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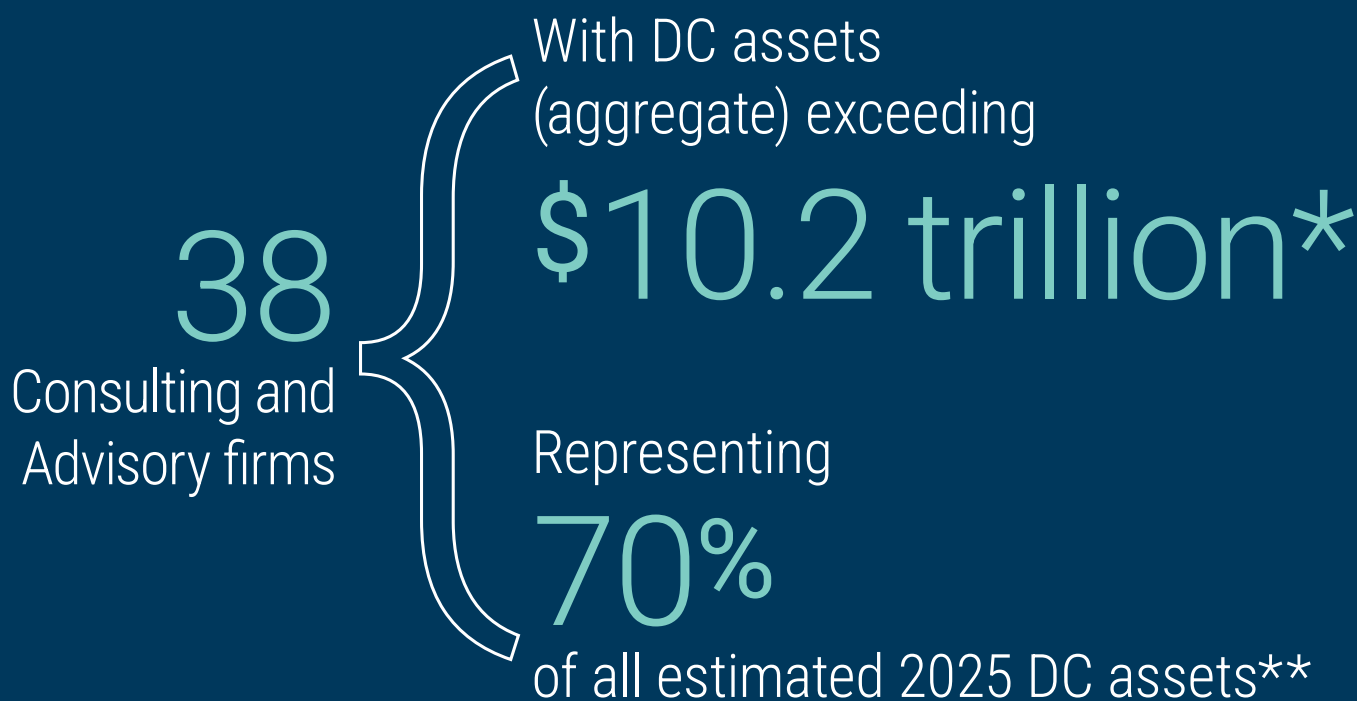
Executive Summary

PIMCO Defined Contribution
Consulting Study 2026





This year marks the 20th anniversary of PIMCO's DC Consulting Study. In early 2026, we gathered detailed input from:



Serving over
53,000
DC Plan clients

Responses were collected from January 5, 2026
through February 16, 2026.

* 38 firms participated in this annual study. Of this population, 2 firms were unable to provide AUA/AUM figures, while 36 did. Total AUA/AUM is reflective of the figures reported by the participating firms.

** Sources: Department of Labor, Milliman, Federal Thrift Savings Plan Annual Reports, Investment Company Institute, S&P Capital IQ MMD, PLANSPONSOR Magazine, U.S. Census Bureau, United States Office of Personnel Management, Cerulli Associates.

