Slide 1

Good morning. I'm Donna MacFarland, Senior Vice President and Chief Marketing Officer of Retirement Plan Services for Lincoln Financial Group. I'm here today with my colleague, Linda Jacobsen, Senior Vice President of the Plan Sponsor Experience, to talk to you about the realities that retirement savers face and how we in the industry can help them attain better retirement outcomes. We would like to thank the ERISA council for inviting us to speak with you today.

As the Chief Marketing Officer for Retirement Plan Services at Lincoln Financial Group, I'm responsible for leading an experienced and dedicated marketing team, which oversees the development and execution of integrated, cross-channel marketing programs. Most relevant to our discussion today, I also oversee the creation of a compelling and competitively differentiated Lincoln Participant Communications and Education program offering.

I'm also a member of the Lincoln Retirement Plan Services Leadership Team—charged with driving efforts to raise the profile of Lincoln as a leading retirement plans provider.

[Linda overview]
I'm Linda J. Jacobsen, Head of Plan Sponsor Experience for Lincoln Financial Group. I lead the Retirement Plan Services business' employer client services team. This team focuses on providing implementation, relationship management, compliance, and document services to plan sponsors.

Today we'd like to talk with you about the changing landscape of the retirement plan participation population and the important role that participant communication and education plays in driving better retirement outcomes, particularly when it comes to underserved populations.

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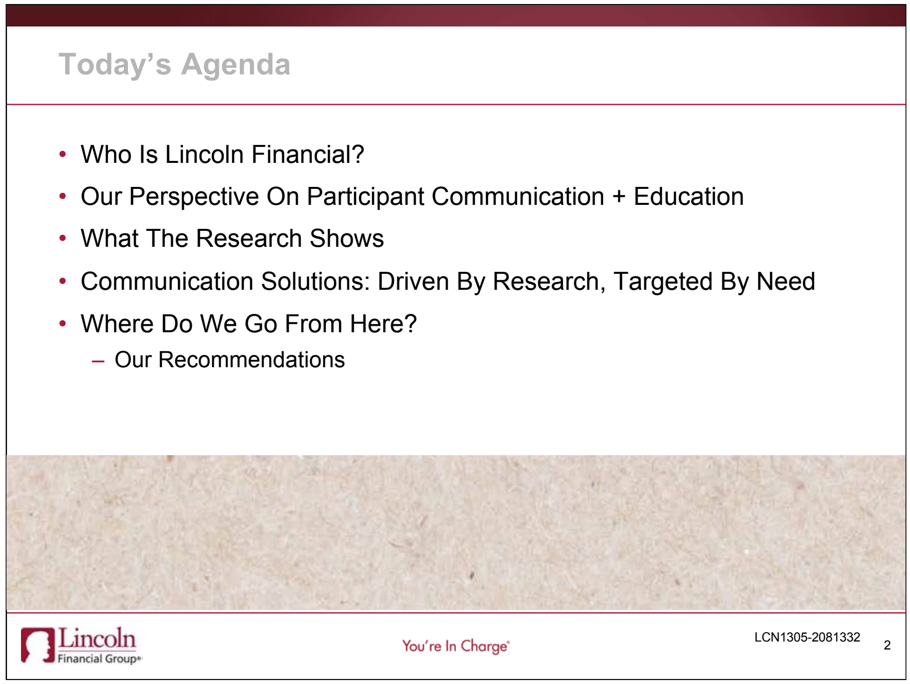


DONNA:
As the participant landscape shifts and technology evolves, it's important that participant communication and education programs keep pace. Based on our industry experience, ongoing research, and feedback from our participants, we'd like to share insights and ideas around:

•Participant communication and education best practices

•Communication trends, research, and findings, particularly in relation to underserved segments including women, Gen X, and Latino populations

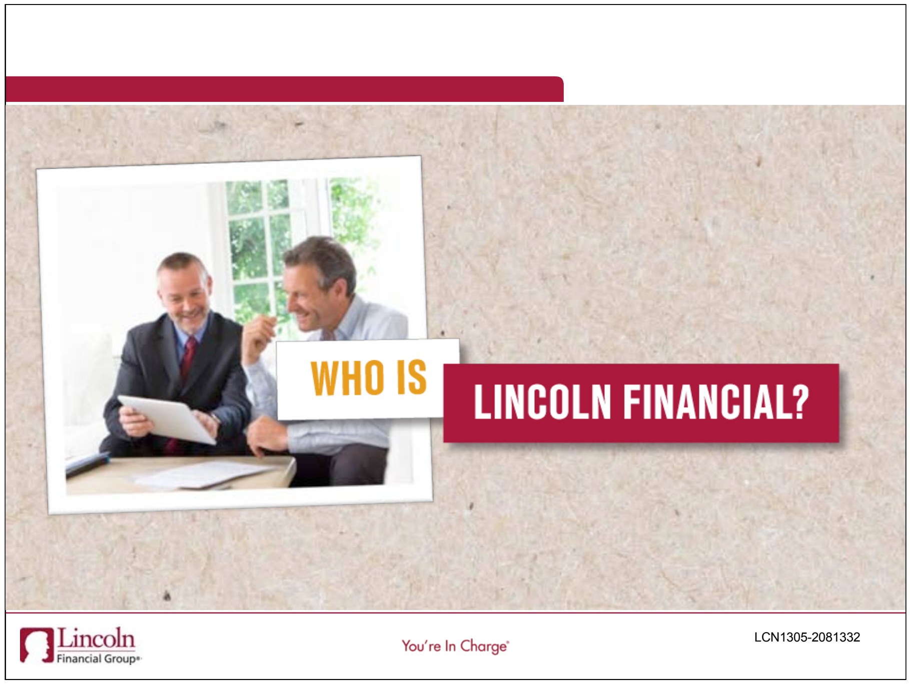
•Communication solutions that effectively target underserved populations

and

•Where we feel there is room for improvement

Before we get into the specifics of our views on participant communication and education, please allow us a few minutes to provide you a brief overview of our organization.

Slide 3



LINDA

Thank you. Donna.

As you may know, Lincoln Financial is a leading retirement plan services provider.

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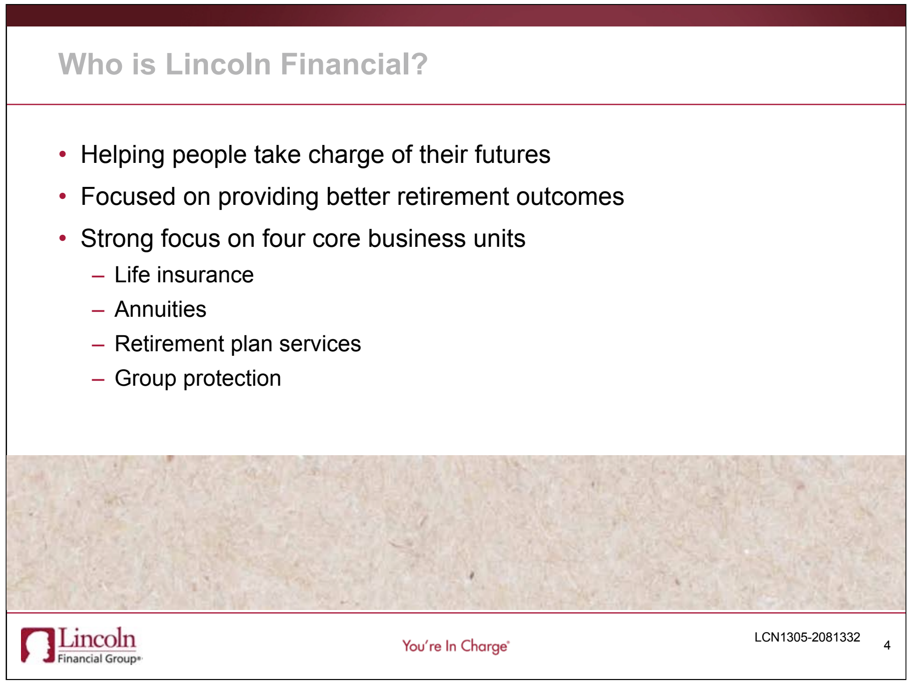


Lincoln Financial Group is a Fortune 500 company that offers a diverse range of financial services and solutions. Our four core business areas are life insurance, annuities, retirement plan services, and group protection. Our business is built around supporting, preserving, and enhancing our customer's lifestyles and providing better retirement outcomes. We are headquartered in Radnor, Pennsylvania and have more than 8,000 employees.

Put simply, Lincoln Financial provides tools, information, and education to help individuals take charge of their futures.

Slide 5

Lincoln Financial has over 50 years experience in the retirement plan business. Today, we service more than 24,000 plan sponsors – which translates into approximately 1.4 million participants and $44 billion in assets.

According to a recent LIMRA survey, Lincoln Financial is the eighth-largest not-for-profit retirement plan service provider, the third largest in the hospital/healthcare segment, and the sixth largest in higher education.

We provide recordkeeping services to 403(b), 401(k), 401(a) and 457(b) plans along with government, profit sharing, money purchase, defined benefit, and cash balance plans.

Slide 6

DONNA
I am pleased to present to you some of Lincoln's perspectives on participant communication and education.

Slide 7

At Lincoln, we have a clear position about retirement planning: We're optimistic about the future.

Our approach can be explained with this simple equation: Motivation plus action equals better retirement outcomes.

To maintain our position as a leading provider, we continually conduct research, both with plan sponsors and participants, through in-person focus groups, and both phone- and web-based surveys. Through these efforts, we have validated what many of you already know intuitively:

People who take action tend to be more optimistic, and people who are more optimistic tend to take action.

This is one of our most influential research findings—and in fact, it's a guiding principle. We believe optimism motivates positive change.

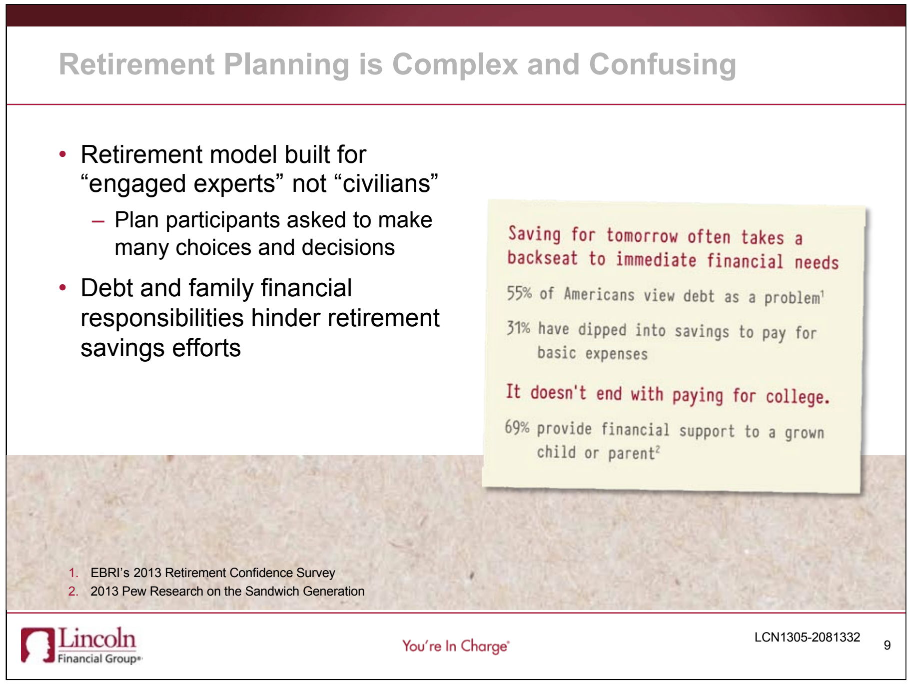
[transition]
So, how do we inspire participants to take action?

