Wilmington Trust
MEMBER OF THE M&T FAMILY

THE FOUR R'S:

Recruitment, Retention, Rewards, and Retirement

Contents

Introduction

Retirement plans are integral to the employee lifecycle, encompassing the **Four Rs: Recruitment, Retention, Rewards, and Retirement.** Offering these benefits can set employers apart from the competition and become a pivotal factor in a candidate's decision to accept an offer. Doing so also gives companies more choices in how to attract various employees and can appeal to different needs by making retirement a financially viable option for employees as they approach retirement age.

The goal of effective plan design is to achieve the Four Rs. Creating a comprehensive strategy that attracts top talent while motivating, retaining, and supporting employees throughout their careers and into retirement. These elements play a critical role in building a committed workforce.

Recruitment is the first step, where robust retirement plans can set an employer apart from peers in a highly competitive job market. Employers can attract candidates who value long-term financial security by offering well- designed benefits.

Once employees are onboard, integrating retirement plans with **rewards** like profit-sharing and ESOPs can further motivate performance and foster loyalty.

In addition, **retention** strategies should include vesting schedules and continuous communication about the value of retirement benefits, so that employees feel their long-term commitment to the company is recognized and rewarded.

Finally, as employees transition to **retirement**, employers should provide comprehensive planning and support, including options like lifetime income solutions, to help retirees feel secure and maintain a positive connection with the company.

RECRUIT

- Eligibility
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- Vesting
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- Student debt
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- **RETAIN**
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Retirement Plans in a Tight Job Market

In today's competitive job market, attracting top talent requires more than a competitive salary. Employers must offer comprehensive benefits packages that provide long-term value to employees. One of the most effective ways to achieve this is through well-designed retirement plans.

A significant portion of American workers— 59%—express concerns about running out of money in retirement[1], making robust retirement benefits a critical factor in their decision-making process.

BY THE NUMBERS

71% of adults express moderate to significant worry about their financial future for retirement[2]

42% of workers cite retirement savings as one of their top concerns[3]

47% of employees cite retirement availability as an important reason to join[4]

84% of employees express interest in personalized 401(k) investment options tailored to their unique financial situation[5]

94% of employers offer defined contribution plans such as 401(k), 403(b), or 457(b)[6]

44% of all U.S. workers, or about 64 million, do not participate in employer retirement plans[7]

The Recruitment Advantage

Retirement plans play a crucial role in attracting top talent, but in today's labor market, simply offering a plan is not enough. Competition means employers must find ways to stand out with superior retirement benefits and plan features. In addition, federal and state-level mandates increasingly call for employee access to retirement plans as critical for the American workforce.

Many prospective employees evaluate job offers based on the quality of the retirement plans, from basic options to comprehensive, well-structured benefits that promise long-term security.

Employees consider factors like employer matching contributions, vesting schedules (when employees fully own benefits that employers contribute to their retirement plan), and the availability of financial planning resources. Additionally, features like automatic enrollment and contribution increases show a commitment to helping employees build their retirement savings effortlessly.

By offering robust retirement plans, employers can position themselves as forward-thinking and supportive, making their job offers more attractive. They can also alleviate the worry that most Americans feel about their finances in retirement. This focus on superior retirement benefits can be a crucial factor in recruiting talent effectively.

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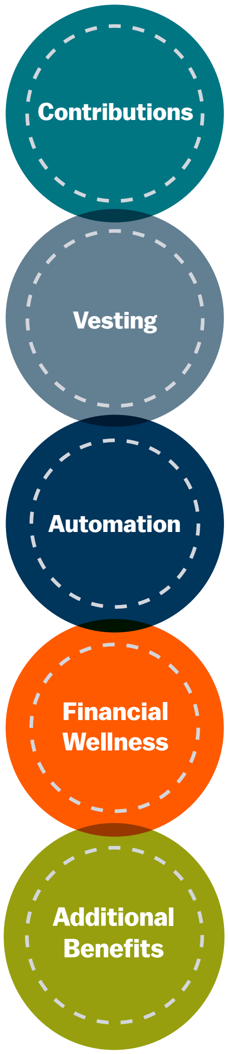
1 Voice of the American Workplace, Franklin Templeton / Harris Poll, 2024
2 Americans' Outlook for Their Retirement Has Worsened, Gallup, 25 May 2023
3 Voice of the American Workplace, Franklin Templeton / Harris Poll, 2024
4 Phased retirement: An effective tool in the employee attraction/retention game, WTW, 23 January 2023
5 Voice of the American Workplace, Franklin Templeton / Harris Poll, 2024
6 Employee Benefits Survey, SHRM, 2023
7 U.S. Bureau of Labor Statistics, March 2023

Key Features of Attractive Retirement Plans

Plan sponsors have many options and significant flexibility in designing retirement plans with attractive attributes and additional services.



