401k Specialist

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# One Heck of a Participant Outcome Story

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One Solution to 401(k) Litigation Risk

Why Target Date Funds Keep Looking Better

401(k) Rollovers: Hot or Not

How to Put Success in Succession Planning

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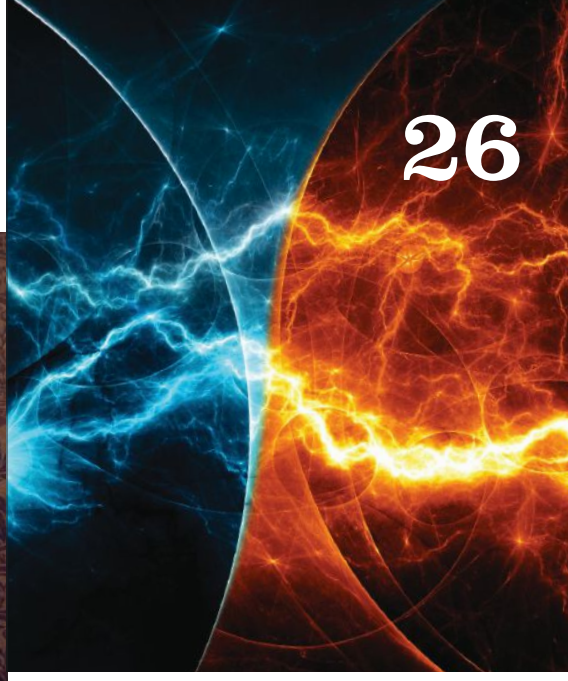


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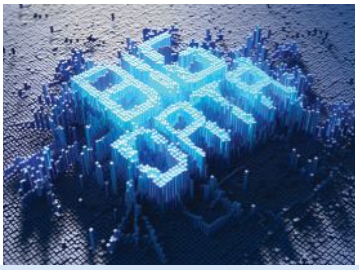


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# Top Advisor

## by PARTICIPANT OUTCOMES

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Introducing the first three profiles of our 'Top Advisor By Participant Outcomes' recognition. Each month, we feature advisors that go above and beyond in their creativity and effectiveness in ensuring successful outcomes for the sponsors and participants with whom they work. We're always looking for great entries and ideas. To possibly be featured in the magazine, on the website and in the running for our '2017 Top Advisor By Participant Outcomes' for the year, send nominations and/or submissions to John Sullivan at jsullivan@401kspecialist.com.

**JAMIE LINKOWSKI**, PrimeSolutions Advisors

Nominated by MassMutual

# CHANGING

*By Editorial Staff | Photography by David Johnson*

Innovative thinking and shedding of biases led two friends to team up for the benefit of a mutual client—saving lives and a truckload of money in the process.

**RUSSELL LIVINGSTON,**
Babb Inc.

# LANES:

## One Heck of a Participant Outcome Story

Worried about the pace of demographic and regulatory change and its effect on the retirement plan space? Who isn't? Like asking an aviophobic if they wanna fly United.

But we can all breathe a bit easier after speaking with Jamie Linkowski and Russell Livingston, two Pittsburgh area advisors who prove that proper due diligence and doing right by the client can solve for issues in ways never imagined, keeping retirement plan professionals incredibly relevant despite the best efforts of pundits and politicians alike.

Golfing buddies for over two decades, the diehard Steelers fans (who nonetheless still managed to pull off this stroke of genius) have a large trucking company client in common, with Linkowski properly handling employee retirement needs and Livingston the health and wellness.

Yet a confluence of events made both realize that while they might be efficient in servicing the plan's sponsor and participants, they weren't necessarily effective, at least not in ways previously thought, and especially in the all-important area of ensuring successful outcomes.

Proving that the whole is greater than the sum of its parts, the two realized that by "looking across sightlines" and straying from their lanes, they could better address company issues and ills together, and truly make an impact on the health and welfare of their clients.

"We're cute but we're dumb," Linkowski says with a laugh. "It took us two decades to look across the lanes and examine how one set of benefits impacts the other, and to realize that data was key."

The catalyst for their conversation came from the company's vice president of finance, who, like most finance guys, was focused on plan costs.

"We were very proficient at the funds, fees and fiduciary portions of the business, and delivered a very robust model for over 15 years," Linkowski explains. "We dotted the 'I's and crossed the 'T's and ran the investment committee meetings and did the right things to keep them out of fiduciary jail. The owner of the trucking company said we gave his employees peace of mind, which I took as a compliment that what we were doing was highly effective in getting them to retire on time."

