The Missing Benefit: CHOICE the Education Finance Program

District of Columbia Housing Finance Agency

Management Innovation: Human Resources

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ASSESSING AND INNOVATING

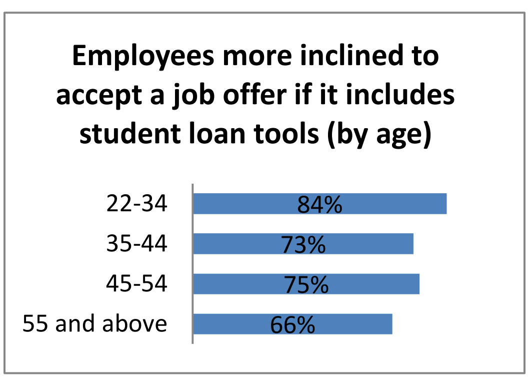
The District of Columbia Housing Finance Agency ("DCHFA" or "the Agency") takes pride in providing generous and innovative benefits to its employees. The Agency strategically uses benefits as a tool to help build its team, by leveraging recruitment and employee retention. Research has shown the importance of offering employees attractive and innovative benefits packages. In a benefits study, as many as 77 percent of respondents considered a benefits package when accepting a job offer and 83 percent said benefits influenced their decision to stay at their current employer.

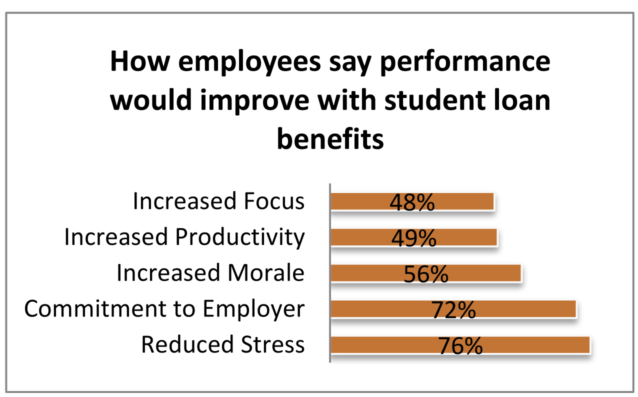
In staying in line with DCHFA's strategic objectives of generous and innovative benefits, the Agency transitioned from a retirement plan with no employer match to an employer matched 457b Retirement plan in June 2016. The new plan offered a seven percent employer match on employee contributions, vested over a five year period. Despite the improvement to the retirement benefit, the plan continued to have low participation rate. In 2018, during the annual plan review, the plan participation rate was 64percent compared to the national average of 84.9percent of eligible employees who made contributions to their employer sponsored retirement plan in 2016. As a result, the HR Director began to talk with employees to see why they did not participate in the retirement plan. The most common and overwhelming reason was Student Loan Debt! As a result of the findings, DCHFA wanted to identify how student debt actually impacts today's workforce and how DCHFA can leverage this trend into an innovative employee benefit.

REPLICABLE RESEARCH AND BENCHMARKS

The Agency researched and examined various data including benefits reports, HR trends, and research/white papers on turnover, retention, and benefits- specifically the effects of student loan debt. The research found:

- Employers paid **$600B** in turnover costs in 2018 and can expect the number to increase to **$680B** by 2020
- The current estimated amount of student loan debt in the United States is **$1.4T**
- Contrary to popular belief, student debt affects the vast majority of the workforce populations, and not just millennials.
- Two often overlooked populations of employees with financial concerns include:
    - Those planning to fund the education of a dependent (parents with school age children/dependents)
    - Those currently in debt for their own education and/or those of their dependents (parents of college-age children/dependents)
- Employees across all age groups with student debt consistently seek loan repayment ahead of tuition reimbursement as a preferred benefit.
- **61 percent** of employees who worry about finances regularly also said student loan debt has delayed or prevented them from saving for retirement
- Other financial goals that were delayed as a result of student loan debt include buying a home and traveling

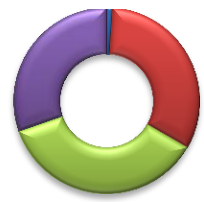




DCHFA DEMOGRAPHICS

After the Agency reviewed the research, it benchmarked the data against DCHFA's workforce demographics to see how the trends related to its employees in regards to benefits, financial wellness, education, and student debt.

- Total Employee Count: 50
- DCHFA employees' generational breakdown is more or less equally distributed with the following;
  - Baby Boomers 32%
  - Gen X 36%
  - Millennials 30%



This trend differs from the National workforce distribution, wherein Millennials are the highest at 37%

- 2018 new hire generation breakdown: Baby Boomers 14%, Gen X 14%, and Millennials 14%
- 76% of DCHFA employees hold a Bachelor's degree or higher
- A total of 56% of DCHFA employees have dependents (26 years and under)
- Agency's turnover rate in 2018 was 16% ; National Average in 2018 was 15.1%

#DCHFAINNOVATES

After reviewing the research next to DCHFA's own demographic data, DCHFA realized it had been overlooking the financial concerns of employees affected by student loan debt. As indicated in the research, employees who have student loan debt often defer their financial goals and as a result defer retirement contributions as seen at DCHFA. Thus, DCHFA sought out to develop an innovative, comprehensive benefit plan to improve employees' financial well-being and assist in improving the Agency's strategic recruitment and retention goals by implementing a Student Loan Debt program. The plan was designed to meet the needs of employees in different stages of their lives and financial education needs.

