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An analysis of the design, implementation and measurement of a 401K employee
communication campaign for Checkpoint Systems, Inc. headquarters employees
to evaluate their understanding of the plan.

by
Gina Marie Redrow

A Thesis

Submitted in partial fulfillment of the requirements of the
Master of Arts Degree in the Graduate Division
of Rowan University
May 1997

Approved by Dr. Steven Shapiro

Date Approved 5/1/97

ABSTRACT

Gina Marie Redrow

An analysis of the design, implementation and measurement of a 401K communication campaign for employees at Checkpoint Systems, Inc. headquarters to evaluate their understanding of the plan.

May 1997

Advisor: Dr. Steven Shapiro
Communications: Corporate Public Relations

This project evaluates the effectiveness of a 401(k) communications campaign for employees at Checkpoint Systems, Inc. headquarters located in Thorofare, New Jersey.

Information searches for relevant literature were conducted through several databases cataloguing books, periodicals, journals and articles. The findings of this literature search identified elements of effective 401(k) communication campaigns. These elements were used as a guide to measure the design of Checkpoint's plan.

Focus groups were conducted with managers and employees to determine their understanding of the plan and obtain feedback to be used as evaluation. The compiled data was analyzed to determine the overall effectiveness of the 401(k) communications campaign. This study identified two critical elements necessary to ensure the effectiveness of a 401(k) communication campaign. Further studies are recommended for Checkpoint management and the 401(k) plan sponsor.

MINI ABSTRACT

Gina Marie Redrow

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This project evaluates the effectiveness of a 401(k) communications campaign for employees at Checkpoint Systems, Inc. headquarters located in Thorofare, New Jersey.

Two critical elements for effective 401(k) employee communications were identified with recommendations to management for future studies.

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TABLE OF CONTENTS

	Page
CHAPTER	
1. BACKGROUND	
401(k) Plans	1
Purpose	5
Employee Communications	5
2. TOPIC STATEMENT & METHODOLOGY	
Thesis Statement	9
Methodology	9
The Focus Panels	12
3. THE 401K COMMUNICATIONS CAMPAIGN	
The Employee Meetings	15
Managers Focus Group Results	19
Employee Focus Group Results	21
4. CONCLUSIONS	
The Communication Process	23
Design Elements	23
Implementation Elements	24
5. FURTHER STUDIES	
Checkpoint Research	27
Fidelity Research	29
BIBLIOGRAPHY	30

CHAPTER ONE

BACKGROUND

401(k) Plans

As 401(k) plans increasingly become employees' primary retirement plan, there is a growing need for financial and retirement planning education. In a recent Hewitt Associates L.L.C. Survey, 35 percent of employers indicated that their 401(k) plan was their "primary" retirement plan.¹

Figures from the Department of Labor show the number of 401(k) plans soared to 97,614 in 1990 from 17,303 in 1984. Assets shot up to \$384.9 billion in 1990, from \$91.8 billion in 1984.² By 2003, 401(k) assets are expected to reach \$6 trillion.³ With this growth, companies are recognizing the need to improve employee education strategies for retirement and financial planning. A survey conducted by the financial Executives Institute's Committee on Investment of Employee Benefit Assets shows increasing efforts taken by their members to educate their employees. The following table is a summary of the survey results that compares the percent of companies' use of various educational and communication vehicles during 1994 and 1995.⁴

¹ Dennis J. Nirtaut, "Ask a benefit manager; educating workers on retirement should be a priority in 1996." Business Insurance (February 1996) 14-15.

² Vineeta Anand, "DOL, SEC to study 401(k) education efforts." Pension & Investments (May 1994) p 24.

³ Susan Brock and Kathleen Coady, "Three Commandments for Plan Sponsors," Pension Management (February 1994) 15-16,21.

⁴ Dennis J. Nirtaut, "Ask a benefit manager; educating workers on retirement should be a priority in 1996." Business Insurance (February 1996) 14-15.

<u>Communication Vehicle</u>	<u>Percent of Companies</u>	
	<u>1994</u>	<u>1995</u>
Periodic newsletters	75%	88%
Investment concept brochure	34%	58%
Investment seminars	23%	40%
Personal finance planning	9%	40%
Video training	12%	27%
PC software and account modeling	18%	33%

Source: Financial Executives Institute

This research project evaluates a 401(k) communication campaign developed for Checkpoint Systems, Inc. in December 1996. The first 401(k) plan was introduced to Checkpoint employees in 1989. In 1993, an expanded portfolio offered five investment options. Employees can save from 2% to 17% of their earnings on a pre-tax basis. This includes salary, overtime and commissions. For the first 6%, Checkpoint matches \$.50 for every dollar. Contributions are made automatically through pre-tax payroll deductions.

