

# **Top considerations for defined contribution plan sponsors in 2026**

# Introduction

## Rethinking the future

The title of Daniel Kahneman's book *Thinking Fast and Slow* seems like an apt description of the state of US Defined Contribution (DC) plans as we enter 2026. The industry is experiencing a period of heightened innovation in numerous areas, including alternative investments, retirement income, and AI. While these developments seem rapid overall, DC plan sponsors and fiduciaries have typically embraced change at a slower pace, taking the time to thoughtfully and deliberately adjust their benefit roadmaps. Companies must now carefully plan workforce transformation and incorporate landmark changes in how technology is leveraged into products and services. Coupled with slowing salaried employee wage growth and hourly employees feeling undervalued amid greater financial strain<sup>1</sup>, these challenges raise significant questions about how financial benefits can support companies' business goals in 2026, possibly leading DC sponsors to accelerate certain decisions. We believe there are opportunities to align DC plan management with business needs, from balancing cost pressures to facilitating healthy workforce transitions.

**This year, we invite you to consider a Quick Hit, Strategic Focus, and Education Opportunity across three main DC areas: Investments, Participant Experience & Plan Administration, and Governance.**



# Investments

According to Mercer's inaugural [2025 DC Practices Survey: Voice of the Plan Sponsor](#), helping employees achieve their retirement and financial goals was the primary objective for DC plan sponsors (57%). Strong historical performance and diversification were the top priorities for DC plan sponsors when selecting investment options. As we think ahead, consider the following.

## **Quick Hit:**

### **Investment Fee Review**

Investment fee reviews should go beyond periodic peer universe comparisons. We have seen some notable changes in investment management fees over the past year, including an institutional "fee-free" index fund.<sup>2</sup> If you have not conducted proactive negotiations recently, we recommend engaging with your investment managers to evaluate how plan growth and market dynamics may create opportunities for new vehicles or fee structures. We do recommend being cautious about opportunities that may seem too good to be true – there is no such thing as a free lunch.

## **Strategic Focus:**

### **Retirement Income/Fixed Income**

Retirement income offerings are gaining traction. Sponsors who have not yet received education on this topic should do so. For those who are ready to evaluate retirement income offerings, we encourage you to build a long-term strategy based on demographic data to help prioritize which offerings to evaluate. The keys to a successful retirement income offering are effective communication and offering an array of options to meet varying needs. Particular attention should be paid to the range of fixed income offerings in DC plans. We encourage plan sponsors to consider whether the structure of their fixed income offerings can support both the accumulation and decumulation needs of participants, or whether other fixed income fund structures should be considered to better meet the needs of participants' portfolios.

According to the 2025-2026 Mercer *Inside Employees' Minds* study<sup>1</sup>, annuity-backed and inflation-sensitive options are among the most desired DC plan alternatives named by participants.

## **Education Opportunity:**

### **Alternative Investments**

The August 2025 Executive Order entitled *Democratizing Access to Alternative Assets for 401(k) Investors* is not a mandate to include alternative assets in DC plans. Rather, it directs the Department of Labor (DOL) to evaluate current and past guidance related to alternative investments. We have already seen the DOL take steps<sup>3</sup> toward clarifying how plan fiduciaries could consider alternatives, and we believe that more will come in the near future. Simultaneously, we have seen a plethora of investment products come to market that include allocations to private investments. There are merits to private investments, including diversification and the potential to improve risk-adjusted performance. However, there are also considerations around fees, liquidity, participant communication, and administration. Plan sponsors should undertake general education on what constitutes alternatives and the possible benefits and considerations, so they can properly understand and digest industry and regulatory developments in this space.

# The Participant Experience & Plan Administration

## **Quick Hit:**

### **Participant Touchpoints**

When was the last time you looked at your plan experiences through the eyes of participants? Overlooked components, such as website and mobile experiences and routine participant communications, play a critical role in achieving successful participant engagement and plan utilization. The incorporation of AI and “nudges” may be driving participants in unintended directions – or worse, failing to promote advantageous features of your carefully crafted plan design. To help optimize plan utilization, you should review all participant touchpoints and plan communications, and monitor data on how different participant segments engage with your recordkeeper.

## **Strategic Focus:**

### **Aligning Plan Objectives**

Align your recordkeeper to your retirement plan’s objectives and not the other way around. Recordkeepers have expanded their offerings to include products and services that were historically shunned by plan sponsors due to concerns over self-promotion and conflicts of interest. Plan sponsors overburdened with daily operations have often taken a passive approach, while fiduciaries defer on philosophical issues. Sponsors must now reevaluate their recordkeeping relationships with a participant-first mindset to ensure that services and the manner of their delivery align with the organization’s philosophical perspective and risk tolerance. This involves negotiating service-level agreements that emphasize participant outcomes, transparent and aligned fee models, and collaborative innovation to enhance education and engagement tools that are unbiased towards proprietary recordkeeper solutions. Governance frameworks should incorporate participant experience metrics to hold recordkeepers accountable and drive continuous improvement aimed at maximizing the benefits provided to participants.

