



Making the Case:

Addressing the Myths About Private Assets in Defined Contribution Retirement Plans

Angela Antonelli
Executive Director

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125 E Street NW, Room 530
Washington, DC 20001
202-687-4901
cri.georgetown.edu

Contributing Author

Angela Antonelli
Research Professor and
Executive Director, Center for Retirement Initiatives

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200 Liberty Street
New York, NY 10281
212-915-8888
wtwco.com

Contributing Authors

David O'Meara, ASA, CFA
Head of DC Investment Strategy
WTW

Jesse Caulkins, CFA
Associate Portfolio Manager
WTW

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Introduction

For defined contribution (DC) retirement plans to deliver the best retirement outcomes, workers should participate as soon as they are eligible, save at a meaningful level consistently for as many years as possible during their careers, and invest those savings in portfolios designed to generate the income they want for retirement. As fiduciaries, DC plan sponsors can and should evaluate all of the design options available to help their workers accomplish these objectives. By helping their workers thrive financially, employers are more likely to find that their firms will see increased productivity, lower turnover, and other financial and economic benefits.¹

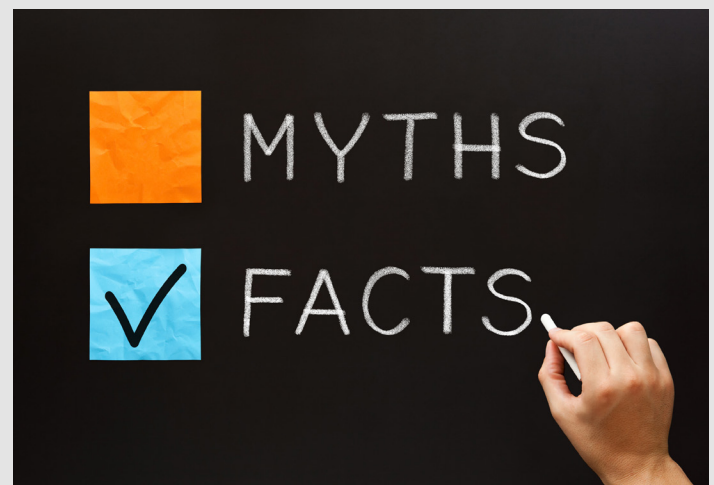
Efforts to expand worker access and participation in retirement plans show signs of progress, with the steady growth of new state-facilitated retirement savings programs (SFRPs), pooled employer plans (PEPs), and single-employer plans.² Plan features, such as auto-enrollment and auto-escalation, are also proving to be effective in encouraging workers to save more.³ However, when it comes to innovation in investment options, DC plans have not kept pace with common investment industry practices that include diversifying investment portfolios beyond traditional stocks and bonds to improve retirement outcomes.

Institutional investors have a wide array of assets in their portfolios, including private markets. Private market assets comprise investments in companies or assets that are not traded on public exchanges. These asset classes, which include private credit, private real assets (real assets), and private equity, are already being accessed by wealthy individuals, endowments and foundations, defined benefit (DB) plans, and even DC plans outside the United States to generate better risk-adjusted returns when compared with public markets.

Allocations to private market assets have surged over the past two decades. For example, private equity allocations alone have grown from \$600 billion in assets under management (AUM) in 2000 to more than \$8.2 trillion in 2023.⁴ This is a strategic change for institutional investors, with 88% having indicated that they planned to make new allocations to private markets in 2024,⁵ because of the belief that better returns are possible with appropriate asset diversification.

At the same time, public markets are shrinking, with initial public offerings (IPOs) declining by 80% from 1996 to 2016, while the number of listed U.S. firms has almost halved over that same time period, down from more than 8,000 to just above 4,000.⁶ Reduced options in public markets and increased market concentration leads to equity index returns driven by just a few companies. Average workers who rely on their 401(k) accounts to retire should have the same opportunities to diversify their savings as high-net-worth and institutional investors have had for decades.

This paper examines the differences between public and private market assets, focusing on how private credit, real assets, and private equity perform compared to public assets. It also dispels common myths that hinder broader adoption and highlights investment products and key partnerships that provide access to these asset classes for DC plan participants.



1. *Harvard Business Review*. (2019). "Employee Well-being, Productivity, and Firm Performance: Evidence and Case Studies"; see also Origin. (2025). "The ROI of Employee Financial Wellness: Why It's a Smart Investment for HR Leaders."
2. Antonelli, Angela M. (2025). "Who Lacks Access to Retirement Savings? A State-Level Analysis." Center for Retirement Initiatives, McCourt School of Public Policy, Georgetown University, in conjunction with Econsult Solutions, Inc.
3. Congressional Research Service. (2024). "Worker Participation in Employer-Sponsored Pensions: Data in Brief and Recent Trends."
4. *Forbes*. (2025). "The Decline In U.S. Stocks to Choose From: What It Means For Investors."
5. World Economic Forum. (2023). "Investors are Increasingly Attracted to Private Markets. Why?"
6. WTW. (2025). "The Shrinking Public Market: What Investors Need to Know."

