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AUGUST 2023

2023 Defined Contribution Consultant Research Study (Executive Summary)

T. Rowe Price conducted its third annual 2023 Defined Contribution Consultant Research Study to capture retirement views from the defined contribution (DC) consulting and advisory community.[1] This executive summary features key findings related to target date solutions, retirement income, investment trends, and financial wellness programs. Data are informed by 32 of the nation's leading consulting and advisory firms with a collective $6.7 trillion in assets under advisement.[2]

2023 Defined Contribution Consultant Research Study Respondent Firms

Each firm completed one study questionnaire from February 14 to March 31, 2023.

Aon	IMA Wealth	PlanPILOT
Callan LLC	LCG Associates, Inc.	QPA
Cambridge Associates	LPL	Russell Investments
CAPTRUST	Marquette Associates, Inc.	SageView Advisory
Clearstead	Meketa Investment Group	Segal Marco Advisors
Commonwealth	Mercer	UBS
Goldman Sachs Investment Management	MSWM/Graystone	USI
Higginbotham	NEPC	Verus
Highland Associates	Newport	Wilshire
Highland Consulting Associates	NFP Retirement	WTW
HUB RPW	OneDigital	

Target Date Solutions

Opportunities for Diversification and Customization Amid Continued Fee Pressure

KEY FINDINGS

- Fee pressures continue to be a dominant force in shaping the future of target date solutions as evidenced by the top two most supported developments identified by respondents, namely, continued transition to target date solutions offered in a collective investment trust (CIT) and use of target date solutions constructed with active and passive underlying strategies (Figure 1).
- Despite the recent inflationary environment, study results reveal only moderate support for adding or increasing allocations to traditional inflation-sensitive strategies in target date portfolios. Specifically, adding exposure to nontraditional bonds garnered the most interest, while respondents expressed little support for including private-equity or liquid alternatives (Figure 2).

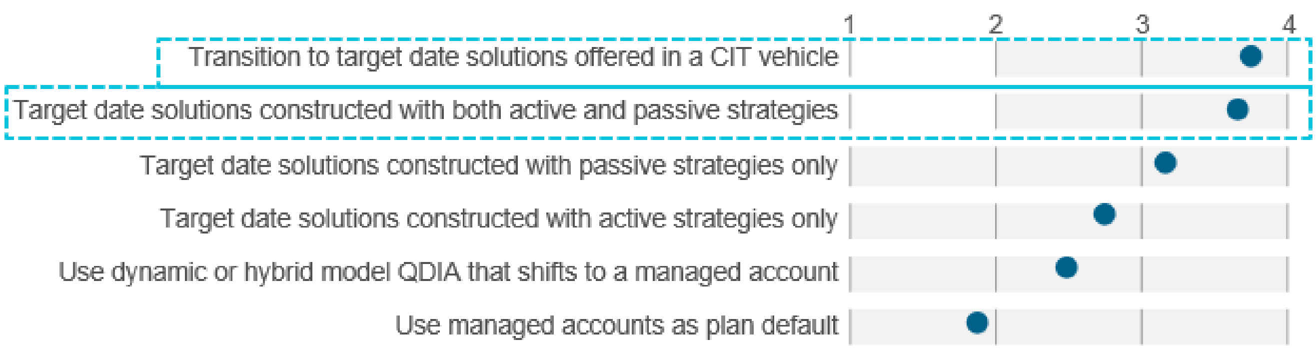
- Support for custom target date solutions continues to be reserved for the largest DC plans, with study respondents identifying plan asset level as the most influential factor in deciding whether to consider a white-label or custom target date investment. Respondents also recognize the ability to control manager selection in a multi-manager portfolio and to better address specific plan demographics as highly influential reasons to recommend a custom target date solution.

- While personalization is a growing area of innovation within the qualified default investment alternative (QDIA) category, results suggest that managed accounts currently do not represent a threat to target date solutions' hegemony as the default of choice. Data indicate some enthusiasm for managed accounts' ability to offer customization, particularly as participants age, but not as a plan's QDIA.

