



DC Pulse // 4Q 2024 in Review

Research, regulations, returns and trends



MFS® DC Takes

US Retirement Outlook 2025



Participant Expectations:

61% of participants expect a more gradual transition (reducing hours or switching jobs) into retirement.



Retirement Realities:

75% of retirees reported a hard stop (where they stopped working for pay entirely) when they retired.



Plan Sponsor Focus for 2025:

82% of plan sponsors are reviewing SECURE 2.0 provisions; 57% are evaluating the investment lineup holistically.



Regulatory and Legislative Developments in 2025:

71% of sponsors say the changing regulatory and legislative landscape keeps them up at night.



Defining "Long Term"

83% of participants define long-term as 5 years or more; 53% say it is 10+ years when thinking about retirement investments.



The Path Forward for Corporate DB Plans:

DB plans may want to keep an eye on funded status, pension risk transfer lawsuits and PBGC¹ premiums.

We can help you prepare for what we feel could be an eventful year. Learn more in our paper, ["US Retirement Outlook 2025."](#)

Source: MFS US Retirement Outlook 2025.

DC Regulatory and Legislative Happenings



Supreme Court Implications

In the upcoming term, the Supreme Court has agreed to hear a case regarding the [burden of proof for prohibited transactions](#) between plan sponsors and service providers under ERISA.

The case, *Cunningham et al v. Cornell University et al* has been ongoing since 2016.

If the outcome of this case results in a lower bar for plaintiffs to sue plans (and get to the discovery stage), it could make it more expensive to offer and insure retirement plans due to increased litigation risk and costs.

A decision is expected by June 2025.



Regulation: Lost & Found

[The DOL announced the start of its data collection efforts](#) to build the Retirement Savings Lost and Found database.

This database was mandated by SECURE 2.0 and will be an online tool where plan administrators, recordkeepers and other service providers are encouraged to voluntarily submit data to populate the system. Industry groups continue to raise concerns about the database, including privacy and data security concerns.

Once operational, the database will enable individuals to search for unclaimed benefits associated with former employers.



DB or not to DB?

While there has not been much movement in reopening DB plans since the IBM announcement in late 2023, pensions continue to be a hot topic, and were a key negotiation point in the labor dispute between [Boeing and their machinists' union](#), which ultimately settled for an enhanced defined contribution match.

As part of contract negotiations, [Southwest Airlines established a cash balance plan for its pilots](#) where it contributes 1% of wages to the new plan, with contributions increasing to 2% in 2026. Southwest provides a 17% employer contribution to pilots in their 401(k) plan, and the new plan structure allows the spillover amount (if the pilot maxes out) to be contributed to the new cash balance plan.



IRS 2025 Contribution Limits

[Retirement plan contribution limits effective January 1, 2025, include:](#)

401(k) Contributions:

- Increased to \$23,500
- Catch-up for 50+*: stayed the same at \$7,500
- Higher catch-up ages 60-63: \$11,250

IRA Contributions:

- Roth: increased to \$7,000
- Traditional: increased to \$7,000
- Catch-up: stayed the same at \$1,000

[Health savings accounts \(HSAs\) contribution limits](#) effective January 1, 2025, include:

- Increased to \$4,300 for an individual
- Increased to \$8,550 per family

*Reminder Catch-ups for those 50+ to be made as a Roth contribution for those making above \$145,000 (not yet effective until 2026, but some sponsors may have elected to implement in 2025).

Sources:

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https://www.plansponsor.com/dol-launches-data-collection-effort-for-lost-found-retirement-initiative/?utm_source=newsletter&utm_medium=email&utm_campaign=Newsdash&oly_enc_id=1138E5729701I4V
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<https://www.irs.gov/pub/irs-drop/n-24-80.pdf>
<https://www.irs.gov/pub/irs-drop/rp-24-25.pdf>

DC Market Data

A Global Comparison of Retirement Programs

GRADE	INDEX VALUE	DESCRIPTION
A	>80	A first-class and robust retirement income system that delivers good benefits, is durable and has a high level of integrity
B+	75-80	A system that has a sound structure, with many good features but has some areas for improvement that differentiate it from an A-grade system
B	65-75	
C+	60-65	A system that has some good features but also has major risks and/or shortcomings that should be addressed; without these improvements, its efficacy and durability can be questioned
C	50-60	

