Modernization in the Retirement Plan Industry and the Journey to the Cloud

Everest Group Perspectives for Retirement Plan Providers in the US

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Introduction

The retirement plan industry in the US is evolving rapidly, with factors such as demographic shifts, alternative employment options, participants' changing financial needs, and regulatory changes impacting plan providers' business priorities. Plan providers face unique challenges as they try to meet sponsors' and participants' growing expectations, while also coping with changing regulatory requirements, an ongoing need to reduce costs, and fee compression in a low interest-rate environment. Further adding pressure is the coronavirus pandemic and its cost implications, which have intensified the need to accelerate digital adoption and disruptive transformation.

Most providers have acknowledged changing demographics and customer expectations and are shifting their focus to a more holistic approach of managing financial wellness. As they do so, they need to explore ways to move away from a product-based differentiation toward providing differentiated and personalized experiences to sponsors and participants to retain them in the long term. However, they are hampered by legacy core systems, which were not built to enable a unified view of customer data or generate insights. Most run on home-grown, legacy, and mainframe-based core recordkeeping systems, and many that have grown their portfolios inorganically continue to run on multiple disparate systems, which is the root cause of their inability to scale up quickly by bringing in new products.

Retirement plan providers that see this as an opportunity to enhance their systems and adopt a cloud-first strategy to offer their stakeholders an end-to-end digital experience will be more competitive than their peers; those that not only provide a digital-first experience but also enable this quickly, will have an even greater advantage. While the need to modernize legacy systems is undeniable, different approaches to achieve that goal are emerging in the industry, and plan providers need to employ a modernization approach that best suits their strategic priorities, risk appetite, and targeted end state.

In this study, we explore the changing market drivers and approaches to modernization in the retirement plan industry by examining:

- Business challenges driving transformation in the current technology landscape
- Potential benefits of modernization and key measures of success
- Alternate modernization approaches
- Best practices for successful modernization, learnings from plan providers' experiences, and commentary from Oculus Partners – a strategic consulting firm focused on the retirement plan and wealth management industry

Current market landscape and the drivers for modernization

State of the retirement plan market and challenges

Continued cost pressure is impacting margins and service quality
Razor-thin margins have always been a major challenge in the industry, and the situation has only become more acute over the last few years with increased competition. The industry will continue to face a low interest environment for an extended period given the impact of the coronavirus pandemic, as well as increasing consolidation in an expanding market with a high degree of fee transparency, which is driving fee compression.

As plan providers seek to gain new customers by offering attractive price points, they are doing so at the cost-of-service quality. Fee compression has hindered their ability to meaningfully transform their technologies to future-proof their business model, and limited budget allocations are even more acute for the core recordkeeping function, which is seen as a cost center.

Shift in customer demographics and expectations
Customer demands are continually evolving – they expect features such as auto-enrollment and self-service capabilities through web and mobile channels, as well as proactive communication and investment advice based on their preferences. Most providers have responded to these demands by integrating stand-alone front-office solutions with their legacy core systems. While these solutions are easy to implement and integrate with legacy systems without requiring significant resources (budget, time, and skills), they offer limited functionality and benefits, such as the lack of data analytics capabilities and AI-led advice based on personal preferences. Also, most providers still struggle to obtain a unified view of their customers across systems to generate meaningful insights.

Consolidation and M&A activity leading to disparate systems
The retirement plan industry has long experienced consolidation and continues to do so through M&As. Many recordkeepers have grown inorganically by merging with other entities and have, therefore, inherited different underlying technology systems along the way. These providers often continue to operate on disparate parallel systems without any meaningful rationalization or integration effort.

