

Annual 401(k) Benchmarking Survey

Plan sponsors and providers work at closing the retirement readiness gap while getting ready for new fee disclosure regulations

2011 Edition



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The statements in this survey reflect our analysis of survey respondents and are not intended to reflect facts or opinions of any non-responding entities.

Executive summary

Retirement Insecurity

One year removed from the “lost decade” of retirement savings, participant balances are still struggling to rebound to their pre-2008 levels. Questions about the economy in the unfolding decade persist, as do questions about the effectiveness of the 401(k) plan as the primary savings vehicle for millions of American workers.

Retirement security (or the lack of it) cannot be pinned solely to the successes or failures of 401(k) plans, employers or even participants. After all, the 401(k) plan was not intended to be the sole (or even primary) retirement vehicle. As the prevalence of employer-sponsored defined benefit pension plans is declining and concerns about the future of Social Security are increasing, employees and retirees feel a need to stretch the 401(k) plan further than it was ever intended to go.

Only 15% of plan sponsors feel that most employees will be financially prepared for retirement.

At the same time, other components of retirement security have not cooperated. The cost of healthcare rises seemingly as quickly as 401(k) balances have dropped, and employer-provided retiree healthcare benefits are even more scarce than defined benefit pension plans. When combined with record levels of personal debt, high unemployment and low levels of personal savings, it creates a difficult and worrisome picture of retirement readiness.

When asked to rank the top improvements that record keepers can help plan sponsors with, “Improve participant readiness for retirement” rated #1.

While employees are on the hook for amassing the lion’s share of their retirement income, it’s safe to say that most are not investment experts when it comes to their 401(k) plans. The whole process can be confusing and raises a host of questions for the employee to answer. How much should I contribute? Should I put money in after-tax? Roth? What’s the difference? Where should I invest? Should I invest at all given the violent fluctuations in the economy? How much do I really need to have saved for a secure retirement? And, how much will it cost me to get there?

401(k) Fees in the Spotlight

In an effort to improve participant returns — or at least participant awareness of fees — in October 2010, the Department of Labor (DOL) released final regulations regarding disclosures that are required to be made to every 401(k) plan participant.

Nearly three quarters (71%) of plan sponsors rated the new fee disclosure requirements as quite important or very important.

As providers and plan sponsors prepare to deliver the first round of disclosures in 2012, a degree of uncertainty exists over the response that will be heard from participants. Will the reaction be one of shock or surprise, resulting in participants dropping out of the 401(k) system in an attempt to find lower cost alternatives outside of the plan? Will participants knock on the doors of their plan sponsors and demand lower costs? Or will the disclosures result in any change at all?

Participants are not alone. Plan sponsors are due to receive 408(b)(2) disclosures, identifying all direct and indirect costs to their plans in aggregate. While plan sponsors and fiduciaries are generally aware of the fees charged for the administration of their plans, the possibility exists that many will be quite surprised by the sum total of costs.

83% of plan sponsors believe their 401(k) plan fees are competitive.

While a strong majority (75%) of this year's respondents agree or strongly agree that they already have no difficulty obtaining a clear understanding of plan and participant fees, an even more confident 83% believe their fees are competitive.

Heading into the new disclosure requirements, plan sponsors are feeling positive about the services that they are receiving. An overwhelming 91% of respondents indicated that they are satisfied or very satisfied with the service provided by their record keeper. Further, to meet these new 404(a) disclosure requirements, most plan sponsors (90%) are depending on their record keepers to deliver the needed disclosures.

While retirement plan providers are hurriedly working to enhance and evolve products and services aimed at helping plan sponsors with their top priority — improving participant readiness for retirement — many plan sponsors are still uncertain as to the changes that can and should be made to their plans. Priorities vary widely by plan and by the demographic composition of each individual organization, leading to significant variations among the focus of plan sponsors.

The 2011 Deloitte 401(k) Survey is a snapshot into the priorities and associated actions of plan sponsors at a time during which they have never been under more scrutiny, and their actions have never been more important.

**ONLY
15%**

of plan sponsors believe most employees will be prepared for retirement

Fewer than half

of plans utilize a step-up feature, and only 45% of those that do make it automatic

Stepping Up
to the
Retirement Challenge?

64% of plan sponsors report fewer than 10% of participants are taking advantage of the step-up program

Auto Enrollment
continues to

grow

56% of plans now include an automatic enrollment feature (up 7% from 2010)

One in five

plans with automatic enrollment now have a default deferral rate of 5% or more

75%

agree or strongly agree that they have no difficulty in obtaining a clear understanding of plan and participant fees

47%

of all plans now include a ROTH feature

However, participant adoption is LOW
86% of plans report less than 10% of participants are taking advantage

As we approach the effective date of fee disclosure regulations [404(a) and 408(b)(2)]

83%

of plan sponsors believe their 401(k) fees are competitive

Plan Sponsor
satisfaction

91%

of plan sponsors are satisfied or very satisfied with the level of service provided by their record keepers

The average plan
now includes

18

investment funds
(a pause in the growth from prior years)

Only 5%

of plan sponsors have added either an in-plan (accumulation annuity) or at-retirement income solution (annuity purchase option) to their plan

Demographics and general questions

Deloitte fielded the 401(k) Survey online in the summer of 2011 and received data from 430 plan sponsors. Although the results cannot be projected to the entire population of U.S. plan sponsors, the survey offers a broad view of the priorities, policies, features, objectives and expectations of the diverse population of respondents.

Plan sponsors responding to the survey represent a cross-section of organizations in terms of size, industry, geography and ownership status (i.e., publicly or privately held). In total, nearly half (47%) were publicly held (Exhibit 1.1).

Industry and size segments

From an industry perspective, the top three sectors represented in the survey were Financial Services/Insurance (20%), Consumer & Industrial Products (20%), and Technology, Media & Telecommunications (11%) (Exhibit 1.2).

From a size perspective, the largest segment of survey respondents came from organizations with 1,001 to 5,000 employees (35%) followed by organizations of over 10,000 employees (25%) (Exhibit 1.3).

Exhibit 1.1. Survey respondents by ownership structure

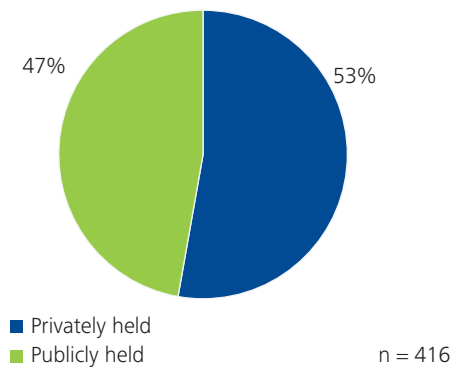


Exhibit 1.2. Survey Respondents by Industry

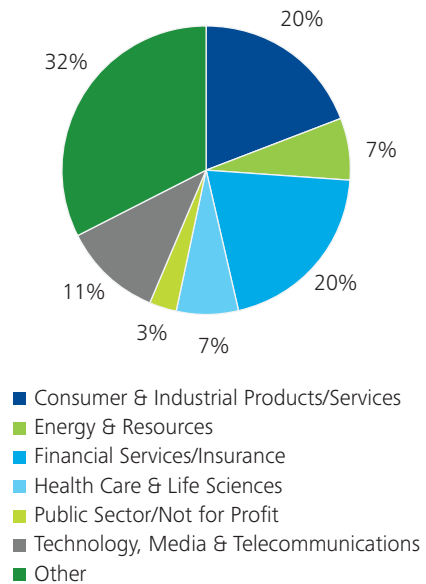
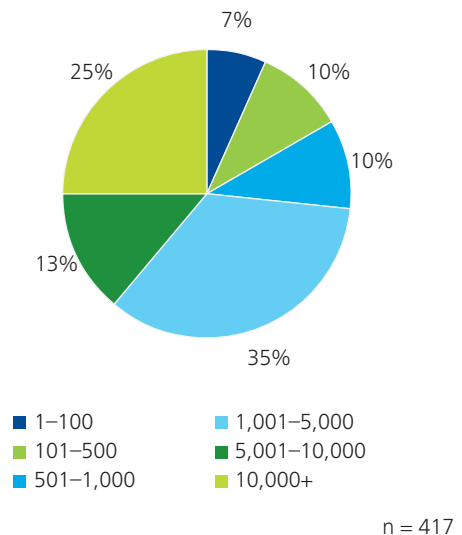


Exhibit 1.3. Survey Respondents by Number of Employees



Overview of Participant Demographics

The majority of plan sponsors (70%) reported the average age range of participants is between 41 and 50 years, representing a slight 4% increase from 2010. Nearly one-third (28%) of respondents reported a younger population with an average age between 31 and 40 years (Exhibit 1.5).

When considering length of service 44% of plan sponsors reported average employee tenure between 6–10 years of service and another 29% with average employee tenure between 11–15 years (Exhibit 1.6).

Less than half of plan sponsors (47%) agree that participant balances have returned to pre-2008 levels.

As the economy continued to struggle in 2011, most plan sponsors noted that balances have not yet returned to pre-2008 levels, although a significant (38%) reported average balances above \$75,000 (Exhibit 1.7).

Exhibit 1.4. How many employees are eligible to participate in your plan?

| | 2010 | 2011 |
|--------------|------|------|
| 1–100 | 11% | 7% |
| 101–500 | 17% | 11% |
| 501–1,000 | 10% | 12% |
| 1,001–5,000 | 35% | 38% |
| 5,001–10,000 | 12% | 14% |
| > 10,000 | 15% | 18% |

n = 414

Exhibit 1.5. What is the average age of your participating group?

| | 2010 | 2011 |
|-------|------|------|
| < 30 | 2% | 0% |
| 31–40 | 29% | 28% |
| 41–50 | 66% | 70% |
| > 50 | 3% | 2% |

n = 414

Exhibit 1.6. What is the average length of service of your participating group?

| | 2010 | 2011 |
|-------------|------|------|
| < 1 year | 17% | 0% |
| 1–5 years | 21% | 15% |
| 6–10 years | 34% | 44% |
| 11–15 years | 21% | 29% |
| 16–20 years | 5% | 9% |
| 21–25 years | 1% | 3% |
| > 25 years | 1% | 0% |

n = 413

Exhibit 1.7. What is the average participant account balance?

| | 2010 | 2011 |
|-------------------|------|------|
| \$0–\$10K | 4% | 7% |
| \$10,001–\$25,000 | 10% | 10% |
| \$25,001–\$50,000 | 25% | 23% |
| \$50,001–\$75,000 | 22% | 22% |
| \$75,001+ | 39% | 38% |

n = 385

Retirement Readiness

When asked about plan sponsors' obligation to prepare employees for retirement, there was little change from 2010. Nearly two-thirds of respondents (64%) feel that their responsibility includes taking an interest in whether employees are tracking towards a comfortable retirement. Another 20% of plan sponsors feel very responsible for preparing employees for retirement, with the remaining 16% that feel their only responsibility is to offer a competitive retirement plan (Exhibit 1.8).

At the same time, the survey showed very little change in the percentage of plan sponsors (15%) that feel *most* employees will be financially prepared for retirement, with 84% indicating that only *some or very few* employees will be financially prepared for retirement — results that are nearly identical to 2010.

A decrease was cited in respondents considering generational needs in retirement plan communications and design. Only 43% of plan sponsors considered generational needs in 2011, down 20% from 2010 (Exhibit 1.9). This may suggest that an increased focus on cost management in this uneven economy resulted in a move away from features such as targeted communications.

Exhibit 1.8. Do you feel an obligation to prepare your employees for retirement?

| | 2010 | 2011 |
|---|------|------|
| We feel that our only responsibility is to offer a competitive retirement plan | 23% | 16% |
| We feel that our responsibility includes taking an interest in whether our employees are tracking towards a comfortable retirement | 62% | 64% |
| We feel very responsible to prepare our employees for retirement (e.g., taking a very involved approach such as monitoring utilization of financial planning tools, etc.) | 15% | 20% |

n = 383

Exhibit 1.9. Have you considered generational needs in your overall retirement plan development?

| | 2010 | 2011 |
|-----|------|------|
| Yes | 63% | 43% |
| No | 37% | 57% |

n = 383

Exhibit 1.10. How many retirement plans do you sponsor?

| Number of Plans | Qualified DC | Non-Qualified DC | Qualified DB (Active) | Qualified DB (Frozen) | Non-Qualified DB |
|-----------------|--------------|------------------|-----------------------|-----------------------|------------------|
| 1 | 69% | 41% | 21% | 21% | 19% |
| 2 | 17% | 6% | 5% | 5% | 3% |
| 3+ | 11% | 3% | 4% | 4% | 1% |

n = 418

Hot topics

Compliance Focus: Fees and Disclosure

The 401(k) Survey results point to compliance and retirement readiness as top-of-mind issues for plan sponsors. With the new 404(a) and 408(b)(2) fee disclosure requirements going into effect, sponsors will face unprecedented scrutiny around 401(k) fees and costs. With increased compliance standards comes an increase in the resources and time needed to properly administer the plan. Concurrently, retirement preparedness continues to grow as a concern, both for participants and plan sponsors.

The majority of plan sponsors acknowledge that new compliance requirements related to fee disclosure will significantly impact the administration of their plans. Nearly three quarters (71%) of plan sponsors recognize the fee disclosure regulations as being either quite important or very important (Exhibit 2.1). As sponsors look to address these requirements, most will rely on resources outside of their organization for both guidance and delivery.

Based on the survey results, the primary resource to provide the solutions and experience to meet disclosure requirements for plan sponsors is the plan's record keeper. A wide majority of respondents (90%) indicate their record keeper is providing the help needed to meet 404(a) disclosure requirements (Exhibit 2.3).

79% of plan sponsors indicated it is quite important or very important to improve understanding of (and potentially reducing) plan fees.

Record keepers are taking advantage of the opportunity to provide additional services to plan sponsors. Nearly all plan sponsors are aware of their record keeper's fee disclosure solution, with 39% saying they are very informed and 56% responding they are somewhat informed (Exhibit 2.4). Even with high numbers of plan sponsors indicating a reliance on their record keepers, due diligence is still being performed, with 39% of survey respondents indicating that their plan's counsel is reviewing the record keeper's solution (Exhibit 2.5).

Exhibit 2.1. Please rate the following topics based on their importance to your organization's plan and interests of the retirement benefits committee.

| | Very important | Quite important | Neutral | Somewhat important | Not at all important |
|---|----------------|-----------------|---------|--------------------|----------------------|
| New disclosure regulations 404(a) and 408(b)(2) | 31% | 40% | 19% | 8% | 2% |
| Retirement readiness of active participants | 23% | 49% | 15% | 12% | 1% |
| Providing the right investments to help participants achieve retirement goals | 46% | 46% | 4% | 3% | 1% |
| New retirement income solutions to create lifelong retirement income | 7% | 26% | 40% | 20% | 7% |
| Improving plan governance, compliance and controls | 28% | 39% | 24% | 8% | 1% |
| Reducing plan risk and potentially fiduciary responsibility | 37% | 42% | 14% | 6% | 1% |
| Improving understanding of (and potentially reducing) plan expenses | 28% | 51% | 14% | 6% | 1% |
| Improving the quality and/or accuracy of administrative services | 25% | 36% | 27% | 9% | 3% |

Exhibit 2.2. How familiar are you with the regulations to disclose investment comparative charts and record keeping fees [404(a) and 408(b)(2)]?

| | 2011 |
|-------------------|------|
| Very familiar | 30% |
| Somewhat familiar | 64% |
| Not familiar | 6% |
| n = 376 | |

Exhibit 2.3. Are you confident in your ability to deliver participant fee communications?

| | 2011 |
|--|------|
| Yes, we are managing the fee communications internally | 2% |
| Yes, our record keeper is providing needed help | 90% |
| Unsure | 6% |
| No | 2% |
| n = 376 | |

Exhibit 2.4. How informed are you of your record keeper/third party administrator's solution to deliver the disclosures beginning January 1, 2012?

| | 2011 |
|--|------|
| Very informed and included in the design process | 39% |
| Somewhat informed | 56% |
| Not informed | 5% |
| n = 374 | |

Exhibit 2.5. Is plan counsel reviewing and approving your record keeper/third party administrator's solution to deliver the disclosures after January 1, 2012?

| | 2011 |
|---------|------|
| Yes | 39% |
| No | 5% |
| Unsure | 56% |
| n = 347 | |

Ready, Set, Retire?

Concern about retirement readiness tends to increase in an uncertain economic environment. Unfortunately, uncertainty has been the only certainty for the better part of the last 10 years, resulting in the “lost decade” of retirement savings.

Plan sponsors acknowledge the issue, with 72% ranking retirement readiness of participants as quite/very important, and they have identified a number of priorities to address this concern including providing the right investments (92% quite/very important)(Exhibit 2.1).

Only 33% of plan sponsors indicated it is quite important or very important to consider new retirement income solutions to create lifelong retirement income.

Many plan sponsors feel that participants may not be doing enough to grow their own nest eggs. Only 31% of respondents agreed that participants are getting back to more aggressive investment and contribution approaches. And, while 47% of respondents agree that participant account balances have returned to pre-2008 levels, 54% feel that participants did not contribute more to offset losses during the market downturn. On a more encouraging note, 60% of respondents disagree/strongly disagree with the statement that participants have lost faith in saving for retirement (only 8% agreed/strongly agreed)(Exhibit 2.7).

To help close the retirement preparedness gap, plan sponsors are adopting more features to encourage saving, such as step-up features that automatically increase participants' contribution levels on a regular basis (see “Eligibility and Enrollment”). Plan sponsors are also making it easier to participate, reducing barriers to entry and reinstating matching programs that may have been suspended over the previous three years.

Plan Management

When looking at 401(k) plan management, plan sponsors indicated that it was very important to improve plan governance, compliance and controls (67%); reduce plan risk and potentially fiduciary responsibility (79%); and

better understand and potentially reduce plan expenses (79%)(Exhibit 2.1). As the decade unfolds, it will be interesting to see if plan sponsors can maintain this focus on plan management and actually move the needle on the retirement readiness of participants in a meaningful way.

