



PGIM DC SOLUTIONS

BETTER INVESTMENTS, BETTER RETIREMENT OUTCOMES

2025 DC Plan Sponsor Landscape Survey: Part 2

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All investments involve risks, including possible loss of capital.



INTRODUCTION

Quality investments can meaningfully impact retirement outcomes. For instance, adding additional asset classes to an asset allocation strategy can improve performance and also can assist retirees in managing spend-down risks. In Part 2 of our latest defined contribution (DC) landscape survey, we explored DC plan decision-maker perspectives on plan investments.

We found that overall satisfaction with plan investments is high in areas such as asset class diversification, performance and cost. While DC plan decision-makers were also largely satisfied with target-date funds (TDFs), few were very satisfied, and the greatest concerns were related to the glidepath (both before and after retirement), volatility approaching the target-date and lawsuit vulnerability.

Plan decision-makers have fairly high conviction in certain TDF exposures, such as active fixed income, high-yield bonds, and alternative assets. Opinions on private assets were more mixed; decision-makers of larger DC plans were notably more positive, though concerns around fiduciary risk may limit future adoption.

Overall, our research suggests DC plan decision-makers have a relatively positive opinion of the state of the investments in their DC plans and there is also an opportunity for enhancement.

THE EVOLVING DC LANDSCAPE

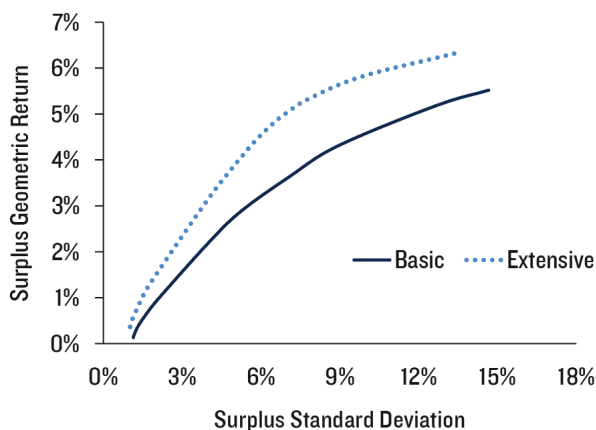
To better understand plan sponsor's perspectives and the DC landscape, PGIM regularly conducts surveys of DC decision makers. Our latest survey was conducted by Greenwald Associates and polled 302 retirement plan decision-makers online in September and October 2024. Respondents included decision-makers for DC plans with at least \$10 million in plan assets, with larger plans oversampled. Of these decision-makers, 152 respondents were connected to plans managing at least \$100 million in assets. The findings were weighted by plan asset size, using data from a BrightScope/ICI 2021 report.

The second part of our survey focuses on plan investments. We believe that participant access to quality investments can have a meaningful impact on retirement outcomes. For example, recent PGIM research suggests that extending the portfolio opportunity set beyond a relatively basic set of asset classes can significantly enhance risk-adjusted performance by approximately 100 basis points (bps) which can result in potentially five more years of income in retirement when targeting a 90% probability of success, as documented in Exhibit 1.¹

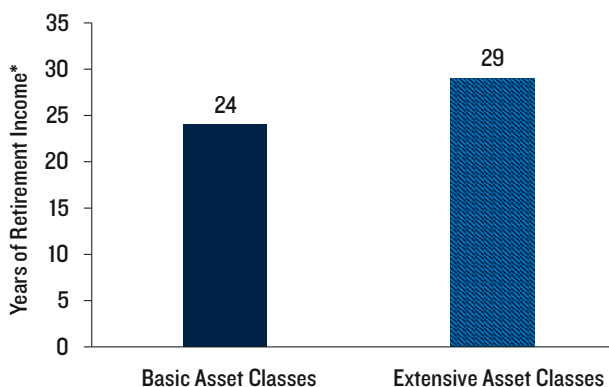
¹ "The Building Blocks for Better Retirement Portfolios" by David Blanchett and Jeremy Stempien. Access here: <https://www.pgim.com/dc-solutions/article/building-blocks-better-retirement-portfolios>.

