

403(b) Plan Response to Changing Conditions

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Introduction

PSCA's *403(b) Plan Response to Changing Conditions* reflects responses from 599 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. Each section includes graphs that illustrate some of the data. These graphs do not necessarily correlate directly to a data table. Please direct questions or comments to research@psca.org or 312.419.1863x203.

Acknowledgements

The Profit Sharing/401k Council of America gratefully acknowledges the assistance provided by the following people and organizations during the production of this survey.

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Thank you to The Principal Financial Group® for sponsoring this survey.



Table of Contents

Overview of Results – Page 4

Demographic Information – Pages 5-6

Table 1: Respondent Demographics by Organization Size and ERISA Status

Table 2: ERISA Status of Plans by Plan Size

Table 3: Respondents by Industry Type and ERISA Status

Matching Organization Contributions – Pages 7-8

Table 4: Changes Made to Matching Organization Contributions in 2008-2010 by Plan Size

Table 5: Changes Made to Matching Organization Contributions in 2008-2010 by Industry

Table 6: Percentage of Organizations that Suspended or Reduced the Match Since January 1, 2008 that Plan to Restore it Within the Next Six Months

Non-Matching Organization Contributions – Pages 9-10

Table 7: Changes Made to Non-Matching Organization Contributions in 2008-2010

Table 8: Changes Made to Non-Matching Organization Contributions in 2008-2010 by Industry

Table 9: Percentage of Organizations that Suspended or Reduced the Non-Matching Contribution Since January 1, 2008 that Plan to Restore it Within the Next Six Months

Organization Response – Pages 11-12

Table 10: Plan-Related Actions Taken Within the Last Year

Table 11: Percentage of Organizations that are More Closely Scrutinizing the Fees Paid By the Plan and Participants

Table 12: Percentage of Organizations that Feel Their Provider is Providing Fee Information in a Way that is Easy to Analyze

Table 13: Percentage of Organizations that Have an Accountable Committee Responsible for Reviewing Fund Performance and/or Plan Compliance

Table 14: Percentage of Organizations that are Monitoring Whether Participants are on Track for Retirement

Table 15: Percentage of Organizations that Have Made Changes to their 403(b) Plan Due to the Changing Landscape of Healthcare Reform

Table 16: Percentage of Organizations that Have Consolidated the Number of Service Providers for their Plan in the Last Year

Participant Response – Pages 13-16

Table 17: Change in the Number of Participants Contributing to the Plan in the Last Year by Plan Size

Table 18: Change in the Number of Participants Contributing to the Plan in the Last Year by Industry

Table 19: Change in the Number of Participants Contributing to the Plan in the Last Year by Change to Organization Matching Contribution

Table 20: Change in Participant Deferral Rates in the Last Year by Plan Size

Table 21: Change in Participant Deferral Rates in the Last Year by Industry

Table 22: Change in Participant Deferral Rates in the Last Year by Change to Organization Matching Contribution

Overview of Results

In October 2010, PSCA conducted a snapshot survey of 403(b) plan sponsors to determine how they are responding to multiple changes in today's economic and regulatory environment. We received 599 responses from 403(b) plan sponsors of varying sizes and geographical locations. Overall, the results show that plan sponsors are adapting to the new regulations and coping with difficult economic times.

The majority of 403(b) plan sponsors made no changes to their matching contribution (73.3 percent) or to their non-matching organization contribution (74.6 percent) in the last three years. Organizations that suspended contributions are restoring them, while organizations that reduced contributions are maintaining them at reduced levels. 14.5 percent of 403(b) plan sponsors that offered a matching contribution on December 31, 2007 have suspended it, with 40.0 percent of those organizations already restoring it. Of organizations that offered a non-matching contribution on December 31, 2007, 12.5 percent of organizations suspended it, with 30.2 percent already restoring it.

Plan sponsors took a variety of actions in the last year in response to regulatory and economic changes. 47.9 percent of organizations increased their employee education efforts, and 22.6 percent of organizations added investment advice for participants. 30.5 percent of organizations changed the investment lineup, including 48.0 percent of large organizations. 18.0 percent of organizations have taken other plan-related actions in the last year. 403(b) plan sponsors are also scrutinizing fees more closely, with 49.7 percent of respondents doing so (74.0 percent of large organizations). 46.6 percent of organizations have an accountable committee responsible for reviewing fund performance and/or plan compliance (82.0 percent of large organizations).

Organizations indicated that participants are continuing to contribute to the plan; in fact, many reported an increase in the number of participants contributing to the plan. 40.0 percent of organizations reported no change to plan participation rates, and 37.9 percent indicated an increase in plan participation. Only 14.5 percent of organizations indicated a decrease. However, 92.0 percent of organizations that suspended the matching contribution reported a decrease in plan participation; and, 44.0 percent of plans that restored their matching contributions reported an increase in participation.

In addition, employees contributing to the plan are maintaining deferral levels. More than 50.0 percent of plans reported no change to participant deferral rates, and 11.4 percent indicated an increase. Only 13.1 percent indicated a decrease. Similar to decreases in plan participation rates, more organizations that suspended the matching contribution indicated a decrease in participant deferral levels (57.9 percent) than those that made no change (12.4 percent).

Not-for-profit organizations have been faced with declining revenue as a struggling economy has reduced charitable donations, restricting annual budgets. At the same time, new regulations from the IRS and DOL have added additional plan administration responsibilities for 403(b) plan sponsors. Organizations are adapting to these multiple challenges and making appropriate changes.

