RETIREMENT PLAN TRENDS IN TODAY'S HEALTHCARE MARKET

Continuing our commitment to healthcare organizations, their employees, and the advisors who support them, Transamerica presents the 16th *Retirement Plan Trends in Today's Healthcare Market* survey report.

Healthcare organizations face demands similar to those of other employers and, at the same time, they must react to challenges unique to this sector. Competitive work environments, health system consolidation, an around-the-clock workforce, and rising salaries all create challenges. Adding to the complexities are legislative and regulatory requirements that impact every organization offering a retirement plan, such as those arising from the SECURE Act and the SECURE 2.0 Act.

We are pleased to present this report, designed to help plan sponsors optimize the design and execution of retirement and financial wellness benefits through peer-to-peer benchmarking and data.

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EXECUTIVE SUMMARY

The 2024 survey did not reveal major shifts since the last edition. Whether this stability reflects maturity in retirement plans in general or an emphasis on other priorities by healthcare organizations remains to be seen. What is clear is that healthcare employers must keep their retirement programs competitive with their peers and with employers competing for non-medical personnel — also critical to their operations.

POOLED PLANS

Although now allowed for 403(b) plans, pooled plan arrangements have not fully taken root in the healthcare segment.

Among those organizations that are currently part of a pooled solution or are considering joining one, cost savings and administrative efficiencies are key reasons.

Key Takeaways: Reduction of fiduciary risk and administrative burden coupled with potential cost savings may not yet be fully clear to and accepted by healthcare organizations. Slow uptake may reflect hesitation that can occur with the launch of any new plan type.

FEATURES, DESIGN, AND SERVICES

Healthcare plan sponsors see student loan repayment as less of a concern for their employees than expected, with just 16% calling it a primary employee concern.

Key takeaway: A high percentage of employers (67%) offer programs to address student loan repayment, which could explain why few see it as a concern for their employees.

64% of respondents said plan participation is a key indicator of plan success.

Key takeaway: Plan participation is incomplete as a success indicator, but this highlights an opportunity to help plan sponsors identify measures that provide a more comprehensive picture of plan health.

ADVISOR AND CONSULTANT SERVICES

96% of respondents say their advisor or consultant help in the success of their plan, including 36% who say the advisor or consultant is fairly helpful and 60% who say they are extremely helpful.

Key takeaway: Healthcare organizations rely on their service providers to help plans achieve success.

BEYOND DEFINED CONTRIBUTION PLANS

Nearly all defined benefit plan sponsors agree or strongly agree that linking defined benefit, defined contribution, and nonqualified plans helps participants plan more effectively for retirement, yet only 16% have implemented an outsourcing strategy that encompasses all their retirement plans with a single provider.

Key takeaway: Participants benefit when they can easily see their overall retirement progress, and this is facilitated when services for all plans are linked.

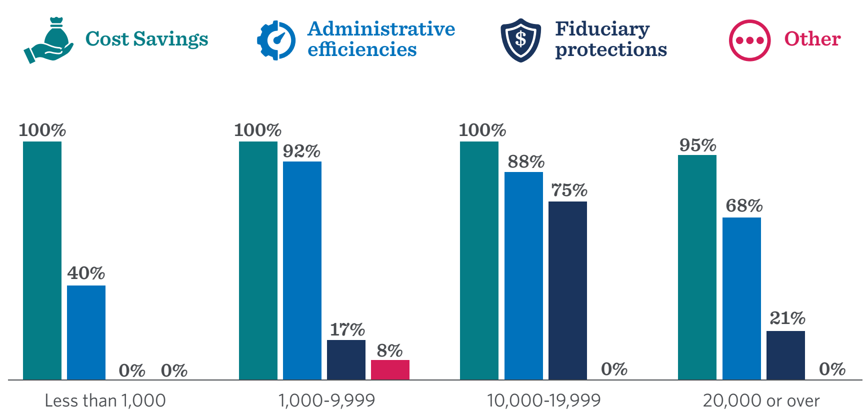
POOLED PLAN SOLUTIONS

The SECURE Act introduced pooled employer plans (PEPs), a new type of multiple employer plan that paved the way for unrelated employers to take advantage of the opportunities pooled arrangements provide. The SECURE 2.0 Act added guidance that applies to pooled solutions, including a change to Internal Revenue Code Section 403(b) to allow certain tax-exempt organizations to offer pooled retirement plans — a strategy previously unavailable to 403(b) plans. Since little time has elapsed since enactment of SECURE 2.0, uptake of pooled 403(b) plans has been limited. The survey finds 6% of respondents are considering the idea of joining a pooled 403(b) plan.

