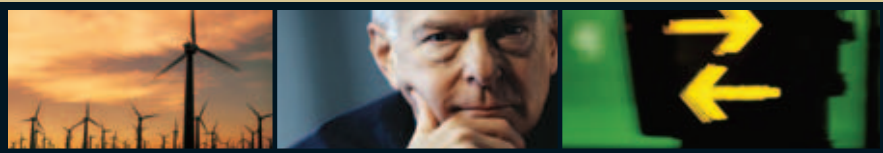


# TOTAL RETIREMENT MANAGEMENT: Time for an Integrated Approach



RETIREMENT REPORT

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## EXECUTIVE SUMMARY

Several trends are converging upon the U.S. retirement environment today, creating opportunities for plan sponsors and participants alike to rethink how they manage their retirement benefits. The volatile stock market, changes to retirement plans, rising health care costs, a lessening reliance on Social Security and, indeed, a redefinition of retirement itself have expanded the complexity of the decisions participants make to plan for and transition into retirement. Plan sponsors are challenged to meet these communication needs and to effectively design and administer their plans, given the regulatory environment, escalating benefits costs and impending workforce changes expected as the Baby Boomers transition into retirement.

As these trends play out, many plan sponsors are looking to enhance the overall effectiveness of their retirement benefits programs by combining the administration of both defined contribution and defined benefit plans with a single provider. For some, the value of this approach is enhanced by adding health and welfare administration to the mix. This concept of a single-source provider represents the cornerstone of Total Retirement Management, a more integrated approach to retirement solutions.

Total Retirement Management benefits plan sponsors in three ways. First, it helps contain costs and improve efficiencies in retirement plan administration by eliminating redundant activities. Second, it integrates the retirement education, planning, and transition processes around retirement, helping companies ensure that their employees maximize the value of their retirement benefits. Finally, it supports a more comprehensive plan management approach by providing a single point of contact for plan administration and a single source of plan and participant data. This, in turn, allows plan sponsors to make more informed decisions across their retirement offering.

## THE RETIREMENT ENVIRONMENT

### The substantial challenge of offering an essential benefit

For many workers, retirement security has become a more complex issue than it was as little as five years ago. Stock market volatility has affected asset levels in most retirement plans. The long shadow of a relatively small, but highly-publicized, number of recent corporate scandals has further eroded investor confidence. Rising health care costs continue to reduce the buying power of retirement income, while the number of employers offering retiree health benefits continues to decline.

From a plan sponsor's perspective, there has been a shift in responsibility to the individual plan participant. Plan sponsors have broadened their investment options and have moved away from final average pay pension plans to cash balance designs. Many are grappling with the issue of underfunded pension plans. Despite these challenges, however,

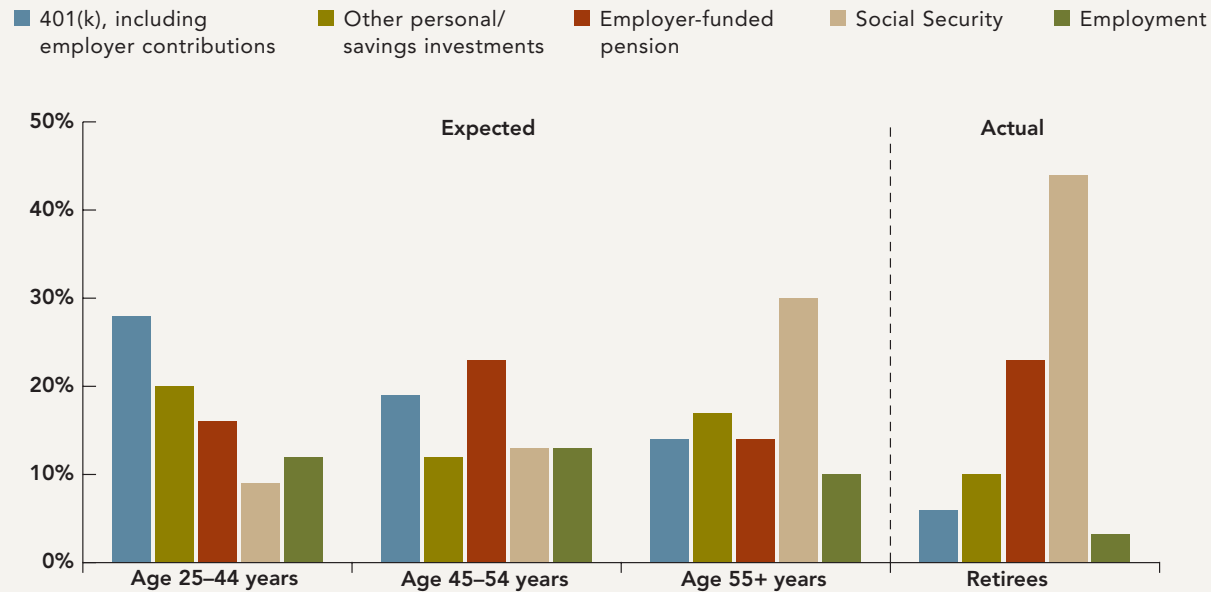
there are clear signals that retirement benefits remain a competitive essential for employers to attract and retain the best talent. Yet, many plan sponsors tell us that they still find themselves struggling with the gap they see between the cost and complexity of offering the benefits on one hand and the perceived value participants assign them on the other hand.

