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Unveiling the Insights: Plan Sponsor Attitudes Survey

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Presenters



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Announcement



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First CPE Activity Question

What is your current level of familiarity with the webinar topic?





Fidelity Institutional Insights

Plan Sponsor Attitudes Survey

14th edition

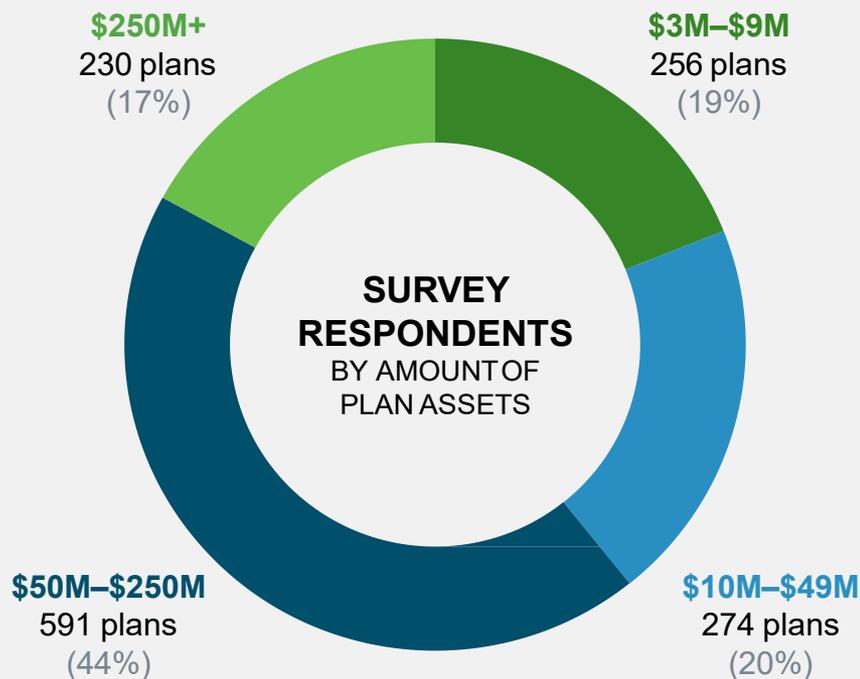
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Survey Respondents: 1,351 Defined Contribution Plan Sponsors

Survey covers plan sponsors across multiple recordkeepers



Respondents are key decision-makers for:

Hiring plan advisor	81%
Recordkeeper/administrator	76%
Managing plan costs	71%
Plan features and design	69%
Investment lineup	58%

See final slide for additional survey details. For investment professional and plan sponsor use only.



Fidelity's Plan Sponsor Attitudes Survey Has Tracked the Evolution of Our Industry

2008 2010 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 **2023**

Plan satisfaction and growth connection

Essential sponsor communications

Impact of a delayed retirement

Focus on fiduciary

Plan design for better outcomes

The next-generation retirement plan specialist

Heightened plan sponsor activity and engagement

Managing fee disclosure changes

Demand for knowledgeable advisor

Recordkeeper expansion

High rate of advisor change

Expanding advisor impact

Spotlight on advisor expertise and employee outcomes

Rising complexity creates opportunity for greater advisor impact

2022 RESEARCH FEATURED IN:

Ignites
InvestmentNews

401(k) Specialist
Pensions & Investments

NAPA Net
Plan Sponsor

Bloomberg
Wealthmanagement.com

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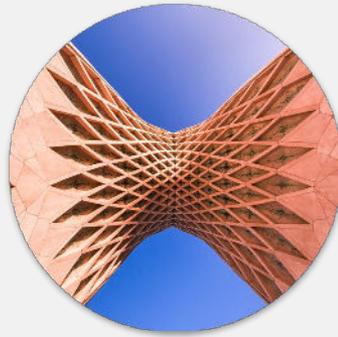


Rising Complexity Creates Opportunity for Greater Advisor Impact

**Retirement Plan Evolution
and Participant
Engagement**



**Investment Menu
Insights**



**Plan Sponsor,
Recordkeeper and
Advisor Relationship**



**Sponsors Aim to
Provide Holistic
Benefit Programs**

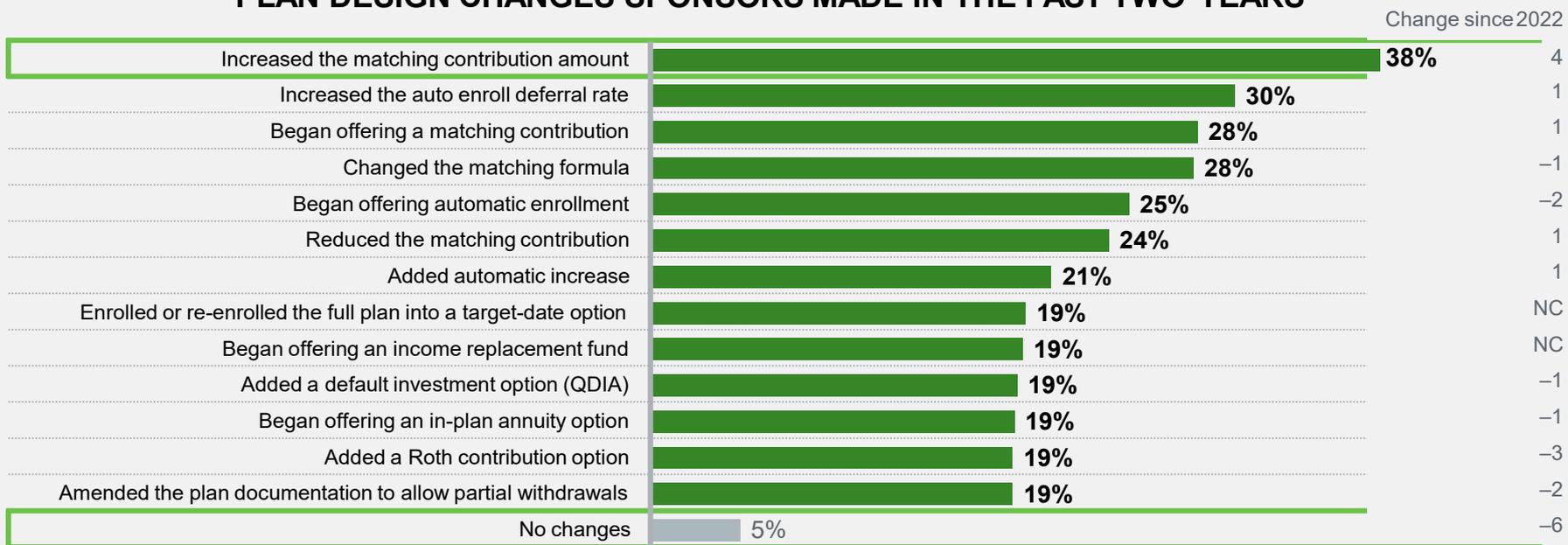


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Retirement Plan Evolution and Participant Engagement