Checkpoint plan participation is more than 90 percent. Management feels that employees need improved communication tools to help them better understand the expanded investment options. This belief is supported by analyzing the fixed return fund. Prior to 1993, 37% of all assets were in the fixed return account. Currently 56% of all assets are in the fixed income account. Overall, 55% of all plan participants are in the fixed return fund.

Decisions to join the plan and chose a contribution rate are easier decisions for employees when compared with the final decision of making the right investment choices. Many companies experience these same results. According to Margaret-Ann Cole, a principal with Kwasha Lipton, employees must give some thought to the allocation decision. "As they get into the plan, 65% of a typical employee's assets are invested in the stable value account."⁵ Theory suggests that investment options are confusing for many employees. They need to be taught with the help of examples in their own language. Checkpoint management feels that employees may not fully understand the long term benefits of investing in higher yield funds.

The Checkpoint 401K plan for 1996 offers a portfolio with 10 investment options compared to the five options offered in 1993. Management feels that an improved education campaign will help participants better invest their money for retirement. The communication goal is to fully understand the audience, simplify the message, and help employees select the best investment options for their savings and retirement needs.

Recent events at Checkpoint will impact the success of the campaign. A critical element of a successful campaign is the level of employee trust towards management when change occurs. In January 1997, additional money was deducted from employee paychecks to cover disability insurance which was previously paid by Checkpoint. The employees were not informed of this change until they received their paychecks. In addition, at year end 1996, employees did not receive a bonus and pay increases did not exceed 4% – with no explanation given by management. The morale is low and employees may be hesitant to place money in higher risk investments.

⁵ Ed McCarthy, "401(k) communication: What works best." Pension Management (June 1996), 30-34.

In November 1996 employees received a new health benefits package. The health benefits carrier changed from local to national. A national carrier makes it easier for employees to find participating doctors and pharmacies. A national carrier also means an increase in cost to employees. There is a mixed response to the new benefits plan. Some employees are pleased with the new plan because they have easier access to participating doctors while other employees are disturbed by the added cost. The implementation of this health plan has an impact on the results of this study as will be discovered in Chapter Three.

The role of Checkpoint management is to define what employees need from their 401(k) retirement plans and provide communication, education and counseling for employees to meet these needs. If employees are to effectively manage their own retirement savings, employers should assist them in four primary areas:

- Communication
- Investment Education
- Convenient access to the plan and funds
- Accessibility to their money.⁶

Research identified three key areas of consideration for developing a 401(k) communication campaign. First, know your audience. Really know your audience—then use that knowledge to make sure employees understand what they need to know about investing in 401(k)s. Each audience has special information needs. Second, teach employees to make good investment decisions even though they aren't financial planners. Also, consider various "lifestyles" which are based on some combination of age and risk.

⁶ Raymond Maddock, "The Emergence of Customer Focus in Defined Contribution Plans," *Compensation & Benefits Review* (January/February 1995) p 33-37

Third, balance the use of technical communication tools such as voice-response systems and personal communications tools such as a live operator. This study will evaluate these three key components of the Checkpoint communication campaign in Chapter Three.

Purpose

The primary purpose of this study is to evaluate the effectiveness of the design and implementation of a 401(k) communication campaign for employees at Checkpoint Systems, Inc. headquarters to determine their understanding of the plan.

The findings of this study and recommendations in Chapter Five provide guidelines for management for future employee benefit and program communications at Checkpoint.

Employee Communications

Strategies

A variety of media are available to communicate with employees, including audio, video, computer programs, interactive workshops and on-line networks. As part of its fifth annual retirement planning survey, Merrill Lynch identified the most effective tools for communicating. It found that printed brochures work best for explaining 401(k) options to employees. Those surveyed said they got 76% of their responses as a direct result of printed material.⁷

⁷Dennis Whittington, "How some companies improve participation." Pension Management (November 1995) 30-32

The summary plan description (SPD) used to be the heart of employee communications. These long and detailed communications left the reader either bored or confused. Written employee communication tools must avoid information overload and keep the message simple and clear. Deborah Neilson of Communi (k) Inc. stresses the need to get the employee involved with any printed material. "There are some secrets with print. We make it simple -- big bullet points, headlines under the graphics, etc. But the most important thing is getting the employee to pick up a pencil. If you have some interactive features, like tests, you get people to pick up a pencil and you've personalized the material."⁶ Personalized savings projections also proved useful to get people involved. Showing employees what they can save until retirement is an effective tool.

Research suggests that interaction is the key to a successful employee communication campaign. The traditional large group meetings are now smaller group seminars and one-on-one counseling. Seminars rated 67%; and individual counseling reached 49% of eligible employees in the Merrill Lynch Study. The goal of counseling is to teach employees skills for investing in their futures.

