Global DC Peer Study 2025 Summary Report

TAI | LifeSight | Aware Super

Thinking Ahead Institute
An innovation network founded by WTW

Foreword

DC pensions have become the dominant model in the global pension landscape, surpassing DB in asset share and is expected to accelerate fast. This shift has brought with it both possibility and responsibility: possibility to build better retirement outcomes at scale; responsibility to do so with care, innovation, and boldness.

At TAI, we've been tracking this journey for some time. Our 2018 global best practice peer study, which led to the report Shifts for the DC organisation of tomorrow, surfaced early insights into the next generation of best practices in DC. Our future of pensions working group deepened the exploration into the kind of system we need next, published in the Pensions aren't what they used to be… a glimpse into the future paper. This year, in collaboration with LifeSight and Aware Super, we conducted our 2025 global DC peer study to further explore current and emerging global best practice among DC organisations.

Through 20 deep 1-2-1 conversations, an extensive survey and desk research, we captured the views of some of the leading DC organisations around the world. This summary report presents the key messages from this peer study, data highlights and interview insights. It also include some of the key findings on investment beliefs, governance, how DC funds invest, and peers' perspectives on retirement income, technology adoption, and systemic risk.

The most pressing concern is retirement income, still unresolved. Alongside this, important questions are being raised about whether members' money is being left on the table during the accumulation phase. Private markets offer hope, but constraints around cost, governance and operational readiness continue to hold many funds back. And in service delivery, cracks are showing, delays in payments and claims threaten member trust in a system.

A few messages stand out: the importance of grounding everything in member outcomes; the critical need to unify accumulation and decumulation; the tension between scale and customisation; the opportunity of embracing the total portfolio approach; and the urgency of managing not only financial risk, but also the systemic risks that define our age.

We are deeply grateful to all the participants who gave their time and insights so generously. It is their openness and willingness to contribute candidly and selflessly that have made this collective learning possible. Their thoughtful input reflects a spirit of collaboration that strengthens the entire system. We hope this peer study serves as a useful insights and, more importantly, as a springboard for future progress. Because the challenges ahead are not only about better portfolios or better platforms, they are about building a DC system that is fit for all our DC members. More to come as we move forward together.

Thinking Ahead Institute

Study snapshot

9 key takeaways and data highlights

Thinking Ahead Institute
An innovation network founded by WTW

Top three takeaways

1. Retirement income remains unsolved

- 60% flagged it as the top challenge for the next decade
- Decumulation needs innovation – peers are trialling hybrids, defaults and CDC models. Decumulation expectations vary by region

2. Engagement and literacy are critical

- Improving member understanding is a top-five-year priority
- Regulatory structures, such as auto-enrolment and mandatory contributions, play a significant role in driving pension adequacy

3. Choice vs default

- Striking the right balance between offering strong defaults and meaningful member choice remains a central design challenge
- 39% of the participating funds rely on members to make active choices

Key takeaways

4. Technology on the rise	▪ 50% of funds spend over 10% on technology ▪ AI integration accelerating
5. Scale and consolidation	▪ Progressing with justification and better outcomes ▪ 63% of pension assets in Australia are managed by 8 super funds.[1] ▪ In the UK, The top 5 (by AUM) master trusts account for around 60% of trust assets held and around 80% of savers in the trust market.[2]
6. Sustainability and systemic risk	▪ Funds recognise the need for collective action and real economy focus ▪ Stewardship on macro / sector / public policy level ▪ 67% of peer participants have committed to Net Zero
7. Private markets ambitions vs constraints	▪ Average peer allocation 60% to equity, 20% to bonds and 20% to alternatives* ▪ Cost, governance and operational readiness are key barriers
8. Governance and culture are extremely strong	▪ 94% of organisations said that the governance of the Board and senior leadership in their organisations is strong and effective
9. Accumulation design	▪ DC organisations are leaving member money on the table in their accumulation design

[1] Super insights KPGM; [2] Evolving the regulatory approach to master trusts, DWP UK
*numbers are rounded

Study highlights

20
Organisations
18 master trusts, 2 single employer
Total assets **$2.2T**
Median size **$50B**

90%
have a time horizon ≥5 yrs

60% believe they are required to operate to a shorter time horizon than would be ideal for members

60% | 20% | 20%
equity | alternatives | bonds

60% describe their capital allocation as dynamic. TPA adoption expected to rise from 2.4 → 3.1

80%
of effort on accumulation
60% tailor risk dynamically (lifecycle & target date)
Most static defaults use a combination of strategic asset allocation, target return, and target risk.

Over **42m** DC members

Average age **43 | 80%** pre-retirement
Median 30-yr-old pot size **$20k**
Median 60-yr-old pot size **$115k**

Income in retirement is one of the top concerns for DC professionals

50% of funds offer a soft default into a post-retirement income pathway
40% require members to make active choices

Climate change, inequality and geopolitics at the head of 10-year rise in systemic risk

67% have NZ pledge/commitment, with 83% expecting NZ achievement by 2050
71% have ambition to address decarbonisation
50% are signatories to a stewardship code

50% expect increased technology spend over the next 5 years

31% have active AI/ML pilots / projects
44% are in early exploration stages
A shift from **0%** → **38%** of organisations seeing AI/ML as a foundational part of their technology infrastructure in next 3–5 years

90% have regular contact with global peers and local peers

80% are members of at least one stewardship-related collaborative initiative

#1 Peer beliefs and drivers

We asked the DC peers attitudinal questions:

What do they believe are the important factors driving both investment strategy and long-term member outcomes?

In some cases, where we asked the same questions, we are able to compare the 20 DC peers (DCPS) to 26 leading asset owners (AOPS) – see the [TAI | Future Fund Global Asset Owner Peer Study on best practices]

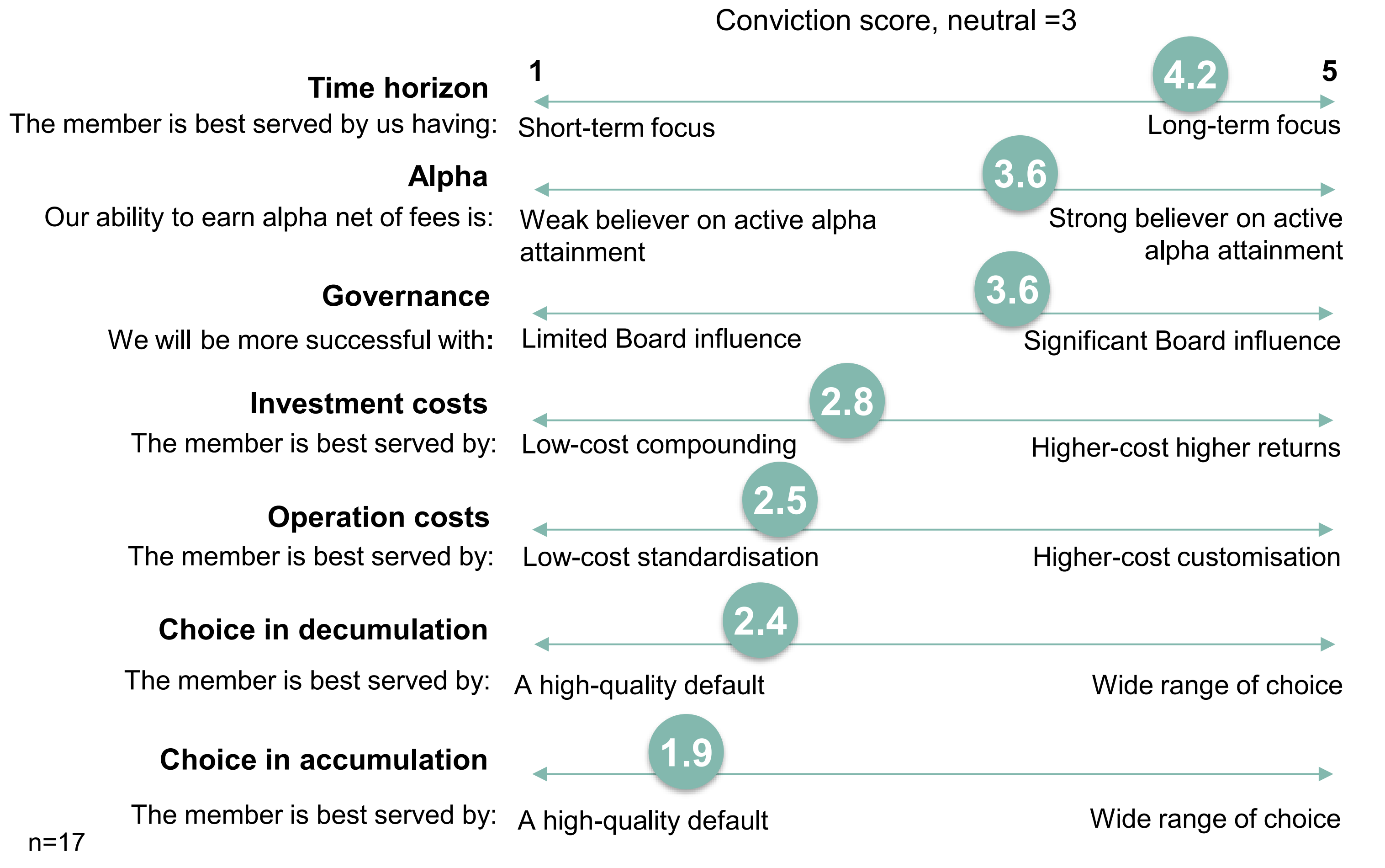
Beliefs shaping DC strategy

DC members are best served through long-term focus, high-quality defaults and strong governance

Strongest convictions:
- **+1.2**: strong belief in the importance of a long-term time horizon
- **–1.1**: strong support for high-quality default in accumulation

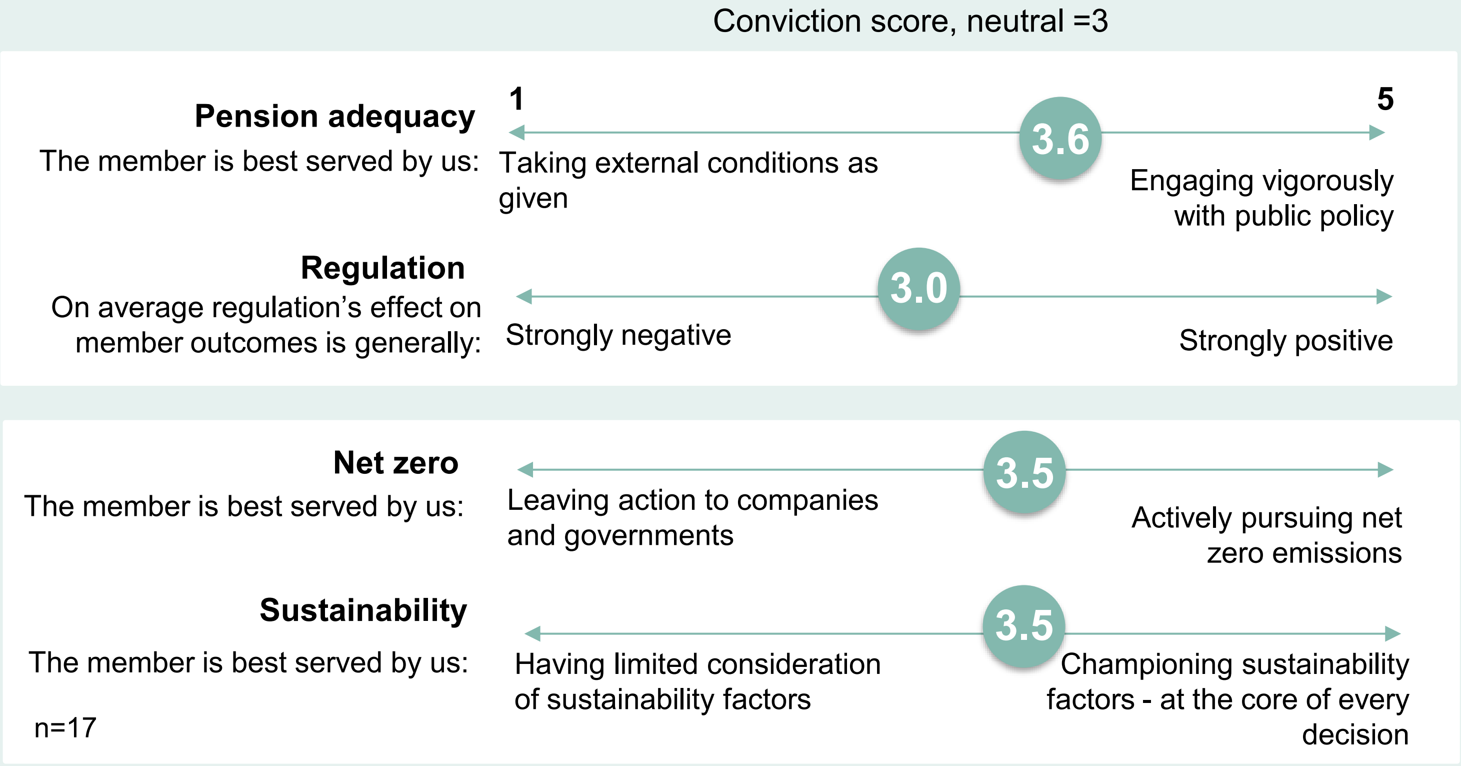
Next tier of conviction (±0.6 to ±0.5):
- support for a default in decumulation – drop in strength of support relative to accumulation possibly due to greater heterogeneity in income needs
- preference for stronger board influence
- belief in ability to earn alpha
- support for public policy engagement on pension adequacy (next page)
- preference for low operational costs
- some support for sustainability and net-zero (next page)

