PIMCO

JUNE 2025

Executive Summary

PIMCO Defined Contribution Consulting Study 2025

A company of Allianz

The Study Covers:

- Consultant Organization and Services
- DC Plan Sponsor Priorities
- DC Plan Investment Menu: QDIA & Core Menu
- Retirement Income
- DC Plan Participant Services

In its 19th year, our Defined Contribution Consulting Study seeks to help Consultants, Advisors and Plan Sponsors understand the breadth of views and consulting services available within the defined contribution (DC) marketplace.

This year's study captures data, trends and opinions from:

35
Consulting and Advisory firms

Serving over
27,000
DC Plan clients

With DC assets (aggregate) exceeding
$8.85 trillion

New Breakouts for 2025

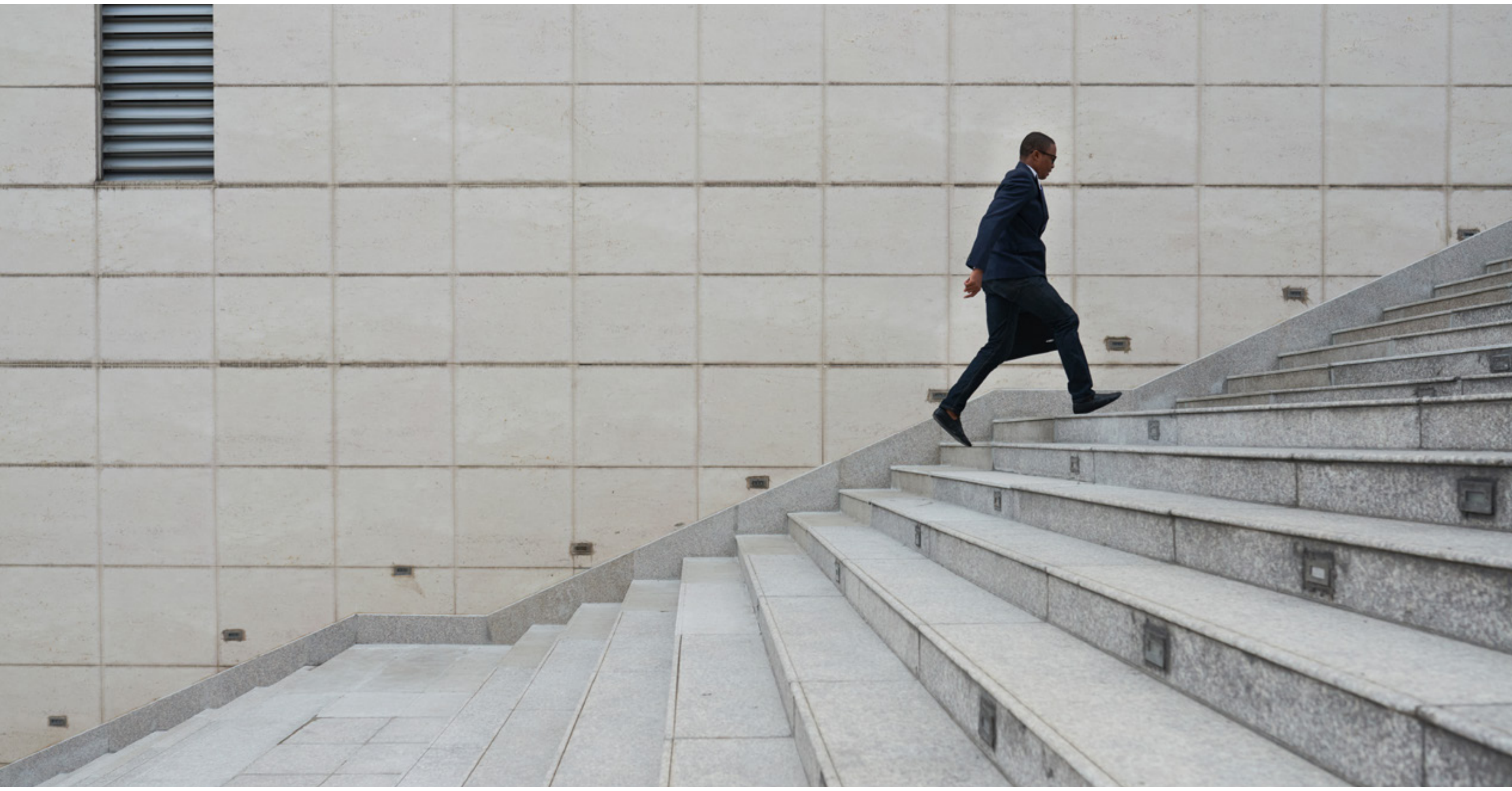
- Corporate, Public and Non-Profit Plan data
- DB Plan status impact on DC Plans

