The Bucket

By Editorial Staff *Wed, Dec 15, 2010*

Late-breaking items from Guardian, New York Life, Milliman, ING, Principal, Allianz Life, EBRI, MassMutual and more...

Guardian adds retirement investment options

The Guardian Insurance & Annuity Company, Inc. (GIAC), a unit of The Guardian Life Insurance Company of America (Guardian), is introducing an enhanced fund lineup for its group retirement product platform.

The new investment options available to The Guardian Choice group variable funding agreement and The Guardian Advantage group variable annuity retirement products will provide more investment choices for investors. The Guardian Advantage will also provide the opportunity for retirement plans to decrease overall fund costs to participants.

The Guardian Advantage will now offer 25 new funds in a variety of asset classes with some existing investment options now being offered in a lower expense share class. The Guardian Choice fund will add an additional 17 funds in which one existing investment option will offer a share class change consistent within its specific fund family.

New York Life adds installment refund feature to SPIA

New York Life Insurance and Annuity announced the launch of an Installment Refund feature to provide its lifetime income annuity policy owners another option to guarantee a return of premium.

“The Installment Refund option expands on our most utilized legacy feature, the Cash Refund option. Providing retirees the comfort of a paycheck every month with the added benefit that their beneficiaries will be provided for has remained a popular choice among retirees and we anticipate the Installment Refund feature will be a well-received addition to the features and benefits on our lifetime income annuity,” said Matt Grove, vice president of Retirement Income Security, New York Life.

The Installment Refund feature provides its lifetime income annuitants the ability to provide their beneficiaries with the return of premium, less all payments made, on a scheduled installment basis.

In addition to the new Installment Refund option, the other legacy options include the Cash Refund option, where the beneficiaries will receive a lump sum equaling the premium less all payments made and the percent of premium death benefit, which offers beneficiaries a death benefit totaling 25% or 50% of the original premium chosen at policy issue.

- Consumers can access their investment in the policy beyond the scheduled income payments in the event additional funds are needed due to unexpected circumstances. Each policy includes two withdrawal features that provide access to cash after the policyholder is at least age 59½—a Payment Acceleration feature and Cash Withdrawal feature:

- Payment Acceleration allows policy owners to receive their next scheduled monthly payment, along with the five subsequent payments — for a total of six months of income payments all at once. When this option is exercised, income payments will not be paid for the next five months.
- Cash Withdrawal provides a one-time opportunity to receive the discounted value of future payments through one of two features: "Up to 100%" Cash Withdrawal which allows policy owners to withdraw up to 100% of the discounted value of remaining guaranteed payments *at any time* during the guaranteed period; and the 30% Cash Withdrawal feature allows policy owners to withdraw 30% of the discounted value of future expected payments, and may be exercised on certain policy anniversaries or at any time upon proof of a significant, non-medical financial loss.

John Kim adds responsibilities at New York Life

Executive vice president John Y. Kim will succeed Gary Wendlandt as chairman of New York Life Investments and as chief investment officer of New York Life Insurance Company on January 1, 2011, the mutual insurer announced.

Kim is currently president and CEO of New York Life Investments, which manages $275 billion. His new title will be chairman and CEO of Investments. He reports to New York Life chairman Ted Mathas and is a member of the executive management committee.

Kim, a graduate of the University of Michigan who holds an MBA from the University of Connecticut, joined New York Life in 2008. He had previously been president of Prudential Retirement and president of CIGNA Retirement and Investment Services. He also spent 17 years with Aetna Life & Casualty, where he was CEO and CIO of Aeltus Investment Management and CIO of Aetna Life Insurance and Annuity Company.

Investors with advisors save more: ING

A new ING Retirement Research Institute study shows that people who spend time with a financial professional report saving two to three times more for retirement than peers who do not use an advisor. Those with advisors "feel more knowledgeable about investments and more confident in their ability to enjoy retirement," the company said in a release.

The findings were generated from data captured by ING's free peer comparison web-tool, INGCompareMe.com, which went live in 1999. It allows anyone to benchmark himself or herself anonymously against other investors on financial behavior.

Since 2009, tens of thousands of people have used the tool.