Increasing Company Match Continues to Lead Plan Design Changes

PLAN DESIGN CHANGES SPONSORS MADE IN THE PAST TWO YEARS

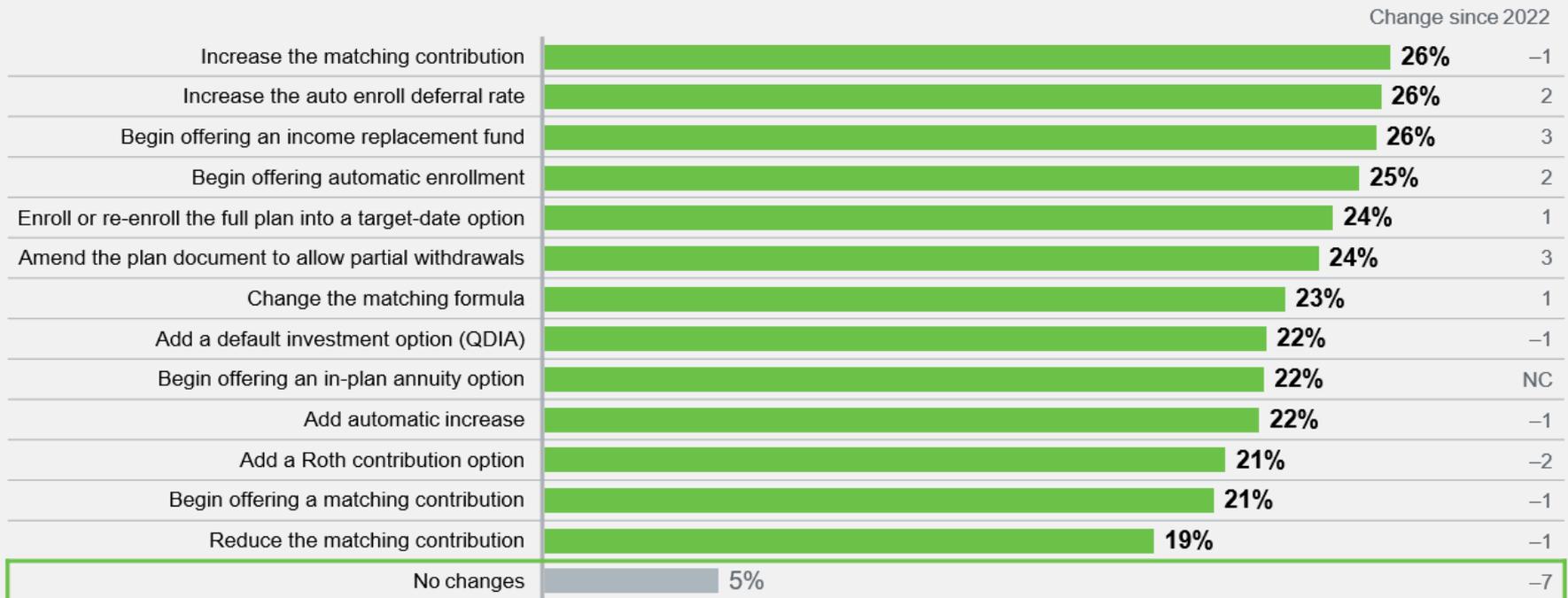


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95% of Sponsors Expect to Make Plan Design Changes in 2023

CHANGES PLAN SPONSORS EXPECT TO MAKE



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Sponsors Are Satisfied That Plans Are Meeting Their Goals

PRIMARY GOAL FOR OFFERING A PLAN



74% are very satisfied the plan meets their objectives.

TOP CONCERNS FOR PLANS



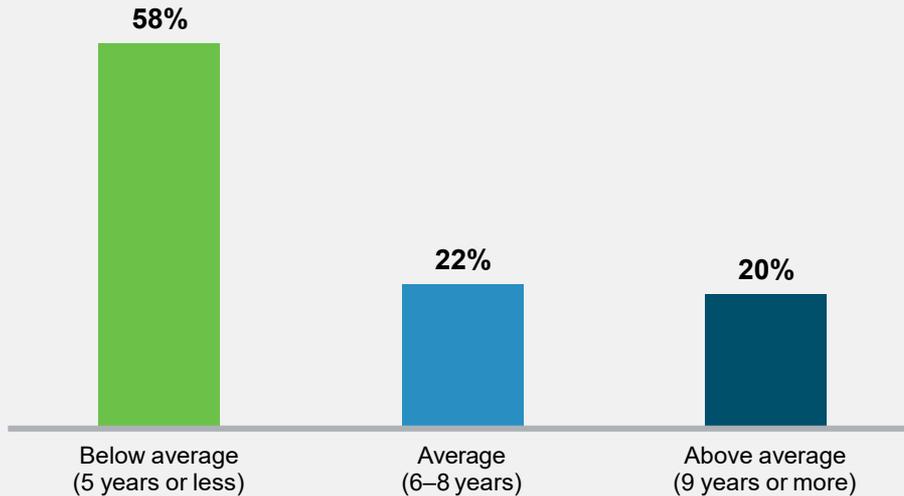
70% of sponsors' top concerns focus on employees.

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Sponsors Face Challenges with Employee Turnover

AVERAGE EMPLOYEE TENURE



On average, plan sponsors reported they had hired **37%** of their employees in the past two years

71% of plan sponsors said turnover has created 401(k) plan education challenges in the past year

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Plan Sponsor Perception about Employee Retirement Readiness