## **Education Opportunity:**

### **AI Roadmaps**

The AI train has left the station and there are many new sights to see. For DC plan sponsors, it is vital to consider AI’s future impact on how your participants consume the retirement program and how administrative services are executed. There is also an opportunity to look beyond the retirement program to broader benefits. With the evolution of agentic AI, we anticipate a future where agents help with broader aggregated views of benefits to more effectively guide personalized next best steps, and implement those steps in a way that is easier than ever before. It is essential to understand how AI is being deployed today, and to construct a roadmap to help your recordkeeper and other benefit providers build for the future.

**Agentic AI:** artificial intelligence systems designed to act autonomously with goal-directed behavior, making decisions and taking actions independently to achieve specific objectives.



# Governance

## **Quick Hit:**

### **What's Not on Your Fiduciary Calendar?**

Look beyond your fiduciary calendar. These calendars can be helpful tools supporting myriad ongoing monitoring responsibilities, but they do not always capture evolving or more administrative items. Consider recent case-law developments, such as proxy voting practices, and whether your fiduciary committee needs to conduct regular reviews. Contract reviews for providers, like recordkeepers and managed account providers, can help ensure alignment with current services, performance standards, and relationship goals. Be sure to consider cybersecurity, solicitation terms, availability of plan records, and management of third parties involved in service delivery during these reviews.

## **Strategic Focus:**

### **Delegation in Support of Strategic Priorities**

Consider how delegation can help to achieve strategic priorities. As employers anticipate continued increases in benefit costs, while simultaneously facing the need to cut costs<sup>4</sup>, they need options to support the goal of “doing more with less.” In our [2025 DC Practices Survey: Voice of the Plan Sponsor](#), we found that over 80% of respondents were interested in exploring partial or full delegation. Plan sponsors should review roles and responsibilities relative to resources and priorities. Delegation may be the answer to support business needs with the potential to help employees achieve better retirement outcomes and enhance efficiencies, while reducing fiduciary risk. Sponsors who have not yet evaluated the spectrum of delegated models should consider how such strategies can help to enhance DC plan outcomes amid today's complex retirement landscape.

**45% of respondents** reported a reduction in fiduciary liability insurance premiums since employing an ERISA 3(38) or 402(a) delegated model.<sup>2</sup>

## **Education Opportunity:**

### **PEPs Are Moving Up-Market**

It has been over five years since Pooled Employer Plans (PEPs) were enabled in the US. Adoption has been moving up-market, as sponsors have learned how PEPs can reduce administrative burdens, lower costs, and simplify fiduciary responsibilities in an environment of continued litigation and plan design complexity. As PEPs continue to grow, the efficiency and scale they bring should start to affect the competitive position historically enjoyed by some single-employer plans. We recommend taking time to understand how PEPs work, the potential advantages they may offer, and the implications that may be in store.

# Conclusion

Success for DC plan sponsors in 2026 and beyond will come from striking a balance between innovation and prudent governance. The goal is to ensure that DC plans provide better support to participants' financial goals, while advancing broader business objectives in a complex and evolving retirement landscape. Clearly defining retirement program goals and communicating those aims to service providers is essential. Meanwhile, sponsors should also consider whether routine and day-to-day participant interactions align with those goals and correct course where there are inconsistencies. Governance practices should look beyond routine fiduciary calendars to incorporate emerging risks. Expansion of delegation strategies may help to align risk and resource management with the potential for improved participant outcomes. With these priorities in mind, we would ask: Which Quick Hits, Strategic Focus areas, and Education Opportunities are on your agenda for 2026?



## Contact us

If you would like to discuss this report in more detail or explore the ways in which we may be able to support your organization's DC plan, please [contact us](#).

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# Appendix

## Endnotes

- 1 [Mercer Inside Employees Minds 2024 - 2025](#)
- 2 This statement refers to the Empower S&P 500® Index Separate Account investment option available on Empower's recordkeeping platform, which does not carry an investment management fee. The Empower S&P 500® Index Separate Account may incur other expenses, such as transaction fees, redemption fees, and other fees. This statement does not constitute a recommendation or endorsement by Mercer Investments LLC.
- 3 U.S. Department of Labor, Employee Benefits Security Administration. (2025, September 23). *US Department of Labor continues to boldly implement President Trump's Executive Order on alternative assets in 401(k) plans: Advisory opinion addresses qualified default investment alternatives under ERISA.* <https://www.dol.gov/newsroom/releases/ebsa/ebsa20250923>; and U.S. Department of Labor, Employee Benefits Security Administration. (2025, August 12). *US Department of Labor rescinds 2021 supplemental statement on alternative assets in 401(k) plans.* <https://www.dol.gov/newsroom/releases/ebsa/ebsa20250812>
- 4 [2025 DC Practices Survey: Voice of the Plan Sponsor](#)

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