Not strongly held:
- belief that lower-cost compounding is better for member
- that regulation has any impact on member outcomes (next page)



Beliefs shaping DC strategy (continued)

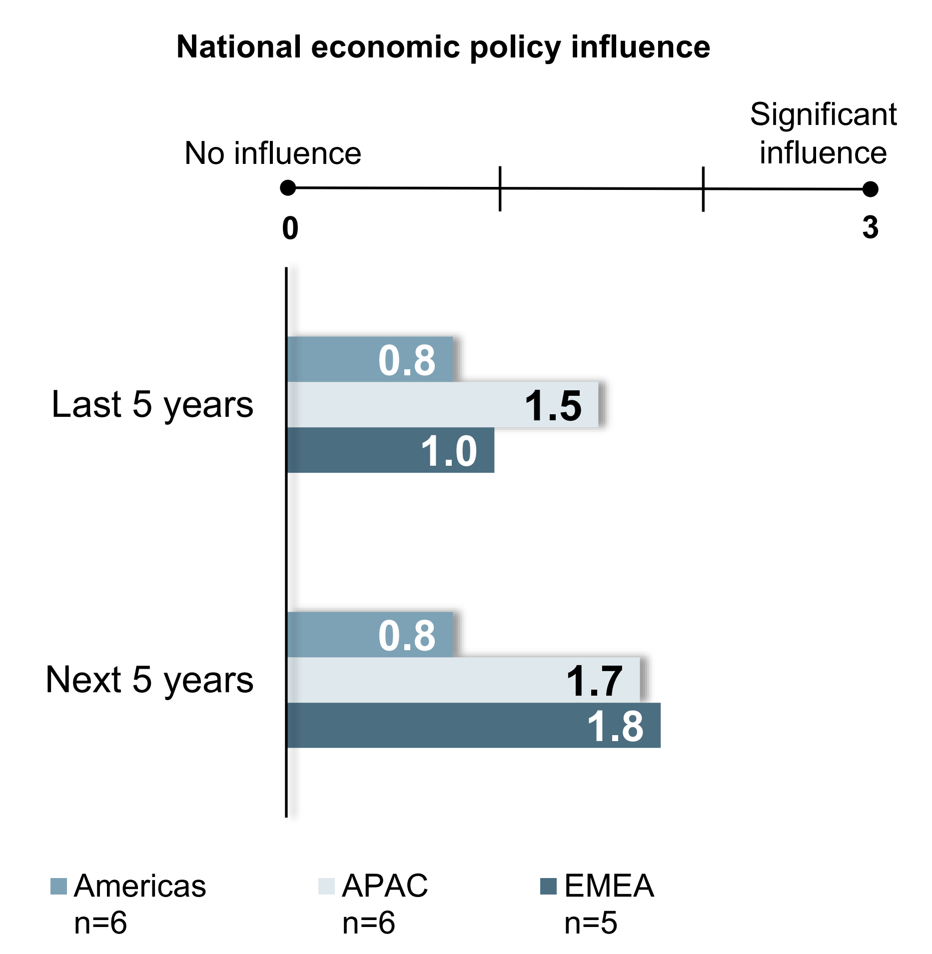
Regulation is believed to be a wash, but DC organisations can serve their members by engaging with public policy, and by pursuing net-zero and sustainability



The global picture on sustainability (+0.5) disguises stronger (and polarised) regional beliefs.

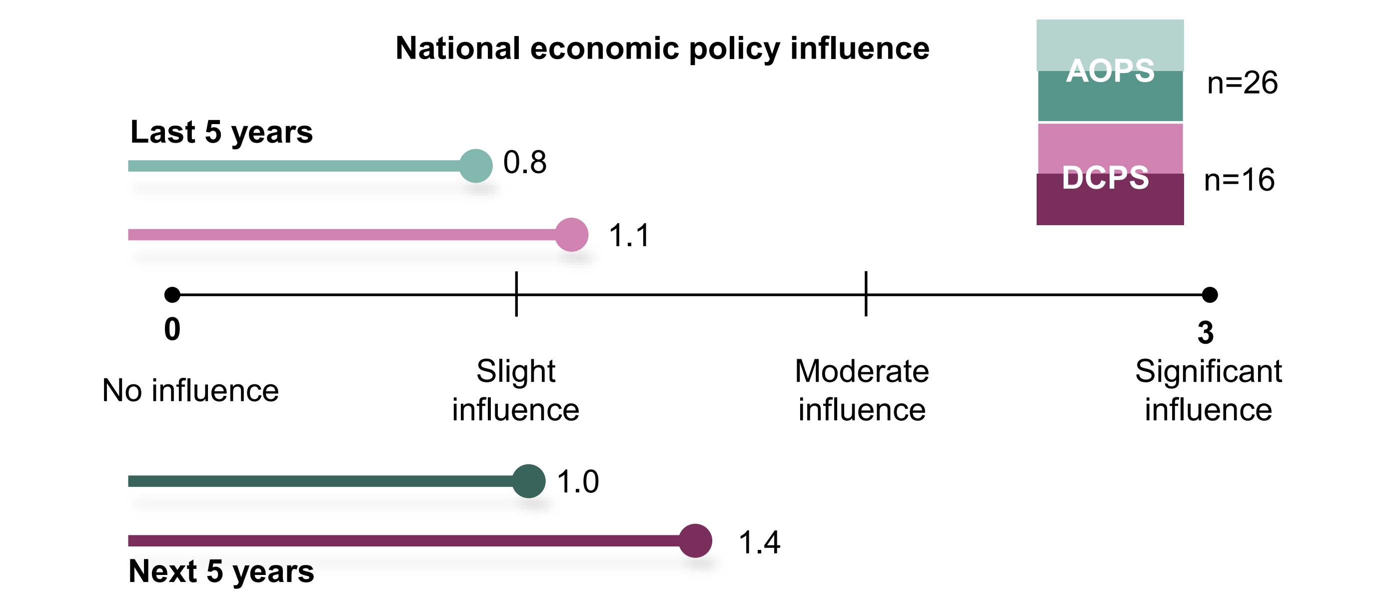
Thinking Ahead Institute
An innovation network founded by WTW

Regulation might be neutral, but political influence on portfolio management decisions is expected to increase



The DC peers expect political influence to increase over the next 5 years (approaching ‘moderate influence’). From the regional breakdown, this expected increase is largely attributed to opinions in EMEA. We note that the UK government is currently in conversation with UK pension funds about investment priorities.

It is also noteworthy that the DC peers see policy influence as stronger than the AOPS. Clearly the composition of the groups is different, but the time of collection also differed by 12 months. We suspect recent geopolitical events will be responsible for at least part of the difference.

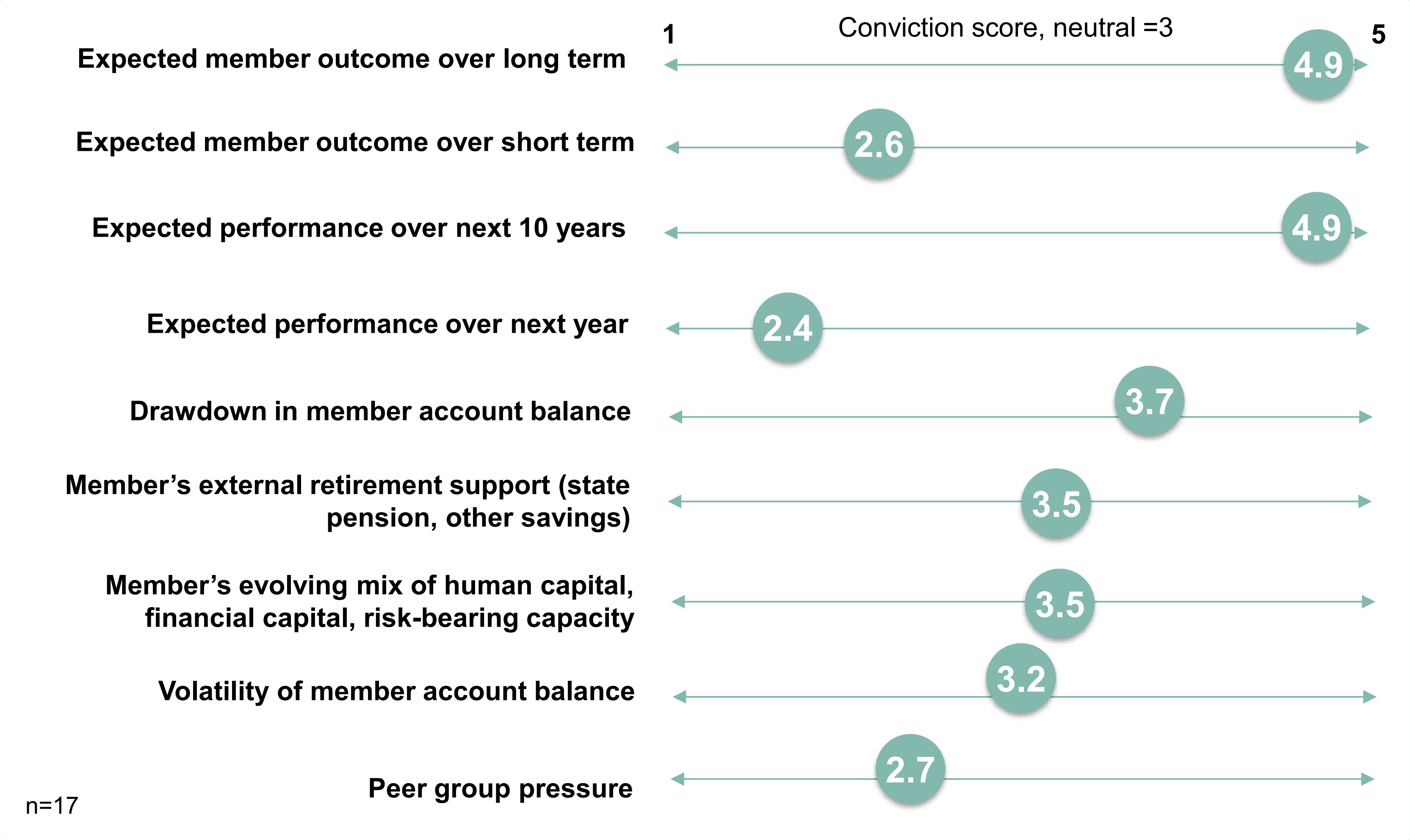


Thinking Ahead Institute
An innovation network founded by WTW

It is hard to argue with the logic of sustainability, yet practice arguably lags

Fiduciary duty likely to be a highly influential factor in asset owner policies going forward

When designing your overarching investment strategy to and through retirement, how important are the following factors?



