

TOP DEFINED CONTRIBUTION TRENDS AND DEVELOPMENTS

First quarter 2026 edition

A curated update on the latest happenings in the
retirement plan world January 1 to March 31, 2026

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BRIGHTER FUTURE
TOGETHER



A defined contribution partner with more to offer

50 years as a trusted partner to advisors looking to grow their retirement business

Top Defined Contribution Trends and Developments is curated quarterly to help plan advisors, consultants, and plan sponsors stay up to date on trends impacting plans and plan participants.

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Source: Janus Henderson Investors, as of March 31, 2025.

A defined contribution partner with more to offer

50 years as a trusted partner to advisors looking to grow their retirement business

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Best practices

Best practices

Retirement workshops support geographically dispersed employees

- Over the previous two years, team members from Farm Credit Foundations (FCF) traveled to 12 cities across the country to facilitate customized retirement workshops for participants
- Workshops are designed to be career-stage appropriate, supporting both early-career savers and employees closer to retirement
 - Live workshops are supplemented with on-demand resources, enabling participants to revisit material at their own pace
- FCF also adopted a Retirement Evaluation Program to ensure communication is tailored to each employee, rather than relying on one-size-fits-all messaging

Source: PLANSPONSOR, "2025 Plan Sponsor of the Year Finalists." 2025.

Best practices

Consistent plan review informs targeted enhancements

- The National Federation of Independent Business (NFIB) demonstrates a commitment to continuous plan improvement through regular reviews of their plan design and participant outcomes
- In addition to annual fee benchmarking, the plan's committee conducts quarterly reviews of the investment policy statement and evaluation of the cybersecurity practices by the plan's providers
- Beyond routine reviews, NFIB conducted focused studies on match-stretching and target-date funds to encourage higher savings and assess glide-path compatibility
 - As a result, the discretionary match was increased to match employee deferrals of 8%, up from the previous 6%

Source: PLANSPONSOR, "2025 Plan Sponsor of the Year Finalists." 2025.

Best practices

Setting up employees for success from day one

- Eventide has built a culture where retirement readiness is a priority starting with onboarding
- New employees are provided immediate eligibility to the plan and offered an in-person meeting with the plan adviser within the first two weeks of onboarding
 - This personalized approach ensures employees understand their options, make confident investment decisions, and establish a retirement strategy early
- A dollar-for-dollar match up to \$9,000, combined with participant-driven enhancements like Roth conversions, reinforces Eventide's commitment to employee-centric plan design
 - As a direct result of these initiatives, the plan boasts a 96% participation rate

Source: PLANSPONSOR, "2025 Plan Sponsor of the Year Finalists." 2025.

Best practices

Request for proposal leads to plan overhaul

- In 2023, Xeris Pharmaceuticals, Inc. conducted a recordkeeper RFP to better align the plan with its broader financial wellness strategy
- The benefits team used the recordkeeper change as a catalyst to holistically reassess plan design and participant financial wellness needs
- Leveraging enhanced capabilities on the new platform, Xeris analyzed plan-level participant data and survey insights to identify which benefits resonated and which were underutilized
- These insights led to tangible plan enhancements, including an increased employer match, the introduction of an out-of-plan emergency savings program, and expanded access to comprehensive financial planning and wellness tools

Source: PLANSPONSOR, "2025 Plan Sponsor of the Year Finalists." 2025.

Best practices

Centralized financial wellness hub drives engagement

- Diversified Holding Co. has implemented a comprehensive suite of new plan provisions designed to enhance flexibility and improve retirement readiness among participants
 - Recently added plan enhancements include qualified distributions, super catch-up contributions, a higher maximum deferral election, and a high-deductible health plan paired with an HSA
- In support of these enhancements, Ward launched an open-access financial wellness website, providing a centralized, self-service hub for retirement benefits, financial planning tools, and educational resources
- As a result, plan participation reached 93%, with 62% of participants contributing 15% or more, demonstrating strong engagement and improved savings behavior

Source: PLANSPONSOR, "2025 Plan Sponsor of the Year Finalists." 2025.

Best practices

Redesigning engagement for a non-desk workforce

- The benefits team at Dawn Food Products recently undertook an engagement campaign to reach employees who do not routinely have access to a computer
- Engagement efforts shifted toward mobile-friendly, on-demand tools, messaging on TV monitors, and QR codes at Dawn locations for easy access to accounts
- In tandem, comprehensive wellness programs were introduced to help curb 401(k) loan usage, while addressing elder care, health care expenses, student loan debt, and everyday financial stressors
- The engagement campaign earned a prestigious marketing award while driving measurable improvements – including 96% plan participation

Source: PLANSPONSOR, “2025 Plan Sponsor of the Year Finalists.” 2025.

