The Bucket

By Editorial Staff *Thu, Apr 9, 2015*

Brief or late-breaking items from New York Life, Northwestern Mutual, Vanguard, AIG and Primerica.

New York Life posts record earnings for fifth consecutive year

New York Life announced record operating earnings of $2.02 billion in 2014, 14.7% over 2013 and the fifth consecutive record year, and a record surplus and asset valuation reserve of $21.9 billion for the year, the company reported this week.

New York Life's held a 22% share of the fixed immediate annuities market and a 42% share of the deferred income annuities market, according to industry sources. The annuities group also sells fixed deferred annuities and variable annuities.

The dividend paid to participating policyholders in 2015 increased by more than 9% over 2014 and by 30% since 2011. Benefits and dividends paid out in 2014 totaled $9.1 billion, according to the company, which is the largest mutual life insurance company in the U.S.

In 2014 the company's 12,000-plus career agent force, its primary distribution model, sold a record $1.2 billion worth of life insurance.

New York Life Direct, the company's direct response business in Tampa, FL, which is the leading direct marketer of life insurance in the U.S. through an endorsed program with AARP geared to its membership; insurance programs in the U.S., covering members of more than 500 associations across the country.

The Insurance and Agency Group also includes New York Life's life insurance operation in Mexico, Seguros Monterrey New York Life, one of the country's largest life insurers.

As of December 31, 2014, the Investments Group managed $526 billion for institutional and retail clients, providing annuities and guaranteed products to both the qualified and non-qualified markets. New York Life's general account stood at $197 billion in cash and invested assets at year end. The Investments Group reported sales of MainStay mutual funds totaling $25.9 billion for 2014, the second-highest sales number in MainStay's history.

The insurer's financial strength ratings were the highest possible from the four major crediting rating agencies: A.M. Best (A++), Fitch (AAA), Moody's Investors Service (Aaa), Standard & Poor's (AA+).

Northwestern Mutual examines the 'Millennial' market

Generation Y or "Millennials" (aged 18-34) are conservative, risk-averse, and realistic about setting goals and taking responsibility. But they're also that they'll reach their financial goals, more optimistic that their financial situation is improving, and they bring a "joie de vivre" to their careers.

Those were among the first set of findings from the 2015 Northwestern Mutual Planning & Progress Study, an annual research project commissioned by Northwestern Mutual that explores Americans' attitudes and behaviors toward finances and planning.

Responses by Millennials to the survey indicated the following:

- 64% classify themselves as more inclined to save than spend
- 53% have set financial goals, compared with 38% of Americans age 35 and older.
- 73% expect to need to work past age 65 doing so because Social Security won't take care of their needs.
- 36% say their generation is not at all responsible when it comes to finances, versus 17% who say their generation is responsible.
- 33% cite a lack of planning as the greatest obstacle to achieving financial security in retirement, versus only about one in four of the general population.
- Almost 50% have spoken to their partner, friends, family or an advisor about retirement.
- 59% expect their financial situation to improve this year, compared to only 41% of the general public.
- 71% report feeling secure that they will achieve their financial goals.
- 46% of those who expect to work past traditional retirement age say it would be by choice.

Harris Poll conducted the poll on behalf of Northwestern Mutual. It included 5,474 American adults aged 18 or older (including 1,081 aged 18-34) who participated in an online survey between January 12 and 30, 2015. Results were weighted to Census targets for education, age/gender, race/ethnicity, region and household income.

Vanguard publishes survey of global DC plan sponsors

Global DC plan sponsors hope to combine the best elements of defined contribution and defined benefit plans in their plans, and they're taking steps toward implementing more transparent, less expensive fee structures, according to a survey, "Global Trends in DB and DC Plans," sponsored by Vanguard.

"The push for fee transparency will continue, leading to structural changes for DC plans, including more unbundling of services and greater use of passive mandates, especially in default options, which will lead to lower overall plan costs," said Steve Utkus, head of the Vanguard Center for Retirement Research, in a release.

"We were a bit surprised, frankly, that passive-only default funds did not emerge as more of a preference, as our experience suggests that more sponsors are recognizing the advantages that come with passive strategies, including lower costs and the elimination of manager risk from the outcome. In contrast to the survey results, the marketplace trend indicates that passive-only defaults will grow over time."

The survey was conducted in the second half of 2014 among more than 90 multi-national client companies, with an aggregate $650 billion in DB and DC plan assets. Participating companies are based around the world and administer retirement plans in at least three countries.

The survey showed:

Expections of an increase in employer contributions. 71% of respondents expect to increase employer contributions to their DC plan either "dramatically" or "somewhat."

More use of target-date funds in U.S. than abroad. 66% of respondents prefer to use a target-date fund (TDF) as their plan's default investment option, but adoption is lagging overseas. Nearly two-thirds of respondents use TDFs for their U.S. DC plans and another 13% use custom TDFs. For DC plans outside the US, only 30% of respondents use off-the-shelf or custom TDFs. Structural and regulatory differences outside the US have slowed the adoption rate.

A combination of active and passive investment default options. 57% of respondents blend active and passive strategies in their default fund structure, while 38% prefer all-passive default funds. Only 5% would prefer an all-active lineup for their DC default fund.

Rising importance of fee transparency. 79% of respondents say they consider fee transparency when choosing whether to use a bundled or unbundled service approach.

In the bundled approach, the plan administrator and investment manager are the same and the fees for both are bundled into one asset-based fee. In the unbundled approach, the extent to which higher asset-based fees may be subsidizing plan administration costs is easier to see. Many sponsors are more aware of overall costs and are seeking lower-cost service and investment options.

Additional findings of the survey:

- The switch to liability-driven investing (LDI) in defined benefit (DB) plans will continue; 73% of organizations prefer LDI strategies over total return strategies for managing DB assets, especially among European DB plan sponsors.
- Legacy DB plans continue to require significant oversight, but plan sponsors expect to spend more resources on DC plans in the future, reflecting the expectation that DC plans will become more prevalent.
- While most global retirement plans are managed with a combination of local and corporate governance, there’s a trend toward a greater centralization.

AIG partners with Primerica to market index annuities

American International Group, Inc. (NYSE: AIG) said its American General Life Insurance Company (AGL) subsidiary will partner with Primerica, one of North America’s largest independent financial services marketing organizations, to market AIG’s Power Series of fixed index annuities.

The Power Advantage 7 and Power Advantage 10 index annuities, tailored for Primerica and issued by AGL, provide principal protection, potential credits through exposure to equity indices, tax deferral and an optional lifetime income guarantee with a roll-up in the benefit base over the first 10 contract years.

According to a release, Primerica has more than 98,000 licensed insurance representatives nationwide. The company markets primarily to middle-income families.