

## — THE CORPORATE EXECUTIVE BOARD —

The Corporate Executive Board is the premier membership organization for senior executives of leading institutions worldwide to discover innovative strategies for addressing their most pressing challenges. Our dedicated membership programs focus upon increasing the effectiveness of leaders within member organizations. To that end, we provide a suite of services—best practices research, executive education and decision support tools—designed to accelerate the implementation of new strategies and to help members avoid reinventing the wheel as they address problems shared with their peers.

## — THE RETIREMENT SERVICES ROUNDTABLE —

The Roundtable provides best practices research for financial institutions serving the retirement services market, including asset management firms, defined contribution and defined benefit plan providers and partnering organizations. Recently published strategy studies have focused on defined contribution sales trends, defined benefit product bundling strategies, and industry economic and outsourcing trends.

# Building Integrated Partnerships

## *Case Study*

# Technology-Based Service Coordination

### **Overview**

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To simplify and minimize the cost of partnership coordination, PAi uses proprietary technology to ensure service quality during all aspects of the plan and participant lifecycle (i.e., onboarding and ongoing administration). At the outset of a new partnership, PAi works with each of its partners to develop co-branded or private-labeled service models based on their brand identity preferences. Throughout ongoing administration, institutional dashboards provide partners with real-time access to plan- and participant-level information. In addition, event triggers—prompting phone calls or emails—automatically alert partners of important information. To provide aggregate data on a formal basis, PAi distributes quarterly executive management reports detailing sales, growth, and service metrics. Nearing the end of the participant lifecycle, PAi forwards participant termination records and warm call center leads to financial advisors and institutional partners to facilitate rollover opportunities.

### **Driver**

Providers commonly object to outsourcing recordkeeping and administration due to the perceived complexity of coordination and the likelihood that complexity will generate service lapses, sponsor dissatisfaction, and defections. In addition, brand identity damage and high partnership coordination costs top the list of provider concerns. At the same time, the cost to platform providers of dedicating large numbers of staff to alleviate service concerns can be prohibitive.

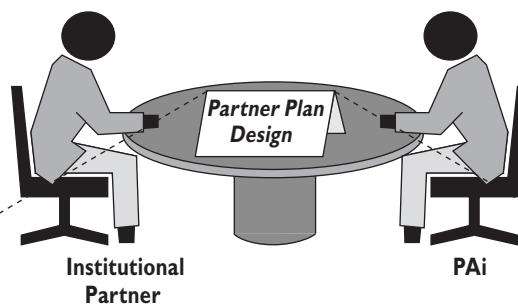
### **Key Insight**

By building technology and automation tools aimed at facilitating information exchange between itself and its partners, PAi limits the need for more costly forms of communication (e.g., phone calls and site visits). As a result, PAi reduces partnership coordination costs and ensures its service quality meets partner standards.

**Component #1: Service Branding Selection**—At the outset of the partnership, PAi collaborates with its institutional partners to provide them with control over service model design. Partners choose between co-branded and private-labeled models based on their branding and expense preferences. While co-branded models carry no additional cost, private-labeled options are more expensive depending on the degree of customization required. PAi also offers call center rental options, enabling partners to maintain full control of the front-office while leveraging PAi’s technology.