DCHFA partnered with Gradifi to serve as the administrator of the program. Gradifi provided data, support, recommendations for plan development and built the online platform specific to DCHFA's program provisions.

OPPRTUNITY FOR A NEW PROGRAM

DCHFA was pleased to launch the **CHOICE Education Finance Program** to employees in February 2019. The Program design offers up to $10,000 in financial assistance to employees for costs associated with education and/or student loan debt. Employees have the option to participate in either the Student Loan Paydown Plan or the College SaveUp Plan.

Through the Student Loan Paydown option, DCHFA will make monthly contributions to an employee's designated student loan account. Employees who have Parent Plus loans are also eligible to partake in the benefit. In the College SaveUp Plan, DCHFA will deposit contributions into an eligible 529 College Saving Plans as directed by the employee for the purpose of saving for their child(ren)'s and/or eligible dependents' future education costs. Payments are made on a step progression, paid over a five year period with a bonus payment at the completion of year five as stated in the chart below:

PLAN PARTICIPATION YEAR	MONTHLY CONTRIBUTION
1	$100
2	$125
3	$150
4	$175
5	$200
BONUS (COMPLETION OF YEAR 5)	$1,000

The benefit is offered to full-time employees effective upon their date of hire. All loans and accounts are verified by Gradifi and payments are debited from DCHFA and sent to Gradifi, who in turn makes the payment to the loan servicer and/or 529 account, keeping employees' financial data and account information private. Gradifi also offers complimentary student loan refinancing, student loan counseling, and college planning as additional program features.

PROGRAM BENEFITS OUTWEIGH COSTS

The total benefit cost of $10,000 is marketed to candidates as a recruitment tool. DCHFA's research found that candidates are more inclined to accept a job offer if it includes a student loan debt benefit. Not to mention, the offering of a $10,000 payment to student loan debt sounds very appealing, especially when the average student loan debt in 2016 was $37,172.

The program's step progression feature was a tool intended to increase employee retention. While the Agency wants to provide benefits and improve the lives of its employees, DCHFA also wants to get a return on its investment, and in this case that's employee retention. Research found that more than 86 percent of employees who have student loan debt, or debt on behalf of a dependent, said they would be more inclined to stay at their current company if their employer provided monthly student loan repayments. Additionally, 85 percent of those said they would commit to staying "at least three years or more."

MEASURABLE RESULTS

As of April 2019, the CHOICE Education Finance Program has an enrollment rate of 52 percent. The program has received great feedback and employees are continuing to enroll each month. After the first full year, the Agency will do a full evaluation and ROI of employee participation, the effects on employee recruitment and retention and finally examine employee participation into the 457b retirement plan, to see if it has increased.

ACHIEVED OBJECTIVES AND THE WAY FORWARD

The following steps were used by DCHFA to help outline and build a high-impact Student Loan Benefit Program:

1. **Research and Collect Data-** use data and research on student loan benefits to identify benchmarks for your Agency. *DCHFA utilized data from SHRM and other HR related databases.*
2. **Asses your Agency-** take a systematic approach to understand the need related to student debt at your Agency. *DCHFA benchmarked research data against DCHFA demographics to determine the need for a Student Loan Debt Program and how to structure the program.*
3. **Identify Necessary Resources-** use internal and external data as to evaluate current benefits and if they are being properly leveraged and re-allocate budget as necessary. *DCHFA recognized that the Tuition Reimbursement program was underutilized and as a result, money from that benefit was used to fund the new CHOICE Program*
4. **Choose the Right Partner-** Select a vendor who has subject matter expertise and ability to manage your program. *DCHFA chose Gradifi as the vendor*
5. **Develop your Program-** customize a plan that suits the needs of your employees and Agency's strategic objectives. *DCHFA developed a program with options that meet the needs of employees in different financial situations as related to student debt including prevention and reduction and is used as a recruitment and retention tool*
6. **Launch Program-** communicate and promote program to employees. *DCHFA announced the Choice program at an All-Staff meeting and emailed the detailed program brochure to all staff. Periodic emails go out as reminders to employees who have not signed up.*
7. **Evaluation**- Evaluate the program for participation, employee satisfaction, and overall ROI. *DCHFA will evaluate the program after one year for employee participation and to determine its effect on recruitment, retention, and employee enrollment in the retirement plan.*

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Up-Down Choice Education Finance Benefit	**$50.00**

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