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RETIREMENT PREPAREDNESS IS TOP CONCERN AMONG EMPLOYERS, ACCORDING TO NEW FIDELITY® STUDY

- *11th Fidelity® Plan Sponsor Attitudes Study Finds Sponsors Taking Action to Improve Participant Outcomes*
- *74% of Plan Sponsors Made Changes to Their Investment Menu and 82% Made Changes to Plan Design in the Past Two Years*
- *92% of Plan Sponsors Work with Plan Advisors, and 70% are Very Satisfied with Their Relationships*

BOSTON, May 18, 2020 -- Fidelity Investments®, one of the industry's most diversified and largest financial services companies, today announced the results of the 11th edition of its Plan Sponsor Attitudes Study. According to the study, the top concern among 1,500 plan sponsors was whether their plan is effectively preparing employees for retirement financially, consistent with previous years. In late March, in the midst of market volatility and the COVID-19 pandemic, Fidelity also surveyed nearly 1,000 plan sponsors that recordkeep with Fidelity, and their top concern was employee financial well-being.[i]

Fidelity's study also revealed that plan sponsors continue to make changes to their investment menus and plan designs in an effort to improve participant outcomes. The study, which began in 2008, surveyed more than 1,500 employers – between Feb. 2 and Feb. 24 – which offer retirement plans that use a wide variety of recordkeepers.[ii]

"While supporting their employees' retirement readiness has always been a top priority for plan sponsors, the current market crisis has accelerated its importance," said Liz Pathe, head of DCIO Sales, Fidelity Institutional. "Plan sponsors are looking for guidance and reassurance during this difficult time, and we continue to see plan advisors playing an important role in helping companies identify ways to improve their retirement plans and help their employees strengthen their financial well-being."

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Increased Focus on Investment Menu

In this 11th iteration of the Plan Sponsor Attitudes Study, Fidelity looked back at data after the financial crisis in 2008 to gain perspective on plan sponsors' areas of focus during what were also uncertain times. In 2010, the top reason sponsors decided to begin using a plan advisor was because they needed help with plan investments, especially given the market situation (35%). This year, the top reason was for help with the increasingly complicated process of managing a retirement plan (29%).

Plan investments will likely become an area of focus again. When asked how their plan advisors underscore their value, more than half of sponsors (56%) said performance of plan investments. And overall, a majority (53%) of sponsors said investment menu changes were driven by a desire for better performance.

Seventy-four percent of plan sponsors have made changes to their investment menus in the past two years. The top changes were to increase the number of investment options (28%), replace an underperforming fund (23%), and add a target date fund (23%). Forty-four percent of sponsors reported that they review performance of their plans' investment options at least quarterly, down from 58% last year.

"In our conversations with plan sponsors and advisors, investment performance is now top-of-mind given the potential for continued market volatility," said Pathe. "Plan advisors can play a more active role by proactively reviewing plans' investment menus with sponsors and working to address their concerns."

The study found that 92% of plan sponsors reported they work with plan advisors, and 70% are very satisfied with their relationships. Sponsors with advisors said they were more satisfied that their plans are achieving company (67% with vs. 56% without) and participant (66% vs. 50%) objectives. About seven in 10 sponsors said they agree that they are getting good value from their advisors.

Sponsors Considering Changes to Plan Design

Eighty-two percent of plan sponsors have made changes to plan design in the past two years. The company match appeared to be top of mind for sponsors, as adding a matching contribution, increasing the matching contribution amount, and changing the matching formula represented three of four top changes made over the past two years. Adding a Roth contribution option rounded out the top four changes.

This year's study revealed that plan sponsors working with advisors have made certain constructive plan design changes at a higher rate than those without advisors, including increasing the auto-enrollment deferral rate (7% higher), adding a Roth contribution option (6% higher), and adding automatic increase (4% higher).

Plan sponsors may be assessing changes to plan design given the current market environment, including the matching contribution. However, when Fidelity separately surveyed about 900 plan sponsors in mid-April, most (63%) said they are not considering a reduction or suspension of their company match.[iii] This is encouraging as employees continue to contribute to their plans. According to data from Fidelity recordkept plans, 10.1% of participants increased contributions in April 2020 versus 8.9% in April 2019, and only 2.5% stopped contributing versus 1.5% last year.[iv]

The Full Financial Picture

Plan sponsors and plan advisors continue to look beyond retirement preparedness at employees' full financial pictures, and many see the value of implementing programs to support employees' financial wellness, healthcare, and student debt payments. These programs may be especially valuable for employees during these difficult times.

- More than half of plan sponsors said they offer financial wellness programs to employees (57%), and the number is significantly higher for those with advisors (59%) than those without (38%). Of plans with programs, 61% reported the programs have had a strong positive impact on employees.
- Most sponsors said they offer a High Deductible Health Care Plan (56%), and of those that do, 86% also offer a Health Savings Account (HSA). However, employees may not fully understand the benefits of HSAs, as sponsors that offer them reported that only 40% of all employees choose to enroll. Eight in 10 plan sponsors offering HSAs said they would be willing to pay to have someone provide HSA education to employees.
- About two-third of companies (64%) are aware of student loan repayment programs for their employees. Forty-four percent of those without programs said that they feel employees would be interested in a program that could help them both save for retirement and pay their student loans. And 68% of sponsors with repayment programs saw a positive response from employees.

Plan Sponsor Attitudes Study: Methodology

The 2020 Plan Sponsor Attitudes Study was an online survey of 1,555 plan sponsors on behalf of Fidelity. Fidelity Investments was not identified as the survey sponsor. The survey was conducted during the month of February 2020. 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. Previous Fidelity surveys were conducted in 2008, 2010, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019.

About Fidelity Investments

Fidelity's mission is to inspire better futures and deliver better outcomes for the customers and businesses we serve. With assets under administration of $7.9 trillion, including discretionary assets of $3.1 trillion as of April 30, 2020, we focus on meeting the unique needs of a diverse set of customers: helping more than 32 million people invest their own life savings, 22,000 businesses manage employee benefit programs, as well as providing more than 13,500 financial advisory firms with investment and technology solutions to invest their own clients' money. Privately held for more than 70 years, Fidelity employs more than 40,000 associates who are focused on the long-term success of our customers. For more information about Fidelity Investments, visit https://www.fidelity.com/about.

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[i] Based on 956 responses during Fidelity's March 30, 2020 plan sponsor webinar.
[ii] Data presented here is based on the full 2020 survey results. Other published or historical data may reflect different values based on the criteria used, such as plan asset level or participant count.
[iii] Based on data from 914 attendees of Fidelity's April 16, 2020 plan sponsor webinar.
[iv] Data represents active DC/TEM participants with a positive balance as of April 17, 2019 and April 17, 2020. Excludes TEM Pooled, Non-Qualified, and FMR plans.