

# 2022 403(b) Plan Priorities

## Executive Summary

PSCA conducted a snapshot survey of nonprofit organizations in October 2021 to get a sense of what their objectives and priorities are regarding their 403(b) plans for 2022, and what, if any, impact the pandemic has had on those objectives and priorities. A [similar survey](#) conducted in October 2019 serves as a comparison point to current priorities and helps illuminate how they have shifted, or not, in the last two years.

The current survey received responses from 139 organizations that sponsor a 403(b) plan for employees. The top priorities for plans have not changed drastically in the last two years nor been impacted much by the pandemic—keeping the plan compliant, increasing participation, providing financial wellness tools, and increasing deferrals, along with enhancing participation, all remain top plan concerns. Most organizations are not anticipating plan changes next year, and most that did make changes to employer contributions due to the pandemic, have already restored them.

### Plan Objectives and Priorities

For sixty percent of organizations, the overall primary objective for their 403(b) plan in 2022 is maintaining it as is, and for twenty percent it is retention of employees. (See Table 5.) Nearly all (96.2 percent) respondents indicated that the

### Priorities in the Top Three for Plan Sponsors

Priority	Respondent Breakdown	
	2020	2022
Plan Compliance/ Reducing Fiduciary Liability	63.2%	48.6%
Increasing Participation	49.2%	46.4%
Enhancing Participant Education	—	45.7%
Providing Financial Wellness Tools	37.6%	39.9%
Increasing Deferrals	45.3%	37.7%

COVID-19 Pandemic has not had an impact on their retirement plan priorities and objectives.

The most common top plan priority for 2022 is increasing plan participation (22.5 percent), followed closely by plan compliance (21.7 percent). The most commonly cited second plan priorities are enhancing plan education and increasing deferrals (17.4 percent each). Participant education is also the most commonly cited third plan priority. (See Table 6.) Looking at priorities that were indicated somewhere in the top three, we see plan compliance on top, cited by nearly half of organizations, followed by increasing participation, participant education, financial wellness, and increasing deferrals.

Two years ago, plan compliance was the top priority, cited by nearly a third of sponsors, and though it is still the most cited in the top three, other priori-

ties have increased in focus. Notably, the number of respondents who indicated that providing retirement income solutions is the number one priority doubled to 13 percent of plans this year. There has also been a jump in organizations indicating financial wellness and participant education as top priorities.

### Plan Changes

More than three-quarters of organizations are not anticipating any plan design changes for 2022. Changes considered for next year include changing the number of investment options (8.0 percent of plans), adding investment advice (5.1 percent), and creating an investment policy statement (4.3 percent). (See Table 7.)

Most organizations (89.1 percent) did not make any changes to employer contributions to the 403(b) plan due to

# 2022 403(b) Plan Priorities

## Primary 403(b) Plan Priority Pre- and Post- Pandemic

Priority	Primary 403(b) Plan Priority Pre- and Post- Pandemic	
	2020	2022
Increasing Participation Rates	21.7%	22.5%
Increasing Deferral Rates	12.4%	10.1%
Providing Financial Wellness Tools	8.5%	12.3%
Reducing Plan Cost	7.8%	5.1%
Plan Compliance/Reducing Fiduciary Liability	31.4%	21.7%
Providing Retirement Income Options for Participants	6.2%	13.0%
Conducting a Recordkeeper Search	0.8%	1.4%
Conducting an Advisor or Consultant Search	1.9%	1.4%
Implementing a Cybersecurity Initiative	1.2%	0.0%
Changing the Investment Lineup	6.2%	2.2%
Reducing Loans/Withdrawals	—	0.0%
Enhancing Participant Education	—	8.0%
Adding ESG Investment Options	—	0.7%
None	0.0%	1.4%
Other	1.9%	0.0%

the pandemic — only 1.4 percent of plans indicated that contributions are still suspended with no plans to restore them. (See Table 8.)

## Participant Education

Though most organizations (64.7 percent) indicated that there has been no change to participant education methods since the onset of the pandemic, 27.1

percent noted a decrease in in-person events, 23.3 percent noted an increase in online education, and 18 percent indicated an increase in webinars. This impact appears to be size correlated, with large organizations much more likely to have had to make adjustments to education methods (72.7 percent) versus smaller organizations (10.4 percent). (See Table 9.)