***“Do I believe that the structure of retirement plans is going to change? I think we’ve already seen that. So I think it’s our responsibility, as a major employer, to educate employees about what it takes to fund life after work, after your working career.”***

Mike Kriner  
NCR Corporation

## DECLINING ROLE OF SOCIAL SECURITY

Figure 1: Expected and actual largest sources of income in retirement



Source: Employee Benefit Research Institute, 2003 Retirement Confidence Survey: Summary of Findings and Detailed Survey Results.

### Employer-sponsored retirement plans: the cornerstone of retirement savings

One change that experts suggest is coming is the declining role that Social Security may soon play as a portion of retirement income.<sup>1</sup> A 2003 survey by the Employee Benefit Research Institute (EBRI) reveals that 44% of today's retirees state that Social Security is the largest source of their retirement income. For workers age 55 and older, only 30% expect Social Security to be their largest source of income, and the majority of workers age 25-54 say they expect employer-provided plans and personal savings to be the largest sources of their income in retirement.<sup>2</sup>

While Social Security will remain an important part of retirement income for some workers, for many others the mix of income sources is becoming more varied. Within that mix, employer-sponsored retirement plans have grown in their importance to retirement security. For many they will be the cornerstone of retirement savings.

<sup>1</sup>Center for Retirement Research, *Just the Facts*, "The Declining Role of Social Security," 2003.

<sup>2</sup>Employee Benefit Research Institute, "The 2003 Retirement Confidence Survey."

### The growing ranks of retirees

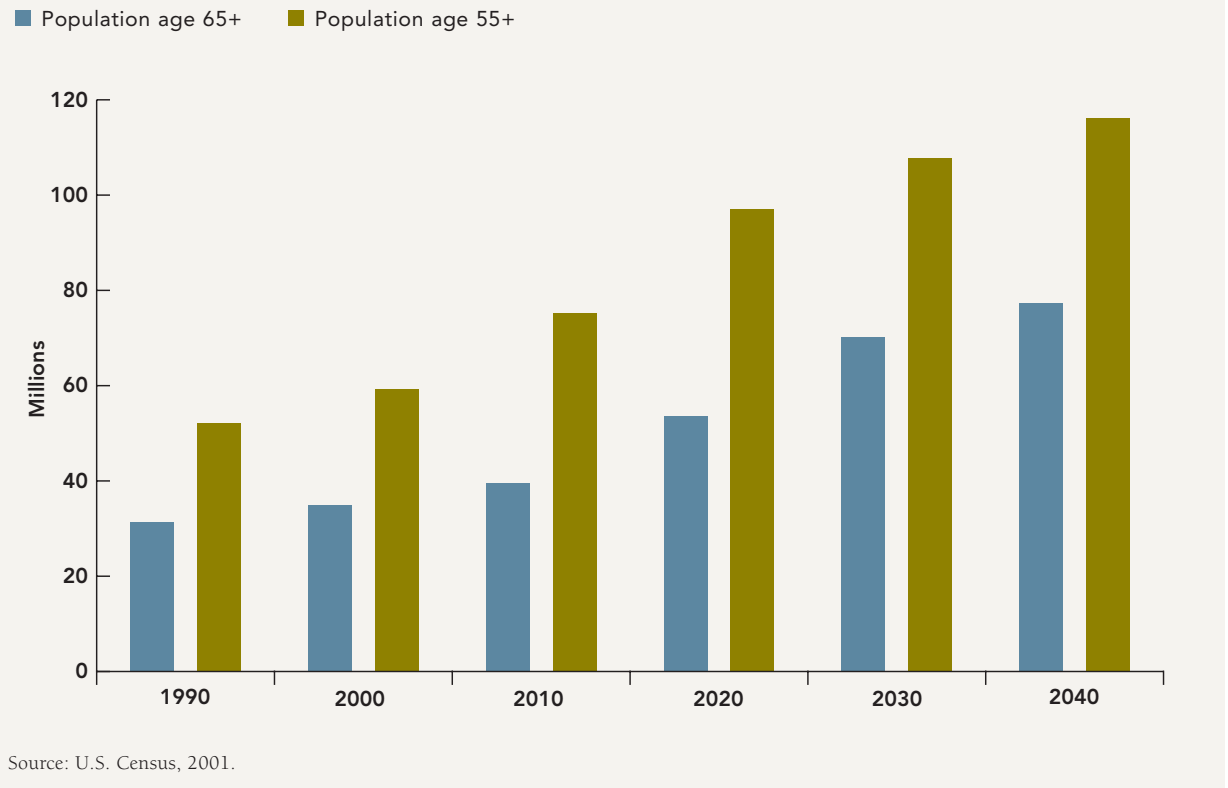
One of the most significant trends impacting the administration of retirement benefits is the long-anticipated shift in population age distribution. As the Baby Boom bubble continues to inch closer to retirement, the first wave of “Boomers” has already reached the leading edge of traditional retirement age. By 2020, the number of individuals over age 55 is projected to increase by 75% from 1990 numbers and, by 2030, the number of those over age 65 is expected to almost double.

The Boomers are redefining retirement, just as they have redefined almost every other life stage along the way. Boomers have a longer life expectancy than their parents, thus the retirement stage of their lives may be longer as well. Many are paying more attention to health risks and are focusing on active and healthy lifestyles (Yankelovich).<sup>3</sup>

Perhaps directly related to living longer and healthier lives, many Boomers say they expect to work even after the traditional retirement age,

#### THE GROWING RANKS OF RETIREES

Figure 2: Projected populations of Americans age 55 and older



<sup>3</sup>Yankelovich, *Monitor*, 2002.

approximately 70% according to AARP and EBRI.<sup>4</sup> They indicate that they will work because of financial necessity as well as a desire for continued social contact. Changing, too, is the concept of the “snowbird.” Traditional warm-weather retirement communities may not accommodate Boomers’ more varied retirement lifestyles. Instead, Boomers may choose to live where they can continue to work, to be physically active, and to be near aging parents.

