



What is an Education Policy Statement?

According to a recent white paper¹ written by Transamerica titled, “Creating an Education Policy Statement”, an education policy statement (EPS) is one of the latest fiduciary responsibility management tools available for plan sponsors. It builds on the example established by the ERISA-required investment policy statement (IPS) to help plan sponsors define, document and benchmark their employee education initiatives.

Focusing greater attention on employee education and applying a more formalized approach to education campaign execution and success measurement is becoming a plan management imperative. Two compelling reasons for this are the widespread lack of employee retirement readiness and the increasing regulatory scrutiny of the plan sponsor’s fiduciary role.

Although an education policy statement is not required of plan fiduciaries, it is a natural extension of an investment policy statement. It gives structure, sets parameters and establishes measurement benchmarks to gauge progress and the success of education programs. Financial professionals can add value to their client relationships by assisting plan sponsors with the establishment and ongoing maintenance of an education policy statement as part of their overall management of fiduciary responsibilities.

A well-crafted education policy statement serves a dual purpose:

1. It documents employee education efforts for fiduciary purposes, and
2. Creates a blueprint for meeting the educational needs of a plan’s eligible employees and plan participants.

The education policy statement articulates the plan sponsor’s commitment to employee education, the methods that will be used to communicate with employees, the goals and success measurements of specific education campaigns, and the parties responsible for various functions related to providing employee education on an ongoing basis.

More than just another administrative tool, an education policy statement forms the foundation for benchmarking in areas critical to the success of the plan, such as participation rate, average deferral rate, average account balance, asset allocation and financial literacy. Furthermore, using the education policy statement in conjunction with an Annual Plan Review is a powerful way to measure the efficacy of education efforts, identify areas for improvement, and show how the plan compares to peers and industry averages. This type of analysis helps plan sponsors meet their ultimate objective: to increase employee financial literacy and retirement readiness.

Here are the five basic parts of an education policy statement that the Transamerica white paper outlines:

1. **Purpose.** This section describes the plan sponsor's commitment to effective employee education, the desire to establish a formalized, structured employee education plan that meets employee needs, and a disciplined method for benchmarking and measuring progress toward meeting education goals and documenting success.
2. **Plan objectives.** Overall plan objectives are to produce measurable results that positively impact the plan and participants' retirement readiness in four key areas: participation, deferral rate, account balance and asset allocation.
3. **Education goals.** In addition to having a positive impact on the four plan objectives above, education goals may include: satisfying ERISA participant communications requirements, promoting financial literacy and retirement readiness, and helping employees maximize the retirement savings potential offered by the plan.
4. **Measurements/benchmarking.** This section specifies the success measurements that will be used, the industry and plan benchmarks, and measurement methods and frequency.
5. **Roles and responsibilities.** This section identifies the various parties involved in employee education and their responsibilities. In general, the parties providing employee education include the plan sponsor, the plan's service provider, and the plan's financial or investment advisor. Others who may be involved, depending on the plan, can include a third party administrator, consulting firm, or investment advice provider.

Contact one of our Advisors to help you design an Education Policy Statement for your Company Sponsored Retirement Plan

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¹ https://www.transamerica.com/shared_docs/pdf/Starting_a_Business/Creating_An_Education_Policy_Statement.pdf

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