T. Rowe Price
INVEST WITH CONFIDENCE

MAY 2022

2021 Defined Contribution Consultant Research Study

T. Rowe Price, in partnership with Schaus Group, is delighted to share insights on retirement trends from our latest study of the nation's 32 leading consulting and advisory firms that provide services to more than 33,000 plan sponsor clients and report nearly $7.2 trillion in assets under advisement (Figure 1).[1] The study was conducted at the end of 2021 during the continued coronavirus pandemic.

Recent years have presented unprecedented challenges, and we find the consulting and advisory community evolving their businesses to address both obstacles and new opportunities. Consultants and advisors work along with their plan sponsor clients to help participants prepare for retirement and seek broader financial well-being. Study results are summarized in three sections.

Firms That Participated in the 2021 Defined Contribution Consultant Research Study

(Fig. 1) Each firm completed one study questionnaire between September 20-November 8, 2021.

- Aon
- Bellwether Consulting
- Callan LLC
- CAPTRUST
- Cook Street
- Ellwood Associates
- Fiduciary Advisors
- Highland Associates
- Highland Consulting Associates
- HUB RPW
- LCG Associates, Inc.
- Lockton Retirement-Creative Planning
- Marquette Associates, Inc.
- Meketa Investment Group
- Mercer
- Monroe Vos
- MSWM/Graystone
- Multnomah Group, Inc.
- NEPC
- NFP/RPAG
- OneDigital
- PlanPILOT
- Portfolio Evaluations, Inc.
- Rocaton Investment Advisors
- Russell Investments
- RVK
- Sageview Advsiory Group
- Segal Marco Advisors
- Strategic Retirement Partners
- UBS
- Verus
- WTW

Focus on Retirement Income and Qualified Default Investment Alternatives (QDIAs)

Traditionally, defined contribution (DC) plans were built to help workers accumulate retirement assets, and QDIAs have played a central role in meeting this objective since the emergence of auto-enrollment. More recently, many plan sponsors (and their consultants) have also sought to address the needs of participants who keep assets in their DC plans after they retire. Viewed within the broader context, the emergence of DC-sourced retirement income paired with the existing infrastructure devoted to asset accumulation suggests a more comprehensive set of solutions targeted to deliver better outcomes for participants. In this way, QDIAs (to save for retirement) and retirement income solutions (for living in retirement) may be conceptually linked.

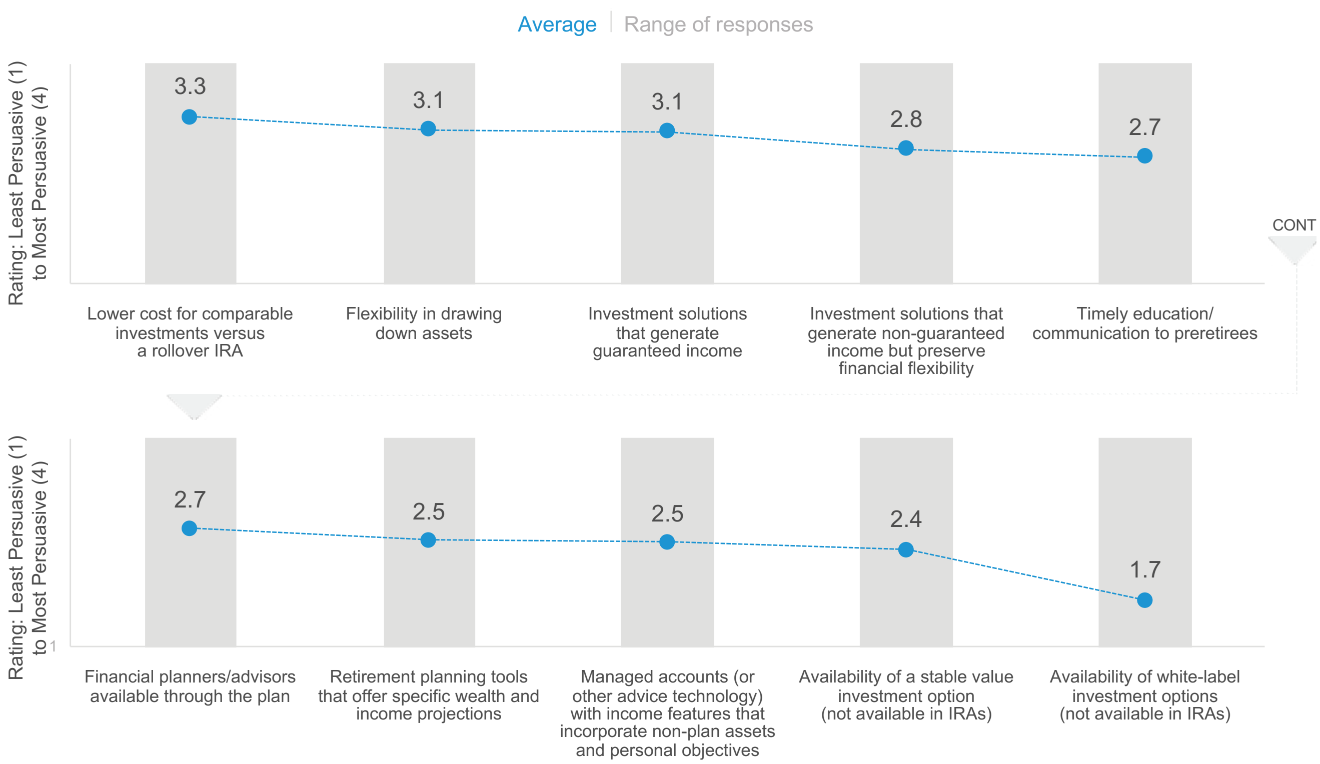
[1]Firms participating in the Study self-reported their number of clients and assets under administration.

