

4 *th Edition*

Plan Sponsor Attitudes Survey: Executive Summary

**Broad, deep insight
and analysis**



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Fidelity's 2013 plan sponsor research

- Online survey of *937 plan sponsors* who use a wide variety of recordkeepers
- Fidelity was not identified as the survey sponsor
- 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.

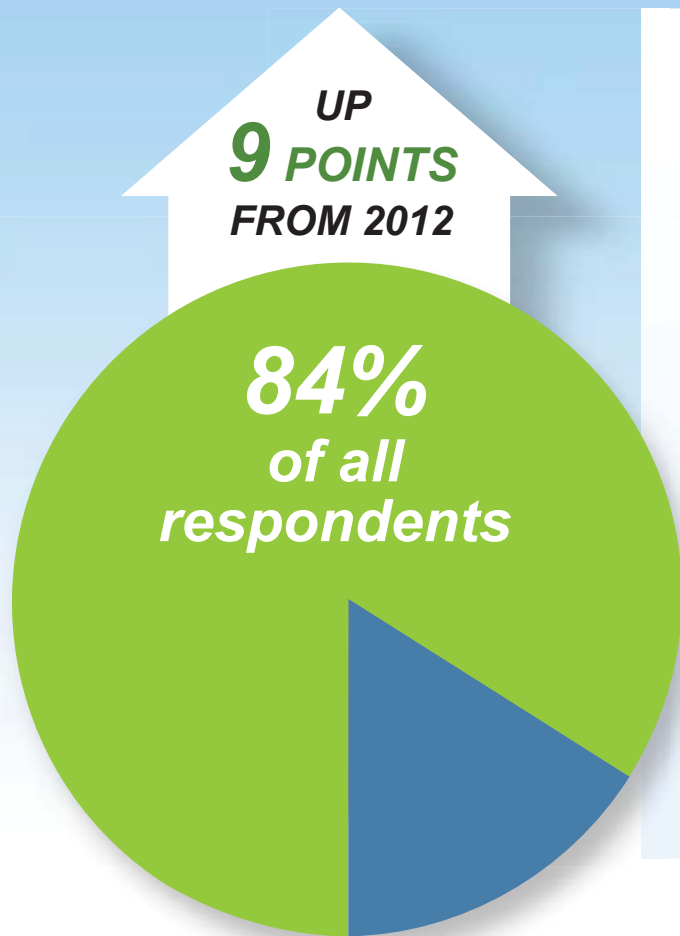
Key Findings

2013 Plan Sponsor Attitudes survey:

- Results and trends
- Spotlight on retirement readiness
- Key considerations for advisors
- 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.

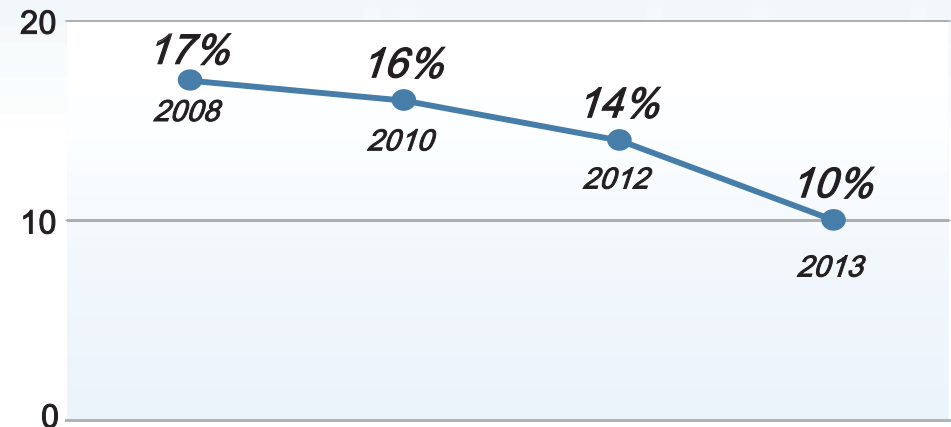
Plans with 25 to 2,500 participants.

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:



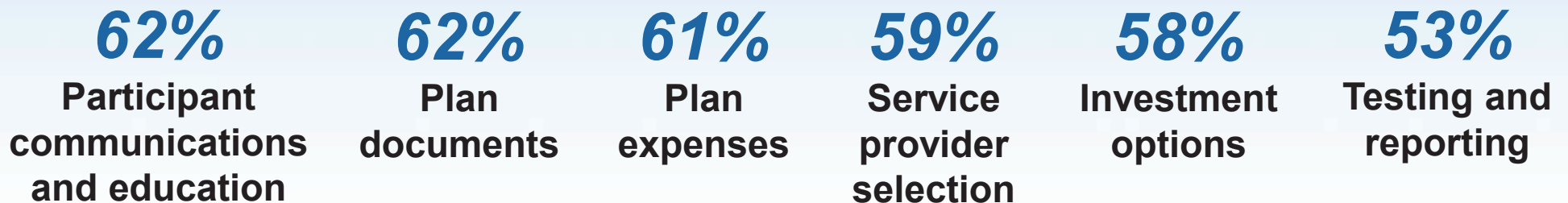
Plans with 25 to 2,500 participants.

