

Mantissa Group News

The CIO Agenda

.....From the Desk

As we approach the end of 2020, it has become obvious that this is like no other year in recent memory. We are living in a year of unpredictable political times, a substantial health crisis, changing economic conditions, and perpetually low interest rates. As of this writing, the **U.S. 30 Year Treasury** is 1.7470% whereas in July 1987 the 30 year was at 9.802%. For companies who rely on long term stable returns from the US 30-year treasury, this creates an unavoidable stress. Therefore, many companies are looking for expense reductions or new product designs to bolster their economic health.

The good news, however, is that the Chief Information Officer (CIO) role has proven to become even more strategic for companies. Companies are completely rethinking their business models, focused on leading edge technologies and digital strategies. CEO's have learned that effective technology leaders can provide a significant value for companies looking to advance business models and transitioning to more advanced game changing technologies.

We, at Mantissa believe we are uniquely qualified to support the CIO. As you will learn in this edition of our newsletter, we have signed strategic partnerships, hired highly sought-after executive talent, and continued our writing priorities.

This edition of **Mantissa Group News** will discuss our views of what is to come as we transition to 2021. We will also showcase Peter Krockta in our **Mantissa**

Spotlight segment. Peter ("PK") is a seasoned executive who we have recently featured in our *CIO Leadership Series*. PK is an industry veteran with a compelling personal story, currently running Infrastructure and Operations at a leading fortune 100 company.

Company News

Mantissa has had a busy third quarter with the signing of two partnerships. First, we signed a strategic partnership with **Penn River** as we solve for an unmet need in the marketplace. Our offering is what we call Digitizing Product Development, providing the solution **ProductHub** from Penn River that promises to make the product development process more efficient and provide as much as a 30% reduction in time to market and a 25% reduction in carrier product development costs.

Secondly, Mantissa has signed an agreement with **Virtusa**, a global leader in digital engineering and transformational IT services. With a joint offering, we are now able to provide world class strategy consulting with substantial delivery capabilities powered by the joint Mantissa and Virtusa team.

Mantissa is officially celebrating our **1st anniversary** since the founding of our company. It has been a great first year, despite the COVID challenges, but we are poised for success!



Thank you all for your commitment to Mantissa, and for our current clients, we thank you for your trust.

We hope you enjoy this edition of our newsletter.

From the Perch

Mantissa reported last quarter the growth of our team with the addition of two Strategic Advisors and delivery experts, **Mike DelSecolo** who is also our CTO, and former CIO **Kevin Kelly**. Comments are *in his own words*, CEO and Founder Don Desiderato reflects.

“ As I celebrate our one-year anniversary of the founding of Mantissa, we effectively laid the foundation. We built our research library, hired talented executives, and built a successful track record with our clients. Of course, we are humbled by our early success, but equally cognizant of the CIO’s who we have yet to serve.

At Mantissa we are always focused on adding value. CIO’s and technology leaders rely on us for strategic technical guidance, executive coaching, and our research library. We find that these focus areas keep us grounded, and we are reminded that this company focus transcends all industries.

I am extremely proud to have founded Mantissa and look forward to guiding the company to big things!

Our Reading List

Some recommendations for your 2020 reading list:

1. **Leadership: in Turbulent Times**
- Doris Kearns Goodwin
2. **A Ride of a Lifetime** | Lessons learned from 15 years as CEO of the Walt Disney Company
- Robert Iger

The Future of Living Benefits



Not long ago we posted a newsletter, “**Annuities: Guarantees and Low Interest Rates**”, where we discussed whether we are seeing an end of life for annuity guarantees. We noted that we believed that product design changes will have a significant impact on the life insurance agent, and now we are beginning to see examples of this coming to fruition.

Take a recent article from **ThinkAdvisor**. The article (titled: “Prudential to End Sales of Variable Annuities with Guaranteed Living Benefits”) discusses how Prudential Financial is planning to discontinue all sales of variable annuities with guaranteed living benefits. They are going this route to limit their exposure to turbulent market conditions and low interest rates. They will instead be focusing on revenue sources that are not so rate sensitive.

