

Federal Salary Council

AGENCY: Office of Personnel Management.

ACTION: Notice of Meeting.

SUMMARY: According to the provisions of section 10 of the Federal Advisory Committee Act (P.L. 92-463), notice is hereby given that the forty-third meeting of the Federal Salary Council will be held at the time and place shown below. At the meeting the Council will continue discussing issues relating to locality-based comparability payments authorized by the Federal Employees Pay Comparability Act of 1990 (FEPCA). The meeting is open to the public. In addition, notice is hereby given that the meeting previously scheduled for February 28, 1995 (60 FR 513, January 4, 1995), has been canceled.

DATES: March 14, at 10:00 a.m.

ADDRESSES: Office of Personnel Management, 1900 E Street NW., Room 7B09, Washington, DC.

FOR FURTHER INFORMATION CONTACT: Ruth O'Donnell, Chief, Salary Systems Division, Office of Personnel Management, 1900 E Street NW., Room 6H31, Washington, DC 20415-0001. Telephone number: (202) 606-2838.

For the President's Pay Agent.

Lorraine A. Green,

Deputy Director.

[FR Doc. 95-4393 Filed 2-22-95; 8:45 am]

BILLING CODE 6325-01-M

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 20901; 811-8622]

Transamerica Strategic Income Fund; Notice of Application

February 16, 1995.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of application for deregistration under the Investment Company Act of 1940 (the "Act").

APPLICANT: Transamerica Strategic Income Fund.

RELEVANT ACT SECTION: Section 8(f).

SUMMARY OF APPLICATION: Applicant seeks an order declaring it has ceased to be an investment company.

FILING DATE: The application was filed on January 18, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's

Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on March 13, 1995, and should be accompanied by proof of service on the applicant, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street NW., Washington, DC 20549. Applicants, 1000 Louisiana Street, Houston, Texas 77002.

FOR FURTHER INFORMATION CONTACT: Diane L. Titus, Paralegal Specialist, at (202) 942-0584, or Barry D. Miller, Senior Special Counsel, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch.

Applicant's Representations

1. Applicant is an open-end, diversified investment company, organized as a business trust under the laws of the Commonwealth of Massachusetts. On July 14, 1994, Applicant registered under the Act and filed a registration statement under the Securities Act of 1933.

2. In September 1994 both the registration statement and amendment thereto were held in abeyance pending the outcome of the then proposed transaction whereby the applicant's adviser, Transamerica Fund Management Company ("TFMC") would be acquired by John Hancock Advisers, Inc. ("John Hancock Advisers"). Accordingly, applicant has not issued or offered any securities.

3. Applicant has no shareholders, liabilities or assets. Applicant is not a party to any litigation or administrative proceeding.

4. Applicant is not now engaged, nor does it propose to engage in any business activities other than those necessary for the winding-up of its affairs.

For the SEC, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-4402 Filed 2-22-95; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-20902; File No. 812-9300]

New England Variable Life Insurance Company, et. al.

February 16, 1995.

AGENCY: Securities and Exchange Commission (the "SEC" or the "Commission").

ACTION: Notice of Application for Exemption under the Investment Company Act of 1940 (the "1940 Act").

APPLICANTS: New England Variable Life Insurance Company ("NEVLICO"), New England Variable Annuity Separate Account ("Variable Account"), and New England Securities Corporation ("New England Securities") (Collectively, "Applicants").

RELEVANT 1940 ACT SECTIONS: Order requested under Section 6(c) for exemptions from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act.

SUMMARY OF APPLICATION: Applicants seek an order permitting the deduction of a morality and expense risk charge from the assets of the Variable Account and any other separate accounts established by NEVLICO in the future in connection with the issuance and sale of certain flexible and single purchase payment deferred variable annuity contracts ("Contracts") and any contracts that are similar in all material respects to the Contracts.

FILING DATE: The application was filed on October 20, 1994, and amended on February 10, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving Applicants with a copy of the request, personally or by mail. Hearing requests must be received by the Commission by 5:30 p.m. on March 13, 1995, and should be accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the requester's interest, the reason for the request and the issues contested. Persons may request notification of a hearing by writing to the Commission's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street, NW., Washington, DC 20549.

