

Impact of Economic Conditions on 403(b) Plans

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Introduction

PSCA's *Impact of Economic Conditions on 403(b) Plans* reflects responses from 609 not-for-profit organizations that currently sponsor a 403(b) plan. Data in this survey is often categorized by plan size. Plan size is determined by the number of active participants in the organization's plan. Please note that the figures in the survey do not always add up to 100.0 percent due to rounding. Please direct questions or comments to research@psca.org or 312.419.1863x203.

Acknowledgements

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Overview of Results

With the economic downturn of 2008 and 2009, there has been a focus on changes employers have made to their defined contribution plans. In October 2009, PSCA conducted a survey of 403(b) plan sponsors to determine exactly what impact the economic conditions had on 403(b) plans, what actions plan sponsors have taken to cope with economic conditions, and plans for 2010. PSCA received 609 responses from 403(b) plan sponsors from across the country. Overall, the results demonstrate a continued commitment by plan sponsors to their participants and by participants to the plans. The majority of 403(b) plan sponsors continued their matching or non-matching company contributions, and a significant percentage increased their employee education efforts. The majority of participants continued to participate in their employer's plan. A summary of the results follows.

Of 365 organizations that offered a matching contribution on December 31, 2007, 16.4 percent suspended it, 9.3 percent reduced it, and 73.9 percent made no changes to it in 2008-2009. Large organizations were more likely to suspend the match (24.0 percent of organizations) than small organizations (16.0 percent of organizations). Of those organizations that suspended or reduced their matching contributions, 4.3 percent have already restored it. 23.5 percent of organizations are planning to restore their match within the first quarter of 2010, with significantly more large organizations (57.1 percent) than small organizations (18.9 percent) planning to do so.

Of 291 organizations that offered a non-matching organization contribution on December 31, 2007, 13.4 percent suspended it, 12.7 percent reduced it, and 73.9 percent made no changes to it in 2008-2009. No large organizations changed their non-matching contributions. Of those organizations that suspended or reduced their non-matching contributions, 4.2 percent have already restored it, and 18.8 percent plan to restore it within the first quarter of 2010.

As a result of economic conditions, 403(b) plan sponsors took a variety of actions. 43.4 percent of all organizations increased their plan education efforts, with about 60 percent of large organizations doing so. 24.3 percent of large organizations added investment advice as an option for participants, and 17.2 percent of all organizations added it. 36.1 percent organizations are more closely scrutinizing the fees paid by the plan and participants, and 59.4 percent of organizations feel that their plan provider is providing fee information in a way that is easy to analyze.

Organizations that suspended their matching contributions experienced a decrease in plan participation to a much greater degree (50.8 percent of organizations) than those that did not change their matching contribution (12.0 percent of organizations). Organizations that suspended their matching contributions also experienced a decrease in participant deferral rates to a greater degree (40.0 percent of organizations) than organizations that did not change their match (14.5 percent of organizations).

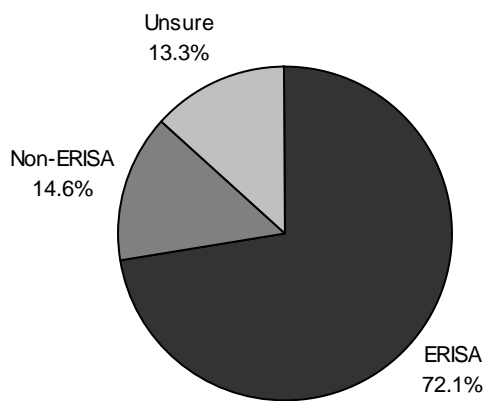
PSCA also conducted a survey on the impact of the economy on 401(k) and profit sharing plans. The results of that study are available on our Web site at www.psc.org.

