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## IMpact: An investment management podcast series

# Episode 17: Private capital assets in US defined contribution plans could exceed $1 trillion by 2030

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**Reese Blair:** *Hello, everyone. I'm Reese Blair, your host of IMpact, the investment management podcast series from Deloitte. In every episode, we come together to explore the issues shaping the industry, whether it's regulation, recession, or resiliency. By diving deep into the latest news, trends and challenges, we'll discover how collaboration and shared insights can drive progress for professionals across investment management. So, tune in, learn something new, and walk away with insights that can help you make an impact on the investment management industry and the world around you.*

**Reese Blair:** The prediction from Deloitte's Center for Financial Services is striking. Private capital assets in the US defined contribution plans could exceed $1 trillion, with a T, by 2030. To help us unpack that, I'm joined again by Lananh Nguyen, who leads research at the center. Lananh, welcome back.

**Lananh Nguyen:** I'm really happy to be here for our trilogy. So, this prediction comes from research conducted by our colleagues Eric Fox, Jeff Levi, Scott Parker, Doug Dannemiller, and Nirav Shah.

**Reese Blair:** They did a lot of work, but what were they ultimately trying to answer, Lananh?

**Lananh Nguyen:** So, they were trying to answer the question of whether private capital could become a meaningful part of DC plan design by 2030, and more importantly, what it would look like and take to get there in a way that actually works for retirement savers.

**Reese Blair:** You know, that's a good place to start. Let's start with that point. We have a massive retirement market, a changing regulatory conversation, and an asset class that has historically been reserved for big institutions. Curious, Lananh, what does the research tell us? Why is this conversation happening now?

**Lananh Nguyen:** So, there are three reasons, Reese. The first is that the US retirement market is enormous, so even a small shift can create really big flows. The second is that the regulatory conversation has changed, giving planned fiduciaries a framework to evaluate private capital.

**Reese Blair:** And the third?

**Lananh Nguyen:** If this market scales, it's likely to happen through structures participants already use, like target date funds. And so, the question isn't only whether participants can access private capital, it's whether the industry can deliver it responsibly.

**Reese Blair:** I think that distinction really, really matters. This isn't just a story about opening the doors to a new asset class. I think access certainly may be the headline, but product design, governance, fees, liquidity, and, of course, participant outcomes—I think that's where the real story lies.

**Lananh Nguyen:** That's exactly the right frame, Reese.

**Reese Blair:** So, maybe let's dive into the numbers. I'm an accountant, so I can't help myself. So, we talked about $1 trillion, with a T, and that's a big figure. But what does it actually represent, Lananh?

**Lananh Nguyen:** So, Reese, that represents about 6% of private US DC plan assets, and that's our base case. So, it's not a guarantee, but a forecast of what's possible, depending on how the market develops.

**Reese Blair:** And to be clear, this isn't, again, saying 6% of every plan's menu would be a private capital option, right?

**Lananh Nguyen:** Right, right. Most of that exposure is expected to sit inside existing structures that participants already use, like target date funds, collective investment trusts, and managed accounts. So, the underlying portfolio might become more sophisticated, but the participant retirement saver still needs that to remain pretty simple.

**Reese Blair:** So, again, the complexity can be managed at the product level and certainly not pushed onto those individuals who are saving for retirement.

**Lananh Nguyen:** Yeah, and that's the goal. When we say private capital here, we mean private equity, private credit, and other nonpublic assets. And the Department of Labor issued a proposed rule to include alternative assets more broadly in US DC plans earlier this year, but our analysis focuses on private capital specifically because of its growing relevance in retirement plans.

**Reese Blair:** So, maybe, Lananh, can you walk us through that timing? Is this happening now? Is this happening further out? Where are we in this journey?

**Lananh Nguyen:** So, initial activity is expected to be limited this year, but more meaningful uptake could start around 2027 when allocations may approach 2%, and then it builds through the rest of the decade.

**Reese Blair:** And that growth obviously depends on a number of things coming together at once, I presume.

**Lananh Nguyen:** Yes. Ongoing retirement contributions, large plan adoption, target date fund integration, product development, and stronger operating capabilities. So, there's a lot of contingencies here.

**Reese Blair:** And we're talking about, again, a very large market. Private employer-based retirement assets, I believe we're at about $11.8 trillion at the end of 2025?

