

GM Adds Hueler's Income Solutions to its DC Plan

By Kerry Pechter Thu, Sep 10, 2015

GM closed its defined benefit plan in 2012. Its 401(k) provider is Fidelity. To offer its DC plan participants an option to roll over part of their savings to an income annuity at retirement, it chose Hueler's Income Solutions Annuity Marketplace, an online annuity purchasing platform.

Three years after terminating its defined benefit pension, U.S. carmaker General Motors will offer its 401(k) participants a new way to convert their savings to lifetime income: through the Hueler Income Solutions Annuity Marketplace online rollover platform.

The relationship, announced Thursday, represents a significant win for Minneapolis-based Hueler. Its founder, Kelli Hueler (below right), has spent a decade criss-crossing the country to pitch her "institutionally-priced" income annuity sales platform to plan sponsors and providers. The platform's other prominent users include plan sponsor IBM and plan provider Vanguard. Vanguard offers participants in all of its 401(k) plans online access to the platform.



The GM 401(k) and profit-sharing plan has 58,000 participants in the U.S., \$11 billion in assets and an average account value of \$190,000. The largest single holding is the GMAM Investment Holdings Trust. A GM spokesperson could not be reached for comment before deadline.

The agreement between the global carmaker and tiny founder-led Income Solutions, whereby GM will promote Income Solutions internally, is unrelated to GM's relationship with Fidelity, GM's full-service 401(k) provider. Fidelity has its own online retail annuity platform, where individual investors can shop for immediate and deferred income annuities provided by several insurance companies.

No value of the deal was announced. It may not have a value, in the usual sense. Hueler's platform involves a 2% fee based on the value of the annuity purchase. That fee covers the

costs of maintaining Hueler's insurance-licensed call center and the internal promotion of the service by the plan sponsors. The annuity issuers bid whatever price they choose to bid for each potential contract. There are no revenue-sharing arrangements or cross-subsidies.

Individual retirement plan participants and retirees whose companies have a relationship with Hueler can surf to the Income Solutions website and solicit current annuity pricing data from AIG, the Integrity Companies, Lincoln Financial, MetLife, Mutual of Omaha and Principal Life Insurance. The site facilitates the sale of annuities through partial rollovers. Some life insurers choose not to put annuity products on the platform because of conflict with their other distribution channels.

The Income Solutions Annuity Marketplace offers single premium immediate annuities, deferred income annuities, longevity insurance, and qualified longevity annuity contracts (QLACs), which are deferred income annuities purchased with tax-deferred money and have income start dates after age 70½. Premiums on QLACs are limited to \$125,000 or 25% of the client's tax-deferred savings, whichever is less. Hueler doesn't sell variable annuities or indexed annuities.

In 2012, General Motors closed its defined benefit plan and offered 42,000 white-collar retirees a lump sum settlement in lieu of monthly pension payments. GM transferred responsibility for the retirement benefits of 76,000 others to Prudential by purchasing a group annuity for between \$2 billion and \$3 billion. The deal was reported to reduce GM's \$134 billion global pension obligations by about \$26 billion.

Speaking with RIJ yesterday, Kelli Hueler said the deal was struck after a lengthy due diligence process involving GM's corporate treasury, asset management and human resources departments. According to Hueler, her service's simplicity and transparency are attractive to certain plan sponsors. These are typically sponsors who feel an obligation to offer income options to retirees but find the so-called 'in plan' annuity options (where future income is purchased prior to retirement) too difficult to change if necessary, or fraught with potential legal risks and liabilities. Income Solutions is an 'out of plan' option—it involves a rollover—and asks little of plan sponsors beyond a commitment to a reasonable amount of internal promotion.

"This agreement [with GM] makes a statement about our value proposition. It's resonating with employers. They like the independence of Income Solutions, the full disclosure of compensation, the competitive bidding aspect, the level fees, the objective presentation," Hueler said in an interview.

Hueler's main business contacts are on the institutional side of the retirement industry. Ten years ago, while running a stable value fund data business for retirement plans, she noticed that near-retirees were at a disadvantage in the marketplace because they couldn't readily compare the prices of a broad range of annuities, whose prices by manufacturer and from month to month.

She knew that an unsavvy or ill-timed purchase by an individual could easily reduce monthly income benefits by as much as 10%. Captive agents promoted only their employers' products. Open-architecture Internet platforms such as immediateannuities.com were available to individual purchasers, but not as retirement plan option.

"In 2014 we revamped our delivery of the program, and required collaborative communication and ongoing communication. It's very different from way we started the platform in the early days. The communication is key. We also service the plan participants. Our help center is able to assist the participants. Our goals in help center are to explain annuitization, to assist participants with purchasing as the need arises," she told RIJ.

"We play a more active role today than organizations may remember us having. In the last five or six years, it's become a more high touch program. There's a lot of e-messaging. We have communications where they can use the income estimator right in the communication. Our approach focuses on partial annuitizations. If the plan sponsors don't already allow partial annuitizations, we advocate for that. We also advocate for participants to keep the rest of their assets in the plan."

Amid the current debate over the Department of Labor's proposed fiduciary rule, which aims in part to shield participants from aggressive rollover marketing at the point of retirement, plan sponsors are sensitive about who they let approach their participants about rollovers. In such a climate, the Hueler model appeals to them.

"We're not a product manufacturer that might want to sell other products to the participant. It's clear what our goal is," Hueler told RIJ. "When we started this business, we structured the program so that it could fit any fiduciary process. We wanted to remove conflicts, 'pay-to-play' arrangements, and issuer selection objectives, and to provide level fees and full disclosure.

"If you keep the process opaque and you're steering people to one product or another, you lose all credibility. We made strategic decisions early on that were unpopular at the time, and very different from the rest of the marketplace. All of that was self-imposed. But now

the world around us has woken up to all of that. Those things are seen as the future.”

© 2015 RIJ Publishing LLC. All rights reserved.