

2026 Retirement Plan Landscape Report

An in-depth look at the trends and forces shaping US retirement plans

Morningstar

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Executive Summary

The defined-contribution system is highly concentrated and subject to steady churn but has proved resilient. The steady, up-and-to-the-right, growth in the defined-contribution system masks the underlying churn of plans closing and launching each year. While the pattern was temporarily disrupted at the onset of the coronavirus pandemic, it has been firmly reestablished in the years since, as more than 70,000 new plans were added each year from 2022 to 2024. This increase in new plan creation has been tempered by steady growth in the number of plans closing each year, with 2024 topping the previous high from the pandemic-hit 2020. The constant turnover, primarily at the small plan end of the market, determines many of the topline growth numbers, but most participants are concentrated in a fraction of the market. The skewed distribution in the market can be a challenge for policymakers looking to ensure workers do not fall behind in saving for retirement. One systemwide metric moves largely independently from the others: total assets. Defined-contribution asset growth is significantly dependent on market conditions rather than increases in the number of employers, plans, or participants in the system. This dependency is exacerbated by the constant flow of assets out of the system, generally through rollovers. If these had been reduced by just half over the past decade, total defined-contribution assets would be 27% greater.

The cost of saving for retirement in defined-contribution plans can vary significantly, with that variance greatest among the smallest plans. Individuals working for smaller employers and participating in small plans pay more to save for retirement than those at larger plans, and while the difference at the median has marginally declined, the large tail of high-cost, small plans persists. The median cost among small plans declined 4% in 2023, falling to 75 basis points. The gap between smaller and larger plans closed slightly as median costs for medium, large, and mega plans were largely flat year-over-year. However, the average small plan remains nearly 3 times as expensive as the average mega plan, where the median total cost is just 27 basis points. An additional challenge for workers at smaller employers is the greater variation in fees across plans of similar sizes. The variation is greater among smaller plans than larger, on top of being centered around a higher median.

The most prevalent investment type among the largest plans is continuing to gain traction down market. Collective investment trusts have been a standard part of the largest plans in the US for over a decade, but only recently have they grown their market share in plans with less than \$500 million in assets. Among plans with \$100 million to \$500 million in assets, CITs are approaching one-fourth of all assets. Even among the smallest cohort of plans, those with less than \$50 million in assets, CITs now account for 9.1% of assets after hovering between 6% and 7% for the previous decade. As these

investments are generally lower-cost than their mutual fund counterparts, growth in CIT assets can be an indicator of changes to come in terms of overall plan costs.

Defined-benefit plans remain an integral part of the US retirement system, even as active plans become less prevalent. The defined-benefit system has been in a slow wind-down for years as employers move to offering defined-contribution plans, but it is unlikely to shrink rapidly. While active participant numbers have declined 27% from 2014 to 2023, more than 29 million people are already receiving or will receive benefits from these plans in the future. One contributor to the slow decline of the system is that, when closing, more plans are soft-freezing (closing to new employees but continuing for existing participants) than hard-freezing (ending accrual of benefits for all participants). This approach means plans will continue to accumulate assets, even if not participants, and can create a split workforce for employers between those with defined-benefit access and those with a defined-contribution alternative. Even for employers without a defined-benefit plan, some of their employees are likely to have some level of defined benefits from previous jobs, which adds an additional element for these members to consider when planning for a successful retirement.

Scope and Methodology

Note that this report is limited to plans that are covered by Title I of the Employee Retirement Income Security Act of 1974, or ERISA, as these plans file the Form 5500 annually, providing a starting point for analysis. Plans included in this analysis are sometimes referred to as private plans, in contrast to public plans such as those offered by state and local governments. A Technical Appendix, which provides details on our methodology, data, and scope, is available [here](#).

Defined-Contribution Market Overview

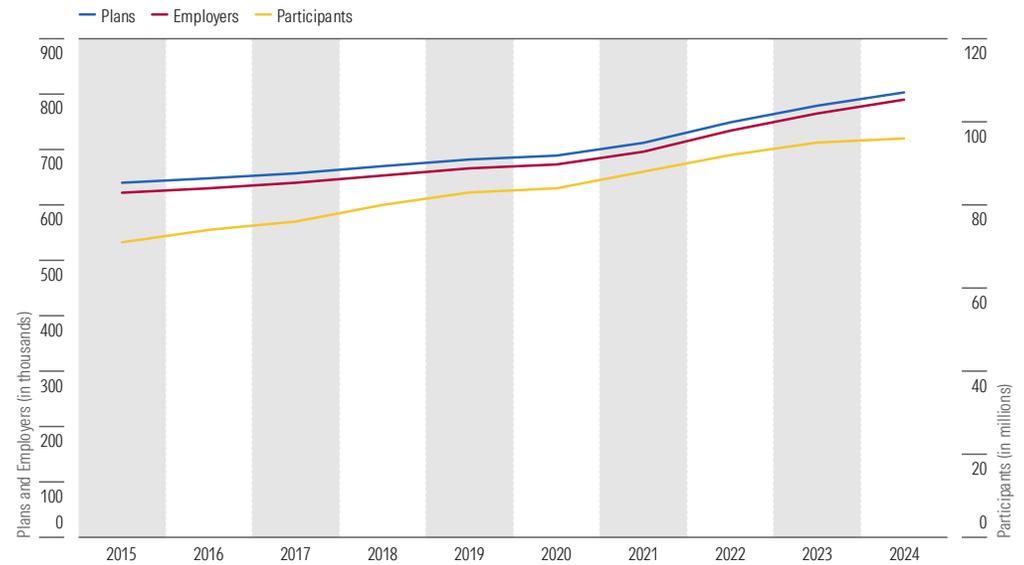
Like a duck in water, the US retirement system is gliding on the surface to steady growth while churning furiously underneath as thousands of plans turn over and billions of dollars flow out annually. The defined-contribution system is dependent on new employers creating 56,000 plans a year to replace the more than 392,000 plans that closed from 2015 to 2024. In a similar fashion, new contributions and strong returns belie total assets in defined-contribution plans as more than \$400 billion has flowed out of the system each year since 2015, with outflows surpassing \$650 billion annually since 2020. This creates a dependency that is clearly illustrated by the shrinking of total assets in years with weaker investment returns, exemplified in 2015, 2018, and 2022, when returns were negative for large portions of the market. The defined-contribution system is delicately balanced as it features both high concentration and high turnover. The latter was tested during the coronavirus pandemic, when the economic disruption slowed the addition of new plans and accelerated the closure of existing plans. While the balance was restored in the subsequent years, persistent disruptions could affect the long-term growth of the defined-contribution system. On the other hand, economic shocks that could negatively affect even a small percentage of the 2,110 employers that cover half of workers with retirement plans in the US require additional attention, as these might result in dramatic decreases in access to retirement savings plans.

Key Statistics

- ▶ 392,000 plans closed from 2015 to 2024
- ▶ \$600 billion has exited plans annually since 2020
- ▶ 2,110 employers cover 50% of workers with defined-contribution plans

The main measures of scale in the defined-contribution system—plans, employers, and participants—have all grown consistently over the past decade, with a small slowdown around the onset of the pandemic. Outside of 2020, when growth rates in all three areas dipped, the US private-sector retirement system has averaged annual increases of 2.6% of plans, 2.7% of employers, and 3.6% of participants. Further, despite the economic challenges of the pandemic, the system expanded in 2020, albeit at a slower pace.

