
Honorable Mention

By Editorial Staff Thu, Nov 9, 2017

Nationwide enters the exchange-traded funds arena, The Principal sells a group annuity to NCR in a pension risk transfer deal, Fidelity reports record 401(k) balances.

Nationwide offers ETFs with a French flavor

Nationwide has entered the exchange-traded fund (ETF) market with the launch of three “strategic beta” ETFs: The Nationwide Maximum Diversification U.S. Core Equity ETF, the Nationwide Risk-Based U.S. Equity ETF, and the Nationwide Risk-Based International Equity ETF.

Through these products, U.S. retail investors will have access through an ETF structure to proprietary indexes developed by [TOBAM](#) and Rothschild Risk Based Investments LLC (“Rothschild”), Nationwide said in a release.

The Nationwide Maximum Diversification U.S. Core Equity ETF (MXDU) tracks an index developed by TOBAM that picks investments using liquidity and socially responsible investment (SRI) screens. The patented, proprietary TOBAM Diversification Ratio allows TOBAM to weight individual stocks to minimize the correlations among holdings.

The Nationwide Risk-Based U.S. Equity ETF (RBUS) and the Nationwide Risk-Based International Equity ETF (RBIN) track indexes developed by Rothschild Risk Based Investments LLC and “seek to reduce portfolio volatility, mitigate severe drawdowns and enhance the Sharpe ratio, all without curtailing returns,” the release said.

Rothschild determines the level of risk corresponding to each security and eliminates the riskiest 50% of the stocks in the universe from the index. The remaining stocks are weighted according to their volatilities and correlations, so that each constituent contributes the same amount of risk to the overall portfolio, Nationwide said.

Nationwide currently manages 115 funds with approximately \$65 billion in assets, excluding fund of funds.

Principal and NCR ink pension risk transfer deal

In a pension risk transfer deal, NCR Corporation has agreed to buy a single premium group annuity contract from Principal Life Insurance Company to provide about \$190 million of benefits for some 6,000 former employees or their related beneficiaries whose monthly pension benefit amount under NCR’s defined benefit plan as of January 1, 2017 was \$500 or less.

NCR expects the annuity to be issued by Principal Life Insurance Company in 2018. “Because this contract was purchased with existing Plan assets, no additional funding of the Plan was required for this purchase,”

said John Boudreau, NCR Treasurer, in a press release. Any impact of the purchase on NCR's financial statements will be included in the year-end 2017 mark-to-market adjustment, NCR said in the release. According to the release:

The amount of the future monthly benefit payment for each of these individuals under this group annuity contract will equal the amount of such individual's monthly benefit payable under the terms of the Plan. Additionally, this group annuity contract provides the same rights to future payments, such as survivor benefits, that are currently provided under the terms of the Plan. No action is required by affected former employees or their related beneficiaries at this time in order to receive such benefits. The December 2017 letters will contain further information.

This group annuity contract has no bearing on active employees, former employees or their related beneficiaries who have not commenced monthly benefits under the Plan as of January 1, 2017, or former employees or their related beneficiaries whose monthly benefit amount under the Plan as of January 1, 2017 exceeded \$500.

Rising stock prices boost 401(k) account balances: Fidelity

Fidelity Investments today released its quarterly analysis of 401(k) and individual retirement accounts (IRA). According to the analysis:

Retirement account balances reached all-time highs for the fourth consecutive quarter. Helped by strong stock market performance, the average 401(k) and IRA balances increased 10% over the last year and continued to hit record levels. The average 401(k) balance rose to \$99,900, while the average IRA balance climbed to \$103,500.

The average 401(k) and IRA balance increased for every generation (Boomers, Gen X and Millennials) over the last year. The average IRA balance for Gen X investors increased 16.5% to \$51,500, and the average Gen X 401(k) balance increased 18% to \$98,800.

Individuals are contributing more to their retirement accounts. The average 401(k) contribution rate reached 8.5% in Q3, the highest percentage in almost 10 years, and 29% of savers increased their contribution rate over the last year. The amount contributed to IRAs year-to-date increased 12%; Roth IRA contributions alone increased by 13%.

Fidelity's Roth IRA for Kids reached 10,000 accounts. Demonstrating it's never too early to start saving for retirement, Fidelity's Roth IRA for Kids, launched in 2016, has generated significant interest with now more than 10,000 accounts. The product allows an adult custodian to contribute the equivalent of the child's yearly income to the account.

An increasing percentage of workers are using target date funds for 401(k) savings. As of the end of Q3, 29% of all Fidelity 401(k) assets were held in target date funds, up from 18% at the end of Q3 2012.

Almost half of all workers (48%) hold all of their 401(k) savings in a target date fund, up from 30% in 2012.⁴

Workers with both an HSA and 401(k) contribute more than workers with just a 401(k). Fidelity analysis indicates that workers who contribute to both their HSA and their 401(k) contributed an average of 9.9% at the end of Q3, compared to 8.5% for individuals who only contribute to their 401(k). The number of HSA account holders on Fidelity's platform increased 35% over the last year.

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