

Participant Education

PAPERS Conference

May 26, 2016

Topics

- ▶ Education vs Advice?
- ▶ **What** Education to Offer?
- ▶ **How** to Offer Education You Want?
- ▶ **Is What We Offered** and **How We Offered It** Achieving Results?

Education vs Advice

- ▶ Complicated by different standards for ERISA and Governmental Plans
- ▶ Education early in a career can really be beneficial, however....
 - Employees nearing retirement must make irrevocable decisions-they need concrete guidance-at exactly the time when they don't know who to trust

What Education to Offer

- ▶ **Know Thy Product:** Ask How All Your Retirement Offerings Fit Together
 - If you don't understand, it is likely neither will your employees
 - If overlapping or duplicative plans exist, pare them down
 - Multiple 457(b) Deferred Compensation plans is the most common plan duplication issue with governments today

What Education To Offer

- ▶ **Results Matter:** What Are We Trying to Achieve with Our Retirement Program?
 - **Retirement security** beneficial to both the employer and the employee
 - Direct connection between financial actions/decisions taken during their employment will have a significant impact on their **retirement readiness**

What Education To Offer

- ▶ **Overall Themes:** How Do You Bring the Topics/Materials Together
 - **A view of the total picture** is preferable to segmentation
 - **Focus integrated materials** on key decision points or key decision periods related to employees
 - These can be life event changes such as child birth or employment event changes such as promotions or significant pay increases

