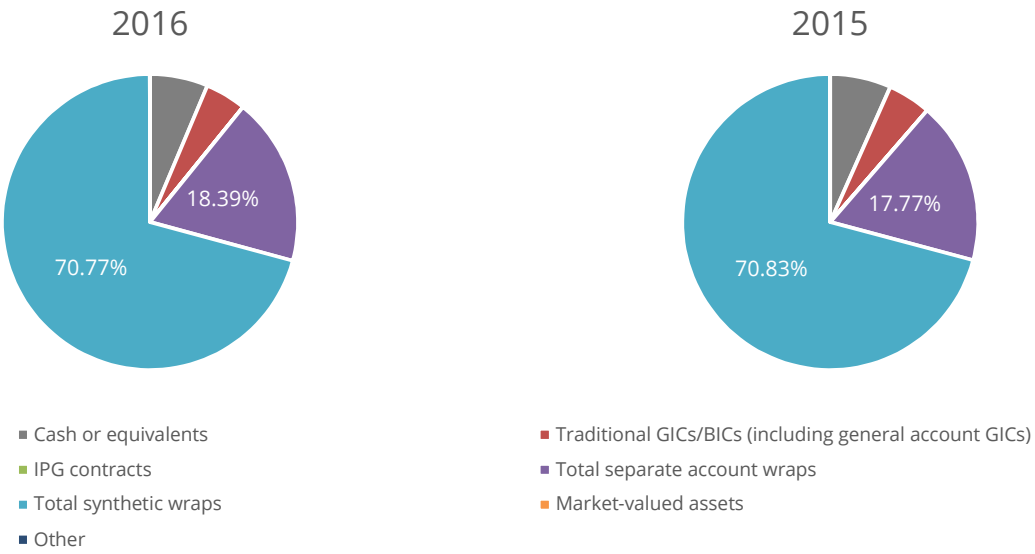
3. POOLED FUNDS

21ST ANNUAL INVESTMENT AND POLICY SURVEY

AUM (12/31/2016): $155,352.81 PLANS REPRESENTED: 68,646

	AS OF 12/31/2016					AS OF 12/31/2015				
	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#
17. Stable value contract allocation (% of total portfolio)										
a. Cash or equivalents	6.35%	9.17%	0.00%	51.09%	16	6.67%	6.86%	0.00%	15.00%	16
b. Traditional GICs/BICs (including general account GICs)	4.48%	7.16%	0.00%	32.23%	16	4.72%	8.47%	0.00%	49.44%	16
c. IPG contracts	0.00%	0.00%	0.00%	0.00%	16	0.00%	0.00%	0.00%	0.00%	16
d. Total separate account wraps	18.39%	22.53%	0.00%	100.00%	16	17.77%	21.89%	0.00%	100.00%	16
Separate account non participating	0.00%	0.00%	0.00%	0.00%	16	0.00%	0.00%	0.00%	0.00%	16
Separate account participating evergreen	7.19%	11.71%	0.00%	39.70%	16	6.43%	10.90%	0.00%	37.70%	16
Separate account participating managed to a fixed horizon	0.00%	0.00%	0.00%	0.00%	16	0.00%	0.00%	0.00%	0.00%	16
Separate account participating buy & hold	0.00%	0.00%	0.00%	0.00%	16	0.00%	0.00%	0.00%	0.00%	16
e. Total synthetic wraps	70.77%	61.05%	0.00%	99.00%	16	70.83%	62.70%	0.00%	99.00%	16
Wrapped assets managed to a fixed horizon	0.34%	1.46%	0.00%	23.37%	16	0.41%	1.66%	0.00%	26.48%	16
Wrapped evergreen	65.76%	53.99%	0.00%	99.00%	16	65.62%	54.22%	0.00%	99.00%	16
Wrapped buy & hold assets	0.29%	2.20%	0.00%	17.63%	16	0.47%	3.46%	0.00%	35.56%	16
f. Market-valued assets	0.00%	0.00%	0.00%	0.00%	16	0.00%	0.00%	0.00%	0.00%	16
g. Other	0.02%	0.08%	0.00%	1.25%	16	0.02%	0.09%	0.00%	1.39%	16
18. % of fund globally wrapped	19.48%	13.26%	0.00%	99.00%	15	27.05%	22.42%	0.00%	99.00%	15
19. Risk participation (% of portfolio)										
a. Non-participating	6.02%	10.87%	0.00%	76.91%	16	6.28%	10.39%	0.00%	55.57%	15
b. Participating for asset experience only	2.68%	5.13%	0.00%	82.10%	16	2.85%	5.22%	0.00%	78.30%	15
c. Participating for asset and cash flow experience	91.30%	83.82%	0.00%	100.00%	16	90.86%	84.22%	0.00%	100.00%	15
d. Hybrid	0.00%	0.00%	0.00%	0.00%	16	0.00%	0.00%	0.00%	0.00%	15
e. Other	0.01%	0.18%	0.00%	2.90%	16	0.00%	0.17%	0.00%	2.60%	15

17. Stable Value Contract Allocation



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STABLE VALUE INVESTMENT ASSOCIATION

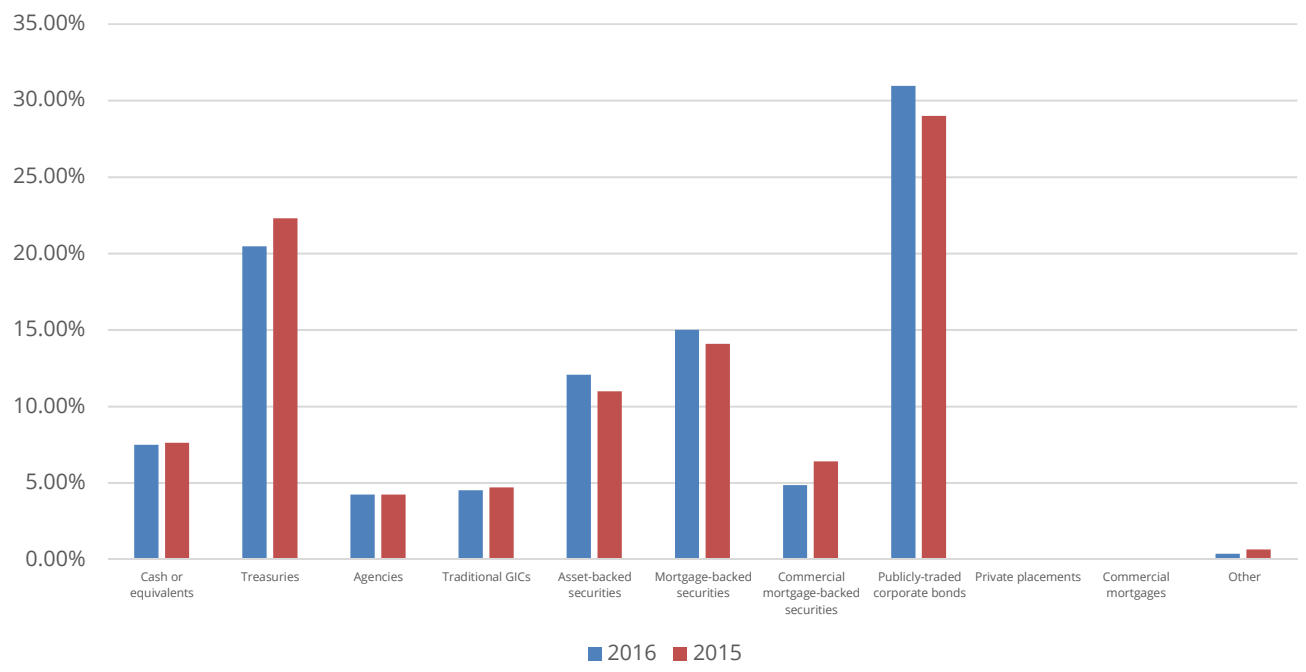
3. POOLED FUNDS

21ST ANNUAL INVESTMENT AND POLICY SURVEY

AUM (12/31/2016): $155,352.81 PLANS REPRESENTED: 68,646

	AS OF 12/31/2016					AS OF 12/31/2015				
	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#
20. Underlying fund asset allocation										
a. Cash or equivalents	7.49%	9.01%	1.00%	31.12%	16	7.63%	8.43%	1.00%	21.90%	16
b. Treasuries	20.46%	20.48%	0.02%	40.60%	16	22.31%	21.59%	0.02%	40.80%	16
c. Agencies	4.24%	3.80%	0.00%	14.11%	16	4.24%	3.95%	0.08%	14.42%	16
d. Traditional GICs	4.53%	8.17%	0.00%	47.48%	16	4.70%	8.25%	0.00%	45.87%	16
e. Asset-backed securities	12.07%	9.25%	1.31%	16.36%	16	10.99%	8.54%	0.93%	17.76%	16
f. Mortgage-backed securities	15.02%	14.86%	0.62%	26.69%	16	14.09%	14.18%	2.83%	27.99%	16
g. Commercial mortgage-backed securities	4.85%	5.20%	0.75%	17.90%	16	6.41%	6.80%	2.40%	16.70%	16
h. Publicly-traded corporate bonds	30.96%	28.65%	7.43%	57.08%	16	28.99%	27.48%	6.25%	57.18%	16
i. Private placements	0.00%	0.00%	0.00%	0.00%	16	0.00%	0.00%	0.00%	0.00%	16
j. Commercial mortgages	0.00%	0.00%	0.00%	0.00%	16	0.00%	0.00%	0.00%	0.00%	16
k. Other	0.38%	0.58%	0.00%	2.80%	16	0.65%	0.78%	0.00%	4.00%	16
21. Investment types (% of portfolio)										
a. Dollar denominated developed market international securities (investment grade only)	8.39%	9.32%	0.00%	96.70%	16	7.86%	9.01%	0.00%	95.40%	16
b. Non dollar denominated developed market international securities (investment grade only)	0.00%	0.00%	0.00%	0.02%	16	0.00%	0.00%	0.00%	0.00%	16
c. High yield debt (excluding emerging market debt)	0.21%	0.35%	0.00%	3.30%	16	0.22%	0.46%	0.00%	4.60%	16
d. Local currency denominated emerging market debt	0.00%	0.00%	0.00%	0.00%	16	0.00%	0.00%	0.00%	0.00%	16
e. Dollar denominated emerging market debt	0.04%	0.04%	0.00%	0.30%	9	0.08%	0.07%	0.00%	0.30%	7

20. Underlying Fund Asset Allocation



STABLE VALUE INVESTMENT ASSOCIATION

3. POOLED FUNDS

21ST ANNUAL INVESTMENT AND POLICY SURVEY

AUM (12/31/2016): $155,352.81 PLANS REPRESENTED: 68,646

	AS OF 12/31/2016					AS OF 12/31/2015				
	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#
22. Use futures, swaps or derivatives for										
a. Portfolio duration or curve management	70.51%	60.00%			15	62.47%	53.33%			15
b. Individual security duration or curve management	38.70%	40.00%			15	38.99%	40.00%			15
c. Credit management	54.30%	46.67%			15	54.87%	40.00%			15
d. Synthetic creation of industry sectors	21.78%	13.33%			15	21.46%	13.33%			15
e. Leverage	0.00%	0.00%			15	0.00%	0.00%			15
f. Currency hedging	12.95%	20.00%			15	12.00%	13.33%			15
g. Other	3.54%	6.67%			15	3.90%	6.67%			15
23. Withdrawal protocol										
a. Pro-rata	21.43%	6.25%	0.00%	100.00%	16	22.21%	12.50%	0.00%	100.00%	16
b. Pro-rata with a buffer	47.82%	62.50%	0.00%	100.00%	16	47.36%	56.25%	0.00%	100.00%	16
c. LIFO	0.00%	0.00%	0.00%	0.00%	16	0.00%	0.00%	0.00%	0.00%	16
d. LIFO with a buffer	0.00%	0.00%	0.00%	0.00%	16	0.00%	0.00%	0.00%	0.00%	16
e. Tiered	27.80%	25.00%	0.00%	100.00%	16	27.60%	25.00%	0.00%	100.00%	16
f. Pro-rata by participant (class year)	0.00%	0.00%	0.00%	0.00%	16	0.00%	0.00%	0.00%	0.00%	16
g. Other	2.95%	6.25%	0.00%	100.00%	16	2.82%	6.25%	0.00%	100.00%	16
24. Maximum credit exposure for policy limit for a single										
a. GIC issuer	7.04%	8.58%	0.00%	25.00%	12	7.08%	8.58%	0.00%	25.00%	12
b. Synthetic issuer	30.22%	31.64%	0.00%	100.00%	14	29.83%	31.46%	0.00%	100.00%	14
c. Separate account issuer	23.81%	27.00%	10.00%	100.00%	14	23.70%	27.15%	10.00%	100.00%	13
25. Largest actual credit exposure for a single										
a. GIC issuer	1.97%	3.30%	0.00%	16.24%	15	1.87%	3.26%	0.00%	14.98%	14
b. Synthetic issuer	18.97%	19.97%	0.00%	35.00%	16	18.97%	20.34%	0.00%	37.00%	16
c. Separate account issuer	14.82%	19.56%	0.00%	100.00%	15	12.97%	18.66%	0.00%	100.00%	15
26. Number of approved										
a. GIC issuers	4.82	5.58	0.00	9.00	12	4.84	5.50	0.00	9.00	12
b. Synthetic issuers	11.20	10.08	6.00	14.00	13	11.13	10.08	6.00	15.00	13
c. Separate account issuers	4.15	3.29	1.00	7.00	14	3.60	3.14	0.00	7.00	14

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STABLE VALUE INVESTMENT ASSOCIATION

21ST ANNUAL INVESTMENT AND POLICY SURVEY

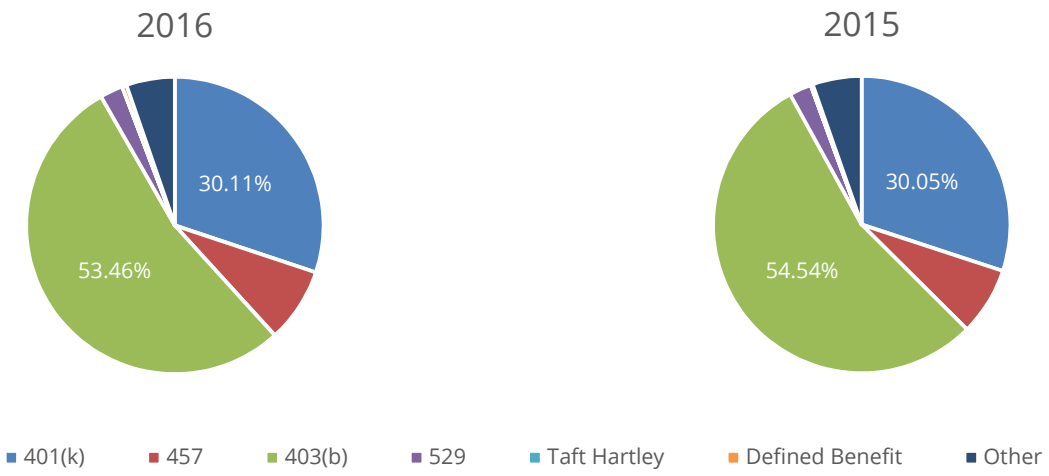
4. LIFE INSURANCE DIRECTLY SOLD

AUM (12/31/2016): $437,017.44 PLANS REPRESENTED: 94,440

	AS OF 12/31/2016					AS OF 12/31/2015				
	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#
1. Stable value assets managed (millions)		$31,215.53	$326.70	$163,806.35	14		$37,484.62	$258.80	$153,316.05	10
2. Number of plans	14,449.63	7,870.00	38	35,082	12	14,843.02	8,443.92	38	34,579	12
3. Average plan asset size in SVF (millions)	$25.57	$39.37	$0.41	$193.25	12	$23.67	$36.98	$0.33	$184.84	12
4. Assets managed by a subadvisor (millions)	$2,560.81	$3,761.41	$0.00	$19,557.29	7	$2,637.92	$4,640.94	Insufficient Response		7
5. Average allocation of 401(k) plan assets invested in stable value	27.55%	20.33%	7.00%	33.39%	7	28.36%	21.36%	8.00%	34.09%	7
6. Types of assets invested in stable value										
a. 401(k)	30.11%	46.31%	10.08%	88.57%	10	30.05%	46.66%	8.29%	88.62%	10
b. 457	8.14%	19.84%	0.00%	88.95%	10	7.40%	19.07%	0.00%	90.74%	10
c. 403(b)	53.46%	29.43%	0.00%	68.83%	10	54.54%	29.98%	0.00%	69.16%	10
d. 529	2.52%	0.43%	0.00%	4.27%	10	2.42%	0.41%	0.00%	4.10%	10
e. Taft Hartley	0.00%	0.00%	0.00%	0.00%	10	0.00%	0.00%	0.00%	0.00%	10
f. Defined Benefit	0.50%	0.44%	0.00%	4.35%	10	0.23%	0.21%	0.00%	2.12%	10
g. Other	5.27%	3.55%	0.00%	22.73%	10	5.35%	3.67%	0.00%	22.67%	10
7. Net 12-month return (12-month average)*	3.30%	2.78%	1.93%	4.68%	9	3.23%	2.87%	1.95%	4.43%	9
8. Net crediting rate*	2.89%	2.77%	1.85%	3.77%	9	3.10%	2.95%	1.95%	4.14%	9
9. Modified duration (years)	5.78	5.13	3.20	8.10	10	5.58	4.93	3.30	7.74	10
10. Average credit quality using Barclays Index Rating methodology	6.50 AA-	6.40 A+	4.00 A-	8.50 AA+	11	6.83 AA-	6.51 AA-	4.00 A-	8.50 AA+	11
11. Gross contribution rate	15.28%	16.67%	4.62%	26.49%	7	14.39%	11.82%	4.73%	24.16%	8
12. Gross withdrawal rate	15.95%	17.58%	8.18%	33.69%	7	16.03%	15.51%	5.00%	29.30%	8
13. Net exchange rate	4.69%	0.80%	-6.52%	5.30%	4	3.03%	-2.33%	-14.10%	3.95%	5
14. Percentage of assets represented by active participant balances		Insufficient Response					Insufficient Response			

* Return and crediting rate data is GROSS of stable value management and distribution fees, and NET of contract (including wrap) fees.

6. Types of Assets Invested in Stable Value



STABLE VALUE INVESTMENT ASSOCIATION

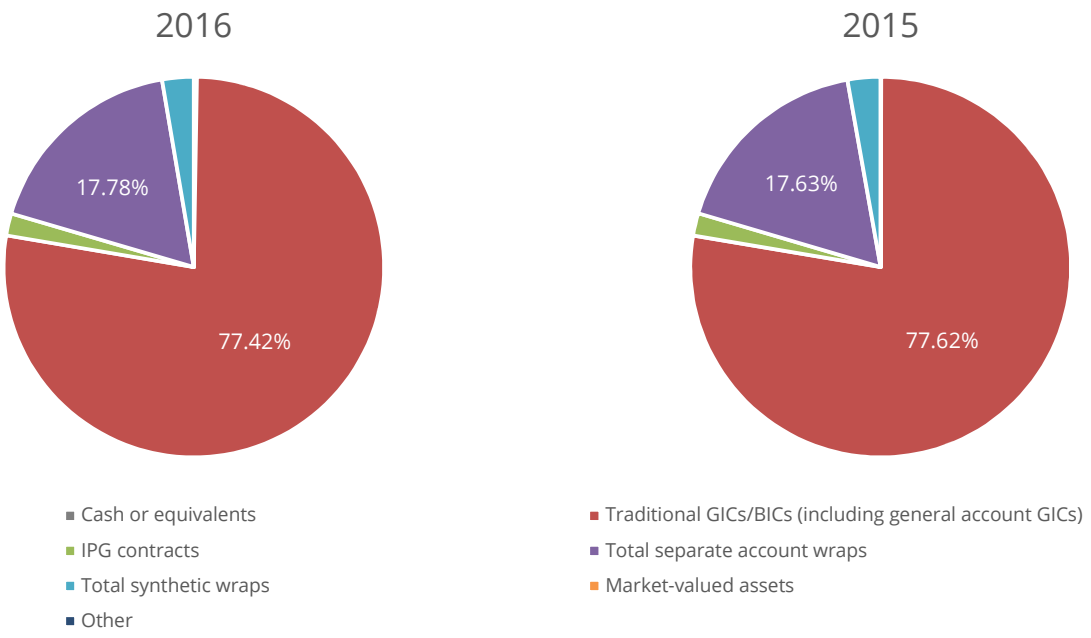
21ST ANNUAL INVESTMENT AND POLICY SURVEY

4. LIFE INSURANCE DIRECTLY SOLD

AUM (12/31/2016): $437,017.44 PLANS REPRESENTED: 94,440

	AS OF 12/31/2016					AS OF 12/31/2015				
	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#
15. Stable value product mix (% of total portfolio)										
a. Cash or equivalents	0.25%	0.51%	0.00%	3.42%	11	0.05%	0.17%	0.00%	1.90%	11
b. Traditional GICs/BICs (including general account GICs)	77.42%	44.00%	0.00%	100.00%	11	77.62%	44.11%	0.00%	100.00%	11
c. IPG contracts	1.87%	11.83%	0.00%	100.00%	11	1.90%	11.65%	0.00%	100.00%	11
d. Total separate account wraps	17.78%	38.40%	0.00%	100.00%	11	17.63%	38.61%	0.00%	100.00%	11
Separate account non participating	2.08%	1.68%	0.00%	14.70%	11	2.21%	1.84%	0.00%	16.21%	11
Separate account participating evergreen	11.09%	21.48%	0.00%	100.00%	11	10.49%	21.33%	0.00%	100.00%	11
Separate account participating managed to a fixed horizon	0.00%	0.00%	0.00%	0.00%	11	0.00%	0.00%	0.00%	0.00%	11
Separate account participating buy & hold	2.36%	8.89%	0.00%	97.80%	11	2.36%	8.92%	0.00%	98.10%	11
e. Total synthetic wraps	2.68%	5.25%	0.00%	39.31%	11	2.81%	5.45%	0.00%	39.91%	11
Wrapped assets managed to a fixed horizon	0.00%	0.00%	0.00%	0.00%	11	0.00%	0.00%	0.00%	0.00%	11
Wrapped evergreen	2.68%	5.25%	0.00%	39.31%	11	2.81%	5.45%	0.00%	39.91%	11
Wrapped buy & hold assets	0.00%	0.00%	0.00%	0.00%	11	0.00%	0.00%	0.00%	0.00%	11
f. Market-valued assets	0.00%	0.00%	0.00%	0.00%	11	0.00%	0.00%	0.00%	0.00%	11
g. Other	0.00%	0.00%	0.00%	0.00%	11	0.00%	0.00%	0.00%	0.00%	11
16. Risk participation (% of portfolio)										
a. Non-participating	18.69%	34.12%	0.00%	100.00%	12	18.62%	34.09%	0.00%	100.00%	12
b. Participating for asset experience only	1.72%	8.33%	0.00%	100.00%	12	1.72%	8.33%	0.00%	100.00%	12
c. Participating for asset and cash flow experience	41.99%	49.38%	0.00%	100.00%	12	41.82%	49.42%	0.00%	100.00%	12
d. Hybrid	0.00%	0.00%	0.00%	0.00%	12	0.00%	0.00%	0.00%	0.00%	12
e. Other	37.60%	8.17%	0.00%	98.01%	12	37.84%	8.16%	0.00%	97.92%	12

15. Stable Value Product Mix



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STABLE VALUE INVESTMENT ASSOCIATION

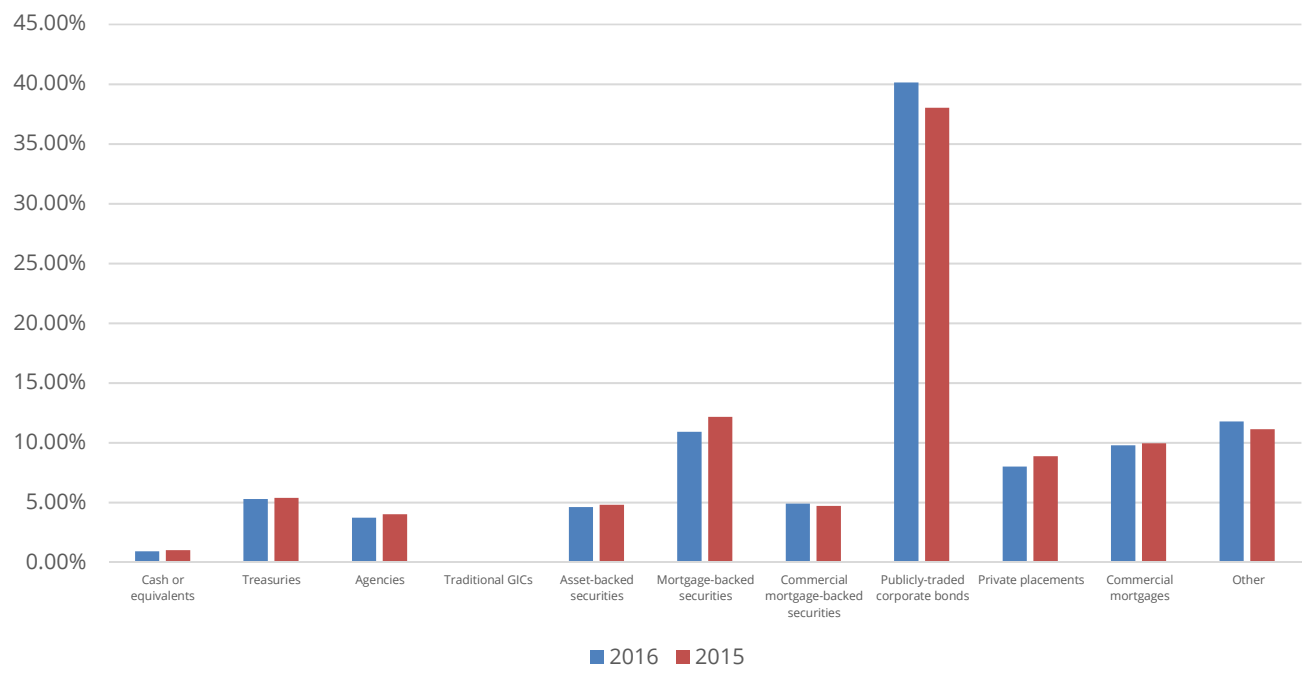
21ST ANNUAL INVESTMENT AND POLICY SURVEY

4. LIFE INSURANCE DIRECTLY SOLD

AUM (12/31/2016): $437,017.44 PLANS REPRESENTED: 94,440

	AS OF 12/31/2016					AS OF 12/31/2015				
	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#
17. Investment portfolio asset allocation										
a. Cash or equivalents	0.90%	1.29%	0.00%	2.89%	11	1.00%	1.17%	0.00%	3.22%	11
b. Treasuries	5.29%	6.89%	0.00%	28.92%	11	5.38%	6.79%	0.00%	24.87%	11
c. Agencies	3.71%	9.92%	0.00%	64.30%	11	4.02%	10.35%	0.00%	66.40%	11
d. Traditional GICs	0.00%	0.01%	0.00%	0.12%	11	0.00%	0.01%	0.00%	0.13%	11
e. Asset-backed securities	4.61%	6.75%	1.00%	20.00%	11	4.79%	6.14%	1.00%	12.00%	11
f. Mortgage-backed securities	10.92%	12.04%	1.80%	28.80%	11	12.16%	12.85%	2.00%	27.80%	11
g. Commercial mortgage-backed securities	4.89%	4.18%	0.00%	7.74%	11	4.71%	4.43%	0.00%	7.66%	11
h. Publicly-traded corporate bonds	40.15%	40.83%	22.20%	68.40%	11	38.02%	39.77%	18.50%	66.00%	11
i. Private placements	7.99%	4.87%	0.00%	17.06%	11	8.87%	5.33%	0.00%	19.00%	11
j. Commercial mortgages	9.77%	5.20%	0.00%	19.77%	11	9.94%	5.11%	0.00%	21.00%	11
k. Other	11.78%	8.01%	0.00%	37.00%	11	11.13%	8.05%	0.00%	40.00%	11
18. Investment types (% of portfolio)										
a. Dollar denominated developed market international securities (investment grade only)	12.30%	8.72%	0.00%	21.83%	7	11.99%	8.60%	0.00%	19.87%	7
b. Non dollar denominated developed market international securities (investment grade only)	0.66%	0.27%	0.00%	0.88%	6	0.75%	0.30%	0.00%	1.00%	6
c. High yield debt (excluding emerging market debt)	7.42%	7.94%	0.00%	42.00%	8	5.78%	3.08%	0.00%	7.85%	8
d. Local currency denominated emerging market debt	0.01%	0.00%	0.00%	0.01%	6	0.01%	0.00%	0.00%	0.02%	6
e. Dollar denominated emerging market debt	3.68%	5.98%	0.00%	25.00%	6	2.91%	2.35%	1.13%	3.23%	5

17. Investment Portfolio Asset Allocation



STABLE VALUE INVESTMENT ASSOCIATION

4. LIFE INSURANCE DIRECTLY SOLD

21ST ANNUAL INVESTMENT AND POLICY SURVEY

AUM (12/31/2016): $437,017.44 PLANS REPRESENTED: 94,440

	AS OF 12/31/2016					AS OF 12/31/2015				
	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#	WEIGHTED AVERAGE	AVERAGE	MIN	MAX	#
19. Use futures, swaps or derivatives for										
a. Portfolio duration or curve management	51.43%	66.67%			9	53.91%	70.00%			10
b. Individual security duration or curve management	89.90%	55.56%			9	90.32%	60.00%			10
c. Credit management	89.90%	55.56%			9	83.78%	50.00%			10
d. Synthetic creation of industry sectors	85.21%	33.33%			9	86.22%	40.00%			10
e. Leverage	8.50%	11.11%			9	7.62%	10.00%			10
f. Currency hedging	85.95%	44.44%			9	80.36%	40.00%			10
g. Other	0.73%	11.11%			9	0.70%	11.11%			9
20. Withdrawal protocol										
a. Pro-rata	16.16%	29.89%	0.00%	100.00%	11	16.04%	30.17%	0.00%	100.00%	11
b. Pro-rata with a buffer	7.34%	11.82%	0.00%	85.00%	11	7.26%	11.73%	0.00%	85.00%	11
c. LIFO	14.15%	26.91%	0.00%	100.00%	11	13.64%	25.73%	0.00%	100.00%	11
d. LIFO with a buffer	0.00%	0.00%	0.00%	0.00%	11	0.00%	0.00%	0.00%	0.00%	11
e. Tiered	0.09%	0.27%	0.00%	3.00%	11	0.09%	0.27%	0.00%	3.00%	11
f. Pro-rata by participant (class year)	54.05%	12.93%	0.00%	98.01%	11	54.83%	13.92%	0.00%	97.92%	11
g. Other	8.21%	18.18%	0.00%	100.00%	11	8.14%	18.18%	0.00%	100.00%	11

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STABLE VALUE INVESTMENT ASSOCIATION

21ST ANNUAL INVESTMENT AND POLICY SURVEY

SURVEY PARTICIPANTS

SVIA thanks the following firms for participating in the Stable Value Investment & Policy Survey.
Firms provided data for both 2016 and 2015 unless otherwise noted.

INDIVIDUAL

AllianceBernstein
Columbia Management
DuPont Capital Management
Fidelity Investments
Fiduciary Capital Management
GSAM Stable Value LLC
Galliard Capital Management
Invesco Advisers, Inc.
JPMorgan Asset Management
Morley Financial
PIMCO
Putnam Investments
Standish Mellon
T. Rowe Price
The Vanguard Group

POOL

Columbia Management
Federated Investors
FFTW
Fidelity Investments
GSAM Stable Value LLC
Galliard Capital Management
ICMA Retirement Corp
Invesco Advisers, Inc.
John Hancock
JPMorgan Asset Management
Morley Financial
New York Life
Putnam Investments
Standish Mellon
T. Rowe Price
The Vanguard Group

LIFE

Great-West
Lincoln Financial
MassMutual
MetLife
New York Life
OneAmerica
Principal
Prudential Financial
Securian
TIAA-CREF
Transamerica
Voya Financial

DISCLAIMER

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STABLE VALUE INVESTMENT ASSOCIATION

21ST ANNUAL INVESTMENT AND POLICY SURVEY

APPENDIX A

SEGMENT DEFINITIONS

MANAGER SEGMENT DEFINITIONS

Stable value investment options may be offered by investment managers, trust companies, or insurance companies in various structures, such as individually managed accounts, commingled funds or directly sold life insurance options (also known as guaranteed insurance accounts). Sometimes a stable value investment option will be managed by a plan sponsor. While stable value investment options may be managed or structured in a variety of ways, the important similarity is the use of stable value investment contracts, issued by banks, insurance companies, and other financial institutions, which convey to the investment option the ability to carry certain invested assets at book value.

While all stable value investment options are structured to maintain principal value and minimize return volatility, there may be differences in structure, levels of guarantees, as well as contractual features. The table below provides an overview and general characteristics of stable value product segments.

Individually Managed Accounts

Description
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.

Types of Stable Value Investment Contracts Used
These accounts may invest in a variety of stable value investment contracts including traditional GICs, separate account GICs , and synthetic GICs. The use of synthetic GICs is predominant in individually managed accounts.

Underlying/Associated Assets
For separate account GICs and synthetic GICs, associated assets typically consist of a diversified, investment grade fixed income portfolio, including but not limited to treasury, government, mortgage, and/or corporate securities of high average credit quality. For traditional GICs, the underlying assets are the same as for guaranteed insurance accounts (described below). The assets backing traditional GICs and separate account GICs are not plan assets, they are owned by the issuing insurance company. For synthetic GICs, associated assets are plan assets.

Crediting Rate Determination
As provided in each investment contract, the crediting rate may remain fixed for the term of the contract (such as with a traditional GIC) or may be reset at predetermined intervals (such as separate account GICs or synthetic GICs) to allow the contract to amortize differences between the book value of the contract and market value of the fixed income investments over time.

Plan Sponsor Contract Termination Rights
For separate account GICs and synthetic GICs, termination at market value is typically allowed at any time. If market value is less than book value, contract termination at book value typically occurs once market valuation equals the book value obligation after a wind-down period, typically over the duration of the bond portfolio. For contracts with a stated maturity (such as a traditional GIC) a surrender charge may be assessed if plan-initiated withdrawal or a termination is made prior to maturity.

Pooled Funds

Description
Also known as commingled investment trusts or CITs, a fund that is typically offered by a bank or trust company and combines the assets of unaffiliated plans into one large group. With respect to a stable value investment option that is a pooled fund, the fund would purchase stable value investment contracts and other investments on behalf of the invested, unaffiliated plans. The pooled fund may be offered on a bundled, full-service basis (wherein the manager's affiliates are providing additional services, such as record-keeping, to the invested plan) or an investment-only basis.

Types of Stable Value Investment Contracts Used
These accounts may invest in a variety of stable value investment contracts including traditional GICs, separate account GICs , and synthetic GICs. The use of synthetic GICs is predominant in commingled funds.

DISCLAIMER

This is meant to provide a general and broad description on stable value products, contracts, terms, and conditions and does not reference any specific stable value investment option or investment contract. Terms and conditions vary. Please refer to your specific contract(s) to learn the specific terms and conditions that may apply to your investments.

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MANAGER SEGMENT DEFINITIONS

Pooled Funds (cont.)

Underlying/Associated Assets
For separate account GICs and synthetic GICs, associated assets typically consist of a diversified, investment grade fixed income portfolio, including but not limited to treasury, government, mortgage, and/or corporate securities of high average credit quality. For traditional GICs, the underlying assets are the same as for guaranteed insurance accounts (described below). The assets backing traditional GICs and separate account GICs are not plan assets, they are owned by the issuing insurance company. For synthetic GICs, associated assets are trust assets.

Crediting Rate Determination
As provided in each of the trust's investment contracts, the crediting rate may remain fixed for the term of the contract (such as with a traditional GIC) or may be reset at predetermined intervals (such as separate account GICs or synthetic GICs) to allow the contract to amortize differences between the book value of the contract and market value of the fixed income investments over time.

Plan Sponsor Contract Termination Rights
Participating plans have termination rights detailed under the terms of the trust documents. The fund's trustee typically negotiates plan-initiated termination coverage with the fund's investment contract issuers at book value after a deferral period, often called a put option. Such deferral periods are typically 12-months (i.e., a "12-month put") or 24-months. During any deferral period participant-initiated withdrawals will continue to be made at book value.

Life Insurance Directly Sold

Description
Also known as guaranteed insurance accounts, a stable value investment option entirely offered and guaranteed by a single insurance company, with the underlying assets managed by the insurance company or an affiliated investment manager. These investment options are typically offered on a bundled, full-service basis.

Types of Stable Value Investment Contracts Used
Life insurance directly sold may be provided via a group annuity contract or a funding agreement that can be issued either from the insurer's general account or from an insurance company separate account.

Underlying/Associated Assets
Guaranteed insurance account group annuity contracts are usually issued from the insurance company's general account, which is the primary part of a life insurance company's balance sheet containing the assets, capital and surplus, and reserves for guaranteed liabilities. The typical investment profile of the general account includes investment grade and high yield fixed income, private placements, derivatives, equities, currencies, and real estate. Other group annuity contracts can be issued from insurance company separate accounts, in which case the investment is first supported by the assets in the segregated separate account and then, to the extent necessary, by the insurer's general account. For guaranteed insurance accounts, underlying assets are insurance company assets. The invested plan owns a group annuity contract, with the obligation to the contract-holder backed by the full financial strength and credit of the issuer. For separate accounts, the assets are owned by the insurance company but set aside for the exclusive benefit of the plan(s) in the separate account.

Crediting Rate Determination
As provided in the investment contract, the crediting rate may be reset at predetermined intervals but, particularly for general account contracts, may not be specifically based on the performance of identifiable underlying assets or it may be indexed. Insurance separate account contract crediting rates are typically reset to allow the contract to amortize differences between the book value of the contract and market value of the fixed income investments over time.