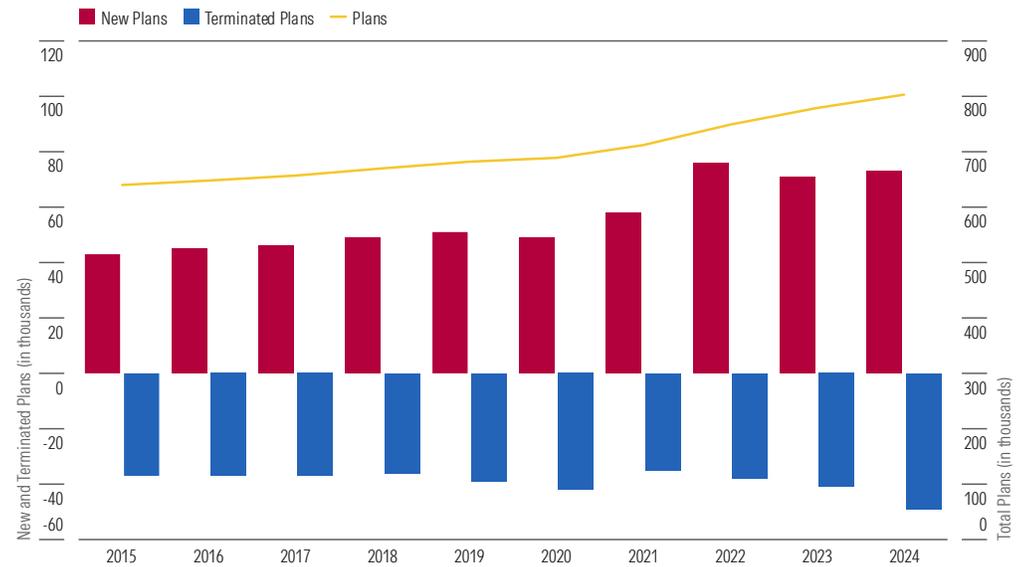
Exhibit 1 Total Plans, Participants, and Employers in Defined-Contribution Plans, 2015 to 2024



Source: Morningstar analysis of Form 5500 data and 2024 projections based on available filings.

Headline growth in the number of defined-contribution plans masks significant churn happening under the surface. On average, more than 5.7% of plans close each year. As a result, for the defined-contribution system to not just maintain the status quo but also expand, there must be new plans added in excess of these closures. Most of this turnover is occurring at the small end of the plan size spectrum, with on average 93% of the plans that close annually covering fewer than 100 participants.

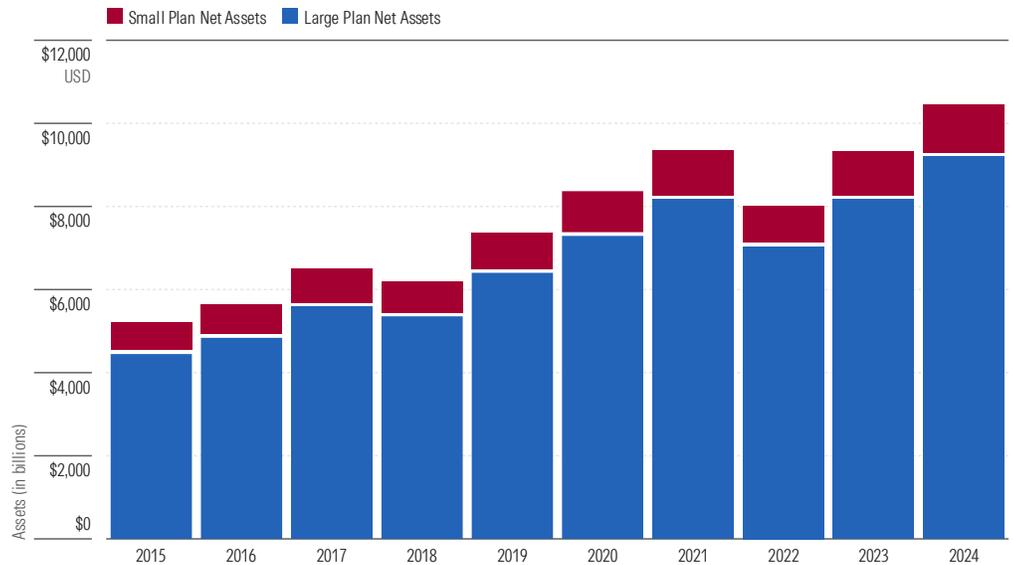
Exhibit 2 New, Terminated, and Total Defined-Contribution Plans, 2015 to 2024



Source: Morningstar analysis of Form 5500 data and 2024 projections based on available filings.
 Notes: We recognize terminated plans in the year following their termination filing.

While plan, employer, and participant numbers tend to move in unison and have steadily increased over the past decade, defined-contribution plan assets change with the market, with much lumpier results. Down markets in 2015, 2018, and 2022 all corresponded to declines in overall plan assets, but the other metrics continued to grow. Meanwhile, strong markets in 2023 and 2024 contributed to defined-contribution plan assets surpassing \$10 trillion by the end of 2024. This pattern is indicative of how returns on money already in plans are the largest driver of plan assets, over and above the other two components of money flowing into plans from contributions and out of plans through distributions and IRA rollovers.

Exhibit 3 Total Assets Held in Defined-Contribution Plans, 2015 to 2024

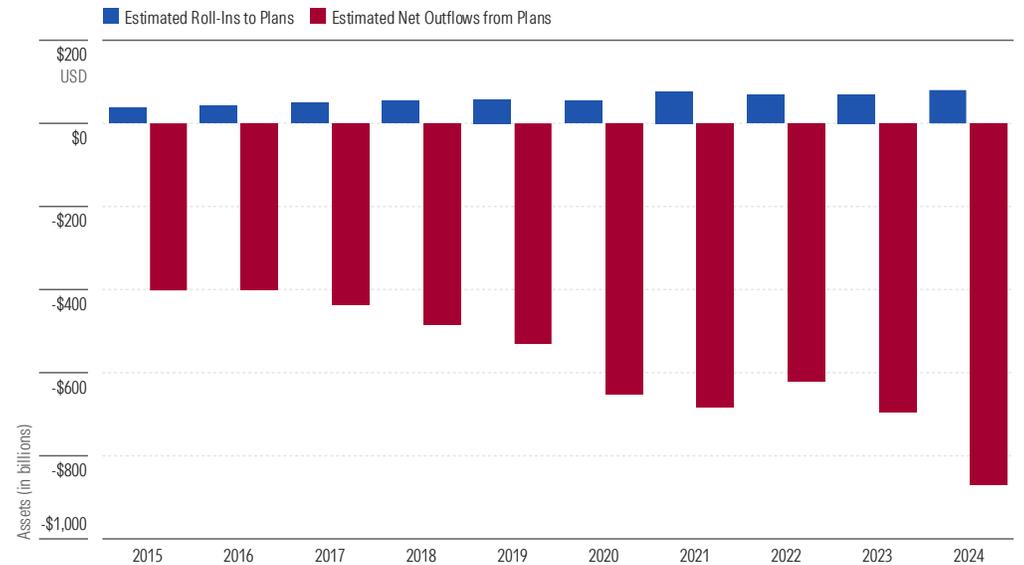


Source: Morningstar analysis of Form 5500 data and 2024 projections based on available filings.