### **Implications of a redefined retirement**

Many Boomers may intuitively know that their retirement lifestyle will be different; but they may not fully appreciate the financial implications of this change. Research shows that people underestimate their chances of needing health insurance and long-term care in retirement, and also underestimate the financial resources that they may need to address the impact of living longer.<sup>5</sup> Few Boomers may realize that a 65-year-old couple retiring today without employer-sponsored retiree health insurance would need approximately \$160,000 in savings to cover their out-of-pocket retirement medical expenses, and this number excludes the cost of long-term care.<sup>6</sup> Boomers who choose to retire earlier than age 65 will need even more savings to cover their costs.

In order for their retirement offerings to be fully appreciated, plan sponsors will face the growing need to provide more comprehensive educational and planning tools to help employees prepare for these eventualities. The inevitable implications of these trends in today’s workforce strongly suggest a need for:

- More comprehensive retirement planning that includes consideration of health care costs and insurance
- Much broader evaluation of retirement income from all potential sources
- Participant education that addresses income planning both while planning for, and while in, retirement.

<sup>4</sup>AARP, “Work and Career Study” 2003; EBRI, “The 2003 Retirement Confidence Survey.”

<sup>5</sup>Society of Actuaries, “2001 Retirement Risk Survey,” EBRI, “The 2003 Retirement Confidence Survey.”

<sup>6</sup>Fidelity, “Retiree Health Care Costs: Addressing the Growing Gap,” 2002.

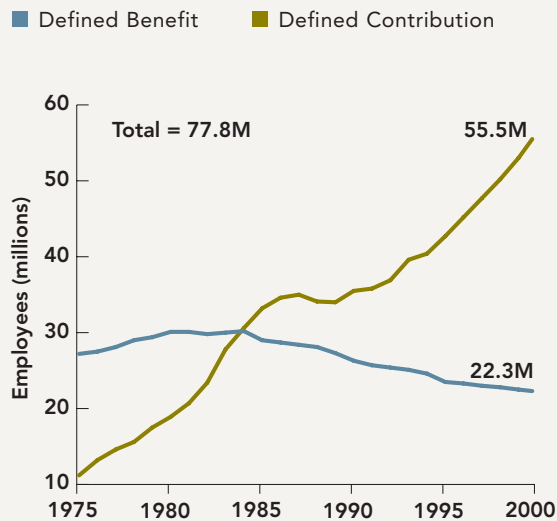
### Trends in retirement plan design

Over the past 25 years, there has been a marked change in the traditional makeup of employer-sponsored retirement plans. While defined benefit (DB) or pension plans are still a base retirement benefit of many employers, there has been a decline in the number of such plans offered today, even though the number of employees covered by primary pension plans has remained basically unchanged. In the last quarter century, the balance has shifted dramatically in favor of defined contribution (DC) plans, such as the 401(k) or 403(b), which now compose a larger share of total plan assets.

Despite the decline in the number of plans offered today, the traditional pension is a valued employee benefit, although perhaps less appreciated than its DC counterpart. Given recent trends, plan sponsors tell us that their workers are now beginning to value their plans more highly than they did previously. In fact, while some plan sponsors are contemplating a change in the design of their pension plans, 85% of defined benefit plan sponsors say that they are very likely to continue offering their current pension plan for the long term. The data suggest, then, that for many large plan sponsors the total retirement offering will continue to include both a pension and a defined contribution plan.

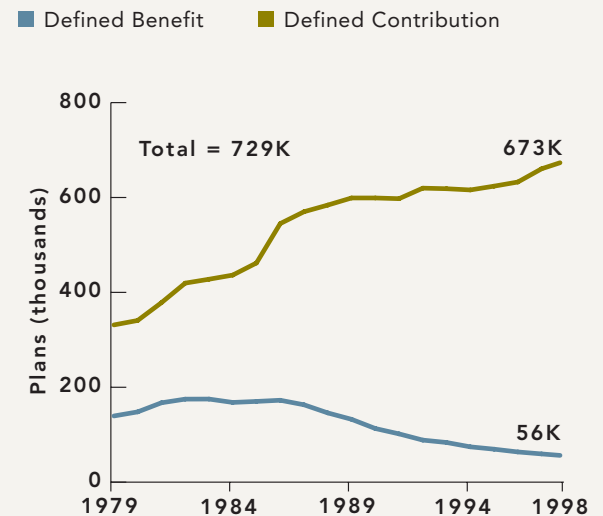
#### RETIREMENT PLANS: NUMBER OF PARTICIPANTS AND PLANS

Figure 3: Number of active retirement plan participants



Source: Bernstein Research, "The Future of Money Management in America," March 2000 and November 2001.

Figure 4: Number of retirement plans by type



Source: U.S. Department of Labor, "Abstract of 1998 Form 5500 Annual Reports."