Demographic Information

Table 1: Respondents by Organization Size and ERISA Status

Plan Size (# of Participants)	ERISA		Non-ERISA		Unsure		All Plans	
	# of Plans	% of All Plans	# of Plans	% of All Plans	# of All Plans	% of All Plans	# of Plans	% of Plans
1-49	194	31.9%	41	6.7%	61	10.0%	296	48.6%
50-199	148	24.3%	15	2.5%	14	2.3%	177	29.1%
200-999	77	12.6%	13	2.1%	6	1.0%	96	15.8%
1,000+	20	3.3%	20	3.3%	0	0.0%	40	6.6%
Total	439	72.1%	89	14.6%	81	13.3%	609	100.1%

Graph 1: ERISA Status of Plans



Graph 2: Respondents by Plan Size

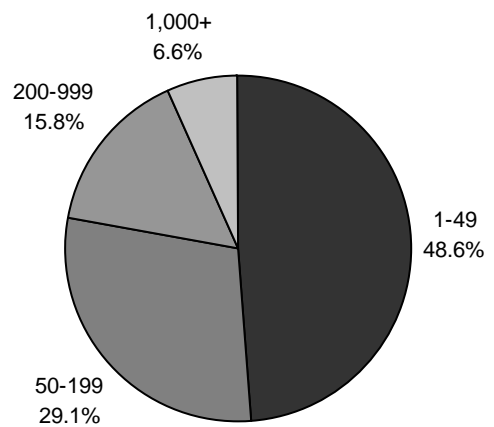
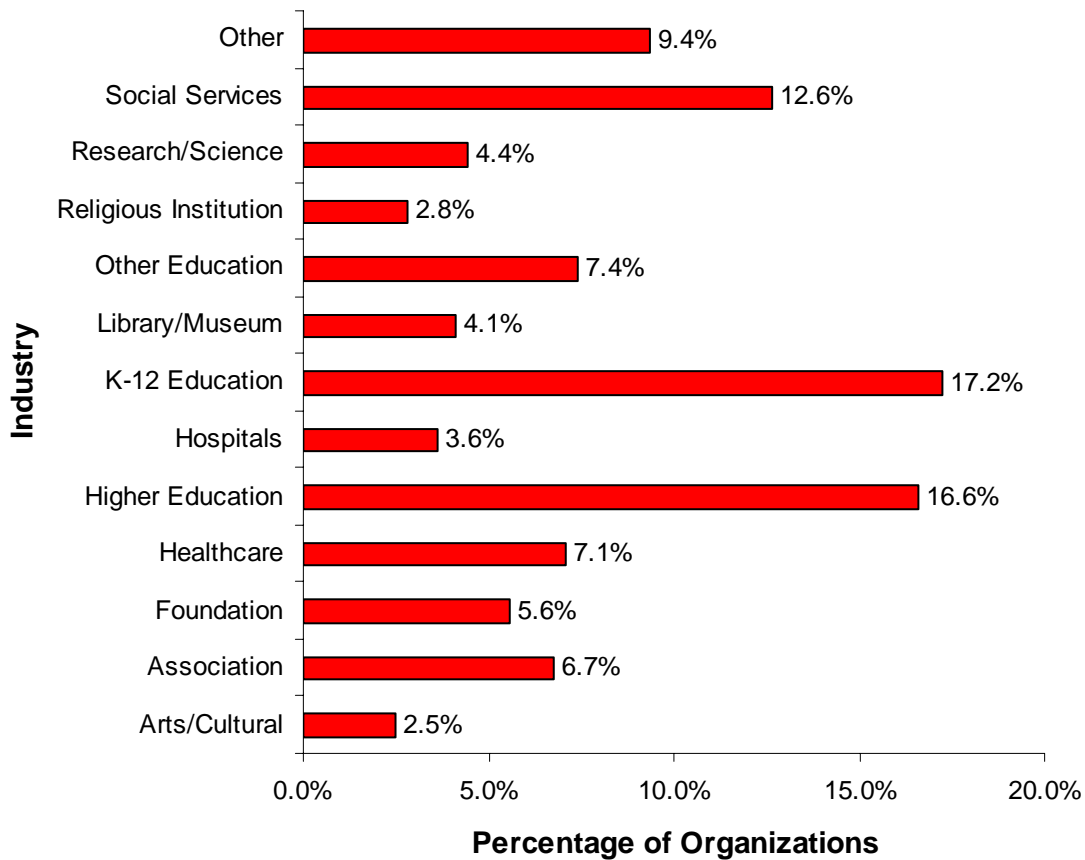