Employer Matching Contributions and Profit Sharing
Employer matching contributions are funds an employer adds to an employee's retirement account, matching a portion of the employee's own contributions. Profit sharing involves the employer contributing a portion of company profits to employee retirement accounts, rewarding employees when the company performs well

Immediate Vesting vs. Discretionary Contributions
Immediate vesting allows employees to gain full ownership of employer contributions right away. In contrast, discretionary contributions are made when an employer chooses. They often follow a vesting schedule.

Auto-Enrollment and Auto-Escalation Features
Auto-enrollment automatically enrolls employees in the retirement plan, increasing participation rates. Auto-escalation gradually increases employee contribution rates over time, boosting retirement savings. These features simplify saving for employees.

Inclusion of Financial Wellness Programs and Counseling
Financial wellness programs provide education and resources to help employees manage their finances effectively. Counseling offers personalized advice on budgeting, investing, and retirement planning. These services enhance employee financial literacy and confidence, promoting overall financial well-being. Almost 90% of employees expect companies that offer a retirement plan to provide education about it.[8]

Other Financial Benefits
Non-retirement financial benefits further enhance competitiveness. Options can include financial planning services, emergency savings programs, and educational seminars on various financial topics. These benefits help employees build a solid financial foundation and prepare for unexpected expenses. They can also include tax-advantaged Health Savings Accounts (HSAs) and Student Debt Repayment Programs that directly contribute to employees' loan balances.

By incorporating these features, plan sponsors can create robust and attractive retirement plans that support employee financial security and enhance recruitment and retention.

In addition, the Department of Labor (DOL) has provided guidance on enhancing cybersecurity measures for retirement plans. Service providers must offer strong cybersecurity practices (information security, system availability, processing integrity, and data confidentiality) to protect plan participants' data.

Plan sponsors should, therefore, strongly consider what plan providers and other services, such as record keepers, can offer to deliver these services effectively, securely, and at a manageable cost. Advisor service providers play an important role in how to evaluate relevant options and implement these core characteristics within plans.

[8] Voice of the American Workplace, Franklin Templeton / Harris Poll, 2024

Communicating the Value of Retirement Plans

Having attractive options also requires effectively communicating the value of retirement plans as part of a prospective employee's total value of compensation. Best practices include highlighting the retirement benefits in job postings, discussing them during the interview process, tailoring them to employees' financial literacy and information preferences, and incorporating them into onboarding materials.

Providing clear and accessible information helps potential employees understand these benefits' long-term value. Successful communication can include storytelling and personalization. For example, some companies share testimonials from employees who have benefited from the retirement plan. Others create personalized benefit statements illustrating how the retirement plan can grow over time and support future financial security. Interactive tools and calculators can also engage employees and help them see the impact of their contributions.

Finally, transparency is essential. Detailed benefit statements that clearly outline the employer's contributions, plan fees, vesting schedules, and potential growth projections help employees understand the total value of their retirement plan and offer transparency. Regular updates and open communication about changes or enhancements to the plan further reinforce this transparency.

Executive Summary | Fully Bundled 401(k) Providers

Provider	Qualitative Score	Recordkeeping Cost	Cost Difference (%)	Cost Difference ($)
Current		.17%		$34,928.20
Provider A	8.0	.19%	+.02%	($4,109.20)
Provider B	8.0	.15%	(.02%)	$4,109.20
Provider C	8.1	.18%	+.01%	($2,054.60)
Provider D	8.8	.17%	*No Difference*	$0.00

Figure 1: Sample Benchmarking Report (Executive Summary)

Utilizing industry data is another sophisticated strategy. Employers can rely on plan advisors to help interpret this data and make informed decisions. Advisors can also provide insights into prevailing trends, such as the increasing popularity of financial wellness programs and HSAs. They can work with employers to factor in considerations for salaried vs. hourly workers, non-qualified plans and stock options for higher-level hires, and differences such as age bracketing of the employee population.

From Hiring to Onboarding

A seamless handoff from hire to onboarding is also crucial. It sets a positive tone for new employees' long-term employer relationships. Streamlining the onboarding process makes new hires feel welcomed and supported from day one.

