



# CYPEN & CYPEN NEWSLETTER for April 16, 2020

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Never Forget September 11, 2001  
and  
Always Remember May 2, 2011

## **1. ECONOMISTS WARN RECESSION WILL BE WORST OF THE CENTURY:**

As financial markets and society process the ongoing threat posed by the coronavirus, economists now expect a global recession — which will be worse than the one triggered by the 2008 to 2009 global financial crisis — to hit this year.

COVID-19 has been hitting health-care systems and markets across the globe since late December. Stock markets have plummeted as countries around the world grapple with the virus, lockdowns and reduced output. Global growth for 2020 is now heading toward zero, according to ratings agency S&P Global Ratings. The company had forecast 2020 global GDP growth at 3.3% at the end of last year. "I find it very hard to think we're not going into a global recession," said Karen Ward, London-based chief market strategist for Europe, the Middle East and Africa at [J.P. Morgan Asset Management](#). "The very initial

data we're going to get for Q2 are going to be horrific — numbers we've never seen before in terms of the GDP collapse. The single-quarter numbers will make 2008 look like it was a doddle."

Growth in 2009, during which the global financial crisis came to an end, was -0.4%, according to International Monetary Fund data. A 1% to 2% contraction is forecast for the global economy in 2020, said Mauricio Vargas, senior global economist at Union Investment Institutional GmbH, based in Frankfurt. "I think the coronavirus is a fundamental game-changer for the economy." Union Investment expects lockdown measures to depress private consumption at a rate of around 30% to 40%, assuming such strict restrictions are in place for most of the developed world for at least four to five weeks. "And there's a very big downside risk that if the containment measures have to be in place for a much longer time. Every week of containment and lockdown ... counts for 0.7% to 1% of GDP," Mr. Vargas said.

Economists at other money managers agree that a global recession is in the cards. "We are headed for a global recession, there are no doubts about that," said Peter van der Welle, strategist at Robeco Institutional Asset Management in Rotterdam, Netherlands. While it's a concern that global markets are headed into a recession in 2020 overall, with some expecting growth to fall into negative territory, economists are generally accepting of that fact. Forecasting just how deep and lasting the recession could be is a bigger problem.

"Knowing Q2 is going to be pretty dire isn't really the problem; the question really is, what does Q3 and Q4 look like?" Ms. Ward said. One factor in answering that question is how many times lockdown measures and the disruption to general life and workforces occur as a result of the virus. "The economic question we're grappling with is, how many shutdowns?" said Richard Barwell, head of macro research at BNP Paribas Asset Management in London. "If it is one and done, we have an economic response once: There is pain and we socialize that cost. But if there are multiple shutdowns, we are paying that price or socializing that cost every time. We're looking for good news about antivirals, diagnostic and serological tests and herd immunity, because that is what will give us a little more confidence that (we) won't have to pay this cost twice or thrice."

There are four potential recovery scenarios: a V-, U- or L-shaped recovery or an inflationary outcome, the latter of which is least likely, said Shamik Dhar, London-based chief economist at [BNY Mellon Investment Management](#). "The first three really focus on the disease. We get a V-shaped recovery if, as we much all hope, the peak hits around high summer. New cases start to fall, numbers of recovered start to rise and, crucially, we

don't get a second wave toward the end of the year," Mr. Dhar said. Under that scenario, lockdowns would gradually be removed, "but nevertheless sufficiently quickly to enable parts of the economy to bounce back very quickly."

A U-shaped recovery follows the same course of the virus but with "an additional recessionary effect: a huge sell-off in financial markets. In a U-shaped scenario, it takes a lot longer for things to right themselves, and it's really around 2021 that things start to kick in," Mr. Dhar said. An L-shaped recovery means the coronavirus lingers, lockdowns last longer and a second wave of infections could hit. "The length and duration of this downturn fundamentally accelerates what was an underlying trend anyway: deglobalization," Mr. Dhar said. That means borders remain shut, supply chains are disrupted for longer and people cannot return to work. "That mounts up and you get a permanent loss in output. You do get a recovery but not all the way back to where you were," he said. Mr. Dhar put probabilities of scenarios at 35% each for the V- and U-shaped recoveries, a 20% likelihood of an L-shaped recovery and a 10% chance of an inflationary scenario.

Moves by central banks and governments, which unveiled trillions of dollars in stimulus across the globe through monetary and fiscal policies, were appropriate and well-thought-out, sources said. "We want suspended animation: Households and businesses want to be sufficiently supported in this period of revenue or wage collapse such that they don't start to make these second-round effects," such as cutting staff or household expenditures, J.P. Morgan's Ms. Ward said. "So that's how recessions get deep."

Policymakers "have not dragged their heels. And then we know that good fiscal policy is going to result in massive amounts of government debt — central banks played their cards really well and are going to take the debt out of the market. They have taken control, (provided) vast swaths of liquidity and are doing what they can in the credit market," Ms. Ward said. However, stimulus will be less effective than it would be in a financial-led recession since a big part of the economic hit is coming from employees being told not to go to work.

"Market confidence can be helped, but the main effect will be over the medium-run as the subsequent recovery proves brisker than otherwise (thought)," said Eric Lascelles, chief economist at [RBC Global Asset Management](#) Inc. in Toronto. "What I care about most in terms of the government response is making sure an artificial and temporary decline in output doesn't turn into something long-lasting and organic — that means avoiding insolvency (of businesses) and ensuring households don't lose their homes."

