

BlackRock 2011 Defined Contribution Survey Results

Shifting Focus: From Retirement Savings to Retirement Income

2011 DEFINED Contribution SURVEY RESULTS

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DC plans continue to exhibit strong success in the marketplace

- DC has surpassed DB as the major pool of retirement funds with \$4 trillion in assets today
- DC market expected to grow to \$5.5 trillion by 2015¹
- DC plans have become the primary source of savings for most participants²
 - In 1983, 12% of participants relied solely on DC plans - that number rose to 63% by 2007²

Action predominantly in plan redesign to make them optimal for accumulation

- Deployment of “auto” features
- Primary focus on target date and target risk funds

The Pension Protection Act (PPA) resulted in profound effects toward improving savings and investing

- 59% of plans auto-enroll (doubled since 2006)
 - 72% auto-enroll into target date funds³
- 59% of plans auto-escalate
- Participation rates have increased to 80%⁴

45% of participants feel their DC plan will be the MOST IMPORTANT source of income in retirement

1. McKinsey Analysis 2010

2. 2010 Social Security Trustees Report. Poterba, Venti, and Wise. NBER, 2006. “The Decline of Defined Benefit Retirement Plan and Asset Flows.”

3. Hewitt, Survey Results: Hot Topics in Retirement 2010

4. Deloitte/CEBS, 401(k) Benchmarking Survey, 2010 Edition

DC is entering a new frontier

35 million Americans, the “Early Boomers” are expected to retire in the next 10 years

Most retirees will need an 80 percent income replacement ratio

Social Security is likely to provide 35-40% income replacement¹

How will retirees fill this gap?

1. Social Security Administration <http://www.ssa.gov/policy/docs/ssb/v65n3/v65n3p1.html>

BlackRock 2011 DC Survey methodology

BlackRock's third annual defined contribution survey was conducted in partnership with Boston Research Group (BRG)

- Goal: compare plan sponsor and participant views on retirement preparation and DC plan structure

Survey sample included:

- 1,000 participants
- 119 plan sponsors

Background

- BRG is a leader in retirement industry market research and a co-founder of the Rand Behavioral Finance Forum
- 10 minute internet panel of verified 401(k), 403(b), profit sharing and stock purchase plan participants who are actively contributing to their plan, conducted in February
- 10 minute internet panel of verified corporate executives who all have responsibility for their employer's DC plan; conducted in March
 - Representing plans totaling over \$525 bn in plan assets and more than 4.1mn plan participants
- A sample of 1,000 observations has a maximum sampling error of +/-2 percentage points at a 95 percent confidence level

