

CENTER FOR DUE DILIGENCE

P.O. Box 8 • Western Springs, Illinois 60558
(630) 662-0284 • Fax (630) 662-0286

E-mail: CFDD@TheCFDD.com

Web: <http://www.TheCFDD.com>

Date: June 29, 2011

Subject: **THE TIAA-CREF ADVISOR NETWORK:
Growth, Scalability & Higher Margins**

WHAT IS IT

TIAA-CREF is a leading provider of retirement services in the academic, research, medical and cultural fields. The firm recently announced its intention to develop the TIAA-CREF Advisor [Network](#). The Advisor Network is a pre-approved network of RIAs and IARs designed to complement the firm's well regarded proprietary advice offering and facilitate positive retirement plan participant outcomes by expanding access to independent advisors

The Advisor Network will provide 403(b) plan sponsors and participants with **open architecture access to a pre-qualified universe of advisors who can provide communication & education services and/or participant level advisory services** that are consistent with a fiduciary standard of care. Additionally, participants who chose not to embrace the independent advice model offered through the program can still utilize the Advisor Network to engage advisors for holistic retirement planning *outside* the plan.

The Advisor Network's minimum standards, vetted process and transparency will also assist plan sponsors with their gatekeeping and monitoring role.

Those qualified to participate in the Advisor Network will be independently vetted and screened against minimum industry standards that were designed in conjunction with the CFDD and FRA/PlanTools.

WHY IS IT IMPORTANT

Advisors should not get caught up in the negative economic environment because non-traditional growth opportunities still exist and the TIAA-CREF Advisor Network is one of them. Unprecedented plan level opportunities also exist in the nonprofit market. Indeed, the Stagflation proof Advisor Network offers a path to growth, higher margins, added value and services that are highly regarded by retirement plan participants. Unlike plan level services, **the higher margin participant advisory services are not viewed as a commodity.**

The Advisor Network presents **a major opportunity for advisors who are already working in the participant advisory space as well as those considering it as a path to growth.** It is, however, important to note that advisors should not view the Advisor Network as an open door to TIAA-CREF's existing institutional clients. In other words, advisors must qualify and bring value to the relationship.

In addition to assisting plan sponsors with their fiduciary duty to evaluate service providers and meeting participant needs for investment advice, the program offers RIAs **a structured approach to expanding their practice through an open architecture advisor-centric platform in partnership with TIAA-CREF** – an industry leader in the 403(b) market.

By leveraging their industry leading position, qualified advisors can further benefit from **unique co-branding & marketing opportunities, a TIAA-CREF approved Individual Advisor Profile and exclusive plan level arrangements for communication and participant advisory services.**

The traditional market for plan level advisory services is consolidating and while pockets of opportunity still exist, the corporate plan level advisory business has matured. Contrastingly, **participant advisory services are in the embryonic stage of growth.** To leverage that growth, advisors need scalability, competitive investment programs and advisor friendly platforms for distribution purposes.

Retirement plan programs have many moving parts and while few non-specialists realize it, they are anything but a commodity. Advisors certainly have access to a wide range of competitive retirement plan programs, but the TIAA-CREF Advisor Network **offers distinct advantages to advisors interested in pursuing participant advisory services as a primary business model.**

WHAT'S IN IT FOR YOU: An Open Architecture Investment Advice Platform

While the majority of plan level advisors are not aware of it, TIAA-CREF started developing the infrastructure to support advisors more than a decade ago. The effort was primarily a participant choice model that allowed the firm to **support a participant's decision to work with a specific independent advisor.**

A more proactive effort to position advisor-distributed plans in certain segments was developed during the last few years. This effort included leveraging relationships with quality advisors to provide communication and education services along with participant level advice.

The development of the Advisor Network is significant because it **facilitates the scalable delivery of qualified open architecture participant advice while ensuring high quality services are delivered to institutional and individual clients.** Co-branding advisory services with TIAA-CREF's industry leading position also offers advisors the opportunity to capture new nonprofit and government entity business.

TIAA-CREF is ahead of the curve in this area and to the best of our knowledge, the Advisor Network is **the first formal program for pre-qualified advisor services offered in conjunction with a direct provider in the 403(b) market.** The ability to partner with a direct provider who has premium brand and dominant market share is even more powerful.

