The Bucket

By Editorial Staff *Wed, May 4, 2011*

Brief or late-breaking items from DST Systems, Senior Market Sales, Conning Research, BNY Mellon, Mutual of Omaha, Mesirow Financial, ASPPA, Lockton Retirement Services, Huntington Investment Co., Allianz Global Investors and Putnam.

DST Systems buys Newkirk Products

DST Systems has acquired Newkirk Products, Inc. for undisclosed terms. Newkirk, an industry leader in the developer and deployer of communications, education, and investment information for companies in the retirement planning, managed care, and wealth management industries, will be a unit of DST's Output Solutions Segment

Newkirk, which will retain its brand identity, has 40 years' experience solving communication issues of financial institutions and professional firms focusing on 401(k), 457, 403(b), money purchase and profit sharing plans. It has operations in New York, Oregon, New Jersey and Minnesota.

Newkirk's on-demand publishing and marketing solutions are expected to complement DST Output's transactional and digital fulfillment solutions, making it easier for companies to communicate to customers across print, mobile, and electronic channels. It also enables clients of DST Retirement Solutions to access Newkirk's communication and education materials, financial planning tools and plan documents.

DST provides information processing and computer software products and services to the mutual fund, investment management, insurance and healthcare industries. It also provides integrated print and electronic statement and billing output solutions through a wholly owned subsidiary.

"Social Security Timing" Software Unveiled

Senior Market Sales, Inc., an Omaha-based insurance marketing organization, has introduced its Social Security Timing™ software, which helps married retirees maximize their Social Security benefits.

Social Security Timing™ has two components. The first is the free "What's at Stake?" consumer calculator, which shows the best and worst possible Social Security election decisions. It also shows their top three election strategies and prompts them to consult an advisor. The second component is the Social Security Timing™ software that financial advisors can purchase to use with their clients.

The Social Security Timing™ Software and the free "What's at Stake?" calculator are available for review at www.SocialSecurityTiming.com.

"Whether to elect Social Security early or late is a decision virtually every retiree is faced with," said Joe Elsasser CFP, Director of Advisory Services for Senior Market Sales and the software's creator. "Social

Security Timing™ is the only software in the marketplace that simultaneously calculates all whole year election age combinations across nine possible election strategies in order to identify the strategy that offers the highest lifetime benefit."

Senior Market Sales is a full-service IMO. Joe Elsasser, CFP, is an Omaha-based independent financial advisor.

Longevity Awareness Expands Retirement Income Opportunities: Conning

The transfer of longevity risk creates a tremendous growth opportunity for insurers who develop and distribute retirement income products. However, profitable growth depends on managing the risks associated with these products, according to a new study by Conning Research & Consulting.

"The life industry has grown significantly during the past two decades by helping individuals accumulate retirement assets," said Scott Hawkins, analyst at Conning Research & Consulting.

"However, Baby Boomers are increasingly concerned about outliving their accumulated assets as they near or enter retirement. At the same time, pension plan sponsors are concerned about managing their assets to meet their obligations to current and future retirees as life spans increase. The longevity risk concerns of both individuals and groups represent significant premium growth opportunities for insurers over the medium term."

The Conning Research study, "Expanding Retirement Income Opportunities for Insurers: Managing Increased Longevity Risk" identifies and quantifies growth opportunity for insurers that provide retirement income products that manage longevity risk. It explores key longevity and investment risks to profitable growth that insurers face as they develop this opportunity and how insurers could manage these risks.

"This transfer of longevity risk creates a tremendous growth opportunity for insurers who develop and distribute retirement income products," said Stephan Christiansen, director of insurance research at Conning. "Opportunities can be developed from exploiting differences in mortality of specific populations or groups, from fluctuations in specific age cohorts along the mortality/longevity spectrum, or from providing solutions to mismatches between investment and payment durations. However, profitable growth for insurers offering these products also depends on developing effective solutions to challenges of product distribution and on successfully managing the broad-scale accumulation of longevity risk within the insurer's own portfolio."

