

**STATE OF WISCONSIN
DEPARTMENT OF EMPLOYEE TRUST FUNDS
801 West Badger Road
Madison, WI 53702**

CORRESPONDENCE MEMORANDUM

DATE: April 30, 2003

TO: Deferred Compensation Board

FROM: Pam Henning, Director
Office of Strategic Services

SUBJECT: Informational Update on the Pension Knowledge Assessment Survey

In 2002, the Deferred Compensation Board (Board) contracted with Cortex Technology, Ltd. to complete a survey of plan participants. The purpose of the survey was to measure the investment knowledge of the Wisconsin Deferred Compensation (WDC) program participants and identify how they make their investment decisions. The goals of the survey were to:

- 1) identify areas where the WDC program could improve;
- 2) determine what new initiatives are needed; and
- 3) establish the focus of future investment education strategies.

The survey was administered during a three-week period beginning 10/5/02 and ending 10/28/02. There were 7,458 participants who were invited to participate via e-mail invitation and an additional 6,000 participants who were invited to participate through the U.S. mail. Of the 13,458 participants invited, 17% or 2,250 participants completed the survey.

A majority of WDC program participants (88%) knew the fundamental benefit of participating in the WDC program was the ability to defer income. In general, older participants scored higher than younger participants, and all participants scored better on investment-related questions than on plan design-related questions. Also, as one might expect, employees who have participated in the WDC program longer scored higher than employees with fewer years of participation.

Survey Participant Profiles

WDC program participants responding to the survey were segregated into profiles based on their knowledge of investing. The first profile, of approximately 24% of the participants, rated their investment knowledge as quite good or extremely good. This profile appears to be actively planning for retirement and making good use of the tools and resources available from the WDC program. These participants:

- scored better on both investment-related and plan design-related questions;
- understood better where to get further information;

- more strongly agreed that account statements were a valuable source of information and used them to make important investment decisions; and
- indicated that they have an easier time understanding the account statement and the information it contains.

The second profile, of approximately 53% of responding participants, rated their investment knowledge as “so-so.” This group of participants was less likely to use the tools available to them than the first profile, and overall agreed that account statements were a good source of information.

The last profile describes the remaining 23% of participants, who indicated that they had either slightly poor or extremely poor investment knowledge. In contrast to the first group profiled, this group of participants scored lower on the investment questions, were less likely to know where to get further information and plan assistance, indicated a harder time understanding the account statements, and made less use of the tools available. This portion of the WDC program population needs to become more involved in the WDC and make better use of the tools and resources available to them. Several of the recommendations discussed below should help reach these participants.

Survey Results and Recommendations

- Female participants scored significantly lower than did their male counterparts (55% for women as compared to 64% for men) on investment related and plan design questions. While as a general rule the topics of education that the WDC program communicates are the same for men and women, the WDC program may look to provide workshops and marketing materials that are specifically targeted toward providing women with a more thorough understanding and interest in planning for their retirement.
- Younger participants (those under age 45) scored lower than older participants. To help younger employees understand the power of compound earnings and the importance of periodically increasing deferrals, the WDC program may develop information and workshops specifically designed for younger employees. The WDC program will also work with the State to identify which state agencies have younger employees and will target information and workshops to the employees in these state agencies.
- Although there are exceptions based upon skill set, education, etc., typically the younger the employee, the lower their level of compensation compared to the employee base as a whole. This suggests that there is a need for targeted education to lower-paid employees and new hires.
- Most participants were able to accurately gauge their current levels of investment knowledge. This means that members who perceived themselves to be more knowledgeable tended to score higher than members who perceived themselves to be less knowledgeable. This result is comforting because it suggests that participants are aware of their level of understanding. The WDC program should incorporate this information to develop targeted marketing materials that would publicize the importance of understanding the WDC program, the value of investment knowledge, and the risk of not understanding the need for achieving retirement goals.
- Survey results indicate that participants are making great use of several of the WDC program tools available to them, including the Web site, telephone and fax services, e-mail, and seminars. Nearly 88% had used the Web site and 64% had used the toll-free phone service in the past year. In contrast, the fax and e-mail services were the least utilized. However, just over 15% of the

participants in “profile two” (slightly poor to extremely poor investment knowledge) claimed not to have used any of the available tools in the past year. This indicates a need for the WDC program to further broadcast the tools available and how easy they are for participants to use.

- Over 57% of the participants responding to the survey indicated that they had not attended a seminar or employee meeting in the previous year. The WDC program will review its marketing materials and current seminar offerings to determine if there are specific employee categories to target or additional information that can be provided in order to raise attendance at seminars.
- Most participants (93%) responding to the survey indicated that they felt their WDC account statements provide valuable information, and just over 83% felt they were easy to use and understand. However, less than 74% of participants actually made use of their account statements for investment decisions. This last result is somewhat surprising since a primary purpose of the account statement is to provide participants with the information needed for their investment decision-making processes, and perhaps indicates that the WDC program should develop some detailed information to remind participants what the data on their account statements should tell them and for what it can be used (e.g., asset allocation and rebalancing portfolios). What do members use to make investment decisions? Forty-three percent indicated they use WDC informational brochures and newsletters.

Summary

The Department of Employee Trust Funds (Department) goal of identifying any gaps within the current education and marketing materials in an effort to develop a strategic action plan for the future has been accomplished. Historically, annual reviews and marketing plans, prepared in conjunction with the Department, have established marketing strategies to educate and inform WDC program participants. The overall results of the Cortex Survey provide confirmation that the educational direction of the WDC program and marketing strategies have been successful.

As identified by the survey results, there are specific groups of participants that require specially developed marketing campaigns designed to provide them with a better understanding of the decision-making process, as well as how to utilize those tools that are currently available to them through the WDC program. The Department will work with NRS to develop an action plan that will include researching, developing, and then implementing a comprehensive communication and education plan for the WDC program. The communication and education plan will address the issues identified by the Cortex Survey as well as any other WDC program items identified by the Department.