ACCESS, THEN WHAT?

Navigating private markets in US defined contribution plans

OCTOBER 2026



STEPSTONE

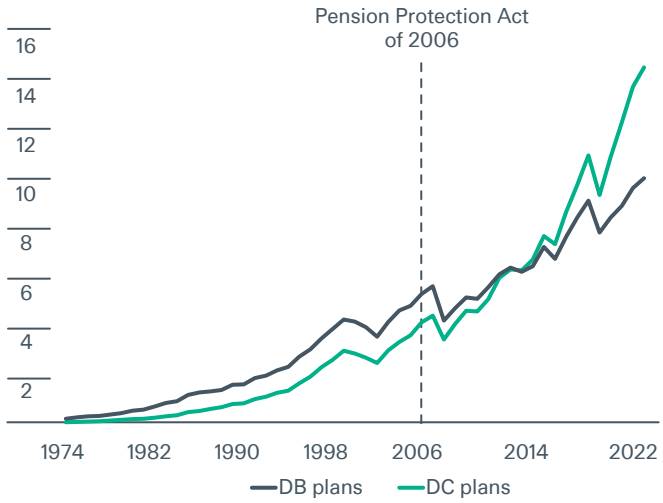
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Introduction

For a quarter century, the largest and most sophisticated pools of capital, from pension funds and endowments to sovereign wealth funds and defined contribution (DC) plans around the world, have relied on private markets to drive returns and manage risk. The average American saving through a DC plan has not.

That divide is now closing. In August 2025, Executive Order 14330 established a federal policy of opening DC plans to alternative assets, and in March 2026 the Department of Labor proposed a rule giving fiduciaries a defensible path to offer them.[1] With more than $15 trillion in DC plans, the focus is shifting from whether private markets will reach retirement savers to how to bring them in responsibly (**Figure 1**).

FIGURE 1: TOTAL US MARKET SIZE (US$ TRILLIONS)



Source: Investment Company Institute (ICI), The U.S. Retirement Market, Second Quarter 2026, data as of June 30, 2026.

For years, regulatory uncertainty, litigation risk, and concerns around liquidity, fees, valuation, and transparency kept most plan sponsors on the sidelines. These concerns are real: private assets introduce challenges that public market menus largely do not. They are often framed as arguments against private markets. We see them differently: they are design constraints. With the right portfolio construction, investment structure, manager and advisor selection, data, and technology capabilities, each can be managed effectively. The asset class itself has also matured. Over the last four decades, private markets have developed more transparent reporting and fund structures better equipped to manage liquidity.

Private markets in DC plans are not a new concept in other geographies. Australia has been doing this at scale for decades. AustralianSuper, the largest fund in its DC system, has invested in private assets for more than 25 years, and today over 25% of the portfolio used by most of its members is invested in private equity, infrastructure, real estate, and private debt. During the March 2026 selloff, AustralianSuper said those assets "acted as a ballast" as listed markets declined.[2] Mexico already invests retirement savings, held in analogs to US target date funds, through dedicated private market structures, while major UK DC plan providers are increasing private market allocations. Other retirement systems have already crossed this bridge.

This paper focuses on what comes next: how much to allocate and what to allocate to. Drawing on StepStone's proprietary data and technology capabilities, we approach both questions without a predetermined answer, using quantitative analysis to assess the tradeoffs. The result is a foundation, not a prescription. Plan sponsors may reasonably reach different solutions based on their participants' needs, fee tolerance, scale, access, and implementation realities.

The goal is not access for its own sake. It is a program built to improve outcomes for the people it is meant to serve.

[1] Executive Order 14330 (August 2025) and U.S. Department of Labor proposed rulemaking (March 2026). Proposed rules are subject to change and may not be adopted as proposed.
[2] AustralianSuper, Our Investment Capabilities, Your PreMixed Investment Options, and What We Invest In, all accessed October 2026; AustralianSuper, Market Volatility and Super – March 2026 Quarterly Update, published April 30, 2026; AustralianSuper, AustralianSuper Delivers Strong Returns for More Than 3.6 Million Members, published July 3, 2026. Private markets percentage calculated from the Balanced superannuation investments portfolio holdings disclosure as of December 31, 2025, including unlisted alternatives, unlisted equity, unlisted infrastructure, unlisted property, and private credit.

What is the role of private markets?

Private markets span four broad asset classes:

1. Private equity owns and grows businesses;
2. Private debt lends directly to companies or against assets;
3. Infrastructure owns essential physical assets such as utilities, transport, and digital networks; and
4. Real estate owns income-producing property.

