The Bucket

By Editorial Staff *Thu, Oct 20, 2011*

Brief or late-breaking items from Sun Life Financial, Vanguard, Mass Mutual and the SPARK Institute.

SPARK Institute updates data standards for in-plan annuities

The SPARK Institute today released a new version of its information sharing standards and data layouts for lifetime income solutions that are used in retirement plans, said Larry Goldbrum, General Counsel. "In response to requests and recommendations from companies that are implementing the 'Data Layouts for Retirement Income Solutions' we made certain technical changes and clarifications," he said. The data layouts, originally issued in September 2010, make it easier and more cost effective for record keepers and insurance carriers to make retirement income solutions available to plan participants. "The changes are relatively minor and we do not anticipate having to make other changes in the near future," Goldbrum said.

"The standards allow customer-facing record keepers to offer one or more products from unaffiliated insurance carriers; facilitate portability of products when a plan sponsor changes plan record keepers (record keeper portability); and support portability of guaranteed income when a participant has a distributable event in the form of a rollover to a Rollover IRA or as a qualified plan-distributed annuity (participant portability)," Goldbrum said.

The new document, "Data Layouts for Retirement Income Solutions (Version 1.01)," is available at no charge on The SPARK Institute website. Goldbrum said The SPARK Institute will also maintain a Q&A section on its website to address technical questions that may arise as the standards are adopted. Questions about the data layouts should be submitted by email to lifetimeincome@sparkinstitute.org.

The SPARK Institute represents the interests of a broad based cross section of retirement plan service providers and investment managers, including banks, mutual fund companies, insurance companies, third party administrators, trade clearing firms and benefits consultants. Collectively, its members serve approximately 70 million participants in 401(k) and other defined contribution plans.

Canada's Sun Life expects a third quarter loss

TORONTO – Canadian life insurance and retirement services provider Sun Life Financial Inc. said Monday it expects a loss of 621 million Canadian ($611.7 million) in the third quarter, the result of equity market declines and low interest rates, the company said in a release.

Those issues hurt its life insurance and variable annuity businesses in the United States.

The company's stock tumbled $2.22, or 8.5%, to $23.94 in morning trading. The price has ranged between $21.87 and $34.66 in the past 52 weeks.

The third quarter's exceptional market volatility in which North American stock markets dropped by 12% to 14% combined with falling yields on fixed-income securities drove its losses toward the high end of previous estimates, the company said.

Insurers hold a portfolio of stocks and bond investments to pay future insurance claims.

Updates to actuarial methods and assumptions, which generally take place in the third quarter of each year, contributed approximately 200 million Canadian ($197 million) to the loss, the company said.

The Toronto-based company also said it plans to make a method and assumption change related to the valuation of its variable annuity and segregated fund liabilities in the fourth quarter. The change will provide for the estimated future lifetime hedging costs of these contracts in its liabilities.

The change is expected to result in a higher level of future earnings from contracts already in force than would be the case using the current methodology. The impact on the net income of the company in the fourth quarter will depend on interest rates and other market conditions on Dec. 31 as well as further refinements to the methodology.

If the change was made under current market conditions the expected one-time reduction in fourth quarter net income is estimated to be approximately 500 million Canadian ($492.5 million).

The company will release its full third-quarter results on Nov. 2 after the market closes.

Vanguard to add new TDF, merge two redundant funds

Vanguard plans to add a new fund to its popular Target Retirement Funds in early 2012 and merge two funds with similar asset allocations. The series of low-cost, index-based funds will remain at 12.

In early 2012, the Vanguard Target Retirement 2005 Fund will merge with the Vanguard Target Retirement Income Fund as their asset allocations become nearly identical. The Target Retirement Funds are designed to reach an allocation of 65% bonds, 30% stocks and 5% short-term reserves within seven years after their target date. The 2005 Fund will be closed to new investors, effective immediately.

Vanguard has also filed a registration statement with the U.S. Securities and Exchange Commission for the Vanguard Target Retirement 2060 Fund, which is aimed at investors who plan to retire and leave the workforce in or within a few years of 2060. At the time the fund is launched in early 2012, those investors will be 18 to 20 years old.

As with Vanguard's existing Target Retirement Funds, the 2060 Fund will invest in other Vanguard index funds. The initial allocation will be Vanguard Total Stock Market Index Fund, 63%, Vanguard Total Bond Market II Index, 10%, Vanguard Total International Stock Index Fund, 27%.

Nearly 80% of the defined contribution plans for which Vanguard keeps records offer Vanguard Target Retirement Funds, with almost 50% of participants in those plans investing in them. In addition, 14% of

Vanguard IRA investors hold Target Retirement Funds.

In May, Vanguard reduced the minimum investment requirement from $3,000 to $1,000. The expense ratio of the 2060 Fund is expected to be 0.18%, similar to that of the other funds in the lineup. The average industry expense ratio for a target-date fund in the 2060 Fund's peer group is 0.60%, according to Lipper.

MassMutual promotes Elizabeth A. Ward

Massachusetts Mutual Life Insurance Company (MassMutual) announced today it has promoted Elizabeth A. Ward, who serves as the company's Chief Enterprise Risk Officer, to executive vice president.

Ms. Ward has served in her current role at MassMutual since November 2007 and previously held the title of senior vice president. As Chief Enterprise Risk Officer, she is responsible for MassMutual's enterprise risk management functions across the company including its asset management subsidiaries.

Ms. Ward has more than 20 years of experience in insurance company investment portfolio management and strategy. She first joined Babson Capital Management LLC, a MassMutual subsidiary, in 2001, and prior to that she held a broad range of insurance and investment management positions at a number of companies, including American Skandia, Aeltus Investment Management and Aetna Life & Casualty.

Ms. Ward is a Fellow of the Society of Actuaries, a Professional Risk Manager, a Member of the American Academy of Actuaries, a member of the Global Association of Risk Professionals, and a regular member of the CFA Institute. She holds a B.A. from the University of Rochester in economics and Spanish.