BlackRock 2011 DC Survey Key Findings

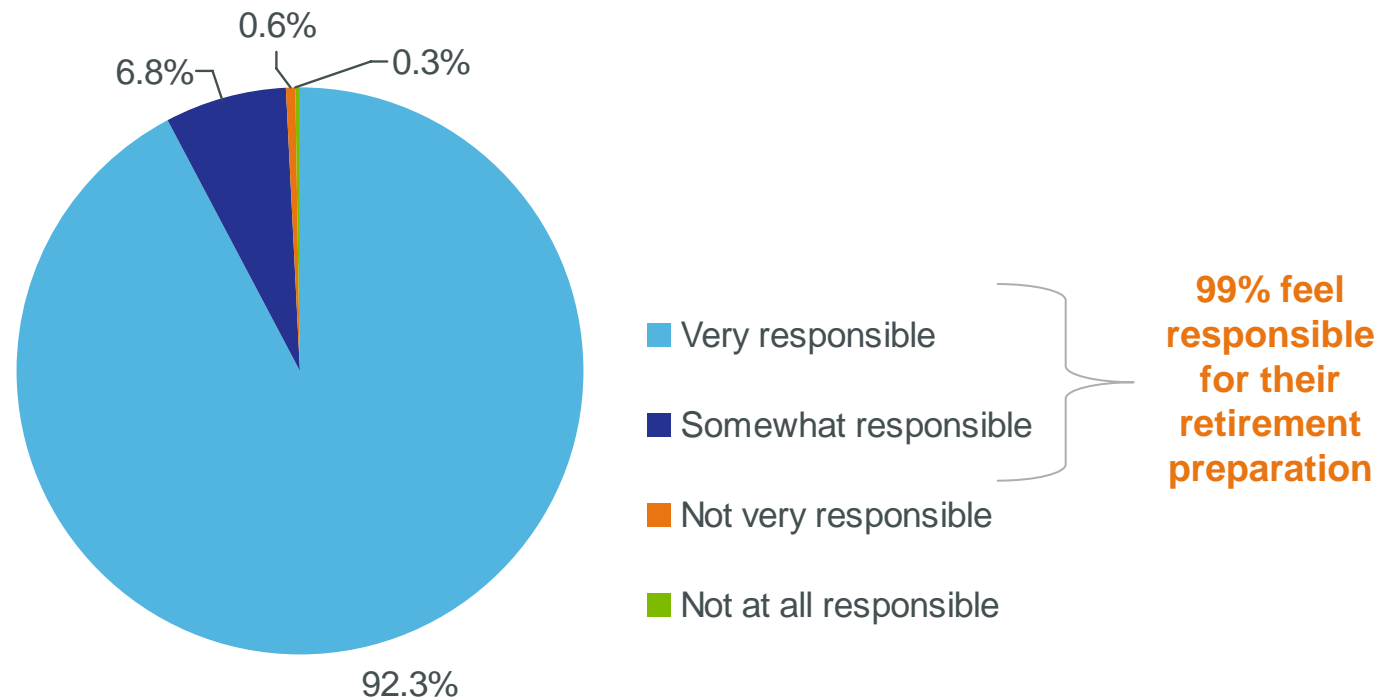
Key Findings

- 1** Participants see saving as their responsibility, but worry that they are failing
- 2** Participants give employers high marks for pre-retirement support, but welcome more guidance
- 3** Participants and plan sponsors differ on post-retirement responsibilities, highlighting a critical gap
- 4** Participants find secure retirement income attractive and plan sponsors are beginning to respond

Key finding 1: Participants see saving as their responsibility, but worry that they are failing

Participants overwhelmingly accept responsibility for their retirement preparation

How responsible should YOU, personally, be for helping yourself prepare financially for retirement?



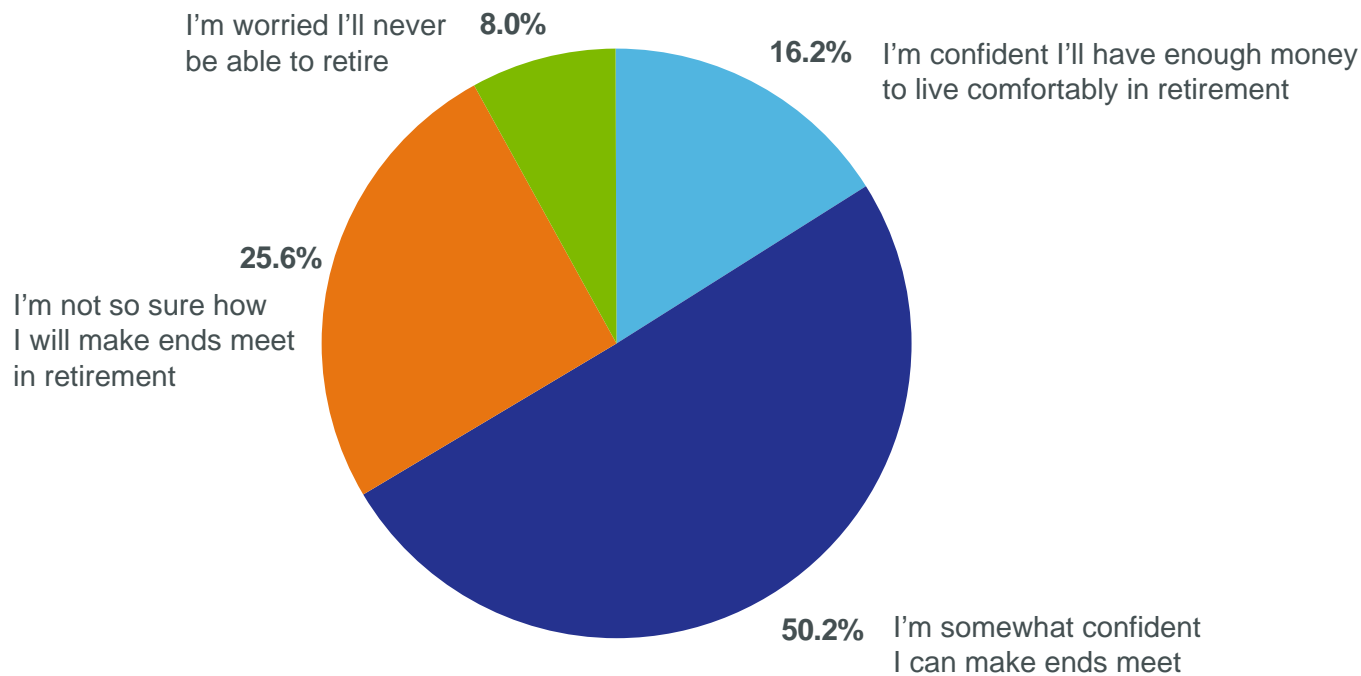
Key finding 1:

