T. Rowe Price®

INVEST WITH CONFIDENCE

2023 Defined Contribution Consultant Research Study

FOR INVESTMENT PROFESSIONALS ONLY. NOT FOR FURTHER DISTRIBUTION.

September 2023

2023 Defined Contribution Consultant Research Study Respondent Firms

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

One study questionnaire completed per firm between February 14 and March 31, 2023.

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]

Target Date Solutions

Opportunities for Diversification and Customization Amid Continued Fee Pressure

KEY FINDINGS

1. 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).

2. 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).

3. 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.

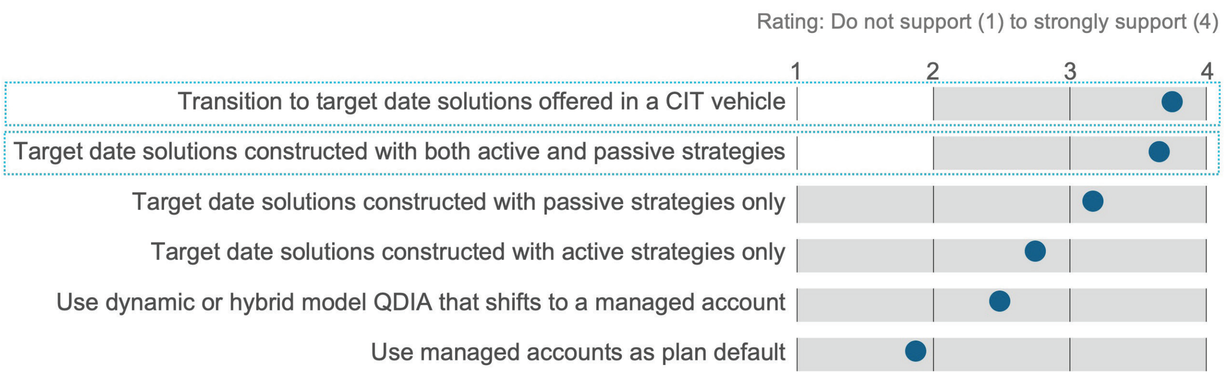
4. While personalization is a growing area of innovation within the qualified default investment alternative (QDIA) category, results suggest that managed accounts currently do not represent a threat to target date solutions' hegemony as the default of choice. Data indicate some enthusiasm for managed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

[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 over 171,000 plan sponsor clients and more than $6.7 trillion in assets under advisement.

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

Support for Target Date Developments Based on Vehicle and Implementation

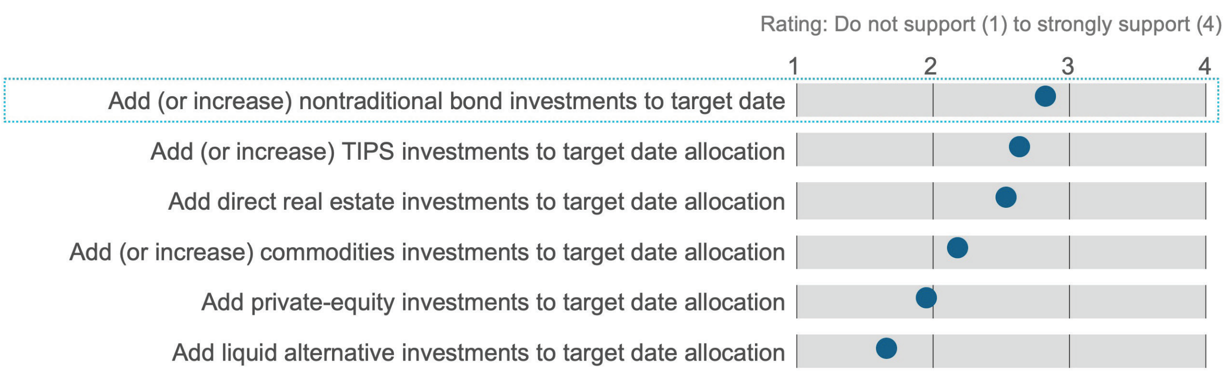
(Fig. 1) Firms were asked: Please indicate the extent to which you generally support the following developments, enhancements, and modifications related to target date solutions or other qualified default investment alternatives.