Key Conclusions ►

Active management where it matters:

- Both Institutional Consultants and Aggregators identified blended target date funds (TDFs) – which combine active and passive management – as the Qualified Default Investment Alternative (QDIA) option most likely to see increased adoption in the next three years. **71% of DC Intermediaries** expect plan sponsors to boost their use of blended TDFs over that period – the highest level of consensus recorded since this survey question was introduced. This response underscores how widely these active-passive TDFs are now viewed as the future of default investment design, offering a pragmatic middle ground between fully active and fully passive approaches. Notably, plan sponsors appear **willing to pay a fee premium, estimated at 13–24 bps, for actively managed fixed income strategies** in the core menu if they deliver net-of-fee outperformance. A signal that sponsors are focusing their active risk budget “where it counts,” particularly in asset classes like bonds where active management’s value-add is seen as most compelling.

Customized defaults leap beyond mega plans:

- Custom and personalized target date solutions are rising in prominence as DC plan sponsors seek better alignment with participant demographics. **Fully custom, plan-specific TDFs** – historically used only by mega plans – are now expected to see increased adoption by **46% of DC Aggregator firms**. While typically working with small to mid-size plans that are less likely to employ custom TDFs, this likely reflects Aggregators’ expansion into larger plans. Moreover, **85% of Aggregators** foresee growing sponsor interest in **personalized TDFs**, TDFs customized at the participant level, as a next-gen QDIA option. Institutional Consultants similarly note steady or growing use of custom TDFs among large plans, but see personalized TDFs as a more nascent, longer-term development.

Retirement income moving from concept to action:

- Both non-guaranteed and guaranteed in-plan retirement income solutions are gaining traction across DC plan menus. **Fifty-two percent of plans** working with Institutional Consultants **already offer non-guaranteed, income-focused strategies** such as fixed income or multi-asset options in their core menus. Aggregators are rapidly catching up. Although just 17% currently have such retirement income focused funds in place, **93% of Aggregators** say it's likely their plan clients **will add these strategies within the next year**. Looking ahead, target date series with **embedded annuity guarantees** are viewed as the most likely **next phase of retirement income adoption**, provided key hurdles such as multi-recordkeeper availability and better fee transparency can be overcome. Both Institutional Consultants and Aggregators agree that giving participants flexibility in when and how much to annuitize is the single most important feature in any guaranteed income offering.

Private markets poised for DC mainstream:

- The inclusion of private asset classes such as private credit and private real estate in DC plan portfolios shows a sharp rise in acceptance, especially within default funds. **Every aggregator firm surveyed** now expects at least some plan sponsors to **adopt private market exposure** in their TDFs or managed accounts within the next 12 months, a significant jump from 37% in last year's study. Additionally, **57% of Institutional Consultants** report similar expectations. Private credit is singled out as a leading candidate: **91% of Aggregators** and **52% of Institutional Consultants** ranked **private credit among the most likely private assets to be added** to DC multi-asset funds in the near term. As adoption expands, DC Intermediaries emphasize balancing return potential with asset quality, cost, and maintaining adequate liquidity to meet DC daily needs.

Participant advice & wellness as the new differentiator:

- DC Intermediaries are increasingly competing on participant-level services, especially as Institutional Consultants and Aggregators converge in the mid-to-large plan market. **Nearly all Aggregators now offer one-on-one financial planning, education, and guidance**, compared to just 30% of Institutional Consultants. Similarly, 93% of Aggregators provide one-on-one participant advice, versus only 25% of Institutional Consultants. On the staffing front, **71 to 79% of Aggregators plan to further expand in-house advice and wellness teams over the next two years**. By contrast, 77 to 100% of Institutional Consultants report having zero in-house personnel dedicated to participant services, often relying on third parties instead. This stark contrast in service models is redefining how DC Intermediaries differentiate themselves as holistic retirement partners. Aggregators are investing to build direct, long-term participant relationships, while Institutional Consultants continue to focus more on high-level plan strategy.

The Target Date Evolution: Blends, Customization, and Private Assets in QDIA Strategies

Plan sponsors and their DC Intermediaries continue to evolve the QDIA, which is usually a target date fund, with a focus on combining the best of active and passive management, tailoring solutions to plan needs, and carefully expanding into new asset classes.

