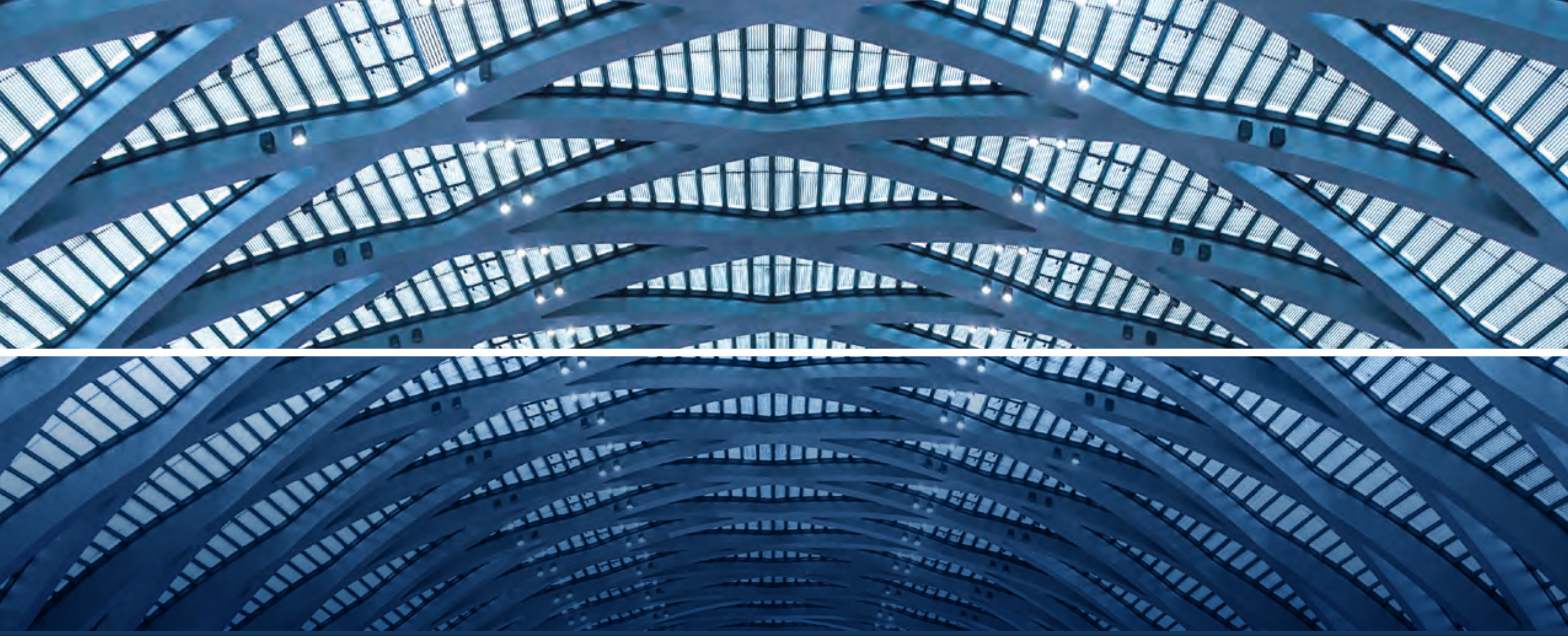


Understanding Stable Value

NEW YORK LIFE STABLE VALUE INVESTMENTS

NEW YORK LIFE

Stable value funds are a capital preservation option offered in over 179,000 retirement plans.[1] At year-end 2019, participants had invested over $800 billion in stable value funds, with the majority of those assets in defined contribution (DC) plans, however they were also present in other tax-deferred retirement and saving plans such as defined benefit (DB) plans, Taft Hartley plans and 529 college savings plans.[1]

While every stable value option has the goal of providing consistent positive returns with low volatility, they are available in various structures and “one size” cannot fit all plans. There are subtle differences that, at first glance may not be easy to recognize. New York Life Stable Value Investments understands the implications of these distinctions and has strategic relationships in place with a multitude of recordkeepers and third-party administrators. We can help advisors demonstrate active engagement to their plan sponsor clients and assist those clients, as well as all plan fiduciaries, to act prudently and in the best interests of their plan participants.

