Honorable Mention

By Editorial Staff *Thu, Jun 15, 2017*

Brief or late-breaking items from TIAA, Transamerica, Milliman and the Investment Company Insitute.

TIAA completes purchase of Everbank

TIAA has completed its acquisition of EverBank Financial Corp and its wholly owned subsidiary EverBank. The transaction was originally announced August 8, 2016.

"The acquisition significantly expands TIAA's existing retail banking and lending products and complements the company's full suite of retirement, investment and advisory services," and will allow TIAA to continue to serve its more than 15,000 institutional clients, a TIAA release said.

This acquisition also gives TIAA an employee base and business operations in Jacksonville, Florida, the bank's headquarters, and other key markets. TIAA also plans to continue to expand its digital capabilities for banking customers.

EverBank reported $27.8 billion in total assets and $19.3 billion in total deposits as of March 31, 2017.

The new, combined bank's legal entity name is TIAA, FSB, but for the immediate future, the bank will continue to use the TIAA Direct and EverBank brands.

The following management changes, announced last August, are effective today.

Kathie Andrade will continue in her role as CEO of TIAA's Retail Financial Services business. She will also serve as chairman of the board of TIAA, FSB.

Blake Wilson, Everbank's president and chief operating officer, will now serve as president and CEO of TIAA, FSB. He will remain a member of the board of directors of the new bank.

Robert Clements retired as EverBank Financial Corp's chairman of the board and chief executive officer upon the completion of the acquisition.

Transamerica enriches variable annuity payout options

Transamerica has made enhancements to the Transamerica Income Edge living benefit rider, along with launching two new lower cost investment options.

Introduced in 2016, Transamerica Income Edge is a living benefit available with most Transamerica variable annuities aimed at enabling Baby Boomers and Generation X individuals to effectively plan their retirement.

Changes to the optional living benefit include a fee reduction, along with shortening the waiting period from five years down to three years for a customer to be eligible to start receiving a higher living benefit withdrawal percentage.

If investors wait three years after investing to begin taking withdrawals, they would be eligible for an automatic one percent increase on their withdrawal percentage, which escalates based on a tiered age scale.

After three full years, investors with a single life benefit who begin withdrawing between the ages of 59-64 can receive 5% income for life; those who begin withdrawing while in the 65-79 age range can receive 6% income for life; and if waiting until age 80 or older, the investor could receive 7% income for life.

Transamerica has also launched two new index portfolios approved for rider eligibility through Transamerica Income Edge.

TA U.S. Equity Index seeks investment results corresponding generally to the performance of the S&P 500 Index. TA International Equity Index provides access to large and mid-cap equities in developed markets outside the U.S. and Canada.

Pensions still suffer from soft corporate bond rates: Milliman

Milliman, Inc., the global consulting and actuarial firm, today released the results of its latest Pension Funding Index (PFI), which analyzes the 100 largest U.S. corporate pension plans.

In May, the deficit for these plans rose by $22 billion from $257 billion to $279 billion, due to a decrease in the benchmark corporate bond interest rates used to value pension liabilities. As of May 31 the funded ratio had fallen to 83.8%, the 1.10% decline partially offset by investment returns.

"Corporate pensions have experienced a 23 basis point drop in discount rates since the start of the year, depleting funded status gains accumulated during the first quarter," said Zorast Wadia, co-author of the Milliman 100 PFI. "While liabilities continue to pile up as discounts rates decline, investment returns have been above expectations for first five months of 2017, preventing further deterioration to pension funded status."

- Under an optimistic forecast, with interest rates reaching 4.11% by the end of 2017 (4.71% by the end of 2018) and 11% overall annual asset gains, the funded ratio would climb to 91% by the end of 2017 and 104% by the end of 2018.
- Under a pessimistic forecast, with a 3.41% discount rate at the end of 2017 (2.81% by the end of 2018) and 3.0% annual asset returns, the funded ratio would decline to 80% by the end of 2017 and 73% by the end of 2018.

To view the complete Pension Funding Index, go to http://us.milliman.com/PFI.

ICI offers fresh data about Roth IRAs and traditional IRAs

The Obama Department of Labor's fiduciary rule, by asserting DOL authority over Individual Retirement Accounts, has put a spotlight on IRAs. New reports from the Investment Company Institute (ICI) offer fresh data about owners of traditional, "rollover," and Roth IRAs.

The reports, "The IRA Investor Profile: Traditional IRA Investors' Activity, 2007–2015" and "The IRA Investor Profile: Roth IRA Investors' Activity, 2007–2015," are based on ICI's IRA Investor Database, which houses account-level data for millions of IRA investors from year-end 2007 through year-end 2015.

The reports show:

Roth IRA investors tend to be younger than traditional IRA investors. At year-end 2015, 31% of Roth IRA investors were younger than 40, compared with 16% of traditional IRA investors. Only 25% of Roth IRA investors were 60 or older, compared with 40% of traditional IRA investors.

That's because traditional IRAs are typically opened by rollovers, while Roth IRAs are more often started with contributions. Most (85%) of new traditional IRAs in 2015 were opened only with rollovers and more than half of traditional IRA investors with an account balance at year-end 2015 had rollovers in their account. About 71% of new Roth IRAs were opened only through contributions in tax year 2015.

People who open IRAs with contributions (not rollovers) tend to keep contributing. More than seven in 10 traditional IRA investors who contributed for tax year 2014 also contributed for tax 2015. Eight in 10 Roth IRA investors with contributions for 2014 also contributed for 2015.

Roth IRA owners are more likely to invest in equity mutual funds than are traditional IRA owners. At year-end 2015, 66% of Roth IRA assets, versus 54% of traditional IRA assets, were invested in equities and equity mutual funds, exchange-traded funds (ETFs), and closed-end funds. Some of these differences reflect the fact that Roth IRA investors tend to be younger, and younger investors typically allocate more toward equities.

Allocation to target date funds and non-target date balanced funds were the same between Roth IRAs and traditional IRAs (18%), but Roth IRAs had less allocated to bonds and bond funds (7%) than traditional IRAs (16%). Roth IRAs also had a lower allocation to money market funds (6%) than traditional IRAs (9%).

Because annual withdrawals from traditional IRAs are mandatory starting at age 70½ but Roth IRA owners aren't required to take withdrawals, their withdrawal activity is much lower. In 2015, only 4% of Roth IRA investors made withdrawals, compared with 24% of traditional IRA investors.

The IRA Investor Database includes data on of IRA contributions, rollover, and withdrawal activity, and the types of assets that about 17 million investors hold in these accounts. It supplements existing household surveys and IRS tax data about IRA investors.