



Retirement Plan Newsletter

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Markets in Review

After three consecutive years of double-digit gains, U.S. equity markets stumbled in the first quarter of 2026, pressured by escalating geopolitical tensions in the Middle East, a sharp rise in energy prices, a reassessment of mega-cap technology valuations, and fading confidence in near-term Federal Reserve easing. The S&P 500 Index¹ declined 4.6% during the quarter, as the outbreak of the U.S.-Israeli war against Iran in late February and the effective closure of the Strait of Hormuz upended the constructive outlook that had prevailed entering the year. The Nasdaq Composite Index² fared worse, falling 7.1%, as the mega-cap AI trade that had powered markets for two years encountered meaningful headwinds from both rising risk aversion and mounting concerns over the return profile of surging AI capital expenditures. The Dow Jones Industrial Average³ posted a comparatively narrower loss of 3.2%, as its greater exposure to energy and defensive sectors cushioned the blow relative to the growth-heavy Nasdaq.

The S&P 500 Equal Weight Index⁴ posted a modest gain of 0.2% in the quarter, outperforming the market-cap-weighted S&P 500 Index by 4.8%, signaling improved market breadth and broader participation away from mega-caps. Further evidence of shifting market leadership can be seen in the “Magnificent Seven,”⁵ which experienced a marked pullback in Q1, delivering

an average return of approximately -12.2%. Another notable trend was the sharp divergence between value and growth, one of the most pronounced in recent memory. The Russell 1000 Growth Index⁶ fell 9.9%, while the Russell 1000 Value Index⁷ eked out a modest gain of approximately 1.6%, a return differential of 11.5%.

The Russell 2000 Index⁸ which tracks small-cap stocks, showed notable resilience in Q1 2026, appreciating a modest 0.6%. Small-cap equities benefited from their lower exposure to the multinational revenue streams most vulnerable to geopolitical disruption and rising oil costs. Their relative outperformance versus large-cap growth represented a continuation of the improving market-breadth trend that had emerged in Q4 2025, though this quarter’s catalyst was geopolitical risk rather than rate-cut optimism.

International developed markets outperformed U.S. equities for the quarter, with the MSCI World ex USA Index⁹ declining 1.5%. However, the quarter was effectively a tale of two halves: the index appreciated 8.8% through 2/25/26, before declining 9.5% over the remainder of the quarter following the Iran war shock. Emerging markets proved slightly more resilient, with the MSCI Emerging Markets Index¹⁰ declining 0.5% in Q1 2026, extending 2025’s relative outperformance versus developed markets. The

asset class benefited from continued U.S. dollar weakness, robust AI-linked semiconductor demand in Asia, and ongoing corporate governance reforms across the region. Korea and Taiwan were again the primary engines of performance, driven by their outsized exposure to the global AI infrastructure buildout. However, the late-quarter risk-off environment weighed on emerging-market returns as well, particularly among oil-importing economies facing higher input costs. China was a case in point, with the MSCI China Index falling 9.0% in the quarter as it gave back early-quarter gains amid a worsening energy outlook and renewed growth concerns.

On the domestic monetary policy front, the Federal Reserve shifted into a holding pattern, leaving the federal funds rate unchanged at 3.50%-3.75% at both its January and March meetings. The January decision featured two dissents in favor of a rate cut, reflecting lingering concern over a soft labor market. By March, however, the outbreak of the Iran war and the resulting oil-price surge had fundamentally altered the calculus, reinforcing the Fed's data-dependent stance and reducing confidence in an imminent resumption of rate cuts. Markets broadly interpreted the Fed's positioning as hawkish relative to the two to three cuts that had been priced in entering the year, and Chair Powell's emphasis on a "first, do no harm" approach reinforced the view that rate relief is unlikely until the second half of 2026 at the earliest.

