The Bucket

By Editorial Staff *Thu, May 7, 2015*

Brief or late-breaking items from LIMRA-LOMA, Wintergreen Advisers and Transamerica.

LIMRA LOMA taps Transamerica's Kent Callahan as new chairman

The LIMRA LOMA Secure Retirement Institute has chosen Kent Callahan, president and CEO of Transamerica's Investments & Retirement division, as its next chairman. He will succeed David Levenson of Edward Jones.

The chair helps guide the organization's research and education agenda. LIMRA LOMA has conducted research on a wide range of topics, including finances for the affluent, debt and retirement savings decisions, in-plan income guarantee options, usage of variable annuities and issues pertaining to IRAs.

As head of Transamerica's Investments & Retirement division, Callahan is responsible for the variable annuity, mutual fund, and U.S. institutional retirement plans businesses. The division has 25,500 plan sponsors representing 5.4 million participants with $295 billion of revenue-generating investments.

Additionally, Aimee DeCamillo was elected as vice chair. She will succeed Callahan in 2016. DeCamillo is vice president and head of T. Rowe Price Retirement Plan Services, which serves 3,500 retirement plans, representing approximately 2 million participants with roughly $155 billion of assets. DeCamillo also served as the Financial Literacy Committee Chair in the LIMRA LOMA's inaugural year.

David v. Goliath: Active fund manager warns against index funds

Investors keep pouring money into index equity funds but they may be putting themselves at risk, according to a new report from New Jersey-based Wintergreen Advisers, which sponsors the actively managed global value-oriented no-load Wintergreen Fund.

Index fund hype creates an illusion of safety, which can lead ordinary investors to take on a dangerously high concentration of risk in their investment portfolios, the report said.

For instance, the automatic investment in index funds by retirement plan participants means that they buy stocks without considering whether they are over-valued or undervalued. It also means that a few large index specialists are accumulating a high percentage of America's savings.

"We believe that one consequence of this is that billions of dollars of value created by American companies are being diverted to a select few executives while ordinary investors, distracted by 'low fee' hype, are subjected to dangerous risk concentrations in their retirement portfolios," said David Winters, CEO of Wintergreen Advisers, in a statement.

The massive assets of index fund giants like Vanguard Group, BlackRock and State Street make them the largest block of shareholders in America's largest publicly traded companies, holding an average of 16% of the shares outstanding of the top 25 companies in the S&P 500.

Over the past five years, Wintergreen found that, 89% of the time, those three firms voted in favor of proposed executive equity compensation for CEOs at the 25 largest companies in the S&P 500, and opposed executives' pay packages less than 4% of the time. They withheld or cast votes against directors 4% of the time.

As of March 31, the $1.2 billion Wintergreen Fund had an 87% stock allocation. At 20.8% of assets, tobacco was its largest sector play. Its top ten holdings included Reynolds American, the parent of R.J. Reynolds Tobacco (7.3%), British American Tobacco plc (6.8%) and Altria Group, the parent of Philip Morris USA (4.7%), along with the Swatch Group AG and the Coca-Cola Company. Only 37.5% of its assets were invested in U.S. The fund's Investor Share class has an annual expense ratio of 1.89% and a one-year return of minus 6.71%.

Transamerica names new retirement appointments

Transamerica Retirement Solutions has named Bill Noyes to the newly created position of senior vice president of retirement plan operations. Noyes previously served as senior vice president of client relationship development.

Additionally, Kevin Edwards, who currently serves as vice president of client compliance and consulting services, has moved into the role of national director of institutional markets client management.

The positions were created because of growth in retirement-related sales, according to the firm. Transamerica's retirement division, which has more than 25,000 plan sponsors representing 5.4 million participants, topped $100 billion in assets under management in 2013, and continues to grow. Numbers for end of year 2014 were unavailable by press time.

Retirement and investment sales were $16.8 billion in 2013, up 47% compared to 2012 and deposits were $21.2 billion, up 12% from the previous year.

The firm made a few additional appointments. Blake Bostwick, the current chief marketing officer, has been appointed as the division’s chief operating officer. Bostwick replaces Alice Hocking, who recently left the firm.