



CYPEN & CYPEN NEWSLETTER for May 28, 2020

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

1. PUBLIC DEFINED BENEFITS MAY LOSE GROUND ON FUNDING PROGRESS:

“If markets remain at their current levels until June, most state and local pension plans will end fiscal year 2020 with negative annual investment returns, reduced asset values, lower funded ratios and higher actuarial costs,” says [a report](#) from researchers at the Center for Retirement Research at Boston College, with support from the Center for State and Local Government Excellence (SLGE).

However, the researchers note, while this outcome is a step backward in public defined benefit (DB) plans’ funding progress, most plans will have enough to pay benefits indefinitely. They estimate that the ratio of assets to liabilities for public plans slipped from 71% in 2019 to 69.5% in 2020. As a result of this drop in the funded ratio, the average actuarially determined contribution is estimated to rise from 18.8% to 19.7% of payroll.

Pension researchers-and some practitioners-have questioned the adequacy of actuarially determined contributions as they are commonly calculated. The report says they question the use of “overly optimistic investment return assumptions and relatively lax methods for amortizing the unfunded liability.” According to the researchers, if plans were to use investment return assumptions that more closely reflect their actual performance since 2001 and use more stringent approaches to amortize unfunded liabilities, the average actuarial contribution in 2020 would rise from 19.7% of payroll to 37.6%. “The future trajectory of plans’ funded status will depend crucially on the ability of governments to meet contributions based on more conservative investment return assumptions and more stringent amortization methods,” they say.

Projections from 2020 to 2025 show that the average funded ratio for public plans will steadily decline but, even if markets do not fully recover until 2025, most plans will emerge with enough assets to pay benefits indefinitely. The researchers extended projections under two possible market scenarios. Under the first, markets remain at current levels until June 2021 and then steadily climb to their previous peak by 2023 and, from that point forward, plans achieve their assumed return-roughly 7.2%. Under the second, more pessimistic scenario, markets remain at current levels until June 2021 but the recovery takes longer, with markets steadily climbing to their previous peak by 2025.

The result of the first scenario is that the aggregate funded status of public plans declines to 62.7% in 2025, and the actuarially determined contribution rises to 25.1% of pay. Under the more pessimistic scenario, the funded ratio drops to 55.5% and required contributions rise to 29.1% of pay. In addition, the average ratio of assets to benefits-what the researchers say is a rough measure of trust fund health-drops from 11.6 in 2020 to either 9.4 or 7.9 in 2025-meaning public pensions will have on hand assets equal to roughly eight to nine years of benefits in 2025.

However, the researchers say it is important to note that plans can sustain asset levels as long as annual investment returns exceed their cash flow. The projections show that cash flows fall from negative 3% of assets to either negative 3.8% or negative 4.5% in 2025. “Given these relatively attainable thresholds, no plans are projected to exhaust their trust fund within the next five years,” they conclude.

That conclusion is for plans in the study sample, but the researchers also looked at what would happen for plans with already extremely low funded ratios in 2020 if markets are slow to recover. For the 20 worst-funded plans, the average ratio of assets to benefits is projected to decline slightly from 5.6 in 2020 to 3.9 in 2025. That figure means that, in

2025, they will have on hand assets equal to roughly four years of benefits. Two plans in particular which have severely negative cash flows, will see their asset-to-benefit ratios deteriorate even more dramatically--ending the 2020 to 2025 period with assets equal to less than two years of benefit payments. Five plans will end up with less than three years of benefit payments saved as assets. The researchers add that for plans that exhaust their assets soon after 2025, the potential pay-go costs are significantly greater than current contributions--in some cases, more than 50% higher. Rebecca Moore, *Plansponsor*, www.plansponsor.com, May 15, 2020.

2. GOLDMAN SACHS ESTIMATES PUBLIC PENSIONS NOW LESS THAN 60% FUNDED ON AVERAGE:

Despite a strong monthly investment gain of 3.93%, the 100 largest US corporate defined benefit (DB) pension plans saw their funding ratios decline in April to 84% from 86.3% thanks to falling discount rates, according to actuarial and consulting firm Milliman. The funded status of the plans as measured by the Milliman 100 Pension Funding Index (PFI) worsened by \$58 billion and the deficit grew to \$299 billion from \$241 billion at the end of March, due to the benchmark corporate bond interest rates used to value pension liabilities tumbling 47 basis points (bps) to 2.92% from 3.39% during the month.

