



RETIREMENT SERVICES

## Retirement plans level up

*Employers rank retirement benefits as valuable as compensation and health care*



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# Methodology

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Retirement Insights, LLC conducted a nationwide study to gather the employer experience and perspective. The survey included a national sample of 200 mid-sized employers who offer an employer-sponsored retirement plan and have between 500 and 5,000 employees. Survey participants include C-suite, HR/Benefits leaders who currently serve as a decision-maker for their organization's benefits program. The research was completed in August 2019.

## **Objective**

ADP Retirement Services commissioned Retirement Insights, LLC to conduct a study to gain insight into the attitudes of employee benefits decision-makers regarding their organization's current employee benefits program. Specific research goals included:

- Determining employee satisfaction with benefits programs
- Understanding how enhancements to employee benefits program are prioritized
- Gauging employee and participant behaviors and concerns





## Introduction

Aggressive competition for talent has challenged employers with finding the right programs to secure workers who can help them take their business to the next level. Although recruiting the right talent is a big driver of employee benefits program offerings, employers are increasingly learning that employee financial wellness is also vital to elevating employee performance. Substantial numbers of employees report workplace disenchantment, reduced productivity, and extended employments that are a result of their financial insecurity. Employers place a high value on their retirement plans, and they are aligning their resources behind the workplace benefits that can help solve employees' financial challenges and eliminate productivity-sapping financial stress.

### Research findings

- Health care costs, saving for retirement and current living expenses pose the greatest threat to employees' financial wellness, according to those surveyed.
- Employers are not confident in their workers' ability to meet their retirement savings goals.
- Most employers view their overall benefits offering as competitive to those offered by comparable, similarly sized firms.
- Competition for the best workers is the primary force that fuels employee benefits program upgrades.
- The majority of those surveyed rate their firm's retirement plan offering as equal to or more valuable than compensation in helping employees build financial wellness.

## Retirement savings and health care costs put employees' financial security at risk

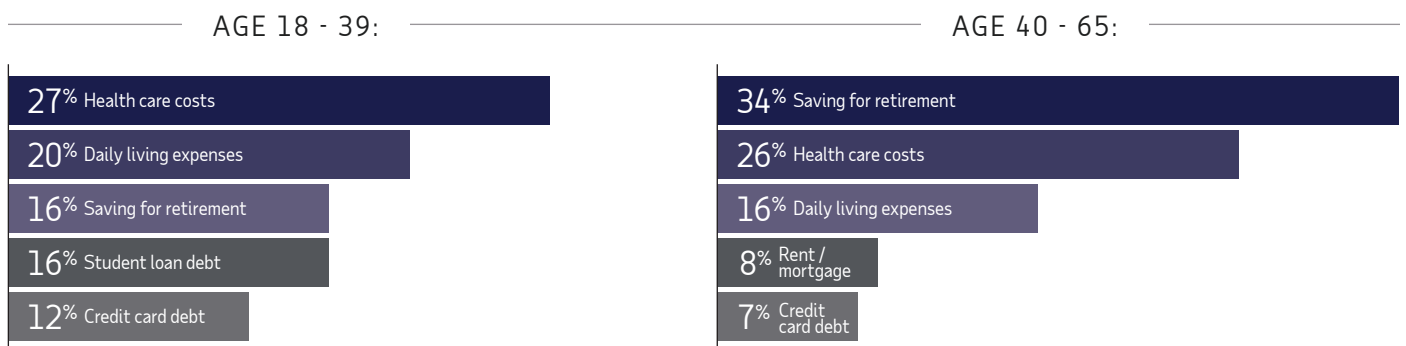
Workers report high levels of stress related to their personal finances, and it impacts their performance in the workplace. Sixty-five percent report stress related to their financial situation at moderate to high levels, and 29 percent of those with high financial stress spend about an hour each day on personal money matters during work hours.<sup>1</sup>

From the employer perspective, it is the cost of health care (35%), saving for retirement (20%) and current living expenses (18%) that threaten their employees' financial wellness. For workers under age 40, they believe more immediate needs like the cost of health care (27.1%) and current expenses (19.7%) are considered greater risks than saving for retirement (16.3%). Student loan (15.8%) and credit card debt (12.3%) are also concerns. Rent or mortgage expenses (6.9%) and caring for a child and/or parent (2%) are less problematic.

Savings for retirement poses the highest financial risk to middle-to-senior aged workers over age 40, according to the survey. Thirty-four percent of employers say it is the most concerning financial issue for this group. Health care (26.1%) and daily expenses (16.3%) are also highly concerning. Rent or mortgage (7.9%), credit card debt (6.9%), student loan debt (5.4%) and caring for a child and/or parent (3.4%) are lesser concerns.



### Employer View: What are your employees most concerned about?



SOURCE: Retirement Insights, LLC. August 2019.

Employers are not confident that their workers are taking the right steps to meet their retirement savings goals. Sixty-three percent believe less than half of employees feel prepared to meet their future financial needs, and 52 percent say employees' current expenses are the top cause. Under-saving (17.7%), lack of financial literacy (17.7%) and short-term financial priorities (11.8%) are other deterrents to employees' retirement security.

<sup>1</sup> Financial Wellness Survey. Retirement Insights, LLC, May 2018.

## Employee obstacles to achieving retirement savings goals

52%  
Current expenses



18%  
Under-saving

18%  
Lack of financial literacy



12%  
Short-term financial priorities

SOURCE: Retirement Insights, LLC. August 2019.