Best practices

Automatic features remain key to a secure retirement

- Amica Mutual Insurance Company has taken a proactive approach to financial wellness by enhancing benefits that reflect evolving employee needs and heavily incentivizing engagement
- Employees age 40 and older are given \$500 to speak with a financial advisor, helping participants make more informed decisions as retirement approaches
 - Participants of all ages are given access to schedule a one-time meeting with a certified financial planner to discuss any financial situation that arises
- In 2019, before student loans were addressed through SECURE 2.0, the company began offering full-time employees up to \$6,000 to help them repay student loans

Source: PLANSPONSOR, "2025 Plan Sponsor of the Year Finalists." 2025.

Best practices: Key takeaways

- › Deliver career-stage specific education that meets participants where they are to improve engagement
- › Consider using plan design changes (immediate eligibility, match optimization, onboarding meetings) to drive participation and savings behavior early
- › Explore mobile-first and non-desk engagement strategies to improve access for harder-to-reach employee populations
- › Expand financial wellness beyond the retirement account



Participants' corner

Participants' corner

Couples missing out on employer match

- A study from the National Bureau of Economic Research found that U.S. couples are missing out on significant employer matching contributions by failing to coordinate their workplace retirement savings strategies
- On average, couples lose approximately \$14,000 in employer match dollars over their lifetimes, simply because contributions are not directed to the highest employer match
 - In a worst-case scenario, the study showed that couples could potentially miss out on about \$40,000 over their lifetimes
- The study found that roughly half of these missed opportunities stem from simple misunderstandings, highlighting the importance of education, guidance, and coordinated planning

Source: NBER Working Paper No. 31195 (Choukhmane, Goodman & O'Dea), Efficiency in Household Decision Making, 2023 (rev. 2025).

Participants' corner

Employer plans emerge as top contender for rollover assets

- While IRAs remain the top rollover choice, new research from Hearts & Wallets shows that employer retirement plans are rapidly emerging as an attractive alternative, particularly among late-career households (ages 53–64)
- Rollovers into new employer plans have doubled since 2022, reaching an estimated \$160 billion, as plans expand plan features, tools, and access to advice
- The study also found that 74 million households have recently moved or are thinking about moving investible assets, of which roughly 16% of transactions are over \$100,000
- Participants cite simplification and better financial planning as the primary drivers of rollover decisions, while advisor influence was cited in just 22% of rollovers

Source: Godbout, Ted. Employer Plans Challenging IRAs as Rollover Destination of Choice: Study. Napa-net.org, January 21, 2026.

Participants' corner

Comparison culture driving financial anxiety

- According to the CFP Board's *Financial FOMO* study, growing financial disparities are creating new sources of tension among Americans, particularly around the timing and attainment of key life milestones
- Financial comparison is widespread:
 - Four in five Americans say the financial situations of those close to them have significantly influenced their own financial thinking
 - 85% report feeling out of sync with friends' spending and financial progress in areas like savings, career advancement, and purchasing a home
- Despite comparison culture, Americans trust financial advisors, as 75% say they would feel comfortable discussing financial topics with an advisor if they had access to one

Source: CFP Board of Standards. Financial FOMO: A Survey About Money and Relationships. CFP Board, January 2026.

Participants' corner

Confusion, not cost, keeping workers on the sidelines

- New Ascensus research challenges the long-held belief that affordability is the primary reason eligible employees fail to contribute to workplace retirement plans
- The findings show that lack of plan awareness and understanding of plan features drive 60% of inaction versus perceived unaffordability of retirement savings at 23%
 - 30% of employees indicated they do not know how the plan works or even how to get started
- Additionally, workers who delay enrollment for 24 months are twice as likely to never participate
- Employees say targeted education, clearer communication around plan features, and simplified enrollment would motivate them to start saving

Source: Ascensus. Ascensus Report Shows Employers Are Prioritizing Financial-Focused Benefits. Ascensus, January 26, 2026.

