The Gospel of Matthew Hutcheson

By Kerry Pechter *Mon, Aug 2, 2010*

The 40-year-old leader of the "independent fiduciary movement" is passionate about making retirement plans more responsive to the needs of participants.

"Save America" is the name of one of Matthew D. Hutcheson's latest website projects, and the name alone gives you some idea of the scale and scope of this 40-year-old retirement industry entrepreneur's transcontinental ambitions.

Often called the leader of "independent fiduciary movement," Hutcheson has been working for most of this decade to reform the 401(k) business from within. He has helped invent the profession of independent fiduciaries—third-party stewards who provide expert oversight to small and micro-plans.

An advocate—crusader might not be too strong a word—for higher fiduciary standards and greater fee transparency throughout the financial services industry, he has testified before Congress, written articles and books, and been active in the year-old Committee for the Fiduciary Standard.

For Hutcheson and like-minded challengers of the status quo, the prospects for reform are probably stronger now than they've been in many years. Although the new financial reform bill doesn't address fiduciary issues, it does give the Securities and Exchange Commission "authority to impose a fiduciary duty on brokers who give investment advice." The SEC has six months to study the issue before taking action, if any.

Polemics and profit-making

But Hutcheson, who is now based in a suburb of Boise, isn't just a reformer. He's also an aggressive businessman. Through new ventures like the National Retirement Security Plan (NSRP), a multi-employer 401(k) plan for small companies, and e-luminary.com, a service for linking investors and plan sponsors with well-credentialed advisors, he has plans for what sounds like an independent fiduciary empire.

"We have an aggressive end game," Hutcheson told RIJ recently. While Hutcheson currently acts as fiduciary for hundreds of small plans with 300,000 participants, with NSRP "we eventually hope to cover 30 million people. We're focused on the 30 million people who don't have retirement plans. There's another 30 million who have low quality plans," he said.

To help run NRSP, he's recruiting people who want to be independent 3(21) or 3(38) fiduciaries—full-scope or investment-only—according to his principles. He's been training them through a series of Fiduciary Symposiums, including one held in Manhattan last May. The keynote speaker was author/entrepreneur Stephen Covey.

By mixing polemics with profit-making, Hutcheson sometimes raises the question of whether his muckraking is a form of self-marketing. Those he has criticized—such as defenders of the 401(k) establishment—seem to think so.

“My sense is that he has been somewhat over-the-top in order to market himself. He thinks fees are too high, and that’s fine. But he has misrepresented how the system works,” said one leading member of the large-plan 401(k) industry who requested anonymity. “But nobody has ever complained about his services.”

Hutcheson’s allies claim there’s no conflict of interest. “Matt practices what he preaches,” said Blaine Aiken, CEO of FI360, which trains investment fiduciaries and which conferred the Accredited Investment Fiduciary Analyst (AIFA) designation on Hutcheson in 2003. “He has a business model and wants to see it succeed, but it’s firmly founded in fiduciary principles.”

“He’s a retirement policy activist who is very committed to a point of view. Not everyone agrees with him, but no one can question his passion,” said Brian Graff, CEO of ASPPA, the American Society of Pension Professionals and Actuaries, to which Hutcheson belongs.

“He’s been on the forefront of fee disclosure. He’s one of the folks out there calling for more transparency. His National Retirement Security Plan is part of a trend. We’re seeing more and more employers saying, ‘We’re not investment experts,’ and throwing up their hands,” Graff said.

No one questions Hutcheson’s credentials. Curiously, he lists no college or university as an alma mater on any website. Instead he cites a list of designations and accreditations from the Institute of Business & Finance, the American Society of Pension Actuaries, the Center for Fiduciary Studies at the University of Pittsburgh’s Joseph M. Katz Graduate School of Business, the International Foundation for Retirement Education (InFRE), the American Academy of Financial Management and the ERISA Fiduciary Guild.

“I started as an actuary and became a practicing fiduciary,” Hutcheson told RIJ. “Politically, I grew up in a conservative Republican Seattle-Texas family. But I’m not aligned with the Republicans or the Democrats.

“I’m independent in the sense that—I have a lot of compassion, but I believe that only a private sector solution can be agile and nimble enough [to address the retirement savings crisis]. It may sound corny, but I believe I have a solution. And it is actually functioning, and we’re making it available to anybody.”

A battle over dollars

Although he is distinguished by his zeal and his visibility, Hutcheson is by no means the only person who believes that the ERISA plan industry needs reform. Many others, for instance, want to see an end to hidden transaction fees in plan investment options.

“Participants have been underserved by the current system,” said Mike Alfred, a co-founder of Brightscope, the 401(k) plan rating service. “I can tell you from raw data, we’ve seen a lot of plans with fees that are beyond exorbitant. For instance, there’s no consensus on the disclosure of trading costs. Because of that, they don’t count it as a fee at all.”

“As a fiduciary in a plan, you’re required to know the expenses but the providers are not required to give you the information," said Harold Evensky, whose firm, Evensky & Katz Wealth Management, acts as investment fiduciary for plans. "Hopefully, that will change." Like Hutcheson, Evensky is a member of the Committee for the Fiduciary Standard.

Aside from the fee issue, others besides Hutcheson are trying to bring a higher level of oversight to small company plans where the fiduciary role might be filled by someone without the time or skills to execute it properly, and to do it at a price that small plan sponsors can afford.

Eighteen months ago, for instance, Chip Morton started FiduciaryPlanReview.com to provide scalable fiduciary services to small company plans. But where Hutcheson creates economies of scale by aggregating plans, Morton created a sort of robo-fiduciary service in which a computer reviews plan investments, among other things.

"Most small or micro-plans are in the hands of a local stock broker or an insurance agent who's a friend of the CEO and who takes it on by default or as a loss-leader for other business," Morton said. "If they don't have the skill set to meet the fiduciary standard, we shift the risk to us and issue a warranty" backed by Great American Insurance Group.

Beneath the ERISA complexities, the matter boils down to a simple battle over dollars. Hutcheson and his fellow reformers want more money to stay in participant accounts and less to go out in fees. They also hope to profit in the process.

That makes them less than popular with insurance companies, investment firms, and wirehouses. "He's quite polarizing," said Brightscope's Mike Alfred. "The big mutual fund companies and the Profit Sharing Council of America find him very polarizing."

As for his new website, "Save America," it's not quite clear what Hutcheson has in mind. It's still under construction. The homepage currently says: "Something exciting coming soon from Matthew D. Hutcheson LLC."