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RETIREMENT HEALTH AMONG HOSPITAL WORKERS: THE 2010 HOSPITAL RETIREMENT CONFIDENCE SURVEY

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EXECUTIVE SUMMARY

A representative sample of the hospital workforce was surveyed regarding retirement planning, saving and investing behavior, as well as confidence in their retirement income prospects. Hospital workers are more likely than U.S. workers to be saving for retirement (81 percent versus 60 percent, respectively), but they are no more likely to have calculated how much they need to accumulate (about one-half of each group). Many retirement savers in the hospital sector are unsure regarding their decisions—38 percent are not confident that they are saving the right amount and 26 percent are not confident that they are investing their retirement savings wisely.

Confidence levels among the hospital sector workforce regarding their prospects for a financially secure retirement generally mirror those of the U.S. workforce. Fourteen percent are very confident that they will have enough money to live comfortably throughout retirement, 48 percent are somewhat confident, 21 percent are not confident and 16 percent are not at all confident in their retirement income prospects. Affording health care in retirement is a particular area of concern for hospital workers, as it is for all U.S. workers, and appears to be a key driver of overall retirement confidence levels.

Almost one-half of hospital employees sought investment advice from a financial advisor within the past year. Forty-three percent used an advisor through their institution's retirement plan and an essentially identical percentage (42 percent) used a financial planner. But advice received is not necessarily advice followed—22 percent followed all the advice received and 50 percent followed most of it. Confidence in the independence and objectivity of the advice impacts follow-through—33 percent of those very confident regarding the advice generally followed all of it; by comparison, 12 percent of those somewhat confident regarding the advice followed all of it.



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INTRODUCTION

This report examines retirement planning and saving among the hospital workforce (nurses, clinical specialists, doctors, administrators and other staff) and worker confidence in their retirement income prospects. A representative sample of employees from four hospital types—secular nonprofit, religious nonprofit, for-profit and public—was surveyed in 2010.¹

Over 5,000 hospitals operate in the U.S. employing the equivalent of 4.5 million full-time employees.² The hospital sector has been impacted by the same economic forces over that past several years as other sectors of the economy resulting in many of the same organizational responses experienced elsewhere, including cutting expenditures for staff and administration and curtailing services. Such cutbacks have not proved temporary—89 percent of hospitals report that they have not added back staff or increased staff hours and 98 percent have not restored services or programs previously cut due to the economic downturn.³ At the same time, hospitals as retirement plan sponsors appear committed to offering a strong plan; for example, less than one-half of retirement plan sponsors in the hospital sector report changes to their defined benefit pensions.⁴ Hospital employees, like workers in other sectors, experienced decreased retirement account balances as financial markets plunged; by one estimate, total defined contribution assets fell 21 percent, from \$4.8 trillion to \$3.8 trillion at year-end 2008.⁵

Against this backdrop, the retirement planning, saving and investing behavior of hospital employees is examined, including issues such as the use of advice and plans for converting savings to income during retirement. Self-reported confidence among the hospital workforce across several dimensions of retirement preparations is also reported. The survey questionnaire was developed from the framework of the annual Retirement Confidence Survey sponsored by the Employee Benefit Research Institute (EBRI) and Mathew Greenwald & Associates (MGA), and responses from the hospital sector are examined relative to the responses of U.S. workers in the aggregate where questions overlap.⁶

RETIREMENT CONFIDENCE

Confidence levels in the hospital workforce regarding a financially secure retirement mirror the confidence among American workers in general (Table 1). Essentially equal percentages of hospital workers are not at all confident that they will have enough money to live comfortably throughout retirement (16 percent) and very confident in their retirement income prospects (14 percent). In addition, 48 percent are somewhat confident and 21 percent are not confident. By comparison, 16 percent of all U.S. workers are very confident in their retirement income prospects, 38 percent are somewhat confident, 24 percent are not too confident and 22 percent are not at all confident. Some differences appeared across hospital sectors regarding overall retirement confidence levels, but none were statistically significant given sample sizes in each sector.

1 Five-hundred employees in the hospital sector were surveyed by telephone by Mathew Greenwald & Associates (MGA). The sample was not drawn from or restricted to TIAA-CREF clients. Responses are representative of those employed by hospitals in the U.S. Nurses comprised 58 percent of the respondents, clinical non-nursing specialists comprised 15 percent, doctors and administrators comprised 5 percent each, and 10 percent were other staff members. Thirty-four percent of respondents worked in secular nonprofit hospitals, 18 percent in religious nonprofits, 22 percent in for-profit hospitals and 22 percent in public hospitals.

