Retirement Income
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Breaking News

By Editorial Staff *Wed, May 25, 2022*

iCapital buys SIMON, fusing two fintech firms; Principal closes $25bn reinsurance deal; Securian Financial will be recordkeeper and PPP for WELLthBUILDER PEP; Nationwide is latest in New York's purge of unlawful 'replacement practices'; Riversource fined $5 million for ‘switching;’ Rockefeller Capital Management will be Empower's investment fiduciary; Turer to succeed Kroll at Lincoln Financial.

iCapital buys SIMON, fusing two fintech firms

iCapital, a fintech platform through which asset managers and wealth managers can invest in alternative assets, has agreed to acquire SIMON, the online platform that distributes structured investments and indexed annuities, for an undisclosed sum.

SIMON brokered more than $48 billion in contract issuances in 2021, a release said. It served more than 50 product manufacturers, more than 50 broker dealers, private banks, and registered investment advisors, and more than 100,000 advisers.

iCapital services more than $125 billion in platform assets and employs more than 800 people globally. In an interview, iCapital chairman and CEO Lawrence Calcano could not say whether the SIMON brand would be retained or not; there was no sign that it would be.

According to the release, the acquisition “will significantly expand iCapital’s investment menu, and augment its technical capabilities, education offerings and support services for wealth managers.” SIMON offers a suite of digital tools, a library of on-demand educational resources for advisers, data and analytics, and life-cycle management. iCapital will also own SIMON Spectrum, a multi-dimensional allocation analysis and portfolio construction tool designed to evaluate how structured investments and/or annuities may fit into a portfolio.

Under the agreement, Jason Broder, CEO of SIMON, will join iCapital as managing director, head of iCapital Solutions and member of the Operating Committee. He will oversee the combined platform’s integration, market development, and sales of iCapital’s technology offerings. iCapital said it will extend offers of employment to the nearly 200 SIMON team members.

Principal closes $25bn reinsurance deal

Principal Financial Group (Nasdaq: PFG) announced May 25 that it has successfully closed its transaction to reinsure the company’s in-force US retail fixed annuity and universal life insurance with secondary guarantee blocks of business with an affiliate of Sixth Street and its insurance platform, Talcott Resolution.

Under the agreement, the company has reinsured approximately $25 billion of in-force statutory reserves, and Talcott has engaged Principal to manage approximately $4 billion in commercial mortgage loans and private credit assets for the lifetime of the assets.

Principal expects deployable proceeds of approximately $800 million in 2022 from the closed transaction in combination with additional transactions designed to improve the capital efficiency of its in-force individual life insurance business. The proceeds are included in the company's planned $2.0 billion-$2.3 billion of share repurchases for 2022.

This reinsurance transaction advances the company's long-term strategy to focus on higher growth markets, improve capital efficiency, and will meaningfully enhance the company's future financial profile:

- Accretive to non-GAAP operating earnings per diluted share (EPS) starting in 2023;
- Improving non-GAAP operating return on average equity (ROE) and affirming the company's 15% target in 2023; and
- Enhancing free capital flow conversion by approximately 10 percentage points annually; increasing the company's target range to 75%-85% upon close.

Principal will release its second quarter 2022 financial results after market close on Monday, August 8, 2022. On Tuesday, August 9, 2022, Dan Houston, chairman, president, and chief executive officer, and Deanna Strable, executive vice president and chief financial officer, will discuss the results during a live conference call.

The effective date of the reinsurance transaction is January 1, 2022. Second quarter financial results will include a true-up to transfer all associated revenue and earnings as of the beginning of the year to the counterparty. In addition, the company plans to provide a preliminary estimate of the transition adjustment related to its adoption of the FASB long-duration targeted improvements in 2023.

Securian Financial will be recordkeeper and PPP for WELLthBUILDER PEP

Strategic Retirement Partners (SRP), a retirement plan consulting services firm, has selected Securian Financial as the pooled plan provider and recordkeeper for its WELLthBUILDER Pooled Employer Plan (PEP).

Made possible by the federal SECURE Act, PEPs allow unrelated companies and organizations to enroll their employees in a single 401(k) retirement plan. Employers can offsource their retirement plan's fiduciary and administrative responsibilities to PEP providers, who provide economies of scale unavailable to most small plans.

Securian Financial will serve as the pooled plan provider and ERISA 3(16) fiduciary, while Strategic Retirement Partners will provide ERISA 3(38) investment management and consulting services for the platform.

Securian Financial's qualified retirement plan products are offered through a group variable annuity contract issued by Minnesota Life Insurance Company. Securian Financial is the marketing name for Securian Financial Group, Inc. and subsidiaries. Minnesota Life Insurance Company is a subsidiary of Securian Financial Group, Inc.

Nationwide is latest in New York's purge of unlawful 'replacement practices'

Nationwide Life Insurance Company has agreed to pay about $5.6 million in restitution and penalties for violating New York insurance regulations with respect to "deferred to immediate annuity replacement transactions," the New York Department of Financial Services (DFS) **announced** this week.