"Expanding Retirement Income Opportunities for Insurers: Managing Increased Longevity Risk" is available for purchase by calling (888) 707-1177 or at www.conningresearch.com.

BNY Mellon to Acquire Wealth Management Business of Talon Asset Management

BNY Mellon has agreed to buy the wealth management operations of Chicago-based Talon Asset Management, including more than $800 million in assets under management. Terms of the deal, which does not include the firm's private equity and hedge fund businesses, were not disclosed and the sale is expected to close in the second quarter.

Talon staff will become part of BNY Mellon and senior Talon principals Terry Diamond, Alan Wilson and Edwin Ruthman will assume leadership roles in the Chicago office.

The companies said the transaction offers several advantages to Talon clients, including:

- Broader global asset management opportunities
- Increased access to alternative investment opportunities
- Enhanced technology and reporting capabilities
- Expanded private banking and wealth planning services

BNY Mellon already employs nearly 450 people in the metropolitan area in an array of business units including asset servicing and treasury services.

Mutual of Omaha offers Mesirow Financial's fiduciary service to plan sponsors

Mutual of Omaha now offers a new plan-level fiduciary service option to its retirement plan customers in the form of Mesirow Financial's investment manager service, which addresses plan sponsor needs under ERISA section 3(38) at the individual plan level.

The new offering, if selected by a plan sponsor, allows Mesirow Financial, an ERISA 3(38) Investment Manager, to select and monitor investment options for a plan. This solution expands and complements the existing 3(21) co-fiduciary service Mutual of Omaha has offered in conjunction with Mesirow Financial since 2007.

"Our new 3(38) investment manager solution provides more flexibility to broker-dealers and their advisors, addressing the Department of Labor's proposed regulations expanding the definition of 'fiduciary' related to investment advice," said Tim Bormann, 401(k) product-line director for Mutual of Omaha.

"Outsourcing investment selection and monitoring to Mesirow Financial provides an additional layer of protection to broker-dealers and their advisors and allows the advisor to focus on providing other value-added services to their clients. It also reduces the time commitment required by plan sponsors to meet their fiduciary obligations, allowing them to devote more time to running their business."

The most notable difference between the 3(21) and the 3(38) fiduciary services is that Mesirow Financial, through a menu-driven approach, provides advisors and plan sponsors with multiple investment line-ups to choose from under the 3(21) service; and with the 3(38) investment manager service, Mesirow Financial assumes full responsibility for developing investment guidelines and acts as the investment manager to the plan.

Based in Chicago, Mesirow Financial is an independent, employee-owned financial services firm with more than 1,200 employees in the U.S. and London. The firm has capital of $299 million, revenues totaling $526 million for fiscal 2010 and $51.0 billion in assets under management, of which $24.3 billion are in currency and commodities as of the end of 2010.

GAO study on 401(k) tax subsidy not accurate: ASPPA

Brian Graff, executive director/CEO of The American Society of Pension Professionals & Actuaries (ASPPA) said the new GAO report, "Private Pensions: Some Key Features Lead to an Uneven Distribution of Benefits," is wrong in asserting that the 401(k) system disproportionately benefit higher income workers.

"Simply put, the facts say otherwise," Graff said in a release. He continued:

"Based on the IRS' own data 74% of workers participating in defined contribution plans come from households making less than $100,000. Only 5 percent come from households making more than $200,000.

"When you measure who gets the tax benefits from these plans, the impact on moderate income workers becomes clearer. Households making less than $50,000 pay only 8 percent of all income taxes, but receive 30 percent of all the tax incentives associated with defined contributed plans.

"In other words, for every dollar of income taxes paid by these workers they get almost four dollars back in tax incentives for these plans. That's a good deal by any measure, and it shows that these tax incentives are effectively and efficiently targeted at low and moderate income families. The reason is these plans are subject to stringent nondiscrimination rules that are a part of the tax code and were designed by Congress to make sure these plans provide benefits fairly to everyone.

401(k) plans have proven to be incredibly successful at getting moderate income workers to save.