2 *Chartbook: Trends Affecting Hospitals and Health Systems*, American Hospital Association (<http://www.aha.org/aha/research-and-trends/chartbook/index.html>).

3 *2010 Health and Hospital Trends*, American Hospital Association (<http://www.aha.org/aha/research-and-trends/health-and-hospital-trends/2010.html>).

4 *Retirement Plan Trends in Today's Healthcare Market*, Diversified Investment Advisors, Inc. and the American Hospital Association (2009).

5 *Retirement Market Insights*, SpectremGroup (2009).

6 Data regarding U.S. workers are from the 2010 *Retirement Confidence Survey*.

TABLE 1
RETIREMENT CONFIDENCE AMONG HOSPITAL EMPLOYEES

	VERY CONFIDENT	SOMEWHAT CONFIDENT	NOT TOO CONFIDENT	NOT AT ALL CONFIDENT
<i>How confident are you that you will have enough money to live comfortably throughout retirement?</i>				
Hospital employees*	14%	48%	21%	16%
Secular nonprofit	10	54	21	14
Religious nonprofit	16	47	20	14
For-profit	18	41	23	18
Public	11	47	19	19
All U.S. workers	16	38	24	22

Source: *Hospital Retirement Confidence Survey* (2010), TIAA-CREF Institute, and *Retirement Confidence Survey* (2010), Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc.

* Representative of all workers employed by hospitals in the U.S.

Analogous confidence levels between the hospital workforce and the U.S. workforce seem incongruous with the finding that hospital workers are more likely to be saving for their retirement, as discussed later. But saving for retirement does not mean that enough is being saved. Furthermore, while adequate savings is necessary for an adequate and secure retirement income, it does not guarantee it. Retirement savings must be converted into a retirement income stream that lasts the lifetime of the retiree. These issues are examined further in this report.

HEALTH CARE IN RETIREMENT

Paying for medical expenses in retirement is a challenge that lowers all workers' retirement confidence levels, including that of hospital employees. An individual retiring today at age 65 could need \$200,000 or more in savings to pay premiums for insurance to supplement Medicare, as well as to cover co-payments, deductibles and other out-of-pocket expenses throughout retirement.⁷ Among hospital employees, 13 percent are very confident that they will have the financial resources to cover medical care in retirement, 41 percent are somewhat confident, 26 percent are not too confident and 17 percent are not at all confident (Table 2). Again, these confidence levels mirror those of U.S. workers in general. They also mirror the overall retirement income confidence levels discussed above indicating that perceived ability to meet retiree health expenses is a key driver of overall confidence.

⁷ Source: Fronstin, Paul, Dallas Salisbury and Jack VanDerhei. "Savings Needed to Fund Health Insurance and Health Care Expenses in Retirement: Findings from a Simulation Model." *EBRI Issue Brief* no. 317 (May 2008).

TABLE 2
RETIREMENT CONFIDENCE AMONG HOSPITAL EMPLOYEES

	VERY CONFIDENT	SOMEWHAT CONFIDENT	NOT TOO CONFIDENT	NOT AT ALL CONFIDENT
<i>How confident are you that you...</i>				
<i>will have enough money to take care of medical expenses during retirement?</i>				
Hospital employees*	13%	41%	26%	17%
Secular nonprofit	11	46	27	14
Religious nonprofit	18	39	25	15
For-profit	14	41	26	16
Public	8	36	31	23
All U.S. workers	12	37	25	26
<i>will have enough money to take care of basic expenses during retirement?</i>				
Hospital employees*	27	51	12	9
Secular nonprofit	25	60	11	5
Religious nonprofit	34	48	10	7
For-profit	32	44	12	13
Public	16	53	19	12
All U.S. workers	29	46	13	12
<i>are doing a good job of preparing financially for retirement?</i>				
Hospital employees*	20	53	18	9
Secular nonprofit	16	59	19	6
Religious nonprofit	26	47	15	11
For-profit	23	48	18	11
Public	16	56	19	8
All U.S. workers	21	43	19	16

Source: *Hospital Retirement Confidence Survey* (2010), TIAA-CREF Institute, and *Retirement Confidence Survey* (2010), Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc.

* Representative of all workers employed by hospitals in the U.S.

Forty percent of hospital employees expect to have health insurance from a former employer during retirement; 35 percent of all U.S. workers anticipate such coverage. If older workers feel financially ill-prepared to address health care needs, it's reasonable to expect delays in planned retirements.

