## The Bucket

By Editorial Staff *Wed, Feb 8, 2012*

*Brief or late-breaking items from the Retirement Income Industry Association, the Defined Contribution Institutional Investors Association, Lincoln Financial, and Prudential Retirement.*

# RIIA and DCIIA create joint initiative to foster in-plan income options

The Retirement Income Industry Association (RIIA) and the Defined Contribution Institutional Investment Association (DCIIA) have agreed to jointly manage a new working group of financial services and retirement industry firms seeking to spread the inclusion of life income options in defined contribution plans.

“Qualified retirement plans contain the largest pool of financial assets that many retirees will be able to accumulate in their lifetimes,” said Francois Gadenne, executive director of RIIA.

“Few income programs have been offered inside of defined contribution plans, [largely] because of the uncertainty surrounding the tax and fiduciary considerations,” said Lew Minsky, executive director of DCIIA. “We now have a clear indication of executive branch support that will help plan sponsors that would like to offer these programs to their employee participants.”

The Defined Contribution Lifetime Income Working Group hopes to “create a framework that helps participants to effectively use the assets they’ve accumulated inside their qualified plans to pay themselves during their retirements,” the two organizations said in a release. RIIA is also sponsoring advanced training and education through its Retirement Management Analyst (RMA) certification which better prepares financial advisors to help plan participants properly construct their retirement income programs.

RIIA and DCIIA are urging interested firms and organizations to join the working group and become members of RIIA and/or DCIIA. Elvin Turner at RIIA turnerconsult@sbcglobal.net and Brenda O’Connor at DCIIA bocconor@dciia.org have additional information.

# Lincoln Financial reports 2011 results

Lincoln Financial Group reported $1.3 billion in income from operations for 2011, up 27% from 2010, but net income fell to $290 million for the year from $812 million in 2010, the company said in a release. Share repurchases totaled $575 million in 2011.

Due mainly to non-cash goodwill impairment, Lincoln reported a fourth quarter 2011 net loss of $514 million, or $1.73 per share. For the same period in 2010, Lincoln reported net income of $196 million, or $0.60 per diluted share available to common stockholders.

But the company also reported fourth quarter 2011 income from operations of $303 million, or $1.00 per diluted share, compared to $266 million, or $0.82 per diluted share available to common stockholders in the fourth quarter of 2010.

The primary difference between net income and income from operations resulted from a $747 million non-cash goodwill impairment charge related to the life insurance and media businesses, the company said in a release.

"Lincoln's 2011 operating results reflect continued strength in flows and deposits across our businesses, ongoing product re-pricing to achieve targeted returns, and significant capital management activities," said President & CEO Dennis R. Glass. "We continue to give priority to relative returns in our capital allocation and business decisions, balancing reinvestment in our core businesses with the opportunity to create value through increased share repurchases."

# Prudential Retirement awarded $28 million from State Street

Prudential Retirement Insurance and Annuity is entitled to $28 million under a ruling by a federal court judge who found that State Street Bank and Trust breached its fiduciary duty in managing two fixed-income funds in which Prudential's 401(k) clients had invested. State Street intends to appeal, its attorney said.

Prudential filed the lawsuit in October 2007 after nearly 200 retirement plan clients with investments in two bond funds managed by State Street Global Advisors — the Government Credit Bond Fund and the Intermediate Bond Fund — suffered losses over July and August 2007 of 23.9% and 16.9%, respectively, even as the funds' benchmark indexes were gaining 2.1% and 2.2%.

Much of the 78-page judgment focused on whether Prudential was justified in believing those funds were "enhanced" bond funds taking incremental risks or fully active funds taking greater risks, with the judge concluding in Prudential's favor.

U.S. District Court Judge Richard J. Holwell in New York, in his written ruling, said State Street had not managed those bond funds prudently and did not diversify them "so as to minimize the risk of large losses."

However, Mr. Holwell said Prudential failed to prove that State Street had "breached its duty of loyalty to the plans."

The judgment noted that State Street employees were aware of the deteriorating situation in the subprime market for asset-backed securities in 2007 but that the company "largely ignored the results of its own investigation," allowing the bond funds to continue increasing their exposure to that segment of the market.