Plan Sponsor Contract Termination Rights
Participating plans have termination rights detailed under the terms of the investment contract. Plan-initiated withdrawals from some insurance company guaranteed insurance accounts may be subject to a deferral period (also known as a put option) to receive book value. Other contracts may offer a series of book value payments over a period of time or have no deferral period and instead offer a lesser of book or market payment option. With some contracts a surrender charge may be assessed. Insurance separate account contracts typically allow a plan-initiated withdrawal to occur at market value at any time; however, if market value is less than book value, contract termination at book value generally occurs once market valuation equals the book value obligation after a wind-down period (i.e., over the duration of the bond portfolio). During any deferral period participant-initiated withdrawals will continue to be made at book value.

DISCLAIMER

This is meant to provide a general and broad description on stable value products, contracts, terms, and conditions and does not reference any specific stable value investment option or investment contract. Terms and conditions vary. Please refer to your specific contract(s) to learn the specific terms and conditions that may apply to your investments.

SVIA MEMBER USE ONLY - NOT FOR DISTRIBUTION

STABLE VALUE INVESTMENT ASSOCIATION

4Q2016 STABLE VALUE QUARTERLY CHARACTERISTICS SURVEY

STABLE VALUE QUARTERLY CHARACTERISTICS SURVEY FOR 4Q2016

Data for the Stable Value Quarterly Characteristics Survey is provided by managers of their own firm's or client firms' stable value accounts. Survey respondents include both members of the SVIA and non-member firms. All stable value (SV) accounts surveyed are in deferred retirement savings plans, some 529 plans and a few defined benefit retirement plans.

MANAGER SEGMENTS

Individually managed accounts (INDV)

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.

Pooled funds (POOL)

Also known as commingled investment trusts or CITs, a fund, that is typically offered by a bank or trust company and combines the assets of unaffiliated plans into one large group. 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. The commingled fund may be offered on a bundled, full-service basis (wherein the manager's affiliates are providing additional services, such as record-keeping, to the invested plan) or an investment-only basis.

Life insurance directly sold (LIFE)

Also known as guaranteed insurance accounts, a stable value investment option entirely offered and guaranteed by a single insurance company, with the underlying assets managed by the insurance company or an affiliated investment manager. These investment options are typically offered on a bundled, full-service basis.

Please refer to Appendix B for full segment definitions.

DATA FORMATTING

The survey is formatted to facilitate interpretation of the data being reported while maintaining confidentiality of individual firm responses. For each data item, the survey reports the dollar-weighted average of the responses received, a straight or unweighted average of the responses, the range of responses from low to high, as well as the top and bottom quartile. Participation is indicated for each data point in the form of percentage of assets responding. Data points with 3 responses do not include the minimum or maximum, and those with 2 or fewer are not included at all.

EXCLUSIVE USE

SVIA's Quarterly Characteristics Survey is an exclusive benefit of membership. Data is confidential. Use of data for external purposes requires the permission of the association.

RESPONSES

SVIA members are cautioned to look at response rates on a question-by-question basis when making market segment or period to period comparisons. In some cases, changes may represent a change in participation rather than a change in investment or a policy trend.

DISCLAIMER

The observations and data contained in this report or survey are intended to be illustrative in nature to give an overview of the stable value industry, as well as to provide relative trend information. These observations and data are reflective of the reporting or survey period only and, as such, are subject to change. This information may not be reflective or applicable to a specific plan's stable value investment option or a specific stable value fund. Further, these observations and data are not intended to constitute nor represent a benchmark. SVIA surveys are an exclusive benefit of membership. Data is confidential. Use of data for external purposes requires the express permission of the association.

STABLE VALUE INVESTMENT ASSOCIATION

4Q2016 STABLE VALUE QUARTERLY CHARACTERISTICS SURVEY

ASSETS UNDER MANAGEMENT

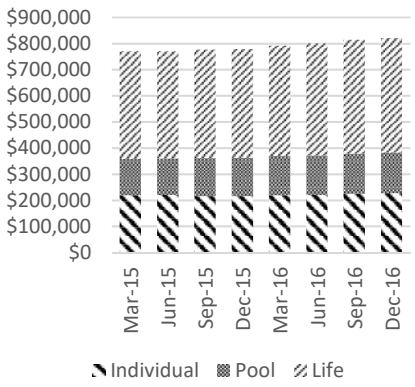
The SVIA Stable Value Quarterly Characteristics Survey assets under management figure is the most comprehensive representation of the size of the stable value industry available.

Assets listed are in millions of dollars.

4Q2016 SUMMARY

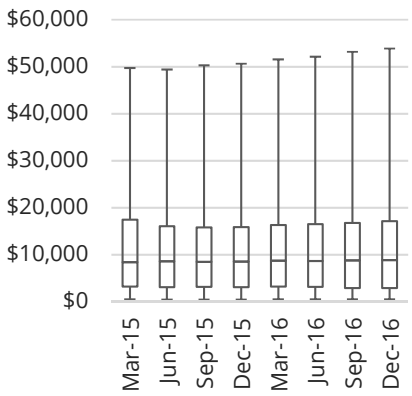
- Represents more than 12% of the $6.5 trillion reported by ICI as the total US defined contribution assets (as of 3Q2016)
- Increase in assets under all segments
- No change in reporting from previous quarter (same companies/funds)

ALL SEGMENTS

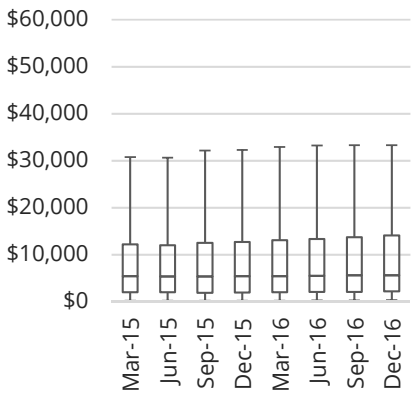


	4Q2016	3Q2016
ALL SEGMENTS		
Total	$820,738	$814,900
Minimum	$318	$294
Bottom Quartile	$3,153	$3,028
Median	$9,146	$9,511
Top Quartile	$18,319	$18,024
Maximum	$163,806	$162,415
INDIVIDUAL		
Total	$227,367	$224,808
POOL		
Total	$155,569	$153,832
LIFE		
Total	$437,803	$436,259

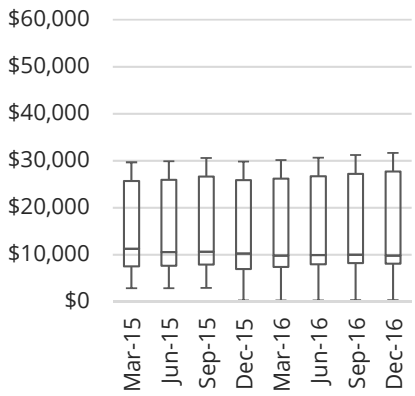
INDIVIDUAL



POOL



LIFE*



*Removed two responses over $100 million for display purposes

PREVIOUS ASSETS UNDER MANAGEMENT DATA

	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14
Total	$820,738	$814,900	$801,051	$791,368	$779,410	$777,317	$770,501	$769,602	$404,212	$423,118
Average	$18,239	$18,109	$17,801	$17,586	$17,320	$17,666	$17,919	$17,898	$18,373	$19,233
Minimum	$318	$294	$263	$239	$215	$214	$213	$210	$927	$1,127
Bottom Quartile	$3,153	$3,028	$3,108	$3,087	$2,863	$3,365	$3,864	$3,773	$3,637	$3,532
Median	$9,146	$9,511	$9,203	$8,985	$8,791	$8,834	$9,962	$10,461	$13,365	$13,838
Top Quartile	$18,319	$18,024	$17,823	$17,421	$17,309	$17,455	$17,121	$17,109	$22,963	$26,790
Maximum	$163,806	$162,415	$160,855	$158,867	$157,513	$156,531	$155,799	$154,188	$75,214	$77,497

Note: Survey participation changed significantly as of the first quarter of 2015. Prior data is provided for reference.

STABLE VALUE INVESTMENT ASSOCIATION

4Q2016 STABLE VALUE QUARTERLY CHARACTERISTICS SURVEY

ANNUALIZED CREDITING RATE

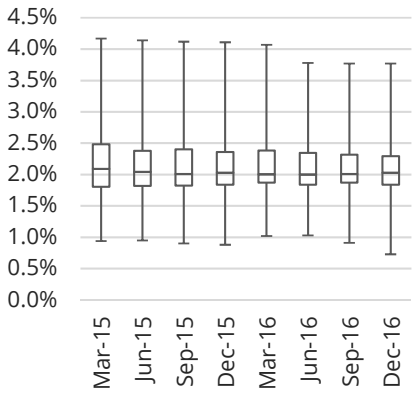
The SVIA Stable Value Quarterly Characteristics Survey crediting rate is the weighted average contract yields as of the report date, gross of stable value management and distribution fees and net of contract (including wrap) fees.

Data shown represents past performance and is not a guarantee of future results.

4Q2016 SUMMARY

- Crediting rate averaged 2.14% overall for 4Q2016, significantly higher than the 0.21% for money market funds as reported by the iMoneyNet MFR Money Funds Index
- Relatively constantly crediting rate across all segments
- Life averages the highest crediting rate, followed by individual, and then pool

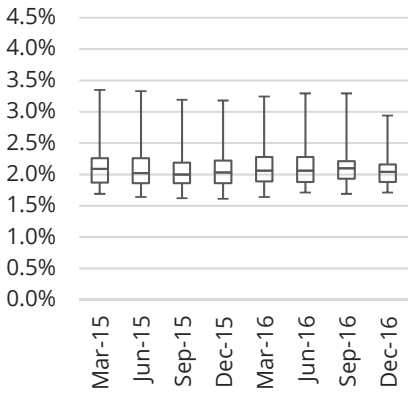
ALL SEGMENTS



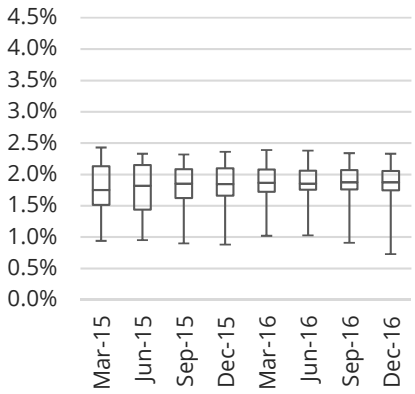
	4Q2016	3Q2016
ALL SEGMENTS	**95%**	**95%**
Average	2.14%	2.16%
Minimum	0.73%	0.91%
Bottom Quartile	1.84%	1.87%
Median	2.03%	2.01%
Top Quartile	2.29%	2.32%
Maximum	3.77%	3.77%
INDIVIDUAL	**100%**	**100%**
Average	2.13%	2.17%
POOL	**100%**	**100%**
Average	1.83%	1.84%
LIFE	**91%**	**91%**
Average	2.58%	2.58%

Black bars indicate % of AUM responding.

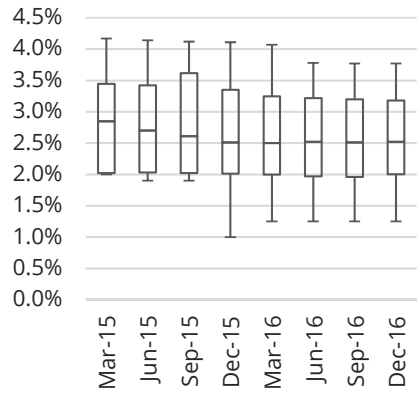
INDIVIDUAL



POOL



LIFE



PREVIOUS CREDITING RATE DATA

	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14
Weighted Average	2.48%	2.50%	2.50%	2.50%	2.55%	2.54%	2.52%	2.50%	2.04%	1.98%
Average	2.14%	2.16%	2.15%	2.17%	2.16%	2.19%	2.20%	2.22%	2.05%	1.98%
Minimum	0.73%	0.91%	1.03%	1.02%	0.88%	0.90%	0.95%	0.94%	0.88%	0.81%
Bottom Quartile	1.84%	1.87%	1.84%	1.87%	1.84%	1.83%	1.82%	1.81%	1.78%	1.75%
Median	2.03%	2.01%	2.00%	2.00%	2.03%	2.01%	2.04%	2.09%	2.10%	2.08%
Top Quartile	2.29%	2.32%	2.35%	2.39%	2.36%	2.41%	2.38%	2.48%	2.43%	2.29%
Maximum	3.77%	3.77%	3.78%	4.07%	4.11%	4.12%	4.14%	4.17%	3.18%	2.73%

Note: Survey participation changed significantly as of the first quarter of 2015. Prior data is provided for reference.

STABLE VALUE INVESTMENT ASSOCIATION

4Q2016 STABLE VALUE QUARTERLY CHARACTERISTICS SURVEY

DURATION

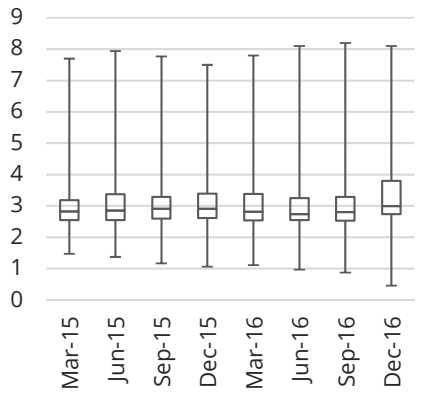
Duration is a measure of the price sensitivity of a financial instrument or investment portfolio due to changes in interest rates, expressed in years, and calculated as the time-weighted present value of cash flows.

All durations listed are in years.

4Q2016 SUMMARY

- Average duration for 4Q2016 is 3.39 years with a minimum of 0.45 years and a maximum of 8.1
- Duration has increased slightly across all segments
- Individual and pool durations are very similar among respondents with few outliers
- The life segment has the widest distribution in reported durations

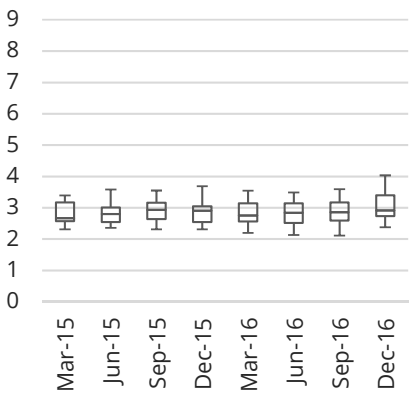
ALL SEGMENTS



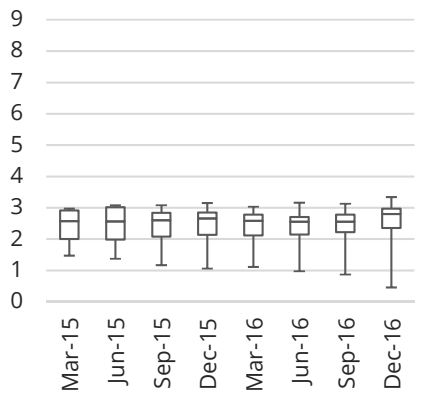
	4Q2016	3Q2016
ALL SEGMENTS	**91%**	**92%**
Average	3.39	3.22
Minimum	0.45	0.87
Bottom Quartile	2.74	2.53
Median	2.99	2.81
Top Quartile	3.80	3.29
Maximum	8.10	8.20
INDIVIDUAL	**100%**	**100%**
Average	3.03	2.86
POOL	**100%**	**100%**
Average	2.61	2.46
LIFE	**84%**	**84%**
Average	5.14	4.96

Black bars indicate % of AUM responding.

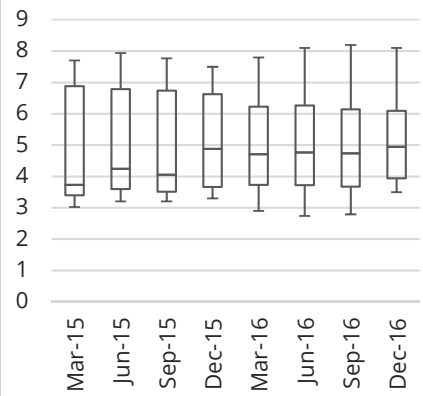
INDIVIDUAL



POOL



LIFE



PREVIOUS DURATION DATA

	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14
Weighted Average	3.98	3.85	3.81	3.75	4.11	4.18	4.21	4.10	2.92	3.01
Average	3.39	3.22	3.20	3.20	3.30	3.20	3.22	3.15	2.84	2.92
Minimum	0.45	0.87	0.97	1.11	1.06	1.17	1.37	1.47	1.35	1.27
Bottom Quartile	2.74	2.53	2.54	2.54	2.62	2.59	2.55	2.55	2.52	2.60
Median	2.99	2.81	2.74	2.82	2.91	2.91	2.85	2.82	2.89	2.93
Top Quartile	3.80	3.29	3.25	3.38	3.39	3.28	3.37	3.18	3.17	3.24
Maximum	8.10	8.20	8.10	7.80	7.50	7.77	7.94	7.70	4.05	4.23

Note: Survey participation changed significantly as of the first quarter of 2015. Prior data is provided for reference.

STABLE VALUE INVESTMENT ASSOCIATION

4Q2016 STABLE VALUE QUARTERLY CHARACTERISTICS SURVEY

CREDIT QUALITY

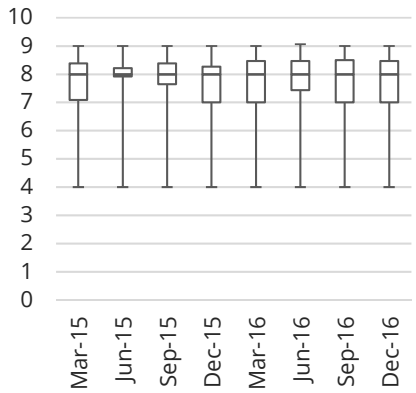
The weighted average credit quality of underlying assets. Credit quality is a measure of the financial soundness of an institution indicating its ability to honor its financial obligations, as assessed by independent agencies. Quality ratings are assigned on banks, insurance companies, and other entities based on a number of criteria.

Scale: 10 = AAA 9 = AA+ 8 = AA 7 = AA- 6 = A+ 5 = A 4 = A- 3 = BBB+ 2 = BBB 1 = BBB- 0 = BB+

4Q2016 SUMMARY

- Credit quality has decreased slightly for the individual and life segments and remained the same for the pool segment.
- Stable value credit quality averages AA- or better across all segments
- Individually managed funds have the highest credit quality with an average of AA or better and no respondents reporting below AA-

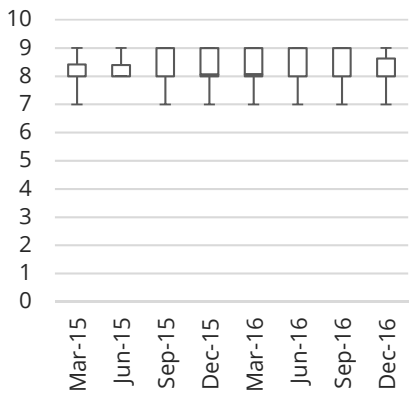
ALL SEGMENTS



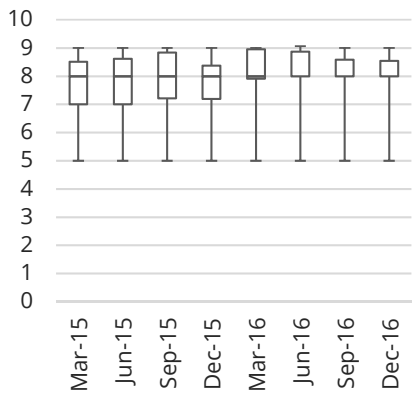
	4Q2016	3Q2016
ALL SEGMENTS	**93%**	**93%**
Average	7.69	7.74
Minimum	4.00	4.00
Bottom Quartile	7.00	7.00
Median	8.00	8.00
Top Quartile	8.48	8.50
Maximum	9.00	9.00
INDIVIDUAL	**100%**	**100%**
Average	8.14	8.21
POOL	**100%**	**100%**
Average	8.00	8.00
LIFE	**86%**	**86%**
Average	6.68	6.78

Black bars indicate % of AUM responding.

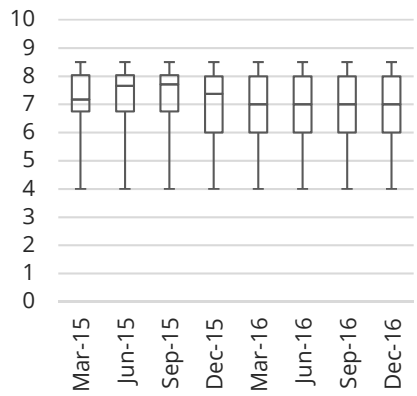
INDIVIDUAL



POOL



LIFE



PREVIOUS CREDIT QUALITY DATA

	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14
Weighted Average	7.85	8.02	8.04	8.05	7.96	8.04	8.04	8.01	8.24	8.08
Average	7.69	7.74	7.80	7.79	7.73	7.85	7.83	7.79	7.88	7.81
Minimum	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00	5.00
Bottom Quartile	7.00	7.00	7.44	7.00	7.00	7.65	7.93	7.09	7.44	7.50
Median	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Top Quartile	8.48	8.50	8.48	8.48	8.27	8.39	8.22	8.39	8.25	8.00
Maximum	9.00	9.00	9.07	9.00	9.00	9.00	9.00	9.00	9.00	9.00

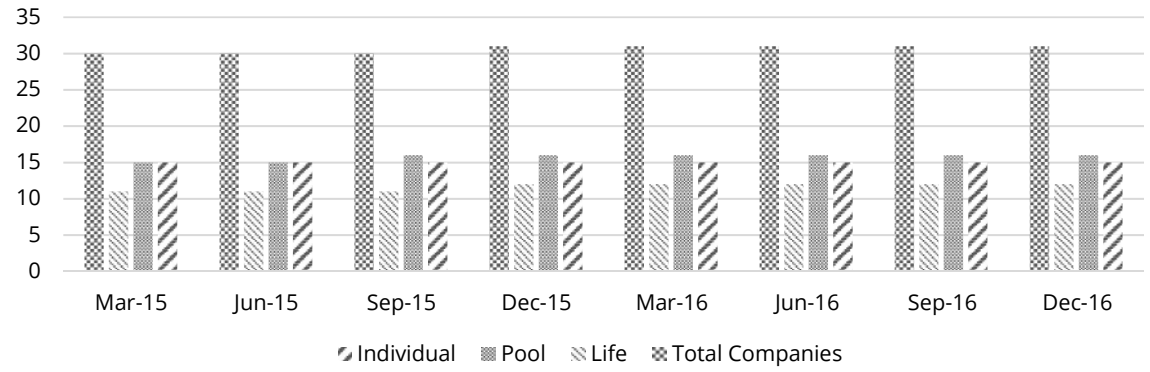
Note: Survey participation changed significantly as of the first quarter of 2015. Prior data is provided for reference.

STABLE VALUE INVESTMENT ASSOCIATION

4Q2016 STABLE VALUE QUARTERLY CHARACTERISTICS SURVEY

SVIA thanks the following firms for participating in the Stable Value Quarterly Characteristics Survey.

INDIVIDUAL	POOL	LIFE
AllianceBernstein	Columbia Management	Great-West
Columbia Management	Federated Investors	Lincoln Financial
DuPont Capital Management	FFTW	MassMutual
Fidelity Investments	Fidelity Investments	MetLife
Fiduciary Capital Management	GSAM Stable Value LLC	New York Life
GSAM Stable Value LLC	Galliard Capital Management	OneAmerica
Galliard Capital Management	ICMA Retirement Corp	Principal
Invesco Advisers, Inc.	Invesco Advisers, Inc.	Prudential Financial
JPMorgan Asset Management	John Hancock	Securian
Morley Financial	JPMorgan Asset Management	TIAA-CREF
PIMCO	Morley Financial	Transamerica
Putnam Investments	New York Life	Voya Financial
Standish Mellon	Putnam Investments	
T. Rowe Price	Standish Mellon	
The Vanguard Group	T. Rowe Price	
	The Vanguard Group	



PARTICIPATION BY QUARTER

	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15
Individual	15	15	15	15	15	15	15	15
Pool	16	16	16	16	16	16	15	15
Life	12	12	12	12	12	11	11	11
Total Companies	31	31	31	31	31	30	30	30

Note: Some companies participate in multiple segments, see company list above for details.

DISCLAIMER

The observations and data contained in this report or survey are intended to be illustrative in nature to give an overview of the stable value industry, as well as to provide relative trend information. These observations and data are reflective of the reporting or survey period only and, as such, are subject to change. This information may not be reflective or applicable to a specific plan's stable value investment option or a specific stable value fund. Further, these observations and data are not intended to constitute nor represent a benchmark. SVIA surveys are an exclusive benefit of membership. Data is confidential. Use of data for external purposes requires the express permission of the association.

STABLE VALUE INVESTMENT ASSOCIATION

4Q2016 STABLE VALUE QUARTERLY CHARACTERISTICS SURVEY

APPENDIX A

PAST DATA

ALL SEGMENTS

	4Q2016	3Q2016	2Q2016	1Q2016	4Q2015	3Q2015	2Q2015	1Q2015	4Q2014	3Q2014	2Q2014	1Q2014	4Q2013	3Q2013	2Q2013	1Q2013	4Q2012	3Q2012	2Q2012	1Q2012	4Q2011	3Q2011	2Q2011	1Q2011	4Q2010	3Q2010	2Q2010	1Q2010	4Q2009	3Q2009	2Q2009	1Q2009	4Q2008
AUM	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Total	$820,738	$814,900	$801,051	$791,368	$779,410	$777,317	$770,501	$769,602	$404,212	$423,118	$452,081	$451,891	$455,541	$458,883	$453,489	$452,420	$457,549	$445,420	$440,672	$441,150	$439,962	$435,255	$422,250	$434,175	$443,612	$437,315	$436,838	$438,854	$423,469	$387,743	$355,614	$358,490	$346,843
Average	$18,239	$18,109	$17,801	$17,586	$17,320	$17,666	$17,919	$17,898	$18,373	$19,233	$20,549	$19,647	$19,806	$19,951	$19,717	$19,670	$19,893	$19,366	$18,361	$17,710	$18,331	$17,410	$16,194	$17,367	$17,744	$17,492	$18,201	$16,879	$18,411	$14,913	$19,418	$19,451	$18,915
Min	$318	$294	$263	$239	$215	$214	$213	$210	$927	$1,127	$1,310	$1,354	$1,430	$1,464	$1,465	$1,504	$1,560	$1,704	$328.03	$369.18	$391.82	$527.09	$522.23	$507.39	$499.00	$500.00	$484.40	$475.62	$471.84	$468.73	$426.60	$430.00	$438.40
LQ	$3,153	$3,028	$3,108	$3,087	$2,863	$3,365	$3,864	$3,773	$3,637	$3,532	$3,479	$3,500	$3,590	$3,534	$3,523	$3,518																	
Median	$9,146	$9,511	$9,203	$8,985	$8,791	$8,834	$9,962	$10,461	$13,365	$13,838	$14,110	$11,799	$16,972	$17,347	$17,444	$17,343	$17,563	$16,884	$13,477	$10,250	$11,935	$10,342	$9,563	$9,626	$13,081	$13,400	$14,700	$11,514	$15,571	$10,730	$12,810	$13,172	$13,582
UQ	$18,319	$18,024	$17,823	$17,421	$17,309	$17,455	$17,121	$17,109	$22,963	$26,790	$33,520	$30,930	$30,494	$31,033	$30,401	$30,879																	
Max	$163,806	$162,415	$160,855	$158,867	$157,513	$156,531	$155,799	$154,188	$75,214	$77,497	$79,701	$78,831	$78,246	$78,119	$76,495	$76,562	$77,229	$75,161	$73,695	$72,125	$70,708	$68,395	$64,415	$62,492	$60,093	$53,850	$54,531	$52,848	$56,000	$56,008	$56,904	$58,172	$56,838
CR	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Weighted Average	2.48%	2.50%	2.50%	2.50%	2.55%	2.54%	2.52%	2.50%	2.04%	1.98%	1.96%	1.91%	1.98%	2.08%	2.28%	2.40%	2.48%	2.64%	2.66%	2.73%	2.86%	2.99%	3.01%	3.04%	3.26%	3.11%	3.25%	3.24%	3.35%	3.52%	3.15%	3.38%	4.05%
Average	2.14%	2.16%	2.15%	2.17%	2.16%	2.19%	2.20%	2.22%	2.05%	1.98%	1.93%	1.93%	1.98%	2.07%	2.31%	2.40%	2.49%	2.65%	2.73%	2.75%	2.90%	2.98%	3.04%	3.08%	3.31%	3.14%	3.38%	3.32%	3.44%	3.43%	3.22%	3.52%	4.15%
Min	0.73%	0.91%	1.03%	1.02%	0.88%	0.90%	0.95%	0.94%	0.88%	0.81%	0.81%	0.86%	1.02%	1.12%	1.17%	1.15%	1.22%	1.33%	1.48%	1.42%	1.81%	1.35%	1.46%	1.52%	1.82%	1.88%	1.86%	1.80%	1.76%	2.07%	1.33%	1.60%	1.70%
LQ	1.84%	1.87%	1.84%	1.87%	1.84%	1.83%	1.82%	1.81%	1.78%	1.75%	1.62%	1.68%	1.79%	1.81%	2.08%	2.12%																	
Median	2.03%	2.01%	2.00%	2.00%	2.03%	2.01%	2.04%	2.09%	2.10%	2.08%	2.01%	1.95%	2.05%	2.17%	2.40%	2.40%	2.50%	2.70%	2.78%	2.82%	2.99%	3.06%	3.07%	3.18%	3.34%	3.19%	3.29%	3.37%	3.59%	3.62%	3.44%	3.61%	4.15%
UQ	2.29%	2.32%	2.35%	2.39%	2.36%	2.41%	2.38%	2.48%	2.43%	2.29%	2.23%	2.31%	2.33%	2.39%	2.63%	2.77%																	
Max	3.77%	3.77%	3.78%	4.07%	4.11%	4.12%	4.14%	4.17%	3.18%	2.73%	2.96%	2.98%	2.99%	3.45%	3.70%	3.97%	4.25%	4.25%	4.20%	4.05%	4.31%	4.66%	4.92%	4.78%	5.04%	4.53%	4.80%	4.53%	5.47%	4.99%	4.62%	4.95%	5.71%
% AUM Responded	94.96%	95.03%	95.03%	95.09%	94.96%	95.19%	95.32%	95.40%																									
Dur	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Weighted Average	3.98	3.85	3.81	3.75	4.11	4.18	4.21	4.10	2.92	3.01	2.94	2.95	2.96	2.97	3.03	2.95	2.81	2.70	2.74	2.83	2.74	2.76	2.84	2.82	3.00	2.84	2.80	2.88	2.89	2.83	2.81	2.62	2.75
Average	3.39	3.22	3.20	3.20	3.30	3.20	3.22	3.15	2.84	2.92	2.87	2.91	2.90	2.93	2.97	2.90	2.73	2.63	2.74	2.81	2.67	2.70	2.82	2.86	2.91	2.74	2.73	2.83	2.86	2.78	2.93	2.76	2.84
Min	0.45	0.87	0.97	1.11	1.06	1.17	1.37	1.47	1.35	1.27	1.13	1.33	1.40	1.55	1.49	1.42	1.32	1.30	1.49	1.65	1.35	1.38	1.61	1.44	1.87	1.71	1.72	1.61	1.76	1.95	1.79	1.95	2.21
LQ	2.74	2.53	2.54	2.54	2.62	2.59	2.55	2.55	2.52	2.60	2.57	2.52	2.57	2.57	2.47	2.50																	
Median	2.99	2.81	2.74	2.82	2.91	2.91	2.85	2.82	2.89	2.93	2.89	2.87	2.83	2.80	2.89	2.93	2.88	2.74	2.71	2.80	2.70	2.65	2.81	2.87	2.84	2.72	2.63	2.81	2.93	2.81	2.79	2.54	2.65
UQ	3.80	3.29	3.25	3.38	3.39	3.28	3.37	3.18	3.17	3.24	3.13	3.25	3.25	3.23	3.33	3.22																	
Max	8.10	8.20	8.10	7.80	7.50	7.77	7.94	7.70	4.05	4.23	4.19	4.36	4.35	4.46	4.51	4.28	4.01	3.63	4.32	4.28	3.85	4.23	4.31	4.17	4.26	4.00	3.97	3.97	3.87	3.90	4.15	3.90	3.93
% AUM Responded	91.48%	91.55%	91.55%	91.52%	91.48%	91.61%	91.78%	91.87%																									
CQ	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Weighted Average	7.85	8.02	8.04	8.05	7.96	8.04	8.04	8.01	8.24	8.08	8.31	8.32	8.39	8.28	8.24	8.55	8.14	8.08	8.48	8.47	8.13	8.09	8.69	8.67	8.47	8.51	8.51	8.64	8.74	8.87	8.82	8.87	8.96
Average	7.69	7.74	7.80	7.79	7.73	7.85	7.83	7.79	7.88	7.81	7.80	7.86	7.95	8.00	8.00	8.14	8.05	8.05	8.29	8.23	8.33	8.23	8.64	8.70	8.57	8.63	8.57	8.75	8.86	8.76	8.72	8.76	8.80
Min	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	8.00
LQ	7.00	7.00	7.44	7.00	7.00	7.65	7.93	7.09	7.44	7.50	8.00	8.00	8.00	8.00	8.00	8.00																	
Median	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
UQ	8.48	8.50	8.48	8.48	8.27	8.39	8.22	8.39	8.25	8.00	8.00	8.00	8.50	8.00	8.00	9.00																	
Max	9.00	9.00	9.07	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
% AUM Responded	92.58%	92.65%	92.65%	92.63%	92.58%	92.90%	93.07%	93.17%																									

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AGENDA

STABLE VALUE INVESTMENT ASSOCIATION

4Q2016 STABLE VALUE QUARTERLY CHARACTERISTICS SURVEY

APPENDIX A

PAST DATA

INDIVIDUAL

	4Q2016	3Q2016	2Q2016	1Q2016	4Q2015	3Q2015	2Q2015	1Q2015	4Q2014	3Q2014	2Q2014	1Q2014	4Q2013	3Q2013	2Q2013	1Q2013	4Q2012	3Q2012	2Q2012	1Q2012	4Q2011	3Q2011	2Q2011	1Q2011	4Q2010	3Q2010	2Q2010	1Q2010	4Q2009	3Q2009	2Q2009	1Q2009	4Q2008
AUM	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Total	$227,367	$224,808	$220,458	$218,829	$216,041	$215,247	$220,459	$218,389	$404,212	$423,118	$452,081	$451,891	$455,541	$458,883	$453,489	$452,420	$457,549	$445,420	$440,672	$441,150	$439,962	$435,255	$422,250	$434,175	$443,612	$437,315	$436,838	$438,854	$423,469	$387,743	$355,614	$358,490	$346,843
Average	$15,158	$14,987	$14,697	$14,589	$14,403	$14,350	$14,697	$14,559	$18,373	$19,233	$20,549	$19,647	$19,806	$19,951	$19,717	$19,670	$19,893	$19,366	$18,361	$17,710	$18,331	$17,410	$16,194	$17,367	$17,744	$17,492	$18,201	$16,879	$18,411	$14,913	$19,418	$19,451	$18,915
Min	$505	$504	$500	$508	$486	$489	$486	$495	$927	$1,127	$1,310	$1,354	$1,430	$1,464	$1,465	$1,504	$1,560	$1,704	$328.03	$369.18	$391.82	$527.09	$522.23	$507.39	$499.00	$500.00	$484.40	$475.62	$471.84	$468.73	$426.60	$430.00	$438.40
LQ	$2,883	$2,921	$3,179	$3,199	$3,118	$3,144	$3,110	$3,217	$3,637	$3,532	$3,479	$3,500	$3,590	$3,534	$3,523	$3,518																	
Median	$8,864	$8,783	$8,669	$8,715	$8,530	$8,489	$8,582	$8,426	$13,365	$13,838	$14,110	$11,799	$16,972	$17,347	$17,444	$17,343	$17,563	$16,884	$13,477	$10,250	$11,935	$10,342	$9,563	$9,626	$13,081	$13,400	$14,700	$11,514	$15,571	$10,730	$12,810	$13,172	$13,582
UQ	$17,168	$16,740	$16,495	$16,297	$15,877	$15,826	$16,079	$17,462	$22,963	$26,790	$33,520	$30,930	$30,494	$31,033	$30,401	$30,879																	
Max	$53,898	$53,172	$52,137	$51,575	$50,653	$50,309	$49,430	$49,747	$75,214	$77,497	$79,701	$78,831	$78,246	$78,119	$76,495	$76,562	$77,229	$75,161	$73,695	$72,125	$70,708	$68,395	$64,415	$62,492	$60,093	$53,850	$54,531	$52,848	$56,000	$56,008	$56,904	$58,172	$56,838
CR	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Weighted Average	2.11%	2.16%	2.15%	2.13%	2.12%	2.11%	2.15%	2.16%	2.04%	1.98%	1.96%	1.91%	1.98%	2.08%	2.28%	2.40%	2.48%	2.64%	2.66%	2.73%	2.86%	2.99%	3.01%	3.04%	3.26%	3.11%	3.25%	3.24%	3.35%	3.52%	3.15%	3.38%	4.05%
Average	2.13%	2.17%	2.14%	2.14%	2.12%	2.12%	2.14%	2.17%	2.05%	1.98%	1.93%	1.93%	1.98%	2.07%	2.31%	2.40%	2.49%	2.65%	2.73%	2.75%	2.90%	2.98%	3.04%	3.08%	3.31%	3.14%	3.38%	3.32%	3.44%	3.43%	3.22%	3.52%	4.15%
Min	1.71%	1.69%	1.71%	1.64%	1.61%	1.62%	1.64%	1.69%	0.88%	0.81%	0.81%	0.86%	1.02%	1.12%	1.17%	1.15%	1.22%	1.33%	1.48%	1.42%	1.81%	1.35%	1.46%	1.52%	1.82%	1.88%	1.86%	1.80%	1.76%	2.07%	1.33%	1.60%	1.70%
LQ	1.88%	1.93%	1.88%	1.89%	1.86%	1.86%	1.86%	1.87%	1.78%	1.75%	1.62%	1.68%	1.79%	1.81%	2.08%	2.12%																	
Median	2.04%	2.10%	2.06%	2.06%	2.03%	2.00%	2.02%	2.09%	2.10%	2.08%	2.01%	1.95%	2.05%	2.17%	2.40%	2.40%	2.50%	2.70%	2.78%	2.82%	2.99%	3.06%	3.07%	3.18%	3.34%	3.19%	3.29%	3.37%	3.59%	3.62%	3.44%	3.61%	4.15%
UQ	2.16%	2.21%	2.28%	2.28%	2.22%	2.19%	2.26%	2.26%	2.43%	2.29%	2.23%	2.31%	2.33%	2.39%	2.63%	2.77%																	
Max	2.94%	3.29%	3.29%	3.24%	3.18%	3.19%	3.33%	3.35%	3.18%	2.73%	2.96%	2.98%	2.99%	3.45%	3.70%	3.97%	4.25%	4.25%	4.20%	4.05%	4.31%	4.66%	4.92%	4.78%	5.04%	4.53%	4.80%	4.53%	5.47%	4.99%	4.62%	4.95%	5.71%
% AUM Responded	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%																									
Dur	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Weighted Average	3.14	2.97	2.93	2.91	2.98	2.93	2.86	2.85	2.92	3.01	2.94	2.95	2.96	2.97	3.03	2.95	2.81	2.70	2.74	2.83	2.74	2.76	2.84	2.82	3.00	2.84	2.80	2.88	2.89	2.83	2.81	2.62	2.75
Average	3.03	2.86	2.81	2.83	2.88	2.89	2.84	2.79	2.84	2.92	2.87	2.91	2.90	2.93	2.97	2.90	2.73	2.63	2.74	2.81	2.67	2.70	2.82	2.86	2.91	2.74	2.73	2.83	2.86	2.78	2.93	2.76	2.84
Min	2.38	2.11	2.13	2.20	2.31	2.31	2.36	2.31	1.35	1.27	1.13	1.33	1.40	1.55	1.49	1.42	1.32	1.30	1.49	1.65	1.35	1.38	1.61	1.44	1.87	1.71	1.72	1.61	1.76	1.95	1.79	1.95	2.21
LQ	2.73	2.59	2.52	2.57	2.55	2.64	2.54	2.57	2.52	2.60	2.57	2.52	2.57	2.57	2.47	2.50																	
Median	2.92	2.86	2.84	2.75	2.91	2.93	2.80	2.67	2.89	2.93	2.89	2.87	2.83	2.80	2.89	2.93	2.88	2.74	2.71	2.80	2.70	2.65	2.81	2.87	2.84	2.72	2.63	2.81	2.93	2.81	2.79	2.54	2.65
UQ	3.40	3.17	3.14	3.15	3.05	3.16	3.01	3.17	3.17	3.24	3.13	3.25	3.25	3.23	3.33	3.22																	
Max	4.03	3.59	3.49	3.54	3.69	3.55	3.58	3.39	4.05	4.23	4.19	4.36	4.35	4.46	4.51	4.28	4.01	3.63	4.32	4.28	3.85	4.23	4.31	4.17	4.26	4.00	3.97	3.97	3.87	3.90	4.15	3.90	3.93
% AUM Responded	99.72%	99.70%	99.70%	99.41%	99.72%	100.00%	100.00%	100.00%																									
CQ	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Weighted Average	8.45	8.46	8.45	8.45	8.44	8.47	8.44	8.41	8.24	8.08	8.31	8.32	8.39	8.28	8.24	8.55	8.14	8.08	8.48	8.47	8.13	8.09	8.69	8.67	8.47	8.51	8.51	8.64	8.74	8.87	8.82	8.87	8.96
Average	8.14	8.21	8.19	8.21	8.19	8.25	8.25	8.21	7.88	7.81	7.80	7.86	7.95	8.00	8.00	8.14	8.05	8.05	8.29	8.23	8.33	8.23	8.64	8.70	8.57	8.63	8.57	8.75	8.86	8.76	8.72	8.76	8.80
Min	7.00	7.00	7.00	7.00	7.00	7.00	8.00	7.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	8.00
LQ	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	7.44	7.50	8.00	8.00	8.00	8.00	8.00	8.00																	
Median	8.00	8.00	8.00	8.07	8.06	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
UQ	8.63	9.00	9.00	9.00	9.00	9.00	8.40	8.42	8.25	8.00	8.00	8.00	8.50	8.00	8.00	9.00																	
Max	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
% AUM Responded	99.72%	99.70%	99.70%	99.41%	99.72%	100.00%	100.00%	100.00%																									

