<table>
<thead>
<tr>
<th>Eighth Edition Survey Background</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1,106</strong> plan sponsors who use a wide variety of recordkeepers</td>
</tr>
<tr>
<td>The survey was conducted by an <strong>independent third-party research firm</strong> and Fidelity was not identified</td>
</tr>
<tr>
<td>Focused on results of 890 plans that use an <strong>advisor or consultant</strong></td>
</tr>
<tr>
<td>Fidelity’s proprietary Plan Sponsor Attitudes survey began in <strong>2008</strong></td>
</tr>
</tbody>
</table>

See final slide for additional survey details.

For investment professionals and plan sponsors.
Eighth Edition Survey Demographics

Respondents by Job Function:
- **34%** CEO/Owner
- **31%** CFO/Treasurer
- **28%** HR/Benefits
- **7%** Other

<table>
<thead>
<tr>
<th>Plan Assets* (Millions)</th>
<th># Plans</th>
<th>% Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $25M</td>
<td>257</td>
<td>23%</td>
</tr>
<tr>
<td>$25M–$250M</td>
<td>663</td>
<td>60%</td>
</tr>
<tr>
<td>Over $250M</td>
<td>186</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,106</td>
<td>100%</td>
</tr>
</tbody>
</table>

Respondents are the primary decision-maker for:
- **75%** Recordkeeper/Administrator
- **65%** Hiring Plan Advisor
- **57%** Investment Lineup

* There was no cap on plan size for the 2017 survey and market size observations will reflect small market as under $25M, mid-market as $25M–$250M, and large market as over $250M.

Percentages may not total 100% due to rounding.
Today’s Topics

<table>
<thead>
<tr>
<th></th>
<th>Plan Sponsors’ Attitudes On: Their Plan</th>
<th>Plan Design</th>
<th>Investment Menus</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Achieving Plan Savings Goals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Plan Sponsor Engagement: Advisor Evaluation</td>
<td>Engagement Levers</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Fidelity Resources and Support</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Primary Retirement Plan Concerns:

#### Asked to pick top concerns:

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Concern</th>
</tr>
</thead>
<tbody>
<tr>
<td>31%</td>
<td>Reducing <strong>business costs</strong> related to the plan</td>
</tr>
<tr>
<td>23%</td>
<td>Fiduciary responsibilities</td>
</tr>
<tr>
<td>22%</td>
<td>Preparing employees for retirement</td>
</tr>
<tr>
<td>18%</td>
<td>Risk of <strong>litigation and liability</strong></td>
</tr>
<tr>
<td>4%</td>
<td>Helping to retain top workers</td>
</tr>
<tr>
<td>2%</td>
<td>Attracting top talent</td>
</tr>
</tbody>
</table>

- **28%** small plans most concerned about retirement outcomes
- **38%** large plans most concerned about cost

**Observation:** They need **help with business challenges** associated with having a retirement plan

*Based on top 2 scores on a 7-point scale.*

*For investment professionals and plan sponsors.*
Observation: Fiduciary help is at an all-time high as the lead answer

Top Reasons for Hiring a Plan Advisor:

- 37% Concerned about their fiduciary responsibilities
- 27% Company has grown and plan is more complicated
- 26% Need help with plan investments
- 7% Want a better understanding of how well the plan is working for employees
- 2% We have less time to devote to the plan

80% of all respondents use an advisor
Fiduciary Concerns Provide Opportunity for Advisors

Drivers:

• 48% expect **significant impact** to management of their plan due to the potential DOL Investment Advice rule
• 35% remain **less confident** in their understanding of plan fiduciary responsibilities
• 60% stated that **plan advisor willingness to take on formal fiduciary duties is important**

Based on top 2 scores on a 7-point scale.

