



Christine C. Marcks

EDITORS' NOTE *Christine C. Marcks has held her current post since August 2007. Earlier in her career, she served in several leadership roles in financial services and in the public sector for ING, the U.S. Treasury Department and the U.S. Department of Labor, among others. She currently serves as Chair of the National Board of Directors of Y-USA and is also on the Board of Trustees for the Employee Benefits Research Institute in Washington, D.C. Marcks holds a B.A. in Foreign Affairs from Assumption College and an M.A. in Economics from Georgetown University.*

COMPANY BRIEF *Prudential Retirement (prudential.com) delivers retirement plan solutions for public, private, and nonprofit organizations. Services include defined contribution, defined benefit and non-qualified deferred compensation record keeping, administrative services, investment management and communications, and trustee services, as well as a variety of products and strategies, including institutional investment and income products, pension risk transfer solutions, and structured settlement services. With over 85 years of retirement experience, Prudential Retirement helps meet the needs of over four million participants and annuitants. Retirement products and services are provided by Prudential Retirement Insurance and Annuity Company in Hartford, Connecticut, or its affiliates.*

Would you highlight the history and heritage of Prudential Retirement and touch on how the business has evolved over the past 90 years?

Prudential Financial entered the retirement business in 1923 with a group pension contract issued to the Public Library of Cleveland, Ohio. Five years later, in 1928, we completed our first-ever pension de-risking transaction with the Public Library of Cleveland, and 85 years later, Prudential

Transforming Retirement

An Interview with
Christine C. Marcks, President, Prudential Retirement

Retirement continues to make payments to the six surviving retirees involved in that transaction.

The history of Prudential Retirement is tied to managing pools of risk with long time horizons. The company has managed defined benefit plans since that first contract in 1923, and continues to manage defined benefit plans today. Over time, as defined contribution plans and nonqualified deferred compensation plans became important supplemental savings vehicles, we have added those products as well. Along the way, we recognized the importance of creating investment products that would help to provide additional security to retired workers.

Today, we offer a wide variety of retirement plan services, investment and stable value products designed to maximize retirement plan savings and to produce a steady stream of income after retirement, structured settlements to provide financial security to physical injury claimants and their families, and de-risking strategies to help plan sponsors keep the promises they made to their employees. While the industry has changed dramatically over the past 90 years, what hasn't changed is our commitment to tackling challenges head-on, creating innovative solutions, participating in the development of sound retirement public policy, and recognizing the human impact of our products and services.

Prudential Retirement is a consistent leader in the industry and has achieved strong growth year after year. What are the keys to this strong performance and what makes Prudential Retirement so special?

Ultimately, the professionalism, expertise, and creativity of our people is what makes Prudential Retirement special. While the retirement industry has made significant progress over the past several years, too many workers are not prepared for retirement – and millions more do not have access to a workplace-based retirement plan. Our goal is to understand the special needs of plan sponsors and participants, and to provide workable solutions to the most complex challenges. Over the years, our people have harnessed their knowledge and expertise to create industry-leading products and services, such as in-plan guaranteed income options and pension de-risking strategies, and to respond to clear market needs, as we did with stable value investing.

Would you provide an overview of the products and services that Prudential Retirement offers?

Prudential Retirement is one of the few retirement services providers that can offer fully integrated defined benefit, defined contribution, and nonqualified deferred compensation plan services, including record keeping, administrative services, investment management, participant education and engagement, and trustee services. In addition, the organization manufactures and manages investment and stable value products designed for the retirement plan market, and offers those products to the plans we administer as well as to plans administered by other providers. We also help defined benefit plan sponsors understand the liabilities associated with terminated plan administration and the growing issue of how investment performance and increases in longevity can create more risk for the plan sponsor, and design strategies to help them manage those assets and liabilities. Finally, we use our actuarial and risk management expertise to provide financial security in the form of a structured settlement to personal injury claimants and their families.

How broad is the target market for Prudential Retirement?

It is a global market. Employers and individuals in many countries seek investment and risk management/risk transfer solutions that will provide retirement security. Thus, we see growth opportunities in the U.S. and internationally for our products and services.

You operate in a highly competitive industry where products and services sound similar from company to company. How challenging is it to differentiate your business and how do you define what makes Prudential Retirement unique?

For individuals, we differentiate ourselves by raising awareness of retirement challenges – like how long they might live in retirement and how much income they will need to live comfortably – and by helping them prepare for their Day One of retirement. Our focus on people, and the importance of personalizing the concept of retirement, comes through in our Day One campaign – a series of stories from real individuals talking about the excitement, anxiety, satisfaction, and hope they experience as they prepare for their Day One of retirement. We are now extending this idea to include what we call “Chapter Two” stories of retirees who are doing something they always wanted to do in retirement.

We have also invested heavily in understanding the common human behaviors that get in the way of taking positive action. We use that understanding to help plan sponsors design more effective retirement programs, and to help individuals overcome their challenges. Behavioral research and motivational theory have also guided the development of many of our tools and programs. For example, we included visualization techniques in the latest version of our Retirement Income Calculator to help people connect emotionally with the future they are working to create.

