SVIA STABLE TIMES

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In this Issue

Transforming Tomorrow: Awakening the Super Saver

By Randy Myers

Stig Nybo has spent most of his career promoting best practices for qualified retirement plans, but his commitment to that task took a more personal and passionate turn about four years ago. The catalyst was an incident that occurred during a simple walk through a parking lot with his two young sons. En route to their car, they passed an elderly woman who got out of an old Volvo, folded a blanket, and placed it inside the trunk of her car—a car filled with personal belongings. Nybo recognized that the woman was living in her car, and he had a long and ultimately unsatisfactory conversation about the incident during the ride home with his sons. The conversation was unsatisfactory, he explains, because he couldn't point to the usual culprits for the woman's circumstances: vagrancy, for example, or drug addiction. "In fact, when I looked at this woman, she reminded me of my own mom, who is comfortably retired."

It was at that point, Nybo told participants at the 2013 SVIA Fall Forum, "that I realized

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Dodd Describes His Work on Signature Bill as Once-in-a-Lifetime Opportunity

By Randy Myers

Former U.S. Senator, Christopher Dodd

Groundbreaking legislation generally springs from extraordinary circumstances. In the case of the far-reaching Dodd-Frank Wall Street Reform

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Stable Value Seen Outperforming Other Fixed-Income Sectors in Rising Rate Environment

By Randy Myers

Rising interest rates are generally bad for fixed-income investments, but perhaps not as bad for stable value funds as for some other short-term sectors of the bond market.

Researchers at New York Life Investment Management recently looked at how six different asset classes have performed in the past during periods of steadily rising interest rates and modeled how they might perform during a four-year period of rapidly rising rates.

In those models, U.S. equities generated the highest returns by far—about 9 percent annually, on average, said Michael Sipper, director of stable value investments for New York Life Investment Management, speaking at the 2013 SVIA Fall Forum. The next best performing asset classes were high-yield fixed income and international equities, both generating average annual returns of about 5 percent. Stable value funds followed with performance a little under 5 percent annually, then 3-month Treasury bills (a proxy for money market funds), then long-term bonds, and finally intermediate-term bonds.

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Save the date: SVIA 9th Spring Seminar, April 27-29, 2014 in Scottsdale, AZ

Dodd's Once-in-a-LIfetime Opportunity

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and Consumer Protection Act of 2010, the extraordinary circumstance was the worst financial crisis since the Great Depression, a debacle that cost the U.S. trillions of dollars, millions of jobs, millions of homes lost to foreclosure, and the failure of some of the nation's biggest financial institutions.

The 2008 credit crisis that triggered the 2008-2009 recession was not an accident, former Senator Chris Dodd told participants at the 2013 SVIA Fall Forum. Rather, he said, it was a consequence of an outdated banking regulatory system that had its roots in the 19th century. He reasoned at the time that if such a crisis could happen once, it could happen again—absent a major overhaul of the regulatory regime.

But a major overhaul would not be easy. Over the prior 60 years, most financial industry reforms had been incremental in nature, and the nation seemed to have little appetite for major change. But after the credit crisis, Dodd said, "the question was, are we going to just move on and assume that the world as it existed in 2007 and 2008 didn't need to be reviewed?" His answer was "no."

"You need to move at certain moments legislatively; the window is only open at certain times," he said. "You never could have passed anything like this bill in 2005, 2006, or 2007, and you couldn't have passed it today."

As chairman of the Senate Banking Committee (he's now chairman and CEO of the Motion Picture Association of America), Dodd began working with Barney Frank, then chair of the House Financial Services Committee, to try to construct a financial architecture that would be more reflective of the 21st century. They were spurred to action in part, Dodd said, by the release in April 2008 of reform recommendations from the Group of Twenty, which includes finance ministers and central bankers from 19 countries plus the European Union. "I felt it was critically important that the U.S. lead," he said. "If we didn't act, someone else would, and we would be playing by somebody else's rules, not ours."

The bill that Dodd and Frank drafted was not perfect, Dodd conceded, noting that it included some provisions that he didn't like but that were necessary to win support from a sufficient number of legislators for passage. But he said he believed that passage was critical, and that he did not want perfection to be the enemy of the good. The resulting legislation was widely recognized as the most far-reaching since the reforms that followed the Great Depression. Among other things, it created stronger capital and liquidity standards for financial institutions, imposed new regulations on derivatives, and created new protections for American consumers against predatory lending practices. Most importantly, Dodd said, it helped restore faith in the U.S. financial system.

As originally written, many in the financial services industry worried that the Dodd-Frank Act's regulations pertaining to derivatives trading might be construed to include stable value contracts. Dodd noted that Congress inserted language in their bill requiring regulators to study that issue, and gave them authority to conclude that stable value contracts are not derivatives, or, in the language of the legislation, "swaps." Further, the bill said that if regulators conclude that stable value contracts are swaps, they have authority to exempt them from the new regulations. Regulators have not yet completed that study, but the stable value industry has consistently maintained that stable value contracts are not derivatives. Until regulators complete the study and make a final ruling, the contracts remain exempt from the new regulations. SVIA

Awakening the Super Saver

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our business is not about fiduciary responsibility, although certainly that is an important part of it. It's not even about stable value. What it's about is making sure people have enough to retire on. And the fact is, that's an area where we're simply failing. By we, I mean all of us, collectively, as a society. We have not formed the habits that will get us to where we need to get. And unless we go to an additional mandatory (savings) system, like an additional Social Security system where people have no choice, we're going to have to do better with a voluntary system."

Since that day, Nybo, president of pension sales and distribution at Transamerica Retirement Solutions, has become an emphatic proponent of encouraging Americans to save more for retirement, even going so far as to author a book with writer and consultant Liz Alexander, entitled *Transform Tomorrow: Awakening the Super Saver in Pursuit of Retirement Readiness* (John Wiley & Sons, 2013). He has pledged that any profits from the book will be donated to a public service campaign to promote retirement saving.

Speaking at the SVIA Fall Forum, Nybo said three issues go a long way toward explaining why many Americans have not saved enough for a financially secure retirement: longevity, consumerism, and leverage. Americans are living longer, they spend voraciously, and they rely extensively on debt to finance their spending.

To combat these problems, Nybo wants to create a nation of "super savers." Some of these people already exist. In the 12th Annual Retirement Survey conducted by the Transamerica

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