

U.S. Defined Contribution Distribution 2020

Adapting to Changes in the Regulatory Environment

OVERVIEW & METHODOLOGY

In its seventh iteration, this report covers product development and distribution trends in the defined contribution (DC) market. This year's report focuses on recent legislation and regulatory guidance pertaining to the use of lifetime income, private equity, and environmental, social, and governance (ESG) investment products within DC plans. The report includes findings from Cerulli's annual Target-Date Manager Survey and Defined Contribution Investment-Only (DCIO) Asset Manager Survey, as well as the annual Collective Investment Trust (CIT) Provider Survey, which Cerulli conducts in partnership with the Coalition of Collective Investment Trusts (CCIT).

This year's report also features a new DC intermediary chapter, which infuses findings from Cerulli's Retirement Specialist Advisor Survey, a new Registered Investment Advisor (RIA) Retirement Survey, conducted in partnership with the Defined Contribution Institutional Investment Association (DCIIA) and The Retirement Advisor University (TRAU), and Cerulli's Investment Consultant Survey, offering readers a more comprehensive overview of the retirement intermediary landscape. Lastly, the report provides readers with updated DC market sizing by market segment and plan type, and updated advisor-sold DC market sizing.

USE THIS REPORT TO

- Evaluate the implications for retirement plan providers and considerations for DC product development as a result of the Setting Every Community Up for Retirement Enhancement (SECURE) Act and recent regulatory guidance from the Department of Labor
- Review comprehensive sizing of the DC market in the U.S. by market segment and plan size
- Analyze product development and distribution trends, challenges, and opportunities in the DCIO asset manager, CIT provider, and target-date fund manager spaces
- Explore new data covering the DC intermediary landscape, which draws findings from advisors working across a wide range of plan asset segments, from small to mega-sized plans

QUESTIONS ANSWERED

- What do asset managers perceive to be the top barriers to adoption of ESG investment products by DC plans?
- How are 401(k) balances allocated across asset classes?
- How do target-date managers expect the heightened market volatility of 1Q 2020 to affect DC client preferences?
- What are the top challenges to CIT adoption by DC plans?
- How do advisors expect demand for 3(21) and 3(38) fiduciary arrangements to change over the next 12 months?

PRODUCT DETAILS

Included with Purchase

- Digital report in PDF format
- Unlimited online firm-wide access
- Exhibits in Excel
- Key findings
- Analyst support
- Interactive Report Dashboards

Interactive Report Dashboards

Interact and explore select report data with Cerulli's visualization tool.

- **DC-Focused Advisor Metrics and RIAs' Fiduciary Status and Perception of DCIOs:** Evaluate the advisor-sold DC asset landscape, with customizable data covering historical sizing of corporate DC assets, DC-focused asset sizing and headcount, 3(21) and 3(38) fiduciary arrangements and expectations for demand, and RIAs' perception of resources from DCIO wholesalers.
- **Asset Manager Perspectives on DC Market Trends, Primary Influencer, and Investment Vehicle:** Gain insight into the perceived impact of various DC market trends on DCIO business, compare the primary influencer in deciding DC plan investments between DC plan asset sizes, and learn which investment vehicle provides the best opportunity by 401(k) plan size and year.
- **Target-Date Attributes, Challenges, Factors, Architecture and ETF Use:** Analyze target-date managers' perceptions of the most important attributes driving target-date growth, anticipated challenges to growing the business, factors considered by DC plan sponsors in their selection of a target-date fund, product architecture, and inclusion rates for ETFs, alongside the top reasons for including them.
- **CIT Factors, Knowledge, Challenges, Reporting, and Custom Fees:** Explore an overview of the state of CIT product development, including asset managers' sentiments on factors considered in CIT development and distribution, typical knowledge level of the product, top challenges to adoption, aspects of CIT data reported to Morningstar, and an analysis of custom fee arrangements.