**76%** of all respondents have hired or are considering hiring someone to help with fiduciary duties.

Types of fiduciary Services Currently Provided by the Plan Advisor:

- 51% Plan-level fiduciary support
- 27% Participant-level fiduciary support

Top 3 Likely Actions as a Result of the DOL Rule:

• Examine plan costs
• Replace investment options
• Hire investment fiduciary

**For investment professionals and plan sponsors.**
ATTITUDES ON PLAN DESIGN

Sponsors Are Actively Making Plan Design Changes
Plan design activity continues to increase and reached a new high for 2017.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto-enrollment</td>
<td></td>
<td>24%</td>
<td>47%</td>
<td>53%</td>
<td>42%</td>
</tr>
<tr>
<td>Added a QDIA</td>
<td></td>
<td>34%</td>
<td>31%</td>
<td>33%</td>
<td>32%</td>
</tr>
<tr>
<td>Enrolled or Re-enrolled into TDF</td>
<td></td>
<td>26%</td>
<td>33%</td>
<td>23%</td>
<td>30%</td>
</tr>
<tr>
<td>Roth contribution option</td>
<td></td>
<td>31%</td>
<td>28%</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>Annual increase program (AIP)</td>
<td></td>
<td>30%</td>
<td>27%</td>
<td>30%</td>
<td>28%</td>
</tr>
<tr>
<td>Matching contribution</td>
<td></td>
<td>31%</td>
<td>24%</td>
<td>21%</td>
<td>25%</td>
</tr>
<tr>
<td>Increased the Default Deferral Rate</td>
<td></td>
<td>19%</td>
<td>13%</td>
<td>8%</td>
<td>14%</td>
</tr>
</tbody>
</table>

In the past two years:

92% of plans have made a plan design change

Plan Advisor
Leads in Initiating Plan Design Changes

Based on top 2 scores on a 7-point scale. Results will not total 100% due to multiple answer options.

For investment professionals and plan sponsors.
Auto Enrollment Is the Most Prevalent Plan Design Change

ATTITUDES ON PLAN DESIGN

AUTO ENROLLMENT AND RE-ENROLLMENT USAGE

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>10–25</th>
<th>25–250</th>
<th>$250+</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto-enrollment</td>
<td>58%</td>
<td>73%</td>
<td>82%</td>
<td>71%</td>
<td></td>
</tr>
<tr>
<td>Annual re-enrollment</td>
<td>87%</td>
<td>90%</td>
<td>87%</td>
<td>89%</td>
<td></td>
</tr>
</tbody>
</table>

VIEWS ON AUTO ENROLLMENT BY JOB FUNCTION

- **Owner**
  - Very pleased 7: 78%
  - Pleased 6: 54%
  - Not pleased at all 1: 25%

- **Finance**
  - Very pleased 7: 66%
  - Pleased 6: 29%
  - Not pleased at all 1: 37%

- **HR**
  - Very pleased 7: 56%
  - Pleased 6: 21%
  - Not pleased at all 1: 35%

- **Other**
  - Very pleased 7: 51%
  - Pleased 6: 29%
  - Not pleased at all 1: 23%

VIEWS ON PARTICIPANT SATISFACTION

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>10–25</th>
<th>25–250</th>
<th>$250+</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto-enrollment</td>
<td>57%</td>
<td>70%</td>
<td>72%</td>
<td>68%</td>
<td></td>
</tr>
<tr>
<td>Annual re-enrollment</td>
<td>54%</td>
<td>64%</td>
<td>65%</td>
<td>61%</td>
<td></td>
</tr>
<tr>
<td>Plan design changes overall</td>
<td>70%</td>
<td>80%</td>
<td>86%</td>
<td>79%</td>
<td></td>
</tr>
</tbody>
</table>

Based on top 2 scores on a 7-point scale.

