The Bucket

By Editorial Staff *Thu, Jun 7, 2012*

Brief or late-breaking items from Wells Fargo, Securian Financial, The Phoenix Companies, Great-West Life & Annuity, Financial Engines, LPL Financial, the Concord Coalition, Morningstar, Jackson National and JP Morgan.

Investors are faintly positive: Wells Fargo/Gallup Poll

U.S. investor optimism fell to +24 in early May from the +40 recorded in February, according to the latest Wells Fargo/Gallup Investor and Retirement Optimism Index. The decline was driven by increased investor pessimism about the future course of the overall economy.

The optimism of retired respondents fell to +17 in May, down from +38 recorded in February, a drop of 21 points and down from +61 a year ago. Non-retired Americans recorded an optimism level of +27 in May, versus +41 in February.

The Index had a baseline score of +124 when it was established in October 1996. It peaked at +178 in January 2000, at the height of the dot-com boom, and hit a low of –64 in February 2009.

On low interest rates. One in three investors (33%) say low interest rates will cause them to “delay” retirement. Forty-five percent of non-retired Americans and 34% of retirees fear that current low interest rates may cause them to “outlive” their money in retirement. A little more than a quarter (26%) of non-retired and 19% of the retired say low interest rates will cause them to put money in investments they “might have avoided.”

Thirty-two percent of investors think today’s low interest rates are likely to lead to a sharp increase in inflation in the years ahead. “Some people may feel like they’re pushing mud up hill,” said Karen Wimbish, director of Retail Retirement at Wells Fargo.

Non-retired investors say lower interest rates are good for consumers and businesses, and the “benefits outweigh the costs” by 73% to 22%. Retirees are more evenly split, with 47% saying “benefits outweigh the costs” versus 43% who do not.

On saving for retirement. Today’s retirees are more likely to depend on employer-sponsored pensions and Social Security, while future retirees expect to rely on their own savings:

- Only 20% of non-retirees say Social Security will be a major funding source for them in retirement (down from 30% in May 2011), compared with 47% of retirees.
- 64% of the non-retired say their 401(k) will be a major source of retirement funding for them (down from 70% in February), compared with 33% of the retired.
- 36% of the non-retired expect pensions to be a major funding source for retirement (up from 32% in February), compared with 50% of retirees.
- 31% of the non-retired call stock investments a “major source” for funding their retirement (down

from 33% in February, compared with 27% of the retired.

On healthcare. Three in four investors are dissatisfied with the total cost of healthcare in the U.S., while 80% of all respondents say healthcare is in “a state of crisis” or has “major problems.” But nine in 10 investors consider their own healthcare “excellent” or “good,” while eight in 10 rate their insurance coverage as “excellent” or “good.”

- Two in three investors (67%) say their insurance costs increased a lot (23%) or a little (44%) over the past year. Twenty-nine percent of the non-retired say rising healthcare costs have hindered them from saving for retirement and forced some to delay retirement (12%).

On planning and control. Forty-eight percent of investors say now is a good time to invest in the markets, versus 52% in February and 53% a year ago.

- More than half of investors (57%) say they feel they have “little” or “no control” in their ability to build and maintain their retirement savings in the current environment, but 82% of non-retired and 92% of retired who have a financial plan feel it gives them confidence they can achieve their future goals.
- Only 28% of the non-retired respondents and four in 10 (42%) of the retired say they have a “written” plan for retirement, however. The survey found that 51% of retired women say they have a written plan, compared with only 32% of retired men.

The *Wells Fargo-Gallup Investor and Retirement Optimism Index*, which was conducted May 4–12, 2012. The sampling for the Index included 1,018 investors randomly selected from across the country, including any head of household or a spouse in any household with total savings and investments of $10,000 or more. The sample size is comprised of 75% non-retired and 25% retirees. Of total respondents, 63% had reported annual income of less than $90,000 and 37% had income of $90,000 or more. About two in five American households have at least this amount in savings and investments.

Doug Schubert advances at Securian Financial

Securian Financial Group has appointed Doug Schubert to director, Retirement Plan Technology. His responsibilities include oversight of the business technology unit for Securian’s retirement plan product line.

Schubert provides technological production support, project management, business analysis and quality assurance services associated with technology projects that support and enable key business initiatives. Prior to his promotion, Schubert was a manager in the same division.
Schubert earned a bachelor’s degree from Hamline University in St. Paul, MN. He joined Securian in 1984 as a programmer in the Information Technology department. He is a member of the Life Office Management Association (LOMA), Society of Professional Actuaries and Record Keepers (SPARK) and chairman for White Bear-Mahtomedi Young Life.

