Institutional Consultants vs. Retirement Aggregators:

Trends in DC Strategic Priorities

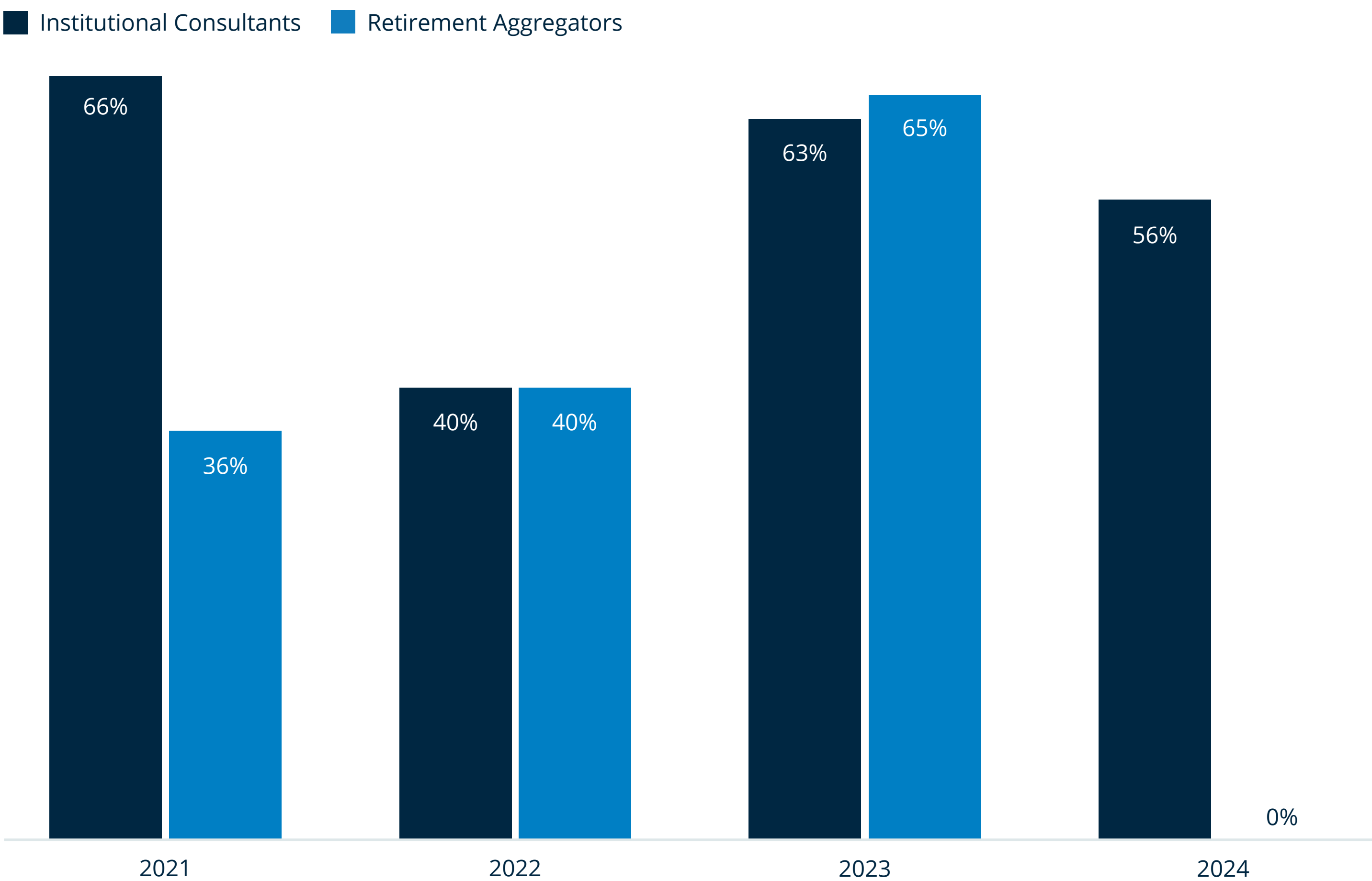
January 2025

Over the last several years, PIMCO's *Defined Contribution Consultant Study (DCCS)* has revealed distinct trends in the strategic priorities of retirement aggregators (RAs) and institutional consultants (ICs). Between 2021 and 2024, key firms were surveyed to identify their top strategic DC priorities for each calendar year. Among the priorities presented to respondents, notable selections included expanding upmarket presence, enhancing OCIO (Outsourced Chief Investment Officer) capabilities, expanding investment research capabilities, and merging with or acquiring other firms. This white paper examines these emerging trends, providing an overview of how RAs and ICs prioritize their goals across four critical variables.

