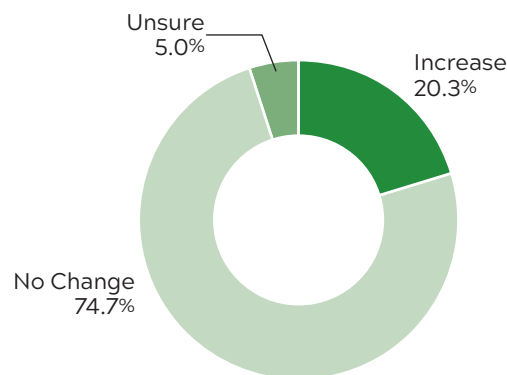


Impact of COVID-19 and Economic Conditions on 403(b) Plans

Executive Summary

PSCA conducted a snapshot survey of non-profit organizations in October 2020 to determine what impact the COVID-19 pandemic and resulting economic conditions is having on 403(b) plans and their participants. The survey received responses from 270 organizations that sponsor a defined contribution plan for employees. The majority of non-profit organizations are not making any plan changes or changes to contributions at this time. Similarly, the majority of participants are not taking plan loans or making withdrawals, with a few notable exceptions in the healthcare and education sectors.

Change in Plan Loan Activity Since the Onset of COVID-19

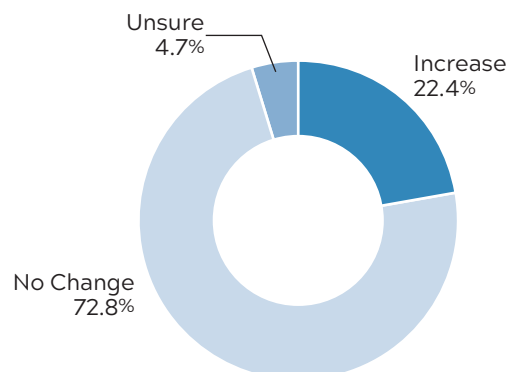


Loans and Withdrawals

Three-fourths of plans indicated they have not noted an increase in plan loan activity since the beginning of COVID-19. (See Table 4.) However, 35.0 percent of hospitals and healthcare organizations noted an increase as did nearly 30 percent of higher education institutions. (See Table 5.)

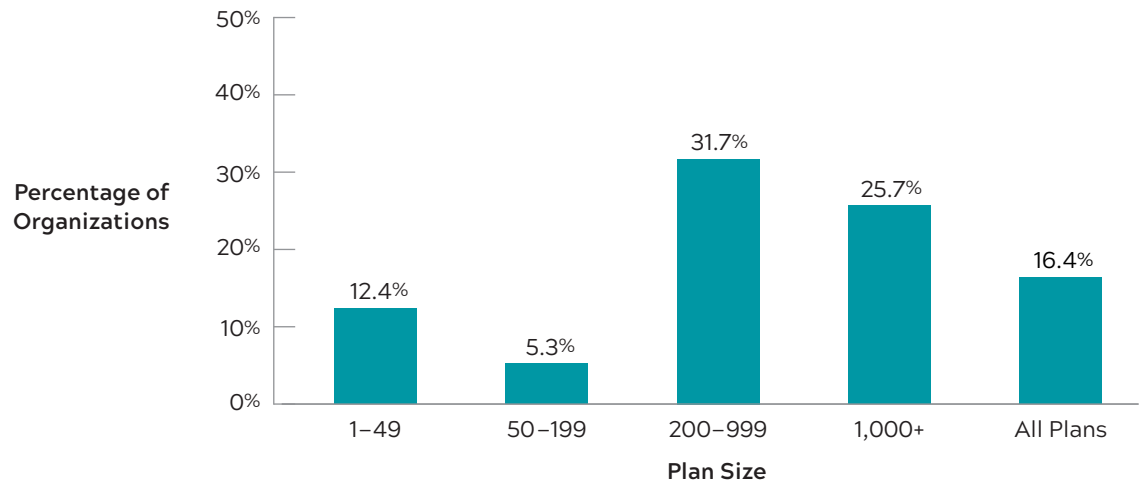
More than 70 percent of organizations also reported no change to hardship and in-service withdrawals this year. (See Table 6.) However, more than half (52.2 percent) of hospital and healthcare systems noted an increase in participants tapping their accounts. More than a third of higher education institutions also noted an increase. (See Table 7.)