“That familiar antagonist--low discount rates--has struck corporate pensions again in April, eroding any market rebound pensions might have experienced,” Zorast Wadia, author of the Milliman 100 PFI, said in a release. The robust monthly investment gain increased the aggregate asset value of the plans by \$55 billion to \$1.571 trillion at the end of April. The rate of return easily outpaced the monthly median expected investment return during 2019 of 0.53%. Meanwhile, the projected benefit obligation increased by \$113 billion during April to \$1.870 trillion as a result of the falling monthly discount rate.

Over the 12 months from May 2019 to the end of April 2020, the cumulative asset gain for the plans was 5.49%, while the Milliman 100 PFI funded status deficit grew by \$159 billion. The worsening of the funded status deficit over that time is also attributed to the decline in discount rates over the past 12 months. During that period, discount rates decreased to 2.92% as of the end of April from 3.85% at the same time last year. During that time, the funded ratio of the plans decreased sharply to 84.0% from 91.7%.

Milliman said that if the 100 companies in its index were to achieve the expected 6.5% median asset return per the [2020 Pension Funding Study](#), and if the current discount rate of 2.92% was maintained through 2021, the funded ratio of the plans would increase to 86% by the end of 2020 and 89.6% by the end of 2021. For purposes of the forecast, Milliman assumed 2020 and 2021 aggregate annual contributions of \$40 billion and \$50

billion, respectively. Under an optimistic forecast that has the discount rate rebounding to 3.32% by the end of 2020 and 3.92% by the end of 2021, with strong annual asset returns of 10.5%, the funded ratio would surge to 93% by the end of 2020 and 109% by the end of 2021. However, under a pessimistic forecast that has rates falling further to 2.52% at the end of 2020 and 1.92% by the end of 2021, with tepid 2.5% annual returns, the funded ratio would drop to 79% by the end of 2020 and 73% by the end of 2021.

Milliman also reported that the estimated cost to transfer retiree pension risk to an insurer decreased slightly to 105.5% of a plan's total liabilities from 105.7% of those liabilities during April. This means the estimated retiree pension risk transfer (PRT) cost for the month was 5.5% more than those plans' retiree accumulated benefit obligation. The decrease was attributed to discount rates dropping faster than annuity purchase rates, which led to the relative cost of annuities declining slightly.

"Annuity purchase rates steadily decreased in January and February, increased 71 basis points during March and then dropped again by 51 basis points in April," said Mary Leong, a consulting actuary with Milliman. "Overall, the recent swing in rates has shown the volatility in interest rates as we continue to track annuity retiree buyout costs each month." Steffan Navedo-Perez, Chief Investment Officer, www.ai.com, May 20, 2020.

3. SHOULD YOU POSTPONE RETIREMENT OR RETIRE EARLY AMID CORONAVIRUS?:

The coronavirus pandemic has caused financial hardship for millions of families, with more than 36 million Americans filing for unemployment benefits over the last two months. The stock market has also taken a hit, causing many soon-to-be retirees to wonder how COVID-19 will affect their retirement plans. If you're nearing retirement age, you might need to be flexible with your plans for the future. It's uncertain just how long it will take for life to return to normal, and while some people may still be able to retire right on schedule amid the [COVID-19 crisis](#), others may need to either postpone retirement or consider retiring early.

The case for postponing retirement

There are several advantages to delaying retirement by a few years. First, it gives you more time to build a healthy nest egg. Just over 60% of Americans say the coronavirus pandemic has negatively affected their ability to save for the future, according to a survey from Country Financial, so if you're struggling to save right now, pushing retirement back by a year or two can make it easier to save more.

Another advantage of postponing retirement is that it will help you avoid withdrawing your

savings during a recession. If you can help it, it's best to avoid selling your investments when stock prices are lower. When you've been investing for decades, withdrawing your savings in the middle of a market downturn is essentially buying high and then selling low. Because the market is so volatile right now, it may be a good idea to delay retirement by a couple of years so you can avoid tapping into your savings until the economy is in better shape.

