

Washington State DRS Roth Implementation

SUMMARY

Washington State DRS

Washington State Department of Retirement Systems (DRS) serves a diverse population of over 357,925 active members, including firefighters, teachers, police officers and more. Additionally, there are over 230,000 annuitants which include retirees and beneficiaries, and 340,881 inactive members. DRS administers one of the most complex public retirement systems in the country, comprising fifteen plans across eight individual retirement systems. Voya Financial has been the record keeper on the DC plans since 2020. The mission of DRS is to provide information, tools, expertise, and services that ensure that members receive the retirement benefits they earn while in public service. Plan 3, a mandatory 401(a) plan, has approximately \$20B in assets as of December 31, 2023. DRS' Deferred Compensation Program (DCP) is a voluntary 457(b) program with approximately \$6.6B in assets. For the remainder of this summary, DCP will be the plan that is discussed. Another note for the reader, DRS is the overarching umbrella of all the plans, including DCP, and could sometimes be referred to as the "DRS team," when referencing the team that worked on this DCP Roth implementation. DRS uses the term "customer" instead of "participant," so the word customer will be used throughout this summary.

DCP and Roth

DCP has about 92,945 actively contributing customers. The average savings rate is about 4%, which increases with age. DCP implemented automatic enrollment at 3% of pre-tax compensation for new state employees beginning in 2017. In March 2022, Washington State legislation via HB1752 required that DCP add Roth as a contribution option no later than December 1, 2023. Completing a study with record keeper, Voya Financial, some benchmarks were established for Roth participation in the first year of implementation. Because of the large auto enrollment population and lack of exact examples of other employers like DRS, a target of 5% was established. Beginning just a few months later, DRS

began a 16-month implementation. On October 1, 2023, customers were given the option to start Roth contributions as well as Roth conversions. While the implementation of a Roth salary deferral feature is a relatively simple plan design change for most programs, due to the size of the plan, number of employers, and DRS complexity, the project required significant planning and posed several challenges. Specifically, employers had various system capabilities, payroll providers, as well as different training and communication needs. Implementation required system changes across 3 IT systems, requiring an independent development environment to be established and aligned. In addition to communicating clearly with employers, DRS also needed to develop a communication plan for customers, ensuring they understood the differences between pre-tax and Roth and how to take advantage of the new option, if desired.

"For us, turning on the Roth feature was more than just 'flipping a switch' because we have over 800 state and local government employers that participate in DCP, so we had to ensure they were prepared for this change. We wanted to ensure a successful addition for not just our customers but the employer community at large."

- Seth Miller, Retirement Readiness Director, DRS

Goal

The goal of the Roth communications plan was to provide the tools and information needed for customers to make informed decisions that are aligned with their financial objectives. To measure this type of qualitative goal, the communications campaign was planned to coincide with aspects of the Roth rollout, so that information like number of Roth adopters, number of new customers choosing Roth and number of Roth conversions might directly correlate to communications as well as education and outreach.

The following explanation relates to how Washington DRS communicated with DCP customers to ensure a successful implementation.

The Strategy

DRS spent considerable time developing a strategy to effectively communicate with customers about Roth. This included establishing a timeline for communication leading up to and following the implementation, key messages outlining the differences between Roth and pre-tax contributions, and establishing various communication channels including, email, video, newsletter, and webinars. DRS focused on creating key messages with consistent language and themes. The timeline was thoughtfully crafted to provide customers with the right communications at the right times as well as continued updates after implementation.

The Video

At the beginning of 2023, the DRS team began planning the Roth campaign, themes, and primary messages. A [3-minute Roth video](#) was the first piece of the campaign completed ahead of the October 1st launch date. Because the video was the starting point of the campaign, all decisions that would affect future pieces had to be made for the video and its creation drove other elements of the strategy. This communication tool continues the nature-oriented theme of previous DRS videos and was designed to integrate components of the natural world specific to the State of Washington including bears, eagles, and salmon.

The objective of the video is to explain the difference between and benefits of Roth and pretax contributions. To do this, the viewer is introduced to a metaphorical ecosystem where fish swim through streams and navigate obstacles. Orange fish represent the flow of investment dollars, swimming down either a pre-tax or Roth stream and feeding into a lake. Fish swimming in the pre-tax stream go by freely, making their way to the lake. Fish swimming in the Roth stream must pass under the watchful eye of

the tax-eagle, who swoops down and takes some fish. As a result, fewer Roth fish make it to the lake than the pre-tax fish. Just before the lake there is a pond with a fish ladder, allowing only a certain number of fish into the lake at a time representing the annual contribution limits. As time goes by, the lake fills up with fish of both types. Initially there are more pretax fish than Roth fish. A bear sits on the bank of the pond, scooping up fish and throwing them into two piles on the shore. The pile of Roth fish remains safe, but the tax-eagle swoops down and grabs fish from the pretax pile before the bear can eat them. The video concludes by encouraging customers to view a retirement savings calculator that compares the impact of Roth versus pretax and how to make changes or enroll.

