

Retirement Insights

# 2026 Retirement Outlook

December 2025

## SUMMARY

### In brief:

- ➡ 2026: The 20th Anniversary of the Pension Protection Act
- ➡ Key Investment Themes for DC Plan Sponsors in 2026
- ➡ Key Regulatory, Legislative and Litigation Themes for DC Plans
- ➡ On the Minds of Plan Sponsors, Advisors and Participants
- ➡ The Path Forward for Corporate DB Plans
- ➡ Actions to Consider: Looking Ahead to 2026 and Beyond

2026 marks the 20th anniversary of the Pension Protection Act (PPA), legislation that transformed defined benefit (DB) and defined contribution (DC) retirement plans in the United States. Over the past two decades, the PPA has profoundly shaped DC plan design, investment strategies, and participant outcomes, ushering in important innovations such as automatic enrollment features and qualified default investment alternatives (QDIAs). The law's impact on DB plans, however, was less beneficial. While the PPA was intended to strengthen the DB system, its provisions — combined with unforeseen external economic changes — helped contribute to the decline of DB plans over the past 20 years.

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Our 2026 Retirement Outlook explores the key investment themes driving DC plan decisions, current regulatory and legal developments, and survey insights from participants, sponsors, and advisors. On the corporate DB side, we examine how funded status continues to affect plan strategy, including the challenges posed by pension risk transfer lawsuits and the potential investment implications of de-risking.

As we look ahead to 2026 and beyond, this outlook aims to provide plan sponsors and stakeholders with actionable insights and forward-looking strategies for building resilient retirement programs.

## STAYING THE COURSE AMID MARKET SHIFTS

*While market volatility and regulatory changes may be distractions, successful retirement programs depend on disciplined, long-term strategies that are thoughtfully aligned with participant retirement objectives. By maintaining perspective and staying committed to core principles, plan sponsors can navigate uncertainty and safeguard participants' futures. ▲*

# The 20<sup>th</sup> Anniversary of the Pension Protection Act

The Pension Protection Act of 2006 significantly transformed the retirement system in the US for both DC and DB plans.

**For DC plans, the most impactful change was the introduction of automatic enrollment and Qualified Default Investment Alternatives (QDIAs), such as target-date funds (TDFs).**

Automatic enrollment and the escalation of

## ACTIONS TO CONSIDER

- ➔ **DC Plan Sponsors:** Accumulation is essential. Automated features and QDIAs have boosted both participation and balances in DC plans. Continue to monitor the QDIA option and its appropriateness for your plan's participant base to help them accumulate assets for sufficient retirement outcomes.
- ➔ **DB Plan Sponsors:** If you haven't already, assess the long-term goal for your DB plan, whether it be to reopen, terminate or hibernate, and align your investment and funding policies towards those goals.