Table 2: Respondents by Industry Type

Industry	All Plans	
	# of Plans	% of Plans
Arts/Cultural	15	2.5%
Association	41	6.7%
Foundation	34	5.6%
Healthcare	43	7.1%
Higher Education	101	16.6%
Hospitals	22	3.6%
K-12 Education	105	17.2%
Library/Museum	25	4.1%
Other Education	45	7.4%
Religious Institution	17	2.8%
Research/Science	27	4.4%
Social Services	77	12.6%
Other	57	9.4%

Graph 3: Respondents by Industry



Matching Organization Contributions

Table 3: Changes Made to Matching Organization Contributions in 2008-2009 as a Result of Economic Conditions

Change	Organization Size (# of Participants)				
	1-49	50-199	200-999	1,000 or more	All Plans
Suspend the Match	16.0%	16.3%	14.5%	24.0%	16.4%
Reduce the Match	9.9%	6.5%	16.4%	4.0%	9.3%
Increase or Institute a Match	1.2%	0.0%	1.8%	0.0%	0.8%
None	72.8%	77.2%	67.3%	72.0%	73.4%

Responses are from 365 organizations that offered a matching contribution as of December 31, 2007.

Graph 4: Changes to Matching Contributions

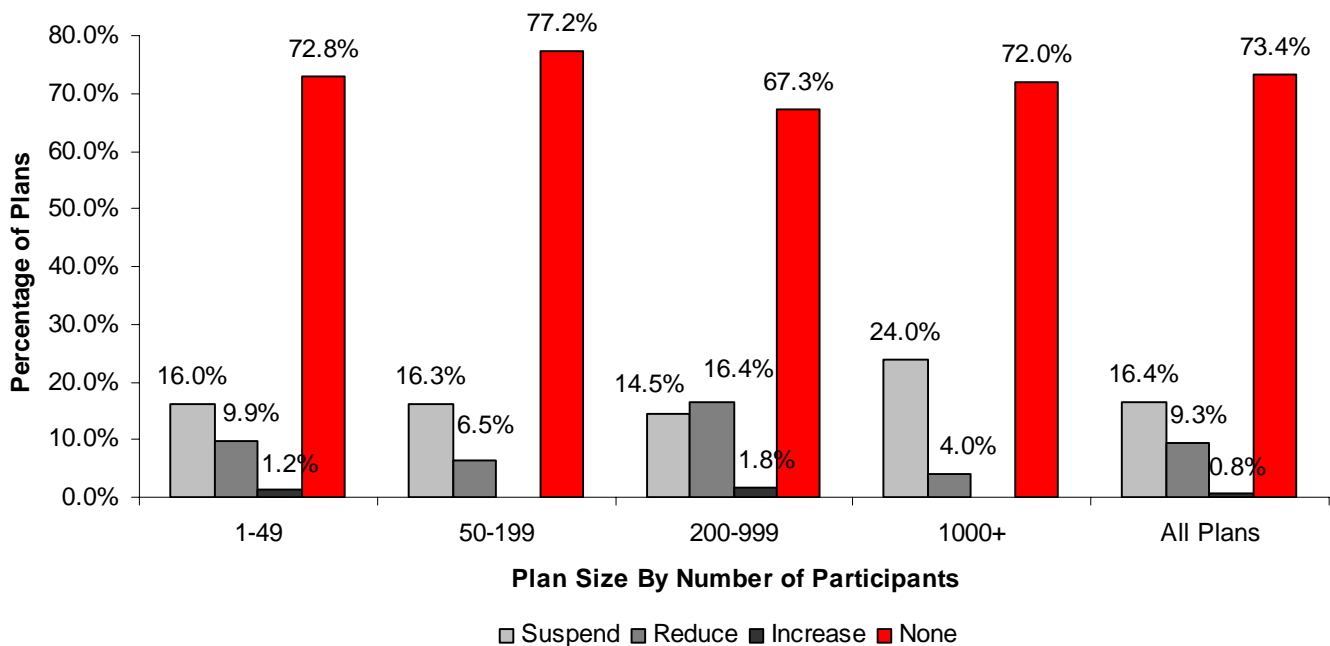


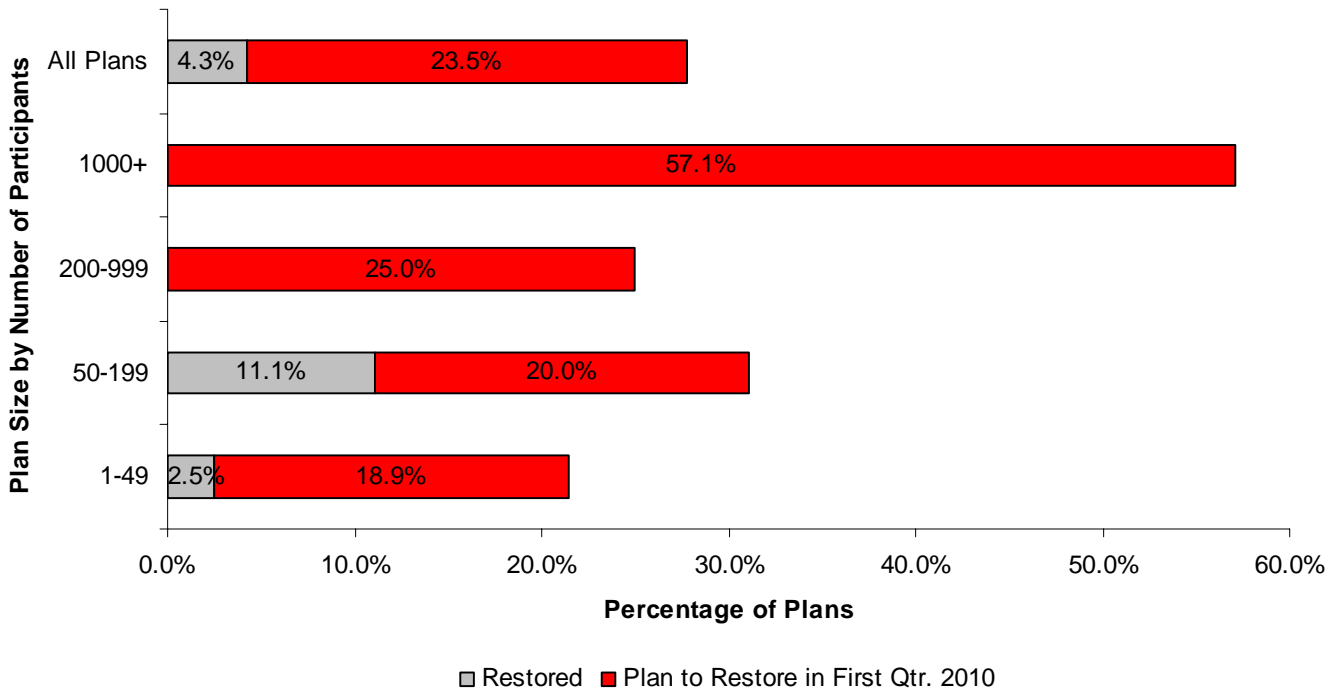
