



ENGAGEMENT, COMMUNICATIONS, AND CONFRONTING THE “INFORMATION AGE TIDAL WAVE”

INTRODUCTION

With the vast array of communication devices at our fingertips, all delivering content such as email, social media, print, and video messaging one thing is clear: the information tidal wave is upon us. How we choose to sort through this avalanche of information does not have a cut and dry answer, but one must rely on a combination of strategies to use them to our best advantage. The challenges we face in the supplemental retirement plans space is to package it in such a way that our participants remain engaged and are not overwhelmed by the intended messaging. Our goal in providing this publication is to assist you with understanding the many different facets of the “Information Age Tidal Wave” by investigating the following:

- Challenges of Traditional Communication
- Plethora of New Communication Approaches Available
- Funneling the Information Age Title Wave: A Generational Approach

CHALLENGES OF TRADITIONAL COMMUNICATION

Effectively communicating with participants has always been a challenge for plan sponsors and record keepers. Traditional participant communication, such as printed brochures and fliers, were often difficult to read and dull, containing plan rules and regulations. Plan sponsors, in an effort to meet their fiduciary responsibilities, reviewed most of the materials and made sure that they were distributed through their human resources/benefits departments or mail. Whether or not employees were engaged in the process was not the priority. In today’s world, these traditional methods seem less than optimal and plan sponsors are forced to continuously evaluate the delivery method used to educate and engage employees. Effective communication is crucial in encouraging employees’ participation in their employer-sponsored retirement plan and continuing after retirement.

Providing increased education and deploying the necessary resources to develop more effective communications eventually became the priority. Communication became more specific with respect to plan mechanics, investment offerings, and withdrawal options, among others. Dedicated marketing departments were created to plan

communication and making them visually interesting and comprehensive.

Audience Specific and Appropriate

Public sector plans, unlike private sector plans, often include a more diverse workgroup with regard to age and length of employment, presenting a unique challenge when creating communication. Demographic analysis can help plan sponsors pinpoint which groups of workers may benefit from certain types of communication or education about the plan.

Public sector plans also often include groups with different educational levels and retirement ages, e.g., uniformed employees who may be eligible to retire in their 40s. Communicating the value of the plan to these employees and preparing and motivating them to save adequately for retirement often requires customized messages to meet the specific needs of the employee population.

Effectiveness

In both their work and personal lives, public sector employees are inundated with information on a daily basis. Competing for their attention to look at their 457, 401(k) or 403(b) plan materials, understand, and respond is part of the challenge plan sponsors and record keepers currently face. From the widespread introduction of the Internet in the mid-90s to today's mobile apps, plan sponsors have tried to deliver plan information to employees that is both comprehensive and easy to navigate, while continuing to meet fiduciary responsibilities.

Analyzing plan demographics allows plan sponsors to understand their workforce differences and prepare materials that

may be more relevant to employees based on their age, gender, and stage of life. For example, do you communicate to Generation Y workers the same way as to Generation X workers? What about the Baby Boomers? Don't forget about the Millennials, who are just entering the workforce and are used to "instant" everything. Understanding generational differences is key to engaging public sector employees.

And what role, if any, does social media play in all of this? Plans seem to be entering this space cautiously. But, is it not inevitable? After all, Facebook has over 1 billion users with 556 million people accessing the site every day on their smartphone or tablet¹.

Plan sponsors and record keepers need to look for innovative ways to reach and educate today's digital workforce. Today's workforce is looking for quick and easy access to plan information and information that is easy to understand. The days of 30-page Summary Plan Descriptions and 100 investment options to choose seems to be behind us. The old adage that "less is more" has new meaning when it comes to both plan design and communication. YouTube videos, E-mercials and infographics, which are all quick "show-me" delivery methods, are becoming increasingly popular ways to communicate to employees. One thing is clear: employees will need and want access to plan information when it is convenient for them, delivered through smartphones and tablets.

