MAY 2022

PIMCO

PIMCO Defined Contribution Consulting Study

The Study covers:

- Retirement Income
- Client and Consultant Priorities
- TDFs and QDIA Solutions
- Plan Design and Investments, including ESG and Alternatives
- Custom and White Label Solutions
- Consultant Services and Service Growth
- Managed Accounts and AMAs
- Participant Services

2022 Key Findings:

In its 16th year, the **PIMCO US 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.

Our 2022 study captures data, trends and opinions from **36 consulting and advisory firms** who serve over **37,000 clients** with aggregate DC assets in excess of **$6.9 trillion.**

All responses were collected from January 4, 2022 through March 7, 2022.

Published results were based on responses from firms with more than $10 billion in DC assets under management.

IMPORTANT NOTICE

The study results contain the opinions of the respondents and not necessarily those of PIMCO. The data contained within the report is not related to any PIMCO product or strategy and should not be relied upon for any investment decision.

Consultants seek to deliver more custom solutions and personalized guidance

- 80% of Aggregators and 65% of Institutional Consultants recommend a personalized experience to encourage retirees to stay in plan.
- Institutional Consultants' top priority is to expand custom investment solutions capability; Custom target date fund (TDF) format is first recommendation for larger plans.
- Most important advisor managed account (AMA) features include "personalized investment experience for the participant" and "participant data integration technology".

Wide recognition current plan options do not meet retirees' needs but disagreement on right solutions

- Retaining retiree assets: Most sponsors advised by consultants (76%) prefer to retain retiree assets in the plan. Over the last eight years, Institutional Consultants have reported a significant decline in sponsors being indifferent or averse to retaining assets – down to only 25% today versus 55% in 2015.
- 90% of Aggregators and 80% of Institutional Consultants believe DC plans should offer investments and services that support retiree spending needs (i.e., Retirement Tier).
- 80% of consultants don't believe the current plan options suffice as options for retirees.
- Clear divergence between top recommended retirement income solution: Institutional Consultants prefer TDF with regular level payout; Aggregators prefer managed accounts as a retirement income solution.

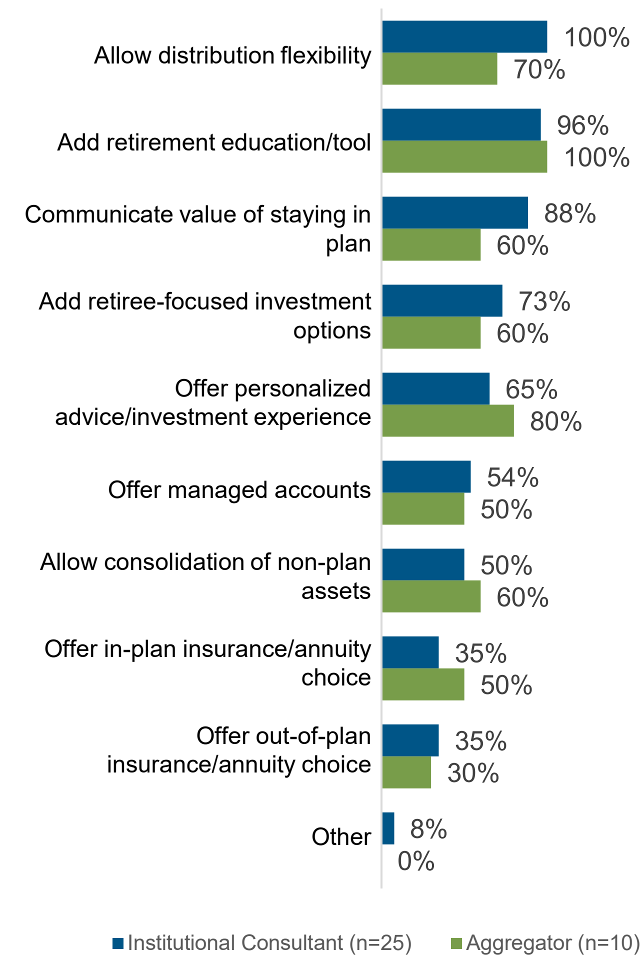
Client Priorities: TDFs, Retirement Income and ESG remain top

- Reviewing TDFs are top priority, followed by reviewing retirement income solutions. Evaluating ESG options emerges to top three level.
- According to Institutional Consultants, retirement income product evaluation services (45%) grew the most over the last year, topping recordkeeper searches and fee/cost studies. Reviewing retirement income services has become mainstream.

