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"S&P Posts Best Month in Nearly a Year"

After hitting a period of turbulence in September, markets reached new highs in October. Some of the major worries that were weighing on investors' minds last month have faded a bit in recent weeks. New coronavirus cases have come down nearly 60% since the September spike during the fourth wave of infections. Worries about the U.S. defaulting on its debt eased when a deal was reached in October to extend the nation's debt limit through the end of December. Finally, even though third quarter GDP came in below forecasts and much lower than prior quarters during the recovery, it is anticipated that growth will accelerate in the fourth quarter. The Dow Jones Industrial Average (DJIA) gained 5.9% in October, pushing the year-to-date return to a new high at 18.8%. The S&P 500 had its best monthly rally since November of last year, edging 7% higher in October and 24% year to date. The tech-heavy Nasdaq Composite index added 7.3%. Finally, in the bond market, the yield on the benchmark 10-year U.S. Treasury note moved from 1.52% to 1.55%. The US Bloomberg Aggregate remained flat during the month and is down –1.6% for the year.

The U.S. economic expansion slowed to an annual rate of 2% in the third quarter, below expectations of 2.8%, marking the worst quarterly reading during the recovery. The weakness was driven by a surge of coronavirus infections due to the Delta variant, continued supply chain issues, which have curbed companies' abilities to meet consumer demand, and waning government stimulus. Personal consumption, which represents around 70% of GDP growth slowed to an annual rate of 1.6% in the third quarter compared to 12% in the second quarter. Within the auto industry, following the rapid increase in the first two quarters of 2021, U.S. new vehicle sales fell by 18% in September, due to a lack of new car inventory. The pullback in the recovery was also seen across the entertainment and travel industries after a surge of the highly contagious Delta variant. The 7-day moving average of COVID-19 infections reached 160,000 in September but has come down rapidly since then to under 70,000 as of the end of October. With the population approaching herd immunity and improvements in treatment options, unless another mutation of the virus emerges, this may be the last big wave of infections. As coronavirus becomes less of an economic drag and supply chain issues get resolved, expectations are for economic activity to reaccelerate during the fourth quarter.

Market Return Indexes	October 2021	YTD 2021
Dow Jones Industrial Average	5.9%	18.8%
S&P 500	7.0%	24.0%
NASDAQ (price change)	7.3%	20.3%
MSCI Eur. Australasia Far East (EAFE)	2.5%	11.0%
MSCI Emerging Markets	1.0%	-0.3%
Bloomberg Barclays High Yield	-0.2%	4.4%
Bloomberg Barclays Aggregate Bond	0.0%	-1.6%
Yield Data	**Oct. 2021**	**Sept. 2021**
U.S. 10-Year Treasury Yield	1.55%	1.52%

Optimism about the current state of the economy is also reflected in the Consumer Confidence index which increased to 113.8 in October from 109.8 the previous month. The gain comes after three consecutive months of declines. According to the Conference Board, the percentage of consumers that are willing to buy large ticket items such as homes, cars and appliances has increased. In addition, the percentage of Americans planning to go on vacation was the largest since February of 2020, right before the pandemic started.

The labor market has also shown signs of improvement recently, as the unemployment rate fell to 4.8% in September and initial jobless claims have been ticking down over the last month, dropping to a new pandemic low of 281,000 for the week of October 23rd. However, labor supply issues still persist. The JOLTS report indicated there were 10.4 million job openings as of August, and the worker-to-opening ratio is at 0.8, which is evidence of the struggle that businesses are experiencing in filling positions. Separately, a record 4.3 million people quit their jobs in August, the highest level since December of 2000, and up from 4 million in July. The disconnect between demand for labor and supply of workers has led to an increase in wages. Third quarter wage growth increased 3.3%, which is in line with where it was leading up to the pandemic, but wage growth for those changing jobs was up 6.6% on an annualized basis.

Shortages in labor and parts due to supply chain issues across the country have been translating into higher inflation by several measures. The PPI (Producer Price Index) hit a new high in August at 6.3% year-over-year and slowed slightly in September at 5.9%. Headline CPI (Consumer Price Index) has been above 5% year over year in July, August, and September. Furthermore the 12-month increase in the PCE (Personal Consumption Expenditures) Index rose to 4.4.% in September after 4.2% in August, remaining consistently above the Federal Reserve's target of 2%. Since inflation is running at a higher pace than expected, the Fed has communicated their intention to start unwinding its $120 billion in monthly bond purchases, which is highly anticipated to be announced at their upcoming meeting on November 3rd.

There are many hurdles for markets to overcome in order to continue to move higher for the remainder of the year. Persistent supply chain bottlenecks and rising inflations present challenges especially for fixed income markets. Even though higher interest rates can be seen as headwinds, they also point to signs of a vibrant economy. We may be faced with the highest inflation since 2008, yet consumers are willing to make big purchases, a positive sign that consumer spending will likely continue to support economic growth, especially through the upcoming holiday season.

LEGAL UPDATE | Understanding How To Electronically Distribute Your SPDs

In our May 2020 issue of the Market & Legal Update, we informed you about the final regulations issued by the Department of Labor ("DOL") regarding the new voluntary electronic disclosure rules, and how the new safe harbor method works for "Covered Documents," which are disclosures required by Title I of ERISA.