Video is becoming a standard part of employee communications campaigns. This allows employees to view benefits with their spouses. The Merrill Lynch study found that 53% of employees responded to videotapes and other forms of multi-media. Videos should be short and motivational. High tech communication tools are slowly gaining appeal as more people become computer literate. An interactive and user friendly CD-ROM is in the testing phase at Communi (k) Inc. The employee sits down at a computer

⁶ Ed McCarthy, "401(k) communication: What works best." Pension Management (June 1996), 30-34.

that asks for touch-screen responses that are no more complicated than those of an ATM Machine.⁹

Sponsors of some 401(k) plans are taking advantage of peer-to-peer communication. Such programs were successful at Grass Valley Group Inc. and Libbey-Owens-Ford Co., among other companies. "Setting up a peer communication system does take some leadership, thought, creativity and staff time, but it needn't be expensive," said Anne Deeley, co-owner of Deeley Rechtman Communications, Atlanta, an employee benefits communication firm.¹⁰ The peer sales force can convey plan changes in a less threatening manner and create enthusiasm for new investment options. Focus group employees also convey the message that 401(k) plan changes are driven by employees. This method can be more applied, with variations, in many different situations.

A combination of communication strategies was evaluated to develop the most effective and appropriate tools for Checkpoint Systems, Inc.

Regulations

In 1994, the Labor Department and the Securities and Exchange Commission completed a joint study of the type of investment information companies and investment advisers were providing to 401(k) plan participants. The joint survey stemmed from concerns by officials at both agencies that plan participants may not be getting enough information to make smart choices about investing their retirement dollars. The study also examined whether companies increased education efforts to help employees invest

⁹ Ed McCarthy, "401(k) communication: What works best." *Pension Management* (June 1996), 30-34.

¹⁰ Christine Philip, "Not-so-idle chatter helps sell new plans." *Pensions & Investments* (April 1994) 32-34.

their retirement dollars since the Labor Department issued rules in October 1992 granting companies exemptions from fiduciary responsibility for their employees' investment choices under certain conditions.¹¹ New York Life Asset Management, a division of New York Life Insurance Co., found that educating employees about investing their retirement dollars can pay off. Their educational campaign boosted participation to 91% from 82% and increased employee contributions to 97% from 70%. Most importantly for this study, the educational program helped employees diversify their retirement dollars among appropriate investments.

A fine line exists to avoid liability between educating employees and giving investment advice. This year the Department of Labor published an interpretive bulletin to help employers differentiate between advising and educating workers about investing money in their retirement savings account. This bulletin gives a "green light" for employers to improve employees' ability to save more and make intelligent investment choices in their defined contribution plan. According to Paul Westbrook of Westbrook Financial Advisers, this is the beginning of a trend where the employer is now thinking of liability issues in this area. The debate may be shifting from 'How much do we want to spend?' to 'We may be liable if we do not do more to educate employees.'¹²

¹¹ Vineeta Anand, "DOL, SEC to study 401(k) education efforts." Pension & Investments (May 1994) p 24.

¹² Ed McCarthy, "401(k) communication: What works best." Pension Management (June 1996), 30-34

CHAPTER TWO

TOPIC STATEMENT & METHODOLOGY

Thesis Statement

An analysis of the design, implementation and measurement of a 401K employee communication campaign for Checkpoint Systems, Inc. headquarters employees to evaluate their understanding of the plan.

Methodology

The first phase of this study is a review of literature related to communicating employee benefits with an emphasis on pension and 401K plans. The literature review of several databases and the internet identified more than 25 articles and three graduate thesis projects related to employee communication and/or retirement and savings plans. Literature findings are incorporated throughout the thesis. The purpose of this literature review is to identify effective 401(k) communication tools and strategies to be measured against strategies used in Checkpoint's communication campaign.

The target audience is more than 200 employees at Checkpoint Systems, Inc. located in Thorofare, New Jersey. The audience includes both managers and employees in various departments including, Research and Development, Marketing, Customer Service, Operations/Manufacturing, MIS, Finance, Personnel and General and Administrative personnel.

The Human Resource Manager designed the communication campaign and managed all employee communications. An interview with the HR manager upon completion of the campaign is used as measurement and discussed in Chapter Three. The design and execution of Checkpoint's communication campaign will be measured against a four step process identified during the research portion of this and discussed in Chapter Four.

