
Independent Fiduciaries to the Rescue

By Editor Test *Wed, Aug 4, 2010*

With his National Retirement Security Plan, independent fiduciary Matthew Hutcheson hopes to bring lower fees, better management to small and micro retirement plans.

The National Retirement Security Plan is one of Matthew Hutcheson's most recent ventures. It's intended to be a scalable way for small plan sponsors to outsource the bulk of their investment and fiduciary responsibilities to outside professionals at a low cost.

The [NSRP](#) achieves its economies of scale in several ways. It's a multi-employer plan, resembling one big plan with a bunch of different locations. The investments also go into a large fund whose investment decisions are made by professionals. Participants can choose age-based or higher-risk portfolios, but they don't manage their own money.

The independent fiduciary, under Hutcheson's supervision, is in charge, and very much pro-participant. Matching contributions, for instance, are 100% vested immediately. TD Ameritrade is the custodian (of a cash balance account, a 401(k) account and a 403(b) account), and Trautmann Maher & Associates, Mill Creek, Wash., is the recordkeeper. The investment portfolios are managed by ERISA Section 3 (38) investment manager fiduciaries.

"You've got complete novices at the helm of the biggest pools of wealth in the world, and they are vulnerable to the latest industry gimmick," Hutcheson said. "The solution, I believe in my heart, is for the independent fiduciary coming and applying discipline and shepherding retirement plans to the point where in 20 or 30 years, somebody can have a viable shot in at reasonable retirement. People now view 401k as a tool or product, and ask, 'What should I do now?' Our focus is on the future person."

NRSP "has auto enrollment and auto escalation," he said. "We have eight investment managers with discretion over the portfolio. One objection to most 401k plans is that the investment managers don't care and go into junk products. I've created eight groups of portfolios.

One manager does Vanguard funds, another does DFA funds, another does socially responsible funds. Each adopting employer can choose the philosophy he or she wants. But I take the reins and become the controlling party of the plan. The HR director and the president resign from their fiduciary positions," Hutcheson said.

The NRSP literature lists the administration costs at \$85 per participant per year, plus just under 1% for fees. Hutcheson told RIJ, "The whole expense is 98 basis points, including the fees for the custodian, trustee, and the default portfolio. As it grows, we'll take advantage of [the economies of] collective trusts."

The result, he said, is that "Plumber Bob will be able to get a plan that's lots better than Fortune 500 companies. I've created a way for small guys to have better quality and pricing than the big guys." As for not letting participants manage their money directly, he said, "Our plan is fiduciary controlled, and we

don't believe participants can make good decisions. We have a duty to protect your future self. A 401(k) is like a bar of soap. Every time they touch it, it gets smaller."

The roots of NRSP go back almost 15 years—to when Hutcheson would have been only 25 years old. "In 1996 I created our first multiple-employer plan. Before that, most [multi-plans] were for [employers in the same industry]. I aggregated unrelated employers to create huge economies of scale. The IRS thought it was great.

"I've created 15 of those plans, and each year we roll out better and better versions," he said. So far, he says, he has about 300,000 participants at about 800 employers, with some 60 new plans in the pipeline and "15 or 20" employers calling him every week.

The potential market for NRSP, Hutcheson said, includes the 30 million employees who don't have retirement plans and an additional 30 million who have low-quality plans. To serve them, he hopes to train an army of independent fiduciaries. "I'd like to see 50,000 to 100,000 fiduciaries taking care of plans," he told RIJ. "The change won't come in the form of new financial products or gimmicks. It will come from having independent experts applying sound principles."

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