

P&I | CONFERENCES

401(k) Investment Lineup Summit

San Francisco | April 1

Dallas | April 3

Chicago | April 8

New York | April 10

The Retirement Equation

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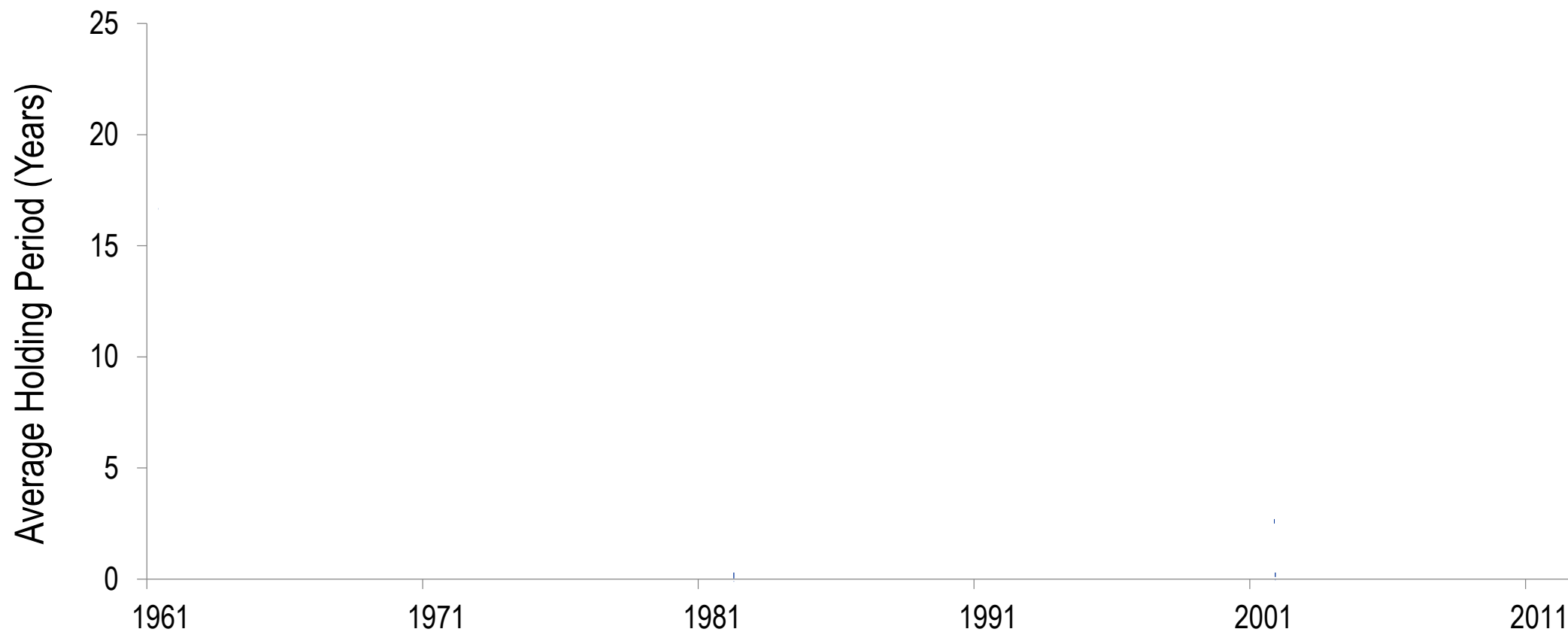
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401(k) Investment Lineup Summit

Investment Policy Statement Auto Enrollment Fiduciary Considerations
 Stable Value Behavioral Finance Participant Communication Annual Fee Disclosures Rollovers
 QDIA Mapping Marketing and Advertising of TDFs Discrimination Testing Plan Leakage
 Wrap Capacity Fundamental Menu Design Company Match Structure Revenue Sharing
 Regulatory Changes Indexing Auto Rebalance Per Participant Fees Stock-Drop
 Liquid Alternatives Brokerage Window Disclosure Requirements Illiquid Alternatives Lawsuits
Contributions + Investment Gains - Withdrawals
 404(a)(5) Bond Exposure Smart Beta in DC Vendor Searches Participant Education Participant fee disclosures
 Income for Life Plan Design TIPS for Selecting and Monitoring TDFs ETFs Conversions
 Retirement Readiness Equal-Weighted Indexing Proposed regulations for money market funds
 Target Date Funds 408(b)(2) TDF Disclosure Requirements Hedge Funds in DC
 Retirement Income = *Balance at Retirement* Retirement Readiness Risk Management Active vs.
 US Interest Rate Environment Withdrawal Rates Loan defaults Fiduciary Passive
 Proposed Regulations Tax Reform Early Withdrawals Participation Definition of a Fiduciary
 Outcome-oriented solutions Lifetime Income Illustrations Rates Benchmarking TDFs
 Replacement Ratio Qualified Plan Rollovers Participant fee disclosures Healthcare Reform
 Private Equity in DC Safe Harbor Plan Loans Auto Increase Professor Ian Ayres
 Safe-harbor protection for plans Re-Enrollment Regulatory DOL/EBSA Civil Investigations
 offering in-plan annuities Benchmarking DC Plans Compliance Fiduciary Compliance

Holding periods down, information availability up

New York Stock Exchange Average Holding Periods 1961 - 2012



Source: Ned Davis Research. Data as of 12/31/12.