Of course, many older adults may not want to continue working longer than they'd planned, so while delaying retirement may look good on paper, in practice it may be difficult to pull off. If you have health issues or other reasons to believe you won't be able to work longer, be sure to take that into consideration.

When it's best to retire early

Postponing retirement assumes you're fortunate enough to continue working for as long as you'd like, and not everyone has that luxury. Older adults are losing their jobs at an alarming rate, with the unemployment rate among Americans age 55 and older jumping from 3.3% in March to 13.6% in April, according to the Bureau of Labor Statistics.

If you lose your job due to COVID-19, you can either rely on your [emergency fund](#) for as long as possible while you look for another job, or you can retire early. You might qualify for unemployment benefits if you lose your job but depending on what state you live in and how much you're eligible to collect, those benefits may not be enough to live on. If you can't survive on unemployment and you have little to no emergency savings, you may have no choice but to retire early.

In some cases, though, you might choose to retire early even if you don't have to. If you have a robust retirement fund, for example, you might be able to afford to retire now. You may also be able to [start collecting Social Security benefits](#) if you're at least 62 years old, which can provide additional income. Then if you change your mind down the road and want to start working again, that's still an option. Retirement isn't permanent, so even if you choose to retire early, that doesn't necessarily mean you'll never find another job later.

Which option is best for you?

Whether you decide to postpone retirement or retire early depends on your situation. If you still have a job and your savings have taken a hit over the last few months, delaying retirement to give yourself more time to prepare may be a wise move. In addition, when you're not withdrawing your investments during a recession, that can also help your money last longer. On the other hand, if you lose your job and don't know when you'll be able to find another one, you might choose to simply retire earlier than you'd planned. If

you have plenty of savings set aside, you may be able to enjoy retirement comfortably. Otherwise, you might choose to go back to work in a few years when jobs aren't so scarce to build a stronger retirement fund. Whatever option you choose, make sure you've thought about the advantages and disadvantages so you know you're making the best decision for your situation. Katie Brockman, www.dailyjournalonline.com, May 20, 2020.

4. THE OUTLOOK FOR DIVIDENDS IN A RECESSIONARY WORLD:

Key Takeaways:

- Many corporate dividends are at risk for political, social and economic reasons
- Certain companies within industries such as consumer staples, pharmaceuticals, technology and utilities may offer greater dividend safety relative to companies in other industries
- Despite near-term risks, dividends remain an important component of total return amid interest-rate cuts around the world

The environment for dividends has become challenging given the sudden shutdown of most of the global economy. In periods of economic duress, dividend cuts and suspensions are not unexpected. What's been less anticipated is the degree to which ethical and social considerations are influencing dividend policy in a wide range of industries. It's affecting the mindset of companies regardless of their financial strength or the stability of their business. This comes at a time when companies in many industries typically associated with dividend payments were already faced with evolving business dynamics spurred by technological and other changes.

Capital does not intend to suggest that the outlook is bleak for dividend-oriented strategies and investors. Even in this environment, some companies have maintained payouts and even raised them. But it does require a heightened awareness of the challenges that companies face and an active approach to portfolio management.

They believe that over long periods, dividends will remain an important component of total return and provide an income stream that investors, retirees and charities may depend on, especially as many investors expect interest rates in developed markets to remain low for an extended period. They discuss the challenges facing companies and investors as well as the potential path forward. The complete paper can be found [here](#). Marc Nabi and Dale Hanks, Capital Group, www.capitalgroup.com, May 18, 2020.

5. HOLLYWOOD (FLA.) EMPLOYEES ADDS TARGET ALLOCATION FOR EMERGING MARKETS:

Hollywood (Fla.) Employees' Retirement Fund added a target allocation to emerging markets equities and increased targets to private credit and private equity, as a result of a recent asset/liability study. The \$312 million pension fund's board approved the creation of a new 5% target to emerging markets equities and increasing the targets to private credit to 8.8% from 3.8% and private equity to 10% from 7.5% at its April 28, 2020 meeting, recently released minutes show.

