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### Watson Wyatt Talking T-Date Risk

Consulting firm **Watson Wyatt** is advising plan sponsors to look into the inherent risks associated with target-date funds and communicate those to participants.

*See story, page 2*





## NEUBERGER PLOTS 401(K) BIZ EXPANSION

**Neuberger Berman** is planning to expand its 401(k) businesses with the launch of a share class aimed at small- to mid-market providers. The firm earlier this month launched R3 shares for its mutual funds with the eventual goal of having R3 shares in every fund, **Dan Zelazny**, managing director, told *FA*.

R3 shares went live for the Neuberger Berman Guardian, International Large Cap, Large Cap Disciplined Growth, Mid Cap Growth, Mid Cap Growth and Socially Responsive funds June 1. Neuberger is now in talks regarding selling agreements with the top 30

*(continued on page 19)*

## BLACKROCK'S DOLL SEES MID-SIZED FIRMS VULNERABLE

The asset management business is ripe for consolidation and **BlackRock**'s **Bob Doll**, vice chairman and global chief investment officer of equities, expects some major announcements before year-end. "We'll get a lot more consolidation in the asset management business, including the mutual fund business. I'd be surprised if we didn't hear more announcements," Doll told *FA* in an interview.

Ultimately, the industry will take on "the model of several large, big, broad global players

*(continued on page 19)*

## BIG APPLE SHOP CONVERTS HF TO MUTUAL FUND

*Rob Kaimowitz*

**Bull Path Capital Management** is about to convert one of its long/short hedge funds into a long/short equity mutual fund. Founder **Rob Kaimowitz** said he believes the mutual fund structure is "a better business model all round, particularly for the investors," and the new *Bull Path Long Short Fund* will be a more competitive way of targeting U.S. investors, particularly those that aren't qualified to invest via a hedge fund structure.

While other firms have launched mutual fund versions of their hedge

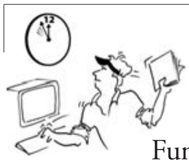
*(continued on page 20)*

## SOUTH CAROLINA SEARCHING FOR ADMINISTRATOR FOR 401(k), 457 PLANS

The **State of South Carolina Deferred Compensation Commission** has issued a request for proposals for a plan administrator for the state's $1.5 billion, 93,204-life 401(k) plan and its $725 million, 26,500-life 457 plan. The bids are due July 15.

The state is looking to the plan administrator to provide recordkeeping, administration, communication, education, custodial trustee and investment management services to the plan. Plan officials are asking bidders to submit two proposals—one outlining semi-bundled

*(continued on page 19)*



## At Press Time

## Report: Beware Of Past Performance

Fund firms and investors need to be careful when basing their manager choices on past performance, because those decisions could come back to haunt them, according to a new report from **Baird**. *The (Un)Reliability of Past Performance* states while active managers add value to the funds they manage, it is more important to understand the reasons behind their performance rather than just their performance numbers.

**Aaron Reynolds**, research analyst and co-author of the report, told *FA* understanding a manager's story is key to understanding a fund's performance. "You need to get beyond the numbers, that's where people get the most value," he said. "If you focus strictly on performance you're missing half the equation. You need to know how and when they add value and you can also figure out when they may lag their benchmarks."

While marketing based on past performance is here to stay, Reynolds said investors need to look beyond the traditional one- and three-year performance numbers to judge a fund. "A manager that did well in 2008 is probably very defensive and they're probably struggling in 2009," Reynolds said. "If you understand the story of the fund's manager and that manager is still there but their performance is going through a lull, many times the best course of action is just to hold on."

## Watson Wyatt Talking T-Date Risk

Consulting firm **Watson Wyatt** is advising plan sponsors to look into the inherent risks associated with target-date funds and be sure to communicate those risks to plan participants so they remained informed. **Carl Hess**, global head of investment consulting, told *FA* many participants took a "set it and forget it" approach when it came to target-date funds as a default option in plans. "They are not risk free and are designed with time horizons in mind that range from long-term to very long-term," Hess said. "The participant has to make an active effort in the process."

Hess said adopting benchmarking policies may provide an answer to improve the understanding and communication of the risks associated with target-date funds. He cautioned it may present a challenge to find a point of comparison that reflects the long term goal of saving for retirement. "One of the things we think could be an interesting way to go about it would be to compare [target dates] to the most conservative [investment], like annuities," he said. Because deferred annuities provide a guaranteed retirement income they could provide a conservative income comparison for investment returns on target-date funds, Hess said.

He said another solution could be for participants to build their own target-date funds—something a lot of larger plans are doing. Hess said plans should be taking into account different factors, such as the availability of a defined benefit plan, workforce retirement patterns and wealth of participants. Hess noted real estate, commodities and real assets should also play a role in the diversification of target date funds.

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In The News

## Study: Strengthen SEC's Investment Management Division

*Jon Coates*

The **Securities and Exchange Commission**'s Division of Investment management needs to be strengthened in order for the mutual fund industry to be more competitive, according to a new report.

**Jon Coates**, professor of law at **Harvard University**, this past week recommended in a report written for the non-profit independent research organization **Committee on Capital Markets Regulation** the Division of Investment Management needs more resources in order to be more responsive to fund industry needs and bolster its ranks to keep up with the growth of the U.S. fund industry.

According to the study, the Division of Investment Management will receive $5 million in funding in 2009, just 4.9% of the SEC's $913 million total budget, while the Division of Enforcement will receive $318 million, or 34.8%. "Yet, the number of investment advisers supervised by IM grew substantially, from 7,614 in 2001 to 10,484 in 2006, whereas the number of broker-dealers declined from 5,526 to 5,068," notes the study.

Coates told *FA* the Division of Investment Management needs a source of funding that is separate from the SEC so it can add more resources, such as economists, risk analysts and business personnel to a staff now made up mostly of lawyers. Coates said there are three ways to do this:

- Take the Division of Investment Management out of the SEC and create a new, independent agency to oversee the mutual fund industry
- Leave the Division of Investment Management in the SEC, but create a separate account at the **Treasury Department** where fund firms deposit fees to be used by the Division of Investment Management
- Create a new entity to oversee mutual funds subject to SEC oversight

"The linchpin of these ideas is to get the funding to be secure," Coates told *FA*. "The choices between those are more about good politics and less about good regulation." Coates also made several recommendations about changing the way mutual funds are taxed. "The tax side requires, in essence, giving up some revenue from the Treasury and cutting taxes when we're running up massive deficits is not realistic," he said.

**Investment Company Institute** spokeswoman **Ianthe Zabel** told *FA*: "We are still reviewing their proposal, but we strongly support fully funding the SEC so it can continue to fulfill its investor protection mission." SEC spokesman **John Heine** declined to comment. The Committee on Capital Markets Regulation noted in a statement it takes no position on the recommendations in the report.

## Hartford Plans Bond Fund Merger

**The Hartford** plans to merge two of its bond funds in an effort to improve economies of scale and reduce expenses. The firm has proposed merging the $60 million Hartford Income Allocation Fund into the $1.5 billion Hartford Total Return Bond Fund. Income Allocation shareholders would see their expenses reduced from 120 basis points to 100 bps in the combined fund, according to a **Securities and Exchange Commission** filing. "The move is part of The Hartford's ongoing commitment to streamline the product line," **Keith Sloane**, senior v.p. of mutual funds, said.

Both funds received three-star **Morningstar** ratings. Hartford Total Return Bond has returned 5.38% year-to-date, .15% better than its Morningstar category average, while Hartford Income Allocation has returned 9.75% year-to-date, 1.54% worse than its Morningstar category average. **Nasri Toutongi**, manager of the Total Return Bond Fund, would manage the combined fund, according to the filing.

The Hartford has $75.9 billion in retail mutual fund assets, according to Morningstar.