Enrollment Guide

The enrollment guide for DCP was redesigned using images from the Roth video with the intention of carrying through the messaging, color scheme and themes into materials for new hires. While state agencies and some additional public employees are auto-enrolled, other customers must act on their own to enroll. The enrollment guide often serves as the initial point of contact for new hires, making it a critical piece of marketing material in shaping their perceptions of the retirement plan. Establishing consistent imagery, themes, and color schemes within the enrollment guide is essential for setting expectations regarding the tone and style of future communications.

Flyers and Fish

A flyer was created for the education and outreach team to hand out at seminars and meetings. The tag line was “DCP helps you stock up with two types of retirement savings options – Roth and Pretax.” The two-sided flyer compared the differences between Roth and pretax with a chart and utilize the same branding as the Roth video. Orange fish-shaped seeded paper embedded with flower seeds were handed out along with the flyers to help make the Roth rollout memorable and encourage customers to watch the video.

The Website

On October 1, 2023, the website for DCP was updated to include a [Roth FAQ](#) for customers. The Roth video was added to the site as well as the new enrollment guide. A special Roth page that linked to the emails promoting Roth was also available with age-based tips on Roth.

Email Campaign and Virtual Q&As

Throughout October 2023, DRS implemented a targeted campaign for active DCP customers. The goal of the campaign was to provide Roth education to four age-based groups in DCP. Customers were divided into early career, mid-career, near-retirement, and in-retirement groups. The early career group included active DCP and eligible customers between the ages of 18 and 35. Active means that they are currently working and able to contribute to DCP. This group received their email on October 2nd, promoting a live virtual Q&A about Roth just for them on October 4th. It also included the Roth video, a link to log into their account where they can change their contributions and a link to a page on the [website](#) that listed all of the Q&A sessions available and age-based tips on Roth. The mid-career group, ages 35-49, received the same email, but on October 9th. They also had a special Q&A session geared just for them on October 11th. On October 16th, the near-retirement group, ages 50 and over, received their email that promoted the Q&A just for them on October 18th.

The in-retirement group received an email on October 23rd letting them know that Roth conversions were available and invited them to a Roth-conversion Q&A session on October 25th. Instead of linking to the Roth video, it linked to a [3-minute video](#) on Roth conversions. Using the same email, but sent separately, all other groups were invited to the Roth conversion Q&A. Members of the DRS and Voya education and outreach teams hosted the Q&A's. Questions and answers were prepared in advance based on the topic and group, and live questions were answered during the session as well. There were over 150 questions during the Roth conversion Q&A session and every other session had at least 100 questions, with the near retirees asking almost 200 questions. Any questions that required follow-up were marked down with a representative following up after the session.

Questions that highlight why education and communication are important were asked during the early, mid, and near-retirement Q&As and include:

- Can this Roth option lose money?
- I thought we already had a 457, is this new?
- Can someone contribute to both a Roth IRA and the Roth 457?
- If I choose the Roth option, my money will be taxed before it goes into my account?
- Does the money I contributed to my Roth IRA count towards the amount I am allowed to contribute to my Roth 457?

Questions asked during the Roth conversion Q&A session included:

- Can you do a conversion while still employed?
- Are there fees to doing a Roth conversion?
- Can I just start making Roth contributions without doing a conversion of my pretax money?
- Can you do more than one conversion?
- Is the conversion considered income for that year?

RESULTS

Early career, Mid-career, and Near retirement Groups

The goal for the Roth implementation was to educate current and future customers about Roth. To help measure progress on education, Q&A sessions were offered via the email campaign during four weeks in October. Overall attendance was high for these virtual Q&As, totaling over 1,000 attendees. Additionally, over 3,000 customers watched the Roth video when they received their email.

Age groups	Date of Q&A	Number of Q&A attendees	Number of customers now using Roth	Number of unique email clicks
Q&A attendees for early career (ages 18-35)	10/04/23	196	988	1,301
Q&A attendees for mid-career (ages 35-49)	10/11/23	381	1,975	3,332
Q&A attendees for near retirement (ages 50+)	10/18/23	456	1,649	4,391
Total		1,033	4,612*	9,024

*5% of current participants

Open rates for the early, mid, and near-retirement emails sent during this time exceeded 50%, with the early career group reaching a 72% open rate. Over 2,000 customers logged into their accounts after receiving a Roth email. DCP web traffic was up over 65% from the previous month. As of February 12, 2024, almost 5,000 previous customers have added Roth contributions or switched to Roth contributions.