Support for Target Date Developments Based on Vehicle and Implementation

(Fig. 1) Firms were asked: Please indicate the extent to which you generally support the following developments, enhancements, and modifications related to target date solutions or other qualified default investment alternatives.

Rating: Do not support (1) to Strongly support (4)

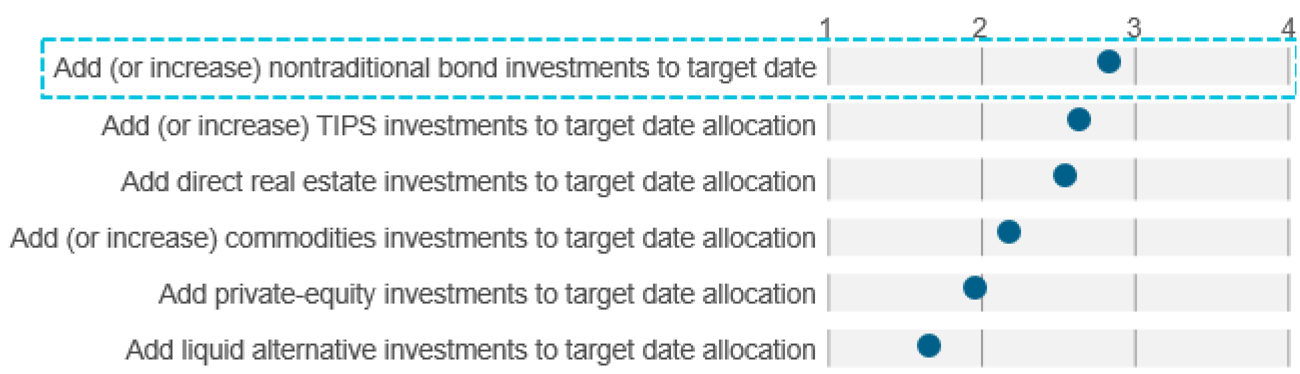


Analyst note: The gray shading represents the 1-4 range of responses.

Support for Target Date Developments Based on Diversification

(Fig. 2) Firms were asked: Please indicate the extent to which you generally support the following developments, enhancements, and modifications related to target date solutions or other qualified default investment alternatives.

Rating: Do not support (1) to Strongly support (4)



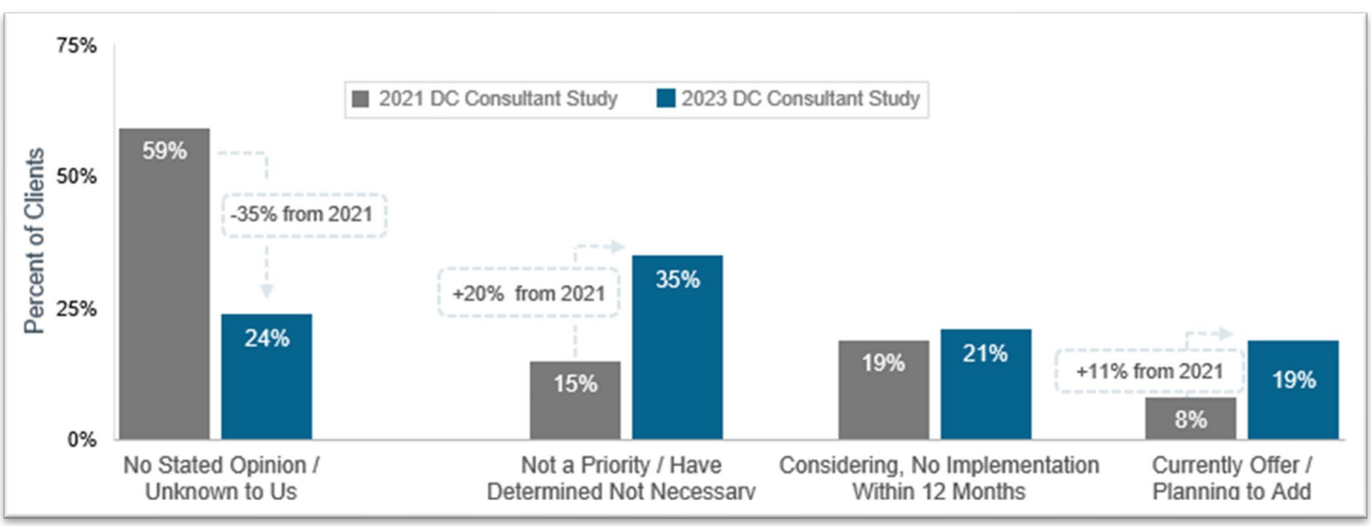
Analyst note: The gray shading represents the 1-4 range of responses.

