



IMPROVING PLAN OPERATION, COST AND PERFORMANCE IN HEALTH CARE

CASE STUDY

CHALLENGE

The client, a regional 501(c)(3) hospital, wished to bring their plan into full compliance with the new 403(b) and Pension Protection Act provisions, reduce investment product costs to participants, improve aggregate investment performance, develop and deliver a comprehensive employee communication program to improve the likelihood of successful participant investment allocations, and to successfully outsource retirement plan administrative functions. At the time, the 403(b) plan utilized four vendors, and in addition, the Hospital had both a frozen 401(a) and frozen 457(b) plan. Given these challenges, the Hospital's executives chose to hire our firm as an independent retirement plan consultant to conduct a comprehensive fiduciary review of their plan and plan operations.

The Hospital hoped to achieve these goals with minimal disruption and full transparency to the plan's participant population, which included units subject to collective bargaining.

PROCESS

In the initial phase of the project, the Multnomah Group conducted a fiduciary review of the Plan's current operation, including:

- Fiduciary Plan Governance
- Plan Document and Compliance
- Investment Policy Statement
- Investment Performance
- Plan Costs
- Plan Communication / Education

This analysis helped the Hospital objectively evaluate the plan structure and vendors related to the plan, and identify where current practices could present fiduciary or operational gaps. The results of this analysis led to a process by which the Multnomah Group helped establish a Board-authorized Plan Administration Workgroup to manage vendor and operations issues in support of the Investment Committee.

Multnomah Group assisted the Retirement Plan Administration Workgroup in creating a vendor search document which outlined how a plan vendor might better support the Hospital and its participants. To ensure that the wishes of the participant population were also represented in the process, the Hospital hosted, and Multnomah Group facilitated, focus group discussions where participants could express the concerns and

desires they wished to see addressed in a new retirement plan solution. The Multnomah Group also met with leadership of the collective bargaining units to apprise them of the critical benefits expected to accrue through an effective vendor search process.

Based on that feedback, the Multnomah Group solicited responses from the current vendors as well as a diverse selection of additional vendors, resulting in a solution that significantly improved sponsor and participant service levels.

RESULT

As a result of this process, the Hospital achieved all of their initial goals, including:

Full-compliance with the new 403(b) and Pension Protection Act provisions

- Achieved an outsourcing agreement with the new provider to conduct compensation testing, coverage testing, ACP, and consolidation of Form 5500 financial statement.
- Received commitment from the new provider to update the plan document to comply with the new 403(b) regulations and delinked the Plan from the Hospital's cash balance plan.
- Updated and terminated the frozen 401(a) and 457(b) plans.

Reduction in investment costs passed on to participants

- Implemented a transition strategy to remove or negate asset transfer constraints placed on participants through liquidity restrictions and contingent deferred sales charges.
- 63% reduction in participant-paid plan operating costs through consolidation. Subsequently followed by an additional 27% reduction in participant-paid plan operating expenses based on strong participant-elected transfers of individual contracts. Total annual savings exceed \$1M annually.

Improvement in Aggregate Investment Performance

- Investment menu reduced from >200 funds to less than 30 best-in-class investments from a restricted investment universe.
- Improvement in participant allocation decisions reducing fixed investments from >40% of plan assets to <20% of plan assets (prior to the recovery of the equity markets post-2008).

Development and delivery of a comprehensive employee communication program to improve the likelihood of successful participant investment allocation

- Negotiated 100% expansion in the number of days employee educators would be on campus.
- Implemented an online scheduling system where participants could schedule individual financial counseling time.
- Exceeded budget contract transfers by 40%.

- Increased deferral participation rates by 20%.
- Improved participant performance through the reduction in allocation to fixed annuity products.
- Integration of employee communication on 403(b) and frozen cash balance plan.

Successful outsourcing of retirement plan administrative function

- Migration to online enrollment, loan processing, distribution processing, and beneficiary designation.
- 50% reduction in administrative time dedicated to support of the 403(b) plan.
- Exceeded budget contract transfers by 40%.

At the conclusion of the project, all of the above were achieved with no adverse reaction from participants who were asked to change how they interact with the retirement plan. In aggregate, these changes significantly empower the Hospital to fulfill their fiduciary and regulatory responsibilities as plan sponsor.

To find out how the Multnomah Group can help your organization achieve its goals please feel free to contact one of our consultants.

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