KEY FINDINGS

- T. Rowe Price data suggest that more participants are remaining in their DC plans for longer after they retire. Potentially accelerating this trend, lower cost for comparable investments versus a Rollover IRA, flexibility in drawing down assets, and investment solutions that generate income were all cited as features that may best persuade more participants to stay in plan after they retire (Figure 2).
- Focusing on solutions and methods to deliver retirement income from DC plans, consultants report simple systematic withdrawal capabilities as most appealing despite limitations. However, multi-asset investment solutions—managed accounts with income planning features and target date investments with embedded managed payout features—follow closely behind in rated appeal.
- Consultants strongly support increasing focus on CIT-based target date solutions and pursuing blend solutions that may deliver the benefits of active and passive investment management. Of note, these cost containment trends received greater support than simply increasing use of passive investment management. Consultants show less support for use of managed accounts as QDIAs and mild support for adding or increasing allocations to diversifying asset classes (e.g., TIPS, private equity, and real estate).
- Looking to managed accounts, greater need for participant engagement and difficulty in getting information on other participant assets were cited as key factors that have stood in the way of greater adoption of managed accounts as QDIAs.

Solutions That May Best Persuade Retired Participants to Remain in Plan

(Fig. 2) Consultant firms were asked: What solutions and features may best persuade retired participants to remain in plan?



As of September 20–November 8, 2021.

Asset Trends and Environmental, Social, and Governance Interest

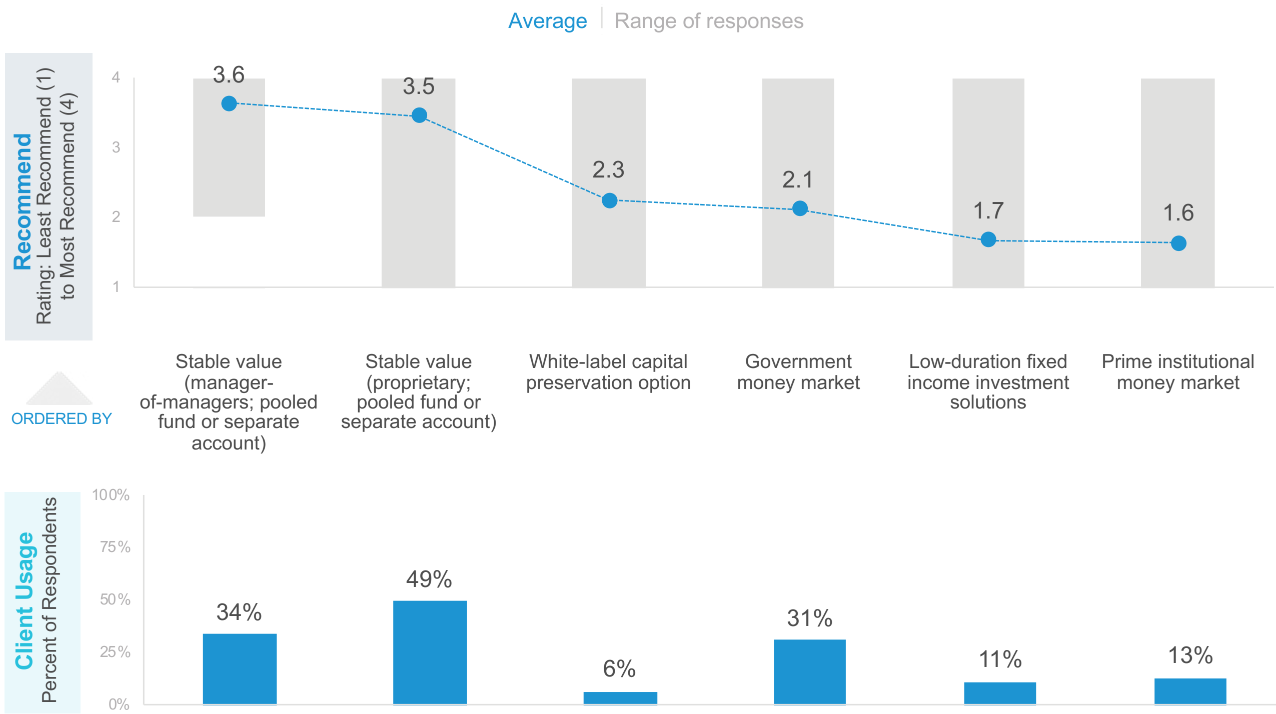
Despite the pressure on fees, consultants and advisors believe DC plans should offer investment options across all asset classes that are either actively managed or a combination of both active and passive management. Interest rate and inflation concerns coupled with more retiree assets in plan are influencing the evaluation of fixed income and capital preservation investment options. Interest in environmental, social, and governance (ESG) factors is being motivated by the desire to drive positive engagement among participants and better align with corporate sustainability targets.

