



# DC Pulse // 2Q 2024 in Review

Research, regulations, returns and trends



# MFS DC Takes

Both Plan Sponsors and Participants have Gaps in Retirement Confidence

## Retirement Confidence

WHAT **SPONSORS** SAY...



of sponsors are confident their participants will be able to retire at the age they want to.

WHAT **PARTICIPANTS** SAY...

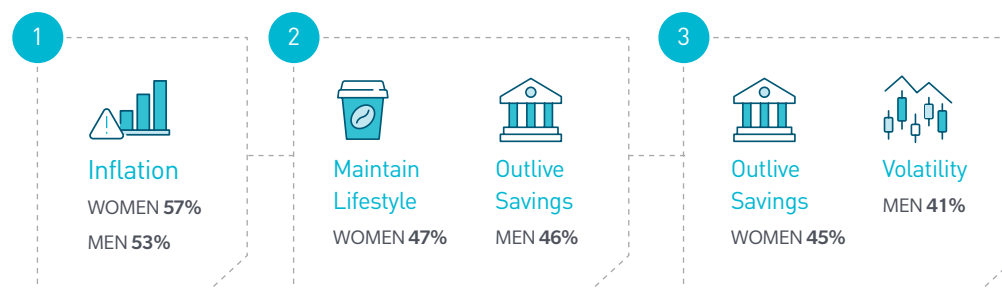


of participants are confident they will be able to retire at the age they want to

### Factors contributing to lack of confidence

	NOT CONFIDENT
Contributions	71%
Engagement	57%
Tools and Service	30%
Economy	56%

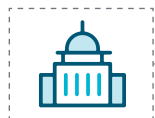
### Top 3 concerns — women vs. men



Reiterate to participants the importance of participating, saving sufficiently and having an asset allocation appropriate to their age and needs.

Sources: Left Source: MFS 2023 US DC Plan Sponsor Survey. Left top: Q: How confident are you that your plan participants will be able to retire at the age they want to? Left bottom Q: What factors contribute to your confidence (or lack thereof) that your plan participants will be able to retire at the age they want to? Right Source: MFS 2023 Global Retirement Survey, US respondents. Right top Q: How confident are you that you will be able to retire at the age you want to? Right bottom Q: What are your top 3 financial concerns or worries regarding retirement? Percentages represent the sum of respondents that chose each statement as a top 3 concern.

## DC Regulatory and Legislative Happenings

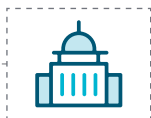


### Challenges to the Fiduciary Rule

Since the new Retirement Security Rule was finalized in April, there have been litigation and legislative efforts to block the rule.

In May, Members of the House and Senate introduced companion [bills that would nullify](#) the rule under the Congressional Review Act. The legislation was endorsed by the Insured Retirement Institute and American Securities Association. Even if the bill were to pass the House and Senate, it would likely be vetoed by President Biden.

To date, at least two lawsuits have been filed challenging the new fiduciary rule. [The second lawsuit](#) was filed by a coalition of insurance industry trade groups.



### PRTs in the Hot Seat...

There have been a few [notable lawsuits](#) filed following major pension risk transfer (PRT) deals in 2024.

The lawsuits have two commonalities: the same law firm, Schlichter Bogard LLP, is representing the plaintiffs in each case, and the transactions were all conducted with Athene Annuity & Life Co.

Claims of the lawsuits accuse Athene of investing in lower quality, higher risk assets that were potentially lower cost to the employer and higher risk to the retiree.



### ...While DC Litigation Declined

A recent study finds ERISA litigation [declined nearly 50%](#) in 2023, falling from 89 cases filed in 2022 to only 48 filed in 2023.

However, 2023 was a record year for settlements. While only four excessive fee cases went to trial, 42 ended in settlements with over \$350 million in cumulative payouts. That far exceeded 31 settlements of nearly \$150 million in 2022. The average settlement amount in 2023 was \$8.4 million.



### Social Security Gains

[In an annual report released in May](#), the Social Security Board of Trustees finds the combined asset reserves of the Old-Age and Survivors Insurance and Disability Insurance Trust Funds are forecasted to pay all benefits until 2035, which is one year more than projected last year.