Change in Hardship and Other Withdrawals Since the Onset of COVID-19



Impact of COVID-19 and Economic Conditions on 403(b) Plans

Organizations Making Changes to Employer Contributions by the End of the Year by Plan Size



Employer Contributions

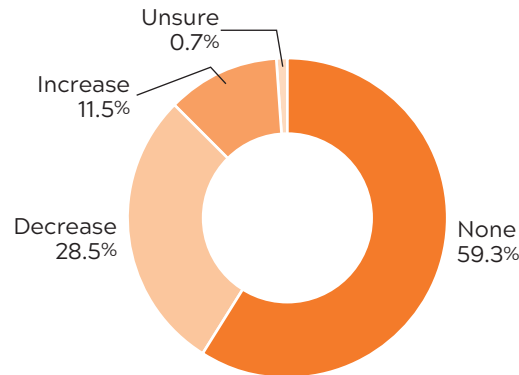
More than 80 percent of organizations (83.6 percent) are not planning on any changes to plan contributions this year. However, nearly thirty percent of higher education institutions either have, or will by year-end, reduce or suspend contributions to their 403(b) plans. Ten percent of all respondents have suspended or reduced the matching contribution and 7.5 percent have suspended or reduced the non-matching contribution (some plans have both types of contributions). (See Table 10.)

Other Changes

Ten percent of organizations are making or considering other plan design changes. (See Table 11.) These changes include changes to employer contribution formulas for 2021, and changes to plan loan and withdrawal provisions. One respondent (0.4 percent of respondents) indicated they are terminating the 403(b) plan as a result of current conditions, and two respondents indicated they are considering doing so. (See Table 13.)

Sixty percent of respondents noted that employment levels at their organization have remained level so far throughout the COVID-19 crises, but nearly thirty percent noted a decrease. This does vary by industry with nearly half of arts/cultural organizations and libraries/museums noting a decrease, as well as 43.6 percent of higher education institutions and a third of healthcare and hospital institutions. (See Table 15.)

Change in Employment Levels Since the Onset of COVID-19



Impact of COVID-19 and Economic Conditions on 403(b) Plans

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	98	77	60	35	270
Percentage of Organizations	36.3%	28.5%	22.2%	13.0%	100.0%

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	69.1%	76.0%	88.3%	51.4%	73.0%
Non-ERISA	10.3%	20.0%	10.0%	48.6%	18.0%
Unsure	20.6%	4.0%	1.7%	0.0%	9.0%
Total	100.0%	100.1%	100.0%	100.0%	100.0%

Table 3 | Respondents by Industry Type

Industry	Respondent Breakdown	
	Number of Plans	Percentage of Plans
Arts/Cultural	13	4.8%
Association	12	4.5%
Foundation	16	5.9%
Healthcare (Other Than Hospitals)	16	5.6%
Higher Education (Including Faith-Based)	55	20.4%
Hospitals and Hospital Systems (Including Faith-Based)	7	2.6%
K–12 Education	68	25.3%
Library/Museum	15	5.6%
Religious Institution (i.e., Churches)	9	3.3%
Research, Science, or Environmental	17	6.3%
Social/Community Services	31	11.5%
Other	11	4.1%
Total	270	99.9%

Impact of COVID-19 and Economic Conditions on 403(b) Plans

Loans and Withdrawals

Table 4 | Organizations Noting an Increase in Plan Loan Activity Since the Onset of COVID-19 by Plan Size