Evolving regulatory landscape
The retirement plan industry is governed by regulatory mandates such as the Employee Retirement Income Security (ERISA) Act, the 2019 Setting Every Community Up for Retirement Enhancement (SECURE) Act and the Department of Labor’s (DOL’s) fiduciary rule that makes for a complex regulatory landscape and has made providers prone to a host of fines, lawsuits, and sanctions. The ERISA Act has undergone multiple amendments to provide enhanced protection of participant interests, in terms of benefits and plan coverage. The SECURE Act aims to close the retirement savings gap and will help increase volumes and participation population. Notably, even as the SECURE Act is relatively new, its second version – SECURE Act 2.0 – was announced in October 2020 to expand coverage and increase retirement savings. It calls for plan providers to offer

auto-enrollment and includes student loan repayments for purposes of matching contributions. The recent Coronavirus Aid, Relief, and Economic Security (CARES) Act provides special distribution options, loan provisions, favorable tax treatment, and rollover rules for plans to qualified individuals. Providers are responding by working with sponsors to qualify participants and are even waiving off participant or sponsor fees in administering the act's specific nuances.

Market size and growth potential

The retirement market potential continues to be large and attractive, with significant opportunity for advisors, wealth managers, asset managers, and insurers alike. The US Defined Contribution (DC) market accounts for nearly 30% of the broader US retirement market and continues to grow at a faster rate than the rest of the retirement plan industry. McKinsey estimates that total assets in DC accounts will grow 7-8% annually, to reach US$13.9 trillion by 2025. With rising participation in these plans, the good news for plan providers is that there is considerable scope and momentum for this market to grow, even as baby boomers retire. By aligning to millennials' expectations, providers have begun expanding their offering portfolios to include multiple investment options such as Health Savings Accounts (HSAs), equity plan support, and loan repayment plans integrated with existing DC plans under one financial wellness services umbrella. However, many providers are currently unable to offer HSA integration capabilities to enhance participants' retirement readiness, an area that will see an uptick. Some offer student loan repayment and other financial wellness options that help with participant debt, but these are currently under-utilized by sponsors.

Key retirement plan industry priorities and business objectives

In response to the market dynamics, plan providers have identified key priorities to gain a competitive edge. We explain these objectives and the current maturity levels in achieving each below.

- **Digitalization for superior experience:** Plan providers are adding digital channels and self-service functionalities such as automatic enrollment to ensure a better experience for participants, plan sponsors, and internal business stakeholders. Common features include plan configuration, eligibility, 360-degree payroll integration, and self-service for plan transfers/rollovers and withdrawals, beneficiary detail/address change, balance check, financial wellness education, and compliance reporting. A few plan providers have adopted a patch-fix approach toward modernization and channelized their (limited) technology investments for stand-alone front-office solutions. While this approach helps create a digital portal, it often proves to be myopic as it involves applying a superficial wrapper on a legacy backend system, which continues to be disparate and inefficient.
- **Personalized service with data and analytics:** Plan providers have acknowledged the increased need to personalize their communications as per customer preferences and develop outreach campaigns depending on the stage in the participant's life cycle. The ability to extend such targeted communication is incumbent on the providers' ability to extract insights. Recordkeeping systems need to enable real-time aggregation

of census data and participant interactions across channels and generate data insights for decision support. Most providers have realized the importance of participant communication as a key spend area – the average cost to manage customer communication across channels is 20% of the total per-participant cost incurred. Of late, data and analytics has garnered much interest for creating personalized experiences, though the industry continues to struggle to leverage AI for data extraction and insight generation for creating personalized experiences.

