9th EDITION

2018 Plan Sponsor Attitudes Survey

Speaker Name
Speaker Title

Not FDIC Insured • May Lose Value • No Bank Guarantee

FIDELITY INSTITUTIONAL ASSET MANAGEMENT®

Fidelity INVESTMENTS®

The Research

Our survey uncovers opportunities with plan sponsors across the nation

1,124

Plan sponsors who use a wide variety of recordkeepers

Respondents by Job Function

- Finance: **39%**
- Human Resources: **36%**
- Owner/CEO: **25%**

Plan Assets (Millions)	# Plans	% Plans
Under $25M	272	24%
$25–$250M	571	51%
Over $250M	281	25%
Total	1,124	100%

Respondents are key decision-makers for:

Managing Plan Costs	Hiring Plan Advisor	Recordkeeper/ Administrator	Plan Features and Design	Investment Lineup
72%	**67%**	**66%**	**62%**	**56%**

See final slide for additional survey details.

A Rich History

Fidelity's Plan Sponsor Attitudes survey has tracked the evolution of our industry

- **2008** — Plan satisfaction and growth connection
- **2010** — Managing fee disclosure changes
- **2012** — Essential sponsor communications
- **2013** — Demand for knowledgeable advisor
- **2014** — Impact of a delayed retirement
- **2015** — Recordkeeper expansion
- **2016** — Focus on fiduciary
- **2017** — **High rate of advisor change**
- **2018** — Plan design for better outcomes

Research featured in:

Investment News

Planadviser

Ignites

Plansponsor

NAPA

Financial Advisor

Winner:

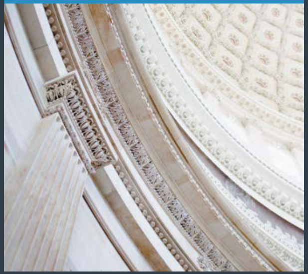
Wealth Management.com

401(k) Retirement Plans Industry Award*

* FIAM's Plan Sponsors Attitudes Survey was recognized by WealthManagement.com with an Industry Award in the 401(k) Retirement Plans: Service category. Winners were judged based on quantitative measures of their initiatives—such as scope, scale, adoption, and feature set—along with qualitative measures such as innovation, creativity, and new methods of delivery.

Ninth Edition Reveals 5 Key Trends

Shift in Focus



Sponsors are Taking Action

Design for Outcomes

Unlock the Recordkeeper Dynamic

Get the Edge

Fidelity INVESTMENTS

Shift in Focus

Participant focus overtakes fiduciary as top concern

The Number of Sponsors Working with an Advisor Is at an All-Time High

92%

Work with an advisor

44%

Have been working with their current advisor for 4 years or less

22%

Said they are looking to switch advisors (down from 38% in 2017)

See final slide for additional survey details.

 For investment professionals and plan sponsors.

Sponsor Focus Shifts Back to Participants

What is your top concern as a plan sponsor?

Why did you begin using an advisor?

What's the most important thing your plan advisor provides to you?

See final slide for additional survey details.

 For investment professionals and plan sponsors.

Sponsors are Seeking Efficient and Reliable Support

Top 3 Plan Sponsor Concerns

1. Is the plan effectively preparing employees for retirement financially?
2. Is the plan helping to retain top workers?
3. Are plan-related business costs being reduced?

Top 3 Reasons Sponsors Say They Hired an Advisor

1. Want to better understand how well my plan is working for my employees, and how I can improve it
2. Our company has grown and the retirement plan has become more complicated
3. We have less time to devote to the 401(k) plan now, so we need someone to help us

See final slide for additional survey details.

 For investment professionals and plan sponsors.

Did Fiduciary Concerns Peak?

This year's survey indicates more stability and greater focus on plan improvements

2017

37% stated the #1 reason to hire an advisor was for fiduciary help

2018

The number of sponsors looking to hire for fiduciary help dropped to **14%**

What type of fiduciary support does the advisor provide to the plan?

55%
To both participants and employer

25%
To employer

19%
To participants

Note: 1.6% of advisors reported not providing any fiduciary support to the plan. See final slide for additional survey details.

Sponsors are Taking Action

Investment menu and plan design activity continues

What's Changing with Investment Menus?

