How *private asset* alternatives are reshaping DC retirement plans

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Introduction: what are private asset alternatives

This research paper focuses on private asset alternative investments (private assets), a subcategory of alternative investments, which are assets that fall outside traditional categories such as publicly traded stocks and bonds. Private assets are diverse and include investments in companies, properties, or projects that aren't traded on public markets. Instead, they're bought and sold in private transactions between buyers and sellers, which requires specialized management expertise. Private assets also typically involve timing constraints on deposits and redemptions, with longer investment horizons and less liquidity than publicly traded assets.

In exchange for committing capital for longer periods with less liquidity than traditional publicly traded assets, private assets can offer investors extra return potential called an illiquidity premium.

Some common types of private assets used in DC portfolios, each with distinct return drivers and the potential to provide an illiquidity premium, include:

Private equity—Invests in private companies, projects, or properties with the potential for capital appreciation.

Private credit—Lends to private companies in exchange for contractual interest payments and repayment of principal at maturity.

Real assets—Invests in infrastructure, real estate, and natural resources companies, assets, or projects that provide essential products and services to the public. These assets tend to be inflation-resistant and aim to generate steady cash flows (from fees, tolls, rent, or other contractual charges), which can provide recurring income for investors.

Valuations for private assets are typically determined through a periodic, often quarterly, process, rather than being repriced and valued daily through public exchanges. While private assets can be largely illiquid on their own, when paired with liquid, publicly available securities, they can be added strategically, usually in limited amounts, to a defined contribution (DC) portfolio. Typically, private assets are added to a sleeve within a target-date fund (TDF) portfolio, which is repackaged as a collective investment trust (CIT), or are offered in a professionally managed account.

Executive summary

Retirement for some is starting earlier and lasting longer, while inflation and savings shortfalls are increasing longevity risk, or the potential to outlive your assets. At the same time, investment opportunities in public markets have shrunk. Private assets—private equity, private credit, and real assets such as infrastructure and real estate—can provide new sources of alpha, diversified return and income, and, for some assets, such as private real estate, potential inflation protection.

Prudently integrating private assets within professionally managed TDFs and managed accounts that can focus on longevity risk management and implementation frameworks may lead to more resilient portfolios and better participant outcomes.

Although ERISA permits the use of alternative investments, including private assets, in DC plans, adoption has historically been limited by perceived complexity, cost, and liquidity concerns—but that dynamic is now beginning to change. Recent Department of Labor (DOL) guidance on fiduciary responsibilities relating to alternative investments may provide plan fiduciaries with greater confidence in including private assets within diversified vehicles such as TDFs and managed accounts.

Against a more favorable backdrop, now is the time to expand the retirement toolbox—thoughtfully and prudently integrating private assets into DC plans to help more Americans live longer and better.

The longevity challenge

The global population aged 60 and older is expected to double by 2050.[1] And, as we age, we're living longer. Those who'll live to 100[2] or more are expected to quadruple in the next 30 years. Increased longevity means retirement savings will need to last multiple decades, rather than just a few years. This new reality is putting more Americans at risk for outliving their savings. Research shows that only 12% of U.S. retirement savers have enough to last more than 10 years in retirement.[3]

Several factors can make it difficult to save more. Many Americans are retiring earlier than they planned—around age 56[4]—leaving fewer years to save and more years to fund in retirement. At the same time, inflation is eroding purchasing power, and half of American workers[4] report they've fallen behind on retirement savings.

If we want to help reduce longevity risk, we need to focus on more than just saving. Longevity risk requires more resilient investment portfolios designed to last potentially 30 to 40 years spent in retirement. Investment choice plays a key role in decreasing or increasing shortfall risk. According to our research, more conservative cash-type investments increased shortfall risk by up to 74%.[5]

Private assets, which are less correlated with publicly traded assets' performance, may help mitigate longevity risk by building more resilient retirement portfolios. For example, U.S. private equity has outperformed traditional assets[6], including public equity, for decades, but has been largely absent from DC retirement plans, such as 401(k)s. While ERISA has always allowed private assets in DC plans, their perceived complexity, cost, illiquidity, and litigation risks have kept them largely out of DC lineups.

Private assets support durable growth and income beyond the retirement date, which may help reduce longevity risk.

