

Enhancing Your Stable Value Product Due Diligence



Speakers and Panelists



Michael Muirhead
Broadridge Fi360 Solutions



David Berg
PIMCO



Matt Curtin
MetLife



James Roche
The Standard

Session Agenda

- I. Recognize the importance of stable value as a product class
- II. Understand key characteristics of stable value products
- III. Discuss important factors in conducting due diligence on stable value products



Step 3: Implement

Decisions regarding investment strategies and types of investments are made in accordance with fiduciary obligations and are documented.

3.3.1 A prudent due diligence process is used to select investment strategies, Investment Managers, and investments.

3.3.2 Decisions regarding the selection of investments consider both qualitative and quantitative criteria.

3.3.3 The due diligence process used to select investment strategies, Investment Managers, and investments is documented and consistently applied.

3.3.4 Regulated investments are preferred over unregulated investments when all other characteristics are comparable.

3.3.5 Investments that are covered by readily available data sources are preferred over similar investments for which limited coverage is available when all other characteristics are comparable.

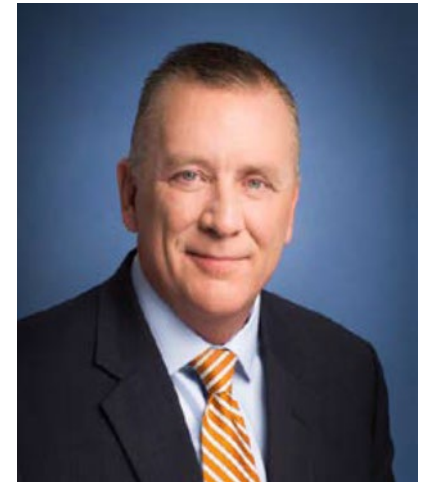
3.3.6 A prudent due diligence process is used to make decisions regarding the use of proprietary versus non-proprietary products, and separately managed versus commingled accounts.

PRACTICE

3.3

Segment 1

Why is Stable Value such an important asset class?