This highlights the impact that low interest rates inevitably have on annuities. As a rule, annuity rates tend to move with bond interest rates. Simply put, insurance companies will pool together premiums paid to purchase annuities and typically invest a large portion of his money conservatively in bonds. The problem here is

that that bond rates have dropped significantly over the last 10+ years.

To illustrate this in real terms we reviewed marketing material from [ImmediateAnnuities.com](https://www.immediateannuities.com) which showed the correlation of payouts for 70-year-old males and females for a single premium annuity (with a 100k premium) compared to Moody's AAA Corporate Bond Yield. At its high in 2009, males and females age 70 were receiving a monthly income of almost \$750 and just over \$700, respectively. Today these same cohorts would receive around \$550 for males and \$525 for females, which is a decrease of around 25% for each.

Outlook: Companies Return to Work Plans



The COVID-19 pandemic has hit us in many ways that, if being honest, nobody could have accurately predicted. The evolution of the journey – including the creation of vaccines with a 90+% efficacy in less than one year has been an unprecedented journey. Mantissa has spoken to numerous executives as part of our **Mantissa Group CIO Interview Series** and have found substantial similarities in response to the situation, and probably more

importantly, attitudes about what happens after returning to a normal environment.

As for the response, our executives continue to tell us that it is vitally important for companies to pay close attention to guidelines issued by federal agencies such as the U.S. Centers for Disease Control and Prevention (CDC), and the Occupational Safety and Health Administration (OSHA). These organizations continue to articulate basic prevention measures, including education for employers and employees on safety measures. In our survey, we have found that **62% of those interviewed do not expect a return to the office until the April-June 2021** timeframe, which is a change from what was expected earlier this year.

As for return to work, executives tell us that basic attitudes have been changed forever. Employees are feeling more confident that they can successfully contribute by working remotely. Home offices have become more sophisticated and “work routines” have been designed to nicely coordinate with “home routines”. Employees report improved productivity, ratified by opinions from managers.

Executives that we have spoken with are nearly unanimous in their belief that basic leadership training will be impacted. The notion of managing a remote workforce is a vastly different proposition requiring difference leadership skillsets.

Most companies’ return to work plan, even with a phased approach, will not begin until mid-2021. **Most of our respondents, at 68%**, agree that allowing for permanent work from home arrangements is not only expected, but preferred given the flexibility and cost advantage it can provide.

Outlook: Impact of the 2020 Elections

With 2020 ending and the election now (mostly) in our rear view, many investors are considering what the election outcomes mean for their portfolio in 2021 and beyond. There is a fair deal of certainty that we will have a President Joe Biden for at least the next four years, and the next two will likely be a period of divided government, with Republicans likely to retain the majority of the Senate, and the Democrats retaining a majority of the House of Representatives. For the sake of this article we will operate under the assumption of a divided government for at least the next 2 years. Many continue to wonder what that means for their retirement accounts, investment accounts, etc.

According to published economists, many experts believe that a divided government will be positive for both the stock market and the economy. For example, **Business Insider** cited a quote from Wharton Professor of Finance Jeremy Siegel to CNBC stating, "I think Biden is going to win this and I think very definitely the Senate is going to stay Republican and truthfully that combination is excellent for the economy and it's excellent for the markets," ([Article Link](#)). The reasoning behind this widely held opinion is that there is a likely chance there will be more stimulus, granted it will likely be a lesser amount than would have been passed under Democratic Senate control.

Additionally, it is a commonly held belief that gridlock itself will be beneficial to the market, so much so that some experts consider the term "stability" to be a synonym for gridlock in this context. A divided government means a more predictable market, and therefore stable longer-term planning. When there is one party control, this can lead to uncertainty in certain industries, depending on the party in control.

Overall, what a divided government means for Americans is that market friendly policies like lower individual and corporate tax rates are likely here to stay, and the potential for additional stimulus is likely to pass in some capacity. It is of course always important to rely on the advice of a financial professional when determining if any portfolio adjustments are warranted, but if you are somebody with a long term investment horizon, staying the course is likely the prudent move to make at this time.

