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DEFINED CONTRIBUTION

Two Plans, One Integrated Program: Introducing a New Retirement Framework

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To help maximize the impact of their retirement spending, organizations need to think beyond traditional defined contribution (DC) and defined benefit (DB) plans. An integrated retirement program combines the value add of DC with the security of DB in a single strategy that aligns participant outcomes, institutional investment capabilities, and enterprise objectives.

Key Takeaways

1. Move Beyond the DC–DB Tradeoff
   An integrated program captures the capital efficiency and risk-pooling of a DB plan with the transparency of the DC model, allowing organizations to harness the potential advantages of both.
2. Improve Retirement Outcomes
   This framework may provide access to institutional investment strategies, greater contribution capacity, and more efficient retirement income solutions.
3. Increase the Productivity of Retirement Spend
   This retirement framework aligns retirement spending to some of the most important outcomes including workforce resilience, talent attraction and retention, capital efficiency, and organizational performance with no additional cost compared to the DC-only retirement model commonly used today.

Introducting a New Retirement Framework

The U.S. retirement landscape is defined by two structurally imperfect models:

- **DC plans**: While maximizing portability and administrative simplicity, these plans shift the burden of retirement security entirely to the participant. Employees are forced to assume the roles of chief investment officer, actuary, and longevity risk manager, a transition that has frequently resulted in systemic under-saving, restricted investment access, and a lack of viable mechanisms for efficiently converting accumulated wealth into lifetime income.
- **Legacy DB plans**: While historically effective at delivering predictable outcomes, the traditional DB framework has become increasingly untenable for sponsors. Persistent asset-liability mismatches, historical interest rate volatility, and the lack of portability have transformed these pension obligations into volatile balance-sheet liabilities that many organizations can no longer sustain.

In a market defined by rigorous cost discipline, intensifying talent competition, workforce mobility, and heightened scrutiny of every major capital allocation, retirement spend deserves a more strategic test: What enterprise value is the organization buying with each retirement dollar?

- Are retirement contributions optimizing capital efficiency?
- Does the framework serve as a high-performance lever to attract, retain, and engage the workforce the organization needs?
- Is retirement a legacy structure being maintained or a forward-looking lever of enterprise value?

While neither model in isolation fully addresses the complexities of the modern retirement landscape, the implementation of a hybrid retirement framework offers a compelling solution. By integrating the value-added attributes of DC plans with the security and professional management of DB structures, organizations can establish a “two plan, one program” framework that could help optimize participant benefits, enhances retirement outcomes, and maintains cost neutrality.

The Evolution of Retirement Program Design

The prevailing narrative of the U.S. retirement system describes a one-way migration from DB pension plans to DC plans. However, this perspective is increasingly viewed as a false dichotomy. In reality, we are witnessing a strategic “DB-ification" of DC plans, as they incrementally adopt institutional features traditionally reserved for pensions.

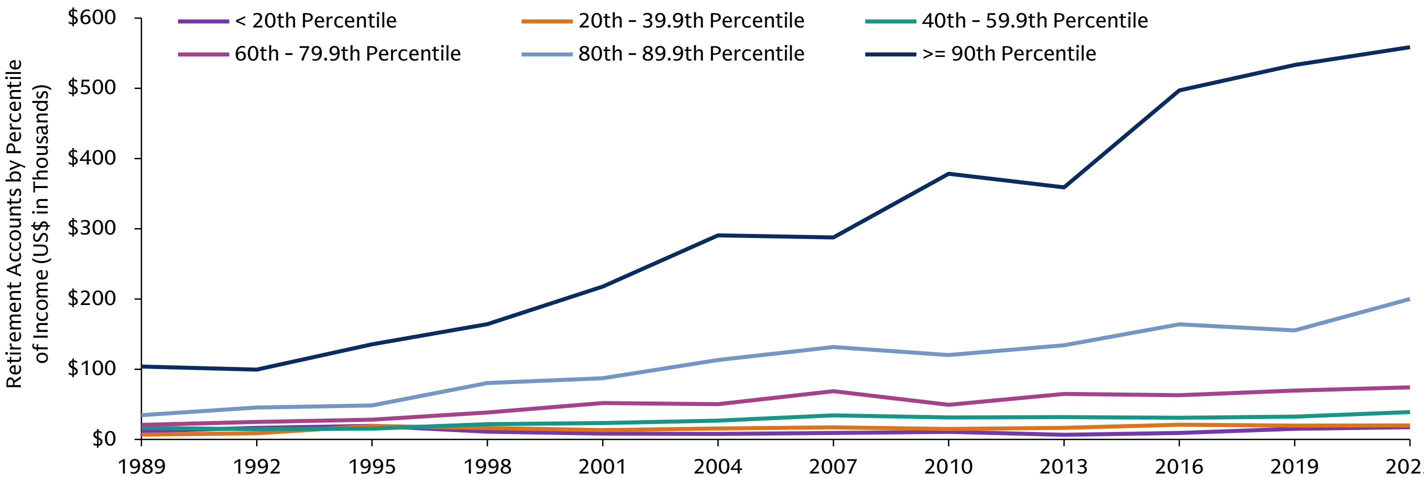
Recent regulatory catalysts, most notably the Department of Labor’s 2026 initiatives to integrate private market investments and lifetime income solutions into DC plans, are accelerating this evolution. While these enhancements represent a significant step toward improving participant outcomes, they may not be the only mechanism for achieving retirement security.