And while investors and economists like to look back at past performance or examples for indications of where events might lead, comparisons to the current virus and ensuing market collapses are hard to come by. However, some are using the 2008 global financial crisis as a loose comparison — if only to demonstrate how bad things might get.

"From peak to trough, COVID-19 is likely to deliver a larger blow than the financial crisis," though the shock should be shorter than the "lingering effects of the financial crisis," Mr. Lascelles said. "Governments are putting the patient into an induced coma here — this increases the chance of survival, but at considerable financial and economic cost. History tells us pandemics are temporary affairs." Sophie Baker, *Pension&Investments*, April 6, 2020.

## **2. FIRST RESPONDERS SEEK WORKERS COMPENSATION PLEDGE AMID COVID-19 OUTBREAK:**

As a St. Paul Fire Department captain, Chris Parsons knows that he and his colleagues risk contracting COVID-19 every day on the job. But right now, employees would need to prove their exposure was work-related in order to make a workers' compensation claim.

Parsons is also president of the Minnesota Professional Fire Fighters union. He and others want to shift the burden of proof to the employers. "It gives the employee a fighting chance when they're going in and trying to get disability benefits," Parsons said. Legislation was introduced a few weeks ago to make the change, and House and Senate leaders considered it as part of the \$330 million coronavirus relief package that lawmakers passed last week. But the measure fell by the wayside during negotiations.

"This should have been our highest priority. We need to take care of those that are willing to take care of us. We all know this is going to get worse before it gets better. We all know these folks are going to be exposed day in and day out," Sen. Erik Simonson, DFL-Duluth, said during last week's Senate debate. Republican Senate Majority Leader Paul Gazelka said the issue was left out of the bill because the state's Workers' Compensation Advisory Council, which represents both organized labor and business interests, was not in full agreement on the matter. "The fact that they did not support this led me to believe that we shouldn't be doing it," he said.

Minnesota Chamber of Commerce President Doug Loon, a member of the advisory council, said there were many unanswered questions about the original proposal, including the time frame and exactly who was covered. The business community tried to address those issues in an alternative plan put forward this week, Loon said. "We want to do it the right way. We support first responders and health care providers. We want to

make sure that they're able to do their jobs and that they're confident that they'll be cared for if they become infected by COVID-19," Loon said. "We urge the governor and legislators and those on the Workers' Compensation Advisory Council to proceed with a reasonable plan."

The League of Minnesota Cities is also proposing an alternative plan that includes the creation of a separate state account to deal with COVID-19-related claims. A bipartisan group of 59 legislators sent a letter to the governor this week urging him to issue an executive order to make the change to workers' compensation. There's also an online petition with more than 20,000 signatures seeking the same thing.

DFL House Speaker Melissa Hortman said negotiations continue behind the scenes on the issue, with hopes of an agreement for lawmakers to vote on in their next COVID-19 bill. "We need our first responders more than we ever have before, and they need to have the peace of mind that we have their back," Hortman said "If they can't prove that they got COVID-19 on the job, but we know they're at increased risk for getting it while on the job, we should assure them that we're going to take care of them if they get COVID-19."

Walz said he supports the move but isn't ready to issue an executive order yet. "I am seriously considering moving to that," he said. "I'll give the Legislature time to see if they can get that fixed. But our folks, our first responders deserve that too. We'll continue to fight for that. I'd like to have them get that done." KNOW Minnesota Public Radio, April 1, 2020.

### **3. NEW JERSEY IS ENLISTING STATE PENSIONERS TO RETURN TO WORK:**

Looking for extra help amid the pandemic, New Jersey Gov. Phil Murphy called upon retired public employees to return to work and signed an order that lets them get paid without it hurting their pensions.

Retired state and local government workers who are considered necessary to handle the state's coronavirus crisis can return as full- or part-time workers if they have spent at least 30 days in retirement, according to the [executive order](#). "Right now, we need all the experienced help we can get," Murphy [said](#) during a state coronavirus briefing on Tuesday. "We need to remove any roadblocks that can keep them from service," he added. That includes law enforcement officers, nurses, and office workers who can man the unemployment insurance phone lines at the state Labor Department.

The executive order from the governor comes as thousands of law enforcement workers in the state are unable to report for duty, either because they have tested positive for

COVID-19 or are in quarantine. Among other provisions, the order also removed the 25% cap for special law enforcement officers, so that communities—particularly in the state’s shore towns—can hire as many temporary officers to bolster their regular police force as they need.

New employees hired for the pandemic can also immediately enroll in the state health benefit plan, instead of waiting 60 days to participate. Some critics lambasted the governor’s decision, which they saw as encouraging the workers most vulnerable to the disease to return to the workforce, particularly when the state is only beginning to show signs of flattening the curve of the pandemic. On Monday, cases in the state jumped just 9% from the day prior. Murphy also stressed that state residents are not yet free and clear from the virus. About 41,000 people in the state have tested positive for the illness and, at last count, roughly 1,000 people have died. This week, the state opened its first field medical station in Secaucus to stem the tide of COVID-19.

Personal protective equipment such as N-95 masks, face shields, and exam gloves also remain in short supply—even after federal authorities donated 70,000 masks to the state after busting a hoarding locale in Brooklyn. Meanwhile, the state pension system remains woefully underfunded, with a ratio of roughly 40%. New Jersey recently suspended [nearly \\$1 billion in spending](#) to help the state government weather the storm. Chief Investment Officer, [www.ai-cio.com](http://www.ai-cio.com), April 8, 2020.