## TO EACH HIS OWN

### PAi’s Service Offering Design Options



Low Upfront Cost

No Upfront Cost

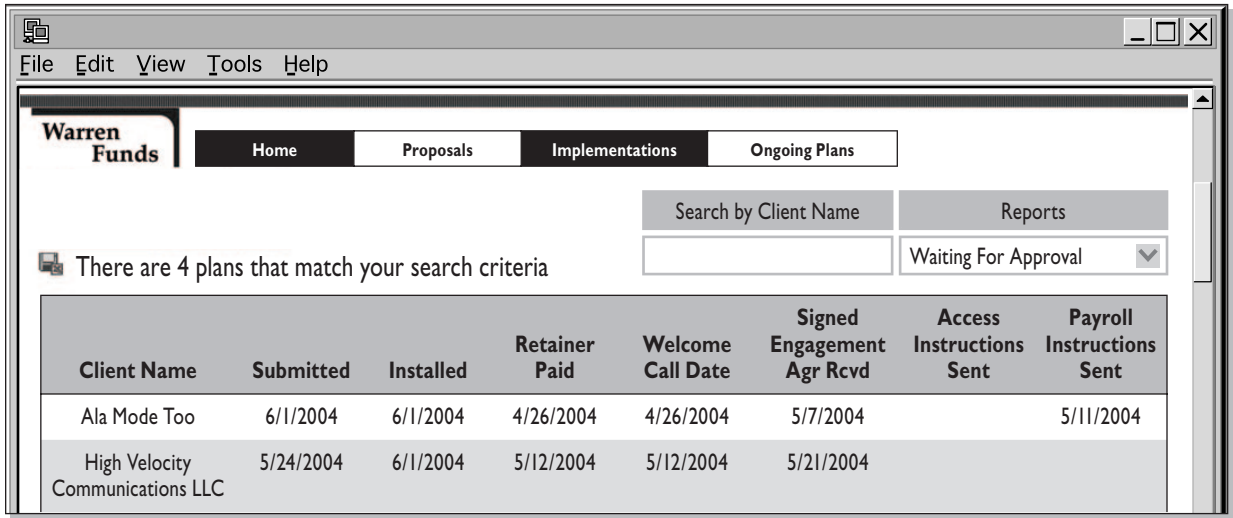
	Private-Labeled	Co-Branded
Plan Document and Service Agreement	<ul style="list-style-type: none"> <li>• Private-label engagement agreement between partner and customer using PAi’s standard agreement as the base agreement</li> <li>• Partner assumes liability</li> </ul>	<ul style="list-style-type: none"> <li>• PAi-sponsored document</li> </ul>
Call Center	<ul style="list-style-type: none"> <li>• Partner-branded</li> </ul>	<ul style="list-style-type: none"> <li>• PAi-branded</li> </ul>
Web	<ul style="list-style-type: none"> <li>• Sites display partner’s company and product logos</li> <li>• Partner and PAi Web sites can be linked</li> <li>• Partner can have a unique URL</li> </ul>	<ul style="list-style-type: none"> <li>• Sites display partner’s company logo and PAi’s product logo</li> <li>• Partner’s Web site links to PAi’s site</li> </ul>
VRU	<ul style="list-style-type: none"> <li>• PAi’s standard system with a unique toll-free number</li> <li>• Partner-branded</li> </ul>	<ul style="list-style-type: none"> <li>• PAi’s standard system and toll-free number</li> <li>• PAi-branded</li> </ul>
Participant Statements	<ul style="list-style-type: none"> <li>• Partner can design and develop a custom one-page, two-sided statement</li> </ul>	<ul style="list-style-type: none"> <li>• PAi’s standard statement printed on partner’s paper stock or with digitized partner’s logo</li> </ul>
Forms and Correspondence	<ul style="list-style-type: none"> <li>• PAi’s standard forms with partner’s brand name</li> <li>• Partner’s letterhead</li> </ul>	<ul style="list-style-type: none"> <li>• PAi’s standard forms and correspondence letters</li> </ul>

**Component #2: Customized Information Dashboards**—PAi minimizes coordination costs by creating dashboards and automatic alerts to provide partners with plan and participant data. The mix of self-service and proactive information exchange prevents service-related questions. As a result, less time is required of representatives from both firms to initiate and follow-up on partnership-related inquiries. Dashboards provide comprehensive plan information from the implementation process—including details on what requisite plan-level documents remains outstanding—through to ongoing administration. Recognizing that loss of client relationship control is a principal concern of its partners, PAi enables partners to access data at the participant level. The firm also equips its back-office technology with triggers to automatically alert its partners of particular plan-related events to ensure they are aware of key information immediately.

