November 13, 2012

President's Advisory Council on Financial Capability
Partnerships Committee

Workplace Financial Capability Framework – Summary of Comments

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Overview

The President's Advisory Council on Financial Capability was created to advise the President and the Secretary of the Treasury on ways to assist the American people in understanding financial matters and making informed financial decisions. It is tasked with suggesting ways to coordinate and maximize the effectiveness of existing private and public sector efforts and identifying new approaches to increase financial capability through financial education and access to products and services.

One of the Council's areas of focus is enhancing the financial capability of America's workforce. The Council approved a recommendation in January geared toward improving financial capability for federal employees. We have now turned our attention to the private sector, and we hope to inspire employers across all industries to join us in this effort.

We seek to encourage employers of all shapes and sizes to adopt basic financial capability elements—and if they are already so engaged, to step up their offerings to more advanced services. These include a combination of benefits, educational resources, products and services, motivating communications, and metrics for measuring outcomes.

In its May 2012 white paper, "Every American Financially Empowered: A Guide to Increasing Financial Capability Among Students, Workers and Residents in Communities," the White House included a one-page "Employer Checklist" of steps employers can take to improve the financial capability of their employees. The Council's Partnerships Subcommittee has developed an implementation framework to supplement the White House publication in order to more fully support and expand financial capability opportunities in the workplace.

"Financial Capability at Work: A Strategic Framework to Guide Employers" ("Framework") was developed over the past year with significant input from business leaders, employee groups, union leaders, researchers, policy experts, government and nonprofit leaders, human resources and benefits experts and many others. This early guidance took the form of numerous phone interviews and discussions, listening sessions and informal meetings. The PACFC used the input to shape an initial draft document. This draft was publicly released through more than 300 stakeholders for additional feedback and input from September through mid-October, 2012.

Thirty-four executive-level stakeholders responded to the following questions:
- Are these elements realistic and achievable for employers to implement?
- What would motivate or inspire your organization to adopt these elements?
- Are there best practices you can share? Are there challenges?

This report provides a high-level summary of that feedback, grouped by key themes. The detailed feedback will be made available on the U.S. Department of Treasury's website.

Feedback Summary

Overall, respondents supported the concept of promoting financial capability in the workplace and encouraging employers to do more to help improve their employees' financial outcomes. They responded positively to the Framework structure, as well as the five key elements proposed.

Several key themes and recommendations emerged in the individual responses:

Overall, the Framework is realistic and achievable for mid- and large-size employers

- The vast majority of respondents – who largely represented mid- or large-sized employers – expressed that they already offer many of the elements in their size category, including some elements from the "advanced features."
- One respondent recommended that the Framework add an element or recast the Framework organization around the concept of *retirement adequacy*, or the extent to which all the retirement plans for a workforce, taken as a whole and in combination with Social Security benefits, are expected to deliver "adequate income" in retirement.
- Another recommended including more guidance for helping employers connect employees with products and services, as well as resources to help benefits professionals with turn-key implementation. But in contradictory feedback, other respondents expressed concern about employer liability in endorsing or partnering with particular service providers.
- Several respondents recommended connecting employers with financial capability programming that is easy to adopt, such as services offered by third-party providers who manage all aspects of the program for the benefits administrator. These are much more appealing – according to research by the New America Foundation – than programs the employer must manage internally. (This applies to micro- and small-sized employers as well.)

Every employer is different, and the Framework allows for flexibility to satisfy employers' varied needs and circumstances

- A nonprofit global human resources association commended the Framework for allowing employers to retain the flexibility to design programs that best satisfy the needs of their employees.
- Some respondents indicated that a stronger emphasis could be placed on the notion of leveraging internal and external resources to accomplish the initiative laid out in the Framework. For example, the Framework could specifically encourage employers to tap into community resources, national campaigns (i.e. America Saves, ChooseToSave.org, etc.), and their existing benefits providers to bring financial education into the workforce at minimal or no cost.

Implementation may be challenging for micro- and small-size employers

- Respondents were mixed on whether the framework would be achievable for small and micro businesses. A handful of respondents expressed concern that small businesses may find the elements either too financially burdensome to implement, or too difficult to implement due to lack of infrastructure or staff.

