



PSCA

Plan Sponsor Council of America

Part of the American Retirement Association

2020 403(b) Plan Priorities

Copyright © 2019 by the Plan Sponsor Council of America (PSCA)

200 S. Wacker Drive, Suite 3100

Chicago, IL 60606

312.419.1863

research@psca.org

<http://www.psca.org>

Acknowledgements

The Plan Sponsor Council of America gratefully acknowledges the assistance provided by the following people and organizations during the production of this survey.

All Survey Participants

PSCA's Non-Profit Research Committee:

Elizabeth Brown, Director Market Research, AIG Retirement Services

Sherri Christensen, Field VP, Key Accounts, OneAmerica Retirement Services

Jason Davies, Senior Associate, TIAA

Karin Rettger, President, Principal Resource Group

James Strodel, Senior Vice President, Financial Advisor, CAPTRUST Financial Advisors

Dmitry Yarushkin, Senior Research Consultant, Principal, and Professor of Practice, Grand View University

Thank you to Principal® for sponsoring this survey.



Table of Contents

Executive Summary – Page 4

Demographics – Page 6

Table 1: Organization Size by Number of Eligible Plan Participants

Table 2: Respondent Demographics by Organization Size and ERISA Status

Table 3: Respondents by Industry Type

Table 4: Approximate Plan Asset Size of Respondents

Plan Priorities – Page 8

Table 5: 403(b) Plan Priorities in 2020

Table 6: Top Three 403(b) Plan Priorities in 2020

Actions to Address Priorities – Page 10

Table 7: Types of Financial Wellness Tools That will be Offered

Table 8: Actions Taken to Increase Participation and/or Deferral Rates

Table 9: Actions Taken to Reduce Plan Cost

Plan Changes in 2020 – Page 11

Table 10: Changes Planned for 2020

Table 11: Changes to Number of Investment Options, for Plans Making a Change

Table 12: Primary Reason for Making Plan Changes, When Changes are Planned

Appendix I – Questionnaire – Page 13

Executive Summary

The Plan Sponsor Council of America (PSCA) conducted a survey of 403(b) plan sponsors in October 2019 to determine their priorities for their retirement plan in 2020. The survey also assessed what changes are planned in 2020 to address those priorities.

Nearly three hundred 403(b) plan sponsors responded to the survey, representing a diverse group of organizations. Two-thirds of respondents are ERISA plans, nearly a quarter are not subject to ERISA, and fewer than ten percent of respondents were unsure of their ERISA status. One-third of respondents have fewer than 50 participants, while about 20 percent have more than 1,000. Respondents included a wide range of industries including social and community services organizations, higher education, K-12 Education, and religious institutions.

Top Five 2020 403(b) Plan Priorities

1. Plan Compliance/Reducing Fiduciary Liability
2. Increasing Participation Rates
3. Increasing Deferral Rates
4. Adding Financial Wellness Programs
5. Reducing Plan Cost

Plan Priorities

Keeping the plan compliant and reducing fiduciary liability is overwhelmingly the top priority for 403(b) plan sponsors with more than half (54.0 percent) of respondents citing it as their top concern. The majority are addressing this priority by increasing internal oversight processes, seeking outside counsel, and/or doing continuous research and education to stay up to date on current regulation.

Increasing participation rates and participant deferral rates were the second and third most commonly indicated priorities, followed by offering a financial wellness program and reducing plan cost. More than three-fourths of respondents indicated that they will address participation and deferral rates by increasing targeted education on the topic – a low-cost way of addressing this concern. Seventy percent of organizations stated that they are looking to further reduce plan costs by changing to lower-cost investment funds, and a third are looking at reallocating expenses between the plan and the organization.

Conducting an advisor, consultant, and/or recordkeeper search are low priorities in 2020 with fewer than 10 percent indicating such a search is on the horizon.

