

Workplace Insights™

401(k) Wellness Scorecard

For quarter ending December 31, 2013

We at Bank of America Merrill Lynch are working with employers to create the next generation of 401(k) plans. Employees increasingly rely on defined contribution plans to provide the foundation for their future financial lives. We work with plan sponsors to enhance and improve the plans they offer, helping to meet the needs of both employers and employees. These efforts are bearing fruit: Reviewing data from across the 401(k) plans we service, we found that employees' potential for successful participation rates improve when plan sponsors offer streamlined, convenient enrollment options; design plan features to engage otherwise unengaged employees; and provide robust advice offerings. Moreover, in 2013, participants' positive savings actions continued to gain momentum, and employees overall displayed stronger financial wellness. We believe these gains are not happening by chance, but rather are the result of working effectively with plan sponsors.

This quarterly scorecard monitors plan participants' behavior and sponsors' adoption of new plan design features and services in our proprietary 401(k) business, which comprises \$120 billion in total client plan assets and 2.5 million total plan participants with balances as of December 31, 2013.¹

"Defined contribution plans have become central to employees' financial lives. We are working with employers to create the next generation of 401(k) plans — incorporating the features, innovations and advancements that support employee financial wellness."

— Kevin Crain,
Senior Relationship Executive, Bank of America Merrill Lynch

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Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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Key findings

Our fourth-quarter and full-year results demonstrate that when intelligent plan design is combined with hands-on assistance, employees are more likely to participate and engage with the plan.

1. Streamlining the enrollment process helps boost participation. Simplified enrollment and automatic features have historically increased enrollment and contribution rates.

2. 401(k) plan enrollment provides an opportunity to support good financial decisions. Some employers are successfully coupling retirement choices with decisions about health care and other important topics.

3. Offering more plan design features can help improve contribution and participation rates. Employees in plans with a wide array of plan design features have historically seen higher participation than workers in plans that offer a less comprehensive set of features.

4. Advice and guidance help employees meet financial goals. Our results consistently show that employees who use Advice Access see an increase in the likelihood of reaching their retirement goals.

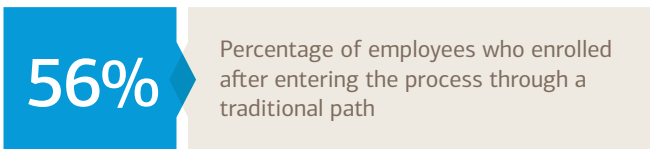
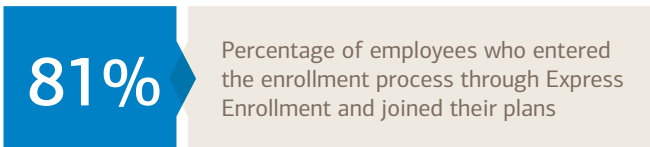
Making participation easy

Enrolling in a 401(k) plan the old way can seem overwhelming and complex to employees. We have worked with plan sponsors to make the process easier and more personal, with the goal of moving employees past this critical hurdle in order to strengthen their financial wellness. Two important initiatives, Express Enrollment and automatic enrollment, displayed particularly strong results in 2013.

Express Enrollment: The fast lane to plan participation

Express Enrollment simplifies the enrollment process by limiting the upfront choices employees have to make in order to get into the plan. This feature streamlines enrollment — which traditionally requires employees to fill in blank fields for choices such as investment options and contribution rates — by suggesting a few choices.

Plan sponsors have responded enthusiastically to the opportunity to fast-track enrollment. The impact has been powerful:



Enrollment comparison based on actions taken May – Dec. 2013. The 81% figure includes only plans that offer Express Enrollment, while the 56% figure reflects plans that do not offer Express Enrollment.

Automatic features keep up their momentum

Among the generation of defined contribution plan improvements that followed the Pension Protection Act of 2006, automatic enrollment was the flagship feature. It now has a consistent track record of increasing plan participation.

Express Enrollment offers ...

- An easier way to make decisions
- Enrollment in just a few clicks
- A choice of three contribution rates, or the option for employees to select their own
- Flexibility to choose the Express Investment² or select from the full plan menu
- The full enrollment process for employees who want it
- An effective way to re-engage employees who opted out of auto enrollment

Plan sponsors see the benefits of automatic enrollment and continue to adopt it: The number of plans offering auto enroll increased 16% in 2013. Many also are adopting automatic contribution increases, making it easier for employees to defer more over time. The number of plans offering auto increase grew 25% in 2013, and the number that combine auto enroll with auto increase grew 20%.

