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CONTACT: Mr. Andrew McCollum  
Managing Director  
Chatham Partners  
(781)314-0607  
amccollum@chathampartners.net

**Bundled Retirement Outsourcing Market Reaches Maturity,  
Continued Growth Requires Focused Targeting and Positioning Efforts**

**WALTHAM, MA, May 8, 2009** – The addressable market for bundled Defined Benefit and Total Retirement Outsourcing is shrinking. Only 6% of plan sponsors with unbundled DB plans intend to bundle any of their plan's DB services in the next two years, compared to 14% in 2005. However, **bundled retirement outsourcing growth opportunities remain for retirement plan providers willing to refine their marketing, sales, and product development efforts to align with plan sponsors' evolving needs.**

Since 2001, Chatham Partners has conducted four comprehensive research studies assessing the trend toward outsourcing and bundling benefit plan components. The most recent study, released earlier this month, entitled ***The Long March: Strategies to Accelerate Growth in the Retirement Outsourcing Market***, reveals that the retirement outsourcing market has not turned the corner toward a period of rapid adoption of bundling. As a result, it has never been more important for providers seeking growth from the bundled marketplace to understand the perceptions, decision-making processes, and future intentions of the constituencies they seek to serve.

"It was somewhat surprising to see that so few unbundled plan sponsors have any intentions of bundling in the future. They remain unconvinced that the benefits of consolidating with a single provider outweigh the risks. So, the key message in our research is that providers that are committed to this market must re-visit the retirement plans they target and the value proposition they articulate, not to mention the services offered in the bundled package itself. In the future, it will be less important for providers to emphasize the benefits of bundling and more important to convert sponsors with experience bundling into true believers," said Andrew McCollum, a Managing Director at Chatham.

Chatham's research indicates that, although the bundled retirement outsourcing market is reaching maturity, opportunities abound among plans that have bundled some services. Among semi-bundled plans, 19% state that they are likely to bundle additional DB services in the next two years. In addition, fully bundled DB plans – and plans that have bundled DC or Health & Welfare services with their DB plans – have never been more likely to switch providers, creating an opportunity to poach clients from competitors.

Other key findings of the report include:

- Plan sponsor perceptions display evidence that the bundled retirement outsourcing market is reaching maturity. Regardless of their bundling status, plan sponsors are increasingly "comfortable" with the cost, time, and resources associated with administering their benefit plans. In 2005, 68% of plan sponsors reported "comfort" in these areas versus 77% in 2008.
- Providers have made progress convincing plan sponsors who were already receptive to bundling about certain benefits associated with bundling. For example, both semi-bundled and fully bundled / TRO / TBO respondents are more likely to agree in 2008 that bundling saves time and resources (56% vs. 34% in 2005 and 74% vs. 62% in 2005, respectively).

- Though cost savings and efficiency remain the most important reasons sponsors give for bundling in 2008 (mentioned as the most important reason for bundling by 39% and 17% of sponsors, respectively), other key reasons vary by a plan's bundled status. For example, fully bundled plans place great value on having a single point of contact, while semi-bundled plans place much greater emphasis on the opportunity to improve participant services.
- As a group, bundled plan sponsors question the ability of providers to deliver a consistent service experience across the bundled offering. As evidence, bundled plan sponsors report considerably lower satisfaction levels with their DB providers in 2008 (63% vs. 77% in 2005), but higher satisfaction levels with their DC providers (85% vs. 77% in 2005). Intermediaries echo these sentiments, as only 13% believe that service quality is consistent across components of a bundled package.
- According to intermediaries, external forces – namely regulations and market conditions – are motivating plan sponsors to identify new ways to manage the risk associated with their benefit plans. In particular, respondents mention that many plan sponsors are shifting to liability driven investment (LDI) strategies, freezing or terminating DB plans, and seeking more conservative investment approaches.

### Implications for Providers

Much has changed over the past three years in the bundled retirement outsourcing market. The most promising sales opportunities, the value proposition for bundling, and the optimal bundled package have all evolved. As a result, providers would be well served to “hit the refresh button” on their retirement outsourcing marketing, sales, and product development efforts. Success in the future will require a new level of commitment, focus, and discipline.

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The 125 page report's foundation is in-depth online surveys completed by 297 plan sponsors affiliated with defined benefit plans ranging in size from \$1 MM in assets to more than \$1 BN in assets and interviews with 16 investment consultants and financial advisors. For more information about Chatham Partners please visit [www.chathamllc.com](http://www.chathamllc.com) or call (781) 314-0600. For more information about this research study, please contact Andrew McCollum at [amccollum@chathampartners.net](mailto:amccollum@chathampartners.net) or call (781) 314-0607.

Chatham Partners, based in Waltham, Massachusetts, provides strategic advisory services and market research to the financial services industry.