APPLICANTS: Marie C. Swift, New England Variable Life Insurance Company, 501 Boylston Street, Boston, Massachusetts 02117.

FOR FURTHER INFORMATION CONTACT: Mark C. Amorosi, Attorney, or Wendy Finck Friedlander, Deputy Chief, at (202) 942-0670, Office of Insurance

Products, Division of Investment Management.

SUPPLEMENTARY INFORMATION: Following is a summary of the application. The complete application is available for a fee from the Public Reference Branch of the SEC.

Applicants' Representations

1. NEVLICO is a Delaware stock life insurance company chartered in 1980. NEVLICO is a wholly owned subsidiary of New England Mutual Life Insurance Company ("The New England"), a Massachusetts mutual life insurance company.

2. The Variable Account is a segregated investment account established by NEVLICO under Delaware law to act as a funding medium for variable annuity contracts. The Variable Account is divided into 12 subaccounts ("Subaccounts") for investment in shares of a designated investment portfolio of the New England Zenith Fund, which is registered under the 1940 Act as an open-end diversified management company of the series type. The shares of each of the portfolios will be purchased by NEVLICO for the corresponding Subaccount at the portfolio's net asset value per share, without the deduction of any sales load. The Variable Account assets attributable to the Contracts are not chargeable with liabilities arising out of any other business of NEVLICO. Income, gains and losses, realized or unrealized, of a Subaccount are credited to or charged against the Subaccount without regard to other income, gains or losses of NEVLICO. The Variable Account is registered under the 1940 Act as a unit investment trust.

3. New England Securities, a wholly owned subsidiary of The New England, will serve as the distributor and principal underwriter for the Contracts. New England Securities is registered as a broker-dealer under the Securities Exchange Act of 1934.

4. The Contracts are flexible and single purchase payment deferred variable annuity contracts. Interests in the Contracts are registered under the Securities Act of 1933. The minimum initial purchase payment is \$2,000 for Contracts qualifying for special tax treatment under Section 408 of the Internal Revenue Code of 1986, as amended. The minimum initial purchase payment for non-qualifying Contracts is \$5,000. The minimum subsequent purchase payment is \$250 for all Contracts. Purchase payments can be allocated to one or more Subaccounts and/or NEVLICO's general account (the "Fixed Account").

5. A death benefit is payable to the Beneficiary in the event that the Contract Owner dies prior to the maturity Date or earlier annuitization (the "Death Proceeds"). The Death Proceeds equal a greater of (1) the Contract Value next determined after the later of the date when due proof of death is received at the Administrative Office and the date when an election of payment in one sum or under a payment option is received at the Administrative Office, or (2) the guaranteed minimum Death Proceeds on that date. On the date of issue, the guaranteed minimum Death Proceeds will equal the initial purchase payment. Thereafter, until the end of the seventh contract year, the guaranteed minimum Death Proceeds will be equal to the aggregate purchase payments paid, less any pro rata reductions caused by previous surrenders.

On the seventh Contract Anniversary, and every seventh year anniversary thereafter until the Contract Owner's 76th birthday, the guaranteed minimum Death Proceeds will be recalculated to determine whether a higher guarantee will apply. The guaranteed minimum Death Proceeds on each seven year anniversary is the greater of (a) the Contract Value on that date, or (b) the guaranteed minimum Death Proceeds amount that applied to the Contract just before the recalculation. In between seven year anniversaries, the guaranteed minimum Death Proceeds is adjusted for any interim purchase payments and surrenders.

6. At any time prior to the Maturity Date, a Contract may be surrendered for all or part of the Contract Value. The proceeds, after applicable charges are assessed, can be paid in cash or applied to a payment option. A Contract also contains a transfer provision providing for up to 12 free transfers of Contract Value among Subaccounts and the Fixed Account per year.