In our 20th annual study, both Institutional Consultants and Aggregators overwhelmingly agreed that **blended TDFs**, which combine active and passive management, will be the most widely adopted QDIA option by plan sponsors in the coming three years. This marks the second year in a row that “blend” TDFs topped DC Intermediaries list of expected QDIA trends, affirming a broad **convergence toward QDIAs** that leverage active management – particularly in asset classes like fixed income – while maintaining overall cost efficiency. Indeed, nearly **80% of DC Intermediaries** say their plan clients are willing to **shift from all-active TDFs to blended TDFs**, whereas only 27% see a willingness to move from all-passive to blends. This suggests blended TDFs are most often as a convergence point replacing expensive all-active series, rather than displacing passive-only offerings.



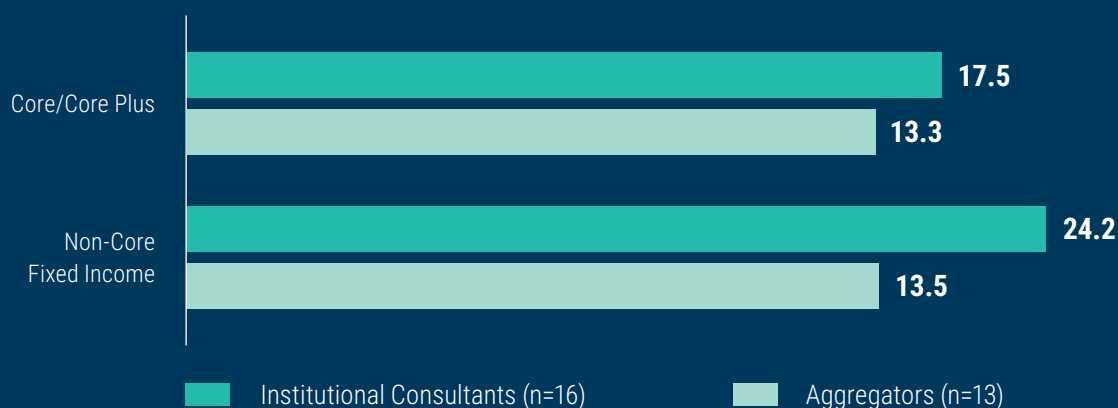
Sponsors are showing pragmatism about active vs. passive management.

Both Institutional Consultants and Aggregators report that many plan sponsors want active management “where it counts” – i.e. in asset classes where it can add value net of fees – and are willing to pay more for it. For example, on average sponsors said **they’d pay an additional ~15 basis points in fees for a high-conviction active core bond** fund, or other fixed-income strategy, if it could deliver the desired after-fee outperformance. Fixed income’s complexity – weighing credit, duration, and rate risks in a larger, less transparent, and less liquid market – makes it harder to index effectively compared to equities. Skilled active managers can leverage their trading capabilities in these over-the-counter markets to differentiate and add value, whereas equity’s transparency and liquidity lend themselves well to low-cost passive exposure. This willingness to selectively incur higher fees contrasts with sponsors’ continued cost-conscious stance on broad equity and other core menu categories, where passive index options remain prevalent. The net effect is an **increasingly tailored approach to plan design**: Default TDFs blending active-passive, exposures, and core menus, anchored by low-cost index funds except in targeted areas like active fixed income where sponsors see differentiated value.

Exhibit 1:

How much more would sponsors be willing to pay on average to switch to active fixed income to achieve net-of-fee alpha expectations?

Fee premium: estimated weighted average (bps)¹



Source: PIMCO 2026 DC Consulting Study. Respondents were asked: Considering your average DC plan sponsor client (currently) using passive investment options on the core menu, what is the fee premium they would be willing to pay and the expected increase in net-of-fee alpha they would require if they were to consider switching to active investment options?

¹ Basis point fees presented in this analysis represent an estimated weighted average for “core/core plus” and “non-core fixed income”. The estimate was calculated by asset-weighting the midpoints of the basis-point ranges selected by survey respondents. For example, if a respondent selected “10-15 bps” then the assumed value would be 12.5 bps.

The push toward customized QDIAs has extended beyond just mega plans, challenging old assumptions about who can benefit from bespoke solutions.