Slide 8

At Lincoln Financial, we strive to put the participant front and center. We know that every participant is different. That's why we work with plan sponsors and their advisor/consultant partners to deliver the right message to the right audience at the right time. For instance, we can deliver precise messages to specific groups or segment communications based on enrollment status, plan type, and life stage. By demonstrating how the plan's capabilities align to participants' needs, we can help them achieve their goals.

We also make it easy for participants to engage with us in whatever way is most convenient for them—whether it's online, in-person, or over the phone. Our experience has shown that face-to-face communication is *by far* the best method for helping participants make informed decisions about their retirement savings. In fact, our communications and education model is built on this very principle. Our highly trained Retirement Consultants work on-site at our plan sponsor's locations—providing both group and one-on-one meetings with participants—helping them with issues all along the retirement planning spectrum: from hired to retired.

Slide 9



It's no secret that American workers find retirement planning to be complex and confusing. In fact, the defined contribution retirement plan landscape—both historically and today—is a difficult environment for employees to navigate. Today's participants feel that they are expected to be retirement planning experts, which can be daunting, and for many, lead to inertia.

All along the way, participants are asked to make decisions aimed at keeping their retirement on track. Decisions about what they envision their retirement to look like, how much they want to save, and when they want to retire. And that's before they need to choose their investments from a seemingly unending array of choices. But, the truth is: most employees are not experts in retirement planning. In many cases, their parents retired with a guaranteed pension. Active management of retirement savings wasn't part of the equation.

Add to that competing financial priorities like paying off debt, supporting a family member, paying for a house, or funding a child's college education, and we have a crisis on our hands. According to EBRI's 2013 Retirement Confidence Survey, 55% of American workers view debt as a problem. And, according to 2013 Pew Research on the Sandwich Generation, 69% of Americans indicated that they have provided financial support to a grown child or a parent.

Let's face it: there's no practice or dry run for some of life's most important decisions. Choosing a college, a career, or a spouse are all big decisions. And because we don't make them every day, the big decisions are harder to make. Planning for retirement is very much the same way.

Slide 10

Suffice it to say, participants have a lot to think about when it comes to their retirement savings: How much to save, when to retire, income replacement goals, asset allocation, risk tolerance, and more.

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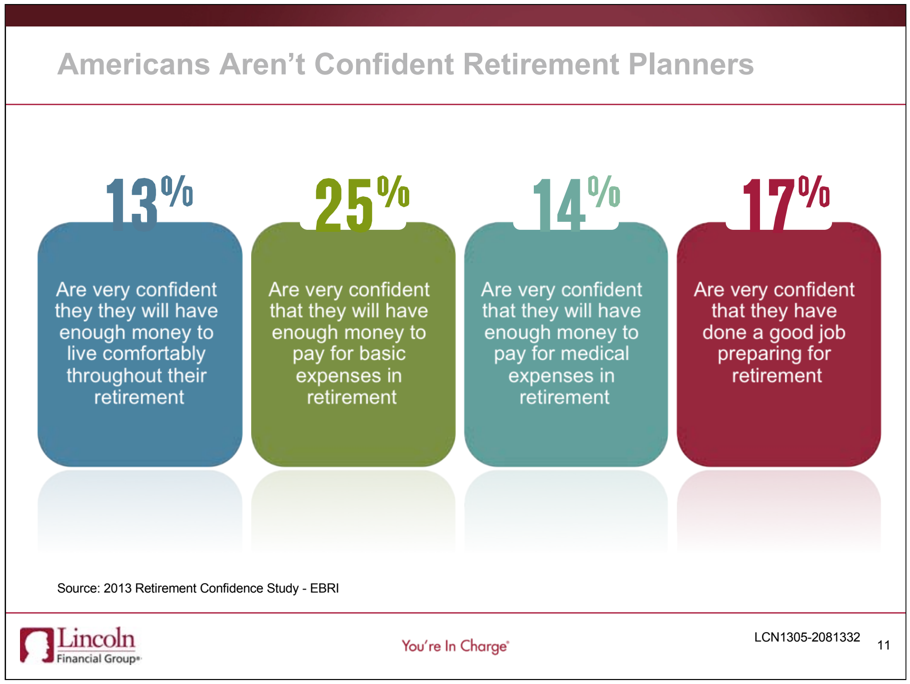

The result?

Americans, overall, are not confident retirement planners.

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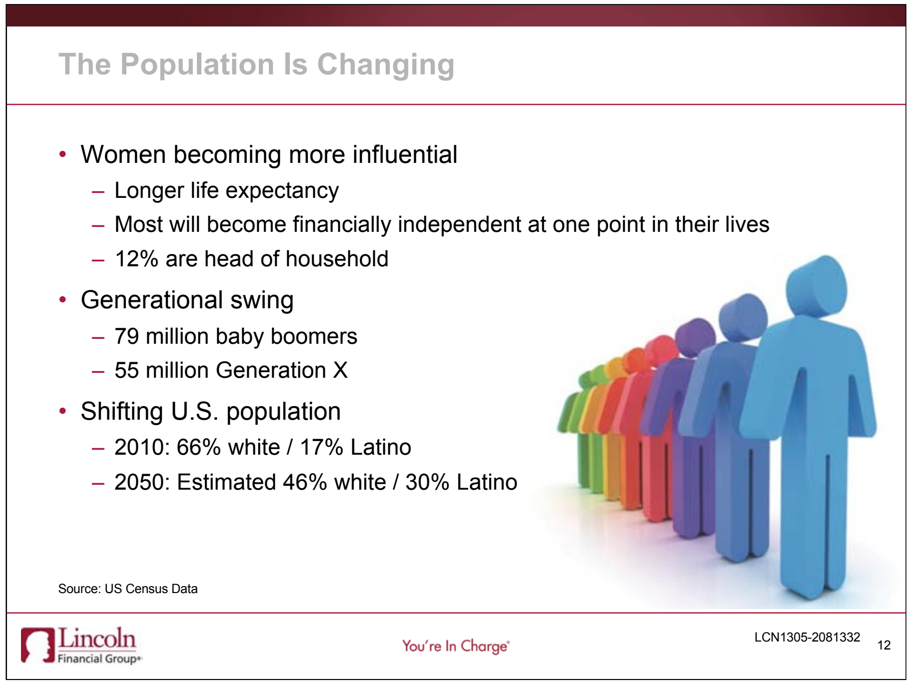

As the U.S. demographics have shifted, so too has the participant population. Thanks to advances in healthcare, we're all living longer, healthier lives. In fact, most of us will spend 20 or more years in retirement. That's a long time to live without a paycheck.

•Of that group, women typically outlive men by 8 years, yet their savings—due in large part to spending less time in the workforce to take care of children or parents –rarely match that of their male counterparts.

•We also have a large number of Generation Xers—all with distinct communication and education preferences.

•And last, our ethnicity is shifting, with a growing number of Latinos–many whose primary language is not English.

The problem? We are an industry that still largely communicates in the same way to everyone, regardless of age, ethnicity, or gender.

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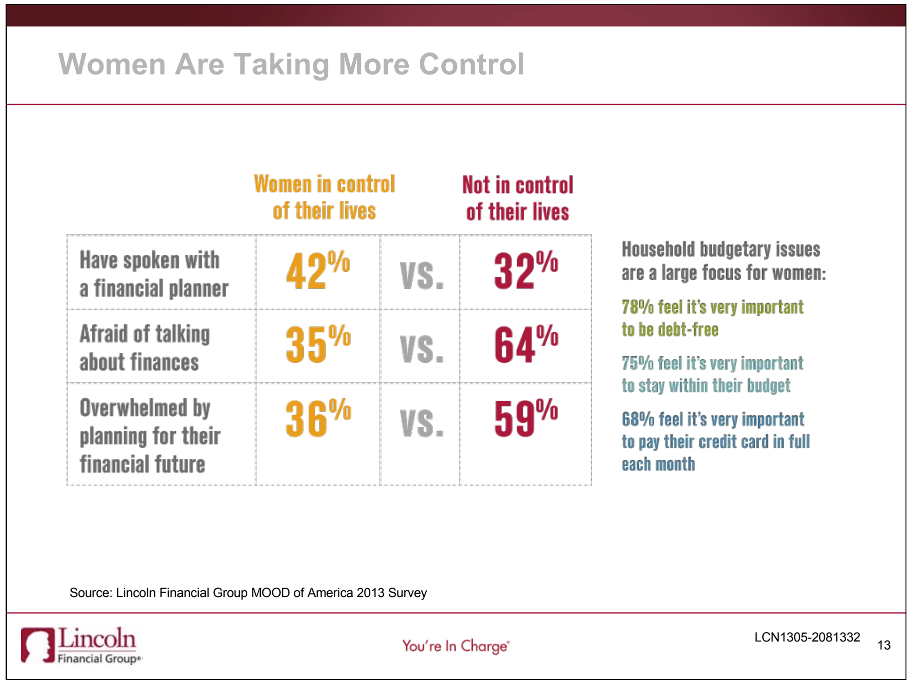

The first underserved population we'd like to address is women. And as we can see here, women are taking more control of their financial future.

According to the recent MOOD of America survey conducted by Lincoln Financial, for many women, taking charge of their financial future means focusing on household budgetary issues, such as being debt-free (78%), staying within a budget (75%), and paying credit card bills in full each month (68%). On the other hand, fewer than one in five women (16%) say that a longer-term planning step like meeting regularly with a financial advisor is very important to take charge of their financial future.

Empowered women who *have* taken charge of their lives are more optimistic than those of us who have not. As these figures show, these women are more likely to have spoken with a financial advisor, are much less afraid of talking about finances, and feel less overwhelmed by planning for their financial future. Not surprisingly, they are also less worried about outliving their money (because they are prepared), less worried about retirement planning in general, and less concerned about everyday issues like debt.

