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Q2 2017

Qualified Plan News

June 2017 Capital Markets Review

						Period Ending June 30, 2017
Index	**Qtr**	**Ytd**	**1 Yr Return**	**3 Yr Return**	**5 Yr Return**	**10 Yr Return**
S&P 500	3.09%	9.34%	17.90%	9.61%	14.63%	7.18%
Russell 2000	2.46%	4.99%	24.60%	7.36%	13.70%	6.92%
Russell 3000 Value	1.29%	4.32%	16.21%	7.32%	13.89%	5.59%
Russell 3000 Growth	4.65%	13.69%	20.72%	10.83%	15.20%	8.82%
MSCI ACWI Ex U.S.	5.78%	14.10%	20.45%	0.80%	7.22%	1.13%
Barclays U.S. Aggregate Bond	1.45%	2.27%	–0.31%	2.48%	2.21%	4.48%
3-Month U.S. Treasuries	0.18%	0.30%	0.46%	0.20%	0.15%	0.51%

The U.S. economy continued in a positive trend for the second quarter in 2017. The national unemployment rate was 4.4% in April and held steady through June, ending the quarter at 4.4%. Total nonfarm payroll employment went up 211,000 in April, 138,000 in May, and 222,000 in June, for a total increase of 571,000 over the quarter. This reflects a larger increase in total nonfarm payroll than the first quarter of 2017, which had an increase of 560,000.

The Dow Jones Industrial Average closed at 21,349.63 for June, a three-month return of 3.95%. The S&P 500 closed the quarter at 2,423.41, reflecting a 3.09% three-month return. The NASDAQ Composite closed the quarter at 6,140.42, reflecting an increase of 4.16% since the beginning of April. The Russell 2000 and the NYSE Composite increased 2.46% and 3.06%, respectively, over the quarter.

After ending Q1 at 0.82%, the effective federal funds rate (the EFFR) increased in June, ending Q2 at 1.06%.

The average 30-year fixed rate mortgage fluctuated, starting the quarter at 4.10%. By June, the average rate had decreased to 3.88%.

On June 28, the Federal Reserve Board announced it had completed its review of the capital planning practices of the nation's largest banks participating in the Comprehensive Capital Analysis and Review (CCAR). The CCAR, in its seventh year, is used to evaluate the capital planning processes and capital adequacy of the largest U.S. banks and holding companies. As a result, the Board's report found that of the 34 large banks participating, only one was found to have weaknesses in its capital planning process to address by the end of 2017.

Qualified Plan News

EBRI Survey: Confidence Levels Highest Among Retirees, Workers with Retirement Plans

Things seem to be looking up for American retirees these days. Two groups are most likely to feel confident about their retirement readiness: retirees, who report feeling more secure in their ability to live comfortably in their retirement years, and workers with a retirement plan, whether it's a defined contribution (DC) or defined benefit (DB) plan, or an individual retirement account (IRA).

In fact, 79% of retirees say they feel very or somewhat confident that they have enough savings to live well in their retirement years. One-third (32%) of those feel very confident.

Additionally, workers who have a retirement plan, whether through their employer or otherwise, are more likely to feel confident about having enough money to sustain them throughout their post-working years. Typically, they have saved more, taken more action to prepare for retirement, and feel less stressed overall about their retirement readiness than those without access to a retirement plan. It goes to show that having a vehicle for savings is a much stronger catalyst for retirement preparation—an affirmation to plan sponsors who are helping employees make the most of their retirement benefits.

These are just some of the key findings from the 2017 Retirement Confidence Survey from the Employee Benefit Research Institute (EBRI). Now in its 27th wave, the RCS is the longest-running survey of its kind in America, according to EBRI.

Financial Wellness Can Help Boost Peace of Mind

Underscoring the importance of holistic financial wellness programs in the workplace—a trend that's catching on with many employers—roughly half of workers EBRI surveyed say that programs focused on retirement planning (53%), financial planning (49%),

Plan Sponsors Ask...

Question. Is it important to do periodic reviews of the conservative options in our investment lineup, and if so, when should we evaluate those offerings?

Answer. Good question. It's always a good idea to review your investment lineup regularly to make sure the options are performing in line with your expectations and investment policy statement, and that you're fulfilling your fiduciary obligations to participants.

Recent observations from Rocaton Investment Advisors say there's no time like the present to undertake a review of your plan's conservative, or capital preservation, options. Some participants may over-allocate toward conservative choices, thus sacrificing better returns, in exchange for a better night's sleep. But investing too conservatively brings a different kind of risk, so plan sponsors are wise to educate participants about investment allocation in general—and to ensure they are offering quality investment options at all risk levels.

Another reason to review your plan's conservative investment options is new money market reforms that took effect in October 2016, involving liquidity fees and redemption issues that may impact participants. Further, considering that a best practice is periodic review of the plan's investment structure, many DC plan sponsors are streamlining their investment menus and considering alternative options, in light of new regulations. The low interest rate environment, the evolving stable value landscape, and increasingly high profile fiduciary litigation are other factors prompting plan sponsors to re-evaluate their capital preservation options.

or healthcare planning (47%) would help increase their productivity at work. About 30% of workers report worrying about their personal finances while on the job, and more than half say they believe they would be more productive at work if they didn't have these concerns.

