Retirement Plan Newsletter

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Markets in Review

After a turbulent start to the year, U.S. equity markets staged a powerful recovery in the second quarter of 2026, propelled by a de-escalation of the U.S.-Iran conflict, a sharp reversal in crude oil prices back to pre-war levels, and accelerating corporate earnings growth. The S&P 500 Index[1] returned 14.9% during the quarter, its best quarterly performance since the second quarter of 2020, more than recouping its first-quarter losses and setting new record highs. The Nasdaq Composite Index[2] surged 21.4% as semiconductor and memory-chip stocks soared on robust AI capital expenditures; the Philadelphia Semiconductor Index recorded its best quarterly performance (+87.8%) since its 1994 inception.

Beneath the headline strength, market leadership evolved over the course of the quarter. The initial rally off the March lows was driven by large-cap growth and hyperscalers, but by quarter's end the advance had broadened, with small-cap, micro-cap, equal-weight, and value benchmarks all reaching new record highs. The S&P 500 Equal Weight Index[3] trailed the cap-weighted index during the growth-led rebound, posting a Q2 return of +10.9%. However, the index nonetheless finished the quarter at record levels, generating a year-to-date performance (+11.1%) that bested its cap-weighted counterpart (+9.6%). The "Magnificent Seven"[4] participated in the rally but as a group continued to trail the broader index year to date, with wide dispersion among constituents. In a reversal of the first quarter's historic style divergence, growth reclaimed leadership: the Russell 1000 Growth Index[5] returned 16.6%, versus 13.4% for the Russell 1000 Value Index[6], though value outperformed in June as investors rotated into more cyclical and defensive areas of the market.

In late March, the Russell 2000 Index[7] benchmark was still trading marginally below its prior cycle highs from November 2021. The small cap benchmark surged by 21.2% in Q2 2026, however, finally breaking out to fresh record territory. Ten of eleven small-cap sectors finished higher, and even after the rally, small-cap stocks continue to trade at a meaningful discount to large-cap indices despite an improving earnings growth outlook.

International markets also delivered strong returns, though developed markets trailed the U.S. rebound, with the MSCI World ex USA Index[8] advancing 9.3% for the quarter. Emerging markets were the clear standout: the MSCI Emerging Markets Index[9] surged 23.3%, driven overwhelmingly by the AI-linked semiconductor complex in North Asia. Korea and Taiwan — home to Samsung Electronics, SK Hynix, and TSMC, the critical suppliers of high-bandwidth memory and advanced logic chips

— led global markets, with Taiwan and South Korea both moving to roughly $5 trillion in equity-market capitalization and overtaking India in global market-cap rankings. Dispersion was extreme, however, as exemplified by the MSCI China Index falling by 7.6% in Q2 2026 compared to an 87.4% quarterly increase in the MSCI Korea Index.

The most consequential development of the quarter came on the monetary policy front, where the Federal Reserve underwent its first leadership change in eight years. Kevin Warsh was confirmed by the Senate on May 13 and sworn in as Chair on May 22, succeeding Jerome Powell, who remains on the Board of Governors. The Federal Open Market Committee (FOMC) left the federal funds rate unchanged at 3.50%-3.75% at both its April and June meetings, but the June 17 meeting — Warsh's first as Chair — marked a decisive hawkish shift: the Committee released a dramatically shortened statement that dispensed with forward guidance, and the updated Summary of Economic Projections showed the median 2026 fed funds projection rising to 3.8% from 3.4% in March, implying at least one rate hike this year. The inflation backdrop justified the caution, with May headline Consumer Price Index (CPI) at 4.2% year over year and core Personal Consumption Expenditure (PCE) rising for a third consecutive month to 3.4%. By quarter's end, markets that had entered 2026 expecting two to three rate cuts were instead pricing a roughly 80% probability of a quarter-point hike by the September meeting.

The 2-year U.S. Treasury yield rose 35 basis points to end the quarter at 4.14% as markets priced out rate cuts, while the 10-year yield rose a more modest 16 basis points to 4.46%, its ascent contained by the collapse in oil prices. The flattening drove the 10-year/2-year spread to its narrowest level since March 2025. The iShares Core U.S. Aggregate Bond ETF (AGG)[10] eked out a gain of approximately 0.7%, as coupon income again offset price pressure. Credit was the clear winner: spreads held near historically tight levels, and the iShares Broad USD High Yield Corporate Bond ETF (USHY)[11] returned approximately 2.5%.