What's more, our research indicates that auto-enrolled participants have become more likely to boost their contribution rates on their own.³ **Since the beginning of 2012, 41% of auto-enrolled participants without auto-increase have voluntarily increased their contribution rates.**³ In 2011, the figure was only 25%.



Coupling 401(k) enrollment with other financial decisions

A growing number of employers offer health savings accounts (HSAs) alongside high-deductible health plans. The plans have proven popular with employees as well: The number of employees who hold HSAs increased 56% in 2013. These figures indicate that employers and employees both appreciate HSAs' tax advantages for funding medical expenses now and in retirement.

Dramatic increase in health savings accounts

HEALTH SAVINGS ACCOUNTS	Year-end 2012	185,242
	Year-end 2013	289,075

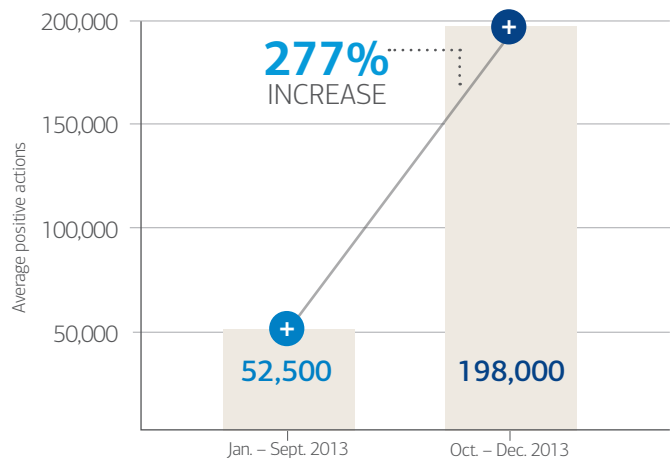
Combining important financial choices

Our efforts to support broad financial wellness represent another evolution of the 401(k) plan. In particular, we have worked with employers to connect employees' choices about health care with their decisions about retirement.

Some of our plan sponsor clients work with us to capitalize on the HSA trend by synchronizing 401(k) enrollment and annual health care open enrollment. Synchronized enrollment gives employees an opportunity to make multiple financial

decisions easily and defer for both retirement and health care in one sitting. Employees respond to such opportunities enthusiastically: For three years running, plans that coordinate 401(k) plan enrollment with their health care open enrollment period (typically October through December) exhibited large increases in enrollment and contributions.

"Enrollment months" generate more positive actions



Average monthly positive contribution actions (starts/increases) during annual health care open enrollment period for 1,265,256 employees eligible for 401(k) enrollment.

More plan design features may lead to better contribution and participation rates

Our findings suggest that employers looking to support employees' financial wellness might consider offering a broader selection of plan design features, such as automatic enrollment, automatic contribution increases and advice. Our 2013 data showed that, in all sectors, employees in plans with more features have higher participation and contribution rates than employees who participated in plans that offer some or none of these features.

One possible explanation for this outcome: Providing a comprehensive menu that's presented simply helps serve the wide variety of employee needs, potentially increasing employees' eagerness to make use of the plan.

Plans with a wide range of features have higher participation and contribution rates than plans that have fewer or no features⁴



Data from Jan.1 to Dec. 31, 2013. Numbers based on plans eligible to offer Advice Access, auto enroll, auto increase, Roth 401(k) and self-directed brokerage. Participation and contribution rate ranges include plans in the largest sectors: health care, manufacturing, retail, and finance and insurance.

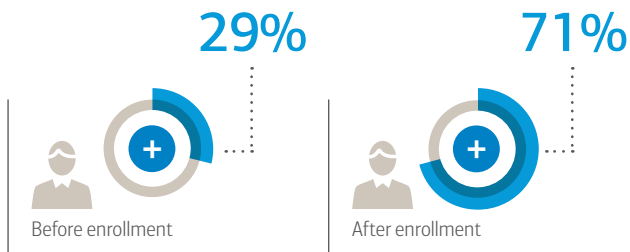
Advice and guidance help employees meet financial goals

Nearly 60% of employees say they need help managing their retirement savings.⁵ This statistic reinforces our daily experience: We have received roughly one million email addresses from our clients' employees who want additional financial education materials. Our research shows employees who use Advice Access and other forms of guidance dramatically improve the likelihood of reaching their retirement income goals.⁶

Advice Access continues showing powerful results

The number of plans using Advice Access increased 14% in 2013. Some 90% of employees who enroll in Advice Access choose to use PersonalManager®, a managed account that offers periodic reallocation and rebalancing. These individuals experience a sharp increase in the likelihood of reaching their retirement income goals.