## Legg Mason Names RIA Sales Head

**Legg Mason** has hired **Larry Milder** to head up sales for the Baltimore firm's independent advisor channel. He joins Legg Mason today, reporting to **Matt Schiffman**, head of retail for the Americas.

Legg Mason said in a release Milder will help the firm expand its reach among independent advisors. "The independent channel is a very important one for our business, and we are delighted to add someone to our team who has an intimate understanding of that channel," Schiffman said. "[Milder's] significant experience in the independent channel gives him a strong understanding of the needs of the independent advisor, and this expertise will be critical as we seek to broaden our reach." A spokeswoman declined comment.

Milder has more than 25 years experience in the industry and more than 22 years supporting independent advisors, according to Legg Mason. He joins from **Nationwide Financial Services**, where he was director of national sales for the independent advisors channel since mid-2006 (*FA*, 8/7/2006), and before that he was at **MFS Investment Management** for 19 years.

"I looked forward to joining Legg Mason at this point in my career," Milder said. "There is a tremendous opportunity to work with the wholesalers to provide advisors with innovative solutions as they work with clients who are looking for ways to rebuild wealth. I look forward to assisting Legg Mason in broadening its scope."

Legg Mason has $698 billion in assets under management.

## Congress Fund Eyes Acquisition

The only mutual fund that bases its investment strategy on when Congress is in session plans to acquire another fund to bolster its assets. The Congressional Effect Fund has filed with the **Securities and Exchange Commission** to acquire **Northern Lights Funds**' Free Enterprise Action Fund.

According to the filing, the merger is expected to be completed by the end of the month and would reduce expenses of the combined Congressional fund from its cap of 225 basis points to 207 bps. Congressional Effect Management will be the manager of the combined fund, with **Eric Singer** responsible for day-to-day management.

The Congressional Effect Fund was launched last year and invests mainly in Treasury bills, government bonds and debt instruments rated AAA or better when Congress is in session. The fund tracks the S&P 500 when Congress is out of session by investing mainly in futures, exchange-traded funds, index funds and stocks.

The strategy is based upon a theory illustrated in a 2005 study called *Congress and the Stock Market* that reported 90% of gains posted by stocks in the Dow Jones Industrial Average came on a day Congress was out of session.

**Andrew Rogers**, president of **Gemini Fund Services**, which runs Northern Lights Funds, and Congressional Effect Management, did not return calls.

## FTSE Environment Indexes Spur Fund Interest

**FTSE Group** is seeing "significant interest" from mutual fund companies and exchange-traded fund providers in creating both active and passive funds based on the index provider's seven new environmental indices, **Bob Ebert**, executive v.p. of sales for **FTSE Americas**, told *FA*. He declined to name specific firms, but predicted new funds would begin to launch within months.

In addition to the seven new regional indices, FTSE Group this week announced a new global environmental markets industry classification system that identifies companies based on sector and subsector according to the environmental products and services they provide. Ebert said the system provides a basis for the creation of sector-based investment products such as ETFs, mutual funds and derivatives products.

"This is one of the more exciting parts of our product line," Ebert said. "There is significant interest in creating fund products—both passive and active—based on these environmental indices. This is the real sector for growth."

The FTSE Environmental Opportunities US Index, FTSE Environmental Opportunities UK Index, FTSE Environmental Opportunities UK AIM Index, FTSE Environmental Opportunities Japan Index, FTSE Environmental Opportunities Europe Index, FTSE Environmental Opportunities Asia Pacific Index, and FTSE Environmental Opportunities Asia Pacific ex Japan Index were launched this past Monday. The indexes cover energy efficiency, environmental support services, pollution control, renewable and alternative energy, waste management and technologies, and water infrastructure and technologies.

## DWS Ed Campaign Touts Funds As Inflation Hedge

**Deutsche Bank**'s U.S. retail unit, **DWS Investments**, this past week launched an aggressive marketing campaign recommending investment strategies designed to provide a hedge against inflation. **Philip Parrotta**, head of marketing, told *FA* as the market has begun to stabilize, investors have started thinking more about inflation, noting the firm's clients have expressed concerns about inflation and protecting their assets.

The e-mail-based campaign focuses on the $24 million DWS Select Alternative Allocation Fund and $317 million DWS Alternative Asset Allocation Plus Fund, both of which invest in an array of asset classes through their fund-of-fund structures and are "ideal diversifiers," Parrotta said. The campaign also touts the $228 million DWS Disciplined Market Neutral Fund and $59 million DWS RREEF Global Infrastructure Fund.

DWS Investments' network of investment advisor and broker/dealer clients will receive the e-mail today, Parrotta said. It will spell out the need to hedge against inflation and provide a click-through to more information about the featured funds and a video of **Christine Johnson**, managing director and senior portfolio manager, discussing alternative investments. The e-mail will be supported in the field by DWS Investments' sales force, Parrotta noted.

"At DWS Investments, we've been discussing the potential of inflation for some time now, but we wanted our message and our proposed solution to be timely and now seemed like an appropriate time to be putting the solution in front of our clients," Parrotta said, explaining that investors were too uncertain about the market earlier in the year. He predicted inflation would be a continued topic of conversation going forward.

DWS Investments has $115 billion in assets under management.

## Prudential Annuities Snatches Hartford Market Honcho

**Quincy Krosby** has been tapped as chief market strategist at **Prudential Annuities**. Krosby was most recently chief market strategist at **The Hartford**. She left her post this past week to take the job at Prudential. **Julia Green**, a spokeswoman for The Hartford, said the firm has not yet found a replacement for Krosby. Green did not comment on whether the search was internal or external or whether The Hartford has hired a search firm, saying only The Hartford is "evaluating the position."

Chief market strategist is a new position created in response to advisor requests for more help in understanding what is going on in the economy during the global financial crisis, **Lisa Bennett**, Prudential spokeswoman, said. "Our financial professionals want to better understand the economy and economic cycles and she is the best person to provide perspective on that for them," she said.

## Oppenheimer Urges Investors To Take 'Next Step'

**OppenheimerFunds** this week will unveil "The Next Step" to help clients prepare to make decisions about their portfolio with their advisors. The Flash tool was developed by Oppenheimer's internal technology team in conjunction with third-party firm, **Fulton Street Design**, according to **Sean Keller**, v.p. of strategic marketing.

"The goal is to provide clients with relevant information so they can have constructive conversations with their advisors," he said. "This helps them figure out their investor profile, think through the options they have and decide on the sacrifices they are willing or unwilling to make."

Oppenheimer this past week released "Get A Handle On Where You Stand," which was designed to help advisors rebuild their clients' portfolios (*FA*, 6/15). Both the white paper and the Flash tool are part of Oppenheimer's "Art Of The Client Review: Special Edition" program, which began in February and is based on new research examining the financial crisis and market volatility.

## Technology Firm Preps Platform Launch

**Odyssey Financial Technologies** will launch the latest version of its WealthManager platform this month. The new version includes two updates that will allow investors and advisors to scrutinize mutual funds more extensively and enable fund managers and private client advisors to more easily open new accounts.

Odyssey made the updates in response to client demand and feedback from the marketplace, **Craig O'Neill**, senior v.p. of corporate development and president of North America, told *FA*. "Investors in general are looking for more transparency and more accountability when making investment decisions," he said. WealthManager is a software application that collects data pertaining to clients and their investments.

With WealthManager 5.0's new Fund Look Through feature, investors and their advisors can examine funds' holdings by asset class and sector and aggregate information across funds to make comparisons, O'Neill said, adding they also can look at risk and sector exposure and performance with a granularity not previously available. This, he said, would allow mutual fund holdings to be evaluated much the same way separately managed accounts are. The new automated feature to assist with opening new accounts allows advisors to take on clients more easily and also maintain accounts better, according to O'Neill.