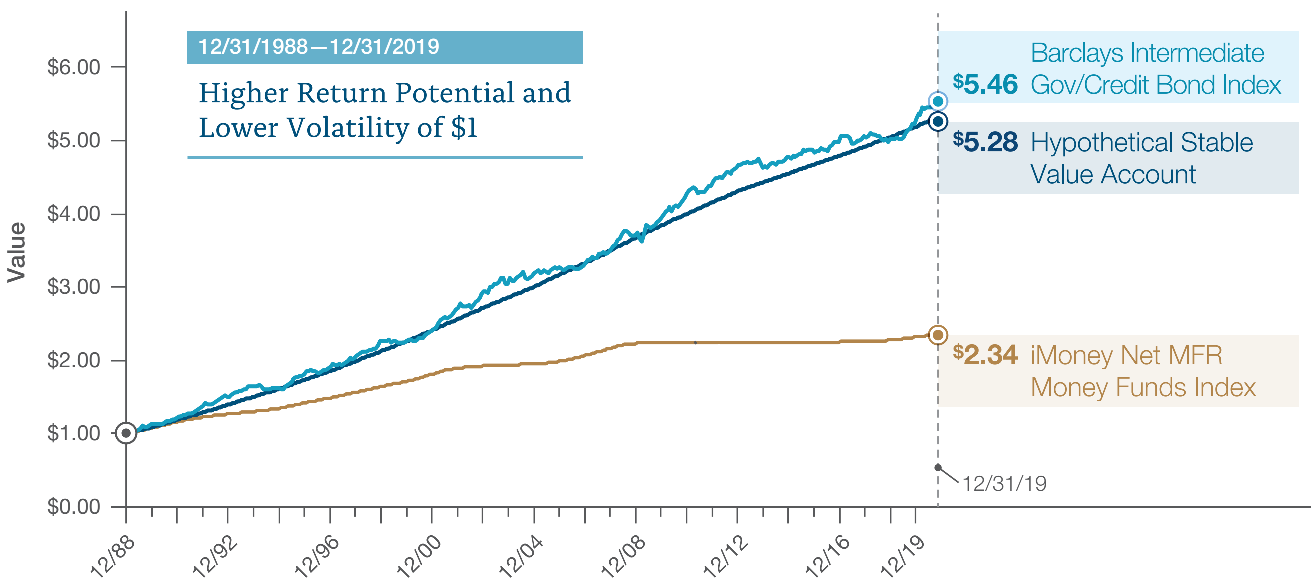
Successful retirement plan advisors and consultants understand how to effectively position this unique asset class within a plan’s investment lineup, and how to efficiently evaluate, compare and select the right structure for each of their clients’ plans. New York Life Stable Value Investments can provide professional guidance from the initial due diligence selection stage, including incorporating or expanding the capital preservation asset class in an Investment Policy Statement, right through to the final implementation into the client’s plan.

Stable Value Historical Perspective

A stable value fund is an investment option that offers the protection of an insurance product and the potential returns of an investment solution. The protections of a stable value product are backed by an insurance wrapper and is structured to guarantee that participants will not lose the money they have invested, plus any accrued interest.

Stable value products have a unique value proposition: a competitive crediting rate coupled with the protection of principal and accrued interest and liquidity for qualified withdrawals. The returns of a stable value fund are intended to be gradual and steady because the gains and losses of the portfolio are amortized gradually, over time. Because of this design, stable value funds have delivered consistent and steady returns over decades through multiple economic cycles. The chart below shows that historically, over full market cycles, stable value funds have significantly outperformed money market funds, with less volatility than bond funds.

Stable Value: Higher Return Potential and Lower Volatility*



Source: Stable Value Investment Association (SVIA), 12/31/2019.
*See SVIA Chart Data Calculation Rules at the end of this brochure.

Stable Value Basic Structures

Whether the plan is small, mid-sized, or large, there is a stable value structure that is an ideal capital preservation solution for every qualified plan. While all stable value fund structures are designed to offer higher returns than money market funds and steadier returns than bond funds, the structures may be quite varied. Each structure has unique benefits and trade-offs, but they all have the following in common—to provide principal preservation, stability and steady growth in principal and accumulated interest and benefit responsive liquidity for plan participants.

INSURANCE COMPANY ACCOUNTS	BANK/ INVESTMENT COMPANY POOLS	SINGLE PLANS – SEPARATELY MANAGED ACCOUNTS
The assets are pooled with unrelated plans. The assets are invested in a group annuity contract issued and guaranteed by a single insurance company. A guaranteed minimum crediting rate may be offered.	The assets are pooled with unrelated plans. The assets can invest in a combination of group annuity, insurance company Synthetic Guaranteed Interest Contracts (SICs), traditional insurance company Guaranteed Investment Contracts (GICs), guaranteed contracts and cash. Typically offered by a bank or trust company, the overall investment strategy is managed by a stable value manager.	The assets are owned and managed for a specific plan's participants and are not pooled with the assets of other plans. Typically, these accounts invest in a trust that is customized to meet the objectives of a single plan.