Long-standing barriers to private assets in DC plans, however, are slowly being lifted, driven by U.S. regulatory reform. In March 2026, the DOL issued proposed regulations[7] that provided a process-based safe harbor for DC plan fiduciaries to follow when evaluating and selecting private assets. This landmark regulation is helping clear the path for integrating private assets into ERISA-compliant professionally managed structures to help improve retirement plan outcomes.

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Why private assets belong in DC plans

We've identified five key reasons why we believe private assets belong in DC retirement plans.

1 Helps ease longevity risk

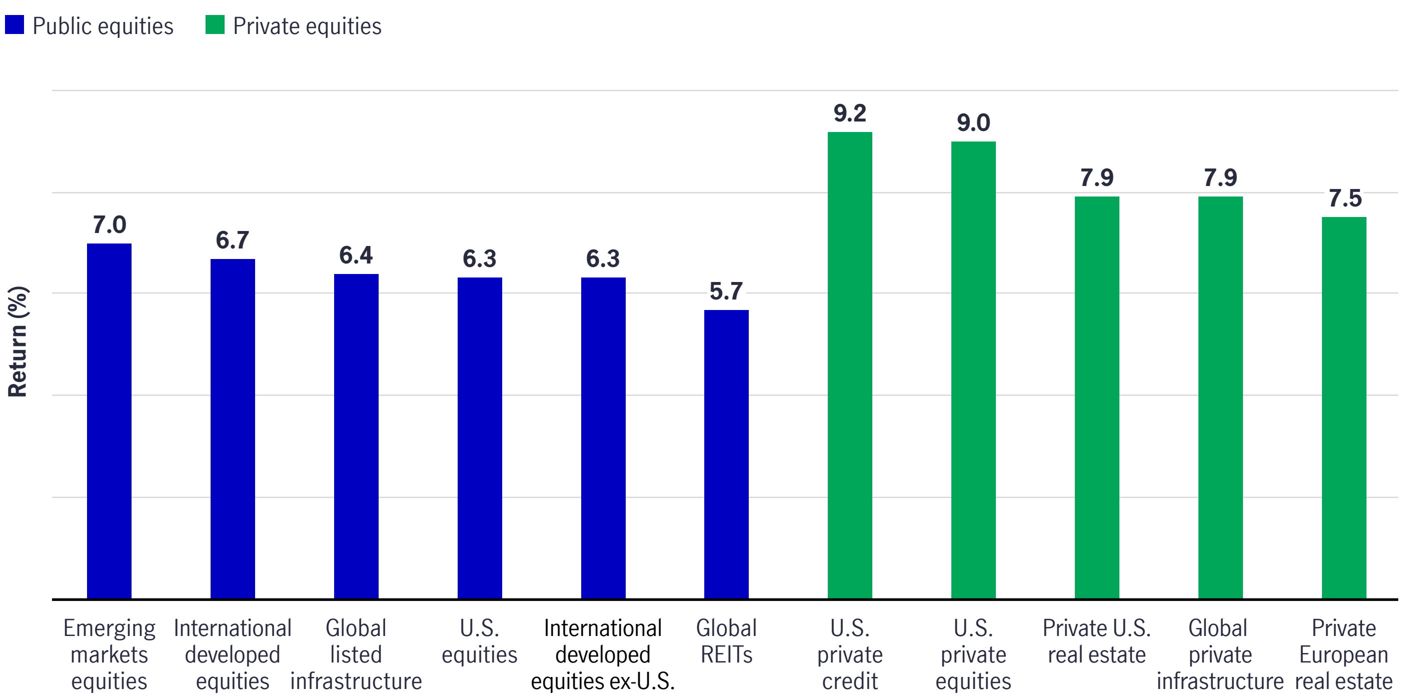
Traditional DC portfolios were largely designed to fund a limited number of years in retirement and often become overly conservative too quickly, potentially capping growth just as longevity risk increases. By extending exposure to growth-oriented private assets within professionally managed DC vehicles, participants may be better positioned to support sustainable growth and income over retirement periods that may span multiple decades.

2 Delivers differentiated returns

Private assets provide differentiated return drivers from public markets, with values anchored in contractual income, asset-level economics, and long-term growth rather than short-term beta. A key benefit is the illiquidity premium—extra return for committing capital that isn't traded daily. Private assets, such as real estate and infrastructure, typically generate steady cash flows (e.g., rents, tolls, or fees) that are often contractually set, sometimes inflation-indexed, and less correlated to economic and public markets cycles.