Exhibit 2.7. Please indicate whether you agree or disagree with the following statements.

| | Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |
|--|----------------|-------|----------------------------|----------|-------------------|
| Participant balances have returned to pre-2008 levels | 5% | 42% | 31% | 19% | 2% |
| Participants offset losses during the market downturn by contributing more | 0% | 6% | 40% | 47% | 7% |
| Participants are still 10 to 20 percent (or more) below the balance prior to the market downturn | 1% | 19% | 36% | 37% | 6% |
| Participants have just begun to get back into contributing and investing more aggressively | 1% | 30% | 46% | 21% | 2% |
| Participants have lost faith in saving for retirement | 1% | 7% | 32% | 42% | 18% |

Eligibility and enrollment

401(k) plan participation is getting easier than ever, a year-over-year trend to open the door wider for more employees to enroll and save more for retirement. Employers continue to reduce participation requirements — 60% of plan sponsors indicated there are no service requirements for plan entry compared to 56% last year (Exhibit 3.1). In 2011, less rigid minimum age restrictions were also noted, as 47% of respondents do not have an age requirement for their plan compared to 42% in 2010 (Exhibit 3.2).

Retiring on Autopilot

The process of saving for retirement via a 401(k) plan requires participant understanding and involvement. 401(k) plans require participants to make proactive choices around enrollment, deferral amounts, investment choices and more. Over the last few years, legislation and plan designs have made many of these actions automatic in an effort to remove yet another barrier to plan participation — inertia.

After a small dip in popularity from 2009 to 2010, automatic enrollment grew in 2011, with 56% of sponsors indicating their plan includes the feature compared to 49% last year (Exhibit 3.4). Those sponsors with automatic enrollment have experienced a positive impact on participation rates (86%), and participant awareness (68%). At the same time, 54% of respondents indicated that the average contribution rate of participants since implementing automatic enrollment has increased (Exhibit 3.5). To further improve the effectiveness of automatic enrollment, and to continue battling participant inertia, 55% of plan sponsors have taken steps to increase deferral rates for participants that were automatically enrolled (Exhibit 3.6).

Suffering from the cumulative effects of a down economy, participants may be diverting money toward more immediate expenses and away from long-term retirement savings.

Qualified default investment alternatives (QDIAs) also grew in popularity this year, as 76% of respondents included a QDIA in their automatic enrollment programs, an 11% increase from 2010 (Exhibit 3.7). Lifecycle and Target Retirement Date funds are the most common default investment election at 77% (Exhibit 3.8). Some plan sponsors have utilized QDIAs through re-enrollment as a way of correcting improperly diversified participant investment elections for those that were automatically enrolled prior to the use of a QDIA; however, others aren't certain about the potential fiduciary liability of such a move, and 56% are not familiar with this approach (Exhibit 3.9).

As many organizations continued to manage financial risks in an uncertain economy, grappling with the need to grow vs. the need to trim costs, many participants continued to see salary freezes, reductions in incentive pay and other cost-saving measures, all the while watching 401(k) plan balances continuously decline. These forces clearly play a role in how participants view the need to set aside money for the future.

Exhibit 3.1. What are the service requirements for plan entry?

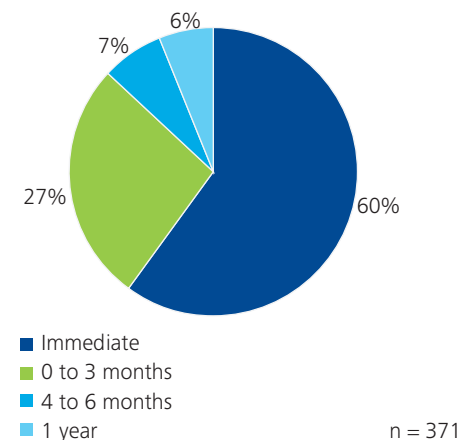


Exhibit 3.2. What is the minimum age requirement?

| | 2010 | 2011 |
|--------|------|------|
| None | 42% | 47% |
| Age 18 | 24% | 24% |
| Age 21 | 34% | 29% |

n = 371

Exhibit 3.3. Have you changed your eligibility requirements in the past year?

| | 2011 |
|---------------------------------|------|
| No | 92% |
| No, but considering a change | 2% |
| Yes, made them less restrictive | 5% |
| Yes, made them more restrictive | 1% |

n = 371

Exhibit 3.4. Do you offer auto enrollment?

| | 2010 | 2011 |
|-----|------|------|
| Yes | 49% | 56% |
| No | 51% | 44% |

n = 371

Exhibit 3.5. How have the following been impacted as a result of automatic enrollment?

| | Average Contribution Rate | Plan Participation Rate | Nondiscrimination Results | Participant Awareness |
|------------------|---------------------------|-------------------------|---------------------------|-----------------------|
| Positive Impact | 54% | 86% | 51% | 68% |
| Negative Impact | 9% | 1% | 2% | 2% |
| No Change | 33% | 12% | 41% | 26% |
| Too Soon To Tell | 4% | 1% | 6% | 4% |

n = 208

Exhibit 3.6. Have you taken action to increase deferral rates for participants that were originally automatically enrolled?

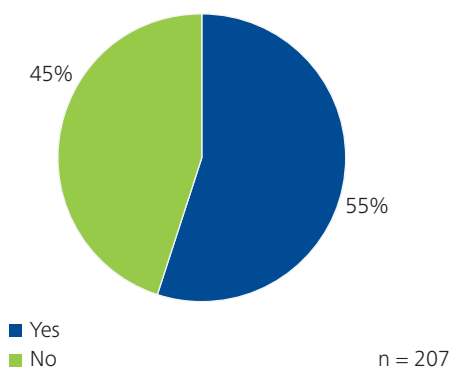


Exhibit 3.7. Within the automatic enrollment feature, does your plan offer a standard Qualified Default Investment Alternative (QDIA) or a Qualified Automatic Contribution Arrangement (QACA)?

| | 2010 | 2011 |
|---|------|------|
| Qualified Default Investment Alternative (QDIA) | 65% | 76% |
| Qualified Automatic Contribution Arrangement (QACA) | 19% | 10% |
| Neither | 16% | 14% |

n = 208

Exhibit 3.8. What is the default investment election for automatic enrollment?

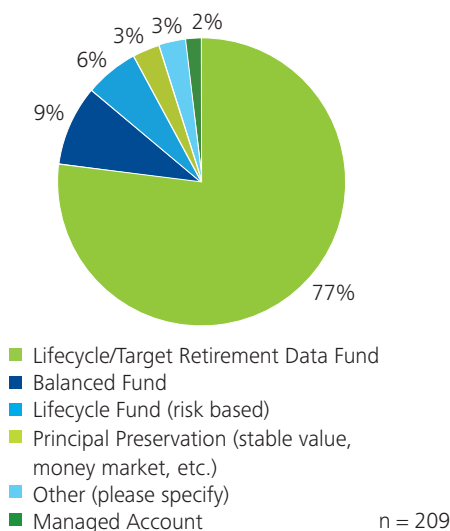


Exhibit 3.9. Considering the need to appropriately diversify investments, have you implemented a re-enrollment campaign to re-enroll improperly diversified participants in the plan's QDIA?

| | 2010 | 2011 |
|--|------|------|
| Yes, we have implemented a re-enrollment campaign aimed at improving diversification | 6% | 4% |
| No, unaware of this feature | 47% | 56% |
| No, but considering it | 47% | 40% |

n = 182

Step-up contributions

Stepping Up to the Savings Challenge

The “automatic” approach to increasing participant savings achieved additional traction in 2011 with the percentage of plans offering a step-up contribution feature growing 8% in 2011 to 49% (Exhibit 4.1). Slightly more than half (55%) of plans require participants to opt-in to the feature, while the remaining 45% take the more proactive approach of making it a default option for some or all plan participants (Exhibit 4.2).

As an opt-in feature, the number of participants utilizing step-up contributions remains low, with nearly two-thirds (64%) of plan sponsors indicating the feature is used by less than 10% of participants (Exhibit 4.3). With low utilization, more plan sponsors may explore establishing the step-up feature as a default option through automatic enrollment, enabling employees to save more for a retirement that is certainly going to require deferring more than 2–3% of pay each year.

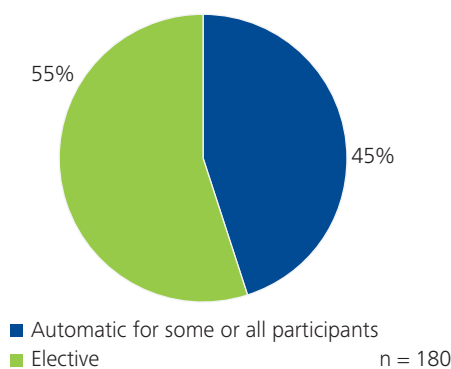
The most common (66%) default incremental step-up percentage is 1%. The incremental step-up percentage is chosen by the employee for 31% of plans (Exhibit 4.4).

Exhibit 4.1. Does your plan contain a step-up contribution feature?

| | 2010 | 2011 |
|---|------|------|
| Yes, tied to Automatic Enrollment | 19% | 19% |
| Yes, as a separate, stand-alone feature | 22% | 30% |
| No, but considering it | 10% | 11% |
| No | 44% | 36% |
| Other | 5% | 4% |

n = 367

Exhibit 4.2. Is your step-up contribution feature automatic or elective?



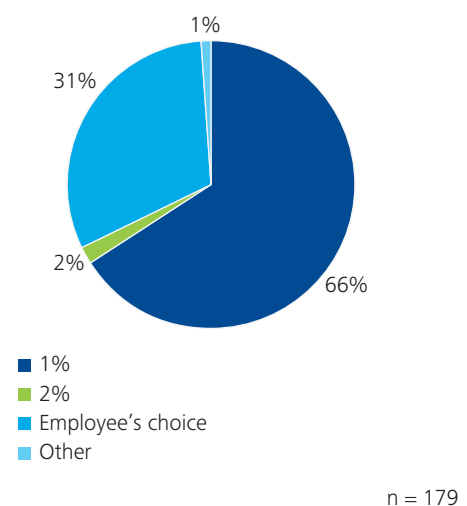
While employee utilization remains low as an opt-in feature, plan sponsor satisfaction with the step-up feature remains high with 92% of respondents indicating that they are satisfied.

Exhibit 4.3. What percentage of your participants is currently in the step-up contribution program?

| | 2011 |
|----------|------|
| 0–10% | 64% |
| 11–25% | 23% |
| 25–50% | 8% |
| Over 50% | 5% |

n = 178

Exhibit 4.4. What is the incremental step-up percentage applied each year?



Contributions

Survey responses remained fairly steady from 2010 to 2011 with regard to employer and employee contribution actions. As both businesses and individuals continue the slow rebound from the 2008 economic crisis, plan sponsors indicate hesitancy toward adopting more aggressive contribution methods.

Employee Contributions

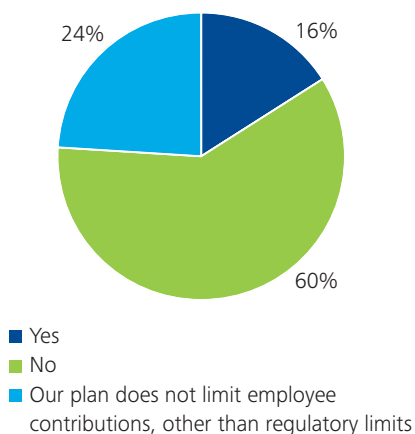
In 2011, employees' average deferral percentages (ADP) did not change significantly from 2010. The most common ADP range was just 4–6% for non-highly compensated employees (NHCEs) and 6–8% for highly compensated employees (HCEs)(Exhibit 5.1).

Exhibit 5.1. What was the Average Deferral Percentage (ADP) of the Highly Compensated Employees (HCEs) and Non-Highly Compensated Employees (NHCEs) based on the results of the most recent discrimination test?

| | HCE ADP | NHCE ADP |
|------------|---------|----------|
| < 4 % | 7% | 19% |
| 4–5.99% | 23% | 38% |
| 6–7.99% | 46% | 30% |
| 8% or more | 24% | 13% |

n = 351

Exhibit 5.2. Do you have different maximum contribution percentages for HCEs and NHCEs?



n = 361

Exhibit 5.3. Have you changed your maximum contribution percentages (other than for the addition of a Roth 401(k) feature) in the past year?

| | 2010 | 2011 |
|--|------|------|
| Yes, increased | 6% | 7% |
| Yes, decreased | 2% | 1% |
| No, but considering a change to increase | 3% | 1% |
| No | 89% | 91% |

n = 266

Improving quality of participation is a key metric for plan sponsors as they work toward improving their participants' retirement readiness. Nearly a quarter (24%) of plan sponsors do not place any limits on employee contributions beyond regulatory limits. Among others that do limit contribution percentages, the majority (60%) don't place separate limits on HCEs and NHCEs (Exhibit 5.2).

With the exception of making a change based on adding a Roth feature to the plan, the vast majority 91% of plan sponsors did not change their maximum contribution percentages in 2011 (Exhibit 5.3).

Making the "Roth" Decision

The popularity of the Roth 401(k) continued to grow in 2011, at least among plan sponsors. While the percentage of plans including Roth 401(k) features is increasing (47% in 2011 vs. 39% in 2010), adoption among employees has remained low (Exhibit 5.4).

Among plans offering Roth contributions to employees, 36% report less than 1% of employees utilizing this feature (Exhibit 5.5). And the adoption rate appears to be slowing, with 14% in this same category last year. This may be indicative of a lack of employee understanding or education, or a desire to reduce current taxable income by maintaining pre-tax deferral rates.

The majority (74%) of plans that have added Roth 401(k) have done so in order to maintain a competitive plan (Exhibit 5.6). Among the 35% that are not considering adding a Roth 401(k), it is very likely due to very low rates of participant adoption relative to the costs plans would face to make changes to employer payroll and recordkeeping systems, communications, etc.

Exhibit 5.4. Do you offer a Roth 401(k) feature?

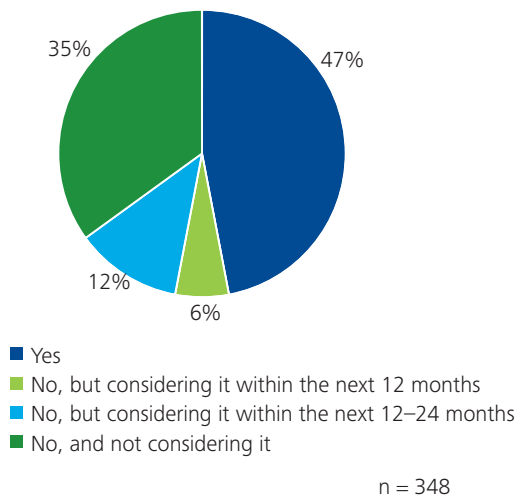


Exhibit 5.5. What is the current participant adoption rate of the Roth 401(k) feature?

| | 2010 | 2011 |
|---------------|------|------|
| Less than 1% | 14% | 36% |
| 1-5% | 39% | 27% |
| 6-10% | 28% | 23% |
| More than 10% | 19% | 14% |

n = 230

Exhibit 5.6. What is the primary reason you have chosen (or may choose) to implement a Roth feature?

| | 2011 |
|--|------|
| A few key employees have requested the feature | 15% |
| IRS made the regulation permanent | 4% |
| To maintain a competitive plan | 74% |
| Other | 7% |

n = 230

Employer Match

In 2011, nearly all plan sponsors surveyed (93%) offer some type of matching or profit sharing contribution in their 401(k) plans (Exhibit 6.1). For those that do offer a matching contribution, 75% have a service requirement of less than one year to be eligible to receive the employer match — of those, 66% have no service requirement at all, a figure that is up from 58% in 2010 (Exhibit 6.2).

Among employers considering a change to employer contributions in the next year, 56% are considering increasing their match.

For those plans with a matching contribution, the most common method of employer match is on basic employee contributions (37%), although another 28% match both employee basic and catch-up contributions. The most common matching formula was 50% on the first 6% of contributions.

As regulatory changes and economic factors introduce increased administrative complexities, we see some plan sponsors simplifying the design of their matching contributions. In 2011, 81% of sponsors use the same match formula for all employees instead of using different formulas for multiple employee groups compared to 74% in 2010 (Exhibit 6.4).

Profit Sharing

Turning to profit-sharing contributions, 28% of employers offer them either in conjunction with a matching contribution or as a standalone feature (Exhibit 6.1). These contributions are discretionary among 67% of respondents and fixed among 29% (Exhibit 6.13). Participants have the option to personally direct investments of profit-sharing contributions at 95% of the employers surveyed (Exhibit 6.15).

