

## QUICK-HITTING SURVEY

# NON-EXECUTIVE RETIREMENT BENEFITS

## Executive Summary

### Methodology

In February 2017, The Health Management Academy conducted a quick hitting survey of 34 Leading Health Systems regarding non-executive retirement benefits. With a 44% response rate, the 15 responding Chief Human Resource Officers (CHROs) represent health systems with an average Net Patient Revenue of \$3.8 billion that own or operate 192 hospitals with almost 38,000 beds and approximately 1.9 million admissions annually.

### Key Findings

- Responding health systems provide an average of 5.93% (range: 2% - 9%) of employee salary as in total annual employer paid retirement benefit to non-executive employees.
- At responding health systems, employees can contribute an average of 5.75% (range: 4% - 8%) to a defined contribution plan that will be matched by the health system.
- A majority (60%) of health systems have an automatic enrollment feature to their defined contribution plan, with employees who are automatically enrolled contributing an average of 3.8% (range: 3% - 6%) of their salary.

## Results

Responding health systems provide an average of 5.93% (range: 2% - 9%) of employee salary in total annual employer paid retirement benefit to non-executive employees. One executive commented that the percent ranges from **“5%-10% based on tenure and employee participation in deferring wages.”** (CHRO)

Most (72%) health systems do not offer either a traditional defined benefit plan or cash balance plan to new hires (Figure 1).

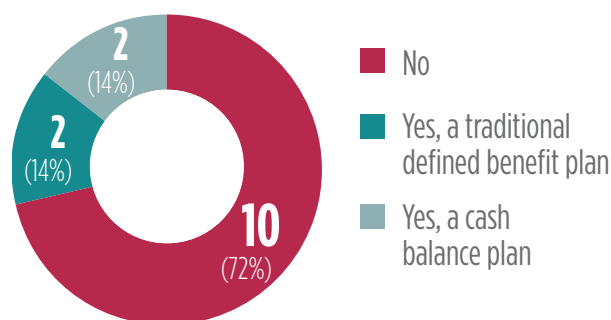
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Health systems match employee contributions at an average rate of 4.5% (range: 2% - 6%). Two health systems reported matching 100% of the first 3% contributed, then 50% of the next 2% or 4% contributed, while another health system reported matching 50% of up to 6% employee deferrals. Another health system matches the first 1% of employee contributions at 2%, and each next 1% of employee contributions with an additional 0.5%.

One-third (33%) of health systems have shifted employer paid retirement benefits from a defined benefit plan to a defined contribution plan over the last 10 years. Of those, one health system reported 100% of employee salary was shifted to a defined contribution plan, and another health system reported 0% of employee salary was shifted.

**“We closed the current DB plan in 2006 to new entrants. Employees hired prior to 2006 accrue in the DB plan and employees hired after 2006 participate in a DC plan that contributes 3%-5% based on length of service. Both set of employees are eligible for a 3% match in 403(b).”** (CHRO)

FIGURE 1. DO YOU OFFER EITHER A TRADITIONAL DEFINED BENEFIT PLAN OR CASH BALANCE PLAN TO NEW HIRES?



A majority (60%) of health systems have an automatic enrollment feature to their defined contribution plan (Figure 2). Employees who are automatically enrolled contribute an average of 3.8% (range: 3% - 6%) of their salary. One executive commented, “**4% automatic, escalating 1% per year to 10%.**” (CHRO)

A majority of health systems utilize a 3 year graded (20%) or 3 year cliff (40%) vesting approach for employee vesting into employer paid contributions (Figure 3). Two health systems reported a 1 year rate. One executive reported, “**5 year cliff on the DB and 6 year graded on the DC.**” (CHRO)

FIGURE 2. DOES THE HEALTH SYSTEM HAVE AN AUTOMATIC ENROLLMENT FEATURE TO THE DEFINED CONTRIBUTION PLAN?

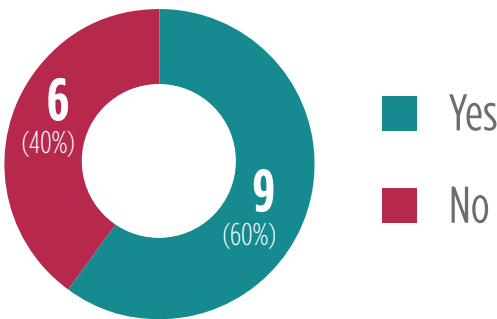


FIGURE 3. AT WHAT RATE DO EMPLOYEES VEST INTO EMPLOYER PAID CONTRIBUTIONS?