#### **4. FEDERAL RESERVE ANNOUNCES FUNDING FOR MAIN STREET LENDING PROGRAM AND OTHER ACTIONS TO BOLSTER THE ECONOMY:**

This client alert is one of a series as we track developments in the implementation of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). For more information on the CARES Act, please see our prior client alerts:

- [Paycheck Protection Program Update – April 9, 2020](#)
- [Paycheck Protection Program Update- April 7, 2020](#)
- [SBA Issues Interim Final Rules for Title I of CARES Act Paycheck Protection Program; Treasury Issues Instructive Guidelines for Loans under Title IV](#)

The Federal Reserve on Thursday took additional actions to provide up to \$2.3 trillion in loans to support the economy, including establishing a Main Street Lending Program for mid-sized businesses and bolstering the existing Paycheck Protection Program. The funding is intended to assist households and employers of all sizes and bolster the ability of state and local governments to deliver critical services during the coronavirus pandemic.

Among the actions announced by the Federal Reserve are:

- Ensuring credit flows to small and mid-sized businesses with the purchase of up to \$600 billion in loans through the Main Street Lending Program. The Department of the Treasury, using funding from the CARES Act will provide \$75 billion in equity to the facility;
- Bolstering the effectiveness of the Small Business Administration's Paycheck Protection Program (PPP) by supplying liquidity to participating financial institutions through term financing backed by PPP loans to small businesses. The PPP provides loans to small businesses so that they can keep their workers on the payroll. The Paycheck Protection Program Liquidity Facility (PPPLF) will extend credit to eligible financial institutions that originate PPP loans, taking the loans as collateral at face value;
- Increasing the flow of credit to households and businesses through capital markets by expanding the size and scope of the Primary and Secondary Market Corporate Credit Facilities (PMCCF and SMCCF) as well as the Term Asset-Backed Securities Loan Facility (TALF). These three programs will now support up to \$850 billion in credit backed by \$85 billion in credit protection provided by the Treasury; and
- Helping state and local governments manage cash flow stresses caused by the coronavirus pandemic by establishing a Municipal Liquidity Facility that will offer up to \$500 billion in lending to states and municipalities. The Treasury will provide \$35 billion of credit protection to the Federal Reserve for the Municipal Liquidity Facility using funds appropriated by the CARES Act.

The Fed said that the Main Street Lending Program will enhance support for small and mid-sized businesses that were in good financial standing before the crisis by offering 4-year loans to companies employing up to 10,000 workers or with revenues of less than \$2.5 billion. Principal and interest payments will be deferred for one year. Eligible banks may originate new Main Street loans or use Main Street loans to increase the size of existing loans to businesses. Banks will retain a 5 percent share, selling the remaining 95 percent to the Main Street facility, which will purchase up to \$600 billion of loans. Firms seeking Main Street loans must commit to make reasonable efforts to maintain payroll and retain workers. Borrowers must also follow compensation, stock repurchase, and dividend restrictions that apply to direct loan programs under the CARES Act. Firms that have taken advantage of the PPP may also take out Main Street loans.

Additional details regarding this program will follow. All of the facilities mentioned above

are established by the Federal Reserve under the authority of Section 13(3) of the Federal Reserve Act, with approval of the Treasury Secretary. For more information, see links below:

- [Board of Governors of the Federal Reserve System](#)
- [U.S. Department of The Treasury](#)

Jose Sariego, Bilzin Sumberg, [www.bilzin.com](http://www.bilzin.com), April 9, 2020

#### **5. CORONAVIRUS-RELATED DISTRIBUTIONS FROM 403(B) AND GOVERNMENTAL 457(B) PLANS:**

*“Our firm sponsors both a 403(b) and 457(b) plan and have already begun to receive questions from employees regarding the hardship distribution (403(b)) and unforeseeable emergency distribution (457(b)) provisions in our retirement plans and whether they would be able to access their funds in such plans due to expenses related to the COVID-19 pandemic. Will such distributions be permissible?”*

Stacey Bradford, Kimberly Boberg, David Levine and David Powell, with Groom Law Group, and Michael A. Webb, vice president, Retirement Plan Services, Cammack Retirement Group, answer:

COVID-19-related distributions will indeed be permitted for 403(b) and governmental 457(b) plans under the [CARES Act legislation signed by President Donald Trump](#) on March 27. The legislation allows retirement plans to permit distributions of up to \$100,000 per individual per year (note, this is a total limit per individual, and NOT a per-plan limit) who can certify that they meet one of the following conditions:

1. Diagnosed with COVID-19
2. Spouse or dependent diagnosed with COVID-19
3. Experience adverse financial consequences as a result of being quarantined, furloughed, laid-off, reduced work hours, inability to work due to lack of child care because of COVID-19, the closing or reducing hours of a business owned or operated by the individual due to COVID-19, or other factors, as determined by the Treasury Secretary (which, as the Experts understand, will be quite flexible).

