The Bucket

By Editorial Staff *Wed, Dec 1, 2010*

Late-breaking items from the Insured Retirement Institute, Securian Retirement, the American Bankers Association, LifeYield, National Financial, Mass Mutual and the Irish Republic…

IRI Releases Third Quarter Product Trend Update for U.S. Variable Annuity Market

The Insured Retirement Institute (IRI) today released a report on product trend updates within the U.S. variable annuity market for the third quarter. Compiled by Morningstar, the report found a pick-up in new benefits for the third quarter, tripling the new number of issued lifetime benefits when compared to second quarter data. Nineteen new benefits were issued this quarter versus six in the previous quarter.

Overall, carriers filed more than 60 changes in the third quarter, compared to 76 in the previous quarter. In addition, year-to-year quarterly product changes decreased by 31%, dropping from a pace of 87 filed changes in the third quarter in 2009. Of note, fee changes dropped by half, from 20 in the second quarter to 10 in the third quarter, indicating that the majority of carriers have made their pricing adjustments in response to the new market realities.

The report also found that the popularity of living benefits remained strong, especially the Lifetime GMWB. Nine out of the 11 new living benefits released this quarter were lifetime withdrawal benefits. Additionally, the number of new contracts for the quarter was 20, compared to 15 filed in the second quarter.

Securian Retirement and 401(k) Advisors in Pact

Securian Retirement has teamed with 401(k) Advisors to offer a 3(38) investment management fiduciary service that allows employers to transfer the responsibility for selecting and monitoring funds to 401(k) Advisors, a nationally recognized investment advisory firm.

401(k) Advisors accepts responsibility and discretion for the investment due diligence process under section 3(38) of ERISA. The new service also provides timely support to retirement plan advisors as the industry prepares for new rules regarding fiduciary roles. The rules are scheduled to go into effect July 2011 and will, in part, require service providers to disclose whether they act as a fiduciary to a plan and in what capacity.

“This 3(38) approach gives broker-dealers a way to support their retirement plan advisors by offering a means of addressing key aspects of new federal regulations,” said Bruce Shay, executive vice president, Securian Financial Group, Inc.

Shay said many employers exhibit a “do it for me” behavior when it comes to retirement plan investment selection. The new 3(38) service will help to bring clarity to this important fiduciary task for plan sponsors and for retirement plan advisors.

“3(38) investment advisory services will appeal to many plan sponsors who do not have the time, resources, or expertise to select and monitor funds,” said Jeffrey Elvander, CFA, CIO, 401(k) Advisors. “They will embrace the simplicity and efficiency of having an outside investment expert accept this pivotal role in the investment due diligence process.”

Hedge Fund Managers: Yes on QE2, No on U.S. Equities

Most hedge fund managers remain downbeat on U.S. equities, according to the *TrimTabs/BarclayHedge Survey of Hedge Fund Managers* for November. About 39% of the 83 hedge fund managers the firms surveyed in the past two weeks are bearish on the S&P 500, and bullish sentiment sank to 31% from 36% in October.

“Moods are still somewhat sour, but hedge funds returned 7.0% in the four months ended October following a rough patch in May and June,” said Sol Waksman, CEO of BarclayHedge. “About 80% of the funds that reported returns for the January-October period are profitable in 2010.”

On QE2, or the second round of “quantitative easing” by the Federal Reserve, almost half of hedge fund managers thought it would help asset prices, but four in 10 said it will ultimately hurt the economy. Only 9% of managers plan to decrease leverage in the coming weeks, the smallest share since May, while 16% are inclined to increase it.

“It is telling that some managers aim to lever up even though they are predominantly downbeat on stocks,” explained Vincent Deluard, executive vice president at TrimTabs.

“The Fed is begging firms, consumers, and market participants to take risks, and hedge fund managers are capitalizing on kind conditions.

“They view QE as an asset-price gift horse—one they are not looking in the mouth—and hedge fund investors have handed them $33 billion in recent months. Also, it certainly doesn’t hurt that managers can borrow to buy assets for virtually nothing courtesy of historically low short rates,” he added.

Bearish sentiment on the U.S. Dollar Index surged to 44% in November, the highest level in six months, from 30% in October. Meanwhile, bond sentiment has been hammered as long-term interest rates have spiked. Bearish sentiment on the 10-year Treasury note vaulted to 49%, the highest level since May, while bullish sentiment dove to 13%, the lowest level in six months.

“Market participants have no interest in fighting the Fed in the belly of the curve, where its Treasury purchases are concentrated,” noted Deluard. “But hedge fund managers are very bearish on the 10-year, and futures traders have been dumping the 30-year bond contract.