Together, they give investors access to a broader set of businesses, assets, and cash flow streams than public markets alone.

The conversation around private markets often starts with return potential, and rightly so. Since 2000, private equity has generated 12% annualized returns with 10% volatility, compared with 8% returns and 16% volatility for the S&P 500.[3] For a retirement participant investing over decades, that combination matters. Small differences in compounding and stability can build larger balances and help retirement savings last longer.

But returns are only part of the story. For a retirement saver, the path to those returns can matter just as much: A portfolio that compounds well but suffers its deepest loss just before retirement can produce a very different outcome from one that reaches a similar destination with fewer severe setbacks. Private markets can help shape that path.

Over the last 25 years, private equity has captured 30–60% of public equity declines during periods of stress while participating fully in the subsequent upside over longer horizons.[4] Some of that smoother experience reflects a structural difference: private assets do not trade every day and are therefore less exposed to temporary shifts in market sentiment.

Many private assets also possess characteristics that provide genuine defensibility: contractual cash flows, hard asset backing, recurring revenues, pricing power, and seniority in the capital structure. In income-oriented real assets, for example, income can contribute 30–50% of total returns and often remains more resilient during downturns, cushioning the impact of falling asset values. The smoother path is not simply about how assets are valued. In many cases, it is about what is owned. Those characteristics will not eliminate drawdowns, nor will every private strategy behave the same way. But they can give a portfolio different sources of resilience when public markets are under pressure.

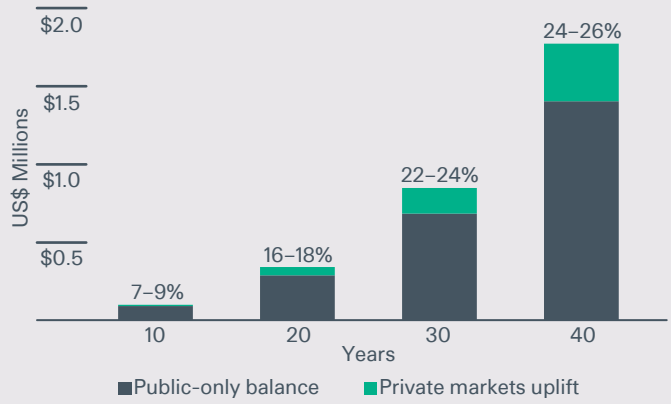
That resilience matters most as retirement approaches, when balances are highest and withdrawals may begin before markets have time to recover. At that point, a large drawdown is more than uncomfortable. It can permanently reduce the capital available to fund retirement. For a saver close to retirement, avoiding the full force of a downturn can be just as meaningful as capturing another percentage point of upside. Private markets can therefore play a role not only as a return engine, but as a stabilizer within the broader portfolio.

[3] StepStone analysis. Source: SPI by StepStone and CapIQ, 2000–2025. Data as of October 2026, sample size of 1,754 funds. Past performance is not indicative of future results.
[4] Ibid.

Figure 2 shows what allocation alone can do. We compare a hypothetical saver in two portfolios: one invested in public markets only, the other following the glide path of our calibrated private markets program. Salary and contributions are identical in both. Over a 40-year career, the private markets portfolio ends roughly 24–26% larger, a difference of $350,000 to $400,000 at retirement. That gap translates to a 10 to 12 percentage point increase in the replacement ratio: more of each working year's income replaced in retirement, and more years of spending supported.

But the tradeoffs should not be ignored. Private markets generally come with higher fees reflecting more active sourcing, underwriting, ownership, portfolio management, less frequent pricing, and wider dispersion in outcomes. Those tradeoffs call for thoughtful implementation, not avoidance. That leads to a broader test of value. Do not ask only whether private markets added return. Ask whether they improved the retirement outcome. Did they compound capital more effectively? Cushion losses when those losses mattered most? We believe they can.

