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Mid-Sized Retirement & Pension Plan Management  
Health and Welfare Plan Management for Mid-Sized Employers

# Communicating with Plan Participants in Times of Market Volatility

November 12, 2008



Mark Friedman



Scott Coopersmith



Stuart Ritter



*\*This presentation is provided for educational purposes only. You should consult an ERISA attorney, tax specialist or investment advisor for any and all advice specifically related to your plan.*



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# Today's Agenda

- **Perception vs. Reality**
- **Is there a need to be communicating with our participants at this time?**
- **What do employees/participants want to hear?**
- **What roles do they want us to fill?**
- **What do we say? How do we say it?**
- **How do we target different needs?**
- **Q&A**

# Perception vs. Reality—

- What has really been happening?
  - Has everyone moved out of equities?
  - Has everyone stopped participating?
  - Will anyone ever be able to retire?
  - Are multitudes of people taking out loans and/or hardship withdrawals?



*Silver lining: Inertia works in both directions*



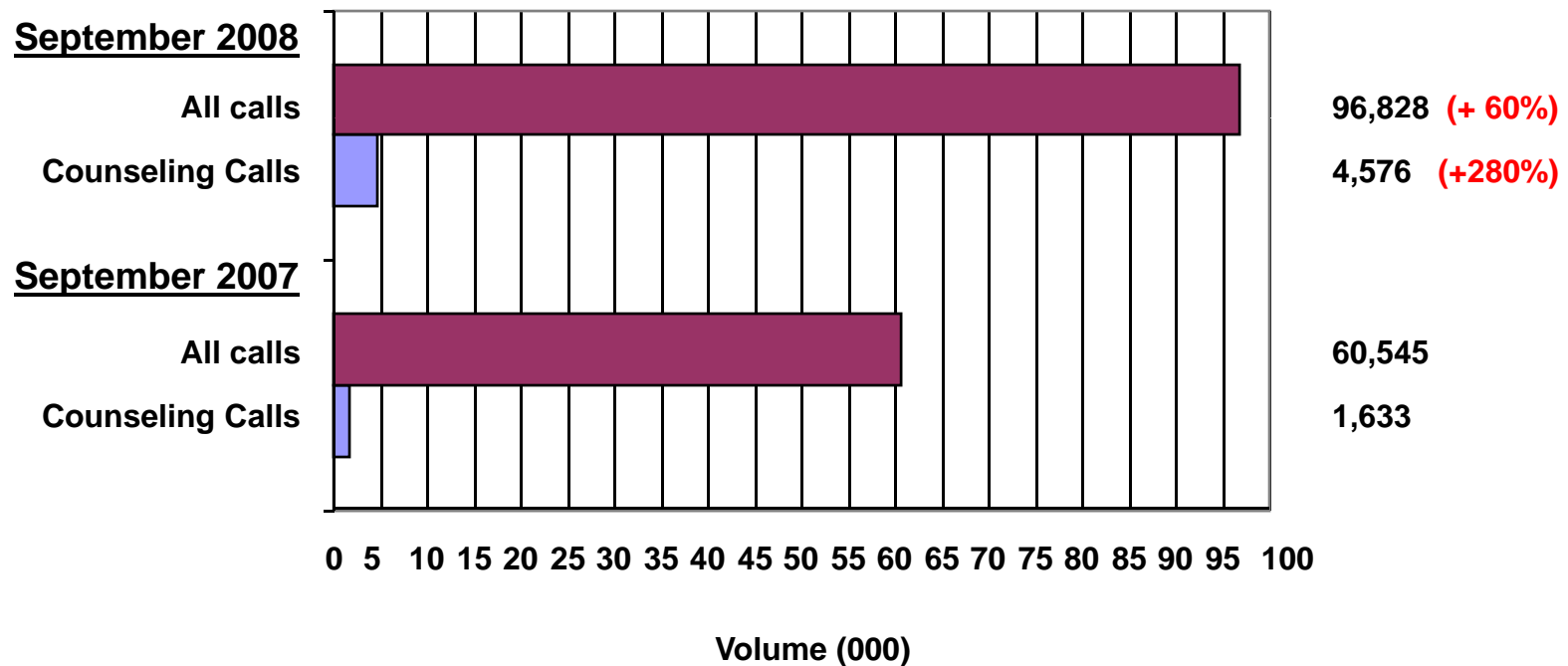
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## Diversified Investment Advisors