Only two things matter when it comes to designing an investment strategy: expected 10-year returns and the expected long-term member outcome. There is clearly a degree of overlap between them, but there is also a pattern emerging of a commitment to the long term.

Of moderate importance (+0.7) is a drawdown in account balance. We assume that this thinking, together with sequence risk, are part of best practice in DC now.

#2 How the peers govern and resource

In this report, we limit our reflections to two key findings:

1. The DC peers assess their **governance** and **culture** to be **extremely strong**.

2. There's a very **wide spread of resourcing models**– from fully outsourced to almost-fully insourced. Both of these findings primarily relate to the investment function. We will explore these areas in greater detail in the final report.

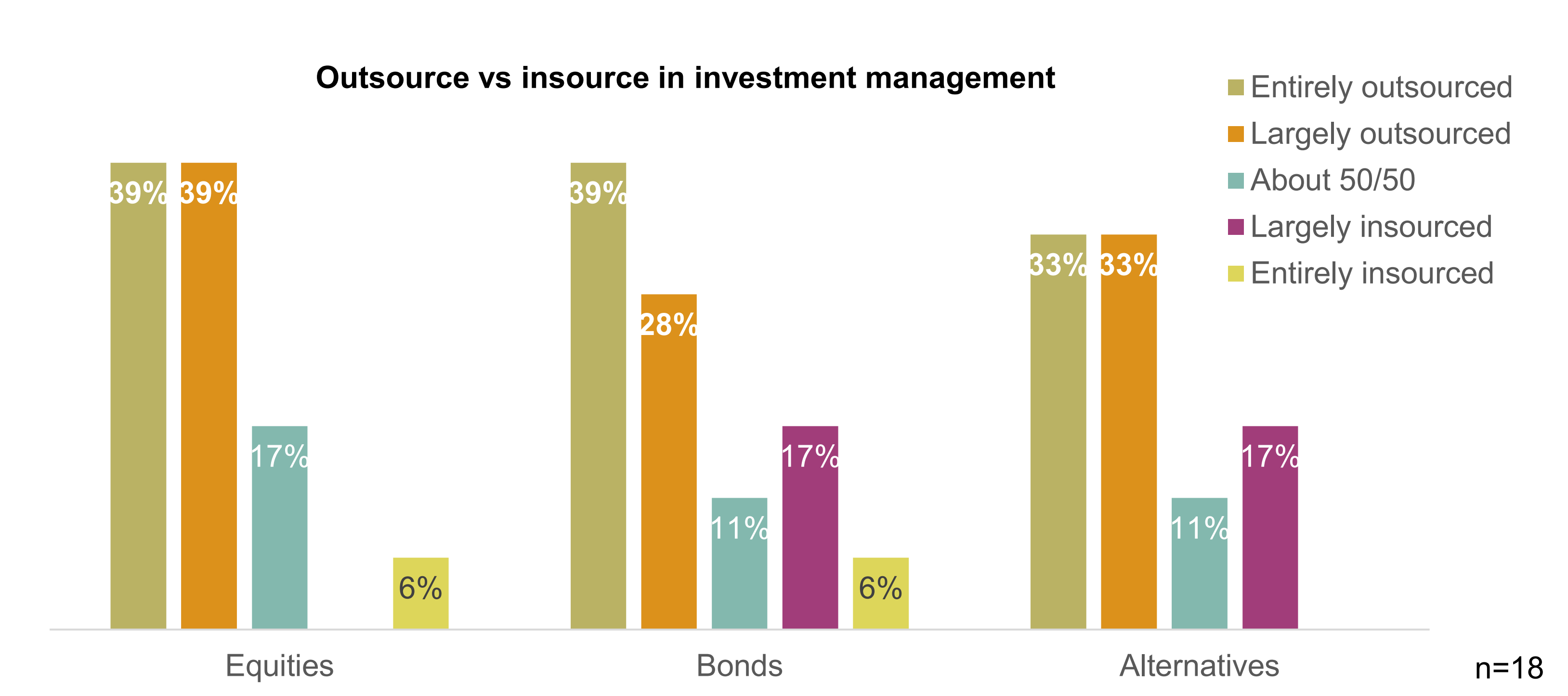
Extremely strong Board and management dynamics in governance and culture

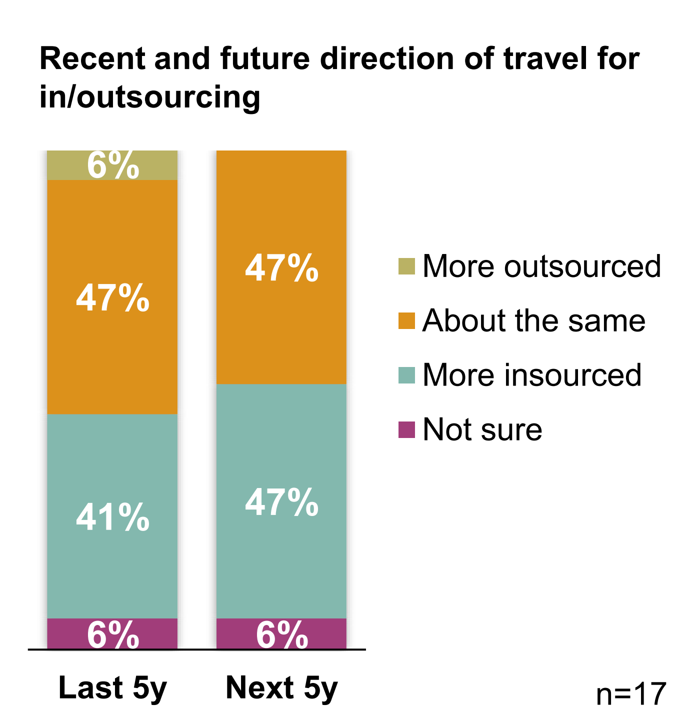
	Agree
The governance of the Board and senior leadership is strong and effective	94%
The organisational culture between the board and management is characterised by transparency, accountability and ethical behaviour	100%
The tone at the top for culture from the board and management is strong	100%
The culture of the organisation is strong and effective	100%
The engagement between the board and management is effective and trusting	94%
The roles adopted by board and management (and delegation and oversight implied) play to the strengths of each	94%
The board effectively delegates responsibilities to the management team, fostering communication and collaboration between the two	94%
The decision-making process is synchronised between the board and management to support the achievement of strategic objectives	100%

Subsequent conversations with peers suggest these results may be overly influenced by the investment function and that other areas of operation, such as service delivery, may see higher levels of tension between boards and managements

How DC funds are managing investments today and tomorrow

In/outsourcing models remain mixed, but the average direction is towards insourcing more





Thinking Ahead Institute
An innovation network founded by WTW

#3 How the DC peers invest

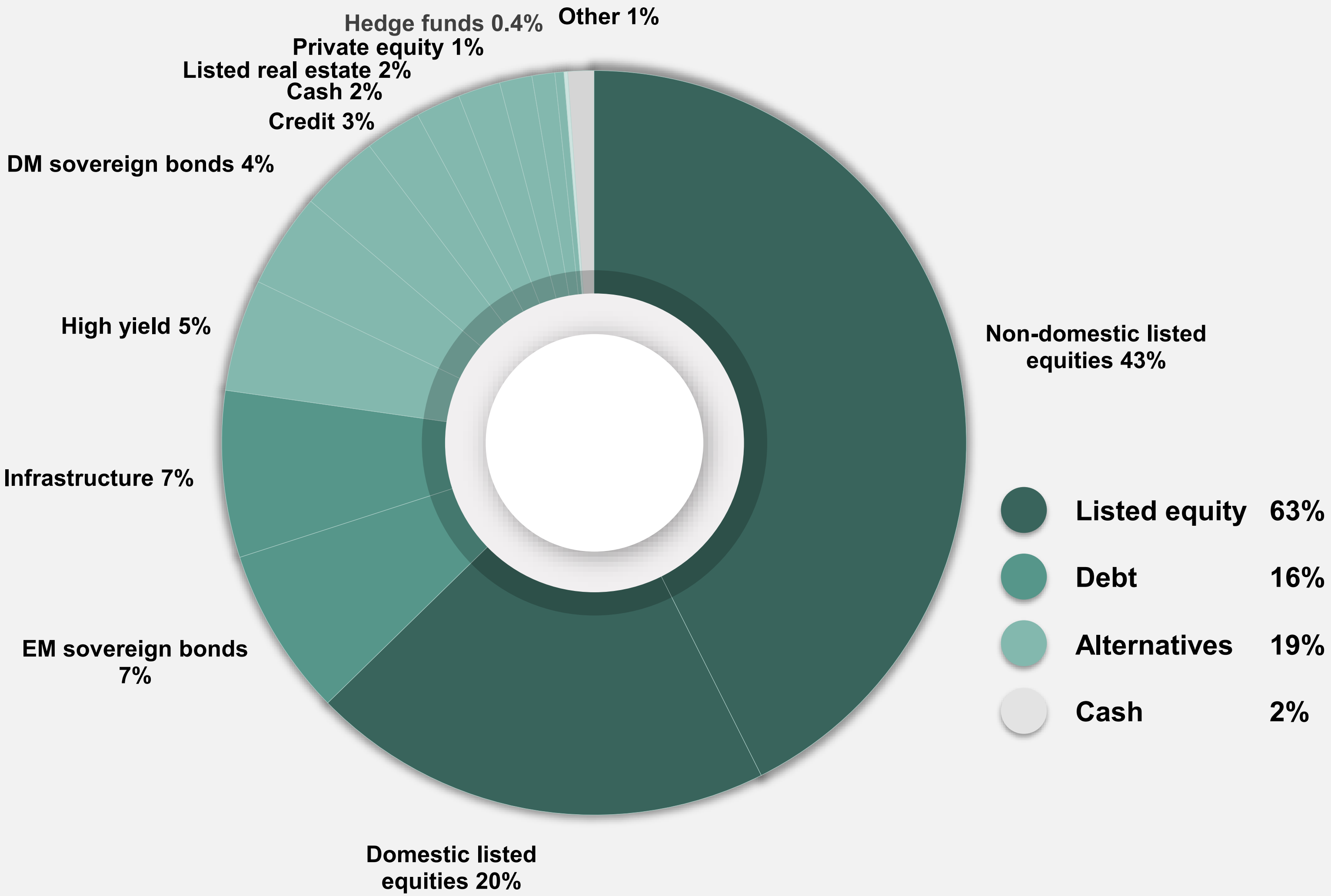
Listed equities are the main work-horse of the growth portfolio and will be the dominant component of the risk budget.

However, the overall allocation of 60 | 20 | 20 (equities, alternatives, bonds) and the underlying diversification suggests that the investment sophistication of the DC peers continues to grow. Private markets are a valuable part of the mix but come with challenges.

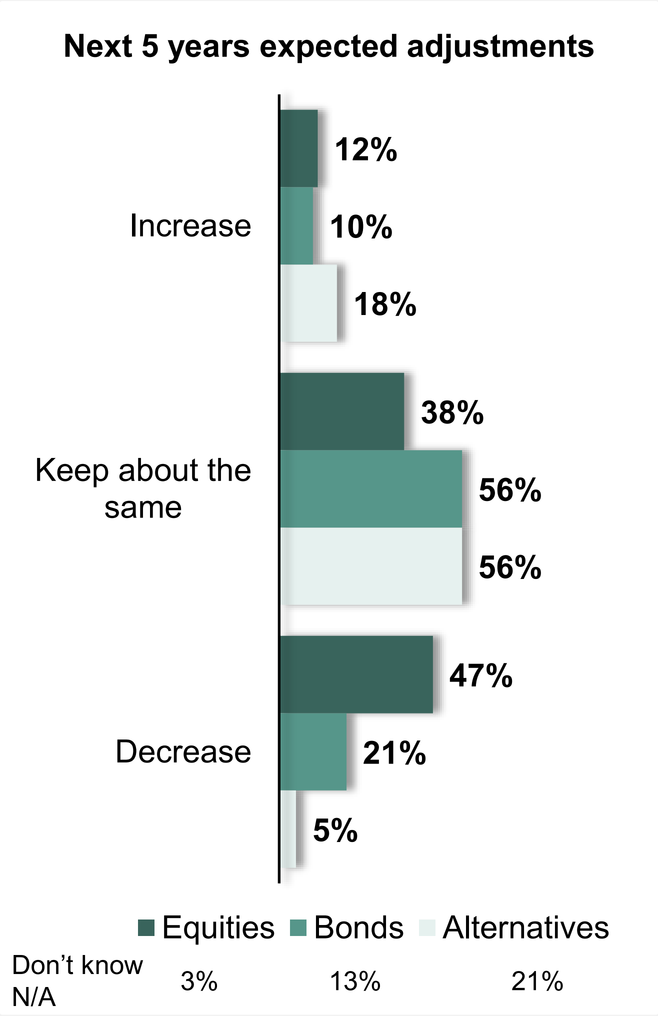
A group of peers have already made the shift to a total portfolio approach, and the desire is to move further in this direction.