The creation of the emerging markets equity allocation will be funded by the elimination of the international small-cap equity target of 5%. As of March 31, 2020 [Brandes Investment Partners](#) ran \$10 million in an active international small-cap equities. The board also approved reductions of the target allocations to domestic large-cap equities to 17.5% from 20%, international equities to 12.5% from 15% and core real estate to 2.5% from 5%. Targets that remain unchanged are: 26.3% core fixed income; 10% domestic small-cap equities; 3% value-added real estate; 2.5% infrastructure; and 2% opportunistic real estate. The total exceeding 100% is a result of rounding. As of March 31, the actual allocation was: 31.5% core fixed income; 18.6% domestic large-cap equities; 17.8% international equities; 11.2% real estate; 10.3% private equity; 7.3% domestic small-cap and smidcap equities; 3.1% infrastructure; and 0.2% cash. Rob Kozlowski, *Pension & Investments*, www.pionline.com, May 21, 2020.

6. CARES ACT MAY HELP DB PLANS AVOID FUNDING-BASED LIMITATIONS:

In early April, the Coronavirus Aid, Relief and Economic Security (CARES) Act released guidance amending Internal Revenue Code (IRC) Section 436--also known as the look-back rule--which affects payments of accelerated benefit distributions and other benefits. The rule allows plans to use 2019's adjusted funding target attainment percentage (AFTAP) instead of 2020's. The rule is especially important, given that certain benefit restrictions apply if a plan falls below a certain funded status. Althea R. Day, partner at Morgan Lewis, explains that if a plan has a funded ratio of 80% or more, it is deemed financially sound. However, anything less than 80% would require a 50% reduction in accelerated payments, and if a plan was 60% funded or less, it would result in a total prohibition of accelerated benefit payments. There are also limitations for future benefit accruals and implementation of benefit increases triggered by plan underfunding or plan sponsor bankruptcy. Details of funding-based limitations are outlined in [a blog post](#) on law firm Morgan Lewis's website.

The market downturn attributed to COVID-19 will likely adversely affect most plans, and many will struggle to recover. However, if employers use last year's AFTAP number, as long as their funding level was 80% or higher in 2019, it won't trigger benefit reductions for 2020, says Day. "If they're above the 80% funded mark and they've got their AFTAP

certification for that plan year that says they're above that limit, then they're good for this year," she adds. However, no guidance has been released on what employers will do when it's time to calculate funded ratios for 2021.

To avoid a [potential low funded ratio](#) for next year, Day recommends plan sponsors make contributions throughout 2020 and, if possible, increase funded status and avoid the limit. "It's really sort of the perfect storm," she says. "Because it is going to be tough for some of these companies to come up with additional cash to put into their DB plans to avoid restrictions." It is important to add that under the CARES Act, employers can waive their quarterly contributions, but they must do so no later than January 1, 2021, says Charles Clark, director of Employee Benefits Research at Milliman. The contributions will not be completely waived, however, and employers will need to make payments before or on the first day of the new year, he warns.

These rules apply to both calendar and non-calendar plans. Those with starting dates of March 1, April 1 and May 1 may have experienced abysmal investment returns, so using the previous year's AFTAP can save these plans from restrictions. "What we anticipate is that there may be some hardships for the plans that have the ERISA [Employee Retirement Income Security Act] and tax code measurement dates post-pandemic. Despite the recovery in the financial markets, these plans could be more inclined to use the look-back rule that the CARES Act provides," Clark says. For example, if a plan's Section 436 funded ratio measurement was 85% in 2019 but fell to 75% in 2020 due to COVID-19 market effects, they can use the look-back rule to deem their funded ratio as the past year's, which in this case is 85%. If a company was close to facing bankruptcy as a result of the pandemic, depending on what part of the company capitalization the pension plan stacks up to, it may use the look-back rule as well, Clark adds.

DB plan sponsors with non-calendar year plans--which reset on dates in accordance to the plan--can also look at using their funded ratio statuses from 2019, Day notes. Amanda Umpierrez, *Plansponsor*, www.plansponsor.com, May 15, 2020.

