

# UNLEASHING THE INTERNET

## on Your 401(k) Plan

More than a mere vehicle for e-commerce, the Internet has plenty to offer plan participants.

**By Sachin N. Shah**

As the inflated promises of the Internet "revolution" shrink back to proportion, we can see the ways in which the Internet is bringing about genuine evolutionary change in the benefits sphere. In a recent survey of benefits managers, 63% named expanding self-service Internet applications as a top priority. This tracks well, given the Internet's increasing popularity over other self-service channels. For the first time in 2000, MetLife had more participant visits to its 401(k) Web site than to its call center and voice response systems combined.

But this is only the beginning of the Internet's potential benefits for participants and sponsors alike. The rise of the Internet has already delivered a sea change in 401(k) administration, making self-service the norm. But truly unleashing the potential of the Internet is going to take a corresponding change in the way employers view and think of their benefits business.

### UPPING THE ANTE

The Internet has already brought about improvements in 401(k) delivery and service that were unthinkable as little as five years ago:

- Participants now have 365/24/7 transaction capability;
- They can transfer funds, adjust contribution rates and so on, any time, anywhere;
- They have easier and faster access to plan information;

- They can take advantage of a wide and ever-growing variety of decision support tools;

- Their range of empowerment through self-service continues to expand.

Sponsors have also benefited through easier access to plan information:

- They can plot demographics and trends, get MIS reports online, and access plan data on an as needed basis;

- They can reduce expenses and manage resources far more effectively; they can administer plan data on the web, offer integrated delivery of benefits, and expand the sphere of employee self-service.

By making information and decision support more available, the Internet has increased the demand for both. By accelerating the delivery of services and increasing participants' and sponsors' options, the Internet has raised individuals' expectations. By connecting people, it has created a completely new forum for the discussion of retirement issues. These changes hint at a potential whose depths have not yet been imagined, yet alone plumbed. The effect of the Internet on the benefits sphere is not only bigger than anybody expected, it is different and further-reaching. And nowhere is this truer than in the 401(k) arena. Today's retirement market is shattering the image of the 50+ technophobe: this is the true new wired generation, its Internet usage increasing faster than that of any other age segment. 401(k) plan sponsors ignore

this development at their peril.

To take advantage of the possibilities requires detailed research about what participants and sponsors really want when it comes to their benefit plans.

### WHAT DOES AN EMPLOYEE WANT?

Web site log files (indicating which web pages users actually view and what they do there), telephone and e-mail statistics, and one-on-one and focus group interviews consistently indicate that participants value convenient, clear, simple presentation of essential information about their benefits. In the 401(k) context, no matter what the channel, employees are overwhelmingly interested in checking on their accounts. They want to know their balance; they want to know how their holdings are doing. Fully 70% of participants come online to get such information about their accounts, and 47% do so just to check their balances. When they want more, such as investment guidance and decision support, they again want it clear and simple.

Research has made it abundantly clear that the way to a satisfying user experience is to enable the user to get onto the web site, get this basic account information and get out. Voice response systems, requiring callers to endure involved menu navigation interspersed with lengthy hold periods, rated low in user satisfaction, as did sites requiring three to five clicks to get a balance. That's two to four too many. So great is the potential of the Internet that a properly designed web site should be able to present the information the typical participant wants with one click.

Such a web site might include features like the following:

- An easily grasped visual presentation of relevant and useful information, updated in or close to real time. The Web's graphic capabilities mean that it can present information like no other medium. Is there a more intuitive, graspable way to view your 401(k) holdings than as a pie chart? A well-conceived web site might present just such a chart on the very first page. Better yet, unlike any other medium, the Web is virtually instantaneous. Any news web site will give you current stock quotes. Why not offer participants current valuations of their portfolio?
- Ease of navigation in a step-by-step intuitive format. Commercial and enter-

tainment web sites have developed a myriad of tools to make navigation painless—from file tabs to dropdown menus to the lighted mouse. A creatively and sensitively designed site will integrate these devices in user-friendly, uniform ways to present a seamless step-by-step process that enables the employee to get in, do what he or she came for and get out.

- A greater feeling of control on the part of the user. A site that incorporates such design features will powerfully extend the ease and breadth of employee self-service, allowing participants to take a more active approach to managing their 401(k)s and thereby increasing their sense of control and comfort.

But all this is literally just scratching the surface. Even the ultimate participant-friendly web site only moves online the functionality employers have offered offline. To be sure, it would be possible to stop there; but you would be denying yourself the greatest potential of the Internet. Allow it to reshape the way you do benefits.

### REENGINEERING BENEFITS

The Internet is a catalyst of evolutionary changes we're just beginning to understand—from the flow of information to communications patterns and preferences to budgetary concerns to traditional business roles. So getting Internet applications up and running for your 401(k) plan is as much about business processes, resources and understanding human behavior as it is about systems and software.

We can already see the outlines of the 401(k) plan sponsor of the future: far less focused on transactional service provision and far more oriented toward being a strategic thinker around the benefit. As things stand today, employers have basically acted as intermediaries between participants and providers. As we evolve toward self-service, this “intermediary” role will become the domain of the employee web site. The members of today's Internet-savvy retirement community can manage their accounts themselves, online. Thus, instead of simply moving online what employers today do offline, employers will be free to add value by concentrating on such issues as:

- Reimagining the workplace of the future. By 2010 the concept of the work-



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place as a single place may be transformed. There'll be more professionals practicing outside the office than inside, and a major task of management will be dealing with staff they will hardly ever see. In the 401(k) context, this could involve finding the right level of interaction between benefits professionals and employees on matters of retirement and retirement income.

- Dealing with diversity. Throughout the next few decades, the employee pool is going to grow even more diverse than it is today. As diversity increases, employee needs and “life cycle” will change along manifold vectors. Benefits strategists will have to deal with temporal issues (people will spend only 3 to 5 years at a job), generational issues (boomers working to fund longer retirements but retiring as late as 75, mobile Gen Xers whose greatest value in benefits is portability, and Gen Y “netters” looking for competitive salaries and flexible schedules) as well as multicultural issues. Globalization is making questionable the idea of a “United States employee market” confined to the territorial borders of the United States.

- Balancing privacy with data needs. We understand the developing data issues raised by the Internet much better than we did a year ago. It's becoming clear that the data relationship needs to be different: while continuing to safeguard the core value of employee privacy, employers must collect, maintain and manage better data. Without this information, many exceptionally useful features of the Internet are unavailable—such as digital signatures, which can afford new levels of privacy and security to both employers and employees.

### CONCLUSION

Past hype about the Internet has concealed its true potential and led to frustrated expectations among benefits professionals in particular. All along, the Internet paradigm shift worked steadily to bring about change. Plan sponsors who listen to what employees actually want and reengineer their benefits practices accordingly will be positioned to surmount the challenges of the 21st-century workplace. □