Current asset allocation of main growth fund, and its likely shifts

(as of 30 September 2024)



n=18

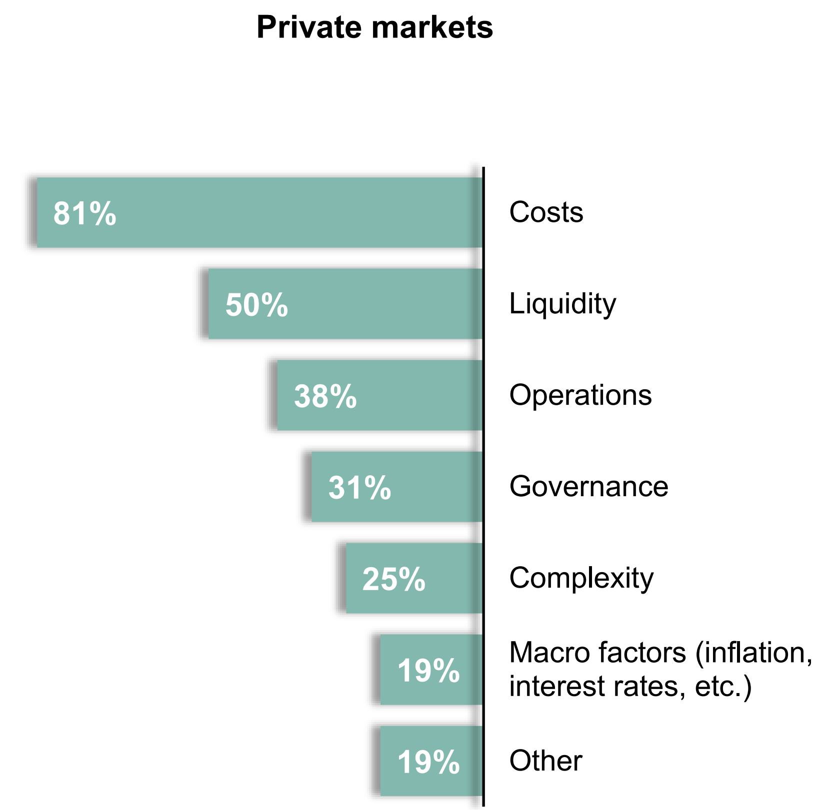


n=16

Thinking Ahead Institute

An innovation network founded by WTW

Private markets are seen as valuable components of the portfolio, but with challenges



'Other' includes valuations, successful execution and access

n = 16

The data highlights that private markets are not just an investment opportunity but also an operational challenge. High costs are a nearly universal concern, low liquidity is a concern for half, while execution and access issues were raised qualitatively by several funds.

Thinking Ahead Institute
An innovation network founded by WTW

Total Portfolio Approach

The peer funds are evenly spread on this attribute

TPA = total portfolio approach

SAA = strategic asset allocation

TPA will be defined in different ways having technical, governance and cultural elements

Our definition is as follows

- *TPA is developing the best quality portfolio for the particular fund goals adopting best ideas, dynamic management and a holistic approach*
- *SAA is creating a policy benchmark suited to the longer-term fund goals and allocating to asset class portfolios that are sized to align with the benchmark*

Present practices lie on a spectrum between the SAA and TPA end points. We use a 0 → 5 scale for this spectrum

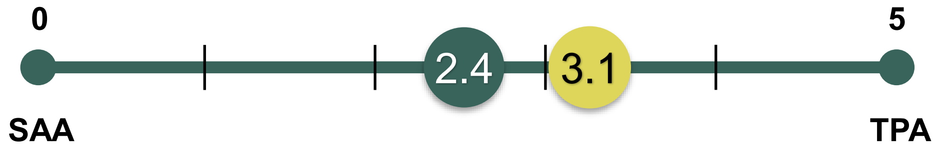
The 2.4 current average reflects a current even split of practices between SAA-heavy, middling and TPA-heavy groups.

The 3.1 ambition shows the desired direction, but most organisations recognise the multi-strand change program needed to transition

Comparison | AOPS 2.5 current, 3.6 desired

Category	SAA ← spectrum	→ TPA	
Performance assessed vs.	Benchmarks	Fund goals	
Success measured by:	Relative value added	Total fund return	*Better decision framing*
Opportunities for investment defined by:	Asset classes	Contribution to total portfolio outcome	
Diversification principally via:	Asset classes	Risk factors	*Better decision making*
Asset allocation determined by:	Board-centric process	CIO-centric process	
Frequency of change:	Infrequent, calendar meeting based	Continuously monitored, changes made in real time	*Greater dynamism*
Portfolio implemented by:	Multiple teams competing for capital	One team collaborating together	
Integrated ESG + stewardship/divestment:	Bottom-up only	Top-down and bottom-up integrated	*Sustainability joined-up*
3D investing, net zero investing:	Separate bottom-up/ top-down process	Top-down and bottom-up integrated on risk, return and impact	

DC peers average



Current position   Desired future position in the next few years   n=17

Thinking Ahead Institute
An innovation network founded by WTW

#4 Income in retirement – the problem that won't go away

Rightly or wrongly, members are seen to have similar accumulation needs.

Rightly, they are seen as having unique retirement income needs. 60% of peers volunteered, unprompted, that retirement income was the biggest challenge for DC.

All peers offer drawdown, and many other options are offered to. Soft-default pathways are beginning to emerge. But polling at our in-person event clearly shows that there is still a very long way to go before we have solved this problem.

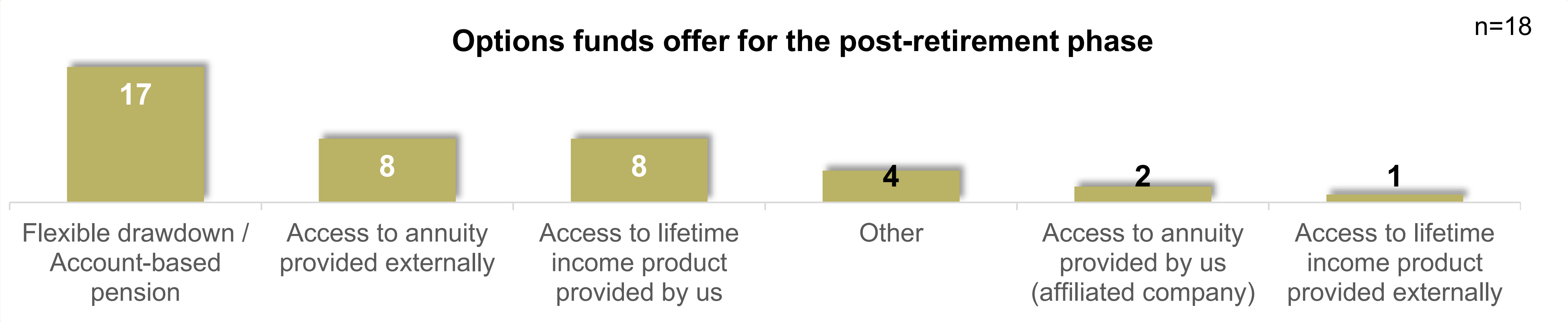
Thinking Ahead Institute
An innovation network founded by WTW

Post-retirement pathways: drawdown, annuities and lifetime income

A fragmented landscape with few members being protected against longevity risk

All 18 respondents make flexible drawdown available, but for one, members are signposted to an external provider (under ‘other’). ‘Other’ also includes one organisation only making external annuities available through the advice offering; and another providing a range of self-select funds designed to meet different desired income profiles.

We have a question regarding eight organisations offering “lifetime income product provided by us”. It would appear, supported by our interviews, that in some countries ‘lifetime income’ is used to describe a fixed term payment schedule. We think best practice for these products is to manage longevity risk and so provide “whole-of-life income, but not via an annuity”. We believe a very small number of these products exist globally at present.