7. FOREIGN CORRUPT PRACTICES ACT REPORT INCLUDES BIGGEST SETTLEMENT EVER:

During the first quarter of 2020 Cardinal Health paid the SEC \$8.8 million to settle Foreign Corrupt Practices Act (FCPA) offenses. The company was charged with violating books and records and internal accounting controls provisions. It disgorged \$5.4 million and paid a civil penalty of \$2.5 million. In January, Airbus SE reached a \$4 billion global settlement of bribery-related charges with U.S., French, and UK prosecutors. The penalty of \$2.09 billion the DOJ collected as a result of a deferred prosecution agreement was the biggest

FCPA enforcement action ever. Airbus also paid a criminal penalty of \$232.7 million to settle ITAR-related charges and forfeited a \$55 million bond in an ITAR-related matter. In March, Roger Richard Boncy, a dual U.S. and Haitian citizen, was granted a new trial following his 2019 jury conviction on FCPA and Travel Act conspiracy charges. The DOJ accused Boncy of soliciting bribes from undercover agents. The judge ruled that his co-defendant's ineffective counsel had prejudiced his right to a fair trial. In a January SEC filing, Uber Technologies, Inc. said that it received notice that the DOJ closed its investigation into possible FCPA violations in Indonesia, Malaysia, China, and India, among other countries, and "will not be pursuing enforcement action."* Uber had disclosed the FCPA investigation in April 2019. Read the full article at: [FCPA Blog](#). Today's General Counsel, www.todaysgeneralcounsel.com, May 21, 2020.

8. COLLEGES LOWER THE BOOM ON RETIREMENT PLANS:

Facing devastating financial losses related to the coronavirus pandemic, colleges and universities are cutting costs just about everywhere they can. Increasingly, that includes faculty and staff retirement benefits. Duke, Georgetown, Northwestern and Texas Christian Universities are some of the institutions to announce cuts to retirement contributions in recent days. Some of these decisions have been more severe and more controversial than others.

One-Year Contribution Suspensions

At Duke, President Vincent Price said in a campus [memo](#) that the university is cutting contributions to the Duke Faculty and Staff Retirement 403(b) plan for a year, starting July 1. This follows a hiring freeze, suspension of salary increases, new construction holds and other measures. The goal, Price said in the announcement, is to reduce projected expenditures by between \$150 and \$200 million within the next fiscal year to "sustain the university's academic programs for the near-term."

While cutting retirement is "painful," he said, it affects only deferred income for a year. Approximately 300 university employees who earn more than the federal 403(b) contribution threshold of \$285,000 also will have their salaries reduced by 10 percent of the amount above the threshold.

Georgetown president John J. DeGioia also [announced](#) that the university will suspend all contributions to its employee retirement plan for the coming year, starting next month. "These contributions would have required \$47 million in the coming year," he wrote in a campus message. "If we find ourselves in a stronger financial position during the coming year, we will revisit this decision."

Same story at Northwestern. President Morton Schapiro, Interim Provost Kathleen Hagerty and Craig Johnson, senior vice president for business and finance, wrote in a [financial update](#) that they anticipate a shortfall of roughly \$90 million for the 2020 fiscal year.

“Even if we resume on-campus activity in the fall, as we hope to do by phases, we are likely to see a significant shortfall in the 2021 fiscal year as well, perhaps as great as or greater than what we are experiencing this year,” they said. Restricting hiring, pausing travel and discretionary spending, and deferring most capital improvement projects -- all of which were previously announced -- will halve that deficit, they said. But more cuts are needed. Northwestern is therefore cutting administrators’ pay, increasing the rate of withdrawals from its endowment and suspending the 5 percent automatic contribution and 5 percent matched contribution to retirement plans.

The retirement reduction is scheduled for June 11 through December, “at which point we will evaluate when we might be able to resume the contributions,” Shapiro and his colleagues wrote. “We expect this action alone will save the university tens of millions of dollars and considerably reduce the possibility of further cuts.” As is the case elsewhere, employees may continue to contribute to their individual plans.