Stable value industry assets

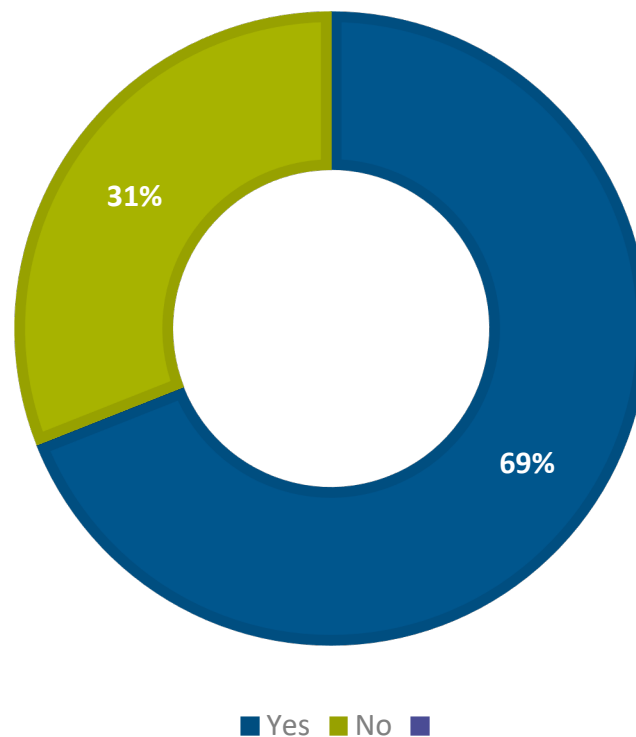
\$902 BILLION

Source: Stable Value Investment Association as of December 31, 2020

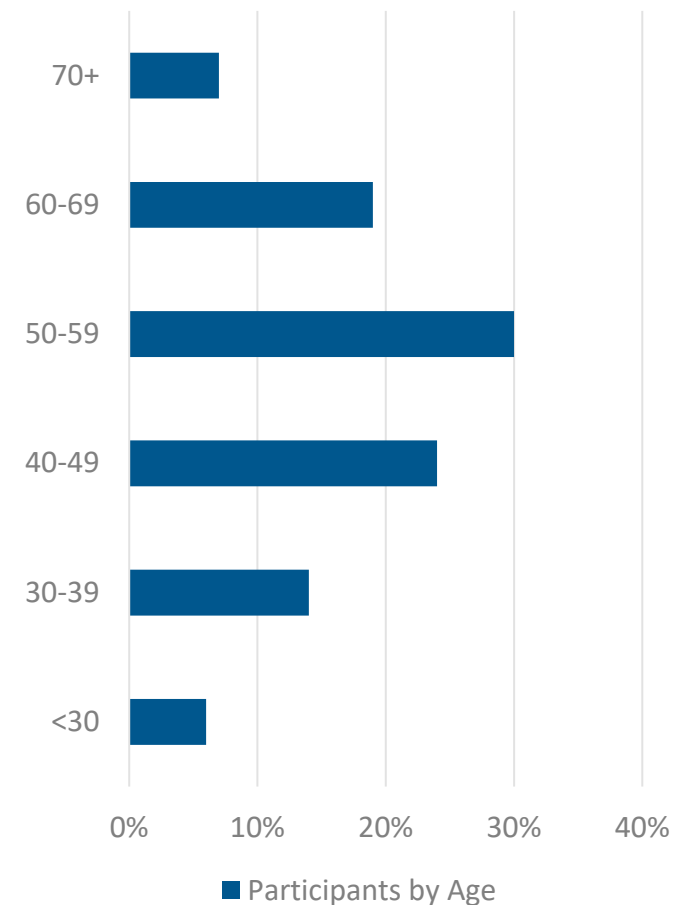
Who is investing in stable value?

9.1% OF
401(k) PLAN
ASSETS

LARGE 401(K) PLANS
OFFERING STABLE
VALUE



Participants by Age



Sources:

- (1) alight <https://alight.com/research-insights/alight-solutions-401k-index-full-year-2020>
- (2) ICI, https://www.icifactbook.org/ch8/20_fb_ch8
- (3) Who Invests in Stable Value and Why? Stable Value Investment Association. February 3, 2021.



Viewed as safe haven in times of market stress

39% OF 2020
401(K) PLAN INFLOWS
WENT TO STABLE VALUE

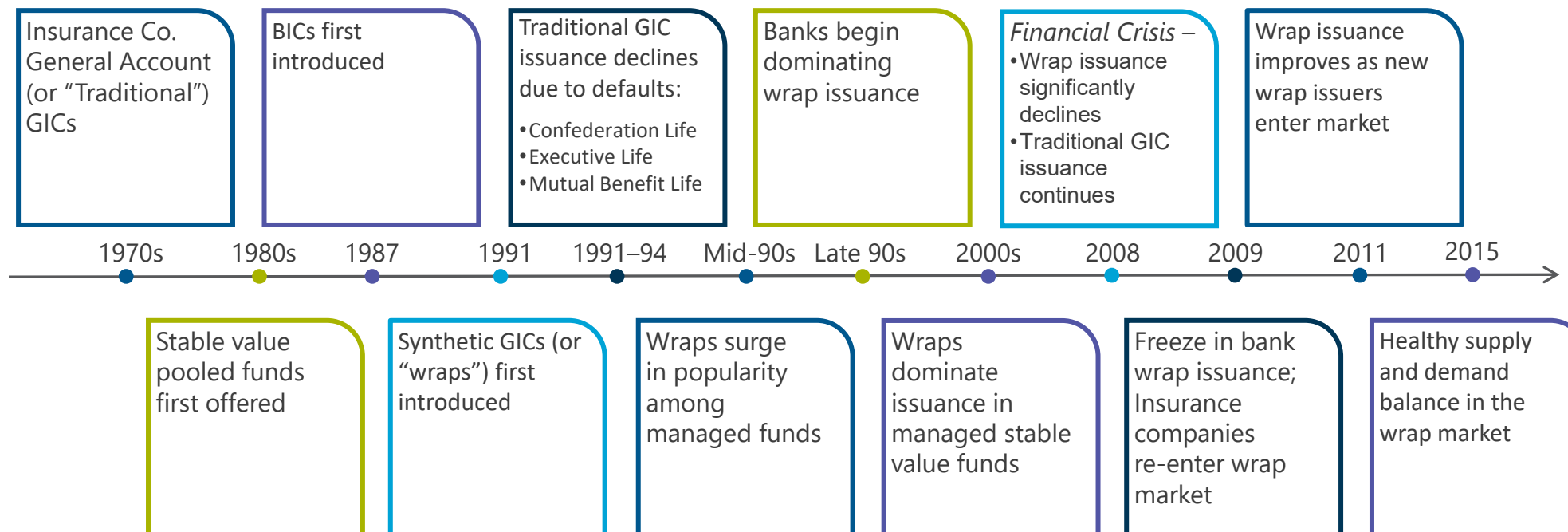
Source: alight <https://alight.com/research-insights/alight-solutions-401k-index-full-year-2020>