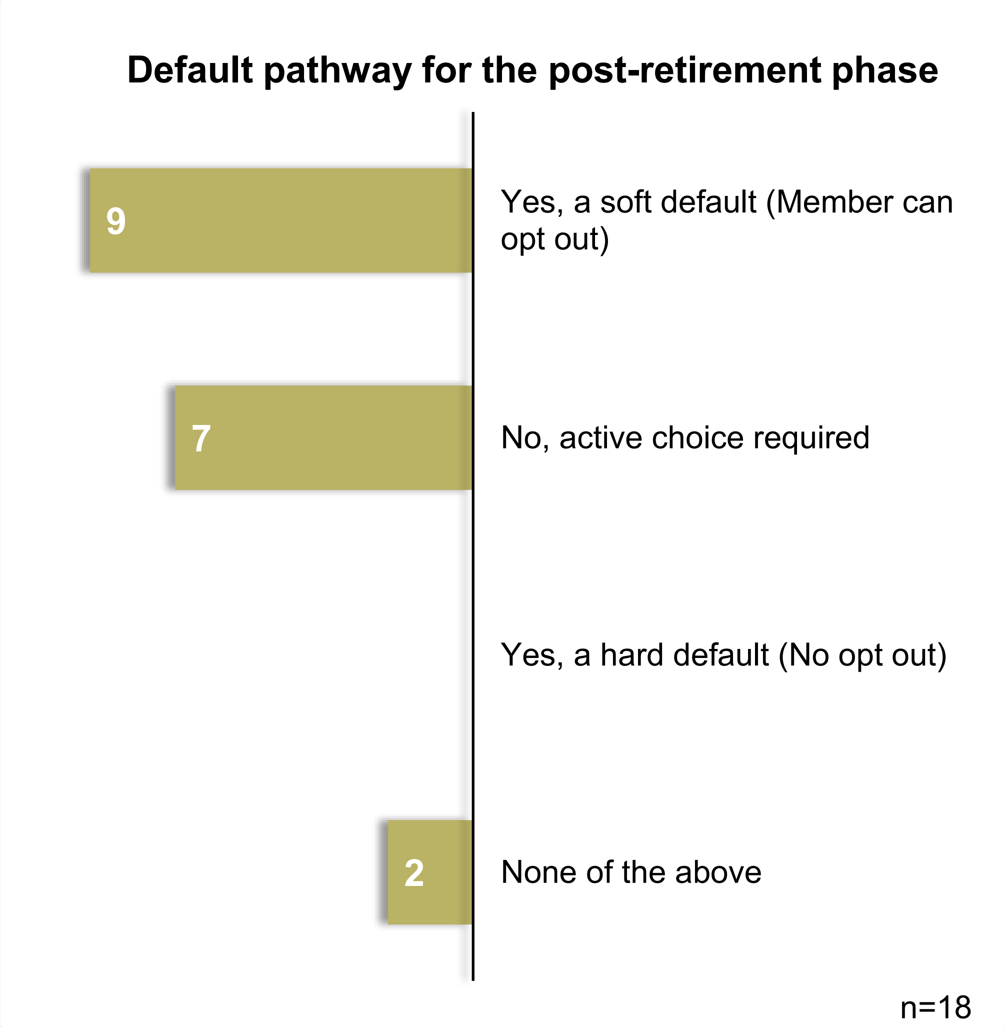


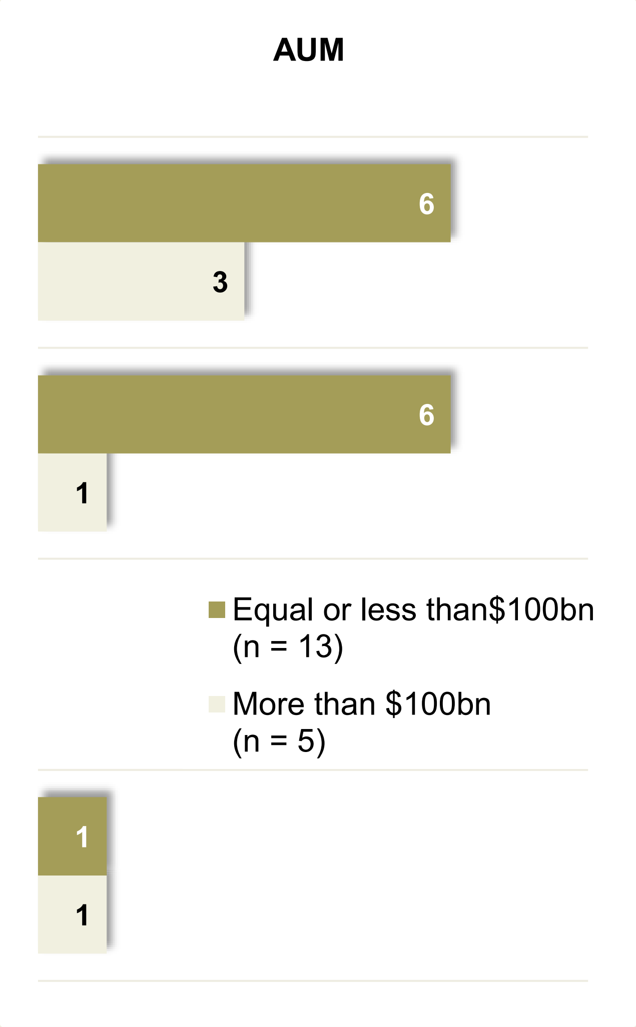
60% identified retirement income as the biggest challenge for DC over the next decade

Few DC systems are yet equipped to deliver income security through the decumulation phase in a standardised or robust way.

Default pathways in decumulation are emerging, led by larger funds

Soft default dominates, but member choice still play a key role





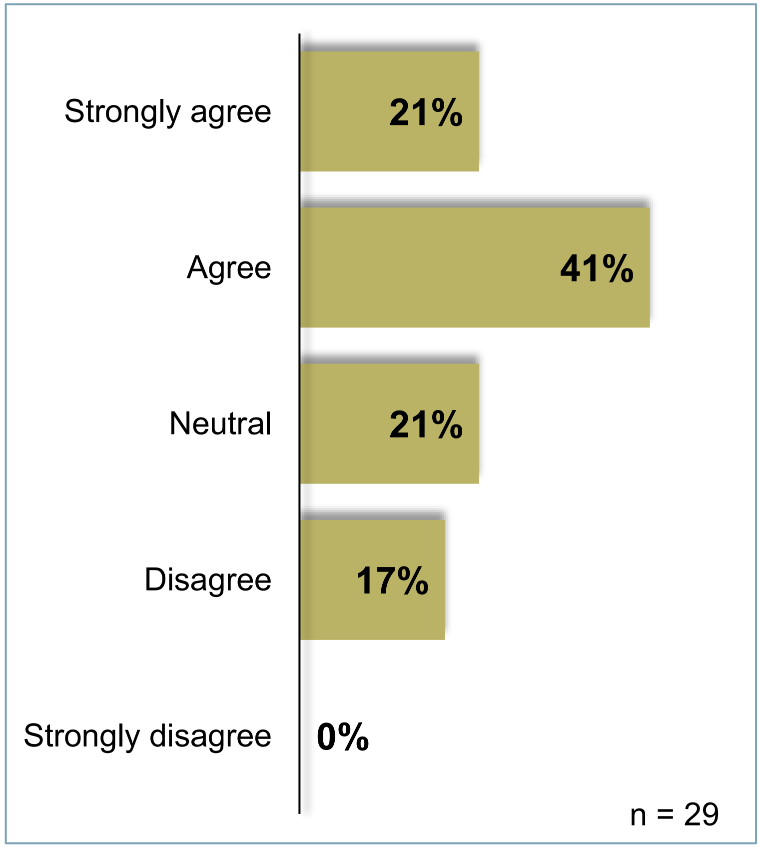
Half of the funds in the peer group offer a soft default into a retirement income pathway, with larger funds leading this trend, possibly due to greater capacity to design and implement post-retirement pathways.

Meanwhile, seven funds continue to rely on members making an active choice, reflecting different levels of default pathway adoption across the DC markets.

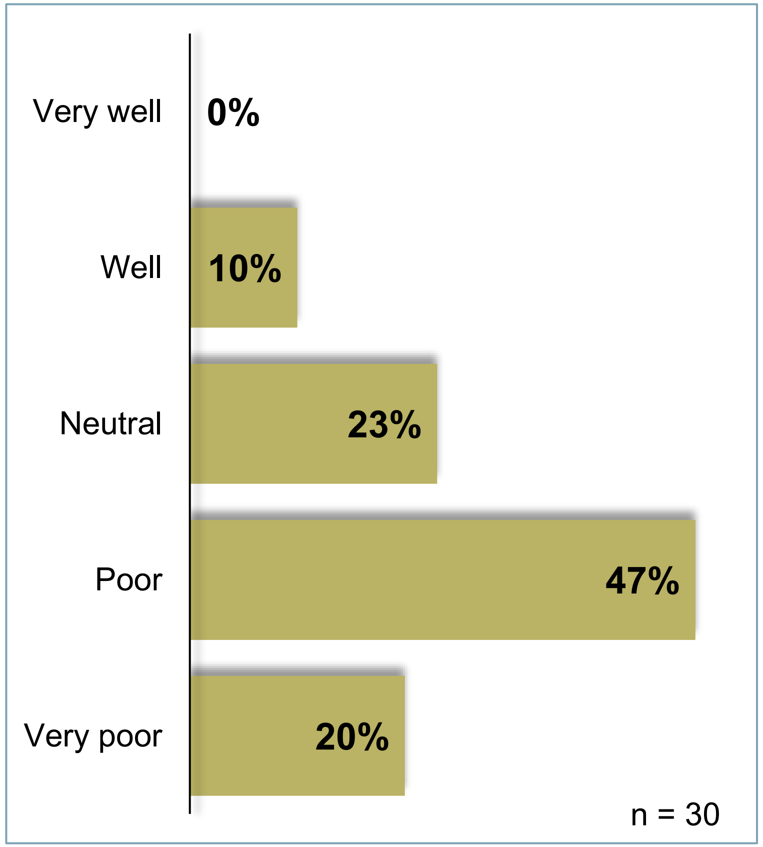
Thinking Ahead Institute
An innovation network founded by WTW

But there is still a very long way to go before we have solved this

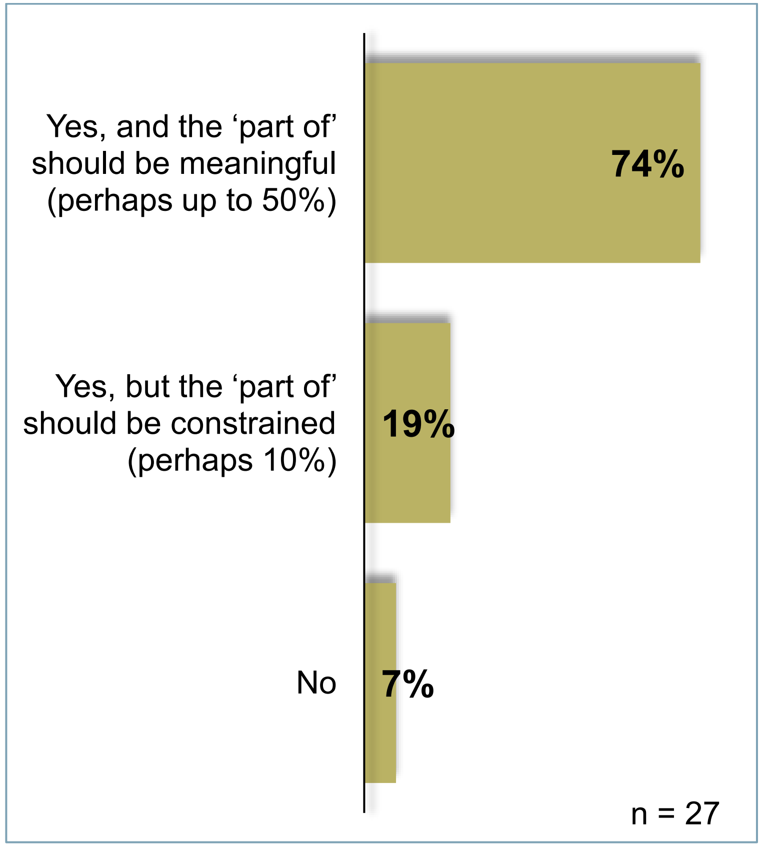
Assuming DC is in the business of providing pensions, it hasn't yet done well with the asset-liability management problem.



In your opinion, how well has DC done in providing bespoke retirement income profiles to truly meet individual member needs?

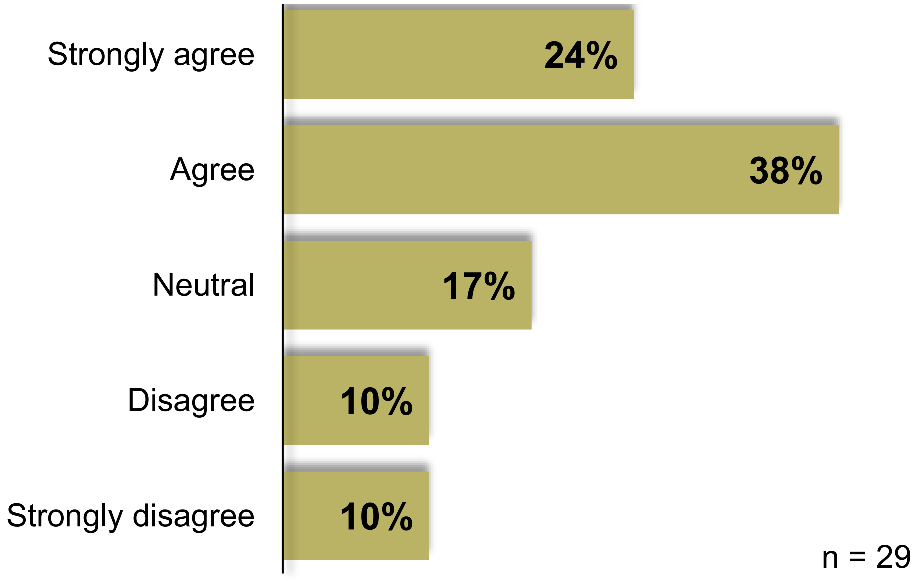


Income for life should be part of a soft-default pathway

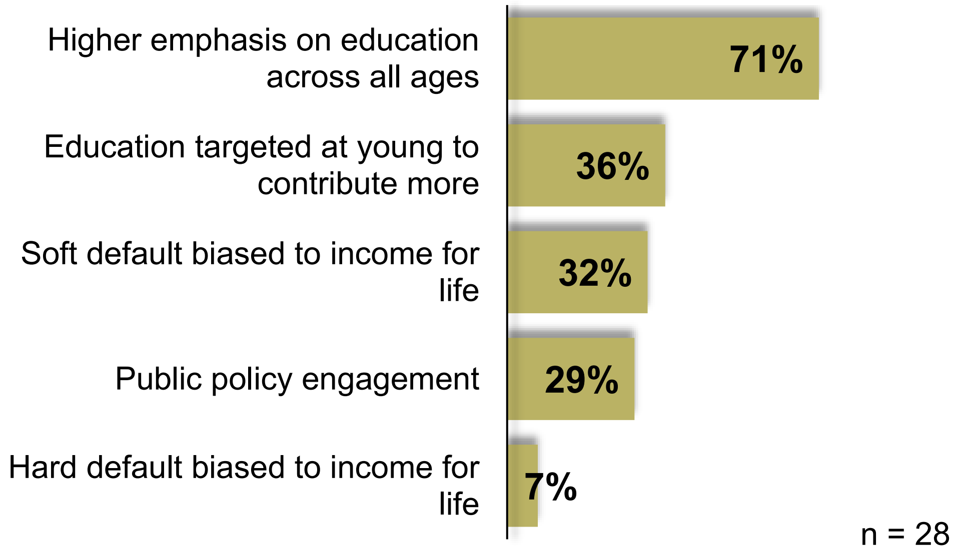


Provide education… and a degree of compulsion

There should be a mandatory minimum level for income for life



What should DC organisations do to encourage members towards better pension adequacy? (pick 2)



The polling results show a high level of support (62%) for the idea that there should be a mandatory minimum level of income for life in retirement. This suggests that a majority of respondents support stronger guarantees, which are likely to reduce flexibility or choice.