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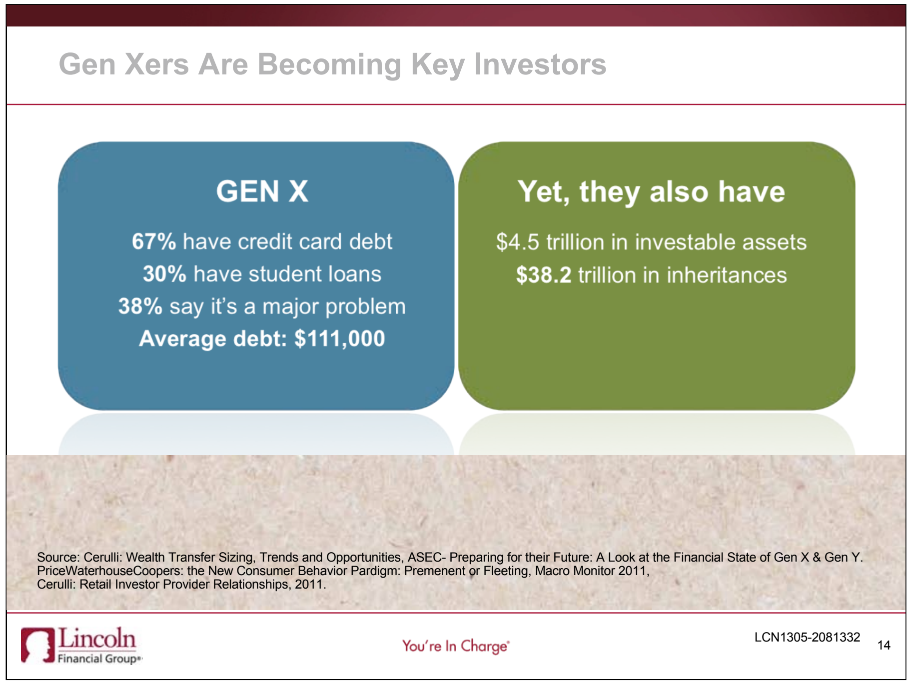

Now let's look at Gen Xers. For a long time, Gen Xers have been the misunderstood and forgotten generation. Understanding their attitudes, perceptions, and behaviors when it comes to money and finance is an important first step in communicating with this segment in meaningful, relevant ways.

When it come to finances and preparing for retirement, Gen Xers face problems related to the here and now. Debt is still a problem for this group. Over half of the Gen X population has credit card debt, and 30% are still paying off their student loans. But, they also have sizeable assets to invest – some of it earned, and some of it inherited.

[transition]

And we have another demographic shift that's changing the participant landscape.

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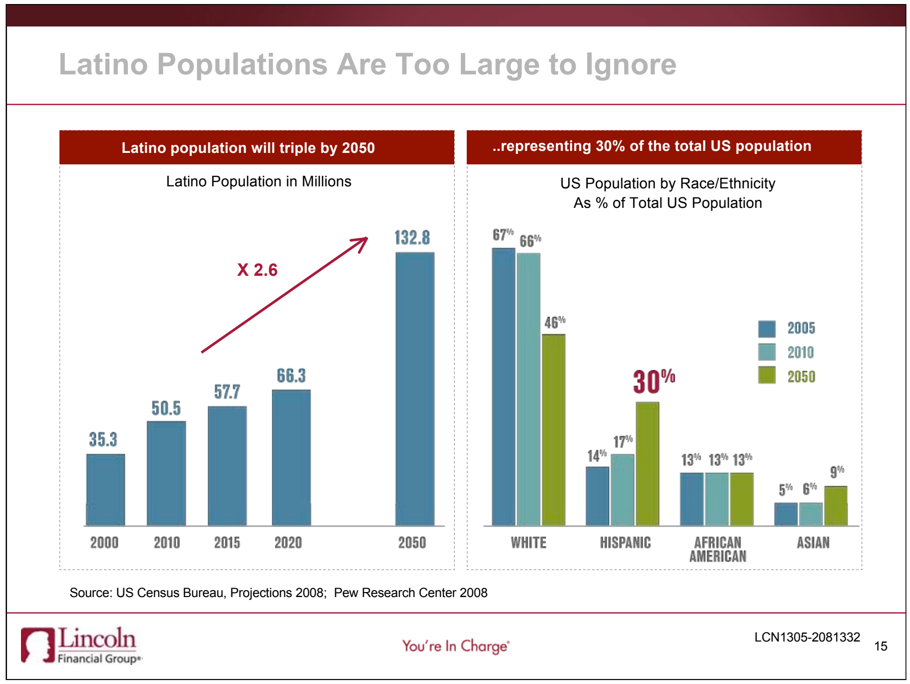

Latinos, another underserved participant population, are on track to make up nearly 1/3 of our country's population. This translates to more than 66 million Latinos in just a few short years and more than 132 million by the year 2050.

Each Latino must prepare for what will likely be the biggest expense he or she will ever face: Retirement. Clearly, we need to focus greater attention on the distinct needs of this population.

Slide 16

For example, when it comes to retirement education, what do we know about Latinos?

Effectively engaging with the Latino population requires an in-depth understanding of their values, culture, and preferences – not just their language.

We know that self-esteem, responsibility, and ambition are the predominant values within the Latino community.

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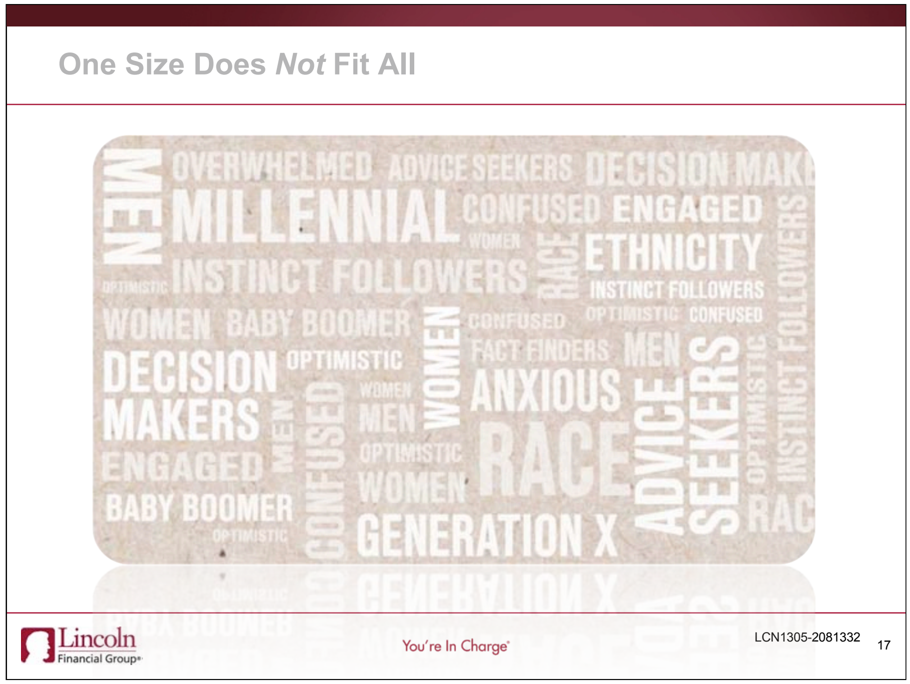

With so many psychological, emotional, cultural, economic, geographic, and age-based disparities, the message is clear: When it comes to retirement planning. There is no single solution that will work for everyone.

Let me turn this back to Linda to have her share what we hear from the plan sponsors whom we serve in terms of addressing the needs of underserved participant segments.

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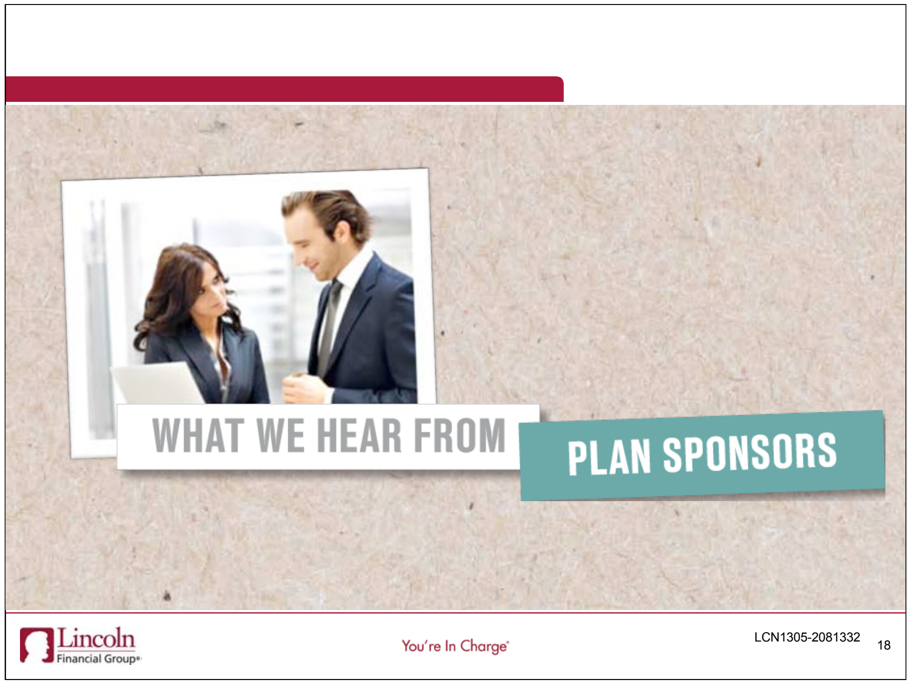

LINDA:

Thank you, Donna. As I mentioned earlier, Lincoln serves over 24,000 plan sponsor relationships. In my position, I get to work closely with many of these plan sponsors and have the honor of hearing from them. I would like to share some of what we're hearing with you.

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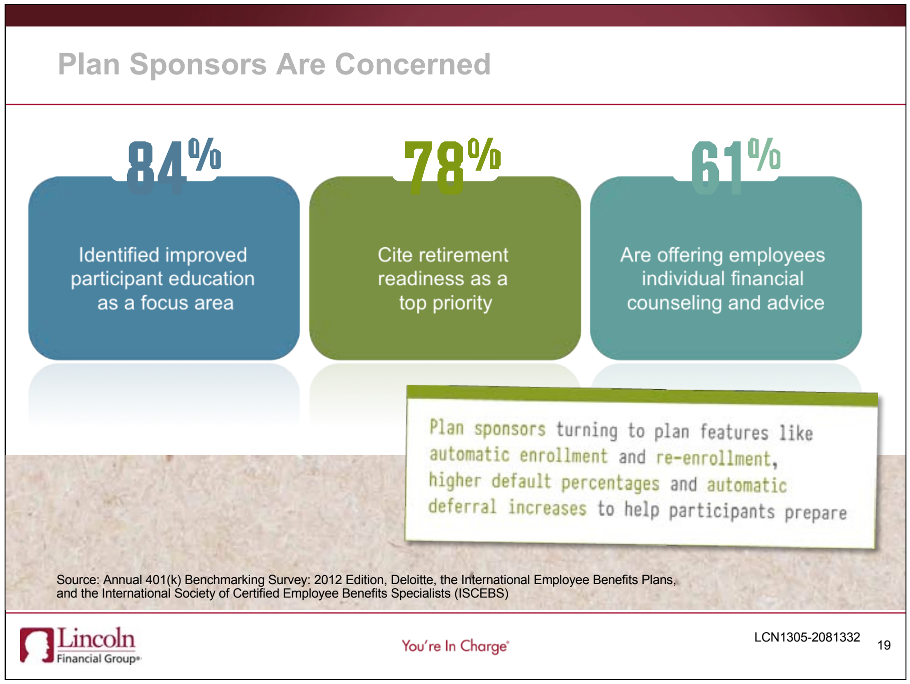

According to 2012's Annual 401(k) Benchmarking Survey from Deloitte, the International Employee Benefits Plans, and the International Society of Certified Employee Benefits Specialists (ISCEBS), 401(k) balances are at an all-time high. However, that same survey indicates that the average balance is still only $85,000, far below what is needed to support a comfortable retirement.