Exhibit 1: Improving Retirement Outcomes by Expanding the Opportunity Set of Investments

Panel A: More Efficient Portfolios



Panel B: More Retirement Income



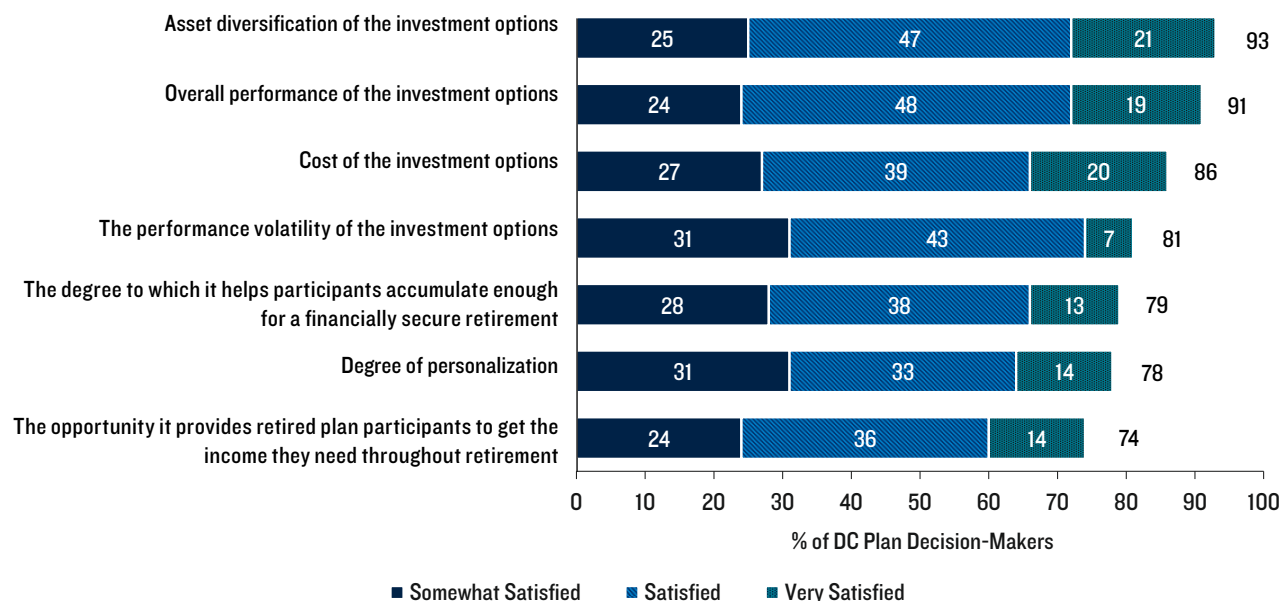
Source: PGIM 2025 DC Plan Sponsor Landscape Survey

* 90% Success Rate

Therefore, ensuring DC plans have quality investments is imperative for maximizing the likelihood that participants will achieve successful retirement outcomes.

Plan decision-makers are satisfied with DC plan investments, with only a small percentage responding that they are not satisfied, as indicated by the following exhibit.

