# Crafting the Retirement Readiness Scorecard

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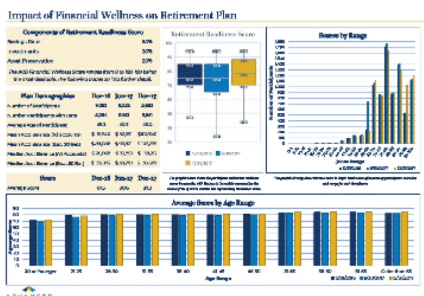
## Key Takeaways

- Developed as a collaboration between a cross-functional team
- Focuses on three areas of participant behavior that affect retirement readiness
- Applications in both plan design changes and implementation of financial wellness programs

How do you measure whether your participants will be ready for retirement when the time comes? This is the question we were faced with in the spring of 2017. The question was driven by wanting to assess – in a measurable way – the impact of our financial wellness programs for clients. At the same time, our consultants and relationship managers were in the process of major plan design changes for a number of clients. We wanted to find a way to measure whether these changes could measurably improve retirement readiness for plan participants.




Our CEO put together a team of relationship managers, consultants, analysts, and our innovation manager to see how we could measure the impact of plan design changes and the implementation of financial wellness programs. We wanted to craft a one-pager that contained information on how retirement readiness had changed over time. Right away, we faced three major questions: what to measure, how to gather the information necessary to measure it, and how to present it in a meaningful way to our clients.

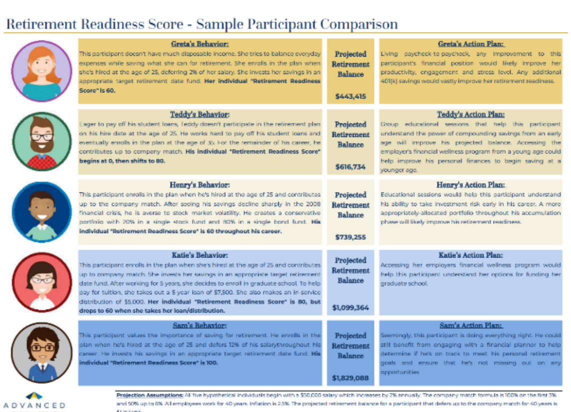
Over the course of several meetings, we narrowed down the metrics we would quantify into three buckets: savings rates, investment diversification, and asset preservation. We decided we could gather the necessary information from recordkeepers using a proprietary template—this would make our process repeatable among different clients.


Participant savings rates is the largest component of the score, as research shows that it can have the **largest** impact on retirement balances over the long run. Our original version created a straight scale, but we realized it was more important for employees to contribute to at least an employer's match than it was moving from a relatively high deferral rate to another high deferral rate. We retooled this scale to give greater rewards (or take away more points) at low deferral rates.

The second component we considered was investment diversification. We wanted to make sure participants were not exposing themselves to risk by investing in just one or two strategies within their plan. As we continued to develop the scorecard, we decided to make this option two tiered to account for participants invested in diversified options like target date funds as well as counting whether they are invested in multiple options.

The third component is asset preservation, which we put in place to measure the extent to which participants were eroding their savings. We account for both early withdrawals and loans in participant scores.

In tandem, these three behaviors come together to create an individual participant score. We view participant scores on the aggregate and their movement across time periods to identify the positive or negative behavior changes made by participants over the course of implementation of a financial wellness program, other education initiatives, or plan design changes.




From there, we have continued to develop new aspects of the scorecard. In addition to a dashboard overview page, the report includes pages that go into detail on each of the three components so plan sponsors can see if their efforts to influence a certain factor have been effective. Additionally, after client feedback, we created an example page with scores for sample participants under various circumstances to contextualize the scores in an otherwise data-focused scorecard.

We started rolling out our scorecard to clients in 3Q 2017. Clients using the card have ranged from those implementing a financial wellness program for employees, to other implementing 401(k) plan re-enrollment. Feedback has been positive so far. As new, unique client needs arise, we expect to continue evolving the scorecard to ensure that it remains a useful tool to measure changes in participants' behavior and retirement readiness.

# Disclosure

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