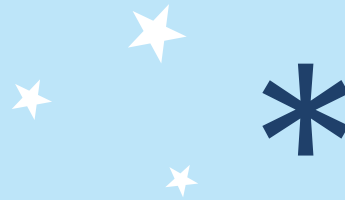




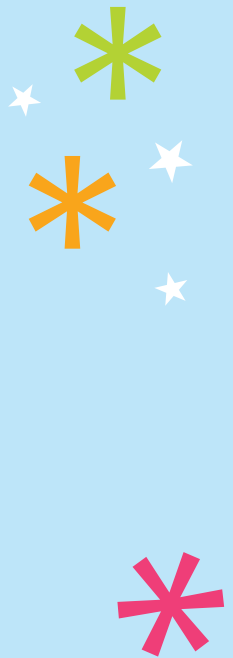
HAPPY



BIRTHDAY

PPA

The Pension Protection Act is 10 years old. While it helped write a recipe for better outcomes, there is room for icing on the cake.



Building a recipe for better outcomes

Cooking up a strategy for retirement requires three key ingredients: participating in a workplace savings plan, saving enough, and having assets allocated appropriately. When properly mixed, they can help participants get and stay on track to reach their goals for retirement.

The Pension Protection Act of 2006 (PPA) gave employers a basic recipe for a DC plan, but every recipe can be improved with smart preparation tips and added ingredients.

KEY INGREDIENTS

- + Participation
- + Savings
- + Asset allocation

COOKING TIME

- 🕒 10 years and counting

YIELD

- 💰 Income replacement in retirement



REVIEWS



"The 401(k) started life as a supplemental Plan — it was the icing on the cake. However, over time, like many organizations, we stopped providing retirement health care, and we froze our DB pension plan. The 401(k) has become the employee's principal retirement vehicle — it's now the icing **and** the cake! As a result, we made two fundamental changes in its approach to retirement savings: We shifted our strategy from employee engagement to employee success. We turned inertia from a liability to an asset! Our solution included significant use of Auto Features. We now have 94% participation rate!"

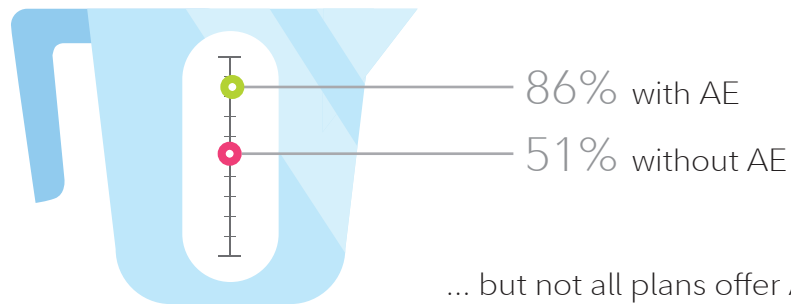
LARGE US EMPLOYER
~20,000 employees

The experience of this customer may not be representative of the experiences of all customers and is not indicative of future performance or success.

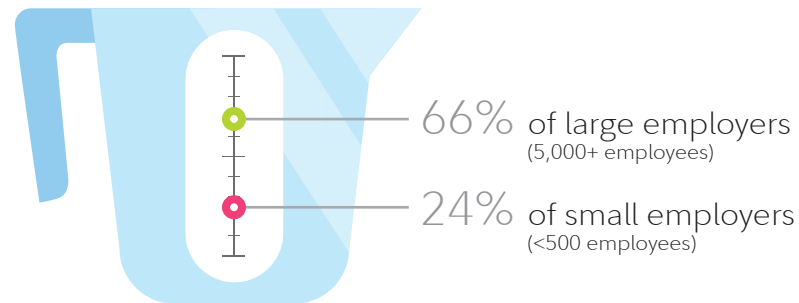
+ Participation

PPA helped drive higher participation rates by making it easier to adopt Auto Enrollment (AE), which helps employees get started in the plan.