FIGURE 2: PUBLIC-ONLY VS PUBLIC AND PRIVATE: THE COMPOUNDING DIFFERENCE



Source: StepStone analysis, as of October 2026.
Note: Hypothetical illustration for informational purposes only; not representative of any actual investor, account, or portfolio, and not a prediction or projection of future results. Assumes an individual enters the workforce in 2026 at age 22 with no prior retirement savings and contributes for 40 years. Starting salary is based on the median usual weekly earnings of full-time wage and salary workers ages 20–24, annualized, as reported by the U.S. Bureau of Labor Statistics. Salary growth is based on the compound annual growth rate of the Social Security Administration National Average Wage Index from 2000–2023. Employee contribution rates are based on average elective deferral rates by age reported in Vanguard's How America Saves 2026 (data as of December 31, 2025), plus a constant 4.5% employer contribution. Contributions are assumed to be made at the beginning of each calendar quarter. Replacement ratio is calculated as a percentage of a withdrawal rate of 4.5% of the account balance at retirement of salary at retirement. Public market return assumptions are based on the 2026 J.P. Morgan Asset Management Long-Term Capital Market Assumptions ("LTCMAs"), and private market return assumptions are based on 2026 StepStone Capital Market Assumptions. Capital market assumptions are estimates, subject to change, and are not guarantees of future performance. Results are highly dependent on underlying assumptions, and actual outcomes may differ materially. Returns are net of GP fees and gross of any target date fund fees.

How much? Sizing the allocation across a lifetime

Target date funds (TDFs) are a natural home for private markets in DC plans. Their diversified structure, professional oversight, and age-based design provide a framework for managing illiquidity. Depending on the TDF structure, inflows from younger vintages may also help offset outflows from older vintages, reducing the need for asset sales. This flexibility underscores the importance of fair and consistent valuations, a governance consideration we revisit later.

The key question is how much illiquidity a TDF can accommodate at each stage of the glide path. There is no single answer: A younger saver with decades ahead can absorb more illiquidity than someone approaching retirement, and the allocation should reflect that reality. We recommend allocating roughly 20–40% of total assets to private markets for younger and mid-career savers, declining to 10–15% near retirement as the balance between return potential, liquidity, and diversification changes over time. In practice, fee sensitivity in the DC market may warrant more modest allocations, even where higher exposure could improve expected outcomes after fees.

Behind the allocation

We sized private markets in TDFs around three questions:

1. How does participant behavior change over time?
2. How much can we allocate while balancing return potential, risk, and liquidity?
3. Does the allocation still hold up when markets, liquidity, and behavior are stressed?

Together, these questions move sizing beyond a rule of thumb and toward an allocation designed to work in practice.

Question 1: participant behavior

Participant cash flows, and with them, liquidity capacity, change across the glide path. Younger and mid-career vintages are typically net contributors, with money flowing in every pay period, while individual balances remain relatively small on the young end of the spectrum. Closer to retirement, balances are larger and withdrawals become more relevant. The capacity to hold illiquid assets therefore differs materially by vintage.

Across a typical TDF series, vintages within 15 years of retirement can represent 50–60% or more of total TDF AUM. That concentration may still understate where the market is heading: Many older participants were never reenrolled into TDFs after they became a common default, while newer cohorts are more likely to remain in TDFs as they age. Over time, that could push an even greater share of TDF dollars toward participants closer to retirement.

Yet cash flows generally move in the opposite direction: Younger and mid-career vintages can generate net inflows of roughly 5–15% of AUM, while vintages approaching and entering retirement can experience annual net outflows of up to 10%. Younger participants may change jobs or roll accounts more frequently, but these flows are generally dispersed and buffered by ongoing contributions.[5] For sizing, what matters is not participant activity alone, but where assets are concentrated and whether cash is flowing in or out of the portfolio. This supports higher private market allocations earlier in the glide path and a more measured allocation as participants approach retirement.

[5] StepStone analysis. Source: U.S. Securities and Exchange Commission Form N-PORT-P filings available through the EDGAR database, data is 2019–2025, as of October 2026.

Institutional experience provides a useful reference point. Across institutions there is no single formula; the lesson is to understand what each investor is solving for. As **Figure 3** shows, private market allocations can reach up to 50% or more depending on the type of investor but the differences are instructive. Endowments can afford to be patient with capital and lean furthest into private markets, supported by roughly 20-year horizons and relatively stable liabilities. Pension funds balance their allocations against benefit payments and funding levels. For insurers, regulation and capital treatment shape how far exposure can expand. Viewed through that lens, our recommended allocations sit comfortably within institutional precedent while reflecting the distinct liquidity and fee requirements of DC plans.