Notes: We highlight plans with fewer than 100 participants because these plans do not file nearly as much information with the DOL as their larger counterparts. See methodology section for additional information on this distinction. In later sections of this report, we will not always be able to discuss the characteristics of the assets in plans with fewer than 100 participants, but they represent a small portion of defined-contribution plan assets.

Growth of assets in the defined-contribution system is not aided by the steady stream of money exiting the system as participants roll their assets out when changing jobs or entering retirement. From 2015 to 2024, we estimate that more than \$6.3 trillion left defined-contribution plans in the form of rollovers and cashouts, including some benefit payments to retired participants or beneficiaries. While some of the rollovers could theoretically be workers moving money from their old employer's plan to their new one when changing jobs, we estimate that less than \$600 million of the outflows, or just 9.3%, were retained in the defined-contribution system this way. In 2024, estimated net outflows surpassed \$850 million, possibly influenced by a growing number of baby boomers and Generation Xers entering retirement.

Exhibit 4 Estimated Net Outflows From and Roll-ins to Defined-Contribution Plans, 2015 to 2024

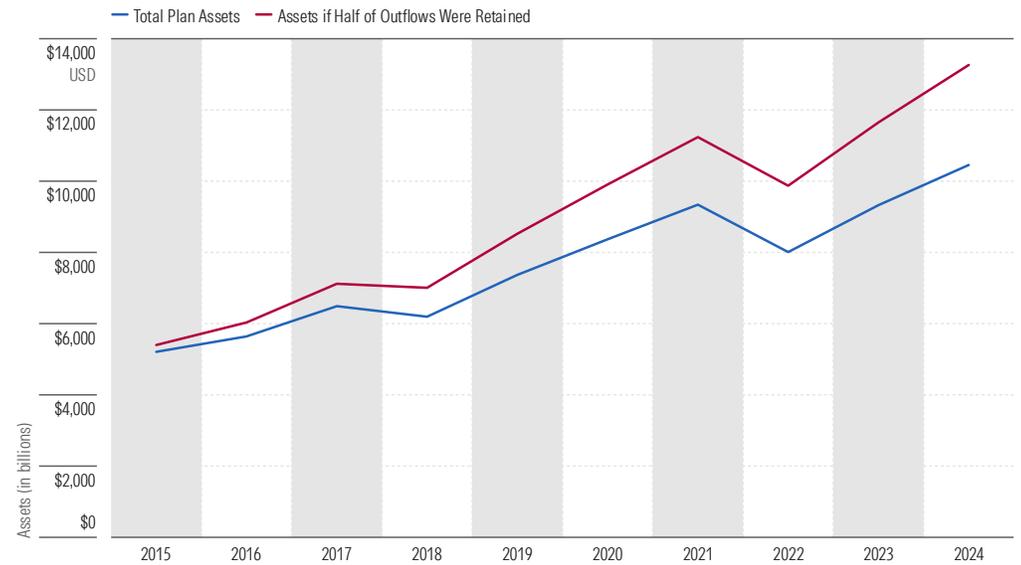


Source: Morningstar analysis of Form 5500 data and 2024 projections based on available filings.

Notes: Net outflows include cashouts, rollovers, and direct payments to beneficiaries, less roll-ins captured by the defined-contribution system when participants shift money into a defined-contribution plan. Net outflows do not include other plan distributions, such as payments for insurance contracts. See Technical Appendix for additional details on this calculation.

The constant flow of money out of defined-contribution plans limits the growth of overall assets and removes a potential buffer in times of down markets. If even just half of the outflows were retained in the defined-contribution system annually from 2015 to 2024, we estimate plans would have roughly \$2.8 trillion more in them at the end of 2024, a 27% increase in assets.¹ During down markets, such as 2018 and 2022, keeping this money in the system would soften the impact, potentially reducing the decline in total plan assets to 1.6% from 4.6% in 2018 and to 12.2% from 14.3% in 2022.

Exhibit 5 Estimated Assets if Defined-Contribution Plans Captured Half of Net Outflows, 2015 to 2024



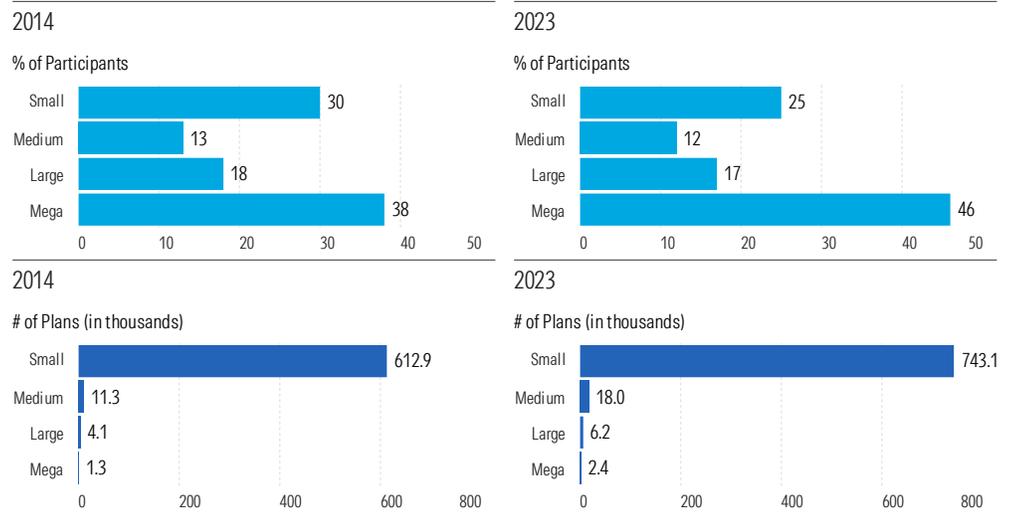
Source: Morningstar analysis of Form 5500 data and 2024 projections based on available filings; Morningstar historical returns data.

Notes: See methodology document for description of methods, data, and calculations.

¹ As discussed in the Technical Appendix, we assume 4% of assets are withdrawn every year and we applied returns using the US active fund target-date retirement Morningstar Category averages.

Growth of the overall defined-contribution system is dependent on the increasing annual turnover of plans and dollars, but much of US retirement security is concentrated on a small set of employers. Plans with more than \$500 million in assets, which we term mega plans,² are increasingly critical to the retirement system. Although they already covered the plurality of participants in 2014, mega plans are consistently moving towards a straight majority, with 46% of all defined-contribution participants in these plans.

Exhibit 6 Percentage of Defined-Contribution Participants Covered by Small, Medium, Large, and Mega Plans



Source: Morningstar analysis of Form 5500 data.

Notes: Mega plans have more than \$500 million in assets; large plans have \$500 million or less in assets, but more than \$100 million; medium plans have \$100 million or less in assets, but more than \$25 million; and small plans have \$25 million or less in assets.

² Other studies use a different breakpoint for the largest plans, but we believe this threshold distinguishes a relatively homogenous cohort of plans with enough members to allow for meaningful analysis.

To further illustrate the heavy concentration at the large-end of the defined-contribution system, consider that in 2023, just 2,342 plans covered half of all participants, placing 47 million participants in 0.30% of plans. This pattern extends through the thresholds of 75% and 90% of participants. The US retirement system is an extreme example of the Pareto principle, as instead of a 20/80 relationship, there are fewer than 14% of plans covering 90% of participants.

