Honorable Mention

By Editorial Staff *Wed, Feb 24, 2021*

Pacific Life offers an investment-only VA; Wells Fargo will sell its asset management business; Philips, MetLife and Principal Financial seal $1.2 bn pension risk transfer deal; Security Benefit receives IRS approval of annuity fee deductions.

Pacific Life offers fee-only, investment-only VA

Expanding its product offerings for RIAs (registered investment advisors) Pacific Life has issued a no-commission, no surrender charge, investment-only variable annuity (IOVA) that "can be integrated into the technologies RIAs currently use," according to a release this week.

As an IOVA, the contract offers tax-deferred growth but no living benefit option, such as a guaranteed lifetime withdrawal benefit or GLWB. But, as with any annuity contract, the owner can choose to convert the account value to a guaranteed lifetime income stream by annuitizing it.

https://www.pacificlife.com/content/dam/paclife/rsd/annuities/public/ria/pdfs/brochure-flyer/pacific-advisory-variable-annuity-brochure.pdf

According to the product brochure, the Pacific Advisory Variable Annuity features include:

- A contract fee of 45 basis points per year, including a mortality and expense risk fee of 15 basis points, a platform fee of 15 basis points, and an administrative fee of 15 basis points.
- A minimum investment of $25,000 for either qualified or non-qualified premiums
- An optional return-of-premium death benefit for a fee of 15 basis points
- Investment option fees ranging from three basis points for a Schwab S&P 500 Index to 1% for an Invesco Oppenheimer International Growth Fund.

Other fund families on offer include Vanguard, Fidelity, American, Templeton, DFA, BlackRock, Franklin, T. Rowe Price, MFS, Western Asset Management, PIMCO, JPMorgan, Goldman Sachs and Janus Henderson. Several providers also offer a variety of model asset allocation options.

The contract allows RIAs "to manage and bill directly on their clients' assets without creating a taxable event or reducing clients' benefits." According to the product brochure:

- Withdrawals for advisory fees will not be considered a withdrawal if the amount of

advisory fees withdrawn is equal to or less than 1.50% of the total account value for the calendar year.
- Withdrawals for advisory fees that exceed an annual rate of 1.50% of the account value during the calendar year may reduce the death benefit amount by more than the actual excess withdrawal amount.
- Withdrawals from the contract to pay advisory fees reduce the account value by the withdrawal amount.
- Withdrawals for advisory fees may impact guarantees under the contract and the benefits provided by optional benefits.

Wells Fargo to sell its asset management business

Wells Fargo & Company has agreed to sell its Wells Fargo Asset Management unit to (WFAM) to private equity firms GTCR LLC and Reverence Capital Partners, L.P., for $2l1 billion. The sale includes Wells Fargo Bank N.A.'s business of acting as trustee to its collective investment trusts and all related WFAM legal entities, according to a release.

Upon closing of the transaction in the second half of 2021, the new, independent company will be rebranded. "As part of the transaction, Wells Fargo will own a 9.9% equity interest and will continue to serve as an important client and distribution partner," the release said.

Nico Marais, WFAM's CEO since June 2019, will remain CEO; he and his leadership team will continue to oversee the business. Joseph A. Sullivan, former chairman and CEO of Legg Mason, will be appointed as executive chairman of the board of the new company following the closing of the transaction.

WFAM has $603 billion in assets under management, 24 offices globally, and specialized investment teams with 450 advisers. WFAM will operate independently as portfolio company of GTCR and Reverence Capital.

"This transaction reflects Wells Fargo's strategy to focus on businesses that serve our core consumer and corporate clients, and… on growing our wealth and brokerage businesses," said Barry Sommers, CEO of Wells Fargo's Wealth & Investment Management division, in. a release.

Wells Fargo & Company has approximately $1.9 trillion in assets and serves an estimated one in three U.S. households and more than 10% of middle market companies in the US.

Philips, MetLife and Principal Financial seal $1.2 bn pension risk transfer deal

Philips North America LLC has agreed to transfer about $1.2 billion in pension plan obligations to Principal Financial Group and the Metropolitan Tower Life Insurance Company subsidiary of MetLife. of Philips North America Pension Plan obligations to Principal and MetLife.

The agreement, signed in the fourth quarter of 2020, provides guaranteed retirement income solutions for approximately 11,000 retirees, beneficiaries and deferred participants in the Philips North America Pension Plan.

MetLife will act as the lead administrator for the monthly benefits for approximately 9,000 retirees and their beneficiaries in the Philips North America Pension Plan. Principal will have financial responsibility for a portion of these monthly benefits and will settle such obligations directly with MetLife. Principal will have sole responsibility for the approximately 2,000 deferred participants.

The transaction will not change the amount of monthly pension benefits received by the Philips’ pension plan participants and participants will continue to receive a single payment each month. MetLife and Principal, rather than Philips, will be responsible for making these monthly payments.

Security Benefit receives IRS approval of annuity fee arrangements

Security Benefit has received a favorable private letter ruling (PLR) from the Internal Revenue Service (IRS) that payment of certain investment advisory fees from an annuity contract are not treated as a taxable event by the contract owner. This allows financial professionals and their clients to incorporate non-qualified fee-based annuities in their portfolios more easily.

Financial professionals can deduct client fees from the cash value of certain non-qualified Security Benefit annuities, without tax consequences for their clients. The advisory fees must only be for ongoing investment advice and cannot exceed an annual rate of 1.5% of the advisor contract’s cash value. The fees must be related only to the annuity and paid directly to the registered investment advisor.

Currently, Security Benefit offers a fixed index annuity, ClearLine, and the Elite Designs variable product on DPL’s platform.

An Eldridge business, Security Benefit and its affiliates offer products in retirement markets and wealth segments for employers and individuals and held $41.1 billion in assets under management as of December 31, 2019.