Participants see saving as their responsibility, but worry that they are failing

But few feel confident their preparation will get them the retirement they want

- Only 16% of participants feel they will have enough money to retire on time

How confident are you that you'll have enough money to retire at the age you plan to retire at?



Key finding 1:

Participants see saving as their responsibility, but worry that they are failing

Employers agree that plan participants are not currently well prepared for retirement and are as pessimistic about employees' prospects as employees themselves:

- Nearly **8 of 10 employers** believe that *half or fewer* of participants in their DC plan will have saved enough money to live comfortably in retirement

Turning insight into action

Key Findings

Take Action

1

Participants see saving as their responsibility, but worry that they are failing

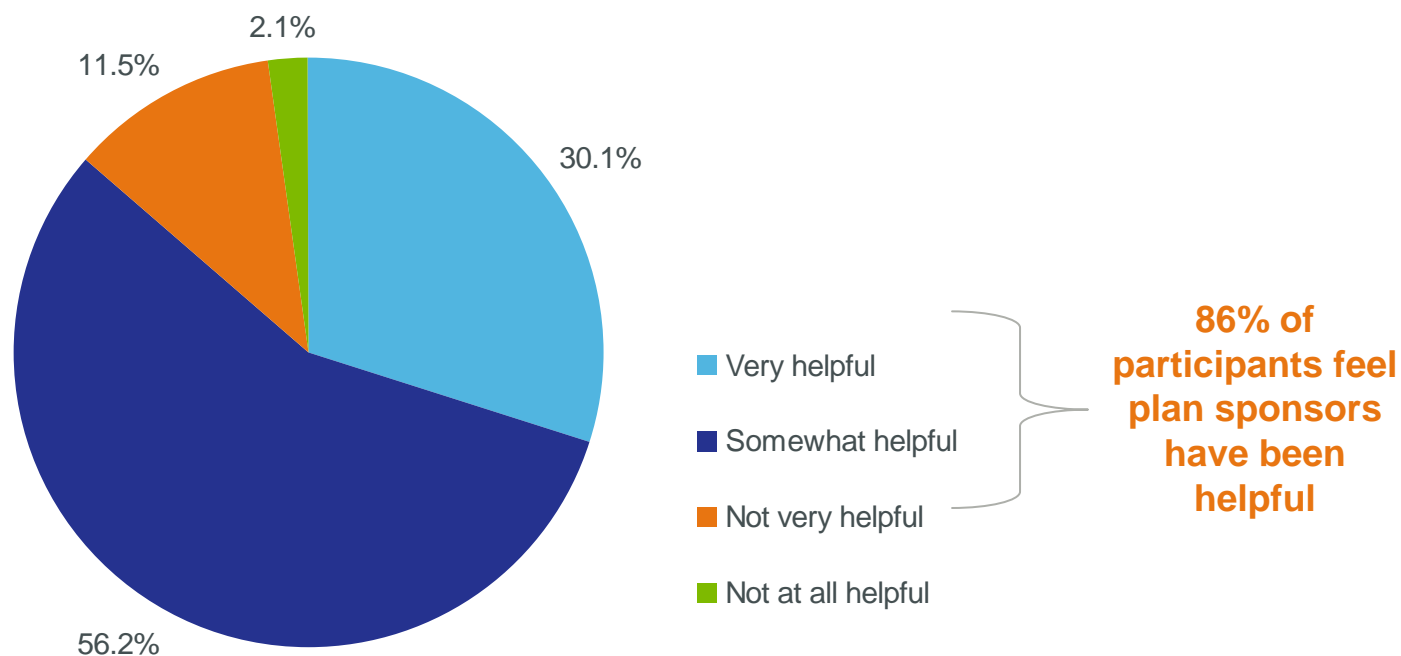
Auto-enroll and auto escalate

Key finding 2:

Participants give employers high marks for pre-retirement support, but welcome even more guidance

Employees agree that employers have been generally helpful when it comes to financial preparation for retirement

How helpful has your employer been to you, so far in your financial preparation for retirement?



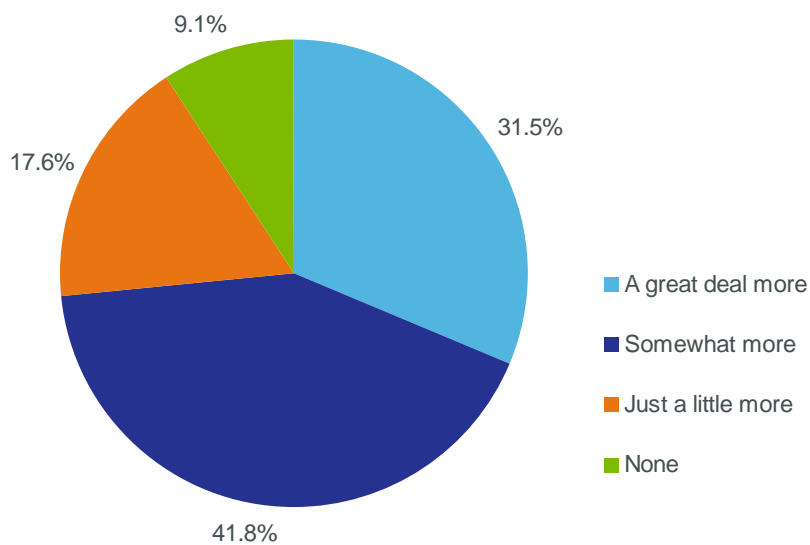
Key finding 2:

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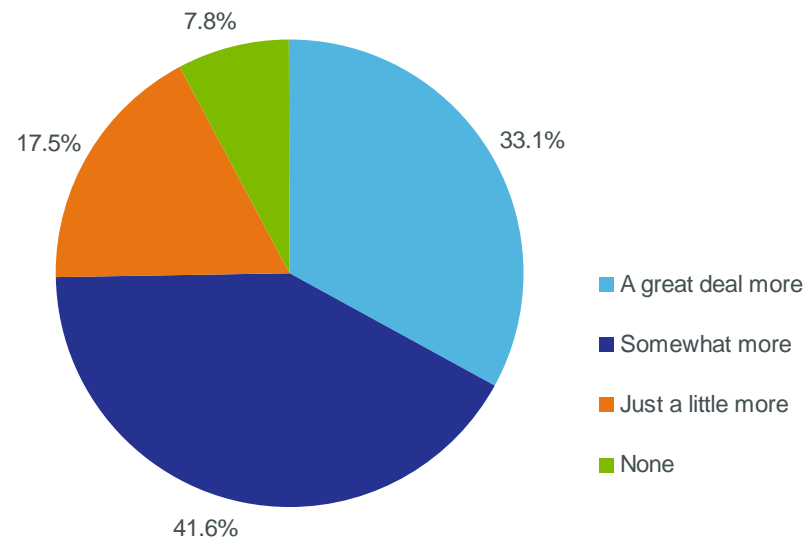
Participants still want additional education and guidance on the saving phase

How much more information or education and guidance would you like to receive on understanding what 401k investments are best:

At my age?



