



# DC Pulse // 3Q 2024 in Review

Research, regulations, returns and trends



# MFS DC Takes

## Implications of Living Longer



Average retirement age



Life expectancy at retirement



Type of retirement benefit

	MALE	FEMALE	MALE	FEMALE	DB	DC
<b>Today<sup>1</sup></b>	<b>65.2</b>	<b>65.3</b>	<b>▲ 18.1</b>	<b>▲ 21.0</b>	<b>▼ 22%</b>	<b>▲ 78%</b>
50 years ago	63.4	62.9	15.0	19.4	74%	26%
100 years ago	72.0	67.0	8.1	13.6	Virtually none	

**1** **Extended Retirement Savings**  
We may be living longer but only **15%** of pre-retirees are planning for their retirement to last more than 30 years.

**2** **Social Security**  
**40+%** of pre-retirees think less than **25%** of their retirement income will come from Social Security, but on average, over **40%** of retirees' monthly income comes from Social Security.

**3** **Health Care Costs**  
**70%** of pre-retirees say health care costs will be their biggest expenditure in retirement, while **62%** of retirees say it is one of their top three expenditures.

Over the past 100 years, the concept of retirement has evolved: The average time in retirement has increased and the type of retirement benefit we rely on has shifted responsibility more to the participant. Learn more in our paper, [Living to 100: Retirement Implications to Consider](#).

Sources:

<sup>1</sup> [MFS Living to 100: Retirement Implications to Consider](#). Average retirement age: 100 years ago = US Census Bureau, Age of Gainful Workers, 1930. Average retirement age considered to be when <50% of persons were gainfully employed. 50 years ago = Bureau of Labor Statistics: Retirement Age Declines October 2001, Estimated average age of men and women 1970 to 1975. Today = OECD Average effective age of labor market exit in Pensions at a Glance 2023: OECD and G20 Indicators. Life expectancy based on MFS Analysis of life expectancy at average retirement age shown using relevant mortality tables : 100 years ago = 1932 Combine Annuity Mortality Table with Stark's Extension, Male & Female Combined. Female/male life expectancy increased/decreased by 1.5 years from combined mortality result, 50 years ago = 197 Group Annuity Mortality Table for Males & Females, today = Social Security 2024 Mortality.

MFS 2024 Global Retirement Survey. Left Q: (US participants) In total, how many years are you planning for your retirement to last? Middle Q: (US participants) What percent of your retirement income do you expect will come from Social Security? Middle Q: (US Retirees) What proportion of your monthly retirement income comes from each of the sources below? Right Q: US participant & retirees Q: What do you think / are your biggest expenditure categories in retirement? Please select your top three.

## DC Regulatory and Legislative Happenings



### Supreme Court Implications

The Supreme Court [overturned a 40-year-old Chevron deference standard](#) in June. This standard provided that when a statute was ambiguous, the courts must defer to a regulatory agency's interpretation as long as their interpretation is reasonable.

By overturning this standard, many believe there will be more litigation in many areas, including challenges to retirement regulation and legislation.

In fact, a Texas district court will rehear a [challenge to the DOL's ESG rule](#) as a result of the Supreme Court ruling.



### Regulation: Fiduciary Rule Stay (Away)

Since the new Retirement Security Rule was finalized in April, there continue to be [litigation and legislative efforts to block the rule](#).

In July, two Texas federal courts issued rulings which together stayed the new rule nationwide, less than two months before its effective date, which had been scheduled for September 23, 2024.

In the order, the judge said the regulation, "suffers from many of the same problems" as previous DOL rulemaking that was vacated by federal appeals court. In September, the DOL appealed both stays up to the Fifth Circuit.



### Legislation: CITs inching forward toward 403(b)s

In July, a bipartisan group of U.S. Senators introduced [S. 4917, Retirement Fairness for Charities and Educational Institutions Act of 2024](#). In September, a provision was added to [S. 5139, Empowering Main Street in America Act of 2024](#); both would allow 403(b) plans managed under ERISA the authority to use collective investment trusts (CITs).