Private Asset Class Characteristics and Performance

The assets discussed in this paper are broadly referred to as private assets, and include private credit, private real assets, and private equity. Their inclusion in professionally managed portfolios can potentially enhance long-term retirement outcomes for DC retirement plan participants by providing additional drivers of returns and diversifying portfolio risks. This paper does not endorse or prefer one asset class over the others and acknowledges that private assets vary in terms of liquidity, return, and risk expectations. Collectively, inclusion of these asset classes into portfolios can offer a set of complimentary exposures and potentially deliver improved risk-adjusted returns net of all fees.

The consideration of including private assets in DC plans relies on the use of target date funds (TDFs), defined as a qualified default investment alternative in the Pension Protection Act of 2006, and related federal regulatory guidance regarding the use of private assets in TDFs and managed accounts.⁷ Based on this legal and regulatory framework, the focus remains on the appropriate use of a modest allocation in a professionally managed TDF glidepath to diversify the portfolio and enhance risk-adjusted returns. This approach does not examine or advocate for putting private assets into DC plan lineups for plan participants to select themselves.

The Georgetown University Center for Retirement Initiatives (CRI) and WTW have previously studied the impact of alternative asset classes in professionally managed DC plan portfolios, such as TDFs.⁸ The analysis found that even modest asset diversification can improve retirement income by 6–8% compared to typical TDF allocations, mainly by protecting account balances in downturns.⁹

Characteristics of Private Asset Classes

Analyzed below are three private market asset classes — private credit, real assets, and private equity — comparing their return, correlation, and volatility to public market equivalents.

Private Credit

Private credit is the extension of credit to borrowers, by non-bank entities, such as investment management firms. It includes a diverse array of non-listed bonds and loans that are not traded on public exchanges, such as non-performing loans, asset-specific whole loans, specialty finance, and distressed corporate credit. Investors in these markets seek to take advantage of this illiquidity to seek higher returns.

7. U.S. Department of Labor. (2020). "DOL Information Letter 06-03-2020."

8. Antonelli, Angela M. (2022). "Can Asset Diversification & Access to Private Markets Improve Retirement Income Outcomes?" Georgetown University Center for Retirement Initiatives, in conjunction with WTW; see also "The Evolution of Target Date Funds: Using Alternatives to Improve Retirement Plan Outcomes." (2018). Center for Retirement Initiatives, McCourt School of Public Policy, Georgetown University, in conjunction with WTW.

9. Antonelli, Angela M. (2022). "Can Asset Diversification & Access to Private Markets Improve Retirement Income Outcomes?" Center for Retirement Initiatives, McCourt School of Public Policy, Georgetown University, in conjunction with WTW.

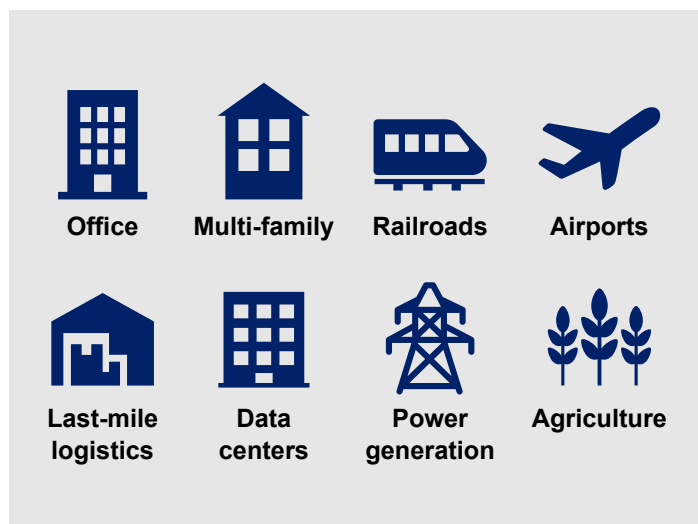
Private Real Assets

Real assets are perhaps the most recognized form of private assets, simply because they are tangible structures and materials we interact with every day, such as office buildings and airports (see Image 1).

The return profile of these investments encompasses both contractually obligated cash flows and asset price appreciation. The combination of these return drivers can generate consistent income with the ability to experience additional positive return growth through appreciation. The price appreciation component reflects changes in valuation influenced by factors such as age, occupancy/vacancy rates, rent growth, comparable asset analysis, and supply and demand dynamics.

These private assets are less affected by short-term market dynamics compared to the real estate investment trusts (REITs) that are publicly traded. Alongside the added diversity of investments available in private real assets, the muted impact of short-term market dynamics allows for private real assets to generate superior risk adjusted returns compared to their public market counterparts.

IMAGE 1: EXAMPLES OF REAL ASSET PROPERTY TYPES



Private Equity

Private equity is the ownership of non-publicly traded companies. Private equity differs from public equivalents in two main ways. First, private equity firms generally take controlling stakes in the companies in which they buy or invest, which allows them to actively work with their portfolio companies to drive growth and streamline operations. Second, investment horizons are longer which allows investment managers to take a longer-term role in the management of their companies. These differences allow private equity firms to achieve investment returns that can exceed those available in the public markets.