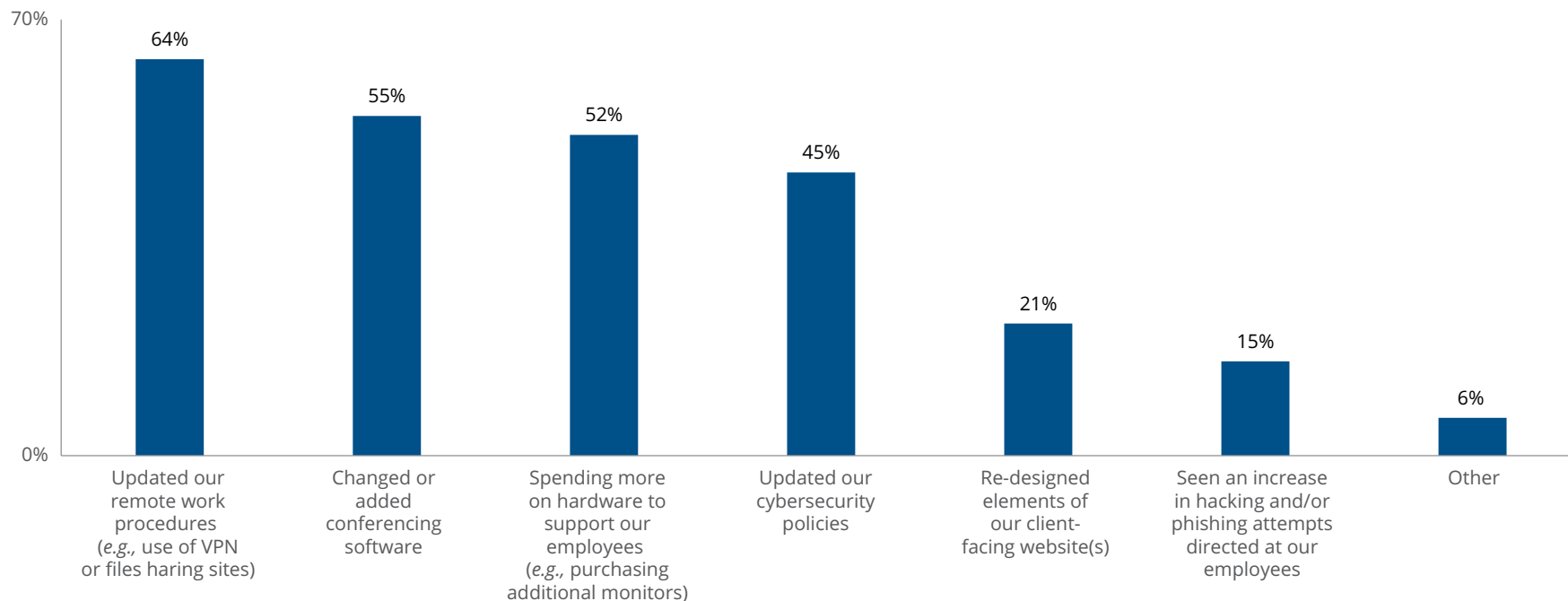
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Exhibit 3.14**Asset Manager Perspective: Impact of COVID-19 Pandemic, Market Volatility, and Remote Work on Firm Technology, 2020**

Source: Cerulli Associates

Analyst Note: “Other” responses included “We have seen little, if any impact, as remote working capabilities have been in place and are regularly utilized/tested” and “We do not know.” “We have experienced website outages due to increased traffic” and “We have experienced disruptions accessing trading/analytics platforms” were options but were not selected.



- In response to the COVID-19 pandemic, market volatility, and remote work, nearly two-thirds (64%) of DCIO asset managers have updated their remote work procedures (e.g., use of VPN and file sharing) and more than half (55%) have changed or added conferencing software.

