

4th Edition
Plan Sponsor
Attitudes Survey

Discover what matters most to today's plan sponsor

Broad, deep insight
and analysis



For investment professionals and institutional investors

Not FDIC Insured • May Lose Value • No Bank Guarantee



Fidelity's 2013 plan sponsor research

- Online survey of **937 plan sponsors** who use a wide variety of recordkeepers
- Responses from plan sizes with **25 to 10,000 participants**

Person responsible for managing the organization's **401(k) plan**

- Focused on plan sponsors using an **advisor**
- **4th edition** of the survey, which dates back to 2008

Respondents included:

12% CEO/Business owner

30% CFO/Finance executive

36% Head of HR/ Benefits executive

22% Other key plan administrator

See final slide for additional survey details.

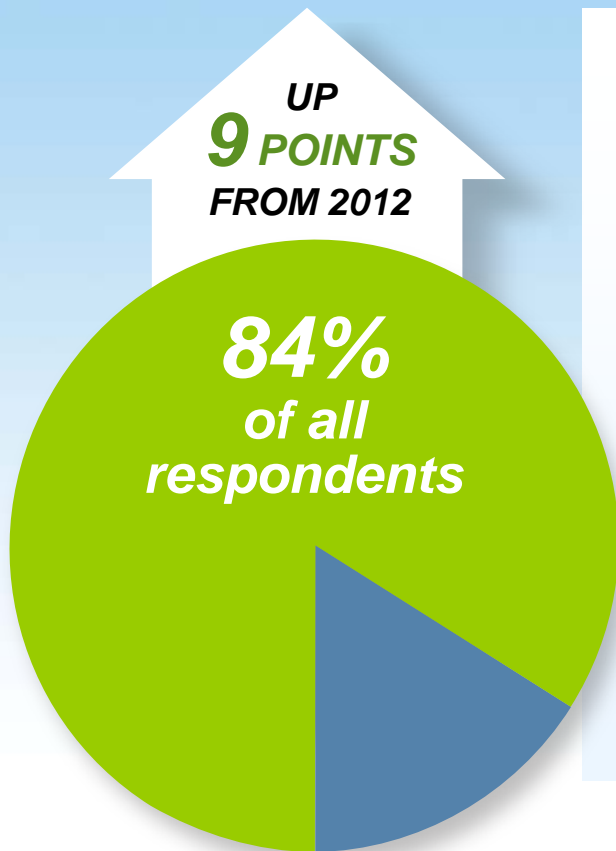
Agenda

2013 Plan Sponsor Attitudes survey:

- Results and trends
- Selling and retention opportunities
- Spotlight on retirement readiness
- Fidelity support



Plan sponsors using an advisor today



TOP REASONS WHY:

58% Need help with plan *investments*

53% Want a better understanding of how well the *plan is working* for employees

48% Concerned about their *fiduciary responsibilities*

31% Have less *time* to devote to the plan

Totals may not add up to 100% due to multiple answer options.
Across all plan sizes.

Satisfaction increasing



While satisfaction has increased since 2008, **38%** say they are less than satisfied/not satisfied with their current advisor.

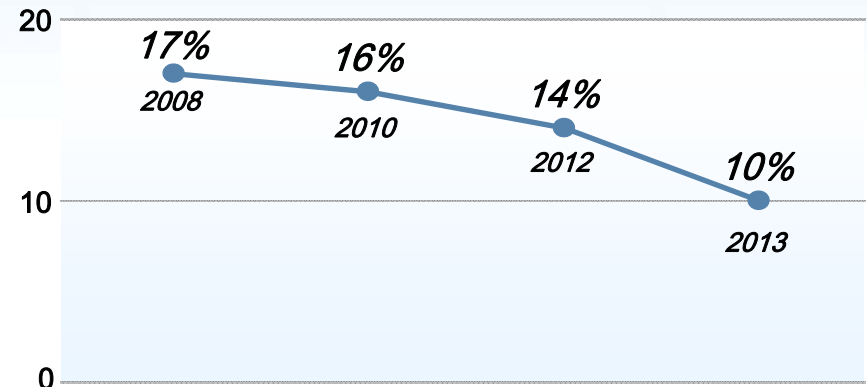
Plans with 25 to 2,500 participants.