83%

of sponsors reported making changes

37%

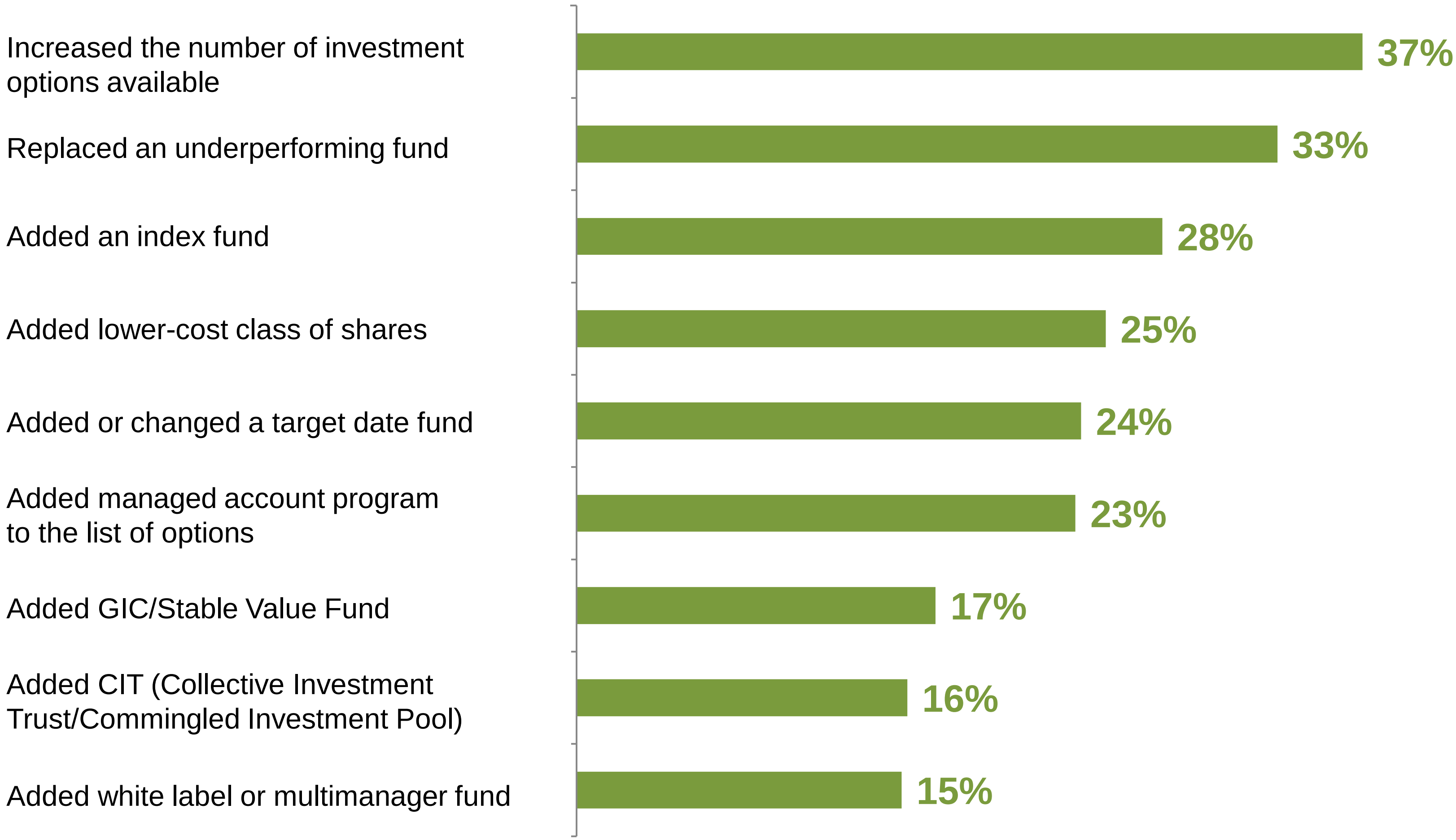
of plans increased the number of investment options available

See final slide for additional survey details.

 For investment professionals and plan sponsors.

Within the Past Two Years, Sponsors Have Made a Variety of Investment Changes

Have you made any of the following plan investment changes in the past two years?



See final slide for additional survey details.

Choice Overload:

For every 10 funds added to a plan, the predicted participation rate drops by 2%

Source: Iyengar, Sheena, and Wei Jiang, 2003, “How More Choices are Demotivating: Impact of More Options on 401(k) Investments,” Working Paper, Columbia University.

What’s Changing with Plan Design?

82%

of sponsors reported making changes to the plan design

Most changes were done to **increase employee participation (54%)**

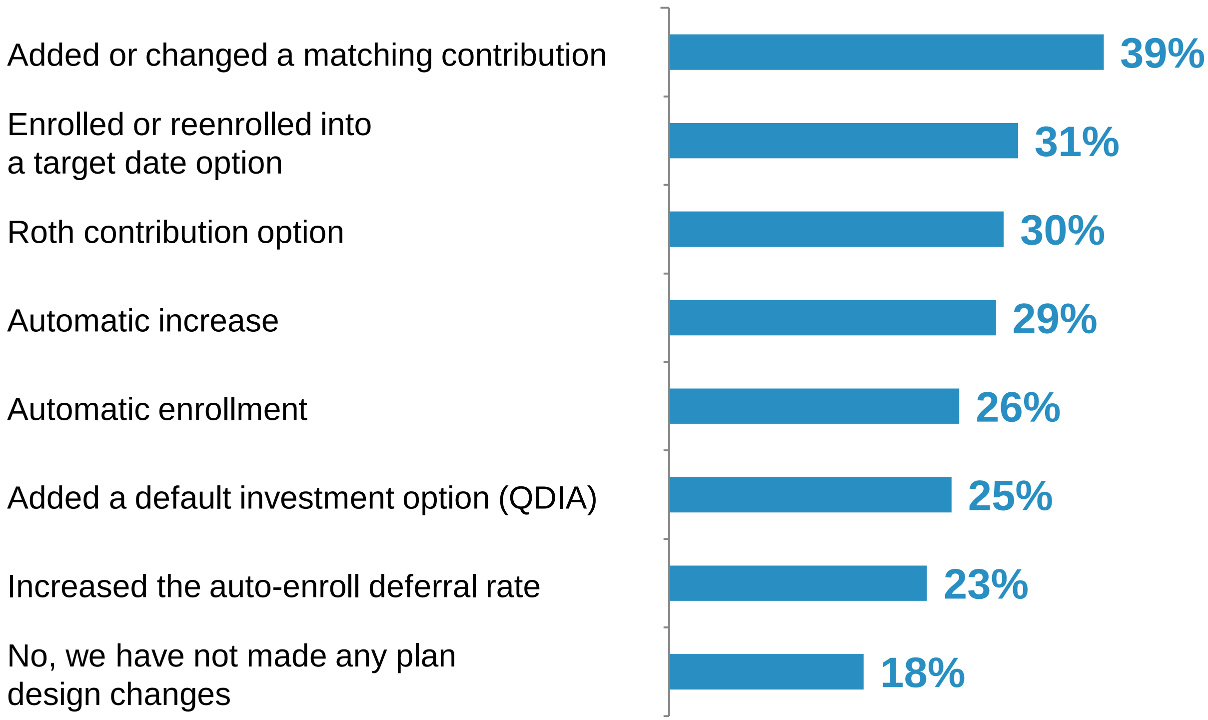
Increasing savings rates was reported as the second most frequent response **(51%)**