The Council should clarify that the Framework is not intended as a government mandate

- Several respondents were concerned about the possibility of the Framework becoming a government mandate, and recommended the paper clearly state that the Council is not recommending a new government mandate for employers.
- One respondent indicated that obtaining financial education is the responsibility of the employee, not the employer. This respondent also encouraged individuals to look to local nonprofit organizations for such help.
- Several respondents indicated that the Framework should clearly state that the Council views workplace financial capability efforts as voluntary, and that it should encourage government leaders to maintain policies that ensure they remain so.

Employers may need more clarification around fiduciary responsibility and risk of liability

- Respondents stated that fiduciary responsibility is a barrier to employers in terms of offering financial education or guidance.
- They recommend the Council explicitly address fears about increased liability, and recommended that the Framework point to government resources that clarify safe harbor around this issue.
- One respondent recommended expanding the Department of Labor's Interpretive Bulletin 96-1 (IB 96-1) in defining the educational information employers can provide without risk of liability.

The types of financial benefits and educational resources could go even further

- Several respondents encouraged inclusion of income protection benefits, such as disability insurance and health insurance, in the "Employer-sponsored savings vehicles" section.
- Several respondents encouraged inclusion of information on access to credit counseling services.
- Many respondents noted that while budgeting is called out as an educational topic, the Framework could do more to promote budgeting skills and help facilitate emergency or "rainy day" funds for employees.
- One respondent recommended that the benefits section be expanded to be more relevant to employers who provide employees with defined benefit plans. They argued, for example, that the "Measurement and Metrics" element provided examples that relate primarily to defined contribution plans, and do not adequately apply to defined benefit plans.
- One respondent recommended that the term "conflict-free" be added to modify educational offerings as well as benefits such as "[f]inancial assessment and one-on-one counseling."

Financial incentives could be effective in motivating employers to offer financial education and benefits

- Several respondents encouraged the Council to recommend that the government create financial incentives to help defray the cost of implementation of new benefits and education, and to motivate more employers to consider expanding their offerings.

Respondents' Summary Comments

	Respondent	Key Themes
1	AFL-CIO	• Recommend the Framework define success for employers' retirement education and benefits plans by whether the employers' workers are expected to have enough in retirement (retirement adequacy). • Recommend the Framework be more relevant to workers covered by defined benefit plans. • Ensure that all the recommendations in the Framework clarify that education, advice and guidance must be conflict free.
2	U.S. Chamber of Commerce	• The Chamber expressed that many of its members are already implementing on the five key elements, and that many of its members do even more. • Consider encouraging employers to offer benefits that help workers protect against loss of income due to illness or injury. • Clarify that the private retirement system must remain voluntary, and that the PACFC believes employers should be encouraged – not mandated – to provide opportunities for retirement savings. • Address employers' fears about increased liability due to providing financial education. Employers rely heavily on Department of Labor Interpretive Bulletin 96-1 (IB 96-1) in defining the educational information they provide without fear of liability. The Chamber recommends expanding IB 96-1 to allow employers to provide educational information without it being considered investment advice.
3	Capital Area Asset Builders	• The Framework is a great start for bringing financial education and resources into the workplace. • For employers that offer Employee Assistance Programs (EAPs), resources for financial assistance could be included as an offering toward overall wellbeing. • Be sure to provide education and resources in multiple languages if the employee demographics necessitate it. • The government or this Framework resource list could include a list of local organizations by state that offer financial wellness programs employers could tap into. The list could include both nonprofit and for-profit organizations.
4	World at Work	• The Framework "supports a holistic approaching, by addressing many fundamental practices that can lead to improved employee financial outcomes….. The suggested initiatives within the umbrella of the five fundamentals cited in the framework are most certainly realistic and achievable for employers to implement." • Every employer has unique workforce demographics with unique employee needs. The flexibility of the Framework is therefore very important. • Consider making a stronger recommendation for employers to leverage both internal and external resources to accomplish initiatives outlined in the framework. Often times employers can tap into community resources, regional and national campaigns, and resources from existing vendors to bring financial education to the workforce and minimal or no cost.
5	Prudential Financial	• In general the Framework is realistic and achievable for employers, but there are challenges with certain elements, particularly for micro/small employers. Specifically: • It does not seem realistic for micro/small employers to offer a defined benefit plan, given the financial and administrative hurdles. In fact, even among many medium to large employers, defined benefit plans have been steadily decreasing. • The term "investment guidance" needs further clarification, given that some employers define the term very narrowly. Similarly, one-one-one counseling may not be achievable for many employers. • The "low cost annuity option" seems like an odd addition, given that all categories should assume reasonably priced, appropriate investment options. • Promoting "pre-screened providers" seems problematic – who would develop the criteria? Who would monitor the provider to ensure continued alignment? If there was