Demographic Information

Table 1: Respondent Demographics 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 All Plans
1-49	168	28.0%	33	5.5%	48	8.0%	249	41.6%
50-199	165	27.5%	17	2.8%	8	1.3%	190	31.7%
200-999	87	14.5%	20	3.3%	3	0.5%	110	18.4%
1,000 or More	33	5.5%	16	2.7%	1	0.2%	50	8.3%
All Plans	453	75.6	86	14.4%	60	10.0%	599	100.0%

Table 2: ERISA Status of Plans by Plan Size

Plan Size (# of Participants)	ERISA	Non-ERISA	Unsure	Total
1-49	67.5%	13.3%	19.3%	100.1%
50-199	86.8%	8.9%	4.2%	99.9%
200-999	79.1%	18.2%	2.7%	100.0%
1,000 or More	66.0%	32.0%	2.0%	100.0%
All Plans	75.60%	14.40%	10.0%	100.0%

Graph 1: ERISA Status of Plans by Plan Size

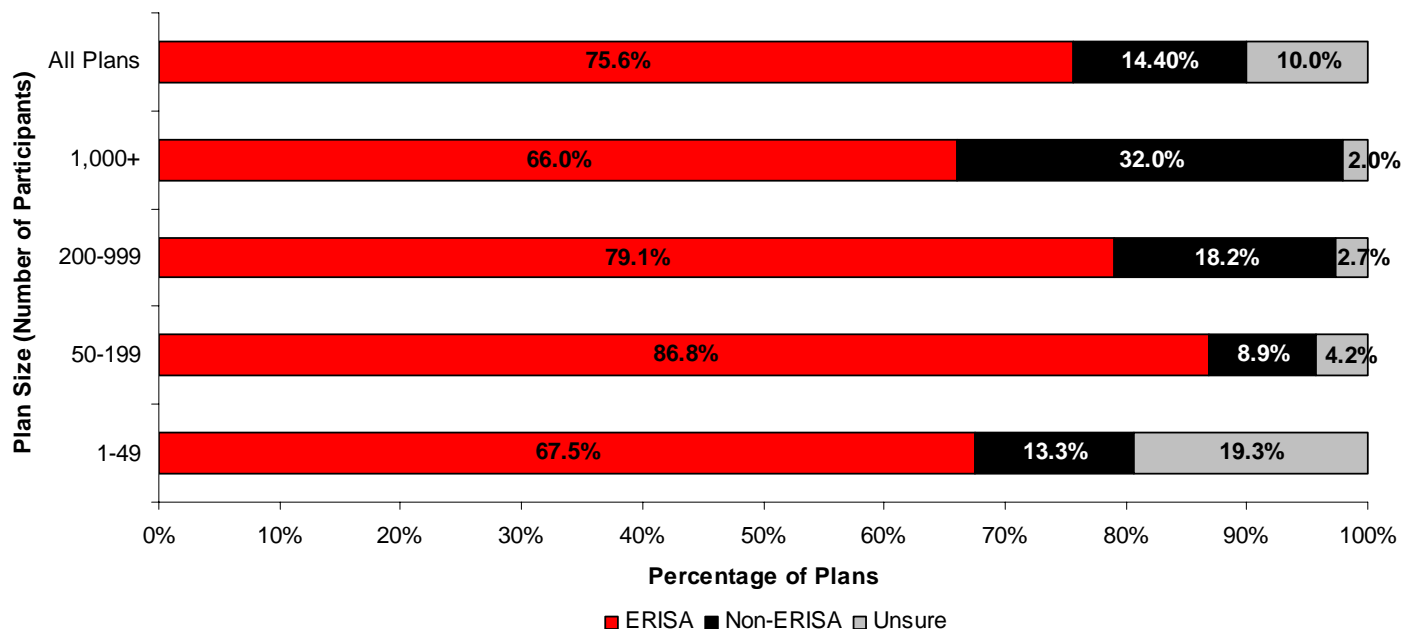


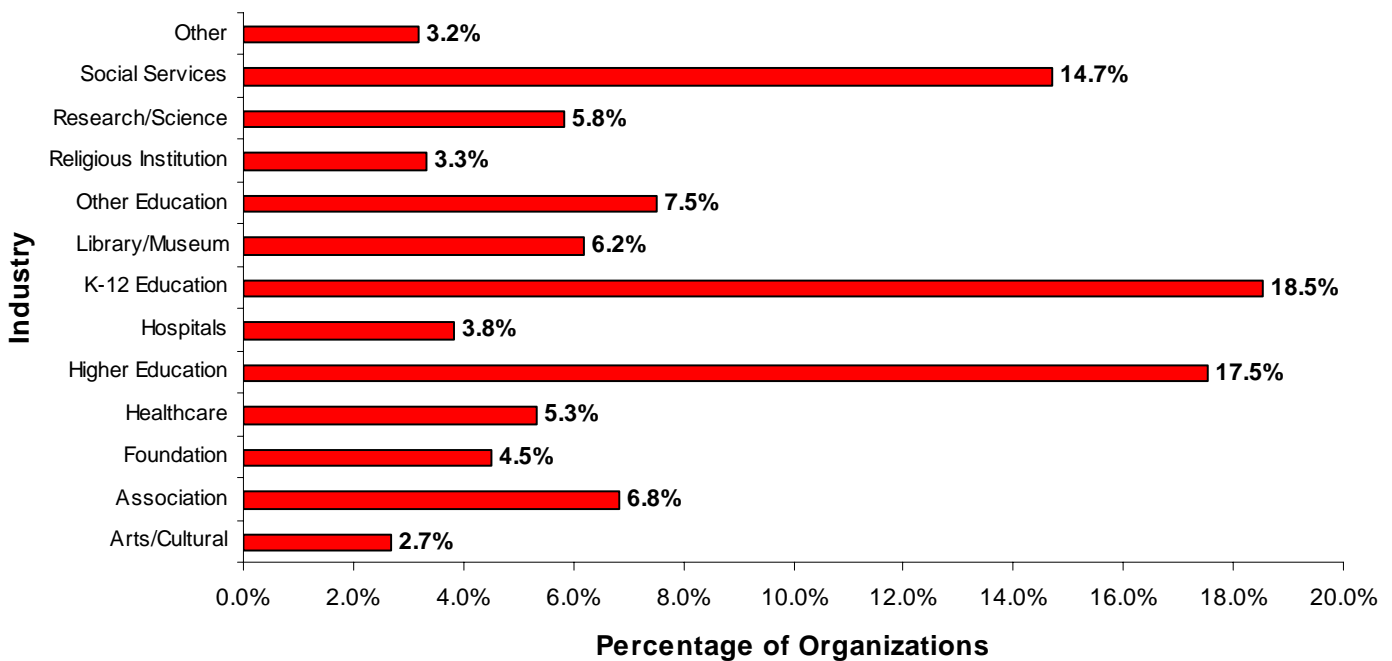
Table 3: Respondents by Industry Type and ERISA Status