The firm, which services some 200 clients globally, was founded in 1995 in Luxembourg. Odyssey's U.S. operations are based in New York.

## ALPS To Acquire Activa Value Fund

**ALPS Advisors** plans to acquire the assets of **Activa Asset Management**'s $69 million Activa Value Fund in August and will maintain the fund's name, investment objectives and sub-advisor, according to a filing with the **Securities and Exchange Commission**. Portfolio Manager **Mammen Chally** at **Wellington Management** will continue to manage the fund.

The Activa Value Fund has experienced a "significant reduction" in assets, according to the filing, which states Activa Asset Management and Wellington sought "an organization that would be in a better position to administer the Activa fund's assets, gather additional assets and continue to provide services to shareholders of the Activa fund." The fund lost 36.5% of its value in 2008.

The expense ratio for the new fund would be 153 basis points, higher than the existing fund's expense ratio of 142 bp. The shareholder vote is scheduled for Aug. 31. An ALPS spokesperson declined comment.

Calls to Chally at Wellington were not returned. Activa Asset Management could not be reached.

## Guggenheim Plots Index Fund Launches

**Guggenheim Partners** is planning to launch three new index funds based on **Dow Jones** Required Business Performance (RPB) indexes, which measure the likelihood a company can deliver the performance required to support its current stock price.

Guggenheim filed for registration with the **Securities and Exchange Commission** for the Transparent Value Dow Jones RBP U.S. Large-Cap High-Beta Leading Index Fund, the Transparent Value Dow Jones RBP U.S. Large-Cap 100 Low-Beta Leading Index Fund, and the Transparent Value Dow Jones RBP U.S. Large-Cap 100 Market-Beta Leading Index Fund.

Guggenheim Partners subsidiary **Guggenheim Investment Management** would act as investment advisor to the funds. Subsidiary **Transparent Value Advisors** is listed as subadvisor. Fees were not disclosed in the filing, and a spokesman declined comment while the funds are in registration.

Guggenheim Partners has more than $100 billion in assets under management.

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## Cogent: Fido, Vanguard Top Rollover List

Online providers such as **Fidelity Investments** and **Vanguard Group** are more likely to attract rollover assets this year from high-net-worth investors than full-service advisory firms such as **J.P. Morgan** and **Bank of America**, according to new data from **Cogent Research**.

*Assets In Motion: The Rollover IRA & Retirement Income Market Opportunity* revealed Fidelity is in position to glean about 16% of those assets this year, Vanguard is poised to receive 9%, **Charles Schwab & Co.** will receive about 5%, **Merrill Lynch** roughly 4% and **USAA** will round out the "top tier" receiving 3%.

*Christy White*

**Christy White**, principal, told *FA* about 30 firms will receive around 1% of the assets in this "highly fractured" market. "We found it very interesting that some of these businesses that were direct-to-consumer or those that already have a 401(k) platform are migrating those dollars from one end of the house to the other." She also noted of those high net-worth investors with assets in former employer-sponsored retirement plans 40% said they were likely to roll those dollars into an IRA in the next year, which is 12% of the HNW population with the potential to put $450 million in retirement assets in play.

*Tony Ferreira*

**Tony Ferreira**, managing director, told *FA* online providers such as Schwab and Vanguard may be poised to receive more rollover assets because they have focused their communications on rollover support. He noted Merrill Lynch as an exception, landing in the top tier due to its "strong 401(k) franchise" and client retention efforts.

White said with the exception of Merrill the larger banks and wirehouses seem to appear in the lower tier when it comes to rollover assets. "There's not a lot of support at the corporate level in terms of getting the assets out on a broad basis to consumers," White said. "I think there is an opportunity for advisors to jump on that bandwagon and try to roll these former plans into the discussion about consolidation."

The data is based on interviews with 4,000 investors with at least $100,000 in investable assets—including 401(k) plans, but not real estate—in October.

## vWise Enhancing Retirement Planning Offering

Communications technology firm **vWise** is updating its online retirement planning offering SmartPlan Enterprise to provide e-mail capabilities to plan participants. **Tony Mingo**, president and ceo of the Aliso Viejo, Calif.-based firm, told *FA* the enhanced offering now electronically sends out summary plan descriptions to plan participants automatically instead of relying on the plan sponsor to provide the summaries.

"Not a lot of people get the [SPD] electronically," Mingo said. "Companies have to go out and print them out. They are between 30 and 60 pages each and then the sponsor has to mail it out to employees."

Mingo noted the printing and mailing costs add up. The enhanced version of the retirement planning offering, which allows a participant to look at their plan features, risk tolerance and asset allocations, would mitigate those additional printing and mailing costs as well as help the companies to "go green," according to Mingo.

The enhanced offering also aims to help plan sponsors with sending out its summary annual report at the end of the year. "Our system is now collecting and tracking e-mails for plan administration to be able to send out," Mingo said. "Our system is helping them and managing it to use as a way to inform employees without having to print and mail [the information]."

## PenChecks Expanding Offering To Institutions

**PenChecks** has opened up its Automated Solution for Abandoned Plans (A.S.A.P.) to institutions after having provided the offering in a limited fashion for more than a year. A.S.A.P. provides services to wind down abandoned plans and reduce their fiduciary liabilities in relation to those plans.

In broadening the reach of the offering, the San Diego, Calif.-based company has also added the ability to work with Form 5500 annual return/report of employee benefit plan data.

**Peter Preovolos**, president and ceo, told *FA* the offering is being opened up on a more widespread basis due to the increasing amounts of plans being abandoned. "We are seeing more plan terminations due to company bankruptcies and company's closing their doors," Preovolos said. "Our thought is how do we assist those organizations holding their funds and get these people—who have in a sense become victims—their money that's due to them."

PenChecks previously ramped up its marking effort to reach

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**Flows Will Turnaround**
Mutual funds will return to positive flow territory this year, according to **Financial Research Corp**
*Visit fundaction.com for the story*

**CREF Creates Digital Post**
**TIAA-CREF** has hired **Jeffrey Fleischman** into the newly created role of chief digital officer
*See story, page 2*

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Not So Fast!
**SEC/CFTC MERGER ICED**
Plans to merge the **Securities and Exchange Commission** and the **Commodities Futures Trading Commission** have been shelved for at least two years.
As part of a bill to fight financial fraud, the Senate voted last week to postpone any attempt to merge the two government agencies until at least 2011—at the earliest. The outcome of that merger would determine how mutual funds are regulated going forward. Washington insiders are saying the move has doomed the potential merger altogether.
*(continued on page 19)*

**WELLS TO ADD OPTIONS TO LINEUP**
**Wells Fargo** will make several new investment options available to its 3.7 million 401(k) retirement plan participants by the end of the second quarter. **Joe Ready**, executive v.p. and director of Wells Fargo's institutional retirement services, told *FA* existing clients can expect to see the changes in their plan's lineup in the next 60 to 90 days. While Ready declined to get into specifics, he said the changes would allow for "broader options in fixed income, small-cap, large-cap, managed accounts and self-directed brokerage accounts."
The news comes on the heels of Wells Fargo snapping up Texas-based **Comerica Bank's**
*(continued on page 20)*

Closed-End Fund Outlook
**DIVIDEND CUTS, CONSOLIDATION TIDE TO ROLL**
Industry executives expect dividend cuts to sweep the closed-end fund space and consolidation to continue as funds struggle with a bear market economy and liquidity issues. **Stephen O'Neill**, portfolio manager at **Rivernorth Capital Management**, speaking at the *8th Annual Capital Link Closed-End Funds and Global ETFs Forum* in New York last week, said he expects there will be many funds cutting their dividends because the payouts have become too high for them to grapple with. "Investors have become used to 15% [payouts] and that's unrealistic now," O'Neill said. For example, the average covered call fund is paying
*(continued on page 12)*

**SAN JOSE PREPPING CONSULTANT SEARCH**
The **City of San Jose** (Calif.) is readying a request for proposals for an investment consultant for its more than $400 million, roughly 10,000-life deferred compensation plan. The consultant would also be for San Jose's $233,972, four-life 401(a) plan, which only allows limited titles, such as the city manager, to participate. There is currently no timeline
*(continued on page 19)*

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out to plan sponsors, TPAs and missing participants with its **National Registry of Unclaimed Retirement Benefits** as a result of the rising unemployment numbers and layoffs (*FA*, 5/11). Preovolos said the A.S.A.P. offering goes hand-in-hand with the registry because missing participants in eliminated plans can be registered as a result.