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AGENDA

STABLE VALUE INVESTMENT ASSOCIATION

4Q2016 STABLE VALUE QUARTERLY CHARACTERISTICS SURVEY

APPENDIX A

PAST DATA

POOLED

	4Q2016	3Q2016	2Q2016	1Q2016	4Q2015	3Q2015	2Q2015	1Q2015	4Q2014	3Q2014	2Q2014	1Q2014	4Q2013	3Q2013	2Q2013	1Q2013	4Q2012	3Q2012	2Q2012	1Q2012	4Q2011	3Q2011	2Q2011	1Q2011	4Q2010	3Q2010	2Q2010	1Q2010	4Q2009	3Q2009	2Q2009	1Q2009	4Q2008
AUM	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Total	$155,569	$153,832	$151,310	$149,918	$146,504	$145,813	$139,349	$139,630	$404,212	$423,118	$452,081	$451,891	$455,541	$458,883	$453,489	$452,420	$457,549	$445,420	$440,672	$441,150	$439,962	$435,255	$422,250	$434,175	$443,612	$437,315	$436,838	$438,854	$423,469	$387,743	$355,614	$358,490	$346,843
Average	$9,723	$9,615	$9,457	$9,370	$9,157	$9,113	$9,290	$9,309	$18,373	$19,233	$20,549	$19,647	$19,806	$19,951	$19,717	$19,670	$19,893	$19,366	$18,361	$17,710	$18,331	$17,410	$16,194	$17,367	$17,744	$17,492	$18,201	$16,879	$18,411	$14,913	$19,418	$19,451	$18,915
Min	$318	$294	$263	$239	$215	$214	$213	$210	$927	$1,127	$1,310	$1,354	$1,430	$1,464	$1,465	$1,504	$1,560	$1,704	$328.03	$369.18	$391.82	$527.09	$522.23	$507.39	$499.00	$500.00	$484.40	$475.62	$471.84	$468.73	$426.60	$430.00	$438.40
LQ	$2,195	$2,101	$2,070	$2,037	$1,977	$1,915	$2,015	$1,994	$3,637	$3,532	$3,479	$3,500	$3,590	$3,534	$3,523	$3,518																	
Median	$5,650	$5,611	$5,506	$5,433	$5,419	$5,404	$5,394	$5,455	$13,365	$13,838	$14,110	$11,799	$16,972	$17,347	$17,444	$17,343	$17,563	$16,884	$13,477	$10,250	$11,935	$10,342	$9,563	$9,626	$13,081	$13,400	$14,700	$11,514	$15,571	$10,730	$12,810	$13,172	$13,582
UQ	$14,085	$13,734	$13,381	$13,093	$12,703	$12,546	$12,045	$12,195	$22,963	$26,790	$33,520	$30,930	$30,494	$31,033	$30,401	$30,879																	
Max	$33,295	$33,321	$33,232	$32,914	$32,324	$32,196	$30,676	$30,804	$75,214	$77,497	$79,701	$78,831	$78,246	$78,119	$76,495	$76,562	$77,229	$75,161	$73,695	$72,125	$70,708	$68,395	$64,415	$62,492	$60,093	$53,850	$54,531	$52,848	$56,000	$56,008	$56,904	$58,172	$56,838
CR	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Weighted Average	1.93%	1.96%	1.95%	1.93%	1.89%	1.85%	1.90%	1.89%	2.04%	1.98%	1.96%	1.91%	1.98%	2.08%	2.28%	2.40%	2.48%	2.64%	2.66%	2.73%	2.86%	2.99%	3.01%	3.04%	3.26%	3.11%	3.25%	3.24%	3.35%	3.52%	3.15%	3.38%	4.05%
Average	1.83%	1.84%	1.84%	1.83%	1.80%	1.78%	1.80%	1.80%	2.05%	1.98%	1.93%	1.93%	1.98%	2.07%	2.31%	2.40%	2.49%	2.65%	2.73%	2.75%	2.90%	2.98%	3.04%	3.08%	3.31%	3.14%	3.38%	3.32%	3.44%	3.43%	3.22%	3.52%	4.15%
Min	0.73%	0.91%	1.03%	1.02%	0.88%	0.90%	0.95%	0.94%	0.88%	0.81%	0.81%	0.86%	1.02%	1.12%	1.17%	1.15%	1.22%	1.33%	1.48%	1.42%	1.81%	1.35%	1.46%	1.52%	1.82%	1.88%	1.86%	1.80%	1.76%	2.07%	1.33%	1.60%	1.70%
LQ	1.74%	1.76%	1.76%	1.72%	1.66%	1.63%	1.44%	1.51%	1.78%	1.75%	1.62%	1.68%	1.79%	1.81%	2.08%	2.12%																	
Median	1.88%	1.88%	1.85%	1.87%	1.85%	1.85%	1.82%	1.75%	2.10%	2.08%	2.01%	1.95%	2.05%	2.17%	2.40%	2.40%	2.50%	2.70%	2.78%	2.82%	2.99%	3.06%	3.07%	3.18%	3.34%	3.19%	3.29%	3.37%	3.59%	3.62%	3.44%	3.61%	4.15%
UQ	2.06%	2.07%	2.06%	2.08%	2.10%	2.08%	2.15%	2.13%	2.43%	2.29%	2.23%	2.31%	2.33%	2.39%	2.63%	2.77%																	
Max	2.33%	2.34%	2.38%	2.39%	2.36%	2.32%	2.33%	2.43%	3.18%	2.73%	2.96%	2.98%	2.99%	3.45%	3.70%	3.97%	4.25%	4.25%	4.20%	4.05%	4.31%	4.66%	4.92%	4.78%	5.04%	4.53%	4.80%	4.53%	5.47%	4.99%	4.62%	4.95%	5.71%
% AUM Responded	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%																									
Dur	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Weighted Average	2.76	2.65	2.62	2.63	2.68	2.63	2.67	2.61	2.92	3.01	2.94	2.95	2.96	2.97	3.03	2.95	2.81	2.70	2.74	2.83	2.74	2.76	2.84	2.82	3.00	2.84	2.80	2.88	2.89	2.83	2.81	2.62	2.75
Average	2.61	2.46	2.44	2.45	2.52	2.48	2.49	2.47	2.84	2.92	2.87	2.91	2.90	2.93	2.97	2.90	2.73	2.63	2.74	2.81	2.67	2.70	2.82	2.86	2.91	2.74	2.73	2.83	2.86	2.78	2.93	2.76	2.84
Min	0.45	0.87	0.97	1.11	1.06	1.17	1.37	1.47	1.35	1.27	1.13	1.33	1.40	1.55	1.49	1.42	1.32	1.30	1.49	1.65	1.35	1.38	1.61	1.44	1.87	1.71	1.72	1.61	1.76	1.95	1.79	1.95	2.21
LQ	2.35	2.23	2.15	2.12	2.14	2.08	1.98	2.00	2.52	2.60	2.57	2.52	2.57	2.57	2.47	2.50																	
Median	2.80	2.55	2.56	2.58	2.66	2.60	2.56	2.57	2.89	2.93	2.89	2.87	2.83	2.80	2.89	2.93	2.88	2.74	2.71	2.80	2.70	2.65	2.81	2.87	2.84	2.72	2.63	2.81	2.93	2.81	2.79	2.54	2.65
UQ	2.97	2.78	2.71	2.78	2.85	2.84	3.01	2.91	3.17	3.24	3.13	3.25	3.25	3.23	3.33	3.22																	
Max	3.34	3.13	3.16	3.03	3.15	3.08	3.08	2.97	4.05	4.23	4.19	4.36	4.35	4.46	4.51	4.28	4.01	3.63	4.32	4.28	3.85	4.23	4.31	4.17	4.26	4.00	3.97	3.97	3.87	3.90	4.15	3.90	3.93
% AUM Responded	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%																									
CQ	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Weighted Average	8.24	8.24	8.25	8.29	7.83	8.21	8.20	8.21	8.24	8.08	8.31	8.32	8.39	8.28	8.24	8.55	8.14	8.08	8.48	8.47	8.13	8.09	8.69	8.67	8.47	8.51	8.51	8.64	8.74	8.87	8.82	8.87	8.96
Average	8.00	8.00	8.03	7.98	7.83	7.89	7.83	7.82	7.88	7.81	7.80	7.86	7.95	8.00	8.00	8.14	8.05	8.05	8.29	8.23	8.33	8.23	8.64	8.70	8.57	8.63	8.57	8.75	8.86	8.76	8.72	8.76	8.80
Min	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	8.00
LQ	8.00	8.00	8.00	7.91	7.20	7.22	7.00	7.00	7.44	7.50	8.00	8.00	8.00	8.00	8.00	8.00																	
Median	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
UQ	8.55	8.59	8.88	8.95	8.38	8.84	8.61	8.51	8.25	8.00	8.00	8.00	8.50	8.00	8.00	9.00																	
Max	9.00	9.00	9.07	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
% AUM Responded	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%																									

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STABLE VALUE INVESTMENT ASSOCIATION

4Q2016 STABLE VALUE QUARTERLY CHARACTERISTICS SURVEY

APPENDIX A

PAST DATA

LIFE

	4Q2016	3Q2016	2Q2016	1Q2016	4Q2015	3Q2015	2Q2015	1Q2015	4Q2014	3Q2014	2Q2014	1Q2014	4Q2013	3Q2013	2Q2013	1Q2013	4Q2012	3Q2012	2Q2012	1Q2012	4Q2011	3Q2011	2Q2011	1Q2011	4Q2010	3Q2010	2Q2010	1Q2010	4Q2009	3Q2009	2Q2009	1Q2009	4Q2008
AUM	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Total	$437,803	$436,259	$429,283	$422,622	$416,864	$416,257	$410,693	$411,583	$404,212	$423,118	$452,081	$451,891	$455,541	$458,883	$453,489	$452,420	$457,549	$445,420	$440,672	$441,150	$439,962	$435,255	$422,250	$434,175	$443,612	$437,315	$436,838	$438,854	$423,469	$387,743	$355,614	$358,490	$346,843
Average	$31,272	$31,161	$30,663	$30,187	$29,776	$32,020	$31,592	$31,660	$18,373	$19,233	$20,549	$19,647	$19,806	$19,951	$19,717	$19,670	$19,893	$19,366	$18,361	$17,710	$18,331	$17,410	$16,194	$17,367	$17,744	$17,492	$18,201	$16,879	$18,411	$14,913	$19,418	$19,451	$18,915
Min	$328	$318	$302	$286	$279	$2,921	$2,896	$2,872	$927	$1,127	$1,310	$1,354	$1,430	$1,464	$1,465	$1,504	$1,560	$1,704	$328.03	$369.18	$391.82	$527.09	$522.23	$507.39	$499.00	$500.00	$484.40	$475.62	$471.84	$468.73	$426.60	$430.00	$438.40
LQ	$8,072	$8,213	$7,965	$7,433	$6,964	$7,885	$7,665	$7,518	$3,637	$3,532	$3,479	$3,500	$3,590	$3,534	$3,523	$3,518																	
Median	$9,791	$10,016	$9,918	$9,832	$10,239	$10,659	$10,587	$11,244	$13,365	$13,838	$14,110	$11,799	$16,972	$17,347	$17,444	$17,343	$17,563	$16,884	$13,477	$10,250	$11,935	$10,342	$9,563	$9,626	$13,081	$13,400	$14,700	$11,514	$15,571	$10,730	$12,810	$13,172	$13,582
UQ	$27,699	$27,242	$26,683	$26,183	$25,862	$26,631	$25,915	$25,716	$22,963	$26,790	$33,520	$30,930	$30,494	$31,033	$30,401	$30,879																	
Max	$163,806	$162,415	$160,855	$158,867	$157,513	$156,531	$155,799	$154,188	$75,214	$77,497	$79,701	$78,831	$78,246	$78,119	$76,495	$76,562	$77,229	$75,161	$73,695	$72,125	$70,708	$68,395	$64,415	$62,492	$60,093	$53,850	$54,531	$52,848	$56,000	$56,008	$56,904	$58,172	$56,838
CR	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Weighted Average	2.91%	2.90%	2.91%	2.93%	3.06%	3.04%	2.96%	2.92%	2.04%	1.98%	1.96%	1.91%	1.98%	2.08%	2.28%	2.40%	2.48%	2.64%	2.66%	2.73%	2.86%	2.99%	3.01%	3.04%	3.26%	3.11%	3.25%	3.24%	3.35%	3.52%	3.15%	3.38%	4.05%
Average	2.58%	2.58%	2.59%	2.65%	2.68%	2.87%	2.83%	2.86%	2.05%	1.98%	1.93%	1.93%	1.98%	2.07%	2.31%	2.40%	2.49%	2.65%	2.73%	2.75%	2.90%	2.98%	3.04%	3.08%	3.31%	3.14%	3.38%	3.32%	3.44%	3.43%	3.22%	3.52%	4.15%
Min	1.25%	1.25%	1.25%	1.25%	1.00%	1.90%	1.90%	2.00%	0.88%	0.81%	0.81%	0.86%	1.02%	1.12%	1.17%	1.15%	1.22%	1.33%	1.48%	1.42%	1.81%	1.35%	1.46%	1.52%	1.82%	1.88%	1.86%	1.80%	1.76%	2.07%	1.33%	1.60%	1.70%
LQ	2.01%	1.96%	1.97%	2.00%	2.01%	2.02%	2.03%	2.02%	1.78%	1.75%	1.62%	1.68%	1.79%	1.81%	2.08%	2.12%																	
Median	2.52%	2.51%	2.52%	2.50%	2.51%	2.61%	2.70%	2.85%	2.10%	2.08%	2.01%	1.95%	2.05%	2.17%	2.40%	2.40%	2.50%	2.70%	2.78%	2.82%	2.99%	3.06%	3.07%	3.18%	3.34%	3.19%	3.29%	3.37%	3.59%	3.62%	3.44%	3.61%	4.15%
UQ	3.18%	3.20%	3.22%	3.25%	3.35%	3.62%	3.42%	3.44%	2.43%	2.29%	2.23%	2.31%	2.33%	2.39%	2.63%	2.77%																	
Max	3.77%	3.77%	3.78%	4.07%	4.11%	4.12%	4.14%	4.17%	3.18%	2.73%	2.96%	2.98%	2.99%	3.45%	3.70%	3.97%	4.25%	4.25%	4.20%	4.05%	4.31%	4.66%	4.92%	4.78%	5.04%	4.53%	4.80%	4.53%	5.47%	4.99%	4.62%	4.95%	5.71%
% AUM Responded	90.55%	90.72%	90.72%	90.81%	90.55%	91.01%	91.23%	91.39%																									
Dur	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Weighted Average	5.01	4.89	4.84	4.73	5.41	5.58	5.69	5.48	2.92	3.01	2.94	2.95	2.96	2.97	3.03	2.95	2.81	2.70	2.74	2.83	2.74	2.76	2.84	2.82	3.00	2.84	2.80	2.88	2.89	2.83	2.81	2.62	2.75
Average	5.14	4.96	4.97	4.93	5.14	4.99	5.06	4.90	2.84	2.92	2.87	2.91	2.90	2.93	2.97	2.90	2.73	2.63	2.74	2.81	2.67	2.70	2.82	2.86	2.91	2.74	2.73	2.83	2.86	2.78	2.93	2.76	2.84
Min	3.50	2.79	2.74	2.90	3.30	3.20	3.20	3.02	1.35	1.27	1.13	1.33	1.40	1.55	1.49	1.42	1.32	1.30	1.49	1.65	1.35	1.38	1.61	1.44	1.87	1.71	1.72	1.61	1.76	1.95	1.79	1.95	2.21
LQ	3.94	3.67	3.72	3.73	3.67	3.51	3.60	3.40	2.52	2.60	2.57	2.52	2.57	2.57	2.47	2.50																	
Median	4.94	4.74	4.77	4.70	4.88	4.05	4.24	3.73	2.89	2.93	2.89	2.87	2.83	2.80	2.89	2.93	2.88	2.74	2.71	2.80	2.70	2.65	2.81	2.87	2.84	2.72	2.63	2.81	2.93	2.81	2.79	2.54	2.65
UQ	6.10	6.14	6.27	6.23	6.62	6.74	6.79	6.89	3.17	3.24	3.13	3.25	3.25	3.23	3.33	3.22																	
Max	8.10	8.20	8.10	7.80	7.50	7.77	7.94	7.70	4.05	4.23	4.19	4.36	4.35	4.46	4.51	4.28	4.01	3.63	4.32	4.28	3.85	4.23	4.31	4.17	4.26	4.00	3.97	3.97	3.87	3.90	4.15	3.90	3.93
% AUM Responded	84.17%	84.37%	84.37%	84.42%	84.17%	84.33%	84.58%	84.80%																									
CQ	Dec-16	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10	Dec-09	Sep-09	Jun-09	Mar-09	Dec-08
Weighted Average	7.34	7.67	7.72	7.72	7.72	7.73	7.72	7.69	8.24	8.08	8.31	8.32	8.39	8.28	8.24	8.55	8.14	8.08	8.48	8.47	8.13	8.09	8.69	8.67	8.47	8.51	8.51	8.64	8.74	8.87	8.82	8.87	8.96
Average	6.68	6.78	6.97	6.97	7.00	7.21	7.20	7.10	7.88	7.81	7.80	7.86	7.95	8.00	8.00	8.14	8.05	8.05	8.29	8.23	8.33	8.23	8.64	8.70	8.57	8.63	8.57	8.75	8.86	8.76	8.72	8.76	8.80
Min	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	8.00
LQ	6.00	6.00	6.00	6.00	6.00	6.75	6.75	6.75	7.44	7.50	8.00	8.00	8.00	8.00	8.00	8.00																	
Median	7.00	7.00	7.00	7.00	7.37	7.71	7.66	7.18	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
UQ	8.00	8.00	8.00	8.00	8.00	8.04	8.04	8.03	8.25	8.00	8.00	8.00	8.50	8.00	8.00	9.00																	
Max	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
% AUM Responded	86.24%	86.42%	86.42%	86.50%	86.24%	86.75%	87.00%	87.24%																									

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4Q2016 STABLE VALUE QUARTERLY CHARACTERISTICS SURVEY

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MANAGER SEGMENT DEFINITIONS

Stable value investment options may be offered by investment managers, trust companies, or insurance companies in various structures, such as individually managed accounts, commingled funds or directly sold life insurance options (also known as guaranteed insurance accounts). Sometimes a stable value investment option will be managed by a plan sponsor. While stable value investment options may be managed or structured in a variety of ways, the important similarity is the use of stable value investment contracts, issued by banks, insurance companies, and other financial institutions, which convey to the investment option the ability to carry certain invested assets at book value.

While all stable value investment options are structured to maintain principal value and minimize return volatility, there may be differences in structure, levels of guarantees, as well as contractual features. The table below provides an overview and general characteristics of stable value product segments.

Individually Managed Accounts

Description
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.

Types of Stable Value Investment Contracts Used
These accounts may invest in a variety of stable value investment contracts including traditional GICs, separate account GICs , and synthetic GICs. The use of synthetic GICs is predominant in individually managed accounts.

Underlying/Associated Assets
For separate account GICs and synthetic GICs, associated assets typically consist of a diversified, investment grade fixed income portfolio, including but not limited to treasury, government, mortgage, and/or corporate securities of high average credit quality. For traditional GICs, the underlying assets are the same as for guaranteed insurance accounts (described below). The assets backing traditional GICs and separate account GICs are not plan assets, they are owned by the issuing insurance company. For synthetic GICs, associated assets are plan assets.

Crediting Rate Determination
As provided in each investment contract, the crediting rate may remain fixed for the term of the contract (such as with a traditional GIC) or may be reset at predetermined intervals (such as separate account GICs or synthetic GICs) to allow the contract to amortize differences between the book value of the contract and market value of the fixed income investments over time.

Plan Sponsor Contract Termination Rights
For separate account GICs and synthetic GICs, termination at market value is typically allowed at any time. If market value is less than book value, contract termination at book value typically occurs once market valuation equals the book value obligation after a wind-down period, typically over the duration of the bond portfolio. For contracts with a stated maturity (such as a traditional GIC) a surrender charge may be assessed if plan-initiated withdrawal or a termination is made prior to maturity.

Pooled Funds

Description
Also known as commingled investment trusts or CITs, a fund that is typically offered by a bank or trust company and combines the assets of unaffiliated plans into one large group. With respect to a stable value investment option that is a pooled fund, the fund would purchase stable value investment contracts and other investments on behalf of the invested, unaffiliated plans. The pooled fund may be offered on a bundled, full-service basis (wherein the manager's affiliates are providing additional services, such as record-keeping, to the invested plan) or an investment-only basis.

Types of Stable Value Investment Contracts Used
These accounts may invest in a variety of stable value investment contracts including traditional GICs, separate account GICs , and synthetic GICs. The use of synthetic GICs is predominant in commingled funds.

DISCLAIMER

This is meant to provide a general and broad description on stable value products, contracts, terms, and conditions and does not reference any specific stable value investment option or investment contract. Terms and conditions vary. Please refer to your specific contract(s) to learn the specific terms and conditions that may apply to your investments.

STABLE VALUE INVESTMENT ASSOCIATION

4Q2016 STABLE VALUE QUARTERLY CHARACTERISTICS SURVEY

APPENDIX B

SEGMENT DEFINITIONS

MANAGER SEGMENT DEFINITIONS

Pooled Funds (cont.)

Underlying/Associated Assets
For separate account GICs and synthetic GICs, associated assets typically consist of a diversified, investment grade fixed income portfolio, including but not limited to treasury, government, mortgage, and/or corporate securities of high average credit quality. For traditional GICs, the underlying assets are the same as for guaranteed insurance accounts (described below). The assets backing traditional GICs and separate account GICs are not plan assets, they are owned by the issuing insurance company. For synthetic GICs, associated assets are trust assets.

Crediting Rate Determination
As provided in each of the trust's investment contracts, the crediting rate may remain fixed for the term of the contract (such as with a traditional GIC) or may be reset at predetermined intervals (such as separate account GICs or synthetic GICs) to allow the contract to amortize differences between the book value of the contract and market value of the fixed income investments over time.

Plan Sponsor Contract Termination Rights
Participating plans have termination rights detailed under the terms of the trust documents. The fund's trustee typically negotiates plan-initiated termination coverage with the fund's investment contract issuers at book value after a deferral period, often called a put option. Such deferral periods are typically 12-months (i.e., a "12-month put") or 24-months. During any deferral period participant-initiated withdrawals will continue to be made at book value.

Life Insurance Directly Sold

Description
Also known as guaranteed insurance accounts, a stable value investment option entirely offered and guaranteed by a single insurance company, with the underlying assets managed by the insurance company or an affiliated investment manager. These investment options are typically offered on a bundled, full-service basis.

Types of Stable Value Investment Contracts Used
Life insurance directly sold may be provided via a group annuity contract or a funding agreement that can be issued either from the insurer's general account or from an insurance company separate account.

Underlying/Associated Assets
Guaranteed insurance account group annuity contracts are usually issued from the insurance company's general account, which is the primary part of a life insurance company's balance sheet containing the assets, capital and surplus, and reserves for guaranteed liabilities. The typical investment profile of the general account includes investment grade and high yield fixed income, private placements, derivatives, equities, currencies, and real estate. Other group annuity contracts can be issued from insurance company separate accounts, in which case the investment is first supported by the assets in the segregated separate account and then, to the extent necessary, by the insurer's general account. For guaranteed insurance accounts, underlying assets are insurance company assets. The invested plan owns a group annuity contract, with the obligation to the contract-holder backed by the full financial strength and credit of the issuer. For separate accounts, the assets are owned by the insurance company but set aside for the exclusive benefit of the plan(s) in the separate account.

Crediting Rate Determination
As provided in the investment contract, the crediting rate may be reset at predetermined intervals but, particularly for general account contracts, may not be specifically based on the performance of identifiable underlying assets or it may be indexed. Insurance separate account contract crediting rates are typically reset to allow the contract to amortize differences between the book value of the contract and market value of the fixed income investments over time.

Plan Sponsor Contract Termination Rights
Participating plans have termination rights detailed under the terms of the investment contract. Plan-initiated withdrawals from some insurance company guaranteed insurance accounts may be subject to a deferral period (also known as a put option) to receive book value. Other contracts may offer a series of book value payments over a period of time or have no deferral period and instead offer a lesser of book or market payment option. With some contracts a surrender charge may be assessed. Insurance separate account contracts typically allow a plan-initiated withdrawal to occur at market value at any time; however, if market value is less than book value, contract termination at book value generally occurs once market valuation equals the book value obligation after a wind-down period (i.e., over the duration of the bond portfolio). During any deferral period participant-

DISCLAIMER

This is meant to provide a general and broad description on stable value products, contracts, terms, and conditions and does not reference any specific stable value investment option or investment contract. Terms and conditions vary. Please refer to your specific contract(s) to learn the specific terms and conditions that may apply to your investments.

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Stable Value Assets Continue to Grow

By Randy Myers

Assets in stable value funds continue to edge higher, climbing to $801 billion in the second quarter of 2016, up from $770.5 billion a year earlier.

Stable value now accounts for about 11.6 percent of all assets in defined contribution plans, SVIA President Gina Mitchell announced at the opening of the 2016 SVIA Fall Forum in October. While that is down from a recent high of 19 percent during the 2008 financial crisis, Mitchell said the asset class remains a fundamental component of defined contribution plans.

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Brexit and US Politics: What They Say about Voters' Views

By Randy Myers

The first shocking election result in 2016 happened in the U.K., where, voters frustrated with what they viewed as unfavorable trade deals, uncontrolled immigration, and out-of-touch leadership opted by a 52-48 margin to exit the European Union (EU).

Their sentiments were hardly unique, though. In the U.S., many voters voiced the same frustrations in 2016 when they chose an isolationist-minded businessman and reality TV star to be the Republican nominee for President and flirted with choosing an avowed socialist to be the Democratic nominee.

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Board Recognizes James King and Aruna Hobbs

By Gina Mitchell

At the October 10th Board of Directors meeting both James King and Aruna Hobbs were recognized for completing six years of service on the Board. Prudential's James King was the past Chairman of the Board of Directors for four years. During 2016, King served in an ex-officio capacity. During King's tenure as Chairman, he oversaw SVIA's efforts on evaluating and commenting on the Department of Labor's fiduciary rules as they applied to stable value funds, as well as expansion of stable value funds in custom target date funds.

MassMutual's Aruna Hobbs has served for the past four years in an ex-officio capacity as the Treasurer and Chair of the Board's Finance Subcommittee. During Hobbs' term she oversaw the restructuring of the Finance function into a subcommittee of the board as well as the development and implementation of an investment policy and guidelines for the Association. Both are required to take a break from Board service for three years after serving two-consecutive terms. SVIA

Voya Economist Sees Bond Yields Remaining Low

By Randy Myers

U.S. interest rates have been holding at or near historic lows for six years now. That is a long time, but it could be longer still before they climb much higher, says Matt Toms, Chief Investment Officer, Fixed Income, for Voya Investment Management.

Addressing the 2016 SVIA Fall Forum in October, Toms cited a litany of reasons to expect the current low-rate environment to persist. Chief among them are a slow-growing U.S. economy and low inflation. Against this backdrop, the Federal Reserve has maintained an accommodative stance on monetary policy. With growth also slow in Europe and Japan—and slowing in China—so have other central banks across the globe.

"We have a price-controlled world … and unfortunately there is no sign of this reversing," Toms told his SVIA audience. "The Federal Reserve said at Jackson Hole that in response to the next recession they would cut interest rates up to 300 basis points and buy $2 trillion in securities. So the Fed has already told you its game plan for the next economic downturn, and it is more of government-controlled markets."

Since the Fed has indicated it does not want to create negative interest rates, Toms added, its roadmap suggests it does not think short-term rates will move high enough between now and the next recession to allow a cut of more than 300 basis points.

Unlike some critics of Fed policy, Toms did not disparage the Fed's decision to take an accommodative monetary stance after the 2008 financial crisis. In fact, he said, it was "great" for addressing the depression risks of that crisis. Since then, household debt as a percentage of GDP has improved. The U.S. consumer has deleveraged, adding some stability to the economic outlook. The unemployment rate has fallen from a crisis peak of 10 percent to about 5 percent. Household wealth has increased, and so has the savings rate. Equity markets have rebounded, as has the housing market. All that is good for those who own the country's wealth, Toms said, but he also argued that Fed policy is now exacerbating the populist divide between the country's haves and have nots. Those who have not been able to capitalize on low rates—by purchasing a house with a more affordable monthly payment, for example—are falling further behind.

The question now for the Fed, he said, is how long it should stick with its extraordinarily accommodative monetary policy. "Our punch line is, we're staying too long," he answered.

What finally could spur the economy onto a faster growth trajectory? Ultimately, Toms said, growth is a product of how many people are working and how productive they are. And the news is not very encouraging on these fronts. U.S. labor force growth has been trending lower for decades, while productivity growth has recently dipped below 1 percent. In this climate, the Fed is now anticipating economic growth of only 2 percent over the next four years, its least bullish outlook since at least 2011.

Despite the low rate environment and hence the low cost of money, Toms said companies are not funneling much into capital expenditures. Instead, they have been content to reward shareholders more immediately, with stock buybacks. The one bit of good news related to corporations' unwillingness to leverage their balance sheets, he said, is that it should moderate the amplitude of the next economic downturn. However, Voya puts the probability of a recession anytime soon at only about 20 percent or less, he said, with most likely catalysts coming from outside the U.S.—a significant economic downturn in China, perhaps, or a further unwinding of the European Union, which the U.K. has already voted to leave.

In the meantime, Toms said, the impact of the Fed's monetary policy on the economy is in decline while its impact on the financial markets is increasing. "We live more in fear of market volatility created by the Fed than we do in excitement about Fed economic activity improving the outlook for growth, which is different than what it was seven years ago. Said another way, it's time to move on, central banks. You've already answered the crisis."

Until that happens, Toms predicted that investors will look for attractive levels of income relative to the risk they take. His advice for fixed-income investors? "Look for those things that benefit from low rates," he said. "Look for property values beyond your bonds—securitized markets, for example, versus corporate markets. It still takes an awful lot of diligence to determine which to buy, but ultimately that's the tailwind that has been provided. Use it in markets like the non-agency market, the CMBS market, the CLO market, and the ABS market. We think there's a tailwind there that may be underappreciated." SVIA

Stable Value Assets Continue to Grow

Continued from page 1

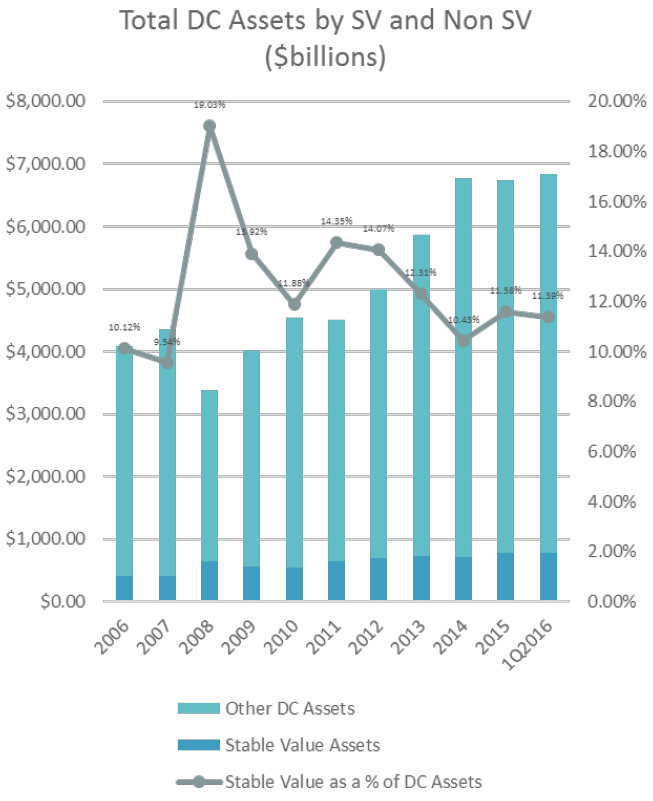
It is valued, she said, for its principal protection guarantees, its steady and predictable returns, and its benefit-responsive liquidity. She also noted that crediting rates for stable value funds—the returns paid to investors—were averaging 2.5 percent at year-end 2015, in line with where they were a year earlier and well above returns for their most common competitor, money market funds.

Stable value funds are used by a wide cross-section of investors, Mitchell noted, including retirees and near-retirees, conservative investors who value attractive returns but also appreciate low volatility and capital preservation, and moderately aggressive and aggressive investors looking to diversify their portfolios and enhance their overall risk-adjusted returns. They also appeal to investors searching for alternatives to money market funds and short-term bond funds.

Across this diverse group, Mitchell observed, older participants remain the heaviest users of stable value funds. According to data from the Employee Benefit Research Institute (EBRI), the average allocation to stable value in plans that offer the asset class is about 20 percent among participants in their 60s, but less than 5 percent among those in their 20s.

Mitchell noted that growth in the stable value marketplace has been constrained since passage of the Pension Protection Act of 2006 (PPA), under which the Department of Labor established a fiduciary safe harbor for plan sponsors that default their employees into target-date funds or any of a small handful of other qualified default investment alternatives. In 2006, before implementation of the PPA, stable value funds accounted for about 60 percent of the assets in 401(k) plans offering them as an investment option, according to data from Employee Benefit Research Institute. By 2014, they accounted for only 49 percent. During the same period, the percentage of 401(k) plans offering stable value as an investment option fell to 35 percent in 2014 from 51 percent in 2006.

Mitchell told industry executives attending the Fall Forum that they have done a superb job navigating these trends. The challenge and opportunity going forward, she said, will be to expand the formats in which stable value is offered. "Stable value has been embraced in target-date funds, particularly in custom target-date funds," she said. "But we've got more work to do on that front. We also need to be thinking about how we can find a place for stable value as baby boomers move from the accumulation to the deaccumulation phase of retirement planning. We need to make this important asset class available to Americans who are trying to do the right thing and take care of themselves during their retirement years." SVIA



Brexit and US Politics: What They Say about Voters' Views

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The parallels are hard to avoid, and may have long-term implications in the U.S. that go well beyond this year's presidential election, according to BBC World News America Lead Anchor Katty Kay.