In fixed income, rising yields and inflation expectations pressured bond returns across the duration spectrum. The 10-year U.S. Treasury yield ended Q1 2026 at 4.33%, up 17 basis points from 4.16% at year-end 2025, driven by higher near-term inflation expectations stemming from the oil shock. As with equities, the move was not linear: yields traded in a relatively narrow range through mid-February before surging in March alongside crude prices. The iShares Core U.S. Aggregate Bond ETF (AGG)¹¹ was roughly flat for the quarter, with coupon income offsetting price declines. The 2-year U.S. Treasury yield rose more materially, increasing to 3.81% from 3.48% at year-end, as markets recalibrated expectations for Fed easing. Credit spreads widened modestly during the March selloff, with the iShares Broad USD High Yield Corporate Bond ETF (USHY)¹² declining 0.4% for the quarter as risk aversion mounted.

Crude oil was the defining commodity story of Q1 2026 and one of the most consequential market developments of the quarter. Brent crude, which had closed 2025 at \$60.85 per barrel, traded in a relatively narrow range through late February before the U.S.-Israeli strikes on Iran on February 28th triggered a severe energy supply shock. The effective closure of the Strait of Hormuz, through which approximately 20% of the world's seaborne oil flows, sent Brent surging more than 60% in March alone, its largest monthly gain on record dating back to 1988. Brent crude prices ended the quarter up 94.5%, as a March release of 400 million barrels from strategic petroleum reserves by IEA nations — the largest emergency release in history — did little to ease concerns over the market's near-term supply gap.

Precious metals experienced significant volatility in Q1, driven by the interplay of safe-haven demand, rate expectations, and the energy shock. Gold reached a new all-time high above \$5,400 per ounce in late January, propelled by central-bank buying, ETF inflows, and intensifying geopolitical uncertainty. However, the metal gave back a significant portion of those gains in March as the hawkish Fed hold, surging real yields, and

forced liquidation by leveraged funds weighed on prices. Gold ended the quarter at \$4,668 per ounce, up 8% from its year-end 2025 close of approximately \$4,325. Silver followed a similar trajectory, rising sharply through January before experiencing one of its sharpest weekly declines in years in early February, as its dual identity as both an industrial metal and a precious metal left it vulnerable to growth concerns and speculative unwinding. Silver ended Q1 near \$72.69 per ounce, up 1.0% from its year-end 2025 level.

As we enter Q2 2026, the market narrative has shifted decisively from the monetary-policy-and-AI-driven framework that dominated 2024 and 2025 to one centered on geopolitical risk, energy security, and the specter of a supply-side inflation shock. On one hand, the economy continues to show signs of underlying resilience, and the broadening away from narrow mega-cap leadership may ultimately prove healthy for market structure. On the other hand, energy-driven inflation risk, a more cautious Fed, tighter financial conditions, and unresolved geopolitical tensions have made the path forward less straightforward than it appeared at year-end. In our view, the environment continues to argue for diversification, disciplined risk management, and selectivity across both equity and fixed income allocations.

Empowering Employees Through 401(k) Education: A Strategic Advantage for Employers

In today's workplace, offering a 401(k) plan has become a standard part of employee benefits. But simply making a retirement plan available isn't enough.

For employees to truly take advantage of it, they need to understand how the plan works, why it matters and how to use it effectively.

Many employees recognize that a 401(k) is designed for retirement savings, yet they often lack a deeper understanding of its key components. Concepts such as pre-tax contributions, employer matching and compound growth can feel abstract or intimidating without clear explanation. When these ideas are broken down in simple terms, employees are far more likely to contribute consistently and make informed decisions about their financial futures.

Research reinforces the value of education. Studies from Vanguard and SHRM show that companies offering ongoing 401(k) education see higher enrollment and contribution rates. Education reduces uncertainty; when employees understand their options, they feel more confident participating and are better prepared to make smart financial choices.

Still, even with a strong plan in place, many employees hesitate to enroll or contribute enough. Common barriers include fear of choosing the wrong investments, confusion about tax implications or the belief that retirement is too distant to prioritize. Others may feel overwhelmed by financial terminology or the enrollment process itself. A thoughtful, well-designed education program can address these concerns and empower employees to take action.

