
NAPA

Leader ‘Shifts’

The 2016 NAPA 401(k) Advisor Leadership Award

BY NEVIN E. ADAMS, JD

Helping workers prepare for retirement — and helping employers design and maintain plans that support that process — have long been integral to the retirement plan advisor role. Today retirement readiness at the individual and overall retirement plan level increasingly dominate the focus of leading retirement plan advisors. That said, the challenge that looms largest for a growing number of employers is workforce management, a process that goes beyond the traditional focus on benefit programs as a way of attracting and retaining talent, to the critical planning issue of helping assure an orderly flow of workers into a financially sustainable retirement.

The NAPA 401(k) Advisor Leadership Award was created to recognize a leading financial advisor or team for contributions that exemplify leadership, experience and expertise in the retirement plan industry. The award reflects the multifaceted efforts of advisors to serve their clients (plan sponsors and participants), act as a mentor, maintain high ethical standards, and consistently improve their practices and services in the retirement industry.

In view of this critical workplace planning role and its expanding focus by the "C-Suite" (even among firms too small to have a C-Suite), the focus of this year's NAPA 401(k) Advisor Leadership Award was on innovation and accomplishment in workforce management. We recognized individuals and teams who have gone beyond the installation of automatic enrollment and qualified default investment alternatives, who have demonstrated leadership both in their innovative recommendations, and their prescience in helping their clients incorporate forward-thinking designs that work to the benefit of those participants, the employers they work for, and the nation's retirement system in general.

Eligible nominees include any individual or team (group of individuals) active as financial advisors to 401(k) plans. Nominees must be SEC registered investment advisors and/or FINRA registered representatives who are primarily in the business of providing investment advisory and other services directly to retirement plan sponsors and/or participants. NAPA membership is not a requirement or a consideration in the judging process.

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And with that, let's meet the finalists — and winner — of the 2016 NAPA 401(k) Advisor Leadership Award.

2016 NAPA 401(k) Advisor Leadership Award Winner: StoneStreet Advisor Group

StoneStreet Advisor Group was founded many years ago, first as Fundamental Foundations in 1989. From the beginning their business model was focused on enrolling everyone in the plan, with a focus on asset allocation and higher deferral percentages. But then, other factors began to dominate — founder Barb Delaney notes that the practice began more stringently focusing on fees, funds and fiduciary practices. And though StoneStreet began emphasizing automatic enrollment a year before the Pension Protection Act of 2006 fueled an industry-wide embrace of that concept, Delaney acknowledges that with that emphasis, "we found ourselves less engaged with participants."

That was until a couple of years ago, when the growing significance of health care costs led them to became aware of the need for a more meaningful application of financial literacy in a broad-based sense, not just the 401(k). That epiphany was, as such things often are, highlighted by Delaney's business relationships with two pioneers in the expansion of this kind of focus. "Most of us during our careers meet folks along the way that have special talents in unique areas," notes Delaney. "I have been privileged enough to get to know Liz Davidson and Kelli Hueler. These ladies were and are still very successful in the large plan market, Liz for her award-winning Financial Wellness programs and Kelli for providing a true income solution by providing participants with a competitive bidding process for guaranteed income for life. I found it beneficial to bring their thought leadership to a much needed space in mid/small market. It is these plans that need the most help, as they are typically comprised of sponsors with limited resources, regardless of their generous intent."

That's when, acting on "pure gut instinct with no formal plan," Delaney asked Davidson and Hueler to meet with two of her best clients in Washington, D.C. to talk about wellness programs and income solutions. "I was not sure how we would be perceived, three women without any props, per se, walking into a client and sharing ideas on how the larger market was accomplishing greater outcomes with real solutions," Delaney says. Instead, she was overwhelmed with the positive response.

Today Delaney notes that while historically workforce management encompassed many things, such as time and attendance, payroll/benefits talent management, career planning, etc., her team focus is that if an employee is not taking care of him or herself — both physically and financially — that will lead to many more problems for plan sponsors in their basic work flow management.

Today this focus on full workforce management is an integral part of StoneStreet's Investment Committee meetings, though it was slow to get underway. "At first, committees did not understand where we were going with this," Delaney recounts, "but after implementing programs and showing year over year results, we now have committees looking to us for the next trend in helping employees achieve a comfortable retirement and have an understanding of what they need to do."

