USI ADVISORS, INC.

MARKET & LEGAL UPDATE
JANUARY 2021 REVIEW

Investment Advice provided by USI Advisors, Inc. Under certain arrangements, securities offered to the Plan through USI Securities, Inc. Member FINRA/SIPC.

CORPORATE OFFICE:

95 Glastonbury Blvd., Suite 102
Glastonbury, CT 06033
860.652.3239*

USI Consulting Group is an affiliate of both USI Advisors, Inc. and USI Securities, Inc.

USI CONSULTING GROUP SERVICE REGIONS:

Atlanta, GA
Austin, TX
Boston, MA
Charlotte, NC
Chicago, IL
Cincinnati, OH
Cleveland, OH
Columbus, OH
Dallas, TX
Denver, CO
Detroit, MI
Fort Lauderdale, FL
Fresno, CA
Green Bay, WI
Houston, TX
Indianapolis, IN
Irvine, CA
Knoxville, TN
Long Island, NY
Los Angeles, CA
Louisville, KY
Minneapolis, MN
Nashville, TN
New York, NY
Omaha, NE
Orlando, FL
Philadelphia, PA
Phoenix, AZ
Pittsburgh, PA
Portland, OR
Seattle, WA
St. Louis, MO
Tampa, FL
Toledo, OH

** Inquire about the location nearest you*

"Nobody Wants a Repeat of 2020…Except Investors"

The year 2020 will always be remembered for the debilitating effects of the COVID pandemic and the immense political turmoil that threatened to divide the country. So, as 2020 came to a close, many thought "good riddance" and were looking forward to the New Year. Well everyone, that is, except investors. Markets were up significantly in 2020 and the hope, for investors at least, was that 2021 would continue that upward trend. Unfortunately, January was a bit mixed as some portions of domestic and international markets (e.g. large caps and developed international markets) were down, while others (e.g. small caps and emerging markets) extended their gains. For the month of January, the S&P 500 lost 1.0% and the Dow Jones Industrial Average fell 2.0%. The tech-heavy NADSAQ managed to squeeze out a positive return for the month, adding 1.4%, while small caps and microcaps gained 5.0% and 14.2%, respectively. Overseas, the MSCI EAFE, which tracks developed markets, fell 1.1%, whereas the MSCI Emerging Market Index tacked on 3.1%.

The first month of the year has had its ups and downs, to say the least. At its low, the U.S. Capitol was breached on January 6th. Just two weeks after protestors stormed the capitol, the U.S. was uneasy and wondered how the inauguration of President Joe Biden would proceed. Would there be more protests, or worse, more violence? Thankfully neither occurred and the inauguration went off without a hitch on January 20th. At its high, vaccinations have been accelerating. Early data has shown promising signs of COVID-19 vaccine efficacy in long term care facilities (LTCF). The infection cases are declining more quickly than in the rest of the population.

Market Return Indexes	January 2021	YTD 2021
Dow Jones Industrial Average	-2.0%	-2.0%
S&P 500	-1.0%	-1.0%
NASDAQ (price change)	1.4%	1.4%
MSCI Eur. Australasia Far East (EAFE)	-1.1%	-1.1%
MSCI Emerging Markets	3.1%	3.1%
Bloomberg Barclays High Yield	0.3%	0.3%
Bloomberg Barclays Aggregate Bond	-0.7%	-0.7%
Yield Data	**Jan 2021**	**Dec 2020**
U.S. 10-Year Treasury Yield	1.11%	0.91%

The President signed a record 40 executive orders in his first nine days in office, a few of which focused on the coronavirus pandemic and the effect of it on the U.S. economy. The President extended the eviction and foreclosure moratoriums for those effected through March 31st and extended the pause on interest and principal payments of federal student loans through September 30th. Moreover, President Biden signed executive orders to rejoin the World Health Organization and the Paris Climate Agreement, to restore the Deferred Action for Childhood Arrivals (DACA) program in full, and to do away with the contract for the Keystone XL Pipeline. Finally, he urged Congress to move forward with his $1.9 trillion "American Rescue Plan", which would accelerate COVID-19 vaccinations and provide a new round of economic relief for families and small businesses that were hit hard by the pandemic. To say the new President has been busy in his first 9 days in office would be an understatement.