Retirement Income
Evolving From an Exploratory to a Decision-Oriented Posture

KEY FINDINGS

- Study results depict plan sponsors as evolving from an exploratory mindset to a more decision-oriented posture on in-plan retirement income solutions. This is evidenced by the dramatic decrease in the percent of clients that consultants describe as "having no stated opinion" on in-plan retirement income solutions: 59% of clients based on the 2021 DC Consultant Study compared with only 24% in 2023.[3] Data also show a meaningful increase in the percent of clients that consultants categorize as currently offering or planning to add a retirement income solution: 8% of clients in 2021 compared with 19% in 2023 (Figure 3).
- Currently, four out of five study respondents do not offer formal ratings for retirement income solutions. The plurality (43%) of respondents evaluate the suitability of retirement income solutions on a per-plan basis. Results indicate that over the next 12 months, approximately one-third of the consultant community anticipates offering formal ratings for in-plan retirement income solutions.
- In totality, study results support taking a comprehensive and holistic view of plan design features, investments, and services that can be considered "retirement income solutions." While more plan sponsors prefer retirees remain in plan, there is a growing awareness that a single investment solution likely will not suffice in achieving this aim.[4]
- Results emphasize the importance of non-investment-centric services in retaining retirees. The features that are considered most persuasive or effective in retaining retired participants in the plan include:
  (1) targeted communications on the potential benefits of staying in plan,
  (2) making financial planners/advisors available through the plan, and
  (3) offering flexibility how plan assets can be drawn down.
- While the SECURE Act spurred innovation among providers to create new in-plan retirement income solutions, study results suggest that plan sponsors are currently focused on recreating a paycheck-like experience for retirees.[4,5] Among the varied retirement income solutions available, study respondents identify a simple systematic withdrawal capability as most appealing, closely followed by managed accounts with income planning features, and target date investments with an embedded, non-insured managed payout feature.

Plan Sponsors' Progress Toward Implementation of In-Plan Retirement Income Investment Solutions
(Fig. 3) Firms were asked: Percent of clients within each stage of considering DC plan-based retirement income investment solutions, excluding systematic withdrawal capabilities.



Fixed Income and Capital Preservation
Market Environment Sharpens Focus on Fixed Income

KEY FINDINGS

- Considering the shocking experience many fixed income investors experienced in 2022, it is not surprising that consultants agree with the statement, "fixed income oversight for DC plans now requires more time and attention than it did in prior years." Specifically, half (50%) of respondents cite poor performance as influencing their evaluation of DC plan fixed income offerings, whereas only one-quarter (26%) identified poor performance as a key factor in our 2021 DC Consultant Study.[3]
- Consultants are clearly cognizant of the evolving fixed income landscape, with a majority (78%) reporting a greater focus on identifying opportunities for diversification within fixed income (Figure 4), whether it is across the credit spectrum or global yield curve, as well as by method of implementation (active or passive). Similarly, consultants express support for offering a range of fixed income investments to meet participants' varied risk, return, and income preferences.
- Capital preservation emerges as top of mind for the consultant community, with results indicating relatively strong expectations for increased activity in the capital preservation category. Like the fixed income findings, poor performance is cited as influencing the evaluation process of capital preservation options, along with concerns regarding inflation and interest rates.

Trends Influencing Consultants' and Advisors' Evaluation of Capital Preservation and/or Fixed Income Investment Options

(Fig. 4) Firms were asked: To what extent have the following trends influenced your evaluation of capital preservation and/or fixed income investment options?

