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PIMCO Defined Contribution Consulting Study

The Study covers:

- Consultant Organization and Services
- Plan Sponsor Priorities
- Plan Design and Investments – QDIA, Core Menu and White Label
- Retirement Income
- Managed Accounts

2024 Key Findings:

In its 18th year, the **PIMCO US Defined Contribution Consulting Study** seeks to help consultants, advisors and plan sponsors understand the breadth of views and consulting services available within the defined contribution (DC) marketplace.

Our 2024 study captures data, trends and opinions from **28 consulting and advisory firms** who serve over **15,000 clients** with aggregate DC assets in excess of **$7.94 trillion.**

All responses were collected from January 8, 2024 through February 26, 2024.

Published results were based on responses from firms with more than $5 billion in DC assets under management.

IMPORTANT NOTICE

The study results contain the opinions of the respondents and not necessarily those of PIMCO. The data contained within the report is not related to any PIMCO product or strategy and should not be relied upon for any investment decision.

Consultants prioritizing retirement income product evaluations, enhanced Outsourced Chief Investment Officer services and expanding into the Pooled Employer Plan market

- Evaluation of retirement income products cited as the defined contribution (DC) service with the highest growth, showcasing continued focus
- Enhancing Outsourced Chief Investment Officer (OCIO) capabilities remains a top priority for both Institutional Consultants and Aggregators, with a focus on reducing governance burdens and fiduciary risks for clients
- Expanding into the Pooled Employer Plan (PEP) Market saw the largest increase in being a top strategic DC priority for institutional consultants

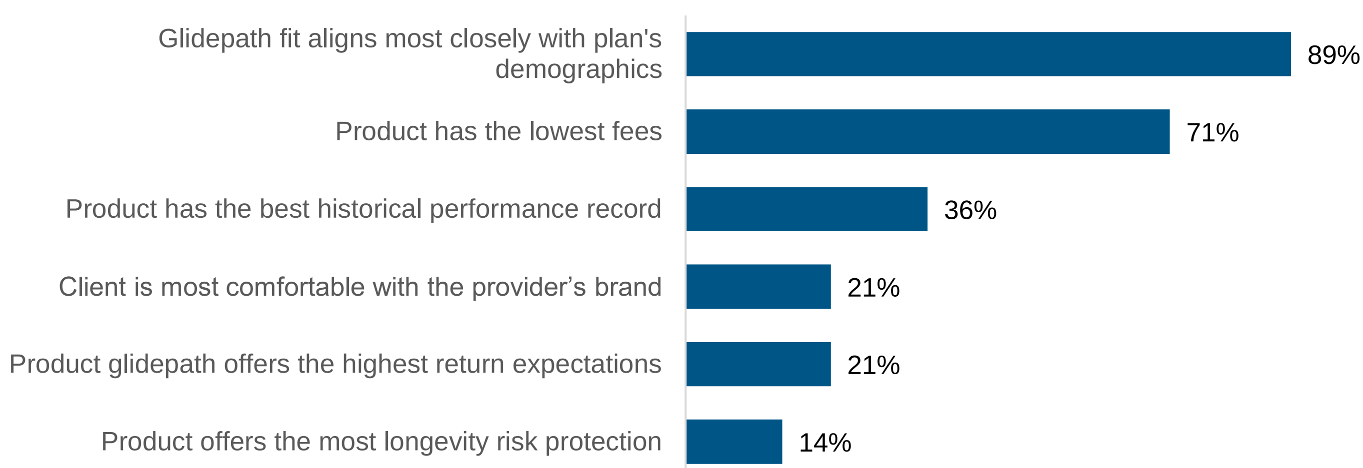
Plan sponsors most focused on evaluating retirement income solutions and navigating regulations, including various voluntary provisions under SECURE 2.0

- Institutional consultants state evaluating retirement income solutions and navigating new regulations are top priorities for most clients
- Aggregators' client priorities consist of improving financial wellness programs, evaluating DC OCIOs, and adding advisor managed account
- Regarding non-mandatory provisions, many clients have implemented, or plan to implement, more employee support programs and additional withdrawal provisions

