



# PLAN SPONSOR NEWSLETTER



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## SECOND QUARTER 2016 PLAN SPONSOR NEWSLETTER

Multi-article newsletter on current topics for Plan Sponsors

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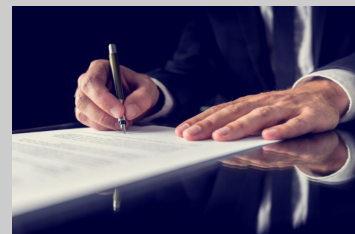
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THE FIRST HALF OF 2016 provided a choppy ride for investors. They faced continued concerns about global economic growth, uncertainty about interest rates, slowly rising oil prices and the prospect of a contentious U.S. presidential election. Stock market volatility spiked higher early in the year, fell off at the close of the first quarter and then increased again. We think several of these factors will persist in the near term and have identified five issues to watch for the remainder of the year.

1. Economic Growth Still Slow
2. Interest Rate Uncertainty
3. Impact of Oil Prices
4. Market Volatility Continues
5. Looming U.S. Presidential Race

## The DOL Revisits Conflict of Interest Rules

Over the past several decades, there has been a significant shift in the retirement savings landscape away from employer-sponsored defined benefit pension plans to defined contribution plans, such as 401(k)s. At the same time, there has been widespread growth in assets in IRAs and annuities.



One consequence of this change, according to the U.S. Department of Labor -- the governmental body that oversees pensions and other retirement accounts -- is the increased need for sound investment advice for workers and their families.

The DOL says its so-called "conflict of interest" rules are intended to require that all who provide retirement investment advice to employer-sponsored plans and IRAs abide by a "fiduciary" standard -- putting their clients' best interest before their own profit. To read more information regarding the DOL Interest Rules, click [here](#).

# Market Insight Q2 2016 Review

**STOCKS & BONDS BOTH BENEFITED FROM FALLING GLOBAL YIELDS**



U.S. economy accelerates in Q2, as dollar, oil prices, and manufacturing stabilize. Based on data received through early July 2016, second quarter 2016 real gross domestic product (GDP) growth is tracking close to 3.0%, following 1.1% growth in the first quarter of 2016 and 1.4% growth in the fourth quarter of 2015. Although tepid by historical standards, the 2%+ growth rate in real GDP in the first half of 2016 is running just above potential GDP growth of 1.5-2.0% (the maximum pace

the economy can grow without causing inflation), and is enough to continue to slowly tighten the labor market, push wages higher, and keep the Federal Reserve (Fed) on track to potentially raise rates once in the second half of the year. The more modest path of rate hikes for the Fed has allowed the dollar to turn from a headwind to a tailwind for manufacturing, overseas sales, exports, and oil prices. Lastly, after consistently creating 200,000 jobs per month in the last six years, job growth has started to slow, and is likely to slow further in the second half of 2016.

## Plan Sponsors Ask...

Questions by Plan Sponsors like you and answers from the experts.

## Plan Sponsor's Quarterly Calendar

July, August and September compliance calendar.

## DC Plan Trends: Sponsors Focused on Improving Participant Outcomes

Defined contribution plan sponsors are rethinking ways to improve investment offerings in an attempt to elevate retirement outcomes for plan participants. The Towers Watson 2014 U.S. Defined Contribution Sponsor Survey revealed a few key themes.

- Improving Portfolio Diversification
- Assessing Custom TDFs
- Reevaluating TDF Selection Criteria
- Outsourcing DC Plan Oversight
- Considering Broader Investment Themes



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