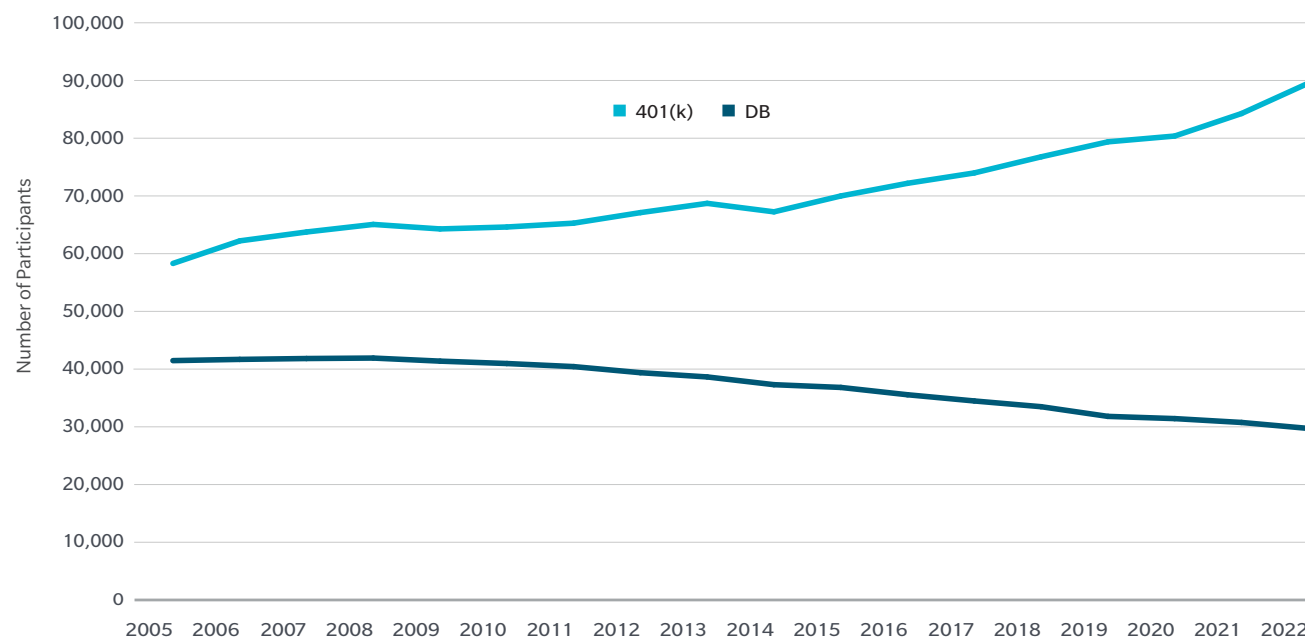
contribution rates have boosted participation in DC plans, particularly among younger and lower-income workers. TDFs now dominate as the preferred default investment and have grown from about \$100 billion in 2005 to \$4.3 trillion as of year-end 2024. Among the \$9.2 trillion in 401(k) plans, \$3.4 trillion (nearly 37%) is in TDFs, and over 65% of all 401(k) contributions go into TDFs.<sup>i</sup>

**For DB plans, the PPA imposed more rigorous funding rules and increased PBGC premiums.** These changes came into effect as the Global Financial Crisis (GFC) took place, which resulted in significant declines in funded status for many sponsors. The increasing cost and complexity of managing these plans resulted

in many companies closing or freezing their DB plans. As funded status has improved over the past few years, driven largely by higher interest rates, we have seen a significant increase in pension risk transfer activities such as annuity buyouts and lump-sum cashouts.

**Twenty years post-PPA, the retirement plan landscape has transformed: traditional DB plans are rare, while DC plans dominate.** As highlighted in Exhibit 1, there are more than three times the number of participants covered by 401(k) plans than by DB plans today. The PPA's legacy is a retirement system with greater individual responsibility and less employer risk — with less guaranteed lifetime income for most workers.

**EXHIBIT 1: INCREASE IN DC PARTICIPANTS POST-PPA**



Source: US Department of Labor Employee Benefit Security Administration from Form 5500 filings for plans with >100 participants for plan years ending in year shown.

# Key Investment Themes for DC Plan Sponsors in 2026

**QDIA Considerations.** Of all DC plans, 96% offer TDFs. Furthermore, 64% of all contributions are directed to TDFs, and 84% of all participants use TDFs in some capacity.<sup>ii</sup>

What might be the unintended consequence of TDF dominance in DC plans? Defaulted participants may not always understand how their TDF works. In MFS' 2025 Global Retirement Survey,

more than three-fourths of participants invested in TDFs believe that asset allocation is at its most conservative point at the point of retirement as shown in Exhibit 2. While that may be true for TDFs with "to" retirement glidepaths, this perception does not align with reality for TDFs that glide "through" retirement.

**The Role of the Core Menu Going Forward.** Although TDFs are widely used in DC plans, statistics point to a declining use with age. With many older participants utilizing the core menu instead of TDFs, we believe there are implications for the number and types of investment options that should be offered in the core menu. Learn more at [Revisiting the Core Menu in Defined Contribution Plans](#).