MANTISSA SPOTLIGHT: PETER J KROCKTA

Our interview with PETER KROCKTA ("PK"), Industry Executive

Our company philosophy at Mantissa is that *success lies at the intersection of strategy, leadership, and research*. Peter Krockta is an insurance executive who embodies these traits, with a strong aptitude around strategy and leadership, and, hence, we have featured his story for our readers.

Peter Krockta ("PK") is Head of Enterprise Computing Services at New York Life Insurance. He manages Infrastructure and Operations, including help desk, data center, network, cloud, telephony, service desk, compute, and service management.

We conducted this interview as part of the **Mantissa Group CIO Series** featuring prominent technology executives. We find PK's story to be powerful and wanted to share his story with our CIO audience and leaders.

Mantissa: Can you tell us about your background?

Krockta: I grew up in a working-class household in southeastern Massachusetts with a family who had a strong work ethic. My first job as a teenager was at

Burger King where I rode to work on my bicycle every day to earn money and gain early lessons on responsibility, working with people, and customer orientation (which served me well later in life).

I attended college at Bridgewater State University and earned a Bachelor of Science degree in Business Management. My career started as an office manager in the mental health industry where I gained a true appreciation for those less fortunate. It was also a time where I started to develop an affinity for technology and was first exposed to “the network”, albeit Banyan Vines. From there, my career path was charted.

After obtaining my **Certified Novell Engineer (CNE)** certification from Boston University, I joined a company as system integrator for small community banks. Then, I went on to a role at BJ’s Wholesale Club – as network engineer and realized then my desire to manage people and coach rising leaders. Having decision authority was important to me, so I transitioned from a “*techie*” network infrastructure engineer (hired for switches, routers) to first line manager. Subsequently, I moved on to roles of increasing responsibility at First Marblehead (private student loan processing company), New York Life Retirement Plan Services, John Hancock, and now with New York Life. It has been a fun ride but a lot more to do!

Mantissa: What do you think some of the longer-term effects of the current pandemic might be for organizations like yours?

Krockta: I see the COVID response as a catalyst for culture change. It allowed us to taste what can be done with a singular focus and unified mission. Our reaction, and that of many companies, illustrated how much *can* get done when a company comes together – we pivoted from 98% in the office to 96% work from home. Our

reaction, dropping everything for 3 weeks to make a seismic shift in our work environment, and doing so with precision, was remarkable and took a total team effort. In a non-pandemic time, this may have taken a year!

Longer term, it will be quite interesting to see where the pendulum will rest when it returns to a new norm. We understand that we are an “in the office” culture, but the pre-COVID and post-COVID realities will be different in terms of acceptance of virtual work. It is inevitable.

I hope some of the good elements are long lasting – when we were in the thick of it, we made decisions *quickly* with good analysis and instinct, but did not labor over the decision. Our decision-making skills were really on display. I believe this will continue not only for us, but for most companies.

Mantissa: Have your priorities changed in the wake of the Pandemic?

Krockta: The strength of the company and the conservative approach we take when planning for scenarios just like COVID have positioned us well to weather this storm. As a result, COVID was a speedbump; our mission and priorities have not changed. In my role, I remain laser focused on operational stability & efficiency (table stakes), empowering our Agent workforce, and platform modernization.

Mantissa: What are the most important digital or technological capabilities that you see on the horizon?

Krockta: I see this as more about *categories* of technologies rather than specific technologies, per se. Categories being operational efficiency, data, and digital omnipresence.



With that backdrop, this allows me to focus on where to drive change: machine learning, process automation, technologies to empower our Agent workforce to connect with policyholders and prospects in new ways, employee collaboration tools, digital technologies, data mining & analytics to gain insights, wearables, and more.

Mounting technology debt also concerns me. Economic headwinds make it more difficult to commit necessary funding to remediate the legacy elements of the compute landscape. We need to do a better job quantifying the risk of carrying that technical debt and compiling stronger business cases for investing in its remediation (improved IT agility, faster time to market, quicker value realization).

Mantissa: What Advice do you have for those aspiring to technology leadership roles?

Krockta: Be your authentic self, celebrate differences and engage with your team. Encourage diversity and inclusion and foster an environment where diversity is truly embraced. Watch the signals you are giving as a leader (e.g. when brainstorming, I do not offer my opinion first).

