USI CONSULTING GROUP

Market & Legal Update

MARCH 2025

Stay on top of the latest market developments and legal and regulatory updates that may affect your business.

MARKET UPDATE | Unpredictable Trade Policy Rattles Markets

Markets experienced their worst month since 2022 in March as investors reacted to an onslaught of tariffs, elevated inflation, and economic uncertainty. The Dow Jones Industrial Average sank 4.1% during the month, while the S&P 500 fell 5.6% and the tech-heavy NASDAQ plummeted 8.2%. Meanwhile, foreign stocks were mixed with the MSCI EAFE Index losing 0.4% and the MSCI Emerging Market Index rising 0.6%. Bond yields ended the month relatively flat as investors grappled with elevated inflation readings conflicting with a weakening economic outlook, which resulted in no change in the Bloomberg U.S. Aggregate.

Market Return Indexes	March 2025	YTD 2025	2024
Dow Jones Industrial Average	-4.1%	-0.9%	15.0%
S&P 500	-5.6%	-4.3%	25.0%
NASDAQ (price change)	-8.2%	-10.4%	28.6%
MSCI Eur. Australasia Far East (EAFE)	-0.4%	6.9%	3.8%
MSCI Emerging Markets	0.6%	2.9%	7.5%
Bloomberg High Yield	-1.0%	1.0%	8.2%
Bloomberg U.S. Aggregate Bond	0.0%	2.8%	1.3%
Yield Data (Month End)	**March 2025**	**Feb 2025**	**Jan 2025**
U.S. 10-Year Treasury Yield	4.23%	4.24%	4.58%

March's volatility was largely driven by the unpredictable trade policy that continued to unfold throughout the month. The Trump administration released a frenzy of tariffs including increasing the standing tariffs on China to 20%, implementing the originally delayed 25% tariffs on Mexico and Canada, (which was shortly followed with a temporary exclusion of all USMCA-compliant goods), and a 25% tariff on global steel and aluminum imports. At the end of the month, Trump announced a 25% tariff on imported automobiles effective at the end of the day on April 2nd, a date that he has deemed "Liberation Day" which will likely come with a slew of retaliatory tariffs against a wide variety of U.S. trading partners. The anxiety of both investors and businesses was also heightened by the additional tariffs threatened on automobile parts, semiconductors, pharmaceuticals, oil and gas, lumber, copper, and agricultural products. The whirlwind of changing trade policies kept markets unsettled during the month, as investors adjusted to the new reality that these aggressive policies may no longer just be a global negotiating tactic by the U.S. but may yield significant impacts on the economy and inflation.

> The anxiety of both investors and businesses was also heightened by the additional tariffs threatened

The market volatility and economic uncertainty weighed on the minds of consumers, as The Conference Board's Consumer Confidence Survey revealed that the Consumer Confidence Index declined for a fourth consecutive month in March, falling below the relatively narrow range that had prevailed since 2022. Meanwhile, the Expectations Index, which is based on consumers' short-term outlook for income, business, and labor market conditions, dropped to 65.2, the lowest level in 12 years and well below the threshold of 80 that usually signals a recession ahead. In their responses, consumers frequently cited concerns regarding the stock market outlook, the potential impacts of tariffs on already elevated inflation readings, and labor market fears. Consumers noted that they are responding by holding off on purchasing plans for big ticket items such as homes and cars, which has negative implications for overall economic growth.

Consumers' inflation fears were further fueled during the month with the release of February's readings. The Consumer Price Index (CPI) reading for February was slightly below expectations, with an increase of 0.2% for the month compared to 0.5% in January, and a rise of 2.8% on an annual basis compared to 3.0% in January. Core CPI, which excludes volatile food and energy costs, rose 0.2% for the month, matching the January increase, and increased 3.1% in February compared to 3.3% in January on an annualized basis, also below economist expectations. While shelter costs continue to be one of the main driving factors of the monthly readings, February's data also included a large decrease in airline fares to help cool the overall reading. Despite the cooler-than-expected inflation readings, markets remained weary as the current inflation data does not fully incorporate the impact of the recently implemented tariffs. Inflation fears steepened at the end of the month with the release of the Personal Consumption Expenditure (PCE) Price Index, the Fed's preferred inflation gauge, which increased 0.3% in February, and 2.5% from one year ago. Core PCE, excluding food and energy, increased 0.4% in February, and 2.8% from one year ago. The markets reacted extremely negatively to the release as both readings came in higher than expected, fueling the concerns that the Fed still has not been able to tame inflation before consumers are exposed to the potential price pressures of tariffs.

The Fed shared in the concerns about the volatile trade policies and their potential impact on consumer prices. In their second meeting of the year, Fed members unanimously voted to hold interest rates steady at 4.50% for a second straight meeting, following three consecutive rate cuts that began last September, citing slower projected economic growth and higher inflation by the end of the year. In the Fed's updated Summary of Economic Projections (SEP), members lowered their forecast for 2025 gross domestic product (GDP) growth from 2.1% recorded in their December projections to 1.7%, while increasing their expectations for core inflation to 2.8% from 2.5%. The unemployment rate forecast was also revised slightly upward from 4.3% to 4.4%. During the Fed's press conference, Fed Chair Jerome Powell acknowledged that tariffs drove "a good part" of the Fed's elevated inflation forecast and have increased the uncertainty of their economic outlook. He also stated that the Fed will need to work on the difficult task to "separate nontariff inflation from tariff inflation." Despite their elevated inflation projections, the Fed still expects to enact two more rate cuts by the end of the year, noting that weaker economic growth may offset higher inflation.