Responses were collected from January 14, 2025 through March 10, 2025.

2025 Key Themes

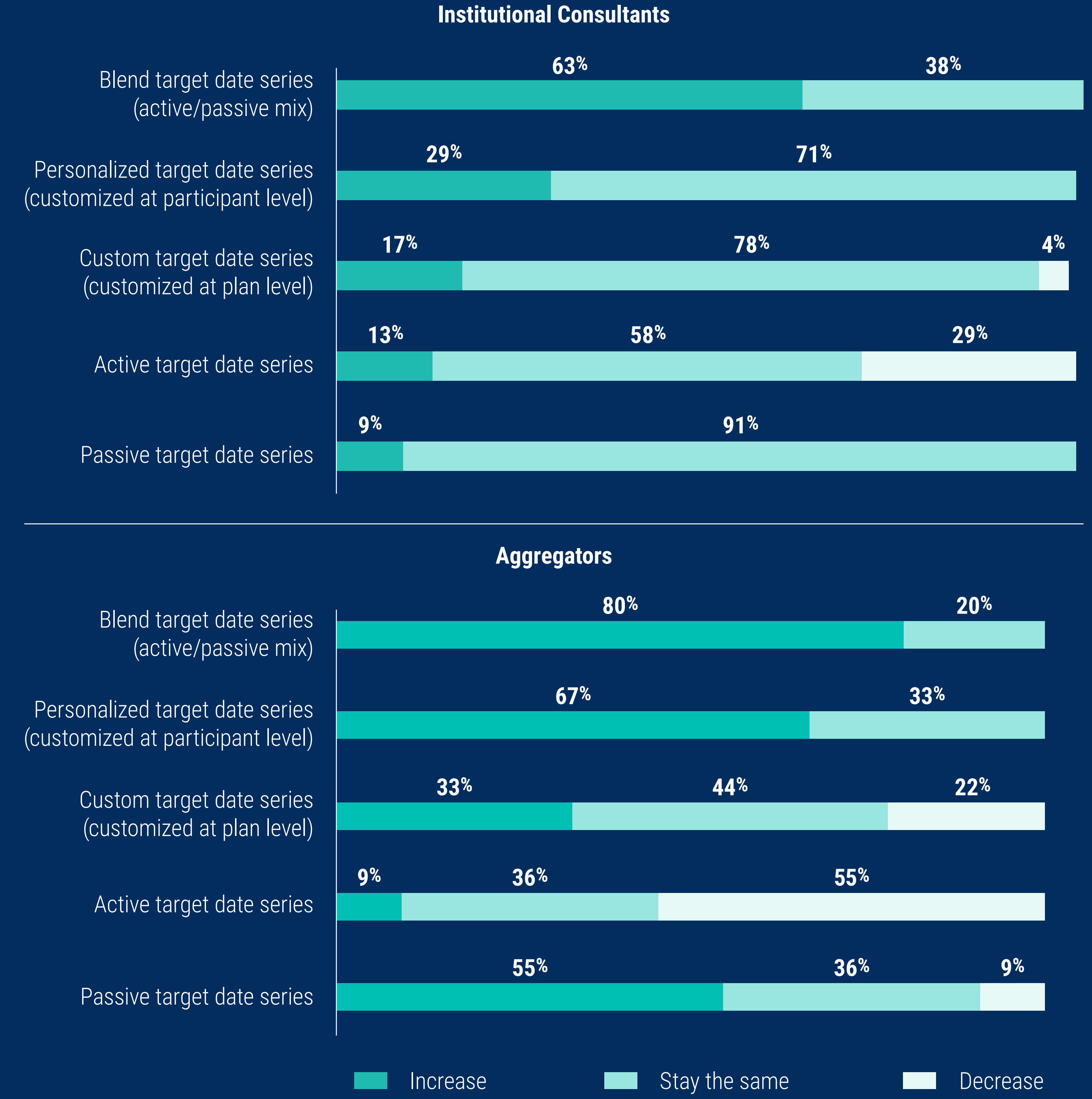
1 **Target Date Funds: Consultants see increasing adoption of blended TDFs as well as leveraging participant demographics to enhance personalization.**