Exhibit 7 Number of Plans That Cover the Majority of Defined-Contribution Participants

This percentage of all DC plan participants...	...were covered by this many plans in 2023	Which means this many people (in millions)...	...were covered by this small fraction of plans.
50%	2,342	47	0.30%
75%	18,758	71	2.41%
90%	106,084	85	13.61%

Source: Morningstar analysis of Form 5500 data.

Defined-Contribution Plan Costs

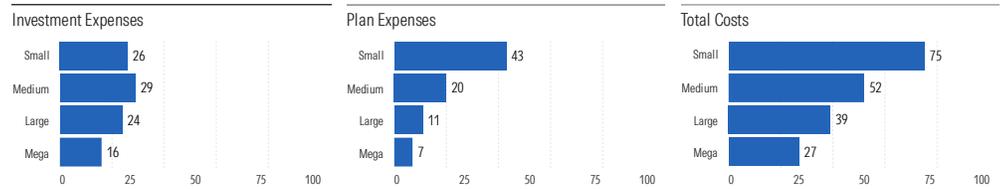
The size of the employer and plan can have a significant effect on the cost participants pay. Those working for smaller employers and participating in small plans pay nearly 3 times as much as participants at larger plans—the difference between 75 and 27 basis points, respectively. Additionally, the total fees at small plans vary more, with 27% of plans costing participants more than 100 basis points. This is not to say there are not outliers among larger plans: 3% of plans with assets between \$25 million and \$500 million also cost this much. However, it is clear that the US system does not work nearly as well for people not working for larger, established employers, the general sponsor profile for larger plans. Policy solutions have often focused on bringing together smaller employers to try to replicate the large plan environment, but narrowing the distribution to reduce the number of overly expensive plans could provide a fruitful alternative.

Key Statistics

- ▶ The median total cost for participants in small plans is 75 basis points
- ▶ The median total cost for participants in mega plans is 27 basis points
- ▶ 27% of small plans cost participants more than 100 basis points in total

Fund fees have been in decline in the US for years,³ with a slowing of the rate more recently, and these trends are mirrored in defined-contribution plans, with the caveat that the starting point varies by plan size. Larger plans have long been more likely to be less expensive for participants saving for retirement. We consider the asset-weighted expenses associated with the plan, overall plan administration expenses, and the total cost, which is the sum of both numbers on a plan-by-plan basis. Compared with the previous year, the largest drop was among small plans, where all-in costs fell 4% year over year. Medium, large, and mega plans saw marginal changes in total costs, with the median moving by less than a basis point in all three cases.

Exhibit 8 Median 2023 Defined-Contribution Plan Costs by Plan Size (in Basis Points)



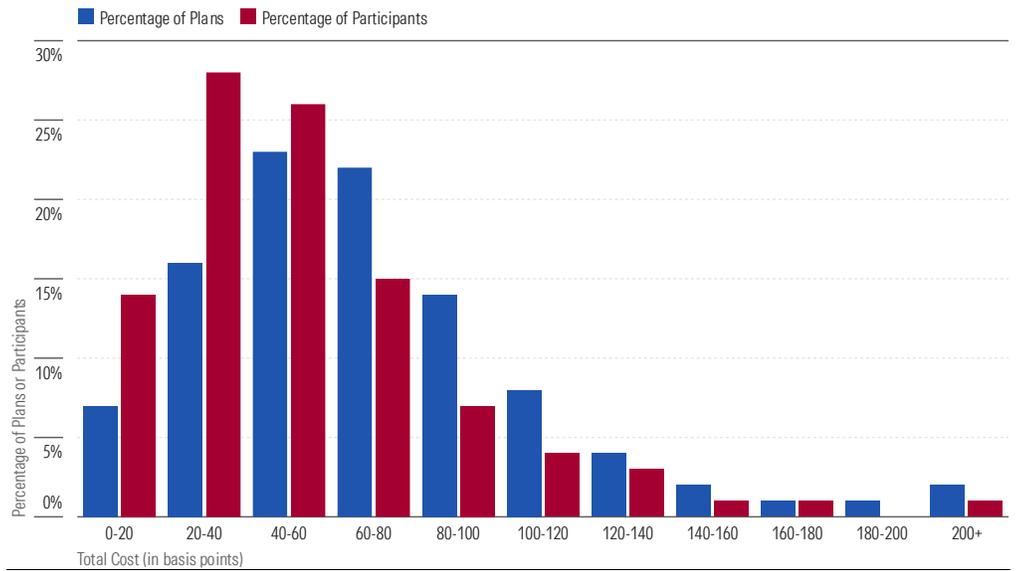
Source: Morningstar investment data matched with Form 5500 data for 2023.

Notes: Mega plans have more than \$500 million in assets; large plans have \$500 million or less in assets, but more than \$100 million; medium plans have \$100 million or less in assets, but more than \$25 million; and small plans have \$25 million or less. The median total cost is not the sum of the medians for investment expenses and plan expenses. Rather, we start with the sum of the investment expenses and plan expenses for each plan and then take the median.

³ Armour, B. & Evens, Z. 2025. "2024 US Fund Fee Study." <https://www.morningstar.com/business/insights/research/annual-us-fund-fee-study>.

Even as the median total fees participants pay to save for retirement through defined-contribution plans have come down, the wide spread around this median has persisted. The impact of this distribution is mitigated by the fact that most plan participants are covered by larger plans that benefit from economies of scale. As a result, while 17.9% of plans cost more than 100 basis points in 2023, just 9.6% of participants were paying these elevated fees.

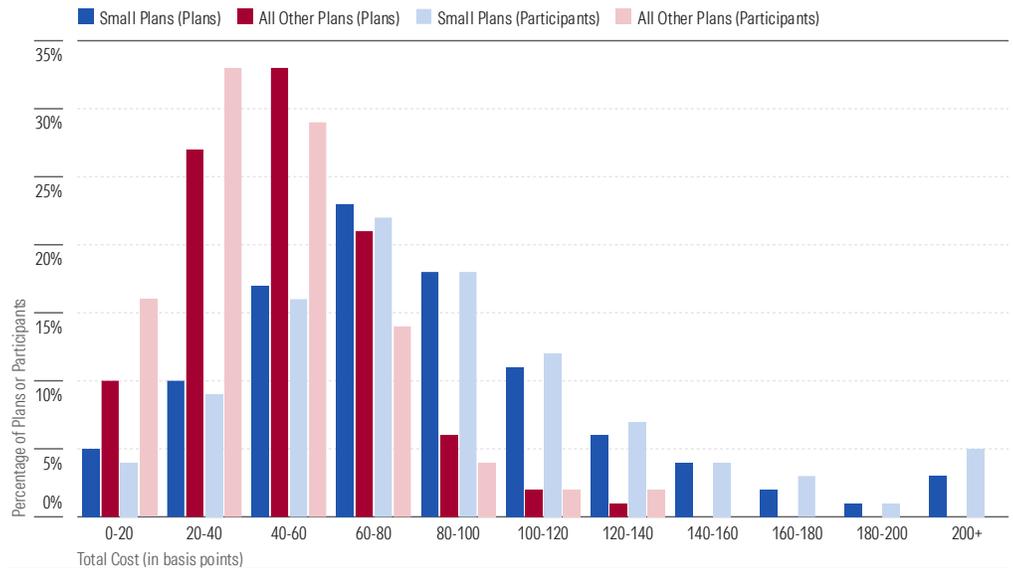
Exhibit 9 Total Costs Participants Pay to Invest in Defined-Contribution Plans by Percentage of Plans and Percentage of Participants



Source: Morningstar investment data matched with Form 5500 data for 2023.