## Wilmington Names Retirement Biz President

**Wilmington Trust** has appointed **Charles Russella** as president of its retirement and institutional services company. Russella will replace **Gregory Tschider** at the end of June. Tschider is leaving the firm to pursue different interests.

Russella was previously the director of sales and marketing for the retirement business at **AST Capital Trust Company**, which merged with Wilmington Trust this past year. He will report to **Bill Farrell**, executive v.p. of Wilmington Trust and head of its corporate client services business. Russella said the company is focusing on some outstanding projects related to the 2008 merger of Wilmington, AST and **UBS Fiduciary Trust Company**. He will be responsible for overseeing the sales, marketing and services for Wilmington Trust Retirement and Institutional Services Company, which is part of the CCS business.

"We've had a history of fairly decent growth over the past four or five years and I certainly would like to continue to build on that tradition of being able to grow our business double digits and continue to contribute to the net profit," Russella said of his goals for the new position. He said the business has been able to grow roughly 15% to 20% a year and he expects the same growth next year. He added the company is also working on several technology enhancements to allow more efficient service delivery to clients. As of right now, Russella has not chosen anyone to fill his previous position but is currently assessing the role.

Wilmington Trust is a custodian to about 4,000 plans with more than $47 billion in assets.

## ING Expands TPA Channel Role, Appoints New Head

*Ginger Brennan*

**ING** has named **Ralph DelSesto** head of its third-party administrator channel—broadening his previous role focusing solely on the TPA channel for ING's 403(b) market. In the new role, DelSesto is set to oversee TPA relationships for the corporate market as well leverage opportunities across both markets.

DelSesto reports to **Ginger Brennan**, senior v.p. and head of national channel management. Brennan, who took on the new role in April when ING restructured its distribution channels under one strategic chief, told *FA* the idea was for the TPAs to have one central point of contact at ING as the needs for both markets remain similar.

"We thought it would make a lot of sense to combine those together because a lot of our TPAs provide both [plans] and there are some synergies," she said. "It's a way to expand and broaden and deepen the relationships with TPAs."

"Our goal is to make it easier to do business with ING and to increase sales across both channels," Brennan added. "What I am trying to do is provide consistency across all channels." Prior to originating the role as TPA channel head for ING's 403(b) market, DelSesto also held the position for the corporate markets, she noted.

The expanded role is part of the restructuring of ING's distribution channels into four broad areas and under one strategic chief in order to streamline its messaging to drive sales (*FA*, 4/20).

## Midwest TPAs Expand Footprint In Merger

*Patrick Shelton*

St. Louis, Mo.-based third-party administrator **Benefit Plans Plus** and Highland, Ill.-based TPA **Qualified Plan Services** have merged their businesses in an effort to remain competitive in today's marketplace, according to company officials.

The combined firm will go by the name Benefit Plans Plus. The new firm will have expanded services such as custom plan design, compliance and administration offerings for 401(k) and 457 plans as well as additional consulting services.

**Nancy Flachsbart**, member and former owner of QPS, told *FA* she saw the merger as a way to expand the businesses footprint into Missouri. She said the merger would allow the firm "to reach more participants and cater to more plans because of its expanded services." The firm is projecting a 60% plan growth over the next year as a result of the merger. **Patrick Shelton**, BPP managing member, noted the merger was an opportunity to expand BPP's presence in Illinois as well as broaden the services.

The merged firm will include a larger sales force, expanded offerings and services and increased advisory referral channels. BPP now manages 750 retirement plans.

Washington

## Neal Introduces Fee Disclosure Bill

*Rep. Richard Neal*

Rep. **Richard Neal** (D-Mass.) has introduced a bill that would use tax penalties to enforce requirements for disclosures to participants and sponsors. That would bring jurisdiction over fee disclosure under the tax-writing House Ways and Means Committee, where Neal is chairman of the Select Revenues Subcommittee.

Miller has provided the main driving force pushing fee disclosure on Capitol Hill. Industry groups, such as the **American Society of Pension Professionals and Actuaries**, are in support of the bill. "We are pleased Neal has reintroduced his fee disclosure legislation," **Judy Miller**, ASPPA's director of retirement policy, told *FA*. "Plan sponsors would really benefit from the improved disclosures provided by H.R. 2779." Neal introduced a similar bill in this past Congress.

At press time, the **Investment Company Institute**—whose members' fees would be reported under the bill—was still studying the bill, according to a spokesman.

## Fee Disclosure, Advice Bills On the Move

After being marked up in subcommittee this past week, a bill on 401(k) fee disclosure and another on advice legislation could be marked up by the full House Education and Labor Committee this week, an aide to a House Republican predicted at a meeting of the **Profit Sharing/401(k) Council of America**.

If the fee disclosure bill is voted out of the full committee, the stage for a battle between Education, the **Labor Department** and the powerful Ways and Means Committee would commence. The three groups would be vying for which panel will have jurisdiction over how fees are disclosed and whether such disclosure is forced by ERISA penalties or tax code.

The GOP staffer, who spoke on condition of anonymity, emphasized what happens to the two bills is dependent on what happens to Congress's top priority right now—health care.

Democrat strategists want health care legislation completed by the August recess. Meeting that ambitious target, the aide said, would preclude work on retirement bills. But if work on the health legislation comes to an impasse—which could well happen—he noted that would open up time for 401(k) fee disclosures and advice legislation. A query to a spokesman for Education and Labor Chairman **George Miller** (D-Calif.) said nothing has been decided.

The newly revised advice bill, as it cleared the Health Employment Labor and Pensions Subcommittee of Education and Labor this past week, had language taken out of the originally-introduced version that would have stopped **SunAmerica**-type advice programs. The fee disclosure bill did not address the concerns of sponsors regarding liability risk arising from their duty under the bill to obtain fee information from providers.

Despite misgivings expressed by two Democrats, the fee bill also retained language that would push sponsors to offer an index fund. The markup at subcommittee was a rare event—the first since 2005.

Subcommittee Chair **Robert Andrews** (D-N.J.) said the time between the subcommittee mark up and the full mark up would be used to try to build as much of a consensus as possible behind passing the bills.

## Barbash: Not Catching Madoff In '06 Understandable

*Barry Barbash*

A whole series of "explainable" miscalculations describe why **Securities and Exchange Commission** staffers failed to nab **Bernard Madoff** in 2006 when presented with a perfect chance to do so, a former high official of the agency said this past week. **Barry Barbash**, now a partner in **Willkie Farr & Gallagher**, predicted the agency inspector general's report later this summer will call them "missed opportunities." "But I think they are explainable missed opportunities" he said. Barbash made his comments at a meeting of the **District of Columbia Bar Association**.

Whistleblower **Harry Marcopoulos**' 2005 document about Madoff would have been "hard to parse through unless you know markets," Barbash said, adding "SEC enforcement officials do not tend to have that kind of expertise." The staff in the SEC's New York office who made the call on Marcopoulos' letter did take the precaution of checking with a big investor of Madoff's—**Fairfield Greenwich Group**. "The SEC generally values client tips," Barbash said, "but [Fairfield] said, 'It's great. We have no problems.'"