Likelihood of reaching retirement income goal⁶



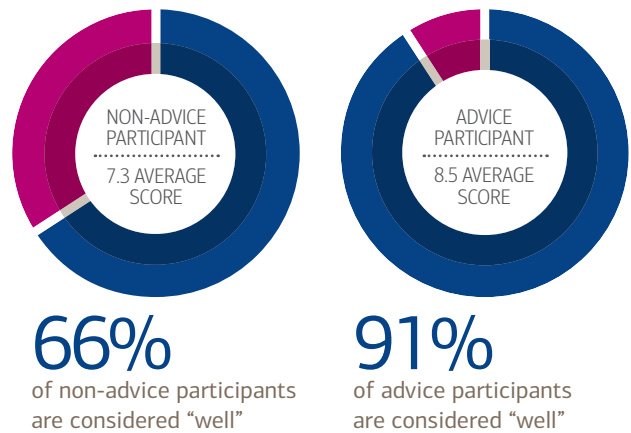
Participants enrolled in PersonalManager® see an increase in the likelihood of reaching their goals.

Advice Access: an investment advisory service that offers personalized, unbiased savings and investment recommendations

PersonalManager: part of Advice Access, a managed account solution that offers periodic reallocation and rebalancing

Furthermore, according to the December 2013 *Financial Wellness Monitor*® report,⁷ our results consistently show that employees who use Advice Access have better participation than those who don't.

Employees using advice offerings have better financial wellness scores⁸



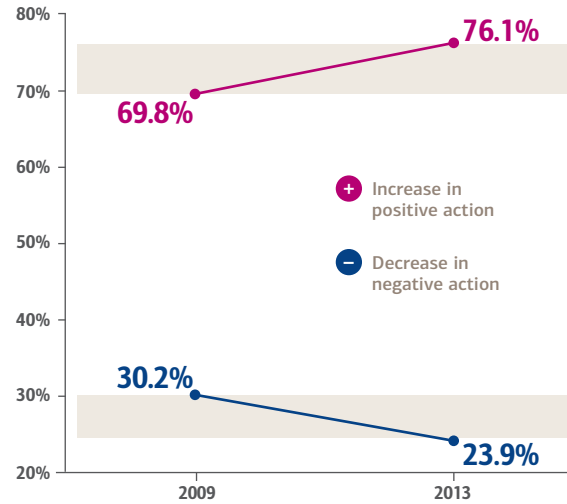
Employees' positive actions continue to rise



The number of our clients' employees who take positive action in their 401(k) plans continues to grow. In addition to rebounds in economic conditions, we attribute these improvements to our ongoing work with plan sponsors and their commitment to improving employee financial wellness.

- During the fourth quarter of 2013, more than 513,000 participants (83% of those who took a savings action) started or increased contributions — a 10% increase from the fourth quarter of 2012.
- Throughout 2013, more than 986,000 employees (76% of those who took a savings action) started or increased contributions to their plans — an increase of 3% from 2012 and a 6% annualized gain since 2010.

Employees continue to take positive action



Positive actions occur when participants start contributions for the first time or increase contributions to their plans. Negative actions occur when participants stop or decrease contributions to their plans.

98%

Percentage increase in usage of BenefitsOnLine® Mobile from May to December 2013

Moving ahead

As 2014 begins, consider the insights we have gained from years of analyzing plan sponsor trends and employee behavior:

- **Make enrollment easier.** Employees respond enthusiastically when enrollment and contribution changes are simple and convenient.³
- **Use 401(k) enrollment to support other financial decisions.** Combining enrollment for retirement plans, health care and other important topics can help employees take positive actions.
- **Adopt plan design features designed to help improve employees' participation.** Consider offering an array of plan design features that help your employees establish and maintain good savings and investing behaviors. Plans with more features typically can produce significantly better participation than plans with fewer or no features.⁴
- **Offer employees access to advice, guidance and educational information.** Employees desire and value this support — and it may improve their chances of achieving financial wellness.⁶

For more information

Contact your Bank of America Merrill Lynch representative or call 1.877.902.8730 for details on the action steps you can take to potentially affect positive employee participation and help improve the vibrancy of your 401(k) plan. You also can visit us online at benefitplans.baml.com or email us at benefitplans@baml.com.