PERCENTAGE OF PLAN SPONSORS WHO AGREE PLAN EMPLOYEES ARE SAVING ENOUGH FOR RETIREMENT

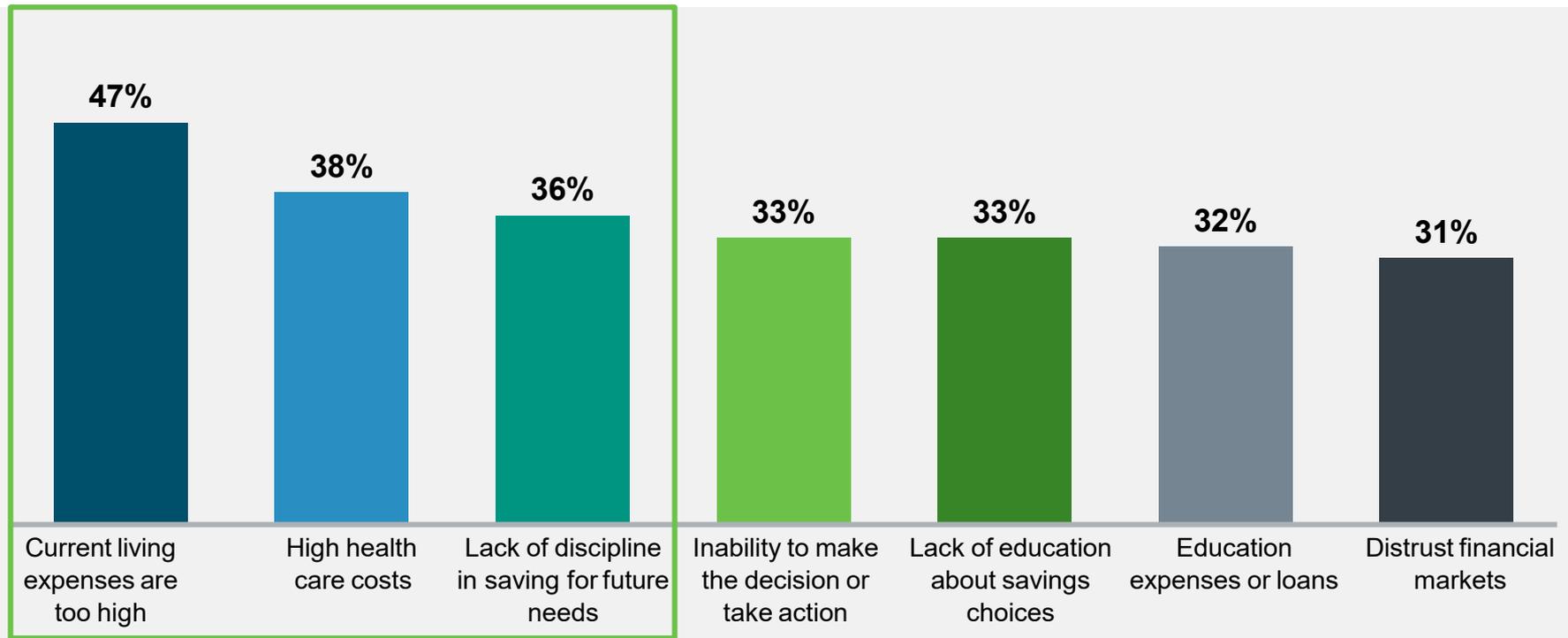


believe the auto-enrollment deferral rate and company match are a sufficient retirement savings rate, up from just 46% in 2018.

Perception about auto-enrollment deferral rate and company match as a sufficient savings rate for retirement reflects responses of six or seven out of seven.

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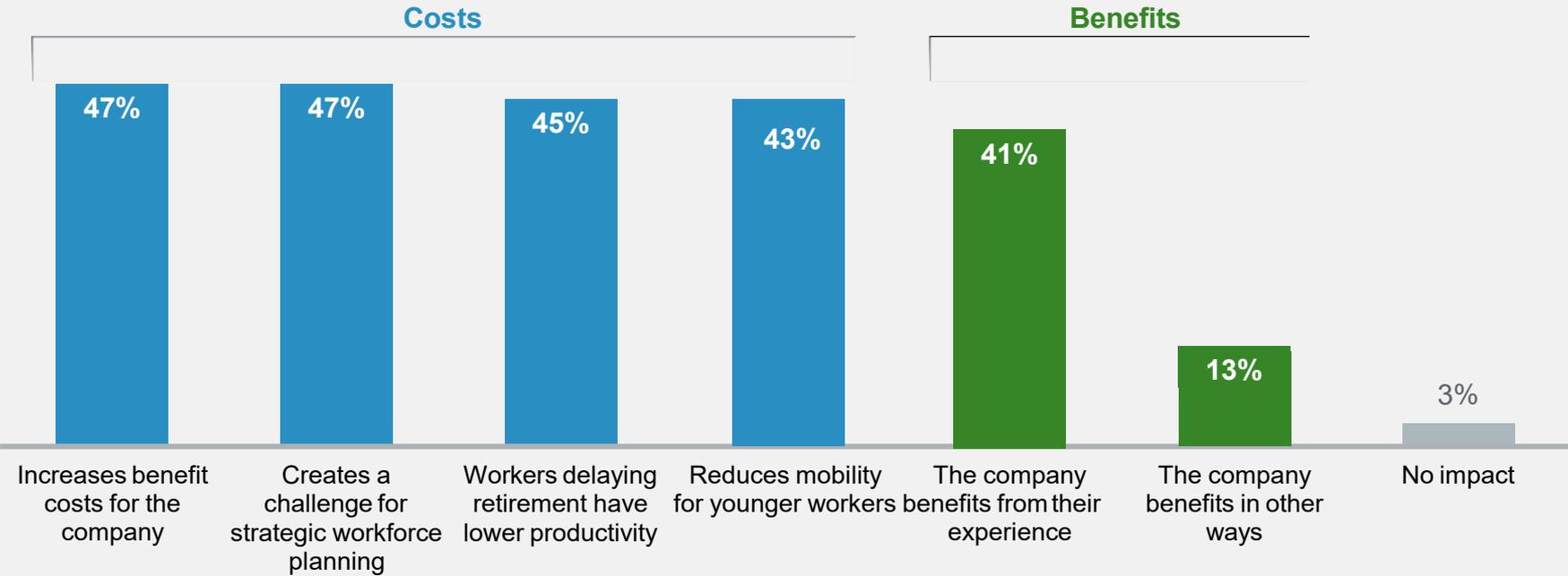
Competing Financial Priorities Are Headwinds to Employee Saving



Sponsors' views of employee barriers to saving.

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Sponsors Recognize Impacts of Employees Working Beyond Retirement Age



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Key Highlights of Savings Behavior Best Practices

Retirement savings targets

67

Retirement age

10X

Savings factor

45%

Income replacement rate

How do we get there?