Exhibit 6.1. Which employer contributions does your plan include?

| | 2010 | 2011 |
|--|---------|------|
| Matching contributions | 66% | 65% |
| Profit-sharing contributions | 3% | 4% |
| Both matching and Profit-sharing contributions | 20% | 24% |
| Neither | 11% | 7% |
| | n = 348 | |

Exhibit 6.2. What are the service requirements for employer matching contributions?

| | 2010 | 2011 |
|------------------|---------|------|
| Immediate | 58% | 66% |
| Less than 1 year | 16% | 9% |
| 1 year | 21% | 18% |
| Other | 5% | 7% |
| | n = 311 | |

Exhibit 6.3. What are the service requirements for profit sharing contributions?

| | 2010 | 2011 |
|------------------|--------|------|
| Immediate | 34% | 34% |
| Less than 1 year | 17% | 13% |
| 1 year | 38% | 29% |
| Other | 11% | 24% |
| | n = 99 | |

Exhibit 6.4. How is your 401(k) plan's matching formula structured?

| | 2010 | 2011 |
|--|---------|------|
| All employees, same formula | 74% | 81% |
| More than one employee group, different formulas | 10% | 13% |
| Multi-tiered contribution formula | 3% | 3% |
| Varies from year to year | 1% | 1% |
| Other | 6% | 2% |
| | n = 311 | |

Exhibit 6.5. Have you changed your company's matching formula in the past year?

| | 2010 | 2011 |
|---|---------|------|
| Yes, we have | 19% | 13% |
| Increased match | 19% | 42% |
| Decreased match | 44% | 12% |
| Instituted safe harbor | 6% | 6% |
| Suspended match | N/A | 6% |
| Reinstated match | 25% | 13% |
| Instituted discretionary | 13% | 6% |
| Instituted other formula/design changes | 15% | 15% |
| No, and we are not considering any changes | 73% | 77% |
| No, but we are considering a change | 9% | 10% |
| A change to increase match | 39% | 56% |
| A change to decrease match | 8% | 6% |
| A change to institute safe harbor | 39% | 16% |
| A change to suspend/discontinue match | 5% | 3% |
| A change to reinstate match | N/A | 0% |
| A change to institute discretionary | 3% | 0% |
| Other formula/design changes | 24% | 19% |
| | n = 310 | |

Exhibit 6.13. How is your profit-sharing contribution structured?

| | 2010 | 2011 |
|---|------|------|
| Fixed | 26% | 29% |
| Discretionary, this contribution was made this year | 45% | 55% |
| Discretionary, this contribution was NOT made this year | 24% | 12% |
| Combination | 5% | 4% |

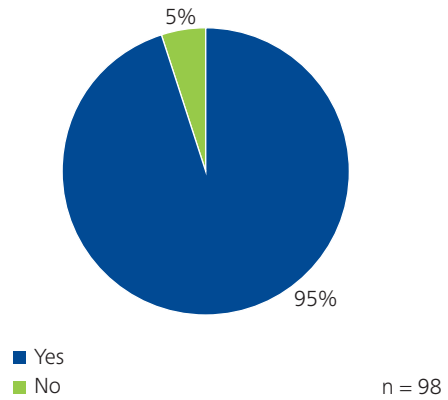
n = 98

Exhibit 6.14. What is your profit-sharing contribution cost as a percentage of your total compensation cost?

| | 2011 |
|------|------|
| < 3% | 19% |
| 3–5% | 58% |
| 6–8% | 17% |
| > 8% | 6% |

n = 64

Exhibit 6.15. Do participants have the option to direct the investment of these profit-sharing contributions?



Investments

A prevailing point of confusion among many plan participants is “where should I invest my 401(k) contributions?” In 2010, the average plan included more than 20 separate investment options. In 2011, counting all Target Date and Lifestyle funds as a single option, there was a slight decrease with the average plan including 18 investment options across 8 different fund families (Exhibit 7.1).

Lack of choice in investments does not appear to be an inhibitor to employee participation, but plan sponsors are working to balance between too little and too much. Too many investment options, and a plan risks losing participants since many employees will likely be overwhelmed by choice and may instead choose to do nothing at all.

Investing in the Future

When considering how to improve retirement readiness, plan sponsors need to think beyond employee participation, contribution rates and company match. While many employees are in the dark about how much to contribute, many more have questions about where to invest. In 2011, survey responses indicated an uptick in the offering of managed accounts. In addition to financial counseling and investment advice, 30% of plans now offer managed accounts — an increase from 25% in 2010 (Exhibit 7.6).

Among those plans that offer counseling/advice, 59% of plan sponsors depend on their record keeper/administrator to provide these services while 29% use an independent financial counseling provider (Exhibit 7.8). For plans that

55% of all plan sponsors offer financial counseling/ investment advice to some or all participants, with another 17% considering adding it to their plans.

do not offer individual investment counseling or advice, 42% of respondents pointed to potential fiduciary liability as the primary reason for not offering the service (Exhibit 7.9).

The majority of plan sponsors (91%) reported having a formal investment policy in place (Exhibit 7.10). Further, 66% of plan sponsors indicated that their investment policy underwent a compliance review within the last year (Exhibit 7.11).

Respondents did not report a high ratio of proprietary funds (investment funds managed by the plan's record keeper) among participant investments. Just over half (51%) of respondents reported that proprietary funds made up less than a quarter of their lineup, while an additional 21% said proprietary funds composed 26%–50% of their lineup (Exhibit 7.3).

Investment performance is also actively monitored and managed. Two-thirds of plan sponsors (64%) report evaluating and benchmarking investment performance on a quarterly basis (Exhibit 7.12). Within the last year, 43% of plan sponsors replaced a fund due to poor performance (Exhibit 7.13).

65% of plan sponsors have a policy restricting the frequency of fund transfers among investment options compared to 55% in 2010 (Exhibit 7.14).

All about Annuities — Or Is It?

As employee balances have struggled to keep pace in a difficult economy and defined benefit plans continue to decline, many in the media and the retirement and investment industries have begun to support the addition of retirement income products in an effort to create a lifelong income stream.

The data collected in 2011 reveals uncertainty and a lack of awareness from plan sponsors around the adoption of retirement income solutions. Nearly three in four employers (74%) are not considering the addition of in-plan retirement income products. Only 14% are currently looking into adding in-plan retirement annuities, and the remaining 12% are unaware of it as an option (Exhibit 7.15).

Exhibit 7.1. What is the total number of investment options in your plan?

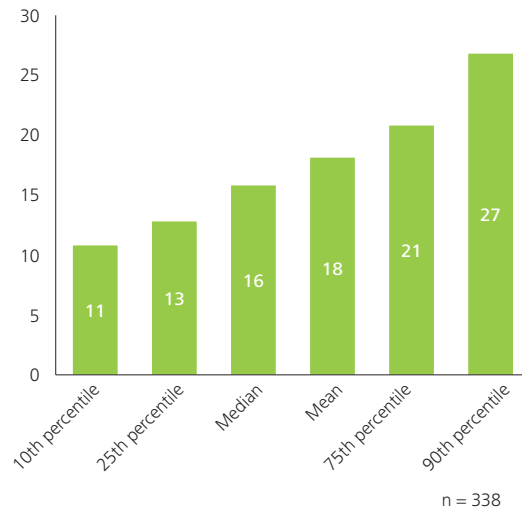


Exhibit 7.2. How many different fund families do you utilize for your investment fund line-up?

| | |
|-----------------|----|
| 10th percentile | 1 |
| 25th percentile | 5 |
| Median | 8 |
| Mean | 8 |
| 75th percentile | 10 |
| 90th percentile | 13 |

n = 264

Exhibit 7.3. Approximately how much of your fund line-up is made of proprietary funds?

| | 2010 | 2011 |
|---------|------|------|
| 0-25% | 49% | 51% |
| 26-50% | 18% | 21% |
| 51-75% | 17% | 16% |
| 76-100% | 16% | 12% |

n = 321

Exhibit 7.4. Which types of investment vehicles are utilized in your plan?

| | 2010 | | 2011 | |
|------------------------|------|-----|------|-----|
| | Yes | No | Yes | No |
| Annuities | 5% | 95% | 5% | 95% |
| Collective trust funds | 31% | 69% | 31% | 69% |
| Mutual funds | 92% | 8% | 88% | 12% |
| Separate accounts | 20% | 80% | 22% | 78% |
| Other | 7% | 93% | 5% | 95% |

n = 321

Exhibit 7.5. Do you think your plan offers the appropriate number of investment options?

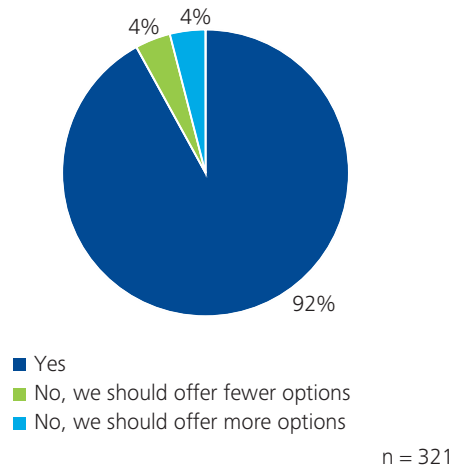


Exhibit 7.6. Do you offer managed accounts?

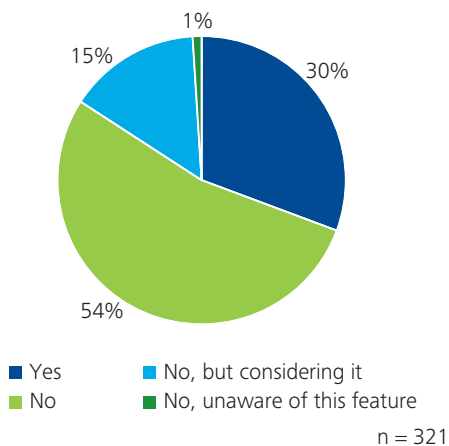


Exhibit 7.7. Is individual financial counseling/investment advice available to participants?

| | 2010 | 2011 |
|---|------|------|
| Yes, to all participants | 51% | 50% |
| Yes, to some participants | 4% | 5% |
| No, and we are currently not considering this feature | 29% | 28% |
| No, but we are considering adding this feature within the next 12 months | 9% | 8% |
| No, but we are considering adding this feature within the next 12–24 months | 7% | 9% |

n = 321

Exhibit 7.8. Who currently provides financial counseling/investment advice to participants?

| | 2011 |
|--|------|
| Independent provider | 29% |
| Plan investment manager (if separate from record keeper) | 12% |
| Plan record keeper/investment manager | 59% |

n = 194

Exhibit 7.9. Why is financial counseling/investment advice not offered?

| | 2011 |
|--|------|
| Cost | 11% |
| Employees are not requesting this service | 14% |
| Potential fiduciary liability | 42% |
| Simply not interested in offering in the DC plan | 5% |
| We are actively researching this feature and may implement in the future | 18% |
| Other | 10% |

n = 146

Exhibit 7.10. Do you have a formal written investment policy?

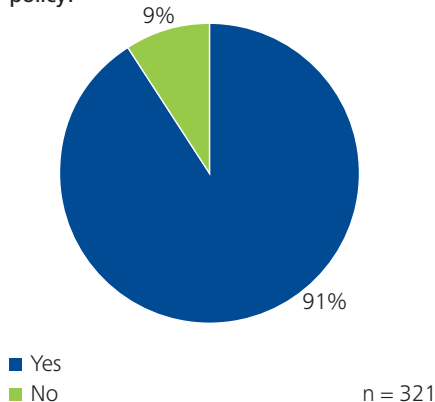


Exhibit 7.11. When was the last time your investment policy was reviewed for compliance?

| | 2010 | 2011 |
|-----------------------|------|------|
| Within the last year | 71% | 66% |
| 1–3 years | 26% | 30% |
| More than three years | 3% | 4% |

n = 292

Exhibit 7.12. How frequently do you evaluate and benchmark the performance of the plan's investments?

| | 2010 | 2011 |
|--------------------|------|------|
| Quarterly | 63% | 64% |
| Semi-annually | 16% | 18% |
| Annually | 17% | 15% |
| No formal schedule | 3% | 2% |
| Other | 1% | 1% |

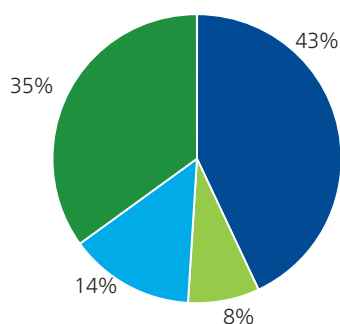
n = 321

Exhibit 7.13. When was the last time you replaced a fund due to poor performance?

| | 2010 | 2011 |
|------------------------|------|------|
| Within last year | 38% | 43% |
| 1 to less than 2 years | 25% | 23% |
| 2 to less than 5 years | 22% | 21% |
| 5+ years | 6% | 6% |
| Never | 9% | 7% |

n = 321

Exhibit 7.14. Does your plan have a policy restricting the frequency of fund transfers among your investment options?



- Yes, based on the fund's policy only
- Yes, based on the plan's policy only
- Yes, based on both the fund's and the plan's policies
- No

n = 320

Exhibit 7.15. Have you considered adding an in-plan retirement income product (accumulation annuity) to your current plan?

| | 2010 | 2011 |
|---|------|------|
| Yes, we are looking into it | 13% | 14% |
| Yes, we have added this to the plan | 1% | 0% |
| No, we are not considering at this time | 75% | 74% |
| Unaware of this feature | 11% | 12% |

n = 319

Exhibit 7.16. Have you considered adding an at-retirement income solution (annuity purchase option and/or annuity selection software) to your current plan?

| | 2010 | 2011 |
|---|------|------|
| Yes, we are looking into it | 12% | 17% |
| Yes, we have added this to the plan | 4% | 5% |
| No, we are not considering at this time | 74% | 72% |
| Unaware of this feature | 10% | 6% |

n = 319

At-retirement income products are slightly more popular than in-plan retirement products, but still lacking in adoption. Only 5% of plan sponsors have added at-retirement income products to their plans while another 17% are considering adding this as an option. The majority (72%) indicated they are not currently considering the option (Exhibit 7.16). For those few plans currently offering at-retirement income products, all have reported less than 25% participant adoption.

Fees

As we continue to make our way through an uncertain economy, plan sponsors are seeking ways in which administrative costs can be lowered and/or passed along to participants. In 2011, there was a marked shift as 55% of plan sponsors noted all recordkeeping and administrative fees are paid through investment revenue — up from 43% in 2010 (Exhibit 8.1).

Often in the form of “revenue sharing,” investment revenues are paid from various investment managers to the record keepers as an offset from the existing expense ratio without an impact to the total cost paid by the employee.

In addition to revenue sharing, other common methods of fee payment that may include direct fees (31%), “wrap” fees and “add-on” fees (6%).

More fees being paid through a plan’s investments means fewer participants are paying direct fees, but it also leads to difficulty in understanding all fees that are being paid for total 401(k) administration — a problem that the DOL has attempted to address through its fee disclosure regulations.

Direct fees have steadily declined over the past few years with the percent of respondents reporting direct fee arrangements at 46% in 2009, 39% in 2010 and 31% in 2011.

Exhibit 8.1. How are your 401(k) plan's recordkeeping and administration fees paid?

| | 2011 |
|--|------|
| All of the recordkeeping and administrative fees are paid through investment revenue | 55% |
| Some or all of the recordkeeping and administrative fees are not covered by investment revenue, so there is a direct fee that is charged by the recordkeeper | 31% |
| • The company pays this fee directly | 59% |
| • This fee is allocated to participants | |
| – Pro-rata based on account balances | 10% |
| – An equal dollar amount to all participants | 17% |
| – Other | 7% |
| • Both the company and the participants pay this fee | 7% |
| Some or all of the recordkeeping and administrative fees are not covered by investment revenue, so there are additional fees in the form of a wrap fee or added basis points | 6% |
| • This fee is allocated to participants through a reduction in investment return | 70% |
| • The company pays this fee directly | 20% |
| • Both the company and the participants pay this fee | 5% |
| • Other | 5% |
| Other | 8% |

n = 317

Full Disclosure

Although fee disclosure regulations were finalized in the past year, the 2011 survey did not indicate an overwhelming prevalence of full disclosure. While 66% of plan sponsors stated that their provider fully discloses revenue-sharing agreements and investment offsets, 15% of respondents said their recordkeeper does not disclose any revenue-sharing arrangements (Exhibit 8.3).

It's possible in these cases that revenue-sharing arrangements do not exist or have not been properly

disclosed, but 2012 should mark a turning point in both plan sponsor and participant understanding of all fees—direct and indirect—and the method in which they are paid.

Plans with ERISA account/fee credit as a result of revenue share collected in excess of plan administration fees remained steady from 2010 to 2011, with 20% of respondents reporting this arrangement in both years (Exhibit 8.4).

Exhibit 8.2. Please indicate whether you agree with the following statements.

| | Strongly agree | Agree | Neither agree nor disagree | Disagree | Strongly disagree |
|--|----------------|-------|----------------------------|----------|-------------------|
| We have no difficulty obtaining a clear understanding of the total plan/participant administrative fees being charged | 24% | 50% | 15% | 9% | 2% |
| We have no difficulty obtaining a clear explanation of the normal fund operating expenses of the funds in our plan | 25% | 51% | 16% | 7% | 1% |
| We believe our fees are competitive | 31% | 52% | 14% | 2% | 1% |
| We have no difficulty obtaining a clear description of all the revenue-sharing arrangements that our recordkeeper has with the mutual funds included in our plan | 21% | 47% | 23% | 7% | 2% |
| We have no difficulty obtaining what it costs our provider to administer our plan | 16% | 39% | 27% | 14% | 4% |
| We have performed a detailed fee analysis and have a thorough understanding of all plan expenses | 23% | 43% | 24% | 8% | 2% |

n = 316

Exhibit 8.3. Does your provider fully disclose its revenue-sharing agreements and investment offsets?

| | 2010 | 2011 |
|--|------|------|
| Yes, for both proprietary and non-proprietary funds | 60% | 66% |
| Yes, but for non-proprietary funds only | 15% | 12% |
| No, it does not disclose any revenue-sharing or investment offset arrangements | 17% | 15% |
| Other | 8% | 7% |

n = 314

Exhibit 8.4. Do you have an ERISA account/fee credit as a result of revenue share collected in excess of plan administrative fees?

| | 2010 | 2011 |
|--|------|------|
| Yes, there is a fee credit and we use it | 20% | 20% |
| No, there is no fee credit | 80% | 55% |
| Unsure | N/A | 25% |

n = 314

Administration capabilities and innovation

In the era of smart phones, social media, and increased access to technology, there are more ways than ever to reach sponsors and participants. 2011 survey data illustrates that both plan sponsors and participants increasingly look to online sources for their 401(k) management needs. Nearly all plan sponsors surveyed (98%) utilize an online plan sponsor portal at least monthly (Exhibit 9.1).