Exhibit 2: Overall Satisfaction with DC Plan Investment Options

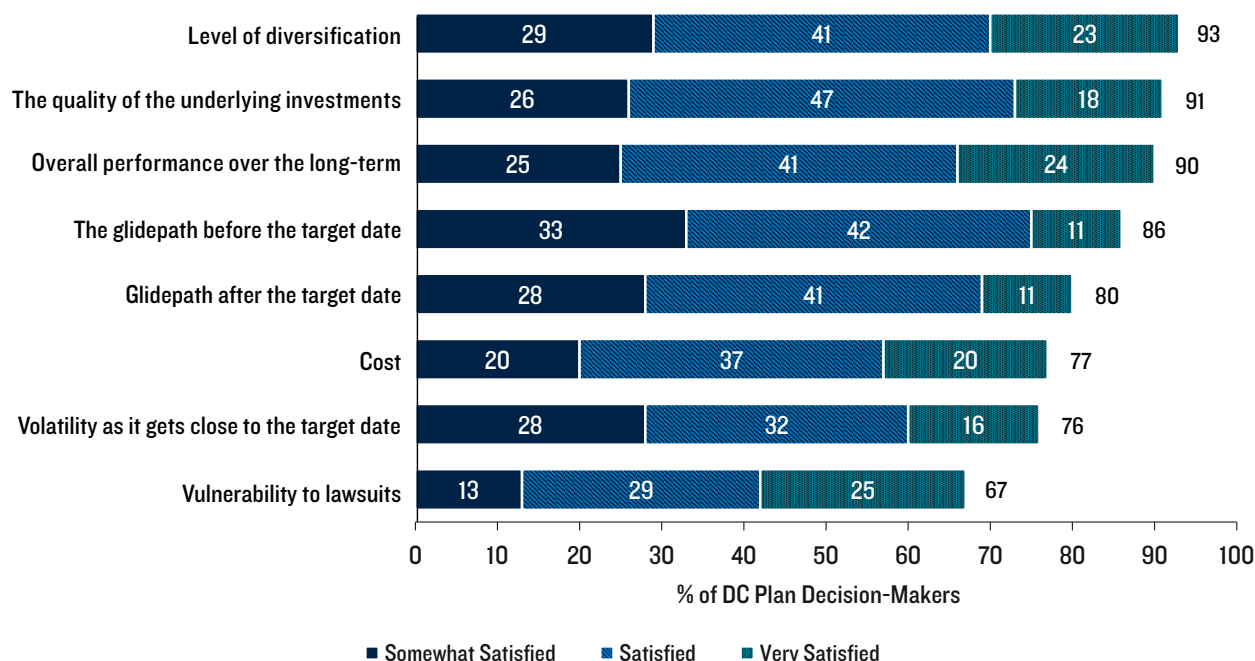


Source: PGIM 2025 DC Plan Sponsor Landscape Survey

Satisfaction with respect to asset class diversification, performance and cost was the highest, with total satisfaction levels of 93%, 91%, and 85%, respectively. However, satisfaction was the lowest in terms of personalization and supporting retired plan participants in generating income during retirement.

Plan sponsors are also satisfied with target-date funds, which are the predominant default investment in DC plans today. The chart below breaks out the satisfaction levels of TDFs across a variety of dimensions.

Exhibit 3: Satisfaction of Target-Date Funds Among DC Decision-Makers Who Use a TDF as the Plan Default Investment



Source: PGIM 2025 DC Plan Sponsor Landscape Survey

With respect to TDFs, DC plan decision-makers are most satisfied with the diversification, the quality/performance of the underlying investments that comprise the TDF, and their performance over the long-term, at rates of 93%, 91%, and 90% respectively. However, there are areas of potential improvement, as there appear to be concerns regarding TDF glidepaths both before and after retirement, volatility and lawsuit vulnerability.

We also asked a series of questions about how to potentially improve target-date funds over the long-term. The next exhibit includes the percentage of decision-makers that agree with the following statements regarding target-date funds.

73%

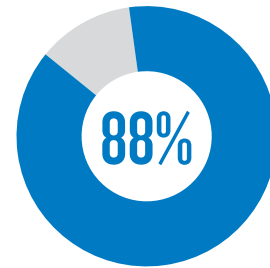
OF DC DECISION-MAKERS AGREE TDFs SHOULD INCLUDE ALLOCATIONS TO REAL ESTATE AND COMMODITIES TO ENHANCE DIVERSIFICATION

Source: PGIM 2025 DC Plan Sponsor Landscape Survey

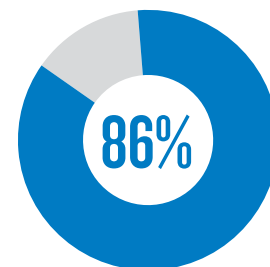
Most respondents agreed with the above statements, and in particular the need to include investments that can provide superior long-term performance as well as allocations to alternative assets, such as real estate and commodities.