FIGURE 3: INSTITUTIONAL INVESTORS' PRIVATE ASSET ALLOCATION

Institutional investor	Allocation to private markets
Endowments & foundations	35–50%
Sovereign wealth funds	25–35%
Public pensions	25–40%
Insurance	10–30%

Ranges are StepStone estimates of private markets allocations (private equity incl. venture, private credit, private real estate, private infrastructure; excl. hedge funds) among institutional investors, reflecting the span from typical large allocators to leading institutions in each segment. Definitions, weightings, and measurement dates vary by underlying source; ranges are indicative. Sources: NACUBO; Council on Foundations; Preqin; Equable; NAIC; State Street; Invesco; BCG; institutional disclosures; StepStone analysis.

Question 2: tradeoff between risk, return, and liquidity

Private markets may offer higher expected returns and lower volatility than public markets. Viewed through a traditional risk-return framework, these characteristics can support large allocations. But sizing also requires accounting for liquidity.

At lower private market allocations, adding exposure can improve expected outcomes while preserving liquidity. As allocations increase, however, the remaining liquidity becomes more valuable. The appropriate allocation range balances the benefit of additional private market exposure against the value of maintaining liquidity. Our framework considers three dimensions:

1. **What is the probability that liquidity becomes scarce?**

Mature private portfolios have historically distributed 20–25% of NAV annually, compared with 10–12% over the past three to four years. We use historical distributions to assess the likelihood of liquidity falling below normal levels.[6]

2. **How much capital is available during stress?**

We assess how much capital investors can access under constrained conditions, including through more flexible private market structures.

3. **What could it cost to create liquidity at that moment?**

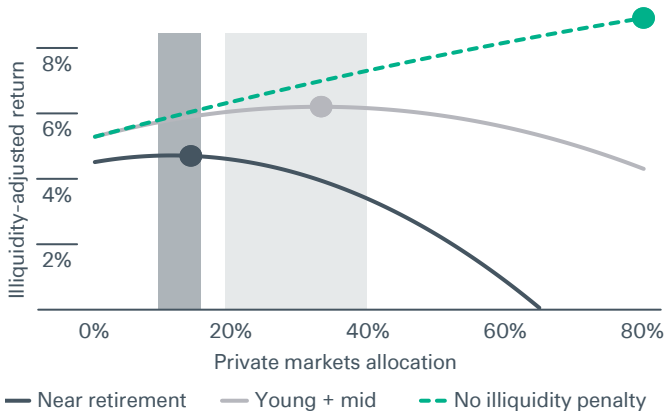
We estimate the potential discount required to sell private assets in the secondary market when liquidity is scarce.

We calibrate these inputs to the cash flow profile of each participant cohort. Younger savers benefit from recurring contributions and longer investment horizons, giving them greater capacity to hold private markets. As retirement approaches, balances grow and meeting withdrawals matters more, so that capacity naturally declines.

[6] SPI by StepStone, 1,759 PE Buyout Funds, 1997–2026, as of October 2026. Past performance is not indicative of future results. Actual performance may vary.

The resulting framework supports private market allocations of 20–40% of TDF net assets for younger and mid-career savers, tapering to 10–15% for vintages closer to retirement (**Figure 4**).

FIGURE 4: SIZING PRIVATE MARKETS



Source: StepStone analysis, as of October 2026.
Note: Hypothetical illustration for informational purposes only, not representative of any actual investor, account, or portfolio, and not a prediction or projection of future results.

Upshot: There is no single private markets allocation for every saver. The allocation should reflect each cohort's capacity, using participant cash flows and real-world liquidity conditions to determine how much exposure the portfolio can comfortably support.

Question 3: does the allocation hold up under stress?

Our sizing framework accounts for the possibility that liquidity can become scarce and costly. We also test whether the allocation still works when market conditions and participant cash flows deteriorate at the same time, through two complementary approaches.

First, across many possible futures: 2,000 simulations vary markets and participant cash flows to test whether the portfolio maintains sufficient liquidity across a range of outcomes.

Second, in one deliberately severe downturn: A GFC-style stress test draws on SPI by StepStone, our proprietary data and technology suite, to model private market drawdowns and assess whether the portfolio can meet withdrawals and rebalance without forced private asset sales.

The results support the liquidity resilience of the proposed allocations. Liquid assets covered participant withdrawals throughout the simulations, with the minimum liquidity buffer remaining positive. The severe stress test also showed sufficient liquidity across cohorts, including under various capital market assumptions.

We also assess rebalancing risk by measuring how frequently private market allocations move outside an acceptable range and how long they remain there. This helps distinguish temporary deviations from more persistent imbalances that could become difficult to correct.