Even with an uptick in online access, plan sponsors' needs and expectations continue to evolve, and some have indicated that they are not completely satisfied with the current capabilities of these online resources. In 2011, slightly fewer plan sponsors (84% vs. 86% in 2010) noted that online data was sufficient for their analytical and plan management needs (Exhibit 9.3).

Exhibit 9.1. Do you utilize the plan sponsor website frequently?

| | 2011 |
|--|------|
| Yes, we use it daily | 66% |
| Yes, we use it weekly | 26% |
| Yes, we use it monthly | 6% |
| Yes, we use it quarterly, or less frequently | 1% |
| No, we either do not use the plan sponsor website, or we access the plan sponsor website very infrequently | 1% |

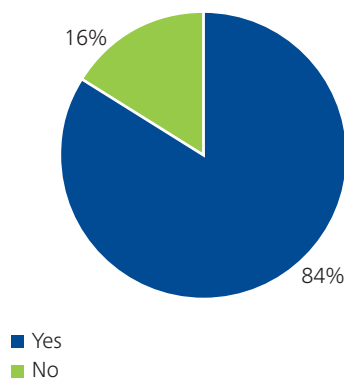
n = 314

Exhibit 9.2. What data and/or functionality does your provider give you access to via a plan sponsor website: (check all that apply)

| | 2010 | 2011 |
|--|------|------|
| Plan data | 96% | 97% |
| Participant data | 99% | 97% |
| Plan-level statement information | 89% | 90% |
| Participant statement information | 93% | 94% |
| View individual participant-level transactions | 87% | 88% |
| Post payroll contribution/loan repayment files | 75% | 78% |
| Post compliance information | 62% | 66% |
| Process indicative data updates | 52% | 55% |
| Investment performance | 90% | 89% |
| Plan benchmarks | 44% | 44% |
| Ad-hoc queries and reports | 82% | 83% |
| Payroll ACH funding | N/A | 45% |
| Other | N/A | 2% |

n = 314

Exhibit 9.3. Does this data suffice for your analytical and/or plan management needs?



n = 313

Participant Features

In parallel with plan sponsors, the needs and expectations of participants continue to grow with respect to online tools and resources. Survey data suggests that steps are being taken to keep pace.

In 2011, 17% of plan sponsors indicated their participants are now able to process transactions via their PDAs, wireless devices and smart phones, more than doubling last year's results with only 7% having this capability (Exhibit 9.4).

Exhibit 9.4. Over which of the following channels can participants process transactions? (Check all that apply)

| | 2010 | 2011 |
|-----------------------------|------|------|
| Internet | 100% | 99% |
| Call center representatives | 96% | 97% |
| Voice response system | 73% | 68% |
| PDA/Wireless/Smartphone | 7% | 17% |

n = 316

Exhibit 9.5. Do participants receive retirement income projections illustrating anticipated annual income in retirement?

| | 2010 | 2011 |
|---|------|------|
| Yes, provided online | 42% | 47% |
| Yes, via participant statements | 16% | 14% |
| Yes, via separate communication | 12% | 11% |
| No, we are considering adding this feature in the next 12 months | 5% | 5% |
| No, we are considering adding this feature in the next 12–24 months | 4% | 5% |
| No, we are not considering adding this feature | 10% | 9% |
| No, this feature is not offered by our vendor | 11% | 9% |

n = 316

Plan sponsors are also increasing their use of online methods to communicate with employees in an attempt to get the “retirement readiness” message across. In 2011, there was an increase both in the number of plan sponsors providing retirement income projections to participants (72%) and in those delivering the projections online (47%) (Exhibit 9.5).

We expect this trend to continue as more and more providers seek methods to provide easy, secure access to participant accounts — which will hopefully encourage more frequent access and better understanding of 401(k) plans, features, investments and costs.

Other Plan Features

Findings related to participant loans revealed that 6% of plans do not allow 401(k) loans, a slight (1%) decrease from 2010 (Exhibit 9.6). For plans that do allow loans (both primary residence and general purpose), most plans limit employees to just one outstanding loan at a time, noted by 47% of respondents compared to 49% in 2010. Another 36% of plan sponsors allow up to two outstanding loans at any time (37% in 2010), and 11% allow three or more loans, a 3% increase from 2010.

The 2011 survey showed an increase in plans that allow participants to elect automatic fund rebalancing with 72% of respondents indicating the availability of this feature, a 4% increase from 2010 (Exhibit 9.7).

Gauging the Degree of “Like”

With the buzz around social media reaching a fever pitch, the 2011 survey attempted to gauge the interest from plan sponsors around the use of this influential medium. When asked whether participants are interested in interacting with retirement providers via social media channels, 40% of respondents were unsure (Exhibit 9.8). At the same time, 9% indicated they are already using these channels, and 33% are planning to in the near future. Many record keepers have stepped into social media as another means to get the retirement readiness message in front of participants. It will be an interesting trend to follow over the coming years to see how many participants embrace this method of communication with record keepers.

While respondents recognize that social media interaction will likely grow in the near future, there was no clear consensus around which tools and technologies might be useful to participants. As record keepers and administrators aim to retain clients and gain new ones, we expect to see greater investment and innovation in new technology to serve as differentiators while plan sponsors look to improve the retirement readiness of their employees and seek more ways get in front of them.

Exhibit 9.6. How many outstanding loans can a participant have at any time (considering both Primary Residence and General Purpose Loans)?

| | 2010 | 2011 |
|-----------|---------|------|
| 0 | 7% | 6% |
| 1 | 49% | 47% |
| 2 | 37% | 36% |
| 3 or more | 8% | 11% |
| | n = 316 | |

Exhibit 9.7. Does your plan offer participants the option to elect automatic fund rebalancing?

| | 2010 | 2011 |
|-------------------------------------|---------|------|
| Yes | 68% | 72% |
| No, but considering it | 8% | 8% |
| No, unavailable | 15% | 10% |
| No, uninterested | 6% | 6% |
| No, we were unaware of this feature | 3% | 4% |
| | n = 316 | |

Exhibit 9.8. Do you believe participants are interested in interacting with retirement providers via social media channels?

| | 2011 |
|--|---------|
| Yes, they are doing this now | 9% |
| Not yet, but they will be in the near future | 33% |
| No | 18% |
| Unsure | 40% |
| | n = 315 |

Provider relationships

Savvy, Yet Staying the Course

Plan sponsors in this year's survey showed a high level of satisfaction with their current provider. In 2011, 91% of plan sponsors were satisfied/very satisfied with the services of their record keeper/administrator (Exhibit 10.1). Plan sponsor satisfaction was even more readily apparent with 42% of respondents noting that they have been with their current record keeper for more than 10 years (Exhibit 10.3) — a significant period of time when defined contribution administration has become relatively easy to transition and plan sponsors are under more pressure than ever to maintain a competitive cost structure.

Even though many plan sponsors indicated relationships of over 10 years, the most common service agreement is three years or less (59%), and 67% of plan sponsors have evaluated other record keepers within the last five years, confirming that levels of satisfaction with plan record keepers are indeed very high (Exhibits 10.4, 10.5).

For sponsors who have not changed record keepers in the past five years (74%), the quality of the overall relationship was the most common reason cited at 29%. Respondents also pointed to quality of recordkeeping services (21%) for staying with their current provider (Exhibit 10.7). Of plan sponsors who have changed providers in the past five years, it appears that quality of recordkeeping services (17%) and overall cost to the plan (16%) were the main drivers, with vendor consolidation (14%) also a factor (Exhibit 10.6).

More than three-quarters (76%) of plan sponsors utilize a "bundled" structure with their service provider, in which all services and funds are centrally coordinated through a single vendor (Exhibit 10.2). This is broadly consistent with the results over the past five years as plan sponsors have sought methods to lower cost both through the reduction of internal administrative time required to coordinate these services and through potential cost reductions realized by centralizing administrative services.

Exhibit 10.1. In general, how satisfied are you with the services provided by your record keeper?

| | 2011 |
|------------------------------------|---------|
| Very satisfied | 43% |
| Satisfied | 48% |
| Neither satisfied nor dissatisfied | 6% |
| Dissatisfied | 2% |
| Very dissatisfied | 1% |
| | n = 314 |

Exhibit 10.2. What is your plan record keeper structure?

| | 2010 | 2011 |
|---|------|---------|
| Bundled (all services and funds coordinated through one vendor, investments may include multiple fund families) | 75% | 76% |
| Unbundled (services and funds provided by unrelated vendors; plan sponsor plays a role in the coordination of trust, investment, and recordkeeping services) | 15% | 15% |
| Alliance (services and funds provided by different vendors under an alliance agreement, with the coordination of trust, investment, and recordkeeping services handled by the primary vendor, not the plan sponsor) | 10% | 9% |
| | | n = 313 |

Exhibit 10.3. How long have you been with your record keeper?

| | 2010 | 2011 |
|--------------------------|------|---------|
| Fewer than 2 years | 10% | 8% |
| 2 to fewer than 5 years | 20% | 18% |
| 5 to fewer than 10 years | 36% | 32% |
| 10+ years | 34% | 42% |
| | | n = 313 |

Exhibit 10.4. What is the length of your current service agreement?

| | 2010 | 2011 |
|-----------|------|------|
| < 3 years | 35% | 36% |
| 3 years | 24% | 23% |
| 4 years | 1% | 2% |
| 5 years | 11% | 13% |
| > 5 years | 29% | 26% |

n = 313

Exhibit 10.5. When was the last time you evaluated other record keepers for your 401(k) plan administration?

| | 2010 | 2011 |
|--------------------------|------|------|
| Fewer than 2 years | 34% | 35% |
| 2 to fewer than 5 years | 33% | 32% |
| 5 to fewer than 10 years | 22% | 24% |
| 10+ years | 11% | 9% |

n = 313

Exhibit 10.6. If you have made a change in record keepers in the last five years, please list the primary or most compelling reason for the change.

| | 2011 |
|---|------|
| A change in your organizational structure | 6% |
| Local presence | 1% |
| Overall cost to participants | 5% |
| Overall cost to plan | 16% |
| Overall relationship | 11% |
| Quality of Investment choices | 5% |
| Quality of recordkeeping services | 17% |
| Quality of service representatives | 1% |
| Vendor consolidation | 14% |
| Other | 24% |

n = 83

Exhibit 10.7. If you have not changed record keepers in more than 5 years, please list the primary or most compelling reason you stay with the current vendor.

| | 2011 |
|------------------------------------|------|
| Local presence | 1% |
| No compelling reason to change | 26% |
| Overall cost to participants | 6% |
| Overall cost to plan | 3% |
| Overall relationship | 29% |
| Quality of Investment choices | 3% |
| Quality of recordkeeping services | 21% |
| Quality of service representatives | 4% |
| Other | 7% |

n = 233

Service Level Agreements

Despite the prevalence of long-term relationships, many plan sponsors continue to hold their record keepers accountable for their services. The majority (41%) of plan sponsors have executed agreements with fees at-risk based on the quality and accuracy of administrative services. Another 38% do not put any fees at-risk, and there was a slight shift in plan sponsor awareness of this contract structure with 21% indicating that they were unsure of the contract structure in 2011 vs. 26% in 2010 (Exhibit 10.8).

Exhibit 10.8. Does your record keeper agree to maintain specific levels of service or performance with the risk of sacrificing fees or providing additional services should these levels not be met?

| | 2010 | 2011 |
|------------|------|------|
| Yes | 41% | 41% |
| No | 33% | 38% |
| Don't know | 26% | 21% |

n = 313

Plan effectiveness

Plan effectiveness, most commonly measured through high levels of participation, investment performance and employee appreciation, did not change significantly from last year with 80% of plan sponsors in 2011 indicating that the plan helps with recruitment and another 74% indicating that the plan helps with retention (Exhibit 11.1, 11.2).

As plan sponsors aim to design plans to support employees in their move towards retirement, they are also working to confirm that the plan continues to be aligned with their corporate talent strategies. In 2011, with results that are identical to 2010, 80% of plan sponsors indicated that the 401(k) plan is considered and aligned with corporate strategy, with 35% of those confident that it is carefully considered and closely aligned (Exhibit 11.3).

When asked to identify the primary barriers to improving overall plan effectiveness, the top two options chosen by plan sponsors were lack of employee understanding (32%) and ineffective communications (23%) (Exhibit 11.4). Employee demographics and current market/economic trends followed as the next most commonly chosen responses.

Keeping In Touch

While plan sponsor practices for communicating with employees remain consistent to those noted in 2010, there was a minor shift with respect to the method sponsors ranked as the most effective to communicate with employees. While group meetings were the top choice in 2010 at 27%, targeted communications led the pack in 2011 with 26% of responses (Exhibit 11.5).

There was also a slight change in 2011 around the preferred method of conducting employee meetings, with 47% of respondents citing one-on-one meetings with an education consultant. In 2010, there was a dead heat between one-on-one meetings and group meetings, each at 41% (Exhibit 11.6).

Exhibit 11.1. Do you feel that your 401(k) plan assists in retaining your existing employees?

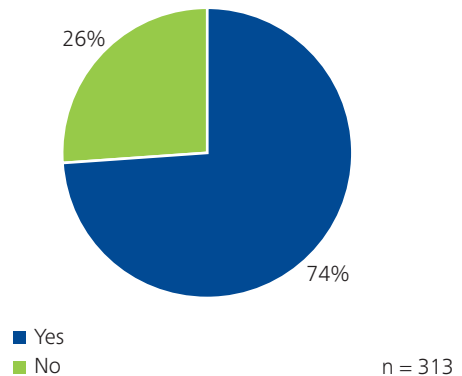


Exhibit 11.2. Do you feel that your 401(k) plan is an effective recruiting tool?

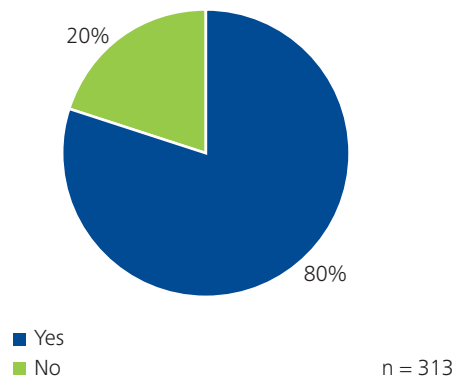


Exhibit 11.3. How is your 401(k) plan strategy aligned to your corporate business strategy?

| | 2010 | 2011 |
|--|------|------|
| It is carefully considered and closely aligned | 35% | 35% |
| It is generally considered and generally aligned | 45% | 45% |
| There is not a process in place to consider or align | 20% | 20% |

n = 313

Exhibit 11.4. What is the primary barrier to making your plan more effective? (Please check your top three barriers)

| | #1 | #2 | #3 |
|--|-----|-----|-----|
| Ineffective employee communications | 23% | 0% | 0% |
| Administrative costs | 6% | 2% | 0% |
| Lack of employee understanding | 32% | 20% | 1% |
| Employee demographics (age, salary, education level, language barrier, etc.) | 11% | 25% | 5% |
| Low company matching formula/waiting period for matching contribution | 6% | 9% | 6% |
| Investment performance | 1% | 12% | 1% |
| Employee turnover | 0% | 9% | 12% |
| Current market/economic trends | 10% | 19% | 62% |
| Lack of provider support/internal resources | 0% | 2% | 8% |
| None | 11% | 2% | 5% |

n = 301

Exhibit 11.5. What do you consider to be the most effective way to communicate with employees?

| | 2010 | 2011 |
|--|------|------|
| Financial counseling/advice | 8% | 9% |
| Group meetings to communicate/educate | 27% | 24% |
| Individual meetings to communicate/educate | 18% | 20% |
| Personalized communications | 13% | 12% |
| Targeted communications | 25% | 26% |
| Web to communicate/educate | 9% | 6% |
| Other | 2% | 3% |

n = 313

Exhibit 11.7. In your opinion, are your employees saving adequately for retirement?

| | 2010 | 2011 |
|---|------|------|
| Most employees are or will be financially prepared for retirement | 15% | 15% |
| Some employees are or will be financially prepared for retirement | 67% | 67% |
| Very few employees are or will be financially prepared for retirement | 18% | 17% |
| Other | N/A | 1% |

n = 313

Exhibit 11.6. Given the choice, which employee meeting approach would you prefer for your employees.

| | 2010 | 2011 |
|---|------|------|
| Group meetings | 41% | 36% |
| Meeting via an electronic solution (e.g., webcasts, video conference, etc.) | 18% | 17% |
| One-on-one meetings with an education consultant/financial representative | 41% | 47% |

n = 313

Are We There Yet?

Even as plan sponsors indicate that their 401(k) plans are aligned with corporate strategy, and help significantly with recruitment and retention, they appear to be missing the mark with retirement readiness. Only 15% of plan sponsors feel that *most* employees will be financially prepared for retirement, while 17% feel that *very few* employees will be financially prepared for retirement (Exhibit 11.7).

Only 20% of plan sponsors have conducted a retirement readiness assessment to determine expected retirement income replacement ratios.

With the 401(k) plan reaching historical highs in its relative importance as a means for a secure retirement, few plan sponsors have taken the step to determine the expected amount of income employees can expect to receive from the plan in retirement — a critical component when considering which changes will have the most impact for their respective employee populations.

As plan sponsors continue down the path to make the 401(k) plan easy to access, easy to use and easy to understand, participants must also understand that the responsibility is shared. Beyond automatic enrollment and automatic step-up contributions, the addition of target retirement funds, millions of dollars spent on communications and on web and mobile tools to improve understanding and access, many plan sponsors are left asking the question “what else can we do?”

Many variables exist along the path to retirement. Record keepers and service providers will continue to innovate, plan sponsors will be faced with decisions regarding plan fees, investment performance, plan features and communications, and legislative and regulatory changes will continue. How plan participants respond will largely determine the ultimate success or failure of the 401(k) plan, as well as that of their own financial security in retirement.