We also asked decision-makers whether TDFs should include a variety of asset classes to improve long-term performance. Given notable differences in perspectives based on plan sizes, we have broken down the responses in the below exhibit into two groupings: plans with between \$10 million-\$99 million and \$100 million or more in assets.

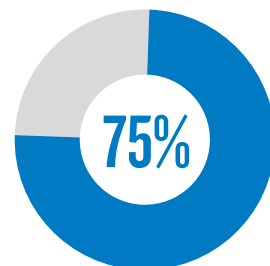
Exhibit 4: General Views on Target-Date Funds



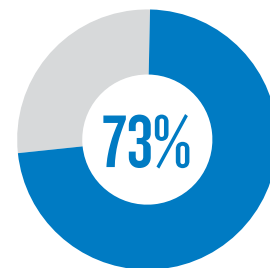
It is very important for Target-Date Funds to seek to provide very good long-term returns because the financial security of many employees are dependent on this



Most Target-Date Funds could get a better long-term return if they included investment classes that provide superior long-term performance



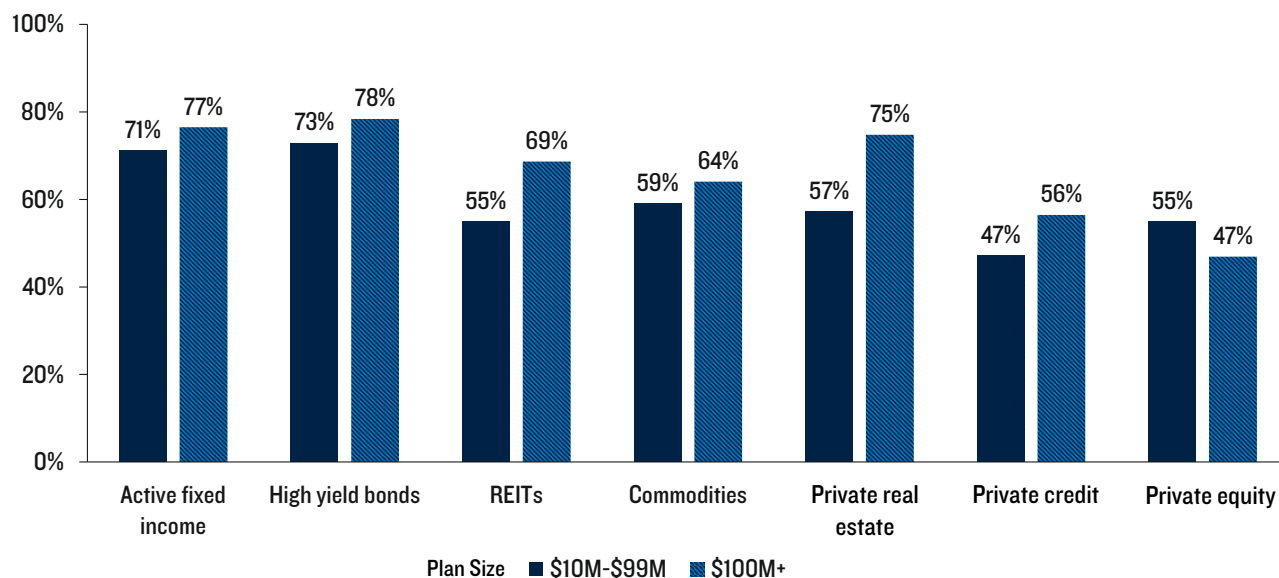
Glide path design after the target date should account for the specific needs of retirees, such as reducing market volatility, inflation protection, and income generation



To enhance diversification, a Target-Date Fund should include allocations to alternative investments, such as real estate, REITs, and commodities

Source: PGIM 2025 DC Plan Sponsor Landscape Survey

Exhibit 5: Should Target-Date Funds Include the Following Asset Classes to Improve Long-term Performance?