**Innovation in DC Plan Menus.** While retirement income solutions have dominated the "innovation" discussion in DC plans over the past few years, the conversation is now shifting to the role of artificial intelligence and the potential inclusion of alternative assets in DC plans. Those arguing for private assets playing a larger role in DC plans commonly point to their returns and diversification benefits relative to passive investments. We believe that actively-managed public equity and fixed income strategies can provide participants with the returns and diversification benefits they need to build durable portfolios, with better liquidity, transparency and lower fees as compared to private assets.

## ACTIONS TO CONSIDER

- ➔ Do your participants understand the benefits and features of TDFs?
- ➔ Conduct a demographic analysis to better understand how your participants are using the investment menu today. What gaps may exist?
- ➔ What are you looking to solve with alternatives? Are there other solutions that can meet your participants' needs?

**EXHIBIT 2: PARTICIPANT UNDERSTANDING OF THE GLIDEPATH**  
*Misperceptions around a Target Date Fund's most conservative point*



Source: MFS 2025 Global Retirement Survey. US participants. Q: Please indicate the extent to which you agree with each of the statements below about TDFs. Percentages represent the sum of respondents that chose strongly agree or agree with each statement. This question was posed to respondents that answered they are invested in a TDF. A target date fund is a fund whose allocation to stocks and bonds is designed to become more conservative as you near retirement or reach a certain age. TDFs = target date funds. Right: Source: MFS 2025 US DC Plan Sponsor Survey. Q: What type of TDFs do you have in your plan? Managed to/through retirement, does the glidepath end at retirement age or does the portfolio continue to get more conservative through retirement? For survey methodology, please [click here](#).

# Key Regulatory, Legislative and Litigation Developments for DC Plans

**Changing Regulatory Landscape.** 2026 is likely to be a busy year of rulemaking and guidance. The Department of Labor<sup>iii</sup> suggests there will be new ESG and fiduciary advice rules coming. The industry is also looking ahead to guidance in the first half of 2026 on the inclusion of private

## ACTIONS TO CONSIDER

- ➡ Stay informed and prepare for potential regulatory changes in 2026.
- ➡ Are your participants or clients asking to evaluate alternative assets?
- ➡ Continue to document all processes, such as a review of your plan's fees, investment options, and administrative practices to proactively address potential litigation risks.