“Also, mom and pop ditched bond mutual funds in the past fortnight after pouring money into them for 100 straight weeks, and TIPS funds have raked in assets in 2010. The more the market feels the Fed’s reflation strategy will succeed, the more powerless policymakers become to prevent long yields from grinding higher."

Keating to Lead American Bankers Association

Frank Keating, a former governor of Oklahoma who served as president of the American Council of Life Insurers from 2003 until the end of October 2010, will be the next president of the American Bankers Association, effective January 1, 2011.

Keating, who will succeed Ed Yingling, worked as an assistant secretary and general counsel at the U.S. Treasury Department and later as acting deputy secretary at the U.S. Department of Housing and Urban Development. From 1995 to 2003, he was governor of Oklahoma.

Keating has served on the board of a savings bank, and his experience at HUD should be helpful when questions about housing finance and the federal mortgage guarantee agencies come up, according to ABA Chairman Stephen Wilson.

At the ACLI, Keating helped to keep the new Consumer Financial Protection Bureau from regulating the business of insurance. The same bureau will have jurisdiction over the big banks that belong to the ABA and over nonbank consumer finance operations.

LifeYield Integrates with Fidelity's National Financial

LifeYield, LLC, a provider of tax-focused retirement income planning software, has integrated with Fidelity's National Financial custodian platform. Advisors who use National Financial's custodian services now can use LifeYield's retirement income software with no additional data integration.

"NFS is one of the leading custodians for the financial advisory marketplace, including for many advisors at Cambridge Investment Research, LifeYield's newest client," said Mark Hoffman, LifeYield's CEO and co-founder. "Integrating with NFS makes it easy for advisors to use LifeYield, so it makes perfect sense." LifeYield is a retirement income generation software solution that helps advisors minimize the tax consequences of decumulation.

LifeYield is also integrated with Pershing's custodian platform and with Albridge's account aggregation services. Any advisor using one or all of these services now can have client tax lot data imported directly into LifeYield's retirement income software.

MassMutual Offers Document Management Solution for TPAs

MassMutual's Retirement Services Division has introduced a new document management system for third-party administrators (TPAs) of employer-sponsored retirement plans. The system is available to all TPAs and offers unlimited use for one rate, MassMutual said in a release.

The new system includes:

- Plan amendment processing.
- Ability to create customized templates and designs at the TPA level so that many provisions can be pre-populated.
- Tracking, monitoring and review of plan documents and amendment histories.
- Batch processing of regulatory amendments and required participant notices.
- Conversion from DC prototype to volume-submitter documents and vice versa.
- Software upgrades coordinated by MassMutual independently from a TPA's system.
- Technical support by MassMutual's ERISA Advisory Services Team.

The service is available to all TPAs regardless of whether they have retirement plans on MassMutual's platform. For more information or a demonstration of the system, call Steve Witkun at (413) 744-0744.

NPRF to contribute up to €10bn toward Ireland's EU bailout, government confirms

Ireland's National Pensions Reserve Fund (NPRF) contribute as much as €10bn toward the €85bn package under its bailout agreement with the European Union and its state pension will be frozen at 2010 rates for three years, with no COLA, IPE.com reported.

NPRF assets will be used to buy Irish bonds, according to the three-year National Recovery Plan anncounced by Taoiseach [prime minister] Brian Cowen and finance minister Brian Lenihan. The total domestic contribution to the bailout was said to be €17.5bn.

He said any decisions about how soon and how fast the deinvestment would occur would be a decision for the National Treasury Management Agency. The spokesman added that further details would be released later in the week, when a Memorandum of Understanding would be published.

Jerry Moriarty, head of policy at the Irish Association of Pension Funds, said the NPRF's funds would have never been sufficient to cover the estimated €116bn in liabilities of the public sector and the state pension.

"The €25bn in the NPRF was the only pre-funding to cover that – that was never going to be enough anyway," he said. "Now that's reduced to €7bn means they are in a much worse place than they have been." Moriarty said legislation existed to avoid any early draw down of assets prior to the 2025 payout date, simply because the country hit a rocky patch.

"Unfortunately, we've hit more than a rocky patch," he added.

According to its third-quarter results, the NPRF holds €24.5bn in assets, with €6.6bn invested in bank shares of Allied Irish Bank and the Bank of Ireland. The remaining €17.9bn are held in its discretionary portfolio, which returned 6% for the nine months to September, compared with 1.9% returns over the same period for its holdings in the Irish lenders.