

February 26, 2006

Fund's growth equates to jobs locally

Reported by Tom Shean – The Virginian-Pilot

A stockbroker had called about a possible discrepancy in a customer's mutual-fund account. The matter was referred to Diane Greer, who brought up a history of the account on one of her computer screens.

"It turned out that the account was set up correctly and that we hadn't done anything wrong," said Greer, a fund representative at American Funds Service Co.'s Norfolk service center. "I called the broker back and explained the requirements for making any changes to the account."

For Greer, the problem was straightforward and took an hour to resolve. On occasion, the veteran of almost six years at American Funds spends a day or more investigating possible glitches in shareholders' accounts.

Greer and 560 other American Funds employees work in an unmarked building that offers no clue as to the pace of activity inside. During a typical day, a group of 250 employees takes 4,000 to 5,000 phone calls from brokers, financial advisers and account holders. Because of the rising number of shareholder accounts and growth in American Funds' assets, the service center's workload has been growing at 10 percent annually, said Diane Sawyer, general manager of the Norfolk center.

The effects may not be readily visible to those passing by the low-slung building on Robin Hood Road, but they are showing up in Chesapeake. The company is spending more than \$13 million to open a satellite service center in the city's Greenbrier section. The new facility, scheduled to open in June, eventually will have a work force of 250.

American Funds' arrival in Chesapeake is part of a broader expansion of the company's back-room operations. In September, the Los Angeles-based company opened a service center in Scottsdale, Ariz., near an existing center in Phoenix. It also is building a campus with a large service center in Irvine, Calif., to replace an existing service center in Brea, Calif.

When the local expansion is completed, American Funds could have more than 800 employees in Hampton Roads. Like their counterparts in Norfolk, American Funds employees in Chesapeake will spend much of their time responding to inquiries from stockbrokers, advisers and account holders in a 17-state region stretching from Maine to Florida.

Growth in the number of accounts and in American Funds' assets, which totaled \$857 billion at year's end, have driven the development of additional facilities. Assets in the company's stock funds and bond funds jumped

22 percent last year to \$846.7 billion, surpassing the comparable totals for rivals Fidelity Investments and Vanguard Group.

When the assets of money-market funds are included in the totals for assets under management, American Funds ranked No. 3 behind Fidelity and Vanguard, according to the Investment Company Institute, a mutual-fund trade association.

Unlike Vanguard, Fidelity and other fund companies that sell directly to individual investors, American Funds markets its accounts through stockbrokers and financial advisers. Brokers and advisers, in turn, receive a commission on sales of shares in the company's funds.

Among the American Funds employees in Norfolk are 310 dealing with an array of tasks other than answering inquiries about accounts. Neal F. Wellons, a fund controller, and his team track expenses, flows of funds and other factors affecting the prices of specific mutual funds in the American Funds family of funds. When the stock market closes at 4 p.m., they calculate the price changes and send out the data.

"We try to get everything out by 5:30," said Wellons, who worked as a certified public accountant and a company controller before joining American Funds.

Forty employees in the Norfolk service center calculate the prices for about half of the company's funds, including its giant Growth Fund of America. The others are priced at an American Funds service center in California.

Other employees in Norfolk market American Funds' services to brokers and financial advisers. Several who are knowledgeable about the intricacies of the Employee Retirement Income Security Act work with companies that make 401(k) plans available to their employees. In addition, a small group of employees works with mutual funds that an American Funds' affiliate has created for Canadian and European investors.

In contrast to some service centers that handle large volumes of phone calls, the American Funds center has no boards lit up with the number of calls waiting to be answered. There are no supervisors in the aisles spurring employees to step up the pace of their work. That's because the company has concentrated on meeting its callers' needs, said Sawyer, an American Funds Service Co. senior vice president. She said the company's message to employees is, "Don't worry about the next call. Let us worry about that."

"We tell our associates, 'Handle every transaction as if it involves your best friend or your parents. Take a few extra seconds to make sure everything is right,'"

Seventy-five percent of the calls come from brokers, financial advisers and their assistants. The remainder came from account holders. When responding to inquiries from individual account holders, American Funds employees often refer callers to their broker or adviser because employees cannot offer investment advice, Sawyer said.

The 13-year-old Norfolk center also handles a torrent of documents and correspondence that arrives by mail. About a third of American Funds' mail comes to the Norfolk center; its region includes the offices of a large number of brokerage firms.

Most of the mail is scanned and put into a computer, which allows employees to call up documents quickly. Having investors' accounts in the computer also enables the company to shift work to other American Funds service centers when necessary. That was the case in September 2003 when Hurricane Isabel moved through southeastern Virginia and forced the Norfolk center to close. Service to account holders was largely unaffected, Sawyer said, because American Funds centers elsewhere in the country picked up the phone inquiries destined for Norfolk, and mail that would have been processed in Norfolk was shipped to the company's Indianapolis service center.

John Murphy, a Chesapeake stockbroker with the firm Edward Jones, said he has used American Funds for customers' investments because of the company's emphasis on long-term returns and its quick response to account changes and questions.

“When I or my assistant call, we usually have the issue solved before we hang up,” Murphy said. On occasion, employees at American Funds’ California service center have taken over a problem from the Norfolk center and resolved it by that evening, he said.

The level of customer service isn’t the foremost consideration among investors when choosing a mutual fund, but poor service will hamper the growth of a fund company, said Geoff Bobroff, an East Greenwich, R.I., consultant to mutual funds.

“People on phones tend to burn out after 18 to 24 months, but American Funds has found a way to keep its staff motivated,” he said. American Funds’ service centers, Bobroff said, have a rate of employee turnover that ranks among the lowest in the industry.

However, the company’s practice of maintaining a low public profile becomes a hurdle when its service centers are recruiting, said Sawyer, who worked at Bank of America’s Sovran Bank predecessor before joining American Funds.

Sawyer said she took a supervisory job at the Norfolk service center 12 years ago on the recommendations of friends who already had joined American Funds. She said she stayed because the mutual-fund company provided advancement opportunities and a more collegial environment than banking did.

One reason American Funds chose a Chesapeake location for a new service center, Sawyer said, was that Liberty Property Trust had begun work on a building that would meet the company’s needs. Another reason was the location’s proximity to a pool of potential workers who could commute from Suffolk and the Peninsula via Interstate 64.

In January, American Funds opened a temporary office in Chesapeake and began training new employees for the new service center. As part of its effort to instill the company’s culture among trainees, American Funds shifted 20 employees from Norfolk to Chesapeake. Today, it has 57 employees working in Chesapeake.

As part of its search for employees, the company conducts at least three interviews with each candidate, checks all references and takes candidates’ fingerprints. The company, which puts new employees through 16 weeks of training, is seeking individuals with teamwork and communications skills, not financial backgrounds, Sawyer said.

“We can teach them about mutual funds,” she said.