

Pensions & Investments

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Cybersecurity still key issue for record keepers

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Martha King said because cybersecurity threats are always evolving, 'we're never going to take our foot off the gas.'

figure is affected by Alliance Benefit Group, PNC Bank NA, BOK Financial Corp., and Reed-Ramsey Inc., which did not participate in the 2018 survey. When omitting the four firms from the 2017 survey data, this year's total represented an 8.7% increase from 2017.

The number of DC participants among survey respondents, meanwhile, rose to 101.1 million in the latest survey, a 3% increase from 2017 — or a 4.4% increase when omitting Alliance Benefit, PNC, BOK and Reed-Ramsey.

Protecting data and assets from cyberattacks has been and will continue to be an area of intense focus for record keepers and their clients, sources said.

"It's a boardroom topic for our plan sponsors, and it's a boardroom topic for our firm," said Robert Salerno, senior vice president of relationship management at Fidelity Investments, Boston.

Cybersecurity initiatives at Fidelity include, among other efforts, proactively monitoring accounts, requiring multifactor authentication at login and for certain transactions, sending text updates when transactions or account changes are made, holding routine meetings with advisers to discuss cybersecurity trends and best practices, and providing a customer protection guarantee. Fidelity officials declined to provide details on the cost of its cybersecurity initiatives and the size of its team.

Other record keepers echoed Mr. Salerno's comments about the importance of building up cybersecurity protections. "Cybersecurity is always going to be something we're focusing on," said Martha King, managing director and head of Vanguard Group Inc.'s institutional investor group. "The kinds of threats evolve constantly. The people who are trying to get at you or people's assets, that group is constantly evolving. It's an area where we're never going to take our foot off the gas," Ms. King said.

Survey respondents reported spending an aggregate \$92 million on cybersecurity technology for the year ended Sept. 30, a

While the number of blockbuster deals has slowed in recent years, record-keeper consolidation is also expected to remain a trend. In fact, on April 9, Principal Financial Group Inc., Des Moines, Iowa, announced that it will be acquiring Wells Fargo & Co.'s record-keeping business for \$1.2 billion.

"There has been a lot of vendor consolidation, and there is going to be more to come," predicted Robyn Credico, Arlington, Va.-based defined contribution consulting leader for Willis Towers Watson PLC.

Record keepers are "continually looking to stay profitable, but it's thin margins," Ms. Credico said.

Record-keeper assets totaled \$7.45 trillion for the year ended Sept. 30, *Pensions & Investments'* latest survey of the largest record keepers showed. That

35.3% jump from 2017. (That number is likely to be higher because Fidelity and several others did not provide dollar amounts.)

Over the same period, the number of cybersecurity professionals employed by survey respondents rose 18% to 3,969 professionals. Meanwhile, the number of professionals working in record-keeping operations declined 7.8% to 20,999; investment analysis and due diligence, down 20.8% to 4,062; and relationship managers, a 23.4% decline to 2,728.

Financial wellness a priority

Another major priority for record keepers and plan sponsors: building broad financial wellness programs that help participants address financial pressures beyond retirement planning. "I think the largest thing that everybody is focusing on is financial well-being. All of the record keepers have been working really hard on solutions for that," Willis Towers Watson's Ms. Credico said.

In general, "it's getting harder and harder for (the large record keepers) to distinguish themselves," said Ms. Credico, who focuses primarily on large record keepers. The tools and types of information offered as part of financial wellness programs can be differentiators.

Noted Fidelity's Mr. Salerno: "We're constantly investing" in the financial wellness space. Mr. Salerno cited student debt management, budgeting and health-care savings as some of the areas employers want financial wellness programs to address.

Integrating charitable giving into financial wellness or workplace benefit programs is an area of emerging interest, Mr. Salerno said. Fidelity launched a service last month to help employees make charitable donations through their workplace. Employees choose the frequency and payment method for their donations.

Fidelity was the largest record keeper in *P&I's* survey with \$2.15 trillion in record-keeping assets as of Sept. 30, up 14.7% from the previous year and more than three times the assets of the next largest record keeper. Fidelity also had greatest number of participants — 22.5 million at the end of September, a 7.7% increase from 2017, and 13.8 million more participants than the next-highest record keeper, Empower Retirement.

TIAA-CREF, New York, ranked second for the fourth year in a row in assets with \$650.7 billion, up 7.2% from Sept. 30, 2017.

Doug Chittenden, TIAA's executive vice president and president, institutional retirement, Charlotte, N.C., said enhancing the digital user experience is a major area of focus for the firm. Recent developments include communicating with participants via Amazon's Alexa digital assistant device.

TIAA participants can ask Alexa for a stock market quote, where to find the closest TIAA adviser, and when they will receive tax statements, according to a February news release from TIAA. Future features are expected to include personalized account information, daily market briefings and information on TIAA Bank accounts, the release said.

Other record keepers with Alexa capabilities include Alight Solutions, Fidelity, John Hancock Financial Services Inc., and Prudential Financial Inc. USI Consulting Group connects with customers via Apple's Siri.

Get stock quotes

At Fidelity, participants can ask Alexa for stock quotes, market movers and information on how much their peers are saving based on age, salary and location, a Fidelity spokesman said.

While Alight has conducted pilots with Alexa, the firm is still thinking through the final direction and security of the data, said Alison Borland, San Francisco-based executive vice president, wealth solutions and strategy at Alight. During the pilot, users were able to ask about their 401(k) account balances, she said.

Ben Taylor, senior vice president and defined contribution consultant at Callan LLC, San Francisco, said some of the questions he has around retirement participants' interactions with personal digital assistant devices are: "What is being done with this data, and what could go wrong in terms of accidental instructions?"

So far, Mr. Taylor said he has not seen record keepers give digital assistants transactional capabilities like rebalancing a portfolio or taking a loan, but that doesn't mean it will never happen.

"I'm not sure how much appetite there is for that... but it's early days yet," Mr. Taylor said.

While Empower Retirement hasn't entered the personal digital assistant space, Edmund F. Murphy III, president, said the firm thinks a lot about the mobile and digital experience of participants.

"I think the industry, frankly, has struggled with getting more adoption through mobile devices," he said. Mr. Murphy, based in Greenwood Village, Colo., also is president and CEO of parent company Great-West Life & Annuity Insurance Co.

Empower moved up one spot in the record-keeper rankings to third place, with \$553 billion in assets as of Sept. 30, a 10.6% increase from 2017. Vanguard Group, Malvern, Pa., moved down one spot to fourth, with \$543.5 billion, a 6.2% increase from the previous year.

Despite ranking fourth on the record-keeper list, Vanguard maintained its place as the largest DC manager, recording a 37% increase in assets under management over the period to \$1.34 trillion.

Top-ranked record keeper Fidelity, meanwhile, reported \$663.7 billion in DC assets under management as of Sept. 30, a 9.2% increase from 2017.

Vanguard's Ms. King said the firm works hard to have an asset management relationship with plan sponsors where it is not serving as a record keeper. In the small plan space, Vanguard provides investment options as part of a bundled 401(k) plan service with record keeper Ascensus LLC, and that has been "growing significantly," Ms. King added.

Rounding out the top five in the record-keeper rankings was Alight Solutions with \$444.1 billion in assets, an 8.2% increase from 2017.

Conduent Inc., which ranked 13th on the record-keeper list, reported the largest decline among survey respondents. The Florham, N.J.-based firm had \$162 billion in assets as of Sept. 30, a 13.4% decrease from 2017.

A Conduent spokesman did not return requests for comment by press time.

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