Institutional Consultants (63%) and Aggregators (80%) expect blended target date funds (TDF) will be the top sponsor-implemented target date series option within the Qualified Default Investment Alternative (QDIA) over the next three years, highlighting the expected decrease in fully active TDFs. Driving Consultants' increase in blended TDF recommendations is its cost-effective ability to capture market inefficiencies, with consistency of alpha and fees being the top criteria for Consultants; some also value the use of multi-manager building blocks.



Over the next three years, do you/your firm expect sponsor implementation of the following QDIA (target date series) options will increase, decrease or stay the same? From the list below, please select all that apply.

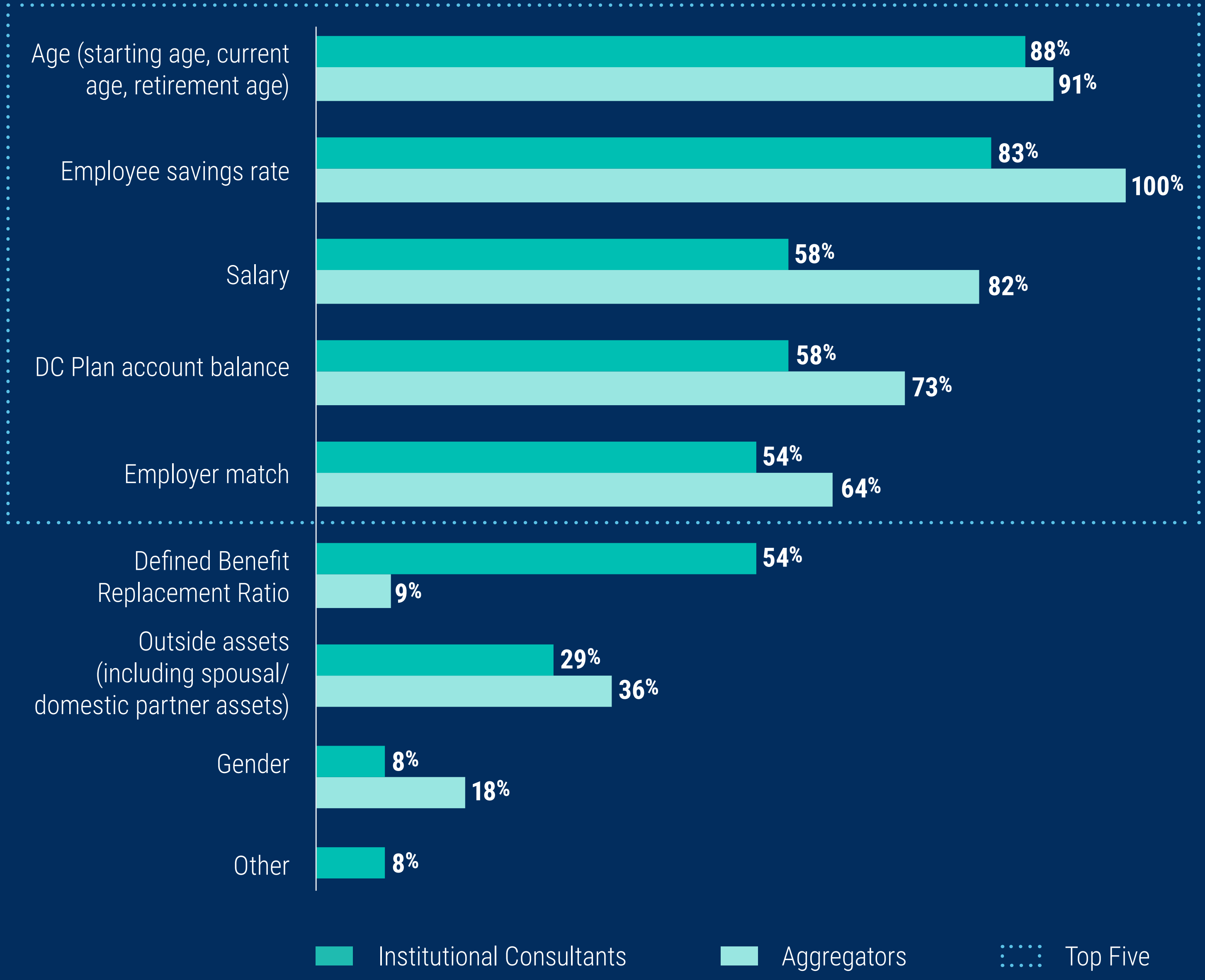
Expected Sponsor Implementation of Target Date Series Options (next 3 years)