7. Two forms of administrative charges are deducted from the Contracts to compensate NEVLICO for certain administrative services. First, an annual Administration Contract Charge of \$30 or, if less, 2% of the total Contract Value will be deducted from the Contract Value in the Variable Account on each Contract anniversary for the prior Contract Year, and will be deducted on a pro rata basis on the Maturity Date or upon a full surrender if it is not on a Contract anniversary. The charge will be waived for a Contract Year, except on full surrender or at the Maturity Date, if (1) the Contract Value at the end of the year was at least \$50,000, or (2) additional net deposits (purchase payments minus partial surrenders) of at least \$1,000 were made during the

Contract Year and the Contract Value at the end of the previous Contract Year was at least \$25,000. Second, NEVLICO will also deduct from the Variable Account a daily Administration Asset Charge equal to an effective annual rate of 0.10% of the average daily net assets of the Variable Account. This charge will continue to be assessed after annuitization if annuity payments are made on a variable basis. Applicants state that these administration charges are guaranteed not to increase. Applicants represent that these charges will be deducted in accordance with Rule 26a-1 under the 1940 Act. NEVLICO states that it neither anticipates nor intends to make a profit from the charges and will periodically monitor the administrative charges to determine whether they exceed the actual cost of providing administrative services for the Contracts.

8. NEVLICO currently allows 12 free transfers of Contract Value from one or more Subaccounts or the Fixed Account to another one or more of the Subaccounts or to the Fixed Account. NEVLICO assesses a \$10 transfer charge on the thirteenth and each subsequent transfer during a single Contract Year prior to annuitization.

9. Contingent Deferred Sales Charge ("CDSC") of up to 7% may be deducted in the event of (1) a full or partial withdrawal from the Contract Value, (2) in certain circumstances, the withdrawal of the amounts applied to a payment option prior to the Maturity Date, and (3) under Contracts issued in Pennsylvania or New York, the Maturity Date if at that date a purchase payment has been invested for less than seven years (collectively referred to as "CDSC events"). The CDSC is calculated as a percentage of purchase payments withdrawn or applied. The CDSC declines with respect to each purchase payment based on the number of years for which the payment has been invested. Purchase payments will be treated as withdrawn on a first in, first out basis. The following table shows the schedule of the sales charge that will be applied at the occurrence of a CDSC event:

| Number of full contract years since purchase payment | Applicable charge (percent) |
|--|-----------------------------|
| 1 | 7 |
| 2 | 6 |
| 3 | 5 |
| 4 | 4 |
| 5 | 3 |
| 6 | 2 |
| 7 | 1 |
| Thereafter | 0 |

10. The Contracts provide that several types of withdrawals can be made without incurring a sales charge. In any Contract Year, the Contract Owner may surrender a portion of Contract Value without incurring any CDSC. The free withdrawal amount is equal to the greater of (1) 10% of the Contract Value at the beginning of the Contract Year during which the CDSC event occurs, or (2) the excess of Contract Value over purchase payments subject to the sales charge on the date of the CDSC event. A surrender will be attributed first to the free withdrawal amount. If the surrendered amount is greater than the free withdrawal amount, the excess will be attributed to purchase payments on a first in, first out basis.

The CDSC will be waived on full or partial surrenders if the Contract Owner is terminally ill, has been confined to a nursing home for more than 90 continuous days, or is permanently and totally disabled, as those terms are defined in the registration statement for the Contracts.

The CDSC may be waived if the Contract Owner applies the proceeds from a surrender to certain payment options as described in the Contract. The CDSC will also be waived (except in Pennsylvania and New York) if, under a spousal continuation provision, the Contract's Maturity Date is reset to a date that is less than seven years after the most recent purchase payment made under the Contract.

The Contracts may also be sold directly, without the application of the Contingent Deferred Sales Charge, to employees, officers, directors, trustees and registered representatives of NEVLICO, The New England and their affiliated companies, to employees, officers, directors, trustees and registered representatives of any broker/dealer authorized to sell the Contracts and of any subadvisor to the portfolios, and to the spouses and immediate family members of any of the foregoing.

11. NEVLICO will deduct premium tax charges from the Contract Value in states that impose premium taxes on annuity purchase payments received by insurance companies. Deductions for premium tax charges currently range from 0% to 3.5% of Contract Value.

12. For all Contracts issued in connection with the Variable Account, NEVLICO deducts a Mortality and Expense Risk Charge that is equal, on an annual basis, to 1.25% of the average daily net assets of the Variable Account: approximately 0.70% for mortality risks and 0.55% for expense risks. This charge will continue to be assessed if annuity payments are made on a variable basis either before or after the

Maturity Date. NEVLICO guarantees that this charge will not increase over the life of the Contract.