15%

Savings rate

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

Best practices to help participants save enough:

Years Saving: Start early

- Auto-enrollment for all employees

Total Savings Rate: Save enough

- 6% default rate
- Automatic 1% annual deferral increase up to at least 15%
- Strategic match to encourage deferrals

Investment Returns: Asset allocation

- Align investment menu options with plan goals
- Use QDIA options that align with plan income replacement goals

Goal

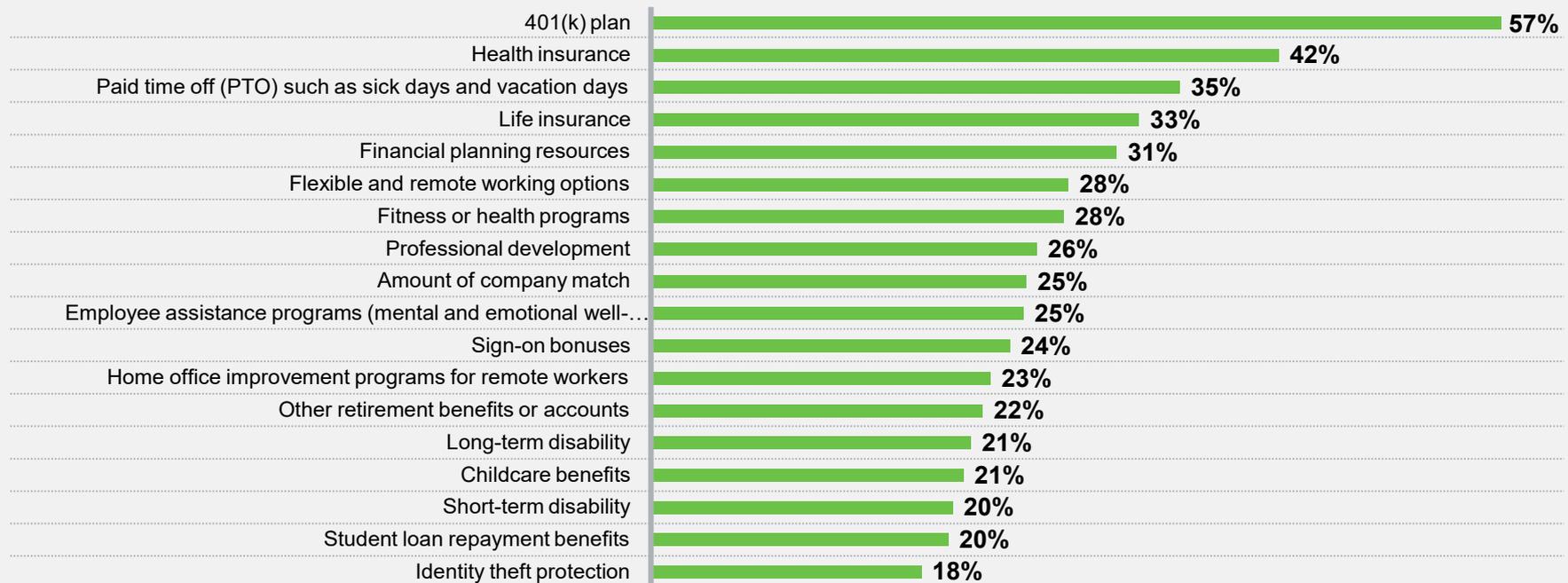
Mathematically align plan design for success

See Savings Factor Research in Important Information.

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Sponsors Enhance Benefits for Employees

TOP BENEFITS FOR ATTRACTING AND RETAINING TALENT



Percentage ranked in top five.

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Sponsors Offer Workplace Perks to Boost Employee Participation

BEST WAY TO INCREASE EMPLOYEE ENGAGEMENT



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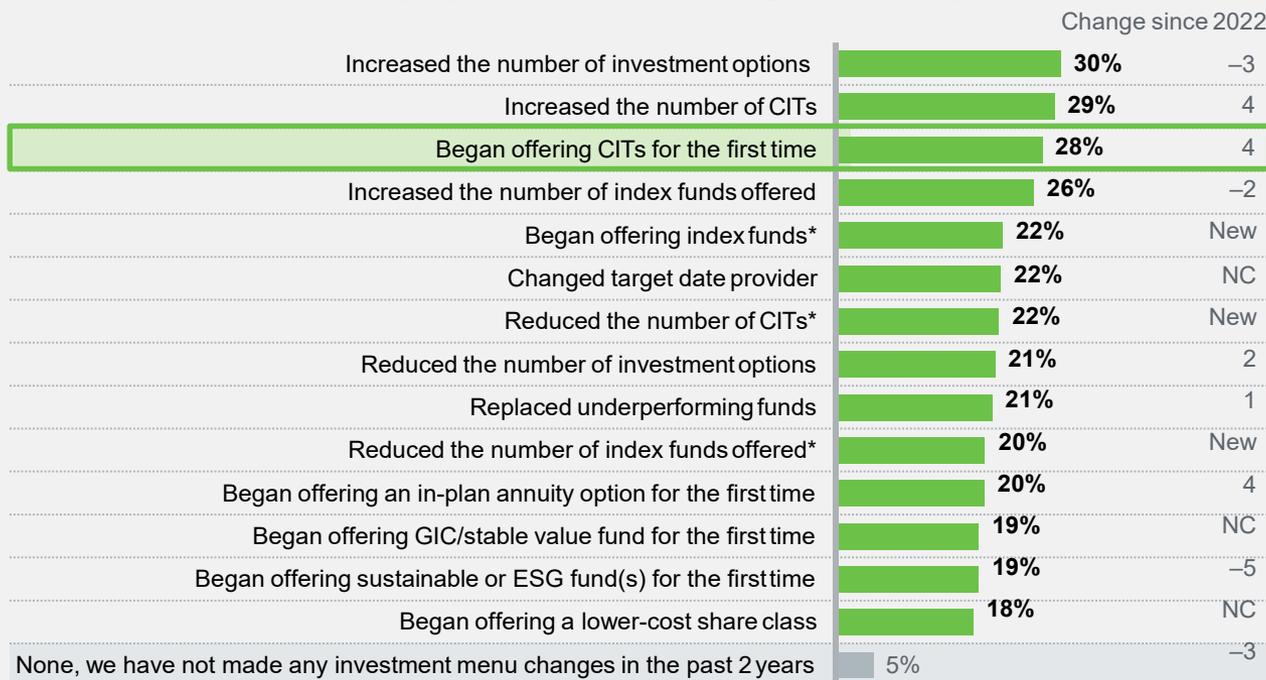


Investment Menu Insights

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Investment Menu Changes Are on the Rise

CHANGES MADE IN THE PAST 2 YEARS



CITs had a 10% annual growth rate from 2018 to 2023.

Sponsors offering passive and active investment options has **remained consistent at around 80%** over the last three years (**81%** of advised sponsors and **60%** of non-advised sponsors).

CIT: Collective Investment Trust/Commingled Investment Pool.

* New options for 2023. ** Only asked to sponsors that increased the number of investment options on their plan menu.