Only five percent of respondents stated that Cybersecurity is a priority for 2020, indicating that plan sponsors do not yet see it as a part of their fiduciary responsibility. This is an emerging trend we will be watching.

Notably, nearly thirty percent of respondents from organizations with fewer than 50 eligible employees indicated that they have no priorities for their plan next year, whereas 100 percent of organizations with more than 1,000 eligible employees have at least one.

Plan Changes

Forty percent of respondents indicated they will be making plan design changes in 2020. The most

Top Three 403(b) Plan Changes for 2020

1. Changing the Number of Investment Options
2. Adding Automatic Enrollment
3. Adding a Roth Option

common change cited was changing the number of investment options offered, indicated by nearly 15 percent of plans, including thirty percent of organizations with 1,000 or more eligible employees. Interestingly, small organizations are looking to increase the number of options available, whereas larger organizations are looking to decrease the number of options available.

The primary reason cited by plan sponsors for making changes is to increase participant outcomes/retirement readiness, indicated by more than 30 percent of organizations making changes. This is consistent across organization size, and signals a shift, along with the interest in offering financial wellness programs, from getting participants in the plan, to ensuring they are saving enough to have a comfortable retirement.

Demographics

Table 1: Organization Size by Number of Eligible Plan Participants

	Plan Size (Number of Eligible Participants)				
	1-49	50-199	200-999	1,000+	All Plans
Number of Organizations	89	78	57	52	276
Percentage of Organizations	32.2%	28.3%	20.7%	18.8%	100.0%

Plan Size by Number of Eligible Employees

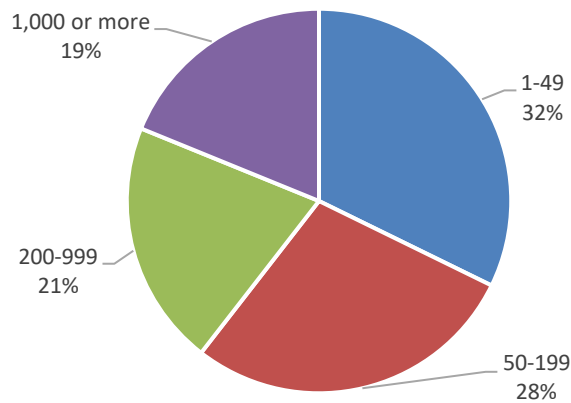


Table 2: Respondent Demographics by Organization Size and ERISA Status

ERISA Status	Plan Size (Number of Eligible Participants)				
	1-49	50-199	200-999	1,000+	All Plans
ERISA	73.3%	73.7%	80.7%	40.4%	68.6%
Non-ERISA	8.1%	17.1%	17.5%	59.6%	22.5%
Unsure	18.6%	9.2%	1.8%	0.0%	8.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Table 3: Respondents by Industry Type

Industry	Number of Plans	Percentage of Plans
Arts/Cultural	19	6.9%
Association	9	3.3%
Athletic/Recreation	3	1.1%
Foundation	14	5.1%
Healthcare (other than hospitals)	21	7.6%
Higher Education (including faith-based)	52	18.8%
Hospitals & Hospital Systems (including faith-based)	9	3.3%
K-12 Education	54	19.6%
Library/Museum	11	4.0%
Other Education	7	2.5%
Religious Intuition (i.e. Churches)	10	3.6%
Research, Science, or Environmental	21	7.6%
Social/Community Services	42	15.2%
Other	4	1.4%
Total	276	100.0%

Table 4: Approximate Plan Asset Size of Respondents

Total Assets	All Plans
Less than \$1 million	16.7%
\$1-5 million	32.2%
\$5-10 million	13.0%
\$10-20 million	6.9%
\$20-50 million	12.0%
\$50 million+	19.2%
Total	100.0%

