

P I M C O

Key Findings

*April 2019*

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# PIMCO DC Consulting Study

Report of Consultants  
servicing large/mid-sized  
plans

In its 13<sup>th</sup> year, the *PIMCO Defined Contribution Consulting Study*, formerly the *DC Consulting Support and Trends Survey*, 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 was expanded to include a more diverse set of respondents across the spectrum of the DC industry's consultants and advisors.

Our 2019 study captures data, trends and opinions from **238 consulting and advisory firms**, as well as individual plan advisors, who serve over **109,000 clients** with aggregate DC assets in excess of **\$4.9 trillion**.

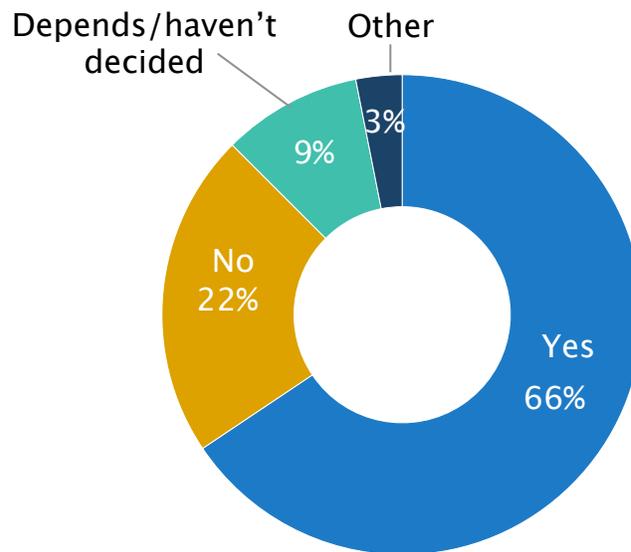
Our *Report of Consultants Serving Large/Mid-sized Plans* captures data, trends and opinions from **32 consulting and advisory firms**, who serve over **3,750 clients** with aggregate DC assets in excess of **\$4 trillion**.

*Consultants Serving Large/Mid-sized Plans* were identified as having both \$5 billion or more in DC assets under advisement and a median plan size over \$50 million.

## KEY FINDINGS

### With plan auto-features widely accepted, plan design turns to retirement income

- 62% of consultants believe their clients prefer to retain and serve retirees in-plan, up 14% from the 2018 data
- Recommendations for retention include adding distribution flexibility, access to education and retiree-focused investment options
- 66% of consultants recommend a retirement tier, populated with a variety of retirement income solutions vs. an all-in-one



Do you believe plans should offer a separate retirement income tier? (n=32)

