

RETIREMENT READY

There is perhaps no partner component more integral to a smooth plan operation – and to an advisor's peace of mind – than that of the plan recordkeeper. And yet, arguably there is no partner component more pressed by the challenges of absorbing increasing costs alongside an ongoing need to upgrade and update their operations in a complex and ever-changing regulatory environment.

While consolidation has long been the order of the day among recordkeepers, the April 2019 announcement that Principal would acquire the Institutional Retirement & Trust business of Wells Fargo looked to be a game changer in the space. NAPA-Net recently connected with Renee Schaaf, President – Retirement and Income Solutions at Principal for insights on the expansion, and what the future holds.

NN: How has Principal stayed committed to a business that so many others have exited?

Schaaf: Our mission says it all; we are committed to helping individuals have enough, save enough, and protect enough for their future. We have to be in this business in order to fulfill that mission. Retirement is at the core of who we are. Many firms have left this business over the years because they simply lack the scale to succeed profitably – and scale is more important today than ever. Arguably there are a number of providers today that continue to operate at “sub-scale” levels, and therefore it seems likely that industry consolidation will continue.

NN: Your recent acquisition of the Wells Fargo Institutional business was the first big acquisition in some time – how did their client base match up with your current market focus, and what might that mean to those plan sponsors, as well as your current book of business?

Schaaf: We're constantly focused on our mission and looking for ways to efficiently and effectively fulfill that purpose, both via strategic investments that sustain organic growth, and, where prudent, through

merger and acquisition. With regard to the latter, we're interested in opportunities that have a commonality of focus – those that are a strategic fit, a good financial fit, and very importantly, a good cultural fit.

The Wells Fargo acquisition fit those criteria on several levels. First, their business profile was extremely complementary with Principal's: a total retirement solution, including not only defined contribution, but defined benefit, non-qualified deferred compensation and ESOP administration. The Wells Fargo team enjoys a great reputation in the consulting community, and the team brings with them a significant expansion of trust/custody business. The addition also contributed significant scale and rounds out our current service footprint. However, while Principal has long been a dominant player in the small plan market, 20% of our post-acquisition assets under administration will consist of plans with more than \$1 billion – and Principal's legacy business represents 40% of those plans.

NN: What kind of investments in technology – participant-focused, as well as plan sponsor – has Principal made to stay competitive?

Schaaf: As part of our broad focus on financial wellness, we've launched an extensive online participant onboarding process that helps them become retirement ready. Those engaged with this program, on average, defer 28% more than those using other enrollment methods, and are significantly more likely to auto-escalate their contributions. Our Spanish communications are translated culturally, not just English into Spanish. We've even connected with Alexa, offering a weekly briefing with tips on how to save.

For plan sponsors, we've developed an “Educate & Enroll” program that allows them to pull up a list of their workers for targeted communications – for example, a “how to enroll” message for those who haven't yet taken that step. This makes it much easier for plan sponsors to communicate consistently and effectively on key issues. We were also the first to introduce plan sponsor chat to answer plan administrative questions, and we are piloting an online plan onboarding process that helps plan



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sponsors know what information is needed to set up services, and then helps them track their progress in setting up their plan. This has been very well received by smaller plan sponsors, who often find this process daunting.

NN: What do you think advisors don't know about Principal or its people that they should?

Schaaf: Our hallmark is strong core values, based on integrity. In fact, we've been named one of the World's Most Ethical Firms by the Ethisphere Institute for nine years. While we've long had a very large and diverse client base, I suspect some advisors aren't aware of the breadth, though we think the Wells Fargo acquisition will help highlight that commitment.

What we bring to the table is a total retirement solution, and not just defined contribution recordkeeping. We've brought to market a complete solution for defined benefit plan sponsors that might be concerned about transferring that risk down the road. We provide a guarantee, in writing, that we will accept that transfer if they bring their DB plan to us for administration. We're also a global retirement provider – supporting retirement plans in ten emerging markets throughout the world. That includes a unique perspective on alternatives for the so-called “gig” economy, which is a relative new issue in the U.S., but one that countries like India have confronted for some time now. Ultimately, we are able to see, and develop solutions for, a wide variety of retirement situations. That provides us – and our advisor partners – an opportunity to learn, develop, and ultimately share best practices from around the globe.