

ADP RETIREMENT SERVICES

Retirement
plan solutions
for the
restaurant
and food
service industry

INDUSTRY INSIGHTS
TO HELP YOU BENCHMARK
YOUR PLAN



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Always Designing
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Food service is heating up

THERE'S GROWTH AHEAD FOR THE RESTAURANT AND FOOD SERVICE INDUSTRY.

Three quarters of operators report that sales are higher than a year ago, and employment is expected to surpass pre-pandemic levels, with 500,000 new jobs expected to be added this year.¹ Conditions are improving, but inflation, higher food costs, staffing shortages and more intense competition will remain in the year ahead. Hiring and keeping employees will be a top challenge, according to restaurant operators. In a field known for low pay, difficult working conditions and lack of employee growth opportunities, workers will change employers freely for a better deal. There may also be a significant shift in employee demographics over the next decade. According to the National Restaurant Association, the industry will increasingly recruit older workers to fill a labor gap left by 1 million fewer working teens by 2031.² Employers that address the needs of this changing workforce with the right mix of compensation, benefits, and labor strategies can succeed at controlling turnover and attracting skilled workers.



"74% of operators indicate sales are higher than last year.

Still, workforce engagement remains an issue, **with two-thirds of operators reporting they're understaffed** — half have been forced to reduce hours of operation."

— Michelle Korsmo, President & CEO, National Restaurant Association



1 State of the Restaurant Industry 2023. National Restaurant Association, <https://restaurant.org/research-and-media/research/industry-statistics/national-statistics/>

2 National Restaurant Association. <https://restaurant.org/education-and-resources/resource-library/association-ceo-korsmo-addresses-future-of-the-industry/>

Top talent wants benefits that support wellbeing

Restaurant and food service workers are seeking competitive compensation and benefits, support for their wellbeing and better workplace experiences. Employers that address workers' challenges and preferences can win at creating a workforce that is more committed and productive. Here's how employers can respond to these challenges:

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 and connecting to customers, enabling customer and employee self-service.

Create career paths through training and upskilling programs to keep your top workers through growth.

Implement quality of life strategies that improve work/life balance, offer flexibility and greater economic stability.

Enhance compensation and benefits programs that support personal and financial well-being. In a competitive employment environment, a strong workplace benefits package that includes financial wellness and retirement plan programs can be an effective tool to recruit and retain employees.

"The retail and restaurant industry culture is changing, and you must embrace it by keeping up with the current moment and considering ways to help your workforce and improve their life quality.

Consider providing flexible schedules, additional paid time off, health plans, team-building retreats and retirement benefits."³

— Forbes

³ Five Ways to Attract And Retain Your Hourly Workforce. Forbes, Jan. 23, 2023. <https://www.forbes.com/sites/forbeshumanresourcescouncil/2023/01/25/five-ways-to-attract-and-retain-your-hourly-workforce/?sh=2c188d083b5d>

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

MATCHING CONTRIBUTIONS



IMMEDIATE VESTING



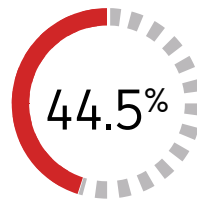
SOURCE: PLANSPONSOR Defined Contribution (DC) Survey, 2022.

The challenges

The restaurant and food industry is behind other industries in retirement plan benefits.

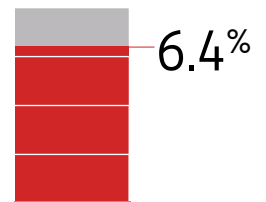
Food service plans rank at the bottom of all 50 industries tracked in the key categories of participation, deferral rates and account balances. Plan participation is the lowest of all industries and average account balances place second to last.

PARTICIPATION RATE



Rank 50th out of 50

AVERAGE DEFERRAL RATE



Rank 45th out of 50

AVERAGE ACCOUNT BALANCE

\$64,635

Rank 49th out of 50

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

Restaurant and food service 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.

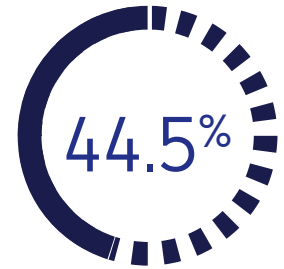
Restaurants have the **lowest participation and account balances** and **below average deferral rates** of all industries.



29%

Participants that defer enough to get the full employer match, according to plan sponsors

PARTICIPATION



AVERAGE ACCOUNT BALANCE

\$64,635

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



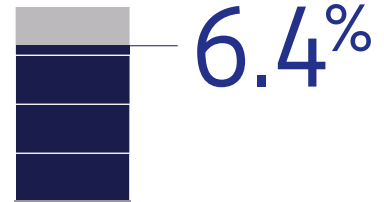
61%

OF PLANS DON'T USE AUTOMATIC ENROLLMENT

46.2% DON'T OFFER AUTOMATIC DEFERRAL INCREASES TO PARTICIPANTS



AVERAGE DEFERRAL



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 automatic enrollment 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.

Restaurant employees **are missing out on** one of the most valuable workplace benefits offered



39.5%

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.



16.7%

Don't have a financial wellness program



58.3%

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

WHY IT MATTERS

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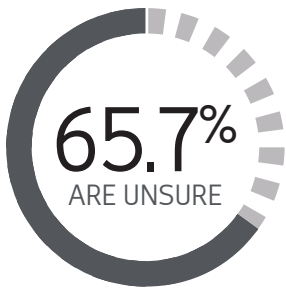
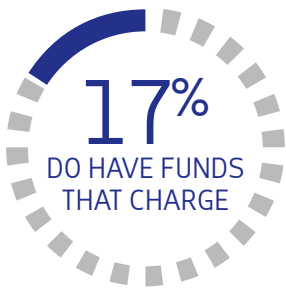
CHALLENGE:

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?**



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

36.4% Are 3(38) fiduciaries

36.4% Are 3(21) fiduciaries

27.3% 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. As a result, 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.

Let's talk about how ADP can help you solve plan design challenges so you and your workforce can unlock the full potential of your retirement plan.

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