CFA Institute Research & Policy Center

Private Markets in Retirement Plans

Returns, Risks, and the Importance of Plan Design

Policy in Brief

September 2026

"Private Markets in Retirement Plans: Returns, Risks, and the Importance of Plan Design" distills CFA Institute research on defined contribution (DC) plans that allocate to private market assets. It provides decision-relevant guidance for plan providers and sponsors, policymakers, regulators, fiduciaries, practitioners, and DC plan participants.

The report compares target-date funds (TDFs) that hold public equities and bonds with funds that also hold private equity, private debt, infrastructure, real estate, or venture capital. It examines average accumulation, volatility, tail outcomes, and net risk-adjusted performance, while testing the importance of plan design.

The central finding is that the effect of private markets varies by asset class and portfolio objective. Plan design, especially contribution duration and the glide path, can affect outcomes as much as or more than the private market allocation.

Who Should Read the Report?

The report is especially relevant to DC plan providers and sponsors, policymakers and regulators, and plan participants. It is also useful for consultants and investment practitioners evaluating private market allocations within target-date funds and other multi-asset plans.

Key Findings

- **Under a modest allocation,** private market allocation in a TDF has higher net risk-adjusted performance than the baseline equity and bond TDF.
- **Asset class determines the source of improvement.** Private equity and venture capital raise average accumulation; private debt, infrastructure, and real estate mainly lower volatility and improve downside outcomes.
- **A mixed private market allocation can improve outcomes.** Combining venture capital with private debt, infrastructure, and real estate can reduce volatility and improve risk-adjusted performance.
- **Plan design matters as much as the asset allocation.** Accumulation horizon and glide-path choices can shift retirement outcomes as much as or more than private market inclusion.

This work is also relevant for consultants assessing private markets within long-term retirement portfolios and for plan sponsors and fiduciaries accountable for default fund design and participant outcomes. Researchers and other stakeholders can use the framework to compare private market allocation choices with core drivers of retirement adequacy, including contribution levels, accumulation length, and glide-path design.

Why This Research Matters Now

Workplace retirement has shifted from employer-guaranteed defined benefit (DB) pensions toward DC savings. As of March 2025, 70% of US private-sector workers had access to a DC plan, compared with 14% who had access to a DB plan. In the United Kingdom, there were 29 million DC memberships versus 5.8 million DB memberships in 2024. Private assets have long been used in DB plans, as **Exhibit 1** illustrates for US public pensions, but DC plans remain more concentrated in public markets. Any expansion therefore must address liquidity, valuation, fees, and governance.[1]

An International Policy Context Focused on Prudence

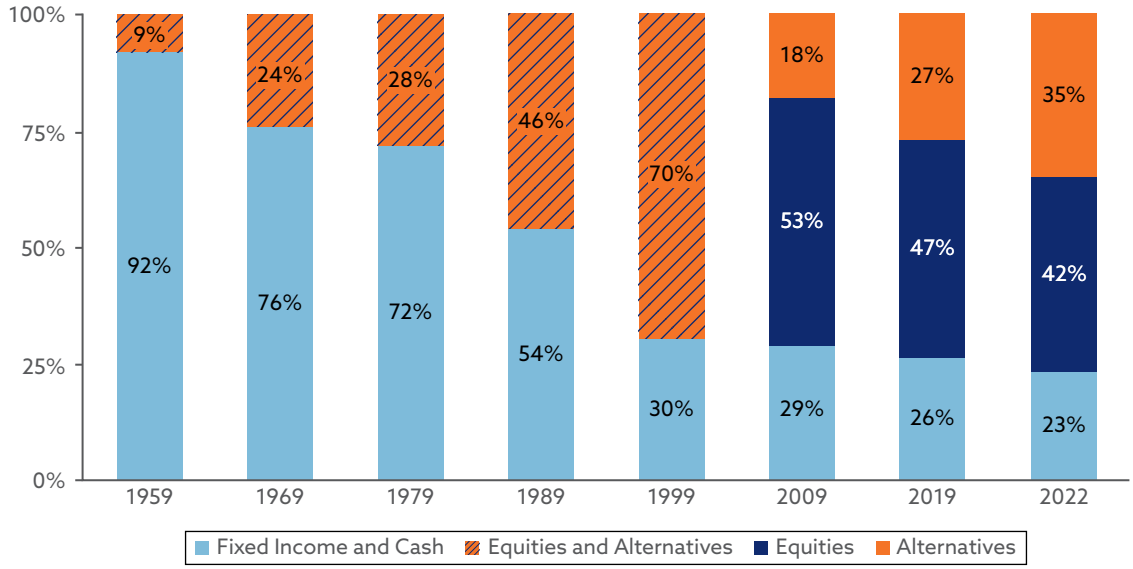
Policy approaches increasingly accommodate private market assets, but through different mechanisms. In the United States, the Department of Labor proposed a rule on 30 March 2026 to clarify the fiduciary framework for alternative investments in 401(k) plans. The central question remains whether fiduciaries can conclude that private investments improve outcomes net of fees while preserving necessary liquidity, valuation integrity, and participant understanding.