The former director of the SEC's Division of Investment Management also noted the SEC staff is more likely to look into fraud in small entities rather than large operations. "The big guys get more of the benefit of the doubt," Barbash said. "And Madoff was a star."

In questioning Madoff about Marcopoulos' allegations, Barbash noted, agency officials did get a sense Madoff was not being entirely straight with them. On the other hand, they did not fully put trust in Marcopoulos either, whom they saw as a competitor of Madoff's.

# SPARK Conference

*The **Society of Professional Asset Managers and Record Keepers** had its annual meeting—Retirement Plans At A Crossroad—last week at the **Mandarin Oriental Hotel** in Washington, D.C., June 14 to June 16. Retirement industry professionals converged to discuss the future of the current 401(k) savings model, changes in tax legislation, potential guidance from the **Internal Revenue Service** on written plan document requirements for 403(b) plan sponsors and various pending legislation. Washington Bureau Chief **Stanley Wilson** covered the event for FA.*

## 5500 Reporting Headaches Grow

Fee disclosures required under Schedule C of annual report Form 5500 are causing confusion for those who must compile and send the **Labor Department** the information, panelists told delegates.

There are so many questions the Department might offer new guidance in the near future, predicted **Marilyn Collister**, senior director of **Great-West Retirement Services**. A call to a Labor Department press aide was not returned.

The rule requiring fee disclosures be part of 5500 was adopted this past year by the Republican-backed Labor Department, which intended to force mutual funds and other providers to make more transparent fee disclosures. **Joan McDonagh**, senior director of legislative and regulatory affairs at Great-West, noted sponsors have yet to receive a uniform set of disclosures to make and have large unanswered questions.

As part of the requirements, the Department is mandating the reporting of something called "eligible indirect compensation." McDonagh said a survey of recordkeepers suggested 74% of them did not know what that term means. Nor is there any answer yet on how to deal with a revenue sharing situation where one party said it paid one sum and the receiving party claims the amount was different.

## IRS Guidance On MRD Out Soon

By the end of June the **Internal Revenue Service** hopes to put out guidance to implement the law Congress passed in December to suspend for one year the minimum required distribution otherwise mandated for qualified plans, **Martin Pippins**, director of IRS guidance, said. The guidance will include sample language employers can use in implementing the Worker Retiree and Employer Recovery Act.

Pippins said the guidance would deal with the question of whether all plans were required to suspend the distributions and would address workers' rights in this situation.

Also to be the subject of imminent guidance is the statute passed by Congress this past June—the Heroes Earnings Assistance and Relief Tax (HEART) Act—which allows plans to give added benefits to employees who have left the firm for military service and die or become disabled while in the service.

Pippins also said by fall the Service hopes to issue a modernized version of the standardized pre-approved IRA format providers can prepare and sell to plans.

There are "several hundred prototypes of IRA documents out there," Pippin said. The goal is to get the guidance out fast enough so the new standardized IRA can be in use by 2010.

## Pru Exec: Fix Target Date Funds

It may be time for the industry to think of ways to standardize glide paths on target-date funds to stave off any government action in the area, **Marie Swartzwelder**, v.p. of investment strategies at **Prudential Retirement**, told delegates.

"We don't want glide paths legislated to us," she stressed. Swartzwelder noted one idea going forward could be a more "multidimensional" glide path that would be based not just upon age, but also upon a participant's risk profile—aggressive, conservative or more middle of the road.

> "Some participants may want to look at a guaranteed product. Others may feel they don't need it."
>
> —**Richard Whiting**, director of qualification management at T. Rowe Price

Swartzwelder noted Prudential customers can now ascertain the risk profile they ought to have by using computer software. "Some employers have set up kiosks" so employees without home computers can learn this information, she told delegates.

Others who shared the panel discussion with Swartzwelder observed participants often are slow to probe so far into their retirement savings situation. "We believe you can have an optimal glide path," **Keith Styrcula**, chairman of the **Structured Products Association**, said. While **Richard Whiting**, director of quantification management at **T. Rowe Price**, noted, "Some participants may want to look at a guaranteed product. Others may feel they don't need it. There are definite implementation issues."

# SPARK Conference (cont'd)

## IRS Grants Further Reprieve On 403(b) Docs

The **Internal Revenue Service** will take a further step to ease jitters among 403(b) sponsors about the novelty of providing a written document for their plans, a senior IRS aide told delegates. **Robert Architect**, advisor for government entity and tax-exempt plans, said in examinations conducted this year, the IRS would not enquire into the quality of the written plan.

He recalled this past year, in the face of complaints that sponsors of 403(b) plans were not yet ready to cope with writing a plan, the IRS had agreed to accept "a sample plan" for 2009. Architect followed up those remarks by saying at the conference when Service staff look at the new 403(b) plan documents during the 2009 calendar year, they would not raise questions about whether the plan is covering the long-term needs of workers. "That doesn't mean for one minute we won't have exams" on such matters as plan loans exceeding permissible limits, Architect cautioned.

The tax agency expects to have a model prototype by 2010 that plan administers will be able to set up for sponsors who are not use to generating written plan documents.

## Modified Version Of Multi-Employer Plan Has Promise

One way Congress could address the current 401(k) coverage gap is with a modified version of today's multiple-employer plan approach, **Jamie Kalamarides**, v.p. at **Prudential Retirement**, suggested during a panel discussion. Another common suggestion popping up in industry circles is some form of legislation mandating automatic individual retirement accounts.

Kalamarides predicted Congress would do something to close the gap because employers with less then 100 employees "very often" do not have retirement plans. He noted industry lobbyists are not finding "widespread support" for an auto-IRA approach that would require setting up a new Federal Thrift Savings Plan to run auto-IRA accounts, without a role for private sector providers. But, he added, auto-IRA proposals did "create a challenge" for those wishing to preserve the existing system.

"There is a solution—the multi-employer plan, which would let small employers combine together for this purpose and achieve some economies of scale," he said. Kalamarides noted in order for the concept to work, there would have to be a model plan for small businesses to use, and a way to reduce the fiduciary burden participating firms in multi-employer plans face now.

### Reporter's Notebook


Revenue sharing by providers is very common but isn't taken into account in Schedule C disclosures, **Joan McDonagh**, senior director of legislative and regulatory affairs at Great-West, warned the audience. That means the original recipients of the shared revenue have to report it as their own, even if they don't keep it. "It makes you look like your making huge profits," she said. "And this is not the correct time to be overstating your compensation—not with Capitol Hill looking everywhere for excessive fees."

# ADVISOR FORUM

## State Street Global Advisors, T. Rowe Price and Pioneer Investments have in the past couple months either launched or are working on educational campaigns aimed at promoting financial literacy in children. What do you think about this concept in regard to your 401(k) clients?

### Chepenik Financial:
### *Financial Literacy Important Component Of Success*

**Jason Chepenik**, managing partner of the Winter Park, Fla.-based firm, told *FA* promoting financial literacy in parents and children is crucial to the success of all American's financial future.

"A lot of people's first moments ever having money invested in a savings account is with an employer-sponsored 401(k) plan," Chepenik said. "So, a lot of the time they haven't learned the basic skills or value of money until they get to that point." He said learning about money and finances should start with children as young as second and third grade with learning basic skills such as charitable giving, the definition of inflation and how to save for retirement.

The educational burden to teach some sort of financial literacy to children should be placed on financial planners and advisors as a self-imposed requirement for all licensed securities brokers, according to Chepenik. He added school systems should be mandated to teach about money and savings as part of its core curriculum. "I don't like employers still having the ability to make people wait until age 21 to enter the plan," he said. "At 18, those three years could make a huge difference in saving for retirement."

Chepenik Financial advises on 63 plans, representing more than 35,000 employees and about $1 billion in plan assets.