Like staffing, training, succession planning and compliance, scalability is one of the biggest challenges facing advisors today. Savvy advisors are all over the scalability issue and it's important to note that TIAA-CREF's Advisor services is supporting the Advisor Network through **day-to-day operational trading support, fee deduction, software downloads and data feeds for supervisory purposes.**

Based on advisor feedback, Fidelity Tax Exempt accommodates advisor fee billing in the 403(b) market on a somewhat neutral basis, but they are not promoting advisors as a source of participant advice. VALIC is another large player in the 403(b) market, but they operate primarily under a captive servicing model. VALIC does not appear to be an advocate of independent RIA fee billing and while their approach to independent distribution has been limited in the past, that could change.

Schwab also partnered advisors with their corporate retirement plans for participant advisory services, but **it will be challenging for advisor-sold programs to integrate participant advice delivered by other advisors.** On the other hand, retirement plan advisors who limit their services to the plan level may find the Advisor Network attractive as an outsourced solution.

Participants often seek 401(k) plan advice from non-integrated fee-based advisors outside the plan, but non-discretionary advice platforms and third party data aggregators are beyond the scope of this release. It is, however, important to understand the difference between integrated/discretionary platforms that allow advisors to place trades directly and non-integrated programs providing investment recommendations.

Participants should be able to select their own independent fiduciary advisor and we expect that trend to gather momentum. The Advisor Network offers **a unique opportunity for qualified advisors to grow their participant advisory business via TIAA-CREF's delivery system.** Savvy advisors are looking at vendor platforms as a source of distribution and given that implementation drives outcomes, the importance of the delivery system cannot be over-emphasized.

PARTICIPANT ADVICE: Why It's Important & Who Provides It

The nation's retirement outlook remains uncertain and vulnerable. In spite of unprecedented fiscal and monetary stimulus, the economic recovery remains weak, challenged by structural problems, debt overhang, looming fiscal policy decisions and the eventual unwinding of the Fed's loose monetary policy. Jobs are simply not being created fast enough and the outlook for older and less skilled workers is particularly problematic.

Complex geopolitical conditions, soaring global population and the rising price of food, energy, & healthcare pose additional challenges. At the same time, benefits are being reduced, home values have collapsed and higher taxes are ahead.

All of this is occurring while some eighty million Americans are nearing retirement and the majority have not saved enough. The lack of savings is further exacerbated by increased life expectancy. In addition to a convergence of unprecedented challenges, **Americans are living longer, working longer and maintaining equity exposure far longer than previous generations.**

Stagflation is a challenging economic scenario and while we might muddle along with a series of Band-Aid type solutions, the opposite is just as likely. Given the uncertainty, the investment markets could remain volatile and accident prone. As a result, **qualified participant advice has become invaluable when teamed with a competitive investment program.**

Participants are increasingly looking to their employer for advice and a growing number of plan sponsors are responding by offering multiple forms of participant advice. Much has been written about participant advice and third party service providers, but **the RIA community is well positioned to increase market share in this area.**

Given the importance of advice and the need for plan sponsor insulation, participant advice providers should be **prudently selected.** The selection process should ensure that the advice provider is **independent, unbiased, objective, conflict free, insured, bonded, compliant and reasonably priced.** Pricing is particularly important because retirement plans investment advice is far different than holistic financial planning. Compliance is equally as important because while not well known outside the trade, registered reps and insurance agents cannot legally dispense advice for a fee.

Plan level advice is generally designed to reduce fiduciary risk, control costs and ease administrative burdens on the plan sponsor. On the other hand, participant level advisors focus on increasing participation, boosting participant deferrals and managing investment risk through broad multi-asset class diversification. By providing a structural framework for advisor selection, the TIAA-CREF Advisor Network facilitates the combination of **plan level governance with successful participant outcomes.**

TIAA-CREF ADVISOR NETWORK: Minimum Standards & Vetting

Because RIA firms are responsible for providing the appropriate oversight, individual IARs and dually registered advisors may not apply for acceptance into the TIAA-CREF Advisor Network until the RIA firm they are affiliated with has been accepted into the program.

As a general guideline, RIA firms interested in participating in the Advisor Network are required to have an operational relationship with TIAA-CREF's Advisor Services. The RIA approval is necessary to ensure a level of familiarity with the firm's oversight structure, operational capabilities and general business practices. In general, smaller firms may require a longer operational relationship, but that could be waived for firms with existing retirement plans presence

The firm level due diligence is focused on a general review of business practices, organizational structure, compliance & oversight procedures, regulatory history, revenue sources and insurance coverage. The process is completed through the submission of a firm level questionnaire with supporting documents and an interview with the firm's Chief Compliance Officer.