Opportunities remain

38% of plan sponsors are less than satisfied/not satisfied with their advisor

10% of plan sponsors are actively looking to switch advisors

ACTIVELY LOOKING TO SWITCH:



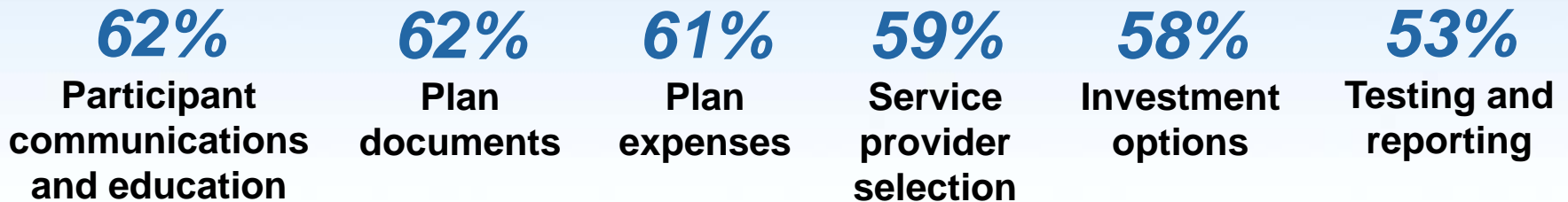
Plans with 25 to 2,500 participants.

Confidence about fiduciary responsibilities is still a concern

Plan sponsors' overall understanding of their fiduciary responsibilities:

58% are certain/very certain **42%** still need help

THEY UNDERSTAND:



Plans with 25 to 2,500 participants.

What caught plan sponsors' attention

ON AVERAGE,
plan sponsors
are personally
solicited by
an advisor
FOR THEIR BUSINESS

4x

PER YEAR

1
Suggested
ways to
lower costs

2
Suggested
ways to
*improve plan
performance*

3
Offered
help with
*administrative
tasks*

Why plan sponsors look to switch

10% of plan sponsors are actively looking to change advisors

45% of sponsors switch both the advisor and recordkeeper

TOP REASONS FOR CHANGING ADVISORS:

31%

Need a more knowledgeable advisor

2010: **25%**

2012: **30%**

28%

Servicing issues with a plan provider

2010: **19%**

2012: **15%**

12%

Not enough advisor support for plan servicing

2010: **5%**

2012: **8%**

Sponsors define “more knowledgeable advisor”

Plan sponsors want an advisor who:



56% Keeps us informed on *regulatory* changes

56% Consults with us on how to manage *fiduciary* responsibilities and risk

50% Consults with us on *plan design*

FOLLOWED BY:

44%

Offers proactive suggestions for improving plan performance

44%

Helps us minimize costs

33%

Offers fresh insight on participant trends and behavior

33%

Helps us select and monitor investment options for our plans*

Totals may not add up to 100% due to multiple answer options.

* Investment professionals should consult with their firm's legal and/or compliance professionals before selecting and monitoring plan investment options, as certain restrictions may apply.

Relationships are important

How plan sponsors initially found their advisor:



36% Referral from a related company

31% Existing relationship with survey respondent

28% Existing relationship with an executive of the company

FOLLOWED BY:

18% Professional relationship

12% Marketing or advertising

Totals may not add up to 100% due to multiple answer options.
Across all plan sizes.

Services plan sponsors look for

Top 3-ranked advisor services:

75% Providing performance information on investment options and guidance on potential changes*

49% Providing employee education on investment selection*

32% Analyzing participation rates, deferral rates, investment allocations, and strategies for improving plan performance

Plans with 25 to 2,500 participants.

* Investment professionals should consult with their firm's legal and/or compliance professionals before recommending investment option changes to a plan or plan participant, as certain restrictions may apply.