At the institutional level, we help plan sponsors and their advisors solve complex challenges related to managing investment and/or longevity risk in both their defined contribution and defined benefit plans. We bring together the expertise and the scale we have built over many decades in both risk management and asset management to create new programs and solutions that will help employers provide retirement security to their employees.

You have said that Prudential is helping to transform retirement with its guaranteed income solutions. Would you elaborate on this effort and your outlook for the long-term impact that this will have?

We firmly believe that guaranteed lifetime income is the single most important outcome of a well-designed retirement strategy. But with the closure and termination of defined benefit plans, serious challenges to this ideal have emerged. Defined contribution plans, which have now become the primary retirement savings vehicles, were not originally designed to provide retirement income that would last a lifetime. It's no wonder that a majority of workers say they lack confidence in their retirement readiness.

Prudential Retirement led the industry in developing an in-plan guaranteed income option for defined contribution plans back in 2007, and we are today one of the largest and most-recognized providers of in-plan income. We continue to lead the effort to make income options more widely available by solving for issues that impact adoption, like enabling the portability of income options across defined contribution providers. Including a guaranteed income option within a defined contribution plan today is seen as a clear differentiator by many advisors, sponsors, and participants, and we believe it's only a matter of time before it becomes an expected factor in retirement planning.

You are in an industry that may not seem innovative, but Prudential Retirement has placed a major emphasis on this area. Would you highlight the importance of innovation for your business and some of the emerging trends in product development?

At Prudential Retirement, we see innovation as an extension of our brand. We continually explore new ways to solve retirement challenges, which has resulted in a number of pioneering products and services over the years, and we are willing to be patient. Our current product development efforts are targeted at simplifying investment and income solutions for defined contribution plans, broadening our stable value offerings, and continuing to create innovative pension risk transfer solutions. By

closely following the trends and staying deeply engaged in the industry, we are able to use our expertise to open new markets or introduce new solutions.

What are the key issues facing plan sponsors as millions of young Millennials enter the workforce and Boomers transition to retirement?

Retirement benefits can be an important aspect of talent attraction and retention. We often work with sponsors who want to customize their plans to make sure the benefits they offer are structured correctly to provide value to the different age groups that make up their employee base – and then to further customize the education and communication directed to those different age groups. The industry has done significant research into how each generation tends to approach investing and retirement

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**We are
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planning, and what's interesting is how similar individuals are across generations rather than how different they are. Our research shows that the number-one retirement concern among individuals is running out of money, and that holds true across different age groups, even among workers in their first jobs. Everyone also wants a provider who can help them make sense of their options. I think we'll continue to see the rapid development of digital and social tools that simplify the experience for participants and make the interaction more personal.

What is the impact of legislation and regulatory decisions on retirement-plan management?

Our industry is highly regulated, so we are continually assessing proposals at the state and federal levels that may come into play and affect how sponsors think about the benefits they offer. It's extremely beneficial for authorities to meet regularly with industry groups to better understand the realities that plan sponsors and providers navigate, from fiduciary requirements to technology investments to participant behavior, and we're active in many of these forums. At the moment, we are working hard to get regulators more focused on how to support employers who may be hesitant to add a guaranteed lifetime income option to their defined

contribution plan. I'm also pleased to note the high level of interest among the legislators and regulators we meet with in making sure that more Americans have access to retirement plan tools and services.

There is much discussion around opportunities for women at senior levels in business. Are there adequate opportunities available for women today and what further needs to be done in this regard?

There are more opportunities today for women at all levels in the financial services industry, including more senior roles. At Prudential Retirement, women make up 60 percent of the workforce, and three of my direct leadership team are women. But more needs to be done to attract women to careers in financial services and to encourage them to advance to upper management. It's one reason that Prudential Retirement co-founded the Women in Pensions Network, a professional organization dedicated to helping more women choose a career in pensions and retirement.

What are your key priorities for Prudential Retirement as you look to the future to ensure that you maintain your industry leadership?

We are committed to leading the transformation of retirement – and we will succeed by focusing on what matters most to our clients: workable solutions to their toughest retirement challenges; better outcomes for advisors, plan sponsors, plan participants, and retirees; and retirement income for Day One and all the days that follow.

Prudential has completed landmark pension risk transfer deals over the past couple of years, including deals with General Motors and Verizon. As more companies look to firms like Prudential for de-risking strategies, what is the outlook for the PRT market?

We see strong growth in this market abroad as well as in the U.S. Recent research with senior finance leaders in the U.S. found that 35 percent of responding companies have already closed their pension plans to new entrants and another 25 percent have frozen them; and almost half (48 percent) are likely or very likely to transfer defined benefit plan liabilities to a third-party insurer within the next two years. As life expectancies increase and financial markets remain volatile, employers want help in ensuring the pension promises they made to their employees are kept, consistent with regulatory frameworks. They also want to be able to focus their human and financial resources on the core competencies that drive their competitive advantage and, for many, that does not include managing pension risk. They are turning to firms like ours, which have a long and successful track record in managing investment and longevity risk to help them solve this challenge. We recently completed a \$27.7-billion transaction – the largest to date in European markets – where we are reinsuring the longevity risk of the BT Pension Scheme. We believe this trend toward de-risking and risk transfer in European and North American markets will grow stronger in the years ahead. With our strong expertise and capital base, we are well-positioned to support it. ●