

Customers need to be taken care of, and everyone associated with a 401(k) plan can say they are the customer.

Benefits managers are customers, since they look for the right blend of service and price from the recordkeepers, consultants and legal counsel who design and administer their plans. Financial officers are customers, since they look for the right mix of performance and price from their plans' investment managers and trustees.

But what about the plan's *real* customers, its participants? They are normally insulated from price concerns (e.g., excessive investment or administrative fees), but, at any given moment, one or more of them is going to be very interested in service. At that moment—which could be at any hour of the day—they'll be looking for help with any number of the plan's features. Perhaps they'll need to know how and when they can get their money, or how much their account has grown. Whatever it is they need, even from a long-term savings program like a 401(k) plan, more often than not, they feel they need it fast.

## MANAGING EXPECTATIONS

Like anything else, 401(k) plans succeed when their customers are happy. Plan participants are happy when they believe they're getting their money, or answers to their questions, quickly. Equally important, they're happy just knowing that they could get their money or answers on short notice. "Quickly" has always meant different things to different people, and modern technology has certainly raised expect-

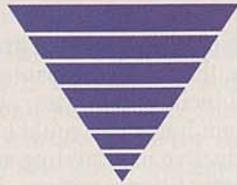
tations. Still, prompt delivery is far from automatic.

For instance, voice mail and fax machines guarantee that benefits departments receive employees' questions immediately. But, given the typical benefits staff's workload, there is much less guarantee that participants will receive answers on the spot.

Although automated telephone voice response systems have become increasingly visible in 401(k) plan administration over the past few years, they, too, have limited flexibility. They generally respond to the more conventional question (e.g., "What is my account balance?"), rather than the more complex one (e.g., "Do I have the right papers for my hardship to be approved?").

Whether their questions are conventional or complex, plan participants expect answers. Like most of us, they have become accustomed to personal investment funds with toll-free numbers that make account balances, withdrawals and transfers as easy as a touch-tone phone.

In contrast, when participants want to know how much they can



# SERVICING THE REAL CUSTOMERS OF A

# 401(k) Plan

withdraw or borrow from their 401(k) plan account for that house they've been saving for, a busy signal (or no answer) at the benefits manager's office is, at the very least, an inconvenience and a disappointment.

### DEFINING CUSTOMER SERVICE

For the plan participant, customer service means having your questions answered. Long before toll-free numbers were commonplace, summary plan descriptions and brochures highlighting 401(k) plans were on every employee's shelf. But for even longer, it's been human nature for people to ask someone to confirm that they understand what they've read or verify that the written material is up-to-date. If participants have a lot of money at stake in the transaction they're contemplating, they want to do it right. So they ask questions.

Customer service also means timely delivery—the

Providing excellent customer service also means anticipating opportunities. Plan participants don't always realize that they're approaching an eligibility date for a transaction that could be important and helpful to them. A plan sponsor's timely use of the record-keeping system and associated databases can greatly contribute to employees' use of (and goodwill toward) the plan with simple, reader-friendly reminders.

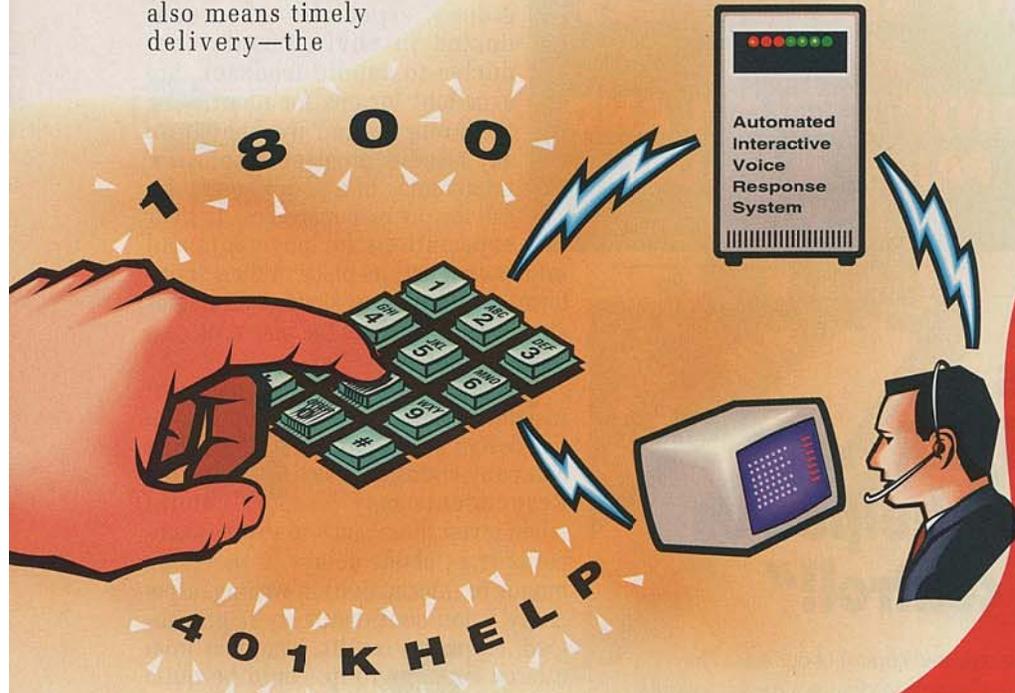
Attaining age 59 1/2 is an example of an important milestone, since this is when hardship withdrawal restrictions are often lifted. Completing five or ten years of service or plan participation is often another. Just before reaching each of these eligibility dates, wouldn't a participant want to be reminded to make one quick

that govern what 401(k) plan participants can and cannot do, may be more than most employees can (or care to) absorb. Especially in decentralized workforces, local benefits and human resource staff may not be fully prepared with the explanations that, sooner or later, employees will be seeking.