1. Evaluate and profile your employees—How diverse is the work force?
2. Determine your employees' communication needs—Some employees are unfamiliar with investments and some are highly sophisticated.
3. Determine your ability to meet those needs—The more complicated the plan the more time spent communicating, educating and administering.
4. Decide on your own objectives—What are you trying to accomplish for your employees.¹³

Checkpoint's 401(k) communication program is defined in Chapter Three. The effectiveness of Checkpoint's campaign was measured against components of effective programs identified during research from companies that succeeded in this area. Effective programs identified during the literature search contain the following components:¹⁴

¹³ Harold Dorenbecher, "How many fund choices should 401(k) plans offer?" Pension Management (August 1995) 14-16

¹⁴Ellie Williams, "Communicating Your 401(k): Guidelines to Choosing the Right Employee Education Program." Compensation & Benefits Review (March 1994) p 54-61

Group meetings for the newly eligible and nonparticipating.

Elements to consider include time, frequency, location, group size, instructor, materials and content. Content should be organized in three segments. The first segment is designed to create a general understanding of how a 401(k) works. The second segment should explain the workings of the company 401(k) plan, being careful to avoid jargon. Positive and negative issues should be highlighted. The third segment should teach employees how to choose the best investment option or combination of options for them. Teach the concept of risk versus expected reward, using both investment theory and the actual track record (if available) of your investment funds and records of the historic total returns of different types of investments.

Individual or family consultation.

A personal consultation is an important follow-up to group meetings. Again, elements such as time, location, group size, instructor and contact need to be evaluated.

Quarterly communications to all employees.

Provide employees with easy-to-understand quarterly reports that detail their beginning account balances, how much they contributed, how much the company has contributed in matching funds or stock, and what the account is now worth.

An 800 number to make account information available.

Employees can make changes in investments over the phone or through their PC workstations. They can also get information (not advice) about any of the funds from representatives at the service center.

Additional money management courses.

Basic money management courses, which help individuals see the whole picture are an obvious extension of 401(k)-based education. A broader understanding of financial principles can provide a framework for better money management decisions— including planning for retirement through saving in the 401(k) plan. Money management courses should include three topics: 1) family budgeting and current cash flow, 2) general investment topics, and 3) retirement planning.

The Focus Panels

Two focus panels were conducted by the author of this thesis after the 401(k) plan was presented to employees. The purpose of the focus panels was to obtain feedback from employees to determine the overall effectiveness of the design, implementation and employee understanding of the 401(k) communication campaign.

A total of 20 participants were selected -- ten members for two panels. One panel was middle level managers and one panel was employees. A non-scientific method of research was used in an attempt to get "representative" sentiment. The total number of employees were first stratified by separating the middle managers. From these middle

managers the group was stratified to represent the entire employee population at headquarters. Participants were stratified to represent the entire company population by participation in the 401(k) plan, sex, age, children, marital status, department, single parents, and years of service with the company. This same method was used to select the 10 participants for the employees focus group from the non-management employees at headquarters. Each participant was contacted personally and screened for availability and interest. Participants received a hand delivered invitation to participate two days prior to the meeting.

Both meetings were held on May 7, 1997, shortly after the participants received their statements from Fidelity. Both meetings lasted approximately two hours. All participants attended the focus groups.

After a brief introduction and explanation of the purpose and process of the focus group, the first topic was presented. The schedule of topics for both groups included, but was not limited to, the following:

- **Awareness of the 401(k) communication campaign**
Are you familiar with 401(k) retirement plan? Do you participate in the 401(k) plan? How did you learn about it? Is it important to you?
- **Evaluation of the communication to employees to attend the meeting**
How were you notified of the meeting? Do you feel you had enough advance notice to attend the meeting? What alternatives were available if you could not attend the meeting?
- **Evaluation of the Fidelity Investment employee meeting**
How familiar were you with the 401(k) plan prior to the meeting? What was the tone of the meeting? Did you feel free to ask questions? Did you feel this an appropriate format for the information being communicated? Did you understand the material being presented? Did you feel it was necessary to meet with the Fidelity representative after the meeting for a one-on-one consultation?

- **Evaluation of Fidelity literature and information sources**
Did the literature provided meet all of your needs? Was it easy to understand?
Were you aware of the tools available? Did you use the stages planner booklet? Did you purchase the stages planner on CD-ROM for \$5.00? Did the literature help you make your investment decision? Did you visit the Fidelity web site?
- **Evaluation of internal support**
If you still had unanswered questions after the meetings and the Fidelity representative was gone, how did you find your answers?
- **Evaluation of the toll-free line**
How were you notified that the toll-free investment line was available? Have you used the toll-free investment line? If so, is it easy to operate? Will you use it again? Would you recommend to a participant to use it?
- **Evaluation of first Quarterly Statement**
Did you receive your quarterly statement? Did you understand it? How does it compare to statements from the previous 401(k) plan?
- **Overall rating of the way the 401(k) plan was communicated to employees**
If you were to rank the effectiveness of the communication to employees of the 401(k) plan from 1 to 7 with 4 being neutral- what would it be and why? Did you make your selection at the end of January? Were you comfortable investing in the higher return funds? Would you be interesting in attending investment seminars if they were offered?