Providing clear and concise information about retirement benefits during onboarding can prevent confusion and foster engagement. Simple roll-in services can also help employees consolidate their retirement assets from previous employers into their new plans, simplifying their financial management and increasing satisfaction.

Finally, continual education and support are vital for helping new employees understand and maximize their retirement benefits. Regular updates, workshops, and access to financial advisors can empower employees to make informed decisions about their retirement planning, enhancing their overall experience and loyalty to the company. These efforts create continuity and ultimately support retention as well.

KEY TAKEAWAYS

- Offering robust retirement plans is a strategic advantage for employers aiming to attract and retain top talent. By incorporating employer matching, immediate vesting, auto-enrollment, financial wellness programs, and more, companies can create compelling and competitive retirement benefits.
- Effective communication and seamless onboarding further enhance the value of these plans, making employees feel supported and engaged from the start. Ultimately, superior retirement plans are not just a benefit but a crucial investment in the company's long-term success.

FACTORS TO CONSIDER IN PLAN DESIGN AND PLAN CHANGES

- **Employer Matching and Profit Sharing:** Essential for incentivizing employee savings and rewarding company performance.
- **Immediate Vesting vs. Discretionary Contributions:** Offers flexibility and motivation for long-term employee retention.
- **Auto-Enrollment and Auto-Escalation:** Simplify the saving process and achieve consistent growth in the total amount contributed.
- **Financial Wellness Programs and Counseling:** Enhance employee financial literacy and security.
- **HSAs and Student Debt Repayment:** Address broader financial needs, increasing employee satisfaction.
- **Streamlined Onboarding and Continuous Education:** Crucial for setting a positive tone and maximizing retirement plan engagement.

Linking Retirement Plans to Rewards and Performance

Retirement plans are not just about securing the future—they also help companies reward and motivate employees. In our view, retirement offerings can be strategically integrated with other reward programs, such as bonuses and profit sharing. They also include flexibility in tailoring contributions if employers maintain a careful balance to avoid pitfalls like differential treatment.

By understanding these elements, employers can create more compelling reward packages that drive satisfaction and loyalty. Doing so creates incentives for strong employee performance while caring for their long-term financial needs.

How to Integrate Retirement Plans and Bonus Programs

Retirement plans and bonus programs create a powerful incentive structure when employers combine them. The combination effect can motivate employees by enhancing their overall compensation package in a way that encourages long-term commitment and performance.

Profit Sharing	Employee Stock Ownership Plans (ESOPs)	Non-Qualified Plans
• Companies distribute a portion of their profits to employees, typically through contributions to their retirement accounts. • The typical mechanism is setting aside a percentage of yearly profits and distributing it based on a predetermined formula. This approach allows all employees, from entry-level to executives, to benefit from the company's success. • Profit sharing boosts retirement savings and ties rewards directly to the company's financial performance, making employees more invested in their employer's success.	• ESOPs give employees a direct ownership stake in the company. • Employees acquire or accrue company shares over time, which can significantly increase their wealth if the company performs well. • A common approach is for an employee to receive a certain number of shares each year they remain with the company, with the value of those shares appreciating as the company performs well and grows.	• Non-qualified plans are plans that do not meet IRS requirements to qualify for tax-advantaged status, like a 401(k) or other qualified plans. • Employers have greater flexibility with contribution limits, vesting schedules, and payout options. • Non-qualified plans typically apply to executives or key employees to offer additional compensation or retirement benefits. • They can allow deferred compensation or provide supplemental retirement income beyond what is possible through qualified plans.

Implementing Additional Retirement Options

Each of these plans—profit sharing, ESOPs, and non-qualified plans—offers different advantages and requires careful planning to implement effectively, to align with company goals, and to comply with relevant regulations. When designing and funding these retirement benefits, employers must consider their business goals, employee needs, and regulatory obligations. Many retirement plan service providers can provide input to help support the business planning and regulatory nuances.

Profit Sharing

To implement a profit-sharing plan, employers must first establish a plan document that formally outlines the eligibility criteria, contribution formulas, and distribution methods. These plan documents must be made available to employees. In addition, employers should update them regularly to reflect changes in the law, IRS regulations, and any amendments made to the plan.

Funding a profit-sharing plan requires the employer to set aside the chosen amount from the company's profits for allocation to employees' retirement accounts. Each year, the employer can decide how much to contribute based on the company's financial performance. However, the IRS sets limits on these contributions, typically up to 25% of the total eligible payroll. The IRS also limits contributions, with limits updated each tax year. The annual additions paid to a participant's account cannot exceed the lesser of 100% of the participant's compensation, or $69,000 ($76,500 including catch-up contributions for employees over 50 years of age) for 2024.[9]

Incentive Stock Options Programs, Employee Stock Ownership Plans, and Other Stock Options

Incentive Stock Options (ISOs) are stock options offered to employees that can provide favorable tax treatment. Employees can buy company stock at a set price (the grant price) and, if certain conditions are met, pay taxes only on the gains when they sell the stock, potentially benefiting from long-term capital gains rates.