Expanding Presence Upmarket

In 2021, 66% of ICs prioritized expanding their presence upmarket, compared to 36% of RAs. By 2022, both groups showed equal interest, with 40% prioritizing this goal. The focus intensified in 2023, as 63% of ICs and 65% of RAs emphasized this priority. However, in 2024, while 56% of ICs continued to prioritize expanding upmarket, RAs did not identify this as a top priority. **See Exhibit 1**.

Exhibit 1 | Expanding Presence Upmarket



Source: Cerulli Associates

Cerulli research (2024) indicates that DC consultants are primarily focused on the mid-sized market ($25 million – $250 million) but have increasingly focused on the large market ($250 million – $1 billion). Several factors drive these trends, including the greater revenue potential associated with larger plans, the demand for advanced expertise to manage complex investment strategies, and heightened fiduciary concerns and litigation risks. These factors underscore the strategic importance of expanding upmarket, as firms seek to capitalize on lucrative opportunities while addressing the sophisticated needs and regulatory challenges of larger clients. This shift reflects a broader industry trend toward targeting higher-value market segments to enhance growth and competitive positioning.

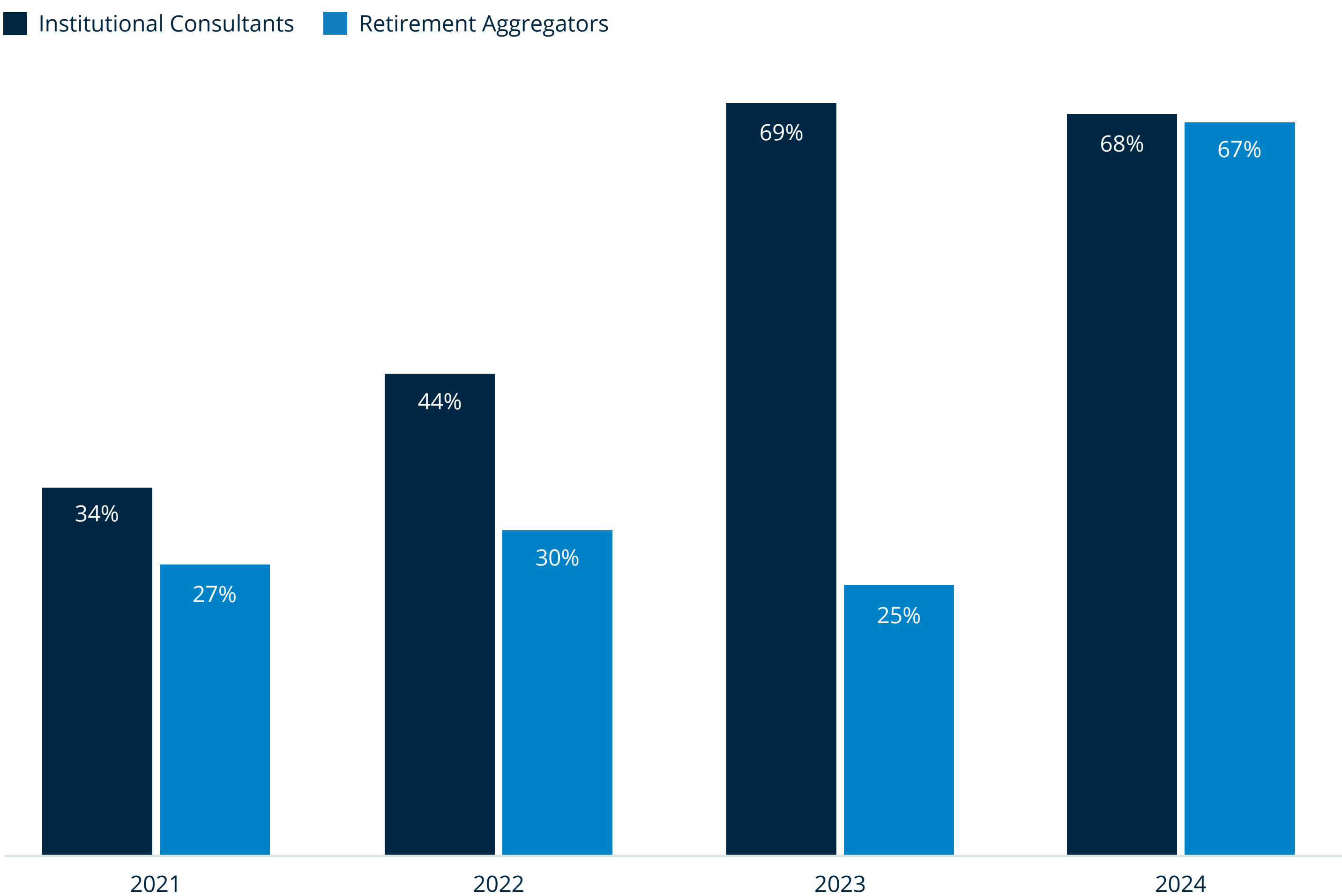
As ICs and RAs jockey for position upmarket, it is important to note the distinguishing features between the two groups concerning participant service offerings. PIMCO's 2024 *DCCS* finds that RAs are more likely to offer direct participant services, including financial wellness programs, on-site participant education, and advisor-managed accounts. In contrast, ICs are much more likely to offer services related to plan and benefits design, white-label development, and retirement income implementation.