KEY FINDINGS

- Consultants tend to recommend stable value ahead of money market strategies. While they report stable value is used by more of their clients, 31% of clients still use government money market investments (Figure 3).
- Regarding ESG, consultants recommend active investment management over passive investment management or providing access through self-directed brokerage windows. They shared that plan sponsors are monitoring DOL progress with ESG guidance and are considering current plan offerings before implementing.
- Consultants are seeing plan sponsors evaluate investment managers' diversity, equity, and inclusion (DEI) baseline reports to satisfy basic due diligence. Further integration of DEI information into plan and investment decisions may require more evolution.

Capital Preservation Investment Option(s) Generally Recommended and Client Use

(Fig. 3) Consultant firms were asked: Which capital preservation investment option(s) do you generally recommend, absent specific plan sponsor preferences, and what percent of your clients use each option?



As of September 20–November 8, 2021.

Financial Wellness Programs

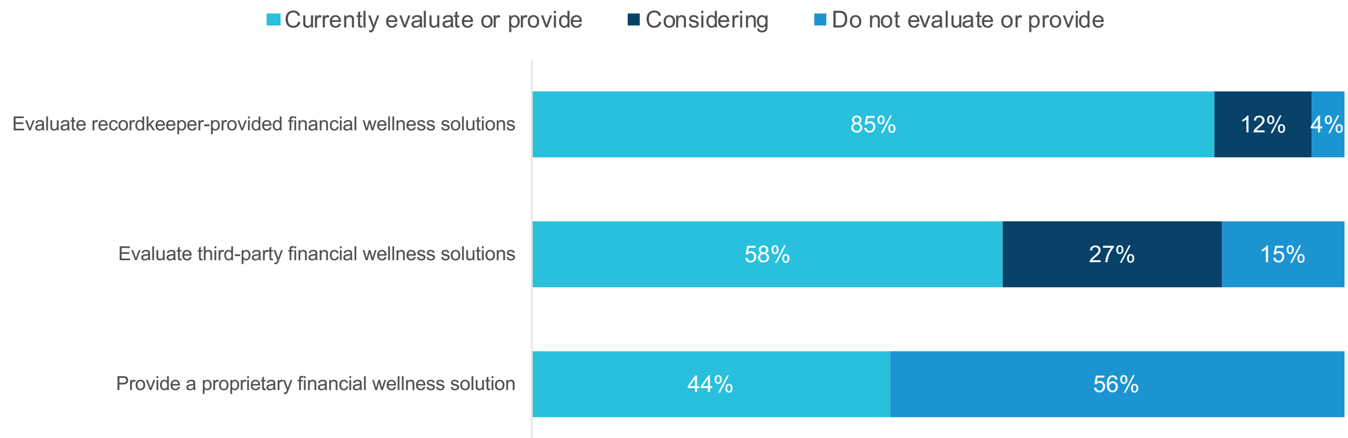
In response to the pandemic and "great resignation," employers are more aware of the need for financial wellness programs. Employers' key financial wellness objectives are to improve worker satisfaction/retention and reduce financial stress, which are also reported as the most measurable. Consultants largely believe that the pandemic has increased the relative importance of both emergency savings and debt management.

KEY

- The majority of consulting and advisory firms report that at least a quarter of their clients offer health savings accounts. Student debt and emergency savings programs are offered by far fewer plan sponsors (Figure 4).
- Consultants and advisors broadly offer evaluation of recordkeeper-provided financial wellness solutions, while just over half evaluate third-party wellness solutions.
- Most consultants currently evaluate recordkeeper-provided and third-party financial wellness solutions, but a smaller number also provide proprietary financial wellness solutions for their clients.

How Consultant Firms Evaluate and/or Provide Financial Wellness Solutions

(Fig. 4) Consultant firms were asked: In what ways does your firm evaluate and/or provide financial wellness solutions?



As of September 20–November 8, 2021.

More About This Study

The **2021 Defined Contribution Consultant Study** was conducted by T. Rowe Price in partnership with Schaus Group. The survey population includes 32 defined contribution consulting and advisory firms responding to a total of 51 questions from September 20–November 8, 2021. Participating firms also receive a custom report comparing their firm's responses with the aggregate responses.

Visit **troweprice.com/dcio** to access additional T. Rowe Price proprietary retirement research based on plan sponsor and participant insights. For questions, please contact your T. Rowe Price representative.

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