Which was all well and good, but none of it mattered to the VP of finance, who was looking at it from a total price standpoint, and decided to subject the plan to an RFP and benchmarking study. The result, depending on the outcome, was the potential loss of two-thirds of Linkowski's revenue from the plan.

A chance discussion with Livingston, who as head of a health benefits brokerage business was dealing with price and cost issues of his own, woke both to the fact that health, wellness and employee performance were "inextricably linked" to retirement readiness.

"It was a poignant moment when we realized health and retirement benefits had been siloed for too long," according to Linkowski.

"Jamie introduced me to the head of the investment committee at a Christmas party in 2014, since we had never met," Livingston dryly adds. "I'd been on the account since 1989."

Trucking is considered a stodgy industry that typically lacks robust benefits for employees but, luckily, the company had a progressive owner that truly cared for his employees. It operates in 21 states with 28 locations, and has around-the-clock operations with both day and night employees.

Of those, roughly 10 percent are white-collar, with the rest dockworkers and truck drivers. However, with overtime, driver pay can be substantial, and it's a solidly middle-class environment.

The two scheduled a meeting with the owner to discuss their belief in a connection between someone's retirement scarcity, their job performance and their health care, something they wished to explore further.

"He knew it was going to be disruptive, and he wanted it to be," Livingston says.

"We sat in the room and said, 'we're not sure where we're going to go, but we're going to ask different people questions they never heard before,'" Linkowski relates. "Then we're going to mash the data and find patterns and connections with what we believe we can prove."

They warned it would be awkward, that they would "fumble it and probably tick a few people off in the process" as they attempted to align the benefit objectives


of HR, the investment committee and the C-Suite. However, they believed in a link between employee performance, their safety, their health care, their productivity, their "happiness at being in the workplace" and, ultimately, whether or not they could retire."

Employing an all-important football metaphor, Livingston says it was "a play the company hadn't run before and, in fact, no one had run before."

"We told all of this to the owner, and he immediately said, 'Good, go talk to the COO,' who was in charge of the HR, operations and safety departments. The COO totally got it because those were his jurisdictions."

Now for a bit of strange serendipity. The COO informed Linkowski and Livingston that, due to its size and the industry it occupied (trucking), the company had recently been approached by the University of Pittsburgh for a study on that very subject, financial scarcity and work performance.

More specifically, much had (and has) been studied and written about financial wellness, especially in the 401k and retirement plan industry; far less about the other side of the same coin, financial scarcity.

"I think we all know that, in our industry, financial wellness is about retiring on time with dignity, plus or minus Social Security," Linkowski says. "The flipside of that is a lack of readiness, which quickly becomes a balance sheet item for employers."

The University of Pittsburgh study analyzed two types of scarcity; direct scarcity, which might involve a truck driver that doesn't have much money and knows it, and indirect scarcity, which is the "cognitive burden or perception around their current situation, and the stress associated with it."

"That secondary scarcity, frankly, is the one that drags on work performance and potentially becomes the widow maker in terms of safety," he adds. "The company had 1,800 drivers behind the wheel of 60,000 pound vehicles going 65 miles per hour down the road. We knew it was a major safety issue and something the University of Pittsburgh study confirmed."

Livingston agrees, and doesn't mince words about the results.

"Our healthcare system doesn't respond until someone gets sick, so when people don't make their health a priority, that's when the bell rings in a variety of ways," he argues. "You're talking about co-morbidities and chronic conditions and things that are all avoidable. But if that data point, financial scarcity, is present then there's a greater likelihood of other things going sideways."

Think of the person whose house is about to be foreclosed and stops for a supersized No. 5 at the fast-food rest area. They're stressed, their body mass index is rising, and there's greater likelihood of coronary and diabetes (which was actually proven in the study).

It's an obvious financial scarcity issue driving health care claims and safety issues that affect overall job performance, not to mention workers' comp costs.

Controlling for that scarcity through retirement readiness and financial wellness is incredibly powerful and something that takes the advisor from "a necessary evil" to a true consultative professional that has a direct (and positive) impact on the company's financial statement and bottom line.