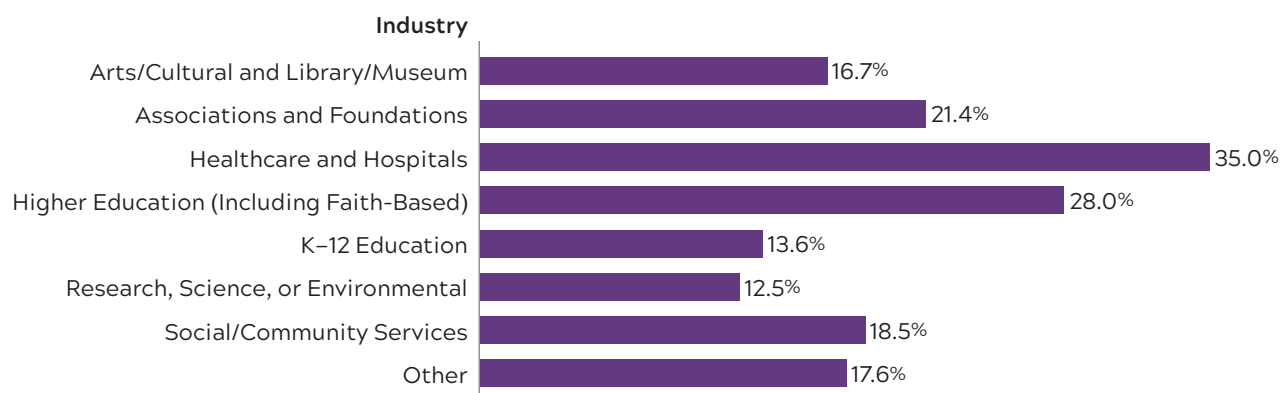
Change	Plan Size (Number of Eligible Participants)				All Plans
	1–49	50–199	200–999	1,000+	
Increase	10.8%	12.7%	27.8%	48.5%	20.3%
No Change	85.5%	78.9%	66.7%	51.5%	74.7%
Unsure	3.6%	8.5%	5.6%	0.0%	5.0%
Total	99.9%	100.1%	100.1%	100.0%	100.0%

Table 5 | Organizations Noting an Increase in Plan Loan Activity Since the Onset of COVID-19 by Industry Type

Industry	Change			Total
	Increase	No Change	Unsure	
Arts/Cultural and Library/Museum	16.7%	75.0%	8.3%	100.0%
Associations and Foundations	21.4%	78.6%	0.0%	100.0%
Healthcare and Hospitals	35.0%	65.0%	0.0%	100.0%
Higher Education (Including Faith-Based)	28.0%	64.0%	8.0%	100.0%
K–12 Education	13.6%	84.7%	1.7%	100.0%
Research, Science, or Environmental	12.5%	81.3%	6.3%	100.1%
Social/Community Services	18.5%	70.4%	11.1%	100.0%
Other*	17.6%	76.5%	5.9%	100.0%
All Industries	20.3%	74.7%	5.0%	100.0%

* Similar categories from Table 3 were combined together, and the “Religious Institution” category was rolled into “Other.”

Organizations Noting an Increase in Plan Loan Activity Since the Onset of COVID-19 by Industry Type



Impact of COVID-19 and Economic Conditions on 403(b) Plans

Table 6 | Organizations Noting an Increase in Hardship or In-Service Withdrawals Since the Onset of COVID-19 by Plan Size

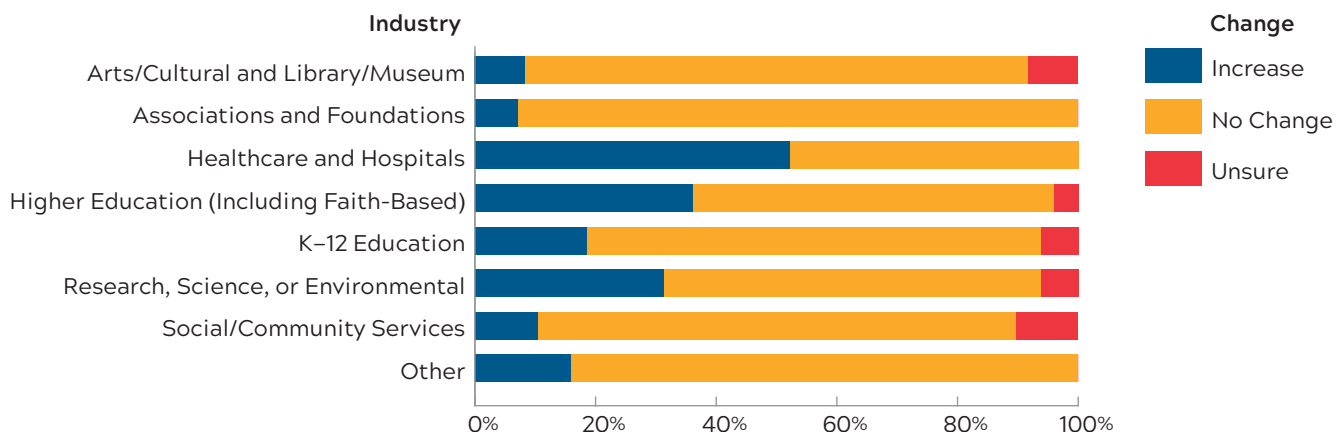
Change	Plan Size (Number of Eligible Participants)				All Plans
	1–49	50–199	200–999	1,000+	
Increase	4.4%	12.3%	30.4%	79.4%	22.4%
No Change	91.2%	79.5%	66.1%	20.6%	72.8%
Unsure	4.4%	8.2%	3.6%	0.0%	4.7%
Total	100.0%	100.0%	100.1%	100.0%	99.9%