Why Recommend Stable Value?

Financial advisors can add value to their practice by not overlooking any capital preservation option, learning to be well versed in the evaluation of all types of stable value funds and determining the best solution for each of their clients' plans.

Stable Value Due Diligence

When comparing stable value options between various providers, a prudent review and monitoring process must be implemented. The asset class is multi-dimensional, and the diversity of available product types requires a specific review that is distinct from other asset classes. The criteria are unique, not only to the asset class, but also to each type of structure. **Below are four basic criteria that may be incorporated as best practices in the due diligence process.** At a minimum, they should be evaluated not only during the selection process, but as an ongoing part of the monitoring process after implementation.

1	**INVESTMENT MANAGER:**	Stable value funds are typically supported by high-quality fixed income portfolios. Evaluation must include a thorough review of the investment process, how risk is managed, the history of the investment manager, any subadvisors, and the historical portfolio performance. Some criteria may be time consuming to unveil, but it should never be overlooked.
2	**WRAP PROVIDER GUARANTEES**	Any guarantee is backed by the claims paying ability of the issuing insurance company. There is no greater indicator of financial strength than ratings and capital surplus. The major ratings agencies assign ratings annually and insurance companies disclose their capital surplus on at least an annual basis. The wrap provider contract may be issued to the plan sponsor or it may be issued to the stable value provider. If the wrap contract is issued to the plan sponsor, there is complete transparency of the covenants of that contract. If the wrap contact is issued to the provider, it may be more challenging to uncover the contract's covenants.
3	**FEES:**	There are an assortment of fees that can be associated with stable value funds: investment management fees, wrap provider fees, and trustee fees. Sometimes there may even be advantages to using a particular stable value fund if it can reduce the recordkeeping expenses charged to a plan sponsor. It can be a challenge to not only uncover, but to understand how all fees impact the historical performance, as well as the current and future crediting rates.
4	**TERMINATION PROVISIONS:**	Also referred to as "exit provisions", they are related to how and at what cost the plan sponsor can end the contract. Ideally, in order to mitigate losses, the provisions should allow for a book value payout without requiring the implementation of a forced market value adjustment (MVA). Without a thorough understanding of the exit provisions, advance notice requirements and how MVA can reduce the value of the contract, its participants may experience unexpected and significant losses in the event of fund underperformance, recordkeeper change, merger or acquisition.

New York Life's team of stable value professionals can guide financial advisors through the review of the criteria above, along with other more subtle nuances that require evaluation, but are often ignored or misunderstood during the selection, documentation and monitoring process.

Supporting your practice

Utilize the depth and breadth of the resources that New York Life has to offer to understand and recommend stable value. Our sales and client relationship team will always provide customized support to financial advisors and their clients.

We are available to:

- Meet with advisors and their clients to evaluate solutions, and present in-depth portfolio reviews.
- Serve as an intermediary with recordkeepers, consultants and third-party administrators.
- Provide monthly, quarterly and annual reports, as needed.

Thought leadership

New York Life is proud to hold the highest level of membership, a Gold membership, with the Stable Value Investment Association (SVIA). Its membership represents all segments of the stable value investment community including public and private plan sponsors, insurance companies, banks, and investment managers and consultants. We also provide our partners and clients our insights on salient topics through our white papers, webcasts and videos.

Quarterly newsletter

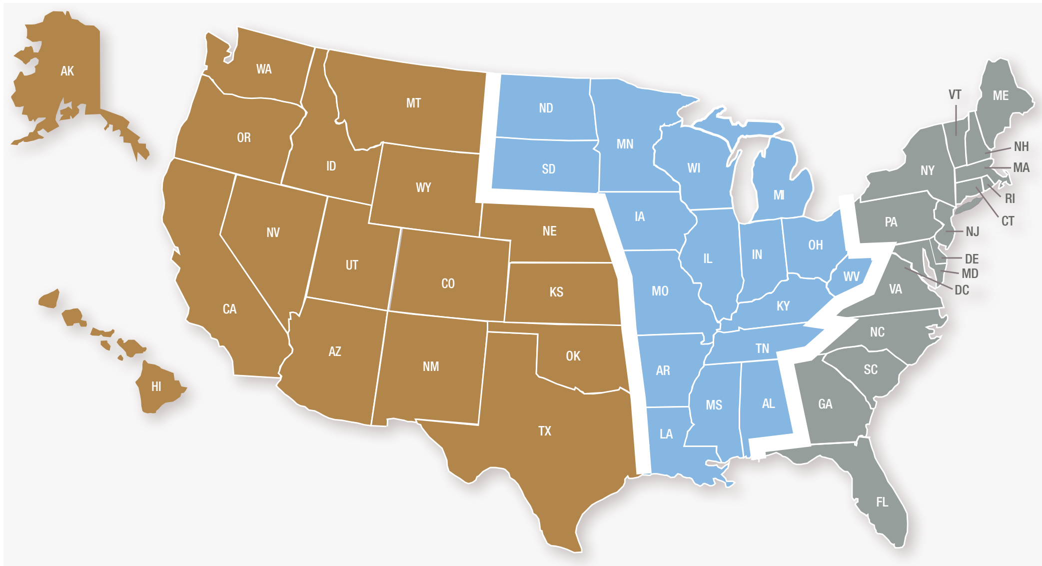
The New York Life Stable Value Update is a quarterly electronic newsletter that provides a peek into stable value topics. We have been dedicated to the stable value industry for over 35 years, and as a recognized leader, we are committed to sharing our expertise and knowledge with financial advisors and consultants. To subscribe to our newsletter, please contact your New York Life representative.