See final slide for additional survey details.

 For investment professionals and plan sponsors.

Plan Design Changes May Help Participants Become More Engaged

Have you made any of the following plan changes in the past two years?



According to Cerulli,

37%

of sponsors said they planned to increase the dollar amount of the match in 2017.[1]

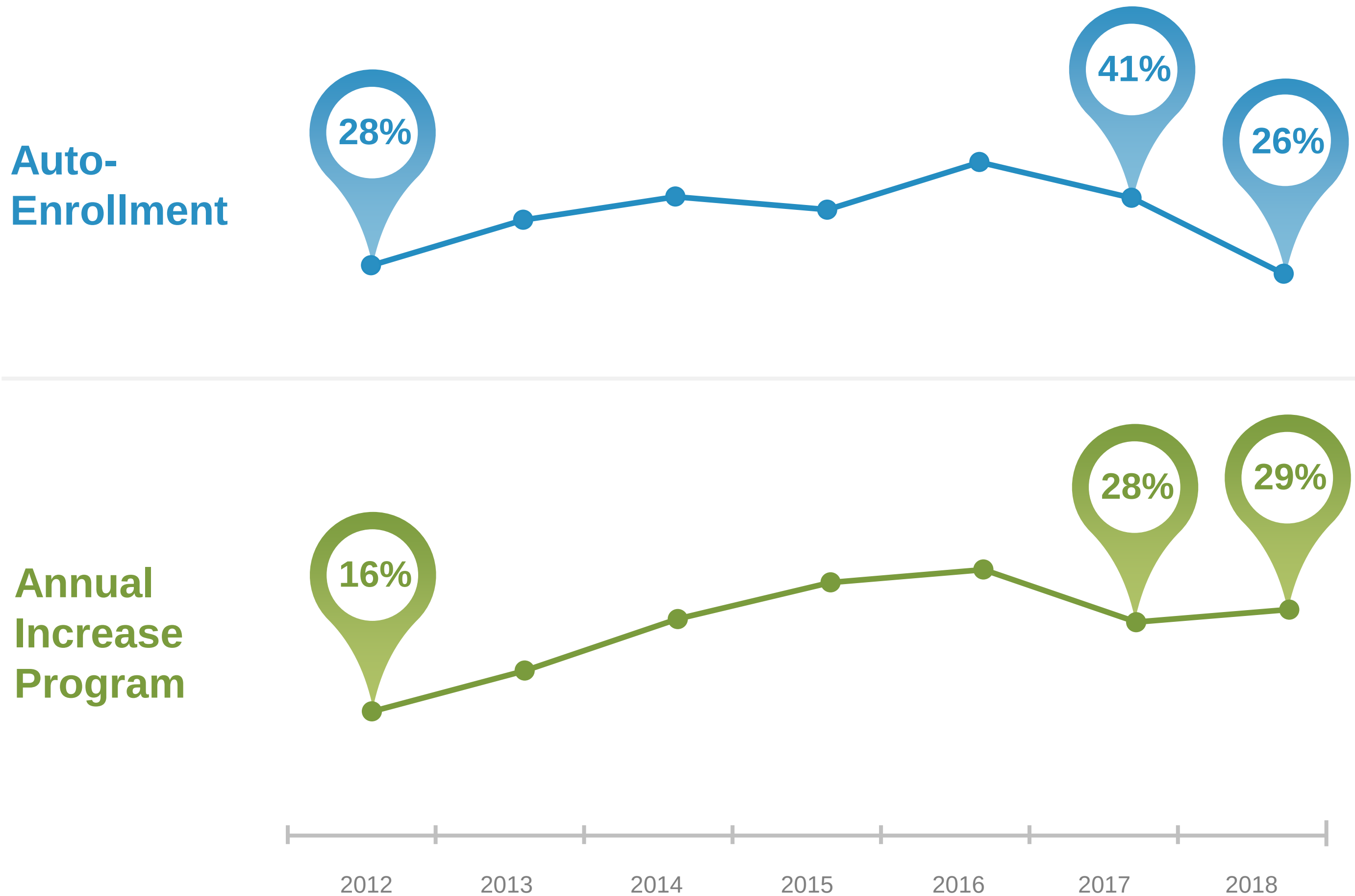
[1] Source: The Cerulli Report, U.S. Retirement Markets 2017.

