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Consultant Survey: Alternative Strategies for Large Retirement Providers

**Outsourcing enables service providers to focus on service differentiators, core
business and cost management**

Quincy, Mass., February 15, 2011—Retirement industry consultants who advise plan sponsors on large-plan service provider selection do not regard the use of proprietary recordkeeping technology as an important consideration. Instead, consultants advise plan sponsors to select service providers that differentiate on value-add services focused on participant and plan sponsor user experiences.

This is a key finding of a survey commissioned in 2010 by DST Retirement Solutions and conducted by Oculus Partners, LLC, a strategic advisory firm serving the retirement industry.

“This research suggests that large-plan service providers can maximize their value proposition to plan sponsors by leveraging the technology investment and service expertise of a trusted outsourcer while focusing on the areas of their business that set them apart—their core business competencies and service differentiators,” said Jude Metcalfe, president, DST Retirement Solutions.

When asked, “How important is it for providers to utilize proprietary technology?,” seventy-eight percent of consultants surveyed said it was not an important criterion for plan sponsors in the selection process. According to the survey, the top reasons why providers were selected in recent searches were pricing, cultural fit, brand strength and the commitment of the organization, as well as experience with large plans.

The authors of the survey advise that outsourcing core recordkeeping technology is appropriate if the technology is controlled by the service provider. Outsourced services and functions, including participant statement output, participant communication kits and newsletters, and

trustee services, are also appropriate when the provider demonstrates control over the subcontractors or outsourcer.

“In our experience, outsourcing works when the service provider is in control and has the flexibility to customize the level of outsourcing that is appropriate for their business model and cost management goals,” said Metcalfe.

DST Retirement Solutions’ research included surveys of 24 consultants representing 19 leading financial services consulting firms. Consultants interviewed had experience conducting provider searches in the defined contribution marketplace for plans with more than \$100 million in assets. To request a summary of the research and its findings, please contact Gary Lineberry at DST Retirement Solutions at 617-483-8149 or gelineberry@dstrs.com.

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