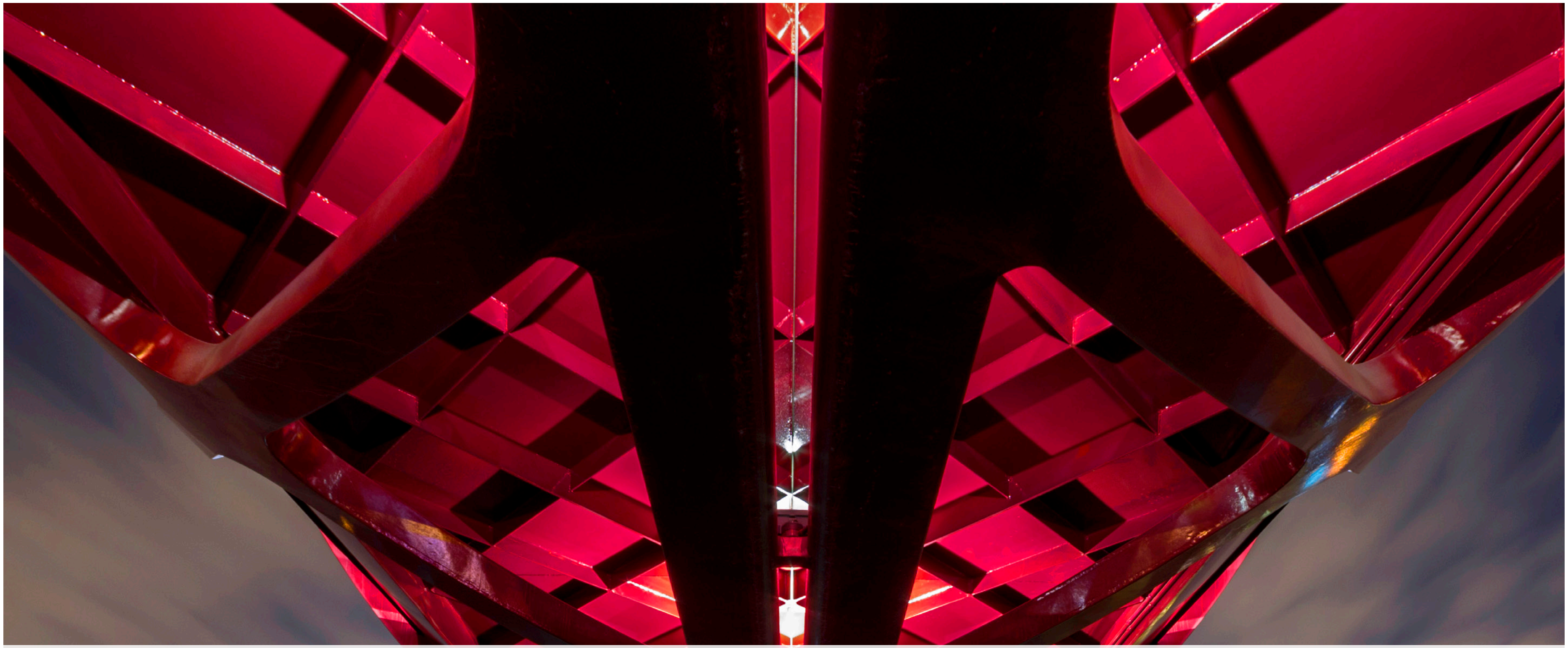
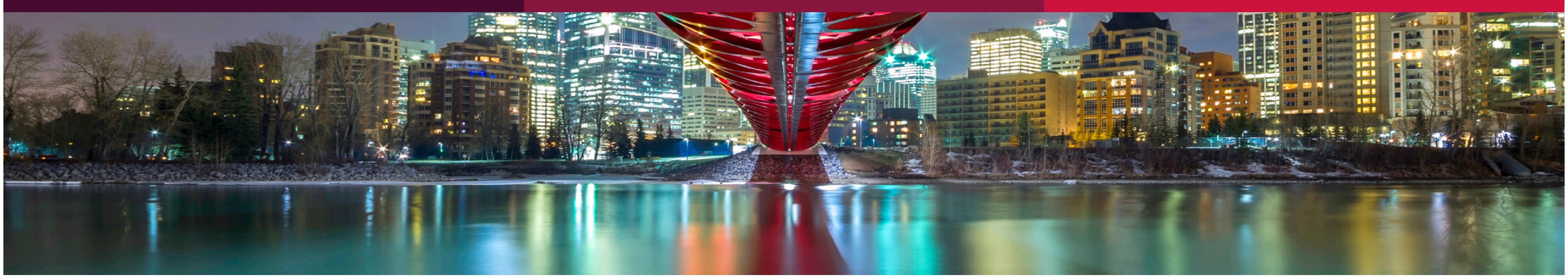