Key Implication: In the months following the outbreak of the coronavirus, DCIO asset managers have adjusted to working and serving their clients in a remote setting. “For the first few months we were just trying to get advisors on the phone. We were trying all sorts of creative things like yoga sessions and happy hours over Zoom,” says one DCIO asset manager, “but as we’ve adjusted to the new normal, things have shifted back to business as usual—reviewing investment lineups, and talking about financial wellness, retirement income, ESG, etc.” As many companies continue to operate within a remote work environment, Cerulli asserts it is imperative for DCIO asset managers to establish means by which to engage their DC plan clients and/or advisor partners (e.g., virtual meetings, socially distant in-person meetings) on a regular basis in order to proactively address their needs moving forward.

Table of Contents: Expanded

Key Questions Answered 16

- 1. How do target-date managers allocate to alternative investments within their target-date products? 16
- 2. How do “mega” plan sponsors (with at least \$1 billion in plan assets) influence trends in the 401(k) market? 17
- 3. What does the COVID-19 pandemic and remote work environment mean for DCIO asset managers? 18
- 4. What is the target-date industry’s outlook for active versus passive management? 19
- 5. How often are custom fee arrangements offered within collective investment trusts (CITs)? 20
- 6. How do retirement plan advisors charge for their services? 21

Chapter 1: Legislation, Regulatory Guidance, and Implications for Product Distribution 22

- Retirement Income Post-SECURE Act*23
- Exhibit 1.01. Target-Date Managers: Reasons for Not Allocating to a Guaranteed Component, 2020 24
- Exhibit 1.02. Target-Date Managers: Expected Impact of Recent Market Volatility on Client Preferences, 2020 25
- Exhibit 1.03. Asset Managers’ Agreement with Statements Regarding In-Plan Retirement Income Solutions, 2020 26
- Exhibit 1.04. Potential Advances in Target-Date Product Development, 2020 27
- Private Equity in Target-Date Funds?*28
- Exhibit 1.05. Prevalence of Alternatives Strategies as Allocations in Target-Date Product, 2020 29
- Exhibit 1.06. Asset Managers: Plans to Incorporate Private Equity and Private Real Estate in Multi-Asset-Class Products, 2020 30
- Exhibit 1.07. Target-Date Managers: Factors Considered by DC Plan Sponsors When Selecting a Target-Date Fund, 2020 31
- Revisiting ESG*32
- Exhibit 1.08. 401(k) Plan Sponsors: Factors Considered When Selecting Investment Options for 401(k) Plan, 2019 33
- Exhibit 1.09. Asset Managers’ Expectations for Marketing and Distribution of ESG Products, 2020 34
- Exhibit 1.10. Participants’ Perception of Environmentally and Socially Responsible Investments, 2020 35
- Exhibit 1.11. Asset Manager Perspective: Barriers to Adoption of ESG Products in DC Plans, 2020 36
- Exhibit 1.12. Responsible Investing Methods, 2020 37

Chapter 2: DC Market Sizing by Sector and Plan Size 38

- Exhibit 2.01. Total DC Assets and Growth Rate, 2011–2025E 39
- Exhibit 2.02. Total Corporate DC Assets and Growth Rate, 2011–2025E 40
- Exhibit 2.03. 401(k) Assets and Growth Rates, 2011–2025E 41
- Exhibit 2.04. Not-for-Profit/Governmental DC Assets by Segment, 2011–2025E 42
- Exhibit 2.05. 401(k) Asset Allocation by Plan Asset Segment, 2019 43
- Exhibit 2.06. Micro Plan Asset Segment Profile, 2019 44
- Exhibit 2.07. Small Plan Asset Segment Profile, 2019 45