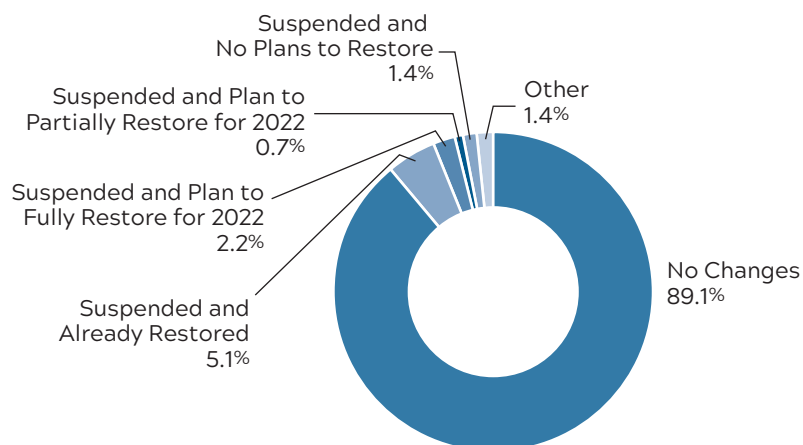
More than 40 percent of organizations are planning to engage an advisor to help with participant education efforts while only 3.9 percent already do. (See Table 10.)

## Conclusion

Perhaps not unexpectedly, plan compliance and plan participation are always top of mind for plan sponsors. When we look at priorities ranked second and third, we begin to see some shifts and some trends emerging. Plan sponsors are increasingly focused on financial wellness programs, retirement income options, and participant education.

Generally speaking, nonprofit organizations are looking to maintain their plans with few changes in 2022. Organizations that were impacted by the pandemic have mostly recovered in terms of plan contributions — though the impact on participant education is ongoing, with perhaps some permanent changes moving forward, particularly at large organizations.

## Changes to Employer Contributions Due to the Pandemic



## Full Data Tables

### Demographics

Table 1 | Organization Size by Number of Eligible Plan Participants

	Plan Size (Number of Eligible Participants)				All Plans
	1-49	50-199	200-999	1,000+	
Number of Organizations	50	35	32	22	139
Percentage of Organizations	36.0%	25.2%	23.0%	15.8%	100.0%

Organization Size by Number of Eligible Plan Participants

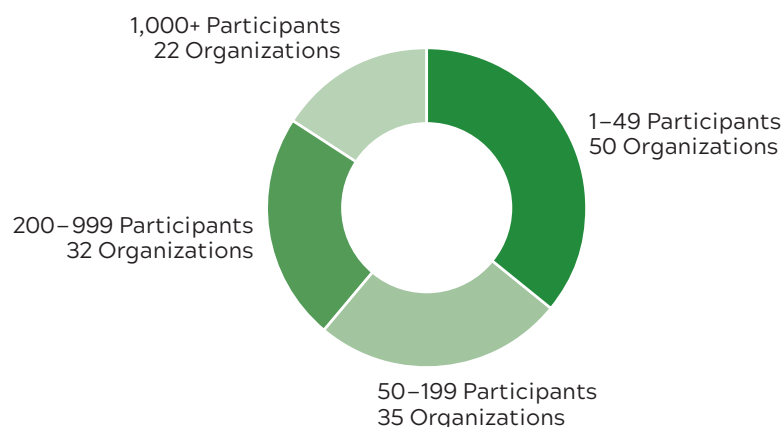


Table 2 | Respondent Demographics by Organization Size and ERISA Status

ERISA Status	Plan Size (Number of Eligible Participants)				All Plans
	1-49	50-199	200-999	1,000+	
ERISA	68.0%	79.4%	78.1%	59.1%	71.7%
Non-ERISA	14.0%	20.6%	18.8%	40.9%	21.0%
Unsure	18.0%	0.0%	3.1%	0.0%	7.2%
	100.0%	100.0%	100.0%	100.0%	99.9%

