

Engaging Participants in the Retirement Tier

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Introduction

As the nation's population of retired workers grows exponentially, the 401(k) system faces a significant shift in focus. By 2030, all Baby Boomers – an estimated 73 million people – will be age 65 or older, according to the U.S. Census Bureau¹. That means defined contribution (DC) plans could find themselves with more retirees and non-working participants than active employees.

The DC plan system must evolve to meet the needs of this burgeoning demographic. DC plans are no longer just savings vehicles; they also are critical resources for participants who need long-term distribution planning. As explained in DCIIA's white paper series on the subject, "Design Matters: The Retirement Tier," a crucial way DC plan sponsors can support their near retirees and retirees is by introducing "retirement tiers."

This paper provides a high-level framework that plan sponsors can use when introducing retirement tier solutions to nearly retired and retired participants to help them manage their assets throughout retirement.

To better understand the retirement tier, why it matters, what's in it for participants, how to incorporate a retirement tier into your plan, and key terminology, refer to our [retirement tier white paper series, resources, and glossary](#).

Raise awareness about the retirement tier

As plan sponsors introduce retirement tiers, education and communication will be crucial. This cannot be stated strongly enough. Whatever form the retirement tier takes within a plan, sponsors must clearly inform participants about offered products, solutions, tools, and services. This includes announcing new offerings and continuously reminding participants about them – particularly participants near, entering, or in retirement. Conveying the goals and purpose of the retirement tier is a key step in this process and should not be bypassed. Participants need to understand how they can potentially benefit from retirement tier offerings to consider using them.

Develop and implement your communications strategy

Paramount before developing or implementing any new strategy is a review (and possible update) of the plan's Investment Policy Statement, (IPS). The goal of many plans today is still (and potentially rightly so) to be a savings vehicle. However, as stated, most plans today operate as a retirement offering. As such, the goal of the plan may need to be revisited and refocused on sustainable, predictable retirement income rather than a wealth or accumulation goal. Defining the plan as either a saving or retirement offering matters and has very important investment, service and communication implications.

When considering new retirement tier offerings, ask prospective service providers how they would support the rollout and ongoing engagement efforts with participants.

Build the below questions into request-for-proposals (RFPs) and vendor evaluation meetings to gauge their level of support:

- Request existing materials, case studies, and sample work that demonstrates how they typically support plan sponsors.
- Ask if (and how) they customize communications. If unique and targeted correspondence with participants is considered important, find out how much customization is available and what resources the plan might need to contribute to help create it.
- Ask service providers if they can fully support the plan's needs or would require help, such as support from within the plan sponsor's organization (e.g., using resources from internal communications). Will external communications specialists need to be hired?
- Ask how they ensure successful rollouts and what kind of ongoing support they provide.

Involve stakeholders

Consider involving a range of stakeholders (e.g., HR Communications, Marketing, Investment Committee members and Counsel) to develop a communications strategy and supporting materials. This can help key partners understand the plan's goals and offerings while keeping them interested and involved during the rollout and ongoing engagement phase.

As the plan contemplates how the retirement tier fits within the organization's strategic plans for workforce planning, HR, and benefits, questions to consider include:

- Is there anything that could delay or take away resources from launching the retirement tier?
- Who can help advocate for the resources you are seeking?
- Who will need to review the communication plans and messaging? At what stage should key partners review materials?

Consider including legal and compliance advisors at the start of communications projects to avoid discovering big problems late in the game. They can help find the appropriate wording or communication methods to achieve your goals.

“Know your audience” and how to reach them

Retirement often becomes more tangible for participants as they approach their mid-40s. Communications about the retirement tier – its purpose, value, and how the offerings work – will be most effective if targeted to participants who are near, entering, or in retirement.

Plan sponsors can work with their service providers to identify and target various demographics. This step is vital for designing retirement tier offerings and is crucial to segmenting the plan's communications. For example, are there certain ages at which participants become eligible to use the plan's retirement offerings? These factors will impact how and when to engage participants.

The communication goals and specific messaging for participants further away from key decision points or eligibility will differ from those needing to decide about something within a specific time frame. Communications aimed at participants further away from key decision points should be more focused on building awareness of products, solutions, tools, and services. Meanwhile, communications aimed at participants eligible for certain offerings should be focused on the tactics of what they need to do and by when.

Consider working with service providers to create personas to help better understand the plan's participant population, their needs, key messaging, and the various ways to reach different audiences.

Build interest in the retirement tier

When the plan begins promoting the retirement tier to participants, it can be helpful to ask service providers which metrics should be tracked to monitor performance. Example metrics include:

- Which products, solutions, tools, and services are being used and how often?
- How use of these offerings changes when they are promoted?
- Which communications are more effective than others in driving people to take action?

Start by establishing a baseline. Look at the plan's data focusing on available metrics related to participant behavior and engagement statistics. This data can be referenced as a benchmark to measure the efficacy of outreach efforts and can help identify where to focus future efforts and refine the plan's engagement strategy over time.

Leverage best practices

Keep in mind that retirement planning is complex and can feel overwhelming for many participants. Lean on service providers to share their knowledge of behavioral science and marketing and communication best practices to ensure the plan's outreach is easy to understand and digest. Use different types of media to help participants with a broad range of learning styles and preferences for consuming information.

Put communication plans into practice

This paper summarizes just some of the steps to consider as plan sponsors expand their DC plans to help participants create lifetime income. For more information, please reach out to DCIIA at info@dciiia.org.

ENDNOTES

- ¹ <https://www.census.gov/library/stories/2019/12/by-2030-all-baby-boomers-will-be-age-65-or-older.html>

ABOUT DCIIA

The Defined Contribution Institutional Investment Association (DCIIA) is a nonprofit association dedicated to enhancing the retirement security of America's workers. To do this, DCIIA fosters a dialogue among the leaders of the defined contribution community who are passionate about improving defined contribution outcomes. DCIIA's diverse group of members include investment managers, consultants and advisors, law firms, recordkeepers, insurance companies, plan sponsors and other thought leaders who are collectively committed to the best interests of plan participants. For more information, visit: www.dciia.org.

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