"According to the Employee Benefits Research Institute, over 70 percent of workers making between $30,000 and $50,000 save when covered by a workplace savings program, whereas less than 5 percent of those same workers save on their own when not covered by a plan. Of course, more does need to be done to expand retirement plan coverage, which is why ASPPA supports proposals, like the Auto-IRA proposal in the President's budget that would give more workers access to these plans."

Retirement plan sponsors can learn from Kraft Foods decision

On April 11, the U.S. Court of Appeals, Seventh Circuit, reversed a lower court judgment for the defendants and remanded critical arguments in a 2006 class action lawsuit brought by plan participants accusing Kraft Foods of allowing the plan to incur high costs and generate insufficient gains.

The Seventh Circuit's conclusions provide critical lessons for plan fiduciaries, according to Rick Unser, ERISA Risk Management consultant at Lockton Retirement Services:

No Decision is a Decision—If you decide to maintain the "status quo" in your plan, the courts and plaintiff attorneys will argue that you have made a fiduciary decision. If the status quo is deemed to be imprudent, you may be liable for any resulting damages to the plan.

Document Fiduciary Process—Critical in the reversal by the circuit court is that they were "not directed to any place in the record that identifies when defendants" made critical fiduciary decisions. This absence of documentation gave the court significant reservations and ultimately was a key influence in granting grounds for further consideration.

Benchmark Plan Fees—The plaintiffs argued that "prudent fiduciaries" would solicit competing bids for plan expenses "about once every three years." The Seventh Circuit reversed the district court's summary judgment and opined that because the plan fiduciaries had not received competing bids, the plaintiffs may pursue an excessive fee argument.

Can Not Rely Solely on Opinions of Consultants—The court also opined and cited several previous cases, that while engaging consultants was "certainly evidence of prudence," their advice is not a get out of jail free card.

"As plaintiff's attorneys and judges learn from both current and previous ERISA cases, the facts and determinations gleaned from such cases are also of significant importance to plan sponsors. Plan sponsors should be aware that by applying the analysis and rulings from the courts, they may lower their fiduciary risk profile and better meet their fiduciary responsibilities," Lockton said in a release.

Mercer elevates "RetireTALK" site for plan participants

RetireTALK, an online video-based retirement planning and education campaign designed to motivate 401(k) plan participants, has been launched by Mercer, the retirement plan administrator.

The interactive website uses hypothetical personal retirement scenarios based on different ages and challenges to bring a "real world" relevance to retirement planning. The campaign launched in mid-April for Mercer's clients and is also available to the public at www.retireTALK.com.

Participants watch a short video clip, they are prompted to respond to "simple but thought-provoking" questions and then hear retirement savings tips that apply to their own situations. This "watch > react > learn" technique is intended to make education more memorable and relevant to participants in each corresponding life stage, savings habit or age bracket.

The RetireTALK campaign has two-phases, each with its own theme: "Saving and spending habits" and "Fact or fiction." Each phase will include new personal retirement scenarios, polls, tips, and planning calculators. The campaigns also use social media elements, such as a "Share It" feature and a "Tweet of the Week."

RetireTALK was developed partly in reaction to key findings from the 2010 Mercer Workplace Survey.

Huntington fixed annuity offers renewal rate protection

The Huntington Investment Co., a unit of Huntington Bancshares Inc., launching a new fixed annuity this week that offers "a higher rate than many certificates of deposits, tax deferred interest earnings" and "allows customers to exit the product if renewal rates decrease by more than a half percent," the company said in a release.

The Huntington SecureFore 7, issued by Forethought Life, is a seven-year fixed annuity contract that lets owners customer lock in a rate for three or five years.

The rate is reset at the end of that term and annually afterwards. Customers can exit the contract with no penalty if the renewal rate drops more than a half percent below their base rate.

Allianz Unveils Behavioral Solutions to Challenges Financial Advisors Face with Clients

In its latest whitepaper, *Behavioral Finance in Action*, the Allianz Global Investors Center for Behavioral Finance offers new insights to empower both financial advisors and their clients to make better decisions.