CHAPTER THREE

THE 401K COMMUNICATION CAMPAIGN

Human Resource management and the author of this thesis participated in a meeting with the First Fidelity Implementation Project Manager. The purpose of the meeting was to finalize the savings plan profile and develop a timeline. At the conclusion of the meeting, the plan was complete.

The goal of the communication campaign is to present the investment selections in simplified format so employees can understand the information. Management feels that many employees participating in the 401(K) plan have minimal investment knowledge. The structure of employee meetings is less formal and allows employees to freely ask questions.

The Employee Meetings

On January 14, 1997, employees received a hand delivered memo introducing the 401(K) plan and announcing meetings scheduled for January 15th, 16th and 17th. The first meeting was attended by 38 managers and provided more in-depth detail about investment options. The three employee meetings were not as in-depth as the managers meeting. Results from an interview with the Human Resource (HR) representative on March 15th and April 29th showed that a total of 80 percent of employees attended the meetings. Employees were invited to visit with the representative individually after each

meeting. Approximately 11 percent of the employees took advantage of this opportunity. Make-up meetings were voluntary for people who were unable to attend.

Material

Employees received an information packet which included: a prospectus for each of the ten investment options, a packet of forms (cover memo with timeline, an enrollment form, instructions for designating or changing beneficiary, designation of beneficiary form, rollover contribution form, a stages strategy selector software order form, a fund performance sheet, and list of fidelity investor centers). A copy of the memo and documents are attached for reference.

Fidelity printed material included: an investor profile questionnaire, an estimating retirement needs brochure, a choosing your retirement strategy brochure, a reviewing your plan brochure.

The Presentation

The representative spoke for approximately 45 minutes to one hour. There were minimal overheads and no podium. The representatives disposition was comfortable and open with the audience. An overview of the plan, its benefits and highlights of each of the investment options were presented as follows:

- A simplified booklet highlighting Checkpoint's plan was briefly reviewed.
- Employees can make contributions between 2 and 17% of pre-tax earnings.
- Checkpoint matches 50% of pretax contributions up to 6% of eligible compensation contributed into the plan. According to the speaker, only about half of the companies offering employee 401 (k) plans offer a match.

- Employees are 100% vested in employee pre-tax account. Employer matching contributions and any earnings will be vested as according to schedule in booklet.
- The cost of the loan is half of the current loan.
- Option choices are expanded from five to 10. Including a brokerage option.
- The representative discussed how much employees will need when they retire. Whatever income at retirement you will need 60-80% of that figure for each year of retirement.

Investment Options

Summarized below are the four major investment categories discussed.

Category One:

- *The Fidelity Managed Income Portfolio* - Lower risk managed income fund with a 6% return. Suggest a 3 to 5 year investment, before being taken out.
- *Pimco Low Duration* - Income mutual fund - investment in bonds, moderate returns and limited risk.

Category Two:

- *Founders Balanced* - A 50/50 split of stocks and bonds investments. Focus on income from bonds and dividends from stock.
- *Fidelity Equity Income* - More aggressive with 85% stock
- *Fidelity Growth & Income* - Most aggressive with 90% stock.

Category Three:

- *Fidelity Contrafund* - Large to medium companies, which seek mergers & acquisitions.
- *Fidelity Magellan* - Most diversified, 530 companies, cross industries, all size companies.

Category Four: S&P 500 used as a gauge

- *Fidelity U.S. Equity Index* - Represents same rate of return as overall stock market.
- *Strong Opportunity* - Medium to small companies, technology, industrial and service.

- *Janus Worldwide* - Invest approximately 60% in Western Europe, U.S., Canada and Pacific Rim. This fund is used to offset activity in the U.S.

Brokerage Option:

- Allows employee to set up own brokerage account but it will cost. A yearly fee of \$100 fee for year, must keep \$500 minimum in account, online trading offers 10% discount. Representative did not encourage enrolling in this option. This option will be available in mid-March.

Meeting Close

- The representative encouraged more aggressive investing and riding out the market. As investors get closer to retirement this money can then be transferred into more conservative accounts.
- The "Stages" Financial Planner will be available shortly and sent directly to the employees home. This planner includes a worksheet to complete an investor profile and questionnaire to determine which type of investor you are:
- An 800 line will be available in March for employees convenience by mid-March.
- Forms are due back on January 28, 1997.
- Final revisions are due January 31, 1997.
- Statements will come on a quarterly basis.
- Stages computer financial forecasting is available for \$5.00.
- The internet address is www.fidelity.com.

After the Meeting

- The toll free line was made available on March 25, 1997. Employees were notified by e-mail at work and literature was sent home from Fidelity.
- Statements for the first quarter ended March 31, 1997 were received on May 1, 1997. The statement also included a summary of each of the funds and each of the funds performance over the past ten years.