Though subject to ordinary income taxes, the CARES Act waives the 10% early withdrawal penalty tax for such distributions. Tax on the income from the distribution can also be paid over a three-year period. Though we don't yet know the exact mechanism for this, individuals may also have the ability to repay the amount into the plan over the next

three years. If permitted, these repayments would not be subject to retirement plan contribution limits. It should be noted that even though the distribution can be paid back to the plan, it is not an eligible rollover distribution; thus, it is not subject to the 20% withholding for payment of taxes. Thus, a participant can receive the entire amount of the distribution or elect to withhold taxes, subject to recordkeeper restrictions.

Finally, COVID-19 distributions are not considered hardship distributions. Instead, it is in its own new category of distribution for retirement plan purposes, so none of a plan's hardship restrictions apply. Therefore, a plan can allow for this type of distribution even if it does not permit hardship distributions.

Non-governmental tax-exempt 457(b) plans are NOT eligible for the COVID-19 distributions described above. However, the "unforeseeable emergency" provision present in many tax-exempt 457(b) plans, may indeed include distributions due to COVID-19-related illness, if provided in the plan. From the [IRS website](#):

*"457(b) plans may offer distributions to a participant based on an unforeseeable emergency for: an illness or accident of the participant, the participant's beneficiary, or the participant's or beneficiary's spouse or dependents;"*

However, keep in mind that, in order for a 457(b) plan participant to receive a distribution for emergency expenses due to coronavirus, he/she must show that the emergency expenses could not otherwise be covered by insurance, liquidation of the participant's assets or cessation of deferrals under the plan. Though such a distribution would be subject to ordinary income taxes, there would be no additional penalty tax payable, since the 10% premature distribution penalty does not apply to 457(b) plans. *Plansponsor*, March 31, 2020.

## **6. THOUSANDS OF ZOOM VIDEO CALLS LEFT EXPOSED ON OPEN WEB:**

Thousands of personal Zoom videos have been left viewable on the open Web, highlighting the privacy risks to millions of Americans as they shift many of their personal interactions to video calls in an age of social distancing. Videos viewed by *The Washington Post* included one-on-one therapy sessions; a training orientation for workers doing telehealth calls that included people's names and phone numbers; small-business meetings that included private company financial statements; and elementary school classes, in which children's faces, voices and personal details were exposed.

Many of the videos include personally identifiable information and deeply intimate conversations, recorded in people's homes. Other videos include nudity, such as one in

which an aesthetician teaches students how to give a Brazilian wax.

Many of the videos appear to have been recorded through Zoom's software and saved onto separate online storage space without a password. It does not affect videos that remain with Zoom's own system. But because Zoom names every video recording in an identical way, a simple online search can reveal a long stream of videos elsewhere that anyone can download and watch. *The Washington Post* is not revealing the naming convention that Zoom uses, and Zoom was alerted to the issue before this story was published.

[\*How to protect your Zoom calls.\*](#) Zoom videos are not recorded by default, but call hosts can choose to record them and save to Zoom servers or their own computers without participants' consent, though participants do receive a notification when a host starts to record. The discovery that the videos are available on the open Web adds to [a string of Zoom privacy concerns](#) that have come to public attention as the service has become the preferred alternative for American work, school and social life.

The company reached more than 200 million daily users last month, up from 10 million in December, as people turned on their cameras for Zoom weddings, funerals and happy hours at a time when face-to-face gatherings are discouraged or banned.

Zoom said in a statement that it "provides a safe and secure way for hosts to store recordings" and provides guides for how users can enhance their call security. "Should hosts later choose to upload their meeting recordings anywhere else, we urge them to use extreme caution and be transparent with meeting participants, giving careful consideration to whether the meeting contains sensitive information and to participants' reasonable expectations," the statement said.

Five people identified in the videos *The Post* viewed said they had no idea how the footage made its way online. "That definitely shouldn't be happening," said Jack Crann, the owner of the Connecticut dog-training company Peace of Mind Canine, after a reporter alerted him to a video that included private financial details. "That was a meeting for us, and shouldn't be put out for the public." Patrick Jackson, the technology chief of the privacy-software company Disconnect and a former researcher for the National Security Agency, who alerted *The Post* to the exposed data, said Zoom could do a better job at cautioning people to protect their videos. Zoom could also help by implementing design tweaks, such as naming videos in an unpredictable way to make them harder to find. Jackson found the videos by using a free online search engine that scans through open cloud storage space online. One search for recordings, using Zoom's default naming

convention, revealed more than 15,000 results.

“This was stuff I didn’t feel good watching, and I doubt all of the people here know these videos are public,” he said. Many of the videos can be found on unprotected chunks of Amazon storage space, known as buckets, which are widely used across the Web. Amazon buckets are locked down by default, but many users make the storage space publicly accessible either inadvertently or to share files with other people. (Amazon CEO Jeff Bezos owns *The Post*.)

Thousands of other Zoom clips, all of them named in the same way, have been uploaded onto the video sites YouTube and Vimeo. In one clip posted, a class of second-grade students can be seen learning about money while logged in from home.

[Everybody seems to be using Zoom. But its security flaws could leave users at risk.](#) The problem is not exclusive to Zoom video or Amazon storage. But in designing their service, Zoom’s engineers bypassed some common security features of other video-chat programs, such as requiring people to use a unique file name before saving their own clips. That style of operating simplicity has powered Zoom to become the most popular video-chat application in the United States, but it has also frustrated some security researchers who believe such shortcuts can leave users more vulnerable to hacks or abuse.

