
The Bucket

By Editorial Staff Thu, May 21, 2015

Brief or late-breaking items from Lincoln Financial, New York Life, Armstrong International, Pershing, DTCC, Northwestern Mutual and the Department of Labor.

Lincoln officially announces QLAC status on deferred income annuity

Lincoln Financial Group announced that it enhanced its *Lincoln Deferred Income Solutions* annuity with Qualifying Longevity Annuity Contract (QLAC) status for IRA rollovers.

With QLAC status, qualified funds from an IRA used to purchase this annuity will be exempt from standard Required Minimum Distribution (RMD) rules. When opening a QLAC with a *Lincoln Deferred Income Solutions* Annuity, clients can invest the lesser of \$125,000 or 25% of their total IRA assets in Lincoln's QLAC and defer receiving income payments to a future date.

The dollar amount invested into a QLAC is excluded from the RMD calculation that determines the amount an individual must begin withdrawing from a qualified retirement account at 70½, potentially at a time when a client does not have an income need. The QLAC can defer the impact of RMD-related income taxes and guarantee a future income.

With QLAC status on the *Lincoln Deferred Income Solutions* annuity, payments may be deferred until age 85. Beneficiaries will receive the full return-of-premium death benefit if the policyholder passes away before receiving any QLAC distributions or, if the QLAC distributions have started, they receive a return of premium death benefit reduced by all previous payments.

New York Life announces executive movements

John Y. Kim, 54, the vice chairman of New York Life, has been elected president of the company, succeeding chairman of the board and chief executive officer Ted Mathas, 48, who has been president since 2007. Kim continues reporting to Mathas, who remains chairman and CEO.

Kim also retains the role of chief investment officer of New York Life, as well as overall

responsibility for the Investments Group and enterprise-wide technology. The company's largest business unit, the Insurance & Agency Group, has been added to his responsibilities.

Before joining New York Life, Kim had been president of Prudential Retirement, where he led its defined benefit, defined contribution and guaranteed products businesses, and before that he was president of CIGNA Retirement and Investment Services. Kim earned his Bachelor in Business Administration degree from the University of Michigan and holds an MBA degree from the University of Connecticut.

New York Life also announced that Chris Blunt, 53, will return to Investments to run the Group as its president, reporting to Kim. Blunt joined the company in 2004 as head of New York Life Investments' Retail Investments strategy, where he was successful in growing Investments' sales of mutual funds through all of its distribution partners. Blunt most recently headed the Insurance & Agency Group with co-president Mark Pfaff, who plans to retire at year-end after 30 years of service.

In a separate announcement, New York Life said that Yie-Hsin Hung, 52, has been named chief executive officer of New York Life's asset management subsidiary, New York Life Investment Management LLC (NYLIM), effective immediately. Hung reports to Chris Blunt, president of the Investments Group, which includes all of New York Life's asset management businesses, totaling more than \$500 billion in assets under management.

Hung was previously co-president of NYLIM. As CEO, she replaces Drew Lawton, 56, who will retire at the end of this year. He is now a special advisor to Blunt. Stephen Fisher, formerly co-president of NYLIM, is now president of NYLIM and reports to Hung. Fisher continues as president of the MainStay Funds.

US and Canadian institutions look to Europe for illiquidity premiums

North American institutions are planning long-term investments in foreign infrastructure and are pumping billions of dollars into Europe, according to a new report from Armstrong International based on a survey of 305 North American institutional investors in the first quarter 2015.

The combination of low bond yields, high U.S. equities prices and the strong U.S. dollar, many investors are "embarking on what some economic commentators are describing as 'a 21st Century land-grab' across Europe in an attempt to add value to their portfolios," the

report said. Investors were said to be increasing allocations to private equity, real estate, infrastructure and, to a lesser extent, hedge funds.

Four in five (78%) respondents said that they are actively investing or planning to increase their allocations in Europe. Of the remainder, three quarters said that they are actively considering European investments. They included public pension funds, public universities, private foundations and endowments in the U.S. and Canada with assets of \$1 billion to \$200+ billion.

“It feels very much like a land grab,” said Martin Armstrong, chairman of Armstrong International, in a release. “After a tepid decade, this level of investment enthusiasm implies that Europe is a re-emerging economy.”

The report finds that Institutional investors believe that illiquid assets can deliver a high income at a time when other traditional fixed income yields are at historic lows.

The government of China has been a substantial investor in infrastructure beyond its borders, including Europe. A rush to Europe by North American investors could be “a harbinger of future international bidding wars between the two trading superpowers,” according to one commentator who was surveyed.

Asia and Sub-Saharan Africa, respectively, are the second and third-place destinations for foreign investment, the Armstrong International survey showed. Two thirds of those investing in Asia are planning to add to their portfolios. Only 22% currently invest in Africa, but 37% of the respondents said they plan to increase their allocations to this region over the coming next three years.