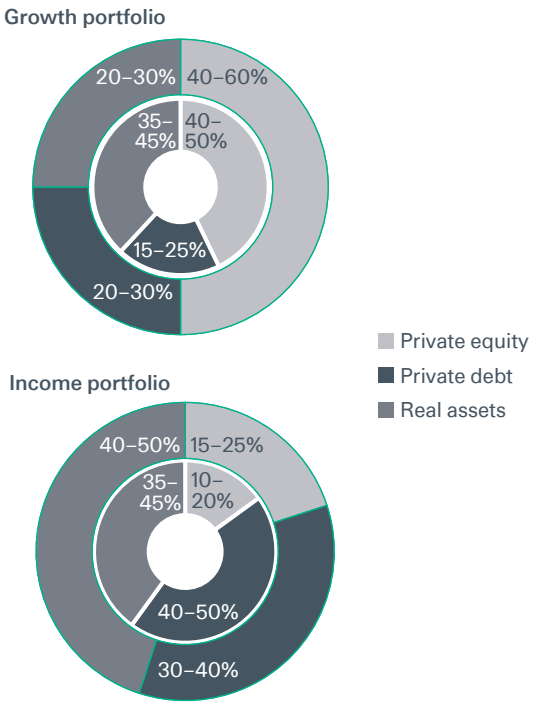
Together, these tests indicate that the proposed allocations can maintain sufficient liquidity, manage allocation drift, and withstand severe market stress without requiring forced private market sales.

What kind? Building the private markets allocation

Once the size of the private markets allocation is set, the next question is what should go inside it. That is a harder problem than it first appears: private markets span four asset classes, multiple strategies, different investment types, and a range of implementation choices. Our framework simplifies that complexity by starting with the saver's objective.

Figure 5 illustrates two model portfolios tailored to different stages of an investor's lifecycle. For younger and mid-career savers, a **growth-oriented** portfolio allocates 40–60% to private equity, supplemented by 20–30% each in private debt and real assets. This mix emphasizes long-term capital appreciation while maintaining diversification. As investors approach retirement, portfolio objectives shift toward income generation, diversification, and return stability. An **income-oriented** portfolio therefore reduces private equity exposure to 15–25% and increases allocations to private debt (30–40%) and real assets (40–50%), reflecting their potential to provide more predictable cash flows and downside resilience.

FIGURE 5: PRIVATE MARKETS ASSET ALLOCATION BY PORTFOLIO, STEPSTONE TARGET VS INSTITUTIONAL MEDIAN



Source: StepStone analysis, as of October 2026.
Note: Outer ring is StepStone target; inner ring is median of comparable institutional investors.

The key idea is simple: as the saver's goal changes, the private markets mix should change with it.

Logic behind the mix

It is worth pausing on the starting point—strategic asset allocation. The quality of the private markets allocation an efficient frontier dictates is only as good as the assumptions that feed it. Small changes in expected returns can produce very different portfolio weights, which makes return assumptions one of the most consequential inputs in the exercise. We calibrate our proprietary capital market assumptions annually—combining bottom-up fundamentals with top-down market and economic views, rather than relying on a single historical lens. We then add a tactical qualitative overlay to capture relative value, opportunity, and implementation considerations that long-term assumptions alone may miss. **Figure 6** shows the metrics for the two portfolios this framework leads us to.

FIGURE 6: PRIVATE MARKETS PORTFOLIO STATISTICS

	Growth portfolio	Income portfolio
Private equity	40–60%	15–25%
Private debt	20–30%	30–40%
Real assets	20–30%	40–50%
Target return	12%+	10%+
Target yield	3%+	5%+
Historical volatility	5–7%	3–5%
Correlation to public portfolio	60–80%	40–60%
GFC max drawdown	20–30%	5–15%

StepStone analysis. Source: SPI by StepStone and S&P Capital IQ ("CapIQ"). Period analyzed: 2004-2026. Data as of October 2026. Past performance is not indicative of future results. Public returns and volatility are based on the 2026 J.P. Morgan Asset Management Long-Term Capital Market Assumptions ("LTCMAs"). The following benchmarks are used, where applicable: Private equity represented by PE Buyout (SPI by StepStone, sample size of 1753 funds), Private Debt represented by PD Direct Lending Levered (Cliffwater Direct Lending Senior Index (CDLI-S), adjusted for fees and leverage), Real assets represented by Infra Core/Core+ (JPMAM Global Real Assets Infrastructure 2004-2008, MSCI Global Private Infrastructure Asset Index 2008-2018, SPI by StepStone 2019-2026) and Infra Non-Core (Burgiss Private iQ Infrastructure), Public equity represented by MSCI World (CapIQ), Public bonds represented by FTSE World Government Bond Index (USD hedged) (CapIQ). Public markets sleeve for growth is 90% equity/10% bonds and for income is 50% equity/50% bonds.