Participants' corner

How AI will redefine retirement plans

- Insights from Transamerica's Prescience 2030 series reveal how retirement industry leaders believe AI will fundamentally reshape retirement plans over the next decade
- 94% of industry leaders expect retirement platforms to deliver AI-driven, hyper-personalized content and guidance tailored to participant behavior, data, and life events
- 97% agree that AI will provide “powerful tools” for benchmarking plan design against peer plans and workforce demographics
- While 66% believe AI will help identify fiduciary risks, 78% anticipate regulatory challenges due to AI use

Source: Transamerica. Prescience 2030: The Next Wave. Transamerica, January 8, 2026.



Participants' corner

Americans shift to phased retirement

- Fidelity's 2026 State of Retirement Planning study highlights a new retirement playbook, with Americans increasingly prioritizing flexibility and phased transitions over traditional, fixed retirement timelines
- While 72% of Americans expect to retire on their own terms, nearly one-third remain uncertain about when or if they will retire
- Six in 10 are planning a gradual retirement transition through reduced hours, fewer responsibilities, or non-traditional work arrangements
- Planning is a decisive confidence driver, as those with a plan are more than twice as likely to feel confident about their retirement prospects compared with their peers

Source: 2026 State of Retirement Planning, Fidelity.com, January 2026.

Participants' corner

What's really undermining retirement readiness

- Retirement success depends on more than plan access and design, according to research from Georgetown University's Center for Retirement Initiatives
- Four foundational conditions consistently shape retirement outcomes:
 - Stable cash flow
 - Adequate emergency savings
 - Manageable debt
 - Basic financial literacy
- Financial fragility is widespread, with more than half of retirement savers experiencing at least one financial vulnerability and over one-quarter facing multiple, compounding challenges
- Lack of emergency savings is the most prevalent risk, affecting 36% of savers and significantly increasing the likelihood of loans, hardship withdrawals, and account leakage that erodes long-term retirement balances

Source: PLANADVISER; Georgetown Center for Retirement Initiatives, 4 Common Financial Weaknesses Can Undermine Retirement Readiness (March 2026).

Participants' corner

Significant churn in small plan space

- Morningstar's 2026 Retirement Plan Landscape Report highlights a retirement system marked by continued growth, concentration, and significant churn, particularly among small plans
- While more than 70,000 new DC plans were added annually from 2022–2024, this growth has been offset by a steady pace of plan closures
 - 392,000 plans were closed between 2015 and 2024, with 93% of these covering fewer than 100 participants
- Baby boomers are also shaping the market, with \$6.3 trillion exiting DC plans from 2015–2024, with net flows topping \$850 billion in 2024 alone

Source: 2026 Retirement Plan Landscape Report. Morningstar, March 2026.

Participants' corner: Key takeaways

- Simplify enrollment and plan communication, as confusion, rather than affordability, remains a key barrier to participation
- Prepare for a shift toward phased retirement with tools that support flexibility, consolidation, and long-term planning
- Emphasize participant education around employer match, rollover decisions, and plan features to reduce avoidable value leakage and build confidence
- Acknowledge participants' emotional drivers behind financial decisions and create clear, advisor-led conversations focused on progress, not perfection



Legislative review

Legislative review

Expanded use of 401(k)s for home purchases

- Rep. John McGuire (R-VA) introduced the Home Savings Act, which would allow penalty-free withdrawals from defined contribution plans to cover down payments or closing costs on a primary residence
- If enacted, withdrawals could also be used to help eligible relatives (including children, grandchildren, or parents) purchase a primary home, including through tax-exempt gifts
- Distributions could be used for up to five years, applying to tax years beginning after December 31, 2025, with a proposed sunset in 2030, signaling an experimental approach rather than a permanent policy shift
- Interest in the proposal remains despite President Trump publicly opposing the use of 401(k) funds for down payments

Source: Home Savings Act, 119th Congress, Congress.gov.

Legislative review

Form 5500 Filing Simplification Act introduced

- The Form 5500 Filing Simplification Act (H.R. 7362) was introduced on February 4, 2026, by Rep. Glenn Grothman (R-WI) and Rep. Donald Norcross (D-NJ) to modernize and streamline Form 5500 reporting requirements
- The bill would move the Form 5500 deadline for calendar-year plans from July 31 to October 15, eliminating the need to file a separate extension request
- Under a single, uniform filing deadline, the proposal aims to reduce administrative burden and filing complexity, particularly for small and mid-sized employers
- The proposal has been supported by groups like the American Retirement Association and the U.S. Chamber of Commerce

Source: H.R. 7362 — Form 5500 Filing Simplification Act, 119th Congress, Congress.gov.