Source: PGIM 2025 DC Plan Sponsor Landscape Survey

Belief in each of these asset classes is notably higher among larger DC plans. While it is unclear what drives this conviction, it could be familiarity with the investments in other areas, such as defined benefit plans.

Belief in active fixed income inclusion was especially high, with 72% of decision-makers believing an allocation would improve long-term performance. With respect to the public asset class diversifiers, which include high yield bonds, REITs, and commodities, belief in high yield was clearly the highest, at 74% of all plans, followed by commodities at 60%, and 59% for REITs.

Interest in private assets, which included private real estate, private credit, and private equity was notably lower, with decision-makers viewing private real estate as the most attractive among the three (especially among larger plans).

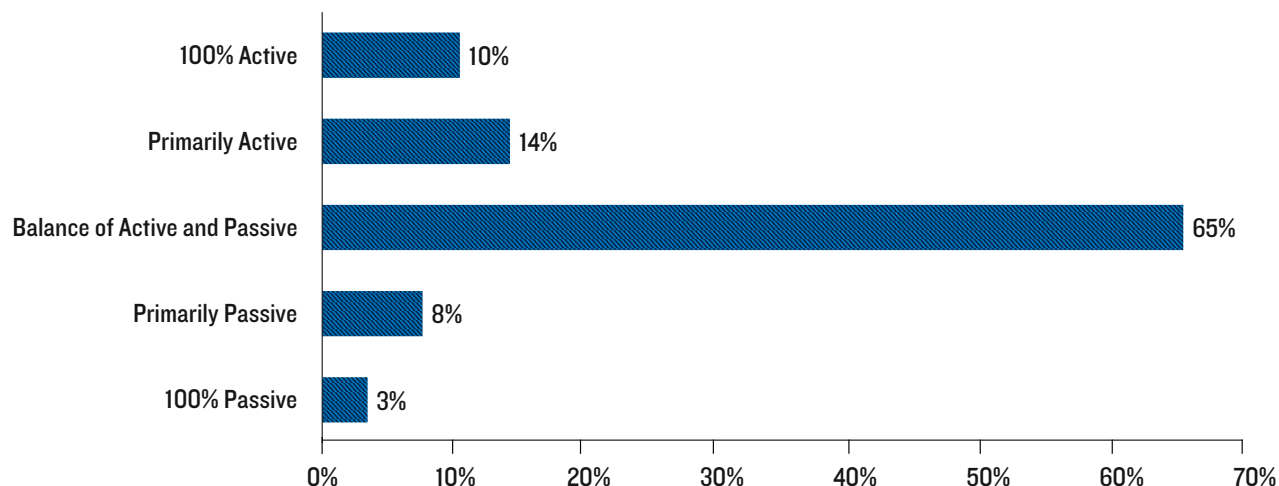
Regarding more granular investment decisions, the breakout of investment options in DC plans are shown in the next exhibit. The exhibit excludes decision-makers who were not sure how the plan is managed.

72%

OF DC DECISION-MAKERS BELIEVE AN ALLOCATION TO ACTIVE FIXED INCOME WOULD IMPROVE LONG-TERM PERFORMANCE

Source: PGIM 2025 DC Plan Sponsor Landscape Survey

Exhibit 6: How Are the Investment Options in Your DC Plan Managed?