		a negative outcome with the provider, would the employer be accountable? • Prudential has already implemented most of the elements of the Framework in an effort to attract and retain the best talent. Talent acquisition and retention could be called out as a stronger motivator / incentive for employers. • The Federal government could play a role in championing and promoting the Framework.
6	JP Morgan Chase	• Framework is realistic and achievable for mid-/large-sized employers like JP Morgan Chase (200k+ U.S. employees). The already offers most of the elements in the framework. • The respondent shared "best practices" including o Providing targeted communications with customized information about each employee's situation (i.e., show specific dollar amounts an employee gave up in 401(k) match to encourage enrollment or increased contributions. o Providing the same communications via multiple channels and touchpoints.
7	Office of Financial Empowerment (OFE) City of San Francisco (Note: The San Francisco OFE co-chairs the Cities for Financial Empowerment, a network of various sized cities across the nation representing 19 million people.)	• Framework is compelling and achievable for both large and small employers, and is presented in a concise, straightforward manner. • The overall message could be strengthened by extending beyond education and highlighting ways in which employers can provide employees direct access to safe financial products. • The terminology for the five fundamentals could be revised to better align with employee benefits professionals. For example, change "Benefits" to "Retirement Savings" and "Education Resources" to "Financial Education". • Provide accompanying documents that help benefits professionals with clear actions and next steps for implementation. • Clarify that the audience for this document. (CEOs, Human Resources staff, etc) • Address employer resistance by putting a greater emphasis on rewards and benefits to employers. For example, direct deposit helps employees, but also reduces employer costs related to payroll printing, processing and administration. • The comments shared resources such as the organizations white paper on Financial Empowerment through Employer Engagement.
8	New America Foundation	• The organization is currently engaged in research that seeks to catalogue financial capability programs currently offered by employers and document experiences with implementing such programs. Based on that research, they recommend the following: • Add "Gauge employee financial needs and concerns" and "Bring the right stakeholders on board" to the top of the Employer Checklist. • Add access to non-retirement, liquid savings vehicles and emergency financial assistance to the list of products and services available through the workplace. • Make centralizing information on financial capability programming a priority in marketing, and consider increasing the importance of testimonials and peer-to-peer sharing beyond an "advanced feature". • Connect employers with financial capability programming that is easy to adopt, such as services offered by third-party providers who manage all aspects of the program for the benefits administrator. These are much more appealing – according to NAF research – than programs the employer must manage internally.
9	Arkansas Federal Credit Union	• The elements are realistic for mid- to large-employers, and the organization supports the fundamentals laid out in the framework. • Micro- and small employers could be challenged in time and with competing priorities to implement it. (The organization works with a number of small employers who often do not share or implement even the free educational resources provided to them for their employees.)
10	EMSC	• From an employer perspective, the framework needs a stronger rationale for return on investment.

		• Educational and marketing recommendations should be packaged and turn-key for implementation in the workplace. • The firm would be motivated to adopt the recommendations under the following circumstance: "if we meet certain metrics (tbd), we could get a pass or exception on our annual 401(k) non-discrimination testing." For some companies, "making our plan safe harbor is cost prohibitive."
11	Wisconsin Dept. of Transportation Employee Assistance Program	• Framework levels are reasonable in most settings. • The greatest barrier to implementation for employers is time and money. • Provides a testimonial for the success and effectiveness of the "Investor Education in Your Workplace ®" program from the Investor Protection Institute. • Provides research results on employees' positive behavioral changes after having gone through the program.