See final slide for additional survey details.

 For investment professionals and plan sponsors.

Auto-Enrollment (AE) May Be Maturing with Some

Which plan design changes have you made in the past two years?



Participation rate for plans with AE[1]

86%

23%

Increased the AE deferral rate

[1] Based on Fidelity analysis of 22,400 corporate DC plans (including advisor-sold DC) and 15.3M participants as of 12/31/2017.

See final slide for additional survey details.

 For investment professionals and plan sponsors.

Using Auto-Solutions May Foster Readiness

51%
of plans have auto-enrollment

AE Plans

68%
of employees report being Very Satisfied

84% participation rate among 20–29 year olds (vs. 31% in non-AE plans)*

Non-AE plans

60%
of Finance and HR associates report concern that employees will not respond well to AE (owner 44%)

22% of advised plans have considered AE but did not implement

* Based on Fidelity analysis of 22,400 corporate DC plans (including advisor-sold DC) and 15.3M participants as of 12/31/2017.

See final slide for additional survey details.

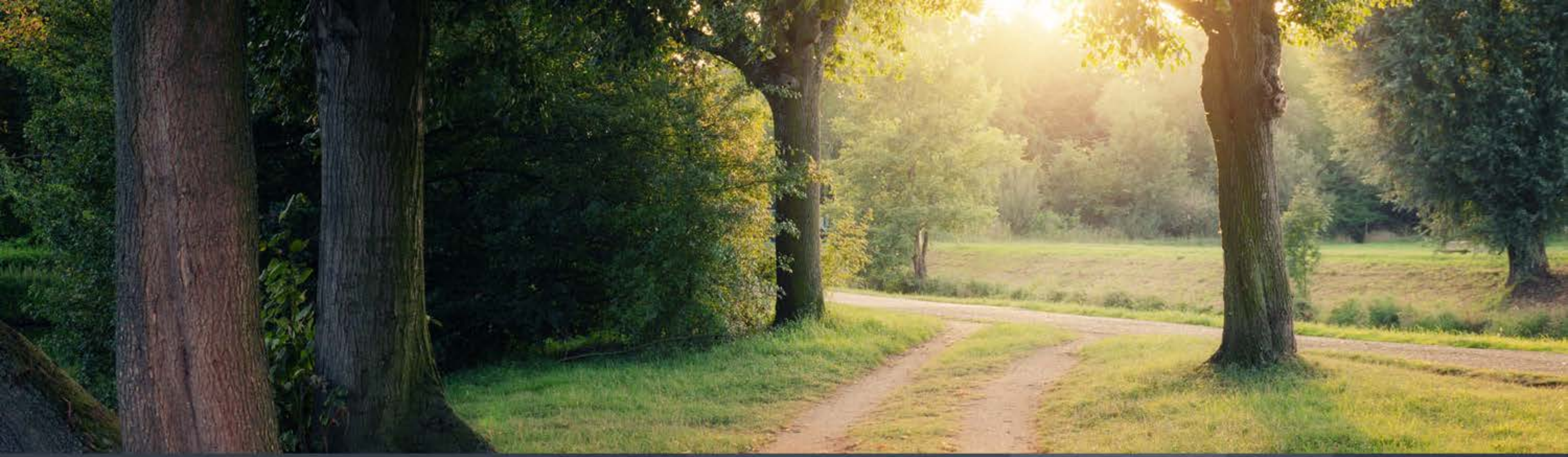
Consider Four Steps to Implement Auto-Enrollment

Plan sponsors across the spectrum have indicated interest, but haven't taken action

1	2	3	4
Initiate the Conversation	**Share the Data**	**Dispel the Myths**	**Turn Inertia into an Asset**
• **11%** of sponsors reported their advisor has not recommended auto-enrollment	• **51%** of plans surveyed • **32%** of Fidelity qualified plans offer AE (10% among smallest, 76% of largest plans)*	• **68%** of employees report being Very Satisfied with being automatically enrolled in the plan • Fidelity plans with 3% AE default deferral have **83%** participation, and **86%** participation in plans with 6% deferral*	• Design a plan using auto-solutions to put plans on a path to support participants' retirement readiness

* Based on Fidelity analysis of 22,400 corporate DC plans (including advisor-sold DC) and 15.3M participants as of 12/31/2017.

See final slide for additional survey details.



Design for Outcomes

Retirement plan math can help set participants up for success

For investment professionals and plan sponsors.

The Retirement Rules of Thumb

Targets

67
Retirement Age

10X
Savings Factor

45%
Income Replacement Rate

How do we get there?

15%
Savings Rate

- Contribution and Match
- Longevity of Savings (ages 25–67)
- Asset Allocation

Challenge

Not having enough savings
90%

Retiring unexpectedly
46%

Inadequate planning
60%

Dilemma

Employers may assume employees will work longer if they don't have enough savings—but they may not be able to

87% Of sponsors report being on target to achieve their retirement income goal—but the goal may not be adequate

See Savings Factor and Financial Readiness Research Methodology on slide 36.