Table 4: Percentage of Organizations that Suspended or Reduced the Match in 2008-2009 that Have Already Restored It

	Organization Size (# of Participants)				All Plans
	1-49	50-199	200-999	1,000 or more	
Percentage of Organizations	2.5%	11.1%	0.0%	0.0%	4.3%

Table 5: Percentage of Organizations that Suspended or Reduced the Match in 2008-2009 that Plan to Restore it Within Six Months (1st Quarter of 2010)

	Organization Size (# of Participants)				All Plans
	1-49	50-199	200-999	1,000 or more	
Percentage of Organizations	18.9%	20.0%	25.0%	57.1%	23.5%

Graph 5: Percentage of Organizations that Have Already Restored Their Match or Plan To Restore it in the First Quarter 2010



Non-Matching Organization Contributions

Table 6: Changes Made to Non-Matching Organization Contributions in 2008-2009 as a Result of Economic Conditions

Change	Organization Size (# of Participants)				
	1-49	50-199	200-999	1,000 or more	All Plans
Suspend it	16.4%	14.3%	4.3%	0.0%	13.4%
Reduce it	13.0%	13.1%	13.0%	0.0%	12.7%
None	70.5%	72.6%	82.6%	100.0%	73.9%

Responses are from 291 organizations that offered a non-matching contribution as of December 31, 2007.