Industry	ERISA Status						All Plans	
	ERISA		Non-ERISA		Unsure		# of Plans	% of All Plans**
	# of Plans	% of Plans*	# of Plans	% of Plans*	# of All Plans	% of Plans*		
Arts/Cultural	13	81.3%	1	6.3%	2	12.5%	16	2.7%
Association	37	90.2%	1	2.4%	3	7.3%	41	6.8%
Foundation	20	74.1%	6	22.2%	1	3.7%	27	4.5%
Healthcare	28	87.5%	3	9.4%	1	3.1%	32	5.3%
Higher Education	73	69.5%	27	25.7%	5	4.8%	105	17.5%
Hospitals	20	87.0%	2	8.7%	1	4.3%	23	3.8%
K-12 Education	82	73.9%	16	14.4%	13	11.7%	111	18.5%
Library/Museum	26	70.3%	4	10.8%	7	18.9%	37	6.2%
Other Education	28	62.2%	5	11.1%	12	26.7%	45	7.5%
Religious Institution	4	20.0%	14	70.0%	2	10.0%	20	3.3%
Research/Science/Environmental	29	82.9%	2	5.7%	4	11.4%	35	5.8%
Social Services	78	88.6%	3	3.4%	7	8.0%	88	14.7%
Other	15	78.9%	2	10.5%	2	10.5%	19	3.2%

*Percentage of industry plans.

**Percentage of all plans.

Graph 2: Respondents by Industry



Matching Organization Contributions

Table 4: Changes Made to Matching Organization Contributions in 2008-2010 by Plan Size

Change	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000 or More	All Plans
Reduced the Match, Still Reduced	5.1%	10.3%	10.5%	15.4%	9.0%
Reduced the Match, Then Restored It	0.0%	0.8%	0.0%	0.0%	0.3%
Suspended the Match, Still Suspended	11.1%	8.7%	3.9%	11.5%	8.7%
Suspended the Match, Then Restored It	7.7%	4.0%	7.9%	0.0%	5.8%
Increased or Instituted a Match	4.3%	1.6%	2.6%	3.8%	2.9%
None	71.8%	74.6%	75.0%	69.2%	73.3%

Responses are from 345 organizations that offered a matching contribution as of December 31, 2007.

Graph 3: Changes Made to Matching Organization Contribution in 2008-2010

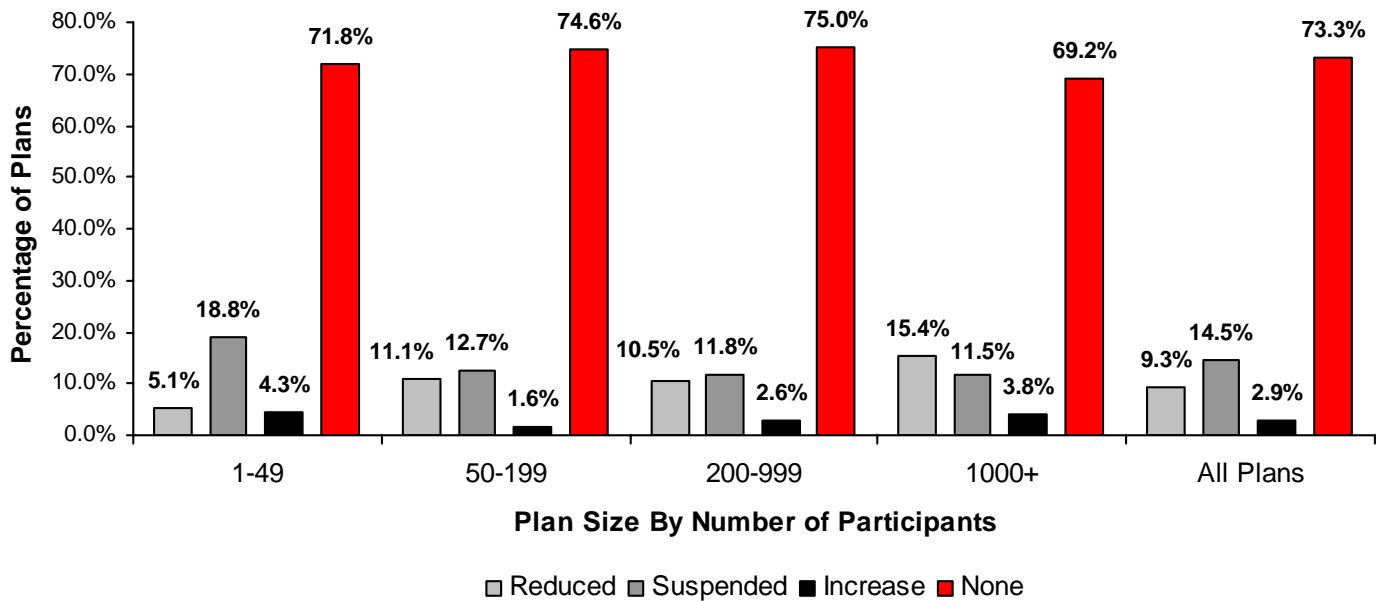


Table 5: Changes Made to Matching Organization Contributions in 2008-2010 by Industry

