The Bucket

By Editorial Staff *Tue, Jan 24, 2012*

Brief or late-breaking items from Milliman, the Insured Retirement Institute, the Financial Planning Association, the Association for Financial Counseling and Planning Education, Fidelity, Swiss Re, Putnam Investments, DTCC, the American Academy of Actuaries, the Society for Human Resource Management, and Ameriprise Financial.

Milliman opens office in Dusseldorf

Milliman Inc., the global consulting and actuarial firm, has opened a new office in Dusseldorf, Germany, to complement its existing office in Munich, according to a news release.

The Dusseldorf office is headed by Michael Leitschkis, who combines a consultancy background with experience as head of Modelling Life and Health at a major German insurance group. He is a member of the German Actuarial Union (DAV) and a lecturer of the German Actuarial Academy (DAA) as well as the European Actuarial Academy (EAA), lecturing on risk modelling within the CERA education framework.

The consultants in the new office will operate as part of the European Milliman team, which includes 250 consultants. Their main services will focus on risk modelling and ERM (Enterprise Risk Management), implementation of Solvency II and ALM (Asset Liability Management).

The new address is Milliman GmbH, Speditionstrasse 21, 40221 Dusseldorf. Tel. +49-211-88231-595; Fax. +49-211-88231-520.

Few GenXers on track for secure retirement: IRI

Only one-third of GenXers are at least very confident of having enough money to live comfortably during retirement, cover their medical expenses, and pay for their children's higher education, according to "Retirement Readiness of Generation X," a new report from the Insured Retirement Institute.

The research was conducted by means of telephone interviews with 802 adult Americans ages 30-49. The survey was conducted by Woelfel Research, Inc.

Just 41% of GenXers have tried to figure out how much money they will ultimately need to save, the survey showed. Among those who have saved, half have amassed less than $100,000.

Of those who pinpointed an anticipated retirement age, the average age was 64, indicating an average retirement period of more than 20 years.

Amid the recession, 15% of GenXers have made early withdrawals from their 401(k) plans, 23% stopped contributing to their retirement accounts, and 22% stopped contributing to college savings plans. Approximately 21% of older GenXers and younger Boomers in this group needed to dip into their retirement savings plans in the past year.

Single GenXers, women and those on the cusp of the Boomer Generation are in particular need of guidance in planning for retirement. 54% of female GenXers rated themselves as having little to no investment knowledge; this compares to 37% of male GenXers.

Only 24% of single GenXers were at least very confident that they would have enough savings to fund their lifetime retirement needs, compared to 40% of married GenXers.

On the other end of the scale, 35% of single GenXers expressed little to no confidence about having enough money for their retirement, compared to 20% of married GenXers.

Presently, 37% of GenXers have consulted a financial advisor. Among single GenXers, this figure is 20%. IRI defines Generation X as Americans born from 1965 through 1981, inclusive.

Generation X, as a group, is educated (one third have at least a Bachelor’s degree), own their own homes (at least 70% of married couples), and work in professional occupations (more than 40%).

FPA and AFCPE to leverage ‘synergistic strengths’

The Financial Planning Association (FPA) and the Association for Financial Counseling and Planning Education (AFCPE) will collaborate on “a number of initiatives designed to leverage the organizations’ natural synergistic strengths and resources,” the two organizations announced.

The FPA is the nation’s largest membership group for personal financial planning experts and AFCPE is dedicated to educating, training and certifying financial counselors and educators. The primary areas of collaboration will include:

- Supporting and developing the complementary disciplines and professional specialties of financial counseling and financial planning.

- Providing specially designed options to FPA members who wish to obtain Accredited Financial Counselors (AFC) and Certified Housing Counselors (CHC) certification, and to AFCPE counselors who are seeking membership within FPA and explore opportunities to work with Certified Financial Planner members of FPA

- Helping enhance personal finance research and education programming, including expanded opportunities for FPA members and AFCPE certified counselors to gain Continuing Education
- Developing communities of practice between FPA and AFCPE memberships both nationally and regionally
- Expanding educational sessions on key personal finance topics at the organizations’ respective conferences.

Fidelity’s global investing platform adds five countries and currencies

Fidelity Investments said it will add five additional countries and currencies to its online international investing platform, enabling investors to trade international stocks and exchange foreign currencies in 17 major markets.

All of Fidelity’s retail brokerage customers can now register online to trade directly in international markets. Previously, only Fidelity’s active traders and high-net-worth investors could do so.

The new countries and currencies available to Fidelity’s retail investors are:

- Mexico; Peso (MXN)
- New Zealand; New Zealand Dollar (NZD)
- Singapore; Singapore Dollar (SGD)
- Sweden; Krona (SEK)
- Switzerland; Swiss Franc (CHF)

Fidelity’s online international investing platform was launched in 2009. In addition to direct access to 17 foreign markets and 13 currencies, Fidelity customers also can benefit from the more than 1,400 mutual funds and 250 ETFs with international securities exposure available on Fidelity.com/InternationalTrading. From 2010 to 2011, the number of international equity executions on Fidelity.com increased 89%.

