Retirement Income Journal
The information forum of the decumulation industry.

Take Me to Your Leader

By Kerry Pechter *Thu, Jan 16, 2014*

The retirement industry resembles a Tower of Babel today. That's not necessarily a bad thing. But when blocs with overlapping interests want to achieve interlocking goals, it's often best to sing in the same language from the same hymnbook at the same time.

And today we don't. That's my impression. If I put my ear to the proverbial rail, I don't hear the sound of an oncoming gravy train—not the way I did in the happy pre-crisis days, when pampered conference-goers could find gas-burning fireplaces in the bathrooms of their casitas in Palm Springs.

Just as every religion needs a Book in order to endure, every movement needs a narrative to solidify shaky coalitions and to articulate a higher purpose—a sublime end that justifies the mundane means.

Before the crisis, the retirement income industry seemed to have a narrative and a higher purpose. The narrative was all about the Boomers. No Boomer retiree would be left behind. The sublime ends (safe, secure retirement for every Boomer) justified the mundane means (selling financial products and services).

For some reason, the narrative has trailed off. It's possible that the source of the narrative before the crisis came from the hybrid nature of that era's premier retirement product, the variable annuity with living benefits.

A natural coalition of investment companies, insurance companies and advisers gathered around that product, which had its own association: the National Association of Variable Annuities. NAVA—now the Insured Retirement Institute—seemed to have a grip on the microphone. Not because NAVA was a slick machine (it wasn't). But because it had a large, deep-pocketed membership with fairly unanimous goals.

Then came the crisis. Stuff happened. NAVA turned into IRI. The administration's running lights switched to blue from red. Yields shrank. Companies failed, merged, got bailed out. The variable annuity market tried to weather the storm, then caved. The NAVA coalition and its narrative got lost, upstaged or drowned out.

Now, the glue seems to be gone. Fragmentation reigns. Not that there aren't still several organizations and strong voices floating in the retirement space. There are a lots of organizations representing different sectors of the landscape. But there's no sense of unity or pooled strength.

The acronyms haven't changed much. On the advocacy side, you still have well-established groups like IRI (annuities) ACLI (life insurance), NAFA (fixed indexed annuities), ASPPA (ERISA third-party administrators), as well as new faces like IRIC (in-plan annuities) and DCIIA (asset managers in the defined contribution space).

On the research side, you still have groups like EBRI (retirement plan research), LIMRA (life insurance research), RIIA (market analysis and adviser methodology), the Center for Retirement Research at Boston College (academic), and the Pension Research Council (academic).

Down in Washington, D.C., meanwhile, the retirement industry has eminent if low-key allies. There's the Retirement Security Project at the Brookings Institution (think tank). Within the government, you have people in the Treasury Department silo (Mark Iwry) and the Labor Department silo (Phyllis Borzi) who (this being a Democratic administration) worry most about the retirement prospects of the bottom 80% of Americans.

In short, there are lots of organizations, many of them led by smart, committed, forceful people. But they don't share a common narrative or redeeming purpose.

The IRI aspires to lead the retirement income brigade. It has strong, savvy leaders in Cathy Weatherford and Lee Davenport. It has focus. It has industry support. It's a tightly run ship. But it's an advocacy (i.e., lobbying) group. It has a parochial agenda. And, as far as I can tell, it would probably be much more in tune with a Republican administration than the current one. It doesn't seem to speak the same language as the Obama administration or the academic groups.

The Retirement Income Industry Association could provide the higher narrative, because it doesn't lobby. It has strong leadership in Francois Gadenne. It is perhaps the only retirement industry group with a sincere passion for analyzing the market and helping the industry navigate it. It is committed to collaboration across all industry "silos."

But RIIA, like IRI, doesn't have all the elements of success. A decade old, it hasn't yet gathered a critical mass of financial support from big financial services companies. Though its leaders are just as market-driven as any other industry group, Gadenne often speaks a language that is more academic, analytic and entrepreneurial than that spoken by many of the corporate executives whose financial support RIIA needs.

Both of these groups, interestingly, have directed much of their attention to broker-dealers and advisers since the crisis. The other groups have their strengths, but the RIIA and IRI seem like the best candidates for coalition-leadership. Academics like Alicia Munnell at CRR-BC lend important voices—but from the choir loft, not the pulpit. From their specialized positions deep inside giant government bureaucracies, officials like Iwry and Borzi can effect specific and even critical changes, but they can't lead the parade.

Perhaps no one can. Perhaps a rise in interest rates will change everything. At the moment, it looks like each segment of the retirement income industry may simply go its own way and exploit it chosen niche. That's fine. Lots of money will be made. But Babel will prevail, no narrative will emerge, progress will be spotty and quite a few Boomers may get left behind.

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