In DC plans, there are several structural hurdles that have proven difficult to overcome.

1. Pending final rules, DC plans can struggle to incorporate certain sophisticated private market investment strategies that DB plans successfully utilized, due to liquidity and fiduciary constraints.
2. DC plans inherently lack the structural mechanisms found in DB frameworks to generate sustainable, lifetime retirement income. Without these institutional engines, participants are frequently forced into a suboptimal choice: either self-insuring against the risk of outliving their assets – a complex and often unsuccessful endeavor – or underspending due to the fear of premature depletion. This “decumulation gap” creates a significant economic inefficiency, as capital that could otherwise support a higher standard of living remains sidelined by the participant's need to manage longevity risk in isolation.
3. The employee contribution limits in DC plans, currently capped at $24,500 for 401(k) contributions (or $72,000 total annual additions that includes contributions from both employers and employees), create a ceiling that impacts savers who are trying to catch up, limiting their ability to achieve retirement adequacy.

By their very nature, DC plans primarily focus on inputs rather than outcomes, leaving the sponsor with limited impact to support the eventual retirement result. With DC plans, the shift of responsibility to the individual has lead to a wide range of saving outcomes, leading to varying retirement timeframes and more people looking to delay retirement. As a result, many participants face significant shortfalls, a reality that most notably impacts low- to middle-income earners.

Retirement Accounts by Percentile of Income/ Retirement Savings Vary by Income Level



Source: Survey of Consumer Finances and Goldman Sachs Asset Management. As of December 31, 2022 (latest available data).

Potential Solution: Introducing an Integrated Retirement Program

One approach for the modern retirement landscape is a framework that transcends traditional binary pure DB and DC models. Instead, an effective strategy may be a deliberate, intentional integration of both.

This architecture pairs a traditional DC plan with a Market-Based Cash Balance (MBCB) plan. The MBCB functions as a modern DB structure that economically mirrors a professionally managed, portable, account-based plan. By structurally integrating the capital efficiency and risk-pooling of a DB plan with the portability and transparency of a DC model, organizations can harness the potential advantages of both. This approach could be more effective than attempting to retroactively bolt on DB-like features to an individual account DC structure.

An MBCB plan is a DB plan where participants earn pay credits into a notional account and their balances grow based on a market-based crediting rate that is tied to actual returns on the plan's assets, subject to a preservation-of-capital rule. By linking the crediting rate to a professionally managed, institutional portfolio, the MBCB plan optimizes the accumulation phase for retirement savers through improved risk-adjusted returns.

By pairing a traditional DC plan with an MBCB plan, sponsors are able to create this enhanced DC-like retirement framework. This hybrid architecture allows the DC plan to fulfill its primary strengths—tax-advantaged savings, participant flexibility, and self-directed choice—while the MBCB serves as the institutional retirement engine. This engine is uniquely equipped to handle complex functions that individual DC plans often struggle with, such as accessing sophisticated institutional asset classes (including private markets) and providing streamlined, professional retirement income management.