### Monthly Call Volume Comparison. September 2007:September 2008





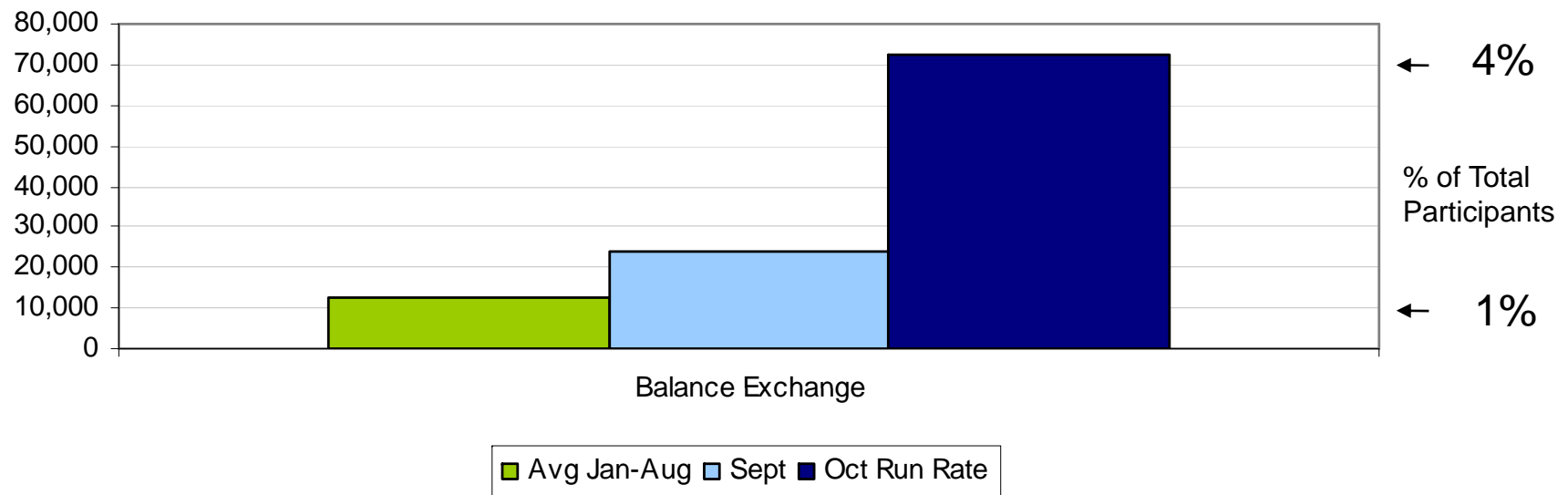
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## Small Percentage of Participants Act

### Average Monthly Account Changes



Note: October run rate is as of 10/14/08



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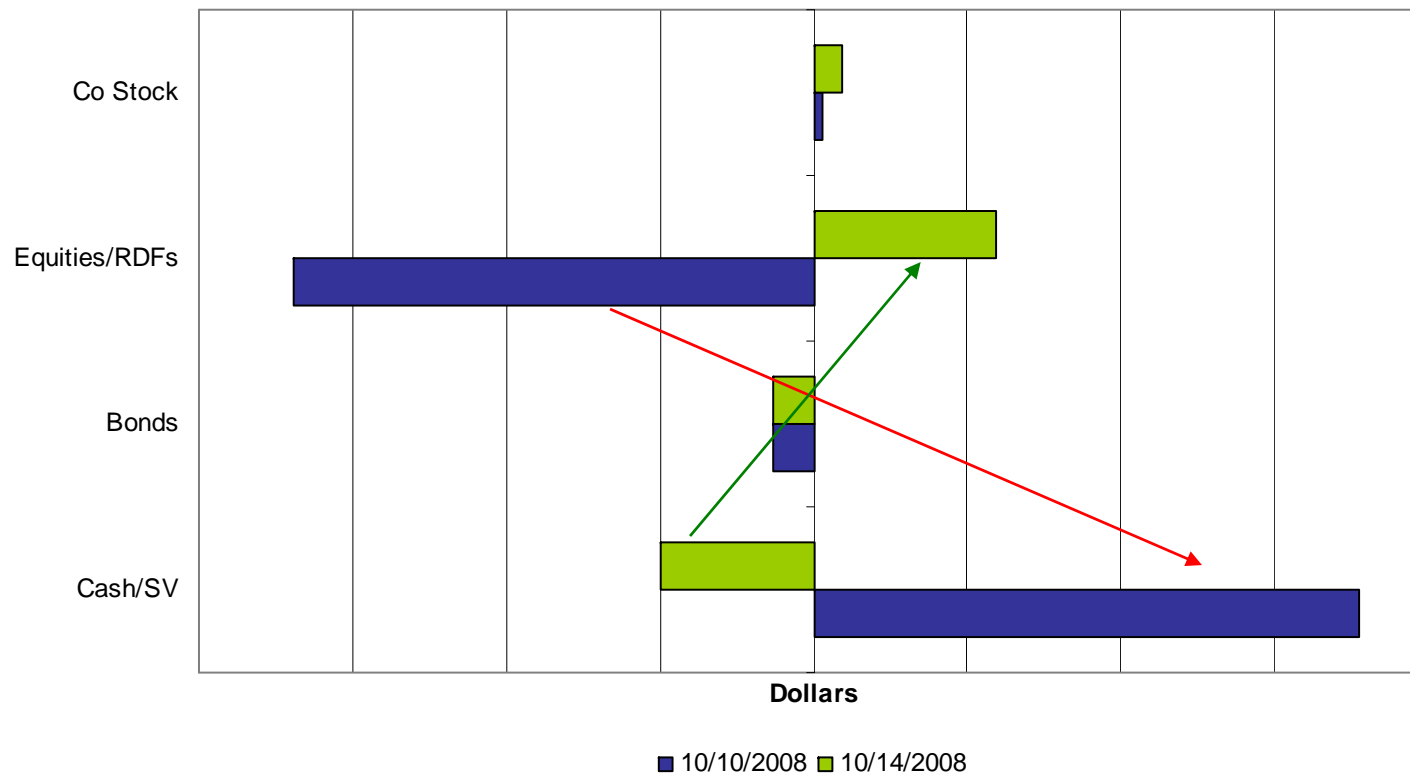
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## Participants react to market changes

