

ADP RETIREMENT SERVICES

Retirement
plan solutions
for the
retail
industry

INDUSTRY INSIGHTS
TO HELP YOU BENCHMARK
YOUR PLAN



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Always Designing
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More changes in store for the retail industry

Since 2020, the retail industry has “experienced growth that would normally take almost a decade by pre-pandemic standards,” according to the National Retail Federation (NRF). Despite economic uncertainty and inflation that reduces consumers’ purchasing power, the NRF is optimistic about the industry’s growth forecast for 2023, estimating between 4 and 6 percent growth that exceeds the 3.6 percent pre-pandemic average.

Sales and service strategies implemented virtually overnight during the pandemic has raised the bar on customer expectations of convenience and digital experiences. Retailers looking to create loyalty will consider customer-centric approaches that leverage omnichannel, digital and other platforms to create seamless, ultraconvenient and engaging digital and physical shopping experiences.¹ As new technology, data and customization strategies play an increasing role in engaging customers, it will impact labor strategies. High-demand candidates with specialized skill sets including data and cyber security will become a hiring priority.

As an industry with one of the highest turnover rates, retail executives worry about hiring and retaining workers — 70 percent say it’s their biggest concern for 2023.² For good reason — data finds 74 percent of retail employees are actively searching for a new job or planning to start a job search.³ Additionally, 30 percent of new hires wouldn’t hesitate to hop jobs again for a better offer.⁴ At the same time, fierce competition for hourly workers has forced retailers to offer higher wages and more flexibility.

“Amid economic uncertainty and changing consumer preferences, the current macro landscape **is giving retailers a hard reality check** that it’s not enough for brands to be present in one place. Beyond a physical store and online presence, brands need to be seen and heard... where consumers can come to be inspired and to shop.”

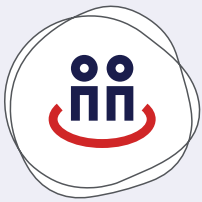
— Roshan Jhunja,
GM of Square for Retail⁵



- 1 The future of retail. EY, 2023.
- 2 Deloitte 2023 Retail Outlook
- 3 Checkr Survey: Stay or Go: Americans Share Hopes and Fears About 2023 Job Market. Checkr, 2/15/23.
- 4 Ibid.
- 5 Top Retail Trends 2023. Retaildive, 2/6/2023. .

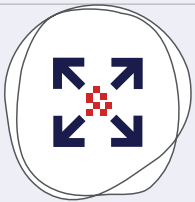
Top talent requires top benefits

Retail workers are motivated to change jobs for a variety of reasons — 34 percent are pursuing higher wages, however better benefits and employee perks, quality of life options such as workplace flexibility and job stability are other top considerations.⁶ To attract high-demand tech workers to the industry, employers must offer competitive compensation, benefits and flexible work options. Employers that address workers' preferences can win at creating a more committed, productive workforce. Here's how employers can respond to these challenges:



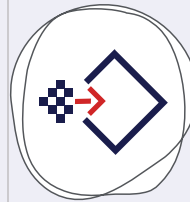
Creating career paths

through training and upskilling programs to keep top workers through growth.



Implementing quality of life strategies

that improve work/life balance, offer flexibility and greater economic stability.



Invest in technology

and automation to improve productivity, lower costs and streamline a variety of functions from hiring and employee management to connecting to customers. Applying tech to food services can make work easier and efficient by automating inventory management, connecting to customers, enabling customer and employee self-service.

⁶ Ibid.

RETIREMENT PLAN REPORT CARD

A retirement plan can help your organization attract and retain motivated, productive workers. ADP provides you with insight into how your plan measures up against other industry retirement plans and can help you optimize your plan to achieve your workforce goals.

The good news

The retail industry is ahead of others in the following categories. If your plan offers these options, congratulations.

401(k) PLANS



MATCHING CONTRIBUTIONS

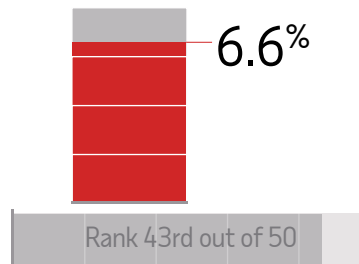


SOURCE: PLANSPONSOR Defined Contribution (DC) Survey, 2022.

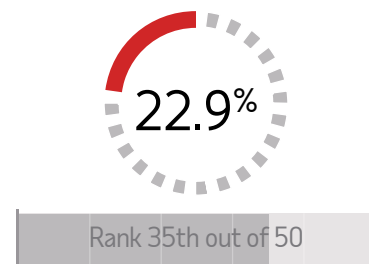
The challenges

Retail plans are near the bottom of all 50 industries tracked in the key categories of deferral rates and account balances. Plan participation is in the bottom half of all industries and retailers are less likely to allow employees to immediately enter the plan.

AVERAGE DEFERRAL RATE



IMMEDIATE ELIGIBILITY



AVERAGE ACCOUNT BALANCE

\$73,902

Industry average \$133,281



SOURCE: PLANSPONSOR Defined Contribution (DC) Survey, 2022.

Retail industry retirement plans can benefit from **utilizing auto features,**
offering financial wellness resources
and considering outsourcing fiduciary responsibilities.