REASONS FOR POOLED PLAN PARTICIPATION

Regardless of the organization's size, plan sponsors most often cited cost savings as the reason they decided to or are considering joining a pooled retirement plan. Other frequently cited motivators were administrative efficiency and fiduciary protection.

Reasons for joining a pooled plan by organization size



Key takeaway:

Since SECURE 2.0 is still new, modest uptake may be due to hesitation to adopt a new plan type. There is an opportunity for healthcare employers to learn more about the benefits of pooled solutions.

PLAN FEATURES AND DESIGN

CONTRIBUTIONS

62%

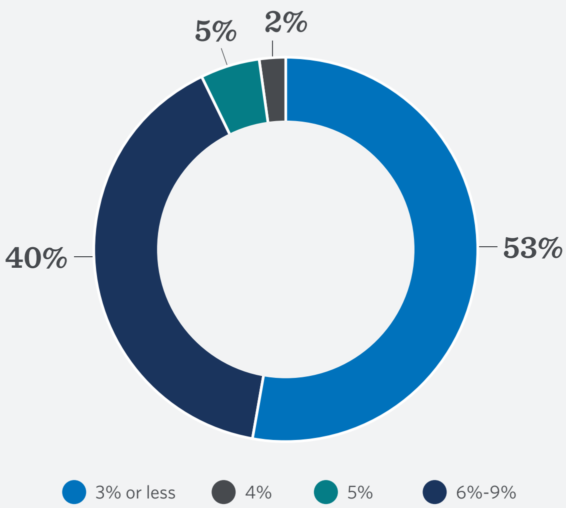
of plan sponsors automatically enroll employees

Nearly half

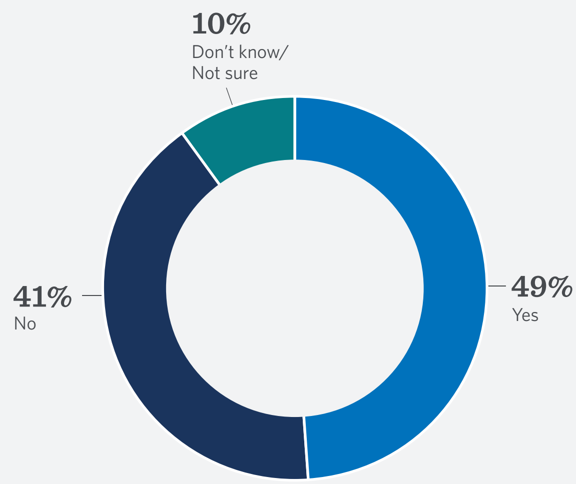
of plans using automatic enrollment are considering an increase to the automatic deferral rate (49%).

Automatic enrollment must be included in 401(k) and 403(b) plans established after enactment of the SECURE 2.0 Act (December 29, 2022) starting in 2025.

Default auto-enrollment percentage



Considering increase in automatic deferral rate



Less than 1/4 of plan sponsor employers automatically increase deferrals annually

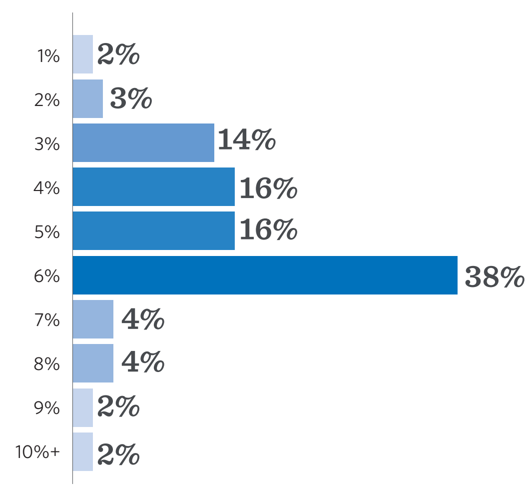
Automatic deferral increases are most often **1%**

Most plans do not re-enroll employees who opted out — a missed opportunity to enhance retirement outcomes

Most organizations (89%) answering our survey indicate they make contributions on behalf of their employees, and about three-fourths of them do so only in the form of employer matching contributions. Most often (72%), the employer match is a straight percentage of employee deferrals, with the remaining 28% using a tiered formula for the match.