Aligning glide path fit with demographics and addressing retiree needs are key factors impacting plan design and investments; Aggregators seeing higher Qualified Default Investment Alternative (QDIA) activity with recommendations for blend target dates remaining strong

- QDIA: Glide path fit being aligned with plan demographics was the most important factor when selecting a Target Date Fund (TDF), even more so than fees and performance
- QDIA: With higher volatility expected ahead, Institutional Consultants (ICs) are focused on the level of equity risk at retirement and overall fixed income diversification to assess how TDFs will navigate and defend participant balances
- Core Menu: 1 in 3 Institutional Consultants recommend adding multi-sector fixed to lineups today, and over 50% of all consultant respondents expect to include a multi-sector option on menus over the coming years
- Core Menu: As consultants make room on the menu, new additions tend to be focused on retirees, with multi-sector fixed income and annuities being the top choices for menu expansion

Top Factors for Selecting Current Target Date Fund Manager

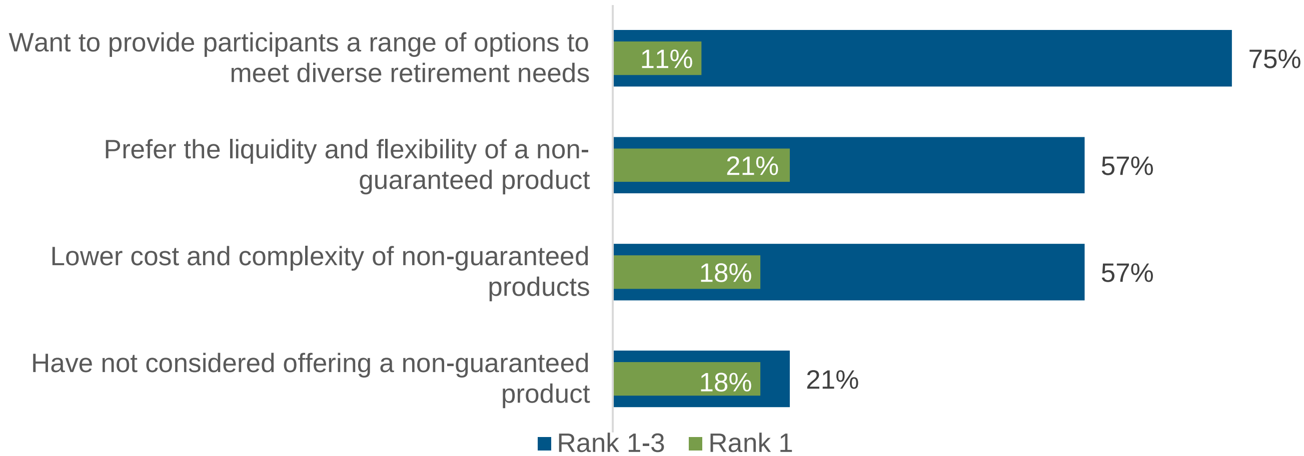


32. What are the top three reasons why your clients selected their current TDF provider?

Plan sponsors making progress in adding retirement income solutions with a focus on plan design, education and expanding investment options for retirees on plan menus

- Plans have taken actions over the last year, primarily improving plan design, education, and adding non-guaranteed options. Guaranteed product implementation remains limited
- Rather than offer a single retirement income option, Institutional Consultants prefer to offer a range or suite of options, which may include both guaranteed and non-guaranteed options
- Target Date Funds are the preferred delivery for non-guaranteed retirement income, and out of plan annuities as a guaranteed solution

Plan Sponsors' Top Reasons for Considering Non-Guaranteed Retirement Income Solutions



43. What are the top reasons why plan sponsors have considered or implemented non-guaranteed retirement income solutions? Rank all in order of importance, where 1 = most important.