Graph 6: Changes to Non-Matching Contributions

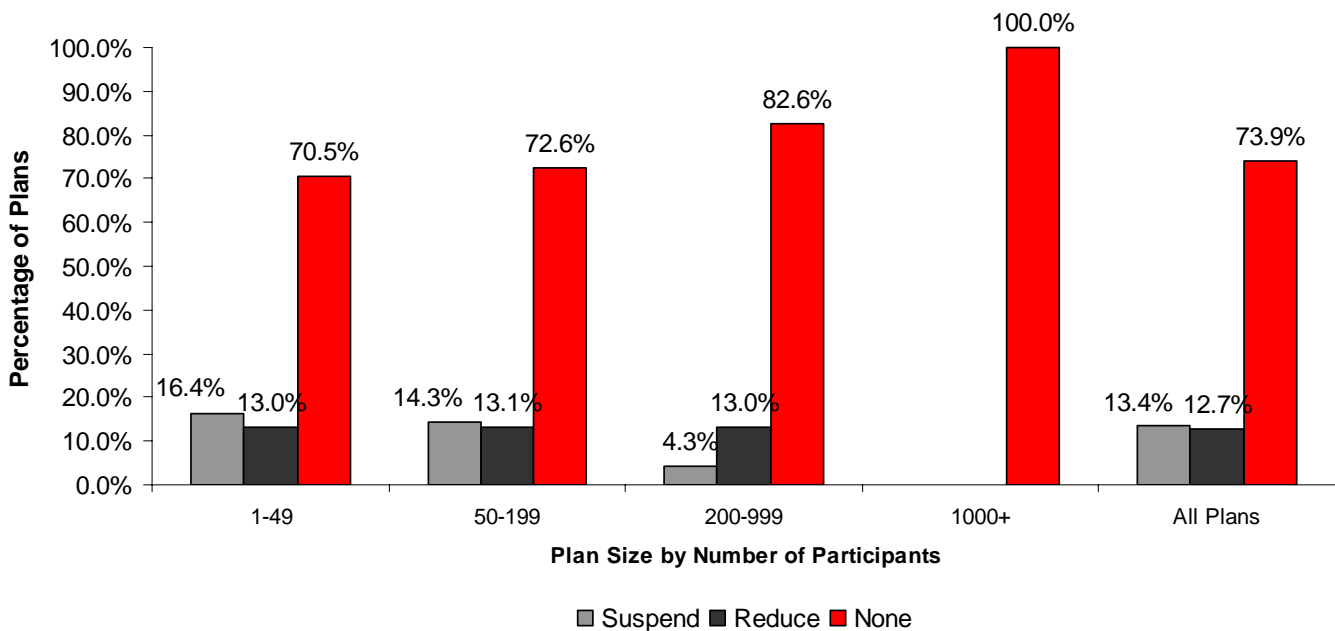


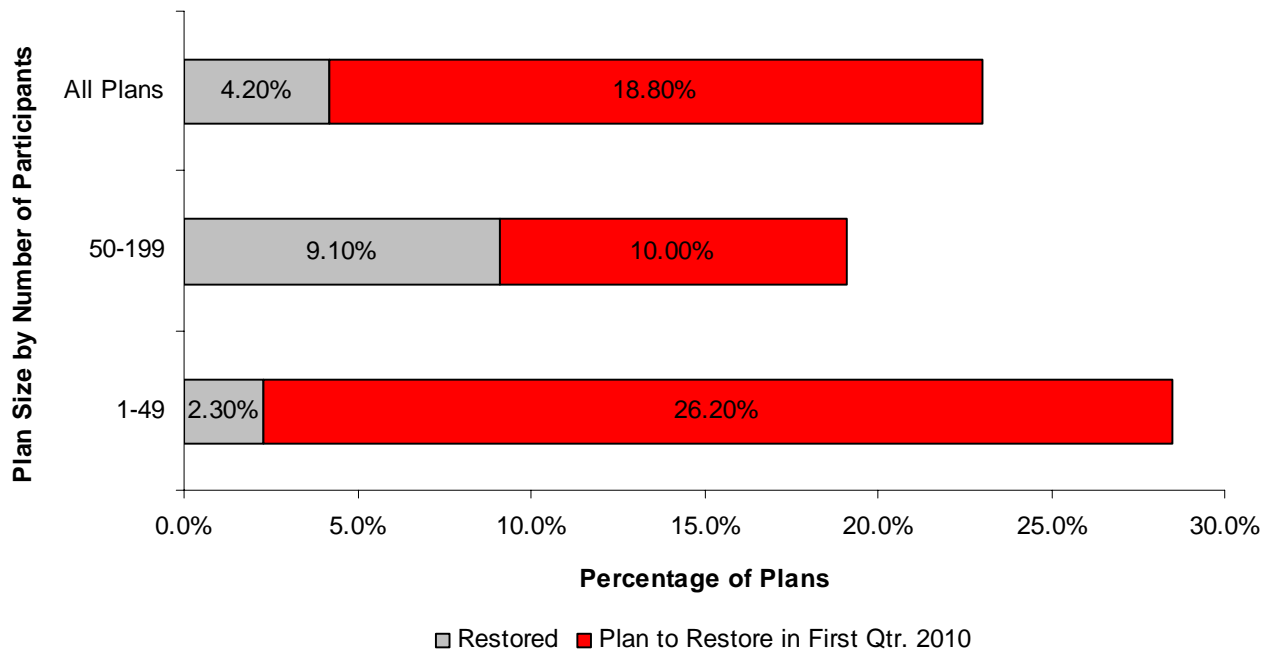
Table 7: Percentage of Organizations that Suspended or Reduced the Non-Matching Contribution in 2008-2009 that Have Already Restored It

	Organization Size (# of Participants)				
	1-49	50-199	200-999	1,000 or more	All Plans
Percentage of Organizations	2.3%	9.1%	0.0%	N/A	4.2%

Table 8: Percentage of Organizations that Suspended or Reduced the Non-Matching Contribution in 2008-2009 that Plan to Restore it Within Six Months (1st Quarter of 2010)

	Organization Size (# of Participants)				
	1-49	50-199	200-999	1,000 or more	All Plans
Percentage of Organizations	26.2%	10.0%	0.0%	N/A	18.8%

Graph 7: Percentage of Organizations That Have Already Restored Their Non-Matching Contribution or Plan to in the First Quarter 2010



Organization Reaction

Table 9: Plan-Related Actions Taken as a Result of Economic Conditions

Action	Organization Size (# of Participants)				
	1-49	50-199	200-999	1,000 or more	All Plans
Changed the Investment Lineup	9.7%	11.6%	16.0%	15.8%	11.6%
Increased Employee Education	31.9%	48.3%	62.8%	59.0%	43.4%
Added Investment Advice	9.4%	20.2%	32.6%	24.3%	17.2%
Delayed Planned Plan Design Changes	5.9%	6.9%	4.3%	2.6%	5.8%
Hired an Investment Consultant	2.1%	7.5%	7.4%	7.9%	4.9%
Other	12.4%	15.4%	13.2%	24.3%	14.2%

Other actions taken include:

- Changing the waiting period for plan eligibility.
- Changing the vesting schedule.
