
The Bucket

By Editorial Staff *Thu, Dec 4, 2014*

Brief or late-breaking items from New York Life, Fidelity Institutional, Northwestern Mutual Life, Aviva and the Illinois state legislature.

New York Life acquires ETF company

New York Life Investment Management, the third party global asset management business of New York Life, announced this week that it had agreed to buy IndexIQ, a specialist in the liquid alternative exchange-traded fund (ETF) industry. Terms were not disclosed.

IndexIQ, which will be marketed through New York Life's MainStay Investments platform, will add an estimated \$1.5 billion to MainStay's \$101 billion in assets under management.

Among its 12 fund offerings, IndexIQ is best known for IQ Hedge Multi-Strategy Tracker ETF (QAI), introduced almost six years ago. It tries to "replicate the risk-adjusted return characteristics of hedge funds using strategies that include long/short equity, global macro, market neutral, event-driven, fixed income arbitrage, emerging markets and other strategies commonly used by hedge fund managers," according to a release.

IndexIQ also offers a mutual fund version of QAI (Ticker: IQHIX/IQHOX) and is a leading "ETF Strategist" offering ETF Models and Separately Managed Accounts.

The transaction is expected to close in the first half of 2015.

Fidelity partners with LearnVest and Betterment

Fidelity Institutional, the division of Fidelity Investments, that provides clearing, custody and investment management products to registered investment advisors (RIAs), retirement recordkeepers, broker-dealers, family offices and banks, has announced a new collaboration with LearnVest, as well as providing additional resources to help advisors explore options to digitize their practices.

New Fidelity research confirms a need for advisors to begin integrating digital strategies: 55% plan to target emerging and mass affluent investors¹ in the next five years, a segment of investors who are comfortable transacting online and craving more clarity and simplicity in their finances. This is a shift for many advisors, considering that seven in 10 firms report

that investors over the age of 49 or with more than \$1 million in assets drive their current strategy.

“The relationship with LearnVest will help advisors offer clients access to an educational ‘financial wellness’ microsite powered by LearnVest’s original content, as well as preferred pricing to LearnVest’s technology-enabled financial planning program,” according to a Fidelity release.

“The collaboration will be particularly useful for advisors consulting on workplace retirement plans. It adds to Fidelity Institutional Wealth Services’ collaboration with Betterment Institutional, through which RIAs may consider adding a client-facing digital platform to engage growing investor segments, like the emerging affluent, while still delivering the advice for which they are highly valued.”

Fidelity is also launching a new report on the digital landscape in addition to the collaborations with LearnVest and Betterment Institutional.

Northwestern Mutual completes sale of Russell Investments

Northwestern Mutual has completed the \$2.7 billion sale of its subsidiary Frank Russell Company (Russell Investments) to the London Stock Exchange Group plc. Proceeds from the sale, which closed today, will further boost the 2014 financial results of the Milwaukee-based mutual company.

“Russell has been a good investment for us,” said John Schlifske, chairman and CEO of Northwestern Mutual. “Russell’s operating results have made significant contributions to our financial results over the years. When you look at this sale price and the income produced for us since we bought Russell in 1999, you get a rate of return well in excess of equity indices over that period.”

Northwestern Mutual manages more than \$184 billion (YE 2013) in invested assets as part of its general account investment portfolio, which backs its insurance and annuity products.

Goldman, Sachs & Co. and J.P. Morgan Securities LLC acted as financial advisors to Northwestern Mutual on this transaction.

Aviva buys Friends Life to become Britain's biggest insurer

The life insurance industry continues to consolidate.

In a deal that will create the largest life insurer in Britain, Aviva has agreed to buy rival Friends Life for about \$8.8 billion in stock, according to an Aviva release. The resulting insurance and asset management business will be worth about £20.7 billion (\$32.4 billion) and manage over £300 billion.

Under the agreement, 0.74 shares of Aviva were swapped for each share of Friends Life. Friends Life shareholders would also receive a dividend of 24.1 pence a share, for a full-year dividend of 31.15 pence a share. They would own about 26% percent of the combined company, which would have around 16 million customers.

The offer price, with the dividend, represented a 27% premium over the average trading price of Friends Life shares for the three months that ended Nov. 20. At Monday's closing prices, including the additional dividend, Friends Life was worth about £3.94 a share or about £5.6 billion in total.

The transaction requires shareholder and regulatory approval, and it is expected to close in the second quarter. Aviva sold Aviva USA, its life insurance and annuities business in the U.S., for \$2.6 billion in 2013.

Aviva's stock has risen about 37% since Mark Wilson joined as chief executive at the beginning of 2013, and its profit has improved. For the first half of 2014, operating profit rose four percent to £1.05 billion. On Tuesday, investors sent shares of Friends Life up 1.9% to £3.73 in early trading in London, while shares of Aviva were up less than one percent to £4.99. The combined company is expected to continue to list its shares in London after the deal.

The deal is expected to result in about £225 million of annual cost savings by the end of 2017, the companies said. After the transaction, Andy Briggs, the chief executive of Friends Life, would become chief of Aviva's life insurance business in Britain and would join the combined company's board as an executive director.

Illinois House passes statewide retirement savings program bill

State lawmakers passed another mandate on businesses Tuesday. Employers with more than 25 employees would have to enroll employees in a retirement savings program, the Illinois News Network reported this week. Employees would be given the option to voluntarily opt-out.

Employers are mandated to participate unless they already provide employees a savings option. Chief sponsor in the house, Barbara Flynn Currie, says employers are already required to withhold things like income taxes and child support from employee's paychecks. "This is very little different," she said.

Representative Ron Sandack said the issue should have more investigation before another mandate is levied against small business.

"Yes, people aren't saving up for retirement, yes we ought to do more to incentivize that," he said. "No, we shouldn't mandate a program that we don't know a thing about. We shouldn't mandate small business and encumber small business, yet again, with an expense and a burden that we really don't know anything about.

After having passed the Senate in April, the measure passed the House Tuesday 67-45.

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