Key DC Benefits

- Portability & account ownership
- Payroll deferrals & flexibility
- Participant self-direction (optional)
- Familiar benefit communication
- Administrative simplicity

Key MBCB Benefits

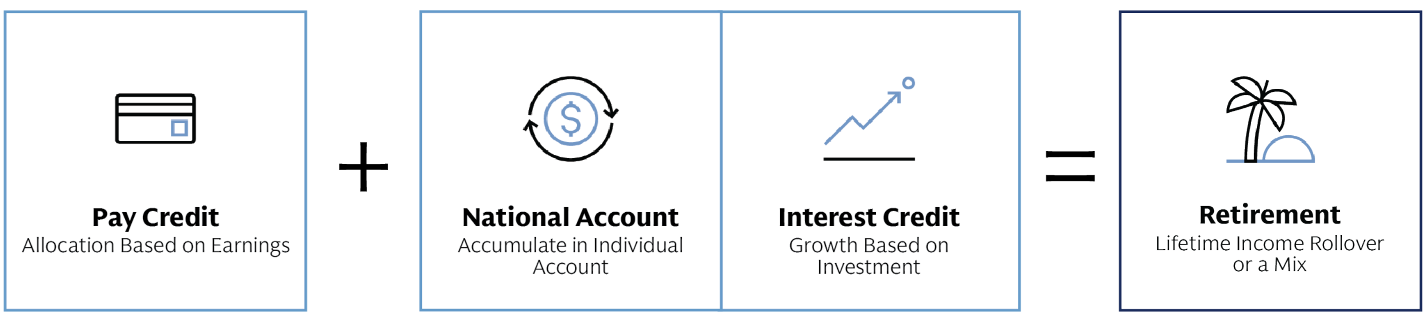
- Institutional portfolio construction
- Private-market & alternative-asset access
- Professional risk management
- Large-pool longevity economics
- Efficient in-plan lifetime-income conversion
- Expanded tax-advantaged contribution capacity
- Portability

How Do Market-Based Cash Balance Plans Work?

MBCB plans are pension plans that offer features that resemble both DC and DB plans. Employees are provided with a notional account that reflects the value of employer contributions. Annual interest credits are applied to the contributions based on the return of the underlying assets selected by the plan sponsor. As a result, the experience of the trust is that same experience that participants receive. At retirement, employees can elect to convert a portion their accumulated balances into a lifetime income pension payment that is paid by the plan based on the notional balance in the MBCB plan, or to roll over their benefit to another DC plan/IRA. Once an annuity is selected, those trust investments are shifted from the underlying investment benchmark to a liability-driven-investing (LDI) strategy to hedge the annuity liability.

Important Attributes

- **Institutional Asset Allocation:** Interest Credits are tied to actual market returns on plan assets, allowing the portfolio to resemble a professionally managed asset allocation.
- **No Asset-Liability Mismatch:** Because benefit growth is linked directly to asset performance, the liabilities essentially *are* the assets, nearly eliminating the volatility found in traditional DB plans.
- **Portability and Transparency:** Benefits are presented as notional account balances, providing the transparency and portability (often as a lump sum) participants expect from a DC plan.
- **Principal Protection:** A core requirement is the capital-preservation rule, ensuring participants receive at least their cumulative pay credits. This risk is limited over time.



For illustrative purposes only.

FASB Accounting Alignment: Reflecting True MBCB Economics

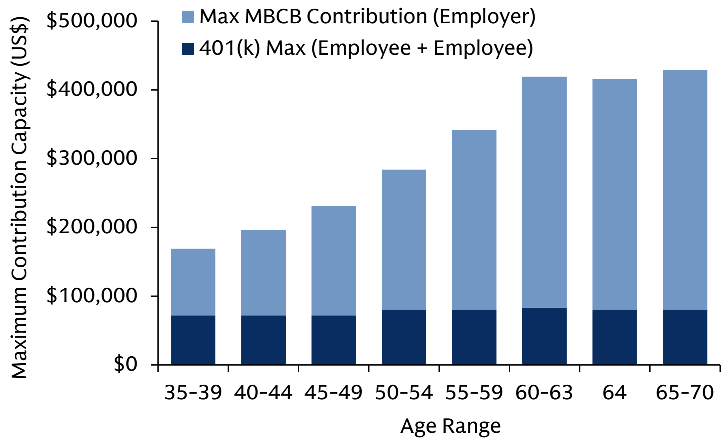
The Financial Accounting Standards Board (FASB) issued a proposed Accounting Standards Update on June 10, 2026—with the public comment period open until August 10, 2026—that would significantly optimize the financial reporting of the MBCB component within the enhanced DC framework. Under the proposed amendments to Subtopic 715-30, qualifying market-return cash balance plans would be required to use their assumed interest crediting rate as the discount rate to measure the benefit obligation. This landmark change could help ensure that the plan's benefit obligation generally equals its hypothetical account balance, subject to principal protection, eliminating artificial measurement mismatches and balance sheet volatility and aligning the accounting treatment with the true economics of the hybrid design.