WORK AT LATER AGES

Retiring at a later age enhances an individual's retirement income security through additional years of savings and benefit accumulations, as well as fewer years of retirement that need to be funded. Twenty-three percent of hospital employees expect to work till at least age 70; essentially matching the 24 percent of all U.S. workers who plan to do so. Nine percent of U.S. workers do not expect to retire compared with 3 percent of hospital employees. Sixty-seven percent of hospital employees expect to work for pay in some capacity once retired. Financial necessity tends to drive expectations among hospital workers who see themselves working past what is typically considered a normal retirement age, while personal preference more typically accounts for plans to work once retired. Sixty-five percent of those expecting to retire after age 67 cite financial necessity as the primary reason. Among those expecting to work in retirement, 55 percent cite personal preference.

PLANNING AND SAVING

Hospital workers are dramatically more likely than U.S. workers in general to be retirement savers, but they are not necessarily better retirement planners (Table 3). This could explain why the greater propensity to save in the hospital workforce has not translated into higher retirement confidence levels relative to the U.S. workforce.

TABLE 3
RETIREMENT PLANNING AND SAVING AMONG HOSPITAL EMPLOYEES

	HOSPITAL SECTOR*	SECULAR NONPROFIT	RELIGIOUS NONPROFIT	FOR- PROFIT	PUBLIC	U.S. WORKERS
<i>Percentage that...</i>						
have personally saved for retirement	88%	95%	91%	86%	80%	69%
are currently saving for retirement	81	86	88	79	69	60
have tried to determine how much needs to be saved for a comfortable retirement	50	56	52	51	42	46

Source: *Hospital Retirement Confidence Survey* (2010), TIAA-CREF Institute, and *Retirement Confidence Survey* (2010), Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc.

* Representative of all workers employed by hospitals in the U.S.

Eighty-eight percent of the hospital workforce has saved for retirement, and 92 percent of these (or 81 percent of all hospital employees) are currently saving. By comparison, 60 percent of U.S. workers are currently saving for retirement. Workers in nonprofit hospitals (both secular and religious nonprofit) are more likely than their peers in for-profit and public hospitals to be saving for retirement (Table 3). Doctors and clinical specialists are the most likely occupations to be saving for retirement, while administrators and other staff are the least likely (Table 4).

TABLE 4
RETIREMENT PLANNING AND SAVING AMONG HOSPITAL EMPLOYEES

	HOSPITAL SECTOR*	NURSES	DOCTORS AND CLINICAL SPECIALISTS	ADMINISTRATION AND OTHERS	U.S. WORKERS
<i>Percentage that...</i>					
have personally saved for retirement	88%	90%	93%	80%	69%
are currently saving for retirement	81	81	89	74	60
have tried to determine how much needs to be saved for a comfortable retirement	50	50	55	48	46

Source: *Hospital Retirement Confidence Survey* (2010), TIAA-CREF Institute, and *Retirement Confidence Survey* (2010), Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc.

* Representative of all workers employed by hospitals in the U.S.

Fifty percent of hospital employees have tried to determine how much they need to save by the time they retire to fund a comfortable retirement; 46 percent of U.S. workers have attempted this type of calculation. So while the vast majority of hospital employees are saving for retirement, many appear to be saving without a plan or target. Attempting such a calculation does not necessarily mean that it was done correctly, but it is indicative of an active engagement in financial preparations for retirement.

Among current retirement savers in the hospital sector, 13 percent are very confident that they are saving the right amount and 48 percent are somewhat confident; 28 percent are not too confident in this regard while 10 percent are not at all confident (Table 5). The confidence among workers in religious nonprofit hospitals stands out in this case. Furthermore, those who have tried to determine how much they need to accumulate are more confident that they are saving the right amount compared with those who have not attempted such a calculation (19 percent very confident versus 7 percent very confident, respectively).

TABLE 5
CONFIDENCE AMONG HOSPITAL EMPLOYEES SAVING FOR RETIREMENT

	VERY CONFIDENT	SOMEWHAT CONFIDENT	NOT TOO CONFIDENT	NOT AT ALL CONFIDENT
<i>How confident are you that you...?</i>				
are saving the right amount for retirement (among current savers)	13%	48%	28%	10%
Secular nonprofit	11	48	31	9
Religious nonprofit	22	49	18	11
For-profit	12	48	28	11
Public	7	47	33	13
are investing your retirement savings wisely (among those who have saved)	20	53	18	8
Secular nonprofit	13	58	21	7
Religious nonprofit	34	43	17	5
For-profit	19	56	15	9
Public	15	58	14	13

Source: *Hospital Retirement Confidence Survey* (2010), TIAA-CREF Institute.

Note: Representative of all workers employed by hospitals in the U.S.