"This is a more complicated time," Kay told participants at the 2016 SVIA Fall Forum in Washington, D.C., in October, four weeks before U.S. voters shocked much of the world again when they elected Donald Trump to become their country's next president. "Traditional alliances are being stretched. People in the United States and Europe are questioning whether free-market capitalism is necessarily the best model for everybody."

Kay noted that many Americans feel they have been left behind by globalization and trade deals, by lower taxes for the wealthiest, and by immigration. In many cases, they believe politicians have not done a very good job of supporting them as they have fallen behind in this new economic climate. They have been asking if it may be time for the U.S. to look inward and focus on nation-building at home.

"I think we are in for a period of time when the post-Cold War hegemony is going to be exploded on both the Democratic and Republican sides," Kay said. "We're in for a period of huge upheaval, no matter the outcome of the presidential election, and I think the prospect of a one-term presidency in the United States, regardless of who wins, is very real."

All this will have repercussions for the rest of the world, Kay said, observing that "what happens in the United States affects many audiences around the world in a way that is not true of any other country," and that global policy, whether it is about climate change or trade, is still driven by decisions in Washington. Syria is the exception right now, Kay said, with Russia seemingly exerting the most influence there and making other countries nervous that this could become a precedent.

"I think the world still looks to America for leadership, and the world is better off when it does lead," she said. "When President George W. Bush invaded Iraq, it's no secret the world did not like it. It was seen as America throwing its weight around. But we like it less when America retreats. The world's fear of America retreating is greater than the fear of American involvement."

Asked whether the U.K. might hold another vote on leaving the EU—as many people believe the vote would be different this time—Kay said it would be politically difficult, especially anytime soon. What might be possible, she said, would be for U.K. Prime Minister Theresa May to negotiate the terms of the U.K.'s exit from the EU over the next two years and then present those terms to the British people for a re-vote, especially if the terms are onerous to the U.K. "It doesn't look like there's legally a problem to doing that," Kay said.

Still, she said, even that could prove problematic. "The people who voted to leave, who are driving the Conservative Party, may never let May do that," she said. "That may be seen as too undemocratic. And it's true. We voted to leave. At some point you have to respect the democratic process." SVIA

Association Elects Three to Board of Directors

By Gina Mitchell

On October 10th at SVIA's Board of Directors meeting, voting members elected three individuals to the Board of Directors. They were UTC's Joseph Fazzino to a plan sponsor seat, Metropolitan Life's Thomas Schuster and New York Life Investment Management's Cindy Cristello to the two open service firm seats. The three will begin their three-year term on January 1, 2017. Both Schuster and Fazzino will be serving their second term on the Board. SVIA

Health Savings Accounts: Next Generation Retirement Savings Vehicles?

By Randy Myers

Could a savings account designed to cover medical costs actually be a good way to enhance retirement savings? In some ways, and under some circumstances, yes.

Health savings accounts, or HSAs, are tax-advantaged savings vehicles created to help people who are enrolled in high-deductible healthcare plans pay for out-of-pocket medical expenses. Currently, plans with annual deductibles of at least $1,300 for individuals or $2,600 for families count as high-deductible plans.

While aimed at helping Americans pay for medical expenses, Danny Humphrey, Vice President of Enterprise Sales for HealthEquity, an HSA administrator, notes that HSAs also can be used as long-term investment vehicles. Speaking at the 2016 SVIA Fall Forum, Humphrey observed that HSAs can offer even better tax benefits than traditional retirement accounts in some circumstances. While relatively few people use HSAs as investment vehicles today, Humphrey said, that is partly because many do not understand exactly what they are or how they work.

Authorized by Congressional legislation in 2003, HSAs often get confused with flexible spending accounts, or FSAs, simply because FSAs have been around longer. Like HSAs, FSAs also can be used to pay for out-of-pocket medical expenses. But the two accounts differ in how long money can remain in them. With an FSA, money typically must be used in the year it is contributed. With an HSA, contributions can stay in the account indefinitely, and can even be passed along to the account holder's heirs.

HSAs offer multiple tax advantages. Contributions are made with pre-tax dollars. Interest and investment income are tax-free, and withdrawals also are tax-free if used for qualified medical expenses by the original account holder. This triple tax play can make an HSA a particularly attractive savings and investment vehicle, better, even, than a Roth IRA or Roth 401(k). Withdrawals from those accounts are not subject to federal income taxes, either, but contributions to those accounts are made with after-tax dollars. Only an HSA offers a tax benefit both at the time of contribution and the time of withdrawal.

There are a variety of ways investors can take advantage of HSAs. They can funnel money they otherwise might have put into a traditional retirement account into an HSA, and then use the HSA, rather than the traditional account, to pay for qualified medical expenses in retirement. Or they could continue to fund their retirement account in full, but supplement those savings with an HSA. Because account holders can reimburse themselves for medical expenses years after those expenses were incurred, assets in the HSA can grow tax-free for a long time, and the payoff can be substantial. A couple with a 30 percent tax rate, Humphrey noted, would have to save $370,000 in a traditional IRA or 401(k) to cover $260,000 in medical expenses in retirement, but only $260,000 in an HSA.

Individuals participating in high-deductible healthcare plans can contribute up to $3,400 to an HSA beginning in 2017, or up to $6,750 for a family. Contributions initially count as deposits and are typically held in an FDIC-insured savings account or some type of stable value fund. Once the cash portion of the account reaches $2,000, account holders can begin contributing to a separate investment account, where it can be steered into a wide range of securities, including stocks, bonds, mutual funds, and more.

Humphrey says HSAs are likely to become increasingly popular as more employers begin offering them, a trend he is already seeing among large employers. In 2010, Humphrey said, only 7.6 percent of large employers offered a high-deductible health plan as their only health plan option. By 2014, that percentage had risen to 17.8 percent, and by 2015 it was expected to reach 30 percent.

The use of HSAs is quickly inflating the amount of money held in HSA accounts. In 2010, HSAs held $9 billion in deposits and $900 million in investments. By 2015, deposits had grown to $26 billion and investments to $4.2 billion.

Humphrey is encouraging the HSA industry to do a better job of promoting the investment opportunities in HSA accounts. Unlike HealthEquity, he said, many HSA administrators outsource the investment portion of the business, do not make much money on that part of the

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Health Savings Accounts: Next Generation Retirement Savings Vehicles?

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business as a result, and so do not tend to promote it. Outsourcing also makes things more complicated for account holders, he argued. For example, it forces them to access their accounts through two different web portals, one run by their HSA administrator and the other by their investment manager.

This could change soon. When the Department of Labor issued a new rule earlier this year expanding the definition of a retirement plan fiduciary to include anyone offering investment advice to a plan or its participants, it specified that those rules apply not just to traditional retirement plans but also to HSA accounts. "The DOL rule," Humphrey said, "will force a lot of players in this space to not outsource (investment management) anymore."

If so, it could improve outcomes for account holders, at least judging by HealthEquity's experience handling investment management internally. The average five-year balance in HSA accounts that HealthEquity administers, Humphrey said, is more than $4,700, or about double the industry average. SVIA

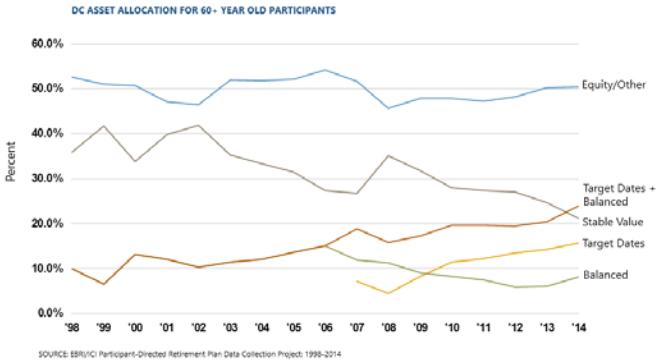
Defined Contribution Plans Evolving as Traditional Pensions Disappear

By Randy Myers

As traditional defined benefit pension plans continue to disappear around the world, the defined contribution plan market in the U.S. continues to evolve—with important implications for the stable value industry.

Speaking at the 2016 SVIA Fall Forum, Stacy Schaus, Executive Vice President and Defined Contribution Practice Leader for investment manager PIMCO, listed a number of key trends in the U.S. defined contribution market from their 10th Annual Defined Contribution Consulting Support and Trends survey:

- Plans, especially larger plans, are shifting away from using off-the-shelf target date funds as their default investment option and are turning instead to custom target-date funds built on open architecture platforms and featuring a broader array of diversified assets.
- Core investment lineups are becoming less equity-dominated and more balanced, and are broadening to include more real assets, diversified bonds, and global offerings.
- Plan sponsors increasingly are encouraging plan participants to leave their balances in their employer-sponsored retirement plans after they stop working, and are adding more investment options and services aimed at retirees.
- Automatic enrollment of eligible employees continues to grow in popularity.



Schaus said the growing number of defined contribution plans that automatically enroll eligible employees has dramatically improved plan participation rates. In a study by Aon Hewitt in 2015, for example, the participation rate reached 86 percent of eligible employees in plans with automatic enrollment, versus 63 percent in plans without it.

On the downside—for the stable value industry, anyway—auto enrollment is feeding a growing percentage of participant contributions into default investment options, such as target-date funds, and away from stable value funds and other core investment options. Partly as a result, target-date funds now account for about 25 percent of the assets in defined contribution plans, Schaus

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Defined Contribution Plans Evolving as Traditional Pensions Disappear

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said, versus about 12 percent for stable value funds. She noted that more than 40 percent of new contributions to plans are being allocated to target-date strategies, while only about 10 percent are going to stable value.

All this, Schaus said, is a reminder that the stable value industry needs to continue pushing to have its products included in target-date funds. She suggested the industry focus its efforts on plans with more than $1 billion in assets, where 57 percent of plan consultants recommend the use of custom target-date funds that can easily accommodate a stable value component.

To make that happen, Schaus continued, the industry may need to further educate consultants about the benefits of including stable value in target-date funds. Right now, 97 percent of consultants recommend that stable value be included among a plan's core investment options, but only 50 percent recommend stable value be included in blended investments, including target-date funds.

Schaus said consultants look first to fees and the diversification of a fund's wrap providers when evaluating stable value funds and managers, followed closely by a clear understanding of a fund's book-value risk, the depth of its investment resources, fixed-income manager expertise, and wrap-provider credit quality. Significantly less important, they say, are current crediting rates and diversification of fixed-income sub-advisors. Barely registering as key factors are past performance, less constrained guidelines, or having a boutique stable value provider.

Schaus noted that with millions of Baby Boomers reaching retirement age each year, plan sponsors increasingly are being urged to think about how they can help plan participants convert their retirement nest eggs into retirement income once they have stopped working. Asked which retirement income strategies they support most, consultants put target-date products with an at-retirement target date at the top of their list (actively promoted by 30 percent of consultants), followed by cash management products, including stable value (29 percent) and multi-sector fixed-income products (19 percent), Schaus said.

Consultants show considerably less enthusiasm for in-plan deferred income annuities (9 percent), in-plan immediate annuities (5 percent), and managed payout funds (5 percent). Concerns about in-plan insurance solutions, Schaus explained, include the cost and portability of the products and the federal government's failure thus far to create a fiduciary safe harbor for plans that offer them.

On a more positive note, Schaus said the stable value industry should be helped by new Securities and Exchange Commission regulations that require non-government money market funds to allow their net asset values to float, rather than maintain a constant NAV as has been standard in the past. Schaus said nearly two-thirds of consultants say they are likely or very likely to recommend that plans with a non-government money market fund replace it with an alternative capital preservation product. Where plan sponsors are seeking an alternative, she said, 81 percent of consultants say they are likely or very likely to recommend a stable value fund. SVIA

How New DOL Fiduciary Rule May Impact Stable Value Industry

By Randy Myers

A new fiduciary rule handed down by the U.S. Department of Labor (DOL) earlier this year will impact a wide range of constituents in the retirement industry, including the issuers of stable value contracts, according to industry experts who addressed the 2016 SVIA Fall Forum in Washington, D.C., in October.

Unveiled in April, the new rule expands the definition of a plan fiduciary under the Employee Retirement Income Security Act (ERISA) to include anyone making investment recommendations to a retirement plan sponsor or plan participant, or to the owner of an Individual Retirement Account (IRA). Those making such recommendations are now responsible for providing impartial advice that is in the client's

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How New DOL Fiduciary Rule May Impact Stable Value Industry

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best interest. Fiduciaries cannot accept payments that would create a conflict of interest, either, unless they qualify for any of several exemptions or exceptions written into the rule. The new rule also expands the concept of investment advice to include, among other things, recommendations on account rollovers and account types.

Attorney Michael Richman, a Partner in the Employee Benefits and Executive Compensation Practice Group at Morgan, Lewis & Bockius LLP, said the new fiduciary rule is likely to have the biggest impact in the small retirement plan and IRA markets, where in the past many financial advisors were merely required to recommend investments that were suitable for their clients. He said it will have a profound effect on how products and services are sold and provided to ERISA-governed retirement plans and IRA holders, both by brokers and by recordkeeping and platform providers.

One of the challenges for those providers, Richman said, will be determining what constitutes a "recommendation" that imposes fiduciary responsibility. Pure investment education would not. The DOL also specified that firms and individual advisors can market their services under the so-called "hire me" exception without becoming a fiduciary.

However, advice that could reasonably be viewed as a suggestion to take or not take a particular course of action generally would confer fiduciary status—especially if it was tailored to an individual. So could recommendations as to account types and particular platforms or programs, or to roll over a plan or IRA balance to an advisor. Actions that might not constitute a recommendation individually, Richman cautioned, could be considered a recommendation in the aggregate.

The new rule provides a number of exceptions to the general imposition of fiduciary status, including the independent fiduciary exemption, which is a carve-out for transactions with large retirement plans, banks, insurance companies, and other institutions that are independent fiduciaries on their own. There is also a carve-out for advice given by one employee of a plan to another.

Meanwhile, under the "best interest contract," or BIC, exemption, fiduciary advisors will still be able to receive compensation for a product or service that otherwise would be considered a prohibited transaction, provided they meet certain conditions aimed at protecting their clients' interests.

Within the stable value marketplace, Richman said, exemptions and exceptions to fiduciary status may be available in a number of instances, including sales of wrap contracts, where the independent fiduciary exception may apply; marketing of stable value management or advisory services, where the independent fiduciary or "hire me" exceptions may be available; and communications to plan participants, where an education exception may apply. The BIC exemption may apply, he said, when insurance and annuity contracts are recommended to small plans not represented by a bank, insurance company or registered investment advisor.

Naturally, different firms are likely to make use of these exemptions and exceptions in different ways.

Tom Schuster, Vice President, Stable Value and Investment Products at MetLife, noted that MetLife's stable value counterparties are almost exclusively major stable value managers and large plans. Their characteristics, he said, will allow MetLife to use the independent fiduciary exception when issuing wrap contracts, which in turn means that MetLife will not become a fiduciary when it transacts with a plan or pooled fund. "MetLife believes that relying on the best interest contract exemption, which requires acknowledging that the firm is a fiduciary and will act in the best interests of participants, enhances the risk of litigation," he said. "MetLife will not write business relying on the BIC exemption."

Schuster added that the SVIA is in the conceptual phase of considering a standard acknowledgement template that would outline the factual aspects of a wrap transaction. As envisioned, it would confirm that an issuer's counterparty meets the requirements for an issuer to rely on the independent fiduciary exception. Nick Gage, head of the SVIA Government Relations Committee, is leading the initiative.

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How New DOL Fiduciary Rule May Impact Stable Value Industry

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Schuster said he believes the DOL rule will be a major plus for stable value, in part because it imposes fiduciary status on an advisor who recommends that a plan participant roll out of a workplace retirement plan and into an IRA. That fiduciary burden, he said, is likely to cut such rollovers dramatically. If so, it could result in more money staying in defined contribution plans, where stable value investments are widely available, instead of going into IRAs. Further, the availability of the independent fiduciary exception means that operational complications of the rule will be minimal for most stable value market participants.

The new rule is scheduled to become applicable on April 10, 2017. While there has been some speculation that date could be postponed, Richman said a decision on that may not be known until after the general election in November, or even after the next president is seated. In addition to legislative proposals to repeal it, he said, the rule has been targeted by six lawsuits—since consolidated into four—for which hearings have been held but no decisions issued. Richman noted that past legislative efforts to block the rule have not been successful. SVIA

Stable Value Industry May Want to Weigh in on Proposed Changes to Form 5500

By Randy Myers

The Department of Labor (DOL) is soliciting public comment on changes it has proposed to Form 5500, the annual report that must be filed by retirement plans subject to the Employee Retirement Income Security Act. Theresa Brunsman, Senior Counsel for Invesco Ltd., suggests that members of the stable value community may wish to take the DOL up on its offer.

Speaking at the 2016 SVIA Fall Forum, Brunsman explained that the main goal of the proposed changes is to get more information from plan sponsors and other direct filing entities that are required to file the form each year, such as master trust investment accounts that hold assets for several different plans. The DOL is counting on the proposed changes to help it better analyze the data in Form 5500 filings, and to better understand where and how retirement plans are investing. Unfortunately, Brunsman said, the changes would make Form 5500 reporting more complicated and more expensive, without necessarily providing any great benefit to the DOL from either a data-mining or plan-disclosure perspective.

Among the more significant proposals is a requirement that plans create an individual Schedule C for each of their service providers, rather than one for all service providers. Plans also would be required to provide more detail about soft dollars and float, which are currently reported as eligible indirect compensation, as well as other factors that Brunsman said would be hard to quantify.

Brunsman said proposed changes to Schedule H of Form 5500 would impact pooled stable value funds. "If you're a direct filer or collective trust, for example, you are going to have to divide your asset reporting in ways you haven't had to before," she said. "Some of the changes about how you report bonds are quite large, and, I think, difficult to implement. For example, you have to report investment-grade and high-yield bonds separately in the corporate bond sector, and you have to base the distinction on the bond ratings in effect at the beginning of the plan year, (which) isn't how most managers keep track of bond ratings."

The DOL also has proposed that retirement plans break out hard-to-value assets, Brunsman said, without providing much detail about what would qualify for that designation. "It's something to have a look at," she advised her audience, "because it is meant to be anything that's not listed on a national exchange or over-the-counter market, or for which quoted market prices are not available. Some stable value assets might fall under that category and have to be considered hard-to-value assets, which would not be a good result."

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States Look to Close Retirement Plan Coverage Gap

By Randy Myers

In a country where defined contribution plans have become the most common way to save for retirement in the workplace, many Americans are being left behind. According to a study by the Pew Charitable Trusts, about 40 percent of full-time private sector workers in the U.S. do not have access to a workplace retirement savings plan. Now, many states are trying to resolve the problem on their own—with some new help from the Obama Administration.

Spurred by the President in August, the Department of Labor (DOL) issued a final rule designed to allow states to offer plans without being subject to the Employee Retirement Income Security Act (ERISA). Under the rule's safe harbor provisions, states could mandate that employers who do not already offer a workplace retirement plan automatically enroll their employees in a state-run plan, with contributions typically going into an Individual Retirement Account. Employees would have the option to opt-out of the plan.

The Obama Administration's insistence on creating this safe harbor has not been without controversy, and the DOL has long seemed unenthusiastic about the idea. The intent of ERISA, after all, was to safeguard the retirement savings of all Americans. The DOL has even acknowledged that while it has created what it considers a safe harbor for states—one that would not be preempted by ERISA—it will be up to the courts to finally decide that issue, not the executive branch of the federal government.

Despite these caveats, the new rule is expected to give impetus to state-led efforts that in some cases have been underway for years.

Speaking at the 2016 SVIA Fall Forum, Jessica Duhamel, director of public policy for Fidelity Investments, noted that since 2012, at least 30 states have considered proposals to study or establish state-run plans. The other key point Duhamel made is that six states have passed laws authorizing state plans (California, Connecticut, Illinois, Massachusetts, Maryland and Oregon) and that two states (New Jersey and Washington) have passed voluntary marketplace bills.

Of note, she said, no plans are operational yet, though Washington State is expected to be operational in January 2017.

In addition to the activity at the state level, Duhamel noted that some large cities, including New York City, Philadelphia, and Seattle, also have been exploring the possibility of creating their own plans.

The push for state-level plans may not be entirely free of self-interest on the part of government. Michael Tobin, Corporate Vice President, Office of Governmental Affairs, for New York Life Insurance Company, joined Duhamel in speaking on the topic. He noted that if Americans are not saving enough for retirement, it boosts the odds that government will need to step in to provide them with assistance after they stop working.

Howard Bard, Vice President, Taxes and Retirement Security, for the American Council of Life Insurers, added that it would not be surprising to see state-run plans challenged in court. Such a challenge might come from an employer who already offers a plan but would be required, by a new state mandate, to enroll part-time and seasonal workers into a state-run plan. The employer's argument, Tobin said, might be that under the state plan, workers would not enjoy the same fiduciary protections enjoyed by participants in traditional, ERISA-covered employer-sponsored plans.

"We could see a patchwork system that ERISA was supposed to prevent," Tobin concluded. SVIA

Stable Value Industry May Want to Weigh in on Proposed Changes to Form 5500

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Elsewhere, Brunsman said, the DOL has proposed that mortgage-backed securities be reported in the real estate category rather than the debt category, where structured bonds are usually classified. It also has made ample provisions for breaking out insurance products, including stable value wrap contracts, but not bank-issued wrap contracts.

"It's going to be up to industry groups and institutions to offer comment to help the DOL provide better guidance and instructions for the form before it brings the final version out," Brunsman said. The objective of commenters, she added, should be to make sure that "everyone in the stable value industry, as well as any other asset class, can feel confident they know how to categorize their securities, their derivatives, and anything else, into a bucket that makes sense, and will help plan sponsors and the department."

Nick Gage, Senior Director and Head of Stable Value Separate Account Strategy for Galliard Capital Management, noted that the SVIA's Government Relations Committee had a "productive dialogue" with the DOL in June, prior to the announcement of the proposed changes, and that the department seemed open to providing further clarification on some of its proposed changes. But he seconded Brunsman's observation that members of the stable value community may wish to further weigh in on the proposed changes. The changes are scheduled to take effect in 2019. SVIA

Wharton Professor David Babbel Finds More Reasons to Like Stable Value

By Randy Myers

David Babbel, Professor of Finance and Professor Emeritus of Business Economics and Public Policy at the University of Pennsylvania's Wharton School, has been a fan of stable value for the past decade. He has written several papers on the asset class since 2007, the first sponsored by the SVIA and the rest written just because he finds the topic interesting. He is now contemplating producing yet another paper, and continues to conduct research on the asset class. His interest goes beyond the theoretical, though. In speaking engagements, Babbel likes to remind his audience that he has invested his own money in stable value funds in his retirement plans at Wharton and global consulting firm Charles River Associates, where he is a Senior Advisor.

In his earliest papers on stable value, written in collaboration with Miguel Herce, Babbel found that for investors with virtually any level of risk aversion, stable value had proved itself to be more attractive than either bonds or cash over the past few decades. He also demonstrated that adding stable value to an equity portfolio had been a better diversification strategy than adding either bonds or cash.

Speaking at the 2016 SVIA Fall Forum, Babbel said his newest research has uncovered several important new findings. It is distinguished from his previous work, he noted, because it relies for the first time on forward-looking expectations for stable value and fixed-income returns rather than past performance. That is important, he argued, because fixed-income returns over the past two and a half decades were skewed by an extraordinary bull market in that asset class—and stable value funds, of course, invest primarily in fixed-income securities. From 1990 through last year, Babbel noted, yields on long-term bonds fell to less than 2 percent from more than 9 percent, producing an average of about 3.5 percentage points of additional return each year over and above bond yields. With interest rates so low now, he said, it would be unrealistic to expect bonds to deliver that extra annual 3.5 percentage points of return in the years ahead, and therefore unrealistic to use the fixed-income returns of the past two and a half decades to compare stable value with other asset classes, or to calculate how stable value should fit in a model portfolio going forward. To perform his forward-looking analysis, Babbel used past levels of volatility as a measure of risk, but substituted the current yields of bonds to serve as a proxy for expected future returns.

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Wharton Professor David Babbel Finds More Reasons to Like Stable Value

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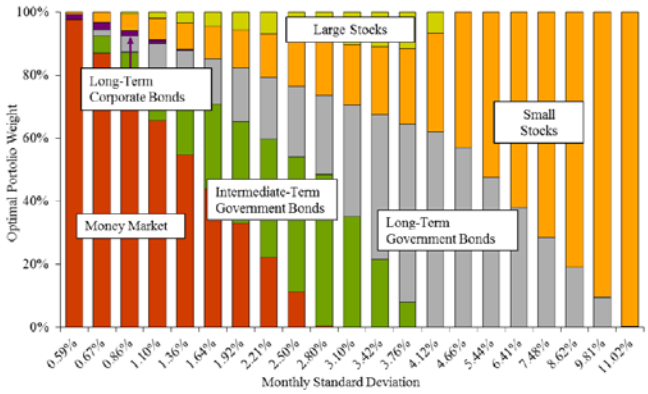
Before delving into the implications of all this at the SVIA forum, Babbel used a simple mean-variance analysis to demonstrate, as he has in earlier studies, that adding stable value to a diversified investment portfolio has produced a more efficient investment frontier. In fact, for most investors, including those with a high tolerance for risk, an optimal portfolio derived from mean-variance analysis would have consisted almost entirely of stable value, long-term bonds, and small-company stocks. That would leave out not only large-company stocks but also money market funds and intermediate-term bonds. "So much for the S&P 500, so much for target-date funds, so much for lots of stuff," Babbel quipped.

Optimal Portfolio Weights without Stable Value
(1988-Q4 – 2015-Q4)



Optimal Portfolio Weights with Stable Value
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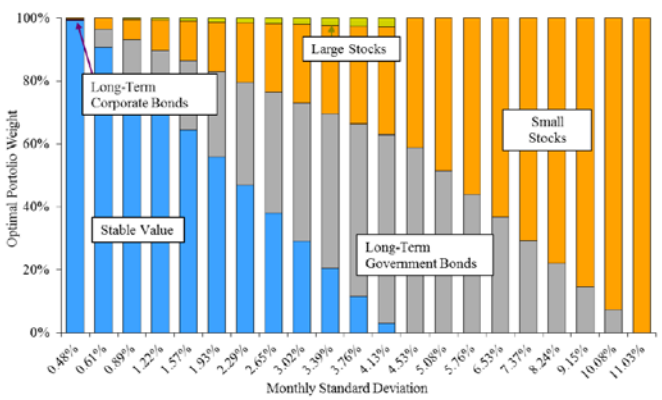

Babbel reminded his audience that mean-variance analysis, while popular, is inherently flawed, in that it penalizes an asset class as much for positive variances as it does for negative variances. Sortino ratios, which measure risk-adjusted return while penalizing only for negative variances, can provide a more meaningful picture of asset class performance. By that measure, Babbel said, stable value has provided about 20 times more "bang for the buck," or return in exchange for risk, than other major asset classes.

Babbel's favored tool for comparing stable value to other asset classes, though, is stochastic dominance analysis, which says in layman's terms that the more money you get, the more you like it. It shows, as Babbel has previously documented, that stable value dominates both money market funds and intermediate-term bond funds for risk averse investors, regardless of how risk-averse they are.

In his latest work, Babbel extended his analysis of stable value by using dynamic portfolio optimization to create optimal investment portfolios for any given level of risk. He focused, though, on the vast majority of people who are neither extraordinarily risk-averse nor extraordinarily aggressive. He then calculated what an optimal portfolio would look like when stable value is available to the investor, using two different methodologies: first, using historical return rates for bonds, and then using current yields as proxies for expected future returns. The latter approach addresses the problem cited earlier—the extraordinary bull market in interest rates since 1990.

Using only historical rates of return for a strongly risk-averse investor, Babbel demonstrated that an optimal portfolio would have allocated about 50 percent of its assets to stable value from 1993 through 2004, and about 25 percent from 2004 through 2015. Plugging in forecasted rates of return using current yields as proxies, however, produced portfolios that allocated about 80 percent of all assets to stable value for much of

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Wharton Professor David Babbel Finds More Reasons to Like Stable Value

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the time, and, except for one quarter, never less than 50 percent. Optimal portfolios for someone with a very strong aversion toward risk were even more heavily dominated by stable value, with the asset class almost never accounting for less than 80 percent of all assets. Babbel called these findings surprising.

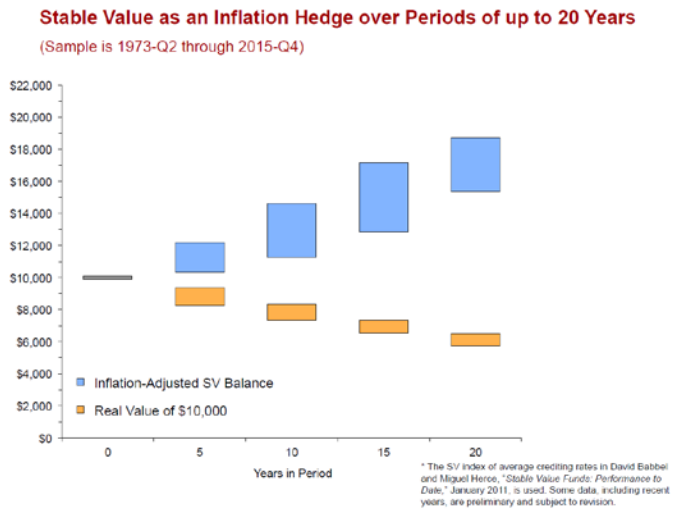
"You guys have a good product," Babbel told his audience. "This is for Joe Consumer. This is not for the people who play the market; this is for the rest of us."

Recognizing that some people might argue that equity returns had been skewed over the past 10 years by the catastrophic bear market of 2007-2009 and subsequent recovery, Babbel also created optimal portfolios for each quarter of 2015 in which returns for stocks would be calculated by adding an equity premium to the 3-month Treasury bill yield. Returns for small stocks would be based on those figures plus the historical average spread between small and large stocks over the 80 quarters prior to the optimization quarter.

Here again, Babbel said, he was surprised by his findings. For an investor with strong risk aversion, stable value accounted for just over 80 percent of an optimal portfolio using an equity premium of 3 percent. The balance of the portfolio was roughly split between small-company stocks and long-term corporate bonds. With an equity premium of 5 percent, the allocation did not change much, and even with an equity premium of 7 percent, stable value still accounted for about 70 percent of the optimal portfolio for each quarter, or slightly more. Small stocks, long-term corporate bonds, and long-term government bonds, in much smaller proportions, rounded out the portfolios.

"What's missing?" Babbel asked. "Large-company stocks. No S&P 500."

Finally, Babbel conducted one more analysis, again with surprising results. Starting with a hypothetical $10,000 balance, he compared its real, inflation-adjusted value with the inflation-



adjusted value of a stable value portfolio for every five-year period beginning with the second quarter of 1973—the first year for which he had stable value return data—through the fourth quarter of 2015. He also looked at those returns for every 10-year period, every 15-year period, and so on, up to 30-year periods. His finding, he said, was that stable value was a good inflation hedge. The real value of a cash portfolio gradually declined throughout the 30 years in every time period studied. The real value of the stable value portfolio declined very slightly in a few of the five-year rolling periods, but generally outpaced inflation. This was even more pronounced over 10-year periods. It increased in value for every longer period analyzed. (A similar analysis, conducted for the 20-year period ending with the fourth-quarter of 2015, showed the stable value portfolio increasing in real value in every period analyzed.) In almost all of the holding periods studied, the value of stable value funds surpassed inflation, and usually by a substantial margin.

For anyone looking for a good inflation hedge, Babbel concluded, this analysis amounted to a clear demonstration of stable value's attractiveness.

Not that he needed any convincing. SVIA

Saving and Investing for Retirement: Surprising Mistakes People Make

By Randy Myers

Everybody knows where Americans go wrong in saving and investing for retirement. They start too late. They save too little. They invest too conservatively—or too aggressively. They borrow from their retirement accounts.

True enough. But as personal finance writer Martha Hamilton, now a Senior Editor at the International Consortium of Investigative Journalists, pointed out at the 2016 SVIA Fall Forum, Americans make a few other surprisingly devastating financial mistakes, too. According to financial planners she has interviewed, some of the biggest revolve around late-life divorce and dementia.

Late-life divorce is a rapidly growing trend, Hamilton observed, with the rate of divorce among people 50 and older doubling between 1990 and 2010. The obvious problem: a couple once planning to retire and live together end up living apart, significantly boosting their expenses as they try to maintain two households. Late-life divorce also can be wracked with emotion, leading some people to make less-than-reasoned financial decisions. It is not uncommon, for example, for a higher-earning spouse to be very generous in the settlement, to their own detriment.

In other cases, people just make bad choices. Hamilton recalled the story of one financial planner whose divorced client had fought hard to keep a $200,000 account, only to then go against the planner's advice and add a girlfriend's name to the account. "She'd just moved to where he lived, and they were to buy a house," Hamilton said, "but she cleaned him out and moved home $200,000 richer."

Hamilton said the chances for mishaps are many, especially if one spouse has been handling the family's finances and the other knows little about them.

Hamilton advised anyone contemplating divorce not to visit a divorce lawyer right away, but to see a financial planner or accountant instead. She also said couples might benefit from hashing out—while times are good—how they would handle a divorce in the event their marriage later soured, perhaps going so far as to draft and sign a postnuptial agreement.

If planning for divorce seems unpleasant, dealing with the impact of a dementia diagnosis can be even more depressing, Hamilton said. Friends and family often miss the early signs of the disease, she said, and by the time it is diagnosed it can be too late to save an individual's or a couple's assets. One financial planner she had interviewed had a client suffering from dementia who was still day-trading.

"There's so much to do immediately after the diagnosis that it leaves you exhausted," Hamilton said. "Your first response is treatment, and coping. You may have to move the person with dementia to another home. This doesn't leave you with enough energy to do what needs to be done with finances."

The fallout of dementia can impact not only the person who has been struck by the disease, but also those who step forward to care for the patient. Hamilton cited a study which found that caregivers on average spend more than $5,000 a year of their own money trying to help a dementia patient for whom they are providing care. "Some go without meals. Others can absorb the cost more easily, but it can be really hard."

Hamilton warned that people with dementia tend to develop problems managing money very early in the disease. They also become more susceptible to scams, like paying money to a predator pretending to represent the IRS. Some patients leave bills unpaid, or start donating excessive amounts to charity.

There is a lot of money at stake. The combined household wealth of Americans 65 and older is about $18.1 trillion, Hamilton said, and one in three older Americans dies with Alzheimer's disease or some other form of dementia.

As with divorce, Hamilton encouraged people to plan ahead for how they would deal with a dementia diagnosis. This can include having a lawyer draft a will and a durable power of attorney that gives a trusted person power to take over healthcare and financial decisions if needed. It also can include discussions with a financial planner about retirement.

More broadly, Hamilton encouraged the education community to begin teaching financial literacy as early as grade school. Today, she said, "we don't teach enough, and we don't teach soon enough. As a result, things go in the wrong direction. If you understand compound interest, you're more likely to do the right thing and start saving." SVIA

Litigation: The New Reality for Defined Contribution Plans

By Randy Myers

For the past decade, sponsoring or servicing a retirement savings plan has been fraught with litigation risk. It could get worse.

The targeting of retirement plans by the plaintiffs' bar began in earnest in September 2006 when the St. Louis-based law firm of Schlichter Bogard & Denton filed lawsuits against several high-profile 401(k) plans. Most of the suits alleged the plans had been paying excessive fees to service providers, to the detriment of plan participants. The Schlichter firm has not prevailed yet in any of these cases, but it has collected more than $300 million in settlements. In the years since, more lawsuits have followed, not only against 401(k) plans but also, more recently, 403(b) plans. These suits allege a range of violations of the Employee Retirement Income Security Act (ERISA), including the increasingly popular claim that plans offered too many actively managed funds and not enough passively managed funds.

Now, plan sponsors, and their vendors and advisors, could be facing even more potential liability as a result of a new fiduciary rule handed down earlier this year by the Department of Labor. Scheduled to become applicable on April 10, 2017, the rule broadens the definition of a plan fiduciary under ERISA to cover anyone who makes investment recommendations to a retirement plan sponsor, plan participant, or owner of an Individual Retirement Account.

"The rule is intended to expand the universe of people who are subject to fiduciary responsibility," said Eric Mattson, a Partner, Class Action Litigation, for the law firm of Sidley Austin LLP, during a presentation at the 2016 SVIA Fall Forum in Washington, D.C. "And just like night follows day, litigation follows fiduciary status."

The most recent ERISA lawsuits have targeted 403(b) plans at prominent private universities such as Yale, the Massachusetts Institute of Technology, and New York University. The suits are similar to the 401(k) lawsuits, but with some new twists. Among other things, Mattson said, they contend that the plans offered too many investment options, which made them confusing for participants, and that they used multiple recordkeepers instead of one, incurring higher-than-necessary expenses. "There's a whole menu of claims and theories in these lawsuits that have not yet been tested, because 403(b) plans tend to have different structures than 401(k) plans," Mattson said.

One of the problems for fiduciaries in this new legal environment, Mattson said, is that guidance on what it means to be a fiduciary is not as explicit as it could be. At a high level, fiduciaries have duties of loyalty and prudence to their retirement plans and plan participants. Typically, this has been interpreted to mean that fiduciaries should make sure investment options offered are prudent, and that fees are not excessive. But attorneys say that guidance is muddy. In Tibble v. Edison International in 2015, Mattson noted, the U.S. Supreme Court confirmed that fiduciaries have a continuing duty "of some kind" to monitor investments and remove imprudent ones, and to conduct a regular review of investments, with the nature and timing of those reviews contingent on the circumstances. "Good luck advising plans on exactly what they are supposed to do," Mattson said of those instructions. He added that if nothing else, it means fiduciaries cannot—if they ever could—just "set and forget" a lineup of investment options for a retirement plan.

