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## Vanguard's (recordkeeping) passage to India

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By Editorial Staff    *Fri, Jul 24, 2020*

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*Infosys, the India-based IT giant, is taking over Vanguard's defined contribution recordkeeping business in a deal valued at \$1.5 billion.*

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Conceding that its information systems are outdated—based on obsolete mainframe computers and decades-old software—Vanguard, the Valley Forge, PA-based \$6.2 trillion financial services company, is transferring its retirement plan administration business to the Bengaluru, India-based tech giant, Infosys.

The Times of India reported the value of the recordkeeping business at \$1.5 billion, with the value possibly rising to \$2 billion over a 10-year period. Infosys beat Wipro Technologies for the contract, which was also pursued by Accenture and TCS, the news service said this week.

Infosys, founded in 1981 and listed on the New York Stock Exchange, has revenues of \$12.7 billion, 239,000 employees, almost 1,500 IT customers in 46 countries. Its CEO since early 2018 has been Salil Parekh, an aeronautical engineering graduate of the Indian Institute of Technology with masters degrees in mechanical engineering and computer science from Cornell University.

According to the Vanguard website, “Infosys currently serves half of the top 20 retirement service firms in the U.S., helping clients to manage risk, improve participant experience, and deliver better retirement plan outcomes through business transformation, technology services, and digital solutions.

“The firm offers end-to-end, enterprise-wide insurance and retirement business-process solutions across five core businesses: life insurance and annuity services, producer services, retirement services, employer sponsored services, and functional BPO services.”

“Industry consolidation in recordkeeping has been a long-term trend,” said Tim Rouse, president of SPARK, the recordkeepers’ trade association, in an interview with RIJ. “If you look back ten years, the number of companies that still do their own recordkeeping is much lower. For example, Wells Fargo sold its recordkeeping business to Principal last year. The driver ultimately is cost savings.”

Infosys stock has risen from about \$7 on March 13 to \$12.55 on Tuesday. There’s been little

or no mention of the potential for a culture clash or even financial clash between Vanguard, which operates like a cooperative and has never disclosed the precise financial relationship between its funds and its back-office operation, and a publicly held partner.

Comments by Vanguard Institutional Investor Group chief Martha King suggested that Vanguard would rather focus on its virtual advice capabilities and reduce the costs of recordkeeping, a low-margin business.

“Coupled with Vanguard’s increasing investment in advice capabilities and client experience, we will set a new bar for personalization, ease, and efficiency for sponsors and participants alike,” King said in a release.

Of Vanguard’s \$6.2 billion of assets under management (AUM), \$1.3 trillion is in its defined contribution business. It is the largest manager of defined contribution assets in the world, and a leading issuer of target-date funds and exchange-traded funds.

Over the past decade, as investors have flocked to low-cost index funds, a Vanguard specialty, the firm’s AUM has grown dramatically—with asset flows in some years surpassing the flows of the next nine largest asset managers in the U.S., according to Morningstar.

Approximately 1,300 Vanguard roles currently supporting the full-service recordkeeping client administration, operations, and technology functions will transition to Infosys. All Vanguard employees currently performing these roles will be offered comparable positions at Infosys in close proximity to Vanguard’s offices in Malvern, PA, Charlotte, NC, and Scottsdale, AZ.

Infosys will start this project with 300-400 employees in India and eventually increase to 3,000-4000 employees; Infosys has a plan to set up the facility in Electronics City in Bengaluru to service this deal.

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