- **Scalability, faster time to market, and revenue growth:** To achieve their business growth ambitions, plan providers need their IT architecture and platforms to be scalable to support higher volumes and new revenue streams by offering wider financial wellness plans. Most legacy recordkeeping systems were designed only for DC plans and hence integrating additional products, offering new features continually, and replicating those across all channels – the current market imperative – becomes cumbersome due to limited automation and integration capabilities. An IT architecture that is open and allows for quick integration across systems and higher automated development with reusable patterns will help providers handle the traffic bursts and heavy workloads that accompany business growth and respond with faster and frequent releases.
- **Cloud adoption and reduced Total Cost of Ownership (TCO):** Cloud adoption is commonly seen as one of the most effective means to reduce TCO – plan providers can save up to 65% of infrastructure costs by moving to the cloud. Costs associated with owning mainframe infrastructure and hosting it on-premises are much higher compared to the alternative of cloud hosting, and those become prohibitive when we take into consideration the provisioning of high-quality disaster recovery systems for business-critical applications such as core recordkeeping and payroll. Limited talent availability due to an aging workforce and obsolescence of mainframe-based skills makes ongoing maintenance a challenging and expensive proposition. Mainframe estate scaling is also not considered cost competitive. For instance, accelerating the delivery time by shifting the testing process left on mainframe carries a high risk of interference with the production environment and necessitates capacity expansion, which has a disproportionate impact on TCO.

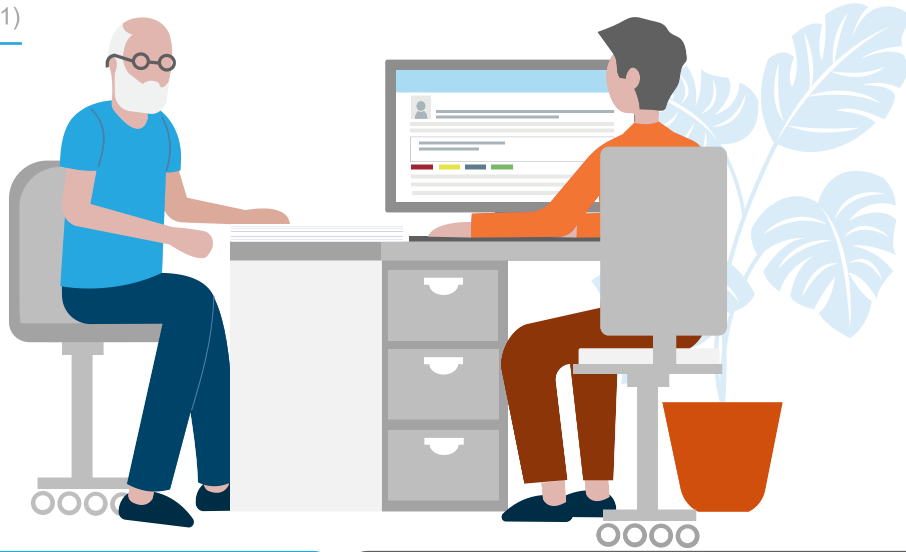
  Many plan providers with a low appetite for modernization choose to rehost their existing legacy systems on the cloud environment. Such providers have managed to reduce some of their technical debt, but there is opportunity for them to further optimize their applications and operations costs.
- **Operational efficiency:** The focus continues on efficiency improvement in core recordkeeping, which is seen as a cost center and a low-margin activity with inherent inefficiencies, especially in payroll. Paradoxically, investments to overhaul legacy core account for less than 25-35% of transformation budgets, while 65-75% are allocated to the surrounding layers of customer interaction, data analytics, and infrastructure.

Exhibit 1 describes plan providers' key business objectives and the challenges they face in achieving those goals.

EXHIBIT 1

Retirement plan industry key business objectives and priorities and the challenges it faces in achieving those goals

Source: Everest Group (2021)



Business objectives and priorities for recordkeepers	Challenges in achieving these objectives
Digital front end to deliver **superior experience** across stakeholder groups	Standalone front-end solutions implemented on legacy core, limiting the ability to realize full value
Personalized service as a differentiator to boost participant engagement	Inability to extract data to generate meaningful customer insights through analytics
Scalability across products to support new revenue streams and **faster time to market**	Legacy systems were built only for DC plans, inhibiting their ability to launch new products
Cloud adoption and reduced **Total Cost of Ownership (TCO)**	Lift-and-shift approach to cloud migration rather than a cloud-first strategy
Operational efficiency through redesign and leveraging automation	Lack of a common shared service platform for administration due to multiple disparate systems co-existing as a result of M&A-led inorganic growth

Recordkeeping technology landscape

The US DC market is largely characterized by legacy and mainframe-based recordkeeping systems that were built in-house – 80% of the recordkeepers in the US use home-grown systems and 77% are mainframe-based as per Everest Group research of the largest recordkeepers.