Permanent Cuts at Texas Christian

No one wants to see their retirement contributions cut, least of all employees closest to retirement. But these cuts have been particularly ill received at Texas Christian, where some faculty members say the university is using the crisis to wage a longer-term battle against employee retirement benefits.

The cuts at Texas Christian also appear to be permanent, unlike the temporary suspensions at Duke, Georgetown and Northwestern. Chancellor Victor Boschini last week [announced](#) a reduction in the percentage the university contributes to employee retirement accounts, from the current 11.5 percent to 8 percent. The reduction starts in June.

The university also recently said it is reducing its contribution to health insurance for retirees. Previously, retirees received \$225 per month toward purchasing health insurance. Starting in January, employees 45 or older will continue to be eligible for that benefit, but younger employees will not. Instead, they may only contribute to a defined contribution model for retiree health benefits. “This news is difficult to deliver, but this reduction will result in significant cost savings to our overall budget and will allow TCU to still maintain competitive employee benefits for current and future employees,” Boschini

said in his email to employees. “We know that some universities are wholly suspending, offering significantly lower contributions, or requiring an employee match for retirement account contributions during this time.”

Texas Christian earlier announced a set of voluntary coaching and executive salary reductions, hiring freezes, and a planned 20 percent reduction in the coming fiscal year’s operating budget. Boschini noted that the 8 percent contribution rate is in line with the rate for new employees that was previously announced in April. But some professors say it’s also what the university was seeking for all employees long before the public health crisis.

“Although TCU has framed the cut to benefits as a response to COVID, the Board of Trustees and administration have sought to reduce employee benefits for some time,” said Andrew Ledbetter, a communications professor. He recalled that Boschini approached the University Compensation Advisory Committee, on which Ledbetter sits, last fall and told members to find a way to reduce benefits expenditures to make them sustainable.

The university-wide committee repeatedly asked for detailed financial and other data as to why this was the case, Ledbetter said, “but the administration provided us with virtually no information.” In response, the committee and the Faculty Senate gathered publicly available information to inform their own analysis. Their findings were that the university’s compensation package was not unsustainable and could even be more competitive with packages offered by peer and aspirant institutions in order to attract and retain top scholars, including those from underrepresented groups.

The faculty previously chided the administration in 2013 for making changes to retiree health care benefits without consulting the Faculty Senate. The senate reaffirmed a related resolution about shared governance with respect to benefits in 2018. “Faculty and staff realize we must make shared sacrifices for the good of the university and particularly our students,” Ledbetter said. Yet what’s “concerning is the permanent nature of the compensation reductions,” especially after “the massive effort of transitioning courses and programs online.” Jack Hill, professor of religion at Texas Christian, said that “shared governance requires shared information.” That includes information about the university’s financial status, with which the university has not been forthcoming, he said.

From a more personal standpoint, Hill said, “Many of us, myself included, accepted modest salaries when we joined the TCU faculty because TCU’s benefits package was slightly better than those of our peer institutions.” Now, while other areas of the budget remain apparently untouched, “faculty and staff pensions have been effectively reduced

by 30.4 percent without any promise that any effort will be made to restore them once the pandemic is over.”

Asked about faculty concerns, Texas Christian said in a statement that “like all universities across the country, TCU is adjusting operations and budgets to accommodate changes related to the coronavirus pandemic.” The statement said the university “has had discussions about cost reductions in the normal course of business,” and given the “material impact this pandemic is having on universities and organizations across the globe, it is necessary to align benefits with a sustainable cost structure and also maintain a competitive benefit package.” The faculty and staff’s “primary focus is supporting students and families as we prepare for a safe return to campus in August.”

A Last Resort

Of course, retirement contributions are offered mostly to full-time professors. The majority of instructors who are part-time or create full-time work for themselves with part-time teaching gigs are excluded more often than not.

Glenn Colby, senior research officer at the American Association of University Professors, said about 97 percent of full-time faculty members earn additional compensation in the form of contributions by their institutions or state or local governments toward retirement plans, based on the group’s [annual faculty compensation survey](#). The average combined expenditure on retirement is 10.7 percent of the average salary of faculty members who are covered.