Over the long-term, we expect private assets to outperform traditional asset classes.

Long-term return projections for select public markets equities and private assets



Source: Manulife Investment Management (MIM) Multi-Asset Solutions Team, March 30, 2026. Returns in USD. Asset class forecasts are comprised of inputs driven by proprietary MIM research and aren't meant as predictions for any particular index, mutual fund, or investment vehicle. To initiate the investment process, the investment team formulates five-year and long-term risk and return expectations, developed through a variety of quantitative modeling techniques and complemented with qualitative and fundamental insight. Assumptions are then adjusted for several factors. This chart contains forecasts reflecting potential future events and is only as current as of the date indicated. There's no assurance that such events will occur, and the actual asset class return may be significantly different from that shown here. This material shouldn't be viewed as a recommendation or a solicitation of an offer to buy or sell any investment products or to adopt any investment strategy. Past performance isn't indicative of future results. It's not possible to invest directly in an index.

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3 Enhances diversification

Private assets expand opportunities beyond public stocks and bonds, adding exposure to assets that behave differently from traditional assets. Private assets have a lower correlation to public markets, meaning their returns are less affected by short-term market sentiment. This characteristic can broaden portfolio diversification when added to a traditionally diversified portfolio. Private assets, when added in select amounts, can provide for alpha and support more consistent income near and through retirement.

4 Smooths out volatility across the glide path

Private assets often show lower observed volatility because they aren't repriced daily and are less influenced by short-term market sentiment. Their valuations rely more on fundamentals and cash flows than on temporary price dislocations in the public markets.

U.S. private equity generated competitive annualized returns with lower volatility than U.S. public equities over the 15-year period ended December 31, 2025 (see chart below). While public equities delivered a higher annualized return (14.6% vs. 12.9%), private equity achieved those returns with nearly half the volatility (7.7% vs. 14.7%). When added to a traditional portfolio, private equity allocations can provide growth potential with lower observed volatility.

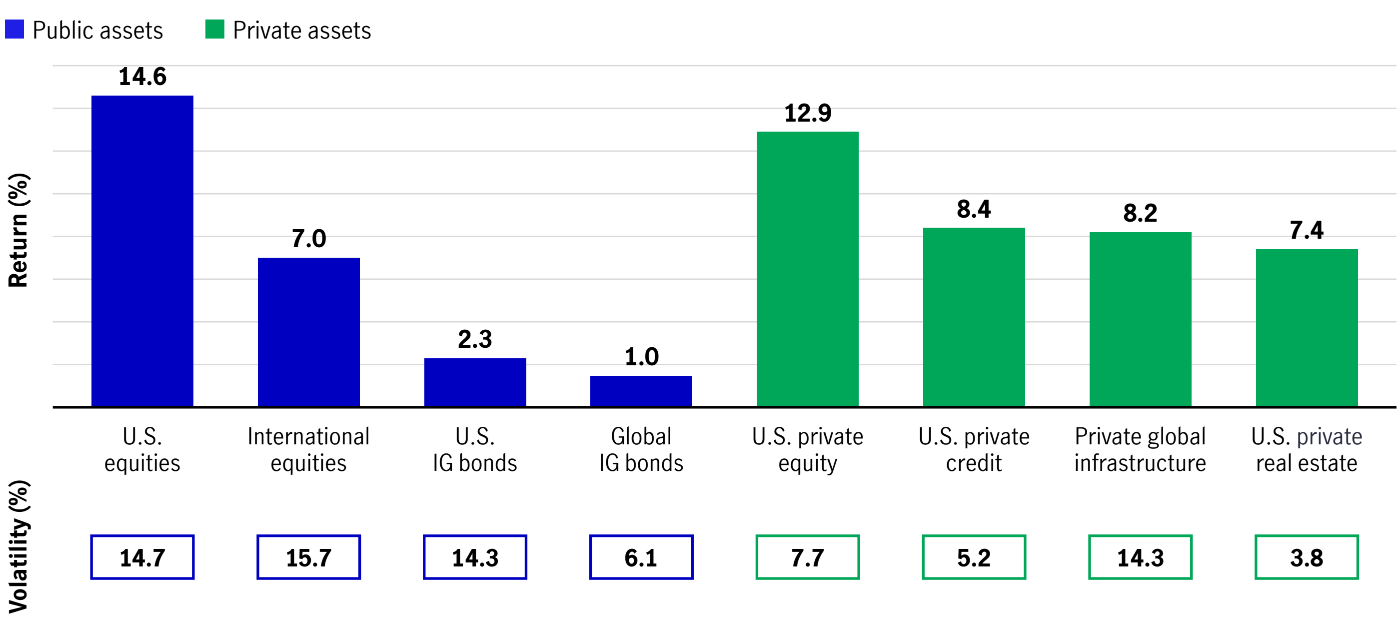
Managing sequence-of-returns risk is also essential during early retirement withdrawals to protect portfolio sustainability. Within a TDF glide path—especially as derisking begins closer to the target date—private assets' volatility dampening may help improve long-term outcomes.