The study analyzed data on more than 14,000 users who entered their profile information into INGCompareMe.com and answered a specific question about how much time they spent with a financial professional to discuss investments and their financial future (possible response choices ranged from *no time* to *a lot of time*).

Nearly one-third (31%) indicated they spent *some time* with a financial professional. Among the findings:

More savings. Those who spent *a lot of time* with an advisor said they saved, on average, more than three times as much for retirement as those who spent *no time* at all.

Greater knowledge. About 58% of those who spent *a lot of time* with a financial professional believed they knew more about investments than their peers.

More confidence. Six in ten of those who spent *some time* or *a lot of time* with an advisor considered themselves to be moderate investors. Those who spent very little or *no time* with an advisor were more conservative.

More optimism. More than 60% of those who spent *a lot of time* with a financial professional said they were highly confident about enjoying their retirement, compared to 34% who spent *no time*.

Pension funding fell $22 bn in November: Milliman

In November, the Milliman 100 Pension Funding Index, which consists of 100 of the nation's largest defined benefit pension plans, showed that these plans experienced asset decreases of $8 billion and liability increases of $14 billion.

The result was a $22 billion decrease in pension funded status for the month. November's decline in funded status follows two months of improvement and leaves the pension funding deficit at $335 billion.

"It seems likely that these 100 pensions will end 2010 with a decline in funded status compared to where they were at the end of 2009," said John Ehrhardt, co-author of the Index. "Companies are now turning their attention to 2011 and what it will take to improve funded status in what looks likely to be a big year for pension expense."

This month's study continues to offer projections for 2011 and 2012, illustrating how asset performance and discount rates may drive funded status. In the most optimistic scenario, which assumes a 12.1% annual asset return and an ultimate discount rate of 6.45%, pensions would reach full funded status in the fall of 2012.

A pessimistic scenario (4.1% annual asset return, 3.95% ultimate discount rate) would dip funded status below 65% by the end of 2012.

Allianz Life Promotes Bob Densmore to SVP-National Sales Manager

Allianz Life Insurance Company of North America has named Bob Densmore as senior vice president-national sales manager. He will lead Allianz annuity sales strategy through the independent, bank, regional and wire broker/dealer distribution channels.

Densmore joined Allianz Life in 2008 as a district director for the Midwest District. He began his career as a financial advisor with Thrivent Financial. In 1996, he joined Jackson National as a brokerage manager responsible for wholesaling fixed and index annuities. As a regional vice president for Jackson, he raised more than $2 billion in variable annuity premium.

MassMutual Retirement to hold online seminar on 403(b) regs

As part of its continued commitment to provide advisors and plan sponsors the most up-to-date and relevant information, MassMutual Retirement Services is sponsoring an online seminar featuring a panel of 403(b) retirement plan experts, hosted and moderated by *PLANSPONSOR* Founder and Director Charles Ruffel.

"As 403(b) regulations tighten and financial markets fluctuate, nonprofit organizations are under greater scrutiny. The Department of Labor (DOL) has expanded the Form 5500 reporting and audit requirements that fall on nonprofit plan sponsors. This online seminar will help advisors and plan sponsors stay abreast of the ongoing changes in the nonprofit retirement market," says Lisa Murphy, MassMutual ERISA Consultant.

The online seminar will feature David Levine, principal at Groom Law Group, Washington, D.C., in addition to Brenda Van, western managing director and nonprofit market leader and Lisa Murphy, ERISA Consultant, both of MassMutual Retirement Services. In this 60-minute webcast, the panelists will discuss Form 5500 reporting and audit requirements, fiduciary duties, final IRS regulations, and will conclude with a question and answer session.

"As a result of the many recent regulatory changes, it's critical for nonprofit plan sponsors to understand the new fiduciary responsibilities and to have a due diligence process in place to reduce risk and limit or mitigate fiduciary liability," says Murphy. "Plan sponsors have taken initial steps toward complying with the regulatory changes, but many are still concerned about their liabilities and how to mitigate risk. At MassMutual, we want to help prepare and educate advisors and plan sponsors so they can properly comply with the new regulations, maximize the benefits of their 403(b) plan, and help prepare participants for successful retirement years," adds Murphy.