Historically, fully **custom target date series** built with plan-specific glidepaths and fund lineups were almost exclusively implemented by the largest DC plans, such as multi-billion dollar mega plans working primarily with Institutional Consultants. This year's study, however, highlights a notable shift: **46% of Aggregators** now expect more plan sponsors to implement **custom TDFs** in the near future. This rising interest among Aggregator firms is noteworthy because these independent advisory platforms have traditionally focused on smaller plan segments. This shift likely reflects their **growing competition for larger plan mandates** and a recognition that even mid-sized plans are exploring custom defaults to better fit their workforce demographics.

In parallel, interest is growing in **personalized TDFs**, which, like managed accounts, tailor asset allocations to each participant's unique demographics. **85% of Aggregators** in our study report increasing plan sponsor interest in participant-level personalized TDFs, versus a more moderate uptake expected by Institutional Consultants who mostly remain focused on plan-level custom TDFs. Both groups view personalized TDFs as an emerging but important frontier for QDIA design – offering promise for greater precision to enhance participants' retirement outcomes, albeit with operational and cost considerations still to be addressed as the concept matures.

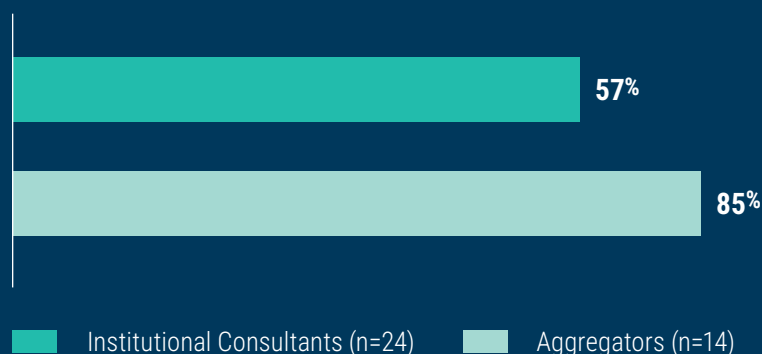


At the same time, plan sponsors and their DC Intermediaries are cautiously opening QDIAs to private market investments as part of this evolution. For example, **57% of Institutional Consultants** and **85% of Aggregators** expect plan sponsors' use of private assets in QDIAs to increase over the next three years. This is a sizeable jump from prior years – especially for Aggregators, whose expectation more than doubled from 36% last year underscoring that what was once a niche idea is becoming mainstream.

The move toward private markets trend is driven partly by a search for **diversification and potentially higher returns**, with **private credit** singled out by **91% of Aggregators** and **over half of Institutional Consultants** as the **most likely new private asset class** to be introduced. Still, quality and liquidity considerations loom large: DC Intermediaries stress the need to use only high-quality private strategies and to ensure participant liquidity needs can be met when integrating illiquid assets into daily-valued funds. They also note that progress on regulatory clarity and operational improvements, including more frequent valuations and multi-manager “fund-of-funds” structures, will be critical to further scaling private market adoption in DC.

Exhibit 2:

Expected increase in sponsor adoption of private markets in the QDIA, next three years



Source: PIMCO DC Consulting Study 2026. Respondents were asked: Over the next three years, do you/your firm expect implementation of the following QDIA options will increase, decrease or stay the same for the majority of your DC plan sponsor clients?

Retirement Income Solutions Expand Across DC Menus

After years of discussion, plan sponsors are broadening their adoption of in-plan retirement income solutions, and consultants expect this momentum to continue in 2026.

In this year's study, **52% of DC plans** advised by Institutional Consultants already have an **income-focused fixed income option** on the core menu, compared with 17% of plans advised by Aggregators. However, this appears to be on the verge of a significant change: **Nearly all Aggregators** say it's likely **their clients will add** non-guaranteed retirement income focused strategies, such as fixed income or multi-asset strategies, in the next 12 months. This anticipated surge would narrow the gap with Institutional Consultant-advised plans, where the concept of dedicating part of the core menu to retirement income, whether via standalone funds or a retirement income tier, has been more established