Managers Focus Group Results

The following bullets summarize the conclusions of the managers meeting.

- **Awareness of the 401(k) communication campaign**
All participants are aware and participating in the 401(k). They learned about the plan through Checkpoint and outside investment literature. It is important to all participants, however the older participants 45+ demonstrated a greater understanding of the plan and involvement.
- **Evaluation of the communication to employees to attend the meeting**
A general consensus demonstrated that the participants did not have enough time to plan for attendance at the meeting. It was poor planning to hand the memo to employees late in the afternoon the evening before the first meeting. One managers entire group of people did not receive the memo and did not know about the meetings. There was no flexibility if employees could not attend the meeting. This was demonstrated early in the year when the employee health benefit meetings were scheduled. Employees with other commitments who could not attend their assigned meeting would attempt to participate in a different meeting. In some cases the HR representative would "kick them out" of the meeting. Based on past experience, if employees missed the meeting for the 401(k), they made no attempt to reschedule.
- **Evaluation of the Fidelity Investment employee meeting**
The group was not familiar with the new plan prior to the meeting. The material was given to them in a packet as they entered the meeting. All comments indicated that the tone of the meeting was more open and everyone felt free to ask questions. Many people did ask questions. The Fidelity representative was very knowledgeable and presented the 10 options in an easily understood format. The material presented provided a greater understanding of strategies for investing - when to think long term and when to think short term. Managers did not talk with the Fidelity representative because they felt they generally understood the material presented and wanted to review the literature before asking questions.
- **Evaluation of literature and Fidelity resources**
There was a lot of literature. Managers took it home and split it up with their spouses to review. They understood it and it helped them make their decisions. Some members felt it was a lot of material to review. It left very few questions unanswered. A few people used the stages planner booklet. Participants were not aware of the Stages on CD-ROM nor did they seem interested. Participants were not aware of the Fidelity web site: only a few of them have access to the internet at work.

- **Evaluation of internal support**
The group concluded there was no internal contact for questions after the representative left. One member went to HR for questions. Some members relied on the 800 line. They did not feel HR was knowledgeable of the 401(k) but more importantly HR was difficult to reach. Managers realize that HR is short staffed, but HR is not responsive to employees needs. HR is locked behind doors, does not answer phones, and does not respond to employees voice mails. Some employees are afraid to approach HR. No one knew where to go for questions. Felt the 401(k) plan was introduced and then employees left only with the 800 line. Some employees went to other employees with questions. Six of the panel had employees come to them with questions.
- **Evaluation of the toll-free line**
Everyone received an e-mail from HR notifying them of the 800 line. The memo was confusing and the group number required to use the 800 service was not included in the memo. HR had to be contacted directly to obtain the group number. Six participants received the 800 Fidelity communication at home, but it was later (about two weeks after the internal e-mail, There was some confusion. Some people had already been using the 800 line even before the communication. Once accessible, the 800 line is easy to operate and many of the members use it. The group likes being able to access money and change fund selections. Recommendation that 401(k) participants use the line. People on the line were very helpful and answered all of their questions. They will continue to use it.
- **Evaluation of first Quarterly Statement**
Everyone received and understood the quarterly statement. They like the new format better with the description and performance of each plan. However, they do not like that statement does not show exactly how much was lost using the participants money in each fund.
- **Overall rating of the way the 401(k) plan was communicated to employees**
Overall ratings were either a five or six. The plan had a real chance of being rated higher if some of the pieces were improved. Fidelity did a great job. The shortness of notification, inflexibility with the employee meetings, and the lack of an internal contact for problems brought the rating down. There were a lot of options but only a short period of time to make selections. It was not clearly communicated to employees that the funds were not available for 60 days. Participants did not find out until they went to get loans. One manager was aware of this situation happening to four other employees. All participants understood the material enough to submit their contribution form at the first deadline and felt comfortable investing in the higher risk funds. Taking everything into consideration - the communication of the new plan is a definite improvement over the old plan. All participants would like more education about investing and are interested in attending investment seminars if they were offered at Checkpoint.