**Lananh Nguyen:** Yes. So, even a modest shift in portfolio construction can really create significant flows, Reese. But the larger opportunity becomes, the more it's important to remember governance and participant protections as well.

**Reese Blair:** And size certainly creates opportunity, but also it creates responsibility to whom much is given. In equal measure, size and responsibility come hand in hand.

**Lananh Nguyen:** Exactly. And that balance runs through everything that we're going to be discussing today.

**Reese Blair:** So, something shifted on the regulatory side recently, and I think in March 2026, the Department of Labor issued a proposed rule on alternative assets in DC plans. Lananh, can you walk our listeners through what actually changed?

**Lananh Nguyen:** So, it's a little technical, Reese, but basically the proposal introduced a process-based safe harbor for evaluating investment options that may include private capital. So, it looks at fees, performance, liquidity, pricing, and complexity, and it's designed to reduce some of the legal uncertainty that's kept the plan sponsors on the sidelines.

**Reese Blair:** So, that phrase, safe harbor, could potentially sound like a green light, but that's not really what it is, right?

**Lananh Nguyen:** No, it's more like a clearer roadmap for evaluation. So, it doesn't say that private capital is right for every plan or every participant, and it doesn't remove fiduciary responsibility.

**Reese Blair:** So, the fiduciary question does shift. It's no longer, can we consider this? It becomes, can we show our work, really provide that support?

**Lananh Nguyen:** Yes, and that's a great way to put it, Reese. Showing the work means documenting the process before the launch and monitoring it afterwards. And the focus really stays on whether the investment continues to serve the participants over time, and I know you like that documentation piece.

**Reese Blair:** That's right, I'm an auditor. So, I think in debits and I think in credits, and there's always, I would argue, another side to the entry. There's always another side to the entry. So, on one side, we have access. We have diversification, potential return streams (those sound great). On the other side, though, you have fees, you have limited liquidity, you have pricing complexity, and also whether participants understand what they're getting.

**Lananh Nguyen:** That's right, and those concerns do not disappear with a proposed rule.

**Reese Blair:** And I would argue that people are certainly paying attention. Last count, about 47,000 comments were submitted during the public consultation period. That's not a small group of investment specialists.

**Lananh Nguyen:** No, 47,000 is quite a lot, and it's a much broader conversation we're having about retirement access and fees and participant protection here.

**Reese Blair:** So, regulatory clarity, similar to what we covered in our first series, creates an opening, but it doesn't eliminate responsibility.

**Lananh Nguyen:** That's right. Products still need to be well-designed, and the fees still need to be transparent. And, of course, liquidity and pricing need to be managed as well. So, participants really have to be protected throughout. That doesn't change.

**Reese Blair:** Got it. Let's maybe move on to what may be one of the most important parts of the forecast, and that's around target date funds. They're already the dominant default option in many DC plans. Why do you think that makes them the most likely channel for private capital exposure?

**Lananh Nguyen:** So many participants are already automatically enrolled, Reese. So, the fund adjusts its mix as the participant gets closer to their retirement, and so long-dated target funds may actually fit better with the less liquid investments than a stand-alone option, which trades every day.

**Reese Blair:** And, of course, portfolio design should benefit as a function of that. So, a professionally managed target date fund can figure out how private equity, private credit, infrastructure, even real estate fits into the overall allocation. Is that right?

**Lananh Nguyen:** Yeah, that's right, Reese. And it's super different than asking each participant to evaluate every one of those asset classes themselves and make their own allocation decision.

**Reese Blair:** Right. The fund manages the complexity, not the participant. The participant only sees their retirement account.

**Lananh Nguyen:** Ideally, yes, although the fund still needs strong liquidity management, pricing oversight, and clear communication around what it holds.

**Reese Blair:** So, let me make the default piece concrete. Let me see if I can make this plain. So, think about ordering takeout. An app might include utensils unless you opt out. That one default setting changes what most people get because most people accept what's already selected. Is that a fair way to think about how private capital might scale through DC plans?

**Lananh Nguyen:** Yeah, that's a great analogy, Reese. It really is. It means that private capital, if it's embedded into a target date fund, could be adopted faster just as you opt in to those utensils. So, if it's only available as a stand-alone option, then people have to find it and pick it, and that makes it a slower path to adoption.

