Comment: Goodbye, Mature Market Institute

By Kerry Pechter *Tue, Dec 24, 2013*

Last spring, MetLife pulled the plug on its popular, respected thought-leadership unit after a 15-year run. Did the decision signify a loss of faith in the Boomer retirement opportunity?

The year 2013 cannot be allowed to end without a brief requiem for the MetLife Mature Market Institute. The respected in-house retirement think tank, which MetLife created in the late 1990s, was itself retired at the end of last May.

The decision to shut the MMI surprised few people, given MetLife's overseas acquisitions and its pullback from domestic retirement businesses since 2010. But many were puzzled that the company would close a program that delivered so much bang for the buck, and at a time when the old-age boom is arguably still in its infancy.

The MMI and its staff had lots of friends, and they were sorry to see it go. "It's a big loss," lamented Cindy Hounsell, the president of the Women's Institute for a Secure Retirement (WISER), in a recent conversation with RIJ. "They did a lot of things that nobody else did."

The staff of the MMI worked for 15 years out of a 10-person office in Westport, Conn. They sponsored dozens of non-partisan research reports, establishing a "Retirement IQ" and a "Retirement Readiness Index." Their monthly newsletter, *QuickFacts*, was distributed to MetLife executives, sales team, brokerages that sold MetLife products, the national media, academics, legislators and retirement-related advocacy groups.

The MMI's last big report, published last May, was a 39-page write-up of a survey of Americans born in 1946, titled, *Healthy, Retiring Rapidly and Claiming Social Security: The MetLife Report on the Oldest Boomers.* (The MMI website is still up, and many of its reports are still available for download. But nothing new has been posted for six months.)

Though they knew they weren't a profit-center, members of the MMI staff felt that they earned their keep by stoking good-will toward the corporate parent, scoring thought-leadership points, and burnishing the MetLife brand with the kind of positive press coverage that money can't buy.

"We generated 60% of the PR for MetLife in the retirement space, even though we were a very small part of the budget. We did some things on the Hill and worked with the MetLife legislative department. We were quoted in the *New York Times* and *Wall Street Journal*," said Sandra Timmermann, Ph.D., who had been executive director of the MMI.

"We gave MetLife a chance to take the high road and not always be talking about products," she told *RIJ* recently. "We had a constituency with the media and the external wholesalers. Some of the sales people in the retirement income area liked what we did. Our material was something they could use that was not transactional."

John Migliaccio, the director of research at the MMI until last May, told RIJ, “This has been a topic of much thought and conversation, inside and outside of the MMI. Sandra and I received such an outpouring of incredulity and concern and dismay from hundreds and hundreds of people. I couldn’t keep up with all the emails. People were saying, ‘How could they be doing this?’”

MetLife’s reasons

Pessimists might be tempted to regard the MMI as a canary in the coalmine (or perhaps, given MetLife’s long association with Peanuts cartoon characters, the “Woodstock” in the coal mine). Just as the establishment of the MMI 15 years ago helped plant the MetLife flag in the Boomer retirement space, and helped define and promote the retirement space, so the end of the MMI might signal a loss of confidence in the potential of that space.

Since the MMI began, MetLife has tested the profitability of just about every product line within the Boomer retirement space—and eventually retreated from each of them, partly or entirely. (It was certainly not alone in doing so, but MetLife is a bellwether.) In the wake of the financial crisis, MetLife backed out of the reverse mortgage, the LTC, and the in-plan annuity businesses. After suddenly ramping up its variable annuity business with rich options in early 2011, it quickly downsized its sales targets for that business once the risks of big blocks of VAs with living benefits became clear.

One prominent casualty in mid-2012 was Jody Strakosch, the firm’s popular National Director of Retirement Products. She had led MetLife’s ambitious “SponsorMatch” initiative, a co-venture with BlackRock that would have brought deferred income annuities to the 401(k) world. Plan sponsors weren’t interested, and BlackRock subsequently proceeded with a much different program called LifePath.

Given its frustrations with these businesses, the discontent of its shareholders and equity analysts, and the Fed’s debilitating (for insurers) low interest rate strategy, it’s not surprising that MetLife decided to look for financially greener pastures. In 2010, the company went through what analysts called a “transformational” change when it bought Alico and other global insurance properties.

With those acquisitions, MetLife’s estimated share of revenue from outside the U.S.—in Asia, Latin America and Eastern Europe—jumped to 40% from 15%. As management’s attention naturally shifts in that direction, however, it implies that it no longer considers the Boomer retirement market as the best growth opportunity for a U.S. life insurer—especially not for a publicly held life insurer with impatient shareholders.

“No life insurance company is *not* going to not sell to the retirement market,” said Timmermann, who earned her doctorate in education and gerontology at Columbia Teacher’s College. “But MetLife said they’re looking at other priorities. They’re going global. They’re also looking at selling to younger markets, and the new product sets are not necessarily geared to retirees—like life insurance and employee benefits.”

Magma from a volcano

Is this an omen that the low interest rate environment in fact has permanently hobbled the Boomer income opportunity for life insurers? Migliaccio, for one, doesn't think it should be. "I'm not mystified about their decision [to close MMI] at the tactical level," he said. "But at the strategic level it just doesn't add up." For him, the retirement wave is still just getting started.

"This is not something where you can say, 'Oh well, the time is past. Let's look at another demographic here or overseas.' The retirement wave is happening everywhere. It's like magma coming out of a volcano. You can't stop it. The oldest of the Baby Boomers are just now moving into this arena," he said.

"There are trillions of dollars in 401ks, even with half of the people not having an opportunity to save that way. Loaded on top of that, you have the $11 trillion intergenerational transfer between the Boomers and their parents. To say, 'We're not looking at that market anymore'—that baffles me."

His concern is that a tilt away from the U.S. retirement business by a giant like MetLife might create a vacuum that non-insurers will gladly inhabit. "You might see a new species coming in. It will probably be the investment companies. A Fidelity or Vanguard or someone else on the brokerage side. They don't have the same regulatory pressures or the reserve requirements that the insurance companies have," Migliaccio told *RIJ*.

At least one blogger who listened to MetLife's third-quarter analysts call suspected the company of doubting not just the near-term prospects of retirement-related businesses but of the U.S. economy itself. He took it as a bad sign that CEO Steve Kandarian told analysts not to expect earnings guidance from MetLife in the foreseeable future.

"To me this means that MetLife is very unsure of what the future holds," wrote David White on the SeekingAlpha blog. "It means that it sees a considerable chance for a downturn in its business and in the overall US and world economies."

So, is the shutdown of the MMI a sign of dire trends, or just part of the creative destruction that's going on at MetLife? One thing is clear: a lot of people in the retirement industry are sorry to see the MMI close up shop.