



Benefits & Services Committee

Item Number 3 – Open Session

Subject: Member Segmentation Study

Presenter(s): Tom Buffalo

Item Type: Information

Date & Time: May 4, 2022 – 30 minutes

Attachment(s): None

PowerPoint(s): Member Segmentation Study

PURPOSE

The purpose of this item is to summarize the CalSTRS Member Segmentation Study.

DISCUSSION/SUMMARY

The objective of the Member Segmentation Study was to identify distinct segments within the CalSTRS membership and develop personas for each segment in order to better understand members and communicate with them more effectively.

Segmentation Analysis Introduction

Segmentation analysis is the process of analyzing groups of members based on common demographic, behavioral and psychographic criteria. The goal of segmentation is to target specific groups more effectively rather than communicating the same way to all members.

Identifying distinct segments within the CalSTRS membership aids in the development of recognizable personas for use within the organization. Thinking of a group of members as a specific persona with common needs and financial planning behaviors provides a lens through which communication, outreach and education efforts can be more focused and relevant.

The value of segmentation analysis is the insights it provides for improved communication strategies for each segment. As such, segmentation analysis must identify groups of members that respond differently to variations in communications based on variations in behaviors or needs.

The segments represent groups of members that were identified as being unique from one another based on the variables used in the analysis, which included the member’s career stage, life stage, debt, and behaviors toward and involvement in financial planning. Thus, the segments individually do not—and should not—mirror the membership as a whole.

Methodology

To conduct the Member Segmentation Study, CalSTRS Research and Development partnered with Thomas/Ferrous Inc., a marketing and communications firm, and Q & A Research Inc., a marketing research provider.

The Member Segmentation Study was built upon an online survey of active and retired members. The survey opened on April 9, 2021 and closed on May 5, 2021. Email invitations with a link to the survey were sent to all email addresses on file for 20 to 29-year-old members and a stratified sample of all other members. Of the 131,764 email invitations sent, 3,046 bounced back, and a total of 2,936 surveys were completed, which represents a 2.3% response rate.

The survey included questions about members’ preferences, finances and demographics. These responses, as well as CalSTRS system data, were compiled for analysis. Below is a list of the key variables used in the analysis.

Active or retired	Greatest household debt burden
Current or most recent position	Level of comfort with debt
Full-time or part-time	Amount of total household debt
CalSTRS and non-CalSTRS employment	Sources of information about CalSTRS
Years as a member	Interactions with CalSTRS
Service credit	Frequency of financial planning tasks
Living in California or out of state (retired)	Sources of financial planning information
Beneficiary option	Preferred devices
Confidence for retirement	Education
Satisfaction with retirement	Ethnicity
Primary sources of income in retirement	Marital status
Current household income	Housing
Household balance of retirement accounts	Dependents
Total benefit amount (retired)	Primary financial decision maker
On track for retirement goals	Gender
Types of household debt	Age

These variables were analyzed using a statistical modeling algorithm. Thousands of optimized groupings were explored, and those that met minimum standards based on statistical differentiation, reliable replication and clear targeting were retained.

After an initial evaluation of the remaining two-to-three-dozen segment groupings, an in-depth analysis of the nine best groupings was conducted and presented to CalSTRS Research and Development, who provided organizational knowledge and insight to inform the selection and refinement of the final five segments.

Overview of Personas

The data-driven segments that resulted from the segmentation analysis were adapted into personas to help describe the distinct attitudes, behaviors and desires shared by members in the individual segments. The five personas are as follows.

Single With Student Loan Debt (19% of survey respondents)

We are active members, likely to be under 40 years old, but may also be slightly older having pursued a career other than education prior to CalSTRS-covered employment. Most of us have never been married, do not have any financial dependents, and make our own financial decisions. We are more likely to rent or live rent-free. Buying a first home impacts our planning and saving.

We have the lowest household income of all the segments. We carry debt from student loans, and it is our biggest debt concern. We tend to lack confidence regarding retirement planning and assume that retirement savings and our CalSTRS benefit will be our primary income sources in retirement. However, most of us do not understand the CalSTRS benefit formula and lack knowledge about our CalSTRS benefits.

We are open to communicating with CalSTRS by most methods but prefer using the CalSTRS or *myCalSTRS* websites and not telephone or counter service. We are unlikely to read emails or publications from CalSTRS and dislike receiving print materials because we feel they are wasteful.