# INFORMATION SHARING

*PAi offers self-service options to provide information...*

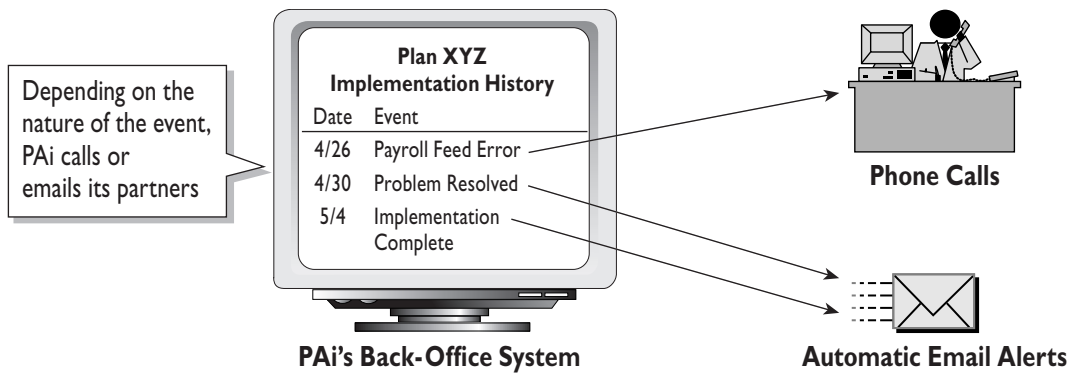
Screen Shot of PAi's Institutional Dashboard



*...while proactively notifying partners of important activities*

PAi's Event Trigger Process

Illustrative

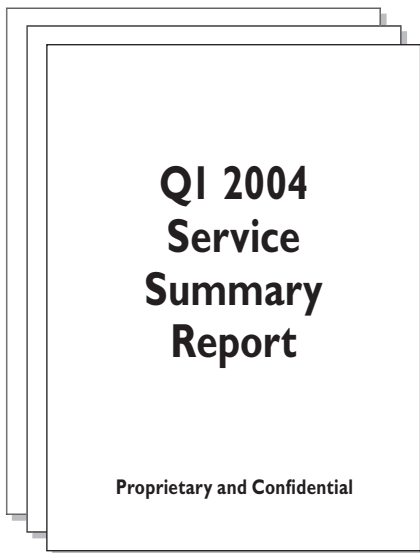


Source: PAi.

**Component #3: Periodic Service Reports**—Because service levels within a partnership arrangement represent a key concern for many providers, PAi provides granular detail on customer service metrics. The reports ensure institutional partners have a thorough understanding of service quality. For example, PAi proactively distributes quarterly executive management reports summarizing key sales, growth, and service metrics provide to partners with product performance information on a formal basis.

## IN THE KNOW

### PAi's Quarterly Executive Management Report



**1 Proposal Activity**

All proposals were sent to the advisor within 24 to 48 hours.

Proposals	Plans	Participants	Average Number of Participants Per Plan
Startup	591	9,057	15
Takeover	119	2,550	21
<b>Total</b>	<b>710</b>	<b>11,607</b>	<b>16</b>

**2 Sales**

Closed sales increased by 30 percent over Q4 2003. The closing ratio percentage is shown at the top of the bar for each month and the average closing ratio for Q1 2004 was 22 percent. This matches the average for 2003, and supersedes industry averages.

Month	Closing Ratio
Jan	20%
Feb	22%
Mar	24%

**3 Assets Under Management**

Assets increased by over 41 percent from 12/31/2003.

Total Plans	655
Total Participants	4,398
Total Assets	\$78,740,573
Investment Only (I/O) Assets	\$663,517
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Average Number of Participants Per Plan	7
Average Assets Per Plan	\$120,215
Average Balance Per Participant	\$17,903

**4 Customer Care**

Service Metric	Performance
Number of Call Center Calls	25,000
Average Speed of Answer	91% within 20 seconds
Percentage of Calls Answered	92.6%
Percentage of Calls to Voice Mail	3.8%
Average Length of Call	3 minutes and 37 seconds