Industry	Reduce the Match	Reduce then Restore	Suspend the Match	Suspend then Restore	Increase or Institute	No Change
Arts/Cultural and Library/Museum	15.4%	0.0%	3.8%	19.2%	3.8%	57.7%
Association/Foundation	3.3%	0.0%	0.0%	3.3%	3.3%	90.0%
Higher Education	12.1%	1.5%	4.5%	3.0%	6.1%	72.7%
Hospitals and Other Healthcare	11.1%	0.0%	11.1%	2.8%	2.8%	72.2%
K-12 Education	8.8%	0.0%	8.8%	2.5%	2.5%	77.5%
Other Education	4.3%	0.0%	26.1%	13.0%	0.0%	56.5%
Religious Institution*	13.3%	0.0%	13.3%	0.0%	0.0%	73.3%
Research/Science*	14.3%	0.0%	7.1%	0.0%	0.0%	78.6%
Social Services	4.3%	0.0%	8.5%	10.6%	2.1%	74.5%

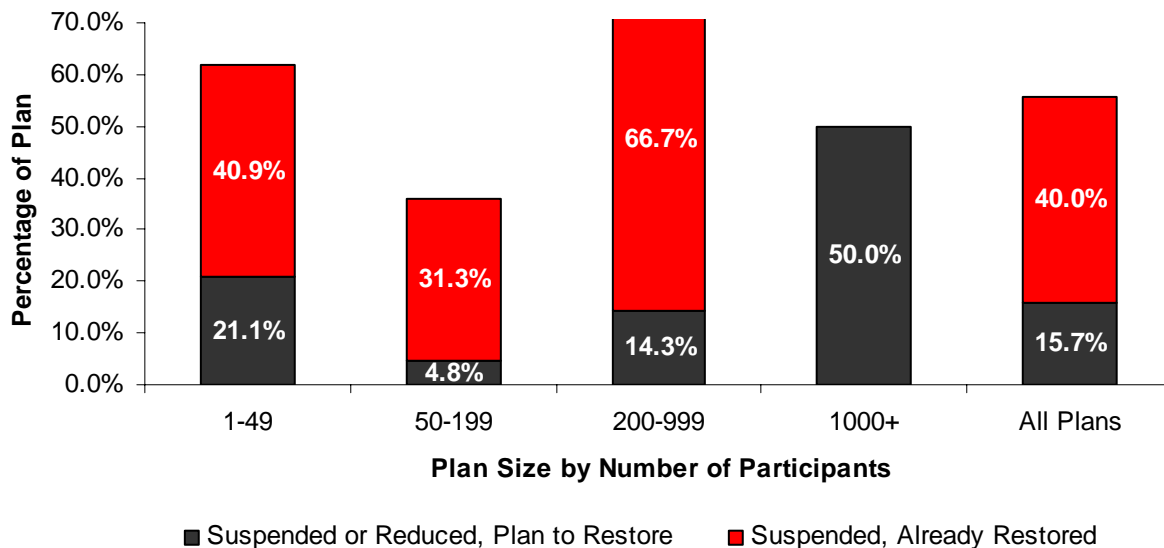
*Small sample size.

Table 6: Percentage of Organizations that Suspended or Reduced the Match Since January 1, 2008 that Plan to Restore it Within the Next Six Months

	Plan Size (# of Participants)				All Plans
	1-49	50-199	200-999	1,000 or More*	
Percentage of Organizations	21.1%	4.8%	14.3%	50.0%	15.7%

*Small sample size.

Graph 4: Percentage of Organizations that Have Restored the Match or Plan to Restore it within Six Months



Non-Matching Organization Contributions

Table 7: Changes Made to Non-Matching Organization Contributions in 2008-2010

Change	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000 or More	All Plans
Reduced the Non-match, Still Reduced	8.6%	6.8%	5.0%	12.5%	7.7%
Reduced the Non-match, Then Restored It	1.6%	1.1%	0.0%	0.0%	1.1%
Suspended the Non-match, Still Suspended	12.5%	8.0%	7.5%	0.0%	9.6%
Suspended the Non-match, Then Restored It	3.1%	2.3%	5.0%	0.0%	2.9%
Increased or Instituted a Non-match	4.7%	4.5%	2.5%	0.0%	4.0%
None	69.5%	77.3%	80.0%	87.5%	74.6%

Responses are from 272 organizations that offered a non-matching organization contribution as of December 31, 2007.