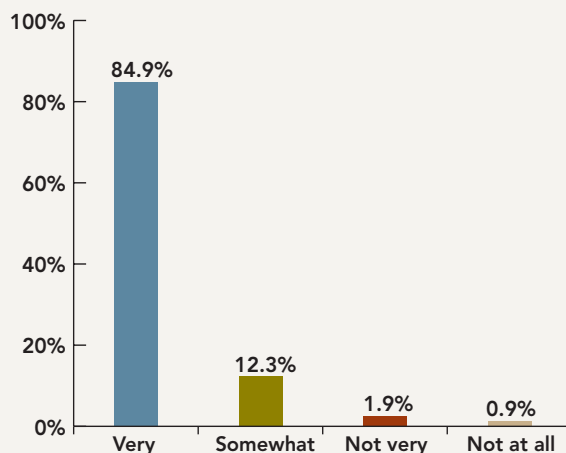
### Growing complexities

Organizational growth, whether organic or due to mergers or acquisitions, continues to have a large impact on the cost and complexity of companies' retirement benefit plans. Mergers and acquisitions often result in the "grandfathering" of existing retirement plans, which can lead to more complex plans. Or, this activity may result in a significant exercise of merging all previous plans into one new design. In either case, implementing a retirement plan with new participants can be a tremendous undertaking and may be made more unwieldy if an employer utilizes multiple recordkeepers.

Many believe that the next challenge plan sponsors will face is an impending labor shortage resulting from the aging of the population bubble. At that point, more than ever, plan sponsors will need to offer competitive retirement benefits to attract and retain the best workers. At the same time, they will need to address the design and administrative implications of Boomers phasing in their retirements. For example, plan sponsors who have not already done so will have to consider the impact a part-time work schedule may have on pension formulas.

### LONGEVITY OF PENSION PLANS

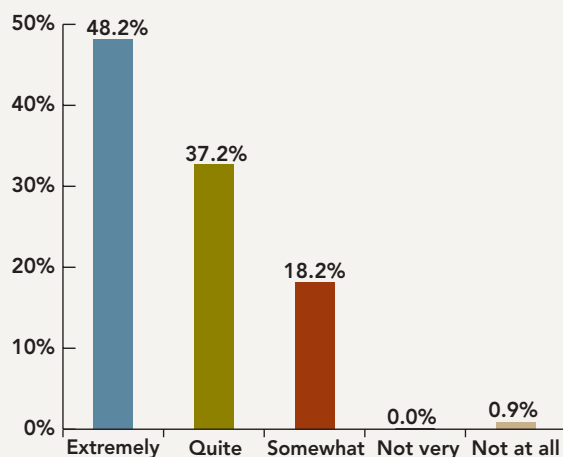
Figure 5: How likely is your organization to offer its pension plan in the long term (5–10 years)?



Source: 2002 *PLAN SPONSOR* and Fidelity, "Pension Funding and Liabilities Research Report."

### EMPLOYEE APPRECIATION OF PENSION PLANS

Figure 6: How valuable do you think employees find the defined benefit plan?



Source: 2002 *PLAN SPONSOR* and Fidelity, "Pension Funding and Liabilities Research Report."

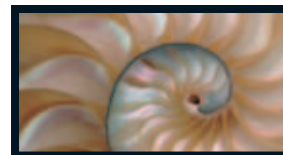
**The trend toward outsourcing**

Outsourcing the administration of defined contribution plans is a well-established trend in corporate America. A recent Fidelity-sponsored study of finance and HR/benefits decision makers found that 72% report they currently outsource at least one HR/benefits function. Almost all say that they outsource at least a part of the administration of their DC plans (86%). Large numbers say they also outsource a variety of other HR/benefit functions, including defined benefit plans (61%).<sup>7</sup>

While many plan sponsors are taking advantage of the cost reductions, advanced technology, and value-added benefits of outsourcing, many have developed outsourcing relationships with multiple providers. In fact, according to a McHenry study of more than 300 companies, plan sponsors are using, on average, from three to nine different vendors to help them provide a variety of administrative services related to their retirement plans.<sup>8</sup> For those with multiple outsourcing relationships, there is an added level of complexity in the administration of their total retirement offering, and also in how plan participants are serviced.

***“...the best way to ensure that your participants get the advantage of state-of-the-art technology is through outsourcing. I doubt there are many plan sponsors willing to invest the capital necessary to keep up with the technology in this end of the business.”***

Cliff York  
BP p.l.c.



<sup>7</sup>Fidelity, “HR and Benefits: The Next Outsourcing Wave,” 2003.

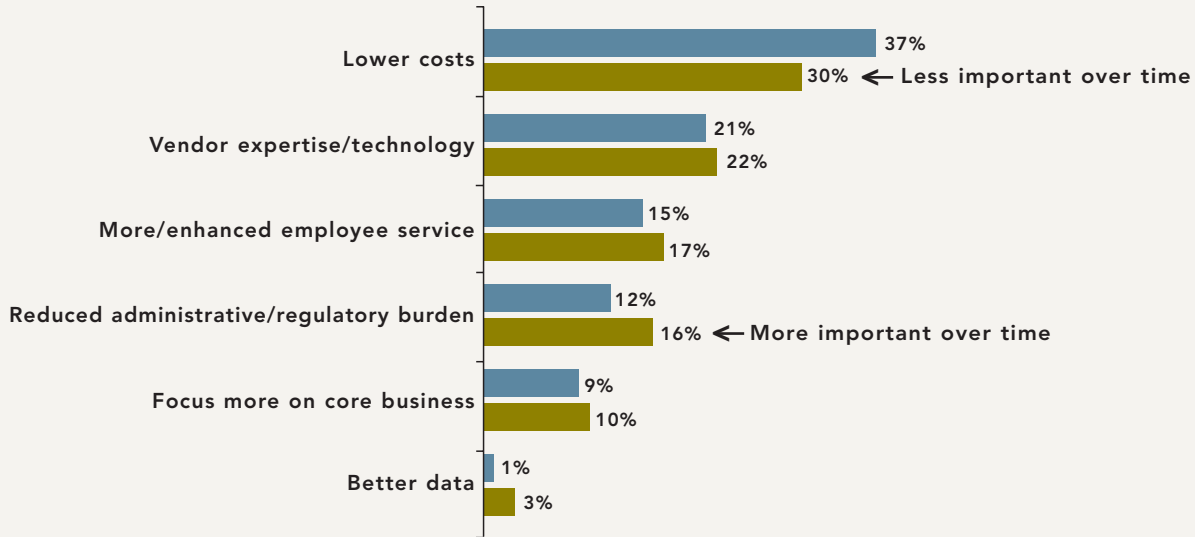
<sup>8</sup>McHenry, “A Study of Trends in the Market for Retirement Plans’ Services Integration,” 1999.



