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CAPTRUSTâ??s 2026 Retirement Plan Industry Predictions

1. Legislation: Rulemaking, Preparation, and Signaling

New Guidance on Alternative Assets: The Department of Labor (DOL) is expected to release new guidance addressing alternative assets in defined contribution (DC) plan menus. This would be a significant development for sponsors exploring private market allocations. â??Without guidance, many sponsors have hesitated to offer alternatives because of liability concerns,â?• says Charlie MacBain, CAPTRUST manager of DC allocation solutions. â??Once the lines are drawn, we could see an uptick in interest, especially among larger plans.â?•

Target-Date Funds Evolve Toward Retirement Income and Alternatives: 2026 could mark a shift in how major target-date fund providers position their products. MacBain anticipates leading firms will begin to offer target-date funds that embed allocations designed for retirement income and private-market or other alternative strategies in their glidepaths. â??The industry has moved beyond just accumulation,â?• he says. â??As participants approach retirement, sponsors and providers will increasingly look to built-in income solutions to assist with decumulation.â?•

â??There is also a desire for increased portfolio diversification in a world in which the public opportunity set is shrinking,â?• says Jennifer Doss, CAPTRUST defined contribution practice leader. â??In the U.S., 87 percent of companies with revenue greater than $100 million are private, according to Apollo Global Management.â?•[1]

Policy Signaling and Prepping for SECURE 3.0 Act and Beyond: 2026 is also likely to bring an increase in retirement-related legislative activity. â??We anticipate new bills in both congressional chambers,â?• says Doss. â??These wonâ??t necessarily be focused on final passage but, rather, intended to send signals to stakeholders about support or opposition to retirement policy proposals.â?• These bills could also become building blocks to an eventual SECURE 3.0 Act package, potentially in 2027.

â??This signaling matters because it helps shape business planning cycles, influences vendor roadmaps, and sets expectations for what retirement plan sponsors should budget and prepare for,â?• says Doss.

Attention Turns to the Saverâ??s Match: As implementation of the Saverâ??s Match provision draws near, 2026 should see greater focusâ??from regulators, plan sponsors, and recordkeepersâ??on how to operationalize and communicate the benefit. The Saverâ??s Match is a new federal incentive created by the SECURE 2.0 Act to replace the existing IRS Saverâ??s Credit starting in 2027. Instead of a nonrefundable tax credit, the government will directly deposit matching contributions into eligible retirement accounts for those who qualify.

â??This provision is a major step toward improving retirement security for lower-income earners,â?• says Lori Dillingham, CAPTRUST senior director of vendor analysis and plan consulting. â??Plan sponsors should start planning for participation, administrative processes, and communication strategies in 2026.â?•

ESG and Proxy Voting: A Return to 2020-Era Standards: We also expect the DOL to revisit its guidance on environmental, social, and governance (ESG) factor considerations and proxy-voting responsibilities for retirement plan fiduciaries. Most likely, it will roll back the less restrictive interpretation that emerged in recent years and restore a framework like what applied in 2020. This recalibration should sharpen the focus for plan sponsors that are evaluating whether and how to include ESG options in their plan menus. â??As sponsors assess their fund lineups, decisions around ESG funds are going to come under renewed scrutiny, both from a compliance standpoint and from a cost-benefit lens,â?• says Dillingham.

2. Litigation: Heightened Scrutiny and Broader Claims

Ripple Effects from the Cornell ERISA Case: The recent ruling in the *Cunningham v. Cornell University* case has the potential to reshape retirement litigation. We expect its ripple effects to continue into 2026 and beyond. â??We could see a wave of new prohibited-transaction claims layered onto traditional fiduciary-breach allegations, especially in cases where recordkeeping fees are involved,â?• says Doss. Where prior claims might have been dismissed early on procedural grounds or narrow fiduciary-prudence arguments, this broader approach could survive early-stage motions to dismiss, raising the stakes for plan sponsors.

â??On the bright side, we do expect the Department of Labor under this administration to provide more visible support for plan sponsors, most likely through amicus briefs and additional guidance on key topics,â?• says Doss.

For a more in-depth discussion of the *Cornell* decision and its potential impacts, listen to episode 77 of *Revamping Retirement*.

