Testimony on Behalf of

Plan Administrators, Inc. (PAi)

By

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On

Successful Retirement Readiness Communication for Various Population Segments

Before

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Successful Retirement Readiness Communication for Various Population Segments

My name is Michael Kiley. I am the founder and CEO of Plan Administrators, Inc. (PAi) a team of nearly 180 people in two countries on two continents who are all focused on accomplishing one thing – making the private retirement system work with the existing public retirement system to make retirement "work" for the average American worker.

While PAi is not and never will be a household name, we work for the success of our partner brands such as major banks and brokerage firms, B2B service providers and retailers, etc…

As of this writing our team serves approximately 15,000 employers with 250,000 employees holding nearly $4B in retirement savings.

You can tell from those numbers that PAi works in the small business end of the marketplace. 2/3rds of our plans are considered "micro", "small" or “startup”. 1/3rd of the assets we administer are for multi million dollar plans. In the micro and small plan market, we are serving business owners who lack time to do anything other than focus on “their” customers. They typically don’t have a qualified benefits person on staff to assist with things like workplace savings. So the “Successful Communications” challenge is one we live everyday.

I am very grateful to the Council for the opportunity to share the things that we have found to work in meeting the retirement readiness challenge facing our country.

My message today will be practical.

My comments today are mine and mine only and cannot in any way be attributed to any of PAi’s partners or partner brands.

You’ll soon know why…

Population Segmentation – Part 1.

American Workers can be segmented in the following way.

Savers
Non-Savers
Incognitive Non Savers

Savers are quite well served by the industry currently. They "seek" saving and are consumers of the data we as an industry currently provide. We need not spend a lot of time on this group today. It is important to note that none of what I'm discussing today will "take away" from this group. They will continue to be well served.

Non-Savers – We need to recognize that anyone, anywhere can open a savings account and most can get a tax benefit of some sort for doing so – but they don't. Non-savers need help with one thing – "account initiation". "Getting them into the conversation" leads to all the opportunities for the remaining behaviors.

Incognitive Non-Savers – This is the unfortunate group that “has an account balance” but does not realize that their savings path is inadequately matched to their perception or vision of retirement.

I’d like to start by addressing the conventional approach to the topic at hand with a 4 minute video.

In the video you are about to see, we used a “man on the street” approach to ask some people to answer some simple questions that allowed us to convert their retirement account balance to a language they could understand. None of the people in the video are associated with PAI, any of its partners or customers.

[Play Video]

“Years of Retirement” has been our most successful “call to action” to date. “How much retirement have you bought” is a language that fits a population that is accustomed to “acquiring” and not as comfortable with “saving”.

Most people don't know how to talk about retirement saving in the terms that we as an industry to discuss them today. Account balances, projected monthly income, rate of return, indexes, etc…these are not things that people want to have to know.

I would offer that "volts", "amps" and "grounds" play a big part in our everyday lives but few of us would qualify as an electricity "hobbyist". I submit that its time for our industry to work with the fact that many workers don't have time or the interest to know the basic building blocks of a secure retirement future. We need to bring the topic to them in terms that are meaningful to them.

Observation - People will push a button to "acquire more retirement" even though the outcome is the same as the button they would not push to "save more".

In the course of product studies, we have delivered participant statements that showed an “account balance” of “years of retirement” rather than the traditional savings statement listing funds, returns, etc…

To date, the effect has been very predictable – workers “push the button” to “buy more retirement”. While we do not have the green light to release this to all of our brands, our initial rollouts have produced >90% participation.

This is just one example of a successful departure from the typical language of our industry to a language that calls people to action. And that leads to other successes.

Finding One – As an industry we need to spend less time talking to each other and more time talking to our customers and those who would be our customers.

“There’s an App for that!”

Once we allow the language to change to a more relatable language, then Social Media can be the Radio that plays the music of Retirement

Readiness. We just won't all listen to the same station.

Retirement Readiness – as an app – as a language – will look different on Pinterest, than it will on Instagram, than it will on Facebook. The building blocks are the same – account balance, contribution rate, life expectancy become the whole notes and treble clefs of the Retirement Readiness Song. For those who want to know more – available tools allow them to "click through" for more or "to chat" – or to "buy more retirement".