Crude oil largely reversed its first-quarter shock. After surging in Q1 and peaking above $126 per barrel in April, Brent crude fell roughly 20% in May and continued lower in June, as fears of a sustained supply disruption eased and the U.S. and Iran moved toward a negotiated end to the conflict. The temporary reopening of the Strait of Hormuz restored Persian Gulf export flows, and successive OPEC+ production increases completed the normalization, with Brent ending the quarter in the low $70s per barrel — down approximately 38% for the quarter and roughly back near pre-war levels, though still positive year to date. The energy sector, the market's best performer in Q1, was the biggest laggard in Q2 as the geopolitical risk premium unwound.

Precious metals bore the brunt of the hawkish policy repricing. Gold fell approximately 13% during the quarter to end near $4,000 per ounce, its worst quarterly performance since 2013, with nearly 12% of the decline occurring in June alone. Rising real yields, a firmer U.S. dollar following the June FOMC, and the unwinding of war-related safe-haven demand all weighed on the metal after it touched an all-time high near $5,595 per ounce in late January. Silver fared worse, ending the quarter near $59 per ounce, down approximately 20%, hit by both the precious metals liquidation and the late-June technology selloff. Notably, central-bank gold accumulation continued through the correction.

As we enter the third quarter of 2026, the market narrative has rotated once again — away from geopolitical risk and energy-driven inflation, and toward the durability of the AI-led earnings cycle and the policy intentions of a new Federal Reserve Chair. On one hand, the fundamental backdrop is strong: S&P 500 earnings are expected to grow more than 20% year over year for a second consecutive quarter, market breadth has improved markedly, and economic growth remains above trend. On the other hand, valuations now sit above long-term averages, signs of speculative excess have emerged in pockets of the market, inflation remains well above target with the Fed now more likely to hike than cut, and the Middle East ceasefire and diplomatic process remain works in progress. In our view, this environment continues to argue for diversification, disciplined risk management, and selectivity across both equity and fixed income allocations — with particular attention to valuation discipline in the market's most crowded themes.

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Benefits of Sponsoring a Retirement Plan

The benefits of being a retirement plan participant are well-documented, but the perks available to the sponsoring employer are often overlooked.

In offering a retirement plan, plan sponsors can enjoy the advantages of tax deductions and credits, flexible design options and attraction and retention of employees, along with the benefits of being a participant in the plan.

Tax Benefits: When an employer makes a matching, safe harbor, profit sharing, defined benefit or money purchase contribution to the plan, they may deduct the contribution on their tax return. On top of that, any expenses toward plan administration are also tax-deductible so long as they're paid by the employer—if the plan pays the expenses, the sponsor can't deduct those fees.

In some cases, tax credits may be available for small businesses to cover the costs of plan startup or automatic enrollment expenses.

Pre-tax contributions made by participants can also impact the employer's taxes. These contributions will reduce an employee's gross taxable income, which in turn lowers the corresponding taxes (such as FICA) paid by the employer.

Specific questions regarding tax deductibility should be directed to your tax advisor.

Flexible Design Options: In addition to providing retirement benefits for employees, the plan can be designed to meet the employer's goals as well. Some designs require the employer to make a set contribution each year; as a result, several compliance tests can be avoided, allowing the highly compensated employees (HCEs) to contribute a higher amount.

Other designs might allow for flexibility in the amount of contributions. For example, when the employer needs a bigger tax deduction, a larger contribution can be made; alternatively, a lower contribution could be made when money is required elsewhere.

Attraction and Retention: Gone are the days of employees working for a single employer their entire career and retiring with a company-sponsored pension. Today's employees want portability and control over their retirement. A company's benefits package, including retirement benefits, can be the deciding factor when considering a position. The employee's perception of the available benefits may even be more critical than the benefits themselves.

An employer can't just focus on attracting new talent; they are also competing with other companies to keep their current staff. Keeping up to date with an industry's retirement trends and keeping employees apprised of their options may help to alleviate concerns in these areas.

Benefits of Participation: As an employee, a company's owner may be able to participate in the plan, thereby receiving the accompanying benefits. If the plan includes an employer match, that contribution can be considered additional compensation. For example, a 4% salary deferral might be matched with an additional 4% employer contribution, providing extra compensation that is applied to the owner's retirement goals.

