

Revisiting the Core Menu in Defined Contribution Plans

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In Brief

- **The investment menu of today**
- **Innovations in investment menu design: What’s next?**
- **The future of the core menu: Retirement is personal**

This whitepaper explores investment menu design and contemplates the evolution and future trajectory of core menu design in defined contribution (DC) plans.

The Investment Menu of Today

The typical DC investment menu comprises three tiers. Tier 1 includes the Qualified Default Investment Alternative (QDIA), while Tier 3 includes options such as a brokerage window or company stock. Tier 2, the focus of this paper, involves the core investment options available to participants.

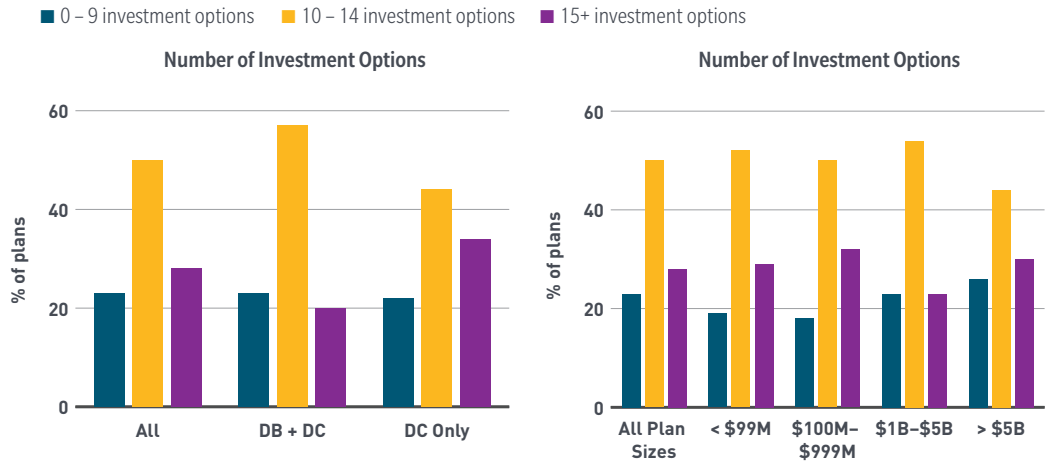
Exhibit 1: Typical DC Investment Menu Design

Tier 1	Tier 2	Tier 3
<p>QDIA</p> <ul style="list-style-type: none"> ▪ Appeals to participants without the expertise to create an investment portfolio ▪ Appropriate for individuals wanting a simple investment solution, typically a target date fund 	<p>Core Investment Menu</p> <ul style="list-style-type: none"> ▪ A selection of investment options, or asset class building blocks, that participants can use to build their own portfolio ▪ Aimed at more sophisticated investors looking for broader choices that allow them to design their own portfolios 	<p>Brokerage Window</p> <ul style="list-style-type: none"> ▪ Extensive choice ▪ Investments that go beyond the typical menu offerings and can complement Tier 1 or Tier 2 ▪ For participants wanting a full range of investment options

Our [2026 MFS DC Plan Sponsor Survey](#) indicated that the most common lineup for DC plans includes 10 to 14 investment options, counting the QDIA as a single option.

The number of options varies, however, depending on plan type and plan size. For example, for sponsors that only provide a DC plan, about 34% of plans offer 15 or more options, versus only 20% for those that provide both defined benefit (DB) and DC plans.

