

P I M C O

Your Global Investment Authority



A presentation on

Stable Value Trends and Issues

Thursday, September 4, 2014



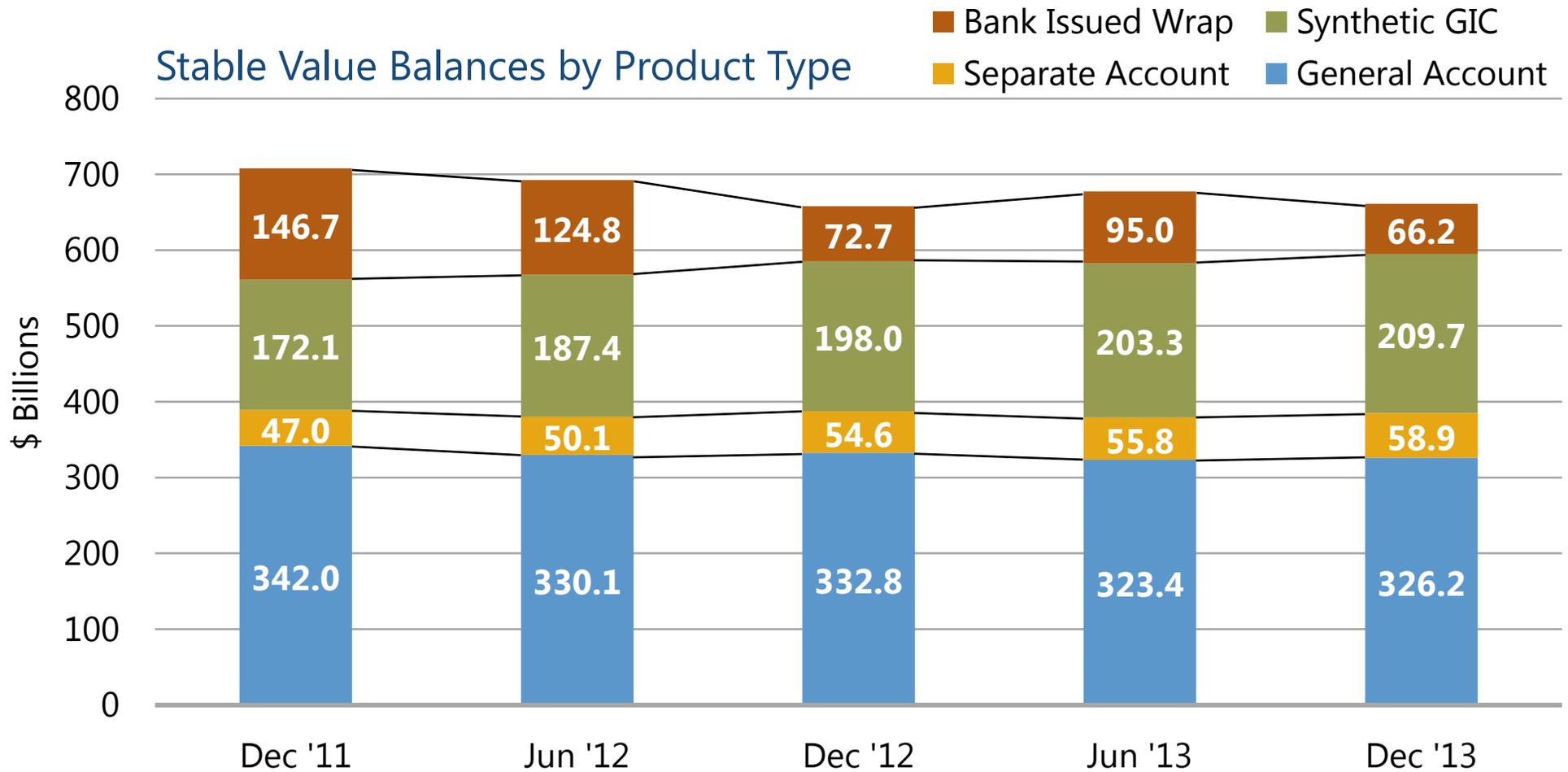
Stable Value Market Trends and Issues



- Aging demographic increases demand for SV products – near 0% money market rates amplify demand
- Stable Value & The Structures Available
- Plan Terminations: What Happens When Plans Terminate?
- What should sponsors look for when evaluating stable value?
- In a rising interest rate environment, what happens to stable value?
- Stable value within custom target date funds/models
- What does money market reform mean for stable value?

