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Human Resource in Practice

Defined Contribution Plans Emerging in the Public Sector: The Manifestation of Defined Contributions and the Effects of Workplace Financial Literacy Education

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This article discusses the history of the Employee Retirement Income Security Act (ERISA). The implementation of the act developed an environment for employers, public and private, to transition from defined benefit (DB) retirement plans to defined contribution (DC) retirement plans. This transition has many implications for both employers and employees. The article argues that the transition to DC retirement plans is becoming more prevalent in the public sector and it suggests that the implementation of a workplace financial literacy program can enhance public employees' ability to make better decisions with regard to financial behavior and retirement planning. The article presents a nonexperimental single group pretest/posttest design to investigate the effects of a workplace financial literacy program. The findings suggest that participants are less stressed, more satisfied with their financial situation, less worried about monthly living expenses, and more confident about overcoming financial emergencies.

Keywords: *workplace financial literacy; human resource management; employee assistance; defined contributions; retirement planning*

Thirty years after the enactment of the Employee Retirement Income Security Act (ERISA), there has been a dramatic shift in the types of pension plans offered to employees in the United States. This shift has transferred the responsibility of planning for retirement from the employer to the employee. This trend has been prevalent in the private sector. However, recently, public sector entities have begun to adopt retirement programs that transfer the planning responsibility of retirement to the employee. After relating the history of ERISA, this article describes the responsibilities of retirement planning that have transferred from the employer to the employee.

Furthermore, with the advent and increased participation of public organizations in 403(b) plans, the article discusses a not-for-profit's experience of financial literacy development as a benefit for its employees. Workplace financial literacy has shown a

positive relationship with financial savings and financial behavior (Holland & Goodman, 2008). Moreover, the article presents a nonexperimental pretest/posttest design to evaluate the effects of a workplace financial literacy program, which can be an effective, efficient, and equitable program for employees and for public organizations. Finally, the positive effects of the program spill over into other aspects of a worker's behavior and perception such as an increase in productivity, less absenteeism, and less stress in the workplace (Hira & Loibl, 2005).

ERISA

The creation of the federal government's ERISA was long and arduous. The legislative process for creating the act began in 1963; however, ERISA was not enacted until 1974. During this policy creation phase, ERISA passed through three presidents and numerous support staff. The political actors who supported pension reform remitted multiple proposals that were met with contention and refusal, to both the House and the Senate. After years of policy development, ERISA (PL 93-406) became law in 1974. Wooten (2005) states, "The pension reform bill is the greatest development in the life of the American worker since Social Security" (p. 1). The law provides employees with the security of knowing that their employee pensions are protected by federal regulation.

The failure of the Studebaker–Packard Corporation in 1963 became the catalyst for the debate over pension protection (Wooten, 2005). Wooten (2005) describes how Studebaker–Packard left some of the pensioners (employees) with nothing for retirement when the company shut down, especially affecting younger workers. He writes, "Retirees and retirement-eligible employees received their full pension, but the plan defaulted on its obligations to younger workers" (p. 51). With the Studebaker–Packard case raising concerns for pension protection among the American public, politicians and bureaucrats advocated for a law.

A number of influential individuals had a hand in developing and enacting ERISA. However, the principal actor for pension reform was Republican Senator Jacob Javits of New York, who was very influential in getting the issue on the national agenda. Pension reforms also received a boost from President Kennedy's Committee on Corporate Pension Funds. In January 1965, the committee's report, *Public Policy and Private Pension Programs*, listed numerous issues and concerns related to private pensions. Because of its importance in the eventual formation of ERISA, the report was commonly referred to as "the Bible" (Wooten, 2005). Regardless of its importance, its publication of the document was met with great contention.

John F. Kennedy's presidential committee developed the aforementioned report, but after Kennedy's assassination, Lyndon B. Johnson was hesitant to implement the report's recommendations. However, the U.S. Department of Labor (DOL) secretary, Willard Wirtz, supported the report for publication and defended its merit.