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Process and Performance Matter in Target Date Selection

MOST IMPORTANT FACTORS

Investment approach aligned with employee preference	20%
Plan advisor recommendation	20%
Hearing directly from the TDF investment manager and being able to ask questions	14%
Investment performance	12%
Target date is actively managed	12%
Strong brand	9%
Target date is passive/index	9%
Low cost	4%

78%

of sponsors did a full search when initially selecting their target date fund

2 out of 3

sponsors prefer higher-performing target date funds, even if that means higher cost

71%

of sponsors rated communications explaining target date options as “very important”

Left chart: Percentage of sponsors ranking each most important.
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Elevated Plan Sponsor Interest in Retirement Income

Conversations occur across advisors, recordkeepers, and target date managers

80%

of advised sponsors **have discussed** retirement income options for the plan with their advisors in the past two years.

73%

of plan sponsors reported their **recordkeeper** had spoken with them about retirement income in the past two years.

71%

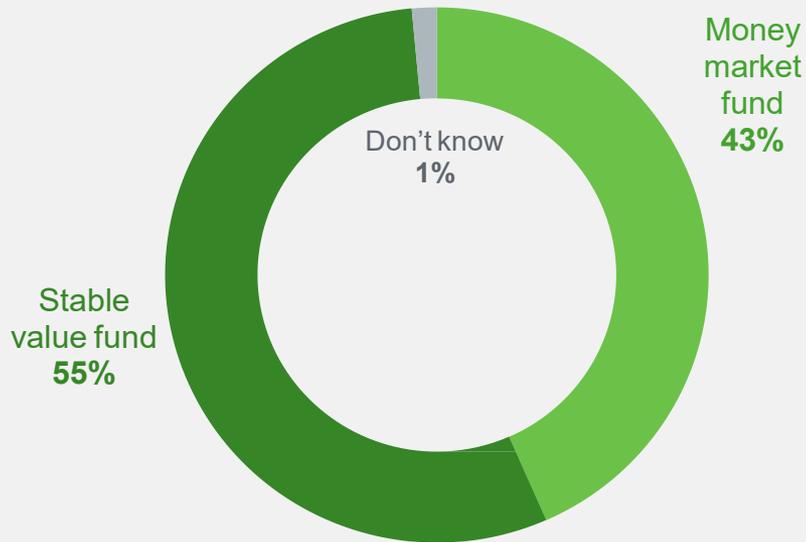
of plan sponsors reported their **target date manager** had spoken with them about retirement income in the past two years.

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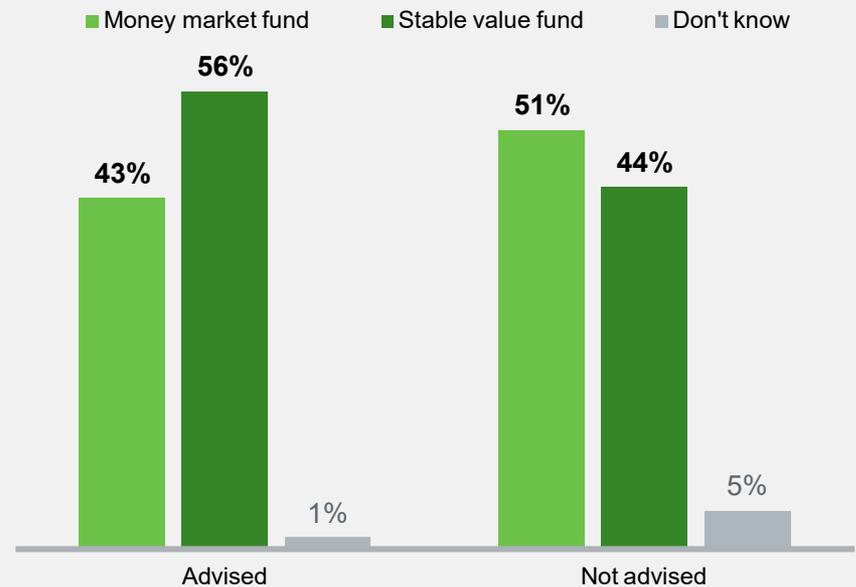


The Role of Money Market and Stable Value Funds vs. Cash

TYPES OF FUNDS MOST LIKELY TO BE USED FOR CASH FOR CORPORATE PLANS



ADVISED VS. NOT ADVISED



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Second CPE Activity Question

How did you hear about this webinar?

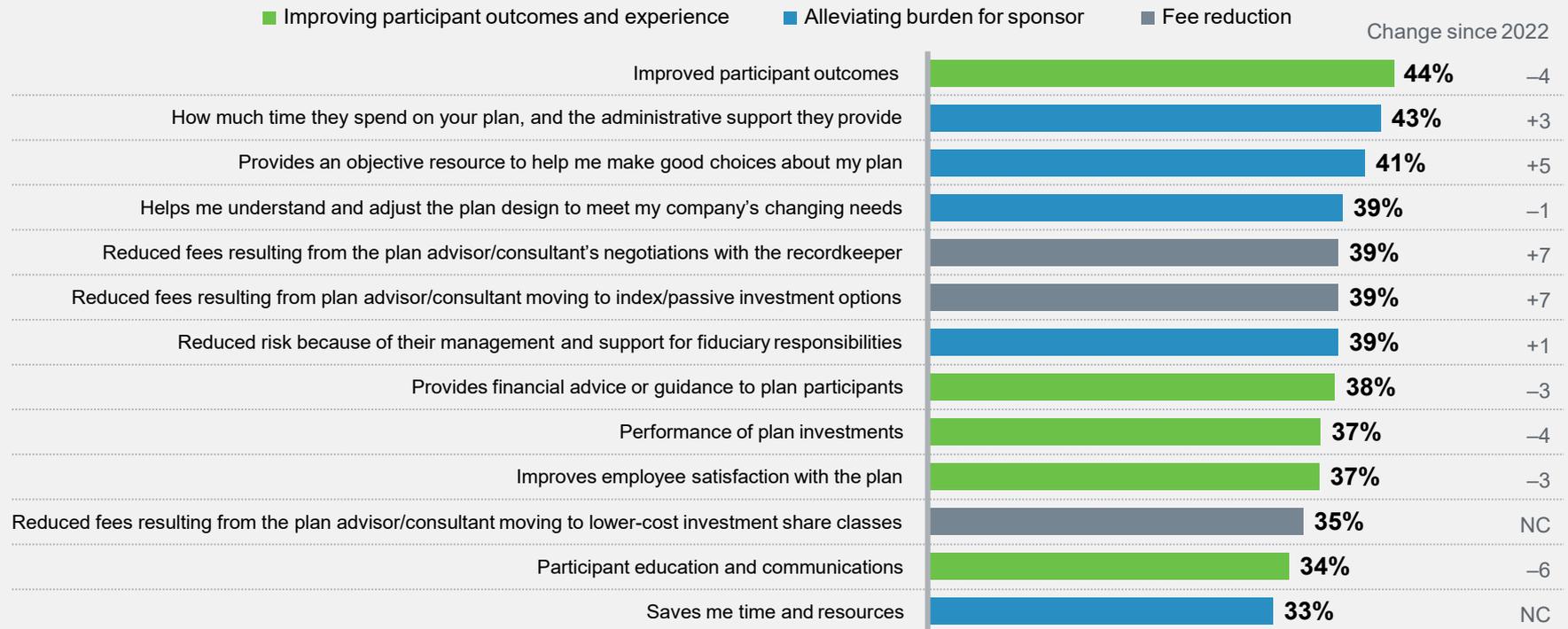




Plan Sponsor, Recordkeeper and Advisor Relationship

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What Plan Sponsors Value Most about Their Plan Advisor