Personalized TDFs – customized at the participant level – are also expected to rise in both sponsor interest and adoption. Consultants affirmed that the participant demographic inputs used to evaluate target date fund glidepath fit – age, savings rates, salary, DC Plan balance and employer match – are the same factors used by personalized TDFs to deliver personalized glidepaths to participants.

When evaluating a plan's participant demographics to align with a TDF glidepath fit, which of the following inputs are the most important to review? Please select up to 5 inputs.

Top 5 Participant Demographics Used to Evaluate TDF Glidepath



2 Retirement Income: Consultants highlight that DC Plan clients without an open Defined Benefit (DB) Plan are more likely to consider adding guaranteed income to the DC lineup. Those with an open DB Plan are more focused on adding non-guaranteed income strategies.

When asked to highlight DC Plan Sponsors' top investment menu priorities, retirement income was top-of-mind for all Consultants, who generally expect greater adoption of non-guaranteed income strategies (on the core menu and/or through the QDIA) compared to guaranteed income products. However, a deeper look across DC Plan types highlights the impact a DB Plan status can have. While the top priority for Corporate DC Plans is to evaluate new guaranteed income products, both Public and Non-Profit DC Plans will review their existing non-guaranteed income strategies on the fund menu.

Over the next 12 months, what will your DC Plan Sponsor clients' top INVESTMENT MENU priorities be? For each plan type you work with, please select up to 5 plan sponsor priorities.

Top Investment Priority of Sponsor Clients (next 12 months)

Corporate DC Plans % of Clients	Public DC Plans % of Clients	Non-Profit DC Plans % of Clients
Evaluate new **guaranteed** income products/strategies	Review existing **non-guaranteed** income strategies on fund menus	Review existing **non-guaranteed** income strategies on fund menus
65%	71%	68%

Most Public DC Plan clients still offer an open DB Plan. In contrast, Corporate DC Plans are more likely to have closed or frozen their DB Plans. While fewer Non-Profit DC Plans have open DB Plans compared to Public Plans, a majority still do — driving both sectors to focus on non-guaranteed income solutions.

Evaluating Income

For non-guaranteed income solutions, Consultants expect Sponsors will add income-focused, active multi-sector fixed income strategies to core lineups, driven by its ability to help savers accumulate through an expanded opportunity set, sector rotation and higher yield generation. Its consistent income generation is increasingly seen as an attractive non-guaranteed retirement income feature to help meet the needs of retirees without the tradeoffs inherent within embedded guaranteed income products.

Understandably, sponsors are sensitive to the risks associated with guaranteed income products, compounded by challenges in benchmarking and limited options from current recordkeepers. When evaluating tradeoffs of guaranteed income products, Consultants highlight that their Sponsor clients have a strong preference for opt-in solutions that offer fee transparency, liquidity, and immediate income upon annuitization.