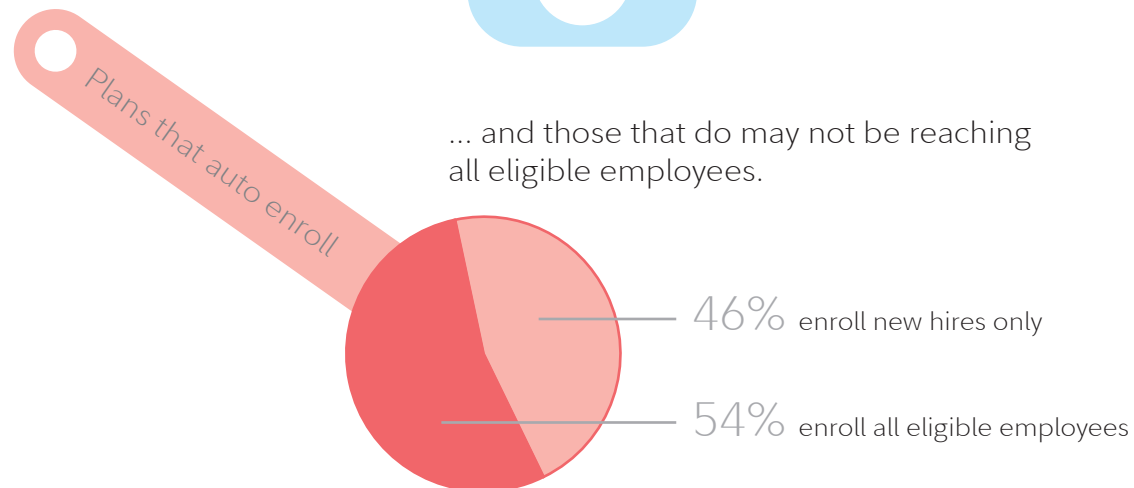
Participation in plans with AE is far higher than in those without ...



... but not all plans offer AE ...



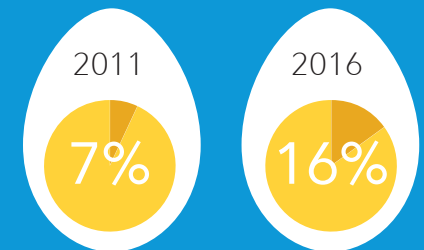
... and those that do may not be reaching all eligible employees.



Getting started isn't enough

The most common AE default deferral rate is 3%, but more employers are recognizing that this is not enough.

The percentage of employers using a default deferral of 6% or higher has more than doubled:



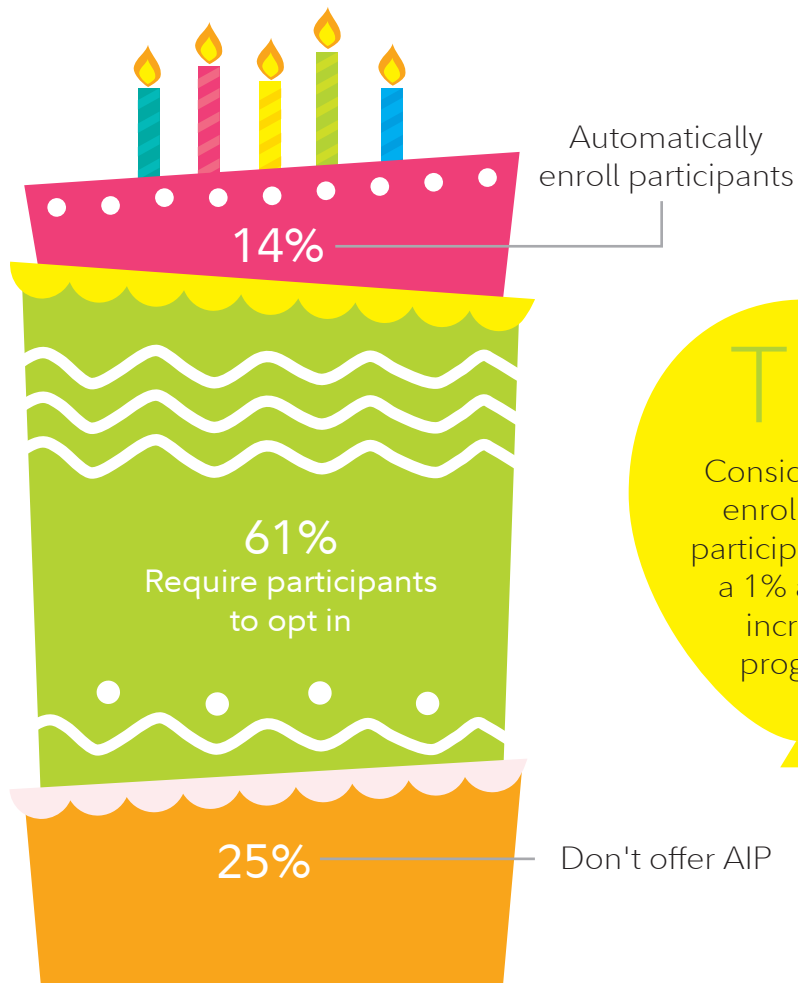
TIP Consider auto enrolling all eligible participants, not just new hires, at 6% or higher and add an annual re-solicitation.

