

# Best Practices in Employee Campaigns:

## Helping Them Get There

### EXECUTIVE SUMMARY

One of the biggest challenges employers face is to help their participants prepare for retirement. Consider this: less than 40% of employees have even calculated what they will need for retirement.<sup>1</sup> Moreover, today's employees have a lot of competition for their attention. They are bombarded by information, images and sales pitches that can distract them from saving.

A thoughtfully designed and executed communication program can go a long way toward engaging employees and motivating them to action. Great programs require comprehensive participant data and thorough analysis. Analytic engines help with this process and uncover information that can help you apply behavioral finance theories to a communications strategy. Well executed strategies help get employees enrolled in the plan, investing appropriately, and saving at adequate levels.

One of the most effective communication tools is a targeted participant campaign. A campaign is a direct communication to a participant that asks for a specific, measurable response. Effective campaigns feature a distinct blend of art, science, imagery and text as well as a media mix that can rapidly evolve with technology. They can be conducted in person, electronically, or by mail and are most successful when they address specific behaviors and complement people's natural tendencies.

Behavioral research has revealed how our natural tendencies hinder our financial decisions. People do not seem to be rational planners who exercise unbiased, independent judgment in their savings behavior. Frequently, they fail to act in the manner traditional economic theory expects. Many people do not save, although they know they should. Others are excessively optimistic about their ability to invest. Still others are afraid to invest because they fear potential losses. A good campaign can overcome these common propensities.

Plan communication that is relevant, personalized and has easy-to-implement solutions will produce better results – that is, greater enrollments, higher savings rates and better investment behavior. One of the best predictors of a campaign's success is a plan sponsor's involvement and support. Campaign success means more employees preparing for retirement and greater satisfaction with benefits. This also provides a thorough, written record of your commitment to your employees' best interests.

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Retirement Services

# The Case for Retirement Education

Nearly half (49%) of American workers do not participate in an employment-based retirement plan.<sup>2</sup> Furthermore, only 1 in 4 Americans are very confident they will be financially ready for retirement.<sup>3</sup> Employees with a plan have a valuable benefit; a company sponsored defined contribution plan is a simple and easy way to save for retirement. The question is how to get more employees enrolled?

At the same time, many who do enroll may not be saving at adequate levels and may not allocate their investments appropriately. A wide range of factors including lack of knowledge, initiative and follow-through contribute to these problems and no single solution can address them all. Despite this, personalized, easy-to-act on targeted communication and education programs can be an effective method to both educate participants and motivate them to take necessary action towards a secure retirement.

## Education Challenges and Solutions

A good education program is the cornerstone of a good plan; however, it can be difficult to design and implement because of the diverse nature of the work force. Many plans have multiple locations and employees who speak different languages. Employees also differ in their level of knowledge and interest in their plan and investment options. In addition, employees are very busy and subject to inertia and procrastination. An education program's success can be judged by its ability to get participants to take action.

Retirement education frequently consists of mass mailings sent to participant homes. These mailings consist of a specific message or call-to-action: enroll, save more, or review your investments. The most compelling message, however, is only as good as its ability to facilitate action. It should be carefully targeted, brief and specific. Communications targeted to very specific groups, which include personalized calls to action and easy response solutions will maximize response rates.

Sponsor collaboration is critical to the success of a campaign as well. Employers who support education campaigns, either through co-branded materials or internal communications can triple participant response rates.<sup>4</sup>

1 EBRI 2007 Retirement Confidence Survey.

2 EBRI Issue Brief No. 289, Employee Benefit Research Institute: January 2006.

3 Ibid.

4 MassMutual Spring Into Savings campaign data 2007.

5 The Profit Sharing Council of America. 2007. 48th Annual PSCA Report

## Step One: Plan Analysis

### Understanding the Employee Population

The first step to an effective campaign is a deep understanding of the participant base. This is based both on quantitative and qualitative analysis. Your provider can help assess your plan needs and determine specific objectives. The first things to consider are participation level, deferral rate, and distribution of plan investments.

#### *Participation Rate*

Recent industry reports suggest that the average participation rate is between sixty and seventy percent. Smaller plans tend to have higher participation rates than larger plans. How does your plan compare to these averages? What percent of employees are eligible but not participating? Are they in certain age groups or locations? You want to help your participants take advantage of the plan and its benefits.

#### *Deferral Rate*

The average deferral rate is 5.4% for non-highly compensated employees (HCE 6.7%).<sup>5</sup> What percent of your employees are contributing less than that? If you offer a match, how many participants are contributing to the maximum rate of contribution that is matched? You want your participants to contribute at as high a level as they can.