Over 90% of enterprises using legacy systems believe that their monolithic applications are a major impediment to achieving IT effectiveness and driving business outcomes. The key challenges that legacy systems pose include:

- The high cost of running and maintenance, further squeezing margins
- An acute talent crunch in the US to service mainframe-based recordkeeping systems – there is at least a 28% demand-supply gap for mainframe-based skills
- The difficulty of complying with new regulations and legislations, as regulations are hard coded in legacy systems
- The inability to provide a compelling online experience and generate data insights given legacy systems' limitations

Small and mid-market business challenges due to lack of scale

The cost per participant is often a key factor to assess the business case for system modernization, particularly for the largest plan providers, as their technology investments are spread over a wider participant pool. However, the challenges are more acute when we look at Small and Mid-market Business (SMB) providers, which lack economies of scale. Most of SMB recordkeepers work with fewer than 1 million participants. The combination of multiple disparate systems resulting from acquisitions further limits the SMB providers' ability to service participants on a single platform. This lack of scale in the SMB segment impacts profitability and has driven recordkeepers that are using home-grown platforms and are planning to launch new products to partner with external platform vendors and provide financial services support in the form of managed accounts.

Exhibit 2 offers mid-market statistics that reflect the SMB segment's lack of scale.

EXHIBIT 2

Statistics that reflect Small and Mid-market Business (SMB) challenges due to lack of scale

Source: Everest Group (2021)

~6 million
Total plans administered by SMB focused players

US$50-70
Average per-participant fees in the SMB market

30-50
Average SMB participants per plan

15-16 ('000s)
Average number of plans administered per recordkeeper

500-600 ('000s)
Average SMB participants managed per recordkeeper

Benefits of modernization and measures of success

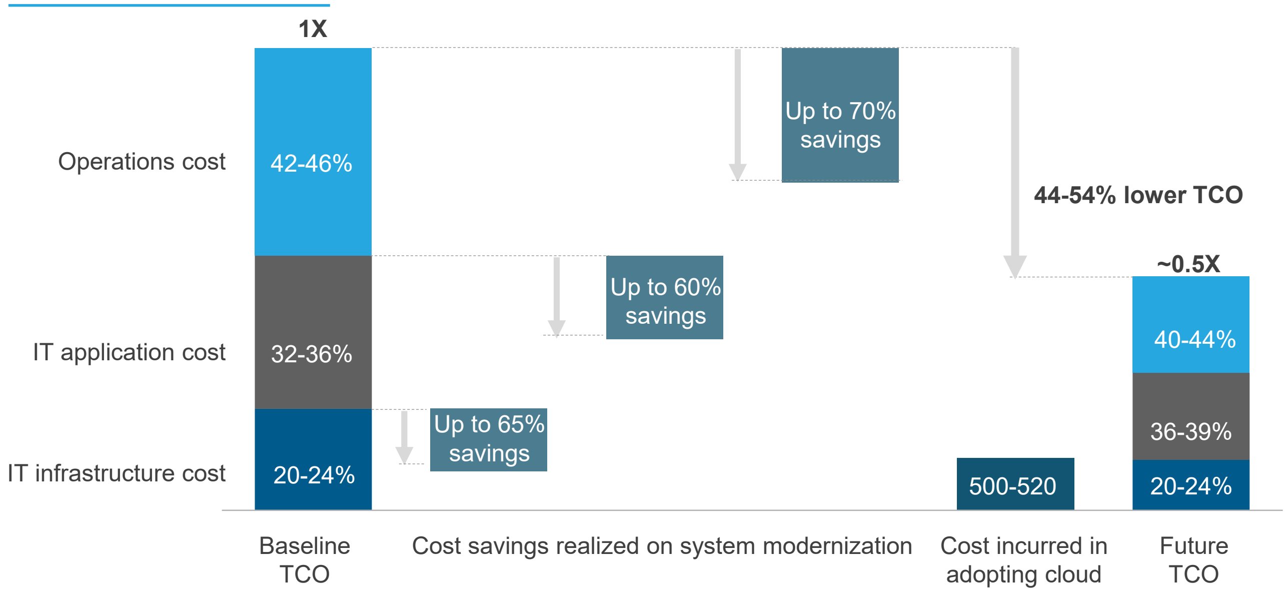
The amount of investment and complexity involved in modernization projects heightens the importance of effectively assessing the business case, RoI, and potential benefits of these projects. While the extent of benefits realized varies across recordkeepers based on maturity and segment, the benefits can be broadly categorized into five buckets:

- **Experience:** Superior participant experience delivered through digital channels, auto-enrollment, self-service functionalities to manage investment allocations, and investment advice- and communication-based personal preferences
- **Agility and time-to-market:** Faster delivery timelines and multiple releases of new products/functionalities at a higher frequency
- **Growth and scalability:** Systems that support faster portfolio expansion and new customer acquisition, enabling far more efficient revenue growth and minimizing service interruptions during the migration, thereby mitigating customer churn
- **Lower TCO:** Cost reduction across categories – infrastructure, development and maintenance, and operations; Exhibit 4 explains the business case for modernization, including its impact on infrastructure, applications, and operations

EXHIBIT 3

Modernization initiatives, benefits, and maturity continuum for plan providers

Source: Everest Group (2021)



Operations	Application	Infrastructure
Process redesign	Agility and faster migration	Lower capital expenditure
Self service	Scalability and less coding	Faster resolution
Automation to reduce errors and rework	Microservices and API-based architecture	Reduced effort on ongoing maintenance

- **Risk management:** A robust control framework for data protection and mitigation of security breaches

You need to measure these five benefits / business outcomes on an ongoing basis using appropriate metrics mapped to each. Exhibits 4 and 5 depict what a modernization maturity continuum looks like for retirement plan providers based on leading providers' market observations, investment priorities, and success stories in terms of their IT and operations maturity.

EXHIBIT 4

Key business outcomes and measures of highly successful modernizations

Source: Everest Group (2021)

Superior experience and customer satisfaction	Business growth	Agility and speed to market	Lower TCO	Enhanced risk management
Digital maturity	Scalability	Delivery timelines	Efficiency improvement	Data protection
Degree of self service	Portfolio expansion	Phased/periodic releases	Development effort	Security controls
Customer retention/stickiness and churn rates	Cross-sell index	Product enhancement and new product launches	Error rate, especially in payroll	

EXHIBIT 5

Modernization initiatives, benefits, and maturity continuum for plan providers

Source: Everest Group (2021)

Maturity of modernization initiatives across functional areas

Depth of capabilities

Stakeholder interactions

Unified digital front end for superior experience
(Participants, sponsors, administrators, and advisors)

1. Digital front-end: supporting multiple channels, such as emails, texts, web portals, and mobile apps

2. Auto enrollment, auto-escalation and eligibility

3. Self-service functionality:
- Plan transfers/rollovers and withdrawals
- Beneficiary detail changes
- Balance check, statements
- Financial wellness education
- Investment management tools
- Compliance reporting

4. Participant communication:
- Personalized communication
- Proactive alerts and notifications
- Digital campaigns
- Financial advisory

5. Additional desirable functionalities:
- Employee awareness
- Simplified online interface to support administration
- Integrated repayment
- 360-degree view of participant data management
- Web security