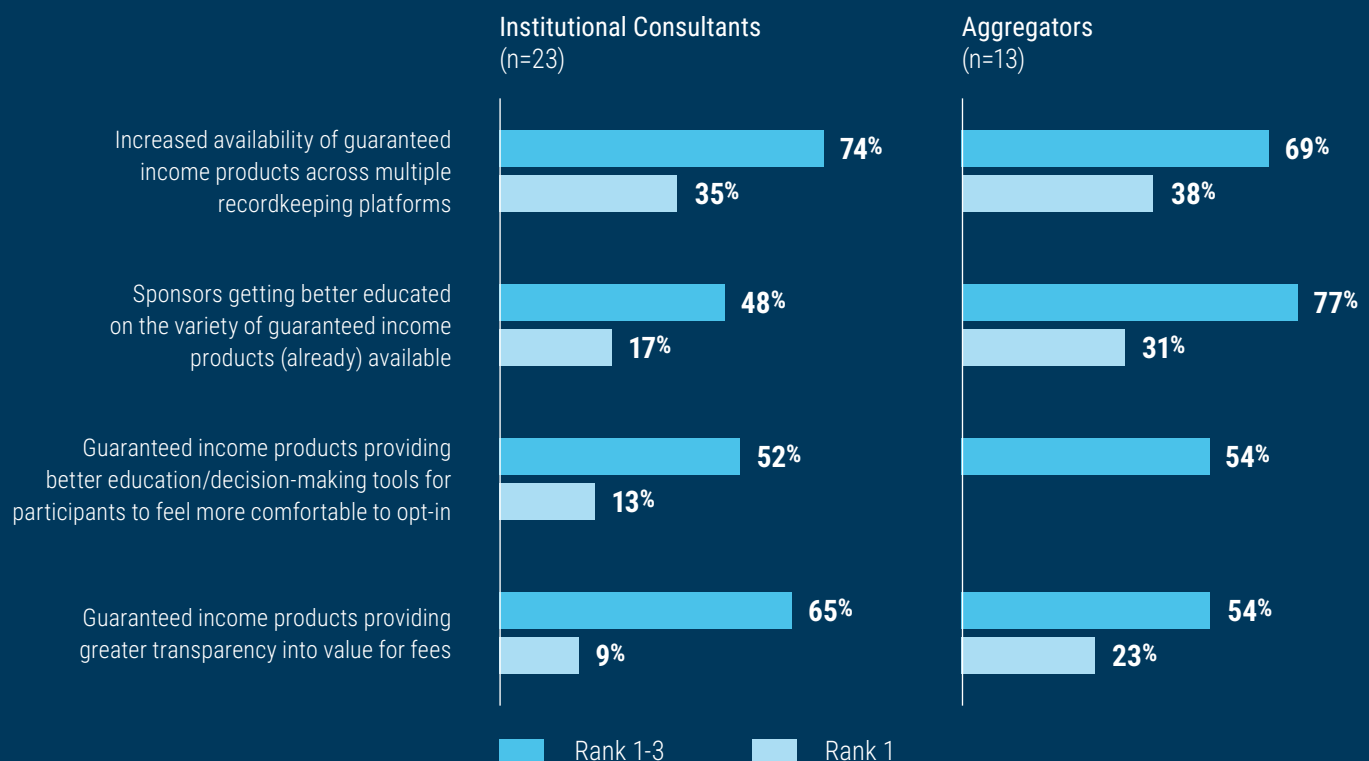
Notably, **target date series with embedded lifetime income guarantees** – essentially default TDFs that include an annuity component – are seen as the **next likely wave in sponsor adoption** of retirement income features. Both Institutional Consultants and Aggregators picked TDFs with embedded annuities as a top candidate for new retirement-focused plan additions over the next year, signaling an inflection point where plan defaults themselves might soon deliver guaranteed retirement income to participants. The motivation is clear, as participants approach retirement these guaranteed strategies can help manage longevity risk and generate steadier payouts.



While guaranteed retirement income products remain in early stages of adoption, both groups identify similar keys to making them more viable at scale. Only a minority of DC plans currently include any guaranteed income product such as an annuity in their lineup, but among those considering it, TDFs with embedded annuity guarantees are a popular approach. Both Institutional Consultants and Aggregators agree that the **most important feature** of any guaranteed product is **participant flexibility**, such as allowing individuals to choose when and how much to annuitize rather than forcing a one-size-fits-all solution. In fact, 95% of Institutional Consultants and all Aggregators ranked this flexibility as the top priority in evaluating such products. Other crucial enablers for greater retirement income adoption include expanding the availability of in-plan annuity products on recordkeeper platforms, improving sponsor knowledge of the options, and ensuring clearer fee transparency so sponsors can evaluate these solutions' value for cost.