The mortality risks assumed by NEVLICO arise in part from NEVLICO's guarantee to make annuity payments at least equal to payments calculated based on annuity tables provided in the Contracts, regardless of how long an annuitant lives and regardless of any improvement in life expectancy.

NEVLICO also assumes a mortality risk in connection with the provision of a death benefit. If the Contract Owner dies prior to the Annuity Date, NEVLICO will pay the beneficiary the greater of (1) the Contract Value next determined after the later of the date when due proof of death is received at the Administrative Office and the date when an election of payment in one sum or under a payment option is received at the Administrative Office, or (2) the guaranteed minimum Death Proceeds on that date.

The expense risk assumed by NEVLICO is the risk that NEVLICO's administrative charges will be insufficient to cover actual administrative expenses over the life of the Contract.

Applicants' Legal Analysis and Conditions

1. Pursuant to Section 6(c) of the 1940 Act, the Commission may, by order upon application, conditionally or unconditionally exempt any person, security or transaction, or any class or classes of persons, securities or transactions, from any provision of provisions of the 1940 Act or from any rule or regulation thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

2. Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act prohibit a registered unit investment trust and any depositor or underwriter thereof from selling periodic payment plan certificates unless the proceeds of all payments are deposited with a qualified trustee or custodian and held under arrangements which prohibit any payment to the depositor or principal underwriter except a fee, not exceeding such reasonable amounts as the Commission may prescribe, for performing bookkeeping and other administrative services.

3. Applicants request an order under Section 6(c) exempting them from Sections 26(a)(2)(C) and 27(c)(2) of the 1940 Act to the extent necessary to permit the deduction of the mortality

and expense risk charge from the assets of the Variable Account under the Contracts. Applicants request that the order also permit the deduction of the Mortality and Expense Risk Charge from the assets of any other separate account established by NEVLICO in the future to support variable annuity contracts similar in all material respects to the Contracts.

4. Applicants submit that their request for an order that applies to future separate accounts issuing contracts that are similar in all material respects to the Contracts is appropriate in the public interest. Such an order would promote competitiveness in the variable annuity contract market by eliminating the need for NEVLICO to file redundant exemptive applications, thereby reducing administrative expenses and maximizing the efficient use of resources. Applicants argue that the elimination of the delay and expense of redundant filings would enhance the ability of NEVLICO to effectively take advantage of business opportunities as they arise. Applicants further represent that the requested relief is consistent with the purposes of the 1940 Act and the protection of investors for the same reasons. Investors would not receive any additional benefit or protection by requiring NEVLICO to repeatedly seek exemptive relief with respect to the same issues addressed in this application.

5. NEVLICO states that it is entitled to compensation for its assumption of mortality and expense risks, and it represents that the mortality and expense risk charge is within the range of industry practice with respect to comparable annuity products. NEVLICO bases this representation on the analysis of the mortality risks, taking into consideration such factors as annuity purchase rate guarantees, death proceeds guarantees, other contract charges, the frequency of charges, the administrative services performed by NEVLICO with respect to the Contracts, the means of promotion, the market for the Contracts, investment options under the Contracts, purchase payment, transfer, dollar cost averaging and systematic withdrawal features, and the tax status of the Contracts. NEVLICO represents that it will maintain at its principal office a memorandum, available to the Commission, setting forth in detail this analysis.

6. NEVLICO acknowledges that its revenues from the Contingent Deferred Sales Charge could be less than its costs of distributing the Contracts. If a profit is realized from the Mortality and Expense Risk Charge, all or a portion of such profit may be viewed as being

offset by distribution expenses not reimbursed by the Contingent Deferred Sales Charge. In such circumstances, a portion of the Mortality and Expense Risk Charge might be viewed as providing for a portion of the costs relating to distribution of the Contracts. NEVLICO represents that there is a reasonable likelihood that the proposed distribution financing arrangements will benefit the Variable Account and Contract Owners. The basis for such a conclusion will be maintained in a memorandum at NEVLICO's principal office and available to the Commission upon request.