January also had its ups and downs on the economic front. Initial claims for unemployment started the month relatively high, with 965,000 filing for claims in the first week of the new year. Fortunately, the next two readings saw that number fall significantly, first to 900,000 in the second week, and then to 847,000 in the third week of the month. While these numbers are still more elevated than we would like to see, at least the trend is moving in the right direction. However, GDP growth dropped considerably in the fourth quarter, coming in at an annualized 4.0%, below the consensus estimate of 4.2% and well below the 33.4% posted in the third quarter as the continued surge in coronavirus cases and restrictions impacted economic activity. As such, GDP fell 3.5% year-on-year for full year 2020, the worst year for economic growth since World War II. However, the economy is now only 2.5% below pre-pandemic levels, which is a rather remarkable feat considering it was largely shut down earlier in 2020 and endured restrictions for much of the year. The fourth quarter earnings season has also started out rather strong. With about half of the S&P 500 companies reporting earnings, 84% of companies have beaten earnings estimates and 70% of companies have beaten revenue estimates. Finally, on the last trading day of the month, data showed that personal income rose more than expected in December, partially due to a new round of coronavirus- aid package, while consumer spending ticked down less than anticipated. If the vaccine rollout continues to accelerate and the economy continues to reopen, 2021 could be a very strong year for our economy.

Towards the end of the month, the Federal Open Market Committee unanimously voted to maintain the Fed Funds rate in a range of 0% to 0.25% and reiterated its accommodative policy stance to support the economic recovery while citing a modest pace of recovery in economic activity and employment in recent months. Additionally, the committee made no changes to asset purchases (purchasing Treasury securities by at least $80 billion per month and agency mortgage-backed securities by at least $40 billion per month) while also maintaining the composition of the purchases (maturities). However longer-term interest rates rose during the month despite the asset purchases, with the prospects for higher potential economic growth causing rates to rise and bond prices to fall. As a result, the Bloomberg Barclays Aggregate Bond index fell 0.7%.

Despite the somewhat uneven start to the year, 2021 has a lot of positives to look forward to. Vaccine rollouts are progressing and, as such, there is at least a light at the end of the tunnel when it comes to COVID-19. As a result, global economies can hopefully continue to re-open, ultimately progressing to pre-pandemic levels. While 2020 was the year of the pandemic, the hope is that 2021 will be the year of the vaccine and a return to normal.

LEGAL UPDATE | DOL ISSUES MISSING PARTICIPANT GUIDANCE

Plan fiduciaries have an obligation to maintain accurate records and census information to ensure that plan participants and beneficiaries are paid their full retirement benefits when due. The U.S. Department of Labor ("DOL") has been particularly focused on the issue of missing participants for a number of years when investigating and auditing retirement plans. In the course of its investigations the DOL has observed the processes and practices of many plans when it comes to keeping accurate records and locating missing participants. Based on the DOL's experience working with retirement plans on the issue of missing participants, it has observed many poorly executed practices as well as many well-run practices. In an effort to help all retirement plans focus on the best practices to maintain complete and accurate census information, communicate benefit eligibility to participants and beneficiaries, and implement effective policies and procedures, the DOL has now undertaken a nationwide compliance initiative. As part of this initiative, on January 12, 2021, the DOL released three documents that provide additional guidance to employers: *Missing Participants – Best Practices for Pension Plans; Compliance Assistance Release No. 2021-01;* and *Field Assistance Bulletin No. 2021-01.*

Missing Participants – Best Practices for Pension Plans

This memorandum outlines the best practices that fiduciaries of both defined benefit and defined contribution plans can follow to ensure that plan participants and beneficiaries receive promised benefits when they reach retirement age. The guidance recognizes that in order to ensure benefits are paid timely, retirement plans must maintain accurate census records, implement effective communication strategies, and search for missing participants regularly and often, as well as document procedures and actions taken to prevent and locate missing participants. The guidance provides an extensive list of specific actions that plan fiduciaries should consider taking in an effort to minimize and mitigate the problem of missing or unresponsive participants. The guidance also recognizes common "red flags" that a plan may have a missing participant problem, such as an absence of a policy to address returned mail, uncashed checks, or incomplete or inaccurate census records (e.g., missing date of birth, date of hire, spousal information and invalid social security number).