Even with respect to asset allocation services, PIMCO's *DCCS* shows that ICs are more likely to offer custom target date services, while RAs are more focused on offering advisor-managed accounts. For plan sponsors in the large and mega market segments, the challenge will be determining which services are most beneficial for participants.

Enhancing OCIO Capabilities

The survey results for enhanced OCIO capabilities highlight a growing institutional emphasis among ICs and RAs. In 2021, 34% of ICs and 27% of RAs prioritized enhancing OCIO capabilities. This focus increased in 2022, with 44% of ICs and 30% of RAs affirming this priority. The trend rose sharply in 2023, with 69% of ICs and 25% of RAs focusing on OCIO enhancements. By 2024, the priorities were nearly equal, with 68% of ICs and 67% of RAs highlighting the importance of enhanced OCIO capabilities. **See Exhibit 2**.

Exhibit 2 | Enhancing OCIO Capabilities



Source: Cerulli Associates

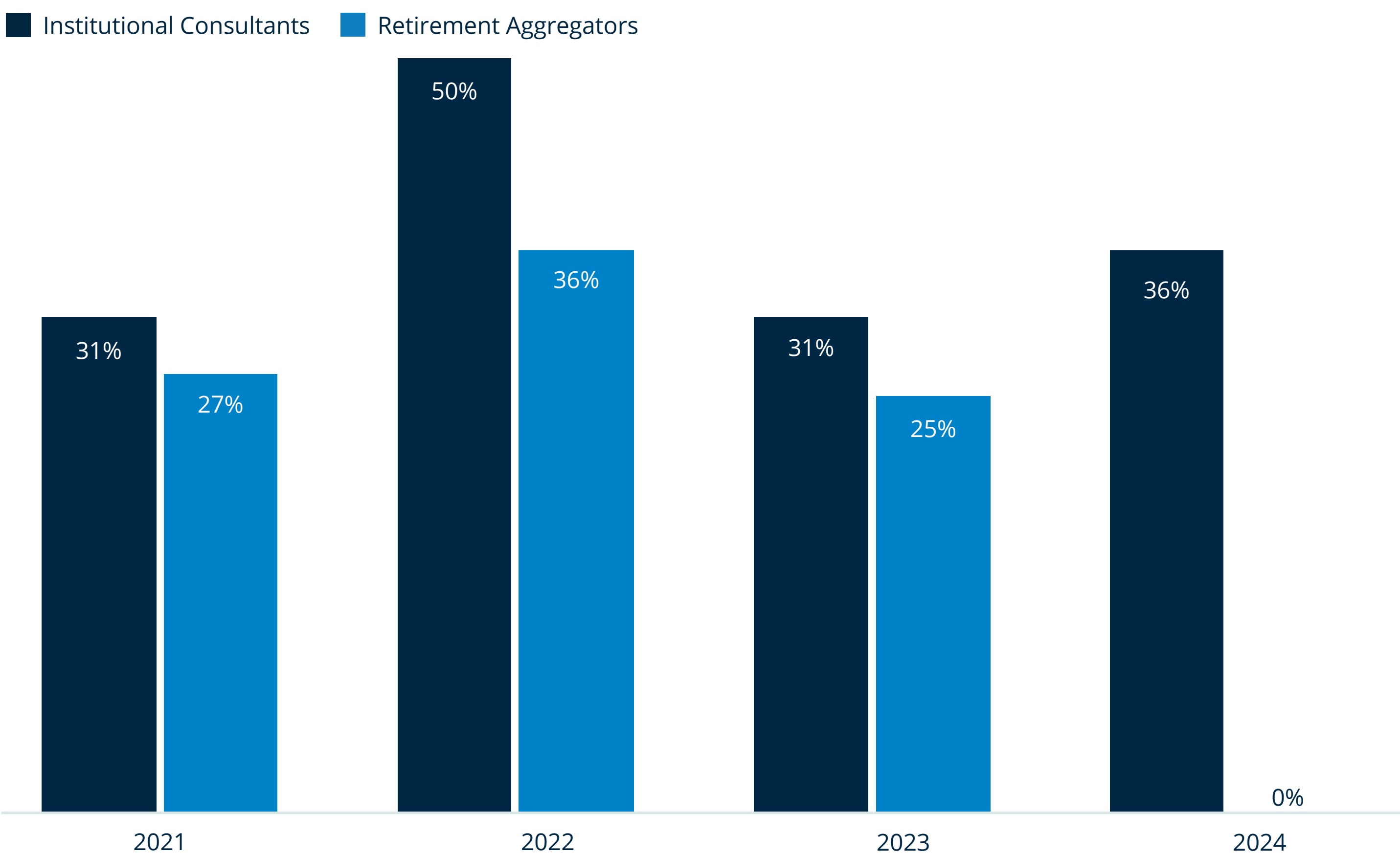
Cerulli data indicates that all OCIO providers managing DC plan assets offer comprehensive services, including plan design, investment manager monitoring, and selection for their full-discretion clients. Several factors help explain these trends, including the increasing demand for delegated investment management, the increasing complexity of DC plan investment lineups, and the need for customization to improve participant outcomes. OCIO also represents increased revenue opportunities for ICs and RAs. These drivers underscore the strategic importance of OCIO capabilities, as firms seek to address the sophisticated needs of DC plans and deliver better results for participants through tailored investment solutions and expert management.

Expanding Investment Research Capabilities

For expanding investment research capabilities, the results reveal fluctuating priorities among ICs and RAs. In 2021, 31% of ICs and 27% of RAs prioritized expanding research capabilities. This focus peaked in 2022, with 50% of ICs and 36% of RAs emphasizing this area. However, the priority decreased in 2023, with 31% of ICs and 25% of RAs focusing on research expansion. By 2024, 36% of ICs continued to prioritize this area, while RAs did not select it as a top priority. **See Exhibit 3**.

Several key elements help explain these trends, including rising client expectations for more sophisticated and tailored investment advice, the evolving investment landscape that requires continuous research and adaptation, and a growing focus on retirement income solutions. These factors underscore the importance of robust research capabilities to meet client demands, navigate complex markets, and develop innovative retirement strategies.