Stable Value Balances by Product Type

(LIMRA Surveys)



Source: LIMRA Stable Value and Funding Agreement Survey

NOTE: Not all entities have reported in each survey. As a result, amounts shown above are affected by which companies have participated in each survey. This chart's purpose is to provide the reader with a general order of magnitude of balances in various types of stable value products utilized in qualified and non-qualified arrangements..

Stable Value Product Groupings



- The Stable Value asset class can be sub-divided as follows:
 1. General Account and Separate Account-based fixed-rate products
 2. Separate Account GICs and Synthetic GICs
 3. Stable Value Collective Investment Trust Funds
 4. Custom Client-specific Stable Value Funds

Important notes for prior two slides



1. The iMoneyNet index reflects the historical returns of the taxable money market funds that are currently in the population of the universe, gross of investment management fees. The Growth of \$10,000 chart assumes that \$10,000 was invested on 1/1/1993 and grew by the monthly index return during the reporting period. The One-year returns chart plots the rolling 12-month performance of the index on a monthly basis. It is not possible to invest in the index. Source: iMoneyNet (3/2014)
2. The Hueler Stable Value Pooled Fund Index is an equal-weighted total return average across all participating funds in the Hueler Universe and represents approximately 75% of the stable value pooled funds available to the marketplace. Returns are gross of stable value management fees and net of contract fees. All participating stable value pooled funds are only available to investors through employer-sponsored retirement plans. The Growth of \$10,000 chart assumes that \$10,000 was invested on 1/1/1993 and grew by the monthly index return during the reporting period. The One-year returns chart plots the rolling 12-month performance of the index on a monthly basis. It is not possible to invest in the index. Source: Hueler Analytics (3/2014)
3. Values for the TIAA Traditional Annuity Group Supplemental Retirement Annuity (GSRA)/Retirement Choice Plus (RCP) annuity assumes that \$10,000 was invested on 1/1/93 and grew at the actual GSRA crediting rates through 5/31/06. On 6/1/06, the accumulation was transferred to a TIAA RCP contract and grew at the actual RCP returns thereafter. The One-year returns chart plots the rolling 12-month performance on a monthly basis, calculated as the return on a single deposit made at the start of the return period. Such return is reflective of any change in crediting rate applied to that deposit during the one-year period, but for simplicity, does not reflect the movement of amounts of interest credited above the guaranteed minimum rate under the GSRA contract to the most-current vintage as ordinarily occurs under that contract. There is no assurance that additional amounts above the TIAA Traditional Annuity's guaranteed minimum rate will be declared in the future. Distributions upon plan sponsor discontinuance are allowed over an 84-month (7-year) period with a 1.5% surrender charge with 30 days' advance notice from the institution. Minimum crediting rate during accumulation is between 1.00% and 3.00%: The rate is re-determined annually on March 1. Applies to all accumulations and distributions during the period. Source: TIAA-CREF calculations (3/2014)
4. The Barclays Capital 1–5 year Government/Credit Index is a market-value weighted total return index consisting of U.S. dollar-denominated, investment-grade fixed-income securities issued by government and nongovernment entities with final maturities ranging between 1 and 5 years. The Growth of \$10,000 chart assumes that \$10,000 was invested on 1/1/1993 and grew by the monthly index return during the reporting period. The One-year returns chart plots the rolling 12-month performance of the index on a monthly basis. It is not possible to invest in the index. Source: Barclays Capital (3/2014)
5. Inflation statistics are based on the Consumer Price Index (CPI), which is the U.S. city average one-month percentage change of all the items for all urban consumers basket, not seasonally adjusted. The Growth of \$10,000 chart assumes that \$10,000 was invested on 1/1/1993 and grew by the monthly inflation rate during the reporting period. It is not possible to invest in the index. Source: Bureau of Labor Statistics (3/2014)