Some 38 percent of U.S. institutions surveyed contribute toward retirement plans for some or all part-time faculty members, and 37 percent of institutions contribute to premiums for medical insurance plans. Among doctoral institutions, part-time faculty are more likely to receive benefits, with 52 percent of institutions contributing to retirement plans and 60 percent contributing to medical insurance plans.

In any case, it appears that cutting retirement benefits is something of a last resort for many institutions. Announcements about faculty hiring freezes and even furloughs and layoffs preceded those about cutting retirement benefits. As recently as mid-April, a minority of U.S. institutions said they were planning to suspend retirement benefits as part of their COVID-19 response strategy, according to a [survey by EAB](#), an education best practices firm. It was an unpopular option, followed only by delaying payments to vendors and “other.” Andy Brantley, president and CEO of the College and University Professional Association for Human Resources, said campus leaders are grappling with budget challenges as the new fiscal year starts, which in most cases happens July 1.

It's "difficult, if not impossible, to manage these budget challenges without impacting the higher education workforce," Brantley said. As leaders work to minimize layoffs and furloughs and continue to provide various benefits to faculty and staff members, "making temporary adjustments to retirement contributions is just one option" to close budget gaps "and keep as many employees on the payroll as possible during these very challenging times." Colleges and universities faced challenging times around the 2008 recession, as well, and sometimes resorted to cutting retirement contributions to manage then. That caused some faculty members to [delay retirement](#) for financial reasons.

Doug Chittenden, executive vice president and head of institutional relationships at TIAA, an investing and retirement planning firm, said while there are similarities between institutional responses to 2008 and now, "the main difference is in the severity of the impact of the current crisis across all institutions, big or small, private and public."

He noted that after the 2008 recession, roughly 13 percent of institutions suspended contributions, while 5 percent of institutions reduced contributions. Smaller, less well-funded institutions took the brunt of that economic downturn and "it ultimately took about two years postcrisis for institutions to reinstate contribution rates to prior levels," he said. The current public health crisis, by contrast, is "impacting institutions across the board," Chittenden explained. While some large institutions have already reduced or eliminated contributions for the next fiscal year, "the numbers are increasing as the crisis continues, and the big unknown is how long the current situation will last." Colleen Flaherty, Inside Higher ED, www.insidehighered.com, May 21, 2020.

9. CREDIT RATERS GET SLAMMED ONCE AGAIN AS TOO LENIENT:

The big credit rating agencies came under fire at a Washington hearing Thursday, in what may be a curtain raiser for a new assault on how they do business. All very reminiscent of the flak they got due to the financial crisis a dozen years ago. Appearing before a panel of the Securities and Exchange Commission (SEC), critics lambasted the agencies -- primarily the biggest, Moody's Investor Service and Standard and Poor's -- for being too lenient on the companies and other debt issuers that they rate.

The raters were guilty of "overvaluation" of many debt issuers in the previous crisis and they still are, said Marc Joffe, senior policy analyst at the Reason Foundation, the libertarian think tank. The agencies took a public pasting in the wake of the 2008-09 crisis because of their thumbs-up grades for investment vehicles laden with toxic mortgages, which ended up going bust and losing investors a lot. As a consequence, regulators and Congress compelled them to make greater disclosure of their methods and also allowed

more federally sanctioned competitors. The result, though, is that none of these fledgling rivals has come close to threatening the big two, or their smaller peer, Fitch Ratings.

Now, as a harsh recession (thus far unofficially declared) gathers force, a rash of business failures is expected. Leading up to today's coronavirus-induced economic downturn, there has been Wall Street grumbling that the agencies allowed too many highly indebted companies to remain in investment grade. Lately, and detractors would say belatedly, several have been downgraded to junk status, with a lot more to come. Joffe complained that two commercial mortgage-backed securities, which package bonds backed by real estate loans, have been highly rated -- and now are shuttered, due to the pandemic lockdown, which makes their futures questionable. One such investment pool is attached to Destiny USA, the mega-mall in Syracuse, New York, and the other to the MGM Grand and Mandalay Bay casinos in Las Vegas. Neither company could be reached for comment.