Regardless of opposition, Johnson eventually released the report to the public. Both Javits and Wirtz were instrumental in establishing the political rhetoric and provided evidence that carried the pension protection reform closer to enactment.[1]

Wooten (2005) explains with the release of the committee's report and the crisis of Studebaker–Packard's pension, "officials in the executive branch and Congress began work on legislation to implement the Cabinet Committee's recommendations, while the business and professional organizations mobilized to counter their efforts" (p. 115). After years of debate, ERISA was finally enacted in 1974.

The ERISA was enacted to protect employees' pension plans. If employers offered a pension plan for employees, the act initiated rules and provisions for the employers to follow. However, ERISA did not require employers to create a pension plan. It only required employers to follow certain guidelines, specifically reporting guidelines, if they provided a pension plan for employees.

Currently, the Employee Benefits Security Administration (EBSA) oversees the compliance of ERISA. EBSA, which is an agency within the DOL, administers the compliance of public and private entities regarding the act. In general, ERISA regulates defined benefit (DB) plans and defined contribution (DC) plans. The DOL (2006) Web site indicates,

> A defined benefit plan promises a specified monthly benefit at retirement. The plan may state this promised benefit as an exact dollar amount, such as $100 per month at retirement. Or, more commonly, it may calculate a benefit through a plan formula that considers such factors as salary and service—for example, 1 percent of average salary for the last 5 years of employment for every year of service with an employer.
>
> A defined contribution plan, on the other hand, does not promise a specific amount of benefit at retirement. In these plans, the employee or the employer (or both) contribute to the employee's individual account under the plan, sometimes at a set rate, such as 5 percent of earnings annually. These contributions generally are invested on the employee's behalf. The employee will ultimately receive the balance in their account, which is based on contributions plus or minus investment gains or losses. The value of the account will fluctuate due to the changes in the value of the investments.

After the Revenue Act of 1978, DC plans developed into a myriad of subplans that provide public and private organizations the ability to offer various retirement plan options. Employees are most familiar with the plans by their tax code designations: 401(a), 401(k), 403(b), 457, and 408, which are individual retirement accounts (IRAs). In the early years of ERISA, DC plans were not prevalent. Therefore, ERISA regulations did not focus on DC plans. However, in January 1981, the first 401(k) plan was initiated, which started a change in retirement planning (Purcell, 2002).

In addition to overseeing the DB and DC plans, ERISA sets a myriad of other requirements to which employers must adhere. These requirements provide general regulations for employers to follow. Table 1 provides an illustration of the Title I disclosure requirements that DOL enforces.[2]

Table 1
Overview of ERISA Title I Basic Disclosure Requirements: Pension and Welfare Benefit Plans

Document	Type of Information	To Whom	When
Summary plan description (SDP)	Primary vehicle for informing participants and beneficiaries about their plan and how it operates. Must be written for average participants and be sufficiently comprehensive to apprise covered persons of their benefits, rights, and obligations under the plan. Must accurately reflect the plan's contents as of the date not earlier than 120 days prior to the date the SPD is disclosed	Participants and those pension plan beneficiaries receiving benefits	Automatically to participants within 90 days of becoming covered by the plan and to pension plan beneficiaries within 90 days after first receiving benefits. However, a plan has 120 days after becoming subject to ERISA to distribute the SPD. Updated SPD must be furnished every 5 years if changes made to SPD information or plan is amended. Otherwise must be furnished every 10 years
Summary of material information	Describes material modifications to a plan and changes in the information required to be in SPD. Distribution of updated SPD satisfies this requirement	Participants and those pension plan beneficiaries receiving benefits	Automatically to participants and pension plan beneficiaries receiving benefits; not later than 210 days after the end of the plan year in which the change is adopted
Summary annual report (SAR)	Narrative summary of Form 5500	Participants and those pension plan beneficiaries receiving benefits	Automatically to participants and pension plan beneficiaries receiving benefits within 9 months after end of plan year, or 2 months after due date for filing Form 5500 (with approved extension)

(continued)

Table 1
(continued)