Graph 5: Changes Made to Non-Matching Organization Contributions in 2008-2010

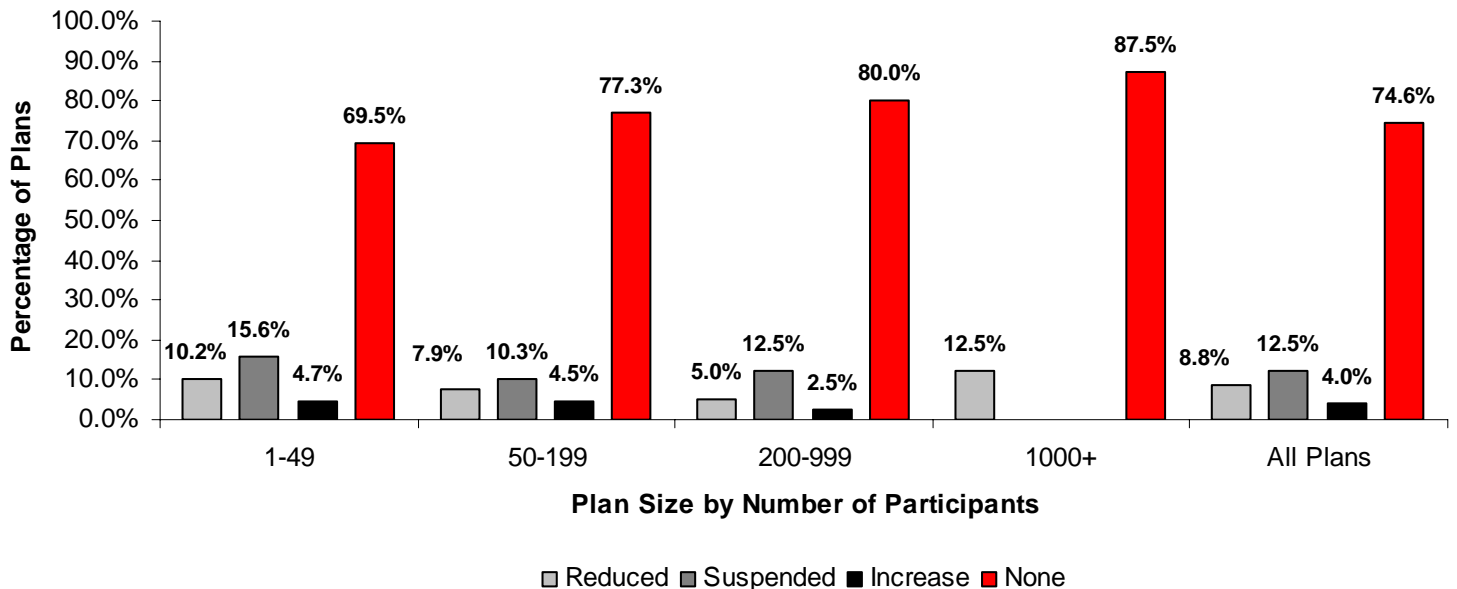


Table 8: Changes Made to Non-Matching Organization Contributions in 2008-2010 by Industry

Industry	Reduce the Non-Match	Reduce then Restore	Suspend the Non-Match	Suspend then Restore	Increase or Institute	No Change
Arts/Cultural and Library/Museum	19.4%	3.2%	12.9%	3.2%	3.2%	58.1%
Association/Foundation	0.0%	0.0%	7.5%	5.0%	2.5%	85.0%
Higher Education	7.7%	0.0%	10.3%	2.6%	2.6%	76.9%
Hospitals and Other Healthcare	5.6%	0.0%	5.6%	0.0%	0.0%	88.9%
K-12 Education	2.4%	0.0%	9.5%	0.0%	7.1%	81.0%
Other Education	8.7%	0.0%	0.0%	0.0%	4.3%	87.0%
Religious Institution*	14.3%	0.0%	14.3%	0.0%	0.0%	71.4%
Research/Science*	8.3%	8.3%	0.0%	0.0%	0.0%	83.3%
Social Services	8.5%	0.0%	17.0%	6.4%	6.4%	61.7%

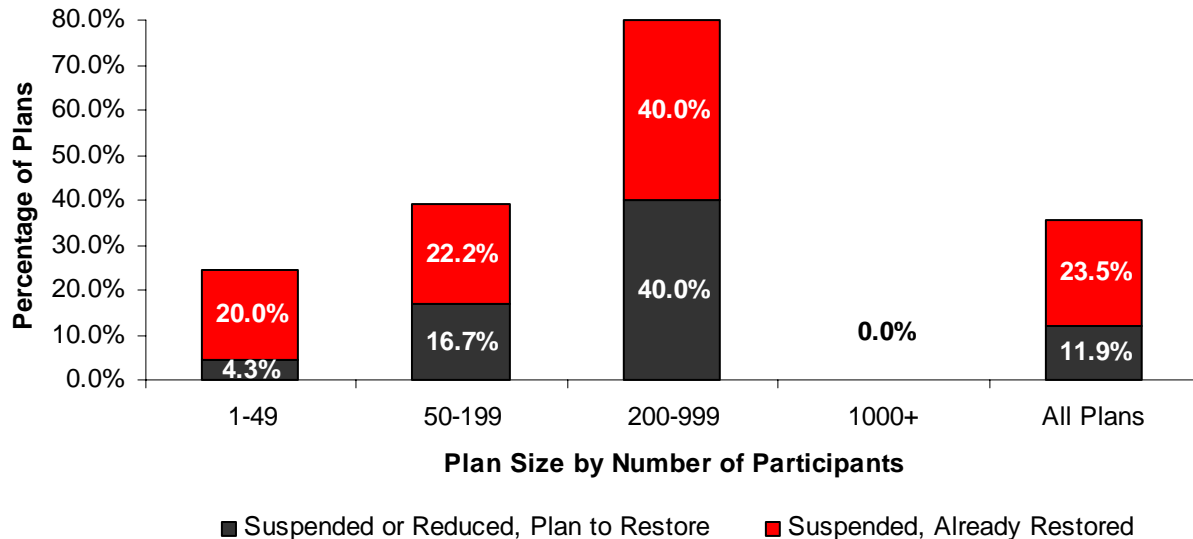
*Small sample size.

Table 9: Percentage of Organizations that Suspended or Reduced the Non-Matching Contribution Since January 1, 2008 that Plan to Restore it Within the Next Six Months

	Plan Size (# of Participants)				All Plans
	1-49	50-199	200-999*	1,000 or More*	
Percentage of Organizations	4.3%	16.7%	40.0%	0.0%	11.9%

*Small sample size.

Graph 6: Percentage of Organizations that Have Restored the Non-Match or Plan to Restore it within Six Months



Organization Response

Table 10: Plan-Related Actions Taken Within the Last Year

Action	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000 or More	All Plans
Changed the Investment Lineup	21.3%	34.4%	36.5%	48.0%	30.5%
Increased Employee Education	36.9%	50.0%	64.2%	58.0%	47.9%
Added Investment Advice	17.4%	29.4%	26.5%	14.3%	22.6%
Delayed Planned Plan Design Changes	5.0%	11.6%	8.9%	8.3%	8.1%
Hired an Investment Consultant	3.0%	12.8%	13.6%	24.0%	9.8%
Other	12.5%	21.0%	22.9%	24.0%	18.0%

