

## Prudential's new approach to the DC world—and to the income challenge

By Kerry Pechter    Thu, Sep 30, 2021

*PGIM, Prudential Financial's asset management group, has a new unit, PGIM DC Solutions. Its CEO, Linda Gibson, said the market demands 'a comprehensive approach to retirement income... We have created PGIM DC Solutions to spearhead that effort.'*

*Retirement income expert David Blanchett is on the team.*



PGIM, the \$1.5 trillion global investment asset management business of Prudential Financial, has launched a new group called PGIM DC Solutions. Having sold its retirement plan recordkeeping business to Empower last July, Prudential has repositioned itself from a full-service plan provider to a defined contribution investment-only (DCIO) vendor.

But its mission evidently includes creating retirement income solutions as well as investment options.

“The market is increasingly demanding a comprehensive approach to retirement income, which requires a range of new thinking and solutions, deployed in a flexible way,” Gibson said in a release. “We have created PGIM DC Solutions to spearhead that effort and target market leadership in this new arena.”

Last spring, PGIM hired leading retirement expert David Blanchett as managing director and head of retirement research for PGIM DC Solutions. Blanchett was formerly head of retirement research at Morningstar Investment Management.

Gibson will be CEO of PGIM's \$119 billion quantitative equity and multi-asset solutions specialist, QMA, starting October 15. She joined QMA in July 2019 as chief business officer. The CEO change comes as QMA announced it is rebranding to PGIM Quantitative Solutions and its launch of the dedicated Defined Contribution unit, PGIM DC Solutions.



Linda Gibson

Gibson joined QMA in mid-2019 having previously served in a variety of executive leadership positions at BrightSphere Investment Group, a publicly traded asset manager with more than \$225 billion of client assets at the time of her departure. QMA's current CEO, Andrew Dyson, has stepped down for personal reasons unrelated to the business. He will stay on as special adviser and acting head of PGIM DC Solutions until the end of March 2022.

Even though Prudential divested its recordkeeping business, a Prudential spokesperson said that Prudential's Institutional Investment Products business will "continue to participate in the institutional and individual retirement market, serving retirees, annuitants and employers."

That business "will include Pension Risk Transfer, longevity and international reinsurance, stable value investment only and structured settlements, as well as income and investments solutions delivered by the individual annuities business and PGIM," the spokesperson said.

With offices in 17 countries, PGIM's businesses offer retail and institutional investors public fixed income, private fixed income, fundamental equity, quantitative equity, real estate, and alternatives. PGIM Quantitative Solutions, a release said, "seeks to help solve complex

investment problems with custom systematic solutions across the risk/return spectrum. Our modular portfolio construction simplifies our design of client-specific solutions. We can customize down to the stock level for portfolio considerations, with product offerings that range from core solutions and systematic macro to multi-asset portfolios and overlays. All of our options can be harnessed to provide stable return streams uncorrelated with existing strategies.”

Prudential expects to use the proceeds from the transaction for general corporate purposes. Prudential now expects to return \$11.0 billion to shareholders through 2023, up from the \$10.5 billion announced in May 2021, and intends to reduce financial leverage and enhance its financial flexibility.

Last July 21, Empower Retirement and Prudential Financial, Inc., announced that Empower would acquire Prudential's full-service retirement business for a total transaction value of \$3.55 billion. The business will be supported by \$2.1 billion of capital through a combination of the balance sheet of the transferred business and Empower capital and surplus.

At closing, Empower will acquire Prudential's defined contribution, defined benefit, non-qualified and rollover IRA business in addition to its stable value and separate account investment products and platforms.

Prudential's full-service retirement recordkeeping business comprises more than 4,300 workplace savings plans, through which approximately 4 million plan participants have saved \$314 billion in assets. It also includes more than 1,800 employees who provide a comprehensive suite of retirement recordkeeping and administration services to financial professionals, plan sponsors and participants.

The transaction, which is expected to close in the first quarter of 2022 pending customary regulatory approvals, will increase Empower's participant base to 16.6 million and its retirement services recordkeeping assets to approximately \$1.4 trillion administered in approximately 71,000 workplace savings plans.<sup>3</sup>

Empower will acquire Prudential's retirement services businesses with both a share purchase and a reinsurance transaction. Great-West Life & Annuity Insurance Company will acquire the shares of Prudential Retirement Insurance and Annuity Company and business written by The Prudential Insurance Company of America will be reinsured by Great-West Life & Annuity Insurance Company and Great-West Life & Annuity Insurance Company of New York (for New York business).