DC Pulse

January 2026 – Research, regulations, returns and trends



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MFS® DC Takes

2026 MFS US Retirement Outlook

20th Anniversary of PPA:

The retirement plan landscape has been transformed: traditional DB plans are rare, while DC plans are dominant.

DC Key Investment Themes:

96% of all DC plans offer TDFs. What is the role of the core menu going forward? What innovation will we see in 2026?

DC Key Regulatory, Legislative and Litigation Themes:

Litigation increased in 2025; regulation is anticipated in 2026. Our survey data shows a lack of demand for private assets.

On the Minds of Plan Sponsors, Advisors and Participants:

The changing regulatory and legislative landscape and inflation are top concerns.

The Path Forward for Corporate DB Plans?

Funded status improvements have implications for growth assets and fixed income duration.

Actions to Consider in 2026 and Beyond:

We can help you prepare for an eventful year. Learn more in our paper, *2026 MFS US Retirement Outlook*.

Source: 2026 MFS US Retirement Outlook.

DC Regulatory and Legislative Happenings

IRS 2026 Contribution Limits

Retirement plan contribution limits, effective January 1, 2026, include:

401(k) Contributions:

- Increased to $24,500
- Catch-up for 50+: increased to $8,000
- Higher catch-up ages 60-63: $11,250 (unchanged)

IRA Contributions:

- Roth and Traditional: increased to $7,500
- Catch-up: Increased to $1,100

Health savings accounts (HSAs) contribution limits, effective January 1, 2026, include:

- Increased to $4,400 for an individual
- Increased to $8,750 per family

2026 Social Security Benefits

The Social Security Administration announced an increase in benefits for Old-Age, Survivors, and Disability Insurance (OASDI) and Supplemental Security Income (SSI) of 2.8% for 2026.

The average Social Security benefit will increase by $56 per month.

The maximum amount of earnings subject to Social Security tax increases to $184,500 from $176,100.

Trump Accounts

Treasury and the IRS issued guidance on "Trump Accounts," expected to go live on July 4, 2026. Trump Accounts are tax-deferred savings accounts for children under age 18. They generally function like a traditional IRA, but with special "growth period" rules. Accounts can only invest in certain mutual funds or ETFs that track an index of primarily US companies, and withdrawals from the accounts will be limited.

The initial federal pilot program will provide a $1,000 deposit for children born between 2025 and 2028. Michael and Susan Dell pledged $6.25 billion to support these accounts, providing an estimated $250 to 25 million children.

Contributions to these accounts are limited to $5,000 per year and will be indexed to inflation after 2027.

Proposed Legislation

Several proposed pieces of retirement legislation emerged this quarter, including:

The ERISA Litigation Reform Act seeks to raise the pleading standards for certain allegations in ERISA litigation.

The Retirement Investment Choice Act would codify the August 2025 executive order focused on alternative and digital assets in DC plans.

The Incentivizing New Ventures and Economic Strength Through Capital Formation Act (INVEST Act) is a bill that packages more than 20 measures, including permitting 403(b) plans to invest in collective investment trusts (CITs). It passed the House with bipartisan support.