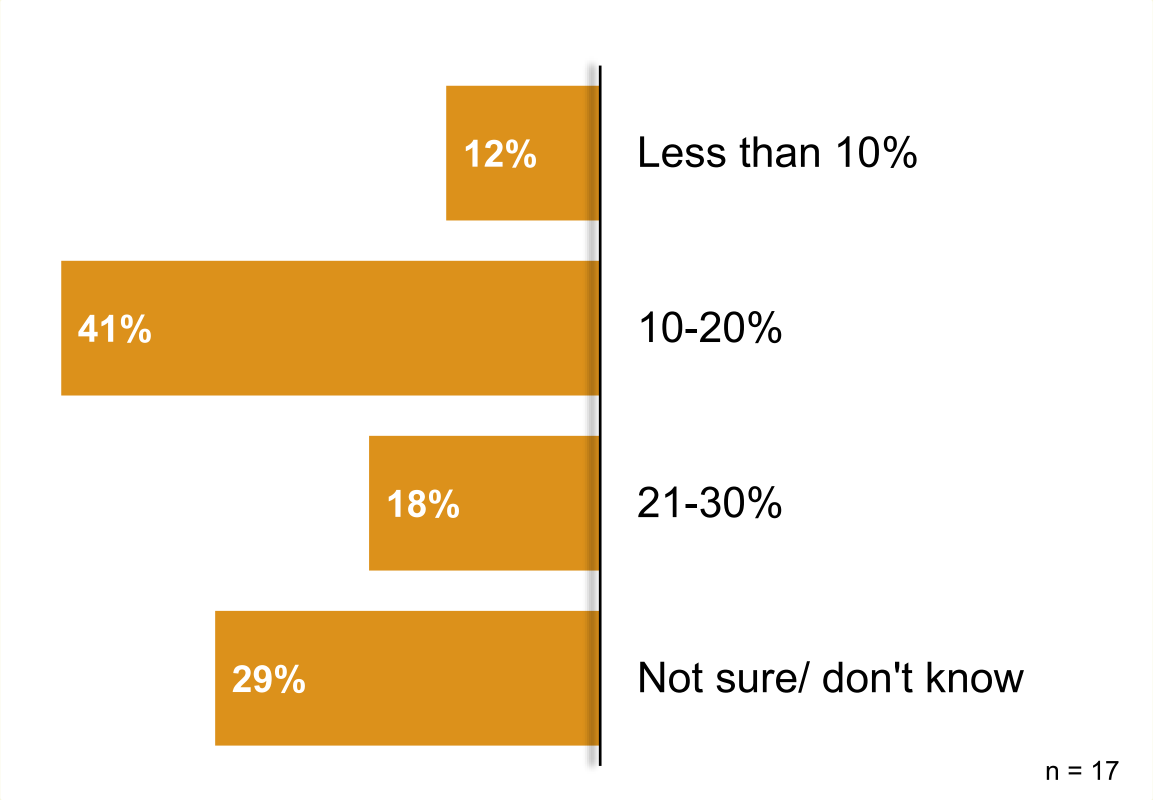
The strong support for education (top 2 responses) shows a clear belief that better outcomes start with informed members, not just post-retirement fixes. The challenge is translating this intent into effective, ongoing engagement, especially when attention spans are short and financial literacy varies widely.

#5 Technology: a big spend that will get bigger

The majority of the DC peers are allocating 10-20% of their budgets to technology spending; and half of the peers expect their technology spend to grow over the next five years.

This is associated with expectations of a big positive contribution from AI, with the peers looking to make significant progress in integrating it into their operations over 3-5 years.

The proportion of peers' total internal spending allocated to technology



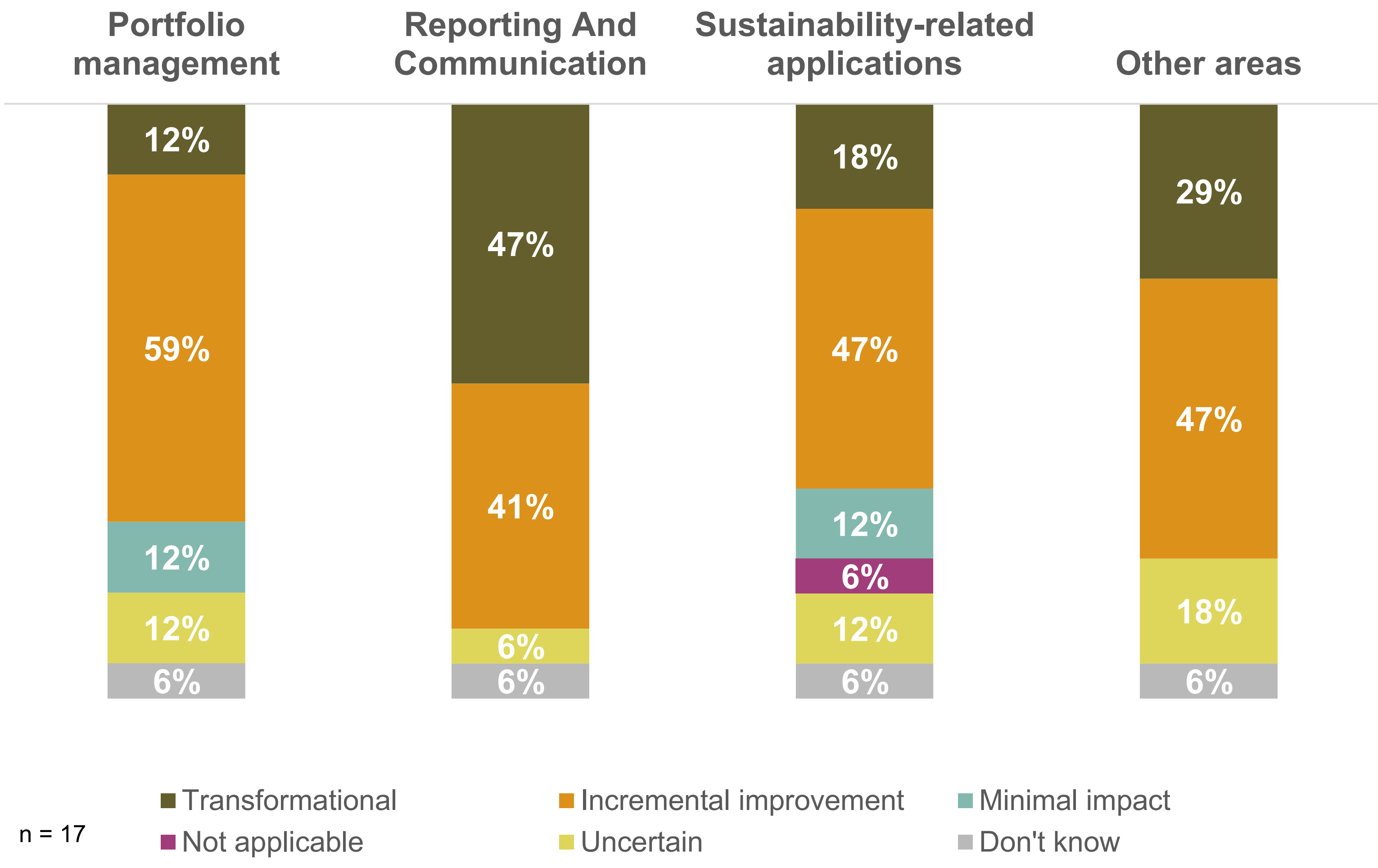
50%

expect to increase technology spending over the next 5 years

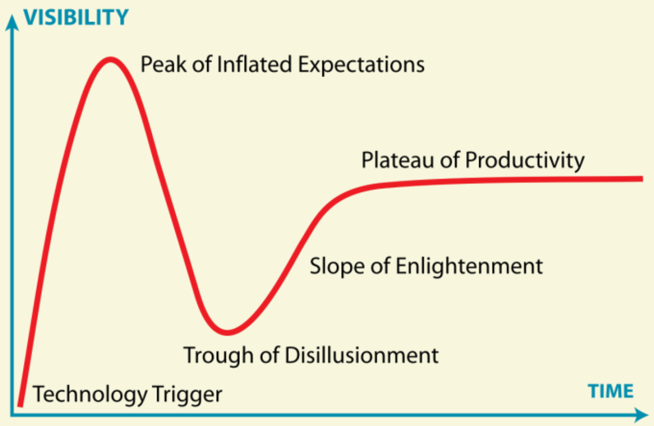
AI’s emerging role in DC funds

Steady AI-driven improvements, with a few areas poised for disruption

The impact of AI, over next 3-5 years, on the following areas of your organisation:



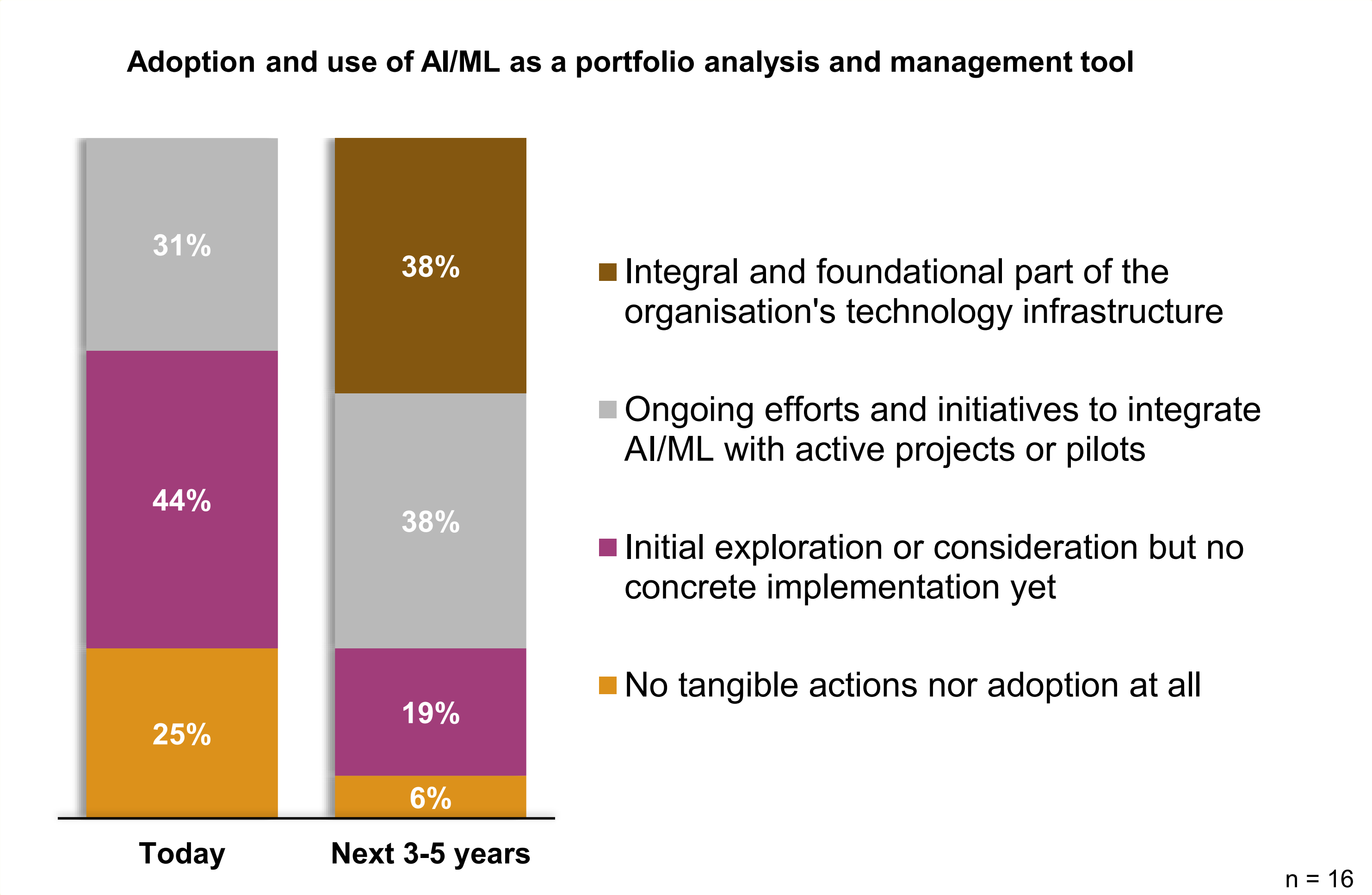
These are strong, and optimistic results. Either AI is the most significant technological development of our careers (and it could be), or we have collected this survey data at a flattering point on the AI hype cycle (see Wikipedia here).