Evaluating advisors

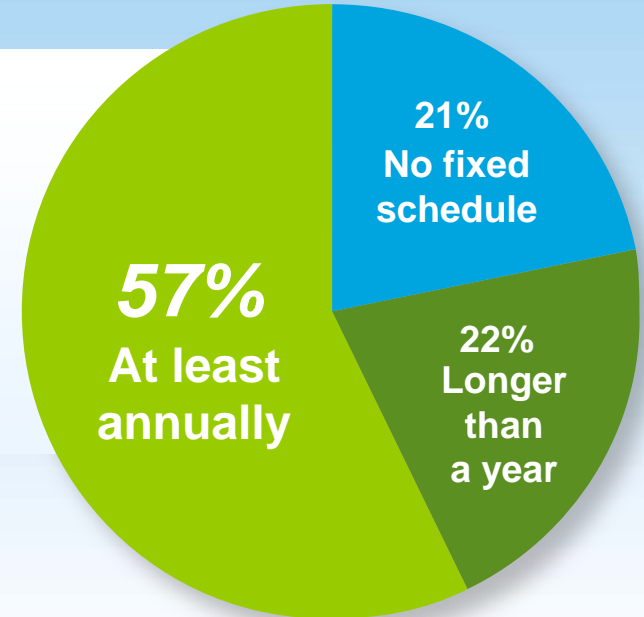
Plan sponsors look at key areas

58% Investment performance

58% Value delivered

56% Costs and fees

HOW FREQUENTLY



SIX OTHER HIGH SCORERS

44%
Plan compliance

42%
Experience

37%
Improving plan measures

36%
Improving participant outcomes

35%
Fiduciary responsibilities

31%
Reputation

Totals may not add up to 100% due to multiple answer options.
Across all plan sizes.

Demonstrate your value

What plan sponsors say advisors *don't* do:

Report how much time is spent working on the plan

78% *don't*

Report on types of activities for the plan

69% *don't*

Demonstrate how plan performance improved

60% *don't*

Plans with 25 to 2,500 participants.

Plan sponsors define value

SEES VALUE FOR MONEY SPENT:

“Their fee ... is less than the hourly rate we pay to many outside consultants and professionals ... accountants, lawyers, etc.”

APPRECIATE TOTAL COMMITMENT:

“They have reduced our overall costs by more than \$150,000 over the past two years. They are spot on ... with investment options ... meet with our committee quarterly ... provide fiduciary training ... respond quickly ... keep our recordkeeper on their toes.”

– Heads of human resources: for companies with 501–1,000 plan participants

Clients' experience is no guarantee of future success and may not be representative of the experience of other clients.

Expand your reach

80% of plan sponsors are *very willing to allow the financial advisor to solicit company employees about financial planning needs other than 401(k)s**

However, **69%** note that *advisors are not doing this*



* Investment professionals should consult with their firm's legal and/or compliance professionals before proceeding, as certain restrictions may apply.

Why have a 401(k) plan?

TOP 3 REASONS

78% Attract and retain employees

62% Ensure employees can accumulate enough for retirement

44% Provide tax benefits to employees

Best practices

- Highlight the plan as part of the overall pay and benefits package
- Generate an overall benefits statement at least annually to keep “retirement readiness” top of mind
- Educate all employees about the key benefits of the plan

Across all plan sizes.

Concerns about retirement readiness

57% of plan sponsors don't think participants are saving enough – for these reasons:

86% Current living expenses too high

57% Higher health care costs



39%
Distrust of
financial markets

33%
Education about
savings choices

27%
Inability to make
the decision

Totals may not add up to 100% due to multiple answer options.
Across all plan sizes.