IARs may apply for participation in the Advisor Network as individuals or as a team. For qualification purposes, teams can aggregate certain components of the minimum standards, but they may not total more than five and they must be affiliated with the same RIA.

Each advisor in the Advisor Network benefits from a TIAA-CREF approved Individual Advisor Profile. Team members are listed on the Primary Advisor (team leader) profile, but each team member may opt for their own Individual Advisor Profile by completing the agreements, meeting the minimum standards and paying a profile activation fee. Given their brand, **the TIAA-CREF approved Individual Advisor Profile is a powerful marketing tool.**

The primary components of the Advisor Network are listed below. As part of the program, advisors must notify TIAA-CREF of any material changes within thirty days.

- Education
- Financial Services Experience
- Designations
- Background Check
- Disclosure & Disciplinary History
- Assets Under Advisement
- Retirement Plan Assets
- Compensation Methodology & Fee Structure
- Source Of Revenue
- Insurance Coverage & Claims
- Bonding
- Investment Advisory Agreements
- Conflict Resolution
- Investment Policy
- RIA Structure & Oversight Procedures
- Warranties & TIAA-CREF Agreements

For more information on the Advisor Network, RIAs and IARs should call TIAA-CREF's Advisor Services at 888-842-0318 or email advisorretirement@tiaa-cref.org. Advisors may also visit the TIAA-CREF exhibition booth at the CFDD's October 17-19, 2011 Advisor Conference at the downtown Chicago Swissotel. Additionally, **RIAs participating in the controlled launch of the Advisor Network will be on hand to answer questions and share their experiences.** To register for the conference, click [HERE](#).

A white paper that highlights the Advisor Network's due diligence and vetting process is in the process of being penned by the CFDD and FRA/PlanTools. The white paper will be posted, widely disseminated among plan sponsors and include a dynamic list of advisors participating in the TIAA-CREF Advisor Network.

PARTICIPANT ADVICE & CFDD '11 KEYNOTE SESSIONS

The CFDD operates with a pure business model, i.e., we do not sell products, services, investments, designations or anything else. As a non-lobbyist organization, the independent CFDD is widely known for rich content, unbiased guidance and practical product applications. We have an excellent track record of forecasting major new trends and based on unmatched network feedback, **each CFDD Advisor Conference is centered on a timely and pertinent theme.**

The CFDD '11 theme is *Participant Advice, Retirement Income & New Growth Strategies*. Consistent with our focused approach, **the keynote sessions center on the conference theme** and other pertinent topics. Given the significance of participant advice and the conference theme, Roger Ferguson, President & CEO, TIAA-CREF, will deliver a keynote on the importance and availability of advisor delivered participant advice.

As an adjunct, additional sessions populated by *successful* RIAs will provide empiric insight on the growth opportunities for participant advisory services in the 403(b) market, including a centralized approach to plan level model portfolios and participant elected managed accounts. Other accomplished advisors will discuss how to **get your share of the \$300 billion in non-ERISA 403(b) plan level assets as well as a slice of the \$450 billion ERISA 403(b) plan market.** A large number of these plans are going out to bid and most are looking for assistance from advisors.

As a courtesy, the keynote sessions are listed below:

Positive Outcomes for Retirement Plan Participants: The Power of Advice

-Roger W. Ferguson, Jr., President & CEO, TIAA-CREF

Lifetime Financial Advice

-Peng Chen, President, Morningstar Global Investment Management

Distribution Strategies for Retirees in a Bear Market

-Jack Gardner, President, Thornburg Investment Management

Behavioral Finance 2.0: Moving from Theory to Practice

-Shlomo Benartzi, PhD, Professor & Co-chair of the Behavioral Decision Making Group, UCLA

-Glenn Dial, Sr VP, Retirement Product Business Development, Allianz Global Investors

Costs & Compensation: The Combined Effects of Disclosure, Litigation & Experience

-Fred Reish, Partner, Drinker Biddle & Reath LL

CFDD 2011 ADVISOR CONFERENCE

The Center for Due Diligence's October 17-19, 2011 Advisor Conference, *Participant Advice, Retirement Income & New Growth Strategies*, is the premier education and networking event for the retirement plans advisory industry. The must attend event includes two and one-half days of unmatched value and **exclusive growth solutions designed to put money in your pocket and facilitate face-to-face networking.**

The broad and diverse agenda will **help advisors leverage the increasing demand for participant advisory services, differentiate, gain a competitive edge and grow new higher margin business**, including communication & education services, model portfolios and participant elected managed accounts. We will also illuminate the path to scalability, co-branding for plan level bids, how vendor platforms can be used to distribute advisor services and more.

