2013 ERISA Advisory Council
Successful Retirement Plan Communications
For Various Population Segments

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As the Manager of Retirement Benefits for M. A. Mortenson Company, an international construction firm headquartered in Minneapolis, I am responsible for Mortenson's U.S. qualified, non-qualified and Canadian retirement plans. I have been with Mortenson for 29 years with 24 years of experience in the retirement industry. In addition to numerous communication/education awards, I was the recipient of *Employee Benefit News'* 2010 Benny award for Leadership in Retirement Education. I currently serve as Chairman of the Board of Directors for the Plan Sponsor Council of America and on the Education Committee of the Twin Cities ISCEBS chapter.

Mortenson is a construction firm based in Minneapolis, Minnesota with seven offices throughout the U.S. and China, as well as four Services Centers in the U.S. and Canada. We have construction sites operating in roughly 40 U.S. states, Canada, and China.

The Message and the Media

Mortenson sponsors two qualified retirement plans. We offer one plan for our salaried workforce and one plan for our nonunion craft workforce. Because of the sometimes extreme differences between these groups, Mortenson feels it is important to design plans that will meet the unique needs of each group, while trying to keep some of the major features alike. For instance, the investment choices and matching contribution are the same for both plans. Due to the high turnover rate in the nonunion craft plan, eligibility and vesting are different. The same can be said for education. Each group is diverse enough to require different types of education and communication. Because of the high concentration of Spanish speaking participants in the nonunion craft plan, communication and education is geared to that group.

We feel that financial education, while not a plan feature, should work in partnership with plan design and is crucial for successful use of the plan.

- Team members whose finances are healthy save more in their retirement plans.
- Healthy finances enable a participant to save for retirement and financial education provides the knowledge participants need to improve their finances and invest properly, at the appropriate level.
- The added benefit is participants make better, happier, more productive employees.
- There might be some argument as to how effective basic retirement education is, but as we have seen, there is no argument about the results of education that is thorough, practical, continuously improving and challenging.
- Education is the key to so many types of success and it is no different when trying to save for retirement.

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Mortenson's goals for education:

- Team members that are engaged in their retirement planning.
- Team members that save more and are well diversified.
- Team members that understand the link between their personal finances and retirement savings and therefore learn how to enable their own improved savings behaviors.

Salaried Plan Population:

- Number of participants with balances: 1,478
- 73% male 27% female
- 10.1% minority
- Average age is 38 (49% are under 40)
- Predominantly engineers
- 215 M in assets

Nonunion Craft Plan Population:

- Number of participants with balances: 777
- 91.8% male 8.2% female
- 52.3% minority (mostly Hispanic)
- Average age is 40
- Predominantly high school education or less
- No HCEs allowed
- 7.1 M in assets

Challenges 10 years ago:

- Participation in the same old-same old enrollment and asset allocation workshops was declining.
    - Engineers work extremely hard in high stress, deadline-oriented environments. They already have a lot of required training. There was nothing about these tired workshops to attract them.
    - Getting their attention and engaging them in anything other than their work is difficult.
- With an average age of 35 ten years ago, it was hard to get the younger team members to focus on retirement.
- Participation was about 80% in the salaried plan Those not participating in the salaried plan were typically young engineers who didn't want to focus on retirement and single women at the bottom of the pay scale.
    - There was a growing trend among newly hired engineers to get into debt fast and take out a loan. They were making more money than they had ever made and they did not have a sound financial background. No one was teaching them how to handle their money.
    - What kind of resources were these single women going to have available at retirement when they were currently living pay check to pay check?
    - "I can't afford to" was the common answer. Coming back with "You can't afford not to" was trivializing the issue and not productive. They already knew that to be true. They felt they had no options and this depressed them so they stuck their head in the sand.

