



# The current state of retirement plans for healthcare organizations

## A summary for retirement plan consultants

With the worst of the pandemic behind them, many organizations still struggle to address a complex range of issues related to their retirement and financial wellness programs. How can plan sponsors handle these concerns effectively? And what can consultants do to help—even as new sources of economic uncertainty arise?

Our “**Current state of retirement plans for healthcare organizations**” report summarizes TIAA and third-party research specific to the healthcare sector. It provides insights into trends and opportunities associated with the ongoing recovery from the pandemic. It highlights the pressures plan sponsors and participants have been experiencing during this period. More importantly, the report also looks at the implications on overall plan design, investment menus, employee engagement and financial wellness.

Helping organizations respond to these pressures **represents a significant opportunity for consultants:**

- Ongoing attrition, staff shortages and burnout are contributing to high turnover rates, along with better-paying travel nurse options. With 91% of healthcare employers expected to add staff in the next year, a renewed focus on issues linked to employees’ financial wellness is critical.<sup>1</sup> **Guidance on plan offerings, tools and support can help promote employee retention and engagement.**
- A growing emphasis on inclusion, diversity and equity is amplifying the need for data and insights that can help plan sponsors craft retirement plans to address **the wants and needs of a multidimensional workforce.**

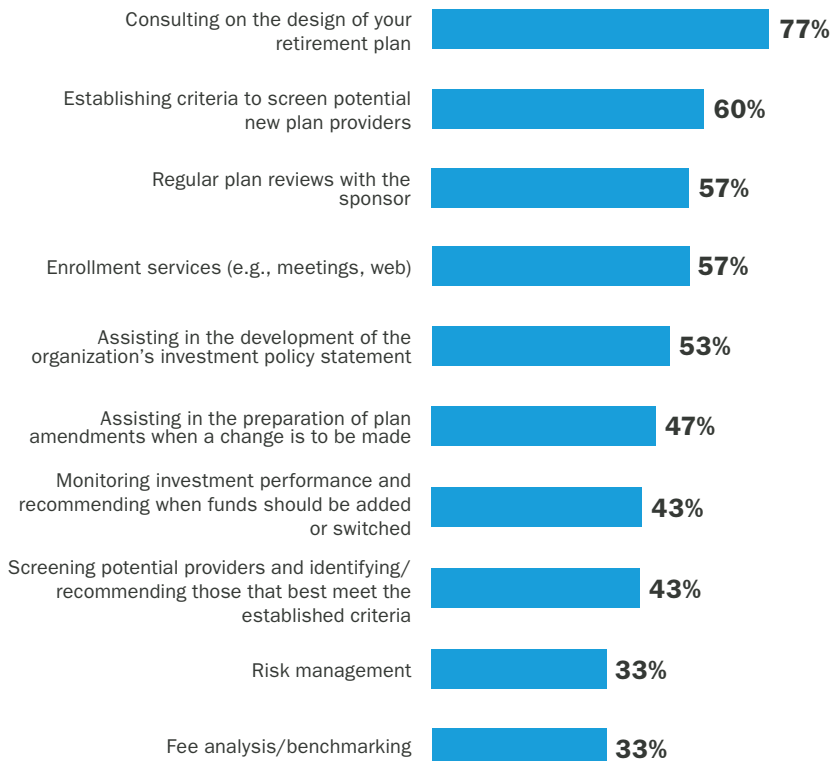
- **Enabling adequate lifetime income** replacement is a growing area of importance in overall plan design, reflecting a keen interest from both plan sponsors and participants in investment solutions that can provide this type of guarantee.
- Rebounding from the economic consequences of COVID, organizations are looking for measures that can **reduce the cost of retirement plan benefits** while allowing them to maintain a robust and attractive program.

Shifting from defined benefit to defined contribution plans continues to be an important cost-reduction strategy. It gives organizations the opportunity to **offer their employees a “personal pension”**—with a custom default investment providing the option of guaranteed income for life.

## Role of plan consultants

Due to the complexities created by the pandemic and economic uncertainties, many plan sponsors could benefit from using a consultant who can guide them toward plan services that best align with their goals.

### Top 10 services received from an outside advisor<sup>2</sup>



A CHRO is likely to lead the process of engaging a retirement plan consultant.