Before the expansion, 12 countries were available on Fidelity’s brokerage platform: Australia, Belgium, Canada, France, Germany, Hong Kong, Italy, Japan, the Netherlands, Norway, Portugal and the United Kingdom, with trading in eight currencies, the Australian Dollar, British Pound, Canadian Dollar, Euro, Hong Kong Dollar, Japanese Yen, Norwegian Krone and U.S. Dollar.

Swiss Re names Group CEP

Swiss Re’s board of directors has appointed Michel M. Liès, a veteran Swiss Re executive, as the new Group Chief Executive Officer, effective February 1, 2012. He succeeds Stefan Lippe, who announced his departure last December.

Born in France, Liès is a citizen of Luxembourg. After obtaining a mathematics degree from the Swiss Federal Institute of Technology in Zurich, he became chief financial officer of a ceramics company in Brazil. He joined Swiss Re in 1978, focusing on the Latin American Life & Health markets. In 1994 he was named head of Swiss Re Iberia & Latin America Property & Casualty and starting in 1998 he served as a member of the Executive Board and head of the Latin American Division.

From 2000 through 2005, Liès led Swiss Re’s Europe Division, after which he became global head of Client Markets and a member of the Executive Committee. In 2010, he was named chairman of Global Partnerships.

The Board also announced that Moses Ojeisekhoba will join Swiss Re as CEO Reinsurance Asia. The chairman of the Swiss Re board is Walter B. Kielholz.

Putnam names two to global consultant relations team

Charlotte Walsh and Greg Weissman have joined the Global Institutional Management Consultant Relations team at Putnam Investments. The two will be based in Chicago and Boston, respectively.

Along with current team members Keith Thomas in London, Anne Lundberg in Chicago, and two Boston-based associates, they will report to Joseph Phoenix, head of Putnam Global Institutional Management. The new team will serve the needs of institutional asset management consultants worldwide.

Walsh joins Putnam from Ranieri Partners, where she was managing director, focusing on direct sales and consultant relations. A CFA charter holder, she also worked at Allegiant Asset Management, Oppenheimer Capital, and Banc One Investment Advisors/JP Morgan Asset Management, as Stratford Advisory Group and William M. Mercer Investment Consulting. She attended Northwestern University.

Gregory Weissman was most recently senior vice president, director of consultant relations, Old Mutual Asset Management. Prior to that, he was director, institutional sales for Cowen & Company. Weissman has also held senior roles at Pacific Crest Securities and Jefferies & Company. He is a graduate of Southern Methodist University,
Edwin Cox School for Business.

DTCC releases report on 2011 and December annuity product activity

The Depository Trust & Clearing Corporation (DTCC) Insurance & Retirement Services (I&RS) has released full-year and December information on activity in the market for annuity products from its Analytic Reporting for Annuities online information service, which leverages data from the transactions that DTCC processes for the industry. Analytic Reporting for Annuities is a service offering of National Securities Clearing Corporation, a DTCC subsidiary.

- Inflows processed by DTCC in 2011 totaled over $90 billion.
- DTCC processed nearly 45 million transactions categorized as inflows and out flows in 2011.
- Net flows in 2011 totaled almost $24 billion.
- Inflows for all annuity types processed in December increased nearly 13%, or over $860 million, to $7.8 billion from $6.9 billion in November.
- Subtracting out flows from inflows, net cash flows decreased 2.5% to $1.84 billion in December from $1.9 billion in November.
- The top 10 insurance companies accounted for over 69% of all inflows processed in December and over 68% of all inflows processed in 2011.
- Five hundred sixty one (561) annuity products saw positive net flows in December, while 2,264 annuity products saw negative net flows, where the amount redeemed exceeded the amount invested.
- For the full year, 700 annuity products had positive net flows and 2,450 experienced negative net flows.

The overall trend in inflows has been slightly down for the year, while the trend in net flows has been slightly up.

Transactions processed by DTCC show an increasing percentage of inflows being directed into IRA accounts in 2011, and a decreasing percentage of inflows directed into non-qualified accounts.

Non-qualified accounts are receiving less than 40% of cash flows. After remaining relatively flat for the past several months inflows into 401(k) plans jumped from $392 million in November to almost $749 million in December.

Looking at the net cash flow (subtracting out flows from inflows) distribution displays the greater persistence, or “stickiness,” of investments into qualified plan accounts. In 2011 regular IRA accounts took the lion’s share of positive net flows with 77%. 401(k) plans attracted 13%, and non-qualified accounts attracted only slightly less than 6% of positive net flows, far from the 39% of inflows going into these accounts.

