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# 2015

## PLAN SPONSOR OF THE YEAR

**Multiple Plans**

Mary Washington  
Healthcare

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## Mary Washington Healthcare

*Using a total retirement solution to consolidate multiple plans renews 401(k) focus*

**AS AN** organization with a 115-year history, nonprofit Mary Washington Healthcare in Fredericksburg, Virginia, has seen employee benefit trends come and go since well before the creation of Social Security.

Over that time, says Kathy Wall, executive vice president of human resources (HR) and organizational development for Mary Washington, it has grown into an “around-the-clock operation,” delivering care through a not-for-profit regional system of two hospitals and 28 health care facilities and wellness centers.

That extended organizational history and scope, however, mean there are some challenges with the employee benefits delivery structure, she says. “Being a health system, we have many diverse types of employees at different career stages and in different working environments, all trying to get prepared for retirement.”

One result of having such a diverse work force is a complex

employer-sponsored retirement plan benefit. The Mary Washington retirement system is actually composed of four distinct retirement plans: a frozen pension plan supporting long-tenured workers, a 401(k) plan and 403(b) plan working in tandem for rank-and-file associates, and a 457(b) plan for a select group of executive managers.

Like many employers in the U.S. and abroad, Mary Washington experienced financial pressures in the last decade that, as Wall puts it, forced the organization to conclude it could not sustain the defined benefit (DB) system for all of its employees over the long term.

“This led us to fully freeze our defined benefit retirement program in 2010, but it remains a huge benefit for about 900 long-tenured people in our work force,” Wall says. “We still look at this as a major benefit for this rather sizable portion of our associate base—one that should be managed proactively.” Many of these 900 employees, who hold a significant vested pension benefit, have been with Mary Washington for much or all of their careers, Wall says, so the organization feels an obligation to support them.

### Pension Plan Administration

In the years after freezing the defined benefit plan, the emphasis on plan management led to a conversation with Jania Stout, practice leader and co-founder of Fiduciary Plan Advisors at HighTower, in Baltimore, who became Mary Washington’s plan adviser.

### Mary Washington Healthcare

TOTAL PLAN ASSETS/PARTICIPANTS: \$250 million/2,845

PARTICIPATION RATE: 76% across DC plans

AVERAGE DEFERRAL RATE: 6.2% across DC plans

AVERAGE PARTICIPANT REPLACEMENT RATE RATIO: 80% of participants at 80% replacement

PLANS: Defined benefit, frozen; 401(k); 403(b); 457

Photography by Stephen Voss

Working with Stout over the past few years, the retirement plan committee determined that moving the pension plan administration from in-house to Transamerica, which manages the firm's defined contribution (DC) plans, could be significantly more cost-effective. "We hired Jania to help run a search for us, and we ended up selecting Transamerica as both our defined benefit administrator and actuary," Wall recalls. "We had already been using Transamerica for our 403(b) and 401(k) plans, but this gave us the opportunity to explore a 'total retirement solution' even as we outsourced the pension administration."

Wall says the plan committee's goal in pursuing a more holistic retirement solution was to help employees see the potential value of Mary Washington's various retirement programs. Many employees had no idea what the total benefit of adding the payments from their pension and defined contribution plans together might be, she adds. Interestingly, some seemed to underestimate the value of their retirement package. One employee even cried when viewing the total benefit statement for the first time, Wall says. "Many did not really understand what the value was."

Some committee members were nervous at first about putting all of their administrative eggs in one basket, "but we are very happy with our decision," Wall says. "Having the transparency and the whole picture for our employees was so important. Our participants can now ask questions about their entire balances."

In addition to the decision to move DB plan administration, part of the plan committee's work in recent years has been to come up with a benefits "ecosystem" that would allow Mary Washington to address the needs of its long-term associates while also reforming the benefits package to promote successful outcomes on the defined contribution side.

This was, according to Wall, a challenging and rewarding process that included monthly meetings and much back-and-forth among the retirement committee, whose members include the chief financial officer (CFO), the comptroller, an internal auditor, a compliance vice president and a variety of human resource staffers and executives. Wall notes that Transamerica and plan adviser Stout both acted as dedicated fiduciaries and partners to the plan committee during the process, supplying key ideas and data to enable better decisionmaking.

## DC Plan Decisions

After Mary Washington froze its defined benefit plan, the benefits committee considered automatically enrolling everyone in the defined contribution plan and forcing them to make a negative selection to cease their deferrals. "From Jania, we knew this is looked at in many circles as a best practice, along with auto-escalation, but we actually decided these plan design features weren't a good fit for everyone," Wall says. "We felt people would

get more engaged in our plans the old-fashioned way, so to speak, so we put some really aggressive communication plans in place."

The effort included leveraging technology pieces, such as Transamerica's Web- and mobile-based account management applications (apps) and retirement readiness assessments, in which all participants are assigned a weather icon—sunny, partly sunny, cloudy or rainy—to quickly demonstrate whether or not they are on course.

It also included more unorthodox approaches—such as the engagement of Transamerica staffer Harriet Clift as a dedicated on-site retirement plan counselor, promoting employee financial wellness, benefits usage and retirement readiness. "We really sought to leverage this internal retirement counselor to build plan engagement," Wall says. "She helped us enact a wealth of

**"Having the transparency and the whole picture for our employees was so important."**

additional education programs, benefits fairs, one-on-one meetings and small-group seminars."

This effort has led to some pretty impressive DC participation figures, given the residual DB benefits and the employee demographics. The defined contribution plans together are at about 76% participation with an average employee deferral of nearly 6.2%. According to Transamerica's retirement readiness projections, when factoring in employer-matching contributions and Social Security, up to 80% of participants are near 80% anticipated income replacement in retirement.

What Wall is perhaps most pleased about, in terms of the recent plan consolidation with Transamerica and the improved educational efforts, is that individual participants are now able to get real-time updates that show a direct and visual assessment of their unique retirement outlook. This statement is generated automatically from Transamerica and is comprehensive, regardless of whether the participant has defined benefit *and* defined contribution or just one or more defined contribution plans.

"We can now give one statement that is broken down to show you just how well-prepared you are and what your outlook is across our benefits ecosystem," Wall says. This unified approach for the different types of plans has brought unprecedented clarity to participants wondering whether they might need to make any changes to improve their retirement readiness.

"Given an employee base that has a lot of other responsibilities beyond financial thinking, as we have, it's a great way to simplify the presentation of the plan," she concludes. "We feel it's truly a unified retirement benefits system we have established, and we can already see the positive results." —John Mangano