Document	Type of Information	To Whom	When
Notification of benefit determination (claims notices or "explanation of benefits")	Information regarding benefit claim determinations. Adverse benefit determinations must include required discloses (e.g., the specific reason[s] for the denial of a claim, reference to the specific plan provisions on which the benefit determination is based, and description of the plan's appeal procedure)	Claimants (participants and beneficiaries or authorized claims representatives)	Requirements vary depending on type of plan and type of benefit claim involved
Plan documents	The plan administrator must furnish copies of certain documents upon written request and must have copies available for examination. The documents include the latest updated SPD, latest Form 5500, trust agreement, and other instruments under which the plan is established or operated	Participants and beneficiaries	Copies must be furnished no later than 30 days after a written request. Plan administrator must make copies available at its principal office

The DOL (2006) Web site states,

> ERISA requires plans to provide participants with plan information including important information about plan features and funding; sets minimum standards for participation, vesting, benefit accrual and funding; provides fiduciary responsibilities for those who manage and control plan assets; requires plans to establish a grievance and appeals process for participants to get benefits from their plans; gives participants the right to sue for benefits and breaches of fiduciary duty; and, if a defined benefit plan is terminated, guarantees payment of certain benefits through a federally chartered corporation, known as the Pension Benefit Guaranty Corporation (PBGC).

Though ERISA was considered landmark legislation (Wooten, 2005), as ERISA has aged, the issues the act addresses have also changed. Over the years, the DC plans have evolved and flourished as the plans of choice among employers and employees, which was not foreseen in the development stage of ERISA. This dramatic shift from DB plans to DC plans over the past 25 years has created unanticipated outcomes. For instance, employees are cashing out their retirement funds early for preretirement consumption. In addition, employees are not actively engaging in DC plans, whereas all employees who are eligible for DB plans are enrolled. If an employee does not participate in a DC plan, the implications may affect their well-being in old age.

Moreover, only recently has there been an increase in implementing DC plans in the public and not-for-profit sectors (Holland & Goodman, 2008; Papke, 2002). With the changing demographics and younger workers, more and more public organizations are adopting DC plans: 403(b) plans (Fore, 2001). For example, Alaska enrolls all new employees in a DC retirement plan as opposed to a DB program (State of Alaska, 2007). Also, Governor Arnold Schwarzenegger proposed that state workers may transfer to a DC plan from a DB ("On the March," 2005). In addition, "in 1998 the state of Michigan switched from a traditional defined benefit plan for new state government employees to a DC plan" (Papke, 2002). Currently, the shift to DC plans from DB plans at the state and local levels is incremental. More and more state and local governments are using DC programs as supplemental programs (hybrid plans), as opposed to replacements for DB plans (U.S. DOL, 2007). According to Fore (2001), "A recent trend to DC plans in several public sector contexts suggests that the private sector trend may be spreading to the public sector" (pp. 285-286). Furthermore, certain occupational groups in the public sectors (i.e., hospital workers and university faculty) are more likely to participate in DC plans than are other groups such as K-12 educators (U.S. DOL Bureau of Labor Statistics, 2008). In sum, more state and local governments are offering DC plans as a supplement and in some cases as an option for retirement funding (Fore, 2001). These examples illustrate that public sector employees have to or will eventually have to assume more responsibility regarding their retirement planning.

From DB Plans to DC Plans

The advent of 401(k)s and 403(b)s have created an increase in employers offering DC plans (Purcell, 2002). On January 1, 1981, the first 401(k) plan was offered, marking the beginning of a significant shift in the way private sector employers provide retirement plans to employees. This shift is now emerging in the public sector (Fore, 2001). To understand the full implications of this shift, one must understand the effects and implications of ERISA regarding DB and DC plans for both the employer and the employee.

For employers, there are significant expenses associated with the compliance of ERISA regarding DB plans. Employers must provide reports to the DOL regarding the solvency of the pension plan, resulting in added costs. In addition to reporting to the DOL, public agencies are required by the Government Accounting Standards Board (GASB) to file a GASB #25 statement. The statement establishes financial reporting standards for DB pension plans of state and local governmental entities. To complete this requirement, employers need an actuary to forecast the benefits that the company is liable for providing to its employees. Moreover, employers must have the cash on hand to support the plan's current liability. If the employer determines, through reporting, that the cash on hand is less than the plan's current liability, the employer must provide the shortage and report it to stakeholders. These actions, coupled with the expense and responsibility of investing the money in the appropriate funds, which is an arduous task, create more liability for the employer. These liabilities motivate employers to provide DC plans instead of DB plans (GASB, 1994).