Plan sponsors know they need to help participants.

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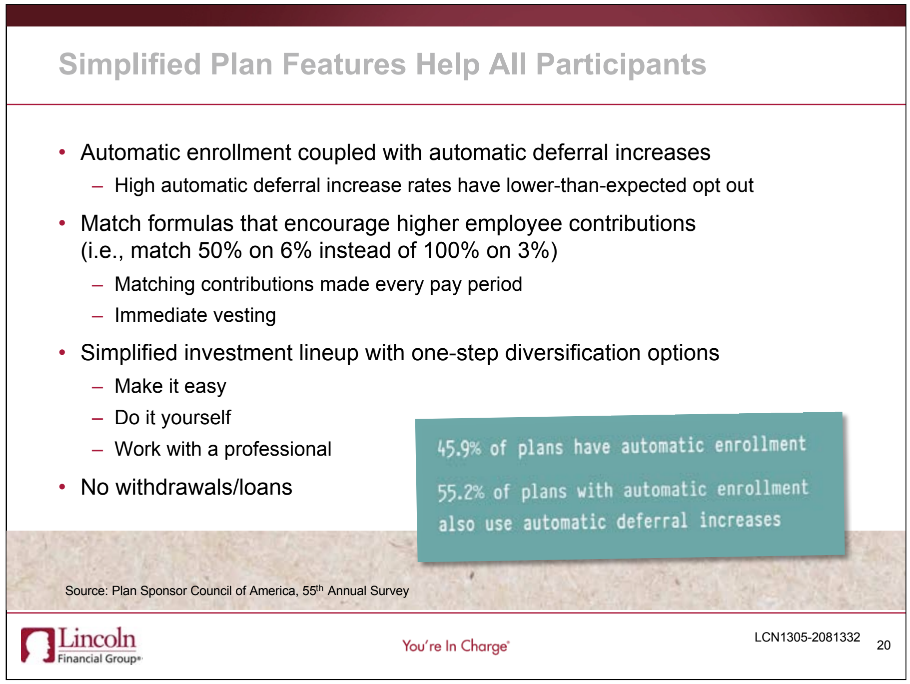

Plan sponsors are taking some steps to help their participants have better retirement outcomes, mainly by tweaking plan features.

•They're getting participants into plans with automatic enrollment, and more than half the plan sponsors who use automatic enrollment also use automatic deferral increases. While plan sponsors are nervous about using aggressive automatic deferral increase rates – even up to 12 or 15% – the participant opt out rates are lower than expected. Plan sponsors have concerns with being that aggressive due to fiduciary concerns, even though those rates are more in line with what participants need to save to have a better retirement outcome.

•We're seeing plan sponsors change their match formula to encourage participants to save more on their own.

•We're also noticing that plan sponsors who provide matching contributions every pay period have better participation rates.

•They're reducing participant choices by streamlining the investment line-up, providing one-step diversification options and clear investment paths for novice and advanced investors (Lincoln offers three paths: Make it Easy, Do It Yourself, and Work With a Professional).

•And, some are even going as far as to make it harder for participants to access their money before retirement by eliminating loans and withdrawals.

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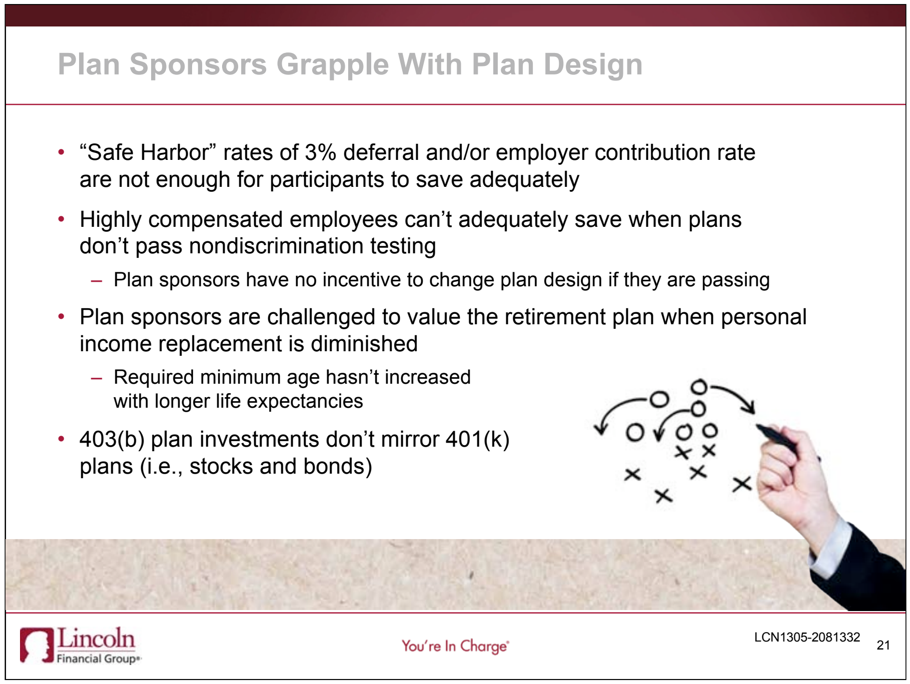

Employee voluntary contribution rates are generally inadequate. Part of this has to do with the IRS setting certain "safe harbor" and "top heavy" minimum contribution rates equal to 3% of compensation and the retirement industry historically perpetuating this standard and encouraging plan sponsors to design plans with the belief that a 3% deferral and/or employer contribution rate will provide adequate savings for retirement.

Other concerns include the fact that:

•Highly compensated employees can't adequately save when plans don't pass nondiscrimination testing, but plan sponsors have no incentive to change their plan design if they're passing.

•Decision makers are unable to value the retirement plan when personal income replacement is greatly diminished.

•No change in the required minimum distribution age of 70 ½ --may not be optimal given participants' increased life span

•403(b) investments don't mirror 401(k) plan investments – for example, stocks and bonds

We're talking to plan sponsors about addressing their concerns, and more specifically, how to segment the approaches to help underserved and under engaged populations achieve better retirement outcomes.

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What we're finding is that plan sponsors who are very engaged view a segmented approach as:

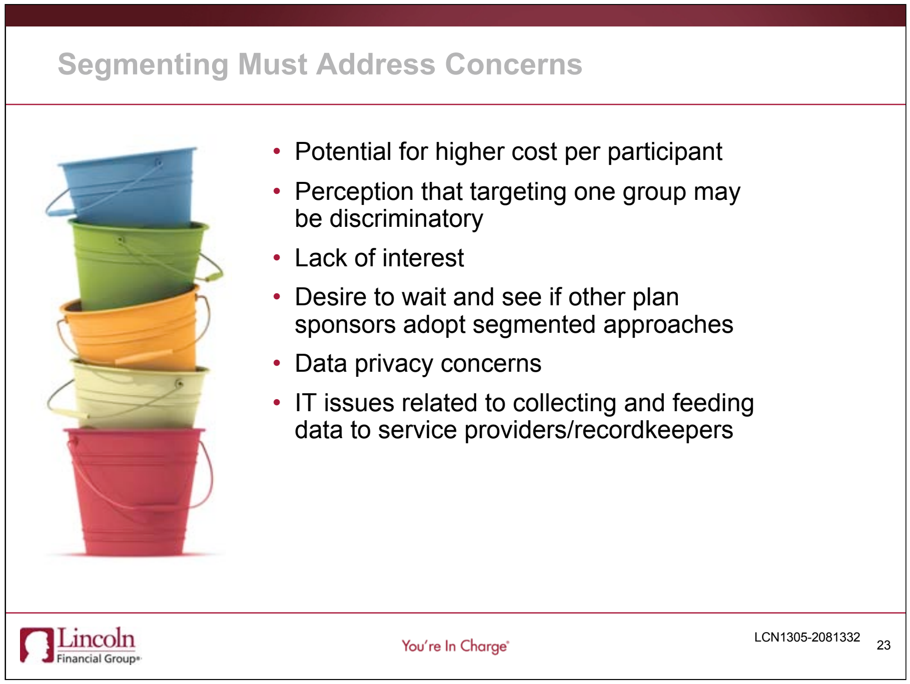
•The right thing to do

•A competitive benefit

•A way to encourage under-engaged and underserved populations to take full advantage of a valuable benefit

•A strategy designed to help all participants toward better retirement outcomes.

Slide 23



So, plan sponsors seem interested in using segmentation as a way to better educate their populations. Yet we frequently encounter barriers to adoption – things like:

•Communication and education may cost more if more versions are created

•Plan sponsors want to avoid any potential perception of discrimination – they ask “why are you targeting this group and not another?”

•Some plan sponsors are simply not interested—possibly due to a time or resource issue, or because they’re not sure if segmentation will yield results

•Some plan sponsors are also taking a “wait and see” approach – they don’t want to be the first to try segmentation.

•They may have concerns about privacy.

•And, finally, often our data feeds do not collect the demographic data that is necessary to create and deliver segmented communications and education. Addressing this issue may require data collection and programming, both of which can be time- and cost-intensive.

[Transition]

Let me turn it back to Donna to share some of Lincoln's proprietary research on plan participants.

Slide 24

DONNA:

Thanks, Linda. At Lincoln, we conduct extensive research to ensure that we fully understand the needs and wants of plan participants.

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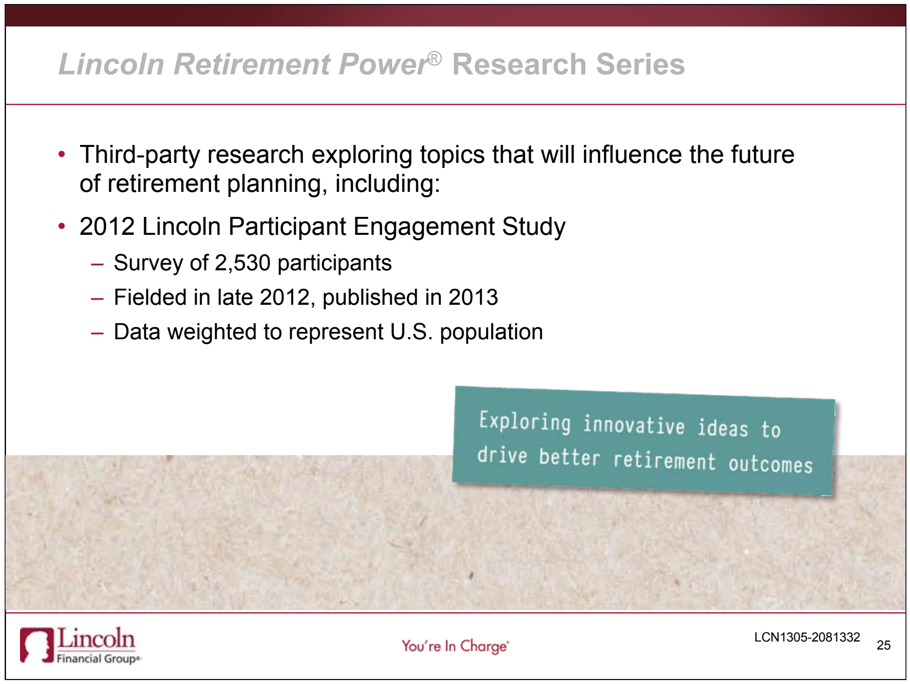

That's because we believe that research should empower decision-makers to take positive actions. Our *Lincoln Retirement Power*® Research Series is our platform for conducting research on critical issues related to retirement planning. Through the program, we sponsor proprietary and third-party research to identify innovative ways to help plan sponsors drive better retirement outcomes.