Legislative review

Anti-ESG bill passes house

- On January 15, the House of Representatives passed the Protecting Prudent Investment of Retirement Savings Act, aimed at limiting ESG factors when making investment decisions for retirement plans
- The bill would require fiduciaries to base investment selection, proxy voting, and shareholder rights decisions solely on economic and financial factors, reinforcing a traditional interpretation of ERISA's duties of prudence and loyalty
- Proxy voting would be explicitly limited to actions that support participants' financial interests, and ESG- or DEI-based considerations would not be permitted to influence fiduciary or service-provider selection

Source: H.R. 2988 — Protecting Prudent Investment of Retirement Savings Act, 119th Congress, Congress.gov.

Legislative review

Dependent Care FSA bill for small businesses

- The Small Business Dependent Care FSA Opportunity Act was introduced by Reps. Adrian Smith (R-Neb.), Danny Davis (D-Ill.), and Nathaniel Moran (R-Tex.) to expand access to dependent care FSAs, particularly among small employers
- The bill would create a tax credit for businesses with 100 or fewer employees to help offset the startup, administrative, and employee education costs associated with offering a dependent care FSA
- The proposed credit would be \$250 per non–highly compensated employee, with a minimum credit of \$500 and a maximum of \$5,000, available in the year the plan is established and for the following two years
- Lawmakers point to an access disparity, noting that only 29% of workers at small firms have access to a dependent care FSA, compared with 63% at larger employers

Source: Small Business Dependent Care FSA Opportunity Act, 119th Congress, Congress.gov.

Legislative review

Proposal to repeal the retirement earnings test

- Senator Rick Scott (R-FL) introduced the Senior Citizens' Freedom to Work Act, which would encourage older Americans to remain in or reenter the workforce without facing benefit reductions
- The proposed legislation would repeal the Social Security Retirement Earnings Test, which currently reduces benefits for individuals who claim Social Security before full retirement age while continuing to work
- Supporters argue the existing rule discourages work, creates confusion among retirees, and limits financial flexibility during the transition into retirement

Source: S. 4184 — Senior Citizens' Freedom to Work Act of 2026, 119th Congress, Congress.gov

Legislative review: Key takeaways

- Maintain a process-driven fiduciary framework amid ongoing policy debates around ESG and investment decision-making
- Assess whether evolving legislation strengthens the case for a broader total rewards strategy, including family-focused benefits
- Address proposed withdrawal flexibility for home purchases by reinforcing tradeoffs, long-term impact, and alternative savings options



Regulatory review

Regulatory review

Reminder: Second-quarter compliance calendar

April

April 1

- First required minimum distributions to participants born in 1952 (unless still working and plan allows delay until retirement) and any older participants who retired in 2025

April 15

- Refunds of 2025 elective deferrals over 402(g) limit

May

May 15

- Q1 2026 benefit statement for participant-directed plan and participant fee disclosure

June

June 30

- If eligible automatic contribution arrangement failed 2025 ADP/ACP test, refunds of excess contributions and/or recharacterization of pretax deferrals as after-tax or catch-up contributions to avoid a 10% excise tax

Source: Mercer's Law & Policy Group | 2026 US defined contribution plan compliance calendar.

Regulatory review

DOL releases safe harbor regulation for alternatives

- The Department of Labor has released a proposed safe harbor regulation aimed at reducing regulatory burdens and litigation risk for employers and plan fiduciaries when including private assets in defined contribution plans
- The rule establishes a process-based standard of prudence, providing fiduciaries with a presumption of compliance under ERISA when appropriate evaluation and documentation steps are followed
- The safe harbor focuses on key evaluation factors, including expected performance, liquidity, fees, valuation, benchmarking, and investment complexity
- While motivated by alternative investments, the proposal applies to all plan investments, reinforcing the DOL's asset-neutral approach

Source: Employee Benefits Security Administration, U.S. Department of Labor. Fiduciary Duties in Selecting Designated Investment Alternatives (Proposed Rule). Federal Register, March 31, 2026.



Regulatory review

DOL restores investment advice standard

- The Department of Labor has restored ERISA's long-standing five-part test for determining fiduciary investment advice status after courts vacated the 2024 Retirement Security Rule
- The 2024 rule was removed from the Code of Federal Regulations following final judgments in federal court challenges
- DOL officials stated the vacated rule improperly expanded fiduciary status to securities brokers and insurance agents in the absence of a relationship of trust and confidence

Source: Mayland, Scott, and Thomas Roberts. DOL Rolls Back 2024 Fiduciary Rule and 2020 Interpretation of Five-Part Test. Groom Law Group, March 26, 2026.

