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Rep. Miller Urges DOL to Investigate Consultants' Potential Conflict of Interest

By Fred Barstein

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The trend is for consultants, whose margins are getting squeezed, to manage money in a quest for additional revenue sources. Of the consultants and investment managers registered with the SEC, 75 percent offer both services. Recently, CalPERS prohibited its consultants from managing certain asset classes in their giant fund; late last year, New York State issued subpoenas to 20 consulting firms on this issue.

In 2005, the SEC started an investigation of pension consultants over concerns that money managers were forced to buy consultants' services in a blatant pay-to-play scheme, resulting in stricter DOL disclosure rules. Many larger plan advisors looking to increase revenue are starting to introduce CITs, custom glide paths and 3(38) services, which may cause the same concerns raised by Miller.

ASPPA CEO/Executive Director Brian Graff told the Journal, "Just because a consultant graduates into investment management does not necessarily constitute a conflict as long as the pension plan goes through an appropriate fiduciary process."

Fred Barstein is NAPA Net's Editor in Chief.