Thinking Ahead Institute
An innovation network founded by WTW

All-round impact of technology and AI adoption accelerating

Peers increasingly focused on a stronger data platform and more joined-up technology system



Within 3-5 years we appear set to transition from 31% seeking to integrate AI/ML into projects or pilots to 38% having AI/ML as a foundational part of their technology infrastructure (as it relates to portfolio analysis and management).

Equivalently, 69% not taking action or just starting to explore, will shrink to 25%.

This looks very fast…

#6 Systemic risk: current focus is climate, but there is so much more!

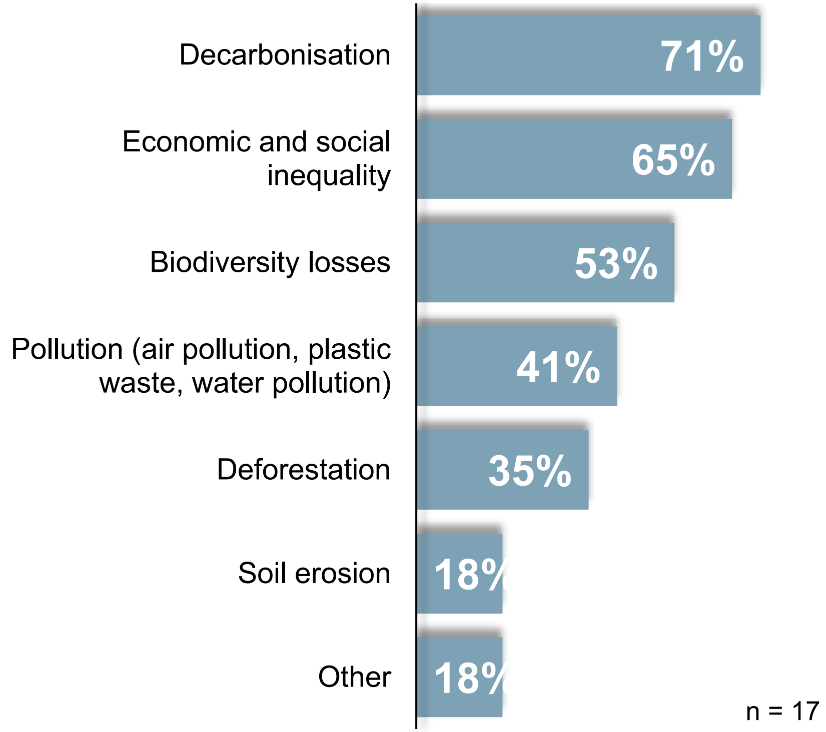
Climate change is currently considered the top source of systemic risk and is also the area most peers have the ambition to address (71%).

Unfortunately, there are several other systemic risks to worry about–the fact that systemic risk is expected to grow over the next 10 years, and that systemic risk areas are expected to become more correlated.

A high commitment to decarbonisation

The majority of peers are addressing decarbonisation, with two-thirds having made net zero pledges or commitments

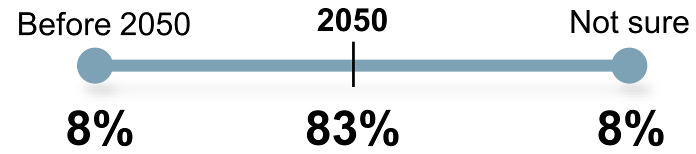
Ambition to address following issues



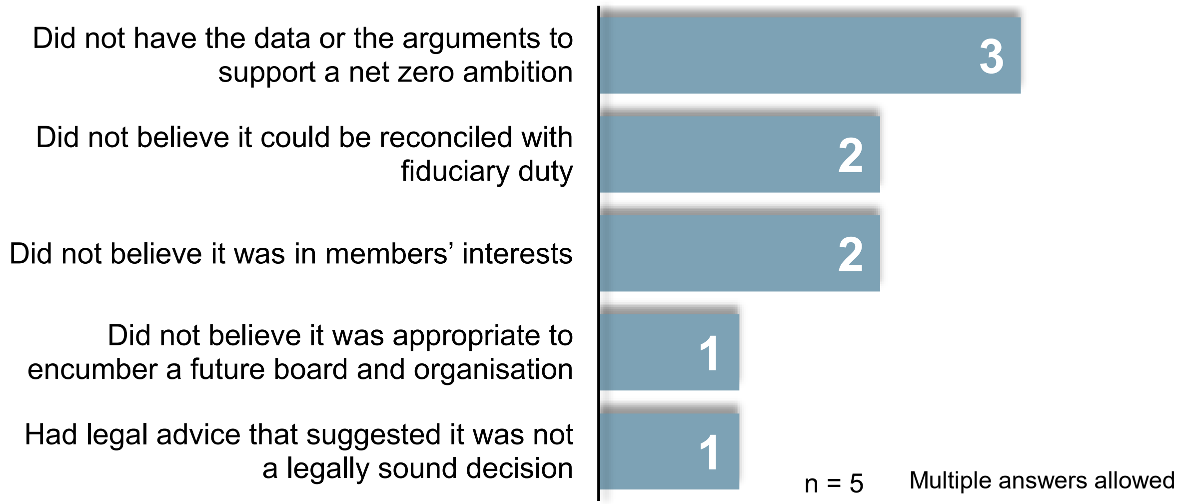
Made NZ pledge or commitment

67%

Expected NZ achievement n = 12



Reasons for not making any NZ commitments

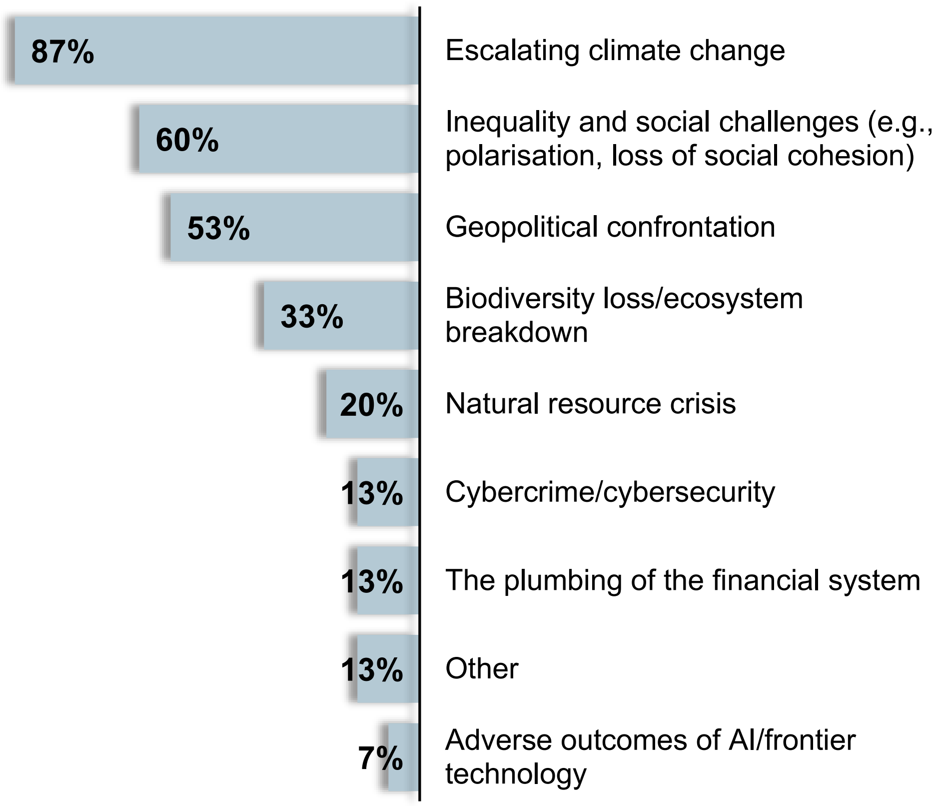


Thinking Ahead Institute
An innovation network founded by WTW

Climate change, inequality and geopolitics at the head of 10-year systemic risk surge

This area seems to represent an industry gap in best practices. These risks are unlikely to have been fully integrated into the investment process

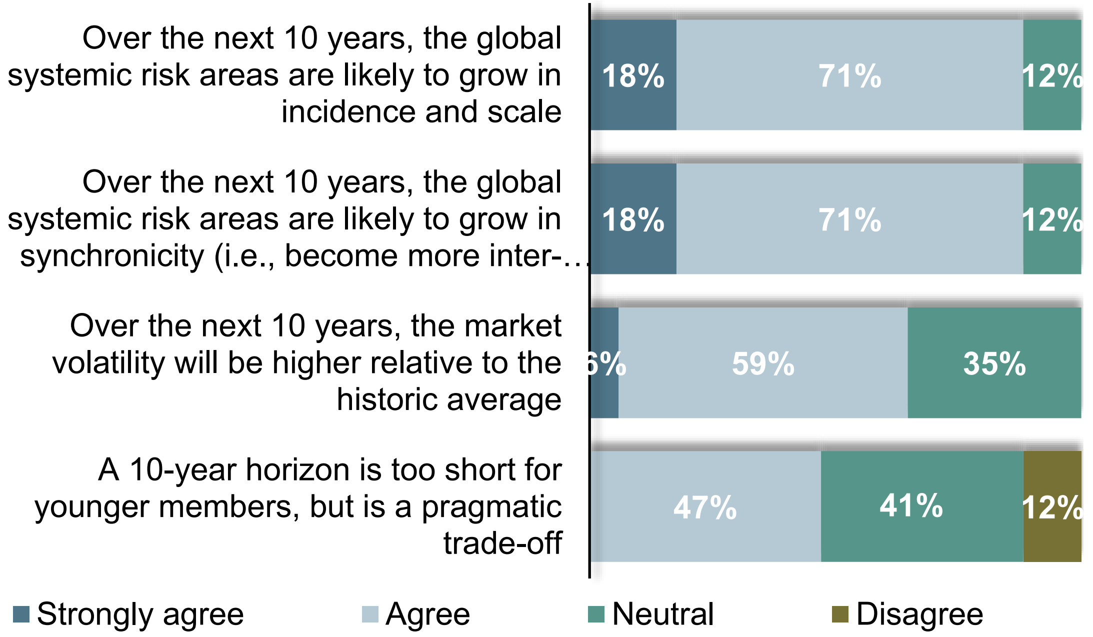
Top 3 sources of global systemic risk



n = 15

Views on systemic risk trajectories

n = 17



"