Finding Two – Once we allow the language to change – we can bring retirement readiness into the daily lives of the people we serve – and that will make it easier to do the right things.

Retirement Readiness isn't a destination, it's a journey.

Our industry's service to our customers needs to reflect that fact.

Today, retirement "service" is very "batch oriented". We produce masses of statements and reports on particular landmark dates – quarters, years, etc… In many cases we make the customer experience fit our lives in the pursuit of efficiency and cost reduction.

That's not reflective of the tools and technology available today. With today's "event based" technology we can "fit into" our customers lives.

An example? Imagine a 45 year old who gets a pay raise. The irony is that a 45 year old who gets a substantial raise in pay will lose ground on retirement readiness if no further actions are taken. That worker will have a higher amount of income to replace and fewer years to do so. So – let's "react to that data" by reaching out to that participant's "app" with choices – "Buy More Retirement", "Open Retirement Tool", "Chat with Consultant". Let's not wait until the next service date on the providers system to try to connect.

Technology as a contributor to a service model will allow the retirement industry to connect, chat, ping, text and more importantly talk with the people we serve to collectively raise retirement readiness. Savers and non-savers and those who would do the right thing if we made it easy – that's as far as we need to go in segmentation.

Population Segmentation - Part 2.

In the interest of time, I'm going to address the remaining population segments a bit more directly.

"The sustainability of any society can be measured by the skill with which it manages the gap between the haves and have nots." ~ unknown

<u>The Business Community.</u>

The business community has accepted the success of automatic enrollment and automatic escalation for plan participants.

Its time we accept the same value of automatic enrollment of employers. We need a national savings program and the business community generally must give permission for that to move forward.

Past objections to the burden on the employer have no place in current planning. The retirement industry has fought long and hard to develop an “easy button” that does not require a business owner to become a 401k “hobbyist”. We have fiduciary services, managed accounts and automated tools for management and communication.

We have long accepted the “three legged stool” approach to retirement planning. Government plans, employer plans and personal savings are the legs of that stool. A national workplace savings program addresses the personal savings leg, without creating an obligation on the employer plan “leg”.

Retirement readiness equals future customers.

<u>The Retirement Industry</u>

A few messages apply here.

1. Its time to stop talking to each other and start talking to the people we serve in a language and in a time and place that is relevant to them.
2. Set it and Forget It – needs to be replaced with Set It and Brag About It! Automated tools aren't an opportunity to fade into the background – they are the opportunity to bring our value proposition to life.
3. Making our services more digestible will increase the number of customers we serve.
4. Creating a common language and measure will not commoditize our value proposition any more than "MPG" diminished automobile manufacturing.
5. An inclusive strategy is critical. Banks, Brokerages, Advisors, Payroll Companies, B2B Retailers and Service Providers all can play a role in improving retirement readiness.

Policymakers, Legislators and Regulators.

First – The workplace savings industry is evolving. Second – Workplace savings tax incentives work and are not an expenditure, they are a deferral – that offsets a cost.

Third – Support and maintain an emphasis on electronic “connection”. Our customers are choosing “technology for life”. We need to live there with them.

Fourth – Automatic Enrollment will be more widely distributed with a slight modification to the penalty for first year one time failure. A properly executed automatic enrollment will have a starting point at 6% or more. Under current terms, if a small business owner fails to enroll a participant timely, they could have to give that employee 6% again (even though they got the first 6% in their paycheck) plus earnings. The penalty for initial failure is too high. The penalty for repeated failure should remain high. As it is I am not successful in making auto enrollment a part of our national programs due to concerns on this one specific issue.

Fifth – We need to be clear about narrowing the definition of the “exclusive benefit rule”. Under current interpretation it is possible that introducing some forms of savings incentive – that produce no bias and no gain to a plan sponsor – could still be considered a violation of the exclusive benefit rule. If we can clearly address the intended definition of that rule – to avoid behaviors that benefit plan sponsors perhaps at a cost to plan participants – we can introduce a whole new set of tools for participation and engagement. We can create rewards and prizes for behaviors, we can invite other consumer brands into the conversation.

Conclusion

The many wonderful innovations that are coming to market for participants will be helped by a larger communication fabric that includes measures (MPG), rewards and gamification.

Thank you for allowing me to be a part of this part of the conversation.