Goldman Sachs | Asset Management

GS Retirement & Investment Solutions

2022 Defined Contribution Trends

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Broad Dynamics Impacting the Workforce

2022 Macro Trends Affecting Companies

Potential Challenges and Opportunities for DC Plans

War for Talent–Attracting & Retaining Talent

- As the Global Pandemic continues, companies are now encountering the *Great Resignation* and the struggle to recruit and retain workers.
- Turnover of the workforce may be leading to an acceleration of the gig economy, meaning workers change jobs more frequently.
- **Opportunity: Competition for labor is intense and potentially creates a spotlight on the need for competitive benefits offerings. DC plans are highly valued benefits, and therefore may be more likely to be promoted and/or enhanced.**

The Shifting Regulatory Regime

- Regulation and legislation are impacted by the political party in power; although worth noting that major retirement legislation has historically been bipartisan.
- The regulatory environment under a new Administration bodes changes heading into 2022.
- **Opportunity: Likely 2022 impact on DC plans a focus on ESG rulemaking and competition from new plan types emerging (PEPs and state-run plans).**

Unusual Market Environment

- Strong but volatile market environment, with a strong equity run, volatility, inflation and interest rate uncertainty.
- A DC investor who hasn't rebalanced for the last ten years may have benefited but may no longer have an appropriate asset allocation for his/her age.
- **Opportunity: For DC Plans, there is an opportunity for education, tools and automation to address the potential need for participant rebalancing.**

Technology as a Driver of Innovation

- Technology helps drive innovation across all aspects of our lives.
- For the industry as a whole, technology is leading to combinations of services in an already consolidating marketplace.
- **Opportunity: For DC Plans, the use of technology can drive more personalized participant experiences (how participants interact with the plan, more customized solutions for participants) and tie more features together (more holistic retirement programs).**

For Information Only
Sources: Goldman Sachs Asset Management as of January 2022.

Defined Contribution Trends

For 2022 and Beyond

Impact to Defined Contribution Plans

Trends Impacting Plan Sponsors

Increased Governance & Outsourcing

- Outsourced OCIO momentum moves further up market
- Plan Design/Plan Types: Entrance of PEPs, DC Group of Plans and State-Run Plans

Regulatory & Litigation Environment

- Regulation: Robust agenda for 2022 (ESG)
- Legislation: With no dedicated retirement legislation passed in 2021, focus is on 2022
- Litigation: Pace generally continues, with a focus on the Supreme Court ruling in excessive fee case in 2022

Industry Consolidation

- Pressure on asset managers and recordkeepers has led to industry consolidation
- Evolving business models have led to new combinations of services and providers

Trends Impacting Participants

Holistic Retirement Programs

- Inclusion of other financial wellness tools to address barriers to retirement
- Consideration of diverse workforce needs
- Incorporation of retirement income solutions to address full participant experience

Investment Solutions

- Evolving participant preferences
- ESG
- Retirement Income
- Alternative investments
- Rethinking the QDIA (managed accounts and hybrid QDIAs)

Participant Personalization

- Personalized advice and decision support tools
- Interest in tailored solutions
- Increase in digitalization
- Meeting participants where they are

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Sources: Goldman Sachs Asset Management as of January 2022

Defined Contribution Trends

For 2022 and Beyond

Takeaways for Plan Sponsors

1. There is industry consolidation, resulting in fewer providers for services (such as recordkeeping).
2. Plan types are evolving, with the introduction of PEPs in 2021, DC Group of Plans and State-Run plans. This may lead to an evolution in DC structures and plan competition.
3. Interest in understanding practices for maintaining cybersecurity given DOL guidance in 2021.
4. Macro forces are creating demand for holistic benefit programs that are broader than just retirement programs.

Takeaways for Participants

1. Automatic enrollment and automatic deferral rates drive success. New research finds higher default savings rates more effective than a higher employer match in driving participant savings rates[1]
2. Elective deferral rates increased to $20,500 for 2022, along with other increase
3. Financial wellness features – addressing other financial priorities (such as student loan debt and emergency savings as the most prominent)
4. More participants are staying in plan post-retirement
5. More plan sponsor/ industry focus on diversity across participants – with a view of making plan design more holistic and more inclusive

For Information Only

Sources: (1) "The Impact of Employer Defaults and Match Rates on Retirement Savings", published by the Social Science Research Network, December 2021; Goldman Sachs Asset Management as of January 2022

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