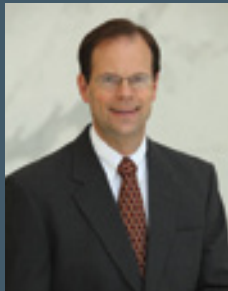


Case Study

## Midwest Hospital

# Consolidated, ERISAfied Plan An Enormous Success



Jim Robison



## LESSONS LEARNED

Quantitative research has shown partnering with a professional retirement plan advisor helps retirement plan sponsors achieve better results in several ways:

- Better plan design and plan arrays
- Increased confidence in plan compliance and investment options
- Superior understanding of fiduciary issues
- Better overall asset allocation among plan participants
- Improved participant retirement outcomes

Case in point: the Midwestern hospital group featured in this report realized these benefits by:

- Streamlining and consolidating plan providers
- Establishing a governance protocol
- Becoming ERISA-compliant
- Implementing a Qualified Default Investment Alternative (QDIA), and
- Increasing plan participation from 35% to 88% of all eligible employees

This healthcare organization is now able to leverage a retirement benefits package employees appreciate to compete for medical field talent in the labor market.

## THE OLD WAY

For decades, the prevalent opinion among not-for-profit health care sector employers was to avoid taking control of workplace retirement plans out of concern for fiduciary responsibility and liability. Rules and regulations adopted in recent years have helped convince employers that embracing ERISA-compliant practices benefits the organization in many ways.

Case in point, a Midwestern hospital group with a non-ERISA 403(b) arrangement that did not adequately prepare employees for retirement called on Retirement Plan Advisor Jim Robison of White Oak Advisors to assist with an initiative to bring the plan on a path to success.

### Low Participation

“Participants did not appreciate the plan,” said Jim. “The employer didn’t pay enough attention to detail and there was uncertainty about the effectiveness of the hospital’s investment in employer contributions. Multiple vendors were selling an inconsistent range of products and the hospital had minimal involvement beyond providing a payroll slot for employee deferrals to various investment firms. Not surprisingly, employee participation in the plan was low, at around 35%, and the plan scored poorly on employee surveys.”

White Oak Advisors was called in to help revamp the plan. Jim first met with the hospital’s chairman and its chief financial officer (CFO), who was hesitant to incur additional cost. Both were interested in increasing participation and improving employee retirement readiness, however.

### Consolidation Needed

“Our first task was to meet with the Board and to formulate committee governance protocols,” Jim said. “We helped the Board decide on the committee’s responsibilities and helped them determine that it would be in their best interests to consolidate from six providers to a single provider moving forward.”

Among the challenges in consolidating to a single provider: One of the six original investment firms had formed relationships with the vast majority of participants and held 85% of the plan’s assets. The bulk of assets were invested in a fixed account guaranteeing a 4% annual return.

“That’s a fairly robust rate to guarantee,” Jim said. “But a 4% fixed rate is not appropriate for every age and life stage. Many younger or more aggressive participants were misallocated to the account.”



# FAST FORWARD TO THE PRESENT

## Professional Management for 86% of Participants

Fast forward to the present. The hospital's retirement plan, a 403(b) plan, now has a single provider, uses automatic enrollment, and a target-date series as a Qualified Default Investment Alternative (QDIA). Overall, 86% of participants invest in the QDIA or in a managed account service. Enrollment is steadily in the 88% range, compared with 35% before the makeover. The default contribution level for auto-enrolled participants is set at 3% of salary; but in practice, participants set aside 6.5% of pay on average.

"The key was helping the committee become comfortable with the transition to an ERISA-compliant approach," Jim said. "Once the committee adopted the change in philosophy and was committed to making the plan a valued benefit, everything fell into place naturally, including the drive to increase participation and to improve contribution levels."

The provider was selected from among three finalists. The firm has a strong track record in the health care industry and helped aggregate information to avoid multiple loans, excessive loan balances and hardship withdrawal issues. The firm put in place a robust education, counseling and communications program. Its financial remuneration is tied to achieving specific goals that relate to plan success.

"Once the committee adopted the philosophical change to an ERISA-compliant approach, everything fell into place, including the drive to increase participation and to improve contribution levels."

– Jim Robison,  
White Oak Advisors





Jim Robison

### **About White Oak Advisors**

White Oak Advisors is a boutique retirement plan consulting and advisory firm serving many clients in the not-for-profit arena and in the fields of healthcare, manufacturing, construction, and professional services. White Oak provides comprehensive services and custom solutions to clients regardless of plan type. White Oak Advisors was named one of 401kWire's "Top 30 Advisory Firms" for 2010 and a "Top 60 Firm" for 2011. PLANADVISER magazine named White Oak a "Top 100 Retirement Plan Adviser" for 2012, 2013 and 2015. White Oak Advisors was also named as a Top 3 Firm for 403(b) Plan consulting by PlanAdviser for 2015. A principal and co-founder of the firm, Jim Robison has 20+ years in the retirement plan consulting and advisory business.

### **About the Retirement Advisor Council**

The Council advocates for successful qualified plan and participant retirement outcomes through the collaborative efforts of experienced, qualified Retirement Plan Advisors, investment firms and asset managers, and defined contribution plan service providers. The Council accomplishes this mission by its focus on:

- Identifying duties, responsibilities and attributes of the Professional Retirement Plan Advisor
- Sharing our professional standards with plan sponsors
- Providing collective thought capital to decision makers, product providers, legislators and the public
- Giving voice to the Retirement Plan Advisor community
- Providing tools to evaluate Advisors, helpful in promoting successful retirement outcomes.

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