Family Life and Mortgage (19% of survey respondents)

We are active members who are 44 years old on average. We are more likely than other segments to teach elementary grades full time. We have spent our career in CalSTRS-covered employment. More than half of us have a spouse or partner, dependent children and own a home with a mortgage.

Though most of us are equal decision makers, we do have more members than other segments who consider our spouse or partner to be the primary financial decision maker. We have the highest household income, but we also have the highest debt relative to the other segments. Our household debt is likely to include a mortgage and a monthly automobile loan payment.

We are more likely than other segments to be planning to rely on our spouse or partner's income in retirement. Most of us assume we will also depend on our CalSTRS defined benefit in

retirement. We lack confidence about our retirement finances and have a low understanding of both our defined benefit and the formula that determines it.

When we interact with CalSTRS we are most likely to want to do so via the *myCalSTRS* website, although less so than other segments. We also have more members than other segments who prefer to interact with CalSTRS in person, via video or via webinar. We are more likely to use our mobile phone to access CalSTRS.com or *myCalSTRS* than other segments, but desktop or laptop computer is still the primary method of access.

Seeking Retirement Knowledge (25% of survey respondents)

We are a mix of active (approximately two-thirds) and retired (one-third) members with an average age of 55. About one-fifth of us have a spouse or partner who is an active CalSTRS member. We are a highly educated group with more master's and doctorate degrees than other segments, and we hold more community college faculty, high school teacher and administrator positions.

We have the second highest household income and the highest total household balance in our retirement savings plans. We are married and live in a family home, usually with a mortgage, which is our biggest debt burden. We are not as uncomfortable with our debt as other segments.

We expect that our CalSTRS defined benefit will be our primary source of retirement income and that other sources of income for retirement will come from retirement savings plans or personal savings and investments. As such, we have a higher understanding of our benefits than other segments, but still half of us aren't familiar and don't understand the benefit formula.

Our financial focus is to put money into supplemental savings plans and position ourselves to retire early. About half of us regularly read financial articles and visit websites about investing or financial planning. We prefer to use our desktop or laptop computer to access *myCalSTRS* and CalSTRS.com.

Secure in Retirement (21% of survey respondents)

We are a group of retired members who are 75 years of age on average. Following retirement, slightly less than a quarter of us left California. Nearly two-thirds of us spent our entire career in CalSTRS-covered employment, and fewer than one-fifth started a different career prior to education.

The majority of us are married and share financial decisions with our spouse or partner. We are likely to have little or no household debt, and about half of us own a home without a mortgage.

We have the highest financial confidence for retirement and comfort with debt. Most of us are satisfied with our quality of life in retirement. We rely on our CalSTRS benefit along with our spouse or partner's defined benefit and our spouse or partner's Social Security benefit.

We are not likely to frequently seek financial planning information, but over one-quarter of us regularly speak to a financial professional. We primarily use our desktop or laptop computer when visiting *myCalSTRS* or *CalSTRS.com*, but about 15% of us like to use our tablet, which is more than other segments.

Retired and Self-Supported (16% of survey respondents)

We are a group of retired members with an average age of 77. About two-thirds of us had full-time employment, which is the lowest of all segments. Almost all of us are our own primary financial decision maker, about three-quarters of us live alone and are widowed or divorced. We do not have other people depending on us financially.

Both our household income and retirement savings plan balances are relatively low. Nearly half of us have no debt. We have the lowest percentage of members with a mortgage and the lowest with automobile debt. Our primary source of retirement income is our CalSTRS defined benefit. Overall, we are satisfied in our quality of life in retirement and confident in living comfortably throughout retirement.

We are not likely to frequently seek financial planning information, but one-third of us regularly speak with a financial professional. Nearly half of us prefer to interact with CalSTRS through the *myCalSTRS* website, otherwise email or *CalSTRS.com* are preferred by about one third of us. More than other segments, we prefer to have a phone call with CalSTRS or interact via postal mail.

Next Steps

CalSTRS Communications is in the process of creating a series of reference sheets for internal use that present the personas in a user-friendly manner. CalSTRS business areas can use these reference sheets to help develop or modify member communication, outreach and education materials to effectively reach our target audiences.

CalSTRS Research and Development was provided with a classifier tool for further application of the segmentation analysis. By including particular variables from the segmentation study—both embedded system data and survey items—on future member surveys, the classifier tool can assign the personas to survey respondents. The first member survey to include these variables is the 2022 Annual Member Survey, which will be presented to the board later this year.