

A Successful Plan Conversion

Extensive education program was key to producing significant results.

By Jim Phillips

In 3 months, how does a 4,000-employee organization boost retirement plan participation by 40 percent and boost the non-HCE contribution rate by 41 percent? It took a fresh approach (not automatic enrollment), a high-level commitment, and lots of hard work.

Background

Heritage Valley Health System (HVHS) serves patients from portions of Pennsylvania, Ohio, and West Virginia through a major medical center, a large community hospital, and 50 physician's practice offices.

The physician's practice employees are covered by a 401(k) plan, and only about half of the employees historically participated. With no changes planned in employer contributions, raising participation would rely upon attracting participants in other ways.

The remaining 80 percent of the HVHS workforce was covered by both a 403(b) and a defined benefit plan. In 2006, the defined benefit plan was frozen. "Clearly, you need a market-competitive benefit program but it cannot be a drain on the finances of the organization," said Bruce Edwards, Vice President of Human Resources. "Since salary and benefits account for approximately 50 percent of System expense, it was crucial that we achieved an appropriate balance between the organizational imperatives of human resources and finance."

A committee of Senior Management and Board members developed a plan and mandated a shift from DB dependency to "shared saving responsibility." As part of this, workers with more than 10 years of service will receive enhanced matching contributions. Shared responsibility requires employee participation, and with nearly half of that workforce not contributing, it was time to look for a fresh approach.

Challenges

- 4,000 Employees
- 50 Locations
- Widely varying demographics
- 1,000 Employees < \$20,000 (2006 earnings)
- 500 Employees < \$10,000 (2006 earnings)

On the 401(k) side, the challenge was to change the retirement-saving culture from avoidance to acceptance, without any new financial incentives. On the 403(b) side, communicating the advantage of the new initiative was a challenge, in the face of displeasure over the frozen DB. Also, the employee population is spread across dozens of locations working a variety of shifts. Finally, both plans offer immediate entry, so all 4,000 HVHS employees are eligible to participate. Heritage Valley allows a large number of employees to work a part-time or casual schedule. As a result, many have annual earnings that would normally be a barrier to retirement plan participation.

The Search for a New Provider

Heritage Valley had been with DIA since 1998, and the plans had failed to gain widespread employee acceptance. A fresh, more innovative approach was deemed necessary. HVHS sought to enhance the plans' features, investment offerings and employee acceptance, while improving the plan-related costs, fiduciary comfort and workload.

HVHS had an ideal search leader; an insider in the mutual fund and retirement plan industry. Les Duncan, Manager of Special Projects, had been a Business Controller with Federated Investors — one of his areas of responsibility — Retirement Plan Services.

Mr. Duncan wrote a comprehensive RFP, which was sent to 15 of the industry's most prominent plan providers. The elimination process was based upon RFP responses, follow-up questions, and telephone interviews. Ultimately, the BISYS/Retirement Resources team was selected as the new provider.

The Conversion

While the other provider finalists recommended "mapping" the plan balances, Retirement Resources advocated doing a "money market conversion." That was consistent with the idea of taking a completely fresh approach.

Because so few plan participants regularly update their fund allocations, mapping raises suitability issues. "Mapping will bring a sub-optimal allocation from the old plan into the

Mission

To enable every HVHS employee to achieve a secure retirement at a reasonable age.

**Goals**

- Full enrollment
- Adequate employee deferrals
- Suitable investment selection

**Campaigns**

- Participation
- Contributions
- Allocations

**Results**

	Before	After	Improvement
401(k) Plan: 768 employees			
Participation rate	52.30%	71.70%	37.1%
Contribution rate overall	3.83%	5.48%	43.1%
NHCE contribution rate	3.43%	5.20%	51.6%
Managed Account use	0%	70.70%	100.0%
403(b) Plan: 3,215 employees			
Participation rate	53.70%	75.90%	41.3%
Contribution rate overall	3.79%	5.23%	38.0%
NHCE contribution rate	3.74%	5.26%	40.6%
Managed Account use	0%	69.90%	100.0%

new one, squandering the opportunity to help the participant to 'get it right'." said Patrick McGinn, a Senior Retirement Plan Specialist from Retirement Resources. For this reason, HVHS made the decision to educate, empower and enroll every employee from scratch.

A Fresh Approach

Clearly, employee buy-in was critical to make shared responsibility work. Because half of HVHS' employees had previously declined to participate, they had to be given good reasons to reconsider. That involved infrastructure improvements and targeted communications campaigns. "Retirement Resources is not a sausage factory. Each plan client is unique and treated as such." said Mr. McGinn.

HVHS' concern for the retirement security of their employees also dovetailed perfectly with the mission-basedSM style of plan management practiced by Retirement Resources. Based upon ERISA's most fundamental principals, the *Duty of Loyalty* and the *Duty of Care*, this is a top-down process centered on the mission of helping each employee achieve a secure retirement at a reasonable age.