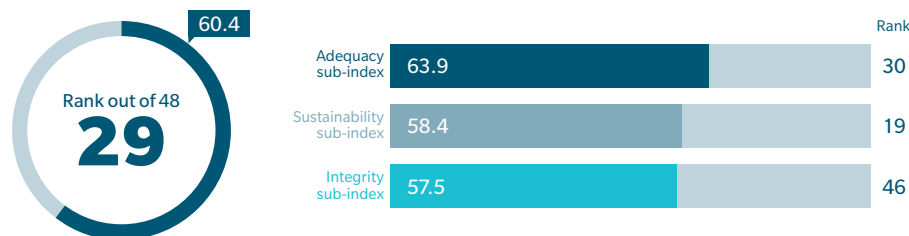
SPOTLIGHT ON #1 RANKED: THE NETHERLANDS

The Netherlands' retirement income system comprises a flat-rate public pension and quasi-mandatory earnings-related occupational pensions schemes.

Recent Dutch pension legislation mandates most DB schemes convert to DC by early 2028.

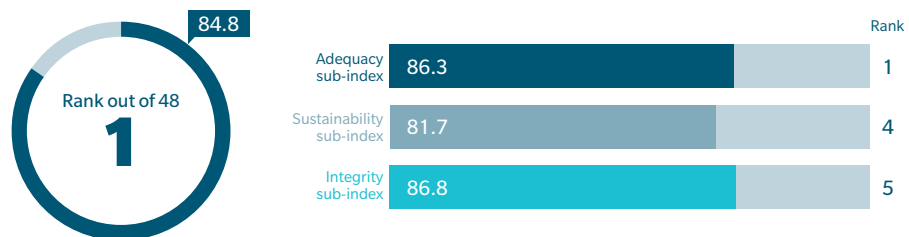
Schemes are expected to have combined employer/member contribution levels above 25% and risk-sharing features such as smoothing investment returns over time and allowing for variable benefits or limited cost-of-living increases in case of adverse experience. Schemes will offer some flexibility in payout options at retirement, but lump sums will be limited to 10% of the account value.

United States of America (US)



THE UNITED STATES RECEIVES A RANKING

The Netherlands



The shift from DB to DC and lack of coverage for all contribute to the mediocre grade for the United States. Keep an eye on the Netherlands, as it is already a top-ranking retirement country moving toward a more comprehensive system. There could be key learnings for the rest of the world in creating best in class retirement systems.²

Source: Mercer CFA Institute Global Pension Index 2024. See Disclosures for survey methodology.

Investment Index Returns

As of December 31, 2024

BENCHMARK	10 YEARS	5 YEARS	3 YEARS	1 YEAR	YTD	3 MONTHS
BALANCE						
Illustrative 60/40 Portfolio	8.52%	8.67%	4.46%	15.04%	15.04%	0.21%
EQUITY						
S&P 500	13.10%	14.53%	8.94%	25.02%	25.02%	2.41%
Russell 1000 [®] Growth	16.78%	18.96%	10.47%	33.36%	33.36%	7.07%
Russell 1000 [®] Value	8.49%	8.68%	5.63%	14.37%	14.37%	-1.98%
Russell 2000 [®]	7.82%	7.40%	1.24%	11.54%	11.54%	0.33%
MSCI EAFE	5.20%	4.73%	1.65%	3.82%	3.82%	-8.11%
MSCI Emerging Markets	3.64%	1.70%	-1.92%	7.50%	7.50%	-8.01%
MSCI ACWI	9.23%	10.06%	5.44%	17.49%	17.49%	-0.99%
FIXED INCOME						
Bloomberg US TIPS	2.24%	1.87%	-2.30%	1.84%	1.84%	-2.88%
Bloomberg US Aggregate	1.35%	-0.33%	-2.41%	1.25%	1.25%	-3.06%
Bloomberg Global Aggregate	2.01%	0.48%	-0.55%	3.40%	3.40%	-0.95%
CASH						
Cash	1.79%	2.54%	4.05%	5.45%	5.45%	1.23%

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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.

The historical performance of each index cited is provided to illustrate market trends; it does not represent the performance of a particular MFS[®] investment product. It is not possible to invest directly in an index. Index performance does not take into account fees and expenses. Past performance is no guarantee of future results. You should consider your client's financial needs, goals, and risk tolerance before making any investment recommendations.

Disclosures

¹ Pension Benefit Guaranty Corporation.

² Methodology: For the Mercer CFA Institute Global Pension Index, the overall index value for each system represents the weighted average of the three sub-indices. The weightings used are 40% for the adequacy sub-index, 35% for the sustainability sub-index and 25% for the integrity sub-index. These have remain unchanged since the first Index was published in 2009.

Keep in mind that all investments, including mutual funds, carry a certain amount of risk including the possible loss of the principal amount invested.

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