	FIXED INCOME			CAPITAL PRESERVATION		
	2021	2023	Change	2021	2023	Change
Current interest rate environment	89%	78%	-11	89%	91%	+2
Greater focus on diversification opportunities	48%	78%	+30	33%	28%	-5
Interest rate expectations	81%	75%	-6	74%	69%	-5
Inflation concerns	70%	72%	+2	48%	66%	+18
Poor performance	26%	50%	+24	19%	34%	+15

Analyst Note: Respondents were asked to identify the top five trends that influenced their evaluation of capital preservation and/or fixed income investment options. Data reflect the percent of respondents that selected each trend in their top five.

Investment Trends:
A Story of Active *and* Passive (not *or*) and ESG Challenges Persist

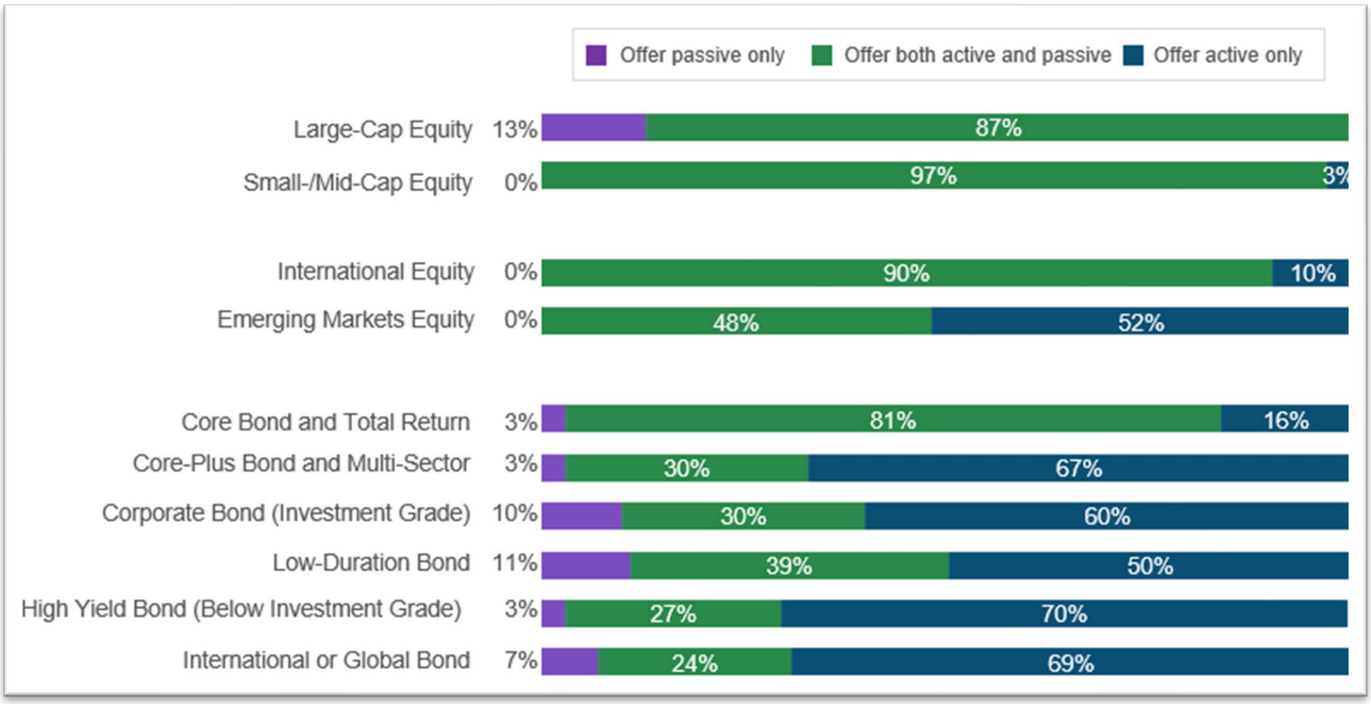
KEY FINDINGS

- When asked for their firm's philosophical views on investment implementation, study respondents generally support use of both active and passive investment strategies (Figure 5).
- The majority of respondents identify offering both active and passive investment options as their preference for large-cap equity, small-/mid-cap equity, and international equity. Notably, more than half (52%) of respondents believe emerging markets equity is best implemented using active management.
- Respondents express the greatest conviction in active management when it comes to fixed income. At least half of respondents selected active management as their preferred method of implementation for core plus bond/multi-sector, corporate bond (investment grade), low duration bond, and high yield bond.