Twenty-two percent of respondents make profit sharing and non-elective contributions, plus employer matching contributions.

Deferral required for full match

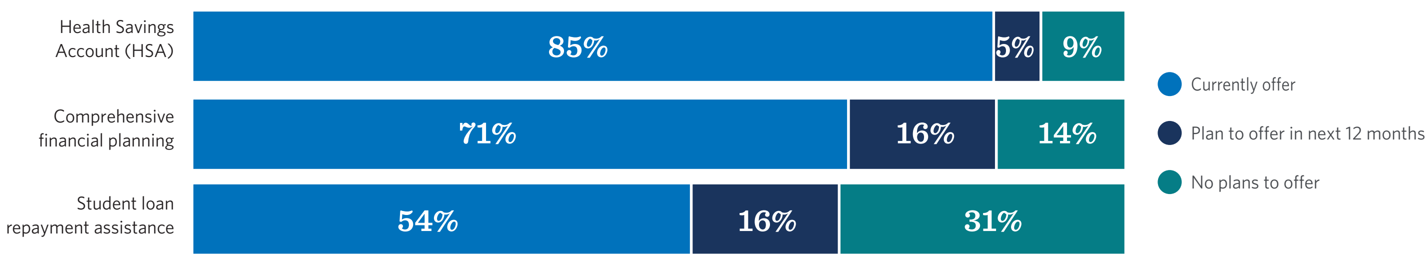


FINANCIAL WELLNESS PROGRAMS AND SERVICES

In keeping with their focus on employees' financial health and well-being, employers in the healthcare sector offer robust financial wellness benefits. Organizations provide a variety of programs and tools to enhance benefit packages, ease financial stress, and save for retirement.

Programs to help employees manage finances

*May not total 100% due to rounding



Employee education is important to healthcare organizations, so many continue to offer employees a mix of options when it comes to meeting with retirement plan or investment counselors.

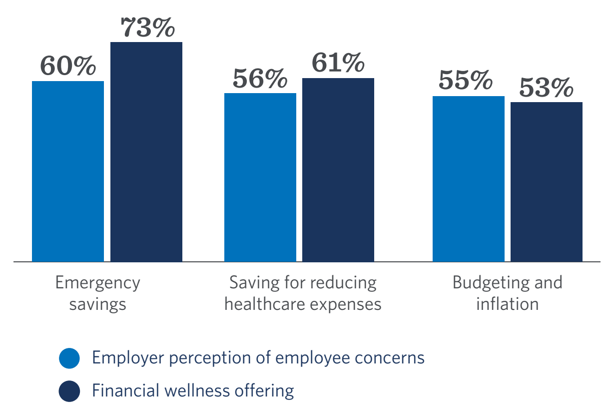
83% One-on-one virtual

75% One-on-one in-person

81% Group virtual

83% Group in-person

Employee concerns vs. financial wellness offerings



Among respondents offering a designated financial wellness program, 67% said they offer resources to help employees address their student loans, which is interesting because employers do not see student loan repayment as a primary concern for their employees; just 16% identify it as such.

Key takeaway:

Only 16% of employers see student loan repayment as a primary employee concern, perhaps because most address student debt as a benefit (54%) or as part of their financial wellness program (67%).