- Changing plan providers.
- Terminating the plan.
- Changing from a non-matching contribution to a matching contribution.
- Changing from a guaranteed non-matching contribution to discretionary contribution.
- Suspending or reducing the match in 2010.
- Offering a match in lieu of a raise or offering a choice between a matching contribution and a raise.
- Consolidating plans.
- Instituting automatic enrollment.
- Allowing hardship withdrawals.

Table 10: Percentage of Organizations that are More Closely Scrutinizing the Fees Paid By the Plan and Participants

	Organization Size (# of Participants)				
	1-49	50-199	200-999	1,000 or more	All Plans
Percentage of Organizations	30.6%	36.0%	44.7%	57.5%	36.1%

Table 11: Percentage of Organizations that Feel Their Provider is Providing Fee Information in a Way that is Easy to Analyze

	Organization Size (# of Participants)				
	1-49	50-199	200-999	1,000 or more	All Plans
Percentage of Organizations	56.8%	50.9%	68.3%	76.2%	59.4%

Participant Reaction

Table 12: Percentage of Organizations that Experienced a Decrease in Plan Participation in 2008-2009 by Change to Matching Contribution

Change to Match	Organization Size (# of Participants)				All Plans
	1-49	50-199	200-999	1,000 or more	
Reduce the Match	18.8%	12.5%	0.0%	N/A	14.7%
Suspend the Match	42.3%	68.4%	37.5%	50.0%	50.8%
No Changes	9.4%	17.9%	10.5%	0.0%	12.0%

The average decrease in plan participation is 13.0 percentage points. The median decrease is 10.0 percentage points.