### Harbor Retirement Planning:
### *Early Education Helps Participants Reach Goals*

"If participants understand saving early and saving often will help them reach their retirement goals, it will help increase participation and deferral percentages in plans," **Adam Conway**, managing partner at the Tampa, Fla.-based firm, told *FA*.

Conway said he supports financial institutions taking the lead on increasing financial literacy for parents and children. "The advantage is—if I have savvy investors they want to be involved, want to increase contributions and probably put more demands on plan sponsors to do additional matches and provide the best," Conway said.

He said parents should instill in their children at an early age the value of investing and investing early. "The people who defer the most and participate in plans seem to be the most educated, and they contribute early and often," Conway said. "That type of education can help to drive more dollars into retirement plans at an early age and make savvier and demanding [investors] when it comes to cost sensitiveness."

Harbor is a member-firm of **National Retirement Partners**, which has 150 affiliated practices with about 400 retirement focused advisors. The advisors manage between 5,000 and 6,000 plans with roughly $50 billion in plan assets.

### Cammack LaRhette Consulting:
### *Promoting Education Good Idea For 401(k), 403(b)*

Promoting financial literacy among parents and children is a "tremendous" idea in the retirement plan market because a lot of 401(k) and 403(b) participants aren't as well versed in the subject as they could be, **Rob Corlito**, v.p. of investment services at the Wellesley Hills, Mass.-based firm, told *FA*.

Education should start at an earlier age in schools, Corlito said. "I think more should be taught in schools about [financial literacy] rather than just covering the basics," he said. "Things like reading a financial statement, a 401(k) plan document or just the basics of what a mutual fund is or what dollar cost averaging is should be included in the school curriculum."

Corlito noted a focus on education and the importance of starting education at an early age is drawing more attention now because of the losses many investors suffered over the past year. Cammack advises on more than 100 plans.

### PNC Investments:
### *'Education Process Should Begin At Home'*

**Curtis Randle El**, senior financial consultant at the Sewickley, Pa.-based office, told *FA* the education process should begin at home with parents instilling the importance of financial literacy and education in their children, especially in relation to saving for retirement.

"Obviously the children are far away from working and [investing] in a 401(k) plan, but I think parents can pass on [education] to generations to come," Randle El said, adding the education process should begin early.

He said it is also the responsibility of the parent or investor to seek out financial education from advisors if they themselves are lacking. "We're doing a ton of education—sending out pieces maybe two times a month to give participants an idea of where they should be in terms of asset allocation and diversification," Randle El said.

Randle El advises on one plan with roughly $125 million in plan assets.

***Have a question for a sponsor or advisor? Email us suggestions at jstoffregen@iinews.com***

# News Briefs

*The weekly news briefs section is a summary of publicly reported mutual fund and defined contribution news. The information has been obtained from sources believed to be reliable, but* FA *does not guarantee its completeness or accuracy.*

- During the market rally, actively-managed mutual funds have been doing well with the average U.S. stock mutual fund rising 9.9% through June 10, according to **Morningstar**.
- Money-fund assets have risen dramatically in the past three years to the current $3.7 trillion from $2 trillion in mid-2006.
- **Pershing** has begun charging shareholder servicing fees to brokers and financial advisors who buy certain mutual funds from its FundVest and Fund Center platforms.
- Despite the economic downfall, technology is the only sector apart from utilities that has increased the number of dividend-paying companies since 2007, according to **Standard & Poor**'s.
- Sen. **Dick Durbin** (D-Ill.) sold more than $115,000 worth of stocks and mutual fund shares as U.S. stock markets plummeted this past September using the money to invest in **Berkshire Hathaway**.
- **Nic Barnes** is leaving his role as head of sterling fixed-income at **UBS Asset Management** following a period of underperformance.
- The **Commonwealth Bank of Australia** is considering a bid for a £75 billion chunk of **Lloyds Banking Group**'s fund-management arm.
- Among the top 10 Indian equity funds, eight funds belong to smaller size fund houses and only two funds are from larger fund houses.
- More than $200 billion has been pulled from money market funds through June 8, according to data from the **Investment Company Institute**.
- **BlackRock**, **PIMCO** and others are likely to run funds for the legacy securities portion of the Public-Private Investment Program.
- Following the **BlackRock**, **Barclays Global Investors** deal, other American asset managers may consider mergers in a bid to bridge a gap in the market.
- The **Mutual Fund Dealers Association of Canada** is asking whether it should require all firms to adopt international financial reporting standards.
- Managers will invest in quality stocks with high dividend yields with emphasis on low gearing levels and stable business portfolios, according to **Pacific Mutual**'s ceo **Michael Auyeung.**
- Emerging market equity funds pulled in $3.39 billion in cash in the week ending June 10, showing risk appetite remains intact, according to **EPFR Global**.
- Crude oil spiked to an eight-month high this past week, benefiting exchange-traded funds more than other funds, with energy funds up 2.8%, according to **TSC Ratings**.
- Junk bond mutual funds reported $567 million in net inflows in the week ended June 10, down from $918 million, according to **AMG Data Services**.
- The **Illinois Treasurer's Office** has reached a tentative agreement to recover $77 million from **MassMutual Financial Group**'s **OppenheimerFunds**.
- **MassMutual Retirement** has been selected by **The Austen Riggs Center** as the new full-service provider for the company's $5 million 403(b) plan.
- **Revzon Consulting Group** added **Michelle Brooks** to its staff as manager of participant recordkeeping services.
- Many workers at companies suspending their 401(k) match are nonetheless covered by an open defined benefit plan, according to the **Employee Benefit Research Institute**.
- Around 43% of workers are increasing loans and hardship withdrawals from company retirement savings plans, according to **Towers Perrin**.
- The Bartlesville City Council is planning to move to a defined contribution retirement program as part of its considerations for its 2010 budget.
- Workers in their twenties and thirties should contribute as much as possible to an individual retirement account or company 401(k) plan, according to **Wally Broussard** of **Broussard-Kelly Financial Group**.
- Funds that hold commodities typically face stiff restrictions on the number of shares they can issue to meet investor demand, which could be a problem given their popularity.
- Shares in publicly traded mutual fund management companies have soared 54% this year, compared to the approximately 5% for the **Standard & Poor**'s index.
- **ETF Securities** has appointed **Mark Weeks** as chief executive of its ETF platform, ETF Exchange.
- **Union Bank of India** is planning on moving into mutual funds with the setting up of an asset management company with its Belgium partner **KBC Group**.
- **Rydex Investments**, now **Rydex SGI**, is repositioning itself to focus on an expanded set of asset management capabilities and divesting itself of its broker/dealer.

# News Briefs (cont'd)

● Tougher standards may be needed to measure exposures of EU-based mutual funds to global risks, especially those from derivatives markets, according to the **Committee of European Securities Regulators**.

● **Old Broad Street Research** is retaining its A rating on the **Credit Suisse** Multi-Manager Portfolio Funds.

● **BlackRock**'s Australia managing director **Maurice O'Shannassy** said it will be business as usual for both BlackRock's and **Barclays Global Investors**' local businesses in the short term.

● The **Securities and Exchange Board of India** asked mutual funds to limit their net investments in money market instruments in a single entity at 30% within three months.

● **National Bank Securities** has completed its mutual fund mergers and optimization project, which began in April.

● **Jim Slater** and **Mark Slater** have launched **Firecrest Fund Management**, a fund management firm with the former editor of **Investing for Growth**, **Nigel Milton**.

● Mutual fund and exchange-traded fund investors invested more than $55 billion in stock and bond funds this past month, according to **Strategic Insight Mutual Fund Research and Consulting**.

● As the fund management industry struggles to cope with considerably reduced assets, multimanager funds are growing in popularity, according to **Cerulli Associates** and **Skandia**.