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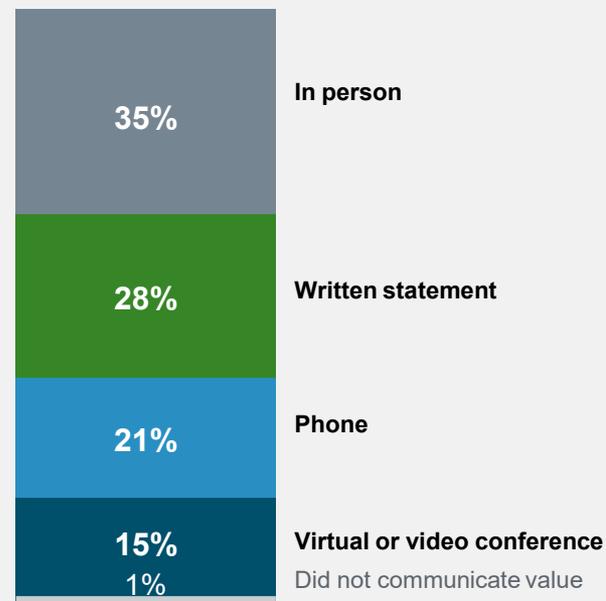
How Advisors Measure Success

87% of advisors illustrated their impact on helping meet plan goals

MEASURES ADVISOR USES TO UNDERSCORE VALUE



CHANNELS ADVISORS USED TO COMMUNICATE THEIR VALUE

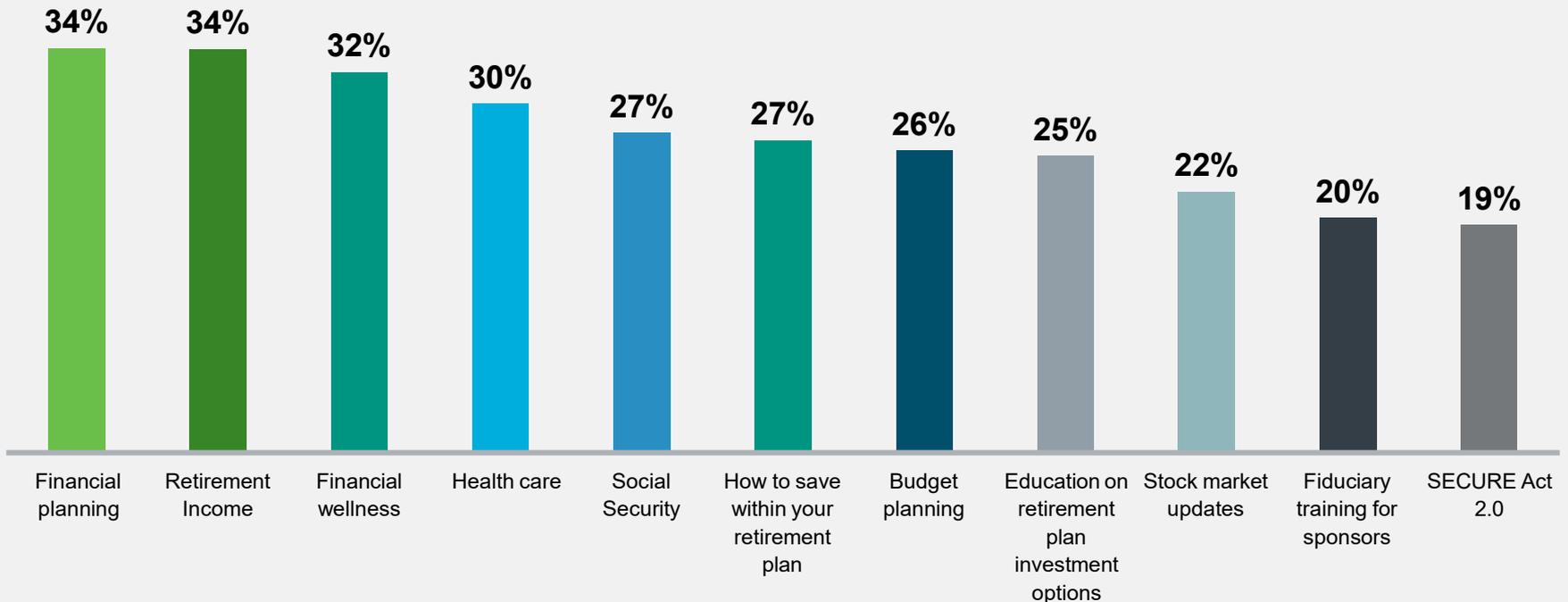


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Sponsors Seek Information on Education Topics from Advisors

TOPICS SPONSORS WANT ADVISORS TO PROVIDE CONTENT/EDUCATION ON IN NEXT 12 MONTHS



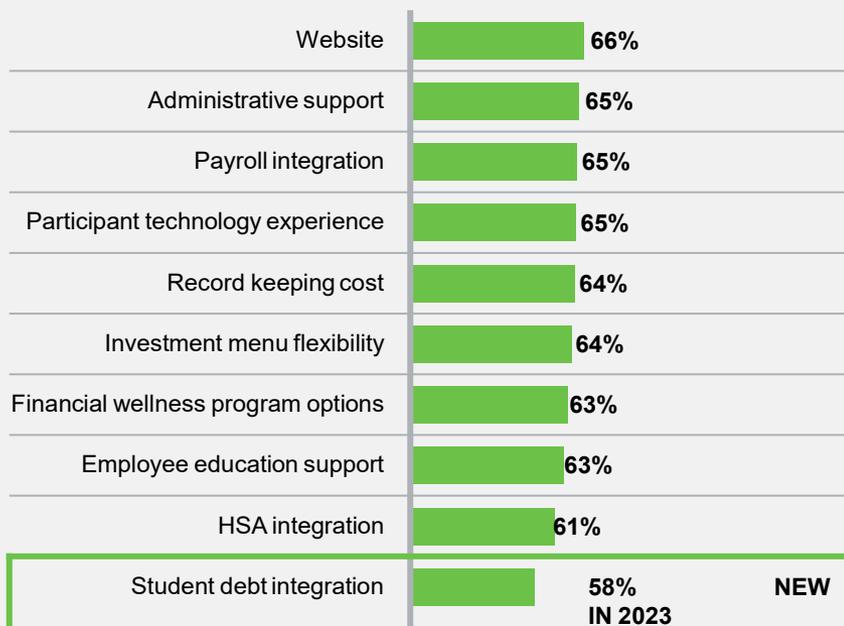
Percentage of sponsors ranking in top three topics.

