Honorable Mention

By Editorial Staff *Thu, Aug 30, 2018*

Allianz Life annuities join Envestnet platform, Aviva (U.K.) transfers pension risk to Prudential, Millennium Trust notes growth milestones, EY announces technology investment, leadership moves, Joe Celentano succeeds Dewey Bushaw at Pacific Life, DC plan participants 'stay the course,' ICI survey shows, and SEC orders Transamerica entities to pay $97 million.

Allianz Life annuities join Envestnet platform

In a new partnership between Envestnet and Allianz Life's entire portfolio of annuity products, including both advisory and commission-based products, will be available on the Envestnet Insurance Exchange, the two companies have announced.

The Envestnet Insurance Exchange, announced this past May, integrates insurance solutions into the wealth management process on the Envestnet platform. It is intended to streamline the annuity sales process.

With the new partnership, "advisors at banks, broker-dealers, independent insurance agencies and registered investment advisors (RIAs) throughout the United States will be able to research and potentially recommend Allianz Life annuity solutions as an option for their clients," the release said.

"We have consistently heard from advisors that they want to offer more holistic solutions to help their clients achieve their financial goals," said Tom Burns, chief distribution officer, Allianz Life.

The Envestnet Insurance Exchange can be accessed through various tools and features on Envestnet's Advisor Portal. Envestnet has partnered with Fiduciary Exchange LLC (FIDx), a firm specializing in integrating advisory and insurance ecosystems, to develop and manage its Insurance Exchange, and the platform additions are scheduled to be available at the end of the year.

Financial advisors will need an insurance license to introduce insurance products. For those advisors who are not licensed, Envestnet will be offering a service called Guidance Desk that will allow unlicensed RIAs access to the consulting and fiduciary services that would enable them to use the Insurance Exchange. This service is still in development.

Aviva (U.K.) transfers pension risk to Prudential

The Prudential Insurance Company of America, a unit of Prudential Financial, Inc., has assumed the longevity risk for about £1 billion (nearly $1.4 billion) in pension liabilities from Aviva Life and Pensions U.K. Ltd, in the first longevity reinsurance transaction between the two firms.

Prudential has executed more than $50 billion in international reinsurance transactions since 2011, including the largest longevity risk transfer transaction on record, a $27.7 billion transaction involving the BT Pension Scheme.

With the increasing affordability of pension risk transfer—a reflection of attractive pricing, enhanced capacity of insurers, and the improved funding ratio of U.K. pensions—many U.K. pension insurers are seeking longevity reinsurance arrangements, a Prudential release said.

Market activity in 2018 is building toward a very strong second half. Rising rates and equities, combined with lower-than-expected longevity improvements, mean that pension schemes are very well-funded and that de-risking is more affordable than ever. Leading pension schemes are taking advantage of this favorable environment by locking in gains and transferring risk," said Amy Kessler, head of longevity risk transfer at Prudential, in the release.

The agreement follows at least 10 others in the market during the last 12 months that have exceeded $1 billion in size. Collectively, these U.K. longevity reinsurance and longevity swap agreements signify a noticeable market surge, driven by pension schemes eager to capitalize on their improved funded status, and take risk off the table.

Funding levels of U.K. pension schemes have improved markedly since the Brexit vote of 2016, boosted by fresh contributions, strong investment performance and higher gilt yields (which lower the present value of future liabilities).

Millennium Trust notes growth milestones

Millennium Trust Company, LLC, a provider of retirement and institutional custody services to advisors, financial institutions, businesses and individuals, reported a strong quarter of performance in the second quarter of 2018. The firm also was recognized in the Crain's Chicago Business Fast 50 as one of the top companies in the Chicago metropolitan area for outstanding revenue growth over the past five years.

In early July Millennium Trust announced an agreement with The Bancorp Bank (Bancorp) to acquire approximately 160,000 automatic rollover IRAs. After the transfer of accounts from that acquisition, Millennium Trust will have more than $24.5 Billion in assets under custody.

The acquisition builds on a successful quarter for Millennium Trust's Retirement Services team that promotes retirement readiness in America. The firm now has more than 86,000 agreements with plan sponsors and more than 1 million individual retirement accounts.

Millennium Trust's Institutional Custody Services team introduced a refreshed Millennium Alternative Investment Network (MAIN) in the second quarter. MAIN is a free research, education and alternative investment resource that informs investors and advisors about alternative assets, and provides access to streamlined investing processes.

Institutional Custody Services ended the second quarter with over $12.8 Billion in assets under custody in more than 450 private and public funds. The team reported almost 15,000 unique alternative assets under custody at the end of the quarter.