Confidence regarding the investment of retirement savings is somewhat higher—20 percent of those who have saved are very confident that they are investing their retirement savings wisely, 53 percent are somewhat confident, 18 percent are not too confident and 8 percent are not at all confident (Table 5). But in comparison to U.S. workers, investment confidence levels appear low; 32 percent of U.S. workers are very confident that they are investing their retirement savings wisely and 54 percent are somewhat confident. Within the hospital sector, workers at religious nonprofits again have particularly high confidence levels in this regard.

DC PLANS IN THE HOSPITAL SECTOR

Both defined benefit (DB) and defined contribution (DC) plans are common in the hospital sector—52 percent of hospital employees have access to an employment-based DB plan and 48 percent participate, while 70 percent have access to a DC plan and 49 percent participate.⁸ An institution can sponsor a DC plan as the primary retirement plan or as a supplemental plan. With 77 percent of the hospital workforce participating in some type of retirement plan, 28 percent participate in a DB plan only, 20 percent participate in both a DB plan and a DC plan, and 29 percent participate in one or more DC plans.

⁸ *Employee Benefits Survey*, Bureau of Labor Statistics, U.S. Department of Labor (http://www.bls.gov/ncs/ebs/benefits/2009/benefits_retirement.html)

There are apparent dichotomies in perceptions among hospital DC plan participants. In particular, while participants feel that they have ready access to information about their plan, they do not feel the same regarding quality investment advice through the plan nor do most have a good understanding of the fees charged under the plan (Table 6). Sixty-five percent of participants strongly agree that they have ready access to plan information, and an additional 28 percent somewhat agree. By comparison, 32 percent strongly agree that high-quality, objective investment advice is available through the plan, while 20 percent do not feel that such advice is available. Thirty-two percent strongly agree that they understand the fees charged under the plan, while 25 percent do not feel like they understand their plan's fees. In addition, only 29 percent strongly agree that interactions with plan representatives focus on and promote the participant's best interests, while 21 percent disagree that this is the case.

TABLE 6
DEFINED CONTRIBUTION PLAN SATISFACTION AMONG HOSPITAL EMPLOYEES

	STRONGLY AGREE	SOMEWHAT AGREE	SOMEWHAT DISAGREE	STRONGLY DISAGREE
<i>Agree or disagree that...</i>				
You have ready access to information regarding the plan	65%	28%	5%	1%
The performance of the company that provides your service is good	36	50	7	3
You understand the fees charged under the plan	32	39	16	9
High quality, objective investment advice is available through the plan	32	46	13	7
Interactions with plan representatives focus on you and promote your best interests	29	47	13	8

Source: *Hospital Retirement Confidence Survey* (2010), TIAA-CREF Institute.

Note: Representative of all workers employed by hospitals in the U.S.

Among all hospital employees, the ability to meet with an advisor at the time and place of the worker's choosing is just as important in a retirement savings plan as the availability of objective investment advice. Sixty-nine percent consider the availability of objective investment advice to be very important, while 63 percent view the ability to meet with an advisor at the time and place of their choosing as very important. Beyond advice, the financial strength and stability of the company providing investments under a retirement savings plan matters even more to the hospital workforce—82 percent consider this very important.

FINANCIAL KNOWLEDGE AND ADVICE

Survey respondents self-reported their financial knowledge and comfort level given four options (Table 7). Over one-third (38 percent) of the hospital workforce is confident making retirement-related financial decisions by themselves after considering information and advice from others. Only 12 percent are confident going a step further by doing the research and making the decisions on their own. The other most common self-assessment is a preference among 39 percent to partner with a financial professional in jointly making retirement-related financial decisions. Ten percent feel the need for a financial professional to make such decisions for them.

TABLE 7
FINANCIAL KNOWLEDGE AND COMFORT LEVELS AMONG HOSPITAL EMPLOYEES

	HOSPITAL SECTOR*	NURSES	DOCTORS AND CLINICAL SPECIALISTS	ADMINISTRATION AND OTHERS
Prefer to actively partner with a financial professional to jointly make decisions related to retirement	39%	43%	40%	30%
Confident making financial decisions related to retirement by yourself after considering information and advice from others	38	37	38	41
Confident in your ability to research and make financial decisions related to retirement on your own	12	12	9	15
Need a financial professional to make such decisions for you	10	8	10	14

Source: *Hospital Retirement Confidence Survey* (2010), TIAA-CREF Institute.

* Representative of all workers employed by hospitals in the U.S.