Performance of Private Asset Classes

As summarized in Table 1¹⁰, DC plan participants benefit from three unique characteristics of private asset classes that differentiate them from public market assets.

- 1. Expanded return options — Using non-public market opportunities to generate returns.** Private markets offer investors access to a more diverse set of assets, which can provide illiquidity premiums and exposure to return drivers that are distinct from those influencing public markets. These advantages are empirically supported by the data presented in Table 1, which illustrates both the historical excess net of all fee returns of private market investments relative to public market indices and their reduced correlations. The annualized excess return over the public market index, net of all fees, for Private Credit, Real Assets, and Private Equity were 4.4%, 1.4%, and 5.0%, respectively, since 2000. The realized correlations between Private Credit, Real Assets, and Private Equity with Public Equities were 0.6, 0.3, and 0.7, respectively, since 2000. This evidence underscores the potential diversification and performance benefits associated with private market allocations, indicating that their inclusion within a TDF can be beneficial to the total return experienced by DC participants.
- 2. Lower volatility — Less tied to economic cycles and returns from public asset classes.** Private asset classes have demonstrated lower volatility compared to public equivalents, which is the variability of the asset classes' return over time. The lower volatility for private asset classes is a result of their differentiated economic exposures and less frequent pricing, which can provide a smoothing of the return experienced by investors. As shown in Table 1, these private asset classes have exhibited approximately half of the realized volatility of the public equity markets. Specifically, the annualized volatility as a percentage of public equity market volatility for Private Credit, Real Assets, and Private Equity was 47%, 62%, and 57%, respectively, since 2000. When included in a professionally managed TDF, private market assets can offer enhanced portfolio stability in adverse market conditions.
- 3. Risk Management — Exposures that provide diversification and downside protection.** The characteristics of private markets, particularly their lower correlations with public markets and generally lower volatility, contribute to a return profile that complements traditional asset classes. This combination enhances overall portfolio diversification by reducing systemic risk exposure and smoothing return variability. The reduced sensitivity to public market fluctuations provides a measure of downside protection, making private market investments a valuable component in constructing more resilient, long-term investment portfolios. Additionally, analysis of drawdown and other risk measures is prudent, as a participant's return experience during periods of market volatility can impair their retirement outcomes. Drawdown data collated by PitchBook, a provider of data, research, and insights for global capital markets, as well as the analysis shown in Table 2¹¹, provide evidence that private asset classes produce downside protection relative to public markets. Specifically, the data in Table 2 highlights the performance of private asset classes during the top 10 worst equity market quarters since 2000. It demonstrates the average net of all fees performance of private asset classes above public equities over this period. Specifically, Private Credit and Real Assets showed an average outperformance of 12.8% and 15.2%, respectively. Private Equity also exhibited strong performance, achieving an average outperformance of 11.0%. This information underscores the resilience and comparative stability of private asset classes during challenging market conditions.

10. Based on data from PitchBook and eVestment, and calculations by WTW. Data from January 1, 2000, to December 31, 2024. Private Credit, Real Assets, and Private Equity returns from PitchBook's private markets universe; Public Market counterpart benchmarks are the Morningstar LSTA US Leveraged Loan Index, the FTSE EPRA/NAREIT Developed Index, and S&P 500 Index, for Private Credit, Real Assets, and Private Equity, respectively, from eVestment. Past performance is not a reliable indicator of future returns.

11. Past performance is not a reliable indicator of future returns. Based on data from PitchBook, eVestment, and calculation by WTW. Data from January 1, 2000 to December 31, 2024. Rounded to the nearest 10th.

TABLE 1 / PRIVATE ASSET CLASSES — PERFORMANCE AND CHARACTERISTICS OVERVIEW
WITH DATA SINCE 2000

	Private Credit	Real Assets	Private Equity
Typical Liquidity (Trading Frequency)	Monthly or quarterly	Monthly or quarterly	Quarterly
Annualized Return in Excess of Public Market Indexes, Net of All Fees	4.4%	1.4%	5.0%
Economic Exposure	<ul style="list-style-type: none"> ▪ Directly originated loans by primarily non-bank entities ▪ Higher-yield generation backed by a diverse range of corporate and consumer assets 	<ul style="list-style-type: none"> ▪ Ownership of unlisted residential and commercial properties, infrastructure and natural resources ▪ Differentiated return generation through rental, toll, or royalty income, alongside valuation appreciation 	<ul style="list-style-type: none"> ▪ Ownership stakes in non-public companies ▪ Access to diverse array of businesses not well represented in public markets
Correlation with Public Equities	0.6	0.3	0.7
Correlation with Aggregate Bonds	(0.1)	(0.1)	(0.1)
Annualized Volatility as a % of Public Equity Market Volatility	47%	62%	57%

TABLE 2 / TOP 10 WORST EQUITY MARKET QUARTERS SINCE 2000

Asset Class	Average Net of All Fees Absolute Performance	Average Net of All Fees Performance Above Public Equities
Private Credit	-2.5%	12.8%
Real Assets	-0.2%	15.2%
Private Equity	-4.4%	11.0%
S&P 500	-15.4%	-

Table 3¹² outlines the net of all fee annualized returns of these private asset classes since 2000. These private asset classes have produced positively differentiated returns net of all fees indicating that their inclusion within a TDF can be beneficial to the total return experienced by DC participants.

