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## The Bucket

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By Kerry Pechter     *Wed, Mar 26, 2014*

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*Brief or late-breaking items from Great-West Lifeco, fi360, SunGard and Cerulli.*

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### **Reynolds appointed chief of Great-West Lifeco**

Robert L. Reynolds has been appointed president and Chief Executive Officer of Great-West Lifeco U.S. Inc., owner of Great-West Financial and Putnam Investments, Great-West Lifeco, Inc., has announced.

Reynolds will become president and CEO of Great-West Financial when Mitchell Graye retires in May 2014 and will continue as president and CEO of Putnam.

At the same time, retirement businesses of Putnam and Great-West Financial will merge within Great-West Financial to create one of the largest defined contribution service providers in the U.S.

Reynolds joined Putnam in 2008 after 24 years at Fidelity Investments, where he served as vice chairman and Chief Operating Officer from 2000 to 2007. He earned a B.S. in Business Administration/Finance from West Virginia University.

### **High fiduciary score linked to higher fund performance**

Investments that score in the top quartile of the one-year fi360 Fiduciary Score Average—those in the “Green” category—demonstrated higher median returns when looking at one-year, three-year, and five-year future annualized returns, according to an analysis of more than 12 years of performance data by MacroRisk Analytics, fi360 announced this week.

The fi360 Fiduciary Score is an investment rating system created by Pittsburgh-based fi360. It assesses open-ended mutual funds, exchange-traded funds (ETFs), and group retirement annuities to see whether they meet a minimum fiduciary standard of care.

The scores, which range from 0 to 100 (with zero being the most preferred mark), are calculated monthly for investments with at least three years of trading history.

G. Michael Phillips and James Chong of MacroRisk Analytics will be presenting their results in a special session at fi360’s INSIGHTS 2014 conference on Friday, April 25, 2014 in Nashville.

### **SunGard launches WealthStation PlanAdvisor**

SunGard announced the introduction of WealthStation PlanAdvisor, a system that “automates the investment process” to help advisors and their co-fiduciaries “design investment line-ups and conduct fiduciary reviews, while maintaining compliance with 404(a)(5) and 408(b)(2)” regulations.

According to SunGard, plan advisors need to automate their fiduciary practices to cope with:

- Increasing demand for 3(21) or 3(38) services
- Increasing hours devoted to advising plan sponsors
- Desire to reduce litigation risk

WealthStation PlanAdvisor (an enhanced version of the former WealthStation FundSource solution) consolidates fund, plan and platform data onto a single platform. It provides flexible reporting and automatic fund reviews, flags investment policy statement (IPS) exceptions, recommends replacement funds automatically, and documents discretionary approvals for future review and audit, SunGard said in a release.

## **TDFs will keep growing: Cerulli**

Target-date strategies are on track to capture 63.4% of 401(k) contributions in 2018, according to a release from the global analytics firm Cerulli Associates.

“Plan sponsors, consultants, and advisors have increased focus on target-date decisions as plan assets allocated to target-date funds have increased,” said Bing Waldert, director at Cerulli.

“The leaders among target-date providers have not changed during the past three years, but below the top tier, some asset managers have demonstrated the ability to grow their target-date assets.”

The first quarter issue of The Cerulli Edge—Retirement Edition analyzes the growth of the target-date industry, the importance of risk management capabilities to growth, and the emergence of alternative qualified default investment alternatives (QDIAs).

“Existing target-date managers remaining in the market must demonstrate risk management expertise,” Waldert said in the release. “The majority of target-date managers believe that asset allocation and risk management capability will be the primary drivers of future target-date growth over the next three years.”

“Target-date managers should consider tying the assumptions underlying asset allocations to the needs of a given situation,” Waldert said. During the financial crisis, the risks of TDFs were exposed, as many near-retirement funds lost a large percentage of their assets due to high allocations to equities.

Cerulli warned that asset managers must have a strategy in place to grow market-share of target-date assets or risk irrelevance in the defined contribution space.

## **An exit strategy for sponsors of retiree medical benefits**

Towers Watson has introduced a patent-pending solution that will allow U.S. employers to exit their legal, accounting and regulatory responsibilities for retiree medical benefits more easily.

The solution, called Towers Watson Longitude Solution, uses “customized group annuities and an innovative transaction structure,” the global consulting firm announced this week. The annuities would allow tax-free funding of medical benefits, and retirees would transfer to Towers Watson’s “OneExchange” private Medicare exchange.

“Transitioning retirees to a private exchange reduces the cost and administrative burden of retiree medical. The exit solution is the end of a journey that our clients begin when a company adopts a private Medicare exchange.”

“Most large employers consider retiree medical benefits an expensive obligation with little shareholder value,” said Mitchell Cole, managing director, Towers Watson Retiree Insurance Solutions. “They create balance sheet volatility and income statement expense, and divert management time. Historically, employers that wanted to exit retiree medical without adverse consequences to both the company and their retirees couldn’t do so. Now they can.”

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