Some variation in cost among similarly sized plans is expected, but these discrepancies are largest amongst smaller plans. Small plans start at a disadvantage compared with larger plans owing to economies of scale, and this group is most likely to capture new plans that are just entering the system. The combination of these factors means that the most expensive plans are small; however, there is also evidence that small plans can overcome these obstacles. For example, more than 24% of small plans had all-in costs below the median medium plan in 2023.

Exhibit 10 Total Costs Participants Pay to Invest in Defined-Contribution Plans, Small Plans, and All Other Plans

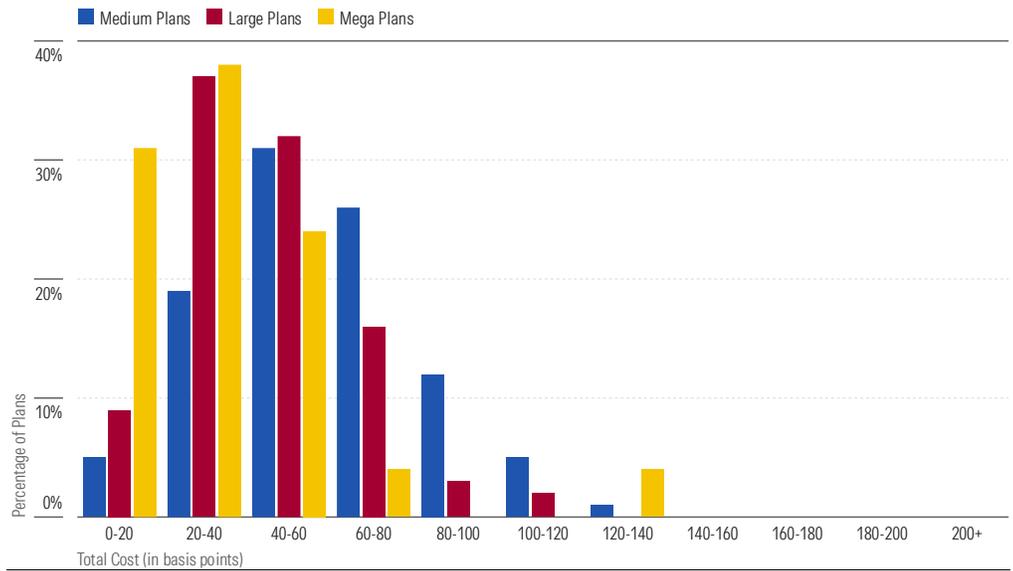


Source: Morningstar investment data matched with Form 5500 data for 2023.

Notes: Small plans have \$25 million or less in assets, and all other plans have more than \$25 million.

Despite covering plans with a much wider range of sizes, from those with just over \$25 million assets to those with more than \$20 billion, the collection of medium, large, and mega plans has a much tighter distribution of total costs than small plans. There are still meaningful differences in the scale achieved by these different groups. Nearly 70% of participants in mega plans pay less than 40 basis points, while 76% of medium plan participants pay more than this.

Exhibit 11 Total Costs Participants Pay to Invest in Medium, Large, and Mega Defined-Contribution Plans



Source: Morningstar investment data matched with Form 5500 data for 2023.

Notes: Mega plans have more than \$500 million in assets; large plans have \$500 million or less in assets, but more than \$100 million; and medium plans have \$100 million or less in assets, but more than \$25 million.

Defined-Contribution Plan Investments

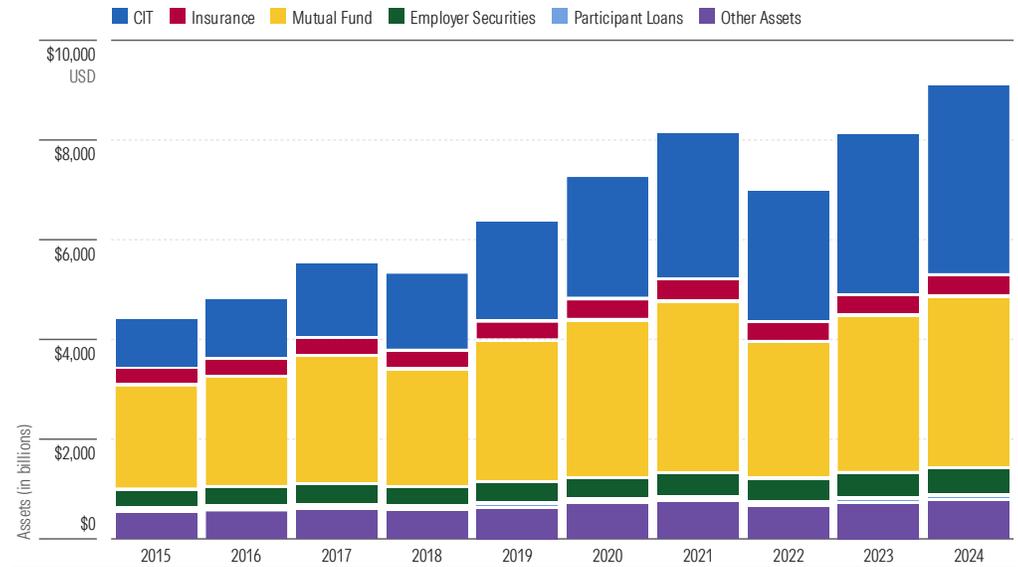
Plans of all sizes offer similar investment strategies, but the preferred investment vehicle is different for the largest plans. For more than 10 years, the largest defined-contribution plans have been moving from mutual funds to collective investment trusts, or CITs, for their investment lineups. CITs are pooled vehicles that often offer similar strategies but are less regulated and can be much less expensive for participants than mutual funds. CITs have steadily grown their market share from 23% of assets in 2015 to 42% in 2024, with mega plans holding 89% of all defined-contribution CIT assets. Across plans of all sizes, investments receiving a Bronze, Silver, or Gold Medalist Rating, reflecting Morningstar's view that the product will outperform its benchmark, net of fees, in the long term, are prevalent. While the largest plans once again lead on this front, even amongst smaller plans, investments rated Bronze, Silver, or Gold represent 88% of the options available to participants, with assets allocated to these investments surpassing their representation.

Key Statistics

- ▶ 89% of CIT assets are in mega plans
- ▶ 94% of defined-contribution plan assets eligible for a Medalist Rating receive Bronze, Silver, or Gold

CITs have steadily grown their presence in defined-contribution plans, often at the expense of traditional open-end mutual funds. CITs are pooled-investment vehicles managed in accordance with a common investment strategy that are organized as trusts and maintained by a bank or trust company. In the last decade, CITs have nearly doubled their market share, to 42% from 23%, and nearly quadrupled their total defined-contribution assets, to \$3.8 trillion from \$1.0 trillion. Over that same span, mutual fund assets in defined-contribution plans grew by only 63%, to \$3.4 trillion from \$2.1 trillion, and were supplanted as the plurality of mutual fund assets with their market share dropping to 38% from 48%.

Exhibit 12 Defined-Contribution Plan Assets by Investment Type, 2015 to 2024



Source: Morningstar analysis of Form 5500 data and 2024 projections based on available filings.

Notes: These numbers cover only plans with at least 100 participants. Insurance assets include investments in pooled separate accounts and those in insurance general accounts. The other assets category includes separate accounts, brokerage window assets, and master trusts where the underlying holdings could not be aggregated up to the participating plans. See methodology document for additional information on the other assets category and our calculation method for plans utilizing master trusts.