Table of Contents

Exhibit 2.08. Mid-Sized Plan Asset Segment Profile, 2019	46
Exhibit 2.09. Large Plan Asset Segment Profile, 2019	47
Exhibit 2.10. Mega Plan Asset Segment Profile, 2019	48
Exhibit 2.11. 401(k) Investment-Only Assets vs. Proprietary Assets, 2019	49
Exhibit 2.12. 401(k), 403(b), and 457 Stable Value Assets as a Percentage of Total Plan Assets, 2017–2019	50
Exhibit 2.12 - Continued. 401(k), 403(b), and 457 Stable Value Assets as a Percentage of Total Plan Assets, 2017–2019.	51
Exhibit 2.13. Stable Value Assets by Manager Segment and DC Plan Type, 2018–2019	52
Chapter 3: DCIO Asset Managers: Product Development and Messaging	53
Exhibit 3.01. Top-15 DCIO Asset Managers by AUM, 2018–2019	55
Exhibit 3.02. Asset Manager Perspective: Greatest Growth Opportunity by Plan Asset Segment, 2018–2020.	56
 Exhibit 3.03. Asset Manager Perspective: Impact of DC Market Trends on DCIO Business, 2020	57
Exhibit 3.04. Asset Manager Perspective: Challenges to DCIO Sales, 2020	58
Exhibit 3.05. Asset Managers’ Expectations for Active and Passive Net Flows Over the Next 12 Months, 2020.	59
Exhibit 3.06. Asset Manager Perspective: Outlook on HSAs, 2020.	60
Exhibit 3.07. Asset Manager Perspective: Outlook on 529 Plans, 2020.	61
Exhibit 3.08. Asset Managers’ Expectations for Marketing and Distribution of ESG Products, 2020	62
Exhibit 3.09. DCIO Sales Team Average Headcount by Position, 2019 vs. 2020E	63
 Exhibit 3.10. Asset Manager Perspective: Primary Influencer in Deciding DC Plan Investments by DC Plan Asset Segment, 2020	64
Exhibit 3.11. Asset Manager Perspective: Focus on Intermediary Groups, 2020.	65
Exhibit 3.12. Asset Managers’ DCIO Assets by Investment Vehicle, 2019.	66
 Exhibit 3.13. Asset Manager Perspective: Investment Vehicle Providing Best Opportunity by 401(k) Plan Asset Segment, 2020.	67
Exhibit 3.14. Asset Manager Perspective: Impact of COVID-19 Pandemic, Market Volatility, and Remote Work on Firm Technology, 2020	68
Exhibit 3.15. Asset Managers: Plans to Incorporate Private Equity and Private Real Estate in Multi-Asset-Class Products, 2020.	69
Exhibit 3.16. Asset Manager Perspective: Barriers to Adoption of ESG Products in DC Plans, 2020	70
Exhibit 3.17. Asset Managers: In-Plan Retirement Income Options Offered, 2020.	71
Exhibit 3.18. Asset Managers’ Agreement with Statements Regarding In-Plan Retirement Income Solutions, 2020.	72
Exhibit 3.19. Asset Manager Perspective: Likelihood of Participation in Pooled Employer Plan Market, 2020.	73
Chapter 4: Target-Date Funds: Product Development Trends and Innovation	74
Exhibit 4.01. Total Target-Date Assets by Vehicle, 2015–2019	76
Exhibit 4.02. 401(k) Target-Date Assets and Contributions, 2014–2025E	77
Exhibit 4.03. Top-15 Target-Date Managers by Assets, 2018–2019	78
Exhibit 4.04. Target-Date Manager Leaderboards by Mutual Fund and CIT Assets, 2018–2019.	79
Exhibit 4.05. Top-10 Target-Date CIT Series by Assets, 2017–2019	80
Exhibit 4.06. Total Target-Date Mutual Fund Assets and Organic Growth Rate, 2009–2019.	81