● **Claymore Advisors** has filed a request with the **Securities and Exchange Commission** to launch a trio of actively managed exchange-traded funds.

● The **Financial Crimes Enforcement Network** plans to include mutual funds within the Bank Secrecy Act, providing customers with more privacy.

● **Sun Life Financial** is acquiring the United Kingdom operations of **Lincoln National Corporation**.

● **Hekel International** has appointed **BlackRock** to manage around $2.8 billion of assets across five of its pension funds.

● The **Fresno County Employees' Retirement Association** has hired **PIMCO** to invest $121 million in the federal government's Term Asset-Backed Securities Lending Facility program.

● Given the stock market's volatility, a number of 401(k) plan sponsors are seriously discussing adding an annuity option to their 401(k) plans.

● **Morningstar** will this summer begin reviewing target-date funds to highlight the difference between them.

● British pensioners could be missing out on a better retirement income because they don't understand all the options, according to **Just Retirement**.

● One in two Americans polled say they are concerned about losing ground in their efforts to save for retirement, according to the **Hartford Financial Services Group**.

● The median spending on defined contribution benefits has exceeded the median spending on earned pension benefits, according to **Mercer**.

● Most Australian superannuation funds are looking to change their investment mandates to factor in climate change issues, according to the **Climate Institute** and the **Australian Institute of Superannuation Trustees**.

● The guardians of the New Zealand Superannuation Fund say they will actively seek out eligible domestic investments but are unable to offer any assurances on how far.

● Sponsors of 403(b) plans may wish to alert participants the deadline for correcting defective contract exchanges to avoid being taxed is June 30, according to a **Segal** bulletin.

● **Fiduciary360** has relocated its headquarters to Bridgeville, Pa. to accommodate staff growth.

● Investors are facing "a world of lower growth and accelerated country realignments" as global markets look to reestablish themselves, according to **PIMCO**'s ceo **Mohamed El-Erian**.

● Canadian mutual funds saw an overall inflow of $939 million in May, propped up by $1.2 billion in bond fund purchases, according to **UBS**.

● Active U.S. equity funds are outperforming the S&P 500 by the most in 26 years, according to **Morningstar**.

● **First Trust** is planning to launch an exchange-traded fund tied to the community banking industry.

● Canada's money market funds suffered from $992.9 million in net redemptions, according to the **Investment Funds Institute of Canada**.

● **T. Rowe Price** plans to expand its services to retail investors in Australia, according to **Murray Brewer**, the firm's Australian head.

● Five firms are in the running to acquire Japan-based asset management group **Nikko Asset Management**.

● **UBL Fund Managers** has launched the open-ended money market fund, the UBL Liquidity Plus Fund.

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# PANDORA'S PORTFOLIO

*A peek inside the mutual fund world by our intrepid correspondent, Pandora.*

**Item: Snickers** has a delicious new take on Pandora's favorite investment. While walking through Grand Central Terminal to catch the 6 train after a source luncheon, your intrepid correspondent's eye was caught by a new billboard posted among the usual advertisements extolling the virtues of the **Metropolitan Transportation Authority** and the latest that Hollywood has to offer at inflated prices in a movie house near you. This new billboard from Snickers encouraged passersby to think about investing in "muchewal funds." While a bit corny, it still tickled Pandora's funny bone. I wonder what the basis point conversion would be for that chocolaty nougat treat.

**Item:** Those who have grievances with **The Reserve**'s Primary Fund raise your hand. OK, now those of you who raised your hands must now do something similar in writing by July 22 if you object to the **Securities and Exchange Commission**'s distribution plan for the Primary Fund. That's the deadline the **U.S. District Court for the Southern District of New York** has set for comment on the SEC's proposal requiring the remaining $4.55 billion in assets of the fund be distributed on a pro rata basis to shareholders whose shares haven't been fully redeemed since Sept. 15, 2008. The court plans to hold a hearing to determine if it will approve the SEC's plan Sept. 23. Apparently these days, instead of acting like a reserve for its investors' money, The Reserve simply reserves its own right not to comment, like it did when Pandora asked for one last week.

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*If you have any news you'd like to share with Pandora, please e-mail her at pandora@iinews.com.*

# FA Search Directory

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*The following directory includes search and hire activity for the week ending Wednesday, June 17. The information comes from a variety of sources; it is deemed reliable but its accuracy cannot be guaranteed. To report manager hires and new searches, please call* ***Josh Stoffregen*** *at (212) 224-3633 or fax to (212) 224-3697.*

For further information on iisearches' daily search leads and searchable database of mandates awarded and loss since 1995, please visit iisearches.com or contact Keith Arends at 212 224 3533 or karends @iinews.com.

## Potential Searches

| Fund | Total Amount | Assignment | Account Size | Consultant | Comments/Firms Hired |
|---|---|---|---|---|---|
| **Eastman Chemical Company** | USD1,300 | Global / Asset Study | USD1,300 | None | The fund's internal team plans to conduct an asset review by year's end. Its portfolio is allocated to GICs (45%), mutual funds (44%) and company stock (11%). It could not be gleaned whether any specific allocations are under consideration. |
| **Embarq Corporation** | USD820 | US / Active Equity | N/A | Ennis Knupp + Associates | The plan is monitoring an undisclosed equity fund, which is on notice due to underperformance. The fund is being reviewed quarterly and could be replaced should its below par performance continue. Its investment consultant Ennis Knupp + Associates, will assist the fund should it decided to seek a replacement. |

## Updated Searches

| Fund | Total Amount | Assignment | Account Size | Consultant | Comments/Firms Hired |
|---|---|---|---|---|---|
| **New York City Deferred Compensation Plan** | USD6,740 | US / Passive Equity / Small-Cap | USD212 | Mercer | The board is currently interviewing managers and plans to make a selection by month's end. |
| **Harte-Hanks Inc.** | USD200 | US / Asset Study | USD182 | None | The system has completed its annual asset review and did not institute any changes to its allocation mix, which remains at equity (60%), bonds (32%) and index equity (8%). |
| **NCR Corporation** | USD1,000 | Global / Asset Study | USD1,000 | None | The fund which allocates its assets to global equity (60%) and fixed income (40%), plans to conduct its next portfolio review by year's end. It will utilize the assistance of an internal team. It could not be gleaned whether any specific allocations are being considered. |

## Completed Searches

| Fund | Total Amount | Assignment | Account Size | Consultant | Comments/Firms Hired |
|---|---|---|---|---|---|
| **Oklahoma Teachers Retirement System** | USD400 | Global / Recordkeeper/ Administrator | USD400 | gregory.w.group | ING Retirement Services |

## SOUTH CAROLINA

*(continued from page 1)*

services to go with the existing fund lineup and one outlining fully bundled services that would enhance the fund line up.

The commission is asking those who submit proposals to also include a self-directed brokerage window option as officials are looking into adding the option into the plan investment lineup.

**ING** is the current plan administrator. It could not be determined why South Carolina was conducting the search. Calls to ING were not returned and calls to the South Carolina Retirement System were referred to the plan's investment advisor, **Segal Advisors**, who did not respond.

Once the bid is awarded the contract is slated to begin in January 2010. The contract will be for five one-year periods with automatic renewals from its start in January through Dec. 31, 2014. In addition, the expectation is for the provider to begin holding educational meetings by October 2009.

*—Melissa Karsh*

## BLACKROCK'S DOLL

*(continued from page 1)*

and a number of boutiques that are good at a few things," said Doll, whose own firm this month announced it would buy **Barclays Global Investors** from **Barclays Bank plc** for $13.5 billion. "Mid-sized players have to be asking questions about long-term viability and success."