MEETING PLAN CHALLENGES

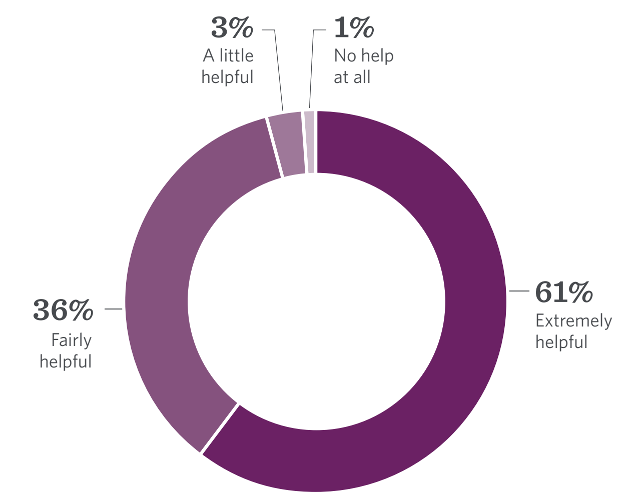
Sponsoring a qualified retirement plan — or more than one — can be challenging. The top plan management concerns cited were relatively consistent across organizations of all sizes, including keeping up with regulatory changes, meeting fiduciary requirements, and convincing management to support changes in the retirement program.

MEASURING PLAN SUCCESS

Ninety-seven percent of respondents find their service provider fairly or extremely helpful in achieving plan success.

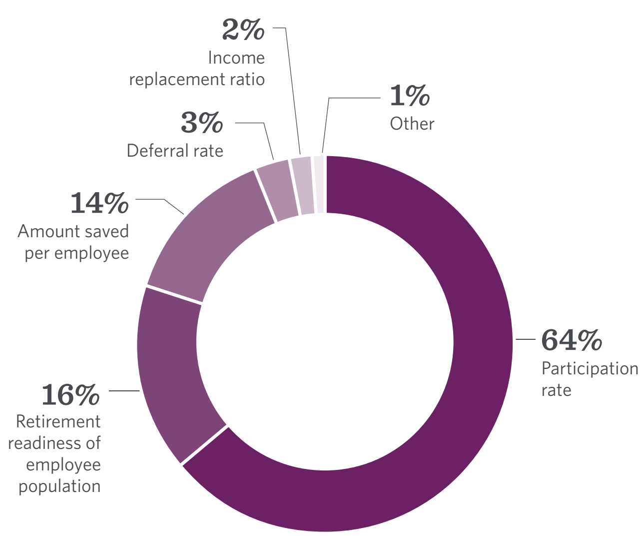
Service provider's value for plan success

*May not total 100% due to rounding

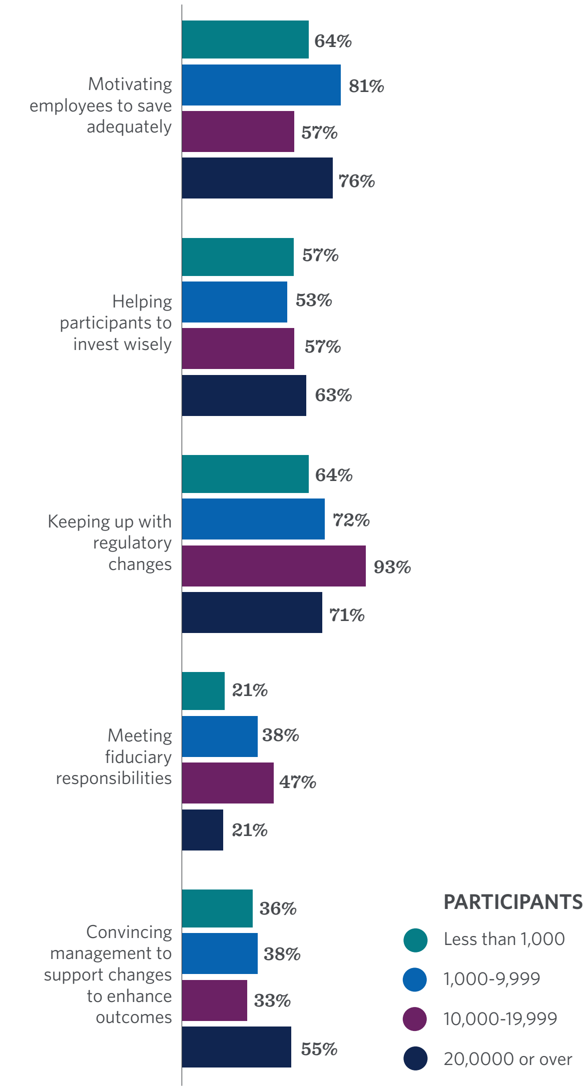


The most common measure of plan success is participation rate.

