

January 15, 2016

Market Volatility, MassMutual, and Your Retirement Account

What is driving this latest round of market volatility?

- Another substantial decline in the Chinese stock market and oil prices that have continued to fall led to a substantial selloff in stock markets across the globe today, with most broad U.S. stock indexes down nearly 3% at midday. The rout today offered a substantial contrast to yesterday's session in which U.S. stocks had their strongest one-day performance of 2016 thus far.
- China's economic woes, weakening currency, and the nearly 20% decline in the Shanghai Composite Index from its highpoint in December have been among the main reasons for the recent exceptionally volatile investing environment.
- Oil prices have fallen approximately 20% since the year began, and dropped to less than \$30 per barrel in the latest session. Rising tensions in the Middle East and their potential impact on oil prices have also kept investors off-balance. Low oil prices have hampered growth in oil-producing nations, such as Russia and in South America, Africa, the Middle East, and in particular regions of the U.S. that rely on oil production. Recent incidents, particularly between Iran and Saudi Arabia, have further exacerbated investor concerns.
- The yuan – China's currency – is trading at among its weakest levels since 2011, which has made goods produced in countries and regions with stronger currencies (such as the U.S. and Europe) more expensive and less desirable to Chinese customers, amplifying the overall situation worldwide.
- Here in the U.S., the Federal Reserve (Fed) increased a key short-term interest rate in December for the first time in nearly 10 years, but questions about how regularly and rapidly the Fed would continue to increase short-term interest rates have and will continue to draw the attention of investors, particularly in light of disappointing December U.S. manufacturing data.

What can I do to protect my portfolio?

- Market volatility is a reality of investing. MassMutual cautions against making short-term changes based on periods of market volatility that are not in keeping with your long-term plan or limit your future investment opportunities.
- Review your asset allocation to be sure your current portfolio is in line with your comfort with risk and that the mix of investments you own is well diversified. If you work with a financial professional, now may be a good time to schedule a meeting to determine whether you need to adjust your plan to stay on track to reach your financial goals.
- Finally, remember, when investing for retirement you should maintain a long investment horizon. Market events can be shocking and have significant short-term consequences, but maintaining a long-term perspective and adhering to your long-term investment plan can help you avoid making emotional and often detrimental investment decisions.

Is MassMutual at risk of financial failure in this turbulent economic and market environment?

MassMutual has been in business for more than 160 years, and we have financial strength ratings that are among the highest ratings of any company in any industry. These ratings for Massachusetts Mutual Life Insurance Company, C.M. Life Insurance Company and MML Bay State Life Insurance Company are as follows: A.M. Best Company, A++ (Superior; top category of 15); Fitch Ratings, AA+ (Very Strong; second category of 21); Moody's Investors Service, Aa2 (Excellent; third category of 21); Standard & Poor's, AA+ (Very Strong; second category of 21). Ratings as of 1/1/16. Ratings are subject to change.

How does the fact that MassMutual is a mutual company, versus a publicly traded (or stock) company, help or hinder it in volatile times such as these?

- Since MassMutual has no shareholders, we do not face market pressures to enhance or maintain stock prices. The recent market declines have driven down the value of other large financial services companies, which are immediately and directly vulnerable to the movements of the stock market.
- As a mutual company, we don't have to answer to the stock market and can focus on the long-term interests of our policyholders. We strive to deliver strong financial results every year, and we are committed to maintaining our mutual form of ownership.

- We work closely with our Board of Directors throughout the year in support of our business goals. Our Board comprises both independent and affiliated professionals who are focused on achieving MassMutual’s long-term goals and on continuing our history of financial strength and stability. Their objective oversight supports MassMutual’s senior management in the creation and execution of our corporate mission.

Are the assets in my company’s defined contribution retirement plan insured by the FDIC (Federal Deposit Insurance Corporation)?