Employee Focus Group Results

- **Awareness of the 401(k) communication campaign**
All participants are aware of 401(k) and participate. Only one member did not attend because of travel commitments. The 401(k) is very important to the employees. They learned about it through Checkpoint. Even the younger employees at 25 have already joined the plan.
- **Evaluation of the communication to employees to attend the meeting**
They did not receive communication in timely manner – memo came the day before. Some members were getting ready to travel. Notice of meetings is always last minute and employees are expected to come. A time line should be developed to better plan. Employees were afraid to find out about alternatives because of the situation with the health benefits meetings. No alternatives were offered.
- **Evaluation of the Fidelity Investment employee meeting**
Fidelity did a good job of presenting the information. Had no knowledge of 401(k) plan prior to meeting. Felt tone of meeting was open - the meetings had a lot of Q & A. They liked the format. Group felt lucky that they understood the information and all questions were answered. There was no need to attend for a one-on-one meeting afterwards. Some members felt more comfortable asking friends about financial investing because they did not know the representative personally.
- **Evaluation of the 401(k) literature**
The literature answered questions - but there was a lot of it to go through. No members used the financial planner booklet or purchased the CD-ROM planner. Participants were not aware that there was a Fidelity web site.
- **Evaluation of internal support for the 401(k)**
Participants used the 800 line and literature for unanswered questions. Did not know where to go internally. None of the employees went to their managers with questions.
- **Evaluation of the toll-free line**
First notified by e-mail, but group number was not provided. They needed to contact HR directly to get group number. Only half of the participants got the 800 line information in the mail and it was late. Now using the toll free line and like accessing their money and the automation. Would recommend that others use it.
- **Evaluation of first Quarterly Statement**
All members received the quarterly statement and understand it. They like it better than the old statement because it gives the performance and description of each fund.

- **Overall rating of the way the 401(k) plan was communicated to employees**
The employees ratings were scattered between two and six with half of the participants at four. The four rating participants felt that the speaker did great job at the meetings, but the lack of internal support cut the rating in half. There were no options and inflexibility with the meetings. The 2 and 3 ratings feel that HR is an in-house service for employees. They are not comfortable going to HR with questions. They lack confidence in Human Resource's knowledge of the material and feel they were pushed to use toll free line. The six rating felt it is an improvement over the old plan. All participants made the first cut off date and felt comfortable investing in the higher risk funds. They enjoy having access to their money through the 800 line. All participants would be interested in attending investment seminars to learn more about savings and investments.

CHAPTER FOUR

CONCLUSIONS

The Communication Process

The conclusions drawn in this thesis are based on a comparison between the Checkpoint 401(k) employee communication campaign and the elements of an effective 401(k) communication campaign identified during the research process and outlined in Chapter II.

Design Elements

The most critical element missing from the design of this campaign is an evaluation or profile of employees. There was no research conducted prior to the design of the campaign to identify the diversity of the work force. Research is required to determine the employees communications needs. Some employees are unfamiliar with investments and some are highly sophisticated. The 401(k) plan is complicated and requires evaluation of employees prior to implementation. Effective research techniques include a simple survey, focus panels, or informal interviews. As demonstrated in the focus groups used for this study, employees are eager to talk about programs that affect them. The implementation of a key communicator program within the organization would provide management feedback to design effective communication programs.

Implementation Elements

A critical element missing from implementation is an HR department which is more flexible with meeting attendance, accessible after the meetings, and knowledgeable of the 401(k) plan. Both focus groups indicated a fear or reluctance to contact the HR representative for questions. If HR was contacted, the employees felt that HR was not knowledgeable of the information. Participants felt as though the plan was presented and they were left with an 800 line for questions. An interesting finding is that six managers said that employees came to them for questions and none of the employee focus panel said they went to their managers with questions.

The 401(k) plan is sophisticated with ten investment options plus a brokerage option. The complexity of the plan required more time for communicating, educating and administering the plan to employees. The material was presented as a "one-shot" deal compared to an ongoing process as suggested by 401(k) research. Focus panel results showed that employees felt there was not enough time to digest the material presented and make a decision. The panels suggested that the material be presented, they have a period to review it, then the representatives return for smaller, more personalized meetings.

Most of the elements for successful strategies for implementing a 401(k) plan were included in the plan. These elements are group meetings, one-on-one consultations after the meetings, an 800 line to access funds, and a quarterly communication. Additional money management courses were not offered in this 401(k) plan. Further research is suggested to evaluate employees interest in investing seminars. All

participants of both focus groups expressed an interest in learning more about savings and investments.

The execution of some of these plan elements was poor. For example, employees did not have enough notice for the meetings. They also felt that there was no flexibility to attend other meetings. The HR representative indicated in the interview after the meetings that an alternative was available for employees to attend another meeting. If this is true, the alternative was not communicated to employees and they were hesitant to attend other meetings because of the situation with the health benefit meetings when they were kicked out.

The communication for the 800 line was lacking. Employees received an e-mail with no group number and communication from Fidelity sent home was two weeks late and only half of the employees received it.

The holding period of 60 days when employees could not access their funds was not clearly communicated in the meetings or literature. Only one person from both focus panels was aware of this transfer period. Employees discovered this when they attempted to access their funds.

It was interesting to find that none of the employees used the Stages book or purchased the CD-ROM. They were also not aware of the Fidelity web site. These could be effective tools if they were more effectively communicated to employees.