The service has also attracted the scrutiny of members of Congress, who have questioned its privacy and security measures at a time when Americans are signing on en masse. A group of 19 House Democrats [sent Zoom a letter](#) seeking details on Zoom’s data-collection and recording rules, writing, “Our new dependency on such solutions raises important questions about the privacy practices of the companies many of us are interacting with for the first time.”

Zoom chief executive Eric Yuan acknowledged in a [blog post](#) that the service is being used far more extensively than he had contemplated when he founded the company in 2011. “We did not design the product with the foresight that, in a matter of weeks, every person in the world would suddenly be working, studying and socializing from home,” he wrote. The system’s new user base, he said, was using Zoom in a number of “unexpected ways, presenting us with challenges we did not anticipate when the platform was conceived.” Yuan also apologized for Zoom falling short of users’ “privacy and security expectations” and said the company would be freezing new features for 90 days and redirecting its engineers to tackling security flaws.

As millions more people try Zoom, researchers have pointed to software and privacy concerns they worry could leave people's computers at risk. Teams have highlighted security flaws that could allow strangers to steal log-in information, view messages and take control of users' cameras and microphones.

The service has also been abused by "zoombombing" trolls, who have invaded unlocked Zoom meetings to share pornography and spew racist slurs. Zoom officials said this week they were working overtime to patch security flaws and identify abusers to "ensure this doesn't happen again." The publicly exposed videos could be a surprise for people who expected their sensitive discussions would be kept private. But they could also put people at real personal risk.

Ruth Schwartz, the director of Conscious Girlfriend, a relationship-support group for lesbian and queer women, said she was alarmed to learn that videos of her group sessions could be viewed online, including one in which women talked about how they recovered from toxic relationships. Schwartz said she went back to protect the Zoom videos and said she was worried about groups like hers, in which some women have not publicly shared their sexual orientation.

"It's a really important wake-up call," she said. "Social connection is one of the biggest predictors of mental and physical health. ... It's so important for all of us who do this kind of sensitive work to take the precautions to protect our communities." Drew Harwell, *The Washington Post*, April 3, 2020.

## **7. IMPORTANT CONSIDERATIONS BEFORE WAIVING RMDs:**

Just a few months ago, Congress passed the Setting Every Community Up for Retirement Enhancement (SECURE) Act, folding the popular retirement focused legislation into a bigger federal appropriations bill.

Among its many provisions, the [landmark law](#) made an important change to the rules governing "required minimum distributions," or RMDs, drawn from individual retirement accounts (IRAs) and employer-sponsored defined contribution (DC) plans. Namely, the SECURE Act established that an account owner must begin making withdrawals on "April 1 of the calendar year following the calendar year in which the individual attains age 72." Previously, the date was April 1 of the calendar year following the calendar year in which the individual attained age 70 1/2.

At the time, industry analysts voiced strong support for this provision of the SECURE Act, suggesting the extra year and a half added to the RMD deadline should give Americans a

meaningful amount of additional flexibility in their retirement income planning. They said [Congress had taken an important step](#) to recognize Americans' improved longevity. Under the SECURE Act, this amendment became effective for distributions required to be made after December 31, 2019, with respect to individuals who will reach age 70 1/2 after that date. As such, explaining this change to clients has been an important part of many retirement plan sponsors' communication strategies for 2020. But with the outbreak of the coronavirus pandemic, there is now justifiably more attention being paid to the recently passed "CARES Act," or the Coronavirus Aid, Relief and Economic Security Act, which also addresses the complex topic of required minimum distributions.

For its part, the [CARES Act](#) does away with RMDs for 2020, observes Mark Iwry, former Senior Advisor to the Secretary of the Treasury in the Obama Administration and currently nonresident Senior Fellow at the Brookings Institution, and Visiting Scholar at the Wharton School. This development should give plan sponsors and their service provider partners more time to educate participants about RMDs. Looking ahead to 2021, Iwry says, there are a few important points sponsors might emphasize in their communications with participants. First and foremost is the basic fact that taking an RMD does not always mean one has to liquidate his investments—a fact which is especially important to consider in a sudden and sustained bear market.

"While one reason cited for the legislative 2020 RMD relief is to save retirees from having to sell when the market seems unusually low, an individual required to take a RMD from a traditional IRA often could actually avoid selling stock while the market is down by transferring the investments 'in kind' to a taxable account," Iwry explains. "You will still have to come up with funds to pay the tax, but you ordinarily will have a way to avoid selling your equity investments at what may be the bottom of a market dip."

This opportunity assumes the service provider or providers involved allow for such in-kind transfers. That's not always going to be the case, Iwry says. While this type of maneuver will often be possible for IRA owners (for example, with brokerage accounts), DC plans usually make cash distributions. Even in that case, though, Iwry notes that participants could often fairly quickly resume a similar equity investment position by reinvesting the cash distribution in similar stocks.

"The public often doesn't focus on this basic fact about RMDs," Iwry says, "although more affluent people tend to be more aware that taking RMDs is about shifting to a taxable account, not necessarily about liquidating investments. That said, the 2020 RMD holiday of course is of limited value to the many retirees who need to or will in any event be

spending at least as much in 2020 as the RMD amount.” John Manganaro, *Plansponsor*, April 1, 2020.