Growth portfolio. The portfolio is built for younger and mid-career savers, where long horizons create room to lean into return-seeking assets. Private equity does most of the work, offering the strongest long-term return potential through active ownership, operational value creation, and access to a different opportunity set than public equities. Private debt adds more than defense in the current environment: Alongside income and downside resilience, higher current base rates can make the asset class an attractive source of return and justify a more opportunistic allocation. Real assets play a targeted role, favoring core+/value-add assets that offer differentiated return drivers from traditional corporate earnings, including contractual cash flows and potential to grow income with inflation. Even in a growth portfolio, those characteristics can be a prudent counterweight in a more volatile macro environment.

Income portfolio. The portfolio is designed for savers approaching retirement. At this stage, savers have less time to recover from a drawdown so minimizing potential shocks matters more than pursuing additional growth. The objective shifts to generating dependable income to support liquidity, improving resilience and predictability of outcomes, and preserving enough growth to carry the portfolio through retirement. Real assets and private debt take the lead with a slight edge to real assets focusing on core/core+ strategies that can combine durable, often contractual cash flows with inflation protection and asset-backed downside protection. In that sense, real assets can share some of the income and defensibility characteristics of private debt, while bringing a different set of return drivers to the portfolio. A modest private equity allocation remains so the portfolio can continue to grow.

Put together, the two private markets portfolios improve the broader TDF in three ways: (1) higher expected returns, (2) lower realized volatility, and (3) shallower drawdowns. As shown in **Figure 7**, relative to a public-only portfolio, our analysis suggests they add roughly 100–200 bps of annual return, reduce volatility by 200–400 bps through lower realized volatility and diversification, and cushion losses in stressed markets. The finding: Private markets can improve the way the entire TDF takes risk while still improving returns.

FIGURE 7: TOTAL PORTFOLIO METRICS

	Public markets only	With private markets
Growth portfolio (20–40% private markets sleeve)		
Total portfolio return	6–7%+	8–9%+
Total portfolio volatility	14–18%	10–14%
GFC max drawdown	40–50%	30–40%
Income portfolio (10–15% private markets sleeve)		
Total portfolio return	5–6%+	6–7%+
Total portfolio volatility	8–10%	6–8%
GFC max drawdown	30–40%	20–30%

StepStone analysis. Source: SPI by StepStone and S&P Capital IQ ("CapIQ"). Period analyzed: 2004-2026. Data as of October 2026. Past performance is not indicative of future results. Public returns and volatility are based on the 2026 J.P. Morgan Asset Management Long-Term Capital Market Assumptions ("LTCMAs"). The following benchmarks are used, where applicable: Private equity represented by PE Buyout (SPI by StepStone, sample size of 1753 funds), Private Debt represented by PD Direct Lending Levered (Cliffwater Direct Lending Senior Index (CDLI-S), adjusted for fees and leverage), Real assets represented by Infra Core/Core+ (JPMAM Global Real Assets Infrastructure 2004-2008, MSCI Global Private Infrastructure Asset Index 2008-2018, SPI by StepStone 2019-2026) and Infra Non-Core (Burgiss Private iQ Infrastructure), Public equity represented by MSCI World (CapIQ), Public bonds represented by FTSE World Government Bond Index (USD hedged) (CapIQ). Public markets sleeve for growth is 90% equity/10% bonds and for income is 50% equity/50% bonds.

Implementing the build

Asset allocation is only one part of the equation. Accessing and maintaining that exposure is another. Traditional private market portfolios are often built through commitments to closed-ended funds, where capital is called gradually, commitments are paced across multiple years, and distributions return unevenly. The result can be a 5-to-10-year ramp to target exposure and a heavy stream of operational activity along the way.