For investment professionals and plan sponsors.
## ATTITUDES ON INVESTMENT MENUS

### Investment Menu Activism for Better Outcomes

In the past two years:

93% of plans have made an investment menu change

<table>
<thead>
<tr>
<th>Investment Changes</th>
<th>$10–$25</th>
<th>$25–$250</th>
<th>$250+</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Date Fund/Lifecycle</td>
<td>26%</td>
<td>47%</td>
<td>56%</td>
<td>43%</td>
</tr>
<tr>
<td>Replaced an Underperforming Fund</td>
<td>42%</td>
<td>34%</td>
<td>36%</td>
<td>36%</td>
</tr>
<tr>
<td>Added an Index Fund</td>
<td>33%</td>
<td>26%</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>Added Lower-Cost Share Class</td>
<td>18%</td>
<td>13%</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>Added a GIC/Stable Value Option</td>
<td>12%</td>
<td>15%</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td>Added a CIT</td>
<td>10%</td>
<td>9%</td>
<td>12%</td>
<td>10%</td>
</tr>
</tbody>
</table>

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

For investment professionals and plan sponsors.
Advisors Are Driving the Changes

**PLAN MENU CHANGES MADE OVER THE PAST TWO YEARS**

- Added a lifecycle or target date fund: 39%
- Replaced an underperforming fund: 37%
- Increased the number of investment options: 32%
- Added an index fund: 29%
- Changed the type of lifecycle/TDF to custom or multiple-manager fund: 20%
- Reduced the number of investment options: 18%
- Added lower-cost class of shares: 15%
- Added GIC/Stable Value Fund: 14%
- Added CIT (Collective Investment Trust/Commingled Investment Pool): 10%
- Added managed account program to the list of options: 9%
- None, I have not made any plan design changes: 8%

**WHO MADE THE INITIAL INVESTMENT MENU RECOMMENDATION**

<table>
<thead>
<tr>
<th>Change</th>
<th>Plan Advisor/Consultant</th>
<th>Internal/Other</th>
<th>Plan Recordkeeper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Added Lifecycle/TDF</td>
<td>73%</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td>Replaced underperforming fund</td>
<td>54%</td>
<td>21%</td>
<td>25%</td>
</tr>
<tr>
<td>Added index fund</td>
<td>38%</td>
<td>25%</td>
<td>37%</td>
</tr>
<tr>
<td>Added lower-cost share class</td>
<td>47%</td>
<td>27%</td>
<td>26%</td>
</tr>
<tr>
<td>Added GIC/stable value option</td>
<td>40%</td>
<td>30%</td>
<td>29%</td>
</tr>
<tr>
<td>Added CIT/commingled pool</td>
<td>37%</td>
<td>22%</td>
<td>42%</td>
</tr>
<tr>
<td>Added managed account option</td>
<td>48%</td>
<td>28%</td>
<td>24%</td>
</tr>
</tbody>
</table>

For investment professionals and plan sponsors.
Drivers of Investment Menu Change

**Performance remains the #1 main reason for investment menu changes**

### 2017 KEY REASONS PROMPTING A MENU CHANGE

- Better performance: 59%
- Lower cost/fees: 39%
- Plan strategy review: 34%
- Plan Advisor/Consultant recommendation: 27%
- Higher risk/higher reward: 25%
- Fiduciary concern: 23%
- Recordkeeper recommendation: 11%
- Investment policy statement: 6%
- Other: 1%

Results do not total 100% due to multiple answer options.

For investment professionals and plan sponsors.
### ATTITUDES ON INVESTMENT MENUS
#### Top QDIA Vehicles and Selection Drivers

<table>
<thead>
<tr>
<th>LEADING QDIA VEHICLES SELECTED:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
</tbody>
</table>

#### 2017 WHY THAT QDIA WAS CHOSEN

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>53%</td>
</tr>
<tr>
<td>Advisor/Consultant recommendation</td>
<td>39%</td>
</tr>
<tr>
<td>Recordkeeper recommendation</td>
<td>25%</td>
</tr>
<tr>
<td>Brand</td>
<td>22%</td>
</tr>
<tr>
<td>Cost and/or value</td>
<td>20%</td>
</tr>
<tr>
<td>Income replacement goal as stated goal</td>
<td>15%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
</tbody>
</table>
Plans Need to Be Structured for Retirement Income

- 71% of plans have an income replacement goal
- 87% of plans say they are on target to hit that goal

Fidelity believes a plan should have a goal of a 45% income replacement rate in retirement years

- 48% of plans have income replacement target of <25% or >75%
- Fewer than 25% of sponsors identified an income replacement goal between 41% and 60%

America’s Retirement Savings Dilemma

- 80% of sponsors have employees who would delay retirement due to a lack of savings
- Nearly 60% of sponsors say that 25% or more of their workers leave the workforce early due to reasons beyond their control

Based on top 2 scores on a 7-point scale.

