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CAPTRUST's 2025 Retirement Plan Industry Predictions

In 2024, economic conditions steadied, the Federal Reserve started cutting interest rates, and the market anticipated—then reacted to—federal election results. Against this backdrop, retirement plan sponsors refined their plan designs to improve participant experiences, participation, and outcomes. Past trends accelerated, and new ones took shape.

2025 promises further evolution. From changes in investment menus to the impacts of an incoming administration, employers will need to stay nimble to address shifting regulations, emerging technologies, and evolving employee needs.

Here, CAPTRUST leaders share some quick-take predictions for the coming year.

Prediction One: Sponsors Seek Discretion

As employers look for ways to increase efficiency and tap additional expertise, discretionary services continue to gain traction. Retirement plan sponsors are increasingly outsourcing investment management and plan administration to financial advisors through a range of discretionary relationships.

Retirement plan discretionary services include several key roles.

- **3(38) Investment Manager:** A 3(38) fiduciary assumes responsibility for selecting, monitoring, and replacing investment options in the plan, providing sponsors with specialized oversight while reducing their fiduciary liability. This role is defined in section 3(38) of the Employee Retirement Income Security Act of 1974, also known as ERISA.
- **3(16) Plan Administrator:** Another ERISA-defined role, a 3(16) fiduciary handles administrative responsibilities, such as compliance, reporting, and participant communications, simplifying plan management for the sponsor and ensuring operational duties are performed accurately. A 3(16) administrator can also shoulder some of the liability for fiduciary functions.

- **Outsourced Chief Investment Officer (OCIO):** An OCIO takes on full discretionary authority over a retirement plan's investment decisions, allowing plan sponsors to delegate day-to-day investment management to a specialized provider. The OCIO relationship is currently most common among defined benefit (DB) plans.

"Along with the rise in discretionary relationships, we're also seeing more informed consumers," says Grant Verhaeghe, CAPTRUST institutional portfolios practice leader. "Sponsors know what they're looking for now, and they're asking good questions about each firm's service offerings, process, and more."

While OCIO and 3(38) relationships have become more established, the emergence of 3(16) plan administration services is still in its early stages. "We get a lot of inquiries about high-level due diligence and who the players are in the 3(16) market," says Lori Dillingham, CAPTRUST senior director of vendor analysis and plan consulting. "There's a wide variety of services being offered, and sponsors need help navigating the landscape."

In 2025, CAPTRUST expects continued growth in discretionary services, supported by increasing standards and industry advocacy.

Additional Resources:

- *Revamping Retirement* Episode 68: The 3(16) Fiduciary with Bruce Harrington
- Investment Advisor vs. Investment Manager: Who Do You Need?
- 3(38) Discretion for Retirement Plan Sponsors

Prediction Two: Financial Wellness for All

Over the past few years, financial wellness, education, and advice have evolved into cornerstone benefits, with employers now leveraging advanced technologies and data to deliver tailored solutions. This type of personalization is key, as financial wellness programs now address diverse employee demographics, from entry-level workers to seasoned executives.

"What is changing is the view of who can benefit from financial wellness programs," says Jennifer Doss, CAPTRUST defined contribution practice leader. "It's not just employees with lower incomes or those in financial straits. It's everyone."

Also, financial benefits are no longer strictly retirement centered. "We're seeing more consideration about the role of financial benefits to support each stage of a person's career and what they might need at various point in life to make informed decisions about their financial futures," says Chris Whitlow, head of CAPTRUST at Work.

For example, Whitlow says, executive benefits like employee stock ownership plans and nonqualified defined contribution (NQDC) plans are now being included in financial wellness offerings in an effort to drive higher engagement across a broader spectrum of employees.

"In the coming year, I imagine financial wellness conversations—and plan design conversations— will mostly focus on issues supported by SECURE 2.0 provisions, such as student loan debt, emergency savings, auto portability, and missing participants," says Whitlow.

As the financial landscape grows increasingly complex, employees will need better and more frequent advice to navigate.

Additional Resources:

- Transforming Financial Wellness with SECURE 2.0 | Retirement
- Episode 56: Financial Wellness with Kimley-Horn | Retirement Plan
- What is CAPTRUST at Work | Retirement Plan Services

Prediction Three: Nonqualified Plans Gain Wider Appeal

NQDC plans, traditionally viewed as executive benefits, may now be expanding to include key employees and others in critical roles.