Considering when I plan to retire?

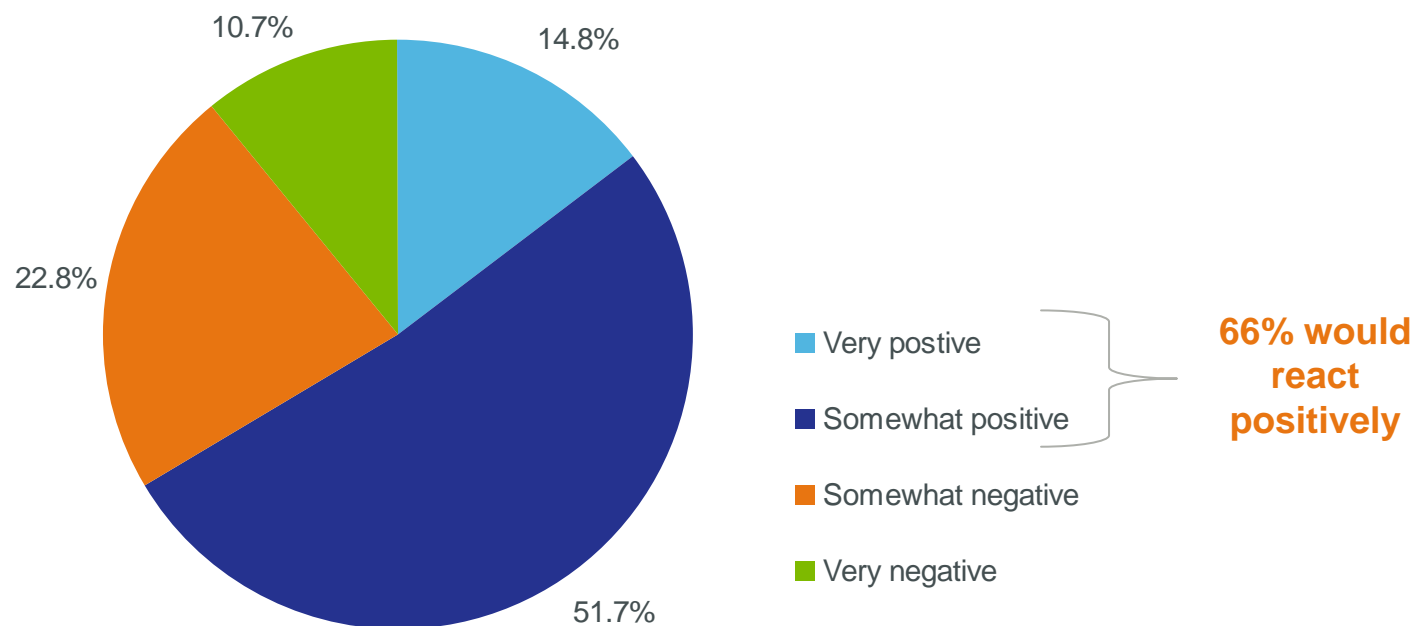


Key finding 2:

Participants give employers high marks for pre-retirement support, but welcome even more guidance

Not only do participants favor target date funds, they also show a favorable response to the idea of being automatically invested

If your employer automatically moved your retirement assets into a target date fund, would your reaction be?