### Retirement income design preferences favor income and capital preservation

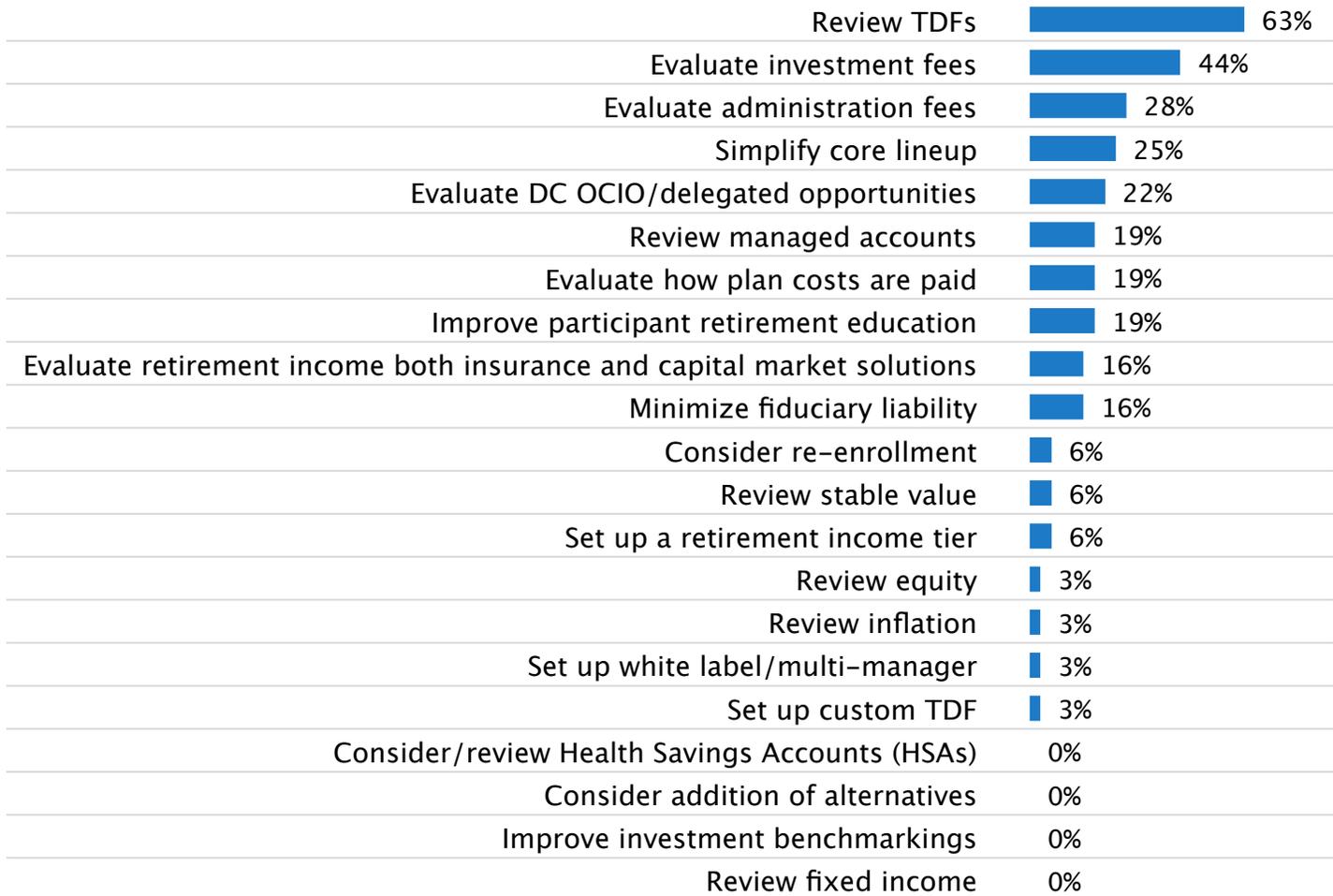
- Consultants recommendations span single and multi-asset solutions, with limited support for insurance guarantees
- Over three-quarters (78%) of consultants prefer an equity exposure of less than 40% at retirement. Most consultants recommend monthly distributions (72%) and all consultants recommend distribution yields 4% or greater'

### Differentiation of services is essential

- For consultants, the need to differentiate is high given the significant overlap in common services
- Cost and fee analyses, record keeping searches and manager selection services continue to be the highest reported areas of growth

## A shift in client priorities: validate the default, then the costs

- “Review Target Date Funds” now the #1 priority
- “Evaluate Investment Fees” and “Evaluate Administration Fees” slip to #2 and #3 respectively, followed by simplification of investment menus



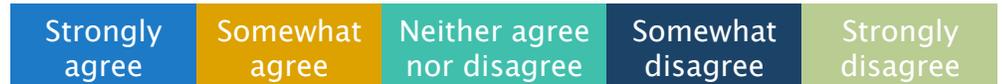
What will your clients' top three priorities be in 2019? (n=32)

## Strong advocacy for active management in U.S. & non-U.S. bonds and EM equities in both core and TDF

- Within core menus, consultants favor active management for both capital preservation and fixed income options
- For plans of \$1B or less, the most preferred target-date design is a packaged blend strategy that combines active and passive over fully passive and fully active approaches

