Honorable Mention: Cimini goes to Voya, ‘smart beta’ coming to TDFs, and more

By Editorial Staff *Thu, Jun 22, 2017*

Brief or late-breaking items from Voya, Cerulli Associates, Financial Engines, and Nestle.

Cimini to lead Voya’s retirement product business

Voya Financial has hired Jeff Cimini to lead its Retirement Product organization, the company announced this week. He will oversee product management, development, strategy, pricing, competitive intelligence, Voya Institutional Trust Company, and Voya’s advisory services for plan sponsors and participants.

Cimini will be based in Voya’s Windsor, Connecticut office. He will be a member of the Retirement leadership team and report to CEO of Retirement Charlie Nelson, effective July 3.

Most recently, Cimini was head of strategy for TIAA’s Institutional Financial Services division, and also served as head of sales and client services for TIAA’s select institutional clients. Previously, he was head of Personal Retirement for Bank of America Merrill Lynch. He also spent more than 20 years with Fidelity Investments.

Cimini’s experience includes stable value portfolio management, fund analysis, investment consulting and sales, consultant relations, defined contribution investment only (DCIO) sales and investment consulting services. He managed sales and distribution for the Fidelity Investments Life Insurance Company division and served as president of its three life insurance entities.

Cimini holds a bachelor’s degree in finance from the University of Massachusetts at Amherst and a Masters in finance from Boston College.

Strategic beta: An edge for active TDF makers?

How do active managers slow down investors’ flight to passive funds? Some of them will adopt “strategic beta” techniques, according to survey results published in the second quarter 2017 issue of *The Cerulli Edge–U.S. Retirement Edition*

“Use of strategic beta strategies is the most likely feature of next-generation U.S. target-date products” was the sentiment of 38% of asset managers polled by Cerulli Associates, the Boston-based consulting firm.

“Strategic beta” used to be called “smart beta.” The term generally refers to a form of indexing where fund managers systematically overweight an index portfolio toward securities with attributes that are associated with higher returns, such as momentum or volatility.

The goal is to achieve higher risk-adjusted returns than conventional market-cap-weighted index funds, at a cost somewhere between the cost of active funds and index funds. Whether it allows investors to defy the inherent correlation between risk-and-return by delivering higher returns without more risk hasn't been proven, according to Morningstar.

But it's the kind of differentiator that actively managed TDF manufacturers can use in their fight against pure indexing. They could use strategic beta, for instance, to try to mitigate TDF investors exposure to "sequencing risk" as they approach retirement, beyond just changing a fund's asset allocation.

(Sequencing risk is the risk to near-retirees or recent retirees that an ill-timed stock slump might force them to liquidate depressed assets for current income, thereby locking in losses.)

"Strategic beta strategies allow active managers to compete with pure passive on cost while retaining some of the value-add tenets associated with active management," said Dan Cook, analyst at Cerulli, in a release.

"For the larger target-date providers, strategic beta series can also serve as another option in their target-date product suite, giving plan sponsors the choice between passive, active, and strategic beta."

But adding strategic beta to TDFs will likely "add another layer of complexity to the due diligence process" for defined contribution retirement plan sponsors and fiduciaries," Cerulli noted. Asset managers who promote this potential enhancement must be prepared to explain and document its benefits.

Federal class action suit against Voya is dismissed

A 401(k) class action **lawsuit** that involved plan sponsor Nestle, recordkeeper Voya Financial and managed account provider Financial Engines has been dismissed by a federal district court judge in New York, NAPA net reported this week.

The suit, filed by participant Lisa Patrico and others in September 2016, claimed that Voya had breached its fiduciary duty to participants when it allegedly devised an arrangement with Financial Engines to collect excessive fees for investment advice services.

The judge disagreed. "The Complaint fails to allege facts showing that Defendants were ERISA fiduciaries with respect to their fees," wrote Judge Lorna G. Schofield of the U.S. District Court for the Southern District of New York.