Exhibit 3:

Developments likely to increase adoption of guaranteed income products



Source: PIMCO DC Consulting Study 2026. Respondents were asked: Which of the following developments will most likely lead to increased adoption of guaranteed income products by DC plan sponsors? Analyst Note: Participants are mostly defaulted into features within guaranteed income product (e.g., COLA, death benefit)

Momentum Builds for Private Markets in DC Plans

2026 marks a turning point in DC plan openness to private market investments, as DC Intermediaries report sharply higher expectations for sponsor adoption, especially private credit.

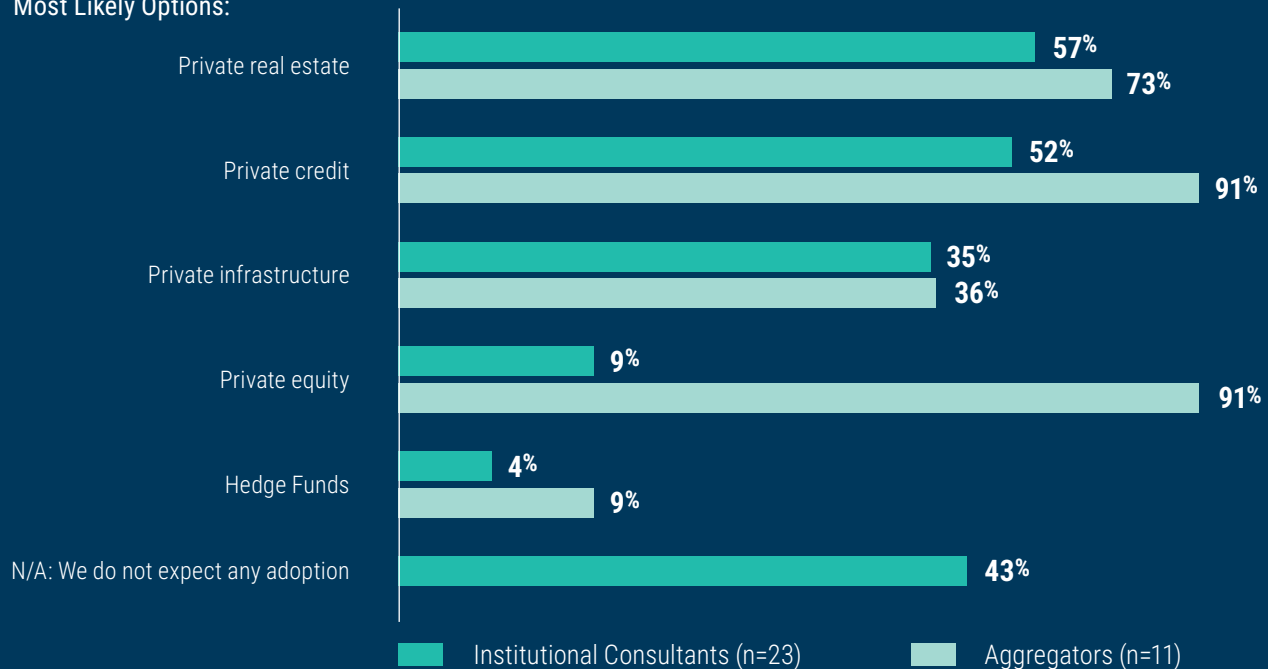
The appetite for private markets in DC plans is particularly strong among the Aggregator firms in our study, with **100% of Aggregators** anticipating some of their plan sponsor clients will **incorporate private market exposure** in the next year, likely via TDFs or managed accounts as the default. This is a dramatic rise from last year's study, with just 37% of Aggregators expressing this view. 57% of **Institutional Consultants** also expect **increased adoption** of private assets in DC plans in the next 12 months. These findings suggest that what was once a forward-looking idea has become a near-term reality for many DC stakeholders. **Private credit** stands out as one of the top assets for inclusion rating as the first or second most likely private strategy to be added to multi-asset portfolios by **91% of Aggregators** and **52% of Institutional Consultants** ahead of other alternatives like private equity and real estate.