Turning insight into action

Key Findings	Take Action
1 Participants see saving as their responsibility, but worry that they are failing	Auto-enroll and auto escalate
2 Participants give employers high marks for pre-retirement support, but welcome more guidance	Use target date funds

Key Finding 3:

Participants and plan sponsors differ on post-retirement responsibilities, highlighting a critical gap

Employers and employees have widely differing opinions regarding how self-reliant the employee should be when preparing for retirement

Employees: How helpful is current employer? Employers: How much responsibility do you feel?	Employees say employer not helpful	Employers feel a great deal of responsibility
Warning me if I am not saving enough for retirement	60%	19%
Help me make sure my money lasts all through my retirement	57%	17%
Educating me on the realities of life in retirement	55%	24%
Helping me safeguard my assets in retirement	52%	14%
Helping me make smart investment decisions	49%	35%
Helping me secure an income stream in retirement	48%	13%
Helping me to save more	46%	25%
Educating me on how much money I'll need to accumulate for retirement	43%	51%
Helping me learn about investing and building my nest egg	40%	51%
Helping me understand my retirement plan investment options	33%	83%
Giving me an incentive to save and invest for retirement	21%	56%
Contributing money to my retirement nest egg	18%	43%

Key Finding 3:

Participants and plan sponsors differ on post-retirement responsibilities, highlighting a critical gap

Many participants would like to receive more information on “the spending phase”

Employees wanted “*a great deal more*” information on the following:

- **40%** on how to **generate secure income** in retirement
- **36%** on how to **make sure their money lasts** through retirement
- **36%** on how to **invest to keep their money safe** in retirement

Turning insight into action

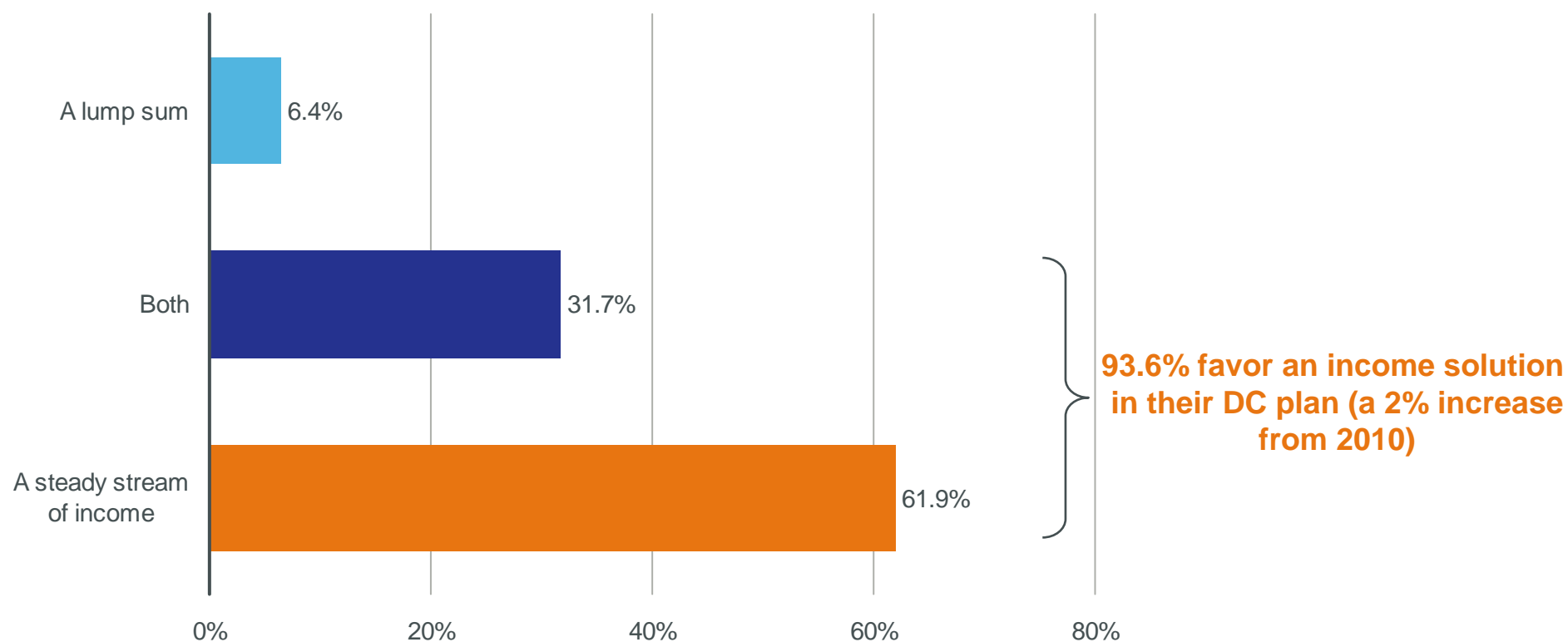
Key Findings	Take Action
1 Participants see saving as their responsibility, but worry that they are failing	Auto-enroll and auto escalate
2 Participants give employers high marks for pre-retirement support, but welcome more guidance	Use target date funds
3 Participants and plan sponsors differ on post-retirement responsibilities, highlighting a critical gap	Evolve your participant communication strategy