Employee Stock Ownership Plans (ESOPs) are more complex to establish than profit sharing. They require a detailed plan that complies with both ERISA and the Internal Revenue Code[10]. Companies set up a trust fund to hold the shares, which employees gradually acquire over time. ESOPs can be used as an employee benefit and a tool for business succession. Companies should consult with legal and accounting professionals to avoid potential missteps. Contributions to the ESOP are tax-deductible, and employees do not pay taxes on the contributions until they receive distributions.

Other Options include stock-based compensation plans like Restricted Stock Units (RSUs) and Non-Qualified Stock Options (NSOs). RSUs are shares given to employees with conditions, such as continued employment or meeting performance goals. NSOs offer stock options without the favorable tax treatment of ISOs and can be granted to employees, consultants, and directors.

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[9] "Retirement topics - 401(k) and profit-sharing plan contribution limits," IRS, https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-401k-and-profit-sharing-plan-contribution-limits

[10] See "ESOP Fiduciary Rules," ESOP Association, https://www.esopassociation.org/articles/esop-fiduciary-rules#:~:text=Liability%20For%20Breach,if%20not%20for%20the%20breach. "Employee stock ownership plans (ESOPs)," IRS, https://www.irs.gov/retirement-plans/employee-stock-ownership-plans-esops

Non-Qualified Plans

Non-qualified plans provide additional benefits to executives or key employees. The main difference is that they are not subject to the same regulatory requirements as qualified plans like 401(k)s. To implement a non-qualified plan, the employer must draft and publish a plan document specifying the terms, including the vesting schedule, payout options, and conditions under which benefits are paid. These plans can include deferred compensation arrangements, supplemental executive retirement plans (SERPs), or other tailored benefits. Unlike qualified plans, contributions to non-qualified plans are not tax-deductible for the employer until the employee receives the benefits. Employees are also taxed on the benefits when they receive them.

Funding for non-qualified plans is flexible. Employers can choose whether to fund them on a pay-as-you-go basis or by setting aside assets in a special trust that remains subject to the company's creditors.

Avoiding Differential Treatment

When designing retirement options beyond standard plans for all employees, employers must conduct nondiscrimination testing so that contributions do not disproportionately favor highly compensated employees (HCEs) over non-highly compensated employees (NHCEs).

If a plan fails any of these tests, the employer must take corrective actions such as refunds or additional contributions to preserve the plan's tax-qualified status. Regulatory deadlines for such actions fall in March of each year (or Month 3 for plans beginning on a date other than January).

Non-qualified plans are not subject to the same strict nondiscrimination testing as qualified plans, allowing greater flexibility in designing compensation packages for key employees without the risk of failing compliance requirements. They allow employers to offer additional benefits to executives and other high-level employees while maintaining fair and compliant reward structures for the broader workforce. They can also be tailored to provide additional compensation to executives while maintaining compliance for the broader workforce.

Creating a Compelling Offering

By carefully designing additional retirement offerings to reward employee contributions and align with company goals, employers can create a reward system that boosts engagement, retention, and overall productivity.

KEY TAKEAWAYS

- To effectively use retirement plans as part of a comprehensive rewards package, employers should focus on structuring plans to motivate employees directly.
- Start by aligning retirement benefits with company performance through profit-sharing and employer matching contributions. These elements can be powerful incentives, rewarding employees when the company succeeds.
- Next, consider enhancing your available plans with additional options like Employee Stock Ownership Plans (ESOPs that give employees a personal stake in the company. This strategy can increase a sense of ownership and loyalty, driving long-term commitment and performance.
- Finally, for key employees, non-qualified plans offer tailored rewards not subject to the same restrictions as qualified plans, providing additional incentives for those in critical roles such as company leadership.

Creating a Retention Advantage

Retention is a vital part of the employee lifecycle, focusing on keeping talented employees engaged and committed to the organization over the long term. In addition, employee retention can help reduce the costs of sourcing and hiring new employees.

Retirement plans play a crucial role in this effort by offering benefits that grow more valuable the longer an employee stays with the company. Well-designed retirement plans can provide significant incentives for employees to remain with an organization, especially when features like vesting schedules and long-term investment options are tailored to reward tenure.