No. The FDIC does not insure the money you invest in stocks, bonds, mutual funds (or separate investment accounts and collective trusts that may invest in stocks, bonds and/or mutual funds), life insurance policies, annuities, or municipal securities, even when you buy these products from an insured bank.

Are the assets in my company’s MassMutual defined benefit retirement plan insured by PBGC (Pension Benefit Guaranty Corporation)?

Yes. MassMutual defined benefit retirement plans are insured by PBGC with maximum amounts set each year under provisions of ERISA.

Does SIPC (Securities Investor Protection Corporation) protect investors from losses that result from fluctuations in the stock and bond markets?

No. SIPC oversees the liquidation of member broker-dealers that close when a broker-dealer is bankrupt or in financial trouble, and customer assets are missing. It is a common misunderstanding that SIPC protects investors with assets in the stock and bond markets from losses in a similar way that the FDIC (Federal Deposit Insurance Corporation) protects bank depositors from losses up to a certain amount in the event the bank fails. SIPC coverage does not include protecting investors from market-related losses of any kind nor does SIPC get involved in customer disputes before liquidation proceedings are started. MassMutual’s broker/dealers, MML Investors Services, LLC and MML Distributors, LLC are members of SIPC. For more information about SIPC, visit www.sipc.org

Does the plan’s ERISA fidelity bond protect the plan’s assets from losses that result from fluctuations in the stock and bond markets?

No. Every fiduciary and every person that holds plan assets must be bonded under ERISA. The amount of the bond must be determined at the beginning of the plan year in an amount that is not less than 10% of the plan’s assets (but must be at least \$1,000 and need not be greater than \$500,000 even if it is less than the 10% requirement). The \$500,000 limit is increased to \$1 million for a plan that holds employer securities. The fidelity bond provides protection to the plan against loss by reason of acts of fraud or dishonesty. It does not provide protection from losses that result from fluctuations in the stock and bond markets.

Are there any other mechanisms in place that protect my company’s retirement plan assets invested in separate investment accounts (“SIAs”) or mutual funds?

Yes. Customer/shareholder assets invested in an insurance company separate investment account (“SIA”) receive special treatment under state insurance laws, which provide that they will be insulated from the general creditors of MassMutual in the event of its insolvency. With respect to assets invested in a mutual fund, they are not considered assets of the mutual fund’s investment advisor and are not subject to the claims of the advisor’s creditors. In other words, even in the extremely unlikely event that MassMutual became insolvent, plan assets invested in MassMutual’s SIAs or in the MassMutual Select Funds or MassMutual Premier Funds could not be reached by MassMutual’s creditors. MassMutual also maintains fidelity bonding and other insured and self-insured programs that would cover a customer for losses as a result of fraud or theft.

About MassMutual

MassMutual's Retirement Services Division has been serving retirement plans for more than 65 years. It offers a full range of products and services for corporate, union, nonprofit and governmental employers' defined benefit, defined contribution and nonqualified deferred compensation plans. It serves approximately 3 million participants.

Founded in 1851, MassMutual is a leading mutual life insurance company that is run for the benefit of its members and participating policyholders. The company has a long history of financial strength and strong performance, and although dividends are not guaranteed, MassMutual has paid dividends to eligible participating policyholders consistently since the 1860s. With whole life insurance as its foundation, MassMutual provides products to help meet the financial needs of clients, such as life insurance, disability income insurance, long term care insurance, retirement/401(k) plan services, and annuities. In addition, the company's strong and growing network of financial professionals helps clients make good financial decisions for the long term.

MassMutual Financial Group is a marketing name for Massachusetts Mutual Life Insurance Company (MassMutual) and its affiliated companies and sales representatives. MassMutual is headquartered in Springfield, Massachusetts and its major affiliates include: Babson Capital Management LLC; Baring Asset Management Limited; Cornerstone Real Estate Advisers LLC; The First Mercantile Trust Company; MassMutual International LLC; MML Investors Services, LLC, Member FINRA and SIPC; OppenheimerFunds, Inc.; and The MassMutual Trust Company, FSB.

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