Business operations

Efficient plan administration and recordkeeping

1. Process re-engineering and automation:
- Efficient management of transaction volumes
- Automated workflow management and STP to reduce manual intervention and costs
- Error reduction in payroll
- Positive impact on cashflows through faster processing

2. Data extraction and insight generation:
- Real-time census data collection
- Monitoring of overall plan effectiveness
- Identification of customers' needs to provide tailored investment solutions

3. Cost-center to being growth-focused: Leverage insights to increase stickiness and cross-sell for additional revenue opportunities

Technology

Modern, efficient, and scalable application landscape

1. Cloud migration:
- Reduced infrastructure spend
- Improved performance and system uptime
- Leverage of tools and services for faster migration

2. Modern application architecture:
- Modular/composable applications
- Easier integration through API
- Consolidation of common recordkeeping functions across applications and products
- One-to-many model to reduce build/coding effort
- Reduced IT operations costs

3. Future-proof with Agile/DevOps:
- Better and quicker compliance with regulations
- Ability to meet evolving participant needs through quick releases

Different approaches to modernization

There are multiple approaches to modernization that enterprises can adopt based on their unique differentiators, challenges, and strategic priorities. There are two approaches that are most relevant to the retirement plan industry, each having specific advantages and accompanying risks:

- **Big-bang end-to-end platform implementation**
  The goal of this approach is to rip and replace legacy systems with a new end-to-end platform built from the ground up. Enterprises operating on legacy-built applications that have not been improved meaningfully, usually consider this approach, as they need to replace their entire system in one go.

The approach works best when engaging in a managed service or BPaaS model, where the vendor takes full ownership across all elements. However, it comes with risks and disadvantages – tends to be costly, time-consuming, disruptive to business, and highly dependent on a single vendor.

- **Modular and progressive modernization**
  In this approach, an enterprise identifies specific areas that require modernization, and then creates a roadmap to modernize systems in a progressive manner as per priority. The key elements that make this approach successful are the adoption of a composable and microservices-based architecture with advanced integration technologies and a cloud-native mindset.

  This approach gives plan providers greater control over their modernization journeys and demonstrate value to stakeholders early on by targeting the quick wins first as it enables providers to introduce new products within months of kicking-off their modernization journeys and for participants and sponsors. This approach also helps achieve a light, interconnected, nimble, and scalable technology landscape, which is exactly what recordkeepers need to future-proof themselves. Relatively lower investments due to more efficient delivery, shorter timelines based on resource prioritization on selective technology elements, and lower risks through containerization are other advantages of this approach. On the flipside, this approach necessitates a strong partnership between business and IT to maximize the benefits and outcomes.

Exhibit 6 describes the risks and benefits of the two modernization approaches.

EXHIBIT 6

Risks and benefits of two alternative modernization approaches

Source: Everest Group (2021)

Approach	Big-bang implementation	Modular and progressive modernization
Description	• Replacing the core and the value-add overlays at one go with an end-to-end platform • Higher risk due to data migration challenges and low control over the modernization journey • Involves high investment, and vendor lock-across technology infrastructure, product, development, and operations	• Implementing a configurable cloud-native administration platform, in phases • Greater control and flexibility to prioritize specific releases within months with lower risks of migration • Allows centralized administration using the same vendor platform to support additional products and regulatory needs
Timeline	4-7 years	2-7 years
Cost	High	Moderate
Dependence on external provider	High	High
Alternatives	Choose a service provider to modernize and operate the recordkeeping system to convert the up-front cost of modernization to an as-a-service model	SaaS model from a white-labeled product vendor

Elements of a successful modernization journey

Best practices and recommendations for plan providers

1. **One size does not fit all – evaluate and prioritize investments**
   As a plan provider, you need to identify your unique requirements guided by your as-is technology landscape, level of maturity, and business goals. It is important to identify your biggest pain points and prioritize areas – whether it is participation communication, payroll, trading and custody, data management, reporting, or any other – depending on how far along you are in your transformation journey and considering your investment and risk appetite.