Retirement Plan Math Can Help Boost Retirement Readiness

Fidelity's suggestions to help participants save enough:

Formula	**Years Saving** x	**Total Savings Rate** x	**Investment Returns**	**= GOAL**
	Start early	Save enough	Asset allocation	
Fidelity Assumptions	Saving from age 25 to 67	Aim to save at least 15% of income annually (including employer and employee contributions)	Age-appropriate asset allocation; review annually to help meet long-term goals	Age-based savings factor: accumulate 10x final salary at age 67
Plan Design Tools	Auto-enrollment for all employees	• 6% default rate • Automatic 1% annual deferral increase up to at least 15% • Strategic match to encourage deferrals	• Align investment menu options with plan goals • Examine QDIA target date options to assist with age-appropriate asset allocation	Monitor plan metrics against the Fidelity retirement math assumptions

Savings Factor and Financial Readiness Research Methodology on slide 36.

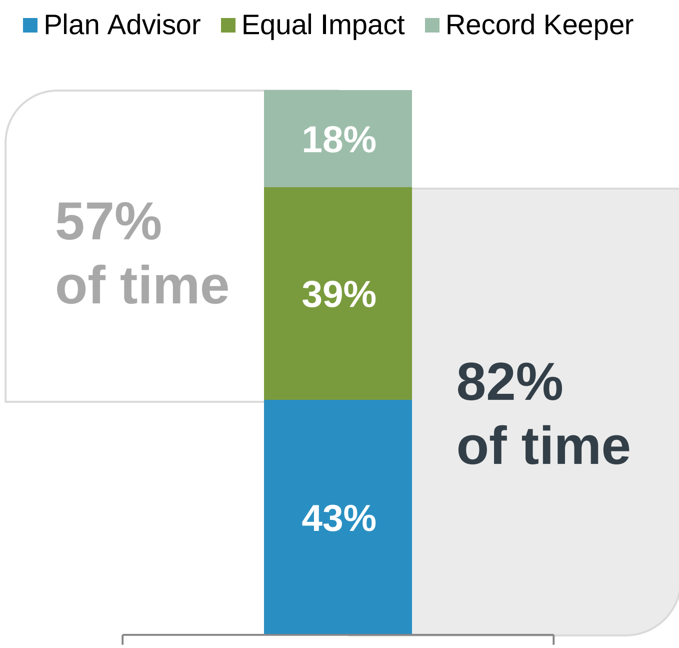
Unlock the Recordkeeper Dynamic

Active relationships may become a competitive advantage

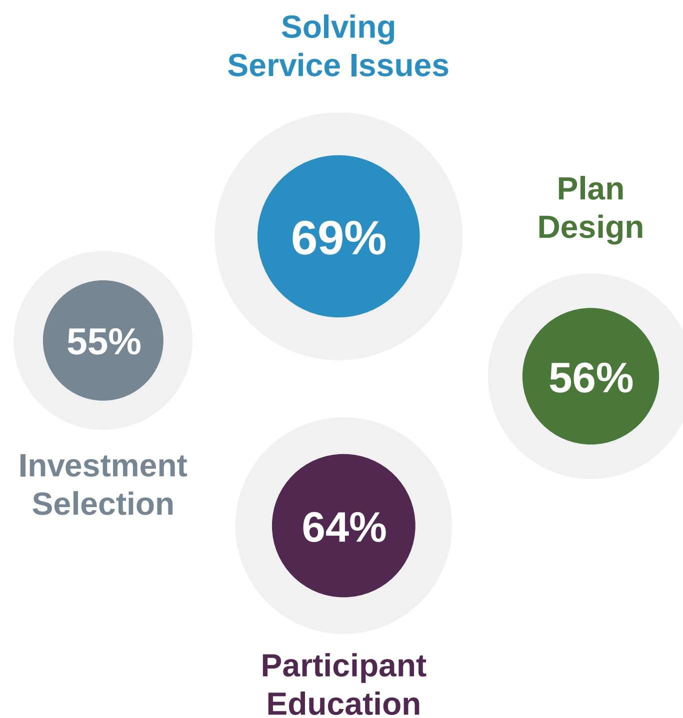
For investment professionals and plan sponsors.

The Role of the Recordkeeper Is Evolving

Who has the most impact on plan design?



What does the recordkeeper help with?



See final slide for additional survey details.

 For investment professionals and plan sponsors.

A Collaborative Recordkeeper–Advisor Dynamic May Boost Satisfaction Levels

Sponsors who lean on both advisors and recordkeepers for plan design are

13%

more satisfied with their advisor

By unlocking the recordkeeper dynamic, advisors can help increase mutual satisfaction rates

See final slide for additional survey details.