The adoption of CITs by defined-contribution plan sponsors has been a long-developing trend, with the reason for the switch generally coming back to costs. On average, CITs are cheaper than mutual funds, primarily because CITs are not marketed or regulated in the way mutual funds are and therefore don't bear the associated expenses.

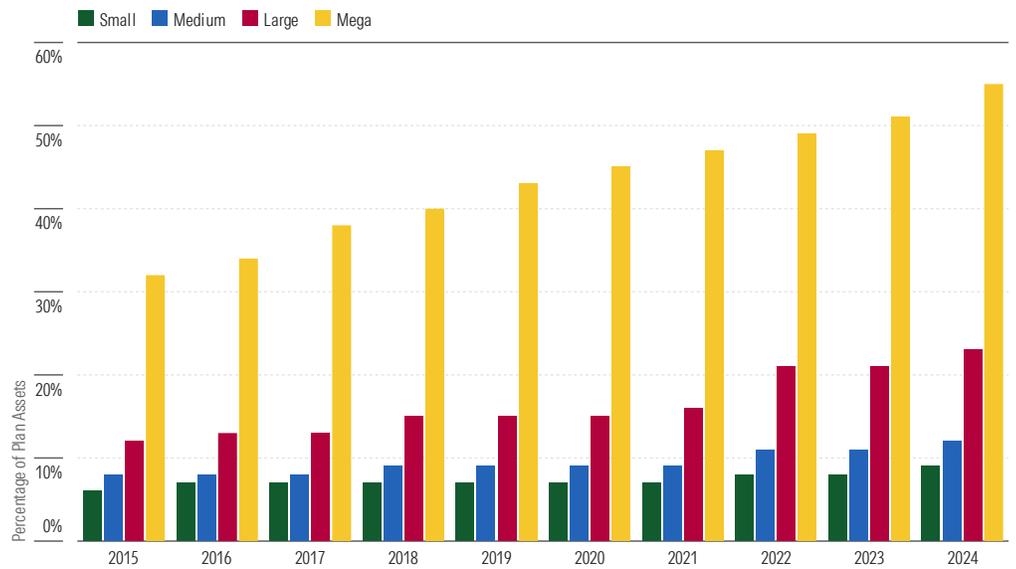
Exhibit 13 Average Asset-Weighted Expense Ratio by Investment Vehicle and Management Style (in Basis Points)

Investment Vehicle	Active	Passive
Mutual Fund	57.0	6.6
Collective Investment Trust	18.5	1.5

Source: Morningstar investment database, based on assets as of Dec. 31, 2023.

While CITs have been a significant presence in mega plans for more than a decade, their growth outside these largest of plans has only recently accelerated. Despite their clear advantage on costs, CITs represented less than 16% of assets for large plans and less than 10% of assets for small and medium plans through 2021. In the subsequent three years, there were steadier increases in market share for CITs, with market share among large plans growing the quickest. Even as CITs have slowly gained traction in smaller plans, their expansion within mega plans has not been quelled, with 55% of mega plan assets invested in CITs in 2024.

Exhibit 14 Percentage of Defined-Contribution Plan Assets in CITs by Plan Size, 2015 to 2024

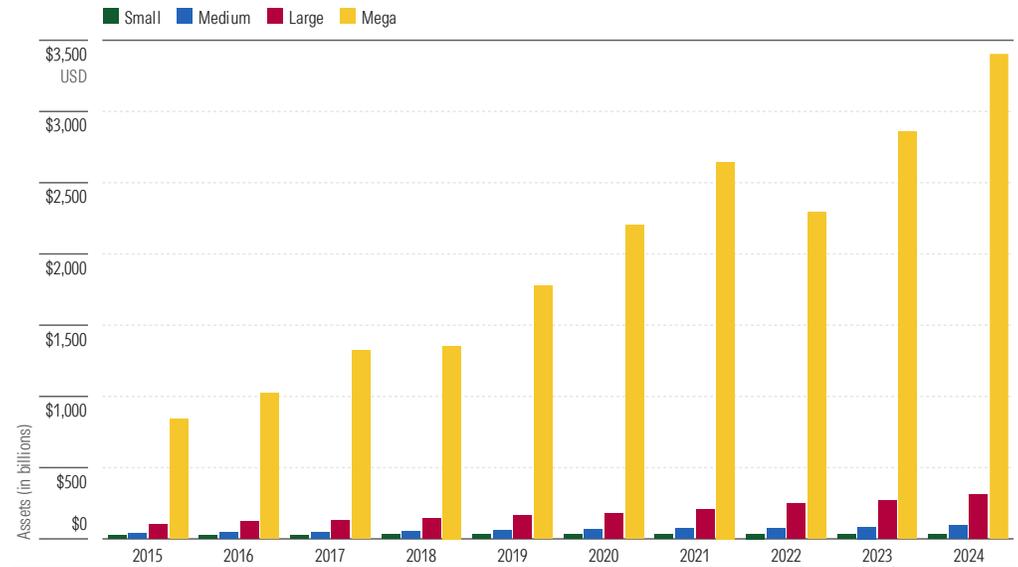


Source: Morningstar analysis of Form 5500 data and 2024 projections based on available filings.

Notes: Mega plans have more than \$500 million in assets; large plans have \$500 million or less in assets, but more than \$100 million; medium plans have \$100 million or less in assets, but more than \$25 million; and small plans have \$25 million or less. These numbers cover only plans with at least 100 participants.

Total assets in CITs in smaller plans remain dwarfed by the \$3.4 trillion mega plans have invested in these vehicles, but any growth at the smaller end of the market is significant in light of the barriers that limit their adoption. One obstacle smaller plans face in implementing CITs is that CIT minimums are often higher than their mutual fund counterparts. With participants investing across the lineup of options a plan makes available, concentrating sufficient assets to meet minimums imposed on each investment option can be a challenge. Additionally, CITs are available only within retirement plans. While this contributes to the cost savings that can give CITs an advantage over mutual funds, it also contributes to lower awareness of the products relative to mutual funds.

Exhibit 15 Defined-Contribution Plan Assets in CITs by Plan Size, 2015 to 2024

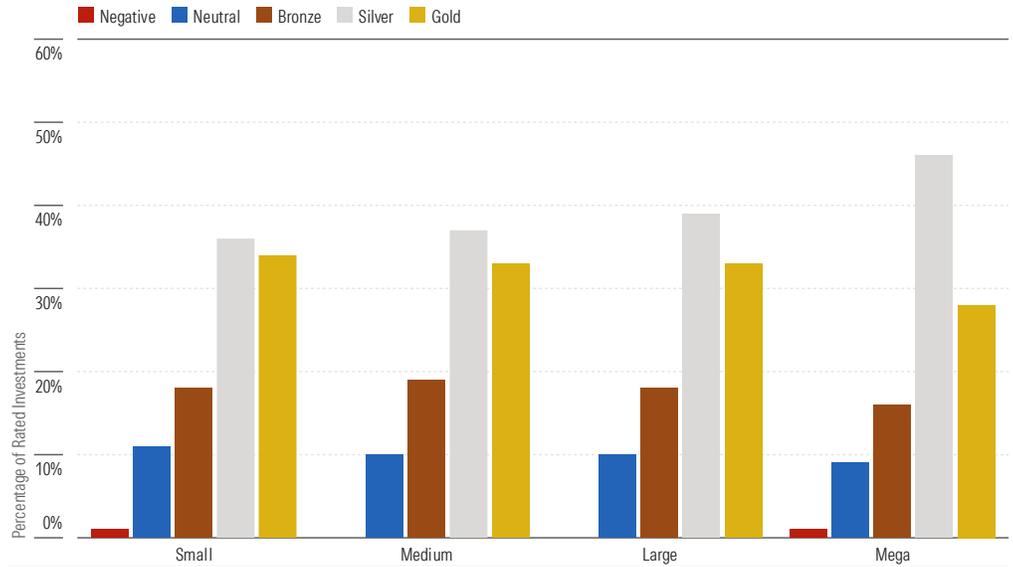


Source: Morningstar analysis of Form 5500 data and 2024 projections based on available filings.