Scrutiny on Capital Preservation: With interest rates having risen substantially from 2022 through 2025, we expect increased scrutiny around capital preservation vehicles, comparing different types of

stable-value offerings to each other and to money market funds. â??Most of the cases weâ??re seeing thus far are around the concept of imprudent retention of an underperforming stable-value fund, either versus alternative stable-value options or against higher-yielding money market options,â?• says Dillingham. â??Any time we see a dispersion of returns like we have seen in the capital-preservation space over the last few years, itâ??s bound to catch the eye of the law firms looking for new cases to bring.â?•

3. Fiduciary Solutions: Evolution of Plan Design and Outsourcing

Continued Growth in Discretionary Outsourcing: As has been true for the past few years, we continue to expect further adoption of discretionary relationships: both investment outsourcing under a 3(38) fiduciary and administrative outsourcing via 3(16) plan administrator relationships. â??Sponsors are looking for ways to manage increased complexity,â?• says Doss. â??The value of outsourcing has become clear and commonplace. As litigation risk and regulatory requirements rise, discretionary outsourcing is growing from a simple convenience to a strategic necessity for many organizations. In some cases, itâ??s also a way to reduce plan costs.

4. Participant Outcomes: Personalization, Innovation, and Accessibility

AI-Powered Communications and Education Go Mainstream: One of the biggest changes we expect in 2026 is an increase in artificial intelligence (AI) used for participant communications content and education. From personalized retirement readiness emails to chatbot-based financial-wellness support, AI-driven tools are already allowing sponsors to deliver timely, tailored, and cost-effective retirement guidance at scale.

â??Further AI adoption will improve efficiency, and it will enable more responsive, nuanced communication strategies,â?• says Chris Whitlow, head of CAPTRUST at Work, the firmâ??s financial wellness solution for employers. For example, AI can help nudge participants when their match eligibility changes, flagging auto-escalation opportunities or simplifying complex design features like student loan matching.

However, â??to access AIâ??s potential for personalization, plan sponsors will need to become more comfortable with how employee data is being stored and accessed,â?• says Whitlow. â??This could be a hot topic in 2026.â?•

The average consumer has come to want, and sometimes expect, a personalized experience. For employers, the cost of offering personalization is deeper and more detailed data sharing. â??Giving this level of access to a vendor-partner can feel uncomfortable,â?• says Whitlow. â??But with recent advancements in data security, policies, processes, and care, sponsors can provide personalized experiences while also keeping employee information safe and private.â?•

More Personalized Investment Solutions: 2026 is also likely to see a rise in personalized investment management programs. Managed accounts and custom target-date offerings will become

more accessible and cost-effective, even for smaller plans. â??These options are no longer just for large employers,â?• says Doss. The democritization of personalization could help reduce disparities in retirement readiness across employee populations.

What This Means for Plan Sponsors

If 2026 unfolds as we expect, plan sponsors will need to be proactive. The combination of evolving regulation, heightened litigation risk, and changing participant expectations means that plan design and oversight will be more complex than ever but also more opportunity rich.

- Now is a good time to **review your investment menu strategy**. With changing ESG and alternative-asset rules and evolving target-date and managed account offerings, sponsors should assess whether their existing lineup aligns with long-term goals, fiduciary objectives, and participant demographics.
- Consider **outsourcing fiduciary and administrative responsibilities**, especially if your plan is growing or if you face increased complexity. A thoughtful 3(38) or 3(16) fiduciary arrangement can help reduce risk and increase bandwidth.
- Begin **planning now for new benefits and design changes**, such as the Saverâ??s Match or new income-oriented fund options, before vendors and recordkeepers begin rolling them out.
- Be prepared to **leverage technology.** Those who want to offer personalization should learn more about data-sharing practices and processes.
- Finally, **document well.** As litigation risk increases, a clear fiduciary process, well-documented decision-making for menus, and consistent communication will become increasingly important.

[1] â??Many More Private Firms in the U.S.,â?• Apollo Global Management

Additional Sources: SECURE 2.0 Act, *irs.gov*, *dol.gov*, CAPTRUST research

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