Appendix

Demographics

Exhibit 1.1. Survey respondents by ownership structure

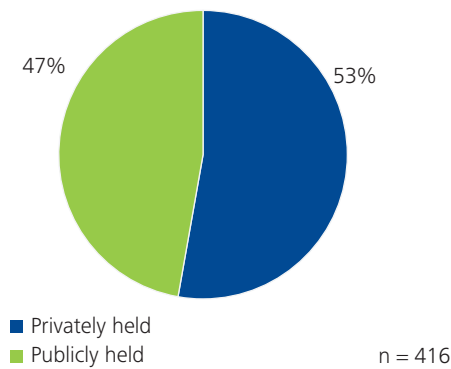


Exhibit 1.2. Survey Respondents by Industry

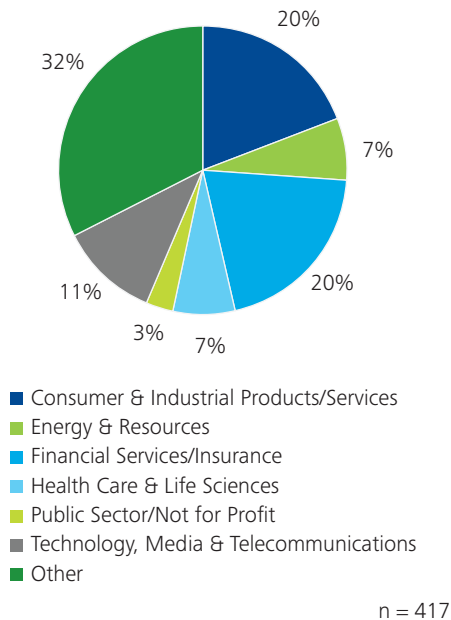


Exhibit 1.3. Survey Respondents by Number of Employees

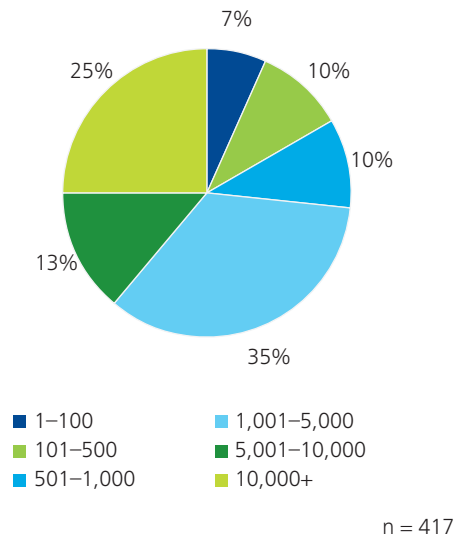


Exhibit 1.4. How many employees are eligible to participate in your plan?

| | 2010 | 2011 |
|--------------|------|------|
| 1-100 | 11% | 7% |
| 101-500 | 17% | 11% |
| 501-1,000 | 10% | 12% |
| 1,001-5,000 | 35% | 38% |
| 5,001-10,000 | 12% | 14% |
| > 10,000 | 15% | 18% |

n = 414

Exhibit 1.5. What is the average age of your participating group?

| | 2010 | 2011 |
|-------|------|------|
| < 30 | 2% | 0% |
| 31-40 | 29% | 28% |
| 41-50 | 66% | 70% |
| > 50 | 3% | 2% |

n = 414

Demographics (cont.)

Exhibit 1.6. What is the average length of service of your participating group?

| | 2010 | 2011 |
|-------------|------|------|
| < 1 year | 17% | 0% |
| 1–5 years | 21% | 15% |
| 6–10 years | 34% | 44% |
| 11–15 years | 21% | 29% |
| 16–20 years | 5% | 9% |
| 21–25 years | 1% | 3% |
| > 25 years | 1% | 0% |

n = 413

Exhibit 1.7. What is the average participant account balance?

| | 2010 | 2011 |
|-------------------|------|------|
| \$0–\$10K | 4% | 7% |
| \$10,001–\$25,000 | 10% | 10% |
| \$25,001–\$50,000 | 25% | 23% |
| \$50,001–\$75,000 | 22% | 22% |
| \$75,001+ | 39% | 38% |

n = 385

Exhibit 1.10. How many retirement plans do you sponsor?

| Number of Plans | Qualified DC | Non-Qualified DC | Qualified DB (Active) | Qualified DB (Frozen) | Non-Qualified DB |
|-----------------|--------------|------------------|-----------------------|-----------------------|------------------|
| 1 | 69% | 41% | 21% | 21% | 19% |
| 2 | 17% | 6% | 5% | 5% | 3% |
| 3+ | 11% | 3% | 4% | 4% | 1% |

n = 418

Exhibit 1.8. Do you feel an obligation to prepare your employees for retirement?

| | 2010 | 2011 |
|---|------|------|
| We feel that our only responsibility is to offer a competitive retirement plan | 23% | 16% |
| We feel that our responsibility includes taking an interest in whether our employees are tracking towards a comfortable retirement | 62% | 64% |
| We feel very responsible to prepare our employees for retirement (e.g., taking a very involved approach such as monitoring utilization of financial planning tools, etc.) | 15% | 20% |

n = 383

Exhibit 1.9. Have you considered generational needs in your overall retirement plan development?

| | 2010 | 2011 |
|-----|------|------|
| Yes | 63% | 43% |
| No | 37% | 57% |

n = 383

Demographics (cont.)

Exhibit 1.11. Does your recordkeeper manage multiple retirement plans for your business?

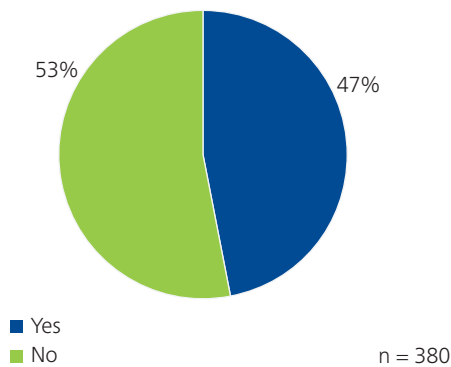


Exhibit 1.12. Given the state of the economy, what would best describe participant activity related to their 401(k) Plan accounts over the past year?

| | 2010 | 2011 |
|--|------|------|
| Minimal activity (e.g., an occasional question but activity consistent with past years) | 24% | 24% |
| Some activity (e.g., some questions, some changes but more of a 'wait and see' approach) | 53% | 49% |
| Significant activity (e.g., deferral rate changes, hardship withdrawals, loans, etc.) | 23% | 27% |

n = 383

Exhibit 1.13. What is your plan's participation rate?

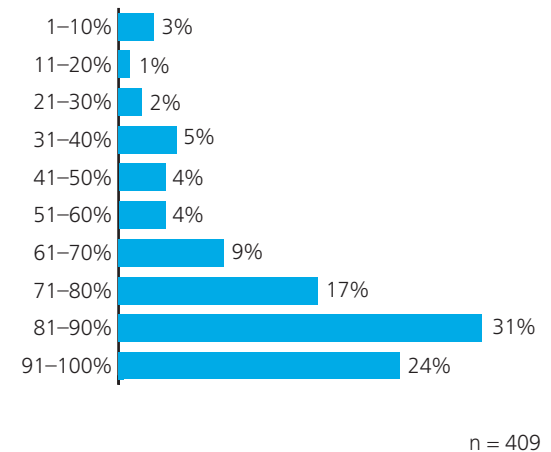


Exhibit 1.14. What is the total number of participant accounts with a balance in your plan?

| | 2010 | 2011 |
|--------------|------|------|
| 1-100 | 13% | 7% |
| 101-500 | 17% | 10% |
| 501-1,000 | 10% | 12% |
| 1,001-5,000 | 33% | 40% |
| 5,001-10,000 | 12% | 13% |
| > 10,000 | 15% | 18% |

n = 399

Exhibit 1.15. What are the total assets in your plan?

| | 2010 | 2011 |
|-------------|------|------|
| < \$5M | 12% | 5% |
| \$5M-10M | 5% | 4% |
| \$10M-25M | 10% | 9% |
| \$25M-50M | 11% | 9% |
| \$50M-100M | 13% | 14% |
| \$100M-500M | 28% | 34% |
| \$500M-1B | 8% | 9% |
| \$1B-5B | 10% | 14% |
| > \$5B | 3% | 2% |

n = 399

Hot topics

Exhibit 2.1. Please rate the following topics based on their importance to your organization's plan and interests of the retirement benefits committee.

| | Very important | Quite important | Neutral | Somewhat important | Not at all important |
|---|----------------|-----------------|---------|--------------------|----------------------|
| New disclosure regulations 404(a) and 408(b)(2) | 31% | 40% | 19% | 8% | 2% |
| Retirement readiness of active participants | 23% | 49% | 15% | 12% | 1% |
| Providing the right investments to help participants achieve retirement goals | 46% | 46% | 4% | 3% | 1% |
| New retirement income solutions to create lifelong retirement income | 7% | 26% | 40% | 20% | 7% |
| Improving plan governance, compliance and controls | 28% | 39% | 24% | 8% | 1% |
| Reducing plan risk and potentially fiduciary responsibility | 37% | 42% | 14% | 6% | 1% |
| Improving understanding of (and potentially reducing) plan expenses | 28% | 51% | 14% | 6% | 1% |
| Improving the quality and/or accuracy of administrative services | 25% | 36% | 27% | 9% | 3% |

Exhibit 2.2. How familiar are you with the regulations to disclose investment comparative charts and record keeping fees [404(a) and 408(b)(2)]?

| | 2011 |
|-------------------|---------|
| Very familiar | 30% |
| Somewhat familiar | 64% |
| Not familiar | 6% |
| | n = 376 |

Exhibit 2.5. Is plan counsel reviewing and approving your record keeper/third party administrator's solution to deliver the disclosures after January 1, 2012?

| | 2011 |
|--------|---------|
| Yes | 39% |
| No | 5% |
| Unsure | 56% |
| | n = 347 |

Exhibit 2.3. Are you confident in your ability to deliver participant fee communications?

| | 2011 |
|--|---------|
| Yes, we are managing the fee communications internally | 2% |
| Yes, our record keeper is providing needed help | 90% |
| Unsure | 6% |
| No | 2% |
| | n = 376 |

Exhibit 2.6. Does plan counsel agree with the approach your record keeper/third party administrator is planning to deliver the disclosures after January 1, 2012?

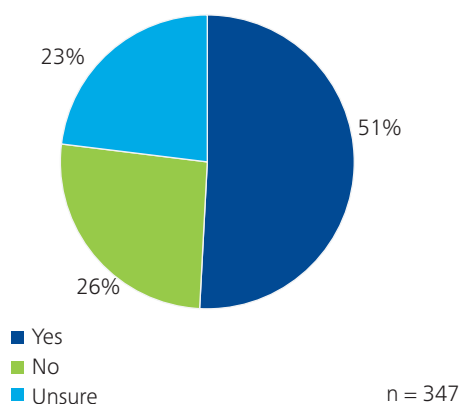


Exhibit 2.4. How informed are you of your record keeper/third party administrator's solution to deliver the disclosures beginning January 1, 2012?

| | 2011 |
|--|---------|
| Very informed and included in the design process | 39% |
| Somewhat informed | 56% |
| Not informed | 5% |
| | n = 374 |

Hot topics (cont.)

Exhibit 2.7. Please indicate whether you agree or disagree with the following statements.

| | Strongly Agree | Agree | Neither Agree nor Disagree | Disagree | Strongly Disagree |
|--|----------------|-------|----------------------------|----------|-------------------|
| Participant balances have returned to pre-2008 levels | 5% | 42% | 31% | 19% | 2% |
| Participants offset losses during the market downturn by contributing more | 0% | 6% | 40% | 47% | 7% |
| Participants are still 10 to 20 percent (or more) below the balance prior to the market downturn | 1% | 19% | 36% | 37% | 6% |
| Participants have just begun to get back into contributing and investing more aggressively | 1% | 30% | 46% | 21% | 2% |
| Participants have lost faith in saving for retirement | 1% | 7% | 32% | 42% | 18% |

Eligibility and enrollment

Exhibit 3.1. What are the service requirements for plan entry?

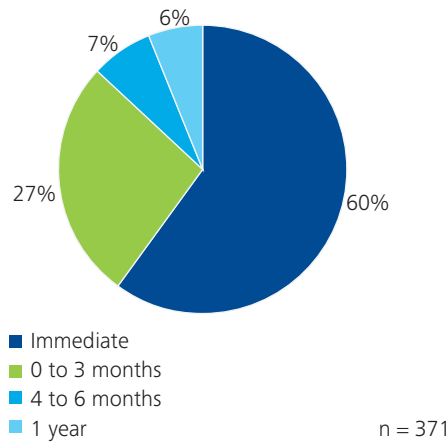


Exhibit 3.2. What is the minimum age requirement?

| | 2010 | 2011 |
|--------|------|------|
| None | 42% | 47% |
| Age 18 | 24% | 24% |
| Age 21 | 34% | 29% |

n = 371

Exhibit 3.3. Have you changed your eligibility requirements in the past year?

| | 2011 |
|---------------------------------|------|
| No | 92% |
| No, but considering a change | 2% |
| Yes, made them less restrictive | 5% |
| Yes, made them more restrictive | 1% |

n = 371

Exhibit 3.4. Do you offer auto enrollment?

| | 2010 | 2011 |
|-----|------|------|
| Yes | 49% | 56% |
| No | 51% | 44% |

n = 371

Exhibit 3.5. How have the following been impacted as a result of automatic enrollment?

| | Average Contribution Rate | Plan Participation Rate | Nondiscrimination Results | Participant Awareness |
|------------------|---------------------------|-------------------------|---------------------------|-----------------------|
| Positive Impact | 54% | 86% | 51% | 68% |
| Negative Impact | 9% | 1% | 2% | 2% |
| No Change | 33% | 12% | 41% | 26% |
| Too Soon To Tell | 4% | 1% | 6% | 4% |

n = 208

Eligibility and enrollment (cont.)

Exhibit 3.6. Have you taken action to increase deferral rates for participants that were originally automatically enrolled?

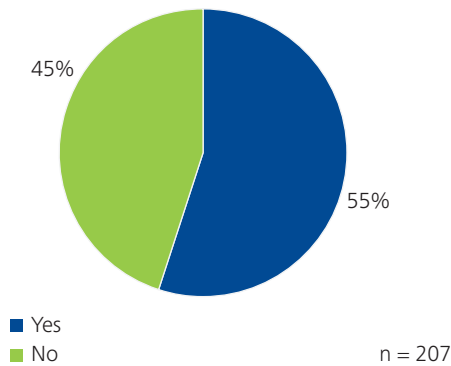


Exhibit 3.7. Within the automatic enrollment feature, does your plan offer a standard Qualified Default Investment Alternative (QDIA) or a Qualified Automatic Contribution Arrangement (QACA)?

| | 2010 | 2011 |
|---|------|------|
| Qualified Default Investment Alternative (QDIA) | 65% | 76% |
| Qualified Automatic Contribution Arrangement (QACA) | 19% | 10% |
| Neither | 16% | 14% |

n = 208

Exhibit 3.8. What is the default investment election for automatic enrollment?

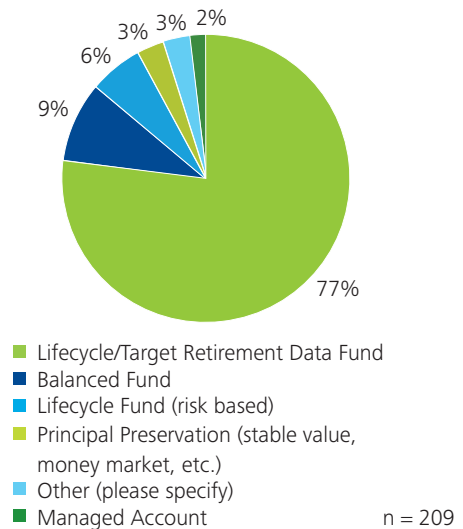


Exhibit 3.9. Considering the need to appropriately diversify investments, have you implemented a re-enrollment campaign to re-enroll improperly diversified participants in the plan's QDIA?

| | 2010 | 2011 |
|--|------|------|
| Yes, we have implemented a re-enrollment campaign aimed at improving diversification | 6% | 4% |
| No, unaware of this feature | 47% | 56% |
| No, but considering it | 47% | 40% |

n = 182

Eligibility and enrollment (cont.)

Exhibit 3.10. Are you satisfied with automatic enrollment?

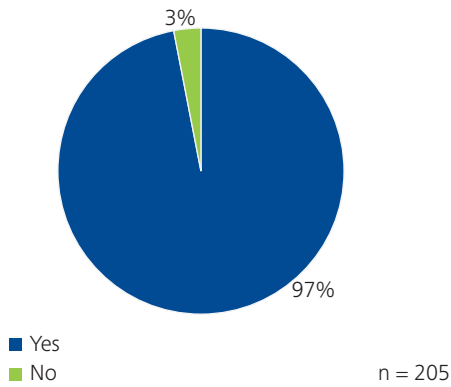


Exhibit 3.11. When you implemented automatic enrollment, which population was targeted?

| | 2010 | 2011 |
|-------------------|------|------|
| New hires only | 65% | 70% |
| Entire population | 33% | 26% |
| Other | 2% | 4% |

n = 207

Exhibit 3.12. What percentage of employees opt-out/cancel automatic enrollment?

| | 2011 |
|---------------|------|
| 0-5% | 73% |
| 6-10% | 18% |
| 10-25% | 8% |
| More than 25% | 1% |

n = 207

Exhibit 3.13. What is the default deferral percentage for automatic enrollment?

| | 2010 | 2011 |
|------------|------|------|
| 2% or less | 18% | 14% |
| 3% | 57% | 54% |
| 4% | 10% | 12% |
| 5% or more | 15% | 20% |

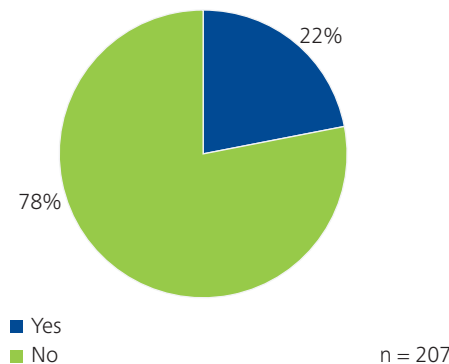
n = 209

Exhibit 3.14. Since implementing automatic enrollment has the average contribution rate of participants in your plan gone up or down?

| | 2010 | 2011 |
|--|------|------|
| Up, we see a higher average deferral rate | 47% | 40% |
| Down, we see a lower average deferral rate | 11% | 11% |
| No change | 29% | 37% |
| Unsure | 13% | 12% |

n = 205

Exhibit 3.15. Have you considered a change to the default investment election for automatic enrollment based on the regulations regarding Qualified Default Investment Alternatives (QDIAs)?