Encouraging participation doesn't require a complete overhaul of your benefits strategy. Small, practical steps can make a meaningful difference. Explaining the employer match in

straightforward language, showing how contributions affect each paycheck and offering tools like financial calculators or one-on-one advisor sessions can help demystify the process. These efforts make the plan feel more accessible and relevant to employees at every career stage.

The most effective 401(k) education programs are ongoing, easy to access and tailored to the diverse needs of the workforce. These may include workshops, webinars, personalized Q&A sessions and content designed for employees at different life stages—from those just starting their careers to those nearing retirement. Visual aids, online resources and a designated HR or advisor contact can further enhance the learning experience.

Importantly, the benefits extend beyond individual employees. Employers also gain from a more financially literate workforce. Higher participation rates lead to stronger retirement readiness, which boosts satisfaction and retention. Employees who feel financially secure tend to be less stressed, more productive and more committed to their organization. Additionally, a well-informed workforce reduces compliance risks and strengthens the overall benefits package, making the company more competitive in attracting top talent.

Launching a 401(k) education program doesn't have to be complicated. Start by assessing employees' current understanding through surveys or informal conversations. Offer resources in multiple formats—both digital and in-person—and consider partnering with a fiduciary advisor to provide expert guidance. Tailor your messaging to different age groups and career stages, and keep the conversation going with regular updates and follow-ups.

Ultimately, the goal is not just to offer a retirement plan, but to ensure employees know how to use it effectively. With a strong education strategy, companies can build a more financially confident workforce—one that's both engaged in the present and prepared for the future.

Please reach out to your BFGS representative to learn more about how we can help enhance employee education.

Form 5500: All-In-One Oversight, Transparency and Protection

Form 5500 exists to create a single, annual public report on employee benefit plans. With filings made publicly available through the DOL, its core purpose is to contribute to broader transparency in the employee benefits system and protect plan participants and beneficiaries—and the public interest—from mismanagement, fraud, underfunding and related risks. In this way, regulators, researchers, participants and the general public alike are given the capacity to scrutinize plan funding, operations, service providers and fiduciary conduct, while also monitoring trends in plan design, funding and compliance across the retirement and welfare plan landscape.

Regulatory Oversight and Enforcement

Form 5500 functions as a unified annual reporting system for federal regulators. In filing a single standardized return, plan

administrators supply required information to the Internal Revenue Service, the Department of Labor (DOL), and, for defined benefit plans, the Pension Benefit Guaranty Corporation (PBGC). This centralized approach allows each agency to enforce its respective statutes—tax qualification rules, ERISA fiduciary standards and PBGC funding requirements—without duplicative filings. In most cases, completing Form 5500 satisfies the plan's annual reporting obligations to all three parties.

These agencies can then rely on Form 5500 filings as a key screening and investigative tool. The data provided may be used to identify noncompliance, set audit and enforcement priorities and coordinate enforcement actions or penalties. Irregularities in Form 5500 data (such as inconsistent financial data, missing audits or unanswered compliance questions) frequently trigger follow-up inquiries and can lead to enforcement actions if violations are found.

Fiduciary Accountability

The Form 5500 collects detailed information needed to assess fiduciary compliance and operational integrity. This includes data on plan finances and investments, service providers and compensation arrangements, insurance contracts, fidelity bonding, reportable transactions and independent auditor reports. This breadth of disclosure allows regulators to identify red flags such as conflicts of interest, inaccurate asset valuations and prohibited transactions.

This reporting regimen imposes ongoing accuracy responsibilities on plan administrators. Plans must maintain supporting documentation for reported information and correct misstatements when discovered—often through amended Form 5500 filings. Where errors affect participant benefits, regulators may require restoration of participant accounts or other remedial actions, with those corrections then reflected in the Form 5500 record.

Participant Protection

Most importantly, the Form 5500 disclosure system serves to protect plan participants and their beneficiaries. ERISA grants participants the right to review plan documents and the plan's latest annual report—including the Form 5500, which contains information about plan finances, service-provider compensation, audit findings, actuarial assumptions, funding status and reported losses or irregularities.