Almost one-half (47 percent) of hospital employees sought investment advice from a financial advisor within the past year. Employees in the religious nonprofit sector were the most likely (62 percent) to use an advisor. By comparison, one-third of all U.S. workers consulted with a financial advisor in the past year. Among those in the hospital sector seeking such advice, 43 percent used an advisor through their institution's retirement plan, 42 percent used a financial planner, 20 percent used a broker and 11 percent consulted an insurance agent. Fifty-three percent are very confident that the advice received was independent and objective and 40 percent are somewhat confident that this was the case. Twenty-two percent followed all the advice received, 50 percent followed most of it, 26 percent followed some of it and only 2 percent followed none of it. Confidence in the independence and objectivity of the advice impacts follow-through—33 percent of those very confident regarding the advice generally followed all of it and 54 percent followed most of it; by comparison, 12 percent of those somewhat confident regarding the advice followed all of it and 51 percent followed most of it.

INCOME IN RETIREMENT

Twenty-eight percent of hospital employees are very confident in being able to choose the best way to draw income from savings during retirement. Fifty-one percent are somewhat confident and 19 percent are not confident. At the same time, 21 percent of hospital employees consider it very likely that they will purchase a payout annuity or choose annuitization as a distribution option in retirement. By comparison, 11 percent of U.S. workers think it very likely that they will annuitize assets in retirement. About one-third of each group considers their doing so somewhat likely.⁹ Employees in religious nonprofits are the most confident among hospital workers in their ability to convert savings to income (37 percent very confident), but are no more likely than their peers to expect to annuitize assets.

⁹ A recent survey by the TIAA-CREF Institute found that 19 percent of retirees with significant DC and IRA accumulations, but insignificant pension income, had annuitized assets in retirement. See Yakoboski, Paul. "Retirees, Annuitization and Defined Contribution Plans," TIAA-CREF Institute *Trends and Issues* (April 2010).

Concerns about generating income from savings are likely to increase as individuals move closer to retirement. In a survey of near-retirees (ages 50-70) in the higher education sector, two-thirds were concerned about outliving their savings and choosing the best way to draw income from their savings in retirement.¹⁰ Forty percent reported that they did not have a good understanding of the various options available for converting retirement savings into retirement income. Thirty percent have consulted with a financial advisor or other financial professional within the past two years specifically about drawing income from savings during retirement. In addition, strategies for drawing retirement income from savings was one of the two issues on which higher education near-retirees considered it most important to receive advice as they near retirement (strategies on paying for health care was the other).¹¹

CONCLUSION

Confidence levels among the hospital sector workforce regarding their prospects for a financially secure retirement generally mirror those of the U.S. workforce. While hospital workers are more likely than U.S. workers, in general, to be saving for retirement, they are no more likely to have calculated how much they need to accumulate. Affording health care in retirement is a particular area of concern for hospital workers, as it is for all U.S. workers, and appears to be a key driver of overall retirement confidence levels.

Eighty-one percent of hospital employees are currently saving for retirement; by comparison, 60 percent of U.S. workers report that they are currently saving. But many retirement savers in the hospital sector are unsure regarding their decisions—38 percent are not confident that they are saving the right amount and 26 percent are not confident that they are investing their retirement savings wisely; in both cases, about 50 percent are somewhat confident regarding their decisions.

This indicates a need for retirement planning advice, and almost one-half of hospital employees sought investment advice from a financial advisor within the past year. Forty-three percent used an advisor through their institution's retirement plan. An essentially identical percentage (42 percent) used a financial planner. But advice received is not necessarily advice followed—22 percent followed all the advice received and 50 percent followed most of it. Confidence in the independence and objectivity of the advice impacts follow-through—33 percent of those very confident regarding the advice generally followed all of it; by comparison, 12 percent of those somewhat confident regarding the advice followed all of it.

¹⁰ See Yakoboski, Paul. "Converting Assets to Income in Retirement: What Near-Retirees are Thinking," TIAA-CREF Institute *Trends and Issues* (October 2009).

¹¹ See Yakoboski, Paul. "The Use and Impact of Advice among Near-Retirees," TIAA-CREF Institute *Trends and Issues* (February 2010).

ABOUT THE AUTHOR

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Prior to joining the Institute, he held positions as Director of Research for the American Council of Life Insurers (2000 to 2004), Senior Research Associate with the Employee Benefit Research Institute (1991 to 2000) and Senior Economist with the U.S. Government Accountability Office (1989 to 1991). He is a member of the American Economic Association and serves on the editorial advisory board of Benefits Quarterly. He previously served as Director of Research for the American Savings Education Council (1995 to 2000). Between 1986 and 1988 he served as an adjunct faculty member at Nazareth College. Yakoboski earned his Ph.D. (1990) and M.A. (1987) in economics from the University of Rochester and his B.S. (1984) in economics from Virginia Tech.