Doll declined to identify likely acquisition targets or firms that may be on the hunt for acquisitions, but a number of money managers have been reported to be on the block—including **Bank of America**'s **Columbia Management Group**, **Lincoln Financial Group**'s **Delaware Investments** and **Morgan Stanley**'s **Morgan Stanley Investment Management** and **Van Kampen Investments** units.

Industry consultant **Geoff Bobroff** points to Britain's **Aberdeen Asset Management** and **The Bank of New York Mellon** as possible acquirers. "Aberdeen is acquiring a variety of smaller fund groups in the U.S., trying to build a beachhead here…and Bank of New York Mellon may be back on the hunt," he said. "We also know that the private equity firms are also very much involved in bidding on transactions."

Bobroff also pointed to firms like **T. Rowe Price Group** that may see buying smaller firms as an easier and cheaper way to grow assets and enter new segments of the market. "There are times in the marketplace when buying assets is cheaper than raising assets; now is one of those times," he explained.

What this consolidation would mean for the mutual industry is unclear, though Bobroff maintained that fewer fund families and fewer individual funds would be a positive outcome. "There's way too much overlap, which is a distorter of the beta …One has to wonder why some of them exist when they're not providing value; there is a serious question as to the viability of those organizations," Bobroff said. "From a business standpoint, the business is getting tougher [and] margins are getting cut. That's usually a formula for consolidation," he added.

As the bigger firms get bigger, the mid-sized firms will have a more difficult time competing, particularly in terms of commanding attention, establishing and maintaining visibility and creating name recognition, Bobroff said. "Maybe not in the next six months, but clearly in the next few years you'll see consolidation."

BlackRock's Doll, whose firm will move into the exchange-traded fund space for the first time through BGI's **iShares** business, said: "I don't think there is any real safety; the adequacy of scope and scale as the business has gotten more expensive to manage has become more important."

The acquisition of BGI will turn BlackRock into the world's largest money manager, with more than $2.8 trillion in assets.

*—Hillary Jackson*

## NEUBERGER PLOTS

*(continued from page 1)*

recordkeepers and expects to have deals with them by the end of the month, according to Zelazny. "Our end goal is to deliver investment solutions in whatever type vehicle our clients need," he said. "We need to have the right plumbing to serve plan managers."

Neuberger will next begin to roll out more R3 shares for funds that have three-year track records, but Zelazny said no specific funds have been targeted yet. "Most providers will not use the fund until they know the management and understand the fund and see its track record," Zelazny told *FA* when asked why Neuberger would only roll out R3 shares for funds with three-year track records.

Zelazny said this is the first time Neuberger has been able to target small- to mid-market providers because the firm has never had an industry-type share standard for that market. The firm now manages between $7 billion and $10 billion in 401(k) assets, mostly with larger providers through its institutional shares.

R3 shares have a 50 basis point 12b-1 fee. Zelazny explained higher fees appeal to small- to mid-market providers who use it because the higher 12b-1 fees allow them to offset services to recordkeepers, such as onsite enrollment meetings, educational materials and Webinars.

Neuberger has been increasing its focus on the retirement market since mid-2008, when Zelazny began hiring retirement specialists to focus on the defined contribution investment only channel. Zelazny told *FA* the firm now has five retirement specialists who are working to increase the firm's penetration of the 401(k) market.

*—Mike Schnitzel*

## BIG APPLE

*(continued from page 1)*

fund strategies, Bull Path's hedge fund was already running according to **Securities and Exchange Commission** requirements for mutual funds and had been since it launched in October 2002. For the new offering this means that the investors and positions have stayed exactly the same and "the track record is the actual track record," Kaimowitz said.

Bull Path runs $100 million in its U.S. mid-cap long/short strategy across various onshore and offshore offerings, and it is the U.S. onshore fund that it will convert to a mutual fund. Kaimowitz told *FA* sister publication *Alternative Investment News* he expects the new fund to hold $15-20 million by the end of the month, declining to name its capacity.

The firm is looking to address the concerns of "the entire spectrum of traditional hedge fund and mutual fund investors," Kaimowitz said. For many mutual fund investors their "exposure in long-only products has been disastrous" and a long/short structure is a more efficient way of managing equities and protecting on the downside.

The new fund—which has a mere $500 investment minimum—would give non-qualified investors, such as the retail market, access to a hedge fund strategy. The minimum investment for the hedge fund, in contrast, is $1 million.

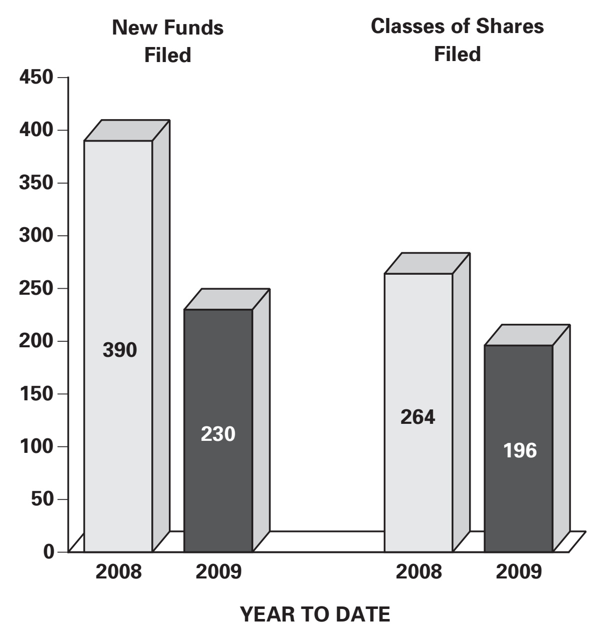
Hedge fund investors are increasingly coming under pressure to reduce fees and be more transparent and a mutual fund structure engages with these issues, noted Kaimowitz. While the hedge fund charged 1.5/20, the new mutual fund has a 1.25% management fee with no performance fee; as well as daily liquidity and full portfolio transparency.

Bull Path is looking at both mutual fund and hedge fund distribution channels and will use three external marketing firms, based in Denver, Maine and Boston, to target investment advisors, broker dealers and 401(k) plans.

Kaimowitz hopes his model will pave the way for other hedge fund managers to do the same, as there is "too much capacity in the hedge fund business and not enough inflows."

—***Harriet Agnew***

## NEW FUND FILINGS




Source: **Strategic Insight**'s www.SimfundFiling.com

## Quote Of The Week

*"Mid-sized players have to be asking questions about long-term viability and success."*— **Bob Doll**, *vice chairman and global chief investment officer of equities for* ***BlackRock****, on his thoughts about the future of the asset management business, including his feeling mid-sized firms will be vulnerable in the years to come (see story, page 1).*

## One Year Ago In Fund Action

*FA* reported **DWS Scudder** was planning a rebranding and would drop the Scudder name from its U.S. brand, bringing an end to an 89-year run for the moniker. [The firm announced its rebranding as **DWS Investments** in September and is pushing itself as a leader in alternative investments with the tag line "Reshaping Investing."]

## THE LAST WORD

### Christmas In July (Make That June)

The **Securities and Exchange Commission** and the **Department of Labor** held a joint hearing last week in an effort to try and map out a future for the now-famed target-date funds, the current white hot star—or lightening rod, depending on who you ask—of 401(k) plan participants' portfolios.

After those participants aiming to retire in the next five years lost up to 40% of their savings in the market meltdown of 2008, everyone from titans of industry to individual plan participants cried foul and demanded more transparency surrounding the increasingly popular savings option.

The hearing drew so much attention one would assume **Angelia Jolie** or **Brad Pitt** were making an appearance. Everyone from plan participants to vendors to lobby groups to the regulators themselves prepared laundry lists of requests, demands and suggestions for how to "fix" the asset allocation.

It appears Christmas has come early for the SEC and Labor. They now have not only hours and hours of testimony to wade through, but countless pages of facts, charts and graphs to unwrap as they try to determine what's next for target-date funds.