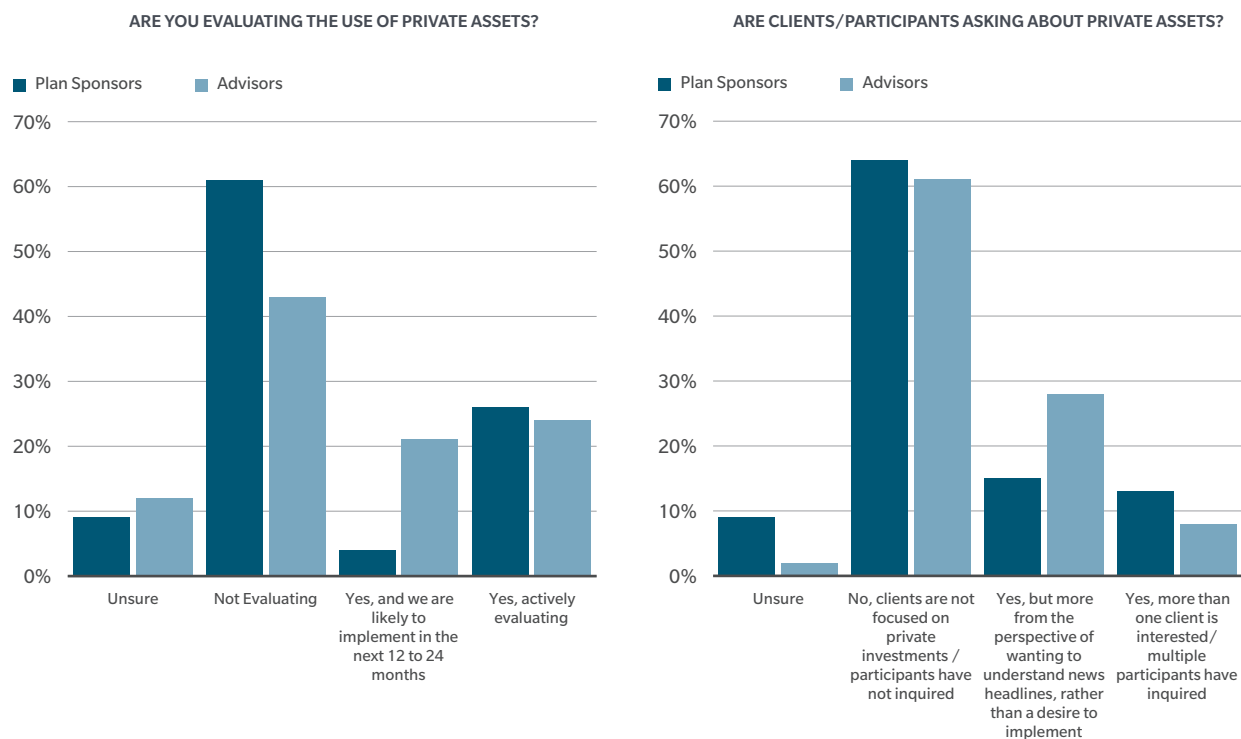
and alternative assets in DC plans.<sup>iv</sup> However, we see challenges in large-scale acceptance of private and alternative assets in DC plans.

**Lack of Demand for Private Assets.** While 45% of advisors say they are evaluating the use of private assets in retirement plans, only 30% of plan sponsors say the same. Notably, advisors acknowledge that it is not due to demand from plan sponsor clients, and sponsors note a lack of demand from participants, as shown in Exhibit 3.

## Litigation Increased in 2025. Will it Persist in 2026?

Lawsuits alleging excessive fees continue to rise (numbering 43 in 2023 and increasing to 51 in 2025), and since September 2023, there have been almost 80 ERISA class action suits alleging forfeiture claims.<sup>v</sup> For many sponsors, it is less expensive to settle these claims rather than take them to trial, and there have been more than 120 ERISA class action settlements — totaling more than \$665 million since 2023. For 2025, the average excessive fee settlement has been \$4.42 million.<sup>v</sup> We believe these trends are likely to persist in 2026.

EXHIBIT 3: LACK OF DEMAND FOR PRIVATE ASSETS



Sources: 2025 MFS Retirement Plan Advisor Survey and 2025 MFS DC Plan Sponsor survey. For survey methodology, please [click here](#).

# On the Minds of Plan Sponsors, Advisors and Participants

**Mixed Confidence.** Our 2025 MFS Global Retirement Survey revealed that participants' confidence in their ability to retire at their desired age has declined across generations from 2021 through 2025. Our 2025 MFS Retirement Plan Advisor Survey also found that most plan advisors are concerned about their clients' ability to achieve an adequate and secure retirement.

## ACTIONS TO CONSIDER

- ➡ How can we improve the lack of confidence in meeting retirement objectives? Set participants up for success through access to a robust DC plan and education on the benefits of saving sufficiently.
- ➡ Acknowledging and addressing participants' competing financial priorities through holistic benefit programs can help improve their retirement confidence.