Analyst note: 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.



Analyst note: Gray shading represents the 1–4 range of responses.

Retirement Income

Evolving From an Exploratory to a Decision-Oriented Posture

KEY FINDINGS

1. 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 Research 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).

2. 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.

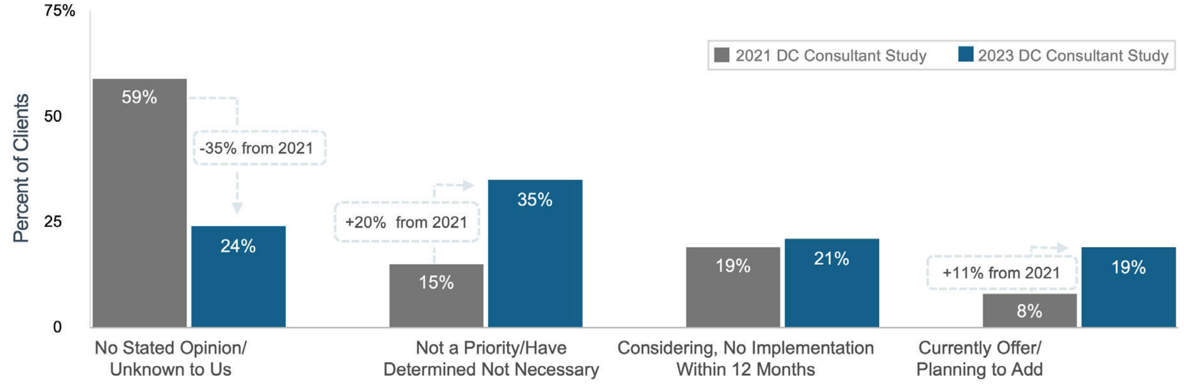
3. In totality, study results support taking a comprehensive and holistic view of plan design features, investments, and services that can be considered "retirement income solutions." While more plan sponsors prefer retirees remain in plan, there is a growing awareness that a single investment solution likely will not suffice in achieving this aim.[4]

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:
   - Targeted communications on the potential benefits of staying in plan,
   - Making financial planners/advisors available through the plan, and
   - Offering flexibility in how plan assets can be drawn down.

5. 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.



Analyst note: The 2021 portion of the data displayed is in response to considering single retirement income solution results. Instead of "Not a Priority," the 2021 response option was "Have Determined Not Necessary" and we have grouped this with the 2023 response option "Not a Priority." Data do not sum to 100% as respondents could select more than one response.

Fixed Income and Capital Preservation

Market Environment Sharpens Focus on Fixed Income

KEY FINDINGS

1. 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 Research Study.[3]
2. 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.
3. 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 Fixed Income and/or Capital Preservation 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%	81%	-8	89%	94%	+5
Greater focus on diversification opportunities	48%	81%	+33	33%	29%	-4
Interest rate expectations	81%	77%	-4	74%	71%	-3
Inflation concerns	70%	74%	+4	48%	68%	+20
Poor performance	26%	52%	+26	19%	36%	+17

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.

[3] T. Rowe Price worked with Schaus Group to complete the 2021 DC 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 more than $7.2 trillion in assets under advisement. This research was released in 2022.

[4] T. Rowe Price, 2022 Future of Fixed Income Study. *Pensions & Investments* 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. Among the respondents, 67% reported having more than $500 million in plan assets and 37% had less than $500 million in plan assets. 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.

Investment Trends

A Story of Active *and* Passive, plus, ESG Challenges Persist

KEY FINDINGS

1. When asked for their firm's philosophical views on investment implementation, study respondents generally support the use of both active and passive investment strategies (Figure 5).