Also consider the potential tax benefits, as pre-tax contributions can be a way to defer personal income taxes. On the other hand, earnings on after-tax or Roth contributions might never be taxed. In these ways, the plan design considerations mentioned previously can significantly impact the retirement account of the owner.

Whatever reason inspires you to sponsor a retirement plan, we are here to help. Whether it's the potential for tax breaks, providing value for your employees or simply taking advantage of plan benefits for yourself, we want to help you maximize the value of being a plan sponsor. If you have any questions on plan advantages, please feel free to reach out to us.

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Features of a Retirement Plan

Retirement plans are a popular way to save for retirement. Although many people participate in these plans, the flexibility allowed by plan provisions ensures each can be unique. Understanding the features and options available in a 401(k), 403(b) or 457(b) plan will help you design your plan so that it works best for you and your participants.

401(k), 403(b) and 457(b) refer to sections of the Internal Revenue Code that provide tax advantages for certain employer-sponsored retirement savings plans. These plans generally allow participants to have a portion of their pay contributed to the plan through payroll deductions. . Pre-tax contributions and earnings are taxed when withdrawn from the plan. This encourages automatic saving for retirement, with the added expectation that an individual's tax rate may be lower during their retirement years.

A retirement plan sponsor can also choose to allow participant Roth contributions. Like the standard pre-tax salary deferrals, these are contributed to the plan and earmarked for retirement; the difference is that Roth contributions are taxed in the year they are withheld. The advantage to this is that earnings are tax-free so long as they meet the requirements of a qualified Roth distribution, which will account for most distributions taken by individuals of retirement age as long as the account was established at least five taxable years prior and the participant reaches age 59½. This option works best for participants who start deferring at an early age or whose tax rate is expected to be higher in retirement.

To participate in a retirement plan, an employee must generally meet the eligibility and entry requirements. Plan eligibility commonly incorporates a service requirement (based on hiring date and/or hours worked) and an age requirement, for example, eligibility upon hire for individuals age 21, or eligibility after working 1,000 hours in a 12-month period. The entry requirements define when the participant enters the plan after they become eligible; this could range from immediately to the next semi-annual entry date. These entry and eligibility criteria provide the plan sponsor with another avenue for plan customization, offering the ability to balance employee engagement and retention against costs and administrative responsibilities.

What happens after the participant meets the eligibility and entry requirements? Ideally, they will complete the enrollment paperwork, choose a deferral amount and select their investment options. However, many won't engage with the plan in this way. To address this, a plan may include automatic enrollment provisions to enroll the participant at a preset deferral rate. At the same time, the plan can direct those contributions into a Qualified Default Investment Alternative (QDIA), allowing savings and investment to begin even without direct employee input.

Employers may also opt to contribute money to the plan on the participants' behalf. This can be done in the form of a company match and/or non-elective contributions, the latter of which does not require an employee deferral. While optional, these types of contributions can fulfill certain safe harbor requirements, which may allow the plan to avoid most nondiscrimination testing that would otherwise be needed to ensure it isn't discriminating against the non-highly compensated employees. If the safe harbor provision is added to the plan document, these types of contributions may be required.

Profit sharing is another option for more flexible employer contributions into a 401(k). A profit sharing provision can allow a plan sponsor, at their discretion, to make an additional contribution to the plan to reward the participants for a profitable year or to reduce the employer's tax liability. The method for allocating these funds to participants is outlined in the plan document; several are available. These can be as simple as an equal salary percentage or a flat dollar amount, but more complex strategies are available as well, which might allocate more to higher-earning individuals or those nearer to retirement age. Some options may be more advantageous than others depending on the owner and staff demographics.

A combo plan is when two plan types are paired together, typically for the purpose of more favorable testing. For example, it's common practice to pair a 401(k) plan with a cash balance defined benefit plan for the purpose of allowing higher contributions for older employees and owners.

One last option worth considering is a participant loan program. A plan sponsor may choose to offer this feature, allowing participants to borrow against their account balance. These loans can increase confidence and flexibility by giving participants access to their savings if a need arises.

Retirement plans are an important tool to meet your and your employees' retirement goals. This is largely due to their adaptability. The options we've discussed are just some of the ways a retirement plan can be customized to balance the needs of participants with the needs of the company. If you are interested in exploring alternatives for your plan, please contact us for recommendations and advice.