This disclosure framework enables participants to understand how their plan operates, how assets are invested and whether the plan appears financially sound. By making this information accessible, the Form 5500 supports informed participant oversight and reinforces the accountability of plan fiduciaries.

A Final Look at Form 5500

Form 5500 is a statutory, public accountability tool at the heart of ERISA's enforcement framework, designed to assist both participants and regulators in identifying plan noncompliance. This commonly includes:

- **Highlighting missing fidelity bonds or fraud:** The form requires disclosure of fidelity bonding and losses due to fraud or dishonesty. Failures or irregularities in these disclosures often trigger regulatory attention and potential civil or criminal consequences.
- **Requiring audits for large plans:** Large plans must attach an independent qualified audit report. To regulators, missing or deficient audits are a significant enforcement red flag.
- **Correcting misvalued assets and restoring benefits:** When asset valuation errors result in improper benefit payments, Form 5500 filings help regulators identify the issue, which will require corrections, amended filings and/or restoration of participant accounts.

By combining transparency with actionable data, these filings provide the practical mechanism through which fiduciary conduct, plan funding, service-provider relationships and fraud are monitored and policed. In short, Form 5500 is one of the primary ways ERISA protections are made real for plan participants and beneficiaries.

Correcting Retirement Plan Overpayments

Overpayments from qualified retirement plans to plan participants are among the most common—and most sensitive—administrative errors encountered by plan sponsors and fiduciaries. They often arise quietly: calculation mistakes, misapplied plan terms, delayed data updates or vendor processing errors. Once discovered, however, an overpayment demands immediate and careful attention. Left uncorrected or handled improperly, it can jeopardize plan qualification, create fiduciary exposure and frustrate participants who reasonably relied on the funds they received.

Federal correction frameworks now provide plan sponsors with more flexibility than in the past, particularly under the IRS Employee Plans Compliance Resolution System (EPCRS) and changes introduced by the SECURE 2.0 Act. Understanding how these rules operate in practice is essential to resolving errors in a way that is both defensible and equitable.

The moment an overpayment is identified, the plan administrator should:

- Stop the error from continuing
- Bring future payments into alignment with the plan's actual terms
- Complete a thorough review of what occurred to determine:
 - When the overpayment began
 - The amount overpaid
 - Whether earnings must be calculated

- How the funds were distributed (which can drive the available correction options)

If the plan intends to recover the overpayment, written communication with the recipient is required. These communications should be measured and factual, avoiding language that could be perceived as accusatory or misleading. Retaining proof that the notice was delivered is an essential part of the compliance record. The notice should:

- Explain that an overpayment occurred
- Identify the amount involved
- Describe the options available for correction
- Clarify that the overpaid amount is not eligible for rollover, even if it was previously treated that way, and explain the consequences of inaction

In most cases, EPCRS views the return of the overpayment—along with any associated earnings—as the preferred outcome. When an overpayment has been rolled into an IRA or another plan, it may be possible to work directly with the receiving trustee to return only the excess amount. Regardless of the method chosen, fiduciaries must be able to demonstrate that they took reasonable steps to recover the funds, even if those efforts ultimately prove unsuccessful.

In some defined contribution plan situations, EPCRS allows overpayments to be resolved through retroactive plan amendment rather than direct recovery. This approach can be particularly useful where recovery would be impractical, inequitable or disruptive, but it is tightly constrained. Used appropriately, however, it can provide a clean resolution with minimal participant friction.

Not every overpayment must be recovered. EPCRS and related guidance allow limited discretion to forgo recovery of de minimis amounts or where the cost and hardship of recovery would clearly outweigh the benefit. These decisions should never be casual. The rationale for not pursuing recovery, along with the supporting facts and applicable thresholds, should be documented with the same care as an active recovery effort. Where an unrecovered overpayment harms the plan or other participants, the employer or another responsible party is often required to restore the plan, underscoring the importance of evaluating downstream impacts.