7. NEVLICO represents that the Variable Account will invest only in management investment companies that undertake, in the event the company adopts a plan to finance distribution expenses under Rule 12b-1 under the 1940 Act, to have such plan formulated and approved by the company's board of directors, a majority of whom are not "interested persons" of the company within the meaning of section 2(a)(19) of the 1940 Act.

Conclusion

Applicants assert that, for the reasons and the facts set forth above, the requested exemptions from Section 26(a)(2)(C) and 27(c)(2) of the 1940 Act to deduct the mortality and expense risk charge from the assets of the Variable account under the Contracts meet the standards in Section 6(c) of the 1940 Act. Applicants assert that the exemptions requested are necessary and appropriate in the public interest and consistent with the protection of investors and the policies and provisions of the 1940 Act.

For the commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-4399 Filed 2-22-95; 8:45 am]

BILLING CODE 8010-01-M

[Release No. 34-35388; File No. SR-CBOE-95-06]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated, Related to Retail Automatic Execution System

February 16, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1), notice is hereby given that on January 18, 1995, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the

Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the CBOE. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

CBOE proposes to amend its rules to allow the Exchange's Control Room to turn off the Retail Automatic Execution System ("RAES"). The amendments would add an Interpretation to Exchange Rules 24.15 and 6.8. The text of the proposed rule change is available at the office of the Secretary, CBOE, and at the Commission.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, CBOE included statements concerning the purpose of and the basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The CBOE has prepared summaries set forth in Sections (A), (B) and (C) below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

The purpose of the proposed rule change is to grant the Exchange's Control Room the authority to turn off RAES if there is a system malfunction that affects the Exchange's ability to disseminate or update market quotes. Specifically, the proposal would add a rule interpretation to Exchange Rules 24.15 and 6.8 to grant the senior person then in charge of the Exchange's Control Room the authority to turn off RAES if there is a system malfunction that affects the Exchange's ability to disseminate or update market quotes.

When RAES receives an order, the system automatically will attach to the order its execution price, determined by the prevailing market quote at the time of the order's entry into the system. A buy order will pay the prevailing market quote for an offer and a sell order will sell at the prevailing market quote for a bid. A market maker who has signed on as a participant in RAES will be designated as a contra-broker on the trade. Trades are assigned to these

participating market makers on a rotating basis. Therefore, by agreeing to participate in RAES, a market maker is automatically assigned trades based on the prevailing market quote that is then being disseminated. Consequently, it is important that the prevailing market quote be accurate, because otherwise market makers participating in RAES may be assigned trades at prices other than the actual prevailing market quote.

In addition, if there is a quote dissemination problem such that incorrect quotes are being displayed, it could result in a customer's order being filled at a price other than the quote the customer sees on display.

The proposed interpretations are necessary to prevent market makers from being assigned trades based on inaccurate or "stale" market quotes and to prevent customer orders from being filled based on such inaccurate or "stale" market quotes. The proposed Interpretations are also necessary to prevent a situation where customers' orders are filled at prices other than the prices the customers see displayed. Pursuant to the proposed interpretations, the senior person then in charge of the Exchange's Control Room will have the ability to act quickly to turn off RAES if there is a system malfunction that affects the Exchange's ability to disseminate or update market quotes. Since RAES trades are based on the current disseminated quote, RAES trades would be based on inaccurate or "stale" quotes during a system malfunction that interferes with dissemination of current quote information. The Exchange believes it is important for the Control Room to have this power to turn off RAES since the Control Room will most likely learn of the system malfunction before Floor Officials or other Exchange Staff and consequently the Control Room can act in a timely manner to prevent trades based on "stale" market quotes.

If RAES is turned off, the orders that would have been routed to RAES will be re-routed to the Floor Broker routing printer in the trading crowd or to the member firm booths. Where the order is rerouted depends upon the parameters member firms have set for their customers' orders prior to entering the orders onto RAES.¹

¹ CBOE understands that when determining order parameters for routing purposes, the member firms look to (1) the size of the order, (2) whether the series is on RAES, and (3) whether it is a market order or an immediately executable limit order. Telephone conversation between Edward Joyce, CBOE, Michael Meyer, Attorney, Schiff, Hardin, and Waite, Michael Walinskas, Branch Chief, Office of Market Supervision ("OMS"), Division of Market Regulation ("Division"), Commission, and John