Plan Priorities

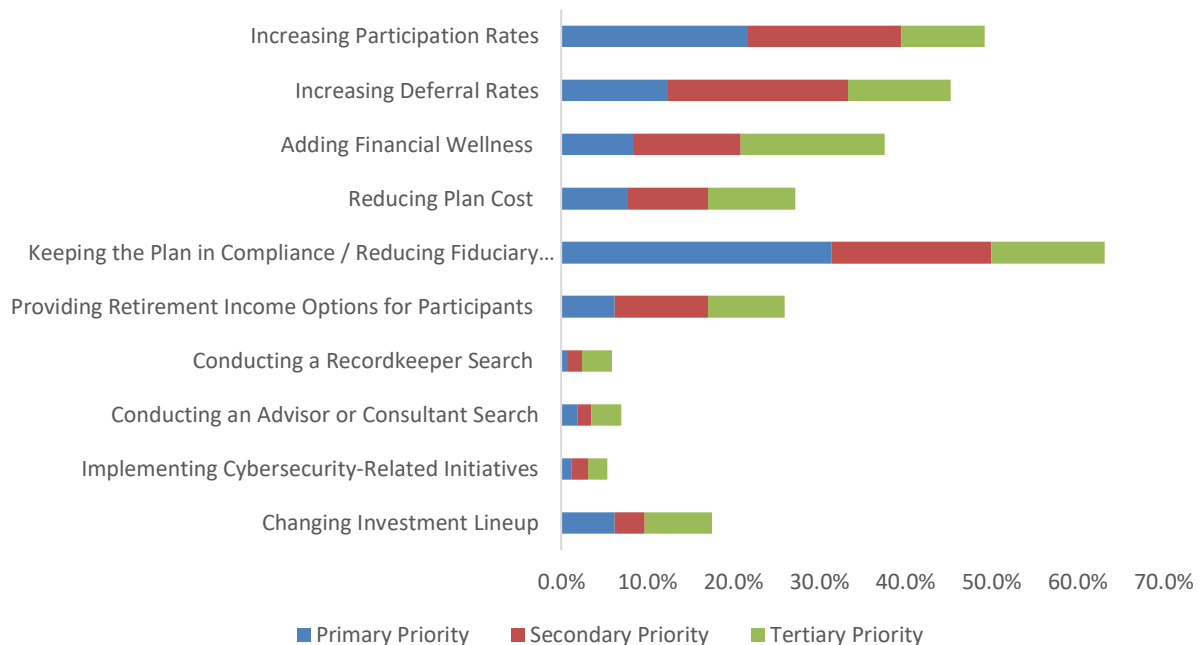
Table 5: 403(b) Plan Priorities in 2020

Priority	Plan Size (Number of Eligible Participants)				
	1-49	50-199	200-999	1,000+	All Plans
Increasing Participation Rates	30.3%	39.7%	45.5%	70.0%	43.4%
Increasing Deferral Rates	27.0%	37.2%	61.8%	56.0%	42.3%
Adding Financial Wellness	20.2%	23.1%	40.0%	58.0%	32.0%
Reducing Plan Cost	11.2%	34.6%	25.5%	30.0%	24.3%
Keeping the Plan in Compliance / Reducing Fiduciary Liability	39.3%	62.8%	61.8%	58.0%	54.0%
Providing Retirement Income Options for Participants	25.8%	28.2%	21.8%	14.0%	23.5%
Conducting a Recordkeeper Search	4.5%	5.1%	9.1%	14.0%	7.4%
Conducting an Advisor or Consultant Search	6.7%	7.7%	7.3%	10.0%	7.7%
Implementing Cybersecurity-Related Initiatives	1.1%	7.7%	7.3%	6.0%	5.1%
Changing Investment Lineup	5.6%	15.4%	10.9%	32.0%	14.3%
None	27.0%	5.1%	1.8%	0.0%	10.7%
Other	1.1%	5.1%	3.6%	12.0%	4.8%

