1Q 2024

Defined Contribution Plan Legislative Update

Department of Labor Fiduciary Advice Proposed Regulation

On October 31, 2023, the Department of Labor (DOL) released a proposed rule defining the term "investment fiduciary" for purposes of the Employee Retirement Income Security Act (ERISA). The underlying themes throughout the proposal focus on scenarios where advice may be associated with a conflict of interest, including:

- Advice to purchase an investment product;
- Advice to roll assets out of an employer-sponsored plan such as a 401(k), 403(b), and/or 457; and
- Advice to plan sponsors about which investments to make available as options in an employer-sponsored retirement plan.

The proposal provides for a 60-day public comment period. Marquette will provide updates as the legislation is finalized.

Student Loan Benefits in your Defined Contribution Plan

SECURE 2.0 introduced an optional provision related to student loan repayments that becomes effective in 2024. This provision gives employers the option to treat qualified student loan repayments by employees as elective deferrals for purposes of making matching contributions.

The intent behind these types of programs is that many younger individuals joining the workforce are contributing less (or none) to their employer-sponsored retirement plans due to the financial burden associated with student loan repayments and are thus missing out on important years to build upon their retirement savings and take advantage of compounding interest.

Employers view this optional provision as a potential employee recruitment and/or retention benefit offering. While there has been much discussion around these types of programs, we haven't seen a ton of plan implementation simply due to limited product offerings; however, as recordkeepers look to enhance their total offerings to in an attempt to further distinguish their services in an increasingly competitive industry, we expect to see more solutions brought to market.

Private Real Estate in Defined Contribution Plans

According to The Defined Contribution Survey 2023, there is approximately $59.1 billion of defined contribution capital currently invested in private real estate within corporate, public, and 403(b) defined contribution vehicles. This

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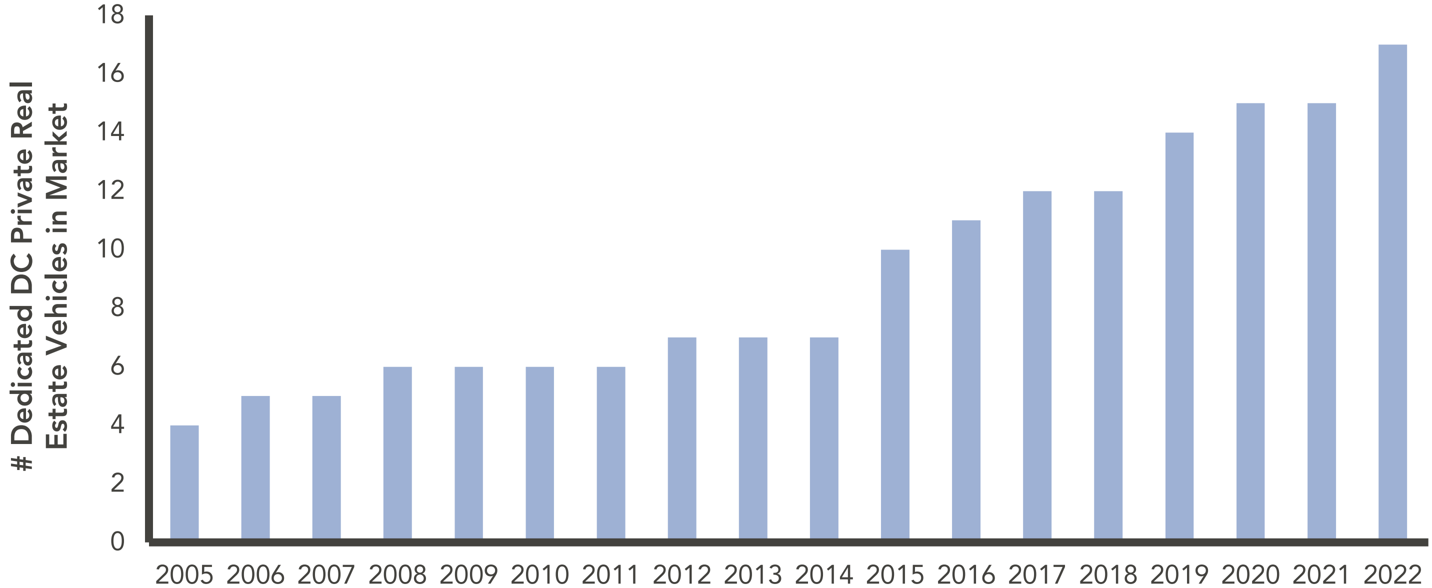
data, which is as of December 31, 2022, is based on the responses of 30 real estate investment management firms representing $1.75 trillion assets under management.

The allure for plan sponsors of incorporating private real estate into their investment programs is the potential for participants to access diversifying investments that may provide inflation-adjusted income as well as risk-adjusted returns.

