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## The Bucket

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By Kerry Pechter    Tue, Apr 10, 2012

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*Brief or late-breaking items regarding Mary Fay, Curian Capital, RIIA, New York Life, Milliman, and Albridge Solutions.*

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### **Mary Fay joins ING U.S. Insurance**

Well-known insurance executive Mary Fay joined ING U.S. Insurance at the beginning of 2012 as senior vice president and head of annuity product development. She will run a team based in West Chester, Pa., and will report to Michael Smith, CEO of annuity manufacturing. Most recently, she was an consultant with Actuarial Strategies.

From August 2004 to October 2009, Fay was a senior vice president and general manager of Sun Life's multi-line annuity business. She has also held senior positions at Genworth, GE Capital, Travelers Life, Citigroup, CIGNA and Hartford Life. She holds a BA from Skidmore College and an MBA from Rensselaer Polytechnic Institute.

### **Advisors expect to use more VAs: Curian survey**

Just-released results of a survey of more than 1,000 financial advisors appointed to sell Curian Capital managed account products reveal rising interest in tactical asset allocation strategies and alternative investment options and a concern about increased government spending.

Curian Capital, LLC, a unit of Jackson National Life, conducted the survey last December "to gauge how market volatility and the economic climate continues to impact [advisors'] investment strategies and future outlook," the company said in a release. The respondents work at more than 150 broker-dealers and manage an average of \$36 million each.

Highlights of the survey were:

- Similar to respondents' answers in 2010, the survey found that advisors' outlook on the global economy is split nearly evenly - 34% of respondents believe the economic crisis will get better in the near future, 32% believe the economic crisis will be long term and 34% were unsure. This striking disparity among advisors is likely to cause a significantly fractured approach to portfolio management strategies in the year ahead.
- Government spending topped the list of advisors' perceived threats to their clients' retirement accounts, at 35%, followed closely by market volatility at 31%. In 2010, advisors said that not generating enough income to last through retirement was the biggest threat to their clients' retirement plans; however, this year, 82% of respondents reported that they have the adequate income-generating investment products to meet their clients' retirement needs.

- Nearly two-thirds of the advisors say that they have begun using more tactical asset allocation strategies to mitigate economic volatility, and more than half of respondents report they are using more alternative investing strategies.
- As a result of market volatility, nearly 4 out of 5 advisors report an increase in their clients' demands for more conservative investments; in addition, 72% say their clients have an increased demand for guaranteed income features, 55% report an increase in demand for more tactical asset allocation, and 47% report an increase in demand for alternative investments.
- Nearly 80% of advisors using alternative asset classes report that their primary goal for including them is to diversify and further stabilize portfolio returns.
- 61% of advisors report that they plan to increase their use of alternative asset classes this year. Currently, 63% of advisors say their existing allocation to alternative asset classes (as a percentage of AUM) is 10% or less, while only 3% of advisors have 25% or more allocated to alternatives.
- The majority of respondents (38%) said that their main concern about using alternatives is that they are illiquid or less liquid in nature.
- 67% of advisors expect to increase their usage of variable annuities in 2012, and 63% expect to increase their usage of separately managed accounts (SMAs). Conversely, advisors who say they expect to increase their usage of mutual fund wraps (27%) and commissionable mutual funds (9%) decreased 10% from 2010.
- 77% of respondents cite acquiring more affluent clients as their major goal for 2012, and 56% said improving efficiency and overall time management continues to be a goal.
- More than three-fourths of the advisors surveyed say that the quality of an advisory solutions provider's online capabilities impact their use of their products, and they are more likely to use the products if the online resources are of high quality.
- The majority of advisors (69%) say they rely on financial services companies for information on investing strategies, while only 5% of advisors go to social media.

## **Peng Chen joins advisory board for RMA designation**

The president of Morningstar's Investment Management division, Peng Chen, Ph.D., CFA, has joined the curriculum advisory board for the Retirement Management Analyst designation, said Francois Gadenne, executive director and chairman of the Retirement Income Industry Association (RIIA).

As a member of the RMA Advisory Board, Chen will assist the director of curriculum Wade Pfau, Ph.D., CFA, associate professor at the National Graduate Institute for Policy Studies in Tokyo, Japan.

As president of Morningstar's Investment Management division, Chen is responsible for overseeing the company's investment consulting, retirement advice, and investment management operations in North

America, Europe, Asia, and Australia.

The RMA designation, and the coursework that leads up to it, was created by RIIA as a way for financial advisors to learn about RIIA's "build a floor, then reach for upside" approach to retirement income generation and to distinguish themselves from advisors who don't have specialist training in decumulation strategies.

"RIIA and the RMA program are dedicated to serving the financial services industry, including defined contribution and retail distribution organizations, investment managers, financial advisors, broker dealers, banks and insurance companies," RIIA said in a release. "Individuals earning the RMA designation are uniquely prepared to deliver retirement income solutions and services to clients who want a secure income stream and ongoing professional management throughout their retirement years."

## **Market rally, uptick in rates reduce corporate pension deficit: Milliman**

In March, the nation's 100 largest defined benefit pension plans experienced a \$58 billion improvement in pension funding thanks to a \$4 billion improvement in asset value and a \$54 billion reduction in the pension benefit obligation (PBO), according to the annual update of the Milliman 100 companies and their actual 2011 financial disclosures included in the [Milliman 2012 Pension Funding Study](#).