## **8. UNINTENDED CONSEQUENCES OF USING YOUR DEFINED BENEFIT PLAN TO ASSIST WITH WORKFORCE MANAGEMENT:**

In just a few months, COVID-19 has changed our businesses and organizations dramatically—in the United States and around the world. Many employers have taken immediate action by increasing staff or staff hours, transitioning to remote workforces, reducing staff or staff hours, or even closing their doors completely. If you are considering major changes in your workforce and think your defined benefit (DB) plan can help ease the pain of this transition, you will want to proceed carefully. With every action, there’s a reaction—often a good one but not always.

Keep this in mind *if you are increasing staff and are exploring:*

- ***In-service distributions:*** Amending the DB plan to allow for in-service distributions as early as 59½ can help retain key talent but it can also make the ongoing administration quite complicated as well as removing the component of orderly retirement, which is an important factor in DB plans. This added complexity is less of an issue if you have a frozen plan and are looking to terminate it in the near future or de-risk it with an annuity purchase. In this case, more in-pay participants could result in better annuity pricing. You can also include employees over 59½ in frozen plan lump sum window offerings to save on Pension Benefit Guaranty Corporation (PBGC) headcount premiums.
- ***Waiving suspension of benefits for rehired retirees:*** Rehiring retired professionals can be easier if you allow them to continue to collect their pension benefits while they work. But be aware that rehires who are subsequently laid off may be entitled to some form of paid leave. And this “double dipping” could increase plan costs due to the additional service earned.
- ***Increasing Normal Retirement Age:*** Amending the plan to increase the Normal Retirement Age from 65 to, for example, 67 could help retain more experienced, needed talent at work. But as the talent pipeline starts to fill up again, you could risk suppressing personal growth. Young talent will go elsewhere if they see older workers blocking their career paths. And keeping more expensive talent around long-term could result in more expensive benefits at retirement from longer accrual periods.

*If you are decreasing staff and are exploring:*

- **An early retirement window:** During a designated period, an early retirement window with enhanced benefits—often including temporary continuation of health insurance—can encourage retirement. The upside is that you can reduce active participant cost; the downside is that it can increase the plan cost over time if the plan is not well funded. Nondiscrimination and liquidity requirements also must be carefully considered when offering an early retirement window. Use projections to ensure you won't trigger special accounting events (like settlements, curtailments, and special termination benefits, in both the pension plan and the post-retirement medical plan if applicable) or a partial plan termination if the plan is not frozen.
- **Lower Normal Retirement Age:** Amending the plan to decrease the Normal Retirement Age would allow employees to collect full retirement benefits earlier while working elsewhere so workers may leave on their own accord. There could be a few downsides: Some may be entitled to full benefits as they retire early and increase the cost of the plan. Or you also risk losing high-quality workers to competitors.

It's important to note that all of the above defined benefit plan changes could open collective bargaining agreements in place and may affect your nonqualified plan arrangements. Short-term and long-term impacts should be carefully considered. Vanessa Vaag and Denise Foster, [www.retirementtownhall.com](http://www.retirementtownhall.com), April 7, 2020.

#### **9. EMPLOYER HEALTH BENEFIT COSTS MAY JUMP THIS YEAR AND NEXT:**

Employers that self-fund their health care benefits could see costs jump by as much as 7% this year as a result of testing and treatment costs related to COVID-19, according to an actuarial analysis by Willis Towers Watson. This is on top of the 5% cost increases employers previously projected for this year in the Willis Towers Watson [Best Practices in Health Care Employer Survey](#). At a 30% infection level, the analysis found total costs could increase between 4% and 7%, depending on how sick patients with COVID-19 become. Total costs include claims for medical and prescription drugs only. The analysis also found that at a 10% infection level, costs could rise between 1% and 3%. In a more severe scenario—a 50% infection level—costs could rise between 5% to 7%.

There's a human element to providing health care benefits to employees—it keeps employees healthy and productive, and it helps employers attract and retain employees—but this needs to be balanced by what employers can afford to pay to deliver the benefits, notes Trevis Parson, chief actuary at Willis Towers Watson in Philadelphia. You can't divorce the two elements, he says.

The analysis only looked at scenarios for employers that self-fund their health benefits because rates are already set for this year for fully insured employers, Parson points out. However, insurance company actuaries will have to build 2021 rates with some projections from this. He says they will have to consider what the nature of the coronavirus will be at that point in time. “Heaven forbid we have second wave. And a vaccine is one year to 18 months away at best,” he says. The Willis Towers Watson analysis notes that other health care costs, including those for dental and vision care, may actually decline this year as employees will likely eliminate some discretionary care. For medical care, for example, Parson says an employee may put off getting a colonoscopy this year but will do so next year. Actuaries will have to contemplate how much of the care that would have been sought this year will reemerge next year. They won’t be able to do so until more data emerges in the coming months, but it could affect what rates are negotiated for fully insured employers at that time.

On March 18, President Donald Trump signed into law the Families First Coronavirus Response Act. It requires group health plans to cover, free of charge, FDA-approved COVID-19 testing and items and services furnished during health care provider office visits, urgent care center visits and emergency room visits during which COVID-19 testing is ordered or performed or in which the individual is evaluated for COVID-19. Covering costs for testing can help stave off high-cost claims for health benefits in the long run if people get treated early, and providing assistance during these stressful times can increase a worker’s financial—and overall—wellness, [experts say](#). So self-funded employers are encouraged to cover at least the same costs that group health plans are required to cover.