   You also need to evaluate your organizational readiness, training requirements, and implement collaboration tools and enabling frameworks that support agile (even distributed agile) ways of working at the beginning of your modernization journey.

2. **Be future-ready and do more, with less**
   Plan providers need to go beyond solving current pain points, such as the lack of digital maturity, disparate systems, and the lack of data insights, and create a future-proof applications portfolio that can continually support evolving business needs without making any changes to the code or reinventing the wheel every few years. You need to build systems that are truly scalable and that can function in a product-agnostic way. This one-to-many approach ensures that you can establish a shared service model with a single core for administration that can support multiple products/applications that may be added in future without requiring any net new effort or compromising on efficiency.

3. **Take a phased approach toward modernization, with milestones for each phase**
   Modernization journeys can no longer be treated as marathons, where enterprises can go for two to four years without demonstrating any benefits to stakeholders. You should prioritize specific modules or components of the system and modernize those first with a series of sprints for each module. This will enable you to demonstrate value throughout the modernization journey, instead of only at the end of the multi-year project. For example, you may start with participant experience and a reimagined front end, followed by additional functionalities for sponsors, and finally automation at scale to support internal business goals. It is critical to define interim milestones for the end-to-end modernization journey, plan frequent releases, and measure progress against tangible metrics every few months.

4. **Measure success against SMART goals**
   You cannot track what you cannot measure. At the beginning of the modernization journey, you need to define your specific objectives and goals across IT and business, and measure performance against these metrics (SMART goals) on an ongoing basis.

5. **Institute a cross-functional change management office for end-to-end execution**
   Modernization is an ongoing process that requires a change management office that drives project execution as a continuous improvement agenda throughout the organization, rather than a static project with an established start and end. This needs representation from IT and business, and it needs to own the project from ideation through maturity assessment, vendor evaluation, roadmap finalization, execution and delivery, and steady-state governance.

EXHIBIT 7

Cross-functional collaboration to define goals and realize higher value through modernization

Source: Everest Group (2021)

Technology imperatives

- Future-proof, cloud native applications that support scalability
- System redesign using modern development methods – microservices based architecture, DevOps, APIs
- Faster time to market for new plans/products
- Ensure data security
- Reduce technology debt

Marketing and sales efficacy

- Superior stakeholder experience
- Increased stickiness and retention
- Larger share of market through cross-sell and new acquisitions
- Singular view of participants across modules
- Insights on participant preferences to support personalized interactions

Operations management

- Process redesign
- Reduction or errors and re-work
- Leverage of data for faster processing and automated advice
- Efficiency and productivity improvements
- Lower operations costs

Pitfalls to avoid while modernizing

- **Lack of collaboration between IT and business stakeholders**
  Collaboration across stakeholders – business (sales and operations) and technology – from the planning phase helps obtain a 360-degree view of objectives, prioritize the biggest challenges, and define the best-fit transformation roadmap. This partnership equips recordkeepers with smarter redesigned business processes and avoid course-corrections midway through the transformation journey that causes delays in delivery.
- **Building when you can partner**
  Technology transformation projects are large and complex, requiring significant resources over many years. Delays in delivery timelines and other key project milestones are common in a market where speed is the most critical element to staying competitive. The modernization timeline is further extended if enterprises attempt to build solutions that already exist in the ecosystem. You should make every effort to avoid duplication by building something from scratch and instead partner with ecosystem players, particularly for an organization that does not have adequate scale to justify building products in-house. You could explore alternatives ranging from engaging with a single partner in a managed service construct or choosing multiple specialists with market-ready solutions that are best suited to your business goals. Engaging with cloud-native SaaS providers ensures that you are not locked in with any underlying infrastructure and can adapt to future changes.
- **Adopting a “lift-and-shift” to the cloud approach rather than a cloud-first strategy**
  Many enterprises that invest significantly in an IT overhaul do not realize the full potential of their investments, because they fail to make necessary modifications to their systems (code, features, or functions) and processes. Cloud migration as a mere lift-and-shift of applications to a new infrastructure may reduce technical debt but will not fix the operational inefficiencies.