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Volume and acceleration of information has led to a much shorter time horizon

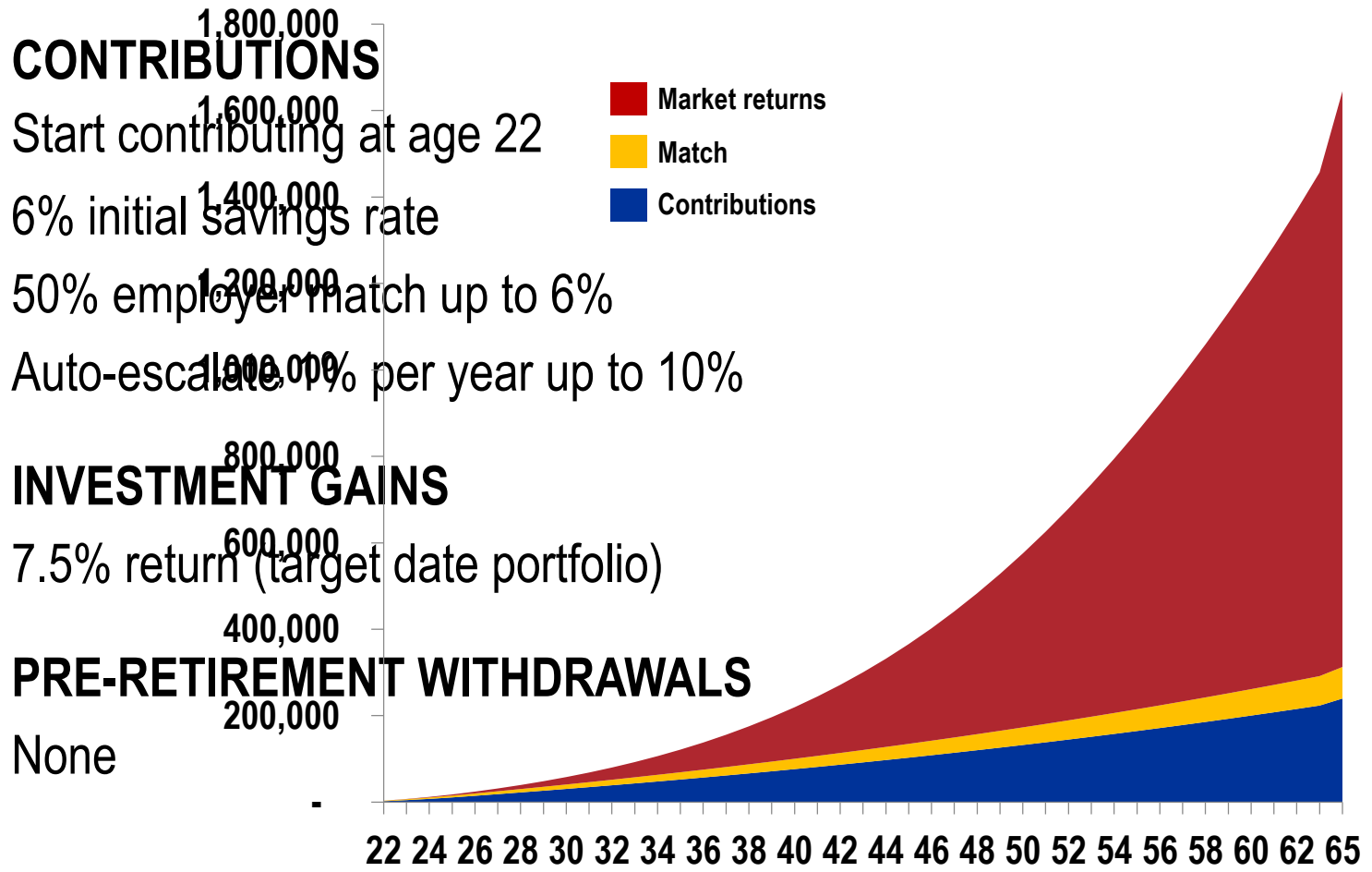
Question for the Audience

What is the biggest reason that many plan participants are not on track to have enough saved for retirement?

1. Design of the current DC system is insufficient, regardless of participant behavior
2. Participants don't correctly use the tools at their disposal
3. Saving for retirement is not a top focus for many participants
4. Investment choices in DC plans are inferior to those included in DB plans