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DOL's New Paper Statement Requirement Begins in 2026: Key Changes for Plan Sponsors

A significant shift in retirement plan disclosure rules is coming soon, and employers should begin preparing now. In response to new regulations included under the SECURE 2.0 Act of 2022, the Department of Labor (DOL) will require certain pension benefit statements be furnished to participants on paper, even for those who currently receive electronic disclosures. This mandate, which represents one of the most notable updates to ERISA's disclosure framework in years, applies to plan years beginning after Dec. 31, 2025.

To support plan administrators implementing these changes, the DOL issued Field Assistance Bulletin (FAB) 2026-02, which provides temporary enforcement relief and clarifies how the new paper statement rules interact with existing electronic disclosure safe harbors. The Department also released a notice titled "Requirement to Provide Paper Statements in Certain Cases – Amendments to Electronic Disclosure Safe Harbors," outlining proposed updates to the 2002 and 2020 electronic delivery rules.

Together, these developments mean plan sponsors, administrators and recordkeepers will need to adjust their communication processes and prepare for increased paper mailings.

What SECURE 2.0 Requires

Beginning in 2026:

- Defined contribution (DC) plans must provide at least one paper pension benefit statement every calendar year.
- Defined benefit (DB) plans must provide one paper pension benefit statement every three calendar years.

Note that these requirements apply to participants who previously defaulted to electronic delivery. The only exception is for participants who actively elect to receive all disclosures electronically.

Proposed Changes to Electronic Disclosure Rules

To align existing rules with SECURE 2.0, the DOL has proposed updates relating to participant notices and electronic disclosures.

- **One Time Initial Paper Notice for Newly Eligible Participants:** Starting Jan. 1, 2026, individuals who first become eligible for a plan must be provided with a one time initial paper notice before they are defaulted to electronic delivery. This notice must explain the participant's right to opt out of electronic delivery while also meeting the requirements put forth by the 2002 electronic disclosure safe harbor. Once this notice is provided, plans may continue using electronic delivery except for the required annual or triennial paper statements as listed above.
- **Updates to the 2020 Electronic Disclosure Safe Harbor:** The DOL also proposes that participants must be able to request electronic delivery of any paper statement. As such, paper statements must now include instructions for requesting electronic delivery, as well as contact information for the plan administrator.

These changes are intended to preserve participant choice while ensuring compliance with SECURE 2.0's paper delivery mandate.

Temporary Enforcement Relief

The DOL will provide a good-faith compliance period while the rules are being finalized. During this transition, the Department will not focus on enforcement so long as reasonable efforts are made to comply with the mandate. This relief acknowledges the operational changes required for recordkeepers and plan sponsors.

What Plan Sponsors Should Do Now

- Review disclosure procedures to ensure paper statements can be produced and mailed on schedule.
- Coordinate with recordkeepers to confirm systems can track delivery preferences and generate compliant statements.
- Update participant communications to explain the new paper statement requirement and how to opt into electronic delivery.
- Monitor final rulemaking, as the requirements may be revised before adoption.

The DOL's new paper statement requirements reflect a broader policy goal: ensuring all participants, including those less engaged with electronic communications, receive essential retirement information in a clear and accessible format. Though the change may increase administrative burdens, early preparation will help employers transition smoothly.

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Upcoming Compliance Deadlines

September 2026

15th: Deadline for required contribution to defined benefit plans, money purchase pension plans and target benefit pension plans.

15th: Deadline for deducting 2025 employer contributions for sponsors who filed an extension on Partnership or S-Corporation tax returns, extending the original March 15, 2026 deadline.

30th: Due date for certification of the Annual Funding Target Attainment Percentage (AFTAP) for defined benefit plans for the 2026 plan year.

October 2026

15th: Extended filing deadline for Form 5500 and Form 8955-SSA for plan years ending Dec. 31, 2025.

15th: Due date for 2026 PBGC Comprehensive Premium Filing for defined benefit plans.

15th: Deadline for deducting 2025 employer contributions for sponsors who filed a tax extension on C-Corporation or Sole-Proprietor returns, extending the original April 15, 2026 deadline.

15th: Due date for non-participant directed individual account plans to include Lifetime Income Illustrations on the annual participant statement.

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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 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.
4. 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).
5. The Russell 1000 Growth Index is composed of large- and mid-capitalization U.S. equities that exhibit growth characteristics.
6. The Russell 1000 Value Index is composed of large- and mid-capitalization U.S. equities that exhibit value characteristics.
7. 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.
8. 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.
9. The MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets countries.
10. 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.
11. 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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