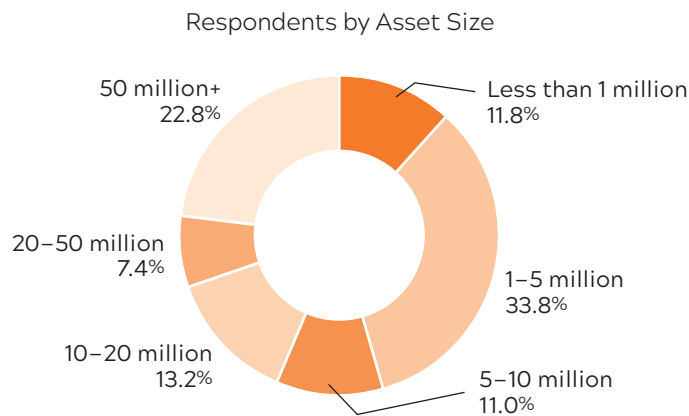
# 2022 403(b) Plan Priorities

Table 3 | Respondents by Industry Type

Industry	Respondent Breakdown	
	Number of Plans	Percentage of Plans
Arts/Cultural	8	5.8%
Association/Foundation	5	3.6%
Healthcare (Other Than Hospitals)	12	8.6%
Higher Education (Including Faith-Based)	25	18.0%
Hospitals & Hospital Systems (Including Faith-Based)	7	5.0%
K-12 Education	27	19.4%
Library/Museum	6	4.3%
Other Education	5	3.6%
Religious Institution (i.e., Churches)	9	6.5%
Research, Science, or Environmental	12	8.6%
Social/Community Services	18	12.9%
Other	5	3.6%
	139	99.9%

Table 4 | Respondents by Asset Size

Asset Size	All Plans
Less than 1 million	11.8%
1-5 million	33.8%
5-10 million	11.0%
10-20 million	13.2%
20-50 million	7.4%
50 million+	22.8%
	100.0%



## 2022 403(b) Plan Priorities

### Plan Priorities

Table 5 | Primary Plan Objective for 2022

Objective	Plan Size (Number of Eligible Participants)				
	1-49	50-199	200-999	1,000+	All Plans
Maintaining It as Is	68.8%	54.3%	62.5%	47.4%	60.4%
Recruitment	2.1%	8.6%	3.1%	5.3%	4.5%
Retention	16.7%	22.9%	21.9%	21.1%	20.1%
Reducing Plan Cost	8.3%	5.7%	6.3%	15.8%	8.2%
Other	4.2%	8.6%	6.3%	10.5%	6.7%
	100.1%	100.1%	100.1%	100.1%	99.9%

Table 6 | Top Three 403(b) Plan Priorities for 2022

Priority	Priority Level		
	First	Second	Third
Increasing Participation Rates	22.5%	13.8%	10.1%
Increasing Deferral Rates	10.1%	17.4%	10.1%
Providing Financial Wellness Tools	12.3%	13.8%	13.8%
Reducing Plan Cost	5.1%	4.3%	5.8%
Plan Compliance/Reducing Fiduciary Liability	21.7%	15.9%	10.9%
Providing Retirement Income Options for Participants	13.0%	8.0%	8.0%
Conducting a Recordkeeper Search	1.4%	0.0%	1.4%
Conducting an Advisor or Consultant Search	1.4%	1.4%	1.4%
Implementing a Cybersecurity Initiative	0.0%	2.2%	2.9%
Changing the Investment Lineup	2.2%	2.2%	3.6%
Reducing Loans/Withdrawals	0.0%	0.0%	2.2%
Enhancing Participant Education	8.0%	17.4%	20.3%
Adding ESG Investment Options	0.7%	1.4%	2.2%
None	1.4%	0.0%	7.2%
Other	0.0%	2.2%	0.0%

## 2022 403(b) Plan Priorities

### Plan Changes

Table 7 | 403(b) Plan Changes Anticipated for 2022

Change	Plan Size (Number of Eligible Participants)				
	1-49	50-199	200-999	1,000+	All Plans
Changing or Adding Automatic Features	2.0%	5.7%	6.3%	9.1%	5.1%
Changes to Loans	2.0%	2.9%	3.1%	9.1%	3.6%
Changes to Hardship Withdrawals	2.0%	0.0%	3.1%	0.0%	1.4%
Adding Roth	0.0%	5.7%	6.3%	0.0%	2.9%
Changes to Eligibility	4.1%	5.7%	0.0%	0.0%	2.9%
Adding an IPS	6.1%	5.7%	3.1%	0.0%	4.3%
Adding Investment Advice	6.1%	5.7%	6.3%	0.0%	5.1%
Changing the Number of Investment Options	2.0%	17.1%	9.4%	4.5%	8.0%
Changing Organization Contribution Formulas	4.1%	0.0%	6.3%	4.5%	3.6%
None	81.6%	80.0%	65.6%	77.3%	76.8%