Currently, Social Security total costs are projected to exceed total annual income generated in 2024. Total costs began to exceed total income in 2021 and without Congressional action, funds are projected to be depleted in 2035.

#### Sources:

[https://www.plansponsor.com/bills-to-nullify-the-retirement-security-rule-proposed-in-congress/?utm\\_source=newsletter&utm\\_medium=email&utm\\_campaign=Newsdash&oly\\_enc\\_id=1138E572970114V](https://www.plansponsor.com/bills-to-nullify-the-retirement-security-rule-proposed-in-congress/?utm_source=newsletter&utm_medium=email&utm_campaign=Newsdash&oly_enc_id=1138E572970114V)

[https://www.ignites.com/c/4520674/593184/joins\\_second\\_suit\\_against\\_fiduciary\\_rule?referrer\\_module=emailMorningNews&module\\_order=0&code=YW5OaGRtRm5aVUJ0Wm5NdVkyOXRMQ0F4TmpJNE9UTXpOQ3dnTWpnMU1qVXhNakI3](https://www.ignites.com/c/4520674/593184/joins_second_suit_against_fiduciary_rule?referrer_module=emailMorningNews&module_order=0&code=YW5OaGRtRm5aVUJ0Wm5NdVkyOXRMQ0F4TmpJNE9UTXpOQ3dnTWpnMU1qVXhNakI3)

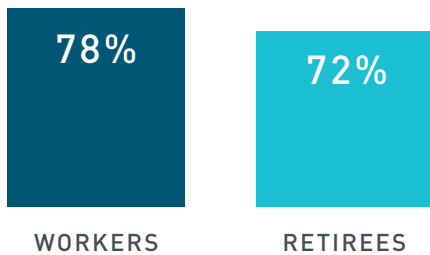
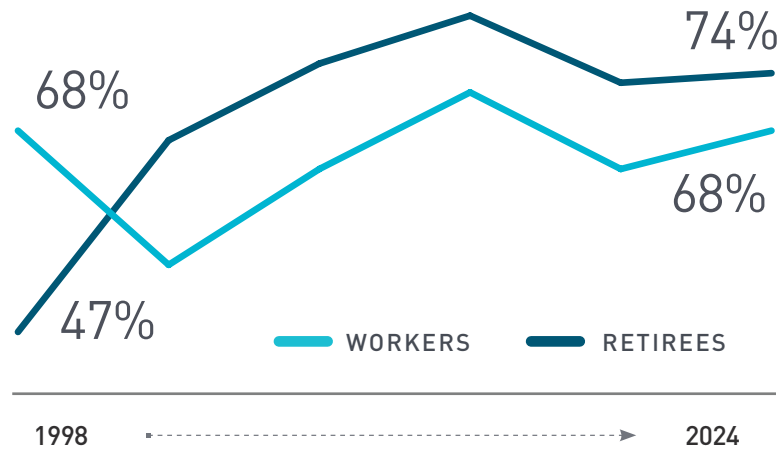
<https://www.plansponsor.com/increased-litigation-around-prts-brings-insurance-industry-practices-to-light/>

[https://www.ignites.com/c/4513244/589664/suit\\_filings\\_dropped\\_almost?referrer\\_module=emailMorningNews&module\\_order=0&code=YW5OaGRtRm5aVUJ0Wm5NdVkyOXRMQ0F4TmpJNE9UTXpOQ3dnTIRBNU9UYzJOamd6](https://www.ignites.com/c/4513244/589664/suit_filings_dropped_almost?referrer_module=emailMorningNews&module_order=0&code=YW5OaGRtRm5aVUJ0Wm5NdVkyOXRMQ0F4TmpJNE9UTXpOQ3dnTIRBNU9UYzJOamd6)