Entities that offer DC plans set up an affiliation with a third party trustee (MetLife, Hartford, etc.) to manage the plan offered to the entity's employees. This affiliation does not reduce the entity's attention to the plan, but it does enable the entity to reduce its expenses, which are substantial when compared to the administrative cost of managing a DB plan. In other words, the entity does not need to hire the personnel to manage the assets in the funds, which can be an enormous expense. However, when an entity develops a DC plan, the employee assumes more responsibility for his or her retirement planning. Muller (2003) argues that traditional pension plans saddled the employers with decision making, whereas DC plans shift the decision making to the employee. Thus, this shift from DB plans to DC plans transfers many responsibilities and liabilities from the employer to the employees (Muller, 2003). This shift of responsibility can be of concern to policy makers. Most people are financially unsophisticated; as such, there is concern that participants will be "too conservative or too risky, putting their retirement in jeopardy" (Fore, 2001, p. 278). Table 2 illustrates the various responsibilities that are required by both employers and employees.

For employees, the implication of DC plans means they need to understand the parameters and functions of the plan. Moreover, if an employee is eligible for a DC plan, he or she should be aware of the features of the plan and the liabilities that are

Table 2
Responsibilities for Retirement Planning

	Defined Benefit Plans	Defined Contribution Plans
Employer	Provide significant reporting to Department of Labor (DOL) Submit a GASB #25 statement Manage pension assets Project benefits for all eligible employees Invest assets appropriately Develop benefit formula for eligible employees	Provide significant reporting to DOL Set up relationship with third party administrator to manage employees' accounts Match employee contributions, if applicable Provide investment fund options for employees
Employee	Maintain service until vested Contribute to pension, if applicable	Understand risk tolerance Understand asset allocation Choose funds that are favorable for achieving their projected goal Project income needed for retirement

associated with it (Holland & Goodman, 2008). In other words, because the employer is not managing the funds for the employee, the employee must be responsible for learning the information needed to plan for a sustainable retirement, such as risk tolerance, asset allocation, investment options, and retirement projections (Muller, 2003).

First, an employee should be responsible and learn the concept of risk tolerance. An interpretation of the concept is the amount of risk a person is or is not willing to take on an investment. For instance, an employee who is just entering the workforce at the age of 25 should have a higher risk tolerance than an employee who is 50 and closer to retirement. Most personal investment analysts would agree that a person's risk tolerance should diminish as they approach retirement (Grable, 2000).

Second, employees who are eligible for a DC plan need to understand the importance of asset allocation. In other words, it is extremely important to invest their money in various funds, some aggressive funds and some conservative funds, so the money can grow with less risk. One should not "put all their eggs in one basket." Asset allocation enables employees to diversify their portfolio, which reduces risk and grows money more consistently (Muller, 2003).

Third, employees are responsible for investigating their investment options within their retirement plan. Within many DC plans, employers have the availability to offer a wide variety of funds in which an employee can invest his or her money. However, a variety of investment choices may be confusing to many employees. Thus, employees need the tools to understand the investment options provided in their DC plan (Muller, 2003).

Fourth, if an employee is eligible for a DC plan instead of a DB plan, the employee must identify his or her projected income for retirement. In other words, employees in a DC plan will only have the benefit of the account balance in the plan. Therefore, if the account balance is not adequate to support the employee during the retirement years, the employee must find alternative sources of income to sustain an adequate quality of life during retirement (Dickemper & Yakoboski, 1997). However, within a DB plan, employees do not have to worry about learning these concepts because the employer manages the retirement accounts (Papke, 2002).[3]