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.

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.

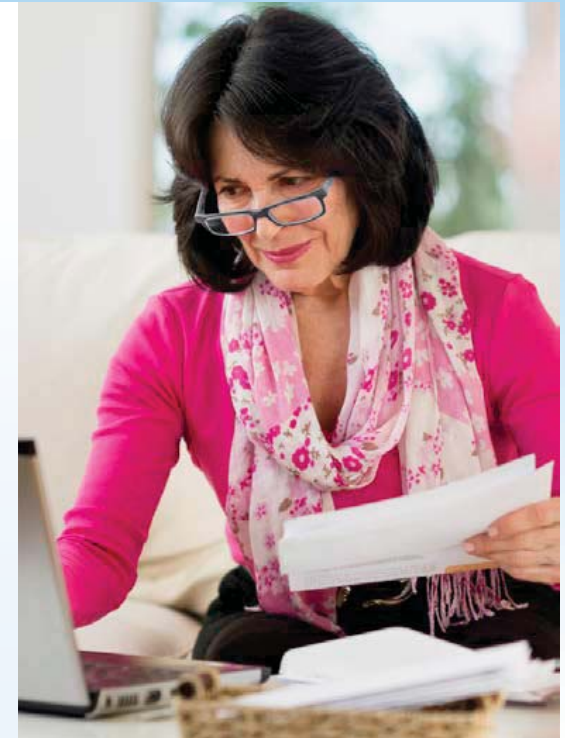
2. Building Futures data as of 03/31/2013. See final slide for additional details.

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

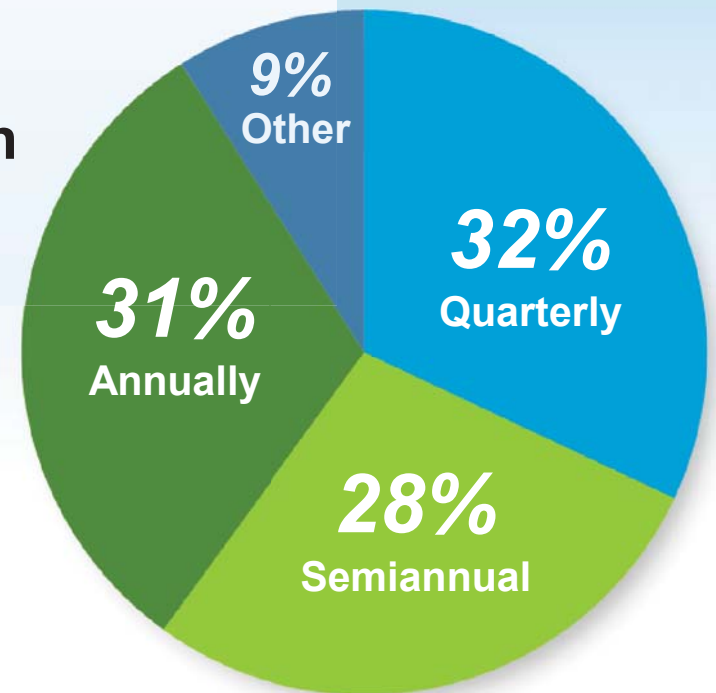
PAST 2 YEARS

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.

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”

More knowledgeable advisor

- Informs on regulatory changes
- Consults on how to manage fiduciary responsibility and risk
- Consults on plan design
- Offers proactive suggestions to improve plan performance
- Helps minimize costs
- Offers fresh insights on participant trends and behavior
- Helps select and monitor investment 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

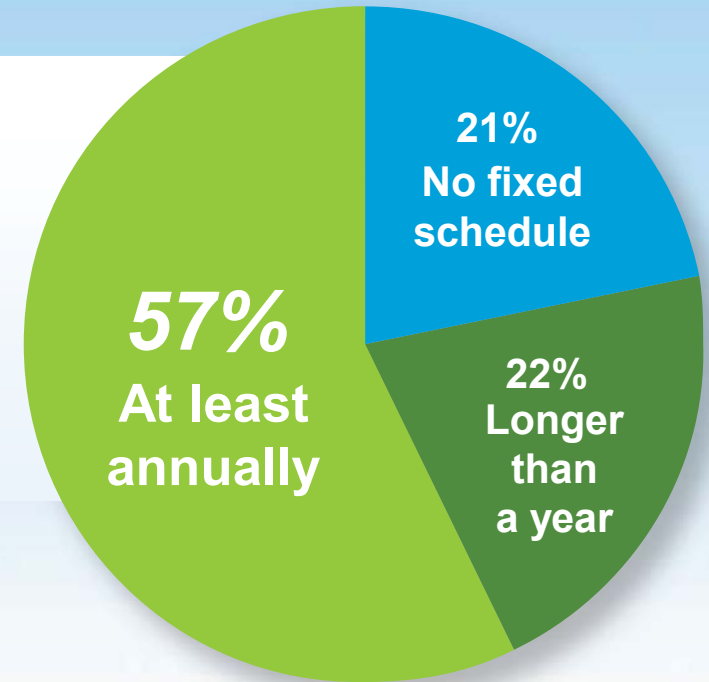
Plan sponsors look at key areas

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.