Get the Edge

Consider targeting your retention and prospecting efforts for maximum effectiveness

Health Savings Accounts Can Be a Differentiator

#1 employee benefit

Health was a clear winner as the #1 most important benefit for the company

Competes for internal resources

65% reported health, dental, disability, and retirement plan benefits all compete for resources

High costs cause reduced spending on other benefits

54% report reducing or deferring spending on other benefits due to higher health care costs

Despite reporting health plans are the top benefit,

25% plans do not offer a health savings account

Implementing **Wellness Programs** is the #1 step sponsors are taking to address rising health care costs

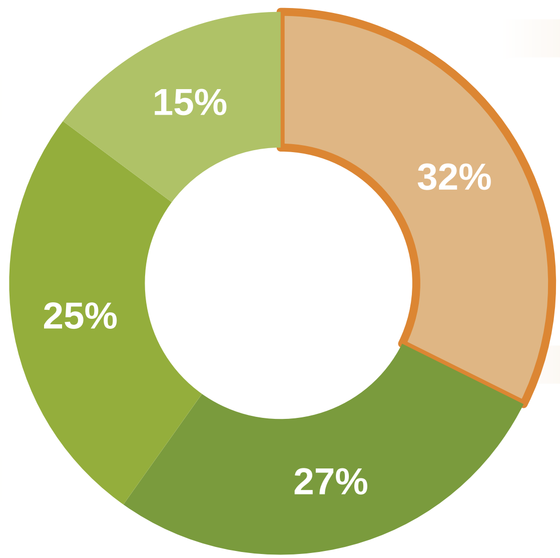
See final slide for additional survey details.

 For investment professionals and plan sponsors.

Health Savings Accounts Can Offer Significant Benefits to Both Employers and Participants

Primary Value to the Company in Offering an HSA Option

- Lower health insurance costs through high deductible plan
- Provide a vehicle to save for future years' health care costs
- Provide a vehicle to pay current health care costs
- Provide a vehicle for triple tax free retirement savings



Employee Challenge

$280,000

health care cost for average couple in retirement[2]

Employer Challenge

6%

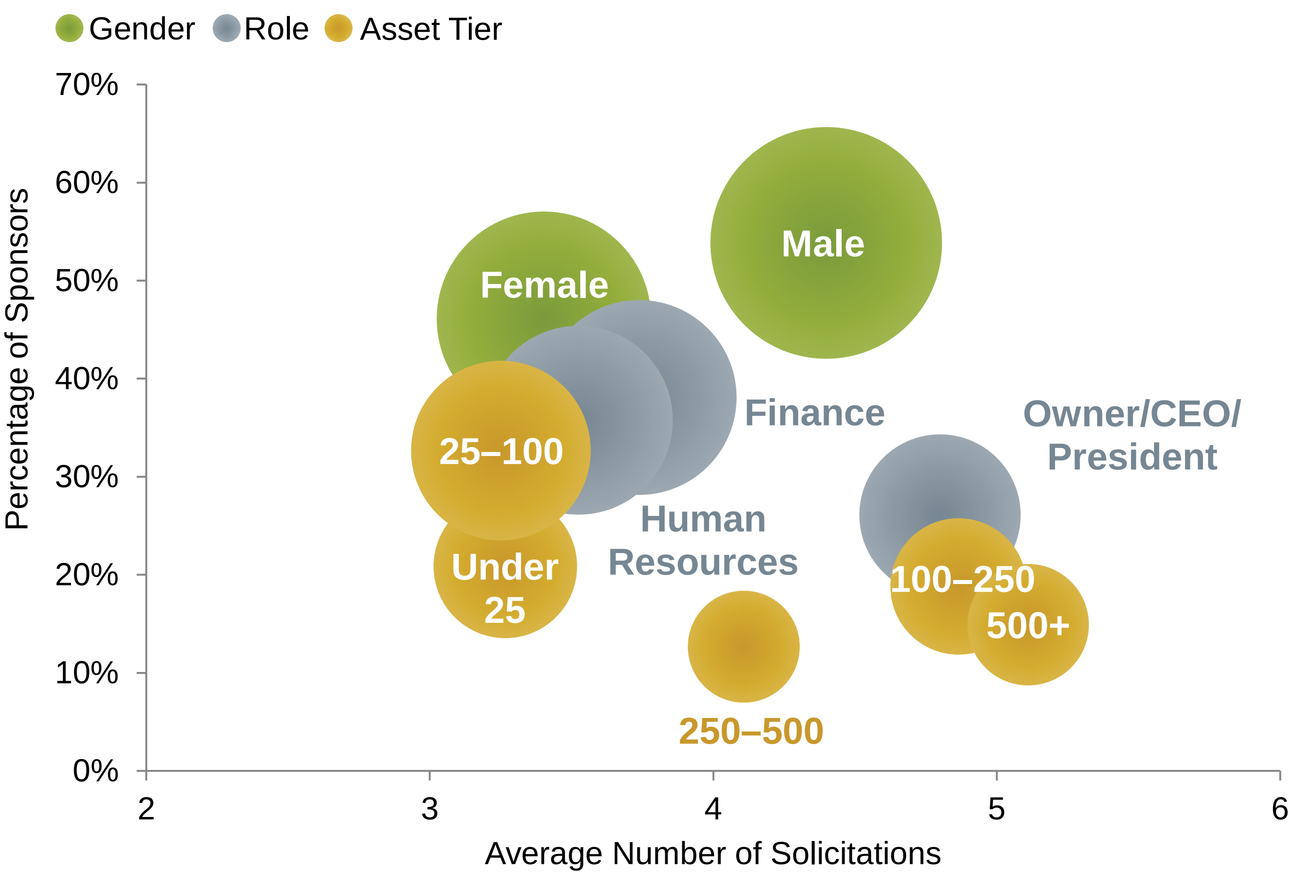
growth of employer medical plan costs for past 6 years[1]

[1] 22nd annual Willis Towers Watson Best Practices in Health Care Employer Survey, 2017, and Mercer's National Survey of Employer Sponsored Health Plans, 2017.