The Phoenix Companies to market LTCI/fixed annuity hybrid through AltiSure Group

The Phoenix Companies has introduced the Protected Solutions Annuity, a long-term care insurance and single-premium fixed deferred annuity hybrid, which will be issued by PHL Variable Insurance Co., a Phoenix unit, and distributed by The AltiSure Group.

The product offers two indexed accounts and a fixed account, principal protection from investment loss and, for an additional fee, a guaranteed chronic care and enhanced death benefit.

The benefits of the Protected Solutions Annuity can be applied to chronic (or confinement) care within the home, an assisted living facility or nursing home. If the chronic care benefits go unused, the beneficiary is entitled to an enhanced death benefit.

Protected Solutions offers the “SafetyGuard Benefit” which provides both the chronic care benefit, as well as an enhanced death benefit. The Guaranteed Chronic Care Benefit can be activated when the covered individual is unable to perform at least two of the six Activities of Daily Living (bathing, dressing, transferring, toileting, continence, and eating) and provides benefits up to 400% of premium paid out over five years.

If the covered individual never uses the chronic care benefit, upon death, the beneficiary can choose the Guaranteed Enhanced Death Benefit as an alternative to the standard lump-sum death benefit provided by the annuity account value.

The Guaranteed Enhanced Death Benefit provides a death benefit, payable monthly over five years, equal to a guaranteed multiple, ranging from 125% to 200%, of the original premium minus withdrawals. The guaranteed multiple varies by issue age and year of death.

Both the Guaranteed Chronic Care Benefit and the Guaranteed Death Benefit become available after the fifth contract year and, until activated, can continue to grow for another ten years. If no withdrawals have been made from the annuity contract, a return of premium death benefit is available in all contract years. This feature provides a return of the additional fees paid for the SafetyGuard Benefit.

Dave McLeod appointed SVP at Great-West

Great-West Life & Annuity Insurance Company (Great-West) announced today the promotion of Dave McLeod has been promoted to senior vice president, product management, at Great-West Life & Annuity Insurance Company.

McLeod will lead the company’s recently integrated product management efforts while remaining managing director for Great-West subsidiary Advised Assets Group, LLC (AAG), a registered investment adviser. He will also serve as managing director for Great-West subsidiaries Maxim Series Fund, Inc. (Maxim), a management investment company; and GW Capital Management, LLC, Maxim’s investment adviser.

McLeod had been managing director of AAG for five years. Since joining Great-West in 1985, he has held several leadership positions in the company, including vice president, investment operations, and controller/treasurer of Maxim. McLeod is a business graduate of the University of Manitoba. He holds a NASD Series 65 license and a Certified Management Accountant designation.

Financial Engines hires SAS to help mine 401(k) data

Financial Engines, the provider of investment advisor to 401(k) plan participants, has engaged SAS, a specialist in business analytics software, to help it analyze its database of 401(k) participant demographic information.

SAS will help Financial Engines save time in data manipulation, processing and analysis of data on more than 8 million plan participants, the companies said in a release. In addition to increased efficiencies, the analysis will provide a more comprehensive user view.

Dan Arnold named CFO of LPL Financial

Dan Arnold, the managing director and head of strategy for LPL Financial since October 2011, will succeed Robert Moore as chief financial officer, effective June 15. Moore was named president and chief operating officer May 1.

Following a three-month transition of CFO responsibilities with Moore, Arnold will report to Mark Casady, LPL Financial chairman and CEO. Arnold will be based in San Diego.

Before becoming head of strategy, Arnold was president of Institution Services, the LPL Financial business unit that provides third-party investment and insurance services to more than 750 banks and credit unions nationwide.

In his new role as CFO, Mr. Arnold will have oversight of LPL Financial’s Finance organization, as well as its Internal Audit and Strategic Planning functions.

“Disconnect” exists in political debate: Concord Coalition

Politicians are arguing over the wrong issues, says The Concord Coalition, citing a new report from the Congressional Budget Office (CBO) as evidence.

“Candidates and elected officials this year have been focusing on cuts to domestic and defense appropriations even though these programs are not the source of future budgetary pressures,” said Robert L. Bixby, The Concord Coalition’s executive director.

"Meanwhile, the tax debate has largely been about whether to extend all or part of the expiring tax cuts and less about the kind of base-broadening revenue-increasing reforms we need."

Instead, public officials should focus on the aging U.S. population and rising health care costs, Bixby said.

The CBO's 2012 Long-Term Budget Outlook shows that the percent of Gross Domestic Product spent on Social Security, Medicare and Medicaid, as well as interest on the public debt, will rise by 12.3 percentage points over the next 25 years, while all other spending will drop by 1.4 percentage points. Under current policies persist, revenues for those growing programs will not keep up with their growth.