Indeed, while financial wellness has become something of a buzzword in advisor circles, the focus of those programs on what is sometimes called "workforce management" has not yet found its way into the parlance of RFPs. In fact, Delaney explains that many plan sponsors don't know what to ask for. However, change is afoot — she notes that the last few RFPs received by her firm asked for an explanation of the firm's financial wellness programs. "These programs are just recently coming to plans with fewer than 2,500 employees and it is taking a considerable amount of time to educate current clients while using it as a differentiator in the sales process," she explains.

Partner Solutions

An essential part of StoneStreet's outreach to plan sponsors on the impact of these programs is being able to quantify the bottom line impact that unprepared workers hanging on past their preferred retirement date can have. Delaney's team has partnered with Hugh O'Toole's PlanOutcomes (now a part of MassMutual) to provide statistics that project the cost of retaining an employee encompassing health care, workers' compensation, absenteeism and other factors. "This puts the cost of an unfunded DC plan back on the sponsor's balance sheet, something no one has presented in the past," she explains. "Sharing this data with our client will surely provide a more robust budget for wellness programs."

StoneStreet's client base includes plans that have either frozen and/or terminated their DB plans, a shift that Delaney recognized could leave participants without a systematic means of structuring a guaranteed income for life. Finding that many of the in-plan options currently available were not truly portable, or were expensive (or both), StoneStreet partnered with Kelli Hueler's Income Solutions to offer an institutionally priced annuity option — despite pushback from recordkeepers who had competing products.

Next up? Health savings accounts (HSAs), which Delaney sees as an "integral part of the retirement puzzle." Some of the firm's more sophisticated clients have already asked StoneStreet to work with them to coordinate building up HSAs with respect to the fund choices. "We have now embedded HSA discussions into our quarterly reviews on all of our plans and can provide our clients a database for due diligence on more than 300 HSA providers," Delaney explains, in addition to working with participants on how much should be allocated to their HSA savings and 401(k) plan.

"We believe our role in 5 years will be that of helping participants understand all their options and ultimately finding ways and/or products to manage a systematic guaranteed drawdown," she says. "Thus, our role will be helping plan sponsors measure the ROI and wellness/financial wellness and providing institutionally priced, multi-insurer annuity options to participants, along with meaningful wellness programs."

STONESTREET ADVISOR GROUP

Pearl River, NY

Assets Under Advisement: $2.5 billion

Number of Plans: 80

Mission Statement: Informed, Involved, Impartial.

2016 NAPA 401(k) Advisor Leadership Award Finalist: Plante Moran Financial Advisors Institutional Investment Consulting Group

Plante Moran is not only the nation's 14th largest certified public accounting and business advisory firm, it is an organization with a rich history of extending its knowledge and experience as an employer to the organizations it serves.

And, with a staff of more than 2,000 professionals in 22 offices throughout Michigan, Ohio and Illinois — not to mention Monterrey, Mexico, Mumbai, India and Shanghai, China — that breadth of supporting resources has played an integral role in the focus on workforce management that Plante Moran Financial Advisors' Institutional Investment Consulting group (PMFA) brings to its customers as well. PMFA, as a wholly owned affiliate of Plante Moran, utilizes the vast resources of the firm to serve its clients holistically.

"When we first started providing services to plan sponsors over 20 years ago, much of the attention was on education meetings focused on getting participants to contribute to the plan," explains Susan Shoemaker, leader of Plante Moran Financial Advisors DB/DC practice and a Partner of Plante Moran. "We started talking to our clients about automatic enrollment and automatic increase several years ago. Talk about an effective workforce management tool! We have several manufacturing firms that have over 90% participation rate and deferral rates increasing each year. We have one manufacturing client that put their automatic increase cap at 20%. They said, 'If we put it high enough, eventually they will get engaged and, if not, they should have a good amount for retirement.'"

Beyond Auto

That said, PMFA long ago recognized that participation rates and deferral rates were just part of the overall picture. As a result, Shoemaker explains they have worked with clients to implement wellness programs, such as offering third party solutions to participants, providing participants with education surrounding topics such as estate planning, Social Security, 529 plans, long-term care, etc. "We have coordinated these efforts with the full service providers in providing data that shows clients how participant wellness rates have risen as a result of this targeted education," she explains.

