

## Reflecting on 2011

By Fred Barstein

The past few years have been eventful for the defined contribution (DC) industry, full of changes. But 2011 seemed particularly significant as we moved from crisis to looking ahead while facing increased criticism from a variety of sources. Along with all the regulatory changes and proposals, there were a number of important events that should provide insight on what to expect in the next few years.

408(b)(2) finally got an official effective date. Though it will continue to increase the velocity of deflationary pricing and further erode the market share of the blind squirrels in the industry, it will have less effect on experienced advisors who have strong relationships with their clients and are improving their outcomes even if they can't act as fiduciaries.

404(a)(5) or participant disclosure will give experienced and thoughtful advisors an opportunity to get closer to participants and explain their value.

Most unsettling are proposed regulations that impose fiduciary liability for individual retirement accounts (IRAs) and restrictions on plan-level advisors working with participants.

The industry has squarely focused its attention on outcomes, which will be more smoke than fire until it can measure results. **Allianz**, with Professor Benartzi at the helm of its Behavioral Finance Center, is taking a leadership role with their behavioral finance audit, but record-keepers like **MassMutual** aren't far behind.

Consolidation and focus, or lack thereof, at every level will continue with about 40 national record-keepers and 35 investment management and broker/dealer DC-focused firms. Within each group there are 15 to 25 elite or tier-one firms that will continue to attract the majority of assets and plans eventually gobbling up competitors.

Here are some major events occurring during 2011, in no particular order:

- **LPL** completes the purchase of **NRP**, renamed Retirement Partners Group; the largest independent gets focused on the DC market.
- **Oppenheimer** exits the record-keeping business, leaving very few fund companies providing record-keeping in the smaller markets.
- **John Hancock** announces a mid-market, bundled NAV product, hires a new president located in the United States and their broker dealer increases their focus on the DC business.
- **Merrill Lynch** announces a designated group of mid- and large-market FAs to leverage **Bank of America's** relationships. The word "fiduciary" enters their lexicon.
- **McGladrey** focuses on accounting and sells its record-keeping division.

- **Putnam** is making a strong run at this business again.
- **Schwab** makes headlines with their all passive and ETF platform but less noticed is a move away from an omnibus to a brokerage like system.
- **DCP** was sold to the Retirement Plan Advisory Group. Will advisors get more access?
- **ASPPA** forms the National Association for Plan Advisers (NAPA), recognizing the advisors' need for a unified voice in Washington. Now, retirement plan advisors have their own association and their own brand.
- **American Funds** forms a DCIO group.
- **ING** announces a 2012 Q1 IPO as part of the divestiture "suggested" by the Dutch government.
- **Bluff Point** sells **Matrix** to **Broadridge**.
- **Bluff Point** invests in **fi360**
- **PIMCO** breaks away from **Allianz's** distribution, establishing an entirely new DCIO and retail sales team.
- **The Retirement Advisor University** (TRAU) is launched as an independent entity, giving to advisors, who are focused on this market, an industry designation in collaboration with UCLA.
- **Vanguard** and **Pac Life** partner with **Ascensus** to create private labels targeted for advisors.
- **DST, FASCore,** and **Ascensus** are getting lots of interest in outsourcing record-keeping for a market that seemed to be moribund.
- **Strategic Ethos** introduces a new fiduciary designation.
- **Brightscope** launches an interesting new tool for DCIO firms to track their funds and get better insight into who is using them and where.