Evaluating Tradeoffs When Considering Guaranteed Income Products

When evaluating tradeoffs of guaranteed income products, Consultants highlight that their Sponsor clients have a strong preference for opt-in solutions that offer fee transparency, liquidity, and immediate income upon annuitization.

When selecting a guaranteed retirement income product, there are tradeoffs that need to be made. When your DC Plan Sponsor clients are evaluating guaranteed products (annuities), what does the majority tend to prefer when considering tradeoffs? For each tradeoff below, select which is preferred.

Tradeoff	Not preferred			Preferred by most
Access	Annuity is embedded in the QDIA (e.g., TDF)	33%	67%	Annuity is a stand-alone option delivered through an out-of-plan or in-plan annuity platform (e.g., Hueler, Fidelity)
Opt-in/Opt-out	Participants are defaulted into the annuity through QDIA, and do not need to opt-in	12%	88%	Participants must opt-in to the annuity
Market Upside	Annuity offers market upside with some income volatility	41%	59%	Annuity offers stable income with no market upside
Liquidity	Annuity offers no liquidity for a higher yield	18%	82%	Annuity offers some liquidity at a lower yield
Income Start Date	Guaranteed income starts later in life (e.g., age 75)	20%	80%	Guaranteed income can start at retirement
Cost-Fee	Annuity option: Implicit fee(s) deducted from spread	13%	88%	Annuity option: Explicit fee(s)

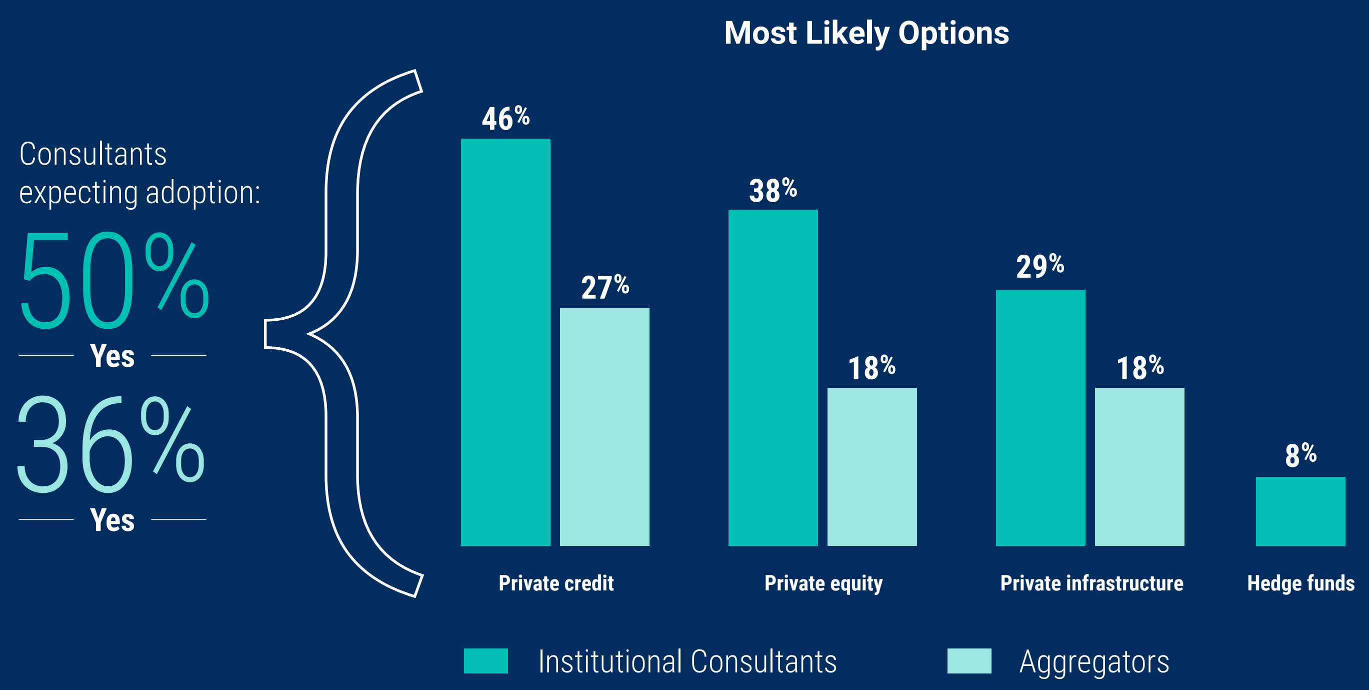
3 Private Markets: Consultants are increasingly interested in the value of adding private market assets to asset allocation options and expect plan sponsor interest and adoption to rise, with private credit as the most likely option.