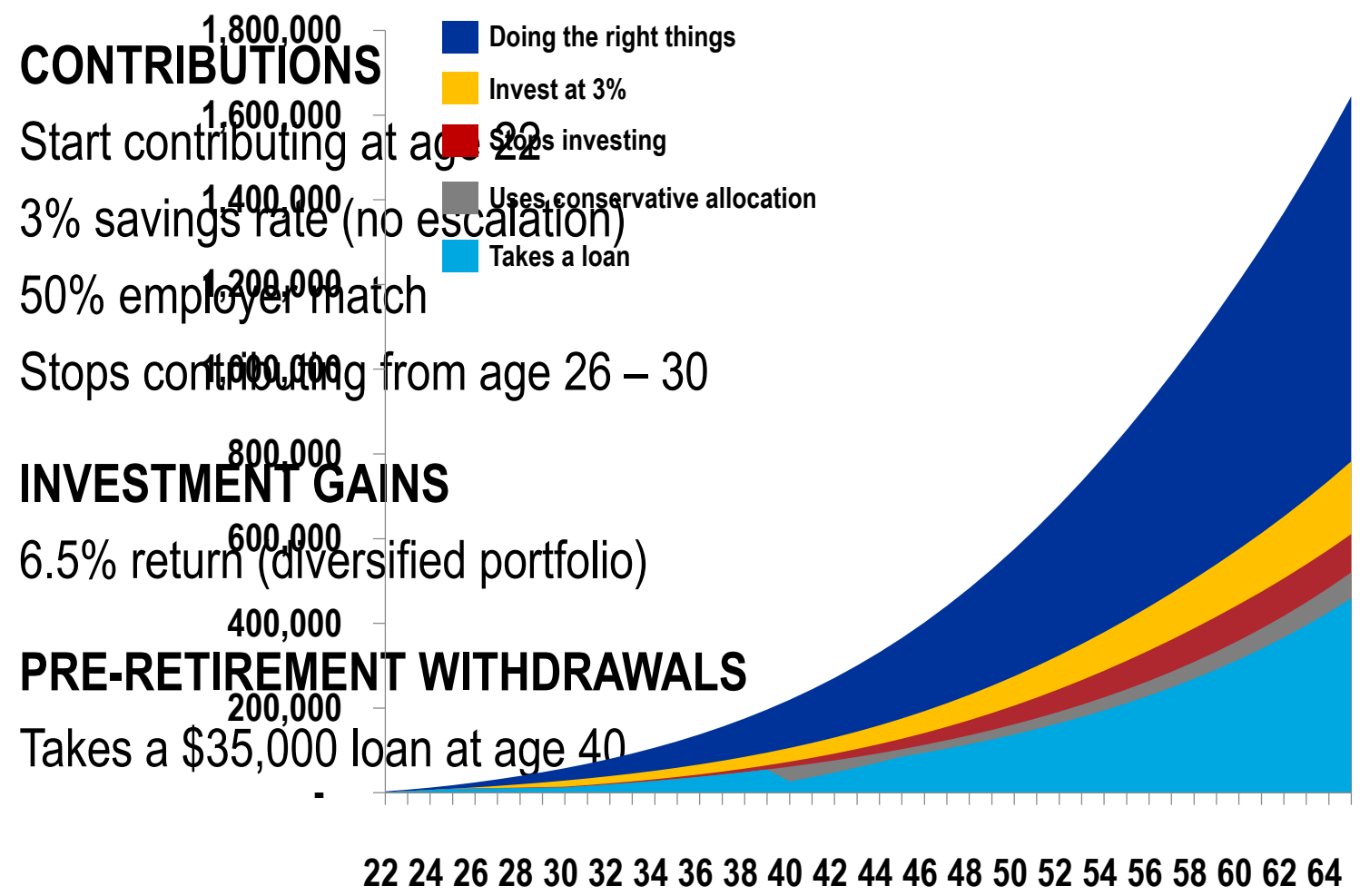


Admirable Participant Assumptions



Source: MFS proprietary retirement projection model. Please see last page for assumptions.

More Realistic Participant Assumptions



Source: MFS proprietary retirement projection model. Please see last page for assumptions.

Life starts to get in the way

2014 Participant Survey

- 1000 DC plan participants
- Minimum of \$1000 in their DC plan
- Conducted in February 2014
- Statistically aligned with EBRI demographics
- MFS proprietary survey in conjunction with Research Collaborative

Many participants acknowledge their role

"Who do you see as primarily responsible for each function with regard to your 401(k) plan?"

**Generation Y
Employer/Other**

Determine how much to contribute

16%

Invest appropriately to meet needs/goals

22%

Making changes to investments based on market conditions

31%

Contributions + Investment Gains - Withdrawals
= Balance at Retirement

Question for the Audience

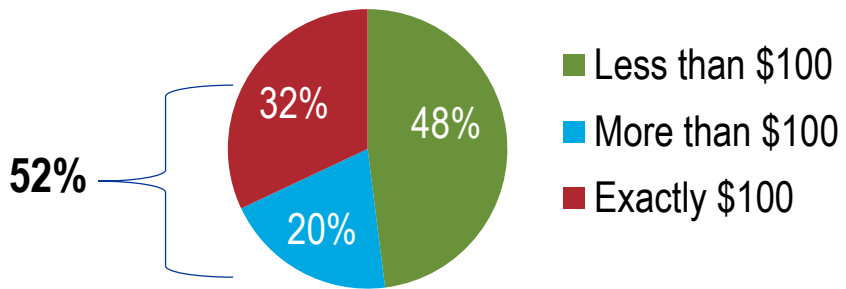
How does your plan engage participants to make sure they are informed of the specific tax deferral benefits of your 401 (k) plan:

1. Web based calculator
2. Regular communications
3. Do not specifically highlight
4. Inform participants during enrollment

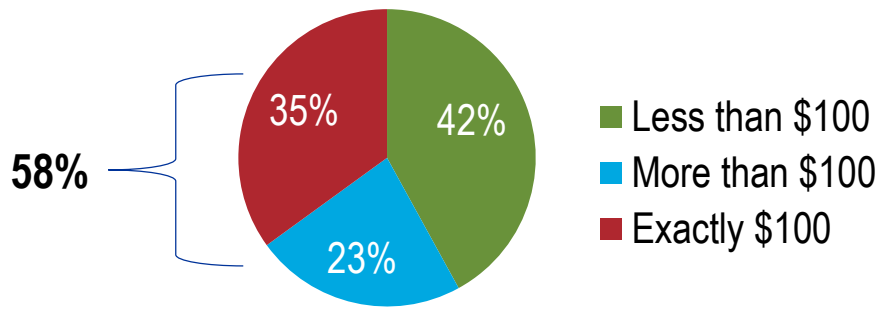


Misperceptions about contributions

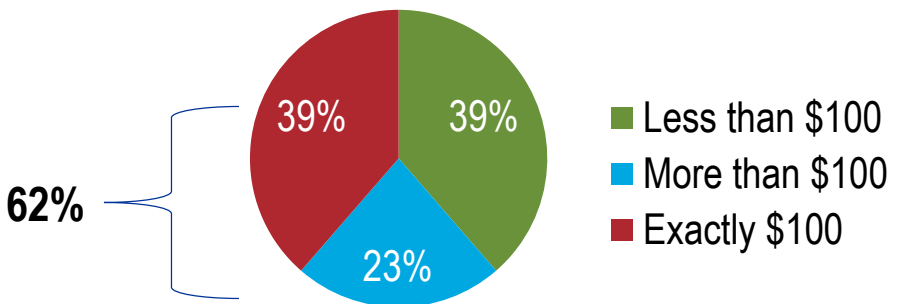
Impact that a \$100 contribution has on take home pay