**5 Summary**

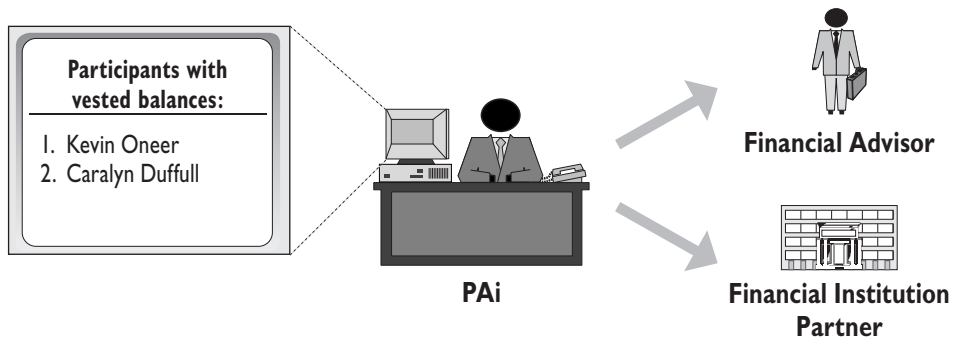
<b>Proposals</b>	
Q1 Forecast	559
Q1 Actual	710
Q1 Performance	+151 Proposals
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<b>Sales</b>	
Q1 Forecast	90
Q1 Actual	156
Q1 Performance	+66 sales

**Component # 4: Rollover Capture Strategies**—PAi works with its partners to ensure they maintain control over the participant rollover opportunity through timely contact with partners and financial advisors. Using both participant termination notification and call center lead generation, the firm reaches out to institutional partners and financial advisors at likely participant rollover opportunities. By proactively communicating important participant data, PAi shares an advantage it has as a recordkeeper: close proximity to plan and participant information.

## ROLLOVER ASSISTANCE

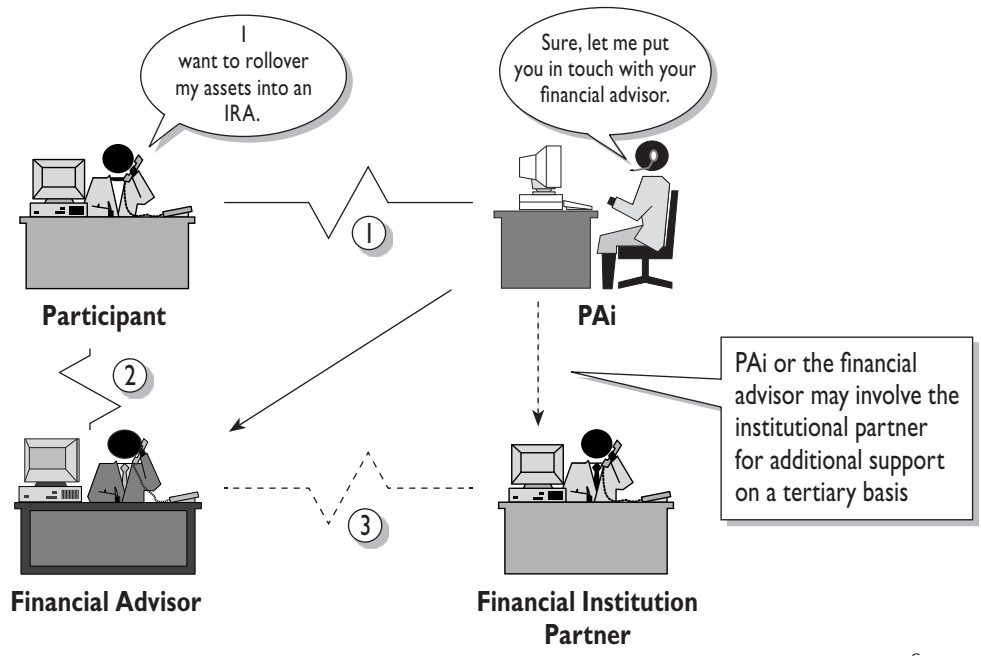
***PAi automatically alerts FAs and institutional partners of participant terminations...***