**Reese Blair:** So, there really are two decisions, the first one being the plan sponsor decides whether to include a structure with private capital exposure, then whether that structure becomes a default. Is that fair?

**Lananh Nguyen:** Yes, and if it's not in the lineup, then the participant never really gets to make that choice, and if it is in the lineup but it's not the default option, then many participants may still never pick that.

**Reese Blair:** Which is probably why large providers and large plans matter so much here. If a few major target date fund providers and record keepers move forward, essentially, they set the standard.

**Lananh Nguyen:** Yes, and they create credibility and infrastructure for others to follow, and they also have the reach to really shape the standards around the reporting, disclosure, liquidity management, and fiduciary documentation.

**Reese Blair:** And I would imagine that collective investment trusts or CITs are certainly worth highlighting here too. They're already used in DC plans, and are we seeing any real products actually move into the market?

**Lananh Nguyen:** Yes, and so there are some early examples, Reese. Not proof that the whole market has moved, but product development is certainly advancing, and the question now is whether those early examples build into the baseline scenario or stay closer to our conservative case.

**Reese Blair:** So, let's maybe compare those two paths. What has to happen for DC private capital to climb from roughly $300 billion in 2027 to about $1.1 trillion by 2030?

**Lananh Nguyen:** The baseline assumes that fiduciaries' comfort grows with these products, that the product design improves, and that the larger plans move first. It also assumes that private capital gets embedded into default options like target date funds and CITs. So, the operating model, governance, and default investment channel all have to work together.

**Reese Blair:** And in the conservative case, the forecast lands closer to $200 billion by 2030. What do you think holds things back?

**Lananh Nguyen:** That's right, Reese, $200 billion with a B. So, the things that are holding back would be litigation concerns, any sensitivity around fees, and also the operational complexity. So, plan sponsors under that conservative case hesitate to include private capital and target date funds, and without that default channel, the adoption stays concentrated among larger plans and participants with bigger balances.

**Reese Blair:** But that's still a meaningful market, but a very different story from the baseline.

**Lananh Nguyen:** Yes, and it could make adoption more uneven with larger plans having stronger governance, more consultant support, and more bargaining power. So, the smaller plans just may not have access to that same ecosystem, so they wait and they watch.

**Reese Blair:** Arguably early movers often establish the model.

**Lananh Nguyen:** Exactly, and if the early examples run into any issues like liquidity problems or fee disputes or even complaints from participants, that can really slow everything down.

**Reese Blair:** And, of course, market conditions matter. There have been tons of headlines about private credit and liquidity pressure. That certainly affects how comfortable fiduciaries feel.

**Lananh Nguyen:** It does, and the useful question isn't whether private capital is simply good or bad. It's what type of private capital, and in what structure, at what cost, and what liquidity terms, and for which participants.

**Reese Blair:** It's certainly not a slogan, Lananh. It's a due diligence exercise, to be sure.

**Lananh Nguyen:** For sure. It's the details that determine whether this works or it doesn't.

**Reese Blair:** So, let's maybe get impractical. Let's sort of roll up our sleeves here. Let's think about how we would support our investment managers. If they want to move forward responsibly, where should they start?

**Lananh Nguyen:** So, consider the defaults. Work within the existing DC structures, target date funds, CITs, managed accounts, or multi-asset strategies. Those are the typical channels. And, moreover, the product should have clear allocation limits, liquidity controls, pricing controls, and documentation. I know you love documentation.

So, it doesn't really require a full redesign of the plan menu. That's the product side. And then when we shift over to the operating model, it's whether the plan can actually run and monitor it. So, what's really important is record-keeper readiness, data transparency, risk reporting, and community materials. And all of that has to be addressed before launch.

**Reese Blair:** And, of course, we can't forget about fees. We have fees, we have liquidity, and pricing conversations. So, DC plans, as we know, are highly fee-sensitive. The private assets don't have a daily market price. So, what should fiduciaries understand on that topic?

**Lananh Nguyen:** On fees, fiduciaries should understand the total cost, not just the headline number. And they should be able to explain whether the potential benefits genuinely justify what the participants are paying.

**Reese Blair:** And what about liquidity?

**Lananh Nguyen:** So, the product structure should also match the underlying assets. It should account for participant flows, rebalancing, retirement transactions, and what happens in a stress market.