#### *Investment Allocation*

What is the average number of investments your participants select? Is there a group of participants invested in only one investment option (e.g. the default option)? What do these participants look like in terms of their age, tenure, etc.? If you offer lifecycle investment options, how many have some, but not all of their assets in that option? How many are invested in more than one? You want to make sure participants are aware of their investment options and are using them appropriately.

#### *Usage of Planning Tools*

What is the average age of your participant base? Is it over 40? What is the plan's history of internet or Call Center usage? Is the participant base largely web enabled? You want to know that your participants are using the tools available to them.

Answering these questions will help you identify the areas for improvement and help you determine your campaign goals.

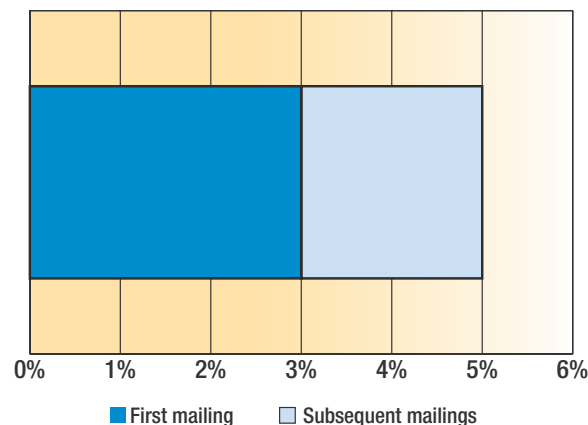
## Step Two: Implementing a Solution Picking the Strategy

Once you identify the goals for your campaign, you can select a campaign that is most likely to help you meet those objectives. Whether it is designed to increase enrollment, savings rates, or something else, campaigns that incorporate the following elements have a greater probability of success.

### Overcome Inertia with Multiple Touchpoints

Repetition is the key to getting a message across. An effective campaign has multiple touch-points to emphasize and re-enforce the message. A good campaign has three touch-points to ensure maximum effectiveness. Each of the three mailings should go out in around twenty-five day increments, although most people take action within the first few days of receiving a message. Employees who take action can be removed from subsequent mailings. Using multiple touchpoints can increase response rates by an average of sixty percent.<sup>6</sup>

### The Impact of Multiple Campaign Mailings on Response Rates

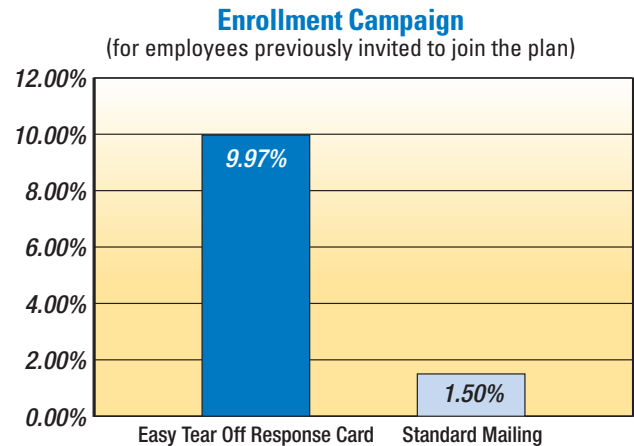


(Based on MassMutual Enrollment Campaign Results 2005-2007 on 57 plans.)

### Make It Easy to Take Action

Direct mail enrollment campaigns that feature personalization and plan name generate an average response rate of 5%.<sup>7</sup> Since American employees have limited free time, it is likely that many non-personalized mailings simply end up in the trash. When a participant's name and relevant information are included, participants are much more likely to read and respond.

The easier it is to respond, the more responses will come in. Providing a pre-filled, tear-off response card in a mailing means participants don't have to fill out long forms or find an address or envelope. Simplifying the process and making the decision less complex increases response rates. Simplifying the response process can increase enrollments and salary deferral increases.<sup>8</sup>

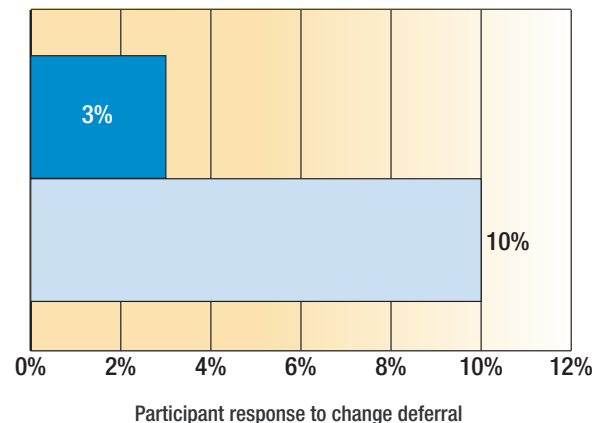


### Brand Your Campaign

Materials that prominently feature the plan sponsor and provider logo also generate higher response rates. Most participants and employees are much more familiar with their employer than they are with their retirement plan provider. For that reason, you want to make sure your sponsorship of the campaign is clearly noted. Internal communication about a campaign reinforces the message and demonstrates commitment to the campaign objectives.