By integrating well-designed benefits into their broader retention strategy, employers can build stronger, more loyal teams that contribute to sustained business success.

Common tools for employers include profit sharing, Employee Stock Ownership Plans (ESOPs), and non-qualified plans.

EYE ON DATA: EMPLOYEE RETENTION IN THE U.S.

3M

Each month in the U.S., 3 million (as of June 2024) employees quit their jobs, according to Bureau of Labor statistics.[11]

8M

Each month in the U.S., 3 There were over 8 million job openings as of June 2024, with less than one unemployed person available per job opening.[12]

200%

Turnover costs can range from 30% to 200% of a person's salary based on job level, specialization, and local competition.[13]

60%

60% of employers are concerned about losing employees.[13]

The Power of Vesting and Other Plan Features

Vesting determines when employees gain full ownership of employer-contributed funds in their retirement accounts. Strategically planning vesting schedules can be a powerful tool for encouraging long-term employment. Employers can incentivize employees to stay with the company by structuring vesting schedules to reward longevity.

For instance, a company might implement a graded vesting schedule where employees earn ownership of 20% of their employer's contributions each year, becoming fully vested after five years. Or in high-turnover situations, a "cliff vesting" schedules can act as a retention tool because employees are 0% vested for a specified number of years. These approaches motivates employees to remain with the organization to secure the total value of their retirement benefits.

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11 "Job Openings and Labor Turnover Summary, (June 2024)" U.S. Bureau of Labor Statistics, https://www.bls.gov/news.release/jolts.nr0.htm

12 "Job Openings and Labor Turnover Summary, (June 2024)" U.S. Bureau of Labor Statistics, https://www.bls.gov/news.release/jolts.nr0.htm

13 "Understanding and calculating the cost of employee turnover," CultureAmp, https://www.cultureamp.com/blog/cost-of-employee-turnover

14 "Trends in nonqualified deferred compensation plans," Principal, https://www.principal.com/businesses/trends-insights/trends-nonqualified-deferred-compensation-plans

In addition to vesting, **automatic enrollment** signs employees up for a retirement plan when they start a job by default, unless they choose to opt out. This approach helps employees start saving early and increases overall participation rates. Employees who see their retirement accounts grow over time are more likely to appreciate the value of staying with the company.

Auto-escalation adds further automation by gradually increasing employee contributions to the retirement plan at set intervals. Using this feature, employees can build their retirement savings more effectively without feeling the immediate impact on their take-home pay. This gradual growth in retirement savings can create a stronger connection to the company, as employees see the tangible benefits of their long-term investment in their employment.

The Impact of SECURE 2.0

SECURE 2.0 (Setting Every Community Up for Retirement Enhancement) is legislation designed to enhance retirement savings by making it easier for people to save for retirement. Provisions began applying to new 401(k) and 403(b) plans adopted after December 29, 2022, and fully came into effect on January 1, 2024.[15]

Automatic Enrollment

Requires employers to automatically enroll employees in 401(k) and 403(b) plans, starting with new plans established after the legislation's effective date. It mandates that employees are automatically enrolled in these plans unless they actively choose not to participate.

Auto-Escalation

Enhances auto-escalation features by increasing the default annual increase in employee contributions from 1% to 2%, with a cap of 10% of the employee's salary. This change aims to further boost savings rates by ensuring that contribution levels rise gradually over time

Demonstrating Ongoing Value

Strategic communication about the value of staying with the company can also significantly enhance retention efforts by keeping retirement advantages at the top of employees' minds. Frequent messaging helps make retirement benefits look more attractive over time, reducing turnover and fostering a more stable, committed workforce.

[15] See SECURE 2.0 Act of 2022, https://www.finance.senate.gov/imo/media/doc/Secure%202.0_Section%20by%20Section%20Summary%2012-19-22%20FINAL.pdf

However, employers should also make sure that communications offer valuable information to employees. For example, regular plan updates and personalized statements on account balances, projected retirement income, and the impact of continued contributions keep employees informed while reinforcing the benefits of staying with the company.

By law, employers must provide material regarding plan features and benefits when introducing the plan to employees. They must also provide information about enrollment periods, updates about plan changes or amendments, and individual participant statements. Typically, employers rely on third-party providers for these communications.

Additionally, offering educational sessions and financial planning tools helps employees make informed decisions about their retirement strategy. Sessions like workshops or webinars on investment options, tax advantages, and retirement planning empower employees to take control of their financial futures, making them more likely to engage with their retirement plans, save effectively, and appreciate the benefits of staying with the company.