- Regarding the incorporation of environmental, social, and governance (ESG) factors in DC plan investment options, study respondents most strongly agree that evolving regulatory guidance and legislative developments remain challenging. However, a majority (71%) of study respondents identify ESG integration (i.e., when material economic, social, and governance factors are considered alongside traditional factors, but returns are prioritized over social objectives) as the best path forward to incorporating ESG factors in DC plan investments.
- Diversity, equity, and inclusion (DEI), an emerging area of focus within the broader financial services industry, is increasingly being considered from the vantage point of improving participant outcomes. Respondents report that DEI data are most used by plan sponsors that are exploring how their demographic data can inform targeted participant communications.

DC Consultant Implementation Preferences by Investment Strategy

(Fig. 5) Firms were asked: What are your firm's philosophical views related to active and passive implementation by asset class or investment strategy in DC plans, either within a multi-asset or standalone investment?

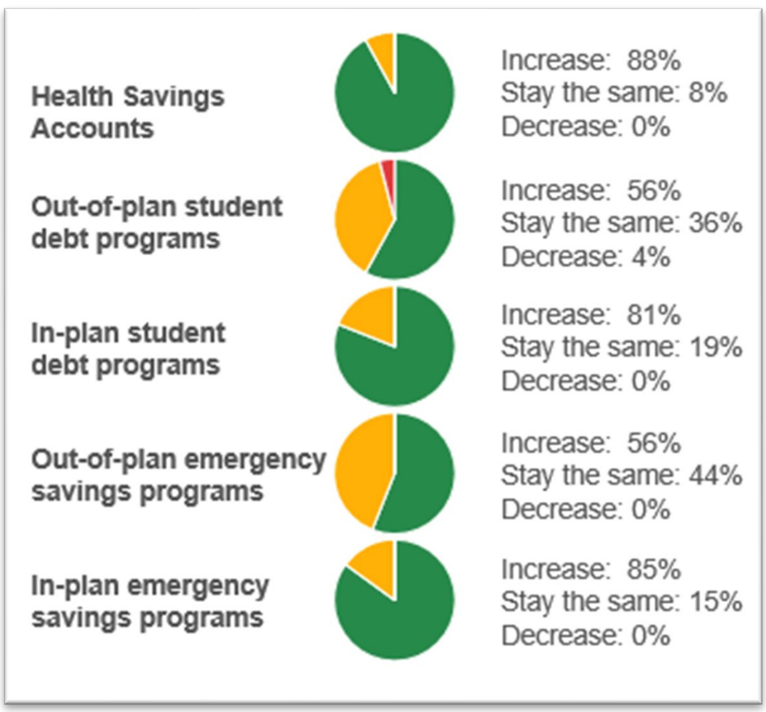


Financial Wellness
More Tools for Improving the Financial Health of Participants

KEY FINDINGS

- Results suggest that consultants believe plan sponsors are most motivated to invest in financial wellness programs to improve overall worker satisfaction and retention, as well as to reduce employee financial stress.
- Traditional financial wellness topics—estimating retirement income needs, improving overall financial knowledge, and determining how much to save—capture the highest scores by study respondents when asked what matters most to plan sponsors. However, the next three most important topics—building emergency savings/reserve, general debt management/reduction, and student loan debt management/reduction—are all topics for which new student debt and emergency savings programs may be poised to support, particularly given the related provisions in the SECURE 2.0 Act.[6]
- Current use of student debt and emergency savings programs is limited, but study respondents expect to see availability of these programs to increase within the next three to five years. Specifically, more study respondents expect this growth to occur among in-plan programs rather than out-of-plan programs (Figure 4).