TABLE 3 / TRAILING RETURN COMPARISON

Net of All Fees Annualized Returns since January 1, 2000	
S&P 500	7.7%
Private Credit	9.5%
Real Assets	8.7%
Private Equity	12.7%

12. Based on data from PitchBook and eVestment, and calculation by WTW. Data from January 1, 2000 to December 31, 2024. Rounded to the nearest 10th.

Addressing the Myths and Making the Case for Greater Adoption

Designing and implementing professionally managed TDF portfolios necessitates additional considerations that do not apply to DB plans. These include the level of liquidity needed, a competitive or even maximum fee level, and the return required for improved DC plan participant outcomes. Skilled portfolio management and TDF design can address these constraints and make it possible to construct retirement investments that can improve long-term retirement outcomes for DC plan participants.

Three factors are often cited as reasons for not including private asset classes in TDFs: liquidity availability, net of fee return sufficiency, and high fees. While these factors certainly are important considerations, arguably they no longer have to be barriers, and private asset classes can offer beneficial characteristics for DC plans and their participants.

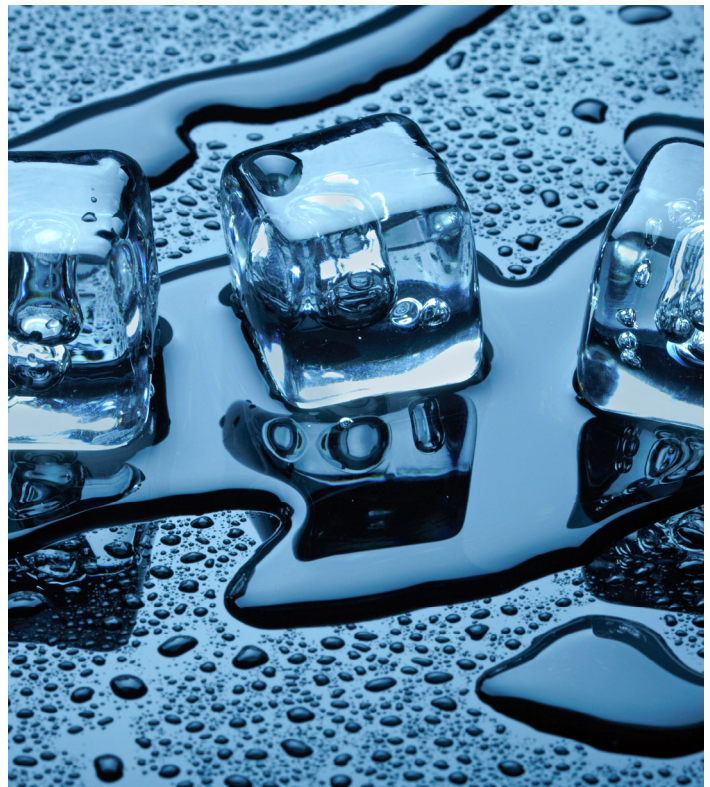
Myth 1: Private Assets Do Not Offer Liquidity

The liquidity of private asset classes is on a spectrum, offering different levels of liquidity based on the characteristics of their underlying holdings. A diversified TDF structure allows for including illiquid assets while still meeting the liquidity demands of the DC plan environment by adjusting the private assets allocation in the glidepath as liquidity needs dictate. In addition, private asset class vehicle structures have evolved from the “10-year lock-up” format typically associated with private funds where an investor commits capital to a private fund which invests and holds it for the full term.

Private credit can provide natural liquidity through regular income distributions. Real assets are managed to provide periodic liquidity, with distributions from rent collection, property sales, and secondary market liquidity. Private equity funds have evolved to include “evergreen” structures providing monthly subscriptions and ongoing redemptions for investors, as well as regular distributions that help manage cash flow needs in a TDF. These evergreen fund structures are “always on,” meaning they have an indefinite life, like mutual funds, and have continuously calculated net asset values (NAVs), pricing them frequently, which supports DC plan adoption.

Private assets that have monthly or quarterly liquidity can be paired within a TDF structure with daily liquid assets. The daily participant activity flows into and out of the daily liquid part of the portfolio such that the private assets are insulated from that participant activity. On a periodic basis, the TDF portfolio manager rebalances back to targets by sourcing or providing capital to the private assets using the monthly or quarterly liquidity available from the private assets. This calendar-based rebalancing is also paired with tolerance ranges, where the private assets have maximum and minimum allowable allocations. The TDF portfolio manager monitors these ranges and can rebalance the TDFs as necessary.