Plan sponsors will need to use various channels of communication to reach employees while continuing to vie for their attention. Staying on top of current technological trends will play a critical role in reaching employees to communicate to them about their retirement savings

plans while using various channels of communication, such as webinars, podcasts, text messages, and social media.

PLETHORA OF NEW COMMUNICATION APPROACHES AVAILABLE

Plan and investment information tends to be delivered in various forms, with the most common being direct mail, posted communication, and statement messaging. Traditional field activities like group meetings, participant one-on-ones and, more recently, Saving Expos or group informational events, are still used. Many plans are also providing information through social media like Facebook, Twitter, Google+, LinkedIn, and YouTube. Let's look at some of these approaches and investigate some of the advantages and disadvantages.

Print Media

Print media continues to be an important avenue to deliver plan and investment-related information to participants. The most common forms are posted communication, direct mail, and targeted statement messaging. All of the above outreach efforts are effective, but at what cost? With the price of mail and print increasing everyday, at some point there is a diminishing return and also the risk of redundancy and waste as sales materials may end up in the trash. In some cases, prospective participants receive the same information two or three times before they are ready to enroll in the plan. Although expensive, direct mail can be effective.

The success of any direct mail campaign will be a byproduct of the quality of the list provided and also making sure that the expected outcome is supported by the names on the list. For example, you

do not want to send a flier in attempts to defer sick and annual leave payments into the plan to participants who are in their 20s and 30s. Targeted statement messaging is a cost effective means to deliver both plan and sales-oriented messaging because you are piggybacking the cost of the statement mailing. Through this mode of communication, messaging can be modified to suit the audience. General plan information can be delivered in one section of the statement, while other demographics can be segregated to receive an entirely different message. For example, participants in their early years could receive a message on increasing their contributions, while those participants who are later in life may receive a message on options available to them as they approach retirement.

Traditional Field Activities

The public sector retirement plan business historically and in most cases still today continues to be built on traditional face-to-face interactions. Whether in a group setting or meeting one-on-one with a plan representative, this mode of delivering plan information has been the cornerstone of the industry. Although highly acceptable in the industry, the question begs—is this the most efficient way to communicate plan information to the largest possible audiences in a cost effective manner? This mode is time and labor intensive and limited by the number of hours in a day and the number of servicing representatives assigned to the case. Group meetings delivering non-traditional plan messaging such as topics on budgeting, Social Security, and women and investing are being used to get perspective participants in the door to spark an interest in retirement preparation.

More recently, Savings Expos have been implemented in an effort to provide the

one-on-one touch, while at the same time trying to cast a bigger net to draw more participants and prospective participants to one common area. During these Expos, a one-stop shop of financial information is presented from representatives from the retirement system, credit union, 529 plans, mutual funds, state, local agencies, etc. The Expo provides one-on-one time with persons responsible for providing them an opportunity to secure a successful retirement, but delivered in a group setting.

Social Media and Mobile Computing

Social media and mobile computing are here to stay and growing each and every day. Consider the following:

- Social media usage in the U.S. has increased by 356% since 2006.¹
- 1/3 of Facebook users and 50% of Twitter users access via a mobile device.²
- Internet users spend 22.5% of their online time social networking.³
- Time spent on Facebook is twice the time spent on Google.⁴
- 33% of U.S. online consumers have made a purchase based on recommendations from friends on Facebook.⁵
- 35% of customer posts are compliments.⁶
- 15% of online adults use Twitter.⁷
- 67% of U.S. online consumers trust information and advice they hear on Facebook.⁸

Let's investigate some of the advantages and disadvantages of the most popular social media sites:

Facebook

- 67% of U.S. online adults are active on Facebook
- Can create a business page to post information on your organization and invite participants to "like" your page, which will push your information to them
- Ability to post photos, videos, infographics, etc.
- Good customer service tool—participants can provide comments and feedback, along with asking questions
- Change in the way Facebook does business now limits your message to your group. Important to have relevant content and messaging that your followers will engage with or your message will not be seen