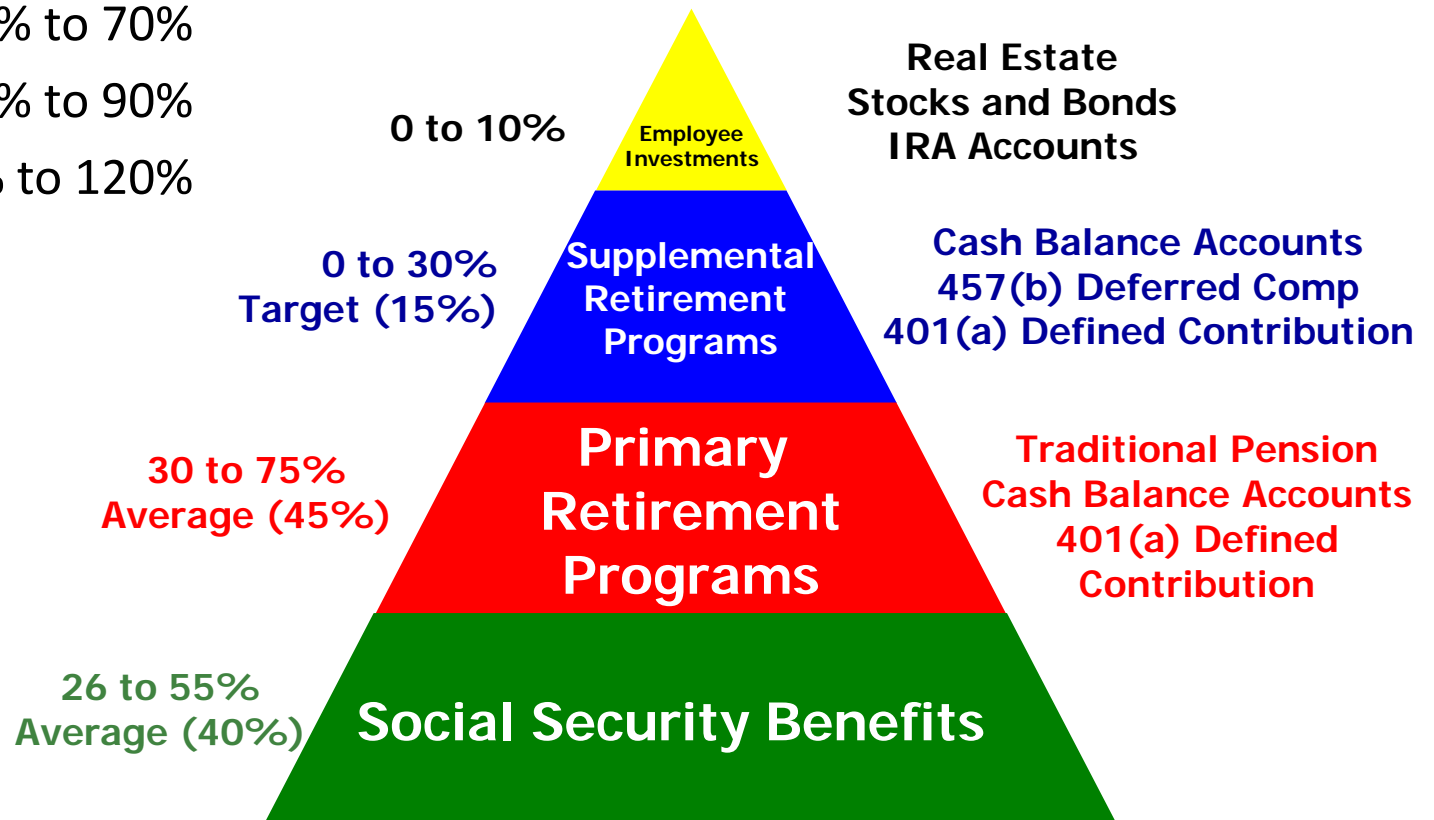
Income Replacement Ratio

IRR Ranges

Minimum: 60% to 70%

Common: 80% to 90%

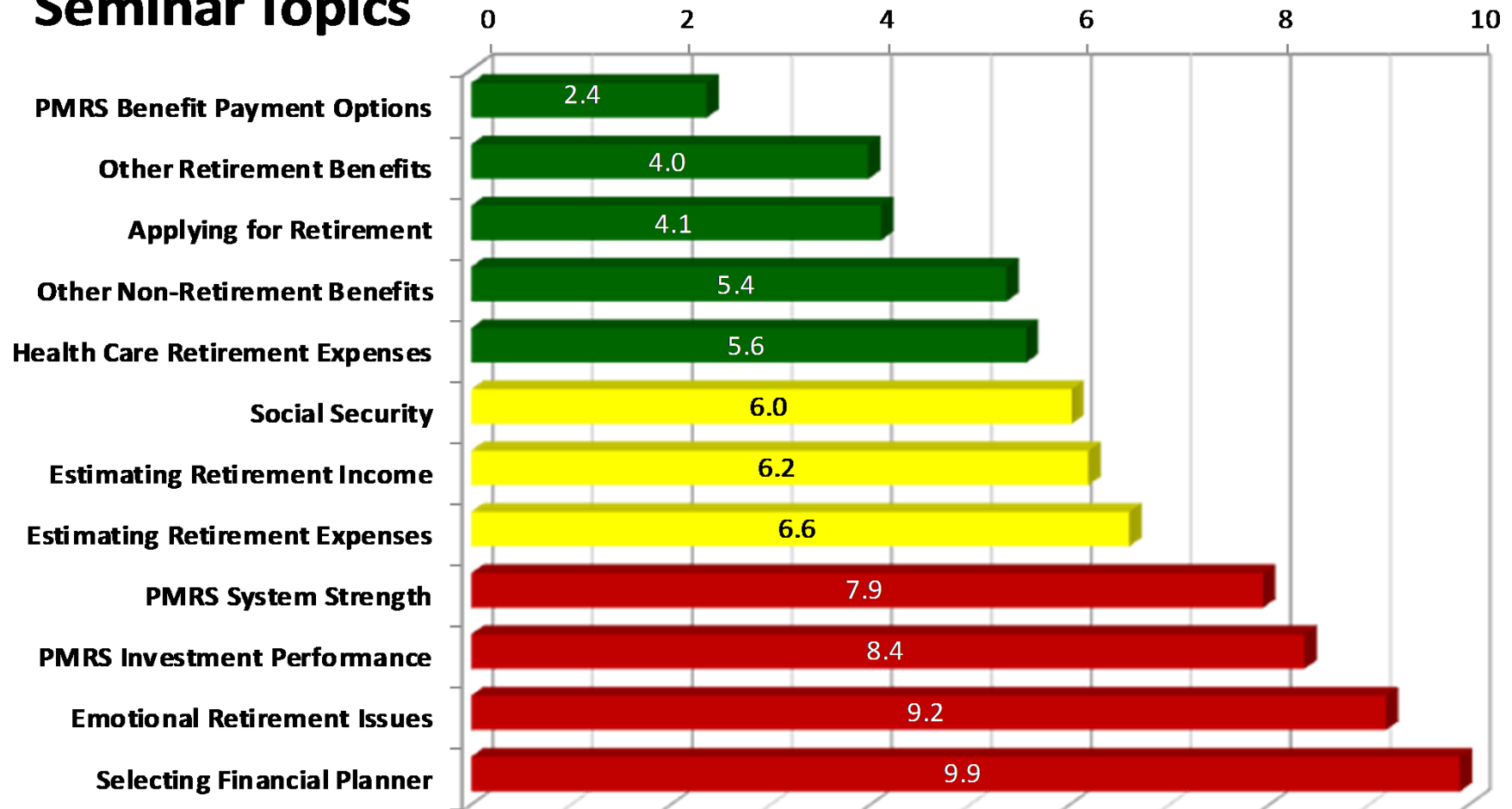
Generous: 100% to 120%



What Education To Offer

- ▶ **Ask the Customer:** Ask for Feedback on Likely Topics of Interest
 - Describe in enough detail to make the topics distinguishable one another
 - Different topics will be more or less appealing to different employee segments
 - Match align topics of high interest with segmented employee groups

Seminar Topics



How to Offer Education

▶ Who Will Create and Distribute the Educational Offerings?

- External Specialists vs Internal Generalists

- If External Specialists:

- Risk of “Conflicted Communications”
- Reward of Credentialed Professionals

- If Internal Generalists:

- Risk of Inappropriate or Marginal Value Communications
- Reward of “Minimized Conflicts”

Internal vs External Resources

▶ With an External Education Source

- Avoid “Free” Presentations

- Contract for specific presentation topics
 - Clarify any allowable non-presentation communications initiated by presenter
- Pre-screen materials to be presented
- Clarify any potential conflicts with presenters

- Leverage Existing Retirement Plan Vendor Relationships

- Review available materials
- DC and Deferred Compensation providers

Internal vs External Resources

▶ With an Internal Education Source

- Invest in Training and Certifications
 - National Pension Education Association (NPEA)
 - National Association of Governmental Defined Contribution Administrators (NAGDCA)
 - Certified Retirement Counselor (CRC) designation from International Foundation for Retirement Education (InFRE)
- Focus Them on Specific Segments of a Plan or Specific Period in a Career

How to Offer Education

- ▶ What Distribution Channels Will Be Effective?
 - Face to Face Presentations
 - One on One
 - Groups
 - Video and Audio Presentations
 - Webinars
 - Scripted Materials
 - Interactive On-Line
 - Chat messaging

How to Offer Education

- ▶ What Types of Messaging Can Impact Results?
 - “Real-Time/”In the Moment” Support
 - Reassurance after Key Positive Decisions
 - Reminders of Upcoming Deadlines with Reinforcing Themes for Positive Action
 - Positive and Concrete Outcomes Related to the Decision
 - Significant Positive Outcomes Summary on Social Media

Does the Education Really Work?

