Breaking News

By Editorial Staff *Wed, Oct 13, 2021*

Biden DOL gives green light to green funds in retirement plans; Morningstar announces a ESG Pooled Employer Plan; After 45 years, two of the initials in the acronym 'KKR' step aside; Social Security benefits to rise 5.9% for 2022.

Biden DOL gives green light to green funds in retirement plans

The Trump administration's Labor Department leaned against the inclusion of Environment, Social and Governance (ESG) investments in qualified plans. President Biden's DOL is leaning even harder the other way.

The move reflects the Biden administration's desire to stem the progress of global warming. ESG funds often include shares of companies specializing in "green" technologies, or funds that exclude shares of companies whose products or processes contribute to climate change.

If the proposed rule becomes part of DOL regulations, retirement plan advisers and managers of ESG mutual funds will be able to work with each other to satisfy the evident demand for the funds among participants without fear of crossing the DOL.

According to a DOL release (and a **document** published in the Federal Register) this week:

The US Department of Labor announced a proposed rule that would remove barriers to plan fiduciaries' ability to consider climate change and other environmental, social and governance factors when they select investments and exercise shareholder rights.

The proposed rule, "Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights," follows Executive Order 14030, signed by President Biden on May 20, 2021. The order directs the federal government to implement policies to help safeguard the financial security of America's families, businesses and workers from climate-related financial risk that may threaten the life savings and pensions of US workers and families.

"The proposed rule announced today will bolster the resilience of workers' retirement savings and pensions by removing the artificial impediments—and chilling effect on environmental, social and governance investments—caused by the prior administration's rules," said Acting Assistant Secretary for the Employee Benefits Security Administration Ali Khawar.

“A principal idea underlying the proposal is that climate change and other ESG factors can be financially material and when they are, considering them will inevitably lead to better long-term risk-adjusted returns, protecting the retirement savings of America’s workers.”

The NPRM’s comment period will run for 60 days after publication in the Federal Register and will include instructions on submitting comments through www.regulations.gov. Commenters are free to express views not only on the provisions of the proposal but also on any issues germane to the subject matter of the proposal.

Morningstar announces a ESG Pooled Employer Plan

Morningstar Investment Management LLC, a subsidiary of Morningstar, Inc. (Nasdaq: MORN), and Plan Administrators, Inc. (PAi), a retirement plan administrator and recordkeeper, today announced plans to offer the industry’s first Pooled Employer Plan (PEP) intentionally designed to limit exposure to material environmental, social, and governance (ESG) risks. The Morningstar ESG Pooled Employer Plan is expected to launch in early 2022, pending final guidance from the U.S. Department of Labor on the use of ESG factors to select investments for retirement plans.

PEPs allow employers of any size or industry to band together to participate in a single retirement plan. This helps relieve administrative and compliance burdens and potentially reduces fees, making it easier for small- to mid-sized companies to offer a 401(k) plan so their employees can save for retirement. The PEP from Morningstar Investment Management and PAi will feature funds that meet Morningstar Investment Management’s rigorous investment selection criteria and pursue investment strategies designed to limit ESG risk.

Morningstar Investment Management’s investment team uses both the Morningstar Sustainability Rating™ and interviews with fund managers to ascertain the ESG risk of investments under consideration. The objective of the Morningstar ESG PEP will be to create as close to a complete ESG lineup as possible, though certain asset classes (such as TIPs or money market funds) where no ESG investment option exists in the market may be represented to help participants diversify their portfolios.

PAi Trust Co. will oversee the plan as the pooled plan provider, and the PEP will be offered on PAi’s CoPilot recordkeeping platform that focuses on outcomes by engaging participants using event-based alert messages. In addition to those timely alerts and nudges, CoPilot provides a Years of Retirement tool that shows participants how many years their savings

will last, not just how many dollars they've saved.

Morningstar Investment Management will select and manage the investment lineup for the Morningstar ESG PEP, using its expertise from building and overseeing 20,415[1] lineups for its fiduciary services program and drawing from Morningstar's independent research and ratings. Morningstar Investment Management will also create a custom ESG target-date portfolio for the PEP, designed as an option for the Qualified Default Investment Alternative.

More information about the Morningstar ESG PEP is available **here**.

After 45 years, two of the initials in the acronym 'KKR' step aside

Joe Bae and Scott Nuttall have been appointed co-CEOs of KKR, the global investment firm that owns Global Atlantic, the eight-largest issuer of annuities in the first half of 2021. KKR's co-founders, Henry Kravis and George Roberts, will remain executive co-chairmen of KKR's board. Board of Directors. The change is effective immediately.

Founded in 1976 by Jerome Kohlberg and first cousins George Roberts and Henry Kravis, KKR is a global financial services enterprise that invests in private equity and other alternative asset classes, including leveraged and alternative credit, infrastructure, real estate, growth equity, impact, core, and energy.

The firm also has a capital markets business, a retirement and life insurance business through Global Atlantic, and hedge fund partnerships, including with Marshall Wace. Bae and Nuttall both joined KKR in 1996 and have served as co-presidents and co-chief operating officers of KKR since July 2017. Since then, KKR's stock price has tripled.

KKR also announced that in 2022 it will combine with KKR Holdings L.P., which is an entity through which certain current and former employees hold interests in KKR. If regulators approve this transaction, unitholders of KKR Holdings L.P. will receive one share of KKR common stock for each unit they hold in KKR Holdings L.P. as well as their pro rata share of an additional 8.5 million shares of KKR common stock.

In addition, KKR will eliminate its Series II preferred stock and terminate its tax receivable agreement with respect to units of KKR Holdings L.P. that are not previously exchanged. Second, on December 31, 2026, subject to exceptions that would accelerate this date, KKR will eliminate its controlling Series I preferred stock and also acquire control of KKR Associates Holdings L.P.

These reorganization transactions are expected to increase the rights of our common stockholders, further align the interests of the current and future leadership of KKR with our common stockholders, enhance corporate governance at KKR, and simplify KKR's corporate structure, a KKR release said.

Social Security benefits to rise 5.9% for 2022

Social Security and Supplemental Security Income (SSI) benefits for approximately 70 million Americans will increase a 5.9% cost-of-living adjustment (COLA) in 2022, the Social Security Administration announced this week. The increase is tied to the Consumer Price Index as determined by the Department of Labor's Bureau of Labor Statistics.

The increase will begin with benefits payable to more than 64 million Social Security beneficiaries in January 2022. Increased payments to approximately eight million SSI beneficiaries will begin on December 30, 2021. Some people receive both Social Security and SSI benefits.

Based on that increase, the maximum amount of earnings subject to the Social Security tax (taxable maximum) will increase to $147,000 from $142,800.

Social Security and SSI beneficiaries are normally notified by mail starting in early December about their new benefit amount. Most people who receive Social Security payments will be able to view their COLA notice online through their personal my Social Security account. People may create or access their my Social Security account online at www.socialsecurity.gov/myaccount.

Information about Medicare changes for 2022, when announced, will be available at www.medicare.gov. For Social Security beneficiaries receiving Medicare, Social Security will not be able to compute their new benefit amount until after the Medicare premium amounts for 2022 are announced.

Final 2022 benefit amounts will be communicated to beneficiaries in December through the mailed COLA notice and my Social Security's Message Center. The Social Security Act provides for how the COLA is calculated. To read more, please visit www.socialsecurity.gov/cola.