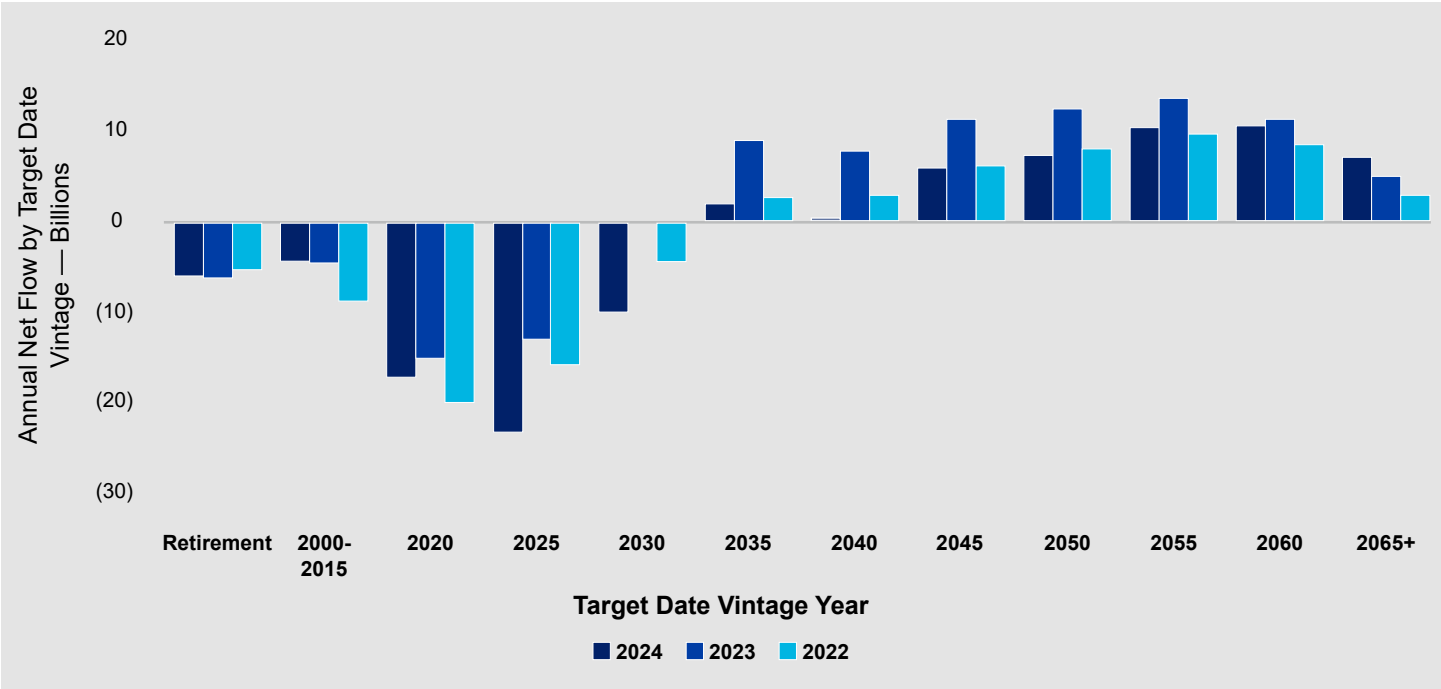
The historic lower volatility of these assets compared to their public market counterparts results in allocations that typically stay close to their targets in a portfolio. Reduced volatility minimizes the frequency of trading these assets, lowering the necessity for liquidity terms and making periodic trading sufficient for managing a portfolio.



DC plan liquidity needs are generally quoted as “daily,” meaning that the entirety of the plan could, in theory, be liquidated in one business day. In practice, the cash flow needs of a DC plan are far more predictable and have similar liquidity needs to those of a DB pension. According to Vanguard, of the DC plan participants permitted to take a non-hardship withdrawal from 2020–2024, an average of only 3.9% elected to take one.¹³ In 2023, 77% of withdrawals were below \$5,000, indicating that actual daily cash needs are relatively limited. In addition, when viewed across a TDF suite, vintage-by-vintage, the cash needs look similar to those of a DB plan. Morningstar collates net flows by vintage, across the TDF universe, as seen in Exhibit 1.¹⁴ Aggregate flows out of TDFs are, predictably, near and in retirement, when DC plan participants are drawing down their capital to spend in retirement, with net positive inflows along the remainder of the glidepath. This cash flow structure allows for higher allocations to less-liquid assets as early-career DC plan participants are in the accumulation phase, with net inflows to the TDFs. The allocation adjusts with increasing levels of liquidity in the underlying assets as the TDF glidepath approaches, and enters, retirement to account for the net outflows from the TDFs.