As there has been a significant shift to DC plans, and more responsibility is now on the employee to prepare for retirement, issues are emerging. The lack of financial education has left many employees without the knowledge to properly plan for retirement. As stated above, employees need to know more about their retirement plans, and they must take an active role in planning for retirement, as the employer is no longer responsible. However, employees are not taking an active role, and they engage in behavior that is detrimental to their retirement. For example, a positive aspect of DC plans is that the plans are portable. This is a benefit especially because the workforce is more mobile (Light, 1999). Although ERISA allows employees to transfer their individual 401(k) or 403(b) from one qualified DC plan to another, it also allows employees to cash out the account, which can be a major problem. Research indicates that more and more employees are cashing out their retirement accounts when they are transferring from one job to the next (Lachnit, 2004; Samwick & Skinner, 1996). This action is extremely detrimental to an employee's retirement planning because the money is subject to income tax, and if the employee is under the age of 59½, the money is subject to a 10% excise tax (Coolidge, 1999). To help employees understand the consequence of retirement decision making, a comprehensive workplace financial literacy program will benefit employees who are required to make decisions regarding risk tolerance, asset allocation, investment options, and income projections. A program will enable employees to take a more educated decision regarding retirement planning, especially because "[DC plans] look less like vehicles for retirement saving and more like vehicles for tax-free accumulation of funds that may be used for preretirement consumption" (Wooten, 2005). The action of preretirement consumption could cause a significant problem if individuals continue to spend their retirement "nest egg" before they actually retire. If these actions continue to occur, a significant number of employees will depend on additional assistance for retirement.

Workplace Financial Literacy Education

A study conducted by the Employee Benefits Research Institute (EBRI; Milne, VanDerhei, & Yakoboski, 1996) found "two-fifths (39 %) of all workers utilizing employer-provided educational material reported that the materials or seminar led

them to increase the amount of their contributions to the plan" (p. 7). Bernheim's and Garrett's (1996) findings suggest that employees depend on employers to offer educational material, and the employee's rate of savings is positively influenced by the education provided. This is important because an employer can organize a financial literacy program within the workplace. It especially influences the employees who would normally not save for retirement. Furthermore, Bernheim's and Garrett's findings indicate that retirement education is an impetus for employees to enroll in the employee retirement plan or to increase their contribution to the retirement plan. Also, Joo and Garman (1998) conclude that employees who participate in a workplace financial literacy program desire additional information, which implies they are taking the initiative to find the information that can provide them the tools to be financially successful.

Moore (2003) demonstrates, in a study commissioned by the state of Washington, that individuals lacked the basic concepts of financial knowledge. Her findings support the need for a workplace financial literacy program that will enhance the knowledge of employees and change their behavior to positive financial actions.

In addition to helping individuals become better planners for retirement, workplace financial literacy programs have been successful at producing positive spillover effects within the workplace. For example, employees who participate in a workplace financial literacy program are less stressed at work and their absenteeism rates decrease (Kim & Garman, 2004). In addition, according to Hira and Loibl (2005), employees are more satisfied with their pay and are more productive at work after participating in a financial literacy program.

Muller (2003) illustrates that employees who participate in a self-directed DC plan and have the opportunity to engage in a retirement education program are more likely to understand the importance of asset allocation within the DC plan. Furthermore, Muller found that employees who have a time horizon of more than 8 years before retirement are more likely to invest in more equities compared to employees who are closer to retirement. Asset allocation and the time horizon are important to note because of the power of compounding interest and its effect on an individual's portfolio growth. In addition, asset allocation can affect an individual's risk within the DC plan. Normally, risk-averse employees will contribute more money to bonds or fixed accounts, instead of equities or international stocks (McCarthy & Turner, 2000).

Holland and Goodman (2008), in an experiment testing the impact of financial literacy at a not-for-profit organization, found that a workplace financial literacy program improved participants' "behavior and their financial well-being" (p. 376). They also found a lack of change among the control group leading them to conclude that training on financial literacy should be adopted by organizations that have DC plans.

Many organizations have third party providers who administer the DC plans. Some of these providers offer investment advice and educational seminars for employees. These types of education seminars are specifically established to educate

employees on funds (mutual funds or stocks) that they can invest within the company's retirement plan (growth funds, international funds, etc.). However, a workplace financial literacy program is broader than investment advice or an educational seminar provided by third party fund managers. A workplace financial literacy program encompasses concepts that include saving money, budgeting, debt reduction techniques, investments, insurance, retirement and college planning, and real estate/mortgage information. A program that includes all of these concepts can enable employees to make a more informed decision regarding the funds that are provided by their employers and be more engaged during a third party–hosted education session. Employees should understand their entire financial environment, which includes debt management, budgeting, and the like to truly understand how he or she needs to invest within a DC plan (Kim & Garman, 2004).