DOL extends comment period on fiduciary definition

According to a DOL statement released Friday, May 16, 2015, a forthcoming issue of the Federal Register will announce the extension of the deadline for comments on the definition of a fiduciary with respect to IRAs to July 21, 2015 (*i.e.*, or an additional 15 days). In accordance with its original plan, the DOL will hold a public hearing within 30 days of the close of this initial comment period, as so extended. After the hearing, the comment period will reopen for an additional 30 to 45 days.

New DTCC service processes liquid alt trades in days, not weeks

A new service from the Wealth Management Services unit of the Depository Trust & Clearing Corporation is designed to help broker-dealers process internal account transfers for alternative investments more quickly and easily, according to a release from DTCC, which manages data on the global financial industry's trades.

The new Alternative Investment Products Service (AIP) service automates account transfers for non-traded real estate investment trusts (REITs) and business development corporations (BDCs), helping broker/dealers to re-register accounts and internally transfer investors' shares between closing and opening accounts.

Currently, account transfer transactions often take broker/dealers several weeks to complete because operational processes are largely manual—incurring paper trails, multiple registrations and numerous inter-departmental hand-offs. The AIP enhancement processes transactions, straight-through, in a single day. Broker/dealers can transmit data over a secure network, reducing risk and increasing efficiency and scalability.

WMS and its AIP service are offerings of DTCC's National Securities Clearing Corporation (NSCC) subsidiary. Today, there are 382 clients – representing fund administrators, funds, broker/dealers and custodians – benefitting from the AIP service.

Pershing introduces Subscribe Annuity Analytics Dashboard

Under the new Department of Labor conflict-of-interest proposal, brokers selling variable annuities and insurance agents selling fixed index annuities would have to ensure that purchases of those products are in the “best interest” of their clients.

If so, they and insurance carriers will have to monitor their sales more closely. A new service from Pershing, the BNY Mellon-owned clearinghouse and multi-function platform provider appears designed to help them do that.

The service is an annuity data, reporting and presentation tool called the Subscribe Annuity Analytics Dashboard. According to Pershing release, the dashboard will provide Pershing clients with “an integrated, efficient solution for managing annuity sales flows and more

transparency of new and existing business.”

“Annuities contracts and purchases are being examined more closely. As a result, monitoring of these products has become increasingly important for firms,” said Rob Cirrotti, head of retirement solutions at Pershing.

The dashboard is available through Pershing’s Subscribe service, which carries firm-specific annuity business information, and can be accessed through NetX360, Pershing’s technology platform. The dashboard technology is provided by Albridge Analytics, an affiliate of Pershing.

Using information from more than 50 individual insurance carriers, the Subscribe Annuity Analytics Dashboard allows distributors to evaluate the annuity business of their financial advisors using a number of factors, including annuity type, transaction type, IRS qualification and detailed attributes about the annuity owner. The dashboard can also assist firm management and marketing professionals identify offices or advisors that may need additional support.

The dashboard includes information on both networked and non-networked positions across two modules:

- A positions module, sortable by carrier, plan type, issue and surrender date, owner or advisor. It is available for both networked and non-networked positions sent to Pershing by carriers. Data includes date of issuance, surrender date, current value, owner/annuitant demographic information and all advisor information.
- An order module, containing data associated with new and subsequent premium transactions, which can help firms better understand carrier concentrations, monitor exchange activities and regulatory detail in the event of a FINRA audit or regulatory visit. Detail in this module includes identifying 1035 exchanges and qualified transfers, product type, issuing carrier, state of solicitation, qualified vs. non-qualified and advisor information.

Data from both modules can be filtered, sorted and exported to Excel.

Gen X: More vulnerable than proactive

Gen X’ers (Americans ages 35-49) worry about their finances but don’t take much action to improve them, according to the *2015 Northwestern Mutual Planning and Progress Study*. “Of four generations surveyed, Gen X was found to have the poorest financial habits. In addition to comprising the majority of ‘informal’ planners, Gen X has more spenders than

savers compared to other generations and is the least likely to have more savings than debt,” the study found.

Among the study’s findings:

- 37% of Gen Xers say they do not “at all feel financially secure.” This is more than any other generation, including Millennials.
- 23% are “not at all confident” that they will achieve their financial goals.
- 66% expect to have to work past traditional retirement age due to necessity, with 2 in 10 (18%) believing they will never retire.
- 82% of Gen Xers who anticipate needing to work past the age of 65 feel they will need to do so because they didn’t save enough.
- 44% live with children under 18 and over a quarter have a parent or other relative in the household. Balancing personal financial priorities with the added demands of dependent care is likely to have implications on decision-making.
- 66% of Gen X respondents acknowledge that their financial planning needs improvement and less than one in 10 (9%) consider their generation “very financially responsible.”
- Gen X’ers are the generation most likely to say they would pay down debt if they had a windfall of \$10,000, the least likely to have sought guidance from an adviser.
- 34% do not know how much income they need to retire.
- 47% have not discussed retirement planning with anyone.

The 2015 Northwestern Mutual Planning & Progress Study was conducted by Harris Poll on behalf of Northwestern Mutual and included 5,474 American adults aged 18 or older (including 813 Gen Xs age 35-49) who participated in an online survey between January 12, 2015 and January 30, 2015.

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