Graph 8: Percentage of Organizations that Experienced a Decrease in Plan Participation by Change to Matching Contribution

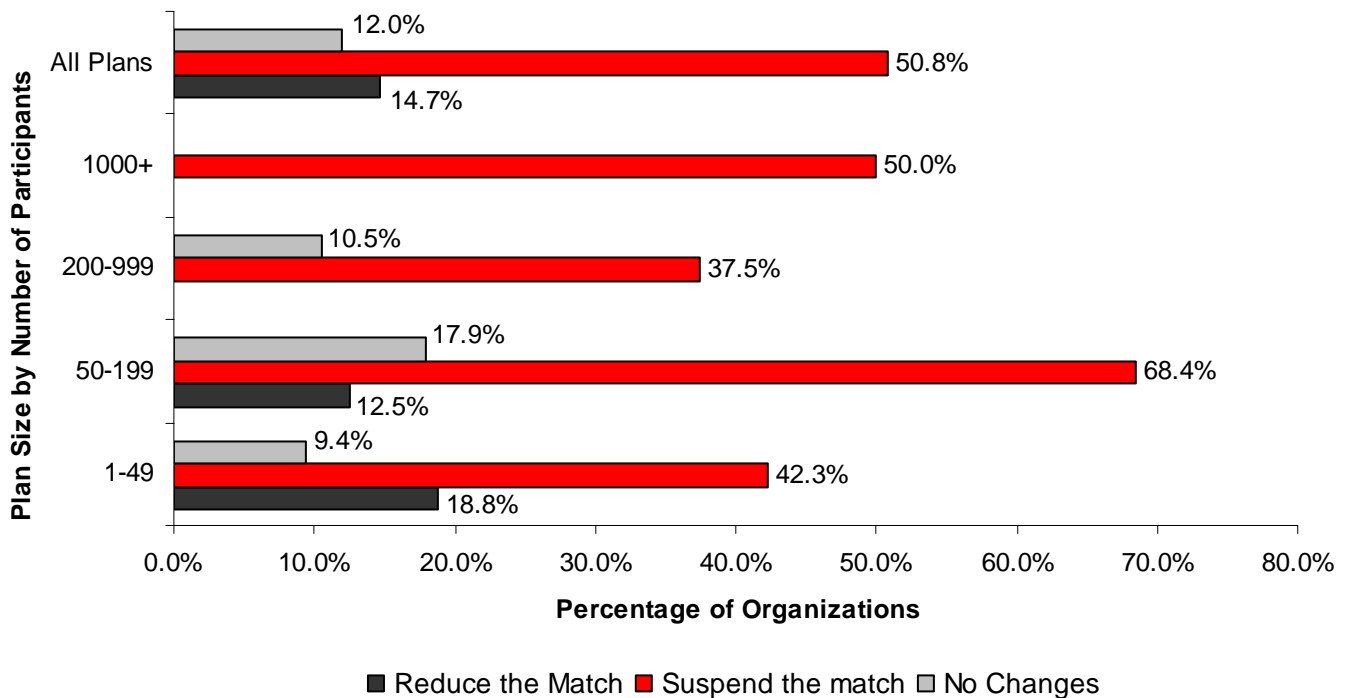


Table 13: Percentage of Organizations that Experienced a Decrease in Participant Deferral Rate in 2008-2009 by Change to Matching Contribution

Change to Match	Organization Size (# of Participants)				
	1-49	50-199	200-999	1,000 or more	All Plans
Reduce the Match	13.3%	37.5%	22.2%	N/A	21.9%
Suspend the Match	30.8%	45.0%	37.5%	66.7%	40.0%
No Changes	9.3%	16.7%	25.0%	16.7%	14.5%

Graph 9: Percentage of Organizations that Experienced a Decrease in Participant Deferral Rates by Change to Matching Contribution