Where stable value has been an issue in retirement-plan lawsuits, Mattson said claims often have revolved around the idea that plans breached their fiduciary duty by offering participants a money market fund rather than a higher-yielding stable value fund. To date, he said, courts have generally not bought into this argument. Defendants have successfully argued that they chose money market funds after thoughtful consideration of the pros and cons of each type of investment.

In one case, Mattson added, the plaintiffs argued that because the stable value provider had sole and exclusive discretion to determine its product's crediting rate—and to set that rate below its internal rate of return—the provider was guaranteeing itself a substantial profit and not disclosing this to participants. Like many other defense attorneys, Mattson said he does not put much stock in this argument, but he noted that there has been no ruling in the case to date. He also noted that the more a crediting rate relies on a stated formula, the less risk a stable value provider should run.

In still another case, Mattson said, plaintiffs have argued that a stable value fund invested too

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Litigation: The New Reality for Defined Contribution Plans

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conservatively, leading to lower-than-necessary returns for investors. That case is continuing to wind its way through the court system.

What should fiduciaries do in the wake of all this litigation? Some things are obvious, Mattson said, advising that they:

- Conduct regular reviews of their investment lineup
- Adopt an investment policy statement
- Show their work (show they went through processes and thought about what they were doing in making decisions)
- Consider expenses
- Consider the performance of investment options
- Consider the effect of changes to an investment fund
- Consider hiring a consultant, or perhaps a formal fiduciary investment advisor
- Consider offering a stable value fund as a plan investment option instead of, or in addition to, a money market fund. SVIA

Stable Value Masterclass on Asset TV

By Jane Marie Petty

Four stable value industry experts recently participated in Asset TV's Stable Value Masterclass. The panelists were James J. King, Managing Director and Client Portfolio Manager at Prudential Retirement; Warren Howe, National Director of Stable Value at MetLife; Karl Tourville, Founding Managing Partner of Galliard Capital Management; and Karen Chong-Wulff, Managing Vice President of Fixed Income at ICMA-RC. The moderator was Asset TV's Courtney Woodworth. Following are highlights of two of the topics covered during the 52 minute Masterclass: the impact of Money Market Reform on the Stable Value asset class and the experts' thoughts on why they look forward to higher rates and why rising rates will benefit stable value. The panel also discussed several other issues impacting the industry including the overall health of the industry and where the growth opportunities are for stable value. To view the full informative Stable Value Masterclass, visit Asset TV.com

The Impact of Money Market Reform on Stable Value

The panelists all agreed that Money Market Reform presented significant opportunities for the stable value asset class. "What happened was a lot of the assets came out from prime money market funds into government money market funds. As a result you saw lower rates in government money market funds, so the spread between stable value and government money market funds were even greater. That presented an opportunity for stable value," explained Karen Chong-Wulff. Karl Tourville added that Galliard saw strong new flows into its stable value strategies, particularly from plans that opted to eliminate their money market fund options. MetLife's Warren Howe pointed out, however, that while Money Market Reform definitely served as a trigger point for the reemergence of stable value as an ideal capital preservation option, he emphasized that stable value has always been the right choice relative to money market options and history shows that there has always been a clear quantitative advantage for stable value. "Look at historical one year periods, three year periods, five year periods, ten year periods, and you'll see that stable value significantly outperforms money market funds. So from a quantitative perspective, stable value has always been the right choice relative to money market funds. But now because of Money Market Reform, plan sponsors need to take some level of action, whether it is to choose to stay in a government money market fund or elect to move to stable value. As a fiduciary, they're making a decision now. So it's really the right time when you're doing that analysis and you look at it as a 0% yield versus kind of stable value in the 1½-2+ range, really the time is right and stable value is positioned quite well," noted Howe. Prudential's Jim King also agrees that the spread between stable value and money markets is very attractive. "It's right above the long term average. And what's really good about the opportunity right

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Stable Value Masterclass on Asset TV

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now is that if the Fed does start to tighten, even if it's very gradual over time, we'll see interest rates rise not only in the short end, but in the short to intermediate part of the yield curve where stable value does most of the investing, that's where we put our money. And so those higher rates should produce even more attractive returns for plan participants going forward." Howe and King anticipate changes and movement from money market funds into stable value to continue well beyond the October 14th Money Market Reform implementation deadline into 2017 and 2018. Howe noted that there are still a number of plans that need more time to conduct due diligence as a fiduciary before making changes to their plans. Therefore even if plans moved to government funds, there is still a significant amount that will move to stable value beyond the October 14th date.

Rising Rates Will Benefit Stable Value

All the panelists welcome higher rates and believe this will benefit stable value. Karen Chong-Wulff explained that stable value is designed to perform well, whether rates go up or down. "What happens with stable value, because of its design, is it will rise with interest rates, not as fast as money market funds, but it is going to go up. I think we should all be excited that it's going to go up because I wouldn't want to be in a prolonged low interest rate environment situation where stable value doesn't even beat inflation. Higher rates would actually be a welcome change. And because of the way the product is designed and what we've gone through all these years, I think we are in a really good position, you know, where we have excess reserves, in terms of the market to book value ratio. We have enough reserves for us to be able to cope with higher interest rates as well." Karl Tourville agreed with Chong-Wulff. " We would love to see an increase in interest rates. I think we have more risk on the downside of a low interest rate environment than we do in increasing rates. And as Karen said, stable value funds will increase or decrease with the market, but at a slightly slower rate." Warren Howe further elaborated that "if interest rates start to rise, money market rates will rise as well. But there's a significant cushion between the returns of a stable value fund and money market. So if you get an orderly increase in rates, you know, 25 here, 25 there, rates start to move, stable value has got a large cushion already. So it will continue to move up as well. The other thing about money market funds is many of the money market funds waived their fees during kind of the financial crisis, and while yields have been zero. So if rates pop 25 basis points, 50 basis points, that isn't all going to come through on a money market fund because they're going to start to reinstate their fees. So they will not get that exact pick up. And lastly, when I think about stable value, while rates rise and it has this inverse reaction to the bond market, it's part of a Defined Contribution plan. There are regular flows of contributions from participants. And as those flows come in, they get reinvested as rates are moving up. So there's always been a concern about stable value in a rising rate, but I think it's a bit muted by all of that." King agreed with the rest of the panelists. "Rising rates clearly will benefit stable value. To Karen's point, which I think is interesting, right now the average stable fund has a yield somewhere around 1½-2%, which is running right at about the rate of inflation. So

I think the Fed could move rates up one or two times you would see the short to intermediate part of the yield curve respond very favorably. And if we got rates up another say 50-100 basis points, it would begin to provide a better premium above inflation.

King also commented on asset classes more broadly than stable value and noted that while a 2% stable value rate may not sound like a lot, most models today on the stock side expect 4-6%, significantly below where they have been historically. And King noted that as rates start to rise, bond prices are going to go down. So stable value, given an increase in yield in a rising rate environment and no principal preservation downside, is going to be very attractive.

The full Masterclass discusses many other timely issues impacting the stable value industry including structural changes in stable value funds since 2008, including more stringent investment guidelines, and improved risk management practices throughout the industry. The experts also discuss future growth opportunities for the stable value asset class including increased usage in custom target date strategies and 529 savings plans.

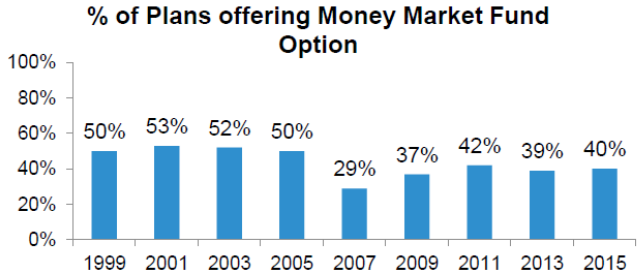
Visit Asset TV Stable Value Masterclass to stay up-to-date on industry trends. SVIA

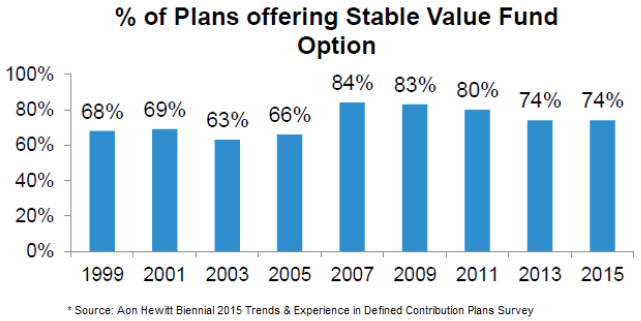
A Consultant's View on Defined Contribution Plans and Stable Value

By Randy Myers

Target-date funds are capturing an increasing share of the assets in defined contribution retirement plans. But Jacob Punnoose, a Partner in Aon Hewitt Investment Consulting, says the future remains bright for stable value funds, too.

Speaking at the 2016 SVIA Fall Forum, Punnoose said that even if stable value's share of the defined contribution marketplace continues to moderate, the ongoing creation of new plans and the continued flow of new money into existing plans means there is still a lot of opportunity for stable value over the near-to-intermediate term.





* Source: Aon Hewitt Biennial 2015 Trends & Experience in Defined Contribution Plans Survey

Longer term, Punnoose said, stable value providers will need to find a way to have their product included in target-date funds, which have become the predominant default investment option at companies that automatically enroll eligible employees into their plans. The easiest way to do that, he said, will be to promote the use of custom target-date funds that can easily incorporate a stable value component into their investment mix. But "easy" may understate the task.

"It's going to be an uphill challenge in terms of converting plans using off-the-shelf target-date funds to custom funds," said Punnoose "By and large, it is the larger plan sponsors who are more amenable to it. Smaller plan sponsors are reasonably happy with off-the-shelf target-date funds, even if there is the potential for more alpha and more asset-class diversification with custom funds."

One arrow in the stable value industry's quiver, Punnoose noted, is that its product serves a true purpose in defined contribution plans. "When we talk with our plan sponsors about the different investment options and investment structures they want in their DC plans, there are a lot of differing opinions. But one common element across almost every plan sponsor we talk to is that they want a stable net-asset-value product. That would be either a money market fund or a stable value fund. And given that stable value has outperformed money market over long periods of time with similar levels of risk, it is not surprising that a majority of plan sponsors use stable value funds."

Punnoose said stable value also could benefit from a relatively new trend to reduce the number of investment options within defined contribution plans. In consulting with plan sponsor clients, he said, Aon Hewitt often promotes the benefits of adopting a streamlined investment menu. Such a menu might include a suite of target-date funds along with four core stand-alone funds: a growth fund, an income fund, an inflation fund and a capital preservation fund. "In that construct, where you're reducing the number of options, the relative importance of stable value increases," he said. "It now becomes one of perhaps four non-target-date funds. So there might be more attention paid to each of those individual options."

Elsewhere, Punnoose documented a number of developments favorable for stable value funds, and others that are worrisome, like the growing incidence of lawsuits targeting stable value funds. The lawsuits allege a diverse range of missteps, from overly conservative to overly aggressive investment management.

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A Consultant's View on Defined Contribution Plans and Stable Value

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Among the positive developments, Punnoose said, are the significant increase in stable value wrap capacity in recent years, and recent rule changes imposing increased transparency and reporting requirements on institutional prime money market funds. Those rule changes are driving some retirement plans to offer stable value funds instead of money market funds. Among plans served by Aon Hewitt, Punnoose observed, 40 percent offered money market funds in 2015, down from 50 percent a decade earlier. During that same period, the percentage of plans offering stable value funds rose to 74 percent from 66 percent.

Punnoose sees potential for significant additional flows of money away from money market funds and into stable value. Where plans have not moved to stable value so far, he said, common stumbling blocks include concerns about future wrap capacity and about employer-initiated events that could put book-value withdrawals in jeopardy, at least temporarily. And some plans, he said, simply find it easier to switch from a prime money market fund to a government fund that is not subject to the new regulations.

In plans that do offer stable value, Punnoose said, the percentage of plan assets allocated to stable value has edged lower over the past 10 years. This is a consequence in part of the bull market in equities, and of the growing popularity of target-date funds as a default investment option for participants who are enrolled in their plans automatically.

The keys to growing the stable value market in the years ahead will include promoting the use of stable value in target-date funds and ensuring that the consulting industry understands the product. Consultants who understand stable value, he said, are more likely to recommend it to their plan sponsor clients and to accentuate the positives of stable value relative to money market funds.

Punnoose said the stable value industry also will want to emphasize the role stable value can play in helping retirement plan participants meet their income goals in retirement, make stable value less operationally complex for plan sponsors, make stable value vehicles available to very small plans, ensure that book value accounting for stable value funds continues to be accepted, and look for growth in the 403(b) retirement plan market and internationally. SVIA

Donahue Article Identifies Important Considerations in Selecting Stable Value

By Gina Mitchell

An article, "Fundamental Investment Principles of DC Option Selection Prove Optimality of Stable Value," by Paul Donahue, a proponent of stable value, was recently published in the Society of Actuaries' Pension Section News which is "a medium for the timely exchange of ideas and information of interest to pension actuaries." However, the article should be of interest to all ERISA fiduciaries as well as those interested in stable value.

Besides making the case as to why he believes stable value should be the conservative option in a DC plan, Donahue highlights important considerations in the type of stable value fund used. Specifically, Donahue highlights pooled fund and individually managed account structures by focusing on the importance of contract terms and their potential impact on book value, or, as Donahue describes, "the stable (non-decreasing) net asset value for all transactions permitted by the plan." His article focuses on three areas that can impact participants' stable net asset value: employer events, contract termination, and exit provisions for pooled funds. Donahue also discusses considerations in choosing between pooled funds and individually managed accounts.

The full article can be found on the Society of Actuaries webpage. SVIA

Submitted Electronically

December 5, 2016

Office of Regulations and Interpretations
Employee Benefits Security Administration
Attn: RIN 1210-AB63
Annual Reporting and Disclosure
Room N-5655
U.S. Department of Labor
200 Constitution Avenue NW
Washington, DC 20210

Re: Proposed Rule on Annual Reporting and Disclosure (Form 5500) – RIN 1210-AB63

Dear Sir or Madam:

The Stable Value Industry Association[i] (SVIA) appreciates the opportunity to provide comments to the Department of Labor (Department) on the proposed amendments (Proposal) to the Form 5500 Annual Return/Report of Employee Benefit Plan and Form 5500-SF Short Form Annual Return/Report of Small Employee Benefit Plan (collectively, Form 5500). Form 5500 is required to be filed by each pension and other employee benefit plan concerning, among other things, the financial condition and operations of the plan. The Proposal significantly amends and expands the nature, range, and detail of information currently required to be reported on Form 5500.

SVIA is a non-profit organization dedicated to educating retirement plan sponsors and the public about the importance of saving for retirement and the contribution stable value can make toward a financially secure retirement. Stable value funds, which are used in participant-directed defined contribution retirement plans, are designed to preserve principal while providing investment returns similar to intermediate bond funds, as well as provide benefit-responsive liquidity to plan participants (meaning that participants can transact at contract value – principal plus accrued interest). As such, stable value funds play an important role in the investment option line-up for those plans that include them (39% of all 401(k) plans offer stable value[1]) as an available choice for plan participants looking for a relatively low-risk investment that provides protection of principal and steady income that, over time, has exceeded returns from money market investments.

[1] "401(k) Plan Asset Allocation, Account Balances and Loan Activity in 2014," Jack VanDerhei, EBRI, Sarah Holden, ICI; Louis Alonso, EBRI; and Steven Bass, ICI, EBRI Issue Brief, April 2016, No.423

Like most commenters, SVIA shares the Department's goal to update reporting forms to reflect marketplace developments, facilitate and streamline agency supervision, and provide relevant information to plan participants and beneficiaries. Nevertheless, we believe that in numerous places the Proposal is overbroad and significantly exceeds the requisite information necessary or appropriate for effective Form 5500 reporting. We concur with other financial services industry groups who argue, among other things, that some of the new information is unnecessary, that the changes will generate significant costs for custodians, investment managers and other service providers who compile and report the information, and that the changes will ultimately increase costs to plan participants and beneficiaries.

In addition to reinforcing the comments made in letters from other industry groups, we wish to comment on specific portions of the Proposal that are of concern to our members, which include plan sponsors, stable value contract issuers, and investment managers who collectively manage $814 billion in stable value assets.[2]

I. Topics Unique to the Stable Value Industry

A. Schedule D – Asset Value of Stable Value Direct Filing Entities (DFEs)

The Proposal requires that the "current value" of plan investments in DFEs be reported on Schedule D. SVIA believes that the Proposal should specify that the "current value" is equal to contract value for plan investments in stable value common trust funds and collective investment funds (CCTs). Contract value is the relevant measure for stable value funds, as this is the amount at which plan participants investing in their plan's stable value option transact. Contract value also coincides with the amount reported by plans in their supporting financial statements under ASU 2015-12.

B. Schedule H – Asset Value of Benefit Responsive Contracts

The Proposal requires that assets for which "current value" is not being provided must be separately identified (and a "caution" must be included). It is not clear in the instructions what "current value" means, particularly as the term relates to benefit responsive contracts used in stable value funds. SVIA respectfully requests the Department to include in the instructions to Form 5500 that a stable value contract (sometimes referred to as a "wrap contract"), whether the contract is issued by an insurance company or other financial institution, should be valued as an asset using its contract value, also known as its book value. This is the relevant measure for stable value contracts, as this is the amount at which plan participants investing in their plan's stable value option transact.

Further, while the guidance for presenting fixed income securities, CCTs, and PSAs on their own is clear, SVIA respectfully requests that additional clarification be provided with respect to the reporting of Synthetic GICs or Separate Account GICs

[2] SVIA's Quarterly Characteristics Survey of Stable Value Funds covering 3Q2016.

when the value of the contract is presented along with the underlying fixed income securities, CCT, or PSA. Consistent with AICPA conference guidance, SVIA requests that the Department clarify that the contracts are to be presented on Schedule H at the difference between the fair market value of the contract's underlying assets and its contract value so that, when added to the fair market value of the underlying assets, the sum equals the contract value.

Finally, SVIA is concerned that the changes to Form 5500's Schedule H do not take into account the fact that stable value contracts are issued by financial institutions like banks, as well as by insurance companies. The Department proposes to augment Schedule A insurance product reporting with an asset breakdown in Schedule H, Item 1b(7) that includes the same categories as in Schedule A for insurance general account products; i.e., deposit administration, immediate participation guarantee, guaranteed investment contracts, and other unallocated insurance contracts. SVIA notes that the designated reporting areas in Schedule A or Schedule H do not clearly accommodate all types of stable value contracts, especially with respect to bank-issued contracts. For a stable value fund, these contracts serve the same purpose as contracts issued by insurance companies and should be reported similarly in the Form 5500. Providing instructions that enable plans and their service providers to report all stable value contracts at contract value, whether they are issued by insurance companies or banks, would improve consistency of stable value reporting and remove some long-standing ambiguity from the Form.

II. Topics in Common with Other Industry Participants

A. Schedule C – Eligible Indirect Compensation

Requiring service providers to calculate an estimated dollar amount in place of the current option to present a formula is highly unworkable for the same reasons that the financial services industry provided to the Department several years ago when the Department's 408(b)(2) disclosure regulation (the "408b-2 Regulation") was promulgated. Stable value industry participants have relied on the Department's "eligible indirect compensation" rules under the 408b-2 Regulation, which permits covered service providers to report indirect compensation using a dollar amount, formula, percentage of assets, per capita charge or, where the compensation cannot be expressed in such terms, by any other reasonable method. 29 C.F.R. § 2550.408b-2(c)(1)(viii)(B). The cost associated with being able to provide this reporting as separate dollar amounts per plan will be passed along to plans, plan participants, and beneficiaries. Therefore, we ask the Department to reconsider this change, and to allow service providers to disclose indirect compensation via the same methods that are permitted under the 408b-2 Regulation. This approach would further the expressed goal to harmonize Schedule C disclosure with the existing 408b-2 Regulation guidance.

B. Schedule H – Termination of Service Providers

Schedule H will include a new line (line 6) that asks whether a service provider has been terminated for a material failure to meet the terms of a service arrangement or failing to comply with Title I, including for failing to provide an ERISA section 408(b)(2) disclosure. Service providers are terminated in connection with services provided to ERISA plans for many different reasons. For example, an investment manager may be terminated because it failed to meet the plan sponsor's performance expectations (e.g., for failing to meet a benchmark consistently or to stay in the top half of a particular peer group). Service providers may be terminated because a plan sponsor finds a more favorable financial arrangement. We ask that the instructions be clarified to make explicit that a termination of an investment manager for disappointing investment performance should not trigger a requirement to complete this line.

C. Schedule H - Reporting Fixed Income Holdings

Schedule H, Line 1b(3)(C) requires reporting of corporate debt instruments, subcategorized into investment grade and high-yield debt. The instructions relating to this line generally are taken from the current instructions for Schedule R, line 19a. They provide that investment-grade debt-instruments are those with an S&P rating of BBB- or higher, a Moody's rating of Baa3 or higher, or an equivalent rating from another rating agency. High-yield debt instruments are those that have ratings below these rating levels. The instructions provide additional guidance on determining which category is appropriate; however, it would be helpful if three additional points were clarified.

It is not uncommon for ratings to differ between ratings agencies, including between Moody's Investors Service and Standard & Poor's Corporation, often due to differences in the methodology used. The instructions should clarify that in the case of a debt instrument with a split rating (for example, a debt instrument that has an S&P rating of BBB- and a Moody's rating of Ba1), the debt instrument may be reported in the investment grade category, in accordance with the highest rating. This is sometimes referred to as a "split higher" rating approach.

The instructions provide that if the debt does not have a rating, it should be included in the "high-yield" category if it does not have the backing of a government entity. In the case of new issue debt, the ratings agencies sometimes issue an anticipated rating, based on information provided by the issuer before the debt is issued. The instructions should confirm that anticipated ratings may be used in the case of new issue debt.

The instructions require that the ratings in effect as of the beginning of the plan year be used. Currently, stable value funds do not track the rating that was in effect as of the first day of the plan year. Rather, they track the rating that was in effect at the time of purchase and the current rating. Therefore, it would be less burdensome, and

more consistent with financial statement and client reporting, if the instructions would mandate the use of ratings in place at the end of the plan year or DFE reporting year.

D. Schedule H – Reporting Mortgage-Backed Securities

Stable value portfolios traditionally include an allocation to mortgage-backed and asset-backed securities. Schedule H has been modified to incorporate several new asset subcategories under the category of "Real Estate Investments (other than employer real property and foreign investments)." One of the subcategories, "Mortgage Backed Securities (Including Collateralized Mortgage Obligations)" should not be included under the category of real estate investments. Mortgage-backed securities are not treated similarly to real estate investments for valuation purposes or in any other context of which we are aware, and should be set forth either in their own free-standing category on the Schedule H asset and liability statement, or as part of a "structured asset" category that would combine asset-backed securities backed by non-mortgage investments with mortgage-backed securities. That approach is traditional in client reporting.

III. Conclusion

The Department has devoted significant time and resources in crafting the Proposal with the hope of ensuring that employee benefit plan reporting obligations meet the multiple goals of reflecting evolving marketplace practices, streamlined supervision, and participant/beneficiary understanding. We appreciate and share the Department's goal of modernizing the Form 5500 to improve the content and presentation of a plan's financial condition and operations. We believe, however, that the Proposal as written will result in final regulations that are vague, overly complex, and costly to implement.

SVIA believes that collaboration between the Department and industry groups will lead to clearer instructions for Form 5500 filers, which will result in more consistently reported data, in part because it will enable creation of programmable data extraction tools for the service providers who support plan filings. Plan sponsors and SVIA members deal with inconsistencies in how to report and map stable value data under the current Form 5500 instructions. Review and input from the retirement services industry, including the stable value industry, is a key component for accomplishing the Department's admirable goals in modernizing Form 5500.

Thank you for your consideration of these views. If you have any questions or require any additional information, please do not hesitate to contact me at 202-580-7620.

Sincerely,

Gina Mitchell
President, Stable Value Investment Association

March 17, 2017

Office of Regulations and Interpretations
Employee Benefits Security Administration
U.S. Department of Labor,
Room N-5655
200 Constitution Avenue NW
Washington, DC 20210

Re: RIN 1210-AB79 Fiduciary Rule Examination

Dear Sir or Madam,

The Stable Value Investment Association (SVIA or Association) is writing to convey its support for the Department of Labor's ("Department" or "DOL") recently announced proposal (the "Proposal") to delay by 60 days the applicability of (i) the final rule entitled Definition of the Term "Fiduciary;" Conflict of Interest Rule - Retirement Investment Advice (the "Rule") and (ii) the related prohibited transaction exemptions ("PTEs").

SVIA supports the Department's Proposal and the Department's efforts to conduct a thorough re-examination of the Rule and PTEs consistent with the President's February 3, 2017 memorandum. Without some action to delay, the applicability date will arrive before the Department can properly complete its study.

SVIA is a non-profit organization dedicated to educating retirement plan sponsors and the public about the importance of saving for retirement and the contribution stable value can make toward a financially secure retirement. Stable value funds, which are used only in participant-directed defined contribution retirement plans, are designed to preserve principal, while providing investment returns similar to intermediate bond funds, as well as provide benefit-responsive liquidity to plan participants (meaning that participants can transact at contract value – principal plus accrued interest). SVIA's members collectively manage over $820 billion in stable value assets as of December 31, 2016, which is more than 12% of all defined contribution plan assets.

Thank you for your consideration of the Association's comments.

Sincerely,

Gina Mitchell
President, Stable Value Investment Association

For: SVF Providers and SV QPAM Contracting Parties

Re: DOL Fiduciary Rule Representations

[Insert name] is familiar with the DOL's definition of who is an investment advice fiduciary for purposes of Section 3(21)(a)(ii) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), 29 C.F.R. Section 2510.3-21 (2016) (the "Fiduciary Rule"). The purpose of this letter is to confirm that the issuance of a stable value contract by [Issuer] to a plan or trust represented by [Insert name] will not trigger fiduciary status on the part of [Issuer] under ERISA or the Internal Revenue Code of 1986, as amended, for the following reasons:

- [Insert name] is (i) an investment advisor registered under the Investment Advisers Act of 1940 or (ii) a bank or trust company regulated and supervised and subject to periodic examination by a state or federal agency.

- [Insert name] and [Issuer] are independent of each other within the meaning of the Fiduciary Rule. [Insert name] understands that in the negotiation, sale, and issuance of a stable value contract to a plan or trust represented by [insert name], [Issuer] is acting in its capacity as an issuer of a stable value contract, and is not providing investment advice or giving advice in a fiduciary capacity.

- [INSERT IF APPLICABLE][Insert name] acknowledges that [Issuer] will earn fees on the contract value of any stable value contract issued to a plan or trust represented by [insert name], as specifically disclosed in each contract.

- [INSERT IF APPLICABLE FOR GENERAL ACCOUNT PRODUCTS] [Insert name] acknowledges that the rate that [Issuer] credits to the contract value is net of all charges related to [Issuer's] general account guarantee of that crediting rate.] [Insert name] further acknowledges that any fees or other compensation [Issuer] receives is not for the provision of investment advice in connection with a plan's or trust's negotiation or purchase of a stable value contract.

- [Insert name] represents that (i) it is a fiduciary under ERISA for each plan or trust on whose behalf [Insert name] is acting in connection with transactions arising from a stable value contract, including but not limited to the negotiation and purchase of a stable value contract, (ii) it is responsible for exercising independent judgment in evaluating any investment risk associated with such transactions with [Issuer], and (iii) it is capable of independently evaluating investment risks, both in general and with respect to such transactions with [Issuer].

This is effective as of the date executed, covers contracts currently in effect between [Insert name] and [Issuer] and will be confirmed upon the written request of the [Issuer]. By signing below, [Insert name] (i) makes the representations set forth above, which will remain in effect with respect any particular stable value contract issued by [Issuer] until such contract is terminated, and (ii) agrees to provide prompt written notice to [Issuer] of any change of which [Insert name] becomes aware that may affect the representations.

Signature Block – SVF/QPAM

Name (printed), Title/Capacity, Signature & Date

STABLE VALUE UPDATE

An industry review from Prudential

Competitive Landscape

Stable Value and Millennials

by John Barrasso

Let's take a short quiz. Which group is more likely to consider a money market fund the best choice for their retirement nest egg?

A. Retirees or near retirees
B. Millionaires
C. Millennials
D. Managers of money market funds

If you answered C, congratulations. You're either an astute contrarian, or someone who's read some of the many surveys showing that millennials—often defined as those Americans born between 1980 and 2000—can see themselves as extraordinarily risk-averse investors. A 2014 Bankrate study found, for example, that 39% of millennials—the most of any age group—considered cash the preferred investment for money they wouldn't need for at least 10 years. Yet returns on cash often fall below the rate of inflation, making it, for most people, a poor choice for building the wealth one will need to retire successfully. Meanwhile, many millennials have not begun investing for retirement at all. In a 2016 survey of 2,000 adults, 57% of millennials reported they had not started saving for retirement.

What do these statistics have to do with stable value? Potentially, quite a lot.

While it's impossible to know exactly what's driving millennials to shy away from investing for retirement, it's easy to infer some reasons. Paying off student loans, saving for a house and taking on child-care expenses may soak up some of the money they might otherwise steer toward retirement saving. Meanwhile, in the relatively short time they've been old enough to work, millennials have been witness to a series of traumatic financial market upheavals, headlined by the dotcom bust of 2000 and the housing bust/credit crunch of 2008. In the latter crisis, many saw parents and other older family members suffer crushing losses in both the housing and financial markets—losses from which some have yet to recover.

If fear of market volatility is keeping millennials from investing, or investing in a manner appropriate for their age, access to stable value products might be enough to pull some

of them off the sidelines. Returns on stable value funds historically have outpaced those available from money market funds, yet still have exhibited low volatility.

The challenge for the stable value industry—indeed, for the retirement industry as a whole—is twofold. The first is to educate millennials about the benefits of stable value products. The second is to make those products more widely available in defined contribution plans. Right now, only about half of those plans offer a stable value investment option, according to the Stable Value Investment Association.

It isn't just millennials themselves who need to know more about stable value, though. The retirement industry, including stable value providers and retirement plan advisors, also must continue to educate plan sponsors about the unique benefits, such as capital preservation and steady return guarantees that stable value products offer.

Expanding stable value now is particularly timely given that new regulations for money market funds are taking effect this fall. These new rules will require, for the first time, that net asset values for institutional prime money market funds be allowed to float with their market value. The new regulations also will allow prime money market funds to impose redemption fees and gates to manage liquidity pressures. Absent a steady net asset value, and with the potential for redemption penalties, money market funds may look less attractive to cautious millennial investors than they have in the past.

The stable value story is a compelling one that resonates with plan sponsors who have embraced the product. As revealed in our recent Prudential Retirement® white paper, **Expanding the Case for Stable Value,** plan sponsors who have adopted stable value associate it with improved plan participation and participant deferral rates. Both can drive better participant outcomes. Millennials don't deserve to miss out on that opportunity.

Millennials Banking On Cash Over Stocks For Retirement, IBT, October 2014
Who Needs a Retirement Plan? Apparently Not Millennials, Money, May 2016

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December 2016

Stable Value Funds and Rising Interest Rates

Eric Baumhoff, CFA®
Chief Investment Officer

Crediting rates (CR) are designed to pass through the performance of the underlying bond portfolio, though smoothing out the volatility caused by interest rate fluctuations. Crediting rates are generally calculated using the following formula and portfolio-specific data: market value (MV), book value (BV), current yield-to-maturity (YTM), and duration (D).

*CR = (((1+YTM) * ((MV/BV)^(1/D)))-1*

There are two basic terms in this equation that lead to stable crediting rates: a yield factor and a market value factor. Given the mechanics of bond math, where rising yields cause a decline in market value, these two terms tend to offset each other over short periods of time. For example, a 3.0 year duration bond portfolio would incur roughly a 3% decline in market value with a 100 basis point increase in yields. As the loss in MV compared to BV is amortized over the duration of the portfolio, the immediate impact on the crediting rate is small. Over time, crediting rates move in the direction of yield changes.

After several premature obituaries over the past dozen years, many pundits are calling for the end of the three decade long bull market for bonds. Since July, when the benchmark 10-year US Treasury note hit an all-time low yield of 1.36%, bond yields have ratcheted higher. This trend accelerated with the election of Donald Trump as president, which was not priced into the capital markets. Post-election, as investors have focused on potentially favorable regulatory and tax policy changes, stronger economic growth and higher inflation, US Treasury yields have climbed another 50+ basis points. As of November 30th, 5 and 10 year US Treasuries were yielding 1.90% and 2.38%, respectively, up roughly 100 basis points from their summer lows.

Plan sponsors and consultants have asked the very reasonable question, how will my stable value fund perform in an environment of rapidly rising rates? While not our base forecast, this paper explores how stable value funds fared in prior episodes of rising interest rates, and offers some observations and general comments on the current environment.

History Doesn't Repeat Itself but It Often Rhymes

Since the mid-1980s, the secular decline in bond yields has been briefly interrupted by several Federal Reserve tightening cycles that resulted in painful bear markets for bond investors. Stable value funds performed as designed in these environments, shielding participants from declining bond prices and allowing participants to earn a steady, stable return on their retirement savings.

In general, crediting rates (e.g., returns) on stable value funds lag changes in market interest rates. This is by design. All stable value funds employ "book value" wrap contracts – a type of insurance – that smooth the price volatility of an underlying bond portfolio. Plan participants are thus protected against sharply rising rates, in that they can transfer money out of the fund at book value (cost plus credited interest) and not suffer a principal loss associated with a market valued, unwrapped bond portfolio. Book value wrap contracts use a fairly standard formula for crediting returns to participants (see sidebar). This formula takes into consideration the yield-to-maturity, duration and total returns of the underlying portfolio. In effect, it amortizes bond price changes into the crediting rate, smoothing the impact on investors.

To illustrate how stable value funds work, we have constructed a hypothetical portfolio using the Bloomberg Barclays 1-5 Year Government/Credit Index as the underlying fixed income portfolio. The index has a duration in line with most stable value portfolios – currently 2.75 years – and captures returns of investment grade corporate bonds, US Treasuries and Agencies. The portfolio was created in September 1991, with monthly book value returns calculated using the standard crediting rate formula and characteristics of the index (yield-to-maturity, duration and monthly total return).* This allows us to examine crediting rates and market-to-book value ratios (described on page 2) during periods of interest rate volatility, and is a very good proxy for how most stable value funds have fared over time. Using index data also isolates the effect of interest rate changes on the portfolio, which can often be obscured by participant cash flows and/or investment manager actions.

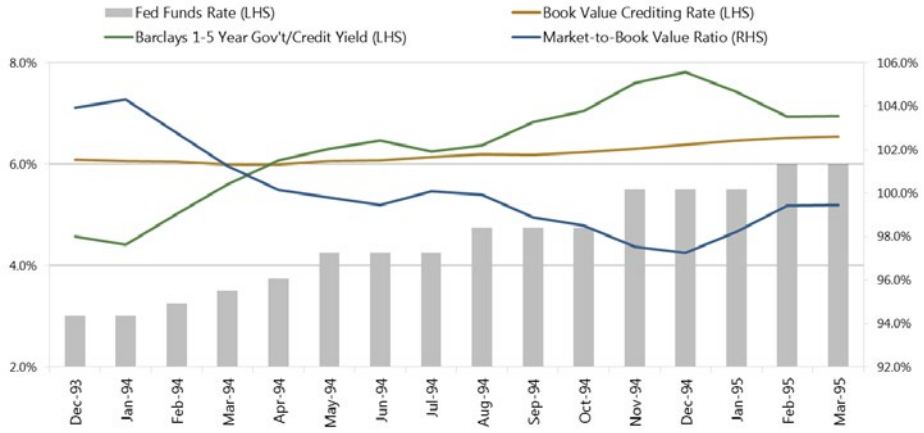
Looking back over the past 25 years of bond market history, three key periods of rising rates stand out.

The market-to-book ratio is one measure of the health of a stable value fund. It measures the total market value of the underlying bond portfolio compared to the book value of the contract that wraps the portfolio. Over a normal interest rate cycle this ratio would typically range from a low of 97% to a high of 103%.

1994 - Early 1995

1994 was a tumultuous year for the bond market, as the Federal Reserve's short term target rate went from 3.00% in February 1994 to 6.00% by February 1995, catching bond investors off guard. Intermediate term bond yields followed suit, moving from 4.41% in January 1994 to 7.82% by year-end, before declining to 6.94% by February 1995. An investment in the index on an unwrapped basis would have incurred a market value loss of 1.55% from January to December 1994. A wrapped, stable value investment in the same portfolio would have earned a positive 5.59%.

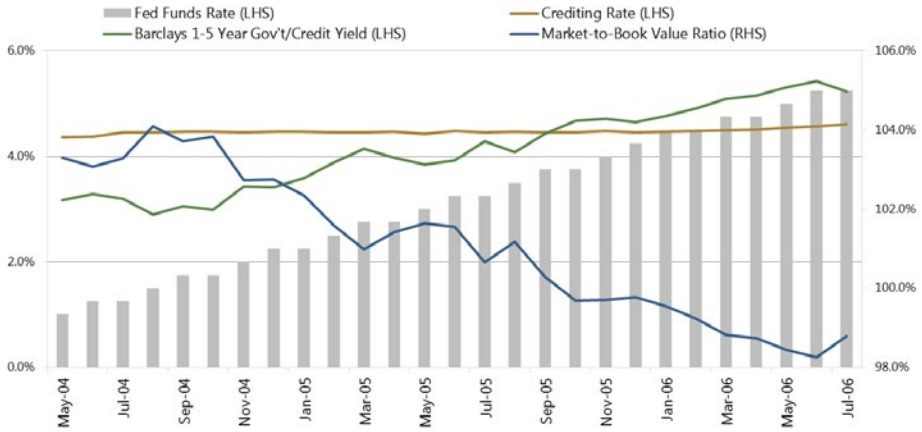
As shown in the chart below, higher rates impacted the market-to-book value ratio on our hypothetical stable value portfolio, falling from 104.3% (Jan 1994) to a low of 97.5% (Dec 1994) and rising to 99.4% by February 1995. From a participant's perspective, the book value wrap contract performed exactly as designed, insulating participants from the decline in bond prices and gradually incorporating higher market yields into the fund's crediting rate. Thus, participants saw their crediting rate rise by approximately 50 basis points (from 6.05% to 6.52%) during the twelve months ended February 1995.