In August 2011, DTCC joined forces with the Retirement Income Industry Association (RIIA) to analyze cash flows by RIIA-defined broker/dealer distribution channels and product categories. For the six distribution channels defined by RIIA, the following are the percentages of inflows processed by the I&RS in December:

- Independent broker/dealers – 25%
- Wirehouses – 23%
- Regional broker/dealers – 15%
- Bank broker/dealers – 12%
- Insurance broker/dealers – 9%
- Others – 16%

DTCC, through its subsidiaries, provides clearance, settlement and information services for equities, corporate and municipal bonds, government and mortgage-backed securities, money market instruments and over-the-counter derivatives. It is also a leading processor of mutual funds and insurance transactions, linking funds and carriers with their distribution networks.

DTCC’s depository provides custody and asset servicing for more than 3.6 million securities issues from the United States and 121 other countries and territories, valued at US$36.5 trillion. In 2010, DTCC settled nearly US$1.66 quadrillion in securities transactions. DTCC has operating facilities and data centers in multiple locations in the United States and overseas.

Personal financial stress affects employee performance and

retirement savings, HR survey shows

A survey of employer-sponsored financial education initiatives shows that U.S. workers' money worries are impacting their work performance and retirement savings plans.

The survey from the Society for Human Resource Management asked HR professionals key questions, including, "*In the past 12 months, have employees been more likely to dip into their employer-sponsored retirement savings plans compared with previous years?*" More than half—55%—of HR professionals agreed while 17% strongly agreed. A little less than a quarter, or 24%, disagreed, and three percent strongly disagreed.

When asked *the impact of employees' personal financial challenges upon work performance*, roughly one in five—22%—of HR professionals cited a "large impact." Sixty-one percent noted "some impact" while 16% responded, "slight impact." Only two percent of HR professionals observed "no impact" upon workers.

"The source of money woes is unsurprising but the toll it's taking on both workers and their employers, in addition to the persistence of the weak economy, are all troubling issues," said Mark J. Schmit, Ph.D., SPHR, vice president of research at SHRM.

A closer look at the impact on work performance shows that:

- 47% of HR professionals noticed employees' struggle with their "ability to focus on work";
- 46% noticed issues with "overall employee stress";
- 26% observed a negative impact on "overall employee productivity";
- 24% said money woes are leading to "employee absenteeism and tardiness";
- 20% are concerned about "overall employee morale";
- 12% noticed a negative impact on "overall employee health" ; and
- 7% said "working relationships with other employees" are the least impacted.

To understand what employer-sponsored financial education programs need to cover, the survey examined the sources of personal financial stress. Nearly half—49%—of HR professionals said employees are stressed by an "overall lack of monetary funds to cover their personal expenses."

SHRM surveyed 458 randomly selected HR professionals from its membership.

Actuaries identify four national priorities

The American Academy of Actuaries has released what it considers key policy priorities needed to restore the nation's fiscal health and financial security, saying it "hopes the president will place these priorities high on his policy agenda this year. There are mounting risks facing important public programs and private systems critical to the nation's retirement security and financial strength, and the actuaries urge all policymakers at the joint session of Congress to work together toward viable and sustainable solutions.

"Failure to act to address these significant financial problems makes them more difficult to successfully manage and mitigate," said Dave Sandberg, president of the American Academy of Actuaries.

Priority: Achieve long-term sustainability of the Social Security and Medicare programs

The actuaries believe that recent efforts to curb deficits and address the nation's fiscal challenges have been missed opportunities to restore both programs' financial viability and provide security to future generations of retired Americans.

Specifically regarding Social Security, the actuaries renew their recommendation to policymakers to restore actuarial balance to the program by including an increase in the retirement age in any reform measure. Life expectancy improvements have increased the program's payout of benefits and system costs. An increase in the retirement age, however, would help stem this cost growth and lead to a more financially sustainable system.

Priority: Achieve retirement security through new retirement framework

Policymakers also must address the challenges of longevity risk, inflation risk, investment risk, and their effects on retirement security. Actuaries had considerable concerns regarding adverse selection and sustainability with the Community Living Assistance Services and Supports (CLASS) program adopted as part of the Affordable Care Act, and, in 2011 the Department of Health and Human Services indicated that it would not implement the program. A renewed focus on meeting the long-term care needs of an aging population is needed. Providing consumers with greater financing options for long-term care services and supports should also be a part of any new retirement framework.

Priority: Achieve goals of health reform

The American Academy of Actuaries believes curbing health care spending growth, reducing the number of uninsured, increasing access to affordable health coverage, and improving health care quality are fundamental to providing health security to all Americans.

Priority: Successfully manage financial systemic risk

Actuaries believe that regulatory systems will better anticipate future systemic risk by incorporating sound risk management principles. The new regulatory regimes should employ the appropriate oversight, expertise and accountability necessary to mitigate the effects of risks that could threaten the stability of the nation's financial system.

The American Academy of Actuaries, which has 17,000 members, assists public policymakers on all levels and sets qualification, practice, and professionalism standards for actuaries in the United States.