Exhibit 3 | Expanding Investment Research Capabilities



Source: Cerulli Associates

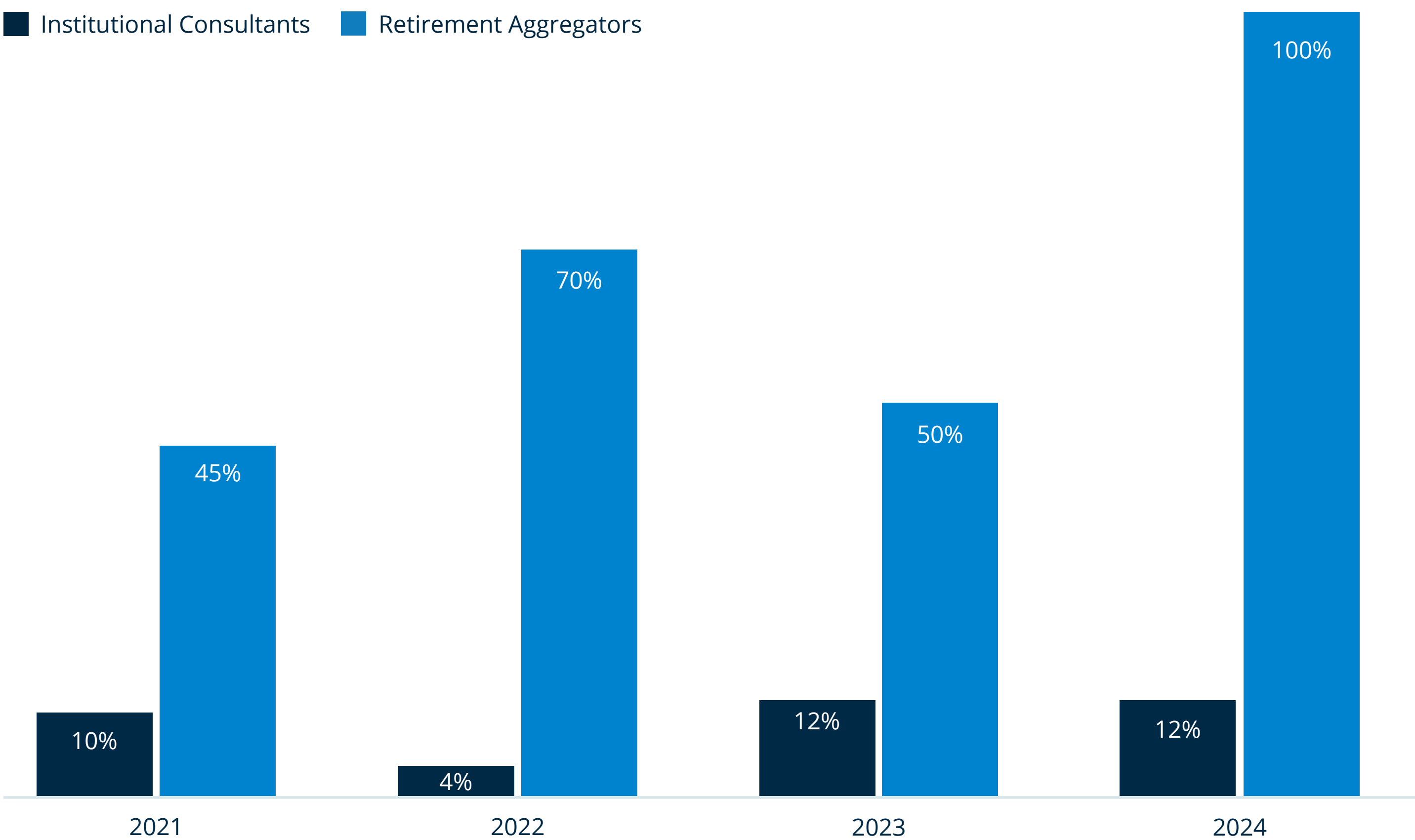
Merging or Acquiring Other Firms

The survey results for merging with or acquiring other firms highlight a significant divergence in priorities between ICs and RAs. For ICs, this strategy has consistently been a low priority, with only 10% prioritizing mergers or acquisitions in 2021, 4% in 2022, and 12% in both 2023 and 2024. In contrast, for RAs, mergers and acquisitions have consistently registered as a top-two priority. In 2021, 45% of RAs prioritized this strategy, which surged to 70% in 2022, decreased slightly to 50% in 2023, and reached 100% in 2024. **See Exhibit 4**.

Fundamental drivers of these trends include the desire for rapid scale and market share growth, the opportunity to capitalize on industry fragmentation, and the need to prepare for fee compression and margin pressures. These factors underscore the strategic importance of mergers and acquisitions for retirement aggregators as they seek to enhance their competitive positioning and operational efficiency in a consolidating market.

Additionally, when RAs merge or are acquired, they often combine their client bases, leading to an increase in the overall size of their client pool. RAs will have to be nimble, as a larger client base can lead to operational complexities and challenges in maintaining consistent client service.

Exhibit 4 | Merging or Acquiring Other Firms



Source: Cerulli Associates

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