Notes: Mega plans have more than \$500 million in assets; large plans have \$500 million or less in assets, but more than \$100 million; medium plans have \$100 million or less in assets, but more than \$25 million; and small plans have \$25 million or less. These numbers cover only plans with at least 100 participants.

Across plans of all sizes, investors are generally getting access to investment options rated Bronze, Silver, and Gold, products that the Morningstar research team believes will outperform their benchmark on a risk-adjusted basis and net of fees over the long term.⁴ While such investments are slightly more common at larger plans, all plan sizes average at least 87% of investment options in this range.

Exhibit 16 Percentage of Investment Options in Defined-Contribution Plans by Medalist Ratings and Plan Size



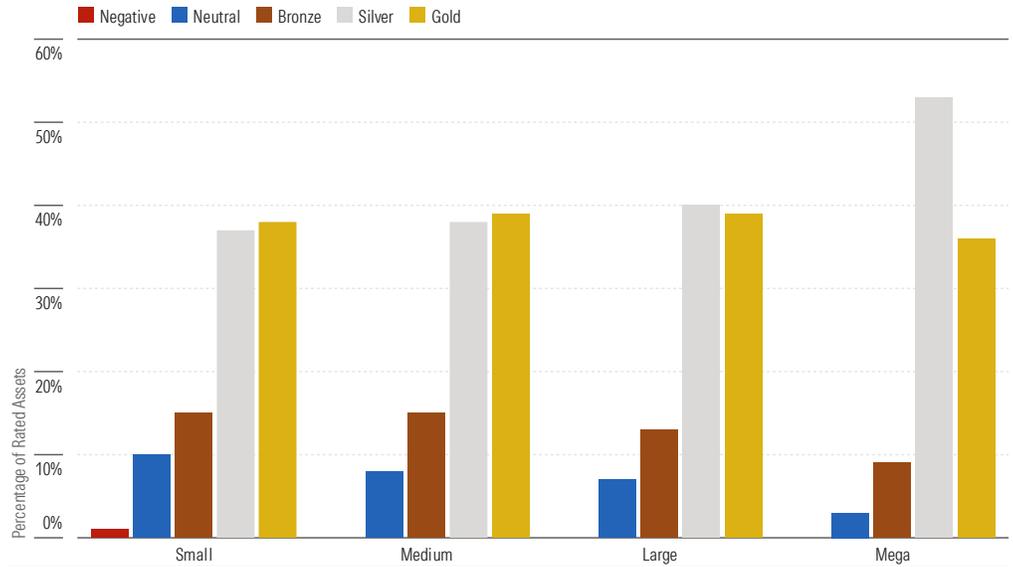
Source: Morningstar investment data matched with Form 5500 data for 2023.

Notes: Mega plans have more than \$500 million in assets; large plans have \$500 million or less in assets, but more than \$100 million; medium plans have \$100 million or less in assets, but more than \$25 million; and small plans have \$25 million or less. The calculation considers only investments covered by the Morningstar Medalist Rating methodology as of Dec. 31, 2023.

⁴ Morningstar Research. 2025. "Morningstar Medalist Rating Methodology." <https://www.morningstar.com/business/insights/research/methodology-documents>.

On an asset-weighted basis, defined-contribution participants are getting even greater exposure to positively rated investments. Across all plans, more than 94% of assets are allocated to investments receiving a Bronze, Silver, or Gold rating. In each category of plan size, less than 0.6% of assets are invested in products with a Negative rating.

Exhibit 17 Percentage of Assets in Defined-Contribution Plans by Medalist Rating and Plan Size



Source: Morningstar investment data matched with Form 5500 data for 2023.

Notes: Mega plans have more than \$500 million in assets; large plans have \$500 million or less in assets, but more than \$100 million; medium plans have \$100 million or less in assets, but more than \$25 million; and small plans have \$25 million or less. The calculation considers only investments covered by the Morningstar Medalist Rating methodology as of Dec. 31, 2023.

Defined-Benefit Market Overview

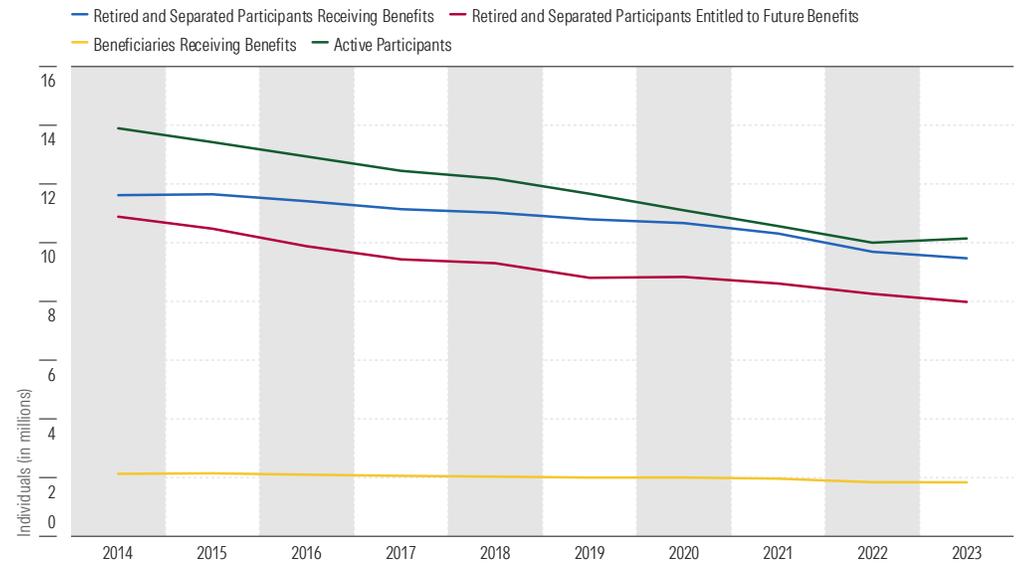
As defined-contribution plans have grown and matured over the past few decades, attention has generally focused on that side of the US retirement system rather than traditional defined-benefit pensions. However, there remain nearly 30 million people who are receiving or will receive benefits from defined-benefit plans. As discussed in the Technical Appendix, and in alignment with the defined-contribution section, we do not cover public plans, such as defined-benefit plans offered by state and local government, nor other kinds of non-ERISA defined-benefit plans. Of the more than \$1 trillion distributions from the US retirement system in 2023, 25% of dollars went from defined-benefit plans to retirees and beneficiaries. In addition to the 11.3 million people collecting traditional pension benefits today, between family beneficiaries and retired participants, more than 7.9 million people have stopped accruing but are entitled to future benefits. A further 10.1 million people are active participants and will also be due defined-benefit benefits. The apparent preference for soft-freezing over hard-freezing plans when looking to close a defined-benefit plan will only drag out the slow wind-down of the defined-benefit system, as this approach allows participants who are active as of the freeze date to continue accruing benefits while transitioning new workers to an alternative plan.