Segment 2

*How do stable value
products work?*



History of stable value



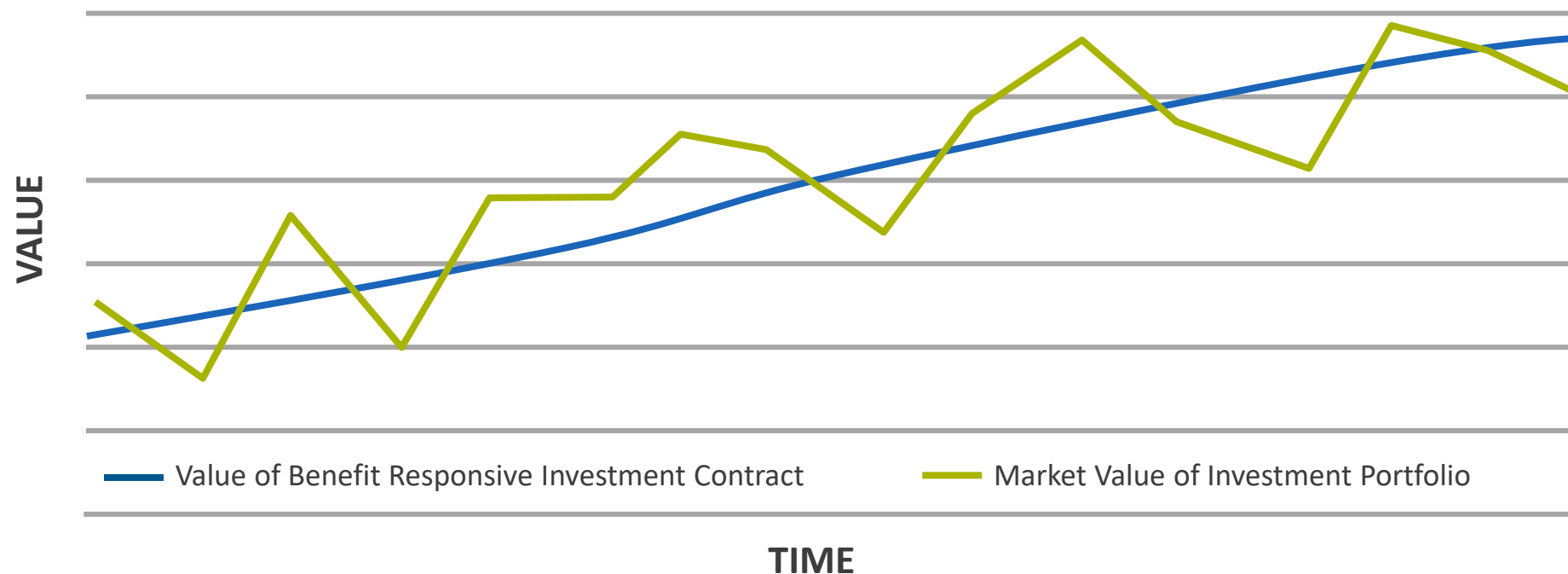
Market value versus Book value

Key components of stable value



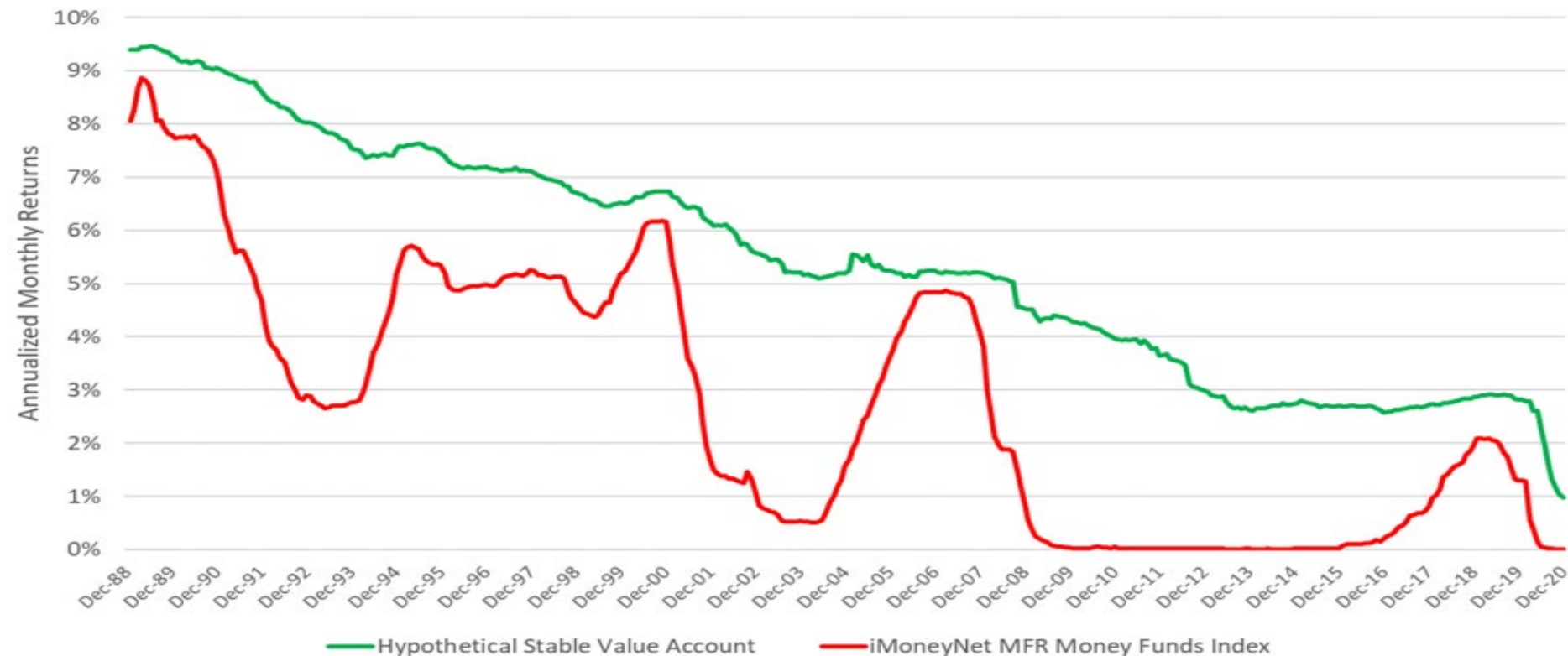
Market value versus Book value

- Investment Portfolio is marked to market daily and fluctuates in value
- Benefit Responsive Investment Contract accrues interest daily, similar to other \$1NAV products, resulting in gradual increase in value over time
- The ratio of these values is often referred to as the Market Value -to- Book Value Ratio



Stable value vs money market

12/31/1988 to 12/31/2020



Source: Stable Value Investment Association

The Hypothetical Stable Value Account is a simulation, and does not represent the performance of an actual stable value account. The simulated book value returns are based on a hypothetical fund holding intermediate bonds and stable value wrap contracts, with crediting interest rates reset monthly using a standard stable value crediting rate formula. The bond returns incorporated into the simulation are monthly market value returns from the Bloomberg Barclays Intermediate Government/Credit Bond Index, with the total return performance reflected in future crediting rates by amortizing the differences between the market-value of the fund holdings and the book value of the stable value wrap contracts over intermediate bond index durations. This simulation incorporates no ongoing cash flows into or out of the fund. Returns illustrated are gross of all fees. "Money Market Funds" is a simulation of money market returns from the iMoneyNet MFR Money Funds Index. Returns illustrated are gross of all fees. "Intermediate Bonds" is a simulation of market value bond fund returns from the Bloomberg Barclays Intermediate Government/Credit Bond Index. Returns illustrated are gross of all fees.

