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MARKET UPDATE | A Mid-Year Recalibration for Markets and the Economy

June marked a transition period for financial markets, where the strong momentum seen in April and May began to moderate as investors digested a more complex macroeconomic backdrop. While equity markets remained generally resilient early in the month, volatility picked up meaningfully toward month-end as a combination of persistent inflation, shifting Federal Reserve policy dynamics, weakening consumer fundamentals and a notable rotation within technology sectors reshaped investor sentiment. A sharp rally during the final week of June helped recover a portion of the month's earlier losses, though several major indexes still finished below their mid-month highs. Despite the more challenging environment in June, the second quarter was exceptionally strong for risk assets, with the S&P 500, NASDAQ and Dow each posting double-digit gains over the three-month period. However, the strength of the quarter masked more uneven results in June. The Dow Jones finished strong, gaining 2.7% for the month. Meanwhile, the S&P 500 fell 1.0% while the tech-heavy NASDAQ dropped a meaningful 2.8%. Internationally, the MSCI EAFE remained relatively flat with a 0.1% gain, while the MSCI Emerging Markets lost 1.4%. Fixed income markets were generally muted as Treasury yields finished the month little changed, with the Bloomberg U.S. Aggregate Bond index gaining only 0.2% in June.

Market Return Indexes	June 2026	Q2 2026	YTD 2026	2025
Dow Jones Industrial Average	2.7%	13.4%	9.8%	14.9%
S&P 500	-1.0%	15.2%	10.2%	17.9%
NASDAQ (price change)	-2.8%	21.4%	12.8%	20.4%
MSCI Eur. Australasia Far East (EAFE)	0.1%	10.8%	9.4%	31.2%
MSCI Emerging Markets	-1.4%	24.1%	23.9%	33.6%
Bloomberg High Yield	0.3%	2.5%	2.0%	8.6%
Bloomberg U.S. Aggregate Bond	0.2%	0.7%	0.6%	7.3%
Yield Data (Month End)	June 2026	May 2026	April 2026	March 2026
U.S. 10-Year Treasury Yield	4.44%	4.45%	4.40%	4.30%

At the center of the month's developments was the Federal Reserve's June 16–17 meeting, the first under newly appointed Chair Kevin Warsh. As widely expected, the Federal Open Market Committee voted to hold the federal funds rate steady at 3.50% to 3.75%, marking the fourth consecutive meeting without a policy change. However, the significance of the meeting was not the decision itself, but rather the shift in tone, policy framework and economic projections released by the Committee. Policymakers emphasized that inflation remains well above the 2% target, with updated projections showing 2026 PCE inflation of 3.6% and core inflation at 3.3%, both meaningfully higher than earlier expectations. At the same time, the median projection for the policy rate at year-end 2026 moved higher to 3.8%, leading investors to conclude that rate cuts are increasingly unlikely in the near term and that additional tightening remains a possibility.

Chair Warsh's inaugural meeting also introduced meaningful changes to the Fed's communication approach.

The policy statement was shortened and stripped of prior forward guidance, reflecting a deliberate move toward a more data-dependent framework. Warsh also chose not to submit a personal rate projection in the closely watched "dot plot," reinforcing a shift away from signaling future policy intentions. Markets interpreted these developments as modestly hawkish, with shorter-term Treasury yields rising and equities experiencing bouts of volatility following the announcement.

While the Fed remained a central theme, the underlying economic data released throughout June reinforced why policymakers are maintaining a cautious stance. Inflation continues to be the primary challenge, with May's Consumer Price Index (CPI) release showing an annual increase of 4.2% after rising 3.8% in April. The May CPI reading reached its highest level in three years, driven largely by elevated energy prices tied to ongoing tensions in the Middle East. Stripping away the volatile energy and food prices, core inflation measures remain more contained but still above target at 2.9% for the 12 months ending May, highlighting the persistence of underlying price pressures across services and housing.



The May CPI reading reached its **highest level** in three years

At the same time, economic growth remains positive but shows signs of moderation. The Federal Reserve's updated projections point to real GDP growth of roughly 2.2% for 2026, a slight downgrade from prior estimates, while unemployment is expected to hold near 4.3%. The most important pressure point within the economy continues to be the U.S. consumer. Sentiment remains historically weak, with the University of Michigan Consumer Sentiment Index at 49.5 in June, a slight improvement from May's historic low of 44.8. At the same time, the personal savings rate has fallen to approximately 3.0% as of May, significantly below pre-pandemic norms, while real income growth has struggled to keep pace with rising prices. The result is a consumer that is still spending but increasingly under strain, relying more heavily on credit and reducing discretionary purchases.