## MOTIVATION FOR AND BENEFITS OF OUTSOURCING

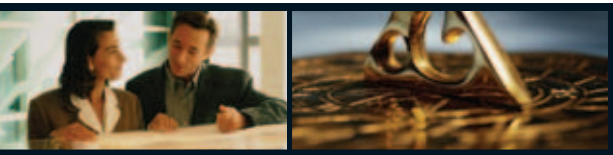
Figure 7: Motivators to outsource and benefits currently realized

- Most important motivator to FIRST outsource (n = 169)\*
- Most important CURRENT benefit realized (n = 202)



\*Only respondents with sole or shared decision-making authority were asked this question.

Source: Fidelity, "HR and Benefits: The Next Outsourcing Wave," 2003.

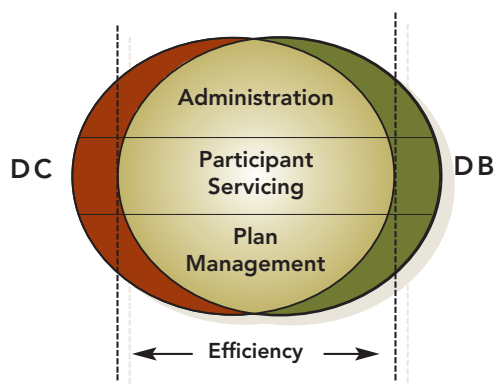


## TOTAL RETIREMENT MANAGEMENT

A new trend is evolving in response to the many factors converging upon the retirement system. This trend combines the administration and communication of a plan sponsor's complete retirement program with a single outsourcing provider. This emerging trend toward single-provider outsourcing suggests that many plan sponsors are beginning to recognize that there is an opportunity to gain efficiencies by reducing their relationships with multiple providers. This emerging trend is the keystone of a more integrated approach to retirement solutions, referred to as Total Retirement Management. Plan Sponsors benefit from Total Retirement Management in three areas: administration, participant servicing, and plan management.

### TOTAL RETIREMENT MANAGEMENT

Efficiencies attainable with an integrated approach



***“A bundled approach is the most cost-effective way to deliver (retirement) benefits.”***

Cliff York  
BP p.l.c.

## EFFICIENT ADMINISTRATION

With Total Retirement Management, plan sponsors bring together DC and pension administration with a single outsourcing service provider. In doing so, they eliminate redundant service centers, Web sites, data exchanges, and transactions that occur in a multi-vendor approach.

### The value of outsourcing

While many plan sponsors have already realized savings from outsourcing their defined contribution savings plans, first-time pension outsourcers will realize cost savings and efficiencies as well. In a return on investment (ROI) analysis conducted by Fidelity, plan sponsors realized an estimated savings of 15% to 20% on their internal pension administration costs. Savings come from reduced or redirected headcount as well as from reductions in other direct expenses

related to benefit calculations, check printing, record maintenance, and communications material. Furthermore, contracting with an external vendor that possesses the administrative expertise and that has already invested in the latest and most efficient technology eliminates the need for future capital expenditures to develop comparable capabilities internally. For more information on ROI components see figure 8, below.

### PENSION ROI COMPONENTS

Figure 8: Categories appropriate for a systematic evaluation of plan expenses

| 1. People-related Direct Expenses                                                                                                                                 | 2. Non-people-related Direct Expenses                                                                                                                                                                                | 3. Allocations                                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>- Salary and benefits of full-time equivalents</li> <li>- Travel and training</li> <li>- Dues and subscriptions</li> </ul> | <ul style="list-style-type: none"> <li>- Benefit calculations</li> <li>- Check printing</li> <li>- File maintenance</li> <li>- Internal collateral/communication materials</li> <li>- QDRO administration</li> </ul> | <ul style="list-style-type: none"> <li>- Application development</li> <li>- Site systems support</li> <li>- Occupancy/business development</li> </ul> |

Companies that have not previously outsourced their pension administration may experience other benefits of outsourcing as well. For example, they may gain the ability to establish a premium collection process for retiree medical withholdings from pension checks. This process helps companies ensure that they automatically collect all premiums due from retirees, rather than relying on a coupon or other remittance process.