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- The nonunion craft plan was just introduced in 1999. Initial participation ran between 57% and 64%, depending on the time of year. While we were thrilled with even that level for this group, we were not satisfied. We needed to overcome general distrust and cultural differences.
- The stable value fund was too large. Not enough team members were diversifying into all of the asset classes offered.
- Even that long ago, there were studies out addressing financial stress in the work place and its effect on productivity and health.
- The average deferral rate was a little less than 7% in the salaried plan. Our goal was to get participants up to 10% or better including the company match and profit sharing contribution.
- The average deferral rate in the craft plan was 3.2%. The goal was to get this up to 4% to take full advantage of the matching contribution.

What we did about it:

- We surveyed team members and held focus groups.
  - What did they want to learn?
    - They wanted financial topics across the board, not just asset allocation.
    - They wanted practical tools and resources to make good decisions.
    - They wanted education that is flexible enough to meet the needs of the group.
  - What kind of plan features did they think were important? The matching contribution and the investment lineup were the top two.
  - How did they want to learn? Over 80% of our team members still prefer in-person workshops facilitated by a financial expert at least once a year. Next in preference were online tools, calculators and articles. Lastly came personal financial coaching with a financial expert over the phone.
  - How often would they be willing to make the time? For in-person meetings, they preferred once a year.
  - What provider workshops would be relevant to our team members?
    - The education depth offered by our provider was relatively shallow.
    - The variety of workshops offered by our provider was too limited.
    - Our participants quickly began to ask questions they could not answer.
  - What other kinds of education resources were out there?
    - Social Security admin used to offer free workshops.
    - We found consultants willing to provide financial education.
    - We put out an RFP for education firms.
    - Networking provided speakers on specific topics: economists, authors of financial books, Laughing Stock Broker, PSCA,
    - We created our own workshops on specific topics (like fees and women and finances)
- We put a lot of time and effort into communicating financial topics all year through various mediums:
  - Contests
  - Intranet (MortNet)
  - eCards
  - Flip books

  - We created an electronic game using rebar as money and the Chairman of our Board as one of the characters.
  - Mascots. We created Guy Savingston, who personified a construction superintendent. You can still find his bobble head at almost every desk across the country.
  - Outside web platforms
  - Posters
  - Desk drops (very fun and hard to ignore)
  - Don’t underestimate the impact of give aways.
  - Limited print pieces mailed home. Rule of thumb: any mail to the home has to be irresistible to open.
  - Used other benefits communications like newsletters and annual compensation statements for additional messages.
- Stay engaged throughout the year but don’t over communicate. Our team members are being bombarded from many directions. Safety, engineering training, wellness, and benefits are all competing for their attention.
- Used construction related themes when possible. There’s a lot of pride in the company here.
- Target specific groups.
- Make it fun and nothing like the other training they are required to attend – dance if you have to.
- Provide different levels of education, from basic to intermediate and a small segment of advanced.
- Created a Fiesta Breakfast for the craft plan, which has become an annual event.
- Establish plan advocates across locations, especially in the craft plan.
- We made financial education mandatory for new hires in the salaried plan and mandatory for all team members in the craft plan.
- We provide materials in Spanish whenever possible for the craft plan, and use Spanish speaking educators.
- We divided the financial workshops by career stage (or age). Highly effective!
- Provided special financial workshops for women only.
- And always, measure your efforts. Survey your participants. If something doesn’t work, get rid of it. Don’t be afraid to try new things.

Plan Features that aid savings:

- A healthy match - 100% of first 4% of base pay.
- Annual discretionary profit sharing contribution for the salaried plan. This plan actually started out 52 years ago as a profit sharing plan. The 401(k) was added in 1990. Eligibility for the profit sharing contribution is 12 months, while eligibility for the 401(k) feature is immediate. The vesting on the profit sharing feature is six years. This feature is meant to reward long-term employees.
- We only allow one loan at a time in the salaried plan. There is no loan feature in craft plan. The craft group is very high turnover. We are trying to teach this group to leave their money there. Loans would create even more leakage than we have now and would be an administrative burden.