Compliance Assistance Release No. 2021-01

The DOL released this memorandum in order to ensure consistent investigative processes and case-closing practices are followed nationwide by all Regional Offices when conducting Terminated Vested Participant Project ("TVPP") investigations and audits and to facilitate voluntary compliance efforts by plan fiduciaries. Similar to the *Missing Participants – Best Practices* for Pension Plans, TVPP investigations and audits recognize the same objectives, to ensure plans maintain adequate census and other records, to ensure plans have appropriate procedures for notifying participants and beneficiaries of benefits, and to ensure plans implement appropriate search procedures. In addition to plan documents, TVPP audits generally will request participant census records, actuarial reports, plan procedures for communicating with terminated vested participants and beneficiaries, and plan procedures and practices for reaching out to missing or unresponsive participants and beneficiaries. Some of the issues the TVPP audit looks for are systemic errors in plan recordkeeping and administration that result in the failure of terminated vested participants or beneficiaries from commencing benefits prior to death or prior to reaching their required minimum distribution beginning date, inadequate procedures for contacting terminated vested participants or beneficiaries nearing normal retirement age, and inadequate procedures for addressing uncashed distribution checks.

Field Assistance Bulletin No. 2021-01

Field Assistance Bulletin No. 2021-01 provides a *Temporary Enforcement Policy Regarding the Participation of Terminating Defined Contribution Plans in the PBGC Missing Participants Program.* The bulletin states that the DOL will not pursue violations under section 404(a) of ERISA against plan fiduciaries of terminating defined contribution plans or Qualified Termination Administrators ("QTA") of abandoned plans in connection with the transfer of a missing or unresponsive participant's or beneficiary's account balance to the PBGC in accordance with the PBGC's missing participant regulations rather than to an IRA, certain bank accounts, or to a state unclaimed property fund, if the plan fiduciary or QTA complies with the guidance in this memorandum and has acted in accordance with a good faith, reasonable interpretation of section 404(a) of ERISA. However, the DOL may still pursue violations under sections 404(a) or 406 of ERISA for a failure to diligently search for participants and beneficiaries prior to the transfer of their account balances to the PBGC or violations for a failure to maintain plan and employer records.

Conclusion

It is clear that the DOL expects plan fiduciaries to establish comprehensive policies and procedures to prevent and locate missing participants and that such policies and procedures should be well documented. We will be providing additional information regarding the comprehensive steps and actions plans need to implement in order to meet this important fiduciary responsibility. In the meantime, if you have any questions regarding this topic, please contact your USI Consulting Group representative.

For previous market commentaries please click here.

This communication is published for general informational purposes and is not intended as advice or a recommendation specific to your plan. Neither USI nor its affiliates and/or employees/agents offer legal or tax advice.

An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch, and S&P is Ba1/BB+/BB+ or below.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

The 10 Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this time-frame, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment. The higher the yield, the better the economic outlook.

Market Update is a monthly publication circulated by USI Advisors, Inc. and is designed to highlight various market and economic information. It is not intended to interpret laws or regulations.

This report has been prepared solely for informational purposes, based upon information generally available to the public from sources believed to be reliable, but no representation or warranty is given with respect to its completeness. This report is not designed to be a comprehensive analysis of any topic discussed herein, and should not be relied upon as the only source of information. Additionally, this report is not intended to represent advice or a recommendation of any kind, as it does not consider the specific investment objectives, financial situation and/or particular needs of any individual client.

USI Advisors, Inc. | 95 Glastonbury Boulevard, Suite 102 | Glastonbury, CT 06033 | 860.633.5283 | www.usiadvisorsinc.com