5 Acts as a hedge against inflation

Inflation erodes the real value of savings, so protecting purchasing power is vital, especially near retirement. While not guaranteed, some real assets—such as infrastructure and real estate—have cash flows and values tied to long-term contracts, regulated pricing, and inelastic demand, which can serve as a hedge against inflation. Returns for these real assets tend to keep pace with inflation better than those of nominal assets,[8] such as traditional bonds, whose income is fixed.

Higher expected returns provide participants, especially those near or in retirement, with a greater sense of income stability.

15-year annualized returns/risk as of December 31, 2025



Source: Manulife Investment Management, Morningstar as of December 31, 2025. IG means investment-grade. Representative indexes Global Infrastructure: Burgiss Infrastructure Index; U.S. Real Estate; U.S. Private Equity and Credit: Preqin data as of 12/31/25; NCREIF Property Index; U.S. Equities: S&P 500 TR Index; International Equities: MSCI EAFE GR Index; U.S. Bonds: Bloomberg U.S. Aggregate Bond Index TR; Global Bonds: Bloomberg Global Aggregate Bond Index TR. All returns are in U.S. dollars. For illustrative purposes only.

Factors driving the adoption of private assets in DC plans

- **Fewer public companies—**Public markets have nearly 50%[9] fewer listed companies than they did in the mid-1990s, while private companies are expanding. Private assets provide participants with exposure to new high-growth investment opportunities in the private sector.
- **Rising participant interest—**More than 70% of investors ages 21 to 43 believe traditional asset classes alone may not deliver the returns they seek, driving growing interest in alternative investments.[10]
- **Growing market awareness—**News coverage—including a landmark DOL decision[7] clarifying how to offer alternatives in DC plans—is making it easier to offer private assets. More than 40% of financial professionals[11] already recommend or expect to recommend private-market strategies, and one in five DC plans[12] is expected to include private-asset options by 2035.
- **Greater customization potential—**Today's multigenerational workforce seeks a retirement plan that can adapt to their financial goals, lifestyle, and retirement expectations. Sponsors and financial professionals can adjust the weights of private assets to align with participant demographics, risk profiles, and plan objectives, creating customized, competitive offerings to attract and retain talent.
- **Favorable regulatory reform—** Following a mid-2025 executive order to democratize access[13] to alternative assets, the DOL began easing regulatory barriers that have largely kept DC plan fiduciaries from offering private assets. Key points of the DOL's proposed regulations,[7] issued in March 2026, included:
  - A process-based safe harbor that outlines how to prudently evaluate and select alternative investments, offering DC plan fiduciaries protection from litigation risks.
  - Generally, private assets should be offered in professionally managed, diversified vehicles such as TDFs rather than as stand-alone options.
  - Fiduciaries are responsible for managing participant redemption needs, even when offering private assets with lower liquidity, such as private equity or private real estate.
- **Emerging cost savings—**Some recordkeepers may offer credits or pricing discounts to plan sponsors who integrate private assets using CIT structures. Transparent billing and ERISA-consistent design may also help sponsors pursue available SECURE 2.0 credits, further reducing their net plan costs.

Myths vs. the facts of private asset investing

Myth: Adding private assets means DC plans won't be benefit-responsive to daily participant liquidity needs.

Fact: Properly structured solutions—such as TDFs and managed accounts—can include a modest allocation to private assets while still offering daily valuation, liquidity, and benefit responsiveness to DC plan participants. Liquidity is managed at both the portfolio and the CIT (private asset fund) level through public asset allocations and cash management. This means participants can continue to trade, rebalance, and receive timely distributions.