Events

Throughout the year, New York Life hosts, co-hosts and attends events that are focused specifically on the financial advisor and consultant community. Look for us at these events and find out where we will be throughout the year via the New York Life Stable Value Update or contact your New York Life representative.

Web

Visit our website at **www.stablevalueinvestments.com** for complete details about New York Life Stable Value Investments.



Ready to discuss stable value options with your clients in more detail?

Contact your New York Life representative or visit us at **stablevalueinvestments.com**.

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SVIA Chart Data Calculation Rules

1. The “Start Date” for each of the three models is December 31, 1988.
2. All return calculations are “gross” before any investment management and stable value wrap fees.
3. iMoneyNet monthly money market returns are converted from 30 day returns to exact days before being used in monthly returns; as a result, an actual month’s iMoneyNet return used in these calculations may vary slightly from posted iMoneyNet index publications for months with more or fewer days than 30.
4. Barclays Intermediate Gov/Credit Index returns are used to derive market value performance of a bond portfolio over time. These returns are used in the bond fund illustrations, and are also used as the underlying investments of the Hypothetical Stable Value account.
5. No positive or negative cash flows are assumed for any of the three illustrations. The model results illustrate “growth of a dollar” returns.
6. Using the initial 12/31/1988 Intermediate Gov/Credit Index yield as the starting stable value gross crediting rate, a “book value” balance as of 1/31/1989 is determined from the initial invest-ment of $1 by adding 31 days of interest based on the annualized crediting rate.
7. Using the actual Intermediate Gov/Credit Index gross market value return for January 1989, a “market value” balance is determined as of 1/31/1989 from that initial $1 investment by adding the Index market value returns to the initial $1 investment.
8. The resulting 1/31/1989 “market-to-book” ratio, plus the actual 1/31/1989 Intermediate Gov/Credit Index yield and duration are utilized to compute the crediting rate for February 1989.
9. Such February 1989 crediting rate is used to calculate the ending February 1989 book value balance. The actual February 1989 Intermediate Gov/Credit Index gross return is used to create the ending February 1989 market value balance.
10. Subsequent months’ book or market value balance are determined by increasing prior months’ respective balances by the next month’s book or market value returns.
11. Subsequent months’ crediting rates are created serially by in the same fashion as described above.
12. The “Hypothetical Stable Value” account crediting reset rates noted above are calculated using a standard Stable value industry crediting rate reset formula by Invesco Advisers, Inc. using an internal proprietary system or spreadsheet.
13. Crediting rates are reset each month.
14. An Excel spreadsheet is used to perform all of the return calculations and determinations of standard deviations of returns.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in a money market fund.

The chart on page 2 shows the monthly returns, volatility, and potential growth of a hypothetical $1 investment from 1988 onward between the iMoneyNet MFR Money Funds Index, Bloomberg Barclays Intermediate Government/Credit Bond Index, and a hypothetical stable value fund consisting of a “wrapped” fund using Bloomberg Barclays Intermediate Government/Credit Index as underlying fixed income investments.

Bloomberg Barclays Intermediate Gov/Credit Bond Index is the U.S. Gov/Credit component of the Bloomberg Barclays US Aggregate Index. The Government/Credit Index includes securities in the Government and Credit Indices.

iMoneyNet monthly money market returns are converted from 30 day returns to exact days before being used in monthly returns; as a result, an actual month’s iMoneyNet return used in these calculations may vary slightly from posted iMoneyNet index publications for months with more or fewer days than 30.

Past performance does not guarantee future results. An investor cannot invest directly in an index.

1. SVIA Stable Value Quarterly Characteristics Survey for 4Q2019.

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