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Setting the Stage

A pre-enrollment publicity campaign was carried out jointly by HVHS and Retirement Resources. Town-Hall-style information sessions were hosted by Senior Management to announce the upcoming changes and plant the seeds of the shared responsibility concept, and Retirement Resources offered a brief, high-level preview of the enhanced plan.

A series of posters were produced for the various Heritage Valley campuses, with messages targeted to specific employee sub-sets. The intent was to create a positive “buzz” and stimulate attendance at the upcoming enrollment sessions.

More than 100 managers from all areas of the HVHS organization were deputized as “points of influence” to carry forth the message and to distribute materials to each employee. Materials included a DVD and enrollment booklets that contained personalized projections, a risk profiling tool, a Roth decision tree, investment information and pre-populated forms. These managers’ involvement was tremendously beneficial.

Enrollment Campaign

It is critical to make the enrollment message relevant, engaging and accessible. The theme was, “The Retirement Express, get on-board”. Self-interest is a good motivator for retirement saving and the message to the Heritage



employees included a reminder that paychecks stop the day they retire, that retirement can last 20-30 years, and that Social Security typically replaces less than half of wages.

HVHS never closes. It is a large, around-the-clock operation that doesn't take any days off. This was a significant factor in designing the campaigns.

A dual channel approach was followed, with “Express” and “Advanced” versions. Both were made available to every Heritage Valley employee because age, income and education are not accurate predictors of the interest or available time one may have for this purpose.

The Express version was fast-paced and focused on the Why, Where and How of retirement saving. The Advanced version included this information and additional details on the plans’ investments and the Managed Account program.

In a busy 24/7 environment, it was not realistic to expect that everyone would be able to attend a group information session. Anticipating this, Retirement Resources proposed a creative solution to HVHS management: **“If every employee can't come to a meeting, why not bring a meeting to every employee?”**

Got nine minutes? Every HVHS employee received a DVD that contained special video versions of the Express and Advanced information presentations. Feedback was very positive from employees, some of whom enjoyed being able to replay segments at will.

More than 100 group-enrollment sessions were held, in dozens of locations over a three-week period. One of the objectives of the campaign was to create a critical mass of interest in the

plan, so that it would become a topic of positive conversation in the workplace. To include as many employees as possible, Retirement Resources reached out to off-shift workers by “rounding” through the hospitals overnight — much to the appreciation of those individuals. Likewise, workshops were held on Saturdays and Sundays to broaden the reach of the message, which was, “We care about your future and you should care too.”

Before the due date for the Enrollment Forms, a newsletter was produced with FAQs and other useful tips for correctly completing the sign-up paperwork. And, over 150 employees took advantage of an opportunity for one-on-one meetings before turning in their forms. When the dust settled, more than 800 additional HVHS employees had joined the plan!

Investment Impact

The investment menu is pivotal to the success of a plan. Employees’ willingness to participate relates directly to the attractiveness of the menu, as is their decision about how much to contribute. BISYS open architecture platform provides access to over 16,000 funds from which Retirement Resources and HVHS constructed a high-quality, multi-logo menu. Having a great menu is only half the battle. Making it accessible is what breaks down the barriers to entry.

The platform allows for the creation of automated asset allocation models — what Retirement Resources calls “Managed Accounts.” Conservative, moderate, and aggressive portfolios were constructed for the new Heritage menu. Basing allocations on risk tolerance rather than age leads to a better outcome, so Retirement Resources advocates this approach rather than target maturity funds.

The Managed Account program was a smash hit! Heritage Valley employees embraced it so enthusiastically that more than 70 percent of them elected one of these portfolios as their asset allocation solution.

Going Forward

"As we look to the future, we want to capitalize on the recent success and keep the momentum going. We don't want our employees to lose appreciation of the value of their retirement benefit," said Mr. Edwards. The post-conversion communication program is already on-going. Information sessions were conducted and another newsletter was produced to make participants comfortable with the comprehensive information and transactions systems.

"We spend a lot of time on the three 'E's," said Mr. McGinn, "Education, Empowerment, and Encouragement."

HVHS has plans to do monthly work to keep the plans in top shape. This includes on-going enrollment sessions, investment analysis, and proactive work to further improve their success metrics.

HVHS Perspective

Mr. Duncan summed it up this way, "The bottom-line is that the new plan is

far superior to the old one, the numbers speak for themselves in terms of employee acceptance, and we have been able to save hundreds of thousands of dollars of annual costs while providing world class service and investments to our employees through their retirement plan. What's not to love about that?"

Jim Phillips is the President of Retirement Resources. He may be reached at jim@ret-res.com



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