Sources: Standish and Bloomberg

June 2004 - June 2006

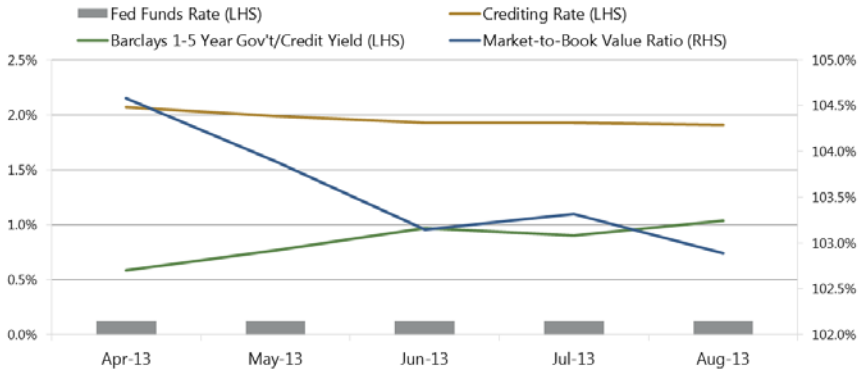
In 2003, the economy was still recovering from the recession spawned by the combined effects of the Dot Com market crash and 9/11. To combat the recession and the threat of deflation, the Federal Reserve pushed short term interest rates down to what were historically low levels, dropping the Fed Fund's target to 1.00% in mid-2003. A year later, with signs of a blossoming economy, the Federal Reserve began a 24 month tightening campaign, pushing the Fed Funds rate from 1.00% in June 2004 to 5.25% by June 2006. Not surprisingly, bond markets sold off, with the yield of the 1-5 year Government/Credit Index rising from 3.17% to 5.43%. This caused the market-to-book value ratio on our hypothetical portfolio to decline from 103.3% to 98.3%. Changes in crediting rates were somewhat muted during this period, increasing from 4.36% to 4.61%.



Sources: Standish and Bloomberg

2013 "Taper Tantrum"

Unlike the two eras highlighted above, this Treasury sell-off was not accompanied by explicitly tighter Federal Reserve policy. Rather, it was triggered by Fed Chairman Ben Bernanke signaling that the Federal Reserve would soon remove their accommodative stance, "tapering" its monthly purchases of US Treasuries held on the Fed's balance sheet. At the hint of tighter money, fixed income markets spasmed over the ensuing months, with bond yields spiking. The yield of the Bloomberg Barclays index rose from a paltry 58 basis points in April 2013 to over 1.00% by August. Market-to-book value ratios declined from 104.6% to 102.9% during this four month span. This spasm was somewhat short lived, as the Federal Reserve backed off on the tightening threat, and Fed Funds remained at a 0-25 basis point target until the end of 2015. With the sell-off confined to a short period, crediting rates were little changed, and our hypothetical portfolio continued to produce a steady 1.90%-2.10% annualized return, out earning the index yield by roughly 100 basis points per annum.



Sources: Standish and Bloomberg

Observations

We offer the following observations on the current interest rate environment and its impact on stable value portfolios.

1) Based on current economic data, Federal Reserve "dot plots" and pricing in the futures market, we do not expect the Federal Reserve to aggressively raise interest rates. Our forecast, consistent with market pricing, is a gradual tightening, starting with a 25 basis point increase in late December 2016 with perhaps one to two additional moves in 2017. In

total, the Fed Funds rate will likely be 50 to 75 basis points higher by December 2017. Given concerns on global growth, dollar appreciation, negative interest rates abroad and contained inflation, the terminal Fed Funds rate should remain below historical norms, likely peaking around 2.50%-3.00% by 2020.

2) Over the longer term, higher interest rates will be beneficial for stable value investors. While market-to-book value ratios will initially decline, the current low yield environment makes it difficult for savers to amass a reasonable nest egg for retirement. As interest rates eventually normalize (perhaps years from now), savers will see higher compound annual growth rates for their retirement savings. The difference in even a 1% higher return is significant over a 20 to 30 year period.

3) How quickly a stable value fund reacts to a change in interest rates is a function of several factors, with portfolio duration and participant cash flows the most dominant ones. All else being equal, a lengthening of duration causes the portfolio's crediting rate to be less responsive to a change in interest rates. This underpins a simple rule of thumb: for a given shift in interest rates, say a 100 basis points increase, it takes roughly 1.5x to 2x the portfolio's duration for the crediting rate to reflect that change. Thus, for a 3.0 year duration portfolio, it may take 4.5 to 6.0 years for its crediting rate to increase by the 100 basis point change. A portfolio with positive participant-directed cash flows will react more quickly to a shift in rates, as more dollars are reinvested at prevailing rates. A portfolio experiencing persistent negative cash flows will behave like a longer duration portfolio, as there is less money available for reinvestment.

4) At Standish, we incorporate several structural features into our portfolio management to mitigate the impact of higher interest rates on stable value portfolios. First, we allocate 10% to 20% of a fund to shorter duration bonds that we use to construct a laddered maturity schedule. This ensures a steady source of maturing cash flow for either participant liquidity needs, or for reinvestment. Second, we diversify our yield curve exposure by having at least two (or more) benchmarks included in a fund. Thus 25% to 40% of the fund is typically managed to a benchmark(s) with a 2.0 year to 3.0 year duration with the remaining portion targeted to a longer duration proxy (~3.5 years or longer). If the yield curve flattens because short rates are rising faster than long rates, a portion of the portfolio will explicitly capture this change. Finally, we manage our concentration of mortgage backed securities (MBS) to less than 33% of the portfolio. MBS, which lengthen in duration as rates move higher, can adversely affect interest rate tracking in a volatile rate environment.

5) Today, most stable value funds have a built in market-to-book value cushion that will help preserve ratios in a rapidly rising environment. For example, the market-to-book value ratio on our separate account composite as of September 30, 2016 was 102.5%. With a composite duration of 2.98 years, the average portfolio can withstand a ~75 basis points rate increase before its market-to-book value ratio dips below par.

Conclusions

While we are not forecasting a lengthy or deep bear market for fixed income assets, we are not afraid of higher rates either. Stable value portfolios are constructed with an eye towards interest rates eventually normalizing, with structured maturities, diversified yield curve exposures and prudent concentrations to mortgage-backed securities. Market-to-book ratios will decline as interest rates move higher, however, investors will ultimately benefit as their savings will grow at higher compounded rates.

Contact

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* Past performance is no indication of future results. Commentary based on a hypothetical book value portfolio using the Bloomberg Barclays 1-5 Year Government/Credit Index as the underlying fixed income portfolio. The Standish-created portfolio assumes a 15 basis point annual book value wrap fee from inception (September 1991) to June 30, 2004, 10 basis points from then until December 31, 2008, 15 basis points from then until December 31, 2011 and 20 basis points thereafter.

The comments provided herein are a general market overview and do not constitute investment advice, are not predictive of any future market performance, are not provided as a sales or advertising communication, and do not represent an offer to sell or a solicitation of an offer to buy any security. Similarly, this information is not intended to provide specific advice, recommendations or projected returns of any particular product of Standish Mellon Asset Management Company LLC (Standish). These views are current as of the date of this communication and are subject to rapid change as economic and market conditions dictate. Though these views may be informed by information from publicly available sources that we believe to be accurate, we can make no representation as to the accuracy of such sources nor the completeness of such information. Please contact Standish for current information about our views of the economy and the markets. Portfolio composition is subject to change, and past performance is no indication of future performance.

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Asset Management

SVIA Spring Seminar

"We're not in Kansas anymore"

April 2017

The Global Backdrop: A World in Transition

Asset Management

OUT:	IN:
• Globalization	• Populism
• Monetary policy	• Fiscal policy
• Secular Stagnation	• Reflation
• Regulation	• Deregulation
○ Passive	○ Active

"Just when I thought I was out, they pull me back in!"

Source: GSAM. As of April 2017. Views and opinions expressed are for informational purposes only and do not constitute a recommendation by GSAM to buy, sell, or hold any security. Views and opinions are current as of the date of this presentation and may be subject to change, they should not be construed as investment advice.

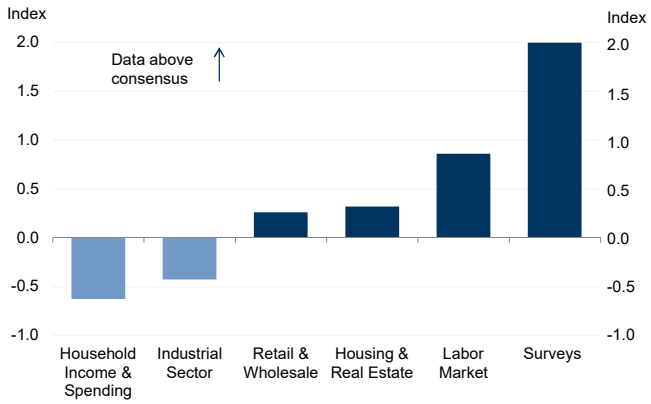
2

US Growth

"Soft" Survey Data is Well Ahead of "Hard" Data

Asset Management

US Economic Data Surprises



Source: Bloomberg US Economic Surprise Index. As of March 2017.

"I don't believe in pessimism. If you think it's going to rain, it will."

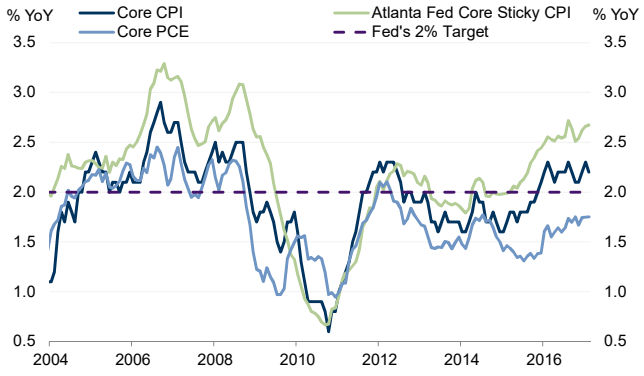
3

US Inflation

Core Inflation Firming Across Most Measures

Asset Management

US Inflation Measures



As of February 28, 2017. Source: Bloomberg, Federal Reserve (Atlanta), GSAM.

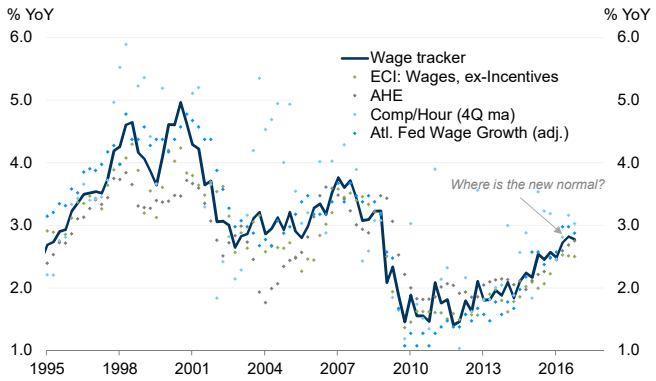
4

US Inflation

Fed Targets Wage Growth of 3-4%

Asset Management

Wage Growth Measures



Source: Goldman Sachs Global Investment Research, GSAM. As of April 2017.

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What GSAM Clients are asking today:

Asset Management

- **Interest Rates:** **What happens when US rates move higher?**
- **Monetary Policy:** **What about the Fed balance sheet?**
- **Fiscal Policy:** **Likelihood / Timing of Fiscal Stimulus?**
- **GSE Reform:** **What's next for Fannie / Freddie?**
- **Stable Value:** **What are the Investment Implications?**

Source: GSAM. As of April 2017.

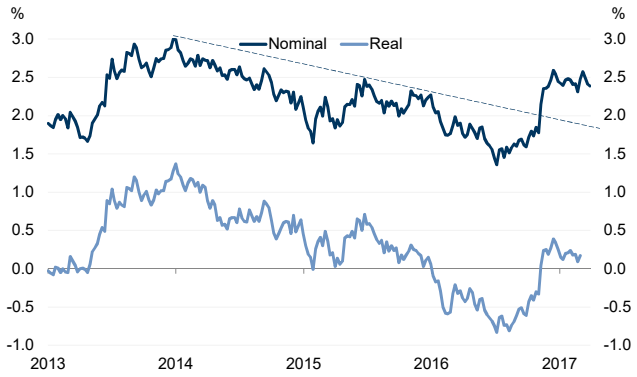
"You did two things wrong. One is you asked a question, two is you asked another question."

Interest Rates

Real Yields Remain Close to Zero

Asset Management

10 Year US Treasury Yields



Source: Bloomberg. As of March 31, 2017. Real yield is calculated using core CPI.

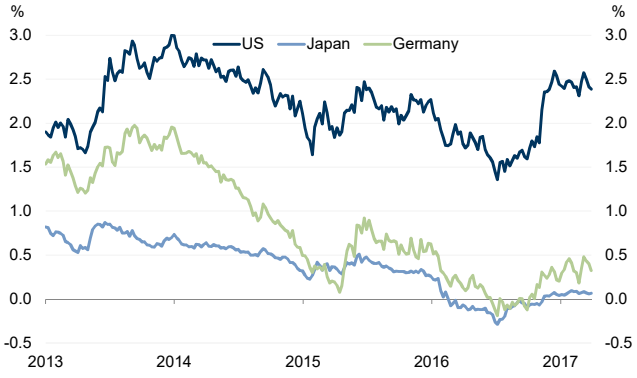
7

Interest Rates

Global Yields Remain a Key Factor in US Rates as Well

Asset Management

10 Year Government Yields



Source: Bloomberg. As of March 31, 2017.

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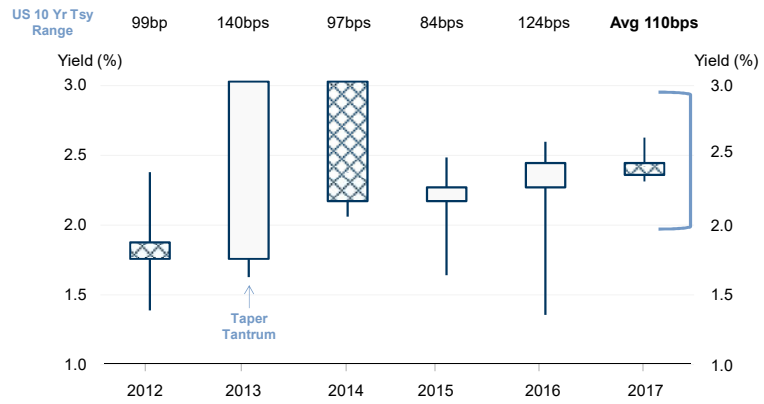
Interest Rates

Realized Range on US 10-year Yields

Asset Management



"If you want a guarantee, buy a toaster."

Source: Bloomberg. As of March 28, 2016. Lines signify range over the year. Body signifies open and close values. Filled body signifies close was lower than open while open body signifies stock closing higher than open. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation.

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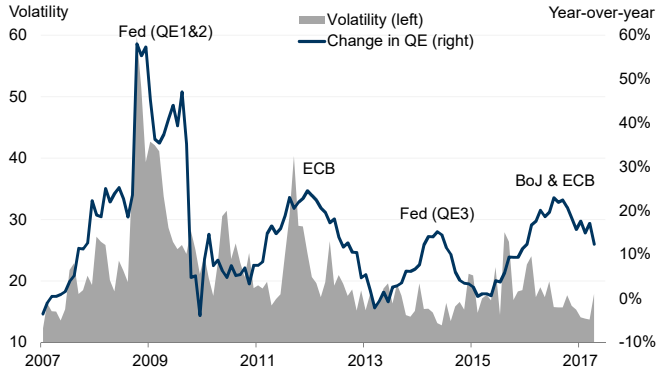
Interest Rates

Can Volatility Increase if Central Banks Still Easing?

Asset Management

QE versus Market Volatility



Source: Bloomberg, GSAM. Volatility is a GDP-weighted average of VIX, VSTOXX and VNKY equity volatility indices. QE includes the US Fed, European Central Bank and Bank of Japan. As of April 2017

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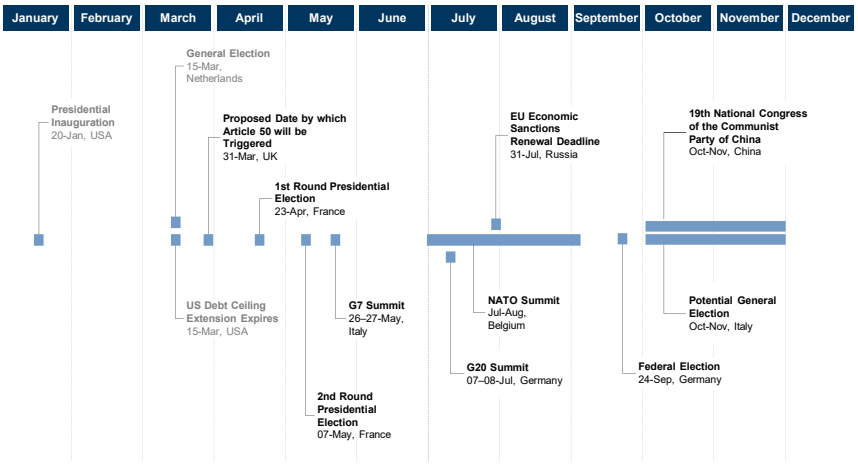
Interest Rates

A Busy Calendar of Events for 2017

Asset Management



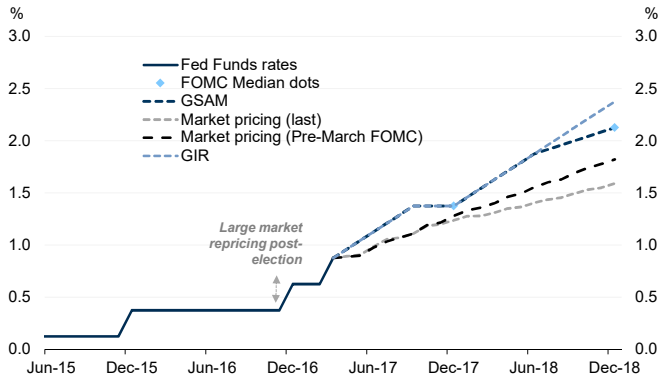
Source: GSAM. As of February 2017.

Monetary Policy

Market Continues to Underprice Fed Tightening

Asset Management

Expectations for Federal Reserve Rate Hikes



"I know what you're thinking – did he fire six shots, or only five?"

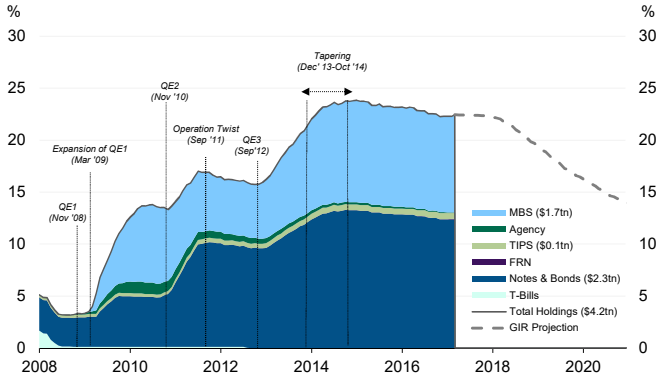
Source: Bloomberg, GSAM. As of April 2017. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation.

Monetary Policy

What about the Fed Balance Sheet?

Asset Management

Federal Reserve Assets, As Share of GDP



Source: GSAM, Bloomberg, Federal Reserve Board, Goldman Sachs Global Investment Research. As of March 17, 2017. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation.

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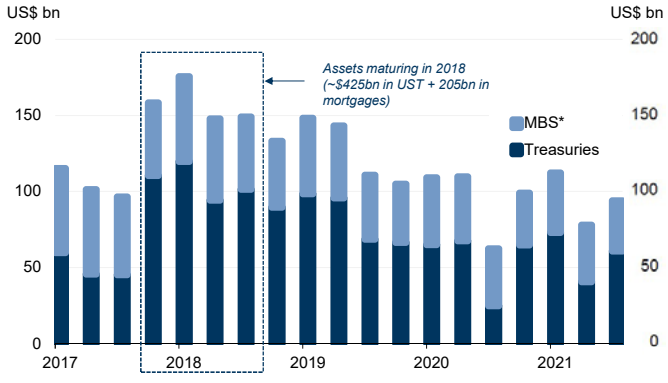
Monetary Policy

How Much Runoff Should We Expect?

Asset Management

Federal Reserve Assets Maturing



Sources: GSAM, * Estimates from JPMorgan * roughly $53bn in 2018 ($35bn USTs/ $ 18bn MBS), $44bn in 2019 ($29bn USTs/ $ 15bn MBS). The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation.

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Monetary Policy

Policy Rate and the Balance Sheet

Asset Management

What We Know

- **Fed Prefers to Move Policy Rate First**
- **Likely to Taper both Treasuries and MBS**
- **Fed May Pause Hikes at start of Taper**
- **Fed Does Not Anticipate Selling MBS**

What We Don't Know

- **Timing of Move – Dec or 2018?**
- **Mix of Assets - Treasury / MBS Ratios**
- **Terminal Size of Fed Balance Sheet**
- **New Fed Leadership???**

Source: GSAM. As of April 2017.

"Go ahead.. make my day.."

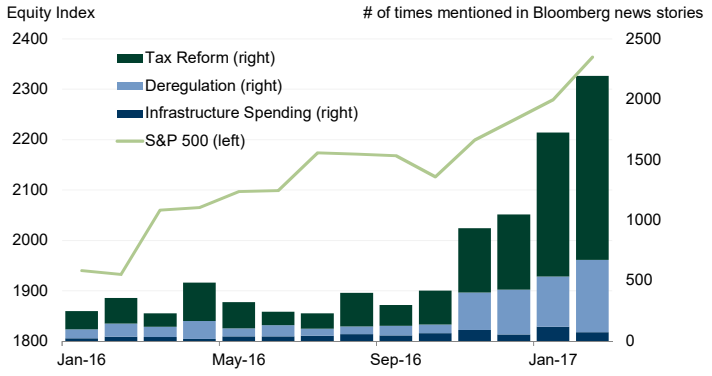
15

Fiscal Policy

Investor Optimism on Tax Reform and Deregulation

Asset Management

Equity Gains with Increased Optimism



Source: Bloomberg. As of Feb 28, 2017.

"Everybody's got a right to be a sucker once."

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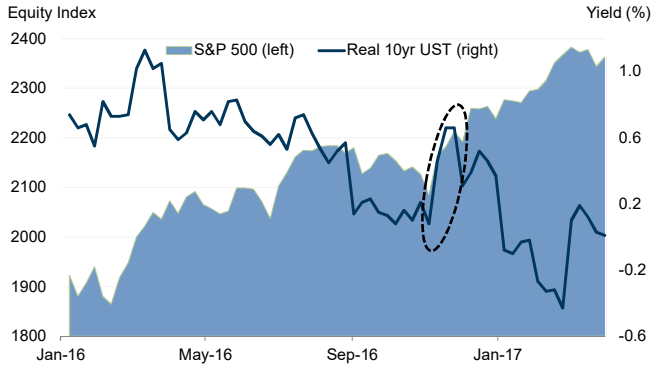
Fiscal Policy

Optimism Not Shared by Bond Investors

Asset Management

Bond Yields vs. Equity Prices



As of March 31, 2017. Source: Bloomberg, GSAM.

"Get to the chopper!!"

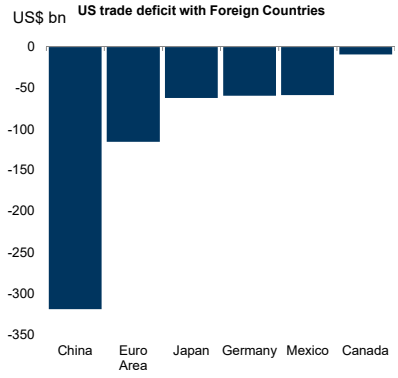
17

Fiscal Policy

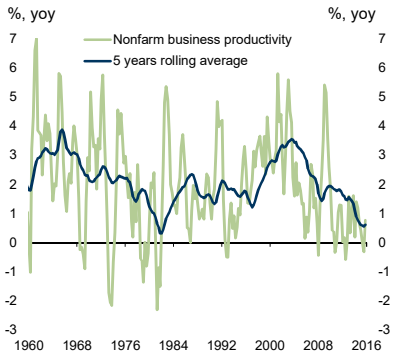
Protectionism is a Key Downside Risk

Asset Management

Potential US protectionist measure targets



Business Productivity Remains Weak



Source: GSAM, Haver, Bloomberg. As of Q3 2016 for right hand chart. As of December 2016..

"Are you gonna pull those pistols, or whistle Dixie?"

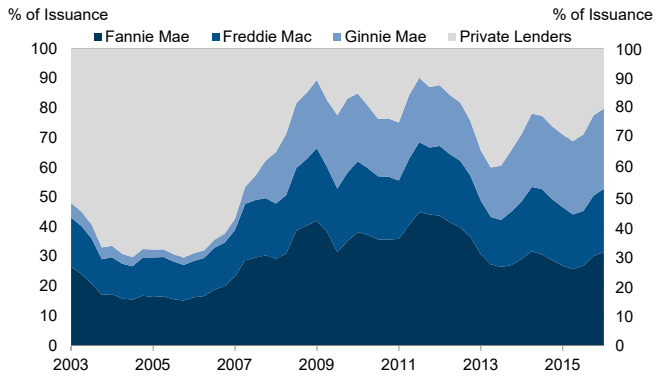
18

GSE Reform

Why It Matters

Asset Management

Mortgage Issuance by Lender



As of December 31, 2017. Source: FRED (Federal Reserve), JP Morgan, GSAM. Numbers are smoothed over 12 months.

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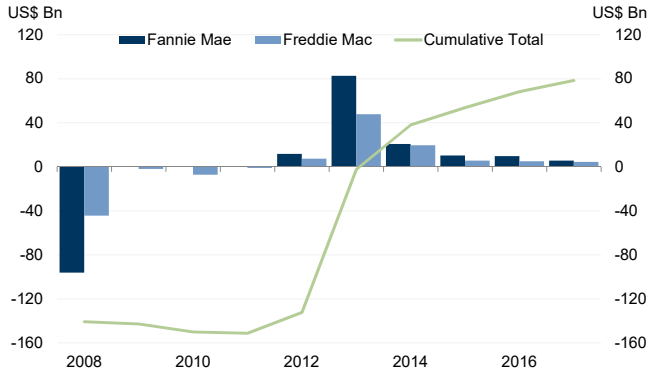
GSE Reform

Who Knew GSE Reform Could be So Complicated?

Asset Management

Draws from and Dividends to the Treasury



As of March 2017. Source: Fannie Mae, Freddie Mac, JP Morgan, GSAM. Please note that Fannie Mae 2008 draw represents 2008 – 2011.

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GSE Reform

Increased Focus on Solving the Riddle

Asset Management

- **Congressional Leadership in Favor of GSE Reform**
  - **Representative Jeb Hensarling (Chair - House Financial Services Committee)**
  - **Senator Mike Crapo (Chair - Senate Banking Committee)**
- **Steven Mnuchin (US Treasury Secretary)**
  - **Mentioned GSE Reform as a priority at nomination hearing**
- **Several Prominent Proposals for GSE Conversion are Outstanding**
  - **MBA: Utilities**
  - **Parrott/Ranieri/Sperling/Zandi: Single government corporation**
  - **Milken Institute: Lender-owned mutuals**

As of December 31, 2016. Source: GSAM, Urban Institute, Milken Institute. As of April 6, 2017.

"I tried being reasonable.. I didn't like it."

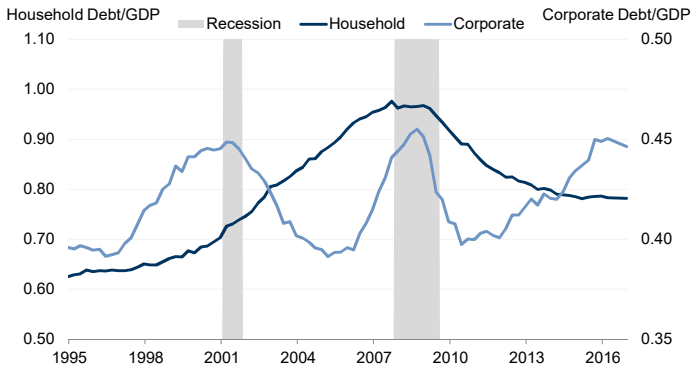
21

Investment Considerations

Consumer Credit vs. Corporate Credit

Asset Management

Debt to GDP



As of December 31, 2016. Source: Bloomberg.

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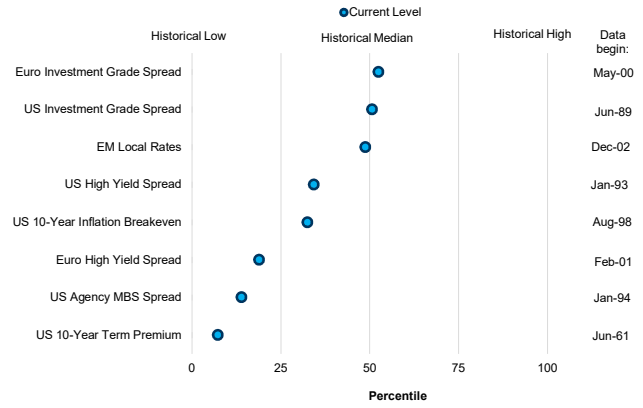
Investment Considerations

Credit Spreads are Fair But Late Cycle a Risk

Asset Management



Source: GSAM. JP Morgan Global Bond Index-Emerging Markets, Bloomberg Barclays Euro Aggregate-Corporate Index: Bloomberg Barclays US Aggregate–Corporate index; Bloomberg US 10-Year Inflation Breakeven Index, Bloomberg Barclays US High Yield Index, Bloomberg Barclays Euro High Yield Index, New York Fed Adrian Crump & Moench 10-Year Treasury Term Premium Index. Bloomberg Barclays US Fixed Rate MBS Index.

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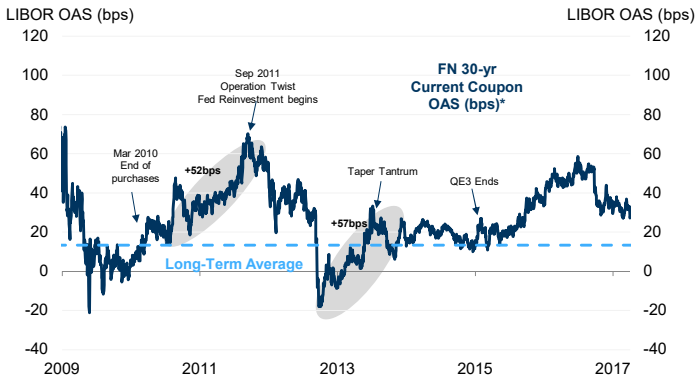
Investment Considerations

Agency MBS Poised to move Wider

Asset Management



"Get… Out…"

As of March 31, 2017. Source: GSAM, Barclays. * LIBOR OAS. **Past performance does not guarantee future results, which may vary.** Please see additional disclosures at the end of this presentation.

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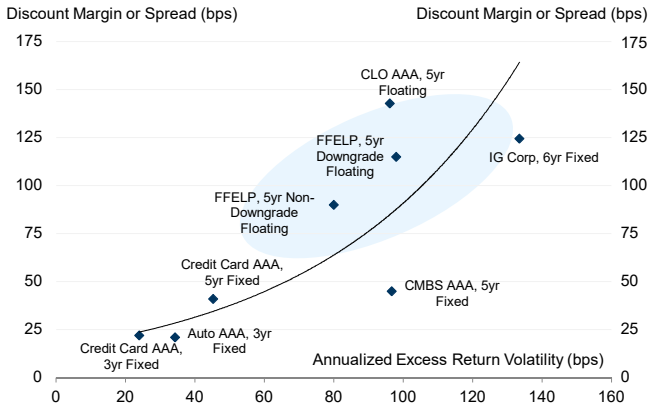
Investment Considerations

High Quality Securitized Assets Provide More Carry per Unit of Risk

Asset Management



Data used span January 3, 2012 to January 31, 2017. Source: GSAM, Credit Suisse, Barclays, JP Morgan.

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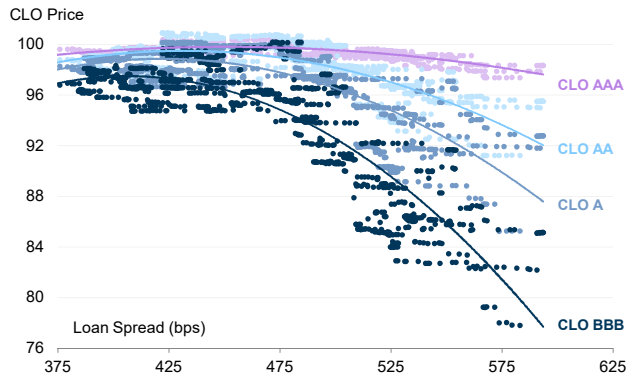
Investment Considerations

Credit Convexity of Senior Bonds Looks Most Attractive

Asset Management



Source: JP Morgan, GSAM. As of February 21, 2017. CLO = Collateralized Loan Obligation. CLO indices are CLOIE "Post."

"Hello Cutie-pie. One of us is in big trouble."

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Summary of our Views

Asset Management

Key Macro Themes	Key Investment Themes
Improving Global Growth: Global activity indicators continue to strengthen, with global PMI reaching a six-year high in January.	**Divergence Reaching Extremes:** We expect the US to raise rates three times this year while Europe and Japan are likely to remain accommodative.
Reflation: Rising prices is in part a commodity-led story, but a pick-up in growth and turnaround in industrial activity points to a rise in core inflation measures also.	**Revived Animal Spirits:** Investor optimism is based on expectations for deregulation, infrastructure expenditure and tax reform.
Policy Shifts: US fiscal expansion and a shift towards protectionism is likely, while global monetary policy remains in a state of transition.	**Politically-driven Volatility:** We see risks and potential opportunity in volatility stemming from political and policy uncertainty.

"Hasta la vista, Baby"

Source: GSAM. As of March 20, 2017. Opportunities listed reflect key positions and views and are not an exhaustive list of current positions in each investment strategy. Positioning for tighter financial conditions involves being underweight rates and overweight currency. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Tighter financial conditions involved being underweight rates and overweight FX. Goldman Sachs does not provide accounting, tax or legal advice. Please see additional disclosures at the end of this presentation

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GSAM Fixed Income for Stable Value Investors

Asset Management

Client Focused Approach

- Portfolio managers dedicated to understanding the unique needs and objectives of stable value investors
- Strategies further customized to meet individual client targets for income, liquidity and risk

Breadth and Depth of Platform

- Over $800 billion in fixed income and money market assets under supervision, including over $150 billion in Short, Intermediate and Core strategies
- More than 300 investment professionals located on four continents

Commitment to Risk Management

- Risk budgeting is central to the portfolio construction framework
- Proprietary Global Risk Model utilized by all investment professionals to measure and monitor risk
- Risk management culture aligns with capital preservation mandates

"I'll be back."

As of December 31, 2016. Assets Under Supervision (AUS) includes assets under management and other client assets for which Goldman Sachs does not have full discretion. GSAM leverages the resources of Goldman, Sachs & Co. subject to legal, internal and regulatory restrictions. The portfolio risk management process includes an effort to monitor and manage risk, but does not imply low risk.

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Asset Management

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Reference: 90105-OTU-510488

Morgan Lewis

LAWFLASH

DOL FIDUCIARY RULE—SLOWED DOWN, BUT NOT OUT

April 10, 2017

AUTHORS AND CONTACTS

Daniel R. Kleinman, Michael B. Richman, Lindsay B. Jackson, Katrina L. Berishaj

The rule is delayed by 60 days, with core elements taking effect June 9 as the DOL conducts a study.

The Department of Labor (DOL) has issued in final form its eagerly awaited delay of changes to the fiduciary investment advice regulation, commonly referred to as the fiduciary rule, and related prohibited transaction exemptions (PTEs). The 60-day delay extends the original April 10, 2017 applicability date to June 9, and the DOL has further delayed the applicability of certain PTE conditions until January 1, 2018.

Importantly, the new expansive definition of fiduciary investment advice and the PTEs' best interest advice standard (as well as other impartial conduct standards)—*core elements of the rule—are now scheduled to take effect in less than 60 days*. The DOL also indicated in the release that it has little inclination to further delay these provisions while it examines the rule for potential harms as directed by President Donald Trump's February 3 memorandum.

Here are the key effects of the delay, subject to the possibility of further changes before the applicability dates occur.

WHAT HAPPENS ON JUNE 9, 2017?

- The expanded definition of fiduciary investment advice goes into full effect. Among other things, this means that as of June 9,
  - investment-related recommendations (including recommendations with respect to specific securities, insurance products, and asset management) will generally result in fiduciary status;
  - recommendations regarding rollovers are fiduciary advice; and
  - Interpretive Bulletin 96-1, regarding investment education, is no longer applicable.

> ***Observation:*** Although the DOL's reexamination of the fiduciary rule is ongoing, this change would put the rule's core element—its broadened definition of fiduciary investment advice—into effect on June 9. This means that, absent further delay, broker-dealers, investment advisers, banks, insurance companies, and other financial institutions will need to consider implementing

fundamental changes to their business structures needed to comply with the rule. For example, where a firm intended to solve for the rule by discontinuing or limiting access to advised brokerage arrangements, such changes and any related customer notifications will need to be considered for June 9 implementation.