12	Aetna	• Aetna's program includes most of the elements in the framework, so the company sees them as "realistic and achievable."
		• Aetna offered "best practice" guiding principles:
		  o One size does not fit all. Be willing to customize for target audiences.
		  o If it doesn't work, change it.
		  o People did not get into financial trouble over night. They will not get out of it over night. Give the program time to work.
		  o Be "unbiased, unbiased, unbiased."
		  o Use multimedia, i.e. webcasts, video, in person workshops, newsletters, intranet. Different people have different learning styles.
		• Challenges employers should consider when implementing programs:
		  o Employees finding time in their work day to take advantage.
		  o Manager engagement.
		  o Finding unbiased education in the employees' best interest.

13	Host Hotels & Resorts	• The format is good. • Including terminology around "defined benefits" could "scare off" some companies, so be clearer about what is intended and consider providing information on cost. • Large organizations will fall into a number of sub categories that will require different tools and techniques. For example, a large technical workforce is very different from a retail workforce with many hourly and part-time workers. • Provider an executive summary of the best supporting research available to help the human resources teams who likely be implementing.
14	Unum	• Unum strongly encourages including insurance / income protection in the benefits portion of the five fundamentals. • Attached Harvard Business Review study indicating 80% of employers say income-protection benefits play a role in attracting and retaining top talent and increasing productivity. • Attached supporting documentation indicating that the Consumer Federation of America believes financial capability would be increased if income protection were more prevalent, and that employers have an important role to play in providing access to it.
15	Bank of America	• The elements are realistic and achievable to implement "over time." • The primary motivator for BofA to adopt and/or further support initiatives would be employee requests. • One challenge in driving employee adoption of such programs is building awareness among employees of the benefits and educational programs the company offers.
16	HNTB	• The Framework is a thoughtful challenge to employers, but it should not be presented as a mandate. • Auto-enrollment is not practical for all employers. • Plan sponsors could be highlighted as resources for financial literacy education vs. individual company-created campaigns. • The government needs to address potential liability for providing what could be

		construed as financial advice under ERISA.
17	Bank of NY Mellon	• The Framework is realistic and achievable for an employer of BNY Mellon's size. • Consider recommending employers also leverage publicly available, objective free tools and educational resources when possible. • BNY Mellon supports the business rationale for providing the framework elements: "By providing financial tools and knowledge to their employees, businesses can help to increase employee retention and employee engagement; increase productivity; improve an employee's quality of life by eliminating financial stressors…." • Best practices suggested: Provide employees with one-on-one financial planning sessions, and an online "financial wellness" portal where they can easily access budgeting tools, information, and assistance in the event of personal financial crisis. • The greatest challenge is getting employees to use all the benefits and resources available to them.
18	Associated Estates	• Recommends adding the following to the framework; saving for college / 529s; income-tax planning; estate planning; long-term care planning.
19	NestWise	• The needs of the employer and incentives for success need more consideration. • Several challenges for employers: o Especially small employers may not have financial expertise. o Small employers may not have benefits staff. How can we make this more manageable for employers and their staff? o Deep concern about fiduciary responsibility and risk. o Employers are wary to make product recommendations / choices for employees – they are concerned about liability.
20	Investor Protection Trust and Investor Protection Institute	• Recommends recognition, rewards, competitions and simple / easy-to-implement programs as a way to motivate employers to do more. • Provided an overview of the "Investor Education in the Workplace®" program, along with research supporting its effectiveness in motivating behavioral change among employees. • Provided research entitled "Investor Education for Credit Union Employees: Survey Results for Wisconsin."
21	Evraz North America	• The five elements are realistic and achievable. • A best-practice they employ is auto-enrollment at 5%, match the 5% dollar for dollar, and then add 3% on top of the match. This results in very high participation rates.
22	Sharp Electronics	• The document is well-crafted. • It has a wealth of information.
23	Navy Federal Credit Union	• The elements on the Framework are "absolutely realistic for employers to implement for both Micro/Small Employers and Mid/Large Employers" • The Navy Federal Credit Union already offers all the framework elements for Mid/Large Employers and most of the "Advanced Features" • Best practices include: o 410(k) with 100% match up to 6% o A company-paid defined benefit pension o A quarterly total rewards statement with links to external sources like Choosetosave.org, SSA.gov, and Medicare.gov o Planning aids and modelers to help with retirement planning and managing flexible spending accounts. o Educational programs on basic finance topics plus first-time homebuyer seminars. o Real-estate assistance program, loan discount program, identity theft protection program, and much more. • The greatest challenges for employers will be cost, workload, encouraging and sustaining employee participation, reaching Gen Y and/or creating materials and programs that speak to multiple generations at very different stages of financial well-being.