Generation Y



<\$50,000 Personal Income

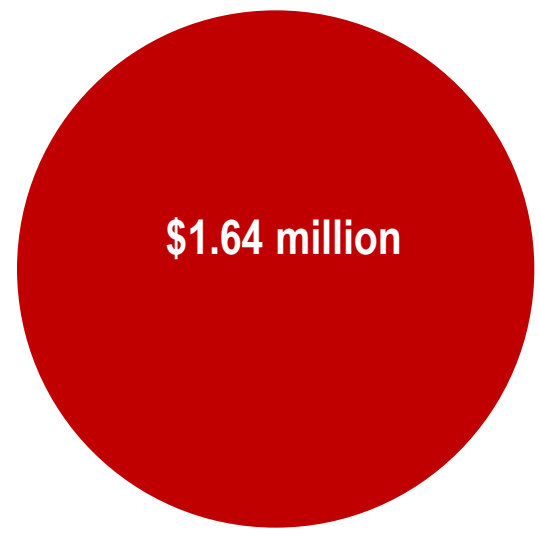


Source: MFS Participant Pulse, Research Collaborative MFS Survey. Please view methodology on last page.

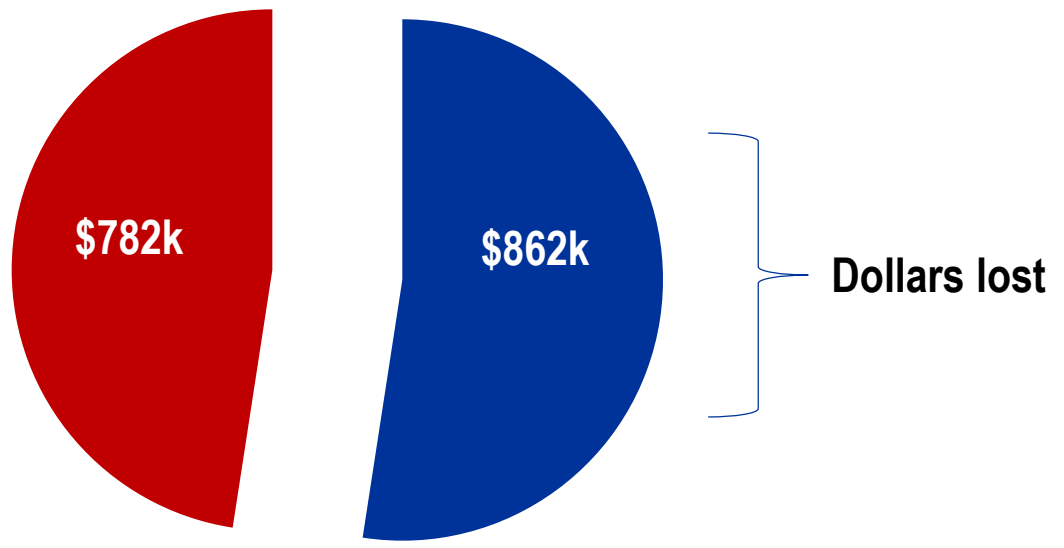
Reinforce basic concepts at the appropriate time

The long term impact of today's decisions

Balance at Retirement
"Admirable Behavior"



Balance at Retirement
Static Contribution Level



Source: MFS proprietary retirement projection model. Please see last page for assumptions.

Contributions + Investment Gains - Withdrawals
= Balance at Retirement

Question for the Audience

Which investment option would you choose?

	One-Year	Five-Year	Ten-Year
1. Option 1	26.46	0.42	-0.95
2. Option 2	5.49	12.83	5.91
3. Option 3	-9.10	18.33	17.46



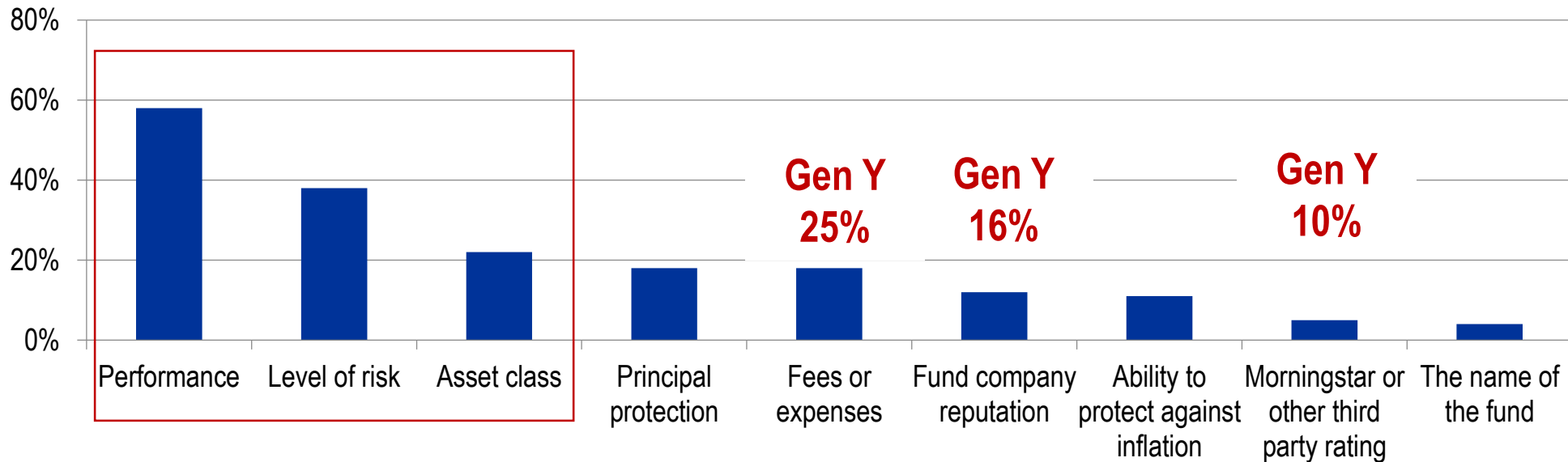
Trailing performance is not indicative of future results...