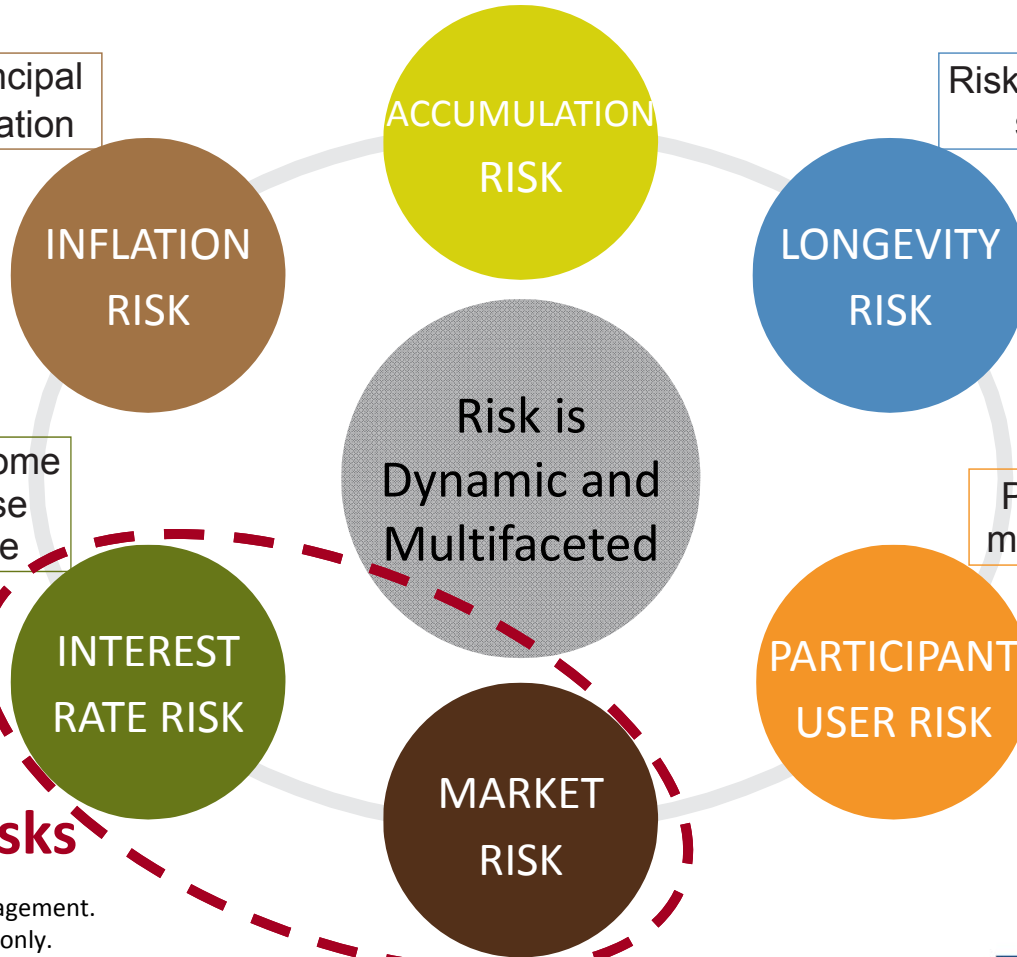
- ▶ Metrics and Feedback Are Critical to Understanding Success or Failure
 - Begin with what you can measure easily
 - Participation Rates in Meeting
 - Ad hoc feedback of seminars and distributed materials
 - Use Inexpensive Survey Instruments
 - SurveyMonkey is easy to use and inexpensive
 - Begin with small and fast surveys

Retirement Plan Risks

Failure to save enough due to lack of growth, low savings rate or unexpected market event

Risk that value of principal will be eroded by inflation

Risk of outliving savings



Risk that fixed income securities will lose value if rates rise

Possibility participant will misuse investment options

Risk of capital or investment losses due to market or asset class volatility

Investment Risks

Source: J.P. Morgan Asset Management.
Shown for illustrative purposes only.

Conclusions

- ▶ Governmental Plans Generally Lag in Focusing on Plan Participant Success
- ▶ Retirement Plan Efforts Too Often Emphasize Successful Plan Financial Success in terms of Reduced Cost
- ▶ Participants are scared
 - Consistent talk of “pension crisis”
 - Participants ill-prepared to transition to

Conclusions

- ▶ Participants are anxious/scared even
 - Consistent talk of “pension crisis”
 - Participants ill-prepared to transition to added financial responsibilities associated with DC and Deferred Comp plans
 - Insufficient management appreciation for additional employee assistance associated with multi-plan coordination

Thank You

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