The toxic products sold in the 403(b) market are caving in. CFDD '11 will **show advisors how to tap into the greatest plan level opportunity in history**, including DB plans under far greater stress than corporate counterparts. Nonprofit plan sponsors are aggressively seeking independent fiduciary guidance and major assets are in play. To help advisors capture 403(b) and rich companion plans, we will **provide takeover strategies and specific guidance on how to get past the screening process.**

The CFDD's content rich agenda remains at the top of the food chain and our *sixty* different sessions are populated by a Who's Who of recognized industry experts. Known as the *King of Content*, more accomplished retirement plan advisors attend the CFDD's Advisor Conference than any other industry event and our ratio of advisors to total registrants remains unmatched.

We know that hiring, training, succession planning and scalability are the biggest business challenges facing advisors today. Practices can't grow without staff and they can't be monetized without succession planning. Enrich your staff by **bringing one immediate team member at NO additional cost.**

CE credits are invaluable to overburdened advisors with limited time and resources. To add value and increase efficiency, the CFDD's Advisor Conference provides a **single source solution for unmatched core CE credits**, including IMCA, CFP, fi360, ASPPA, NIPA, FSS, IBF, CFA, SPARK, The American College, the College For Financial Planning and more.

As an added bonus, attendees can **earn the Accredited Investment Fiduciary (AIF®) designation by attending fi360's pre-conference training** on Sunday, October 16, 2011, the day before the CFDD's Advisor Conference. In addition to attending the conference and earning the designation, you would benefit from *additional* CE credits applicable to the CFP, IMCA, NASBA, The American College and more. To register for the fi360 wraparound training program, email Carl@fi360 or call 866 390 5080 x228.

Only CFDD '11 attendees will **gain access to exclusive participant advice competitive analysis**, a fiduciary insurance discount program, a conference CD-ROM and online access to all prior conference presentations.

Complimentary food, beverages, snacks, a disco-themed networking Kick-Off Party, prizes, **FREE spousal attendance and a Grand Prize Trip To Las Vegas** for two - including accommodations at the world class Bellagio Hotel - are all included in the registration fee.

The nonprofit retirement plans opportunity won't last. Recognizing the urgency to act now, CFDD '11 will serve up growth opportunities on a silver platter. To register, **learn how to participate in the last great retirement plans opportunity**, find out what is working from your peers and benefit from business building takeaways, go to the conference homepage at: <http://www.thecfdd.com/CFDDconference2011> and click on online registration.

©Copyright 2011. All rights reserved. Center for Due Diligence. This release is published exclusively for the trade as general information and should not be viewed as a recommendation to buy or sell securities, other investments or to adopt any investment strategy. This material should not be viewed as a forecast as CFDD opinions are influenced by marketplace dynamics and subject to change. The CFDD is not a law, advisory or investment firm. We do not give legal, tax, investment or any other type of advice. The CFDD does not warrant and is not responsible for the accuracy of content, errors or omissions. All strategies and investments involve risk. Reliance upon information in this material is at the sole discretion of the reader. The Center for Due Diligence (CFDD) is an independent information and strategic services firm serving the retirement plans industry. Formerly the premier provider of 401(k) program competitive analysis, the CFDD is now focused on providing unbiased resources, industry leading conferences, ERISA Advisor Evaluation services, participant advice research and internet broadcasting. The CFDD's Advisor Conference is the premier educational and networking event for the retirement plans advisory industry. The October 17-19, 2011 Advisor Conference will be held at the downtown Chicago Swissotel. To register early and save, go to <http://www.regonline.com/Register/Checkin.aspx?EventID=906710>. For more information about our services contact: **CFDD, PO Box 8, Western Springs, IL 60558**. We can be reached by phone at (630) 662-0284, by fax at (630) 662-0286 and by email at CFDD@TheCFDD.com. You may also visit our website homepage for more information at: <http://www.thecfdd.com> and *The CFDD Station* at: <http://www.bmbc.tv/stations.php?n=3>.