I also encourage rising leaders to foster a culture of feedback, a culture where your people *want* to be better for the overall benefit of the team.

In general, what got you here will not get you there. Technical acumen, subject matter expertise, supervisory skills... these are table stakes. Getting to that next level requires a mindset shift to focus on *soft skills*: EQ, strong communications, ability to influence, mental agility, positivity in the face of adversity. These are the skills that will differentiate you as a candidate for the next level.

My view, “The further away you are from the keyboard, the less you need to know about configuring a router”.

We at Mantissa love the humor 😊

The Business Value of our Partnerships



The company objective that we have highly focused on in the early days of Mantissa, is our approach to partnerships. While many companies enter partnerships for

various reasons, we have concentrated on two areas: 1. developing scale and 2. solving for an unmet need.

As for scale, when strategies are created for our CIO clients, we are often asked for assistance in delivering on those strategies. With a strong engineering company behind us, we are now able to deliver on those strategies across the entire technology stack, across many industries. Whether you are an insurance company, manufacturing, pharmaceutical, or any other industry, we stand ready to support our CIO clients. We differ from those who walk away after the strategy is complete, as we find that approach ineffective if the goal is to truly support technology organizations.

Finally, our partnership with Penn River is designed to solve for an unmet need – digitizing the Life and Annuity Product Development process. Not only does a solution NOT exist in the marketplace today, but it is also not even **mentioned** as a problem area needing to be solved. So, our fit for purpose process improvement strategy coupled with a leading-edge software platform,

ProductHub, allows us to address this area of the life insurance and annuities ecosystem.

Our Upcoming Priorities

As we approach the year end 2020, we will conclude the work on our yearlong project. Mantissa Group has developed a proprietary process around *Life Insurance Core Modernization*.

We will not be following the typical playbook of others who solely focus on vendor selection. We are making the case that there are 6 critical questions that need to be addressed *before even exploring vendors* in the marketplace. Our process and approach are more substantive and have already proven to be successful as a playbook for modernization.

Interested in learning more? Email us at info@mantissagroup.com and we are happy to discuss this with you.

In the News

Several interesting industry developments have emerged in the third and fourth quarters of the year and we have picked some that we believe have real relevance and are indicative of larger trends.

Prudential to End Sales of Variable Annuities with Guaranteed Living Benefits

Prudential Financial will discontinue sales of variable annuities with guaranteed living benefits, according to statements made by company executives during its third quarter earnings call.

See Article: [Prudential Ends VS Sales with Living Benefits](#)

According to the article, this move aims to reduce the firm's exposure to changes in market conditions and interest rates; instead, it will focus on other sources of revenue that are less rate sensitive. We see this as a leading trend in the life insurance and annuities industry.

AIG plans to spin off life and retirement unit from the rest of the company, and named President Peter Zaffino as chief executive officer, effective next year.

See Article: [AIG Spins off Life and Retirement Unit](#)

Analysts have seen logic in a separation. While the general insurance business is prone to swings from hurricanes, wildfires and other catastrophic events, the life and retirement unit's large investment portfolio makes it extremely sensitive to interest rates - and current low rates have dragged on earnings.

We believe that these two announcements are indicative of a trend, specifically the impact of low interest rates on the Life Insurance and Annuities business. Mantissa has commented on this extensively in numerous reports and blogs.

Concluding Thoughts

Mantissa Group defines itself as the support system for CIO's and their leadership teams, regardless of industry. Our newsletters will continue to showcase companies and executives who lead them, as well as discussing emerging technical and technology matters.

We wish you and your families good health and a wonderful holiday season.



Don Desiderato is a former Fortune 100 CIO executive and founder of Mantissa Group LLC, a strategy consulting firm serving the CIO executive and their extended leadership teams. He is a deeply experienced senior technology executive helping leaders with their **technology strategic plans**, as well as simultaneously focusing on **leadership development and culture**.

Mantissa Group provides strategic business and technology consulting services. We support the Chief Information Officer (CIO) executive with a broad range of knowledge across industries. The mission of Mantissa is to serve business and technology executives and leadership teams. Mantissa's highly integrated services leverage targeted research, strategic consulting, and executive and leadership coaching.

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