EY announces technology investment, leadership moves

EY (Ernst & Young) will invest US$1 billion in new technology solutions, client services, innovation and the EY ecosystem over the next two financial years, commencing from July. In a release, EY described the outlay "as part of an ongoing strategy to provide clients and people with innovative offerings using the latest disruptive technologies."

The investment, which augments an ongoing technology spend, will be used to develop new technology-based services and solutions in areas such as financial services, cyber, risk management, managed services, software services as well as digital tax and audit services, the release said.

In personnel matters, Nicola Morini Bianzino joined EY as Global Chief Client Technology Officer (CCTO), with Steve George as EY Global Chief Information Officer (CIO) and Barbara O'Neill, EY Global Chief Information & Security Officer (CISO). These appointments complement our existing investments in innovation including our global artificial intelligence (AI) and Blockchain labs, the EY release said.

Bianzino joined EY from Accenture, where he led AI and AI strategy. He also led Growth and Strategy for Accenture's technology, innovation and ecosystems, which included new ventures, acquisitions and investments. Based in Silicon Valley, he will focus on bringing digital capabilities to clients so that technology is at the heart of the EY services.

Steve George was CIO for Citigroup's North American retail banking, mortgage and global commercial banking teams. He has also worked at Accenture as well as Chase and Huntington Bank. He is based in New York and will focus on embedding digital technologies across EY teams globally.

Joe Celentano succeeds Dewey Bushaw at Pacific Life

Pacific Life has named Joe Celentano to the post of senior vice president and chief finance and risk officer of the company's Retirement Solutions Division (RSD), effective January 1, 2019. He will succeed Dewey Bushaw, who is retiring after a 24-year career at Pacific Life.

Celentano, who joined Pacific Life in 1992, previously served as Pacific Life's chief risk officer from 2012 to 2017 before joining RSD as the division's financial and risk management operations. In his new role as executive vice president, he will focus on growth and innovation, while also continuing the expansion of product offerings and distribution channels. He will transition into his new role over the course of the fourth quarter in 2018.

Bushaw is retiring after a 24-year career with Pacific Life with many significant contributions, most notably his strong leadership in stewarding the division through a period of unprecedented growth and industry changes.

DC plan participants 'stay the course,' ICI survey shows

Only 1.1% of defined contribution plan participants stopped contributing during the first quarter of 2018, according to the Investment Company Institute's "Defined Contribution Plan Participants' Activities, First Quarter 2018" study, which tracks data on more than 30 million participant accounts in employer-based DC plans.

Other findings from the first quarter of 2018 include:

- 1% of DC plan participants changed the asset allocation of their account balances and 3.5% changed the asset allocation of their contributions.
- 3% of DC plan participants took withdrawals, the same share as in the first quarter of 2017.
- 5% of DC plan participants took hardship withdrawals, about the same share as in the first quarter of 2017.
- 4% of DC plan participants had loans outstanding at the end of March 2018, compared with 16.7% at the end of 2017.

SEC orders Transamerica entities to pay $97 million

The Securities and Exchange Commission (SEC) has charged four Transamerica entities with misconduct involving faulty investment models and ordered them to refund $97 million to misled retail investors.

Investors put billions of dollars into mutual funds and strategies using faulty models developed by AEGON USA Investment Management LLC (AUIM) and used by Transamerica Asset Management Inc. (TAM), Transamerica Financial Advisors Inc., and Transamerica Capital Inc., the SEC said in a release.

“The models, which were developed solely by an inexperienced junior AUIM analyst, contained numerous errors and did not work as promised,” the SEC’s order said. “When AUIM and TAM learned about the errors, they stopped using the models without telling investors or disclosing the errors”

Without admitting or denying the charges, the four Transamerica entities agreed to pay nearly $53.3 million in disgorgement, $8 million in interest, and a $36.3 million penalty, and will create and administer a fair fund to distribute the entire $97.6 million to affected investors.

In separate orders, the SEC also found that Bradley Beman, AUIM’s former Global Chief Investment Officer, and Kevin Giles, AUIM’s former Director of New Initiatives, each caused certain AUIM’s violations. The two men agreed to settle the SEC’s charges without admitting or denying the findings and pay, respectively, $65,000 and $25,000 to affected investors.

David Benson, Anne Graber Blazek, and Paul Montoya of the Enforcement Division’s Asset Management Unit in the Chicago Regional Office, and Michael Cohn of the Asset Management Unit in the New York Regional Office conducted the SEC’s investigation.