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

Segment 3

*What are the different types of
stable value products?*



Types of stable value investment vehicles

POOLED FUNDS
COLLECTIVE TRUST

SEPARATE
ACCOUNTS

GENERAL
ACCOUNT

Types of stable value investment vehicles

POOLED FUNDS
COLLECTIVE TRUST

Types of stable value investment vehicles

SEPARATE
ACCOUNTS

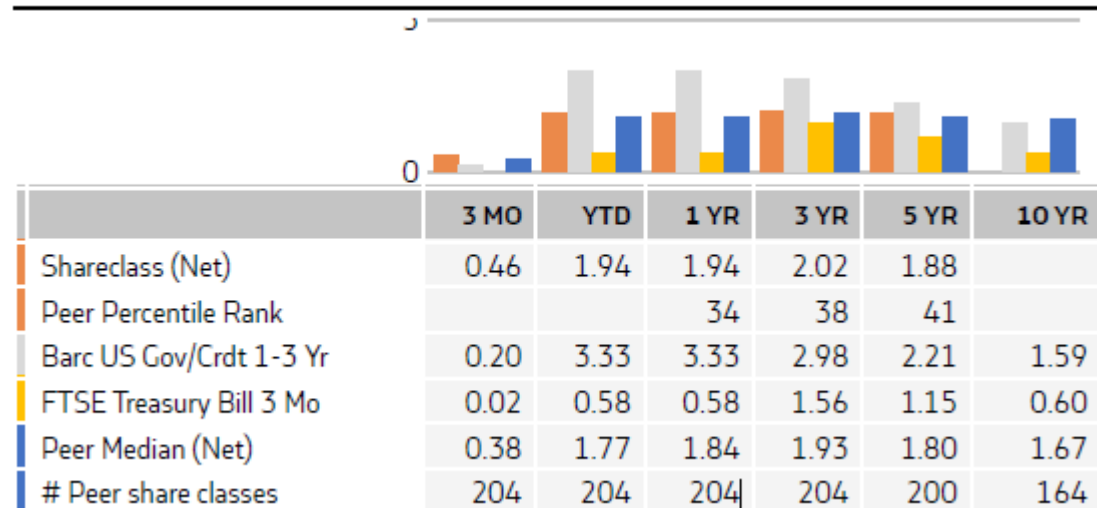
Types of stable value investment vehicles

GENERAL
ACCOUNT

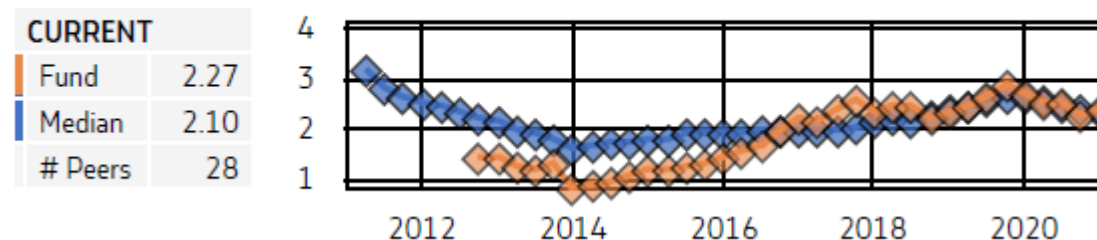
Key Factors for Stable Value Product Due Diligence

Segment 4 – Due Diligence Practices

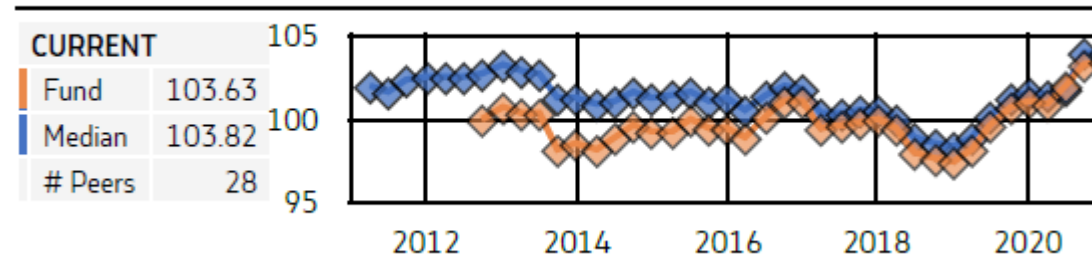
PERFORMANCE



HISTORICAL GROSS CREDITING RATES VS. PEER MEDIAN



HISTORICAL MARKET TO BOOK VS. PEER MEDIAN



EXPENSES (SHARE CLASS VS. PEER MEDIAN)