The literature indicates that employees are lacking in financial knowledge and that workplace financial literacy programs have positively affected employees. As public sector organizations move from DB plans to DC plans, policy makers and agency executives should acknowledge the importance of a workplace financial literacy program. This study fills a gap in the literature by utilizing the Personal Financial Well-Being (PFW) Scale in a not-for-profit organization to determine the effectiveness of a workplace financial literacy program.

Method

Regional Mental Health[4] is a nonprofit organization that provides mental health services to citizens in Mississippi. The organization employs more than 300 employees, and it has facilities in seven counties of the state. After successfully completing a pilot workforce financial literacy program in 2006 (Holland & Goodman, 2008), the agency adopted the program as an employee benefit. The current study analyzes data that were collected from a workplace financial literacy program that was implemented in the spring of 2007. The purpose of the research is to determine whether the workplace financial literacy program causes a change in the employee's financial well-being. Furthermore, this study builds on Holland's and Goodman's (2008) research by using a different survey instrument, the PFW Scale, to capture the data for analysis.

Procedures

The financial literacy program provided an opportunity to develop a nonexperimental single group pretest/posttest design (O'Sullivan, Rassell, & Berner, 2002). The comparison of pretest and posttest surveys enables the researchers to ascertain whether the financial literacy program causes any change in PFW. O'Sullivan et al. (2002) indicate that the utilization of this design is important, although there are some weaknesses. First, they suggest that the design does "not control for threats to

internal validity" (p. 84). However, findings from the design can offer external validity to the researcher. The nonexperimental single group pretest/posttest design enables the researchers to determine whether a change has occurred within the group. This change can be attributed to the treatment. Although O'Sullivan et al. support the design's external validity, the researchers caution readers because of the study's small sample size and the inability to link pretest and posttest surveys at the individual level. In addition, other external explanations may affect the perceptions of the group.

The workplace financial literacy program is developed to introduce the employees to seven different finance-related concepts. The concepts included in the program are saving money, budgeting, debt-reduction techniques, investments, insurance, retirement and college planning, and real estate and mortgage information. The concepts are delivered to the participants via DVD by a financial coach. The DVD sessions range from 45 to 90 min. After the viewing of the DVD, a certified program trainer is on site to facilitate further discussion related to the topics.

The sample group in this study consisted of individuals who worked in a specific county. The entire work staff of the county was invited to participate in the program. However, because of limited facility space, a first-come, first-serve policy was adopted, which limited program attendance to 20 employees. The group was administered a questionnaire at the beginning of the first session to determine their PFW. At the end of the 7-week program, the group was readministered the identical questionnaire. The completion of the survey was voluntary. Of the participants, 15 employees completed the pretest and 17 employees completed the posttest. The surveys were not linked to individual employees. Thus, the unit of analysis is the group.

Questionnaire

The researchers used, with permission, the PFW Scale as an instrument to collect the data from the group. Thomas Garman and the Personal Finance Employee Education Foundation, Inc., developed the PFW Scale.[5] The scale has been found valid and reliable by scholars in the literature (Prawitz et al., 2006). Furthermore, the scale is an eight-question survey instrument that measures the outcome of a workplace financial literacy program. Specifically, the scale measures the financial distress/well-being of individuals. The PFW Scale consists of the following eight items that are measured on a Likert-type scale.

1. What do you feel is the level of your financial stress today?
2. On the stairs steps below, mark how satisfied you are with your present financial situation.
3. How do you feel about your current financial situation?
4. How often do you worry about being able to meet normal monthly living expenses?
5. How confident are you that you could find the money to pay for a financial emergency that costs about $1,000?

6. How often does this happen to you? You want to go out to eat, go to a movie, or do something else and don't go because you can't afford to?
7. How frequently do you find yourself just getting by financially and living paycheck to paycheck?
8. How stressed do you feel about your personal finances in general?