To register for the online seminar, go to the MassMutual website and click *All Events* under Intermediary Events.

Job security more dream than reality: EBRI

Full-time workers in 2010 had been in their jobs an average of just over five years, continuing a slow increase in employment longevity that began in 2004, the Employee Benefit Research Institute (EBRI) reported.

The average is somewhat misleading, however. Job tenure for men has been falling since 1983, while women's tenure has risen in that period. The once-big gender gap in job tenure has almost closed.

EBRI also found that older workers appear to be staying in their jobs longer. But overall, the American work force over the past 30 years has had a high level of turnover—and that probably won't change.

"For the great majority of American workers, so-called 'career jobs' never existed, and they certainly do not exist today," said Craig Copeland, EBRI senior research associate, and author of the study. "A distinct minority of workers have ever spent their entire working career at just one employer."

The findings are published in the December *EBRI Notes,* "Job Tenure Trends, 1983–2010," and are based on the latest data from the U.S. Census Bureau's Current Population Survey. The full report is online at EBRI's website at www.ebri.org.

How to rebuild trust and engage Millennials

Trust, *Millennials* and *choice*: These three words signify the cultural trends that most heavily affect the financial services and investment industry today, according to Mintel Comperemedia.

Lack of trust continues to hinder financial institutions, as only 28% of Mintel respondents say they trust the financial services industry in general and only 43% trust their bank to "do what is best for their customers." Consumers are wary of corporate motives. Brands will have to re-earn decades of lost trust.

"Banks and other financial services companies need to concentrate on rebuilding their images," notes Susan Wolfe, VP of financial services at Mintel Comperemedia. "The key to these efforts will be increased transparency and a two-way dialogue between the company and customer…it's about the relationship and a good place to start is with the unsuspecting Millennial generation."

Millennials, those aged 22-35, grew up in a much different world from that of their predecessors. Investment firms typically ignore this younger group, but the recession is likely to change the way they see the financial world. It may make them permanently more frugal and conservative.

Though they tend to worry less than older generations, over half of Millenials are still concerned about having enough money to retire one day. Nearly four in 10 Americans in the Gen X, Baby Boomer and Swing Generation groups say they don't think they will ever be able to retire.

The overwhelming number of choices that consumers have is also an issue for the investment world. "Too much choice can lead to anxiety and paralysis, which results in consumers doing nothing as they are afraid to make a bad decision and choose the wrong product. Financial companies need to push investment options in a way that instills trust and simplifies the message," Wolfe said.

403(b) Survey Reveals Progress and Stability

Sponsors of 403(b) plans took important steps forward in managing their plans over the past three years—despite a grueling economy and sweeping new regulation, according to a new survey of 403(b) plan sponsors from the Profit Sharing/401k Council of America (PSCA).

The survey, sponsored by the Principal Financial Group, also revealed that the vast majority (73 %), of 403(b) sponsors held firm on making employer contributions to their plans and 40 % of those that suspended matches are restoring them.

"We saw real stability in the midst of volatility as 403(b) plans began restoring employer matches at the same rates as 401(k) plans," says David Wray, PSCA president, about results from the just-released *403(b)*

Plan Response to Changing Conditions survey. “We also saw a significant increase in employee education as 403(b) sponsors helped employees focus on rebuilding. That may explain why these plans also report increased participation.”

Highlights from the survey include:

- More than a third (38%) of respondents report that participation rates have increased.
- More than half of respondents (50.8%) increased employee education and communication efforts over the last year.
- Nearly a quarter (22.6%) added investment advice
- Nearly 16% of 403(b) plans that suspended the match plan to reinstate it within the next six months.

“Clearly, these 403(b) plan sponsors have shown resilience over these recent tumultuous years,” says Aaron Friedman, national non-profit practice leader, The Principal. “The survey shows that 403(b) plans appear to have adapted remarkably well to challenging economic times and major regulatory change.”

The 403(b) Plan Response to Changing Conditions survey—part of an ongoing series of PSCA surveys on 403(b) plans—reports on the 2009-2010 plan year experience of 599 403(b) plan sponsors from across the country. Find full survey results at www.psca.org.