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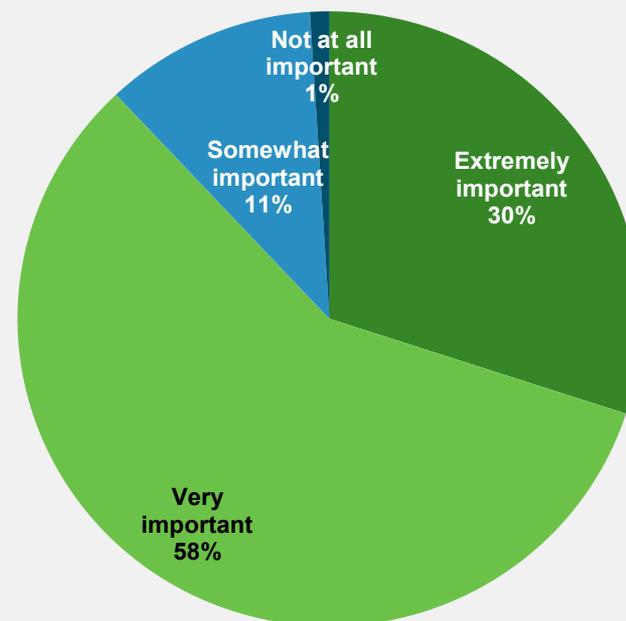


Finding the Right Recordkeeper

IMPORTANCE OF FACTORS WHEN HIRING A RECORDKEEPER



IMPORTANCE OF DIGITAL/WEB/MOBILE EXPERIENCE IN RECORDKEEPER SELECTION



Importance of factors reflects a rating of 6 or 7 on a 1 to 7 scale.

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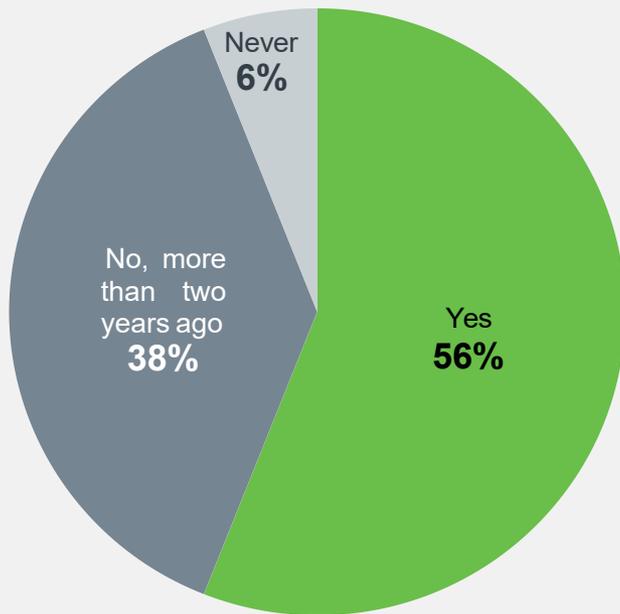


Sponsors Aim to Provide Holistic Benefit Programs

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Financial Wellness Programs Continue to Make an Impact

HAVE YOU IMPLEMENTED A FINANCIAL WELLNESS PROGRAM IN THE PAST TWO YEARS?



76% of sponsors reported their **advisors have spoken to them about financial wellness programs.**

Financial wellness conversations appear to **increase advisor satisfaction**, from 70% to 77%.

71% of sponsors find financial wellness programs **very impactful.**

REASONS SOME PROGRAMS LACKED IMPACT

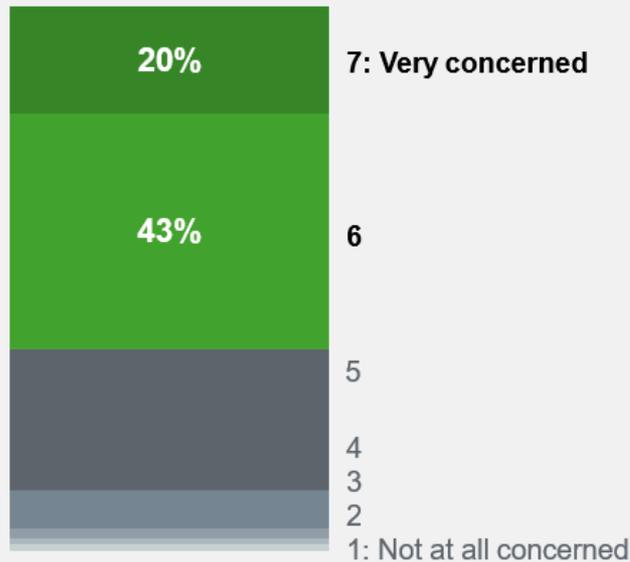
- Lack of awareness of the program (**65%**)
- Lack of understanding of program benefits (**55%**)
- Program features (**52%**)

Satisfaction reflects a rating of 6 or 7 on a scale of 1 to 7.

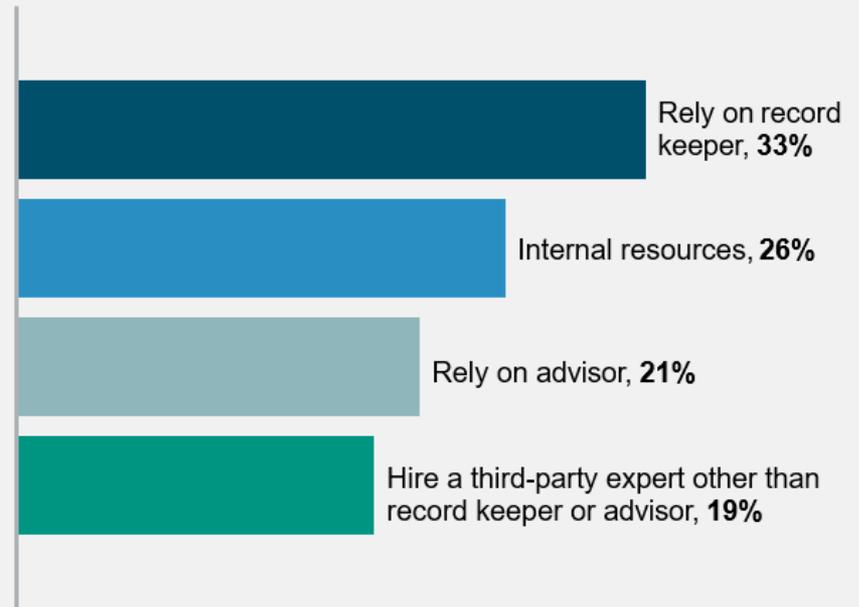
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63% of Sponsors Are Concerned about Cybersecurity