Twitter

- Excellent channel for "broadcasting" snippets of information linking back to website content or other relevant sources and engaging in conversation with participants
- Ability to do keyword searches and engage in conversation with people talking about you
- Ability to mine follower's connections for prospective participants
- Use hashtag (such as #finance, #retirement) to reach relevant and popular conversations

Google+

- Largest social network by number of users, but engagement with the platform is not equal to that of Facebook
- Google favors this channel and participating on it helps with your Google search visibility
- Find and connect with prospective participants through mining their circles
- Timeline format is similar to that of Facebook

LinkedIn

- Professional orientation of the platform is not well suited to deliver plan information
- Reach of shared/commented on content is much lower than Facebook's
- Lower engagement with platform means content may go unread

YouTube

- Excellent medium for educational content
- Limited opportunity to connect with prospective participants within the platform, but you can reach a wider audience to educate about issues, as YouTube is the second largest search engine, behind Google
- Encourage audience to comment, submit their own videos and create playlists

There are many ways to communicate with participants and prospective participants and there's no "one size fits all" approach. The communication landscape is rapidly changing on a daily basis. It is the charge of the retirement plan industry to continue to evolve and provide participants with relevant, concise, and engaging information using multiple media sources to achieve the desired result of the communication.

FUNNELING THE INFORMATION AGE TITLE WAVE: A GENERATIONAL APPROACH

Lessons from National Pension Communication Campaigns

Recent research has provided some useful examples of the best ways to target communication, including the best channels to use for various demographic groups. For example, an Organization for Economic Cooperation and Development (OECD) Working Paper describes the efforts around National Pension Communication Campaigns (NPCCs) across 21 countries, ranging from Estonia to New Zealand, geared to build trust and confidence in recently reformed pension systems. Three main challenges for the NPCC's were identified: lack of interest (especially among the young), complexity of the topic, and low level of financial literacy (especially among the most vulnerable groups).

The NPCCs involved an extensive range of distribution channels, including web, print material, the media, billboard advertising, social media, mobile phones, workplace events, public seminars, workshops, and roadshows.

In Hungary, an initial, generic NPCC in the late 1990s was deemed a failure in its effort to help Hungarians understand why they had to join the new pension system and what investment risks were inherent in their choice of investment funds. The campaign failed to target specific audiences, and was ultimately overshadowed by the high level of advertising by private pension operators, resulting in negative public perception.

Hungary's second NPCC in 2008 divided the population into behavioral categories such as opinion leaders, early adopters,

and laggards. Information was then sent that matched the perceived needs of each category. In all, 800,000 brochures were inserted into daily newspapers, reaching most Hungarian households. A survey conducted after the initiative found that of those who received the brochures, 71 percent were able to recall the articles about the pension reform—a successful outcome.

Likewise, Ireland's NPCC specifically targeted young people (aged 25-39); women; recent graduates; hospitality, farming, and the rural community sectors; international workers; and schools. The NPCC was an integrated communication program, which strived to make the subject matter interesting and consumer friendly for each target group using television, radio, cinema, the press, posters, and Internet banners.

Subsequent analysis found that pension awareness in Ireland increased from about 60 percent in 2003 to 87 percent in 2007. Further, following the financial crisis and the downturn in markets, 60 percent of surveyed pension members made no change to their contributions, while 20 percent had increased contributions, demonstrating confidence in the pension system.

Targeted Communication in the United States

Here in the United States, targeted communication is increasingly becoming the norm. According to a survey of major defined contribution record keepers by Callan Associates, all offer some sort of targeted communication program. A case study by a major defined contribution record keeper provides a good example of how such targeting can change participant behavior.

Working with its defined contribution plan sponsor, the record keeper created an online quiz that sought to educate female employees about retirement topics and ultimately increase their deferral rates.