Exhibit 1: Dedicated DC private real estate vehicles in market continues to increase



Source: The Defined Contribution Survey 2023, the Defined Contribution Real Estate Council, National Association of Real Estate Investment Managers, and Ferguson Partners. Note: Four firms have multiple products.

The study also notes that there is approximately $529.4 billion in private real estate assets invested within defined benefit plans. As defined contribution plans continue to replace defined benefit plans as the primary retirement vehicle offered by employers, we expect this trend of bringing daily valued private real estate products to the defined contribution market to continue to increase.

CFA Institute Publishes New Definitions for Responsible Investing

In collaboration with the Global Sustainable Investment Alliance (GSIA) and Principles for Responsible Investment (PRI), the CFA Institute has published Definitions for Responsible Investment Approaches to provide guidance for five responsible investment terms:

Screening	ESG Integration	Thematic Investing	Stewardship	Impact Investing

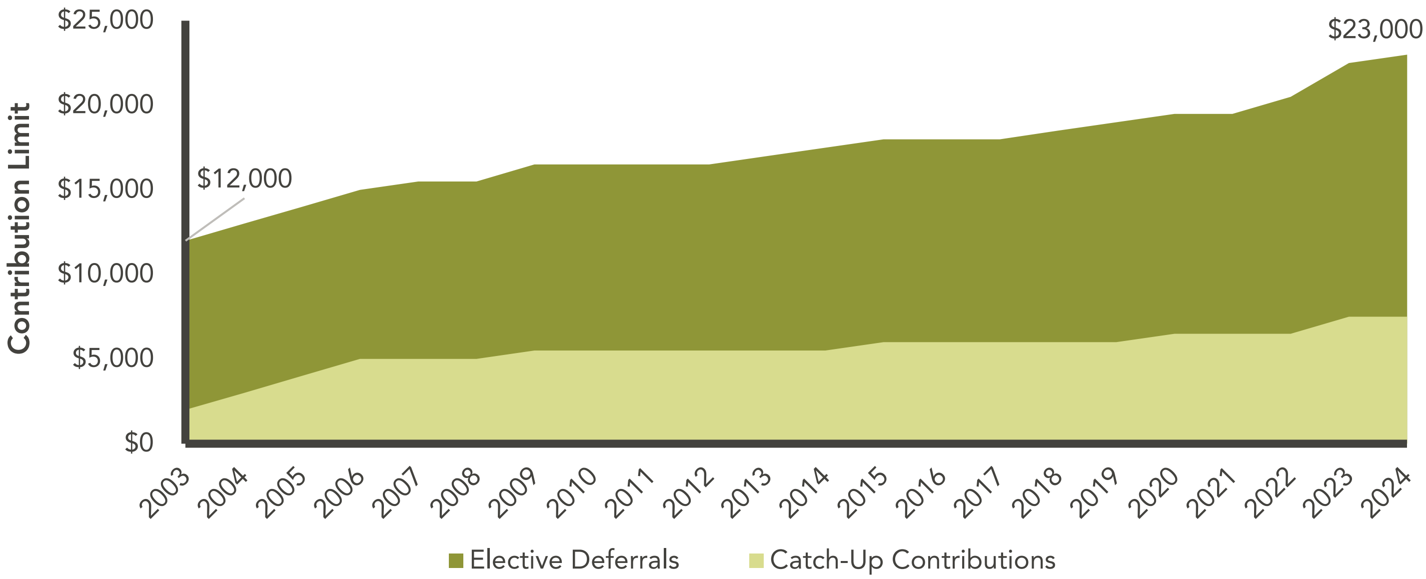
With the increased interest in responsible investing at a global scale, the CFA Institute felt the need to establish standardized terminology to further develop communications among institutional investors and other market participants.

2024 Contribution Limits

The IRS has announced that for 2024, the annual contribution limit for employees who participate in 401(k), 403(b), and most 457 plans will increase to $23,000, up $500 from the $22,500 limit in 2023. The catch-up limit for employees aged 50 and over remains unchanged at $7,500.

The chart below shows the historical data of IRS contribution limits since 2003 and how the limits have increased from years prior.

Exhibit 2: Historical 401(k), 403(b), and 457 plan contribution limits



Source: Internal Revenue Service (IRS)

Additionally, the annual contribution limits for individual retirement accounts (IRAs) will increase to $7,000, up $500 from the $6,500 limit in 2023. The catch-up limit for individuals aged 50 and over remains unchanged at $1,000.

As legislation and market trends evolve, Marquette will continue to provide updates to clients. In the meantime, do not hesitate to reach out to your consultant to discuss these issues or other measures impacting the defined contribution space.

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About Marquette Associates

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