Many are hopeful this will advance through the legislative process by the end of the year.

These follow H.R. 2799, Expanding Access to Capital Act, which the House passed back in March. As a reminder, SECURE 2.0 updated required tax law to permit CITs in 403(b) plans but did not make necessary changes to the securities laws.



### Litigation: Forfeited Assets

The IRS has said that 401(k) plan forfeitures can be used to pay plan expenses or reduce future employer contributions.

However, since 2023, there have been over a dozen lawsuits filed accusing plan sponsors of improperly using [forfeited assets](#). Since the DOL has not issued formal regulatory guidance regarding the use of forfeitures, plaintiffs argue that forfeitures are "plan assets," which ERISA requires to be used exclusively for the benefit of the participants and defraying plan expenses.

As these lawsuits make their way through the court system, rulings have been mixed and many are still pending. Without clarification from the courts, we will likely see additional litigation in this area.

#### Sources:

<https://www.pionline.com/judges?CSAuthResp=1720011671491%3A0%3A465744%3A1447%3A24%3Asuccess%3A26B72DC298BDB4562E618B6CFC00C41D>.

[https://www.plansponsor.com/challenge-to-dols-esg-rule-sent-back-to-texas-district-court/?utm\\_source=newsletter&utm\\_medium=email&utm\\_campaign=Newsdash&oly\\_enc\\_id=1138E572970114V-](https://www.plansponsor.com/challenge-to-dols-esg-rule-sent-back-to-texas-district-court/?utm_source=newsletter&utm_medium=email&utm_campaign=Newsdash&oly_enc_id=1138E572970114V-).

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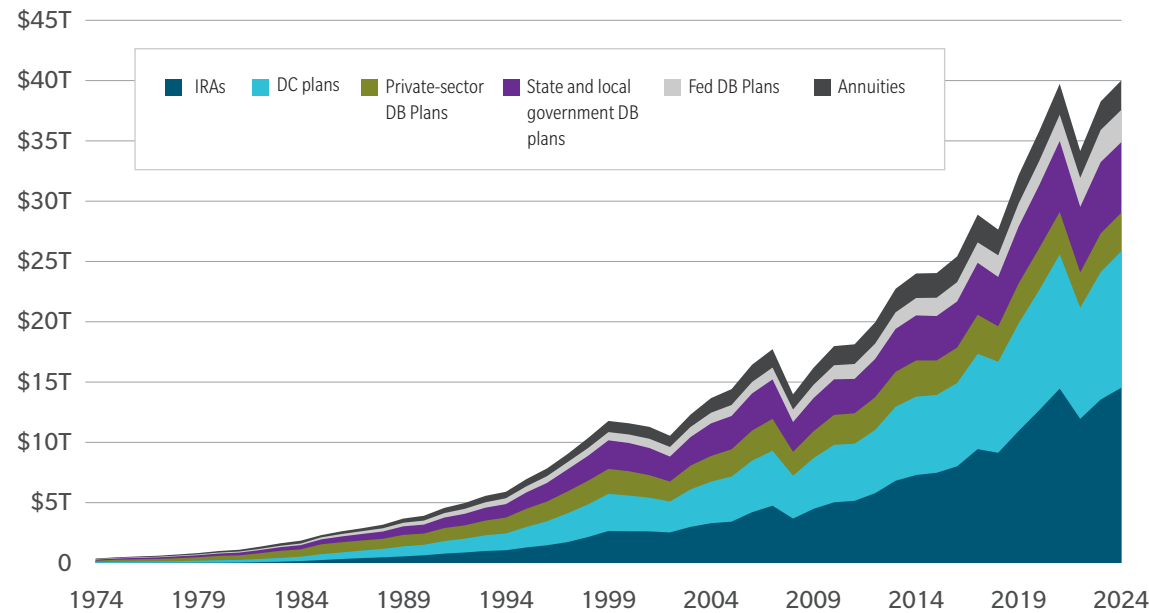
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# DC Market Data

Happy 50th Birthday, ERISA!