Annualized performance for the S&P 500 Index

		Annualized Returns (%)		
	<u>As of Date</u>	One-Year	Five-Year	Ten-Year
Option 1	<u>12/31/2009</u>	26.46	0.42	-0.95
Option 2	<u>12/31/2007</u>	5.49	12.83	5.91
Option 3	<u>12/31/2000</u>	-9.10	18.33	17.46

Past performance drives participants investment decisions

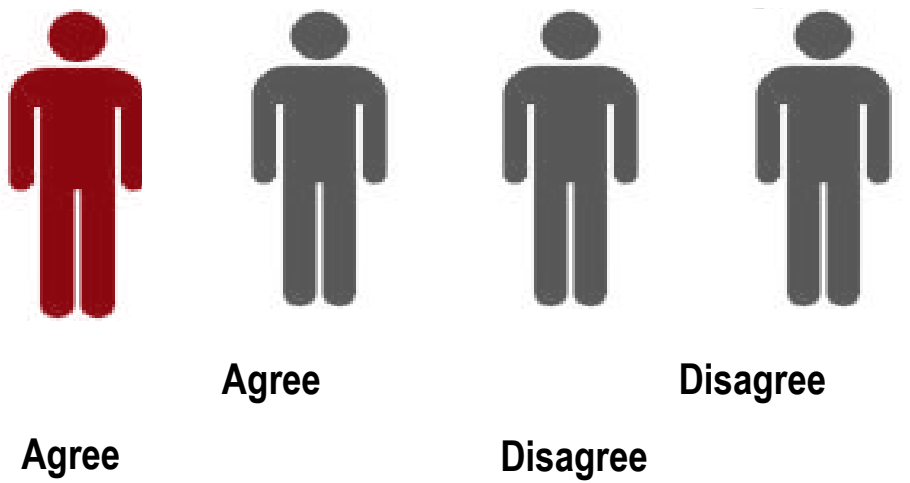
Important Factors When Deciding How to Invest 401(k) Plan Assets



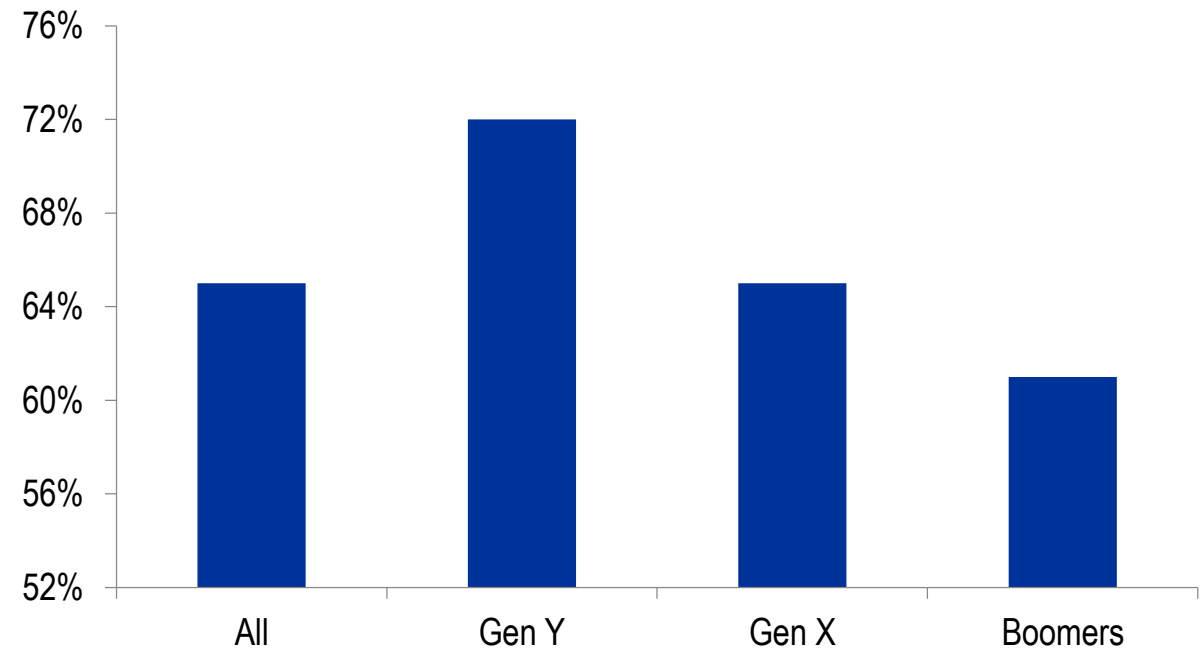
"While 401(k) investors rarely change allocations, when they do so their decisions are strongly correlated with market returns."

Participants perspectives of investment basics

"Having little target invested in the ideal way to diversify" in your plan is the best way to diversify"