Graph 7: Plan Related Actions Taken Within the Last Year by Plan Size

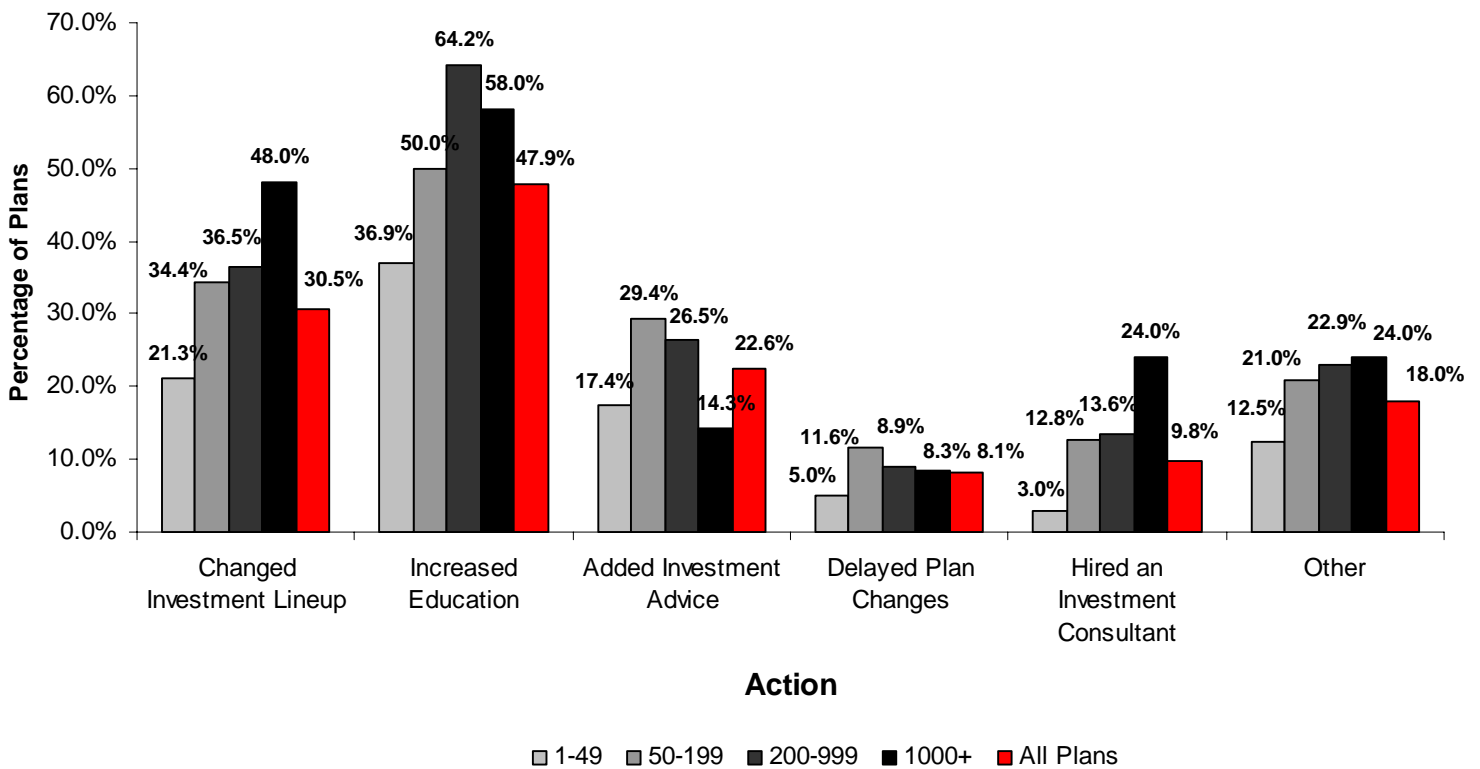


Table 11: Percentage of Organizations that are More Closely Scrutinizing the Fees Paid By the Plan and Participants

	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000 or More	All Plans
Percentage of Organizations	35.2%	54.0%	63.6%	74.0%	49.7%

Table 12: Percentage of Organizations that Feel Their Provider is Providing Fee Information in a Way that is Easy to Analyze

	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000 or More	All Plans
Percentage of Organizations	60.3%	62.2%	63.1%	62.2%	61.9%

Table 13: Percentage of Organizations that Have an Accountable Committee Responsible for Reviewing Fund Performance and/or Plan Compliance

	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000 or More	All Plans
Percentage of Organizations	27.9%	52.4%	62.4%	82.0%	46.6%

Table 14: Percentage of Organizations that are Monitoring Whether Participants are on Track for Retirement

	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000 or More	All Plans
Percentage of Organizations	6.8%	8.5%	9.3%	24.0%	9.2%

Table 15: Percentage of Organizations that Have Made Changes to their 403(b) Plan Due to the Changing Landscape of Healthcare Reform

	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000 or More	All Plans
Percentage of Organizations	4.5%	5.9%	3.7%	4.0%	4.7%

Table 16: Percentage of Organizations that Have Consolidated the Number of Service Providers for their Plan in the Last Year

	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000 or More	All Plans
Percentage of Organizations	2.9%	5.8%	10.1%	14.0%	6.1%

58.8 percent of organizations that consolidated providers now have one plan provider. The average number before consolidation was 10.5 and after consolidation was 4.2.

Participant Response

Table 17: Change in the Number of Participants Contributing to the Plan in the Last Year by Plan Size

Change to Participation	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000 or More	All Plans
No Change	49.4%	34.9%	33.0%	28.0%	40.0%
Decrease	18.5%	12.4%	11.0%	10.0%	14.5%
Increase	28.4%	41.4%	47.7%	50.0%	37.9%
Unsure	3.7%	11.3%	8.3%	12.0%	7.7%
Total	100.0%	100.0%	100.0%	100.0%	100.1%

Graph 8: Change in the Number of Participants Contributing to the Plan in the Last Year by Plan Size