### CUSTOMER SERVICE CENTERS

To supplement written materials on 401(k) plans, an increasing number of "customer service centers" or "information hot lines" are being offered. These centers are generally established in one of three ways: as an integral part of the plan sponsor's office, essentially an extension of centralized benefits and human resource departments; outsourced to a bundled or semi-bundled service provider, perhaps also responsible for the plan's investment management and/or recordkeeping; or outsourced to an organization specializing in customer service but otherwise uninvolved with the plan's administration.

Regardless of where they are phys-



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ability to answer all types of questions and deliver payments and statements when employees expect them sets the tone for the plan. Does the plan communicate payment and statement schedules regularly and clearly? How does the benefits department inform participants when these schedules won't be met? Is the plan perceived as complicated? Do employees know about the resources available to help them understand the most confusing provisions? To a large extent, answers to these questions will affect employees' faith in the plan, participation levels and, ultimately, its success.

phone call to increase their contribution rate if, for example, that's all it took to get an extra company match?

Customer service means recognizing the limitations of written material on complicated subjects. Even if a company offers only one retirement plan, its supporting communications materials can still cover many different issues. For instance, it can explain how and when to enroll, contribution choices, investment choices, how to maximize the company match, and how to withdraw or borrow money.

But this written material, together with the complex legal requirements

ically located, 401(k) service centers are often linked directly to the plan's automated voice response system (which could actually be a component of a broader system that also services the company's insurance and/or pension programs). Employees call the plan's toll-free number and decide for themselves whether the automated, personalized information or the "live operator" is the best source for the information they need.

Certainly, from a cost perspective, plan sponsors prefer participants to use the automated system whenever possible. With this in mind, live operators are sensitive to questions and situations where they can walk the caller

through the menus of the automated voice response system. Doing so tends to increase the employee's comfort level with the system and their willingness to use it the next time.

### MEASURING CUSTOMER SATISFACTION

The success of a retail product is often measured in terms of the volume of referred and repeat customers. It's really no different with a 401(k) plan. The degree of satisfaction can be measured by participation and contribution levels.

Low contribution rates may suggest that employees carry a negative perception of the plan, or at least of some of its key provisions, and/or that the plan offers insufficient communication to its prospective customers, which already may have led to insufficient appreciation of its short-term and long-term benefits. Enhanced customer service has been a common antidote in both situations.

On the other hand, high participation and contribution rates demonstrate participants' confidence in the program and in its array of investment options. Of course, one could argue that employees don't really have a

comparable alternative to their company's 401(k) plan. IRAs don't offer matching contributions, loans, or quite the same preferential tax treatment afforded to 401(k) plan accounts. Neither do other personal savings and investment vehicles, such as mutual funds and passbook savings accounts. So, if 401(k) plans have such clear-cut advantages, why go the extra yard in customer service?

Companies and their benefits man-

agers have several incentives for providing the customer service that encourages higher contribution and participation rates. For one thing, if "non-highly compensated employees" don't contribute to the plan at adequate levels, contributions by the company's "highly compensated employees" (i.e., those earning over \$66,000 in 1994) could be restricted.

In addition, companies make significant financial investments in developing and administering retirement programs. Therefore, from a cost/benefit standpoint alone, it makes sense for those companies to maintain visible customer service to maximize employees' use and appreciation of the program.

Customer satisfaction may be difficult to measure scientifically, but certain measurements are there for the asking—literally.

For instance, employee focus groups, especially when conducted in environments conducive to candid feedback, are excellent forums for identifying the strengths and weaknesses of any benefits program. Employees' impressions of a plan's communications, its responsiveness to their expectations for payments and

information and its place in their short-term and long-term savings strategies are tell-tale signals of the plan's success or shortcomings.

Written surveys offer a different insight into employees' perceptions of the design and administration of their company-sponsored savings program. Respondents may be more candid when given the chance to express concerns (e.g., about delays in receiving money or information) in writing, especially when confidentiality is guaranteed. Aggregate results, compiled from a large enough group, could be quite revealing.

Partly in the spirit of customer service and, perhaps, partly in the spirit of reviewing the performance of vendors servicing the plan, periodic evaluations of "how are we doing?" often teach valuable lessons. If nothing else, they might just confirm what you already know: Your plan's participants need service. ◀

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**COMPANIES AND THEIR BENEFITS MANAGERS HAVE SEVERAL INCENTIVES FOR PROVIDING THE CUSTOMER SERVICE THAT ENCOURAGES HIGHER CONTRIBUTION AND PARTICIPATION RATES.**



Susan Putnam,  
M.I.S. Manager  
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