Plan defaults expected to incorporate more personalization in the future, driven by lower costs and by potentially leveraging record keeper data

- When evaluating personalized solutions, overall cost and the level of engagement needed by participants are the top two attributes considered
- Consultants agree that QDIA's will incorporate more personalization and record keeping data can help; most don't believe participants provide data to managed accounts
- The ability to incorporate additional participant data is cited as the top reason to use managed accounts

Aggregators and Institutional Consultants take diverging paths to addressing retiree needs; personalized vs. incremental approach to evolving plan menus; Institutional Consultants and Aggregators both offer retirement income product evaluation and implementation services; differ on their approach to plan participants

- Aggregators are more likely to provide participant services, including one-on-one advice; Institutional Consultants are unlikely to provide these services, but will evaluate providers on behalf of clients
- Institutional Consultants expect TDFs with guarantees to be the QDIA to grow the most, while Aggregators remained optimistic on managed accounts
- Retirement Income continues to be the highest growth service offered by Institutional Consultants, while Aggregators see Financial Wellness as the top growing service

For more information, or access to the full results, reach out to your PIMCO contact or email
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Please note that this report contains the opinions of the manager and respondents as of the date noted, and may not have been updated to reflect real time market developments. All opinions are subject to change without notice.

All investments contain risk and may lose value. Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. **Commodities** contain heightened risk, including market, political, regulatory and natural conditions, and may not be appropriate for all investors. Investing in **foreign-denominated and/or -domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. **High yield, lower-rated securities** involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. **Inflation-linked bonds (ILBs)** issued by the various governments around the world are fixed-income securities whose principal value is periodically adjusted according to the rate of inflation. Repayment upon maturity of the original principal as adjusted for inflation is guaranteed by the government that issues them. Neither the current market value of inflation-indexed bonds nor the value a portfolio that invests in ILBs is guaranteed, and either or both may fluctuate. ILBs decline in value when real interest rates rise. In certain interest rate environments, such as when real interest rates are rising faster than nominal interest rates, ILBs may experience greater losses than other fixed income securities with similar durations. The value of **real estate** and portfolios that invest in real estate may fluctuate due to: losses from casualty or condemnation, changes in local and general economic conditions, supply and demand, interest rates, property tax rates, regulatory limitations on rents, zoning laws, and operating expenses. **Stable value** wrap contracts are subject to credit and management risk. **Management risk** is the risk that the investment techniques and risk analyses applied by an investment manager will not produce the desired results, and that certain policies or developments may affect the investment techniques available to the manager in connection with managing a strategy. **Treasury Inflation-Protected Securities (TIPS)** are ILBs issued by the U.S. government. **Diversification** does not ensure against loss.

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Glide Path is the asset allocation within a Target Date Strategy (also known as a Lifecycle or Target Maturity strategy) that adjusts over time as the participant's age increases and their time horizon to retirement shortens. The basis of the Glide Path is to reduce the portfolio risk as the participant's time horizon decreases. Typically, younger participants with a longer time horizon to retirement have sufficient time to recover from market losses, their investment risk level is higher, and they are able to make larger contributions (depending on various factors such as salary, savings, account balance, etc.). Generally, older participants and eligible retirees have shorter time horizons to retirement and their investment risk level declines as preserving income wealth becomes more important. De-risking strategy is based on a function of plan funded status. As plan funded status improves, clients may be interested in reducing their plan funded status volatility by shifting out of risk assets and into liability-hedging fixed income.

Target Date Funds are designed to provide investors with a retirement solution tailored to the time when they expect to retire or plan to start withdrawing money (the "target date"). Target Date Funds will gradually shift their emphasis from more aggressive investments to more conservative ones based on their target dates. Target Date Funds invest in other funds and instruments based on a long-term asset allocation glide path, and performance is subject to underlying investment weightings, which will change over time. An investment in a Target Date Fund does not eliminate the need for an investor to determine whether a Fund is appropriate for his or her financial situation. An investment in a Fund is not guaranteed. Investors may experience losses, including losses near, at, or after the target date, and there is no guarantee that a Fund will provide adequate income at and through retirement.

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