Exhibit 4.07. Total Target-Date Mutual Fund Assets by Active, Passive, and Blended, 2013–2019	82
Exhibit 4.08. Annual Target-Date Mutual Fund Net Flows by Active and Passive, 2013–2019	83
Exhibit 4.09. Top-10 Passive Target-Date Mutual Fund Series by Assets and Net Flows, 2018–2019	84
Exhibit 4.10. Top-10 Active Target-Date Mutual Fund Series by Assets and Net Flows, 2018–2019	85
Exhibit 4.11. Number of Target-Date Mutual Fund Series that Opened and Closed, 2010–2019	86
Exhibit 4.12. Target-Date Managers: Expectations for Active, Passive, and Blended Target-Date Net Flows Over the Next 12 Months, 2020	87
Exhibit 4.13. Target-Date Managers: Potential Advances in Target-Date Product Development, 2020	88
Exhibit 4.14. Target-Date Managers: Expected Impact of COVID-19 Market Volatility on Client Preferences, 2020	89
Exhibit 4.15. Target-Date Managers: Perception of DC Managed Accounts Relative to Target-Date Funds, 2020	90
Exhibit 4.16. Target-Date Managers: Level of Opportunity for Growth of Off-the-Shelf Target-Date Assets by Distribution Channel, 2020	91
ii Exhibit 4.17. Target-Date Managers: Most Important Attributes Driving Target-Date Asset Growth, 2020	92
ii Exhibit 4.18. Target-Date Managers: Challenges to Growing Target-Date Business Over the Next 12 Months, 2020	93
ii Exhibit 4.19. Target-Date Managers: Factors Considered by DC Plan Sponsors When Selecting a Target-Date Fund, 2018–2020	94
ii Exhibit 4.20. Target-Date Product Architecture, 2019–2020	95
Exhibit 4.21. Availability of Target-Date Products by Investment Vehicle and Mutual Fund Share Class, 2020	96
Exhibit 4.22. Prevalence of Inflation Hedging Strategies as Allocations in Target-Date Product, 2020	97
Exhibit 4.23. Prevalence of Alternatives Strategies as Allocations in Target-Date Product, 2020	98
Exhibit 4.24. Target-Date Managers: Target-Date Product Allocation to Stable Value Component and Reasons for Not Allocating to a Stable Value Component, 2020	99
ii Exhibit 4.25. Target-Date Managers: Use of ETFs as Underlying Vehicle and Reason for Using ETFs, 2020	100
Exhibit 4.26. Highest Equity Allocation Range within Target-Date Series, 2020	101
Exhibit 4.27. Equity Allocation Range at Target-Date Series Landing Point, 2020	102
Exhibit 4.28. Prevalence of a Retirement Income Component in Target-Date Product, 2020	103
Exhibit 4.29. Target-Date Managers: Average Percentage of Target-Date Assets in QDIA vs. Self-Directed, 2019	104
Chapter 5: Collective Investment Trusts: Trends in Vehicle Distribution and Adoption	105
Exhibit 5.01. Total Collective Investment Trust Assets and Growth Rate, 2011–2019	107
Exhibit 5.02. Top-20 Collective Investment Trust Providers, 2019	108
ii Exhibit 5.03. Factors Considered in Development and Distribution of CITs, 2020	109
ii Exhibit 5.04. Typical Knowledge Level Regarding CITs, 2020	110
ii Exhibit 5.05. Top Challenges to CIT Adoption in DC Plans, 2020	111
Exhibit 5.06. CIT Assets by Client Segment and Distribution Channel, 2019	112
Exhibit 5.07. DB and DC CIT Assets by Investment Strategy, 2019	113
Exhibit 5.08. CIT Assets in DC Plans: Segmented by Investment Strategy and Management Style, 2019	114
Exhibit 5.09. CIT Assets in DB Plans: Segmented by Investment Strategy and Management Style, 2019	115
Exhibit 5.10. Focus of DC Distribution Efforts Over the Next 12 Months, 2020	116