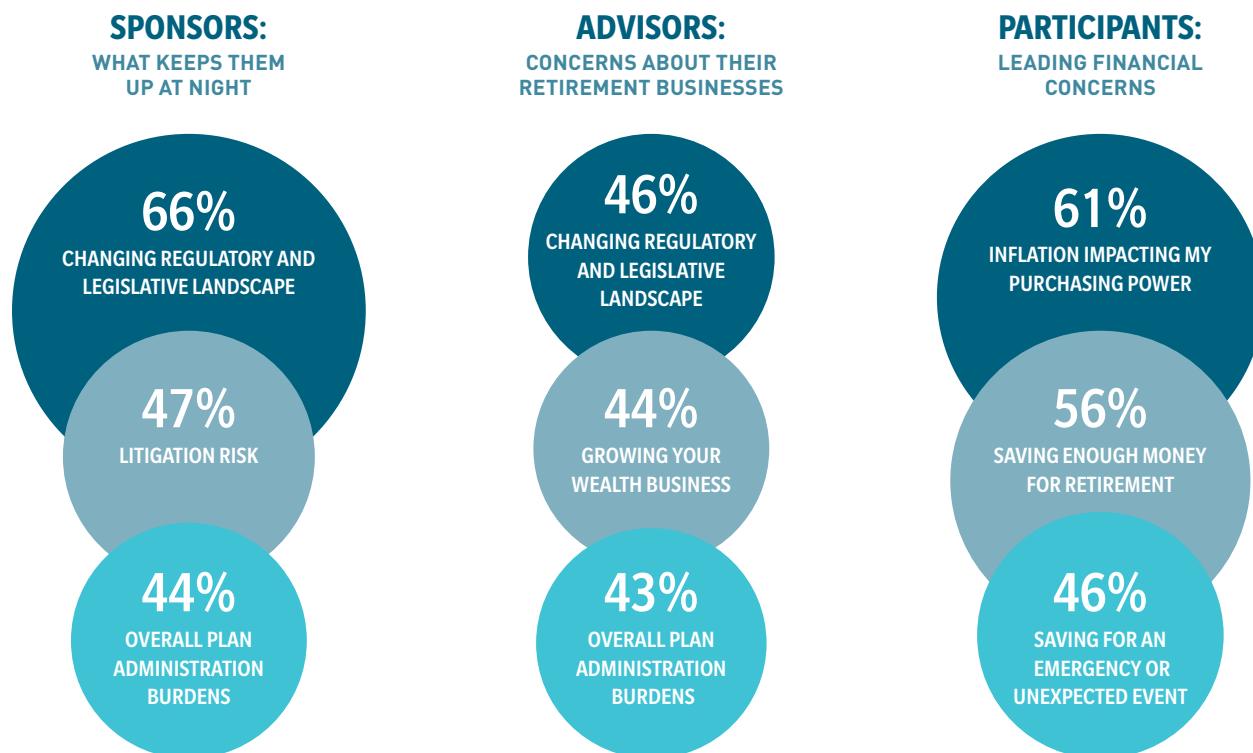
However, our 2025 MFS DC Plan Sponsor Survey results suggest that with high participation and deferral rates, sponsors show some signs of confidence in their participants' ability to retire.

**Retirement Concerns.** We asked DC plan sponsors, advisors and participants what worries them. Exhibit 4 shows the top three responses from each group, highlighting how the changing regulatory and

legislative landscape has impacted sponsors and advisors. In addition, plan administration burdens are a shared concern for sponsors and advisors.

For participants, while saving enough money for retirement is a top financial concern, inflation actually came in as a bigger worry. It's a good reminder that participants can have several financial concerns and often have competing financial priorities that may get in the way of saving adequately for retirement, which we believe fuels their lack of retirement confidence.

## EXHIBIT 4: TOP (RETIREMENT) CONCERNS



Sources: 2025 MFS DC Plan Sponsor survey; 2025 MFS Retirement Plan Advisor Survey; 2025 MFS Global Retirement Survey. For survey methodology, please [click here](#).

# The Path Forward for Corporate DB Plans

**Funded Status Improvements.** Corporate DB plans saw improvements in funded status in 2025, continuing the upward trend of the past few years (Exhibit 5). This has been a welcome change after years of modest funded status improvement post-GFC.