One of the surveys fielded in the *Lincoln Retirement Power*® Research Series is the Participant Engagement Study, which was completed in late 2012. Designed to gauge participants' views of retirement planning, this study provide several valuable insights.

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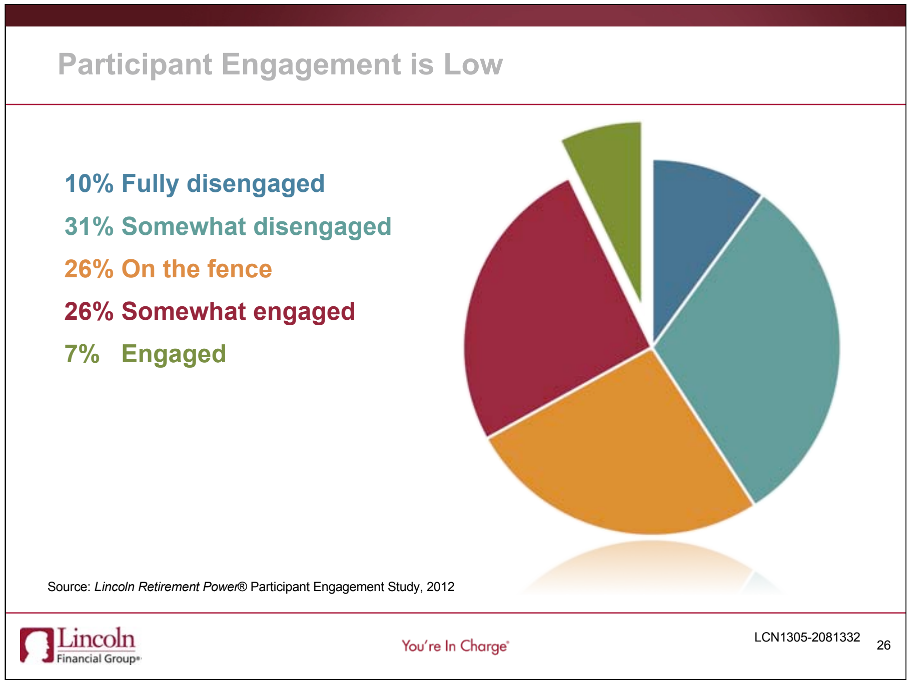

The first valuable insight we confirmed is that participant engagement is low. As much as participants would like to be fully engaged with their retirement plan (and know they should be) – a mere 7% are full engaged and interacting with their plan in a variety of ways on a regular basis.

According to a survey that Lincoln fielded in 2012, conducted by Mathew Greenwald & Associates, a majority of participants have never contacted their plan provider for financial advice, attended a meeting about investing in the plan/saving for retirement, or have ever made changes to their investments.

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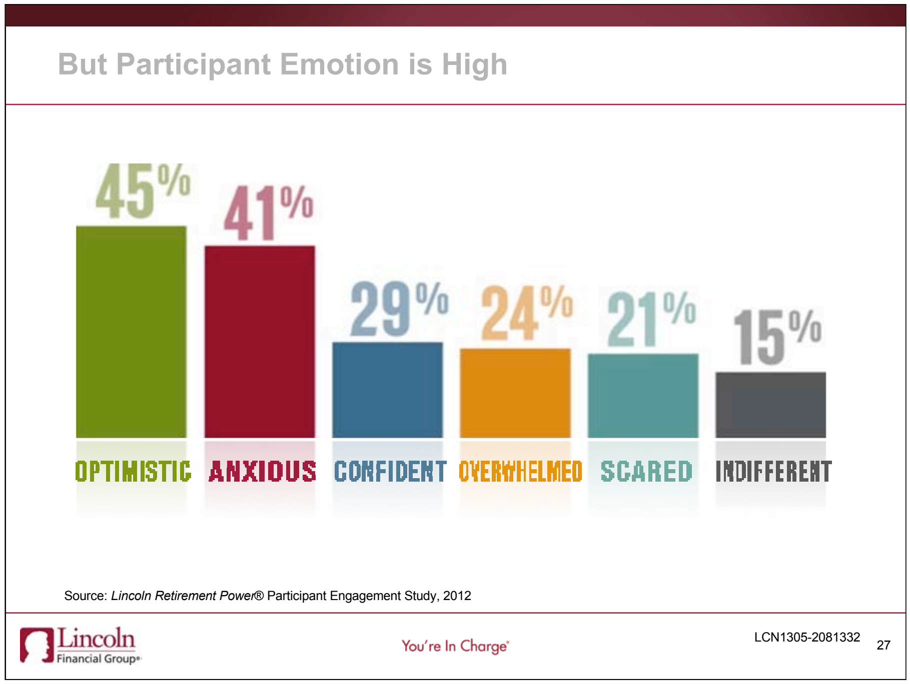


When thinking about retirement savings, participants express a range of emotions.

45% remain optimistic

41% are anxious

24% are overwhelmed

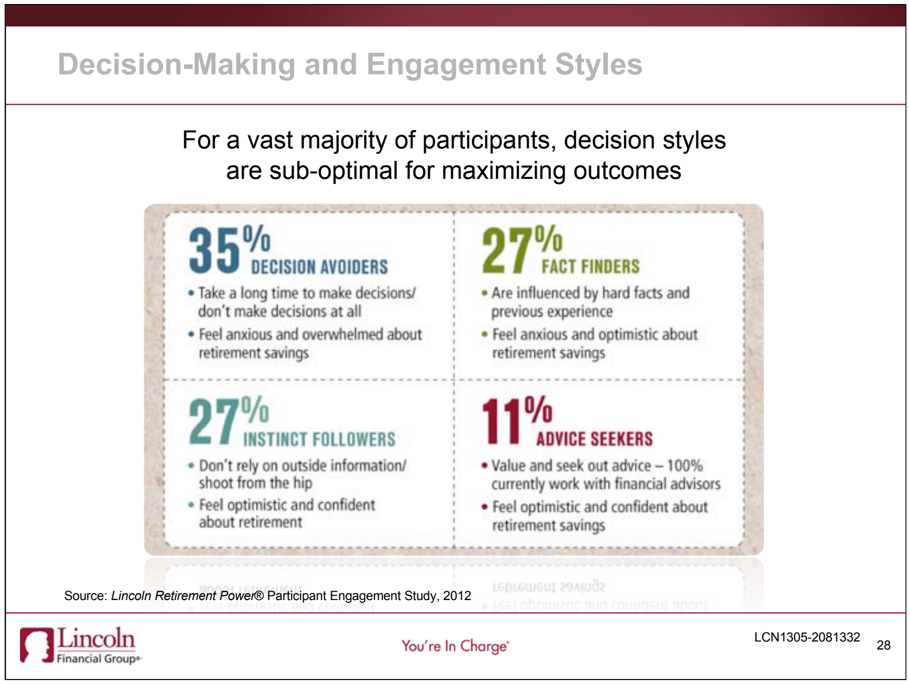
21% are scared

15% are indifferent

Only 29% are confident

Not only that, they are concerned about paying for day-to-day expenses in retirement, making good investment decisions, being able to convert savings into income, having enough money to maintain their lifestyle in retirement, being able to accumulate enough savings to retire when they want, and having enough money to pay for health expenses in retirement.

Slide 28



We also discovered that participants fall into four categories when it comes to making their retirement planning decisions.

35% are what we call Decision Avoiders. They consult a wide variety of sources, fear losing money, and take a long time to arrive at a decision. They feel anxious, overwhelmed, and scared about the future.

27% are Fact Finders. They are influenced by hard facts and numbers, but don't seek opinions. They feel optimistic as well as anxious.

27% are Instinct Followers. They are independent-minded, and don't rely on outside info or seek opinions. Yet, they do feel optimistic and confident about the future.

11% are Advice Seekers who work with a financial advisor, often have savings outside the plan, and feel the most optimistic and confident, with good reason. This is the type who tends to have the most saved for retirement.

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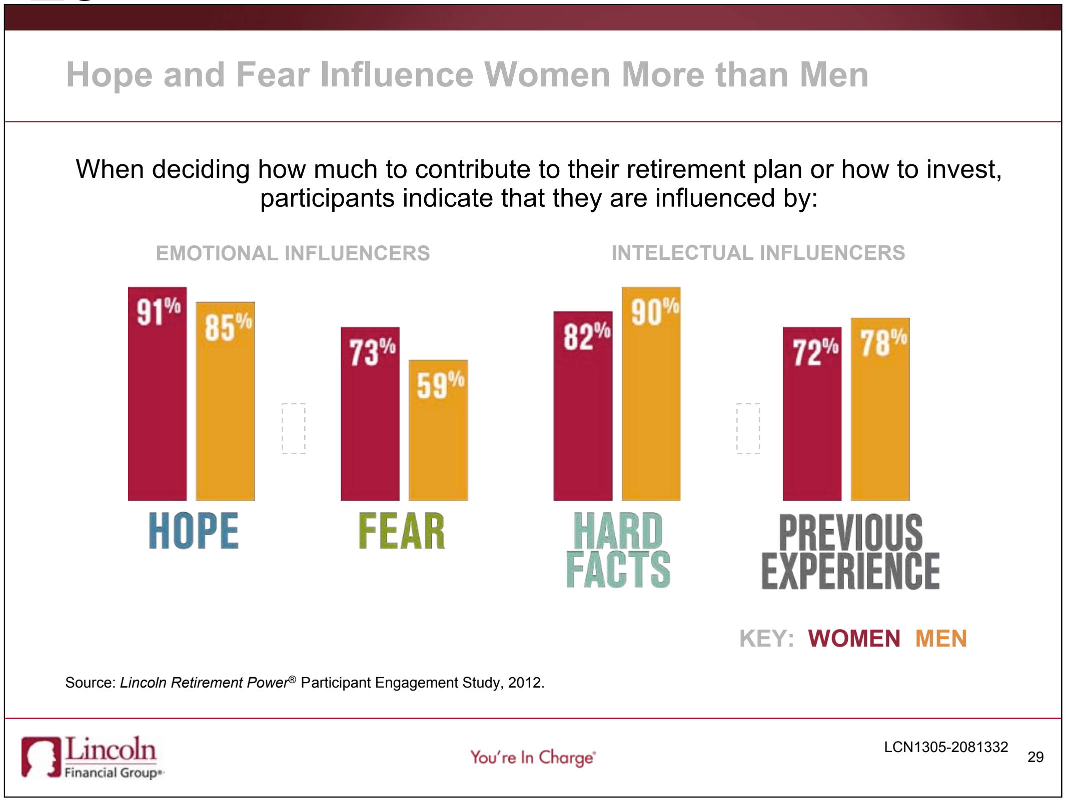

Now, let's talk more specifically about women's attitudes about retirement planning. When they think about retirement planning, certain thoughts and feelings are more influential than others.

