
In Case You Missed the RIIA Conference

By Editor Test *Thu, Mar 22, 2012*

This year's spring conference, held again at Morningstar headquarters in downtown Chicago, may have been RIIA's most substantive, timely and productive to date.

Bernie Madoff laundered cash for Bogota drug lords. The most reliable leading economic indicator is the level of fossil fuel reserves. Plan sponsors should brace themselves for a flood of proposals for new in-plan retirement income programs.

Those bits of news, among others, were gleaned from the Retirement Income Industry Association's spring conference at Morningstar's headquarters this week in sultry Chicago, where ornamental pear trees bloomed oddly out of season.

This year's RIIA conference, where 120 attendees gathered in a raked, red-chaired lecture hall that faces the untitled Picasso sculpture in Daley Plaza, focused on creating a dialogue between two distribution channels—retail (individual) and defined contribution (institutional)—that rarely talk to each other.

The two-day meeting was segmented into three subject areas—trust, demographics and innovation—and each day's panels and presentations were anchored by an outside-the-retirement-business speaker: Frank Casey, a money man who blew the whistle on Madoff, and Tim Garrett, a physicist who believes the supply (and price) of energy explains just about everything else in the economy.

'Bernie' and dwindling oil reserves

Casey related the sobering and diverting saga of how, in the process of trying to duplicate Madoff's returns in the late 1990s at Rampart Investment Management, he and analyst Harry Markopolos deduced that the returns couldn't be duplicated because they were fraudulent.

One enduring mystery of the case has been why the SEC ignored Casey and Markopolos' warnings about Madoff; Casey attributed it to incompetence, not corruption. In response to a question, he affirmed rumors that Madoff's scheme included laundering Colombian drug money, and that he, Casey, was at times afraid for his life.

Garrett's presentation on peak oil—though he didn't use that expression—also concentrated the mind. Plentiful coal, oil, and natural gas drove the tide of technical innovation in the late 19th and mid-20th centuries, he said. The fact that the world was discovering new fossil fuel reserves faster than it was burning them caused the Baby Boom itself, he believed, whose progress through adulthood drove the 1982-2000 bull market.

Unfortunately, the age of cheap energy appears all but over, Garrett said, and unless new reserves are discovered soon, the world's economy will, literally, run out of gas. Oddly, he didn't have much to say about the constraints imposed by global warming or the potential for salvation through renewable energy

resources.

Two in-plan annuities

Very interesting, you say, but what about retirement income? Two specific annuities for the 401(k) market came to light, one in a formal presentation and one during one of the networking sessions. In a formal presentation, David Deming of Dimensional Retirement, an affiliate of Dimensional Fund Advisors, announced—or rather, re-announced, since it has had a [website](#) for some time—a personal pension product called Dimensional Managed DC.

This product, which RIJ will report on in a subsequent issue, allows plan participants to contribute to a part-TIPS, part-global equity managed account whose assets are intended to be used to buy an annuity at retirement. Participants will be able to track the growth of their future income on an online dashboard. They can also drop out of the program at any time.

The other soon-to-be-formally-announced in-plan annuity product, discussed informally during networking breaks at the RIIA conference, was a UBS program that has been quietly but not secretly brewing for some time. It appears to be based on pure longevity insurance.

According to Drew Carrington, a UBS Wealth Management managing director and head of DC and retirement solutions, participants will be able to contribute to a contract that provides income when and if the participant reaches his or her mid-80s. Neither Deming nor Carrington named specific life insurance partners for their programs.

Cast party

This year's spring conference may have been RIIA's most substantive, timely and productive to date. An assiduous work in progress by Francois Gadenne and many others for more than half a decade, the organization survived the financial crisis, grew by 50% from 2010 to 2011, Gadenne says, and now has several initiatives underway.

One of those initiatives involves classes, hosted variously by Boston University, Texas Tech, and Salem State University (in Massachusetts), that lead to a Retirement Management Analyst designation for advisors. Another involves the launch of a Market Insight group to collect data on the retirement income market.

A third initiative has led to the creation of a periodical, *Retirement Management Journal*, to publish retirement income research and burnish a reputation for thought-leadership. Simultaneously, RIIA has established alliances and partnerships with organizations as varied as the National Association of Fixed Annuities (NAFA), the Depository Trust & Clearing Corp. (DTCC) and the Defined Contribution Institutional Investment Association (DCIIA).

The depth of financial backing for an organization is hard to gauge, but RIIA's corporate sponsorship appears to be growing. Ibbotson (a Morningstar company), Allianz Global Investors, Dimensional Fund

Advisors, Guided Choice, New York Life, DST Systems, Putnam Investments, and Wells Fargo were listed in the conference program as significant event sponsors.

It's challenge, but it also feels necessary, to describe the difference between the RIIA conference and other retirement industry conferences. The difference springs primarily from the fact that unlike, say, Insured Retirement Institute or the Financial Planning Association, RIIA represents no single product category or distribution channel, but many of them at once.

RIIA conferences are more eclectic and less parochial than others, as its motto—"the view across the silos"—would suggest. To be more precise: a more networking-driven mix of executives and entrepreneurs, political mavericks, and compulsive students-of-the-income-game can't be found at any other conference in this space.

That mixture generates a difference in vibe—a difference that's difficult to define but essential to an understanding of the organization's value. At the risk of exaggerating to make a point, RIIA's conference differs from others in the way that a cast party differs from a stage play: same players, with their masks off.

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