Exhibit 2: Number of Investment Options by Plan Type and Plan Size

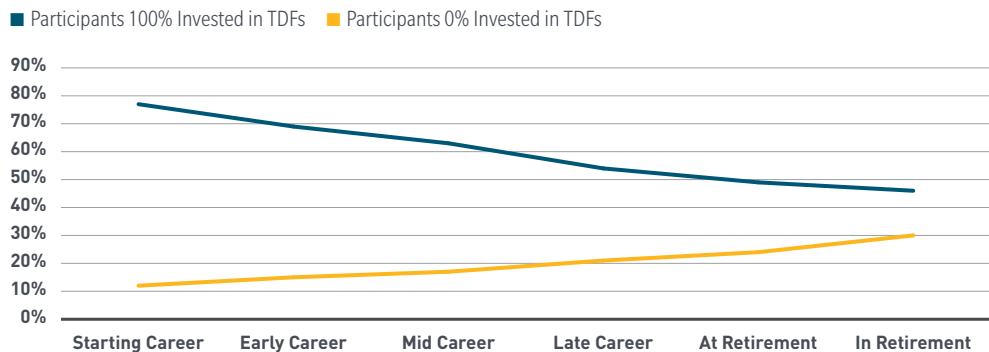


Source: 2026 MFS DC Plan Sponsor Survey

Within Tier 1, target date funds (TDFs) are the most prevalent QDIA and have grown in popularity over the last 20 years, reaching a new high of \$4.8 trillion in assets in 2025.¹ Through the rise of automatic enrollment and escalation, participant usage of TDFs continues to climb, especially among younger employees.

NEPC’s 2025 DC Plan Trends and Fee Report indicated that 77% of participants starting their career invest only in target date funds and 69% of participants in their early career invest only in target date funds. However, these statistics decline with age. The same survey found that for participants later in their careers, at retirement and in retirement, participants who invest only in TDFs continues to decline, with a low of 46% for those in retirement. Accordingly, older participants tend to hold and make contributions to investments in the core menu.

Exhibit 3: Target Date Usage and Trends



Source: 2025 NEPC DC Plan Trends and Fee Survey

The growth in TDF users and assets has driven a corresponding decline in core menu assets, with 52% of all DC plan assets invested in core menu options as of the end of 2025, down from 78% in 2010.²

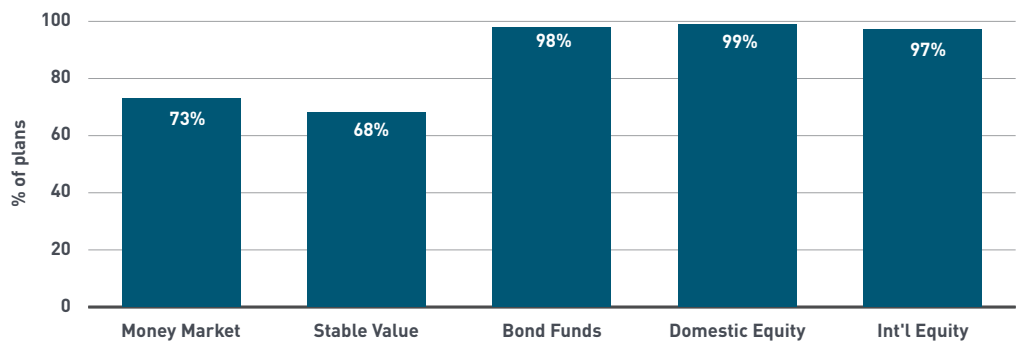


With target date assets continuing to grow in investment menus, where does that leave the core menu? ▲

The same NEPC survey also found that in streamlined menus, it is most common to have 1 cash option, 1–2 bond options, and 3–6 stock options. For plans with larger core investment menus, it is most common to have 1–2 cash options, 3 bond options, and 8–10 stock options.

The investment selections within core menus are predominantly traditional equity and fixed income options. Nearly all plans report having bond funds as well as domestic and international equity options available in their menus. Approximately 70% of plans also have a capital preservation option, either money market or stable value.³

Exhibit 4: Types of Core Investment Options Offered



Source: Vanguard, How America Saves 2025

According to the MFS DC Plan Sponsor Survey, 47% of plan sponsors are focused on evaluating their investment lineups holistically. This approach is crucial for ensuring that the available investment options align with the demographics of the participant base.

With older participants as the core menu's primary users, what implications does that have for the number and types of options that should be offered going forward? ▲

Innovations in Investment Menu Design: What's Next?

There are two persistent and prevalent trends in investment menu design that sponsors have been considering for more than a decade. The first is decumulation, and what role retirement income solutions should play in helping participants draw down their retirement assets. The second is customization and/or personalization via customized target date funds and managed accounts that can be personalized at the plan and/or the individual level. We believe both trends have important implications for the future of the core menu.

Our survey found that 41% of plan sponsors encourage participants to stay in plan post-retirement. ▲

Decumulation: Do you have the right options to entice retirees to stay in plan?

This increasing focus on decumulation strategies reflects a shift toward providing participants with options to manage retirement income directly within the plan. This change could impact the core menu's structure, potentially introducing new options tailored for longer-term engagement and income management.