Key finding 4:

Participants find secure retirement income attractive – and plan sponsors are beginning to respond

As life expectancy continues to rise, participants express interest in the possibility of receiving either a stream of retirement income or a combination of income plus a lump sum

Which of the following would you prefer to receive at retirement?

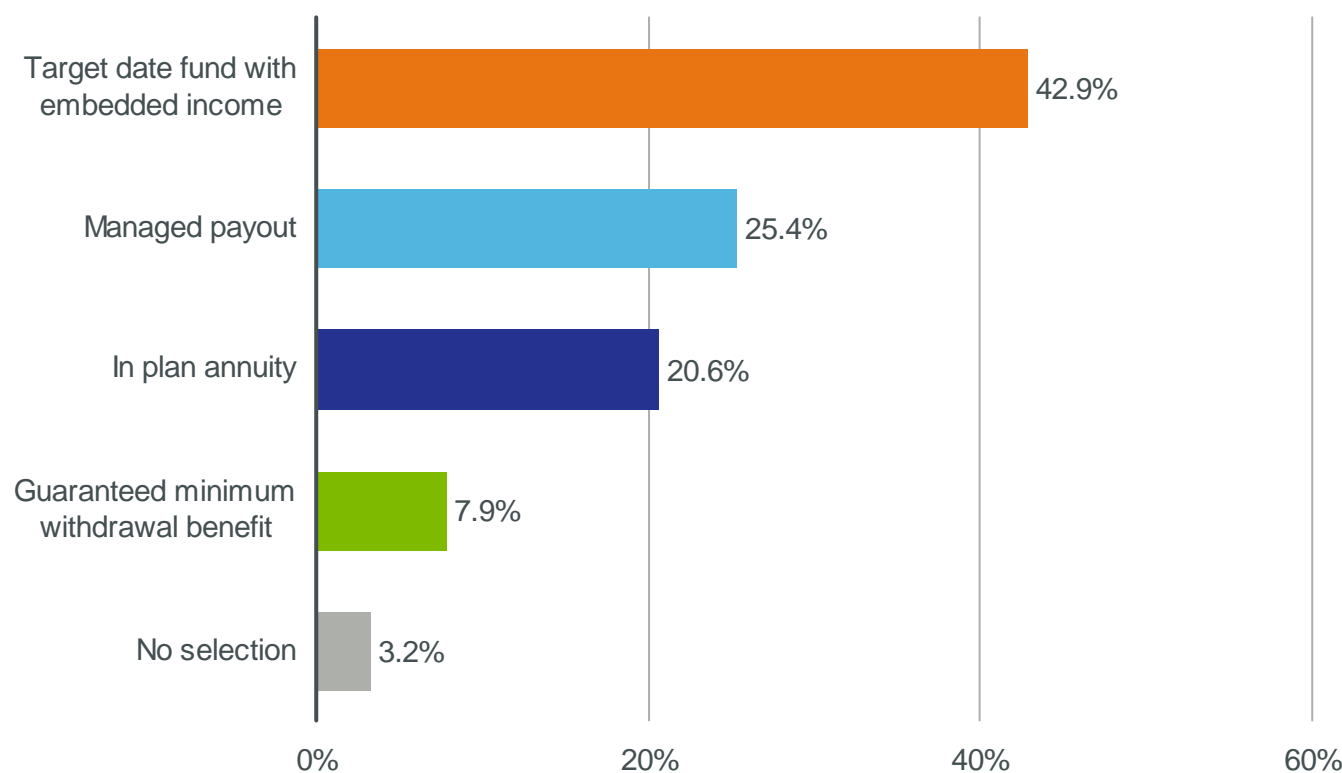


Key finding 4:

Participants find secure retirement income attractive – and plan sponsors are beginning to respond

Over 50% of plan sponsors are considering adding an income option to their DC plan in the future

What kind of income option are you considering for your plan?