Findings

Descriptive statistics were used to analyze the demographic data collected from the employees. The group consisted of mostly White (63%) females (72%). The employees in the group were more likely to be married (56%), compared to divorced (12%) or single (28%). Furthermore, the group is highly educated. Of the employees in the group, 38% of held a bachelor's degree, whereas 41% of the group held a graduate or professional degree, and only 21% did not have a college degree. The income ranged from less than $20,000 to above $80,000. For example, 7% had an income under $20,000, 32% had an income between $20,000 and $29,000, 28% had an income between $30,000 and $39,000, 12% had an income between $40,000 and $49,000, 3% had an income between $60,000 and $69,000, and 18% had an income above $80,000. The group is relatively young. With regard to age, 22% of the participants were between 20 and 29, 43% between 30 and 39, 15% between 40 and 49, and 20% between 50 and 59.

Data Analysis

A one-way ANOVA was utilized to determine if there was a statistically significant difference between the mean responses of the pretest and posttest surveys. Notably, the researchers analyzed the demographic data between the pretest and posttest to determine if there were any statistically significant differences in indicators. The results indicate that there were no statistically significant differences in demographic indicators between the pretest and posttest.

Furthermore, we analyzed the survey items to determine if there was a difference in mean responses. Table 3 indicates the differences between the pretest and posttest survey. The group's responses indicate a positive increase in PFW in all eight items after the completion of the workplace financial literacy program. Six of the eight items do result in a statistically significant difference.

The analysis indicates that the workplace financial literacy program positively influenced the participants' financial well-being. The survey items in the posttest suggest that the participants are less stressed and are more satisfied with their financial situation than they were when they began the program. Moreover, the data indicate that the participants worry less about monthly living expenses and that they are more confident about overcoming financial emergencies. These

Table 3
Well-Being Scale Differences Between Pretest and Posttest

	Survey	Mean	Standard Deviation
What do you feel is the level of your financial stress?	Pre	4.53	1.56
	Post**	6.94	1.08
On the stairs below, mark how satisfied you are with your present financial situation	Pre	3.38	2.06
	Post**	6.00	1.77
How do you feel about your current financial situation?	Pre	3.40	1.50
	Post**	5.88	1.76
How often do you worry about being able to meet normal monthly living expenses?	Pre	4.13	2.44
	Post*	6.41	1.76
How confident are you that you could find the money to pay for a financial emergency that costs about $1,000?	Pre	4.86	3.13
	Post*	7.56	2.09
How often does this happen to you? You want to go out to eat, go to a movie, or do some-thing else and don't go because you can't afford to?	Pre	4.93	2.34
	Post	5.88	2.14
How frequently do you find yourself just getting by financially and living paycheck to paycheck?	Pre	3.33	2.58
	Post	4.64	2.39
How stressed do you feel about you personal finances in general?	Pre	4.26	1.94
	Post**	6.35	1.41

Note: Asterisks in the columns represent statistical significant differences between the pre- and posttest. Scale rating on a continuum from 1 = *overwhelming financial distress/lowest financial well-being* to 10 = *no financial distress/highest financial well-being* (Prawitz, 2006).
$^{*}p < .01$. $^{**}p < .001$.

positive financial perceptions can help employees and employers. As employees develop a sound financial plan, their level of security increases and they become more apt to engage in self-actualizing activities. For employers, these positive results can lead to spillover in the organization. As stated above, previous research (Kim & Garman, 2004) claims that less financial stress correlates with higher workplace performance and less absenteeism in the organization.

Effectiveness, Efficiency, Equality

Scholars (Kraft & Furlong, 2007; Stone, 2002) focus on three criteria when evaluating policy: effectiveness, efficiency, and equality. Financial literacy programs in the workplace have presented effective, positive results repeatedly (Holland &

Goodman, 2008; Joo & Garman, 1998; Kim & Garman, 2004; Loibl & Hira, 2005). Programs have increased the awareness of planning for retirement, and they have spilled over into other positive dimensions in the workplace. As one seeks alternatives to fill the gap between employees and their ability to plan for retirement within the constraints of a DC plan, they should seriously consider the positive relationship that has emerged between workplace financial literacy programs and an employee's financial well-being and retirement planning.