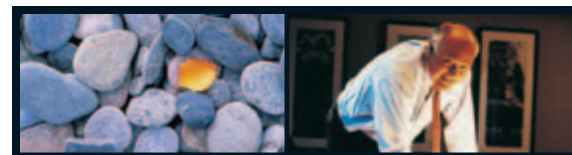
**The efficiency of a single-provider approach**

The value of outsourcing is enhanced—and incremental costs are reduced—when plan sponsors select a single outsourcing vendor for all aspects of their retirement offering, rather than establishing redundant services. Consider, for example, the potential inefficiencies involved when a sponsor has separate service providers for its defined benefit

and defined contribution plans. The sponsor must oversee two recordkeeping operations. Each operation manages a call center and a Web site. Both may be processing the same transactions, such as address changes or retirements. Data feeds are sent, reconciled, and errors are updated with both vendors. Multiple sets of communication media and messages are utilized. Or, perhaps pension plan information is communicated in a limited fashion. Under the Total Retirement Management model, a single provider would administer all aspects of both plans, enhancing efficiencies for each aspect.

**Call center and transactional efficiencies**

Consider that many of the services provided by call center representatives are related to the total retirement offering and not just to a specific plan. Some examples include address updates, balance



inquiries, payouts from DB to DC, and tax withholding changes. To illustrate the efficiencies gained under a single service provider, Fidelity studied the call center service time for handling each of these examples independently. That independent service time was then compared with the service time under an integrated DB/DC model. The findings show that by using the integrated model to eliminate the service overlap, the full-time-equivalent phone representatives needed to service the same set of participants for both plans can be reduced by 20% to 30% (depending upon the call center model utilized).

Efficiencies are also gained in transactional processing. As in the case of call center services, many, but not all, transactional processes apply across the total retirement offering. Using an activity-based costing method, Fidelity reviewed the overlapping activities that take place with the processing of events such as qualified domestic relations orders (QDROs), retirement initiations, beneficiary processing, and address updates. By eliminating the overlap in each type of transaction, Fidelity found that processing efficiency increased for each transaction type by 40% to 60%.

***“Delivering one-stop shopping for our members, was one incentive. There was a lot of confusion about where to go for what. Our other and more important motivation was all the resources we needed to manage those various service centers.”***

Angela Reynolds  
NCR Corporation



### **The promise of further technology enhancements**

In today's outsourcing environment the efficiency of data management is constantly evolving, as outsourcing providers leverage their volume to bring enhanced technology to the data management and processing environment.

As Total Retirement Management evolves, so too will the data processing to support it. But even with today's advanced technology, plan sponsors can add efficiency to their data management processes and take advantage of their providers' efficiencies as well.

### **Data exchange with a single provider**

With an integrated approach, plan sponsors establish one retirement plan data feed that is sent to one provider. For the sponsor, the implementation process—that is, the programming to establish the file feed—is simplified because indicative data common across retirement plans is established once, and only one file format is programmed.

For ongoing data reconciliation and error updates, the provider receives that feed and splits the data into the necessary servicing engines that maintain plan rules for each type of retirement plan. The data is then reconciled by plan, the errors consolidated, and one feed sent back to the sponsor for verification and resolution. As a result, plan sponsors spend less time managing data, and data integrity is enhanced by the elimination of having to transmit redundant files to multiple providers.

Under a Total Retirement Management approach, plan sponsors gain internal efficiencies. They may be able to redirect headcount previously dedicated to data management. With enhanced data accuracy, they will realize a higher level of risk mitigation. They give direction to only one service provider for servicing protocols, which makes managing events, such as an acquisition or early retirement offering, easier.



# PLAN SPONSOR INSIGHTS

## OPPORTUNITIES FOR ENHANCED EFFICIENCIES

Many benefits decision makers for major corporations are reaching the conclusion that traditional in-house and outsourcing arrangements may not be the most efficient way to administer and manage their retirement programs. For them, the concept of Total Retirement Management makes great sense.

The following HR and benefits professionals were interviewed for this paper. They provided their insights regarding recent trends in retirement benefits:

**BP p.l.c.**

Cliff York  
Director, U.S. Retirement Programs

**Monsanto Company**

Brian Buettner  
Retirement Plans Team Lead

**PepsiCo, Inc.**

Dawn Werle  
Director, Financial Plans

**NCR Corporation**

Mike Kriner  
Director, Compensation and Benefits

Angela Reynolds

Director, Retirement Planning and Consulting

Kim Dinsmore

Pension and Benefits Manager

“THE KEY IS TO FIND A PROVIDER YOU FEEL will be there for the long haul, and bundle in as many services as possible. It certainly gives you fewer data interfaces to manage, and just makes for a more efficient process.” (BP)

• • •

“THE DEMAND FOR INTEGRATED SERVICES is no longer just coming from plan sponsors, but from participants. People don’t want to have to call multiple numbers. They don’t want to have to decide themselves who they need to talk to. If they have issues, they want to call one place and not have someone say: ‘Oh, that’s not my area. You need to call there.’” (NCR)

• • •

“CERTAINLY, A HOLISTIC EXPERIENCE FOR retirees—having medical, DB, and DC discussions all knitted together—will help a lot. We think it’s going to be a major win for our folks, and in the way they perceive the benefits.” (PepsiCo)

• • •

“WE’VE HAD THOSE TIMES WHEN WE’VE HAD to bring large numbers of people into our corporation. Without a centralized database, there could have been a lot of data security issues involved with these plan conversions.” (Monsanto)

## THE LIFE STAGES OF RETIREMENT



SAVING



PLANNING

ACTIVE EMPLOYMENT

## INTEGRATED PARTICIPANT SERVICES

The magnitude and complexity of the decisions participants make to plan for and transition into retirement have grown. In a recent Deloitte & Touche study, benefits specialists and employees were each asked to identify their top five benefit priorities for 2003. Retirement planning was in the top five priorities for both.<sup>9</sup> While these findings are not surprising, the challenge for plan sponsors is how best to meet these needs.