Regulatory review

DOL proposes required annual paper statements

- The DOL proposed new regulations requiring retirement plans to provide periodic paper benefit statements, implementing disclosure changes mandated by SECURE 2.0
- Defined contribution plans would be required to send at least one paper benefit statement annually, while defined benefit plans would be required to provide a paper statement at least once every three years
 - The DOL estimates roughly \$50 million in annual compliance costs could be saved with the change
- The paper statement requirement would apply to plan years beginning after December 31, 2025, with electronic delivery remaining permissible for other required disclosures

Source: Van Bramer, James. DOL Proposes Required Annual Paper Statements for Retirement Plans. PLANSPONSOR, February 24, 2026.

Regulatory review: Key takeaways

- Review the DOL proposed safe harbor ruling, including the six core factors
- Assess whether evolving legislation strengthens the case for a broader total rewards and financial wellness strategy



Legal review



Legal review

Dell suit alleges underperforming proprietary funds

- A lawsuit filed against the nearly \$15 billion Dell Inc. 401(k) plan alleges fiduciaries breached ERISA duties by retaining chronically underperforming investment options, including a proprietary target-date fund series
- Plaintiffs claim that multiple investment options underperformed peer benchmarks across extended trailing time frames, despite the availability of “better performing alternatives”
- The complaint also alleges participants suffered over \$318 million in investment losses, asserting that fiduciaries failed to replace underperforming options in a timely manner

Source: Adams, Nevin. Suit Says Underperforming Funds Cost 401(k) Participants Millions. National Association of Plan Advisors, February 2, 2026.

Legal review

Cushman & Wakefield face climate risk lawsuit

- Cushman & Wakefield U.S. Inc. is facing a first-of-its-kind lawsuit that directly challenges fiduciaries' treatment of climate risk as part ERISA's duty of prudence
- Plaintiffs contend that fiduciaries had access to publicly available climate risk data and guidance, yet failed to incorporate those considerations into investment selection and monitoring decisions
- The complaint argues that ignoring climate-related financial risk represents a failure of fiduciary process, rather than an ESG mandate, and violates ERISA's duty of prudence
- The lawsuit reflects a broader trend in ERISA litigation, as plaintiffs increasingly scrutinize how fiduciaries address emerging and financially material risks

Source: Van Bramer, James. Cushman & Wakefield Sued for Not Protecting Workers' 401(k) From Climate Risk. PLANADVISER, March 6, 2026.

Legal review

Liberty Mutual settles excessive fee case

- Liberty Mutual agreed to a \$13.4 million settlement to resolve ERISA claims alleging excessive fees and imprudent oversight in the company's approximately \$7 billion 401(k) plan
- Plaintiffs alleged fiduciaries failed to properly monitor recordkeeping costs, managed-account fees, and certain plan investments, resulting in unreasonable expenses for participants
- The lawsuit, filed in 2020, survived multiple procedural hurdles and was set to proceed to a rare ERISA jury trial before the parties reached a settlement
- If approved, the settlement would provide monetary relief to plan participants and require certain non-monetary changes affecting plan administration going forward

Source: Van Bramer, James. Liberty Mutual Settles 401(k) Excessive Fee Case for \$13.4M. PLANADVISER, February 19, 2026.



Legal review

Southwest 401(k) lawsuit survives motion to dismiss

- A federal court denied Southwest Airlines' motion to dismiss an ERISA lawsuit alleging fiduciary breaches tied to the retention of an underperforming 401(k) investment option
- The case, originally filed in January 2025, addresses whether allegations tied to even a single imprudent investment option are sufficient to proceed past the pleading stage
- The decision signals a potentially lower bar for ERISA fiduciary claims, reinforcing the importance of robust investment monitoring processes, timely fund replacement decisions, and clear fiduciary documentation

Source: Anderson, Brian. Southwest 401(k) Lawsuit Survives Motion to Dismiss, Signals Lower Bar for Fiduciary Claims. 401(k) Specialist, March 26, 2026.

Legal review: Key takeaways

- Regularly benchmark fees and services to demonstrate reasonableness and fiduciary oversight
- Review plan documents to eliminate unnecessary discretion, particularly around forfeitures and administrative practices



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