DEGREE OF CONCERN ABOUT CYBERSECURITY RISKS RELATED TO PLAN



HOW CYBERSECURITY PLAN RISKS ARE EVALUATED

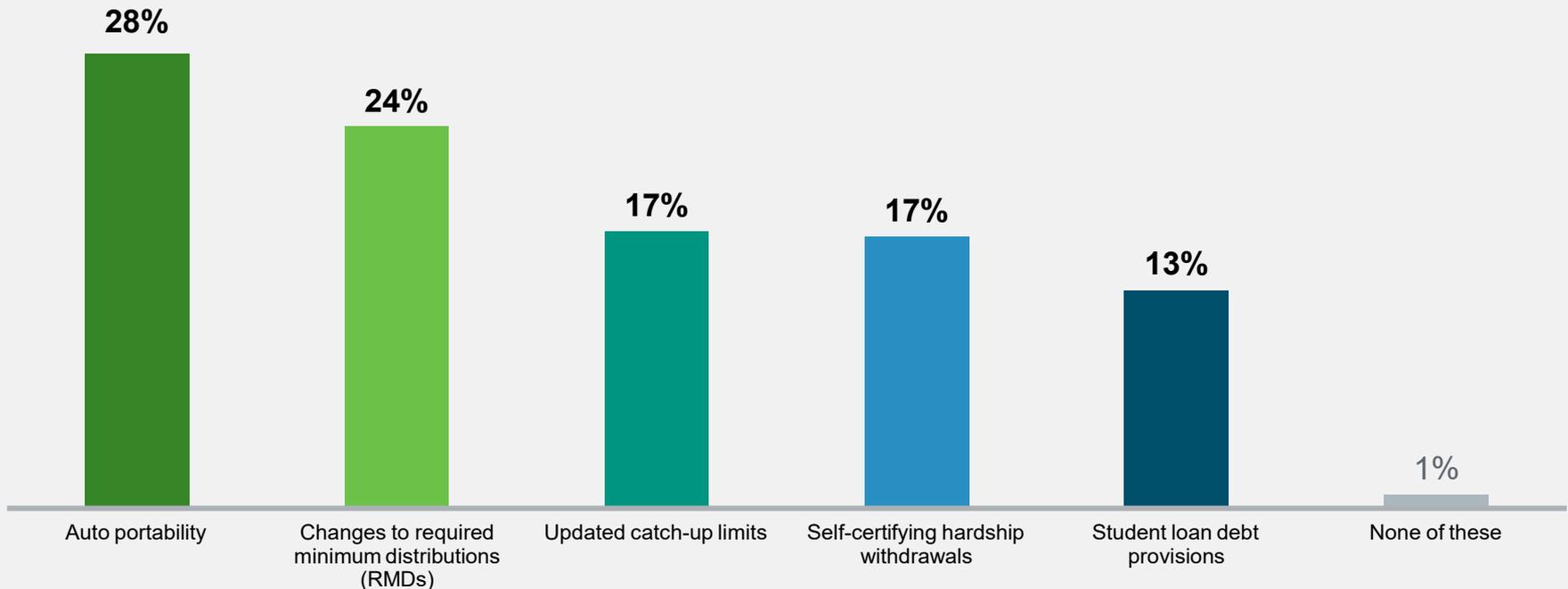


Concern reflects a rating of 6 or 7 on a 1 to 7 scale.

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71% of Sponsors Are Familiar with SECURE Act 2.0

WHICH OF THE FOLLOWING ELEMENTS OF SECURE ACT 2.0 ARE OF MOST INTEREST?



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Appendix

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Third CPE Activity Question

Which aspect of the webinar did you find most valuable or interesting?



We Want to Hear From You!

Share your feedback from today's presentation here:



Questions?



Contact Information



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Important Information

Savings Factor Research

Fidelity has developed age-based retirement savings factors to help participants plan amid uncertainty. We estimate that saving 10x (times) a participants' preretirement income by age 67, together with other steps, may help ensure that participants have enough income to maintain their current lifestyle in retirement. Our savings factors are based on the assumption that a person saves 15% of their income annually beginning at age 25, invests more than 50% on average of their savings in stocks over their lifetime, retires at age 67, and plans to maintain their preretirement lifestyle in retirement. We have applied a "strong plan" framework to our analysis, stress-testing these guidelines to be successful in 9 out of 10 market conditions across a broad range of investment mixes.

Fidelity has developed a series of salary multipliers in order to provide participants with one measure of how their current retirement savings might be compared to potential income needs in retirement. The salary multiplier suggested is based solely on a participant's current age. In developing the series of salary multipliers corresponding to age, Fidelity assumed 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, a retirement age of 67, and a planning age through 93. The replacement annual income target is defined as 45% of preretirement annual income and assumes no pension income. This target is based on Consumer Expenditure Survey (BLS), preretirement Statistics of Income Tax Stat, IRS tax brackets, and Social Security Benefit Calculators. Fidelity developed the salary multipliers through multiple market 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. 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 US Intermediate Term Government Bonds Total Return Index, and short term are represented by Ibbotson Associates SBBI 30-day US 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.

Fidelity's suggested total pretax savings goal of 15% of annual income (including employer contributions) is based on our research, which indicates that most people would need to contribute this amount from an assumed starting age of 25 through an assumed retirement age of 67 to potentially support a replacement annual income rate equal to 45% of preretirement annual income (assuming no pension income) through age 93.

The savings factor, savings rate, and withdrawal rate targets are based on simulations based on historical market data. These simulations take into account the volatility that a variety of asset allocations might experience under different market conditions. Given the above assumptions for retirement age, planning age, wage growth, and income replacement targets, the results were successful in 9 out of 10 hypothetical market conditions where the average equity allocation over the investment horizon was more than 50% for the hypothetical portfolio. 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 will also generally be reduced by taxes.

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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 1,351 plan sponsors on behalf of Fidelity. Fidelity Investments was not identified as the survey sponsor. The survey was conducted during the month of March 2023. Respondents were identified as the primary person responsible for managing their organization's 401(k) plan. All plan sponsors confirmed their plans had at least 25 participants and at least \$3 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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