### An integrated view

Total Retirement Management relies on technology to deliver integrated information and tools for participants' specific needs. Technology enables an employee to view all of his or her income sources—including pension, defined contribution, stock options, and Social Security, together with other sources of retirement savings such as IRAs and annuities. It also allows an employee to estimate retirement expenses, especially significant expenses such as health care, and to determine whether his or her retirement income will cover those expenses. This integrated view helps improve employees' decision making about retirement planning.

### Approaching retirement in stages

Information is most useful to the individual participant if it is organized to meet his or her specific needs. Total Retirement Management does this through a retirement life stage approach. The approach includes five stages that begin during a participant's active employment and continue through his or her retirement: **saving, planning, transitioning, beginning**, and finally, **retired**.

<sup>9</sup>Deloitte & Touche, "Top Five Benefit Priorities for 2003."

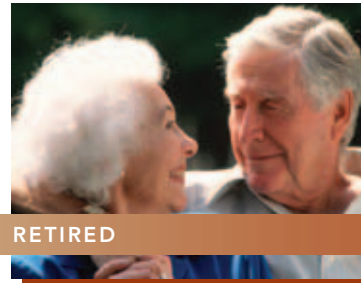




TRANSITIONING



BEGINNING



RETIRED

TRANSITION

RETIREMENT

***“Consider the planning needs of people in their 50s. At that age, you’re not just thinking about retirement. You may still be getting kids through school or have a mortgage to pay. You need to take into consideration all those current and future liabilities. It would be best, in my mind, if they could see the whole picture.”***

Brian Buettner  
Monsanto Company

When people start active employment, they enter the *savings* stage when they learn about their benefit plans and savings strategies. When those employees are mid-career, they enter the *planning* stage as they begin to think more seriously about their retirement goals and how to meet them. Preretirees, those who have made the decision to retire, enter a short stage in which they *transition* into retirement. A flurry of decisions and benefits transactions occurs during this stage.

The retirement phase has two stages. Many people who *begin* retirement are both working and enjoying a partial retirement. It is not until later that people consider themselves fully *retired*. Retirees have different planning needs than people in active employment. They must transition their financial management approach into one of lifetime income planning.

### **Integrated resources for all retirement planners**

Participants benefit from the integrated tools and information at each stage. For example, integrated educational tools, provided in print or through Web learning, help active employees maximize their defined contribution and pension plans. By providing a view of their total retirement assets, including the possibility of considering their employer-provided pension as “fixed income” (from their perspective, not the employer’s), these tools help participants better manage their asset allocation by offering a broader view of asset classes across their entire retirement benefit package.

A Total Retirement Management approach also helps preretirees better plan for their future retirement needs. Modeling tools that provide for realistic income planning allow preretirees to evaluate different options, such as saving more or working longer to meet their retirement goals. Such an offering might also include annual preretiree “checkups” that provide a look at participants’ DC and pension assets, and perhaps their Social Security estimated benefit and other available savings, such as IRAs. With the annual checkup, preretirees would be given a prompt to reevaluate their planning if changes in the market or their personal situation warranted.

### **One contact for preretirees**

An important feature of Total Retirement Management is a transition service that facilitates a more effective retirement process. At the heart of transition services for the preretiree is a dedicated, single point of contact, who coordinates the flurry of decisions, some of which are irrevocable, that accompany the retirement process. The key to the effectiveness of the service is the coordinator’s ability to assist with the initiation across the entire retirement offering, streamlining the process for the preretiree.

### **More precise targeting**

By bundling all pieces of a retirement offering with a single vendor and taking advantage of integrated technologies, plan sponsors may be better able to target communication and educational efforts to specific participant needs and provide a fuller picture of their total retirement offering. The more integrated the information available, the more effective it is likely to be. And the more integrated the communications media, the more cost effective it is to deliver messages to target audiences. This kind of enhanced servicing can help raise participants’ awareness and appreciation of their employers’ full retirement package.

# PLAN SPONSOR INSIGHTS

## PROVIDING AN INTEGRATED SOURCE OF PARTICIPANT SERVICE

**As more decision-making responsibility is being placed on the shoulders of employees, there is a need for adequate participant support. The goal is a communications and service strategy that supports an individual throughout the life stages of retirement.**

“IT’S NO LONGER THAT YOU WORK FOR ONE company, they take the best years of your life, and your employer becomes responsible for paying you after retirement. People work for multiple companies. This does shift responsibility a bit more to the participant, but there is still some level of fiduciary responsibility on the part of each employer. They need to say, ‘OK, for the time you’re here, here are the tools that we will provide you with to help you plan for your retirement.’”  
(NCR)

• • •

“CLEARLY, A SINGLE POINT OF CONTACT MAKES a difference. We recently introduced retirement coordinators to our service offering—people who provide retiring employees with integrated help across the [retirement] distribution process. It’s still a work in progress, but I think the more we can arm these coordinators with information, and make them the best possible counselors for employees reaching retirement, the more valuable the service will be. It’s the right concept.” (BP)

“OUR GOAL IS TO CONSOLIDATE AN EMPLOYEE’S retirement information in one place, supported by strong recordkeeping and administration. Then we want to make it all available on line. So if I’m an employee, I see my projected pension benefit. I see the value of my stock options in the future. And I see my DC account. Then maybe I think, ‘I need to save a little bit differently.’ Or, ‘I need to look at those stock options as part of my retirement savings.’” (PepsiCo)