"We're seeing more conversations every year about making these plans accessible to a broader group of employees within allowable guidelines," says Jason Stephens, CAPTRUST nonqualified executive benefits practice leader. "Generally, that's one of our recommendations. It typically doesn't cost much more to make your NQDC plan available to a wider audience, and you can make a big impact on key employees by including them."

This shift reflects a growing focus on retention and recruitment strategies for highly compensated employees.

"Employers who may have overlooked nonqualified plans in the past are now beginning to see their value," says Dillingham. "It's about offering thoughtful and competitive benefits to attract and retain top talent."

"We're seeing an uptick in discretionary relationships in the nonqualified space too," says Stephens. "For nonqualified plans, discretion does not provide fiduciary protection, but still, plan sponsors are mirroring qualified trends and trying to pick up on administrative efficiency across the board."

In 2025, expect more integration of nonqualified plans into broader financial wellness strategies, along with increased participant education to optimize these offerings.

Additional Resources:

- Crafting a Competitive Nonqualified Plan
- Nonqualified Plans and Participant Education
- Executive Benefits for Plan Sponsors

Prediction Four: Measuring the Impact of SECURE 2.0 Provisions

The rollout of SECURE 2.0 provisions will reach a critical point in 2025, with sponsors now beginning to assess the impact of implementing optional features like student loan matching and self-certified hardship withdrawals.

“There’s huge interest in modeling tools to evaluate the return on investment of adding these provisions,” says Dillingham.

Sponsors are not only evaluating the impact of the provisions they’ve already chosen to implement but also looking at their peers’ plans for guidance on potential future changes. “In 2025, we’re going to see more and more sponsors asking, ‘OK, what’s the outcome of what we chose to do?” says Doss. “Did it lead to the results we were expecting, like higher participation, higher savings, or more retirement readiness? Or were there unintended side effects, like plan leakage?”

Employers can expect 2025 to bring even more sophisticated tools and services that meet employees where they are. Plan sponsors will need to assess the effectiveness of their plan design choices and adjust as necessary to meet participant and organizational goals.

Additional Resources:

- SECURE 2.0 Act
- *Revamping Retirement* Episode 69: Fidelity and SECURE 2.0
- SECURE 2.0 Opportunities for Plan Sponsors
- Recordkeepers Enter a New Era

Prediction Five: Defined Benefit Plans Explore Their Options

Economic and market changes are leading sponsors to rethink the next steps for their defined benefit (DB) plans. Funding levels are high, with the average DB plan now funded at more than 100 percent, according to the Milliman Pension Funding Index November 2024.

“An improved funding scenario gives you more flexibility to make changes to your benefits package,” says Verhaeghe. “When plans are fully funded, sponsors have more options—whether that means terminating the plan, maintaining it, or restructuring benefits to leverage surplus assets.”

“It’s expensive to terminate a plan,” says Verhaeghe. “But for sponsors who manage it strategically, there’s an opportunity to optimize benefit programs.”

As 2025 unfolds, sponsors will continue exploring ways to balance risk and reward in their DB plans, using market conditions to inform decisions.

Additional Resources:

- Mitigating Pension Plan Risks with LDI | Retirement Plan
- OCIO for Pension Plans

Prediction Six: Inevitable Change

As 2025 approaches, the retirement plan landscape is poised for some potentially rapid evolution, shaped by legislative shifts, economic conditions, and emerging trends in plan design and participant engagement.

“Among the uncertainties is the influence of a new administration, which raises questions about the future of tax policies, budget constraints, and retirement-focused legislation,” says Doss. “It’s possible we will see Congress discuss adjusting the tax benefits associated with retirement plans as a way to offset expiring tax cuts.”

“Plan sponsors are always managing multiple, competing priorities,” says Doss. “But next year could hold even more change than is typical.”

While the specifics remain to be seen, one thing is clear: Change is inevitable. Throughout it, CAPTRUST stands ready to guide employers through the complexities ahead, offering data-driven insights and tailored solutions so clients can navigate emerging challenges and seize new opportunities—no matter what 2025 holds.