Table 7 | Organizations Noting an Increase in Hardship or In-Service Withdrawals Since the Onset of COVID-19 by Industry Type

Industry	Change			Total
	Increase	No Change	Unsure	
Arts/Cultural and Library/Museum	8.3%	83.3%	8.3%	99.9%
Associations and Foundations	7.1%	92.9%	0.0%	100.0%
Healthcare and Hospitals	52.2%	47.8%	0.0%	100.0%
Higher Education (Including Faith-Based)	36.0%	60.0%	4.0%	100.0%
K–12 Education	18.5%	75.4%	6.2%	100.1%
Research, Science, or Environmental	31.3%	62.5%	6.3%	100.1%
Social/Community Services	10.3%	79.3%	10.3%	99.9%
Other*	15.8%	84.2%	0.0%	100.0%
All Industries	22.4%	72.8%	4.7%	99.9%

*Similar categories from Table 3 were combined together, and the “Religious Institution” category was rolled into “Other.”

Organizations Noting an Increase in Hardship or In-Service Withdrawals Since the Onset of COVID-19 by Industry Type



Impact of COVID-19 and Economic Conditions on 403(b) Plans

Employer Contributions

Table 8 | Organizations Making Changes to Employer Contributions by the End of the Year by Plan Size

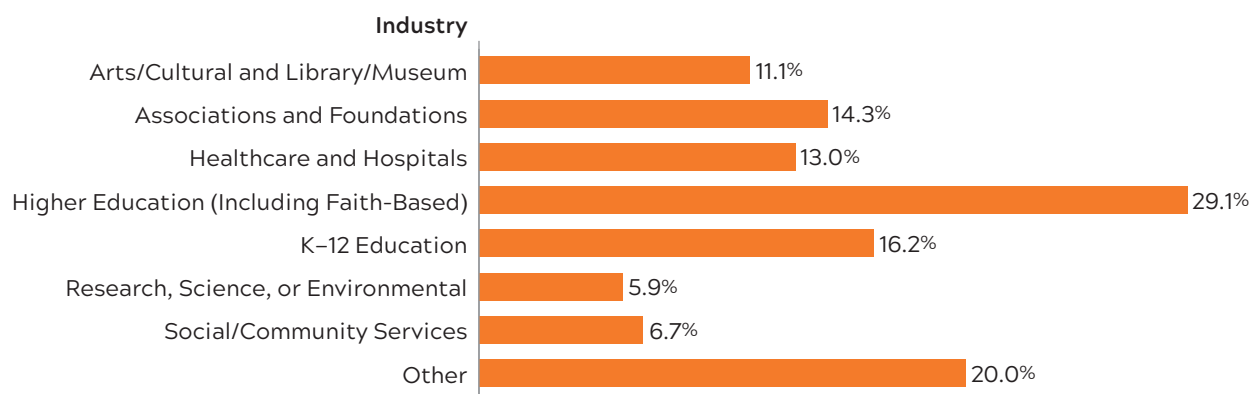
Change	Plan Size (Number of Eligible Participants)				
	1–49	50–199	200–999	1,000+	All Plans
Percentage or Organizations	12.4%	5.3%	31.7%	25.7%	16.4%

Table 9 | Organizations Making Changes to Employer Contributions by the End of the Year by Industry Type

Industry	Percentage of Plans
Arts/Cultural and Library/Museum	11.1%
Associations and Foundations	14.3%
Healthcare and Hospitals	13.0%
Higher Education (Including Faith-Based)	29.1%
K–12 Education	16.2%
Research, Science, or Environmental	5.9%
Social/Community Services	6.7%
Other*	20.0%
All Industries	16.4%

*Similar categories from Table 3 were combined together, and the “Religious Institution” category was rolled into “Other.”