## Strong advocacy for white label and custom TDF in the large plan segment

- Consultants believe superior portfolios are achieved through custom and see the greatest application in fixed income and equity



White label/multi-manager strategies allow for superior portfolios due to the broader range of investment strategies that can be included in the plan



Custom target date strategies allow for superior portfolios due to the broader range of investment strategies that can be included in the plan



Q38A. How much do you agree or disagree that...? (n=32)

## Fixed income recommendations favor core and multi-sector

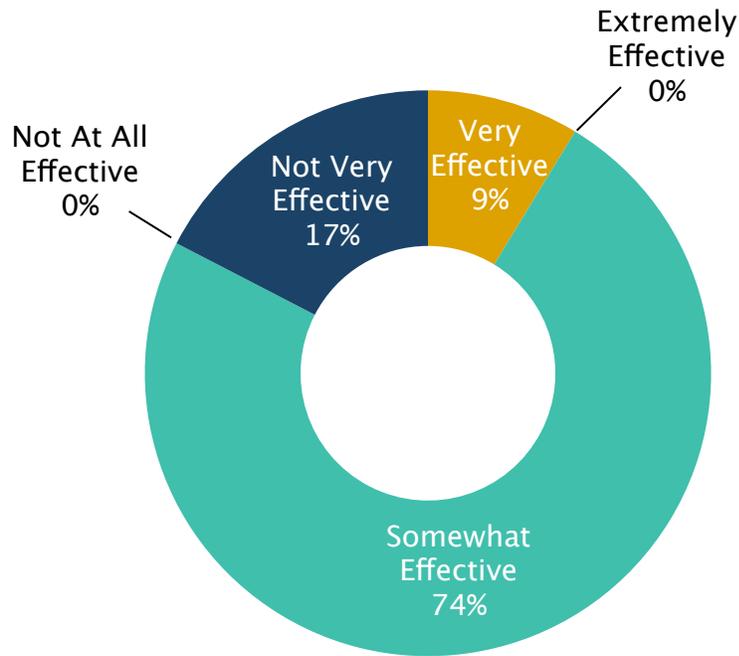
- Within core menus, consultants recommend two fixed income options, excluding the capital preservation option
- 97% recommend a core or core plus strategy, followed by 47% recommending an income focused multi-sector bond strategy

## Consultants skeptical of managed accounts

- A minority of consultants (31%) believe that the costs of managed accounts are justified and fewer (6%) believe that managed accounts deliver superior performance to target date funds
- A majority (53%) recognizes the value of customization; however a minority (37%) believe participants provide the necessary information allowing for that personalization

## Not there, yet: financial wellness

- Three quarters of consultants rate such programs as only “somewhat effective”



Q45A. On average, do you think the financial wellness programs you have worked with are... (n=23, Not Applicable excluded)  
\*Caution for small base size

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## ABOUT PIMCO AND OUR DC PRACTICE

Based in Newport Beach, California, PIMCO is a global investment management firm with over 2,500 dedicated professionals focusing on a single mission: to manage risks and deliver returns for our clients. For over four decades, we have managed the retirement and investment assets for a wide range of investors, including corporations, governments, not-for-profits, and other organizations, as well as for individuals around the globe.

Our PIMCO DC Practice is dedicated to promoting effective DC plan design – and innovative retirement solutions. We are among the largest managers of assets in defined contribution plans, offering investment management for stable value, fixed-income, inflation protection, equity and asset allocation strategies such as target-date solutions. We also provide analytic modeling, plus can help plan sponsors identify DC consultant resources. Our team is pleased to support our clients and the broader retirement community by sharing ideas and developments for DC plans in the hopes of fostering a more secure financial future for workers. If you have any questions about the PIMCO DC Practice, please contact your PIMCO representative or email us at [pimcodcpractice@pimco.com](mailto:pimcodcpractice@pimco.com).