Potential Key Advantages

1. **Increased Tax-Advantaged Contribution Capacity**

   DC plans cap employee savings at $24,500 plus an $8,000 catch-up for those age 50+, or $11,250 for those age 60–63. Total employee and employer contributions are capped at $72,000.

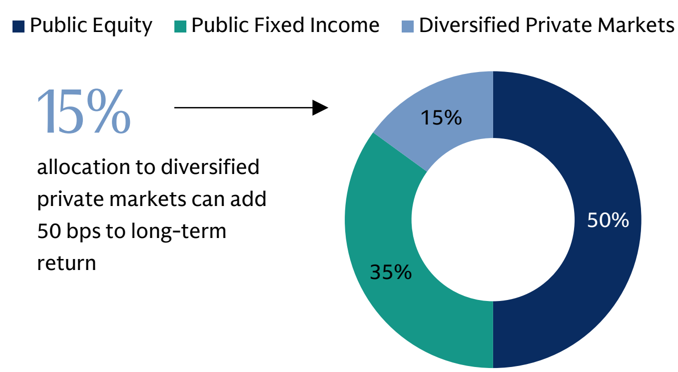
   By adding an MBCB component, the total contribution capacity is no longer capped at the $72,000 (plus catch-up) DC limit. Instead, the MBCB portion is governed by defined benefit plan limits which stipulate a maximum annual annuity benefit payable at age 62 of $290,000 per year. Because the contributions are actuarially determined based on age, MBCB could exceed $250,000 per year for older participants in addition to the 401(k) contributions.



Source: October Three, as of September 22, 2025. For illustrative purposes only.

2. **DB-Oriented Investment Strategy**

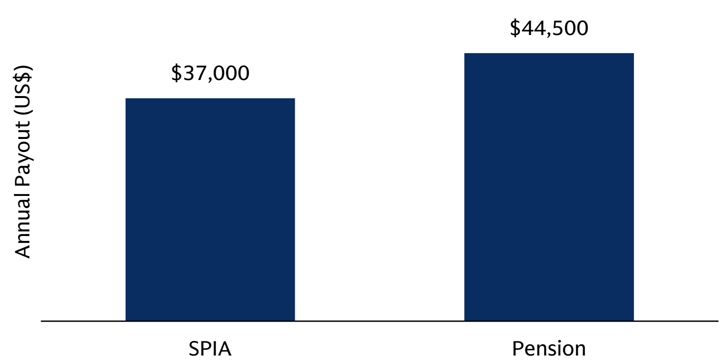
   MBCB plan can be invested for a long-term strategic goal that can potentially include private and alternative markets. A 15% allocation to diversified private markets can improve long-term performance by 50 basis points (bps).



Source: Goldman Sachs Asset Management, May 2026. For illustrative purposes only. Diversified Private Markets include private equity, private credit, and private real estate.

3. **Higher Retirement Income**

   DB annuities generally payout a higher benefit than what can be found in the retail annuity market (approximately 20% higher). By providing a portion of one's retirement benefits as a pension annuity, the overall income from this retirement source can help close a savings gap.



Source: Goldman Sachs Asset Management, July 2026; Industry average Single Premium Immediate Annuity in July 2026. For illustrative purposes only.

