2Q 2021

Defined Contribution Plan Legislative Update

Secure Act 2.0

On May 5th, 2021, the Securing a Strong Retirement Act of 2021 (dubbed "Secure Act 2.0"), was voted on by the Ways and Means Committee and sent to the House of Representatives for full consideration. Secure Act 2.0 is meant to build upon the original Setting Every Community Up for Retirement Enhancement (SECURE) Act that was signed into law back in December of 2019 to help better improve retirement savings for American workers.

The proposed changes include:

- Expanding automatic enrollment;
- Allowing collective investments trusts within 403(b) plan lineups;
- Increasing the Required Minimum Distribution age;
- Expanding catch-up contributions;
- Allowing Roth matching contributions; and
- Permitting student loan matching programs.

As this legislation makes its way through Congress, Marquette will continue to update clients on its impact to their investment programs.

Enforcement of DOL Rules on ESG and Proxy Voting

According to a statement issued by the Department of Labor (DOL) on March 10th, 2021, the DOL will not pursue enforcement action against plan sponsors for failure to comply with its final rules on ESG investments and proxy voting by employee benefit plans. As noted in our legislative update last quarter, the DOL's final rules around these issues were enacted under the Trump administration. Consistent with the moratorium placed around similar rulemaking, the Biden administration has directed all federal agencies to review regulations issued during the Trump administration that may be inconsistent with Executive Order 13990, titled, "Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis." As such, we would expect to see the final rules unwound or, at the very least, enforcement remain mute.

OTHER TRENDING TOPICS

Build Up of Investment Committee Best Practices

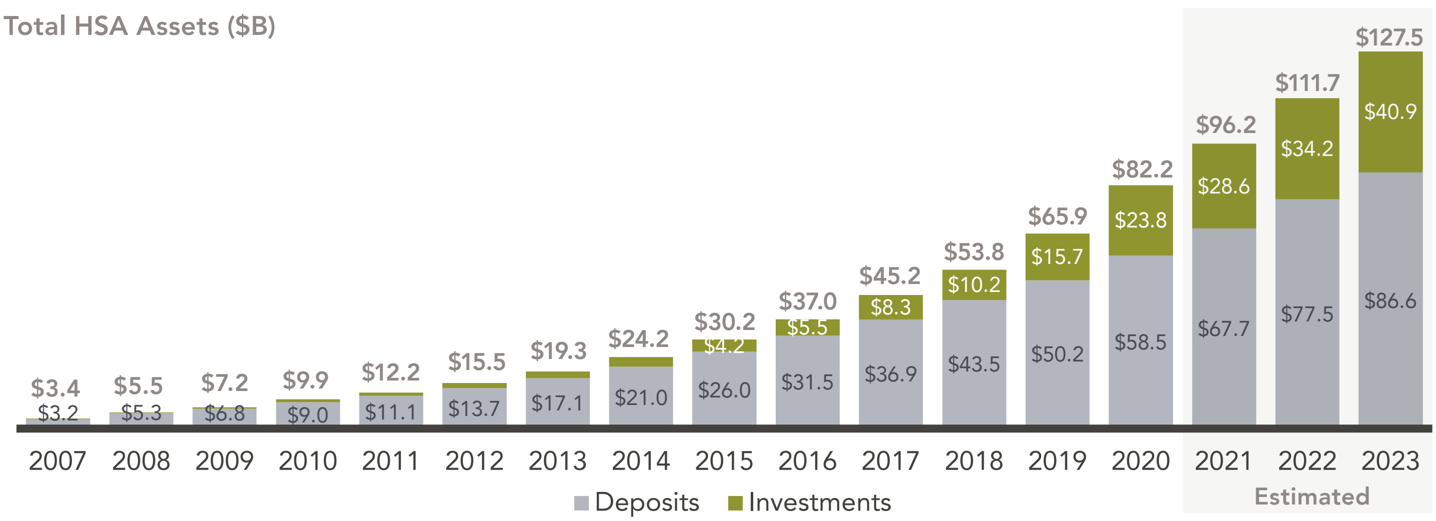
Last year's abrupt shift to working-from-home caused some disruption to the composition and cadence of investment committees, leading many plan sponsors to take a closer look at their respective investment charters. In terms of best practices, the size of the committee will often reflect the size and complexity of the plan itself; five to seven members is often the standard amount to include for differences of opinions. To that end, it is important to maintain an odd number of voting committee members to avoid ties. Lastly, setting the meetings for the year well in advance will help avoid scheduling conflicts to ensure all committee members can meet regularly throughout the year. Setting and approving an annual work plan can also help with managing expectations and monitoring compliance throughout the year. To the extent the plan's investment committee does not have a charter in place, your investment consultant can assist in drafting one.

2020 was also marked by rightful calls for greater awareness and action concerning diversity and inclusion across all industries. In 2020, Marquette created a Diversity and Inclusion (D&I) committee to foster a workforce that reflects and contributes to the diverse, global community in which we do business. As study after study continues to illustrate the benefits of diversity in terms of idea generation, we are seeing many plan sponsors revisit D&I within their investment committee structures. Inclusion of employees with different backgrounds within multiple levels of an organization can bring new perspectives that can in turn enhance participant awareness and engagement. These investment committee positions can also be used as a way for organizations to identify top talent or future leadership by having individuals involved in a role with increased responsibilities.

Focus Health Savings Accounts (HSA)

Advances to technology now allow plan sponsors to integrate HSAs with their defined contribution plans. According to a recent study by Devenir Research, assets within HSAs have consistently increased over the past 13 years, and the expectations is that this trend will continue for years to come.

Total HSA Assets ($B)



Source: Devenir Research; estimates derived from 2020 Year-End Devenir HSA Market Survey, press releases, previous market research, and market growth rates

Part of the rationale behind this asset growth is that employees are attracted to the triple tax benefit that HSA plans provide:

- Contribute tax free;
- Grow assets tax free; and
- Withdraw for medical expenses tax free.

Allowing participants to access both their HSAs and their retirement savings plans under a single log-in should lead to increased engagement and thus further adoption by plan sponsors.

For plan sponsors that already offer HSA plans, the maximum elective deferral limit for 2021 is $3,600 for an individual and $7,200 for spousal family. The additional catch-up contribution (if age 55 or older) is $1,000 for each individual.

PREPARED BY MARQUETTE ASSOCIATES

180 North LaSalle St, Ste 3500, Chicago, Illinois 60601
CHICAGO BALTIMORE MILWAUKEE PHILADELPHIA ST. LOUIS

PHONE 312-527-5500
WEB marquetteassociates.com

About Marquette Associates

Marquette was founded in 1986 with the sole objective of providing investment consulting at the highest caliber of service. Our expertise is grounded in our commitment to client service — our team aims to be a trusted partner and as fiduciaries, our clients' interests and objectives are at the center of everything we do. Our approach brings together the real-world experience of our people and our dedication to creativity and critical thinking in order to empower our clients to meet their goals. For more information, please visit www.MarquetteAssociates.com.