As noted, vehicle structure improvements have increased the liquidity available for private assets. Alongside these developments, increased secondary market transactions where investment funds trade private market investments among each other have enhanced liquidity for private assets. With more private companies electing to stay private, one of the more traditional formats for liquidity generation for private equity funds has diminished: the IPO. This development has created a need for a more liquid secondary market as private market firms look to generate liquidity for their investors. Data from Bain & Company show that non-IPO exits (e.g., secondary market sales to other general partners/funds) experienced a 141% increase from 2023 to 2024.¹⁵ General Partners (GPs), the firms that manage the private funds, have also turned to liquidity mechanisms such as minority stakes,¹⁶ continuation vehicles,¹⁷ NAV loans,¹⁸ and dividend recapitalizations,¹⁹ which allow for cash generation to investors. Continuation vehicles, which generate liquidity by allowing investors to elect a cash-out, have increased fourfold in the last five years.²⁰

EXHIBIT 1 / TARGET-DATE CATEGORY — NET FLOWS (BILLIONS)



13. Vanguard. (2025). “How America Saves 2025.”
14. Based on information from the Morningstar Direct platform, compiled from a universe of U.S. Open-end and ETF Target Date Funds, Monthly USD Asset Flows by calendar year.
15. Bain & Company. (2025). “Global Private Equity Report 2025.”
16. Minority stakes refer to investors who purchase less than 50% of the company and can raise cash from their investment without selling full control of the company.
17. Continuation Vehicles refer to a GP (fund manager) who moves certain underlying investments into a new fund (the continuation vehicle), and investors have the option to remain participants and invest in the continuation vehicle or cash out their holdings.
18. Net Asset Value (NAV) loans are taken out when a GP (fund manager) borrows money from a lender using the NAV of the fund/its assets as collateral. This gives the fund access to a cash line without having to sell assets.
19. Dividend Recapitalizations are done when an underlying portfolio company takes on a portion of debt and uses that borrowed money to pay a dividend to the GP (fund manager)/private fund that are its investors/holders. Investors in the fund then receive cash flow without the GP having to sell the underlying company.
20. Bain & Company. (2025). “Global Private Equity Report 2025.”

TDFs have incorporated real assets as a portfolio diversifier for decades, with firms such as Principal, TIAA, and J.P. Morgan among the early adopters of direct real estate allocations within their glide paths. J.P. Morgan introduced private real assets into its TDF series, the SmartRetirement funds, in 2005 and has now managed these allocations for two decades. The early integration of private real assets as a complement to traditional equity and fixed income exposures has enabled the development and refinement of liquidity management practices and portfolio construction techniques, which have been tested and validated across multiple market cycles.

While DB plans have been quick to adopt private credit, the characteristics of private credit are also well-suited to DC plans. These investments have short-term structures, meaning low duration, and highly positive cash flow, which provides natural liquidity for investors. Yield from the underlying loans, a laddered investment approach that creates periodic sale opportunities, and an active secondary market aid these funds in generating sufficient liquidity to allow for rebalancing trades at the total TDF level.

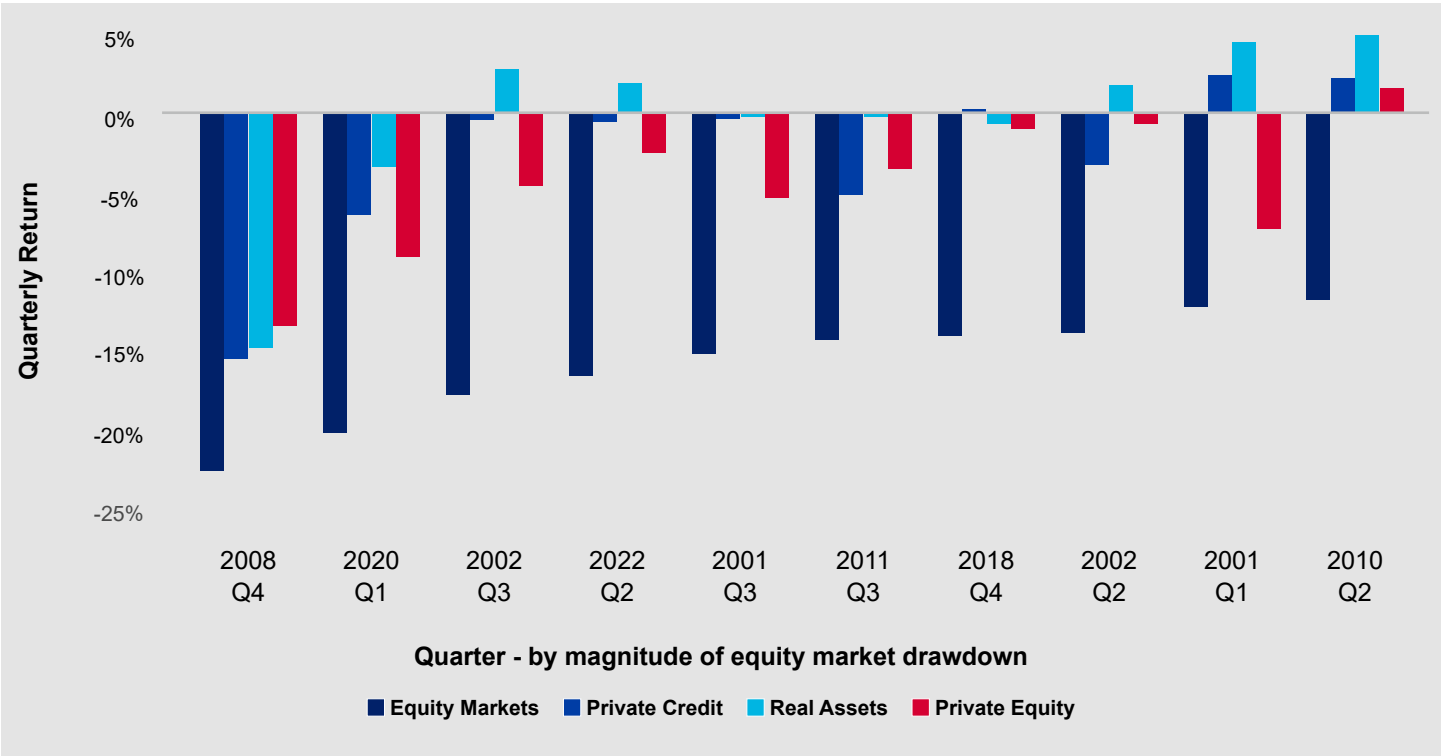
Myth 2: Private Assets Do Not Generate Sufficient Excess Returns