- ▶ Friday after Dow falls below 9,000 – Tuesday after it rebounds 936 points
- ▶ Activity represents a small portion (<1%) of total assets

### NET Exchange Activity





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# Should plan sponsors step up communications during times of crisis?

*Accountemps survey: A lack of open, honest communication was cited as having the most negative impact on employee morale ... Of the executives interviewed, 48 percent cited better communication as the best remedy for low morale... “Regular communication with employees is always integral to an organization’s success, but it becomes especially critical during periods of uncertainty.”*



## Should plan sponsors step up communications during times of crisis? (cont'd)

Would you rather participants hear messages from you or from...

- The “talking heads”
- Other employees
  - Plan representatives who might say things they shouldn't
  - Non-plan related employees
- *“Official” messages are better than rumors*



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### **Should plan sponsors step up communications during times of crisis? (cont'd)**

- “Recession depression” is real for many employees.
- Employees are seeking honest answers, but need to understand you don’t have a crystal ball.
- Job uncertainty is a major part of the anxiety people are facing; couple participation answers with employment issues.
- What employees *want* to hear might not be what employers can tell them.

## Should plan sponsors step up communications during times of crisis? (cont'd)



- *Silver lining: If plan hasn't had a communication program, this is a great time to start.*
- *Silver lining: There has probably never been a time when participants are more likely to listen to communications messages.*
- *Silver lining: Spousal involvement in financial discussions has risen significantly.*



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## What roles do we need to take on to communicate effectively during these times?



Fireman



Leader



Just don't pretend to have a crystal ball



Psychiatrist



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### **Who should deliver the message?**

- Role of the plan sponsor
  - With today's concerns, consider having the message come from the CEO
- Role of the plan provider

*Make certain participants know the tools  
that are available to them*



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**Communications programs should address traditional messages as well as crisis management, and need to be in sync with each other**

Traditional—

- Value of the retirement plan
- Investment Strategies
- Importance of planning for the future—long term views
- Etc., etc., etc.



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# Communications programs should address traditional messages as well as crisis management, and need to be in sync with each other

Crisis issues: know what's coming and how to address it.

- Participants may need money to make ends meet
  - Understand that the retirement plan may not be their top priority
  - Participants may seek loans and/or hardship withdrawals
- Emotions may be an overwhelming force
  - Participants may not want to participate in a retirement plan right now
- People react to other people's moves

*Proactively reinforce the value of the plan without sugar-coating the message*



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### **How do we address the turmoil?**

- Incorporate multiple, reinforcing messages into the communications.
- More than ever, messages need to address specific circumstances of different groups.
- Make sure the messages reach the different target groups.
- Keep reinforcing the message.



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### **What specifically should the message say....**

- To those who don't want to participate?
- To those looking for investment advice?
- To those looking for loans/hardship withdrawals?



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# Auto programs

- What has been the experience during this crisis of plans that have installed auto-programs?
  - Have they helped maintain participation levels?
- Would this be a good time to consider implementation?



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## “Advice” mechanisms

- Role of the professional advisor
- Age targeted funds



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## Questions & Answers





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### **Mid-Sized Retirement & Pension Plan Management Conferences**

For executives from organizations with 401(k), pension, profit sharing, 403(b), 457 or retirement savings plans

January 25–28, 2009	Orlando, FL	Hilton in the Walt Disney World® Resort
March 10–13, 2009	San Francisco, CA	Grand Hyatt on Union Square
May 5–8, 2009	Boston, MA	Boston Marriott Copley Place
October 4–7, 2009	Chicago, IL	Chicago Marriott Downtown

### **Health and Welfare Plan Management for Mid-Sized Employers Conferences**

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March 1–4, 2009	Orlando, FL	Hilton in the Walt Disney World® Resort
April 26–29, 2009	Boston, MA	Renaissance Boston Waterfront Hotel
June 7–10, 2009	Chicago, IL	Hyatt Regency Chicago
Sept. 13–16, 2009	Las Vegas, NV	The Flamingo