Expectations for Future Availability of HSAs, Student Debt Programs, and Emergency Savings Programs
(Fig. 6) Firms were asked: How do you think availability of these programs may change within three to five years?



[1]T. Rowe Price worked with Schaus Group to complete the 2023 Defined Contribution Consultant Research Study. This study included 45 questions and was conducted from February14 to March 31, 2023. Responses are from 32 consulting and advisory firms with more than $6.7 trillion assets under advisement (AUA).

[2]Assets under advisement figures are self-reported.

[3]T. Rowe Price worked with Schaus Group to complete the 2021 Defined Contribution Consultant Research Study. This study included 51 questions and was conducted from September 20 to November 8, 2021. Responses are from 32 consulting and advisory firms with over 33,000 plan sponsor clients and more than $7.2 trillion AUA. This research was released in 2022.

[4]T. Rowe Price, 2022 Future of Fixed Income Study. P&I conducted the survey October 12 to November 15, 2022, on behalf of T. Rowe Price. Data reflect responses from 158 plan sponsors, of which 70% identified as having 401(k) plans. The study found that 66% of responding DC plans "want more participants to keep DC balances in their plan(s) when they retire."

[5]H.R.1994 – Setting Every Community Up for Retirement Enhancement Act of 2019

[6]H.R.2954 – Securing a Strong Retirement Act of 2021

Additional Information

A **collective investment trust** is a group of pooled accounts held by a bank or trust company.

The term **private equity** refers to capital investment made into companies that are not publicly traded.

The term **alternatives** refers to a financial asset that does not fall into one of the conventional investment categories, such as stocks, bonds, and cash. Alternative investments can include private equity or venture capital, hedge funds, managed futures, art and antiques, commodities, derivatives contracts, and often real estate. The term **liquid alternatives** refers to those alternative investments that can be bought and sold daily, unlike traditional alternatives that offer monthly or quarterly liquidity. Investors do not have to pass net-worth or income requirements to invest in liquid alternatives.

The term **large-cap equity** refers to an investment strategy that purchases shares of public companies with a market capitalization value of more than $10 billion.

The term **small/mid-cap equity** refers to an investment strategy that invests in public companies with a market capitalization $300 million and $2 billion and between $2 and $10 billion, respectively.

The term **emerging markets equity** refers to an investment strategy that purchases securities from countries with economies that that are determined to be in an emerging growth phase and offer high potential returns with higher risks than developed market countries.

The term **international equity** refers to an investment strategy that purchase stocks of companies located in various countries outside the US.

The term **core bond** refers to a strategy that includes a broadly diverse set of US bonds including Treasury bonds and corporate bonds.

In relation to bonds, the term **total return** refers to a fixed income strategy that pursues capital appreciation as well as current income.

The term **core-plus bond** refers to a strategy that includes Core Bonds and may be augmented by investments in other market sectors, for example high yield bonds and/or international bonds.

In relation to bonds, the term **multi-sector** refers to a strategy that may invest opportunistically in various sectors of the market.

The term **corporate bond (investment grade)** refers to a strategy that invests in bonds issued by US corporations and are rated highly for their creditworthiness.

The term **low-duration bond** refers to a strategy that invests in bonds whose price volatility is low. Duration is a measure of bond price volatility. The lower a bond's duration, the less sensitive is its price to interest rate movements and vice-versa.

The term **high yield bond (below investment grade)** refers to a strategy that invests in below-investment grade bonds. These bonds involve higher risk of default than do investment-grade bonds and offer investors a higher yield as potential compensation for this additional risk.

The term **international bond** refers to a strategy that invests in non-US bonds. They may or may not be hedged to the US dollar.

The term **global bond** refers to a strategy that invests in US bonds as well as non-US bonds.

Important Information

This material is provided for general and educational purposes only and not intended to provide legal, tax, or investment advice. This material does not provide recommendations concerning investments, investment strategies, or account types; it is not individualized to the needs of any specific investor and not intended to suggest any particular investment action is appropriate for you, nor is it intended to serve as the primary basis for investment decision-making.

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