Our researchers asked women what influences them when they make a decision about how much money to contribute to their retirement plan or how to invest.

What we've learned is that hope, fear, facts, and experience all play a role.

But as you can see, emotional influencers– hope and fear– are more powerful influencers for women than they are for men. By contrast, intellectual influences– hard facts and previous experience– don't affect women as much as men.

It's important to note that these findings represent all women—across all age groups, levels of education, socio-economic classes, and other demographic categories. (Even though I tend to be motivated more by facts and experience, I don't necessarily represent the majority!)

[transition]

Now, let's talk about Generation X.

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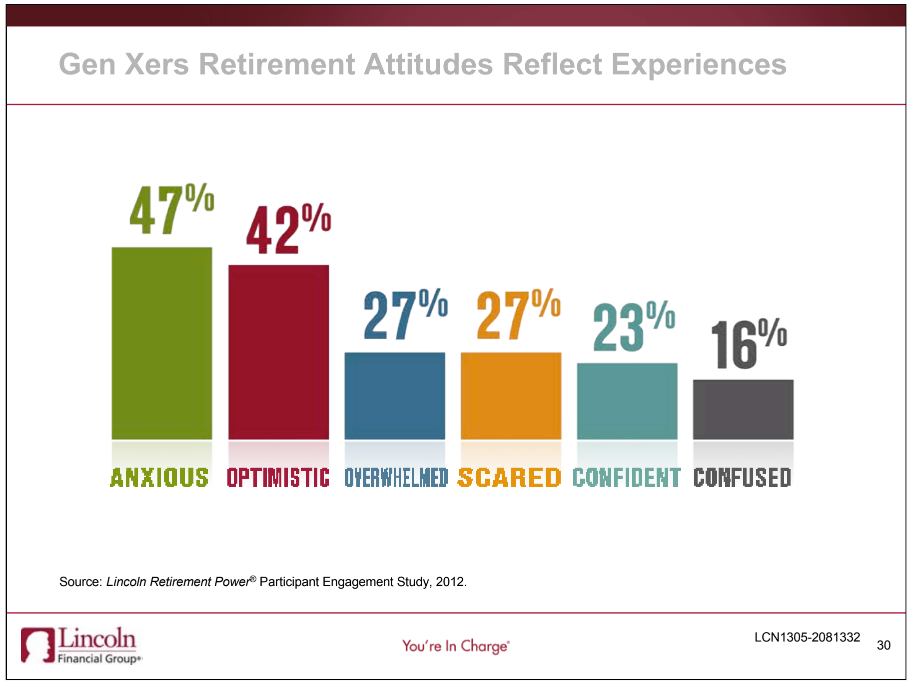

Generation X express a range of emotions when it comes to retirement planning. You must remember that this is the generation that has seen some of the worst and most dramatic financial crises in American history: the1987 market crash, the bursting of the 2000 dotcom bubble, and the economic crisis a few years ago.

•Nearly half of Gen X respondents are anxious about retirement

•42% are optimistic

•27% feel overwhelmed

•27% are scared

•16% are confused

•And only 23% are confident.

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What does our research tell us about Latino participant populations?

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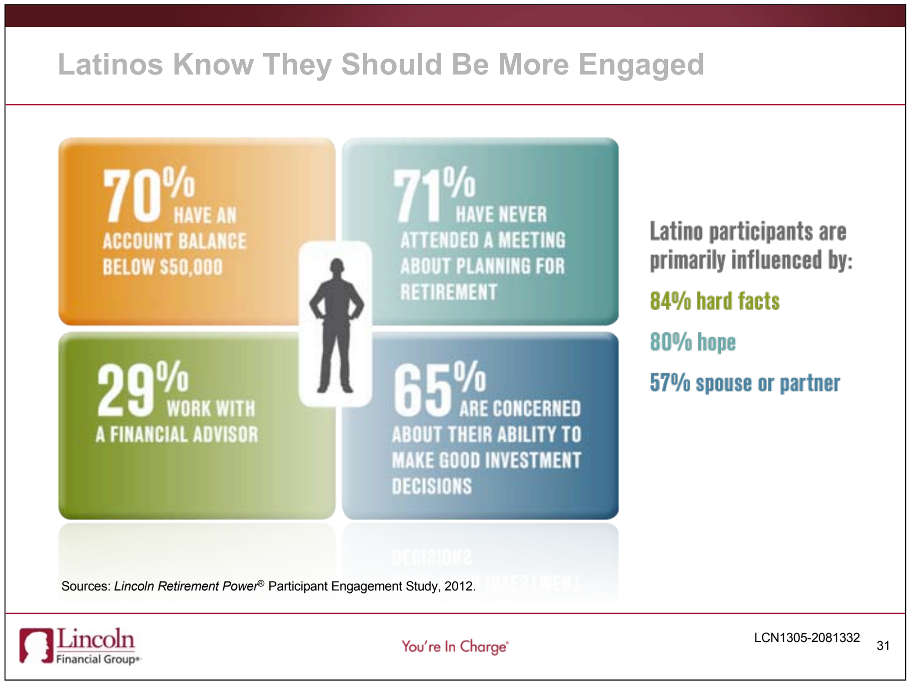

Latinos understand that they should be more engaged in the retirement planning process, and according to the *Lincoln Retirement Power®* Participant Engagement Study, they also seem to understand what behaviors could help them achieve better outcomes. Yet:

•70% have an account balance below $50,000

•71% have never attended a meeting about planning for retirement

•Only 29% work with a financial advisor

•65% are concerned about their ability to make good investment decisions

But what really influences their retirement-making decisions? Hard facts, hope and their spouse or partner.

Slide 32

All of this research is used to inform our communication and education program development. We use key learnings from our studies to identify new and innovative approaches to reaching underserved participant populations.

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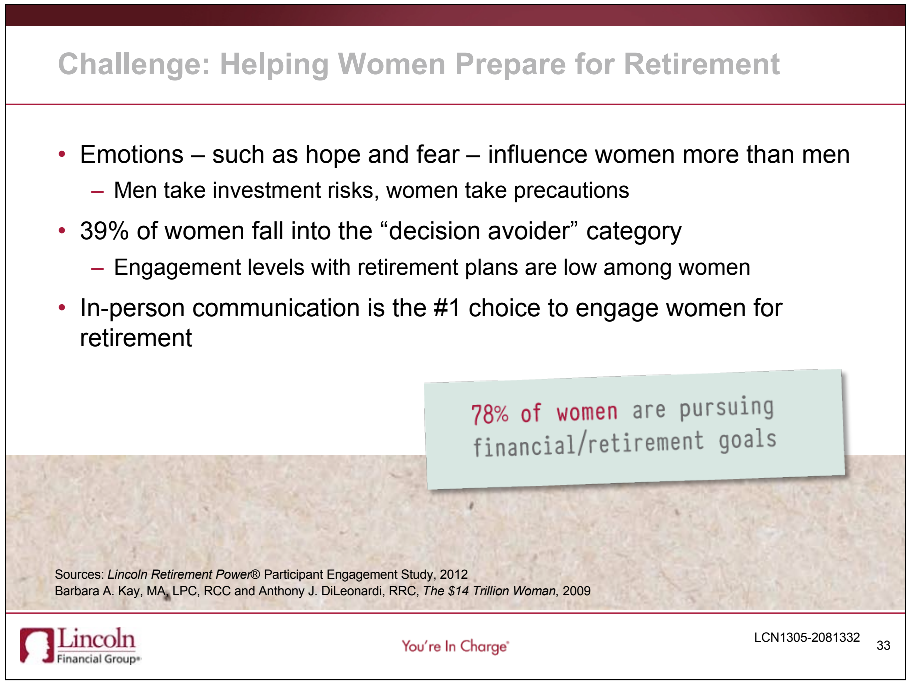

As we've discussed, women approach investing differently than men.

•They are influenced by emotions like hope and fear – and to a greater degree than hard facts and previous experience.

•Many women avoid taking charge of retirement planning

•Very few women are fully engaged, often leaving it to their partners

•In-person communication is overwhelmingly the #1 choice for engaging women in retirement planning.

What does this tell us?

To truly engage women, retirement plan providers and sponsors must be empathetic to fears and concerns related to retirement planning and investing, while helping turn hopes into specific investment goals. Providers must avoid fear appeals, and instead focus on optimistic, action-oriented messages.

Slide 34

So, what are we at Lincoln Financial doing to engage women participants? For starters, we have created targeted communications. Our highly focused seminar on *Women & Investing* is designed to empower women to take control of their financial future. This seminar addresses the complex issues that women face and focuses on tactical steps to achieving financial empowerment.

Our communications are aimed at helping women manage emotional influences and streamline their decision-making so they can get on track and get back to their other daily priorities—all while taking the steps required to achieve better retirement outcomes.

[transition]

Now, let's talk Gen X.

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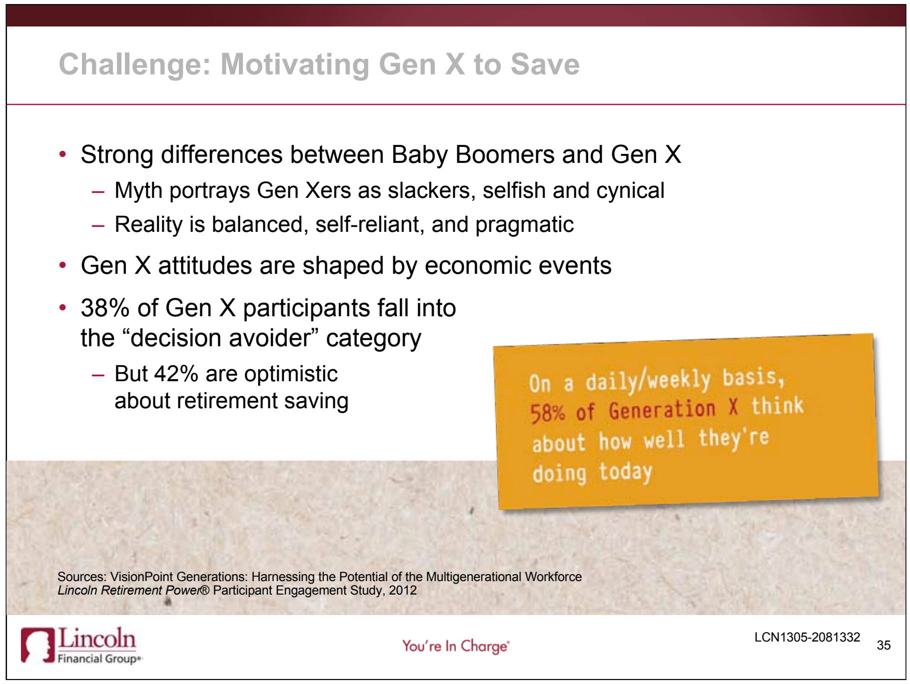