Sources:
[IRS: 401(k) limit increases to $24,500 for 2026, IRA limit increases to $7,500]
[IRS: Rev. Proc. 2025-19]
[SSA: Social Security Announces 2.8 Percent Benefit Increase for 2026 | News | SSA]
[IRS: Notice of intent to issue regulations with respect to section 530A Trump accounts]
[PLANSPONSOR: IRS, Treasury Offer Updates on How Trump Accounts Will Work]
[U.S. Representative Randy Fine: Congressman Fine Introduces ERISA Litigation Reform Act to Strengthen Legal Standards and Protect Retirement Plans]
[Retirement Investment Choice Act]
[House Committee on Financial Services: INVEST Act]

DC Market Data

20th Anniversary of the Pension Protection Act (PPA)

1 Increase of Participants in 401(k) Plans Since PPA[1]

58M 401(k) PARTICIPANTS IN **2005**

89M 401(k) PARTICIPANTS **YEAR-END 2022**
(latest data available)

That's more than 3X the number of people in defined benefit plans.

2 Growth of Target Date Assets Since PPA[2]

$100BN IN **2005**

$4.3T **YEAR-END 2024**

3 Improvement in Average 401(k) Balances[3]

$61,000 IN **2004**

$144,000 IN **2024**

4 Current 401(k) Statistics[2]

ASSETS: $9.2T

TDF ASSETS: $3.4T
(37% of all assets)

CONTRIBUTIONS TO TDFS: >65%

Word of Caution: Coverage Problem Persists[4]

Despite improvements to the DC system, 42% of all workers age 18–65 in the private sector do not have access to a 401(k) plan (over 40 million workers).

Accumulation is Essential. Automatic features and QDIAs have boosted participation and balances in DC plans, but there is still more that can be done.

Plan sponsors should continue to monitor the QDIA option and its appropriateness to help participants accumulate assets for sufficient retirement outcomes.

Sources:
[1] US Department of Labor Employee Benefit Security Administration from Form 5500 filings for plans with >100 participants for plan years ending in year shown.
[2] Cerulli US Defined Contribution Distribution 2025.
[3] Fidelity Q3 2025 Retirement Analysis.
[4] Census Bureau's Survey of Income and Program Participation.

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Investment Index Returns

As of December 31, 2025

BENCHMARK	10 YEARS	5 YEARS	3 YEARS	1 YEAR	YTD	3 MONTHS
BALANCE						
Illustrative 60/40 Portfolio	9.78%	8.47%	15.46%	13.70%	13.70%	2.03%
EQUITY						
S&P 500	14.82%	14.42%	23.01%	17.88%	17.88%	2.66%
Russell 1000® Growth	18.13%	15.32%	31.15%	18.56%	18.56%	1.12%
Russell 1000® Value	10.53%	11.33%	13.90%	15.91%	15.91%	3.81%
Russell 2000®	9.62%	6.09%	13.73%	12.81%	12.81%	2.19%
MSCI EAFE	8.18%	8.92%	17.22%	31.22%	31.22%	4.86%
MSCI Emerging Markets	8.42%	4.20%	16.40%	33.57%	33.57%	4.73%
MSCI ACWI	11.72%	11.19%	20.65%	22.34%	22.34%	3.29%
FIXED INCOME						
Bloomberg US TIPS	3.09%	1.12%	4.23%	7.01%	7.01%	0.13%
Bloomberg US Aggregate	2.01%	-0.36%	4.66%	7.30%	7.30%	1.10%
Bloomberg Global Aggregate	2.39%	0.34%	5.12%	4.86%	4.86%	0.78%
CASH						
Cash	2.23%	3.31%	5.03%	4.40%	4.40%	1.02%

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Sources

SPAR, FactSet Research Systems Inc., MFS analysis. Illustrative 60/40 portfolio comprises 60% S&P 500 and 40% Bloomberg US Aggregate and is rebalanced monthly. This hypothetical example is for illustrative purposes only. MSCI indices shown are net returns. Returns for the Bloomberg Global Aggregate Index are hedged to USD.

Cash is based on returns for the FTSE 3-month Treasury Bill Index.

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