"For the first time in months, interest rates moved in a positive direction for these 100 corporate pensions," said John Ehrhardt, co-author of the Milliman Pension Funding Study. "While the positive market performance was consistent with the first two months of 2012, the pairing of asset improvement and a significant reduction in liabilities makes March the first good news/good news month we've seen this year."

In March, the PBO for these pensions reached \$1.526 trillion as interest rates rose from 4.69% to 4.88%. The overall asset value for these 100 pensions grew from \$1.295 trillion to \$1.299 trillion.

Looking forward, if these 100 pensions were to achieve their expected 7.8% median asset return and if the current discount rate of 4.88% were to be maintained throughout 2012 and 2013, these pensions would narrow the pension funding gap from 85.1% to 88.3% by the end of 2012 and to 93.5% by the end of 2013.

## **New York Life earns record \$1.44 billion in 2011**

New York Life, America's largest mutual life insurance company, announced record 2011 operating earnings of \$1.44 billion and added \$1 billion to surplus and asset valuation reserve for the year, increasing it to a record \$17.9 billion, an all time high. The company also set new records in sales of insurance and investment products, assets under management and individual life insurance in force.

The 2011 result exceeds the record \$1.41 billion in operating earnings posted in 2010 and marks the fourth

year in the last five years that operating earnings have achieved new record highs.

On the annuity side, New York Life continued to lead the industry in providing guaranteed lifetime income, with a 29.7% market share in fixed immediate annuities. The Group also sells fixed deferred annuities and variable annuities.

Insurance sales increased 3.8% in 2011, to \$1.3 billion, propelled primarily by strong sales of life insurance through the company's career agents (up 5%). Investment sales increased 35% to \$51 billion in 2011, driven by growth in sales of institutional separate managed accounts, retail mutual funds, and stable value products in our retirement planning providers. Assets under management increased \$30 billion in 2011 to a new high of \$337.8 billion, up 9.8%.

### **Insurance Group**

The newly formed Insurance Group features the company's industry-leading life insurance business. 2011 highlights include:

- The U.S. life insurance segment once again led the industry with a 10.7% market share.
- The long-term care insurance operation generated a 17% increase in sales over the prior year.
- In 2011, \$4.8 billion in benefits and dividends was paid out to life insurance policyholders.

### **Investments Group**

The newly formed Investments Group includes New York Life Investments, which ranks among the largest asset management firms in the United States, and the businesses of the former Retirement Income Security operation, which provide solutions to the retirement income challenge facing Americans, both in the accumulation and income phases of retirement planning.

With \$313 billion in assets under management as of December 31, 2011, New York Life Investments and its affiliates provide investment management services to institutional and retail clients, offer retirement plans for corporations, multi-employer trusts and individuals, and deliver guaranteed products to qualified and non-qualified markets. New York Life Investments also manages the majority of New York Life's \$175 billion in cash and invested assets. In 2011, New York Life Investments also achieved company records in both gross and net sales. In 2011, the Investments Group set new sales records for its MainStay mutual funds.

Earnings highlights included:

- Surplus and asset valuation reserve increased by \$1 billion, or 6.4%, to a record \$17.9 billion.
- Operating earnings of \$1.44 billion increased 2.1% from 2010, a new record high.
- Total insurance sales reached \$1.3 billion, an increase of 3.8% over 2010, setting a new record.
- Total investment sales exceeded \$51 billion, a rise of 35% over 2010 and a new record.
- Policyholder benefits and dividends rose to \$7.6 billion, a 5.6% increase over \$7.2 billion in 2010.
- Assets under management increased \$30 billion to a new record of \$338 billion, a 9.8% increase

from 2010.

- Individual life insurance in force rose to a new record of \$790 billion, a 4.2% increase from 2010.

## **Investors need personalized reports: Albridge Solutions**

A new white paper suggests that financial professionals are not providing investors with a comprehensive picture of their financial well-being.

The paper, entitled “*Democratizing the Rate of Return: Real-time Portfolio Performance and Risk Reports for all Investors*,” was published by Albridge Solutions Inc., an affiliate of Pershing LLC, a BNY Mellon company.

According to the paper, when formulating a financial plan, an investor’s current position is assessed, goals are set, an action plan is put into place and a quarterly report is produced providing investment performance against historical values, benchmarks and peers.

But these reports don’t tell investors how their investments and their personal inflows and outflows are performing in the face of market fluctuations and economic volatility. Investors lack an accurate and complete picture as to how, or even if, they are achieving their financial goals.

One primary goal of an investment professional is to manage as much of an investor’s wealth as possible. According to the paper, by providing a personalized, comprehensive view of an investor’s entire portfolio, investment professionals can make more informed and tailored decisions for each investor based on timely data. The data shows that as trust between the investor and advisor increases, an investor may allow management of a greater amount of household wealth.

The paper offers insights and strategies for investment professionals to gain and retain clients in this growing on-demand investing environment. Other key insights include the following:

- Investors are demanding more sophisticated, transparent, personalized performance data, regardless of portfolio size.
- Providing money-weighted return reports provides investors with a more accurate and complete investing tool, building a deeper level of confidence and trust.
- According to the 2010-2011 PNC Wealth and Values Survey, 74% of wealthy individuals want “greater transparency” from their financial institutions. Similarly, 77% of respondents said information and technology integration allows them to better manage their investments.

To obtain a copy of the white paper, *Democratizing the Rate of Return: Real-time Portfolio Performance and Risk Reports for all Investors*, visit [www.albridge.com](http://www.albridge.com).