Honorable Mention

By Editorial Staff *Thu, Jan 3, 2019*

Transamerica is sued by its own 401(k) participants; ETFs added $47 billion in November; Alight and Advizr in financial wellness partnership; AIG buys UK group life company.

Transamerica sued by its own 401(k) participants

In a federal class action suit, the participants in Transamerica Corporation's own $1.7 billion 401(k) plan have sued the giant financial services firm, accusing it of violating its fiduciary duties by offering proprietary Transamerica funds that significantly trailed their benchmarks.

The suit was filed December 28 in the U.S. District Court of Northern Iowa by the law firm of Sanford Heisler Sharp, LLP. The complaint alleges the company invested employees' retirement savings in multiple funds that consistently underperformed their investment benchmarks and other similar collective investment funds, resulting in the loss of millions of dollars in potential savings.

"Transamerica retained too many poor-performing investment options on the plan," said David Sanford, chairman of Sanford Heisler Sharp and counsel for the plaintiffs and the proposed class, in a release.

According to the complaint, Transamerica offered the plan's participants "substandard investment options" that were managed by a Transamerica affiliate, Transamerica Asset Management that "consistently underperformed their benchmarks" between 2008 and 2017.

The funds named in the lawsuit are:

- Transamerica International Equity Portfolio
- Transamerica Small Core Portfolio
- Transamerica Large Value Portfolio
- Transamerica Large Growth Portfolio
- Transamerica High Yield Bond Portfolio
- Transamerica Mid Value Portfolio

"During the 2008-2017 time period, the International Equity Portfolio underperformed its benchmark, the Morgan Stanley All-World Country Index ex-USA, by approximately 30%.

During the same period, the Small Core Portfolio underperformed its benchmark, the Russell 2000 Index, by over 15%," the complaint said.

According to the plan documents dated September 1, 2018, "the International Equity Portfolio, the Small Core Portfolio and the Mid Value Portfolio each underperformed their respective investment benchmarks for the past one, five, and ten-year periods. The Large Value Portfolio, the Large Growth Portfolio, and the High Yield Portfolio each underperformed their respective investment benchmarks for the past five and ten-year periods," the suit said.

Plaintiffs Jeremy Karg, Matthew R. LaMarche, and Shirley Rhodes each filed the case individually and as representatives of approximately 17,000 plan participants in Transamerica's 401(k) plan. Named as defendants are the Transamerica Corporation and the committees and their members that provide investment advice and services to the plan.

Plaintiffs and the class are asking for compensation for financial losses to plan participants and beneficiaries resulting from the plan's underperforming investments; divestiture of imprudent investments; and the removal of the fiduciaries who may have violated their duties to the plan's participants and beneficiaries under ERISA.

What a difference a month makes

For U.S. mutual funds and ETFs, November was the calm before the storm.

Mutual fund assets grew by just 0.6% in November, according to the December 2018 issue of *The Cerulli Edge – U.S. Monthly Product Trends Edition*. Assets stood $14.5 trillion with one month left in the year.

Net negative flows of $49.5 billion undermined asset growth, but November saw a rebound of sorts, with total assets increasing about 2.9%. Year-to-date total assets have increased 4.9%.

For exchange-traded funds (ETFs), net flows returned to a healthy level in November, with ETF products cumulatively adding more than $47.0 billion. This total was the second largest in any month of 2018 thus far.

Financial wellness. While the term financial wellness can be ambiguous, at its most fundamental level it emphasizes holistic advice and goes beyond a participant's workplace retirement savings account.

While it is no small task for providers to integrate the myriad financial wellness components, Cerulli views this as a worthwhile initiative, and potential competitive advantage, as plan sponsors (and their advisors/consultants) begin to evaluate these offerings more closely.

Target-date Funds. As the target-date fund category continues to evolve, there are several instances of new products that are no longer pure target-date strategies in the sense of a strictly age-based asset allocation solution, but to refer to them as managed accounts would be overstating their ability to customize for the end-investor.

To create some structure around this hybrid target-date/managed account emerging category, Cerulli references two sub-categories: dynamic qualified default investment alternative (QDIA) and personal target-date fund.

Alight and Advizr in financial wellness partnership

Alight Solutions, a provider of "technology-enabled health, wealth and human capital management solutions," has added Advizr WorkPlace, a set of financial management and planning tools, as an option among Alight's suite of financial well-being solutions for the employees of its benefits administration clients.

Three Alight clients, representing over 500,000 employees, have implemented Advizr Workplace, according to a news release. Advizr Inc. is a financial wellness technology company based in New York, NY. Its software supports 401(k) plan participants. It also produces Advizr Core, which advisors can use to help grow their practices.

Advizr is designed to help employees with debt management, budgeting, protection, college savings, and retirement planning. Help from an Alight investment advisor representative is also available, with some restrictions. Advizr Workplace is available as a stand-alone solution to Alight's benefits administration clients.

According to the release, Advizr allows users to "assess spending, manage debt, evaluate life insurance coverage needs, prioritize and track goals and build a plan for their unique financial objectives and to evaluate 'what if' scenarios.

"Research continues to prove that reducing financial insecurity leads to improved employee productivity, morale and retention, while lowering rates of absenteeism and healthcare expenditures," the release said.

AIG buys Ellipse, a UK group life insurer

American International Group, Inc., announced that AIG Life Limited, a UK subsidiary of AIG Life & Retirement, has completed the previously agreed acquisition of Ellipse, a specialist group life, critical illness and income protection provider in the UK, from Munich Re.

"AIG believes Ellipse's group protection expertise, alongside its technology-enabled business model, makes it a strong strategic fit with the existing AIG Life Limited operation in the UK," according to an AIG release.

AIG Life will now distribute both group and individual protection insurance products to UK consumers through financial intermediaries, employee benefits consultants and partnerships.