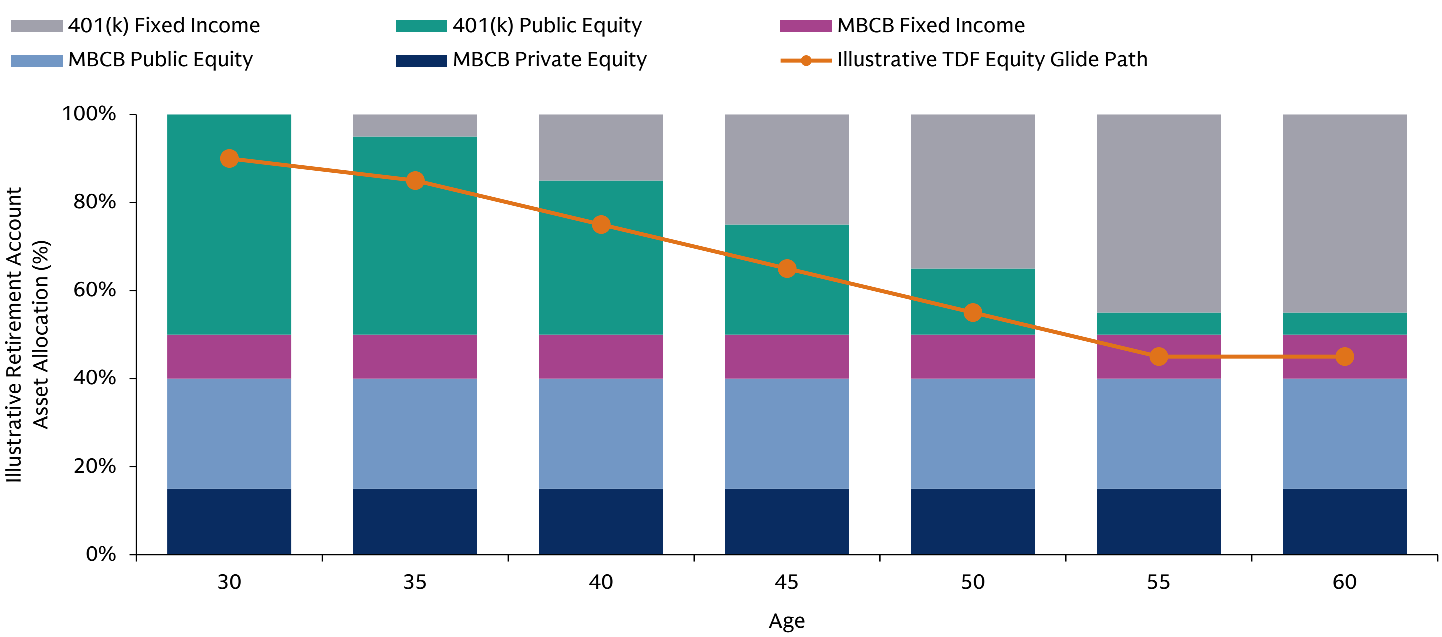
An Integrated Experience: Harmonizing Institutional Power With Personalization

While an MBCB plan provides a sophisticated, long-term-oriented investment engine, it traditionally operates as a one-size-fits-all portfolio for all participants. The true power of this framework lies in the seamless integration of the 401(k) and the MBCB plan, creating a retirement experience that captures the best of both worlds.

By unifying these two distinct structures, participants could benefit from an integrated investment strategy and a streamlined user experience:

- Unified User Experience: This approach eliminates retirement planning fragmentation by providing a single, cohesive view of a participant's benefits. By seeing their DC and MBCB balances in one place, participants gain a clearer understanding of their total retirement readiness, combining the transparency of account-based savings with the security of an institutional retirement engine.
- Personalized, Integrated Portfolios: Integrating the DC and MBCB accounts allows for the construction of a personalized investment strategy that accounts for a participant's entire asset base. Rather than managing accounts in isolation, this unified approach ensures the total portfolio is appropriately aligned with the individual's specific age, risk tolerance, and total retirement assets. This allows the flexible DC component to complement the institutional core of the MBCB plan, optimizing the overall asset allocation across the efficient frontier.
- Institutional Pension Engine: At the center of this hybrid experience is the MBCB plan, which serves as the long-term engine for retirement savings. This structure allows participants to leverage professional risk management and access a broader, more diversified set of return drivers, including private and alternative markets that are typically unavailable in participant-directed DC menus. By anchoring the retirement strategy in this institutional-grade pool, participants can achieve more consistent growth and superior long-term accumulation outcomes.

Aggregate Asset Allocation – Completion Portfolio Approach



Source: Goldman Sachs Asset Management. As of June 2026. For illustrative purposes only.

Are Your Retirement Dollars Enhancing Enterprise Value or Just Funding Obligation?

Enterprise value is not determined solely by how much an organization spends on retirement, but also by how effectively that spending is converted into results that matter. This is a crucial distinction. Many organizations devote significant dollars to retirement and assume that generosity, compliance, and market competitiveness are sufficient indicators of success.