Furthermore, the workplace benefit proposal (workplace financial literacy program) must be efficient for the individuals implementing the policy and the individuals paying for the implementation, either the employer or the employee. Stone (2002) defines efficiency as "getting the most output for a given input" (p. 67). Outputs such as improved decision-making abilities and better planning processes can be invaluable for an employer when employees learn the importance of these attributes. Bayer, Bernheim, and Scholz (1996) indicate the benefits by stating, "[Financial literacy] raise[s] the possibility that the enhancement of decision-making skills (as opposed to labor market skills) may constitute a significant economic return to education" (p. 27). However, employees and employers must also consider the input. Although the literature indicates that a workplace financial literacy program is an investment, not a cost, employers and employees still need to consider the expense. Bill Pomeroy, a certified financial planner (CFP) and president of the Educational Solutions and Awareness Group, indicates that a financial literacy program is "relatively inexpensive, compared with other benefits" (Quinn, 2000, p. 73). He indicates the annual investment to be between $50 and $350 per employee. The employer or the employee could pay for this expense by negotiating a suitable monetary contribution from each party. This action may get more buy-in from the employees, which is important because they are the individuals who must change their behavior. Moreover, Garman (2005) suggests that employers who provide workplace financial training will benefit from a return on investment of three. In other words, for every $1 that employers invest, they will receive a return of $3.

Finally, equality should be considered in the implementation of a workplace financial literacy program. Stone (2002) postulates the importance of equity regarding "membership" (p. 44). Employers who provide a DC plan should also provide a workplace financial literacy program to all employees who are eligible. For instance, if an employee were a member, or eligible to be a member in a DC plan, it would be equitable if each employee had an opportunity to enroll in a workplace financial literacy program. Most importantly, it is imperative for employers to provide financial literacy education to lower income employees because research has found that financial literacy education positively affects them, compared to higher wage earners. Bernheim and Garrett (1996) found that financial education influences "those who are least inclined to save" (p. 35).

Conclusion

ERISA is an impressive piece of legislation that developed standards for employers who offered DB plans. However, through the years retirement plans have shifted from DB plans to DC plans causing the responsibility of retirement planning to fall on the shoulders of the employee rather than on the employer. This article illustrates the historical development of ERISA and the changes in retirement planning over the decades. Instead of the employer's planning and distributing retirement benefits to employees in DB plans, employees are accountable for learning the proper process to grow their retirement portfolio in DC plans. This shift has been prevalent in the private sector for more than 20 years. In the public sector, the shift is not as dramatic, but there is movement in the direction of DC plans. Currently, state and local governments are more likely to use DC plans to supplement DC retirement plans. Fore (2001) also found that states with legislative term limits in place were more likely to provide DC plans as an option for employees.

Furthermore, the article presents empirical data that support the effects of a workplace financial literacy program. The data indicate that a training program can positively affect the financial well-being of employees who participate.[6] The current study revealed that employees are less stressed, are more satisfied with their present financial situation, and are less worried about meeting normal monthly living expenses. In addition, the data indicate that participants in the program are more confident regarding financial emergencies. These results support the notion that a workplace financial literacy program can empower and increase an employee's financial well-being.

Finally, workplace financial literacy research indicates that there are numerous positive outcomes for an individual once he or she obtains an understanding of financial and retirement planning. Financial literacy in the workplace can be an efficient, effective, and equitable workplace benefit that increases an employee's ability to competently plan for retirement, and if the employer offers a workplace financial literacy program to employees, there may be additional spillover effects that will increase productivity within the organization and develop a more stable workforce.

Notes

1. For an in-depth description of actors involved in the creation of ERISA, see Wooten (2005).
2. Federal, state, and local government plans are not covered by the protections of Title I.
3. In addition to the concepts mentioned, employees should understand a myriad of other concepts, especially compounding interest.
4. Regional Mental Health is a pseudonym. For the purpose of anonymity, the official organization title is not published.

5. For more information regarding the Personal Financial Well-Being (PFW) Scale, see http://personalfinancefoundation.org/index.html (Personal Finance Employee Education Foundation, 2008).

6. Though our study was small, and in some ways anecdotal, it nonetheless supports prior research concerning the importance and effectiveness of financial literacy training in the workplace.

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