• • •

“NEW RETIREES ARE TRYING TO MANAGE LARGE lump sums. And it’s a scary proposition to think that you may have to live off the income stream from this principal amount, particularly in the current market.” (BP)

• • •

“WHEN PEOPLE LEAVE MONSANTO, THERE WILL be benefits we are still responsible for providing and administering. We want to continue to clearly communicate to those folks about those plans.”  
(Monsanto)

## COMPREHENSIVE PLAN MANAGEMENT

A Total Retirement Management approach ensures that there is a single point of contact for plan sponsors in managing their outsourcing relationship. This contact ensures that the sponsor's overall needs are addressed across the spectrum of plans. Moreover, with a single provider, plan sponsors can reduce the time staff spends on managing multiple vendors, thus enabling greater organizational focus on strategic and revenue-generating activities.

This approach can also provide a single point of reporting access—often from the plan sponsor's own desktop—for receiving management reports on the combined retirement offering, as well as for receiving specific information on plan administration. Such reports can help plan sponsors make more informed decisions about the adequacy of their total retirement offering and their participants' optimization of that offering.

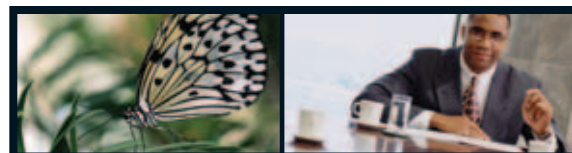
### **Easing compliance responsibilities and plan consolidations**

Inasmuch as a single-source provider maintains detailed information about a company's total retirement offering, the plan sponsor may enhance its overall plan management. The company will be better equipped to consistently fulfill its regulatory compliance and reporting responsibilities. Furthermore, because all records will be managed in a consistent manner and stored electronically by the outsourced service provider, the company can minimize the risks associated with faulty or missing data. For example, a plan sponsor could enhance its audit and control procedures for PBGC premium reconciliation and filing. Benefit calculations would also be made in a consistent and timely manner.

A Total Retirement Management approach can also help facilitate the process of bringing new participants on board who have been gained through merger and acquisition activities. The assimilation of newly acquired employees—from the perspective of how the plan sponsor wishes to communicate retirement plan information with a new participant population—is an easier and more effective process when coordinated through a single vendor.

### **Better positioned for future plan improvements**

With the emergence of new retirement plan designs, it seems clear that elements of both defined contribution and defined benefit plans will likely continue to play an important role in the future design of employer-sponsored retirement plans. Today, in fact, some plans have provisions that permit contributions from a pension plan into a 401(k) plan. These types of provisions may be useful for future retirees as they look to establish the most tax-effective income plan in retirement. With a single service provider, plan sponsors can ensure that they have flexibility in all aspects of benefits management, in order to be prepared for future evolutions of retirement plan design.



# PLAN SPONSOR INSIGHTS

## THE ADVANTAGE OF A COMPREHENSIVE PLAN MANAGEMENT APPROACH

**The move toward Total Retirement Management is based on several objectives beyond improved efficiency. Those goals include better vendor management, enhanced management controls, smoother acquisitions, and the ability to focus on strategic decisions.**

“IT’S A LOT EASIER FOR ONE PARTNER to work with us and understand our vision, so we don’t have to explain it multiple times to several different partners. Then again, you get the consistencies and the efficiencies that come with that kind of in-depth understanding. And from a communications standpoint, a single outsourcing relationship is far easier for us.” (NCR)

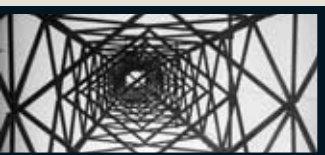
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“WHEN IT COMES TO BRINGING ON BOARD A company or a group of employees that we’ve acquired, it’s just a lot more efficient to work with fewer providers. As we try to harmonize the benefits and work on transition issues, a bundled approach makes it easier to get the proper resources, get the pricing put together, and monitor the various aspects of the projects. There’s just less work to have to worry about.” (BP)

“LOOKING DOWN THE ROAD, THE ECONOMIC situation is probably going to become more difficult rather than less difficult. We’re also looking at labor shortages. As a result, we’ll see a movement, I think, toward a better definition of total compensation. There’s going to be increasing pressure on how we allocate compensation dollars across salary, retirement, and other benefits.” (NCR)

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“OUR GOAL IS TO WORK WITH ONE GROUP that has one service center, a complete view of our needs, and is truly integrated. That would be a great benefit to an employer—to have one true view.” (NCR)





## CONCLUSION

With the complexity of issues surrounding retirement today—from the overall adequacy of available retirement assets, to the rising cost of health care, to the complex mix of retirement benefit offerings—plan sponsors and participants face a potentially daunting challenge in how they manage their retirement benefits. In this complex environment, where cost containment, improved efficiency, and comprehensive servicing capabilities are in high demand, there are clear signals that an integrated approach to retirement benefits management can help plan sponsors more effectively achieve their retirement program objectives. This is the essence of Total Retirement Management.

Organizations that choose to integrate the administration of all components of their retirement plans with a single outsourcing service provider can realize a number of benefits. From a strategic management perspective, they can make decisions that are informed by an integrated view of their overall retirement benefits offering. Operationally, they can recognize significant economies of scale that both facilitate efficient administration and eliminate overlapping costs. From a participant communication and servicing standpoint, they can ensure that their workers value and maximize their retirement benefits, and can do so by providing them with a broader array of relevant information and effective solutions.