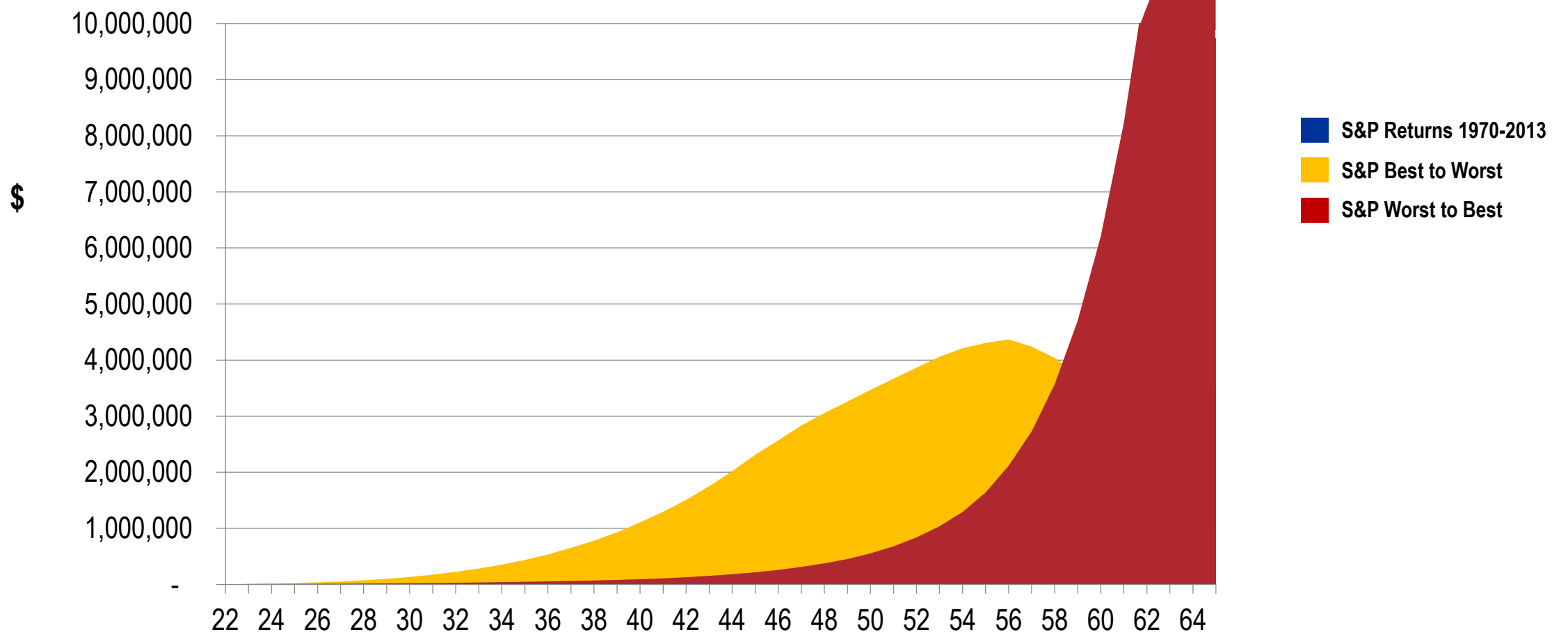
"When It comes to risk, stock index funds are safer than the overall stock market"



Source: MFS Participant Pulse, Research Collaborative MFS Survey. Please view methodology on last page.

Participants are not investment experts

The order of returns matters



Source: MFS proprietary retirement projection model. Please see last page for assumptions.

Question for the Audience

For your plan, what would upset participants the most?

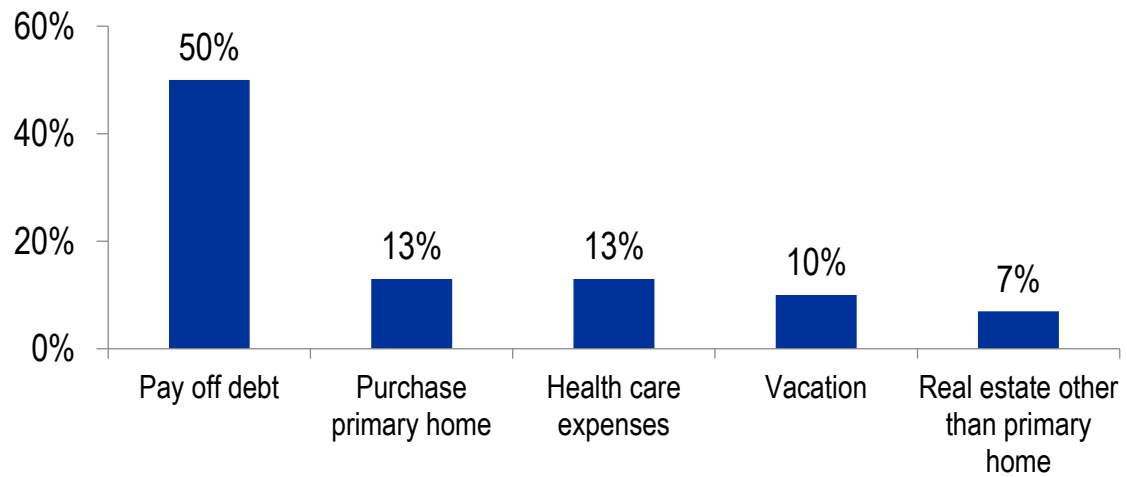
1. Making a change to the investment lineup
2. Removing the ability to take a loan
3. Eliminating paper/mail communications
4. Automatically increasing their contribution rate (i.e. auto-escalation)



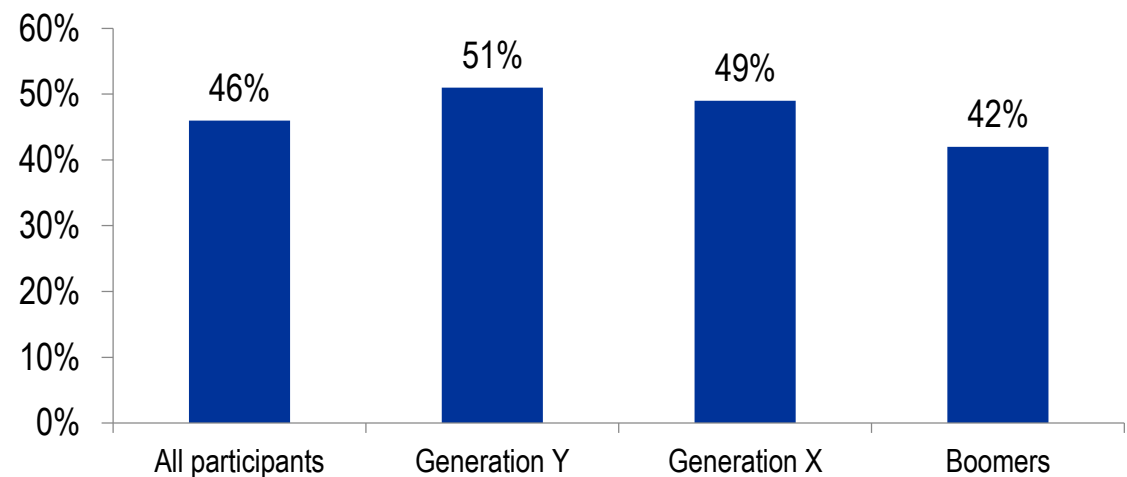
$$\begin{aligned} & \text{Contributions} + \text{Investment Gains} - \text{Withdrawals} \\ & = \text{Balance at Retirement} \end{aligned}$$

Is a loan a benefit...or a detriment?