**De-risking Implications.** While pension risk transfer (PRT) has been widely utilized by DB plans, the trend slowed in 2025,<sup>vi</sup> in part due to

elevated litigation concerns arising from high profile PRT deals,<sup>vii</sup> compelling some sponsors to keep their de-risked DB plans going forward.

Although de-risked DB plans typically have a low allocation to growth assets, diversification of the growth portfolio can help manage downside risk while also generating the returns needed to help keep pace with liabilities.

While sponsors with a long liability tail can potentially afford a modest amount of illiquidity, the amount of illiquid assets must be carefully considered against the liability profile. Fortunately, liquid assets such as return-seeking fixed income, as well as low volatility, income-oriented, and quality public equity approaches

can also help protect capital in down markets. Given increased concentration and high valuations within US equity markets, now could also be an opportune time for investors to diversify into international equities.

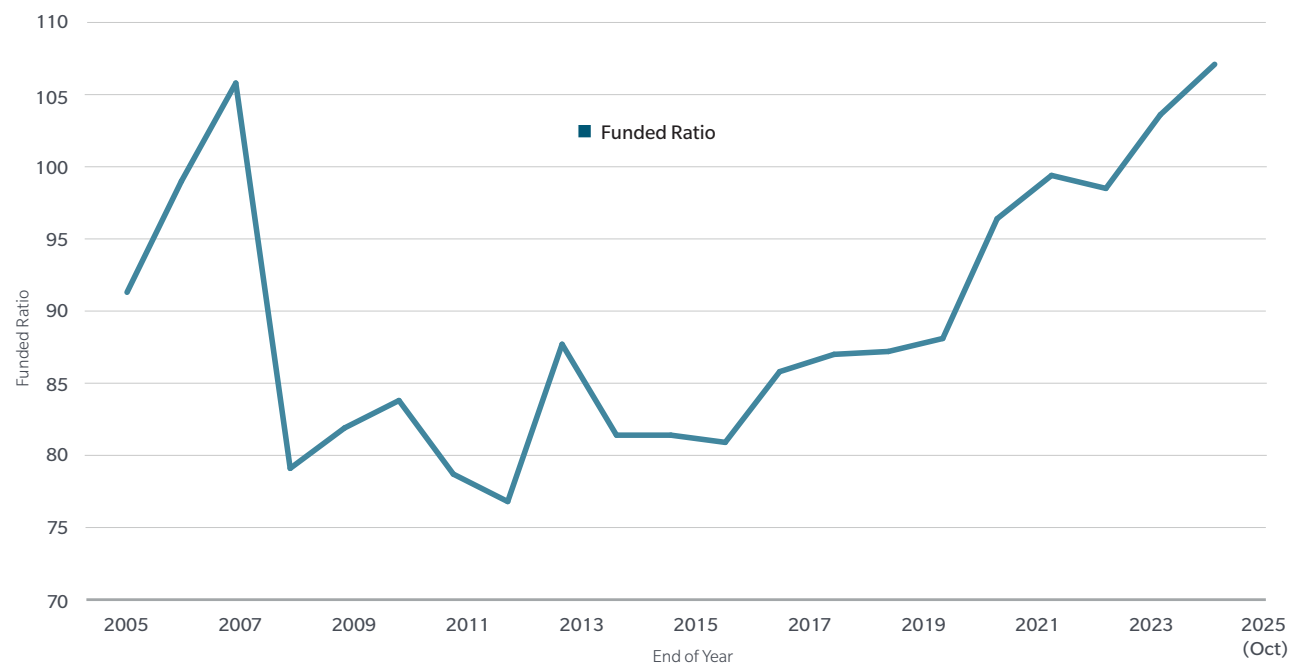
As plan liabilities mature and durations shorten, sponsors who have relied on long-duration fixed income to hedge liabilities may want to refine duration exposure through strategies such as intermediate credit, which can help tailor their LDI portfolios and enhance key rate exposures.