- The exceptions to fiduciary status also become applicable on June 9, along with their conditions. Thus, where the intention is to rely on an exception, the goal would be to have any changes needed for compliance in place by then. For example:
  - Provide disclosures and obtain representations needed to fall within the independent fiduciary/sophisticated counterparty exception for transactions with fiduciaries that are financial services firms or manage at least $50 million in assets.
  - Provide disclosures needed to rely on the exceptions related to offering a platform of investments.
  - Ensure investment education materials include appropriate disclosures and disclaimers.
  - Determine whether interactive web-based tools and interfaces need to be taken down or revised.
  - The Best Interest Contract (BIC) Exemption and Principal Transaction (PrT) Exemption become available, but only the impartial conduct standards apply until January 1, 2018. This means that during the transition period, when providing investment recommendations subject to the BIC Exemption, firms and their representatives must
    - give advice that is in the retirement investor's best interest,
    - earn no more than reasonable compensation (under the BIC Exemption) or seek best execution (under the PrT Exemption), and
    - not make materially misleading statements (which can include omissions) to the retirement investor.

      Observation: Compliance with the impartial conduct standards will, in many cases, require firms to adopt or modify their policies and procedures in potentially significant ways—particularly where the BIC Exemption is relied on to permit variable, transaction-based compensation to the firm or its financial professionals.

      Firms should keep in mind the FAQs issued by the DOL concerning conflicts of interest, neutral factors, compensation of the representative, and oversight. While some of these were interpretations of the BIC Exemption's warranties provision, which would not apply during the transition period, they may still be relevant to the extent they are helpful in demonstrating compliance with the impartial conduct standards.

- Conditions of the BIC and PrT Exemptions previously scheduled to be effective April 10 are delayed until January 1, 2018. This includes the transition disclosure (including the acknowledgment of fiduciary status, statement of impartial conduct standards, and disclosure of material conflicts of interest and platform limitations); recordkeeping requirement; and the requirement to designate a person or persons responsible for addressing material conflicts of interest and monitoring advisers' adherence to the impartial conduct standards.

  Observation: Although the transition disclosures and other requirements have been delayed, firms may still wish to consider whether certain disclosures, recordkeeping, and other policies and procedures may be helpful in demonstrating compliance with the impartial conduct standards or may be protective in limiting liability under the rule (including limiting the scope and extent of fiduciary activities).

- Grandfathering relief under the BIC Exemption is available beginning June 9. Following the latest change, it now would be available for investments held in a retirement account before the new applicability date of June 9 (and for certain investments acquired after that date in accordance with the terms of the grandfathering relief).

  Observation: Firms will need to consider what operational changes need to be put in place as of June 9 for grandfathered accounts, including account flags and notifying clients of changes to service levels where required.

- BIC Exemption relief is available for level-fee fiduciaries (including level-fee robo-advisors) during the transition period, subject to meeting the impartial conduct standards.
- For PTE 84-24, only the amendment to add the impartial conduct standards becomes applicable on June 9, and all other amendments are delayed until January 1, 2018. This means that PTE 84-24 is generally available for transactions concerning any insurance or annuity products—including variable annuities, fixed-index annuities, and fixed annuities —until January 1, 2018, subject to satisfying the impartial conduct standards and current conditions of the exemption (including certain disclosure requirements).

  Observation: Firms can cover the receipt of commissions on the sale of any annuity contract under either PTE 84-24 or the BIC Exemption until January 1, 2018. But compliance with the BIC Exemption may be easier during this time because PTE 84-24 currently requires specific disclosures and that certain other conditions be satisfied, whereas the only condition of the BIC Exemption that applies during this time is the impartial conduct standards.

- All amendments to the other class exemptions (including, PTE 75-1, PTE 77-4, PTE 80-83, PTE 83-1, PTE 84-24, and PTE 86-128) go into effect. This means that
  - the impartial conduct standards become applicable for all of the amended class exemptions;
  - significant changes impacting the availability of PTE 86-128 (for affiliated brokerage transactions) will go into effect on June 9. In particular,
    - PTE 86-128 will no longer be available for nondiscretionary transactions with individual retirement accounts (IRAs), so firms will need to rely on the BIC Exemption for these transactions to the extent exemptive relief is necessary;
    - the limitation of brokerage compensation to the defined term "commission"—which expressly excludes 12b–1 fees, revenue sharing payments, marketing fees, administrative fees, sub-TA fees and sub-accounting fees—becomes applicable; and
    - firms must comply with the disclosure and consent requirements with respect to discretionary advice provided to IRAs beginning on June 9 (the amendments provide a negative consent process for this purpose).

      Observation: Firms that intend to rely on PTE 86-128 for discretionary transactions will need to make sure that IRAs receive the disclosures that were previously required only for Employee Retirement Income Security Act (ERISA) plans as of June 9. Further, if a firm was relying on PTE 86-128 to cover compensation that will no longer be covered on June 9, the firm will need to consider whether another exemption is available (e.g., the BIC Exemption for nondiscretionary advice) or whether its compensation arrangements otherwise need to be restructured.

WHAT HAPPENS ON JANUARY 1, 2018?

The full conditions of the BIC Exemption, PrT Exemption, and PTE 84-24 (as amended) become applicable. This means that

- firms intending to rely on the BIC and PrT Exemptions (other than the grandfathering relief where applicable) will need to
  - acknowledge fiduciary status,
  - notify the DOL prior to receiving compensation in reliance on the exemption,
  - provide contracts (for IRAs) and disclosures for transactions with IRAs and ERISA plans,
  - provide pre-transaction and website disclosures, and
  - comply with the recordkeeping requirements.
  - PTE 84-24 will no longer be available for transactions involving variable or fixed-index annuities and its amended disclosure requirements will apply, including the condition that the insurance commission be "expressed to the extent feasible as an absolute dollar figure."

WHAT DOES THIS MEAN FOR FINANCIAL INSTITUTIONS?

In general, this means that, absent further delays or guidance by the DOL, financial institutions affected by the new rules will have to comply beginning June 9. Among other things, reliance on the exceptions for transactions with independent fiduciaries and investment education and platform providers may require action on the part of firms, including providing or updating disclosures. In addition, firms intending to rely on the new or amended PTEs will need to make sure they have appropriate systems in place to meet the impartial conduct standards.

Although not required as a technical matter, firms will want to consider the extent to which policies, procedures, and recordkeeping may be needed to support compliance with the impartial conduct standards. Firms planning to move clients to execution-only arrangements, or to impose limitations on accounts for which they will be relying on the BIC Exemption grandfathering provisions, will want to consider doing so prior to June 9, taking into account any notice requirements under Financial Industry Regulatory Authority (FINRA) rules or other applicable laws.

In addition, absent further delays or guidance by the DOL, the full conditions of the new and amended PTEs will be applicable on January 1, 2018. This means that financial institutions have roughly eight months to build the systems necessary to comply with the extensive disclosure and other requirements under the BIC and PrT exemptions.

We note that the 45-day period for comment regarding the examination directed by the president's memorandum on the fiduciary rule and with respect to the specific areas described in the proposal to delay the rule closes on April 17, 2017. We encourage interested parties to submit comment letters regarding the rule and exemptions.

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Vanguard®

The auto savings generation: Steering millennials to better retirement outcomes

Vanguard Research October 201

Jean A. Young[1]

- It may be that there are generational differences in saving and investment behavior arising from the unique life experiences that different demographic cohorts have experienced.
- Automatic enrollment and the rise of target-date funds are reshaping retirement plan outcomes for all generations. However, these innovations are having the greatest impact on millennials' retirement savings.
- In 2013, two-thirds of millennial plan participants had been subjected to automatic enrollment compared with 4 in 10 early boomers in 2013.
- While millennials' income and job prospects have been shaped by the Great Recession, those working are, in the aggregate, saving more due to automatic enrollment.
- Millennials are twice as likely to have been using professionally managed allocations, including target-date funds, than the early boomer cohort in 2013. Half of the millennial generation held a single target-date fund at the end of 2013.
- Millennials have lived through two significant bear markets in equities. However, their allocation to equities is higher due to the use of target-date funds.

Investments in target-date funds are subject to the risks of their underlying funds. The year in the fund name refers to the approximate year (the target date) when an investor in the fund would retire and leave the workforce. The fund will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. An investment in target-date funds is not guaranteed at any time, including on or after the target date.

Introduction

Baby boomers were the first generation with access to defined contribution (DC) plans throughout a meaningful part of their working careers. In a similar way, millennials are the first generation with access to automatic enrollment and automatic investment options in DC plans throughout the early years of their working lives. In this paper, we highlight some of the generational differences we observe in our recordkeeping data over a ten-year period as a result of these changes. How have generational patterns of saving and investing changed in DC retirement plans? This is the question we will explore in this research paper.

Our general approach is to compare cohorts of individuals based on their ages in 2013 and 2003. For example, the millennial generation would have been ages 18 to 34 in 2013. We compare these 2013 millennials with the population ages 18 to 34 in 2003. We make similar comparisons for the Gen Xer cohort (ages 35 to 49 in 2013), the late boomers (ages 50 to 59 in 2013), and the early boomers (ages 60 to 69 in 2013).

Our data comes from about 400 DC plans offered by the same set of companies in both 2003 and 2013, encompassing nearly 800,000 eligible employees in 2003 and nearly 1 million eligible employees in 2013 (Figure 1). This data is drawn from Vanguard's DC recordkeeping systems. Over this period, the demographic characteristics of the population shifted only modestly. See the Appendix for detail on the changes, or rather lack of changes, in population characteristics between 2003 and 2013.

Figure 1. Study sample

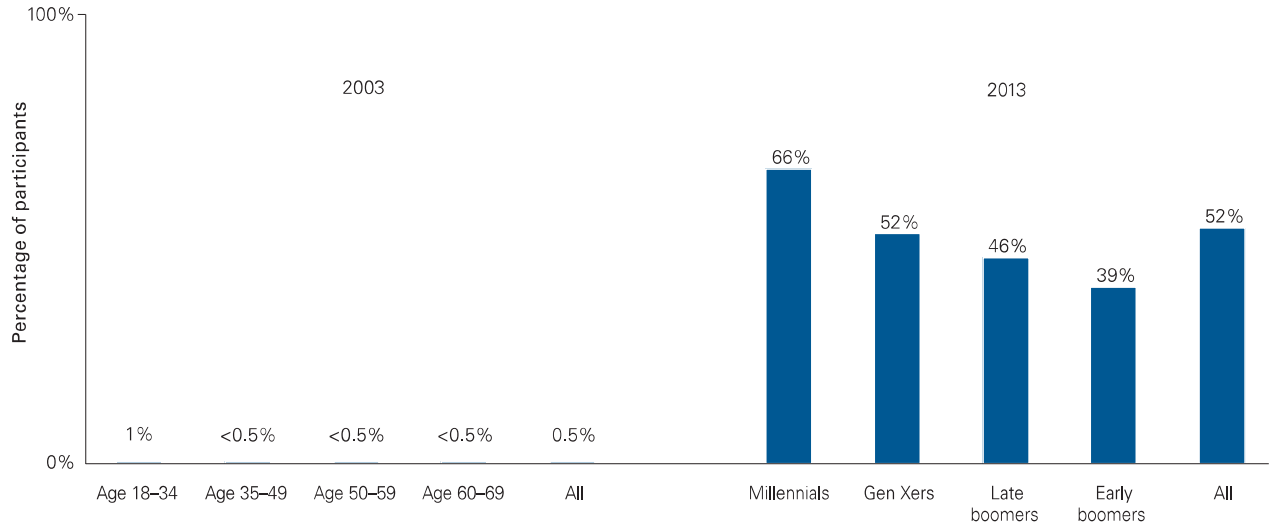
	2003	2013
Number of plans	*393*	*393*
Plans with voluntary enrollment	99%	60%
Plans with automatic enrollment	1%	40%
Number of eligible employees	*788,785*	*973,277*
Distribution of eligible employees		
Age 18–34	26%	25%
Age 35–49	46	39
Age 50–59	23	27
Age 60–69	5	9

Source: Vanguard, 2015.

One dramatic shift during this period was the rising adoption of automatic enrollment. In 2003, less than 1% of plans had adopted automatic enrollment, but by the end of 2013, 40% of plans had adopted the feature. About half of the plans at Vanguard implemented automatic enrollment for all eligible employees, by either "sweeping" the nonparticipants when automatic enrollment was initially adopted or at a later date. We define two separate populations of interest. Voluntarily enrolled participants are those who were hired under a voluntary enrollment design or, in an automatic enrollment plan, were hired before the plan adopted automatic enrollment. Automatic enrollment participants are those who were hired in a plan with new-hire automatic enrollment or who were an existing eligible nonparticipant when the plan "swept" all eligible employees.

In terms of contributing participants, less than 1% had been subjected to an automatic enrollment plan design in 2003. By the end of 2013, more than half of all contributing participants, including two-thirds of millennials, were in plans where they had been subject to automatic enrollment (Figure 2).

Figure 2. Participants with employee-elective deferrals joining the plan under automatic enrollment



Note: About half of the plans with automatic enrollment implemented it for all eligible employees, by either "sweeping" nonparticipants when automatic enrollment was initially adopted or at a later date. We are able to segregate individuals hired under a voluntary enrollment design and joining the plan before the implementation of automatic enrollment from those participants subjected to an automatic enrollment design. Participants in plans with automatic enrollment who were not subject to automatic enrollment are included in the voluntary enrollment category.

Source: Vanguard, 2015.

Participation rates

Between 2003 and 2013, aggregate participation rates across our sample rose—and much more dramatically among participants subjected to automatic enrollment (Figure 3). In 2003, the participation rate for our sample was 66%. Among voluntary enrollment designs, it rose to 72% by 2013. But among automatic enrollment designs, the increase was dramatic and participation reached 90%. This result reflects the powerful effects of automatic enrollment on plan participation.

All generational cohorts saw rising participation rates. However, millennials saw the largest increase. In 2003, just more than half of individuals ages 18 to 34 participated in their plan. In 2013, among voluntary enrollment designs, this rate rose to 60%. But among automatic enrollment designs, it reached 87%. That is a relative increase of more than 70% compared with 2003.

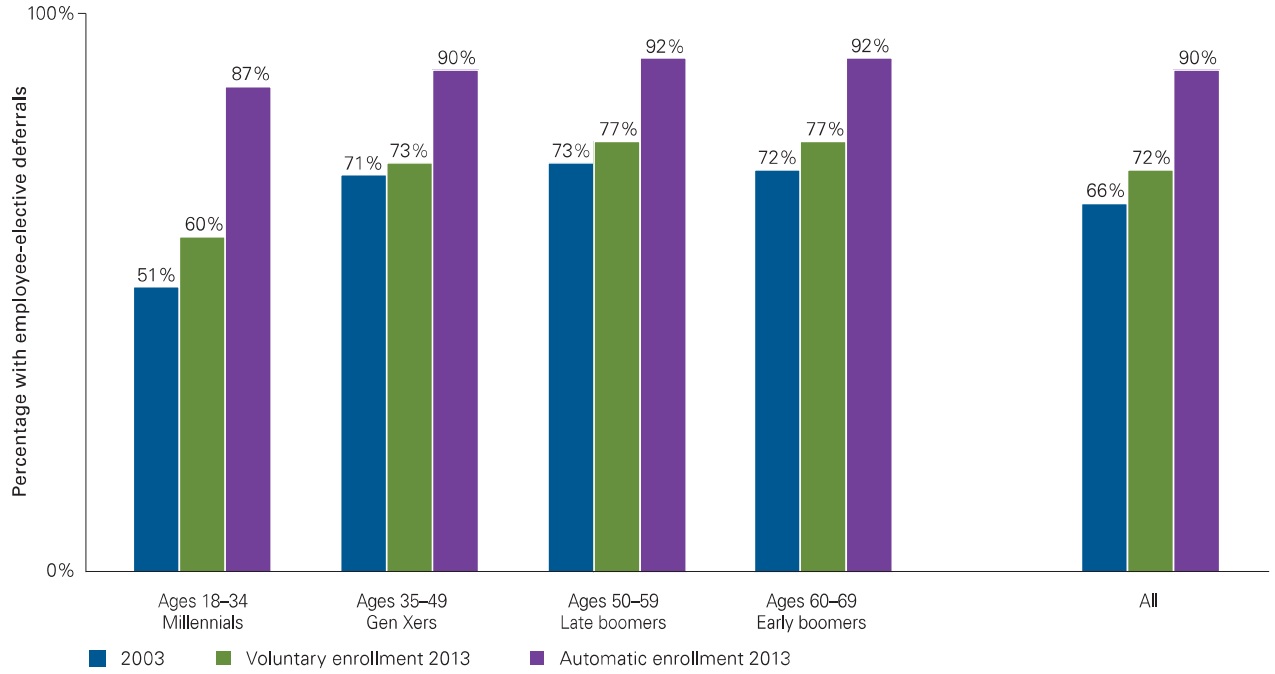
Two factors contribute to this larger millennial effect. One is that young participants typically have the lowest participation rates—so the impact of automatic enrollment is the largest in this group. The second is that half of employers introduced automatic enrollment for new hires only, and millennials have a median tenure of just two years.

Deferral rates

The average employee-elective deferral rate among plan participants, or the amount withheld from participant paychecks, was 7.3% in 2003 (Figure 4, Panel A). This data focuses on plan participants only, and so excludes those who are not saving (i.e., it excludes "0%" employee-elective deferral rates). In voluntary enrollment plans, the average deferral rate rose modestly to 7.6% in 2013. However, in automatic enrollment plans, it fell to 6.4% in 2013, a relative 12% decline. Our research shows that plan design defaults have a strong impact on participant behavior and the most common default deferral rate in plans with automatic enrollment is 3%.[2]

However, a different picture emerges when we calculate an average deferral rate for all eligible employees, including those who are plan participants and those who are not (i.e., including the "zeros"). Employee-elective deferral rates rose across the board between 2003 and 2013, and were highest in automatic enrollment designs in 2013 (Figure 4, Panel B). All generational cohorts saw an improvement in total saving rates and millennials had the strongest gains.

Figure 3. Participation rates: 2003 versus 2013

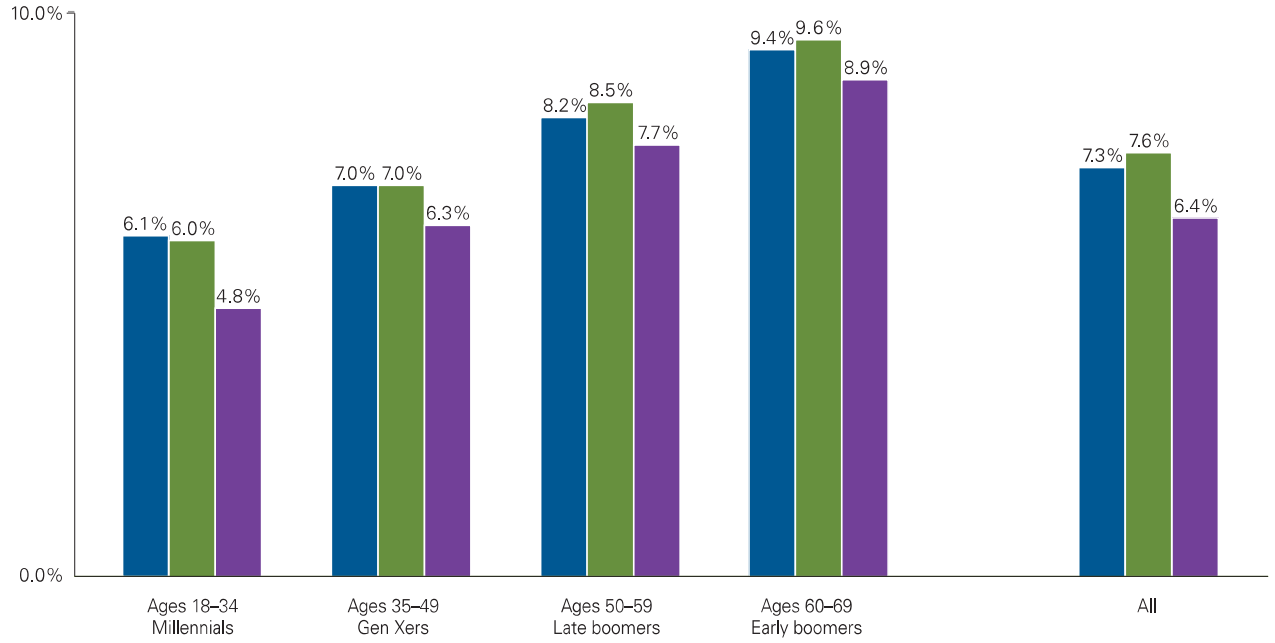


Source: Vanguard, 2015.

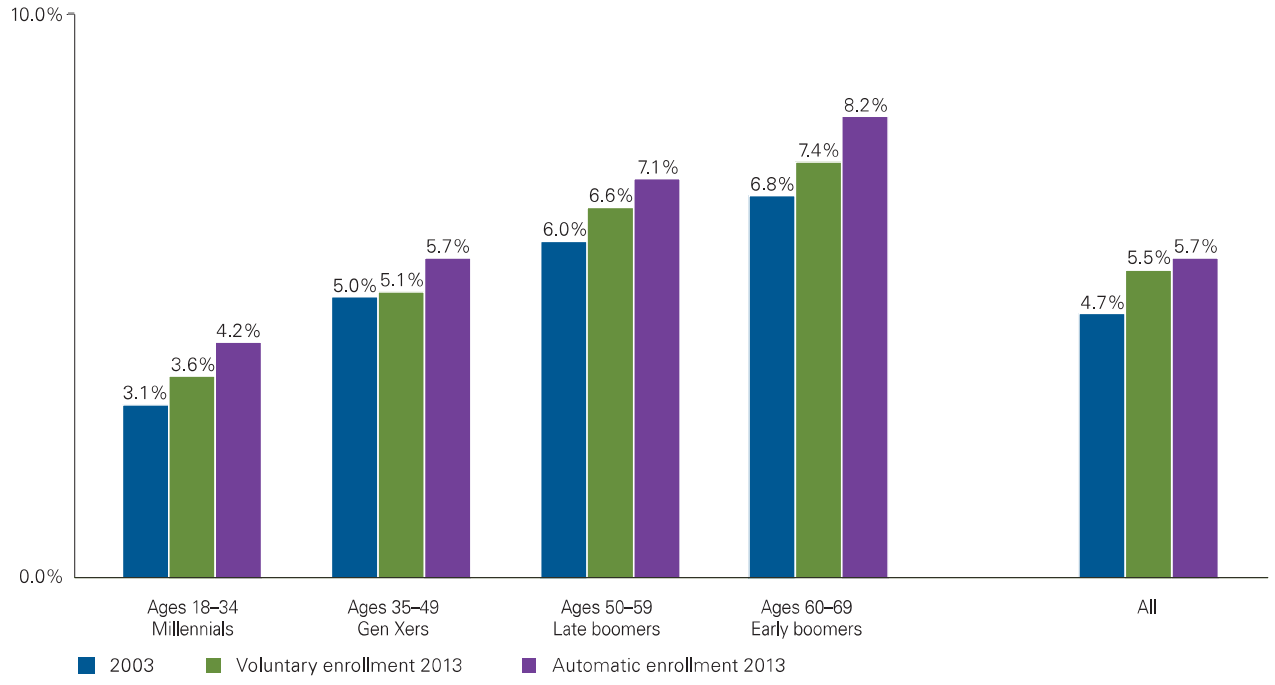
2 See Jeffrey W. Clark, Stephen P. Utkus, and Jean A. Young, 2015, *Automatic enrollment: The power of the default*, Vanguard research, institutional.vanguard.com.

Figure 4. Employee-elective deferral rates: 2003 versus 2013

Panel A: Participant employee-elective deferral rates (average)



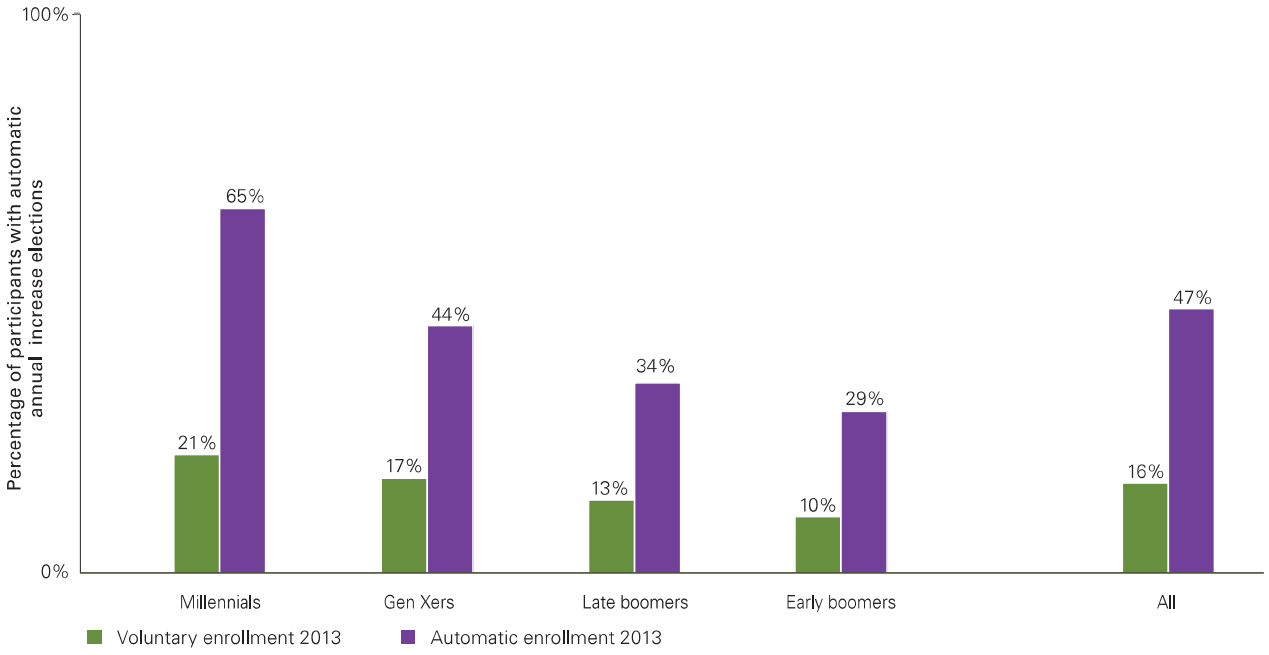
Panel B: Eligible employee-elective deferral rates (average)



Source: Vanguard, 2015.

Savings behavior may also be influenced by an automatic annual increase feature. In 2013, among voluntary enrollment plans, 16% of participants had chosen to sign up for such a service (Figure 5). There were some differences among generations, with millennials somewhat more likely to sign up than older generations. However, among automatic enrollment plans, nearly half of participants were part of such an arrangement, and nearly two-thirds of millennials were enrolled in an automatic increase feature. The higher figure for automatic enrollment plans reflects the fact that sponsors have introduced the feature as part of automatic enrollment and the automatic increase feature is a default for 70% of these plans.

Figure 5. Automatic annual increase



Source: Vanguard, 2015.

One way to summarize these effects is to examine the distribution of deferral rates for all eligible employees (Figure 6). Again this includes those who contribute and those who do not (i.e., with a 0% employee-elective deferral rate). While all cohorts have stronger employee-elective deferrals, millennials again show the strongest gains. Here we also observe the shift because of automatic enrollment—fewer participants not contributing and more participants with lower deferral rates.

Figure 6. Distribution of eligible employee-elective deferral rates

	0%	0.1%–3.9%	4.0%–6.0%	6.1%–9.9%	10.0%–14.9%	15%+
Ages 18–34 2003	49%	16%	14%	13%	6%	2%
Millennials voluntary enrollment 2013	40	21	16	15	6	2
Millennials automatic enrollment 2013	13	43	21	18	4	1
Ages 35–49 2003	29%	17%	19%	20%	11%	4%
Gen Xers voluntary enrollment 2013	27	18	17	22	12	4
Gen Xers automatic enrollment 2013	10	28	20	29	10	3
Ages 50–59 2003	27%	12%	17%	22%	15%	7%
Late boomers voluntary enrollment 2013	23	13	15	25	16	8
Late boomers automatic enrollment 2013	8	19	18	32	15	8
Ages 60–69 2003	28%	9%	15%	20%	17%	11%
Early boomers voluntary enrollment 2013	23	9	14	23	19	12
Early boomers automatic enrollment 2013	8	13	17	33	17	12

Source: Vanguard, 2015.

Incorporating employer matching contributions

We can also measure the sum of what the employee is contributing and what the employer is contributing through an employer matching contribution—we will refer to this as the aggregate contribution rate. Eight in 10 plans have an employer matching contribution[3].

In 2003, the average participant aggregate contribution rate was 9.5%, and in 2013, it was 9.6% for participants subjected to automatic enrollment **(Figure 7, Panel A)**. For participants joining under a voluntary enrollment design, the average participant aggregate contribution rate was 10.4%.

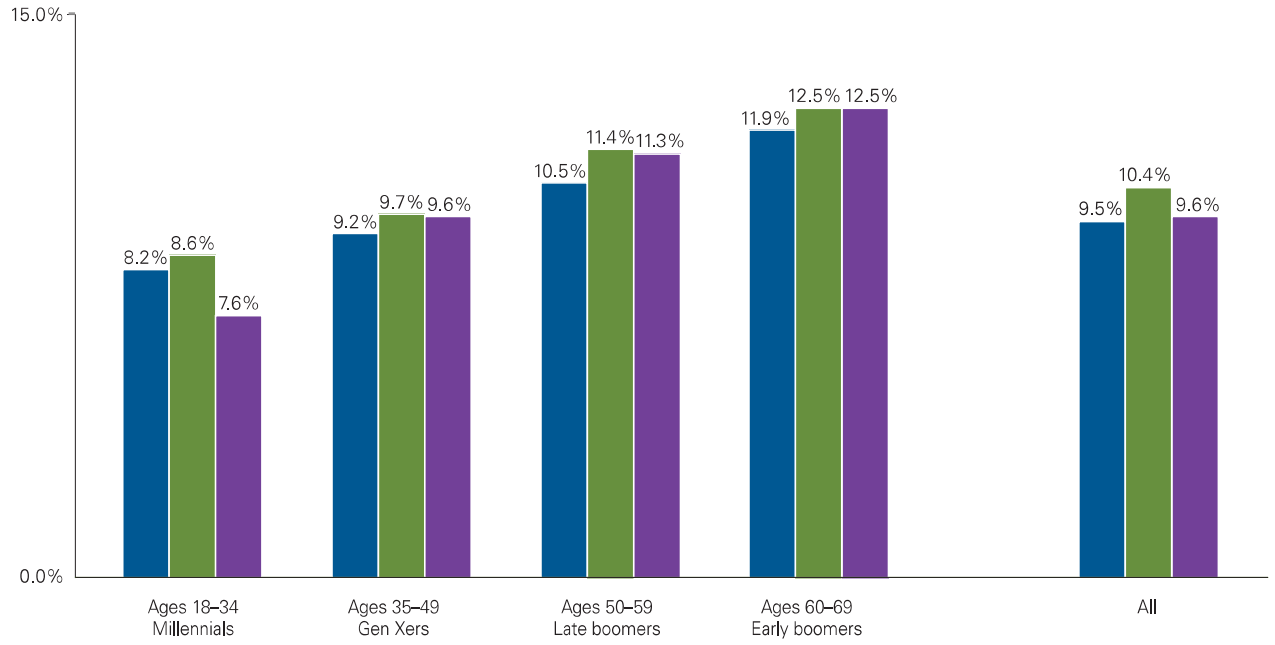
Including those employees not contributing to the plan, the eligible employee aggregate contribution rate was 6.2% in 2003 **(Figure 7, Panel B)**. It reached 8.6% for employees subjected to automatic enrollment in 2013 and 7.5% for participants joining under a voluntary enrollment design.

Over the ten-year period, eligible employee aggregate contribution rates increased for all cohorts. Millennials saw the largest improvement with aggregate contribution rates rising by a relative 57% for individuals subjected to automatic enrollment and by a relative 21% for individuals with voluntary enrollment.

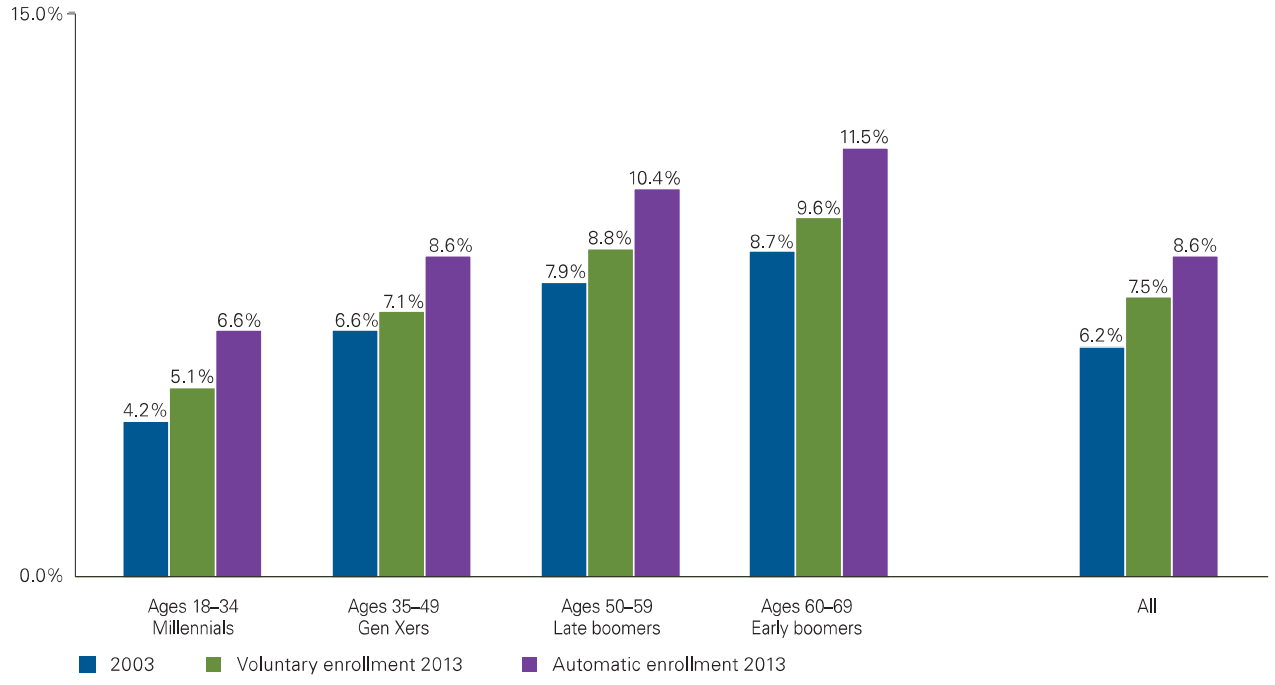
3 See Vanguard, *How America Saves 2015*, institutional.vanguard.com. Nearly half of plans also have a nonmatching employer contribution with 37% of plans having both matching and nonmatching employer contributions. In 2013, the average value of the nonmatching employer contribution was 4%. We began storing the value of the nonmatching employer contributions in 2005 and do not have the data for 2003. Accordingly, we limit this analysis to the additive value of the employer matching contributions.

Figure 7. Aggregate employee-elective and employer match contribution rate

Panel A: Participant employee-elective and employer match contribution rate (average)



Panel B: Eligible employee-elective and employer match contribution rate (average)



Source: Vanguard, 2015.

Account balances

In this section, we compare accounts balances over time. All figures are in 2013 dollars—i.e., the 2003 values are adjusted for inflation.

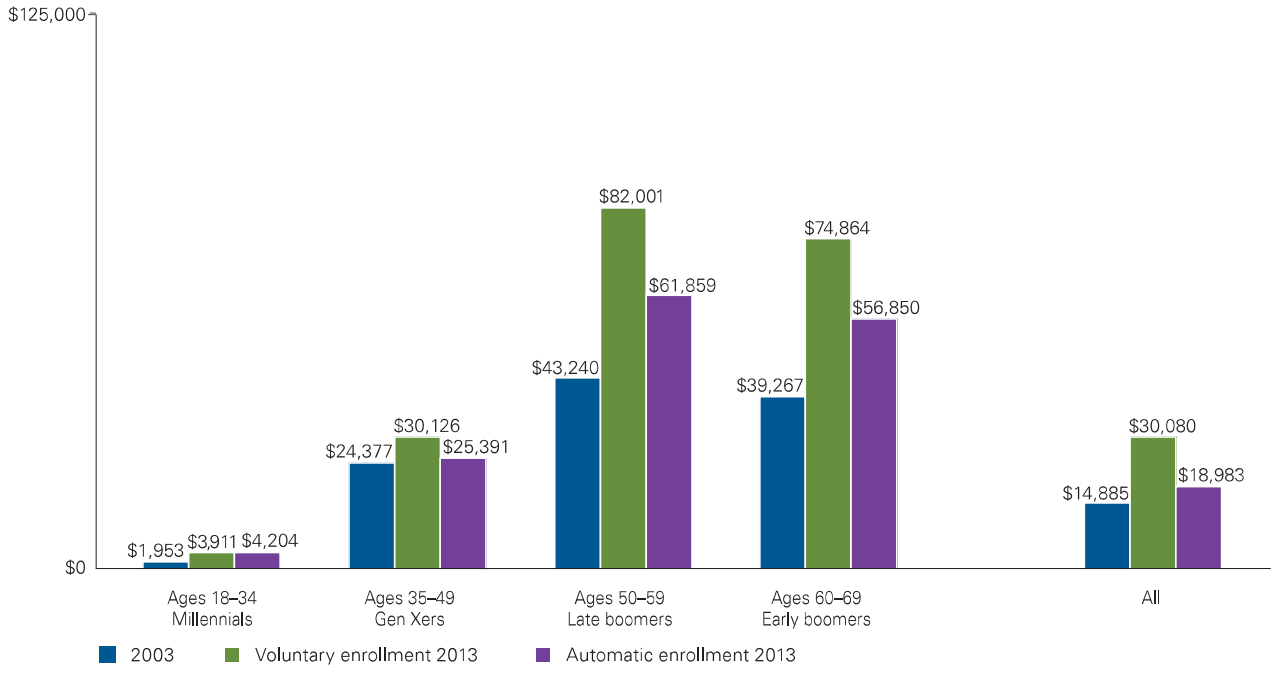
Overall the median participant account balance rose modestly between 2003 and 2013, from $34,354 in 2003 to $35,851 in 2013. However, results were mixed for our four cohorts and our two plan designs (**Figure 8, Panel A**). Reflecting higher contribution rates, participants who joined under voluntary enrollment have median account balances that were about two-thirds higher in 2013 than 2003—$57,482 in 2013 compared with $34,354 in 2003. On the other hand, participants subjected to automatic enrollment had account balances that were about one-third lower in 2013 than 2003—$22,729 in 2013 compared with $34,354 in 2003. Again, this is because of the lower contribution rates that result from the default design.

