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Plan Profile Published in PLANSPONSOR June/July 2018

Retirement With Dignity

A plan sponsor converts to a robust defined contribution plan.

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For over 100 years, the not-for-profit Hebrew Home at Riverdale has been helping older adults age with dignity and compassion, first as a nursing home for the elderly, now also offering assisted living, rehabilitation, senior housing and a Medicaid managed long-term-care insurance program, all under the umbrella of RiverSpring Health.

Luz Liebeskind, chief financial officer (CFO) and assistant treasurer, joined the organization in 2008, just as the home's two defined benefit (DB) plans were frozen. Liebeskind says, "The DB plans were not fully funded, and it was unpredictable for the planning of our budget in terms of expenses and contributions. We've made many moves to de-risk; made lump-sum payouts to some terminated-vested participants; utilized LDI [liability-driven investing] based on improvements in the plans' funded status; reviewed funding strategies to reduce PBGC [Pension Benefit Guaranty Corporation] premiums; and currently we are reviewing options for annuitization of some retiree benefits."

According to Liebeskind, as the organization expanded, revenues grew tremendously—as did the number of employees. "We wanted to move the administrative function of the DB plans off human resources [HR] and to a professional fiduciary. The one person who handles benefits for the Hebrew Home was tapped out, and StoneStreet Equity LLC, the organization's 3(21) adviser for its 403(b) and DB plans, and also provider of advisory services for its nonqualified plans, suggested we outsource the DB plan

administration to an ERISA [Employee Retirement Income Security Act] 3(16) fiduciary," she recalls.

Pentegra, a fiduciary outsourcing group, has been onboard with Hebrew Home at Riverdale now for several months. Its customer service model deals directly with the participants, taking that responsibility from the Hebrew Home. Participants can go online and view or print out their statements. They will soon be able to access an online benefit calculator.

When employees in the DB plans were no longer accruing new benefits, a 403(b) plan was built. Spencer Goldstein, principal and chief investment officer (CIO) of StoneStreet Equity says, "There was a great communication and education effort along with plan design initiatives to ensure that participants were utilizing the new plan properly and saving and diversifying. It came from a paternal place to make sure employees were getting the most out of the benefit."

At the beginning, employees had the ability to buy their own annuity contracts using multiple legacy providers. StoneStreet educated them on the benefit of consolidating their funds and helped facilitate the transfer of those into the single sponsor-controlled plan.

Over the last 10 years, the 403(b) plan has grown from \$1 million in assets to over \$43 million today. "I think the big thing we've done over the last few years is to implement automatic enrollment at 4%, so participants can maximize the company match of 50% up to 4%," Goldstein says. "Then they're auto-escalated to get them to an adequate savings rate up to 8%."

In addition, the plan sponsor makes a 3% nonelective safe harbor contribution and an additional employer contribution of 1% to 4% based on years of service. Goldstein says participants have attained an average deferral rate of 6.7%, thanks to very targeted group education and one-on-one meetings, working closely with Principal, the plan's recordkeeper.

More than 60% of the plan's assets are in Principal's Lifetime Hybrid Funds. "The population is spread out among many locations, and many aren't working in an office," he says. "Using a target-date fund [TDF] gets them invested in the market and diversified."

SNAPSHOT

PLAN SPONSOR: Hebrew Home at Riverdale, Riverdale, New York

KEY PLAYER: Luz Liebeskind, CFO and assistant treasurer

PARTICIPATION RATE: 90%

AVERAGE DEFERRAL RATE: 6.7%

PARTICIPANTS: DC plan – 2,000; DB plan – 1,056 (frozen in 2008)

TOTAL ASSETS: \$43MM in DC plan; \$33MM in DB plans

Tagged: 3(16) fiduciary, 403(b) plan