Additional Plan Strategies

Companies are increasingly creating comprehensive benefits packages that go beyond traditional retirement plans. While not directly linked to retirement, these newer offerings can improve employee perceptions of the total value of employment.

They strengthen the relationship between employer and employee while also supporting employee financial wellness.

Employer-sponsored financial wellness is a nearly universal concern. One study found 95% of employers feel a responsibility to step in and support their employees' financial well-being. But there's a disconnect. Nearly half of employers believe they completely support employees' financial wellness, while only 28% of employees feel the same.[16]

Common additional benefits include:

Health Savings Accounts (HSAs):
HSAs offer employees a tax-advantaged way to save for medical expenses. Health expenses can potentially become a significant financial burden for employees. HSAs can strengthen employees' financial wellness by helping reduce this common source of stress. Many employers also pair HSAs with high-deductible health plans to help employees manage healthcare costs, further reduce financial stress, and indirectly increase job satisfaction.

Emergency Savings Accounts:
These accounts allow employees to set aside funds for unexpected expenses, such as car repairs or medical bills, without dipping into their retirement savings. Offering an easy-to-use emergency savings option can make employees feel more financially secure, strengthening their commitment to the company. They also limit the need for diverting saved money intended for retirement.

Personalized Financial Planning and Advice:
By offering access to financial advisors via a retirement plan provider, employers can help employees feel supported in achieving their financial goals. They can get tailored advice on retirement planning, investment strategies, and other financial matters, creating a deeper connection between the employee and the employer.

[15] See SECURE 2.0 Act of 2022, https://www.finance.senate.gov/imo/media/doc/Secure%202.0_Section%20by%20Section%20Summary%2012-19-22%20FINAL.pdf

A well-structured retirement plan is crucial in retaining top talent over the long term. By utilizing vesting schedules, regularly demonstrating the value of retirement benefits, and incorporating innovative financial tools, employers can create a compelling reason for employees to stay. These strategies, combined with personalized financial planning, help employees feel secure and valued, fostering loyalty and reducing turnover.

As plan sponsors, employers must oversee any advisors and service providers such as record keepers, plan communications, trustees, TPAs, or 3(38) advisors (i.e., discretionary managers for a plan, responsible for the selection, monitoring, and replacement of investments).

RETENTION TIPS

- A strong retention strategy strengthens employee loyalty and reduces turnover.
- Vesting schedules incentivize long-term employment.
- Regular communication and education reinforce the value of retirement benefits.
- HSAs, emergency savings accounts, and other parallel benefits address financial wellness concerns.
- Personalized financial advice via licensed advisors further supports employees' financial security.

Empowering Employees for Retirement

Supporting employees in retirement is a final but essential component of the Four Rs. After investing so much in employees' financial well-being, offering access to services and support that help them access and maximize their savings only makes sense.

Preparing employees for the transition to retirement is crucial, because it involves not just financial readiness but also emotional and lifestyle adjustments. Comprehensive planning tools and support resources can facilitate this process, reflecting a company's commitment to its workforce.

TOPICS TO COVER IN EDUCATION SESSIONS

Plan provisions

- Convenience
- Tax benefits (pretax versus Roth)
- Compounding and matching

Savings approach

- Contribution percentage
- Regular increases

Investment options

- Life stage
- Risk tolerance
- Investment style

The Role of Planning and Advice

Many employees lack access to financial guidance outside of what their employers sponsor. Employers can enhance retirement readiness by offering access to financial advisors who specialize in retirement planning. Financial advice helps employees navigate the complexities of investment options, savings strategies, and income planning, helping them make informed decisions as they shift from accumulating retirement savings to using them.

Advisors can help employees understand how to maximize their retirement accounts, plan for healthcare costs, and develop a sustainable withdrawal strategy. Ideally, this support will include access to one-on-one consultations or workshops to address employees' unique financial situation.

Implementing Additional Retirement Options

Each of these plans—profit sharing, ESOPs, and non-qualified plans—offers different advantages and requires careful planning to implement effectively, to align with company goals, and to comply with relevant regulations. When designing and funding these retirement benefits, employers must consider their business goals, employee needs, and regulatory obligations. Many retirement plan service providers can provide input to help support the business planning and regulatory nuances.

Employers must observe crucial do's and don'ts for planning and advice offerings.