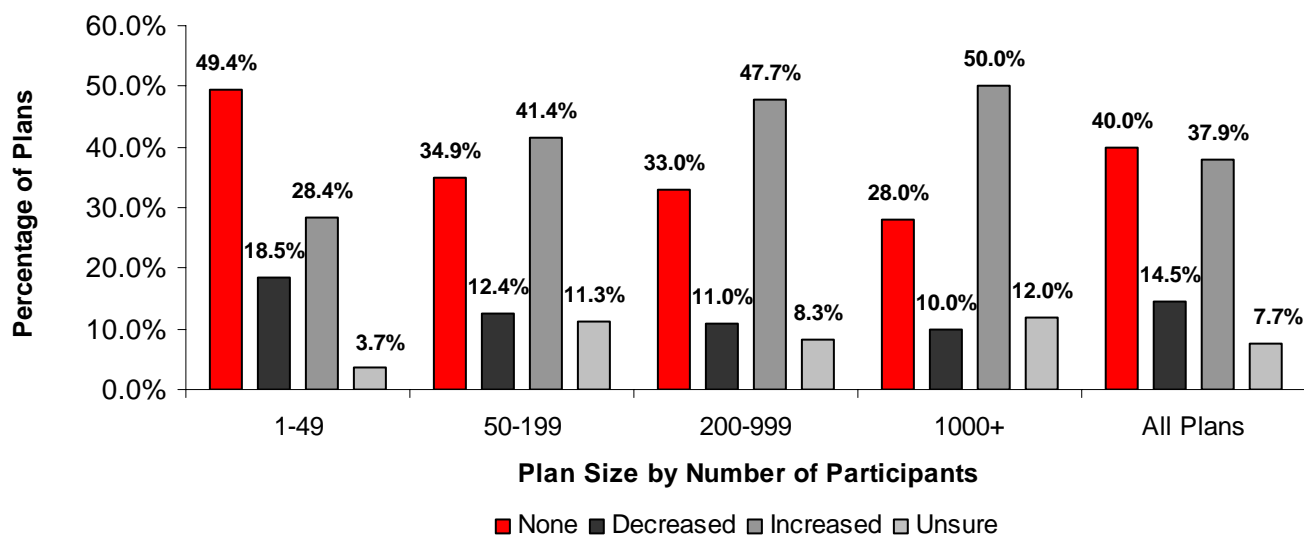


Table 18: Change in the Number of Participants Contributing to the Plan in the Last Year by Industry

Industry	Participation Change			
	Increased	Decreased	Unsure	No Change
Arts/Cultural and Library/Museum	26.4%	9.4%	9.4%	54.7%
Association	29.3%	2.4%	9.8%	58.5%
Foundation	38.5%	11.5%	7.7%	42.3%
Healthcare (Other than Hospitals)	50.0%	9.4%	9.4%	31.3%
Higher Education	43.1%	11.8%	9.8%	35.3%
Hospitals	43.5%	13.0%	21.7%	21.7%
K-12 Education	40.0%	12.7%	3.6%	43.6%
Other Education	22.5%	17.5%	2.5%	57.5%
Religious Institution	30.0%	25.0%	0.0%	45.0%
Research/Science	41.2%	8.8%	5.9%	44.1%
Social Services	41.4%	24.1%	8.0%	26.4%

Table 19: Change in the Number of Participants Contributing to the Plan in the Last Year by Change to Organization Matching Contribution

Change to Match	Participation Change			Total
	Increased	Decreased	No Change	
Increased or Instituted a Match	55.6%	0.0%	44.4%	100.0%
No Change to Match	47.0%	7.7%	45.3%	100.0%
Reduced the Match, Still Reduced	33.3%	22.2%	44.4%	99.9%
Suspended the Match, Still Suspended	4.0%	92.0%	4.0%	100.0%
Suspended the Match, Then Restored It	44.4%	16.7%	38.9%	100.0%
No Matching Contribution	14.9%	39.4%	45.7%	100.0%

Graph 9: Change in the Number of Participants Contributing to the Plan in the Last Year by Change to Organization Matching Contribution