	2020 <sup>3</sup>	2021 <sup>4</sup>
CHRO	19%	33%
CEO	31%	23%
CFO	25%	10%

Meanwhile, 45% of the time, a CFO or other finance leader is more likely to **decide which plan investments** to add or change.<sup>5</sup>

## Key plan design decisions

Healthcare organizations offer a mix of defined contribution plans based on the unique needs of their workforce. The most common options include 403(b) plans at 40%, 401(k)s at 60% and 401(a) plans at 33%.<sup>6</sup> In some cases, organizations are adding 401(a) plans to replace a portion of the benefit from a frozen or terminated pension plan. In the end, the plan provider they select must have the flexibility and expertise to handle multiple plan types.

When selecting retirement plan platforms, **42% of organizations surveyed report using a sole recordkeeper.**

**Another 41% use multiple vendors and 17% use multiple vendors with one of them designated a lead provider.**<sup>7</sup> These multivendor plan environments are common following mergers and acquisitions, and typically last several years until integration is achieved and the plan sponsor consolidates them into a single choice.

In terms of the investment menu, most organizations use a combined approach with proprietary and open architecture options. Forty percent of them offer proprietary investments and investment options from outside managers, while 32% offer only proprietary options and 28% only support open architecture.<sup>8</sup>

## What plan sponsors want in a provider

With 43% of healthcare organizations planning to change their retirement plan provider in the near future, it's important to assess what plan sponsors want in their provider.<sup>9</sup> While quality of service delivery is clearly a top

priority, expertise in regulatory and compliance requirements is also a key criterion. Additionally, the ability to use technology to provide access to their plan is critical, which dovetails with the growing demand for automatic features, including auto enroll and auto increase.

## Decision factors that are very important or important in selecting and retaining a plan provider

	2020 <sup>10</sup>	2021 <sup>11</sup>	Difference
Overall satisfaction with the quality of service	98%	100%	+2%
Expertise in helping you meet regulatory compliance requirements	98%	98%	+0%
Use of technology to provide access to the plan	91%	98%	+7%
Ability to provide investment advice, not just guidance	89%	98%	+9%
Low cost and fees	87%	98%	+11%
Willingness to make a representative available on-site	68%	98%	+12%
Ability to provide readiness tools and services	89%	96%	+7%
Investment performance	89%	96%	+7%
Breadth and quality of participant education services	83%	96%	+13%
Desire for a specific type of investment product (e.g., annuities, mutual funds)	92%	95%	+3%
High ratings from Best, S&P, Morningstar or other agencies	95%	93%	-2%
Recommendation of your consultant or advisor	83%	93%	+10%

From 2020 to 2021, most decision factors increased in importance by an average of 6.6%. This increase points to the need to provide a retirement plan that delivers expertise across the board.

Also noted in the same study, when looking at “very important” only ratings, **the ability to provide investment advice, not just guidance, jumped from 53% in 2020 to 73% in 2021.**<sup>12</sup> Even if early financial impacts from the pandemic explain the increase, this decision factor will likely sustain its ranking as markets remain in flux due to geopolitical and inflationary concerns. The willingness to make a representative available on-site and the desire for

a certain type of investment have also seen measurable increases, with a 16% and 14% lift in importance, respectively.<sup>13</sup>

And while not captured in 2020, more recent surveys report **growing plan sponsor interest in responsible investment options (93%) and a commitment to support inclusion, diversity and equity (96%).**<sup>14</sup>

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## Conclusion

As a benchmark for what healthcare organizations and their employees have been experiencing, this report can serve as a useful tool to guide meaningful client conversations. Leverage it to help clients gain insight into current trends, peer best practices and strategies for engaging a multidimensional workforce.



## About this report

TIAA regularly conducts research through the TIAA Institute, producing a variety of objective surveys to help leaders in nonprofit sectors like healthcare make informed decisions.

The Spectrem Group report generated research findings within the healthcare sector, which included approximately 100 hospitals and multi-hospital healthcare systems.

In addition to the TIAA Institute and the Spectrem Group research, this report also provides insights from multiple recent surveys as noted throughout the document.

**Please visit [TIAA.org/consultants/healthcare](https://www.tiaa.org/consultants/healthcare) for the full report.**

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<sup>1,4,5,6,7,8,9,11,12,13,14</sup> Spectrem Group Not-for-Profit Healthcare Sector Report (2021)

<sup>2,3,10</sup> Spectrem Group Not-for-Profit Healthcare Sector Report (2020)

\*Footnotes 3,4,5,7,10,11,12,13,14 apply to 403(b) plans.

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