The most successful element of the plan was the employee meeting. Many employees felt that most of their questions were answered during the meeting and did not feel a need for a one-on-one consultation after the meeting. Now that employees have access to the 800 line, they enjoy having access to their money and find the Fidelity

representatives to be very helpful. Participants feel the quarterly statement is an improvement over the previous statements and understand its content.

In summary, management's goal was to help Checkpoint employees understand the investment options. Fidelity did a good job helping the employees understand the investment options at the group meeting and with the literature. Even though they felt pressed for time, all participants in both focus groups made their investment selections by the first cut off date at the end of January. They were also comfortable investing in the higher risk funds presented.

Despite the lack of internal support and implementation problems, thanks to Fidelity, management achieved its goal of helping employees understand the 401(k) plan. This study identified two critical elements for communicating a 401(k) plan to employees -- the first is an employee evaluation to determine their communication needs prior to the plan design. An equally important element is an internal contact who is knowledgeable, flexible and accessible to employees.

CHAPTER FIVE

SUGGESTIONS FOR FURTHER STUDY

There are a number of suggestions for further studies which resulted from this analysis for both Checkpoint Systems and Fidelity Investments.

Checkpoint Research

A suggestion for further research at Checkpoint is an in-depth study of the HR department to evaluate its affect on communications throughout the organization. The 401(k) focus panels identified a problem with this department. HR is not responsive, knowledgeable or even accessible to employees. HR is a vital part of internal communications and is responsible for most communication to employees. A formal survey should be conducted with all employees including headquarters and field sales and service to identify the problem. Once the problem is identified, focus groups and small meetings with employees should be scheduled to brainstorm for solutions. The key is employee involvement -- have the employees identify problems and the solutions.

Further research required, which was not included in the 401(k) communication campaign, is an evaluation of how employees obtain information about the company. This should not be limited to the 401(k). A broad study identifying how the employees feel about the effectiveness of internal communications could then lead to a more in-depth study of how they prefer to receive information. Periodically, when communications are sent to employees, management should obtain feedback from

employees on the way it was received. A comprehensive study could be conducted once or even twice a year. Once the employees are profiled, all communications can be designed to reach all segments of the employee population.

Checkpoint should further this study by evaluating the effectiveness of the 401(k) plan to the field sales and service people who are not working from headquarters. They attended 401(k) meetings at the company's yearly meeting in January. If internal employees had difficulty getting answers – it would be interesting to identify where the sales and service people went with questions. A telephone survey would be appropriate for this population. It would be more time consuming but the response rate would be higher compared to a mailed survey. Another option would be to conduct a focus panel at each sales district's quarterly meeting.

Another suggestion for further study is to evaluate executive management's awareness and knowledge of Checkpoint's 401(k) plan and how effectively it was communicated to employees. Executive Management at Checkpoint does not participate in the employee 401(k) because their salaries are too high. It would be interesting to evaluate their understanding and involvement of a plan implemented by management for employees. A short questionnaire or telephone interview would be adequate for this study.

Checkpoint should conduct further studies to evaluate how managers can be used as a tool to communicate programs to employees. The managers in the 401(k) study had a good understanding of the plan. Employees could have gone to managers for questions. In this study, managers felt that some employees went to them, but no employees from the employee focus groups said they went to managers. Managers can be used as a

communication tool to communicate programs and policies to employees if they are properly informed and trained.

Another study would be a further evaluation of the difference between the 401(k) managers meeting and the employee meeting. The overall rating was different between the two focus groups. Perhaps the material presented in the managers meeting may have been suitable for the employee meetings. The study could identify how executive management communicate differently with line managers and employees.

Checkpoint should conduct follow-up research in three months to evaluate the effectiveness of the human resource department and 401(k) plan, including the 800 line. This research should be a very brief survey communicated to all headquartered employees through e-mail. Focus groups could also be conducted. The employees participating in the focus groups for this study were eager to talk and brainstorm for solutions to the problem.

The focus group research indicates that employees are interested in learning more about savings and investing. Management may want to poll all employees to determine interest. If so, small seminars should be scheduled to help educate employees.

Fidelity Research

Fidelity should further evaluate effectiveness of its communication tools. Research indicated that employees did not use the Stages Booklet or Stages CD-ROM. The first step should be to get feedback after presentations to ensure that benefits of these tools are being communicated to meeting participants. Further studies could be conducted after plan participants use these tools to determine how easy they are to use

and if they were valuable to the users. A focus group approach presenting the material shortly after participants use the products would be effective.

Another suggestion for Fidelity is to evaluate if all participants receive information sent to their homes. The focus groups indicated that only half of the participants received the toll free literature sent to their homes.

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