Employees delaying retirement

66% report that some, quite a few, or all employees are delaying retirement

The number of workers expecting to retire after age 65 has increased from **11% to 37%**¹

The average account balance of participants aged 65–70 is only **\$140,000**²



1. EBRI Retirement Confidence Survey, 2012.

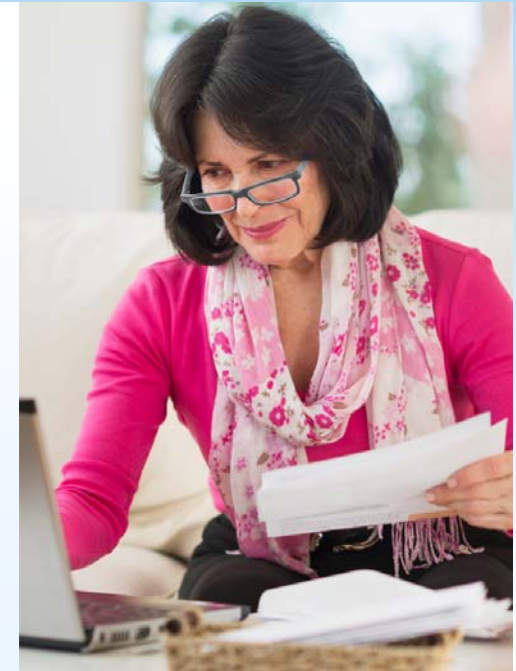
2. Building Futures data as of 03/31/2013. See final slide for additional details.

Impact of an aging workforce

Health premiums for seniors can be up to **5x higher** than for younger workers¹
(3x beginning in 2014)

Workers in their 60s are **twice as likely** as workers under 40 to miss work due to a disability claim²

40% of the labor force is **over age 50**³



1. America's Health Insurance Plans (AHIP.org), January 2013.

2. Cornell University, Employment and Disability Institute, Absence and Disability Management Practices for an Aging Workforce, 2012 data.

3. U.S. Census Bureau, 2010 Census.

Improving plan options

Why plan sponsors make design changes:

57% Improve plan coverage

48% Increase employee savings rates

36% Provide improved investment options

25% Reduce expenses

Plans that offer
auto-enrollment:

88%

of employees
participate*

Plans that offer
auto-increase:

Only 13%

of enrolled employees
participate*

Totals may not add up to 100% due to multiple answer options.

Plans with 25 to 2,500 participants.

* Building Futures, 03/31/2013 (see final slide for additional details).

Trends in plan changes

Changes in the past two years:

- 33%** Auto-enrollment
- 29%** Roth 401(k) contributions
- 24%** Lifecycle or target-date default option
- 19%** Auto-increase program

72%
of plans have
made a plan
design change
UP
13 points
FROM 2012

In the future:

- 20%** Auto-enrollment
- 18%** Auto-increase program
- 15%** Roth 401(k) contributions
- 13%** Lifecycle or target-date default option

55%
are looking to
make a plan
design change
UP
17 points
FROM 2012

Totals may not add up to 100% due to multiple answer options.
Plans with 25 to 2,500 participants.

Top investment menu changes

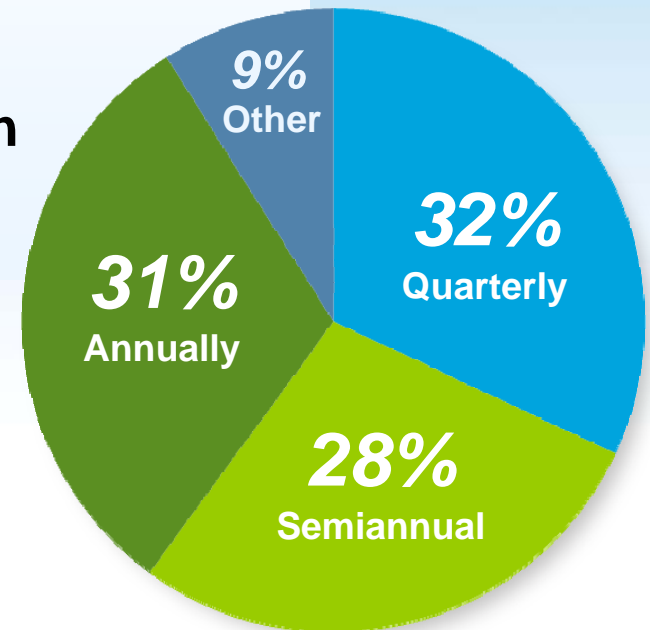
PAST 2 YEARS

70% Replaced underperforming fund

43% Increased # of plan options

28% Added a target-date default option

91% of plan sponsors review investment performance annually or more frequently



Totals may not add up to 100% due to multiple answer options.
Across all plan sizes.