Including private markets in—QDIA—options is gaining significant interest among Consultants due to its ability to diversify from the typical allocation to equities and fixed income, allowing for potential enhanced return for participants. Consultants are increasing their research and ratings focus on private markets, especially private credit, as many expect it will be the most likely option interested sponsors will adopt.

Private Markets Adoption in Asset Allocation Offerings (next 12 months)
Half of all Institutional Consultants and more than one third of Aggregators expect some DC Plan Sponsor clients to adopt private market investments within their asset allocation offerings (e.g., TDFs, managed accounts), with private credit being the most likely option.

?

Over the next 12 months, which of the following private asset investments are most likely to be adopted by your DC Plan clients within their asset allocation offerings (e.g., TDF, managed accounts)? Please select all that apply.



2025 Key Findings

Section 1: DC Plan Sponsor Priorities

- Incorporating Collective Investment Trusts (CITs) is the most common priority of sponsors, followed by evaluating both guaranteed and non-guaranteed income strategies.
- Public and Non-Profit DC Plan Sponsors primarily focus on reviewing existing non-guaranteed income strategies, often having access to a Defined Benefit (DB) Plan, while Corporate Plans are more focused on evaluating new guaranteed income strategies.
- Sponsors without an open DB Plan are more likely to enhance retiree-focused capabilities and financial wellness offerings within DC Plans and are also more inclined to adopt OCIO (Outsourced Chief Investment Officer) services or consider PEPs (Pooled Employer Plans).
- Plan Sponsors are analyzing plan demographics to better target and segment participants, aiming to increase plan utilization.

Section 2: DC Plan Investment Menu: QDIA

- Consultants plan to increase research and ratings focus on blended TDFs, reducing emphasis on active TDFs
- Over the next three years, blended TDFs are the top QDIA implementation option that is expected to increase along with a rise in Dual QDIAs and personalized TDFs implementation.
- The increased recommendation of blended TDFs is driven by their cost-effective ability to capture market inefficiencies, with consistency of alpha and fees being the top criteria for Consultants; some also value the use of multi-manager building blocks.
- Half of all Consultants expect some DC clients to adopt private market investments within asset allocation funds over the next 12 months, with private credit being the most likely option.
- Age, DC balance, salary, and savings rates are the most important demographic factors used to evaluate the fit of TDF glidepaths for plan populations.

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Section 3: DC Plan Investment Menu: Core Menu

- The overall number of fund options remains steady, with the average recommended lineup being two-thirds active funds; most active budget is allocated to fixed income, capital preservation, and inflation protection.
- DC Plan lineups are evolving with a shift from passive to active fixed income and from active to passive equity; there is also growing adoption of active multi-asset inflation strategies and the removal of balanced funds.
- Interest in multi-sector fixed income is increasing due to its potential to help savers accumulate wealth through a broader opportunity set, sector rotation, and higher yield generation, along with consistent income generation to support retirees.
- Consultants are increasing research focus on private credit, fixed income, and capital preservation.

Section 4: Retirement Income

- When evaluating tradeoffs of guaranteed income products, Consultants have a strong preference for opt-in solutions that offer fee transparency, liquidity, and immediate income upon annuitization.
- Nearly half of all Consultants plan to increase research and ratings focus on embedded annuities.
- Sponsors recognize risks associated with guaranteed income products, compounded by challenges in benchmarking and limited options from current recordkeepers.
- Sponsors without an open DB Plan are more likely to enhance retiree-focused capabilities (e.g., improving distribution options, pre-retiree communications) and financial wellness program offerings within DC Plans.