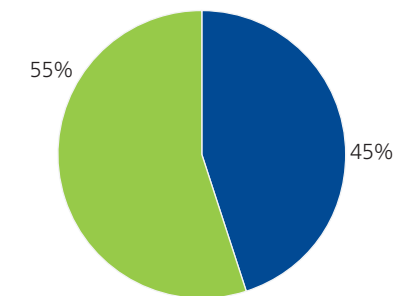
Step-up contributions

Exhibit 4.1. Does your plan contain a step-up contribution feature?

| | 2010 | 2011 |
|---|------|------|
| Yes, tied to Automatic Enrollment | 19% | 19% |
| Yes, as a separate, stand-alone feature | 22% | 30% |
| No, but considering it | 10% | 11% |
| No | 44% | 36% |
| Other | 5% | 4% |

n = 367

Exhibit 4.2. Is your step-up contribution feature automatic or elective?



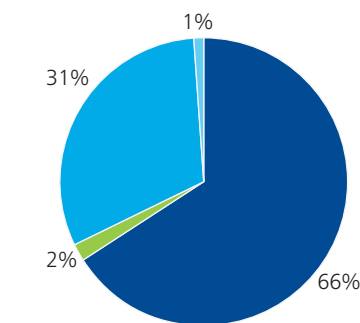
■ Automatic for some or all participants
■ Elective
n = 180

Exhibit 4.3. What percentage of your participants is currently in the step-up contribution program?

| | 2011 |
|----------|------|
| 0-10% | 64% |
| 11-25% | 23% |
| 25-50% | 8% |
| Over 50% | 5% |

n = 178

Exhibit 4.4. What is the incremental step-up percentage applied each year?



■ 1%
■ 2%
■ Employee's choice
■ Other

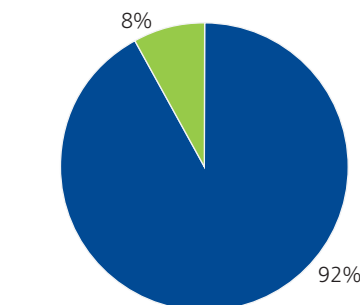
n = 179

Exhibit 4.5. When do you step-up the deferral percentage each year?

| | 2010 | 2011 |
|--|------|------|
| The anniversary date of the participant's enrollment | 23% | 23% |
| Tied to the company's salary increase date | 16% | 21% |
| Participants select the date | 38% | 36% |
| Other | 23% | 20% |

n = 179

Exhibit 4.6. Are you satisfied with the step-up contribution feature?



■ Yes
■ No

n = 178

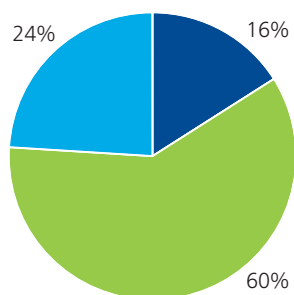
Employee contributions

Exhibit 5.1. What was the Average Deferral Percentage (ADP) of the Highly Compensated Employees (HCEs) and Non-Highly Compensated Employees (NHCEs) based on the results of the most recent discrimination test?

| | HCE ADP | NHCE ADP |
|------------|---------|----------|
| < 4 % | 7% | 19% |
| 4–5.99% | 23% | 38% |
| 6–7.99% | 46% | 30% |
| 8% or more | 24% | 13% |

n = 351

Exhibit 5.2. Do you have different maximum contribution percentages for HCEs and NHCEs?



- Yes
- No
- Our plan does not limit employee contributions, other than regulatory limits

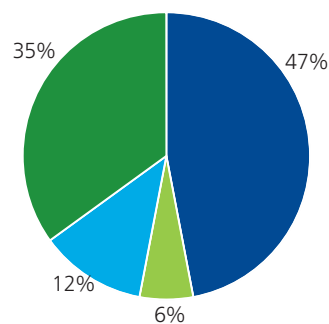
n = 361

Exhibit 5.3. Have you changed your maximum contribution percentages (other than for the addition of a Roth 401(k) feature) in the past year?

| | 2010 | 2011 |
|--|------|------|
| Yes, increased | 7% | 7% |
| Yes, decreased | 2% | 1% |
| No, but considering a change to increase | 3% | 1% |
| No | 89% | 91% |

n = 266

Exhibit 5.4. Do you offer a Roth 401(k) feature?



- Yes
- No, but considering it within the next 12 months
- No, but considering it within the next 12–24 months
- No, and not considering it

n = 348

Exhibit 5.5. What is the current participant adoption rate of the Roth 401(k) feature?

| | 2010 | 2011 |
|---------------|------|------|
| Less than 1% | 14% | 36% |
| 1–5% | 39% | 27% |
| 6–10% | 28% | 23% |
| More than 10% | 19% | 14% |

n = 230

Exhibit 5.6. What is the primary reason you have chosen (or may choose) to implement a Roth feature?

| | 2011 |
|--|------|
| A few key employees have requested the feature | 15% |
| IRS made the regulation permanent | 4% |
| To maintain a competitive plan | 74% |
| Other | 7% |

n = 230

Employee contributions (cont.)

Exhibit 5.7. If you do have different maximum contribution percentages for HCEs and NHCEs, what are they?

| | HCE | | NHCE | |
|---------|------------|-----------|------------|-----------|
| | Before tax | After tax | Before tax | After tax |
| 0–25% | 88% | 88% | 20% | 37% |
| 26–50% | 7% | 6% | 39% | 31% |
| 51–75% | 3% | 6% | 29% | 24% |
| 76–100% | 2% | 0% | 12% | 8% |

n = 60

Exhibit 5.8. If you DO NOT have different maximum contribution percentages for HCEs and NHCEs, what are they?

| | Before tax | After tax | Roth |
|---------|------------|-----------|------|
| 0–25% | 15% | 33% | 10% |
| 26–50% | 37% | 35% | 42% |
| 51–75% | 26% | 10% | 23% |
| 76–100% | 22% | 22% | 25% |

n = 204

Exhibit 5.9. Did you introduce In-Plan Roth conversions?

| | 2011 |
|--------------|------|
| No | 80% |
| Yes, in 2010 | 13% |
| Yes, in 2011 | 7% |

n = 230

Exhibit 5.10. Why has your plan not adopted an In-Plan Roth conversion option? (Check all that apply)

| | 2011 |
|---|------|
| Not enough interest | 97% |
| Legislation introduced too late in the year | 40% |
| Record keeper/third party administrator not capable of administering the option | 11% |
| Other | 50% |

n = 101

Employer contributions

Exhibit 6.1. Which employer contributions does your plan include?

| | 2010 | 2011 |
|--|------|------|
| Matching contributions | 66% | 65% |
| Profit-sharing contributions | 3% | 4% |
| Both matching and profit sharing contributions | 20% | 24% |
| Neither | 11% | 7% |

n = 348

Exhibit 6.2. What are the service requirements for employer matching contributions?

| | 2010 | 2011 |
|------------------|------|------|
| Immediate | 58% | 66% |
| Less than 1 year | 16% | 9% |
| 1 year | 21% | 18% |
| Other | 5% | 7% |

n = 311

Exhibit 6.3. What are the service requirements for profit sharing contributions?

| | 2010 | 2011 |
|------------------|------|------|
| Immediate | 34% | 34% |
| Less than 1 year | 17% | 13% |
| 1 year | 38% | 29% |
| Other | 11% | 24% |

n = 99

Exhibit 6.4. How is your 401(k) plan's matching formula structured?

| | 2010 | 2011 |
|--|------|------|
| All employees, same formula | 74% | 81% |
| More than one employee group, different formulas | 10% | 13% |
| Multi-tiered contribution formula | 9% | 3% |
| Varies from year to year | 1% | 1% |
| Other | 6% | 2% |

n = 311

Exhibit 6.5. Have you changed your company's matching formula in the past year?

| | 2010 | 2011 |
|---|------|------|
| Yes, we have | 19% | 13% |
| Increased match | 19% | 42% |
| Decreased match | 44% | 12% |
| Instituted safe harbor | 6% | 6% |
| Suspended match | N/A | 6% |
| Reinstated match | 25% | 13% |
| Instituted discretionary | 13% | 6% |
| Instituted other formula/design changes | 15% | 15% |
| No, and we are not considering any changes | 73% | 77% |
| No, but we are considering a change | 9% | 10% |
| A change to increase match | 39% | 56% |
| A change to decrease match | 8% | 6% |
| A change to institute safe harbor | 39% | 16% |
| A change to suspend/discontinue match | 5% | 3% |
| A change to reinstate match | N/A | 0% |
| A change to institute discretionary | 3% | 0% |
| Other formula/design changes | 24% | 19% |

n = 310

Exhibit 6.6. How is your match structured?

| | 2010 | 2011 |
|---|------|------|
| Fixed | 74% | 77% |
| Discretionary, this contribution was made this year | 17% | 17% |
| Discretionary, this contribution was NOT made this year | 2% | 1% |
| Combination | 7% | 5% |

n = 310

Employer contributions (cont.)

Exhibit 6.7. Do participants have the option to direct the investment of these matching contributions?

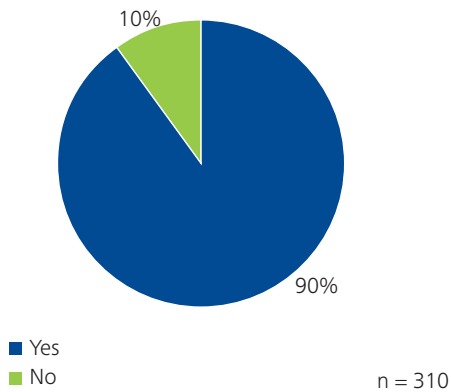


Exhibit 6.8. Do you make the matching contributions in employer stock?

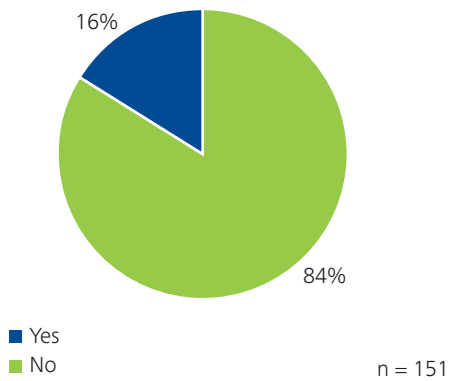


Exhibit 6.9. When do you allow participants to reallocate/diversify these matching contributions to other funds?

| | 2011 |
|---------------------|------|
| Immediately | 76% |
| Age requirement | 0% |
| Service requirement | 20% |
| Never | 0% |
| Other | 4% |

n = 25

Exhibit 6.10. How are matching contribution forfeitures treated? (Check all that apply)

| | 2010 | 2011 |
|---------------------------------------|------|------|
| Used to reduce employer contributions | 72% | 68% |
| Used to offset fees | 33% | 36% |
| Reallocated to participants | 9% | 5% |
| Other | 11% | 14% |

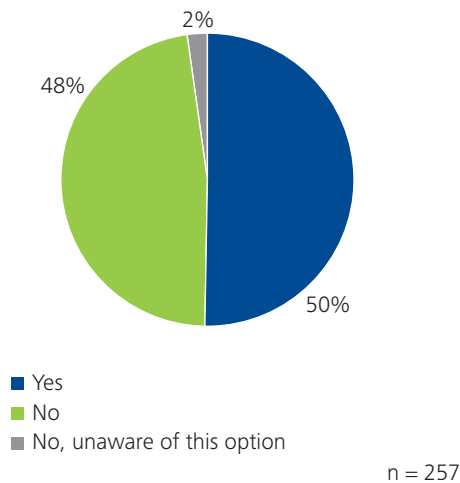
n = 377

Exhibit 6.11. How often is the match calculated and deposited?

| | 2010 | 2011 |
|--|------|------|
| Each pay period | 84% | 83% |
| Monthly or quarterly (less frequently than each pay period) | 6% | 8% |
| Annually (once a year), regardless of hours | 2% | 2% |
| Annually (once a year), with a required number of hours, or employed on the last day of the year | 8% | 7% |

n = 310

Exhibit 6.12. Do you true-up your employer match at the end of the year for employees who reach the maximum compensation limit or who hit the 401(k) limit before receiving the maximum possible match?



Employer contributions (cont.)

Exhibit 6.13. How is your profit-sharing contribution structured?

| | 2010 | 2011 |
|---|------|------|
| Fixed | 26% | 29% |
| Discretionary, this contribution was made this year | 45% | 55% |
| Discretionary, this contribution was NOT made this year | 24% | 12% |
| Combination | 5% | 4% |

n = 98

Exhibit 6.14. What is your profit-sharing contribution cost as a percentage of your total compensation cost?

| | 2011 |
|------|------|
| < 3% | 19% |
| 3–5% | 58% |
| 6–8% | 17% |
| > 8% | 6% |

n = 64

Exhibit 6.15. Do participants have the option to direct the investment of these profit-sharing contributions?

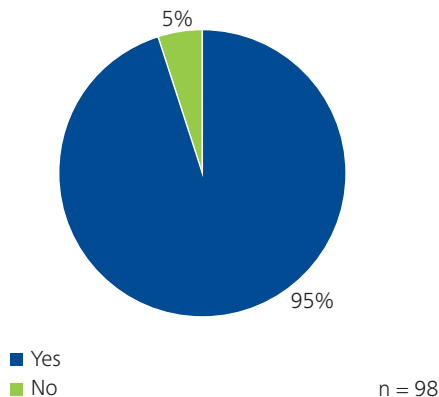


Exhibit 6.16. Do you make the profit sharing contribution in employer stock?

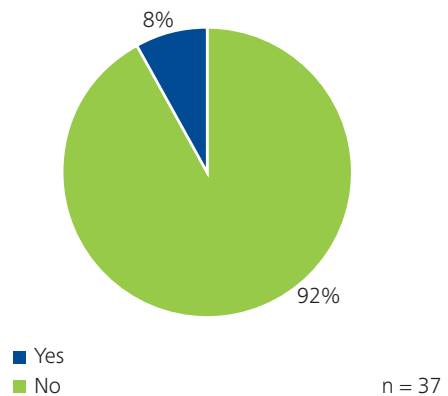


Exhibit 6.17. What is the plan's vesting schedule for these profit-sharing contributions?

| | 2010 | 2011 |
|------------------------|------|------|
| Immediate full vesting | 22% | 29% |
| 1–4 year cliff | 25% | 38% |
| 5 year cliff | 2% | 3% |
| 1–4 year graded | 4% | 3% |
| 5 year graded | 23% | 21% |
| 6–7 year graded | 19% | 3% |
| Other | 5% | 3% |

n = 34

Exhibit 6.18. How are profit sharing contribution forfeitures treated? (Check all that apply)

| | 2010 | 2011 |
|---------------------------------------|------|------|
| Used to reduce employer contributions | 67% | 88% |
| Used to offset fees | 27% | 54% |
| Reallocated to participants | 21% | 0% |
| Other | 9% | 4% |

n = 35

Investments

Exhibit 7.1. What is the total number of investment options in your plan?

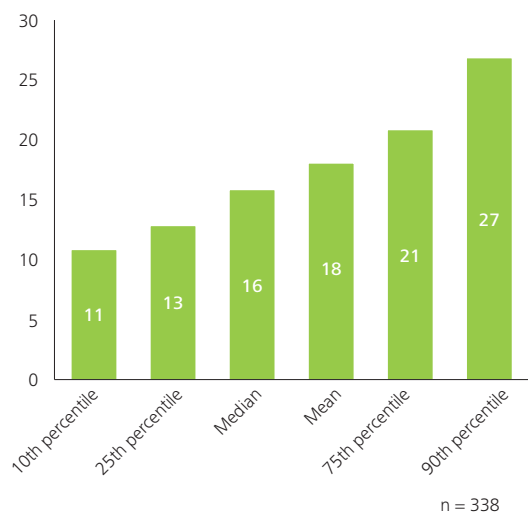


Exhibit 7.2. How many different fund families do you utilize for your investment fund line-up?

| | |
|-----------------|----|
| 10th percentile | 1 |
| 25th percentile | 5 |
| Median | 8 |
| Mean | 8 |
| 75th percentile | 10 |
| 90th percentile | 13 |

n = 264

Exhibit 7.3. Approximately how much of your fund line-up is made of proprietary funds?

| | 2010 | 2011 |
|---------|------|------|
| 0-25% | 49% | 51% |
| 26-50% | 18% | 21% |
| 51-75% | 17% | 16% |
| 76-100% | 16% | 12% |

n = 321

Exhibit 7.4. Which types of investment vehicles are utilized in your plan?

| | 2010 | | 2011 | |
|------------------------|------|-----|------|-----|
| | Yes | No | Yes | No |
| Annuities | 5% | 95% | 5% | 95% |
| Collective trust funds | 31% | 69% | 31% | 69% |
| Mutual funds | 92% | 8% | 88% | 12% |
| Separate accounts | 20% | 80% | 22% | 78% |
| Other | 7% | 93% | 5% | 95% |

n = 321

Exhibit 7.5. Do you think your plan offers the appropriate number of investment options?