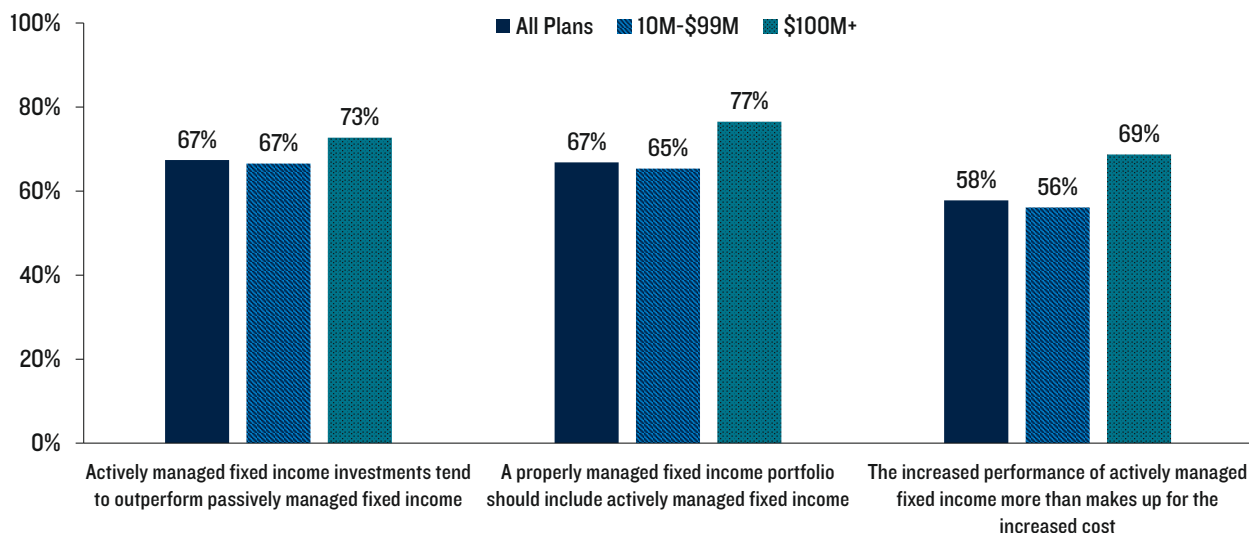


Source: PGIM 2025 DC Plan Sponsor Landscape Survey

We can see that plans are mostly a balance of active and passive investments, and that plans were likely to primarily or entirely use actively managed strategies compared to passively managed strategies.

There were clearly positive views among decision-makers with respect to active fixed income, as documented in the next graphic.

Exhibit 7: Perspectives on Actively Managed Fixed Income



Source: PGIM 2025 DC Plan Sponsor Landscape Survey

Perspectives on other asset classes were more mixed, but there were some interesting responses to note. For example, 77% of plans thought a properly managed fixed-income portfolio should include high-yield bonds, while 57% thought commodity funds can reduce volatility because their returns are not correlated with equities, and 53% thought REITs tend to perform well in times of high inflation.

Looking deeper into the private asset classes shows that fiduciary risk is a key concern, as only about half of DC plan decision-makers thought the long-term performance of the asset class protected it from fiduciary risk. The private space is still developing, and while we expect some DC plan sponsors to remain cautious, we think concerns will likely decline as acceptance and utilization increase across plans.

CONCLUSION

Better investments can create better outcomes for DC plan participants. While DC plan decision-makers were relatively satisfied with plan investments overall, there were notable concerns regarding personalization and helping retired plan participants generate retirement income. As for TDFs, there were concerns regarding glidepaths, volatility, and lawsuit vulnerability. Therefore, while things are in relatively good shape today, there still remains room for improvement!

2025 PGIM DC PLAN SPONSOR LANDSCAPE SURVEY



**IMPROVING RETIREMENT
OUTCOMES THROUGH
PERSONALIZATION**



**BETTER INVESTMENTS,
BETTER RETIREMENT
OUTCOMES**



**HELPING PARTICIPANTS
ACHIEVE RETIREMENT
SUCCESS**



**EFFECTING POSITIVE
CHANGE FOR DC
PARTICIPANTS**

ABOUT OUR METHODOLOGY

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ABOUT PGIM DC SOLUTIONS*

As the retirement solutions provider of PGIM, we plan to deliver innovative defined contribution solutions founded on market-leading research and capabilities. Our highly-experienced team partners with clients on customized solutions that seek to solve for current challenges facing DC participants. As of 12/31/2024, PGIM has \$175 billion** DC assets under management and PGIM DC Solutions AUM is \$1.2 billion.

* PGIM DC Solutions does not establish or operate pension plans.

** Reported data reflects the assets under management by PGIM and its investment adviser affiliates for defined contribution investment purposes only.

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