+ Savings

PPA allowed the creation of plan features that make it easier for participants to increase their savings over time. It also made adopting Roth options possible.

ANNUAL INCREASE PROGRAMS (AIP)

Most people start out saving less than Fidelity's suggested 15% of their income, including employer contributions — and only a fraction of participants increase their deferral rates in any given year. AIP helps them increase their savings every year, but most of these plans require participants to opt in.



TIP
Consider auto enrolling all participants into a 1% annual increase program.

ROTH

Offering a Roth deferral allows participants greater options for tax diversification, but the decision to contribute to a Roth can be tricky for participants. Among participants:

69% — have the option but don't use it

6% — use a Roth option

25% — no Roth option

TIP

Review your plan and participant demographics to determine if implementing a Roth option makes sense for your plan, and ensure appropriate education for participants.

Asset allocation

One result of PPA has been improved asset allocation due to the creation of the Qualified Default Investment Alternative (QDIA).

The percentage of participants with an extreme asset allocation — either 100% or 0% equities — has fallen significantly:

1 in 3 in 2006



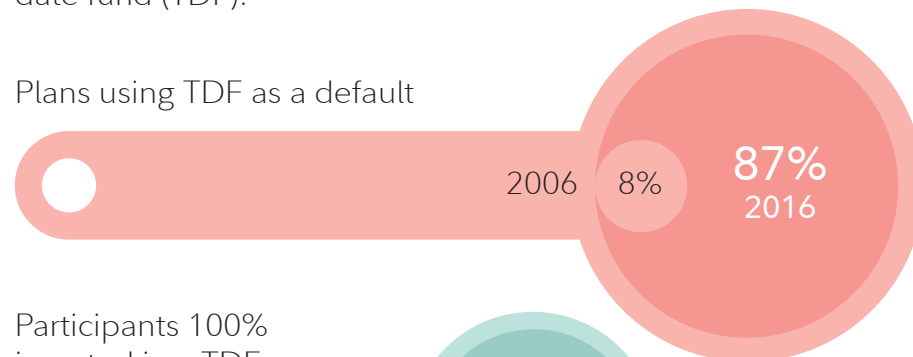
1 in 8 in 2016



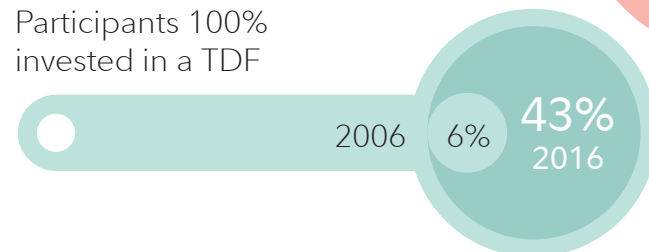
QUALIFIED DEFAULT INVESTMENT ALTERNATIVE (QDIA)

Before the PPA, most plans defaulted participants into a stable-value fund, which, for many participants, didn't provide the opportunity for market growth. Today, many use a target date fund (TDF).

Plans using TDF as a default



Participants 100% invested in a TDF



TIP

Consider adopting a TDF or managed account as your QDIA.

COMPANY STOCK

PPA also included provisions to encourage diversification of employer stock.

The percentage of assets held in company stock:

14%



8%



2006

2016

A recipe for success

We took the PPA recipe and adapted it to help create a DC plan designed to help improve income replacement rates for all participants.

