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Success Stories From Buck Consultants

Maximizing ROI with Targeted Communication Campaign

“Buck Consultants made a significant contribution to the success of our 401(k) plan. We appreciate their expert knowledge and creative strategies for communicating important benefit information to our employees.”

– Susan Durlene,
Manager of Executive Services &
Communications at Northrop
Grumman

CLIENT ISSUE

Northrop Grumman, a global defense and technology company headquartered in Los Angeles, California, recognized that maximizing the return on investment (ROI) in its retirement program requires that employees fully understand, appreciate, and utilize the 401(k) plan. Northrop Grumman's size (more than 125,000 employees), multiple sub-plans (representing 19 different matching contribution formulas), diverse audience needs, and widespread business locations called for an innovative approach to learning and education.

SOLUTION

Buck's Communication team designed and implemented a two-year retirement communication campaign to educate employees about the importance of saving for retirement, offer tips on how to set a savings goal, and increase employee 401(k) participation and contribution rates.

Working with Northrop Grumman, we established three key goals with specific success measures at the start of the project: increase plan participation, increase the average contribution rate, and improve allocation among the core funds.

Our original target audience included nearly 19,000 non-participants and more than 15,000 participants who were not contributing enough to the plan to receive the full company matching contribution. In 2006 we expanded our scope to include all employees contributing less than 12 percent to the plan – a group of 68,000 employees representing all age groups and salary levels.

The two-year communication and education strategy we developed included personalized 401(k) statements and online tutorials. To ensure that our messages and communication approach would resonate with employees, we conducted frequent focus groups and one-on-one interviews to test our ideas and refine our strategy.

- **Statement #1 – How Much Money Are You Leaving On The Table?** – was sent to non-participants and to participants who were not investing enough to receive the full company match. The statement demonstrated how much money an employee could have with only a small contribution or increase in contributions.



- **Statement #2 – What’s Your Number?** – included a simple table to help employees estimate how much money they need at retirement... and projected how much money they would accumulate at their current contribution rate.
- **Our first tutorial, What’s Your Number?**, was designed to supplement the second statement by helping employees learn about their sources of retirement income and to establish a savings goal. To enhance the learning experience and provide something for everyone – from the novice to the experienced investor – we developed interactive, layered content. “Builds” were used to make tables and charts easier to understand, and pop-up boxes provided additional content.
- **Statement #3 – Social Security Is Not Enough** – showed employees how much Social Security will provide at retirement, and how much additional money they need to fill the “retirement income gap.”
- **Statement #4 – Define Your Future By The Decisions You Make Today** – included a snapshot of how much employees could accumulate for retirement at a given contribution rate, and how long that money might last in retirement. In addition, the back of the statement contained education tailored to the employees’ age group. We also included cards employees could sign and return to enroll or increase their contribution rate.
- **Our second tutorial, Am I Saving Enough?**, was designed to pick up where the fourth statement left off. While the statement offered employees a helpful snapshot of one possible outcome based on several assumptions, the tutorial included an embedded calculator that offered employees an opportunity to see how changing those assumptions — for example, their contribution rate, retirement age, or rate of return — could affect their savings.

One of our greatest challenges was dealing with the complexity and volume of data. We not only had to take into account the rules of 19 sub-plans with different company and company-matching contributions, but also had to work with files that included data on more than 30,000 employees (more than 68,000 for the fourth statement).

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Over the course of the two years, we continually evaluated the campaign to ensure we were on track to achieving our stated objects. We modified and broadened our strategy several times in response to the client's changing needs. For example, one year into the campaign, Northrop Grumman learned that participation had to improve to avoid returning the contributions of several of the company's highest-paid executives. In response, we developed a strategy report that demonstrated how plan design changes and employee communication could help the company achieve its goals. The report included market research data to support our conclusions.

RESULTS

Northrop Grumman was thrilled with the outcome of the retirement education campaign. As a result of our efforts, we achieved the following extraordinary results:

- 27.5 percent of non-participants who received the personalized statement enrolled in the plan at an average contribution rate of 6.8 percent.
- 38 percent of participants increased their contribution rate by an average of 3.7 percent.
- Stable Value Fund assets now equal 25 percent of total assets (a 22 percent decrease).

CONTACT US

For more information about this project, contact Kate Van Hulzen (Principal, Communication) at 310.226.1415 or via email at kathryn.vanhulzen@buckconsultants.com.