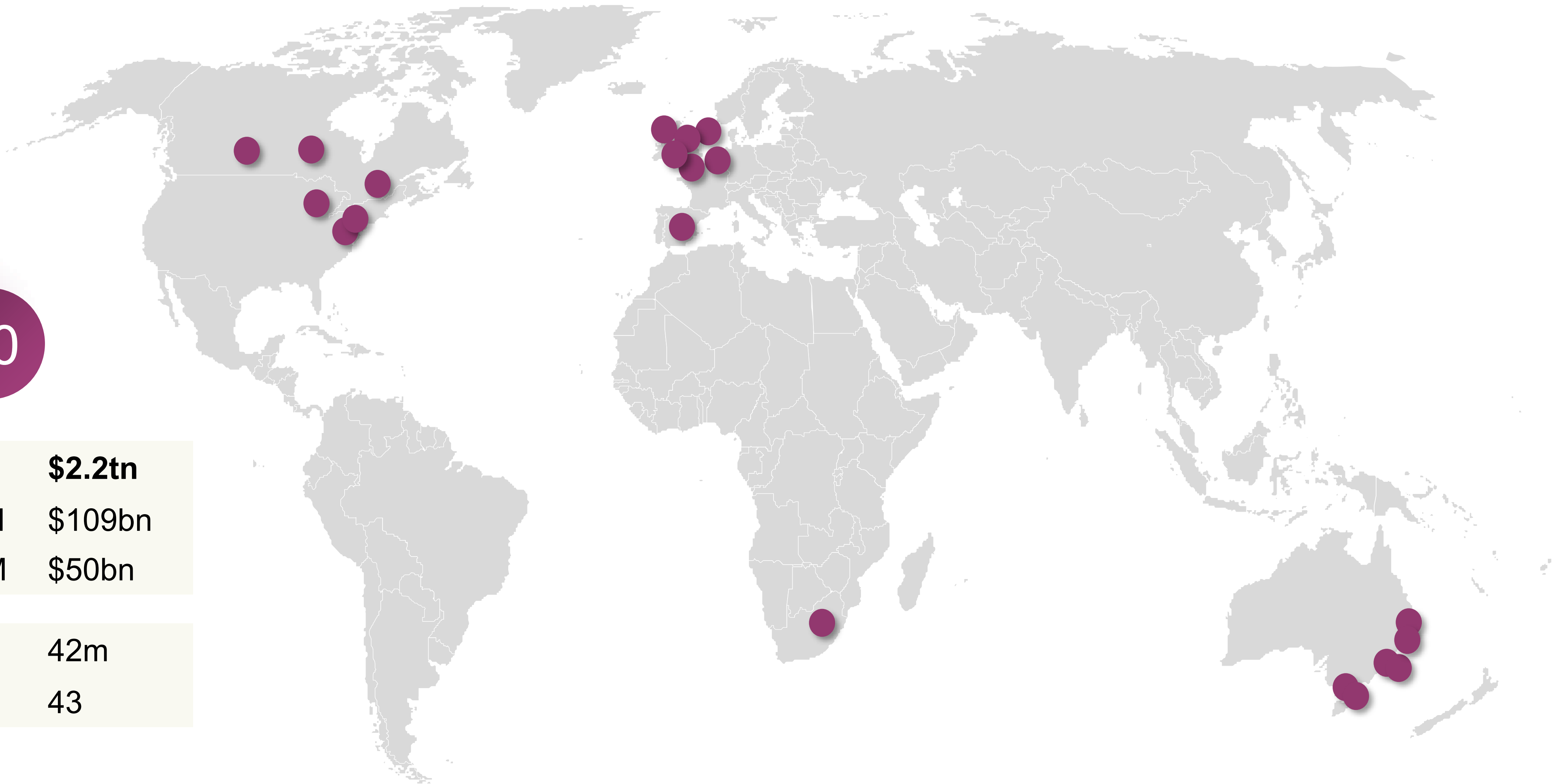
Two other sources of systemic risk were suggested, both political. One related to political interference damaging the integrity of DC provision, and one related to changes in political leadership.

Thinking Ahead Institute
An innovation network founded by WTW

Supporting materials

Thinking Ahead Institute
An innovation network founded by WTW

Peer study participants

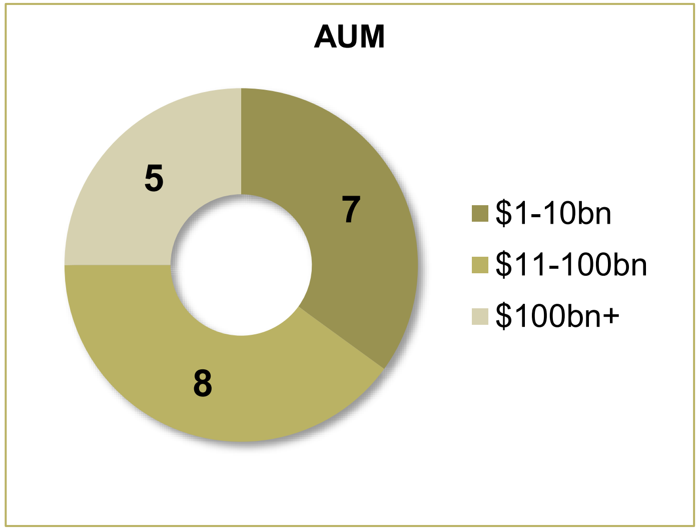


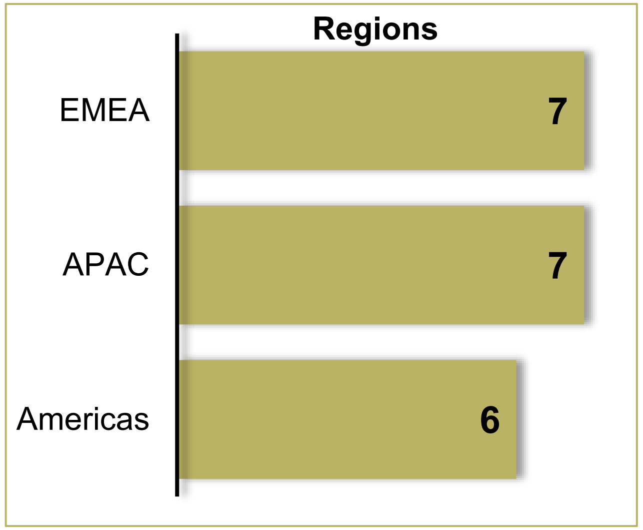
20

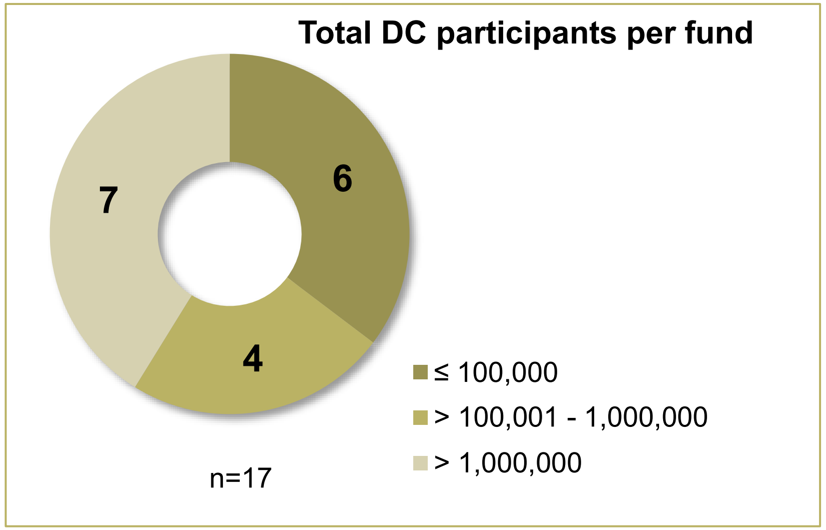
Total AUM	**$2.2tn**
Average AUM	$109bn
Median AUM	$50bn

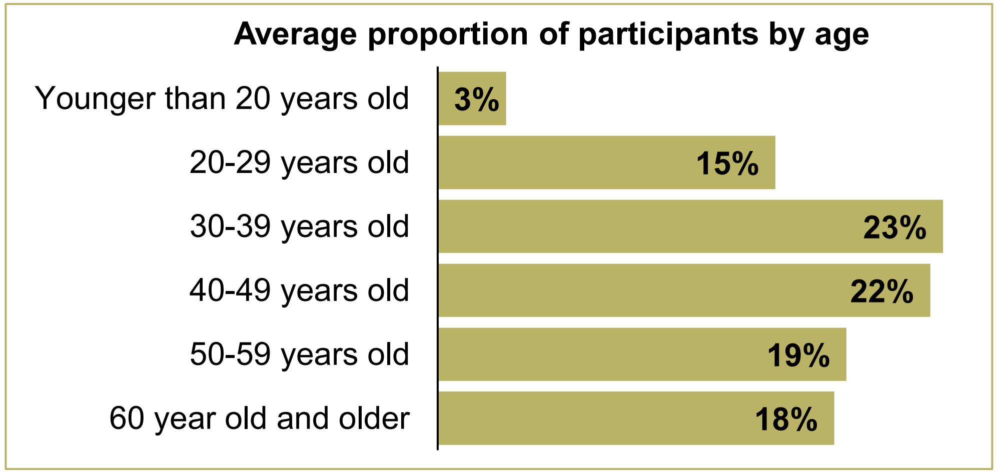
Members	42m
Average age	43

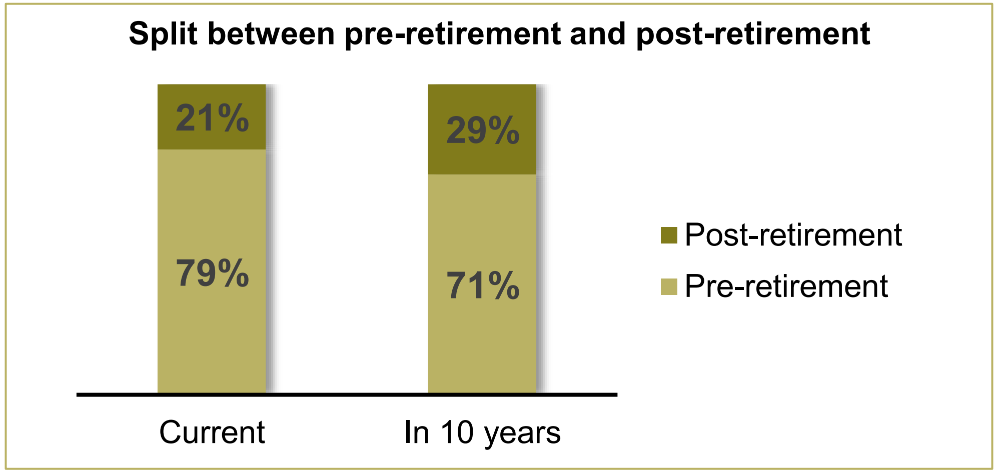
Global peer group breakdown











2025
n = 20

Thinking Ahead Institute
An innovation network founded by WTW

Limitations of reliance and contact details

Limitations of reliance – Thinking Ahead Group 2.0
This document has been written by members of the Thinking Ahead Group 2.0. Their role is to identify and develop new investment thinking and opportunities not naturally covered under mainstream research. They seek to encourage new ways of seeing the investment environment in ways that add value to our clients.

The contents of individual documents are therefore more likely to be the opinions of the respective authors rather than representing the formal view of the firm.

Limitations of reliance – WTW
WTW has prepared this material for general information purposes only and it should not be considered a substitute for specific professional advice. In particular, its contents are not intended by WTW to be construed as the provision of investment, legal, accounting, tax or other professional advice or recommendations of any kind, or to form the basis of any decision to do or to refrain from doing anything. As such, this material should not be relied upon for investment or other financial decisions and no such decisions should be taken on the basis of its contents without seeking specific advice.

This material is based on information available to WTW at the date of this material and takes no account of subsequent developments after that date. In preparing this material we have relied upon data supplied to us by third parties. Whilst reasonable care has been taken to gauge the reliability of this data, we provide no guarantee as to the accuracy or completeness of this data and WTW and its affiliates and their respective directors, officers and employees accept no responsibility and will not be liable for any errors or misrepresentations in the data made by any third party.

This material may not be reproduced or distributed to any other party, whether in whole or in part, without WTW's prior written permission, except as may be required by law. In the absence of our express written agreement to the contrary, WTW and its affiliates and their respective directors, officers and employees accept no responsibility and will not be liable for any consequences howsoever arising from any use of or reliance on this material or the opinions we have expressed.

Contact Details
Tim Hodgson | tim.hodgson@wtwco.com
Jessica Gao | jessica.gao@wtwco.com