**Reese Blair:** That last one is often the question nobody wants to answer up front, but it's an important one, right?

**Lananh Nguyen:** Yeah, and on pricing, fiduciaries should have confidence that the models and the third-party inputs and internal processes are fair and that they're consistent, and that they're monitored over time.

**Reese Blair:** So, arguably, a manager should be ready to answer, what is this CIT or whatever vehicle is holding? What is it holding? Why is it here? What does it cost? How is it priced? And then, of course, what happens if somebody wants to get out?

**Lananh Nguyen:** Yes, and those answers should work for the plan committee, and they should also be translated into plain language for participants.

**Reese Blair:** Yes, complexity managed by the industry. It's certainly not pushed onto the person saving for retirement.

**Lananh Nguyen:** That's the standard, and the product may be sophisticated, but the explanation around it should not be.

**Reese Blair:** Partnerships do come up here a lot as well. We were talking about that in our first iteration of the series, and so I think we can revisit that here. A traditional DC manager, however, might not have private market expertise. A private capital manager might not know how to talk to a record keeper or communicate with plan participants. So, how do firms approach these gaps?

**Lananh Nguyen:** So, they should consider working as a team and having clear roles and responsibilities and economics. So, all of these processes should be defined for conflict management, reporting, and what happens when something goes wrong, because partnerships can close capability gaps, but they should not create accountability gaps.

So, that's the risk here. If something goes wrong and nobody owns it, the participant is the person who pays the price. So, it really comes down to defined roles and making sure that everyone has the customer covered.

**Reese Blair:** And, of course, AI can support several parts of this. I would imagine from liquidity modeling, maybe participant flow analysis, pricing oversight, risk reporting, all of these things can probably be supported and/or empowered through AI. Is that fair?

**Lananh Nguyen:** Yes, it is fair. And, of course, we've got to talk about AI in any podcast. So, the technology that sits inside a governance framework doesn't replace the human accountability for all of this oversight. So, firms should have oversight over their models, over their data, over their assumptions, and, of course, over their outputs.

**Reese Blair:** And, of course, the tool can be ready before the firm is, and that's a real risk.

**Lananh Nguyen:** That's a central point. This is an operating model decision, it's not just a product launch.

**Reese Blair:** So, we should say managers should build the investment structure and the guardrails at the same time. And they should keep the retirement saver, not the product, at the center of the design. Is that fair?

**Lananh Nguyen:** That's fair. And private capital should expand access to return streams that have historically been available only to the bigger institutions. But whether that becomes a lasting shift or stays a limited opportunity depends on how it's implemented. So, I'd like to add that private capital may not be appropriate for all plans and adoptions. So, this really depends on a case-by-case fiduciary analysis.

**Reese Blair:** So, Lananh, we're going to bring this plane in for a landing. We have to wrap here. We could talk about this all day because retirement plans are an exciting topic, and we certainly covered a lot. And the forecast and what it's actually going to measure is really poignant. I think we should definitely encourage our listeners to go take a read of it and take a deeper dive.

But if I could recap what we talked about, we talked through policy catalysts, what the fiduciary question really looks like now. We also explored why target date funds and other default options may determine whether this reaches the baseline or stays in the conservative case. And, of course, we unpacked what's needed for responsible implementation.

So, product design, operating readiness, fees, liquidity, pricing, participant education (incredibly important), partnerships, and, of course, technology governance. I covered a lot. But if listeners were to take one thing away, Lananh, what would it be?

**Lananh Nguyen:** So, here's the headline, Reese: Private capital could become a meaningful part of US DC plan design by 2030. But access alone is not the goal. A lot of things have to work together, including default investment options, strong governance, operational readiness, clear communication, and a real focus on participant outcomes. So, it's not a simple one and done. There are a lot of moving pieces here.

**Reese Blair:** Lananh, thank you. This was a genuinely useful and insightful conversation.

**Lananh Nguyen:** Thanks, Reese. So, if listeners want to check out the full prediction, they can go to deloitteinsights.com.

**Reese Blair:** And to everyone listening, thank you for joining today's discussion on private capital and the future of defined contribution plan design. Whether you're deepening your knowledge or exploring this for the first time, our goal at IMpact is to give you insights that don't just inform, they help you act.

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