Table of Contents

Exhibit 5.11. Investment Vehicle Posing Greatest Threat to Potential Growth of CITs, 2020	117
Exhibit 5.12. Reporting CIT Data to Morningstar, 2020	118
Exhibit 5.13. Frequency Information is Reported to Institutional Clients, 2020	119
Exhibit 5.14. Registering Ticker Symbols for CIT Products, 2020	120
Exhibit 5.15. CIT Assets in Custom Fee Arrangements, 2019	121
Exhibit 5.16. Structures of CIT Client Arrangements, 2020	122
Exhibit 5.17. Revenue Sharing Fee Arrangements, 2019	123
Chapter 6: DC Intermediaries: The Role of Advisors and Consultants	124
Exhibit 6.01. Corporate DC Assets by Advisor/Consultant Use, 2014–2019	127
Exhibit 6.02. Advisor-Sold DC Market by Plan Type, 2014–2019	128
Exhibit 6.03. DC-Focused Advisor Headcount and Marketshare by Channel, 2019	129
Exhibit 6.04. Advisor-Sold DC Plan Assets by Channel and DC Focus, 2019	130
Exhibit 6.05. Retirement Specialist Advisors: Staffing Profile, 2019	131
Exhibit 6.06. Retirement Specialist Advisors: DC Book of Business, 2019	132
Exhibit 6.07. Retirement Specialist Advisors: Services Valued by DC Plan Clients, 2020	133
Exhibit 6.08. Retirement Specialist Advisors: DC Participant Engagement and Topics of Inquiry, 2019 vs. 2020	134
Exhibit 6.09. Retirement Specialist Advisors: Perception and Use of Financial Wellness Programs in DC Plans, 2020	135
Exhibit 6.10. Retirement Specialist Advisors: Factors Considered When Recommending Target-Date Funds, 2020	136
Exhibit 6.11. Retirement Specialist Advisors: Preferred In-Plan Retirement Income Solutions, 2018 vs. 2020	137
Exhibit 6.12. Retirement Specialist Advisors: Perspectives on IRA Rollovers from DC Plans, 2020	138
Exhibit 6.13. Retirement Specialist Advisors: Reaction to SECURE Act and PEPs, 2020	139
Exhibit 6.14. Retirement Specialist Advisors: View of External Third-Party Administrators, 2020	140
Exhibit 6.15. RIAs: Respondent Profile—Regulatory Structure and DC Assets Under Advisement, 2020	141
Exhibit 6.16. RIAs: Mix of Business—Revenue by Client Type and DC AUA by Plan Type, 2020	142
Exhibit 6.17. RIAs: Fiduciary Arrangements and Expectations for Next 12 Months, 2020	143
Exhibit 6.18. RIAs: Financial Wellness Offerings, 2020	144
Exhibit 6.19. RIAs: DC Managed Account Fees, 2020	145
Exhibit 6.20. RIAs: Perception of Resources from DCIO Wholesalers, 2020	146
Exhibit 6.21. RIAs: Expectations for Pooled Employer Plans, 2020	147
Exhibit 6.22. Investment Consultants: Presence in the Corporate DC Market, 2020	148
Exhibit 6.23. Consultant Expectations for New Business Growth by Client Segment Over the Next 24 Months, 2020	149
Exhibit 6.24. Consultant Expectations for Asset Allocation of Single-Employer DC Plans Over the Next 12 Months, 2020	150
Company Index	151

Company Index

AllianceBernstein,	23, 105, 109
American Funds,	74, 78, 82, 83, 86
Barclays,	77
BlackRock,	24, 33, 49, 72, 74, 82
BMO.....	86
Fidelity	51, 74, 75, 82, 83, 86, 90, 110
Financial Engines.....	90
JPMorgan.....	16, 29, 83, 90
MainStay	86
Morningstar	33, 75, 82, 90, 104, 118, 120, 125, 145
Natixis.....	33
Nuveen.....	16, 29
Pantheon Ventures.....	28, 32
Partners Group	28, 32
PIMCO.....	86
Principal	78
Prudential	23
Putnam.....	86
State Street	78
T. Rowe Price	74, 82, 83, 101
TIAA.....	16, 29, 78
Vanguard.....	14, 74, 75, 78, 82, 83, 90
Wells Fargo	24, 72
Willis Towers Watson.....	28