CATEGORY/NAME	FUND	PEER	# PEERS
Investment Mgmt./Trustee Fee	0.25	0.20	206
Fund Expenses: Wrap Providers	0.15	0.16	207
Fund Expenses: Sub-advisors			
Fund Expenses: Acquired Fund Fees			
Fund Expenses: Other			
Subtotal	0.39	0.43	
Revenue Sharing / Plan Admin Offsets		0.25	137
Total	0.39	0.62	208

Data is historical. Past performance is not a guarantee of future results. More recent returns may be higher or lower than those shown. Investment returns and principal value will fluctuate and you may have a gain or a loss when you sell your shares. The performance above is shown net of all fees for that shareclass. For the most recent month end performance information please contact Pacific Inv. Mgmt. or visit www.pimco.com.

Segment 5 – Due Diligence Practices

FUND INVESTMENTS

STIF	Short-Term Investment Fund	2.11
GIC	Guaranteed Investment Contract	0.00
SIC	Synthetic Investment Contract	97.89
SAC	Separate Account Contract	0.00



CREDIT QUALITY (VS. PEER MEDIAN)

RATING	FUND	PEER
AAA	77.06	64.55
AA	3.36	5.08
A	11.82	14.90
BBB	7.66	12.55
Below Invest. Grade	0.09	0.10
Not Rated	0.00	0.00

SECTOR DIVERSIFICATION (VS. PEER MEDIAN)

SECTOR	FUND	PEER
Corporate	24.01	30.14
Agency	2.96	2.44
Mortgage Backed Security	33.15	20.42
Commercial MBS	5.95	6.04
Asset Backed Security	0.01	7.57
Foreign	0.69	0.00
Treasury	10.45	20.20
Local Muni	4.42	0.00
Cash	17.46	3.88
Other	0.91	1.66

PORTFOLIO ISSUERS & WRAP PROVIDERS

NAME	TYPE	S&P	MDY	FIT	%	PEERS
Prudential Ins. Co.	SIC	AA-	Aa3	AA-	39.13	22
Pacific Life Ins. Co.	SIC	AA-	A1	AA-	29.44	18
Transamerica Life Ins. Co.	SIC	A+	A1	NR	29.32	21

Segment 6 - Due Diligence Summary & Best Practices for Fiduciaries

1. Obtain a clear understanding of the contract/product features and terms including:
 - full disclosure of the fund, including fees and expenses
 - understand participant transfer & withdrawal restrictions
2. Conduct a complete review of the wrap or guarantor structure including:
 - creditworthiness of wrap providers or guarantor
 - contract termination provisions and portability options
 - identify if there is a guaranteed minimum interest rate

Segment 6 - Due Diligence Summary & Best Practices for Fiduciaries

3. Evaluate the underlying investment structure including:
 - portfolio composition & quality
 - historical market-to-book value ratio
 - crediting rate history
4. Establish a fiduciary oversight policy including:
 - ongoing performance evaluation
 - monitoring creditworthiness of the wrap issuers or guarantor
 - develop a list of key due diligence questions

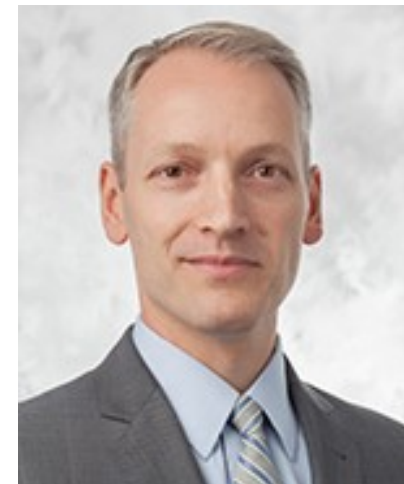


QUESTIONS?

For more information



Sales Team
866.390.5080
Fi360sales@Broadridge.com



David Berg
PIMCO
David.Berg@pimco.com



Matt Curtin
MetLife
mcurtin@metlife.com



James Roche
The Standard
James.roche@standard.com



Ready for Next

Communications
Technology
Data and Analytics

No part of this document may be distributed, reproduced or posted without the express written permission of Broadridge Financial Solutions, Inc. ©2021 Broadridge Financial Solutions, Inc. All rights reserved. Broadridge and the Broadridge logo are registered trademarks of Broadridge Financial Solutions, Inc.