Under the agreement, contract owners will receive higher monthly payouts for the remainder of their contract terms, Superintendent of Financial Services Adrienne A. Harris said in a release.

The settlement was the latest result in DFS's industry-wide investigation into deferred to immediate annuity replacement practices in New York State. To date, the industry-wide investigation has resulted in settlements with 13 life insurance companies, totaling approximately $29 million in restitution and penalties.

Regulators found that Nationwide failed to properly disclose to consumers income comparisons and suitability information, causing consumers to exchange more financially favorable deferred annuities with immediate annuities.

Hundreds of New York consumers—primarily elderly individuals—received incomplete information regarding the replacement annuities, resulting in less income for identical or substantially similar payout options.

Nationwide has also agreed to take corrective actions, including revising its disclosure statements to include side-by-side monthly income comparison information, and revising its disclosure, suitability, and training procedures to comply with New York regulations.

Riversource fined $5 million for 'switching'

In the SEC's first-ever enforcement proceeding under Section 11 of the Investment Company Act of 1940, the financial regulator has settled charges against RiverSource Distributors Inc. for improper switching or replacing of variable annuities.

Without admitting or denying the SEC's findings, RiverSource consented to an order finding that it violated Section 11 of the Investment Company Act and imposing a cease-and-desist order, a censure and a $5 million civil penalty.

Section 11 of the Investment Company Act prohibits any principal underwriter from making or causing to be made an offer to exchange the securities of registered unit investment trusts (including variable annuities) unless the terms of the offer have been approved by the SEC or they fall within certain limited exceptions, none of which is applicable to RiverSource.

According to the SEC's order, RiverSource offered and sold variable annuities to retail investors through an affiliated broker-dealer/investment adviser, Ameriprise Financial Services, LLC.

The order finds that certain employees of RiverSource developed and implemented a sales practice that caused exchange offers to be made to holders of variable annuities to switch from one variable annuity to another which had the effect of increasing sales commissions for RiverSource employees, while also increasing RiverSource's variable annuity related revenues.

According to the order, these types of transactions increased significantly from 2016 until 2018 when RiverSource's compliance department put a stop to the sales practice abuses.

The SEC's investigation was conducted by Jeff Leasure, Roger Landsman and James Murtha of the Complex Financial Instruments Unit under the supervision of Reid Muoio and with the assistance of Timothy Halloran of the Trial Unit.

Without admitting or denying the SEC's findings, RiverSource consented to an order finding that it violated Section 11 of the Investment Company Act and imposing a cease-and-desist order, a censure and a $5 million civil penalty.

“Congress enacted Section 11 to prohibit the improper ‘switching’ of investors from one investment product to another for the purpose of generating additional selling charges – precisely the conduct our order finds RiverSource to have engaged in,” said Sanjay Wadhwa, Deputy Director of the SEC’s Division of Enforcement. “Protecting retail investors from abusive sales practices is a mainstay of our enforcement program, and we remain committed to holding accountable those who engage in such conduct.”

Rockefeller Capital Management will be Empower’s investment fiduciary

Empower, the $1.4 trillion retirement plan provider, and Rockefeller Capital Management, a $95 billion financial advisory and services firm, are partnering on an fiduciary advice solution for retirement plan participants.

The joint offering is called Rockefeller Capital Management (RCM) Retirement Plan Fiduciary Manager. Rockefeller will serve as the ERISA “3(38)” investment manager to the plan.

A press release offered few specifics other than that Rockefeller’s high-end advisory skills would be tied to a convenient digital platform giving participants a tool for accessing more than 7,000 investment funds offered by Empower.
Headquartered in metro Denver, Empower administers approximately $1.4 trillion in assets for more than 17 million retirement plan participants and is the nation’s second-largest retirement plan recordkeeper by total participants.

Empower serves government 457 plans; small, mid-size and large corporate 401(k) clients; nonprofit 403(b) entities; private-label recordkeeping clients; and IRA customers. Its Personal Capital subsidiary provides robo-advice.
Rockefeller Capital Management advises wealthy individuals and families, institutions and corporations from 36 US locations. As of March 31, 2021, the firm was responsible for approximately $95 billion in client assets.

Turer to succeed Kroll at Lincoln Financial

Stephen Turer will succeed Brian Kroll as senior vice president and head of the annuity business at Lincoln Financial Group, effective July 1, 2022. He will report to Matthew Grove, who will join Lincoln Financial in July as head of Individual Life & Annuities and Lincoln Financial Network. Kroll is retiring.

Turer joined Lincoln Financial in 2005 as assistant vice president, Annuity Pricing. Most recently, he served as senior vice president, Annuity Product, Pricing and Valuation, leading pricing and business unit valuation for Lincoln Financial's annuity products and the in-plan guaranteed solutions offered by the Retirement business. He is also the co-executive sponsor of Lincoln's LGBTQ+ Business Resource Group (BRG).

Prior to joining Lincoln, Turer was an actuary with Travelers Life & Annuity. He earned a bachelor's degree in Actuarial Science from Penn State University.