## The Rise of Account-Based Savings

US Retirement Assets (trillions of US dollars)



**2024 (Q2):**

- \$40T** total US Retirement Assets
- \$11.3T** in DC plans (\$8T in 401(k) plans)
- \$14.5T** in IRAs

**\$30,800**

1974:Q4

**\$297,800**

2024:Q1

Average retirement assets are **NEARLY 10 TIMES** their 1974 level.

### Key Dates

**1974:** ERISA is passed, providing meaningful protections for DC and DB plan participants.

**1978:** The Revenue Act of 1978 created IRS Section 401(k).

**1981:** 401(k) regulations allowed employees to defer income until retirement.

**2006:** Pension Protection Act encouraged automatic enrollment and use of target date funds.

**2019 and 2022:** SECURE 1.0 and 2.0 raised the RMD age to 72, then 73 (and eventually to 75).

Source: ICI Viewpoints, Revolutionizing Retirement, August 30, 2024. [Revolutionizing Retirement | Investment Company Institute \(ici.org\)](https://www.ici.org).

ICI Quarterly Retirement Market Data, [Release: Quarterly Retirement Market Data, First Quarter 2024 | Investment Company Institute \(ici.org\)](https://www.ici.org), September 19, 2024.

Note: 2024 data reflects Q2 2024 data.

## Investment Index Returns

As of September 30, 2024

BENCHMARK	10 YEARS	5 YEARS	3 YEARS	1 YEAR	YTD	3 MONTHS
<b>BALANCE</b>						
Illustrative 60/40 Portfolio	8.89%	9.78%	6.63%	25.98%	14.80%	5.61%
<b>EQUITY</b>						
S&P 500	13.38%	15.98%	11.91%	36.35%	22.08%	5.89%
Russell 1000 <sup>®</sup> Growth	16.52%	19.74%	12.02%	42.19%	24.55%	3.19%
Russell 1000 <sup>®</sup> Value	9.23%	10.69%	9.03%	27.76%	16.68%	9.43%
Russell 2000 <sup>®</sup>	8.78%	9.39%	1.84%	26.76%	11.17%	9.27%
MSCI EAFE	5.71%	8.20%	5.48%	24.77%	12.99%	7.26%
MSCI Emerging Markets	4.02%	5.75%	0.40%	26.05%	16.86%	8.72%
MSCI ACWI	9.39%	12.19%	8.09%	31.76%	18.66%	6.61%
<b>FIXED INCOME</b>						
Bloomberg US TIPS	2.54%	2.62%	-0.57%	9.79%	4.85%	4.12%
Bloomberg US Aggregate	1.84%	0.33%	-1.39%	11.57%	4.45%	5.20%
Bloomberg Global Aggregate	2.33%	0.57%	-0.22%	10.63%	4.38%	4.24%
<b>CASH</b>						
Cash	1.67%	2.38%	3.63%	5.63%	4.17%	1.37%

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### Sources

SPAR, FactSet Research Systems Inc., MFS analysis. Illustrative 60/40 portfolio comprises 60% S&P 500 and 40% Bloomberg US Aggregate and is rebalanced monthly. This hypothetical example is for illustrative purposes only. MSCI indices shown are net returns. Returns for the Bloomberg Global Aggregate Index are hedged to USD.

Cash is based on returns for the FTSE 3-month Treasury Bill Index.

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# Disclosures

## Survey methodology

Source: 2024 MFS Global Retirement Survey.

US Results. Methodology: Dynata, an independent third-party research provider, conducted a study among 725 Defined Contribution (DC) plan participants and 310 retirees in the US on behalf of MFS. MFS was not identified as the sponsor of the study.

To qualify, DC plan participants had to be ages 18+, employed at least part-time, actively contributing to a 401(k), 403(b), 457, or 401(a). US Retirees had to be fully or partially retired and must have had a 401(k), 403(b), 457, or 401(a), DB plan, or SEP/Simple IRA. Data weighted to mirror the age/gender distribution of the workforce. The survey was fielded between March 28 –April 13, 2024.

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