Do's:

- **Provide access to qualified financial advisors:** Advisors should be knowledgeable about retirement planning and can offer unbiased advice that benefits the employee.
- **Offer educational resources:** Provide employees with tools like retirement calculators, planning guides, and informational workshops that empower them to make informed decisions.
- **Provide transparency:** Communicate the scope of the advice provided, including any limitations or potential conflicts of interest.

Don'ts:

- **Avoid giving direct financial advice from the employer:** Employers should not offer specific investment advice, as this can lead to legal liabilities under ERISA. Instead, they should facilitate access to licensed professionals.
- **Don't assume a one-size-fits-all approach:** Retirement planning is highly individual, so avoid generic advice that doesn't consider the diverse needs of your workforce.
- **Steer clear of endorsing specific products:** Recommending specific financial products can create conflicts of interest and may not be in the best interest of all employees.

By focusing on these practices, employers can provide meaningful support without overstepping legal boundaries. This approach not only helps employees prepare for retirement but also enhances their trust in the company, knowing that their long-term well-being is a priority.

How to Deliver Retirement Support

Employers can choose to provide retirement and post-retirement services in-house or by partnering with third-party providers. The right approach depends on the company's size and resources, workforce needs, and the complexity of the services offered.

In-house Solutions:
Providing retirement services in-house allows for greater control and customization. Companies with large HR teams or specialized financial departments may opt to manage retirement services internally.

This approach enables the company to directly tailor services to its workforce, such as offering personalized retirement planning sessions, managing retirement accounts, or creating custom educational resources. In-house solutions are beneficial for maintaining close communication with employees and aligning services closely with company values and goals.

Third-Party Providers:
Partnering with third-party providers can offer access to specialized expertise and a broader range of services. Third-party firms, such as financial advisory companies, can provide comprehensive retirement planning and investment management outside of a 401k.

These providers often have the experience and resources to manage complex retirement needs, such as estate planning or navigating tax implications. They also stay updated with the latest regulations and industry best practices, resulting in compliance and with the goal of improving employee outcomes.

In either scenario, employees nearing retirement need flexible and varied services. Depending on their net wealth, they may require different levels of support, from basic retirement account management to more complex services like income planning or healthcare cost projections.

Tiered options give employees a way to choose the level of support that best suits their needs. For example, some employees might only need access to educational materials and basic planning tools. Others might benefit from one-on-one consultations with a financial advisor, and still others may have additional assets and financial planning resources outside their employer relationship.

The Post-Retirement Relationship

In today's retirement landscape, most plans are defined contribution plans, such as 401(k)s, rather than traditional pension (defined benefit) plans. In Defined Benefit (DB) plans, employers guarantee a specific payout to employees upon retirement. They differ from Defined Contribution (DC) plans where retirement income depends on investment performance. Despite this shift, maintaining a relationship with retirees remains important for both the retiree and the company.

The Retiree Experience: Defined Benefit (DB) and Defined Contribution (DC) Plans

	Defined Benefit (DB) Plans	Defined Contribution (DC) Plans
Payout Structure	Provides a guaranteed monthly pension based on a formula considering salary and years of service.	Provides a retirement income based on accumulated contributions and investment performance.
Predictability	Offers predictable income throughout retirement, which can help with budgeting.	Income can vary widely depending on market conditions and individual investment choices.
Employer Responsibility	Employers bear the investment risk and are responsible for ensuring enough funds are available to meet pension obligations.	Employees bear the investment risk; the employer's obligation is typically limited to making contributions.
Withdrawal Options	Usually pays out in monthly installments for life, though some plans may offer a lump-sum option.	Employees can withdraw funds in lump sums, roll over to IRAs, or take periodic distributions.
Survivor Benefits	May provide survivor benefits to spouses or beneficiaries, ensuring continued income after the retiree's death.	Survivor benefits depend on the account's remaining balance; funds can be passed on to beneficiaries.

The connection between employers and former employees can be supported through various tools and strategies, particularly focusing on lifetime income solutions and continued savings options.

- Ongoing access to financial advice can help employees navigate their savings and income options post-retirement.
- Additional services could include resources for managing withdrawals, budgeting, and tax implications.
- Access to continued benefits, such as health plans or wellness programs, which can enhance the company's reputation as a supportive and caring employer.

This ongoing support can also contribute to positive word-of-mouth and a strong alumni network, which can be valuable for brand reputation and recruitment. An ongoing post-retirement relationship can also help employees feel secure and supported, which reflects positively on the organization, aligning with long-term goals of employee retention and maintaining a robust and engaged community of former employees.