Within financial markets, June was also notable for a meaningful shift in leadership within equities, particularly across the technology and AI-related segments that had driven much of the market's gains year-to-date. Early in the month, the historic IPO of SpaceX captured global attention, raising approximately \$85.7 billion in the largest public offering on record and briefly valuing the company above \$2 trillion. However, as the month progressed, enthusiasm for the broader technology trade showed signs of fatigue. Semiconductor stocks, which have been at the center of the artificial intelligence investment cycle, experienced a sharp sell-off mid-month amid concerns that valuations had become stretched and

that AI-related capital spending could slow. The NASDAQ declined meaningfully during this period, with several major chip names experiencing multi-day drawdowns and global semiconductor markets coming under pressure. Additional uncertainty emerged with reports that other highly anticipated AI-related IPOs may be delayed, reinforcing investor caution and contributing to a broader pullback in the sector. While technology shares recovered some ground during the final days of the month, investor enthusiasm remained more measured than earlier in the quarter.

This dynamic highlights a key theme emerging in June: while the long-term outlook for artificial intelligence remains strong, the near-term path for AI-related equities may be more volatile as markets reassess valuation levels, capital intensity, and the sustainability of recent earnings growth. Combined with higher interest rates, which tend to pressure longer-duration growth assets, the environment for technology stocks has become more balanced after an extended period of outperformance.

Taken together, June represents a month of recalibration across markets and the broader economy. The Federal Reserve's policy stance has shifted toward a more patient but firmly inflation-focused approach. Economic growth remains intact but is gradually slowing, and the consumer is showing increasing signs of strain. At the same time, equity markets are undergoing an internal rotation, with leadership becoming less concentrated and previously dominant themes such as artificial intelligence experiencing periods of volatility. As investors look ahead to the second half of 2026, the path forward will likely depend on several key variables: the trajectory of inflation, the resilience of consumer spending, the evolution of geopolitical risks and the sustainability of corporate earnings growth.

LEGAL UPDATE | Fast-Approaching Deadlines for Required SECURE 2.0 Amendments & Plan Restatements



Retirement plan sponsors are facing several significant compliance initiatives over the next couple of years. First, most retirement plans—including 401(k), profit sharing, money purchase pension, ESOP, defined benefit, cash balance and 403(b) plans—must adopt amendments reflecting the legislative changes under the SECURE Act, CARES Act and SECURE 2.0 Act by December 31, 2026 (with later deadlines for certain governmental and collectively bargained plans). Collectively, these amendments are generally being referred to as the “SECURE 2.0 Amendment,” and will likely be handled in one omnibus amendment.

Second, plan sponsors using pre-approved plan documents must complete IRS-mandated plan restatements during the applicable remedial amendment cycles. **For employers maintaining pre-approved 403(b) plans, the current IRS Cycle 2 restatement deadline is December 31, 2026.**

In addition, sponsors of pre-approved defined contribution plans (401(k), profit sharing, money purchase pension, ESOP) should begin preparing for the next IRS-defined contribution restatement cycle, which is expected to commence later this year and run through late 2028. Sponsors of defined benefit/pension and cash balance plans should continue monitoring future IRS guidance regarding applicable restatement cycles and document update requirements.

Although these projects are related, they are separate requirements. Plan sponsors should begin evaluating both now to avoid compliance risks, operational inconsistencies and last-minute implementation challenges.

✔ Why This Matters

The legislative changes have significantly modified the rules governing retirement plans. Many provisions are already operationally effective, but plan documents may not yet have been formally updated.

Plan sponsors generally must ensure that their plan documents:

1. Are timely amended to reflect mandatory and optional legislative changes; and
2. Are timely restated when updated pre-approved documents become available.

Failure to complete these required updates can create document compliance issues and may require corrective action under IRS correction programs.

AMENDMENT DEADLINES

The deadline for adopting SECURE Act, CARES Act, SECURE 2.0 and related amendments depends on the type of plan:

Plan Type	Deadline
Most qualified retirement plans (including 401(k), profit sharing, money purchase pension, defined benefit and cash balance plans)	December 31, 2026
Non-governmental 403(b) plans	December 31, 2026
Collectively bargained plans	December 31, 2028
Governmental plans	December 31, 2029
Public school 403(b) plans	December 31, 2029

Plan sponsors should work with their document provider, recordkeeper, third-party administrator or legal counsel to determine which amendments are required and whether any optional provisions should be adopted.

✔ Key SECURE 2.0 Amendment Provisions to Review

SECURE 2.0 contains numerous required and optional provisions that may affect plan operations and plan design.

1. Required Provisions

Depending on plan type and operations, required amendments may address provisions such as:

- **Required Minimum Distribution (RMD) Changes:** SECURE 2.0 increased the age at which participants generally must begin taking required minimum distributions.
- **Roth Catch-Up Contributions:** Beginning in 2026, certain high-wage participants who make catch-up contributions must do so on a Roth basis. Plan sponsors that permit catch-up contributions should review whether plan design changes or administrative updates are necessary.
- **Roth Account RMD Relief:** Roth accounts in employer-sponsored retirement plans are no longer subject to lifetime RMD requirements.
- **Long-Term Part-Time Employees:** Eligibility rules for long-term part-time employees have been expanded, requiring many plans to allow participation after two consecutive years with at least 500 hours of service.