Sources of Spending Growth in the Federal Budget
As a Percentage of Gross Domestic Product

	2012	**2037**	**Change**
Social Security	5.0	6.2	+1.2
Medicare*	3.1	5.5	+2.4
Medicaid, CHIP and exchange subsidies	1.7	3.7	+2.0
All Other Spending	12.2	10.8	-1.4
Net Interest	1.4	9.5	+8.1
Total Spending	23.4	35.7	+12.3

*Net of offsetting receipts.
Source: Congressional Budget Office, The 2012 Long-Term Budget Outlook, Table 1-2, Extended Alternative Fiscal Scenario.

The Concord Coalition recommended enacting "a package of policies that have the same amount of deficit reduction as in current law, but with a different, more sensible mix of revenue increases and spending cuts. In addition, the timing should allow for continued short-term support for today's struggling economy, with structural reforms for the long term phased in."

Tom Idzorek succeeds Peng Chen at Morningstar

Morningstar's Global Investment Management Division has a new president. Thomas Idzorek, chief investment officer of Morningstar Investment Management, will assume the position at the end of June, replacing Peng Chen, who is returning to China for family reasons.

In his six years at Morningstar, Idzorek, 41, has specialized in quantitative research and strategic and tactical asset allocation, overseeing the Investment Management division's Global Investment Policy Committee and serving on Morningstar's retirement plan committee.

Idzorek's other areas of expertise include lifetime asset allocation, target-date funds, retirement income solutions, fund-of-funds optimization, risk budgeting, returns-based style analysis, and performance analysis.

Before joining Morningstar, Idzorek was senior quantitative researcher for Zephyr Associates, where he developed and researched financial models and techniques for inclusion in the company's analytical software. He co-developed the "style drift score" and implemented the Black-Litterman model in the firm's software.

Idzorek holds a bachelor's degree in marketing from Arizona State University, an MBA from Thunderbird School of Global Management at ASU, and the Chartered Financial Analyst (CFA) designation.

Jackson National acquires SRLC America Holding Corp. from Swiss Re

Jackson National Life has agreed to buy SRLC America Holding Corp. (SRLC) from Swiss Re for $621 million in cash. Swiss Re will retain a portion of the SRLC business through reinsurance arrangements to be undertaken prior to closing. The transaction is subject to regulatory approval and is expected to close in the third quarter of 2012.

SRLC is a life insurance business that sits within the US division of Swiss Re's Admin Re.

The earnings of SRLC are derived from long-duration cash flows generated principally from term life, whole life and basic universal life products. Jackson will acquire assets related to the subject business of approximately $10 billion and approximately 1.5 million policies.

Jackson, an indirect wholly owned subsidiary of the United Kingdom's Prudential plc, expects the transaction to add to the company's IFRS pre-tax earnings while having a modest impact on its statutory capital position. The acquisition will diversify Jackson's earnings base by increasing the percentage of income derived from underwriting activities relative to the company's current spread- and fee-based businesses, the company said in a release.

J.P. Morgan launches new retirement plan advisor tool

J.P. Morgan Asset Management has launched a new tool designed for retirement plan advisors.

The Plan Design Guide aims to help retirement plan advisors evaluate and benchmark their clients' plans based on the sponsor's retirement benefits philosophy. Using a brief assessment, the tool charts the sponsor's standing relative to peers using two dimensions — their philosophy towards innovation and their level of plan investment. The guide then offers steps towards executing new investment strategies.

Plan Design Guide is based on in-depth proprietary research into the primary factors that influence plan design decision-making.

"It offers a more objective way to evaluate plan effectiveness relative to a precise group of peers with similar retirement plan preferences and characteristics, allowing sponsors to identify realistic, actionable opportunities that may improve participant outcomes via strategies that match their philosophy," the company said in a release.

LPL's Retirement Benefits Group to add consultants

LPL Financial LLC is expanding its Retirement Benefits Group with the addition of five new retirement plan consultants.

Matthew Haerr, Christine Soscia, Amir Arbabi, Peter Littlejohn, and William Brown will provide retirement guidance to institutional clients in the areas of plan design assistance, compliance updates, and investment due diligence, as well as participant communication and education.

These new advisor additions will be based out of the San Diego, CA, Akron, OH, Las Vegas, NV, and Idaho Falls, ID offices of Retirement Benefits Group.

Matthew Haerr has been a financial advisor for over 20 years, working with company-sponsored retirement plans, family and personal wealth management, and personal retirement planning throughout his career. Christine Soscia has been in the financial services industry for over 15 years, working on the design, audit and implement employee benefit programs.

Amir Arbabi assists companies on plan design, fiduciary oversight and investment due diligence. He also has experience in investment management from his training at Merrill Lynch and Morgan Stanley Smith Barney.

Peter Littlejohn has over 27 years of retirement plan experience at several firms, including Highmark Capital Management, Ivy Funds, Wells Fargo, Strong Capital Management and Cigna Retirement and Investment Service.