For investment professionals and plan sponsors.
Building Blocks of Success

**Improve Outcomes**

- Sponsors understand the best ways to improve outcomes
  - 67% Start earlier
  - 55% Save more

- 39% Improve education
- 23% Lower investment costs

**Challenge**

59% believe their default deferral rate plus company match will provide sufficient savings for participants to retire on

**Opportunity**

Help sponsors understand how the math behind plan design can influence participant outcomes!

**Building Blocks**

Apply math to both plan design and investment menu strategy
### Participant Savings and the Lifelong Math Equation

**Fidelity suggestions to help participants save enough:**

<table>
<thead>
<tr>
<th>Formula</th>
<th>Years Saving</th>
<th>Total Savings Rate</th>
<th>Investment Returns</th>
<th>= GOAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fidelity Assumptions</strong></td>
<td>Saving from age 25–67</td>
<td>Reach at least a 15% total savings rate as soon as possible (including employer and employee contributions)</td>
<td>Age-appropriate asset allocation. Fidelity’s target date glide path assumes a 4.5% real rate of return (net of inflation)*</td>
<td>Accumulate 10X final salary</td>
</tr>
</tbody>
</table>
| **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 |

* Source: “Target Date Evolution: Enhancement to Fidelity’s Strategies,” Fidelity (AART), February 2014.

For investment professionals and plan sponsors.
Satisfaction with the plan advisor has dipped slightly from the all-time high of 2016.
Aligning work with evaluation criteria may help boost overall satisfaction.
How Frequently Advisor Is Evaluated:

- Longer than a year: 22%
- At least annually: 72%
- No fixed schedule: 6%

How I Evaluate My Advisor:

- 60% Value delivered
- 45% Investment performance
- 42% Compliance
- 40% Costs and fees
- 37% Fiduciary duties
- 32% Experience
- 22% Other plan measures

Agreement That Advisors/Consultants Are Very Good at Proving Their Value by Plan Size:

<table>
<thead>
<tr>
<th>Plan Size</th>
<th>Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10–$25</td>
<td>55%</td>
</tr>
<tr>
<td>$25–$250</td>
<td>60%</td>
</tr>
<tr>
<td>$250+</td>
<td>61%</td>
</tr>
<tr>
<td>Overall</td>
<td>59%</td>
</tr>
</tbody>
</table>

The criteria for evaluating an advisor may vary from the hiring criteria. Advisors have an opportunity to establish the basis for their evaluation with the plan sponsor.
A record number of sponsors are actively looking to switch their plan advisor:

Key reasons for changing:
- Need for a more knowledgeable advisor
- Too many servicing issues with recordkeeper
- Not enough support for employee education requirements

Top areas where more knowledge is needed:
- Keeping us informed on regulatory changes
- Consulting on fiduciary risks and responsibilities
- Suggestions for improving plan performance
- Help in minimizing costs
- Insight into participant trends and behaviors

71% percent reported multiple advisor solicitations in the past year
55% acknowledged a solicitation piqued their interest

Based on top 2 scores on a 7-point scale.
## ENGAGEMENT LEVERS

### Align Advisor Services with the Needs of Plan Sponsors

**Key benefits of doing business with my plan advisor:**

- **#1** Improves performance of my plan
- **#2** Gives me a better understanding of plan design features and options
- **#3** Gives me a better understanding of fiduciary duties

**Most important thing my advisor provides:**

- **#1** Retirement expertise
- **#2** Ability to understand my company and employees
- **#3** Investment expertise
- **#4** Fiduciary compliance

---

*A value proposition which caters to the challenges* of operating a plan and the challenges of achieving participant outcomes may be predisposed for success.
Demonstrate Your Value to All Key Stakeholders

Be sure all key decision-makers are aware of work performed on behalf of their plan—as well as how your work impacts their top concerns for the plans.