"Actual use of 401 (k) proceeds"



"A 401 (k) account is a good way to save for a major financial need like college or a first home"

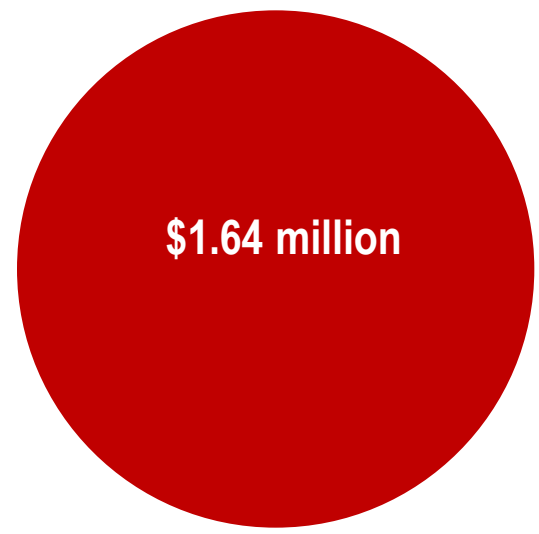


Source: MFS Participant Pulse, Research Collaborative MFS Survey. Please view methodology on last page.

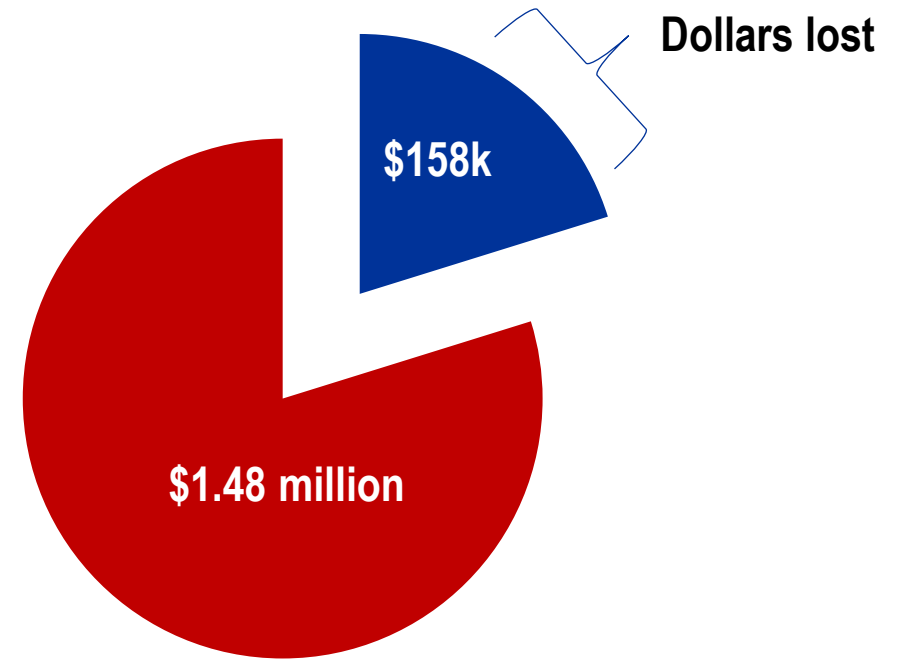
Loans may help encourage bad behavior

When is a loan just a loan?

Balance at Retirement
"Admirable Behavior"



Balance at Retirement
Taking a Loan



Source: MFS proprietary retirement projection model. Please see last page for assumptions.

Contributions + Investment Gains - Withdrawals
= Balance at Retirement

Now for the Million Dollar Question...

If you personally saved \$1 million for retirement, at age 65, would you have:

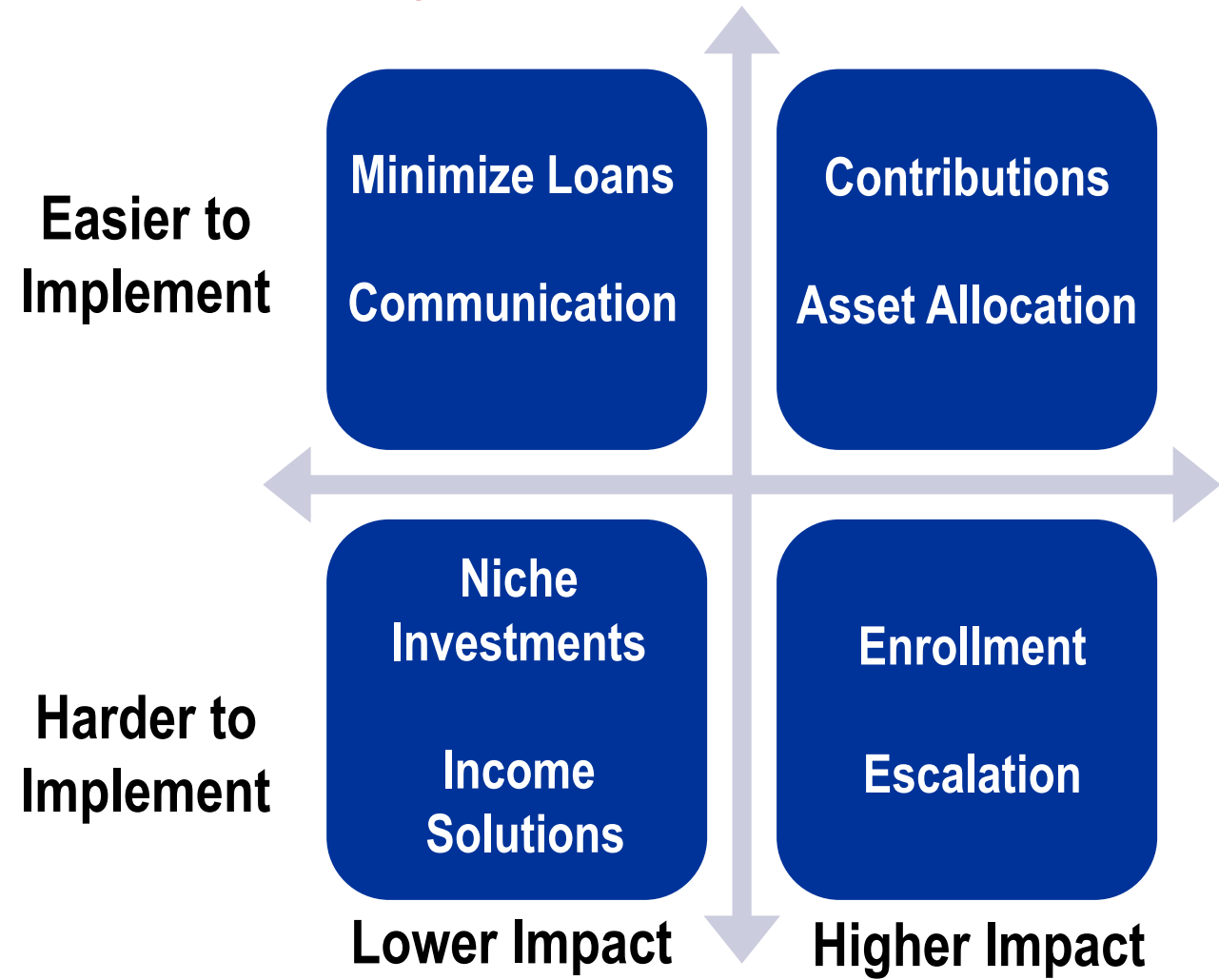
More than enough to live
comfortably in retirement

Just enough money to live
comfortably in retirement

Enough money to pay basic
living expenses, but not
much more than that

Not enough money to pay
even basic living expenses
throughout retirement

From Concept to Reality

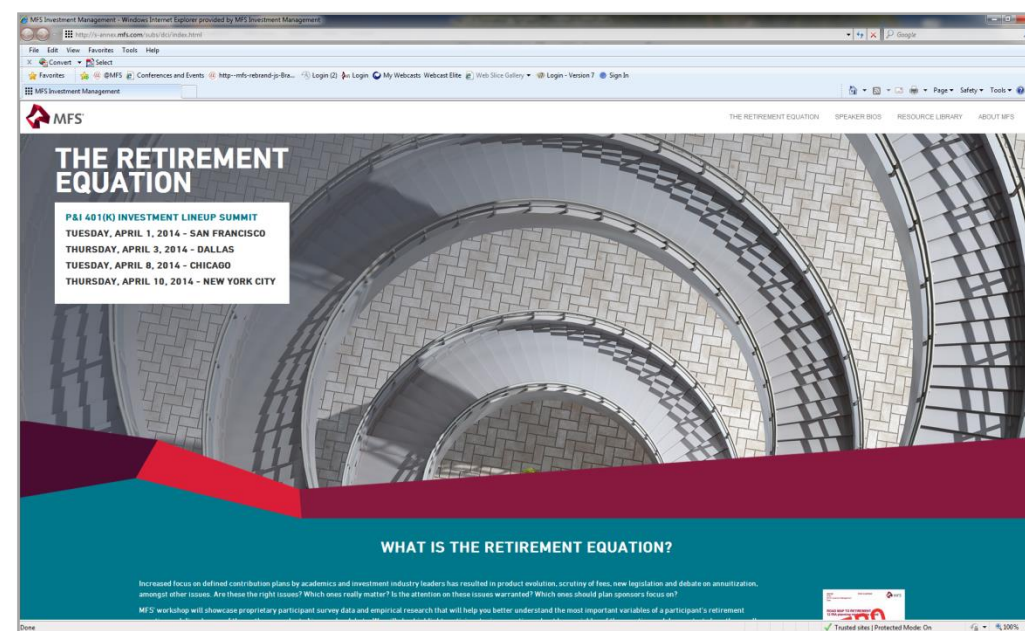


Contributions + Investment Gains – Withdrawals = Balance at Retirement

Additional Resources

- Microsite
- Folders
 - 2 pager
 - Whitepapers
 - Impact and Implementation matrix
- Plan sponsor survey results

www.mfs.com/retirementequation



The MFS Retirement Model relies on the following basis assumptions:

- Beginning participant salary of \$35,000
- 2% annual wage growth over 43 years of saving
- Average annual returns of 7.5% for a diversified target date portfolio, 6.6% for a conservatively allocated portfolio, and applied each year to portfolio ending balance plus contributions
- Employer match is 50% of salary up to 6%
- Employee loan taken at age 40 is repaid over 5 years and participant ceases contributing during that time
- The impact of fees is not included

MFS Participant Pulse, Research Collaborative MFS Survey Methodology: MFS®, through Research Collaborative, an independent research firm, sponsored an online survey from February 4 to February 11, 2014, of 1,000 defined contribution plan participants in the US between the ages of 20 and 69 who are employed and have at least a \$1,000 balance in a plan with their current employer. MFS was not identified as the research sponsor. Gen Y refers to plan participants under the age of 34. Gen X refers to plan participants between the ages of 34 and 48. Boomers refers to plan participants between the ages of 49 and 67.