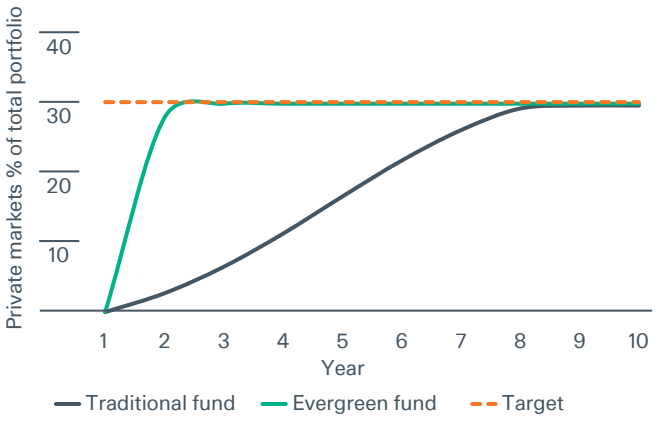
Large institutional investors such as defined benefit plans, sovereign wealth funds, and endowments have managed these dynamics for decades through specialist teams, external advisors or managers, and dedicated private markets capabilities. Their operating models are generally less sensitive to factors that are especially important in DC plans, such as participant liquidity, ongoing transactions, and daily valuation.

The challenge is therefore not inventing a new private markets playbook, but finding a structure that preserves the institutional investment discipline while making it practical for TDFs. Newer structures, supported by better data and technology, are creating a more practical path.

That is where evergreen structures can help. Unlike traditional closed-ended funds with a fixed life and commitment cycle, evergreen vehicles are designed to remain continuously invested, typically allowing investors to enter and exit at defined intervals. They give the TDF a simpler way to establish and maintain private markets exposure while the underlying portfolio remains actively managed. The key distinction is structural: Much of the complexity of building and maintaining the allocation can sit within the vehicle managed by a specialist rather than with the TDF manager.

Why do the ramp, cash flows, and valuation experience look so different? The answer lies in how traditional private market funds are built. A traditional fund begins with commitments, then spends several years sourcing investments, calling capital as deals are completed, helping portfolio companies mature, and ultimately harvesting those investments through exits. That lifecycle naturally creates a slow build in exposure. As **Figure 8** shows, this can translate into a multi-year path to target exposure, while an evergreen can generally invest into an existing diversified portfolio and establish exposure much more quickly.

FIGURE 8: RAMP OF PRIVATE MARKETS EXPOSURE

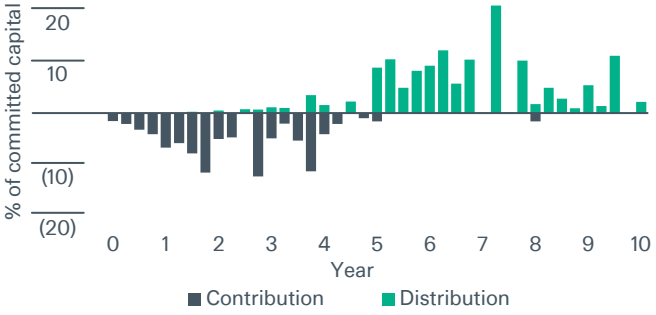


Source: SPI by StepStone, as of October 2026.
Note: Hypothetical illustration for informational purposes only; not representative of any actual investor, account, or portfolio, and not a prediction or projection of future results.

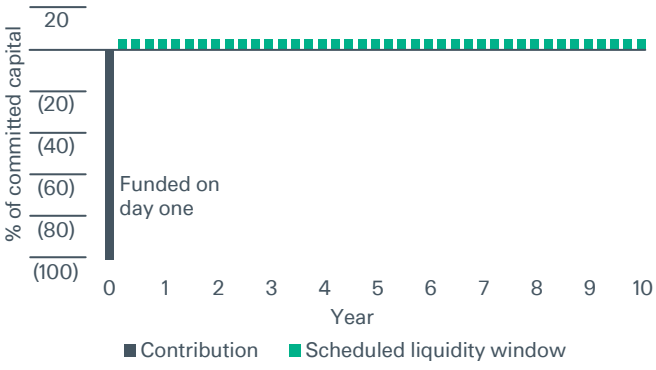
The same lifecycle explains the difference in cash flows. With the traditional approach, capital calls follow the pace of new investments, while distributions depend on when underlying assets can be realized, making both uneven and difficult to predict. In an evergreen, much of that activity can instead be managed within the vehicle as the manager continually deploys and realizes capital. **Figure 9** shows the cash flows for a $1 commitment to each strategy, illustrating that evergreens can create a considerably simpler cash flow experience at the TDF level. Valuation follows a similar logic. Closed-ended funds typically report NAVs quarterly and with a lag, while evergreen structures can support a governed NAV and dealing framework at more frequent intervals, including daily valuation where the structure is designed to do so.

FIGURE 9: CONTRIBUTIONS AND DISTRIBUTIONS

Anonymized closed-ended fund



Hypothetical evergreen structure



Source: SPI by StepStone. For illustrative purposes only.

