

U.S. Defined Contribution Distribution 2021

Uncovering Investment-Only Distribution Opportunities

OVERVIEW & METHODOLOGY

This annual report covers product development and distribution trends in the defined contribution (DC) market. This year, the report examines investment-only product distribution opportunities for defined contribution investment-only (DCIO) asset managers, particularly for their single-asset-class investment products. The report also includes findings from Cerulli's annual target-date manager survey and DCIO asset manager surveys, and annual Collective Investment Trust (CIT) Provider Survey, which Cerulli conducts in partnership with the Coalition of Collective Investment Trusts (CCIT).

Moreover, the report includes findings from two DC intermediary surveys: the Retirement Specialist Advisor Survey, conducted by Cerulli in partnership with the Investments & Wealth Institute and the Financial Planning Association, and the Retirement Plan Advisor (RPA) Survey, conducted by Cerulli in partnership with the Defined Contribution Institutional Investment Association (DCIIA) and The Retirement Advisor University (TRAU). Lastly, the report provides readers with updated DC market sizing by market segment and plan type, and updated advisor-sold DC market sizing.

USE THIS REPORT TO

- Examine single-asset-class product distribution opportunities for DCIO asset managers, particularly asset managers without a recordkeeping arm or target-date series
- Learn about the rising influence and characteristics of registered investment advisor (RIA) aggregator firms and how DCIO asset managers should think about addressing this key intermediary group
- Understand why 3(38) and open-architecture investment products and solutions may offer key fund placement opportunities for DCIOs and how DCIOs should position themselves to capitalize on these distribution opportunities
- Review staffing and vehicle considerations for DCIO asset managers seeking to expand their presence in the DC market

QUESTIONS ANSWERED

- How are 401(k) assets allocated across plan asset segments?
- What do DCIO asset managers consider to be the most significant product distribution opportunities for their standalone investment products?
- What types of inflation-hedging investment products do target-date managers employ?
- What types of value-added services do retirement specialist advisors look for from their DCIO asset manager partners?
- How do retirement-focused registered investment advisor (RIA) firm field advisors expect demand for discretionary fiduciary models to change moving forward?

PRODUCT DETAILS

Included with Purchase

- Digital report in PDF format
- Unlimited online firm-wide access
- Exhibits in Excel
- Key findings
- Analyst support
- Interactive Report Dashboards

Interactive Report Dashboards

Interact and explore select report data with Cerulli's visualization tool.

- **DC-Focused Advisor Metrics and RIAs' Fiduciary Status and Perception of DCIOs:** Evaluate the advisor-sold DC asset landscape, with customizable data covering historical sizing of corporate DC assets by advisor/consultant use, DC-focused asset sizing and headcount by channel, and RIAs' expected demand for fiduciary services from 3(21) and 3(28) DC clients.
- **Asset Manager Perspectives on DC Market Trends, Primary Influencer, and Investment Vehicle:** Gain insight into the perceived impact of various DC market trends on DCIO business, compare the primary influencer in deciding DC plan investments between DC plan asset sizes, and learn which investment vehicle provides the best opportunity by 401(k) plan size and year.
- **Target-Date Attributes, Challenges, Factors, Architecture, and ETF Use:** Analyze target-date managers' perceptions year over year of the most important attributes driving target-date asset growth, anticipated challenges to growing this kind of business, factors considered by DC plan sponsors in their selection of a target-date fund, product architecture, and inclusion rates for ETFs, alongside the top reasons for including them.
- **CIT Factors, Knowledge, Challenges, Reporting, and Custom Fees:** Explore over multiple years an overview of the state of CIT product development, including asset managers' sentiments on factors considered in CIT development and distribution, typical knowledge level of the product, top challenges to adoption in DC plans, aspects of CIT data reported to Morningstar, and an analysis of custom fee arrangements.



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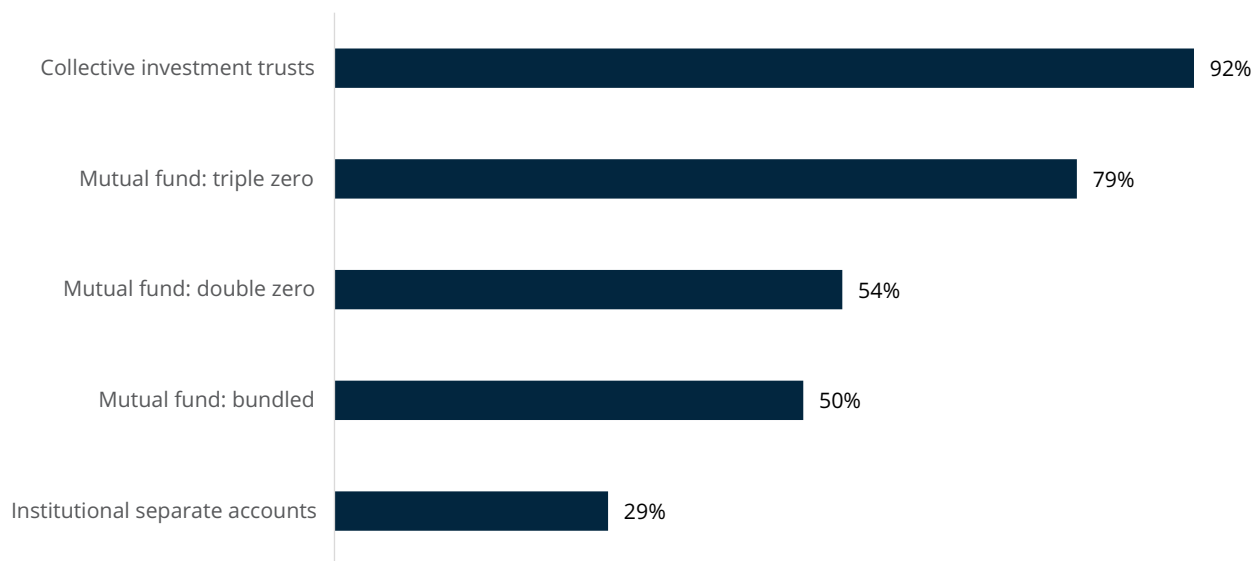
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Exhibit 4.22

Availability of Target-Date Products by Investment Vehicle and Mutual Fund Share Class, 2021

Sources: Cerulli Associates

Analyst Note: Respondents were asked to select all applicable options.



- The vast majority (92%) of managers currently offer target-date series in a CIT. CITs have grown in popularity as pressure for providers to offer lower-cost investment vehicles continues to increase across the industry.

Key Implication: 2021 has seen the use of CITs grow in place of traditional '40-Act funds as the retirement vehicle of choice. Cerulli believes that CIT demand will continue to increase as national level consultants and retirement aggregators negotiate product pricing for access to their broad network of advisors and clients. Despite this ongoing demand, Cerulli expects clean mutual fund share classes to remain a popular investment vehicle in the small-to-mid market and the 403(b) market where CITs are rarely allowed.

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