PAi's Participant Termination Notification



***...and warm rollover leads at the call center***

PAi's Participant Call Routing



## CASE RESULTS

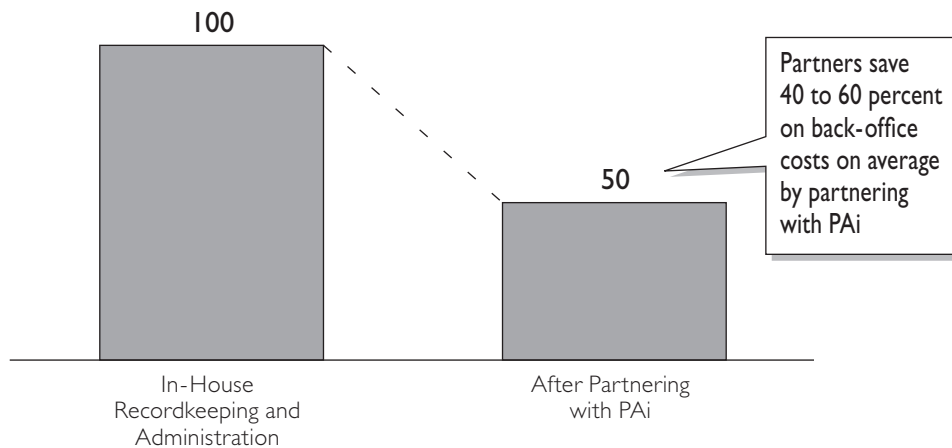
PAi's ability to minimize coordination costs by providing transparent access to plan and participant information yields strong cost savings and plan retention rates for its institutional partners. As a result, PAi's partners are able to reduce their overall costs without sacrificing plan defections.

### LESS IS MORE

**PAi's partners reduce their costs...**

Average Partner Cost Savings, PAi, 2003

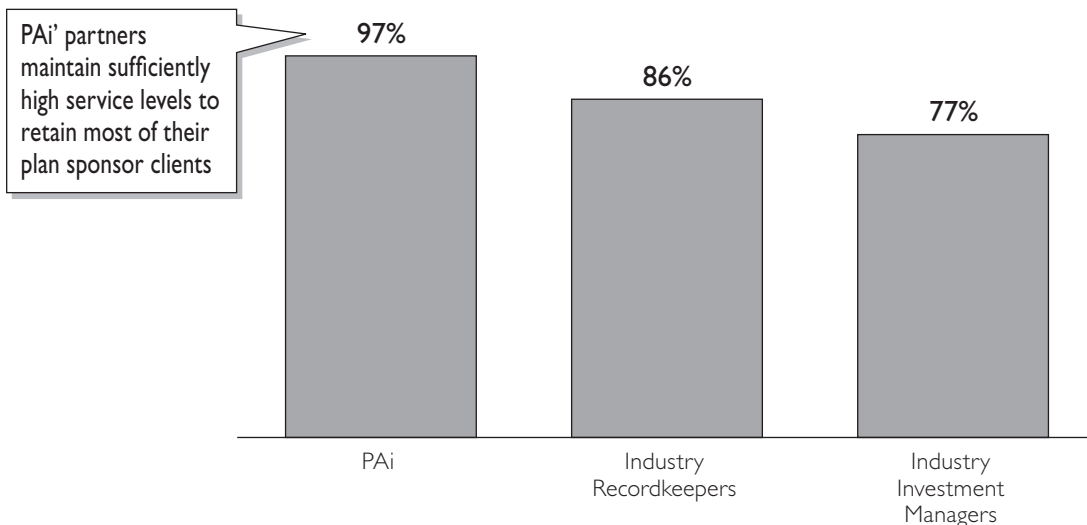
*Indexed to 100*



Source: PAi.

**...while avoiding service-level threats**

PAi's Plan Retention Rate, 2003



Source: CRA Rogers Casey/IOMA 2003 Survey of I-250 Plan Participant Market.

## ASSESSMENT

- Using technology, PAi resolves a common provider concern over outsourcing—the prohibitive cost and complexity of partnership coordination. Informational dashboards and automated notification alerts reduce costs and simplify coordination by providing institutional partners with a complete representation of plan- and participant-level activity at all times.
- Firms often assume that outsourcing necessitates a compromise between cost savings and service quality, particularly in the small-plan market. By allowing institutional partners to dictate the design of their partnership models and regularly updating them on service performance, PAi offers its partners significant control over their service model.
- Leading and marginal providers alike cite participant rollover opportunities as a justification for maintaining a fully bundled model despite frequently unprofitable platform economics (when viewed on a standalone basis). However, PAi brings its partners in at key revenue points (e.g., participant termination and high-potential rollover sales at the call center). As a result, partners benefit by offloading costly back-office activities, while owning the attractive revenue opportunities.