Parson says he imagines many employers will cover the costs because “it’s the human thing to do.” But he believes cost-sharing won’t be uniform. For example, self-funded employers may decide not to cover testing costs for those who test negative, but they may cover costs for those who get so sick as to require a long hospital stay and reach their maximum benefit. It may also depend on the size of the employer, he says.

Actions to mitigate increasing health benefit costs for this year or next will need to be as unique as the time in which we are living. The trend of cost-sharing between employers and employees has been waning with both self-insured and fully insured employers. Parson says this is due to the concern about affordability for employees as well as the concern about offering competitive benefits. Doing so now, in this challenging economic time, could be damaging to the human element.

Willis Towers Watson is working on a readiness document to help answer how employers can mitigate cost increases. Actions suggested to keep costs down include keeping employees at home and only having essential employees go to the office; when employees do go to the office, ensuring they practice social distancing; and if employees will be in close contact, making sure they have protective gear. “It does appear based on emerging information that the efforts taken to mitigate the spread of the virus are having a positive effect,” Parson says. “To the extent ultimate levels are not reached, as mentioned in the analysis, it’s likely that we don’t overrun the system, there will be enough places for people to get the care they need, and healthy individuals will stay healthy. These things may cause future predictions of costs falling for the current plan year.” He says Willis Towers Watson intends to issue updates as appropriate based on data. Rebecca Moore, *Plansponsor*, April 1, 2020.

#### **10. CORONAVIRUS CHECKS; FLATTENING THE SCAM CURVE:**

There’s a lot to worry about when it comes to the Coronavirus crisis, including the new ways scammers are using the economic impact payments (so-called “stimulus checks”) to trick people. To keep ahead of scammers who are trying to cash in on those payments, read on.

Scammers have no shame, and nothing – not even a global health crisis – is off limits. They’re pitching [fake Coronavirus vaccines, unproven cures, and bogus at-home testing kits](#). So, it’s not surprising that scammers are [exploiting confusion about economic impact payments](#) too. But it’s still shameful.

Most people who qualify for a check will automatically get it direct deposited by the IRS within weeks. But as details emerge about how and when payments will arrive, some scammers may start using official-looking fake checks to steal money and confuse people into turning over personal information. Here’s some information to help avoid fake check scams that might be arriving soon.

- **The check’s *not* in the mail – yet.** Reports say that paper checks – for people without direct deposit – will start arriving in May at the earliest. So, if you get an economic impact payment, stimulus, or relief check before then, or you get a check when you’re expecting a direct deposit, it’s a scam.
- **The IRS will *not* send you an overpayment and make you send the money back in cash, gift cards, or through a money transfer.** If you get an official-looking check for more than what you were expecting – say, for \$3,000 – the next call you’re likely to get is from a scammer. They’ll tell you to keep your \$1,200 payment, and return the rest by sending cash, gift cards, or money transfers. [It’s a](#)

[scam that will leave you owing money to your bank.](#)

- **That’s not the IRS calling, texting, or emailing.** Scammers are sending official-looking messages – including postcards with a password to be used online to “access” or “verify” your payment or direct deposit information. The IRS will not contact you to collect your personal information or bank account. It’s a scam.

For trusted information and updates about IRS payments – including eligibility, how to sign up for direct deposit, or where to file a short tax form – always start with [irs.gov/coronavirus](https://irs.gov/coronavirus). Learn how to avoid scams by subscribing to the [FTC’s consumer alerts](#), and report scams to the FTC at [ftc.gov/complaint](https://ftc.gov/complaint). Karen Hobbs, Assistant Director, Division of Consumer and Business Education, FTC, [www.consumer.ftc.gov/](https://www.consumer.ftc.gov/), April 8, 2020.

#### **11. FOLLOW IRS ON SOCIAL MEDIA, SIGN UP FOR E-NEWS SUBSCRIPTIONS FOR URGENT UPDATES ON COVID-19, SCAMS AND ECONOMIC IMPACT PAYMENT INFORMATION:**

The Internal Revenue Service reminded taxpayers, businesses, tax professionals and others to follow the agency's official social media accounts and email subscription lists to get urgent information on COVID-19 and economic impact payments. These platforms provide the latest alerts and information on various tax topics to include emerging scams.

These platforms are especially important during the COVID-19 pandemic. Recent changes to filing and payment deadlines, coupled with new business credits and economic impact payments make these free and reliable communications crucial for anyone wanting the latest information. "The IRS is committed to sharing information as quickly as possible about the economic impact payments and other tax issues related to the coronavirus," said IRS Commissioner Chuck Rettig. "IRS social media channels offer taxpayers and others another fast, easy option to get the latest details as the IRS employees continue to work hard to support the nation."

**Taxpayers can follow key IRS social media platforms.** The IRS uses several [social media](#) tools including:

- Twitter: [Taxpayers](#), [businesses](#) and [tax professionals](#) can follow the IRS handles for up to the minute announcements, tips and [alerts](#) in English and [Spanish](#).
- [Facebook](#): News and information for everybody. Also available in [Spanish](#).
- [Instagram](#): The IRS Instagram account shares taxpayer-friendly information.
- YouTube: The IRS offers video tax tips in [English](#), [Spanish](#) and [American Sign](#)

[Language](#).

- [LinkedIn](#): The IRS shares key agency communications and job opportunities.