Table 8 | Changes to Employer Contributions a Result of the COVID-19 Pandemic

Change	Plan Size (Number of Eligible Participants)				
	1-49	50-199	200-999	1,000+	All Plans
No Changes	91.8%	97.1%	81.3%	81.8%	89.1%
Suspended and Already Restored	6.1%	0.0%	6.3%	9.1%	5.1%
Suspended and Plan to Fully Restore for 2022	2.0%	2.9%	0.0%	4.5%	2.2%
Suspended and Plan to Partially Restore for 2022	0.0%	0.0%	3.1%	0.0%	0.7%
Suspended and No Plans to Restore	0.0%	0.0%	6.3%	0.0%	1.4%
Other	0.0%	0.0%	3.1%	4.5%	1.4%
	99.9%	100.0%	100.1%	99.9%	99.9%

## 2022 403(b) Plan Priorities

Table 9 | Changes to Participant Education Methods Due to the Pandemic

Change	Plan Size (Number of Eligible Participants)				
	1-49	50-199	200-999	1,000+	All Plans
None	89.6%	76.5%	37.9%	27.3%	64.7%
Decrease in In-Person Education	8.3%	11.8%	48.3%	63.6%	27.1%
Increase in Online Education	4.2%	14.7%	48.3%	45.5%	23.3%
Increase in E-mail	2.1%	5.9%	24.1%	4.5%	8.3%
Increase in Webinars	2.1%	5.9%	34.5%	50.0%	18.0%
Other	0.0%	0.0%	0.0%	9.1%	1.5%

Organizations Where Participant Education Was Impacted by the Pandemic

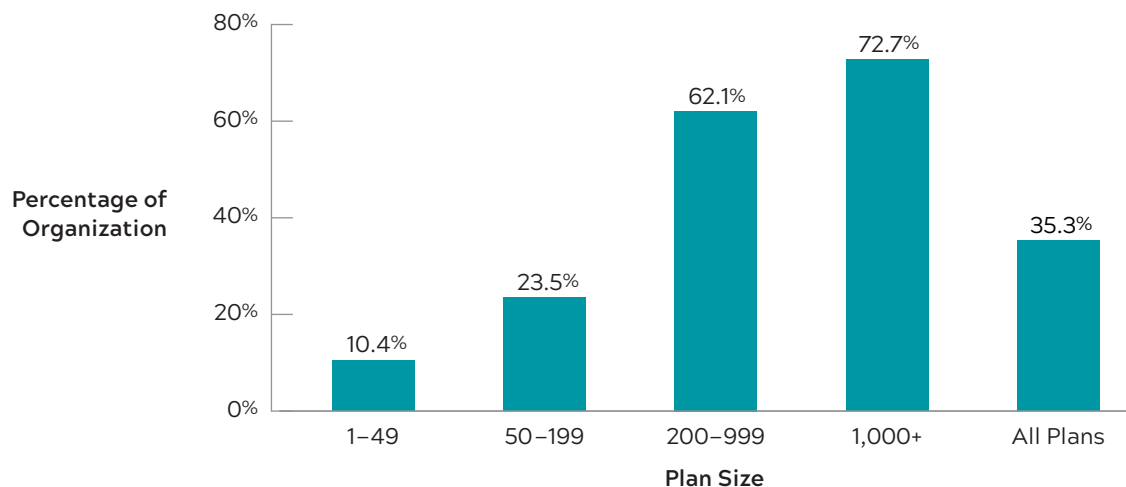


Table 10 | Percentage of Organizations That Are Planning To Engage an Advisor To Help With Participant Education

Engage Advisor	Plan Size (Number of Eligible Participants)				
	1-49	50-199	200-999	1,000+	All Plans
Already Do	0.0%	6.1%	3.3%	9.1%	3.9%
Yes	23.8%	48.5%	63.3%	40.9%	42.5%
No	45.2%	24.2%	20.0%	40.9%	33.1%
Unsure	31.0%	21.2%	13.3%	9.1%	20.5%
	100.0%	100.0%	99.9%	100.0%	100.0%