PARTICIPATION & SAVINGS

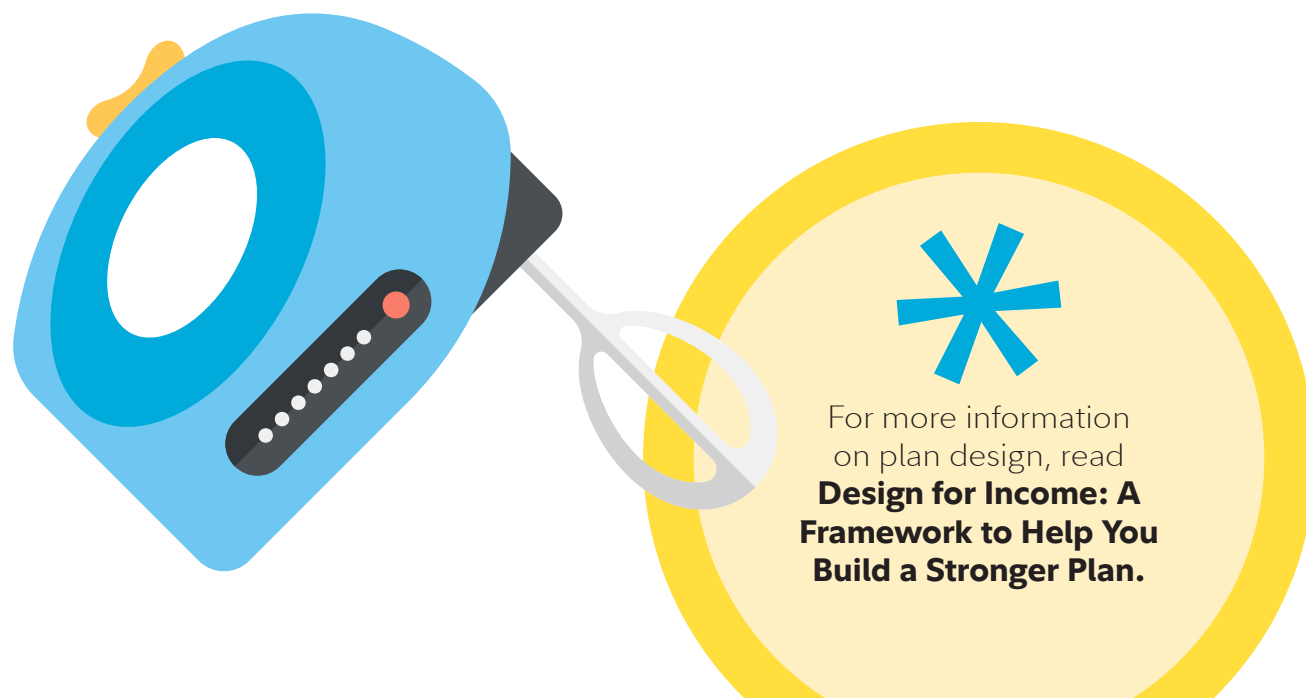
- + Auto enroll at 6% default deferral or more.
- + Implement automatic annual increase of 1% per year, up to at least 15% of pay (including employer contribution), for all employees.

ASSET ALLOCATION

- + Consider a Target Date Fund or Managed Account as your QDIA.
- + Design a core fund lineup, and consider a self-directed brokerage option for more sophisticated investors.

LEAKAGE

- + Loans
 - Allow only one outstanding at a time
 - Require a six-month wait between loans
 - Only allow employees to borrow their own contributions.
- + Hardships
 - Offer a safe harbor hardship
 - Automatically reinstate contributions



For more information
on plan design, read
**Design for Income: A
Framework to Help You
Build a Stronger Plan.**

Putting the icing on the cake

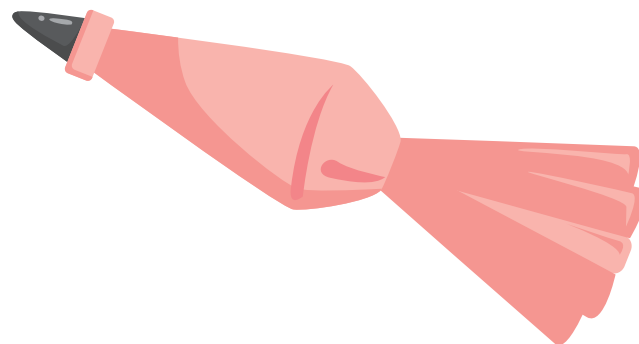
There is little doubt the PPA paved the way to help plan sponsors and participants improve retirement outcomes. While these strides have been largely positive, plan sponsors should continue to improve upon their DC plan design to help improve the income replacement rate for their participants. Fidelity is committed both to supporting plan sponsors and advocating in Washington, D.C., to help drive better outcomes for American workers.

Plan sponsor considerations

- Consider more aggressive use of auto enroll and annual increase programs. Both can help employees get on a path toward better retirement outcomes.
- Use Executive Insights to review your population and determine where employees need help getting on track or making better decisions.
- Talk to your Fidelity representative about designing your plan for income.

What Fidelity is doing

- We are working closely with legislators and regulators who have shaped retirement policy over the past several years and will continue to do so.
- We are engaging with policymakers as proposals are considered, which allows us to share our insights and positively impact the direction of our collective priorities.



All investing involves risk, including the risk of loss.

All data represents Fidelity analysis of 21,900 corporate DC plans (including advisor-sold DC) and 14.2 million participants as of 6/30/2016.

For plan sponsor and investment professional use only. Not for use with plan participants.

Approved for use in the advisor and 401(k) markets. Firm review may apply.

Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917

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