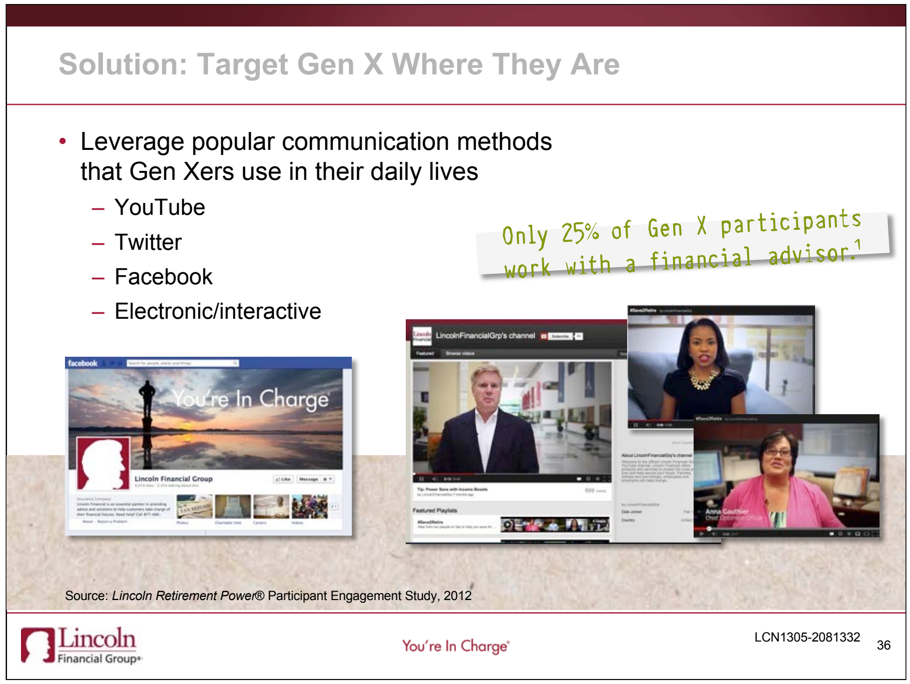
Gen Xers are the first generation that has been charged with taking control of their own retirement destiny. Gen Xers are currently between age 34-46.

Wariness about the stock market persists, as this group has already experienced three major economic crises in their adulthood.

58% think about how well they're doing financially today vs. 27% who think about how much they need to save for retirement.

Engagement in the retirement planning process among participants has suffered because the significant majority of participants, Gen X included, want an environment where someone else (an expert) is making most, if not all, of the important retirement planning decisions. Sounds like a DB plan – so, how do we accomplish this in our DC world?

Slide 36



How are we communicating with Gen Xers?

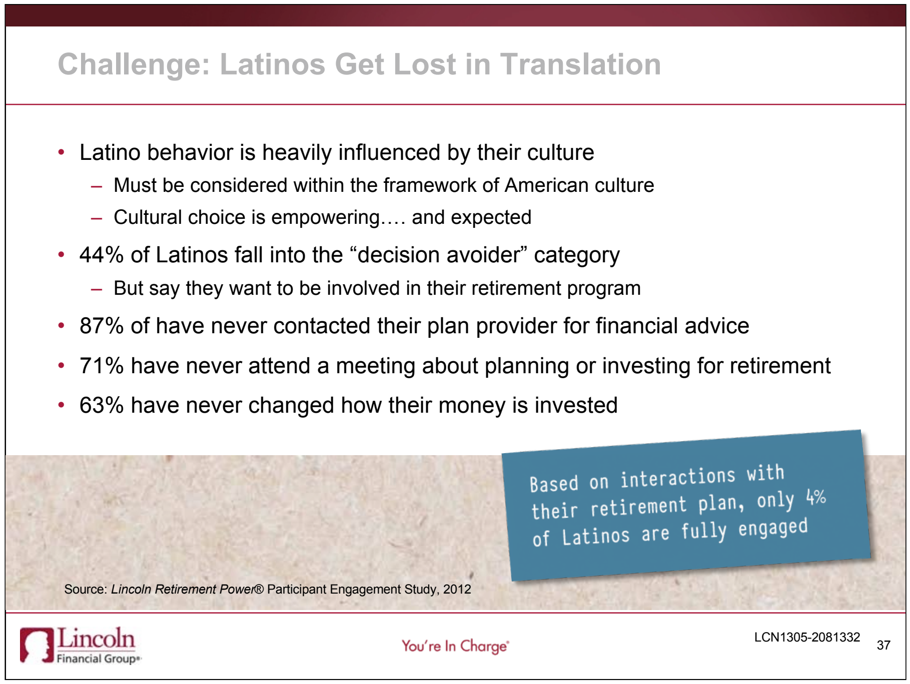
From YouTube videos and Facebook forums to Twitter and email – we use the channels that are most relevant for Gen Xers. We know this group prefers to be in the driver's seat – reaching out, watching, or replying to messages when it is most convenient for them.

As evidence of this preference, only 25% of Gen X participants work with a financial advisor.

[transition]

Now, let's move to our Latino participant population.

Slide 37



Lincoln Financial’s research on engagement and decision-making among Latino retirement participants revealed some stark truths:

87% have never contacted their plan provider for financial advice

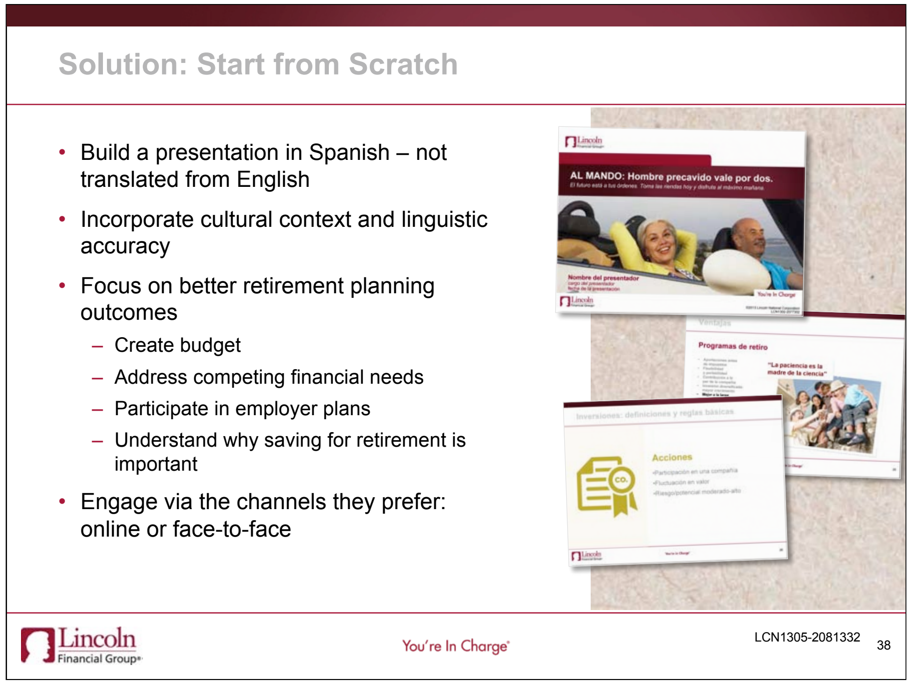
71% have never attend a meeting about planning or investing for retirement

63% have never changed how their money is invested

45% usually throw out or just glance at their retirement account statements

That said, Latino participants seem to understand the behaviors that could help them achieve better outcomes, and there is an opportunity to help Latino participants move from the blue sky hopes of achieving better retirement outcomes to the actions required to actually do so.

Slide 38



What are we, at Lincoln Financial, doing to support our Latino population?
First off, we have created a Spanish seminar and support materials to educate Spanish-speaking participants on the importance of saving for retirement.

As part of the award-winning *Retirement Reality* educational series, this financial education seminar was designed exclusively for Latinos. It provides Spanish-speaking plan participants with tips on saving for retirement, investing, and minimizing risk.

To ensure appropriate cultural context, linguistic accuracy/resonance, creative effectiveness, and cultural insights and research, this seminar was first written in Spanish (not translated from English) by an outside vendor and then reviewed again by a multicultural agency, The Vidal Partnership, which specializes in finance and the Latino market.

The seminar is geared to help participants:
•Create a budget
•Save while juggling competing financial needs
•Participate in employer-sponsored retirement plans
•Understand the fundamentals and importance of planning for retirement

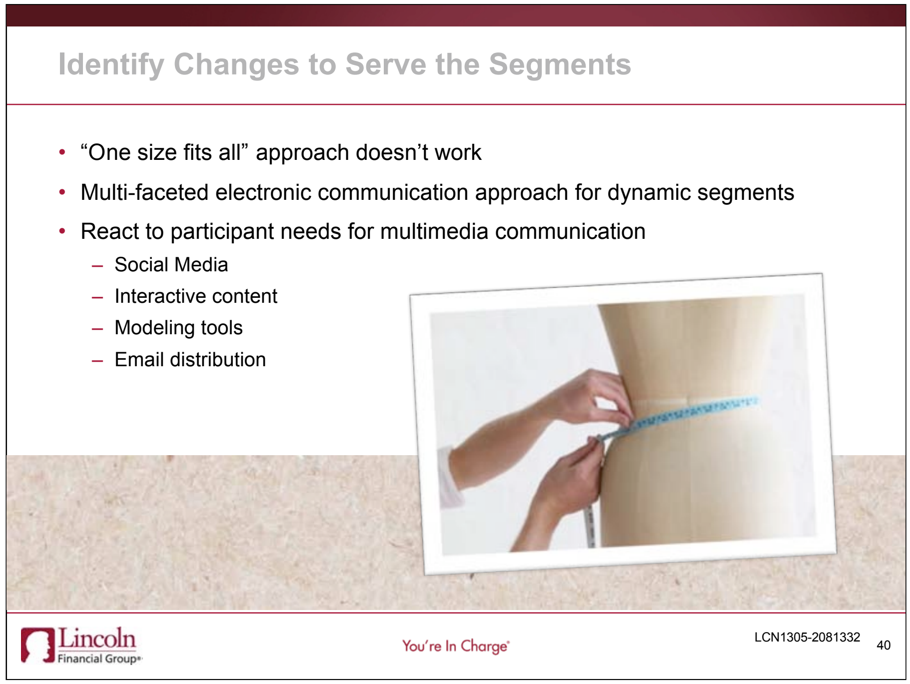
This seminar also includes interactive worksheets (in Spanish) designed to be used during the seminar to help attendees set realistic savings goals and assess their investment risk tolerance.

Slide 39

LINDA:

Even with all these insights and knowledge we've developed at Lincoln Financial, we still think our industry can do a better job of helping participants achieve retirement readiness.