With over \$5.8 trillion in market capitalization,<sup>viii</sup> intermediate credit has a broader investable universe than long credit, providing active managers with opportunity to generate alpha, which can help to keep pace with liability growth.

## ACTIONS TO CONSIDER

- ➔ Sponsors who want to maintain their DB plans should consider how to structure growth assets in a de-risked portfolio and refine the duration of their fixed income as liabilities mature.

EXHIBIT 5: CORPORATE DB PLAN FUNDED RATIOS



Source: Milliman 2025 Corporate Pension Funding Study and Pension Funding Index, November 2025.

# Actions to Consider: Looking Ahead to 2026 and Beyond

2026 Retirement Outlook	Actions to Consider
The 20th Anniversary of the Pension Protection Act	<ul style="list-style-type: none"> <li>• <b>DC Plan Sponsors:</b> Accumulation is essential. Automated features and QDIAs have boosted both participation and balances in DC plans. Continue to monitor the QDIA option and its appropriateness for your plan's participant base to help them accumulate assets for sufficient retirement outcomes.</li> <li>• <b>DB Plan Sponsors:</b> If you haven't already, assess the long-term goal for your DB plan, whether it be to reopen, terminate or hibernate, and align your investment and funding policies towards those goals.</li> </ul>
Key Investment Themes for DC Plan Sponsors in 2026	<ul style="list-style-type: none"> <li>• Do your participants understand the benefits and features of TDFs?</li> <li>• Conduct a demographic analysis to better understand how your participants are using the investment menu today. What gaps may exist?</li> <li>• What are you looking to solve with alternatives? Are there other solutions that can meet your participants' needs?</li> </ul>
Key Regulatory, Legislative and Litigation Developments for DC Plans	<ul style="list-style-type: none"> <li>• Stay informed and prepare for potential regulatory changes in 2026.</li> <li>• Are your participants or clients asking to evaluate alternative assets?</li> <li>• Continue to document all processes, such as a review of your plan's fees, investment options and administrative practices to proactively address potential litigation risks.</li> </ul>
On the Minds of Plan Sponsors, Advisors and Participants	<ul style="list-style-type: none"> <li>• How can we improve the lack of confidence in meeting retirement objectives? Set participants up for success through access to a robust DC plan and education on the benefits of saving sufficiently.</li> <li>• Acknowledging and addressing participants' competing financial priorities through holistic benefit programs can help improve their retirement confidence.</li> </ul>
The Path Forward for Corporate DB Plans	<ul style="list-style-type: none"> <li>• Sponsors who want to maintain their DB plans should consider how to structure growth assets in a de-risked portfolio and refine the duration of their fixed income as liabilities mature.</li> </ul>



## Endnotes

<sup>i</sup> Cerulli US Defined Contribution Distribution 2025.

<sup>ii</sup> Vanguard How America Saves 2025.

<sup>iii</sup> [Agency Rule List - Spring 2025](#).

<sup>iv</sup> [Democratizing Access to Alternative Assets for 401\(K\) Investors – The White House](#).

<sup>v</sup> [The Evolution of Defined Contribution Plan Class Action Litigation in 2025 | Insights | Mayer Brown, published Oct 30, 2025](#).

<sup>vi</sup> Source: LIMRA press release 9/22/2025: Economic Volatility Undermines Second Quarter US Pension Risk Transfer Sales. Sales were \$10.6B in 1H 2025 versus \$23.4B in 1H 2024 and 20.9B in 1H 2023. Number of annuity buyout contracts were down 24% in 1H 2025 from prior year.

<sup>vii</sup> A New York federal district court denied defendant's motion to dismiss in Doherty, et al. v. Bristol Myers Squibb et al., finding that the plaintiffs allegations to ERISA fiduciary violations were sufficient to survive a motion to dismiss.

<sup>viii</sup> As of December 12, 2025 for the Bloomberg US Intermediate Credit Index.

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