Table 6: Top Three 403(b) Plan Priorities in 2020

Priority	Priority Rank		
	Primary	Secondary	Tertiary
Increasing Participation Rates	21.7%	17.8%	9.7%
Increasing Deferral Rates	12.4%	20.9%	12.0%
Adding Financial Wellness	8.5%	12.4%	16.7%
Reducing Plan Cost	7.8%	9.3%	10.1%
Keeping the Plan in Compliance / Reducing Fiduciary Liability	31.4%	18.6%	13.2%
Providing Retirement Income Options for Participants	6.2%	10.9%	8.9%
Conducting a Recordkeeper Search	0.8%	1.6%	3.5%
Conducting an Advisor or Consultant Search	1.9%	1.6%	3.5%
Implementing Cybersecurity-Related Initiatives	1.2%	1.9%	2.3%
Changing Investment Lineup	6.2%	3.5%	7.8%
None	0.0%	0.0%	10.5%
Other			

Top Three 403(b) Plan Priorities for 2020



Actions to Address Priorities

Tables 7-9 are of respondents that indicated the corresponding item as a priority in Table 5.

Table 7: Types of Financial Wellness Tools That will be Offered

Tools	All Plans
Budgeting	75.9%
Emergency Funds	55.7%
Debt Management	68.4%
Student Loan Debt Management	50.6%
Protection (e.g., Life, Disability, and/or Long-Term Care Insurance)	35.4%
Estate Planning/Will Preparation	44.3%
HSA Education	26.6%
Other	11.4%

Table 8: Actions Taken to Increase Participation and/or Deferral Rates

Action	All Plans
Increasing Education on Savings Rates	77.7%
Providing Access to an Advisor	48.0%
Increasing Default Deferral Rates	10.8%
Implementing Automatic Enrollment	15.5%
Other	11.5%

Table 9: Actions Taken to Reduce Plan Cost

Action	All Plans
Put out an RFP for a recordkeeper	22.6%
Reducing employer contributions	13.2%
Changing to lower cost investment funds	69.8%
Changing allocation of fees between the plan vs. the organization	32.1%
Other	24.5%

Plan Changes in 2020

Table 10: Changes Planned for 2020

Priority	Plan Size (Number of Eligible Participants)				
	1-49	50-199	200-999	1,000+	All Plans
Changing or Adding Automatic Enrollment	2.3%	13.7%	15.7%	16.3%	10.8%
Changes to Loan Provisions	4.7%	4.1%	3.9%	10.2%	5.4%
Changes to Hardship Withdrawals	2.3%	2.7%	2.0%	10.2%	3.8%
Adding Roth	3.5%	12.3%	11.8%	12.2%	9.2%
Changes to Eligibility Requirements	3.5%	8.2%	2.0%	4.1%	4.6%
Adding an Investment Policy Statement	5.8%	5.5%	3.9%	8.2%	5.8%
Changes to Vesting	2.3%	1.4%	7.8%	2.0%	3.1%
Changing the Number of Investment Options	5.8%	13.7%	15.7%	30.6%	14.6%
Changing Organization Contribution Formulas	5.8%	11.0%	5.9%	0.0%	6.2%
None	77.9%	64.4%	52.9%	42.9%	62.3%

Table 11: Change to Number of Investment Options, for Plans Making a Change

Change	All Plans
Offer Fewer Investments	42.1%
Offer More Investments	57.9%

Table 12: Primary Reason for Making Plan Changes, When Changes are Planned

Reason	Plan Size (Number of Eligible Participants)				
	1-49	50-199	200-999	1,000+	All Plans
Increase Participation and/or Savings Rates	36.4%	25.8%	29.6%	31.3%	30.4%
Keeping the Plan in Compliance	13.6%	19.4%	11.1%	34.4%	20.5%
Reduce Plan Cost	27.3%	12.9%	7.4%	3.1%	11.6%
Increase Participant Outcomes/ Retirement Readiness	22.7%	35.5%	37.0%	28.1%	31.3%
Other	0.0%	6.5%	14.8%	3.1%	6.3%
Total	100.0%	100.1%	99.9%	100.0%	100.1%

Appendix I – Questionnaire

The following questions were posed to respondents online.