Key Statistics

- ▶ 29.4 million people currently receive or will receive benefits from defined-benefit plans
- ▶ 10 million workers are currently covered by hard-frozen, soft-frozen, or active plans
- ▶ 25% of distributions paid to participants or beneficiaries came from defined-benefit plans in 2023

The defined-benefit system has been slowly and steadily shrinking over the last decade, with a more rapid decline in active participants tapered by slower change in other types of participants. With an average annual decrease of more than 3.4%, the number of workers actively covered by a defined-benefit plan fell to 10 million in 2023 from nearly 14 million in 2014. Other types of participants, those who are already receiving benefits as prior workers or beneficiaries and those who are due benefits in the future, represent a larger portion of defined-benefit members at more than 19.3 million in 2023 and have declined an average of only 2.7% annually in the past decade.

Exhibit 18 Defined-Benefit Plan Participants and Beneficiaries by Benefit Status, 2014 to 2023

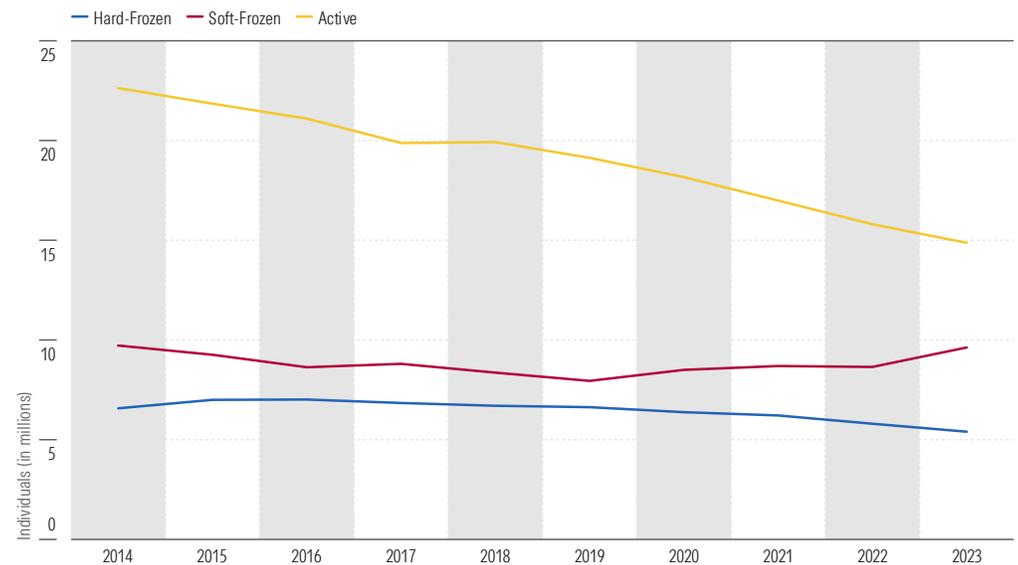


Source: Morningstar analysis of Form 5500 data.

Based on the average rate of change for each type of participant in defined-benefit plans from 2014 through 2023 to project out 30 years, an estimated 12.4 million people will be receiving or expecting to receive defined benefits in 2053. The makeup of that cohort would include 52%, or 6.4 million individuals, who would still be planning their future retirements around some level of defined benefit.

The defined-benefit system as a whole will not disappear overnight, but the shift away from active defined-benefit plans has accelerated over the past five years. From 2014 to 2018, total participants in active defined-benefit plans declined an average of 2.9% annually, while from 2019 to 2023 that rate increased to 5.7% per year. As employers move away from defined-benefit plans, they seem to be favoring the less severe approach to closing a plan. The two ways for an employer to close a defined-benefit plan are by soft- or hard-freezing it. When soft-freezing a plan, new employees can no longer participate, but employees covered before the freeze date continue to accrue benefits until retirement. The hard-freezing alternative ends the accrual of benefits for all employees, existing and new. Employees who accrued benefits before the freeze date will have those paid out based solely on their pre-freeze-date service.

Exhibit 19 Participants in Defined-Benefit Plans by Plan Status, 2014 to 2023

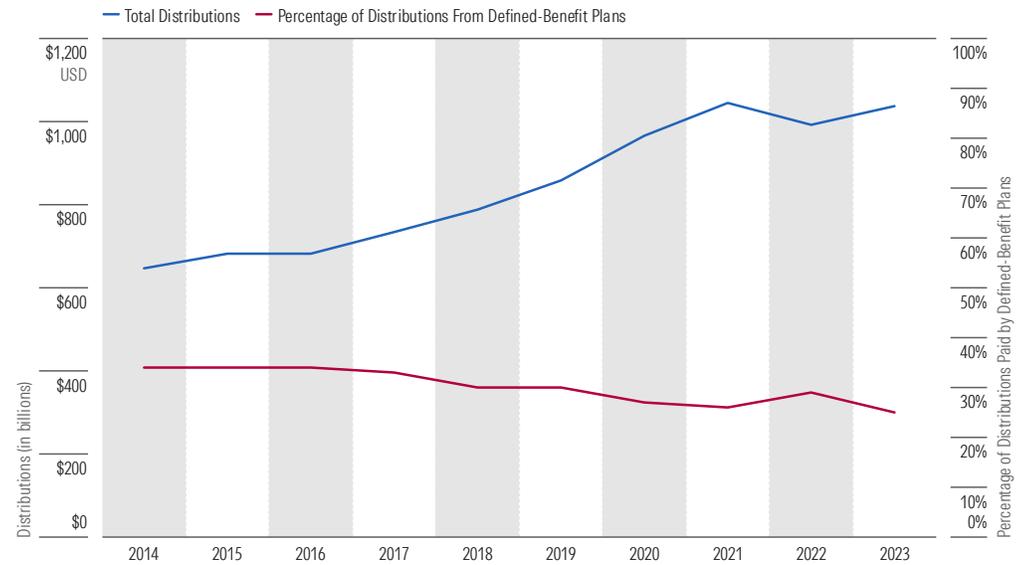


Source: Morningstar analysis of Form 5500 data.

Soft-freezing appears to be the more popular option in recent years, including in response to the pandemic, as the number of participants in soft-frozen plans rose 21% from 2019 to 2023. This approach is less severe as it does not cut benefits for existing employees while still allowing employers to reduce future expenses. More broadly, this shift will only extend the slow wind-down of the defined-benefit system as soft-frozen plans take longer to fully close, since benefits continue to accrue until all workers active on the freeze date have left and then the benefits must be paid out when those workers retire.

Defined-benefit plans play a significant role in retirement security in the US, paying out more than a quarter trillion dollars annually. While distributions from defined-contribution plans have fluctuated in the 2020s, partially owing to legislative changes around the pandemic that altered withdrawal rules, distributions from defined-benefit plans have stabilized between \$250 billion and \$280 billion from 2019 to 2023. With more boomers and Gen Xers entering retirement in the coming years, the portion of distributions paid by defined-benefit plans is unlikely to decline significantly in the near future.

Exhibit 20 Total Distributions From Defined-Benefit and Defined-Contribution Plans and Distributions From Defined-Benefit Plans as a Percentage of Total Distributions, 2014 to 2023



Source: Morningstar analysis of Form 5500 data.



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