Today, sponsors are being challenged to contemplate retirement income solutions for their participants, including complex solutions that lengthen the fiduciary relationship and increase costs but have not truly been tested by the market. Our survey confirmed that plan sponsors are taking a cautious approach to this space, with only 7% likely to implement a retirement income solution in the next 12 to 18 months.

By thinking more creatively about the mix of investment options in the core menu and aligning plan design to allow for more flexibility with distribution options, there is plenty a plan sponsor can do to help participants decumulate their assets and create meaningful retirement income without the need to incorporate complex solutions.

We know most plans offer a capital preservation option, with 57% indicating they offer stable value and another 27% indicating they offer both stable value and money market options. Beyond capital preservation, we believe having the right array of conservative fixed income options based on their needs, including shorter-duration fixed income, will be critical for retirees who wish to decumulate their assets from the plan.

From a plan design perspective, we believe sponsors should consider distribution options such as systematic withdrawals or partial distributions so participants can take ongoing or periodic distributions from the plan in retirement. On the participant education front, offering tools and services, including education around Social Security and claiming strategies, may also be beneficial.

Customization: Does your core menu have enough diversified building blocks to help build custom solutions?

Although the market for custom target date solutions has remained relatively flat over the past several years, there is a growing population of plan sponsors who have added a managed account service for participants. Our survey found just 6% of plan sponsors are using managed accounts as their QDIA; 59%, however, provide managed accounts as a service that participants can opt into on their own. Managed accounts typically use core investment menu options as building blocks to help participants construct portfolios that are suited to their unique needs and circumstances.

To optimize that level of personalization and customization, we believe the array of options in the core menu should be sufficiently diversified. For example, streamlined investment menus may make it difficult to build truly customized portfolios for participants. For plans that believe in personalization and customization, the core menu should reflect that through an appropriate array of equity and fixed income investment options.

Equity options may include access to various forms of US equity across the capitalization structure and factor-based strategies such as growth and value, as well as access to non-US equity. Low volatility and dividend-oriented equity strategies could also be suitable options for older participants looking to build a well-diversified portfolio.

Fixed income options may include access to strategies with varying levels of duration and credit exposure. We believe if older participants are the primary users of the core menu, having shorter-duration fixed income options will be critical, as will thinking through the role of the plan's capital preservation option(s).

The Future of the Core Menu: Retirement is Personal

Just as the tiered menu was designed to help meet participant needs, we believe that retirement is personal, and that the future state of the core menu should evolve to meet participants where they are.

One participant may choose to stay in a target date fund over their entire working career. Another may start with a target date fund but move to a managed account option as they approach retirement. A third participant may begin in the plan's QDIA but then move to create their own personalized portfolio as they approach retirement. Yet another participant may be a core menu user and supplement their portfolio with additional choice in the brokerage window. All of these choices are personal.

Potential Considerations for Plan Sponsors: Conduct a demographic analysis to better understand how your participants are using the investment menu today. What gaps exist, and how can you help influence participants' decision-making to construct more optimal retirement portfolios?

Future plan design is likely to emphasize keeping participants in plan. The current core menu tends to have more equity options than fixed income options, but the future core menu may require options that can help in the decumulation process or provide a measure of income in retirement — such as capital preservation options, shorter-duration fixed income options or multi-asset funds designed to generate income.

Potential Considerations for Plan Sponsors: Think about your retirement income philosophy and set an objective for your DC plan. Do you want participants to stay in plan? If so, do you have the right tools, resources and investment options that would allow them to do so?

Traditional behavioral finance suggests that if participants are given too many options, they tend to make poor decisions and create suboptimal portfolios. However, much of that research predated the inclusion of target date funds and diversified QDIA options in DC plans. With most participants in age-appropriate portfolios today, there is now a more narrowly defined population that chooses to construct portfolios from investment options in the core menu. We believe the risk of overpopulating the investment menu is somewhat mitigated by these factors; the expansion of the core menu to specifically include more fixed income choices, for example, could instead help participants have more personalized asset allocations.

Endnotes

¹ Morningstar 2026 Target-Date Fund Landscape, published March 2026.

² 2025 NEPC DC Plan Trends & Fee Report, published February 2026.

³ Vanguard, How America Saves 2025.

Methodology

For survey methodology, please [click here](#).

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