CHALLENGE:

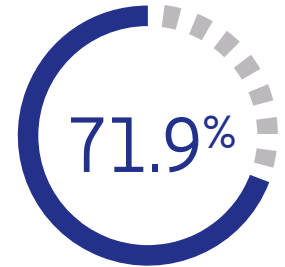
PLAN PARTICIPATION AND SAVINGS RATES ARE LOW

Retail retirement plans **have one of the lowest deferral rates and account**



Just 26.9% of plans say nearly all participants **defer enough to take full advantage** of the match

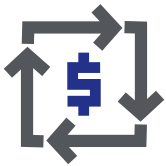
PARTICIPATION



AVERAGE ACCOUNT BALANCE

\$73,902

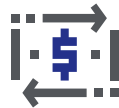
Automatic plan features can help, **but are underutilized**



46.4%

OF PLANS DON'T USE AUTOMATIC ENROLLMENT

43.3% DON'T OFFER AUTOMATIC DEFERRAL INCREASES TO PARTICIPANTS



77.1%

DO NOT ALLOW IMMEDIATE ELIGIBILITY

AVERAGE DEFERRAL



6.6%

SOURCE: PLANSPONSOR Defined Contribution (DC) Survey, 2022.

WHY IT MATTERS

- Employees are missing out on one of the most valuable workplace benefits you offer, including tax advantaged savings and matching contributions.
- Your workers may need to work longer and retire later to make up for under saving, and may not have enough money for the retirement they want.
- Low participation and deferrals can lead to compliance issues for your plan

HOW ADP CAN SOLVE YOUR RETIREMENT PLAN CHALLENGES

- ADP can help you design effective automatic plan features, including auto enroll and automatic deferral increases using Save Smart, a feature that lets participants schedule their savings rate to automatically increase at designated intervals (like at annual review time).
- Our personalized, guided enrollment process makes it easy for participants to make sound decisions and stay engaged in their retirement planning.
- A knowledgeable education team is available for live virtual enrollment and ongoing education sessions.



CHALLENGE:

PLANS LACK FINANCIAL WELLNESS AND EDUCATION FOR EMPLOYEES

Enhancing plan design and employee education offerings could help employees maximize the benefit and build financial security.



31.7%

Offer no financial wellness education such as budgeting, debt management, saving for long term goals and Social Security withdrawal strategies

SOURCE: PLANSPONSOR Defined Contribution (DC) Survey, 2022.



31.8%

Believe employees **will achieve** their retirement goals by age 65



64%

Plan sponsors believe **they are responsible for helping employees** with their financial wellness

WHY IT MATTERS

- Workers expect help with their financial wellness from employers.
- Providing employee education about the plan is your fiduciary obligation.
- Food service careers can be high stress with low pay. Employees may struggle with paying daily expenses, debt, saving for emergencies and other financial challenges.
- Everyday financial decisions effect financial wellness. Financial education programs can help participants make better informed decisions — including saving for the future.

HOW ADP CAN SOLVE YOUR RETIREMENT PLAN CHALLENGES

- The ADP Achieve employee education program delivers messaging and educational resources that can help solve challenges and meet the specific needs of each participant.
- Easy to understand and guided ex periences help participants increase their knowledge and make better decisions.



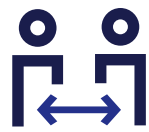
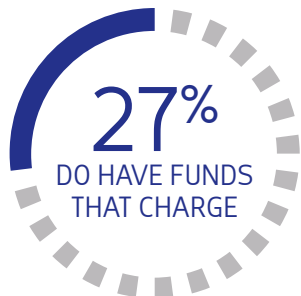
CHALLENGE:

TOO MANY PLANS MAY BE TAKING UNNECESSARY FIDUCIARY RISK.

ADP clients may **choose to offer investment advice and guidance** for employees through either Edelman Financial Engines or Morningstar.



Have investment lineups that **include funds that charge 12-b1 or sub-TA fees?**



75% Work with a retirement plan advisor or institutional investment consultant... **but most do not provide fiduciary services**

34.6% are 3(38) fiduciaries

30.8% are 3(21) fiduciaries

23.1% are unsure if their advisor is a plan fiduciary

SOURCE: PLANSPONSOR Defined Contribution (DC) Survey, 2022.

WHY IT MATTERS

- It is the responsibility of the plan fiduciary(ies) to diligently select and monitor plan investments to ensure they are appropriate.
- Plan sponsors have a fiduciary responsibility to act in their employees' best interests, including paying reasonable fees for investments. Funds with 12-b1 or sub-TA fees may not be in participants' best interests and may increase your fiduciary risk.

HOW ADP CAN SOLVE YOUR RETIREMENT PLAN CHALLENGES

- ADP offers a selection of low-cost funds (referred to as zero revenue funds) that pay no 12b-1 or sub-TA shareholder servicing fees or compensation in general to ADP or its affiliates. Plan recordkeeping fees are calculated and charged separately providing greater fee transparency.
- To assist you in making investment decisions for your plan, ADP makes optional 3(21) investment advisory and 3(38) investment management services available to help you mitigate the risks associated with investment option selection and monitoring.

MORE THAN A PROVIDER, ADP IS YOUR RETIREMENT ALLY.



ADP connects you and your employees to data and technology that make retirement plans easy and engaging. Seamless access to data and insights keeps everyone in control of saving for retirement. And our extensive, real-world experience in HCM and data security means we make work easier so you and your employees can thrive. We offer:

- Seamless, automatic flow of data through our ADP platforms to make retirement planning easy and accessible.
- A data-driven approach to employee education that solves unique challenges, uncomplicates retirement planning and empowers employees to make better decisions.
- Plan design to best meet the needs of your business and workforce.
- Industry-recognized security to ensure that your employee data is secure, compliance is managed and risk is mitigated.

Let's Talk.

For more information about how ADP can help you solve plan design challenges so you and your workforce can unlock the full potential of your retirement plan visit adp.com/401k.

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