
Plan Sponsor Group Joins Hueler SPIA Platform

By Kerry Pechter *Wed, Apr 6, 2011*

The deal will allow the 1,200 members of the Profit-Sharing Council of America to give their six million plan participants access to a no-load, multi-issuer SPIA platform. (Photo of Kelli Hueler by David Lubarsky).

Big news in the still-small world of single-premium income annuities: Hueler Companies and the Profit-Sharing Council of America have entered into a relationship.

The deal, announced late Tuesday after a year of negotiations, is significant. It allows the 1,200 defined contribution plan sponsors who are members of the PSCA to give their six million plan participants access to the Hueler's Income Solutions, an online platform where 401(k) participants and fee-only advisors can get competitive, no-load bids on SPIAs.

To put it another way, Kelli Hueler, the purposeful Minneapolis entrepreneur behind Income Solutions, has apparently persuaded David Wray, the president of PSCA, and his board of directors that her platform can give retiring plan participants a transparently-priced, multi-insurer, "out of plan" income option that—and this is key—won't expose plan sponsors to fiduciary liability.

The PSCA board includes representatives of plan sponsors or providers such as McDonald's, Playboy Enterprises, Procter & Gamble, New York Life, MGM Resorts International, and The Hartford, as well as small and mid-sized firms.

"Plan sponsors want to help but they don't want to be *directive*," Wray told RIJ. "They're concerned with the liability that directive means and they don't want to be wrong." With the Hueler option, 'if a participant comes to them and says, 'I need an income solution,' they can accommodate them by saying, 'Here's access to a transparent, low-cost annuity platform that has educational material.' There are no endorsements or recommendations."

The agreement doesn't compel PSCA members to do anything; it simply allows them to offer an access code to the platform to ready-to-retire participants who are interested in converting some of their qualified savings to a guaranteed lifetime income stream. Under the agreement, PSCA plan sponsors won't have to pay the \$5,000 fee that Hueler usually charges for setting up an interface between a plan and the platform.

Income Solutions, for those unfamiliar with it, is a website where members of certain 401(k) plans and certain financial advisors can log on and request competitive real-time quotes on single-premium immediate annuities from eight or nine different highly-rated insurance companies who've been vetted by Hueler and who agree to offer special prices with no embedded distribution expenses.

Hueler, a successful provider of stable value fund data, created Income Solutions in 2004 after four years of research. She has spent the past six years talking about it and promoting it at conferences, hearings, roundtables and executive suites all over the country. She has formed partnerships with plan providers Wells Fargo, ING, T. Rowe Price and Hewitt Associates.

In 2007, Hueler and the National Association of Personal Financial Advisors entered into an agreement that would give NAPFA's fee-only advisors access to Income Solutions for their clients. In 2010, Hueler and Vanguard agreed that Vanguard's 401(k) participants could have access to the platform. The deal with PSCA marks an new milestone in the ongoing growth of Income Solutions.

While SPIA sales are currently tiny—low interest rates aren't helping—Hueler doesn't think they will necessarily stay that way. "There's an appetite out there that hasn't been reflected in the sales numbers," Hueler told RIJ. "Our volume has dramatically increased. And if every plan sponsor communicated this to employees and employees had a chance to consider this option, you would see substantially higher usage of [SPIAs]."

In essence, Income Solutions is using the Internet to do for SPIA transactions what it has done for books, cars and other products: drive prices down, make transactions more transparent, and put more control in the hands of the consumer.

Just as consumers can compare car prices on cars.com, they can compare the prices of annuities at Income Solutions. Hueler isn't the first to venture into that territory; for years, New Jersey-based insurance general agent Hersh Stern has been offering competitive annuity quotes through his site, immediateannuities.com. Others use a similar formula.

Both types of sites allow shoppers to see the highest available SPIA payout. That alone is important, because a client who sees only one annuity quote at a time is as helpless as someone who visits one car dealer and sees one isolated offer at a time. On any given day, the spread between the highest and lowest annuity prices can be as wide as 10%. For example, a couple might pay anywhere from \$190,000 to \$210,000, depending on the issuer, for \$1,000-a-month in retirement.

But Hueler's platform is different in a couple of crucial ways. Most importantly, it eliminates the commissioned salesperson. That makes the transaction cheaper and more transparent. Hueler discloses a flat two percent fee (one percent to finance the Income Solutions platform; the other one percent is paid to the plan provider or charged by the fee-only advisor who mediates the transaction for the participant or investor). In a typical agent-mediated transaction, the buyer pays up to five percent and doesn't know exactly what the underlying cost structure looks like.

For plan sponsors, these differences matter a lot. The combination of lower, transparent pricing and a choice of bids from a screened selection of multiple high-quality annuity issuers—plus the fact that the SPIA purchase on Income Solutions involves a rollover to an IRA outside of the plan—makes Income Solutions acceptable to the many plan sponsors who are afraid that income options that involve in-plan purchases of annuities from single issuers would expose them to immeasurable liability should the issuer fail.

"The key for us was the transparency," Wray said. "In the world we live in today, anything that has to do with our system has to be transparent. This platform provides the kind of thing that plan sponsors should be comfortable informing their participants about." Nineteen percent of his member companies still have programs where they refer participants to a single insurance company for purchasing an income annuity

inside the plan, he noted. But the Hueler concept is emerging as a successor to that practice.

Income Solutions also claims to offer “institutional pricing.” Hueler says that participating carriers have agreed to offer SPIAs to her clients at the “same prices they offer to their best institutional clients.” That pricing remains something of a black box at the carrier end, but it is said to be the stripped-down price with no distribution fees layered on.

SPIA pricing is the subject of an upcoming article in *Retirement Income Journal*. So far, comparisons of SPIA prices at Income Solutions, Immediateannuities.com, AARP, Fidelity’s SPIA platform, and Cannex, the independent data provider, show a small but consistent advantage at Income Solutions.

The insurers currently listed as participants in the Income Solutions platform are American General Life, Integrity Life, Lincoln National Life, Mutual of Omaha, Pacific Life, Principal Life and Western National. The largest seller of SPIAs, New York Life, is not listed. Its products are primarily sold through career agents. It also has an exclusive marketing relationship with AARP. MetLife also offers quotes for participants in certain plans.

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