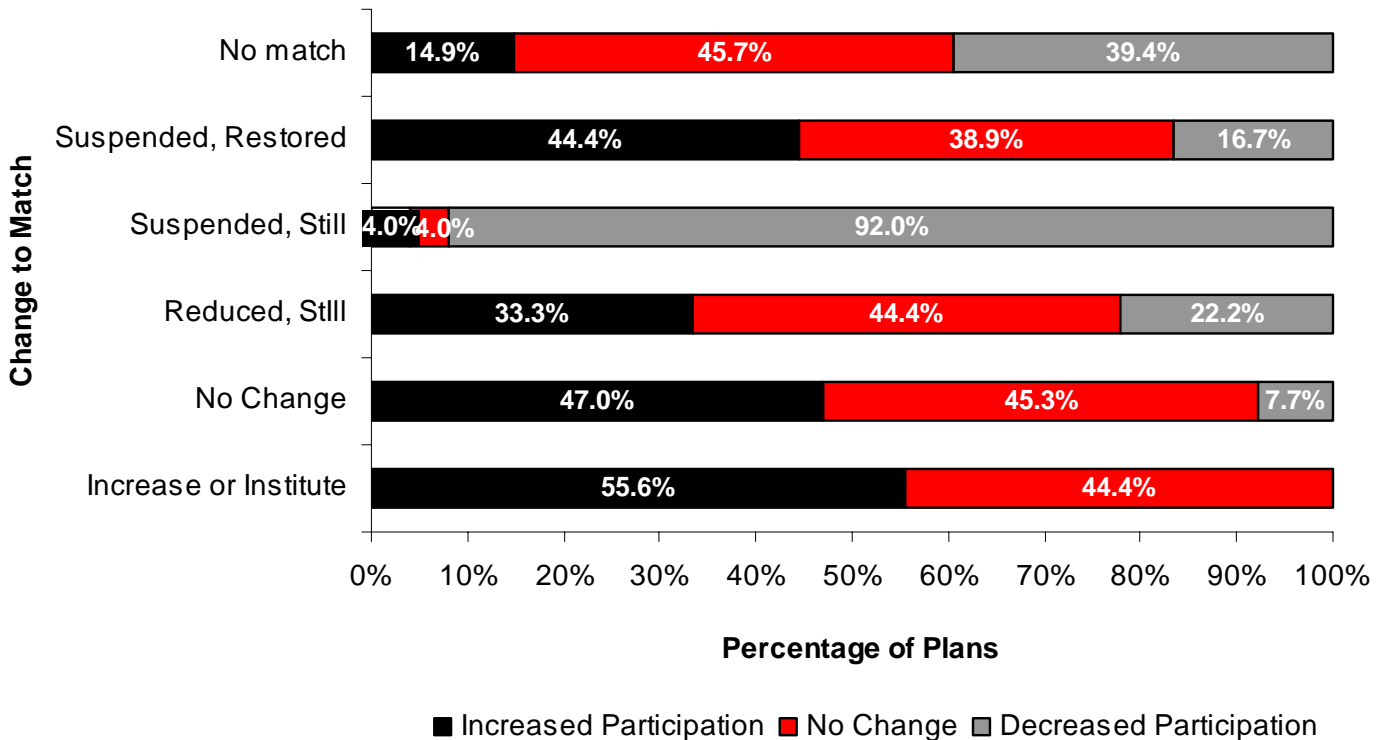


Table 20: Change in Participant Deferral Rates in the Last Year by Plan Size

Change to Deferral Rates	Plan Size (# of Participants)				
	1-49	50-199	200-999	1,000 or More	All Plans
No Change	63.1%	49.7%	46.8%	40.0%	53.9%
Decrease	11.2%	14.4%	11.0%	22.0%	13.1%
Increase	8.4%	11.8%	17.4%	12.0%	11.4%
Unsure	17.3%	24.1%	24.8%	26.0%	21.5%
Total	100.0%	100.0%	100.0%	100.0%	99.9%

Graph 10: Change in Participant Deferral Rates in the Last Year by Plan Size

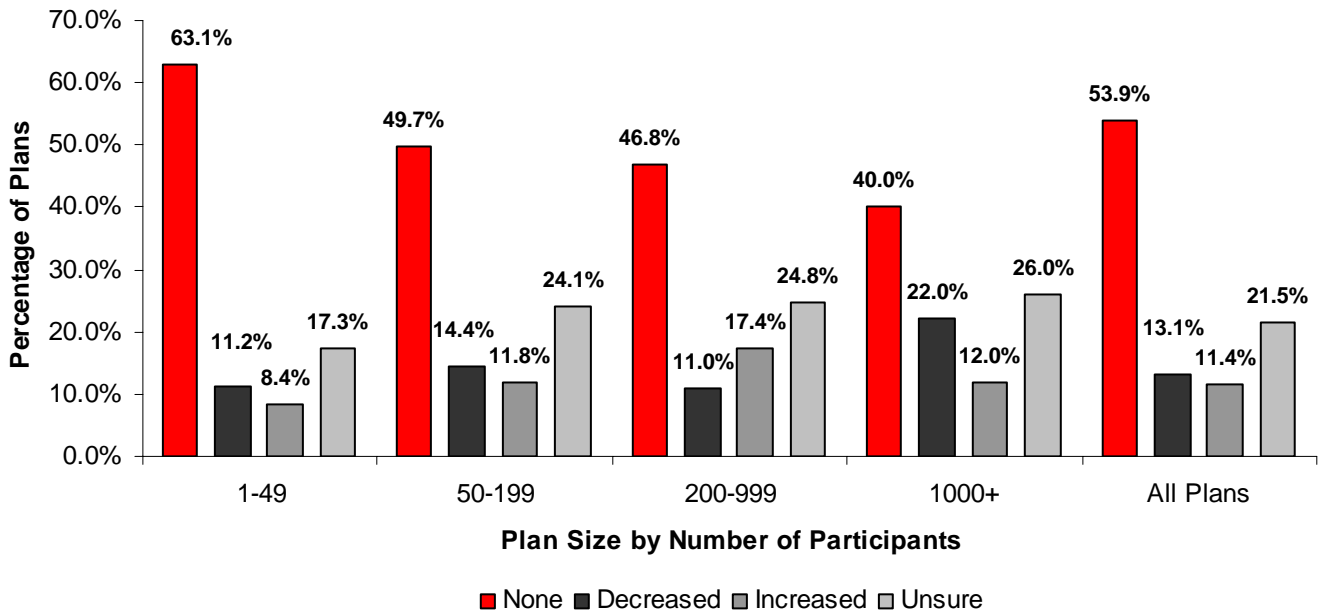


Table 21: Change in Participant Deferral Rates in the Last Year by Industry

Industry	Participant Deferral Rate Change			
	Increased	Decreased	Unsure	No Change
Arts/Cultural and Library/Museum	9.4%	5.7%	18.9%	66.0%
Association	7.3%	7.3%	26.8%	58.5%
Foundation	14.8%	0.0%	14.8%	70.4%
Healthcare (Other than Hospitals)	9.4%	21.9%	31.3%	37.5%
Higher Education	6.7%	10.6%	29.8%	52.9%
Hospitals	13.0%	34.8%	21.7%	30.4%
K-12 Education	17.4%	13.8%	9.2%	59.6%
Other Education	2.3%	9.1%	15.9%	72.7%
Religious Institution	10.0%	10.0%	10.0%	70.0%
Research/Science	20.6%	14.7%	11.8%	52.9%
Social Services	13.6%	18.2%	35.2%	33.0%

Table 22: Change in Participant Deferral Rates in the Last Year by Change to Organization Matching Contribution

Change to Match	Participant Deferral Rate Change			Total
	Increased	Decreased	No Change	
Increased or Instituted a Match	22.2%	0.0%	77.8%	100.0%
No Change to Match	12.9%	12.4%	74.8%	100.1%
Reduced the Match, Still Reduced	7.4%	29.6%	63.0%	100.0%
Suspended the Match, Still Suspended	5.3%	57.9%	36.8%	100.0%
Suspended the Match, Then Restored It	37.5%	12.5%	50.0%	100.0%
No Matching Contribution	16.8%	16.8%	66.5%	100.1%

Graph 11: Change in Participant Deferral Rates in the Last Year by Change to Organization Matching Contribution