When using social media to connect with the IRS, verify the accounts by going first to [IRS.gov/socialmedia](https://www.irs.gov/socialmedia). Taxpayers are urged to watch for IRS impersonators and other scammers, which can try imitating the IRS during crisis situations and natural disasters.

The IRS reminds taxpayers to never give out personal or financial information to anyone alleging to represent the IRS on a social media platform or in unsolicited emails, texts or calls.

The IRS also has a free mobile app, IRS2Go, where taxpayers can check their refund status, pay taxes, find free tax help, watch IRS YouTube videos and get daily tax tips. The IRS2Go app is available from the Google Play Store for Android devices, or from the Apple App Store for Apple devices. IRS2Go is available in both [English](#) and [Spanish](#).

**Get automatic updates by email.** The IRS [e-News Subscription service](#) issues tax information by email for many different audiences. It provides tips, tools and helpful materials of interest to taxpayers and organizations. The IRS offers subscription services tailored to tax exempt and government entities, small and large businesses as well as individuals. The service is easy to use; sign up by visiting IRS [e-News Subscriptions](#).

The IRS currently has 20 registration-based e-News options, including:

- IRS Outreach Connection – This newest IRS subscription offering delivers up-to-date materials for tax professionals and partner groups inside and outside the tax community. The material for Outreach Connection is specifically designed so subscribers can share the material with their clients or members through email, social media, internal newsletters, e-mails or external websites. Subscribe by visiting [IRS.gov/outreachconnect](https://www.irs.gov/outreachconnect).
- IRS Tax Tips – These brief, concise tips in plain language cover a wide-range of topics of general interest to taxpayers. They include the latest on tax scams, tax reform, tax deductions, filing extensions and amending returns. [IRS Tax Tips](#) are distributed daily during tax season and periodically throughout the year.
- IRS Newswire – Subscribers to [IRS Newswire](#) receive news releases the day they are issued. These cover a wide range of tax administration issues ranging from

breaking news to details related to legal guidance.

- IRS News in Spanish (Noticias del IRS en Español) – Readers get IRS news releases, tax tips and updates in Spanish as they are released. Subscribe at [Noticias del IRS en Español](#).
- e-News for Tax Professionals – Includes a weekly roundup of news releases and legal guidance specifically designed for the tax professional community. Subscribing to [e-News for Tax Professionals](#) gets tax pros a weekly summary, typically delivered on Friday afternoons.

For more information and other IRS subscriptions designed for specific groups, visit IRS [e-News Subscriptions](#). The resources will help taxpayers and organizations keep up with the latest information during and after filing season. IRS News Release, IR-2020-65, [www.irs.gov](http://www.irs.gov), April 3, 2020.

## **12. AVOID SCAMS WHILE FINDING HELP DURING QUARANTINE:**

Older adults may be hard hit by the coronavirus – and scammers prey on that. If you or someone you know must stay at home and needs help with errands, you'll want to know about this latest scam.

**Scammers are offering help with errands, and running off with your money.** If you're an older adult or a caregiver for one, you may need help picking up groceries, prescriptions, and other necessary supplies. If someone you don't know offers to help, be wary. Some scammers offer to buy supplies but never come back with the goods or your money. It's usually safer to find a trusted friend or neighbor or arrange a delivery with a well-known company.

If you're ordering supplies online, know who you're buying from. [Online sellers](#) may claim to have in-demand products, like cleaning, household, and medical supplies when, in fact, they don't. Use an established delivery service, or order directly from the store. Many grocery stores and pharmacies are offering contactless delivery. If you need additional help for yourself or a loved one, the [Eldercare Locator](#), a public service of the U.S. Administration on Aging, can connect you to services for older adults and their families. You can also call 1-800-677-1116.

**Are you also helping to manage someone's money?** If you're helping with basics, you might also be managing money for someone and can't be with them because of social distancing and quarantines. If so, here are some ideas:

- **Check in by phone or video chat.** Stay in touch to know how they're handling things – and so they know you're thinking about them.
- **Ask questions.** If your loved one mentions concerns about money or spotted unusual activity in their accounts, ask for details. Older adults and their family members can learn about common types of scams, as well as how to avoid and report them by checking out the [Pass it On](#) and [Money Smart for Older Adults](#) programs.
- **Financial caregivers: learn more about your responsibilities.** The CFPB's [Managing Someone Else's Money](#) guides can help you understand your role as a fiduciary. Each guide explains your responsibilities, and how to spot financial exploitation and avoid scams.

**Help keep everyone safe from scams.** Help spread the word and keep those you care about from falling for a scam, regardless of their age or health status. If you spot a scam, report it to the FTC at [ftc.gov/complaint](https://www.ftc.gov/complaint). Lois Greisman, FTC, Elder Justice Coordinator, Michael Herndon, CFPB, Acting Assistant Director, Office for Older Americans, FTC, [www.consumer.ftc.gov/](https://www.consumer.ftc.gov/), April 7, 2020.

### **13. DID YOU KNOW ROBERT MUGABE SAID THIS?:**

"How do you convince the upcoming generations that education is the key to success when we are surrounded by poor graduates and rich criminals?"

### **14. INSPIRATIONAL QUOTES:**

"Be yourself; everyone else is already taken." - Oscar Wilde

### **15. TODAY IN HISTORY:**

On this day in 1990, Maximum NY State unemployment benefits raised to \$260 per week.

### **16. REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT BENEFIT.**