Fidelity's extensive resources

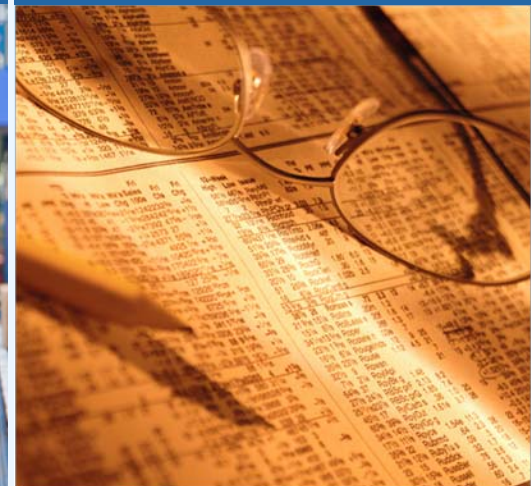
Fund
analytics*



Thought
leadership



Investment
options



For illustrative purposes only.

* Fidelity Fund analytics are provided for illustrative purposes only and may not be relied on as appropriate for any plan, or serve as the sole or primary basis for any investment decisions made for a plan.

Fidelity's extensive resources

Fund analytics

Defined contribution investment only support
Fidelity's specialized Defined Contribution Investment Only (DCIO) sales team is committed to delivering the resources that help drive your success. Consider the range of Fidelity products and services, as well as our collaborative approach for building your retirement business.

Fund Mapping
Identify ways to help improve your client's plan menu with a comprehensive analysis – that includes MPI Stylus statistics – of performance attributes, expenses, and style box coverage. This analysis may expose gaps that appear in a DC plan menu and make it easier to make adjustments for optimal plan performance.

Fund lineup analysis
Provides an overview of current and proposed funds organized by asset categories.

Expense ratio analysis
Breaks down expenses for a menu's current and proposed funds, and compares the average expense.

Performance analysis
Compares current and proposed funds using key performance data from MPI Stylus statistics.

Contact the sales desk
Defined Contribution Investment Only
800.343.1432

Research & insight
Find out what Fidelity has uncovered surrounding optimizing an investment lineup and more...

Investment capabilities
Mutual funds that may be a good option for your client's plan menu

Thought leadership

Planning for income to last
Fidelity Advisor Retirement Income Services

- Understand the five key financial risks facing retirees
- Determine how to maximize

How to tame health care costs when you retire
Fidelity Viewpoints | Market & Economy

Why advance planning is critical and may help lower costs

Most of us look forward to retirement as a time to shift gears, enjoy new, and enjoy a slower pace of life. But that nice picture can quickly change and include some sticker shock as retirement nears, especially when it comes to paying for health care.

In a recent Fidelity survey¹ about 7 in 10 people approaching retirement said they were worried about outliving their savings, the effect of inflation, and the cost of health care.

And to consider: Health care costs have been rising at more than twice the rate of inflation, averaging 6% since 1967. As the chart below shows, retirees now spend more on health care than they do on food. If that trend continues, health care will be retirees' second-largest expense in just a few years, says Steven Kaplan, Fidelity's senior vice president of research at Fidelity Research Advisors, Inc.

Plan for rising costs and a longer retirement. Although the cost of health care went down slightly in 2010 as new health care reform legislation was phased in, this is only a temporary fix, says Brad Krieger, executive vice president of Fidelity's Benefits Consulting business. "Today's workers will face the prospect of significant medical expenses in retirement, as health care expenses continue to increase due to higher costs for medical services, the introduction of new technology, and an increased utilization of health care services."

Helping participants restore their confidence in equities
Trends and insights to help enhance retirement plans

Now may be an ideal time to help participants' portfolios bounce back, as the S&P 500[®] index returned 18% in 2012. However, although key indicators demonstrate the potential for a sustained recovery, pessimism prevails among plan participants.