2. 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.

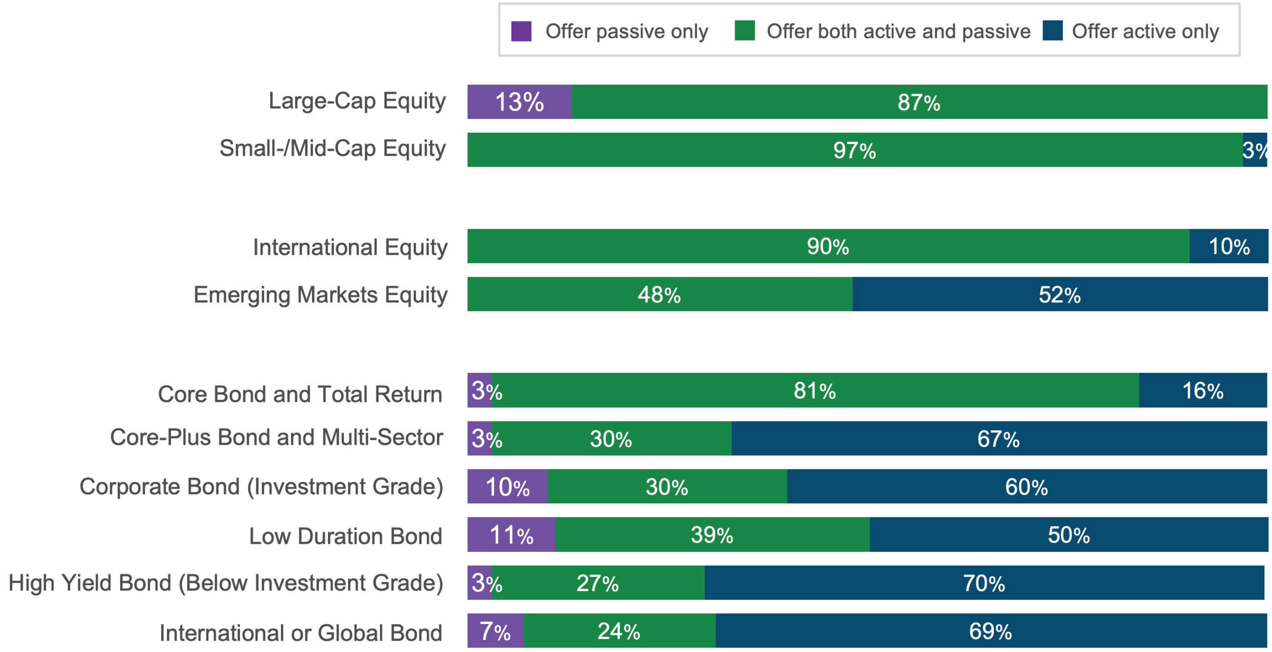
3. Respondents express the greatest conviction in active management when it comes to fixed income. At least half of respondents selected active management as their preferred method of implementation for core plus bond/multi-sector, corporate bond (investment grade), low duration bond, and high yield bond.

4. 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.

5. 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.

Consultants' and Advisors' Implementation Preferences by Asset Class or 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