1. What are your top 5 priorities for your organization's retirement plan in 2020?

- Increasing participation rates
- Increasing savings/deferral rates
- Adding financial wellness tools/resources
- Reducing the cost of the plan
- Keeping the plan in compliance/reducing fiduciary liability
- Providing retirement income options for participants
- Conducting a recordkeeper search (sending out an RFP)
- Conducting an advisor or consultant search
- Implementing a cybersecurity-related initiative in order to protect personal and financial data of plan participants
- None
- Other: _____

a. If you are adding or considering adding financial wellness tools/resources in 2020, what topics will you cover?

- Budgeting
- Emergency funds
- Debt management
- Student loan debt management
- Protection (e.g., Life Insurance, Disability Insurance, Long-Term Care Insurance)
- Estate Planning/Will Preparation
- HSA Education
- Other: _____

b. If compliance/reducing fiduciary liability is a priority, what steps are you taking to address it?

c. If increasing participation and/or deferral rates are your top priorities, what actions are you taking to accomplish this? Check all that apply.

- Increasing education on savings rates
- Providing access to an advisor
- Increasing default deferral rates
- Implementing automatic enrollment

d. If reducing plan cost, what actions are you taking to accomplish this?

- Put out an RFP for a recordkeeper
- Reducing employer contributions
- Changing to lower cost investment funds
- Changing allocation of fees between the plan vs. the organization?

2. What changes to the plan or retirement-related initiatives are you making in 2020?

- Changing or adding automatic enrollment
- Changes to loan provisions (including adding loan provisions)
- Changes to hardship withdrawals (including adding hardships)
- Adding Roth
- Changes to eligibility requirements
- Adding an investment policy statement
- Changes to vesting
- Changing the number of investment options
- Changing organization contribution formulas
- None
- Other: _____

a. If automatic enrollment, what changes:

- Adding automatic enrollment
- Changing default deferral rate
- Adding autoescalation
- Changing default investment option
- Other

b. If changes to loans:

- Adding plan loans
- Removing plan loans
- Decreasing the number of loans allowed
- Increasing the number of loans allowed
- Other changes to loan provisions

c. What changes to hardship withdrawals are you making?

- Adding hardship withdrawals
- Removing hardship withdrawals
- Changing the reasons hardship withdrawals are allowed

d. If eligibility:

- Earlier eligibility (reducing service requirements)
- Later eligibility (increasing service requirements)

e. If Vesting:

- Longer Wait Time to Full Vesting
- Shorter Wait Time to Full Vesting

f. If investment options:

- Increase the number offered
- Decrease the number offered

g. If changing organization contribution formulas (check all that apply):

- increasing overall contribution amount
- decreasing overall contribution amount

- adding a match
- adding a non-match

3. If changes being made, what is the primary reason/driving factor?

- To increase participation and/or savings rates
- Keeping the plan in compliance/reducing fiduciary liability
- To reducing the cost of the plan
- To increase participants outcomes (retirement readiness)
- None

Demographic Questions

1. Approximately how many employees are eligible to participate in your organization's 403(b) plan?

- 1-49
- 50-199
- 200-999
- 1000+

2. What type of non-profit organization do you represent?

- Arts/Cultural
- Association
- Foundation
- Healthcare (Other than Hospitals)
- Higher Education
- Hospitals and Hospital Systems
- K-12 Education
- Library/Museum
- Other Education
- Religious Institution (i.e. Churches)
- Research/Science/Environmental
- Social/Community Services
- Other: _____

3. What is the approximate total value of your organization's 403(b) plan?

- Less than 1 million
- 1-5 million
- 5-10 million
- 10-20 million
- 20-50 million
- 50 million or more

4. What is the ERISA status of the organization?

- ERISA
- Non-ERISA
- Don't know