If retirement dollars are to be evaluated as a source of enterprise value, then organizations must begin with a simple but consequential premise: retirement spend is not merely a benefit expense; it is also a form of strategic capital deployment. That may sound like a semantic distinction, but in practice it changes the standard of review entirely. Traditional benefit framing tends to emphasize obligation, administration, and market competitiveness. Strategic capital framing, by contrast, asks whether retirement dollars are being allocated in a way that advances enterprise priorities with sufficient measurable return. When leadership adopts this view, retirement is no longer a passive category of spending; it becomes an active question of capital efficiency, workforce value creation, and organizational performance.

Greater Potential Benefits With No Additional Contribution

The framework is designed to deliver superior potential retirement outcomes without increasing the employer's financial contribution. This optimization between the DC and MBCB plans allows for a more powerful retirement program where the same level of employer contribution could potentially yield greater results for participants.

Key drivers that allow this design to provide potentially higher benefits at no additional contribution include:

- Institutional investment alpha
- Institutionally priced retirement income
- Payroll tax savings

Because the program may be more efficient at generating income alongside the potential to accumulate increased retirement savings, sponsors have the strategic flexibility to help employees reach retirement readiness earlier, support income that can last longer, or modify their contribution design to reduce required contributions while still achieving the same target income outcomes. The enhanced DC framework offers the professional management of a pension with the cost predictability of a DC plan, effectively supersizing the productivity of every dollar spent.

For example:

- A retirement savings allocation to an MBCB plan could allow a saver to be prepared to retire earlier with the same level of retirement income due to a higher level of retirement income generating power.
- Similarly, an allocation could help a retirement income strategy last longer in retirement, significantly increasing income longevity.

Two Plans, One Integrated Program: Stronger Retirement Outcomes

This new framework is not a return to legacy pensions; it is a new way of thinking to leverage optimal plan design that could lead to improved retirement outcomes. It allows the DC plan to serve the roles for which it is naturally suited (individual savings and flexibility) while the MBCB plan performs the roles for which DC is ill-equipped (centrally built investment portfolio and longevity pooling for retirement income).

The mandate is clear: design for effectiveness, communicate for action, govern for optimization, and measure for results.

We believe enhanced DC is the next-generation retirement framework. It links retirement spend to the outcomes that matter most: employee readiness, workforce resilience, talent attraction and retention, capital efficiency, and organizational performance.

Connect with your Goldman Sachs Asset Management DC or DB Specialist to learn more about our how we can create stronger retirement outcomes together.

KEY TERMS & DEFINITIONS

A defined benefit plan—commonly known as a pension—is an employer-sponsored retirement plan where you receive a guaranteed, fixed monthly payout for life. Unlike a 401(k), the payout is determined by a set formula based on your salary and years of service, putting the investment risk entirely on your employer.

A **defined contribution (DC) plan** is a tax-advantaged retirement savings account—such as a 401(k) or 403(b)—where employees and/or employers contribute set amounts to an individual account. Unlike pensions, the final benefit depends on total contributions and investment performance, shifting investment risk to the employee.

A **Market-Based Cash Balance Plan (MBCBP)** is a hybrid retirement plan. It operates legally as a traditional pension (employer-funded) but looks and acts like a 401(k). The employer makes annual "pay credits" into an individual's account, while the "interest credits" mirror the actual returns of the plan's investments.

A **Single Premium Immediate Annuity (SPIA)** is a retirement insurance contract. You exchange a one-time lump sum of cash for a guaranteed, steady stream of income. Payouts typically begin within 30 days up to a year and can be structured to last for a specific number of years or for the rest of your life.

4% Rule: This rule calculates the withdrawal rate that will allow the investment portfolio to pay a consistent rate the increases with inflation yearly but doesn't run out money over 30-year period using Monte Carlo simulations. Under the 4% Rule, the initial 4% withdrawal amount increases by inflation to pay out for 30 years.

RISK CONSIDERATIONS

All investing involves risk.

Investments in fixed-income securities are subject to credit and interest rate risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. Although Treasuries are considered free from credit risk, they are subject to interest rate risk, which may cause the underlying value of the security to fluctuate.

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High-yield, lower-rated securities involve greater price volatility and present greater credit risks than higher-rated fixed income securities.
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