

Your Recordkeeping System

Make it your strategic (not silent) partner. **By Larry Heller**

Those responsible for the administration of a pension or savings plan should always be ready with an answer to the important question: “Is your plan running OK?” An accurate answer begs awareness of all aspects of plan operations and communications. Informative quantitative answers are probably not very far from the recordkeeping system or database that has chronicled every step taken for every plan participant relevant to financing and servicing their plan benefits. That system or database is ready to compile and speak volumes about participant behavior, and should be asked regularly about participants’ financial and customer service tendencies—chances are, it has a fascinating story to tell. In particular, you may want to take a look at the measurements below:



Larry Heller is a Director in Mellon’s Human Resources & Investor Solutions retirement consulting practice. He can be reached at 201-902-2303 or heller.l@mellon.com.

TRANSACTION VOLUME

Consider the number of financially-oriented requests submitted by plan participants. Examples include participants’ requests to change the percentage of pay they contribute, the investment instructions that apply to their contributions, and to take loans, withdrawals, and rollovers. Volumes of these transactions may fluctuate... and not necessarily randomly. When fluctuations are significant, it’s time to identify potential influences. If account statements were recently mailed, and especially if investment performance has recently changed, expect revisions to contribution and/or investment levels. Transaction volumes also often increase at the start of a new plan year or tax year and upon the delivery of investment education. Changes in transactional activity (and sometimes the absence of changes) at times such as these could be very telling responses to the popularity of the plan and to the success of related communications.

BREAKDOWNS OF ACCOUNT BALANCES

Fund-by-fund asset breakdowns are the ultimate measure of participants’ understanding and appreciation of the plan’s investments. Similarly, analyses of accounts by age, working location, salary level, and length of service show which groups make the most use of the plan.

LEVEL OF PARTICIPATION

This is a phrase that means different things to different people. If measuring how many employees have an account balance, it may not be saying how many

stopped contributing. If measuring how many are currently contributing, it may not be saying how many contribute only a small percentage of their pay. Industry-wide, this “level” (however it is defined) has decreased a few percentage points over the past few years. The deeper demographic breakdowns suggested above can identify who needs new targeted communications, rather than approaches that may no longer be effective.

CALL VOLUME

How often are your plan’s customer service phones ringing? More importantly, why are they ringing? Could it be because personalized or generic written communications aren’t adequately introducing and/or closing issues? Does on-site or online customer service not suffice? And are these repeat callers or are they, as service centers would say, just “one and done?” Does a participant with simultaneous savings, pension, health, and/or insurance issues need to call more than once (and to more than one place)? An analysis of how many people are calling and their specific questions about the plan (e.g., withdrawal and loan rules) and its administration (e.g., to clarify the plan’s SPD or Web site) could provide tremendous insights for a plan sponsor’s training, communications, and possibly even systems development initiatives. An analysis of Web site usage or the lack thereof—looking separately at hits on informational screens from hits on transactional screens—would also be informative.

ABANDONMENT RATE

This is the percentage of callers that hang up after, say, 30 seconds of waiting. This rate and “average hold time” are good measures of whether enough people are answering the phones, and at the right hours of the day (and in the right language). These two measures can also gauge the effectiveness of the plan’s automated voice response system. For example, does the system remind callers of other plan informational tools while callers are on hold? And are callers’ expectations managed by other plan communications—about peak call volume hours, about the handiness of the plan’s Web site, etc.?

A baseball pitcher, turned author, once wrote “tell your statistics to shut up.” Retirement plan sponsors and administrators would do well to think the opposite—insightfully digging for the statistics that should be free to scream out their story, loud and clear and often. **HRO**