Exhibit 4:**Top Private Markets Assets to be Adopted in Asset Allocation Funds, next 12 months**

Expecting Adoption: **57%** Institutional Consultants
100% Aggregators

Most Likely Options:



Source: PIMCO 2026 DC Consulting Study. Respondents were asked: Thinking about your DC plan sponsor clients that may include private market investments within an asset allocation offering (e.g., TDF, managed account) over the next 12 months, rank the following types of private market investments based on how likely they are to be adopted by clients considering such an option. Please rank the options with 1 being the most likely and 5 being the least likely. If you do not expect any adoption, please only rank "N/A we do not expect any adoption" as 1.

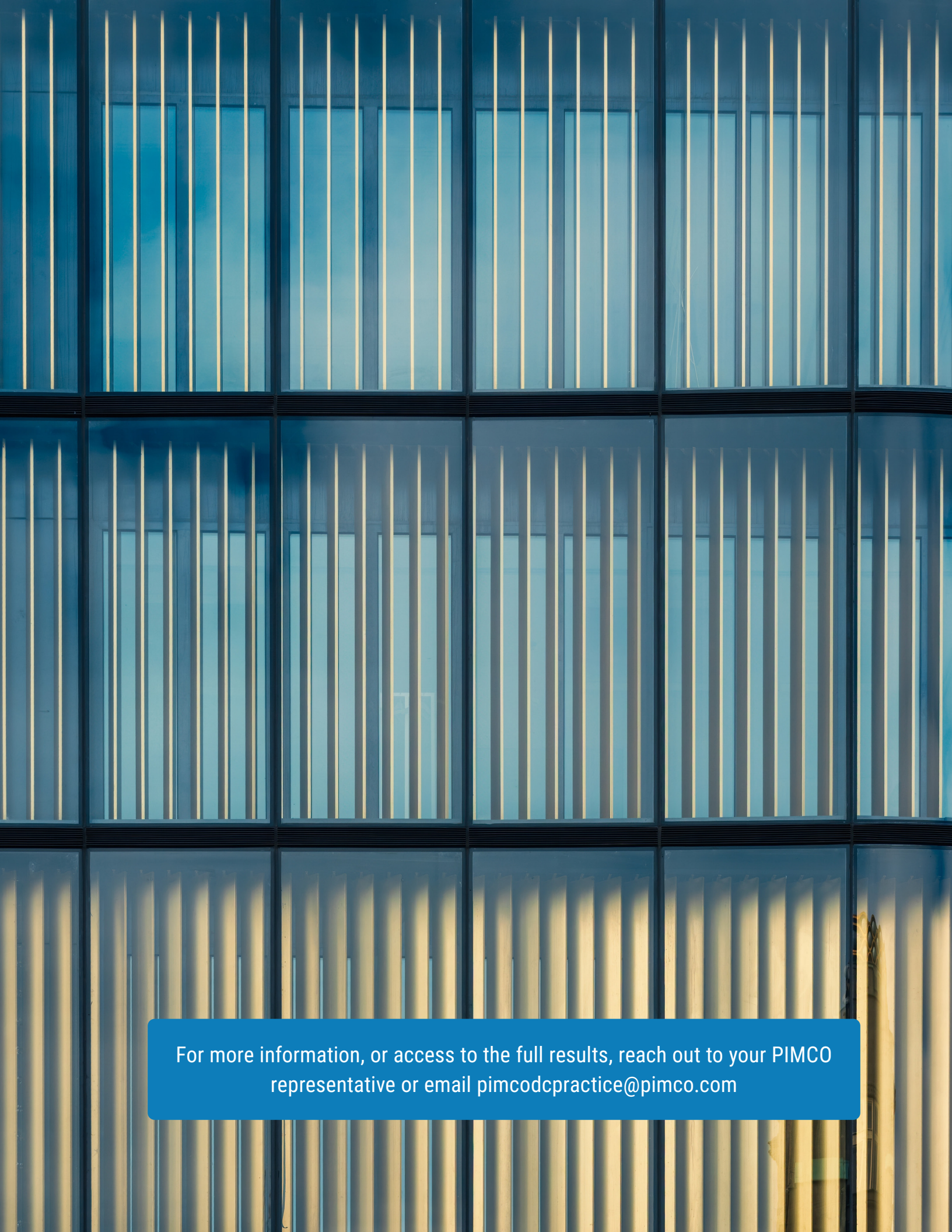
DC Intermediaries emphasize a balanced approach as they integrate private assets into DC plans. Both groups are carefully evaluating private markets on factors such as **risk-adjusted performance potential, manager quality, cost, and liquidity** to ensure these additions align with the constraints of daily-valued, participant-directed plans. For example, Aggregators place particularly high importance on ensuring private allocations can meet DC liquidity standards, ranking it among their top-five criteria alongside performance and quality, whereas Institutional Consultants put slightly less emphasis on plan-level liquidity features. Both groups also acknowledge that wider adoption will depend on external **enablers** beyond plan sponsor demand: 89% of consultants cite the need for **regulatory clarity and a well-defined fiduciary framework** around privates as a major factor for increasing usage, and roughly three-quarters highlight the need for **enhanced liquidity mechanisms**, such as more frequent valuations or improved structures for daily flows, to make these assets more workable in DC plans. Despite these challenges, the direction is clear: Private markets are moving from theoretical discussion to implementation mode in 2026, with DC Intermediaries evolving their toolkit to include institutional asset classes that were, until recently, considered off-limits for 401(k) plans.