Employers make benefits programs available that address their workers' financial concerns. Over half of the survey respondents indicate their firm's financial wellness program includes support for health care costs (55.2%) and saving for retirement (54.2%).

Despite the increasing reliance on digital media, a third of employers rank HR meetings and workshops as the most effective channel for educating employees about workplace benefits. Sponsors also report the employer website (22.2%) and workplace email (21.7%) as other reliable ways to communicate benefits information. Surprisingly, traditional mail is believed to be more effective than a mobile app. Eighteen percent chose mail delivered to employees' homes over a mobile application downloaded to an employees' mobile phone (5%).

## High marks for existing benefits

Ninety-seven percent of those surveyed rate their overall benefits offering to be at least equally competitive to comparable, similarly sized firms, and over half — 56 percent — consider their offering to be superior. The majority worked with a professional, third-party or industry consultant (55.2%) to benchmark their firm's employee benefits program against *best-in-class* programs. Others often use industry research and trade publications (28.1%) or similar-role peers (11.3%) to help them assess their program. About 5 percent do not benchmark their program.

## What's driving benefits enhancements?

Competition for the best workers is the primary force driving employee benefits package upgrades. Nearly 60 percent cite attracting and retaining workers as the top driver for making changes to their benefits package. However, despite intense competition for workers, employers are not moving to enhance benefits packages beyond improvements to cash compensation. Thirty-eight percent say improvements are not critically necessary to their recruiting efforts, and 14 percent believe their organization has no issue with recruiting workers. Thirty-seven percent also find enhancing benefits to be too costly.

In terms of sharing the cost of benefits with employees, nearly all employers believe employees' share of the cost will either remain unchanged or increase. Fifty-seven percent anticipate no change while forty-three percent believe workers' share of the cost of benefits will increase.

## Rating current benefits: health care

Almost half of survey respondents (43.6%) identified health care as not meeting employee expectations and potentially requiring change. Of this group, 4 out of 5 indicated the issue was with the benefits provider rather than the benefit itself.

Health Savings Accounts (HSAs) are available in most benefits programs, according to 83 percent of those surveyed. However, of those offering HSA access, nearly all believe that less than half of employees are currently contributing to these accounts. The majority estimate employee participation to be between 25 and 50 percent. Adding an HSA is not in the near-term plans for those without one. Nearly half are not considering adding one (or an HRA) in the next 1 to 2 years.

Although HSAs offer a tax-advantaged opportunity for workers to increase retirement savings to fund future medical expenses, these accounts are largely viewed by employers as transactional accounts to be used mainly for current health expenses. When asked to define an HSA, 86 percent selected options matching this description.

## Rating current benefits: retirement plans

Retirement plans are highly valued. The majority of those surveyed rate their firm's retirement plan offering as equal (56.7%) to or as more (37.4%) valuable than compensation in helping employees build financial wellness. Few view their firm's retirement plan offering to be less valuable (5.9%) than compensation and health care benefits in helping employees build financial wellness.

The majority of those surveyed (79.8%) are satisfied with the investment options and share classes offered in their current retirement plan. In terms of the ideal number of investment options in the plan, most prefer fewer than 35 investment funds, with the majority indicating a preference for a fund menu with a range of 15 to 30 investment options. Of the 20 percent who are unsatisfied with their retirement plan investment lineup, increases in the type of available investment options (50%), the number of represented fund families (21.4%), and the number of available investment options (17.9%) would improve their satisfaction.

Regarding improvements to their retirement plan offering, 37 percent of respondents noted providers could be more proactive about making recommendations for improving plan performance. They would also like their provider to generate more frequent communications (32.5%), resolve problems more rapidly (25.1%) and be more proactive about program enhancement recommendations (4.9%).



The majority of those surveyed rate their firm's retirement plan offering **as equal to or more valuable** than compensation in helping employees build financial wellness.



## Income replacement solutions

The majority — nearly 70 percent — offer an in-plan retirement income solution to retirement plan participants. Of the 30 percent not offering a retirement income solution, most (71%) have no plans to offer one within the next 2 years. Concerns about fees (47.7%) and fiduciary liability (31.8%) are top reasons. Twenty-seven percent also say that participants lack interest in an income replacement solution, and another 27 percent prefer to focus on other retirement plan program enhancements.

## Conclusion

Financial woes can drag employee engagement and productivity down and distract them from doing their best work. A competitive benefits package has a high attraction value and can yield a stronger workforce by optimizing productivity and engagement. Employers can add value and elevate their workers by leveraging benefits that are aligned to solve their employees' financial challenges. With benefits like retirement plans and integrated financial wellness programs, employers can help workers build financial security for their lifetime.



# Redefining retirement

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## About Retirement Insights, LLC

Since 1996, Retirement Insights, LLC has been assisting financial services companies to competitively position their products in the marketplace and achieve their goals. We offer powerful competitive intelligence tools, reporting and consulting services specialized in the retirement and financial industries. Our expertise lies in connecting our innovative research and information with insights that help our clients make better decisions and bring practical, actionable solutions into view.

This white paper is based on a study conducted by Retirement Insights, LLC on behalf of ADP Retirement Services. Retirement Insights, LLC developed an online survey to be completed by a national sample of employees between the age of 25 and 65 with an annual household income of at least \$30,000 who are currently participating in their employer retirement plan. The survey data included 505 completed online survey respondents. The research was completed in January 2019.

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