Russell puts its “adaptive investing” model in new TDF series

By Editor Test *Thu, Feb 14, 2013*

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Russell Investments has teamed up with Business Logic to create a line-up of target date funds (TDFs) for defined contribution plans. The funds will incorporate Russell’s “Adaptive Investing” re-allocation methodology, which has powered two previous Russell products.

“Russell Adaptive Retirement Accounts combine some customization elements of a managed account service – typically at a lower cost to the participant – with the benefits of traditional target date funds,” said Dick Davies, managing director, defined contribution, at Russell.

The Seattle-based asset manager already offers a series of target date funds-of-funds, called LifePoints. The new target date funds, which Russell describes as “the next generation in target date investing for institutional plan sponsors,” will be offered in addition to LifePoints, a Russell spokesperson told RIJ.

In 2012, Russell included Adaptive Investing in the Russell Retirement Lifestyle Solution. Available through financial advisors, the program aims to maintain a client’s funded status above 100% in retirement.

The model is designed to make sure the client always has enough investable assets to fund a life annuity that will generate enough income to meet his household needs for the rest of his life. It is not necessarily designed to lead to the purchase of a life annuity.

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A conventional TDFs matches an asset-allocation and “glide-path” strategy to a certain retirement year. Russell’s Adaptive TDFs will “incorporate individual participants’ specific demographics and investment experience into the asset allocation modeling and improve the likelihood that they will achieve their specific targeted retirement income,” the release said.

Russell Adaptive Retirement Accounts can “leverag[e] existing investment options” and create TDFs that consider a participant’s age, savings deferral rate, current account balance, salary and DB pension benefit, if any.

Using that information, provided by plan recordkeepers, Russell would “determine the appropriate asset allocation for each participant based on how on-target they are toward meeting their specific retirement income goal… This can all be done without direct participant involvement, since the necessary information already resides with the recordkeeper or on the plan sponsor’s human resources system,” the release said.

Russell has $23 billion in DC assets under management globally as of September 30, 2012. Business Logic, a Chicago-based company whose CEO is John Patterson, has also collaborated with JPMorgan, Transamerica and PIMCO, according to its website.