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- Added auto enroll for new hires in the craft plan first in 2008 and then did the same for salaried team members.
- The salaried plan is a Safe Harbor plan.
- We simplified the fee structure.
- Added voluntary auto deferral increase in 2007 and finally, for 2013, we are going to mandatory auto deferral increase (the first time it will hit will be April 2014).
- Adding a Roth 401(k) option to the salaried plan in 2014. We are still considering whether or not this is a helpful addition to the craft plan. Education for this is important.

Our results - 2012:

- Participation rate in the salaried plan is currently 97% and in the craft plan it is 76%. It's worth noting in the craft plan that at the end of our annual Fiesta Breakfast, we'll typically have over 90% enrolled. The problem with this group is they get laid off in the winter and don't re-enroll on their own when they are rehired in the spring. Auto enrollment picks a lot of the employees back up again but obviously there is a percentage who are opting out of auto enrollment. The interesting thing is we can get them to participate when we are in front of them.
- Average deferral rate is 8.1% in the salaried plan. With a 4% match and 3% or more in profit sharing contributions, the average participant is saving over 15% for retirement.
- Average deferral rate in the craft plan is 4%, with a 4% match, making that 8% saved for retirement. Now that we have met that goal, we are working on improving this percentage.
- Average balance is over $100,000 in salaried plan and over $8,000 in craft plan.
- Our educator scores average 4.8 out of 5.
- Workshops scores average 4.7 out of 5.
- 98% feel better prepared to make financial decisions.
- 97% feel financial education is an important part of their total benefits package.
- 100% would recommend attendance to others.
- Typically, 80% or more indicate they will be either increasing their retirement plan contribution or changing the way they invest.
- 89% of participants who formalized at least one goal at a workshop took action to improve their finances the last time we did financial workshops. (Instead of the usual array of financial workshops, last year we did a targeted workshop we created on fees and another one for women only.) We circle back with a short phone survey regarding financial goals team members are asked to set in the workshops. On average, participants made 3 changes to improve their finances.
- Over 50% of participants in both plans are well diversified in risk-based asset allocation strategies.
- Loan balances are at 1% of total assets in the salaried plan.

Continuing challenges:

- Educating the salaried plan participants on who should use the Roth 401(k) feature.
- Reaching the 3% that are still not participating in the salaried plan.
- Educating both plans' participants on how to effectively use an HSA for retirement and how to decide where each dollar goes.

- Reducing the number of cash outs at termination in the craft plan.
- Increasing the average deferral rate in the craft plan.
- Decreasing the number of auto enroll opt outs during the year in the craft plan.

How can the DOL help plan sponsors:

- Formally encourage holistic financial education. Many employers are afraid of it and providers don't feel the push to develop more variety. The Department should issue guidance clarifying that plan assets may be used to pay for financial education that includes topics not directly related to contribution and investment decisions regarding plan assets. The Department should also issue guidance clarifying that providing financial education does not constitute the provision of advice.
- Assist plan sponsors with electronic communication.
  - Many of our craft team members do not provide current or correct address information for mailing notices and other important communication. It is all but impossible to get this information from this group. The money wasted on return mail is significant. More importantly, these participants are not getting the notices they need via mail.
  - The low cost of using our Intranet and other Internet platforms, including our recordkeeper's, ultimately benefits participants by providing a consistent location for all plan information and lowering the cost of administering the plan.
  - The Department should adopt recommendations by PSCA and many other organizations to modernize its rules for providing required disclosures electronically. Specifically, the Department's position in Field Assistance Bulletin 2006-03, relating to the provision of quarterly benefit statements, should be applied to all disclosures. Under the FAB, disclosures requirements may be met by providing a notice that a required disclosure is available on a secure website and that a paper version of the disclosure is available on request. Additionally, the Department should relax its current rule limiting nonconsensual electronic distributions to participants that access the plan sponsor's electronic information system as an integral part of their duties.