In the EU, IORP II permits private assets under the prudent person framework, while ELTIF 2.0 provides a regulated fund wrapper. The United Kingdom is pursuing adoption through the Mansion House agenda and DC consolidation. Hong Kong SAR permits certain listed and authorised private equity funds subject to a 10% cap. Australia already accommodates unlisted assets in superannuation funds, with regulatory focus on valuation, liquidity, and governance.

Across jurisdictions, regulatory accommodation does not establish investment merit. The surrounding guardrails determine whether access can expand prudently.

For broader guidance on balancing participants' best interests with national growth objectives, see the 2025 Mercer and CFA Institute pension report.[2]

Exhibit 1. Share of Public Pension DB Allocation in the United States, 1959–2022



Source: Pew Charitable Trusts, "Increased Risk, Complex Investment Landscape Require Prudent Pension Management Practices: State Retirement System Performance, 2021 and 2022" (March 2025), www.pew.org/-/media/assets/2025/04/sfp_pensions_chartbook_final.pdf.

[1]US Bureau of Labor Statistics, "Employee Benefits in the United States, March 2025" (September 2025); The Pensions Regulator, "Occupational Defined Contribution Landscape in the UK 2024" (4 March 2025).
[2]Mercer and CFA Institute, "Mercer CFA Institute Global Pension Index 2025" (15 October 2025).

Considering the Possible Outcomes and Risks

Private market allocations can improve modelled DC outcomes, but the source of improvement differs by asset class. Private equity and venture capital raise average accumulation, while private debt, infrastructure, and real estate mainly lower variability. These results do not remove implementation risks involving liquidity, valuation, fees, and governance.

The results reflect broad modelling of each asset class. Fund structures may differ in a DC plan.

Policy and Fiduciary Implications

Across fiduciary frameworks, regulated fund structures, and rule-based caps, several principles are consistent:

- **Evaluate; do not presume.** Regulatory accommodation alone does not establish investment merit; the expected portfolio role and participant outcome must be clear.
- **Judge outcomes, not labels.** Assess average accumulation, downside and upside outcomes, volatility, and mean annual Sharpe ratios net of fees.
- **Apply higher scrutiny to defaults.** Fiduciaries should account for liquidity, valuation, fees, governance, conflicts of interest, and participant understanding.
- **Match structures to plan needs.** Credible liquidity management, valuation practices, and operational capacity are essential.
- **Use disciplined guardrails.** Regulated wrappers, calibrated allocation limits, and clear supervisory expectations can support incremental adoption.

Key Recommendations

Exhibit 2 translates the report's findings into stakeholder priorities. The central principle is to evaluate private markets within the full plan design and against the specific role they are expected to play.

Decision Rules

The evidence supports practical decision rules for policymakers and fiduciaries:

- Define the objective first: higher average accumulation, lower variability, downside resilience, or another portfolio role.
- Compare net-of-fee results with the public equity and bond baseline.
- Calibrate allocation size. Higher allocations can improve Sharpe and downside outcomes, while other metrics may move differently.
- Address contributions, accumulation horizon, and glide path as part of the same decision.
- Proceed only where liquidity, valuation, governance, and monitoring are credible.

Exhibit 2. Recommendations for Various Stakeholder Groups

Group	Highest Priority	High Priority	Supporting Priority	What to Deprioritize
Policymakers and regulators	Protect participants through plan-level and default-fund oversight	Set liquidity, valuation, disclosure, and governance guardrails	Use regulated wrappers and calibrated allocation limits	Treating regulatory permission as proof of investment merit
Plan sponsors and fiduciaries	Strengthen contributions, accumulation horizon, and glide path	Define portfolio role and require net-of-fee evidence	Calibrate allocations and monitor implementation	Treating private assets as a standalone decision
Investment practitioners and consultants	Build DC-compatible structures with credible liquidity and valuation	Match growth and defensive assets to intended outcomes	Test mean, tail, volatility, and Sharpe outcomes	Assuming institutional experience transfers directly to DC plans
DC plan participants	Contribute consistently over a long horizon	Use clear, well-governed default options	Review allocation, fees, liquidity, and risk disclosures	Belief that private markets alone determine retirement adequacy

Bottom Line

- **Fix the fundamentals first.** Contribution levels and accumulation horizon are the strongest drivers of retirement outcomes. Glide-path design can also move results as much as or more than private market allocation.
- **Use private markets by portfolio objective.** Private equity and venture capital support growth; private debt, infrastructure, and real estate mainly reduce volatility. Assess all options net of fees.
- **Protect participants in default funds.** Require credible liquidity, valuation, governance, disclosure, and ongoing monitoring. Use calibrated limits and regulated structures where appropriate.

Related Content

Cui, Bei, Nga Pham, and Ummul Ruthbah. 2025. "The Future of the 60/40 Allocation: Modelling the Performance of the 60/40 Portfolio in Retirement." CFA Institute Research and Policy Center (31 March). https://rpc.cfainstitute.org/research/reports/2025/future-of-the-60-40-allocation.

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