[2] Source: Fidelity Retiree Health Care Cost Estimate, 2018. See slide 37 for methodology.

See final slide for additional survey details.

Nearly Half of Sponsors Received 3 or More Solicitations Last Year



Advisors most often solicit the largest plans, owners, and men.

Smaller plans, women, and finance were solicited less often, potentially offering opportunity.

See final slide for additional survey details.

Plan Sponsors Rely on Advisors for Retirement Plan Expertise

How are advisor solicitations received?

43%

Said the solicitation piqued their interest

Why?

Good to be informed

Advisor seemed very knowledgeable

Discussed managing costs

Advisor could help with fiduciary responsibilities

How?

Live meetings and email capture attention

See final slide for additional survey details.

 For investment professionals and plan sponsors.

Why Are Some Sponsors Looking to Switch Advisors?

Advisor did not provide enough value to justify their cost	Advisor is too expensive	Need an advisor to take on fiduciary responsibility, and my current advisor won't	Too many plan servicing issues with the Recordkeeper	Need a more knowledgeable retirement plan advisor
17%	**15%**	**15%**	**14%**	**13%**

Areas sponsors are seeking knowledge:

- Keep us informed on regulation changes and how we can best implement **46%**
- Offer proactive suggestions for improving plan performance **44%**
- Help us minimize costs **41%**
- Consult on how to best manage fiduciary responsibilities and risks **40%**

See final slide for additional survey details.

What is the Most Important Thing Your Advisor Provides?

Finance	Human Resources	Owner/CEO/President
Retirement plan expertise 13%	Ability to understand the needs of our company and our employees 18%	Ability to help us comply with our fiduciary responsibilities 13%
Help in selecting and monitoring our investment menu 12%	Investment expertise 13%	Ability to understands the needs of our company and our employees 12%
Able to help us keep our retirement plan costs reasonable 12%	Retirement plan expertise 12%	A good plan to achieve participant savings outcomes 11%
Ability to understand the need of our company and our employees 11%	A good plan to achieve participant savings outcomes 11%	Able to help us keep our retirement plan costs reasonable 11%
Ability to help us comply with our fiduciary responsibilities 11%	Ability to help us comply with our fiduciary responsibilities 11%	Investment expertise 10%
A good plan to achieve participant savings outcomes 10%	Able to help us keep our retirement plan costs reasonable 9%	Help in selecting and monitoring our recordkeeper 10%
Investment expertise 10%	Educates our employees on retirement savings 9%	Helps us with all the plan servicing needs 10%
Educates our employees on retirement savings 10%	Helps us with all the plan servicing needs 8%	Educates our employees on retirement savings 10%
Helps us with all the plan servicing needs 7%	Help in selecting and monitoring our investment menu 7%	Help in selecting and monitoring our investment menu 7%
Help in selecting and monitoring our recordkeeper 5%	Help in selecting and monitoring our recordkeeper 3%	Retirement plan expertise 7%

Numbers may not equal 100% due to rounding. Numbers show percent of respondents selecting item as most important.
See final slide for additional survey details.

 For investment professionals and plan sponsors.

Plan Advisor Satisfaction Levels

70% of sponsors report they are satisfied with their current advisor

Work Harder

Great Service

Better Service

Performance

Lower Cost

Does a Good Job

Employee Education

More Available

Responsive

Well informed

High Employee Satisfaction

Better communication

Be innovative

Proactive

In-depth plan performance report

Categorized verbatim comments from 2018 survey. Plan sponsors were asked an open-ended question to explain their satisfaction response. Those verbatim comments were categorized and represented in an image depicting frequency of the response by relative size of the comment. See final slide for additional survey details.

How Can You Improve Satisfaction Levels?

30% of sponsors are not satisfied with their current advisor

Work Harder

Great Service

Better Service

Performance

Lower Cost

Does a Good Job

Employee Education

More Available

Responsive

Well informed

High Employee Satisfaction

Better communication

Be innovative

Proactive

In-depth plan performance report

Categorized verbatim comments from 2018 survey. Plan sponsors were asked an open-ended question to explain their satisfaction response. Those verbatim comments were categorized and represented in an image depicting frequency of the response by relative size of the comment. See final slide for additional survey details.

Quick Wins to Increase Sponsor Satisfaction

Understanding how sponsors perceive value and taking specific steps to tailor your approach can help position you for success

Explain your costs	Ask how you are doing	Demonstrate your value	Provide a written statement of your services
+34%	+22%	+20%	+25%

4 areas you can add value:

- Plan Investment Performance
- Fiduciary Risk Considerations
- Plan Improvements (e.g., Participation Rates, Contribution Rates)
- Activities They Have Performed

See final slide for additional survey details.

 For investment professionals and plan sponsors.

Working together, sponsors and advisors can position more participants to be retirement ready.

Consider the following:

Design plans aligned to outcomes	Use automatic features	Leverage HSAs	Offer realistic retirement income goals	Understand investment options

Put Fidelity's experience to work for you.