Target date funds' dominance continues; Institutional Consultants see increase in blend recommendations in most plan size categories

- TDFs remain as the near-unanimous recommended default.
- Both Institutional Consultants (60%) and Aggregators (60%) state their top clients' priorities include reviewing TDFs.
- When selecting a TDF, the glidepath and fees remain the top leading factors.
- When replacing a TDF, all consultants focus on reducing fees and relative performance versus peer group. Institutional Consultants specifically cite a change in plan demographic and concern over glide path allocation as increasing reasons for changing TDF providers.
- For Institutional Consultants, recommendations for Blend TDFs increased in almost all plan size categories;

Recommended Actions to Retain Retiree Assets in the Plan



Q53. Which actions do you recommend plan sponsors take to encourage retirees to retain their assets in the plan? *Select all that apply.*

Interest in non-traditional DC investments increasing

- A majority of consultants (83%) consider ESG when selecting investment options. (Q45); 40% of Institutional Consultants state evaluating and/or adding ESG options is among their clients' top priorities.
- Institutional Consultants almost evenly split: 43% recommend it be an evaluation factor for all funds while 39% prefer to offer funds explicitly branded ESG.
- All consultants recommend ESG Fixed Income, in addition to nearly all recommend ESG Balanced and ESG Equity.
- One third of consultants believe private investments benefit all clients' multi-asset portfolios; direct real estate, private equity and private credit receive highest consideration.

Priorities and growth drivers for Institutional Consultants and Aggregators differ, yet both are focused on the end game

- Aggregators' leading-edge clients' top priority is providing greater personalization for participants (features and programs); Institutional Consultants' leading-edge clients prioritize evaluating retirement income.
- Key priorities for consultants focus on enhancing OCIO capabilities and expanding custom investment solutions capabilities; Aggregators are focusing on acquisition or mergers with other firms.
- Institutional Consultants stated retirement income product evaluation services grew the most over the last year, Aggregators cited financial wellness services.
- Almost all Aggregators (90%) provide participant-related services; 67% of Institutional Consultants don't provide these services, however, Institutional Consultants increased services in helping participants with retirement income options in the plan.
- 4 out of 5 Aggregators participate in AMA (80%) compared to only 4% of Institutional Consultants.

Core menu: Substantial increases in fixed income recommendations, including income-focused multi-sector, and most inflation-protection strategies

- Non-U.S. Bonds, U.S. Bonds and Emerging Market Equity top three asset classes where active management is most important.
- Core menu: Substantial increases in fixed income recommendations, including income-focused multi-sector, investment grade credit and high yield; Substantial increases in recommendations in most inflation-protection strategies.
- Over 80% of consultants recommend CITs when they save 1-3 bps versus mutual funds in the core line-up or default.

White label assets represent 17% of institutional clients' advised assets

- Almost $1T in white label assets managed by institutional consultants – this is 17% of all DC advised by this segment.
- Over half of Institutional Consulting firms have clients with white label options.
- Predominant form of white label is multi-manager (80%) as opposed to single manager.
- For custom allocation services, Institutional Consultants focus on white label and Aggregators focus on managed accounts.

Consultants state cyber risk is fairly well addressed by providers

- Over 75% of consulting firms now track cybersecurity breaches.
- Types of analysis varies by consulting firm, with "Summaries of analyses" or "analysis reports provided by the Vendor" the most common sources of information.
- Three-quarters of consulting firms say cyber risk is fairly well addressed by providers.

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

A Word about Risk: All investments contain risk and may lose value.

Pacific Investment Management Company LLC, 650 Newport Center Drive, Newport Beach, CA 92660 | 800.387.4626

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