Indeed, both in terms of the customers it serves, and as a large employer itself (and one that, for the past 18 years, has been on *Fortune* magazine's list of the "100 Best Companies to Work For" in America), Plante Moran has long had an appreciation for the education needs of the workforce. For example, when there was an opportunity for Roth conversions, they had one of their internal tax experts meet with certain groups of participants to discuss tax ramifications, the best ways to implement, etc. Other experts in the firm have educated participants on the intricacies of 529 plans, long-term care insurance, estate planning, tax planning opportunities, and Social Security strategies.

Says Shoemaker, "We know that a successful retirement is not just tied to the amount an individual has saved, but their overall financial health. Having a 'balance sheet focus' has enormous applicability for participants. We expect to bring more and more education and resources to our benefit plan clients to help their participants improve their overall financial acumen and health as part of their journey toward financial independence."

"As we have helped clients become more aware of big-picture issues that affect their plans, our role has changed," Dori Drayton, Partner of Plante Moran explains. "We are finding more and more that our clients are interested in a broader view of our value — how we can support them in all their needs and our ability to act as the *de facto* 'CFO' for their entire plan."

As for the future, Drayton notes that communication methods are changing almost faster than technology can adapt. "As more and more Millennials enter the professional workforce and begin planning for retirement, we need to be able to connect with them on their terms. Our client-service model depends on adopting technology to ensure we can connect our clients and their participants with the information, education, and insights that will help them thrive."

That means an expanding emphasis into compliant social-media engagement to allow clients and contacts to connect with their advisors, and receive timely market updates and other critical insights via social media. "While we will continue to support onsite education meetings, we plan to leverage technology, in collaboration with service providers, to further supplement the education/communication strategy topics such as debt management, college planning, income planning, life insurance and loans, which are typically covered in meetings or mailings," she explains.

On the plan sponsor side, PMFA expects to be working to help them maximize their benefit budgets. "Budgeting for employer contributions to the retirement plan may become a bigger issue over the next five years," Shoemaker notes. "In conjunction with Plante Moran's employee benefit consulting and health and welfare group benefit teams, we have the opportunity to identify potential cost cutting ideas in addition to helping plan sponsors understand the business risk of an older workforce that cannot afford to retire." PMFA's focus on helping participants grow their account balances and retire successfully, will, she says, give plan sponsors the opportunity to increase productivity and reduce health care costs, potentially allowing employers to make higher contributions to retirement plans.

PLANTE MORAN FINANCIAL ADVISORS INSTITUTIONAL INVESTMENT CONSULTING GROUP

Southfield, MI

Assets Under Advisement: $12.1 billion

Number of Plans: 170+

Mission Statement: To understand our clients' responsibilities, and provide in-depth research, expert support and information so that fiduciaries have peace of mind about the investment decisions they make, ensuring that our fiduciary clients know that PMFA will support them in discovering and implementing the best solutions for their unique needs.

"We believe that our holistic approach to serving clients, and their participants, is in direct alignment with the concept of workforce management, and our client satisfaction results are proof that it is working," says Shoemaker.

2016 NAPA 401(k) Advisor Leadership Award Finalist: LeafHouse Financial Advisors, LLC

Austin, Texas-based LeafHouse Financial Advisors, LLC is the creation of financial planners Neal Weaver and Todd Kading. Prior to founding LeafHouse, the pair had, for more than a decade been partners in Weaver, Kading & Associates, a financial advisory practice within a major broker-dealer. Then in 2008 they decided to make a break — and sold their practice.

It wasn't long, however, before the pair was reengaged in the retirement business. In 2009 they "reset" their practice and began designing a retirement plan "outcomes" tool from the ground up. "C-Suite executives (CFO, CEO, HR, Controller) have become disengaged from plan outcomes because they believe they have pawned off the costs to the participants," notes Weaver.

"What good is a retirement plan if no one can retire? We wanted to focus on the outcome," Weaver explains. Not that the pair has set aside a focus on the so-called "3 Fs":

fees, funds and fiduciary services, but they realized early on that "efficiency" does not equal effectiveness. "For plan effectiveness we must not only deal with the 3Fs, but we also must provide the tools necessary to give participants the ability to offload themselves from the workplace, when and how they desire," explains Kading. "By doing this, we add tremendous value to the organization in many ways, including an increased net present value of the company."

