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CASE Study

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Change Management Easier With Financial Education

Although not much different from recent years, the situation was less than ideal. Employees were lured away with promises of more pay or better benefits. The recruitment machine chugged along at full capacity. There was constant training for new hires.

The medical sector faces many challenges, among them constant shortages of trained, qualified personnel. Companies raid one another for top employees, so retention is of utmost importance. Children's Hospital of Pittsburgh (CHP), with its reputation as an innovative medical facility and a generous employer, still found themselves facing these issues. What, they wondered, could be done to improve the situation?

As the benefits package was reviewed, certain problems became obvious. Employees had the ability to participate in three different retirement plans, but few employees actually did. The three plans had originally been created with the goals of not only helping employees achieve a secure retirement, but also to attract and

retain top employees. From the review, it was obvious that in spite of good intentions, employees simply did not understand the differences between the plans and how they could work together. Participation in the 403(b) plan was an abysmal 20%. And fewer than one-third of employees contributed to the defined contribution plan, in spite of the company's generous match.

The bottom line: The plans were working against the company's goals and were potentially sabotaging employee retirement security. Change was necessary.

Revamping Retirement Plans

CHP tackled the challenges head-on through a companywide initiative to revamp the retirement program. The goal was to re-engage employees in their retirement, helping them to see the importance of preplanning and taking advantage of the company's offerings. Step one: streamline the retirement plan offerings. Over 6 months, the hospital phased out its defined benefit plan and simplified its defined contribution plans so

employees could better understand their options. Realizing that employees would need more information to clearly understand their best retirement strategies, CHP decided to implement an educational program.

CHP chose Financial Finesse (<http://www.financialfinesse.com>), experts in financial education. When a defined benefit plan is eliminated, says Liz Davidson, president of Financial Finesse, there is obviously a level of concern among employees. "Ideally, the hospital wanted employees to transition into the defined contribution plans at their own behest," she says. "That can be a very stressful thing, when your retirement is effectively being subsidized for you, and then you're asked to begin investing yourself. That required some change management. We all wanted to do this in such a way that CHP would not lose employees."

Education was the answer, Davidson says. "CHP gave every single employee a voucher, which we designed for them. It was like a

gift certificate for a free personal financial consultation with one of Financial Finesse's experts. Those who took advantage of it went through a personal financial consultation, which included a lot of online resources they could use, like different financial modeling tools, financial planning guides, self-assessment tools, and a personalized action plan. It was very personalized and was the employee's roadmap."

Participation, Morale Increase

The result? In less than a year, the trends that triggered the changes reversed. Overall retirement plan participation increased from 20% to 41%, and for vested employees, participation jumped from 33% to more than 56%. Employee morale increased noticeably. Employees discussed the education they received, increasing attendance at seminars. In fact, of employees who participated in the program, 100% said they would recommend it to a co-worker. Ninety-eight percent felt better prepared to make financial decisions, and 97% said they planned to increase their contributions or change the allocation of their assets.

While personalization often means increased costs, the cost of providing financial education may actually mean lower costs overall. "In this particular instance," says Davidson, "the cost of retraining employees in a hospital environment, where many are skilled doctors, nurses, and administrative staff, can be very expensive. The cost of the (financial education component of the) program was less than what it would have been to pay for an additional employee leaving and retraining a new one. Financial

education has a tremendously high return on investment, and it's a good tool to offset decreases in other benefits the company may be going through. It's a way to bring a new benefit to your employees, [one] that is very cost effective, and can even be used as a tool to get them to appreciate the retirement benefits you're already providing. If you're going to spend all this money, you want your employees to recognize what you're doing for them, and to appreciate it."

While CHP chose Financial Finesse, if you are interested in implementing a financial education program at your company, you should do your home-work to identify who can best fit your needs and budget. One place to start is an online search using the "Advanced Search" functions of Yahoo! (www.yahoo.com), Google (www.google.com), or Dogpile (www.dogpile.com) and enter the phrase "financial education for employees."

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