What to Consider

Supporting employees as they transition into retirement and beyond is crucial for both their well-being and the company's long-term success. Employers can make former employees feel secure and valued by offering a range of options, such as lifetime income solutions within defined contribution plans and maintaining an ongoing relationship with retirees.

This continued engagement helps retirees manage their financial futures and reinforces the company's reputation as a supportive and responsible employer. By prioritizing post- retirement support, companies can build lasting loyalty and strengthen their brand, benefiting current and future employees.

LIFETIME INCOME SOLUTIONS VS. SAVINGS SOLUTIONS

- Defined contribution plans typically do not guarantee a specific income in retirement. However, they can still offer lifetime income solutions that require employers to remain engaged after employee retirement. For example, employers can provide options such as annuities within a 401(k) plan, which convert retirement savings into a steady income stream for life.
- These solutions give retirees the security of knowing they won't outlive their savings, even in a plan where the income is not predefined like in a pension. On the other hand, savings solutions allow retirees to manage their funds more flexibly and with more control than traditional pension plans. They keep their money invested while making periodic withdrawals based on their needs.

Conclusion

A strategically designed and well-implemented retirement plan that supports the Four Rs is not just a benefit—it's a powerful tool for driving business success. Focusing on Recruitment, Retention, Rewards, and Retirement addresses each critical stage in the employee lifecycle. It is instrumental in attracting talent, reducing turnover, lowering recruitment costs, and enhancing employee satisfaction, all of which contribute to a stronger, more engaged workforce.

In today's competitive market, this holistic approach to retirement plan strategy is a valuable differentiator that not only supports employees throughout their careers but also strengthens the company's position as an employer of choice, ultimately contributing to sustained business growth and success.

When employees feel secure in their financial future, they are more likely to invest fully in their roles, driving productivity and innovation.

Doing so not only benefits the employees by securing their financial future but also strengthens the company's ability to retain valuable talent and maintain a positive reputation as an employer of choice.

About Wilmington Trust

Wilmington Trust has over 100 years of financial experience. That history informs our approach to retirement planning services for organizations like yours.

As part of M&T Bank's corporate family, we offer a dedicated team and comprehensive capabilities to address essential business needs.

Plan sponsors face challenges like formalizing plan governance, managing fiduciary obligations, reducing administrative burdens, and mitigating risks. We help solve these problems through retirement planning, institutional services, and more.

As your 3(38) Fiduciary Investment Manager, we offer maximum protection and ease of operations. We relieve your fiduciary duty as plan administrator by designing and implementing the fund lineup based on your investment policy statement (IPS).

Alternatively, we can serve as your 3(21) Co-Fiduciary Advisors for maximum flexibility and desired committee input. In this role, we present investment options, monitor your lineup, assist in your fiduciary process, and guide the development of your IPS. However, you retain final decision authority.

Both approaches provide dedicated oversight teams and robust services, including:

- Development of an Investment Policy Statement
- Recommendations for selecting and monitoring the plan's investments
- Investment performance measurement and analysis
- Recommendations for selecting and monitoring qualified default investment alternatives
- Assistance with fiduciary oversight and committee education
- Assistance with the selection and management of service providers
- Recordkeeper benchmarking services
- Customized financial wellness strategy

With our combination of institutional experience, rigor, and flexibility, we become trusted partners in supporting your fiduciary obligations.

Rely on us for the institutional capabilities needed to simplify complexity and help your committee make informed decisions.

Connect with Wilmington Trust today to learn more.

One of the 15-largest U.S.-owned commercial bank holding companies

$ 206 billion in assets

$162.7 billion in deposits

Tier 1 capital ratio: 12.27%

Source: Corporate Fact Sheet (as of December 31, 2023)
https://www.wilmingtomtrust.com/content/dam/wtb-web/wtb-migration/pdfs/Wilmington_Trust_Corporate_Fact_Sheet.pdf

Disclosures

3(21) co-fiduciary advisor - a paid service provider that gives investment recommendations but does not have discretionary authority to make the actual investment decisions. Instead, the 3(21) co-fiduciary advisor typically provides suggestions to the plan sponsor, who is free to accept or reject those recommendations and who must then execute the investment decisions for the plan. The plan sponsor and the 3(21) co-fiduciary advisor, therefore, share fiduciary responsibility.

3(38) investment manager - an investment manager who has been specifically appointed to have full discretionary authority and control to make the actual investment decisions. The manager may select, monitor, remove and replace the investment options offered under the plan. The 3(38) must acknowledge its fiduciary status in writing.

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Investments: • Are NOT FDIC-Insured • Have NO Bank Guarantee • May Lose Value