CAMMACK RETIREMENT

# Delivering Retirement Benefits to Healthcare and Higher Education Employees

**Michael A. Webb, CEBS,** Vice President
*Cammack Retirement Group*

Providing a valuable retirement plan benefit is a common goal among retirement plan sponsors. With employees facing increased financial stress and a growing interest in financial health, as well as the general complexity of administering higher education and healthcare retirement plans, plan sponsors are often left to question how to adapt their retirement plans to best serve participants. As the retirement plan space continues to evolve, so do the trends and best practices. Mike Webb, along with David Kaleda of Groom Law Group and Michael Davis of T. Rowe Price, examined some of these best practices as they relate to delivering retirement benefits to higher education and healthcare employees in a recent webinar hosted by Pensions and Investments. Below are some of the key takeaways:

## HAVING A SINGLE PRIMARY RETIREMENT PLAN WITH A SOLE RECORDKEEPER USED TO BE AHEAD OF THE CURVE. NOW, HAVING MULTIPLE PLANS/ RECORDKEEPERS IS LIKELY WELL BEHIND IT.

Increasingly, plan/recordkeeper consolidation has become the norm. It is easy to see why; while there is a lot of work involved in a transition, few, if any, higher education and/or healthcare plan sponsors have regretted the decision to consolidate. For these plan sponsors, consolidation has reduced costs, simplified compliance, and enhanced the participant engagement experience.

## IT IS INCREASINGLY IMPORTANT TO "MEET EMPLOYEES WHERE THEY ARE" WHEN IT COMES TO RETIREMENT PLAN ENGAGEMENT.

Many employees may fail to save or take other desired actions unless plan sponsors and recordkeepers make it easy for the employees to do so. This requires plan sponsors to meet their employees where they are, whether that is in-person, on the internet, in an app, or via text message. The messaging, in terms of content, also needs to be personalized based on the employees' individual circumstances. For example, a millennial who believes that they cannot save for retirement due to student loan debt requires very different content than an older employee who is focused on the timing of retirement and the decumulation of their assets.

## EMPLOYEES, NATIONWIDE, HAVE A GREATER INTEREST IN FINANCIAL HEALTH, OFTEN DUE TO POOR FINANCIAL CIRCUMSTANCES.

This interest is directly related to retirement savings, since many employees believe that they cannot afford to save for retirement. If these employees were given assistance with student loan repayments, debt management, and/or budgeting, it could have a direct impact on retirement savings. Thus, plan sponsors and recordkeepers are becoming increasingly involved with financial health topics.

### DON'T SLEEP ON YOUR INVESTMENT POLICY STATEMENT (IPS).

An increasing number of plan sponsors are adopting investment policy statements (IPS), but not fully incorporating them into their governance process. An IPS is only as good as the plan sponsor who follows it, so committees should pay close attention to this document and ensure that it fully conforms with the review process.

### FEES ARE IMPORTANT, BUT LOW FEES ARE NOT A PANACEA.

Despite the litigation focused on retirement plan fees, plan sponsors are not obligated to select the lowest cost recordkeeper or the lowest cost fund. In actual process, value is important: if a retirement plan's fees are low, but the plan's asset growth and median account balance are well below peers due to low participant utilization, then the plan may not be sufficiently preparing employees to retire.

### THE NUMBER OF INVESTMENTS IN HEALTHCARE/HIGHER EDUCATION RETIREMENT PLANS CONTINUES TO DECREASE.

While this is not a surprising development, due to ongoing recordkeeper consolidation, even plan sponsors with a single recordkeeper are streamlining their fund arrays to a best-in-class investment lineup. Often, that means offering the minimum amount of investments necessary to provide as much asset class coverage as is prudent.

### THERE IS A CONTINUED MIGRATION FROM INDIVIDUAL ANNUITY CONTRACTS/CUSTODIAL AGREEMENT TO GROUP CONTRACTS.

There is a simple reason for this trend: control. With individual contracts, plan sponsors do not have it, which makes it difficult for them to fulfill their fiduciary responsibilities with respect to these plan assets. Although, by definition, employers cannot fully divest themselves of such contracts, they can "stop the bleeding" by restricting future contributions to group contracts, only.

### AS PLANS MATURE AND EMPLOYEES' ACCOUNT BALANCES GROW AS THEY APPROACH RETIREMENT, THERE IS A GREATER EMPHASIS ON DECUMULATION.

As recently as a few years ago, there was little discussion amongst plan sponsors and recordkeepers regarding how to help to ensure that those who are retiring are able to spend down their assets in a prudent fashion. However, many large plan sponsors are now working with their recordkeepers on decumulation strategies, including retirement income solutions such as annuities, bond-ladders, target-date funds, and endowment-like solutions.

### COLLECTIVE INVESTMENT TRUSTS (CITS) COULD BE A VIABLE INVESTMENT OPTION SOONER RATHER THAN LATER FOR 403(B) PLANS.

Some public higher education entities have already piloted CIT offerings, and efforts are underway to convince Congress and/or the SEC that ERISA-covered 403(b) plans should be allowed to invest in CITs as well (current investment by ERISA 403(b)s in CITs is complicated by securities law and SEC requirements).

### LITIGATION CONTINUES TO BE A THREAT.

Over 20 retirement plan lawsuits involving healthcare and higher education organizations have been filed, and it would not be surprising if the number of cases continues to grow. Plan sponsors should continue to follow these cases closely and work with counsel to adjust their governance procedures accordingly, if necessary.

To listen to the webinar in full, please click here.

Are there any additional best practices that should be included in this list? Let us know at info@cammackretirement.com.

### ABOUT CAMMACK RETIREMENT GROUP

Cammack Retirement Group has been helping retirement plan sponsors meet their goals for half a century. Solely focused on serving retirement plan sponsors, we provide a tailored approach to investment advisory and consulting services. We work with some of the nation's leading academic and research institutions, healthcare providers, corporations, non-profit organizations and public sector employers to help them manage fiduciary risk.

For more information on our services, please contact **Mike Volo,** Senior Partner, at **781.997.1426** or **mvolo@cammackretirement.com**.

***Note:*** *This feature is to provide general information only, does not constitute legal advice, and cannot be used or substituted for legal or tax advice.*

*Investment products available through Cammack LaRhette Brokerage, Inc. Investment advisory services available through Cammack LaRhette Advisors, LLC. 100 William Street, Suite 215, Wellesley, MA 02481 | p 781-237-2291*