Understand the current mind-set of equity-averse participants
It's likely you know that unprecedented and ongoing volatility has resulted in equity-averse across all participant demographics.

Surprisingly, participants are more worried today than they were during the Great Recession in 2008, in spite of the market's resurgence.

Participants are less confident in their retirement readiness
Percentage in each age group who are "not too confident" or "not at all confident" they will have enough to live on in retirement.

AGE	2009	2012
18-34	28%	34%
35-44	28%	45%
45-54	32%	42%
55-64	32%	39%
65+	25%	37%

Key takeaways

- Real risk for participants may be underallocating to equities during the next decade
- Simple communications and clear examples may help reenergize participants
- Plan design and investment options are keys to helping participants become retirement ready

U.S. Earnings Fundamentals Strike Back

Strong corporate earnings fundamentals have long been an indicator of stock outperformance relative to the market. In 2011, however, extraordinary levels of market volatility trumped the positive news of many fundamental indicators. In particular, the top quartile of U.S. large cap stocks (ranked by earnings growth) underperformed the Russell 2000[®] index for the first time in 10 years (see Exhibit 1, below). This underperformance is difficult for the manager who takes a fundamental, "stock prices follow earnings" investment approach.

But so far in 2012, U.S. corporate earnings fundamentals have struck back, as stocks with high earnings growth and positive earnings surprises¹ have outperformed the market, in line with long-term trends. Along with other key trends, this suggests that the difficult market performance environment in 2011 for U.S. large caps with strong earnings fundamentals may have been an anomaly.

2011 was difficult for fundamental investors
In each calendar year from 1970 to 2011, U.S. large cap stocks that ranked in the top quartile for both earnings growth and positive earnings surprises¹ outperformed the Russell 2000 index (Exhibit 1, below) in 2011. However, underperformance and outperformance (such as the European earnings 500 index and the U.S. 500) ratings shifted to extraordinary levels of market volatility, which limited the predictive power of earnings fundamentals for the long term.

EXHIBIT 1: U.S. large cap stocks with strong earnings fundamentals have been rewarded over the long term.

KEY TAKEAWAYS

- U.S. large cap stocks with high earnings growth outperformed the market for the first time in 10 years in 2011, and outperformed the market again in 2012, suggesting that strong earnings fundamentals may be a critical part of the investment strategy.
- In line with 2012, U.S. large cap stocks with high earnings growth and positive earnings surprises have outperformed the market, in line with historical trends.
- The relationship has generally been strong in 2012, with outperformance of stocks relative to the market owing to the magnitude of earnings growth and positive earnings surprises returns.
- The relative outperformance of stocks with strong earnings fundamentals has been stable throughout the year, and has spread across most market sectors.

For illustrative purposes only.

Put Fidelity's expertise to work for you

Investment and retirement ***leadership*** to
augment the success of your clients' plan

A comprehensive lineup of ***institutional
investment*** strategies to help your clients
meet their plan's investment goals

Expertise and resources to support
your defined contribution business professionals

[Questions?] [For more information]

[Please contact me or your
Fidelity representative
at XXX-XXX-XXXX]



IMPORTANT: All data and information are from the following sources unless specified:

Survey summary: E-rewards, an independent market research company, conducted an online survey of 937 plan sponsors on behalf of Fidelity in March 2013. Respondents were identified as the primary person responsible for managing their organization's 401(k) plan (ranging in size between 25 and 10,000 participants), and the survey focused on those plan sponsors (approximately 84%) using the services of a financial advisor. Fidelity Investments was not identified as the survey sponsor. The experiences of the plan sponsors who responded to the March 2013 survey may not be representative of those other plan sponsors who use the services of an advisor.

Building Futures, data as of 03/31/2013. Based on Fidelity analysis of 20,600 corporate defined contribution (DC) plans (including advisor-sold DC) and 12.3M participants as of 03/31/2013. Fidelity's recordkept database of DC plans excludes tax-exempt plans, nonqualified plans, and the FMR Co., plan.

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