Organizations Making Changes to Employer Contributions by the End of the Year by Industry Type



Impact of COVID-19 and Economic Conditions on 403(b) Plans

Table 10 | Changes to Employer Contributions Made or Planned by Year-End as a Result of the COVID-19 Pandemic

Change	All Plans
None	83.6%
Suspend Matching Contributions	6.3%
Reduce Matching Contributions	3.4%
Suspend Non-Matching Contributions	4.1%
Reduce Non-Matching Contributions	3.4%
Considering Suspending or Reducing Contributions	0.8%

Other Changes as a Result of COVID-19

Table 11 | Organizations Making Other Plan Design Changes as a Result of the COVID-19 Pandemic by Plan Size

Change	Plan Size (Number of Eligible Participants)				All Plans
	1–49	50–199	200–999	1,000+	
Yes, Changes Made	1.1%	2.6%	3.4%	5.9%	2.7%
Considering Changes	4.3%	2.6%	15.3%	14.7%	7.6%
None	94.6%	94.8%	81.4%	79.4%	89.7%
Total	100.0%	100.0%	100.1%	100.0%	100.0%

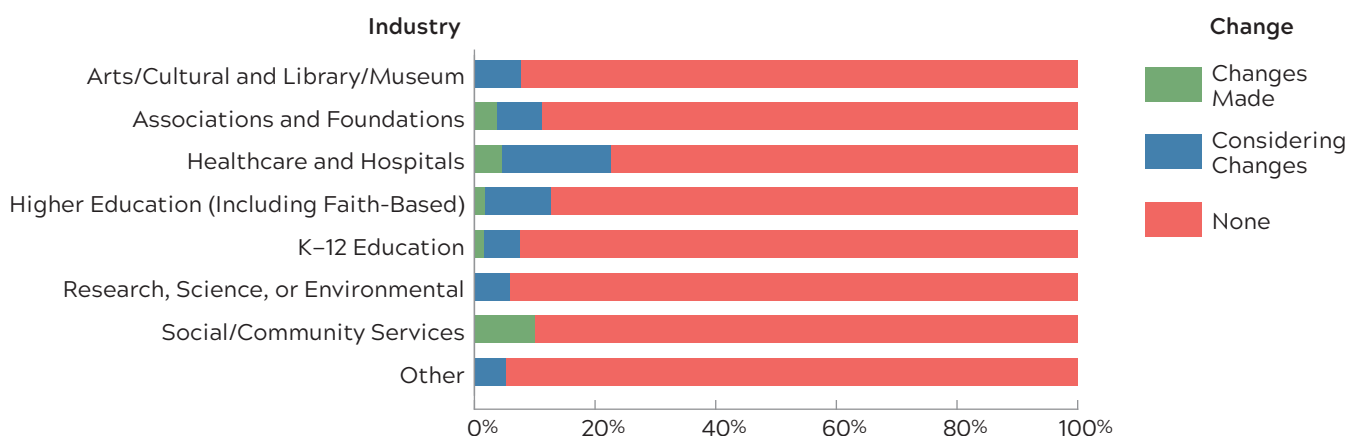
Impact of COVID-19 and Economic Conditions on 403(b) Plans

Table 12 | Organizations Making Other Plan Design Changes as a Result of the COVID-19 Pandemic by Industry

Industry	Change			Total
	Changes Made	Considering Changes	None	
Arts/Cultural and Library/Museum	0.0%	7.7%	92.3%	100.0%
Associations and Foundations	3.7%	7.4%	88.9%	100.0%
Healthcare and Hospitals	4.5%	18.2%	77.3%	100.0%
Higher Education (Including Faith-Based)	1.8%	10.9%	87.3%	100.0%
K-12 Education	1.5%	6.1%	92.4%	100.0%
Research, Science, or Environmental	0.0%	5.9%	94.1%	100.0%
Social/Community Services	10.0%	0.0%	90.0%	100.0%
Other*	0.0%	5.3%	94.7%	100.0%
All Industries	2.7%	7.6%	89.7%	100.0%

*Similar categories from Table 3 were combined together, and the “Religious Institution” category was rolled into “Other.”