The educational campaign started with a simple email sent to female employees titled: "Women face unique financial obstacles: Learn to overcome them." In it, a brief online quiz sought to engage the female employees by probing their knowledge of investment and retirement issues specific to them. Examples of the questions included: "How many more years of retirement savings does the average woman miss out on, compared with men?" The women were provided with feedback, including 1) whether their response to the question was correct; 2) why women may face certain obstacles to overcome in saving for retirement (such as time spent out of the workforce to raise their family); and 3) ways to overcome those obstacles (such as ratcheting up savings to compensate for lost savings years).

In all, 3,658 participants were included in the campaign. The record keeper reported that as a result of the campaign, 8 percent of female employees increased their savings rate. In a follow-up survey, the majority of those who responded said the quiz was helpful and that they would like to continue to have women's only education to help with their retirement saving.

The record keeper further reported that the female-specific intervention was more cost-effective than other, less effective approaches.

Targeting Young Workers

As the OECD and others note, one of the toughest-to-reach, least-engaged demographic groups when it comes to saving for retirement is, arguably, young workers. Research on generational differences finds that three times as many Generation Y workers as Baby Boomers say that they do not save for retirement because it is not a high priority for them

(27 percent and 9 percent, respectively). More than twice as many Generation Y workers than Generation X workers claim they cannot contribute more to their DC plan, because they are not in a situation to save for retirement.⁹ Lifestyle purchases and saving for home purchase were among the top reasons listed for failing to save—rating significantly higher than for both Baby Boomers and Generation X workers (Exhibit 1).

EXHIBIT 1

What Gets in the Way of Retirement Savings?¹⁰

	Baby Boomers	Generation X	Generation Y
Day-to-day needs	67%	71%	78%
Lifestyle purchases	40%	46%	61%
Saving for home purchase	15%	31%	45%
Saving for emergencies	47%	49%	38%
Saving for children	40%	53%	21%
Saving for other investments	24%	30%	23%

How can retirement savings be made a higher priority for young workers? As indicated earlier, part of the answer lies in intelligent use of technology—including something as simple as incorporating electronic tablets into retirement education meetings.

A record keeper documents an educational campaign where primarily Generation Y employees at a company were encouraged to interact in their plan's retirement savings meetings by bringing their iPads to the meetings, and logging onto the benefits website when the meetings were in progress so that workers could take immediate savings action. The record keeper also simplified the saving message to focus on tangible rewards of participation, such as impact of decisions on monthly income replacement.

As a result of this tactic, the record keeper reported 355 deferral increases within the first 90 days (approximately 40% of those attending).

Support for incorporating such technology into the communication equation also comes from a recent survey by State Street Global Advisors, where 53 percent of 24-32 year olds say they know more about their iPad than they do about saving and debt. The survey also suggests that social media may be an important avenue for reaching these younger workers. According to the survey, workers 25 years of age and younger were more than twice as likely as workers in general to favor a Facebook page that regularly posts reminders, videos, and other employees' comments on how to save more. A similarly high proportion favored an employer-sponsored buddy program

that encourages people to help other people save more, or regular blog postings that encourage employees to join the conversation about saving.

The Dangers of Failing to Target Messaging

Research also points to the dangers of failing to target communication carefully. In a field experiment, Clark et al. sought to increase plan participation by communicating the impact of saving even seemingly small amounts in a 401(k) plan over the long term. The researchers sent fliers to 4,000 workers who were not participating in their 401(k). The flier explained the importance of saving for retirement. It illustrated how giving up incidentals—such as specialty coffee—in order to invest in the 401(k) plan could amount to substantial savings over time.¹¹

The researchers found that younger employees, those 18–24 years old, were 4.5 percentage points more likely to join the 401(k) plan if they received the flier versus those that did not receive it. However, employees aged 45 and older who received the flyer were 4.4 percentage points less likely to participate, compared to those that did not receive it. The researchers noted that the flier highlighted the importance of saving early by demonstrating investment growth over a 40-year period. Therefore, it is possible that this information discouraged the older group of workers, who had far

less than 40 years to save, from participating in the employer 401(k) plan (e.g., “why bother, it’s too late for me to save enough”). Indeed, the researchers noted: “The framing of the flier may have been discouraging to those in the treatment group.” Clearly, understanding generational differences is crucial when framing participant communication.