Advice Access is an investment advisory service that offers personalized, unbiased savings and investment recommendations — provided by an independent financial expert, Ibbotson Associates. Individualized, comprehensive and highly flexible, Advice Access can help put plan participants on track when pursuing their retirement goals. Participants can use this service in one of three ways:

- *PersonalManager — A managed account solution with periodic reallocation and rebalancing, for the “Do-it-for-me investor”*
- *Portfolio Rebalancing — Asset allocation with periodic rebalancing, for the “Do-it-with-me investor”*
- *One-Time Asset Allocation — Asset allocation based on a point-in-time analysis; will not factor in future changes in personal information or current market conditions, for the “Do-it-myself investor”*

The Advice Access service uses a probabilistic approach to determine the likelihood that participants in the service may be able to achieve their stated goals and/or to identify a range of potential wealth outcomes that could be realized. Additionally, the recommendations provided by Advice Access do not consider an individual’s comfort level with investment risk and may include a higher level of investment risk than a participant may be personally comfortable with. Participants are strongly advised to consider their personal goals, overall risk tolerance and retirement horizons before accepting any recommendations made by Advice Access. Participants should carefully review the explanation of the methodology used, including key assumptions and limitations, which is provided in the Advice Access disclosure statement. It can be obtained through Benefits OnLine®, or through your Bank of America Merrill Lynch representative.

IMPORTANT: The projections or other information shown in the Advice Access service regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Results may vary with each use and over time.

¹ Bank of America Merrill Lynch’s Retirement and Benefit Plan Services (Retirement and Benefit Plan Services) is part of Global Wealth and Investment Management (GWIM), the wealth and investment management division of Bank of America Corporation. As of December 31, 2013, Retirement and Benefit Plan Services had client balances of \$120.3 billion. Client balances consist of assets under management, client brokerage assets and deposits of GWIM retirement plan participants held at Bank of America, N.A. and affiliated banks.

² As determined by the plan sponsor.

³ Population includes 93,804 employees who were auto-enrolled for at least one year and are currently active with no auto-increase feature in their plans.

⁴ Data from Jan. 1 to Dec. 31, 2013. Average participation rates, by sector, for employees enrolled in plans with a wide range of features vs. employees enrolled in plans with fewer or no features: health care: 94% vs. 44%; manufacturing: 88% vs. 64%; retail: 82% vs. 55%; finance and insurance: 88% vs. 67%. Average contribution rates, by sector, for employees enrolled in plans with a wide range of features vs. employees enrolled in plans with fewer or no features: health care: 9% vs. 6%; manufacturing: 8.5% vs. 7%; retail: 5.4% vs. 5%; finance and insurance: 8.8% vs. 8%.

⁵ *Employee Workplace Benefits Report*, May 2013, Bank of America Merrill Lynch. Methodology: Boston Research Group interviewed and completed a national sample of 1,014 interviews for Bank of America Merrill Lynch. An Internet methodology was used to reach 401(k) plan participants. Interviews were collected from March 6 through March 17, 2013. Respondents were screened to ensure current participation in a 401(k) plan. Bank of America Merrill Lynch was not identified as the sponsor of the study.

⁶ Bank of America Merrill Lynch compared the current strategy as it was initially presented to the participant before enrolling in the Advice Access service (i.e., the participant’s likelihood of achieving their retirement savings goal if they took no action and did not implement the strategy) to the participant’s current likelihood of reaching their retirement savings goal as of their most recent interaction with Advice Access (i.e., based on the results of their most recent rebalance transaction within the service). While the initial enrollment and most recent rebalance dates may be different for each individual, this analysis covers the time frame Bank of America Merrill Lynch initially launched the service in October 2003 through August 2013. This analysis excludes participants who were automatically enrolled or defaulted into PersonalManager®.

⁷ *Financial Wellness Monitor*® provides plan sponsors offering Advice Access with an overview of the financial well-being of their plan participants. Well-being is defined as savings and investing behavior that can lead to retirement success. The *Financial Wellness Monitor*® gives each participant a score from 0 to 10, 10 being the highest wellness level. Points are deducted based on symptoms associated with proven at-risk behaviors such as concentrating in a specific asset class or not fully benefiting from company match. A score of 7 or higher is regarded as being “well.”

⁸ *Financial Wellness Monitor*® report as of December 31, 2013. Represents plans that made Advice Access available to participants.