Tax reporting and plan filings are another critical—and often overlooked—aspect of overpayment correction. The tax consequences depend heavily on timing. Overpayments repaid in the same year generally are not treated as taxable distributions, while repayments in later years may require amended Forms 1099-R and careful coordination with the participant. Overpayments targeted for recovery should not be reported as eligible rollovers. Similarly, if corrections affect plan financial statements, distributions or asset balances, an amended Form 5500 may be required, particularly for audited plans.

Across all of these scenarios, documentation remains the foundation of a defensible correction. Calculations, participant notices, correspondence with trustees, amended filings, and committee or board minutes all tell the story of how the plan

identified the error, evaluated its options, and acted prudently under the circumstances. In audits or examinations, that story often matters as much as the technical correction itself.

Ultimately, correcting retirement plan overpayments is less about finding a single “right” answer and more about applying approved correction principles thoughtfully and consistently. By acting promptly, communicating clearly, coordinating tax and filing obligations, and maintaining a robust correction record, plan fiduciaries can resolve even sensitive overpayment issues while protecting plan qualification and fulfilling their fiduciary duties.



Upcoming Compliance Deadlines

May 2026

15th: Quarterly Benefit Statement: Deadline to supply participants of participant-directed plans with the quarterly benefit/disclosure statement, including a statement of plan fees and expenses charged to individual plan accounts during the first quarter of 2026.

June 2026

30th: EACA ADP/ACP Corrections: Deadline to process corrective distributions resulting from failed ADP/ACP tests to avoid a 10% excise tax on the employer for plans that have elected to participate in an Eligible Automatic Contribution Arrangement (EACA).

July 2026

29th: Summary of Material Modifications (SMM): An SMM is due to participants no later than 210 days after the end of the plan year in which a plan amendment was adopted.

31st: Form 5500 and Form 8955-SSA: Deadline to file forms without extension for calendar year-end plans.

31st: Form 5558: Deadline to request an automatic extension for calendar year-end plans to extend due date for Form 5500 and Form 8955-SSA.

Sources:

1. The S&P 500 Index is designed to be a leading indicator of U.S. equities and is commonly used as a proxy for the U.S. stock market.
2. The Nasdaq Composite is a stock market index that includes almost all stocks listed on the Nasdaq stock exchange. The composition of the NASDAQ Composite is heavily weighted towards companies in the information technology sector.
3. The Dow Jones Industrial Average is a widely followed, price weighted stock market index of 30 prominent companies listed on stock exchanges in the United States.
4. The S&P 500 Equal Weight Index (EWI) is the equal-weight version of the S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight of 0.2% of the index total at each quarterly rebalance.
5. The term "Magnificent Seven stocks" refers to a group of seven dominant and influential technology-focused companies in the U.S. stock market. The components of the Magnificent Seven are: Apple Inc. (AAPL), Microsoft Corporation (MSFT), Amazon.com, Inc. (AMZN), Alphabet Inc. (GOOG), Meta Platforms, Inc. (META), NVIDIA Corporation (NVDA), and Tesla, Inc. (TSLA).
6. The Russell 1000 Growth Index is composed of large- and mid-capitalization U.S. equities that exhibit growth characteristics.
7. The Russell 1000 Value Index is composed of large- and mid-capitalization U.S. equities that exhibit value characteristics.
8. The Russell 2000 Index is a small-cap U.S. stock market index that makes up the smallest 2,000 stocks in the Russell Index. The index is commonly used as proxy for U.S. small cap stock market performance.
9. The MSCI World ex USA Index captures large and mid-cap representation across 22 of 23 Developed Markets countries (excluding the U.S.) and 24 Emerging Markets countries.
10. The MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets countries.
11. The iShares Core U.S. Aggregate Bond ETF offers broad-based exposure to U.S. bonds and tracks the Bloomberg U.S. Aggregate Bond Index that is commonly used as a proxy for the U.S. bond market.
12. The iShares Broad USD High Yield Corporate Bond ETF seeks to track the investment results of an index composed of U.S. dollar-denominated, high yield corporate bonds.

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