Thus, you must adopt a cloud-first mindset when modernizing to realize greater value. The advantages of such an approach are:

- Reduced development effort, with reusable components for development and higher degree of automated testing
- Interconnected systems through open programable APIs, enabling quick releases
- Real-time visibility and measurability across pipelines and environments
- Better synchronization and release orchestration across dynamic environments (public, private, hybrid)
- Automated monitoring and infrastructure provisioning
- Greater flexibility and configurability as per changing operating environment

Exhibit 8 showcases the differences between cloud adoption for cost reduction and cloud adoption for experience, growth, and end-to-end efficiency.

EXHIBIT 8

Cloud adoption for cost reduction vs cloud adoption for experience, growth, and end-to-end efficiency

Source: Everest Group (2021)

	Cloud for cost reduction	Cloud-first strategy for growth
Key objectives	• Lower TCO • Higher resolution speed • Operations resilience	• Superior experience for participants/sponsors/business • Faster time-to-market • Scalability • Flexible and future-proof architecture
Benefits	• Reduced run spend on infrastructure • Lower CapEx with SaaS/IaaS model • Lower TCO • Fewer tickets and ongoing maintenance • Lower processing time	• Volume growth • Product development agility • Faster product and functionalities releases • Enhanced stakeholder experience • Ability to generate customer insights • Increased revenue through portfolio expansion and cross-sell • Fewer errors and greater efficiency
Functional areas	IT infrastructure	IT infrastructure + Applications + Business operations

> A common mistake that retirement plan providers make is moving to the cloud with a singular focus on reducing technical debt. They move their as-is systems to a new infrastructure without any redesign; hence they **fail to realize the full value of cloud, which goes far beyond reducing infrastructure run costs.**
>
> – Cynthia Hayes, President, Oculus Partners

Conclusion

As the US market experiences a shift in participant demographics, retirement plan providers are increasingly providing holistic financial wellness services and engaging with participants according to their personal preferences. The pandemic has accelerated digital adoption and the pace of change, and modernization is imperative to remain resilient to the impact of such widespread events and to keep up with constantly evolving stakeholder needs. Modern technology is the most effective lever in the hands of plan providers to upgrade their products and services quickly to meet the regulatory requirements of the ERISA, CARES, or SECURE acts. With new technological advances, the gap has widened between the capabilities of industry leaders and laggards. Leaders can be 6 to 10 times more successful than laggards depending on the success measures considered, including customer engagement and retention, growth, and efficiency. Like the market environment, enterprises have also evolved from the "why fix something that isn't broken?" mindset to recognizing that modernization is the key to survival. Providers are now faced with the task of evaluating the available modernization alternatives guided by unique business objectives and maneuvering their way through successful execution.

Success will ultimately be determined by the plan providers' ability to forge strong partnerships between IT, business, and ecosystem players; clearly define the roadmap with interim milestones; focus on efficient IT delivery and operations; and have a customer-centric and cloud-first mindset in all decision-making. Providers that demonstrate value to participants, sponsors, administrators, and advisors early on in their modernization journeys will gain a competitive lead over others and will be poised for success in the long run. For providers, time is of essence, and, we believe, this will drive them to adopt a modular, microservices-enabled, and cloud-first approach to modernization, as it enables quick delivery of priority components, while the rest can be modernized in a phased manner. Modernization will enable providers to be nimble to respond to changing market drivers in the future, attain their growth and efficiency mandates and, most importantly, deliver on the promise of providing superior customer service.

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