### Plan Sponsors Influence Campaign Results

(Response Rates for Branded versus Non-Branded Increase Deferral Campaign)



<sup>6</sup> MassMutual Enrollment Campaign results 2007. Based on results for 65 plans.

<sup>7</sup> MassMutual Data on 65 enrollment campaigns, 2005-2007.

<sup>8</sup> Beshears, John, James J. Choi, David Laibson, and Brigitte C. Madrian. "Simplification and Saving." National Bureau of Economic Research (NBER) Working Paper 12659: October 2006.

### ***Show Your Sponsorship***

Supporting communications can do a lot to generate campaign awareness and increase response rates. Sponsors can send out internal e-mails or schedule employee meetings shortly before or after the campaign. As a result, participants are on the lookout for the mailing and are thinking about their retirement plan. Ask your provider to draft you an internal e-mail.

Another tactic that can be very effective is to designate plan promoters or activists among the employee population. These employees can encourage other employees to respond to the campaign or answer questions about it. By using role models or other respected employees, the campaign receives added credibility and support.

### ***Leverage Multiple Channels***

Everyone has different preferences on how they like to receive information and take action. By providing multiple channels of information combined with multiple response methods, plan sponsors can reach more people and expect more people to respond.

Ideally, a campaign will use as many communication channels as possible: electronic, mail, and in-person (via a plan promoter or management). Ask your provider to put the campaign or a call to action on the participant website. Another opportunity is to bring it up to participants who contact the Call Center. This ensures a consistent, reinforcing message from multiple media.

Channels are just as important to enable response. Make sure your participants can respond through the mail, phone or electronically.

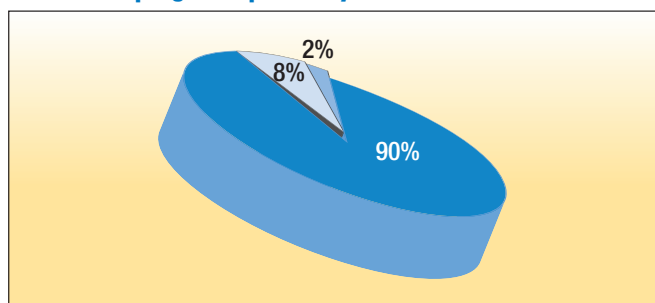
### **Step Three: Track Results Apply What You Learn**

Anything worth doing is worth doing well. Helping your employees prepare for retirement is an important goal and merits effort. It is worth the time to design a good campaign instead of sending out a big mailing and trust the appropriate people will respond. It is much better to identify those people before the campaign and learn as much as possible about them. Then you can set measurable objectives. Measurement is important, even if your campaign is educational and not a call to action. Ask your provider to track employee activity including internet and call center usage after a mailing.

Tracking and measurement are even more important with a call-to-action campaign. You want to know how many people were targeted, how many responded, and how they responded. You will not only be able to gauge the success of your campaign, but you will learn more about your employee population. You can learn about how they like to be approached, how many are using computers and how many prefer phone. Employees can frequently surprise their sponsors. Don't neglect this learning opportunity.

You can refine or expand your targeting for the next campaign. A campaign can change behavior, provide education (to both sponsor and employee) and help define a more comprehensive communication campaign. Tracking and reporting inform this process. They also provide a written record of your effort on behalf of your participants.

### **Campaign Response by Media: Enrollments**



■ Electronic   ■ Phone   ■ Paper

*(Based on MassMutual Campaign Results 2005-2007 on 57 plans.)*

## Conclusion

The road to retirement is paved with good intentions. Unfortunately, intention is not action and action is required to prepare. Providers and sponsors should make every effort to facilitate employee preparation. A targeted participant campaign is one of the best ways to do this. Work with your provider to follow a structured campaign process that involves early, detailed analysis as well as follow up tracking and measurement. Ask your provider for a thorough analysis of your plan as well as a list of key success measures. This should maximize the value of your campaign investment.

The first step is to understand your employees and their needs. The second step is to implement a campaign that makes it easy to take action, shows sponsor commitment and sponsorship, uses multiple communication channels, includes the employer logo and uses multiple touch-points. This increases the likelihood of making real changes in participant savings behavior. Improving savings and investing practices will increase the number of employees on track for retirement. Prepared employees are more satisfied and productive employees.

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