		• The Advisory Council should consider developing a basic presentation for employers to modify or use “off-the-shelf” for financial education.

24	MassMutual Financial Group	• Starting with the Framework’s five fundamentals is a great way to present best practices for employers while illustrating the range of options and features available to help employees improve their financial outcomes.
		• Retirement plan providers can and do play an important role in helping employers deliver fundamental components of the Framework. Specific ways in which they can help include:
		  o Helping the employer establish a plan, based on company size, industry, employee demographics and employer goals.
		  o Providing education to participants.
		  o Implementing personalized awareness and marketing campaigns.
		  o Assisting with setting and executing measures of success.

25	Belvoir Federal Credit Union	• Framework is well-thought-out and “visionary.”
26	BB&T	• The Framework is realistic and achievable, and many companies have been working for years to encourage employees to utilize their benefits and take advantage of educational offerings. • BB&T integrates its financial wellness programs into an overall “wellness” approach, including Career Wellbeing, Financial Wellbeing, Physical Wellbeing, and Community Wellbeing.
27	InCharge Education Foundation	• Framework should focus more on getting people “investment ready” (debt reduction, credit improvement, emergency funds) before leaping to retirement planning. • Consider including education on credit scores and credit reports. • Move educational resources for “buying a home” from Advanced to Micro/Small and Mid/Large sections. • Educational programs need incentives to encourage participation.
28	Scott Credit Union	• Framework is good. • Cultural change is required for employers to offer more benefits and for employees to take advantage of them. • Explore incentives for businesses to offer such plans and programs • Consider tracking business results of employers that offer programs, to more concretely demonstrate business value. • Employers should do more to demonstrate the value of participation to employees–help them see the tangible benefits.
29	TIAA-CREF Financial Services	• The Framework is realistic and achievable, and these recommendations are “essential.” • This could be a first step toward a new approach to retirement readiness in which it is a shared responsibility between employers and employees; a system that provides income that can last a lifetime; that helps retirees meet their uninsured healthcare expenses; and is delivered in a tailored way (not one-size-fits-all) that meets peoples’ individual needs. • People at different ages and income levels have different needs, as do women. A new national approach to retirement readiness should address this. • One of the most pressing challenges is helping people prepare for and achieve lifetime income during retirement, now that retirement can stretch for decades. Offering education and products to help achieve this is critical.
30	Service Credit Union	• Framework is good, and the respondent’s organization already offers the five elements. • Recommends promoting the Simple IRA to employers who cannot afford or manage a 401(k). • Promote employee thrift by setting up a separate “rainy day” account. • Promote the use of flexible spending accounts and dependent care accounts.
31	Fort Knox FCU	• Recommends more employers consider offering defined benefit programs.

32	1st Advantage FCU	• Framework is good, and the respondent's organization already offers the five elements. • 1st Advantage also offers a full-time budget and credit counselor, providing free consultation to employees and members. • 1st Advantage links health and wellness education with financial education and assistance for a comprehensive employee wellness program.
33	Pentagon Federal Credit Union (PenFed)	• While the organization has a 401(k) and offers a match to its employees, the respondent believes the government should not mandate required employer matching. • The organization supports the framework proposal; however, "absent required financial education courses in high school and college, the ability of these programs to enjoy their full potential will be limited." • "For this program to reach its full potential, we need to mandate school systems to teach financial literacy."
34	First Light FCU	• Framework is good, and the respondent's organization already offers the five elements. • Suggests adding resources for credit counseling and budgeting. • Suggests employee incentives for meeting financial goals.

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