While all groups may participate in decisions:

- **Owners/CEOs** are more broadly focused across plan decisions than in the past, especially plan advisor and recordkeeper selection.

- **CFOs** remain most involved in investment menu and cost decisions.

- **Heads of HR** are equally involved with plan features and design and recordkeeping and administrative services. Recordkeepers often have more influence with this audience.

Which job function is the primary decision-maker for the following? Or, if made by committee, which job function makes the recommendation to the committee?

Based on top 2 scores on a 7-point scale. Totals may not add up to 100% due to rounding.

For investment professionals and plan sponsors.
**Support Their Healthcare Challenges**

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Benefits</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 74% State that health care, retirement, and dental benefits compete for funding.</td>
<td>• #1 Health care</td>
<td>• Encourage an HSA Plan</td>
</tr>
<tr>
<td>• 74% Are considering aggregating benefits administration in order to reduce or manage costs.</td>
<td>• #2 Retirement plan</td>
<td>• Engage with Health Benefit Specialists</td>
</tr>
<tr>
<td>• 67% Agree that increased health care costs have resulted in reduced spending on other benefits.</td>
<td>• #3 Dental</td>
<td>• Leverage Financial Wellness Theme</td>
</tr>
<tr>
<td>• 50% Feel that the company has some obligation to pay more toward rising health care costs.</td>
<td>• #4 Disability</td>
<td>• Discuss Opportunity Cost of Plan not “On Track”</td>
</tr>
</tbody>
</table>

Based on top 2 scores on a 7-point scale.
**Relationships Are Key to Winning Plan Business**

<table>
<thead>
<tr>
<th>Choosing advisors:</th>
<th>Choosing recordkeepers:</th>
</tr>
</thead>
<tbody>
<tr>
<td>30% Existing personal relationship unrelated to your firm</td>
<td>43% Competitive review led by the plan advisor</td>
</tr>
<tr>
<td>26% Existing relationship with an executive of your firm</td>
<td>33% Advisor recommendation</td>
</tr>
<tr>
<td>20% Referral from business contact</td>
<td>16% Internal recommendation by an employee</td>
</tr>
</tbody>
</table>

*Plan advisors are crucial in the search for plan service providers.*

**Relationships are more important than ever to winning plan business.** Interestingly, owners/CEOs were more likely to hire the plan advisor based on personal relationships unrelated to the firm. They are also more involved with hiring the advisor than other plan activity.
Support for Your Success

Investment Menu Optimization

Retirement Business-Building Strategies

Plan Sponsor Engagement

RESOURCES

For illustrative purposes.

For investment professionals and plan sponsors.
For More Information

Please contact me or your Fidelity representative at 800-343-1492

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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: The eRewards panel from Research Now, an independent market research company, conducted an online survey of 1,106 plan sponsors on behalf of Fidelity during February and March 2017. Respondents were identified as the primary person responsible for managing their organization’s 401(k) plan (with at least 25 participants and $10 million in plan assets), and the survey focused on those plan sponsors (890, or approximately 80%) using the services of a financial advisor or plan consultant. Fidelity Investments was not identified as the survey sponsor. The experiences of the plan sponsors who responded to the survey may not be representative of those other plan sponsors who use the services of an advisor.

Building Futures, data as of 12/31/16. Based on Fidelity analysis of 21,600 corporate defined contribution (DC) plans (including advisor-sold DC) and over 13.5 million participants as of 12/31/16. Fidelity's recordkept database of DC plans excludes tax-exempt plans, nonqualified plans, and the FMR Co. plan.

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