**So, great, what are the specifics steps involved?**

"First, we established an initial retirement readiness baseline," Linkowski explains. "I should mention that the investment committee hadn't done anything with auto-benefits. We heard the typical objections; that they didn't want to be parental or invasive and it's the employees' money to do with as they wish."

Banking that such objections could be overcome with results, Linkowski and Livingston began gathering data to analyze "rudimentary demographic trends by age-band and healthcare spend, which we could then marry together for the CEO and the COO."

It was made easier by Viability, a proprietary analytical system for advisors offered by MassMutual. It calculates "the risk to employers generated by their employees' level of retirement readiness—and the loss of productivity attributed to employees' lack of financial security," with which the advisors were able to take a close look at specific variables.

They include the difference in marginal costs between the company's older and younger workers, their wages, health care premiums and workers comp claims. They could then project out those costs over 50 years.

"That was the beginning of a very interesting conversation with the CEO," Livingston says.

"They were now into human capital management and could pinpoint the liability, or vulnerability, to the organization, as well as what to do about it," adds Hugh O'Toole, who developed and manages the Viability platform as head of Workplace Distribution with MassMutual.

And this is where it gets (really) good. Data is one thing, actionable data quite another.

"We made a startling discovery," Livingston explains. "Through the use of big data, we could see patterns and people who were noncompliant in the use of their prescription drug medications, a guy who has high cholesterol that went to the doctor but wasn't on the statin, for instance."

As they dived deeper, they realized there was a wide variance across a large population of workers in different categories with regards to prescriptions drug costs, something that was leading to price inefficiencies.

"We put a new prescription drug program in place that saved them about 30 percent on their spend," Livingston states.

And the amount of the savings? "$1.2 million."

*[Ed note: The following comments occurred in rapid succession.]*

"Would $1.2 million cover the fee an advisor is charging clients?" MassMutual's O'Toole rhetorically asks. "$1.2 million, so that's an immediate return-on-investment of getting into that data."

"And we did nothing to plan design," Livingston explains.

"And that didn't cost the employer a single dollar," Linkowski adds.

But not that all wins have to be so large and dramatic to be effective.

After combing over the data, the duo realized that, like many industries, some of the company's drivers were terminating employment to trigger a qualifying event in order to gain access to their retirement savings, a nationwide problem and a reflection of the desperation that widespread financial scarcity breeds.

"The company absolutely mirrored current, national statistics," Linkowski says. "Fully 57 percent of workers didn't have an emergency account, and 50 percent couldn't pay a shock claim of $400 or more. This is a major problem, because trucking is the No. 1 occupation in 40 states, and they desperately need drivers."

Coming in at the lowest paygrade with no eligibility for overtime would simply lock in that scarcity, exacerbating an already dangerous situation for employer and employee.

"The solution was to install a 'rainy day fund.' If the employee saved $19 per pay period for six months, which is not a lot, and didn't touch it, the company owner would top that off at $56, and would do it again every six months. We had people bending over backwards to change their savings behavior for $112 a year. That will show you how replete scarcity is, and how simple it can be to change it."

So how is their relationship with the company today? About what one would expect.

"I'm on the other side of the table now," Livingston says. "Before, as a service provider, we went in with a health care premium increase, and we felt the anger; not at anybody specifically, but I felt that wrath historically. It's changed the dynamic, and I've been asked by other clients to co-chair their benefits committees and meet with vendors to help minimize risk."

"The owner saw so much value that he's paying the expenses himself out of his own pocket," Linkowski concludes. "He went one step further and said 'why should I have the DOL tell me what I should and shouldn't do for my plan participants?' So he's paying the entire fee out of his own pocket.

"How's my relationship? It's really good."

## The Viability of Digging Through Data

Forget reams of spreadsheets and bootstrapped algorithms; Linkowski and Livingston used MassMutual's Viability, a proprietary system for advisors, "to enhance employers' future viability by helping to ensure their employees become retirement-ready."

"Advisors can leverage the power of analytics to calculate the risk to employers generated by their employees' level of retirement readiness—and the loss of productivity attributed to employees' lack of financial security," according to the financial services behemoth. "Viability identifies the economic impact of a non-retirement ready workforce as well as employers' economic interest in employee financial health."

It adds that advisors can "use Viability to help quantify the value of different plan designs and benefit options, which can enable employers to build a stronger financial future, and help employees do the same—while safeguarding their business and positively impacting the bottom line."