Participant Engagement Becomes a Competitive Differentiator

Finally, the study underscores a growing shift in how DC Intermediaries compete, with a sharp contrast emerging in participant-level services between Institutional Consultants and Aggregators.

As the boundaries blur and both Institutional Consulting and Aggregator firms vie for business in the mid-sized plan segment, participant education, guidance, and advice offerings have become a strategic differentiator. Our findings show that Aggregator firms, which traditionally served smaller plans but are now moving upmarket, are heavily investing in in-house participant services to add value beyond investment consulting. For instance, 93% of Aggregators offer one-on-one financial planning, education, and guidance to DC plan participants compared to just 30% of Institutional Consultants, who prefer to outsource to third-party partners instead. A separate 93% of Aggregators versus 25% of Institutional Consultants offer one-on-one participant advice and are actively expanding these services. Over the next 24 months, **71–79% of Aggregator firms plan to expand their in-house participant advice and financial wellness staff education specialists, financial planners, and call center associates** – while an overwhelming majority of Institutional Consulting firms report having zero internal staff in comparable participant-facing roles, highlighting a striking contrast as Aggregators double down on participant engagement to set themselves apart.

This divergence reflects fundamentally different business models. **Institutional Consultants** historically focused on larger plan sponsors and continue to differentiate through **investment sophistication and plan-level services**, including custom fund design and complex plan analytics, often collaborating with third-party providers for participant advice programs. Aggregators by contrast, are leveraging participant engagement as a means to extend their value proposition and even segue into broader wealth management for participants nearing retirement. Many Aggregators now provide holistic financial wellness tools and direct guidance on topics like Social Security timing, debt management, and comprehensive retirement planning to participants of all plan sizes. As a result, plan sponsors evaluating DC Intermediaries and their respective firms will increasingly weigh the depth of participant services offered in relation to their individual plan needs. In a converging marketplace, an Aggregator's ability to directly support participants may appeal to some sponsors, while an Institutional Consultant's more tailored, high-level investment approach might appeal to others. This competitive dynamic is intensifying and is poised to continue shaping how both types invest in their capabilities for the future.



For more information, or access to the full results, reach out to your PIMCO representative or email pimcodcpractice@pimco.com

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Glide Path is the asset allocation within a Target Date Strategy (also known as a Lifecycle or Target Maturity strategy) that adjusts over time as the participant's age increases and their time horizon to retirement shortens. The basis of the Glide Path is to reduce the portfolio risk as the participant's time horizon decreases. Typically, younger participants with a longer time horizon to retirement have sufficient time to recover from market losses, their investment risk level is higher,

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