One common concern is that private assets may not generate sufficient excess returns above their public market counterparts to justify their increased complexity and higher fees. To facilitate a meaningful comparison, private asset class performance must be presented net of all fees when contrasted against public markets. Based on data from Preqin, a provider of financial data and information for the alternative assets industry, the average annual net of all fee return for private equity over global public equity from 2014 to 2024 was 4.8%.²¹ In other words, private equity, as represented by an index of all private equity funds, earned an annualized rate of 14.1%, net of all fees, while global public equities earned an annualized rate of 9.2%.²²

As noted above, these private asset classes offer annual returns in excess of their public market indexes, net of *all* fees. When comparing private credit to publicly syndicated loans, private real assets to publicly traded REITs, and private equity to public equity, the average annualized return of these private markets, above that of the public markets, has been 3.6% since 2000.²³

EXHIBIT 2 / TOP 10 WORST EQUITY MARKETS SINCE 2000

Quarterly Returns Net of All Fees



21. Past performance is not a reliable indicator of future returns. Based on data from the Preqin Database, MSCI Data, and WTW Calculation, rounded to nearest 10th.
22. Based on data from the Preqin Database, MSCI Data, and WTW Calculation, rounded to nearest 10th.
23. Based on data from PitchBook Database and WTW Calculation.

These additional return premiums provide beneficial exposure when paired with traditional asset classes. One of the most beneficial aspects is *when* they generate their excess returns. As traditional asset classes like equities sell off in market panics, private assets exhibit risk mitigation characteristics and can help protect DC plan participant TDF balances. As seen in Exhibit 2,²⁴ these alternative asset classes have historically provided substantial downside protection relative to public equity markets during equity market selloffs over the past two decades. In fact, in all the equity market drawdowns since 2000, private credit, private real assets, and private equity have outperformed equities in 27 of 29 of those negative equity market quarters.²⁵

Myth 3: Fees Are Too High for Private Assets

Another common concern is that private asset classes have higher fees than public market investments. This is generally true because access to private markets and the specialized skills of the investment professionals needed come with additional costs. Even with the higher costs to access private assets, though, it is demonstrated above that there can be net of all fee value to incorporating alternative assets into a professionally managed portfolio. Thus, while total fund expenses are important, net of all fee performance is of *utmost* importance. There are also several methods to manage the fees that DC plan participants pay, while changes in private asset markets have also reduced fees, which have the potential to mitigate total fund expense concerns.

Private equity investors have benefited from a fee compression trend, with management fees on the average private equity funds at their lowest level in the past two decades, down more than 20 basis points (bps),²⁶ according to the Wall Street Journal, citing data from Preqin.²⁷ In addition, large, well-established private markets firms are developing investment vehicles at fees below that of the median active U.S. equity mutual fund.²⁸



This fee compression within private asset classes follows a similar trend in mutual fund fee compression seen over the past 30 years. Active equity and bond mutual funds have seen fees reduce by 62% and 55%, respectively, since 1996.²⁹ As new firms enter the market offering private asset class investment options, they compete to attract capital from new investor types and push fees down, to the benefit of the DC plan participant. It is unlikely that private asset class fees will converge to the level of their public market counterparts, due to the specialized nature of these asset classes. However, increased competition for capital, demand from more investor types, and a broader array of financial institutions offering private markets access create more readily comparable data about fees and allow for DC plans and DC plan participants to shop around in a similar way to how they shop around for mutual funds and ETFs today.

A TDF's total fund expense is determined by both the total fee budget established by the plan fiduciary and the choices made by the portfolio manager about where to allocate that budget. One of the levers available to the portfolio manager can be to reduce the fees allocated to traditional investments, freeing a larger proportion of the fee budget for private investments, where market access and expertise can arguably add greater value without raising the total fund expense.

Plan fiduciaries must evaluate net of all fee returns, compare fees within the industry, and conduct thorough due diligence on investment managers. Firms like Preqin enhance transparency in private market returns and fees, while specialist advisors and Outsourced Chief Investment Officer (OCIO) providers apply rigorous practices to assess managers competitively. OCIO providers and specialist advisors have the resources and experience to consider private market fund fees in relation to the value they are expected to add. These providers conduct due diligence on a fund's investment professionals, investment philosophy, market segment and opportunity, and ultimately the fit in the broader portfolio to determine if the fee charged is warranted and competitive.

