ONA Oregon Nurses Association

Voice of Oregon Nurses Since 1904

Providence Retirement Update – 11/19/19

Recently, Providence notified ONA at all but one of our ONA Providence facilities that it intends to make some minor changes to the retirement plan. We reviewed their proposed changes to the plan and recommend that each nurse do so too. We also consulted with ONA's legal counsel and have requested an analysis of the proposed changes from a benefits expert. We expect a professional opinion by the end of the month and will be sharing it with nurses directly.

In the meantime, below are some of the changes that we have identified. While overall these changes seem relatively minor, ONA has still sent a demand to bargain letter to Providence. This is important to protect our right to negotiate over changes in the terms and conditions of nurses' employment at Providence.

Providence is obligated by our contracts to maintain a retirement plan, but minor amendments that do not decrease the benefits are permitted. We do still have a legal right to bargain over any changes.

Following is a summary of the proposed changes and Providence's explanation of the effect of these changes. Please remember that ONA does not provide investment or tax advice and this summary should not be relied on to make decisions about your own retirement accounts.

What's Being Proposed: Converting the Existing 401(a) and 403(b) to a 401(k)

A 401(k) plan was historically not offered at PPMC because these plans were not allowed in tax exempt organizations. Those tax rules have changed. 401(k) options already exist for some facilities in the Providence St. Joseph system so by offering it everywhere nurses will be able to keep that plan if they transfer. Ultimately, Providence wants to standardize this throughout the organization. Providence is proposing that both the 401(a) Service Plan and 403(b) Value Plan rollover into a new 401(k) Savings Plan beginning Jan. 1, 2020. That means that all 401(a) current balances and future contributions would fully migrate to the 401(k) plan.

What's NOT Being Proposed

It is significant to note what is not changing under their proposal:

NO change to the formula

NO change to the timing

NO change to the employer match contribution amounts

NO change to frozen core plan

The Pros and Cons

There are three ways in which the proposal may be beneficial to nurses:

1. Some nurses will prefer this 401(k) option. If nurses have 401(k) plans from prior employers, it will be easier to combine plans and therefore track and plan for retirement.
2. It comes with a faster 5-year vesting schedule. This enables nurses to be entitled to the Providence portion of contributions sooner than on the old plan.

Years of Service	Current Vesting Schedule	Proposed Vesting Schedule
0-1	0%	0%
2	0%	25%
3	0%	50%
4	0%	75%
5	100%	100%

3. Their proposal also includes a new option to use Collective Investment Trusts ("CITs"). CITs fees tend to be lower. The drawbacks of the proposal that we have identified thus far are as follows:

- 401(k) plan does NOT include lifetime service related catch-up contributions for caregivers with 15+ years of service, however 401(k) does provide age-related catch-up contributions for all caregivers age 50 or older. For example, PPMC has only two nurses who are participating in this service related catch-up.
  The current service related catch-up is subject to company matching, while the funds can be placed into 457(b), but there is no matching in this account.

- Beginning Jan. 1, 2020, a year of match level service will require 1,000 hours. For example, PPMC has 36 nurses who will be impacted by this change from 800 hours to 1,000 hours and 17 of those 36 worked more than 900 hours in 2018. Also, note that there is no loss of employer match dollars or level – if they don't work 1,000 hours in a year, they may not increase to the next/maximum match level as quickly, but nothing is taken away.

FAQs

Question: What are CITs?

Answer: CIT stands for "collective investment trust." CITs are not available to regular "retail" investors, but only to qualified institutional investors. This contributes to their lower fees. However, these are investment funds that are specific to the holding company (Fidelity) and are typically not transferable if the employee leaves and wishes to roll-over the account. The funds need to be liquidated and then re-purchased into funds in the new retirement account.

Question: How will this affect retirees? Will they need to maintain a Fidelity account in retirement?

Answer: If a retiring nurse prefers to move their money out of the PH&S program at Fidelity, and if the nurse is holding one or more of the CITs, the nurse will need to liquidate that portion of the balance and re-invest the dollars. However, that may be necessary for other funds in addition to the CITs, depending on the funds and share classes that the receiving plan is able to offer. Not all plans will include our same funds at the same share class.

Nurses are always welcome to leave their assets in the Providence retirement plans at Fidelity after they retire or otherwise separate from service. The addition of CITs to the fund lineup does not cause a retiree to need to liquidate his or her investments. Nurses may continue to take advantage of the CITs and other institutional investments offered in the program throughout retirement, taking the IRS-required minimum distributions when necessary, and designating a beneficiary to receive the funds upon death. We would encourage any caregiver considering withdrawing their assets at retirement to double-check how the destination plan or IRA's funds and fees compare with those of PH&S before rolling funds out.

Question: Will there be a listing that clearly shows which funds are CITs and which are standard, publicly traded funds (with ticker symbols)? Ticker symbols are often how an individual searches the fund performance. How will this research be facilitated going forward?

Answer: Yes. The list was provided at the end of August with the announcement regarding CITs for the 401(a) plan. Providence said that it will be repeated with the November announcement about the 401(k). Nurses will be able to find and research all of the investment options available in the plan, including the CITs, in the same manner they do today on NetBenefits. There will be no change in this experience. The performance and overview of the CIT investment options will appear alongside the mutual fund options.

Question: Can I convert my Roth IRA to the Providence 401(k)?

Answer: Yes. There is a Roth in-plan conversion to the 401(k) plan that will give nurses the option to reduce future income taxes. Contact Fidelity at 1-800-343-0860 for more information.

Question: What if I have individual questions about my retirement?

Answer: Contact a Fidelity Retirement Planner at 866-630-9722. Fidelity Retirement Planners are available to you at no additional cost. They can help with asset allocation, retirement planning, and other questions about plans including budgeting, student loan debt, and overall debt management.

Stay tuned, we will provide more updates when we get information back from the benefits firm and when our ONA bargaining unit chairs convene to discuss bargaining.