Organizations Making Other Plan Design Changes as a Result of the COVID-19 Pandemic by Industry



Impact of COVID-19 and Economic Conditions on 403(b) Plans

Table 13 | Organizations Considering Terminating the Plan Due to Current Conditions

Change	Plan Size (Number of Eligible Participants)				
	1–49	50–199	200–999	1,000+	All Plans
Plan Terminated	1.1%	0.0%	0.0%	0.0%	0.4%
Considering Terminating	2.1%	0.0%	0.0%	0.0%	0.8%
Not Considering	96.8%	100.0%	100.0%	100.0%	98.9%
Total	100.1%	100.0%	100.0%	100.0%	100.1%

Table 14 | Change in Employment Levels Since the Onset of COVID-19

Change	Plan Size (Number of Eligible Participants)				
	1–49	50–199	200–999	1,000+	All Plans
None	73.5%	63.6%	46.7%	31.4%	59.3%
Decrease	24.5%	15.6%	35.0%	57.1%	28.5%
Increase	2.0%	20.8%	16.7%	8.6%	11.5%
Unsure	0.0%	0.0%	1.7%	2.9%	0.7%
Total	100.0%	100.0%	100.1%	100.0%	100.0%

Impact of COVID-19 and Economic Conditions on 403(b) Plans

Table 15 | Change in Employment Levels Since the Onset of COVID-19 by Industry

Industry	Change				Total
	None	Decreased	Increased	Unsure	
Arts/Cultural and Library/Museum	53.6%	46.4%	0.0%	0.0%	100.0%
Associations and Foundations	67.9%	21.4%	10.7%	0.0%	100.0%
Healthcare and Hospitals	47.8%	34.8%	13.0%	4.3%	99.9%
Higher Education (Including Faith-Based)	50.9%	43.6%	3.6%	1.8%	99.9%
K–12 Education	63.2%	20.6%	16.2%	0.0%	100.0%
Research, Science, or Environmental	70.6%	11.8%	17.6%	0.0%	100.0%
Social/Community Services	58.1%	22.6%	19.4%	0.0%	100.1%
Other*	70.0%	15.0%	15.0%	0.0%	100.0%
All Industries	59.3%	28.5%	11.5%	0.7%	100.0%

*Similar categories from Table 3 were combined together, and the “Religious Institution” category was rolled into “Other.”

Change in Employment Levels Since the Onset of COVID-19 by Industry

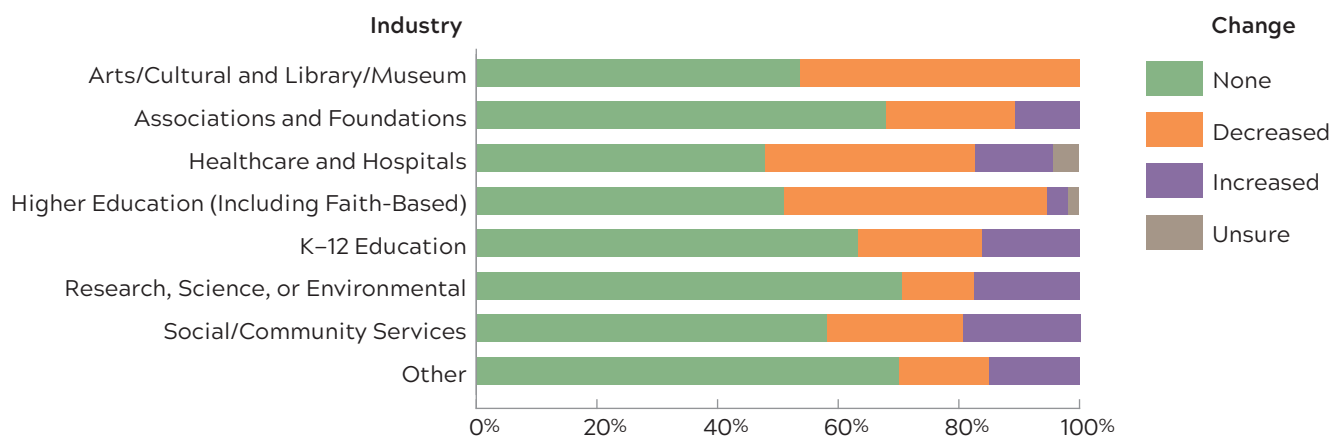


Table 16 | Change to Employment Level Noted by Organizations Experiencing a Decrease

Change	All Plans
Less than 5%	40.3%
5%–9%	32.5%
10%–19%	14.3%
20% or more	13.0%
Total	100.1%