Section 5: DC Plan Participant Services

- A handful of Consultants offer direct in-plan and out-of-plan participant services, with some planning to expand these services in the near future.
- One-on-one advice and direct participant engagement are primarily focused on plans with fewer than 15,000 participants.

Participating Firms[1]

Aon	Fiducient	Mercer	Sentinel Group*
Bellwether Consulting	Goldman Sachs Asset Management	Multnomah Group, Inc.	USI Advisors Inc.*
Benefit Financial Services Group	HB Retirement*	NEPC, LLC	Verus
Callan	Highland Associates	Newport Group	Willis Towers Watson
Cambridge Associates	Highland Consulting Associates	OneDigital*	Wilshire Consulting
Capital Cities	Hyas Group	Oswald Financial*	
CAPTRUST*	LCG Associates, Inc.	Procyon Partners LLC*	
Cerity Partners*	Marquette Associates	Russell Investments	
Curcio Webb	Marsh McLennan Agency*	RVK	
Expand Financial, LLC*	Meketa Investment Group	SageView Advisory Group*	

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

1 35 firms participated in this annual study. Of this population, 3 firms were unable to provide AUA/AUM figures, while 32 firms provided AUA/AUM figures. Total AUA/AUM is reflective of the figures reported by the participating firms.

* Identifies Advisors and Aggregators; "Aggregators" refer to independent DC focused Advisors with shared resources.

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All investments contain risk and may lose value. Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. **Commodities** contain heightened risk, including market, political, regulatory and natural conditions, and may not be appropriate for all investors. Investing in **foreign-denominated and/or -domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. **High yield, lower-rated securities** involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. **Inflation-linked bonds (ILBs)** issued by the various governments around the world are fixed-income securities whose principal value is periodically adjusted according to the rate of inflation. Repayment upon maturity of the original principal as adjusted for inflation is guaranteed by the government that issues them. Neither the current market value of inflation-indexed bonds nor the value a portfolio that invests in ILBs is guaranteed, and either or both may fluctuate. ILBs decline in value when real interest rates rise. In certain interest rate environments, such as when real interest rates are rising faster than nominal interest rates, ILBs may experience greater losses than other fixed income securities with similar durations. The value of **real estate** and portfolios that invest in real estate may fluctuate due to: losses from casualty or condemnation, changes in local and general economic conditions, supply and demand, interest rates, property tax rates, regulatory limitations on rents, zoning laws, and operating expenses. **Stable value** wrap contracts are subject to credit and management risk. **Management risk** is the risk that the investment techniques and risk analyses applied by an investment manager will not produce the desired results, and that certain policies or developments may affect the investment techniques available to the manager in connection with managing a strategy. **Treasury Inflation-Protected Securities (TIPS)** are ILBs issued by the U.S. government. **Diversification** does not ensure against loss.

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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, and they are able to make larger contributions (depending on various factors such as salary, savings, account balance, etc.). Generally, older participants and eligible retirees have shorter time horizons to retirement and their investment risk level declines as preserving income wealth becomes more important. De-risking strategy is based on a function of plan funded status. As plan funded status improves, clients may be interested in reducing their plan funded status volatility by shifting out of risk assets and into liability-hedging fixed income.

Target Date Funds are designed to provide investors with a retirement solution tailored to the time when they expect to retire or plan to start withdrawing money (the "target date"). Target Date Funds will gradually shift their emphasis from more aggressive investments to more conservative ones based on their target dates. Target Date Funds invest in other funds and instruments based on a long-term asset allocation glide path, and performance is subject to underlying investment weightings, which will change over time. An investment in a Target Date Fund does not eliminate the need for an investor to determine whether a Fund is appropriate for his or her financial situation. An investment in a Fund is not guaranteed. Investors may experience losses, including losses near, at, or after the target date, and there is no guarantee that a Fund will provide adequate income at and through retirement.

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