

Case Study: Hospital Doubles Retirement Plan Participation

Plan Sponsor Company: Children's Hospital of Pittsburgh

EXECUTIVE SUMMARY

The Problem

In 2003, Children's Hospital of Pittsburgh (CHP) was at a crossroads. The hospital had a long tradition of offering excellent benefits to their employees, but their retirement plans were not flourishing:

- Overall savings plan 403(b) participation was quite low at 20%. In addition, over 66% of vested employees did not contribute to the 401(a) plan despite a generous matching program.
- Most plan participants did not allocate their assets effectively and were destined to fall short of their retirement goals if they didn't change their allocations. Over 40% of the plan's assets were in the money market fund.
- CHP was managing three separate plans and most employees didn't understand the differences between the plans. The plans which were originally set up to be a strong recruitment and retention tool had actually become a liability for the hospital because employees did not understand or appreciate them.

At the same time, Children's Hospital of Pittsburgh was facing the same pressures that hospitals nationwide were encountering. They were struggling with a shortage of medical personnel, most notably nurses, and were in a position of constant recruiting and training. Other local hospitals in the same situation were constantly recruiting their employees—often luring them away with promises of better benefits.

The Solution

CHP was widely recognized for being one of the most innovative children's hospitals in the country, and the spirit of innovation extended to their HR team. Carlo Oliverio, VP of HR was known in hospital HR circles for his willingness to tackle significant HR issues with large scale strategic initiatives. This issue was no different. Once CHP determined it had a significant problem on their hands, Carlo mobilized his team into action and put together a company-wide initiative to revamp its retirement plans and re-engage employees who were not participating and were struggling financially:

- Over a period 6 months, the hospital phased out its defined benefit plan and simplified its defined contribution plans so that employees could better understand the options available to them.
- The hospital selected Financial Finesse as its financial education partner and the two firms worked together to design a company-wide financial education and plan communication program. The program covered all financial topics through retirement planning kits and materials, personal financial consultations, telephone-based financial counseling, workshops and online content. It was available to all benefits eligible employees, with unlimited access to Financial Finesse's staff of Certified Financial Planners.

Results

In less than a year, the program had already made a tremendous impact. The hospital was able to reverse or solve many of the key issues relating to its retirement plan:

- The transition from the DB plan to the DC plan was much smoother than the hospital anticipated based on fall out from previous benefits changes. HR received no complaints from employees, and those employees who did comment on the changes thanked the department for the personalized financial counseling they received.
- Overall retirement plan participation increased from 20% to 41%. Participation for vested employees increased from 33% to over 56%.
- The education program itself actually boosted morale—something the hospital never expected. There was water-cooler “buzz” about the program and workshop attendance progressively increased as attendees told their co-workers about the program.
- 100% of the employees who participated in the program indicated they would recommend it to a co-worker. 98% said they were better prepared to make a financial decision and 97% indicated they planned to increase contributions to the plan or change their asset allocation.

As a result of the program, employees better understand and appreciate their retirement plans. The HR team spends considerably less time answering employees’ questions or fielding complaints about the retirement plans than they did before the program was launched.