Demonstrating 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

Fidelity's extensive DCIO resources

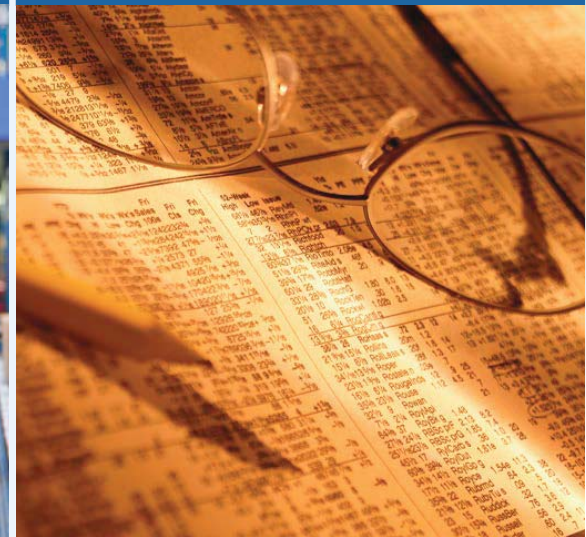
**Fund
analytics***



**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 DCIO resources

Fund analytics

Thought leadership

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.

Contact the sales desk
Defined Contribution Investment Only
888-343-1462

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.

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.

Planning for income to last

Fidelity Advisor Retirement Income Services

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

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, worry less, and enjoy a slower pace of life. But that rosy picture can quickly change and include some starker shock as retirement nears, especially when it comes to paying for health care.

Plan for rising costs and a longer retirement
Although the cost of health care went down slightly in 2012 as new health care reform legislation was phased in, it's only a temporary fix, says Brad Kirtler, executive vice president of Fidelity's Benefits Consulting business. "Today's workers still 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 technologies, and an increased utilization of health care not testing."

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 rebounded 36% 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 attitudes of participants 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 real-age group who are "not too confident" or "not at all confident" they will have enough to live on in retirement.

Age Group	2009	2012
18-34	24%	29%
35-44	20%	27%
45-54	47%	32%
55-64	25%	28%
65+	11%	21%

Key takeaways

- Real risk for participants may be underfunding to equities during the next decade
- Simple communications and clear examples may help reengage 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 hampered the predictive power of many fundamental indicators. In particular, the top quartile of U.S. large cap stocks earned 10% more than the Russell 2000 index for the first time in 36 years (see Exhibit 1, below). This made outperformance difficult for actual managers who take 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 surprises have outperformed the market, in line with long term trends. Along with other key trends, this suggests that the difficult relative performance environment in 2012 for U.S. large caps with strong earnings fundamentals may have truly been an anomaly.

2012 was difficult for fundamental investors
In terms of overall performance from 1990 to 2012, U.S. large cap stocks that ranked in the top quartile for both earnings growth and positive earnings surprises outperformed the Russell 2000 Index Exhibit 1, below. In 2012, however, macroeconomic and political events such as the European sovereign debt crisis and the U.S. debt ceiling debate led to extraordinary levels of market volatility, which limited the predictive power of many fundamental indicators.

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

Russell 2000 Top Quintile's Earnings Growth vs. Earnings Surprises
SURPRISE-RELATED RETURNS BY YEAR

Key takeaways

- U.S. large cap stocks with high earnings growth outperformed the market for the first time in 36 years in 2012 amid extraordinary market volatility, making active management difficult for many fundamental investors.
- So far in 2012, U.S. large cap stocks with high earnings growth and positive earnings surprises have outperformed the market, in line with historical trends.
- Key relationship has generally been stable in 2012, with outperformance of stocks relative to the market as a function of earnings growth or positive earnings surprises increases.
- The relative outperformance for stocks with strong earnings fundamentals has been stable throughout the year, and has applied across most market sectors.

For illustrative purposes only.

Fidelity's expertise

Investment and retirement ***leadership*** to augment the success of a plan

A comprehensive lineup of ***institutional investment*** strategies to a plan's investment goals

Expertise and resources to support defined contribution business professionals

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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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Keep in mind that investing involves risk, including the risk of loss. Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk.

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