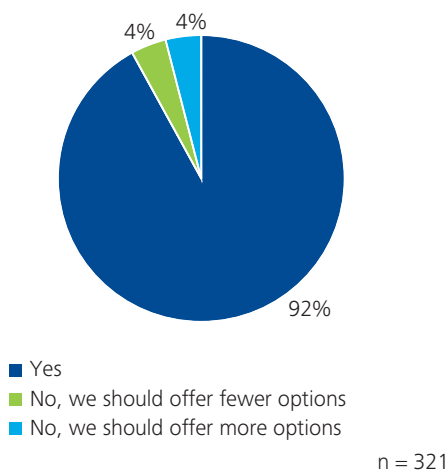
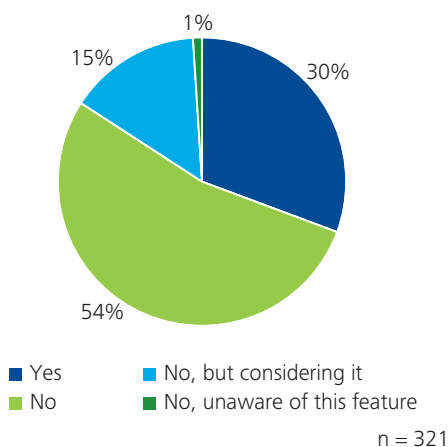


Exhibit 7.6. Do you offer managed accounts?



Investments (cont.)

Exhibit 7.7. Is individual financial counseling/ investment advice available to participants?

| | 2010 | 2011 |
|---|------|------|
| Yes, to all participants | 51% | 50% |
| Yes, to some participants | 4% | 5% |
| No, and we are currently not considering this feature | 29% | 28% |
| No, but we are considering adding this feature within the next 12 months | 9% | 8% |
| No, but we are considering adding this feature within the next 12–24 months | 7% | 9% |

n = 321

Exhibit 7.8. Who currently provides financial counseling/investment advice to participants?

| | 2011 |
|--|------|
| Independent provider | 29% |
| Plan investment manager (if separate from record keeper) | 12% |
| Plan record keeper/investment manager | 59% |

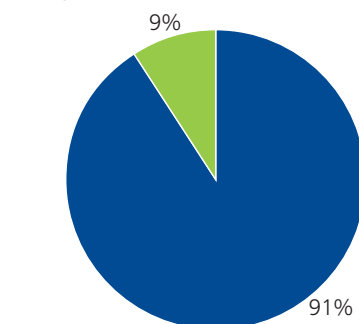
n = 194

Exhibit 7.9. Why is financial counseling/investment advice not offered?

| | 2011 |
|--|------|
| Cost | 11% |
| Employees are not requesting this service | 14% |
| Potential fiduciary liability | 42% |
| Simply not interested in offering in the DC plan | 5% |
| We are actively researching this feature and may implement in the future | 18% |
| Other | 10% |

n = 146

Exhibit 7.10. Do you have a formal written investment policy?



■ Yes

■ No

n = 321

Exhibit 7.11. When was the last time your investment policy was reviewed for compliance?

| | 2010 | 2011 |
|-----------------------|------|------|
| Within the last year | 71% | 66% |
| 1–3 years | 26% | 30% |
| More than three years | 3% | 4% |

n = 292

Exhibit 7.12. How frequently do you evaluate and benchmark the performance of the plan's investments?

| | 2010 | 2011 |
|--------------------|------|------|
| Quarterly | 63% | 64% |
| Semi-annually | 16% | 18% |
| Annually | 17% | 15% |
| No formal schedule | 3% | 2% |
| Other | 1% | 1% |

n = 321

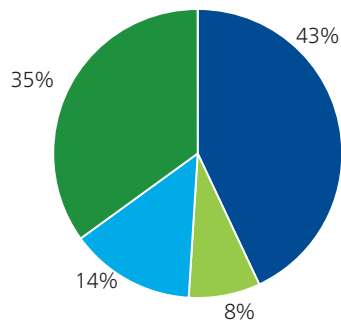
Investments (cont.)

Exhibit 7.13. When was the last time you replaced a fund due to poor performance?

| | 2010 | 2011 |
|------------------------|------|------|
| Within last year | 38% | 43% |
| 1 to less than 2 years | 25% | 23% |
| 2 to less than 5 years | 22% | 21% |
| 5+ years | 6% | 6% |
| Never | 9% | 7% |

n = 321

Exhibit 7.14. Does your plan have a policy restricting the frequency of fund transfers among your investment options?



- Yes, based on the fund's policy only
- Yes, based on the plan's policy only
- Yes, based on both the fund's and the plan's policies
- No

n = 320

Exhibit 7.15. Have you considered adding an in-plan retirement income product (accumulation annuity) to your current plan?

| | 2010 | 2011 |
|---|------|------|
| Yes, we are looking into it | 13% | 14% |
| Yes, we have added this to the plan | 1% | 0% |
| No, we are not considering at this time | 75% | 74% |
| Unaware of this feature | 11% | 12% |

n = 319

Exhibit 7.16. Have you considered adding an at-retirement income solution (annuity purchase option and/or annuity selection software) to your current plan?

| | 2010 | 2011 |
|---|------|------|
| Yes, we are looking into it | 12% | 17% |
| Yes, we have added this to the plan | 4% | 5% |
| No, we are not considering at this time | 74% | 72% |
| Unaware of this feature | 10% | 6% |

n = 319

Exhibit 7.17. What is the overall average weighted expense ratio for your plan?

| | 2011 |
|-----------------|------|
| Up to .5% | 24% |
| .51% to .85% | 42% |
| .86% to 1.25% | 11% |
| More than 1.25% | 1% |
| Unsure | 22% |

n = 321

Exhibit 7.18. If you offer financial counseling/ investment advice, approximately what percentage of your participants uses this service?

| | 2011 |
|--------|------|
| < 5% | 27% |
| 5–10% | 38% |
| 11–25% | 24% |
| > 25% | 11% |

n = 183

Investments (cont.)

Exhibit 7.19. Are formal written procedures in place for investment fund selection?

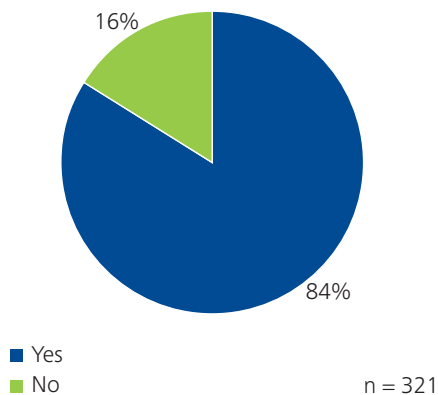


Exhibit 7.20. Who performs the investment monitoring for your plan? (Choose all that apply)

| | 2011 |
|----------------------------------|------|
| An outside investment consultant | 63% |
| Internal staff/team/committee | 47% |
| Your plan provider/record keeper | 25% |
| Other | 4% |

n = 321

Exhibit 7.21. How do you handle an under performing fund? (Check all that apply)

| | 2010 | 2011 |
|---|------|------|
| Add an additional fund with the same investment style | 22% | 11% |
| Replace fund | 74% | 63% |
| Phase out fund over period of time | 16% | 14% |
| Freeze fund (no incoming money) | 16% | 11% |
| Continue to monitor | 62% | 49% |
| Hasn't happened | 5% | 5% |
| Other | 4% | 7% |

n = 321

Exhibit 7.22. How is excessive trading defined for your plan?

| | 2011 |
|--|------|
| Based on the number of dollars traded per day | 1% |
| Based on the number of dollars traded per fund within a certain period of time | 4% |
| Based on the number of roundtrips traded within a certain period of time | 13% |
| Based on the number of times per year, within a set amount of days | 12% |
| Defined by fund | 34% |
| No definition/no policy | 34% |
| Other | 2% |

n = 319

Exhibit 7.23. What happens if a participant is found to be engaging in excessive trading?

| | 2010 | 2011 |
|--|------|------|
| An excessive trading policy does not exist and/or trading is not monitored | 11% | 3% |
| Participant is notified of plan's policy and advised to stop | 26% | 38% |
| Participant is restricted/suspended/frozen from further trading | 26% | 36% |
| Handled by fund | 18% | 20% |
| Fee is assessed | 7% | 10% |
| Each situation is handled independently | 6% | 4% |
| Don't know | 15% | 8% |
| Hasn't happened | 20% | 17% |
| Other | 5% | 2% |

n = 213

Investments (cont.)

Exhibit 7.24. Do you make a statement that the plan intends to comply with ERISA section 404(c) requirements?

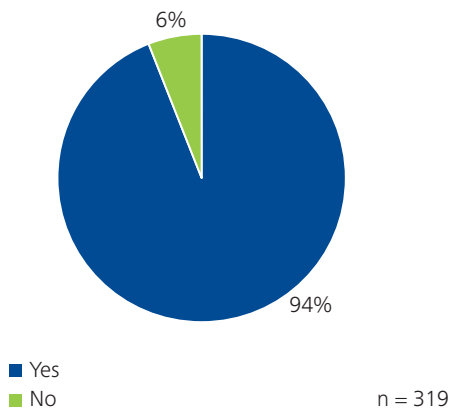


Exhibit 7.25. Are you considering any changes to your restrictions on company stock?

| | 2011 |
|--|--------|
| Eliminate or reduce restrictions on investment of company match | 1% |
| Eliminate or reduce restrictions on diversification of company stock | 1% |
| Eliminate future investments in company stock (investment elections on future contributions) | 5% |
| Cap investment in company stock | 6% |
| None/No restrictions remain | 67% |
| Other | 20% |
| | n = 85 |

Investments (cont.)

Exhibit 7.26. Investments added and removed

| | Yes, Added more than one year ago | Yes, Added in the past year | No (but considering offering) | No (not considering offering) | No (had offered but removed the option) |
|---|-----------------------------------|-----------------------------|-------------------------------|-------------------------------|---|
| Stable Value/Guaranteed Investment Contract (GIC) | 71% | 2% | 3% | 21% | 3% |
| Money Market | 51% | 2% | 4% | 38% | 5% |
| General/Core Bond | 79% | 2% | 2% | 16% | 1% |
| TIPS (Treasury Inflation Protected Securities) | 12% | 6% | 11% | 68% | 3% |
| High Yield Bond Fund/Treasury Bond Fund | 38% | 2% | 7% | 50% | 3% |
| Lifestyle Funds (risk-based) | 23% | 1% | 7% | 62% | 7% |
| Lifecycle Funds (time-based) | 74% | 2% | 4% | 18% | 2% |
| Actively Managed Domestic Equity (i.e., Large/Mid/Small Cap, Value, Growth, Blend) | 84% | 2% | 0% | 13% | 1% |
| Passively Managed Domestic Equity (i.e., Large/Mid/Small Cap, Value, Growth, Blend) | 66% | 2% | 4% | 27% | 1% |
| Actively Managed Global/International Equity (i.e., Large/Mid/Small Cap, Value, Growth, Blend) | 84% | 3% | 1% | 12% | 0% |
| Passively Managed Global/International Equity (i.e., Large/Mid/Small Cap, Value, Growth, Blend) | 34% | 3% | 8% | 52% | 3% |
| Emerging Markets | 36% | 5% | 9% | 48% | 2% |
| Socially Responsible | 6% | 1% | 9% | 81% | 3% |
| Real Estate | 24% | 3% | 7% | 64% | 2% |
| Sector Funds (e.g., Technology, Communications, Biotechnology, Health Care, Utilities) | 11% | 1% | 7% | 78% | 3% |
| Hedge Funds | 2% | 2% | 6% | 87% | 3% |
| Employer Stock | 28% | 1% | 5% | 61% | 5% |
| Mutual Fund Window (Mutual Funds only) | 10% | 1% | 7% | 78% | 4% |
| Self-Directed Brokerage | 25% | 2% | 8% | 61% | 4% |
| Exchange Traded Funds (ETFs) | 3% | 1% | 8% | 85% | 3% |
| In-Plan Retirement Income Product (Annuity) | 5% | 1% | 11% | 81% | 2% |
| Custom/Hybrid Fund | 10% | 1% | 6% | 80% | 3% |

n = 332

Fees

Exhibit 8.1. How are your 401(k) plan's recordkeeping and administration fees paid?

| | 2011 |
|--|---------|
| All of the record keeping and administrative fees are paid through investment revenue | 55% |
| Some or all of the record keeping and administrative fees are not covered by investment revenue, so there is a direct fee that is charged by the record keeper | 31% |
| • The company pays this fee directly | 59% |
| • This fee is allocated to participants | |
| – Pro-rata based on account balances | 10% |
| – An equal dollar amount to all participants | 17% |
| – Other | 7% |
| • Both the company and the participants pay this fee | 7% |
| Some or all of the recordkeeping and administrative fees are not covered by investment revenue, so there are additional fees in the form of a wrap fee or added basis points | 6% |
| • This fee is allocated to participants through a reduction in investment return | 70% |
| • The company pays this fee directly | 20% |
| • Both the company and the participants pay this fee | 5% |
| • Other | 5% |
| Other | 8% |
| | n = 317 |

Exhibit 8.2. Please indicate whether you agree with the following statements.

| | Strongly agree | Agree | Neither agree nor disagree | Disagree | Strongly disagree |
|---|----------------|-------|----------------------------|----------|-------------------|
| We have no difficulty obtaining a clear understanding of the total plan/ participant administrative fees being charged | 24% | 50% | 15% | 9% | 2% |
| We have no difficulty obtaining a clear explanation of the normal fund operating expenses of the funds in our plan | 25% | 51% | 16% | 7% | 1% |
| We believe our fees are competitive | 31% | 52% | 14% | 2% | 1% |
| We have no difficulty obtaining a clear description of all the revenue sharing arrangements that our record keeper has with the mutual funds included in our plan | 21% | 47% | 23% | 7% | 2% |
| We have no difficulty obtaining what it costs our provider to administer our plan | 16% | 39% | 27% | 14% | 4% |
| We have performed a detailed fee analysis and have a thorough understanding of all plan expenses | 23% | 43% | 24% | 8% | 2% |
| | | | | | n = 316 |

Fees (cont.)

Exhibit 8.3. Does your provider fully disclose its revenue-sharing agreements and investment offsets?

| | 2010 | 2011 |
|--|------|------|
| Yes, for both proprietary and non-proprietary funds | 60% | 66% |
| Yes, but for non-proprietary funds only | 15% | 12% |
| No, it does not disclose any revenue-sharing or investment offset arrangements | 17% | 15% |
| Other | 8% | 7% |

n = 314

Exhibit 8.4. Do you have an ERISA account/fee credit as a result of revenue share collected in excess of plan administrative fees?

| | 2010 | 2011 |
|--|------|------|
| Yes, there is a fee credit and we use it | 20% | 20% |
| No, there is no fee credit | 80% | 55% |
| Unsure | N/A | 25% |

n = 314

Exhibit 8.5. Which plan-level services/fees are paid for separately?

| | 2010 | 2011 |
|---------------------------------------|------|------|
| Compliance/non-discrimination testing | 58% | 33% |
| 5500 Reporting | 61% | 29% |
| Communications | 22% | 19% |
| Other | 22% | 16% |
| None | N/A | 44% |

n = 316

Exhibit 8.6. If your plan offers financial advice or managed accounts to your participants, who pays for this service? (Choose all that apply)

| | Financial Advice | Managed Accounts |
|---|------------------|------------------|
| Participants, via a per participant fee | 16% | 80% |
| Participants, via an asset-based fee | 18% | 6% |
| Plan sponsor | 19% | 14% |
| There is no charge for this service | 53% | 0% |

n = 178 n = 100

Exhibit 8.7. Does your provider fully disclose its total costs for administering your plan?

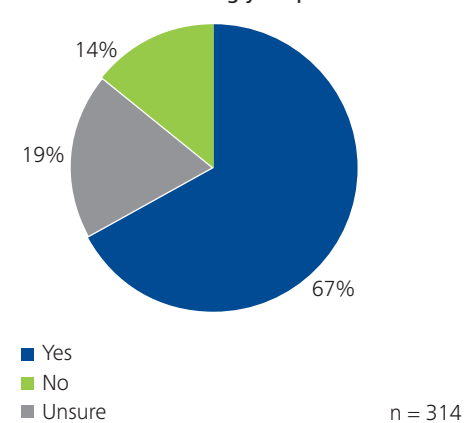


Exhibit 8.8. How do you disclose fees to participants? (Choose all that apply)

| | 2011 |
|--|------|
| Specifically shown on participant statements | 42% |
| Provided within fund prospectus | 70% |
| Send separate communications explaining fees | 16% |
| Do not disclose fees to participants | 8% |
| Other | 11% |

n = 316

Administration capabilities and innovation

Exhibit 9.1. Do you utilize the plan sponsor website frequently?

| | 2011 |
|--|------|
| Yes, we use it daily | 66% |
| Yes, we use it weekly | 26% |
| Yes, we use it monthly | 6% |
| Yes, we use it quarterly, or less frequently | 1% |
| No, we either do not use the plan sponsor website, or we access the plan sponsor website very infrequently | 1% |

n = 314

Exhibit 9.2. What data and/or functionality does your provider give you access to via a plan sponsor website: (check all that apply)

| | 2010 | 2011 |
|--|------|------|
| Plan data | 96% | 97% |
| Participant data | 99% | 97% |
| Plan-level statement information | 89% | 90% |
| Participant statement information | 93% | 94% |
| View individual participant-level transactions | 87% | 88% |
| Post payroll contribution/loan repayment files | 75% | 78% |
| Post compliance information | 62% | 66% |
| Process indicative data updates | 52% | 55% |
| Investment performance | 90% | 89% |
| Plan benchmarks | 44% | 44% |
| Ad-hoc queries and reports | 82% | 83% |
| Payroll ACH funding | N/A | 45% |
| Other | N/A | 2% |

n = 314

Exhibit 9.3. Does this data suffice for your analytical and/or plan management needs?