24. Based on data from PitchBook, eVestment, and WTW Calculation.

25. Based on data from PitchBook Database, eVestment, and WTW Calculation.

26. 100 basis points = 1%.

27. Wall Street Journal. (2025). "Pension Funds Want Private Equity to Open Up About Fees and Returns."

28. State Street, SPDR SSGA IG Public & Private Credit ETF – PRIV; and median active U.S. equity mutual fund data sourced from the Morningstar Mutual Fund Universe of more than 20,000 active mutual funds provided to WTW – data as of December 31, 2024.

29. Investment Company Institute. (2025). "US Equity Fund Fees Continue to Decline Amid Rising Investor Demand for Lower-Cost Options."

Making the Case for Greater Adoption — The Democratization of Investing

The gap between private markets usage in DB and DC plans is changing. Today, institutional asset managers are making strides toward what Larry Fink, CEO of BlackRock, and others call “the democratization of investing.”³⁰ In 2024, Legal & General, a U.K.-based investment firm, launched a private markets access fund specifically for DC plan participants, with daily liquidity and a diversified underlying composition to private market investments.³¹ In 2025, Apollo Global Management and State Street Global Advisors co-launched a TDF suite that includes an allocation to a pooled fund that provides broad exposure to private markets.³² Also in 2025, Vanguard, Wellington Management, and Blackstone announced a partnership aimed at developing multi-asset investment solutions that integrate public and private markets.³³

Most recently, Empower, the second-largest retirement plan provider in the U.S., announced partnerships with seven institutional investment firms to allow access to private markets for DC plans on their recordkeeping platform.³⁴ These developments point to a realization from the marketplace that one of the largest group of retirement savers — DC plan participants — are under-diversified, which can inhibit retirement readiness and outcomes.

Retirement and investment providers continue to innovate to solve for the challenges raised about private markets inclusion in DC portfolios. Lack of transparency has been a criticism of these asset classes, however, expanded access to more data is occurring. BlackRock’s purchase of Preqin appears to be part of a goal to democratize access to private markets, with Larry Fink noting that “Preqin effectively does for private markets what Zillow did for housing.”³⁵ Access to robust data for the entire private markets universe allows for easier tracking, indexing, and buying, paving the way for investors of all types to diversify their retirement savings.

Investing in private asset classes necessitates specialized knowledge, which, if not already in place, makes fiduciary oversight of these investments difficult. According to the Department of Labor, private assets can be considered for inclusion, particularly “with the assistance of an independent ERISA section 3(21) fiduciary investment adviser, or alternatively, the plan investment committee could delegate those investment responsibilities to an ERISA section 3(38) investment manager.”³⁶ Employers have access to such resources, which may include seeking advice from a qualified OCIO provider to assist with integrating private assets into their DC plans. These firms possess experience in managing private investments within DC plans and have the capability to act as plan-level fiduciaries.

While the recent partnerships have sparked increased attention to private assets in DC plan, plan sponsors must adhere to a disciplined fiduciary process — evaluating investment managers through prudent due diligence, assessing use-case and fit based on participant demographics, and ensuring alignment with the investment committee’s objectives. It is important to underscore that just because private assets can be included in DC plans does not mean they should be universally adopted. These more complex and less liquid strategies require a robust evaluation framework, either in-house or through trusted outsourced expertise. The ability to properly assess, monitor, and manage private investments is critical for fiduciary soundness and long-term participant outcomes. The increased attention does not reduce the importance of thorough diligence. For plan sponsors with the appropriate expertise and governance structure—whether internal or outsourced—private assets can be a valuable addition.

30. BlackRock. (2025). “Larry Fink’s 2025 Annual Chairman’s Letter to Investors.”

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Conclusion

Private investments in DC plans are accessible and offer benefits to DC plan participants. The changes in vehicle structure, fee compression, liquidity management tools, and net of all fees outperformance of private assets versus their public market counterparts make them potentially suitable for inclusion in TDFs in DC plans. Because they could improve retirement outcomes, plan sponsors with the appropriate expertise and governance structure—whether internal or outsourced—should consider incorporating private assets into their plan investments.

Market evolution and innovation indicate changing attitudes toward incorporating private assets in DC plans, as seen with partnerships between Apollo/SSGA; BlackRock/Preqin; Vanguard/Wellington/Blackstone; and Empower with several financial institutions. These firms aim to democratize investing and are facilitating broader access to asset classes that were previously unavailable to individual savers. Plan sponsors, policymakers, and advisory firms can view these partnerships as indicators of market demand for today's retirement plan participants to access the same asset suite that high-net-worth individuals and DB plans have included in their portfolios for years. Incorporating private assets into TDFs offers retirement savers the opportunity to potentially improve risk-adjusted returns, leading to better retirement outcomes for DC plan participants.



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