Target date funds with embedded income is the leading choice

Retirement Security and Annuitization

Obama Administration believes lifetime income options facilitate retirement security

- Initiative to reduce barriers to annuitization of 401(k) plan assets
- DOL / IRS issued a joint release with requests for information on Feb 2, 2010
- RFI addresses education, disclosure, tax rules, selection of annuity providers, 404(c) and QDIAs

The Retirement Security Project

- Released 2 white papers on DC plan annuitization
- Proposed use of annuities as default investment

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Other Recent Developments in DC Plan Annuitization

Two types of legislative proposals

- Encourage annuitization with tax breaks: *Lifetime Pension Annuity for You Act*, *Retirement Security for Life Act*
- Annual disclosure of what 401(k) plan balance would be worth as annuity: *Lifetime Income Disclosure Act*

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Joint Hearing by DOL, IRS and Treasury in September 2010

Purpose is to investigate 5 focused topics

2 areas of general policy-related interest

- Specific concerns raised by participants
- Alternative designs of in-plan and distribution lifetime income options

3 areas of specific interest

- Fostering “education” to help participants make informed retirement income decisions
- Disclosure of account balances as monthly income streams
- Modifying fiduciary safe harbor for selection of issuer or product

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Turning insight into action: The opportunity is now

Key Findings	Take Action
1 Participants see saving as their responsibility, but worry that they are failing	Auto-enroll and auto escalate
2 Participants give employers high marks for pre-retirement support, but welcome more guidance	Use target date funds
3 Participants and plan sponsors differ on post-retirement responsibilities, highlighting a critical gap	Evolve your participant communication strategy
4 Participants find secure retirement income attractive and plan sponsors are beginning to respond	Consider a retirement income option

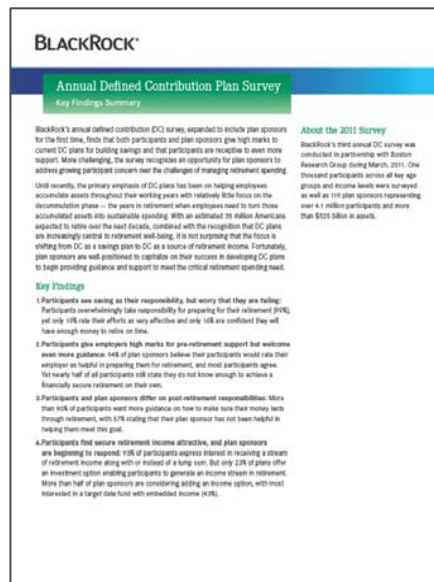
For additional BlackRock tools and resources

Email dcsolutions@blackrock.com

Visit www.blackrock.com/dc



2011 DC Survey Results Brochure



2011 DC Survey Key Findings Summary



Quarterly DCfocus Magazine

Important notes

Survey Methodology

BlackRock's third annual defined contribution survey was conducted online by Boston Research Group during March, 2011. Two separate nationwide surveys focused on American workers participating in defined contribution plans and American corporations sponsoring these plans. The 1,000 employees polled participate in a variety of DC plans, including 401(k) plans, 403(b) plans, profit sharing and stock purchase plans. Participants were drawn randomly across all sized plans and from all sized employers with a maximum sampling error of +/- 2 percentage points at a 95% confidence level. The plan sponsor sample of 119 corporate executives was intentionally designed to represent extremely large plans to capture the opinions of thought-leaders among the plan sponsor universe. All have responsibility for their employer's DC plan, and represent plans with \$525 bn in plan assets and 4.1 mn plan participants. 60% of the plans represented have more than \$1 bn in participant assets.

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