<https://www.ssa.gov/OACT/TR/2024/>

## DC Market Data

### Retirement Confidence



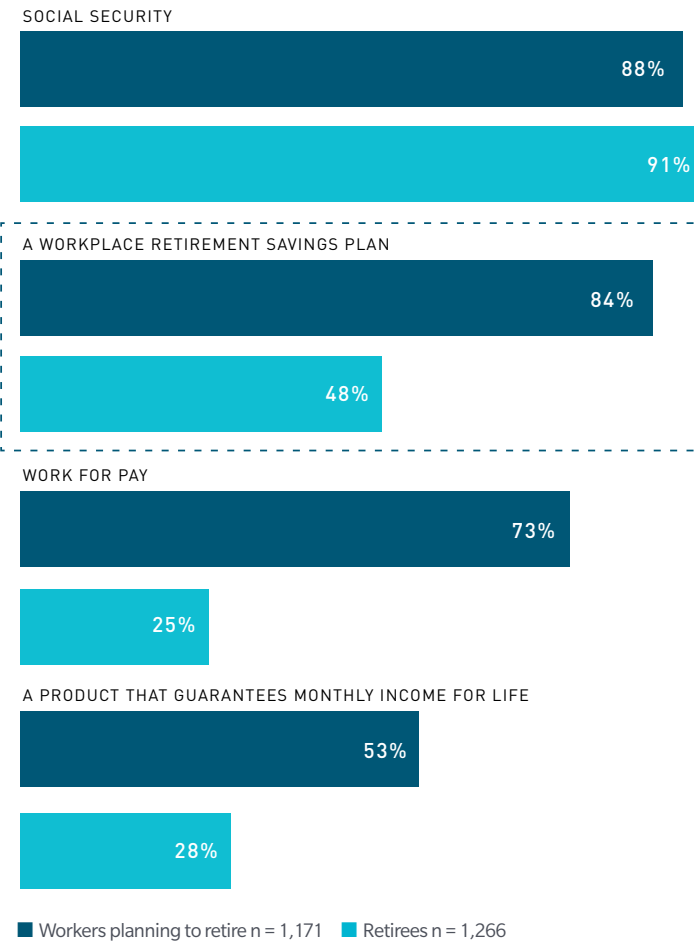
are concerned inflation will impact their retirement



Retirement confidence is slightly better than last year, but workers and retirees are concerned about the impact of inflation. When it comes to income in retirement, workers may be overestimating their workplace retirement savings.

Source: [EBRI 2024 Retirement Confidence Survey](#)

### Sources of Income in Retirement



## Investment Index Returns

As of June 30, 2024

BENCHMARK	10 YEARS	5 YEARS	3 YEARS	1 YEAR	YTD	3 MONTHS
<b>BALANCE</b>						
Illustrative 60/40 Portfolio	8.38%	9.01%	4.84%	15.42%	8.70%	2.60%
<b>EQUITY</b>						
S&P 500	12.86%	15.05%	10.01%	24.56%	15.29%	4.28%
Russell 1000 <sup>®</sup> Growth	16.33%	19.34%	11.28%	33.48%	20.70%	8.33%
Russell 1000 <sup>®</sup> Value	8.23%	9.01%	5.52%	13.06%	6.62%	-2.17%
Russell 2000 <sup>®</sup>	7.00%	6.94%	-2.58%	10.06%	1.73%	-3.28%
MSCI EAFE	4.33%	6.46%	2.89%	11.54%	5.34%	-0.42%
MSCI Emerging Markets	2.79%	3.10%	-5.07%	12.55%	7.49%	5.00%
MSCI ACWI	8.43%	10.76%	5.43%	19.38%	11.30%	2.87%
<b>FIXED INCOME</b>						
Bloomberg US TIPS	1.91%	2.07%	-1.33%	2.71%	0.70%	0.79%
Bloomberg US Aggregate	1.35%	-0.23%	-3.02%	2.63%	-0.71%	0.07%
Bloomberg Global Aggregate	2.02%	0.25%	-1.57%	4.20%	0.13%	0.12%
<b>CASH</b>						
Cash	1.53%	2.22%	3.17%	5.64%	2.76%	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: 2023 MFS Global Retirement Survey.

US Results. Methodology: Dynata, an independent third-party research provider, conducted a study among 1,000 Defined Contribution (DC) plan participants 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). Data weighted to mirror the age/gender distribution of the workforce. The survey was fielded between March 15–April 13, 2023.

Source: 2023 MFS US DC Plan Sponsor Survey.

Methodology: DCIIA conducted a study among 141 US plan sponsors on behalf of MFS. MFS was not identified as the sponsor of the study.

To qualify, survey participants were screened and selected if they offered a DC plan (401(k), 403(b), and/or 457) and their primary DC plan was governed by ERISA. The survey was fielded September to November 2023.

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