Goldman Sachs Eyes DC Market

By Editor Test *Wed, Jul 29, 2009*

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Goldman Sachs Asset Management wants to get more of its mutual funds into 401(k) plans, said Scott E. Kilgallen, managing director and head of platform distribution at the New York firm. By year-end, the company plans to have 28 professionals in its defined contribution unit, up from four at the end of 2007.

"We've been in the retirement business for 20 years managing defined benefit assets, but are now really ramping up our DC effort," said Mr. Kilgallen. GSAM executives plan to offer more esoteric investment strategies, such as hedge-fund replication and other absolute-return strategies.

The firm is still a small player in the DC business, with only $10.68 billion under management in DC plans. Goldman Sachs Asset Management, established in 1988, has $343.23 billion in worldwide institutional assets under management. It ranks 16th among the largest institutional managers.

Drew Carrington, UBS Global Asset Management's head of defined contribution and retirement solutions, Chicago, said Goldman's best bet will be large plans, which typically work directly with a fund provider without a third party. "The sale at big DC plans is now more like a DB sale than the record keeper-led sales from several years ago. They're really focusing on making the right investment decisions."

Mr. Carrington, whose firm competes with Goldman, added that for Goldman, as with a lot of traditional defined benefit plan providers, "innovation will be very important. They need to provide solutions that plan sponsors can't usually get out of traditional record keepers. And if they can communicate those solutions, using DC language, and help participants achieve their objectives, they can succeed."