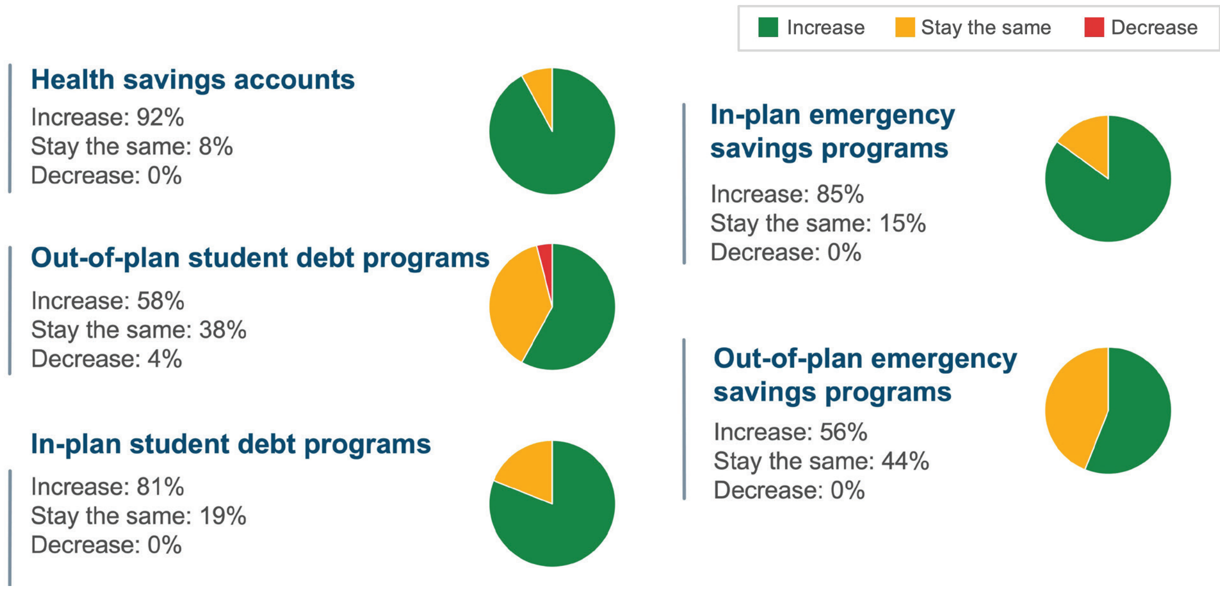
1. Results suggest that consultants believe plan sponsors are most motivated to invest in financial wellness programs to improve overall worker satisfaction and retention, as well as to reduce employee financial stress.

2. 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 that new student debt and emergency savings programs may be poised to support, particularly given the related provisions in the SECURE 2.0 Act.[6]

3. 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?



More About This Study

Participating firms also received a quantitative analysis of business strategy-related questions included in the study, including trends on competition, growth and profitability, and firm-branded or proprietary retirement solutions.

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

RETIRE WITH CONFIDENCE®

T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term. To learn more, please visit troweprice.com/retirementUS.

T. Rowe Price®

Important Information

This material is provided for general and educational purposes only and is not intended to provide legal, tax, or investment advice. This material does not provide fiduciary recommendations concerning investments or investment management; it is not individualized to the needs of any specific benefit plan or retirement investor, nor is it directed to any recipient in connection with a specific investment or investment management decision. The T. Rowe Price group of companies, including T. Rowe Price Associates, Inc., and/or its affiliates, receive revenue from T. Rowe Price investment products and services. **Past performance is not a reliable indicator of future performance.** The value of an investment and any income from it can go down as well as up. Investors may get back less than the amount invested.

The material does not constitute a distribution, an offer, an invitation, a personal or general recommendation, or a solicitation to sell or buy any securities in any jurisdiction or to conduct any particular investment activity. The material has not been reviewed by any regulatory authority in any jurisdiction.

Information and opinions presented have been obtained or derived from sources believed to be reliable and current; however, we cannot guarantee the sources' accuracy or completeness. There is no guarantee that any forecasts made will come to pass. The views contained herein are as of the date noted on the material and are subject to change without notice; these views may differ from those of other T. Rowe Price group companies and/or associates. Under no circumstances should the material, in whole or in part, be copied or redistributed without consent from T. Rowe Price.

USA—Issued in the USA by T. Rowe Price Associates, Inc., 100 East Pratt Street, Baltimore, MD, 21202, which is regulated by the U.S. Securities and Exchange Commission. For Institutional Investors only.

CCON0156333
202308-3075423