Joseph Grundfest, a Stanford law professor, told the SEC committee that the "duopoly" of S&P and Moody's needed better competition. His suggestion: a new agency, sponsored by institutional investors who are the buyers of rated debt. "Otherwise," he said, "we're just fiddling around the edges." Van Hessen, chief strategist at upstart Kroll Bond Rating Agency, said too many bond buyers depend on the large agencies' letter ratings (AAA from S&P, for instance, is top of the line), when they should be looking at other factors, such as odds of default. Kroll, which was founded in 2010, touts its own letter grades as giving greater weight to default risk.

Defending S&P, its head of global ratings services said that since the '08-'09 crisis, the major agency has been subject to much more regulation. "That has been a transformation," Yann Le Pallec said. S&P was vigilant at preventing conflicts of interest, he added, such as by banning analysts from sales pitches. "We agree that people shouldn't just rely on us" when assessing buying bonds, he said. It's doubtful that the SEC, under the more lenient rule of Chairman Jay Clayton, is about to start cracking down on the big raters anytime soon. Still, if a rash of failures of well-rated issuers happens, the widespread lambasting of the agencies could well recur. Larry Light, Chief Investment Officer, www.ai.com, May 22, 2020.

10. HERE ARE ANSWERS TO A FEW COMMON QUESTIONS ABOUT ECONOMIC IMPACT PAYMENTS:

As people receive their [Economic Impact Payments](#), they might have questions about their payment, the amount, and how they get it. The IRS updates the [Economic Impact Payment](#) and the [Get My Payment tool](#) frequently asked questions pages on IRS.gov as

more information becomes available. Here are answers to a few common questions.

What if the bank account number used on the taxpayer's recent tax return is closed or no longer active? Can the person have their payment mailed?

If the account is closed or no longer active, the bank will reject the deposit. The IRS will issue a check and mail to the recipient's address the agency has on file. This is generally the address on the recipient's most recent tax return or as updated through the United States Postal Service. The taxpayer does not need to call the IRS to change their payment method or to update their address at this time.

The IRS will mail a letter about the payment to each recipient's last known address. They will mail the letter within a few weeks after the payment is made. This letter shows information on how the payment was made.

What about someone who owes tax, has a payment agreement with the IRS, owes other federal or state debts, or owes past-due child support. Will their Economic Impact Payment be reduced or offset?

No, with one exception. The payment can be offset only by past-due child support. If an offset occurs the Bureau of the Fiscal Service will send the recipient a notice.

The law limits offsets of Economic Impact Payments to past-due child support. No other Federal or state debts that normally offset someone's tax refunds will reduce the EIP. Nevertheless, the Economic Impact Payments are not protected from garnishment by creditors once the proceeds are deposited into an individual's bank account.

The person requested a direct deposit of my payment. Why is the IRS mailing it as a check?

It is possible the IRS does not have the correct bank account information for you, or your financial institution rejected the direct deposit. In either case, your payment will be mailed to the address we have on file for you.

Can someone have their Economic Impact Payment sent to their prepaid debit card?

Maybe. It depends on the prepaid card and whether their payment has already been scheduled. Many reloadable prepaid cards have account and routing numbers. These numbers could be provided to the IRS through the Get My *Payment* application or Non-Filers: Enter Payment Info Here tool. The taxpayer would need to check with the financial institution to ensure their card can be reused. They'll also need to get the routing number

and account number, which may be different from the card number.

Anyone who got their prepaid debit card through the filing of a federal tax return must contact the financial institution that issued the prepaid debit card to get the correct routing number and account number. They should not use the routing number and account number shown on their tax return. When providing this information to the IRS, the taxpayer should indicate that the account and routing numbers are for a checking account, unless their financial institution indicates otherwise. COVID Tax Tip 2020-60, www.irs.gov, May 21, 2020.

11. DID YOU KNOW ALBERT EINSTEIN SAID THIS?:

"In the middle of difficulty lies opportunity."

12. INSPIRATIONAL QUOTE:

"Don't worry about failures, worry about the chances you miss when you don't even try." - Jack Canfield

13. TODAY IN HISTORY:

On this day in 1937, the Golden Gate Bridge in San Francisco opens to vehicular traffic.

14. REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT BENEFIT.