Released today, this revealing research piece was developed with leading academics to present strategies that address everyday psychological challenges in the financial advisor/client relationship.

"This paper offers academic insights that financial advisors can use to help their clients discriminate between wise intuitions and erroneous judgments."

"Emotion and intuition play a critical role in people's decision making, which may lead to systematic and predictable errors," said Prof. Shlomo Benartzi of UCLA, an expert in behavioral finance and Chief Behavioral Economist of the Allianz Global Investors Center for Behavioral Finance. "This paper offers academic insights that financial advisors can use to help their clients discriminate between wise intuitions and erroneous judgments."

Behavioral Finance in Action reflects the ideas and research of notable experts, presenting four timely problems faced by advisors and clients:

- Investor paralysis – the psychological fallout from the financial crisis has caused investors to leave record amounts of cash on the sidelines
- Lack of investor discipline – investors often buy high and sell low

- A crisis of trust – the recent financial crisis has had a lasting impact on the bond of trust between financial advisors and their clients
- The disinclination to save – inadequate savings is a chronic problem, not just for retirement but for other contingencies

The Center's research asserts that these challenges are all products of the intuitive mind and, as such, can be addressed with techniques from the "behavioral toolbox". For example:

To address investor paralysis, the paper recommends the "Invest More Tomorrow" strategy, where advisors invite clients to pre-commit to begin investing at a specific time in the future, and to agree on the size and frequency of subsequent periodic investments.

- The "Ulysses Strategy" seeks to help advisors rein in a lack of investor discipline by encouraging clients to pre-commit to a rational investment plan in advance of large market movements.
- Simple actions that demonstrate competence and display empathy could be the keys to regaining and maintaining the trust of clients. The paper lays out several basic actions – some of which are counterintuitive – that may help advisors regain the client trust that was battered by the financial crisis.
- *The Behavioral Time Machine*, currently in development, seeks to bolster savings rates by connecting individuals with their future selves. Using age-progression software, this tool allows people to see images of themselves 30 years in the future and has been proven in studies to be effective at increasing savings rates.

Putnam Investments adds to retirement sales team

Putnam Investments today announced that it has hired two respected industry veterans for senior positions in defined-contribution sales and client relations.

Michael R. Shamon will be responsible for Putnam's internal defined-contribution sales team, working with advisors and consultants nationally to support the sales of Putnam's full-service and investment-only retirement businesses.

Daniel E. McDermott will serve as relationship manager, focused on mid- to large-sized retirement plans.

Shamon, who will report to National Sales Manager Jim Brockelman, joins Putnam from JPMorgan Asset Management in Boston, where he was Vice President, Client Advisor, in the firm's Retirement Plan Services division. McDermott joins Putnam from Prudential Retirement in Hartford, Connecticut, where he was Vice President, Relationship Management, responsible for managing relationships for some of the firm's largest clients.

McDermott will report to Michael MacWade, Director of Defined Contribution Relationship Management.

Before joining JPMorgan, where he consulted with retirement plan sponsors on investment strategies, fiduciary coverage and maximization of retirement value, Shamon held several positions of increasing responsibility over a nine-year period with Putnam Investments/Mercer HR Services. Earlier, he served as a Pension and TDA Coordinator for Harvard University and began his career as a defined-contribution plan administrator for NYL Benefit Services Company.

A resident of Bedford, Massachusetts, Shamon holds a Bachelor of Arts degree in History from the Massachusetts College of liberal arts and an MBA degree from Nichols College. He also is a member of the Investment Management Consultants Association.

McDermott joins Putnam from Prudential Retirement, where he was responsible for sales and relationship management for some of the firm’s largest clients. Prior, he held several positions of growing responsibility in a 14-year career with Putnam’s defined-contribution unit, including serving as Vice President and Regional 401(k) Sales Director for the Midwest Region. A resident of Franklin, Massachusetts, McDermott received a Bachelor of Science degree in Business Administration from Plymouth State University.