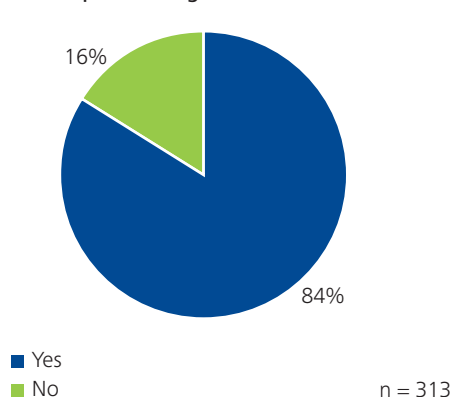


Exhibit 9.4. Over which of the following channels can participants process transactions? (Check all that apply)

| | 2010 | 2011 |
|-----------------------------|------|------|
| Internet | 100% | 99% |
| Call center representatives | 96% | 97% |
| Voice response system | 73% | 68% |
| PDA/Wireless/Smartphone | 7% | 17% |

n = 316

Exhibit 9.5. Do participants receive retirement income projections illustrating anticipated annual income in retirement?

| | 2010 | 2011 |
|---|------|------|
| Yes, provided online | 42% | 47% |
| Yes, via participant statements | 16% | 14% |
| Yes, via separate communication | 12% | 11% |
| No, we are considering adding this feature in the next 12 months | 5% | 5% |
| No, we are considering adding this feature in the next 12–24 months | 4% | 5% |
| No, we are not considering adding this feature | 10% | 9% |
| No, this feature is not offered by our vendor | 11% | 9% |

n = 316

Administration capabilities and innovation (cont.)

Exhibit 9.6. How many outstanding loans can a participant have at any time (considering both Primary Residence and General Purpose Loans)?

| | 2010 | 2011 |
|-----------|------|------|
| 0 | 7% | 6% |
| 1 | 49% | 47% |
| 2 | 37% | 36% |
| 3 or more | 8% | 11% |

n = 316

Exhibit 9.7. Does your plan offer participants the option to elect automatic fund rebalancing?

| | 2010 | 2011 |
|-------------------------------------|------|------|
| Yes | 68% | 72% |
| No, but considering it | 8% | 8% |
| No, unavailable | 15% | 10% |
| No, uninterested | 6% | 6% |
| No, we were unaware of this feature | 3% | 4% |

n = 316

Exhibit 9.8. Do you believe participants are interested in interacting with retirement providers via social media channels?

| | 2011 |
|--|------|
| Yes, they are doing this now | 9% |
| Not yet, but they will be in the near future | 33% |
| No | 18% |
| Unsure | 40% |

n = 315

Exhibit 9.11. Please indicate the frequency with which participants use the following methods to access quarterly statements.

| | Very Frequently | Frequently | Occasionally | Very Rarely | Not Available |
|--|-----------------|------------|--------------|-------------|---------------|
| Hard copy statement mailed quarterly | 25% | 32% | 24% | 12% | 7% |
| Quarterly statement available online | 22% | 41% | 27% | 4% | 6% |
| Statement e-mailed quarterly | 9% | 26% | 23% | 8% | 34% |
| Statements on Demand' (as of any date) available anytime | 11% | 28% | 38% | 9% | 14% |
| Quarterly notice directing participants online | 12% | 24% | 21% | 10% | 33% |

n = 317

Exhibit 9.9. What is the level of Internet usage by your participants?

| | 2010 | 2011 |
|-------------------------------------|------|------|
| Low (0–25%) | 11% | 6% |
| Medium (25–75%) | 38% | 39% |
| High (over 75%) | 31% | 39% |
| Unsure, we do not monitor web usage | 20% | 16% |

n = 316

Exhibit 9.10. Are the following transactions 100% paperless?

| | 2010 | 2011 |
|---------------------------------------|------|------|
| Loan initiation | 69% | 67% |
| Enrollment | 80% | 83% |
| Fund transfers/account rebalancing | 94% | 94% |
| In-service withdrawals (non-hardship) | 46% | 49% |
| Full/partial distributions | 43% | 47% |
| Direct rollovers out of the plan | 34% | 40% |
| Deferral percentage changes | 80% | 84% |
| Future investment election changes | 83% | 86% |
| Beneficiary changes | 55% | 63% |
| PIN Changes | 80% | 79% |

n = 316

Administration capabilities and innovation (cont.)

Exhibit 9.12. Have participants interacted with your record keeper through any of the following methods? (Choose all that apply)

| | 2011 |
|--|---------|
| Hand-held devices are used in group and individual meetings to allow immediate participant action (enrollment, investment changes, allocation changes, etc.) | 4% |
| Participants use Social Media to interact with our record keeper (Facebook, LinkedIn, etc.) | 4% |
| Participants use instant chat via the record keeper's secure participant website | 5% |
| Participants use smartphone applications to interact with our record keeper (via iPhone, Android, Blackberry, etc.) | 11% |
| No | 39% |
| Unsure | 45% |
| | n = 313 |

Exhibit 9.13. Are you interested in interacting with retirement providers via social media channels?

| | 2011 |
|-------------------------------------|---------|
| Yes, I am doing this today | 3% |
| Not yet, but possibly in the future | 41% |
| No, I'm not interested | 50% |
| Unsure | 6% |
| | n = 315 |

Provider relationships

Exhibit 10.1. In general, how satisfied are you with the services provided by your record keeper?

| | 2011 |
|------------------------------------|---------|
| Very satisfied | 43% |
| Satisfied | 48% |
| Neither satisfied nor dissatisfied | 6% |
| Dissatisfied | 2% |
| Very dissatisfied | 1% |
| | n = 314 |

Exhibit 10.2. What is your plan record keeper structure?

| | 2010 | 2011 |
|---|------|---------|
| Bundled (all services and funds coordinated through one vendor; investments may include multiple fund families) | 75% | 76% |
| Unbundled (services and funds provided by unrelated vendors; plan sponsor plays a role in the coordination of trust, investment, and recordkeeping services) | 15% | 15% |
| Alliance (services and funds provided by different vendors under an alliance agreement, with the coordination of trust, investment, and recordkeeping services handled by the primary vendor, not the plan sponsor) | 10% | 9% |
| | | n = 313 |

Exhibit 10.3. How long have you been with your record keeper?

| | 2010 | 2011 |
|--------------------------|------|---------|
| Fewer than 2 years | 10% | 8% |
| 2 to fewer than 5 years | 20% | 18% |
| 5 to fewer than 10 years | 36% | 32% |
| 10+ years | 34% | 42% |
| | | n = 313 |

Exhibit 10.4. What is the length of your current service agreement?

| | 2010 | 2011 |
|-----------|------|---------|
| < 3 years | 35% | 36% |
| 3 years | 24% | 23% |
| 4 years | 1% | 2% |
| 5 years | 11% | 13% |
| > 5 years | 29% | 26% |
| | | n = 313 |

Exhibit 10.5. When was the last time you evaluated other record keepers for your 401(k) plan administration?

| | 2010 | 2011 |
|--------------------------|------|---------|
| Fewer than 2 years | 34% | 35% |
| 2 to fewer than 5 years | 33% | 32% |
| 5 to fewer than 10 years | 22% | 24% |
| 10+ years | 11% | 9% |
| | | n = 313 |

Exhibit 10.6. If you have made a change in record keepers in the last five years, please list the primary or most compelling reason for the change.

| | 2011 |
|---|--------|
| A change in your organizational structure | 6% |
| Local presence | 1% |
| Overall cost to participants | 5% |
| Overall cost to plan | 16% |
| Overall relationship | 11% |
| Quality of Investment choices | 5% |
| Quality of recordkeeping services | 17% |
| Quality of service representatives | 1% |
| Vendor consolidation | 14% |
| Other | 24% |
| | n = 83 |

Provider relationships (cont.)

Exhibit 10.7. If you have not changed record keepers in more than 5 years, please list the primary or most compelling reason you stay with the current vendor.

| | 2011 |
|------------------------------------|------|
| Local presence | 1% |
| No compelling reason to change | 26% |
| Overall cost to participants | 6% |
| Overall cost to plan | 3% |
| Overall relationship | 29% |
| Quality of Investment choices | 3% |
| Quality of recordkeeping services | 21% |
| Quality of service representatives | 4% |
| Other | 7% |

n = 233

Exhibit 10.9. Which service levels are being measured? (Check all that apply)

| | 2010 | 2011 |
|--|------|------|
| Statement and report turnaround time | 77% | 48% |
| Accuracy | 81% | 58% |
| Loan, distribution, and withdrawal check processing time | 69% | 44% |
| Participation rate | 39% | 37% |
| Fund diversification at the participant level | 28% | 29% |
| Call center statistics | 79% | 56% |
| Other | N/A | 21% |

n = 313

Exhibit 10.8. Does your record keeper agree to maintain specific levels of service or performance with the risk of sacrificing fees or providing additional services should these levels not be met?

| | 2010 | 2011 |
|------------|------|------|
| Yes | 41% | 41% |
| No | 33% | 38% |
| Don't know | 26% | 21% |

n = 313

Exhibit 10.10. Select the top 5 changes/improvements that your record keeper could make in the order of importance, with 1 being the most important and 5 being the least important

| | 1 | 2 | 3 | 4 | 5 | Rank |
|--|-----|-----|-----|-----|-----|-----------|
| Improve participant readiness for retirement | 15% | 10% | 18% | 18% | 18% | 1 |
| Improve participant experience (enhanced website, expanded call center hours, targeted communications) | 10% | 17% | 17% | 20% | 14% | 2 |
| Add/enhance plan sponsor website and tools | 13% | 14% | 20% | 17% | 12% | 3 |
| Offer investment options with lower fees and/or better performance | 6% | 11% | 9% | 10% | 14% | 4 |
| Reduce direct fees to plan sponsor | 12% | 9% | 8% | 8% | 15% | 5 |
| Fee transparency | 12% | 12% | 7% | 9% | 7% | 6 |
| Improve relationship management and responsiveness to plan sponsor inquiries/issues | 12% | 8% | 6% | 7% | 9% | 7 |
| Improve turnaround times for reports and statements | 8% | 11% | 5% | 6% | 2% | 8 |
| Improve accuracy of information | 4% | 5% | 4% | 3% | 3% | 9 |
| Products and services for other benefit programs (defined benefit, health and welfare, non-qualified) | 7% | 4% | 4% | 2% | 2% | 10 |
| Other | 3% | 1% | 1% | 2% | 4% | 11 |

n = 313

Plan effectiveness

Exhibit 11.1. Do you feel that your 401(k) plan assists in retaining your existing employees?

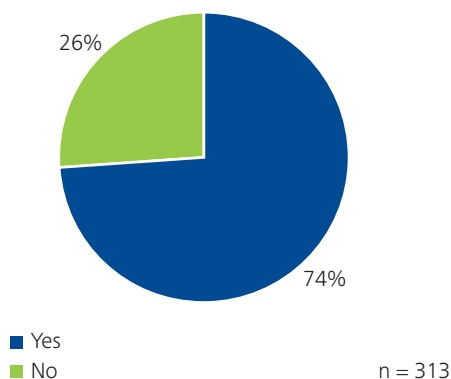


Exhibit 11.2. Do you feel that your 401(k) plan is an effective recruiting tool?

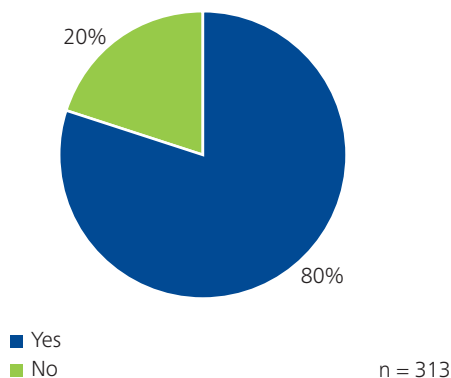


Exhibit 11.3. How is your 401(k) plan strategy aligned to your corporate business strategy?

| | 2010 | 2011 |
|--|------|------|
| It is carefully considered and closely aligned | 35% | 35% |
| It is generally considered and generally aligned | 45% | 45% |
| There is not a process in place to consider or align | 20% | 20% |

n = 313

Exhibit 11.4. What is the primary barrier to making your plan more effective? (Please check your top three barriers)

| | #1 | #2 | #3 |
|--|-----|-----|-----|
| Ineffective employee communications | 23% | 0% | 0% |
| Administrative costs | 6% | 2% | 0% |
| Lack of employee understanding | 32% | 20% | 1% |
| Employee demographics (age, salary, education level, language barrier, etc.) | 11% | 25% | 5% |
| Low company matching formula/waiting period for matching contribution | 6% | 9% | 6% |
| Investment performance | 1% | 12% | 1% |
| Employee turnover | 0% | 9% | 12% |
| Current market/economic trends | 10% | 19% | 62% |
| Lack of provider support/internal resources | 0% | 2% | 8% |
| None | 11% | 2% | 5% |

n = 301

Plan effectiveness (cont.)

Exhibit 11.5. What do you consider to be the most effective way to communicate with employees?

| | 2010 | 2011 |
|--|------|------|
| Financial counseling/advice | 8% | 9% |
| Group meetings to communicate/educate | 27% | 24% |
| Individual meetings to communicate/educate | 18% | 20% |
| Personalized communications | 13% | 12% |
| Targeted communications | 25% | 26% |
| Web to communicate/educate | 9% | 6% |
| Other | 2% | 3% |

n = 313

Exhibit 11.6. Given the choice, which employee meeting approach would you prefer for your employees.

| | 2010 | 2011 |
|---|------|------|
| Group meetings | 41% | 36% |
| Meeting via an electronic solution (e.g., webcasts, video conference, etc.) | 18% | 17% |
| One-on-one meetings with an education consultant/financial representative | 41% | 47% |

n = 313

Exhibit 11.7. In your opinion, are your employees saving adequately for retirement?

| | 2010 | 2011 |
|---|------|------|
| Most employees are or will be financially prepared for retirement | 15% | 15% |
| Some employees are or will be financially prepared for retirement | 67% | 67% |
| Very few employees are or will be financially prepared for retirement | 18% | 17% |
| Other | N/A | 1% |

n = 313

Exhibit 11.8. Rank the following primary indicators of an effective 401(k) plan, with 1 being the most important and 5 being the least important.

| | 1 | 2 | 3 | 4 | 5 | Average |
|-------------------------------|-----|-----|-----|-----|-----|---------|
| High level of participation | 53% | 16% | 9% | 8% | 14% | 2.14 |
| Easy accessibility/technology | 4% | 12% | 18% | 31% | 35% | 3.79 |
| Employee appreciation | 21% | 22% | 16% | 22% | 19% | 2.96 |
| Cost-effectiveness | 7% | 17% | 32% | 25% | 19% | 3.34 |
| Investment performance | 15% | 33% | 25% | 14% | 13% | 2.77 |

n = 313

Plan effectiveness (cont.)

Exhibit 11.9. If you have ever solicited or received feedback from your employees regarding aspects of the plan that they found to be confusing, please indicate those items here. (Check all that apply)

| | 2010 | 2011 |
|--|------|------|
| Where to invest/which funds to use | 75% | 56% |
| Company contributions | 27% | 26% |
| Employee contributions | 8% | 10% |
| Enrollment | 20% | 17% |
| Fund transfers/reallocations | 31% | 18% |
| Conversion/blackout periods | 12% | 9% |
| Impacts of contribution limitations/discrimination testing | 25% | 21% |
| Withdrawals | 32% | 25% |
| Loans | 31% | 25% |
| Rollovers | 26% | 21% |
| Fees | 18% | 14% |
| Financial planning tools | 29% | 24% |
| Website | 19% | 16% |
| Voice Response System | 6% | 6% |
| Participant statements/confirmation statements | 10% | 7% |
| How much to save for retirement | 44% | 38% |
| Other | N/A | 12% |

n = 313

Exhibit 11.10. Have you conducted a retirement readiness assessment in the past 12 months to determine expected income replacement ratios for employees in retirement?

| | 2010 | 2011 |
|---------------------|------|------|
| Yes | 18% | 20% |
| No, but considering | 35% | 40% |
| No, not interested | 23% | 20% |
| No, unaware of this | 24% | 20% |

n = 313

Plan effectiveness (cont.)

Exhibit 11.11. How are you, as the plan sponsor, encouraging savings and raising awareness of assets needed in retirement?

| | 2010 | 2011 |
|---|------|------|
| General and multiple communications/education | 72% | 78% |
| Group meetings to communicate/educate | 65% | 61% |
| Individual meetings to communicate/educate | 23% | 27% |
| Targeted communications | 60% | 67% |
| Personalized communications | 25% | 31% |
| Printed material to communicate/educate | 53% | 53% |
| Financial counseling/advice | 36% | 37% |
| Web to communicate/educate | 61% | 51% |
| Auto enrollment/increase | 43% | 51% |
| None of the above | 4% | 2% |
| Other | 2% | 3% |

n = 313

Survey acknowledgements and sponsors

Sponsored jointly by Deloitte, the International Foundation of Employee Benefit Plans, and the International Society of Certified Employee Benefit Specialists, the Annual 401(k) Benchmarking Survey measures the essential aspects of 401(k) plans for major U.S. companies. Our sincere appreciation goes to more than 430 companies and their executives who contributed their time and information to this survey.

The statements in this report reflect our analysis of survey respondents and are not intended to reflect facts or opinions of any other entities. All survey data and statistics referenced and presented, as well as the representations made and opinions expressed, unless specifically described otherwise, pertain only to the participating organizations and their responses to the Deloitte survey.

For questions and additional information about Deloitte and the Annual 401(k) Survey, please contact:

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