Important Information

SAVINGS FACTOR AND FINANCIAL READINESS RESEARCH

INCOME REPLACEMENT RATE

The income replacement rate is the percentage of pre-retirement income than an individual should target replacing in retirement. The income replacement targets are based on Consumer Expenditure Survey 2011 (BLS), Statistics of Income 2011 Tax Stat, IRS 2014 tax brackets, and Social Security Benefit Calculators. The 45% income replacement target assumes no pension income and a retirement and Social Security claiming age of 67, which is the full Social Security benefit age for those born in 1960 or later. For an earlier retirement and claiming age, this target goes up due to lower Social Security retirement benefits. Similarly, the target goes down for a later retirement age. For a retirement age of 65, this target is defined as 50% of pre-retirement annual income and for a retirement age of 70, this target is defined as 40% of pre-retirement income.

FINANCIAL READINESS AGE

The readiness age targets are defined as the anticipated age at which an individual could reach a certain income replacement target from various retirement income sources excluding Social Security. These income replacement targets are as follows: 55% if the readiness age is less than or equal to 63, 50% if it is from 64 to 66, 45% if it is 67 or 68, and 40% if it is 69 or higher. The readiness age targets are developed assuming age-based asset allocations consistent with the equity glide path of a typical target date retirement fund, a 15% savings rate, a 1.5% constant real wage growth, and a planning age through 93. Fidelity developed the readiness age targets through multiple market simulations based on historical market data, assuming poor market conditions to support a 90% confidence level of success.

SAVINGS FACTOR

The savings factor is a multiple of salary that an individual should aim to have saved by a given age. For example, you should aim to have saved 1X your current salary by age 30. Fidelity developed a series of salary multiplier targets corresponding to different ages assuming a retirement age of 67, a 15% savings rate, a 1.5% constant real wage growth, and a planning age through 93 and an income replacement target of 45% of pre-retirement income (assumes no pension income). The replacement income target is defined as 45% of pre-retirement income and assumes no pension income. Fidelity developed the salary multipliers through multiple market simulations based on historical market data, assuming an asset mix of greater than or equal to 50% equity, and poor market conditions to support a 90% confidence level of success. The final salary multiplier is calculated to be 10X pre-retirement income and assumes a retirement age of 67. For an earlier retirement age, this target goes up due to lower Social Security retirement benefits and a longer retirement horizon. Similarly, the target goes down for a later retirement age. For a retirement age of 65, this target is defined as 12X and for a retirement age of 70, this target is defined as 8X.

Savings factor and financial readiness age are based on simulations based on historical market data, assuming poor market conditions to support a 90% confidence level of success. These simulations take into account the volatility that a typical target date asset allocation might experience under different market conditions. Poor market conditions means that 90% of the time the asset allocation performed at least as well, while 10% of the time a similar asset allocation failed to perform as well. The analysis assumes a level of diversity within each asset class consistent with a market index benchmark that may differ from the diversity of your own portfolio. Please note that the projections do not reflect the impact of any transaction costs or management and servicing fees. Volatility of the stocks, bonds, and short-term asset classes is based on the historical annual data from 1926 through the most recent year-end data available from Ibbotson Associates, Inc. Stocks (domestic and foreign) are represented by Ibbotson Associates SBBI S&P 500® Total Return Index, bonds are represented by Ibbotson Associates SBBI U.S. Intermediate Term Government Bonds Total Return Index, and short term are represented by Ibbotson Associates SBBI 30-day U.S. Treasury Bills Total Return Index, respectively. It is not possible to invest directly in an index. All indices include reinvestment of dividends and interest income. All calculations are purely hypothetical and a suggested salary multiplier is not a guarantee of future results; it does not reflect the return of any particular investment or take into consideration the composition of a participant's particular account. The salary multiplier is intended only to be one source of information that may help you assess your retirement income needs. Remember, past performance is no guarantee of future results. Performance returns for actual investments will generally be reduced by fees or expenses not reflected in these hypothetical calculations. Returns also will generally be reduced by taxes.*

Important Information

FIDELITY RETIREE HEALTH CARE COST ESTIMATE

METHODOLOGY

Estimate based on a hypothetical couple retiring in 2018, 65 years old, with life expectancies that align with Society of Actuaries' RP-2014 Healthy Annuitant rates with Mortality Improvements Scale MP-2016. Actual expenses may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes. The Fidelity Retiree Health Care Costs Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, Original Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services and long-term care.

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You must make a determination whether an investment in any particular security or securities is consistent with your client's investment objectives, risk tolerance, and overall financial situation.

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

Survey summary: Harris Insights and Analytics, an independent market research company, conducted an online survey of 1,124 plan sponsors on behalf of Fidelity. Fidelity Investments was not identified as the survey sponsor. The survey was conducted during the month of February 2018. Respondents were identified as the primary person responsible for managing their organization's 401(k) plan. All plan sponsors confirmed their plans represented at least 25 participants and had at least $10 million in plan assets. Though the survey is broad in scope the experiences of the plan sponsors participating in the survey may not be representative of all plan sponsors.

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FIDELITY INVESTMENTS INSTITUTIONAL SERVICES COMPANY, INC., 500 SALEM STREET, SMITHFIELD, RI 02917

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