That shifts the sponsor's focus toward diligence on the partner rather than day-to-day portfolio mechanics. The key questions become whether the partner has the expertise, scale, manager access, diversified platform, liquidity framework, and valuation governance to manage the complexity well. Private markets still require active management; evergreen structures can simply place more of that work where the expertise already sits.

Fiduciary considerations

The Department of Labor's March 2026 proposed rule offers fiduciaries a process-based roadmap for evaluating private markets, centered on six factors: performance, fees, liquidity, valuation, benchmarking, and complexity.[7] The emphasis is on thoughtful fiduciary judgment: understand the exposure, weigh the tradeoffs, and document why the decision is appropriate for participants.

Performance & liquidity. Private markets should be evaluated over an appropriate investment horizon, net of fees, and relative to suitable alternatives. Liquidity should likewise be assessed against participant needs rather than maximized for its own sake, weighing whether the liquidity given up is appropriately compensated. These considerations inform the framework throughout this paper, from cohort-based sizing and asset allocation to stress testing and cash flow analysis.

Valuation & benchmarking. Private markets raise a simple fiduciary challenge: You cannot manage what you cannot see. Private assets have traditionally been reported quarterly and with a lag, while DC plan portfolios may transact daily. Closing that gap requires more timely valuation, consistent benchmarking, and better visibility into the underlying portfolio. These are familiar institutional challenges that we've spent time studying. Examples include StepStone's Daily Valuation Engine, a model that provides daily private asset valuations and is calibrated using SPI by StepStone. The model captures the quantitative relationship between public and private markets to value assets and reduces valuation error by more than 50% relative to the industry standard cash-adjusted method. Our FTSE StepStone Global Private Market Indices, developed in partnership with FTSE Russell, provide customized daily benchmarks for private market strategies across geographies. The objective is not to replace manager reporting, but to give fiduciaries a more current view between reporting periods, in a format comparable across the entire portfolio.

Cost vs. value. Fees require the same discipline. Private markets cost more than public market exposure, so the relevant question is whether participants receive enough value to justify that additional cost. Lowest cost does not automatically mean the best outcomes, just as higher fees do not imply the worst outcomes. Cost should be tested against value, not treated as a substitute for it.

Ongoing oversight & complexity. Selection is only the beginning. Fiduciary oversight must continue for as long as the investment remains in the plan. This requires regularly assessing whether valuations remain reasonable, performance compares favorably with an appropriate benchmark, liquidity frameworks remain sufficient, and the allocation continues to serve its intended purpose. Effective oversight therefore requires quantitative tools, robust data, and relevant private markets expertise. For many plans, this means engaging specialists with expertise across multiple private markets asset classes, independent judgment, and the ability to reassess and defend the allocation as market conditions evolve.

[7] U.S. Department of Labor proposed rulemaking (March 2026). Proposed rules are subject to change and may not be adopted as proposed.

Conclusion

Private markets have long played a meaningful role in institutional retirement portfolios globally. The real question is how to bring that experience to US DC plans responsibly, with decisions built around participant outcomes. Our analysis points to four conclusions:

- **Sizing is driven by liquidity:** Younger and mid-career cohorts can support 20–40% in private markets, stepping down to 10–15% near retirement as contributions fade and withdrawals rise. Allocations should evolve with the glide path and be stress tested appropriately.
- **Asset mix should evolve with the objective:** Younger cohorts can lean toward private equity for growth, while portfolios near retirement shift toward real assets and private debt for income and resilience. Evergreen structures can simplify reaching and maintaining that mix.
- **Private markets can offer stabilization:** Historically, private equity has captured roughly 30–60% of public market drawdowns while continuing to participate in recoveries. That resilience is especially valuable near retirement, when large losses are hardest to absorb.[8]
- **A prudent process should anchor any DC private markets program:** Disciplined investment evaluation and ongoing oversight should guide implementation, drawing on qualified advisors to complement internal expertise where needed. Every decision should serve participants' interests.

At their best, private investments represent ownership of real businesses and assets, backed by patient capital and the ability to invest, improve, and grow over time. They can broaden the investment opportunity set and help participants compound decades of savings, weather difficult markets, and potentially fund the retirement plan participants worked hard to build.

[8] StepStone analysis. Source: SPI by StepStone and S&P Capital IQ ("CapIQ"), 2000–2025. Data as of October 2026, sample size of 1,754 funds. Past performance is not indicative of future results.

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