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Mark your calendars!

On Monday, September 15th, the nomination process to fill five board seats (*four service firm & one plan sponsor*) will begin. Even those running for a second term will need nominations.

Making Retirement Income Security Work

By Randy Myers

Stable Value Investment Association Chairman James King is proud to be part of the stable value industry. “It is an important asset class, and it’s part of the fabric of defined contribution plans,” he said as he welcomed his industry colleagues to the SVIA’s 2014 Spring Seminar in April. “We should be proud of being stewards of stable value, and of bringing it to retirement plans in the American workplace.”

King, also managing director and senior client portfolio manager in the Stable Value Markets Group at Prudential Financial, isn’t alone in having good feelings about the industry in which he works and the products it delivers. Last year, the SVIA polled 29 firms that have been providing stable value products consistently since 2007. By year-end 2013 those firms had \$702 billion in stable value assets under management, representing about 12 percent of the total assets in defined-contribution retirement savings plans. That was up from just over \$459 billion at year-end 2007.

That’s solid growth, and it demonstrates that retirement plan participants see a lot of value

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The 2014 Elections and What Will They Mean

By Randy Myers

Could a Republican takeover of the U.S. Senate make it easier for President Obama to get things done? Republican businesswoman Gwendolyn King, president of the Podium Prose speakers bureau and a former Social Security commissioner, thinks it’s possible.

Republicans already control the House. Conventional wisdom posits that gaining a lock on both chambers of Congress would make it even more difficult for President Obama to carry out his agenda in the final years of his second term.

Gwendolyn King isn’t so sure. Addressing the 2014 SVIA Spring Seminar, Mrs. King said that if the GOP takes the Senate, Obama could indeed wield his veto pen regularly, extending the political gridlock that has gripped Washington. Or he could move toward the center of the political spectrum in a bid to find common ground with Republicans, move some key legislative initiatives forward, and develop his legacy.

That sort of compromise isn’t impossible, King insisted. “Bill Clinton, even when he

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A Predictable Surprise: The Unraveling of the U.S. Retirement System

By Randy Myers

If you think it’s harder for the average American to build a financially secure retirement today than it was a few decades ago, you’re probably right. But the usually cited culprits—the ongoing demise of the defined benefit pension plan, the failure by many individuals to adequately fund their defined contribution plans—aren’t solely to blame. So too, says Sylvester Schieber, is the shaky state of the Social Security system, which will pay most Baby Boomers less than they put into the system.

Schieber is a former chairman of the Social Security Advisory Board and the author of *The Predictable Surprise: The Unraveling of the U.S. Retirement System* (Oxford University Press, 2012). Speaking in April at the 2014 SVIA Spring Seminar, Schieber noted that an average earning single male retiring in 1975 at the age of 65 could expect to collect, on average, \$108,838

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Making Retirement Income Security Work

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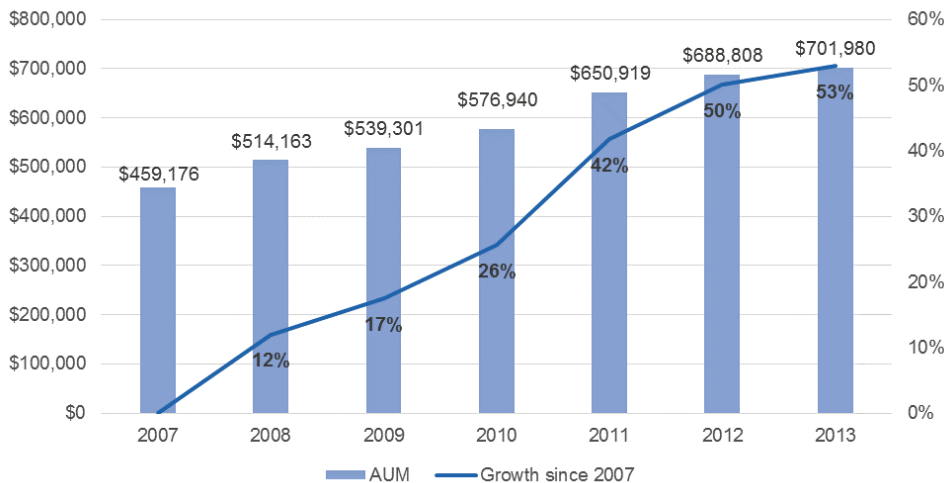
in stable value funds. But King is encouraging his industry colleagues to deliver even more for plan participants, in part by looking for creative ways to grow the industry. A good start,

he suggested, would be to find ways to include stable value funds more frequently in target-date funds. Target-date funds are one of the fastest-growing investment options in defined contribution plans, but most are structured as mutual funds. Stable value is not available in mutual funds, however, stable value funds can be incorporated into customized target-date funds that are structured

as collective investment trusts. Many larger plans already operate custom target-date funds with a stable value component. "Using stable value in place of, or as part of, the fixed-income component of target-date funds can make a positive contribution to the performance of those funds and their Sharpe ratios," King said.

King also encouraged his colleagues to take note of the growing trend among plan sponsors to reenroll their employees into their defined contribution plans, typically slotting employees into the plan's default investment option unless they opt to allocate their money differently. In most cases, that default investment option is not a stable value fund but a target-date fund. "Stable value is too good and essential an asset class to allow this. As an industry, we need to have simple and available solutions that include stable value in these asset-mixed investment vehicles for plan sponsors to offer. And, these solutions must permit participants to continue to rely upon stable value for its diversification benefits, principal preservation and positive, conservative returns." King said. **SVIA**

Stable Value Assets Under Management Since 2007



A Predictable Surprise

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more in Social Security benefits than he had paid into the system, in 2013 dollars. By contrast, an average-earning single male retiring at age 65 this year can expect to collect \$85,011 less than he paid into the system—a swing of nearly \$200,000. For a high-earning couple, the difference could be nearly a million dollars.

Franklin Roosevelt, Schieber said, tried to warn us. When the Social Security Act passed in 1935, it was written so that Social Security would be a fully funded program in which the government held reserves adequate to pay out future benefits—an approach Roosevelt strongly endorsed. Liberals soon balked, though, because they didn't want to wait 40 years to build up reserves; they wanted to start paying benefits immediately. Conservatives weren't enthusiastic either. "They worried about what kind of malarkey future Congresses could get into with all those assets sitting around," Schieber noted. As a result, Congress repeatedly rolled back Social Security's funding provisions, and by the early 1950s the program was operating on a pay-as-you-go basis.

That worked for a while, because there were more people contributing to the system than there were collecting benefits. But by the mid-1970s that ratio had inverted, putting the whole program under increasing financial strain. In 1977 Congress cut Social Security benefits and raised taxes, and in 1983 it raised taxes again and initiated taxation of Social Security benefits. But it did not move nearly far enough to put the system on sound financial footing. Today the program would need an immediate injection of about \$10.5 trillion to operate smoothly for the next 75 years, Schieber said. It will need

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