Matching Technology with the Message’s Recipient

As described above, matching the medium and the message to the correct target audience is important as well. The Pew Research Center finds that while Internet usage is becoming increasingly common across generations, in many cases there are still large differences between the youngest and oldest cohorts (Exhibit 2). According to their study, social networks were used by about twice as many in Generation Y versus Older Boomers. Generation Y is also much more likely to send instant messages and read blogs than older workers. However, the researchers also found that when it comes to getting financial information, Generation Xers and Baby Boomers are more likely than Generation Yers to use the Internet to do so. Meanwhile, the report found very little difference between Internet usage across generations when it came to email, using a search engine, and getting news. This suggests that technology can be used effectively across all age groups—it just needs to be used strategically.

EXHIBIT 2

Activity	Gen Y	Gen X	Young Boomers	Old Boomers
Go online	95%	86%	81%	76%
Email	96%	94%	91%	93%
Use search engine	92%	87%	86%	87%
Get news	76%	79%	76%	76%
Use social network sites	83%	62%	50%	43%
Read blogs	43%	34%	27%	25%
Send instant messages	66%	52%	35%	30%
Get financial information	33%	38%	41%	41%

Source: Pew Research Center

CONCLUSION:

The information tidal wave can be daunting, not only to participants, but to plan sponsors. Practical steps that plan sponsors can take to funnel information and motivate employees to take action include:

- **Knowing your audience:** One size clearly does not fit all when it comes to communication about the defined contribution plan. Employ demographic analysis to pinpoint which groups of workers may benefit from certain types of communication or education about the plan. Often, recordkeepers can provide such data.
- **Realizing that less is more:** Targeted communication can not only be more effective, but also less costly. Think postcard-sized messaging, not glossy 30-page educational brochure.
- **Thinking like a marketer:** The advertising rule of seven says that it takes seven times before the message of an ad will sink in. So use multiple channels of communication to not only reach the widest swathe of employees, but to drive the message home repeatedly.

- **Making the message actionable:** Research shows that employees need to be able to take action immediately—once they've left the meeting, closed the email, or signed off the internet, the chances that they make a change dramatically declines. There should always be a simple way for employees to act on messaging, whether through ipads as discussed above, kiosks, email links or even tear-off and return postcards.
- **Documenting the impact:** Recordkeeping data is a valuable resource to mine and understand which interventions have actually caused employees to participate in the plan, increase savings, diversify better, etc. Weeding out the communication successes from the communication failures will facilitate even better targeting in future initiatives.

And keep in mind that participant communication will continue to evolve. That's good news and bad news. The bad news is that the information tidal wave is likely to increase. The good news is that when funneled well, the information tidal wave will afford even more ways to reach employees, push hot buttons, and get to the right outcomes in a cost effective manner.

REFERENCES

- ¹ The Social Skinny
- ² Facebook & All Twitter
- ³ The Social Skinny
- ⁴ Blogher
- ⁵ Friday Corner: 10 Mobile Marketing Stats
- ⁶ HubSpot
- ⁷ The Social Skinny
- ⁸ Blogher
- ⁹ Employee Perspective on Retirement Saving and Investing. Hewitt Associates. 2004.
- ¹⁰ Ibid
- ¹¹ Can Simple Informational Nudges Increase Employee Participation in a 401(k) Plan? Robert L. Clark, Jennifer Maki, Melinda Sandler Morrill. North Carolina State University. December 20, 2012

Neither NAGDCA, nor its employees or agents, nor members of its Executive Board, provide tax, financial, accounting or legal advice. This memorandum should not be construed as tax, financial, accounting or legal advice; it is provided solely for informational purposes. NAGDCA members, both government and industry, are urged to consult with their own attorneys and/or tax advisors about the issues addressed herein.

Copyright August 2014 NAGDCA