However, again, when you include both participants and eligible nonparticipants who are not contributing, a different perspective emerges. There was strong growth in employee account balances. At the median, overall employee account balances rose from $14,885 in 2003 to $23,556 in 2013. This is a relative growth of 58%. Millennial employees, under both voluntary and automatic enrollment designs, more than doubled their assets during this period as compared with the same age cohort ten years earlier (**Figure 8, Panel B**). Gen Xers experienced only modest account balance gains during this period while both boomer cohorts saw strong account balance growth.

Figure 8. Account balances: 2003 versus 2013

Panel A: Participant account balances (median $2013)

Panel B: Eligible employee account balances (median $2013)

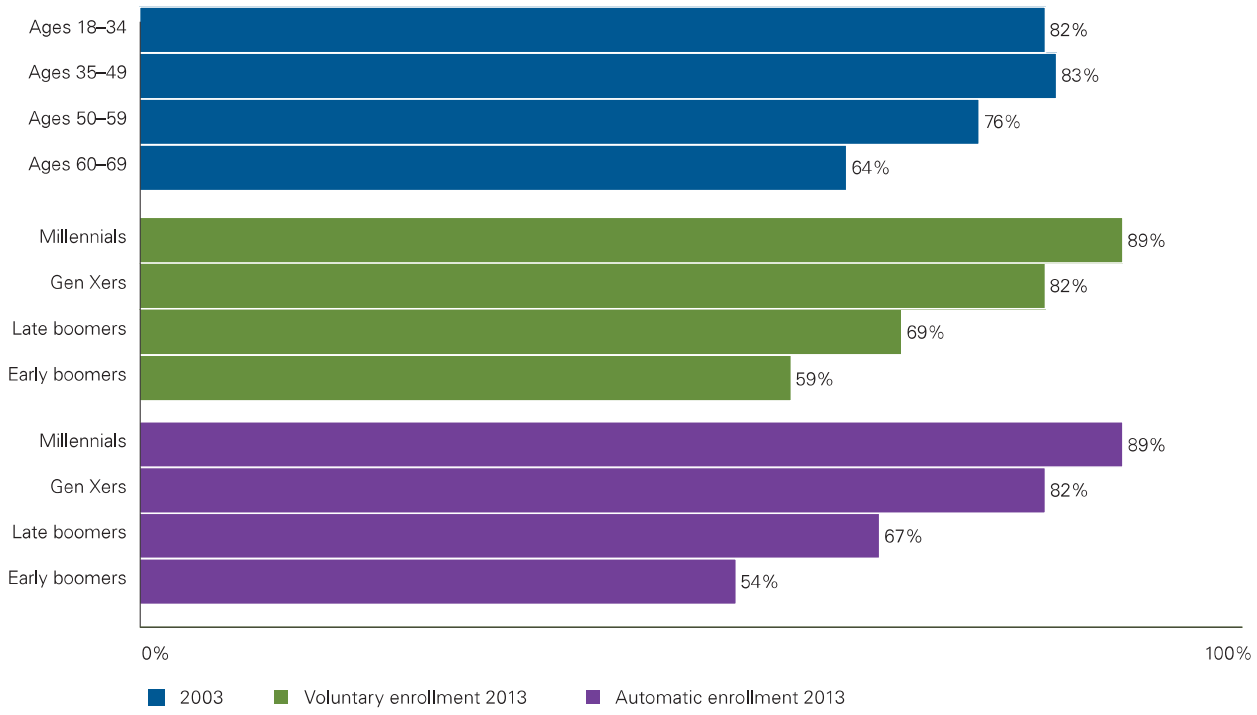


Note: 2003 account balances are adjusted to 2013 dollars.
Source: Vanguard, 2015.

Investments

In 2003, the median equity allocations were very similar for the cohorts ages 18 to 34 and 35 to 49 at slightly more than 80% (Figure 9). The oldest cohort, ages 60 to 69, held a 64% equity allocation in 2003. The spread between the youngest and oldest cohorts was only 18 percentage points. In 2013, there was much sharper differentiation in the equity allocation held by each generation. The millennial generation joining these plans under voluntary enrollment had a median equity allocation of 89% compared with 59% for the early boomers—a 30-percentage-point spread. For the millennial generation subjected to automatic enrollment, the median equity allocation was 89% compared with 54% for the early boomers—a 35-percentage-point spread.

Figure 9. Participant-weighted equity allocation (median)

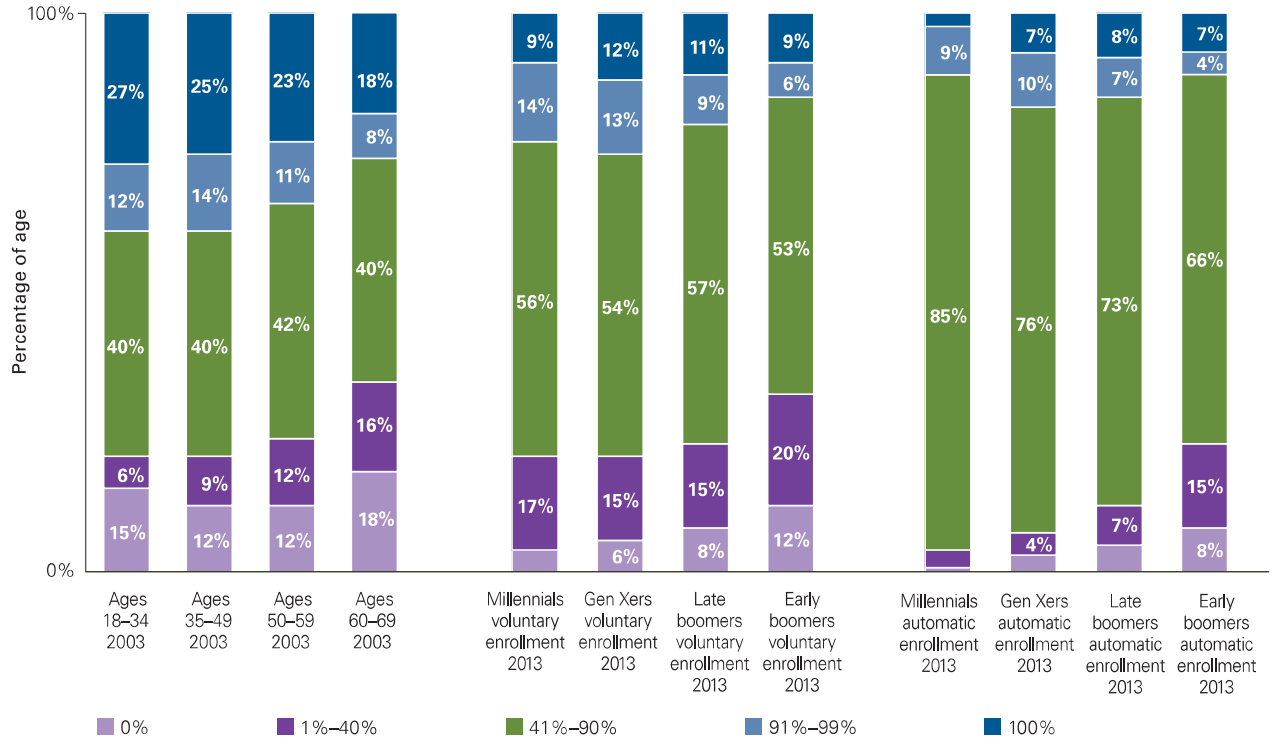


Source: Vanguard, 2015.

The distribution of equity exposure also shifted between 2003 and 2013 (**Figure 10**). In 2003, the distribution of equity exposure for the four age cohorts was fairly similar. Forty-two percent of the youngest age group held extreme portfolios (defined as all equity and zero equity), and 35% of the oldest age group also held extreme portfolios. In 2013, only 13% of millennials in voluntary enrollment plans held extreme portfolios and more than half held portfolios with an equity allocation between 41% and 90%. Millennials in automatic enrollment designs fare even better—only 3% held extreme portfolios and 85% held portfolios with an equity allocation between 41% and 90%.

Our research shows that the changing composition of DC plans is due to the behavioral effects arising from target-date fund usage. There is a strong default effect due to the funds being chosen as an automatic enrollment default. Moreover, target-date funds introduce a simplified portfolio choice heuristic (rule of thumb) in plans offering automatic enrollment—namely choice of portfolio based on retirement age.[4]

Figure 10. Distribution of equity exposure

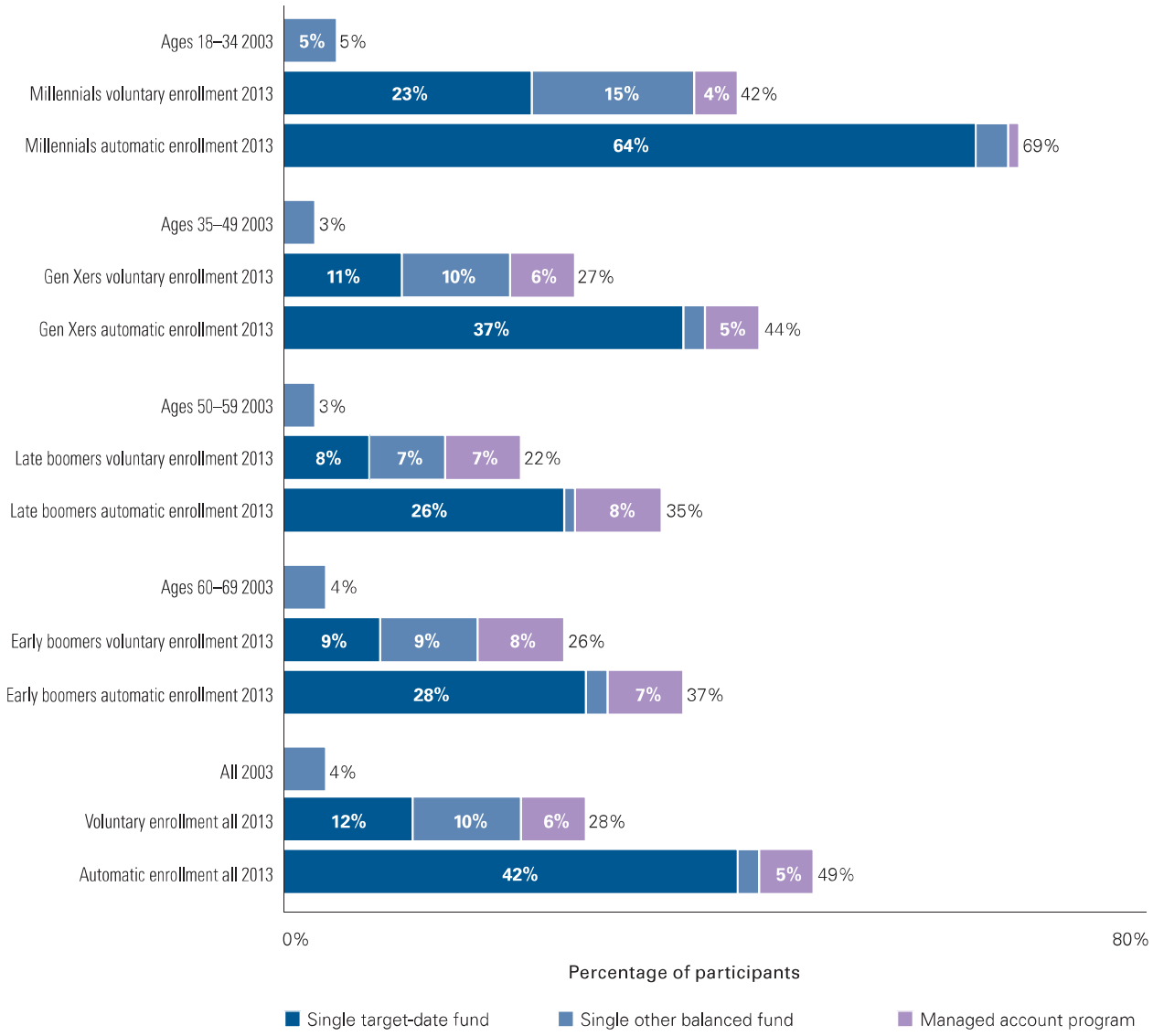


Source: Vanguard, 2015.

4 See Cynthia A. Pagliaro and Stephen P. Utkus, 2014, *Behavioral effects and indexing in DC participant accounts 2004–2012*, Vanguard research, institutional.vanguard.com.

Target-date funds are the main type of professionally managed allocations in use within DC plans. Participants with professionally managed allocations have their entire account balance invested in a single target-date fund, a single target-risk or traditional balanced fund, or a managed account advisory service. In 2003, only 4% of all age cohorts were invested in a professionally managed allocation (Figure 11). By 2013, millennials were about twice as likely as boomers to have adopted professionally managed allocations. In 2013, 42% of millennial participants in voluntary enrollment plans and 69% in automatic enrollment plans were invested in a professionally managed allocation. Only 26% of early boomers in voluntary designs and 37% in automatic designs were using professionally managed allocations. In other words, 7 in 10 millennial automatic enrollment participants have turned the portfolio construction task over to an investment professional vetted by the plan sponsor fiduciary. Importantly, our research shows that participants utilizing professionally managed allocations have better portfolio diversification than those participants constructing portfolios from the menu of plan options.[5]

Figure 11. Adoption of professionally managed allocations



Source: Vanguard, 2015.

5 See John A. Lamancusa, Stephen P. Utkus, and Jean A. Young, 2013, *Professionally managed allocations and the dispersion of participant portfolios*, Vanguard research, institutional.vanguard.com.

Implications

Survey data finds that millennials are more risk-averse than both Gen Xers and late boomers.[6] Our data does suggest that millennials may be behaving differently than other generational cohorts when it comes to retirement plan savings.

It may be that there are generational differences in saving and investment behavior arising from the unique life experiences that different demographic cohorts have experienced. Yet the data suggests that automatic enrollment and the rise of target-date funds have played substantial roles in changing DC saving and investment behavior. For example, while millennials' income and job prospects have been shaped by the Great Recession, those who are working are, in the aggregate, saving more due to automatic enrollment. While millennials have lived through two significant bear markets in equities, their allocation to equities is higher due to the use of target-date funds.

These effects are most pronounced for the youngest workers, namely millennials, because employers have chosen to introduce automatic enrollment among new hires first. Greater dissemination of these techniques to existing employees can help improve allocations and savings outcomes for older generations.

However, it is important to acknowledge that within all generational cohorts, some participants are doing better than others. At the end of the day, all participants are individuals, and participants within the various generational cohorts display a broad array of distinct retirement plan saving behaviors. All generational cohorts would potentially be better off with higher saving rates and higher adoption of professionally managed allocations.

Appendix. Population demographics

	2003	2013
Median eligible employee tenure		
Ages 18–34	3	2
Ages 35–49	8	8
Ages 50–59	17	15
Ages 60–69	15	16
All	7	8
Percentage male		
Ages 18–34	62%	64%
Ages 35–49	65	62
Ages 50–59	69	63
Ages 60–69	67	62
All	65	63
Median eligible employee income ($2013)		
Ages 18–34	$42,964	$44,418
Ages 35–49	$63,394	$65,903
Ages 50–59	$69,445	$70,207
Ages 60–69	$61,021	$70,099
All	$57,969	$61,258
Median eligible employee account balance ($2013)		
Ages 18–34	$1,953	$4,111
Ages 35–49	$24,377	$27,488
Ages 50–59	$43,240	$72,290
Ages 60–69	$39,267	$67,649
All	$14,885	$23,556

Note: 2003 income and account balances are adjusted to 2013 dollars.
Source: Vanguard, 2015.

6 See Kimberly Burham, Michael Bogdan, and Daniel Schrass, 2014, *Ownership of Mutual Funds, Shareholder Sentiment, and Use of the Internet, 2014*, ICI Research Perspective 20, no. 8, www.ici.org/pdf/per20-08.pdf.

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Employee Benefits and Executive Compensation Alert

November 30, 2016

A Trump Presidency: What Does It Mean for Employee Benefits?

AUTHORS

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Executive Summary

Based on both campaign promises and Donald Trump's plans for his first 100 days, a Trump presidency is likely to make major changes in employee benefits law. The most significant ones are likely to be:

1. Major changes in the Affordable Care Act (although the timing and extent of such changes are unclear), combined with expansion of health savings accounts.
2. Postponement or elimination of the recently issued Department of Labor fiduciary regulations.
3. Loosening of executive compensation rules.
4. Further cutbacks in IRS guidance and audit activity.
5. Increased hostility to consideration of noneconomic factors in selecting retirement plan investments.
6. Diminished enforcement of protections for LGBT employees.
7. Increased activity at the state level, including establishment of state-sponsored retirement plans for private employers.

These issues, and others of less general concern, are discussed below.

Background

What does a Trump presidency mean for employee benefits? There has been little specific guidance on this from his campaign. The retirement issues he discussed were mostly limited to Social Security and Medicare. Nevertheless, there are hints in the plan that Trump released for his first 100 days in office, and in his campaign promises generally, which suggest that he will be taking employee benefits regulation in a new direction.

In spite of holding the presidency, and majorities in both Houses of Congress, Republicans do not have unlimited ability to pass legislative changes. In the Senate, it requires 60 votes to overcome a filibuster, and the Republicans do not have that large a majority. While certain legislation (e.g., appropriations bills) is not subject to filibuster, the potential of a filibuster may make it impossible to pass other sorts of legislation.

Proposals for the First 100 Days

A hiring freeze on all federal employees, to reduce federal workforce through attrition (exempting military, public safety, and public health)

Revenue Procedure 2016-37 eliminated the old program under which the IRS would issue determination letters on the qualification of individually designed retirement plans every five years. Instead, it provided that determination letters on such plans would be issued only:

- For a new plan,
- On the termination of a plan, or
- Under other circumstances to be determined annually.

A freeze on federal hiring makes it less likely that the IRS will have the resources to re-open the determination letter program for circumstances other than plan establishment or termination.

A requirement that for every new federal regulation, two existing regulations must be eliminated

It is not clear what this means. In the simplest terms, if an agency has two existing regulations, one of which says you must do X and one of which says you must do Y, can the agency write a new regulation that says you must do X, Y, and Z, and then balance it by getting rid of the two old regulations?

Moreover, there are restraints on the degree to which regulations can easily be revoked. There may be ways for the new administration to eliminate certain regulations without much difficulty:

- Regulations in proposed form need not be finalized.
- In the case of regulations that have not yet gone into effect, a new administration can suspend the effective date.
- For regulations effective within the eight months preceding the inauguration, the new administration could ask Congress to use the Congressional Review Act (CRA) to overturn the regulations. The CRA allows Congress to overturn recently issued regulations by a simple majority vote, and it does not allow for Senate filibusters.

By contrast, the options for eliminating regulations effective more than eight months before are limited. Such regulations could be revoked only by

- Passing legislation to amend the statute on which they were based (but this would require getting around the filibuster issue),
- Ceasing to defend any lawsuits attacking their validity, and hoping that a court overturns them, or
- Going through cumbersome procedures to propose and finalize new regulations.

However, as to lawsuits, there may in many instances be private parties defending the regulations, even if the government does not. Proposing and finalizing new regulations may take years. And even when it happens, a court will typically give less deference to new regulations which conflict with previous regulations than it would to the first set of regulations on a given topic.

Another alternative would be to leave regulations in place, but simply not to enforce them. Particularly given staffing cuts at the agencies, this may be a tempting option for the administration. However, having regulations in effect, even if not enforced, may give private parties a right of action. Moreover, having regulations that are in effect but not being enforced presents challenges to businesses that are attempting to comply with the law and cannot count on a nonenforcement policy.

Given the difficulties in eliminating older regulations, some recent regulations are likely to be a target. One frequently mentioned in this regard were the fiduciary regulations issued by the Department of Labor (DOL) on April 8, 2016. These rules were designed to address conflicts of interest on the part of investment advisors to employee benefit plans and their participants.

These regulations have not been popular with investment advisory firms, and are the subject of litigation.

It is not clear whether the fiduciary regulations are subject to revocation under the CRA. Although the effective date stated in the regulations was June 7, 2016 (which would put it beyond the eight-month window), the applicability date was April 10, 2017. Between those two dates, investment advisors could rely on the regulations if they wanted to, but were not obligated to comply with them.

Nonenforcement of the regulations would be another option. However, top officials at the DOL have stated that a major goal of the regulations is to provide for a private cause of action on behalf of plan fiduciaries and participants. Thus, even if the relevant agencies ceased enforcing the regulations, advisory firms might still need to comply with them in order to avoid lawsuits.

A final option would be to postpone the applicability date of the regulations indefinitely, or at least until more lax regulations could be adopted. This seems the most likely option, given the complexity of the other alternatives. However, given that the regulations are intended to interpret existing statutes, it is possible that participants might still try to rely on them in litigation, as the best interpretation of the meaning of those statutes.

Cancel every "unconstitutional" executive action, memorandum and order issued by President Obama

Some executive orders regarding employee benefits that might be vulnerable to attack include:

- Executive Order 13658, a minimum wage for federal contractors and subcontractors
- Executive Order 13706, requiring federal contractors and subcontractors to provide employees with paid sick leave
- Executive Order 13672, prohibiting discrimination by federal contractors and subcontractors based on sexual orientation and gender identity

Middle Class Tax Relief and Simplification Act

The immediate goal of such legislation would be to lower tax rates. However, given the popularity of tax reduction, such legislation could be hard enough to defeat that it could serve as a vehicle for modifying other tax provisions, such as those that govern retirement, health, and other employee benefit plans.

Repeal and Replace Obamacare Act

This action would fully repeal the Affordable Care Act and replace it with health savings accounts and the ability to purchase health insurance across state lines, and allow states to manage Medicaid funds.

The first question is whether a single piece of legislation would repeal and replace the ACA, or repeal legislation would happen first, with a promise to produce a replacement at a later date.

The second would concern effective dates. A relatively easy target would be the individual and employer mandates. The new administration could decline to enforce them, even pending legislative change. Because the mandates do not actually require employers or individuals to purchase coverage, but merely impose a tax if they do not, it is unlikely that they could be the subject of private lawsuits if the administration simply decided not to enforce them. However, the Form 1095-B and Form 1095-C reporting requirements would not necessarily go away, even if the administration ceased enforcement of the employer and individual mandates.

Eliminating health exchanges and premium tax credits would be a longer term process, if it happens at all. Existing policies obtained through health exchanges would not end before the end of 2017, and individuals have already begun applying premium tax credits against their health insurance costs. Thus, it appears unlikely that either could be eliminated before the end of 2017, and given the pace of legislation and suddenly changing public expectations, it is likely it could not be done before the end of 2018. And given that 2018 is an election year, Congress may not want to consider legislation that would eliminate coverage for many even then. Moreover, healthcare providers are likely to resist any change that causes people to lose coverage, as they lose money when people don't have health coverage and default on medical bills. It is unclear whether they would have the lobbying clout to avoid repeal at all.

Another complication is that Trump has said that he wants to keep the mandate that insurers accept everyone, regardless of health. However, it is unclear how this provision could be retained without massive federal subsidies, if the mandates and the premium tax credits were eliminated. In the absence of a mandate, young and healthy people are less likely to purchase coverage, particularly if there are no premium credits to make coverage affordable. However, this means that the pool of people seeking coverage will be weighted toward those with serious health conditions. In order to meet the cost of providing coverage to such people, absent federal subsidies, insurance companies will need to raise premiums. And soaring premiums will make the coverage less affordable to the young and healthy, further skewing the covered population toward the sick.

Trump's alternatives to the ACA include the ability to purchase health insurance across state lines and expansion of health savings accounts. However, the ability to purchase health insurance across state lines is likely to be resisted by insurance companies, which fear competition from companies in states with more lax regulation (which thus have lower costs). Thus, it is unclear whether legislation could be passed, and if it wereto be, there is concern that health insurers might flock to states with minimal regulation, to the detriment of policyholders. For example, state regulations would typically require certain levels of reserves to meet claims. If insurers operated out of states with minimal reserve requirements, in an environment in which their costs are rising suddenly because of the factors described in the preceding paragraph, the result could be insurance company bankruptcies that would lead to policyholders losing coverage.

Expanded health savings accounts (HSAs), and possible Medicare cutbacks, provide a planning opportunity for employers. Essentially, an HSA is available to anyone covered by a high-deductible health plan. It enables an employer or an employee to put aside pre-tax money into an account. The employee can use that account to meet deductibles and copays under the health insurance policy. However, unlike the more well-known flexible spending account, money in an

HSA that is not used can roll over from year to year. To the extent it is ultimately used for health expenses (including Medicare Part B premiums, or private health insurance in retirement if Medicare is eliminated), it is never taxed. Or after age 65, money in the HSA can be withdrawn for any purpose, subject to the payment of ordinary income taxes. Thus, for any employee, a HSA can soften the blow of increasing health insurance deductibles. And for employees who are healthy enough not to have substantial medical expenses, or have enough resources to pay for current health expenses out of pocket, it can serve as an additional resource for retirement, with tax benefits even greater than those of traditional 401(k) or other retirement plans.

Affordable Childcare and Eldercare Act

This proposal would allow Americans to deduct childcare and elder care from their taxes, incentivize employers to provide on-site childcare services, and create tax-free dependent care savings accounts for both young and elderly dependents, with matching contributions for low-income families. It may provide additional opportunities for employers to provide benefits at low cost to themselves. Already, many employers provide child care, at least on an emergency basis, in order both to provide a benefit to employees and to improve employee attendance. Greater tax incentives for such arrangements may lead to their becoming more widespread.

Other Proposals

Executive Compensation

During the campaign, Trump called for repeal of the Dodd-Frank Act. Earlier this year, the House Financial Services Committee approved the Financial CHOICE Act, which could provide a vehicle for repealing the CEO pay ratio disclosure, pay for performance disclosure, mandatory clawbacks for financial restatements and required policies to prohibit hedging by executives. The emphasis on removing barriers to executive compensation might raise congressional interest in modifications to the deferred compensation rules in section 409A of the Internal Revenue Code (and perhaps even the more onerous deferred compensation rules for tax-exempt organizations in section 457(f) of the Code).

Economically Targeted Investments

ETIs are investments chosen to foster specific social goals, rather than strictly for their growth and income potential. For example, a retirement plan might choose to avoid investments in tobacco or gun manufacturers. During the second Bush administration, the DOL issued Interpretive Bulletin 08-01, 29 C.F.R. 2509.08-1, which was generally interpreted as hostile to the use of ETIs. During the Obama administration, Interpretive Bulletin 2015-01 revoked the earlier Interpretive Bulletin and imposed what was generally understood to be a more tolerant attitude toward ETIs. It remains to be seen whether a Trump administration will reinstate the Bush standard.

Protections for LGBT Employees

The Equal Employment Opportunities Commission (EEOC) has taken the position that discrimination in benefits based on sexual orientation or gender identification is prohibited by Title VII of the Civil Rights Act of 1964 (relating to sex discrimination in employment). Its position is based on the theory that, for example, providing benefits to the wife of a male employee, but not to the wife of a female employee, constitutes prohibited sex discrimination. The EEOC's strategic enforcement plan for 2013 through 2016 includes a specific focus on this area, and the EEOC has been successful in enforcing it in several court cases. While it appears unlikely that the Trump administration can reverse recent Supreme Court decisions requiring equal marriage rights, it may be able to create a less activist approach by the EEOC in this area.

Commissioner of Internal Revenue

IRS Commissioner John Koskinen has been the target of attacks by Republicans for special scrutiny of exemption applications from a number of groups, most of which had Tea Party ties. Trump's election increases the chances that Koskinen will be asked to leave or will resign of his own accord.

State Involvement

With the federal government likely to reduce regulation in a number of areas affecting employee benefits, states may become more involved. For example, states often maintained high risk insurance pools before the passage of the ACA. They could also provide more protections for groups such as LGBT employees. However, ERISA preemption may limit their ability to make substantial changes in employee benefits, outside of the insurance context. The one exception would be that Trump has shown interest in expanding opportunities for state sponsored retirement plans in which private employers could choose to participate.

Conclusions

Clearly, the world of employee benefits law will be changing under President Trump. However, the likelihood, direction, and timing of such changes are not always easy to discern. Moreover, employers will need to keep abreast of activity not only at the federal level, but in the individual states.

Our firm will continue to monitor these developments, and stands ready to assist employers in responding to them.

April 25, 2017

Stable Value Litigation Update

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SIDLEY

STABLE VALUE LITIGATION: THE CURRENT LANDSCAPE

REASON FOR INCREASE IN LITIGATION RELATING TO STABLE VALUE PRODUCTS

- Overall increase in retirement plan/product litigation
- Following the money: lots of dollars in stable value
- A single substantial settlement

TYPES OF PRODUCTS INVOLVED

- Pooled synthetic stable value funds
- Single-company stable value funds
- General account fixed income products
- Non-stable value products/failure to include a stable value option

POOLED SYNTHETIC STABLE VALUE FUNDS (3 CASES)

1. Nature of claims
   - Fund did not take enough risk/underperformed
   - Fund took on too much risk/underperformed
   - Focus: duration and credit quality
   - Evidence relied upon: SVIA and Hueler data
2. Status of cases
   - Currently in discovery
   - A ruling on one of the cases expected; good news coming?
3. Settlements
   - None

SINGLE-COMPANY STABLE VALUE FUNDS (2 CASES)

1. Nature of claims
   - Funds mismanaged
   - Too much in cash
2. Status of cases
   - One dismissed, one settled
3. The Dismissal Ruling
   - Process, not results, matters
   - Deviation from an industry average means nothing
   - Not enough to suggest ways a fund could have performed better using hindsight.
   - Potential impact on other cases?

GENERAL ACCOUNT FIXED INCOME PRODUCTS (7 CASES; TWO WAVES)

1. Nature of claims
   - Insurance company is an ERISA fiduciary
   - Because a fiduciary, retention of spread is unlawful
   - Crediting rate should have been higher if spread was lower
2. Status of cases
   - Most of these case have been allowed to proceed
   - Courts have generally found they need more evidence on fiduciary status
   - One case was dismissed; court found there was no spread
   - One case has been allowed to proceed as a class action; requests pending in several others
3. Settlements
   - None

NON-STABLE VALUE PRODUCTS/FAILURE TO INCLUDE A STABLE VALUE OPTION (4 CASES)

1. Nature of claims
   - Imprudent to offer a money market or similar liquid fund
   - Prudent fiduciaries would offer a stable value fund instead
   - SVFs have higher return and minimal additional risk
2. Status of cases
   - One is pending
   - One proposed settlement; American Airlines
3. Settlement
   - Described in further detail in next few slides

LITIGATION CHALLENGING THE FAILURE TO OFFER A STABLE VALUE FUND

Is it a breach of fiduciary duty to offer a money market fund rather than a stable value fund?

- The trial court in *Tibble* said no
- So did the Ninth Circuit in the *Tibble* case, in light of "uncontroverted evidence that there were discussions about the pros and cons of a stable-value alternative"
- So did the trial court in *Chevron* (2016):

> "Offering a money market fund as one of an array of mainstream investment options along the risk/reward spectrum more than satisfied the Plan fiduciaries' duty of prudence. . . . plaintiffs plead no facts showing that the Plan fiduciaries failed to evaluate whether a stable value fund or some other investment option would provide a higher return and/or failed to evaluate the relative risks and benefits of money market funds vs. other capital preservation options."

COULD THE AMERICAN AIRLINES CASE CHANGE THAT DYNAMIC?

- November 2016 decision declining to give preliminary approval to proposed settlement:

> "Plaintiffs have provided the court information that causes the court to be persuaded that if this case were to go to trial, a fact finder probably would find that American and Committee, as Plan fiduciaries, should have provided the Plan participants an opportunity to invest in a stable value fund as an income-producing, low-risk, liquid fund option instead of, or in addition to, the AA Credit Union Fund option."

- What's next?

WHAT DOES THE FUTURE HOLD?

- Pooled stable value case: depends on results of pending cases, and at least one could be decided soon
- Single-company stable value funds: too early to tell
- General account products: many insurers already sued

QUESTIONS?

1,900 LAWYERS and **20 OFFICES**
located in commercial, financial
and regulatory centers
around the world

Beijing	Chicago	Houston	New York	Singapore
Boston	Dallas	London	Palo Alto	Sydney
Brussels	Geneva	Los Angeles	San Francisco	Tokyo
Century City	Hong Kong	Munich	Shanghai	Washington, D.C.

Re-enrollments: A Look at What Happens When Stable Value is Involved

Panel
Greg Anselmi, Transamerica
Doug Barry, Standish
LeAnn Bickel, Invesco

Moderator
Bradie Bar, Transamerica

SVIA

Re-enrollments: Why Bother

Lack of Retirement Readiness . . . Poor Portfolio Construction . . Participant Inertia

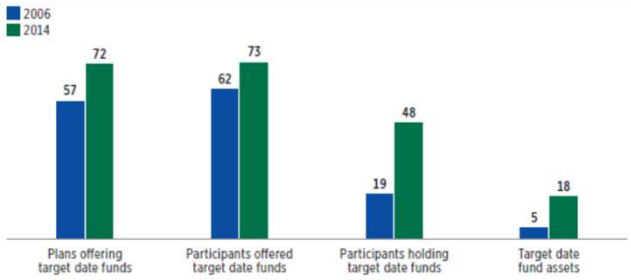
- Participants may not be well-invested, which can significantly affect the adequacy of their retirement savings
- Despite available resources, participants take little action to update their investment allocations in their Defined Contribution plans
- Through Re-enrollment the plan sponsor can take action to help participants redirect their allocations to age appropriate investment strategies while addressing potential fiduciary related litigation exposure by taking advantage of the ERISA QDIA safe harbor

Target Date Funds Popularity on the Rise . . .

FIGURE 7.14

Target Date Funds' 401(k) Market Share

Percentage of total 401(k) market; year-end, 2006 and 2014



Note: Funds include mutual funds, bank collective trusts, life insurance separate accounts, and other pooled investment products.

Source: Tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project. See *ICI Research Perspective*, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2014."

ICI 2016 Fact Book

. . . But, are Participants where they should be?

SVIA 2

Re-enrollments: A Vanguard Case Study

Appendix 1:

	Before reenrollment 9/30/2014		6 months after reenrollment 6/30/2015		1 year after reenrollment 6/30/2016	
A. All participants (n=17,028)						
Opt-out rates						
100% default fund			84%		80%	
Default fund and stable value			0%		0%	
Subtotal			84%		80%	
Partial opt-out			10%		12%	
Full opt-out			6%		8%	
Total			100%		100%	
Switched target-date fund			3%		N/A*	
Portfolio allocation	**Participants (%)**	**Percentage of plan assets**	**Participants (%)**	**Percentage of plan assets**	**Participants (%)**	**Percentage of plan assets**
Target-date	25%	5%	94%	74%	92%	81%
U.S. equity	54%	41%	13%	16%	15%	7%
International equity	39%	9%	8%	3%	8%	2%
Bond	53%	10%	8%	2%	7%	3%
Stable value	42%	15%	2%	2%	4%	3%
Traditional balanced	57%	20%	5%	3%	5%	4%

*Data not included in our one-year analysis.

Source: Re-enrollment: One year later Vanguard research note January 2017
Full Publication Available : https://institutional.vanguard.com

Addressing inaction through Re-enrollment

SVIA 3

Re-enrollments: Stable Value Takes the Hit

Four Recent Re-enrollments (2014 – 2016)

	Plan AUM	SV % of Plan before transaction	MV/BV Ratio (At time of Transaction)	SV % of Plan after transaction	What has happened since? (12/31/16)
Client 1 – Consumer Products	$700mm	28.3%	103%	6.9%	10.35% (61% drop)
Client 2 – State 457 Plan	$4b	20.2%	103%	9.8%	9.8% (29% drop)
Client 3 – Consumer Products	$1.8b	22.6%	104%	7.8%	7.8% (46% drop)
Client 4* - City 457 Plan	$800mm	27.6%	102%	21.5%	21.5% (22% drop)

** This 457 Plan did not include the Union employees in the re-enrollment.*

SVIA 4

Re-enrollments: The Right Thing to Do

Top Priority of Our Business . . .

Helping Participants Achieve Their Retirement Goals

- It is in the industry's best interest to help plan sponsors achieve their objectives and to help participants achieve theirs.
- The decision has to be the client's given their understanding of their participant base.
- Plan sponsors and consultants have to dictate even though there is a measured impact on Stable Value Fund balances.
- Managers must work very closely with each plan sponsor to ensure consideration is given to contract terms.
- A market solution for all market cycles needs to be considered.

SVIA 5

How to Manage Re-enrollments and Stable Value Intricacies

- Position the portfolio in advance of re-enrollment to minimize the long-term crediting rate impact
- Assist plan sponsors and record-keepers with participant communication materials
- Actively work with record-keepers during the election period to ensure cash is sufficient but not too much (get constant tallies)
- Work with plan committees for modeling and explaining the stable value issues associated with re-enrollment
- Actively engage wrap contract issuers to facilitate the smooth transition

It's Not Just Re-enrollments

Other Employer actions impact Stable Value

The industry needs finds ways to accommodate Plan Sponsors

- Employer Initiated Events
  - Mergers, Consolidations , Spin-offs
  - Plant/Unit Closings
  - Group Lay-Offs
  - Bankruptcies
- Externalities
  - Changes to the Defined Benefit Plan
  - Alternative Pay Plans
- Plan Changes
  - Plan Mergers
  - Changes in Record Keepers, Fund Line Ups, Employer Match/Non-elective Contributions
  - Changes in Stable Value Managers

Re-enrollments: A Look at What Happens When Stable Value is Involved

- Open communication with plan sponsors and consultants will maximize the lead time.
- Consideration for the action's impact to the MV/BV ratio and crediting rate is a must.
  - Lead time will help position the portfolio to tie gains/losses to current stable value investors in advance of the re-enrollment,
  - Ensuring the remaining stable value investors are not adversely impacted.
- Even in a rising interest rate environment, we will seek to reposition the portfolio to accommodate the plan sponsor's objectives.