Markets have an aversion to uncertainty, and unfortunately that is all that they received throughout the month. Markets will look to stabilize around a clearer path of trade policy from the Trump administration, as all eyes will be on the announcements made during the looming "Liberation Day". Investors will also continue to observe incoming inflation data in order to anticipate the Fed's course for the remainder of the year, while all parties will be closely watching for trends in consumer spending and the subsequent impacts on economic growth.

LEGAL UPDATE

Best Practices to Find Missing Plan Participants

Finding missing retirement plan participants is an ongoing — and necessary — challenge for employers. Whether your organization offers a defined contribution (DC) or a defined benefit (DB) pension plan, you have a fiduciary duty to find missing participants under the Employee Retirement Income Security Act of 1974 (ERISA).

WHO IS A MISSING PARTICIPANT?

A terminated employee who has benefits in a qualified retirement plan at their former employer, but has failed to keep their contact information current and is no longer managing their plan account.

Reasons for missing participants include employer turnover and job changes, relocation, death, company mergers and acquisitions, and nonresponsive participants.

The Pension Benefit Guaranty Corporation (PBGC) was the first federal agency to administer a program to hold retirement benefits for missing participants and beneficiaries in terminated retirement plans. The PBGC Missing Participants Program aims to help these participants and beneficiaries find and receive their benefits.

Follow Updated Guidance From the DOL and EBSA

The Department of Labor (DOL) has focused on the issue of missing participants for years, and works in conjunction with the Employee Benefits Security Administration (EBSA) to audit retirement plans and reinforce actions employers must take to locate lost participants and pay their benefits.

The DOL and EBSA have issued detailed guidance, including steps employers should take to locate missing participants:

1. **Missing Participants: Best Practices for Pension Plans**
   An extensive list of best practices employers could adopt to minimize missing or nonresponsive participants. This guidance also highlights "red flags" that signify a missing participant problem.
2. **Compliance Assistance Release No. 2021-01**
   Outlines investigative processes and case-closing practices EBSA uses to conduct Terminated Vested Participants Project (TVPP) audits of DB plans.
3. **Field Assistance Bulletin No. 2021-01**
   Authorizes plan fiduciaries of terminated DC plans, such as 401(k) and 403(b) plans, to transfer account balances of missing or nonresponsive participants to the PBGC Missing Participants Program.
4. **Field Assistance Bulletin No. 2025-01**
   Provides plan fiduciaries, under certain conditions, with an option to transfer retirement benefit payments (including uncashed checks) owed to missing participants or beneficiaries to a state unclaimed property fund, provided the accrued benefit is $1,000 or less.

The SECURE 2.0 Act of 2022 includes provisions to help participants locate their benefits in their former plans, and to minimize the number of missing participants:

- **Auto-portability** — If an employer agrees to join the auto-portability network, certain small retirement plan account balances for terminated employees that were automatically rolled into a default individual retirement account (IRA) from a prior employer's retirement plan can be automatically rolled over to a new employer's retirement plan, unless directed otherwise by the participant.
- **Retirement savings lost and found** — The DOL is creating a searchable retirement savings database to help individuals locate lost or forgotten retirement plan accounts.

Best Practices to Reduce Missing Participant

These EBSA best practices have been proven to reduce instances of missing or nonresponsive participants:

- **Maintain accurate census information for the plan's participant population.** Periodically reach out to participants (current, retired and terminated) and beneficiaries to confirm or update their contact information such as email, home and business addresses, phone numbers, social media accounts and emergency contacts.

- **Implement effective communication strategies.** State upfront and prominently what the communication is about (e.g., eligibility to start payment of pension benefits, a request for updated contact information, etc.).
- **Conduct missing participant searches.** Check with designated plan beneficiaries and the participant's emergency contacts (in the employer's records) for updated contact information. Consider using a commercial locator service, a credit-reporting agency, or a proprietary internet search tool to locate missing individuals.
- **Document procedures and actions.** Document key decisions and steps taken to implement the policies.

There are an estimated **29.2 million 401(k) accounts** that are *forgotten or left-behind*, worth approximately **$1.65 trillion in assets**, *representing 25% of all 401(k) plan assets.*

These Searches Make Sense

Missing participants can also cause administrative burdens, increased plan costs and fiduciary risk for the organization. Here are reasons employers should address participant accounts:

- **There are large amounts of money at stake.** Each year, hundreds of millions of dollars are recovered for terminated, vested participants in retirement plans.
- **Missing participants inhibit the ability to make timely required minimum distributions** (RMDs), which may result in penalties to the employer and participant.
- **Missing participants inhibit the ability to distribute death benefits to beneficiaries.** This is another important reason to maintain up-to-date beneficiary election data.
- **Missing participants may delay plan terminations**, requiring another year of audit costs and governmental filings.

In **FY 2024**, EBSA's enforcement program helped:

9,170

terminated vested participants in DB plans

$432.6M

in **collected benefits** owed to them

Focus on Follow-Up Actions

Employers should establish proper procedures and designate an individual or team to ensure necessary follow-up efforts are taken.

Consider the following questions. Do you:

- Have a formal procedure for identifying missing participants? Conduct a full plan review for missing participants at least annually?
- Review uncashed check reports from the trustee?
- Conduct address searches for returned checks?
- Document steps taken annually to locate missing participants?

USI Consulting Group Can Assist

It's important to diligently monitor your retirement plan for missing participants. USI Consulting Group can help your organization leverage different search methods, reduce the number of missing participants and mitigate risk.

* Source: Kiplinger, How to Find a lost 401(k), 2025

Retirement Resources for You

USI Consulting Group'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 local USICG 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 Consulting Group 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 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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Connect with us today | information@usicg.com | 860.633.5283 | usicg.com |