Over 1,200 new employees that were hired after October 1st through February 2024 are making Roth contributions, with an average monthly contribution of \$315.

Roth Conversion Results

The Roth conversion Q&A had over 350 attendees. These attendees included all groups: early career, mid-career, near-retirement, and in-retirement. Over 5,000 customers clicked to watch the Roth conversion video when they received their email. Between October 1, 2023, and February 1, 2024, over 220 active customers had completed an in-plan Roth conversion, totaling \$4.8 million. In just the first month of offering Roth conversions, over \$1.6 million was converted. During the same period over 40 customers that were no longer with DRS had completed an in-plan conversion, totaling \$3 million. The in-retirement group that received the Roth conversion email had a 58% open rate with 432 unique clicks on the email. This group only received the Roth conversion email because they can no longer make contributions to DCP and only have the option to do conversions should they wish to stay in the plan. The other three groups that also received the Roth conversion email had a 60% open rate with 6,394 unique clicks.

Additional Results

DRS produces a bi-monthly podcast called [Fund Your Future with DRS](#). On September 27th, DRS released an episode called "A Roth Option for DCP" that received over 600 downloads or listens in October.

Overall Roth Goal

The goal of achieving 5% Roth adoption within the first year occurred in the first 6 months of offering Roth to customers. Based on the study done with Voya Financial, DRS hopes to reach 10-15% Roth adoption over the next few years.

Customer Feedback

Overall, the customer feedback was positive. Many customers had been waiting for Roth to be available and saw this implementation as a huge benefit.

FEASIBILITY OF USE FOR OTHER PLANS

The DRS roadmap to a successful Roth implementation can be used by any plan on any scale. In fact, a checklist might be helpful:

- 1. Goal:** Determine what the overall goal is: Is it simply to educate or is there a targeted number of people the plan wants to have using Roth? Industry research can assist with coming up with an ideal percentage of adoption in the first year.
- 2. Timeline:** Identify the date Roth will be available in the plan and work backwards, establishing key dates to announce that the change is coming and what materials should be expected. Set deadlines for when materials will be drafted, reviewed, and finalized. The bulk of materials should become available on/around the live date.
- 3. Communication Channels:** Decide how Roth should be communicated and where it should be communicated.
 - Enrollment form – online and printed
 - Website
 - Newsletter – if available
 - Video
 - Email campaign
 - Q&As
 - Webinars
- 4. Key Messages:** Establish a unified approach for discussing Roth with consistent messaging across platforms. Address common misconceptions or concerns via a FAQ document, short videos, or other mediums. Provide guidance on the process and potential implications of converting traditional contributions to Roth. Leverage imagery, colors, and themes with other materials for a cohesive look.
- 5. Personalized Communication:** Tailor communication to different participant segments based on demographics, retirement goals and financial literacy levels. Use personalized messaging where feasible to enhance engagement and relevance.
- 6. Seminars/Webinars:** Schedule group sessions to discuss Roth contributions and provide opportunities for participants to ask questions and seek clarification.
- 7. Feedback Mechanisms:** Provide participants with a way to provide feedback on materials to refine strategies and address gaps or areas for improvement.

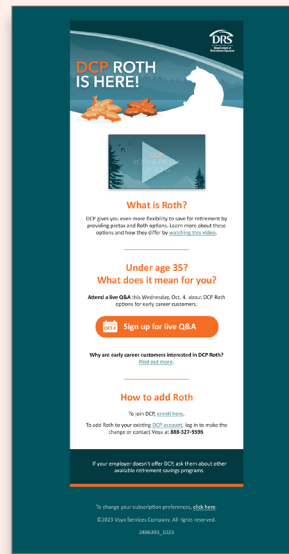
“I’m so glad that DRS made this option available for state workers. I hope this will benefit thousands of employees and will help them plan for their secure financial futures. I’m grateful for the training that DRS has offered, which was quite helpful, and I’ll look forward to future trainings..”

- Phil Ferester, Senior Assistant Attorney General, Public Lands & Conservation Division

SAMPLE CAMPAIGN ELEMENTS



Roth video frames



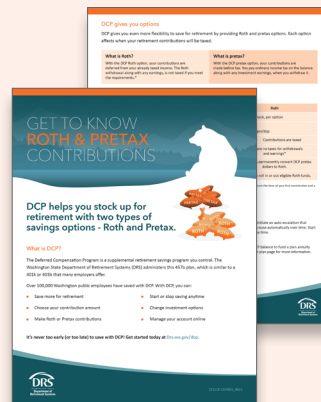
“What is Roth?” email



Facebook posts



Enrollment guide



“Get to know Roth” flyer



“Fish” seed packet