Slide 40



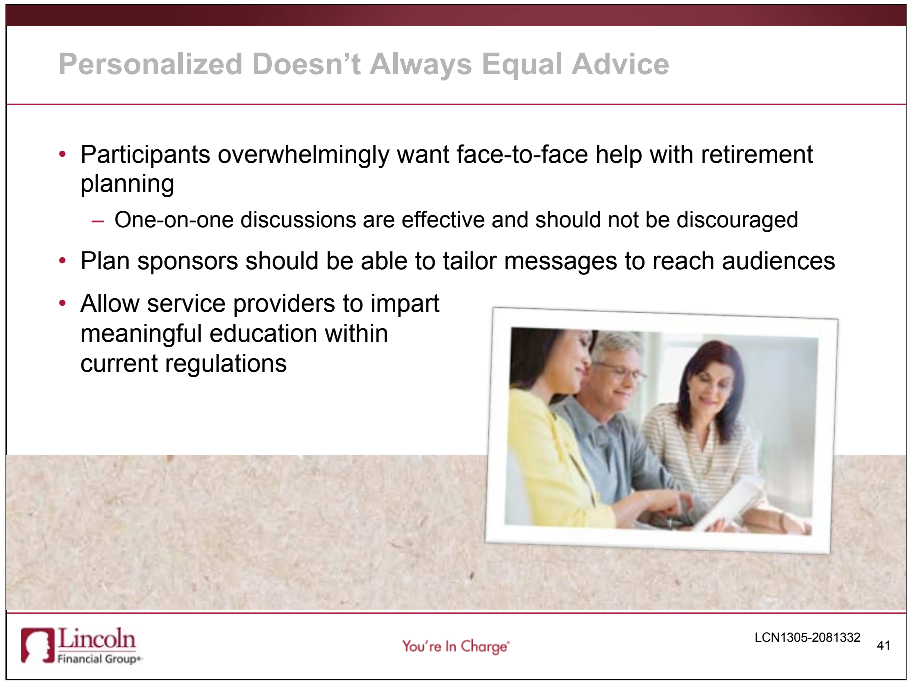
We know that there is no all-purpose communication and education plan that will work for all. But we have identified some changes that will help us better serve specific populations.

As we work to tailor our communication and education efforts, we must also think about how we integrate messages across all touchpoints for each audience. Channels + audiences + messages all must work together to be truly effective.

How ERISA fits in:

We feel that everyone could benefit from updated guidance around electronic communications, which would make it easier and more cost effective to deliver tailored communications to segmented audiences. As the rules continue to favor paper delivery, segmented communications of required disclosures will be costly (for many, cost prohibitive) and difficult. And given participants' varying communication preferences, we think paper delivery is also less effective than electronic delivery for many of our populations.

Slide 41

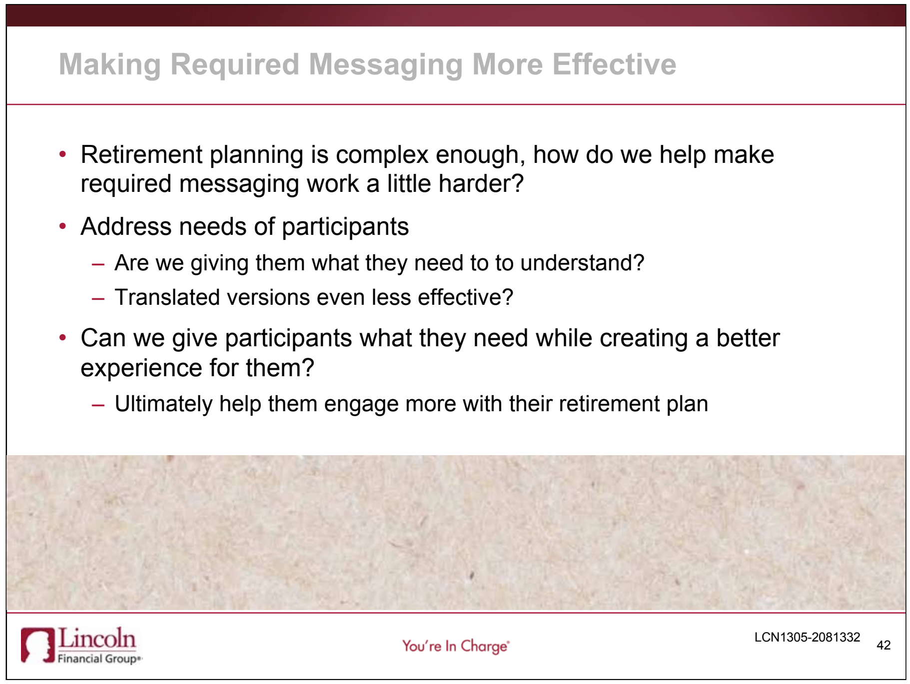


Service providers and plan sponsors aren't always able to provide the level of education they'd like in fear of crossing the line from "education" to "advice." While there are a myriad of tools that can be utilized to assist participants in reaching sound financial decisions—gap analysis statements and web-based modeling tools, for instance—they're often more effective when used in tandem with in-person assistance.

How ERISA fits in:

The regulatory environment should encourage one-on-one communication with participants. Rules should balance participants' need for protection with plan sponsors' and service providers' need to manage cost and legal risk. Striking this balance is critical to ensuring that participants have sufficient access to the services that they are telling us they need.

Slide 42



Legally required notices are omnipresent and seemingly ever-increasing in our business. It is not uncommon to mail a 26-page document to plan participants that includes fee disclosure information (sometimes for more than one plan), the plan's QDIA, Universal Availability information, blackout notice details, fund comparison charts, and more. The expense and resources consumed to develop and execute these mailings often precludes service providers and plan sponsors from providing meaningful education when it matters most: when a new plan is being introduced to the participant population.

And, on an annual basis participants receive upwards of a dozen notices. While they impart information to participants, none really "move the needle" toward greater retirement savings or motivate them to become more engaged with their retirement plan.

How ERISA fits in:

We recommend that rules around the content and delivery of these required communications focus on ensuring that they are readily available and easy to understand, should a participant wish to actually read them! A participant receiving disclosures that include every detail does not achieve our goal of effective communication if the participant does not read them. And looking at this [**hold up the 26-page document]** – who could blame them?

So we'd like to consider whether there other options for communicating this information. Could there be an option to provide a shorter, more reader-friendly version of this information that allows participants to access further details elsewhere? Could we consolidate some of the disclosures? And of course, we think it would be helpful if we could provide more of this information online.

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Now let's talk about how we communicate with participants.

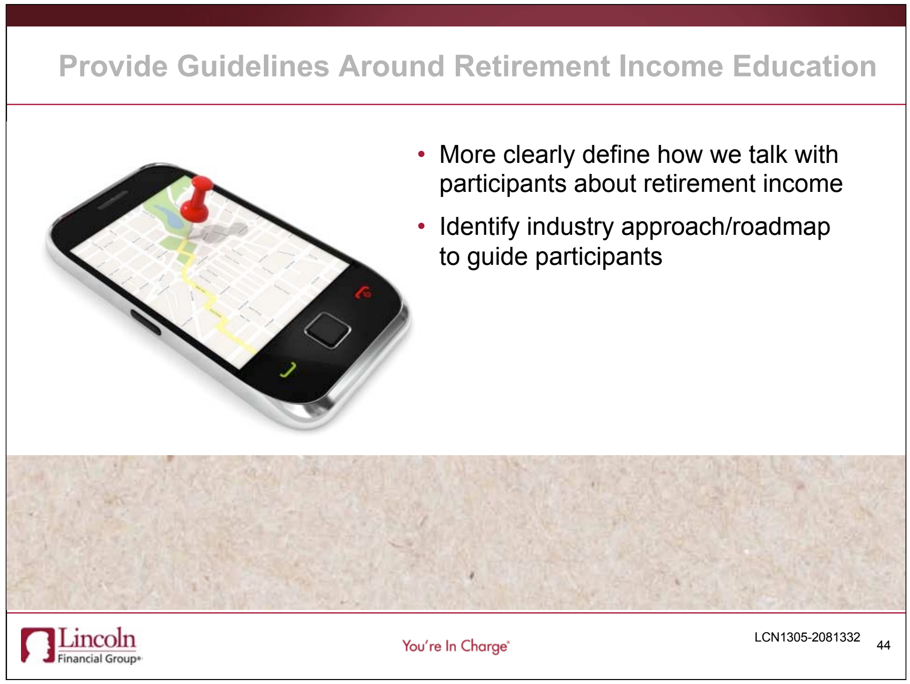
We send the legally required notices, we provide information when a plan transitions to a new service provider. We send emails about specific plan issues and invite participants to meetings. We also post posters, send postcards and emails, and distribute brochures and newsletters. We create videos, webinars, and FAQs. We send text reminders and communicate via Twitter and Facebook.

When is enough enough, or better yet, who is thinking about the participant in the center of this swirling maelstrom of communications?

How ERISA fits in:

We feel that this communication blizzard could be partially ameliorated by streamlining disclosure requirements and updating communication delivery rules.

Slide 44



Another opportunity we see on the horizon is guidelines for retirement income education.

Increasingly, plan sponsors are asking for more education around retirement income planning. Yet approaches to retirement income planning vary greatly from provider to provider. A participant, particularly one who has experience with more than one provider, may end up being more confused than ever.

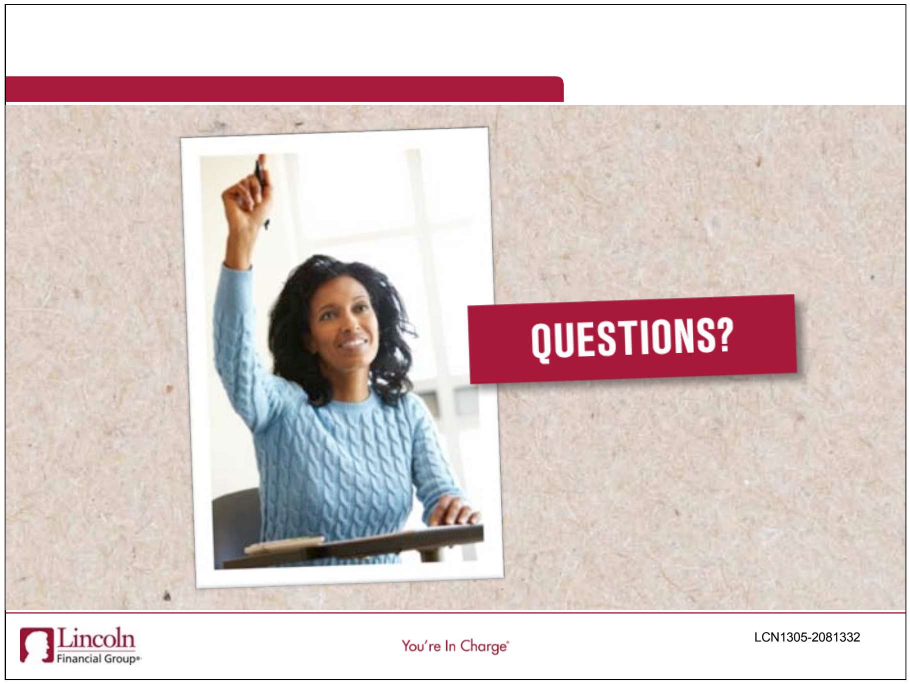
The recent DOL effort to either require "retirement income" or a safe harbor conversion of a participant's balance to monthly income will create communications that give participants a good idea of the security their current balance and projected balanced will provide. This effort, if required for all ERISA DC plans, transcends plan design. For example, a participant with a $200,000 balance may think he's saved plenty for retirement – until he realizes that only translates to about $4,000 a year.

Industry-wide recommendations, even around how much money participants should save for retirement, would be immensely helpful—leading to more consistent guidance and education.

How ERISA fits in:

Regulatory guidance clarifying what plan sponsors and service providers can say to participants about preparing for retirement--without providing explicit investment advice--would be very helpful.

Slide 45



Thank you for your time and attention.

At this point, we would be happy to address any questions or comments that the Council may have.