Myth: Private assets are riskier versions of their public counterparts and aren't appropriate for DC plans.

Fact: Like all investments, private assets have specific risks to consider that vary by asset class. Generally, private equity may carry higher business risks in exchange for higher return potential. Private credit is often senior, secured, and income-focused, which has lower volatility than high-yield bonds. Private assets also tend to show lower reported volatility because they're not priced daily. Common risks include reduced liquidity, greater complexity, higher costs, and less publicly available information about the underlying investments, companies, or projects. Overall, private assets introduce different risks but aren't inherently riskier.

Myth: Using a high-profile private asset manager automatically introduces outsized risks.

Fact: Fiduciary appropriateness depends on the process, not a firm's brand. ERISA has outlined guidelines that include following a thoughtful, documented, and repeatable process, and choosing a private asset manager based on due diligence.

Myth: Fiduciary and litigation risks are too high, so it's best to avoid private assets altogether.

Fact: Regulatory guidance clearly states that private assets are allowed in DC plans, rather than having no alternatives. A six-factor safe harbor, issued following an executive order to democratize access to private assets and other alternative investments for DC plans, has provided a framework for plan fiduciaries to follow and offers protection from litigation risk.

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Conclusion: why private assets matter now

As retirement horizons extend and longevity risk intensifies, integrating private assets into professionally managed TDFs and managed accounts can help build more durable, DC portfolios. With differentiated return drivers, extra return potential, inflation-linked cash flows, and lower correlations to public markets, private assets can enhance diversification, improve risk-adjusted performance, and help savings last longer in retirement.

Backed by clearer regulatory guidance and DC-compliant structures, plan sponsors and financial professionals can consider adding private assets into their DC tool kit to help ease longevity risk and achieve better outcomes. When implemented thoughtfully with strong fiduciary oversight and participant education, private assets can help more Americans sustain their standard of living and retire with greater confidence.

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1 World Health Organization, Ageing and Health, 10/1/25. **2** "U.S. centenarian population is projected to quadruple over the next 30 years," Pew Research Center, 1/9/24. **3** Q2 Happy Retirement Report, Pension Bee, 5/5/26. **4** John Hancock commissioned Edelman Public Relations Worldwide Canada to conduct the 2025 financial resilience and longevity survey. John Hancock and Edelman Public Relations Worldwide Canada are not affiliated, and neither is responsible for the liabilities of the other. **5** "Longevity risk: how longer lifespans affect shortfall risk in retirement plans," Manulife John Hancock Retirement, Multi-Asset Solutions Team, 12/23. **6** "Private equity delivers stronger, long-term returns than any other asset class," American Investment Council, 12/8/25. **7** "U.S. Department of Labor proposes landmark rule to democratize assets to alternative investments in 401(k) plans," U.S. DOL, 3/30/26. **8** "The role of private assets in target-date funds," Multi-Asset Solutions team, Manulife Investment Management, 4/26. **9** "Fewer companies are going public. Are regulations driving the drop?," Columbia Business School, 8/13/25. **10** "Younger Investors Are Driving A Shift Toward Alternative Investments," Forbes Finance Council, 7/1/25. **11** "2026 Outlook: Alts in DC Plans Move From 'Can We?' to 'How Do We Do It Safely?'," PLANSPONSOR, 12/19/25. **12** "Cerulli: Up to One-Fifth of DC Plans Might Invest in Private Markets by 2035," Wealth Management, 1/8/26. **13** "Democratizing access to alternative assets for 401(k) investors," The White House, 8/7/25.

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For complete information about a particular investment option, please read the fund prospectus or fund offering document/trust document. You should carefully consider the objectives, risks, charges and expenses before investing. The prospectus or fund offering document/trust document contains this and other important information about the investment option and investment company. Please read the prospectus or fund offering document/trust document carefully before you invest or send money. Prospectus or fund offering document/trust document may only be available in English.

There is no guarantee that any investment strategy will achieve its objectives.

Illiquid alternative funds: Alternative investments by their nature involve a substantial degree of risk, including the risk of total loss of an investor's capital. Further, alternative investments are subject to less regulation than other types of pooled investment vehicles, may be illiquid, and cannot assume that investments in the asset classes identified will be profitable or that decisions we make in the future will be profitable. Alternative investments may also involve significant use of leverage, making them substantially riskier than other investments.

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