Preferred indicator of plan success



Plan management challenges



Key takeaway:

64% of respondents said their preferred indicator of plan success is plan participation. This may be an incomplete measure and an opportunity for plan sponsors to consider additional measures that could give a clearer picture of plan health, such as retirement readiness.

ADVISOR AND CONSULTANT SERVICES

Advisors and consultants play an important role in helping healthcare organizations manage their retirement plans, with 86% of survey respondents indicating using them. Respondents overwhelmingly agree that professional guidance is necessary for healthcare organizations, with 95% agreeing or strongly agreeing. Yet, more than one-third (35%) find it increasingly difficult to locate an advisor who understands the needs of healthcare organizations.

More than 8 in 10 respondents believe relying on an advisor or consultant can help their organization fulfill their fiduciary responsibilities, and 81% believe the scope of services provided by advisors is expanding.

Healthcare organizations typically hire an advisor or consultant for a variety of reasons.

Advisor/consultant responsibilities

BEYOND DEFINED CONTRIBUTION PLANS

Defined benefit plan sponsors see the benefits of linking defined benefit, defined contribution, and nonqualified deferred compensation plans together with a single provider.

94% agree or strongly agree this strategy helps employees plan more effectively for retirement

89% feel better connected to plan health

50% say their employees save and invest more appropriately

In spite of this sentiment, just 16% have implemented an outsourcing strategy that encompasses all their retirement plans with a single provider. Twelve percent are in the implementation process and 42% say they are considering it.

While most respondents offer only a defined contribution plan, 22% also offer a defined benefit or cash balance plan for employees.

Key takeaway:

Participants benefit when they can easily see their overall retirement progress, and this is facilitated when services for all plans are linked

STRATEGIC IMPLICATIONS

Healthcare organizations are deeply committed to their communities and staff. Responses to this survey reveal their commitment to provide comprehensive retirement benefits for employees at all levels of the organization. These organizations depend upon the providers, consultants, and advisors who work with them for their expertise.

Survey results highlight opportunities for professional advisors to continue to deliver value for their clients. By helping employers evaluate all their options, including newly available 403(b) pooled plans, advisors, consultants, and providers demonstrate expertise. Doing so is both timely and prudent.

For an organization sponsoring more than one plan type, the survey suggests that a single-provider model could benefit participants and plan management. This is another opportunity for advisors who are prepared to help plan sponsors explore the benefits of using a single provider for all plans and review the marketplace for those who are capable of consolidating services.

ABOUT THE SURVEY

The 2024 survey gathered input from 129 healthcare organizations ranging from individual to state, interstate, and regional healthcare facilities. A few (2%) were small, with less than 100 employees, but the majority (53%) represented healthcare organizations with more than 10,000 employees.

- More than 80% of respondents said their organization is tax-exempt. Organizations answering the survey included 10% church-affiliated, 24% public, 19% private/for-profit, and 43% that said they fall into the category, "Other private not-for-profit."
- Plan sponsors offer a variety of plan types, including 71% offering a 403(b) plan, 59% with a 401(k) plan, 36% with a nonqualified deferred compensation 457(b) plan, and 9% offering a nonqualified deferred compensation 457(f) plan. Fourteen percent sponsor a 401(a) profit sharing or money purchase plan, and 14% sponsor a traditional defined benefit plan. Eight percent have a cash balance or other hybrid pension plan.

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Before adopting any plan, sponsors should carefully consider all of the benefits, risks, and costs associated with a plan. Information regarding retirement plans is general and is not intended as legal or tax advice. Retirement plans are complex, and the federal and state laws or regulations on which they are based vary for each type of plan and are subject to change. In addition, some products, investment vehicles, and services may not be available or appropriate in all workplace retirement plans. Plan sponsors and plan administrators may wish to seek the advice of legal counsel or a tax professional to address their specific situations.

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