Measuring 'Cut'

"First we have to be able to measure how effective the plan is and then we have to offer solutions which can affect as many participants as possible. This is where many advisors have challenges. They either don't have an effective system to evaluate the 'outcomes' discussion or they don't have an effective way to affect change within an organization. Workforce management is the driving force behind everything we do."

That emphasis started with the development of the LeafHouse "Trac(k)ing™ Retirement Readiness" system which, like other readiness tools available today, purports to measure the number of participants on "trac(k)" to retire. However, rather than making assumptions outside the purview of the plan sponsor — such as other outside assets and Social Security benefit predictions — their system focuses on the retirement plan in a "silo." It calculates a number for the plan sponsor which can then be used as a test to judge the "effectiveness" of the retirement plan instead of, as they put it, "only looking at the plan's 'efficiency.'" It can also be used to quantify how well LeafHouse is doing to effect positive change over time as the plan's advisor.

"We don't put each plan into the same cookie cutter design machine," explains Weaver, a strategy that LeafHouse says has paid off by allowing customization of both the participant and plan sponsor experience. And while a customized approach is often invoked as the optimal engagement strategy, Weaver explains that LeafHouse's system "allows a plan sponsor to look at outcomes in a way that re-engages them by making them consider the financial fallout of poor outcomes to the company's bottom line."

"In order to make sure folks can retire, we focus most on maximizing participants' Trac(k)ing™ Retirement Readiness score," explains Kading. "We do this in different ways. Sometimes we reframe the conversation to convince C-Suite plan sponsors to make correct decisions. Other times we use data and flexibility to create custom models, target dates or allocation funds for plan sponsors."

LEAFHOUSE FINANCIAL GROUP

Austin, TX

Assets Under Advisement:
In excess of $1 billion

Number of Plans: More than 200

Mission Statement: To fix the United States retirement plan system, even if we have to do it one plan and one advisor at a time.

RAMP-ing Up

The pair also turned their attention to developing a proprietary investment monitoring system to evaluate plan investments in order to retain more control and "flexibility" into their 3(38) offering. And then they started the Retirement Advisor Management Partnership (RAMP), a network that consists of advisors, brokers and fiduciaries mutually deciding to partner with each other to offer vast services to a larger geographic area of plan sponsors. Currently there are more than 75 advisors and staff in the RAMP network, representing more than $5 billion in assets.

That said, "We believe the fiduciary business will look completely different in 5 years versus today," says Weaver. "Proper workforce management requires access to data. We are currently working on a proprietary data aggregation system that will allow LeafHouse the capability to analyze workforce management issues on a scale not seen today."

LeafHouse hopes to change this for the benefit of the plan sponsor by allowing "deep dives" into the data to directly respond to individual retirement plan participant needs, and in 5 years LeafHouse hopes to use this data aggregation to provide more individualized advice to more participants at fractions of what it costs today. A business model that the pair believes will be "massively disruptive in a fantastically positive way."

More recently, LeafHouse has entered into a partnership with a third party technology company to allow them to manage individual participants' money based on funds vetted and selected via their 3(38) fiduciary solution. Once there they note that the firm can completely manage (online) a participants' money, take full fiduciary responsibility for each participant and provide them professionally managed solutions.

Tailoring the Message

Another factor of distinction: LeafHouse also implements the use of the Kolbe A™ Index into their plans and, as far as they know, they are the only ERISA specialists in the country who are currently Kolbe-certified. The Kolbe A™ Index measures a person's conative strengths — "how we do" versus cognitive, which deals with "how we think," and affective ("how we feel").

LeafHouse uses this Kolbe A™ Index to understand "how" a plan sponsor *needs* to do something, using four action modes to evaluate an individual ranging from how much detail one needs to how much change someone needs.

"Once we understand 'how' a person needs to communicate and interact, we can tailor our involvement to best suit the plan sponsor," explains Weaver, who goes on to note that this has worked very well because some plan sponsors don't react the same way to the same reports and data. "By tailoring the message to the conative needs of the plan sponsor we can remove a source of potential conflict and can focus on the solution."