One of the most critical Covered Documents required by ERISA is the summary plan description ("SPD") for ERISA-covered retirement plans. For plan sponsors of defined contribution plans that are currently being restated on pre-approved documents through July 31, 2022, the question of how to distribute the updated SPDs is front and center.

Distribution of SPDs in General

SPDs can be distributed as hard copies via in-person delivery or by U.S. Mail, or they may be distributed electronically using one of the DOL's safe harbor methods. As a reminder, the DOL requires that SPDs be distributed to participants within 90 days of their first becoming covered by the plan and within 90 days of beneficiaries first receiving benefits. When an ERISA-covered retirement plan is established, the plan administrator has 120 days to distribute the SPD. Revised SPDs must be distributed to participants and beneficiaries every five years, if amendments are made to the plan that impact the information in the prior SPD. If there are no amendments that impact the information in the prior SPD, then a new SPD need only be distributed every 10 years. When an ERISA-covered retirement plan is restated, the SPD should be restated and must be distributed within 210 days following the end of the calendar year in which the restated plan was adopted.

Electronic Distribution of SPDs for ERISA-Covered Retirement Plans

2002 Safe Harbor Method: The DOL's 2002 safe harbor method provides that the electronic disclosure of SPDs is only permitted if the use of employer-provided computers and the electronic access of information is an integral part of a participant's employment. Alternatively, participants who do not have employer-provided access, such as former employees and beneficiaries, can affirmatively consent to the electronic delivery of the SPD.

New Safe Harbor Method: Although the 2002 safe harbor rules remain in place, the DOL's new 2020 safe harbor provides two additional methods for the electronic delivery of Covered Documents such as SPDs, which are not dependent on employer-provided access or affirmative consent. However, the employer must have the electronic addresses of the individuals entitled to the information in order to use these additional safe harbor methods of electronic delivery. The electronic addresses can be personal email addresses or work email addresses. The first method is website posting, and the second method is email delivery.

Distributing Your SPD Through Website Posting

Under the website posting method, a plan administrator can post an SPD on an internet website or other internet repository that gives participants and beneficiaries reasonable access to the SPD, for example, through a mobile application.

Initial Hard Copy Notice. In order to use the website posting safe harbor method for distributing SPDs, the plan administrator must provide participants and beneficiaries with a hard copy of an initial notice of electronic delivery, which offers recipients the right to opt out of this delivery method. The initial notification must include the following information:

- Explain that the SPD will be provided to an electronic address;
- Identify the electronic address that will be used;
- Include any instructions needed to access the SPD on the website (for example, include instructions if a password is required, if an application must be downloaded, or if an online account must be set up);
- Include a statement that the SPD is not required to be available on the website for more than a year or, if later, after the SPD has been replaced by a revised version; and
- Explain the right to opt out of electronic delivery of the SPD and receive only a free paper version of the SPD and provide instructions on how to opt out.

Like the SPD itself, the notice must be written in a way that it will be understood by the average plan participant. The SPD must also be electronically searchable and be able to be clearly printed on paper.

NOIA Requirement. In addition to providing the initial notice described above, a plan administrator must send an alert to participants and beneficiaries that the SPD has been posted to the website through a Notice of Internet Availability ("NOIA").

The NOIA must be sent electronically and must provide the following information:

- A prominent statement (for example, in the subject line): "Disclosure About Your Retirement Plan";
- The statement: "Important information about your retirement plan is now available. Please review this information";
- Identification of the available document as the SPD, and a brief description of it;
- The Internet website address or hyperlink to the website where the SPD is located that is sufficiently specific to provide immediate access to the SPD;
- Information about the right to request and obtain a free paper version of the SPD;
- Information about how to freely opt out of electronic delivery and receive only a free paper version of the SPD;
- A statement that the SPD is not required to be available on the website for more than one year if replaced by an updated version; and
- A telephone number to contact the plan administrator or other designated plan representative.

The NOIA must be provided at the time the SPD is available on the website. The NOIA's distribution must be designed so that the plan administrator is notified if any electronic addresses are inoperable or invalid. Upon notice of an address failure, the plan administrator must take immediate and reasonable steps to address the failure in order to reach the affected participant or beneficiary.

Distributing Your SPD Through Direct Email Delivery

Plan administrators who decide to use the direct email delivery method must fulfill the requirements of the *Initial Hard Copy Notice* described above, except for the requirement regarding the year-long accessibility on a website. In addition, instead of the *NOIA Requirement* described above, the plan administrator simply sends the SPD directly to the participant's or beneficiary's email address.

The email must include the following information:

- The SPD, provided in the body of the email or in an attachment;
- A subject line that reads: "Disclosure About Your Retirement Plan";
- The name of and brief description of the SPD (if it is an attachment);
- A statement that the recipient may (1) receive a free paper copy of the SPD (and how to get it), and (2) opt out of electronic delivery (and how to do so); and
- A telephone number to contact the plan administrator or other designated plan representative.

Again, like the SPD itself, the email must be written in a way that it will be understood by the average plan participant. The SPD must also be electronically searchable and be able to be clearly printed on paper.

Your retirement plan's SPD is arguably the most important disclosure document required by the DOL under ERISA. It is critical that the SPD's contents, method of delivery and delivery timeliness are compliant with ERISA's requirements.

If you have any questions or would like additional information, please contact your USI Consulting Group representative, email us at information@usicg.com or visit our website at www.usicg.com.

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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.

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