As such, implementing a comprehensive financial wellness program that simplifies key concepts like budgeting, long- and short-term savings goals, and investing, and that keeps employees on track toward those goals can go a long way toward creating greater peace of mind and a happier, more productive workforce.

Matching Motivates Saving

Employer matching contributions and automatic payroll deductions are two great ways to motivate employees to save for retirement. EBRI found that 73% of workers not currently saving say they would be more likely to do so if their employer offered a match. Further, two-thirds of non-savers say they would be incentivized to set aside money for retirement via automatic payroll deductions of 3% to 6% of salary, if they had the option to stop or change them.

Read the entire EBRI Survey at http://tinyurl.com/2017EBRIRCS.

Redesigning Your Match

How do you get employees to contribute more to your retirement savings plan? Consider redesigning your employer match. Spreading the company match over a larger portion of employees' contributions may boost participant contribution rates.

Making the Most of the Match

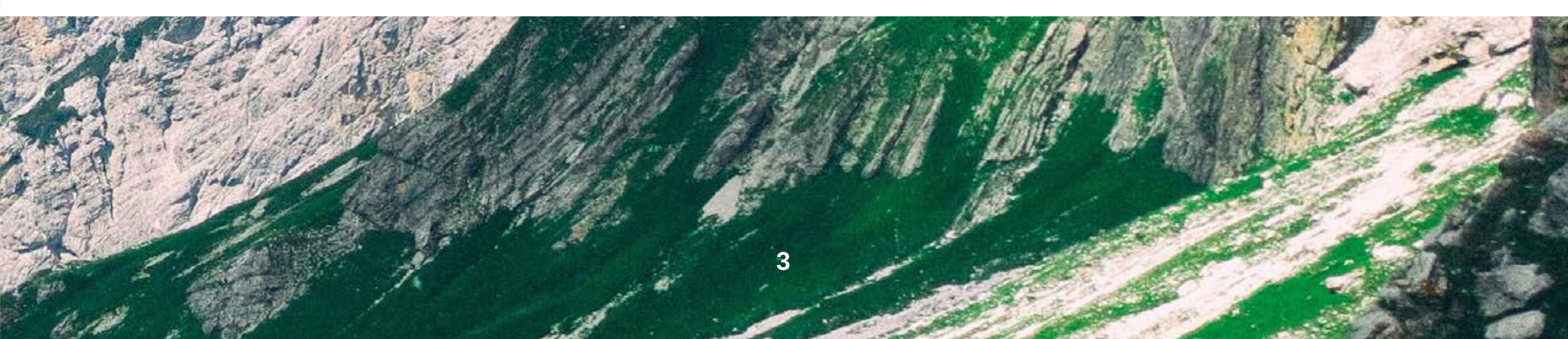
For some employees, the employer match is one of the main reasons they participate in their employer's retirement savings plan. They make sure they contribute enough to take full advantage of the match since it's "free" money. By redesigning the match formula, you may be able to encourage your employees to increase the amount they contribute to the plan.

A New Formula

Raising the threshold for your employer matching contribution could increase employee contributions at no extra cost to your company. For example, suppose your current formula is a 100% match on the first 3% of compensation. You redesign your match formula so that you offer a 50% match on the first 6% of compensation. Employees now have to contribute 6% of their income to receive the full match, potentially increasing participant contributions without increasing your overall matching contribution amount.

Opportunity To Educate

Redesigning your match also can be an opportunity to better educate your employees on the benefits of increasing their contribution rate. Review your communication materials to make sure they encourage employees to contribute more to the plan and to take full advantage of the employer match.



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Web Resources for Plan Sponsors

Internal Revenue Service, Employee Plans
www.irs.gov/ep

Department of Labor, Employee Benefits Security Administration
www.dol.gov/ebsa

401(k) Help Center
www.401khelpcenter.com

BenefitsLink
www.benefitslink.com

Plan Sponsor
www.plansponsor.com

Plan Sponsor Council of America
www.psca.org

Employee Benefits Institute of America
www.ebia.com

Employee Benefit Research Institute
www.ebri.org

S&P 500 is a commonly used measure of common stock performance. Russell 2000 is a commonly used measure of small capitalization stocks. Russell 3000 Value measures performance of U.S. equity universe broad value segment with lower price-to-book ratios and lower forecasted growth values. Russell 3000 Growth measures performance of Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth values. MSCI ACWI EX U.S. tracks 850 stocks traded in 22 world markets (excludes U.S. based stocks). Barclays U.S. Aggregate Bond Index tracks domestic investment grade bonds (including corporate, government, and mortgage-backed securities). Citigroup 3-Month U.S. Treasury Bill Index tracks short-term U.S. Government debt instruments. All referenced indices are unmanaged and not available for direct investment. Past performance is not a guarantee of future results.

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