- **Surviving Spouse Elections:** SECURE 2.0 provides additional options for surviving spouses receiving retirement benefits.
- **Overpayment Recovery Rules:** New rules govern the recovery of inadvertent benefit overpayments and provide protections for participants.

2. Optional Design Opportunities

In addition to required changes, SECURE 2.0 introduced several optional features that may enhance participant benefits and retirement readiness.

- **Student Loan Matching Contributions:** Employers can treat qualifying student loan payments as elective deferrals for matching contribution purposes.
- **Emergency Expense Withdrawals:** Plans may permit limited penalty-free withdrawals for emergency personal or family expenses.
- **Emergency Savings Accounts (PLESAs):** Certain plans may offer linked emergency savings accounts for eligible non-highly compensated employees.
- **Roth Employer Contributions:** Participants may be allowed to receive certain employer contributions on a Roth basis.
- **Enhanced Catch-Up Contributions for Ages 60-63:** Eligible participants may make increased catch-up contributions beginning in the applicable years.
- **Increased Involuntary Cash-Out Threshold:** Plans may increase the small-account cash-out limit from \$5,000 to \$7,000.
- **Disaster and Terminal Illness Distributions:** Sponsors may choose to implement special distribution provisions available under SECURE 2.0.
- **Hardship Self-Certification:** Plans may rely on participant self-certification for hardship withdrawals, subject to applicable requirements.
- **Domestic Abuse Distributions:** Plans may need to address special withdrawal rules available to individuals who self-certify that they have experienced domestic abuse.

Because many optional provisions involve operational and administrative considerations, plan sponsors should carefully evaluate whether implementation aligns with organizational goals and participant demographics.

✔ Special Considerations for Defined Benefit and Cash Balance Plans

While many of the provisions of SECURE 2.0 are focused on defined contribution plans, sponsors of traditional pension and cash balance plans should also review their plan documents and operations for compliance with legislative changes.

Potential amendment considerations include:

- **RMD Changes:** Defined benefit plans can be amended to reflect the increased required beginning date under SECURE and SECURE 2.0.
- **Survivor Benefit Elections:** New rules affecting surviving spouse treatment and required minimum distributions may impact pension plan administration and beneficiary elections.
- **Distribution Provisions:** To the extent applicable, defined benefit plans may need to address new distribution options, disaster relief provisions and other participant rights created by SECURE 2.0 or related legislation.

✔ Don't Forget CARES Act and Other Prior Legislative Changes

Many plans implemented temporary relief provisions during the pandemic or other legislative relief periods. Sponsors should confirm that any provisions they previously adopted operationally have been properly documented.

Examples may include:

- Coronavirus-related distributions
- CARES Act loan relief provisions
- Temporary RMD waivers
- Other relief adopted under subsequent legislation

If these provisions were made available to participants, corresponding plan amendments may still be required.

✓ Recommended Action Items for Plan Sponsors

Plan sponsors should consider taking the following steps during 2026:

- 1. Inventory Existing Plan Documents:** Gather current plan documents, amendments, prior restatements, summary plan descriptions and administrative materials.
- 2. Review Operational Compliance:** Confirm that plan operations align with current document provisions and applicable law.
- 3. Evaluate SECURE 2.0 Options:** Determine whether any optional provisions should be implemented as part of your overall retirement strategy.
- 4. Coordinate With Service Providers:** Engage your recordkeeper, TPA, document provider and legal counsel early to establish responsibilities and timelines.
- 5. Prepare for the Restatement Cycle:** Develop a plan review process that can be completed well before applicable IRS deadlines.
- 6. Update Participant Communications:** Ensure participant-facing communications are updated to reflect any adopted changes.

How USI Can Help

USI's retirement plan team can assist plan sponsors with navigating both SECURE 2.0 implementation and upcoming plan restatement requirements by:

- Identifying required and optional plan amendments.
- Coordinating with recordkeepers, TPAs and document providers.
- Reviewing plan design considerations and operational impacts.
- Assisting with compliance reviews and implementation planning.
- Helping sponsors prepare for the upcoming pre-approved plan restatement cycle.

With multiple retirement plan projects converging over the next several years, early planning can help reduce administrative burden, avoid compliance concerns and ensure that plan documents accurately reflect both legal requirements and intended plan design.

Retirement Resources for You

USI's team of experts is happy to assist employers with all retirement plan compliance matters and changes in the market, including those discussed here, to help you mitigate risk and financial impact to your organization.

To learn more, please contact your USI Retirement representative, visit our [Contact Us page](#) or reach out to us at information@usicg.com.

Find the address and telephone number of your local USI office [here](#).

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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 cannot 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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